

PIEDMONT UNIFIED SCHOOL DISTRICT

2018-19 1st INTERIM REPORT

Board of Education

12/12/2018

Budget Progress Updates

- o The following updates have been provided to the Board and community on the 2018-19 budget:

o June 27	Budget Adoption
o August 8	Update revenues based on Final State Budget
o September 12	Update beginning balances based on closing the books for 2017-18
o September 27	Budget Advisory Committee (BAC) – 2017-18 Closing & Budget Basics
o October 17	BAC - Revenues
o October 24	October Budget Update to Board
o November 8	BAC - Expenditures
o December 6	BAC - 2018-19 Budget Update & MYP
o December 12	1 st Period Interim

Required Reports

- o The District is required to adopt a budget and provide updates to the Alameda County Office of Education (ACOE) by:

- o July 1 Adopt a budget
- o **December 15** **1st Period Interim to ACOE**
- o March 15 2nd Period Interim to ACOE

Headlines

- o For 2018-19, the projection is that the District may not meet the requirement for a 3% reserve (unless we make adjustments between now and end of year).
- o The projections for 2019-20 and 2020-21 are dire. If the assumptions hold, the District will not be able to meet its financial obligations.
- o A plan must be developed for how deficit spending will be eliminated and the reserve met in subsequent years (future planning).

What Does Certification Mean?

- o Ed Code 42131 requires each school district to maintain 3% of it's General Fund Expenditures as a Reserve for Economic Uncertainty (REU). This is considered a financial obligation.
- o At the 1st and 2nd Interim Reporting Periods, the District must certify whether it's financial condition is:
 - o **Positive** – The District will meet it's financial obligations for the current and 2 subsequent years.
 - o **Qualified** – The District may not meet it's financial obligations for the current and 2 subsequent years.
 - o **Negative** – The District will not meet it's financial obligations for the current and 2 subsequent years.
- o If the District self-certifies as anything other than “Positive”, the ACOE will require the Board to provide a plan that will bring the budget back into balance by the 2nd Interim Reporting Period.

2018-19 Budget Progression

- The 2018-19 Budget was adopted in June 2018 and will be revised throughout the year.

Fund 1 - General Fund				
	Adopted Budget 6/27/18	October Update 10/24/18	1st Interim 12/12/18	Difference Oct. to 1 st Interim
Revenues				
LCFF	\$21,449,645	\$ 21,573,738	\$21,601,163	\$27,425
Parcel Tax	10,414,489	10,395,141	10,395,141	-
Other Local	3,992,547	4,012,017	3,880,588	(131,429)
Other State	2,847,097	2,441,178	2,680,413	239,235
All Other	1,803,746	1,977,149	1,948,056	(29,093)
Total Revenues	40,507,524	40,399,223	40,505,361	106,138
Expenditures				
Salaries & Benefits	35,146,784	35,106,184	35,019,913	(86,271)
Books & Supplies	1,343,122	1,712,067	1,612,941	(99,126)
Services/Other Oper.	4,056,804	4,672,943	4,786,884	113,941
Other	(95,000)	(95,000)	(95,000)	-
Total Expenditures	40,451,710	41,396,194	41,324,738	(71,456)
Net Surplus (Deficit)	55,814	(996,971)	(819,377)	177,594
Beginning Balance	1,467,125	2,038,836	2,038,836	-
Ending Balance	\$1,522,939	\$1,041,865	\$1,219,459	\$177,594

Summary of General Fund Results

- Revenues are currently projected to be **\$106,138 more** than the October estimate.
- Expenditures are currently projected to be **\$71,456 less** than the October estimate.
- As of the 1st Interim, the net difference is better than the October estimate, however the fund balance is still projected to **decrease by \$819,377**.
- As of the 1st Interim, the Ending Fund Balance is **\$1,219,459**, which is less than the required 3% reserve. It is 2.89%.

2018-19 General Fund Budget Progression - Revenues

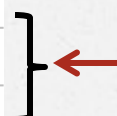
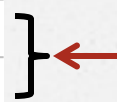
- o The major differences in **revenues** since October are:
 - o Reduced budgeted revenues from Piedmont Store to better align with amount received last year and received to date.
 - o Change in the STRS On-behalf calculation.

Fund 1 - General Fund				
Revenues	Adopted Budget 6/27/18	October Update 10/24/18	1st Interim 12/12/18	Difference Oct to 1 st Interim
LCFF	\$21,449,645	\$ 21,573,738	\$21,601,163	\$ 27,425
Parcel Tax	10,414,489	10,395,141	10,395,141	-
Other Local	3,992,547	4,012,017	3,880,588	(131,429) ←
Other State	1,809,202	1,403,283	1,394,981	(8,302)
Other State - STRS On-behalf	1,037,895	1,037,895	1,285,432	247,537 ←
Transfers from SELPA	1,142,774	1,142,774	1,123,627	(19,147)
Federal	660,972	640,563	628,772	(11,791)
Transfer from Parcel Tax Reserve	-	193,812	195,657	1,845
Total Revenues	\$ 40,507,524	\$40,399,223	\$40,505,361	\$ 106,138

2018-19 General Fund Budget Progression - Expenditures

- o The major differences in expenditures were:
 - o Certificated & Classified Salaries & Benefits were adjusted to reflect the actual people in positions.
 - o Classified Salaries were increased by \$1,317 per FTE per the contract agreement.
 - o Budgets were shifted between Books & Supplies and Contracts.

