

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

<b>Subject:</b>	2018-2019 2nd Interim Report	<b>Item No.:</b>	12.1.
<b>Action:</b>	Yes	<b>Attachment:</b>	Yes
<b>Information:</b>	No		
<b>Consent:</b>	No		
<b>Meeting Date:</b>	03/12/2019	<b>Submitted by:</b>	Kathy Bell

**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 2nd 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 second report of the year and it covers the period from July 1, 2018 to January 31, 2019.

Since the 1<sup>st</sup> Interim Budget Report, adjustments have been made to both the revenue and expenditure sides of the budget that reflect the most current information available.

**Revenues:** The District's main source of revenue is 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." Each year, the State would provide additional funds to close the "GAP Funding" between the "Phase-In Funding" and "Target Funding". The intention was to reach "Target Funding" within 8 years from implementation or 2020-21, however with the 2018-19 Governor's Budget, the "Target Funding" has been reached, two years sooner than expected.

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

	2018-19	2019-20	2020-21
<b>Funded ADA</b>	1804.89	1804.89	1804.89
<b>Statutory COLA</b>	3.70%	3.46%	2.86%
<b>LCFF GAP%</b>	100.00%	100.00%	100.00%

It is important to note that once the LCFF is "Fully Funded" it will only receive an increase equal to the COLA for that year. Based on the chart above, in 2019-20 the District can expect to receive a 3.46% increase to our LCFF Base funding. If at any point there is a significant downturn in the economy or even a projection of one, the Governor could

choose NOT to provide additional funding and in worse cases reduce the funding as we have seen in the past. Again, these are projections and not figures set in stone.

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 formula does not necessarily address the “natural” increases in expenditures.

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

- Moraga Education Foundation
- Local Parcel Tax
- State Lottery funds
- State and Federal Special Education funding
- New Low Performing School Block Grant ( LPSBG)
- Federal funding for Title I, Title II, Title III, and Title IV
- 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 = 103.4 full-time equivalent
  - \*Classified Support Staff = 70.58 full-time equivalent
  - \*Certificated and Classified Management = 15.60 full-time equivalent
- District priorities as outlined by the Local Control Accountability Plan
- NGSS Textbook Purchase for all sites as well as French for Joaquin Moraga Intermediate
- Technology replacement and upgraded technology infrastructure
- Special Education and Section 504 programs
- Maintenance and Operations program

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

**Multiyear Projection (MYP):** As part of the 2nd 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:

	<b>2019-20</b>	<b>2020-21</b>
<b>Cost of Living Adjustment</b>	3.46%	2.86%
<b>One Time Mandated Funds</b>	\$0	\$0
<b>Parcel Tax Revenue</b>	\$2.8 M	\$1.8 M
<b>Step/Column Increase CERT</b>	1.00%	1.00%
<b>Step/Column Increase CLASS</b>	1.00%	1.00%
<b>California CPI</b>	3.18%	3.05%
<b>STRS Rate Increase</b>	.82%	1.00%
<b>PERS Rate Increase</b>	2.64%	2.70%
<b>Health Benefit Increase</b>	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 of this 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, (though the proposal for the 2019-20 budget includes a 1% “buydown” of the STRS rate)
- (2) Special Education expenditures continue to exceed Special Education funding.

Neither of these on-going expenditures come with an offsetting increase to revenue.

The good news is that discussions are starting to happen that address this funding issue, however the bad news is that we cannot base our multi-year projections on these “ideas.”

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:	22,961,653	23,124,176	22,435,917
Total Expenditures:	23,333,226	23,445,116	23,512,247
<b>Net Increase (Decrease) to Fund Balance:</b>	<b>(371,573)</b>	<b>(320,940)</b>	<b>(1,076,330)</b>
<b>FUND BALANCE RESERVES:</b>			
Beginning Balance	5,580,450	5,208,877	4,887,937
Net Increase (Decrease) to Fund Balance:	(371,573)	(320,940)	(1,076,330)
<b>ENDING FUND BALANCE:</b>	<b>5,208,877</b>	<b>4,887,937</b>	<b>3,811,607</b>
<b>COMPONENTS OF THE ENDING FUND BALANCE</b>			
<b>NONSPENDABLE:</b> Revolving Cash	25,000	25,000	25,000
<b>RESTRICTED:</b> Categorical Programs	279,675	172,433	31,769
<b>ASSIGNED:</b>			
Textbook Implementation	350,000	0	0
Curriculum & Instruction Professional Development	100,000	0	0
Technology Replacement/Upgrade	575,626	275,626	0
<b>UNASSIGNED AVAILABLE RESERVES:</b>			
**3% Required Reserve	699,997	703,353	705,367
**Undesignated Fund Balance:	3,178,579	3,711,525	3,049,471
<b>FUND 17 RESERVES:</b>	<b>912,581</b>	<b>912,581</b>	<b>912,581</b>
<b>TOTAL DISTRICT AVAILABLE RESERVES IN DOLLARS:</b>	<b>4,791,157</b>	<b>5,327,459</b>	<b>4,667,419</b>
<b>TOTAL DISTRICT AVAILABLE RESERVES AS A PERCENTAGE:</b>	<b>20.53%</b>	<b>22.72%</b>	<b>19.85%</b>

**Other Funds:**

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

Included in this packet are:

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