

# Second Interim Report 2025-26



# *Patrick Bernhardt*

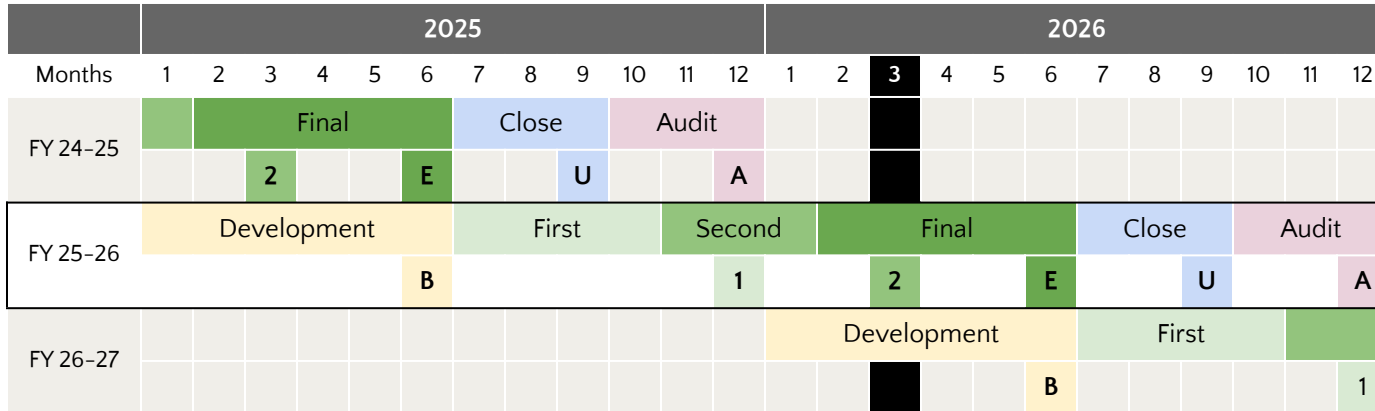
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# Fiscal Year Cycle



↑  
WE ARE HERE

B: Budget Adoption    1: First Interim    2: Second Interim    E: Estimated Actuals    U: Unaudited Actuals    A: Annual Audit



# Second Interim Update

**TABLE 1**

Comparison of Major General Fund (Unrestricted and Restricted) Categories First Interim versus Second Interim for 2025-26 Fiscal Year

**Key Change:** Substantial reduction in Net Transfers due to staff proposal to retain RDA pass-thru revenue in the general fund and use it to fulfill the state's routine restricted maintenance requirement.

	First Interim	Second Interim	Difference
<b>Revenues</b>	86,056,918	86,886,377	829,458
LCFF/Property Taxes	71,608,174	71,758,821	150,647
Federal Revenue	865,212	865,212	0
Other State Revenue	5,798,885	6,106,890	308,005
Other Local Revenue	7,784,647	8,155,454	370,806
<b>Expenditures</b>	86,026,510	86,327,758	301,274
Certificated Salaries	31,261,864	31,339,271	77,377
Classified Salaries	13,860,547	13,830,217	(30,330)
Employee Benefits	23,806,292	23,672,418	(133,874)
Books and Supplies	2,343,124	2,315,127	(27,998)
Services and Operating Exp	14,373,641	14,770,904	397,262
Other Outgo	326,428	326,428	0
<b>Net Transfers from/to Other Funds</b>	<b>(3,318,354)</b>	<b>(793,001)</b>	<b>2,525,353</b>
<b>Net Inc (Dec) in Fund Balance</b>	<b>(3,287,946)</b>	<b>(234,382)</b>	



# General Fund Revenue

2025-26 Second Interim Report



# Property Taxes

**TABLE 2**

Comparison of Major  
Ongoing Property Tax  
Components

**Key Changes:** Small  
increase in unsecured  
property tax revenue

**NOTE:** Property taxes  
make up 85% of General  
Fund revenue.

	First Interim	Second Interim	Difference
Secured Tax Roll	64,548,354	64,595,354	47,000
Unsecured Tax Roll	3,347,077	3,462,077	115,000
RDA Pass-Thru	3,157,000	3,157,000	0
RDA Residual	1,347,000	1,347,000	0
COE Property Tax Transfers	1,415,713	1,407,660	(8,053)



# Federal Revenue

**Key Changes:** There has been no change in federal revenue since First Interim.

**NOTE:** Federal revenue makes up 1% of General Fund revenue.

	First Interim	Second Interim	Difference
Revenues	86,056,918	86,886,377	829,458
LCFF/Property Taxes	71,608,174	71,758,821	150,647
<b>Federal Revenue</b>	<b>865,212</b>	<b>865,212</b>	<b>0</b>
Other State Revenue	5,798,885	6,106,890	308,005
Other Local Revenue	7,784,647	8,155,454	370,806
Expenditures	86,026,510	86,327,758	301,274
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Net Transfers from/to Other Funds	(3,318,354)	(793,001)	2,525,353
<b>Net Inc (Dec) in Fund Balance</b>	<b>(3,287,946)</b>	<b>(234,382)</b>	



