



**SAN MATEO
COUNTY
OFFICE OF
EDUCATION**

Excellence and Equity in Education

Nancy Magee • County Superintendent of Schools

May 13, 2022

Kai Doggett
President, Governing Board
Pacifica School District
375 Reina Del Mar Avenue
Pacifica, CA 94044

RE: 2021-22 Second Interim Financial Report

Dear Board President Doggett:

The San Mateo County Office of Education (SMCOE) has completed its review of Pacifica School District's Second Interim Report for the 2021-22 fiscal year pursuant to Education Codes 42127 and 52046.1.

On the basis of our review and analysis, the Second Interim Financial Report approved by the Board on March 9, 2022 appears to reflect adequately the financial and budgetary status of the District and is consistent with the state's criteria and standards. **The District has submitted a positive certification which means the District has certified it will meet its financial obligations for the current and subsequent two fiscal years.**

Based on information known at the time of this report, the County Superintendent concurs with the District's positive certification with the following comments:

GENERAL FUND:

The General Fund is the main operating fund of the District. Revenues increased by approximately \$759,000 while expenditures increased by \$441,000 compared to First Interim. Federal revenues increased \$73,000 due to Elementary and Secondary School Emergency Relief II Grant (ESSER II). State revenues increased by \$705,000 due to the Educator Effectiveness Grant and the Expanded Learning Opportunities Program (ELO-P). Local revenues decreased by \$19,000 due to adjusting for actual donations and grants.

Salaries and benefits have a net increase of \$31,000 due to updating staffing as of January. Services and other operating expenditures had the largest increase of \$408,000 due to increases in contracts, routine maintenance and special education costs.

Below is a comparison of revenues and expenditures in the General Fund from the First Interim to the Second Interim reporting period:

	General Fund – Unrestricted/Restricted	2021-22 First Interim	2021-22 Second Interim	Difference
A.	Anticipated Revenues	\$37,036,011	\$37,794,654	\$758,643
B.	Proposed Expenditures	35,996,656	36,437,799	441,143
C.	Excess (Deficiency) of Revenues over Expenditures	1,039,355	1,356,855	317,500
D.	Other Sources/Uses and Transfers	-	-	-
E.	Total Increase (Decrease) in General Fund	1,039,355	1,356,855	317,500
F.	Ending Balance – Unrestricted/Restricted	\$5,111,146	\$5,428,646	\$317,500
G.	Ending Balance – Unrestricted only	\$1,991,453	\$1,599,113	\$392,340

Reserve for Economic Uncertainties

The minimum state-recommended reserve level for Pacifica is 3% of total General Fund expenditures. Based on the Second Interim Report, the District has 5.16% available reserve for economic uncertainties or \$1.9 million. The reserves calculation includes Special Reserves-Noncapital Outlay Fund (Fund 17) of \$782,000.

CASH FLOW

A two-year cash flow projection for the General Fund was submitted. The District projects to have negative cash balances in the second year for the months of October, November and April. The District projects positive ending cash balances for the current and subsequent fiscal years of \$5.8 million and \$3.6 million, respectively.

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:

- Local Control Funding Formula (LCFF) resources for the current year are based on the

P-1 Property Tax Repot as the district is community funded. For 2022-23, the District is projecting to use a Cost Of Living Allowance (COLA) of 5.33%. The subsequent year, COLA is projected to be 3.61%.

- Average daily attendance (ADA) is projected to decrease by 288 in 2021-22, however due to the “hold harmless” provision, this decrease will not be reflected until the 2022-23 fiscal year.
- Due to the elimination of supplemental taxes of \$7.4 million in 2022-23 per the Revenue and Taxation Code, Section 75.70, the District is projecting to flip to LCFF funded status.
- One-time federal and state revenues are eliminated in 2022-23 and projected to remain flat in the subsequent year.

