

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**M E M O R A N D U M**

**TO:** Board of Education

**FROM:** Randall Booker, Superintendent  
Ruth Alahydoian, Chief Financial Officer  
Cheryl Kaiser, Fiscal Services Manager

**DATE:** June 22, 2022

**RE: APPROVE BUDGET FOR 2022-23 FISCAL YEAR**

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**I. SUMMARY**

The 2022-23 Budget is presented tonight for a second reading and formal adoption. Assuming the State will adopt a budget that incorporates the Governor’s May Revision budget assumptions, the District will maintain the required 3% reserve for 2022-23.

This version of the 2022-23 budget does not differ substantively from the draft budget presented at the first reading and public hearing on June 8, 2022. Some specific numbers have changed to incorporate all known revenues and expenditures. The information below is substantially the same as presented for the first reading. The only differences are in the General Fund in the federal and local revenues and in benefits, and are noted in the descriptions in [brackets].

*Please note: “M” is used as an abbreviation for million and “K” is used for thousand throughout this memo.*

**II. BACKGROUND**

Districts are required to adopt their budgets prior to June 30 of each year for the next fiscal year whether or not the State has adopted its Budget. After Board approval, the budget and all required documentation will be submitted to the Alameda County Office of Education by the statutory deadline of July 1, 2022.

The State of California experienced extraordinary growth in revenues this year past. Proposition 98 requires that the growth in State revenues be shared with the public education sector. The Governor and the Legislature are still negotiating how to split the minimum guaranteed amount due to schools between on-going revenue streams, one-time funds, and special programs. By all accounts, school districts are expected to receive a substantial increase in revenues, but exactly how much and in what categories is still unknown.

The Legislature has presented their alternative to the Governor's proposed budget and we are now waiting to see how the Governor will respond. Any substantial changes that come out of the final budget approved by the Governor will be brought back to the Board within 45 days. The budget is an estimate at one point in time and will be adjusted as new information becomes available.

### III. 2022-23 BUDGET INFORMATION

The budget documents presented Board adoption continue to serve as a reflection of the District's goals and philosophy of providing a high-quality educational experience to the students of Piedmont. The priorities and action items identified in the Local Control Accountability Plan (LCAP) are incorporated into the budget, along with other priorities identified by the Board throughout the year. The budget reflects the tremendous support of the community by way of the Measure G and Measure H School Support Parcel Taxes; the Piedmont Educational Foundation contribution; and parent and community donations through various fundraising efforts.

The General Fund is the primary fund for the District, from which most expenses are paid. The following summary and the accompanying graphs and tables provide a summary of the major components. The following documents accompany this memo as part of the draft budget:

- The 2021-22 Estimated Actuals and the 2022-23 Budget in State Accounting Code Software (SACS) format.
- One-page Budget Comparison for the General Fund 2021-22 Estimated Actuals and 2022-23 Budget
- One-page Multi-year Projections comparing 2022-23, 2023-24 and 2024-25
- General Fund Revenues graph & Expenditures graph
- Other Funds summary tables

Revenues: The State determines approximately 59% of the District's revenues. Unfortunately, the District must develop and the Board must adopt a budget before the final state budget is signed by the Governor. The budget will be adjusted over time as more information becomes available. The revenue projections that are included in this budget are based on the information available at the "May Revision". Key components of revenue projections are as follows:

- Local Control Funding Formula (LCFF) – the base amount per student (average daily attendance) will increase by 9.85%. In addition, the District will use the average of the three prior years for the ADA calculation. The increase due to the base amount is \$400K. The increase due to the ADA averaging is \$1.2M. Together, the District expects an increase of **\$1.6 M** in ongoing funds.

