



February 27, 2019

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Ayindé Rudolph, Ed.D.
Superintendent
Mountain View Whisman School District
750 A San Pierre Way
Mountain View, CA 94043

Dear Dr. Rudolph:

Thank you for allowing School Services of California, Inc., (SSC) to assist the Mountain View Whisman School District (District) in a comprehensive Budget Review.

Scope and Methodology

The District requested SSC to perform a Budget Review, which involved analyzing each major revenue and expenditure category for the General Fund and ancillary funds (to the extent those funds have a fiscal impact on the General Fund). The review was not an audit, but was designed to give the District a fair and independent assessment of the current District finances.

The review of revenues and expenditures included:

- An examination of projected enrollment and average daily attendance (ADA)
- Review of assumptions for local property tax collections
- Verification of State Budget assumptions for one-time sources and other state and categorical funds
- A review of budget assumptions for federal revenues, interest income, and other local sources
- Verification of budgeted salary and benefit amounts
- A review of budget assumptions for the expenditures of supplies, operational items, and capital outlay
- A review of fund balances and potential sources of funds
- Telephone interviews as needed with select District staff members

In this report we include the Budget Review findings for each major revenue and expenditure category examined. If certain budget assumptions were found not to be reasonable and the amounts are significant, we have suggested budget revisions be made.

Budget Review

The Budget Review involved a detailed examination of the 2017-18 Unaudited Actuals report, the 2018-19 Adopted Budget, and the District's draft Second Interim report and multiyear projection (MYP). We also analyzed the District's Second Interim budget reports in previous fiscal years (2014-15 through 2017-18) as compared to the Unaudited Actuals reports in each of those years to determine and analyze historical budget trends.

Normally our focus during a Budget Review is on the unrestricted side of the General Fund as an indicator of fiscal solvency and the availability of discretionary resources that can be used by the Board of Education for any educational purpose. However, since the District also relies upon significant restricted sources for its programs, such as a parcel tax and donated funds, our review considers the total General Fund where appropriate.

Budget Monitoring

A budget is not a static document. Changes to revenues and expenditures occur throughout the budget cycle due to state-influenced factors—both positive and negative—and local factors based on Board priorities, staffing needs, program changes, unforeseen circumstances, and more. In addition to the state-required Adopted Budget each year, the District is required to update its budget at state-determined intervals during the year: the First Interim report, the Second Interim report, and Estimated Actuals with the next year's Adopted Budget.

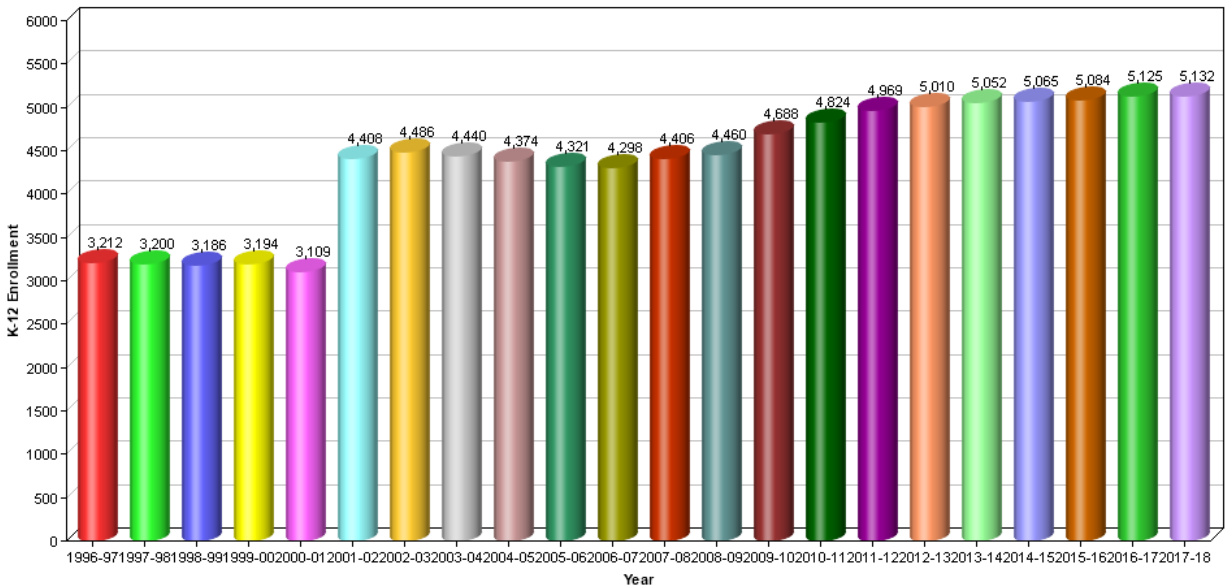
Based upon our review of the District's budgets that were provided, we can see that, as best practice would dictate, revisions are made for each of the reporting periods.

