

2019-20 Moraga School District 1st Interim Narrative

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 (2019-20) and two subsequent years (2020-21 and 2021-22). This is the first report of the year and it covers the period from July 1, 2019 to October 31, 2019.

School district operating budgets have had a few changes since the budget was adopted in June 2019. 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 as follows:

- Increase in the State Teacher Retirement System (STRS) employer contribution rate from 16.70% to 17.10%
- Decrease in the Public Employees' Retirement System (PERS) employer contribution rate from 20.733% to 19.721%
- Adjustment due to an overstatement of the STRS employer rate for vacant positions.

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

2019-20 Revenues:

There are three major sources of funding for local school districts:

- 1) State Funding
- 2) Local Funding
- 3) Federal Funding

State Funding

State funding comes in the form of the Local Control Funding Formula (LCFF) and "Other" State funds.

The LCFF is calculated annually and is primarily based on the following factors:

	2019-20	2020-21	2021-21
Funded ADA	1,811.49	1,805.51	1,805.51
Statutory COLA	3.26%	3.00%	2.80%

With the factors above, it is projected that the Moraga School District will receive \$14.9 million in 2019-20, \$15.3 million in 2020-21 and \$15.8 million in 2021-22.

In addition to the LCFF, the Moraga School District is projecting to receive \$171k in “One-time Preschool” funds, \$373k in State Lottery Funds, \$115k in Mental Health funds and \$58k in Mandated Block Grant funds.

In total, LCFF and Other State funds make up 74% of the general fund revenue budget. This being said, these funds are very volatile and are dependent on a healthy economy.

Local Funding

Local funding comes from the following sources:

- Moraga Education Foundation
- Local Parcel Tax
- After School Sports
- Fieldtrip Donations
- Moraga Sports Alliance
- Facility Use Fees
- School Site Donations (PE, Science, Book fair, Debate and PTA)

In total, local funds make up 24% of the general fund revenue budget indicating that the District is fortunate enough to have community support to keep operations running at its current level.

Federal Funding

Federal funding comes from the following sources:

- Special Education
- Categorical Programs such as Title I, Title II and Title IV

In total, federal funds make up 2% of the general fund revenue budget.

2019-20 Expenditures:

Expenditure budgets are based on the following:

- 2019-20 Enrollment (per CBEDS Day-First Wednesday in October) = 1,852
- Salary and Benefits for:
 - *Certificated Teacher Staff = 104.9 full-time equivalent
 - *Classified Support Staff = 77.0 full-time equivalent
 - *Certificated and Classified Management = 15.80 full-time equivalent
- 2% salary increase for classified and certificated bargaining units
- District priorities as outlined by the Local Control Accountability Plan
- History Textbook adoption for Grades 6-8, NGSS Textbook adoption for Grades K-8 and French Textbook adoption for Grades 6-8
- Technology replacement and upgraded technology infrastructure
- Special Education and Section 504 programs
- Maintenance and Operations program

These budgets have been adjusted for salary and health benefit changes due to staffing turnover and allocation of 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 (2020-21 and 2021-22).

The following assumptions are used to project the operating budgets for 2020-21 and 2021-22:

	2020-21	2021-22
Cost of Living Adjustment (COLA)	3.0%	2.8%
Parcel Tax Revenue	\$1.8 m	\$1.8 m
Lottery Funding	\$207/ada	\$207/ada
Step/Column Increase CERT	1.00%	1.00%
Step/Column Increase CLASS	1.00%	1.00%
California CPI	3.14%	3.02%
STRS Rate Increase	1.30%	0%
PERS Rate Increase	3.08%	2.10%
Health Benefit Increase	5.00%	5.00%

In addition, the District will continue to use “One-Time” funds to purchase Grades K-5 History/Social Science textbooks in 2020-21. 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 stable revenue projections and State pension relief for 2019-20, the district projects a structural deficit in all three fiscal years. The driving factors continuing to cause 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 2020-21 and 2021-22, 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:

	2019-20	2020-21	2021-22
Total Revenues:	23,153,606	22,376,108	22,804,709
Total Expenditures:	23,949,161	24,103,054	24,241,994
Net Increase (Decrease) to Fund Balance:	(795,555)	(1,726,946)	(1,437,285)
FUND BALANCE RESERVES:			
Beginning Balance	6,118,405	5,322,850	3,595,904
Net Increase (Decrease) to Fund Balance:	(795,555)	(1,726,946)	(1,437,285)
ENDING FUND BALANCE:	5,322,850	3,595,904	2,158,619
COMPONENTS OF THE ENDING FUND BALANCE			
NONSPENDABLE: Revolving Cash	25,000	25,000	25,000
RESTRICTED: Categorical Programs	133,971	128,981	0
ASSIGNED:			
Textbook Implementation	175,000	0	0
Curriculum & Instruction Professional Development	93,740	46,870	0
Technology Replacement/Upgrade	452,923	146,479	0
UNASSIGNED AVAILABLE RESERVES:			
**3% Required Reserve	718,475	723,092	727,260
**Undesignated Fund Balance:	3,723,741	2,525,482	1,406,359
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:			
**TOTAL AVAILABLE GENERAL FUND RESERVES	4,442,216	3,248,574	2,133,619
ADD FUND 17 RESERVES	934,033	934,033	934,033
TOTAL AVAILABLE RESERVES IN DOLLARS:	5,376,249	4,182,607	3,067,652
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:	22.45%	17.35%	12.65%

For 2019-20, we are projecting an "Ending Fund Balance" of \$5.3 million and an "Available" reserve of \$5.3 million or 22.45%. For the current year this is considered a "healthy" reserve level, however as illustrated in the chart above, this "healthy" reserve can quickly be depleted if a structural deficit persists.

Other Funds:

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