

Saratoga Union School District 2023-24 Second Interim Report

Presented to the Board of Trustees on March 14, 2023

By Jean Aldrete, Chief Business Official

Introduction

This Second Interim Report represents our district's financial activities from the beginning of the fiscal year 2023-24 through January 31st and contains revenue and expenditure projections for the current year and two subsequent years. This is a state-mandated report, which the Board of Trustees is required to certify to the county superintendent of schools declaring SUSD's financial condition as positive, qualified, or negative for the Second Interim period as well as for the two out-years.

This report includes assumptions and recommendations by the CA Department of Finance, School Services of California, and the Santa Clara Office of Education. Revenue augmentations and expenditure adjustments included in this report are based on the latest information available to us.

Governor's 2024-25 Budget Overview

There are no significant changes in the current fiscal year, but the Governor's 2024-25 January Budget proposal includes:

- A state budget shortfall of \$37.9 billion, due largely to much lower 2022 tax collections than anticipated
- The Department of Finance is estimating State-wide Cost of Living Adjustments (COLA) of 0.76% in 2024-25 and 2.73% in 2024-25
- Statutory COLA of 0.76% for select programs outside of the Local Control Funding Formula (LCFF) including Special Education, Mandated Block Grant and Child Nutrition
- Governor continues to protect districts from ADA funding cliff due to declining enrollment from the greater of current or prior year ADA to the greater of:
 - Current Year ADA, or
 - Prior Year ADA, or
 - Computed average ADA using prior three years' ADA
- Use of \$13.1 billion in state reserves and a withdraw of \$5.7 billion from the Public School Stabilization Account (PSSSA, borrowing, reductions to the non-proposition 98 side of the state budget, funding delays, payroll deferrals for UC & CSU, and new tax revenue proposals)
- Required deposit will be made to the Public School System Stabilization Fund per Proposition 2 in 2024-25 of \$288 million and in 2025-26 of \$752 million, and continues reserve cap for most districts, but it does not apply to Basic Aid districts
- No new cuts or deferrals for K-12 public education
- Continued decline of inflation and no longer forecasts a recession in 2024 or 2025 by economists
- Universal TK further expands to include children who turn five years old between September 2 and June 2 at a student to adult ratio of 10:1
- Expanded Learning Opportunities Program (ELOP) will not receive a COLA adjustment or cuts to funding, but schools with an unduplicated pupil count of less than 75% will see a reduction in

funding as classroom based ADA statewide increased reducing the amount per pupil of \$251.54 without an increase in overall funding by the state

- Permanent re-benching Proposition 28 to equal 1% of K-12s’ share of the minimum Proposition 98 guarantee to funds arts and music in public schools
- Universal School Meals program will see an increase of \$122.2 million to fund the program in 2024-25

There were no new state proposals to further reduce the employer contribution rates for CalPERS resulting in increases in 2024-25 and 2025-26 employer costs of 1.12% and 0.70%, respectively. We will make any necessary changes to the budget if any after the Governor’s 2024-25 May Revise.

General Fund Second Interim Assumptions and Changes

Revenue: General Fund combined revenues are projected to be \$39,546,118. Compared to the First Interim Report, revenue has decreased by approximately \$75,465. The changes are highlighted as follows:

REVENUE CATEGORY	2023-24 FIRST INTERIM	2023-24 SECOND INTERIM	\$ CHANGE	% CHANGE	EXPLANATIONS
LCFF Sources	\$34,694,216	\$34,400,574	(\$293,642)	-0.8%	Decline in SELPA Special Education revenues
Federal Revenues	\$520,423	\$520,074	(\$349)	-0.06%	Decline in Federal Special Education revenues
State Revenues	\$2,596,240	\$2,615,490	\$19,250	0.7%	Received increase in Expanded Learning Opportunity Program revenues and receipt of one-time ELPAC and CAASP funds
Local Revenues	\$1,511,195	\$1,710,471	\$199,276	13.2%	Increased revenues for interest, Lakeside MOU, credit card rebates, recognition of donations for Science Camp, field trips and music
Transfers In	\$224,043	\$224,043	-	-	No change
TOTAL REVENUES	\$39,546,118	\$39,470,653	(\$75,465)	-0.19%	

