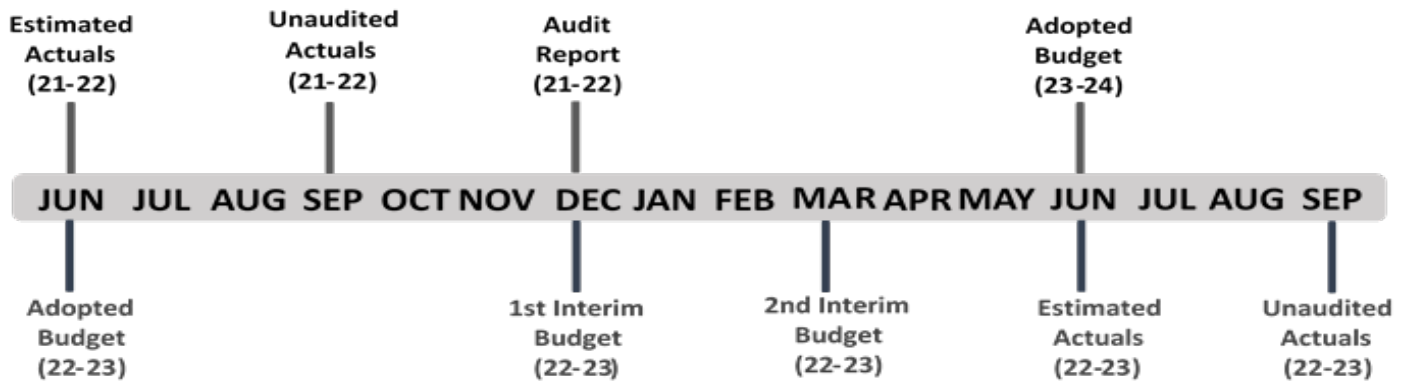


Approval and Certification of 2022-23 First Interim Fiscal Report

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.

