

2022-23 2nd Interim and 2023-24 Budget Considerations

Piedmont USD Budget Advisory Committee Meeting
March 6, 2023

Agenda

- Introductions & Purpose of BAC
- Update on 2022-23 Budget
 - Revenues
 - Expenditures
 - Fund Balance
- Update on 2023-24 and 2024-25 Multi-Year Projections
 - Assumptions
 - Need for Adjustments
 - Proposed Adjustments
- Next Steps
- Adjourn

Purpose of BAC

- The Budget Advisory Committee is a standing committee with representatives from all stakeholders in the District.
- Its purpose is to:
 - review the District's Budget,
 - share the information with constituent groups, and
 - generate recommendations for Board consideration in the budget development process.
- The BAC is a vehicle to disseminate information to as many parents, students, staff and community members as possible.

Required Reports

- The District is required to adopt a budget and provide updates to the Alameda County Office of Education (ACOE) by:

- July 1 Adopt a budget

- December 15 1st Period Interim to ACOE

- ○ March 15 2nd Period Interim to ACOE

- June 30 Estimated Actuals

- September 15 Unaudited Actuals

Headlines

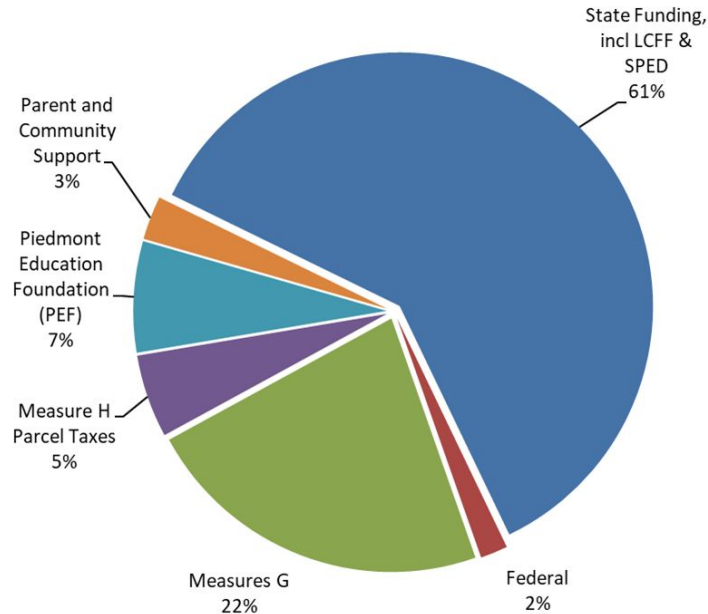
- 2022-23: The District reports a *Qualified Certification for 2nd Interim*
 - Qualified means a district *may* not be able to meet its financial obligations for the current year and two subsequent fiscal years.
- The salary & health benefit increases and one-time payments to staff were paid with the fund balance leaving little room for additional expenses
- Expenses for subcontractors, NPS placements, and transportation exceed earlier estimates
- The governor announced a shrinking of promised AMIM funds that had been directed to the Reserve for Economic Uncertainty
- Budget adjustments for 2023-24 and 2024-25 will need to be made
 - 2023-24: planned adjustments of \$2.3 million
 - 2024-25: planned adjustments ongoing from 2023-24

What is a Qualified Certification?

- Ed Code 42131 requires each school district to maintain 3% of its General Fund Expenditures as a Reserve for Economic Uncertainty (REU). This is considered a financial obligation.
- At the 1st and 2nd Interim Reporting Periods, the District must certify whether it's financial condition is:
 - **Positive** – The District will meet its financial obligations for the current and 2 subsequent years.
 - **Qualified** – The District may not meet its financial obligations for the current and 2 subsequent years.
 - **Negative** – The District will not meet its financial obligations for the current and 2 subsequent years.
- If the District self-certifies as anything other than “Positive”, the ACOE will require the Board to provide a plan that will bring the budget back into balance by the 2nd Interim Reporting Period.

Revenues

- 51% is based on the Local Control Funding Formula (LCFF), and a total of 61% is State funding, including SPED and the one-time grant for this year.
- 37% is locally generated - parcel taxes, PEF, parents donations.



