

# 1<sup>st</sup> Interim Financial Report (2021-22)

Los Altos School District  
December 13, 2021 Board Meeting

# Introduction & Overview

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# Introduction

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- Reflects actual data (revenue & expenses) through Oct. 31
- First formal update of current year projections since Adopted Budget
- Action item - presented for review and approval
- ***Positive certification - we can meet our financial obligations for current and two future years***

# Overview

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- Our financial footing seems solid
  - Reserves expected to remain in double digits for the current year and foreseeable future
- What has triggered the increase in reserves?
  - *See next and subsequent slides*

# Growth in Reserves

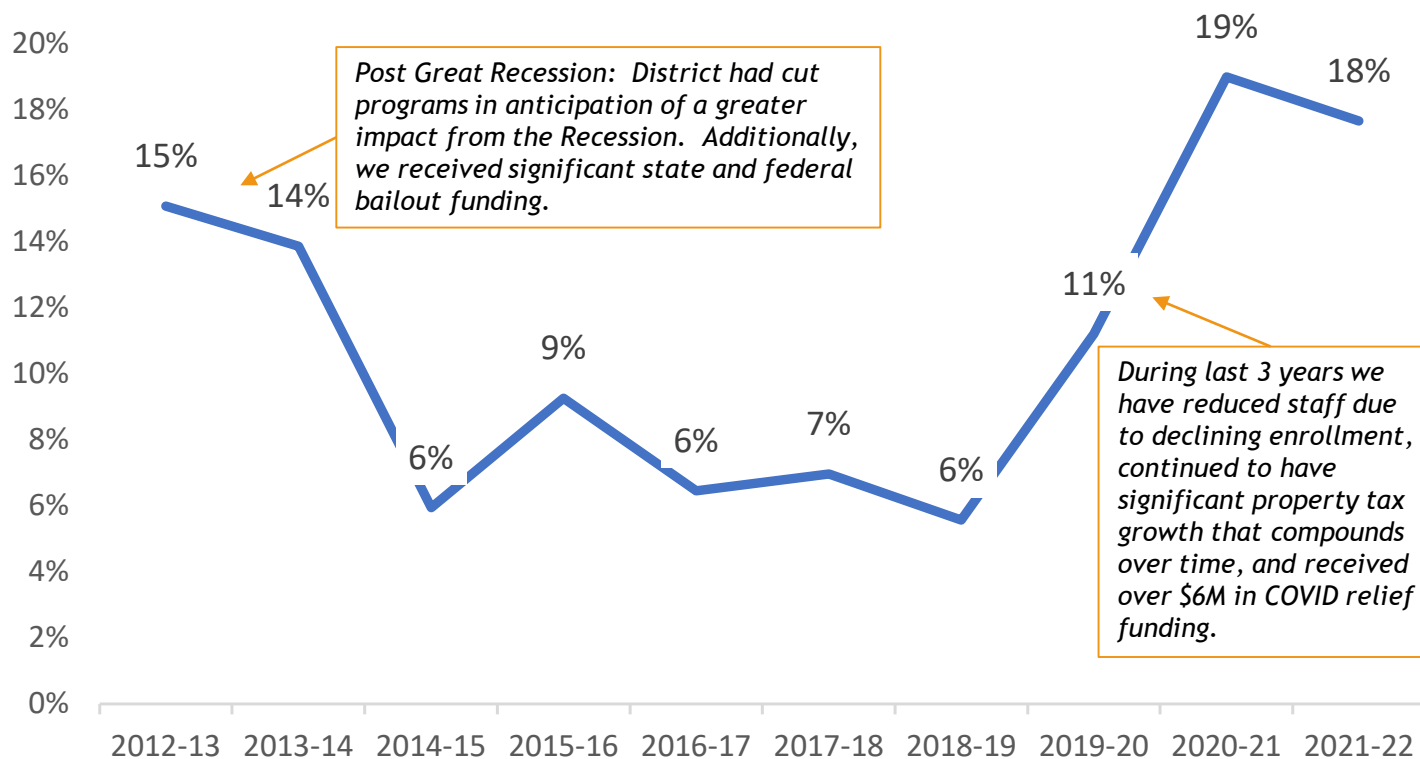
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- A variety of factors have triggered the growth in Reserves
  - Compounding effect of property tax growth
  - Decline in enrollment results in fewer teachers
  - Reduced expenses during pandemic due to full or partial closure of our schools and less outgo for substitutes, professional development and other consulting services
  - COVID relief funds have helped offset some normal facility upkeep and repair costs

# 10 Year History of Reserves

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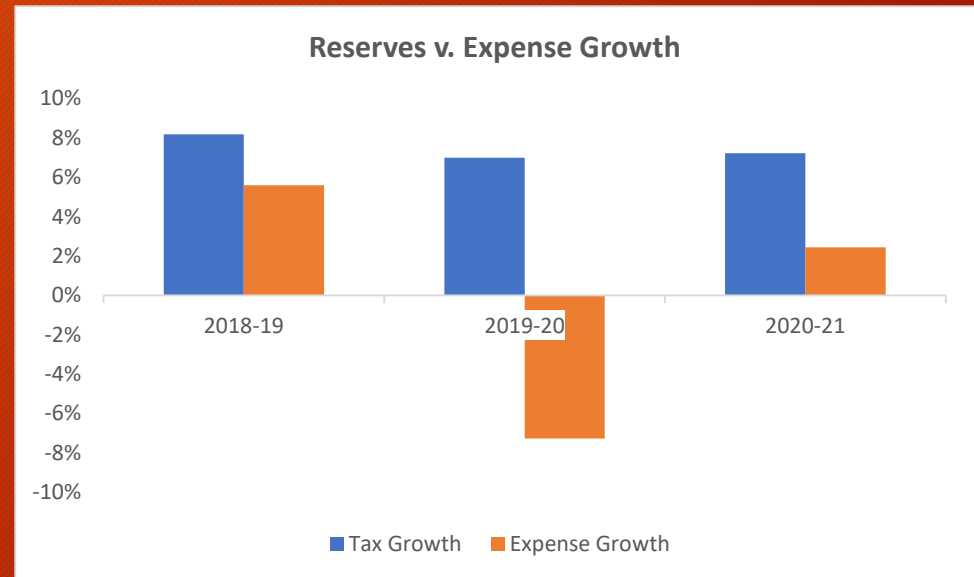
## Reserves over last 10 years



