

# **2021-22 2nd Interim Report**

Piedmont USD Budget Advisory Committee  
March 3, 2022

# Agenda

- Introductions & Purpose of BAC
- Update on 2021-22 Budget
  - Revenues
  - Expenditures
  - Fund Balance
- Adjustments to Multiyear Projections
  - ADA Cliff
  - Options / If funds not available
  - Options / If funds are available
- Questions
- 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        1<sup>st</sup> Period Interim to ACOE

-  ○ March 15              2<sup>nd</sup> Period Interim to ACOE

- June 30                Estimated Actuals

- September 15       Unaudited Actuals

# Headlines

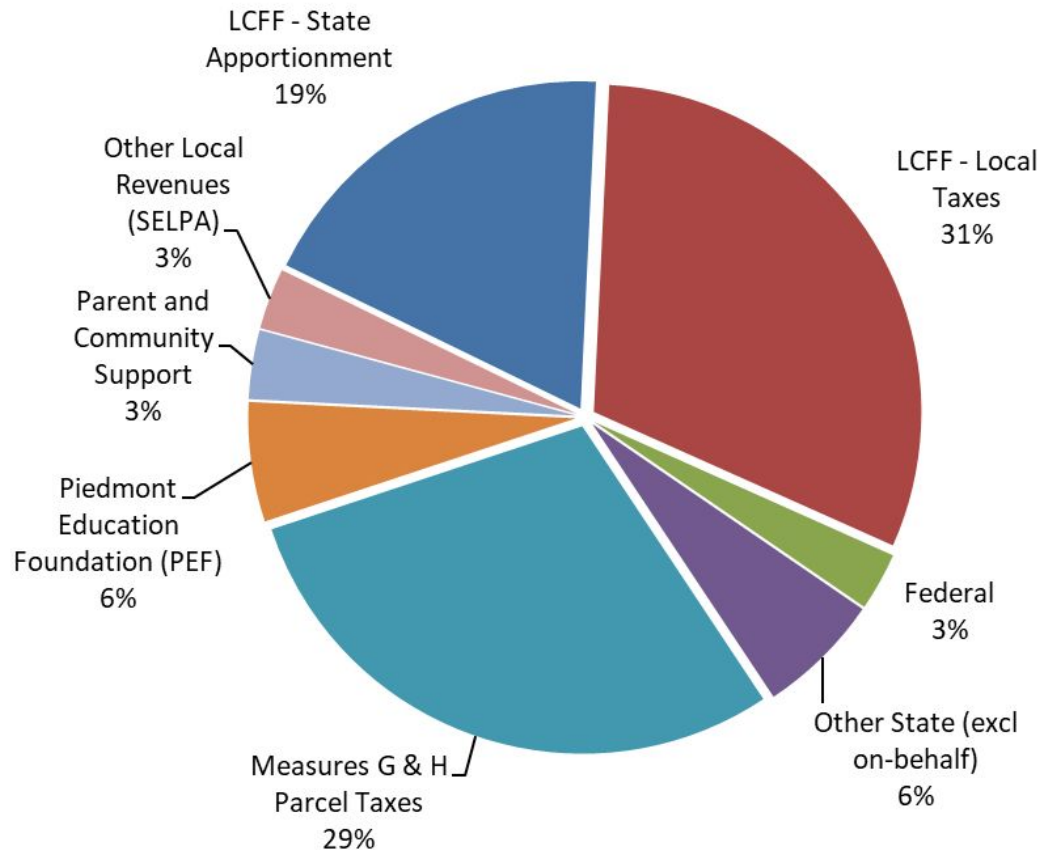
- For 2021-22, the District expects to meet all financial obligations, including the requirement for a 3% reserve.
- State, Federal and local revenues have enhanced the revenues and expenditures for **2021-22** to allow additional support for students to recover any learning loss from last year.
- The 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.

# What is a Positive 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 its 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

- 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
<b>New Total Revenues</b>	<b>\$44.88</b>	<b>\$0.50</b>	<b>\$0.00</b>	<b>\$1.62</b>	<b>\$1.12</b>	<b>\$0.49</b>	<b>\$48.60</b>

**\$3.72 M**



# Changes to Unrestricted Revenues

There have been a number of significant adjustments to revenues since budget adoption. Splitting out Unrestricted from Restricted revenues clarifies the revenue changes by resource.

