



CSIS California School Information Services

Vista Del Mar Union School District

Multiyear Financial Projection

April 28, 2017



Joel D. Montero
Chief Executive Officer





April 28, 2017

Dr. Emilio Handall, Superintendent
Vista Del Mar Union School District
9467 San Julian Road
Gaviota, CA 93117

Dear Superintendent Handall:

In November 2016, the Vista Del Mar Union School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into a study agreement to perform the following:

1. Review the district's 2016-17 general fund budget and develop a multiyear financial projection (MYFP) for the current and two subsequent fiscal years to validate the district's financial status. Make recommendations for expenditure reductions and/or revenue enhancements to help the district to eliminate its structural budget deficit and maintain financial solvency. The MYFP will be a snapshot in time of the current financial status and will use the district's 2016-17 first interim report as the baseline. The MYFP will be developed as a trend based on certain criteria and assumptions instead of a prediction of exact numbers. It will be developed for the district's general fund and will include the review and fiscal impact of other funds on the general fund.
2. The MYFP will utilize FCMAT's Budget Explorer multiyear financial projection and cash flow software and LCFF calculator to determine the level of funds required to sustain the district's financial solvency.

FCMAT created a multiyear projection using its Budget Explorer software to assess the district's fiscal solvency and prepared a detailed projection using the 2016-17 first interim report as the baseline.

FCMAT conducted on-site fieldwork in January 2017. To assess the district's financial condition, the team reviewed numerous documents including enrollment reports, audited financial statements, budget assumptions, adopted and interim budget files, financial system reports, payroll files, one-time expenditure obligations, estimates of average daily attendance, other financial records and third-party documents.

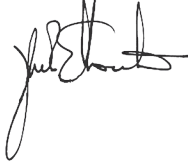
FCMAT

Joel D. Montero, Chief Executive Officer

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This final report contains the study team's findings and recommendations in the above areas of review. FCMAT appreciates the opportunity to serve the Vista Del Mar Union School District, and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel D. Montero", with a stylized flourish at the end.

Joel D. Montero
Chief Executive Officer

Table of Contents

Foreword	iii
Introduction	I
<i>Background</i>	I
<i>Study and Report Guidelines</i>	I
<i>Study Team</i>	2
Executive Summary	3
Findings and Recommendations	5
<i>Multiyear Financial Projections</i>	5
<i>Enrollment</i>	13
<i>Revenue Sources</i>	17
<i>Expenditures</i>	19
Appendix	23

About FCMAT

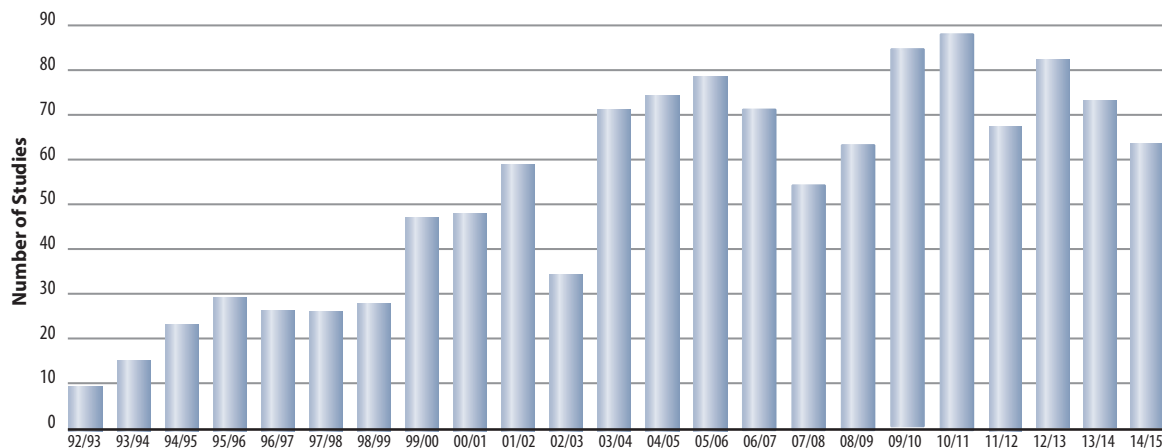
FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state Superintendent of Public Instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms.

Studies by Fiscal Year



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its state-wide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

Since 1992, FCMAT has been engaged to perform more than 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

Vista Del Mar Union School District is located in Santa Barbara County and is governed by five trustees. The district consists of a single school located in the unincorporated area of Gaviota with an enrollment of approximately 105 students. The district's board has elected to accept interdistrict transfers under the District of Choice provisions as authorized in California Education Code Sections 48300 through 48316 since the inception of this program in 2003-04. Currently, approximately 50% of the district's enrollment is District of Choice students. This is significant because the District of Choice program will become inoperative on July 1, 2017 and is repealed as of January 1, 2018 unless an enacted statute extends these dates.

In November 2016, the Fiscal Crisis and Management Assistance Team (FCMAT) and the Vista Del Mar Union School District entered into an agreement for FCMAT to complete a fiscal review of the district's current year budget and develop an MYFP for two subsequent fiscal years. The study agreement specifies that FCMAT will perform the following.

1. Review the district's 2016-17 general fund budget and develop a multiyear financial projection (MYFP) for the current and two subsequent fiscal years to validate the district's financial status. Make recommendations for expenditure reductions and/or revenue enhancements to help the district to eliminate its structural budget deficit and maintain financial solvency. The MYFP will be a snapshot in time of the current financial status and will use the district's 2016-17 first interim report as the baseline. The MYFP will be developed as a trend based on certain criteria and assumptions instead of a prediction of exact numbers. It will be developed for the district's general fund and will include the review and fiscal impact of other funds on the general fund.
2. The MYFP will utilize FCMAT's Budget Explorer multiyear financial projection and cash flow software and LCFF calculator to determine the level of funds required to sustain the district's financial solvency.

Study and Report Guidelines

FCMAT visited the district on January 4, 2017 to conduct interviews, collect data and review documents. FCMAT's projection uses the first interim for 2016-17 as the baseline for the multiyear financial projection. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Multiyear Financial Projections
- Enrollment
- Revenue Sources
- Expenditures
- Appendix

In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Study Team

The study team was composed of the following members:

Jennifer Noga
FCMAT Intervention Specialist
Bakersfield, CA

Laura Haywood
FCMAT Technical Writer
Bakersfield, CA

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.

Executive Summary

Vista Del Mar is a very small, single-school basic aid district that has been deficit spending for the past several years. While it has a healthy financial reserve due to oil, minerals, and gas production, the reserve is quickly being depleted due to multiple construction projects and contributions to the general fund.

A basic aid district is one whose local property taxes meet or exceed its Local Control Funding Formula (LCFF) entitlement. The district keeps the money from local property taxes and receives the constitutionally guaranteed state basic aid funding. This guaranteed amount is referred to as the Minimum State Aid (MSA) guarantee, which ensures that school districts receive at least the same amount in state aid as they had received in fiscal year 2012-13. For Vista Del Mar, this is \$133,020 annually.

Although basic aid districts rely less on state funding, their property tax revenues can be subject to dramatic changes. Vista Del Mar, along with several other Santa Barbara County school districts, has lost millions of dollars in tax revenue due to the ruptured pipeline at Refugio State Park in May 2015. It is estimated that Vista Del Mar receives 40% of local revenue from taxes collected from oil and gas companies. This fiscal year the district experienced nearly a 13% decrease from prior year revenues.

