September 24, 2021

Don Revelo  
President, Governing Board  
Millbrae Elementary School District  
555 Richmond Drive  
Millbrae, CA 94030

RE: Local Control and Accountability Plan and Adopted Budget – Fiscal Year 2021-22

Dear Mr. Revelo:

The San Mateo County Office of Education (SMCOE) has completed its review of Millbrae Elementary School District’s Local Control and 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 Millbrae Elementary 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.

**On the basis of the County Office review and analysis, the 2021-22 Budget adopted by the Governing Board on June 29, 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** Millbrae Elementary School District’s 2021-22 Adopted Budget with the following comments:

**FINDINGS/COMMENTS:**

**General Fund Budget Summary**

The 2021-22 Adopted Budget shows a net decrease in General Fund revenues of approximately $1.7 million compared to the 2020-21 Estimated Actuals. The decrease was due to eliminating one-time Elementary and Secondary School Emergency Relief (ESSER I and ESSER II), Governor’s Emergency Education Relief (GEER I and GEER II), In Person Instruction, and Expanded Learning Opportunities Grants funding in 2021-22. Any carryover will be reflected at First Interim. Local revenue also projects the removal of one-time funding and will be recognized once donations and grants are received.

The net increase in General Fund expenditures of approximately $474,000 is largely due to salaries and benefits increasing as FTE is adjusted for additional staffing.

Other sources and transfers decreased by $712,000 due to the elimination of a transfer from the Special Reserve Fund (Fund 17). In 2021-22, the District budgets a $95,000 transfer from the Special Reserve for Capital Projects (Fund 40) of interest gained in Fund 40. The District also reflects a $20,000 transfer to the Cafeteria Fund (Fund 13) to support any unpaid meal charges in the food service program.

Below is a comparison of revenue and expenditure budgets in the General Fund for fiscal years 2020-21 and 2021-22:
<table>
<thead>
<tr>
<th>General Fund – Unrestricted/Restricted</th>
<th>2020-21 Estimated Actuals</th>
<th>2021-22 Adopted Budget</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Anticipated Revenues</td>
<td>$29,025,701</td>
<td>$27,276,442</td>
<td>($1,749,259)</td>
</tr>
<tr>
<td>B. Proposed Expenditures</td>
<td>28,257,168</td>
<td>28,730,907</td>
<td>473,739</td>
</tr>
<tr>
<td>C. Excess (Deficiency) of Expenditures over Revenues</td>
<td>768,533</td>
<td>(1,454,465)</td>
<td>(2,222,998)</td>
</tr>
<tr>
<td>D. Other Sources/Uses and Transfers</td>
<td>787,351</td>
<td>75,391</td>
<td>(711,960)</td>
</tr>
<tr>
<td>E. Total Increase (Decrease) in General Fund</td>
<td>1,555,884</td>
<td>(1,379,074)</td>
<td>(2,934,958)</td>
</tr>
<tr>
<td>F. Ending Balance – Unrestricted/Restricted</td>
<td>6,645,857</td>
<td>5,266,783</td>
<td>(1,379,074)</td>
</tr>
<tr>
<td>G. Ending Balance – Unrestricted only</td>
<td>5,029,084</td>
<td>5,256,251</td>
<td>227,167</td>
</tr>
</tbody>
</table>

Reserves in Excess of Minimum

Education Code 42127(a)(2)(B) requires 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 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 15, 2021 and provided the public an opportunity to review and discuss the components and reasons for the reserves. The total assigned and unassigned balances in the General Fund and Special Reserve Fund are approximately $5.8 million. The amount in excess of the 3% minimum reserve is approximately $4.9 million for the 2021-22 fiscal year. The excess is for technology, textbook adoption, deficit spending and 17% reserve as per board policy.

Cash Flow

The District submitted cash flow projections for 2021-22 and 2022-23 showing positive balances each month for both fiscal years except December through March of 2021-22. The estimated cash balances at the close of 2021-22 and 2022-23 are $1.6 million and $560,000, respectively.

