

2020-21 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 (2020-21) and two subsequent years (2021-22 and 2022-23). This is the first report of the year and it covers the period from July 1, 2020 to October 31, 2020.

School district operating budgets have had a few changes since the budget was adopted in June 2020. 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:

- Restoration of the 10% reduction in LCFF
- On-going cash deferrals
- One-time CARES Act (Learning Loss Mitigation) Funds
- Buydown of employer contribution rates for CalSTRS and CalPERS

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

2020-21 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	*2021-22	2022-23
Enrollment	1851	1761	1749	1749
Funded ADA	1813.56	1808.08	1807.00	1708.62
Statutory COLA	3.26%	0.00%	0.00%	0.00%

Despite a decline in enrollment in the current year (2020-21) of approximately 90 students, the district will continue to be funded on the 2019-20 Average Daily Attendance (ADA) in

both 2020-21 and 2021-22 which is projected to generate \$14.9 million. The District will begin feeling the impact in revenues beginning in 2022-23 where the district is projected to receive \$14.1million, a significant reduction of \$830k. This reduction is directly related to the decline in enrollment that the district is experiencing.

In addition to the LCFF, the Moraga School District is projecting to receive \$128k in “One-time” Learning Loss Mitigation (CARES) funds, \$66k in Classified School Employee Assistance Funds, \$385k 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 = \$1.6m
- Local Parcel Tax = \$2.9m
- SpEd Apportionment = \$641k
- After School Sports = \$23k
- Facility Use Fees = \$98k
- School Site Donations (PE, Science, Book fair, Debate and PTA) = \$9k
- Other Local/Interest = \$80k

In total, local funds make up 23% 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 = \$353k
- Categorical Programs such as Title I, Title II and Title IV = \$52k
- Federal Learning Loss Mitigation (CARES Act) = \$651k

In total, federal funds make up 4% of the general fund revenue budget.

2020-21 Expenditures:

Expenditure budgets are based on the following:

- 2020-21 Enrollment (per CBEDS Day-First Wednesday in October) = 1,761
- Salary and Benefits for:
 - *Certificated Teacher Staff = 102 full-time equivalent
 - *Classified Support Staff = 65 full-time equivalent
 - *Certificated and Classified Management = 16.60 full-time equivalent
- District priorities as outlined by the Local Continuity and Attendance Plan (LCP)

- History Textbook adoption for Grades 6-8 and Health Curriculum Adoption
- 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 (2021-22 and 2022-23).

The following assumptions are used to project the operating budgets for 2020-21 through 2022-23:

GOVERNOR'S ASSUMPTIONS:	2020-21	2021-22	2022-23
Cost-of-Living Adjustment	0.00%	0.00%	0.00%
Consumer Price Index	0.98%	1.59%	1.87%
CalPERS Employer Rate	20.70%	23.00%	26.30%
CalSTRS Employer Rate	16.15%	16.00%	18.10%
Classified Driven Benefits	30.27%	32.57%	35.87%
Certificated Driven Benefits	19.52%	19.37%	21.47%
DISTRICT'S ASSUMPTIONS:	2020-21	2021-22	2022-23
Enrollment	1761	1749	1749
Funded ADA	1808.08	1807	1708.62
Step & Column Increase	1.00%	1.00%	1.00%
Health Benefits Rates	5.00%	5.00%	5.00%
Reserve for Economic Uncertainty	4.00%	4.00%	4.00%
Routine Restricted Maintenance	3.00%	3.00%	3.00%
Reduction in workforce due to decline in enrollment	n/a	5 teachers	5 teachers

In addition, the District will continue to use “One-Time” funds for technology including 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 having healthy reserve levels in all three years, it is important to point out that the district projects a structural deficit in two out of the three years. The only reason the

structural deficit is not in all three years is due to the State extending their ADA Hold Harmless provision to include 2021-22. Additionally, there are still concerns around economic uncertainty, especially with 95% of the state currently in the Purple Tier and the current Regional Stay At Home orders. The driving factors continuing to cause this structural deficit are the natural increase in revenues being outpaced by the natural increases in expenditures i.e. Step and Column, employer pension contributions and perpetual underfunding of Special Education.

For the current year, reserves will address this deficit. For 2021-22 and 2022-23, 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	2022-23
Total Revenues:	23,455,504	23,707,061	22,852,967	22,022,568
Total Expenditures:	23,670,661	24,281,970	22,836,017	23,301,249
Net Increase (Decrease) to Fund Balance:	(215,157)	(574,909)	16,950	(1,278,681)
FUND BALANCE RESERVES:				
Beginning Balance	6,118,405	5,903,248	5,328,339	5,345,289
Net Increase (Decrease) to Fund Balance:	(215,157)	(574,909)	16,950	(1,278,681)
ENDING FUND BALANCE:	5,903,248	5,328,339	5,345,289	4,066,608
COMPONENTS OF THE ENDING FUND BALANCE				
NONSPENDABLE: Revolving Cash	28,700	25,000	25,000	25,000
RESTRICTED: Categorical Programs	463,447	255,435	224,205	128,678
ASSIGNED:				
Textbook Implementation	117,934	0	0	0
Curriculum & Instruction Professional Development	167,640	60,770	0	0
Technology Replacement/Upgrade	599,313	271,667	0	0
UNASSIGNED AVAILABLE RESERVES:				
**3% Required Reserve	710,120	728,459	685,081	699,037
**Undesignated Fund Balance:	3,816,094	3,987,008	4,411,003	3,213,893
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:				
**TOTAL AVAILABLE GENERAL FUND RESERVES	4,526,214	4,715,467	5,096,084	3,912,930
ADD FUND 17 RESERVES	950,380	950,380	950,380	950,380
TOTAL AVAILABLE RESERVES IN DOLLARS:	5,476,594	5,665,847	6,046,464	4,863,310
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:	23.14%	23.33%	26.48%	20.87%

For 2020-21, we are projecting an "Ending Fund Balance" of \$5.3 million and an "Available" reserve of \$5.6 million or 23.33%. 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.