

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

DATE: June 26, 2024

RE: ADOPT THE 2024-25 DISTRICT GENERAL FUND BUDGET AND ALL OTHER BUDGETS OPERATED BY THE DISTRICT

I. SUMMARY

The 2024-25 Budget is presented tonight for a second reading and final adoption.

This version of the 2024-25 budget does not differ substantively from the draft budget presented at the first reading and public hearing on June 12, 2024. The information below is substantially the same as presented for the first reading. The only differences are a correction and an addition in the assumptions to the multiyear projections.

The message has been consistent since the Governor's Proposed Budget in January. State revenues are less than anticipated a year ago, creating a deficit in the State's budget and also reducing the Proposition 98 minimum guarantee for State spending on education. The Cost of Living Adjustment (COLA), based on a statutorily driven formula, is **1.07%**. The Governor expects to fund the COLA and maintain spending on the other ongoing programs for education, such as special education, universal meals, and transitional kindergarten. However, unlike the recent past, there are no bonus funds for super COLAs, one-time spending or new programs.

For Piedmont USD, the budget is impacted by the three-year settlements with employee groups, the reductions to staffing, and the increase in enrollment to ensure classes are near capacity. The District will meet the 3% reserve requirement, but will have no other funds available for unexpected or increased costs.

The Legislature is currently discussing final adjustments to the Governor's proposed budget. They are required by law to pass a budget by June 15 or risk a deduction in salary. Any substantial changes that come out of the final budget approved by the Governor will be brought back to the Board within 45 days. The budget is an estimate at one point in time and will be adjusted as new information becomes available.

II. BACKGROUND

Districts are required to adopt their budgets prior to June 30 of each year for the next fiscal year whether or not the State has adopted its Budget. This public hearing is conducted per Education Code 42103, 42127 and 52062 to provide an opportunity for the Board to review the District's 2024-25 budget, ask questions and receive input from the public. After the hearing, the budget, with adjustments based on the first reading, will be brought back for approval on June 26, 2024. Staff will submit all required documentation to the Alameda County Office of Education by the statutory deadline of July 1, 2024.

III. 2024-25 BUDGET INFORMATION

The budget documents presented for this Public Hearing 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. The priorities and action items identified in the Local Control Accountability Plan (LCAP) are incorporated into the budget, along with other priorities identified by the Board throughout the year. The budget reflects the tremendous support of the community by way of the Measure G and Measure H School Support Parcel Taxes; the Piedmont Educational Foundation contribution; 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 following summary and the accompanying graphs and tables provide a snapshot of the major components. The following documents accompany this memo as part of the draft budget:

- The 2023-24 Estimated Actuals and the 2024-25 Budget in State Accounting Code Software (SACS) format.
- One-page Budget Comparison for the General Fund 2023-24 Estimated Actuals and 2024-25 Budget
- One-page Multi-year Projections comparing 2024-25, 2025-26 and 2026-27
- General Fund Revenues graph & Expenditures graph
- Other Funds summary tables

Revenues: The State determines approximately 60% of the District's revenues. Unfortunately, the District must develop, and the Board must adopt, a budget before the final state budget is signed by the Governor. The budget will be adjusted over time as more information becomes available. The revenue projections that are included in this budget are based on the information available at the "May Revision". Key components of revenue projections are as follows:

- Local Control Funding Formula (LCFF) – the base amount per student will increase by **1.07%**. Thanks to a successful student enrollment campaign, the District will use the budget year average daily attendance (ADA) for the calculation rather than the average for the three prior years. This means that for every additional student, the District’s revenues will increase in 2024-25. There is no increase year over year, however, because the ADA is still **less than** the ADA used in 2023-24, as explained below.

The following table shows enrollment and ADA for the budget year and five prior years. The ADA in 2020-21 was assumed to be the same as pre-COVID. The three-year average for 2023-24 included that inflated ADA, resulting in ADA higher than enrollment. In 2024-25, the 3 prior year average no longer includes a COVID-era ADA. As a result, ADA is more closely tied to enrollment, and additional students can impact the budget year revenue.

