



Date: 12/11/2025
Memo to: Ken Geisick, Superintendent
From: Jean Aldrete, Chief Business Officer
Subject: 2025-2026 First Interim Report

Introduction:

Governor Newsom signed several budget bills for the State Budget including SB101, AB102, SB103, AB104 and SB105 and the trailer bills including AB121, SB120, SB147 and SB151. Many of the bills support the proposals in the Governor's May Revision, but with some additional changes. The overall budget supports a balanced budget and addresses the \$11.8 billion General Fund deficit through a series of budget reductions in state spending, but maintaining most key programs.

The major provisions of the 2025-2026 State Budget and the effects for Saratoga Union School District (SUSD) include:

- Funded 2.3% COLA for the Local Control Funding Formula (LCFF), Special Education, Child Nutrition and the Mandated Block Grant.
- Partial deferral of \$1.9 billion of the LCFF June 2025 payment delayed until July 2025 as well as some categorical programs. The total deferral amount for SUSD was \$100,348.
- Maintained investments of \$2.1 billion for Universal Transitional Kindergarten and an additional \$1.2 billion to support lowering the adult to student ratio from 12:1 to 10:1. Unfortunately, Basic Aid Districts do not receive any state funds to support the implementation and maintenance of Universal Transitional Kindergarten.
- Provides an additional \$606.8 million for the Expanded Learning Opportunity Program and adjusts the threshold for Tier One Districts from >75% Unduplicated Pupil Percentage to >55% Unduplicated Pupil Percentage districts. SUSD is a Rate 2 District, but the change in the threshold lowers the amount available for Rate 2 Districts and results in a funding reduction from \$2,000 to \$1,575 per pupil rate guarantee. Districts are guaranteed a minimum of \$100,000 and the State's current projected amount for SUSD this year is \$146,039 compared to last year's allocation of \$214,543.
- \$1.7 billion in one-time Proposition 98 for the Student Support and Professional Development Discretionary Block Grant. SUSD will receive \$499K for this program.
- Maintains \$378.6 million in one-time funding for the Learning Recovery Emergency Block Grant which will be allocated over a three year period. This grant stems from a reduction of the grant in 2022-2023 that is now being returned to LEAs. SUSD's three year total allocation is \$46,168 which is a little under \$16K per year.
- \$145 million in one-time Proposition 98 funds for the Universal School Meals Support

grant to support new specialized kitchen equipment, infrastructure and improvements, purchase of more sustainable foods for fresh meals and staff training. We do not yet have any details for this grant, but will continue to monitor for SUSD eligibility.

This First Interim Report represents our district's financial activities from the beginning of the fiscal year 2025-2026 through October 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 current and two subsequent fiscal 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.

Overview:

The following paragraphs highlight the **main components of the general fund**. These components include the revenues, expenditures and the contributions to legally mandated programs. This report also highlights the major revenue and expenditure assumptions.

Revenue: General Fund combined revenues are projected to be \$46,334,421. Compared to the 2025-26 Adopted Budget, total revenue increased by approximately \$1,568,938. This increase is due to a combination of:

- Increased property tax revenues of \$572K.
- Decrease in federal Special Education offset by a slight increase in Title I, Title II and III for an overall decrease of \$4K.
- Decrease in Expanded Learning Opportunity Grant of \$34K.
- Decrease in prior year state lottery revenues of \$25K that are impacting the current year's budget.
- Increase in Proposition 28 of \$23K.
- Added the Student Support and Professional Development Discretionary Grant of \$499K.
- Added Learning Recovery Grant of \$16K.
- Increase for state mental health and Special Education Preschool Intervention Grant of \$6K.
- Various miscellaneous site donations and one-time revenues of \$249K and site and categorical carryover of \$170K.
- Increase for rebates, refunds, STRS excess refunds and miscellaneous revenues of \$68K

Property tax revenues: The district will remain in community-funded status for 2025-26 and the two subsequent years. Based on the latest real property roll as of November 12, 2025 by the Santa Clara County Assessor's Office, the percent growth rate is currently 5.54% for the Saratoga Union School District. This growth is higher than what was projected at the time of the Adopted Budget, which was estimated at 5%.

