

**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 23, 2021

**RE: APPROVE BUDGET FOR 2021-22 FISCAL YEAR AND APPROVE  
RESOLUTION 16-2020-21 RECOGNIZING THE NEED FOR BUDGET  
ADJUSTMENTS IN FISCAL YEAR 2022-23 AND BEYOND**

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**I. SUMMARY**

The 2021-22 Budget is presented tonight for a second reading and formal adoption. Based on the assumptions presented below, the District will maintain the require 3% reserve for 2021-22. The proposed budget also sets aside \$800,000 of Measure H revenues for 2021-22 for negotiations.

This version of the 2021-22 budget does not differ substantively from the draft budget presented at the first reading and public hearing on June 9, 2021. Some numbers have changed to incorporate all known revenues and expenditures.

Accompanying the 2021-22 budget, the multiyear projections provide an estimate of the budget for 2022-23 and 2023-24. Based on the projections, the District will need to make budget adjustments of \$1.4 million starting in 2022-23 to maintain the required reserve and to preserve the remaining Measure H funds for negotiations. The Alameda County Office of Education, the oversight agency for the District, requires the Board to recognize the need to make these budget adjustments in a formal resolution. Resolution 16-2020-21 is included with this budget to recognize the upcoming need for adjustments.

***Summary Highlights***

Coming out of the COVID pandemic, the economic picture for the State of California has changed dramatically from the prognosis a year ago. State revenues have exceeded expectations for 2020-21, and continue to look strong for 2021-22 and beyond. As a result, the Governor has proposed a cost-of-living adjustment (COLA) greater than the statutory percentage, and various other programs and plans for education. The District

has incorporated the proposed COLA into the budget, but awaits the final signed state budget before incorporating other proposals.

The General Fund Revenues, Expenditures and Ending Fund Balance are summarized on the attached table “**Budget Comparison**”. Key elements are:

- LCFF revenues are **\$1.1 million more** than the current year due to the 5.07% COLA.
- The Federal revenues are almost **\$1 million less** than the current year. In 2020-21, the District received \$869,720 in COVID-related funds that are not available in 2021-22. Some of the federal funding for Special Education is reduced due to declining enrollment. Also, as a result of the drop in the poverty level in Piedmont to below 2%, the District does not qualify for certain other federal programs that are tied to poverty.
- State revenues are **\$2.86 million less** than the current year. The State provided **\$1.1 million in COVID-related funds** in 2020-21, which were spent on a range of expenses related to distance learning and hybrid learning tools, health and safety. These were one-time funds and one-time expenses. In addition, AB 86 authorized **\$2.2 million for in-person instruction (IPI) and expand learning opportunities (ELO)**. The revenue was recognized in 2020-21. For the IPI portion, the expenditures were also budgeted for 2020-21, but most of the ELO expenditures will occur in 2021-22.
- The budget incorporates the recently approved settlements with the APT and CSEA bargaining groups to increase salaries for a total 6% increase over the 2019-20 rates to be paid from Measure H.
- Staffing was rightsized based on enrollment projections.
- The positions of Director of Diversity, Equity and Inclusion and Director of Communications are included in the budget, as well as an increase to the Director of Athletics position.
- Two components of benefits – the unemployment insurance rate and the pension costs – increased from 2020-21 to 2021-22, resulting in a substantial increase in benefit costs.

The Legislature has passed 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 must be adjusted as new information becomes available.

## **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. A public hearing was held on June 9, 2021. No substantive changes were proposed at the hearing. The budget presented tonight is substantively the same budget. Once approved by the Board, the

budget will be submitted with all required documentation to the Alameda County Office of Education by the statutory deadline of July 1, 2021.

### III. 2021-22 BUDGET INFORMATION

The budget documents presented for 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.

Revenues: The State determines approximately 56% of the District’s budget. 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 Revise”. Key components of revenue projections are as follows:

- Local Control Funding Formula (LCFF) – the base amount per student (average daily attendance) will increase by 5.07%. In addition, the District will use the higher ADA from 2019-20, bolstering revenues in 2021-22. The increase in **LCFF is \$1.1 million higher** than the current year.
- Federal and Other State Revenues – combined, Federal and Other State Revenues are **\$3.8 million less** than 2020-21. The primary reason is the one-time funds received in 2020-21, shown in the table below. Also, the number of students on free and reduced lunch in Piedmont was less than 2% in 2020-21, eliminating the District from eligibility for various other federal funds.

