

Budget Advisory Committee Regular Meeting Notes(Wednesday, May 28, 2025)

Generated by Kavitha Lakshmanan on Thursday, May 29, 2025

Meeting called to order at 9:32 AM

Members present: Jenn Lashier, Mary Alarid-Enright, Kate Lee, Dan Halabe, Satheesh Madhathil, Phyllis Vogel, Shompa Bhattacharya, Ava Chiao

Members Absent: Marc Kulla, Omar Batres, Maria Fernandez, Michelle Herriage, Stuart Rosenberg, Kimya Sharifi

Staff present: Stacy Yao, Chris Jew, Tina Bernal, Kavitha Lakshmanan

1. CALL TO ORDER

1.1 Approval of Committee Meeting Agenda

Due to lack of quorum, the meeting agenda was not approved. Staff and members decided to proceed with the meeting.

2. MINUTES APPROVAL

2.1 Approval of the April 9, 2025 Regular Meeting Minutes

Due to lack of quorum, no action was taken and April 09, 2025 meeting minutes was not approved.

3. Presentation

3.1 Preliminary 2025-26 Adopted Budget

Preliminary Adopted Budget and May Revise Update for 2025-26

The meeting was led by Chris Jew and Tina Bernal to get feedback on the budget presentation and information that would be presented to the Board on June 4, 2025. The committee was asked to check for understanding and clarity on budget concepts and assumptions.

The budget calendar outlines key dates for the 2024-25 and 2025-26 fiscal years.

- The 2025-26 budget is scheduled for adoption on June 12, 2025.

- The district submits two interim reports during the year: the first in December, based on expenditures as of October 31, and the second in March, based on actuals through January 31.
- These reports are used to demonstrate fiscal solvency, which means the ability to meet financial obligations in the current year and out years.
- The District is certified as “positive”.

The district's budget is influenced by the state economy, particularly the "Big Three" taxes: Personal Income Tax, Corporate Tax, and Sales and Use Tax.

- California has a progressive tax system, with about 1% of Californians paying for nearly 50% of the state's Personal Income Tax (PIT).
- The "Big Three" revenues are projected to be \$4.8 billion lower than the Governor's January budget figures over the budget window.
- Federal policy changes and stock market volatility can impact state revenue projections.
- The May Revision's PIT estimates for 2025-26 have been downgraded by \$7.7 billion compared to the Governor's Budget estimates.

Key budget assumptions for 2025-26 include:

- Enrollment projections are a key factor in budget planning.
 - A majority of California counties (44 out of 58) are projected to experience a decline in enrollment through 2033-34.
 - The Cupertino Union School District (CUSD) is projected to have a slight increase in enrollment in 2025-26, but then declining enrollment for the following years through 2029-30.
 - It was noted that the table showing enrollment was initially difficult to interpret due to the display of cumulative numbers rather than yearly variance. A recommendation was made to revise the table to show annual changes, as this is more relevant
- Revenue:
 - A 5% increase in Secured Property Assessed Value.
 - An ongoing reduction in Supplemental Taxes of -\$4.3 million.
 - We are currently barely in Basic Aid. As a Basic Aid district, we do not receive any Supplemental Taxes as it's factored into the revenue base.
 - Basic Aid district also does not receive any funding for universal TK
 - One-time funds from a Federal Inflation Reduction Act (\$8.3 million), a State Block Grant (\$4.2 million), and a transfer from Fund 21 Building Fund (\$2.3 million).
- Expenditures:
 - A 2% ongoing salary adjustment.
 - An increase of 12.4 FTEs for lower class sizes and additional TK classes.
 - A reduction of 35.044 FTEs from ongoing vacant positions.
 - The solar debt service will be moved to Fund 24 Bond Fund, resulting in a reduction of \$2.7 million.

Funding and Expenditures Breakdown

- The total General Fund revenue for 2025-26 is projected at \$247.9 million.
- The majority of General Fund revenues for a basic aid district like CUSD, are primarily from property taxes.
- Total General Fund expenditures are projected at approximately \$259.5 million.
- Salaries and benefits account for 90% of the total General Fund Budget.

Multi-Year Projections

- The Multi-Year Projections (MYP) is a mathematical model that takes a base year and projects future years by using known assumptions.
- Projections show a deficit in 2025-26 and 2026-27, followed by a surplus in the out years.
- The reserve percentage is projected to be 3.95% in 2025-26 and to increase to 14.82% by 2029-30.
- Members commented that the reserves need to be monitored closely.
- Concerns were raised about the reserve falling below the board's approved 10% threshold in the short term, and the use of bond money for the solar project.
- It was suggested that the use of bond money for the solar project should be paid back, with a note stating it would be repaid within the bond's active period. Some members objected to using Measure Z fund to cover the annual solar lease payment

Members asked clarifying questions:

- What is the district's current financial certification, and what do the different classifications mean?
 - The district's goal is a "positive" certification, which means it can meet its financial obligations for the current year and the two out years. A "qualified" certification indicates the possibility of not meeting financial obligations, while a "negative" certification means the district cannot meet its obligations. A District would have filed for "qualified" for several years before falling to "negative". The district is currently in the positive classification.
- We do not get the supplemental taxes? Are we losing money?
 - What's changed is that we thought we would receive the supplemental in addition to the property taxes, so it looks like we are losing money in the projection when in reality we are not losing the money as the base is increased
- Have the district's enrollment projections been accurate in the past?
 - The demographer's enrollment projections have been accurate to within 15-20 students.
- What is the relationship between CBEDS enrollment and Average Daily Attendance (ADA)?

