



Excellence and Equity in Education

Nancy Magee • County Superintendent of Schools

September 22, 2022

Jason Morimoto
President, Governing Board
Las Lomas Elementary School District
1011 Altschul Avenue
Menlo Park, CA 94025-6706

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

Dear Board President Morimoto:

The San Mateo County Office of Education (SMCOE) has completed its review of Las Lomas 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 Las Lomas 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 8, 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** Las Lomas 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 of \$399,000 in the General Fund revenues compared to the 2021-22 Estimated Actuals. The decrease is primarily due to the elimination of one-time COVID-19 federal and state funding and the exclusion of any prior year carryover. As a result, federal and state revenues are projected to decrease by \$687,000 and \$646,000, respectively. Secured property taxes are projected to grow by 6.5 % over the prior year resulting in LCFF revenue sources to increase by \$908,000. Local revenue increased by \$26,000 mainly from leases and rentals.

General Fund expenditures decreased by approximately \$295,000 compared to 2021-22 Estimated Actuals. The decrease is caused by the reduction in expenses due to the elimination of one-time COVID-19 funds. Books and supplies decreased by \$221,000 and services and other operating expenses by \$1.6 million. Salaries and benefits expenditures increased by \$1.8 million. This includes step and column adjustments, staffing increases due to the pandemic and new programs, and an increase in the employer pension contribution rates to CalPERS and CalSTRS. Capital outlay is reduced by \$207,000.

A transfer in from the Special Reserve Fund (Fund 17) for \$100,000 is to maintain a 17% reserve per Board Policy 3100. The transfer of \$669,000 to Fund 17 has been eliminated.

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	\$34,073,729	\$33,674,618	(\$399,111)
B.	Proposed Expenditures	34,549,599	34,254,458	(295,141)
C.	Excess (Deficiency) of Expenditures over Revenues	(475,870)	(579,840)	(103,970)
D.	Other Sources/Uses and Transfers	(668,932)	100,174	769,106
E.	Total Increase (Decrease) in General Fund	(1,144,802)	(479,666)	665,136
F.	Ending Balance – Unrestricted/Restricted	\$8,443,956	\$7,964,289	(\$479,667)
G.	Ending Balance – Unrestricted only	\$6,661,103	\$5,862,604	(\$798,499)

The state-recommended minimum reserve for Las Lomas Elementary School District is 3% of total General Fund expenditures. Based on the adopted budget, the District is projecting approximately \$2.4 million or 7.11% in available reserves, of which \$1 million is for economic uncertainties.

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 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 1, 2022, and has provided the public an opportunity to review and discuss the components and reasons for the reserves. The excess reserve is to cover payroll for first five months without outside borrowing, unforeseen economic downturns, amortization of Phillip Brooks lease, site maintenance at leased sites, construction project costs and maintaining a 17% reserve per Board policy 3100.

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 ending cash balance is \$7 million for 2022-23 and \$6.8 million for 2023-24.

The District is commended for its ability to maintain 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:

- Property taxes are projected to grow by 6.5% in the current year and by 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.
- Local revenues are expected to decrease by 2% in 2023-24 from projected reductions in leases and rental income. A \$1.2 million grant from the Las Lomas Education Foundation is expected to remain static.

Expenditures:

- The salaries and benefits budget include a 2% step and column adjustment for certificated and classified staff. Additional staffing due to the pandemic and for restricted programs is anticipated.
- Employer pension contributions for CalSTRS and CalPERS are projected to increase annually.
- Books and supplies expenditures are budgeted to increase by approximately 4% each year. Services and other operating expenditures are projected to increase by an average of 7% in the subsequent years. On-going expenditures have been adjusted by the California Cost Price Index (CPI) each year.
- Other Outgo will decrease by 35% in 2023-24 to \$150,000 due to the removal of hardware and software licensing fees and remain constant thereafter.

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	\$6,661,103	\$5,862,604	\$5,061,608
Revenues & Other Financing Sources	24,605,855	25,543,668	26,812,921
Expenditures & Other Financing Uses	25,404,354	26,344,664	27,043,054
Net increase (Decrease)	(798,499)	(800,996)	(230,133)
Projected Ending Balance	\$5,862,604	\$5,061,608	\$4,831,475
Total Available Reserves	\$2,436,158	\$1,554,825	\$1,241,741
Total Available Reserves Percentage	7.11%	4.41%	3.44%

Deficit Spending

The multi-year projections show operating deficits in the Unrestricted General Fund in each of the budget years. Due to the uncertainties around court ordered voluntary transfer students, Tinsley revenue of approximately \$465,000 was not included in the MYP. It will be updated at the next reporting cycle.

Salary Negotiations

The District settled negotiations with the classified, management and confidential units for 3% on salary schedule increase for 2022-23. The impact of the increase is included in the budget. The District has not settled with the teacher’s bargaining unit.

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
08 Student Activity	\$0	10	10	-	\$0
13 Cafeteria	\$0	742,000	742,000	-	\$0
14 Deferred Maintenance	\$2,205,097	173,000	-	-	\$2,378,097
17 Special Reserve – Other	\$9,417,482	50,000	-	(100,174)	\$9,367,308
21 Building	\$37,511,464	175,020	5,488,061	-	\$32,198,423
25 Capital Facilities	\$231,179	77,000	86,250	-	\$221,929

Cafeteria Fund (Fund 13) – Federal and state revenues established for child nutrition programs. Accordingly, expenditures budget has been setup for classified staff and operating expenses.

Building Fund (Fund 21) - Interest revenue is expected to decrease by 50%. Building improvement expenses decreased by 70% as construction at Las Lomitas Elementary and La Entrada Middle School campuses are being completed.

There are no other significant changes in the District’s other 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 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

At the request from County Superintendent of schools, Fiscal Crisis Management Assistance Team (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

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Mei Chan, Chief Business Officer, Las Lomas ESD
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