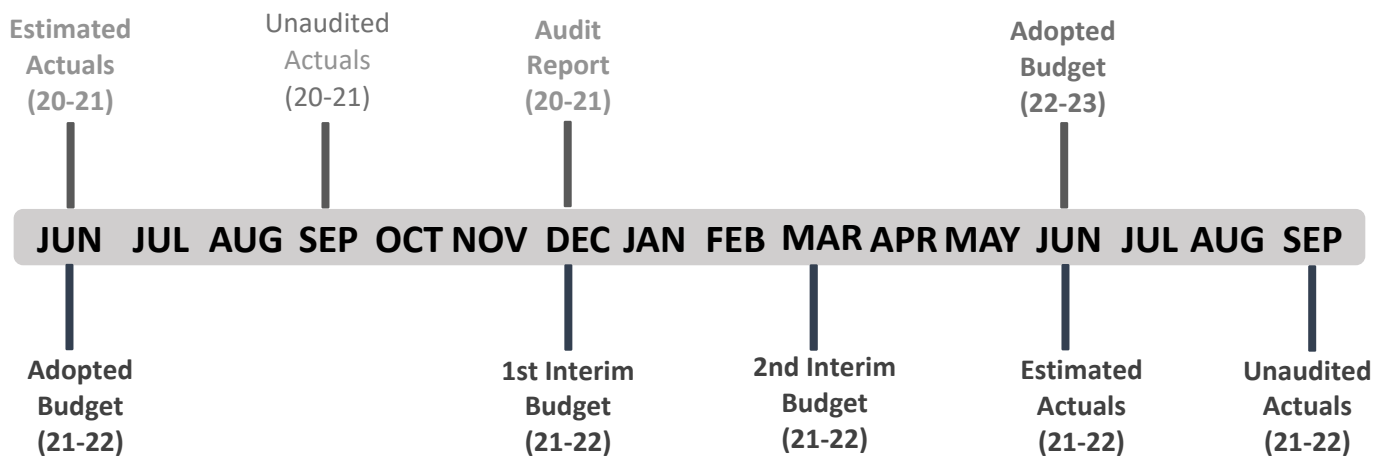


Approval and Certification of 2021-22 First Interim Fiscal Report

In accordance with Education Code Sections 42130 and 42131, school districts are required to prepare and submit two interim financial reports to the Governing Board. The purpose of these reports is to notify appropriate State and County Office of Education officials as to whether the district will be able to meet its financial obligations for the remainder of the current year and for two subsequent years. The Board of Trustees is required to certify each interim report to indicate that it has been informed of the financial stability of the District. The Statutes of 1988 also require the Superintendent to certify that an Interim Report review has been conducted using the State adopted Criteria and Standards.

Along with the two interim financial reports, school districts create several other financial reports that cross fiscal years. Noted in the graph below are the financial report names and months of which they are reported in. The activity of crossing fiscal years keeps the District in a constant cycle of fiscal evaluation.



As mandated by AB 1200, the District's First Interim Report is based upon activities from July 1 through October 31. The Board of Trustees is required to certify each interim report within 45 days after the end of the reporting period. After approval of the financial statements by the Board of Trustees, the financial statements are forwarded to the San Mateo County Office of Education, which reviews the documents for reasonableness, mathematical accuracy and compliance of technical provisions. After their review, they are forwarded to the State Superintendent of Public Instruction.

Sequoia's First Interim Report for 2021-22, shows the District will meet its financial obligations for all required reporting years. Financial Interim reports have three possible certifications:

1. Positive Certification indicates that the District will be able to meet its financial obligations for the remainder of the fiscal year and two subsequent fiscal years.
2. Qualified Certification indicates that the District may be able to meet its financial obligations for the current year and two subsequent fiscal years.
3. Negative Certification indicates that the District will not be able to meet its financial obligations for the current year and two subsequent years.

