

Los Gatos-Saratoga
Union High School District

**2019-20 Adoption
Budget**

June 11, 2019

The proposed 2019-20 adoption budget reflects the governor’s January budget proposal and May Revision. Revenue and expenditure assumptions are provided on the following pages. After these have been applied, reserves are projected as indicated in the table below. The financial results are more positive than projected at Second Interim due to two important factors:

- Anticipated savings associated with the cafeteria program re-design have been recognized. Should these changes not result in any savings, \$100,000 or more in annual ongoing costs will need to be recognized.
- The recent demographic report indicates a small amount of student growth in 2019-20, followed by declining enrollment. This projection results in a reduction in teachers in 2021-22 and beyond.

No salary increases have been assumed. The cost of a 1% raise for all groups in all funds is \$374,244 ongoing.

Unrestricted General Fund Summary

	2018-19 Estimated Actuals	2019-20 Adoption Budget	2020-21 Projected	2021-22 Projected	2022-23 Projected	2023-24 Projected
Revenues	51,341,519	53,043,278	55,204,153	57,572,176	59,987,030	62,524,160
Expenditures	42,941,743	43,616,096	45,154,591	45,886,757	46,971,425	47,836,662
Other Sources/Uses	8,841,422	9,406,106	9,661,605	9,958,431	10,197,715	10,491,094
Increase/Decrease	(441,646)	21,076	387,957	1,726,988	2,817,890	4,196,404
Beginning Fund Bal	515,027	73,381	94,457	482,414	2,209,402	5,027,292
Ending Fund Balance	73,381	94,457	482,414	2,209,402	5,027,292	9,223,696
Unappropriated Bal	60,231	81,307	469,264	2,196,252	5,014,142	9,210,546
Balance in Fund 17	3,233,728	3,253,728	3,273,728	3,293,728	3,313,728	3,333,728
Total Reserve	3,293,959	3,335,053	3,742,992	5,489,980	8,327,870	12,544,274
Reserve Percentage	5.46%	5.45%	5.95%	8.59%	12.76%	18.89%

Assumptions

STUDENTS						
Enrollment	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
LGHS	2,138	2,157	2,184	2,207	2,151	2,073
SHS	1,371	1,372	1,318	1,258	1,194	1,180
NPS	11	11	11	11	11	11
TOTAL	3,520	3,540	3,513	3,476	3,356	3,264
Average Daily Attendance (ADA)	3,386	3,374	3,348	3,313	3,198	3,111

	<div style="text-align: center;"> <h3>Enrollment Trend</h3> <p>Schoolworks, Inc. Demographic Study</p> <table border="1" style="margin: 10px auto; border-collapse: collapse;"> <caption>Enrollment Trend Data</caption> <thead> <tr> <th>Year</th> <th>Enrollment</th> </tr> </thead> <tbody> <tr> <td>2018-19</td> <td>3,500</td> </tr> <tr> <td>2019-20</td> <td>3,500</td> </tr> <tr> <td>2020-21</td> <td>3,450</td> </tr> <tr> <td>2021-22</td> <td>3,400</td> </tr> <tr> <td>2022-23</td> <td>3,300</td> </tr> <tr> <td>2023-24</td> <td>3,200</td> </tr> </tbody> </table> </div> <ul style="list-style-type: none"> ▪ As a community funded district, LGSUHSD receives only a small amount of funding based on average daily attendance (ADA). ADA is used to compute funding for EPA, Lottery, Mandated Costs, one-time block grants and various state grants and entitlements. ▪ Enrollment changes are based on a recent demographic study which indicates a growth of 20 students in 19-20 and enrollment declines thereafter. 	Year	Enrollment	2018-19	3,500	2019-20	3,500	2020-21	3,450	2021-22	3,400	2022-23	3,300	2023-24	3,200
Year	Enrollment														
2018-19	3,500														
2019-20	3,500														
2020-21	3,450														
2021-22	3,400														
2022-23	3,300														
2023-24	3,200														
RESERVE ASSUMPTIONS															
Reserve for Economic Uncertainty	<ul style="list-style-type: none"> ▪ Reserves consist of unencumbered balances in the unrestricted General Fund (01) and the Special Reserve Fund (17) ▪ Board Policy 3100 states that the District will maintain an economic uncertainty reserve of at least 4% of total General Fund operating expenditures. To provide resources for unforeseen financial challenges the Board recommends the establishment and maintenance of a strategic reserve of ten percent (10%). ▪ The 2018-19 reserve percentage exceeds the 4% policy and is projected to continue to exceed 4% into 2019-20 and beyond. The district continues to explore ways to reach the 10% recommendation. 														
REVENUE ASSUMPTIONS															
COLA	<ul style="list-style-type: none"> ▪ The Cost of Living Adjustment for state revenues is estimated as follows: 														
	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th><u>2018-19</u></th> <th><u>2019-20</u></th> <th><u>2020-21</u></th> <th><u>2021-22</u></th> <th><u>2022-23</u></th> <th><u>2023-24</u></th> </tr> </thead> <tbody> <tr> <td>2.71%</td> <td>3.26%</td> <td>2.66%</td> <td>2.72%</td> <td>2.70%</td> <td>2.70%</td> </tr> </tbody> </table>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	2.71%	3.26%	2.66%	2.72%	2.70%	2.70%		
	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>									
2.71%	3.26%	2.66%	2.72%	2.70%	2.70%										
<p>This Cost of Living Adjustment has been applied to state Special Education funding.</p>															
Property Tax	<ul style="list-style-type: none"> ▪ Property Taxes are projected to increase by 5.25% in 2019-20 and 4.5% annually thereafter. This projected increase is based on information provided by the Santa Clara County Assessor’s Office. Santa Cruz taxes are a small percentage of total district tax revenue, and its property tax trends have been assumed to follow the pattern for Santa Clara County. ▪ The 2019-20 tax roll is still developing. Revenue assumptions will be updated when the actual increase is known. 														

