

Pleasanton Unified School District

Fiscal Year 2023-24

Second Interim Report
Presentation to Board of Trustees

March 14, 2024

Presentation Summary

- Executive Summary
- Second Interim Adjustments
- 2023/24 Second Interim Revenues and Expenditures
- Key Budget Assumptions
- Multi-year Projections
- Other Funds
- Conclusion / Next Steps
- Appendix

Executive Summary

- Second Interim Report meets the requirements of Positive Certification
- 2023/24 Projected Reserves are at 3.94% of total expenditures
- 2023/24 Unrestricted Operating **Deficit** projected at \$3.69M
- Increased costs as a result of projected salary and benefit increases and contribution to Special Education
- Revenue decrease for 2024/25 due to lower projected Cost of Living Adjustment (COLA) at 0.76%
- State revenue continue to be lower than projections - LAO is now recommending a 0% COLA for 2024/25
- Grant funds have been reallocated to allowable expenditures
- 2024/25 Budget includes planned right sizing and reductions

2023/24 Second Interim Adjustments

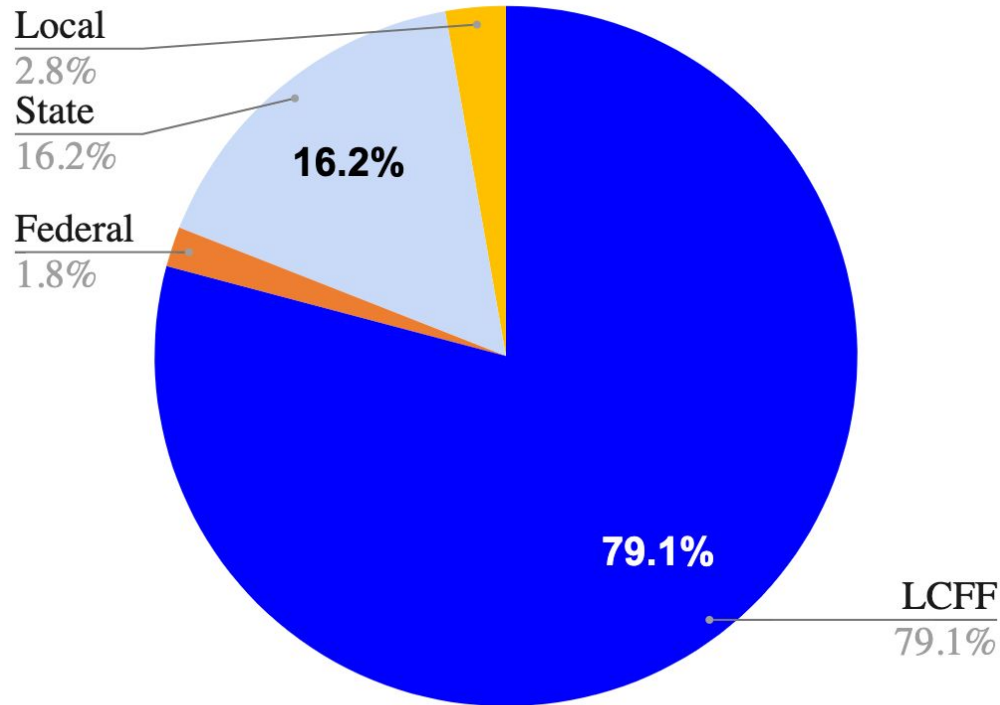
- **\$1,265,550 net increase in revenues**
 - Net reduction in unrestricted revenue sources of \$21,279
 - Net increase in restricted revenue sources of \$1,286,829
 - \$287,503 increase in Federal Revenue in IDEA and Title III programs
 - \$797,755 increase in local funds mainly from donations