FUNDS RECEIVED IN 2020-21 THAT WERE ONE-TIME ONLY			
State	COVID Relief from the State	\$187,191	Spent in 20-21
State	In-Person Instruction Grant (AB 86)	\$715,145	Partially Spent in 20-21
State	Expanded Learning Opportunities Grant (AB86)	\$1,509,323	Mostly budgeted for 21-22

Federal	COVID Relief (CR, ESSER I, GEER)	\$869,720	Spent in 20-21
Total One-Time Funds in 2020-21		\$3,281,379	

- Parcel Tax Revenues – Measure G and Measure H were approved by voters in November 2019, with the first tax collection in 2020-21. The Measure G rate is assumed to increase in 2021-22 by 2% to \$2,818 per parcel for a total of **\$10.99 million**. 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 **\$2.5 million**. The budget for Measure H revenues is based on actual collections in 2020-21.
- Other Local Revenues – PEF. The Piedmont Education Foundation made a significant effort to fundraising during a pandemic and was able to raise **\$2.76 million**. This is \$616K less than 2020-21. Of that difference, \$360 K was the contribution PEF made in 2020-21 from their reserves to fund the District’s COVID-related costs.
- Other Local Revenues – All Others. This category includes revenue from parent club donations, grants, and the rental of district facilities and fields. During 2020-21, revenues were considerably reduced from rentals. The budget assumes an increase in rental revenues and includes grants for which a firm commitment has been received. Other grants and revenues will only be recognized when received.

Expenditures: Based on Board direction and community input during the Local Control Accountability Plan (LCAP) meetings, the expenditures identified for year 1 of the LCAP are included in the budget. The major components of expenditures are as follows:

- Measure H salary increase: The salary increases of 6% for APT and CSEA employees approved by the Board in 2020-21 from Measure H funds has been incorporated into the salary schedules for 2020-21 and is ongoing.
- Certificated Salaries: The net increase of \$227K in certificated salaries is the result of:
  - Rightsizing resulted in a reduction of approximately 2.0 FTE teaching positions at the middle school;
  - Increase in salaries and benefits for certificated staff per the Expanded Learning Opportunities Grant (ELO);
  - Continuation of the additional hours for nurses (.8 FTE)
- Classified Salaries: The net increase of \$594K in classified salaries is the result of the following positions added to the budget for 2021-22:
  - Director of Communications (1.0 FTE)
  - A portion of the Athletic Director (.4 FTE)
  - IT support for the Mac-books (2.0 FTE)

- o Instructional aides (8 FTE) added per the ELO plan.

The following positions were added in 2020-21 and will remain in the budget for 2021-22:

- o Director of Diversity, Equity and Inclusion (.8 FTE)
  - o Clerk for athletics (.5 FTE)
  - o Health clerks (3.5 FTE)
- **Benefits:** The increase in benefits of \$1.2 million is the result of:
    - o The increase in positions and staff hours as described above.
    - o The increase in the State unemployment insurance rate from .05% of salaries to 1.23% of salaries.
    - o The increase in the employer contribution rate for STRS from 16.15% of Certificated salaries to 16.92%.
    - o The increase in the employer contribution rate for PERS from 20.70% of Classified salaries to 22.91%.

**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 **\$2,218,692**. This balance includes the 3% reserve of **\$1,396,596** and a revolving cash reserve of \$50,000. To note, however, is that the remaining Measure H funds that have not been incorporated into the budget are part of the fund balance. If those Measure H funds were to be used, the reserve would be short by \$48,356. The District would look to the Special Reserve Fund (Fund 17) to meet that gap in the reserve.

**IV. MULTI-YEAR PROJECTIONS**

The multi-year projections (MYP) are included with the budget to provide a picture of the revenue and expenditure trend for 2021-22, 2022-23 and 2023-24. The MYP is a model built on the current year budget, with adjustments for any known changes, including eliminating the costs associated the ELO grant, rightsizing for enrollment decline, and increasing pension costs. Please refer to the attached Multi-year Projection Report. The following assumptions were used:

Assumption	2021-22	2022-23	2023-24
Enrollment	2,395	2,323	2,279
ADA used for LCFF calculations	2,496.18	2,328.53	2,258.53
Cost of Living Increase (COLA) for LCFF	5.07%	2.48%	3.11%
COLA for increase in other State programs	2.31%	2.48%	3.11%
COLA for Measure G Parcel Tax	2.00%	2.00%	2.00%

