Pleasanton Unified School District

Fiscal Year 2024/25

First Interim Report
Presentation to Board of Trustees

December 12, 2024

Presentation Summary

Pleasanton
UNIFIED SCHOOL DISTRICT
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- Executive Summary
- First Interim Adjustments
- 2024/25 First Interim Revenues and Expenditures
- Key Budget Assumptions
- Multi-year Projections and Reductions
- Other Funds
- Conclusion / Next Steps
- Appendix

Executive Summary

- 2024/25 Projected Reserve is at 2.94% of total expenditures
- First Interim Budget meets **Qualified Certification** meaning it may not meet the required 3% reserve requirement for the current or two subsequent years.
- Budget reductions will be required in 2025/26 and 2026/27 to meet the required 3% reserve and return to a Positive Certification
- PUSD continues to be impacted by increasing cost, stagnant revenues and declining enrollment
- COLA for 2024/25 is 1.07%
  PUSD effective LCFF funding decreased by **-1.98%**
- COLA for 2025/26 has been estimated at 2.46%

PUSD Fiscal Challenges at a Glance

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Declining Enrollment

- Over $18M less due to declining enrollment

One-Time Pandemic Dollars

- Over $41M gone

Tapping into Reserves

- Due to Structural deficit we have used our savings to balance the budget

Low Funded LCFF District

- PUSD per student revenues ranks at the bottom of unified districts

Ongoing Costs

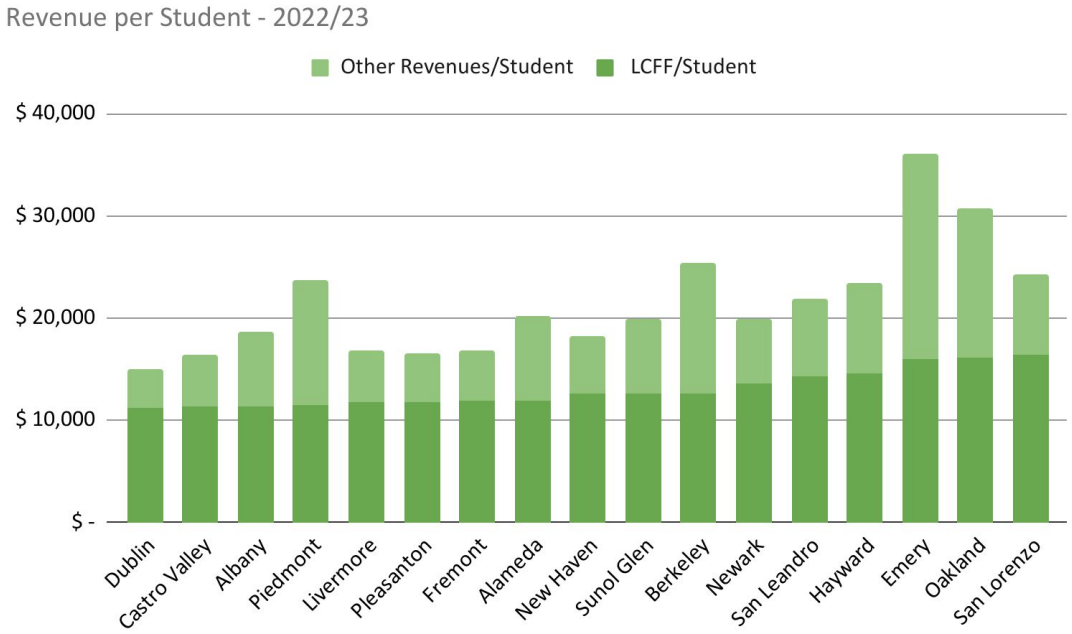
- Competition for staffing and Inflation

Expected Services

- Academic and Social-Emotional

Revenue Comparison 2022/23 Unified School Districts

- LCFF Revenue per student
  - **310** out of 345 Unified School Districts
  - PUSD: $11,750
  - Average: $15,585
  - Median: $14,228
- Total Revenue per student
  - **328** out of 345 Unified School Districts
  - PUSD: $16,618
  - Average: $24,214
  - Median: $22,191