Property tax revenues: The district will remain in community-funded status for 2023-24 and two subsequent years. Based on the latest real property roll as of February 12, 2024 by the Santa Clara County Assessor's Office, the percent growth rate for the current fiscal year is 4.66% for the Saratoga Union School District. This growth is higher than what was projected at the time of the Adopted Budget and First Interim Report, which was estimated at 3% and 4.67%, respectively.

The net roll corrections for 2023-24 continue to be estimated at \$15 million for February 2024 throughout the county. Assessed Roll projections for 2024-25 take place in January 2024 and annual assessment growth rates are capped to the lower of the Consumer Price Index (CPI) or 2%. The current estimated CPI for next year is at 2.83% per the School Services of California. Taking this into consideration, reviewing the trends in assessed value, and looking at the growth of secured and unsecured taxes, staff are being prudent in estimating the future tax revenues at approximately 3% for the out years. Based on these factors, the 2023-24 Second Interim includes the following tax revenue growth rates for the current and two subsequent fiscal years:

2023-24	4.66%
2024-25	4.00%
2025-26	4.00%

Expenditures: General Fund combined expenditures are projected to be at \$41,227,438, which is an increase of \$57,305 compared to the First Interim Report. The changes are highlighted as follows:

EXPENDITURE CATEGORY	2023-24 FIRST INTERIM	2023-24 SECOND INTERIM	\$ CHANGE	% CHANGE	EXPLANATIONS
Certificated Salaries	\$15,879,127	\$15,843,747	-\$35,380	-0.22	Aligned salaries and benefits to date and adjusted substitute costs based on expenditures to date
Classified Salaries	\$6,321,875	\$6,294,105	-\$27,770	-0.44%	Aligned salaries and benefits to date and adjusted substitute costs based on expenditures to date
Employee Benefits	\$11,298,468	\$11,222,740	-\$75,728	-0.67%	Aligned salaries and benefits to date and adjusted substitute costs based on expenditures to date
Books and Supplies	\$1,867,171	\$1,887,807	\$20,636	1.11%	Decrease in technology purchases for the current year and increased costs to recognize site donation and music supplies
Services and Operating	\$5,011,219	\$5,178,331	\$167,112	3.33%	Decreased utilities, increased contracted services to cover maternity leaves, buses for Science Camp and field trip costs.
Capital Outlay	\$338,399	\$346,834	\$8,435	2.5%	New HVAC for Foothill library, replacement of maintenance truck and decreased equipment for food services that will be incurred next year.
Other Outgo	\$325,904	\$325,904	-	-	No change
Transfers Out	\$127,970	\$127,970	-	-	No change
TOTAL REVENUES	\$41,170,133	\$41,227,438	\$57,305	0.14%	

Contributions to Restricted Programs are as follows:

Routine Restricted Maintenance:	\$ 1,739,768
Special Education	\$ 5,401,136
New Teacher Support Project	\$ 15,600
Saratoga Education Foundation	\$ 39,292
After-School Sports	\$ 60,000
After-School Music	\$ 6,124
Total	\$ 7,261,920

Staffing

Compared to the Second Budget, following are some of the changes to staffing as of January 31, 2024:

Full Time Equivalents

FTEs	2023-24 Adopted Budget	2023-24 First Interim	2023-24 Second Interim	Projected 2024-25	Projected 2025-26
Certificated	105.1	104.5	103.5	103.5	103.5
Certificated Management	8	8	8	8	8
Classified	80.9	85.5	88.0628	88.0628	88.0628
Classified Management	5	6	6	6	6
Confidential	4	4	4	4	4
Total FTEs	203.0	207.7	201.5628	201.5628	201.5628

