

PIEDMONT UNIFIED SCHOOL DISTRICT

M E M O R A N D U M

TO: Board of Education

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

DATE: December 8, 2021

RE: **REVIEW THE 2021-22 FIRST INTERIM FINANCIAL REPORT OF THE DISTRICT; DETERMINE A *POSITIVE* CERTIFICATION SIGNIFYING THAT THE DISTRICT WILL MEET ITS FINANCIAL OBLIGATIONS FOR THE CURRENT YEAR AND SUBSEQUENT TWO FISCAL YEARS; AND AUTHORIZE APPROPRIATE BUDGET TRANSFERS.**

I. SUMMARY

First Interim: The First Interim Report for Fiscal Year 2021-22 provides an update of actual expenditures and revenues through October 31, 2021, and a projection of the budget adjustments necessary to get to the end of the fiscal year. The First Interim also includes a multiyear projection (MYP) to serve as an early warning system about the direction of the District's spending over the following two years.

The Board must certify the District's financial condition as Positive, Qualified or Negative, depending on whether the budget for the current year and the following two years shows that the District will, may not, or will not meet all of its financial obligations, including the required minimum reserve.

Based on the projections for expenditures through the end of the fiscal year and assumptions for future years described below (see MYP Projections), the District will meet the 3% reserve in the current and two subsequent fiscal years. **As a result, we recommend that that the Board certify the First Interim as "Positive".**

II. ATTACHED DOCUMENTATION

Attached to this memo are the following items that make-up this Board item:

- First Interim Report in State Accounting Code (SACS) format (all funds and additional forms are included)
- Graph and Table of Revenues of the General Fund
- Graph and Table of Expenditures of the General Fund.
- Budget Comparison Table for the General Fund
- Multiyear Projections Table for the General Fund.
- Summary Table for each fund.

III. BACKGROUND

Governing Boards are required to certify the financial condition of each school district at two intervals during the school year, though the Board routinely reviews the budget more frequently. Per the requirements of AB 1200, the District declares its ability to meet its financial obligations through one of three self-certifications:

- *Positive* Certification means that the District believes it can meet its financial obligations for the remainder of the current fiscal year and subsequent two fiscal years;
- *Qualified* Certification indicates a district may not be able to meet its financial obligations in the current and two subsequent fiscal years;
- *Negative* Certification is used when a district will not be able to meet its financial obligations for the remainder of the current year nor for the subsequent two fiscal years

The First Interim Report provides projections for budgets for 2021-22 through 2023-24 based on conditions at this time. In compliance with Education Code EC 42131(a)(1) requirements, Assembly Bill (AB) 1200, and AB 2756, the Piedmont USD is recommending approval of/confirming a **positive** certification for its 2021-22 First Interim Report. After approval by the Board, the report will be submitted to the Alameda County Office of Education (ACOE) by December 15, 2021.

IV. 2021-22 BUDGET INFORMATION

The budget documents presented in this First Interim report 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. They reflect the tremendous support of the community by way of Parcel Taxes, the Piedmont Educational Foundation (PEF), 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 salary schedule adjustments approved by the Board during 2020-21 have been incorporated using Measure H revenues. The remaining Measure H funds are set-aside and are included in the ending fund balance.

Adjusting to a full-time in-person learning environment after a year of hybrid learning has resulted in challenges for many students, requiring additional services, both educational and socio-emotional. The District planned for these needs and increased staffing to support these efforts. The State provided additional funding specifically to expand learning opportunities.

The Ending Fund Balance for 2021-22 is projected to be \$4,540,472, of which \$833,000 is the remaining Measure H funds that are still pending discussions with labor partners, and \$1,448,481 is set-aside as the required 3% reserve for economic uncertainty. The remaining amount is available for additional unexpected expenses and to protect against continued enrollment decline and reduced funding from the State in 2022-23 and beyond (see the Multiyear Projections discussion for more information).

The following information explains the differences between the adopted budget and the first interim and accompanies the “Budget Comparison General Fund” table.

Revenues: Since the budget was adopted on June 23, 2021, revenues have been adjusted to reflect the actual State-adopted budget and other revenue adjustments. These changes were shared with the Board on August 11, September 14, and October 13. The net increase in revenues since budget adoption is \$3,227,108, with the major adjustments as follows:

- **Federal Funding:**
 - **\$679 K** - The Expanded Learning Opportunities Grant was originally a State grant recorded as revenue in 2020-21, but has been split over two years and moved by the State to a federal resource in 2021-22.
- **State Funding:** The following additional revenues, except for the increase in lottery funds, are tied to new program requirements. If the program has already been identified, the expenditures are incorporated in the budget also. If the program has not yet been identified, the funds will flow through to the Restricted fund balance.
 - **\$740 K** - Educator Effectiveness Grant
 - **\$614 K** - In-Person Learning (originally recorded in 2020-21)
 - **\$188 K** - Learning Loss Recovery Grant (SPED)
 - **\$77 K** - for COVID testing
 - **\$76 K** - increase in lottery funds
 - **\$50 K** - Expanded Learning Opportunity Program
 - **\$42 K** - Alternate Dispute Resolution (ADR) Grant (SPED)
- **Local Funding** – the following adjustments have been made based on local funds received, or committed, since budget adoption.

