

2021-22 2nd Interim Report

Piedmont USD Board of Education
March 9, 2022

Topics

- Headlines
- Update on 2021-22 Budget
 - Revenues
 - Expenditures
 - Fund Balance
- Adjustments to Multiyear Projections
 - Assumptions - ADA Cliff & Pensions
 - MYP Projections as of today
 - Additional Scenarios
 - Board Resolution
- Unknowns and Next Steps

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

What is a Positive Certification?

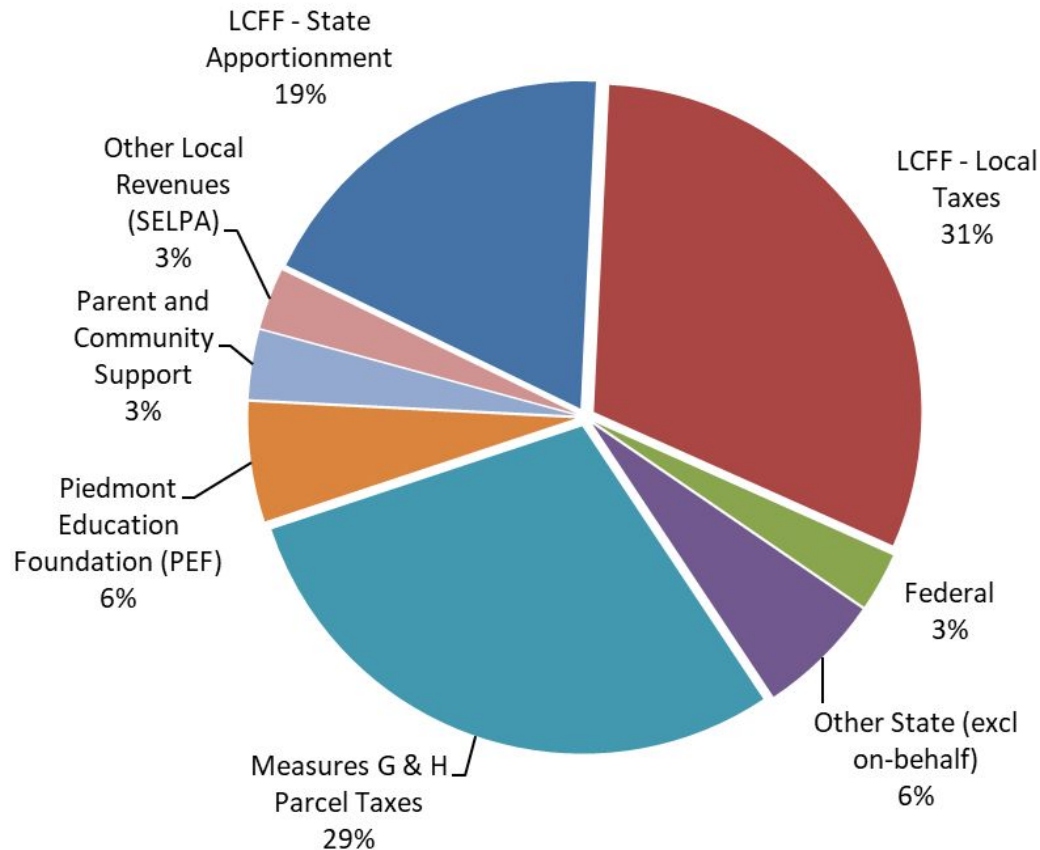
- Ed Code 42131 requires each school district to maintain 3% of it's General Fund Expenditures as a Reserve for Economic Uncertainty (REU). This is considered a financial obligation.
- At the 1st and 2nd Interim Reporting Periods, the District must certify whether it's financial condition is:
 - **Positive** – 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.

Headlines

- For 2021-22, the District expects to meet all financial obligations, including the requirement for a 3% reserve.
- State, Federal and local revenues have enhanced the revenues and expenditures for **2021-22** to allow additional support for students to recover any learning loss from last year.
- The projections for the next 2 years assume a continued decline in enrollment, rightsizing staff accordingly, and elimination of the one-time revenues and associated programs
- If the legislature does not address the "ADA Cliff", the District may need to make additional adjustments to the 2022-23 budget.