# Tax Growth

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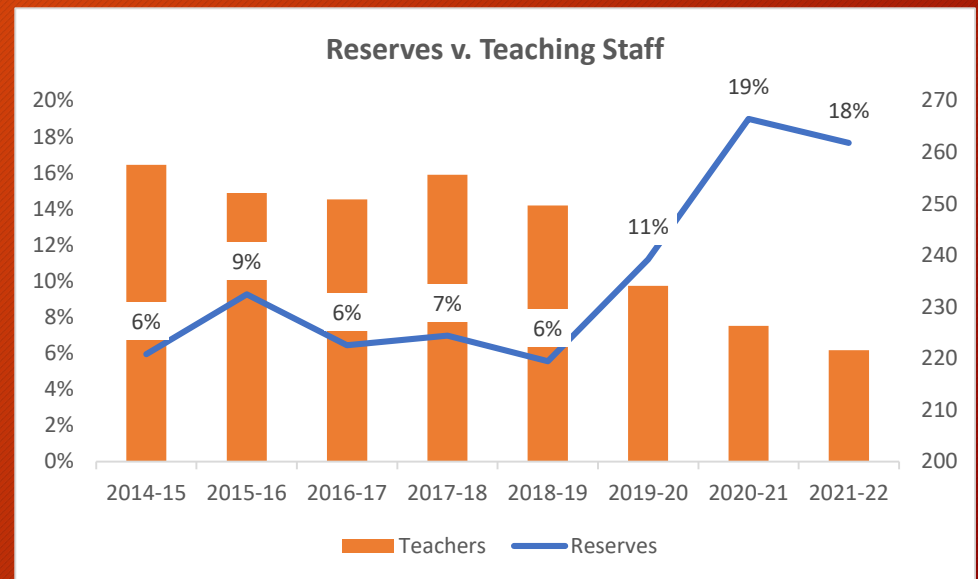
- Since 2012/13 property tax collections have grown by 66%, while total expenditures have grown only by 36%
- In the most recent 3 year period (2018/19 thru 2020/21), property tax collections have grown by 22% while total expenditures have grown only by 1%



# Teaching Staff

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- Since 2018/19 our teaching staff has declined by 28 FTE, from 250 down to 222 teachers in the current year
- As shown in the chart, this corresponds with the growth in reserves



# Overview

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General Fund	Adopted Budget	1 <sup>st</sup> Interim
Revenues	69.1 M	72.8 M
Expenditures (incl. transfers)	68.2 M	73.6 M
Net Change	0.9 M	<0.8 M>
Fund Balance	6.3 M	10.7 M
Unrestricted Fund Balance	6.3 M	9.4M
Reserves	14.6%	17.7%

-- 1<sup>st</sup> Interim fund balance reflects actuals from prior year in addition to current revenue and expenditure projections.

# General Fund Projections

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- **Total Revenues - 72.8 M**
  - Compared to 69.1 M projected in Adopted Budget (June)
- Variances primarily due to
  - COVID related one-time funding (1.9M)
  - Greater net property tax revenues (900k)
    - *Gross revenues are up 0.85% and transfer of tax revenues to BCS is down due to lower enrollment than originally budgeted*
  - Additional special education funding (600k)
  - Increase in projected lottery funding (140k)

# General Fund Projections

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- **Total Expenditures - 73.6 M**
  - Compared to 68.2 M projected in June
- **Variances primarily due to**
  - Additional 5% raise negotiated in June (2.3M)
  - One-time costs related to COVID, offset to funding (1.9M)
  - Unspent program manager monies carried forward into current year (1.2M)
- *\$600,000 set aside as part of Assigned (Restricted) Ending Balance to cover requested investment in teacher housing*

# 1<sup>st</sup> Interim v. Adopted Budget (Other Funds)

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- **Student Activity Fund (new)**
  - *Fund balance at 0; all funds assumed to be spent in same year as they are raised*
- **Deferred Maintenance Fund**
  - No change; fund balance at 11K
- **Special Reserve Funds**
  - No change; fund balance at 3.6M
- **Building Fund**
  - Fund balance projected at 25.4M (compared to 23.9M in June)
    - *Increase in estimated lease revenue*
- **Capital Facilities Fund**
  - No change; fund balance at 1.2M

# Multi-year Projections

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# Multi-Year Projections (MYP)

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- 3 Year Forecast (required by state)
  - 2021/22 through 2023/24
  - Reserves remain in double digits throughout the 3 year period
- 6 Year Forecast
  - 2021/22 through 2026/27
  - Under baseline forecast, reserves continue growing (even if parcel tax not renewed after June 2025)
  - *With annual 2% salary increases, reserves drop below district target of 8 - 10% in 2026-27*
  - *Other “what if” scenarios included below*

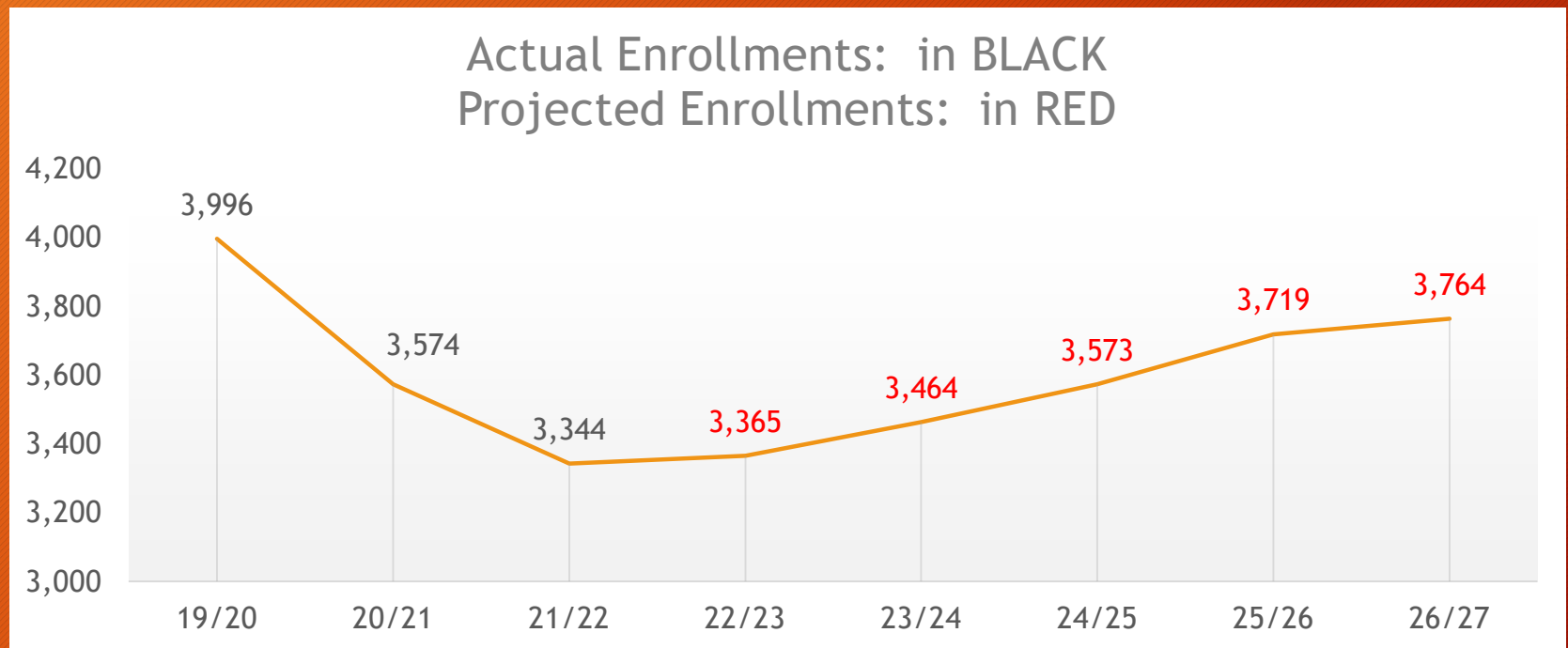
# Key Assumptions

(“baseline” forecast)