It is recommended that the Board of Trustees approve a positive certification for the 2021-22 First Interim Report for the period July 1, 2021, through October 31, 2021. This financial report captures actuals through October 31, 2021, and budget projections through June 30, 2022.

General Fund Budget, Revenue

Property Tax Revenue

The Assessor is responsible for determining the assessed value of all taxable property located in San Mateo County. With approximately 237,000 assessments each year, the Assessor's Division creates the official record of taxable property (local assessment roll), shares it with the County Controller and Tax Collector, and makes it publicly available. The local assessment roll is determined by identifying, mapping, inspecting, and calculating the assessed value for all real (land and structures) and business properties. (<https://www.smcacre.org/assessor>)

The chart below shows our property tax information for the past four years.

Object	Description	17/18 UA	18/19 UA	19/20 UA	20/21 UA
8021	Homeowners' Exemptions	571,943	566,352	558,940	561,622
8022	Timber Yield Tax	439	541	473	125
8029	Other Subventions	1,869	1,957	-	3,963
8041	Secured Roll Tax	120,034,962	128,226,314	137,778,360	147,320,523
8042	Unsecured Roll Tax	5,266,271	6,191,611	6,214,784	5,965,215
8043	Prior Years' Tax	146,566	(60,847)	113,974	(8,119)
8044	Supplemental Tax	-	-	-	-
8047	Community Redevelopment Tax	6,588,297	7,793,858	9,007,702	5,779,159
	TOTAL	132,610,347	142,719,786	153,674,233	159,622,488
	Dollar Change Year to Year	10,401,218	10,109,439	10,954,447	5,948,255
	Percentage Change Year to Year	8.51%	7.62%	7.68%	3.87%

The chart below shows our property tax projection for the current year and four subsequent years

Object	Description	21/22 Projection	22/23 Projection	23/24 Projection	24/25 Projection	25/26 Projection
8021	Homeowners' Exemptions	555,007	555,007	555,007	555,007	555,007
8022	Timber Yield Tax	-	-	-	-	-
8029	Other Subventions					
8041	Secured Roll Tax	156,572,177	162,694,916	170,829,662	179,371,145	188,339,702
8042	Unsecured Roll Tax	4,966,733	4,966,733	4,966,733	4,966,733	4,966,733
8043	Prior Years' Tax	(8,833)	-	-	-	-
8044	Supplemental Tax					
8047	Community Redevelopment Tax	8,496,995	8,496,995	8,496,995	8,496,995	8,496,995
	TOTAL	170,582,079	176,713,651	184,848,397	193,389,880	202,358,437
	Dollar Change Year to Year	10,959,591	6,131,572	8,134,746	8,541,483	8,968,557
	Percentage Change Year to Year	6.87%	3.59%	4.60%	4.62%	4.64%

At Budget Adoption, we projected that property tax would increase 5.0% in 2021-22. Current projections as of November 2021, result in a slight increase of 0.36% which reflects a total projected increase of 5.36% over the prior year. This increase includes a one-time adjustment to the district's RDA revenue of -\$1.2M due to the settlement of a prior period calculation dispute.

Other Revenues

Notwithstanding property tax revenue projections that are similar to those projected at Adopted Budget, we anticipate an overall revenue increase of \$1.15M from Local Control Funding Formula (LCFF) sources as compared to the Adopted Budget. This projected increase is primarily the result of an increase of \$700K for the Special Education property tax transfer coupled with the \$455K increase in property tax revenue.

Federal Revenue Sources reflect a significant increase of \$8.9M. This is primarily due to the carryover of prior year Coronavirus Aid, from the Elementary and Secondary School Emergency Relief (ESSER) Funds to address the impact of COVID-19 in the amount of \$8.4M. All remaining carryover dollars are from the Title I and CCEIS programs.

Other State Revenue Sources reflect an overall increase of \$4.48M due to the recognition of carryover and revised estimates for the Career Technical Education Incentive Grant Program (Resource 6387) and the addition of the COVID 19- In-Person Instruction Grant (Resource 7422) which amounted to \$3.4M.

