

Los Gatos-Saratoga
Union High School District

**2022-23 First Interim
Report**

December 13, 2022

This document, the First Interim Report, covers the financial and budgetary status of the district for the period ending October 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.

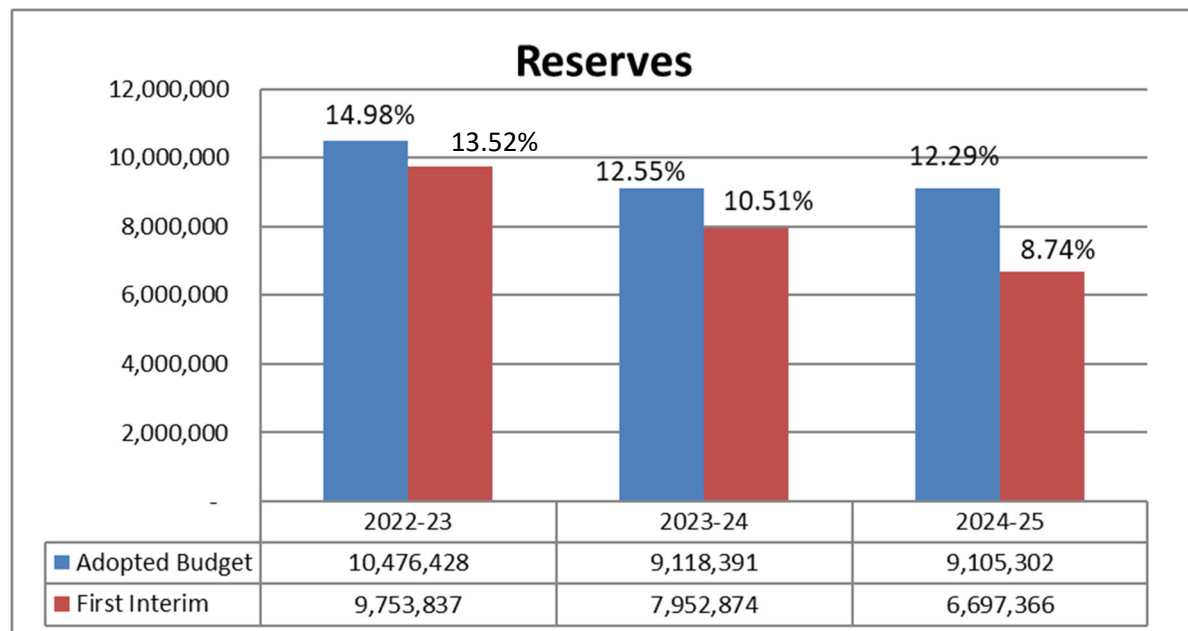
The First Interim Report incorporates known changes from the budget that was adopted in June. The report reflects adjustments to tax revenues, changes in personnel costs and current spending trends.

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 and continues to be 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 2022-23 is \$6,402,758. The unrestricted fund balance in the General Fund, plus the \$3,351,079 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	Adopted Budget	First Interim Budget	Difference
Revenue	59,649,822	60,584,771	934,949
Expenditures	(50,090,769)	(50,863,163)	(772,394)
Revenue less Expenditures	9,559,053	9,721,608	162,555
Contributions	(9,366,227)	(9,587,646)	(221,419)
Fund Balance Increase/(Decrease)	192,826	133,962	(58,864)
Interfund Transfers In	-	-	-
Interfund Transfers Out	(580,491)	(580,491)	-
Beginning Fund Balance	4,955,439	6,849,287	1,893,848
Ending Fund Balance	4,567,774	6,402,758	1,834,984

Unrestricted General Fund Revenues

Item	Adopted Budget	First Interim Budget	Difference
LCFF/Property Tax (mostly local taxes)	57,631,203	58,566,166	934,963
Other State Revenue	744,119	743,605	(514)
Local Revenue	1,274,500	1,275,000	500
SUBTOTAL	59,649,822	60,584,771	934,949
Contributions	(9,366,227)	(9,587,646)	(221,419)
Interfund Transfers In	-	-	-
TOTAL	50,283,595	50,997,125	713,530

First Interim unrestricted revenues increased a total of \$713,530 since the Adopted Budget. 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 increased by \$934,963 due to higher estimates forecasted

by the tax assessor’s office after the final rollover of the assessed values. Other State revenue also showed a small decrease due to an adjusted Mandated Cost Block Grant allocation.

