

**MORAGA SCHOOL DISTRICT
Governing Board Meeting
Agenda Item Analysis**

Subject:	2018-19 1 st Interim Report	Item No.:	12.8.
Action:	Yes	Attachment:	Yes
Information:	No		
Consent:	No		
Meeting Date:	12/11/2018	Submitted by:	Daniela Parasidis

Recommendation: To approve the positive certification that the District will be able to meet its financial obligations for the current and two subsequent fiscal years. It is also recommended that the Governing Board review and approve the 1st Interim projection column D, on Forms 01, 12, 13, 17, 21, 25, and 40 as the operating budgets for 2018-19 for all Moraga School District funds.

Brief Item Description: Twice a year the Board must review interim financial reports and evaluate the District's ability to meet financial obligations for the balance of the current year (2018-19) and two subsequent years (2019-20 and 2020-21). This is the first report of the year and it covers the period from July 1, 2018 to October 31, 2018.

School district operating budgets have had a few changes since the budget was adopted in June 2018. Some of these changes were reviewed at the 45-Day budget revision in August and continue to be reflected in this 1st Interim budget report. The changes presented in the 45-Day Revision were the increase to the 2018-19 COLA applied to the Local Control Funding Formula (LCFF) from 3.0% to 3.7% and the decrease to One-time Mandated Cost Funds from \$344/ADA to \$184/ADA.

Since the 45-day revision, additional adjustments have been made to both the revenue and expenditure sides of the operating budget.

2018-19 Revenues:

The Governor's budget provides factors used to calculate the District's main revenue source, the Local Control Funding Formula (LCFF). The concept around the LCFF is that beginning in 2013-14 and each year thereafter, this funding formula would provide two figures, one for "Phase-in Funding" and one for "Target Funding." The idea is that each year, the State would provide additional funds to close the "GAP Funding" between the "Phase-In" and "Target Funding." The intention was to reach "Target Funding" within 8 years from implementation or 2020-21. The Governor's 2018-19 budget reaches "Target Funding", two years earlier than anticipated. While this is good news, this also means that the LCFF may only realize a "COLA" increase moving forward.

Below are the factors provided by the State Budget that drive the LCFF revenue projection for the current year through 2020-21:

	2018-19	2019-20	2020-21
Funded ADA	1,804.89	1,804.89	1,804.89
Statutory COLA	3.70%	2.57%	2.67%
LCFF GAP%	100%	100%	100%

It is important to note that the LCFF funding formula was implemented with the intent to restore revenues to pre-recession levels adjusted for inflation and that is formula does not address the “natural” increases in expenditures.

In addition to the LCFF, district revenue comes from the following sources:

- Moraga Education Foundation
- Local Parcel Tax
- State Lottery funds
- State and Federal Special Education funding
- Federal funding for Title I, Title II and Title III
- After School Sports
- Fieldtrip Donations
- Moraga Sports Alliance
- School Site Donations (PE, Science, Book fair, Debate and PTA)

2018-19 Expenditures:

Expenditure budgets are based on the following:

- 2018-19 Enrollment (per CBEDS Day-First Wednesday in October) = 1,851
- Salary and Benefits for:
 - *Certificated Teacher Staff = 103 full-time equivalent
 - *Classified Support Staff = 67.75 full-time equivalent
 - *Certificated and Classified Management = 15.60 full-time equivalent
- District priorities as outlined by the Local Control Accountability Plan
- Next Generation Science Standards textbook purchase for all sites as well as French textbooks for Joaquin Moraga Intermediate School
- Technology replacement and upgraded technology infrastructure
- Special Education and Section 504 programs
- Maintenance and Operations program

Budgets have been adjusted for salary and health benefit changes due to staff attrition and allocation of site carryover funds.

For the current year, it is projected that the District will meet its minimum required reserve of 4% (3% State Requirement and 1% Board policy) and have a positive ending fund balance.

Multiyear Projection (MYP):

As part of the 1st interim report, districts are required to calculate projections for two subsequent years (2019-20 and 2020-21).

The following factors are used to project the operating budgets for 2019-20 and 2020-21:

	2019-20	2020-21
Cost of Living Adjustment (COLA)	2.57%	2.67%
One-time Mandated Funds	\$0	\$0
Parcel Tax Revenue	\$2.8 m	\$1.8 m
Lottery Funding	\$204/ada	\$204/ada
Step/Column Increase CERT	1.00%	1.00%
Step/Column Increase CLASS	1.00%	1.00%
California CPI	3.50%	3.23%
STRS Rate Increase	1.85%	0.97%
PERS Rate Increase	2.74%	2.70%
Health Benefit Increase	5.00%	5.00%

In addition, the District anticipates using “One-Time” funds to purchase History/Social Science textbooks in 2019-20. The actual implementation depends on the timing of the State textbook adoptions as well as textbook committee feedback.

Technology in the classroom continues to grow requiring upgrades to the District’s technology infrastructure as well as a technology refresh plan. Budgets for these activities have been included in the multi-year projection and will be funded with “One-Time” funds.

Despite an uptick in revenues for 2018-19, the district projects a structural deficit in all three fiscal years. The driving factors causing this structural deficit are: (1) the annual increases to the employer contributions for PERS and STRS and (2) Special Education expenditures continue to exceed Special Education funding. Neither of these on-going expenditures come with an offsetting increase to revenue.

For the current year, reserves will address this deficit. For 2019-20 and 2020-21, unless the District enhances revenue opportunities, reduces expenditures or a combination of both, the District’s reserves will be reduced each year.

The chart below illustrates the change to the District's Fund Balance:

	2018-19	2019-20	2020-21
Total Revenues:	22,850,547	22,884,915	22,163,724
Total Expenditures:	23,142,380	23,372,065	23,441,216
Net Increase (Decrease) to Fund Balance:	(291,833)	(487,150)	(1,277,492)
FUND BALANCE RESERVES:			
Beginning Balance	5,580,450	5,288,617	4,801,467
Net Increase (Decrease) to Fund Balance:	(291,833)	(487,150)	(1,277,492)
ENDING FUND BALANCE:	5,288,617	4,801,467	3,523,975
COMPONENTS OF THE ENDING FUND BALANCE			
NONSPENDABLE: Revolving Cash	25,000	25,000	25,000
RESTRICTED: Categorical Programs	275,801	154,188	0
ASSIGNED:			
Textbook Implementation	350,000	0	0
Curriculum & Instruction Professional Development	100,000	0	0
Technology Replacement/Upgrade	575,626	275,626	0
UNASSIGNED AVAILABLE RESERVES:			
**3% Required Reserve	694,271	701,162	703,236
**Undesignated Fund Balance:	3,267,919	3,645,491	2,795,739
FUND 17 RESERVES:	912,581	912,581	912,581
TOTAL DISTRICT AVAILABLE RESERVES IN DOLLARS:	4,874,771	5,259,234	4,411,556
TOTAL DISTRICT AVAILABLE RESERVES AS A PERCENTAGE:	21.06%	22.50%	18.82%

Other Funds:

At this time, all other funds are projected to have positive ending fund balances.

Included in this packet are:

- 1) 1st Interim PowerPoint Presentation
- 2) Summary of Funds
- 3) Schedule of Changes
- 4) All required State forms