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- Property tax growth of 4% annually
- Slight enrollment growth
  - Implementation of Universal TK (all 4 year olds) over next four years
  - New housing stock and some families returning to district post-pandemic
  - Offset by larger upper grade cohorts leaving
- Additional staff due to enrollment growth
- BCS enrollment peaks at 1,111; remains constant thereafter
- No across-the-board raises in baseline projection
- \$223 parcel tax expires June 2025
- Rents & leases/facility use fees: return to pre-pandemic levels

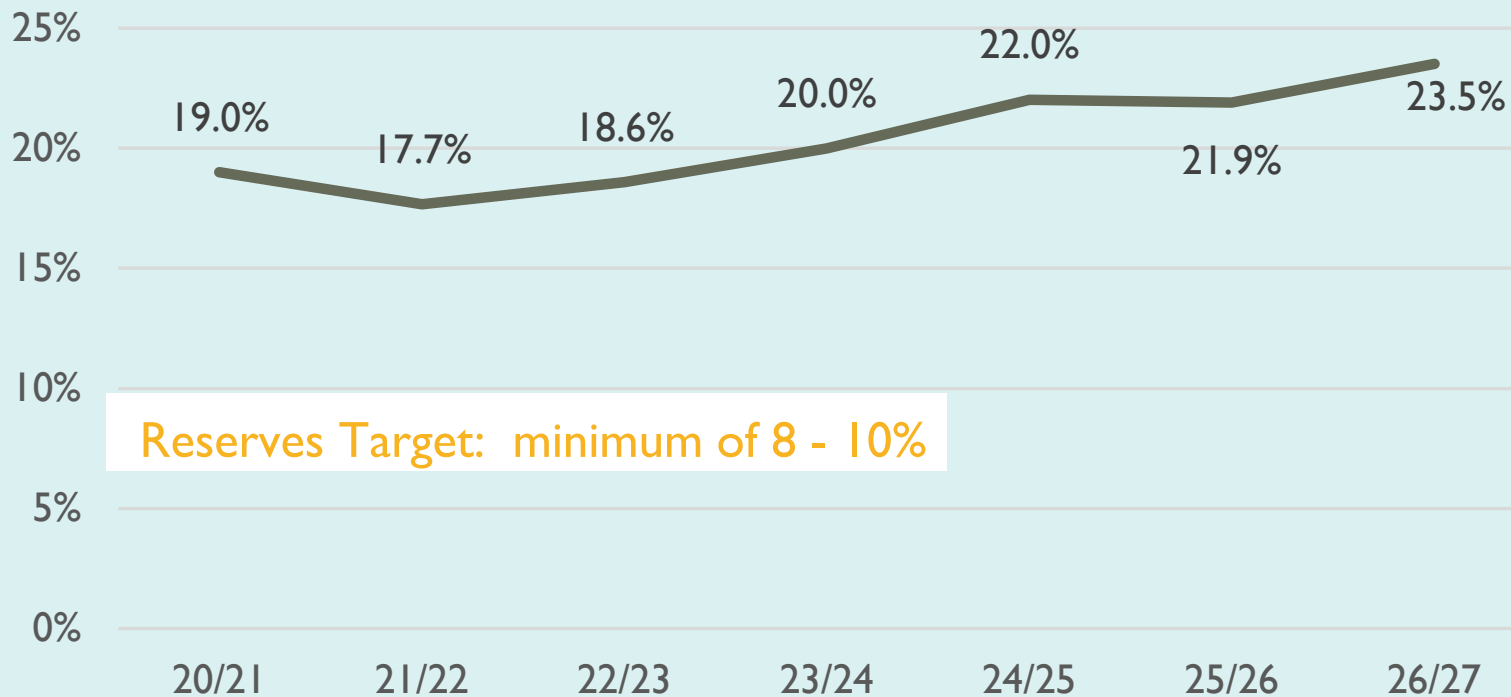
# Enrollments as of CBEDS Day (1<sup>st</sup> Wednesday in October)



# 1<sup>st</sup> Interim Projection (baseline)

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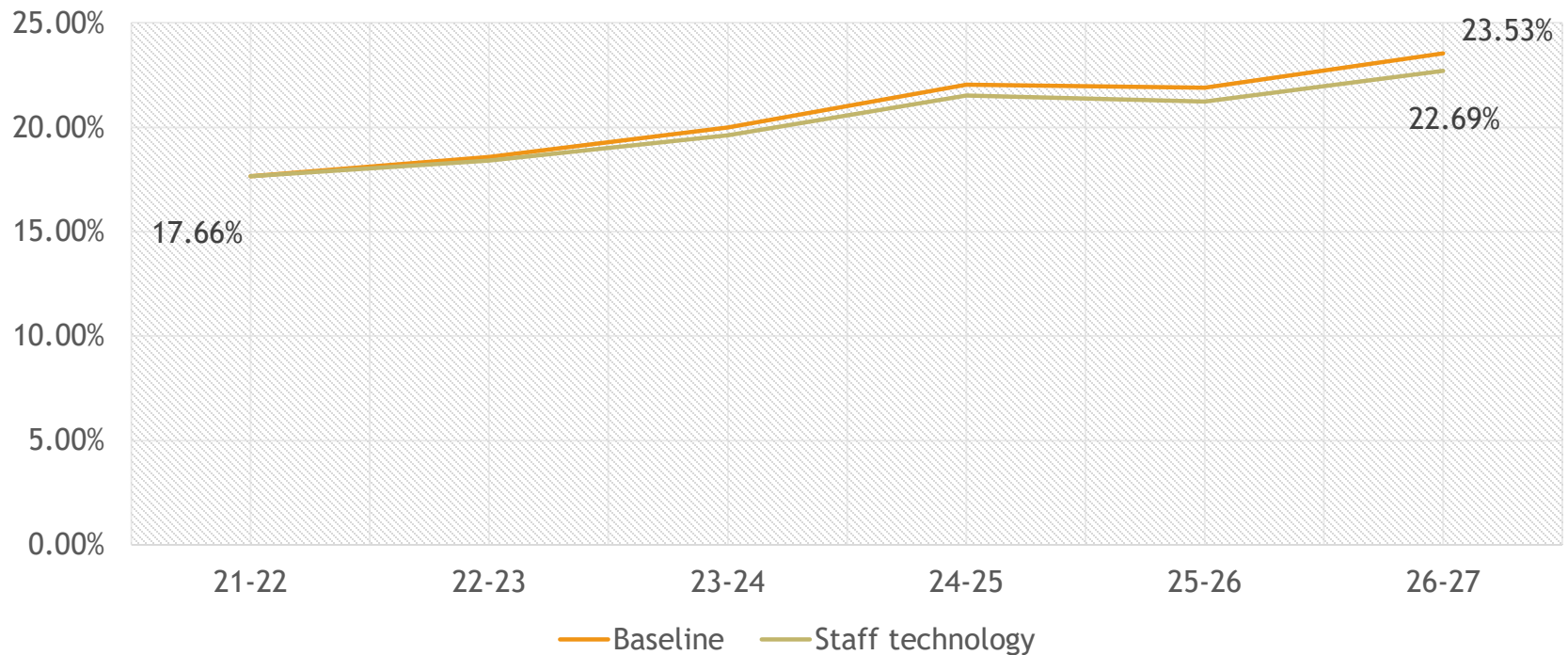
Projected Unrestricted Reserves  
(as of December 2021)