Revenues

- 50% is based on the Local Control Funding Formula (LCFF)
- 39% is locally generated - parcel taxes, PEF, parents



2021-22 Changes in Revenue

The 2021-22 Budget was adopted in June 2021 and will be revised throughout the year. The table below identifies the changes to revenues over the past 5 months.

REVENUES \$ in millions	Adopted Budget 6/23/2021	State Budget Impact 8/11/2021	U.A. Impact 9/14/2021	October Update 10/13/2021	First Interim 12/8/2021	Second Interim 3/9/2022	Working Budget 2021-22
Original Revenues	\$44.88						\$44.88
Federal - ELO				\$0.68			\$0.68
Federal - SPED						\$0.11	\$0.11
State - IPI/ELO				\$0.61			\$0.61
State - New Grants		\$0.20			\$0.90	\$0.11	\$1.21
State - STRS On-Behalf		\$0.09					\$0.09
State - Lottery, Other State		\$0.08					\$0.08
Local - Parcel Tax		\$0.13					\$0.13
Local - Parents, Other				\$0.32	\$0.21	\$0.27	\$0.80
New Total Revenues	\$44.88	\$0.50	\$0.00	\$1.62	\$1.12	\$0.49	\$48.60

\$3.72 M

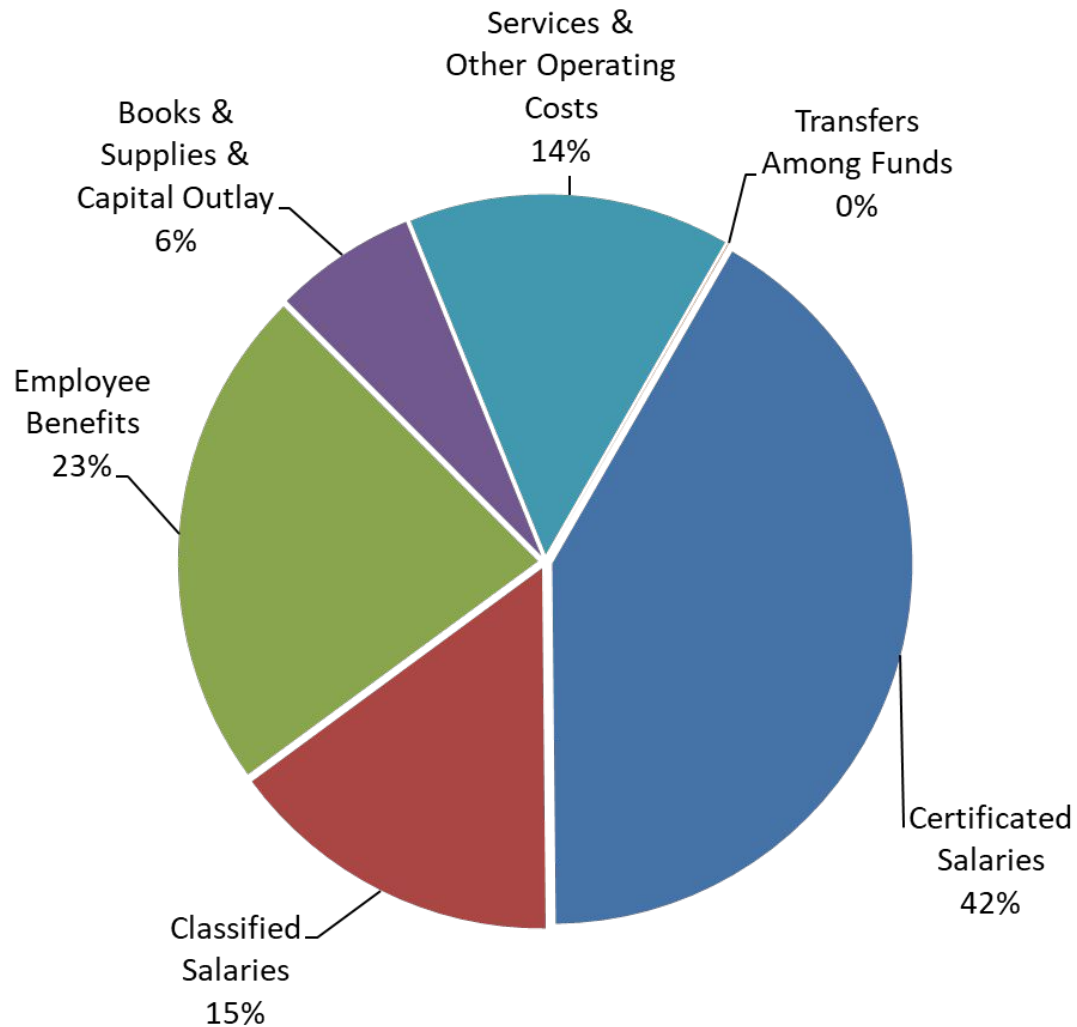
Changes to Revenues

Changes since 1st Interim result in an increase of \$494,224 in revenues.

