



2021-22 Budget Overview

Presented to Board of Directors on July 13, 2021
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AFFIRM. INSPIRE. THRIVE.



WHAT YOU NEED TO KNOW ABOUT THE 2021/22 BUDGET

- Budget has been aligned to the annual plan for the 2021/22 school year focusing student well-being, academic success, exceptional staff and family and community engagement strategies.
- Budget includes contingencies for enrollment fluctuations and reflects compensation and benefits as agreed to in collective bargaining agreements with our labor partners.
- General fund reserve is expected to be 5.5% (\$20.7 million) of expenditures in August 2022 within the 5-6% range required by board policy.
- Budget includes \$9.2 million in spending of one-time Elementary and Secondary School Emergency Relief (ESSER) funds. ESSER funds are planned to be spent to equitably addressing student needs over 2 years.
- Budget supports the implementation of programs designed to achieve equitable student outcomes identified in the strategic and annual plans.



BASE ASSUMPTIONS

- Enrollment will drop an additional 600 students to 18,928.
- School will be in-person with pre-pandemic schedules.
- On-line school will be available for one-year using *Edgenuity* curriculum for those students opting for a virtual learning program. The program is eligible for Alternative Learning Environment (ALE) funding. 179 K-12 grade students are currently enrolled in the virtual school option.



RISKS MOVING FORWARD

- Enrollment will drop more than anticipated or will be much larger than planned.
Mitigation: Monitor student summer registrations and withdrawals. Continue to monitor enrollment through summer. Included 5 contingency teacher positions in budget expenditures.
- Enrollment fluctuates significantly between schools.
Mitigation: Monitor school enrollment beginning in August. Included 5 contingency teacher positions in budget expenditures. Work with principals to monitor enrollment by grade level and anticipated class sizes.
- Student needs will be greater than anticipated when returning to in-person learning.
Mitigation: Held back \$ 850,000 in ESSER funds to meet unanticipated student needs.