The district participates in the District of Choice program as authorized in California Education Code Sections 48300 through 48316. The program will become inoperative on July 1, 2017 and is repealed as of January 1, 2018 unless legislation is enacted to continue it beyond the 2017-18 school year. This district will need to make drastic changes to its educational program since approximately 50% of the district's enrollment consists of District of Choice students.

Multiyear financial projections (MYFPs) help local educational agencies make more informed decisions and forecast the effects of decisions. Projections are a part of annual budget development and should be evaluated and updated during each interim financial reporting period and before any significant budget adjustments, such as salary increases. In developing and implementing the MYFP, the district's primary objectives are to achieve and sustain a balanced budget, improve academic achievement and maintain local governance.

FCMAT's MYFP indicates that the district has been meeting its required 5% reserve for economic uncertainties with a significant contribution from Fund 17: Special Reserve Fund for Other than Capital Outlay Projects. If steps are not taken to increase revenues and/or decrease expenditures, the district could face fiscal insolvency. Following is a summary of FCMAT's projections for the district's unrestricted resources.

Multiyear Financial Projection Summary General Fund Unrestricted Resources Only			
Description	Base Year 2016-17	Year 1 2017-18	Year 2 2018-19
Total Revenues	\$ 1,754,222.69	\$ 1,628,648.02	\$ 1,431,116.72
Total Expenditures	\$ 2,344,037.99	\$ 2,131,539.63	\$ 2,171,134.96
Interfund Transfers In	\$ 662,200.00	\$ 532,872.34	\$ 803,464.91
Interfund Transfers Out	\$ 64,000.00	\$ 54,631.80	\$ 57,554.60
Net Increase (Decrease) in Fund Balance	\$ 8,384.70	(\$ 24,651.07)	\$ 5,892.07
Fund Balance:			
Beginning Balance	\$ 127,570.78	\$ 135,955.48	\$ 111,304.41
Audit Adjustments	\$ 0.00	\$ 0.00	\$ 0.00
Other Restatements	\$ 0.00	\$ 0.00	\$ 0.00
Total Ending Balance	\$ 135,955.48	\$ 111,304.41	\$ 117,196.48
Components of Ending Fund Balance:			
Revolving Cash	518.00	518.00	518.00
Other Assignments	\$ 0.00	\$ 0.00	\$ 0.00
5% Reserve for Economic Uncertainties	\$ 131,440.87	\$ 110,377.77	\$ 112,508.74
Undesignated/Unappropriated	\$ 3,996.61	\$ 408.64	\$ 4,169.74

To support the district's current level of unrestricted general fund deficit spending and to meet its required minimum reserve level, the projection includes transfers to the general fund from the special reserve fund (Fund 17) of \$662,200 in fiscal year 2016-17. The projection also shows transfers of approximately \$532,872 in fiscal year 2017-18 and approximately \$803,465 in fiscal year 2018-19. Transfers of this magnitude, if continued, will deplete the special reserve fund in less than five years.

Subsequent Events

Following completion of FCMAT's fieldwork, the district completed its 2016-17 second interim budget report and presented it to the governing board on March 8, 2017. Per Education Code Section 42130, the second interim report includes information through January 31, 2017. As indicated previously, FCMAT used the district's 2016-17 first interim report as the baseline for its analysis, which includes financial information through October 31, 2016.

Since FCMAT's visit the district's wastewater treatment plant was inspected by the State Water Resources Control Board and found to be in disrepair and in need of replacement. The board was provided a presentation outlining the specifics of replacing the existing wastewater treatment plant. The estimated cost of replacement is not included in the projections provided by FCMAT.

Currently Assembly Bill (AB) 185 is being introduced to revise the provisions of the District of Choice program, since this is just in the preliminary stages we recommend administration follow the bill and keep the board abreast of its progress. Should this bill pass as currently introduced, Vista Del Mar's impact for fiscal year 2017-18 is estimated to be approximately \$185,080.

Findings and Recommendations

Multiyear Financial Projections

Multiyear financial projections (MYFPs) are required by Assembly Bill (AB) 1200 and AB 2756 and are part of the adopted budget and interim reporting process. AB 2756 was signed into law in June 2004 and made substantive changes to the financial accountability and oversight used to monitor the fiscal position of school districts and county offices. Among other things, AB 2756 strengthened the roles of the superintendent of public instruction (SPI) and county offices of education and their ability to intervene during fiscal crises, including requesting assistance from FCMAT.

MYFPs help local educational agencies (LEAs) make more informed decisions and project the future effect of decisions. Projections are a required part of annual budget development and must be evaluated and updated during each interim financial reporting period. They should also be updated before any significant decisions are made that affect the budget. When developing and implementing its MYFP, a district's main objectives are to achieve and sustain a balanced budget, improve academic achievement and maintain local governance. The MYFP helps identify specific planning milestones that will help the district make decisions.

Financial planning is crucial for every LEA, regardless of its size or structure. Long-term financial planning helps a district strategically align its budget with its instructional goals and programs. In addition, recognizing financial trends is essential to maintain a district's fiscal health. Monitoring and analyzing year-to-year trends in key budget areas helps a district evaluate its budget direction and highlight possible areas of concern.

MYFPs are based on assumptions that can fluctuate, especially in the subsequent fiscal years. Property tax revenues can be subject to dramatic changes, and because Vista Del Mar Union is a basic aid district, such changes have a significant impact on the district's budget. The impact from the Refugio Beach oil spill as well as the oil pipeline shutdown during repairs directly affects the amount of tax revenue that the district will receive. Any projections of financial data have inherent limitations because calculations are based on certain economic assumptions and criteria, including changes in enrollment trends; cost-of-living adjustments; estimates for utilities, supplies and equipment; and changing economic conditions at the state and federal levels. Therefore, the budget projection model should be evaluated as a trend based on certain criteria and assumptions instead of a prediction of exact numbers.

MYFPs are helpful in making decisions, especially regarding multiyear commitments. The district will need to continue to regularly update its MYFPs and reassess any factors that can substantially affect the budget, including effects that are not within the district's control such as the District of Choice legislation and the oil pipeline shutdown.

To protect the district's financial solvency and eliminate the use of the special reserve fund, the district will need to make difficult decisions about which expenditures and programs will continue to be funded and which will be scaled back, reconfigured or eliminated, unless a significant increase in funding is obtained.

LEAs use many different software products to prepare MYFPs. FCMAT used its Budget Explorer web-based MYFP software, which was designed for California school districts and is available to districts and charter schools free of charge.

Budget Explorer allows districts to create and update financial projections by interfacing with the state's standardized account code structure (SACS) software or importing data directly from a district's financial system. Its comprehensive modeling capabilities allow MYFPs to be produced efficiently, accurately and more rapidly than with conventional spreadsheets. Budget Explorer can be used to make more informed budget decisions and incorporate educational goals and objectives into several financial scenarios. The MYFP provided in this document is also available online.

