

2019-20

Moraga School District

2nd 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 report covers the period from July 1, 2019 to January 31, 2020.

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

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	1,812.46	1,808.51	1,737.71
Statutory COLA	3.26%	2.29%	2.71%

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 \$15.1 million in 2021-22.

In addition to the LCFF, the Moraga School District continues to project \$171k in "One-time Preschool" funds, \$394k 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 73% 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 25% 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) = 1,851
- Salary and Benefits for:
 - *Certificated Teacher Staff = 104.9 full-time equivalent
 - *Classified Support Staff = 71.0 full-time equivalent
 - *Certificated and Classified Management = 15.80 full-time equivalent
- 2% salary increase for classified, certificated bargaining units and management
- 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 2nd Interim report, districts are required to calculate projections for two subsequent years (2020-21 and 2021-22).

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

GOVERNOR'S ASSUMPTIONS:	2019-20	2020-21	2021-22
Cost-of-Living Adjustment	3.26%	2.29%	2.71%
Consumer Price Index	3.09%	2.99%	2.89%
CalPERS Employer Rate	19.72%	22.80%	24.90%
CalSTRS Employer Rate	17.10%	18.40%	18.10%
Classified Driven Benefits	29.23%	32.31%	34.41%
Certificated Driven Benefits	20.41%	21.71%	21.41%
DISTRICT'S ASSUMPTIONS:	2019-20	2020-21	2021-22
Funded ADA	1,812.46	1,808.51	1,737.71
Classified Step and Column	n/a	1.00%	1.00%
Certificated Step and Column	n/a	1.00%	1.00%
Health Benefit Rates	n/a	5.00%	5.00%
Reserve for Economic Uncertainty Minimum	4.00%	4.00%	4.00%
Routine Restricted Maintenance	3.00%	3.00%	3.00%
Expiring Parcel Tax	0	(\$1,000,000)	0

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:	23,292,118	22,421,742	22,272,495
Total Expenditures:	24,275,739	24,186,844	24,327,706
Net Increase (Decrease) to Fund Balance:	(983,621)	(1,765,102)	(2,055,211)
FUND BALANCE RESERVES:			
Beginning Balance	6,118,405	5,134,784	3,369,682
Net Increase (Decrease) to Fund Balance:	(983,621)	(1,765,102)	(2,055,211)
ENDING FUND BALANCE:	5,134,784	3,369,682	1,314,471
COMPONENTS OF THE ENDING FUND BALANCE			
NONSPENDABLE: Revolving Cash	25,000	25,000	25,000
RESTRICTED: Categorical Programs	182,599	154,992	0
ASSIGNED:			
Textbook Implementation	160,000	0	0
Curriculum & Instruction Professional Development	156,000	53,000	0
Technology Replacement/Upgrade	456,238	169,794	0
UNASSIGNED AVAILABLE RESERVES:			
**3% Required Reserve	728,272	725,605	729,830
**Undesignated Fund Balance:	3,426,675	2,241,291	559,641
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:			
**TOTAL AVAILABLE GENERAL FUND RESERVES	4,154,947	2,966,896	1,289,471
ADD FUND 17 RESERVES	934,033	934,033	934,033
TOTAL AVAILABLE RESERVES IN DOLLARS:	5,088,980	3,900,929	2,223,504
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:	20.96%	16.13%	9.14%

For 2019-20, we are projecting an “Ending Fund Balance” of \$5.1 million and an “Available” reserve of \$5.1 million or 20.96%. 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.

General Fund Summary of Changes from 1st Interim:

- Revenues have increased by \$138,512 mainly due to increases in Facility Use, Lottery funds, Donations and Interest Income.
- Expenses have increased by \$326,578 due to approx. \$100k in personnel changes and \$227k in non-personnel expenses
- Due to the changes above, the Ending Fund Balance has decreased by \$188,066
- COLA for 2020-21 and 2021-22 have declined from 1st Interim resulting in lower revenue projections in both years.
- Enrollment projections for 2020-21 and 2021-22 have been revised to reflect latest enrollment information, which indicates a decline in enrollment.
- Due to the projected decline in enrollment, with the District’s revenues being “held harmless” for 2020-21, we are projecting a significant decrease in revenue for 2021-22 as compared to 1st Interim.

Other Funds:

At this time, all other funds are projected to have positive ending fund balances, which is detailed in the “Summary of Funds.”