# ADA Projection

**TABLE 3**

Actual and Projected  
Enrollment and Average  
Daily Attendance

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Enrollment	3,269	3,183	3,084	3,011	2,960	2,910
Avg Daily Attendance (ADA)*	3,061	3,004	2,896	2,857	2,809	2,761

**Key Changes:**

(1) Reduction of 3 students in certified ADA at the P-1 measurement period, which will lead to slight reductions in per student revenue projections; (2) Slight increases in all future enrollment and ADA projections due to slowing declining enrollment.

\*Average Daily Attendance is the average number of students present in District schools each day, and it is the primary factor in determining the size of per pupil allocations to districts.



# State Revenue

**Key Changes:** The District received a new state CTE incentive grant of \$311,000.

**NOTE:** State revenue makes up 7% of General Fund revenue.

	First Interim	Second Interim	Difference
<b>Revenues</b>	86,056,918	86,886,377	829,458
LCFF/Property Taxes	71,608,174	71,758,821	150,647
Federal Revenue	865,212	865,212	0
<b>Other State Revenue</b>	<b>5,798,885</b>	<b>6,106,890</b>	<b>308,005</b>
Other Local Revenue	7,784,647	8,155,454	370,806
<b>Expenditures</b>	86,026,510	86,327,758	301,274
Certificated Salaries	31,261,864	31,339,271	77,377
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Other Outgo	326,428	326,428	0
<b>Net Transfers from/to Other Funds</b>	<b>(3,318,354)</b>	<b>(793,001)</b>	<b>2,525,353</b>
<b>Net Inc (Dec) in Fund Balance</b>	<b>(3,287,946)</b>	<b>(234,382)</b>	



# Local Revenue

**Key Changes:** Increase of \$300,000 in the fair market value of the District's reserve held in marketable securities within the county treasury pool.

**NOTE:** Non-property tax local revenue makes up about 6% of General Fund revenue.

	First Interim	Second Interim	Difference
<b>Revenues</b>	86,056,918	86,886,377	829,458
LCFF/Property Taxes	71,608,174	71,758,821	150,647
Federal Revenue	865,212	865,212	0
Other State Revenue	5,798,885	6,106,890	308,005
<b>Other Local Revenue</b>	<b>7,784,647</b>	<b>8,155,454</b>	<b>370,806</b>
<b>Expenditures</b>	86,026,510	86,327,758	301,274
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<b>Net Transfers from/to Other Funds</b>	<b>(3,318,354)</b>	<b>(793,001)</b>	<b>2,525,353</b>
<b>Net Inc (Dec) in Fund Balance</b>	<b>(3,287,946)</b>	<b>(234,382)</b>	



# General Fund Expenditures

2025-26 Second Interim Report



# Planning Factors

**TABLE 4**  
Planning Factors for the  
2025-26 Second Interim  
Report and Multiyear  
Projection

**Key Changes:** Slight  
increases to enrollment  
projections in future  
years.

	2025-26	2026-27	2027-28
STRS Employer Contribution	19.10%	19.10%	19.10%
PERS Employer Contribution	26.81%	26.40%	26.90%
State Disability (OASDI)	6.20%	6.20%	6.20%
Medicare Employer Contribution	1.45%	1.45%	1.45%
Unemployment Insurance	0.05%	0.05%	0.05%
Workers' Compensation	1.5506%	1.5506%	1.5506%
Certificated Step & Column	actuals	1.25%	1.25%
Classified Step & Longevity	actuals	2%	2%
Health & Welfare Benefit Increase	actuals	9%	9%
COLA on State Programs	2.30%	3.02%	3.42%
California CPI	3.09%	2.82%	2.72%
Student Enrollment	3,011	2,960	2,910



# Expenditures

	First Interim	Second Interim	Difference
Revenues	86,056,918	86,886,377	829,458
LCFF/Property Taxes	71,608,174	71,758,821	150,647
Federal Revenue	865,212	865,212	0
Other State Revenue	5,798,885	6,106,890	308,005
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Expenditures	86,026,510	86,327,758	301,274
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Services and Operating Exp	14,373,641	14,770,904	397,262
Other Outgo	326,428	326,428	0
Net Transfers from/to Other Funds	(3,318,354)	(793,001)	2,525,353
<b>Net Inc (Dec) in Fund Balance</b>	<b>(3,287,946)</b>	<b>(234,382)</b>	



# Personnel Costs

**NOTE:** Personnel costs (i.e., salaries and benefits) make up 79.7% of budgeted General Fund expenditures.

**Salaries:** There are small variations in projected salary costs due to the timing of leaves of absence and positions that become vacant during the year.