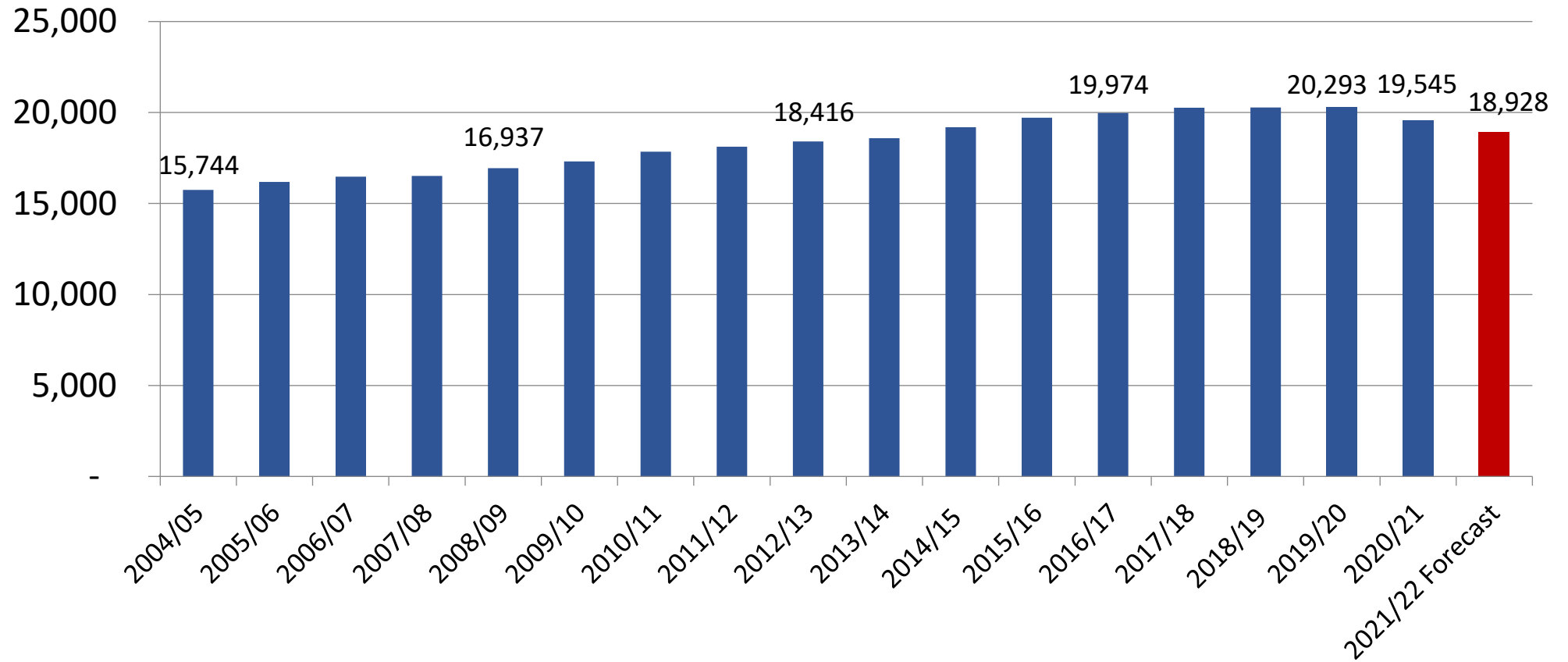


2021/22 BUDGET

| (\$000's) | 2021/2022 Budget | | 2020/2021 Budget | |
|------------------------|------------------|-------------------------|------------------|--------------------|
| Beginning Fund Balance | \$28,866 | 7.6% - Current Forecast | \$36,968 | Actual 2019/20 EOY |
| 2020/2021 Revenue | | \$368,335 | | \$365,196 |
| 2020/2021 Expenditures | | \$376,490 | | \$379,219 |
| Net Loss | | (\$8,155) | | (\$14,023) |
| Ending Fund Balance | \$20,711 | 5.5% | \$22,945 | 6.0% - Updated |