	<p style="text-align: center;">LGSUHSD Santa Clara County Assessed Valuation Progression for 2019-20 Land and structural values only</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Aug</th> <th>Sep</th> <th>Oct</th> <th>Nov</th> <th>Dec</th> <th>Jan</th> <th>Feb</th> <th>Mar</th> <th>Apr</th> <th>May</th> <th>June (est)</th> <th>July (est)</th> </tr> </thead> <tbody> <tr> <td>Series1</td> <td>2.3</td> <td>2.91</td> <td>3.39</td> <td>3.61</td> <td>3.8</td> <td>4.1</td> <td>4.22</td> <td>4.53</td> <td>4.86</td> <td>5.13</td> <td>5.44</td> <td>5.76</td> </tr> </tbody> </table>		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June (est)	July (est)	Series1	2.3	2.91	3.39	3.61	3.8	4.1	4.22	4.53	4.86	5.13	5.44	5.76
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June (est)	July (est)															
Series1	2.3	2.91	3.39	3.61	3.8	4.1	4.22	4.53	4.86	5.13	5.44	5.76															
<p>Local Control Funding Formula (LCFF) and the Education Protection Act (EPA)</p>	<ul style="list-style-type: none"> ▪ The Local Control Funding Formula (LCFF) is the state’s funding model for the majority of unrestricted funding. There are three sources of funding in the LCFF model: local property taxes, state support, and the Education Protection Act (EPA) funding. ▪ As a community funded district, LGSUHSD only receives \$150,691 in state support for categorical minimum state aid. This revenue receives no adjustments for growth or COLA. It is based on 2012-13 district categorical program revenue of \$2,298,492 minus the districts “fair share” reduction of \$2,147,801. ▪ EPA funding is in addition to categorical minimum state aid and is based on the district’s Average Daily Attendance times \$200. This funding receives no COLA. 																										
<p>Parcel Tax</p>	<ul style="list-style-type: none"> ▪ The district’s \$49 Parcel Tax (Measure A) continues to fund teacher salaries through Fiscal Year 2024-25 (6 more years). Parcel Tax revenues are projected to be \$955,000 in 2019-20 and beyond. 																										
<p>Lottery</p>	<ul style="list-style-type: none"> ▪ Current estimates are \$151.00 per ADA for the unrestricted Lottery allocation and \$53.00 per ADA for the restricted Lottery allocation. Revenue changes in future years are based on projected changes in ADA. 																										
<p>Special Education</p>	<ul style="list-style-type: none"> ▪ The district receives federal and state Special Education revenue as determined by the Santa Clara County SELPA III Allocation Plan. Cost increases continue to outpace revenue increases. ▪ Special Education funding sources and amounts for 2019-20 are projected as follows: <table style="margin-left: 20px; width: 100%;"> <tr> <td>General Fund Contribution (backfills funding shortfall)</td> <td style="text-align: right;">\$7,207,013</td> </tr> <tr> <td>State Special Education Apportionment/Excess taxes</td> <td style="text-align: right;">\$917,080</td> </tr> <tr> <td>State Mental Health</td> <td style="text-align: right;">\$428,412</td> </tr> <tr> <td>Federal Basic Local Assistance</td> <td style="text-align: right;">\$567,684</td> </tr> <tr> <td>Federal Mental Health</td> <td style="text-align: right;">\$78,986</td> </tr> <tr> <td>Workability</td> <td style="text-align: right;">\$83,197</td> </tr> </table> ▪ The governor has proposed added funding for Special Education that, if enacted as proposed, would benefit districts with high counts of students in poverty, English learners and foster youth. Should the legislature enact a state budget that makes this funding available to our district, the budget will be updated at First interim to reflect that. 	General Fund Contribution (backfills funding shortfall)	\$7,207,013	State Special Education Apportionment/Excess taxes	\$917,080	State Mental Health	\$428,412	Federal Basic Local Assistance	\$567,684	Federal Mental Health	\$78,986	Workability	\$83,197														
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	<ul style="list-style-type: none"> Costs for non-public schools, settlements, legal costs, and transportation are projected to increase by 5% annually
Mandated Costs	<ul style="list-style-type: none"> A mandated cost is any increased cost which a district is required to incur as a result of any state statute or executive order which mandates a new program or higher level of service. The state allows districts to opt into a block grant for funding, eliminating the need to keep documentation for each mandated activity. The district has elected to take the block grant, which is \$59.83 per student in 2018-19 and is projected to increase by the state COLA thereafter. In addition to the block grant the state has from time to time created one-time funding to offset outstanding mandated cost claims. In 2017-18 the district received \$472,879 in one-time funds, which have been allocated for future textbook adoptions. Planned expenditures have occurred in 2018-19. Any funding that remains unspent in 18-19 will be reserved in the ending fund balance when the books are closed. No further one-time funding is expected or assumed.
Other State Revenue	<ul style="list-style-type: none"> The district applies for other state awards when they are available and the district is eligible. In 2018-19 the initial CTE Incentive Grant (\$200,000 a year for three years) ended. The district has applied for and has been awarded a new CTE grant for 2019-20 in the amount of \$100,000. The budget contains no other assumptions about future state funding opportunities.
Other Federal Revenue	<ul style="list-style-type: none"> In addition to federal funding received for Special Education the district also received in 2018-19 funding for Title I, Title II, Title IV and Vocational Education. All four sources generated \$130,561. In 2019-20 the district is projected to lose Title I funding. Title II, Title IV and Vocational Education are projected to continue, but with no funding increases, for a total of \$77,928.
Civic Center Fees	<ul style="list-style-type: none"> Fees for the use of school facilities are now primarily recorded in Fund 40, the Reserve for Capital Outlay. The portion of fees that reimburse custodial costs are recorded in the General Fund. Funds in the Reserve for Capital Outlay are set aside for renovations to buildings, pools and fields.
Rental Income	<ul style="list-style-type: none"> The district receives rental income from long-term renters at 809 University Avenue and one renter at 17421 Farley Road West. Rent is approximately \$120,000 Annually. In February 2019 one tenant at 809 University terminated their lease. The remaining tenant is in discussion with the district to take over the vacated space. Lease revenues are projected at the same level for the moment, however the District is negotiating higher rates based on current market conditions.
Interest	<ul style="list-style-type: none"> Interest income is based on earnings rates in the county treasury applied to the average cash balance in each fund. Future interest projections are based on 2.0% APR applied quarterly.
Local Donation Income	<ul style="list-style-type: none"> The district receives support from the New Millennium Foundation, the Saratoga Foundation, the Los Gatos Athletics Association, booster organizations, the PTSO/HSC and others. Revenue is received over the course of the year and is estimated in the adoption budget. Donations are primarily used to pay for coaching stipends and supplies and equipment. Also included in this category is revenue for stipends and supplies provided by the Associated Student Body.
Redevelopment Agency Negotiated Agreement	<ul style="list-style-type: none"> The district receives funding annually from the Redevelopment Successor Agency for an agreement negotiated in 1991 with the Los Gatos Redevelopment Agency. The agreement extends to 2033. Approximately \$2 million is received annually under this

