

## 2022-23 Second Interim Report

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The Kentfield School District is presenting the 2022-23 Second 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 January 31<sup>st</sup> of each fiscal year. The Second Interim Report for 2022-23 is due to the Marin County Office of Education (MCOE) by March 15, 2023.

The Second Interim Report makes changes to the District's First Interim Budget, approved in December 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.

Second Interim projections are based on actual revenue received, actual expenditures paid, including employees' salary and benefits costs through January 31, 2023, and projected obligations and earnings through June 30, 2023. The 2022-23 Second 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 standard 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 Second Interim Report with a Positive Certification.**

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**Revenue Changes:**

The Second Interim projects that General Fund revenue increases by **2.1%** from the First Interim report.

In addition to a small increase in property tax revenue, the revenue budgets are reflective of these highlighted changes:

Other State - \$62,918 in funds for Universal Pre-K/TK operations;

Federal - \$64,113 in ESSER III Learning Loss Mitigation funds;

Other Local - \$240,127 in KIK overage and fund a need reimbursements.

<b>GENERAL FUND</b>	<b>2022/23 First Interim Budget</b>	<b>2022/23 Second Interim Report</b>	<b>Change From First Interim</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$2,523,927</b>	<b>\$2,523,927</b>	<b>\$-0-</b>
<b>PROPERTY TAX REV.</b>	<b>\$11,012,135</b>	<b>\$11,055,556</b>	<b>\$43,421</b>
<b>STATE AID/EDUCATION PROTECTION ACT REVENUE</b>	<b>\$907,930</b>	<b>\$907,930</b>	<b>\$-0-</b>
<b>ALL OTHER STATE REVENUE</b>	<b>\$2,801,288</b>	<b>\$2,896,644</b>	<b>\$95,356</b>
<b>FEDERAL REVENUE</b>	<b>\$499,990</b>	<b>\$591,963</b>	<b>\$91,973</b>
<b>LOCAL REVENUE</b>	<b>\$6,900,576</b>	<b>\$7,141,923</b>	<b>\$241,347</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$22,061,831</b>	<b>\$22,533,928</b>	<b>\$472,097</b>

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**Expenditure Changes:**

The Second Interim projects expenditures to increase by 1.6% from First Interim projections.

GENERAL FUND	2022/23 First Interim Budget	2022/23 Second Interim Report	Change From First Interim Budget
EMPLOYEE SALARIES	\$11,638,232	\$11,634,190	<\$4,042>
EMPLOYEE BENEFITS	\$5,877,142	\$5,895,874	\$18,732
SUPPLIES	\$764,206	\$1,025,257	\$261,051
SERVICES/OTHER	\$3,444,578	\$3,517,055	\$72,477
TOTAL EXPENSES	\$21,724,158	\$22,072,376	\$348,218
OPERATIONAL IMPACT (REVENUES MINUS EXPENSES)	\$337,673	\$461,552	\$123,880
E.F.B. (ENDING FUND BALANCE)	\$2,861,599	\$2,985,479	\$123,880

**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). Projecting forward, understanding that negotiations with the employee groups are ongoing, the EFB increases in the next two fiscal years.

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## 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 for current and future years is currently as follows:

**22-23 - 8.87%**

**23-24 - 11.16%**

**24-25 - 14.37%**

## Multi-Year Projections

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

- Property tax revenue grows at a rate of 5% for 23/24 and 3.5% for 24/25;
- 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;
- Certificated full time equivalent (fte) position reductions of 4.25 in 23/24 and 1.0 in 24/25;
- Classified full time equivalent (fte) position reductions of 2.98 in 23/24;
- One-Time Arts, Music and Instructional Materials Grant is reduced by 1/3rd;
- 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.

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GENERAL FUND - MULTI-YEAR PROJECTIONS	2022/23 Second Interim	2023/24 Projection	2024/25 Projection
GF BEGINNING FUND BALANCE	\$2,523,927	\$2,985,479	\$3,476,721
REVENUES	\$22,533,928	\$21,528,057	\$21,855,362
EXPENDITURES	<\$22,072,376>	<\$20,936,815>	<\$21,079,456>
TRANSFERS OUT (FOOD SERVICE PROGRAM FUND 13)	\$-0-	<\$100,000>	<\$100,000>
GF ENDING FUND BALANCE	\$2,985,479	\$3,476,721	\$4,152,627
OPERATIONAL GAIN OR LOSS	\$461,552	\$491,242	\$675,906

**Additional Information:**

The Second Interim Report does not reflect any future collectively bargained salary increases for KSD employees. Negotiations with the bargaining groups have begun. After consultation with the Finance Committee, staff will bring forward a recommendation for either a policy revision or a Board resolution memorializing the need to thoughtfully increase the reserve for economic uncertainty, reflecting the Board goal of fiscal stewardship. Finally, the District has capital facility needs that should be addressed through both a robust deferred maintenance program and by securing additional new construction and modernization funds.

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## **Summary:**

The Second Interim Report 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 22-23 Estimated Actuals budget in June, alongside the 23-24 proposed Adopted Budget.