Los Gatos-Saratoga

Union High School District

2023-24 Adopted Budget

June 27, 2023

The 2023-24 Adopted Budget reflects the governor's May Revised budget proposal. Revenue and expenditure assumptions are provided on the following pages. After these have been applied, reserves are projected as indicated in the table below.

The impact of COVID-19 caused unprecedented unemployment and economic disruption. However, the economic recovery has been quicker than originally anticipated. Since that recovery, we have seen elevated inflation rates, causing higher interest rates and impacted economic factors are showing a slowing of growth and potential downturn. The deadline to file State income tax returns for many counties in California have been extended to October 15, 2023 due to the severe storms earlier this year. As state income tax is a large portion of the state budget, the state will likely pass a final budget with uncertain revenues. As a community funded district the greatest impact of any economic downturn to our school district results from property tax collections. During the pandemic, the collections have not been impacted as greatly as originally anticipated. In 2022-23, the collections returned to pre-pandemic levels. The impact of higher interest rates may have an impact on home sales in the near future. However, in our community property tax revenue has remained stronger than other areas in past downturns.

Based on conversations with the County Assessor, the Tax Collector and the County office of Education, property tax increases are assumed to be

2023-24	2024-25	2025-26
5.5%	4.5%	4.5%

General Fund Summary

Based on current assumptions the General Fund is projected to decrease reserves through 2025-26, as follows:

	2022-23 Estimated Actuals	2023-24 Adopted Budget	2024-25 Projected	2025-26 Projected
Revenues	72,385,351	73,068,097	75,688,258	78,465,638
Expenditures*	69,950,673	72,703,897	74,705,781	76,003,304
Other Sources/Uses	(2,687,718)	(2,544,527)	(2,544,527)	(2,544,527)
Increase/Decrease	(253,040)	(2,180,327)	(1,562,050)	(82,193)
Beginning Fund Bal	8,789,379	8,536,339	6,356,012	4,793,962
Ending Fund Bal.	8,536,339	6,356,012	4,793,962	4,711,769
Restricted Ending Balance	1,851,220	1,699,864	1,600,206	1,576,513
Parcel Tax Revenue Reserve				850,000
Unappropriated Bal.	6,685,119	4,656,148	3,193,756	2,285,256
Balance in Fund 17	3,351,079	3,403,079	3,455,079	3,507,079
Total Reserve	10,036,198	8,059,227	6,648,835	5,792,335
Reserve Percentage	13.82%	10.71%	8.61%	7.37%

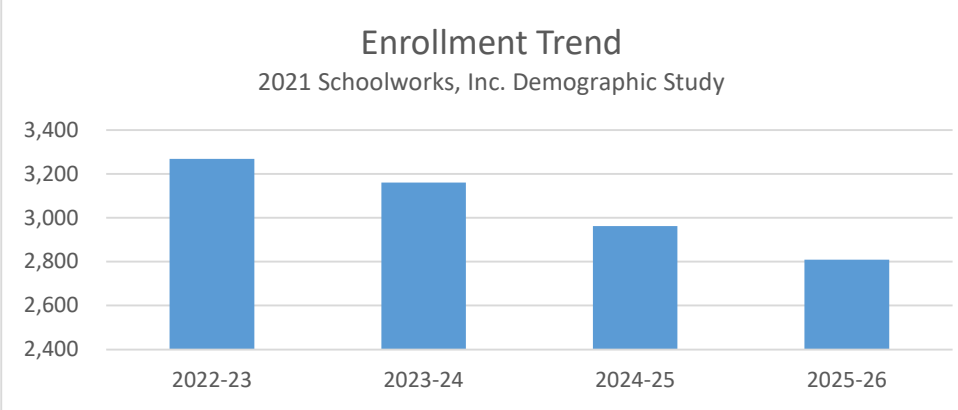
*Salary and Benefit costs include step and column increases and negotiated salary schedule increases. In 2021-22, the board approved a salary schedule increase of 5% for 21-22. All groups also included

increases of 5% in 22-23 and 5% in 23-24. These increases are included in the budget and multi-year projections. Only step and column increases are included in 24-25 and 25-26 salaries and benefits.

Assumptions

STUDENTS

Enrollment	2022-23	2023-24	2024-25	2025-26
LGHS	2,067	1,982	1,885	1,786
SHS	1,194	1,171	1,069	1,015
NPS	8	8	8	8
TOTAL	3,269	3,161	2,962	2,809
Average Daily Attendance (ADA)	3,075	3,020	2,849	2,702



- As a community funded district, LGSUHSD receives only a small amount of funding based on average daily attendance (ADA). ADA is used to compute funding for EPA, Lottery, Mandated Costs, one-time block grants and various state grants and entitlements.
- Enrollment changes are based on a 2021 demographic study which indicates enrollment declines.