The County Superintendent recommends the District continue implementing best practices and monitoring regularly its cash position ensuring 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:**

- LCFF revenues for the subsequent two years are based on 2.48% percent COLA in 2022-23 and 3.11% COLA in 2023-24.
- The District continues declining enrollment and is projecting a decrease in ADA by 182 in 2022-23 and 64 in 2023-24.
- LCFF revenue is projected to decrease by 6% in 2022-23 and remains relatively flat in 2023-24.
- Federal and state revenues are projected to be at the same funding level as the current year for the two subsequent years. Carryover amounts have been removed.
- The District recognizes local revenues as they are received. Carryover and one-time funds are excluded in the projections.
- Measure N is set to expire at the end of 2022-23 which produces $97 per parcel or approximately $610,000 annually. Measure N funding has been removed from the 2023-24 fiscal year.

**Expenditures:**

- Salaries and benefits include step and column adjustments estimated at 2% for certificated and classified employees in the current and subsequent years.
- Benefits are projected to increase to reflect the rising employer contribution rates for CalSTRS and CalPERS pension costs.
- Certificated staffing reflects an overall reduction of full-time equivalents (FTE) in 2022-23 due to declining enrollment, and a transfer of restricted salaries to unrestricted funds in 2023-24 due to Measure N sunsetting.
- Books and supplies are projected to remain relatively stable and services are estimated to increase slightly.

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>$5,029,084</td>
<td>$5,256,251</td>
<td>$4,333,681</td>
</tr>
<tr>
<td>Revenues &amp; Other Financing Sources</td>
<td>17,467,114</td>
<td>16,544,914</td>
<td>16,472,577</td>
</tr>
<tr>
<td>Expenditures &amp; Other Financing Uses</td>
<td>17,239,947</td>
<td>17,467,484</td>
<td>18,344,655</td>
</tr>
<tr>
<td>Net increase (Decrease)</td>
<td>227,167</td>
<td>(922,570)</td>
<td>(1,872,078)</td>
</tr>
<tr>
<td><strong>Projected General Fund Ending Balance</strong></td>
<td>5,256,251</td>
<td>4,333,681</td>
<td>2,461,603</td>
</tr>
<tr>
<td><strong>Available Reserves Percentage Per MYP</strong></td>
<td>8.17%</td>
<td>8.86%</td>
<td>8.77%</td>
</tr>
</tbody>
</table>

### Deficit Spending:

The multi-year projections show an increasing operating deficit in the General Fund going from $923,000 in 2022-23 to $1.9 million in 2023-24 due to the expiration and removal of Measure N parcel tax funding.

**The County Superintendent encourages the District to develop a plan to mitigate deficit spending by reducing expenditures or increasing revenues in the current and subsequent years.**

### Salary Negotiations

The District has not settled negotiations with its certificated and classified 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 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 positive balance 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>$257,574</td>
<td>$738,500</td>
<td>$883,880</td>
<td>$20,000</td>
<td>$132,194</td>
</tr>
<tr>
<td>17 Special Reserve – Other</td>
<td>644,150</td>
<td>15,000</td>
<td>0</td>
<td>0</td>
<td>659,150</td>
</tr>
<tr>
<td>19 Foundation Special Reserve</td>
<td>51,273</td>
<td>500</td>
<td>500</td>
<td>0</td>
<td>51,273</td>
</tr>
<tr>
<td>20 Special Rsrv – Post emp. Benefits</td>
<td>2,097,878</td>
<td>20,000</td>
<td>0</td>
<td>0</td>
<td>2,117,878</td>
</tr>
<tr>
<td>25 Capital Facilities</td>
<td>1,223,297</td>
<td>66,000</td>
<td>0</td>
<td>0</td>
<td>1,289,297</td>
</tr>
<tr>
<td>40 Special Reserve – Capital Projects</td>
<td>12,973,345</td>
<td>653,000</td>
<td>145,900</td>
<td>(95,391)</td>
<td>13,385,054</td>
</tr>
</tbody>
</table>

Fun 13 – Cafeteria Fund receives $20,000 from the General Fund (Fund 01) to help offset deficit spending and meal charge shortages. The District anticipates a shortfall for 2021-22 based on food service operating under the Seamless Summer Feeding Option (SSFO). As a result, the District is projecting deficit spending of $125,000.