	2021-22 1st Interim	2021-22 2nd Interim	Difference
Revenues			
LCFF	\$ 23,042,530	\$ 23,057,651	\$ 15,121
FEDERAL REVENUES	1,226,511	1,339,616	113,105
STATE REVENUES	2,734,398	2,848,862	114,464
STATE REVENUES - STRS on-behalf	1,988,608	1,988,608	-
PARCEL TAX REVENUE - Measure G	10,990,192	10,990,192	-
PARCEL TAX REVENUE - Measure H	2,633,239	2,633,239	-
LOCAL REVENUES - PEF	2,760,000	2,750,000	(10,000)
LOCAL REVENUES - ALL OTHERS	1,326,741	1,588,275	261,534
TRFS APPORT FR DISTRICTS (SELPA)	1,405,363	1,405,363	-
Total Revenues	\$ 48,107,582	\$ 48,601,806	\$ 494,224

Expenditures

- 80% of expenditures are salaries and benefits.



2020-21 Changes to Expenditures

The salary increases resulted in approximately \$970,000 increase in expenses; \$586,000 is from Measure H funds.

EXPENDITURES \$ in millions	Adopted Budget 6/23/2021	State Budget Impact 8/11/2021	U.A. Impact 9/14/2021	October Update 10/13/2021	First Interim 12/8/2021	Second Interim 3/9/2022	Working Budget 2021-22
Original Expenditures	\$46.55						\$46.55
Certificated Salaries				-\$0.21	-\$0.08	-\$0.16	-\$0.46
Certificated Salaries - Raises						\$0.49	\$0.49
Classified Salaries					\$0.28	-\$0.13	\$0.15
Classified Salaries - Raises						\$0.25	\$0.25
Benefits - Adjustments		-\$0.10		-\$0.21	-\$0.58	-\$0.16	-\$1.05
Benefits - Related to Raises						\$0.23	\$0.23
Books & Supplies - Prior year funds				\$0.53			\$0.53
Books & Supplies - New Grants				\$0.33		\$0.14	\$0.47
Capital Expenditures				\$0.71	\$0.08	\$0.11	\$0.91
Services - Grants				\$0.32	\$0.28	\$0.10	\$0.70
Services - One-time contracts					\$0.39	\$0.70	\$1.09
New Total Expenditures	\$46.55	-\$0.10	\$0.00	\$1.47	\$0.37	\$1.58	\$49.86

\$3.31 M

Changes in Expenditures

Changes in Expenditures since 1st Interim increased by \$1.6 million.
This includes the expenditures associated with the new revenues.

Expenditures	2021-22 1st Interim	2021-21 2nd Interim	Difference
Certificated Salaries	\$ 19,561,661	\$ 19,886,342	\$ 324,681
Classified Salaries	7,093,212	7,219,403	126,191
Benefits	10,750,938	10,823,202	72,264
STRS On-Behalf	1,988,608	1,988,608	-
Books & Supplies	2,791,131	3,047,805	256,674
Services/Other Oper.	6,113,005	6,913,124	800,119
Internal Transfers	(15,850)	(15,850)	-
Total Expenditures	\$ 48,282,705	\$ 49,862,634	\$ 1,579,929