RESERVE ASSUMPTIONS

Reserve for Economic Uncertainty

- Reserves consist of unencumbered balances in the unrestricted General Fund (01) and the Special Reserve Fund (17)
- Board Policy 3100 states that the District will maintain an economic uncertainty reserve of at least 10% of total General Fund operating expenditures, with a future goal of 16%. This level of reserves is to provide resources for unforeseen financial challenges.
- The 2023-24 reserve percentage is estimated to be 10.71% and is projected to decrease to 8.46% through 2025-26. If the current parcel tax is not renewed, the reserve level would be 7.37%, reflecting a revenue loss of $850,000.

REVENUE ASSUMPTIONS

COLA

- The Cost of Living Adjustment for state revenues is estimated as follows:

2022-23	2023-24	2024-25	2024-25
6.56%	8.22%	3.94%	3.29%

CPI

- The California Consumer Price Index (CPI) is used for Property Tax increases. Annual Property Taxes increase by CPI or 2%, whichever is less, not including any adjustments to assessed values.

2022-23	2023-24	2024-25	2025-26
5.71%	3.54%	3.02%	2.64%

Property Tax

- Property Taxes are projected to increase by 5.5% in 2023-24, and 4.5% 2024-25 and 2025-26. The 23-24 projected increase is based on information provided by the Santa Clara County Assessor's Office. Santa Cruz taxes are a small percentage of total district tax revenue, and its property tax trends are assumed to be 4%.
- The 2023-24 tax roll is still developing. Revenue assumptions will be updated when the actual increase is known.

2022-23	2023-24	2024-25	2025-26
5.5%	5.5%	4.5%	4.5%

Local Control Funding Formula (LCFF) and the Education Protection Act (EPA)

- The Local Control Funding Formula (LCFF) is the state's funding model for the majority of unrestricted funding. There are three sources of funding in the LCFF model: local property taxes, state support, and the Education Protection Act (EPA) funding.
- As a community funded district, LGSUHSD normally only receives $150,691 in state support for categorical minimum state aid. This revenue receives no adjustments for growth or COLA. It is based on 2012-13 district categorical program revenue of $2,298,492 minus the districts "fair share" reduction of $2,147,801.
- EPA funding is in addition to categorical minimum state aid for community funded districts and is based on the district's Average Daily Attendance times $200. This funding receives no COLA.

Parcel Tax

- The district's $49 Parcel Tax (Measure A) continues to fund teacher salaries through Fiscal Year 2024-25 (2 more years). Parcel Tax revenues are projected to be $900,000 in 2023-24 and $850,000 in 2024-25.

Lottery

- Estimates for 2023-24 are $170.00 per ADA for unrestricted and $67.00 per ADA for restricted allocation. Revenue changes in future years are based on projected changes in ADA.

Special Education

- The district receives federal and state Special Education revenue as determined by the Santa Clara County SELPA III Allocation Plan. Cost increases continue to outpace revenue increases.
- Special Education funding sources and amounts for 2023-24 are projected as follows:

General Fund Contribution (backfills funding shortfall)	$8,867,840
State Special Education Apportionment/Excess taxes	$1,943,679
State Mental Health	$260,793
Federal Basic Local Assistance	$648,760
Federal Mental Health	$39,788
Workability	$82,000

	▪ Costs for non-public schools, settlements, legal costs, and transportation are projected to increase annually
Mandated Costs	▪ A mandated cost is any increased cost which a district is required to incur as a result of any state statute or executive order which mandates a new program or higher level of service. The state allows districts to opt into a block grant for funding, eliminating the need to keep documentation for each mandated activity. The district has elected to take the block grant, which is $72.84 per student in 2023-24. Funding is projected to decline in future years as enrollment declines. ▪ In addition to the block grant, the state has from time to time created one-time funding to offset outstanding mandated cost claims. No future one-time funding is expected or assumed. ▪ In 2019-20 and 2020-21, the state and federal budgets included several restricted funding sources related to costs associated with the COVID-19 pandemic and school re-opening. The 2023-24 budget does not include any further anticipated one-time funding for this purpose. Any funding provided will be budgeted at the time the state allocates the funds to the district.
Other State Revenue	▪ The district applies for other state awards when they are available and the district is eligible. The budget contains no other assumptions about future state funding opportunities. ▪ It is anticipated that when the state's final budget is approved, there will be a couple of funding sources included in the May Revised Budget that will be included in the final budget. These funds will be budgeted when more details are determined.
Other Federal Revenue	▪ In addition to federal funding received for Special Education the district also received funding for Title II and Vocational Education in 2022-23. In 2019-20 the district lost Title I funding. Title II and Vocational Education are projected to continue, but with no funding increases.
Civic Center Fees	▪ Fees for the use of school facilities are primarily recorded in Fund 40, the Reserve for Capital Outlay. Funds in the Reserve for Capital Outlay are set aside for renovations to buildings, pools and fields, including turf field replacements. ▪ The revenue in 2022-23 continued to be impacted by the pandemic as rentals at school sites and fields slowly began to return to pre-pandemic levels. ▪ The 2023-24 budget shows moderate increases in the facility rental income.
Rental Income	▪ Facility use contracts with long time users (pool rental, the Mandarin school and Los Gatos-Saratoga Recreation) as well as McAfee theater rentals are recorded in the General Fund. ▪ In 2021-22 the district signed a new lease for rental at 809 University Avenue. An allowance for needed building improvements will abate the rent for most of 2022-23 but will provide full monthly rent in 2023-24 and beyond.
Interest	▪ Interest income is based on earnings rates in the county treasury applied to the average cash balance in each fund.
Local Donation Income	▪ The district receives support from the Wildcat Foundation, the Saratoga Foundation, the Los Gatos Athletics Association, booster organizations, the PTSO/HSC and others. Revenue is received over the course of the year and is estimated in the adoption budget. Donations are primarily used to pay for

