

Los Gatos-Saratoga  
Union High School District

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**2020-21 Second Interim  
Report**

March 9, 2021

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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, 2021. 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.

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

The continued impact of COVID-19 has caused unprecedented unemployment and economic disruption. The economic downturn caused by the pandemic has no precedent and the recovery will be unlike previous recessions. As a community-funded district, the greatest impact to our school district will not be reduced state funding but rather the pandemic’s impact to property tax assessments and property tax collections.

## UNRESTRICTED GENERAL FUND

### Revenue Losses

This report reflects minor adjustments to revenue, including lowering local revenue for rents and leases. Revenue from rents and leases has been impacted by the pandemic as we have not allowed outside groups to rent our facilities.

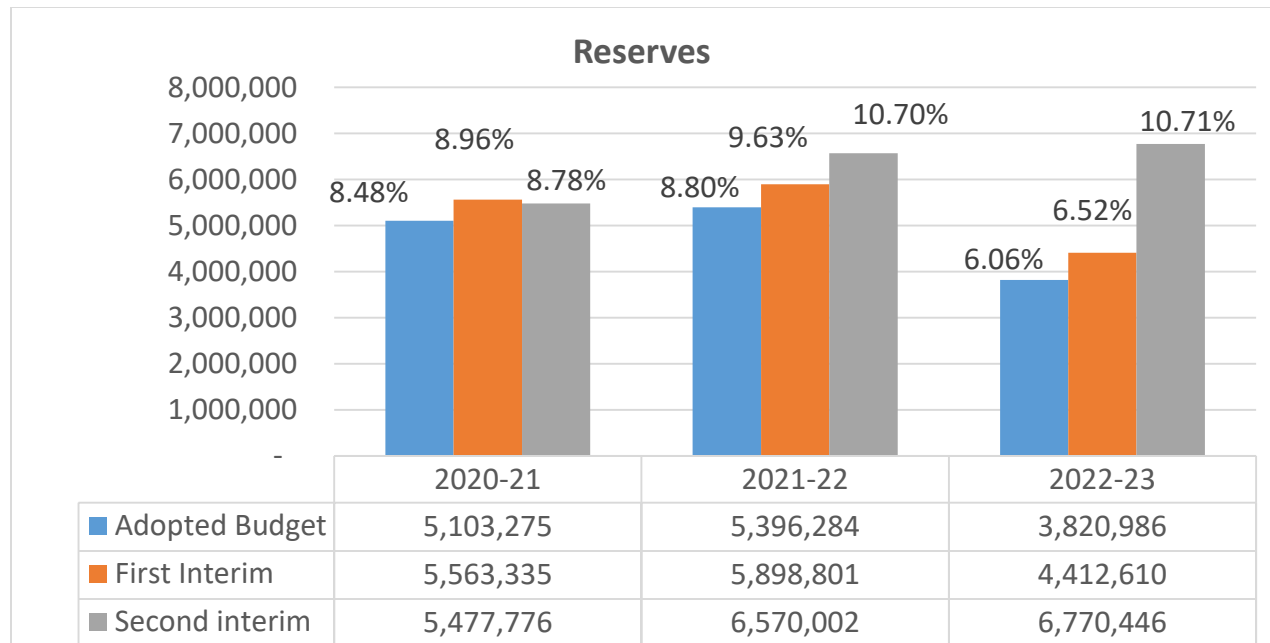
### Change in Tax Assumptions for Future Years

Second Interim includes increases to the tax assumptions in future years. The current year revenue is in line with the budget, but at this time it is not estimated that COVID-19 will have as large of an impact to future year values. Based on the tax assessor’s estimates, the Second Interim budget includes a 2% increase to property taxes in future years.

Assumed Tax Increase	2020-21	2021-22	2022-23
First Interim	3.0%	0.0%	0.0%
Second Interim	3.0%	2.0%	2.0%

### Reserves

The projected unrestricted ending balance in 2020-21 is \$2,186,487 a decrease of \$273,557 from the projected ending balance at First Interim. The unrestricted fund balance in the General Fund, plus the \$3,291,289 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 2021-22	Projected 2022-23
Revenue	54,187,290	54,009,988	(177,302)	55,194,928	56,213,534
Expenditures	43,253,494	43,295,628	42,134	43,891,151	45,186,235
Revenue - Expense	10,933,796	10,714,360	(219,436)	11,303,777	11,027,299
Contributions	(9,414,428)	(9,468,549)	(54,121)	(9,976,638)	(10,576,357)
Fund Balance Incr./Decr.	1,519,368	1,245,811	(273,557)	1,327,139	450,942
Interfund Transfers In	-	-	-	-	-
Interfund Transfers Out	(619,293)	(619,293)	-	(257,352)	(270,498)
Beginning Fund Balance	1,559,969	1,559,969	-	2,186,487	3,256,274
Ending Fund Balance	2,460,044	2,186,487	(273,557)	3,256,274	3,436,718