The net roll corrections for 2025-26 is estimated at \$40 million throughout the county. Assessed Roll projections for 2026-27 will take place in January 2026 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 2.82% at this time per School Services of California. Taking this into consideration, reviewing the trends in assessed value, changes in the current housing market 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 2025-26 First Interim includes the following tax revenue growth rates for the current and two subsequent fiscal years:

2025-26	5.54%
2026-27	4.00%
2027-28	4.00%

Expenditures: General Fund combined expenditures are projected to be at \$46,305,688, which is an increase of \$179,440 compared to the 2025-26 Adopted Budget. The increase can be attributed to:

- Decrease in staffing and related mandatory and benefit costs based on current staffing of \$977K. This difference is attributed to reductions of one certificated FTE and some classified Special Education positions due to lower program need. Additional savings were realized as vacant positions were filled with lower costs than budgeted. Additionally, the worker's compensation rate declined this year and was known after budget adoption.
- Increase in instructional materials of \$480K for elementary furniture for Grades 2-3 and Special Education as well as furniture costs for Argonaut's Library. Additional increases were incurred to post site carryover funds for use in the current year. Asset costs for technology equipment were also moved to this category from the Capital Outlay budget per classification changes in Education Code this year.
- Increase in services and operating costs of \$869K which includes \$100K for repairs for maintenance, HVAC and fire panels for school sites, increased costs in Special Education of \$400K for non-public school contracts, transportation services of \$52K, and \$100K for Speech/Language Pathology and speech services for Special Education, \$115K for added services for the Child Youth and Behavior Intervention program, field trip costs and utilities. The increases were offset by small decreases in insurance costs and ELOP funds.
- Capital outlay costs decreased by \$76K. Of this amount, an increase of \$70K was due to the refurbishment of the Redwood MS fields which were completed over the summer and accounted for in the current year instead of last year. This was offset by a reduction in technology equipment and reclassification from Capital Outlay to Instructional Materials due to the asset threshold amount changing in Education Code effective 7/1/2025 resulting in an overall decrease.
- A decrease of \$116K is due to a reduction in transfers out to the Basic Aid Reserve Fund to meet 15% of last year's General Fund expenses per board policy now that the prior year's books have been closed and audited.

Contributions to Restricted Programs are as follows:

Routine Restricted Maintenance:	\$ 2,088,592
Special Education	\$ 5,997,717
New Teacher Support Project	\$ 22,400
After-School Sports	\$ 75,303
After-School Music	\$ 6,114
Total	\$8,190,126

Staffing

Compared to the Adopted Budget, following are some of the changes to staffing as of October 31, 2025:

- Certificated positions decreased by 1 FTE due to one less Speech Teacher.
- Classified positions decreased by 1.095 FTE due to changes in FTE for Special Education and the after-school Treehouse program.

The costs for the above listed positions have been reflected in 2025-26 and the two subsequent years.

Full Time Equivalents

FTEs	2025-26 Adopted	2025-26 1st Interim	2026-27 Subsequent Year	2027-28 Subsequent Year
Certificated	103.5	102.5	102.5	102.5
Certificated Management	8	8	8	8
Classified	93.0475	91.9525	91.9525	91.9525
Classified Management	9	9	9	9
Confidential	3	3	3	3
Total	216.5475	214.4525	214.4525	214.4525

Compensation

- The First Interim reflects the actual step-and-column costs for all employees. A 1.5% step-and-column increase is assumed for all existing employees for the two subsequent years of approximately \$480K in 2026-27 and \$518K in 2027-28.
- The District and its employee associations, STA (Saratoga Teachers Association) and SCA (Saratoga Classified Association) settled salary and benefits for the 2025-26 fiscal year of 6.00% on schedule and 6.5% on schedule in the 2026-27 fiscal year.
- No additional salary increases were included in the 2027-28 fiscal year as negotiations have not yet been settled for that year.