	coaching stipends and supplies and equipment. Also included in this category is revenue for stipends and supplies provided by the Associated Student Body.
Redevelopment Agency Negotiated Agreement	▪ The district receives funding annually from the Redevelopment Successor Agency for an agreement negotiated in 1991 with the Los Gatos Redevelopment Agency. The agreement extends to 2033. Approximately $2 million is received annually under this agreement and the funds are transferred to the Deferred Maintenance Fund and the Reserve for Capital Outlay (details below under Deferred Maintenance and Reserve for Capital Outlay).
EXPENDITURE ASSUMPTIONS	
Certificated and Classified Staffing	▪ For 2023-24 enrollment declines and staffing closely to the 31.5 classroom loading factor means that teacher FTE in 23-24 will remain the same as 2022-23. In future years, teacher reductions may be necessary as enrollment declines. ▪ Savings from known retirements and resignations are included in the 2023-24 budget. In future years the savings from four teacher retirements are included annually. ▪ Step increases are included in all projections. ▪ Salary increases are negotiated. In 2021-22 negotiated increases included 5% for 21-22, 5% for 22-23, and 5% for 23-24 for all employee groups. For 2024-25 and 2025-26 only step and column increases are included in the multi-year projection.

FTE	2022-23	2023-24	2024-25	2025-26
Certificated	179.8	181.0	181.0	181.0
Classified	91.0	90.0	89.0	89.0
Mgmt/Sup	25.0	25.0	25.0	25.0

Benefit Rates

▪ STRS and PERS rates continue to rise. The 2020-21 state budget included contributions to PERS and STRS to reduce rates from their expected levels for last year and the 2021-22 budget year.

▪ Future rate relief is not proposed in the Governor's May Revised budget and is not anticipated in the final state budget.

▪ Recent changes in law allow STRS to annually increase rates by up to 1%. The PERS board approves rates each year.

	2022-23	2023-24	2024-25	2025-26
STRS	19.10%	19.10%	19.10%	19.10%
PERS	25.37%	26.68%	27.70%	28.70%

Medical	▪ Medical premiums go up January 1 each year. It is assumed that rates will increase 5% each January ▪ California Schools are part of a School Fund Pool for unemployment insurance. Unemployment Insurance rates have been consistently low for the State School Employers Pool. The rate has remained at .05% for many years. For 2021-22 and 2022-23, this rate has increased to .5% to offset the costs of unemployment caused by the pandemic. This rate has decreased to .05% in 2023-34 and is expected to stay at that rate in future years.
FICA, Medicare, UI, Workers' Comp	▪ Other rates (FICA, Medicare, and Workers' Compensation) are not expected to change.
School Site Allocations	▪ School site allocations are primarily funded through Lottery funds. In 2021-22 the amount per student was $85. As part of the district's budget reduction efforts in