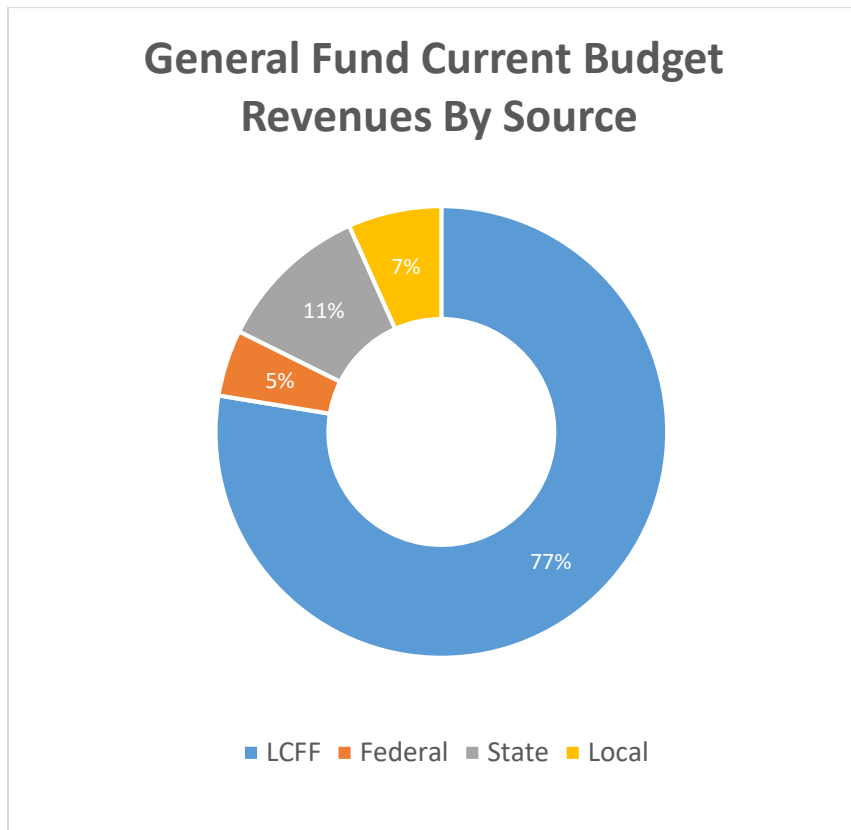
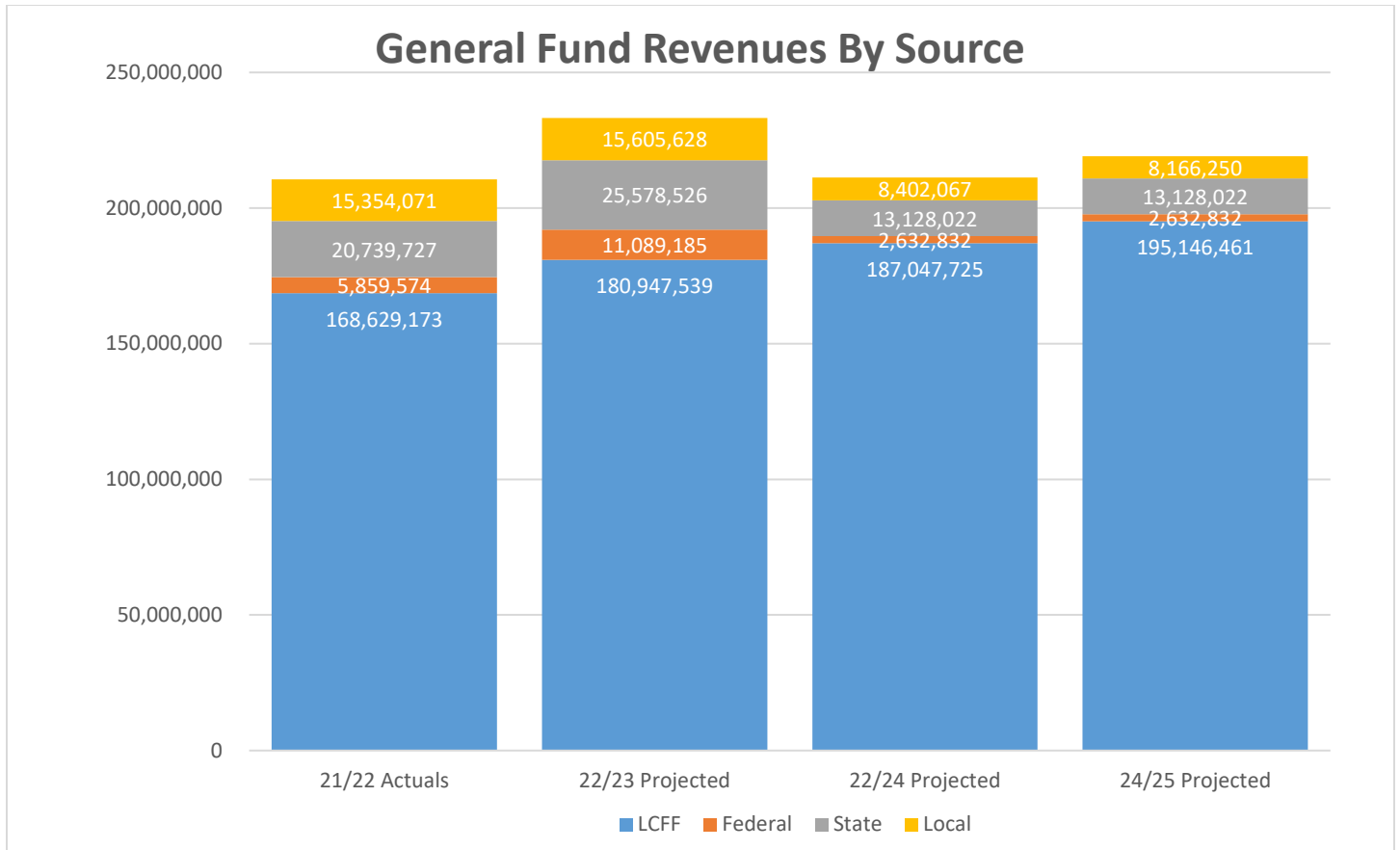
Sequoia's First Interim Report for 2022-23, shows the District will meet its financial obligations for all required reporting years. Financial Interim reports have three possible certifications:

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 2022-23 First Interim Report for the period July 1, 2022, through October 31, 2022. This financial report captures actuals through October 31, 2022 and budget projections through June 30, 2023.