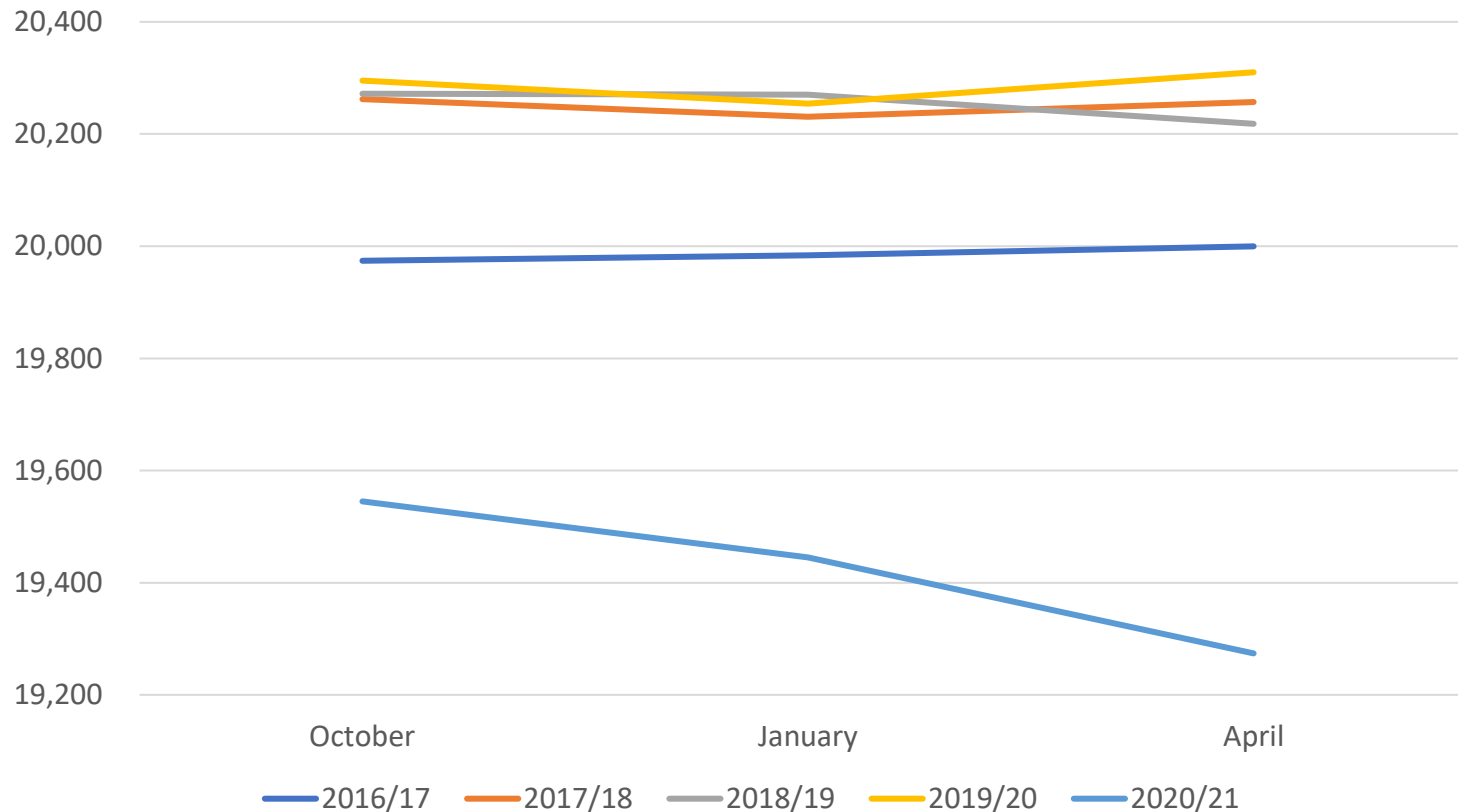
2021/22 BUDGET - ENROLLMENT





2021/22 ENROLLMENT DRIVERS – PANDEMIC IMPACT

Enrollment



Generally, enrollment remains relatively flat over the course of the school year.

During the pandemic, the net enrollment drop was 271 students from October to April. Historically, we have lost around 700 students over the course of the year but also have 700+ new students enroll. This year 795 students left the district and fewer new students enrolled.

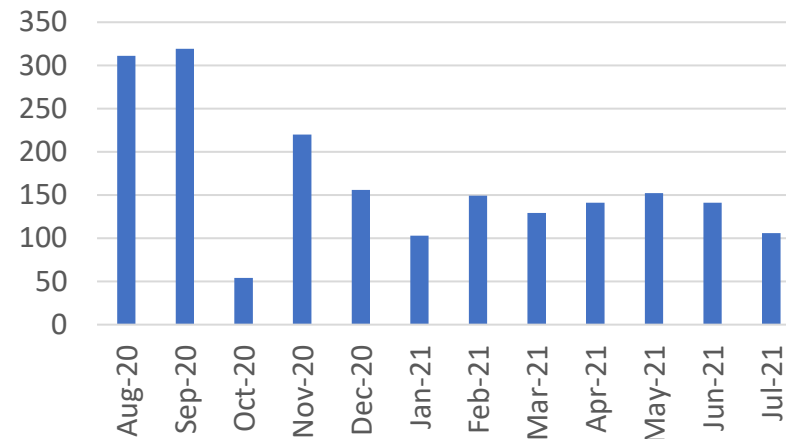
15% of the students confirmed a transfer to private school or homeschool. 22% confirmed a transfer out of country.



2021/22 ENROLLMENT DRIVERS – HOUSING MARKET

| Month | Active Units* | Median Price \$000's | Median Price/ Sq. Foot |
|-------------|---------------|----------------------|------------------------|
| August 2020 | 311 | \$1,160 | \$505 |
| Sept 2020 | 319 | \$1,009 | \$508 |
| Oct 2020 | 54 | \$987 | \$594 |
| Nov 2020 | 220 | \$992 | \$543 |
| Dec 2020 | 156 | \$998 | \$638 |
| Jan 2021 | 103 | \$1,165 | \$667 |
| Feb 2021 | 149 | \$1,080 | \$598 |
| Mar 2021 | 129 | \$995 | \$613 |
| Apr 2021 | 141 | \$1,050 | \$594 |
| May 2021 | 152 | \$1,072 | \$551 |
| June 2021 | 141 | \$1,118 | \$559 |
| July 2021 | 106 | \$1,260 | \$722 |