	UNRESTRICTED			Difference between 12/8 & 3/9
	Adopted Budget 6/23/2021	2021-22 1st Interim 12/8/2021	2021-22 2nd Interim 3/9/2022	
<b>REVENUES:</b>				
LOCAL CONTROL FUNDING FORMULA	\$ 22,840,550	\$ 22,840,550	\$22,854,172	\$ 13,622
FEDERAL REVENUES	-	-	-	-
STATE REVENUES	659,099	692,985	692,985	-
STATE REVENUES - STRS on-behalf	-	-	-	-
PARCEL TAX REVENUE - Measure G	10,990,192	10,990,192	10,990,192	-
PARCEL TAX REVENUE - Measure H	2,500,967	2,633,239	2,633,239	-
LOCAL REVENUES - PEF	2,760,000	2,760,000	2,750,000	(10,000)
LOCAL REVENUES - ALL OTHERS	675,599	903,272	1,185,741	282,469
TRFS APPORT FR DISTRICTS (SELPA)	-	-	-	-
<b>TOTAL REVENUES:</b>	<b>\$ 40,426,407</b>	<b>\$ 40,820,238</b>	<b>\$41,106,329</b>	<b>\$ 286,091</b>

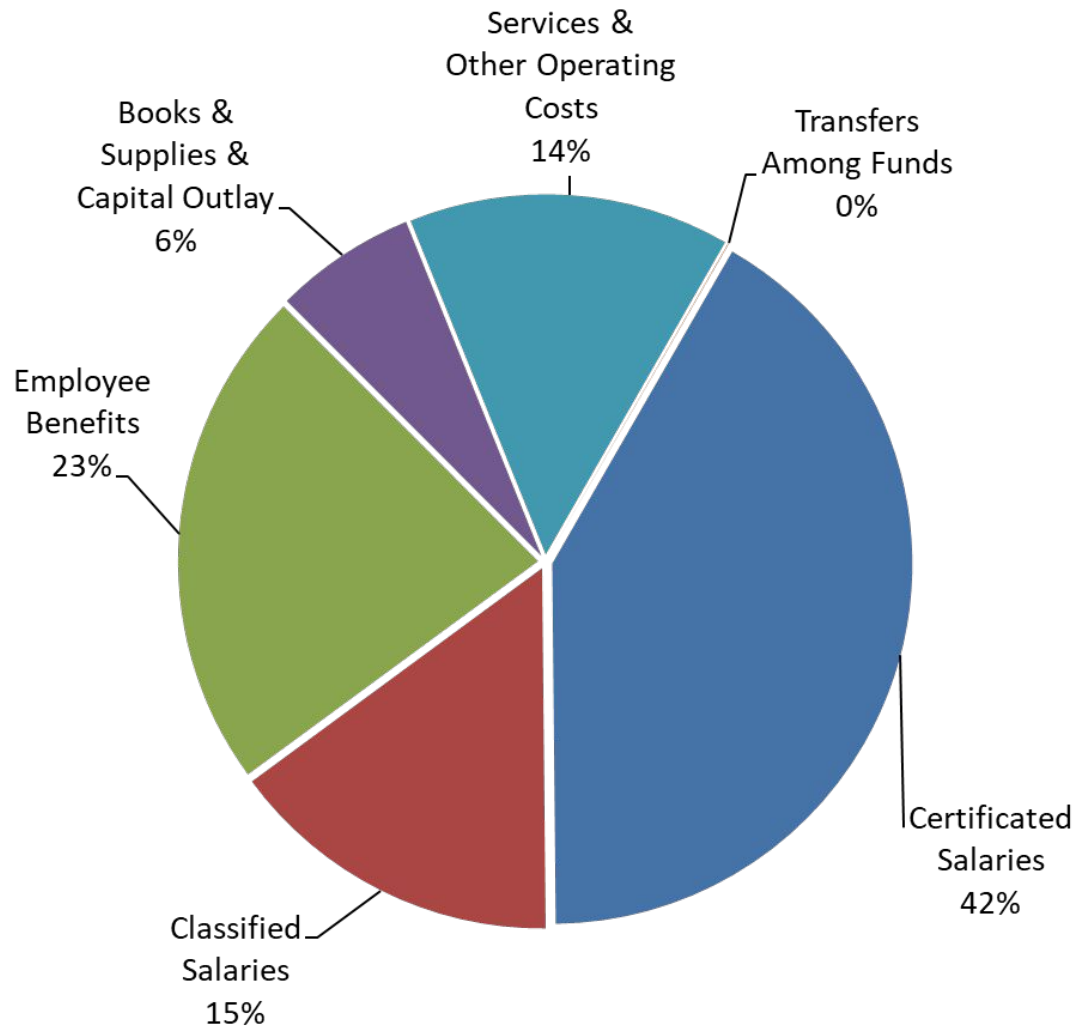
# Changes to Restricted Revenues

This year is unusual in the adjustments to restricted revenues during the year.