# What If scenario: \$120,000/yr. (\$600,000 cost amortized over 5 years)

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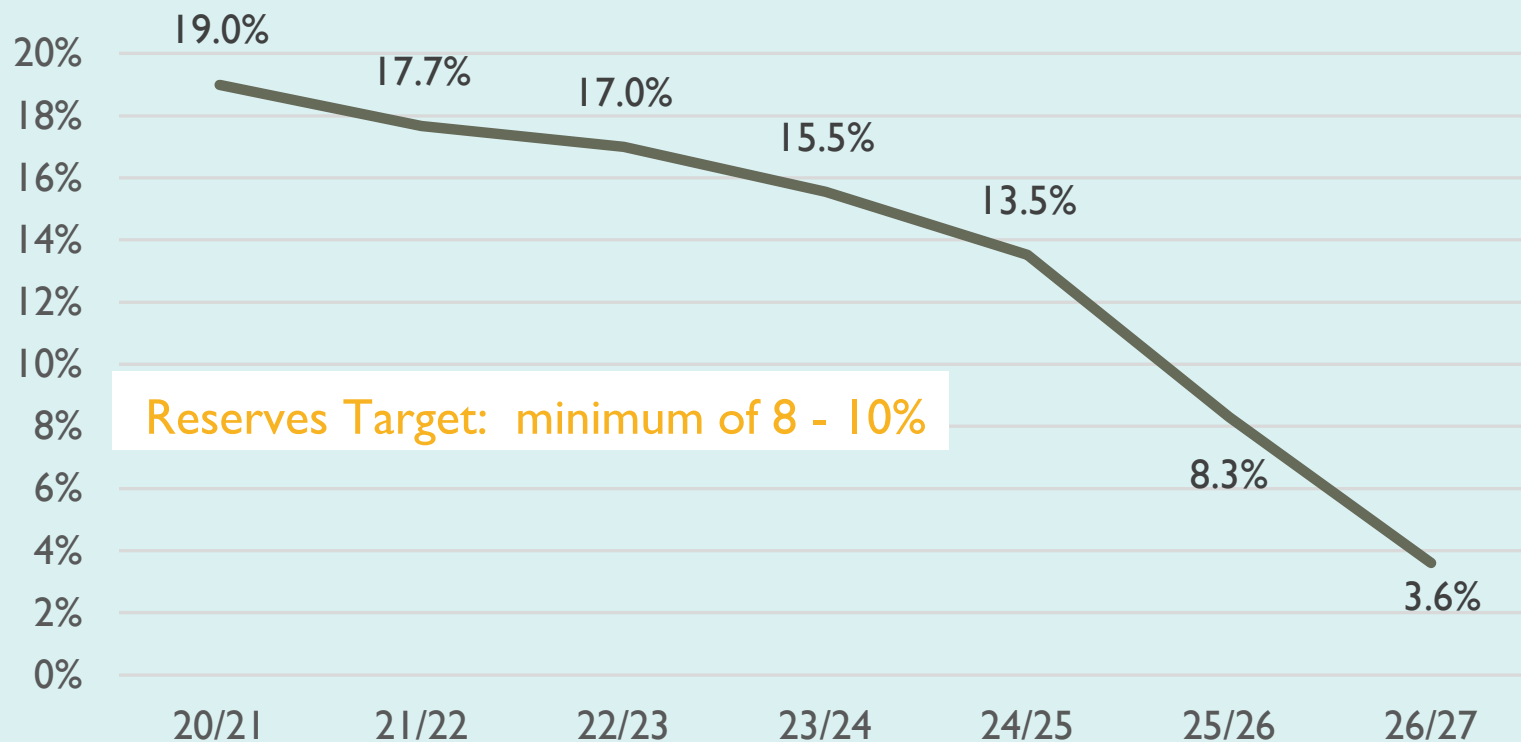
## If District assumed cost of technology for school staff members



# “What if” Projection: If annual 2% raise for employees

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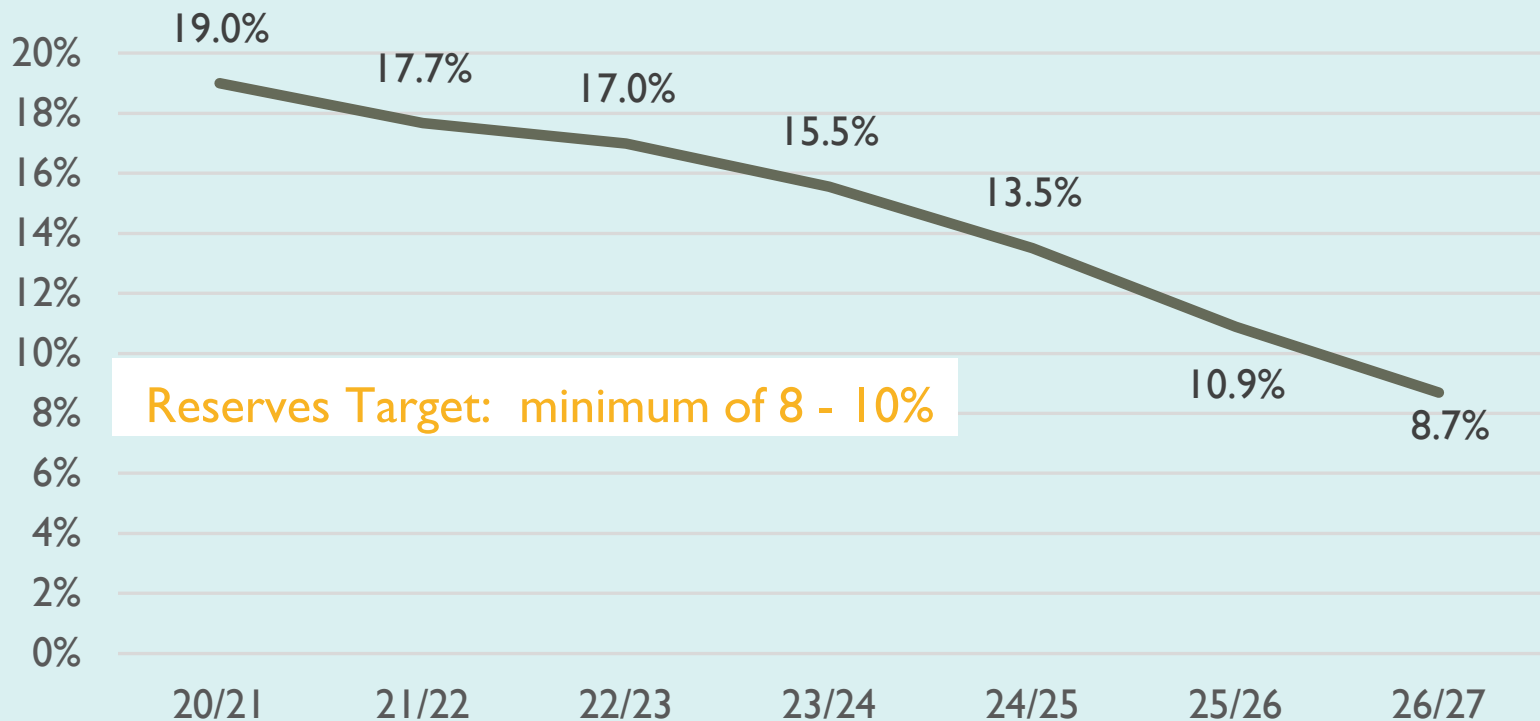
Projected Unrestricted Reserves  
(as of December 2021)