Assembly Bill (AB) 1200 Oversight

If at any time during the fiscal year a district is unable to meet its financial obligations for the current or two subsequent fiscal years, or has a qualified or negative budget certification, the county superintendent of schools is required to notify the district's governing board and the SPI. The county office is required to follow Education Code Section 42127.6 when assisting a school district in this situation, and take all actions necessary to ensure that the district meets its financial obligations. Assistance may include steps such as assigning a fiscal expert or fiscal advisor to advise the district, conducting a study of the district's financial and budget conditions and requiring the district to submit a proposal for addressing its fiscal condition. If a district does not meet its state prescribed reserve levels, the intent of the MYFP is to help the county office and the district formulate a plan to regain fiscal solvency and restore the reserve.

The governing board filed a positive certification of the district's 2016-17 first interim financial report. However, the first interim report projects deficit spending in the current year plus the two subsequent fiscal years. Deficit spending of this magnitude as projected – \$730,322 in current year, \$503,712 in year 2 and \$742,419 in year 3 – will significantly reduce the district's available reserve balance and is not sustainable in the long term. For the past few years the district has relied heavily on its special reserve fund. This is a one-time source of revenue and, once depleted, will leave the district with only current year revenues to support its current projected operations.

The MYFP developed for this report indicates that while the district can maintain its reserve requirement in 2016-17 and the two subsequent fiscal years, it continues to experience a structural deficit. The district has not been effective in controlling costs or eliminating programs that have not been self-supporting, implementing a fee schedule for transportation, making reductions in departments that exceed current staffing standards, or addressing staff reductions due to the impending elimination of District of Choice.

The district administration, together with the governing board, needs to identify and implement expenditure reductions now that will have a compounding beneficial budget effect over the multiyear period, thus reducing the need for even deeper cuts in future years and extending the existence of the district's special reserve fund.

FCMAT MYFP Assumptions and Projection Rules

Assumptions/Projection Rules	2016-17	2017-18	2018-19
Statutory Cost of Living	0.00%	1.48%	2.40%
Education Protection Account (EPA) (amount per ADA)	\$200	\$200	\$200
Federal Funding	0%	0%	0%
Consumer Price Index	2.37%	2.72%	2.92%
Lottery – Unrestricted	\$144	\$144	\$144
Lottery – Restricted	\$45	\$45	\$45

Interest Rate	2.20%	2.50%	2.70%
CalSTRS Employer Statutory Rates	12.58%	14.43%	16.28%
CalPERS Employer Projected Rates	13.888%	15.80%	18.72%
Mandated Cost per ADA for One-time Allocations	\$214	\$48	\$0
Mandated Block Grant for Districts – K-8 per ADA	\$28.42	\$29.87	\$29.87

Sources: Business and Administration Steering Committee Common Message for Second Interim 2016-17; Department of Finance; School Services of California (SSC) Dartboard 2017-18.

Projections

FCMAT projected the district's revenue and expenditures based on internal and external source documents for principal apportionment, grants and entitlements; enrollment reports; audited financial statements; budget assumptions and files; financial system reports, year-end reports; payroll transactions and position control records; and many other financial records and third-party documents.

FCMAT used all pertinent records and documents to complete its multiyear analysis based on the district's 2016-17 adopted budget and updated to include first interim adjustments. Salary and benefits projections are based on actual payroll transactions through October 2016, compared with the district's budget and position control spreadsheet. Other expenditures were compared with year-to-date records and trends.

The tables below show FCMAT's multiyear projections for the district's combined, unrestricted and restricted general fund.

Combined Restricted and Unrestricted General Fund MYFP

The district's general fund budget is a combination of unrestricted general purpose dollars and restricted grant and categorical funding. In analyzing the district's budget, much attention is focused on the unrestricted budget. The district projects an operating deficit in its unrestricted general fund for the current year and two subsequent years. To support its current level of unrestricted deficit spending and meet the required minimum reserve level, the district projects significant transfers in from the special reserve fund. This fund is a one-time source of revenue and transfers will ultimately deplete this resource.

The following table includes all restricted and unrestricted general fund revenues and expenditures.

Combined Resources Summary	Object Code	Base Year 2016-17	Year 1 2017-18	Year 2 2018-19
Revenues				
LCFF/State Aid	8010 - 8099	\$1,568,223.00	\$1,516,648.40	\$1,325,261.98
Federal Revenues	8100 - 8199	\$75,682.00	\$16,322.00	\$16,322.00
Other State Revenues	8300 - 8599	\$47,855.00	\$24,827.41	\$13,380.16
Other Local Revenues	8600 - 8799	\$142,735.69	\$91,413.91	\$95,236.73
Total Revenues		\$1,834,495.69	\$1,649,211.72	\$1,450,200.87
Expenditures				
Certificated Salaries	1000 - 1999	\$847,229.00	\$728,283.68	\$744,204.96
Classified Salaries	2000 - 2999	\$347,600.00	\$365,291.28	\$371,548.25
Employee Benefits	3000 - 3999	\$518,815.80	\$481,667.49	\$496,029.44
Books and Supplies	4000 - 4999	\$157,234.91	\$117,063.57	\$114,129.08
Services and Other Operating	5000 - 5999	\$540,701.73	\$307,381.50	\$313,472.46
Capital Outlay	6000 - 6999	\$0.00	\$0.00	\$0.00

Other Outgo	7000 – 7299	\$153,236.00	\$153,236.00	\$153,236.00
Direct Support/Indirect Cost	7300 – 7399	\$0.00	\$0.00	\$0.00
Debt Service	7400 – 7499	\$0.00	\$0.00	\$0.00
Total Expenditures		\$2,564,817.44	\$2,152,923.52	\$2,192,620.19
Excess (Deficiency) of Revenue Over Expenditures		(\$730,321.75)	(\$503,711.80)	(\$742,419.32)
Other Financing Sources/Uses				
Interfund Transfers In	8900 – 8929	\$662,200.00	\$532,872.34	\$803,464.91
Interfund Transfers Out	7600 – 7629	\$64,000.00	\$54,631.80	\$57,554.60
All Other Financing Sources	8930 – 8979	\$0.00	\$0.00	\$0.00
All Other Financing Uses	7630 – 7699	\$0.00	\$0.00	\$0.00
Contributions	8980 – 8999	\$0.00	\$0.00	\$0.00
Total Other Financing Sources/Uses		\$598,200.00	\$478,240.54	\$745,910.31
Net Increase (Decrease) in Fund Balance		(\$132,121.75)	(\$25,471.26)	\$3,490.99
Fund Balance				
Beginning Fund Balance	9791	\$271,299.56	\$139,177.81	\$113,706.55
Audit Adjustments	9793	\$0.00	\$0.00	\$0.00
Other Restatements	9795	\$0.00	\$0.00	\$0.00
Adjusted Beginning Fund Balance	9797	\$271,299.56	\$139,177.81	\$113,706.55
Ending Fund Balance	9799	139,177.81	\$113,706.55	\$117,197.54
Components of Ending Fund Balance				
Reserved Balances	9700	\$0.00	\$0.00	\$0.00
Nonspendable Revolving Cash	9711	\$518.00	\$518.00	\$518.00
Nonspendable Stores	9712	\$0.00	\$0.00	\$0.00
Nonspendable Prepaid Items	9713	\$0.00	\$0.00	\$0.00
All Other Nonspendable Assets	9719	\$0.00	\$0.00	\$0.00
General Reserves	9730	\$0.00	\$0.00	\$0.00
Restricted Balance	9740	\$3,222.33	\$2,402.14	\$1.06
Designated for the Unrealized Gains of Investments and Cash in County Treasury	9775	\$0.00	\$0.00	\$0.00
Other Assignments	9780	\$0.00	\$0.00	\$0.00
Economic Uncertainties Percentage		5.00%	5.00%	5.00%
Reserve for Economic Uncertainties	9789	\$131,440.87	\$110,377.77	\$112,508.74
Undesignated/Unappropriated	9790	\$3,996.61	\$408.64	\$4,169.74

Unrestricted General Fund MYFP

The following table includes all unrestricted general fund revenues and expenditures.