LCFF =
51% of Revenues =
\$25.5 M

COLA increase to per pupil amount from 2021-22 to 2022-23:
13.26% =
10.4% in LCFF
revenues for PUSD =
\$2.4 M

Changes to Revenues

- LCFF and State revenues are adjusted for P-1 certification.
- Anti-bias Grant awarded, 22-23 Pre-K planning apportionment
- Parent contributions for specific expenses added to local revenues

General Fund Revenues			
	2022-23 1st Interim 12/14/2022	2022-23 2nd Interim 3/8/2023	Difference Dec -> Mar
Revenues			
LCFF - Base	\$ 25,559,252	\$ 25,477,144	\$ (82,108)
FEDERAL REVENUES	875,181	875,181	-
STATE REVENUES	3,034,513	3,299,587	265,074
PARCEL TAX REVENUE - Measure G	11,251,405	11,251,405	-
PARCEL TAX REVENUE - Measure H	2,657,467	2,657,467	-
LOCAL REVENUES - PEF	3,550,051	3,641,085	91,034
LOCAL REVENUES - ALL OTHERS	1,200,462	1,304,738	104,276
TRFS APPORT FR DISTRICTS (SELPA)	1,636,039	1,636,039	-
Total Revenues	\$ 49,764,370	\$ 50,142,646	\$ 378,276
STATE REVENUES - STRS on-behalf	2,367,316	2,367,316	-
Total Revenues incl STRS on-behalf	\$ 52,131,686.00	\$ 52,509,962.00	\$ 378,276.00

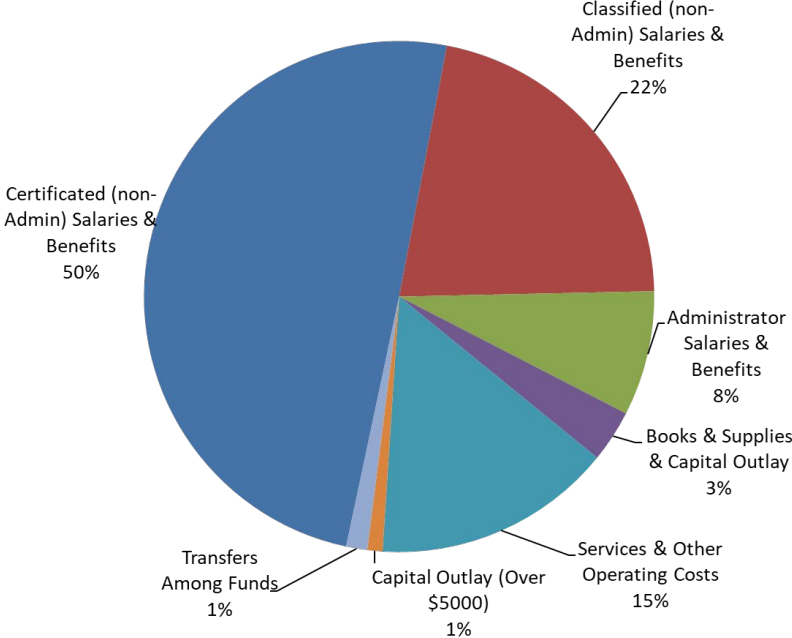
Expenditures

- 80% of expenditures are salaries and benefits.

Personnel Costs = 80%
80% = \$44.7 M

Non-Personnel Costs = 20%
20% = \$10.9 M

Unrestricted portion = 46% or \$5 M



Changes to Expenditures

- Salaries and benefits increased by \$341K due to CSEA retro and one-time plus increases to teacher sub budget (CSEA settlement was held in the fund balance at first interim)
- Non-personnel expense budgets have increased by \$935 K.