Net Change to Fund Balance

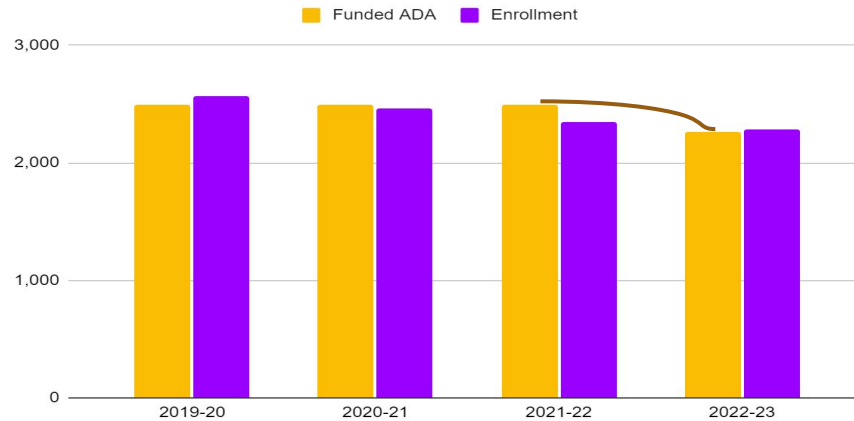
FUND BALANCE \$ in Millions	Adopted Budget 6/23/2021	First Interim 12/8/2021	Second Interim 3/9/2022	Difference 12/8/2021 to 3/9/2022
Beg. FB	\$3,891,410	\$4,715,595	\$4,715,595	\$0
Revenues	\$44,880,474	\$48,107,582	\$48,601,806	\$494,224
Expenditures	\$46,553,192	\$48,282,705	\$49,862,634	\$1,579,929
Ending FB	\$2,218,692	\$4,540,472	\$3,454,767	-\$1,085,705
Restricted & Revol. Cash	\$70,452	\$1,213,212	\$1,272,968	\$59,756
Committed (Meash)	\$800,000	\$833,206	\$246,388	-\$586,818
3% Reserve	\$1,396,596	\$1,448,481	\$1,496,782	\$48,301
Above (Below) Reserve	-\$48,356	\$1,045,573	\$438,629	-\$606,944

General Fund - Multiyear

The following assumptions were used in the MYP:

Assumption	2021-22	2022-23	2023-24
Enrollment	2,349	2,291	2269
Estimated ADA based on enrollment	2,261.99	2,223.33	2,198.08
ADA used for LCFF calculations	2,495.47	2,261.99	2,223.33
Cost of Living Increase (COLA) for LCFF per pupil funding	5.07%	5.33%	3.61%
COLA for increase in other State revenues	1.70%	5.33%	3.61%
COLA for Measure G Funds	2.0%	2.0%	2.0%
Natural progression (Step & Column) in Employee Salaries	APT: 1.45% CSEA: 1.00%	APT: 1.33% CSEA: 1.00%	APT: 1.33% CSEA: 1.00%
STRS Rate	16.92%	19.10%	19.10%
PERS Rate	22.91%	26.10%	27.10%

ADA Cliff



- LCFF Funding is based on greater of current or prior year ADA
- Enrollment has been declining throughout the State
- Legislature has allowed districts to use 2019-20 ADA for funding.
- Starting with 2022-23, most Districts will drop to 2021-22 ADA, which is like falling off a "cliff" in funding levels. For Piedmont, the decline is 233.48 students, versus a decline in enrollment of 58.
- The Governor has proposed an alternative funding method - 3 year average.
- Other proposals are also under consideration by the legislature.
- Until the Legislature changes the law (formula), we cannot depend on the additional revenue.

STRS & PERS

- Employee pension costs continue to increase, even with fewer employees.
- A contribution made by the State on behalf of schools could lower the District's rate. A reduction in rate of 1% would result in \$270K in savings.

	2021-22	2022-23	Difference
Certificated Salaries	19,886,342	19,720,863	-165,479
Classified Salaries	7,219,403	6,955,025	-264,378
STRS Rate	16.92%	19.10%	2.18%
PER Rate	22.91%	26.10%	3.19%
STRS Cost	3,364,769	3,766,685	401,916
PERS Cost	1,653,965	1,815,262	161,296

Add'l Elements of MYP

To identify whether additional reductions are needed, we start by eliminating those expenditures that we know were one-time, or those that are related to the number of students.

Assumptions about:	2022-23	2023-24
Certificated Employees	Incorporate savings from new hires Eliminate one-time positions Reduce 3.0 FTE for rightsizing	Reduce 2.0 FTE for rightsizing
Classified Employees	Eliminate one-time positions Reduce 3.0 FTE for rightsizing	Reduce 2.0 FTE for rightsizing
Books and Supplies	Eliminate one-time purchases and spending tied to one-time funds.	
Services & Other Operating Expense	Eliminate one-time contracts and spending tied to one-time funds.	

