



SAN MATEO  
COUNTY  
OFFICE OF  
EDUCATION

**Excellence and Equity in Education**

Nancy Magee • County Superintendent of Schools

September 15, 2023

Jenny Varghese Bloom  
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 2023-24

Dear Board President Varghese Bloom:

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 2023-24 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 2023-24 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 will be 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 2023-24 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 2023-24 Budget adopted by the Governing Board on June 22, 2023, 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 2023-24 Adopted Budget with the following comments:

### **FINDINGS/COMMENTS:**

#### **GENERAL FUND BUDGET SUMMARY**

The 2023-24 Adopted Budget shows a decrease in General Fund revenues of approximately \$4.9 million and an increase in expenditures of approximately \$2.9 million compared to the 2022-23 Estimated Actuals.

Local Control Funding Formula (LCFF) sources are projected to be \$1.3 million greater than prior year. The District flipped to being Community Funded in 2022-23. In the current year, the District will not be eligible for supplemental taxes which may flip them into being LCFF funded for the current year. Property taxes were projected to have a growth of 2%, however, the elimination of the supplemental taxes was not included in the budget. Federal revenues are projected to decrease by \$4.1 million due to a combination of declining enrollment and elimination of one-time funds. State revenues also decrease by \$4.8 million. Local revenues are projected to increase by \$2.6 million primarily in Community Redevelopment Funds not subject to LCFF deduction.

Salaries and benefits are projected to increase by \$1 million. Certificated salaries included a negotiated salary increase of 4.05%. Books and supplies are projected to decrease by \$650,000 due to removal of one-time funding. Services and other operating expenditures are projected to increase by \$2.9 million due to sub-agreements for the Expanded Learning Opportunities Program and increased costs for utilities. Capital outlay is projected to decrease by \$198,000 due to the elimination of one-time funds. Tuition costs are anticipated to decrease due to fewer students attending county operated sites.

Below is a comparison of revenue and expenditure budgets in the General Fund for fiscal years 2022-23 and 2023-24:

	<b>General Fund – Unrestricted/Restricted</b>	<b>2022-23 Estimated Actuals</b>	<b>2023-24 Adopted Budget</b>	<b>Difference</b>
A.	Anticipated Revenues	\$52,658,479	\$47,763,784	(\$4,894,695)
B.	Proposed Expenditures	48,039,750	50,912,214	2,872,464
C.	Excess (Deficiency) of Expenditures over Revenues	4,618,729	(3,148,430)	(7,767,159)
D.	Other Sources/Uses and Transfers	-	-	-
E.	Total Increase (Decrease) in General Fund	4,618,729	(3,148,430)	(7,767,159)
F.	<b>Ending Balance – Unrestricted/Restricted</b>	<b>\$16,976,316</b>	<b>\$13,827,886</b>	<b>(\$3,148,430)</b>
G.	<b>Ending Balance – Unrestricted only</b>	<b>\$2,701,159</b>	<b>\$4,492,294</b>	<b>\$1,791,135</b>

Total available reserves in the General Fund for the 2023-24 fiscal year is approximately \$4.2 million or 8.26% of the total General Fund expenditures. This calculation does not include the \$9.1 million fund balance in the Special Reserve Fund (Fund 17). In the components of fund balance, the District did not specify the amount of reserve for economic uncertainties, there is sufficient funds to cover the 3% minimum reserve.

#### 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 8, 2023 to provide an opportunity for the community to review the LCAP and proposed Adopted Budget. The District did provide the County Office with the form for the Balances in Excess of Minimum Reserve Requirement, but was not provided at the public hearing nor the board meeting for the adoption of the 2023-24 Budget. **This document should be presented with the First Interim Report in order for the District to follow Education Code 42127(a)(2)(B).** The total assigned and unassigned ending balance in the General Fund for the preliminary budget is approximately \$11.8 million. Of this amount, \$9.1 million is the fund balance in the Special Reserve Fund (Fund 17).

#### **CASH FLOW**

The District submitted cash flow projections for the current and subsequent fiscal year. The form was not completed correctly, the beginning balance was understated, the asset portion of the form was not completed for the current year and the second-year total budget did not match the multi-year projection second year, therefore the ending cash balance could not be verified as reasonable for either year.

**For the First Interim Report, it is expected the District will submit a two-year cash flow projection.** A cash flow projection is an important tool in the fiscal management of a district. Having an accurate cash flow projection helps ensure the school district is able to meet its financial obligations; help to maximize investment opportunities and interest revenue; identify timeliness for cash receipts; identify the possible need for short-term borrowing; and provide information for negotiations.

