



September 22, 2022

Sharon L. Boggs
President, Governing Board
Brisbane Elementary School District
1 Solano Street
Brisbane, CA 94005-1342

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

Dear Board President Boggs:

The San Mateo County Office of Education (SMCOE) has completed its review of Brisbane Elementary School District's Local Control 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 Brisbane 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. The County Superintendent of Schools is also required to determine whether the Adopted Budget includes the expenditures necessary to implement the LCAP.

On the basis of the County Office review and analysis, the 2022-23 Budget adopted by the Governing Board on June 22, 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** Brisbane 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 increase in General Fund revenues of approximately \$24,000 and an increase in expenditures of approximately \$373,000 compared to the 2021-22 Estimated Actuals. Local Control Funding Formula (LCFF) revenues increased by \$367,000. Secured property taxes are projected to increase by 5.2% and Community Redevelopment Funds are reduced based on the latest tax revenue projections. Federal and state revenues are reduced by \$194,000 due to the removal of one-time COVID-19 funds, reduction in special education discretionary grant and child nutrition programs. Other local revenues reduced by \$149,000 as local grants and donations will be budgeted when they are awarded or received.

Salaries and benefits expenditures increased by \$809,000 to reflect step and column adjustments, increase in pension costs, health and welfare costs and a 3% salary increase for the classified, management and confidential bargaining units. The books and supplies budget is reduced by \$241,000 due to removal of expenses associated with one-time COVID-19 funding. Services and other operating expenditures are projected to increase by \$33,000. Travel and conferences, repairs and non-capitalized improvement expenses reduced while insurance, professional consulting, other operating and housekeeping expenses are projected to increase. Capital outlay for equipment and building improvement was reduced by \$173,000. Tuition payment for county placed special education students decreased by approximately \$55,000.

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

General Fund – Unrestricted/Restricted		2020-21 Estimated Actuals	2022-23 Adopted Budget	Difference
A.	Anticipated Revenues	\$11,320,987	\$11,344,726	\$23,739
B.	Proposed Expenditures	10,771,958	11,145,061	373,103
C.	Excess (Deficiency) of Expenditures over Revenues	549,029	199,665	(349,364)
D.	Other Sources/Uses and Transfers	(125,000)	(20,000)	105,000
E.	Total Increase (Decrease) in General Fund	424,029	179,665	(244,364)
F.	Ending Balance – Unrestricted/Restricted	\$4,353,318	\$4,532,983	\$179,665
G.	Ending Balance – Unrestricted only	\$3,552,860	\$3,793,137	\$240,277

The state-recommended minimum reserve for Brisbane Elementary School District is 4% of total General Fund expenditures. Based on the adopted budget, the District is projecting approximately \$457,000 or 4.09% in available reserves, of which \$447,000 is for economic uncertainties.

The Special Reserve Fund (Fund 17) has a fund balance of \$2.95 million assigned to facility cash flow needs and is not included in the calculation of available reserves.

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 15, 2022, and provided the public an opportunity to review and discuss the components and reasons for the reserves. The excess reserve amount is set aside for property tax growth, parcel tax reserve, 2022-23 Brisbane Elementary Teachers Association (BETA) salary increase comparable to other bargaining units, curriculum, Special Education and one-time instructional supplies and equipment.

Cash Flow

The District submitted cash flow projections for 2022-23 and 2023-24 showing positive ending cash balances each month for both fiscal years. The projected cash balance at the close of the 2022-23 and 2023-24 fiscal years are estimated to be \$4.2 million and \$4.4 million, respectively.

The District is commended for maintaining adequate funds in the General Fund to meet its financial obligations without outside or interfund borrowings.

