

Adopted Budget Report 2025-26





Hello!

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A budget is neither a forecast nor a prediction; it is a tool to help district leaders allocate resources in the service of the district's educational mission, balancing benefits to current students, who are served by programs today, and benefits to future students, who are served by the district's continued financial solvency.

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Budget Context

Economic Outlook, State Budget Status, and Enrollment Trend



Economic Outlook

Sources: Santa Clara County Office of Education, Business Services Division; School Services of California; Santa Clara County Assessor; US Bureau of Labor Statistics

The federal administration’s tariff policies and potential federal funding reductions and layoffs could negatively affect the state’s economy, reduce state revenues and increase state costs. The May Revision assumes a “growth recession,” a period of below-trend growth and rising unemployment, but it does not reflect a traditional economic recession. Given the inconsistent federal tariff policy, stock market volatility, heightened uncertainty among both businesses and consumers, and higher inflation expectations, the relative probability of a recession is higher than in a typical period of normal growth and stability.

- The assessed value of taxable property in Santa Clara County continues to rise, but the growth rate has slowed somewhat over the last 18 months.
- Measures of inflation are significantly better than they have been over the last three years; the 12-month CPI was 2.4% in April, the lowest since February 2021, but inflation forecasts are markedly higher.



State Budget

Source: Santa Clara County Office of Education, Business Services Division

NOTE: As a basic aid district, LGS is most impacted by the COLA and by any one-time money allocated per pupil or per ADA.

On May 14, the Governor released the May Revision for the proposed 2025–26 State Budget. The revision proposes to appropriate only \$117.6 billion for education programs in 2024–25, instead of the current calculated Proposition 98 level of \$118.9 billion. The difference between the appropriated and the calculated levels is less than at Governor’s Budget in January, \$1.3 billion instead of \$1.6 billion.

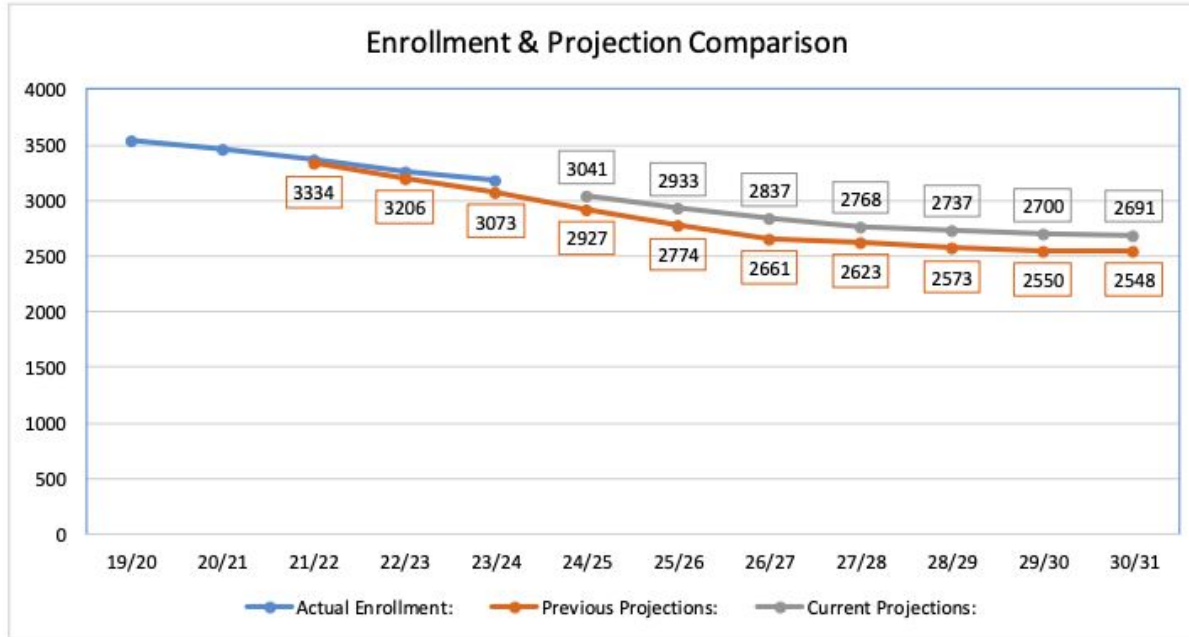
- The Governor proposes to fully fund the statutory COLA of 2.30% for 2025–26, but it does so by deferring \$1.8 billion in LCFF payments from June to July 2026.
- The May Revision does not include any changes to Governor’s Budget proposal to restore \$378.6 million in one-time funding to support the Learning Recovery Emergency Block Grant (LREBG) through 2027–28.