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

Unrestricted General Fund Expenditures

Item	Adopted Budget	First Interim Budget	Difference
Certificated Salaries	22,761,349	22,877,107	115,758
Classified Salaries	6,680,213	6,910,699	230,486
Benefits	13,632,934	13,919,320	286,386
Books and Supplies	1,291,127	1,266,127	(25,000)
Operating Expenses	5,593,125	5,757,889	164,764
Capital Outlay	-	-	-
Other Outgo	132,021	132,021	-
TOTAL	50,090,769	50,863,163	772,394

Salary and benefit budgets have been updated to reflect changes since Budget Adoption. Multi-year budgets reflect projected step increases, the projected cost of new hires, and retirements, and a negotiated salary schedule increase for 2023/24. No salary schedule increase is included in the 2024/25 year. Budgets for non-personnel costs have been updated to reflect current needs in books, supplies, and other operating expenses. 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 adopted budget contained an estimated benefit cost increase. These rates are now known and are less than anticipated. The 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	Adopted Budget	First Interim Budget	Difference
Revenue	10,572,197	11,116,644	544,447
Expenditures + Transfers Out	19,242,123	20,675,086	1,432,963
Revenue less Expenditures	(8,669,926)	(9,558,442)	(888,516)
Contribution from Unrestricted	9,366,227	9,587,646	221,419
Fund Balance Increase/Decrease	696,301	29,204	(667,097)
Beginning Fund Balance	1,940,092	1,940,092	-
Ending Fund Balance	2,636,393	1,969,296	(667,097)

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	Adopted Budget	First Interim Budget	Difference
Taxes (Special Education)	1,916,751	2,269,175	352,424
Federal Revenue	845,121	848,285	3,164
State Revenue	4,524,162	4,708,157	183,995
Local Revenue	3,286,163	3,291,027	4,864
Contributions	9,366,227	9,587,646	221,419
TOTAL	19,938,424	20,704,290	765,866

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. Federal and State revenue have been adjusted to reflect the addition of amounts carried over from 2021-22. Most of this funding was one-time, but intended to be used over several years.

Restricted General Fund Expenditures

Item	Adopted Budget	First Interim Budget	Difference
Certificated Salaries	3,383,566	3,560,091	176,525
Classified Salaries	2,186,063	2,367,296	181,233
Benefits	5,696,205	5,929,488	233,283
Books and Supplies	1,320,169	1,828,938	508,769
Other Operating Expenses	4,327,403	4,594,037	266,634
Capital Outlay	-	-	-
Other Outgo	118,853	118,853	-
Interfund Transfers Out	2,209,864	2,209,864	-
TOTAL	19,242,123	20,608,567	1,366,444

Salary and benefit budgets have been updated to reflect changes since Budget Adoption. Multi-year budgets reflect projected step increases, the projected cost of new hires, and retirements, and a negotiated salary schedule increase for 2023/24. No salary schedule increase is included in the 2024/25 year. Budgets for non-personnel costs have been updated to reflect current needs in books, supplies, and other operating expenses. All categories show increases to allow for spending of amounts carried over from 2021-22.

ASSUMPTIONS

REVENUE ASSUMPTIONS	2022-23	2023-24	2024-25
<u>Enrollment</u>			
October Enrollment	3,274	3,108	2,962
Enrollment Gain (Loss) over prior October	(113)	(166)	(146)
Gain (Loss) Percentage	(3.34%)	(5.07%)	(4.70%)
Budgeted Teacher Increase/(Decrease)	0	(1)	(1)
Teacher Retirements (from prior June)	3	2	2
<u>ADA</u>			
P-2 ADA	3,116	2,995	2,854
ADA Gain (Loss)	(65)	(121)	(141)
ADA as Percent of Enrollment	95.17%	96.36%	96.35%
<u>LCFF</u>			
LGSUHSD LCFF (categorical minimum)	\$ 150,691	\$ 150,691	\$ 150,691
Education Protection Act (\$200 per ADA)	\$ 668,520	\$ 647,972	\$ 619,356
<u>Other Revenue</u>			
Property Tax (in \$)	\$ 57,738,628	\$ 60,041,070	\$ 62,036,530
Property Tax Increase	4.27%	3.40%	3.32%
Redevelopment Agency Distribution	\$ 372,000	\$ 220,000	\$ 220,000

Redevelopment Agency Pass through	\$ 2,209,864	\$ 2,209,864	\$ 2,209,864
RDA Pass through Increase	0.00%	0.00%	0.00%
Parcel Tax	\$ 948,000	\$ 948,000	\$ 948,000
Mandated Cost Block Grant	\$67.31	\$70.93	\$73.78
Mandated Cost Block Grant	\$ 213,745	\$ 212,435	\$ 210,568
Lottery (Unrestricted) per ADA	\$ 170.00	\$ 170.00	\$ 170.00
Lottery (Unrestricted)	\$ 524,860	\$ 524,860	\$ 524,860
Lottery (Restricted) per ADA	\$ 67.00	\$ 67.00	\$ 67.00
Lottery (Restricted)	\$ 208,000	\$ 208,000	\$ 208,000

