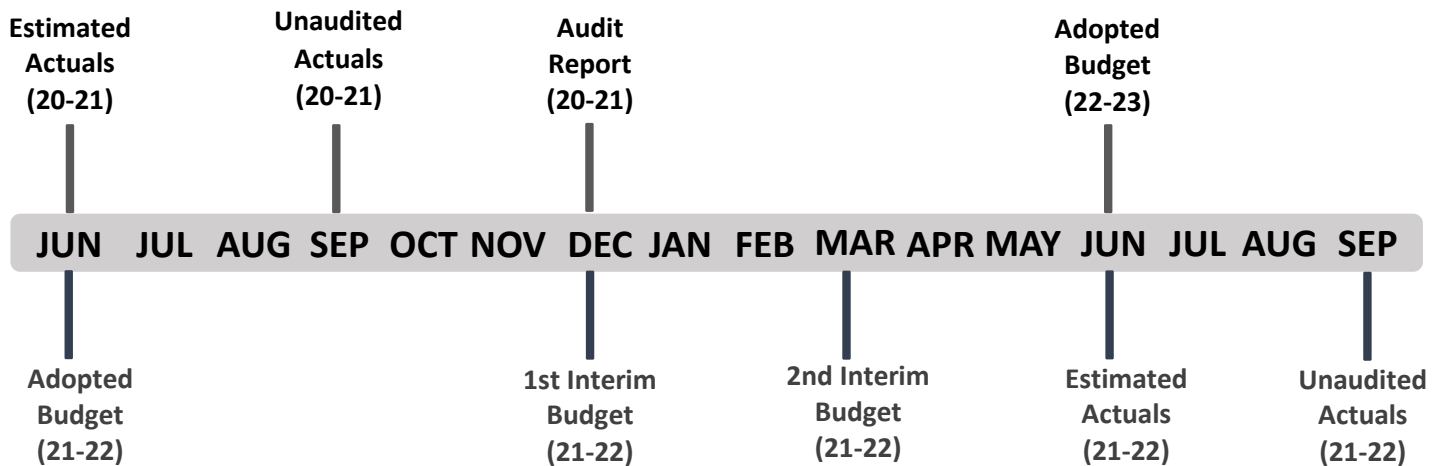


Approval and Certification of 2021-22 Second Interim Fiscal Report

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 Second Interim Report is based upon activities from July 1 through January 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 Second 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 Second Interim Report for the period July 1, 2021, through January 31, 2022. This financial report captures actuals through January 31, 2022 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 three 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	164,400,786	172,620,825	181,251,866	190,314,460
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	8,438,204	8,438,204	8,438,204	8,438,204	8,438,204
	TOTAL	170,523,288	178,360,730	186,580,769	195,211,810	204,274,404
	Dollar Change Year to Year	10,900,800	7,837,442	8,220,039	8,631,041	9,062,594
	Percentage Change Year to Year	6.83%	4.60%	4.61%	4.63%	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 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 \$1.8M due to a reduction in charter in lieu payments based on P-1 data. State aid revenue remains flat.

Federal Revenue Sources reflect a slight increase of \$4K due to updated allocation figures related to the District's CSI grant, resource 3212.

Other State Revenue Sources reflect an overall increase of \$1.95M due to the receipt of Educator Effectiveness funding. The full amount of revenue has been received and can be used for eligible expenditures through 2025-2026.

Local Revenue Sources, including leases and rentals, interagency services, and athletic and other site-based activities. Overall, projections for Local Revenue Sources have been increase from First Interim by \$1.18M due to increases in site revenue and corporate donations in the amounts of \$467K and \$494K respectively.

Projected contributions to Special Education restricted programs (Resources 3310 and 6500) have decreased by approximately \$1.05M as a result of a larger transfer of restricted RDA revenue which is used to offset Special Education cost. Total contributions to restricted programs are \$28,824,652 as compared to \$29,885,754 at First Interim.

General Fund Budget, Expenditures

Certificated salaries increased \$1.5M from First Interim due to an increase in temporary support positions funded by COVID and additional staffing to support the district's growing Satellite program. A total of 17 FTE's have been added since budget adoption representing both teaching and student support positions.

Classified salaries increased \$1.1M from First Interim due the addition of various clerical, administrative and student support positions needed to support our current LCAP and COVID expenditure plans.

Employee benefits reflect a slight increase of \$409K. 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 remain consistent with First Interim Balances. Overall increase is minimal at \$27K.

Services and other operating expenditures increased \$3.2M. Restricted programs make up the majority of this increase at \$2.6M over First Interim. The budgeting of expenditures related to the Educator Effectiveness grant in the amount of \$1.9M in combination with increases to settlement and nonpublic school tuition cost of \$550K represent the bulk of the increases. Increases to insurance cost of \$440K and contract services of \$251,065 represent the majority of the balance.

Capital outlay increased \$52K. Expenditures made during this period were for the replacement of heavy machinery for the warehouse, golf carts and copy equipment.

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. Expenditures are projected at \$7.6M and are covered by a combination of revenue and general fund transfers. Transfers are needed to support facility cost.

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 \$2.11M and budgeted expenditures \$2.38M. 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 \$1.8M and expenditures \$3.16M. This fund has a projected contribution from the general fund of \$1.2M and 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 \$239,647 will be spent prior to June 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 \$1.80M and expenditures at \$242K. Reserve balance is \$6.76M.

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 \$1.14M. 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 Benefit 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 postemployment 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 Benefit 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 December 31, 2021, the value of the District's CERBT was \$10,099,326.24.