Enrollment and ADA

Enrollment projections form the basis for most school district revenues and expenditures—enrollment drives ADA, unduplicated student counts, and staffing, primarily. For most school districts ADA and unduplicated student counts drive most of the discretionary revenues received through the Local Control Funding Formula (LCFF). However, because the District is community funded due to the local property taxes collected, it does not receive an LCFF entitlement. ADA in this case drives staffing and other expenditures but only a small portion of revenues, such as the Education Protection Account (EPA), Mandated Cost Block Grant, Special Education, and Lottery funds.

Over the last ten years student enrollment increased by almost 17%, from 4,406 in 2007-08 to 5,132 in 2017-18. Enrollment has been relatively flat in the most recent years, as illustrated in Figure 1:

Figure 1: Mountain View Whisman Student Enrollment



Source: California Department of Education

The District is projecting flat enrollment and ADA in the future. Figures 2 and 3 display the District’s actual enrollment and ADA for the previous three years and the projected enrollment and ADA for the subsequent three years.

Figure 2: Prior-Year Enrollment and ADA

	2015-16	2016-17	2017-19
Enrollment	5,084	5,125	5,132
ADA	4,923	4,944	4,969
ADA Change From Prior Year	—	21.00	25.00
ADA-to-Enrollment Ratio	96.83%	96.47%	96.82%

Source: District LCFF Calculations

The District’s enrollment and ADA as estimated for the 2018-19 Second Interim Budget and MYP is as follows:

Figure 3: Projected Enrollment and ADA

	2018-19	2019-20	2020-2021
Enrollment	5,115	5,061	5,061
ADA	4,970	4,970	4,970
ADA Change From Prior Year	1.00	—	—
ADA-to-Enrollment Ratio	97.17%	98.20%	98.20%

Source: District LCFF Calculations

We note that increasing or flat enrollment and ADA place pressure on the District’s budget because new students do not generate additional revenues as with districts funded by the LCFF. Rather, the District must deploy other resources to serve students—which means staff, supplies, technology, and facilities-related costs—as expenditures increase on the natural for reasons not related to student enrollment. Balancing services to students with other operational demands continues to be a challenge for the District’s budget.

Revenues

As previously mentioned, the District’s primary revenue source is from local property taxes. This, along with minimal state aid and the EPA, constitute the revenues from all LCFF-related sources for the District. Figure 4 illustrates the most recent trend for the District’s revenues from local property taxes and other LCFF sources:

Figure 4: Prior-Year Property Tax Revenues and Other LCFF Sources

	2013-14 LCFF Calculation	2014-15 LCFF Calculation	2015-16 LCFF Calculation	2016-17 LCFF Calculation	2017-18 Unaudited Actuals
Local Property Taxes	\$29,492,312	\$32,414,698	\$36,709,209	\$41,474,688	\$46,131,199
In-Lieu to Charter	(\$95,782)	(\$119,326)	(\$173,773)	(\$99,291)	(\$107,843)
State Aid	\$3,544,032	\$3,714,457	\$3,714,457	\$3,714,457	\$3,714,457
Education Protection Account	\$974,602	\$977,850	\$984,974	\$989,142	\$993,944
Total	\$33,915,164	\$36,987,679	\$41,234,867	\$46,078,996	\$50,731,757
% Increase/(Decrease) from Prior Year		9%	11%	12%	10%