Local Revenue Sources, including leases and rentals, interagency services, and athletic and other site-based activities. Overall, projections for Local Revenue Sources have been increasing for the Adopted Budget by \$1.4M due to the recognition of site carryover revenue.

Projected contributions to Special Education restricted programs (Resources 3310 and 6500) have increased by approximately \$1.6M from Adopted Budget. The Special Education programs often see fluctuation for budget throughout the same year due to projecting potential settlements and additional services for students.

General Fund Budget, Expenditures

Certificated salaries increased \$4.9M from Adopted Budget. This increase represents the addition of positions in administration, counselors, psychologists, and teaching positions across various sites due to growth. Additional staffing positions on the restricted side are currently supported by COVID funds and have been removed from subsequent year projections.

Classified salaries increased by \$1.1M from the Adopted Budget due to the addition of various clerical, administrative, and student support positions needed to support our current LCAP and COVID expenditure plans. The district is also experiencing an increase in short-term contracts as we are seeing a greater need to hire subs to replace sick or injured workers mainly within our M&O department.

Employee benefits increased by \$4.4M. This increase correlates to the additional staffing charges related to the additional positions. As salaries increase, so does the benefit-cost center.

Books and supplies increased by \$5.1M. This increase is primarily due to projected expenditures of CARES funding and recognition of carryover. The majority of carryover is on the restricted side (site grants & foundation funding) and was not recognized at budget adoption. The increase on the unrestricted side is due to the recognition of site discretionary carryover. Each year the individual school sites are allocated an amount from the unrestricted general fund that can be used at the discretion of the site. All unused funds are allowed to be carried over to the following fiscal year and are incorporated as part of the budget after the books are closed in September.

Services and other operating expenditures increased by \$6.6M. Restricted programs make up the majority of this increase at \$6.1M over Adopted Budget. Similar to the supply category, the increase is primarily due to the projected expenditures of the COVID-related resources which are offset by revenue.

Capital outlay increased by \$30K. Expenditures made during this period were for the replacement of the automatic gate and a new copier. All capital outlay purchases will be evaluated at Second Interim, Estimated Actuals, and year-end close to making any possible adjustments to other funds.

Other Funds

Fund 08, The Student Activity Special Revenue Fund is used to report financial activities for the Associated Student Body accounts as required by GASB statement 84. Fund was established as of FY 2020/2021 and only includes ending bank balances.

Fund 09, The Charter Schools Special Revenue Fund is used to report the East Palo Alto Academy dependent charter school as part of the SUHSD authorizing district, but reported outside of the District's General Fund. Revenues and expenditures are projected at \$4.65M.

Fund 11, The Adult Education Fund is used for the purpose of recording all Adult Education income and expenditures and it is earmarked to support the adult education program throughout the district. Revenues are projected at \$2.15M and budgeted expenditures \$2.37M. Any expenditures in excess of revenue will be paid from the beginning fund balance.

Fund 13, The Cafeteria Fund is used for the purpose of recording only income and expenditures related to the operation of the District's Food Services program. Revenues are projected at \$2.84M and expenditures \$2.93M. This fund has a projected contribution from the general fund of \$1.3M and a prior year carryover of \$86K.

Fund 14, The Deferred Maintenance Fund is used to record the District's contribution for Deferred Maintenance purposes. Expenditures in this fund are for major repair or replacement of plumbing, heating, roofing, and other items that have been approved by the State Allocation Board (SAB). The approval of projects is based on a five-year deferred maintenance plan that must be filed with SAB. Revenues are projected at \$840K and expenditures \$1.13M. This fund has a healthy reserve and revenue is primarily from a contribution from the general fund.

Fund 21, The Building Fund is used to account for the proceeds of the sale of general obligation bonds from Measure A, approved by the voters in 2014. Bond proceeds are used for construction, remodeling, and modernization, and infrastructure repairs throughout the district. The district anticipates that the remaining balance of \$649,734 will be spent prior to January 2022.

