

## 2022-23 First Interim Report

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The Kentfield School District is presenting the 2022-23 First Interim Report as required pursuant to Education Code (EC) Sections 35035(g), 42130 and 42131. These code sections require the Governing Board of each school district to certify at least twice a year to the district's ability to meet its financial obligations for the remainder of that fiscal year and for the subsequent two fiscal years. This is referred to as the Interim Report Process, which captures budgets and actuals as of October 31<sup>st</sup> of each fiscal year. The First Interim Report for 2022-23 is due to the Marin County Office of Education (MCOE) by December 15, 2022.

The First Interim Report makes changes to the District's Adopted Budget, approved in June 2022. It incorporates budget revisions to both revenues and expenditures for the Board's formal approval. After the review of this report in accordance with the Criteria and Standards (EC 33127), the Board is required by AB 1200 to certify the District's financial position to the State in one of three ways:

- A Positive Certification, stating that, based on current projections, the District will meet its financial obligations for the current fiscal year and two subsequent fiscal years, or
- A Qualified Certification, stating that, based on current projections, the District may not meet its financial obligations for the current fiscal year and two subsequent fiscal years, or
- A Negative Certification, stating that, based on current projections, the District will be unable to meet its financial obligations for the remainder of the current fiscal year or for the two subsequent fiscal years.

First Interim projections are based on actual revenue received, actual expenditures paid, including employees' salary and benefits costs through October 31, 2022, and projected obligations and earnings through June 30, 2023. The 2022-23 First Interim Report reflects a General Fund ending fund balance **increase** in the current fiscal year and reserves for economic uncertainty **above** the State minimum and current Board reserve policy for the current and two subsequent fiscal years. Additionally, the cash flow analysis projects sufficient cash balances at the end of the fiscal year. **Therefore, it is staff's recommendation that the Board of Education approve the 2022-23 First Interim Report with a Positive Certification.**

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### Revenue Changes:

The First Interim projects that revenue increases by **7.2%** from the Adopted Budget, due mainly to additional one-time State funds and a small increase to Secured Property Tax Revenue.

<b>GENERAL FUND</b>	<b>2022/23 Adopted Budget</b>	<b>2022/23 First Interim Report</b>	<b>Change From Adopted Budget</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$1,953,561</b>	<b>\$2,523,927</b>	<b>\$570,366</b>
PROPERTY TAX REV.	<b>\$10,863,434</b>	<b>\$10,952,047</b>	<b>\$88,613</b>
STATE AID/EDUCATION PROTECTION ACT REVENUE	<b>\$905,902</b>	<b>\$907,930</b>	<b>\$2,028</b>
<b><i>ALL OTHER STATE REVENUE</i></b>	<b>\$1,486,886</b>	<b>\$2,801,288</b>	<b><u>\$1,314,402</u></b>
FEDERAL REVENUE	<b>\$468,373</b>	<b>\$499,990</b>	<b>\$31,617</b>
LOCAL REVENUE	<b>\$6,851,563</b>	<b>\$6,900,576</b>	<b>\$49,013</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$20,576,158</b>	<b>\$22,061,831</b>	<b>\$1,485,673</b>

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### Expenditure Changes:

The First Interim projects expenditures to increase by 5.6%, mainly from recognition of the collective bargaining agreement approved in June by the Board. These costs are reflected in the salaries and benefits categories. Other expenses originally coded to “supplies” are now coded as “services” to more accurately reflect the expense type. Staff recommends that the Board take action to earmark the new State one-time funds for existing program costs. This thoughtful allocation of one-time funds, in the current and two out years, will reflect a commitment to maintain the expansive and robust educational and enrichment programs currently enjoyed by the Kentfield student body.