	RESTRICTED			
	Adopted Budget 6/23/2021	2021-22 1st Interim 12/8/2021	2021-22 2nd Interim 3/9/2022	Difference between 12/8 & 3/9
<b>REVENUES:</b>				
LOCAL CONTROL FUNDING FORMULA	\$ 202,189	\$ 201,980	\$ 203,479	\$ 1,499
FEDERAL REVENUES	547,943	1,226,511	1,339,616	113,105
STATE REVENUES	286,200	2,041,413	2,155,877	114,464
STATE REVENUES - STRS on-behalf	1,898,025	1,988,608	1,988,608	-
PARCEL TAX REVENUE - Measure G	-	-	-	-
PARCEL TAX REVENUE - Measure H	-	-	-	-
LOCAL REVENUES - PEF	-	-	-	-
LOCAL REVENUES - ALL OTHERS	135,853	423,469	402,534	(20,935)
TRFS APPORT FR DISTRICTS (SELPA)	1,383,857	1,405,363	1,405,363	-
<b>TOTAL REVENUES:</b>	<b>\$ 4,454,067</b>	<b>\$ 7,287,344</b>	<b>\$ 7,495,477</b>	<b>\$ 208,133</b>
<b>COMBINED TOTAL REVENUES:</b>	<b>\$ 44,880,474</b>	<b>\$ 48,107,582</b>	<b>\$ 48,601,806</b>	<b>\$ 494,224</b>

# 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
<b>New Total Expenditures</b>	\$46.55	-\$0.10	\$0.00	\$1.47	\$0.37	\$1.58	<b>\$49.86</b>

**\$3.31 M**

# Changes to Unrestricted Expenditures

The change in Unrestricted expenditures includes the salary increase. Also, as parent and other donations come in, we usually match the revenue to an increase in the budget for supplies or services.

	UNRESTRICTED			Difference between 12/8 & 3/9
	2021-22 Adopted 6/23/2021	2021-22 1st Interim 12/8/2021	2021-22 2nd Interim 3/9/2022	
<b>EXPENDITURES:</b>				
CERTIFICATED SALARIES	\$ 16,377,536	\$ 16,266,406	\$ 16,555,587	\$ 289,181
CLASSIFIED SALARIES	4,012,484	4,330,299	4,436,346	106,047
EMPLOYEE BENEFITS	8,034,245	7,599,302	7,665,631	66,329
STRS OnBehalf Payment	-	-	-	-
POST EMPLOYMENT BENEFITS	367,440	367,440	367,440	-
BOOKS AND SUPPLIES / CAPITAL OUTLA	723,419	1,247,163	1,497,753	250,590
SERVICES/OPERATING EXPENDITURES	2,627,265	3,025,482	3,128,900	103,418
DIRECT SUPPORT/INDIRECT COSTS-Other	(102,000)	(145,258)	(153,599)	(8,341)
<b>TOTAL EXPENDITURES:</b>	<b>\$ 32,040,389</b>	<b>\$ 32,690,834</b>	<b>\$ 33,498,058</b>	<b>\$ 807,224</b>



# Changes to Restricted Expenditures

Special Education and maintenance expenditures make up most of the Restricted budget. Recent increases are one-time in nature.

