

Los Gatos-Saratoga
Union High School District

**2019-20 Second Interim
Report**

March 10, 2020

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This document, the Second Interim Report, covers the financial and budgetary status of the District for the period ending January 31, 2020. The report certifies that the District can meet all of its financial obligations for the current fiscal year and subsequent two fiscal years. It is being presented to the Board of Trustees for approval and submission to the County Office of Education.

This report incorporates known changes from the budget that was revised at First Interim. The report reflects adjustments to tax revenues, changes in personnel costs and current spending trends.

UNRESTRICTED GENERAL FUND

Revenue Losses

The First Interim Report identified unforeseen reductions in taxes and Special Education funding. At Second Interim the outlook for taxes has improved. Taxes are expected to increase 4.8% rather than 4.36% as projected at First Interim. Overall General Fund revenues are expected to be \$405,436 higher than at First Interim. This includes expected insurance payments to offset repair costs for the Saratoga High School kiln fire.

Both Counties	Secured	HOPTR	Unsecured	Misc	RDA	TOTAL
19-20 2 nd Interim	46,400,997	186,799	2,925,223	7,047	210,000	49,730,066
18-19 Actual	44,028,709	191,063	3,039,019	7,758	185,011	47,451,559
Increase (Decrease)	5.39%	-2.23%	-3.74%	-9.16%	13.51%	4.80%

Special Education funding remains lower by \$247,000 due a change that was made in how mental health funds are distributed to the members of SELPA III. This funding reduction is ongoing.

Expenditure Reductions

Schools and District departments were tasked with reducing spending. Some budgets were reduced or eliminated in this effort. Other budgets had to be adjusted upwards to reflect current spending trends. The inter-fund transfer to the Cafeteria fund has been significantly increased. Free meals have increased almost three times, and lunch debt has increased almost five times. This budget reflects a conservative approach that assumes that all the lunch debt is uncollectible. Staff continues efforts to obtain payment for unpaid lunches. The contribution has risen from \$115,837 at First Interim to \$227,576 at Second Interim. Overall the position of the Unrestricted General Fund has improved by \$301, 575.

At First Interim the budget was balanced by transferring in funds from other funds:

- The Retiree Benefit Fund: \$201,699 was expected to be transferred at First interim. That figure is now \$9,908
- The Special Reserve Fund: \$111,813 was expected to be transferred at First interim. That figure is now \$0

Change in Tax Assumptions for Future Years

Because tax revenues increases remain lower than prior years, and because the possibility of a recession remains, the District will continue to use the tax assumptions that were used at First Interim.

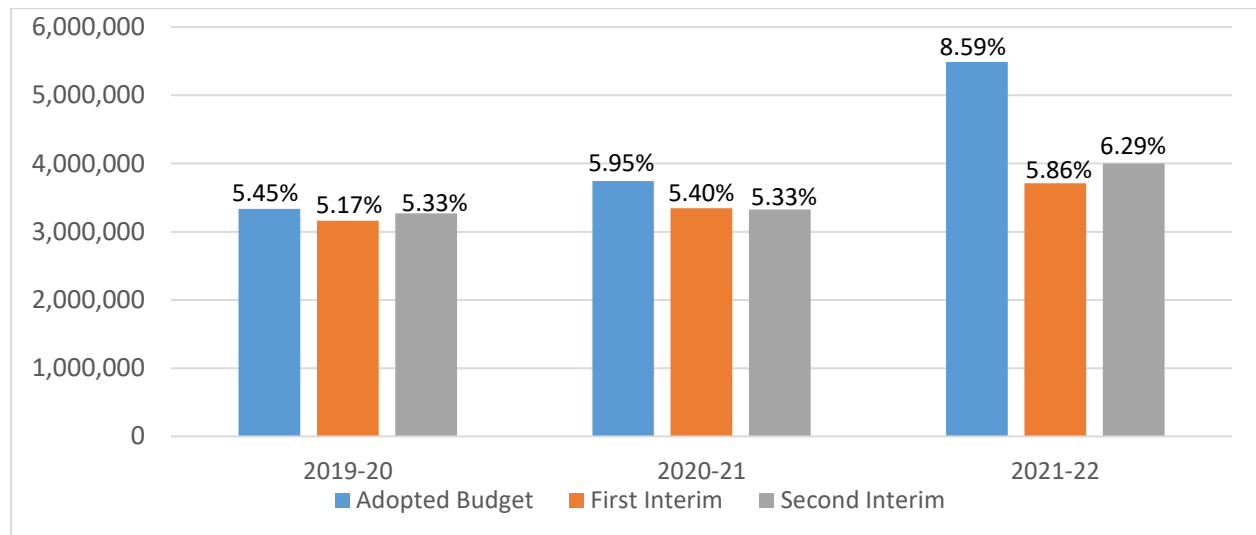
Assumed Tax Increase	2019-20	2020-21	2021-22	2022-23	2023-24
Budget Adoption	5.25%	4.5%	4.5%	4.5%	4.5%
First Interim	4.36%	4.0%	3.5%	3.5%	3.5%
Second Interim	4.80%	4.0%	3.5%	3.5%	3.5%

