

PIEDMONT UNIFIED SCHOOL DISTRICT

MEMORANDUM

TO: Board of Education

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

DATE: December 15, 2020

RE: **REVIEW THE 2020-21 FIRST INTERIM FINANCIAL REPORT OF THE DISTRICT; DETERMINE A *POSITIVE* CERTIFICATION SIGNIFYING THAT THE DISTRICT WILL MEET ITS FINANCIAL OBLIGATIONS FOR CURRENT YEAR AND SUBSEQUENT TWO FISCAL YEARS; AND AUTHORIZE APPROPRIATE BUDGET TRANSFERS.**

REVIEW AND ADOPT THE 2020 LCFF BUDGET OVERVIEW FOR PARENTS.

I. SUMMARY

First Interim: The First Interim Report for Fiscal Year 2020-21 provides an update of actual expenditures and revenues through October 31, 2020, and a projection of the budget adjustments necessary to get to the end of the 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 budget adjustments made at the beginning of the year and the additional resources provided by the State, 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".**

LCFF Budget Overview for Parents: For 2020-21, the requirement to adopt a Local Control Accountability Plan (LCAP) was replaced with the requirement to adopt a Learning Continuity and Attendance Plan (LCP) in September. In addition, the District is required to adopt a 2020-21 LCFF Budget Overview for Parents with the First Interim

Report. The Budget Overview provides a streamline picture of the District's spending connected to the LCP in 2020-21, and the LCAP in 2019-20. The Budget Overview is attached to this Board Memo and can be adopted along with the First Interim Report.

II. ATTACHED DOCUMENTATION

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

- 2020-21 LCFF Budget Overview for Parents
- 2020-21 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.
- Multiyear Projections table for the General Fund.
- Summary table for each fund.
- Summary of COVID Expenditures to date

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 2020-21 through 2022-23 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 certifying a **positive** certification for its 2020-21 First Interim Report. After approval by the Board,

the report will be submitted to the Alameda County Office of Education (ACOE) by December 16, 2020.

IV. 2020-21 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 increases to employees approved by the Board in July 2020 have been incorporated using Measure H revenues. The remaining Measure H funds are set-aside and appear in the ending fund balance.

The challenges created by the COVID-19 pandemic have been immense. The additional funding provided by the State (the Learning Loss Mitigation, or LLM, funds of \$1,056,911) and the PEF (\$360,000) have paid for health and safety enhancements, curriculum and technology, and additional personnel. The First Interim Financial Report incorporates the actual expenditures through October 31, 2020, and all identified costs have been included in the in budget.

The Ending Fund Balance for 2020-21 is projected to be \$3,878,698, of which \$1,232,246 is the Measure H funds set-side pending discussions with labor partners, and \$1,335,313 is set-aside as the required 3% reserve for economic uncertainty. The remaining amounts are designated for specific uses.

Revenues: Since the budget was adopted on June 30, 2020, revenues have been adjusted to reflect the actual State-adopted budget and the changes to LCFF and Other State funding based on enrollment. Those changes were reported to the Board in August and October. Since then, the only other noteworthy difference is the elimination of Federal Title 1 funds of \$33,458. We were informed by the State that the poverty level in Piedmont is less than 2%, disqualifying the District from these funds. The differences in revenues since the budget adoption on June 30, 2020, totaling \$2,700,750 million are as follows:

- **LCFF Funding - \$1.7 M** – increase in funded LCFF COLA from -10% to 0%.
- **State Funding - \$168 K** COVID Relief / LLM
- **Federal Funding:**
 - **\$840 K** CARES Act and ESSER Funding for COVID Relief /LLM
 - **-\$33 K** elimination of Title 1 funds
- **Local Funding - -\$18 K** adjustment to parent/student revenue sources

Expenditures: Since the budget was adopted on June 30, 2020, budgeted expenditures been increased by \$2,748,617. Since the last budget update in October,

the estimated increases have been adjusted based on updated information. The major differences in expenditures since budget adoption are:

- **Salary settlement** - Certificated and classified salaries and benefits increased by **\$1.3 M**. All employee groups received a 3.5% salary increase. APT (teachers) and APSA (administrators) received an additional 3 days for the additional training and planning required for distance learning.
- **Carryover** - Unspent funds from 2019-20 were added to the budget (as expenditures only – the revenues were received in the prior year). **\$669 K** of expenditures were added to the Books and Supplies and Services and Other Operating Expenditures categories.
- **COVID-Related Expenses** – Expenses incurred in preparation of distance learning and in person learning in a COVID environment were added throughout the budget totaling **\$1.16 M**.
- **Additional Adjustments** – Further adjustments to the budget for positions that have not yet been filled and expenditures that are affected by COVID were made, resulting in reductions of **\$385 K**.

