

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 Alahydroian, Chief Business Officer  
Cheryl Kaiser, Fiscal Services Manager

**DATE:** March 13, 2024

**RE: REVIEW THE 2023-24 SECOND 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**

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**I. SUMMARY**

The Second Interim Report for Fiscal Year 2023-24 provides an update of actual expenditures and revenues through January 31, 2024, and a projection of the budget adjustments necessary to close out the fiscal year. The Second Interim also includes a multiyear projection (MYP) that shapes the budget development process for 2024-25.

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 projections for expenditures through the end of the fiscal year and assumptions for future years described below (see MYP Projections), including the budget adjustments approved by the Board on March 4, 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 Second Interim report as "Positive".**

**II. ATTACHED DOCUMENTATION**

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

- Second Interim Report in State Accounting Code (SACS) format (all funds and supporting documents 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
- Multiyear Projections Table for the General Fund.
- Summary Table for each fund.

### III. BACKGROUND

The Governing Board is required to certify the financial condition of the 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 Second Interim Report provides projections for 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 Second Interim Report. After approval by the Board, the report will be submitted to the Alameda County Office of Education (ACOE) by March 18, 2024.

### IV. 2023-24 BUDGET INFORMATION

The budget documents presented in this Second Interim report 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.

The General Fund is the primary fund for the District, from which most expenses are paid. Revenues and expenditures have been updated with information available through March 1, 2024, and reflect the District’s best estimate for the 2023-24 school year.

The following information explains the differences between the First Interim and the Second Interim and accompanies the “General Fund Budget Comparison” table. For changes from Budget Adoption to the First Interim, please see the First Interim Board Report from December 13, 2023.

**Revenues:** Since the district budget was adopted on June 28, 2023, revenues have been adjusted to reflect the actual State-adopted budget and other revenue adjustments. These changes were reviewed with the Board on August 9, September 13, October 11, and December 13. The net increase in revenues from First Interim is \$798,025, with the major adjustments as follows:

- **LCFF Funding – (\$17 K)**
- Federal Funding - \$39 K increase in SPED allocation
- **State Funding - \$257 K** - Increase due to \$263 K Proposition 28 Arts Education Funds and adjustments to other State funds.
- **Local Funding – \$322 K**
  - \$143 K AP test fees
  - \$36 K Turkey Trot donation for track & cross country
  - \$25 K Donations to PMS programs
  - \$24 K Donations to SPED and Music through PEF
  - \$25 K Donations to elementary sites from parent clubs
  - \$24 K Donation for teacher grants from Makers
- **SELPA Transfers - \$196 K** – Increase in allocations and \$147K from Extraordinary Cost Pool

**Expenditures:** Since the budget was adopted on June 28, 2023, expenditures have been adjusted to reflect actual and anticipated expenditures and commitments. The net increase in expenditures from First Interim is \$85,150. The major differences in expenditures are as follows:

- **Salaries – \$13.8 K** - minor adjustments to certificated and classified positions
- **Benefits – (\$270 K)** updating vacancies and related changes in benefits
- **Books & Supplies – \$176 K** - for AP exams and other donations (see Local Funding above)
- **Utilities** - \$48K increase for new rates
- **Other Professional Services - \$192 K**
  - \$37K IT support contract due to unfilled vacancy
  - \$48K legal
  - \$106K in other contracts
- **Capital Outlay - \$18 K** – architect contract for TK assessment

**Fund Balance:** The Ending Fund Balance, the amount remaining in the District’s General Fund at the end of the year, is projected to be \$4,018,504, of which \$858,427 is restricted. The total unrestricted balance is \$3,160,077. Included in the unrestricted balance is:

- **\$1,551,600** – Reserve for Economic Uncertainties
- **\$691,289** – Board commitment for a salary increase of 2% for all employee groups
- **\$121,000** - Reserved for Spring Fling Year 2
- **\$100,000** -- Adult Ed and Cafeteria Fund support
- **\$44,000** – revolving cash

- **\$652,188** -- Unassigned

**V. MULTIYEAR PROJECTIONS (MYP)**

The Second Interim Report includes multiyear projections (MYP) for two additional years – 2024-25 and 2025-26. 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	2023-24	2024-25	2025-26
Enrollment	2,308	2,286	2,252
ADA used for LCFF calculations (Average of 3 prior years)	2,330.45	2,237.33	2,200.70
Cost of Living Increase (COLA) for LCFF per pupil funding	8.22%	.76%	2.73%
COLA for increase in other State revenues and various costs (CPI)	N.A.	2.83%	2.70%
Natural progression (Step & Column) in Employee Salaries	Cert: actuals Class: actuals	Cert: 1.15% Class: 1.00%	Cert: 1.15% Class: 1.00%
STRS Rate	19.10%	19.10%	19.10%
PERS Rate	26.68%	27.80%	28.50%

**Other assumptions in the MYP are:**

Revenues:

- Local Control Funding Formula (LCFF) revenues are based the average of three prior years’ Average Daily Attendance (ADA).
- All ongoing state funds are increased by the COLA.
- Piedmont Education Foundation has committed \$3.3 million for next year. \$3.3 million is also assumed for the following year.
- Prop. 28 (Arts Education) funding of \$260K is included annually as revenue but is not spent. It is held in the “Restricted” balance.

Expenditures:

- Position reductions approved by the Board on March 4, 2023, are reflected in the MYP.
- All one-time expenditures in 2023-24, including the one-time bonus for CSEA employees, the one-time expenditure of carryover revenues from the prior year, and various one-time settlements are not included in ongoing expenditures.
- Certain capital expenditures that are tied to one-time revenue are eliminated in out years.

Ending Balance:

- A portion of the ending balance is set-aside for the salary increases that the Board has agreed to for CSEA and has offered to APT and APSA (2% in 2023-24, 4% in 2024-25, and 3 in 2025-2).
- Proposition 28 funds are held in the Restricted Ending Fund Balance.

**VI. 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 the Standardized Account Code Structures (SACS) format required by the State of California and in a one-page table. The table below summarizes the SACS reports, noting the beginning balances, revenues, expenditures and ending fund balances for other funds.

Fund #	Fund Name	Beginning Balance	Revenues	Expenditures	Ending Fund Balance
08	ASB Fund	\$ 313,390	\$ 125	\$ -	\$ 313,515
11	Adult Education	\$ 2,475	\$ 619,662	\$ 641,862	\$ (19,725)
13	Cafeteria	184,822	1,499,034	1,678,108	5,748
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	9,443,446	5,503,194	5,753,851
40	Reserve-Cap Facilities	157,602	724,479	718,335	163,746
51	Bond Repayment	9,628,165	8,274,129	6,564,176	11,338,118
		\$ 12,298,380	\$ 20,969,034	\$ 15,335,587	\$ 17,931,827

The Adult Education (Fund 11) Fund is expected to end the year with a negative ending balance as it continues to recover from the significant loss of revenues in the local program due to Covid closures. Program participation is improving and other expenses have been adjusted. The fund is expected to regain fiscal stability over the next two years. A multiyear projection for Fund 11 is included in the SACS reports.

**VII. RECOMMENDATION: APPROVE A POSITIVE CERTIFICATION OF THE 2023-24 SECOND INTERIM FINANCIAL REPORT AND AUTHORIZE APPROPRIATE BUDGET TRANSFERS.**

Upon review of the 2023-24 PUSD Second 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 and authorize all budget transfers as required.