Unrestricted Resources Summary	Object Code	Base Year 2016-17	Year 1 2017-18	Year 2 2018-19
Revenues				
LCFF/State Aid	8010 - 8099	\$1,568,223.00	\$1,516,648.40	\$1,325,261.98
Federal Revenues	8100 – 8199	\$5.00	\$5.00	\$5.00
Other State Revenues	8300 – 8599	\$43,259.00	\$20,580.71	\$10,613.01
Other Local Revenues	8600 – 8799	\$142,735.69	\$91,413.91	\$95,236.73
Total Revenues		\$1,754,222.69	\$1,628,648.02	\$1,431,116.72
Expenditures				
Certificated Salaries	1000 – 1999	\$847,299.00	\$728,283.68	\$744,204.96
Classified Salaries	2000 – 2999	\$347,600.00	\$365,291.28	\$371,548.25

Employee Benefits	3000 – 3999	\$518,815.80	\$481,667.49	\$496,029.44
Books and Supplies	4000 – 4999	\$132,580.19	\$98,512.68	\$95,476.85
Services and Other Operating	5000 – 5999	\$344,577.00	\$304,548.50	\$310,639.46
Capital Outlay	6000 – 6999	\$0.00	\$0.00	\$0.00
Other Outgo	7000 – 7299	\$153,236.00	\$153,236.00	\$153,236.00
Direct Support/Indirect Cost	7300 – 7399	\$0.00	\$0.00	\$0.00
Debt Service	7400 – 7499	\$0.00	\$0.00	\$0.00
Total Expenditures		\$2,344,037.99	\$2,131,539.63	\$2,171,134.96
Excess (Deficiency) of Revenue Over Expenditures		(589,815.30)	(\$502,891.61)	(740,018.24)
Other Financing Sources/Uses				
Interfund Transfers In	8900 – 8929	\$662,200.00	\$532,872.34	\$803,464.91
Interfund Transfers Out	7600 – 7629	\$64,000.00	\$54,631.80	\$57,554.60
All Other Financing Sources	8930 – 8979	\$0.00	\$0.00	\$0.00
All Other Financing Uses	7630 – 7699	\$0.00	\$0.00	\$0.00
Contributions	8980 – 8999	\$0.00	\$0.00	\$0.00
Total Other Financing Sources/Uses		\$598,200.00	\$478,240.54	\$745,910.31
Net Increase (Decrease) in Fund Balance		\$8,384.70	(\$24,651.07)	\$5,892.07
Fund Balance				
Beginning Fund Balance	9791	\$127,570.78	\$135,955.48	\$111,304.41
Audit Adjustments	9793	\$0.00	\$0.00	\$0.00
Other Restatements	9795	\$0.00	\$0.00	\$0.00
Adjusted Beginning Fund Balance	9797	\$127,570.78	\$135,955.48	\$111,304.41
Ending Fund Balance	9799	\$135,955.48	\$111,304.41	\$117,196.48
Components of Ending Fund Balance				
Reserved Balances	9700	\$0.00	\$0.00	\$0.00
Nonspendable Revolving Cash	9711	\$518.00	\$518.00	\$518.00
Nonspendable Stores	9712	\$0.00	\$0.00	\$0.00
Nonspendable Prepaid Items	9713	\$0.00	\$0.00	\$0.00
All Other Nonspendable Assets	9719	\$0.00	\$0.00	\$0.00
General Reserves	9730	\$0.00	\$0.00	\$0.00
Restricted Balance	9740	\$0.00	\$0.00	\$0.00
Designated for the Unrealized Gains of Investments and Cash in County Treasury	9775	\$0.00	\$0.00	\$0.00
Other Assignments	9780	\$0.00	\$0.00	\$0.00
Economic Uncertainties Percentage		5.00%	5.00%	5.00%
Reserve for Economic Uncertainties	9789	\$131,440.87	\$110,377.77	\$112,508.74
Undesignated/Unappropriated	9790	\$3,996.61	\$408.64	\$4,169.74

Restricted General Fund MYFP

The following table includes all restricted general fund revenues and expenditures.

Restricted Resources Summary	Object Code	Base Year 2016-17	Year 1 2017-18	Year 2 2018-19
Revenues				
LCFF/State Aid	8010 - 8099	\$0.00	\$0.00	\$0.00
Federal Revenues	8100 – 8199	\$75,677.00	\$16,317.00	\$16,317.00
Other State Revenues	8300 – 8599	\$4,596.00	\$4,246.70	\$2,767.15
Other Local Revenues	8600 – 8799	\$0.00	\$0.00	\$0.00
Total Revenues		\$80,273.00	\$20,563.70	\$19,084.15

Expenditures				
Certificated Salaries	1000 – 1999	\$0.00	\$0.00	\$0.00
Classified Salaries	2000 – 2999	\$0.00	\$0.00	\$0.00
Employee Benefits	3000 – 3999	\$0.00	\$0.00	\$0.00
Books and Supplies	4000 – 4999	\$24,654.72	\$18,550.89	\$18,652.23
Services and Other Operating	5000 – 5999	\$196,124.73	\$2,833.00	\$2,833.00
Capital Outlay	6000 – 6999	\$0.00	\$0.00	\$0.00
Other Outgo	7000 – 7299	\$0.00	\$0.00	\$0.00
Direct Support/Indirect Cost	7300 – 7399	\$0.00	\$0.00	\$0.00
Debt Service	7400 – 7499	\$0.00	\$0.00	\$0.00
Total Expenditures		\$220,779.45	\$21,383.89	\$21,485.23
Excess (Deficiency) of Revenue Over Expenditures		(\$140,506.45)	(\$820.19)	(\$2,401.08)
Other Financing Sources/Uses				
Interfund Transfers In	8900 – 8929	\$0.00	\$0.00	\$0.00
Interfund Transfers Out	7600 – 7629	\$0.00	\$0.00	\$0.00
All Other Financing Sources	8930 – 8979	\$0.00	\$0.00	\$0.00
All Other Financing Uses	7630 – 7699	\$0.00	\$0.00	\$0.00
Contributions	8980 – 8999	\$0.00	\$0.00	\$0.00
Total Other Financing Sources/Uses		\$0.00	\$0.00	\$0.00
Net Increase (Decrease) in Fund Balance		(\$140,506.45)	(\$820.19)	(\$2,401.08)
Fund Balance				
Beginning Fund Balance	9791	\$143,728.78	\$3,222.33	\$2,402.14
Audit Adjustments	9793	\$0.00	\$0.00	\$0.00
Other Restatements	9795	\$0.00	\$0.00	\$0.00
Adjusted Beginning Fund Balance	9797	\$143,728.78	\$3,222.33	\$2,402.14
Ending Fund Balance	9799	\$3,222.33	\$2,402.14	\$1.06
Components of Ending Fund Balance				
Reserved Balances	9700	\$0.00	\$0.00	\$0.00
Nonspendable Revolving Cash	9711	\$0.00	\$0.00	\$0.00
Nonspendable Stores	9712	\$0.00	\$0.00	\$0.00
Nonspendable Prepaid Items	9713	\$0.00	\$0.00	\$0.00
All Other Nonspendable Assets	9719	\$0.00	\$0.00	\$0.00
General Reserves	9730	\$0.00	\$0.00	\$0.00
Restricted Balance	9740	\$3,222.33	\$2,402.14	\$1.06
Designated for the Unrealized Gains of Investments and Cash in County Treasury	9775	\$0.00	\$0.00	\$0.00
Other Assignments	9780	\$0.00	\$0.00	\$0.00
Economic Uncertainties Percentage		5.00%	5.00%	5.00%
Reserve for Economic Uncertainties	9789	\$0.00	\$0.00	\$0.00
Undesignated/Unappropriated	9790	\$0.00	\$0.00	\$0.00