\$233,220,878 FY 22/23 Projected Revenues
\$245,782,111 FY 22/23 Projected Expenses
\$30,119,848 Fund Balance as of 22/23 Projected
\$180,947,539 FY 22/23 Projected Revenues from LCFF Sources
\$11,089,185 FY 22/23 Projected Revenues from Federal Sources
\$41,184,154 FY 22/23 Projected Revenues from State & Local Sources
\$188,460,720 FY 22/23 Projected Expenses for Salaries & Benefits
\$54,029,193 FY 22/23 Projected All Other Expenses
\$3,292,198 FY 22/23 Projected Transfers Out to Other Funds

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>)

At Budget Adoption, we projected that property tax would increase 5.0% in 2022-23. Current projections as of November 2022 P-1 period, resulted in an increase of 5.26% which reflects a total projected increase of 3.87% over prior year. Higher secured property taxes and RDA revenue represent the source of the \$10M increase.

Other Revenues

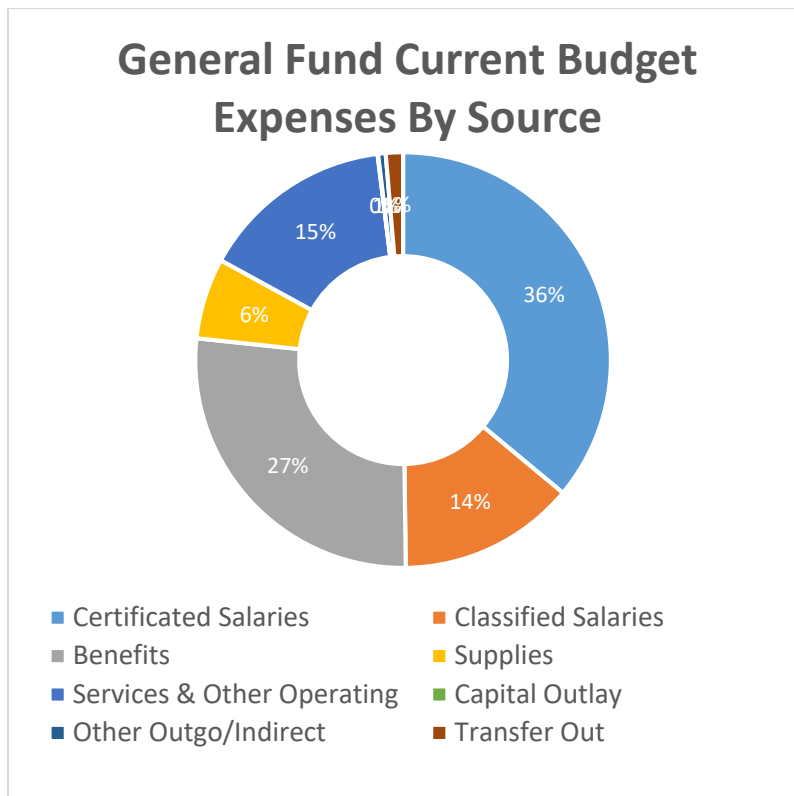
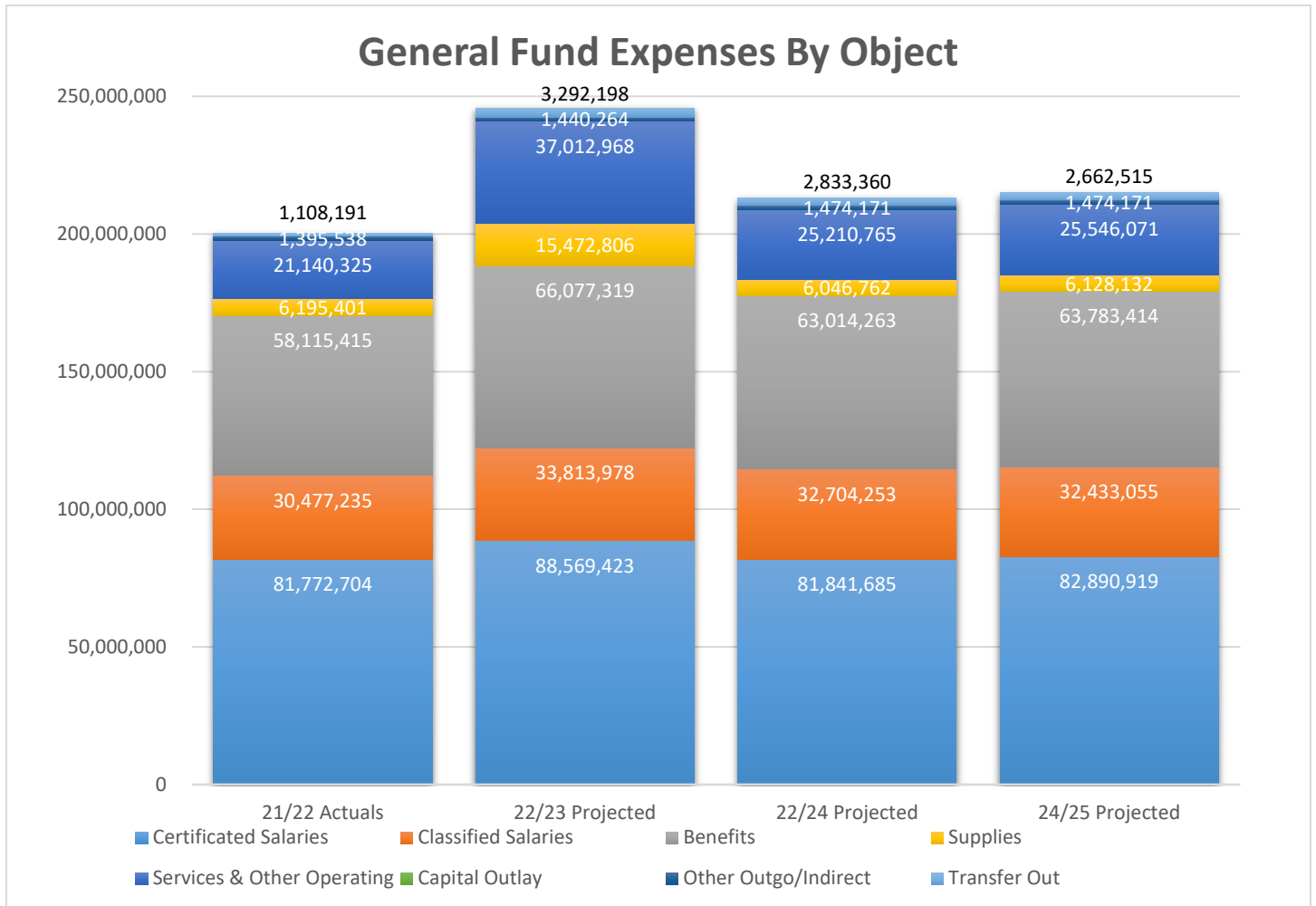
Federal Revenue Sources reflect a significant increase of \$2.5M. This is primarily due to the addition of prior year carryover of COVID relief funds to address the impact of learning loss in the amount of \$2.0M. The remaining amount recognizes the addition of the IDEA ARP funds and Title III & IV carryover.

Other State Revenue Sources reflect an overall increase of \$11.8M due to the recognition of two significant revisions to the Governor's proposed budget. As a result of the enacted budget, the district received an allocation of \$5.3M and \$3.16M representing the Arts & Music and Learning Recovery Block Grants. Carryover of CTE and various other one-time funding sources represent the remaining \$3M.

Local Revenue Sources, include leases and rentals, interagency services, athletic and other site-based activities donations. Overall, projections for Local Revenue Sources have increased from Adopted Budget by \$2.3M due to the recognition of site carryover revenue as well as the continued support from our local donors. Silicon Valley Institute, Kathy Kwan, County of San Mateo and a new grant to support our middle college program represent \$741K. Site based foundation support and department donations represent the remaining \$1.5M.

Contributions to restricted programs (Resources 3310 and 6500) have increased by approximately \$2.1M from Adopted Budget. An increase in Special Education settlements and non-public school placements represent the majority of this increase.