Fund 17 – Special Reserve Fund removes the transfer to the General Fund in 2021-22 and keeps a $659,000 fund balance for technology and curriculum needs.

Fund 40 – Special Reserve Capital Projects reduced capital outlay expenditures by $421,000 at Adopted Budget, but will update the budget for continued modernization projects as projects are confirmed.

There are no significant changes in the other funds of the District compared to the 2020-21 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 2020-21 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 RECOMMENDATIONS:

The Governor’s 2021-22 Adopted State Budget was signed on June 28, 2021. Many of the items remained from the May Revise including the mega cost of living allowance (COLA) of 5.07% to the LCFF, 4.05% COLA for Special Education, and 1.7% for state categorical programs. Also remaining from May Revise is the increase to the concentration grant component of the LCFF from 50% to 65% of the adjusted base LCFF grant. One change is the elimination of the deferrals and all deferrals to be paid back in August 2021.

The 2021-22 enacted budget gives LEAs more one-time state categorical programs with many accompanying reporting deadlines and/or expenditure plans. LEAs will also have special education funding augmentations continuing from the prior two years.

With the signing of AB130, one of the many budget trailer bills, there are two significant new LCAP requirements.

1. Changes in Education Code 42238.07 and 52064 create a new carryover requirement related to the requirement to increase or improve services for unduplicated pupils. Starting in 2022-23, LEAs must include in their LCAP’s a calculation of any shortfall – quantitatively or qualitatively – between planned actions and services contributing to increased and improved services for unduplicated pupils and actual actions and services for the year prior to the LCAP year. If, based on estimated actuals, the shortfall is such that the LEA did not meet its required minimum percentage to increase or improve services, then the difference will become an added increased and improved services requirement in the LCAP year.

2. Section 124 of AB130 requires the State Board of Education to adopt a “one-time supplement template to the annual update to the 2021-22 LCAP”. There are specific criteria that will be required in the supplement template which shall be presented to the LEAs’ Governing Board by February 28, 2022. This supplement must also be part of the adopted 2022-23 LCAP.
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. In 2021-22, districts will once again account for ADA. Many districts will rely on the “hold harmless” provision, utilizing prior year ADA for funding due to declining enrollment.

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: Debra French, Superintendent, Millbrae Elementary School District
Craig Goldman, Interim Chief Business Official, Millbrae Elementary School District
Denice LaCroix, Supervisor of Business Services, Millbrae Elementary School District
Wendy Richard, Executive Director, District Business Services, SMCOE
## Millbrae Elementary School District

### Financial Profile

#### General Fund

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Limit/LCFF Sources</strong></td>
<td>8010-8099</td>
<td>20,004,504</td>
<td>22,342,307</td>
<td>22,342,307</td>
<td>21,243,143</td>
<td>20,208,463</td>
<td>20,918,955</td>
</tr>
<tr>
<td><strong>Federal Revenue</strong></td>
<td>8100-8299</td>
<td>681,209</td>
<td>708,844</td>
<td>708,844</td>
<td>1,921,571</td>
<td>718,979</td>
<td>718,979</td>
</tr>
<tr>
<td><strong>Other State Revenue</strong></td>
<td>8300-8599</td>
<td>2,170,644</td>
<td>2,501,316</td>
<td>2,501,316</td>
<td>3,739,245</td>
<td>2,789,448</td>
<td>2,110,918</td>
</tr>
<tr>
<td><strong>Other Local Revenue</strong></td>
<td>8600-8799</td>
<td>1,237,869</td>
<td>1,982,302</td>
<td>1,982,302</td>
<td>2,122,742</td>
<td>1,682,552</td>
<td>1,851,920</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td></td>
<td>$24,094,226</td>
<td>$27,534,769</td>
<td>$27,534,769</td>
<td>$29,025,701</td>
<td>$27,276,442</td>
<td>$25,373,804</td>
</tr>
</tbody>
</table>