Excess (Deficiency) of Revenues over Expenditures

The combined effect of revenue and expenditure adjustments described in this report illustrates that without additional revenues or expenditure reductions, the district will continue to deficit spend in fiscal year 2016-17 and beyond.

Deficit spending occurs when current year expenditures are greater than current year revenues. A budget deficit can be temporary or long-term, and can also include a planned spend down of

district reserves. A structural budget deficit is a permanent imbalance in revenues and expenditures indicating a lack of financial management oversight and can be addressed only by increasing revenues and/or reducing spending.

The district is projecting a transfer to the general fund from its special reserve fund of \$662,200 in fiscal year 2016-17. FCMAT's projection also shows transfers of approximately \$532,872 in fiscal year 2017-18 and approximately \$803,465 in fiscal year 2018-19. Continued transfers of this magnitude will deplete the special reserve fund in less than five years. The impact of these projected transfers on the special reserve fund is shown in the table below. The fund balance has and is projected to decline rapidly from the beginning balance in 2014-15 of \$4,825,427 to a projected \$1,665,350 at the end of fiscal year 2018-19. This is a 65% reduction in just under five fiscal years.

Special Reserve Fund Balance 2014-15 through 2018-19

Description	2014-15	2015-16	Base Year 2016-17	Year 1 2017-18	Year 2 2018-19
Total Revenues	\$16,445	\$19,443	\$13,000	\$9,819	\$8,317
Total Expenditures	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Other Financing Sources/Uses Transfers Out – Fund 01	\$511,000	\$301,350	\$662,200	\$532,872	\$803,465
Transfers Out – Fund 14			\$416,214		
Net Increase (Decrease) in Fund Balance	(\$494,555)	(\$281,907)	(\$1,065,414)	(\$523,053)	(\$795,148)
Fund Balance:					
Beginning Balance	\$4,825,427	\$4,330,872	\$4,048,965	\$2,983,551	\$2,460,498
Audit Adjustments	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Other Restatements	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total Ending Balance	\$4,330,872	\$4,048,965	\$2,983,551	\$2,460,498	\$1,665,350
Percentage of Decrease in Ending Fund Balance		-6.51%	-26.31%	-17.53%	-32.32%

Without revenue enhancements and/or changes in the general fund expenditure patterns, the district could face fiscal insolvency in the near future, which could require state intervention. State intervention occurs when the district does not have cash reserves to pay current obligations.

Enrollment

Enrollment and Average Daily Attendance (ADA)

Accurate enrollment tracking and analysis of average daily attendance (ADA) are essential to providing a solid foundation for budget planning. Because the district's primary funding is based on the total number of student attendance days, monitoring and projecting student enrollment and attendance is crucial. When enrollment and related ADA decline, the district must consider the budgetary effects of the decline on teacher-to-student ratios and plan accordingly. The district must also exercise extreme caution in negotiations, staffing and deficit spending to ensure fiscal solvency. Accurate tracking and analysis of enrollment and ADA can help the district better project future revenues and control expenditures to help maintain fiscal solvency.

Enrollment Projection

FCMAT used enrollment information provided by the California Department of Education (CDE) on its DataQuest website and analyzed enrollment trends over the last several years. District staff provided additional information regarding the District of Choice enrollment. To properly project the district's enrollment trend for subsequent years, the student counts have been separated due to the termination of the District of Choice program. All enrollment for students participating in the program has been eliminated effective fiscal year 2018-19.

FCMAT used the cohort survival method, which groups students by grade level upon entry and tracks them through each year that they stay in school. This method evaluates the longitudinal relationship of the number of students who pass from one grade to the next in a subsequent year. It closely accounts for retention, dropouts and students transferring to and from the district grade by grade. Although other projecting techniques are available, the cohort survival method usually is the best choice for school districts because of its sensitivity to incremental changes in several key variables.

Percentages are calculated from historical enrollment data to determine a reliable weighted average percentage of increase or decrease in enrollment between any two grades over the projection period. Ratios are calculated between grade levels from year to year, usually using data from the last five years. Enrollment variables include:

- Historical ratio of enrollment progression between grade levels
- Changes in educational programs
- Interdistrict transfers
- Migration patterns
- Changes in local and regional demographics
- Industry changes such as a new industry coming into or leaving the area
- Residential housing starts and the generation factor per household

Average Daily Attendance

ADA is used to calculate the district's LCFF and many other federal and state revenue sources. District LCFF apportionments are based on the greater of current or prior year second principal apportionment (P-2) ADA. The basic aid choice program provides basic aid districts an incentive

to serve nonresident pupils by providing funding roughly equivalent to 70% of the LCFF entitlement of the student's district of residence.

FCMAT reviewed the district's enrollment and ADA trends for 2012-13 through 2015-16 and current year enrollment data. The review compared October California Longitudinal Pupil Achievement Data System (CALPADS) student enrollment counts to the P-2 ADA to determine the average ADA-to-enrollment ratios. Historical data indicates that the district has experienced declining enrollment for the past two of the five fiscal years for students enrolled through the District of Choice program. However, enrollment of students residing within the district boundaries has increased slightly in three of the five fiscal years. FCMAT's projections take into consideration the termination of the District of Choice program and therefore no ADA was projected for fiscal year 2018-19. The district will need to carefully monitor and project enrollment and ADA at each reporting period to ensure the most recent data is included in its budget assumptions.

The following tables show the historical and projected enrollment using the cohort survival method.