Compensation

- The Second Interim Budget reflects the actual step-and-column costs for all employees. The District and its employee associations, STA (Saratoga Teachers Association) and SCA (Saratoga Classified Association) settled negotiations for the 2023-24 fiscal year of 7.5% on schedule and 7.5% on schedule for the 2024-25 fiscal year. A 1.5% step-and-column increase is assumed for all existing employees for the two subsequent years of approximately \$421K in 2024-25 and \$459K in 2025-26. No additional salary increases were included in the 2025-26 fiscal year as negotiations are pending for that year.
- Health and Welfare -
 - The cost sharing between the District and Certificated, Confidential and Management employees hired prior to July 1, 2023 for 2023-24 and two subsequent fiscal years remains a 90% and 10% split. New employees in this group hired on July 1, 2023 and thereafter are capped at 90% of the lowest non-deductible HMO family plan (currently Kaiser), plus family dental and vision. Plan costs above the cap are borne entirely by the employee.
 - The Health and Welfare benefit is capped at Kaiser family rate for 2023-24 and two subsequent years for classified non-management staff.
 - An increase of 10% is assumed in the 2024-25 and 2025-26 fiscal years.

	2022-23 Actual	2023-24 Second Interim	2024- 25 First SY	2025-26 Second SY
Certificated	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's Payment
Classified	Kaiser Family Rate	Kaiser Family Rate	10% increase over prior year District's payment	10% increase over prior year District's Payment
Confidential	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's Payment

Certificated Management	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Classified Management	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Estimated Cost for the District	\$3,934,620	\$3,819,474	\$4,201,422	\$4,621,564

Utilities

Expenditures for electricity, gas, phone, water and garbage are projected at \$937K for 2023-24 and an increase of 10% is assumed for the 2024-25 and 2025-26 fiscal years.

Parcel Tax Spending Plan

The parcel tax revenue is fixed at \$68 per parcel until the Parcel Tax Measure A expires in June 2028. The annual income is estimated at \$475,000 net of senior exemptions. Revenues for the two subsequent fiscal years are assumed to remain flat using Measure A.

The updated parcel tax spending plan for 2023-24 is as follows:

Fund – Cost Center	Description	2022-23 Actuals	2023-24 Second Interim
040-001810	Parcel Tax Funded FTEs	\$ 330,727	\$ 322,840
040-001830	Teacher Leadership Compensation	\$ 60,562	\$ 64,660
040-002130	Curriculum Development	\$ 18,596	\$ 22,000
040-007800	Site Based Technology	\$ 62,287	\$ 65,500
Total:		\$472,172	\$475,000

Saratoga Education Foundation

The Saratoga Education Foundation (SEF) anticipates a donation of \$600,000 to cover the projected cost of SEF programs in the current fiscal year. The expenditure plan below has allocated \$705,302 for various needs. The 2023-24 and 2024-25 budget includes step and column increases, and included a negotiated 7.5% salary increases. The 2025-26 budgets include step-and-column only and do not include any salary increases as negotiations have not yet been finalized.

Fund – Cost Center	Program	2022-23 Prior Year	2023-24 Second Interim
060-095710	Physical Education K-5	\$ 0	\$168,134
060-095713	Science Lab Aides	\$ 84,743	\$106,141
060-095715	Art Program 6-8	\$ 0	\$ 0
060-095721	Music Program TK-3	\$ 0	\$ 9,700
060-095722	Music Program 4-5	\$148,065	\$161,649
060-095723	Instructional Media Spec 3-5	\$192,616	\$107,658
060-045724	Art Programs TK-5	\$ 0	\$ 0
060-095727	PLTW/Makerspace	\$178,566	\$152,020
Total Estimates:		\$603,990	\$705,302

PERS/STRS

The STRS and PERS contribution rates for employer for the current and two subsequent fiscal years is as follows:

	<u>STRS</u>	<u>PERS</u>
2023-24	19.10%	26.68%
2024-25	19.10%	27.80%
2025-26	19.10%	28.50%

Technology:

Cost Center 7600, the Technology Replacement budget for 2023-24 is estimated at \$326,500. The Technology Operating Budget is in Cost Center 7700 and is estimated at \$1,077,271. This account is used to account for salaries and benefits of the Technology Department, software licenses, technology contracts, network expenses, materials and supplies, repairs, travel and conferences and District Office technology replacements. Subsequent year budgets assume the same level of expenses and any multi-year changes in the overall Tech Plan are set aside as Assigned Fund Balance Reserves in the General Fund. The estimated Assigned Reserves for future technology needed over the current budgeted expenditure levels as of the Second Interim Report is \$250,000.