2023/24 Second Interim Adjustments

- \$4,627,832 in increased expenditures
 - Net reduction in unrestricted expenditures in the amount of \$2,066,720 mainly as a result of shifting unrestricted expenditures to allowable restricted expenditures
 - Salaries reduction of \$431,980
 - Benefits reduction of \$1,109,932
 - Books and Supplies reduction of \$576,849
 - Services increase of \$221,247
 - Net increase in restricted expenditures of \$6,694,552
 - \$2,177,332 increase in salaries, mainly from the reallocation of allowable expenditures to one-time grant funds
 - \$1,582,185 increase benefits, mainly from the reallocation of allowable expenditures to one-time grant funds
 - \$2,900,980 increase in Services mainly as a result of contracted Special Educational services
- Increase in contribution from unrestricted to restricted in the amount of \$1,541,065 due to increased special education costs

2023/24 Second Interim Revenues

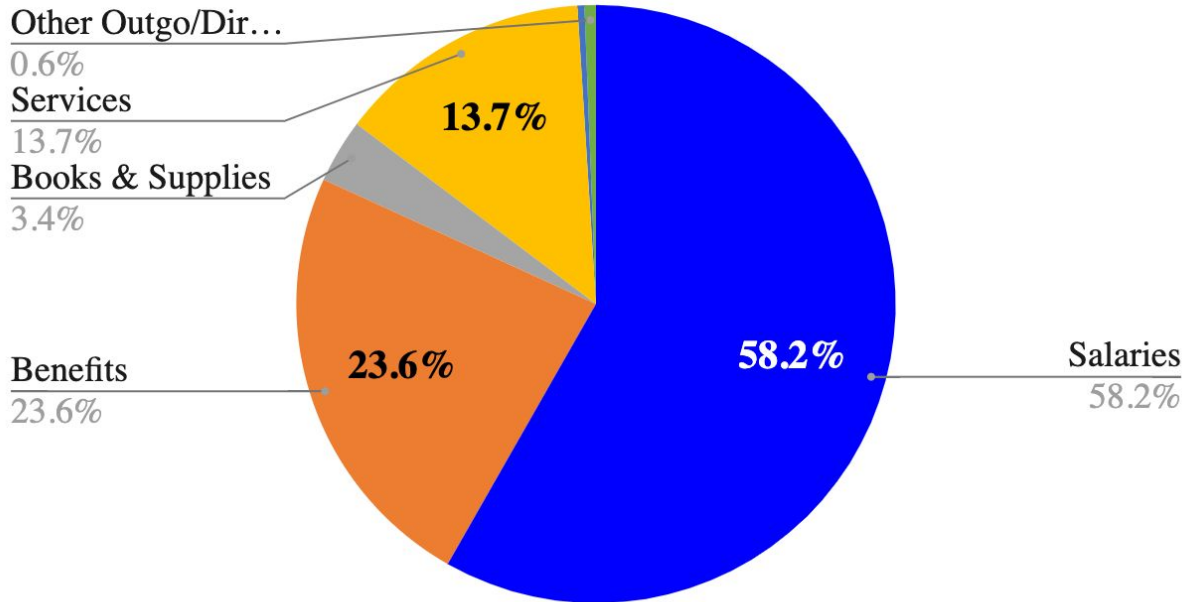
Pleasanton USD 2023/24 Revenue Sources



- Total Revenue: \$211,303,050
- Restricted Revenue: \$39,551,781 (19% of total revenue)
- District depends on State Funding (59.4% of LCFF from local property taxes)
- LCFF includes \$5M in Supplemental Grants
- 8.22% Cost of Living Adjustment in LCFF (Effective growth 5.91%)
- LCFF revenues based on 3 year ADA rolling average