- Federal Revenues – After two years of additional support for COVID, federal funds are expected to return to normal levels, **\$716 K**, primarily for special education programs. With a low percentage of students qualifying for federal assistance (less than 2%), the District is not eligible for most other sources of federal funding. [This amount was increased from the public hearing. Certain funds that were not spent in 21-22 will be drawn down and spent in 2022-23.]
- Other State Revenues – The Governor’s proposal to provide a one-time discretionary grant of \$1,500 per pupil is budgeted to generate **\$3.4M**. Other State Revenues include lottery funds, the mandated costs grant and special education funding, totaling approximately **\$1M**.
- Parcel Tax Revenues – Measure G and Measure H were approved by voters in November 2019. The Measure G rate is assumed to increase in 2022-23 by 2% to \$2,875 per parcel for a total of **\$11.2M**. The Measure H rate is \$0.25 per square foot of building improvements on each taxable parcel and will not increase, for an estimated total of **\$2.6M**.
- Other Local Revenues – PEF. The Piedmont Education Foundation had a successful fundraising campaign this year and raised **\$3.0M for the base grant** and an additional **\$350K for a supplemental grant**. In addition, they have made a commitment to pay **\$200K** toward the loan payment to complete the theater. When State funds for facilities are finalized, the District expects to receive funding to pay off the loan completely.
- Other Local Revenues – All Others. This category includes revenue from parent club donations, grants, and the rental of district facilities and fields. The budgeted revenue of **\$972K** only includes contributions that are confirmed and an estimate for rentals. Other revenues are recorded during the year as funds are received and are offset by expenses that the revenues will be used for. [This amount was increased from the public hearing when the commitment from Boosters was confirmed.]

Expenditures: Ongoing costs of maintaining the District’s educational program and facilities are the basis for expenditures in the Budget. Based on Board direction and community input during the Local Control Accountability Plan (LCAP) meetings, the budget includes expenditures identified for year 2 of the LCAP. The major components of expenditures are as follows:

- Certificated Salaries: The net increase of **\$217K** in certificated salaries is the result of (1) staffing levels maintained (no reductions for rightsizing) due to inter-district transfers and expansion of TK program; (2) natural salary schedule increases for existing staff; and (3) PEF’s supplemental grant-funded mental health counselors and secondary reading specialist.
- Classified Salaries: The net decrease is due to eliminating paraeducator and health clerk positions that were funded with one-time funds. The District plans to replace the health clerks with health coordinators as part of a revised COVID response plan, however funding

is dependent on the State approval of the one-time grant, so the positions have not been included in the budget yet.

- **Benefits:** The increase in benefits of **\$1.3 M** is the result of (1) the increase in the District's contribution to health benefits for classified staff (CSEA) and administrators (APSA) and the increase in the employer contribution rates for the STRS and PERS pensions. The STRS rate increased from 16.92% to 19.10%, increasing STRS costs by **\$553K**. The PERS rate increased from 22.91% to 25.37%, increases PERS costs by **\$222K**. [Benefits amounts were increased to include certain missing budget items.]
- **Books and Supplies:** The budget includes all anticipated expenses for textbooks, classroom supplies, computer equipment, custodial supplies and other regular purchases. As additional needs are identified during the year, and especially when parent contributions are collected, this budget will grow.
- **Services and Other Operating Expenditures:** The largest components of this expense category are (1) utilities and insurance costs; and (2) special contracts for services that the District is not able to provide, especially for special needs students, or for temporary support. COVID-related supports that were funded from one-time funds have been eliminated, resulting in a \$1M reduction from 2021-22.
- **Transfer To & From Other Funds:** The budgeted increase in transfers to other funds are expected to be one-time.
  - The District expects to contribute **\$250K** to the Cafeteria Fund to support the start-up costs for the Universal Meals program in 2022-23. The primary additional cost will be for staffing, and the ultimate goal will be to build a program that is self-sustaining.
  - A contribution of **\$344K** from the General Fund to Fund 40 is budgeted to cover the payment on the loan to complete the Theater and the ventilation projects at the elementary schools. Part of the contribution is from PEF revenues.

**Fund Balance:** The Ending Fund Balance, which is the bottom line of what is left in the District's General Fund at the end of the year, is projected to be **\$5,876,240**. This balance includes the 3% reserve of **\$1,492,178**, and a revolving cash reserve of \$44,000. **To note, however, is that a portion of the State's one-time grant is needed to cover the reserve requirement.** If the State grant is less than \$650 per pupil, the District may not meet the required 3% reserve.