Expenditures:

- Salaries and benefits include step and column of 1.5% for each year of the MYP. 2022-23 fiscal year reflects reductions due to elimination of one PD day and reduction of staffing due to declining enrollment.
- Increased pension costs are included in all three budget years.
- Books and supplies are reduced due to elimination of one-time revenue for 2022-23 and remain flat the following year.
- Services and other operating expenditures are increased 2% in the two subsequent years.
- Transfers of indirect costs are reduced due to removal of one-time funding.
- No transfers to other funds projected all three years.

The chart below shows Unrestricted General Fund revenues, expenditures, fund balance, and reserve levels for the current and subsequent two fiscal years:

General Fund – Unrestricted Only	2021-22	2022-23	2023-24
Beginning Balance	\$2,316,209	\$3,915,323	\$2,693,963
Revenues & Other Financing Sources	24,297,633	20,725,526	21,626,040
Expenditures & Other Financing Uses	22,698,519	21,946,885	22,363,273
Net increase (Decrease)	1,599,113	(1,221,359)	(737,233)
Projected Ending Balance	\$3,915,323	\$2,693,963	\$1,956,730
Total Available Reserves	\$4,690,176	\$3,468,817	\$2,731,583
Total Available Reserves Percentage	12.87%	9.93%	7.88%

Total available reserves include Special Reserve Other Than Capital Outlay Fund (Fund 17).

Deficit Spending

The District is projecting to deficit spend by 76% in the following year due to a combination of the elimination of supplemental taxes and declining enrollment. While the MYP reflects some reductions in staffing, **the County Office recommends the District monitor and review the budget closely to seek revenue enhancements and/or consider additional budget reductions ensuring fiscal solvency.**

OTHER DISTRICT FUNDS:

The District maintains positive balances for all funds. Below is a summary of revenues, expenditures, and fund balances for other District funds at Second Interim:

District Funds	Beginning Balance	Revenues	Expenditures	Other Sources (Uses)	2021-22 Ending Balance
13 Cafeteria Fund	\$135,664	1,127,120	1,123,501	0	\$139,284
14 Deferred Maintenance	\$29,970	100,942	116,711	0	\$14,200
17 Special Reserve Fund	\$772,853	9,500	0	0	\$782,353
20 Special Reserve – Postemployment Benefits	\$902,055	8,000	0	0	\$910,055
21 Building Fund	\$15,161,722	215,636	10,175,383	25,000,000	\$30,201,975
25 Capital Facilities Fund	\$693,849	58,000	6,462	0	\$745,387
40 Spc Rsv-Capital Projects	\$3,977,649	404,913	1,157,343	0	\$3,225,220
53 Tax Override Fund	\$233,409	0	0	0	\$233,409

The Cafeteria Fund (Fund 13) shows a \$20,000 increase in federal revenue and expenditures.

The Building Fund (Fund 21) reflects bond proceeds of \$25 million. Expenditures have increased due to the facilities master plan for school modernization and workforce housing.

There are no significant changes in other District funds from First Interim to the Second Interim.

STATUS OF COLLECTIVE BARGAINING NEGOTIATIONS:

The District has settled negotiations with the certificated and classified bargaining units for the 2021-22 fiscal year. The settlement was a 3% increase and an additional PD day for the current year.

The County Superintendent of Schools encourages school districts to be cautious in their negotiations and to conduct thorough pre-settlement analysis of any proposed collective bargaining agreements to protect from cost increases beyond the scope of bargaining. Increases in CalSTRS and CalPERS contributions must also be considered to ensure affordability of proposed settlements.

BUDGET RECOMMENDATIONS:

As districts prepare for the 2022-23 Adopted Budget, thoughtful use of reasonable assumptions, trend analysis, and known program changes in future years will assist the district in maintaining a quality education program while maintaining fiscal solvency.