Multiyear Assuming Current ADA Rules and Projections

MULTIYEAR PROJECTIONS - 2021-22 2nd Interim			
	2021-22	2022-23	2023-24
Beginning Balance	4,715,595	3,454,767	1,973,203
Total Revenues	\$ 48,601,806	\$ 46,038,349	\$ 46,326,426
Total Expenditures	49,862,634	47,720,912	48,088,989
Add'l Adjustments		(201,000)	(1,376,000)
Net Surplus (Deficit)	(1,260,828)	(1,481,564)	(386,563)
Ending Fund Balance	\$ 3,454,767	\$ 1,973,203	\$ 1,586,640
Components of Ending Balance:			
Restricted Funds	\$ 1,272,968	\$ 659,102	\$ 296,645
Measure H - still available	246,388	492,776	739,164
Required Reserve	1,496,782	821,265	550,670
Add'l Unassigned	438,629	60	162
Fund 17	111,556	111,556	111,556
Over (Under) including Fund 17	796,573	60	162

Additional Scenarios

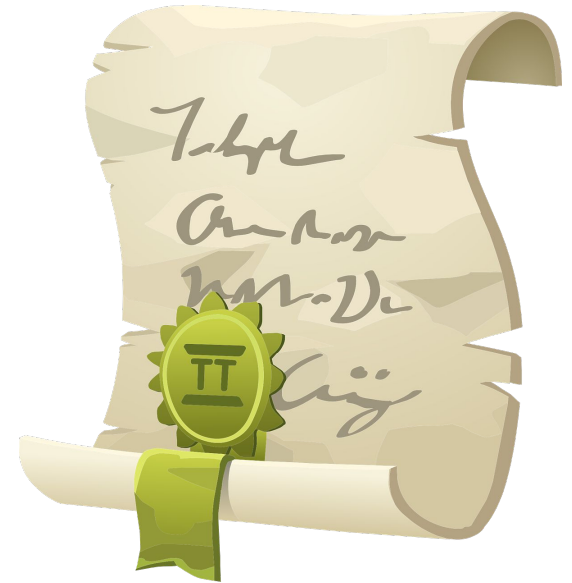
The State is swimming in revenues, and a portion will need to be applied to schools (per Prop 98), so it is likely we will see more funding, but which option will the Legislature and Governor choose?

Option for Additional Funding	Additional Revenues
Governor's Proposal for ADA - 3 prior year average	\$1,465,512
AB1607 (Muratsuchi) - Current + 2 prior years average	\$1,141,565
AB1609 (Muratsuchi) & SB579 (Allen) - Greater of current or 3 prior years	\$2,191,092
Additional 1% COLA	\$208,222
Interdistrict Transfers - first 58 - no difference - up to 75	\$0 (2021-22 ADA is still greater) \$294,555

Board Resolution

Because the MYP shows a shortfall next year, we need to consider how we may address this if the Legislature doesn't provide relief. A Board Resolution will identify how the gap will be addressed:

- Monitor interdistrict transfers.
- Monitor COLA calculations (currently 6.17% per 7 of 8 factors in formula, which is .84% higher than in MYP projection)
- Monitor for an adjustment to the LCFF funding formula that recognizes statewide declining enrollment.
- Monitor for additional contributions by the State towards STRS and PERS
- Ensure classes are at the maximum allowable size before hiring replacement staff (we have several retirements).



Big Unknowns

- **ADA cliff** - what support will State provide?
- **COVID** - we are eliminating COVID-related supports.
- **Universal Meals** - Will the cost of offering delicious and nutritious breakfasts and lunches to all students exceed the reimbursement rate?
- **IDTs** - How will Oakland's IDT release policy impact transfers to Piedmont?



Next Steps

March	<ul style="list-style-type: none">• BAC Meeting to review 2nd Interim→ • 2nd Interim Report presented with MYP Projections→ • Board takes action on reductions for 2022-23 that involve positions• March 15 notices delivered
May	<ul style="list-style-type: none">• Governor releases May Revisions to budget proposal for 2022-23
June	<ul style="list-style-type: none">• Board holds public hearing on draft budget• Final budget adopted by Board

Acknowledgments

Thank you to the Business Services Team!

Suzanne Binder

Nancy Brahm

Upexa Captan

Cherrie Deangkinay

Cheryl Kaiser

Julie Kim

Kim Randlett

Cindy Sivilaythong

Jennifer Stahl

Shamaree Worley