Second Interim 2023/24 Expenditures

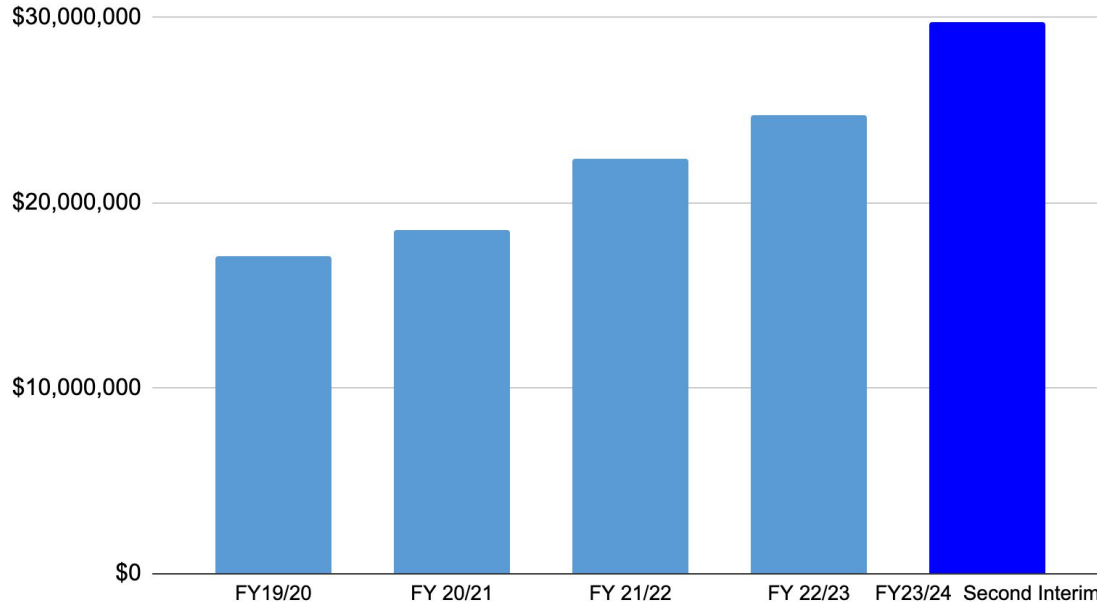
Pleasanton USD 2023/24 Expenditures



- **Total Expenditures: \$227,511,677**
- **81.8% Expenditures on Salaries and Benefits**
 - **90% for unrestricted exp**
- **Total Restricted Expenditures: \$86,771,070**
- **Contributions to Restricted programs: \$35,776,378**
 - **Special Education**
 - **Routine Restricted Maintenance (3% of Exp)**
- **Projected Unrestricted Deficit Spending: \$3.69M**

Second Interim 2023/24 Contribution to Special Education

Contribution to Special Education (19/20 to 23/24)



- **Projected 2023/24 Contribution: \$29,724,963**
- **Between 19/20 to 22/23 increase of 45%**
- **Projected increase of another \$5M from 22/23 to 23/24**
- **Contributing Factors**
 - Increased staffing
 - Contracted services
 - Costs for high-needs students, non-public school and residential placements
- **Special Education is 19.5% of total expenditures**
- **Statewide average: 20-25%**
- **Special Education recently conducted an Independent Audit**