EXPENDITURE ASSUMPTIONS	2022-23	2023-24	2024-25
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Employer Rate

STRS RATE	19.10%	19.10%	19.10%
PERS RATE	25.37%	25.20%	24.60%
MEDICARE	1.45%	1.45%	1.45%
SOCIAL SECURITY	6.20%	6.20%	6.20%
UNEMPLOYEMENT INSURANCE	0.50%	0.20%	0.20%
WORKERS COMPENSATION	1.412%	1.412%	1.412%
Classified Salary Total Rates	34.932%	34.462%	33.862%
Certificated Salary Total Rates	22.462%	22.462%	22.462%

Health Plans

Rates change in January. Caps are the average of monthly rates for the fiscal year

Monthly Employer Cap - Employee Only	\$1,129	\$1,231	\$1,341
Monthly Employer Cap - Employee +1	\$2,258	\$2,461	\$2,683
Monthly Employer Cap - Family	\$2,935	\$3,199	\$3,487
Percent Increase	6.5%	9.0%	9.0%

Percent Increases

UTILITIES	3.50%	3.50%	3.50%
PROPERTY and LIABILITY INSURANCE	6.00%	10.00%	10.00%
LEGAL COST (Special Ed)	5.00%	5.00%	5.00%
LEGAL COST (Other)	5.00%	5.00%	5.00%
SPECIAL EDUCATION Non-Public Schools	5.00%	5.00%	5.00%

SCHOOL ALLOCATIONS

MATERIALS/SUPPLIES - SCHOOL SITES per student	\$130	\$130	\$130
Graduation	\$30,000	\$30,000	\$30,000
Furniture/Fixtures/Equipment	\$75,000	\$75,000	\$75,000
Sports/Training/Helmet/Referee	\$60,000	\$60,000	\$60,000
Project Lead the Way/STEM	\$15,000	\$15,000	\$15,000
School Site Council	\$40,000	\$40,000	\$40,000

SSC School District and Charter School Financial Projection Dashboard 2022-23 Enacted State Budget

This version of the School Services of California Inc. (SSC) Financial Projection Dashboard is based on the 2022-23 Enacted State Budget. 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%	6.56%	5.38%	4.02%	3.72%
Planning COLA	5.07% ²	6.56%	5.38%	4.02%	3.72%

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 of 6.56%	\$531	\$539	\$555	\$643
Additional LCFF Investment of 6.70% ³	\$542	\$550	\$567	\$657
2022-23 Base Grants	\$9,166	\$9,304	\$9,580	\$11,102
Grade Span Adjustment Factors	10.4%	-	-	2.6%
Grade Span Adjustment Amounts	\$953	-	-	\$289
2022-23 Adjusted Base Grants ⁴	\$10,119	\$9,304	\$9,580	\$11,391

*Average daily attendance (ADA)

OTHER PLANNING FACTORS					
Factors	2021-22	2022-23	2023-24	2024-25	2025-26
California CPI	6.56%	5.75%	2.58%	2.20%	2.38%
California Lottery	Unrestricted per ADA	\$176.94	\$170	\$170	\$170
	Restricted per ADA	\$81.94	\$67	\$67	\$67
Mandate Block Grant (District)	Grades K-8 per ADA	\$32.79	\$34.94	\$36.82	\$38.30
	Grades 9-12 per ADA	\$63.17	\$67.31	\$70.93	\$73.78
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$17.21	\$18.34	\$19.33	\$20.11
	Grades 9-12 per ADA	\$47.84	\$50.98	\$53.72	\$55.88
Interest Rate for Ten-Year Treasuries	2.08%	3.20%	2.85%	2.68%	2.80%
CalSTRS Employer Rate ⁵	16.92%	19.10%	19.10%	19.10%	19.10%
CalPERS Employer Rate ⁵	22.91%	25.37%	25.20%	24.60%	23.70%
Unemployment Insurance Rate ⁶	0.50%	0.50%	0.20%	0.20%	0.20%
Minimum Wage ⁷	\$15.00	\$15.50	\$16.00	\$16.40	\$16.80

STATE MINIMUM RESERVE REQUIREMENTS	
Reserve Requirement	District ADA Range
The greater of 5% or \$75,000	0 to 300
The greater of 4% or \$75,000	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%.

³Percentage is separate and distinct from the statutory COLA and codified in Education Code Section 42238.02(d)(5)

⁴Additional funding is provided for students who are designated as eligible for free and 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.

⁵California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) rates in 2021-22 were brought down by a prior year \$2.3 billion payment from the state of California. Rates in the following years are subject to change based on determination by the respective governing boards.

⁶Unemployment rate in 2021-22 and 2022-23 are final based on the 2021 Enacted State 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)

⁷Minimum wage increases are effective January 1 of the respective year.