District Enrollment

Source: SchoolWorks Demographics and Enrollment Projection for LGSUHSD, March 2023

NOTE: Enrollment has a larger impact on cost than on revenue in LGS, so conservative budgeting assumes a slower rate of decline.



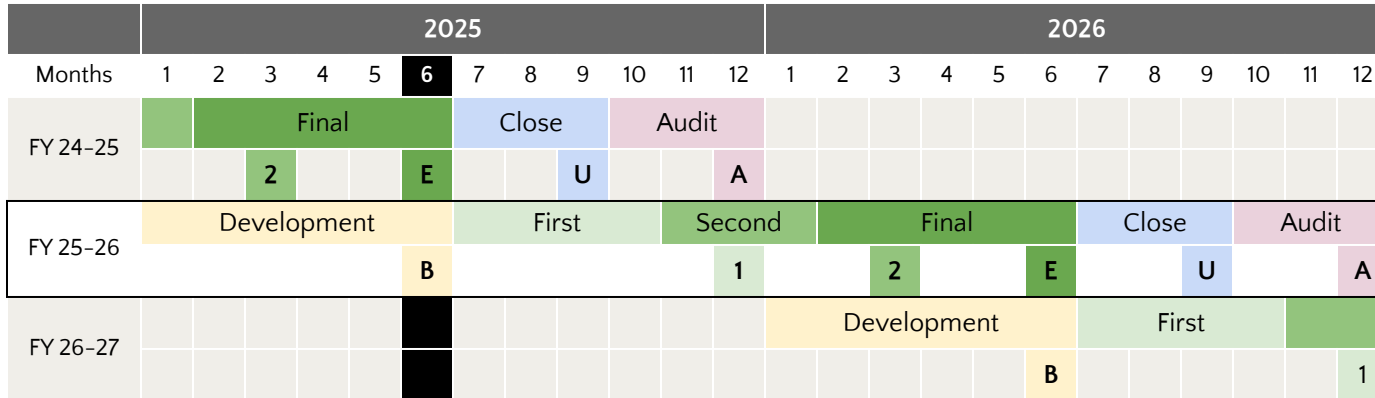


Starting Point

Major Updates from the Second Interim Report 2024-25



Fiscal Year Cycle



WE ARE HERE

B: Budget Adoption 1: First Interim 2: Second Interim E: Estimated Actuals U: Unaudited Actuals A: Annual Audit



Updating 2024-25

TABLE 1

Comparison of Major General Fund Categories (Unrestricted and Restricted): Second Interim versus Estimated Actuals for 2024-25 Fiscal Year (in thousands)

NOTE: Changes in revenues, expenditures, and net transfers resulted in the projected 2024-25 ending fund balance declining by \$447,000.

	Second Interim	Est Actuals	Difference
Revenues	82,249	81,510	(739)
LCFF/Property Taxes	68,934	68,472	(462)
Federal Revenue	874	912	38
Other State Revenue	4,986	4,835	(151)
Other Local Revenue	7,455	7,291	(164)
Expenditures	80,713	80,267	(446)
Certificated Salaries	29,990	29,854	(136)
Classified Salaries	12,511	12,526	15
Employee Benefits	22,315	22,169	(146)
Books and Supplies	2,408	2,557	149
Services and Operating Exp	13,171	12,859	(312)
Net Transfers from/to Other Funds	(3,026)	(3,181)	(155)
Net Increase (Decrease) in Fund Balance	(1,490)	(1,937)	(447)

(in thousands)



Building a Budget

Changes to the Budget Development Process for 2025-26



Process Changes

Departmental budget managers (i.e., FMOT, Food Service, Curriculum & Instruction, Special Education) were required to justify all expenditures within their budgets. Using this zero-based budgeting process, managers were able to identify places where allocations had been historically unspent.

Human Resources and Business Services conducted an audit of all District positions to ensure they were correctly allocated and budgeted. Coding errors were discovered in several positions that likely led previous budgets to slightly overproject the cost of District personnel by including costs for positions that would not be filled.