The Alameda County Office of Education (ACOE) advises that the additional LCFF revenue based on the 3 prior year averaging and the State's one-time discretionary grant are not final and should not be included in the District's budget. They require the funds to be held separately in the ending fund balance. As a result, the District does not have sufficient funds to designate a 3% reserve. However, they will consider the final State budget when they review the District's budget, and if the one-time funds are at least \$650 per pupil, the reserve requirement will be

met.

#### IV. STATE ONE-TIME DISCRETIONARY GRANT

The Governor's May Revision proposal is to apply \$8 billion of the additional Proposition 98 funds due to schools as a one-time discretionary grant of approximately \$1,500 per student. The District has incorporated this proposal as **\$3,385,000** in one-time State revenues. However, how these funds are spent is up to the Board to decide. The following are recommended uses based on one-time expenses already incorporated in the 2022-23 Budget and new one-time expenses based on District needs. The total amount available may be more or less, depending on the final State budget. The Governor's proposal had suggestions for uses, but only one restriction - that the funds be used for one-time uses. The final grant may be more restricted.

<b>POTENTIAL USES FOR ONE-TIME DISCRETIONARY GRANT</b> <i>Adjustments have been made based on comments during the Public Hearing</i>	
<b>Expenses In the 2022-23 Budget</b> <i>(using the 1x for these expenses frees up funds for other ongoing priorities)</i>	<b>New One-Time Expenses</b>
Set-aside for 3% reserve	Health Coordinators & Add'l nurse FTE
Website redesign start-up costs	Coaching for new principals
Merv 13 replacements	Title IX programmatic improvements
Universal Meals start-up costs	One-time bonus for staff
Pay-off loan to Café fund for VRF	Facilities needs
DEI contracts (District funded costs, pending donation)	Technology infrastructure projects / replacements
Election costs for 2022	Rental costs for pool, sandpit
Textbook adoptions	Administrative Assistant for Facilities (for 3 years, during Witter Field project)
Chromebook purchases (District portion)	

Board direction will guide the recommendations that will be brought back for board approval in August, after the final State budget is approved.

#### V. MULTI-YEAR PROJECTIONS

The multi-year projections (MYP) are included with the budget to provide a picture of the revenue and expenditure trend for 2022-23, 2023-24 and 2024-25. The MYP is a model built on the 2022-23 budget, with adjustments for any known changes. Please refer to the attached Multi-year Projection Report. The following assumptions were used:

Assumption	2022-23	2023-24	2024-25
Enrollment	2,378	2,350	2,238
ADA used for LCFF calculations	2,306.72	2,279.56	2,170.92
Cost of Living Increase (COLA) for LCFF	9.85%	5.38%	4.02%
COLA for increase in other State programs	6.56%	5.38%	4.02%
COLA for Measure G Parcel Tax	2.00%	2.00%	2.00%
Natural progression (Step & Column) in Employee Salaries	Based on rollover	APT: 1.33% CSEA: 1.00%	APT: 1.50% CSEA: 1.25%
STRS Rate	19.10%	19.10%	19.10%
PERS Rate	25.37%	25.20%	24.60%
Rightsizing adjustments to staffing	-0-	Cert: -2.0 FTE Class: -2.0 FTE	-0-

The increase in State funding of the LCFF formula, and the recapture of some of the declining enrollment through the inter-district transfers in 2022-23 will stabilize the District's funding challenges in the two out years. The Board's interest in providing an on-going salary increase in 2022-23 is not reflected in this MYP.

## VI. STATUS OF OTHER FUNDS

In addition to the General Fund, the District also maintains eight other funds to track restricted revenues and the associated expenses. Reports are provided for each of the funds in summary form. The table below provides a quick summary, followed by a brief description of each fund.

Fund #	Fund Name	Beginning Balance	Revenues	Expenditures	Ending Fund Balance
80	ASB	\$ 338,739	\$ 25,000	\$ 25,000	\$ 338,739
11	Adult Education	\$ 116,062	\$ 557,195	\$ 649,167	\$ 24,090
13	Cafeteria	290,605	1,068,210	1,358,798	17
14	Deferred Maintenance	(125,456)	82,440	55,000	(98,016)
17	Special Reserve-Noda	111,556	500	-	112,056
21	Building Fund	-	-	-	-
35	State School Fac	3,726	-	-	3,726
40	Reserve-Cap Facilities	2,363,302	344,223	344,223	2,363,302
51	Bond Repayment	11,776,263	7,391,360	6,309,060	12,858,563
		\$ 14,536,058	\$ 9,443,928	\$ 8,716,248	\$ 15,263,738

