

Los Gatos-Saratoga
Union High School District

2024-25 Proposed
Budget

June 11, 2024
First Reading – Public Hearing

The proposed 2024-25 budget reflects the governor’s May Revised budget proposal and the latest information available from the County Assessor for property tax revenues. Other financial assumptions included are from the School Service of California’s May Revision Workshop held on May 21, 2024, and historical trends for our District. Revenue and expenditure assumptions are provided on the following pages. After these have been applied, reserves are projected as indicated in the table below.

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

2024-25	2025-26	2026-27
5.00%	4.50%	4.50%

Combined General Fund Summary

Based on current assumptions, the Combined General Fund is projected to increase reserves through 2026-27, due to the passage of Measure A, steady property tax revenue growth and limited FTE growth as follows:

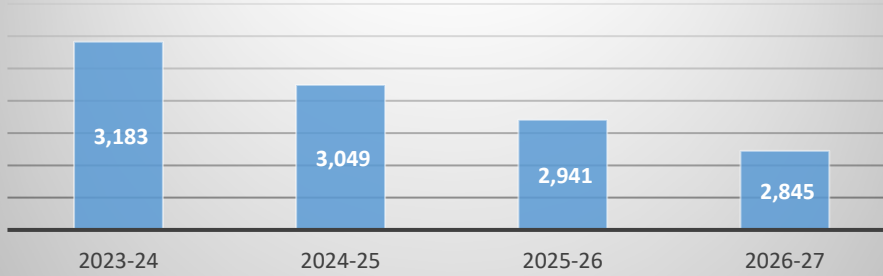
	2023-24 Estimated Actuals	2024-25 Proposed Budget	2025-26 Projected Budget	2026-27 Projected Budget
Revenues	76,998,527	81,188,902	83,785,700	86,936,321
Expenditures*	77,079,530	76,449,314	78,004,056	79,760,127
Other Sources/Uses**	(2,546,343)	(3,191,128)	(3,191,128)	(3,191,128)
Increase/Decrease	(2,627,346)	1,548,460	2,590,516	3,985,066
Beginning Fund Bal	10,461,076	7,833,729	9,382,190	11,972,706
Ending Fund Bal.	7,833,729	9,382,190	11,972,706	15,957,772
Restricted Ending Balance	3,362,785	2,631,754	2,452,382	2,432,410
Reserve for Economic Uncertainties	4,448,435	6,750,436	9,508,942	13,513,962
Balance in Fund 17	3,483,600	3,568,600	3,568,600	3,568,600
Total Reserve	8,014,184	10,319,036	13,077,524	17,082,562
Reserve Percentage	10.10%	12.96%	16.11%	20.59%

*Salary and Benefit costs include only step and column increases. Salary increases not included.

**Redevelopment Agency funds mandatory transfer.

Assumptions

STUDENTS				
Enrollment	2023-24	2024-25	2025-26	2026-27
LGHS	1,977	1,886	1,803	1,720
SHS	1,198	1,155	1,130	1,117
NPS	8	8	8	8
TOTAL	3,183	3,049	2,941	2,845
Average Daily Attendance (ADA)	3,075	2,938	2,841	2,748