FY 2025-26 budget management will move “budget blocking” from the line-item level to the manager code level, which will create greater accountability and efficiency.



General Fund Revenue

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Property Taxes

TABLE 2

Comparison of Major Ongoing Property Tax Components

Key Assumptions: The secured tax roll will increase by 5%, and the COE tax transfer will increase by 1.9%. All other property tax component are assumed to remain the same.

NOTE: Property taxes make up 86% of General Fund revenue.

	2024-25	2025-26	Difference
Secured Tax Roll	61,097,857	64,152,750	3,054,893
Unsecured Tax Roll	3,295,148	3,295,148	-
RDA Pass-Thru	2,950,000	2,950,000	-
RDA Residual	1,275,000	1,275,000	-
COE Property Tax Transfers	1,850,169	1,885,791	35,622



Federal Revenue

TABLE 3

Comparison of Major
General Fund Federal
Revenue

Key Assumptions: Federal grants for CTE and special education will continue per grant notification letters, but Title II will not be funded.

NOTE: Federal revenue makes up 1% of General Fund revenue.

	2024-25	2025-26	Difference
Perkins CTE	31,372	35,424	4,052
Title II, Part A	36,336	-	(36,336)
Special Education Funding	709,750	689,253	(20,497)
All Other Federal Revenue	134,650	135,000	350



ADA Projection

TABLE 4
Actual and Projected
Enrollment and Average
Daily Attendance

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Enrollment	3,275	3,183	3,084	3,000	2,950	2,900
Avg Daily Attendance (ADA)*	3,068	3,014	2,943	2,863	2,808	2,760

*Average Daily Attendance is the average number of students present in District schools each day, and it is the primary factor in determining the size of per pupil allocations to districts.



State Revenue

TABLE 5

Comparison of Major
General Fund State
Revenue

Key Assumptions: State
COLA will be fully funded
at 2.30%

NOTE: State revenue
makes up 7% of General
Fund revenue.

	2024-25	2025-26	Difference
Minimum State Aid	150,691	150,691	-
Education Protection Account	619,050	603,070	(15,980)
Transportation Reimbursement	526,480	526,480	-
Mandated Cost Block Grant	221,874	220,020	(1,854)
Lottery, Unrestricted	585,170	582,741	(2,429)
Lottery, Instructional Materials	262,504	250,182	(12,322)
Arts & Music (Prop 28)	362,233	345,038	(17,195)



Local Revenue

TABLE 6

Comparison of Major
General Fund Local
Revenue

Key Assumptions: Inflation
adjustment applied to
parcel tax revenue; SCO
and ASB contributions will
be the same as in 24-25

NOTE: Non-property tax
local revenue makes up
about 5% of General Fund
revenue.

	2024-25	2025-26	Difference
Parcel Tax	2,400,000	2,464,800	64,800
Leases and Rentals	227,017	304,354	77,337
Interest	485,000	485,000	-
Other Local Revenue	924,057	1,045,471	121,414



General Fund Expenditures

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Planning Factors

TABLE 7
Planning Factors for the
2025-26 Adopted Budget
and Multiyear Projection

NOTE: Step, Column, &
Longevity costs are net of
retirements and attrition.

	2024-25	2025-26	2026-27	2027-28
STRS Employer Contribution	19.10%	19.10%	19.10%	19.10%
PERS Employer Contribution	27.05%	26.81%	26.90%	27.80%
Social Security (OASDI)	6.20%	6.20%	6.20%	6.20%
Medicare Employer Contribution	1.45%	1.45%	1.45%	1.45%
Unemployment Insurance	0.05%	0.05%	0.05%	0.05%
Workers' Compensation	1.41%	1.41%	1.41%	1.41%
Cost of Step, Column, & Longevity	2%	2%	2%	2%
Health & Welfare Benefit Increase	10%	10%	10%	10%
COLA on State Programs	1.07%	2.30%	3.02%	3.42%
Student Enrollment	3,084	3,000	2,950	2,900



Staffing

TABLE 8
Comparison of Authorized
Full-Time Equivalent (FTE)
Staffing

	2024-25	2025-26	Difference
Certificated, LGHS	104.0	106.1	2.1
Certificated, SHS	65.8	67.0	1.2
Certificated, District Programs	5.8	6.2	0.4
Classified, LGHS	57.500	55.375	(2.125)
Classified, SHS	47.500	47.063	(0.437)
Classified, District Programs	19.875	20.063	0.188
Admin/Mgmt/Supv/Conf	26.4	26.0	(0.4)



Non-Personnel Costs

NOTE: Non-personnel costs make up about 19% of the General Fund expenditures.