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:

Certificated Rates

STRS	19.10%
Unemployment Insurance	0.05%
Worker's Compensation	1.645%
Medicare	<u>1.45%</u>
Total	22.245%

Classified Rates

PERS	26.81%
Unemployment Insurance	0.05%
Worker's Compensation	1.645%
Medicare	1.45%
Social Security	<u>6.20%</u>
Total	36.155%

The cost of PERS has been increased over many years and continued increases are included in the two subsequent fiscal years of -0.41% for 2026-27 and 0.50% in 2027-28.

- **Health and Welfare**

- ❖ The cost sharing between the District and Certificated, Confidential and Management employees hired prior to July 1, 2023 for 2025-25 and the 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 2025-26 and two subsequent years for classified non-management staff.
- ❖ An increase of 10% is assumed in the 2026-27 and 2027-28 fiscal years.

	2024-25 Actual	2025-26 First Interim	2026-27 First SY	2027-28 Second SY
Certificated	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Classified	Kaiser Family Rate	Kaiser Family Rate	10% increase over prior year District's payment	10% increase over prior year District's payment
Confidential	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Certificated Management	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Classified Management	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Estimated Cost	\$3,984,289	\$4,487,007	\$4,935,708	\$5,429,279

Utilities

The 2025-26 Budget includes \$1,063,233 for electricity, gas, phone, water, and garbage services. An increase of 10% each year is assumed for 2026-27 and 2027-28.

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. Two refunds were processed to date for \$136 resulting in total net anticipated revenues of \$474,864. Revenues for the two subsequent fiscal years are assumed to remain flat at \$475,000 each year.

The updated parcel tax spending plan for 2025-26 is as follows:

Fund – Cost Center	Description	2024-25 Prior Year	2025-26 First Interim
040-001810	Parcel Tax Funded FTEs	\$330,541	\$317,071
040-001830	Teacher Leadership Compensation	\$60,540	\$70,293
040-002130	Curriculum Development	\$65,422	\$74,975
040-007800	Site Based Technology	\$13,089	\$12,525
Total:		\$469,592	\$474,864

Saratoga Education Foundation (SEF)

In the 2025-26 year, SEF anticipates a contribution of \$500K. In 2025-26, the District agreed to absorb the cost of the PLTW program and as a result SEF has allocated funding to cover the cost of admissions and transportation for all TK-8 field trips. The expenditure plan below has allocated \$468,883 for various needs.

Fund – Cost Center	Program	2024-25 Prior Year	2025-26 First Interim
060-095713	Science Lab Aides K-5	\$127,633	\$135,782
060-095723	Instructional Media Spec 3-5	\$116,480	\$133,101
060-095727	PLTW/Makerspace	\$226,271	\$ -
060-095012 (NEW)	TK-8 Field Trips	\$ -	\$200,000
Total Estimates:		\$470,384	\$468,883

Technology

Cost Center 7600, the Technology Replacement budget for 2025-26, is estimated at \$286,489. The Technology Operating Budget is in Cost Center 7700 and is estimated at \$1,281,646. 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 needs over the current budgeted expenditure level as of the First Interim is \$250,000.

Carryover Balances:

- Now that the books are closed for 2024-25, it is time at the First Interim reporting

period to add carryover balances for categorical programs. When expenditures include carryover balances from categorical funds from the prior year, there will be deficit spending in the Restricted General Fund. Therefore, you will see the deficit spending swings between the 2024-25 Unaudited Actuals and the 2025-26 First Interim. The interim reports provide tracking of deficit spending patterns during the course of the fiscal year (for unrestricted and restricted funds) based on estimates of revenues and expenditures. The final figure will be determined at the time of closing the books when all revenues and expenditures have been reconciled. Donation and one-time carryover of \$169,574 for both revenues and expenses has been posted to the General Fund Restricted Budget.