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 **increase by \$1,144,899 to \$3,878,698**. The unrestricted balance, not including Measure H funds, is **5.58%**. Included in the balance is:

- **\$1,232,246** - Measure H funds that have not yet been negotiated with labor partners. Of those funds, \$88,268 is the CSEA Measure H Set-Aside.
- **\$1,335,313** - 3% Reserve for Economic Uncertainty.
- **\$382,000** – designated to replace any shortfall in anticipated revenues due to the continued shut-down (e.g., revenues have been included for facilities rentals and lunch sales).
- **\$764,248** – for additional expenses related to reopening schools.
- **\$165,891** – restricted funds not fully spent in 2020-21.

V. MULTIYEAR PROJECTIONS (MYP)

The First Interim Report includes multiyear projections (MYP) for two additional years – 2021-22 and 2022-23. 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	2020-21	2021-22	2022-23
Enrollment	2,466	2,411	2,340
Estimated ADA based on enrollment	2,396	2,344.03	2,275.01

ADA used for LCFF calculations	2,495.67	2,496.12	2,344.03
Cost of Living Increase (COLA) for LCFF per pupil funding	0%	0%	0%
COLA for increase in other State revenues and various costs	0.98%	1.59%	1.87%
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	17.10%	16.15%	16.00%
PERS Rate	19.72%	20.70%	23.00%

The State’s funding formula – LCFF – is based on the average daily attendance (ADA) of students. The formula looks to the greater of the current year or the 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. In 2020-21, the State allows districts to use the 2019-20 ADA as the 2020-21 ADA. In 2021-22, the 2020-21 ADA will be used, which is the 2019-20 ADA. This provides a two-year buffer of being funded based on the 2019-20 attendance.

In 2022-23, funding will be based on the 2021-22 ADA. This will be considerably less than the prior year and will result in a **\$2.0 million** shortfall between revenues and expenditures. The multiyear projections do not incorporate the rightsizing that must occur as enrollment declines. The District will need to make the necessary changes to keep expenses in line with revenues in 2022-23.

The passage of Measure G and H in 2019 allows the District to assume the continued parcel tax revenues from Measure G and the added revenues from Measure H in the MYP. The amount to be collected from Measure H is estimated to be \$2.6 million. Based on an MOU between the District and the employee bargaining units, Measure H will be used for employee compensation and retention strategies that will be negotiated. Any funds not spent will be carried over and held for that use.

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 beginning balances, revenues, expenditures and ending fund balances for all funds are shown in the table below. For those funds with notable budget changes since budget adoption, a description is provided in the narrative below the table.

Fund #	Fund Name	Beginning Balance	Revenues	Expenditures	Ending Fund Balance
11	Adult Education	\$293,176	\$500,993	\$583,859	\$210,310
13	Cafeteria	716,216	115,154	344,860	486,510
14	Deferred Maintenance	(163,159)	52,000	50,000	(161,159)
17	Special Reserve-Noda	108,179	3,500	-	111,679
21	Building Fund	22,253,820	10,500,000	32,584,287	169,533
35	State School Fac	3,653	77	-	3,730
40	Reserve-Cap Facilities	453,250	5,000	-	458,250
51	Bond Repayment	11,836,898	9,290,425	8,440,425	12,686,898
67	Self Insurance	-	-	-	-
		\$35,502,033	\$20,467,149	\$42,003,431	\$13,965,751

Adult Education Fund – Fund 11. The District runs an adult education program and keeps funds designated for that program in Fund11. The revenues are from two sources: the Adult Education block grant for high school credit completion courses, and the community-based program of local interest courses. The program has adjusted to distance learning and offers several classes on-line.

Cafeteria Fund – Fund 13. The food service operations of the District are run through Fund 13. Revenue estimates from food sales have been reduced since budget adoption in June. The related costs for purchasing food have also been reduced. The fund balance will sustain the fixed costs for this fiscal year.

Deferred Maintenance Fund - Fund 14. In 2019-20, the Cafeteria Fund provided a loan to the Deferred Maintenance Fund to pay for the VRF / air conditioning and ventilation project at Havens. The loan is recorded as a reduction to the fund balance in the Deferred Maintenance Fund, resulting in a negative beginning fund balance. As annual payments are made, the balance will recover. The total amount of the loan is \$280,000. The annual payments are \$31,000. The payment source is the contribution from the General Fund to the Deferred Maintenance Fund.

Building Fund – Fund 21. The bond proceeds from the Measure H1 bond program are held in Fund 21, and all expenditures for the program are recorded here. The H1 Bond program is a \$66 million program that spans at 5 years. In early 2021, the third of three series of bonds will be issued, providing the final \$10 million of the \$66 million to the program. In February, documents related to the transaction will be brought to the Board.

VII. RECOMMENDATION: APPROVE A POSITIVE CERTIFICATION OF THE 2020-21 FIRST INTERIM FINANCIAL REPORT AND 2020 LCFF BUDGET OVERVIEW FOR PARENTS

Upon review of the 2020-21 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, adopt the 2020 LCFF Budget Overview for Parents, and authorize all budget transfers as required.

Attachments