	UNRESTRICTED		RESTRICTED		Difference between 12/8 & 3/9
	2021-22 Adopted 6/23/2021	2021-22 Adopted 6/23/2021	2021-22 1st Interim 12/8/2021	2021-22 2nd Interim 3/9/2022	
<b>EXPENDITURES:</b>					
CERTIFICATED SALARIES	\$ 16,377,536	\$ 3,478,312	\$ 3,295,255	\$ 3,330,755	\$ 35,500
CLASSIFIED SALARIES	4,012,484	2,804,396	2,762,913	2,783,057	20,144
EMPLOYEE BENEFITS	8,034,245	3,333,638	2,784,196	2,790,131	5,935
STRS OnBehalf Payment	-	1,898,025	1,988,608	1,988,608	-
POST EMPLOYMENT BENEFITS	367,440	-	-	-	-
BOOKS AND SUPPLIES / CAPITAL OUTLA	723,419	415,510	1,543,968	1,550,052	6,084
SERVICES/OPERATING EXPENDITURES	2,627,265	2,501,772	3,087,523	3,784,224	696,701
DIRECT SUPPORT/INDIRECT COSTS-Other	(102,000)	81,150	129,408	137,749	8,341
<b>TOTAL EXPENDITURES:</b>	<b>\$ 32,040,389</b>	<b>\$ 14,512,803</b>	<b>\$ 15,591,871</b>	<b>\$ 16,364,576</b>	<b>\$ 772,705</b>
<b>COMBINED TOTAL EXPENDITURES:</b>		<b>\$ 46,553,192</b>	<b>\$ 48,282,705</b>	<b>\$ 49,862,634</b>	<b>\$ 1,579,929</b>

# Net Change to Fund Balance

<b>FUND BALANCE \$ in Millions</b>	<b>Adopted Budget 6/23/2021</b>	<b>First Interim 12/8/2021</b>	<b>Second Interim 3/9/2022</b>	<b>Difference 12/8/2021 to 3/9/2022</b>
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	2,282.14	2,223..33	2,198.08
<b>ADA used for LCFF calculations</b>	<b>2,495.47</b>	<b>2,261.99</b>	<b>2,223.33</b>
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 look to 2019-20 ADA for funding.
- Starting with 2022-23, most Districts will jump to 2021-22 ADA, which is like falling off a "cliff" in our funding.
- 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.



# 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	1,962,203
Total Revenues	\$ 48,601,806	\$ 45,638,349	\$ 46,326,426
Total Expenditures	49,862,634	47,720,912	48,088,989
Add'l Adjustments		(590,000)	(1,390,000)
Net Surplus (Deficit)	(1,260,828)	(1,492,564)	(372,563)
Ending Fund Balance	<b>\$ 3,454,767</b>	<b>\$ 1,962,203</b>	<b>\$ 1,589,640</b>
<u>Components of Ending Balance:</u>			
Restricted Funds	\$ 1,272,968	\$ 659,102	\$ 296,645
Measure H - still available	246,388	492,776	739,164
<b>Required Reserve</b>	<b>1,496,782</b>	<b>809,595</b>	<b>550,250</b>
Add'l Unassigned	438,629	730	3,582
Fund 17	111,556	111,556	111,556
Over (Under) including Fund 17	797,476	730	3,582

# Additional Scenarios

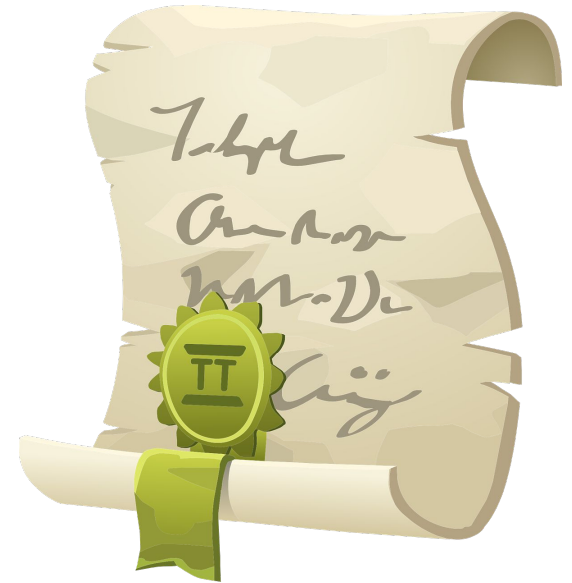
The State is swimming in revenues, and a portion will need to be applied to schools (per Prop 98), so it is likely we will see more funding, but which option will the Legislature and Governor choose?

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

# 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 (maybe even advocate) for an adjustment to the LCFF funding formula that recognizes statewide declining enrollment.
- Monitor (maybe even advocate) 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; is this premature?
- **Universal Meals** - How much more than the reimbursement will it cost to offer delicious nutritious breakfasts and lunches?
- **IDTs** - How will Oakland's IDT release policy impact transfers to Piedmont?



# Next Steps

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

# 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**