General Fund Expenses			
	2022-23 1st Interim 12/14/2022	2022-23 2nd Interim 3/8/2023	Difference Dec -> Mar
Expenditures			
CERTIFICATED SALARIES	\$ 21,525,246	\$ 21,626,959	\$ 101,713
CLASSIFIED SALARIES	8,311,461	8,552,789	241,328
EMPLOYEE BENEFITS	11,773,232	11,878,272	105,040
POST EMPLOYMENT BENEFITS	367,440	367,440	-
BOOKS AND SUPPLIES	1,548,797	1,734,639	185,842
SERVICES/OPERATING EXPENDITURES	7,252,353	7,984,813	732,460
CAPITAL OUTLAY (OVER \$5,000)	497,628	505,901	8,273
INDIRECT COSTS	15,863	24,863	9,000
TRANSFERS TO & FROM OTHER FUNDS	677,934	677,934	-
Total Expenditures	\$ 51,969,954	\$ 53,353,610	\$ 1,383,656
STRS OnBehalf Payment	2,367,316	2,367,316	-
Total Expenditures incl STRS on-behalf	\$ 54,337,270	\$ 55,720,926	\$ 1,383,656

Why have non-personnel costs increased?

Books and Supplies:

- **\$185 K increase**
 - AP test budget
 - Pre-K planning grant

Services and Other Operating Expenses:

- **\$732 K increase**
 - travel conference expenses
 - PMS canoe field trip
 - Track & Cross country
 - Special Education Transportation
 - drama budget
 - Special Education settlements and placements

Assumptions in MYP

The Multiyear Projections assume the following:

Assumption	2022-23	2023-24	2024-25
Enrollment	2,344	2,340	2,300
ADA used for LCFF (higher than enrollment due to PY averaging)	2,426.73	2,337.16	2,262.76
COLA for LCFF per pupil funding (LCFF is only 51% of revenues)	13.26%	8.13%	3.54%
COLA for other State funds	6.56%	8.13%	3.54%
COLA for Measure G Funds	2.0%	2.0%	2.0%
Natural progression (Step & Column) in Employee Salaries	APT: actual CSEA: actual	APT: 1.15% CSEA: 1.00%	APT: 1.15% CSEA: 1.00%

Increases to District Contributions to Pensions		
Year	STRS	PERS
2023-24	19.10%	27.00%
2022-23	19.10%	25.37%
2021-22	16.92%	22.91%
2020-21	16.15%	20.70%
2019-20	17.10%	19.72%

Multi-year projections in JANUARY 2023

Governor's Budget	2022-23	2023-24
Beginning Balance	\$4,888,296	\$2,423,694
Revenues	52,089,794	50,889,188
Expenditures	(54,554,396)	(52,634,393)
GAP - Unidentified Cuts		1,550,000
Ending Balance	\$2,423,694	\$2,228,489
<u><i>Components of Ending Balance:</i></u>		
Reserved/Restricted	850,829	676,911
TARGET 3% for Econ Uncertainty	1,636,632	1,532,532
Above / Below Target*	-63,767	19,046

Here's the gap we identified based on the Governor's Budget Proposal

* District has Fund 17 - a reserve fund w/ \$108K - that can be applied towards TARGET; not included here.

2nd Interim Current Year Changes

2022-23	Govs Bud	2nd Interim	Difference
Beginning Balance	\$4,888,296	\$4,888,296	\$0
Revenues	52,089,794	52,509,962	420,168
Expenditures	(54,554,396)	(55,720,926)	-1,166,530
GAP - Unidentified Cuts			
Ending Balance	\$2,423,694	\$1,677,332	-\$746,362
<u>Components of Ending Balance:</u>			
Reserved/Restricted	850,829	1,348,789	497,960
TARGET 3% for Econ Uncertainty	1,636,632	1,671,628	34,996
Above / Below Target*	-63,767	-1,343,085	