Fund 25, The Capital Facilities Fund is used to separate monies received from the fees levied upon developers or other agencies as a condition of building or expanding what is called "habitable space." Expenditures from this fund are limited to the expansion or improvement of sites due to enrollment growth. Revenue is projected at \$1.58M and expenditures at \$1.35M. This fund has a healthy reserve.

Fund 35, County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D) or the 2016 State School Facilities Fund (Proposition 51). The fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070.10 et seq.). Revenue is projected at \$376K from earned interest and expenditures at \$317K. This fund has a healthy reserve.

Fund 40, The Special Reserve Fund for Capital Outlay is used for capital improvement purposes. Major expenditures over the past several years include portions of the cost for construction and equipment of the new buildings throughout the District and the replacement of copiers for the sites. Revenue is projected at \$302K from earned interest and rental income and expenditures at \$424K. This fund has a healthy reserve.

Fund 71, The Retiree Benefits Fund is used to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both. This fund should be used only to account for a district's irrevocable contributions to a post-employment benefit plan for which a formal trust or an arrangement that is equivalent to a formal trust exists. Contributions may be made to the Retiree Benefits Fund (Fund 71) from other funds by periodic expense charges to those funds in amounts based on existing and future obligation requirements. Payments may be made from the fund for insurance, annuities, administrative costs, or any other authorized purpose (Education Code Section 42850). This fund has no projected activity.

In addition to the District funds listed above, the District participates in the California Employers' Retiree Benefit Trust (CERBT) program and has established an irrevocable trust for post-employment benefits. The District's participation is part of the District's plan to address funding the cost of health benefits for current and future retirees. As of September 30, 2021, the value of the District's CERBT was \$9,632,352.

Multiyear Projection

	2021-22 FIRST INTERIM			2022-23 PROJECTED			2023-24 PROJECTED		
DESCRIPTION	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
LCFF/Basic Aid	158,920,150	5,762,429	164,682,579	165,127,046	5,762,429	170,889,475	171,664,972	5,762,429	177,427,401
Federal Revenues	0	11,783,966	11,783,966	0	2,865,633	2,865,633	0	2,865,633	2,865,633
State Revenues	1,898,266	15,724,530	17,622,796	1,898,266	9,422,700	11,320,966	1,898,266	9,422,700	11,320,966
Other Local	1,468,780	13,937,050	15,405,830	1,404,011	7,836,081	9,240,092	1,404,011	7,826,481	9,230,492
Transfers In	0	0	0	0	0	0	0	0	0
Contributions	(29,885,754)	29,885,754	0	(31,638,497)	31,638,497	0	(32,310,079)	32,310,079	0
TOTAL REVENUES	132,401,442	77,093,729	209,495,171	136,790,826	57,525,340	194,316,166	142,657,170	58,187,322	200,844,492
Certificated Salaries	63,188,076	20,698,510	83,886,586	64,237,238	13,233,926	77,471,164	65,200,797	13,424,519	78,625,316
Classified Salaries	19,435,273	11,255,265	30,690,538	19,649,587	10,154,422	29,804,009	19,846,083	10,149,107	29,995,190
Employee Benefits	36,625,906	23,050,773	59,676,679	39,386,821	19,779,569	59,166,390	38,827,482	19,940,959	58,768,441
Supplies	3,979,222	8,098,399	12,077,621	3,578,851	1,740,563	5,319,414	3,664,743	1,760,090	5,424,833
Services	12,306,287	17,240,521	29,546,808	12,483,437	9,572,933	22,056,370	12,783,039	9,620,156	22,403,195
Capital Outlay	10,000	38,500	48,500	10,000	0	10,000	10,000	0	10,000
Other Outgo/Indirect Costs	555,539	840,988	1,396,527	658,421	773,284	1,431,705	658,421	773,284	1,431,705
Transfers Out	1,887,722	800,000	2,687,722	1,887,722	800,000	2,687,722	1,887,722	800,000	2,687,722
TOTAL EXPENDITURES	137,988,025	82,022,956	220,010,981	141,892,077	56,054,697	197,946,774	142,878,287	56,468,115	199,346,402
Surplus / (Deficit)	(5,586,583)	(4,929,227)	10,515,810)	(5,101,251)	1,470,643	(3,630,608)	(221,117)	1,719,207	1,498,090
Beginning Fund Balance	25,243,592	7,129,939	32,373,531	19,657,009	2,200,712	21,857,721	14,555,758	3,671,355	18,227,113
Ending Fund Balance (EFB)	19,657,009	2,200,712	21,857,721	14,555,758	3,671,355	18,227,113	14,334,641	5,390,562	19,725,203