Source: District Standardized Account Code Structure reports and LCFF calculations

Given the above trend for local revenues, the District has projected the following in its budget and MYP:

Figure 5: Projected Property Tax Revenues and Other LCFF Sources

	2018-19 Budget	2019-20 Projected	2020-21 Projected
Local Property Taxes	\$48,921,879	\$51,367,973	\$52,909,012
In-Lieu to Charter	(\$111,830)	(\$1,475,495)	(\$1,917,389)
State Aid	\$3,714,457	\$3,714,457	\$3,714,457
Education Protection Account	\$994,134	\$994,134	\$994,134
Total	\$53,518,640	\$54,601,069	\$55,700,214
% Increase/(Decrease) from Prior Year	5%	2%	2%

Source: District MYP dated September 18, 2018

These estimates include a significant increase in the in lieu of property taxes transfer estimated for the opening of a new charter school in the District starting in 2019-20. The transfer is estimated at \$111,830 in 2018-19 and grows to \$1,475,495 in 2019-20. Based upon our review of the District’s projections for local property tax revenues and other LCFF sources, we believe the District’s estimates are reasonable.

The estimated revenues for 2018-19 reflect an increase of approximately \$2.8 million from the 2017-18 funding level. While this increase appears to be substantial, some of the change in revenue does not actually increase resources available to the District. This is because of the following issues that must be considered in budgeting for the current and future fiscal years:

- Even though the District is not funded through the LCFF, it must still calculate its entitlement under the LCFF each year and must comply with the regulations related to the LCFF. The LCFF provides additional resources to both restore base funding lost during the Great Recession and to increase or improve services for those students that are eligible to generate supplemental and concentration grant funding. Supplemental and concentration grant funding is based on the percentage of students enrolled that are English learners, foster youth, or eligible for the free and reduced-price meals (FRPM) program. That percentage for the District is estimated at 40.70% (based upon a three-year rolling average). State statutes and regulations require that the proportion of increased funding a school district receives as a result of the percentage of eligible students enrolled is accounted for in the district’s Local Control and Accountability Plan (LCAP). Therefore, the District must recognize that a proportional share of its LCFF entitlement must be used to provide increased or improved services targeted to meet the needs of eligible students, and this should be taken into account during budget preparation and planning whenever the District is considering its future expenditure commitments. The amount of supplemental and concentration grant funds reflected in the District’s 2018-19 LCFF entitlement is \$3,210,017.

- Increasing revenues are also required to fund automatically increasing costs such as step and column movement, contributions to the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), etc.

At the bargaining table, we recommend that the District only consider additional revenues as potentially available for funding across-the-board proposals after all other claims on the new revenues have been funded—including step and column movement, fuel cost increases, utility cost increases, increases required for pension contributions, increasing health benefit costs, and the use of supplemental and concentration grant funds to further the goals specified in the LCAP.

The state provides Lottery funding in two distinct revenue streams. One revenue stream, which is estimated by the state at \$151 per ADA, is provided to local educational agencies (LEAs) as unrestricted funds that can be used for any educational purpose. The second revenue stream, which is estimated by the state at \$53 per ADA, is provided to LEAs as restricted funds and must be used for the purchase of instructional materials as defined by Education Code Section 60010. Note that these funding sources are based on economic factors related to California Lottery activity and are not subject to a COLA like some other school district revenue sources. The District's estimates for Lottery revenues in the budget and MYP appear reasonable.

The final State Budget for 2018-19 provided a cost-of-living adjustment for the Mandate Block Grant along with one-time discretionary funds of \$184 per ADA, which are appropriately reflected in the District's Second Interim budget. The one-time funds are appropriately removed in the subsequent years of the MYP. As a reminder, one-time discretionary funds should only be applied to one-time uses such as increasing reserves or purchasing instructional materials, textbooks, technology, etc.

