



SAN MATEO
COUNTY
OFFICE OF
EDUCATION

Excellence and Equity in Education

Nancy Maaee • County Superintendent of Schools

September 24, 2022

Clayton Koo
President, Governing Board
Jefferson Elementary School District
101 Lincoln Avenue
Daly City, CA 94015

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

Dear Board President Koo:

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

FINDINGS/COMMENTS:

General Fund Budget Summary

The 2022-23 Adopted Budget projects a decrease in General Fund revenues of approximately \$3.3 million compared to the 2021-22 Estimated Actuals. The Local Control Funding Formula (LCFF) sources increased due to utilizing the three-year averaging for the Average Daily Attendance (ADA) and implementing the 6.56% Cost of Living Adjustment (COLA). The District has been experiencing declining enrollment over the last two years. Federal revenues decreased by \$1.9 million based on the declining ADA and the elimination of one-time stimulus funds. State revenues are projected to decrease by \$1.8 million. Local revenues include parcel tax revenue, interest, leases, rentals and donations. Carryover is not included in the adopted budget. These revenues are projected to decrease by \$238,000.

The decrease in General Fund expenditures is projected to be \$18.4 million. \$11.9 million of the reduction is due to the completion of bond and modernization projects. Salaries and benefits have a decrease of \$2.5 million due to reduction of staff from declining enrollment. Books, supplies, services and other operating expenditures are projected to decrease by \$3 million primarily due to elimination of one-time funding. Special Education costs related to a reduction in student placements in county operated programs are projected to decrease by \$884,000.

A transfer from the Special Reserve for Capital Outlay Projects (Fund 40) of \$1.3 million for a technology project and a transfer of \$847,000 for health & welfare contribution from the Special Reserve for Other Than Capital Outlay Projects (Fund 17) are projected for 2022-23.

The transfer to Fund 17 as well as the proceeds from a certificate of participation note have been eliminated in the Adopted Budget as compared to the prior year.

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	\$81,014,192	\$77,687,995	(\$3,326,227)
B.	Proposed Expenditures	93,649,835	75,290,886	(18,358,949)
C.	Excess (Deficiency) of Expenditures over Revenues	(12,635,643)	2,397,979	(15,032,722)
D.	Other Sources/Uses and Transfers	9,357,022	2,147,022	(7,210,000)
E.	Total Increase (Decrease) in General Fund	(3,278,621)	4,544,101	7,822,722
F.	Ending Balance – Unrestricted/Restricted	\$18,962,957	\$23,507,058	\$4,544,101
G.	Ending Balance – Unrestricted only	\$12,171,681	\$16,686,429	\$4,514,768

Reserves for Economic Uncertainties

The total available reserves for 2022-23 is \$7.5 million or 9.9% of the total General Fund expenditures. The minimum state-recommended reserve level for Jefferson Elementary is 3% or \$2.3 million.

The District has approximately \$3.5 million in ending fund balance in Fund 17, which is committed for textbook adoptions and health benefits. This amount is not part of the total available reserve calculation.

Reserves in Excess of Minimum

Education Code 42127(a)(2)(B) requires the governing board of a school 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 8, 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 \$7.5 million. The amount in excess

of the 3% minimum reserve is approximately \$5.2 million for the 2022-23 fiscal year. The excess is for unforeseen circumstances such as revenue shortfalls, deferred apportionments, unanticipated expenditures, and to support cash flow needs.

Cash Flow

The District submitted cash flow projections for 2022-23 and 2023-24 showing positive cash balances each month except December for the current year. For the following year, all monthly cash balances are positive. The estimated cash balances at the close of the 2022-23 and 2023-24 fiscal years are \$26 million and \$29 million, respectively.

The County Superintendent recommends the District 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:

- The District is projecting declining enrollment. For all three budget years, the District used the three-year ADA averaging method for the LCFF revenue. The estimated funded ADA included in the MYP is 5,357, 5,033 and 4,695.
- LCFF revenues are projected to increase in the current year due to the ADA average and the 6.56% COLA. For 2023-24, the district is projecting a slight decrease and in 2024-25 a 3% decrease is anticipated. COLA has been included for the subsequent years at 5.38% and 4.02%, respectively.
- Due to the State Enacted Budget being signed after the District had adopted the budget, the 6.28% increase to base funding was not included in the current budget.
- One-time federal, and state revenues are eliminated in the current year.
- Several federal grants are projected to be carried over in 2023-24 and eliminated in 2024-25 in compliance with expenditure deadlines.
- State revenues for the subsequent years are projected to remain flat.
- Local revenues decreased in the current year and are projected to be flat for 2023-24. In 2024-25, local revenues are projected to decrease by 14% due to the expiration of a county funded grant.

- A transfer from Fund 40 and Fund 17 are projected in the current year. For the subsequent years, only the transfer from Fund 17 is projected in the amount of \$271,000.

Expenditures:

- Step and column of 1.5% for salaries and benefits is applied to all three years.
- Books and supplies decrease in the current year and increase in the subsequent year as a textbook adoption is anticipated. For 2024-25, a 2% increase is projected.
- Services and other operating expenses decreased in the current year and are projected to decrease by 9% in 2023-24 due to the elimination of one-time funding. A 2% increase is projected for 2024-25.
- Capital outlay decreased in the current year and remains flat 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:

Unrestricted General Fund	2022-23	2023-24	2024-25
Estimated Beginning Balance	\$12,171,661	\$16,686,429	\$18,856,550
Revenues & Other Financing Sources	52,290,962	49,679,952	48,010,287
Expenditures & Other Financing Uses	47,776,194	47,509,831	48,170,769
Net increase (Decrease)	4,514,768	2,170,121	(160,482)
Projected General Fund Ending Balance	\$16,686,429	\$18,856,550	\$18,696,068
<i>Available Reserves Percentage Per MYP</i>	<i>9.90%</i>	<i>12.77%</i>	<i>12.39%</i>

Total Available Reserves

Education Code Section 42127.01(a) imposes a 10% cap on the amount local school districts can maintain in their reserves in fiscal years immediately succeeding those in which the education rainy day fund, Public School System Stabilization Account, is at least 3% of TK-12 Proposition 98 funding. This condition was met with the 2021-22 deposit amount, triggering the local reserve cap for the 2022-23 year.

