



SAN MATEO
COUNTY
OFFICE OF
EDUCATION

Excellence and Equity in Education

Nancy Magee • County Superintendent of Schools

September 22, 2022

Mele K. Latu
President, Governing Board
Ravenswood City Elementary School District
2120 Euclid Avenue
East Palo Alto, CA 94303

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

Dear Board President Latu:

The San Mateo County Office of Education (SMCOE) has completed its review of Ravenswood City 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 Ravenswood City 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 23, 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** Ravenswood City 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 in General Fund revenues of approximately \$3.9 million and a net increase in expenditures of approximately \$3.5 million compared to the 2021-22 Estimated Actuals.

Local Control Funding Formula (LCFF) sources are projected to be \$915,000 lower than prior year. However, the District has not included the 6.28% increase to the base funding, nor the \$2,813 per Average Daily Attendance (ADA) for Transitional Kindergarten revenue in their adopted budget, as the State Enacted Budget was not signed into law until June 27, 2022. The District used the three-year averaging for the ADA as they have been declining for several years. Federal revenues are projected to decrease by \$275,000 due to a combination of declining enrollment and elimination of one-time funds. State revenues also decrease by \$694,000. Local revenues are projected to decrease due to loss of lease revenue and elimination of carryover by \$2 million. Donations will be recognized as they are received.

The approximately \$3.5 million net increase in General Fund expenditures for the 2022-23 fiscal year is due primarily to anticipated settlement of salary negotiations. Salaries and benefits are projected to increase by \$3.8 million. Books, supplies, services, and other operating expenditures are projected to decrease by \$495,000 due to removal of one-time funding. Tuition costs are projected to decrease by \$260,000 due to anticipated fewer students in county operated special education programs. The transfer out to the Special Reserve Fund (Fund 17) has been eliminated in 2022-23.

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	\$53,726,186	\$49,835,371	(\$3,890,815)
B.	Proposed Expenditures	45,917,817	49,381,667	3,463,870
C.	Excess (Deficiency) of Expenditures over Revenues	7,808,369	453,704	(7,354,665)
D.	Other Sources/Uses and Transfers	(9,000,000)	-	9,000,000
E.	Total Increase (Decrease) in General Fund	(1,191,631)	453,704	1,645,335
F.	Ending Balance – Unrestricted/Restricted	\$14,928,806	\$15,382,510	\$453,704
G.	Ending Balance – Unrestricted only	\$3,918,679	\$4,844,666	\$925,987

Total available reserves in the General Fund for 2022-23 fiscal year is approximately \$13.8 million or 28% of the total General Fund expenditures. \$1.5 million is for a 3% economic uncertainty reserve. The remaining funds of \$12.3 million are for the continuation of programs created with one-time stimulus funds. This calculation includes the \$9 million fund balance in the Special Reserve Fund (Fund 17).

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 9, 2022, and provided the public an opportunity to review and discuss the components and reasons for the reserves of the preliminary budget. The total assigned and unassigned ending balance in the General Fund for the preliminary budget is approximately \$20.3 million. It is noted the unrestricted fund balance is \$4.8 million and the District has a \$9 million fund balance in the Special Reserve Fund (Fund 17).

Cash Flow

The District submitted cash flow projections for only the budget year. The beginning cash balance was not included, therefore the form projected negative monthly cash balances. After inserting the estimated ending cash balance as of June 30, 2022, the District would have positive monthly cash balances with an estimated ending cash balance for June 30, 2023, of \$10.2 million.

For the First Interim Report, it is expected the District will submit a two-year cash flow projection. A cash flow projection is an important tool in the fiscal management of a district.

Having an accurate cash flow projection helps ensure the school district is able to meet its financial obligations; help to maximize investment opportunities and interest revenue; identify timeliness for cash receipts; identify the possible need for short-term borrowing; and provide information for negotiations.