### Adult Education – Fund 11

The Adult Education Fund is used to account separately for state and local revenues for adult education programs. Money in this fund is to be expended for adult education purposes only. Piedmont USD's Adult Ed program offers both State-funded courses such as Diploma Completion, and fee-based classes, such as Basic Thai Cooking. The sources of revenue are State funds through the Adult Education Block Grant, and local funds through fees and donations. The fee-based program costs are currently estimated to be higher than revenues as the program recovers from COVID. The District will review fees and program offerings to determine necessary changes to keep the program sustainable.

### Cafeteria Fund – Fund 13

Starting in 2022-23, the District is required to offer free breakfast and lunch to all students who request it. The State will provide reimbursement, up to certain rates, as long as the District participates in the National School Lunch Program. The District has been preparing for this transition, but until the new program is in operation, it is not clear whether the reimbursement rate will cover all costs. For 2022-23, a contribution of **\$250K** from the General Fund is budgeted to augment the State reimbursement and any income from sales. The new program is an exciting opportunity to provide nutritious meals for all students, but it will take some time to adjust to the new requirements.

### Deferred Maintenance – Fund 14

The Deferred Maintenance fund allows the district to set-aside funds regularly to be used for facilities maintenance and repair. The District sets aside 3% of its General Fund budget every year in a Restricted Routine Maintenance Account (RRMA). Funds are transferred from the RRMA to the Deferred Maintenance fund for the expenses of maintaining the fields.

In 2019-20, the District borrowed \$280K from the Cafeteria Fund to fund the upgrade of the VRF air cooling systems at Havens elementary. The expenses were recorded in the Deferred Maintenance Fund. The loan was set up as a "Due To/Due From" between the Cafeteria Fund and the Deferred Maintenance Fund (Fund 14). As a result, Fund 14 shows a negative balance for the amount still owed to the Cafeteria Fund. The repayment will flow through the Deferred Maintenance Fund from funds transferred from the General Fund and as the loan is repaid, the Fund balance will return to positive.

### Special Reserve Fund – Fund 17

The Special Reserve Fund holds the Noda grant, which was donated to the District so that interest earnings from the funds could be granted to teachers and students for art projects. The District also uses the Noda grant as a back-up reserve if needed, with any funds spent from the grant returned to the Fund as soon as possible.

### Building Fund – Fund 21

Bond revenues from the \$66 million Measure H Bond Measure were deposited to the Building Fund and used for bond measure-authorized expenses only. The Measure H1 Bond program is complete, and all funds should be expended by June 30, 2022.

### State School Facilities Fund – Fund 35

The District has approved but unfunded projects awaiting State funding totaling \$6.9 million. The Governor's May Revision proposes funding all unfunded projects over the next two years. Funds received from the State will be deposited to this fund. A portion will be applied toward repayment of the loan to complete the Theater and the rest toward the Witter Field renovation project. No budget is included yet because the State has not passed a final budget, but watch this space for future funding.

### Capital Facilities Fund – Fund 40

Funds that are designated for capital projects are set-aside in the Capital Facilities Fund. In 2021-22, the District entered into a loan to complete the Theater and to complete ventilation upgrades (VRF) at Beach and Havens. The loan proceeds were recorded as revenue in Fund 40. Project costs will be recorded here as those projects are completed.

### Bond Repayment – Fund 51

Bond repayment is managed through Alameda County. Property tax rates are set every year at a rate sufficient to collect enough in tax revenues to cover the bond principal and interest due within the upcoming year. The District's taxpayers approved the Seismic Bonds in 2006 and Measure H1 in 2016.

## **VII. RECOMMENDATION**

Conduct public hearing on the District General Fund budget for 2022-23 and all other budgets operated by the District. Provide feedback to staff on changes to make for the Adopted Budget to be approved on June 22, 2022.

Attachments

## **VI. RECOMMENDATION**

Adopt the District's General Fund budget for 2022-23 and all other budgets operated by the District.



Attachments