

2020-21 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 (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 January 31, 2021.

Since the 1st Interim budget was presented in December 2020, adjustments have been made to both the revenue and expenditure sides of the budget that reflect the most current information available.

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:

	2020-21	2021-22	2022-23
Enrollment	1761	1681	1681
Funded ADA	1808.08	1807.00	1642.06
Statutory COLA	0.00%	3.84%	1.28%

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 in 2020-21 and \$15.5 million in 2021-22. The District will begin feeling the impact in revenues beginning in 2022-23 where the district is projected to receive \$14.2 million, a significant reduction of \$1.26 million. 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, which reflects no change since the 1st Interim was presented.

In total, LCFF and Other State funds make up 72% 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 Property Tax and Shared EIP Program = \$695k
- After School Sports = \$10k
- Facility Use Fees = \$105k
- School Site Donations (PE, Science, Book fair, Debate and PTA) = \$9k
- Other Local/Interest = \$52k

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) = \$735k

In total, federal funds make up 5% 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
- School Safety Reopening
- DL 2.0/Hybrid Learning

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 (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%	3.84%	1.28%
Consumer Price Index	1.44%	1.57%	1.82%
CalPERS Employer Rate	20.70%	23.00%	26.30%
CalSTRS Employer Rate	16.15%	15.92%	18.00%
Classified Driven Benefits	30.27%	32.57%	35.87%
Certificated Driven Benefits	19.52%	19.29%	21.37%
DISTRICT'S ASSUMPTIONS:	2020-21	2021-22	2022-23
Enrollment	1761	1681	1681
Funded ADA	1808.08	1807.00	1642.06
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%
MEF Contributions	\$1.625m	\$1.45m	\$1.45m
Energy Efficiency Project	\$0	\$224k	\$105k
Reduction in workforce due to decline in enrollment and funding	n/a	4.8 teachers	4.8 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, with the latest LAO budget report indicating that the State will be in a structural deficit 2022-23 through at least 2024-25. The driving factors continuing to cause MSD’s 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:

	2020-21	2021-22	2022-23
Total Revenues:	23,827,418	23,342,984	22,082,766
Total Expenditures:	24,166,500	23,116,072	23,486,526
Net Increase (Decrease) to Fund Balance:	(339,082)	226,912	(1,403,760)
FUND BALANCE RESERVES:			
Beginning Balance	5,903,248	5,564,166	5,791,078
Net Increase (Decrease) to Fund Balance:	(339,082)	226,912	(1,403,760)
ENDING FUND BALANCE:	5,564,166	5,791,078	4,387,318
COMPONENTS OF THE ENDING FUND BALANCE			
NONSPENDABLE: Revolving Cash	25,000	25,000	25,000
RESTRICTED: Categorical Programs	296,989	253,814	134,838
ASSIGNED:			
Textbook Implementation	0	0	0
Curriculum & Instruction Professional Development	105,575	40,000	25,575
Technology Replacement/Upgrade	271,667	0	0
UNASSIGNED AVAILABLE RESERVES:			
**3% Required Reserve	724,995	693,482	704,596
**Undesignated Fund Balance:	4,139,940	4,778,782	3,497,309
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:			
**TOTAL AVAILABLE GENERAL FUND RESERVES	4,864,935	5,472,264	4,201,905
ADD FUND 17 RESERVES	950,380	950,380	950,380
TOTAL AVAILABLE RESERVES IN DOLLARS:	5,815,315	6,422,644	5,152,285
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:	24.06%	27.78%	21.94%

For 2020-21, we are projecting an "Ending Fund Balance" of \$5.5 million and an "Available" reserve of \$5.8 million or 24.06%. 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 \$120,357 mainly due to increases in one-time emergency relief funds, increases in the EIP Shared Program with Orinda Union School District and an increase in Parcel Tax funds of \$155k offset by a reduction of \$35k in interest income.
- Expenses have decreased by \$115,469 primarily due to reduction in salaries and benefits related to substitute costs and staff turnover.
- Due to the changes above, the Ending Fund Balance has increased by \$235,826
- COLA for 2021-22 and 2022-23 have increased from 1st Interim resulting in higher revenue projections in both years.

- Enrollment projections for 2021-22 have been revised to reflect latest enrollment information, which indicates a decline in enrollment to approximately 1681 students from 1761 in 2020-21.

Other Funds:

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