Source: Ed-Data

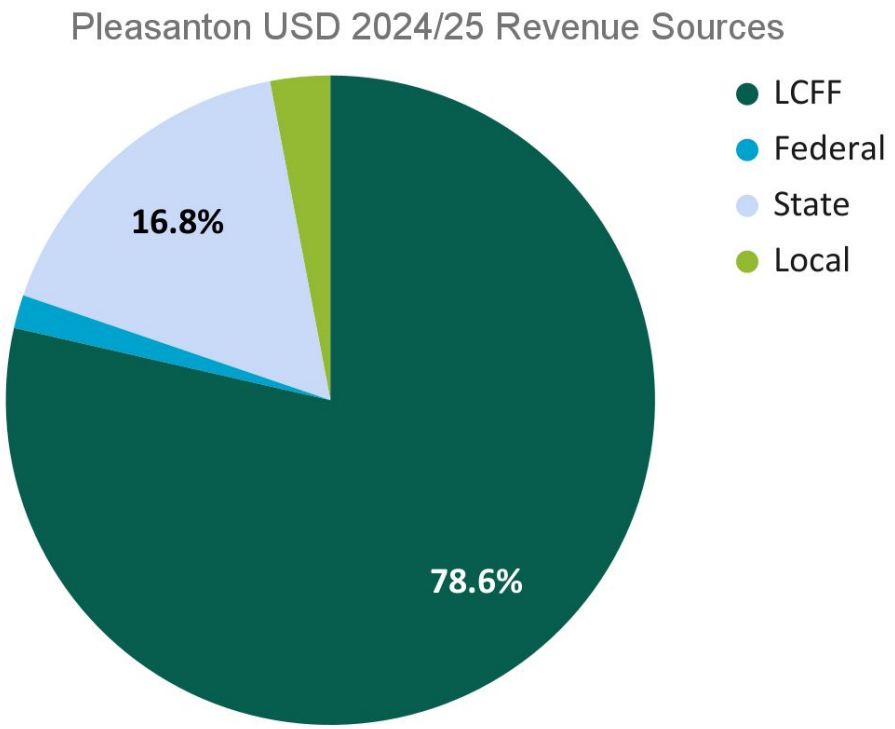
2024/25 First Interim Adjustments

- **$3.90M net increase in revenue**
  - $353K decrease in unrestricted revenues
    - $166K decrease in LCFF funding
    - $304K increase in other State funding
    - $491K decrease in other Local funding
  - $4.26M increase in restricted revenues
    - $22K Federal prior year revenues
    - $2.74M in Other State Revenues
      - $1.56M 2024/25 Prop 28 estimates
      - $250K new CTE grants
      - $177K increase in Lottery estimates
      - $72K Classified to Teacher Grant
    - $1.49M increase in local funding, mainly in donations

2024/25 First Interim Adjustments

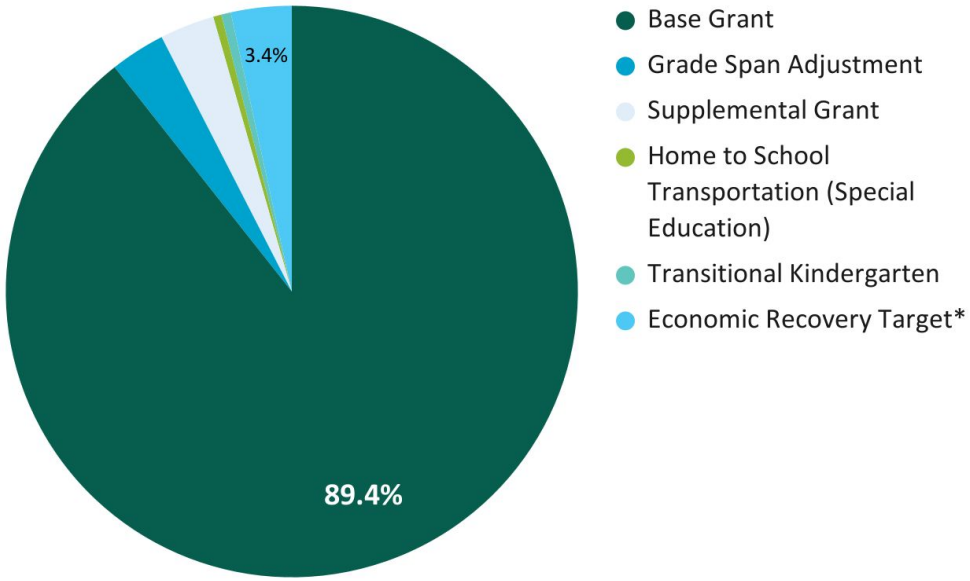
- **$2.18M net increase in expenditures**
  - $1.13M decrease in unrestricted expenditures
    - $630K decrease in salary and benefits costs
    - $515K decrease in Books & Supplies and Services & Operations
  - $3.31M increase in restricted expenditure increases
    - $2.09M net decrease in salaries and benefits mainly driven by vacant special education positions - funds have been moved to Services and Operations to cover contracted staff
    - $1.93M increase in Books and Supplies (Prop 28 and local donation expenditures)
    - $3.84M increase in Services and Operations (Contracted staff, Outdoor education, Classified Teacher Grant, and Medi-Cal Reimbursements-MAA)

2024/25 First Interim Revenues



- **Total Revenue: $208,731,227**
- **Restricted Revenue: $39,302,016 (18.7% of total revenue)**
- **District depends on State Funding (62.4% of LCFF from local property taxes)**
- **LCFF includes $5M in Supplemental Grants**
- **1.07% Cost of Living Adjustment in LCFF (Effective growth negative 1.98%)**
- **LCFF revenues based on 3 year ADA rolling average**