Fund 1 - General Fund				
Expenditures	Adopted Budget 6/27/18	October Update 10/24/18	1st Interim 12/12/18	Difference Oct to 1 st Interim
Certificated Salaries	\$ 18,365,758	\$ 18,355,820	\$18,204,514	\$ (151,306)
Classified Salaries	5,814,371	5,797,965	5,939,925	141,960
Benefits	9,928,760	9,914,504	9,590,042	(324,462)
STRS On-Behalf	1,037,895	1,037,895	1,285,432	247,537
Books & Supplies	1,343,122	1,712,067	1,612,941	(99,126)
Services/Other Oper.	4,056,804	4,672,943	4,786,884	113,941
Internal Transfers	(95,000)	(95,000)	(95,000)	-
Total Expenditures	\$40,451,710	\$41,396,194	\$41,324,738	\$ (71,456)



Net Change to Fund Balance

	Adopted Budget 6/27/18	Oct. Update 10/24/18	1 st Interim 12/12/18	Difference Oct. to 1 st Interim
Beginning Fund Balance	\$1,467,125	\$2,038,836	\$2,038,836	\$0
Revenues	40,507,524	40,399,223	40,505,361	106,138
Expenditures	<u>40,451,710</u>	<u>41,396,194</u>	<u>41,324,738</u>	<u>(71,456)</u>
Ending Fund Balance	\$1,522,939	\$1,041,865	\$1,219,459	\$177,594
3% Reserve Rqmt.	\$1,213,551	\$1,241,886	\$1,239,742	(2,144)
Above (Below) Reserve	284,388	(225,021)	(45,283)	179,738

Budget Per Pupil

- One way to look at revenues and expenditures is on a per pupil basis.
- Piedmont has 2,601 students enrolled as of October 3, 2018 (Census Day). For this table, Average Daily Attendance (ADA) is used, at 2551.9.
- The State-wide average is from Ed-Data and is from 2016-17 data from unified school districts.

Fund 1 - General Fund			
	1st Interim	Per Pupil	State Avg
Revenues			
LCFF	\$21,601,163	\$8,465	\$9,483
Other State	2,680,413	1,050	1,408
Parcel Tax/Other Local	15,595,013	6,111	618
Federal	628,772	246	719
Total Revenues	\$40,505,361	\$15,873	\$12,229
Expenditures			
Certificated Salaries	\$18,204,514	\$7,134	\$5,227
Classified Salaries	5,939,925	2,328	1,780
Employee Benefits	10,875,474	4,262	2,816
Books & Supplies	1,612,941	632	559
Services/Other Oper.	4,786,884	1,876	1,268
Other	(95,000)		
Total Expenditures	\$ 41,324,738	\$16,194	\$11,942
Net Surplus (Deficit)	(819,377)		
Beginning Balance	2,038,836		
Ending Balance	\$ 1,219,459		