<b>GENERAL FUND</b>	<b>2022/23 Adopted Budget</b>	<b>2022/23 First Interim Report</b>	<b>Change From Adopted Budget</b>
<b>EMPLOYEE SALARIES</b>	<b>\$11,221,184</b>	<b>\$11,638,232</b>	<b>\$417,048</b>
<b>EMPLOYEE BENEFITS</b>	<b>\$5,763,572</b>	<b>\$5,877,142</b>	<b>\$113,570</b>
<b>SUPPLIES</b>	<b>\$950,459</b>	<b>\$764,206</b>	<b>&lt;\$186,253&gt;</b>
<b>SERVICES/OTHER</b>	<b>\$2,635,384</b>	<b>\$3,444,578</b>	<b>\$809,194</b>
<b>TOTAL EXPENSES</b>	<b>\$20,570,599</b>	<b>\$21,724,158</b>	<b>\$1,153,559</b>
<b>OPERATIONAL IMPACT (REVENUES MINUS EXPENSES)</b>	<b>\$5,559</b>	<b>\$337,673</b>	<b>\$332,114</b>
<b>E.F.B. (ENDING FUND BALANCE)</b>	<b>\$1,959,120</b>	<b>\$2,861,599</b>	<b>\$902,479</b>

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### Net Change to the Fund Balance:

As noted in the chart above, the cumulative impact of revenues growing faster than expenses in the current year is an increase in the projected ending fund balance (EFB). However, the one-time infusion of State funds is expected to be expended during the next 24-36 months, bringing the fund balance back down at the end of this reporting cycle.

### Reserve Levels:

As a small school district, the State currently requires KSD to maintain a reserve for economic uncertainty of 4%. If the District's average daily attendance exceeds 1,000, then that percentage decreases to 3%. However, reserve levels this low give no room for unexpected financial fluctuations and all financial experts in this field recommend reserves of between 15-20%. The District's projected reserve for economic uncertainty at First Interim is as follows:

**22-23 - 9.80%**

**23-24 - 10.53%**

**24-25 - 8.69%**

### Multiyear Projections

GENERAL FUND	2022/23 First Interim	2023/24 Projection	2024/25 Projection
<b>GF BEGINNING FUND BALANCE</b>	\$2,523,927	\$2,861,600	\$2,398,224
REVENUES	\$22,061,831	\$21,148,469	\$21,479,754
EXPENDITURES	<\$21,724,158>	<\$21,411,845>	<\$21,784,516>
TRANSFERS OUT <i>(FOOD SERVICE PROGRAM FUND 13)</i>	\$-0-	<\$200,000>	<\$200,000>

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<b>OPERATIONAL GAIN OR LOSS</b>	\$337,673	<\$463,375>	<\$504,763>
<b>GF TOTAL ENDING FUND BALANCE</b>	\$2,861,600	\$2,398,224	\$1,893,462

Multi Year projections for Kentfield School District are currently based on the following assumption:

- Property tax revenue grows at a rate of 3% per year;
- Parcel Tax revenue grows annually as planned;
- Revenue from donations and gifts, through KIK and the PTA's continues at current levels;
- Federal revenue continues at current levels;
- Enrollment remains stable or grows slowly due to additional TK students;
- Any minimal future enrollment growth can be managed without adding FTE;
- Fiscal solutions are implemented to address the Universal Meals program costs (additional revenue generation through participation in the National School Lunch Program);
- Health benefit premium costs do not rise by more than 5% per year;
- Employee PERS, STRS and OPEB costs do not rise above projected levels;
- Costs of goods and services do not exceed the expected CPI rates.

**Additional Information:**

The First Interim Report does not reflect any future collectively bargained salary increases for KSD employees. Negotiations with the bargaining groups begin in early 2023. Concurrently, staff will bring forward policy revisions for review and discussion focusing on growing the current reserve for economic uncertainty. Finally, the District has capital facility needs that should be addressed through both a robust deferred maintenance program and by securing additional construction repair and modernization funds.

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## **Summary:**

The First Interim Report and Budget for Kentfield School District for 2022-23 is prepared and presented based on information currently available. Staff will continue to review the 22-23 budget and will bring forward to the Board the Second Interim Report in March 2023, reflecting actuals through the end of January 2023. At that time we will also have the Governor's 23-24 Budget proposal, assisting us in our multi-year planning.