



SAN MATEO
COUNTY
OFFICE OF
EDUCATION

Excellence and Equity in Education

Nancy Magee • County Superintendent of Schools

September 22, 2022

Sam Leinbach
President, Governing Board
Belmont-Redwood Shores Elementary School District
2960 Hallmark Drive
Belmont, CA 94002

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

Dear Board President Leinbach:

The San Mateo County Office of Education (SMCOE) has completed its review of Belmont-Redwood Shores 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 Belmont-Redwood Shores 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 13, 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** Belmont-Redwood Shores School District's 2022-23 Adopted Budget with the following comments:

FINDINGS/COMMENTS:

General Fund Budget Summary

The 2022-23 Adopted Budget shows an increase of \$311,000 in General Fund revenues and an increase of \$581,000 in expenditures compared to the 2021-22 Estimated Actuals.

The decline in federal revenues is due to the elimination of one-time funding of \$1.3 million. State revenues are projected to increase by \$329,000 due to additional Expanded Learning Opportunity Program (ELO-P) funding. Local revenues are projected to decrease by approximately \$2 million. This is a result of a Re-Development Agency (RDA) dissolution; however, property taxes are projected to increase by \$3.2 million.

Salaries and benefits include step and column movement projected at 1% for both certificated and classified staff. A 2.5% salary increase for all staff is effective July 1. Increased pension costs are included in benefits. Books and supplies decreased due to spending down one-time COVID-19 funding of \$2 million. Services and other operating expenditures remain relatively flat with only an increase of \$185,000. Capital outlay decreased by \$137,000 in restricted funds. A transfer to the Cafeteria Fund of \$602,000 is projected due to the implementation of Universal Meals in 2022-23.

Below is a comparison of the revenue and expenditure budgets in the General Fund for fiscal years 2021-22 and 2022-23:

	General Fund – Unrestricted/Restricted	2021-22 Estimated Actuals	2022-23 Adopted Budget	Difference
A.	Anticipated Revenues	\$54,032,474	\$54,343,276	\$310,802
B.	Proposed Expenditures	55,2443,356	55,222,033	(21,323)
C.	Excess (Deficiency) of Expenditures over Revenues	(1,210,882)	(878,757)	333,125
D.	Other Financing Sources/Uses	(500)	(602,400)	(601,900)
E.	Total Increase (Decrease) in General Fund	(1,211,382)	(1,481,157)	(269,775)
F.	Ending Balance – Unrestricted/Restricted	\$17,084,110	\$15,602,953	(1,481,157)
G.	Ending Balance – Unrestricted only	\$12,879,480	\$11,009,966	(\$1,869,514)

Total available reserves in the General Fund for 2022-23 fiscal year is approximately \$3.9 million or 7.2% of the total General Fund expenditures. Of that amount, \$3.4 million is designated as Economic Uncertainties Reserves. The state recommended minimum reserve level for Belmont-Redwood Shores Elementary is 3%.

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 the 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 13, 2022, and provided the public an opportunity to review and discuss the components and reasons for the reserves. The total assigned and unassigned ending balance in excess of the minimum reserve is approximately \$13.9 million for the 2022-23 fiscal year. \$7 million is committed per District Resolution 2021-22 #24 for meeting pension obligations.

Cash Flow

The District submitted a two-year cash flow projection showing positive cash balance for each month for both fiscal years. The estimated cash balances by the close of the 2022-23 and 2023-24 fiscal years are approximately \$15.6 million and \$11.3 million, respectively.

The District is projecting to flip to being community funded in 2022-23, which means property taxes will be greater than the LCFF State Funded entitlement. As a community

funded district, local property taxes are the main source of revenues. Property tax distributions usually occur in the months of December, April, and June. Should the District flip to being an LCFF funded district, the cash flow will need to be revised to reflect the anticipated apportionment payments.

The County Superintendent urges the District to continue to implement best practices and regularly monitor its cash position to ensure payroll and other monthly obligations are met.

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:

- District is projecting to be Community Funded in 2022-23 and revert to LCFF for the next two years. For 2023-24, the District anticipates supplemental taxes will be eliminated.
- Federal revenues are reduced in the current year due to elimination of one-time funds and remain flat for the two subsequent years.
- State revenues are projected to increase due to the ELO-P funds in the current year and 2023-24. For the third year, state revenues will remain flat.
- Local revenues are decreased in the current year due to RDA dissolution and further reduced in 2023-24 as Measure K parcel tax expires.

