

## 2025-26

### Moraga School District First 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 (2025-26), and two subsequent years (2026-27 and 2027-28). This is the first report of the year and it covers the period from July 1, 2025 to October 31, 2025.

School District operating budgets have experienced a few changes since the budget was adopted in June 2025. The Moraga School District is going to receive \$551k for the Student Support and Professional Development Grant. This is one-time money, that falls into the restricted category, and is available to use for offsetting one-time costs.

As of First Interim the District is receiving a higher add-on for TK ADA when compared to the Adopted Budget. The budget was adopted with a TK add-on of \$3,148 and the TK add-on is now confirmed at \$5,545. This is ongoing LCFF revenue and despite the fact that the district has lower TK enrollment than projected, the difference in the TK add-on has helped MSD capture some additional revenue.

The loss in TK enrollment has also reduced overall enrollment and technically the district is in declining enrollment now. The LCFF calculator allows one year of prior year ADA use for districts with declining enrollment. This is the case for MSD in 2025-26 and the LCFF calculator reflects current year ADA as prior year ADA. Going forward, the district will have to use a 3-year average of prior years' actual ADA for calculation of LCFF revenue.

All these changes since June 2025 are being reflected in this First Interim budget report.

#### **2025-26 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:

	2025-26	2026-27	2027-28
Enrollment	1,783	1,810	1,813
Unduplicated Pupil %	8.36%	8.28%	8.27%
Funded ADA	1,760.64	1,733.98	1,726.07
TK ADA	95.5	104.72	84.48
TK add-on	\$5,545	\$5,712	\$5,907
COLA	2.30%	3.02%	3.42%

*\*\*Funded ADA is based on the ADA Cliff formula which determines the funded ADA as the greater of the current year ADA, prior year ADA or the 3-year average ADA.*

Based on the ADA Cliff formula of the LCFF funding model, the district is expected to generate \$20.1 million in 2025-26, \$20.4 million in 2026-27 and \$20.9 million in 2027-28. The Moraga School District will be funded on prior year ADA for the 2025-26 school year and a 3-year average ADA for the 2026-27 school year and for the 2027-28 school year.

The revenue generated in 2026-27 assumes a 3.02% COLA. However, this COLA is expected to be lower. The Fiscal Crisis and Management Assistance Team (FCMAT) expects the new COLA for 2026-27 to be between 1.27% and 2.53%. For the purposes of this report, the District has used the COLA from the latest Dartboard, published by School Services of California.

In total, LCFF and Other State funds make up 77% of the general fund revenue for The Moraga School District. These funds are very volatile and are dependent on a healthy economy and a strong stock market.

### **Local Funding**

Local funding comes primarily from the following sources:

- Moraga Education Foundation = \$1.77M
- Local Parcel Tax = \$3.1M
- Special Education Apportionment = \$774k
- SPED tuition from other districts = \$300k
- Facility Use Fees = \$285k
- School Site Donations (PE, Fieldtrips, Science, Book fair and PTA) = \$78k
- Other Local/Interest = \$202k

In total, local funds make up 21.5% of the general fund revenue budget indicating that the District is fortunate to have strong community support for its operations.

### **Federal Funding**

Federal funding comes primarily from the following sources:

- Special Education = \$401k
- Categorical Programs: Title I, II and IV = \$63k

In total, federal funds make up 1.5% of the general fund revenue budget.

## **2025-26 Expenditures:**

Expenditure budgets are based on the following:

- 2025-26 Enrollment (per CBEDS Day-First Tuesday in October) = 1,783
- Salary and Benefits for:
  - \*Certificated Staff = 109 full-time equivalent
  - \*Classified Staff = 64.5 full-time equivalent
  - \*Management and Confidential = 16.63 full-time equivalent
- District priorities as outlined by the Local Control and Accountability Plan (LCAP)
- Special Education programs

These budgets have been adjusted for salary and health benefit changes occurring in the natural course of business.

For the current year, it is projected that the District will meet its minimum State required reserve of 3% as well as the 10% reserve required per Board policy, and have a positive ending fund balance.

## **Multi-Year Projection (MYP):**

As part of the First Interim report, districts are required to calculate projections for two subsequent years (2026-27 and 2027-28).

The Multi-Year Projection (MYP) has certain costs built into it, such as step & column, healthcare cost increase, pension cost increase and inflation. The MYP also includes rising or declining revenues based on projected enrollment, attendance rates and the Cost of Living Adjustment (COLA) provided by the State. The enrollment projection for the 2025-26 First Interim MYP has relied heavily on the Demographic Study conducted for the District by SchoolWorks Inc.