Active Units
(*Single and Multi- Family)



Source: <https://www.movoto.com/wa/market-trends/>



2021/22 ENROLLMENT DRIVERS – HOUSING MARKET

June 2021

| Community | Active Units* | Median Price \$000's | Median Price/ Sq. Foot |
|-----------------|---------------|----------------------|------------------------|
| Bellevue | 141 | \$1,188 | \$559 |
| Issaquah | 49 | \$1,000 | \$460 |
| Kirkland | 96 | \$802 | \$552 |
| Mercer Isl. | 22 | \$1,772 | \$649 |
| Newcastle | 13 | \$875 | \$418 |
| Redmond | 63 | \$850 | \$475 |
| Renton | 114 | \$673 | \$335 |



2021/22 ENROLLMENT DRIVERS – COST OF LIVING

| Community | Overall Cost of Living | Housing Costs |
|-------------------------|------------------------|---------------|
| US National Ave. | 100 | 100 |
| Bellevue | 197 | 392 |
| Issaquah | 172 | 309 |
| Kirkland | 173 | 312 |
| Mercer Isl. | 283 | 672 |
| Newcastle | 184 | 346 |
| Redmond | 185 | 356 |
| Renton | 139 | 198 |

| Community | Overall Cost of Living | Housing Costs |
|-------------------------|------------------------|---------------|
| US National Ave. | 100 | 100 |
| Bellevue | 197 | 392 |
| Seattle, WA | 172 | 309 |
| Chicago, IL | 107 | 99 |
| Washington DC | 152 | 240 |
| Los Angeles, CA | 173 | 298 |
| San Francisco, CA | 269 | 596 |
| New York, NY | 187 | 294 |