With the assumption that identified budget reductions are ongoing, transfers from other funds are no longer necessary in 2020-21 and beyond.

In 2021-22 and beyond, low tax assumptions are mitigated by projected declining enrollment and associated staffing reductions.

Reserves

The projected unrestricted ending balance in 2019-20 is \$0. The unrestricted fund balance in the General Fund, plus the \$3,261,766 balance in the Special Reserve Fund for Non Capital Outlay, together form the District’s reserve for Economic Uncertainties.



The required state minimum reserve is 3%. The District has established a 4% reserve policy (BP 3100), although a strategic reserve of 10% is desired.

Unrestricted General Fund Summary

Item	First Interim Budget	Second Interim Budget	Difference	Projected 2020-21	Projected 2021-22
Revenue	52,477,014	52,914,793	437,779	54,797,286	56,598,585
Expenditures	43,574,018	43,566,140	(7,878)	44,641,867	45,508,932
Revenue - Expense	8,902,996	9,348,653	445,657	10,155,419	11,089,653
Contributions	(9,238,378)	(9,270,721)	(32,343)	(9,889,157)	(10,174,457)
Fund Balance Incr./Decr.	(335,382)	77,932	413,314	266,262	915,196
Interfund Transfers In	313,512	9,908	(303,604)	-	-
Interfund Transfers Out	(115,837)	(227,576)	(111,739)	(237,626)	(267,339)
Beginning Fund Balance	139,736	139,736	-	-	28,636
Ending Fund Balance	2,029	-	(2,029)	28,636	676,493

Unrestricted General Fund Revenues and Other Funding Sources

Item	First Interim Budget	Second Interim Budget	Difference	Projected 2020-21	Projected 2021-22
LCFF (mostly local taxes)	50,197,831	50,566,957	369,126	52,517,760	54,320,933
Other State Revenue	779,030	779,030	-	729,373	727,499
Local Revenue	1,500,153	1,568,806	68,653	1,550,153	1,550,153
SUBTOTAL	52,477,014	52,914,793	437,779	54,797,286	56,598,585
Contributions	(9,238,378)	(9,270,721)	(32,343)	(9,889,157)	(10,174,457)
Interfund Transfers In	313,512	9,908	(303,604)	-	-
TOTAL	43,552,148	43,653,980	101,832	44,908,129	46,424,128

Unrestricted revenues in the General Fund consist primarily of local property taxes with some state support, lottery, and local revenues. Local revenues consist mostly of parcel tax revenues, rental income and interest.

Unrestricted revenues are reduced by contributions to restricted programs. These contributions are for Restricted Maintenance (a required contribution of 3% of total General Fund expenditures) and Special Education.

Property taxes are estimated to increase by 4.8% over the prior year. This is less than the increase that was estimated at the time the budget was adopted (5.25%) but higher than the projection at First Interim. The projected increase for subsequent years is 4.0% in 2020-21 and 3.5% thereafter.

