



August 18, 2020

Re: Fiscal Year 2020/21, 45 Day Budget Revision

### **Introduction**

The Bellevue Union School District's 2020/21 Budget for Adoption, approved by the Board of Trustees on June 30th, 2020, outlined substantial unknown programmatic and financial variables at the time of submission which hindered the District's ability to provide a clear and complete budget outlook at the time of submission. The Budget for adoption therefore stipulated that a subsequent budget revision would be submitted for Board review and approval per education Code Section 42127(h) within 45 days of the Governor's official budget adoption which took place on June 29, 2020. The District Office expects a conditional approval of the FY 2020/21 budget by the Sonoma County Office of Education as submitted, pending full approval contingent on the budget revisions presented. Key changes associated with the revise of the District's FY 2020/21 budget are presented as follows:

### **Enrollment and Attendance Projections**

Enrollment figures have been adjusted down to a projected 1525 students for FY 2020/21 (updated 8.11.20 and includes COE enrollments). Projected unduplicated student percentages are being held even at around 90% of the population. That said, based on an evaluation of enrollment by grade levels, the District projects a continued decline in enrollment of around 5% in FY 2021/22 and FY 2022/21. The associated ADA for the following years has been proportionally adjusted in the LCFF Calculations (*Reference Tables 1 and 2*).

### **Local Control Funding Formula (LCFF) Revenue**

LCFF revenue was updated utilizing v21.2 of the calculator which was released by FCMAT on July 13, 2020. This version contains: (1) updated FY 2020/21 State Budget assumptions as approved by the Governor on June 29, 2020; (2) holds Districts "harmless" in ADA reductions realized in in FY 2020/21; (3) applies a Zero Cost of Living Adjustment for FY 2020/21 and the subsequent 2 fiscal years -- a defacto reduction in revenue; and (4) updates Sonoma County Property Tax Revenue projections (*Reference Table 3*).

### **CARES ACT (ESSER) and Learning Loss Mitigation Fund (LLMF)**

The United States Congress passed the CARES Act, which was signed into law on March 27, 2020. This relief package provided states with both funding and streamlined waivers to give State educational agencies flexibilities to respond to the COVID-19 pandemic. Allocations are based on the Title I, Part A formula, and the Bellevue Union School District is eligible for \$477,030 in Funding associated with this Act.

The Learning Loss Mitigation Funding (LLMF), authorized by the 2020–21 budget package (Senate Bill 98, Section 110), appropriates funding through three different methodologies to support transitional Kindergarten through 12th

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grade pupil academic achievement and mitigate learning loss related to COVID-19 school closures. Broadly, these sources, amounts, and methodologies include: (1) \$128,343 allocated to BUSD through the Governor’s Emergency Education Relief Fund (GEER) and based on Special Education funding formulas; (2) \$1,855,309 allocated to BUSD through the Coronavirus Relief Fund and based on Unduplicated Pupil Percentages; and (3) \$149,459 allocated to BUSD through Senate Bill 98 (Learning Loss Mitigation) and based on the LCFF funding formulas (*Reference Table 3*).

### **Salary and Benefits**

The District’s Personnel and Benefits budgets for FY 2020/21 are being updated to account for personnel actions that took place over the summer and will take place into the following weeks to support the District’s Distance Education prerogatives and continued support for its EL population. Additionally, final statutory benefits adjustments (STRS and PERS) are pending the District’s official closure of the fiscal year via the Unaudited Actuals report due to the County Office of Education on September 15th. The District’s updated personnel budgets will likewise be reflected on the finalized FY 2020/21 budget adjustment report due to the County Office of Education on September 30, 2020 (*Reference Table 4*).

### **Operating Expenditures**

The largest projected adjustment to the District’s operating budget is associated with the COVID related budgetary line under ‘services and operating expenditures’ which was couched within the General Fund. The original FY 2020/21 budget for adoption earmarked 20% of total operating expenditures (\$1,400,000) to account for unknown operating expenses related to distance learning at the time the budget was submitted to the Board in June 2020. This budget has been removed in FY 2020/21 due to the aforementioned funding now available through the LLMF and Cares Act. However, as the funding via the LLMF is presumed to be one time in nature, a COVID operating expenditure budget of \$500,000 has been placed in FY 2021/22 and FY 2022/23 respectively. The District’s operating budgets will continue to be updated and reflected on the finalized FY 2020/21 budget adjustment report due to the County Office of Education on September 30, 2020 (*Reference Table 4*).