Districts are advised to closely monitor changes in Average Daily Attendance (ADA) and Unduplicated Pupil Percentages (UPP). The budget proposes to permanently alter the Local Control Funding Formula (LCFF) from the greater of current or prior year ADA, to the greater of current year, prior year, or average of three prior years' ADA, whichever is greater. This provides an extended period of time to adjust budgets related to ADA declines. ADA and UPP are heavily weighted factors in the LCFF calculation for future years. Community-funded districts, which have additional funding from excess property taxes, are likewise cautioned to exercise fiscal prudence as operational costs may increase faster than revenues.

For the LCAP, a new requirement will be to calculate the carryover of the supplemental/concentration grants as part of the annual update. This percentage is to be added to the proportionality for the budget year. As the instructions indicate for the LCAP template, "for an action to contribute towards meeting the increased or improved services requirement it must include some measure of LCFF funding". LEAs should closely examine their actions and expenditures to date and plan for the remainder of the fiscal year to assess progress toward meeting the increased services requirement for 2021-22.

Per Senate Bill (SB) 751, the reserve cap is triggered for the 2022-23 budget adoption cycle as the education rainy day fund is at least 3% of the K-12 Proposition 98 minimum guarantee. For 2021-22, the reserve balance is at 8.1%. LEAs reserves will be capped at 10% using the assigned/unassigned ending balance within the General Fund and special reserve funds.

Community-funded districts and small school districts with fewer than 2,501 ADA are exempt from this requirement.

LEAs should continue to follow fundamental best practices of creating a structurally balanced budget that supports educational plans over multiple years; maintaining reserves; and monitoring actual cash balances.

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Enclosed is a summary of the District's financial profile.

We appreciate the cooperation and assistance provided by the District during the review process. If you have any questions, please feel free to contact me at 650.802.5511 or kbultema@smcoe.org.

Sincerely,



Kevin J. Bultema
Deputy Superintendent, Business Services Division

Enclosures

c: Heather Olsen, Superintendent, Pacifica SD
Josephine Peterson, Chief Business Official, Pacifica SD
Nancy Magee, San Mateo County Superintendent of Schools, SMCOE
Wendy Richard, Executive Director, District Business Services, SMCOE

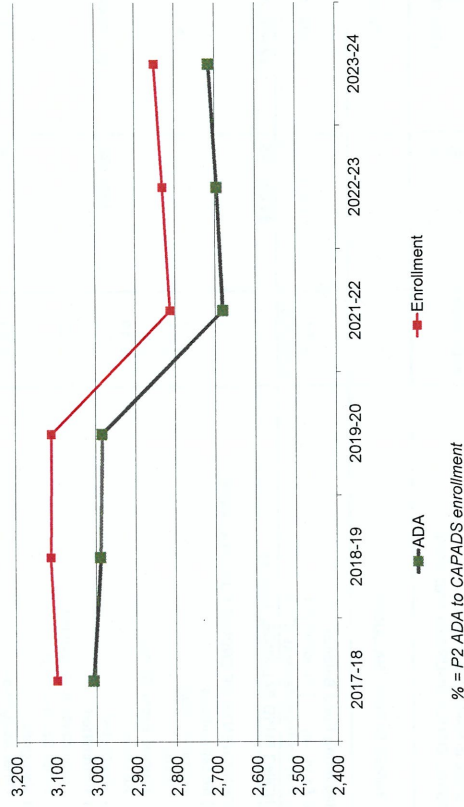
Pacificca Elementary School District
FINANCIAL PROFILE
FY 2021-22 Second Interim