The County Superintendent recommends the District to implement best practices and monitor 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:

- For the 2022-23 adopted budget, the District is using the three prior year averaging for ADA estimates. The projected ADA for the budget year is 1,380.70 and the funded ADA is 1,70.54 due to the averaging method. For 2023-24, the funded ADA is projected to be 1,546.62, also using the averaging method. However, 2024-25, the District is projecting to use the prior year ADA of 1,380.70.
- LCFF funds are calculated using the 6.56% Cost of Living Adjustment (COLA) for the current year, 5.38% for 2023-24, and 4.02% for 2024-25.
- Per the LCFF calculator, the District is projecting to be community funded for all three budget years. However, the District may be an LCFF funded district when all the revenue adjustments from the State Enacted Budget are included. The district should monitor this closely.
- Federal revenue is projected to decrease in the current year due to declining enrollment and elimination of one-time funds. For the 2023-24 fiscal year, the District is projecting a 74% decrease in funding due to further one-time funds being removed. No change is projected for the third year.
- State revenues funded based on ADA are projected to decrease in the current year. One-time funds have been eliminated for 2023-24 resulting in a decrease of revenues by 50%. State revenues remain flat for 2024-25.
- Local revenues which include parcel taxes, leases, foundation donations and rentals are projected to decrease by \$2 million for the current year. The Ravenswood Education Foundation continues to support the district with annual donations to cover salary and benefit increases in all three years.
- Transfer of \$2.5 million from Capital Facilities Fund (Fund 25) to the General Fund 2023-24 is projected. For 2024-25, the amount transferred is \$5.5 million. The funds being transferred are from redevelopment funds (RDA).
- The District is projecting to transfer \$2.75 million from Fund 17 to the General Fund for 2023-24 and 2024-25.

Expenditures:

- Salaries budget includes step and column adjustments for certificated and classified staff for the current year and subsequent years. The District is projecting to increase salaries for the current and two subsequent years.
- Benefits are projected to increase each year due to salary increases and rising pension rates.
- Books and supplies are projected to decrease due to elimination of one-time funds in the current and subsequent year. For the third year, a 4% increase is projected.
- Services and other operating expenditures are projected to decrease in the current year and further decrease by 45% due to elimination of one-time funds. No change is projected for the 2024-25 fiscal year.
- Student placements in county operated special education programs are projected to decrease in the current year and double in 2023-24. The following year will remain flat.

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
Beginning Balance	\$3,918,679	\$4,844,666	\$8,820,232
Revenues & Other Financing Sources	17,986,618	23,340,296	25,664,190
Expenditures & Other Financing Uses	17,060,631	19,364,639	19,956,650
Net increase (Decrease)	925,987	3,975,657	5,707,540
Projected Ending Balance	\$4,844,666	\$8,820,323	\$14,527,863
<i>Total Available Reserves</i>	<i>\$12,155,092</i>	<i>\$6,320,323</i>	<i>\$12,027,863</i>
<i>Total Available Reserves Percentage</i>	<i>24.61%</i>	<i>14.05%</i>	<i>26.22%</i>

Total Available Reserves

In the adopted budget, the MYP reflects the \$9 million in the Special Reserve Fund (Fund 17) to be earmarked for economic uncertainties reserves. Components of fund balance are not consistent between unrestricted, restricted, and combined balances. Total available reserves may not be accurately reported, as the two subsequent years do not include Fund 17.

The County Office notes the transfer from Fund 25 for the 2024-25 fiscal year is greater than the estimated fund balance. SMCOE recommends the District **monitor and adjust the total transfer from Fund 25.**

Salary Negotiations

Negotiations were not settled as of the submission of the adopted budget.

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 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

The District maintains a 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:

District Funds	Beginning Balance	Revenues	Expenditures	Other Sources (Uses)	2021-22 Projected Ending Balance
12 Child Development	\$9,860	-	-	-	\$9,860
13 Cafeteria	\$1,163,635	2,700,131	2,359,794	-	\$1,503,972
14 Deferred Maintenance	\$246,054	5,082	-	-	\$251,136
17 Special Reserve for Other Than Capital Outlay Projects	\$9,000,000	-	-	-	\$9,000,000
21 Building	\$10,874,782	243,963	5,285,110	-	\$5,833,635
25 Capital Facilities	\$7,421,986	-	-	-	\$7,421,969
67 Self-Insurance	\$259,244	315,000	212,000	-	\$362,244

Child Development Fund (Fund 12): The budget will be updated at First Interim.

