Budget Advisory Committee
03/02/2026 - 04:30 PM
Los Gatos-Saratoga Union High School District - Farley Room
17421 Farley Road West, Los Gatos, CA 95030
Please use the following link to join virtually. (Committee Members are required to attend in person.)
https://lgsuhsd.zoom.us/j/93121656204

MEETING MINUTES

We welcome you to this meeting of the LGSUHSD Budget Advisory Committee (BAC) meeting. The public may make comments relevant to agenda items at the time designated on the agenda. Public comment will not be heard outside the designated time. While not required, we would appreciate it if you would identify yourself with your name and address when addressing the BAC. Speakers are asked to limit remarks to three minutes (with a maximum of twenty minutes for one topic).

Assistance Information: Any individual requiring disability-related accommodations or modifications, including auxiliary aids and services, in order to participate in the BAC meeting should contact the Business Services office in writing. Please provide sufficient advance notice to allow the Committee time to arrange for your accommodation.

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Attendance

Voting Members
Mathew Day
Peter Hertan, Absent
Julian Juan
Arnav Mana, Absent
Wendy Riggs
Fan Steinke
Daniel Snyder
Jennifer Young

Non-Voting Members
Steve Chen
Katherine Tseng
Pola Michelle Alas, Absent
Patrick Bernhardt
Greg Louie
Dr. Deepa Mukherjee
David Poetzinger
Heath Rocha

I. OPENING BUSINESS

A. Call to Order/Establish Quorum

The meeting was called to order at 4:31 p.m and a quorum established.

B. Approval of the Agenda

The agenda was approved as submitted.

Motion made by: Jennifer Young
Motion seconded by: Daniel Snyder

> ***Voting results:*** Unanimously Approved

C. Approval of the Minutes

The minutes were approved as submitted.

Motion made by: Daniel Snyder
Motion seconded by: Jennifer Young

> ***Voting results:*** Unanimously Approved

D. Public Comment

There were no public comments.

II. REPORT/DISCUSSION ITEMS

A. Second Interim Update and Discussion

Patrick Bernhardt presented the 2025–26 Second Interim Report and reviewed the accompanying presentation with the Committee.

Mr. Bernhardt explained that the District is utilizing a new reporting format for the Second Interim Report. The purpose of the Budget Advisory Committee (BAC) meeting was to review the presentation prior to Board consideration and anticipated approval of the Second Interim Report. Due to the complexity and size of the reports, the Second Interim documents were finalized and posted on the day of the meeting. Hard copies of the presentation and the 14-page report summary were provided to Committee members. Mr. Bernhardt noted that there are more than 100 additional pages available within the Board agenda and the Committee agenda materials.

Mr. Bernhardt stated that the BAC's role is to advise the Board, ask questions regarding the report, provide recommendations, and assist the BAC Board representatives in identifying questions that may arise during the Board meeting. Because the Board agenda had already been publicly posted, the presentation could not be revised prior to the Board meeting.

The Second Interim Report includes actual financial data from July 1 through January 31, representing seven months of actual revenues and expenditures, along with projections for the remaining five months of the fiscal year. Mr. Bernhardt explained that this is the final interim report prior to budget adoption in June. The final budget will be estimated actuals, which will be presented at the final Board meeting in June, will include approximately 10 months of actual data and estimates for the remaining months of the fiscal year to close out

the reporting for this fiscal year.

Mr. Bernhardt reviewed the District's financial position and noted that the First Interim Report reflected approximately $3.3 million in deficit spending, partially due to unexpected cafeteria program costs and increased expenditures from the prior fiscal year. He stated that overall, revenues and expenditures are generally tracking as projected in the First Interim Report with minor changes.

One significant change in the savings is reflected in the Second Interim Report is a $2,525,353 reduction in net transfers out of the general fund. Mr. Bernhardt explained that this change relates to the District's longstanding practice regarding the use of Redevelopment Agency (RDA) pass-thru revenues. Historically, the District transferred these funds to Fund 14, Maintenance Fund, and Fund 40, Special Reserve for Capital Outlay for facilities and maintenance-related purposes. Instead, the revenue will be used for routine restricted maintenance requirements within the general fund. By doing so, this will eliminate ongoing deficit spending, restoring the required 10% reserve.

Mr. Bernhardt provided historical background regarding the Town of Los Gatos Redevelopment Agency. Following the 1989 Loma Prieta earthquake, the Town established the Redevelopment Agency to support recovery efforts, seismic safety improvements, and downtown revitalization projects. The Central Los Gatos Redevelopment Plan was adopted in 1991 to finance earthquake-related repairs, infrastructure upgrades, and seismic strengthening projects. As property values within the redevelopment project area increased, tax increment revenues generated pass-through payments to local taxing entities, including the Los Gatos-Saratoga Union High School District.

