



SAN MATEO
COUNTY
OFFICE OF
EDUCATION

Excellence and Equity in Education

Nancy Magee • County Superintendent of Schools

September 22, 2022

David Rudolph
President, Governing Board
Bayshore Elementary School District
155 Oriente Street
Daly City, CA 94014-1603

RE: Local Control and Accountability Plan and Adopted Budget – Fiscal Year 2022-23

Dear Board President Rudolph:

The San Mateo County Office of Education (SMCOE) has completed its review of Bayshore Elementary School District's Local Control and Accountability Plan (LCAP) and Adopted Budget for the 2022-23 fiscal year pursuant to Education Codes 42127 and 52070.

A. LOCAL CONTROL ACCOUNTABILITY PLAN (LCAP)

The County Superintendent is required to approve the District's LCAP if it is determined that the following criteria have been met:

- The LCAP adheres to the template adopted by the State Board of Education (EC 52064)
- The budget includes expenditures sufficient to implement the specific actions and strategies included in the LCAP
- The LCAP adheres to the expenditure requirements for funds apportioned on the basis of the number and concentration of unduplicated pupils (EC 42238.02 and 42238.03)
- The LCAP includes the required calculations to determine whether there is a carryover requirement, and if applicable, includes a description of the planned uses of the specific funds and a description of how the planned uses are to be considered as contributing towards meeting the increased or improved services requirement {(EC 52070(d)(4)}

The San Mateo County Superintendent of Schools has approved your Local Control Accountability Plan for the 2022-23 school year, pursuant to Education Code (EC) Section 52070.5(d). California Education Code requires the County Superintendent to review and approve the LCAP prior to the approval of the LEA's adopted budget per EC Section 42127(2). Your board approved LCAP has been posted on the SMCOE website.

B. ADOPTED BUDGET

In accordance with Education Code Section 42127, the County Superintendent of Schools has examined the Adopted Budget of Bayshore Elementary School District (the District) for fiscal year 2022-23 to determine if it complies with the criteria and standards adopted by the State Board of Education, allows the District to meet its financial obligations during the fiscal year, and is consistent with a financial plan that will allow the District to meet its multi-year financial commitments.

On the basis of the County Office review and analysis, the 2022-23 Budget adopted by the Governing Board on June 15, 2022, does comply with the criteria and standards. Additionally, the multi-year projection shows the District will meet its financial obligations in the current year and two subsequent years.

The San Mateo County Office of Education **approves** Bayshore Elementary School District's 2022-23 Adopted Budget with the following comments:

FINDINGS/COMMENTS:

General Fund Budget Summary

The 2022-23 Adopted Budget shows a net decrease in the General Fund revenues of approximately \$43,000 compared to the 2021-22 Estimated Actuals. Local revenue has the largest decrease of \$326,000 due to the elimination of one-time grants and prior year carryover. Federal revenues are projected to increase by \$126,000 due to the Elementary and Secondary School Emergency Relief (ESSER III) funds. State revenues are increased due to the Educator Effectiveness Grant.

General Fund expenditures increased by approximately \$40,000 compared to the prior year. Salaries and benefits are projected to increase by \$356,000 due to anticipated salary negotiation settlements. Books, supplies, services and other operating expenditures and capital outlay are projected to decrease by \$306,000 due to the elimination of one-time funds. Other outgo is reduced by \$12,000 due to fewer students in county special education programs.

Transfers out to the Deferred Maintenance Fund (Fund 14) have increased by \$2,000 for 2022-23.