## Unrestricted General Fund Revenues

Item	First Interim Budget	Second Interim Budget	Difference	Projected 2021-22	Projected 2022-23
LCFF/Property Taxes (mostly local taxes)	52,082,136	52,061,211	(20,925)	53,087,984	54,122,563
Other State Revenue	677,114	686,737	9,623	677,114	658,153
Local Revenue	1,428,040	1,262,040	(166,000)	1,429,830	1,432,818
<b>SUBTOTAL</b>	<b>54,187,290</b>	<b>54,009,988</b>	<b>(177,302)</b>	<b>55,194,928</b>	<b>56,213,534</b>
Contributions	(9,414,428)	(9,468,549)	(54,121)	(9,976,638)	(10,576,357)
Interfund Transfers In	-	-	-	-	-
<b>TOTAL</b>	<b>44,772,862</b>	<b>44,541,439</b>	<b>(231,423)</b>	<b>45,218,290</b>	<b>45,637,177</b>

Unrestricted revenues in the General Fund consist primarily of state support, local property taxes, 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.

At the time of Budget Adoption, property taxes were estimated to increase 3% over 2019-20 estimates. Minor changes have been made to 2020-21 Property Taxes for Second Interim, the projection for subsequent years includes an increase of 2%. Other local revenue has been decreased to reflect lower rents and leases due to COVID-19 closures.

## Unrestricted General Fund Expenditures

Item	First Interim Budget	Second Interim Budget	Difference	Projected 2021-22	Projected 2022-23
Certificated Salaries	21,056,096	21,041,594	(14,502)	21,026,739	20,976,447
Classified Salaries	5,783,434	5,778,322	(5,112)	5,884,865	5,965,634
Benefits	11,293,865	11,322,935	29,070	11,861,990	12,960,549
Books and Supplies	933,218	933,218	-	936,656	932,296
Operating Expenses	4,124,510	4,157,188	32,678	4,112,650	4,283,497
Capital Outlay	-	-	-	-	-
Other Outgo	681,664	681,664	-	325,603	338,310
<b>TOTAL</b>	<b>43,872,787</b>	<b>43,914,921</b>	<b>42,134</b>	<b>44,148,503</b>	<b>45,456,733</b>

Salary and benefit budgets have been updated to reflect current costs. Multi-year budgets reflect projected step increases, the projected cost of new hires, and retirements. Budgets for non-personnel costs have been updated to reflect current needs in books, supplies, and other operating expenses. Current and multi-year projections include one-time costs, as well as costs that do not occur every year (e.g. election expense).

The projection for future year benefit costs includes a conservative 9% annual increase. Health Insurance rates in future years may be impacted by COVID-19.

## RESTRICTED GENERAL FUND

### Restricted General Fund Summary

Item	First Interim Budget	Second Interim Budget	Difference	Projected 2021-22	Projected 2022-23
Revenue	8,823,627	9,034,760	211,133	7,305,494	7,220,623
Expenditures + Trf Out	18,238,055	18,503,309	265,254	17,252,065	17,757,640
Revenue – Expense	-9,414,428	-9,468,549	-54,121	-9,946,571	-
Contribution fr Unres.	9,497,252	9,468,549	-28,703	9,976,638	10,576,357
Fund Balance Incr/Decr	82,824	0	-82,824	30,067	39,340
Beginning Fund Balance	357,017	357,017	0	357,017	387,084
Ending Fund Balance	439,841	357,017	-82,824	387,084	426,424

### Restricted General Fund Revenues

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.

Item	First Interim Budget	Second Interim Budget	Difference	Projected 2021-22	Projected 2022-23
Taxes (Sp.Education)	1,062,596	1,050,539	-12,057	986,154	908,425
Federal Revenue	1,841,250	1,871,849	30,599	681,621	681,621
State Revenue	2,776,802	2,777,446	644	2,494,568	2,486,968
Local Revenue	3,142,979	3,334,926	191,947	3,143,151	3,143,609
Contributions	9,414,428	9,468,549	54,121	9,976,638	10,576,357
TOTAL	18,238,055	18,503,309	265,254	17,282,132	17,796,980

Local revenues have been adjusted to reflect additional donated revenue received since First Interim.