STAFFING REDUCTIONS

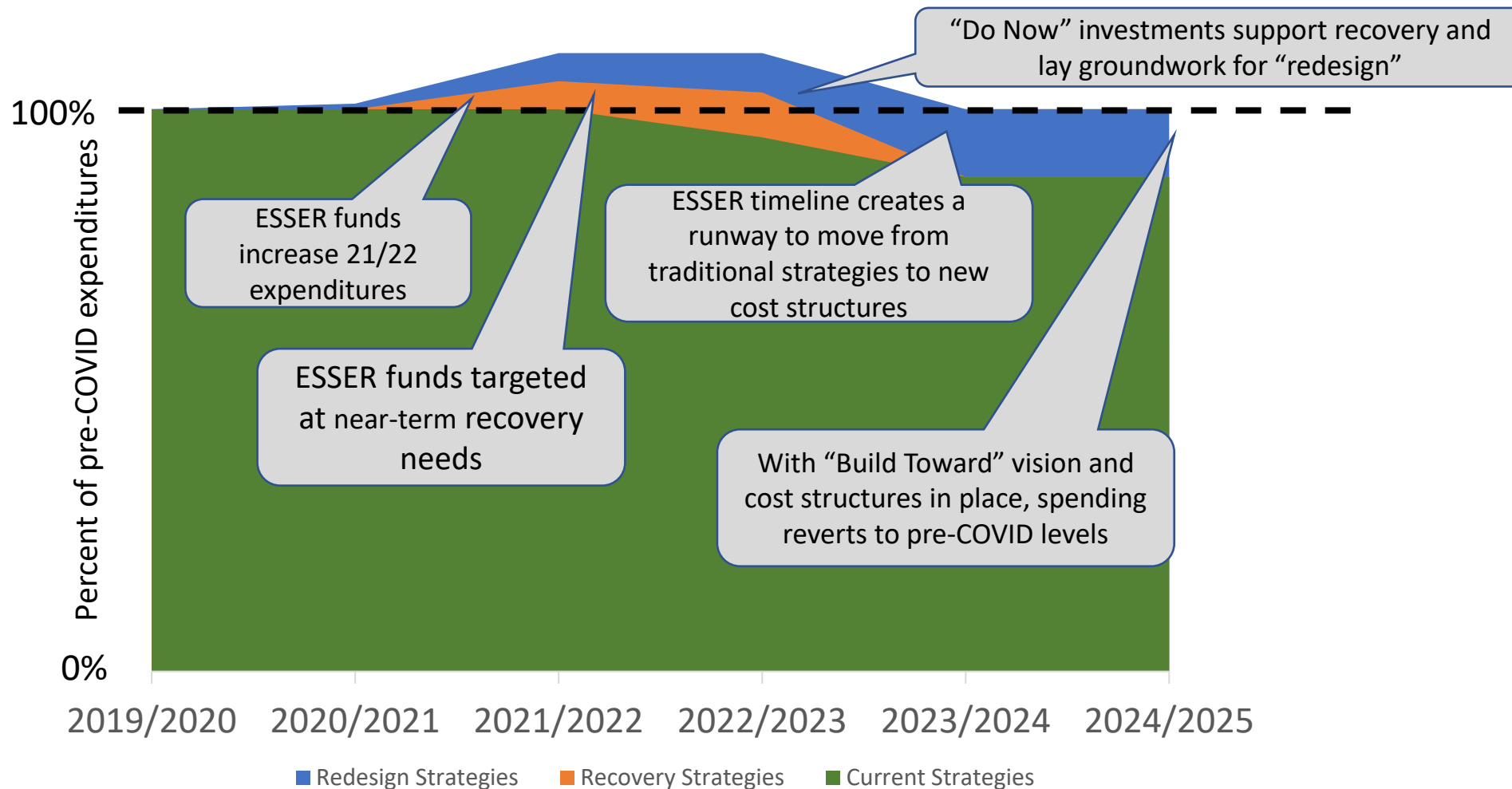
As of June 1, 2021

| Certificated Staffing Positions | |
|---|--------------|
| Retirements | (6) |
| Resignations | (48) |
| Non-continuing contracts | (116) |
| Total Staff Reduction | (170) |
| Staffing Adjustments | |
| Plus newly placed non-continuing contracts for 21/22 school year (Dual language, special ed, psychologists, etc.) | 30 |
| Plus New Hires with specialized credentials | 13 |
| New positions to support recovery plan | 43 |
| Current net reduction of certificated FTE | (84) |

Central office positions were also reduced resulting in \$500,000 in savings.



SHIFTING SPENDING WITH ESSER FUNDS



Source: Education Resource Strategies



WHAT'S IN THIS BUDGET – \$8.5 MILLION IN ESSER FUNDS

| Academic Success | | Amount |
|------------------------|---|-------------|
| Academic Interventions | Elementary Title Schools: A math/dual-focused co-teacher at each school for grades 3-5 | \$560,000 |
| | Elementary Title Schools: 2-3 co-teachers at each school with dual expertise. | \$1,260,000 |
| | Middle Schools: One additional teacher each at Highland MS and Odle MS for math facilitation, co-teaching and tutor coordination. | \$280,000 |
| | Two district leads to work with schools to support standard based instruction and alignment. Plus A-Net Consulting fees. | \$560,000 |
| Enrichment | Equitable access to enrichment at elementary title schools before and after school and on school breaks. | \$250,000 |
| Academic Tutoring | One on one tutoring for students 1-2 years below standard in math starting at schools with the greatest needs. | \$1,440,000 |
| Grad Success | 4 additional certificated staff to support and extension of RISE at each traditional high school. Plus one additional certificated staff members for MTSS coaching and professional learning support. | \$700,000 |



WHAT'S IN THIS BUDGET – \$8.5 MILLION IN ESSER FUNDS

| Social Emotional and Health Supports | | Amount |
|--------------------------------------|--|-------------|
| Mental Health | Secondary: Increase Mental Health Assessment Teams to two additional grade levels district wide. Provide professional development and support to school staff. Additional Behavioral Support at Highland MS. | \$896,000 |
| | Elementary: Continue investment in elementary counseling support. Provide additional mental health and behavioral support to highest need elementary schools. Provide additional mental health supports for schools with SEL special education programs. Provide professional development and support to school staff. | \$1,324,000 |
| Health | Additional nurses to address health concerns and to support contact tracing | \$350,000 |

| Family Empowerment and Engagement | | Amount |
|--------------------------------------|--|-----------|
| School-based family resource support | Expand Family Connection Centers (FCC) to more schools to support more families closer to home during the critical post-pandemic period. | \$200,000 |
| Extend Family Outreach | Hire an ombudsman to support families of students with disabilities. Extend translation and interpretation services. Provide a family coordinator for multi-language learning. | \$500,000 |