**Benefits:** There were modest reductions in the projected costs of employee and retiree health and welfare benefit costs due to changes in benefit elections during open enrollment and due to qualifying events.



# Non-Personnel Costs

**NOTE:** Non-personnel costs make up about 19.7% of the General Fund expenditures.

**Contract Services:** Contract services have increased by 2.8%, or about \$400,000, since First Interim.

The growth is attributable to the increasing costs of IEP-required services provided by non-public schools, non-public agencies, and contract service providers.



# Transfers

**RDA Pass-Thru Reallocation:** Staff proposes to end the practice of transferring all of the District's RDA pass-thru property tax revenue into the Deferred Maintenance Fund (Fund 14) and the Special Reserve for Capital Outlay (Fund 40) and instead to use about \$2,500,000 of that revenue to fulfill the routine restricted maintenance requirement within the general fund.

This will relieve the unrestricted general fund, decrease deficit spending, and increase the current year ending fund balance by an equivalent amount. As a result, the District will be on a path to end deficit spending and maintain a 10% reserve by 2027-28.

The cost of this maneuver is a substantial reduction in ongoing revenue for facility projects and potential exposure to future facility replacement costs.



# Reserves

Ending Balances and the Multiyear Projection



# General Fund MYP

**TABLE 5**

Multi-Year Projections for  
the General Fund,  
Combined Restricted and  
Unrestricted

	2024-25	2025-26	2026-27	2027-28
<b>General Fund Revenue</b>	82,283,021	86,886,377	88,698,301	92,150,779
LCFF/Property Taxes Revenue	68,373,370	71,758,821	74,988,589	78,379,845
All Other Revenue	13,909,651	15,127,556	13,709,713	13,770,934
<b>General Fund Expenditures</b>	84,541,922	86,327,758	88,070,723	90,364,094
Salaries/Benefits	64,923,941	68,841,906	70,486,015	72,329,386
All Other Expenditures	15,607,658	17,485,852	17,584,708	18,034,708
<b>Net Transfers from/to Other Funds</b>	4,010,323	1,293,001	1,293,001	1,293,001
Transfers In (from Fund 20)	0	250,000	250,000	250,000
Transfers Out (to Funds 13, 14, and 40)	4,010,323	1,043,001	1,043,001	1,043,001
<b>Net Increase (Decrease) in Fund Balance</b>	(2,258,901)	(234,382)	(164,981)	993,684



# Reserve Projection – May

**TABLE 6**  
Summary of Reserves and  
Components of Ending  
Fund Balance from  
Adopted Budget  
(May 2025)

**NOTE: This precedes the  
ratification of the 5%  
salary increase for  
2025-26.**

	Fund 01 – General Fund (Unrestricted and Restricted)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance	8,160,450	8,162,291	9,364,396	11,912,203
Nonspendable	15,700	15,700	15,700	15,700
Restricted Funds	1,965,882	736,457	170,804	52,438
Available Reserve	6,178,869	7,425,834	9,177,892	11,844,065
	Fund 17 – Special Reserve (Other than Capital Outlay)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance / Available Reserve	3,510,231	3,595,231	3,680,231	3,765,231
Total Available Reserve (Funds 01 & 17)	9,689,100	<b>11,021,065</b>	12,858,123	15,609,296
Reserve Percentage	12.1%	<b>13.0%</b>	14.8%	17.5%



# Reserve Projection - June

**TABLE 6**  
Summary of Reserves and Components of Ending Fund Balance from AB 1200 Disclosure of the Negotiated Settlements (June 2025)

	Fund 01 – General Fund (Unrestricted and Restricted)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance	8,160,450	5,720,916	4,434,553	4,445,872
Nonspendable	15,700	15,700	15,700	15,700
Restricted Funds	1,965,882	736,457	170,804	52,438
Available Reserve	6,178,869	4,968,759	4,248,049	4,377,734
	Fund 17 – Special Reserve (Other than Capital Outlay)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance / Available Reserve	3,510,231	3,595,231	3,680,231	3,765,231
Total Available Reserve (Funds 01 & 17)	9,689,100	<b>8,563,990</b>	7,928,280	8,142,965
Reserve Percentage	12.1%	<b>9.8%</b>	8.9%	8.9%