The County Office notes in the MYP, for the two subsequent years, the District is reflecting above the 10% cap. There are a variety of options the District can implement to comply with the existing law.

- Project to spend down the reserves.
- Seek a temporary waiver from the County Superintendent.

- Reclassify any unassigned or assigned components of fund balance to the committed or restricted category of the fund balance.

It is recommended the District update their budget at the First Interim Report to project the reserves to be no greater than the 10% reserve cap. The County Office will work closely with the District to determine the best option.

Salary Negotiations

The District has not settled negotiations with the certificated and classified bargaining units for the current year.

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 encourages school districts to be cautious in their negotiations and to conduct thorough pre-settlement analysis of any proposed collective bargaining agreement to protect from cost increases beyond the scope of bargaining. Increases in CalSTRS and CalPERS contributions must also be considered to ensure affordability of proposed settlements.

Other Funds

The District maintains a 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	\$583,874	3,156,269	3,208,091	-	\$532,052
13 Cafeteria	\$682,763	3,351,873	3,483,453	-	\$551,183
14 Deferred Maintenance	\$312,700	3,000	-	-	\$315,700
17 Special Reserve – Other	\$4,246,038	60,000	-	(847,022)	\$3,459,016
20 Special Reserve – Post-Employment Benefits	\$8,830,915	80,000	-	-	\$8,910,915
21 Building	\$3,060,963	175,000	112,538	-	\$3,123,425
25 Capital Facilities	\$1,116,521	110,000	66,000	-	\$1,160,521
35 County School Facilities	\$12,449	100	-	-	\$12,549
40 Special Reserve – Capital Projects	\$15,141,568	230,000	-	(1,300,000)	\$14,071,568
73 Foundation Trust	\$6,030	50	-	-	\$6,080

Child Development Fund (Fund 12): Due to projected increase in preschool reimbursement rates, revenues and expenditures have been updated for 2022-23.

Cafeteria Fund (Fund 13): Due to the implementation of Universal Meals for 2022-23, revenues have been increased, however, local revenues are projected to decrease. Supplies are projected to decrease. Budget will be updated as necessary throughout the school year.

Special Reserve Other than Capital Outlay Program (Fund 17): The transfer from the General Fund (Fund 01) is eliminated for the 2022-23 fiscal year. The fund balance is committed for future textbook adoptions and health benefits reserve.

Building Fund (Fund 21): Capital outlay decreased by \$17 million compared to 2021-22 as projects have been completed.

Special Reserve for Capital Projects (Fund 40): Capital outlay projects decreased by \$6 million compared to 2021-22. A transfer to the General Fund (Fund 01) of \$1.3 million is projected for technology projects.

There are no significant changes in other District funds compared to the 2022-23 Estimated Actuals.

CHARTER SCHOOL

As the authorizing agency of California Virtual Academy-San Mateo Charter School (CAVA), the District maintains fiscal oversight responsibilities, particularly in the key areas of accounting,

attendance reporting, budgeting and payroll. It is important the District continue to monitor carefully the charter school’s fiscal activities to ensure fiscal solvency.

The following chart shows the charter is projecting a balanced budget for the current and two subsequent years:

California Virtual Academy Charter San Mateo	2022-23	2023-24	2024-25
Beginning Balance	\$240,485	\$240,485	\$240,485
Revenues & Other Financing Sources	13,247,376	13,535,810	14,162,948
Expenditures & Other Financing Uses	13,247,376	13,535,810	14,162,948
Net increase (Decrease)	-	-	-
Projected General Fund Ending Balance	\$240,485	\$240,485	\$240,485
<i>Available Reserves Percentage</i>	<i>1.8%</i>	<i>1.8%</i>	<i>1.7%</i>

CAVA submitted a one-year cash flow analysis, which projects positive cash balances for all months of 2022-23. The projected ending cash balance is \$1.4 million.

The agreement between CAVA and K12 California LLC (K12) provides that if the school ends a fiscal year in a negative net asset position, K12 will provide sufficient credits (“Balanced Budget Credits”) to be applied to K12 invoices to ensure that the school does not experience a negative net asset position at the end of any fiscal year. CAVA is projecting a balanced budget for the current and two subsequent years.

As an authorizing agency, the District must continue to closely monitor the charter school Local Control Accountability Plan and budget to ensure that sufficient funds are maintained to support all goals, actions and services included in the LCAP for 2022-23. The LCAP has been posted to the charter’s website.

Should any circumstances arise related to the charter school that would negatively impact the financial condition of the District, please notify the County Office of Education as soon as possible.

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 2020-21 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.

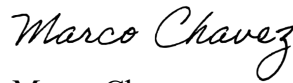
We want to express our appreciation to the Board and district staff for the work that went into the development of this year's LCAP and Budget. The County Superintendent and staff will continue to provide technical and coaching assistance in the monitoring and development of the District's Budget and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

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