General Fund Budget, Expenditures



Certificated salaries increased \$3.9M from Adopted Budget. This increase represents the addition of various positions funded with one-time dollars to address learning loss and mental health supports. Since budget adoption, the district has added additional psychologist, counselors, and coordinators as well as spent and additional \$1M on compensation for subs, extra pay and additional staffing. Additional staffing positions on the restricted side are currently supported by one-time funds and have been removed from subsequent year projections.

Classified salaries increased \$1.5M from Adopted Budget primarily due to an \$1M increase in substitute cost charged to various restricted programs. \$356K in additional summer school charges account for the majority of the difference.

Employee benefits increased \$4.1M. This increase correlates to the additional staffing charges related to the additional positions and cost. The largest variances are in the areas of STRS, PERS, Health/Welfare and workers compensation.

Books and supplies increased \$8.9M. This increase is primarily due to the addition of the Arts and Music grant. \$5.2M is currently budgeted within the instructional supply line item as a placeholder. Carryover funds from other restricted resources represent the difference. 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 sites discretion. 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 \$7.8M. Restricted programs make up the majority of this increase at \$7.1M over Adopted Budget. Similar to the supply category, the increase is primarily due to the addition of the Learning Recovery Grant and the recognition of carryover funding. \$3.2M of the Learning Recovery Grant is currently budgeted within contract services as a placeholder with the remaining increase representing expenditures related to one-time funding and other resources subject to carryover.

Capital outlay increased \$78K. Expenditures made during this period were for two utility carts to be used at two different school sites and equipment for the Woodside Engineering program. All capital outlay purchases will be evaluated at Second Interim, Estimated Actuals and year-end close to make 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 \$7.45M.

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 \$2.35M and budgeted expenditures \$2.95M. 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 \$3.93M and expenditures \$4.32M. This fund has a projected contribution from the general fund of \$1.5M and prior year carryover of \$389K.

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 \$2.97M. 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 closed out Measure A as of June 30, 2022. Activity during this period represents an immaterial amount of residual interest. Balance is currently zero.

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 \$2.55M and expenditures at \$1.23M. 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 \$2.14M. 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 \$310K from earned interest and rental income and expenditures at \$2.05M. 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 September 30, 2022, the value of the District's CERBT was \$7,765,459.13.

Multiyear Projection

DESCRIPTION	2022-23 FIRST INTERIM			2023-24 PROJECTED			2024-25 PROJECTED		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
LCFF/Basic Aid	174,790,653	6,156,886	180,947,539	180,890,839	6,156,886	187,047,725	188,989,575	6,156,886	195,146,461
Federal Revenues	0	11,089,185	11,089,185	0	2,632,832	2,632,832	0	2,632,832	2,632,832
State Revenues	1,932,987	23,645,539	25,578,526	1,932,987	11,195,035	13,128,022	1,932,987	11,195,035	13,128,022
Other Local	1,647,287	13,958,341	15,605,628	1,633,144	6,768,923	8,402,067	1,633,144	6,533,106	8,166,250
Transfers In	0	0	0	0	0	0	0	0	0
Contributions	(33,791,838)	33,791,838	0	(33,745,517)	33,745,517	0	(34,245,213)	34,245,213	0
TOTAL REVENUES	144,579,089	88,641,789	233,220,878	150,711,453	60,499,193	211,210,646	158,310,493	60,763,072	219,073,565
Certificated Salaries	66,300,283	22,269,140	88,569,423	67,229,759	14,611,926	81,841,685	68,238,205	14,652,714	82,890,919
Classified Salaries	21,426,414	12,387,564	33,813,978	21,589,030	11,115,223	32,704,253	21,804,920	10,628,135	32,433,055
Employee Benefits	40,431,735	25,645,584	66,077,319	41,053,980	21,960,283	63,014,263	41,709,032	22,074,382	63,783,414
Supplies	4,307,555	11,165,251	15,472,806	3,698,654	2,348,108	6,046,762	3,780,024	2,348,108	6,128,132
Services	14,972,511	22,040,457	37,012,968	15,339,357	9,871,408	25,210,765	15,676,823	9,869,248	25,546,071
Capital Outlay	78,155	25,000	103,155	13,405	15,000	28,405	13,405	15,000	28,405
Other Outgo/Indirect Costs	216,944	1,223,320	1,440,264	774,113	700,058	1,474,171	774,113	700,058	1,474,171
Transfers Out	2,492,198	800,000	3,292,198	2,033,360	800,000	2,833,360	1,862,515	800,000	2,662,515
TOTAL EXPENDITURES	150,225,795	95,556,316	245,782,111	151,731,658	61,422,006	213,153,664	153,859,037	61,087,645	214,949,682
Surplus / (Deficit)	(5,646,706)	(6,914,527)	(12,561,233)	(1,020,205)	922,813	(1,943,018)	4,451,456	(324,573)	4,126,883
Beginning Fund Balance	33,500,108	9,180,974	42,681,082	27,853,402	2,266,447	30,119,849	26,833,197	1,343,634	28,176,831
Ending Fund Balance (EFB)	27,853,402	2,266,447	30,119,849	26,833,197	1,343,634	28,176,831	31,284,653	1,019,061	32,303,714