Natural progression (Step & Column) in Employee Salaries	APT: 1.25% CSEA: 1.00%	APT: 1.25% CSEA: 1.00%	APT: 1.25% CSEA: 1.00%
STRS Rate	16.92%	19.10%	19.10%
PERS Rate	22.91%	26.10%	27.10%
State Unemployment Insurance	1.23%	0.50%	0.30%
Rightsizing adjustments to staffing	Cert: -2.0 FTE	Cert: -3.0 FTE Class: -3.0 FTE	Cert: -2.0 FTE Class: -2.0 FTE

In line with the decline in enrollment and increasing costs, the District will need to make **\$1.4 million** in on-going budget adjustments in 2022-23 to end the year with the required 3% reserve and leave the remaining un-allocated Measure H revenues available for negotiations. The Board will be asked to pass a **resolution** with the adoption of the budget recognizing the need for budget adjustments and a timeline for addressing this during the upcoming months. The following items are possible adjustments that may provide solutions:

- Inter-district transfer students are not in the budget. Each additional student generates approximately \$9,000 in additional state funds.
- Post-pandemic, donations and rentals may increase local revenues.
- State funding may provide relief to the unemployment rate and/or to pension costs.

The timeline for budget discussions in 2021-22 establishes monthly updates to the Board on the elements above and any other potential adjustments so that the Board will have time and opportunity to review all options prior to deciding on actions for the next budget year.

## V. 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.

2021-22 Budget - Board Adoption					
Fund #	Fund Name	Beginning Balance	Revenues	Expenditures	Ending Fund Balance
11	Adult Education	\$ 179,495	\$ 610,155	\$ 608,360	\$ 181,290
13	Cafeteria	455,064	815,176	698,260	571,980
14	Deferred Maintenance	(153,186)	52,000	44,000	(145,186)
17	Special Reserve-Noda	111,679	1,000	-	112,679
21	Building Fund	198,389	150,960	339,349	10,000
35	State School Fac	3,730	-	-	3,730
40	Reserve-Cap Facilities	642,371	-	140,960	501,411
51	Bond Repayment	12,686,898	11,252,288	10,275,388	13,663,798
		\$14,124,440	\$ 12,881,579	\$ 12,106,317	\$ 14,899,702

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 beginning ukulele. The sources of revenue are State funds through the Adult Education Block Grant, and local funds through fees and donations. Adult Education is budgeted to contribute direct support/indirect cost of \$67,000 to the General Fund in 2021-22.

Cafeteria Fund – Fund 13

The Cafeteria Fund receives revenues from the sale of lunch at all schools. In addition, the District applies for and receives federal funding to subsidize milk sales. In line with the requirements for revenues generated from food sales, the District charges certain direct costs of running the lunch programs. These direct costs include part of the time of a custodian at the high school, part of the time of para-educators who serve as noon supervisors during lunch at elementary schools, and part of the time of food service workers who will help serve the contractor-provided lunches at the elementary schools. In addition, the Cafeteria fund will pay an indirect cost charge of \$35,000 to the General Fund.

Deferred Maintenance – Fund 14

The Deferred Maintenance fund allows the district to set-aside funds regularly to be used for facilities maintenance and repair. Because expenditures from the Deferred Maintenance fund can be applied toward the district’s RRMA requirement, a portion of the RRMA is transferred to this 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. The Special Reserve Fund has also been used to hold parcel tax funds set aside in the early years of a parcel tax measure to support programs that will increase in cost in the future years.

#### Building Fund – Fund 21

Bond revenues are deposited to the Building Fund and are restricted for bond measure-authorized expenses only. The \$66 Million Measure H1 Bond program is nearing completion with the Performing Arts Center on track to open in November 2021.

#### Capital Facilities Fund – Fund 40

Funds that are designated for capital projects are set-aside in the Capital Facilities Fund. In the past, the District has set-aside funds from facilities rentals into Fund 40 to build a reserve for larger projects that are outside the scope of routine maintenance. For 2021-22, the District has budgeted a transfer of \$140,00 to cover costs associated with the bond program. In addition, the initial grant of \$185,467 from Piedmont Makers is held here for the infrastructure and equipment purchase to be made from the grant.

#### 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.

### **VI. RECOMMENDATION**

Adopt the District's General Fund budget for 2021-22 and all other budgets operated by the District. Approve Resolution 16-2020-21 Recognizing the Need for Budget Adjustments in Fiscal Year 2022-23 and Beyond.

Attachments