- **\$228 K** - parent club and other contributions through the IC store and direct donations over the budgeted estimate. Some of these contributions are for specific uses, such as playground surfacing, AP exams, etc.
- **\$210 K** - the Piedmont Makers Grant for the robotics lab manager position was added to the budget. These funds are expected to be received in this year, but should support the lab manager position for at least two years.
- **\$132 K** in Measure H – adjustment to reflect the full collection of the tax, per the County’s Teeter Plan.
- **\$76 K** – the City of Piedmont has committed to pay up to this amount for an additional nurse.

Expenditures: Since the budget was adopted on June 23, 2021, expenditures have been adjusted to reflect the actual people in positions and other anticipated expenditures. The net increase in expenditures since budget adoption is \$1,697,892. The major differences in expenditures since budget adoption are:

- **Certificated Salaries** – The 19 new hires in certificated positions were at salaries lower on the schedule than the retiring teachers that they replaced. The net decrease to salaries for 21-22 is **-\$294 K**. The savings is also reflected in the net two years in the multiyear projections.
- **Classified Salaries** – Increase is due to additional paraeducators driven by SPED needs and adjustments in the budgeted salaries for the new administrators. The net increase for 21-22 is **\$276 K**.
- **Benefits** – There is a decrease of **-\$984 K** to benefits due to the reduction in the State’s unemployment rate (**-\$192 K**) and adjustments for the actual health benefits of new employees.
- **Books & Supplies** –
 - **\$531 K** - expenses are added to the budget based on the funds left unspent in the prior year and carried over to this year.
 - **\$328 K** - expenses are budgeted for the ELO and IPI grants that were added after the budget was adopted.
- **Capital Outlay** - Several capital projects were incorporated into the budget as revenues were identified to cover the costs:
 - **\$455 K** - new VRF (air conditioning) systems were installed at Beach. The cost was split between funds designated for maintenance and a portion of the IPI grant. This is the portion that was not in the original budget.
 - **\$180 K** - upgrade to the wi-fi network. Paid from IPI grant.
 - **\$107 K** – a new rooftop HVAC unit will be installed at PMS.
 - **\$71 K** - new play-surfaces were installed at Wildwood and Beach. The cost was split between funds designated for maintenance and contributions from parents’ clubs.
- **Services and Other Operating Expenditures** – service contracts have been added to the budget to meet specific or one-time needs for this year:

- **\$410 K** related to the ELO, ELO Program & IPI grants that were added after the budget was adopted.
- **\$188 K** for SPED contracts that are tied to learning loss during COVID
- **\$115 K** for SPED teacher (PMS)
- **\$180 K** related to Parent Club and Infinite Campus (IC) store contributions
- **\$92 K** for on-line portion of curriculum adoption
- **\$80 K** for LCAP, Wellness, and COVID consultants
- **\$30 K** for Wellness Center interns
- **\$20 K** for athletic trainer

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 \$4,540,472. The unrestricted balance, not including Measure H funds, is **5.17%** of expenditures. Included in the balance is:

- **\$1,448,481** - 3% Reserve for Economic Uncertainty.
- **\$1,163,212** – Restricted funds not yet included in the expenditure budget.
- **\$1,045,573** – available to other expenses that may arise this year, and if not spent, available to offset budget shortages in the subsequent year(s).
- **\$833,206** - Measure H funds that have not yet been negotiated with labor partners.
- **\$50,000** – revolving cash

V. MULTIYEAR PROJECTIONS (MYP)

The First Interim Report includes multiyear projections (MYP) for two additional years – 2022-23 and 2023-24. The MYP is built on the current year budget, with adjustments for any known changes, including eliminating one-time expenditures in the current year from the subsequent year budget. The following assumptions were used:

Assumption	2021-22	2022-23	2023-24
Enrollment	2,348	2,291	2,269
Estimated ADA based on enrollment	2,282.14	2,227.39	2,206.11
ADA used for LCFF calculations	2,496.18	2,282.14	2,227.39
Cost of Living Increase (COLA) for LCFF per pupil funding	5.07%	2.48%	3.11%
COLA for increase in other State revenues and various costs	1.70%	2.65%	2.36%
Natural progression (Step & Column) in Employee Salaries	APT: 1.45% CSEA: 1.00%	APT: 1.45% CSEA: 1.00%	APT: 1.45% CSEA: 1.00%
STRS Rate	16.92%	19.10%	19.10%

PERS Rate	22.91%	26.10%	27.10%
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The State’s funding formula – LCFF – is based on the average daily attendance (ADA) of students. Funding is calculated on the greater of the current year or prior year’s ADA. Because the District is experiencing declining enrollment, prior year ADA has been used for several years and is projected going forward. For 2021-22, the State allowed districts to use the 2019-20 ADA as the 2021-22 ADA. As a result, the District is in the unusual situation of being funded at an ADA that is higher than enrollment and much higher than actual ADA.