District of Choice Enrollment and Average Daily Attendance

DOC Enrollment	Historical 4 2012-13	Historical 3 2013-14	Historical 2 2014-15	Historical 1 2015-16	Base Year 2016-17	Year 1 2017-18	Year 2 2018-19
K	7	6	2	2	2	0	0
1	9	6	7	6	3	2	0
2	6	7	7	6	4	3	0
3	5	10	6	7	5	3	0
Subtotal (K-3)	27	29	22	21	14	8	0
4	8	7	10	5	7	5	0
5	8	11	7	13	3	6	0
6	5	9	9	7	9	3	0
Subtotal (4-6)	21	27	26	25	19	14	0
7	6	8	11	9	6	9	0
8	2	6	7	11	7	5	0
Subtotal (7-8)	8	14	18	20	13	14	0
Total	56	70	66	66	46	36	0

DOC ADA	Historical 4 2012-13	Historical 3 2013-14	Historical 2 2014-15	Historical 1 2015-16	Base Year 2016-17	Year 1 2017-18	Year 2 2018-19
K-3	n/a*	27.48	20.87	20.02	11.41	7.60	0
4-6	n/a*	24.07	26.16	24.63	21.40	13.45	0
7-8	n/a*	13.53	17.47	18.31	12.50	13.31	0
Total	52.40	65.08	64.50	62.96	45.31	34.36	0

DOC Enrollment Factors	Historical 4 2012-13	Historical 3 2013-14	Historical 2 2014-15	Historical 1 2015-16	Base Year 2016-17	Year 1 2017-18	Year 2 2018-19
K-3	n/a*	.9476	.9486	.9533	.8150	.9499	0
4-6	n/a*	.8915	1.0062	.9852	1.1126	.9609	0
7-8	n/a*	.9644	.9706	.9155	.9615	.9508	0
Total	.9357	.9297	.9773	.9539	.9850	.9545	0

*DOC ADA was not broken out prior to the implementation of LCFF; therefore, no data is available

District Enrollment and Average Daily Attendance

Enrollment	Historical 4 2012-13	Historical 3 2013-14	Historical 2 2014-15	Historical 1 2015-16	Base Year 2016-17	Year 1 2017-18	Year 2 2018-19
K	8	8	8	12	8	9	9
1	2	9	8	5	10	7	7
2	4	4	9	9	6	11	7
3	10	1	4	9	8	6	11
Subtotal (K-3)	24	22	29	35	32	33	34
4	2	8	1	5	8	8	6
5	8	3	7	1	5	8	8
6	6	7	4	6	1	5	8
Subtotal (4-6)	16	18	12	12	14	21	22
7	3	6	6	5	5	1	4
8	3	3	5	6	3	4	1
Subtotal (7-8)	6	9	11	11	8	5	5
Total	46	49	52	58	54	59	61

P-2 ADA	Historical 4 2012-13	Historical 3 2013-14	Historical 2 2014-15	Historical 1 2015-16	Base Year 2016-17	Year 1 2017-18	Year 2 2018-19
K-3	20.80	20.89	28.74	32.78	31.35	30.34	32.12
4-6	15.40	17.89	11.17	10.65	13.31	20.15	20.97
7-8	5.52	8.62	10.55	9.99	7.82	4.71	4.78
Total	41.72	47.40	50.46	53.42	52.48	55.20	57.87

Enrollment Factors	Historical 4 2012-13	Historical 3 2013-14	Historical 2 2014-15	Historical 1 2015-16	Base Year 2016-17	Year 1 2017-18	Year 2 2018-19
K-3	.8667	.9495	.9910	.9366	.9797	.9360	.9360
4-6	.9625	.9939	.9308	.8875	.9507	.9437	.9437
7-8	.9200	.9578	.9591	.9082	.9775	.9363	.9363
Total	.9070	.9673	.9704	.9210	.9719	.9388	.9542

Revenue Sources

The district has four categories of revenue that are classified as either unrestricted or restricted: LCFF state aid, federal revenues, other state revenues and local revenues.

Unrestricted Revenues

LCFF

The LCFF was enacted in 2013-14; it replaced the previous revenue limit finance system that was in place for roughly 40 years. For school districts and charter schools, the LCFF establishes a base funding per student, with supplemental and concentration grants in place of the myriad of previously existing K-12 funding streams, including revenue limits, general purpose block grants, and most of the 50-plus state categorical programs.

According to the Legislative Analyst's Office Overview of the Local Control Funding Formula dated October 18, 2013, most school districts will see funding increases under the new formula, approximately 15% of LEAs will not receive additional funding. Statute further includes a hold harmless provision that specifies no district will receive less state aid than it received in 2012-13. Specifically, basic aid districts will be given the same level of per-pupil state categorical aid as they received in the 2012-13 fiscal year. Therefore, a basic aid district such as Vista Del Mar, whose local property tax exceeds its total LCFF grant entitlement, will maintain the additional local property tax revenue and also receive its 2012-13 per-pupil state allocation.

Vista Del Mar's governing board has elected to accept interdistrict transfers under the District of Choice provision authorized in Education Code Sections 48300 through 48316 since the inception of this program. Under this provision, the school district determines the number of transfer pupils it will accept and must ensure that pupils admitted are selected through a random, unbiased process that prohibits an evaluation of whether or not the pupil should be enrolled based on his or her academic or athletic performance.

School districts that receive only the categorical minimum state aid funding because they are basic aid receive no additional funding for serving interdistrict pupils. However, the basic aid choice program provides the district an incentive to serve nonresident pupils by providing funding equivalent to 70% of the LCFF entitlement of the student's district of residence. Approximately 50% of the district's enrollment is students who have elected to attend the district under the District of Choice provision. However, this program will become inoperative on July 1, 2017 and is repealed as of January 1, 2018 unless legislation is passed to extend the program. Since approximately 50% of the district's enrollment consists of these students, repealing this program has a significant fiscal impact.

Additional revenues are received from the education protection account (EPA), also known as Proposition 30, which was approved in the November 2012 statewide election to stabilize K-14 funding following massive budget cuts to education over the three previous fiscal years. Proposition 55 was subsequently passed in November 2016 to extend the personal income tax rate increase through fiscal year 2030. For standard funded school districts the state obligation for LCFF funding is offset by local property taxes and the EPA; therefore, the total revenue each school district and charter school receives is a combination of state apportionment (LCFF), local property taxes and EPA. However, if an LEA's funding from the combined local property taxes and EPA exceeds the LEA's LCFF general purpose entitlement, the LEA's EPA entitlement is guaranteed at no less than a minimum amount of \$200 per unit of ADA. These quarterly payments are separate from the principal apportionment.

The following table summarizes the overall impact to the district's LCFF funding from 2015-16 and shows projected revenue through 2018-19:

	2015-16	2016-17	2017-18	2018-19
LCFF State Aid	\$133,020.00	\$133,020.00	\$133,020.00	\$133,020.00
LCFF State Aid – prior year adjustment	\$25.00	(\$1.00)	\$0.00	\$0.00
District of Choice Funding	\$296,037.00	\$234,926.00	\$185,080.00	\$0.00
Local Property Taxes	\$1,351,993.00	\$1,180,668.00	\$1,180,668.00	\$1,180,668.00
Education Protection Account	\$23,596.00	\$19,610.00	\$17,880.00	\$11,574.00
Total LCFF Entitlement	\$1,804,671.00	\$1,568,223.00	\$1,516,648.00	\$1,325,262.00

For its budget and MYFP analysis, FCMAT calculated and adjusted the LCFF for the current year based on October 2016 enrollment and P-1 ADA. The enrollment and ADA projection included earlier in this report was used for the projected years.

Federal revenues were balanced to the current year awards including deferred and/or carryover balances. In the projection years, deferred revenues and/or carryovers were eliminated and Rural Education Achievement Program revenues were eliminated.

State revenues were calculated using the per-ADA amounts projected in the assumptions table provided earlier in the report. Carryover balances are also included in the current year budget.

Lottery funds are estimated at \$144 per ADA for non-Proposition 20 funds and \$45 per ADA for Proposition 20 funds. Funding for the one-time mandated cost grant was projected at \$214 per ADA for the current year and \$48 per ADA for fiscal year 2017-18 but was eliminated due to lack of funding as proposed in the latest Governor's Budget proposal in the 2018-19 fiscal year.