The District receives local revenues from a parcel tax that is effective through June 30, 2025, and provides specified enhancements to the educational programs. The estimated annual revenues from the parcel tax are approximately \$3 million. The District receives additional support from the local community, including local grants and donations, the most significant of which is from the Shoreline Joint Powers Authority. An annual contribution of approximately \$3 million is dedicated to providing technology for use by students and teachers in the classroom as well as the infrastructure that is needed to support classroom technology.

We believe the rest of the District's assumptions for General Fund revenues appear reasonable.

Expenditures

The most significant area of expenditure for the District is on personnel salaries and benefits. Expenditures on salaries and benefits will continue to grow due to programmatic needs, unfunded Special Education costs, increasing health benefit costs, and the increases in the employer contribution rates for CalSTRS and CalPERS.

Total General Fund expenditures for salaries and benefits (Object Codes 1000-3000) are shown in Figure 6:

Figure 6: Total General Fund Salaries and Benefits

	2017-18 Unaudited	2018-19 Budget	2019-20 Projected	2020-21 Projected	Increase from 2017-18 to 2018-19
Certificated Salaries	\$29,147,868	\$31,788,366	\$32,055,839	\$32,588,992	9%
Classified Salaries	\$11,833,036	\$12,232,845	\$12,266,376	\$12,395,672	3%
Employee Benefits	\$16,322,775	\$18,015,686	\$18,907,019	\$19,947,820	10%
Total	\$57,303,679	\$62,036,897	\$63,229,234	\$64,932,484	8%

Source: District SACS reports

The draft Second Interim budget reflects a net increase in staffing costs of 8%. The budget and MYP reflect a net increase in staffing for 2018-19 and for 2019-20. The current budget reflects the ongoing salary settlements with employee groups for 2018-19, which includes a one-time off-schedule increase that has been appropriately removed in the projections for the subsequent years.

The District has in place a soft cap on the District’s contribution to employee health benefits, which is tied to the premiums for certain health plans depending on the employee group. The soft cap provides some protection for the District from automatic cost increases that have been significant in recent years and are expected to continue. The District’s draft Second Interim MYP includes an estimated 5% increase in the premium costs for 2019-20 and 2020-21.

The collective bargaining agreement (CBA) between the District and the Mountain View Educators Association includes language for a Join Benefits Committee, the purpose of which is to explore cost containment measures. Any type of cap on the District’s contribution to health benefits is a way to incentivize employees to make more prudent health care decisions, and the sharing of cost-savings ideas through a mechanism such as a benefits committee can result in reduced premium costs, or at least premium increase mitigation, which helps all parties in the long run.

The CBAs between the District and its bargaining units provide for postemployment benefits for qualified employees; similar benefits are also provided to management and confidential

employees. The benefit is no longer offered to employees hired after January 31, 2010. The latest actuarial study measures the District’s future liability for other postemployment benefits (OPEB) to be approximately \$9.5 million as of July 1, 2017. The District has set aside funds for this purpose in Special Reserve Fund for Postemployment Benefits (Fund 20), but since the funds are not in an irrevocable trust they are not counted by the actuary as assets to offset the liability. The District has included \$276,852 per year in its draft Second Interim budget and MYP for the pay-as-you-go premium amounts for current retirees. We note that the expenditures for OPEB are appropriately allocated to restricted programs by following the guidance from the CDE.

The District has included in its expenditure budget the increases in contribution rates for CalSTRS and CalPERS, as follows in Figure 7:

Figure 7: Employer Contributions to Employee Pensions

	2017-18	2018-19	2019-20	2020-21
CalSTRS	14.430%	16.280%	17.100%	18.100%
Increase from Prior Year		1.850%	0.820%	1.000%
CalPERS	15.531%	18.062%	20.700%	23.400%
Increase from Prior Year		2.531%	2.638%	2.700%

Source: CalPERS, CalSTRS, and Governor Gavin Newsom’s Proposed Budget for 2019-20

As can be seen above, the District is required to fund significant increases in the required contributions to both pension systems.