School Site Allocations: Site discretionary budgets are provided on a per pupil basis. A COLA will not be applied annually to the per pupil factor. Separate allocations for specific programs and services (e.g., graduation) were held constant.

Contract Services: Zero-based budgeting helped to hold the growth of contract services to 0.3% year-over-year, with most increases coming in the areas of maintenance and software licensing.

Restricted Programs: Contributions to restricted programs, largely special education and routine restricted maintenance, grew by 5.3%



Reserves

Ending Balances and the Multiyear Projection



General Fund MYP

TABLE 9

Multi-Year Projections for the General Fund, Combined Restricted and Unrestricted

NOTE: Salaries are not settled for 2025-26 for either union; tentative agreements have been reached but have not been approved by the board.

	2024-25	2025-26	2026-27	2027-28
Beginning Fund Balance	10,337,583	8,160,450	8,162,291	9,364,396
Revenue and Transfers In	81,762,373	84,987,815	88,333,851	91,843,503
LCFF/Property Taxes Revenue	68,472,184	71,546,719	74,754,356	78,122,375
All Other Revenue	13,038,189	13,166,096	13,304,495	13,446,128
Transfers In for Other Funds	252,000	275,000	275,000	275,000
Expenditures and Transfers Out	83,699,452	84,985,974	87,131,746	89,295,696
Salaries/Benefits	64,549,530	66,416,566	68,480,729	70,562,074
All Other Expenditures	15,717,231	15,619,408	15,701,018	15,783,622
Transfers Out to Other Funds	3,432,691	2,950,000	2,950,000	2,950,000
Net Increase (Decrease) in Fund Balance	(1,937,079)	1,841	1,202,105	2,547,808
Ending Fund Balance	8,160,450	8,162,291	9,364,396	11,912,203



Reserve Projection

TABLE 10
Summary of Reserves and
Components of Ending
Fund Balance

NOTE: Salaries are not settled for 2025-26 for either union; tentative agreements have been reached but have not been approved by the board.

	Fund 01 – General Fund (Unrestricted and Restricted)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance	8,160,450	8,162,291	9,364,396	11,912,203
Nonspendable	15,700	15,700	15,700	15,700
Restricted Funds	1,965,882	736,457	170,804	52,438
Available Reserve	6,178,869	7,425,834	9,177,892	11,844,065
	Fund 17 – Special Reserve (Other than Capital Outlay)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance / Available Reserve	3,510,231	3,595,231	3,680,231	3,765,231
Total Available Reserve (Funds 01 & 17)	9,689,100	11,021,065	12,858,123	15,609,296
Reserve Percentage	12.07%	12.95%	14.76%	17.48%



Cash Flow

LGSUHSD receives the bulk of its funding from property taxes, which are transmitted by the county controller-treasurer in two payments, one in December and one in April. Expenses, particularly the costs of salaries and benefits, are more evenly distributed throughout the school year. This imbalance between scheduled revenues and expenses creates cash flow pressures in the first half of the school year.

The District believes that its General Fund reserves along with the use of interfund borrowing from its special reserve funds will be sufficient to meet its cash flow needs throughout 2025-26. The District does not believe it will need to issue Tax Revenue Anticipation Notes (TRANS) but will closely monitor cash flow throughout the year.



Other Funds

Summary of Activity and Interactions with the General Fund



Ending Balances

TABLE 11

Projected Ending Fund Balances as of June 30 (in thousands)

NOTES: (1) The District does not adopt a budget for the Student Activity Fund, but the most recent ending fund balance is included to maintain accounting continuity.

(2) The county controller-treasurer controlled the Bond Redemption Fund.