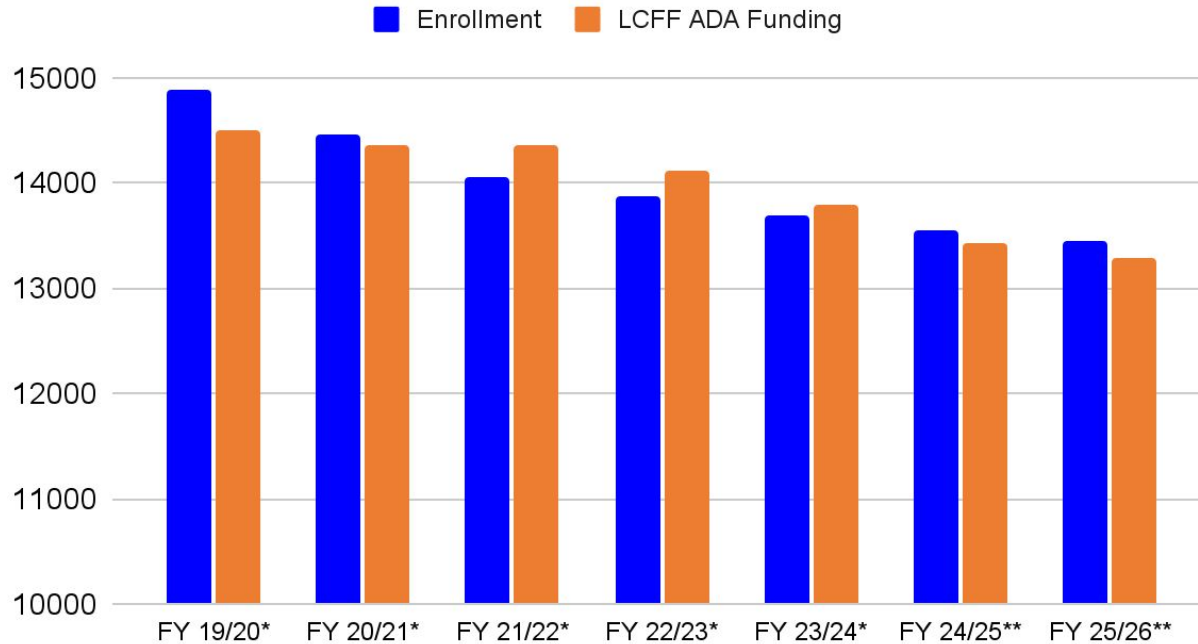
Local Control Funding Formula Factors

Local Control Funding Formula Assumptions First Interim			
School Year	FY 23/24	FY 24/25	FY 25/26
Enrollment	13,682	13,550	13,450
LCFF ADA Funding	13,795	13,399	13,250
COLA	8.22%	0.76%	2.73%
Unduplicated as % Enrollment	16.47%	16.59%	16.79%
Grades TK-3 \$/per Student	\$9,919	\$9,994	\$10,267
Grades 4-6 \$/per Student	\$10,069	\$10,146	\$10,423
Grades 7-8 \$/per Student	\$10,367	\$10,446	\$11,731
Grades 9-12 \$/per Student	\$12,015	\$12,106	\$12,436
K-3 Grade Span Adj \$/per Student	\$1,032	\$1,039	\$1,068
9-12 Grade Span Adj \$/per Student	\$312	\$315	\$323
TK Add on \$/Student	\$3,044	\$3,067	\$3,151
TOTAL EST LCFF Funding - unrestricted	\$166,028,290	\$163,263,618	\$166,423,870
Net Impact to LCFF Funding	+5.91%	-1.67%	+1.93%

- District enrollment has **declined about 1170 students** from 2019/20 levels
- District LCFF revenues for 2023/24 are higher because of the 3 year rolling average and hold harmless on 2019/20 ADA levels
- Revised assumption of 0.76% COLA for 2024/25 down from Adopted Budget estimate of 3.94%
- Potential to see a 0% COLA for 24/25 due to State's fiscal crisis
- Actual revenues will be less in 2024/25 by -1.67%

