

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

Subject:	2018-19 Adopted Budget	Item No.:	9.10
Action:	No	Attachment:	Yes
Information:	Yes		
Consent:	No		
Meeting Date:	06/5/2018	Submitted by:	Daniela Parasidis

Brief Item Description:

The 2018-19 Preliminary Adopted Budget includes the following:

- **2017-18 Estimated Actuals:** Last chance to revise the current year’s budget to estimate what the beginning balance for 2018-19 fiscal year will be.
- **2018-19 Adopted Budget:** First look at the budget plan for 2018-19.
- **2019-20 and 2020-21 Multi-Year Projections:** Outlook for the next two years to determine budget plan moving forward

2017-18 Estimated Actuals

Since the Second Interim report was presented to the Board on March 13, 2018, there have been final adjustments made to the District’s 2017-18 operating budget for both revenues and expenditures. The budget for the current year has been adjusted for information provided by the Governor’s May Revision, Contra Costa SELPA and reflects changes made based on year-to-date actuals.

A review of these changes can be seen in “*Section 2: 2017-18 Schedule of Changes*”

This final 2017-18 budget projection provides an estimated “Beginning Fund Balance” used in budget planning for 2018-19 through 2020-21.

2018-19 Adopted Budget

The Adopted Budget is driven by assumptions based on information provided by the Governor’s May Revise, local board decisions and local commitments to the Moraga School District’s educational program.

The Governor’s conservative approach to the State’s Budget Proposal provides increased funding for schools with only a slight increase to the LCFF and a significant increase to one-time funds. For the Moraga School District, this “One-time Funding” will provide \$616,000 in 2018-19 (which is approximately \$345,000 more than we received in 2017-18).

The State budget did not include dedicated funding to address the increase in STRS and PERS pension costs and did not make any strides to address the shortfall in Special Education funding.

2018-19 Revenue Assumptions:

The Governor’s budget provides updated 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 proposes to reach “Target Funding” in 2018-19, two years earlier than anticipated. While this is great news, this also means that the LCFF will only realize a “COLA” increase moving forward.

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

	2017-18	2018-19	2019-20	2020-21
Funded ADA	1,843.10	1,792.13	1,785.16	1,775.25
Statutory COLA	1.56%	3.00%	2.57%	2.67%
LCFF GAP%	45.17%	100%	100%	100.00%

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. The funding formula does not address the “natural” increase in expenditures.

In addition to the LCFF funding provided by the State, revenue projections include funding provided by:

- Moraga Education Foundation
- Local Parcel Tax
- State Lottery funds
- State and Federal Special Education funding
- Federal funding for Title I and Title II
- After School Sports
- Fieldtrip Donations
- Moraga Sports Alliance

Revenue is recorded for site donations when they are received, therefore they are not included in the 2018-19 revenue projections.

2017-18 Expenditure Assumptions:

Expenditure projections are based on the following factors:

- Projected Enrollment = 1,825

- Salary and Benefits for:
 - *Certificated Teacher Staff = 103 full-time equivalent
 - *Classified Support Staff = 72 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

Multiyear Projection (MYP):

As part of the Adopted Budget, districts are required to calculate projections for two subsequent years (2019-20 and 2020-21). The following are main factors used in the LCFF calculator to project revenue:

	2019-20	2020-21
Funded ADA	1,785.16	1,775.25
COLA	2.57%	2.67%

“Funded Average Daily Attendance (ADA)” for both subsequent years are projected to be less than the “Funded ADA” for 2018-19 due to the projected decline in enrollment for 2018-19 of approximately 7 students. The current funding formula is based on the “higher of” prior year or current year ADA. Therefore, it has a hold harmless component that allows districts who are declining in enrollment to have one-year to prepare for the decrease in funding.

Federal revenues are projected to remain flat and the COLA is applied to State revenue for each year.

In 2020-21, there is a decrease in local funds due to the expiration of Parcel Tax, Measure B, which levies a fee of \$192/parcel and brings in approximately \$1 million. However, the expenditures that are funded with these funds remains in the 2020-21 expenditure projection.

The following factors used to project expenditure budgets:

	2019-20	2020-21
Step/Column Increase CERT	1.00%	1.00%
Step/Column Increase CLASS	1.00%	1.00%
California CPI	3.36%	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 to the factors above, the District plans to have a History/Social Science textbook adoption in 2019-20, which will be fully funded by “One-time funds.”

As a result of the revenue and expenditure projections for 2018-19 through 2020-21, the district will have a structural deficit in all three fiscal years. For 2018-19, the majority of

the deficit will reduce the “Restricted Reserves” as many projects in 2018-19 are funded by restricted funds received from prior years. For 2019-20, the “Assigned Reserves” for “Textbook Implementation” and “Technology Replacement/Upgrade” will be used to address the majority of the deficit. By 2020-21, unless the District enhances revenue opportunities, reduces expenditures or a combination of both, the District’s “Available Reserves” will be reduced.

The chart below illustrates the change to the District’s Fund Balance from 2017-18 through 2020-21:

	2017-18	2018-19	2019-20	2020-21
Total Revenues:	21,920,708	22,721,681	22,450,326	21,777,584
Total Expenditures:	22,104,577	23,061,328	23,178,411	23,034,383
Net Increase (Decrease) to Fund Balance:	(183,869)	(339,647)	(728,085)	(1,256,799)
FUND BALANCE RESERVES:				
Beginning Balance	5,463,702	5,279,833	4,940,186	4,212,101
Net Increase (Decrease) to Fund Balance:	(183,869)	(339,647)	(728,085)	(1,256,799)
ENDING FUND BALANCE:	5,279,833	4,940,186	4,212,101	2,955,302
COMPONENTS OF THE ENDING FUND BALANCE				
NONSPENDABLE: Revolving Cash	28,400	28,400	28,400	28,400
RESTRICTED: Categorical Programs	646,749	186,473	186,473	186,473
ASSIGNED:				
Textbook Implementation	600,200	350,000	0	0
Curriculum & Instruction Professional Development	65,325	100,000	100,000	100,000
Technology Replacement/Upgrade	625,315	834,729	516,493	516,493
UNASSIGNED AVAILABLE RESERVES:				
**3% Required Reserve	663,137	691,840	695,352	691,031
**Undesignated Fund Balance:	2,650,707	2,748,744	2,685,383	1,432,905
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:				
**TOTAL AVAILABLE GENERAL FUND RESERVES	15%	14.92%	14.59%	9.22%
ADD FUND 17 RESERVES	4%	3.94%	3.92%	3.95%
TOTAL AVAILABLE RESERVES	19.10%	18.86%	18.51%	13.17%

Other Funds:

At this time, all other funds are projected to have a positive ending fund balance as of 06/30/2019.

The Building Fund (Fund 21) does not reflect any expenditures in 2018-19. However, this expenditure budget will be adjusted to reflect the bond program’s “Master Budget” once it is completed.

Included in this packet are:

- 1) Adopted Budget PowerPoint Presentation
- 2) 2017-18 Schedule of Changes
- 3) 2017-18 and 2018-19 Summary of Funds
- 4) Adopted Budget State Forms