Multi-Year Projections (MYP)

The multi-year projection is one of the most important tools in determining the District's financial position. 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:

- Secured property taxes are projected to increase by 5.2% in the current year and 3.5% in the subsequent years.
- Federal and state revenues are projected to decrease in 2023-24 due to removal of one-time COVID-19 funds and carryover from the In-Person Instruction (IPI) grant and remain constant thereafter.
- Local revenues are expected to be flat.
- Increase in contribution to restricted programs in current and subsequent years are primarily due to budgeting for restricted step increases, pension rates, and projected health and welfare costs.
- Parcel Tax Measure B is set to expire at the end of fiscal year 2021-22. The District placed Measure G on the ballot in June 2022. Measure G was approved for 6 years at the current rate of \$131 per year for 6 years, commencing July 1, 2022. At the time of budget preparation, the results were not certified but the District kept the revenue and expenditures projection in the subsequent years budget.

Expenditures:

- The salaries and benefits budget include step and column adjustments estimated at 3% per year for certificated and 4% per year for classified employees. The salaries for 2022-23 include a 3% increase for classified, management and confidential units.
- Restricted salaries and benefits reflect removal of temporary positions relating to one-time funds to address learning loss.
- Health and welfare benefit costs are projected to increase by 5% each year.
- Books and supplies, capital outlay and other outgo expenditures are expected to decrease in 2022-23 due to removal of COVID-19 funds and remain constant thereafter.
- Services and other operating expenditures are projected to reduce in 2023-24 due to removal of one-time funds and trustee boundary study costs. Election cost is added back in 2024-25.

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:

General Fund – Unrestricted Only	2022-23	2023-24	2024-25
Estimated Beginning Balance	\$3,552,860	\$3,793,137	\$4,075,915
Revenues & Other Financing Sources	7,091,357	7,255,196	7,433,239
Expenditures & Other Financing Uses	6,851,080	6,972,418	7,183,683
Net increase (Decrease)	240,277	282,778	249,556
Projected Ending Balance	\$3,793,137	\$4,075,915	\$4,325,471
Total Available Reserves	\$456,516	\$489,294	\$488,850
Total Available Reserves Percentage	4.09%	4.43%	4.30%

Salary Negotiations

The District has not settled negotiations with its certificated bargaining unit for the 2022-23 fiscal year. The classified, management and confidential units settled negotiations for 2 years for 4.545% salary increase in 2021-22 and 3% for 2022-23. 3% salary increase for all units is included in the adopted budget.

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 the 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 the 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).

For future negotiations, the County Superintendent of Schools recommends the District conduct a careful and thorough pre-settlement analysis of any proposed collective bargaining agreement. Multi-year proposals require diligent review to ensure the District can sustain related costs and avoid the risk of insolvency.

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	Estimated Beginning Balance	Revenues	Expenditures	Other Sources (Uses)	2022-23 Projected Ending Balance
13 Cafeteria	\$20,245	190,068	204,756	20,000	\$25,557
14 Deferred Maintenance	\$503,625	3,500	0	0	\$507,125
17 Special Reserve-Other	\$2,924,494	30,000	0	0	\$2,954,494
21 Building	\$5,976,597	12,000	5,900,008	0	\$88,589
25 Capital Facilities	\$373,182	4,500	0	0	\$377,682

Cafeteria Fund (Fund 13) - Federal and state revenues from child nutrition programs and donated food commodities are projected to increase by \$135,000. Accordingly, the expenditures budget has been adjusted in 2022-23. The need for interfund transfer from General Fund is projected to decrease by 84% due to the implementation of the Universal Meals program.

Deferred Maintenance Fund (Fund14) – LCFF transfer from General Fund has been removed. Expenditure budget will be setup as activities are identified.

Building Fund (Fund 21) – Interest revenue is expected to decrease and capital outlay budget has been setup for the remaining amount from second round of bond sales proceed.

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

At the request from the County Superintendent of Schools, FCMAT can 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: Ronan Collver, Superintendent, Brisbane Elementary School District

Nancy Magee, County Superintendent of Schools, SMCOE
Joy Dardenelle, Executive Director, District Improvement & Support, SMCOE
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