September 24, 2021

Sherwin Chen
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 2021-22

Dear Mr. Chen:

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 2021-22 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 San Mateo County Superintendent of Schools has approved your Local Control Accountability Plan for the 2021-22 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 2021-22 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 2021-22 Budget adopted by the Governing Board on June 10, 2021 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 2021-22 Adopted Budget with the following comments:

**FINDINGS/COMMENTS:**

**General Fund Budget Summary**

The 2021-22 Adopted Budget shows a decrease in total General Fund revenues of $1.8 million in comparison to the 2020-21 Estimated Actuals. LCFF revenue sources are projected to increase by $1.9 million mainly from secured property taxes. Federal and state revenues reduced by $3.5 million due to removal of one-time federal and state funding for COVID-19, reduction of Lottery revenues and Special Education Discretionary grants. Prior year carryovers will be budgeted after the close of 2020-21 fiscal year. The District is expecting increase in lease and rentals, Parcel taxes revenues have been adjusted by consumer price index of 3.8%. Overall local revenues reduced by $245,000 as community donations will be budgeted when received.

General Fund expenditures increased by approximately $222,000 compared to 2020-21 Estimated Actuals. The District has included a placeholder of 2.5% salary increase for all bargaining units in addition to the step and column movement on the salary schedule. Health and welfare costs are projected to increase by 6%, unemployment insurance increased from 0.05% to 1.23% and retirement costs are adjusted accordingly. Staffing is projected to reduce by 14.54 FTE in 2021-22 due to elimination of temporary positions related to COVID-19 and budget cuts approved by the Board. One-time COVID-19 expenses have been eliminated and no carryover have been included in the expenditures budget. Sub agreements for services, insurance, and other professional services are projected to increase in 2021-22. Capital Outlay expenditures will be budgeted as needed.

The 2021-22 Adopted Budget shows an operating deficit in the General Fund of $2.5 million due to timing of receiving the COVID-19 Expanded Learning Opportunities (ELO) and In-Person Instruction (IPI) grants. Funds are received and booked in 2020-21 but will be spent in 2021-22.

Below is a comparison of revenue and expenditure budgets in the General Fund for fiscal years 2020-21 and 2021-22:
### General Fund – Unrestricted/Restricted

<table>
<thead>
<tr>
<th></th>
<th>2020-21 Estimated Actuals</th>
<th>2021-22 Adopted Budget</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.</strong> Anticipated Revenues</td>
<td>$61,294,788</td>
<td>$59,493,823</td>
<td>($1,800,965)</td>
</tr>
<tr>
<td><strong>B.</strong> Proposed Expenditures</td>
<td>61,775,751</td>
<td>61,997,790</td>
<td>222,039</td>
</tr>
<tr>
<td><strong>C.</strong> Excess (Deficiency) of Expenditures over Revenues</td>
<td>(480,963)</td>
<td>(2,503,967)</td>
<td>(2,023,004)</td>
</tr>
<tr>
<td><strong>D.</strong> Other Sources/Uses and Transfers</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>E.</strong> Total Increase (Decrease) in General Fund</td>
<td>(480,963)</td>
<td>(2,503,967)</td>
<td>(2,023,004)</td>
</tr>
<tr>
<td><strong>F.</strong> Ending Balance – Unrestricted/Restricted</td>
<td>$15,238,634</td>
<td>$12,734,667</td>
<td>($2,503,967)</td>
</tr>
<tr>
<td><strong>G.</strong> Ending Balance – Unrestricted only</td>
<td>$11,313,552</td>
<td>$11,070,233</td>
<td>($243,319)</td>
</tr>
</tbody>
</table>

### Reserve for Economic Uncertainties

The District is projecting approximately $9.5 million in available reserve for economic uncertainties, or 15% of the total General Fund expenditures. The District has an assigned reserve balance of $1.6 million. This assigned fund balance is for secured property tax reserves, instructional materials, foundation and site grants, expanded learning opportunity contingency and one-time funds for mental health.

#### 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 3, 2021 and provided the public an opportunity to review and discuss the components and reasons for the reserves. The projected available reserve for fiscal year 2021-22 is 15.32%; which is above the 3% minimum state-recommended reserve level for the size of this District. 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 2021-22 and 2022-23 showing positive ending cash balances each month for both fiscal years. The projected ending cash balance at the close of fiscal year 2021-22 is $11.4 million and for 2022-23 is $10.9 million.
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:

- An estimated 5% increase in secured property taxes is projected for 2021-22 and the two subsequent years.
- Enrollment is projected to be flat in 2021-22 and return to pre-pandemic levels in 2022-23. The District will closely monitor enrollment trend and analyze impact on future staffing.
- Federal and state revenues are projected to decrease due to elimination of one-time funding and remain flat in subsequent years.
- Local revenues from parcel taxes have been adjusted with the consumer price index in current and subsequent years. 2021-22 is the final year for the Kwan Grant and has been removed in 2022-23.
- Parcel tax from Measure X expires in June 2024. The Governing Board has approved to go for renewal in November 2021 or March 2022.