**NOTE: This includes the 5% salary increase.**



# Reserve Projection - First Interim

**TABLE 6**  
Summary of Reserves and  
Components of Ending  
Fund Balance from First  
Interim Report  
(Dec 2025)

	Fund 01 – General Fund (Unrestricted and Restricted)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance	8,134,807	4,846,861	3,678,808	3,768,858
Restricted and Nonspendable Funds	2,301,021	1,778,913	1,198,873	740,631
Available Reserve	5,833,784	3,067,948	2,479,935	3,028,226
	Fund 17 – Special Reserve (Other than Capital Outlay)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance / Available Reserve	3,624,078	3,709,078	3,789,078	3,869,078
Total Available Reserve (Funds 01 & 17)	9,457,862	<b>6,777,026</b>	6,269,013	6,897,304
Reserve Percentage	11.2%	<b>7.6%</b>	7.0%	7.5%

**NOTE: This includes (1) the 5% salary increase and (2) updated financial information from the First Interim Report.**



# Reserve Projection - Second Interim

**TABLE 6**

Summary of Reserves and Components of Ending Fund Balance from Second Interim Report (Mar 2025)

**NOTE: This includes (1) the 5% salary increase, (2) updated financial information from the Second Interim Report, and (3) the change in RDA pass-thru revenue allocation.**

	Fund 01 – General Fund (Unrestricted and Restricted)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance	8,134,807	7,604,246	7,439,265	8,432,949
Restricted and Nonspendable Funds	2,301,021	1,170,298	1,028,538	879,412
Available Reserve	5,833,784	6,433,949	6,410,727	7,553,537
	Fund 17 – Special Reserve (Other than Capital Outlay)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance / Available Reserve	3,624,078	3,694,078	3,779,078	3,864,078
Total Available Reserve (Funds 01 & 17)	9,457,862	<b>10,128,027</b>	10,189,805	11,417,615
Reserve Percentage	11.2%	<b>11.6%</b>	11.4%	12.5%



# Reserve Projection - Contingent

**TABLE 6**  
Summary of Reserves and Components of Ending Fund Balance from Second Interim Report with Current District Salary Proposal to DTA (Mar 2025)

	Fund 01 – General Fund (Unrestricted and Restricted)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance	8,134,807	7,604,246	5,239,266	3,988,950
Restricted and Nonspendable Funds	2,301,021	1,170,298	1,028,539	879,412
Available Reserve	5,833,784	6,433,949	4,210,727	3,109,538
	Fund 17 – Special Reserve (Other than Capital Outlay)			
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Ending Fund Balance / Available Reserve	3,624,078	3,694,078	3,779,078	3,864,078
Total Available Reserve (Funds 01 & 17)	9,457,862	<b>10,128,027</b>	7,989,805	\$6,973,616
Reserve Percentage	11.2%	<b>11.6%</b>	8.8%	7.5%

**NOTE: This includes (1) the 5% salary increase, (2) updated financial information from the Second Interim Report, (3) the change in RDA pass-thru revenue allocation, and (4) the cost of the District's current salary offer to DTA.**



# Other Funds

Summary of Activity and Interactions with the General Fund



# Ending Balances

**TABLE 7**

Projected Ending Fund  
Balances as of June 30

*NOTES: The county  
controller-treasurer  
controls the Bond  
Redemption Fund.*

<b>Fund</b>	<b>Balance 6/30/25</b>	<b>Changes</b>	<b>Balance 6/30/26</b>
13 Cafeteria	13,637	889	14,526
14 Deferred Maintenance	478,061	(359,955)	118,106
17 Special Reserve (Non-Capital Outlay)	3,624,078	70,000	3,694,078
20 Postemployment Benefits	1,242,547	(33,200)	1,209,347
21 Building	5,414,463	(608,790)	4,805,673
25 Capital Facilities	813,890	171,681	985,571
40 Special Reserve (Capital Outlay)	14,449,081	274,032	14,723,113
51 Bond Redemption	4,266,252	3,689,324	7,955,576
73 Foundation Trust	471,050	7,000	478,050



# Conclusion

Staff Recommendations



# Deficit Spending Mitigations

1. Move eligible non-discretionary one-time expenses to the new one-time discretionary block grant
2. Evaluate ways in which to reduce the structural deficit in the Cafeteria Fund
3. Evaluate all contract services across the District and identify discretionary services that can be terminated
4. Examine special education spending to determine if there are any opportunities for savings
5. Conduct program evaluations to determine if there are areas where expenses and/or staffing should be adjusted
6. Identify ways to use facilities money to provide General Fund relief (i.e., energy efficiency projects to save electricity)



# Recommendation

Los Gatos-Saratoga Union High School District will be able to meet its financial obligations during the 2025-26 budget year and the two subsequent years.

**It is recommended that the Board approve the Second Interim Report, revise its adopted budget accordingly, and submit a positive certification to the County Superintendent of Schools.**

# Second Interim Report 2025-26

