

PIEDMONT UNIFIED SCHOOL DISTRICT

M E M O R A N D U M

TO: Board of Education

FROM: Randall Booker, Superintendent
Ruth Alahydoian, Chief Financial Officer

DATE: September 25, 2019

RE: REVIEW AND APPROVE COMPLETE 2019-20 BUDGET PACKAGE IN STATE ACCOUNTING CODE (SACS) FORMAT AS SUBMITTED TO THE ALAMEDA COUNTY OFFICE OF EDUCATION (ACOE); REVIEW MULTIYEAR PROJECTIONS (MYP) THAT REFLECT PROPOSED 1% RAISE FOR APT; AND APPROVE AND ADOPT PLAN FOR BUDGET BALANCING IN 2020-21 AND 2021-22 IN LIGHT OF REVISED MYP.

I. SUMMARY

The Alameda County Office of Education (ACOE) is the oversight agency that must review and approve the District's budget. ACOE has conditionally approved Piedmont USD's 2019-20 Budget. Approval is contingent on the Board's re-approval of the budget documents and approval of a plan to address the budget cuts projected for 2020-21 and 2021-22.

II. BACKGROUND

On June 26, 2019, the Board adopted the 2019-20 Budget. In addition to the summary documents presented to the Board, the District is required to provide the full set of budget documents in the State Accounting Code (SACS) format. While the 2019-20 Budget and the summary level information was provided in SACS format, some of the required SACS documents were not included in the package.

Specifically, the "Criteria and Standards Review" which provides analytical data, and the "Technical Review Checks" which provides test results for technical accounting elements were not part of the Board package. To clear some of the technical checks, accounting entries had to be re-coded, which did not change the budget but required a reprinting of the SACS forms for some of the other funds (thus the dates after June 26 at the bottom of some forms). The ACOE has requested that the full package including these additional documents and reprinted forms be made available to the Board and re-approved.

In addition, the Multiyear Projections (MYP) incorporated the proposed 1% salary increase for APT as a one-time set-aside in 2019-20, but did not incorporate the increase in the 2020-21 and

2021-22 years. That is, the increase was only shown as a one-time rather than an on-going expense. The ACOE has asked us to revise the MYP to include a reserve that will be sufficient to pay the proposed 1% in all three years.

Lastly, once the 1% is shown as an on-going expense, the expenditure reductions necessary to maintain the 3% reserve will increase from \$335,000 in 2020-21 to **\$508,000** in 2020-21, and from \$370,000 to **\$543,000** in 2021-21. The ACOE has asked that the Board approve and adopt a plan that incorporates additional budget balancing solutions for these prospective cuts.

III. PLAN TO ADDRESS FUTURE BUDGET CONSTRAINTS

At the point in time that the budget was adopted – June 26, 2019 – the response to the District’s Inter-District Transfer Policy (IDT) was not yet known, the State’s final budget had not been signed by the Governor, and the financial results of the 2018-19 fiscal year were not yet complete. These unknowns resulted in the MYP reflecting declining enrollment and a diminished ending balance for 2018-19. The revised MYP provided for your review and approval reflects the June 26, 2019 point in time perspective and includes, in the ending balance for each year, a reserve that will cover a 1% salary increase for APT members in 2019-20 that is continued into 2020-21 and 2021-22. Based on the information available at that point in time, we anticipate a budget shortfall of **\$508,000** in 2020-21 and **\$543,000** in 2021-22.

ACOE has asked the Board to approve and adopt a Budget Balancing Plan to address these potential shortfalls. A Budget Balancing Plan (the Plan) should include revenue enhancement elements as well as possible budget reductions. The Board has already taken action on the revenue enhancement elements of the Plan:

(1) On June 12, 2019, the Board adopted an inter-district transfer (IDT) policy to maintain enrollment within current capacity throughout the district. As a result, the District has accepted 18 students for 2019-20 that are the direct result of the new policy. These new students represent an on-going revenue source that is **not** included in the revised MYP.

(2) On June 12, 2019, the Board approved two parcel tax measures for the November 2019 election. Measure G will renew the current parcel tax measure that expires in June of 2021. Measure H will provide additional funding (approximately \$2.6 million annually) to attract and retain high quality teachers and educational support staff.

Budget reductions may be necessary if the results of the revenue enhancement efforts are unsuccessful. The Board’s Plan, similar to the plan that was implemented for 2019-20, will need to consider possible reductions to staffing and programs. Specifically, if enrollment declines as projected in the MYP, rightsizing will be required to adjust to the reduced number of students. To achieve the expenditure reductions identified in the revised MYP, the District will need to reduce the equivalent of: **4.46 FTE certificated or 8.08 FTE classified, or a combination of the two**. This may be accomplished by reducing the number of classes offered and/or

increasing class sizes. Other possible expenditure reductions may include the reduction or elimination of programs that are not part of the core educational program of the District.

The results of the IDT will be incorporated into a revised budget and MYP in October. Enrollment projections will be developed for 2020-21 and staffing allocations will be brought to the administrative team in early November. If rightsizing is necessary, it will be incorporated into the MYP presented to the Board at the First Interim Report in December.

The results of the parcel tax measures will be known on November 6 and will be incorporated into the MYP in the First Interim report in December. If reductions are still necessary, the Administrative team will begin planning in November to provide options to the Board in December.

VII. RECOMMENDATION

Review attached SACS documents and revised MYP forms. Approve 2019-20 Budget as presented in the attached SACS documents. Review, approve and adopt recommended Plan, as outlined above, for budget adjustments in response to possible shortfalls in 2020-21 and 2021-21.

Attachments