



SAN MATEO
COUNTY
OFFICE OF
EDUCATION

Excellence and Equity in Education

Nancy Magee • County Superintendent of Schools

September 24, 2021

Mele K. Latu
President, Governing Board
Ravenswood City Elementary School District
2120 Euclid Avenue
East Palo Alto, CA 94303

RE: RE: Local Control and Accountability Plan and Adopted Budget – Fiscal Year 2021-22

Dear Ms. Latu:

The San Mateo County Office of Education (SMCOE) has completed its review of Ravenswood City Elementary School District's Local Control and Accountability Plan (LCAP) and Adopted Budget for the 2021-22 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 San Mateo County Superintendent of Schools has approved your Local Control Accountability Plan for the 2021-22 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 Ravenswood City Elementary School District (the District) for fiscal year 2021-22 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 2021-22 Budget adopted by the Governing Board on June 24, 2021 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** Ravenswood City Elementary School District's 2021-22 Adopted Budget with the following comments:

FINDINGS/COMMENTS:

General Fund Budget Summary

The 2021-22 Adopted Budget shows a net decrease in General Fund revenues of approximately \$5,000 and a net decrease in expenditures of approximately \$3.3 million compared to the 2020-21 Estimated Actuals.

The decrease in General Fund revenues is primarily due to the elimination of state one-time revenues. In fiscal year 2020-21, the District flipped to being a community funded district; property taxes came in greater than the Local Control Funding Formula (LCFF) entitlement. However, in 2021-22, the District is projected to flip back to being funded by the LCFF due to the elimination of eligibility for supplemental taxes. The reduction of these taxes was offset by the mega cost of living allowance (COLA) in the enacted State budget.

The approximately \$3.3 million reduction in General Fund expenditures for the 2021-22 fiscal year is due to the anticipated decline in student enrollment and reduction of one-time funds. A retirement incentive was offered to both certificated and classified staff which decreased the salaries and benefits budgets. Services and other operating expenditures are increased due to spending down federal and state stimulus funds.

Below is a comparison of revenue and expenditure budgets in the General Fund for fiscal years 2020-21 and 2021-22:

	General Fund – Unrestricted/Restricted	2020-21 Estimated Actuals	2021-22 Adopted Budget	Difference
A.	Anticipated Revenues	\$47,693,343	\$47,688,501	(\$4,842)
B.	Proposed Expenditures	45,707,150	42,443,821	(3,263,329)
C.	Excess (Deficiency) of Expenditures over Revenues	1,986,193	5,244,680	3,258,487
D.	Other Sources/Uses and Transfers	0	0	0
E.	Total Increase (Decrease) in General Fund	1,986,193	5,244,680	3,258,487
F.	Ending Balance – Unrestricted/Restricted	9,230,477	14,475,157	5,244,680
G.	Ending Balance – Unrestricted only	4,427,145	6,152,784	1,725,639

Total available reserve for economic uncertainty in the General Fund for 2021-22 fiscal year is approximately \$1.3 million or 3% of the total General Fund expenditures. The District has \$4.8 million in assigned funds for off-set for loss of enrollment, unexpected expenses due to COVID-19. This amount is not included in the calculation of the total available reserves.

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 10, 2021 and provided the public an opportunity to review and discuss the components and reasons for the reserves of the preliminary budget. The total assigned and unassigned ending balance in the General Fund for the preliminary budget was approximately \$3.7 million which is the excess of the 3% minimum reserve. The District does not have a Fund 17-Special Reserve Fund account.

Cash Flow

The District submitted cash flow projections for 2021-22 and 2022-23 showing positive cash balances each month for both years. The estimated cash balances at the close of the 2021-22 and 2022-23 fiscal years are approximately \$7 million and \$10 million, respectively. A transfer in of \$1.5 million is projected for the 2022-23 fiscal year.

