



**Excellence and Equity in Education**

Nancy Magee • County Superintendent of Schools

September 22, 2022

Peter Hanley  
President, Governing Board  
San Mateo Union High School District  
650 North Delaware Street  
San Mateo, CA 94401

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

Dear Board President Hanley:

The San Mateo County Office of Education (SMCOE) has completed its review of San Mateo Union High 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 Mateo 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 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** the San Mateo 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 decrease in General Fund revenues of approximately \$1.5 million and a decrease in expenditures of \$5.8 million compared to the 2021-22 Estimated Actuals.

Property taxes are projected to increase by \$7.8 million. Federal revenue is projected to decrease by \$139,000 mainly from a reduction in the Special Education (SPED) Entitlement. Other state revenues are projected to decrease by \$6.5 million due to elimination of one-time COVID-19 funds and prior year carryovers. Local revenue decreased by \$2.6 million. Donations and grants will be budgeted when received.

Salaries and benefits expenditures increased by \$2.7 million due to step and column adjustments, a 4.5% salary increase, staffing adjustments and an increase in STRS, PERS pension rates and health and welfare costs. Books and supplies and other operating expenses are projected to decrease by \$8.4 million due to removal of one-time COVID-19 funds and carryover. Capital outlay increased by \$90,000 to include the cost for a replacement bus. Tuition payment for county placed special education students are projected to decrease by approximately \$227,000 due to fewer student placements.

The General Fund continues to transfer funds to the Cafeteria Fund (Fund 13), the Special Reserve Fund (Fund 17) and the Building Fund (Fund 21).

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	\$210,527,447	\$209,049,596	(\$1,477,851)
B.	Proposed Expenditures	209,735,665	203,883,117	(5,852,548)
C.	Excess (Deficiency) of Expenditures over Revenues	791,782	5,166,479	4,374,698
D.	Other Sources/Uses and Transfers	(3,856,287)	(5,345,160)	(1,488,873)
E.	Total Increase (Decrease) in General Fund	(3,064,505)	(178,681)	2,885,824
F.	<b>Ending Balance – Unrestricted/Restricted</b>	<b>\$34,995,723</b>	<b>\$34,817,042</b>	<b>(\$178,681)</b>
G.	<b>Ending Balance – Unrestricted only</b>	<b>\$33,559,797</b>	<b>\$33,660,156</b>	<b>\$100,359</b>

The state-recommended minimum reserve for San Mateo Union High School District is 3% of total General Fund expenditures. Based on the adopted budget, the District is projecting approximately \$6.3 million or 3% in available reserves.

The Special Reserve Fund for Other Than Capital Outlay Projects (Fund 17) ending balance of \$10 million is set aside as other commitment and is not included as part of the reserve calculation.

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. The excess reserves amount is committed for basic aid reserves based on Board Policy 3100.1 and to cover COVID-19 pandemic impacts.

### Cash Flow

The District submitted cash flow projections for 2022-23 and 2023-24 showing negative cash balances from September to November for both fiscal years. The projected cash balance at the close of the 2022-23 and 2023-24 fiscal years are estimated to be \$37 million and \$45 million, respectively.

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 has a \$14 million Tax Revenue Anticipation Note (TRAN) to smooth out its cash flow.

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

### Multi-Year Projections (MYP)

The multi-year projection is one of the most important tools in determining the District's financial position. 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:

- Secured property taxes are projected to grow by 7.6% in the current year and 3.5% in the subsequent years.
- Federal revenues are projected to decrease by 11% in 2023-24 from removal of one-time COVID-19 funds. It is expected to reduce further by 4% in 2024-25 from elimination of the Elementary and Secondary School Emergency Relief II (ESSER II) funds.
- State revenues are projected to decrease by 6% in 2023-24 from removal of one-time COVID-19 funds and remain constant thereafter.
- Local revenues from donations and grants are recognized as they are received each year.

#### Expenditures:

- Salaries and benefits include costs of step and column adjustments, increase in STRS and PERS pension rates and health and welfare costs.
- Salaries expenses reduced by \$595,000 in 2023-24 due to elimination of temporary positions from one-time funds and a reduction in two professional development days. Books and supplies are reduced in 2023-24 from removal of one-time COVID-19 funds and remain relatively flat.
- Utilities are projected to increase by 5% each year. Election costs have been removed in 2023-24.