WHAT'S IN THIS BUDGET

- Virtual academy
- Additional funds for disinfecting and personal protective equipment
- Certificated staff to return to pre-pandemic class sizes
- 5 Certificated staff positions for enrollment fluctuations



LOOKING AHEAD – THINGS TO WATCH

- ESSER Funds –
 - What strategies are having the biggest impact and what we should stop doing to move into regular funding stream?
 - What modifications do we want to make in year 2 with ESSER funds?
- Contract negotiations –
 - 6 of our 9 labor groups with fully open contracts next year including educators (BEA) and classified support staff (AISP), our two largest associations.
- Supplemental state budget to support 2022/2023 school year
- Enrollment
- Educational Program Levy and Capital and Technology Levy elections in February 2022



Looking Ahead – 4-year Outlook

| \$000's | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|---|------------------|------------------|-------------------|-------------------|------------------|
| Revenues | | | | | |
| Local Taxes & Non-taxes | \$84,257 | \$69,072 | \$68,956 | \$68,825 | \$70,057 |
| State – General & Special | \$241,670 | \$243,493 | \$247,632 | \$251,842 | \$256,627 |
| Federal | \$14,173 | \$29,865 | \$27,580 | \$18,665 | \$19,020 |
| Other | \$25,096 | \$25,905 | \$26,346 | \$26,794 | \$27,303 |
| Total Revenue | \$365,196 | \$368,335 | \$370,514 | \$366,126 | \$373,007 |
| Expenditures | | | | | |
| Basic & Special Education including ESSER funds | | \$276,866 | \$281,498 | \$280,712 | \$285,905 |
| Career and Technical | | \$9,908 | \$10,178 | \$10,451 | \$10,644 |
| Categorical Grants | | \$18,837 | \$19,346 | \$19,869 | \$20,236 |
| Early Lrng/Community Serv | | \$6,699 | \$6,880 | \$7,065 | \$7,196 |
| District-wide Support* | | \$64,179 | \$65,912 | \$67,692 | \$68,944 |
| Total Expenditures | | \$376,489 | \$383,812 | \$385,788 | \$392,925 |
| Rev. over/(under) Expenditures | | (\$8,154) | (\$13,298) | (\$19,662) | (19,918) |

*Includes Transportation, Food Service, Technology, Facilities Maintenance and Operations, Human Resources, Finance, District Administration and others



2021/2022 MATERIALS, SUPPLIES AND OPERATING COSTS (MSOCs)

State law requires the following disclosure during the budget hearing process:

| 2021/22 Budget | Amount |
|-----------------------|----------------|
| Total MSOC Allocation | \$26,591,073 |
| Total MSOC Budget | \$43,745,581 |
| Net Difference | (\$17,154,508) |



Capital & Tech Levy Funds (\$000s)

Est. Beginning Fund Balance:
\$12,509

Capital & Tech Levy Revenue:
\$46,052

Total Available Funds:
\$55,552

End of Year Planned Fund Balance:
\$8,789

| | |
|---------------------------------------|-----------------|
| Salaries & Mgt Support | \$12,174 |
| Teacher Tech Stipends | \$4,027 |
| Athletic Fields & Equipment | \$320 |
| Facility Modernizations & Renovations | \$8,855 |
| Portables | — |
| Data Center & Projects | \$3,204 |
| Application Licenses | \$3,605 |
| Tech Support Infrastructure | \$3,673 |
| Classroom Technology | \$2,092 |
| Student Laptops | \$3,900 |
| Computer-Based Curriculum | \$4,913 |
| Total | \$46,763 |



CAPITAL BUILDING FUND (\$000'S)

Total Available Funds:
\$180,740

End of Year Planned Fund Balance
\$63,683

- Puesta del Sol will be completed by Fall 2022.
- Newport High School capacity expansion will start in June 2022, plan to complete by August 2025.