### **Updated Multi Year and Cash Flow Projections**

Based on these revised enrollment, attendance, and unduplicated percentage assumptions, the projects total LCFF entitlements to stay relatively flat through FY 2021/22, followed by a substantial drop in projected revenue in FY 2022/23. Specifically, LCFF revenue in the current fiscal year (FY 2021/22) is projected to decline by a moderate \$373,705 (\$19,249,973 down to \$18,876,268) as compared to revenues received in FY 2019/20 due to the District being held harmless from ADA declines. LCFF Revenue in 2021/22 is likewise projected to be held relatively stable, given that current standards provide Districts with higher calculated ADA over 2 prior years of data collected. The substantial drop off in revenue is expected to impact the District in FY 2022/23 due to the expiration of the ADA Hold Harmless provision, as well as removal of the buffer afforded by the District’s ability to utilize the

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higher of two years worth of ADA reporting on the LCFF. The projection is a reduction in LCFF Revenue of \$1.35 million, from \$18,876,268 in FY 2021/22 down to \$17,519,023 in FY 2022/23 (*Reference Table 5*).

Further complicating the District's cash flow projections in the current fiscal year is the confirmation of principal apportionment deferrals from the State of California. At this time, the District projects partial deferrals starting in the month of February 2021, which based on prior year apportionment schedules and amounts, is projected to reduce the District's FY 2020/21 LCFF funding by \$2,439,682 (*Reference Table 6*).

Although these apportionment deferrals are scheduled to be restored/returned to the District in FY 2021/22 on a quarterly basis (25% of deferred funding per quarter, with 100% restoration by June 2022), the District will be responsible for meeting its cash flow demands in the interim (*Reference Table 7*).

With that said, the District currently projects a substantial and detrimental impact to the District's reserves in FY 2020/21, materializing as a \$2.9 million operating deficit dependent on the scope of the deferrals. The subsequent impact on the District's fund balance and ending reserves in FY 2020/21 are currently estimated at \$1,837,000 (6-7% in unrestricted reserves) at this point of budget revision. The factors which will result in adjustments to the ending fund balance and unrestricted reserve include the official closure of the District's FY 2019/20 financials, actual principal apportionment deferrals, and finalization of personnel actions in the current year (*Reference 8*).

On the topic of Personnel Actions, the District's revised multi year projection accounts for a necessary reduction in FTE associated with the projected decline in Enrollment and removal of ADA shelters from the District's LCFF Calculations. A reduction of 7 FTE equating to \$805,000 has been built into the FY 2022/23 at this time, but will require strategic action and collaboration between the District's leaders to implement with practicality and grace.

### Next Steps

In terms of timing, this 45 day Budget Revision provides a summary level outline of the key budgetary revisions to be updated in the District's financial system and reported via the Standard Accounting Control system. The official budget revision reflective of all official supporting forms and reports (i.e. monthly cash flow summary projections and updated criteria and standards) is thereafter due to the Sonoma County Office of Education by September 30, 2020, and to be submitted in conjunction with the District's finalized closure of its books for FY 2019/20 via the Unaudited Actuals report.

Best,

Dr. Chris J. Kim  
Chief Business Official

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Table 1

Enrollment Projections										
School Sites	TK	K	1	2	3	4	5	6	Subtotal	Budget
Bellevue	7	52	52	58	57	55	54	44		
Kawana Springs	1	45	50	57	38	41	49	61		
Meadow View	1	32	41	49	62	54	62	57		
Taylor Mountain	13	33	53	48	63	65	59	70		
<b>FY 2020/21</b>	22	162	196	212	220	215	224	232	1,483	1500
<b>FY 2021/22</b>	20	160	162	196	212	220	215	224	1409	1425
<b>FY 2022/23</b>	20	160	160	162	196	212	220	215	1345	1350