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	\$33,559,797	\$33,660,156	\$36,152,053
Revenues & Other Financing Sources	150,078,447	153,438,765	158,368,437
Expenditures & Other Financing Uses	149,978,088	150,946,868	152,624,382
Net increase (Decrease)	100,359	2,491,897	5,744,055
<b>Projected Ending Balance</b>	<b>\$33,660,156</b>	<b>\$36,152,053</b>	<b>\$41,896,108</b>
<b>Total Available Reserves</b>	<b>\$6,276,848</b>	<b>\$6,312,728</b>	<b>\$6,386,772</b>
<b>Total Available Reserves Percentage</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>

### Salary Negotiations

The District has settled for a 4.5% salary increase with all bargaining units for 2022-23. The fiscal impact of the settlement is included in the adopted budget.

For future negotiations, the County Superintendent of Schools recommends the District conduct a careful and thorough pre-settlement analysis of any proposed collective bargaining agreement. Multi-year proposals require diligent review to ensure the District can sustain related costs and avoid the risk of insolvency.

### 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:

<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>
11 Adult Education	\$6,610,020	5,927,228	6,320,250	-	\$6,216,998
13 Cafeteria	\$501,546	4,038,965	2,779,707	525,000	\$2,285,804
14 Deferred Maintenance	\$823,088	30,000	-	-	\$853,088
17 Special Reserve – Other	\$8,780,962	50,000	-	1,500,000	\$10,330,962

District Funds	Estimated Beginning Balance	Revenues	Expenditures	Other Sources (Uses)	2022-23 Projected Ending Balance
19 Foundation Special Reserve	\$3,485	33,064	33,064	-	\$3,485
21 Building	\$96,257,339	2,143,500	918,841	3,320,160	\$100,802,158
25 Capital Facilities	\$11,406,833	1,457,500	-	-	\$12,864,333
40 Special Reserve – Capital Projects	\$5,219,824	50,000	-	-	\$5,269,824

Cafeteria Fund (Fund 13) - Federal revenue is projected to decrease and state revenue to increase from the Child Nutrition programs. Food services sales are expected to decrease due to the implementation of the Universal Meals Program. Accordingly, the expenditures budget has been adjusted in 2022-23.

The Building Fund (Fund 21): Local revenues reduced by 74%. Community redevelopment fund transfer from the General Fund is removed and interest revenue decreased. Accordingly, expenditures budget has been adjusted. Proceeds from sale of bonds have been eliminated in the budget year.

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

CHARTER SCHOOL

The District is the authorizing agency for Design Tech High School. As the authorizing agency, the District maintains fiscal oversight responsibilities, particularly in the key area of accounting, attendance reporting, budgeting, and payroll.

Revenues increase by approximately \$216,000 in the current budget year compared to 2021-22 Estimated Actuals. This is primarily from the 6.56% cost-of-living adjustment (COLA) to LCFF funding and one-time discretionary funds. Operating expenditures increase by \$57,000.

The available reserves which include reserves for economic uncertainties and unassigned/unappropriated fund balances are projected at 39% for the current year, 45% and 51% in the subsequent two years.

The Charter submitted a one-year cash flow projection showing positive cash balances each month.

As an authorizing agency, the District must continue to closely monitor the charter school Local Control Accountability Plan and budget to ensure that sufficient funds are maintained to support all goals and actions included in the LCAP. 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.

#### FCMAT Oversight

At the request from County Superintendent of schools, Fiscal Crisis Management Assistance Team (FCMAT) can 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.



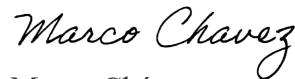
We want to express our appreciation to the Board and district staff for the work that went into the development of this year's LCAP and Budget. The County Superintendent and staff will continue to provide technical and coaching assistance in the monitoring and development of the District's budget and 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: Randall Booker, Superintendent, San Mateo UHSD  
Brian Simmons, Director of Curriculum and Assessment, San Mateo UHSD  
Yancy Hawkins, Associate Superintendent and Chief Business Officer, San Mateo UHSD  
Nancy Magee, County Superintendent of Schools, SMCOE  
Joy Dardenelle, Executive Director, District Improvement & Support, SMCOE  
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