# “What if” Projection: If annual 2% raise for employees and parcel tax renewed

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## Projected Unrestricted Reserves (as of December 2021)

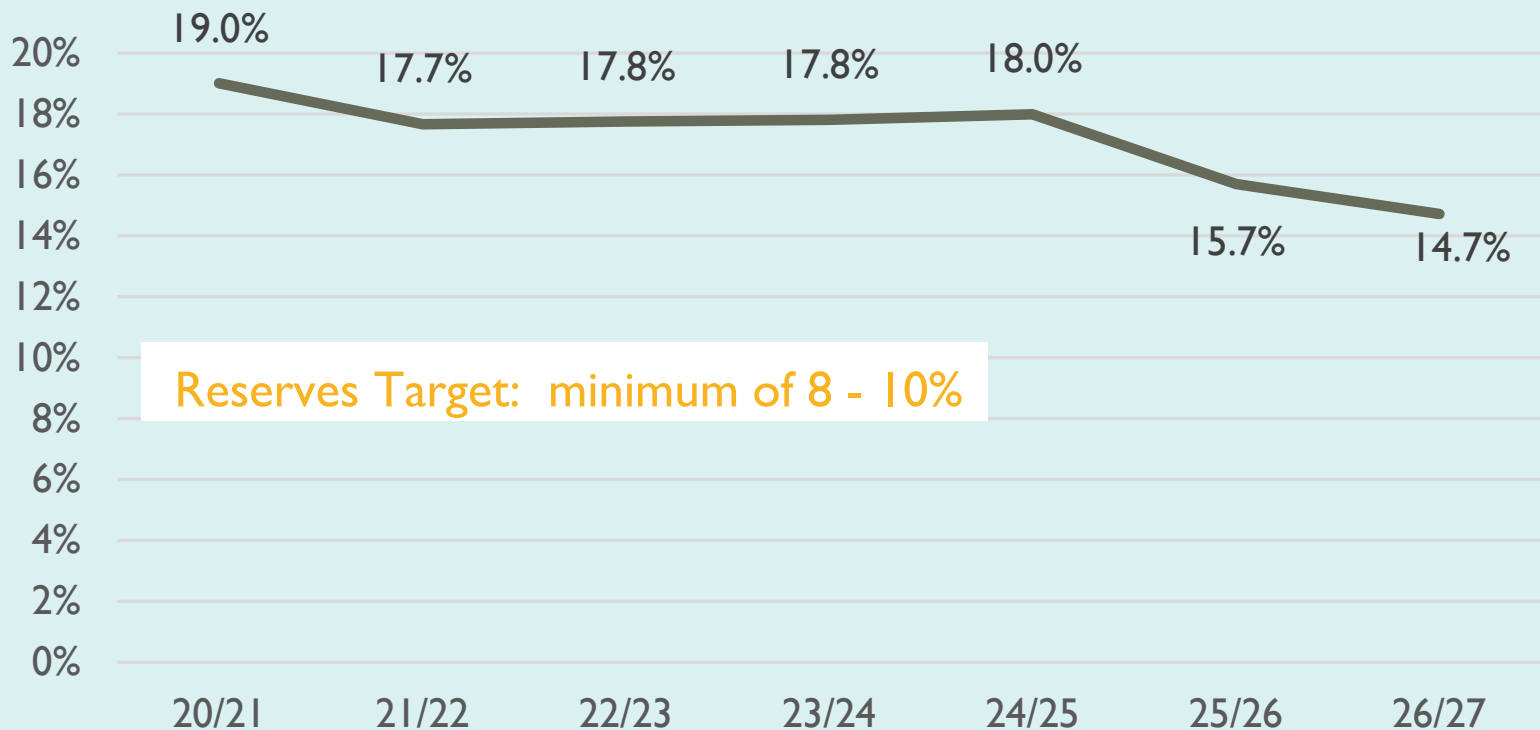


# “What if” Projection:

If annual 2% raise for employees and 5% annual property tax growth (no parcel tax renewal)

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Projected Unrestricted Reserves  
(as of December 2021)



