



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

September 22, 2022

Scott Saywell
President, Governing Board
Menlo Park City School District
181 Encinal Avenue
Atherton, CA 94027-3102

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

Dear Board President Saywell:

The San Mateo County Office of Education (SMCOE) has completed its review of Menlo Park City 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 Menlo Park City 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 9, 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** Menlo Park City School District's 2022-23 Adopted Budget with the following comments:

FINDINGS/COMMENTS:

General Fund Budget Summary

The 2022-23 Adopted Budget shows a decrease in total General Fund revenues of \$35,000 in comparison to the 2021-22 Estimated Actuals. LCFF revenue sources are projected to increase by \$2.3 million mainly from secured and unsecured property taxes. Federal and state revenues are reduced by \$2 million due to removal of the Expanded Learning Opportunities Grant (ELOG), the Expanded Learning Opportunities Program (ELO-P), and the Educator Effectiveness Block Grant. The District is expecting decreases in lease, rentals, and interest revenues. Parcel tax revenue includes the new Measure B. Overall local revenues are decreased by \$267,000 as community donations will be budgeted when received.

General Fund expenditures decreased by approximately \$3.6 million compared to 2021-22 Estimated Actuals. The District has included a placeholder of a 2.5% salary increase for all bargaining units in addition to the step and column movement for the salaries and benefits expenditures. Health and welfare costs are projected to increase by 7%, and retirement costs are adjusted accordingly. Staffing is projected to be reduced in 2022-23 due to the elimination of temporary positions related to COVID-19 and budget reductions approved by the Board. No carryover funds have been included in the expenditure budgets. On-going operating expenses have been adjusted by the projected 2.5% Consumer Price Index (CPI).

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	\$65,130,922	\$65,096,357	(\$34,565)
B.	Proposed Expenditures	67,920,533	64,349,706	(3,570,827)
C.	Excess (Deficiency) of Expenditures over Revenues	(2,789,611)	746,651	3,536,262
D.	Other Sources/Uses and Transfers	-	-	-
E.	Total Increase (Decrease) in General Fund	(2,789,611)	746,651	3,536,262
F.	Ending Balance – Unrestricted/Restricted	\$12,761,491	\$13,508,142	\$746,651
G.	Ending Balance – Unrestricted only	\$11,028,442	\$11,993,355	\$964,913

The District is projecting approximately \$11.4 million in available reserve for economic uncertainties, or 17.8% of the total General Fund expenditures.

The District has an assigned reserve balance of \$544,000. The assigned fund balance is for instructional materials and unrestricted lottery, and Early Learning Center (ELC) start up contingency.

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 2, 2022 and provided the public an opportunity to review and discuss the components and reasons for the reserves. Board Policy 3101 (b) was adopted to target a reserve of 15% to 20% of total expenditures for the current year and not less than 10% in the subsequent years.

Cash Flow

The District submitted cash flow projections for 2022-23 and 2023-24 showing a negative ending cash balance in the month of November 2023. The projected ending cash balances are approximately \$15.4 million in 2022-23 and \$16.9 million in 2023-24.

The District is commended for continuing to prudently maintain adequate monthly cash balances 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 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:

- Secured property taxes are projected to grow by 7.6% in 2022-23 and by 5% in the two subsequent years. Unsecured roll taxes are expected to increase by 2.5% annually.
- Enrollment is projected to increase slightly due to inclusion of universal transitional kindergarten (UTK) starting 2022-23. The District will closely monitor enrollment trend and analyze impact on future staffing.
- Federal and local revenues are expected to increase by 2% each year. Local revenues from parcel taxes have been adjusted with the CPI in current and subsequent years. 2023-24 is the final year for the Facebook Grant and has been removed in 2024-25.
- One-time state revenues have been removed in the current year and is expected to remain constant thereafter.

Expenditures:

- The 2022-23 and subsequent year salaries and benefits budget include a placeholder of 2.5% per year for future compensation increases, step and column adjustments, Board approved staff reductions and other attrition savings.
- Negotiated cap for health and welfare costs are projected to increase by 7% every year.
- The books, supplies and other operating expenditures budget are reduced due to removal of one-time funds and carryover from prior year. On-going expenditures have been adjusted by the CPI each year.
- A placeholder for \$100,000 is included in 2022-23 expenditures for Special Education growth and has been removed 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:

General Fund – Unrestricted Only	2022-23	2023-24	2024-25
Estimated Beginning Balance	\$11,028,442	\$11,993,355	\$13,573,179
Revenues & Other Financing Sources	37,821,147	39,310,711	40,981,319
Expenditures & Other Financing Uses	36,856,234	37,730,887	39,089,334
Net increase (Decrease)	964,913	1,579,824	1,891,985
Projected Ending Balance	\$11,993,355	\$13,573,179	\$15,465,164
Total Available Reserves	\$11,449,832	\$12,969,656	\$14,811,641
Total Available Reserves Percentage	17.79%	19.63%	21.72%

Salary Negotiations

The District has not settled negotiations with any bargaining units for the 2022-23 fiscal 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 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 Revenue	\$54,536	70,200	57,175	-	\$67,561
13 Cafeteria	\$71,805	673,625	673,625	-	\$71,805
14 Deferred Maintenance	\$1,330,140	546,700	219,800	-	\$1,657,040
21 Building	\$1,178,628	6,378	700,000	-	\$485,006
25 Capital Facilities	\$2,682,901	361,000	282,500	-	\$2,761,401
35 County School Facilities	\$1,362	-	-	-	\$1,362
40 Special Reserve – Capital Projects	\$146,775	500	14,325	-	\$132,950
63 Other Enterprise Fund	\$247,424	1,624,461	1,540,463	-	\$331,422

Student Activity Special Revenue Fund (Fund 8) – Local revenue is expected to increase by 10% and budget has been setup for classified substitute salary and benefits.

All other funds (Funds 14, 21, 25, 35 and 40) are related to facilities maintenance, bond program, developer fees, and building improvement projects. \$700,000 is budgeted for Hillview Middle School turf replacement in Building Fund (fund 21).

There are no material 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 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 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,



Kevin J. Bultema
Deputy Superintendent Business Services
kbultema@smcoe.org
650-802-5511



Marco Chávez
Deputy Superintendent Educational Services
mchavez@smcoe.org
650-802-5311

Enclosures

- c: Erik Burmeister, Superintendent, Menlo Park CSD
Jammie Behrendt, Assistant Superintendent, Menlo Park CSD
Marites Fermin, Chief Business Officer, Menlo Park CSD
Nancy Magee, County Superintendent of Schools, SMCOE
Joy Dardenelle, Executive Director, District Improvement & Support, SMCOE
Wendy Richard, Executive Director, District Business Services, SMCOE