	<div style="text-align: center;"> <p>Enrollment Trend 2024 Schoolworks, Inc. Demographic Study</p>  <table border="1" style="margin: 10px auto; border-collapse: collapse;"> <thead> <tr> <th>Year</th> <th>Enrollment</th> </tr> </thead> <tbody> <tr> <td>2023-24</td> <td>3,183</td> </tr> <tr> <td>2024-25</td> <td>3,049</td> </tr> <tr> <td>2025-26</td> <td>2,941</td> </tr> <tr> <td>2026-27</td> <td>2,845</td> </tr> </tbody> </table> </div> <ul style="list-style-type: none"> ▪ 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. A 96.6% attendance to enrollment rate is assumed for ADA in the forecasted years. ▪ Enrollment changes are based on a 2024 demographic study which indicates enrollment declines. 	Year	Enrollment	2023-24	3,183	2024-25	3,049	2025-26	2,941	2026-27	2,845
Year	Enrollment										
2023-24	3,183										
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RESERVE ASSUMPTIONS											
Reserve for Economic Uncertainty	<ul style="list-style-type: none"> ▪ 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 2024-25 reserve percentage is estimated to be 12.96% and is projected to increase through 2026-27 until salary negotiations are settled. 										
REVENUE ASSUMPTIONS											
COLA	<ul style="list-style-type: none"> ▪ The Cost of Living Adjustment for state revenues is estimated as follows: <table border="1" style="margin: 10px auto; border-collapse: collapse; width: 100%;"> <thead> <tr> <th style="width: 25%;"></th> <th style="width: 25%; text-align: center;"><u>2023-24</u></th> <th style="width: 25%; text-align: center;"><u>2024-25</u></th> <th style="width: 25%; text-align: center;"><u>2025-26</u></th> <th style="width: 25%; text-align: center;"><u>2026-27</u></th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: center;">8.22%</td> <td style="text-align: center;">1.07%</td> <td style="text-align: center;">2.93%</td> <td style="text-align: center;">3.08%</td> </tr> </tbody> </table>		<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>		8.22%	1.07%	2.93%	3.08%
	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>							
	8.22%	1.07%	2.93%	3.08%							
CPI	<ul style="list-style-type: none"> ▪ 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. <table border="1" style="margin: 10px auto; border-collapse: collapse; width: 100%;"> <thead> <tr> <th style="width: 25%;"></th> <th style="width: 25%; text-align: center;"><u>2023-24</u></th> <th style="width: 25%; text-align: center;"><u>2024-25</u></th> <th style="width: 25%; text-align: center;"><u>2025-26</u></th> <th style="width: 25%; text-align: center;"><u>2026-27</u></th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: center;">3.33%</td> <td style="text-align: center;">3.10%</td> <td style="text-align: center;">2.86%</td> <td style="text-align: center;">2.87%</td> </tr> </tbody> </table>		<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>		3.33%	3.10%	2.86%	2.87%
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	3.33%	3.10%	2.86%	2.87%							
Property Tax	<ul style="list-style-type: none"> ▪ Property Taxes are projected to increase by 5.0% in 2024-25, and 4.5% in 2025-26 and 2025-26. The 24-25 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%. 										

	<ul style="list-style-type: none"> The 2024-25 tax roll is still developing. As of this writing, our May 1 assessment roll growth for 2024-25, for secured property was reported by the Assessor to be 4.85%. Revenue assumptions will be updated when the actual increases are known. 												
Secured Property Tax Growth Estimates	<table border="1"> <thead> <tr> <th></th> <th><u>2023-24</u></th> <th><u>2024-25</u></th> <th><u>2025-26</u></th> <th><u>2026-27</u></th> </tr> </thead> <tbody> <tr> <td></td> <td>5.95%</td> <td>5.00%</td> <td>4.50%</td> <td>4.50%</td> </tr> </tbody> </table>		<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>		5.95%	5.00%	4.50%	4.50%		
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	5.95%	5.00%	4.50%	4.50%									
Local Control Funding Formula (LCFF) and the Education Protection Act (EPA)	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> The district’s \$49 Parcel Tax (Measure A 2016) continues to fund teacher salaries through Fiscal Year 2024-25. Parcel Tax revenues are projected to be \$900,000 in 2024-25 and are assumed to continue. The additional \$79 Parcel Tax (Measure A 2024) is included and estimated to be \$1,520,000, less senior exemptions. 												
Lottery	<ul style="list-style-type: none"> Estimates for 2024-25 are \$177.00 per ADA for unrestricted and \$72.00 per ADA for restricted allocation. Revenue changes in future years are based on projected changes in ADA. 												
Special Education	<ul style="list-style-type: none"> 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 2024-25 are projected as follows: <table border="0" style="margin-left: 20px;"> <tr> <td>General Fund Contribution (backfills funding shortfall)</td> <td style="text-align: right;">\$13,115,139</td> </tr> <tr> <td>State Special Education Apportionment/Excess Taxes</td> <td style="text-align: right;">\$1,891,521</td> </tr> <tr> <td>State Mental Health</td> <td style="text-align: right;">\$260,793</td> </tr> <tr> <td>Federal Basic Local Assistance</td> <td style="text-align: right;">\$670,032</td> </tr> <tr> <td>Federal Mental Health</td> <td style="text-align: right;">\$39,788</td> </tr> <tr> <td>Workability</td> <td style="text-align: right;">\$82,000</td> </tr> </table> Costs for non-public schools, settlements, legal costs, and transportation are projected to increase annually. 	General Fund Contribution (backfills funding shortfall)	\$13,115,139	State Special Education Apportionment/Excess Taxes	\$1,891,521	State Mental Health	\$260,793	Federal Basic Local Assistance	\$670,032	Federal Mental Health	\$39,788	Workability	\$82,000
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Mandated Costs	<ul style="list-style-type: none"> 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 \$73.39 per student in 2024-25. Funding is projected to decline in future years as enrollment declines. 												