# “What if” Projection: If County Board does not renew BCS charter

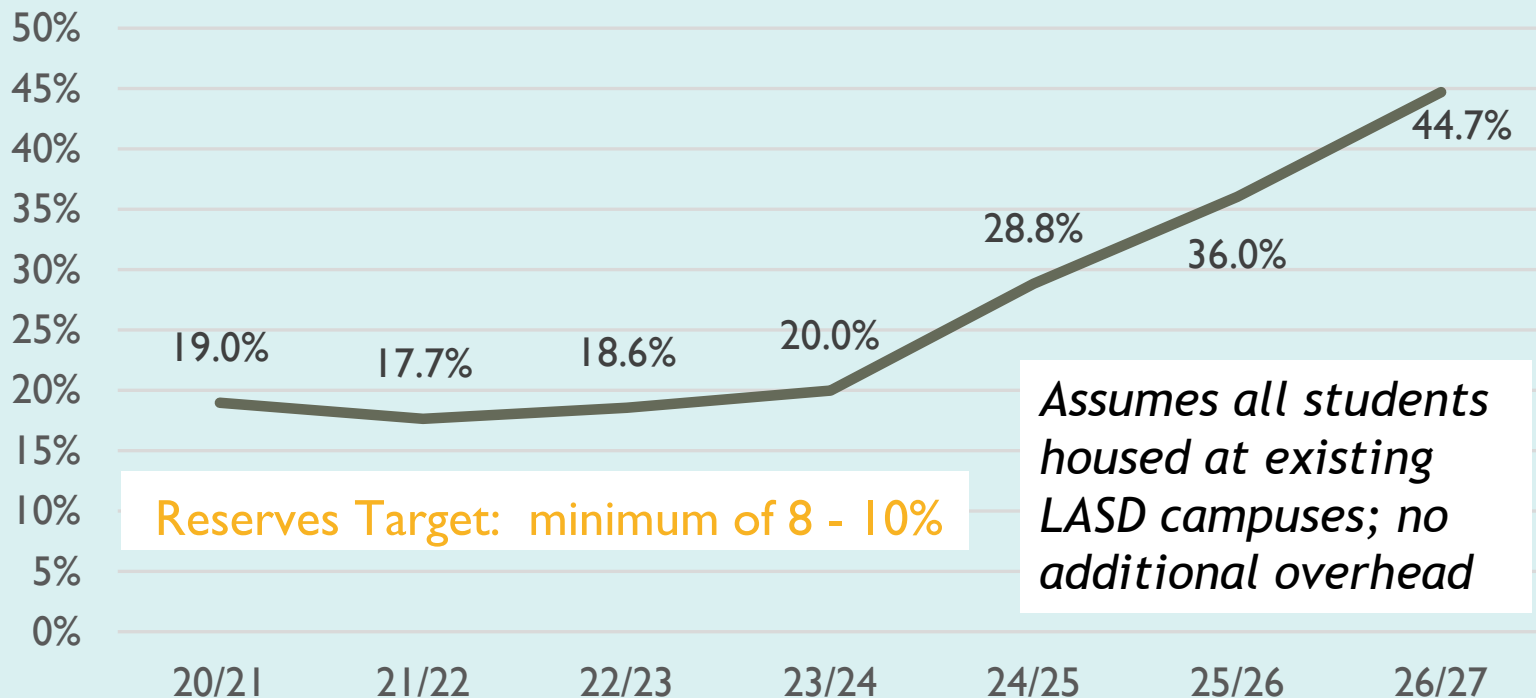
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- Bullis Charter School (BCS) has a charter that runs through the 2023/24 school year
- County Board has sent BCS a “letter of concern” re the demographic make-up of their student population, indicating it is in violation of state law requiring it to mirror the district’s demographics
  - As one possibility, the County Board could choose not to renew the charter
  - Thus we need to have a plan in place in case that happens
- If the County School Board decides not to renew the charter, we would expect many families to enroll their children in LASD schools
  - The following slide shows one possible scenario and the financial impact on the district

# “What if” Projection: If BCS closes 6/24 and 80% of their students enroll at LASD

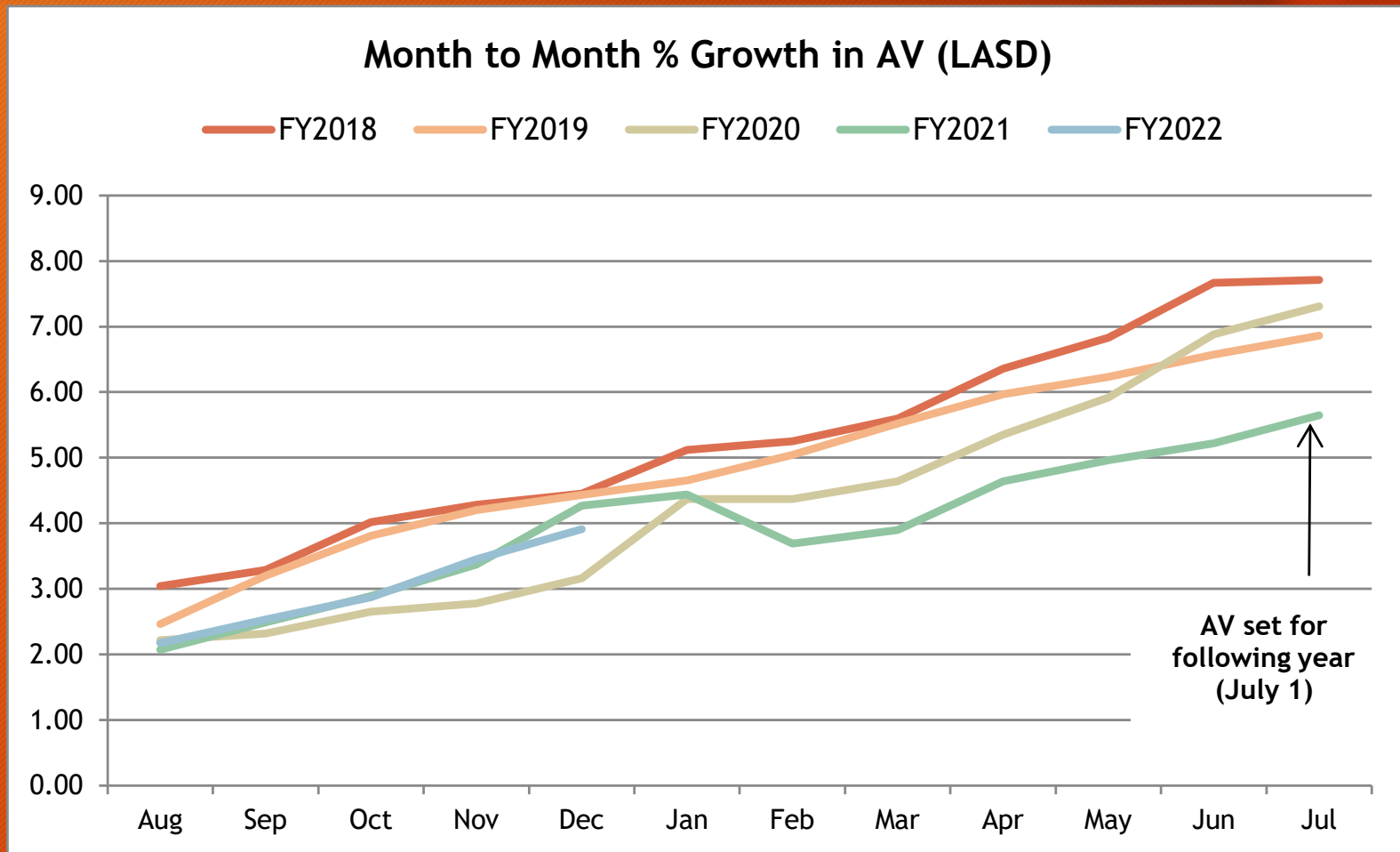
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## Projected Unrestricted Reserves (as of December 2021)