Below is a comparison of revenue and expenditure budgets in the General Fund for fiscal years 2022-23 and 2023-24:

	General Fund – Unrestricted/Restricted	2021-22 Estimated Actuals	2022-23 Adopted Budget	Difference
A.	Anticipated Revenues	\$6,183,384	\$6,139,038	(\$44,346)
B.	Proposed Expenditures	6,026,593	6,064,634	38,041
C.	Excess (Deficiency) of Expenditures over Revenues	156,791	74,404	(82,387)
D.	Other Sources/Uses and Transfers	(8,923)	(10,923)	2,000
E.	Total Increase (Decrease) in General Fund	147,868	63,481	(84,387)
F.	Ending Balance – Unrestricted/Restricted	\$970,869	\$1,034,350	\$63,481
G.	Ending Balance – Unrestricted only	\$817,680	\$869,459	\$51,779

Total available reserves in the General Fund for 2022-23 fiscal year is approximately \$869,000 or 14.33% of the total General Fund expenditures. The state-recommended minimum reserve level for Bayshore Elementary is 4%.

Reserves in Excess of Minimum

Education Code 42127(a)(2)(B) requires the governing board of a school district provide, for public review and discussion at a public hearing, any amount in excess of the state recommended minimum reserve for economic uncertainties. This includes the combined assigned and unassigned ending fund balances in General Fund (Fund 01) and Special Reserve Fund (Fund 17). The District is required to provide a statement of reasons to substantiate the need for the reserve in excess of the state recommended level.

The District held a public hearing on June 14, 2022, and provided the public an opportunity to review and discuss the components and reasons for the reserves. The total assigned and unassigned balance in the General Fund is approximately \$869,000. The amount in excess of the minimum reserve of approximately \$626,000 is to cover anticipated deficit spending for 2023-24 and beyond.

Cash Flow

The District submitted cash flow projections for 2022-23 and 2023-24 showing positive cash balances each month for both fiscal years. The projected ending cash balance at the close of 2022-23 and 2023-24 fiscal years is approximately \$1 million and \$811,000, respectively.

It is recommended the District monitor the cash balance monthly to ensure it can meet its financial obligations.

Multi-Year Projections (MYP)

The multi-year projection is one of the most important tools in determining the financial position of the district. In order to make multi-year projections, school districts rely on a variety of assumptions and sources of information available at the time of report preparation.

The MYP incorporates the following key assumptions:

Revenues:

- LCFF revenues projected to be increased by 6.56% per Cost-of-Living Allowance (COLA) for current year and 5.38% for 2023-24 and 4.02% for 2024-25.
- ESSER III funds are added in 2022-23 and eliminated in 2023-24. All other one-time federal funds are eliminated in 2024-25 as they are set to expire.
- State revenues include the Educator Effectiveness Grant in the current year. These revenues will remain static for the two subsequent years.
- Local revenues are recognized when they are received. Carryover funds are eliminated in 2023-24 and not included in 2024-25.
- Measure K parcel tax is set to expire June 2023, these funds have been removed in 2023-24.

Expenditures:

- Step and column movement has been included for current and subsequent years. Step and column costs are estimated to increase by 3%. Staffing is projected to increase in the current year and decrease in 2023-24 as one-time funds are expended.
- CalSTRS and CalPERS pension increases are included in all three budget years.
- Books and supplies have been reduced due to elimination of one-time funds for all three budget years.
- Services and other operating expenditures are projected to decrease in the current year due to the elimination of one-time funds. This category remains flat in 2023-24 with estimated reductions in 2024-25 as other one-time funds are expended.
- District is projecting a decrease in number of students attending county-operated special education programs for current year and will remain flat for the two subsequent years.
- The transfer out to the Deferred Maintenance Fund (Fund 14) is projected to increase by \$2,000 and remain static for the two following budget years.

The chart below shows the reserve levels and projected ending balance in the Unrestricted General Fund for the budget year and subsequent two fiscal years:

Unrestricted General Fund	2022-23	2023-24	2024-25
Estimated Beginning Balance	\$817,680	\$869,459	\$679,080
Revenues & Other Financing Sources	3,686,091	3,737,259	3,697,828
Expenditures & Other Financing Uses	3,634,312	3,927,638	4,131,479
Net increase (Decrease)	51,779	(190,379)	(433,651)
Projected General Fund Ending Balance	\$869,459	\$679,080	\$245,429
Total Available Reserves	\$869,458	\$679,080	\$245,429
Available Reserves Percentage Per MYP	14.31%	11.10%	4.04%

Deficit Spending

The District is projecting to deficit spend in 2023-24. This is due to the removal of the parcel tax revenue while the expenditures remain the same. In 2024-25 the deficit spending is projected to substantially increase bringing the total reserves to barely meet the state-recommended minimum of 4%.

