



Excellence and Equity in Education

Nancy Magee • County Superintendent of Schools

September 22, 2022

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

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

Dear Board President Doggett:

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 Pacifica 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.

The San Mateo County Office of Education **approves** Pacifica 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 \$1.9 million compared to the 2021-22 Estimated Actuals. General Fund expenditures decreased by approximately \$1 million for the budget year. Budget assumptions are expected to be adjusted at First Interim due to the District approving the Adopted Budget before Governor Newsom's Proposed Budget was signed into law.

Federal revenues are reduced by \$443,000 as Elementary and Secondary School Emergency Relief (ESSER II and III) funds were eliminated. Title I funding has decreased by \$81,000 due to a decline in enrollment and not budgeting carryover. State revenues are projected to be reduced by \$1.3 million as several grants are not projected in the current budget year. They include the In Person Instructional Grant, the Expanded Learning Opportunity Grant (ELO) and the Educator Effectiveness Grant.

The decrease in General Fund expenditures is largely related to reductions in staffing due to declining enrollment and the elimination of federal and state one-time funding.

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	\$36,292,971	\$34,358,211	(\$1,934,760)
B.	Proposed Expenditures	35,967,181	34,939,665	(1,027,516)
C.	Excess (Deficiency) of Expenditures over Revenues	325,790	(581,454)	(907,243)
D.	Other Sources/Uses and Transfers	-	-	-
E.	Total Increase (Decrease) in General Fund	325,790	(581,454)	(907,243)
F.	Ending Balance – Unrestricted/Restricted	\$4,397,580	\$3,816,126	(\$581,454)
G.	Ending Balance – Unrestricted only	\$2,541,560	\$2,638,852	\$97,292

Reserves for Economic Uncertainties

The total available reserve in the General Fund for fiscal year 2022-23 is \$1.9 million or 5.41% of total General Fund expenditures. Included in the available reserves is the Special Reserve Fund (Fund 17) ending balance of approximately \$792,000. The minimum reserve level for the District is 3% or \$1.1 million.

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 held a public hearing on June 1, 2022, and has provided the public an opportunity to review and discuss the components and reasons for the reserves. The total assigned and unassigned balance in the General Fund and Special Reserve Fund is approximately \$3.4 million. The amount in excess of the 3% minimum reserve is approximately \$2.4 million for the budget year. The excess reserves are to cover employee compensation for the three budget years and the Board Designated Reserve Policy 3100.

Cash Flow

The District submitted cash flow projections for 2022-23 and 2023-24 fiscal years. The projections show negative cash balances for the months of September through November in both fiscal years. The projected ending cash balance for 2022-23 is \$3.8 million and \$4.6 million for 2023-24.

The County Superintendent urges the District to continue to implement best practices and monitor regularly its cash position to ensure financial 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:

- Local Control Funding Formula (LCFF) sources are based on 6.56% Cost of Living Allowance (COLA) in 2022-23, 5.28% in 2023-24, and 4.02% in 2024-25. The District did not include the 6.28% augmentation to the base grant, nor was the \$2,813 add-on for transitional kindergarten (TK), therefore LCFF sources are understated. The District plans to update revenue projections for the First Interim budget.
- Per the May Revise, the District used a three-year average for the Average Daily Attendance (ADA) due to declining enrollment. For 2022-23 the ADA used is 2,836.7. The District is projecting to decline in the two subsequent years. The District may benefit from the third option available to LCFF funded districts due to declining enrollment. A district may use the District ADA Relief Comparison. This allows the use of the COVID-19 relief for 2021-22 fiscal year only, compare that to the current year ADA and use the greater for funding estimates.
- Federal and state revenues are reduced in the current year due to elimination of one-time funds and remain flat for the two subsequent years.
- Local revenues are projected to be flat for all three budget years.

Expenditures:

- Salaries and benefits budget include step and column adjustments of 1.5%. The restricted budget projects reduction in salaries and benefits due to declining enrollment and elimination of the ELO grant.
- Increases to STRS and PERS employer pension contribution rates are projected for all three budget years.
- Books and supplies are reduced in the current year due to the elimination of one-time funding. For 2023-24 they are projected to increase 2% and remain flat for 2024-25.
- Services and other operating expenditures are also reduced in the current year and remain flat for the two subsequent years.

The chart below shows the reserve levels and projected ending balances 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	\$2,541,560	\$2,638,852	\$3,650,413
Revenues & Other Financing Sources	22,217,741	23,542,721	24,087,606
Expenditures & Other Financing Uses	22,120,449	22,531,160	22,908,022
Net increase (Decrease)	97,292	1,011,561	1,179,584
Projected Unrestricted General Fund	\$2,638,852	\$3,650,413	\$4,829,997
<i>Available Reserves Percentage Per MYP</i>	<i>5.41%</i>	<i>12.57%</i>	<i>15.69%</i>

The four criteria to require a deposit into the Public-School System Stabilization Account were met in 2020-21 and 2021-22 which is sufficient to trigger the reserve cap for non-exempt school districts for the 2022-23 fiscal year. While Pacifica School District meets the cap requirement in 2022-23, the County Office cautions the District to review the two subsequent years and consider taking board action to commit funds for specific costs in those years.

Salary Negotiations

The District settled negotiations with the Laguna Salada Education Association (LSEA) after the adoption of the 2022-23 Budget. The teachers' unit received \$5,000 increase per cell of the salary schedule, a per diem pay rate for one day for staff to complete annual mandatory trainings and special education teachers received a \$5,000 stipend. The classified and management groups settled negotiations also, after the budget adoption. These groups received a 7% salary increase effective July 1, 2022. The cost of the salary increases was set aside in the reserves in anticipation of settlements after budget adoption.

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 of Schools 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. Increases in CalSTRS and CalPERS contributions must also be considered to ensure affordability of proposed settlements.

Other Funds

The District maintains a 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
13 Cafeteria	\$139,290	1,138,905	1,140,905	-	\$137,290
14 Deferred Maintenance	\$30,262	100,942	100,511	-	\$30,693
17 Special Reserve	\$782,353	9,500	-	-	\$791,853
20 Special Reserve – Postemployment	\$910,055	8,000	-	-	\$918,055
21 Building	\$34,033,710	215,636	4,732,810	-	\$29,516,536
25 Capital Facilities	\$745,387	56,000	6,462	-	\$794,925
40 Special Reserve – Capital Projects	\$3,225,220	493,920	674,295	-	\$3,044,845
53 Tax Override	\$233,409	-	-	-	\$233,409

Cafeteria Fund (Fund 13): State revenue is projected to increase due to the implementation of the Universal Meals Program in 2022-23.

Building Fund (Fund 21): Revenues are projected to decrease due to proceeds from sale of bonds occurred in the prior year. Budget for expenditures will be established as the District reviews the master facility plans.

Special Reserve for Capital Outlay Projects (Fund 40): The expenditure budget has been reduced as projects were completed in the prior year. Any future projects will be budgeted when plans have been reviewed.

There are no 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 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

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.

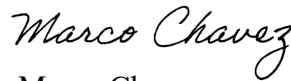
We want to express our appreciation to the Board and district staff for the work that went into the development of this year's LCAP and Budget. The County Superintendent and staff will continue to provide technical and coaching assistance in the monitoring and development of the District's budget and 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: Heather Olsen, Superintendent, Pacifica SD
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Josephine Peterson, Chief Business Official, Pacifica SD
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