

PIEDMONT UNIFIED SCHOOL DISTRICT

M E M O R A N D U M

TO: Board of Education

FROM: Donald Evans, PhD, Interim Superintendent
Ruth Alahydoian, Chief Financial Officer
Cheryl Kaiser, Fiscal Services Manager

DATE: June 28, 2023

RE: ADOPT THE 2023-24 DISTRICT GENERAL FUND BUDGET AND ALL OTHER BUDGETS OPERATED BY THE DISTRICT

PURPOSE:

To review and approve the 2023-24 Budget for a second reading and formal adoption.

This version of the 2022-23 budget does not differ substantively from the draft budget presented at the first reading and public hearing on June 14, 2023. The information below is substantially the same as presented for the first reading. The only differences are to the beginning and ending fund balances for Fund 13, the Cafeteria Fund.

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. A public hearing was conducted on June 14, 2023, per Education Code 42103, 42127 and 52062 to provide an opportunity for the Board to review the District's 2023-24 budget, ask questions and receive input from the public. After the final review and adoption by the Board tonight, the budget and LCAP will be submitted to the Alameda County Office of Education by the statutory deadline of July 1, 2023.

SUMMARY:

Due to the extreme weather events of the winter of 2022-23, the State of California extended the tax collection deadline for many counties, resulting in lower tax revenues by April 2023, and significant uncertainty about the true financial picture for the State for 2023-24. Will the tax revenues appear by the October due date, or are the lower

revenues the true financial condition as the State enters into the new fiscal year? As a result of this uncertainty, the Governor has proposed to pull back revenues that were apportioned to school districts during the last budget cycle to support his spending proposals for the new fiscal year.

For Piedmont USD, the amount to be returned is \$805 K. The District has made the adjustments necessary to pay back those funds and meet the required 3% reserve in 2023-24. Classrooms were not impacted with adjustments, other than rightsizing for enrollment. However, there is no room in the budget for unexpected or increased costs.

Key elements of the \$50 million budget are:

(Please note: "M" is used as an abbreviation for million and "K" is used for thousand.)

- LCFF revenues are **\$1.0 M more** than the current year. The cost of living (COLA) of 8.22% is the statutory adjustment applied to the Local Control Funding Formula (LCFF). Enrollment is projected to be 2,330, with about 60 new inter-district transfers included in that estimate. The LCFF calculation is based on the prior three years of average daily attendance (ADA), however, which results in a higher ADA.
- The Governor proposes to pull back 50% of the arts and music discretionary one-time block grant and 30% of the Learning Recovery Grant, both appropriated in 2022-23. Because these funds were already included in the District's 2022-23 revenue, the equivalent amount, **\$805 K**, is held as committed and not usable in the fund balance.
- In addition to their base grant of **\$3 M**, the Piedmont Education Foundation (PEF) raised over **\$230 K** for elementary schools during their Spring Fling fundraising. These funds are included in the budget and allowed the district to bring back the additional counseling time and library aides during lunch.
- For 2023-24, **staffing adjustments** have been made, as much as possible, away from the classroom. The director of communications, a district technology specialist, and the health coordinators have been eliminated.
- The reduction, through attrition, of **teaching staff** is tied to declining enrollment, but may result in slightly higher class sizes as some classes have been unusually small in the past few years.
- The **Special Education Department** will grow in 2023-24, as a Counseling Enriched Classroom is established for elementary students and a Home Base classroom is added to the high school. The cost of the

additional classes is offset by the return of students who were previously served outside the District.

The Legislature passed the State budget as required by June 15 with significant changes from the Governor's May Revision. The final round of negotiations is expected to result in a final budget signed by the Governor by July 1. Any substantial changes that result 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.

2023-24 BUDGET DETAILS:

The District's budget serves 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 2022-23 Estimated Actuals and the 2023-24 Budget in State Accounting Code Software (SACS) format.
- One-page Budget Comparison for the General Fund 2022-23 Estimated Actuals and 2023-24 Budget
- One-page Multi-year Projections comparing 2023-24, 2024-25 and 2025-26
- General Fund Revenues graph & Expenditures graph
- Other Funds summary tables

Revenues: The State determines approximately 57% 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 (average daily attendance) will increase by 8.22%. In addition, the District will use the average of the three prior years for the ADA calculation. The net increase is **\$1.0 M** in ongoing funds.
- Federal Revenues – After two years of additional support for COVID, federal funds are expected to return to normal levels, **\$575 K**, primarily for special education programs. With a low percentage of students qualifying for federal assistance (less than 2%), the District is not eligible for most other sources of federal funding.
- Other State Revenues – Other State Revenues include lottery funds, the mandated costs grant and special education funding, totaling approximately **\$3.4 M**.
- Parcel Tax Revenues – Measure G and Measure H were approved by voters in November 2019. The Measure G rate is assumed to increase in 2023-24 by 2% to \$2,932 per parcel for a total of **\$11.5 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 **\$2.6 M**.
- Other Local Revenues – PEF. The Piedmont Education Foundation had a successful fundraising campaign this year and raised **\$3.0 M for the base grant**. In addition, they raised over **\$230 K** from the Spring Fling for additional support services at the elementary schools.
- 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 **\$895 K** only includes contributions that are ongoing and an estimate for rentals. 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 Local Control Accountability Plan (LCAP) meetings, the budget includes expenditures identified for year 3 of the LCAP. The major components of expenditures are as follows:

- Certificated Salaries: The net decrease of **\$645 K** in certificated salaries from 2022-23 is the result of (1) one-time bonus in 22-23 not included in 2023-24; (2) staffing reduced for rightsizing and grant funding adjustments; (3) natural increases based

on movements on the salary schedule for existing staff; (4) increase in staff to accommodate two new classes for SPED students returning to District, and (4) movement of DEI Director from certificated to classified.