- CBEDS enrollment is a snapshot of student enrollment in October, while ADA is a measure of the average number of students attending school each day. The percentage of ADA compared to enrollment is projected to be around 97% for the upcoming years.
- How does the state economy affect the district's budget, especially since the district is a basic aid district?
 - The state's economic health, particularly the "Big Three" taxes, influences the district's budget because a portion of its revenue comes from state funding. While the majority of the district's revenue is from property taxes because it is a basic aid district, it still receives about \$13 million from state funding, which is affected by factors like the COLA (Cost of Living Adjustment).
- What are "Budget Deferrals," and how do they impact the district?
 - Budget deferrals are a mechanism the state uses to manage its cash flow. They shift the obligation for a Proposition 98 payment from one fiscal year to the next. This means the state withholds money for a period of time, and the burden of borrowing to maintain cash for operations falls on the local education agency (LEA), which can be an issue if the deferral is significant.
- What is the current projected COLA (Cost of Living Adjustment) for the 2025-26 budget year?
 - The projected COLA for the 2025-26 budget year is 2.30%. This rate also applies to special education funding and other programs.
- Does any of the district's funding come from State Income Tax?
 - Yes, the State Income Tax drives how the state funds LCFF and COLA. While the majority of CUSD's revenue is from property taxes, it still receives about \$13 million from State Income Tax.
- What are the funding assumptions for the budget's multi-year projections?
 - A 5% increase in secured property assessed value ; an ongoing 2% salary adjustment ; and a reduction of -\$4.3 million in supplemental taxes. The district also expects one-time funds from the Federal Inflation Reduction Act (\$8.3 million) and a state block grant (\$4.2 million).
- Why is the property tax growth assumption set at 5%?
 - The district is using a conservative 5% assumption for the growth in assessed property value for planning purposes. This is used to translate into a specific dollar amount for budget estimates.
- How much is the state's proposed one-time block grant, and what is its purpose?
 - The May Revision proposes a one-time block grant of \$1.7 billion, a reduction of \$100 million from the initial proposal. These funds are considered flexible and are allocated on a per-ADA basis. The grant aims to address rising costs and support priorities such as professional development, teacher recruitment, and retention. The funds are available for expenditure through June 30, 2029.
- How does the state plan to fund Transitional Kindergarten (TK)?
 - The state is providing ongoing funding to support the expansion of Universal Transitional Kindergarten (UTK). However, Basic Aid districts like CUSD are not eligible for the TK Add-on funding that other districts receive.

- What is the plan for one-time money from the state?
 - The district has received one-time money from sources like the Federal Inflation Reduction Act (\$8.3 million) and a State Block Grant (\$4.2 million).
 - Members commented and gave feedback to ensure a clear plan for these funds and to avoid using them for ongoing costs like staffing.
- Why does the presentation show that salaries and benefits make up 90% of the budget?
 - The presentation highlights that staffing costs (salaries and benefits) are a major component of the budget, representing 90% of the total General Fund Budget. As salaries and benefits continue to rise without new revenue, the district will have to make difficult decisions about staffing levels.
- What is included in "Instructional Related" and "General Administration" on the budget pie chart?
 - "Instructional Related" services include costs for school administration (principals, secretaries) and instructional support (e.g., educational services). "General Administration" covers all district operations, including the board, physical services, human resources, and the superintendent's office.

Additional Input from members regarding the presentation to be brought to the Board on June 4, 2025:

- Members suggested moving the summary of financial facts to the beginning of the presentation.
- Move the MYP snapshot to the beginning of the presentation
- Too much confusing data regarding the property taxes- consider removing or presenting in a different format.
- Slide 19 is clear data to bring to the Board
- Slide 33 -just main categories, not subsets
- Add 2025-26 to all slides
- Some of the slides are hard to read
- Be realistic, open, and honest in presenting the information

4. Follow Up Items

4.1 Follow Up Items

- Going forward follow up items may be requested via the "*BAC Follow Up/Action Items*" attached in the notes section of the calendar invite for the BAC meetings.
- Responses are work in progress and will be added to the same document

5. FUTURE AGENDA

5.1 2024-2025 Scope of Work and Upcoming Committee Meeting Calendar

- The committee requested information on:
 - leased sites revenue data
 - Financial indicators of health solvency
- The committee provided feedback on the presentation format
 - The presentation was deemed good and informative.
 - They appreciated the effort that went into preparing the materials and presentation.

6. ADJOURNMENT

Meeting adjourned at 11.40AM