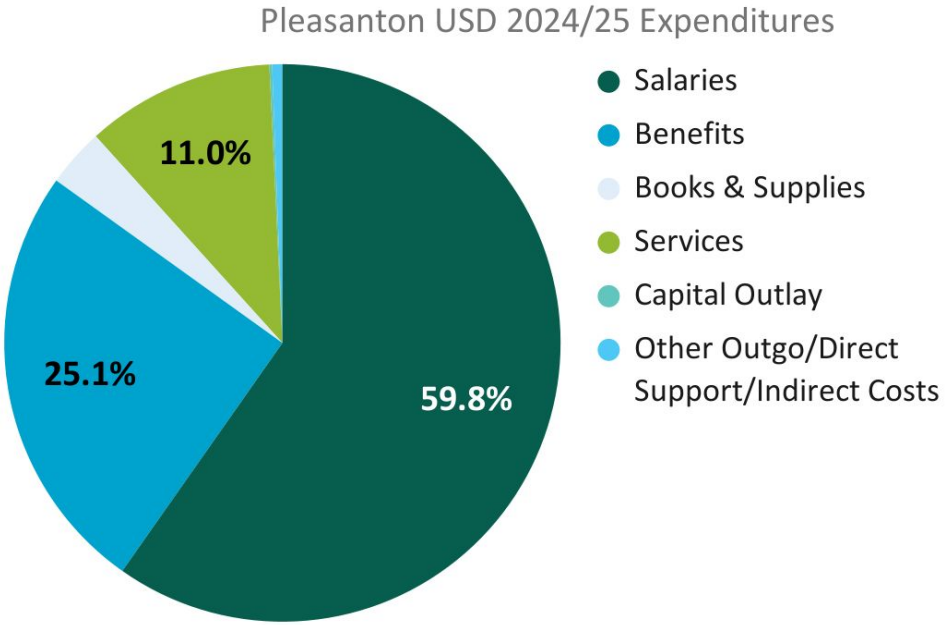
2024/25 LCFF Breakdown



PUSD LCFF for 2024/25	
Base Grant	$145,516,859
Grade Span Adjustment	$5,067,768
Supplemental Grant	$5,029,526
Home to School Transportation (Special Education)	$758,990
Transitional Kindergarten	$883,037
Economic Recovery Target*	$5,579,044
Total	**$162,835,224**

* No COLA

First Interim 2024/25 Expenditures



- **Total Expenditures: $215,454,516**
- **84.9% Expenditures on Salaries and Benefits**
- **Total Restricted Expenditures: $76,367,448**
- **Contributions to Restricted programs: $34,904,301**
  - **Special Education: $28.8M**
  - **Routine Restricted Maintenance (3% of Exp): $6.12M**
- **Projected Unrestricted Deficit Spending: $2.98M**

Local Control Funding Formula Factors

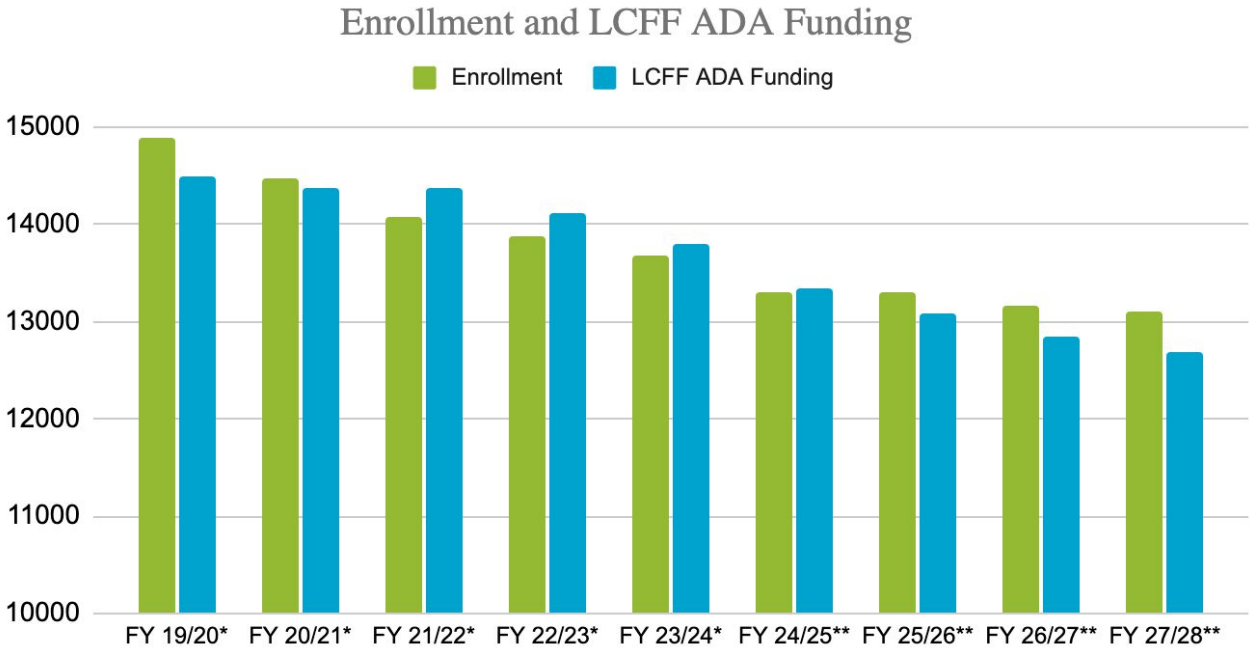
Local Control Funding Formula Assumptions 2024/25 - First Interim			
School Year	**FY 24/25**	**FY 25/26**	**FY 26/27**
Enrollment	13,300	13,300	13,160
LCFF ADA Funding	13,344	13,092	12,852
COLA	**1.07%**	**2.46%**	**3.10%**
Unduplicated as % Enrollment	16.70%	16.94%	16.95%
Grades TK-3 $/per Student	$10,025	$10,272	$10,590
Grades 4-6 $/per Student	$10,177	$10,427	$10,751
Grades 7-8 $/per Student	$10,478	$10,736	$11,069
Grades 9-12 $/per Student	$12,144	$12,443	$12,828
K-3 Grade Span Adj $/per Student	$1,043	$1,069	$1,102
9-12 Grade Span Adj $/per Student	$316	$324	$334
TK Add on $/Student	$3,077	$3,153	$3,250
TOTAL EST LCFF Funding - unrestricted	**$ 162,835,224**	**$ 164,591,233**	**$ 166,608,731**
Effective Growth/Decline in LCFF Funding	**-1.98%**	**1.08%**	**1.23%**

