



Excellence and Equity in Education
Nancy Magee • County Superintendent of Schools

September 22, 2022

Florence Wong
President, Governing Board
Burlingame Elementary School District
1825 Trousdale Drive
Burlingame, CA 94010

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

Dear Board President Wong:

The San Mateo County Office of Education (SMCOE) has completed its review of Burlingame 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 Burlingame 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, 2022-23 Budget adopted by the Governing Board on June 14, 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** Burlingame 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 \$4.4 million compared to the 2021-22 Estimated Actuals. LCFE revenue is projected to increase by \$2.5 million due to an increase in the Cost-Of-Living Adjustment (COLA) and an increase in enrollment by 70 students in 2022-23. Federal revenue increased by \$1.4 million from special education entitlement, Title funds and one-time COVID-19 funds. Other state revenues increased by \$868,000 from one-time COVID-19 funding. Unrestricted lottery for instructional materials is expected to be reduced by 29%. All other local revenues decreased by \$349,000. Parent Teacher Association (PTA) and other miscellaneous donations are not budgeted until received.

The increase in General Fund expenditures is approximately \$3 million. Salaries and benefit expenditures increased by \$3.5 million. This includes step and column adjustment of 2%, changes in employer pension contribution rates to CalPERS and CalSTRS and a projected 6% increase in health and welfare costs. Books and supplies budget increased by \$58,000. Travel and conferences, insurances, other professional consulting, and housekeeping operations expenditures are projected to decrease by \$528,000. Capital outlay will be budgeted as needed. Transfers from the Special Reserve Fund (Fund 17) for \$1.2 million has been eliminated and a transfer to Fund 17 is setup for \$405,000.

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	2021-22 Estimated Actuals	2022-23 Adopted Budget	Difference
A.	Anticipated Revenues	\$42,199,866	\$46,648,788	\$4,448,922
B.	Proposed Expenditures	43,859,708	46,874,945	3,015,237
C.	Excess (Deficiency) of Expenditures over Revenues	(1,659,842)	(226,157)	1,433,685
D.	Other Sources/Uses and Transfers	(27,005)	(404,851)	(377,846)
E.	Total Increase (Decrease) in General Fund	(1,686,847)	(631,008)	1,055,839
F.	Ending Balance – Unrestricted/Restricted	\$7,146,160	\$6,201,925	(\$944,235)
G.	Ending Balance – Unrestricted only	\$4,578,392	\$4,200,550	(\$377,842)

The state-recommended minimum reserve for Burlingame Elementary School District is 3% of total General Fund expenditures. Based on the adopted budget, the District is projecting approximately \$2.8 million or 5.88% in available reserves.

The ending balance in the Special Reserve Fund (Fund 17) of \$7.1 million is committed for supporting the strategic plan for the District, technology replacement, curriculum adoption and 7% reserve requirement per Board Policy 3105.1. This amount is not included as part of the calculation for minimum reserves.

Reserves in Excess of Minimum

Education Code 42127(a) (2) (B) requires that 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 August 30, 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 Other Post-Employment Benefits (OPEB) contribution.

Cash Flow

The District submitted cash flow projections for 2022-23 and 2023-24 showing negative ending cash balances in the months of November, March, and June in the current year and for all months in the following year.

As a Local Control Funding Formula (LCFF) district, state-aid and the Education Protection Account (EPA) are the main sources of revenue. However, the District is projecting cash flow as a community funded district with local property taxes being received in the months of December, April, and June. This resulted in the ending cash balance to be a negative \$1.2 million for 2022-23 and a negative \$7.2 million in 2023-24. The cash flow projection form was not completed correctly. The County Office would expect the District to update and revise the cash flow projection form for the First Interim Report.

As of June 30, 2022, the ending cash balance in the General Fund is \$12.6 million. Based on our analysis, the District will be able to meet its financial obligations for the budget year. The District is advised to regularly monitor its cash position to ensure it can meet its payroll and other obligations on a timely manner.

Multi-Year Projections (MYP)

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

- The District is projecting increasing enrollment and Average Daily Attendance (ADA) in the current and subsequent years.
- Contributions to restricted programs are assumed to rise based on the increase in the expenses from step and column and higher STRS and PERS rates.
- Federal and state revenues are expected to decrease by 60% and 30% respectively in 2023-24 due to removal of one-time COVID-19 funds and remain constant thereafter.
- Parcel tax revenues are projected to decrease due to additional senior exemption applications.

Expenditures:

- Certificated and classified salaries and benefits budget include step and column adjustments and PERS/ STRS rate changes. One-time COVID bonus of \$3,000 has been removed in the subsequent years.
- Negotiated cap for health and welfare costs are expected to increase 6% annually.
- Books and supplies and other operating expenditures from one-time revenue sources are not included in 2023-24 and 2024-25 budget. The Consumer Price Index (CPI) percentage is applied to the operating expenditures budget for 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:

General Fund – Unrestricted Only	2022-23	2023-24	2024-25
Estimated Beginning Balance	\$4,578,392	\$4,200,550	\$4,355,297
Revenues & Other Financing Sources	31,162,122	32,284,241	34,378,130
Expenditures & Other Financing Uses	31,539,964	32,129,493	33,027,185
Net increase (Decrease)	(377,842)	154,748	1,350,944
Projected Ending Balance	\$4,200,550	\$4,355,297	\$5,706,241
Total Available Reserves	\$2,782,156	\$4,352,797	\$5,703,741
Available Reserves Percentage	5.88%	9.37%	11.99%

Deficit Spending

The District is projecting deficit spending in the current budget year. The District plans to address deficit spending through reduction in expenditures in the subsequent years.

The County Superintendent of Schools recommends the District to continually monitor and eliminate any potential future operating deficits in the General Fund in order to maintain healthy reserve levels.

Salary Negotiations:

The District has settled negotiations with all bargaining units for a 2.5% ongoing salary increase for the 2022-23 fiscal year. All unit members will receive additional one-time COVID bonus of \$3,000. Masters and doctorate stipends will increase by \$1,000 in 2022-23.

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
08 Student Activity	\$7,184	-	-	-	\$7,184
13 Cafeteria	\$249,487	1,799,919	1,718,068	-	\$331,338
14 Deferred Maintenance	\$236,147	3,000	3,000	-	\$236,147
17 Special Reserve	\$6,672,396	54,000	-	404,851	\$7,131,247
21 Building	\$31,091,513	146,560	20,507,073	-	\$10,731,000
25 Capital Facilities	\$1,918,428	842,094	-	-	\$2,760,522
40 Special Reserve for Capital Outlay Projects	\$922,642	10,000	-	-	\$932,642
73 Foundation Trust	\$16,020	175	175	-	\$16,020

Cafeteria Fund (Fund 13) –State revenue is increased by \$1.5 million. Expenditures budget is adjusted accordingly. The District did not project any federal revenues for the Child Nutrition fund.

Building Fund (Fund 21) – Interest revenue is projected to decrease by 50%. Proceeds from sale of bonds for \$12 million is removed in the budget year. Expenditures will be adjusted as projects are identified.

There are no significant changes in the 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 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.

Burlingame Elementary School District
September 24, 2022
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Sincerely,



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Enclosures

- c: Chris Mount-Benites, Superintendent, Burlingame Elementary School District
Marla Silversmith, Assistant Superintendent, Burlingame Elementary School District
Amanda Bonivert, Chief Business Official, Burlingame Elementary School District
Nancy Magee, County Superintendent of Schools, SMCOE
Joy Dardenelle, Executive Director, District Improvement & Support, SMCOE
Wendy Richard, Executive Director, District Business Services, SMCOE