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: October 13, 2021

RE: **REVIEW THE 2021-22 BUDGET AND MULTIYEAR PROJECTIONS BASED ON INFORMATION AVAILABLE, INCLUDING CENSUS DAY ENROLLMENT AND ACTUAL EMPLOYEE COSTS**

I. SUMMARY

Updated information on enrollment and personnel is incorporated into a budget update for the Board as of October 8, 2021. When the Board adopted the 2021-22 Budget, it also adopted a resolution recognizing that the next two fiscal years would require significant budget adjustments. The resolution committed the Board to review the multiyear projections (MYP) regularly throughout the year. This October budget update provides an updated MYP based on the current information.

- The most significant change in the current year budget is the reduction in salaries and benefits based on actual employee costs. Replacing experienced retirees with new employees resulted in $417K in savings to salaries and benefits.
- The most significant change in the MYP is the reduced LCFF funding due to the enrollment information. The District currently has 145 fewer students than last year, which is 47 fewer than projected. While this does not impact funding this year, it continues to create a financial challenge in the years ahead.

II. 2021-22 BUDGET – GENERAL FUND COMPARISON (See attached table)

In June 2021, the Board approved a budget for 2021-22 that reflected the District's best estimate of the revenues and expenses for 2021-22 at that time. In August, a revised budget was shared that incorporated the final State budget changes. In September, the 2020-21 fiscal books were closed and the net difference between the estimated totals and the actuals was presented. Now, with more complete information about those remaining funds and enrollment, another update is provided.

The accompanying Budget Comparison table identifies the major changes from the original budget in the far right column. Some of these adjustments were already shared with the Board on August 11 and September 14.

Revenues:

- ***Unspent grants from 2020-21***: The Expanded Learning Opportunity (ELO) Grant and In-Person Instruction (IPI) Grant were initially included as revenue in the 2020-21 Budget. Revenue that was not fully spent in 2020-21 was backed out of revenue when we closed the books and has been added back as revenue. The ELO grant is **$679K** under **Federal** and the IPI grant is **$614K** under **State.** The expenses associated with these revenues have also been added to expenditures.
- ***Additional State revenues***: As was mentioned in August, the final State budget included additional ***categorical*** programs totaling **$197K**, plus an increase in the lottery funds of **$76K** that have been added to State Revenues. The categorical programs have not been incorporated into the budget yet and as a result, the revenues fall into the Restricted Fund Balance.
- ***Parcel Tax Adjustment***: The budgeted revenues for the Measure H parcel tax were adjusted by **$132K** to reflect the full collection of the tax, per the County's Teeter Plan.
- ***Other Local Revenues:*** The Piedmont Makers Grant for 2021-22 has been added for **$210K** for the remaining purchases for the Makers Lab and for the lab manager position. The expenses have not been incorporated into budget, so the revenue falls to the Restricted Fund Balance. Parent and student contributions through the IC Store and direct donations are about **$110K** over estimates. Some of these contributions are for specific uses, such as playground surfacing, etc.

Expenditures:

- ***Salaries & Benefits:*** Among certificated staff, the 19 new hires came in at a lower cost than the more experienced retirees that they replace. As a result, the salaries and benefits associated with those positions are less than budgeted. For classified salaries, any savings from vacancies and retirements are offset by added positions due to ELO funding. Also included in the reduction to benefits is the **$192K** savings to the State Unemployment Insurance rate. Overall, the expected savings is approximately **$619K.**
- ***Books & Supplies - Carryover:*** The unspent funds from last year from parents' clubs and other sources was "carried over" into this year's budgets once the books were closed. This resulted in an increase of **$531K** in the books and supplies budgets.
- ***Capital Outlay:*** Several capital projects were incorporated into the budget as revenues were identified to cover the costs:
    - New play-surfaces were installed at the elementaries over the summer for a total cost of **$112K.** The cost was split between funds designated in the 2020-21 ending fund balance and contributions from parents' clubs.
    - New VRF (air conditioning) systems were installed at Beach over the summer for a total cost of **$610K**. The cost was split between funds designated in the 2020-21 ending fund balance and a portion of the IPI grant.
    - A heating and air conditioning (HVAC) system will be replaced over the winter break at PMS for **$107K**. Funds were designated in the 2020-21 ending fund balance.
    - Wi-Fi infrastructure that is at the end of it's useful life will be replaced throughout the District for **$180K** to be paid from the IPI grant.

<u>Ending Fund Balance</u>: The Ending Fund Balance represents what is left unspent at the end of the year. At a minimum, the District must maintain 3% of expenditures as a reserve. In addition, restricted funds that have not yet been spent, a small revolving cash amount, and any other designated funds are held in the fund balance until expended. At the end of 2020-21, the District ended the year with an ending fund balance of $4.7M, most of which was designated, but a portion of which is available for future expenditures. The undesignated portion is approximately **$948K** (for details, see the Sept. 14 board item on the Unaudited Actuals).

III. ENROLLMENT

Census day for school districts is the first Wednesday in October. The enrollment numbers on that day are considered the official count for the school year, even though students come in and out of the District throughout the year. As of October 6, 2021, the District's total enrollment is 2,348. This is 145 fewer than 2020-21, and 47 less than our estimate for 2021-22.

IV. MULTIYEAR PROJECTIONS (MYP)

The MYP also have been updated to provide an understanding of how the current enrollment, revenue, and expenditure patterns will play out over the next two years. The most significant new information at this time is the reduced enrollment. When the budget was adopted in June, the MYP showed a gap of $1.4 million in 2022-23 and in 2023-24, based on the assumptions made at that time. As the assumptions change based on new information, the gap is adjusted. Based on the October Budget Update, the gap can be addressed in 2023-24, but remains at $1.1M in 2023-24

In the MYP attachment, the following adjustments have been incorporated:

- The increase in lottery funds and savings from salary adjustments are ongoing improvements that reduce the gap.
- Local Control Funding Formula (LCFF) revenues are reduced based on the enrollment trend this year. With 47 fewer students than expected this year, the impact on 2022-23 is **$560K less** in LCFF funding in 2022-23 and **$415K less** in 2023-24
- The one-time funds for ELO, IPI and other State categoricals (see Revenues above) are eliminated in 2022-23. The associated expenses are also eliminated.
- Measure H funds that have not yet been negotiated are shown in the Components of the Ending Fund Balance.

The impact on the $1.4 gap can be summarized as follows:

		2021-22	2022-23	2023-24
	Original GAP based on 6/23/21 Budget		**-1,400,000**	**-1,400,000**
	Measure H Rev Adj	*131,966*	*131,966*	*131,966*
45 Day Rev	State Unemployment Ins Adj	192,000		
	Lottery Revenue Adjust	75,600	73,765	73,028
UA	Undesignated Balance	948,205		
Oct Update	Enrollment Proj LCFF Adjust		-570,000	-415,000
	Salary & Benefit Adjust	427,000	427,000	427,000
	Total Adjustments (excl Meas H)	**1,642,805**	-69,235	85,028
	Balance Avail (from Prior Year)	0	1,642,805	173,570
	Remaining Gap (if negative)	1,642,805	173,570	**-1,141,402**

IV. RECOMMENDATION:

Review the 2021-22 General Fund Working Budget and Multi-Year Projections. This is an information item only.