Due to the elimination of the District of Choice program, all revenue projections funded on a per-ADA amount are impacted negatively and the reductions are based on the ADA projections included earlier in this report.

FCMAT adjusted various local revenue totals based on amounts received to date and projected collections through the rest of the fiscal year. The district collects local revenue for items such as use of facilities, preschool programs, interagency service contracts, and donations. Because not all of these revenues can be guaranteed on a year-to-year basis, budgets and MYFPs for these items should be conservative and take into account historical trend data. The budgets should also be monitored and updated throughout the year based on amounts received to date.

Beginning in 2016-17, Vista Del Mar Union and College School District entered into an agreement to share the services of their chief business official, funding for the shared services of the chief business official was included in the current and two subsequent fiscal years at the agreed upon 60% for College and 40% split for Vista Del Mar. The estimated amounts should be adjusted if the percentages change in future years.

Expenditures

In FCMAT's budget and MYFP analysis, salaries and benefits were extrapolated from November 2016 through June 2017 utilizing the October 2016 payroll and expenditures to date. The following summarizes the sequence used to calculate the payroll and benefit projections:

- Reviewed district position control reports as of December 2016.
- Reviewed October payroll and extrapolated all payroll costs through June 30, 2017.
- October 31, 2016 year-to-date financial activity was analyzed and estimated based on prior year trends for noncontracted salaries such as substitutes, extra duty and overtime.

Certificated salary accounts were adjusted based on the above assumptions and analysis of actual year-to-date activity, encumbrances and payroll reports.

The FCMAT MYFP includes ongoing step adjustments for staff members as they progress through the district's approved salary schedule. Administrators stated that staffing is projected to be reduced by 1.6 FTEs in fiscal year 2017-18, and this reduction is included in FCMAT's MYFP projections. However, fiscal year 2018-19 does not assume any reductions in staff, but due to the loss of the DOC enrollment FCMAT strongly encourages the governing board and administration to analyze class sizes, compare them to current industry standards and make staffing reductions as necessary.

Classified salary accounts were adjusted based on the above assumptions and analysis of actual year-to-date activity, encumbrances and payroll reports.

Employee benefits – Benefit accounts were adjusted based on actual year-to-date activity, encumbrances, and payroll reports. Health and welfare and statutory benefit savings were included in the MYFP estimates for staff reductions.

Increased employer contribution rates for the California State Teachers' Retirement System and the California Public Employees' Retirement System were included in the MYFP as provided in the FCMAT MYFP Assumptions and Projection Rules table.

The books and supplies budgets were reviewed for reasonableness using the prior two years' actual expenditures, current year-to-date expenditures and encumbrances. All grants and entitlements were adjusted to reflect increased expenditures due to deferred revenues and/or carryover balances and adjusted to the award amounts in the two subsequent fiscal years.

The services and operating expenditures budgets were reviewed for reasonableness using the prior two years' actual expenditures, current year-to-date expenditures and encumbrances. All grant and entitlements were adjusted to reflect increased expenditures due to deferred revenues and/or carryover balances and adjusted to the award amounts in the two subsequent fiscal years. Current year revenues from the California Clean Energy Jobs Act were fully expended and were removed from the two subsequent fiscal years. The projections for the two subsequent fiscal years include adjustments to the unrestricted expenditures based on the consumer price index inflation factor from the SSC Financial Dashboard and projected ADA.

The other outgo expenditures remained at current year levels based on the district's current Special Education Local Plan Area consortium estimate.

Other Funds

In addition to analyzing the general fund, FCMAT completed a basic review of the district's 2015-16 unaudited actuals and its 2016-17 first interim report for other funds and found the following:

The cafeteria fund shows that expenses have exceeded revenues in 2015-16 and are projected to exceed revenues in 2016-17, which has required ongoing contributions from the unrestricted general fund. To reverse this trend, the district must seek ways to reduce expenses and/or increase revenue to regain and maintain financial solvency in the cafeteria fund.

The special reserve fund for other than capital outlay projects is being used to address the structural deficit in the general fund. This fund is a one-time source of revenue, and transfers out will ultimately deplete this resource.

Revenue Increases and Expenditure Reductions

California Education Code Section 39807.5 states that when a district provides home-to-school transportation for its students, it may require the parents/guardians of students transported to pay a portion of the cost. The amount is to be determined by the district's governing board but may not be greater than the statewide average non-subsidized cost of providing transportation to a student on a publicly owned or operated transit system. The maximum allowable rate for fiscal year 2015-16 is \$9.82 for the daily round trip, as indicated in the CDE's June 12, 2015 letter entitled "Fees for Pupil Transportation." Therefore, if the district had a 180-day instructional calendar, the maximum that could be charged to parents would be \$1,767.60 (\$9.82 x 180) per student for the 2015-16 fiscal year. The district's potential amount will increase once CDE releases the allowable rate for 2016-17.

Although the Education Code allows fees to be levied, before determining if fees should be implemented in Vista Del Mar, the district will need to analyze the population using its home-to-school transportation system to determine if charging fees would generate sufficient revenue to warrant implementation. The Education Code exempts students whose parents or guardians are indigent from paying transportation fees, and the State Board of Education recommends that districts use the free meal qualification guidelines to determine who is exempt.

Therefore, the district would need to determine the number of students using its transportation service who qualify to receive free meals, and these students could not be charged. The district may also implement a reduced transportation fee for students who qualify for reduced-price meals, so this information would also need to be included in the analysis. In addition, the district would need to estimate the number of students who would no longer attend district schools and/or use district transportation if fees were implemented. Additional information regarding home-to-school transportation fees may be found on the CDE website at <http://www.cde.ca.gov/fg/aa/ca/ptran15feesltr.asp>.

Many districts freeze spending during difficult financial situations. The key to implementing a spending freeze is to do it immediately and without exception for unrestricted general fund expenditures, excluding health and safety issues. Spending of restricted program funding may need to continue because many resources include deadlines by which all funds must be expended or returned to grantor. Like spending freezes, purchase order (PO) cut-off dates can help reduce spending and make it easier to estimate the ending fund balances and reserves. The PO cut-off date should include all expenditures from all funding sources and should be early enough in the year (normally in March and April) that a thorough review of each resource can be made to

ensure that all restricted resource expenditure deadlines are met. It would benefit the district to consider implementing spending freezes and/or PO cut-off dates each year.

Best business practices include ongoing evaluation of surplus equipment to determine if items stored in empty classrooms or a warehouse facility can be used at another school site or if they should be disposed of. Vista Del Mar for example could look at the number of buses the district has on hand and that are currently in use. Several private companies provide auction services to districts for the sale of surplus goods, and many districts have found that they can generate revenues through the use of these services rather than paying to dispose of surplus items. This process may also help minimize the cost for storage and potential exposure to theft.

Vista Del Mar has a three-bedroom home on the property that has been vacant for just over one year. The rental of this property could generate revenues and provide for additional site security. The district should work with its legal counsel to create a rental agreement for the property.

As state resources for school districts have continued to decrease, many districts have gone to the local voters to see enhanced funding for operational programs through implementation of a parcel tax. Parcel taxes are normally levied at a flat rate per parcel and must be uniformly applied to all real property owners with the only permitted exemptions being senior citizens and federally supplemental security income disability benefits recipients. Parcel taxes can be extremely difficult to pass because they require a two-thirds vote of the electorate. The advice of experienced financial advisors and legal counsel should be obtained before determining whether to place a local parcel tax measure on the ballot.