Due to the District being community funded in 2020-21, the District may not receive the apportionment as presented in the cashflow on a monthly basis, therefore it is imperative the District review the cashflow on a monthly basis. The County Superintendent recommends the

District to continue to implement best practices and monitor regularly its cash position to ensure all 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:

- Average daily attendance (ADA) used for LCFF entitlement calculations is projected to continue to decrease in the budget year and subsequent two fiscal years. Due to the hold harmless provision, the District will be funded on the prior year ADA.
- LCFF funds are calculated using the 5.07% COLA and a reduction of supplemental taxes of \$3.8 million.
- Federal revenues are projected to decrease due to declining ADA and elimination of carryover. One-time COVID-19 funding has been removed in the subsequent years.
- State revenues that are funded based on ADA are projected to decrease. One-time funds have been eliminated in the out years.
- Local revenues which include parcel taxes, leases, foundation donations and rentals are projected to remain relatively the same for the current year. The Ravenswood Education Foundation is projected to donate \$6 million in 2021-22.
- Transfer of \$1.5 million from Capital Facilities Fund (Fund 25) to the General Fund for unexpected expenses in 2022-23. For 2023-24, the amount transferred is \$2.75 million. The funds being transferred are from redevelopment funds (RDA).
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Expenditures:

- Salaries budget includes step and column adjustment for certificated and classified employees for the current year and subsequent years. A COLA of 1.8% is included in the budget for the subsequent years. The District experienced a reduction in staffing due to the retirement incentive offered in the budget year.
- Books and supplies are projected to decrease due to elimination of one-time funds, while services and other operating expenditures are projected to decline due to declining enrollment and program adjustments.

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:

General Fund – Unrestricted Only	2021-22	2022-23	2023-24
Beginning Balance	\$4,427,145	\$6,152,784	\$4,087,048
Revenues & Other Financing Sources	19,095,216	15,144,885	15,785,223
Expenditures & Other Financing Uses	17,366,577	17,210,621	17,788,412
Net increase (Decrease)	1,725,639	(2,065,736)	(2,003,189)
Projected Ending Balance	\$6,152,784	\$4,087,048	\$2,083,859
<i>Total Available Reserves (Reserve for Economic Uncertainty)</i>	<i>1,273,315</i>	<i>1,223,973</i>	<i>1,237,752</i>
<i>Total Available Reserves Percentage</i>	<i>3%</i>	<i>3%</i>	<i>3%</i>

Deficit Spending

The District is deficit spending substantially in the subsequent two years. The County Office has concerns as the deficit spending would be over \$3 million in 2022-23 and over \$4.5 million in 2023-24 if it were not for the transfer in from the Capital Facilities Fund. **It is crucial for the District to continually monitor and eliminate any potential future operating deficits in the General Fund in order to maintain healthy reserve levels.**

Salary Negotiations

The District has not settled negotiations with any bargaining units in the current 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 a positive balance for all funds. Below is a summary of revenues, expenditures, and fund balances for other District funds shown in the 2021-22 Adopted Budget reports:

District Funds	Beginning Balance	Revenues	Expenditures	Other Sources (Uses)	2021-22 Projected Ending Balance
12 Child Development	\$9,747	\$0	\$0	\$0	\$9,747
13 Cafeteria	587,681	2,700,131	2,137,246	0	1,150,566
14 Deferred Maintenance	243,177	5,082	0	0	248,259
21 Building	30,408,458	243,963	22,278,110	0	7,374,311
25 Capital Facilities	5,445,788	0	0	0	5,445,788
67 Self-Insurance	249,668	315,000	212,000	0	352,668

Building Fund (Fund 21): Major construction projects are projected to be completed for the 2021-22 fiscal year.

Capital Facilities Fund (Fund 25): No transfers out are projected for the current year. In the subsequent years, \$1.5 million will be transferred to the General fund in 2022-23 and \$2.75 million in 2023-24.

There are no significant changes in other District funds compared to the 2020-21 Estimated Actuals.

CHARTER SCHOOLS

The District is the authorizing agency for Aspire East Palo Alto Charter School (Aspire) and KIPP Valiant Community Prep.

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.

- Aspire East Palo Alto Charter School
 The 2021-222 Adopted Budget for Aspire East Palo Alto reflects more than \$1.5 million increase in revenues and \$1.1 million increase in expenditures compared to 2020-21 Estimated Actuals. Aspire's MYP projects deficit spending for all three years. They maintain a 3% economic uncertainty reserve for the current and subsequent years. The

charter school submitted a three-year cash flow. Each year is projected to have a positive cash balance.