GENERAL FUND	Object Code	2017-18 Actuals	2018-19 Actuals	2019-20 Unaudited Actuals	2020-21 Unaudited Actuals	2021-22 Second Interim	2022-23 Projection	2023-24 Projection
REVENUES								
Revenue Limit/LCFF Sources	8010-8099	25,118,816	26,891,743	27,656,908	27,724,516	31,208,387	27,786,280	28,886,794
Federal Revenue	8100-8299	759,405	754,112	638,455	1,953,261	1,397,997	815,257	815,257
Other State Revenue	8300-8599	2,593,312	4,119,748	2,706,358	3,996,843	3,280,579	2,114,869	2,114,869
Other Local Revenue	8600-8799	2,188,037	2,066,487	2,105,817	1,528,976	1,907,691	1,907,691	1,907,691
Total Revenues		\$30,659,570	\$33,832,090	\$33,107,538	\$35,203,596	\$37,794,654	\$32,624,097	\$33,724,611
EXPENDITURES								
Certificated Salaries	1000-1999	12,624,991	12,835,259	12,482,778	12,397,365	12,258,547	12,014,641	11,837,158
Classified Salaries	2000-2999	4,630,777	4,667,125	4,433,742	4,329,583	4,710,544	4,577,973	4,448,735
Employee Benefits	3000-3999	9,763,598	10,868,826	10,293,593	9,692,934	10,422,757	10,439,874	10,647,842
Books & Supplies	4000-4999	634,189	696,424	722,668	1,156,652	1,408,265	812,107	812,107
Svcs & Oth Oper Exp	5000-5999	3,639,009	3,899,471	4,526,295	6,048,839	7,429,984	6,891,961	6,735,961
Capital Outlay	6000-6999	0	0	0	0	0	0	0
Other Outgo (excluding Transfers of Indirect/Direct Support Cost)	7100-7299	405,454	330,776	153,314	194,899	207,703	197,703	184,703
Direct Support/Indirect Cost 73xx	7400-7499	0	0	0	0	0	0	0
Total Expenditures	7300-7399	\$31,698,018	\$33,297,881	\$32,612,390	\$33,820,272	\$36,437,800	\$34,934,259	\$34,666,506
REVENUES LESS EXPENDITURES		(\$1,038,448)	\$534,209	\$495,148	\$1,383,324	\$1,356,854	(\$2,310,162)	(\$941,895)
OTHER SOURCES AND USES								
Interfund Transfers In	8900-8929	\$0	\$300,000	\$0	\$0	\$0	\$0	\$0
Interfund Transfers Out	7600-7629	\$0	\$56,000	\$306,000	\$118,000	\$0	\$0	\$0
Other Sources	8930-8979	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses	7630-7699	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contrib to Restr Prog	8980-8999	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL OTHER SOURCES AND USES		\$0	\$244,000	(\$306,000)	(\$118,000)	\$0	\$0	\$0
CHANGE IN FUND BALANCE		(\$1,038,448)	\$778,209	\$189,148	\$1,265,324	\$1,356,854	(\$2,310,162)	(\$941,895)
Beginning Fund Balance	9791	2,877,558	1,839,110	2,617,319	2,806,467	4,071,791	5,428,645	3,118,483
a) As of July 1 - Unaudited (F1c)	9793-9795	0	0	0	0	0	0	0
b) Aud Adj/Restatements (F1d)								
ENDING FUND BALANCE, June 30		\$1,839,110	\$2,617,319	\$2,806,467	\$4,071,791	\$5,428,645	\$3,118,483	\$2,176,588
COMPONENTS OF ENDING FUND BALANCE								
a) Nonspendable								
Revolving Cash	9711	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Stores	9712							
Prepaid Expenditures	9713							
All Others	9719							
b) Restricted	9740	\$663,646	\$1,170,478	\$1,018,733	\$1,755,581	\$1,513,323	\$424,521	\$219,859
c) Committed								
Stabilization Arrangements	9750							
Other Commitments								
d) Assigned								
Other Assignments	9780	\$0	\$181,204	\$0	\$422,692	\$0	\$0	\$0
e) Unassigned/Unappropriated								
Reserve for Economic Uncertainties	9789	\$1,167,964	\$1,000,616	\$1,780,234	\$1,020,000	\$1,100,000	\$1,100,000	\$1,100,000
Unassigned/Unappropriated	9790	\$0	\$257,521	\$0	\$966,018	\$2,807,822	\$1,586,462	\$849,229
Fund 17, REU and Unassigned/Unappropriated		\$733,161	\$733,161	\$763,627	\$772,853	\$782,353	\$782,353	\$791,853
Total Reserves and Unassigned (F01 & F17) by Percent		6.00%	5.97%	7.73%	5.55%	5.18%	14.55%	10.42%
Total Reserves and Unassigned (F01 & F17) by Amount		\$1,901,125	\$1,991,298	\$2,543,861	\$1,886,018	\$1,886,018	\$5,082,515	\$3,611,069
Required Reserves Standard by Amount	3%	\$50,941	\$1,000,616	\$987,552	\$1,018,148	\$1,018,148	\$1,079,900	\$1,001,526
Enrollment (excl independent charter schools)		3,097	3,112	3,110	3,005	2,812	2,830	2,850
Actual ADA (excl ADA for independent charter schools)		3,007.26	2,988.12	2,982.96	2,982.88	2,680.70	2,694.70	2,713.96
Total Expenditures per ADA (incl trfs & uses)		\$10,540	\$11,091	\$11,036	\$12,988	\$13,593	\$12,964	\$12,773
Total Revenues Per ADA		\$10,195	\$11,350	\$11,099	\$11,099	\$14,099	\$12,107	\$12,426