The following assumptions are used to project the operating budgets for 2026-27 and 2027-28:

<b>Governor's Assumptions</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
COLA - Cost of Living Adjustment	2.30%	3.02%	3.42%
Consumer Price Index - CPI	3.09%	2.82%	2.72%
CalPERS Employer Rate	26.81%	26.90%	27.80%
CalSTRS Employer Rate	19.10%	19.10%	19.10%
Unemployment Rate	0.05%	0.05%	0.05%
Classified Driven Benefits	36.03%	36.93%	36.53%
Certificated Driven Benefits	22.03%	22.03%	22.03%
<b>District's Assumptions</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
Enrollment	1,783	1,810	1,813
Funded ADA	1,760.64	1,733.98	1,726.07
Step and Column Increase	1.66%	1.66%	1.66%
Health Benefit Rate Increases	7%	7%	7%
Reserve for Economic Uncertainty	10%	10%	10%
Routine Restricted Maintenance	3%	3%	3%
Workers' Compensation	1.43%	1.43%	1.43%
Unduplicated Pupil %	8.36%	8.28%	8.27%

The years 2025-26, 2026-27 and 2027-28 in the Multi-Year Projection for First Interim account for the depletion of one-time money, lower enrollment projections for TK and budget reductions approved by the Board. Budget cuts totaling \$556k have been assumed in the 2026-27 year in the MYP.

One-time funding received in previous years is depleted by the end of 2025-26. The district will deplete funds provided by the Art Music Instructional Materials grant and the Educator Effectiveness grant. Ongoing expenses currently being funded out of these one-time sources will need to be moved to the General Fund unless they are being cut.

In addition to one-time funds going away, the District will have to prepare for uncertain TK enrollment and a lower TK ratio (student to staff). The TK ratio is now 10:1. This makes it necessary to account for additional staff that may be needed to meet the lower ratio at a time when the district is uncertain about TK enrollment. The district is putting in effort to spread the word about MSD's great TK program and childcare. However, data is needed over the next few years to figure out the trend for TK enrollment.

The chart below illustrates the MYP based on the assumptions and events detailed above:

MORAGA SCHOOL DISTRICT - MYP - BUDGET 2025-26			
	2025-26	2026-27	2027-28
Total Revenues:	31,328,770	31,054,586	31,561,655
Total Expenditures:	32,200,248	31,915,565	32,652,249
<b>Net Increase (Decrease) to Fund Balance:</b>	<b>(871,478)</b>	<b>(860,979)</b>	<b>(1,090,594)</b>
<b>FUND BALANCE RESERVES:</b>			
Beginning Balance	6,398,828	5,527,350	4,666,371
Net Increase (Decrease) to Fund Balance:	(871,478)	(860,979)	(1,090,594)
Transfers In from Fund 17			
<b>ENDING FUND BALANCE:</b>	<b>5,527,350</b>	<b>4,666,371</b>	<b>3,575,777</b>
<b>COMPONENTS OF THE ENDING FUND BALANCE</b>			
NONSPENDABLE: Revolving Cash	25,000	25,000	25,000
NONSPENDABLE: Prepays	22,152	0	0
RESTRICTED: Categorical Programs	1,181,826	1,076,441	883,640
<b>ASSIGNED:</b>			
Textbook Adoption	150,000	250,000	0
Litigation	100,000	100,000	100,000
Technology Replacement/Upgrade	130,000	130,000	50,000
<b>UNASSIGNED AVAILABLE RESERVES:</b>			
<b>3% Required Reserve</b>	<b>966,007</b>	<b>957,467</b>	<b>979,567</b>
<b>Undesignated Fund Balance:</b>	<b>2,952,365</b>	<b>2,127,462</b>	<b>1,537,569</b>
<b>TOTAL AVAILABLE RESERVES AS A PERCENTAGE:</b>			
TOTAL AVAILABLE GENERAL FUND RESERVES	3,918,372	3,084,929	2,517,137
ADD FUND 17 RESERVES	1,100,283	1,100,283	1,100,283
<b>TOTAL AVAILABLE RESERVES IN DOLLARS:</b>	<b>5,018,655</b>	<b>4,185,212</b>	<b>3,617,420</b>
<b>TOTAL AVAILABLE RESERVES AS A PERCENTAGE:</b>	<b>15.59%</b>	<b>13.11%</b>	<b>11.08%</b>

For 2025-26, the District is projecting an Ending Fund Balance of \$5.5M and an Available Reserve of \$5.0M or 15.59%. The 2025-26 available reserve includes Fund 17 reserves of \$1.1M.

The Moraga School District is experiencing an ongoing structural deficit. If left uncorrected, this deficit will eventually eat into all of the district's reserves. It is also important to note that raises for staff have not been assumed in the 2025-26 budget year or the MYP.

The District has initiated the process of identifying budget reductions to correct this deficit. This is especially important at a time when California is experiencing volatile State revenues. Without budget reductions the District may not be able to afford ongoing raises and pass a Positive budget for the coming year.

**Other Funds:**

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