Comparison of Adopted Budget to 1st Interim

	2021-22 ADOPTED BUDGET			2021-22 FIRST INTERIM		
DESCRIPTION	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
LCFF/Basic Aid	158,464,881	5,060,319	163,525,200	158,920,150	5,762,429	164,682,579
Federal Revenues	0	2,840,966	2,840,966	0	11,783,966	11,783,966
State Revenues	1,833,415	11,301,902	13,135,317	1,898,266	15,724,530	17,622,796
Other Local	1,275,024	12,726,684	14,001,708	1,468,780	13,937,050	15,405,830
Transfers In	0	0	0	0	0	0
Contributions	(28,102,662)	28,102,662	0	(29,885,754)	29,885,754	0
TOTAL REVENUES	133,470,658	60,032,533	193,503,191	132,401,442	77,093,729	209,495,171
Certificated Salaries	61,954,966	16,939,466	78,894,432	63,188,076	20,698,510	83,886,586
Classified Salaries	18,815,187	10,732,481	29,547,668	19,435,273	11,255,265	30,690,538
Employee Benefits	34,664,339	20,562,611	55,226,950	36,625,906	23,050,773	59,676,679
Supplies	3,238,630	3,687,057	6,925,687	3,979,222	8,098,399	12,077,621
Services	11,903,877	11,042,142	22,946,019	12,306,287	17,240,521	29,546,808
Capital Outlay	0	18,500	18,500	10,000	38,500	48,500
Other Outgo/Indirect Costs	652,271	814,071	1,466,342	555,539	840,988	1,396,527
Transfers Out	1,974,535	800,000	2,774,535	1,887,722	800,000	2,687,722
TOTAL EXPENDITURES	133,203,805	64,596,328	197,800,133	137,988,025	82,022,956	220,010,981
Surplus / (Deficit)	266,853	(4,563,795)	(4,296,942)	(5,586,583)	(4,929,227)	(10,515,810)
Beginning Fund Balance	20,612,717	5,859,758	26,472,475	25,243,592	7,129,939	32,373,531
Ending Fund Balance (EFB)	20,879,570	1,295,963	22,175,533	19,657,009	2,200,712	21,857,721

Enrollment

We continue to monitor our enrollment and analyze the enrollment of our feeder districts. We are noticing uneven trends from our feeder districts that could affect our enrollment in future years.

Total Actual and Projected Enrollment					
As of early October (cde.ca.gov)	9th	10th	11th	12th	9th-12th Total
2016	2133	2167	2168	2197	8665
2017	2185	2211	2147	2225	8768
2018	2265	2207	2224	2188	8884
2019	2290	2269	2176	2286	9021
2020	2216	2312	2290	2234	9052
2021	2230	2216	2312	2290	9048
21/2022*	2290	2230	2216	2312	9048
22/2023*	2312	2290	2230	2216	9048

*projected

What's next?

Tis the season for Governance Goals and Local Control Accountability Plans. These are the main drivers for budget development. Over the next few months, the Business Department will be meeting with sites and departments to align next year's expenses with our Governance Goals/LCAP and take a deeper dive connecting budgets to our initiatives. Next year's budget goal is to tighten our current year projections and extend our multi-year projection from three to five years.