



**Excellence and Equity in Education**

Nancy Magee • County Superintendent of Schools

September 22, 2022

Kimberley Morris Rosen  
President, Governing Board  
Portola Valley School District  
4575 Alpine Road  
Portola Valley, CA 94028

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

Dear Board President Rosen:

The San Mateo County Office of Education (SMCOE) has completed its review of Portola Valley 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 Portola Valley 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 16, 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** Portola Valley Elementary School District's 2022-23 Adopted Budget with the following comments:

### FINDINGS/COMMENTS:

#### General Fund Budget Summary

Total General Fund revenues are projecting a decrease of approximately \$208,000 compared to 2021-22 Estimated Actuals. Property taxes are projected to increase 5.5% while federal and state revenue are decreasing due to the elimination of one-time funds. The District has eliminated the Voluntary Transfer Program revenue for 2022-23 of \$271,000. Local revenues are recognized when the funds are received. Carryover funds are updated at First Interim.

General Fund expenditures for 2022-23 are projected to increase by approximately \$1 million compared to the prior fiscal year. Salaries and benefits have increased due to step and column movement, increases to pension rates, and anticipated salary schedule pay restructure for certificated salaries. Books and supplies have decreased due to the elimination of one-time COVID-19 funds. Services and other operating expenditures have decreased due to elimination of election costs and one-time funds. Carryover is not included in the adopted budget projections. Capital outlay expenditures are projected to decrease due to one-time purchases in 2021-22. Transfers to other funds is projected to be decreased by \$550,000 as compared to the Estimated Actuals.

Below is a comparison of revenue and expenditure budgets in the General Fund for fiscal years 2021-22 and 2022-23:

	<b>General Fund – Unrestricted/Restricted</b>	<b>2021-22 Estimated Actuals</b>	<b>2022-23 Adopted Budget</b>	<b>Difference</b>
A.	Anticipated Revenues	\$17,937,060	\$17,728,769	(\$208,291)
B.	Proposed Expenditures	15,717,334	16,721,406	1,004,072
C.	Excess (Deficiency) of Expenditures over Revenues	2,219,726	1,007,363	(1,212,363)
D.	Other Sources/Uses and Transfers	(1,600,000)	(1,050,000)	550,000
E.	Total Increase (Decrease) in General Fund	619,726	(42,637)	(577,089)
F.	<b>Ending Balance – Unrestricted/Restricted</b>	<b>\$4,848,387</b>	<b>\$4,805,750</b>	<b>(\$42,637)</b>
G.	<b>Ending Balance – Unrestricted only</b>	<b>\$3,580,506</b>	<b>\$3,581,084</b>	<b>(\$578)</b>

The total available reserve in the General Fund for fiscal year 2022-23 is \$3.3 million or 18.44% of total General Fund expenditures. This does include \$1.4 million fund balance in the Special Reserve Fund (Fund 17). The required minimum reserve is 4%.

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). 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 May 26, 2022 and provided the public an opportunity to review and discuss the components and reasons for the reserves in conjunction with the preliminary budget. The total assigned and unassigned balance in the General Fund and Special Reserve Fund is approximately \$5 million. The amount in excess of the 4% minimum reserve is approximately \$4.3 million for the 2022-23 fiscal year. Excess reserves are for school site carryovers, possible Genentech litigation, classroom furnishings, education programs, and to implement Board Policy maintaining a Fund Balance of 12%.

Cash Flow

The District submitted two-year cash flow projections showing positive cash balances for each month for both fiscal years. The projected cash balance by the close of each budget year is \$5.2 million.

As a Community Funded district, local property taxes are the main source of revenues. Property tax distributions usually occur in the months of December, April, and June. The District does not anticipate issuing a Tax Revenue Anticipation Note (TRAN) for 2022-23.

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 projected increase in secured property taxes is approximately 5.5% in 2022-23. For the subsequent years, the District is projecting 3% per year for 2023-24 and 2% the following year.
- The Voluntary Transfer Program is projected not to continue as of budget adoption and is not included in revenues for the current and subsequent years.
- Current year, federal and state revenue decrease due to removal of one-time funding.
- Federal revenue is projected to remain flat in the subsequent years.
- State revenues are projected to be further reduced in 2023-24 due to one-time funding and remain relatively flat in 2024-25.
- Local revenues are projected to be slightly less by approximately 1% for 2023-24 as carryover is not included at adopted budget reporting.

