

Saratoga Union School District 2024-25 Second Interim Report

Presented to the Board of Trustees on March 13, 2025

By Jean Aldrete, Chief Business Official

Introduction

This Second Interim Report represents our district's financial activities from the beginning of the fiscal year 2024-25 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 2025-26 Budget Overview

There are no significant changes in the current fiscal year, but the Governor's 2025-26 January Budget proposal includes:

- A COLA of 2.43% is applied to LCFF and other state revenues such as Special Education, Child Nutrition, Mandate Block Grant, etc. LCFF does not apply to SUSD, however the other programs noted would result in an increase to the General Fund budget.
- Confirmation of student to adult ratios from 12:1 to 10:1 for all Transitional Kindergarten classes in 2025-26.
- Lowering of threshold from 75% to 55% for unduplicated pupil percentage for Tier I programs funded by the Expanded Learning Opportunity Program. SUSD does not qualify for Tier I rates due to low unduplicated pupil count, but unclaimed Tier I rates help increase funding for Tier II Districts such as SUSD.
- A new 1.8 billion one-time block grant for Student Support and Professional Development. The grant amount for SUSD and the related guidelines and requirements are yet to be determined.
- Restoration of funding that was cut in prior years for the Learning Recovery Emergency Block Grant. The anticipated amount for SUSD is \$46K to be repaid over three years, however these funds were not included in 2025-26 until realized and allocated by the State.
- \$40 million in one-time funds for purchase of screening materials and training for educators to administer literacy screening. The grant amount for SUSD and the related guidelines and requirements are yet to be determined until approved and enacted by the State Legislature. Early estimates are about \$323 per 2024-25 P-2 ADA.

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 \$40,819,247. Compared to the First Interim Report, revenue has increased by approximately \$31,523. The changes are highlighted as follows:

REVENUE CATEGORY	2024-25 FIRST INTERIM	2024-25 SECOND INTERIM	\$ CHANGE	% CHANGE	EXPLANATIONS
LCFF Sources	\$36,300,354	\$36,323,224	\$22,870	0.06%	Increase in SELPA Special Education revenues offset by slight decline in Property Taxes
Federal Revenues	\$478,725	\$480,450	\$1,725	0.36%	Increase in Federal Special Education and Title program revenues
State Revenues	\$2,493,181	\$2,507,063	\$13,882	0.56%	New Literacy Screening, ELPAC and CAASPP Grants received
Local Revenues	\$1,515,464	\$1,508,510	(\$6,954)	-0.46%	Increased revenues for recognition of donations for Science Camp, field trips and music offset by reduction in SEF Grant
Transfers In	\$-	\$-	-	-	No change
TOTAL REVENUES	\$40,787,724	\$40,819,247	\$31,523	0.08%	

Property tax revenues: The district will remain in community-funded status for 2024-25 and two subsequent years. Based on the latest real property roll as of February 7, 2025 by the Santa Clara County Assessor's Office, the percent growth rate for the current fiscal year is 5.04% for the Saratoga Union School District. This growth is slightly lower than what was projected at the time of the Adopted Budget and First Interim Report, which was estimated at 4% and 5.05%, respectively.

The net roll corrections for 2024-25 continue to be estimated at \$10 million for February 2025 throughout the county. Assessed Roll projections for 2025-26 take place in January 2025 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 2.92% 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 4% for the out years. Based on these factors, the 2024-25 Second Interim includes the following tax revenue growth rates for the current and two subsequent fiscal years:

2024-25	5.04%
2025-26	4.00%
2026-27	4.00%

Expenditures: General Fund combined expenditures are projected to be at \$43,003,650, which is a decrease of \$857,169 compared to the First Interim Report. The changes are highlighted as follows:

EXPENDITURE CATEGORY	2024-25 FIRST INTERIM	2024-25 SECOND INTERIM	\$ CHANGE	% CHANGE	EXPLANATIONS
Certificated Salaries	\$16,593,288	\$16,495,280	(\$98,008)	(0.59%)	Aligned salaries and benefits to date and adjusted substitute costs based on expenditures to date and removal of one Roving Teacher
Classified Salaries	\$7,122,048	\$7,134,874	\$12,826	0.18%	Aligned salaries and benefits to date and adjusted substitute costs based on expenditures to date
Employee Benefits	\$11,982,648	\$11,878,170	(\$104,478)	(0.87%)	Aligned salaries and benefits to date and adjusted substitute costs based on expenditures to date and removal of one Roving Teacher
Books and Supplies	\$1,538,617	\$1,479,062	(\$59,555)	(3.87%)	Decrease in technology purchases for the current year and increased costs to recognize site donation supplies
Services and Operating	\$5,800,740	\$5,469,786	(\$330,954)	(5.71%)	Decrease in Non-Public School expenses and some contracted services offset by increased costs for legal services, utilities, and field trips costs
Capital Outlay	\$431,705	\$154,705	(\$277,000)	(64.16%)	Erate equipment moved to 2025-26
Other Outgo	\$325,904	\$325,904	-	-	No change
Transfers Out	\$65,869	\$65,869	-	-	No change
TOTAL REVENUES	\$43,860,819	\$43,003,650	(\$857,169)	(1.95%)	

Contributions to Restricted Programs are as follows:

Routine Restricted Maintenance:	\$ 1,888,074
Special Education	\$ 6,273,218
New Teacher Support Project	\$ 12,200
After-School Sports	\$ 63,302
After-School Music	\$ <u>6,124</u>
Total	\$ 8,242,918

Staffing

Compared to the Second Budget, following are some of the changes to staffing as of January 31, 2025:

Full Time Equivalents

FTEs	2024-25 Adopted Budget	2024-25 First Interim	2024-25 Second Interim	Projected 2025-26	Projected 2026-27
Certificated	97.5	99.5	98.5	100.5	100.5
Certificated Management	8	8	8	8	8
Classified	93.064	95.3615	95.3615	95.3615	95.3615
Classified Management	9	9	9	9	9
Confidential	3	3	3	3	3
Total FTEs	210.564	214.8615	213.8615	215.8615	215.8615

Note: 2025-26 Increase to add an additional TK Teacher and a Social Worker.

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 2024-25 fiscal year of 7.5% on schedule. A 1.5% step-and-column increase is assumed for all existing employees for the two subsequent years of approximately \$450K in 2025-26 and \$463K in 2026-27. No additional salary increases were included in the 2025-26 or 2026-27 fiscal year as negotiations are pending for those years.

- Mandatory Employer Costs**

The District incurs various mandatory costs based on salaries. The following costs are included in the budget as recorded as employee benefits in 2024-25:

Certificated Rates

STRS	19.05%
Unemployment Insurance	0.05%
Worker's Compensation	1.758%
Medicare	1.45%
Total	22.358%

Classified Rates

PERS	27.05%
Unemployment Insurance	0.05%
Worker's Compensation	1.758%
Medicare	1.45%
Social Security	6.20%
Total	36.508%

The cost of PERS has been increased over many years and continued increases are included in the two subsequent fiscal years of 0.35% for 2025-26 and 0.10% in 2026-27.

- Health and Welfare -
 - The cost sharing between the District and Certificated, Confidential and Management employees hired prior to July 1, 2023 for 2024-25 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 2024-25 and two subsequent years for classified non-management staff.
 - An increase of 10% is assumed in the 2025-26 and 2026-27 fiscal years.

	2023-24 Actual	2024-25 Second Interim	2025-26 First SY	2026-27 Second SY
Certificated	90%/10% split between District and Employee	90%/10% split between District and Employee	5% increase over prior year District's payment	5% increase over prior year District's Payment
Classified	Kaiser Family Rate	Kaiser Family Rate	5% increase over prior year District's payment	5% increase over prior year District's Payment

Confidential	90%/10% split between District and Employee	90%/10% split between District and Employee	5% increase over prior year District's payment	5% increase over prior year District's Payment
Certificated Management	90%/10% split between District and Employee	90%/10% split between District and Employee	5% increase over prior year District's payment	5% increase over prior year District's payment
Classified Management	90%/10% split between District and Employee	90%/10% split between District and Employee	5% increase over prior year District's payment	5% increase over prior year District's payment
Estimated Cost for the District	\$3,825,496	\$4,046,435	\$4,451,078	\$4,896,186

Utilities

Expenditures for electricity, gas, phone, water and garbage are projected at \$1.1M for 2024-25 and an increase of 10% is assumed for the 2025-26 and 2026-27 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 2024-25 is as follows:

Fund – Cost Center	Description	2023-24 Actuals	2024-25 Second Interim
040-001810	Parcel Tax Funded FTEs	\$ 326,855	\$ 323,873
040-001830	Teacher Leadership Compensation	\$ 57,633	\$ 63,627
040-002130	Curriculum Development	\$ 25,744	\$ 69,938
040-007800	Site Based Technology	\$ 59,595	\$ 17,562
Total:		\$ 469,827	\$ 475,000

Saratoga Education Foundation

The Saratoga Education Foundation (SEF) provided a donation of \$500,000 at the February 13, 2025 board meeting to cover the projected cost of SEF programs in the current fiscal year. The expenditure plan below has allocated \$482,533 for various needs. The 2025-26 and 2026-27 budgets include step-and-column only and do not include any salary increases as negotiations have not yet been finalized. The District absorbed the cost of the Physical Education Program and the Music Program costs in the current year. In 2025-26, the District will absorb the PLTW/Makerspace program. SEF will pay for field trip buses in 2024-25 and all field trip costs for 2025-26. These costs are yet to be determined.

Fund – Cost Center	Program	2023-24 Prior Year	2024-25 Second Interim
060-095710	Physical Education K-5	\$168,133	\$ -
060-095713	Science Lab Aides	\$106,698	\$127,475
060-095721	Music Program TK-3	\$ 9,700	\$ -
060-095722	Music Program 4-5	\$161,129	\$ -
060-095723	Instructional Media Spec 3-5	\$110,810	\$122,230
060-095727	PLTW/Makerspace	\$153,659	\$232,828
Total Estimates:		\$710,129	\$482,533

Technology:

Cost Center 7600, the Technology Replacement budget for 2024-25 is estimated at \$82,252. The Technology Operating Budget is in Cost Center 7700 and is estimated at \$1,251,987. 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 2.92% 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 in 2025-26. The contribution has been reduced to \$1,000,000 in 2026-27 to address facility needs for roofing, asphalt repairs and other projects identified each year. In summer 2024, roofs are anticipated to be replaced at Foothill Elementary and asphalt replacement at Saratoga Elementary. Additional approved projects include district-wide replacement of all fluorescent lighting to LED, Key Access Upgrades for Redwood Middle School, repainting of the multipurpose rooms at Foothill and Argonaut Elementary and upgrades to the Kindergarten playground for TK at Foothill Elementary.
- The District is in the early stages of adding covered walkways for Redwood Middle School for the added entries for the Cafeteria Servery.
- The General Fund will need to begin a contribution to the Child Nutrition Fund in 2025-26 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 \$1,250,000 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 Replacement 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.

Budget Concerns:

- Current multi-year projections do not reflect any salary increases for the 2025-26 or 2026-27 fiscal years as negotiations are currently in process.
- Additional deferred maintenance repairs are anticipated over the next several 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.
- Potential impacts from a new Federal Government Administration are not yet fully known so the impacts cannot be addressed at this time.
- Enrollment changes may have unpredictable impacts.

Available Reserves:

	2024-25	2025-26	2026-27
General Fund Reserve for Economic Uncertainties Fund 01 – 3% Mandated	<i>\$1,290,110</i>	<i>\$1,329,726</i>	<i>\$1,324,051</i>
General Fund Undesignated/Unappropriated Amount - Fund 01	<i>\$6,658,072</i>	<i>\$4,267,291</i>	<i>\$5,910,356</i>
Special Reserve Fund Reserves – Fund 17	<i>\$6,053,762</i>	<i>\$6,450,548</i>	<i>\$6,575,548</i>
Combined Reserves (Funds 01 & 17)	\$14,001,944	\$12,047,565	\$13,809,955
Special Reserve Fund 17 Reserve % - Board Policy 15% of General Fund Expenditures	<i>14.08%</i>	<i>14.55%</i>	<i>14.90%</i>
General Fund 01 Reserve %	<i>18.48%</i>	<i>12.63%</i>	<i>16.39%</i>
Combined Reserve % (Fund 01 & 17)	32.56%	27.18%	31.29%

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 2024-25 and two subsequent fiscal years 2025-26 and 2026-27.

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.