- KIPP Valiant Community Prep

The 2021-22 Adopted Budget for KIPP reflects approximately \$3.3 million decrease in revenues and \$1.2 million increase in expenditures compared to 2020-21 Estimated Actuals. For the current and subsequent years, the charter is projecting deficit spending. Total fund balance is utilized as reserves which equate to more than 30% each year of the MYP.

The sponsoring district should carefully review the charter school budgets to ensure that sufficient funds are maintained to provide high quality education to all students.

Local Control and Accountability Plan (LCAP) report for Aspire East Palo Alto and KIPP Valiant charter schools were approved in conjunction with their Adopted Budget and posted on the homepage of LEA'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 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

FCMAT can now automatically 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 to perform a fiscal health risk analysis and other oversight activities.

BUDGET RECOMMENDATIONS:

The Governor's 2021-22 Adopted State Budget was signed on June 28, 2021. Many of the items remained from the May Revise including the mega cost of living allowance (COLA) of 5.07% to the LCFF, 4.05% COLA for Special Education, and 1.7% for state categorical programs. Also remaining from May Revise is the increase to the concentration grant component of the LCFF from 50% to 65% of the adjusted base LCFF grant. One change is the elimination of the deferrals and all deferrals to be paid back in August 2021.

The 2021-22 enacted budget gives LEAs more one-time state categorical programs with many accompanying reporting deadlines and/or expenditure plans. LEAs will also have special education funding augmentations continuing from the prior two years.

With the signing of AB130, one of the many budget trailer bills, there are two significant new LCAP requirements.

1. Changes in Education Code 42238.07 and 52064 create a new carryover requirement related to the requirement to increase or improve services for unduplicated pupils. Starting in 2022-23, LEAs must include in their LCAP's a calculation of any shortfall – quantitatively or qualitatively – between planned actions and services contributing to increased and improved services for unduplicated pupils and actual actions and services for the year prior to the LCAP year. If, based on estimated actuals, the

shortfall is such that the LEA did not meet its required minimum percentage to increase or improve services, then the difference will become an added increased and improved services requirement in the LCAP year.

2. Section 124 of AB130 requires the State Board of Education to adopt a “one-time supplement template to the annual update to the 2021-22 LCAP”. There are specific criteria that will be required in the supplement template which shall be presented to the LEAs’ Governing Board by February 28, 2022. This supplement must also be part of the adopted 2022-23 LCAP.


Districts are advised to closely monitor changes in average daily attendance (ADA) and unduplicated pupil percentage (UPP) - especially LCFF funded districts. ADA and UPP are heavily weighted factors in the LCFF calculation. In 2021-22, districts will once again account for ADA. Many districts will rely on the “hold harmless” provision, utilizing prior year ADA for funding due to declining enrollment.

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 LCAP or budget.

Sincerely,



Nancy Magee
County Superintendent of Schools
nmagee@smcoe.org
650-802-5554

Enclosures

- c: **Gina Sudaria, Superintendent, Ravenswood City ESD**
William Eger, Chief Business Official, Ravenswood City ESD
Wendy Richard, Executive Director, District Business Services, SMCOE

Ravenswood City Elementary School District
 FINANCIAL PROFILE
 FY 2021-22 Adopted Budget

