



Excellence and Equity in Education

Nancy Magee • County Superintendent of Schools

September 22, 2022

Andriana Shea
President, Governing Board
San Bruno Park Elementary School District
500 Acacia Avenue
San Bruno, CA 94066

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

Dear Board President Shea:

The San Mateo County Office of Education (SMCOE) has completed its review of San Bruno Park 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 San Bruno Park 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 15, 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.

LACK OF GOING CONCERN:

On December 8, 2021, San Mateo County Office of Education (SMCOE) issued a letter for “*Lack of Going Concern*” per Education Code 42127.6. SMCOE requested the District to take the following actions to assist the District in its financial recovery:

- SMCOE required a Fiscal Health Risk Analysis to be completed by the Fiscal Crisis Management Assistance Team at its earliest availability
- Direct the District to submit a financial projection for the General Fund. Specifically, SMCOE directed San Bruno Park School District to revise its Multi-Year Projection to include enrollment projections based on trend analysis and ensure budget includes estimates for both one-time revenues and expenditures.

The District has complied with the actions. The San Mateo County Office of Education **approves** San Bruno Park Elementary School District’s 2022-23 Adopted Budget. The “*Lack of Going Concern*” is hereby rescinded.

The review of the 2022-23 Adopted Budget resulted in the following comments:

FINDINGS:

General Fund Budget Summary

The 2022-23 Adopted Budget shows a net increase in General Fund revenues of approximately \$3.6 million and an increase in expenditures of approximately \$6.6 million compared to the 2021-22 Estimated Actuals.

Property tax revenues are projected to increase by \$962,000. Federal revenues are projected to increase by \$1.7 million as one-time funds are carried forward. State revenues are also projected to increase by \$1.2 million due to carryover of one-time funds. Local revenues are projected to decrease by \$150,000 as compared to 2021-22 Estimated Actuals. Donations

will be included when received; no carryover amounts are included in the Adopted Budget for local revenues.

Salaries and benefits are increased by \$2.7 million due to a negotiated settlement. Books and supplies, services and other operating expenditures increased by \$4.3 million related to expending carryover of one-time funds. Capital outlay expenditures decreased by \$333,000 due to completion of construction projects. Costs for special education placements are projected to decrease by \$133,000 due to reduced number of students.

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	\$34,562,027	\$38,199,210	\$3,637,183
B.	Proposed Expenditures	32,981,672	39,569,770	6,588,098
C.	Excess (Deficiency) of Expenditures over Revenues	1,580,355	(1,370,560)	(2,950,915)
D.	Other Sources/Uses and Transfers	-	-	-
E.	Total Increase (Decrease) in General Fund	1,580,355	(1,370,560)	(2,950,915)
F.	Ending Balance – Unrestricted/Restricted	\$9,604,798	\$8,234,238	(1,370,560)
G.	Ending Balance – Unrestricted only	\$6,835,739	\$6,654,290	(\$181,449)

Total available reserves in the General Fund for 2022-23 fiscal year is \$6.3 million or 16% of the total General Fund expenditures. This amount includes the fund balance in the Special Reserve Fund for Other than Capital Outlay Fund (Fund 17) of \$887,535.

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 has confirmed that the Excess of Minimum Reserves disclosure was presented at the public hearing held on June 1, 2022. The total assigned and unassigned balance in the General Fund is approximately \$7.5 million. The amount in excess of the 3% minimum reserve is approximately \$6.3 million which is set aside by the District to protect the District against foreseen and unforeseen circumstances such as revenue shortfall, deferred apportionments, unanticipated expenditures, increases to statutory benefits, and to support

cash flow needs. The total calculated reserve amount includes the fund balance of \$888,000 from Fund 17.

Cash Flow

The District submitted a two-year cash flow projection showing positive cash balance for every month for both fiscal years. The projected ending cash balance is \$9.7 million in 2022-23 and \$8.5 million in 2023-24.

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 and Revenue Anticipation Note (TRAN) for either fiscal year.

The County Superintendent recommends 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:

- Property tax revenue is budgeted for 2% growth for all three budget years.
- Federal revenue is projected to increase in 2022-23 and decrease substantially in 2023-24 due to elimination of one-time funds. 2024-25 is projected to have a slight decrease due to declining enrollment.
- State revenue is projected to increase in 2022-23 due to carryover funds and decrease by 35% as one-time funds are eliminated.
- Local revenues are decreased in 2022-23 due to elimination of Zuckerberg donation. Donations and local grants will be included in the budget when received for all three budget years.