	agreement and the funds are transferred to the Deferred Maintenance Fund and the Reserve for Capital Outlay (details below)					
EXPENDITURE ASSUMPTIONS						
Certificated and Classified Staffing	<ul style="list-style-type: none"> Staffing in 2018-19 included 2.0 Full Time Equivalent (FTE) in teacher growth over the prior year. For 2019-20 it is assumed that student growth will require the addition of a net 0.6 FTE teacher. Classified staffing is held constant. Starting in 2021-22 teacher positions are expected to decline due to a decline in enrollment. An Assistant Principal position will be added to Los Gatos High School. There will be a 0.6 FTE reduction at Saratoga High for a net administrative increase of 0.4 FTE. As of May 2019 five teachers (4.8 FTE), two classified staff (1.75 FTE), a supervisor and a principal have announced their retirement. Savings are reflected in the 2019-20 budget. Additional savings from eight resignations have been budgeted. Savings from an assumed 3.0 FTE teacher retirements are assumed annually thereafter. Step increases are included in all projections. No salary increases are assumed in 2019-20 or beyond. 					
<u>FTE</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Certificated	185.6	186.2	186.2	185.2	182.2	179.2
Classified	91.6	91.6	91.6	91.6	91.6	91.6
Mgmt/Sup	24.5	24.9	24.9	24.9	24.9	24.9
Benefit Rates	<ul style="list-style-type: none"> STRS and PERS rates continue to rise. The governor has proposed to contribute a \$3 billion one-time non-Proposition 98 General Fund payment to CalSTRS to reduce long-term liabilities for employers. The reduction in rates will be included in the budget as of First Interim, should the legislature enact this proposal. 					
	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
STRS	16.28%	18.13%	19.10%	19.10%	18.60%	18.60%
PERS	18.062%	20.733%	23.40%	24.50%	25.00%	25.50%
Medical Dental and Vision	<ul style="list-style-type: none"> Medical premiums go up January 1 each year. It is assumed that rates will increase 9% each January Dental and Vision rates have been essentially flat. Our insurance provider is no longer providing composite rates commencing in calendar year 2020. The switch to tiered rates should have little impact. 					
FICA, Medicare, UI, Workers' Comp	<ul style="list-style-type: none"> Other rates (FICA, Medicare, Workers' Compensation and Unemployment Insurance) are not expected to change. 					
School Site Allocations	<ul style="list-style-type: none"> School site allocations are primarily funded through Lottery funds. This supports a current allocation of \$115 per enrolled student. Lottery funding per student is not expected to increase over the projection period, therefore the per student amount allocated to school sites remains constant in the multi-year projections. 					
<u>Site Discretionary</u> <i>Site Determined</i> <i>Graduation</i> <i>Furniture/Equip.</i> <i>Sports</i> <i>PLTW</i> <i>School Site Council</i>	<ul style="list-style-type: none"> \$115 per enrolled student from Lottery funds \$20,000 per site (unrestricted funding) \$75,000 allocated by enrollment (unrestricted) \$55,000 per site for trainer, supplies, equipment repair and referees (unrestricted) \$15,000 per site (Lottery) \$40,000 allocated by enrollment (Lottery) 					

