

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
Denise Mandap, Fiscal Services Manager

PRESENTERS: Ruth Alahydoian, Chief Business Officer

DATE: December 11, 2024

RE: **REVIEW THE 2024-25 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 2024-25 provides an update of actual expenditures and revenues through October 31, 2024, 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), 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, 2024-25, through 2026-27 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 2024-25 First Interim Report. After approval by the Board, the report will be submitted to the Alameda County Office of Education (ACOE) by December 16, 2024.

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 26, 2024, revenues have been adjusted to reflect any changes in the calculations of the state apportionments and additions/increases from other funding sources. Budget updates have been provided to the Board on August 14, September 11, and October 9. The net increase in revenues since budget adoption is **\$1,508,275**, with the major adjustments as follows:

- **Local Control Funding Formula (LCFF):**
 - **\$671 K** - Census day enrollment and the resulting Average Daily Attendance that goes into the LCFF formula is 46 students higher than the original budget. Also, our attendance rate assumption of 96% is higher based on actual attendance last year.
- **State Funding:** Overall State funding increased by **\$112 K** and includes the following:
 - **\$33 K** - Lottery (unrestricted): increase in 2024-25 rate
 - **\$23 K** - Lottery (restricted): increase in 2024-25 rate
 - **\$56 K** - State grant to upgrade dishwashing machines at PMS and PHS
- **Local Funding:** total increase of **\$718 K** including:
 - **\$321 K** - Spring Fling funds
 - **\$213 K** - Additional PEF funds (final grant is higher than original commitment)
 - **\$81 K** - IC store collections in excess of original budget for secondary programs
 - **\$39 K** - Elementary Parent Club grants and field trip funds
 - **\$25 K** - Grant thru PEF for Professional Development
 - **\$20 K** - Piedmont Arts Fund grant for instrumental music
 - **\$12 K** - Fees collected for PSAT, Pre-ACT, AP tests
 - **\$7 K** - Misc grants and donations

Expenditures: Since budget adoption, expenditure budgets have been adjusted to reflect actual people in positions, the posting of carryover from the prior year, and the additional expenditures

tied to the additional donations and grants. The net increase in expenditure budgets since budget adoption is **\$2,049,149**. The major differences include:

- **Certificated Salaries: \$122K net decrease** due to hard-to-fill positions that have been moved to contracts while search for permanent staff continues.
- **Classified Salaries: \$167K net increase** due to vacation payouts for 2 retirees in July and additional paraeducators based on student needs.
- **Benefits: \$321K net increase** due to increase in District contribution to health benefits approved after the budget was developed. Funds were held in fund balance to cover this.
- **Books & Supplies: \$442K increase (net)**
 - **\$392 K** increase to expenditures due to posting of carryover from prior year
 - **\$218 K** for Spring Fling technology, playground and "decodables" purchases
 - **\$52 K** for specific programs from parent contributions & other grants
 - **\$116 K decrease** - moved to cover instructional materials under services (see below)
- **Services and Other Operating Expenditures: \$1.2 M increase**
 - **\$457 K** net increase in SpEd contracts for personnel
 - **\$292 K** increase in online subscriptions for instructional materials
 - **\$169 K** for specific programs from parent contributions & other grants
 - **\$125 K** for Spring Fling technology, playground and "decodables" purchases
 - **\$104 K** from prior year carryover (unspent funds)
 - **\$20 K** PAF grant for instrument repair
- **Capital Outlay \$74 K** increase due to carryover

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 **\$3,703,266**. Included in the balance is:

- **\$1,628,400** required 3% reserve
- **\$690,699** restricted balance - various resources
- **\$238,334** restricted - Proposition 28 from 2023-24
- **\$100,000 reserve** for Fund 11 (Adult Ed) & Fund 13 (Cafeteria)
- **\$44,000** Revolving Cash
- **\$1,001,833** Unappropriated

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

The First Interim Report includes a multi-year projection (MYP) that includes 2024-25, 2025-26, and 2026-27. The MYP is developed from the current year budget, with adjustments for any known changes, including elimination of current year one-time expenses from the subsequent year budgets. Assumptions are based on currently available information. The two assumptions that can have the largest impact on revenues are the Cost of Living Adjustment (COLA) that is applied to the LCFF per pupil amounts, and enrollment. The following two tables provide assumption variations, followed by the actual assumptions used in this MYP.