In comparing the prior-year Second Interim reports to the Unaudited Actuals, following are the variances in the major object codes of expenditures:

Figure 8: Comparison of Total General Fund Expenditures—Second Interim to Unaudited Actuals

Major Object Code/Year	Second Interim	Unaudited Actuals	Increase/ (Decrease)	%
Certificated Salaries				
2016-17	\$26,512,994	\$26,273,405	\$(239,589)	-0.9%
2017-18	\$29,672,828	\$29,147,868	\$(524,960)	-1.8%
Classified Salaries				
2016-17	\$10,951,606	\$10,874,346	\$(77,260)	-0.7%
2017-18	\$12,036,525	\$11,833,036	\$(203,489)	-1.7%
Employee Benefits				
2016-17	\$14,435,418	\$13,846,900	\$(588,518)	-4.1%
2017-18	\$16,417,422	\$16,322,775	\$(94,647)	-0.6%
Books and Supplies				
2016-17	\$5,531,924	\$4,131,270	\$(1,400,654)	-25.3%
2017-18	\$3,640,870	\$2,202,849	\$(1,438,021)	-39.5%
Services and Other Operating Expenditures				
2016-17	\$10,521,911	\$10,880,707	\$358,796	3.4%
2017-18	\$10,163,273	\$12,149,518	\$1,986,245	19.5%
Capital Outlay				
2016-17	\$125,000	\$164,935	\$39,935	31.9%
2017-18	\$25,000	\$46,176	\$21,176	84.7%
Other Outgo				
2016-17	\$—	\$—	\$—	—
2017-18	\$—	\$6,771	\$6,771	—
Indirect/Direct Support				
2016-17	\$(27,877)	\$(17,964)	\$9,913	-35.6%
2017-18	\$(31,649)	\$(42,531)	\$(10,882)	34.4%

Source: District SACS reports

The expenditures for salaries and benefits reflect variances ranging from decreases of 0.6% to 4.1%. Since these expenditures comprise most of the District’s General Fund budget, even minor variances can have a significant impact. We note that these variances, however, are within the realm of best practice.

Negative variances are not unusual in the areas of Books and Supplies, as department, program, and school site budgets across the District are not fully expended by the time the books are closed. To minimize these variances, we recommend that the District conduct an analysis, when preparing the Second Interim report or Estimated Actuals each year, of these expenditure budgets and

determine an amount for each major object code that is expected not to be spent. These amounts can be set up as negative line items in the budget and will allow the District to more closely estimate its General Fund ending balance for the year.

The significant variances in Capital Outlay are not unusual for school districts. These capitalized purchases are typically an area with much lower expenditures relative to the total budget and can vary greatly from year to year or within the year based on needs.

We believe that the rest of the District’s assumptions for expenditures appear reasonable.

Contributions

The District’s contributions to restricted programs have been increasing from year to year and are anticipated to continue increasing in the future:

Figure 9: Contributions to Restricted Programs—Budget and Projections

	2017-18 Unaudited Actuals	2018-19 Second Interim	2019-20 Projected	2020-21 Projected
Special Education	\$10,891,756	\$11,146,985	\$11,207,157	\$11,578,389
RRMA*	\$3,790,650	\$3,895,785	\$3,973,701	\$4,053,175
Other Programs	\$60,222	\$85,770	\$77,000	\$77,000
Child Nutrition Program**	\$268,716	\$382,514	\$450,370	\$462,293
Child Development Program**	\$366,189	\$336,088	\$336,088	\$355,673
Total	\$15,377,533	\$15,847,142	\$16,044,316	\$16,526,530
% Increase/(Decrease) from Prior Year	-	3%	1%	3%

Source: District SACS reports and additional financial data

*Routine Restricted Maintenance Account (RRMA)

**Transfers Out to the Cafeteria Fund (13) or Child Development Fund (12)

The 2015-16 State Budget Act contained some flexibility in the RRMA contribution requirements. For 2017-18 through 2019-20 the minimum contribution is the greater of: (1) the lesser of 3% or the amount contributed for 2014-15, or (2) 2%. The District has received state School Facility Program funds from Proposition 51, and therefore is required to contribute at least 3%. The District is currently budgeting for a contribution of approximately 5% in the current and subsequent years. The District should continue to ensure that sufficient funds are included in the budget to appropriately maintain its facilities.

