

First Interim Report 2025-26



Patrick Bernhardt

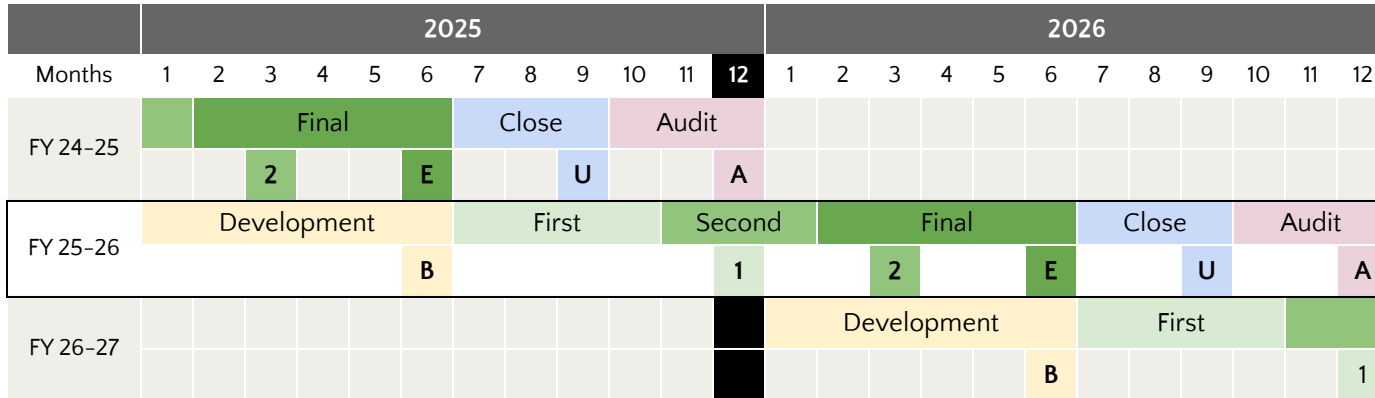
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Fiscal Year Cycle



WE ARE HERE

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



First Interim Update

TABLE 1

Comparison of Major General Fund Categories (Unrestricted and Restricted): Adopted Budget versus First Interim for 2025-26 Fiscal Year

NOTE: Increased expenses, including the 5% raise for non-management staff approved in June, led to deficit spending of \$3.2 million.

	Adopted Budget	First Interim	Difference
Revenues	84,712,815	86,056,918	1,344,103
LCFF/Property Taxes	71,546,719	71,608,174	61,455
Federal Revenue	859,677	865,212	5,535
Other State Revenue	4,952,073	5,798,885	846,812
Other Local Revenue	7,354,346	7,784,647	430,301
Expenditures	82,035,974	86,026,510	3,990,536
Certificated Salaries	29,826,445	31,261,864	1,435,449
Classified Salaries	13,129,174	13,860,547	731,373
Employee Benefits	23,460,947	23,806,292	345,345
Books and Supplies	2,368,373	2,343,124	(25,248)
Services and Operating Exp	12,894,267	14,373,641	1,479,374
Net Transfers from/to Other Funds	(2,675,000)	(3,318,354)	(643,354)
Net Increase (Decrease) in Fund Balance	1,841	(3,287,946)	(3,289,787)



General Fund Revenue

2025-26 First Interim Report



Property Taxes

TABLE 2

Comparison of Major Ongoing Property Tax Components

Key Assumptions: Small increases in several property tax categories largely offset by decrease in tax transfers from the County Office of Education.

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

	Adopted Budget	First Interim	Difference
Secured Tax Roll	64,152,750	64,548,354	395,604
Unsecured Tax Roll	3,295,148	3,347,077	51,929
RDA Pass-Thru	2,950,000	3,157,000	207,000
RDA Residual	1,275,000	1,347,000	72,000
COE Property Tax Transfers	1,885,791	1,415,713	(470,078)



Federal Revenue

Key Changes: Title II revenue have been restored and will absorb costs already in the budget.

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

	Adopted Budget	First Interim	Difference
Revenues	84,712,815	86,056,918	1,344,103
LCFF/Property Taxes	71,546,719	71,608,174	61,455
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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	3,011	2,950	2,900
Avg Daily Attendance (ADA)*	3,061	3,004	2,896	2,860	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

Key Changes: State appropriations have been updated based upon final state budget passage, including a one-time grant of about \$900,000; there was a significant downward revision in unrestricted state lottery in the last quarter of 2024-25, which reduces this year's anticipated revenue..

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

	Adopted Budget	First Interim	Difference
Revenues	84,712,815	86,056,918	1,344,103
LCFF/Property Taxes	71,546,719	71,608,174	61,455
Federal Revenue	859,677	865,212	5,535
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Local Revenue

Key Changes: Increases due largely to RDA pass-thru revenue, parcel tax revenue, and revision of the projected rental income for 809 University..

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

	Adopted Budget	First Interim	Difference
Revenues	84,712,815	86,056,918	1,344,103
LCFF/Property Taxes	71,546,719	71,608,174	61,455
Federal Revenue	859,677	865,212	5,535
Other State Revenue	4,952,073	5,798,885	846,812
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Services and Operating Exp	12,894,267	14,373,641	1,479,374
Net Transfers from/to Other Funds	(2,675,000)	(3,318,354)	(643,354)
Net Increase (Decrease) in Fund Balance	1,841	(3,287,946)	(3,289,787)



General Fund Expenditures

2025-26 First Interim Report



Planning Factors

TABLE 4
Planning Factors for the
2025-26 First Interim
Report and Multiyear
Projection

	2025-26	2026-27	2027-28
STRS Employer Contribution	19.10%	19.10%	19.10%
PERS Employer Contribution	26.81%	26.40%	26.90%
State Disability (OASDI)	6.20%	6.20%	6.20%
Medicare Employer Contribution	1.45%	1.45%	1.45%
Unemployment Insurance	0.05%	0.05%	0.05%
Workers' Compensation	1.5506%	1.5506%	1.5506%
Certificated Step & Column	actuals	1.25%	1.25%
Classified Step & Longevity	actuals	2%	2%
Health & Welfare Benefit Increase	actuals	9%	9%
COLA on State Programs	2.30%	3.02%	3.42%
California CPI	3.09%	2.82%	2.72%
Student Enrollment	3,011	2,950	2,900



Personnel Costs

NOTE: Personnel costs (i.e., salaries and benefits) make up 81.1% of budgeted General Fund expenditures, up from 80.4% in 2024-25.