School Year	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Enrollment	2,567	2,461	2,348	2,344	2,308	2,410
ADA	2,495.67	2,495.67	2,287.07	2,215.48	2,223.34	2,307.92
Prior 3 Year ADA			2,498.10	2,428.47	2,333.55	2,241.96
Funded ADA	ADA	ADA	Prior 3 Yr	Prior 3 Yr	Prior 3 Yr	ADA

- Federal Revenues – The District qualifies for a small amount of federal funds, **\$628,160**. The largest portion, **\$586,712**, is for special education. A minimal amount, **\$16,111**, is for students qualifying for federal assistance (Title I). And **\$25,337** is to promote excellence in teaching (Title II).
- Other State Revenues – Other State Revenues include lottery funds, the mandated costs grant and special education funding, totaling approximately **\$1.6 M**. State revenues also include **\$2.1M** as an entry for the State’s contribution to the teacher’s pension fund. While this is recorded in Other State Revenues, and a corresponding entry is recorded in Expenditures under Benefits, the District receives no cash and both revenues and expenditures are phantom entries.
- Parcel Tax Revenues – Measure G and Measure H were approved by voters in November 2019. The Measure G rate was approved to increase in 2024-25 by 2% to \$2,990.76 per parcel for a total revenue of **\$11.7 M**. The Measure H rate is \$0.25 per square foot of building improvements on each taxable parcel and will not increase, for an estimated total of **\$2.68 M**.
- Other Local Revenues – PEF. The Piedmont Education Foundation had a successful fundraising campaign this year and raised **\$3.480 M for the base grant**. In addition, they raised over \$300 K from the Spring Fling for additional support services at the elementary

schools. (The Spring Fling revenues are not recorded in the budget yet, as we wait the final amounts and what the funds will be spent on.)

- Other Local Revenues – All Others. This category includes revenue from parent club donations, grants, and the rental of district facilities and fields. The budgeted revenue of **\$1.3 M** only includes contributions that are ongoing or have been committed. The rental revenues are an estimate based on current year experience. Other revenues and their related expenses are recorded during the year as funds are received.

Expenditures: Ongoing costs of maintaining the District's educational program and facilities are the basis for expenditures in the Budget. Based on Board direction and community input during the Board Budget Workshops in January 2024, reductions were identified and are included. The District also held several Local Control Accountability Plan (LCAP) meetings, and the budget includes expenditures identified for year 1 actions in the LCAP. The major components of expenditures are as follows:

- Certificated Salaries: Certificated salaries reflect (1) the increase in salaries of **3%** in 2023-24 and **4%** in 2024-25; (2) staffing reductions based on the March 4, 2024, board resolution; (3) natural increases based on movements on the salary schedule for existing staff; and (4) increases in staff to accommodate a new TK and a new K class, and additional needs of the Special Education program.
- Classified Salaries: Classified salaries reflect (1) the increases in salaries of **2.5%** in 2023-24 and **4%** in 2024-25 [the additional **.5%** will be incorporated after board approval of the tentative agreement]; (2) staffing reductions based on the March 4, 2024, board resolution; (3) natural increases based on movements on the salary schedule for existing staff; and (4) increases in staff to accommodate additional needs of the Special Education program.
- Benefits: Benefits include the District's contribution to the STRS and PERS pensions, health care, worker's compensation, state unemployment, Medicare and social security taxes. Starting July 1, the District's contribution to medical benefits will increase to cover **100% of the high deductible plan** at all three plan levels, and from 82% to 92% of the other plan options. Due to the late timing of the agreement with APT, the benefit adjustments are not in the budget yet, but the funds are held in the fund balance and the adjustment will be incorporated by the first payroll in July.
- Books and Supplies: The budget includes anticipated expenses of **\$310 K** for textbooks, **\$285 K** for classroom supplies, **\$218 K** computer equipment, **\$286 K** for custodial and maintenance supplies and other regular purchases. As additional needs are identified during the year, and particularly when parent contributions are collected, this budget will grow.
- Services and Other Operating Expenditures: The largest components of this expense category are (1) special contracts for services that the District is not able to provide in-house, especially for special needs students, and (2) utilities and insurance costs.

