

**BEFORE THE BOARD OF TRUSTEES  
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT  
LOS ANGELES COUNTY, STATE OF CALIFORNIA**

**RESOLUTION #2015-2**

**LOCAL RESERVES CAP  
SB 858, Section 27/California Education Code 42127.01**

WHEREAS, School district governing boards have the obligation to provide a quality education that is essential for an informed citizenry, a competitive economy, a fulfilling life for all students, and the foundation of our democratic society; and

WHEREAS, School district governing boards are responsible for maintaining fiscal solvency of the school systems they govern; and

WHEREAS, The Local Control Funding Formula (LCFF), based on the principle of subsidiarity, provides governing boards, working with interested stakeholders, with the authority to prioritize funds in order to provide quality education for all students, especially those who are English learners, from low income households and who are Foster Youth; and

WHEREAS, Funds for crucial services for school operations, such as payroll, classroom materials, school construction projects, technology, home-to-school transportation, deferred maintenance, etc., often require successful ongoing cash-flow management coupled with disciplined planning, including the creation and maintenance of prudent financial reserves; and

WHEREAS, School district reserve levels, as well as their fund balances, are determined by governing boards to meet local priorities and allow districts to save for potential future expected and unexpected expenditures and for eventual economic downturns; and

WHEREAS, the statutory minimum for Manhattan Beach Unified School District reserves for economic uncertainties is 3 percent and covers less than 10 days of total cash flow; and

WHEREAS, Prudent budgeting raises expectations for school districts to establish and maintain reserves above the statutory minimum; and

WHEREAS, the Board of Trustees of the Manhattan Beach Unified School District has, in the interest of fiscal responsibility, locally established a minimum reserve of 5%, or 2% above the statutory minimum; and

WHEREAS the Board of Trustees of the Manhattan Beach Unified School District currently projects an ending fund balance of approximately 16% to enable it to maintain a positive ending fund balance while also supporting planned expenses such as necessary textbook and instructional materials adoptions, equipment purchases, and projects related to deferred maintenance; to meet cash flow needs to allow the district to maintain sufficient funds to pay salary, benefits and other invoices in a timely fashion throughout the year; to maintain an acceptable credit rating; and to keep the District solvent during the next economic downturn and when the revenues from Proposition 30 begin to sunset over the next three years; and

WHEREAS, On June 20, 2014, the Governor signed into law SB 858 (Committee on Budget and Fiscal Review, Chapter 32, Statutes of 2014), the so-called education budget trailer bill, now embodied in California Education Code 42127.10; and

WHEREAS, SB 858, Sec. 27, Education Code 42127.01, became operative upon voter approval of Proposition 2 on the November 2014 state ballot, and will require school districts to spend their assigned and unassigned account balances down to no more than two to-three times the minimum level of the statutory reserve for economic uncertainties (depending on district size) in the fiscal year following the fiscal year in which the State of California makes a payment of any amount to the Public School System Stabilization Account; and

WHEREAS, Under SB 858 a deposit by the State of California of even \$1 to the Public School System Stabilization Account would result in school districts throughout California having to spend down billions of dollars in their reserves and ending balances; and

WHEREAS, It could take many years for the State of California to build up an adequate Public School System Stabilization Account; yet, in one year, school districts would be forced to spend down their reserves and ending balances to levels that could jeopardize fiscal solvency; and

WHEREAS, The LCFF is not fully implemented, many school districts are still funded below their 2007-08 levels, and districts cannot survive another downturn without fiscally responsible reserves;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of the Manhattan Beach Unified School District calls upon the Legislature and the Governor to repeal or substantially change the language contained in Sec. 27 of SB 858 (Chapter 32, Statutes of 2014), now in Education Code 42127.01 immediately.

PASSED AND ADOPTED by the Board of Trustees of the Manhattan Beach Unified School District on January 21, 2015, by the following vote:

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSENT: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

\_\_\_\_\_  
President, Board of Trustees

I, \_\_\_\_\_, Clerk/Secretary of the Board of Trustees of the Manhattan Beach Unified School District, County of Los Angeles, do hereby certify that the foregoing resolution was duly adopted by said Board at a meeting held at its regular meeting place on November XX, 2014, which action is contained in the minutes of the meeting of said Board of Trustees.

ATTEST:

\_\_\_\_\_  
Clerk/Secretary, Board of Trustees