



SAN MATEO
COUNTY
OFFICE OF
EDUCATION

Excellence and Equity in Education

Nancy Magee • County Superintendent of Schools

September 20, 2022

Rosie Tejada
President, Governing Board
Jefferson Union High School District
699 Serramonte Boulevard, Suite 100
Daly City, CA 94015

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

Dear Board President Tejada:

The San Mateo County Office of Education (SMCOE) has completed its review of the 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 Jefferson Union High 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 21, 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** Jefferson Union High 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 increase in General Fund revenues of approximately \$3.6 million compared to the 2021-22 Estimated Actuals. Property tax revenues are projected to increase by \$3.3 million based on growth of 5.6%. Federal revenue is projected to decrease by \$3.2 million due to the elimination of one-time funds. State revenues are projected to increase approximately \$4.1 million due to one-time discretionary funds proposed by the Governor's 2022-23 State Budget. Local revenues are projected to decrease by \$616,000 due to loss of San Mateo County Supervisor's Measure K grant funds.

General Fund expenditures are projecting a net increase of \$1.7 million in 2022-23 as compared with prior year estimated actuals. Books and supplies are projected to decrease by \$2.9 million due to elimination of one-time funds. Salaries and benefits are projected to increase by \$4.6 million due to step and column increases, increase in hours for certificated staff, and two additional staff days for 10-month employees effective 2022-23, and an increase in pension costs. Services and other operating expenditures decrease by \$267,000 due to expiration of one-time funds. Other outgo is projected to increase by \$247,000 primarily due to increase special education costs. A reduction of \$250,000 is due to eliminating the transfer to the Cafeteria Fund (Fund 13).

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	\$76,984,061	\$80,613,293	\$3,629,232
B.	Proposed Expenditures	78,937,809	80,658,378	1,720,569
C.	Excess (Deficiency) of Expenditures over Revenues	(1,953,748)	(45,085)	1,908,663
D.	Other Sources/Uses and Transfers	(250,000)	-	250,000
E.	Total Increase (Decrease) in General Fund	(2,203,748)	(45,085)	2,158,663
F.	Ending Balance – Unrestricted/Restricted	\$10,887,281	\$10,842,196	(45,085)
G.	Ending Balance – Unrestricted only	\$8,352,220	\$8,807,135	454,915

Total available reserves in the General Fund for 2022-23 fiscal year is approximately \$8.8 million or 10.91% of the total General Fund expenditures.

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 the Special Reserve Fund for Other Than Capital Outlay Projects (Fund 17).

The District held a public hearing on June 7, 2022, and has provided the public an opportunity to review and discuss the components and reasons for the reserves. \$9.6 million is the total assigned and unassigned balance in the General Fund and Special Reserve Fund combined. The amount in excess of the 3% minimum reserve is \$7.3 million for the 2022-23 fiscal year.

Cash Flow

The District submitted cash flow projections for 2022-23 and 2023-24 fiscal years. Positive cash balances are projected each month except for the months of September through November for 2022-23, and August through November, and March for 2023-24. The projected cash balance by the close of each fiscal year is approximately \$8.9 million and \$4 million, respectively.

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

- Property tax revenue increase of 5.62% for 2022-23 and 4% for the two subsequent years.
- Federal revenues will decrease in 2022-23 and 2023-24 due to elimination of one-time funds. For 2024-25, revenues are projected to increase 3.64%.
- For the 2022-23 fiscal year, state revenues include proposed one-time discretionary funding in the amount of \$1,500 per Average Daily Attendance (ADA) or \$5 million. This is eliminated in 2023-24 and the following year is projected to remain relatively flat.
- Local revenues are anticipated to decrease due to loss of Measure K funding in 2022-23. Further reductions are projected as those funds are fully expended in 2023-24. Less than 1% increase is anticipated for 2024-25.