- District enrollment has **declined about 1580 students** from 2019/20 levels
- District LCFF revenues for 2024/25 are higher because of the 3 year rolling average and hold harmless on 2019/20 ADA levels
- Revised assumption of 2.46% COLA for 2024/25 down from Adopted Budget estimate of 2.93%
- Next Important Information Release: Governor January 2025 Budget

Additional Key Budget Assumptions - First Interim Updates

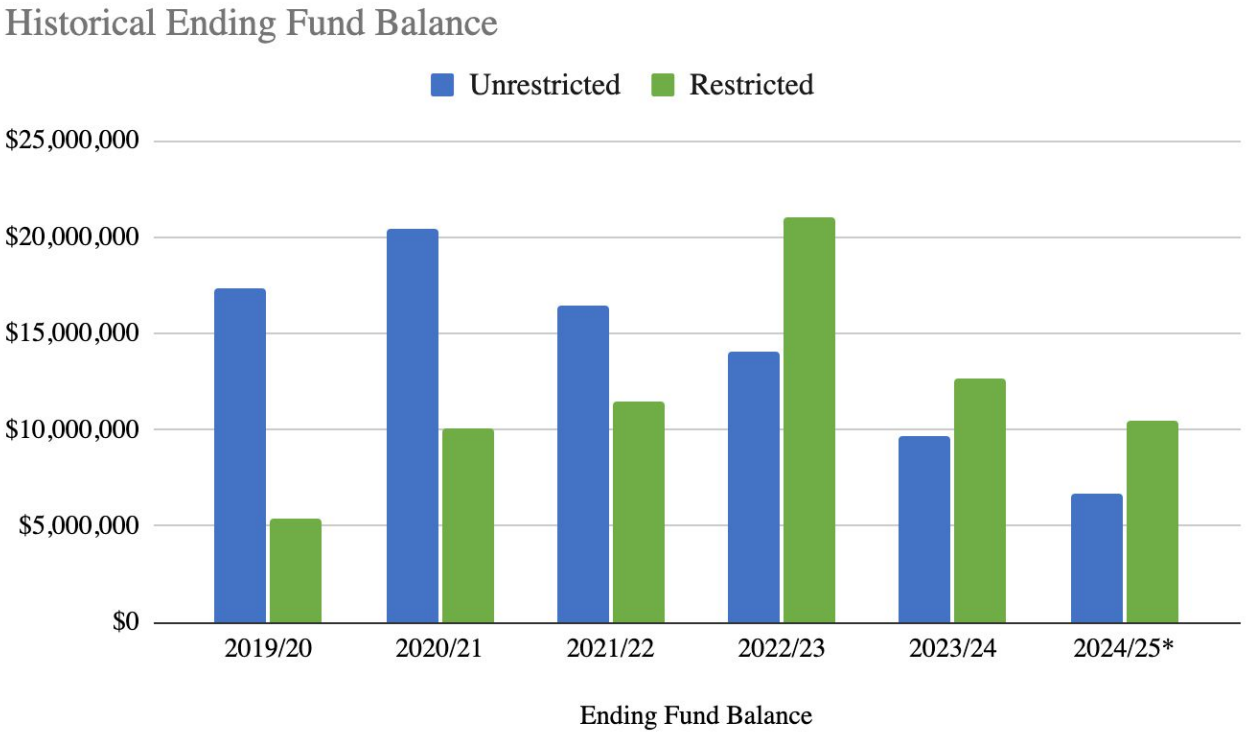
- Revised local revenue/transfer in
  - Increase in 2025/26 and 2026/27
- Reductions placeholders in 2025/26 and 2026/27 based on Board Resolution 2024-2025.08
- Increased TK Staffing for growth and lower staffing ratios in 2025/26
- Increased healthcare costs in 2025/26 as a result of increased usage
- 4% growth in unrestricted Services & Operating Costs in 25/26 and 26/27
- Flat growth in Books and Supplies
- No increased compensation placeholder in 2024/25, 2025/26, and 2026/27 other than salary schedule movements
  - Cost to increase compensation by 1% for all staff: ~ $1.6M

Enrollment and ADA Funding



- Decline of about 1,580 students since 2019/20
- Includes growth in TK
- Hold harmless years created inverted ADA Funding compared to actual ADA
- 3 year average ADA calculation softens the impact of enrollment loss
- Enrollment projections to be updated in January 2025