- Transfer To & From Other Funds: The General Fund transfers **\$55 K** to Fund 14, the Deferred Maintenance Fund, from the routine restricted maintenance account to cover the cost of grass field maintenance. The Cafeteria Fund is anticipated to require a contribution of **\$100K** from the General Fund.

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 **\$3,851,400**. This balance includes the 3% reserve of **\$1,472,173** (3% is actually \$1,567,011, which is achieved by including the balance from Fund 17), set-asides to cover the costs of the final settlement with APT and health benefits for all employees that have not yet been incorporated into the budget, a restricted balance of **\$735 K**, and a revolving cash reserve of **\$44 K**, and a set-aside of **\$100 K** in case revenues do not come in as anticipated for the Cafeteria and Adult Education programs. The table below provides a breakdown of the funds held in the fund balance:

Ending Fund Balance	\$3,851,401
3% Reserve Requirement	1,472,173
Restricted + Rev Cash	778,725
Set-Aside for Fund 11 & Fund 13	100,000
Set-Aside for 23-24 Retro & 1X	962,077
Set-Aside for 24-25 Health	528,726
Remaining for next year	9,700

IV. MULTI-YEAR PROJECTIONS

The multi-year projections (MYP) are included with the budget to provide a picture of the revenue and expenditure trend for 2024-25, 2026-26, and 2026-27. The MYP is a model built on the 2024-25 budget, with adjustments for any known changes. Please refer to the attached Multi-year Projection Report. The following assumptions were used (NOTE: THE FIRST ROW IS REVISED FROM THE MEMO FOR THE PUBLIC HEARING AND THE SIXTH ROW (SALARY INCREASES) HAS BEEN ADDED):

Assumption	2024-25	2025-26	2026-27
Enrollment	2,410	2,363	2,322
ADA used for LCFF calculations	2,307.92	2,307.88	2,256.80
COLA for LCFF & State programs	1.07%	2.93%	3.08%
COLA for Measure G Parcel Tax	2%	2%	2%
Natural progression (Step & Column) in Employee Salaries	1.15% Cert. 1.00% Class	1.15% Cert. 1.00% Class	1.15% Cert. 1.00% Class

Salary Increases (per agreements, assuming no new parcel tax)	4%	3%	0%
STRS Rate	19.10%	19.10%	19.10%
PERS Rate	27.05%	27.60%	28.00%
1X and Retro Payments Still Due for 2023-24	\$962,077	+54,896	
Health Benefit Increases for 2024-25	\$528,726	+41,475	0

The budget reductions made by the Board were sufficient to ensure the commitments made to employees will be met through 2024-25. In 2025-26, further budget adjustments will be needed to meet existing obligations, including the 3% increase to salaries in 2025-26.

MULTIYEAR PROJECTIONS - 2024-25 Budget			
	2024-25	2025-26	2026-27
Beginning Balance	\$4,134,549	\$3,851,401	\$4,584,186
Total Revenues	51,942,053	53,021,355	53,544,332
Total Expenditures	-52,225,201	-53,688,570	-54,382,950
Add'l Budget Adjustments		1,400,000	1,400,000
Net Surplus (Deficit)	-283,148	732,785	561,382
Ending Fund Balance	\$3,851,401	\$4,584,186	\$5,145,568
Required Reserve (less \$100K)	1,472,173	1,568,657	1,589,488
Restricted or Committed Funds	878,725	818,725	568,725
Set-Aside for Settlement	1,490,803	2,140,761	2,790,720
Add'l Unassigned	9,700	56,043	196,635
TOTAL ENDING FUND BALANCE	3,851,401	4,584,186	5,145,568

V. 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. Detailed information is included in the full budget package. The table below provides a quick summary, followed by a brief description of each fund.