Expenditures:

- The 2021-22 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 6% every year.
- Books and supplies budgeted expenditures reduced due to removal of one-time COVID-19 funds and remain flat thereafter.
- Services and other operating expenses include $350,000 for election cost for parcel tax renewal in the current year and has been removed in 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

<table>
<thead>
<tr>
<th></th>
<th>2021-22</th>
<th>2022-23</th>
<th>2023-24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Beginning Balance</td>
<td>$11,313,552</td>
<td>$11,070,233</td>
<td>$10,642,305</td>
</tr>
<tr>
<td>Revenues &amp; Other Financing Sources</td>
<td>35,327,436</td>
<td>36,565,372</td>
<td>38,130,523</td>
</tr>
<tr>
<td>Expenditures &amp; Other Financing Uses</td>
<td>35,570,755</td>
<td>36,993,300</td>
<td>38,166,912</td>
</tr>
<tr>
<td>Net increase (Decrease)</td>
<td>(243,319)</td>
<td>(427,928)</td>
<td>(36,389)</td>
</tr>
<tr>
<td><strong>Projected General Fund Ending Balance</strong></td>
<td><strong>$11,070,233</strong></td>
<td><strong>$10,642,305</strong></td>
<td><strong>$10,605,916</strong></td>
</tr>
<tr>
<td><strong>Available Reserves Percentage Per MYP</strong></td>
<td><strong>15.32%</strong></td>
<td><strong>14.46%</strong></td>
<td><strong>13.78%</strong></td>
</tr>
</tbody>
</table>

### Deficit Spending

The District is projecting deficit spending of $243,000 in 2021-22, $428,000 in 2022-23 and $36,000 in 2023-24.

The District plans to address deficit spending through reduction in expenditures. 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 not settled negotiations with its certificated, classified and unrepresented employees bargaining units for the 2021-22 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 takes action 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).

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.
Other District 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 2021-22 Adopted Budget reports:

<table>
<thead>
<tr>
<th>District Funds</th>
<th>Estimated Beginning Balance</th>
<th>Revenues</th>
<th>Expenditures</th>
<th>Other Sources (Uses)</th>
<th>2021-22 Projected Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 Cafeteria</td>
<td>$26,421</td>
<td>$672,435</td>
<td>$636,245</td>
<td>$0</td>
<td>$62,611</td>
</tr>
<tr>
<td>14 Deferred Maintenance</td>
<td>1,183,127</td>
<td>538,500</td>
<td>188,300</td>
<td>0</td>
<td>1,533,327</td>
</tr>
<tr>
<td>21 Building</td>
<td>1,441,327</td>
<td>3,500</td>
<td>0</td>
<td>0</td>
<td>1,444,827</td>
</tr>
<tr>
<td>25 Capital Facilities</td>
<td>1,989,553</td>
<td>435,500</td>
<td>152,635</td>
<td>0</td>
<td>2,272,418</td>
</tr>
<tr>
<td>40 Special Reserve – Capital Projects</td>
<td>111,200</td>
<td>2,000</td>
<td>14,325</td>
<td>0</td>
<td>98,875</td>
</tr>
<tr>
<td>63 Other Enterprise Fund</td>
<td>80,373</td>
<td>1,467,671</td>
<td>1,422,615</td>
<td>0</td>
<td>125,429</td>
</tr>
</tbody>
</table>

Cafeteria Fund-(Fund 13): Federal and state revenues for Child Nutrition programs are expected to decrease and food services sales are projected to increase as students return for in-person instructions for 2021-22.

All other funds (Funds 14, 21, 25 and 40) are related to facilities maintenance, bond program, developer fees, and building improvement projects. The District will budget expenditures as projects are identified by the Facilities Committee in 2021-22.

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 RECOMMENDATIONS:

The Governor’s May Revision is reflective of a strong economic turnaround, projecting unprecedented funding for K-12 public education. This budget provides for a super COLA and several one-time funding opportunities, with the creation of California for All Kids, a roadmap to address the gaps in early education, school nutrition, teacher support, class size, broadband access, and wraparound services.

Traditional attendance accounting returns in 2021-22, and school districts with declining enrollment will be able to take advantage of the prior year ADA guarantee. For most school districts, 2020-21 ADA that becomes the prior year, is, in fact, 2019-20 ADA. Districts should nonetheless monitor enrollment carefully because the additional cushion in 2021-22 is offset by the recognition of two
years’ ADA decline in 2022-23. Charter schools are not afforded the prior year guarantee and will be funded on current year ADA beginning in 2021-22.

The May Revision includes a proposal to increase the concentration grant component of the LCFF from 50% to 65% of the adjusted base LCFF grant at an estimated ongoing cost of $1.1 billion. The additional funds are intended to allow these LEAs to increase the number of staffs providing direct services.

Districts are advised to closely monitor changes in average daily attendance (ADA) and unduplicated pupil percentage (UPP) - especially LCFF funded districts. ADA and UPP are heavily weighted factors in the LCFF calculation.

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 LCAP or budget.