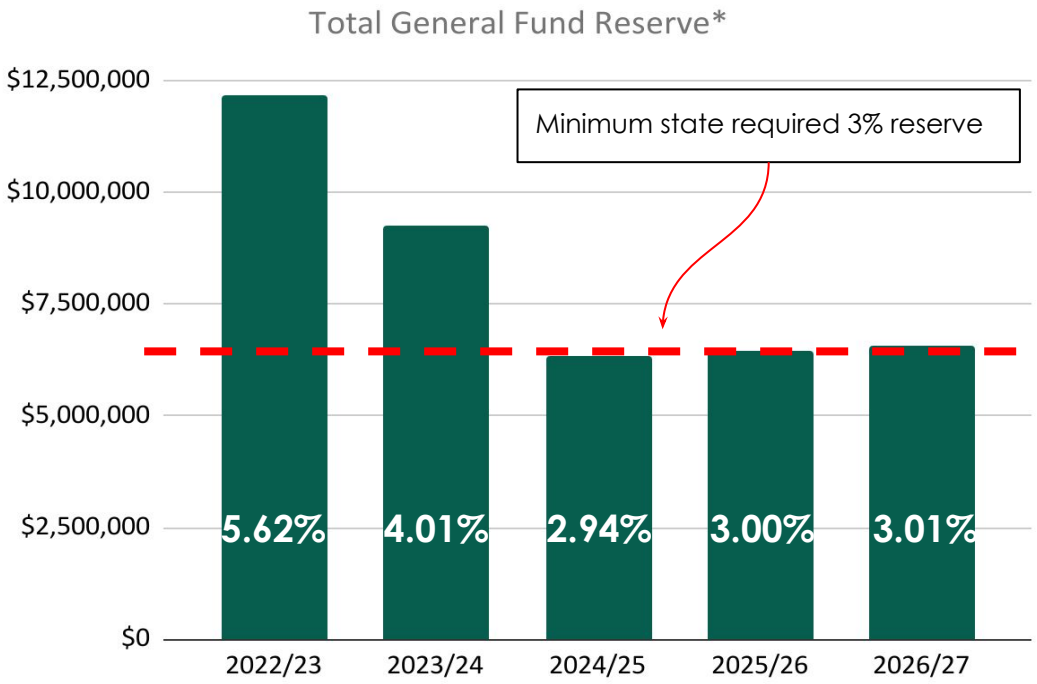
Historical Ending Fund Balance



Structural deficit has been eroding our unrestricted reserves.

One-time pandemic and grant funds increased our restricted reserves that are being spent down per allowable expenses.

Multi-Year Projections



* General Fund Reserve: Economic Uncertainty and Undesignated/Unapportioned adjusted

- District is running reserves at minimum levels
- Projected unrestricted deficit spending for 2024/25 is $2.98M
- Reserves allow the district to:
  - Weather downturns in the economy
  - Handle emergencies
  - Manage cashflow needs
- Reserves are one-time funds
- **Includes reduction of $5.56M in 2025/26**
- To increase reserve by 1% will require reductions and/or revenues of **$2.15M**

Restricted Ending Fund Balance

Restricted Programs	Projected Ending Fund Balance
Expanded Learning Opportunities Program	$275,871
Other Restricted Federal	$3,063
Early Education: UPK Planning and Implementation	$562,188
Educator Effectiveness, FY 2021-22	$68,238
Lottery: Instructional Materials	$632,079
Governor's CTE Initiative	$45,000
Special Education	$1,521,019
Special Ed: Infant Discretionary Funds	$2,401
Special Education Early Intervention Preschool Grant	$47,408
Arts and Music in Schools (Proposition 28)	$3,184,230
Child Nutrition: Food Service Staff Training Funds	$14,070
Dual Enrollment Opportunities	$134,400
A-G Access/Success Grant	$71,366
A-G Learning Loss Mitigation Grant	$61,761
Other Restricted State	$119,749
Ongoing & Major Maintenance Account (RMA)	$3,053,265
Other Restricted Local	$648,880
Total, Restricted Balance	**$10,444,988**

Over the past several years the State has expanded its restricted funding programs. While these funds are welcomed, they do require significant additional work, staffing, and programming effort. Funding is restricted and is required to be spent on allowable expenditures.

Multi-Year Budget Adjustments

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- **Revenue Adjustments**
  - 2024/25: Decreased local revenue from the CERBT Trust fund from $1.24M to $500,000
  - 2025/26: Increase local revenue by $500,000 from lease/rentals and decrease CERBT Trust fund to $250,000 for a net revenue of $750,000
  - 2026/27: Increase local revenues by $100,000 from lease/rentals
- **Reductions**
  - 2025/26: Ongoing reductions placeholder of $5,561,800
  - 2026/27: Ongoing reductions placeholder of $222,466
- **Transfer In**
  - 2025/26: Increase contribution from Fund 63 (Kids Club/STEAM) by $500,000 from $1.5M to $2.0M
  - 2026/27: Increase contribution from Fund 63 (Kids Club/STEAM) by $250,000 from $2.0M to $2.25M

Staffing - First Interim

Full Time Equivalent (FTE)

Fiscal Year	2023-24	2024-25
Classified*	475.2	472.3
Certificated*	781.3	753.3
Management Subtotal	84.53	74.53
Total	**1341.01**	**1300.2**

~ 40 FTE Reduction from 2023/24

* As of October 31, 2024, there are about 26.04 FTE vacancies in certificated, mainly in special education, that have been backfilled with contracted employees and about 40.41 FTE in classified positions, mainly in special education. The salaries budget has been adjusted to reflect vacancies filled by contracted staff.