For the Special Education program, and to a lesser extent the Child Development and Child Nutrition programs, costs continue to increase, which include the increased contributions to pensions. It is important to understand the reasons for cost increases in these programs and

determine if they can be mitigated or managed. Note that contributions to Special Education include normal costs as well as excess costs attributed to the program.

Other Funds

The Child Development Fund (Fund 12) reflects revenues from restricted grant programs for child development purposes, as well as the expenditures associated with the program. The District is appropriately charging indirect costs to this program. The current budget indicates that the program is deficit spending and has little in reserve, so a contribution is required from the General Fund each year. The budget and MYP include a contribution ranging from \$336,088 to \$355,673 in each of the three years.

The Cafeteria Fund (Fund 13) requires General Fund support each year, which is not unusual given the percentage of students that qualify for FRPM. Indirect costs are not charged to this program, presumably because General Fund support is required anyway; however, the District might consider charging indirect costs in order to reflect the true cost of running the program. The budget and MYP estimate contributions of \$382,514 in 2018-19, \$450,370 in 2019-20, and \$462,293 in 2020-21.

We recommend that the District continue to investigate strategies to address the deficit spending in the Child Development and Cafeteria Funds in order to minimize the support required from the General Fund.

The Capital Facilities Fund (Fund 25) contains the revenues from developer fees and expenditures for projects related to growth. The resources in this fund are pledged for repayment of the Certificates of Participation (COPs), which is a form of debt. While revenues from developer fees in 2017-18 were approximately \$1.7 million, fee collections have declined dramatically in the current year and are estimated to be approximately \$300,000, a trend that is assumed in the subsequent years. The Special Reserve Fund for Capital Outlay (Fund 40) contains the revenues from lease agreements and is the source for the COP repayment when developer fees are not sufficient. The balance of lease revenues earned during the year is transferred to the General Fund for general operating use.

The total annual COP debt service requirement is approximately \$2.6 million through the year 2036. The reserve balance in Fund 40 is approximately \$38 million going into 2018-19, and the District plans to spend approximately \$28 million on a capital facilities project in 2018-19, in addition to the debt service of approximately \$2.3 million and the transfer to the General Fund of approximately \$1.6 million. This is estimated to leave a balance of approximately \$8.4 million in Fund 40. Annual lease revenues and interest earnings are estimated to be approximately \$2.5 million. Given all of this, we understand that the District is conducting a developer fee study in order to plan its resources for ensuring the annual COP debt service requirement is met.

The District does not anticipate that any of its other funds will require a contribution from the General Fund in order to remain solvent. It is important to continue to monitor the other funds of the District to ensure that they continue to be as self-supporting as possible.

Reserves

A key distinction in maintaining an appropriate level of reserves for the District is to recognize that the District is a community funded basic aid district, with property taxes exceeding its entitlement under the LCFF. As a result, the District's funding is not based on changes in funding for the LCFF and workload, mainly ADA. Instead, the District receives funding based on the overall performance of the property tax, which is unrelated to workload changes. Revenue protections afforded to LCFF state aid districts, such as the declining enrollment adjustment, do not apply to community funded districts; therefore, factors other than enrollment must be taken into consideration to determine the District's appropriate reserve level.

Based upon the District's ADA the minimum level of reserves required by the state's Criteria and Standards is 3% of total General Fund expenditures and other financing uses. There are many reasons why school districts in the state of California should have higher reserves than that required by the state, and for the District in particular the changing obligations related to charter schools, the need to service the COP debt, the potential volatility of local property taxes, and the cash flow challenges (discussed later in this report) add to these reasons. The Government Finance Officers' Association, a national organization, recommends a minimum reserve level of 17%, or two months' expenditures, for all school districts. Schools for Sound Finance, a consortium of locally funded districts, recommends a reserve equal to one-third of the difference between the District's basic aid funding level and its LCFF funding level, in addition to the state-required minimum reserve of 3%. When considering looking at these two funding levels for the District for the last five years, one-third of the difference ranged from approximately \$800,000 in 2014-15 to \$3.2 million in 2018-19, in addition to the 3% reserve. We recommend that the District adopt a local Board Policy for a higher reserve level than the state's requirement in order to address the risks it faces as a locally funded school district.