Comparison of Adopted Budget to 1st Interim

DESCRIPTION	2022-23 ADOPTED BUDGET			2022-23 FIRST INTERIM		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
LCFF/Basic Aid	163,771,944	6,229,600	170,001,544	174,790,653	6,156,886	180,947,539
Federal Revenues	0	8,562,920	8,562,920	0	11,089,185	11,089,185
State Revenues	1,932,987	11,781,741	13,714,728	1,932,987	23,645,539	25,578,526
Other Local	1,621,668	11,717,626	13,339,294	1,647,287	13,958,341	15,605,628
Transfers In	0	0	0	0	0	0
Contributions	(31,698,999)	31,698,999	0	(33,791,838)	33,791,838	0
TOTAL REVENUES	135,627,600	69,990,886	205,618,486	144,579,089	88,641,789	233,220,878
Certificated Salaries	66,194,113	18,486,926	84,681,039	66,300,283	22,269,140	88,569,423
Classified Salaries	21,211,957	11,101,645	32,313,602	21,426,414	12,387,564	33,813,978
Employee Benefits	38,815,603	23,197,846	62,013,449	40,431,735	25,645,584	66,077,319
Supplies	3,333,850	3,223,251	6,557,101	4,307,555	11,165,251	15,472,806
Services	14,220,393	14,946,770	29,167,163	14,972,511	22,040,457	37,012,968
Capital Outlay	10,000	15,000	25,000	78,155	25,000	103,155
Other Outgo/Indirect Costs	703,183	888,710	1,591,893	216,944	1,223,320	1,440,264
Transfers Out	1,185,015	800,000	1,985,015	2,492,198	800,000	3,292,198
TOTAL EXPENDITURES	145,674,114	72,660,148	218,334,262	150,225,795	95,556,316	245,782,111
Surplus / (Deficit)	(10,046,514)	(2,669,262)	(12,715,776)	(5,646,706)	(6,914,527)	(12,561,233)
Beginning Fund Balance	18,890,652	3,685,575	22,576,227	33,500,108	9,180,974	42,681,081
Ending Fund Balance (EFB)	8,844,138	1,016,313	9,860,451	27,853,402	2,266,447	30,119,848

Enrollment

At Budget Adoption

School Name	9	10	11	12	Total
Sequoia	460	444	514	488	1,906
Menlo Atherton	552	532	576	537	2,197
Carlmont	604	579	588	584	2,355
Woodside	382	413	450	432	1,677
East Palo Alto Academy	94	73	89	64	320
TIDE Academy	51	57	42	81	231
Redwood			10	89	99
NPS*	10	9	1	17	37
TRACE*				65	65
				Total	8,887

At 1st Interim

School Name	9	10	11	12	Total
Sequoia	453	461	512	490	1,916
Menlo Atherton	504	540	561	526	2,131
Carlmont	577	587	583	581	2,328
Woodside	377	417	456	438	1,688
East Palo Alto Academy	89	70	72	62	293
TIDE Academy	53	64	44	83	244
Redwood			69	132	201
NPS*	5	8	10	11	34
TRACE*				71	71
				Total	8,906

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.