Sincerely,

Nancy Magee
County Superintendent of Schools
nmagee@smcoe.org
650-802-5554

Enclosures

c: Erik Burmeister, Superintendent, Menlo Park CSD
   Marites Fermin, Chief Business Officer, Menlo Park CSD
   Wendy Richard, Executive Director, District Business Services, SMCOE
## Menlo Park City Elementary School District

### FINANCIAL PROFILE

#### FY 2021-22 Adopted Budget

### GENERAL FUND

#### Object Code

|-----------------|-----------------|-----------------|---------------------------|------------------------|-------------------|-------------------|

#### REVENUES

- **Revenue Limit/LCFF Sources**
  - 8010-8099: $32,699,963, $35,004,135, $37,434,484, $39,339,983, $41,269,900, $43,145,960, $45,103,883
- **Federal Revenue**
- **Other State Revenue**
  - 8300-8599: $13,897,121, $13,822,939, $14,184,452, $14,028,486, $13,783,739, $14,097,889, $14,367,863
- **Total Revenues**
  - $49,839,752, $53,298,893, $56,800,263, $61,294,788, $59,493,823, $61,716,370, $63,958,070

#### EXPENDITURES

- **Certificated Salaries**
- **Classified Salaries**
  - 2000-2999: $6,973,078, $7,266,863, $8,017,774, $9,158,903, $9,173,115, $8,744,878, $9,002,499
- **Employee Benefits**
  - 3000-3999: $10,794,971, $12,622,805, $14,410,742, $14,972,693, $15,845,582, $16,590,668, $17,310,994
- **Books & Supplies**
  - 4000-4999: $1,422,865, $1,642,809, $1,500,330, $1,974,423, $1,384,334, $1,393,085, $1,382,237
- **Svcs & Oth Oper Exp**
- **Capital Outlay**
  - 6000-6999: $55,631, $56,542, $340,662, $29,391, $0, $0, $0
- **Total Expenditures**
  - $49,050,812, $52,291,169, $56,742,517, $61,775,751, $61,997,790, $62,144,298, $63,994,459

#### REVENUES LESS EXPENDITURES

- $788,940, $1,007,724, $57,746, ($480,963), ($2,503,967), ($427,928), ($36,389)

#### OTHER SOURCES AND USES

- **Interfund Transfers In**
  - 8900-8929: $866,143, $803,665, $409,904, $0, $0, $0, $0
- **Interfund Transfers Out**
  - 7600-7629: $198,000, $0, $0, $0, $0, $0, $0
- **Other Sources**
  - 8930-8979: $0, $0, $0, $0, $0, $0, $0
- **Other Uses**
  - 7630-7699: $0, $0, $0, $0, $0, $0, $0
- **Contrib to Restr Prog**
  - 8980-8999: $0, $0, $0, $0, $0, $0, $0

- **TOTAL OTHER SOURCES AND USES**
  - $668,143, $803,665, $409,904, $0, $0, $0, $0

#### CHANGE IN FUND BALANCE

- $1,457,083, $1,811,389, $467,650, ($480,963), ($2,503,967), ($427,928), ($36,389)

#### BEGINNING FUND BALANCE

- **As of July 1 - Unaudited (F1c)**
  - 9791: $11,983,475, $13,440,558, $15,251,947, $15,719,597, $12,734,667, $12,306,739
- **Aud Adj/Restatements (F1d)**
  - 9793-9795: $0, $0, $0

#### ENDING FUND BALANCE, June 30

- $13,440,558, $15,251,947, $15,719,597, $15,238,634, $12,734,667, $12,306,739, $12,270,350

#### COMPONENTS OF ENDING FUND BALANCE

- **Nonspendable**
  - Revolving Cash: $5,000, $5,000, $5,000, $10,000, $10,000, $10,000
  - Stores: $5,000, $5,000, $5,000, $10,000, $10,000, $10,000
  - Prepaid Expenditures: $5,000, $5,000, $5,000, $10,000, $10,000, $10,000
  - All Others: $0, $0, $0, $0, $0, $0
- **Restricted**
  - $1,862,842, $1,845,590, $1,986,198, $3,925,082, $1,664,434, $1,664,434
- **Committed**
  - Stabilization Arrangements: $1,564,547, $1,445,685, $1,650,855, $1,479,155, $1,664,434, $1,719,655
  - Other Commitments: $9780, $9780, $9780, $9780, $9780, $9780
- **Assigned**
  - $1,294,312, $1,294,312, $1,294,312, $1,294,312, $1,294,312, $1,294,312
  - Reserve for Economic Uncertainties: $11,949,312, $12,196,108, $9,824,397, $9,498,128, $8,985,750, $8,816,261
  - Other Assignments: $10,022,306, $10,022,306, $10,022,306

#### Enrollments

- **Actual ADA (excl independent charter schools)**
  - 9791: 2,973, 2,930, 2,922, 2,781, 2,782, 2,889, 2,895
  - Total Expenditures per ADA: $17,509, $18,241, $18,490, $23,177, $22,971, $22,194, $22,774
  - Total Revenues Per ADA: $17,665, $18,781, $19,130, $24,847, $24,043, $24,043, $24,043