Expenditures:

- Salaries and benefits budget include a 2% step and column adjustment for certificated and classified salaries for each budget year projection. Current year budget reflects a salary increase of 5.5%. For 2023-24, a reduction is projected due to elimination of one-time funds for certificated salaries.

- Books and supplies projects a substantial increase in the current year due to the carryover of one-time funds. For 2023-24, expenditures are projected to decrease substantially due to elimination of one-time funds. In 2024-25, books and supplies are expected to increase by 2%.
- Services and other operating expenses is projected to increase in the current year due to carryover one-time funds. For 2023-24, expenditures are projected to decrease by 30% as one-time funds are eliminated. In 2024-25, these costs are projected to increase by 2%.
- Capital outlay is projected to remain at the same level as the current year for the next two years.
- Other outgo is projected to decrease due to fewer students attending County Office programs for all three budget years.

The chart below shows the reserve levels and projected ending balance in the Unrestricted General Fund for the budget year and two subsequent fiscal years:

General Fund – Unrestricted Only	2022-23	2023-24	2024-25
Beginning Balance	\$6,835,739	\$6,654,290	\$6,592,678
Revenues & Other Financing Sources	20,113,890	20,614,408	21,071,799
Expenditures & Other Financing Uses	20,295,339	20,676,020	21,108,576
Net increase (Decrease)	(181,449)	(61,612)	(36,777)
Projected Ending Balance	\$6,654,290	\$6,592,678	\$6,555,901
Total Available Reserves (includes Fund 17)	\$5,184,034	\$5,339,497	\$5,280,616
Total Available Reserves Percentage	13.10%	15.64%	15.22%

Deficit Spending

The District is showing deficit spending in all three budget years. While the deficit is projected to reduce each year, the County Office recommends the District monitor its budget closely and adjust as necessary to ensure the ability to meet its financial obligations.

Salary Negotiations

This District has settled negotiations with the certificated and classified bargaining units for the budget year.

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 positive balance 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	\$134,880	2,051,426	2,050,426	-	\$135,880
13 Cafeteria	\$547,720	1,255,256	892,208	-	\$910,768
14 Deferred Maintenance	\$979	20	-	-	\$999
17 Special Reserve - Other	\$877,535	10,000	-	-	\$887,535
20 Special Reserve for Post-employment Benefits	\$5,000	-	-	-	\$5,000
21 Building Fund	\$2,620,665	400,000	1,907,527	-	\$1,113,138
25 Capital Facilities	\$940,451	209,660	203,704	-	\$946,407
40 Special Reserve for Capital Projects	\$4,090,464	45,000	207,617	-	\$3,927,846
71 Retiree Benefits	\$4,372,601	17,876	17,876	-	\$4,372,601

Child Development Fund (Fund 12): Federal revenues increased due to one-time funds carried over to current year by \$54,000. The local revenues have been decreased by \$217,000 due to the uncertainty of the continuation of two grants-California State Preschool Program-QRIS grant and the Inclusive Early Education Expansion Program Grant. Classified salaries and benefits are projected to decrease by \$280,000 due to the elimination of the grants. Services and other operating expenditures are also projected to decrease by \$29,000.

Cafeteria Fund (Fund 12): Revenues are projected to have a net increase of \$297,000 due to the implementation of universal meals. Expenditures are anticipated to increase by \$89,000 as compared to 2021-22 estimated actuals.

Building Fund (Fund 21): Due to completion of construction projects, projected interest revenue is projected to decrease by \$415,000. Capital outlay is also projected to decrease by \$44 million as the Allen School is near completion.

Capital Facilities Fund (Fund 25): Services and other operating expenditures are projected to increase by \$193,000 as compared to 2021-22 estimated actuals. This is due to current construction projects.

Special Reserve for Capital Outlay Projects (Fund 40): An audit adjustment from 2020-21 has reduced the fund balance by \$600,000. Services and other operating expenditures are projected to decrease by \$170,000 as construction projects have been completed.

There are no other significant changes in the other funds of the District compared to the 2021-22 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 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,



Kevin J. Bultema
Deputy Superintendent Business Services
kbultema@smcoe.org
650-802-5511



Marco Chavez
Deputy Superintendent Educational Services
mchavez@smcoe.org
650-802-5311

Enclosures

- c: Matthew Duffy, Superintendent, San Bruno Park ESD
Mariana Solomon Assoc. Superintendent, Business Services, San Bruno Park ESD
Anjelica Zermeno, Director of Educational Services, San Bruno Park ESD
Nancy Magee, County Superintendent of Schools, SMCOE
Joy Dardenelle, Executive Director, Systems for District Improvement, SMCOE
Wendy Richard, Executive Director, District Business Services, SMCOE