GENERAL FUND	Object Code	2017-18 Actuals	2018-19 Actuals	2019-20 Actuals	2020-21 Estimated Actuals	2021-22 Adopted Budget	2022-23 Projection	2023-24 Projection
REVENUES								
	8010-8099	33,031,031	29,872,981	27,176,976	23,207,075	24,142,094	20,681,673	20,524,118
	8100-8299	2,690,342	2,523,692	641,055	6,016,375	6,098,862	2,239,315	1,673,713
	8300-8599	3,773,141	5,881,565	3,794,916	4,867,246	3,767,917	3,735,490	2,693,472
	8600-8799	8,364,014	7,307,132	11,197,631	13,600,646	13,679,628	12,200,861	12,424,293
	Total Revenues	\$47,858,528	\$45,585,370	\$42,810,578	\$47,693,342	\$47,688,501	\$38,857,339	\$37,315,596
EXPENDITURES								
	1000-1999	16,710,624	13,662,472	12,391,174	15,160,736	12,223,718	12,674,204	13,142,710
	2000-2999	8,201,966	6,966,975	7,342,747	6,489,312	5,398,331	5,605,165	5,820,271
	3000-3999	10,221,019	10,949,691	9,371,564	9,279,399	8,491,869	8,831,544	9,096,490
	4000-4999	1,712,314	1,384,368	1,690,108	3,411,195	3,316,052	2,612,173	2,414,877
	5000-5999	9,036,680	8,161,084	10,986,012	10,635,391	12,253,642	10,315,812	10,023,851
	6000-6999	316,367	67,783	2,306,897	0	0	0	0
	7100-7299	933,877	855,386	760,209	806,394	760,209	760,209	760,209
	7400-7499	(266,885)	(3,354)	0	(75,278)	0	0	0
	7300-7399	\$46,865,962	\$42,044,405	\$44,848,711	\$45,707,149	\$42,443,821	\$40,799,107	\$41,258,408
	Total Expenditures	\$992,566	\$3,540,965	(\$2,038,133)	\$1,986,193	\$5,244,680	(\$1,941,768)	(\$3,942,812)
REVENUES LESS EXPENDITURES								
OTHER SOURCES AND USES								
	8900-8929	\$414,376	\$300,000	\$0	\$0	\$0	\$1,500,000	\$2,750,000
	7600-7629	\$138,405	\$391	\$0	\$0	\$0	\$0	\$0
	8930-8979	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	7630-7699	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	8980-8999	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Contrib to Restr Prog	\$275,971	\$299,609	\$0	\$0	\$0	\$1,500,000	\$2,750,000
TOTAL OTHER SOURCES AND USES								
CHANGE IN FUND BALANCE								
		\$1,268,537	\$3,840,574	(\$2,038,133)	\$1,986,193	\$5,244,680	(\$441,768)	(\$1,192,812)
Beginning Fund Balance								
	a) As of July 1 - Unaudited (F1c)	4,173,306	5,441,843	9,282,417	7,244,284	9,230,477	14,475,157	14,033,389
	b) Aud Adj/Restatements (F1d)	0	0	0	0	0	0	0
	ENDING FUND BALANCE, June 30	\$5,441,843	\$9,282,417	\$7,244,284	\$9,230,477	\$14,475,157	\$14,033,389	\$12,840,577
COMPONENTS OF ENDING FUND BALANCE								
	a) Nonspendable							
	Revolving Cash	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$0	\$0
	Stores	\$37,532	\$138,479	\$138,480	\$0	\$0	\$0	\$0
	Prepaid Expenditures	\$10,902	\$24,486	\$0	\$0	\$0	\$0	\$0
	All Others	\$461,889	2,449,789	\$2,657,185	\$5,276,862	\$8,322,373	\$9,946,341	\$10,756,718
	b) Restricted							
	c) Committed							
	Stabilization Arrangements	\$4,597,115	\$0	\$0	\$0	\$0	\$0	\$0
	Other Commitments	776,474	\$0	\$0	\$0	\$0	\$0	\$0
	d) Assigned							
	Other Assignments	\$3,511,389	\$0	\$0	\$3,045,931	\$4,869,469	\$2,863,075	\$846,107
	e) Unassigned/Unappropriated							
	Reserve for Economic Uncertainties	\$1,410,131	\$1,261,332	\$0	\$1,371,214	\$1,273,315	\$1,223,973	\$1,237,752
	Unassigned/Unappropriated	\$0	\$24,742	\$4,438,619	(\$473,550)	\$0	\$0	\$0
Fund 17, REU and Unassigned/Unappropriated Enrollment (excl independent charter schools)								
		\$2,692	\$2,393	\$2,053	1,723	1,688	1,653	1,653
P2 ADA (excl ADA for independent charter schools)								
		\$2,533.12	\$2,251.27	\$1,920.12	\$1,920.00	\$1,622.43	\$1,560.13	\$1,560.13
Total Expenditures per ADA (incl trfs out & uses)								
		\$16,788	\$19,560	\$18,674	\$26,528	\$25,144	\$24,682	\$24,960
Total Revenues Per ADA								
		\$16,410	\$19,061	\$20,390	\$27,680	\$28,251	\$24,415	\$24,238

Ravenwood City Elementary School District
 FINANCIAL PROFILE
 FY 2021-22 Adopted Budget