Fund	Balance 6/30/25	Changes	Balance 6/30/26
08 Student Activity ¹	1,306	-	1,306
13 Cafeteria	90	138	228
14 Deferred Maintenance	290	(280)	10
17 Special Reserve (Non-Capital Outlay)	3,510	85	3,595
20 Postemployment Benefits	941	(255)	686
21 Building	5,581	(450)	5,131
25 Capital Facilities	702	105	807
40 Special Reserve (Capital Outlay)	12,143	3,419	15,562
51 Bond Redemption ²	7,721	3,689	11,410
73 Foundation Trust	442	9	451

(in thousands)



Fund Interactions

TABLE 11

Projected Ending Fund Balances as of June 30 (in thousands)

Projected Transfers:

TO General Fund:
Fund 20: \$275,000

FROM General Fund:
Fund 14: \$400,000
Fund 40: \$2.5 million

Fund	Balance 6/30/25	Changes	Balance 6/30/26
08 Student Activity	1,306	-	1,306
13 Cafeteria	90	138	228
14 Deferred Maintenance	290	(280)	10
17 Special Reserve (Non-Capital Outlay)	3,510	85	3,595
20 Postemployment Benefits	941	(255)	686
21 Building	5,581	(450)	5,131
25 Capital Facilities	702	105	807
40 Special Reserve (Capital Outlay)	12,143	3,419	15,562
51 Bond Redemption	7,721	3,689	11,410
73 Foundation Trust	442	9	451

(in thousands)



Addendum

Updates from the Public Hearing Presentation



Reserve Projection

TABLE 10
Summary of Reserves and
Components of Ending
Fund Balance

NOTE: Salaries are not settled for 2025-26 for either union; tentative agreements have been reached but have not been approved by the board.

	Fund 01 – General Fund (Unrestricted and Restricted)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance	8,160,450	8,162,291	9,364,396	11,912,203
Nonspendable	15,700	15,700	15,700	15,700
Restricted Funds	1,965,882	736,457	170,804	52,438
Available Reserve	6,178,869	7,425,834	9,177,892	11,844,065
	Fund 17 – Special Reserve (Other than Capital Outlay)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance / Available Reserve	3,510,231	3,595,231	3,680,231	3,765,231
Total Available Reserve (Funds 01 & 17)	9,689,100	11,021,065	12,858,123	15,609,296
Reserve Percentage	12.07%	12.95%	14.76%	17.48%



Updated Reserve Projection

TABLE 10 – Updated
Summary of Reserves and
Components of Ending
Fund Balance

NOTE: This reserve projection has been updated from what appears in the Adopted Budget Report to include the costs associated with the salary schedule increases the Board will consider on June 16, 2025.

	Fund 01 – General Fund (Unrestricted and Restricted)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance	8,160,450	5,720,916	4,434,553	4,445,872
Nonspendable	15,700	15,700	15,700	15,700
Restricted Funds	1,965,882	736,457	170,804	52,438
Available Reserve	6,178,869	4,968,759	4,248,049	4,377,734
	Fund 17 – Special Reserve (Other than Capital Outlay)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance / Available Reserve	3,510,231	3,595,231	3,680,231	3,765,231
Total Available Reserve (Funds 01 & 17)	9,689,100	8,563,990	7,928,280	8,142,965
Reserve Percentage	12.07%	9.80%	8.85%	8.87%



Reserve Justification

State law requires the District to adopt a written justification if it adopts a budget that keeps a reserved for economic uncertainty greater than 3% of its total annual expenses.

Included with the proposed budget is a statement providing two justifications: (1) reserving funds to pay for the settlement of salaries for 2025–26 and (2) reserving funds to implement the Board’s policy of maintaining a minimum reserve of 10% of total annual expenses, with a goal of maintaining a 16% reserve.



Conclusion

Staff Recommendation



Recommendation

Los Gatos-Saratoga Union High School District will be able to meet its financial obligations during the 2025-2026 budget year and for at least two subsequent years, has met its reserve requirements, can satisfy its cash flow needs through internal interfund borrowing, and has developed a budget that sufficiently supports the goals and actions of the Local Control and Accountability Plan (LCAP).

It is recommended that the Board adopt the 2025-2026 fiscal year budget presented here and in the attached documents.

A budget is neither a forecast nor a prediction; it is a tool to help district leaders allocate resources in the service of the district's educational mission, balancing benefits to current students, who are served by programs today, and benefits to future students, who are served by the district's continued financial solvency.

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