Other local revenue has been increased in 2019-20 to reflect one-time insurance proceeds for the Saratoga High School Ceramics room fire.

Unrestricted General Fund Expenditures and Other Uses

Item	First Interim Budget	Second Interim Budget	Difference	Projected 2020-21	Projected 2021-22
Certificated Salaries	21,434,214	21,418,402	(15,812)	21,550,883	21,492,115
Classified Salaries	5,787,859	5,722,466	(65,393)	5,807,327	5,888,169
Benefits	11,147,224	11,126,954	(20,270)	11,961,016	12,478,102
Books and Supplies	1,245,212	1,140,373	(104,839)	1,003,140	999,518
Operating Expenses	3,945,236	4,105,744	160,508	4,281,605	4,589,668
Capital Outlay	-	18,897	18,897	-	-
Other Outgo	130,110	260,880	130,770	275,522	328,699
TOTAL	43,689,855	43,793,716	103,861	44,879,493	45,776,271

Salary and benefit budgets have been updated to reflect current costs. Budgets for non-personnel costs have been updated to reflect current needs in books, supplies, and other operating expenses. Other outgo includes tuition payments to the SCCOE, Interfund transfer to the Cafeteria. Also included in this category are indirect costs which are charged to categorical programs and reduce costs in the Unrestricted General Fund. Assumptions about various categories of expense that often exceed general

inflation are listed on page six. Examples are health and welfare, utilities, insurance and Special Education (which affects the Unrestricted General Fund in the contribution that is required to cover costs that exceed federal and state support). These cost increases are based on historical trends.

The adopted budget contained an estimated benefit cost increase. These rates are now known and are less than was anticipated. The budget for future years conservatively maintains a 9% annual increase.

RESTRICTED GENERAL FUND

Restricted General Fund Summary

Item	First Interim Budget	Second Interim Budget	Difference	Projected 2020-21	Projected 2021-22
Revenue	7,815,476	7,785,294	-30,182	7,617,011	7,642,860
Expenditures + Trf Out	17,451,978	17,521,695	69,717	17,506,168	17,817,317
Revenue - Expense	-9,636,502	-9,736,401	-99,899	-9,889,157	-10,174,457
Contribution fr Unres.	9,238,378	9,270,721	32,343	9,889,157	10,174,457
Fund Balance Incr/Decr	-398,124	-465,680	-67,556	0	0
Beginning Fund Balance	639,512	639,512	0	173,832	173,832
Ending Fund Balance	241,388	173,832	-67,556	173,832	173,832

Restricted General Fund Revenues and Other Sources

The Restricted General Fund accounts for sources of funds that are restricted by statute (federal and state) or by the donor (local). Revenues that are contributed by school-connected organizations to support coaches and other activities are recorded as restricted. The reduction in the ending fund balance in the Restricted General Fund in 2019-20 is primarily due to the spending down of Prop 39 Energy Efficiency carryover funds. Pool boilers are being replaced at both school sites in 2019-20.

Item	First Interim Budget	Second Interim Budget	Difference	Projected 2020-21	Projected 2021-22
Taxes (Sp.Education)	764,934	909,591	144,657	918,687	943,583
Federal Revenue	685,117	685,177	60	685,177	685,177
State Revenue	2,726,964	2,726,964	0	2,547,129	2,541,207
Local Revenue	3,638,401	3,463,562	-174,839	3,466,018	3,472,893
Contributions	9,238,378	9,270,721	32,343	9,889,157	10,174,457
TOTAL	17,053,794	17,056,015	2,221	17,506,168	17,817,317

Federal and State revenues have been adjusted to reflect the loss of Special Education mental health funding.

