



MEETING MINUTES

A. CALL TO ORDER

Meeting called to order at 9:30 AM

1. Roll Call

Staff conducted Roll Call to establish a quorum.

Committee Members

- Satheesh Madhathil - present; arrived at 9:32 AM
- Ava Chiao - present
- Kate Lee - present
- Faisal Mohamed - present
- Mary Alarid-Enright - absent
- Michelle Herriage - absent
- Nick Prychodko - present; arrived at 9:32 AM
- Dan Halabe - present
- Stuart Rosenberg - present
- Phyllis Vogel - present
- Kimya Shariffi - present
- Shompa Bhattacharya - present
- Omar Batres - absent
- Maria Fernandez- present

Staff

- Allison Liner - present
- Tina Bernal - present
- Kavitha Lakshmanan - present

2. Approval of the May 27, 2026 Regular Meeting Agenda

Motion: Approve the May 27, 2026 regular Budget Advisory Committee meeting agenda

Motion by Ava Chiao, second by Phyllis Vogel

Final Resolution: Motion Carries

Voting:

- Satheesh Madhathil - yes
- Ava Chiao - yes
- Kate Lee - yes
- Faisal Mohamed - yes



- Nick Prychodko - yes
- Dan Halabe - yes
- Stuart Rosenberg - yes
- Phyllis Vogel - yes
- Kimya Shariffi - yes
- Shompa Bhattacharya - yes
- Maria Fernandez- yes

B. MINUTES APPROVAL

1. Approval of the February 25, 2026 Regular Meeting Minutes

Motion: Approve the February 25, 2026 regular Budget Advisory Committee meeting minutes

Motion by Nick Prychodko, second by Kate Lee

Final Resolution: Motion Carries

Voting:

- Satheesh Madhathil - yes
- Ava Chiao - yes
- Kate Lee - yes
- Faisal Mohamed - yes
- Nick Prychodko - yes
- Dan Halabe - yes
- Stuart Rosenberg - yes
- Phyllis Vogel - yes
- Kimya Shariffi - yes
- Shompa Bhattacharya - yes
- Maria Fernandez- yes

C. PUBLIC COMMENT

No Public Comments

D. INFORMATION/DISCUSSION

1. May Revise Updates and Draft 2026-27 Adopted Budget

2026–2027 Adopted Budget presented by Tina Bernal

2025–2026 Estimated Actuals

- The District applied for a federal Inflation Reduction Act (IRA) reimbursement for its solar project. Phase 1 was completed, and the District successfully received \$3.2 million during the 25–26 school year. However, Phase 2 (\$5.2 million) has been delayed and



shifted into the 2026–2027 budget. This delay occurred because the solar project must be 100% complete and signed off before the federal government releases the remaining funds.

- The District continues to experience structural deficit spending. Unrestricted expenditures reached \$168 million, which—when combined with a \$35.1 million general fund contribution to Special Education—brought total spending to \$203.1 million against only \$192 million in total revenue. This resulted in an unrestricted deficit of 9.0%, or \$6.3 million.
- To offset operational deficits, the general fund balance was decreased by a total of \$8.7 million, drawing the combined (restricted and unrestricted) general fund down from a starting balance of \$33.4 million to an ending balance of \$24.7 million.

Member questions and comments

- How sure are we that we're going to get this \$5.2 million solar rebate?
 - 100%. The federal government has already received the reimbursement request; it is now purely a matter of timing.
- What is the difference between restricted versus unrestricted funds?
 - Unrestricted funds can be used by the district however it chooses (e.g., general classroom expenses and regular teacher salaries). Restricted funds come from federal, state, or local sources and carry strict legal guidelines regarding how they must be spent. Examples include Title funding, Prop 28 (Art and Music), and the Learning Recovery Block Grant. District reserves are calculated strictly from unrestricted funds because restricted funds cannot be repurposed.
- You mentioned the deficit spending was \$6.3 million, but the general fund drawdown was \$8.7 million. What caused that extra gap?
 - The District performed fund transfers into the general fund to help balance operations, creating the mathematical differential between the raw deficit and the actual fund balance drop.
- Do we have to spend restricted funding in the exact year it is budgeted?
 - No, it depends entirely on the specific guidelines of the funding source. Some pots of money must be spent that year, while others allow for multi-year carryover.
- Why do we show the \$35.1 million Special Education contribution as a separate line item?
 - It highlights the immense draw that Special Education places on the unrestricted general fund. It costs over \$35 million in general fund money to run the program. This contribution accounts for roughly 13% of the total general fund expenditure budget.

2026–2027 Governor's May Revise: The Governor's May Revision features state-level budget shifts that could positively impact the district.