Fund #	Fund Name	Beginning Balance	Revenues	Expenditures	Ending Fund Balance
80	ASB	\$ 313,515	\$ 281,641	\$ 409,000	\$ 186,156
11	Adult Education	\$ (27,825)	\$ 623,670	\$ 581,367	\$ 14,478
13	Cafeteria	(17,733)	1,677,622	1,650,535	9,354
14	Deferred Maintenance	441,069	227,770	330,000	338,839
17	Special Reserve-Noda	107,276	1,500	8,500	100,276
35	State School Fac	5,752,258	50,000	2,955,298	2,846,960
40	Reserve-Cap Facilities	163,746	2,000	-	165,746
51	Bond Repayment	11,338,118	8,848,994	7,233,594	12,953,518
		\$ 18,070,424	\$ 11,713,197	\$ 13,168,294	\$ 16,615,327

ASB Fund – Fund 08

Although the Associated Student Body (ASB) programs at the two high schools and the middle school run their own fundraising and manage their own finances, the school accounting standards requires that the activities be recorded at the aggregate level in the District’s books. The final accounting happens when the books are closed. The ASBs do not provide a budget to the District.

Adult Education – Fund 11

The Adult Education Fund is used to account separately for state and local revenues for adult education programs. Money in this fund is to be expended for adult education purposes only. Piedmont USD’s Adult Ed program offers both State-funded courses such as Diploma Completion, and fee-based classes, such as Basic Thai Cooking. The sources of revenue are State funds through the Adult Education Block Grant, and local funds through fees and donations. The program is expected to be self-sufficient in 2024-25.

Cafeteria Fund – Fund 13

The District offers a free breakfast and lunch to every student through the Universal Meals program. The cost of the program is almost, but not completely, covered by reimbursements from the State. For 2024-25, the District expects that the General Fund may need to contribute \$100,000 to support the program.

Deferred Maintenance – Fund 14

The Deferred Maintenance fund allows the district to set-aside funds regularly to be used for facilities maintenance and repair. The District sets aside 3% of its General Fund budget every year in a Restricted Routine Maintenance Account (RRMA). Funds are transferred from the RRMA to the Deferred Maintenance fund for the expenses of maintaining the grass fields. Also, the funds from the CalSHAPE grant for air quality improvements will be deposited to this fund to pay for expenses related to the grant.

Special Reserve Fund – Fund 17

The Special Reserve Fund holds the Noda grant, which was donated to the District so that interest earnings from the funds could be granted to teachers and students for art projects. In 2024-25, the interest earnings will fund two teacher-submitted projects. The District also uses the Noda grant as a back-up reserve if needed that can be included in the calculation of the 3% required reserve.

State School Facilities Fund – Fund 35

The revenues in Fund 35 are from the State School Building Program as reimbursement for the STEAM and Theater buildings. Witter Field expenses and heating and ventilation (HVAC) improvements have been paid from these funds. Remaining funds will pay for the HVAC and roof projects that are underway for the summer of 2024 and to repay the loan to complete the theater.

Capital Facilities Fund – Fund 40

Funds other than State funds that are designated for capital projects are set-aside in the Capital Facilities Fund. Collections from facilities rentals that exceed operating expenses should also be deposited here to be used for facilities improvements.

Bond Repayment – Fund 51

Bond repayment is managed through Alameda County. Property tax rates are set every year at a rate sufficient to collect enough in tax revenues to cover the bond principal and interest due within the upcoming year. The District's taxpayers approved the Seismic Bonds in 2006 and Measure H1 in 2016.

VI. RECOMMENDATION

Approve the District General Fund budget for 2024-25 and all other budgets operated by the District.

Attachments