Special Education

Governor Newsom has proposed increasing the base rates by the estimated 0.76% COLA. This increase has not yet been budgeted until the State Budget is final and has been approved to ensure the increased funding will be realized.

Other Budget Items

- The General Fund has contributed \$3,500,000 in the current year and two subsequent fiscal years to address facility needs for roofing and asphalt repairs. In summer 2024, roofs are anticipated to be replaced at Redwood Middle School and the District Office and replacement of asphalt as well as track and field reconditioning at Redwood Middle School.
- The District anticipates the remodel of the Redwood Cafeteria server line in the summer of 2024 pending DSA approval. This project will be funded by developer fees and a one-time kitchen infrastructure grant from the State of California due to the increased needs of the program and growing participation rates.
- The General Fund will need to begin a contribution to the Child Nutrition Fund in

2024-25 due to increased costs for staffing and food costs related to improvement of services and increased participation by students.

Assigned Reserves

Set asides in the General Fund Balance Reserves of \$1,574,904 are as follows:

- Maintenance and Other Projects: \$500,000 has been assigned in the fund balance reserves for maintenance and other projects that will include any unknown major repairs, roofing, asphalt and painting projects.
- Technology Plan - \$250,000 for anticipated expenditures to be incurred per the Educational Technology Plan above the current level of expenditures.
- K-8 Textbook adoptions: \$500,000.
- Supplemental Early Retirement Program: \$325,904 for the last payment due July 1, 2024.

Budget Concerns:

- Current multiyear projections do not reflect any salary increases for the 2025-26 fiscal year. Negotiations for 2025-26 will begin in January 2025.
- Significant deferred maintenance repairs such as asphalt and roof repairs are anticipated over the next two subsequent fiscal years, which will continue to be funded from General Fund reserves.
- A slowdown in the housing market may have a direct impact on the growth of property taxes for SUSD. Staff will continue to monitor projections and adjust property tax projections to adequately reflect any changes.
- Enrollment changes may have unpredictable impacts.
- Continued declines in donations received by the District, PTAs and SEF will continue to impact the General Fund.

Available Reserves:

	2023-24	2024-25	2025-26
General Fund Reserve for Economic Uncertainties Fund 01 – 3% Mandated	\$1,236,823	\$1,321,131	\$1,326,961
General Fund Undesignated/Unappropriated Amount - Fund 01	\$6,135,250	\$2,800,061	\$24,599
Special Reserve Fund Reserves – Fund 17	\$5,855,259	\$6,309,116	\$6,730,655
Combined Reserves (Funds 01 & 17)	\$13,227,332	\$10,430,308	\$8,082,214
Special Reserve Fund 17 Reserve % - Board Policy 15% of General Fund Expenditures	17.88%	9.36%	3.06%
General Fund 01 Reserve %	14.20%	14.33%	15.22%
Combined Reserve % (Fund 01 & 17)	32.08%	23.68%	18.27%

Available Reserves in Special Reserve Fund 17 are governed by Board Policy and Administrative Regulation 3100 and may only be used by majority vote of the Governing Board for temporary needs and must accompany a restoration plan.

Summary:

The Second Interim Report is submitted to the Board for approval with a **Positive Certification** of the district's ability to meet its financial obligations for the current 2023-24 and two subsequent fiscal years 2024-25 and 2025-26.

The Positive Certification is recommended because the report indicates a General Fund Reserve Designated for Economic Uncertainty of 3.0% in the current fiscal year and the two subsequent fiscal years.