Restricted General Fund Expenditures and Other Uses

Item	First Interim Budget	Second Interim Budget	Difference	Projected 2020-21	Projected 2021-22
Certificated Salaries	2,981,291	2,970,834	-10,457	3,167,196	3,202,039
Classified Salaries	2,138,120	1,966,418	-171,702	1,995,428	2,015,887
Benefits	4,000,915	3,999,387	-1,528	4,236,811	4,349,249
Books and Supplies	714,948	865,673	150,725	883,371	884,388
Other Operating Exp.	4,598,547	4,729,256	130,709	4,854,817	5,018,158
Capital Outlay	675,207	647,177	-28,030	28,000	29,400
Other Outgo	133,086	133,086	0	130,680	108,331
Interfund Transfers Out	2,209,864	2,209,864	0	2,209,864	2,209,864
TOTAL	17,451,978	17,521,695	69,717	17,506,167	17,817,316

ASSUMPTIONS

REVENUE ASSUMPTIONS	2019-20	2020-21	2021-22
Enrollment			
October Enrollment	3,540	3,513	3,476
Enrollment Gain (Loss) over prior October	20	(27)	(37)
Gain (Loss) Percentage	0.57%	-0.76%	-1.05%
Budgeted Teacher Increase	0	0	0
Teacher Retirements (from prior June)	3	3	3
ADA			
P-2 ADA	3,394	3,348	3,313
ADA Gain (Loss)	39	(46)	(35)
ADA as Percent of Enrollment	95.9%	95.3%	95.3%
LCFF			
LGSUHSD LCFF (categorical minimum)	\$ 150,619	\$ 150,619	\$ 150,619
Education Protection Act (\$200 per ADA)	\$ 708,000	\$ 669,600	\$ 662,600
Other Revenue			
Property Tax Increase	4.80%	4.00%	3.50%
Redevelopment Agency Pass through	\$ 2,209,864	\$ 2,209,864	\$ 2,209,864
RDA Increase	0.00%	0.00%	0.00%
Parcel Tax	\$ 948,000	\$ 948,000	\$ 948,000
Special Education COLA	2.29%	2.71%	2.82%
COLA on Other State Resources	0.00%	0.00%	0.00%
COLA on Federal Resources	0.00%	0.00%	0.00%
Mandated Cost Block Grant	\$61.94	\$63.36	65.08%
Mandated Cost Block Grant	\$ 210,224	\$ 212,129	\$ 215,610
One time Funding (offsets to mandate claims)	\$ -	\$ -	\$ -
Lottery (Unrestricted) per ADA	\$ 153.00	\$ 153.00	\$ 153.00
Lottery (Unrestricted)	\$ 519,282	\$ 512,244	\$ 506,889

Lottery (Restricted) per ADA	\$ 54.00	\$ 54.00	\$ 54.00
Lottery (Restricted)	\$ 213,196	\$ 180,792	\$ 178,902

EXPENDITURE ASSUMPTIONS	2019-20	2020-21	2021-22
<u>Employer Rate</u>			
STRS RATE	17.10%	18.40%	18.10%
PERS RATE	19.721%	22.80%	24.90%
MEDICARE	1.45%	1.45%	1.45%
SOCIAL SECURITY	6.20%	6.20%	6.20%
UNEMPLOYMENT INSURANCE	0.05%	0.05%	0.05%
WORKERS COMPENSATION	1.3765%	1.3765%	1.3765%
Classified Salary Total Rates	28.798%	31.877%	33.977%
Certificated Salary Total Rates	19.977%	21.277%	20.977%

Health Plans

Rates change in January. Caps are average for the fiscal year

Monthly Employer Cap - Employee Only	850	908	990
Monthly Employer Cap - Employee +1	1,700	1,816	1,980
Monthly Employer Cap - Family	2,211	2,361	2,574
Percent Increase	0.7%	6.8%	9.0%

Percent Increases

UTILITIES	2.00%	2.00%	2.00%
PROPERTY and LIABILITY INSURANCE	40.00%	30.00%	2.00%
LEGAL COST (Special Ed)	10.00%	5.00%	5.00%
LEGAL COST (Other)	32.00%	-15.00%	22.00%
SPECIAL EDUCATION Non-Public Schools	-13.00%	5.00%	5.00%
BOARD ELECTION EXPENSE	\$0	\$50,000	\$0
INDIRECT COST RATE	7.21%	5.79%	5.79%