- The Prop 98 minimum guarantee for education increased significantly compared to the



January proposal, allowing the state to make deposits to replenish the Prop 98 reserve account, which sat at zero the previous year.

- The state general budget is struggling due to decreasing federal funding for healthcare (Medi-Cal). To balance it, the governor is continuing a legally questionable maneuver of borrowing money from Prop 98 to fund non-education sectors without obtaining a formal two-thirds legislative vote. Because Cupertino Union School District is a Basic Aid district funded primarily via local property taxes, this state-level volatility does not directly impact its primary revenue stream.
- The governor proposed increasing the one-time Discretionary Block Grant from \$3.9 billion to \$5 billion statewide. Additionally, the state plans to invest \$2.4 billion into Special Education funding, raising the per-student allocation from \$999 to \$1,340 per ADA. If passed by the legislature, this would increase state revenue and lower the District's local general fund contribution to Special Education.

Member questions and comments

- Is the District going to commit to using these new incoming funds for one-time costs only, rather than ongoing expenses like salaries? Using one-time COVID funds for ongoing costs hurt us in the past.
 - The executive cabinet is working incredibly hard to reserve these for one-time purposes. However, because 90% of the District's budget is tied up in personnel, avoiding using these funds on salaries is highly challenging while facing a tight budget and deficit spending. Fortunately, unlike COVID money, these new block grants do not legally mandate spending on staff retention.
- How much of the block grant and Special Education funding increases will actually come to our district?
 - The District originally budgeted for an initial allocation of \$6.3 million in discretionary block grant funding for 26–27. If the state distributes the extra \$5 billion based on total enrollment (ADA), the District could see an additional \$4 million to \$5 million. If distributed based on Unduplicated Pupil Percentage (UPP/at-risk metrics), the District will receive significantly less. The District is keeping the extra money out of the budget until trailer bill language clarifies the formula. For Special Education, the \$400 per-student increase would yield roughly \$440,000 to \$500,000 for the district's ~1,100 Special Ed students.

2026–2027 Adopted Budget (Revenues & Expenditures)

- The District has officially transitioned into a Basic Aid District.
- Revenue breakdown: 75% (\$195.2 million) of the general fund revenue is now generated locally through property taxes, assuming a conservative 5% growth rate on the secured roll. Other sources include 12% from state income, 6% from local revenue, 5% from inter fund transfers, and 2% from federal sources.
- The 26–27 revenue budget relies heavily on over \$12 million in one-time injections, including the \$6.6 million Discretionary Block Grant, a \$330,000 Learning Recovery



Block Grant, and the delayed \$5.2 million inter-fund capital transfer from Fund 21 (the Solar IRA rebate).

- Expenditure breakdown: Total expenditures dropped 2.3% compared to the 25–26 estimated actuals. Staffing costs (certificated salaries, classified salaries, and employee benefits) make up 87% of the budget. Health and welfare benefits alone account for 8.4% (\$21.9 million) of the total budget.
- Through its Fiscal Stabilization Plan, the District successfully scaled down its unrestricted deficit spending to a nearly flat \$308,000 slide. This was achieved by cutting 11 certificated FTEs due to declining enrollment and capturing \$1 million in ongoing savings from an Early Retirement Incentive Program (SERP).
- The District faces steep financial headwinds due to a 10% spike in commercial property and liability insurance, alongside rising AB218 pooled liability protection costs.

Member questions and comments

- What are supplemental property taxes and why are they going away?
 - Prior to becoming a Basic Aid district, many property tax assessments were stuck in multi-year legal appeals. As those legacy appeals wrap up, the owed money rolls in as supplemental taxes. The 26–27 budget includes \$3 million in supplemental taxes, but this will be the final year they are distributed; moving forward, any appeal adjustments will just process through regular property taxes.
- If we are practically breaking even (\$261.4M revenue vs \$261.7M expenditures), where did the "\$4.1 million surplus" graphic on the slide come from?
 - That graphic refers specifically to a net operating drop in unrestricted expenditures. Unrestricted spending dropped from \$168 million in 2025–26 down to \$162 million for 2026–27, meaning the District is spending \$4 million less out of its unrestricted pot than it did the prior year.
- What is the status of the money from the sale of the Montebello property?
 - The property has been sold under a long-term payback agreement. All interest was paid upfront into Fund 21 (the building fund). Starting next year, the District will receive monthly dividend payments from the principal paydown. Because it was a property sale, the funds must legally stay in the building fund initially, but the Board can choose to transfer that money into the general fund to support reserves later.
- Have we looked into shopping around for cheaper private insurance rather than staying with the Keenan JPA?
 - The Joint Powers of Authority (JPA) bundles dozens of districts together to negotiate rates and secure massive umbrella coverage packages (over 30 different policies spanning fire, cyber, liability, etc.). For a school district acting alone, securing these complex coverages independently in the open market is nearly impossible.

