District Fiscal Outlook:
As of 2016-17 Unaudited Actuals

Presentation to the Board of Trustees
September 12, 2017
Brett W. McFadden, Associate Superintendent / CBO
Tonight’s presentation will cover the following:

- Fiscal outlook facing the district
- Fiscal and programmatic challenges
- Actions taken to date
- Principles for decision making
- Dialogue and input
The district has been pro-active in its projections and fiscal warnings:

### 2016

<table>
<thead>
<tr>
<th>Month</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>Adopted 16-17 budget outlined pending fiscal challenges</td>
</tr>
<tr>
<td>September</td>
<td>Fiscal outlook and challenges provided in 14-15 Unaudited actuals</td>
</tr>
<tr>
<td>October</td>
<td>Presentation provided School Services of CA.</td>
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<tr>
<td>December</td>
<td>16-17 First Interim Budget Report and Multi-year Projection</td>
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### 2017

<table>
<thead>
<tr>
<th>Month</th>
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<tbody>
<tr>
<td>January</td>
<td>Governor’s TK-Adult 17-18 budget proposal</td>
</tr>
<tr>
<td>February</td>
<td>Board study session on budget challenges and core principles</td>
</tr>
<tr>
<td>March</td>
<td>First round of budget reductions adopted</td>
</tr>
<tr>
<td></td>
<td>16-17 Second Interim Budget Report and Multi-year Projection</td>
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<tr>
<td>May</td>
<td>Governor’s 17-18 May Budget Revision</td>
</tr>
<tr>
<td>June</td>
<td>17-18 district LCAP and budget hearing</td>
</tr>
<tr>
<td></td>
<td>17-18 District Budget Adoption</td>
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</tbody>
</table>
Fiscal challenges facing the district:
Next two fiscal years

- Operating costs increasing
  - Fixed costs rising twice as much as projected revenues

- Rate of new revenues are decreasing
  - Only three percent away from LCFF funding target under state law
  - Multi-year projections show decreasing fund balance

- Continued instructional and programmatic needs
  - Total compensation for employees is below regional averages
  - Students and schools need continued investment
  - Student enrollment projections are mixed
MPUSD’s fiscal challenge:
Revenue vs. expenditures

- 17-18 LCFF revenues increased only marginally
- New LCAP and program expenditures
  - District operations
  - Sp Ed contributions
  - Step and column
  - CalPERS increase
  - CalSTRS increase

2016-17 Revenues
- LCFF and categorical revenues

2017-18 Projected Revenues
- LCFF and categorical revenues

Multi-year expenditures
PERS and STRS Employer Contributions
# PERS and STRS: Estimated costs to district*

<table>
<thead>
<tr>
<th></th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
<th>2019-20</th>
<th>2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAL PERS</td>
<td>1,782,828.00</td>
<td>2,096,418.54</td>
<td>2,477,353.41</td>
<td>2,886,738.83</td>
<td>3,349,338.73</td>
</tr>
<tr>
<td>CAL STRS</td>
<td>4,820,609.00</td>
<td>5,491,776.29</td>
<td>6,316,702.79</td>
<td>7,171,886.98</td>
<td>7,706,712.75</td>
</tr>
</tbody>
</table>

* In millions
Where the district spends its money:
Projected 2017-18 expenditures

**EXPENDITURES**

- Certificated Salaries: $47,213,442.34
- Classified Salaries: $23,151,599.09
- Employee Benefits: $28,804,563.35
- Books and Supplies: $4,696,667.95
- Services: $9,026,056.60
- Capital Outlay: $61,266.28
- Other Outgo: $1,334,794.49
- Other Uses: Transfers Out: $818,765.22
- Other Uses: Other Uses: $0.00

**TOTAL EXPENDITURES**: $115,107,155.32
Multi-Year Projection
Fund 01 General Fund: Unrestricted
2017-18
(as of 2016-17 Unaudited Actuals)