The County Office recognizes the District has not included the 6.28% LCFF base augmentation in the current year which could reduce the deficit in the following two budget years. It is recommended that the District update the financial statements to incorporate the most up-to-date information from the State Enacted Budget of 2022-23.

Parcel Tax Expiration

Measure K will expire June 30, 2023. The District will be seeking approval for a reauthorization. This parcel tax generates approximately \$174,000 annually. The revenue has been eliminated in the MYP; however, the expenditures remain.

Salary Negotiations

The District has not settled with its bargaining units as of the adoption of the budget. A placeholder of has been projected in the current year to cover anticipated settlements.

In accordance with Government Code 3547.5 and Assembly Bill 2756, the District must provide the County Office of Education with an analysis of cost and impact on the operating budget of any proposed salary settlement. The District is also required to submit the following documents reflecting the financial impact:

- 1) Disclosure of Collective Bargaining Agreement ten (10) days before the Governing Board acts on any tentative collective bargaining agreement (requires the signatures of the Superintendent and the Chief Business Official).
- 2) Multi-year spreadsheet (reflecting current and two subsequent fiscal years).

- 3) Budget revisions (if necessary, must be posted to the financial system prior to processing a salary settlement on the payroll system).

The County Superintendent strongly encourages school districts to be cautious in their negotiations and conduct thorough pre-settlement analysis of any proposed collective bargaining agreement.

Other Funds

The District maintains positive balance for all funds. Below is a summary of revenues, expenditures, and fund balances for other District funds shown in the 2022-23 Adopted Budget reports:

District Funds	Estimated Beginning Balance	Revenues	Expenditures	Other Sources (Uses)	2022-23 Projected Ending Balance
12 Child Development	\$71	201,151	201,151	-	\$71
13 Cafeteria	\$6775	448,273	448,008	-	\$7,040
14 Deferred Maintenance	\$523	-	10,923	10,923	\$523
21 Building	\$1,404	20	-	-	\$1,424
25 Capital Facilities	\$168,564	323,335	-	-	\$491,899
35 County School Facilities	\$15,045	50	-	-	\$15,095
40 Special Reserve-Capital Outlay Projects	\$1,938	30	-	-	\$1,968

Child Development Fund 12-One-time federal funds are eliminated in the current year and expenditures are reduced accordingly as compared to the 2021-22 Estimated Actuals.

Cafeteria Fund 13-Revenues are projected to increase due to the implementation of Universal Meals. Salaries and benefits are projected to increase due to additional staff needed. Supplies are projected to increase as more meals are served.

Deferred Maintenance Fund 14-The transfer from the General Fund is projected to increase by \$2,000 to cover anticipated maintenance projects for the current year.

There are no significant changes in the other funds of the District compared to the 2021-22 Estimated Actuals.

GENERAL COMMENTS:

Public Disclosure of Voter and Non-Voter-Approved Debt

Districts are reminded to review the requirements for public disclosure of voter and non-voter-approved debt. Voter-approved debts include General Obligation Bonds and Capital

Appreciation Bonds. Non-voter-approved debts include Certificates of Participation (COPs), Tax Revenue Anticipation Notes (TRANs), Bond Anticipation Notes (BANs), revenue bonds, or any other debt instruments not requiring voter approval.

In accordance with AB2197, Education Code Sections 17150, 42133.5, and 17150.1, thirty (30) days prior to the District Governing Board's approval, all districts, regardless of certification status, are required to submit to the County Superintendent of Schools and the County Auditor the following information (as applicable):

- 1) Repayment schedule for debt obligation.
- 2) Evidence of the district's ability to repay the obligation.
- 3) Disclosure of General Obligation Bonds (GOBs) and Capital Appreciation Bond (CABs) Refinancing.