#### Expenditures

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Certificated Salaries</strong></td>
<td>1000-1999</td>
<td>11,930,496</td>
<td>12,526,962</td>
<td>12,526,963</td>
<td>11,920,293</td>
<td>13,028,295</td>
<td>12,111,476</td>
</tr>
<tr>
<td><strong>Classified Salaries</strong></td>
<td>2000-2999</td>
<td>3,140,519</td>
<td>3,497,735</td>
<td>3,497,735</td>
<td>3,407,169</td>
<td>3,794,054</td>
<td>3,782,10</td>
</tr>
<tr>
<td><strong>Employee Benefits</strong></td>
<td>3000-3999</td>
<td>5,607,832</td>
<td>7,120,126</td>
<td>7,120,126</td>
<td>6,476,341</td>
<td>7,440,500</td>
<td>7,603,173</td>
</tr>
<tr>
<td><strong>Books &amp; Supplies</strong></td>
<td>4000-4999</td>
<td>770,842</td>
<td>475,196</td>
<td>475,196</td>
<td>2,128,521</td>
<td>420,959</td>
<td>422,726</td>
</tr>
<tr>
<td><strong>Services &amp; Other Operating Expenses</strong></td>
<td>5000-5999</td>
<td>2,237,551</td>
<td>2,592,483</td>
<td>2,592,483</td>
<td>3,981,265</td>
<td>3,641,789</td>
<td>3,705,535</td>
</tr>
<tr>
<td><strong>Capital Outlay</strong></td>
<td>6000-6999</td>
<td>0</td>
<td>25,944</td>
<td>25,944</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Other Outgo (excluding Transfers)</strong></td>
<td>7100-7299</td>
<td>347,057</td>
<td>703,742</td>
<td>703,742</td>
<td>30,522</td>
<td>439,310</td>
<td>238,022</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td></td>
<td>$24,320,746</td>
<td>$26,908,188</td>
<td>$26,908,190</td>
<td>$28,257,168</td>
<td>$28,730,907</td>
<td>$26,652,850</td>
</tr>
</tbody>
</table>

#### Revenues Less Expenditures

| | ($226,520) | $626,581 | $626,579 | $768,533 | ($1,454,465) | ($992,040) | ($1,932,078) |

#### Other Sources and Uses

| | $167,675 | ($166,267) | ($166,267) | $787,351 | $75,391 | $69,470 | $60,000 |

#### Change in Fund Balance

| | ($58,845) | $460,314 | $460,313 | $1,555,884 | ($1,379,074) | ($922,570) | ($1,872,078) |

#### Beginning Fund Balance

| | $4,638,995 | $5,099,309 | $5,089,973 | $6,645,857 | $5,266,783 | $4,344,213 |

#### Ending Fund Balance, June 30

| | $4,638,995 | $5,099,309 | $5,089,973 | $6,645,857 | $5,266,783 | $4,344,213 |

#### Components of Ending Fund Balance

| | $2,500 | $2,500 | $2,500 | $2,500 | $2,500 | $2,500 | $2,500 |

### Notes

- Enrollment (excl independent charter schools): 2,435
- Actual ADA (excl ADA for independent charter schools): 2,365
- Total Expenditures per ADA (incl trfs out & uses): $10,280
- Total Revenues per ADA: $10,255
Millbrae Elementary School District
FINANCIAL PROFILE
FY 2021-22 Adopted Budget

Enrollment vs Average Attendance

Salaries & Benefits as % of Expenditures

Ending Fund Balance vs Cash Balance

Available Reserves - Funds 01 & 17

% = P2 ADA to CALPADS enrollment
*Due to SB820, ADA for 2020-21 will be the same as 2019-20, therefore the Enrollment may be less than the ADA.