#### Expenditures:

- The salaries and benefits budget include step and column adjustments each year.
- Certificated salaries are projected to increase due to a change in pay structure through the 2024-25 fiscal year.
- STRS and PERS pension rates are projected to increase for all three budget years.
- Transfers to the Deferred Maintenance Fund (Fund 14) is planned to decrease by \$600,000 for 2022-23, \$200,000 for 2023-24 and \$300,000 in 2024-25.
- Transfers to the Cafeteria Fund (Fund 13) and the Special Reserve for Post-Employment Benefit Fund (Fund 20) will remain the same in all three budget years.
- Transfers to the Special Reserve for Other Than Capital Outlay Projects (Fund 17) will be eliminated in 2023-24 and 2024-25.
- Textbook adoptions are projected in all three years; science in 2022-23, Spanish in 2023-24 and math in 2024-25.
- Services and other operating expenses are projected to slightly decrease in 2023-24 due to elimination of one-times and increase by 5% in 2024-25.

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:

<b>Unrestricted General Fund</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Estimated Beginning Balance	\$3,580,506	\$3,581,084	\$3,585,794
Revenues & Other Financing Sources	13,909,981	14,393,793	14,606,666
Expenditures & Other Financing Uses	13,909,403	14,389,083	14,671,287
Net increase (Decrease)	578	4,710	(64,621)
<b>Projected General Fund Ending Balance</b>	<b>\$3,581,084</b>	<b>\$3,585,794</b>	<b>\$3,521,173</b>
<i>Available Reserves Percentage Per MYP</i>	<i>18.44%</i>	<i>18.21%</i>	<i>17.60%</i>

Salary Negotiations

The District has settled with all bargaining units as of budget adoption.

The County Superintendent strongly encourages school districts to be cautious in their negotiations and conduct thorough pre-settlement analysis of any proposed collective bargaining agreement to protect from cost increases beyond the scope of bargaining.

Other Funds

Below is a summary of revenues, expenditures, and fund balances for other District funds shown in the 2022-23 Adopted Budget reports:

<b>District Funds</b>	<b>Estimated Beginning Balance</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Other Sources (Uses)</b>	<b>2022-23 Projected Ending Balance</b>
13 Cafeteria	\$261,275	299,000	390,400	100,000	\$269,875
14 Deferred Maintenance	\$3,580,272	16,000	520,000	700,000	\$3,776,272
17 Special Reserve – Other	\$1,284,274	11,000	-	150,000	\$1,445,274
20 Postemployment Benefits	\$606,088	5,000	-	100,000	\$711,088
21 Building Fund	\$29,426,648	75,000	27,613,950	-	1,887,698
25 Capital Facilities	\$63,544	57,500	121,043	-	\$1

Cafeteria Fund (Fund 13): Transfer In has decreased by \$20,000 compared to 2021-22 Estimated Actuals.

Deferred Maintenance (Fund 14): Transfer In has decreased by \$600,000 compared to the prior year.

Special Reserve Fund for Other Than Capital Outlay Projects (Fund 17): A transfer for \$150,000 is projected to ensure the District maintains the 12% reserve as noted in board policy.

Building Fund (Fund 21): Interest revenue is projected to decrease due to expending funds on the major construction projects as planned.

Capital Facilities Fund (Fund 25): The District is projecting to purchase equipment with these funds in 2022-23.

## 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 2019-20 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 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

c: Roberta Zarea, Superintendent, Portola Valley School District  
Connie Ngo, Chief Business Official, Portola Valley School District  
Minoo Shah, Director of Educational Services & Wellness, Portola Valley SD  
Nancy Magee, County Superintendent of Schools, SMCOE  
Joy Dardenelle, Executive Director, District Improvement and Support, SMCOE  
Wendy Richard, Executive Director, District Business Services, SMCOE