Expenditures:

- The cost of step and column adjustments of .9% is included for all three years.
- Increases for pension costs are included for all three budget years.
- Certificated salaries include increases for additional hours effective in the 2022-23 fiscal year. Classified salaries include increase for two additional days effective for the 2022-23 fiscal year.
- Reductions are projected in certificated and classified salaries for 2023-24 due to COVID-19 one-time funds expiring.
- Books and supplies decrease in 2022-23 and 2023-24 due to the removal of one-time funds. Services and other operational expenditures are projected to decrease as well.
- Transfer Out to the Cafeteria Fund (Fund 13) is eliminated in 2022-23. No transfers projected for the two subsequent 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	\$8,352,220	\$8,807,135	\$5,994,490
Revenues & Other Financing Sources	48,475,401	45,388,342	47,061,771
Expenditures & Other Financing Uses	48,020,486	48,200,987	48,811,477
Net increase (Decrease)	454,915	(2,812,645)	(1,749,706)
Projected General Fund Ending Balance	\$8,807,135	\$5,994,490	\$4,244,784
<i>Total Available Reserves Percentage Per MYP</i>	<i>10.91%</i>	<i>8.70%</i>	<i>6.40%</i>

Unrestricted Deficit Spending

The District is projecting unrestricted deficit spending of \$2.8 million in 2023-24, primarily due to the elimination of 2022-23 one-time state revenues. The trend of deficit spending is continuing in fiscal year 2024-25 by \$1.7 million. Anticipated deficit spending should be for one-time, non-recurring expenditures to avoid depletion of the District’s unrestricted reserves. The County Office strongly encourages the District to closely monitor its budget, make necessary budget adjustments, seek options for revenue enhancements and/or budget reductions to ensure the District’s ability to meet its financial obligations.

Salary Negotiations

The District has not settled negotiations with its certificated and classified bargaining units for the 2022-23 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 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
11 Adult Education	\$834,800	2,145,712	2,145,712	-	\$834,800
13 Cafeteria	\$113,147	1,600,000	1,552,124	-	\$161,023
17 Special Reserve - Other	\$835,373	5,000	-	-	\$840,373
21 Building	\$15,922,765	500,000	72,397,941	70,000,000	\$14,024,824
25 Capital Facilities	\$4,517,449	368,000	22,425	-	\$4,863,024
40 Special Reserve Fund for Capital Outlay	\$19,823,163	-	-	-	\$19,823,163
56 Debt Service Fund	\$4,311,128	-	-	-	\$4,311,128

Cafeteria Fund (Fund 13): The contribution from General Fund is eliminated in 2022-23.

Building Fund (Fund 21): The District will be receiving proceeds from a sale of General Obligation Bonds (\$70 million) in 2022-23 to continue construction of the new district office and adult school buildings.

Budgets for the Special Reserve Fund for Capital Outlay (Fund 40) and Debt Service Fund (Fund 56) will be updated for the First Interim reporting period. Debt repayment on the Certificates of Participation (COPs) will begin in 2022-23.

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

CHARTER SCHOOL

The District is the authorizing agency for a charter school, Summit Public Schools: Shasta. 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.

Summit Public School: Shasta

The 2022-23 Adopted Budget and multi-year projections for Shasta show a balanced budget for the current year and two subsequent years. LCFF-funded ADA is projected to be 402 for 2022-23, 397 for 2023-24 and 392 for 2024-25. The charter is projecting declining enrollment. Total available reserves for the 2022-23 fiscal year, which includes reserve for economic uncertainties and unassigned/unappropriated amounts to approximately \$1.5 million or 25% of

the total General Fund budget. Per the charter school’s board presentation, the ending cash balance is forecasted to be \$2.3 million.

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

Summit Public Schools-Shasta General Fund – Unrestricted/Restricted	2022-23	2023-24	2024-25
Estimated Beginning Balance	\$949,744	\$1,596,006	\$1,927,182
Revenues & Other Financing Sources	6,935,956	6,640,589	6,657,858
Expenditures & Other Financing Uses	6,289,694	6,309,413	6,501,790
Net increase (Decrease)	646,262	331,176	156,068
Projected General Fund Ending Balance	\$1,596,006	\$1,927,182	\$2,083,250
<i>Available Reserves Percentage</i>	<i>25%</i>	<i>31%</i>	<i>32%</i>

As an authorizing agency, the District must continue to closely monitor the charter school’s Local Control Accountability Plan and budget to ensure that sufficient funds are maintained to support all goals, actions and services included in the LCAP for 2022-23. The LCAP has been posted to the charter’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 shows 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 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.

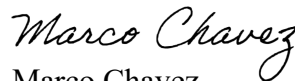
We want to express our appreciation to the Board and district staff for the work that went into the development of this year's LCAP and Budget. The County Superintendent and staff will continue to provide technical and coaching assistance in the monitoring and development of the District's Budget and 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

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Tina Van Raaphorst, Deputy Superintendent, Business Services Jefferson UHSD
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