	2020-21, the per student allocation was reduced from $115 to $85 per student. In 2022-23, the rate was increased to $130 per student.
<u>Site Discretionary</u> *Site Determined* *Graduation* *Furniture/Equip.* *Sports* *PLTW* *School Site Council* *Textbooks/Instr. Mat'l*	▪ $130 per enrolled student from Lottery funds ▪ $30,000 per site (unrestricted funding) ▪ $75,000 per site (unrestricted) ▪ $60,000 per site for trainer, supplies, equipment repair and referees (unrestricted) ▪ $15,000 per site (Lottery) ▪ $40,000 allocated by enrollment (Lottery) ▪ Restricted Lottery funding is distributed to sites for textbooks and other instructional materials
Textbook adoptions / Restricted Lottery Funds	▪ The district will receive approximately $67 per ADA in 2023-24. These funds are managed centrally.
Restricted Routine Maintenance	▪ The District is required to set aside 3% of General Fund expenditures for a Routine Maintenance Account to be used for ongoing maintenance expenditures. The District will meet the 3% level.
Deferred Maintenance	▪ The District will continue to make a $400,000 transfer to the Deferred Maintenance Fund for major maintenance projects. ▪ The source of funds is redevelopment funding that must be spent on facilities.
Utilities	▪ Projected budgets have been adjusted based on actual costs to date for 2022-23. Future years' budgets are adjusted by +3.5%
Copy Machine Leases	▪ The General Fund pays for school copy machine leases and copier maintenance payments. School copy machines were replaced during the 2022-23 school year. The district also entered into a managed print solution to ensure that district printers are maintained. Toner replacement is included in the contract.
Substitutes	▪ Projected budgets for certificated and classified substitutes are based on a multi-year analysis of actual costs.
Technology	▪ The technology budget in the General Fund has been built on known maintenance agreements, software subscriptions, and contracted services necessary to support current infrastructure. ▪ The technology budget also includes funds for refresh of staff computers reaching the end of their useful life.
Supplies and Contracted Services	▪ The budget has been built from a zero base in the areas of supplies and contracted services except for School Site Allocations (which remain at the discretion of the School Site Administration).
Legal	▪ Efforts to constrain legal costs have met with some success, however costs in years when employee contracts are negotiated trend higher. While legal costs for Special Education have been constrained in previous years, future years are expected to see increases as a result of the pandemic.
Insurance	▪ The District obtains property and liability insurance through a joint powers authority: South Bay Area Schools Insurance Authority (SBASIA). Both property and liability markets are hardening. Liability claims for the JPA are up, especially due to an increase in molestation claim settlements. Property rates are coming in higher, due to the insurance industry's reaction to recent wildfires. ▪ Rates are anticipated to increase 9% in 2023-24. Thereafter rates are assumed to increase annually by 10%.
Audit	▪ The district has a three-year contract with Eide Bailly, formerly Vavrinek, Trine, Day and Company to perform the required annual external audit. The cost of the 2022-23 audit is $55,000 and increases by $1,200 per year. The bond and Parcel Tax audits are included in those costs.

Food Service Program Contribution	▪ In 2019-20 the district contracted with Country House Kitchen to improve food quality and student participation, starting with Los Gatos High School. An initial part-year contract with the consultant was contributed by the LGHS Home and School Club, with additional support for equipment from the Wildcat Foundation. Thereafter the District assumed the cost. ▪ Anticipated savings in 2019-20 were impacted by the COVID-19 shutdown, however, in the limited time with Country House, the program at Los Gatos High School experienced increased revenue. ▪ With school closure for most of 2020-21, little to no revenue was collected while staff costs remain at current levels. ▪ The Governor's May Revised budget proposal continues funds to cover "Universal Meals' for all students. In order to receive the funding, the district enrolled in the National School Lunch Program (NSLP) in 2022-23. ▪ Staff is recommending that the district retain the consultant to plan for the program to meet NSLP guidelines while providing a similar menu.
Staff Development	▪ In 2021-22, one-time resources were used for staff development. The carryover of these funds will be used for staff development in 2022-23. Those costs are now part of the general fund budget.
Career Technical Education	▪ Project Lead the Way ("PLTW") o Projected budgets include continued funding of Project Lead the Way initiatives at Saratoga High School and Los Gatos High School ▪ Media Arts Program ("MAP") o Projected budgets include continued funding of MAP initiatives at Saratoga High School These programs are supported through general fund unrestricted dollars as well as various grants, including Perkins and CTEIG ▪ MetroEd (aka Silicon Valley CTE) o Projected budgets include $162,909 in contributions to the District's membership in the MetroEd JPA
Transfers to the Reserve for Capital Outlay	▪ The district receives revenue from redevelopment projects, estimated to be $2,210,000 in 2023-24 and beyond. These funds are to be used for land acquisition, facility construction, reconstruction or remodeling, or deferred maintenance. Proceeds are recorded in the restricted General Fund and are the source of transfers to the Deferred Maintenance Fund and the Special Reserve for Capital Outlay. The transfer to the Reserve for Capital Outlay is an annual transfer to make payments on Certificates of Participation. ▪ Certificates were issued in 2001 and 2008 for facilities projects. Repayment comes from the capital reserve and the Developer Fee Fund (split 67% / 33%). The 2020-21 payment for Certificates of Participation (COPs) was $992,702. The final payment on all COPs will occur in 2023-24.