

PIEDMONT UNIFIED SCHOOL DISTRICT

M E M O R A N D U M

TO: Board of Education

FROM: Jennifer Hawn, Ed.D., Superintendent
Ruth Alahydoian, Chief Business Officer
Cheryl Kaiser, Fiscal Services Manager

PRESENTERS: Ruth Alahydoian, Chief Business Officer

DATE: December 13, 2023

RE: **REVIEW THE 2023-24 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**

PURPOSE:

The First Interim Report for Fiscal Year 2023-24 provides an update of actual expenditures and revenues through October 31, 2023, and a projection of the budget adjustments necessary to complete the fiscal year. The First Interim also includes a multiyear projection (MYP) to serve as a planning tool for projecting the district’s revenues and expenditures over the next two years.

Based on the projections for revenues and expenditures through the end of the fiscal year and assumptions for future years described below (see MYP Projections), including ongoing budget adjustments necessary in 2023-24, the District will meet the 3% reserve in the current and two subsequent fiscal years. **As a result, we recommend that the Board certify the First Interim report as “Positive”.**

BACKGROUND:

Governing Boards are required to certify the financial condition of each school district at two intervals during the school year, though the Board 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 from the current year, 2023-24, through 2025-26 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 a **positive** certification for its 2023-24 First Interim Report. After approval by the Board, the report will be submitted to the Alameda County Office of Education (ACOE) by December 15, 2023.

DETAILS:

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

Revenues: Since the budget was adopted on June 28, 2023, revenues have been adjusted to reflect any changes in the calculations of the state apportionments and additions/increases from other funding sources. These changes were shared with the Board on August 9, September 13, and October 11. The net increase in revenues since budget adoption is **\$844,228**, with the major adjustments as follows:

- **Local Control Funding Formula (LCFF):**
 - **\$77 K** - There were minor changes in the factors used to calculate LCFF revenues that resulted in an increase of \$77,537.
- **Federal Funding:** Piedmont has not received an apportionment of Title I or Title IV funds since 2019-2020. These funds were apportioned to the district for 2023-24.
 - **\$35 K** - Title I
 - **\$6.6 K** - Title IV
- **State Funding:** Overall State funding increased by \$169 K and includes the following:
 - **\$30 K**- Lottery (unrestricted): increase in 2023-24 rate and under accrual of Q4 2022-23
 - **\$37 K** - Lottery (restricted): increase in 2023-24 rate and under accrual of Q4 2022-23
 - **\$75 K** - Expanded Learning Opportunity Program (ELOP): 2023-24 apportionment
 - **\$31 K** - Arts, Music, Instructional Materials grant; “claw-back” was less than budgeted
- **Local Funding:** total increase of \$596K including:
 - **\$80 K** - IC store collections in excess of original budget for secondary programs
 - **\$38 K** - local collection of Parcel Tax revenues.
 - **\$66 K** - increase in grant from CalESCE covering teacher payroll expense
 - **\$10 K** - collection of PSAT, Pre-ACT, AP test fees
 - **\$102 K** - PEF additional donations
 - **\$48 K** - Wellness: \$40K grant + \$8K in donations through IC store
 - **\$24 K** - elementary Parent Club grants and field trip funds

- o **\$122 K** - City of Piedmont teacher support funds

Expenditures: Since budget adoption, expenditure budgets have been adjusted to reflect actual people in positions and the posting of carryover from the prior year. The net increase in expenditure budgets since budget adoption is **\$1,275,548**. The major differences include:

- **Certificated Salaries: \$46K net increase** largely due to additions to substitute budget
- **Benefits: \$51K net decrease** due to changes in benefits from vacancy/position adjustments
- **Books & Supplies: \$458K increase (net)**
 - o \$358 K general supplies driven by posting of carryover
 - o \$28 K non capital equipment (4400) technology, art, music, maintenance supplies
 - o \$35 K custodial supplies
 - o \$49 K maintenance supplies
- **Capital Outlay** \$10K decrease due to change in project scope/spending
- **Services and Other Operating Expenditures: \$835K increase**
 - o **\$649 K** net increase in SpEd contracts for personnel; funded by decrease in SpEd payroll expense
 - o **\$36 K** increase in athletic facility rentals (pool).
 - o **\$82 K** increase in online subscriptions for instructional materials
 - o **\$36 K** increase in travel/conference & dues/memberships driven by posting of carryover and increase in athletic conference membership expense
 - o **\$20 K** increase in telephone expense (change with upgrade of office phone network)

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 **\$3,305,629**. Included in the balance is:

- **\$1,548,222** required 3% reserve
- **\$611,058** restricted balance
- **\$44,000** Revolving Cash
- **\$221,000** other assignments
 - o **\$121,000** reserve for Spring Fling Year Two
 - o **\$50,000** reserve for Fund 11 (Adult Ed)
 - o **\$50,000** reserve for Fund 13 (Cafeteria)
- **\$881,349** Unappropriated