Other Budget Items:

- The General Fund is contributing \$1,000,000 annually to the Deferred Maintenance Fund for 2025-26 and two subsequent fiscal years. In early 2026, the Governing Board will receive staff input to develop a new long term facility master plan and decide on specific projects for the summer of 2026.
- A temporary interfund transfer of \$2 million from the Basic Aid Reserve Fund to the General Fund was made in October 2025 for cash flow purposes. The funds were returned in November with the receipt of the first installment of property tax revenues. The need was largely due to the change from ten months to eleven months for certificated payroll this year due to new negotiated contract language.
- The multiyear projections include an inter-fund transfer of \$260,000 in 2025-26 and two subsequent fiscal years to the Cafeteria Fund.
- The multiyear projections include an inter-fund transfer of \$184,270 in 2025-26 and \$334,759 in 2026-27 and \$238,960 in 2027-28 to the Basic Aid Reserve Fund per board policy.

Assigned Reserves

Set asides of the General Fund Balance Reserves in the amount of \$1,261,133 in the current and two subsequent fiscal years are as follows:

- **Maintenance and Other Projects:** \$500,000 has been assigned in the fund balance reserves for maintenance and other projects that can address any unknown and emergency major repairs.
- **Technology Plan:** \$250,000 for anticipated expenditures to be incurred per the Educational Technology Plan above the current level of expenditures.
- **Textbook Adoptions:** \$250,000 for textbook adoptions as needed in future years absent categorical funding from the state.
- **Elementary Furniture Replacement:** \$261,133 has been set aside to partially fund anticipated elementary furniture replacements to complete all elementary school sites. An additional one-time grant of \$499K is available in restricted reserves which can be used once these set aside funds are exhausted.

Budget Concerns:

- Current projections do not reflect any negotiated salary increases for 2027-28 fiscal year.
- SUSD experienced a 5.2% decline in enrollment in the current fiscal year and will

likely see a continued decline over the next couple of years as larger grades promote out of the middle school and are replaced with smaller elementary enrollments. Staff will continue to monitor enrollment and make any necessary budget impacts as they occur.

- Significant requests for facility repairs and new projects which are beyond available current funding and a long-term plan has not yet been approved.
- Changes in the housing market have a direct impact on the growth of property taxes for SUSD. Staff will continue to monitor projections and adjust property tax projections adequately to reflect any changes.
- The District has absorbed an additional program in 2025-26 from the Saratoga Education Foundation affecting the Unrestricted General Fund.
- Parcel Taxes will expire in June 2028 and without another voter approved measure will result in additional expenses to the General Fund if programs are maintained.

Available Reserves:

	2025-26	2026-27	2027-28
General Fund Reserve for Economic Uncertainties Fund 01 – 3% Mandated	\$1,389,171	\$1,460,932	\$1,490,477
General Fund Undesignated/Unappropriated Amount - Fund 01	\$8,146,658	\$6,489,323	\$5,474,325
Special Reserve Fund Reserves – Fund 17	\$6,456,094	\$6,915,853	\$7,279,813
Combined Reserves (Funds 01 & 17)	\$15,991,924	\$14,866,109	\$14,244,616
Special Reserve Fund 17 Reserve % - Board Policy 15% of General Fund Expenditures	13.95%	14.94%	14.95%
General Fund 01 Reserve %	20.59%	15.59%	13.72%
Combined Reserve % (Fund 01 & 17)	34.54%	30.53%	28.67%

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 First 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 and two subsequent fiscal years.

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 two subsequent fiscal years.

Based on the financial information presented, it is recommended that the Board of Trustees approve the First Interim Report for 2025-26 with a Positive Certification.