



Alameda County Office of Education

L. K. Monroe Superintendent of Schools

January 14, 2022

Craig Bueno, President
Board of Education
Livermore Valley Joint Unified School District
685 East Jack London Blvd
Livermore, CA 94551

RE: 2021-22 First Interim Budget Report

Dear President Bueno,

Pursuant to Education Code (EC) Section 42131(a)(1), at each interim reporting period the Governing Board (Board) of a school district is required to certify whether the district is able to meet its financial obligations for the remainder of the fiscal year and the following two years based on the financial and budgetary reports required by EC Section 42130 and may also include additional financial information known to the Board.

The Livermore Valley Joint Unified School District (LVJUSD) filed a POSITIVE certification of the District's 2021-22 First Interim Budget Report based on standards and criteria for fiscal stability adopted by the State Board of Education pursuant to EC Section 33127. This positive certification is assigned to any district that will meet its financial obligations for the current and subsequent two fiscal years, including retaining reserves equal or above the minimum required Reserve for Economic Uncertainties (REU).

Based on Alameda County Office of Education's (ACOE) required review and analysis, the First Interim Budget Report approved by LVJUSD's Board on December 14, 2021, a positive certification is accomplished by large-scale ongoing expenditure reductions of \$7.2 million in 2022-23, an increased COLA factor from the Governor's 2022-23 Budget Proposal, as well as the passage of the District's current parcel tax measure due to expire this year. While ACOE has received the district's certification, our concerns regarding LVJUSD's fiscal health are outlined below.

Multi-Year Budget Projections, Deficit Spending, and Declining Enrollment

The Multi-Year Budget Projection (MYP) submitted with the First Interim Budget Report outlines the effects of the pandemic and the District's decline in student enrollment. The unprecedented one-time pandemic relief funds and a faster than expected recovery of state revenues have helped the District maintain a Reserve for Economic Uncertainties (REU) just above the state-mandated minimum levels. LVJUSD's fiscal stability requires the District to closely monitor the following

items to ensure it is able to meet its financial obligations in the current and two subsequent fiscal years.

- LVJUSD's January 2021 demographic report projected moderate growth for the foreseeable future, but the pandemic has substantially affected those projections and the District has experienced steep enrollment declines of 707 students over the past two years.

In LVJUSD's First Interim Budget Report to the Board, staff indicated the District will accommodate these declines with reductions of 15 certificated and 10 classified full-time equivalent (FTE) positions in 2022-23, leading to savings of \$2.2 million in the unrestricted general fund. According to the report, the reductions will be accomplished through natural attrition. ACOE acknowledges the uncertainty that the pandemic has lent to enrollment projections across the state, and encourages the District to continue to closely monitor enrollment and adjust expenditures accordingly.

- Due to the expiration of one-time COVID funds, the District has incorporated restricted salary reductions of nearly \$4.0 million in 2022-23. ACOE encourages LVJUSD to ensure that all regular positions, certificated and classified, that are funded with expiring one-time funds, are properly noticed as required by the education code. As reflected in LVJUSD's First Interim Budget Report, without the implementation of these reductions, the District runs the risk of increased contributions from the unrestricted general fund which further reduces its reserves during a period when LVJUSD is experiencing declining revenues and increased costs.
- The assumptions used by LVJUSD to project future LCFF revenues include the Cost of Living Adjustments (COLA) of 5.35% for 2022-23 and 3.50% for 2023-24. These assumptions are based on the California Legislative Analyst's Office (LAO) projections in their November 2021 report. These factors are significantly higher than the 2.48% and 3.11% COLA factors recommended by ACOE, and their use leads to higher revenue projections of approximately \$3.4 million for 2022-23 and \$4.0 million for 2023-24. While the District has discretion with its assumptions, should the Governor's Budget Proposal in January not provide a COLA factor equal or greater to those used by LVJUSD's financial projections, the District's budget would require additional budget-balancing solutions due to the reductions to its projected revenue.
- LVJUSD projects deficit spending in its unrestricted general fund of \$3.3 million in 2021-22 and \$853,220 in 2022-23, with a surplus of \$260,434 in 2023-24. ACOE commends the Board for its approval of Resolution No. 027-21/22, committing the District to implement expenditure reductions of up to \$2.0 million for 2022-23 if required, and the list of potential reductions that were included with the First Interim MYP. It should be noted that if any of the items discussed above are not implemented or do not materialize, additional reductions may be required in order for the District to maintain the minimum REU and meet the positive certification status. Because of the compounding effect of reductions on

the MYP, LVJUSD's Board should continue to proactively assess its deficit spending, and implement timely solutions in order to ensure continued fiscal health.

Parcel Tax

The Measure G parcel tax is due to expire at the end of this year, and the District has plans to bring a renewal measure before voters this coming spring. As reflected in the First Interim Budget Report, LVJUSD included \$4.0 million in ongoing parcel tax revenues to 2022-23 and 2023-24. Should the parcel tax measure not receive approval from the voters as anticipated, LVJUSD will need an additional \$4.0 million in reductions for 2022-23 and an additional \$4.0 million in reductions to 2023-24. If the District fails to approve and implement those reductions, it risks failing to meet its minimum REU in 2022-23, and a negative fund balance and fiscal insolvency in 2023-24. ACOE will require a fiscal contingency plan that can be swiftly implemented in case the parcel tax measure is not renewed.

Collective Bargaining

LVJUSD is in the midst of negotiations with its bargaining units for the current year. Any increase to its salary schedules will impact the District and its MYP and may require additional reductions.

Conclusion

As we continue to navigate our pandemic normal, mitigate staffing shortages, COVID outbreaks, declining enrollment, as well as student educational loss, ACOE recognizes the pivotal role our educational leaders hold for our community and our children. These continue to be unprecedented times as our districts move to respond swiftly to new scenarios to ensure the safety of our students and faculty. We appreciate the Board's continued efforts in upholding its fiduciary responsibilities while maintaining services for those most in need. ACOE looks forward to working with the LVJUSD staff as we continue to navigate the effects of the pandemic on enrollment and student learning and work to resolve the District's structural deficit.

We want to acknowledge and express our appreciation to the District staff, the Board, and the community for their continued diligence and hard work. If you have any questions or concerns regarding our review process, please feel free to call me at (510) 670-4140.

Sincerely,



L.K. Monroe
Alameda County Superintendent of Schools

cc: Board of Education, Livermore Valley Joint USD
Kelly Bowers, Ed.D, Superintendent, Livermore Valley Joint USD
Susan Kinder, Assistant Superintendent of Business Services, Livermore Valley Joint USD
Dr. Candi Clark, Associate Superintendent of Business Services, ACOE
Shirene Moreira, Chief of District Business & Advisory Services, ACOE
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