

# 2021-22

## Moraga School District 2<sup>nd</sup> 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 (2021-22) and two subsequent years (2022-23 and 2023-24). This is the 2nd report of the year and it covers the period from July 1, 2021 to January 31, 2022.

Since the 1<sup>st</sup> Interim budget was presented on December 14, 2021, adjustments have been made to both the revenue and expenditure sides of the budget that reflect the most current information available.

### **2021-22 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:

	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Enrollment	1724	1697	1646
Funded ADA	1808.96	1680.25	1652.95
Statutory COLA	5.07%*	5.33%	3.61%

\*"Mega" COLA of 5.07% is the compounded COLA of 4.05% plus an augmentation of 1%.

Despite a decline in enrollment in the current year (2021-22) of approximately 37 students, the district will continue to be funded on the 2019-20 Average Daily Attendance (ADA) in 2021-22 which is projected to generate \$15.7 million. The District will begin feeling the impact of declining enrollment beginning in 2022-23 where the district is projected to receive \$15.4 million, a reduction of \$352k. 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 \$816k in "One-time" AB 86 In-Person Instruction, Expanded Learning Opportunity, Educator Effectiveness and Special Education funds, \$61k in Classified School Employee

Assistance Funds, \$419k in State Lottery Funds, \$114k in Mental Health funds and \$59k in Mandated Block Grant funds.

In total, LCFF and Other State funds make up 75% 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 = \$1.5m
- Local Parcel Tax = \$3.0m
- SpEd Apportionment = \$787k
- After School Sports = \$22k
- Facility Use Fees = \$168k
- School Site Donations (PE, Science, Book fair, Debate and PTA) = \$28k
- Other Local/Interest = \$26k

In total, local funds make up 22% 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 = \$367k
- Categorical Programs such as Title I, Title II and Title IV = \$58k
- ESSER II and ESSER III funds = \$133k
- AB 86 Expanded Learning Opportunities = \$163k

In total, federal funds make up 3% of the general fund revenue budget.

### **2021-22 Expenditures:**

Expenditure budgets are based on the following:

- 2021-22 Enrollment (per CBEDS Day-First Wednesday in October) = 1,724
- Salary and Benefits for:
  - \*Certificated Staff = 101.50 full-time equivalent
  - \*Classified Support Staff = 65.9 full-time equivalent
  - \*Certificated and Classified Management = 15.80 full-time equivalent
- District priorities as outlined by the Local Control and Accountability Plan (LCAP)
- 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
- Schneider Electric Project

- Expenditure Plans for the ESSER III, Educator Effectiveness and Expanded Learning Opportunities grants.

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 (2022-23 and 2023-24).

The following assumptions are used to project the operating budgets for 2021-22 through 2023-24:

<b>GOVERNOR'S ASSUMPTIONS:</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Cost-of-Living Adjustment	5.07%	5.33%	3.61%
Consumer Price Index	5.78%	3.69%	2.90%
CalPERS Employer Rate	22.91%	26.10%	27.10%
CalSTRS Employer Rate	16.92%	19.10%	19.10%
Classified Driven Benefits	32.96%	35.15%	36.85%
Certificated Driven Benefits	20.77%	22.95%	22.65%
<b>DISTRICT'S ASSUMPTIONS:</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Enrollment	1724	1697	1646
Funded ADA	1808.96	1680.25	1652.95
Step & Column Increase	1.00%	1.00%	1.00%
Health Benefits Rates	5.00%	5.00%	5.00%
Technology Reorganization	4.10 fte	3.75 fte	3.75 fte
Reserve for Economic Uncertainty	4.00%	4.00%	4.00%
Routine Restricted Maintenance	3.00%	3.00%	3.00%

In addition, the District has included expenditures as outlined in the ESSER III and Educator Effectiveness spending plans. Both plans are multi-year plans covering PPE, technology, strategies for continuous and safe in-person learning, ELL supports, professional development, additional counseling staff and PBIS training.

The assumptions used to project LCFF funding in 2022-23 and 2023-24 are based on current law which defines the "Funded ADA" as the higher of the current year or prior year. With this method, the LCFF would be based on:

<b>2022-23:</b>	<b>ADA</b>
Current Year:	1,653.93
Prior Year:	1,680.25
<b>2023-24:</b>	<b>ADA</b>
Current Year:	1,604.78
Prior Year:	1,652.95

The chart below illustrates the projected LCFF revenue based on the assumptions above:

	2021-22	2022-23	2023-24
<b>COLA</b>	5.07%	5.33%	3.61%
<b>Funded ADA</b>	1,808.96	1,680.25	1,652.95
<b>LCFF Revenue</b>	15,724,051	15,371,738	15,737,476
<b>Change in \$</b>	767,537	(352,313)	365,738
<b>Change in %</b>	5.13%	-2.24%	2.38%

The chart below illustrate the Multi-year Projections based on the assumptions above:

	2021-22	2022-23	2023-24
Total Revenues:	25,049,797	24,028,464	23,922,004
Total Expenditures:	25,253,429	25,061,092	24,941,599
<b>Net Increase (Decrease) to Fund Balance:</b>	<b>(203,632)</b>	<b>(1,032,628)</b>	<b>(1,019,595)</b>
<b>FUND BALANCE RESERVES:</b>			
Beginning Balance	6,169,050	5,965,418	4,932,789
Net Increase (Decrease) to Fund Balance:	(203,632)	(1,032,628)	(1,019,595)
<b>ENDING FUND BALANCE:</b>	<b>5,965,418</b>	<b>4,932,789</b>	<b>3,913,194</b>
<b>COMPONENTS OF THE ENDING FUND BALANCE</b>			
<b>NONSPENDABLE:</b> Revolving Cash	25,000	25,000	25,000
<b>RESTRICTED:</b> Categorical Programs	680,134	454,499	224,663
<b>ASSIGNED:</b>			
Textbook Implementation	0	0	0
Curriculum & Instruction Professional Development	86,150	0	0
Technology Replacement/Upgrade	67,111	0	0
<b>UNASSIGNED AVAILABLE RESERVES:</b>			
**3% Required Reserve	757,603	751,833	748,248
**Undesignated Fund Balance:	4,349,420	3,701,457	2,915,283
<b>TOTAL AVAILABLE RESERVES AS A PERCENTAGE:</b>			
**TOTAL AVAILABLE GENERAL FUND RESERVES	5,107,023	4,453,290	3,663,531
ADD FUND 17 RESERVES	954,986	954,986	954,986
<b>TOTAL AVAILABLE RESERVES IN DOLLARS:</b>	<b>6,062,009</b>	<b>5,408,276</b>	<b>4,618,517</b>
<b>TOTAL AVAILABLE RESERVES AS A PERCENTAGE:</b>	<b>24.00%</b>	<b>21.58%</b>	<b>18.52%</b>

One of the proposals included in the Governor's January Budget proposal was a plan to address declining enrollment. The proposed method was to define "Funded ADA" as the greater of the current year, prior year or the average of the three prior years ADA.

If this proposal is adopted and becomes law, the LCFF revenue source will see a significant bump from what is currently being projected. Here is the potential LCFF calculation based on this proposed method:

	2021-22	2022-23	2023-24
<b>COLA</b>	5.07%	5.33%	3.61%
<b>Funded ADA</b>	1,808.96	1,765.40	1,713.07
<b>LCFF Revenue</b>	15,724,051	16,161,930	16,269,877
<b>Change in \$</b>	767,537	437,879	107,974
<b>Change in %</b>	5.13%	2.78%	0.67%

  

<b>2022-23:</b>	<b>ADA</b>
Current Year:	1,653.93
Prior Year:	1,680.25
<b>Avg of 3 PY:</b>	<b>1,765.40</b>
<b>2023-24:</b>	<b>ADA</b>
Current Year:	1,604.28
Prior Year:	1,652.95
<b>Avg of 3 PY:</b>	<b>1,713.07</b>

The chart below illustrate the Multi-year Projections based on the proposed LCFF assumptions above:

	2021-22	2022-23	2023-24
Total Revenues:	25,049,797	24,818,656	24,454,405
Total Expenditures:	25,253,429	25,061,092	24,941,599
<b>Net Increase (Decrease) to Fund Balance:</b>	<b>(203,632)</b>	<b>(242,436)</b>	<b>(487,194)</b>
<b>FUND BALANCE RESERVES:</b>			
Beginning Balance	6,169,050	5,965,418	5,722,981
Net Increase (Decrease) to Fund Balance:	(203,632)	(242,436)	(487,194)
<b>ENDING FUND BALANCE:</b>	<b>5,965,418</b>	<b>5,722,981</b>	<b>5,235,787</b>
<b>COMPONENTS OF THE ENDING FUND BALANCE</b>			
<b>NONSPENDABLE:</b> Revolving Cash	25,000	25,000	25,000
<b>RESTRICTED:</b> Categorical Programs	680,134	454,499	224,663
<b>ASSIGNED:</b>			
Textbook Implementation	0	0	0
Curriculum & Instruction Professional Development	86,150	0	0
Technology Replacement/Upgrade	67,111	0	0
<b>UNASSIGNED AVAILABLE RESERVES:</b>			
**3% Required Reserve	757,603	751,833	748,248
**Undesignated Fund Balance:	4,349,420	4,491,649	4,237,876
<b>TOTAL AVAILABLE RESERVES AS A PERCENTAGE:</b>			
**TOTAL AVAILABLE GENERAL FUND RESERVES	5,107,023	5,243,482	4,986,124
ADD FUND 17 RESERVES	954,986	954,986	954,986
<b>TOTAL AVAILABLE RESERVES IN DOLLARS:</b>	<b>6,062,009</b>	<b>6,198,468</b>	<b>5,941,110</b>
<b>TOTAL AVAILABLE RESERVES AS A PERCENTAGE:</b>	<b>24.00%</b>	<b>24.73%</b>	<b>23.82%</b>

We will need to stay tuned as to how this surplus at the state level will pan out for local education agencies and if the “proposed” becomes law, the district and its stakeholders will want to carefully consider the following:

- Labor Negotiations
- Implementation of the California Universal Meals Program
- Expansion of Transitional Kindergarten
- Expansion of One-time funding programs
- Future facility needs
- Technology replacement

**Other Funds:**

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

In summary, the district will be able to meet its fiscal obligations in the current year and two subsequent years. For 2<sup>nd</sup> Interim, it is recommended that the Board approve the positive certification of the 2021-22 2<sup>nd</sup> Interim budget report.