	<ul style="list-style-type: none"> ▪ 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 recent years, the state and federal budgets included several restricted funding sources related to costs associated with the COVID-19 pandemic and school re-opening. The 2024-25 budget does not include any further anticipated new one-time funding for this purpose. Any carry-over Federal COVID-19 or State block grant funds will be budgeted in October 2024 when balances are known.
Other State Revenue	<ul style="list-style-type: none"> ▪ 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. ▪ Due to state budget revenue shortfalls for 2024-25, no additional funding is anticipated from the state. The COLA increase on any applicable state funding is 1.07%.
Other Federal Revenue	<ul style="list-style-type: none"> ▪ In addition to federal funding received for Special Education the district also received funding for Title II and Vocational Education in 2024-25. 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	<ul style="list-style-type: none"> ▪ 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 current revenue in 2023-24 for Civic Center Act rentals of school sites and fields is assumed to return to pre-pandemic levels for 2024-25. ▪ The 2024-25 budget shows moderate increases in the facility rental income.
Rental Income	<ul style="list-style-type: none"> ▪ 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 lease for rental at 809 University Avenue. The lease revenue is recorded in the General Fund for the 2024-25 year.
Interest	<ul style="list-style-type: none"> ▪ Interest income is based on earnings rates in the county treasury applied to the average cash balance in each fund.
Local Donation Income	<ul style="list-style-type: none"> ▪ 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 adopted 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	<ul style="list-style-type: none"> ▪ 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 \$2.7 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	<ul style="list-style-type: none"> ▪ For 2024-25, enrollment is projected to declined 134 students. At this time, staffing will remain the same as 2023-24, with the exception of not filling

	<p>unnneeded positions. In future years, teacher reductions may be necessary as enrollment continues to declines.</p> <ul style="list-style-type: none"> ▪ Savings from known retirements and resignations are included in the 2024-25 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 through 2026-27, only step and column increases are included in the multi-year projection. At this writing, negotiated settlements have <u>not</u> been included in the 2024-25 budget or the subsequent two fiscal years. 				
<u>FTE</u>		<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>
Certificated		179.8	179.3	179.3	179.3
Classified		123.7	123.7	123.7	123.7
Mgmt/Sup		25.4	25.4	25.4	25.4
Benefit Rates	<ul style="list-style-type: none"> ▪ STRS and PERS employee pension rates continue to rise and are shown in the table below. ▪ Recent changes in law allow STRS to annually increase rates by up to 1%. The PERS board approves rates each year. 				
		<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>
STRS		19.10%	19.10%	19.10%	19.10%
PERS		26.68%	27.05%	27.60%	28.00%
Medical	<ul style="list-style-type: none"> ▪ 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. This rate is assumed to be .05% in 2024-25 and is expected to stay at that rate in future years. 				
FICA, Medicare, UI, Workers' Comp	<ul style="list-style-type: none"> ▪ Other rates (FICA and Medicare) are not expected to change. The new Workers' Compensation rate has been released by the Santa Clara County Schools Insurance Group (SCCSIG) at 1.3739% per dollar of payroll costs. 				
School Site Allocations	<ul style="list-style-type: none"> ▪ 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. In 2022-23 the District was awarded the one-time amount of \$2,040,035 in the Arts, Music, and Instructional Materials Discretionary Block Grant (AMIMDBG) and is allocated to sites and other costs in the 2024-25 budget. 				
<u>Site Discretionary</u>	<ul style="list-style-type: none"> ▪ \$130 per enrolled student from the AMIMDBG. 				
<i>Site Determined</i>	<ul style="list-style-type: none"> ▪ \$30,000 per site from the Lottery Funds. 				
<i>Graduation</i>	<ul style="list-style-type: none"> ▪ \$75,000 per site from the Lottery Funds . 				
<i>Furniture/Equip.</i>	<ul style="list-style-type: none"> ▪ \$60,000 per site or trainer, supplies, equipment repair and referees from Lottery Funds. 				
<i>Sports</i>	<ul style="list-style-type: none"> ▪ \$15,000 per site from the Lottery Funds . 				
<i>PLTW</i>	<ul style="list-style-type: none"> ▪ \$40,000 allocated by enrollment from the Lottery Funds . 				
<i>School Site Council</i>					
<i>Textbooks/Instr. Mat'l</i>					