Other Funds

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Pleasanton Unified School District
FY 2024/25 First Interim

Special Revenue Funds	Adult Ed Fund 11	Child Development Fund 12	Cafeteria Fund 13	Enterprise Fund 63
BEGINNING FUND BALANCE	**$ 891,173**	**$ 222,239**	**$ 7,017,739**	**$ 3,364,986**
Revenue	$ 6,693,569	$ 1,475,176	$ 7,123,684	$ 4,430,000
Expenditures	$ 6,758,378	$ 1,475,176	$ 7,221,272	$ 3,611,205
Revenue Over (under) Expenses	$ (64,809)	$ -	$ (97,588)	$ 818,795
Transfers In (Out)	$ -	$ -	$ -	$ (1,500,000)
ENDING FUND BALANCE	**$ 826,364**	**$ 222,239**	**$ 6,920,151**	**$ 2,683,781**

Capital Outlay Funds	Capital Sycamore Fund 41	Deferred Maintenance Fund 14	Measure I1 and I Fund 21	Capital Facilities Fund 25	County School Facilities Fund 35
BEGINNING FUND BALANCE	**$ 7,353,969**	**$ 16,904**	**$ 136,804,057**	**$ 2,290,999**	**$ 6,093**
Revenue	$ 120,000	$ 500	$ 880,000	$ 1,030,000	$ 10,000
Expenditures	$ 50,000	$ -	$ 70,773,781	$ 218,875	$ -
Revenue Over (under) Expenses	$ 70,000	$ 500	$ (69,893,781)	$ 811,125	$ 10,000
Transfers In (Out)	$ -	$ -	$ -	$ (30,000)	$ -
ENDING FUND BALANCE	**$ 7,423,969**	**$ 17,404**	**$ 66,910,276**	**$ 3,072,124**	**$ 16,093**

Special Reserve Funds	OPEB Fund 71	Capital Fund 40
BEGINNING FUND BALANCE	**$ 5,882,905**	**$ 2,635,970**
Revenue	$ 400,000	$ 1,049,894
Expenditures	$ -	$ 1,944,636
Revenue Over (under) Expenses	$ 400,000	$ (894,742)
Transfers In (Out)	$ -	$ -
ENDING FUND BALANCE	**$ 6,282,905**	**$ 1,741,228**

Conclusions/Next Steps

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- Efforts to reduce expenditures have made a positive impact on the District's fiscal position
- First Interim Budget is **Qualified** with estimated reserves at **2.94%**
- District must continue to move forward with additional reductions and/or revenues in 2025/26 and 2026/27
- Initial options to be presented to the Board in January 2025
- Initial Board Resolution to Reduce staff: February 13, 2025
- Final Board Resolution to Reduce Staff: May 8, 2025
- Staff will develop the 2025/26 Budget and present for approval in June 2025

Appendix: Budget Approval Process

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Education Code Section 42130 requires that school districts certify to the State the fiscal stability of the District. Districts must demonstrate they can meet their fiscal obligations for the current year and two years out. The reports must be presented to and approved by the District's Governing Board no later than 45 days after the close of the report period.

- 1st Interim, covers actual expenditures and actual revenues from July 1 through October 31, and updates projections for the balance of the year

- 2nd Interim, covers actual expenditures and actual revenues from July 1 through January 31, and updates projections for the balance of the year

The Certification of the District's financial condition may take one of three forms:

Positive Certification: The District will meet its financial obligations for the current fiscal year and subsequent two years.

Qualified Certification: The District may not meet its financial obligations for the current fiscal year or subsequent two years.

Negative Declaration: The District will not meet its financial obligations for the remainder of the fiscal year or for the subsequent fiscal years.

EC 42127

AB1200 created an early warning system to support the oversight.

School districts are required to create multi-year financial projections AND hold a *minimum* reserve for economic uncertainty.