Multiyear Projection

DESCRIPTION	2021-22 SECOND INTERIM			2022-23 PROJECTED			2023-24 PROJECTED		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
LCFF/Basic Aid	160,748,928	5,762,429	166,511,357	165,569,466	5,762,429	171,331,895	172,140,639	5,762,429	177,903,068
Federal Revenues	0	11,788,548	11,788,548	0	3,043,180	3,043,180	0	2,865,633	2,865,633
State Revenues	1,898,266	17,822,133	19,720,399	1,898,266	10,799,130	12,697,396	1,898,266	9,824,629	11,722,895
Other Local	2,101,109	14,492,459	16,593,568	2,016,157	7,826,481	9,842,638	2,016,157	7,826,481	9,842,638
Transfers In	0	0	0	0	0	0	0	0	0
Contributions	(28,834,652)	28,834,652	0	(29,608,610)	29,608,610	0	(29,653,679)	29,653,679	0
TOTAL REVENUES	135,913,651	78,700,221	214,613,872	139,875,279	57,039,830	196,915,109	146,401,383	55,932,851	202,334,234
Certificated Salaries	64,707,349	20,718,289	85,425,638	68,825,422	13,854,901	82,680,323	69,857,803	13,604,192	83,461,995
Classified Salaries	20,066,284	11,800,088	31,866,372	21,346,775	10,115,719	31,462,494	21,560,243	10,156,020	31,716,263
Employee Benefits	36,891,582	22,375,722	59,267,304	39,052,073	19,611,670	58,663,743	39,008,953	19,395,096	58,404,049
Supplies	4,113,751	7,990,914	12,104,665	4,098,051	2,826,138	6,924,189	4,216,894	2,481,517	6,698,411
Services	12,850,309	19,917,788	32,768,097	13,309,700	9,417,857	22,727,557	13,696,991	9,019,058	22,716,049
Capital Outlay	62,000	38,500	100,500	62,000	15,000	77,000	62,000	15,000	77,000
Other Outgo/Indirect Costs	562,539	840,988	1,403,527	587,789	815,738	1,403,527	610,024	793,503	1,403,527
Transfers Out	1,740,388	800,000	2,540,388	1,740,388	800,000	2,540,388	1,740,388	800,000	2,540,388
TOTAL EXPENDITURES	140,994,202	84,482,289	225,476,491	149,022,198	57,457,023	206,479,221	150,753,296	56,264,386	207,017,682
Surplus / (Deficit)	(5,080,551)	(5,782,068)	(10,862,619)	(9,146,919)	(417,193)	(9,564,112)	(4,351,913)	(331,535)	(4,683,448)
Beginning Fund Balance	25,243,592	7,129,939	32,373,531	20,163,041	1,347,871	21,510,912	11,016,122	930,678	11,946,800
Ending Fund Balance (EFB)	20,163,041	1,347,871	21,510,912	11,016,122	930,678	11,946,800	6,664,209	599,143	7,263,352

Comparison of Adopted Budget/1st Interim/2nd Interim Comparison

DESCRIPTION	2021-22 ADOPTED BUDGET			2021-22 FIRST INTERIM			2021-22 SECOND INTERIM		
	Unrestricted	Restricted	Total	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	160,748,928	5,762,429	166,511,357
Federal Revenues	0	2,840,966	2,840,966	0	11,783,966	11,783,966	0	11,788,548	11,788,548
State Revenues	1,833,415	11,301,902	13,135,317	1,898,266	15,724,530	17,622,796	1,898,266	17,822,133	19,720,399
Other Local	1,275,024	12,726,684	14,001,708	1,468,780	13,937,050	15,405,830	2,101,109	14,492,459	16,593,568
Transfers In	0	0	0	0	0	0	0	0	0
Contributions	(28,102,662)	28,102,662	0	(29,885,754)	29,885,754	0	(28,834,652)	28,834,652	0
TOTAL REVENUES	133,470,658	60,032,533	193,503,191	132,401,442	77,093,729	209,495,171	135,913,651	78,700,221	214,613,872
Certificated Salaries	61,954,966	16,939,466	78,894,432	63,188,076	20,698,510	83,886,586	64,707,349	20,718,289	85,425,638
Classified Salaries	18,815,187	10,732,481	29,547,668	19,435,273	11,255,265	30,690,538	20,006,284	11,800,088	31,866,372
Employee Benefits	34,664,339	20,562,611	55,226,950	36,625,906	23,050,773	59,676,679	36,891,582	22,375,722	59,267,304
Supplies	3,238,630	3,687,057	6,925,687	3,979,222	8,098,399	12,077,621	4,113,751	7,990,914	12,104,665
Services	11,903,877	11,042,142	22,946,019	12,306,287	17,240,521	29,546,808	12,850,309	19,917,788	32,768,097
Capital Outlay	0	18,500	18,500	10,000	38,500	48,500	62,000	38,500	100,500
Other Outgo/Indirect Costs	652,271	814,071	1,466,342	555,539	840,988	1,396,527	562,539	840,988	1,403,527
Transfers Out	1,974,535	800,000	2,774,535	1,887,722	800,000	2,687,722	1,740,388	800,000	2,540,388
TOTAL EXPENDITURES	133,203,805	64,596,328	197,800,133	137,988,025	82,022,956	220,010,981	140,994,202	84,482,289	225,476,491
Surplus / (Deficit)	266,853	(4,563,795)	(4,296,942)	(5,586,583)	(4,929,227)	(10,515,810)	(5,080,551)	(5,782,068)	(10,862,619)
Beginning Fund Balance	20,612,717	5,859,758	26,472,475	25,243,592	7,129,939	32,373,531	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	20,163,041	1,347,871	21,510,912

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 continue working on 10 year projections.