Montebello Unified School District

Budget Update
January 19, 2017
Agenda

1. Fiscal Stabilization Plan at First Interim
2. Looking Back: District Reserves
3. Looking Forward: P-1 Attendance Report
4. Implications of Governor’s Proposed Budget
5. Fiscal Stabilization Plan Timelines
6. Questions, Discussion, Feedback
LACOE provides written First Interim review to MUSD

Fiscal Stabilization Plan submitted to MUSD Board for approval

MUSD Board-Approved Fiscal Stabilization Plan due to LACOE

Second Interim Report due with identified staffing reductions incorporated
Looking Back: District Reserves
Since 2010-11, the district has continued to spend down its ending fund balance.

District Reserves

- 2010-11: $44 million
- 2011-12: $40 million
- 2012-13: $28 million
- 2013-14: $13 million
- 2014-15: $11 million

Reserve Levels at minimum 3%
Increasing the Reserve Policy

Develop a plan to bring the level of the LCFF reserve to at least one year’s projected revenue growth in the multiyear projection.

Establish a separate LCFF reserve.

Observe the current State Board of Education required reserve level for the traditional economic uncertainties (3% for MUSD).

The purpose of this reserve is to provide a “softer landing” when the next downturn occurs, as it surely will.

Per School Services of CA

A detailed memorandum outlining the points and authorities of a reserve policy has been provided to the Superintendent’s office.
Looking Back: District Reserves

December 2015
First Interim Presentation
District Reserves

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December 2015 First Interim Presentation
Looking Back: District Reserves

December 2015 Reserve Memo
As demonstrated above, since 2010-11, the district has continued to spend down its reserves and currently maintains only the required 3% for economic uncertainty.
Looking Back: District Reserves

January 2016 Reserve Policy Presentation
"If a reserve is stable or growing slowly over time it usually indicates financial viability.

On the other hand, declining reserves indicate difficulty aligning expenditures with revenues.” – Legislative Analyst’s Office
District Ending Fund Balance
Paralleled Comparison

California Mid-Size Districts
Median Reserve
2013-14
2014-15

MUSD Reserve
2013-14
2014-15

21%
3%
District Reserves
Compared to Payroll

First Interim Annual Reserve Base Year 2015-16
$9,841,076

Annual Projected Reserve 2016-17
$9,745,644

Annual Projected Reserve 2017-18
$9,850,709

Monthly payroll is approximately $22 million

3% of total expense

January 2016 Reserve Presentation
Looking Back: District Reserves

February 2016 Reserve Policy Presentation Revisited
The District’s reserve is a set-aside in the budget. It is **not** cash in a bank account. It is an annual commitment to reserve a portion of District’s revenue rather than budget it to expense.

### Important Distinctions

- **The District’s reserve** is a set-aside in the budget.
- **It is not** cash in a bank account.
- **It is an annual commitment to reserve a portion of District’s revenue rather than budget it to expense.**
Looking Back: District Reserves

July 2016
Preliminary Budget Presentation
MUSD was able to avoid a qualified certification by agreeing to submit a Fiscal Stabilization Plan which outlined $7 million dollars in expenditure reductions.

Because the District was unable to implement these reductions, its certification status at first interim was converted to qualified.
In January, the District submits its Average Daily Attendance (ADA) through the fourth month of the school year.

2016-17 P-1 of 26,162, represents a decrease of 895 ADA as compared to a year ago.
January 2017: P-1 Attendance

The 2016-17 P-1 decline of 3.31% over prior year represents a larger decrease than any other prior year decline from 2010-11 through current year.

Given this decline, it is of critical importance that P-2 projections are revisited and revised to reflect our very best estimate for student attendance.

This translates to less revenue in 2017-18 than projected at first interim and will require additional expenditure reductions.
Implications of Governor’s Proposed 2017-18 Budget
Implications of Governor’s Proposed 2017-18 Budget

LCFF Gap Closed Percentages

2017-18 shows no further progress toward the LCFF targets. We are in a cost-of-living adjustment (COLA) only situation even faster than earlier predicted.

The gap percentage estimate has changed significantly with the release of the Governor’s 2017-18 Budget Proposal.

If adopted by the State, this means that MUSD will receive less LCFF funding that was estimated at 2016-17 First Interim.
This change in the funded gap percentage translates to $7.3 million less in LCFF revenue in 2017-18.

And another $1.4 million less in 2018-19.

This proposed change in gap funding must be budgeted at second interim and will necessitate additional expenditure reductions beyond those identified in the Fiscal Stabilization Plan presented at First Interim.
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Questions, Discussion, Feedback

Q & A TIME