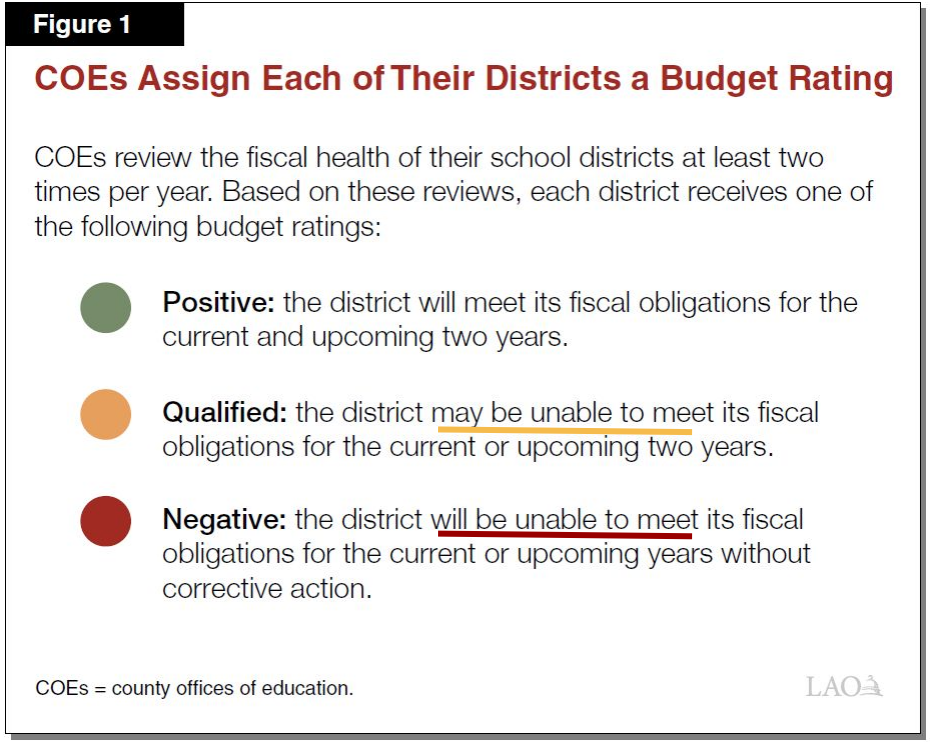


Figure 1

COEs Assign Each of Their Districts a Budget Rating

COEs review the fiscal health of their school districts at least two times per year. Based on these reviews, each district receives one of the following budget ratings:

- **Positive:** the district will meet its fiscal obligations for the current and upcoming two years.
- **Qualified:** the district may be unable to meet its fiscal obligations for the current or upcoming two years.
- **Negative:** the district will be unable to meet its fiscal obligations for the current or upcoming years without corrective action.

COEs = county offices of education.

LAO

County Tools to Assist Districts in Fiscal Distress

Here is a summary of some of the tools Counties have to assist districts in fiscal distress.

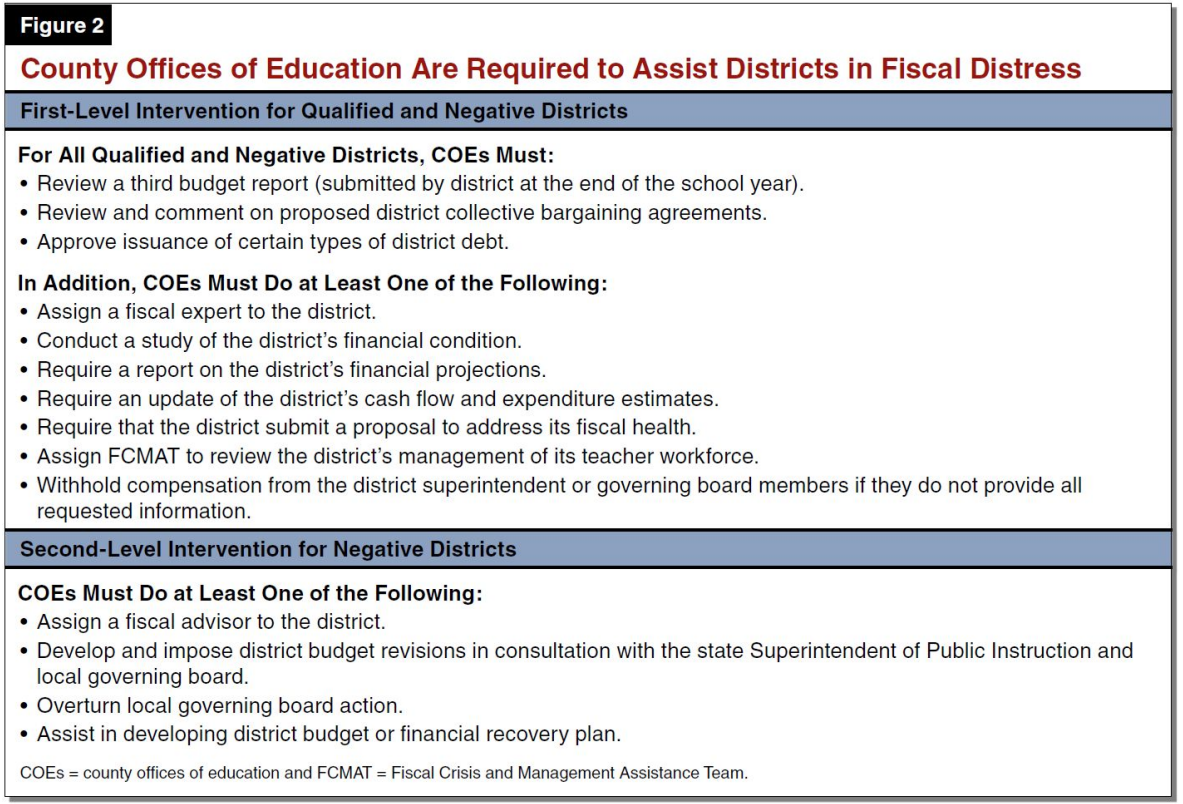


Figure 2

County Offices of Education Are Required to Assist Districts in Fiscal Distress

First-Level Intervention for Qualified and Negative Districts

For All Qualified and Negative Districts, COEs Must:

- Review a third budget report (submitted by district at the end of the school year).
- Review and comment on proposed district collective bargaining agreements.
- Approve issuance of certain types of district debt.