## Restricted General Fund Expenditures

Item	First Interim Budget	Second Interim Budget	Difference	Projected 2021-22	Projected 2022-23
Certificated Salaries	2,888,471	2,938,887	50,416	2,974,259	3,000,667
Classified Salaries	1,902,502	1,886,863	-15,639	1,910,982	1,941,669
Benefits	4,087,355	4,204,617	117,262	4,265,341	4,490,313
Books and Supplies	2,609,595	2,725,659	116,064	1,262,389	1,237,797
Other Operating Exp.	4,427,183	4,424,334	-2,849	4,520,270	4,766,160
Capital Outlay	0	0	0	28,000	29,400
Other Outgo	113,085	133,086	20,001	130,680	108,331
Interfund Transfers Out	2,209,864	2,209,864	0	2,209,864	2,209,864
<b>TOTAL</b>	<b>18,238,055</b>	<b>18,523,310</b>	<b>285,255</b>	<b>17,301,785</b>	<b>17,784,201</b>



## SSC School District and Charter School Financial Projection Dashboard 2021–22 Governor’s Budget

This version of School Services of California Inc.’s (SSC) Financial Projection Dashboard is based on the 2021–22 Governor’s 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.

<b>LCFF PLANNING FACTORS</b>					
Factor	2020–21	2021–22	2022–23	2023–24	2024–25
Department of Finance (DOF) Estimated Statutory COLA	2.31%	1.50% <sup>1</sup>	2.98%	3.05%	N/A
DOF Estimated Funded COLA	0.00%	3.84% <sup>2</sup>	2.98%	3.05%	N/A
SSC Estimated Statutory COLA <sup>3</sup>	0.00%	3.84%	1.28%	1.61%	1.90%

<b>LCFF GRADE SPAN FACTORS FOR 2021–22</b>				
Entitlement Factors per ADA*	K–3	4–6	7–8	9–12
2020–21 Base Grants	\$7,702	\$7,818	\$8,050	\$9,329
Compounded COLA at 3.84%	\$296	\$300	\$309	\$358
2021–22 Base Grants	\$7,998	\$8,118	\$8,359	\$9,687
Grade Span Adjustment Factors	10.4%	–	–	2.6%
Grade Span Adjustment Amounts	\$832	–	–	\$252
2021–22 Adjusted Base Grants <sup>4</sup>	\$8,830	\$8,118	\$8,359	\$9,939

\*Average daily attendance (ADA)

<b>OTHER PLANNING FACTORS</b>						
Factors		2020–21	2021–22	2022–23	2023–24	2024–25
California CPI		1.44%	1.57%	1.82%	2.12%	2.40%
California Lottery	Unrestricted per ADA	\$150	\$150	\$150	\$150	\$150
	Restricted per ADA	\$49	\$49	\$49	\$49	\$49
Mandate Block Grant (District)	Grades K–8 per ADA	\$32.18	\$32.66	\$33.08	\$33.61	\$34.25
	Grades 9–12 per ADA	\$61.94	\$62.87	\$63.67	\$64.70	\$65.93
Mandate Block Grant (Charter)	Grades K–8 per ADA	\$16.86	\$17.11	\$17.33	\$17.61	\$17.94
	Grades 9–12 per ADA	\$46.87	\$47.57	\$48.18	\$48.96	\$49.89
Interest Rate for Ten-Year Treasuries		0.98%	1.48%	1.65%	1.90%	2.10%
CalSTRS Employer Rate <sup>5</sup>		16.15%	15.92%	18.00%	18.00%	18.00%
CalPERS Employer Rate <sup>5</sup>		20.70%	23.00%	26.30%	27.30%	27.80%

<b>STATE MINIMUM RESERVE REQUIREMENTS</b>	
Reserve Requirement	District ADA Range
The greater of 5% or \$71,000	0 to 300
The greater of 4% or \$71,000	301 to 1,000
3%	1,001 to 30,000
2%	30,001 to 400,000
1%	400,001 and higher

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

<sup>2</sup>Amount represents the 2020–21 unfunded statutory COLA of 2.31% compounded with the 2021–22 estimated statutory COLA of 1.50%.

<sup>3</sup>Estimated Statutory COLAs in 2022-23 and beyond are estimated using an independent economist and represent an alternative more closely aligned with the changes in consumer price index.

<sup>4</sup>Additional funding is provided for students who are designated as eligible for free or reduced-price meals, foster youth, and English language learners. A 20% augmentation is provided for each eligible student with an additional 50% for each eligible student beyond the 55% identification rate threshold.

<sup>5</sup>California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) rates in 2020–21 and 2021–22 were bought down by a \$2.3 billion payment from state of California. Rates in the following years are subject to change based on determination by the respective governing boards.