The County Superintendent recommends the District to implement best practices and monitor regularly its cash position ensuring payroll and other monthly obligations are met.

## **MULTI-YEAR PROJECTION (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:

- For the 2023-24 adopted budget, the District is using the three prior year averaging for Average Daily Attendance (ADA) estimates. The projected ADA for the budget year is 1,357.58 and the funded ADA is 1,528.64 due to the averaging method. Compared to prior year, the District is anticipating an increase, mainly in transitional kindergarten.
- LCFF funds are calculated using the 8.22% Cost of Living Adjustment (COLA) for the current year, 3.94% for 2024-25, and 3.29% for 2025-26. The District is projecting to remain Community Funded for all three years. However, the District did not reduce their property tax projections for the current year, as they will not be receiving supplemental taxes this year.
- Property taxes are projected to grow 2% each year.
- Federal revenue is projected to decrease in the current year and the subsequent year due to the elimination of one-time funds. Only a slight decrease is projected for the third year.
- In the current year, state revenues projected to decrease as one-time funds have been eliminated. For 2024-25, the District is projecting approximately 1% increase due to the one-time funds carried over from 2023-24. In 2025-26, these revenues are reduced by 4% due to one-time funds being fully exhausted.
- Local revenues which include parcel taxes, leases, foundation donations, community funded redevelopment funds, and rentals are projected to increase by \$2.6 million for the current year. The Ravenswood Education Foundation continues to support the district with annual donations to cover salary and benefit increases. For 2024-25, the District is projecting an increase of \$2.6 million or 20% and in 2025-26 an additional 4% increase is anticipated.

### Expenditures:

- Salaries budget includes step and column adjustments for certificated and classified staff for the current year and subsequent years. The District is projecting to increase salaries for the current and two subsequent years by approximately 4%.
- Benefits are projected to increase each year due to salary increases and rising pension rates.
- Books and supplies are projected to decrease due to elimination of one-time funds in the current year. For the subsequent year, a 28% increase is projected. The third year out, 1% increase is projected.
- Services and other operating expenditures are projected to increase in the current year. For 2024-25 a decrease of 22% due to elimination of one-time funds is projected. Further reductions are projected for 2025-26 of 8%.
- In the current year, the entry in other outgo was done in error, it should be a transfer of indirect costs.

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>General Fund – Unrestricted Only</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
Beginning Balance	\$2,701,159	\$4,492,294	\$5,561,145
Revenues & Other Financing Sources	21,940,547	20,434,609	21,128,133
Expenditures & Other Financing Uses	20,149,412	19,365,757	22,110,326
Net increase (Decrease)	1,791,135	1,068,852	(982,193)
<b>Projected Ending Balance</b>	<b>\$4,492,294</b>	<b>\$5,561,145</b>	<b>\$4,578,952</b>
<b>Total Available Reserves</b>	<b>\$4,209,769</b>	<b>\$5,561,145</b>	<b>\$4,578,952</b>
<b>Total Available Reserves Percentage</b>	<b>8.27%</b>	<b>11%</b>	<b>8.81%</b>

The County Office requested clarification on the MYP and received several different versions. The one noted in this letter is the one that was presented to the board at the June 22, 2023 board meeting. Total available reserves do not include the fund balance of \$9.1 million in the Special Reserve Fund (Fund 17). The District has a strategic plan to spend down the large restricted balances and this is shown by the deficit spending in the restricted budget.

## **SALARY NEGOTIATIONS**

The Ravenswood Teacher’s Association (RTA) settled for a 4.05% increase and this is included in the current budget. Subsequent to the submission of the Adopted Budget, the classified unit settled for a 4.05% increase as well.

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 2023-24 Adopted Budget reports:

District Funds	Beginning Balance	Revenues	Expenditures	Other Sources (Uses)	2023-24 Projected Ending Balance
12 Child Development	\$12,587	-	-	-	\$12,587
13 Cafeteria	\$899,232	3,355,178	2,415,827	-	\$1,838,583
14 Deferred Maintenance	\$246,632	-	-	-	\$246,632
17 Special Reserve for Other Than Capital Outlay Projects	\$9,126,690	-	-	-	\$9,126,690
21 Building	\$22,797,748	-	15,285,110	-	\$7,512,638
25 Capital Facilities	\$7,809,636	-	-	-	\$7,809,636
67 Self-Insurance	(\$30,374)	550,000	490,000	-	\$29,626

Child Development Fund (Fund 12): No budget was submitted, it will be updated at First Interim.