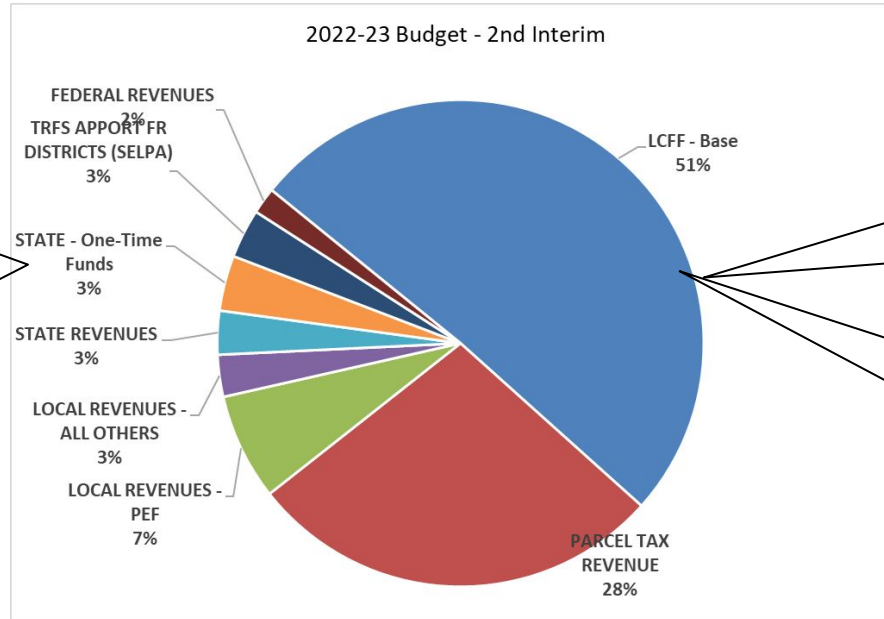
Based on updates to the current year budget, the gap will increase because the starting point has decreased.

$$\begin{array}{r}
 \$1.55 \text{ M} \\
 +.75 \text{ M} \\
 \hline
 = 2.30 \text{ M}
 \end{array}$$

* District has Fund 17 - a reserve fund w/ \$108K - that can be applied towards TARGET; not included here.

Why are we looking at budget cuts?

- The District's budget is dependent on State funding for 53% of ongoing revenues. Other revenue sources do not increase at the same rate, and may actually decrease year to year.



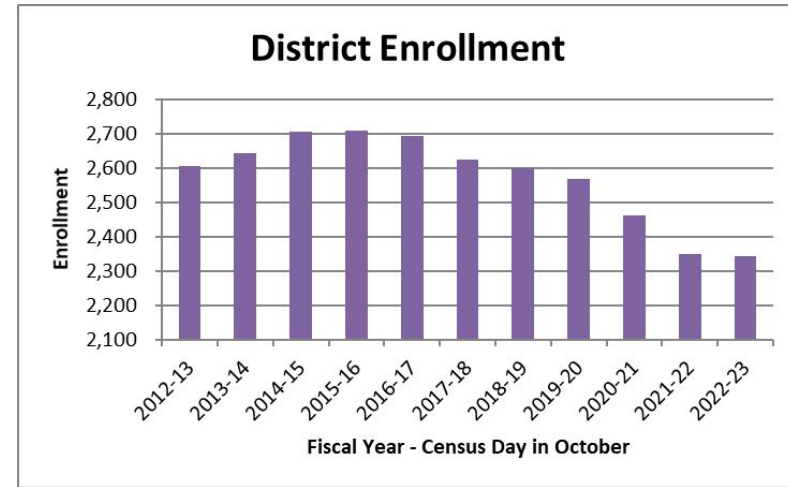
Of the State One-time Funds of \$1.5 M in 22-23, \$0.5 M will be **clawed back** in 23-24.

8% increase in COLA = 4.4% increase in LCFF due to Declining Enrollment

Even with LCFF increase, overall revenues actually decline next year b/c so much of current year revenues are one-time.

Why are we looking at budget cuts, cont.

- Cost of living in the SF Bay Area
 - To attract and retain excellent educators, we need to offer competitive compensation
 - Other costs also increase, such as utilities, equipment, etc.
- District contribution to pensions has increased, and continues to increase, offsetting the increases in State revenues.
- Statewide declining enrollment means fewer students, reduced funding, but not necessarily reduced costs.