Multiyear Projections

We reviewed the District's MYP included with the draft 2018-19 Second Interim report, which reflects the revisions made since the District approved its 2018-19 First Interim report. The District's MYP for the total General Fund is summarized in Figure 10:

Figure 10: Total General Fund MYP

	2018-19	2019-20	2020-21
Beginning Fund Balance	\$27,030,061	\$22,796,968	\$18,093,881
Revenues	\$74,730,412	\$73,226,918	\$74,123,853
Expenditures	\$(78,691,540)	\$(77,237,635)	\$(78,111,384)
Transfers In	\$1,591,984	\$94,088	\$512,042
Transfers Out	\$(1,863,949)	\$(786,458)	\$(817,966)
Surplus/(Deficit)	\$(4,233,093)	\$(4,703,087)	\$(4,293,455)
Ending Fund Balance	\$22,796,968	\$18,093,881	\$13,800,426
Less: Restricted Fund Balance	\$(1,287,819)	\$(860,719)	\$(1,087,874)
Unrestricted Fund Balance	\$21,509,149	\$17,233,162	\$12,712,552
Unassigned/Unappropriated as % of Total General Fund Expenditures and Other Outgo	26.7%	22.1%	16.1%

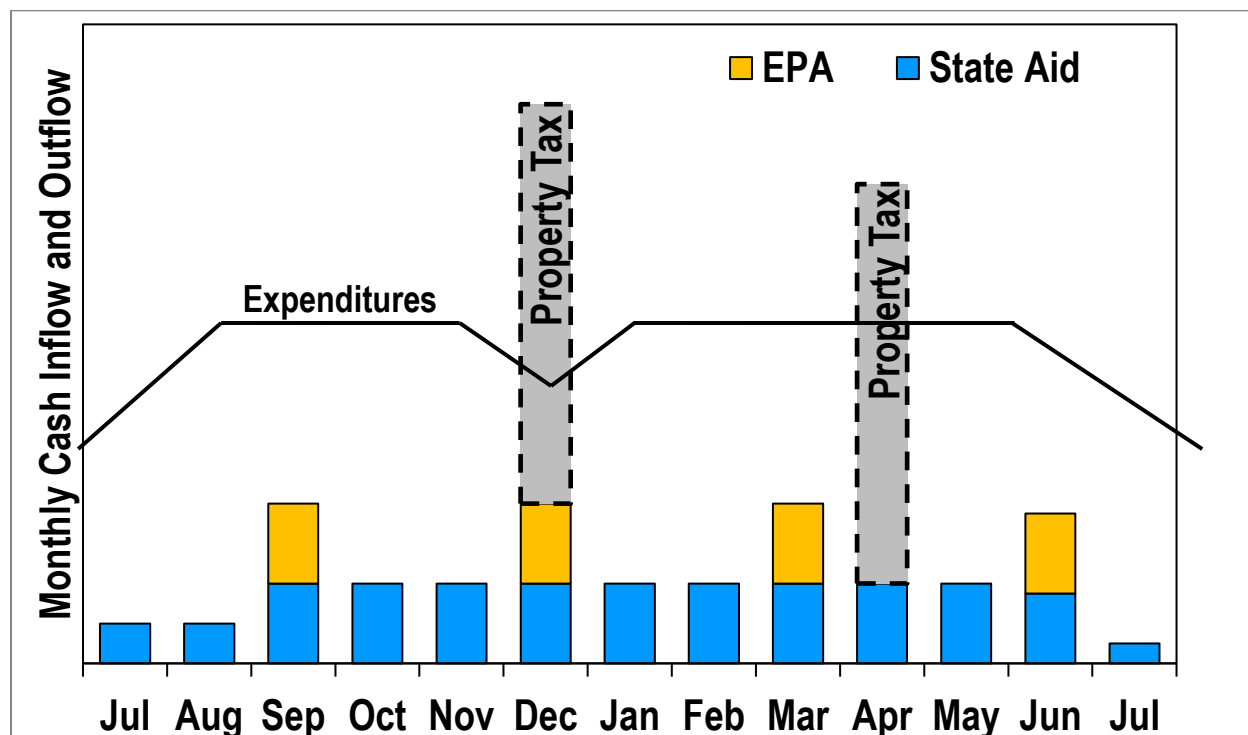
Source: District SACS Reports

As can be seen in Figure 10, the District is estimated to deficit spend each year in the MYP, which reduces its reserves each year in the projection. In evaluating the adequacy of reserves, the state’s Criteria and Standards considers the Unassigned/Unappropriated reserves as a percentage of Total General Fund expenditures and Other Financing Uses. These percentages have been calculated in Figure 10 and range from 27% to 16% in the MYP. While this appears to be comfortably above the 3% reserve required by the state, it is below the recommendations as discussed in the earlier section.

Cash Flow

Because the District is community funded, most of its revenues are received after significant cash must be paid out in expenditures during the year. This is because the bulk of its revenues are from local property taxes that are due to be paid twice per year. Figure 11 provides a simplified illustration of the cash flow challenges faced by community funded districts. The level of expenditures that require cash outlays each month are indicated by the expenditure line and the level of revenues each month are indicated by the bars.

Figure 11: Sample Cash Flow Illustration for a Community Funded School District



Upon reviewing the District’s cash flow projections for 2018-19 that were included with the draft Second Interim report, we noted that half of the months in the year generate a cash deficit. The District should continue to update its cash flow projections for 2018-19, and also prepare a projection for 2019-20, to ensure that it has sufficient operating cash for the next 18 months.

Audit Findings for the Fiscal Year Ending June 30, 2018