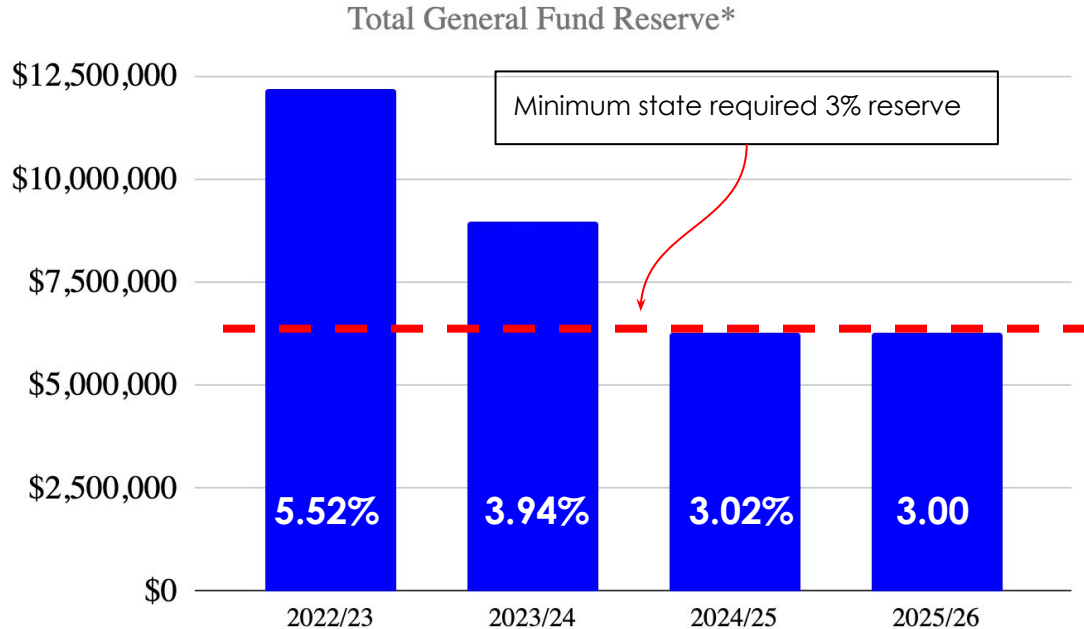
Enrollment and ADA Funding

Enrollment and LCFF ADA Funding



- Decline of 1,170 students since 2019/20
- Hold harmless years created inverted ADA Funding compared to actual ADA
- 3 year average ADA calculation softens the impact of enrollment loss
- Updated projections show a further decline of 6.5% over the next seven years

Multi-Year Projections



- District is running reserves at minimum levels
- Projected unrestricted deficit spending for 2023/24 is \$3.69M
- Reserves allow the district to:
 - Weather downturns in the economy
 - Handle emergencies
 - Manage cashflow needs
- Reserves are one-time funds
- **Requires reduction and/or reallocation of \$7.3M in 2024/25**
- Additional compensation will require additional reductions

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

Restricted Ending Fund Balance

Restricted Programs	Projected Ending Fund Balance
Expanded Learning Opportunities Program	\$606,666
Special Education: IDEA	\$11,468
Other Restricted Federal	\$3,063
Educator Effectiveness, FY 2021-22	\$747,019
Lottery: Instructional Materials	\$140,201
Special Education	\$384,285
Mental Health-Related Services	\$819,803
Special Education Early Intervention Preschool Grant	\$35,649
→ Arts, Music, and Instructional Materials Discretionary Block Grant	\$2,615,089
→ Art and Music in Schools - Prop 28	\$1,621,752
Child Nutrition: Food Service Staff Training	\$21,570
A-G Access/Success Grant	\$215,364
A-G Learning Loss Mitigation Grant	\$61,761
Expanded Learning Opportunities (ELO) Grant: Paraprofessional Staff	\$43,786
→ Learning Recovery Emergency Block Grant	\$488,426
Other Restricted State	\$123,850
Ongoing & Major Maintenance Account (RMA: Education Code Section 17070.75)	\$1,105,911
Other Restricted Local	\$505,105
Total, Restricted Balance	\$9,550,768

Art, Music, and Instructional Materials Discretionary Block Grant Expenditure and Encumbrances to date 1/31/24



Program/Description	Area	Expended/ Encumbered
Pleasanton Virtual Academy	Operational	\$263,916
Professional Development	Professional Development on School Culture	\$141,145
Athletic and Music Coach Stipends	Operational	\$500,000
PARS Retirement	Operational	\$1,764,114
Pension (STRS)	Operational	\$2,000,000
Technical Staffing	Operational	\$49,995
TOTAL		\$4,719,170

Learning Recovery Block Grant

Expenditure and Encumbrances to date 1/31/24

Program/Description	Area	Expended/ Encumbered *
Saturday Academy/Extended Day	Increasing Instructional Learning Time	\$79,719
Summer School/Credit Recovery	Provide Access to Instruction for Credit deficient pupils	\$639,774
Pleasanton Virtual Academy	Provide Access to Instruction for Credit deficient pupils	\$76,217
Professional Development	Closing Learning Gaps	\$127,625
Counseling and social services	Providing Pupil and Staff Support to address barriers to learning	\$2,414,148
Health Services	Providing Pupil and Staff Support to address barriers to learning	\$214,192
Student Support / 504 Plans	Providing Pupil and Staff Support to address barriers to learning	\$82,587
TOTAL		\$3,634,262

