

Los Gatos-Saratoga
Union High School District

**2021-22 Second Interim
Report**

March 8, 2022

This document, the Second Interim Report, covers the financial and budgetary status of the district for the period ending January 31, 2022. The report certifies that the district can meet all of its financial obligations for the current fiscal year and subsequent two fiscal years. It is being presented to the Board of Trustees for approval and submission to the County office of Education.

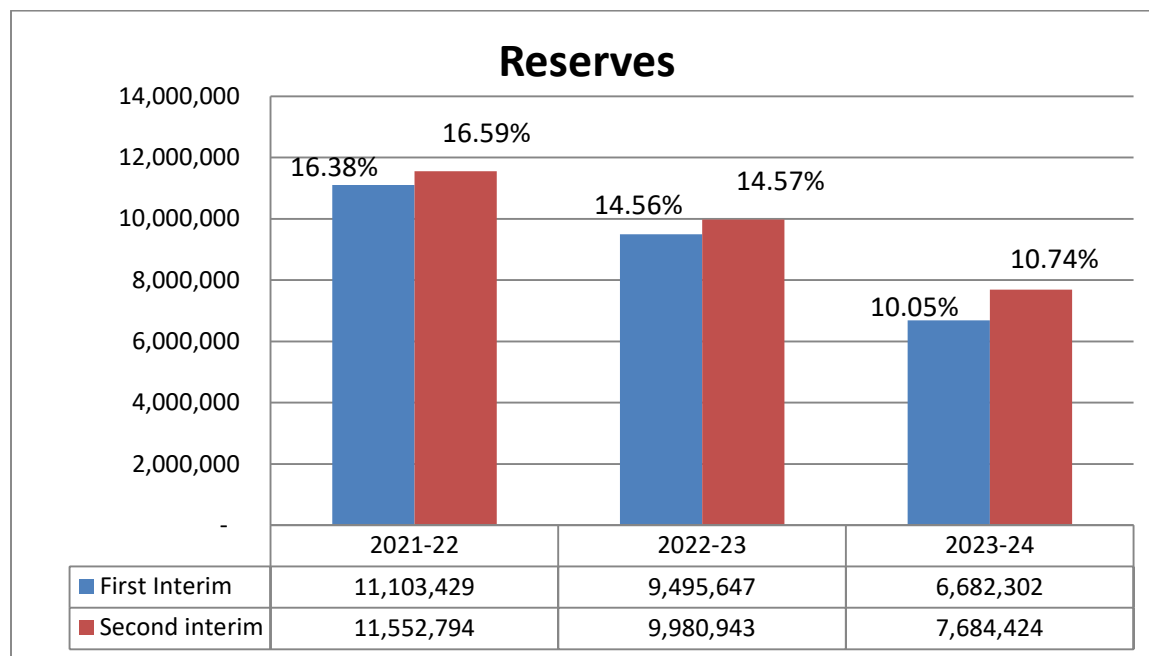
The Second Interim Report incorporates known changes from the budget that was revised at First Interim. The report reflects adjustments to tax revenues, changes in personnel costs and current spending trends.

The continued impact of COVID-19 caused unprecedented unemployment and economic disruption. The economic downturn caused by the pandemic had no precedent and the recovery has been unlike previous recessions. As a community funded district the greatest impact to our school district will not be reduced state funding but rather the impact to property tax assessments. At this time, the assessed value (AV) which determine property tax collections has continued to hold strong.

UNRESTRICTED GENERAL FUND

Reserves

The projected unrestricted ending balance in 2021-22 is \$5,009,010, after a reserve for salary schedule increases. The unrestricted fund balance in the General Fund, plus the \$6,453,785 balance in the Special Reserve Fund for Non Capital Outlay, together form the district’s reserve for Economic Uncertainties.



The required state minimum reserve is 3%. The district has established a minimum 10% reserve in Board policy 3100, although a strategic reserve of 16% is desired.

Unrestricted General Fund Summary

Item	First Interim Budget	Second Interim Budget	Difference
Revenue	58,576,838	58,426,147	(150,691)
Expenditures	44,828,873	46,161,531	(1,332,658)
Revenue less Expenditures	13,747,965	12,264,616	(1,483,349)
Contributions	(9,399,680)	(9,336,896)	62,784
Fund Balance Increase/(Decrease)	4,348,285	2,927,720	(1,420,565)
Interfund Transfers In	-	-	-
Interfund Transfers Out	(3,472,275)	(3,510,920)	(38,645)
Beginning Fund Balance	5,682,210	5,682,210	-
Ending Fund Balance	6,558,220	5,099,010	(1,459,210)

Unrestricted General Fund Revenues

Item	First Interim Budget	Second Interim Budget	Difference
LCFF (mostly local taxes)	56,392,091	56,241,400	(150,691)
Other State Revenue	756,624	756,624	-
Local Revenue	1,428,123	1,428,123	-
SUBTOTAL	58,576,838	58,426,147	(150,691)
Contributions	(9,399,680)	(9,336,896)	62,784
Interfund Transfers In	-	-	-
TOTAL	49,177,158	49,089,251	(87,907)

Second Interim unrestricted revenues decreased a total of \$150,691 since First Interim. Unrestricted revenues in the General Fund consist primarily of state support, local property taxes, lottery, and local revenues. Local revenues consist mostly of parcel tax revenues, rental income and interest. First Interim property tax revenues decreased slightly by \$150,691 due to adjusted estimates.