- Classified Salaries: The net decrease of **\$775 K** in classified salaries is the result of (1) two bonuses in 22-23 not included 23-24; and (2) eliminating several classified positions (see May 10, 2023, board meeting).
- Benefits: The decrease in benefits of **\$203 K** is the result of the decreases in the certificated and classified salary costs. The STRS (pension) rate stayed stable, at 19.1% of certificated salaries, though the PERS rate and the District's worker's compensation rate increased slightly.
- Books and Supplies: The budget includes anticipated expenses for textbooks, classroom supplies, computer equipment, custodial supplies and other regular purchases. As additional needs are identified during the year, and particularly when parent contributions are collected, this budget will grow. The difference from 2022-23 to 2023-24 reflects this growth during the year tied to donations and unspent carry-over from the previous year.
- Services and Other Operating Expenditures: The largest components of this expense category are (1) utilities and insurance costs; and (2) special contracts for services that the District is not able to provide in-house, especially for special needs students. The reduction of **\$1.7 M** in this budget is due primarily to reduced out-placement costs and reduction of one-time expenses in 22-23 such as election costs, website development, etc.
- Transfer To & From Other Funds: The budget is to cover the cost of grass field maintenance from Fund 14, the Deferred Maintenance Fund. In 2022-23, the District repaid the loan for VRF work to the Cafeteria Fund and made an additional contribution to help with the start-up of the Universal Meals program. The PEF contribution toward the loan to complete the Performing Arts Center is was also paid through this account.

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 **\$2,934,553**. This balance includes the 3% reserve of **\$1,418,962** (3% is actually \$1,510,363, which is achieved by including the balance from Fund 17), a set-aside of **\$805 K** for the Governor's proposed recapture of funds that have already been allocated to the District, a restricted balance of **\$666 K**, and a revolving cash reserve of **\$44 K**.

MULTI-YEAR PROJECTIONS:

The multi-year projections (MYP) are included with the budget to provide a picture of the revenue and expenditure trend for 2023-24, 2024-25, and 2025-26. The MYP is a model built on the 2023-24 budget, with adjustments for any known changes. Please refer to the attached Multi-year Projection Report. The following assumptions were used:

Assumption	2023-24	2024-25	2025-26
Enrollment	2,330	2,283	2,189
ADA used for LCFF calculations	2,329.08	2,241.73	2,212.79
COLA for LCFF & State programs	8.22%	3.94%	3.29%
COLA for Measure G Parcel Tax	2%	2%	2%
Natural progression (Step & Column) in Employee Salaries	Actual	1.15% Cert. 1.00% Class	1.15% Cert. 1.00% Class
STRS Rate	19.10%	19.10%	19.10%
PERS Rate	26.68%	27.70%	28.30%
Additional Adjustments to be determined		(\$470,000)	(\$100,000)

The District will need to continue to consider budget adjustments for 2024-25 and beyond. Revenue increases are not keeping pace with cost increases and enrollment continues to decline. As part of strategic planning for the new LCAP, the District will need to consider priorities and trade-offs to ensure continued fiscal solvency.

OTHER FUNDS:

In addition to the General Fund, the District also maintains nine other funds to track restricted revenues and the associated expenses. Detailed information is included in the SACs format. 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	\$ 440,874	\$ -	\$ -	\$ 440,874
11	Adult Education	\$ (21,697)	\$ 606,294	\$ 641,323	\$ (56,726)
13	Cafeteria	178,952	1,525,113	1,637,757	66,308
14	Deferred Maintenance	91,629	60,500	55,000	97,129
17	Special Reserve-Noda	108,685	500	8,757	100,428
21	Building Fund	-	-	-	-
35	State School Fac	11,644,976	25,000	4,231,000	7,438,976
40	Reserve-Cap Facilities	212,134	3,000	59,500	155,634
51	Bond Repayment	10,593,097	7,772,380	6,564,180	11,801,297
		\$ 23,248,650	\$ 9,992,787	\$ 13,197,517	\$ 20,043,920

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 latest 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 fees generated from the local-based program have not met the costs of running the classes. The District will be increasing rates and setting minimum class sizes to ensure this program is self-sufficient. In the meantime, the balance is negative and the Fund relies on cash borrowed from the General Fund.

Cafeteria Fund – Fund 13

The District offers a free breakfast and lunch to every student through the Universal Meals program. 2022-23 was the first year in this program. For 2023-24, the District expects to expand offerings and sell snacks and additional items in addition to the free meals. The budget for the nutrition program is balanced, with the revenues expected to cover the expenses.

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 fields.

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 2023-24, the interest earnings will fund three 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 State Allocation Board (SAB) approved the District's STEAM and Theater projects for funding through the State School Facilities Program in April and May 2023. The revenues are recorded in Fund 35 and will be recognized in 2022-23. The funds will be used to reimburse the District for expenses already incurred, such as the loan for the completion of the Theater, and for the Witter field renovations. The budget for reimbursing prior projects has not yet been fully incorporated as the final approval was not until May 31.

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. Unfortunately, rental fees have not fully covered operating expenses over the past few years.

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.

RECOMMENDATION:

Approve the District General Fund budget for 2023-24 and all other budgets operated by the District.

Attachments