Enrollment, Interdistrict Transfers, & the Budget

- Enrollment for the **BUDGET** assumes each cohort progresses to the next grade, 1-12, based on Census Day enrollment numbers (Oct).
 - TK in 2023-24 is assumed to fill 4 classes of 15 per class (MAY ADJUST TO 3 CLASSES OF 20)
 - K in 2023-24 is assumed to fill to 7 classes of 22 per class (MAY ADJUST TO 6 CLASSES BASED ON ENROLLMENT)
- Enrollment for **STAFFING** purposes looks more precisely at the current enrollment and includes any site-based information about students.
 - The minimum number of classes to accommodate all current and anticipated students are established and staffed.
 - Not all classes will be filled to the maximum capacity.
- **IDTs** are accepted based on the available spaces in the established classes and Board policy.

Process Summary

- For 2023-24, the District identified the need to make \$2.3 million in budget adjustments to ensure fiscal responsibility and sustainability.
- Looking the furthest from the classroom, the District considered the following adjustments:
 - Cut the discretionary spending at the district office and at school sites
 - Consider adjustments to District Office staffing
 - Consider not filling any vacant positions
 - Scrub the budget for one-time expenses that will not be needed next year
 - Consider positions that are funded from one-time funds this year and were for COVID related work.

Summary of Budget Adjustments

	Adjustments	Amount
	<i>Reduce Counseling (added for COVID)</i>	\$100,000
Certificated Staffing	<i>Reduce MTSS TOSAs by 1.0 FTE</i>	125,000
	<i>Reduce District TOSA (differentiation spec.) .6 FTE</i>	75,000
	<i>Secondary Staffing Reductions due to enrollment</i>	375,000
	<i>Eliminate Health Coordinators 2.0 FTE</i>	120,000
Classified Staffing	<i>Reduce Extra Library Aide .56 FTE</i>	40,000
	<i>Reduce 1.0 FTE in IT</i>	85,000
District Office	<i>Eliminate Director Position</i>	200,000
	<i>After-School Tutoring Program</i>	50,000
One-Time	<i>Election Costs (only savings in 23-24)</i>	130,000
Costs	<i>SPED Out-Placements - return to PUSD</i>	450,000
	<i>Other one-time expenses</i>	100,000
12-15% Reduction to	<i>District Office budget reductions</i>	90,000
Discretionary Budgets	<i>Site budget reductions</i>	30,000
Other	<i>Transportation Revenue (2022-23)</i>	150,000
Budget	<i>Facilities Rental Fees</i>	50,000
Adjustments	<i>Athletics Revenues</i>	25,000
	Total Adjustments Identified	\$2,195,000

Multi-year Projections MARCH 2023

2023-24	Govs Bud	2nd Interim	Difference
Beginning Balance	\$2,423,694	\$1,677,332	-\$746,362
Revenues	50,889,188	52,002,007	1,112,819
Expenditures	(52,634,393)	(51,371,490)	1,262,903
GAP - Unidentified Cuts	1,550,000		-1,550,000
Ending Balance	\$2,228,489	\$2,307,849	\$79,360
<u>Components of Ending Balance:</u>			
Reserved/Restricted	676,911	865,672	188,761
TARGET 3% for Econ Uncertainty	1,532,532	1,547,703	15,171
Above / Below Target*	19,046	-105,526	-124,572

* District has Fund 17 - a reserve fund w/ \$108K - that can be applied towards TARGET; not included here.

Next Steps

March	<ul style="list-style-type: none">• BAC Meeting to review 2nd Interim• 2nd Interim Report presented with MYP Projections• If required, Board takes action on reductions for 2023-24 that involve positions• If required, March 15 notices mailed
April →	<ul style="list-style-type: none">• BAC meeting - April 20 - to review budget projections and discuss need for Measure G increase.• District continues to build budget for 2023-24 using new targets for site and department spending.
May	<ul style="list-style-type: none">• Governor releases May Revisions to budget proposal for 2023-24• BAC meeting - May 18 - to review May Revision impact on budget• Board meeting to review May Revision impact on budget
June	<ul style="list-style-type: none">• Board holds public hearing on draft budget• Final budget adopted by Board

Acknowledgments

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