The County Superintendent of Schools and the County Auditor may comment publicly within 15 days of receipt of the information. The 30-day advance notice will require careful planning by the school district in order to comply with the disclosure requirements. The use of debt proceeds is detailed under Education Code 42133.5, which prohibits school districts from using the proceeds from specific debt instruments for general operating purposes.

Fiscal Distress Notification

In compliance with Assembly Bill 2756, districts are required to submit to the County Superintendent of Schools any study, report, evaluation or audit that was commissioned by the district, the Superintendent of Public Instruction, or State control agencies that shows evidence of fiscal distress under the Standards and Criteria adopted in Section 33127, or any report on the school district by the County Office, Fiscal Crisis and Management Assistance Team, or any regional team created pursuant to subdivision (1) of Section 42127.8. The County Superintendent is required, in turn, to consider the findings of such report(s) in the analysis of the district's financial status (Reference: Education Code Section 42127.6).

FCMAT Oversight

The 2018-19 Budget Act has strengthened FCMAT's oversight responsibilities with required intervention in case of fiscally distressed school districts. At the request from the County Superintendent of Schools, FCMAT can now engage if the district has a disapproved budget, negative interim report certification, three consecutive qualified interim report certifications, downgraded interim certification by the county superintendent, or given a "lack of going concern" designation. Once engaged, FCMAT will coordinate with the County Superintendent and perform a fiscal health risk analysis and other oversight activities.

BUDGET CONSIDERATIONS:

May Revise included a Cost-of-Living Allowance (COLA) of 6.56%; a proposed \$2.1 billion augmentation to increase the Local Control Funding Formula (LCFF) base grant and \$8 million

one-time discretionary funding. When the budget was signed on June 27, 2022, the COLA remained and the additional increase to the LCFF base is 6.28%. The \$8 billion in one-time discretionary funding also remained and is labeled as the Learning Recovery Emergency Block Grant and will be distributed based on unduplicated pupil counts.

The 2022-23 Budget Trailer Bill (Assembly Bill [AB] 181) includes three significant changes to Average Daily Attendance (ADA) used for LCFF funding calculations to mitigate declining enrollment.

- Ongoing change to ADA used for LCFF funding calculation
 - LCFF funding is based on greater of:
 - Current year ADA
 - Prior year ADA or
 - Computed average ADA using the three most recent prior years' ADA
 - One-time allowance for classroom-based charter schools (for 2021-22 only)
 - LCFF funding is based on greater of:
 - Current year ADA or
 - Prior year ADA
 - One-time attendance yield adjustment with conditions

Districts are advised to closely monitor changes in ADA and Unduplicated Pupil Percentage (UPP) - especially LCFF funded districts. ADA and UPP are heavily weighted factors in the LCFF calculation.

Districts should review their Original Budget projections and determine if the Learning Recovery Emergency Block Grant and the Arts, Music, and Instructional Materials Discretionary Block Grant are included. These two discretionary grants will be available to LCFF funded districts, community funded districts, and charter schools.

Based on Education Code 42127(h), if the Local Educational Agency (LEA) revises its budget to reflect the Budget Act, the revisions must be made available for the public review within forty-five (45) days from enactment. The 45-day timeline is August 11, 2022. This budget is not required to be submitted to the County Office of Education. The County Office would expect to see all the budget adjustments reflected in the First Interim Report which is due by December 15, 2022.

Enclosed is a summary of the District's financial profile. The District may find this document useful in analyzing fiscal trends.

We want to express our appreciation to the Board and district staff for the work that went into the development of this year's LCAP and Budget. The County Superintendent and staff will continue to provide technical and coaching assistance in the monitoring and development of the District's Budget and LCAP.

Please be sure to contact us if you have any questions about our review of your district's 2022-23 LCAP or Budget.

Sincerely,



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Enclosures

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