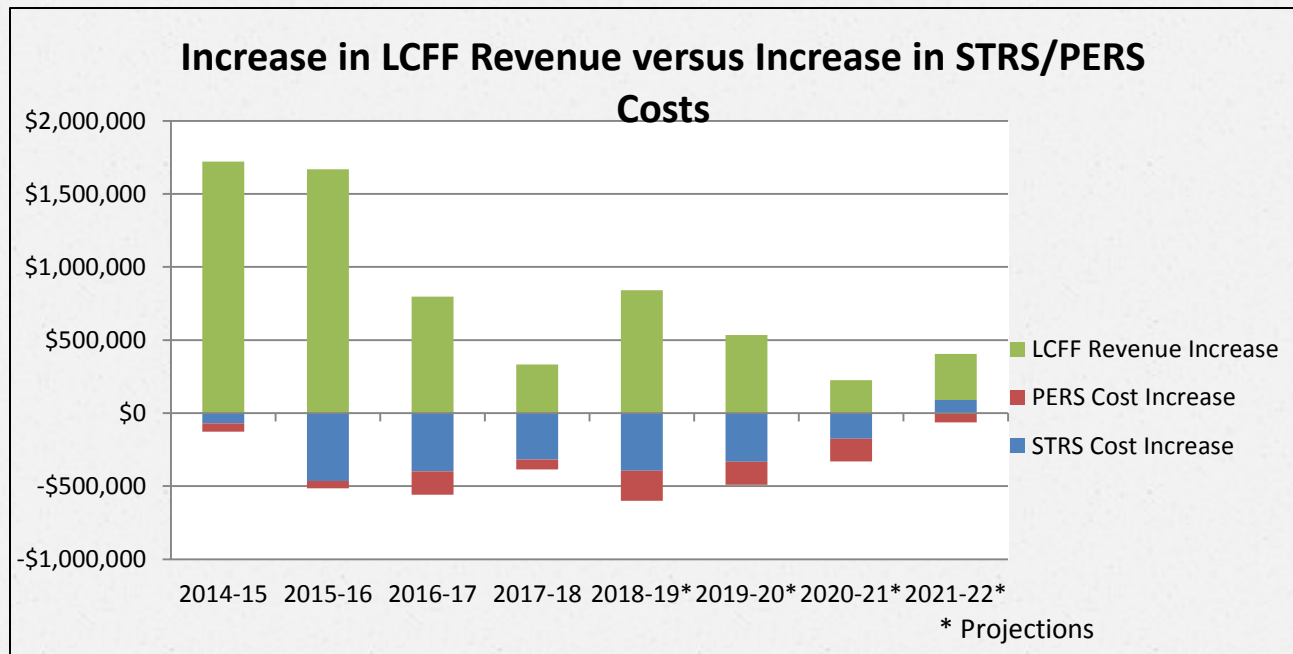
General Fund - Multiyear

- o The District's expenditures have been growing at a faster pace than revenues, especially with declining enrollment.
- o A driving factor has been increases in pension obligations (STRS & PERS).
- o As a result, the fund balance has been shrinking and the District will be underwater next year if nothing changes.
- o The following assumptions were used in the MYP:

Assumption	2018-19	2019-20	2020-21
Enrollment	2,601	2,544	2,506
Cost of Living Increase (COLA) for LCFF revenue (per pupil funding)	3.74%	2.57%	2.67%
COLA for increase in other State revenues and various costs	2.71%	2.57%	2.67%
Natural progression (Step & Column) in Employee Salaries	1.50%	1.50%	1.50%
STRS Rate	16.28%	18.13%	19.10%
PERS Rate	18.06%	20.80%	23.50%

Increase in LCFF Revenues versus Increase in STRS & PERS Costs

- The increase in base LCFF funding may not generate enough additional revenues to cover the increase in STRS & PERS payments.



General Fund - Multiyear

MULTIYEAR PROJECTIONS			
	2018-19	2019-20	2020-21
Total Revenues	\$40,505,361	40,500,436	40,888,164
Total Expenditures	41,324,738	42,338,722	43,301,693
Net Surplus (Deficit)	(819,377)	(1,838,286)	(2,413,529)
Beginning Balance	2,038,836	1,219,459	(618,827)
Ending Fund Balance	\$ 1,219,459	(618,827)	(3,032,356)
<i>Required Reserve</i>	1,239,742	1,270,162	1,299,051
Other Reserved Amts	25,000	25,000	25,000
Over / Under	(45,283)	(1,913,989)	(4,356,407)

Enrollment Projections

- Using 2018 Census Day Enrollment and projecting each class forward, the District is expected to decline by 93 students in 2 years.

Grades	2018-19	2019-20	2020-21
TK-5	1,014	976	957
6-8	651	630	586
9-12	<u>856</u>	<u>859</u>	<u>885</u>
	2,521	2,465	2,428
Cumulative Loss		56	93
MHS	66	66	66

Adjusting to Enrollment

- o Staffing will need to adjust to fewer students.
- o Using current staffing ratios, 93 fewer students over 2 years will require a reduction in FTE.
- o For budgeting purposes, the average cost per FTE (salary & benefits) are approximately:
 - o 1 FTE certificated = \$114,000
 - o 1 FTE classified = \$63,000
- o E.g., rightsizing by 6 FTE certificated could save approximately \$684,000.

Other Funds

- o No significant changes to budgets in the other funds (details are in board package) except:
 - o Fund 14 – Deferred Maintenance – additional expenditures of \$50,000 added to budget due to elevator and heater replacements.
 - o Fund 17 – Special Reserve (Parcel Tax) – transfer of \$195,657 to General Fund to fund deficit.
- o Budget details for Adult Ed (Fund 11), Cafeteria (Fund 13), Facilities (Fund 21, 35, 40), and Self Insurance (Fund 67) are in the Board package.

Planning Ahead

o Increase Revenues

- Enrollment
- Parcel Tax
- Lobby Governor/State legislators for education funding

o Decrease Expenditures

- Increase class sizes
- Reduce coaching positions
- Reduce administrator footprint
- Program reduction
- Decrease classroom supports
 - Reduce budget for materials and supplies
 - Postpone textbook adoptions
 - Reduce instructional aide positions

Next Steps

- December: BAC Review
 Admin Team Review
 *Board Action on First Interim
- January: Governor's Budget released 1/10 & MYP Updated
 * Board review of how Gov's Budget will affect PUSD
 Supt. meetings with school staff, parents clubs, PEF
 BAC Meeting
- February: Options developed & reviewed by administration
 * Options presented & discussed with Board
- March: * Board takes action on reductions for 2019-20 that involve
 positions
 If required, March 15 notices mailed
- * Board Action or Review

Acknowledgments

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