An increase of 0.5% in COLA for 2025-26 from the current estimate of 2.94% would generate an additional \$135,000 for the District, assuming enrollment stays at the current rate. However, the

Legislative Analyst's Office is estimating COLA to be 2.46%, and School Services of California is estimating an even lower 2.08%. If those estimates are more accurate, District revenues would see a reduction of up to \$230,000 per year from the current estimates.

Change in COLA	2025-26	2026-27
2.94% (Current assumption)	\$27,787,246	\$28,574,107
+0.5%	\$135,000	\$135,000
-0.46% (LAO Estimate)	-\$126,399	-\$131,323
-0.85% (SSC Estimate)	-\$229,183	-\$235,834

The MYP assumes that the District will maintain enrollment at the current enrollment of 2,456 students. To maintain that number, the District will need a net of 71 new students next year in grades 1-12, in addition to the incoming TK and K classes. The table below shows the funding with enrollment maintained at 2,456 compared to funding if the only new students are in the TK and K grades, and all other cohorts are held constant. The change would not be felt in 2025-26, but in 2026-27, when revenue would be \$675,000 less.

Change in Enrollment	2025-26	2026-27
+71 net new in 25-26	\$27,787,246	\$28,426,875
No net new students in 25-26	\$0	-\$675,832

The basic assumptions used in the MYP are as follows:

Assumption	2024-25	2025-26	2026-27
Enrollment	2,456	2,456	2,456
ADA used for LCFF calculations	2,367.16	2,355.60	2,343.71
COLA for LCFF per pupil funding	1.07%	2.93%	3.08%
COLA for other State funds	1.07%	2.93%	3.08%
COLA for Measure G Funds	2.00%	2.00%	2.00%
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	27.05%	27.40%	27.50%

Additional assumptions in the MYP are:

Assumption	2025-26
Certificated Employees	Increase salaries by 4.50%
	Add staff for CEC Class at PMS
	Eliminate Spring Fling funded add'l counseling FTEs
Classified Employees	Increase salaries by 4.50%
	Eliminate Spring Fling funded lunch/library paras.
Books and Supplies	Increase curriculum purchase for ELA adoptions
	Reduce expenditures that are the result of carryover from Prior Year.
Services & Other Operating	Increase on-line portion of curriculum purchases for ELA
	Reduce expenditures that are the result of carryover from PY.

The table below indicates that the District will be able to meet its current obligations for this year and the two subsequent years.

MULTIYEAR PROJECTIONS - 2024-25 First Interim			
	2024-25	2025-26	2026-27
Beginning Balance	\$ 4,527,289	\$ 3,703,266	\$ 3,737,829
Total Revenues	\$ 53,450,327	\$ 56,712,847	\$ 57,400,939
Total Expenditures	54,274,350	56,678,284	57,385,087
Net Surplus (Deficit)	(824,023)	34,563	15,853
Ending Fund Balance	\$ 3,703,266	\$ 3,737,829	\$ 3,753,681
Components of Ending Balance:			
Restricted Funds	\$ 973,033	\$ 973,033	\$ 973,033
Committed / not available	100,000	100,000	100,000
Required Reserve	1,628,400	1,700,349	1,721,553
Add'l Unassigned	1,001,833	964,447	959,096
Ending Fund Balance	\$ 3,703,266	\$ 3,737,829	\$ 3,753,681

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	\$ 279,946	\$ 301,713	\$ 439,811	\$ 141,848
11	Adult Education	\$ 33,679	\$ 627,277	\$ 564,302	\$ 96,654
13	Cafeteria	78,139	1,678,725	1,640,679	116,185
14	Deferred Maintenance	272,432	230,576	339,197	163,811
17	Special Reserve-Noda	109,068	2,605	8,500	103,173
35	State School Fac	5,765,998	119,249	2,955,298	2,929,949
40	Reserve-Cap Facilities	167,911	3,692	-	171,603
51	Bond Repayment	11,744,104	8,920,416	7,233,594	13,430,926
		\$ 18,451,277	\$ 11,884,253	\$ 13,181,381	\$ 17,154,149

RECOMMENDATION: APPROVE A POSITIVE CERTIFICATION OF THE 2024-25 FIRST INTERIM FINANCIAL REPORT AND AUTHORIZE REQUIRED BUDGET TRANSFERS

Upon review of the 2024-25 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 (Funds 8, 11, 13, 14, 17, 35, 40, and 51)