<i>Textbooks/Instr. Mat'l</i>	<ul style="list-style-type: none"> Restricted Lottery funding is distributed to sites for textbooks and other instructional materials
Textbook adoptions	<ul style="list-style-type: none"> One-time block grant funds in 17-18 were set aside for textbook adoptions, to be implemented over the coming several years. It is assumed that the budget will be spent in 2018-19. If any amounts remain after the books are closed for 2018-19, this will be reserved in the ending fund balance and carried over to 2019-20.
Restricted Routine Maintenance	<ul style="list-style-type: none"> the District is required to set aside 3% of General Fund expenditures for a Routine Maintenance Account to be used for ongoing maintenance expenditures. The District will meet or exceed the 3% level.
Deferred Maintenance	<ul style="list-style-type: none"> The District will continue to make a \$175,000 transfer to the Deferred Maintenance Fund for summer maintenance projects. A further transfer will be made, as needed, to cover major maintenance projects, if costs exceed the amount in the General Fund available for Maintenance. The source of funds is redevelopment funding that must be spent on facilities.
Utilities	<ul style="list-style-type: none"> Projected budgets have been adjusted based on actual costs to date for 2018-19. Future years are budgets are adjusted by 2%
Copy Machine Leases	<ul style="list-style-type: none"> The General Fund continues to fund school copy machine leases and maintenance payments. School copy machines were replaced during the 2018-19 school year. The lease payments for the new machines are about the same as the prior leased machines. The district also entered into a managed print solution to ensure that district printers are maintained. Toner replacement is included in the contract.
Substitutes	<ul style="list-style-type: none"> Projected budgets for certificated and classified substitutes are based on a multi-year analysis of actual costs.
Technology	<ul style="list-style-type: none"> The technology budget in the General Fund has been built on known maintenance agreements, software subscriptions, and contracted services necessary to support current infrastructure.
Supplies and Contracted Services	<ul style="list-style-type: none"> The budget has been built from a zero base in the areas of supplies and contracted services except for School Site Allocations (which remain at the sole discretion of the School Site Administration). In future years an inflation factor of 2% has been added.
Legal	<ul style="list-style-type: none"> Efforts to constrain legal costs (other than Special Education) have met with some success, and costs are not projected to increase. Legal costs for Special Education have also been contained however for future budgeting purposes Special Education legal costs are assumed to increase by 5% per year, due to higher uncertainties in the Special Education budget.
Insurance	<ul style="list-style-type: none"> The District obtains property and liability insurance through a joint powers authority: South Bay Area Schools Insurance Authority (SBASIA). Premiums are expected to rise 24% in 2019-20. The assumption is that rates will increase 10% annually thereafter. Both property and liability markets are hardening. Liability claims for the JPA are up, especially due to an increase in molestation claim settlements. Property rates are coming in higher, due to the insurance industry's reaction to recent wildfires. The JPA is also increasing its confidence level to 80% for funding losses, causing an additional one-time jump in premiums.
Audit	<ul style="list-style-type: none"> The district has three-year contract with Vavrinek, Trine, Day and Company to perform the required annual external audit. The cost of the 18-19 audit is \$31,000 and increases by \$500 per year. The bond audit cost is \$3,500 and remains flat over the three-year period.
Food Service Program Contribution	<ul style="list-style-type: none"> The District currently contributes over \$250,000 annually to the Cafeteria Fund to cover the difference between sales revenue and expenditures. In 2019-20 the district is contracting with Country House Kitchen to improve food quality and student participation, starting with Los Gatos High School. The initial cost of the consultant will be contributed by the LGHS Home and School Club, with additional support for equipment from the New Millennium Foundation. Thereafter it is assumed the