Arts & Music in Schools (Prop 28)	<p>Expenditure plans for this Grant were approved by the Board on May 28, 2024. Each site developed plans based on the following per student allocation from the State:</p> <ul style="list-style-type: none"> ▪ LGHS \$209,872 ▪ SHS \$148,677
Textbook adoptions / Restricted Lottery Funds	<ul style="list-style-type: none"> ▪ The district will receive approximately \$72 per ADA in 2024-25. These funds are managed centrally to purchase new textbooks.
Restricted Routine Maintenance	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Projected budgets have been adjusted based on actual costs to date for 2023-24. Future years' budgets are adjusted by +3.5%
Copy Machine Leases	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Projected budgets for certificated and classified substitutes are based on a multi-year analysis of actual costs.
Technology	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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 8.29% in 2024-25. Thereafter rates are assumed to increase annually by 9%.
Audit	<ul style="list-style-type: none"> ▪ The district negotiated a three-year contract with Chavan and Associates for years ending June 30, 2024; 2025 and 2026. The Bond and Parcel Tax audits are included in those costs.
Food Service Program Contribution	<ul style="list-style-type: none"> ▪ 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. ▪ 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 2023-24.

	<ul style="list-style-type: none"> ▪ Staff is recommending that the district retain the consultant to plan for the program to meet NSLP guidelines while providing a similar menu. ▪ The contribution is anticipated to decrease to \$400,000 for 2024-25, by using carryover grant funds, expanding eating areas, increasing on-site sales, and maximizing in-house expertise and rely less on contracted services.
Staff Development	<ul style="list-style-type: none"> ▪ One-time resources will continue to fund most of the district’s centralized staff development.
Career Technical Education	<ul style="list-style-type: none"> ▪ Project Lead the Way (“PLTW”) <ul style="list-style-type: none"> ○ Projected budgets include continued funding of Project Lead the Way initiatives at Saratoga High School and Los Gatos High School. ▪ Media Arts Program (“MAP”) <ul style="list-style-type: none"> ○ Projected budgets include continued funding of MAP initiatives at Saratoga High School. <p>These programs are supported through general fund unrestricted dollars as well as various grants, including Perkins and CTEIG.</p> <ul style="list-style-type: none"> ▪ MetroEd (aka Silicon Valley CTE) <ul style="list-style-type: none"> ○ Projected budgets include \$162,909 in contributions to the District’s membership in the MetroEd JPA.
Transfers to the Reserve for Capital Outlay	<ul style="list-style-type: none"> ▪ The district receives revenue from redevelopment projects, estimated to be \$2,791,000 in 2024-25 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. ▪ Certificate of Participation (Loans) were issued in 2001 and 2008 for facilities projects. The final payment on all COPs was made in 2023-24 and there is no longer COP payment or long-term debt.