<table>
<thead>
<tr>
<th></th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>16.05</td>
<td>15.77</td>
<td>11.48</td>
<td>7.05</td>
</tr>
<tr>
<td>Revenues</td>
<td>79.34</td>
<td>77.46</td>
<td>77.18</td>
<td>78.75</td>
</tr>
<tr>
<td>Expenditures</td>
<td>79.62</td>
<td>81.75</td>
<td>81.61</td>
<td>83.86</td>
</tr>
<tr>
<td>Increase/(Decrease)</td>
<td>(0.28)</td>
<td>(4.29)</td>
<td>(4.43)</td>
<td>(5.11)</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>15.77</td>
<td>11.48</td>
<td>7.05</td>
<td>1.94</td>
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<tr>
<td>Nonspendable (Revolving)</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
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<tr>
<td>Prepaid Expenditures</td>
<td>0.06</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated vacation liability</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
</tr>
<tr>
<td>Reserve for Economic Uncertainties</td>
<td>3.42</td>
<td>3.53</td>
<td>3.53</td>
<td>3.60</td>
</tr>
<tr>
<td>Unassigned/Unappropriated</td>
<td>12.24</td>
<td>7.90</td>
<td>3.47</td>
<td>(1.71)</td>
</tr>
</tbody>
</table>

Negative Ending Balance Projected
The board utilized the following criteria for determining 17-18 reductions:

1. Protect classroom instruction and vital programs and operations necessary to ensure continued student achievement and well being
2. Ensure the district’s long term fiscal solvency
3. Seek to implement greater program and operational efficiencies
4. Focus on existing vacant positions to reduce / avoid layoffs
Early budget reductions: Effective 2017-18

Spending reductions adopted by the board in March 2017
Effective for FY 2017-18:

• Coordinator Professional Development (Management)-Vacant 2017-18
• Coordinator Education Technology (Management)-Vacant 2017-18
• Supervisor Transportation (Management)-Currently vacant
• Duplicating Services Supervisor (Classified)-Currently vacant
• Two Bus Drivers (Classified)—
  - Currently vacant, redoing routes for 2017-18 to cause minimal disruption
• Crafts Worker (Classified)-Currently vacant
• Psychologist (Certificated)-Currently vacant
• Probation Officers (Contracted)
• Misc. program / dept. spending reductions

Approximate savings $800,000k
The district will need to “thread” this needle:

- Make sure it retains a positive fiscal certification
- Be in a position to attract and retain staff
- Maintain a strong credit rating for its bond programs (current and new)

This will require ongoing expenditure reductions and creative ways to generate new revenues and/or GF savings

Estimate a minimum of $5 million in reductions – effective in 2018-19 and ongoing
Fiscal realities facing the district require that policy priorities be re-examined

Staff recommends the following updated core values:

1. Protect classroom instruction and vital programs and operations necessary to ensure continued student achievement and well being
2. Ensure the district’s long term fiscal solvency
3. Seek to implement greater program and operational efficiencies
4. Focus on existing vacant positions to reduce / avoid layoffs
5. Strive to maintain positive culture and “forward momentum”
Fiscal timelines facing the board

- **First Interim Report due to the COE by December 15**
  - Avoiding qualified certification will require board approved reductions no later than October 30

- **Second Interim due to COE by March 15**
  - Board approved reductions required by Jan 30
  - If the board does not take action at First Interim

- **2018-19 Budget and LCAP due by June 30**
  - If district remains in fiscal trouble – COE is empowered to direct corrective action
Recommendation:
A two phased approach

1. **Phase one:** Make necessary reductions by Oct 30, 2017 to remain positive at First Interim Budget Report

2. Board and staff continue to ID areas for re-alignment / reductions and seek input from stakeholders

3. **Phase two:** Adopt long term reductions for 18-19 by January 30, 2018 to be factored by Second Interim Budget Report (March, 2018)

**NOTE:** 2018-19 reductions and program re-alignments would meet the district’s updated core values
Next steps

- **September 26**  Study Session on “Phase One” of fiscal stabilization plan
- **October 10**  Receive initial Phase One plan
- **October 24**  Adopt Final Phase One action plan
- **October 24**  Present next steps for Phase Two of fiscal stabilization plan – final adoption due January 30
Questions, dialogue, and board direction