	<p>district will continue to pay the consultant and the program will expand to Saratoga High School. Estimated revenues and expenditures are based on a plan developed by the district and Country House. A \$191,898 contribution is projected for the budget year. In subsequent years the deficit is conservatively projected to have a similar general fund contribution.</p>
Staff Development	<ul style="list-style-type: none"> ▪ The Budget includes \$200,000 for district-wide staff development
Career Technical Education	<ul style="list-style-type: none"> ▪ New Tech ▪ Project Lead the Way (“PLTW”) <ul style="list-style-type: none"> ○ Projected budgets include continued funding of Project Lead the Way initiatives at Saratoga High School and Los Gatos High School ▪ Media Arts Program (“MAP”) <ul style="list-style-type: none"> ○ Projected budgets include continued funding of MAP initiatives at Saratoga High School <p>These programs are supported through general unrestricted dollars as well as various grants, including Perkins, CTEIG, and the Silicon Valley CTE grant (ended in 2018-19).</p> <ul style="list-style-type: none"> ▪ MetroEd (aka Silicon Valley CTE) <ul style="list-style-type: none"> ○ Projected budgets include \$109,296 in contributions to the District’s membership in the MetroEd JPA
School Resource Officers	<ul style="list-style-type: none"> ▪ The town of Los Gatos supplies a resource officer to Los Gatos High School. The district shares 36% of the cost, which is \$98,807 in 2019-20 and \$101,120 in 2020-21. Santa Clara County provides a school resource officer to Saratoga High school. The cost in 2019-20 is \$29,500. It is assumed that the cost of these services will increase 2.5% annually.
Transfers to the Reserve for Capital Outlay	<ul style="list-style-type: none"> ▪ The district receives revenue from redevelopment projects, estimated to be \$2,191,000 in 2018-19 and beyond. These funds are to be used for land acquisition, facility construction, reconstruction or remodeling, or deferred maintenance. Proceeds are recorded in the restricted General Fund are the source of transfers to the Deferred Maintenance Fund and the Special Reserve for Capital Outlay. The transfer to the Reserve for Capital Outlay includes the following: <ul style="list-style-type: none"> ○ A transfer of \$1,000,000 annually to make payments on Certificates of Participation. The 2018-19 payment of \$996,064 for Certificates of Participation (COPs), issued in 2001 and 2008 for facilities projects, comes from the capital reserve and the Developer Fee Fund (split 67% / 33%). The total remaining repayment is \$4.7 million over the next six years. Amounts not needed for debt service are reserved in the capital reserve for future needs. ○ A transfer of \$100,000 to continue the District’s replacement fund for artificial turf replacement. The goal is to be able to fund replacement of artificial turf field surfaces approximately every 10 to 15 years (depending on wear)