V. **MULTI-YEAR PROJECTIONS (MYP)**

The First Interim Report includes a multi-year projection (MYP) that includes 2023-24, 2024-25, and 2025-26. The MYP is developed from the current year budget, with adjustments for any known changes, including elimination of currency year one-time expenses from the subsequent year budgets. The following assumptions were used:

Assumption	2023-24	2024-25	2025-26
Enrollment	2,305	2,284	2,250
ADA used for LCFF calculations	2,333.54	2,224.70	2,185.09
Cost of Living Increase (COLA) for LCFF per pupil funding	8.22%	1.00%	3.29%
COLA for increase in other State revenues and various costs	8.22%	1.00%	3.29%
Natural progression (Step & Column) in Employee Salaries	APT: 1.15% CSEA: 1.00%	APT: 1.15% CSEA: 1.00%	APT: 1.15% CSEA: 1.00%
STRS Rate	19.10%	19.10%	19.10%
PERS Rate	26.68%	27.70%*	28.30%*

*PERS Rates as of 10/31/2023. New increased rates announced 12/6/23.

The State’s funding formula – LCFF – is based on the average daily attendance (ADA) of students. As enrollment and ADA declines, funding decreases. Because the entire state is experiencing declining enrollment, the formula for calculating ADA has been adjusted to soften the impact to school district budgets. For Piedmont, LCFF funding is decreasing, but not as dramatically as it would if it was based on true ADA. Other assumptions in the MYP are:

Assumptions about:	2024-25	2025-26
Certificated Employees	Eliminate MTSS positions (Ed Effectiveness funding ends)	Eliminate Spring Fling funded add'l counseling FTEs
Classified Employees	Eliminate one-time bonus of \$400 in 2023-24	Eliminate Spring Fling funded lunch/library paras.
Books and Supplies	Reduce expenditures that are the result of carryover from Prior Year.	
Services & Other Operating Expense	Reduce expenditures that are the result of carryover from PY & for SPED contracts expected to end.	
Capital Expenses	Reduce by \$300 K - tied to specific projects.	

The table below indicates that the District will be able to meet its current obligations for this year and the two subsequent years. Please note, that this MYP does not include the proposed salary increase of 9% over 3 years. The proposal, if accepted, will require budget adjustments of \$1.4 M in 2024-25 and \$2.8 M in 2025-26.

MULTIYEAR PROJECTIONS - 2023-24 First Interim			
	2023-24	2024-25	2025-26
Beginning Balance	\$ 3,549,275	\$ 3,305,629	\$ 3,407,417
Total Revenues	\$51,391,209	\$50,804,558	\$51,460,783
Total Expenditures	51,634,855	50,702,771	51,235,817
Add'l Adjustments		-	-
Net Surplus (Deficit)	(243,646)	101,788	224,966
Ending Fund Balance	\$ 3,305,629	\$ 3,407,417	\$ 3,632,383
Components of Ending			
Restricted Funds	\$ 655,058	\$ 435,129	\$ 327,129
Committed / not available	221,000	100,000	100,000
Required Reserve	1,548,222	1,421,083	1,437,075
Add'l Unassigned	881,349	1,451,205	1,768,179
Ending Fund Balance	\$ 3,305,629	\$ 3,407,417	\$ 3,632,383

STATUS OF OTHER FUNDS

In addition to the General Fund, the District also maintains eight other funds to track revenues and expenses for specific functions. 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
08	ASB Fund	\$ 313,390	\$ 125	\$ -	\$ 313,515
11	Adult Education	\$ 2,475	\$ 608,173	\$ 643,744	\$ (33,096)
13	Cafeteria	184,822	1,480,993	1,618,108	47,707
14	Deferred Maintenance	91,034	405,035	226,771	269,298
17	Special Reserve-Noda	107,293	3,124	3,141	107,276
35	State School Fac	1,813,599	9,343,446	4,980,235	6,176,810
40	Reserve-Cap Facilities	157,602	569,274	563,130	163,746
51	Bond Repayment	9,628,165	8,274,129	6,564,176	11,338,118
		\$ 12,298,380	\$ 20,684,299	\$ 14,599,305	\$ 18,383,374

RECOMMENDATION: APPROVE A POSITIVE CERTIFICATION OF THE 2023-24 FIRST INTERIM FINANCIAL REPORT AND AUTHORIZE REQUIRED BUDGET TRANSFERS

Upon review of the 2023-24 PUSD First Interim Report, approve a *Positive* certification affirming the District's ability to meet its financial obligations for the current year and two subsequent fiscal years and authorize all budget transfers as required.

NEXT STEPS: The SACS documents and board materials will be submitted to ACOE for review.

ATTACHMENTS. 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
- Multi Year Projections Table for the General Fund.
- Summary Table for each fund.