



Excellence and Equity in Education

Nancy Magee • County Superintendent of Schools

September 22, 2022

Maria Diaz-Slocum
President, Governing Board
Redwood City Elementary School District
750 Bradford Street
Redwood City, CA 94063

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

Dear Board President Diaz-Slocum:

The San Mateo County Office of Education (SMCOE) has completed its review of Redwood 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 Redwood 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 29, 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** Redwood 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 \$2 million and a decrease in expenditures of \$6.6 million compared to the 2021-22 Estimated Actuals.

Local Control Funding Formula (LCFF) sources, which is mostly property taxes for Redwood City ESD, is projected to increase by \$1 million. Federal revenues are projected to decrease by \$8 million due to the exclusion of one-time COVID-19 stimulus funds. State revenues are projected to increase by \$8.5 million due to the inclusion of the one-time discretionary grant, additional funds for the Extended Learning Opportunity Program and elimination of COVID-19 one-time funds. Local revenues which include grants, leases, and donations will be included only when funding commitments are received. Carryover funds are eliminated from the current year budget, which results in a decreased projection of \$3 million for local revenues.

Salaries and benefits are projected to decrease by \$325,000 due to staff reductions as one-time funds have been eliminated and the District continues to experience declining enrollment. Books and supplies are projected to decrease by \$5.2 million due to the elimination of the COVID-19 one-time funding. Services and other operating expenditures are projected to increase by approximately \$1 million due to the increase cost of services. Capital outlay is eliminated (\$2.1 million) for the current year as vehicles were purchased in the prior year.

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	\$128,241,799	\$126,252,475	(\$1,989,324)
B.	Proposed Expenditures	137,456,012	130,837,953	(6,618,059)
C.	Excess (Deficiency) of Expenditures over Revenues	(9,214,213)	(4,585,478)	(4,628,735)
D.	Other Sources/Uses and Transfers	-	-	-
E.	Total Increase (Decrease) in General Fund	(9,214,213)	(4,585,478)	(4,628,735)
F.	Ending Balance – Unrestricted/Restricted	\$14,868,200	\$10,282,722	(4,585,478)
G.	Ending Balance – Unrestricted only	\$9,371,473	\$5,744,457	(3,597,016)

The total available reserve in the General Fund for 2022-23 fiscal year is approximately \$5.7 million or 4.3% of the total General Fund expenditures. The District has approximately \$3.9 million assigned for economic uncertainties.

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 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 has confirmed that the Excess of Minimum Reserves disclosure for the 2022-23 Proposed Budget was presented at a public hearing held on June 22, 2022. The amount in excess of the 3% minimum reserve is approximately \$1.8 million and is assigned for health care reform, obligations and substitute leave costs and carryover of unspent grants intended for use in the subsequent fiscal year.

Cash Flow

The District submitted a two-year cash flow projection which shows negative monthly cash balances for October and November in the current year. For the subsequent year, November, and March project negative cash balances. The projected cash balance by the close of 2022-23 is estimated to be approximately \$22.2 million. By the end of 2023-24 the ending cash balance is projected to be \$21.3 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. Cash monitoring is critical in maintaining fiscal solvency.

The County Superintendent recommends that the District continue to implement best practices and regularly monitor its cash position to ensure the District meets its payroll and other monthly obligations.

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 District is projecting property tax revenues conservatively for the current and subsequent years with 3% growth.
- Federal revenues are projected to decline in the current year due to carryover balances being eliminated as well as one-time COVID-19 funds. For the subsequent years, federal revenue is projected to decrease as the remaining one-time funds spending deadline approaches.
- State revenues increased in the current year due to the one-time discretionary grant and are projected to decrease in 2023-24 as the funds are expended. In 2024-25, the District projects an increase in state revenues of 4%.
- Local revenue is projected to decrease in the budget year due to the elimination of carryover balances. The District is projecting increases due to leases of unused sites for the subsequent years. Donations are not included in budget until awarded or a funding commitment has been received.
- A \$7.4 million transfer to the General Fund from Capital Facilities Fund, (Fund 25) is included in 2023-24 to address operating deficits and meet the minimum state-recommended reserve level. The transfer increases to \$12.6 million in 2024-25. This transfer is only from RDA funds deposited to Fund 25.

Expenditures:

- Step and column costs are estimated at 1.5% for all bargaining units in the two subsequent years. Staff reductions are included for both 2023-24 and 2024-25 fiscal years due to the elimination of one-time funds and declining enrollment.
- Benefits increase each year to capture projected increase costs of pension rates.