Mr. Bernhardt explained that prior to 2011, RDA revenues were considered unrestricted property tax revenues. Following changes in state law related to redevelopment dissolution, RDA pass-through revenues received by basic aid districts became restricted for facility-related purposes. Residual tax revenues distributed after debt service and pass-through obligations remain unrestricted.

The District researched the original 1991 RDA agreement and determined that the original restrictions have sunset. As a result, staff determined that it is legally permissible to use the RDA pass-through revenues to satisfy the District's state-required Routine Restricted Maintenance contribution, which requires approximately 3% of the General Fund to be spent on maintenance activities each year.

Mr. Bernhardt explained that under the current practice, unrestricted General Fund dollars were being used to satisfy the Routine Restricted Maintenance requirement. Staff's recommendation to the Board is to instead use as much eligible RDA pass-through revenue as allowable for this purpose. Approximately $2.5 million of RDA pass-through revenue would remain in the General Fund to satisfy the maintenance requirement, thereby releasing an equivalent amount of unrestricted General Fund revenue. Approximately $600,000 would continue to be transferred out for facility-related purposes, with approximately $400,000 continuing to be transferred into Fund 40.

Mr. Bernhardt stated that this change would create approximately $2.5 million in newly

available unrestricted General Fund revenue, significantly reducing ongoing deficit spending. He noted that the RDA is projected to make its final debt service payment during the 2032–33 school year, after which the RDA will fully dissolve and property tax revenues will revert to standard secured property tax distributions. At that time, the District will no longer receive RDA pass-through or residual revenues. Mr. Bernhardt noted that there is no guarantee that the replacement secured property tax revenues will equal the current RDA revenue amounts, as the final allocation will depend upon the negotiated agreements and assessed property values.

Mr. Bernhardt stated that the tradeoff associated with this recommendation is the reduction of a long-term funding source for capital facilities projects, which may cause Fund 40 reserves to be depleted more quickly over time. However, he noted that the District continues to receive other revenue sources for Fund 40, including capital components of facility rental fees. Fund 40 currently supports major facility repairs and replacements, including roofing, HVAC systems, and emergency repairs not covered by insurance. Staff indicated that the recommendation is financially manageable because Fund 40 currently maintains sufficient reserves projected to last approximately five years without additional contributions, assuming no extraordinary expenditures. Mr. Bernhardt stated that implementing the proposed change during the current fiscal year would improve the District's reserve percentage and significantly reduce projected deficit spending in future years.

Mr. Bernhardt further explained that absent this change, the District would likely need to implement significant budget reductions that could impact classroom programs.

The Committee reviewed the General Fund Multi-Year Projection (MYP), including projected transfers and reserve levels. Mr. Bernhardt explained that transfers into the General Fund from Fund 20 continue to support retiree benefit costs of approximately $250,000 annually. The significant reduction in transfers out of the General Fund reflects the proposed change in treatment of the RDA pass-through revenues.

Mr. Bernhardt noted that the District's projected deficit spending improves substantially under the revised approach. The prior year reflected approximately $2.26 million in deficit spending, while the revised current year projection reflects approximately $234,382. Property tax growth is projected to continue improving the District's financial position over the next two fiscal years.

The Committee also reviewed the District's reserve projections and the changes reflected in the out-year projections.

Mr. Bernhardt informed the Committee that the District is preparing to issue the second tranche of refunding bonds within the next several weeks. As part of the refinancing process, the District underwent a credit rating review and successfully maintained its AAA credit rating.

Mr. Bernhardt explained that maintaining the AAA rating will remain important for future General Obligation bond issuances and upcoming Tax Revenue Anticipation Notes (TRANS). He stated that due to the expiration of one-time funding sources, the District will likely need

to issue short-term TRANS borrowing next year to maintain cash flow between July and December until property tax revenues are received.

Mr. Bernhardt explained that districts with AAA credit ratings generally receive more favorable interest rates and may even generate positive arbitrage revenue through TRANS borrowing. He stated that during the credit rating review, Standard & Poor's indicated that the District's reserve level of approximately 12% was among the lowest they had seen for a AAA-rated district, although the agency otherwise viewed the District's finances positively. The District's Board policy currently requires a minimum reserve level of 10%, which had previously been recommended by the BAC.

To further address deficit spending, staff plans to recommend approximately $720,000 in ongoing General Fund savings. These savings are anticipated to result from reductions in program expenditures, staffing adjustments, operational efficiencies, and anticipated attrition. The proposed changes will be presented to the Board at the March 5 meeting.

Mr. Bernhardt stated that staff's goal is to keep reductions as far removed from the classroom as possible. Detailed recommendations are included in the presentation materials for the March 5 Board agenda.

III. ADJOURNMENT

The meeting was adjourned at 5:45 PM.