In Addition, COEs Must Do at Least One of the Following:

- Assign a fiscal expert to the district.
- Conduct a study of the district's financial condition.
- Require a report on the district's financial projections.
- Require an update of the district's cash flow and expenditure estimates.
- Require that the district submit a proposal to address its fiscal health.
- Assign FCMAT to review the district's management of its teacher workforce.
- Withhold compensation from the district superintendent or governing board members if they do not provide all requested information.

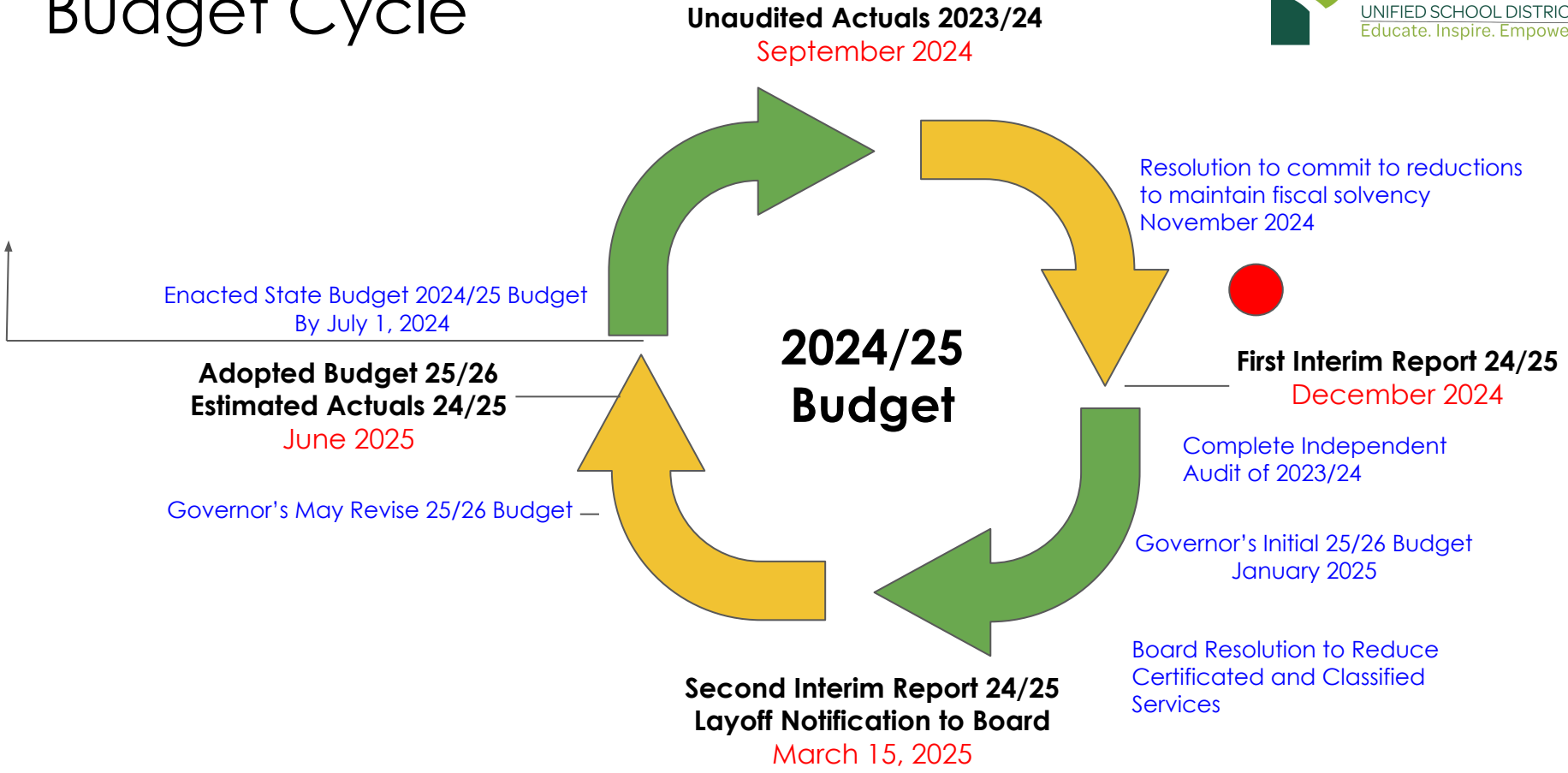
Second-Level Intervention for Negative Districts

COEs Must Do at Least One of the Following:

- Assign a fiscal advisor to the district.
- Develop and impose district budget revisions in consultation with the state Superintendent of Public Instruction and local governing board.
- Overturn local governing board action.
- Assist in developing district budget or financial recovery plan.

COEs = county offices of education and FCMAT = Fiscal Crisis and Management Assistance Team.

Budget Cycle



Appendix: District Funds

Fund	Description
01	General Fund
10	Special Education Pass Through
11	Adult Education
12	Child Development
13	Cafeteria (Food Service)
17	Special Reserve Fund for Other Than Capital Outlay Projects
63	Other Enterprise Fund (Preschool, and child care)

Fund	Description
14	Deferred Maintenance
21	Building (Bond Program)
25	Capital Facilities
35	County School Facilities
40	Special Reserve Fund for Capital Outlay Projects
51	Bond Interest & Redemption
71	Other Post Employment Benefits