- Books and supplies decreased significantly in the current budget year and only slightly in the subsequent year due to removal of one-time funds. They are projected to increase about 5% for the third year out.
- Services and other operating expenses decreased in the current year due to elimination of COVID-19 one-time funds. For 2023-24, the District is projecting a 3% increase. In 2024-25, the increase is estimated at 2%.
- Capital outlay is not projected for the three budget 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	2022-23	2023-24	2024-25
Estimated Beginning Balance	\$9,371,473	\$5,774,457	\$4,256,995
Revenues & Other Financing Sources	71,348,279	74,974,789	77,882,348
Expenditures & Other Financing Uses	74,945,295	76,492,251	77,825,034
Net increase (Decrease)	(3,597,016)	(1,517,462)	57,314
Projected General Fund Ending Balance	\$5,774,457	\$4,256,995	\$4,314,309
<i>Available Reserves Percentage Per MYP</i>	<i>3%</i>	<i>3%</i>	<i>3%</i>

The County Office notes the District is relying on transfers from Fund 25 to have a positive fund balance and meet the minimum required reserve in the subsequent years. The County Superintendent urges the District to closely monitor and update its budget on a regular basis to ensure there is adequate funding for all educational programs.

Salary Negotiations

At the time of the submission of the Adopted Budget, the District had not settled negotiations for the current 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.

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
12 Child Development	\$229,409	6,889,500	6,889,500	-	\$229,409
13 Cafeteria	\$1,619,691	5,142,442	5,451,799	-	\$1,310,334
14 Deferred Maintenance	\$	-	137,099	137,099	\$
21 Building	\$7,922,623	100,000	4,878,084	-	\$3,144,539
25 Capital Facilities	\$24,115,108	4,175,000	33,960	(137,099)	\$28,119,049
40 Special Reserve – Capital Projects	\$1,885,235	15,000	-	-	\$1,900,235

Building Fund (Fund 21): Expenditures are projected to decrease by 92% due to completing projects throughout the district as compared to 2021-22. As the fund balance is depleted, the interest revenue is decreased.

Capital Facilities Fund (Fund 25): The District plans to transfer \$7.4 million of the Community Redevelopment Agencies (RDA) funds accumulated in Fund 25 to Fund 01 to mitigate operating deficit in the General Fund for 2023-24. For the 2024-25 fiscal year, the District is projecting to transfer almost \$13 million. In the current budget year, the projection for revenue is reduced by \$1 million from the prior year. This fund should be monitored closely as the General Fund is very reliant on the RDA funds.

There are no other significant changes in the other District funds compared to the 2020-21 Estimated Actuals.

CHARTER SCHOOLS

The District is the authorizing agency for Connect Community Charter School (Connect), KIPP Excelencia Community Preparatory Charter School (KIPP) and Rocketship Redwood City Preparatory Charter School (Rocketship). Connect and KIPP use accrual basis of accounting while Rocketship uses a modified basis of accounting.

The District maintains fiscal oversight responsibilities, particularly in the key areas of accounting, attendance reporting, budgeting, and payroll. It is important that the District monitor carefully the charter schools' fiscal activities to ensure fiscal solvency. All three charter schools maintain a 5% reserve for economic uncertainties per District's Memorandum of Understanding (MOU).

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 Connect, KIPP Excelencia, Rocketship:

Connect Community Charter School General Fund – Unrestricted/Restricted	2022-23	2023-24	2024-25
Estimated Beginning Balance	\$1,148,196	\$985,480	\$632,859
Revenues & Other Financing Sources	3,013,985	2,698,687	2,899,716
Expenditures & Other Financing Uses	3,176,701	3,051,308	3,168,863
Net increase (Decrease)	(162,716)	(352,621)	(269,147)
Projected General Fund Ending Balance	\$985,480	\$632,859	\$363,712
<i>Available Reserves Percentage</i>	<i>31.02%</i>	<i>20.74%</i>	<i>11.48%</i>

KIPP Excelencia Community Preparatory General Fund – Unrestricted/Restricted	2022-23	2023-24	2024-25
Estimated Beginning Balance	\$4,170,694	\$5,689,878	\$5,697,661
Revenues & Other Financing Sources	15,270,714	13,219,965	12,918,075
Expenditures & Other Financing Uses	13,751,531	13,212,182	13,568,192
Net increase (Decrease)	1,519,184	7,783	(650,118)
Projected General Fund Ending Balance	\$5,689,878	\$5,697,661	\$5,047,543
<i>Available Reserves Percentage</i>	<i>41.38%</i>	<i>43.12%</i>	<i>37.20%</i>

Rocketship Preparatory Charter General Fund – Unrestricted/Restricted	2022-23	2023-24	2024-25
Estimated Beginning Balance	\$739,639	\$757,339	\$717,980
Revenues & Other Financing Sources	4,521,015	4,539,785	4,080,560
Expenditures & Other Financing Uses	4,503,316	4,579,144	4,321,278
Net increase (Decrease)	17,700	(39,359)	(240,718)
Projected General Fund Ending Balance	\$757,339	\$717,980	\$477,262
<i>Available Reserves Percentage</i>	<i>16.82%</i>	<i>15.68%</i>	<i>11.04%</i>

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 Connect Community, KIPP Excelencia Community Preparatory, and Rocketship Preparatory 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 schools 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

The 2018-19 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: Dr. John Baker, Ed.D., Superintendent, Redwood City ESD
Liz Wolfe, Assistant Superintendent, Instructional Services, Redwood City ESD
Rick Edson, Chief Business Official, Redwood City ESD
Nancy Magee, County Superintendent of Schools, SMCOE
Joy Dardenelle, Executive Director, District Improvement and Support, SMCOE
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