Raises: The costs of the 5% raise negotiated with DTA and CSEA and the 2% raise granted to management employees are incorporated into the budget for the first time with this report. They combined to add \$2.4 million in personnel costs.

Admin Salaries: The administrative reorganization has saved salary costs, but overall certificated administrative salary expenses are up 8.1% (more than the 4.7% increase for all certificated salary expenses) because of the long-term substitute administrator at SHS and the final two months of the former superintendent's separation payments.



Non-Personnel Costs

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

Contract Services: Contract services have increased by 11.5% since Adopted Budget.

The largest growth has occurred in:

- (1) the costs associated with special education non-public agencies, principally for one-on-one instructional aides,
- (2) liability insurance costs, which have been driven by unexpected payments to the District's member-funded secondary excess liability fund,
- (3) software licensing costs, and
- (4) electricity.



Reserves

Ending Balances and the Multiyear Projection



General Fund MYP

TABLE 5
Multi-Year Projections for
the General Fund,
Combined Restricted and
Unrestricted

	2024-25	2025-26	2026-27	2027-28
Revenue and Transfers In	82,283,021	86,331,918	88,714,181	92,209,969
LCFF/Property Taxes Revenue	68,373,370	71,608,174	74,835,591	78,224,212
All Other Revenue	13,909,651	14,448,744	13,603,590	13,710,757
Transfers In for Other Funds	0	275,000	275,000	275,000
Expenditures and Transfers Out	84,541,922	89,619,864	89,882,234	92,119,919
Salaries/Benefits	64,923,941	68,928,703	70,131,386	71,973,323
All Other Expenditures	15,607,658	17,097,807	16,157,494	16,553,242
Transfers Out to Other Funds	4,010,323	3,593,354	3,593,354	3,593,354
Net Increase (Decrease) in Fund Balance	(2,258,901)	(3,287,946)	(1,168,052)	90,049



Reserve Projection – May

TABLE 5
Summary of Reserves and
Components of Ending
Fund Balance from
Adopted Budget (May
2025)

*NOTE: This precedes the
ratification of the 5%
salary increase.*

	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	12.1%	13.0%	14.8%	17.5%



Reserve Projection - June

TABLE 5
Summary of Reserves and Components of Ending Fund Balance from AB 1200 Disclosure of the Negotiated Settlements (June 2025)

NOTE: This includes the 5% salary increase.

	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	12.1%	9.8%	8.9%	8.9%



Reserve Projection - Today

TABLE 5
Summary of Reserves and
Components of Ending
Fund Balance from First
Interim Report

*NOTE: This includes the
5% salary increase and
updated financial
information from the First
Interim Report.*

	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	8,134,807	4,846,861	3,678,808	3,768,858
Restricted and Nonspendable Funds	2,301,021	1,778,913	1,198,873	740,631
Available Reserve	5,833,784	3,067,948	2,479,935	3,028,226
	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	3,624,078	3,709,078	3,789,078	3,869,078
Total Available Reserve (Funds 01 & 17)	9,457,862	6,777,026	6,269,013	6,897,304
Reserve Percentage	11.2%	7.6%	7.0%	7.5%



Other Funds

Summary of Activity and Interactions with the General Fund



Ending Balances

TABLE 7

Projected Ending Fund
Balances as of June 30

*NOTES: The the county
controller-treasurer
controls the Bond
Redemption Fund.*

Fund	Balance 6/30/25	Changes	Balance 6/30/26
13 Cafeteria	13,637	0	13,637
14 Deferred Maintenance	478,061	(280,000)	198,061
17 Special Reserve (Non-Capital Outlay)	3,624,078	85,000	3,709,078
20 Postemployment Benefits	1,242,547	(275,000)	987,547
21 Building	5,414,463	(450,000)	4,964,463
25 Capital Facilities	813,890	75,000	888,890
40 Special Reserve (Capital Outlay)	14,449,081	3,626,105	18,075,186
51 Bond Redemption*	4,266,252	3,689,324	7,955,576
73 Foundation Trust	471,050	9,000	480,050



Conclusion

Staff Recommendations



Deficit Spending Mitigations

1. Move eligible non-discretionary one-time expenses to the new one-time discretionary block grant
2. Evaluate ways in which to reduce the structural deficit in the Cafeteria Fund
3. Evaluate all contract services across the District and identify discretionary services that can be terminated
4. Examine special education spending to determine if there are any opportunities for savings
5. Conduct program evaluations to determine if there are areas where expenses and/or staffing should be adjusted
6. Identify ways to use facilities money to provide General Fund relief (i.e., energy efficiency projects to save electricity)



Recommendation

Los Gatos-Saratoga Union High School District will be able to meet its financial obligations during the 2025-26 budget year and the two subsequent years.

It is recommended that the Board approve the First Interim Report, revise its adopted budget accordingly, and submit a positive certification to the County Superintendent of Schools.

First Interim Report 2025-26