Unrestricted revenues are reduced by contributions to restricted programs. These contributions are for restricted maintenance and special education.

Unrestricted General Fund Expenditures

Item	First Interim Budget	Second Interim Budget	Difference
Certificated Salaries	21,119,247	22,000,468	881,221
Classified Salaries	6,174,206	6,420,180	245,974
Benefits	12,027,618	12,230,111	202,493
Books and Supplies	937,307	937,307	-
Operating Expenses	4,508,793	4,508,793	-
Capital Outlay	-	-	-
Other Outgo	3,533,977	3,575,592	41,615
TOTAL	48,301,148	49,672,451	1,371,303

Salary and benefit budgets have been updated to reflect changes since First Interim, including the 5% salary schedule increases approved by the board in December and January. Multi-year budgets reflect projected step increases, the projected cost of new hires, retirements, and approved future year salary schedule increases. Current and multi-year projections include one-time costs, as well as costs that do not occur every year (e.g. election expense). Assumptions about various categories of expense that often exceed general inflation are listed on page six. Examples are health and welfare, utilities, insurance and special education (which affects the unrestricted General Fund in the contribution that is required to cover costs that exceed federal and state support). These cost increases are based on historical trends.

The Health and Welfare budget for future years conservatively maintains a 9% annual increase. The impact of COVID-19 on health insurance rates may be impacted in future years.

RESTRICTED GENERAL FUND

Restricted General Fund Summary

Item	First Interim Budget	Second Interim Budget	Difference
Revenue	10,556,480	11,058,500	502,020
Expenditures + Transfers Out	19,495,383	19,982,048	486,665
Revenue less Expenditures	(8,938,903)	(8,923,548)	15,355
Contribution from Unrestricted	9,399,680	9,336,896	(62,784)
Fund Balance Increase/Decrease	460,777	413,348	47,429
Beginning Fund Balance	1,194,276	1,194,276	-
Ending Fund Balance	1,655,053	1,607,624	47,429

Restricted General Fund Revenues

The Restricted General Fund accounts for sources of funds that are restricted by statute (federal and state) or by the donor (local). Revenues that are contributed by school-connected organizations to support coaches and other activities are recorded as restricted.

Item	First Interim Budget	Second Interim Budget	Difference
Taxes (Special Education)	1,618,478	1,710,541	92,063
Federal Revenue	839,867	973,417	133,550
State Revenue	4,724,346	5,004,603	280,257
Local Revenue	3,373,789	3,369,939	(3,850)
Contributions	9,399,680	9,336,896	(62,784)
TOTAL	19,956,160	20,395,396	439,236

Special Education Funding includes Taxes, Federal Revenue and Local Revenue. The Local Revenue and Taxes reflected an increase due to changes in the Special Education Local Plan Area (SELPA) allocation. This also lowered the contribution needed from the unrestricted general fund. Federal and State revenue have been adjusted to reflect the addition of special education one-time revenue.

Restricted General Fund Expenditures

Item	First Interim Budget	Second Interim Budget	Difference
Certificated Salaries	3,384,326	3,515,807	131,481
Classified Salaries	2,127,485	2,213,788	86,303
Benefits	5,141,068	5,171,773	30,705
Books and Supplies	1,867,799	1,867,799	-
Other Operating Expenses	4,649,331	4,890,477	241,146
Capital Outlay	-	-	-
Other Outgo	115,510	112,540	(2,970)
Interfund Transfers Out	2,209,864	2,209,864	-
TOTAL	19,495,383	19,982,048	486,665

Salary and benefit budgets have been updated to reflect changes since First Interim, including the 5% salary schedule increases approved by the board in December and January. Multi-year budgets reflect projected step increases, the projected cost of new hires, retirements, and approved salary schedule increases. Budgets for non-personnel costs have been updated to reflect current needs in books, supplies, and other operating expenses.