Cafeteria Fund (Fund 13): Revenues are project to be 42% greater, while expenditures increase 12% as compared to the 2022-23 Estimated Actuals.

Deferred Maintenance Fund (Fund 14): No budget was submitted, it will be updated at First Interim.

Special Reserve Fund for Other Than Capital Outlay Projects (Fund 17): No budget was submitted, it will be updated at First Interim.

Building Fund (Fund 21): No revenues were included in the current year’s budget. Expenditures were adjusted to align with the facilities master plan.

Capital Facilities Fund (Fund 25): No budget was submitted, it will be updated at First Interim.

Self-Insurance Fund (Fund 67): This fund is projected to have a negative fund balance for the 2022-23 fiscal year.

### CHARTER SCHOOLS

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

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.

The charts below show the reserve levels and projected ending balance in the General Fund for the budget year and subsequent two fiscal years for Aspire and KIPP:

<b>Aspire East Palo Alto Charter</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
Beginning Balance	\$3,129,000	\$1,084,626	\$834,923
Revenues & Other Financing Sources	11,856,151	11,675,883	11,951,114
Expenditures & Other Financing Uses	13,900,525	11,925,586	11,928,995
Net increase (Decrease)	(2,044,374)	(249,703)	22,119
<b>Projected General Fund Ending Balance</b>	<b>\$1,084,626</b>	<b>\$834,923</b>	<b>\$857,041</b>
<i>Available Reserves Percentage</i>	<i>7.8%</i>	<i>7%</i>	<i>7.2%</i>

Aspire submitted a cash flow projection for 2023-24, showing a positive monthly cash balance. The projected ending cash balance for 2023-24 is \$1.7 million.

<b>KIPP Valiant Community Prep</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
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Beginning Balance	\$4,439,216	\$3,654,919	\$2,026,052
Revenues & Other Financing Sources	10,844,630	11,206,155	11,427,825
Expenditures & Other Financing Uses	11,628,928	12,835,021	11,763,494
Net increase (Decrease)	(784,297)	(1,628,867)	(335,668)
<b>Projected General Fund Ending Balance</b>	<b>\$3,654,919</b>	<b>\$2,026,052</b>	<b>\$1,690,384</b>
<i>Available Reserves Percentage</i>	<i>31.43%</i>	<i>15.79%</i>	<i>14.37%</i>

KIPP submitted a two-year cash flow projection, which projects a positive monthly cash balance for both fiscal years. The projected cash balance for 2023-24 is \$2.6 million and \$987,000 for 2024-25.

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 CONSIDERATIONS:**

The state's budget May revision included a Cost-of-Living Allowance (COLA) of 8.22%; a proposed reduction of \$2.5 billion in the Learning Recovery Emergency Block Grant and a \$607 million reduction in the 2022-23 Arts, Music, and Instructional Materials Discretionary Block Grant; a \$300 million (on-going) increase to create an LCFF Equity Multiplier intended to close opportunity gaps and multiple changes to the LCAP requirements.

When the 2023-24 State Budget was signed into law, the COLA remained, the reductions to the two one-time block grants were reduced and the Equity Multiplier was created for Local Educational Agency (LEA) with school sites that have prior-year non-stability rates of 25% and 70% of students who are socioeconomically disadvantaged. A multiple number of trailer bills were signed into law on July 10, 2023, to implement the budget: Assembly Bill (AB) 102-Budget Bill Junior, Senate Bill (SB) 114-Education Omnibus Budget Trailer Bill, SB 115-Proposition 28 Clean-Up Trailer Bill and SB 116-Early Childcare and Education Trailer Bill.

Districts should review their Original Budget projections and adjust the Learning Recovery Emergency Block Grant (LRE) and the Arts, Music, and Instructional Materials Discretionary Block Grant (AMI) budgets accordingly.

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, 2023. 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, 2023.

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 2023-24 LCAP or Budget.

Sincerely,



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Enclosures

- c: Gina Sudaria, Superintendent, Ravenswood City ESD  
Sara Stone, Assistant Superintendent of Teaching and Learning, Ravenswood City ESD  
William Eger, Chief Business Official, Ravenswood City ESD  
Nancy Magee, County Superintendent of Schools, SMCOE  
Joy Dardenelle, Executive Director, District Improvement and Support, SMCOE  
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