In 2022-23, funding will be based on the 2021-22 ADA. This will result in a **\$1.3 million reduction** in LCFF revenues. Expenditures are adjusted to ‘right-size’ to the lower enrollment by reducing certificated staff by 3 FTE and classified staff by 3 FTE. In addition, the expenditures related to the expansion of programs funded by one-time revenues in 2021-22 are eliminated in 2022-23. Other assumptions in the MYP are:

Revenues:

- Local Control Funding Formula (LCFF) revenues are reduced based on the enrollment trend this year (47 fewer students than expected this year).
- Increase in lottery funds.
- Piedmont Education Foundation has committed \$3 million to the District in 22-23 thanks to a successful fundraising campaign.
- The one-time funds for ELO, IPI and other State grants (see Revenues above) are eliminated in 2022-23.

Expenditures:

- Salaries and benefits are reduced by 3 Certificated FTE and 3 Classified FTE.
- The expenses associated with the one-time revenues and other one-time contracts are eliminated.

Ending Balance:

- Measure H funds that have not yet been negotiated are shown in the Components of the Ending Fund Balance.
- All other unrestricted resources are assumed to remain available for future years.

When the budget was adopted in June, the MYP showed a \$1.4 million gap that would require additional budget adjustments in 2022-23 and in 2023-24, based on the assumptions made at that time. As the assumptions change based on new information, the gap is adjusted. **Based on the First Interim projections, the gap is eliminated in 2022-23, and is reduced to \$800K in 2023-24.**

The adjustments that increase the unrestricted resources available to the District are summarized below to show the impact on the \$1.4 gap in 2022-23 and 2023-24:

		2021-22	2022-23	2023-24
	Original gap based on 6/23/21 Budget		-1,400,000	-1,400,000
45 Day Rev	State Unemployment Ins Adj	192,000		
	Lottery Revenue Adjust	75,600	73,765	73,028
UA	Undesignated Balance	948,205		
Oct Update	Enrollment Proj LCFF Adjust		-570,000	-415,000
	Salary & Benefit Adjust	427,000	427,000	427,000
1st Interim	Enrollment adjustment (higher UPP)		132,000	131,000
	Salary & Benefit Adjust	-90,000		
	One-time contracts (LCAP, Wellness, SPED, etc.)	-300,000		
	PEF's Successful Fundraising		300,000	200,000
	Total Adjustments (excl Meas H)	1,252,805	362,765	416,028
	Balance Avail (from Prior Year)	0	1,252,805	215,570
	Gap + Adjustments + Balance	1,252,805	215,570	-768,402

VI. STATUS OF OTHER FUNDS

In addition to the General Fund, the District also maintains nine other funds to track restricted revenues and the associated expenses. Reports are provided for each of the funds in the Standardized Account Code Structures (SACS) format required by the State of California and in a one-page table. The table below summarizes the beginning balances, revenues, expenditures and ending fund balances for all funds.

Fund #	Fund Name	Beginning Balance	Revenues	Expenditures	Ending Fund Balance
01	General Fund	\$4,715,595	\$48,107,582	\$48,282,705	\$4,540,472
08	ASB Student Funds	\$338,739	25,000	4,999	358,740
11	Adult Education	\$105,628	619,781	594,949	130,460
13	Cafeteria	375,434	815,176	714,324	476,286
14	Deferred Maintenance	(156,312)	57,000	55,000	(154,312)
17	Special Reserve-Noda	110,556	1,000	-	111,556
21	Building Fund	8,337,235	150,960	8,341,140	147,055
35	State School Fac	3,726	-	-	3,726
40	Reserve-Cap Facilities	675,802	-	196,960	478,842
51	Bond Repayment	9,507,842	6,920,040	7,215,100	9,212,782
	TOTAL – ALL FUNDS	\$24,014,245	\$56,696,539	\$65,405,177	\$15,305,607

VII. RECOMMENDATION: APPROVE A POSITIVE CERTIFICATION OF THE 2021-22 FIRST INTERIM FINANCIAL REPORT AND AUTHORIZE REQUIRED BUDGET TRANSFERS

Upon review of the 2021-22 PUSD First Interim Report, approve a *Positive* certification of the District's ability to address and meet its financial obligations for the current year and subsequent two years and authorize all budget transfers as required.

Attachments