# History of AV Growth

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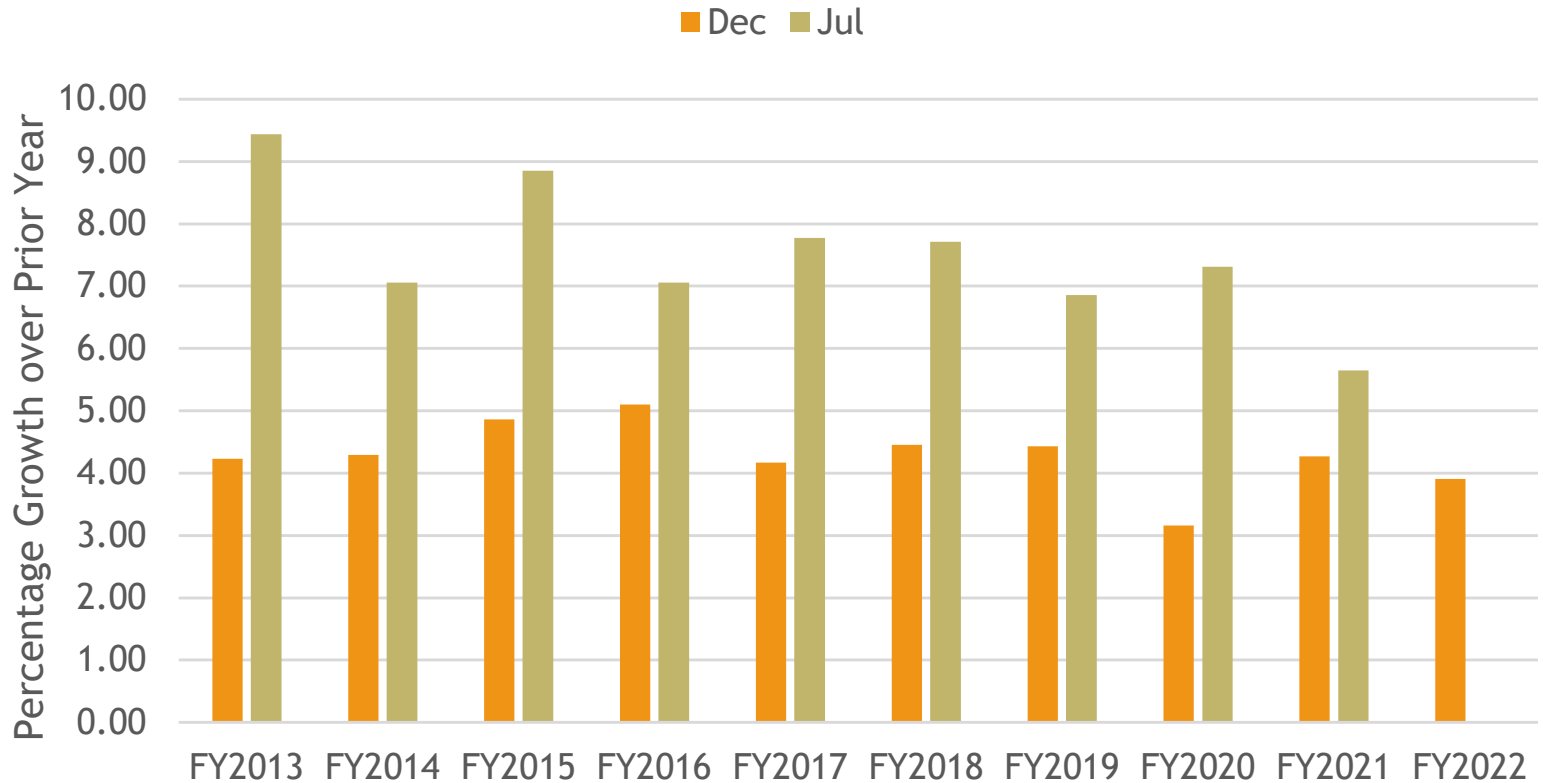


# AV Growth

(Growth thru Dec overstated by estimated inflation factor in FY2014 and FY2021)

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## Tax Roll Growth: December to July 1



# Concluding Slides

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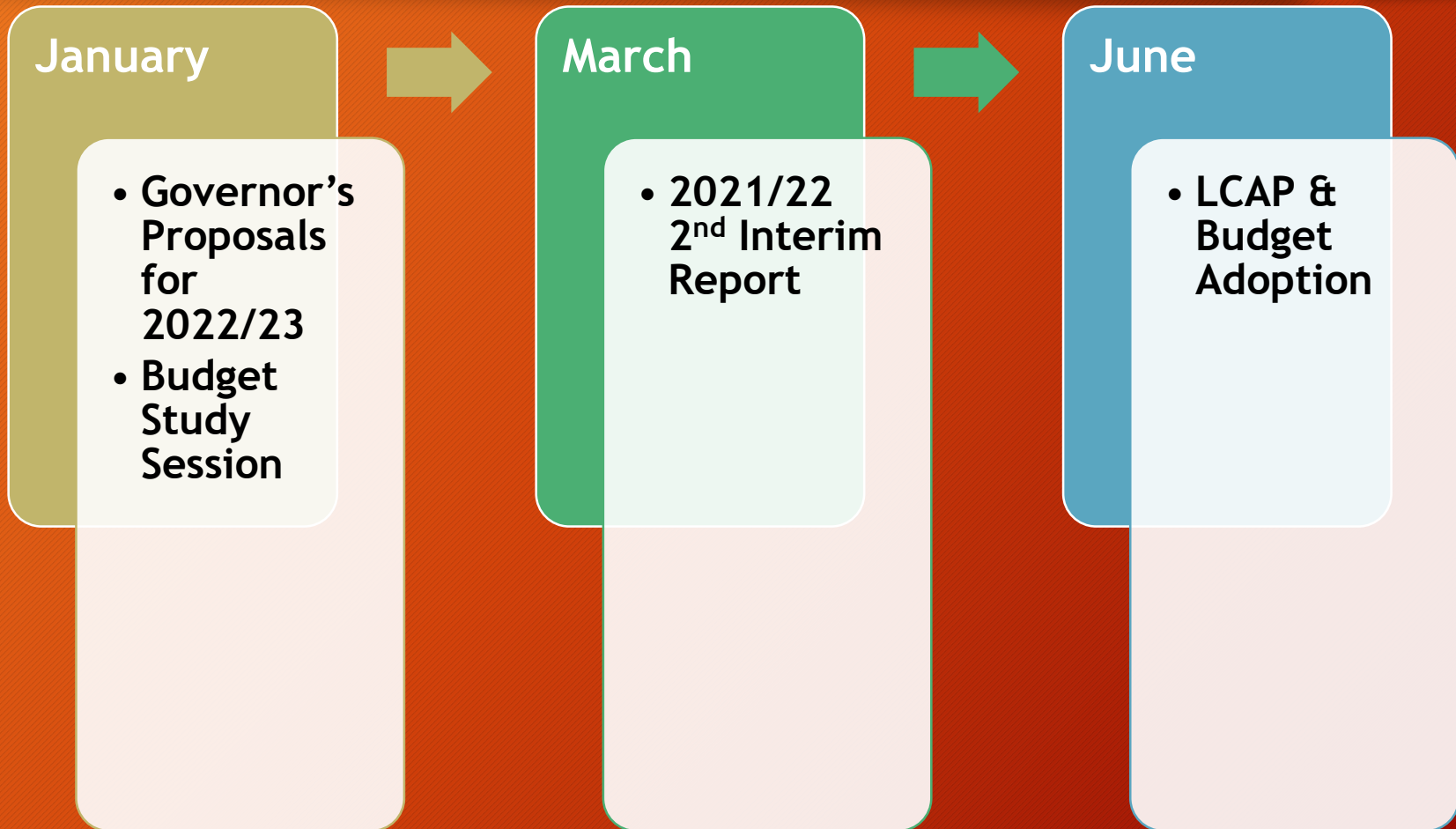
# Conclusion/Next Steps