| | |
|-------------------------------------|------------------|
| Bond Projects | \$000's |
| Newport High School | \$15,000 |
| Highland Middle School | \$215 |
| Puesta del Sol Elementary | \$45,900 |
| Interlake Phase I: Kitchen | \$1,400 |
| Big Picture | \$3,120 |
| Total Bond Projects | \$65,635 |
| Staff Salary & Benefits | \$922 |
| Bond Services | \$400 |
| Other Misc. | \$100 |
| Total Management | \$1,422 |
| Contingency | \$50,000 |
| TOTAL BOND FUND EXPENDITURES | \$115,057 |



BACKGROUND INFORMATION



2021/22 ENROLLMENT DRIVERS – HOUSING MARKET

June 2021

| Community | Active Units* | Median Price \$000's | Median Price/ Sq. Foot |
|--------------------|---------------|----------------------|------------------------|
| Bellevue | 141 | \$1,188 | \$559 |
| Medina | 9 | \$5,450 | \$1,399 |
| Clyde Hill | 2 | \$7,989 | \$856 |
| Beaux Arts Village | 1 | \$3,380 | \$1,079 |
| Yarrow Point | 1 | \$3,000 | \$499 |



Enrollment – Historical School Year Student Departures

| 10/1/2020 - 4/30/2021 | | 20-21 school year | | 19-20 school year | | 18-19 school year | |
|-----------------------|---|-------------------|---------|-------------------|---------|-------------------|---------|
| Leave_Code | Description | Students | Percent | Students | Percent | Students | Percent |
| T0 | Confirmed transfer to another WA district | 251 | 32% | 217 | 30% | 273 | 40% |
| T3 | Confirmed transfer out of Washington State | 138 | 17% | 100 | 14% | 128 | 19% |
| TOC | Confirmed Transfer out of Country | 124 | 16% | 143 | 19% | 121 | 18% |
| T2 | Confirmed transfer to private or homeschool within WA | 111 | 14% | 45 | 6% | 50 | 7% |
| U1 | Unknown | 87 | 11% | 128 | 17% | 55 | 8% |
| U3 | Transfer reported by student (not confirmed) | 55 | 7% | 56 | 8% | 34 | 5% |
| 20AB | 20+ Consecutive Absences | 23 | 3% | 29 | 4% | 19 | 3% |
| D8 | Chose to stay home | 4 | 1% | 15 | 2% | 0 | 0% |
| ZZ | Deceased | 2 | 0% | 2 | 0% | 1 | 0% |
| Totals | | 795 | | 735 | | 681 | |



LOOKING AHEAD – 4-YEAR OUTLOOK

Assumptions for 4-year Outlook:

- Enrollment will remain flat
- Average salary increase for 2022/23 and 2023/24 is 3%
- Increase for MSOC expenses will be 1%
- ESSER funds will be no longer be available in 2023/24 and beyond
- No changes to funding formulas, local levy limits or accounting protocols
- Increases in state funding based on Implicit Price Deflator using state's forecasted rates ranging from 1.5% - 2.2%
- Level staffing



LOOKING AHEAD – 4-YEAR OUTLOOK

Customer Price Index (CPI) vs. Implicit Price Deflator (IPD) :

As part of the McCleary changes, legislature changed the inflation factor for school funding from CPI to IPD. To understand the implications of this change, you need to understand the definitions of both these inflation measures.

Customer Price Index: Measures the average level of prices of a fixed “market basket” of goods and services purchased by consumers (food, clothing, utilities, etc.). CPI does not include increases in the cost of housing. CPI is an indicator of inflation on the retail level from a consumer’s perspective.

Implicit Price Deflator: Broader index of inflation based on general economic activity. It is based on the Gross Domestic Product and therefore, reflects price changes in all goods and services transactions including the consumer, producer, investment, government and international sectors. It is normally used to adjust the cost of long-term projects such as capital projects.

IPD is generally lower than the CPI by as much as a full percentage point. Eighty-five percent of the school district’s expenses are salaries and benefits. Our staff members feel the impact on their buying power based on the CPI plus the additional impact of the local housing market. These differences make negotiations more difficult and lead to the imbalance we are seeing in the 4-year outlook.