ASSUMPTIONS

REVENUE ASSUMPTIONS	2021-22	2022-23	2023-24
<u>Enrollment</u>			
October Enrollment	3,382	3,206	3,073
Enrollment Gain (Loss) over prior October	(33)	(176)	(133)
Gain (Loss) Percentage	(0.97%)	(5.20%)	(4.15%)
Budgeted Teacher Increase/(Decrease)	0	(1)	(1)
Teacher Retirements (from prior June)	3	2	3
<u>ADA</u>			
P-2 ADA	3,269	3,092	2,964
ADA Gain (Loss)	59	(177)	(128)
ADA as Percent of Enrollment	96.66%	96.44%	96.45%
<u>LCFF</u>			
LGSUHSD LCFF (categorical minimum)	\$ 150,691	\$ 150,691	\$ 150,691
Education Protection Act (\$200 per ADA)	\$ 685,546	\$ 656,584	\$ 619,404
<u>Other Revenue</u>			
Property Tax (in \$)	\$ 53,447,163	\$ 55,211,842	\$ 57,044,416
Property Tax Increase	3.23%	3.30%	3.32%
Redevelopment Agency Distribution	\$ 1,958,000	\$ 220,000	\$ 220,000
Redevelopment Agency Pass through	\$ 2,209,864	\$ 2,209,864	\$ 2,209,864

**SSC School District and Charter School Financial Projection Dashboard
2022-23 Governor’s Budget**

This version of School Services of California Inc.’s (SSC) Financial Projection Dashboard is based on the 2022-23 Governor’s Budget proposal. We have updated the cost-of-living adjustment (COLA), Consumer Price Index (CPI), and ten-year T-bill planning factors per the latest economic forecasts. We have also updated the Local Control Funding Formula (LCFF) factors. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are general guidelines.

LCFF PLANNING FACTORS					
Factor	2021-22	2022-23	2023-24	2024-25	2025-26
Department of Finance Statutory COLA ¹	1.70%	5.33%	3.61%	3.64%	3.62%
Planning COLA	5.07% ²	5.33%	3.61%	3.64%	3.62%

LCFF GRADE SPAN FACTORS FOR 2022-23				
Entitlement Factors per ADA*	K-3	4-6	7-8	9-12
2021-22 Base Grants	\$8,093	\$8,215	\$8,458	\$9,802
Statutory COLA at 5.33%	\$431	\$438	\$451	\$522
2022-23 Base Grants	\$8,524	\$8,653	\$8,909	\$10,324
Grade Span Adjustment Factors	10.4%	–	–	2.6%
Grade Span Adjustment Amounts	\$886	–	–	\$268
2022-23 Adjusted Base Grants ³	\$9,410	\$8,653	\$8,909	\$10,592

*Average daily attendance (ADA)

OTHER PLANNING FACTORS					
Factors	2021-22	2022-23	2023-24	2024-25	2025-26
California CPI	5.78%	3.69%	2.90%	2.75%	2.60%
California Lottery	Unrestricted per ADA	\$163	\$163	\$163	\$163
	Restricted per ADA	\$65	\$65	\$65	\$65
Mandate Block Grant (District)	Grades K-8 per ADA	\$32.79	\$34.54	\$35.79	\$37.09
	Grades 9-12 per ADA	\$63.17	\$66.54	\$68.94	\$71.45
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$17.21	\$18.13	\$18.78	\$19.46
	Grades 9-12 per ADA	\$47.84	\$50.39	\$52.21	\$54.11
Interest Rate for Ten-Year Treasuries	1.93%	2.50%	2.90%	3.00%	2.60%
CalSTRS Employer Rate ⁴	16.92%	19.10%	19.10%	19.10%	19.10%
CalPERS Employer Rate ⁴	22.91%	26.10%	27.10%	27.70%	27.80%
Unemployment Insurance Rate ⁵	0.50%	0.50%	0.20%	0.20%	0.20%

STATE MINIMUM RESERVE REQUIREMENTS	
Reserve Requirement	District ADA Range
The greater of 5% or \$71,000	0 to 300
The greater of 4% or \$71,000	301 to 1,000
3%	1,001 to 30,000
2%	30,001 to 400,000
1%	400,001 and higher

¹Applies to Special Education, Child Nutrition, Foster Youth, Adults in Correctional Facilities Program, American Indian Education Centers/American Indian Early Childhood Education, and Mandate Block Grant.

²Amount represents the 2021-22 statutory COLA of 1.70% plus an augmentation of 1.00%, compounded with the 2020-21 unfunded statutory COLA of 2.31%.

³Additional funding is provided for students who are designated as eligible for free or reduced-price meals, foster youth, and English language learners. A 20% augmentation is provided for each eligible student with an additional 65% for each eligible student beyond the 55% identification rate threshold.

⁴California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) rates in 2021-22 were bought down by a prior year \$2.3 billion payment from state of California. Rates in the following years are subject to change based on determination by the respective governing boards.

⁵Unemployment rate in 2021-22 and 2022-23 are final based on the 2021 State Enacted Budget, and the subsequent years’ rates are subject to actual experience of the pool and will be calculated in accordance with California Unemployment Insurance Code Section 823(b)(2)