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- 1<sup>st</sup> Interim Report shows that we have adequate reserves in the current and two subsequent years
  - *Included for this agenda item is the report in the state-required format and a report identifying the reserves amount in excess of the state-required minimum (3%) for our district*
- **Staff recommends approval of the 1<sup>st</sup> Interim Financial Report**
- **Does the board wish to consider having the district assume some technology costs currently borne by PTAs?**
- **Does the board want me to run a variety of other “what if” scenarios?**

# Timeline - What's Next

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- Next Page - Multi-Year Projection
  - The multi-year projection rolls current year revenue streams and current year program expenses forward—with some exceptions
    - Carryovers are one-time expenses and thus not carried forward
    - Other one-time revenues or expenses not carried forward
  - The multi-year projection has not yet been vetted by our Citizens Advisory Committee for Finance

Multi-Year  
Projection:  
2021-22  
1<sup>st</sup> Interim  
Financial  
Report  
“Baseline”

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
% Change in Prop Tax Collections	7.23%	4.85%	4.00%	4.00%	4.00%	4.00%	4.00%
Enrollment	3,574	3,344	3,365	3,464	3,573	3,719	3,764
In-district students @ charter school	1043	987	1061	1061	1061	1061	1061
<i>Total Enrollment, LASD + BCS</i>	4,617	4,331	4,426	4,525	4,634	4,780	4,825
Transfer of Prop Tax to BCS	9,199,019	8,914,442	9,512,243	9,808,073	10,102,316	10,405,385	10,717,547
Cost-of-Living Adjustment (COLA)	0.00%	4.05%	2.48%	3.11%	3.00%	3.00%	3.00%
Foundation Funding	2,590,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Parcel Tax	820	820	820	820	820	597	597
Class Size, K-3	19	20	22	22	22	22	22
Class Size, 4-6	25	25	25	25	25	25	25
Class Size, 7-8	25	23	26	26	26	26	26
Teachers, FTE	226	222	222	224	229	235	236
Raises (across-the-board)	2.00%	7.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cost of Step/Column Movement	355,034	374,403	374,403	376,886	383,092	390,540	391,781
Step/Col (converted to % salary inc.)	1.2%	1.2%	1.2%	1.3%	1.3%	1.3%	1.3%
Health Benefit rate increases	5.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Health Benefits (converted to % salary i	0.9%	1.4%	1.4%	1.4%	1.5%	1.6%	1.8%
STRS rate increases	-1.0%	0.8%	2.2%	0.0%	0.0%	0.0%	0.0%
Total Comp (as % of salary)	3.2%	10.4%	4.8%	2.7%	2.8%	2.9%	3.1%
LCFF Sources	47,849,096	50,536,666	52,082,020	54,167,620	56,357,670	58,643,424	61,001,897
Federal Sources	2,778,328	3,023,504	1,345,669	1,387,519	1,429,145	1,472,019	1,516,179
Other State Sources	6,429,852	4,342,476	4,142,427	4,154,059	4,179,370	4,209,556	4,248,631
Other Local Sources	16,283,369	14,865,469	15,549,223	15,609,511	15,706,284	13,675,171	13,761,259
<b>Total Revenues</b>	<b>73,340,644</b>	<b>72,768,114</b>	<b>73,119,339</b>	<b>75,318,708</b>	<b>77,672,468</b>	<b>78,000,170</b>	<b>80,527,966</b>
Certificated Salaries	26,605,838	28,318,091	27,692,490	28,005,783	28,547,411	29,183,027	29,416,813
Classified Salaries	11,524,701	12,449,215	11,988,085	12,100,000	12,211,848	12,324,071	12,436,682
Employee Benefits	16,452,578	17,833,163	19,291,483	19,998,058	20,802,826	21,627,528	22,277,194
Retiree Benefits	968,268	945,378	985,557	1,027,443	1,071,109	1,116,631	1,164,088
Books & Supplies	3,880,372	3,593,840	2,358,367	2,433,944	2,520,229	2,624,398	2,672,717
Contract Services	6,789,177	10,241,526	10,205,764	10,353,037	10,527,637	10,705,665	10,887,981
Capital Outlay	42,641	255,154	152,113	158,116	164,733	171,522	178,485
Other	8,050	8,262	8,262	8,262	8,262	8,262	8,262
<b>Total Expenses</b>	<b>66,271,625</b>	<b>73,644,629</b>	<b>72,682,121</b>	<b>74,084,644</b>	<b>75,854,054</b>	<b>77,761,104</b>	<b>79,042,221</b>
<b>Net Change</b>	<b>7,069,019</b>	<b>(876,515)</b>	<b>437,218</b>	<b>1,234,064</b>	<b>1,818,413</b>	<b>239,066</b>	<b>1,485,745</b>
Adjusted Beginning Balance	4,469,801	11,538,820	10,662,306	11,099,524	12,333,588	14,152,001	14,391,068
Ending Balance	11,538,820	10,662,306	11,099,524	12,333,588	14,152,001	14,391,068	15,876,812
Encumbrances	2,535,490	1,279,820	1,279,820	1,279,820	1,279,820	1,279,820	1,279,820
General Fund Reserves	9,003,330	9,382,486	9,819,704	11,053,768	12,872,182	13,111,248	14,596,993
Reserves, Special Reserve Funds	3,586,803	3,626,803	3,686,645	3,756,691	3,835,582	3,916,129	3,998,368
<b>Total Reserves</b>	<b>12,590,133</b>	<b>13,009,289</b>	<b>13,506,349</b>	<b>14,810,459</b>	<b>16,707,763</b>	<b>17,027,377</b>	<b>18,595,360</b>
<b>% of Expense</b>	<b>19.00%</b>	<b>17.66%</b>	<b>18.58%</b>	<b>19.99%</b>	<b>22.03%</b>	<b>21.90%</b>	<b>23.53%</b>