SCHOOL ALLOCATIONS

MATERIALS/SUPPLIES - SCHOOL SITES per student	\$103.5	\$103.5	\$103.5
Graduation per \$20,000 site	\$40,000	\$40,000	\$40,000
Furniture/Fixtures/Equipment (60/40 Split)	\$75,000	\$75,000	\$75,000
Sports/Training/Helmet/Referee (60/40 split)	\$110,000	\$110,000	\$110,000
Project Lead the Way/STEM \$15,000 per site	\$30,000	\$30,000	\$30,000
School Site Council (60/40 split)	\$40,000	\$40,000	\$40,000
Instructional Materials/Textbooks LGHS	\$100,000	\$100,000	\$100,000
Instructional Materials/Textbooks SHS	\$63,563	\$80,792	\$78,902
Extra-Curricular \$15,000 per site	\$30,000	\$30,000	\$30,000

SSC School District and Charter School Financial Projection Dashboard 2020-21 Governor's Proposed State Budget

This version of School Services of California Inc.'s (SSC) Financial Projection Dashboard is based on the 2020-21 Governor's State Budget proposal. We have updated the cost-of-living adjustment (COLA), Consumer Price Index (CPI), and ten-year T-bill planning factors per the latest economic forecasts. We have also updated the Local Control Funding Formula (LCFF) factors. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are general guidelines.

LCFF GRADESPAN FACTORS				
Entitlement Factors Per ADA*	K-3	4-6	7-8	9-12
2019-20 Base Grants	\$7,702	\$7,818	\$8,050	\$9,329
COLA at 2.29%	\$176	\$179	\$184	\$214
2020-21 Base Grants	\$7,878	\$7,997	\$8,234	\$9,543
Grade Span Adjustment Factors	10.4%	-	-	2.6%
Grade Span Adjustment Amounts	\$819	-	-	\$248
2020-21 Adjusted Base Grants	\$8,697	\$7,997	\$8,234	\$9,791
Supplemental Grants (% Adj. Base)	20%			
Concentration Grants (% Adj. Base)	50%			
Concentration Grant Threshold	55%			

*Average daily attendance (ADA)

PLANNING FACTORS						
Factors		2019-20	2020-21	2021-22	2022-23	2023-24
Statutory COLA ¹		3.26%	2.29%	2.71%	2.82%	2.60%
California CPI		3.09%	2.99%	2.89%	2.69%	2.73%
California Lottery	Unrestricted per ADA	\$153	\$153	\$153	\$153	\$153
	Restricted per ADA	\$54	\$54	\$54	\$54	\$54
Mandate Block Grant (District)	Grades K-8 per ADA	\$32.18	\$32.92	\$33.81	\$34.76	\$35.74
	Grades 9-12 per ADA	\$61.94	\$63.36	\$65.08	\$66.92	\$68.81
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$16.86	\$17.25	\$17.72	\$18.22	\$18.73
	Grades 9-12 per ADA	\$46.87	\$47.94	\$49.24	\$50.63	\$52.06
One-Time Discretionary Funds per ADA		-	-	-	-	-
Interest Rate for Ten-Year Treasuries		2.07%	2.25%	2.51%	2.50%	2.60%
CalSTRS Employer Rate ²		17.10%	18.40%	18.10%	18.10%	18.10%
CalPERS Employer Rate ³		19.721%	22.80%	24.90%	25.90%	26.60%

STATE MINIMUM RESERVE REQUIREMENTS	
Reserve Requirement	District ADA Range
The greater of 5% or \$69,000	0 to 300
The greater of 4% or \$69,000	301 to 1,000
3%	1,001 to 30,000
2%	30,001 to 400,000
1%	400,001 and higher

¹Applies to LCFF, Special Education, Child Nutrition, Preschool, Foster Youth, American Indian Education Centers/American Indian Early Childhood Education and Mandate Block Grant.

²California State Teachers' Retirement System (CalSTRS) rates in 2019-20 and 2020-21 are final. Rates in the following years are subject to change based on determination by the CalSTRS Board.

³California Public Employees' Retirement System (CalPERS) rate in 2019-20 is final. Rates in the following years are subject to change based on determination by the CalPERS Board.