Plan to address Fiscal Challenges

- Expenditure reductions and cost saving measures for current fiscal year 2023/24 - increase reserves
- Reallocate one-time grant expenditures
- Follow through with planned 2024/25 right sizing and reductions
- Convene Superintendent Budget Committee in Spring 2024 to work on medium and longer term plans for revenue enhancement and expenditure reductions

Summary of Preliminary Reductions in 24/25

Item	Description	Reduction
1.	Right sizing management through consolidation and reductions ~ 7 FTE	\$1,250,000
2.	Right sizing of departmental support staff: 4 FTE	\$380,000
3.	Elementary school right sizing: 12-15 FTE	\$1,530,000
4.	Secondary school right sizing: 15-22 FTE	\$2,200,000
5.	Right sizing of district wide programs/supports and special education: ~ 14 FTE	\$1,450,000
6.	Other Reductions To Be Determined	\$500,000
TOTAL		\$7,310,000

Other consideration in budget development for 2024/25

- Reduction of Site and Departmental budgets ~10%
- Reductions of contracted services
- Reduction in book, supplies, and materials
- Reduction in Professional Development
- Management compensation
- Further consolidation in management positions
- Increasing revenues and cost recovery
- Reallocation of remaining grant funds

Other Funds

Pleasanton Unified School District

FY 23/24 Second Interim

Special Revenue Funds	Adult Ed Fund 11	Child Development Fund 12	Cafeteria Fund 13	Enterprise Fund 63
BEGINNING FUND BALANCE	\$194,921	\$221,276	\$5,658,615	\$2,958,888
Revenue	\$6,466,832	\$1,475,176	\$6,352,261	\$4,755,360
Expenditures	\$6,343,033	\$1,475,176	\$6,766,251	\$3,295,699
Revenue Over (under) Expenses	123,799	-	(413,990)	1,459,661
Transfers In (Out)				(1,000,000)
ENDING FUND BALANCE	\$318,720	\$221,276	\$5,244,625	\$3,418,549

Special Reserve Funds	OPEB Fund 71	Capital Fund 40
BEGINNING FUND BALANCE	\$ 6,467,474	\$ 7,011,553
Revenue	\$500,000	\$1,449,103
Expenditures		\$6,868,309
Revenue Over (under) Expenses	\$500,000	(5,419,206)
Transfers In (Out)		\$ 1,061,925
ENDING FUND BALANCE	\$6,967,474	\$2,654,272

Capital Outlay Funds	Capital Sycamore Fund 41	Deferred Maintenance Fund 14	Measure I1 and I Fund 21	Capital Facilities Fund 25
BEGINNING FUND BALANCE	\$ 7,249,810	\$116,199	\$156,617,174	\$2,173,175
Revenue	\$84,274	\$800	\$1,711,917	\$1,030,000
Expenditures		\$100,450	\$55,278,399	\$197,889
Revenue Over (under) Expenses	\$84,274	(99,650)	(53,566,482)	\$832,111
Transfers In (Out)	(50,000)			(30,000)
ENDING FUND BALANCE	\$7,284,084	\$16,549	\$103,050,692	\$2,975,286

Conclusions/Next Steps

- State's fiscal crisis can further exacerbate budget in 2024/25
- Final settlement with APT will further challenge the budget
- Need to manage the short term challenges, while addressing the long term issues
- Staff will be in full Budget Development for FY 2024/25 next few month
- Monitor State economic forecast
- Governor to update the Budget in May 2024
- Submit Budget for Approval in June 2024
- State Enacts Budget by July 1, 2024

Appendix: Budget Approval Process

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.

Appendix: Budget Calendar

- June 2023: Adopted Budget FY 23.24
- September 2023: Unaudited Actuals FY 22/23
- December 14, 2023: First Interim Report, as of 10/31/23
- January 2024: Audited Financial Statements for FY 22/23
- January 2024: Governor's Budget Proposal for FY 24/25
- **March 14, 2024: Second Interim Report, as of 1/31/24**
- January-April 2024: Staff Review and prepare for Budget Development
- May 2024: Governor's May Revise Budget Proposal
- June 2024: Estimated Actuals FY 23/24 & Budget Adoption for FY 24/25

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