Table 2

Projection	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Total Enrollment (w/ COE)	1628	1525	1450	1375
Funded LCFF ADA	1,526	1,516	1,516	1,351
% Change in Enrollment		-6.33%	-4.92%	-5.17%

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Table 3

Projection	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
LCFF	\$19,249,973	\$18,876,268	\$18,876,268	\$17,519,023
Federal	\$1,479,418	\$1,227,766	\$1,227,766	\$1,227,766
State	\$1,616,766	\$1,501,777	\$1,501,777	\$1,501,777
Local	\$320,810	\$352,312	\$352,312	\$352,312
<i>LLMF Grants</i>	<i>\$0</i>	<i>\$2,636,789</i>	<i>\$0</i>	<i>\$0</i>
Total Revenue	\$22,666,967	\$24,594,912	\$21,958,123	\$20,600,878
% Change in Revenue		8.51%	-10.72%	-6.18%

Table 4

Projection	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Certificated Salaries	\$7,517,209	\$7,684,031	\$7,824,231	<b>\$7,374,831</b>
Classified Salaries	\$2,771,661	\$2,809,932	\$2,859,182	\$2,911,182
Benefits	\$3,814,418	\$4,101,189	\$4,183,212	<b>\$4,056,877</b>
Books and Supplies	\$643,557	\$793,116	\$799,228	\$805,400
Services and Other	\$6,851,773	\$7,215,876	\$7,215,876	\$7,215,876
<i>COVID-19 Op. Expense ---&gt;</i>	<i>\$0</i>	<i>\$2,636,789</i>	<i>\$500,000</i>	<i>\$500,000</i>
Total Expenditures	\$21,598,618	\$25,240,933	\$23,381,729	\$22,864,166
% Change in Expenditures		16.86%	-7.37%	-2.21%

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Table 5

Projection	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Beginning Fund Balance	\$3,672,906	\$4,741,255	\$4,095,234	\$2,671,629
Revenue	\$22,666,967	\$24,594,912	\$21,958,123	\$20,600,878
Expenditures	\$21,598,618	\$25,240,933	\$23,381,729	\$22,864,166
Net Surplus / (Deficit)	\$1,068,349	-\$646,021	-\$1,423,606	-\$1,062,738
Projected Ending Fund Balance	\$4,741,255	\$4,095,234	\$2,671,629	\$2,257,770
<i>Total <u>Estimated</u> Unrestricted Reserves:</i>	<i>16-17%</i>	<i>14-15%</i>	<i>9-10%</i>	<i>7-8%</i>

Table 6

Partial Deferrals						
Projected FY 2020/21 Deferrals	February 2021	March 2021	April 2021	May 2021	June 2021	TOTALS
Estimated Standard Apportionment	\$750,705	\$750,705	\$637,038	\$750,705	\$604,951	\$3,494,104
Est. % of Apportionment Deferred	45%	70%	70%	70%	100%	
Estimated Deferred Apportionment	\$337,817	\$525,494	\$445,927	\$525,494	\$604,951	<b>\$2,439,682</b>

Table 7

Restoration of Partial Deferrals					
Projected FY 2021/22 Restoration	September 2021	December 2021	March 2022	June 2022	TOTALS
Est. % of Apportionment Restored	25%	25%	25%	25%	100%
Estimated Restoration of Apportionment	\$609,920	\$609,920	\$609,920	\$609,920	<b>\$2,439,682</b>

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Table 8

<b>Impact of Partial Deferrals on Fund Balance</b>				
Projection	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Beginning Fund Balance	\$3,672,906	\$4,741,255	\$1,655,352	\$2,671,629
Revenue	\$22,666,967	\$22,155,030	\$24,398,005	\$20,600,878
Expenditures	\$21,598,618	\$25,240,933	\$23,381,729	\$22,864,166
Net Surplus / (Deficit)	\$1,068,349	-\$3,085,903	\$1,016,277	-\$1,062,738
Projected Ending Fund Balance	\$4,741,255	\$1,655,352	\$2,671,629	\$2,257,770
<i>Total Estimated Unrestricted Reserves:</i>	<i>16-17%</i>	<i>6-7%</i>	<i>9-10%</i>	<i>7-8%</i>

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