Multi-Year Projections (2027–2029)



- Earning Revenue via Leases: The District is leveraging empty assets to buffer the general fund. This includes charging an annual \$773,000 facility rental fee to the state-funded Expanded Learning Opportunities Program (ELOP), implementing a \$1.5 million lease for Meyerholz, executing a \$250,000 lease agreement with Fremont Union High School District for Stocklmeir, and projecting \$500,000 from Finch.
- In 2027–28, total projected revenues drop from \$261.3 million down to \$255.9 million because the \$12+ million in one-time block grants and solar rebates disappear. The District expects its ongoing 5% property tax growth to absorb a massive portion of this blow, but it is not enough to offset it entirely.
- To keep the budget balanced when one-time revenues vanish, the District has engineered severe structural budget cuts into its multi-year plan. This includes a \$330,000 IT Reorganization cut, a \$5 million ongoing salary reduction targeted for 2027–2028, and a \$3 million ongoing salary reduction for 2028–2029. If these \$8 million in additional salary cuts are successfully identified and executed, the total reserve will be \$24.5 million (a healthy 9.67% reserve ratio) by 2028–2029.

Member questions and comments

- What happens if these risky lease revenues or structural transfers do not materialize? This year we budgeted \$1.5 million for Meyerholz and got \$0. Shouldn't we be more conservative?
 - Multi-year projections are snapshots based on the best variables available at the time, and adjustments are constantly made when things fall through (such as reducing inter-fund transfers this year when Meyerholz sat vacant). The executive cabinet felt these current lease assumptions were strong enough to print, but the District can scale them back if the board demands higher conservatism.
- What is the balance of Fund 21 (Building Fund) and how can we pull an ongoing \$8 million out of it for maintenance if it only has a running balance of \$300,000?
 - Fund 21 will end this year with about \$300,000 and next year with \$600,000 because the District sweeps the money out into the general fund as fast as it accumulates. The \$8 million required for the Routine Restricted Maintenance Account (RRMA) is transferred incrementally at the start of the year as commercial lease payments continuously replenish Fund 21.
- Why do we need to budget over \$600,000 for TRANs financing next year?
 - Tax and Revenue Anticipation Notes (TRANs) are short-term loans required for basic cash flow. Because Cupertino Union is Basic Aid, it receives its property tax revenues in two giant lumps (primarily in November and June). The District must take out a massive short-term loan at the start of the fiscal year just to pay its teachers and bills from July through October. If the District successfully builds its reserves up to 10%, it can self-sustain and stop paying \$600k a year in raw financing fees.
- Are these future \$5 million and \$3 million salary reductions on top of the staffing cuts already happening due to shrinking enrollment? Does this mean actual job eliminations?



- Yes. The District is already automatically scaling down by 11 FTEs in 2026–27 and 12 FTEs in 2027–28 via attrition and class-size ratios to account for declining student enrollment. The \$8 million in future planned cuts are additional structural reductions that must come from eliminating positions across certificated, classified, and management personnel because there is virtually no money left to cut out of school supply or operational budgets.
- If employee hours and positions are being aggressively scaled back, are management positions also facing cuts? Behavior Interventionists (BI) had their work calendars slashed from 236 to 203 days to save \$700,000, yet their supervisors kept their full calendars.
 - This year, over 10% of district management positions were eliminated. While the future \$5 million reduction plan does not explicitly list targeted management cuts yet, management is factored into the broader salary data pool and will be heavily analyzed during final reduction brainstorming. The board will formally revisit supervisor structures and calendar fairness this coming fall.

E. FOLLOW-UP ITEMS

Reminder that there is a running PDF document and is updated and uploaded after each meeting to provide detailed follow-up information on previous requests. This tool ensures all user inquiries are addressed, even when meetings run out of time. Recent additions to this document included a property tax update and details regarding Fund 35.

F. AGENDA SETTING/FUTURE MEETINGS

Committee requested agenda items for September 2, 2026 regular meeting

- Forming a working group tasked with brainstorming the future budget reductions

Committee requested follow-up information on:

- Analysis of early retirement incentive
- JPA Insurance costs breakdown
- Breakdown of solar costs — savings and revenues, including bond funds used for solar
- Details of one-time money spending
- ELOP revenue update

G. ADJOURNMENT

Meeting adjourned at 11:13 AM