Special Reserve Fund for Other Than Capital Outlay Projects (Fund 17): This fund was established in 2021-22 to account for total reserves of the district.

Building Fund (Fund 21): Capital outlay has been reduced by 80% due to the completion of construction projects when compared to the 2021-22 Estimated Actuals.

Capital Facilities Fund (Fund 25): No transfers out are projected for the current year. In the subsequent years, \$2.5 million will be transferred to the General fund in 2023-24 and \$5.5 million in 2024-25. **This fund will need to be monitored as the transfers projected are greater than the projected fund balance.**

There are no significant changes in other District funds compared to the 2021-22 Estimated Actuals.

CHARTER SCHOOLS

The District is the authorizing agency for Aspire East Palo Alto Charter School (Aspire) and KIPP Valiant Community Prep.

The District maintains fiscal oversight responsibilities, particularly in the key areas of accounting, attendance reporting, budgeting, and payroll. It is important the District monitor carefully the charter school’s fiscal activities to ensure fiscal solvency.

The charts below show the reserve levels and projected ending balance in the General Fund for the budget year and subsequent two fiscal years for Aspire and KIPP:

Aspire East Palo Alto Charter School	2022-23	2023-24	2024-25
Beginning Balance	\$2,538,825	\$2,571,947	\$2,650,872
Revenues & Other Financing Sources	13,879,408	12,745,070	12,877,115
Expenditures & Other Financing Uses	13,846,286	12,666,145	12,635,802
Net increase (Decrease)	33,122	78,925	241,313
Projected General Fund Ending Balance	\$2,571,947	\$2,650,872	\$2,892,185
<i>Available Reserves Percentage</i>	<i>18.75%</i>	<i>20.93%</i>	<i>22.89%</i>

Aspire submitted a two-year cash flow analysis, which projects positive monthly cash balances for both years. The projected ending cash balance for 2022-23 is \$2.3 million and \$3.2 million for 2023-24.

KIPP Valiant Community Prep	2022-23	2023-24	2024-25
Beginning Balance	\$4,346,078	\$5,238,616	\$5,025,179

Revenues & Other Financing Sources	12,174,098	10,353,227	10,164,174
Expenditures & Other Financing Uses	11,281,560	10,566,664	11,004,826
Net increase (Decrease)	892,538	(213,437)	(840,652)
Projected General Fund Ending Balance	\$5,238,616	\$5,025,179	\$4,184,527
<i>Available Reserves Percentage</i>	<i>46.44%</i>	<i>47.56%</i>	<i>38%</i>

KIPP submitted a two-year cash flow analysis, which projects a positive monthly cash balance for both fiscal years. The projected cash balance for 2022-23 is \$5.7 million and \$5.5 million for 2023-24.

The sponsoring district should carefully review the charter school budgets to ensure that sufficient funds are maintained to provide high quality education to all students.

Local Control and Accountability Plan (LCAP) report for Aspire East Palo Alto and KIPP Valiant charter schools were approved in conjunction with their Adopted Budget and posted on the homepage of LEA’s website.

Should any circumstances arise related to the charter school that would negatively impact the financial condition of the District, please notify the County Office of Education as soon as possible.

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

FCMAT can now automatically 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 to 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.

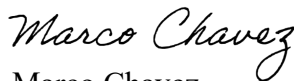
We want to express our appreciation to the Board and district staff for the work that went into the development of this year's LCAP and Budget. The County Superintendent and staff will continue to provide technical and coaching assistance in the monitoring and development of the District's budget and 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: Gina Sudaria, Superintendent, Ravenswood City ESD
Sara Stone, Assistant Superintendent of Teaching and Learning, Ravenswood City ESD
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