Expenditures:

- The cost of a 1% step and column adjustment has been included in the budget projections for both certificated and classified salaries.
- Increases for pension costs are included in employee benefits.
- A 2.5% salary increase is anticipated for the current year and 2023-24. No salary increase is included for 2024-25.
- Books supplies have been reduced in 2022-23 and 2023-24 due to the elimination of COVID-19 one-time funding.
- Services and other operating expenditures are projected to be slightly increased in the current year. For the next two budget years, expenditures will be reduced due to the expiring of one-time funding.
- Transfer out to the Cafeteria Fund is eliminated in the subsequent 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	\$12,879,480	\$11,009,966	\$6,842,155
Revenues & Other Financing Sources	35,000,032	32,576,604	35,802,381
Expenditures & Other Financing Uses	36,869,546	36,744,415	36,494,174
Net increase (Decrease)	(1,869,514)	(4,167,811)	(691,793)
Projected General Fund Ending Balance	\$11,009,966	\$6,842,155	\$6,150,362
<i>Available Reserves Percentage Per MYP</i>	<i>7.16%</i>	<i>6.92%</i>	<i>9.57%</i>

Deficit Spending

The multi-year projections show operating deficits in the Unrestricted General Fund in each of the budget years. Fiscal year 2023-24 is also projecting deficit spending of over \$4.1 million as a result of the expiration of the Measure K parcel tax.

The County Superintendent strongly urges the District to identify measures to address operating deficits in the General Fund to ensure educational programs are not adversely affected. It is also critical to maintain adequate reserves to provide the District flexibility for any unforeseen events or decreases in education funding in the future.

Parcel Tax

The District has two parcel taxes, Measure K and Measure R that will be expiring in the next few years. Measure K expires June 30, 2023, and Measure R will expire June 30, 2025. Measure C was approved by the voters in June 2022, which will replace both Measure K and R beginning July 2023 at \$292 per parcel with a 3% annual increase. The new measure will be for a period of 10 years, expiring June 2033.

Salary Negotiations

The District has settled negotiations with the certificated and classified bargaining units for the current year. If there are any further negotiations, the District shall comply with the following guidance.

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 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 balances 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	Beginning Balance	Revenues	Expenditures	Other Sources (Uses)	2022-23 Ending Balance
13 Cafeteria	\$262,755	1,356,465	2,220,637	602,400	\$963
25 Capital Facilities	\$618,852	135,635	70,500	-	\$683,987
35 County School Facilities	\$600,557	15,000	607,057	-	\$8,500
40 Spc Rsv-Capital Projects	\$156	100	-	-	\$256
56 Debt Service Fund	\$18,013	220	-	-	\$18,233

Cafeteria Fund (Fund 13): The transfer from the General Fund is projected to be \$602,000 greater for 2022-23 than 2021-22, due to the implementation of the Universal Meal plan.

Capital Facilities Fund (Fund 25): Developer fees are projected to be 50% less in 2022-23 than prior year. The District is projecting \$70,000 for building improvements in the current year.

County School Facilities Fund (Fund 35): This fund is expected to be depleted by end of year.

There are no other significant changes in other District funds 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 show 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 2019-20 Budget Act has strengthened FCMAT's oversight responsibilities with required intervention in case of fiscally distressed school districts. At the request from 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.

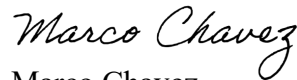
We want to express our appreciation to the Board and district staff for the work that went into the development of this year's LCAP and Budget. The County Superintendent and staff will continue to provide technical and coaching assistance in the monitoring and development of the District's Budget and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

- c: Dan Deguara, Superintendent, Belmont-Redwood Shores ESD
Rui Bao, Chief Business Official, Belmont-Redwood Shores ESD
Ching-Pei-Hu, Assistant Superintendent, Educational Services, Belmont-Redwood Shores ESD
Nancy Magee, County Superintendent of Schools, SMCOE
Joy Dardanelle, Executive Director, District Improvement and Support, SMCOE
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