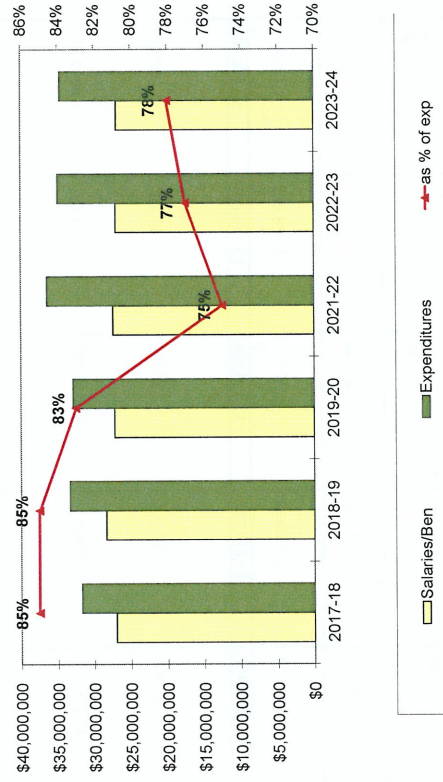
OTHER COMMENTS: 2021-22 Second Interim Certification - Positive

Pacifica Elementary School District
FINANCIAL PROFILE
FY 2021-22 Second Interim

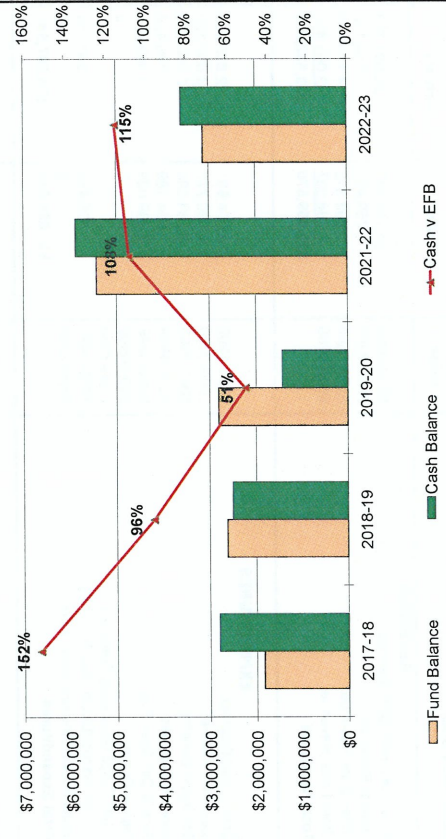
Enrollment vs Average Attendance



Salaries & Benefits as % of Expenditures



Ending Fund Balance vs Cash Balance



Available Reserves - Funds 01 & 17