Recommendations

The district should:

1. Adopt a budget and MYFPs that eliminate deficit spending and meet reserve requirements in the budget and projection years.
2. Maintain a reserve level to ensure that sufficient cash is available to meet payroll and other expenditure obligations and to avoid any adverse effects related to the requirements of AB 1200.
3. Continue to ensure that MYFPs are kept up to date and that the information they contain is accurate and based on the most current budget assumptions.
4. Carefully monitor and project enrollment and ADA at each reporting period to ensure the most recent data is included in its budget assumptions since actual enrollment can rapidly change from year to year.
5. Compare unduplicated student counts and enrollment number reported by CDE at each reporting period to ensure they agree with the district's CALPADS totals.
6. Continue to review programs and ensure they are self-sustaining.
7. Ensure that all grants, entitlements and deferrals and/or carryovers are properly updated by the first interim report and agree with CDE funding exhibits.

8. Recognize deferred revenue in the current year budget upon completion of the prior year unaudited actuals, and ensure that deferred revenue is not included in the subsequent two years of the MYFPs.
9. Be conservative in budgeting local revenue amounts. Update the budget throughout the year as necessary to account for year-to-date receipts.
10. Continue to monitor and project revenues and expenditures for all other funds throughout the year and ensure the assumptions used are the most current available.
11. Review contributions to other funds and ensure that they are self-sustaining unless the governing board has made a decision to provide a contribution to a specific fund.
12. Monitor cash flow to ensure sufficient funds are available to pay current obligations.
13. Adjust the chief business official's shared services contract if the agreed upon percent changes.
14. Analyze class sizes with the loss of the DOC enrollment and make reductions in staff to align with industry standards.
15. Analyze the population that uses home-to-school transportation to determine if charging fees would generate sufficient revenue to warrant charging fees. Consider implementing fees if the analysis indicates sufficient revenues are attainable.
16. Consider implementing spending freezes and/or purchase order cut-off dates each year.
17. Evaluate storage of surplus equipment to determine if items can be used or sold in an auction.
18. Consider renting the on-site residence.
19. Evaluate the feasibility of putting a parcel tax measure before the voters.

Appendix

Appendix A

Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

CSIS California School Information Services

#1160

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT

November 3, 2016

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Vista Del Mar Union School District, hereinafter referred to as the district, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local education agencies (LEAs). The district has requested that the team assign professionals to study specific aspects of the district's operations. These professionals may include staff of the team, county offices of education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

In keeping with the provisions of Assembly Bill 1200, the county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

1. Review the district's 2016-17 general fund budget and develop a multiyear financial projection (MYFP) for the current and two subsequent fiscal years to validate the district's financial status. Make recommendations for expenditure reductions and/or revenue enhancements to help the district to eliminate its structural budget deficit and maintain financial solvency. The MYFP will be a snapshot in time of the current financial status and will use the district's 2016-17 first interim report as the baseline. The MYFP will be developed as a trend based on certain criteria and assumptions instead of a prediction of exact numbers. It will be developed for the district's general fund and will include the review and fiscal impact of other funds on the general fund.

2. The MYFP will utilize FCMAT's Budget Explorer multiyear financial projection and cash flow software and LCFF calculator to determine the level of funds required to sustain the district's financial solvency.

B. Services and Products to be Provided

1. Orientation Meeting - The team will conduct an orientation session at the district to brief district management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review - The team will conduct an on-site review at the district office and at school sites if necessary.
3. Exit Meeting - The team will hold an exit meeting at the conclusion of the on-site review to inform the district of significant findings and recommendations to that point.
4. Exit Letter – Approximately 10 days after the exit meeting, the team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.
5. Draft Report - Electronic copies of a preliminary draft report will be delivered to the district's administration for review and comment.
6. Final Report - Electronic copies of the final report will be delivered to the district's administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.
7. Follow-Up Support – If requested by the district within six to 12 months after completion of the study, FCMAT will return to the district at no cost to assess the district's progress in implementing the recommendations included in the report. Progress in implementing the recommendations will be documented to the district in a FCMAT management letter. FCMAT will work with the district on a mutually convenient time to return for follow-up support that is no sooner than eight months and no later than 18 months after completion of the study.

3. PROJECT PERSONNEL

The FCMAT study team may also include:

A. To be determined

FCMAT Staff

B. To be determined

FCMAT Consultant

4. PROJECT COSTS

The cost for studies requested pursuant to Education Code (EC) 42127.8(d)(1) shall be as follows:

- A. \$500 per day for each staff member while on site, conducting fieldwork at other locations, presenting reports and participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.
- B. All out-of-pocket expenses, including travel, meals and lodging.
- C. The district will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon the district's acceptance of the final report.

Based on the elements noted in section 2A, the total not-to-exceed cost of the study will be \$7,600.

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- D. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools - Administrative Agent located at 1300 17th Street, City Centre, Bakersfield, CA 93301.

5. RESPONSIBILITIES OF THE DISTRICT

- A. The district will provide office and conference room space during on-site reviews.
- B. The district will provide the following if requested:
 - 1. Policies, regulations and prior reports that address the study scope.
 - 2. Current or proposed organizational charts.
 - 3. Current and two prior years' audit reports.
 - 4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
 - 5. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the district will upload all requested documents.
- C. The district's administration will review a preliminary draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with pupils. The district shall take appropriate steps to comply with EC 45125.1(c).

6. **PROJECT SCHEDULE**

The following schedule outlines the planned completion dates for different phases of the study and will be established upon the receipt of a signed study agreement:

Orientation:	to be determined
Staff Interviews:	to be determined
Exit Meeting:	to be determined
Draft Report Submitted:	to be determined
Final Report Submitted:	to be determined
Board Presentation:	to be determined, if requested
Follow-Up Support:	if requested

7. **COMMENCEMENT, TERMINATION AND COMPLETION OF WORK**

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a preliminary draft report and a final report. Prior to completion of fieldwork, the district may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the district does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its report and the district will be responsible for the full costs. The district understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the district shall not request that it do so.

8. **INDEPENDENT CONTRACTOR**

FCMAT is an independent contractor and is not an employee or engaged in any manner with the district. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the district in any manner without prior express written authorization from an officer of the district.

9. INSURANCE


During the term of this agreement, FCMAT shall maintain liability insurance of not less than \$1 million unless otherwise agreed upon in writing by the district, automobile liability insurance in the amount required under California state law, and workers compensation as required under California state law. FCMAT shall provide certificates of insurance, with Vista Del Mar Union School District named as additional insured, indicating applicable insurance coverages upon request.

10. HOLD HARMLESS

FCMAT shall hold the district, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the district shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

11. CONTACT PERSON

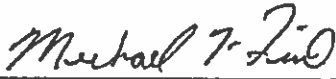
Name: Gary Pickavet, Jr., Chief Business Official
Telephone: (805) 686-1880
E-mail: gpickavet@vistadelmarunion.com



Dr. Emilio Handall, Superintendent
Vista Del Mar Union School District

11/3/16

Date



Michael H. Fine,
Chief Administrative Officer
Fiscal Crisis and Management Assistance Team

November 3, 2016

Date