School districts are required to have an external audit of their financial records on an annual basis. The most recent audit conducted was for the 2017-18 fiscal year. There was one finding in the report related to the Associated Student Body (ASB) funds at a middle school, a repeat of a finding from the prior year at a different middle school. It is not unusual for a school district to have audit findings related to ASB funds, as these involve many staff members, parents, and students, all of whom need to have appropriate training and procedures. The District’s audit report also includes a current year and prior year finding related to the minimum classroom expense calculation, which requires elementary school districts to dedicate at least 60% of current expense to classroom salary and benefits. The District’s calculation indicates that it did not meet this requirement. We understand the District has applied for an exemption, which is pending approval by the Santa Clara County Office of Education. We note that more than half of the elementary school districts in California did not meet this requirement in 2016-17 (the last year for which the statewide data is available), which we attribute mainly to the shift of categorical funds to the LCFF supplemental

and concentration grant funds, as well as the one-time discretionary funds that have been provided to local school districts from the State Budget in recent years.

Conclusion

We believe that overall the District makes reasonable budget projections for both revenues and expenditures. The District should exercise caution at the bargaining table and take steps to reduce deficit spending in order to ensure that it maintains a prudent level of reserves in the current environment. This includes monitoring the collection of developer fees and the lease revenues to ensure that the COP debt payments can be funded using sources other than the General Fund. Also, the District can consider applying the funds in The Special Reserve Fund for Postemployment Benefits (Fund 20) on a temporary basis to meet the requirements of the pay-as-you-go retiree benefit plan premiums as the District works through the current deficit spending challenge. We also recommend that the District consider a Board Policy for a higher level of reserves than the state requirement, given a number of local factors as delineated earlier in this report.

Thank you for allowing us to provide you with this Budget Review. We welcome any questions you may have about this report. If we can be of further service to the District, please do not hesitate to contact us.

Sincerely,



SHEILA G. VICKERS
Vice President