

Los Gatos-Saratoga
Union High School District

**2023-24 Second Interim
Report**

January 31, 2024

Narrative

This document, the Second Interim Report, covers the financial and budgetary status of the district for the period ending January 31, 2024. 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.

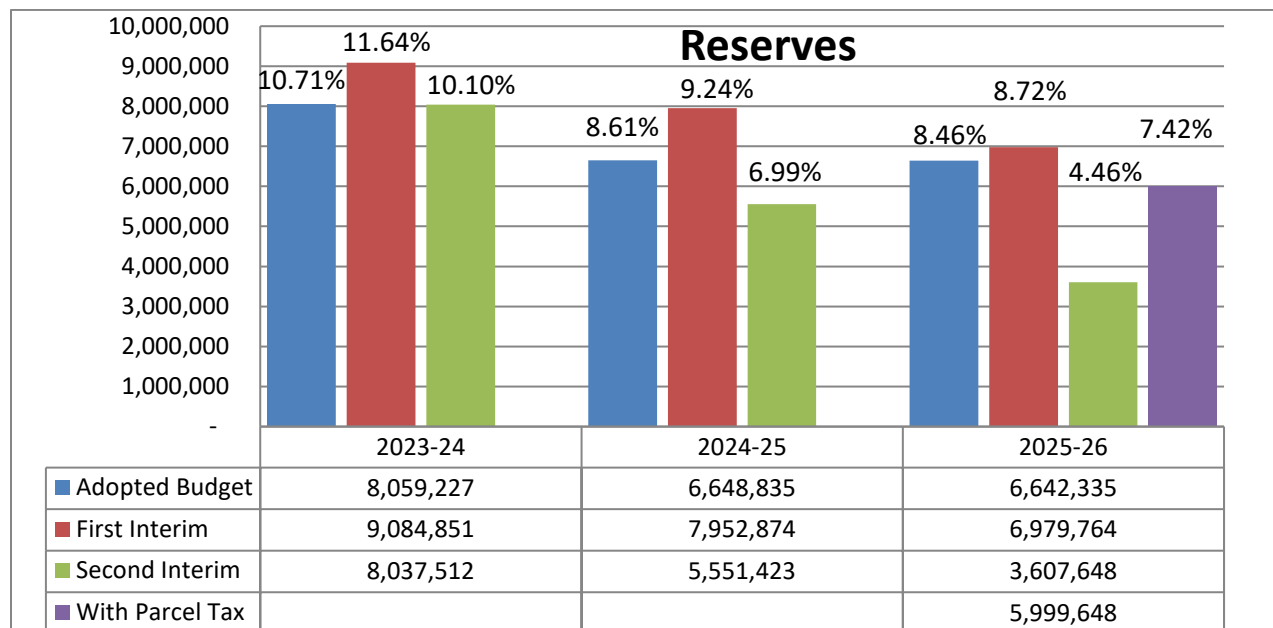
The Second Interim Report incorporates known changes from the budget that was adopted in June. The report reflects changes in personnel costs and current spending trends since the Adopted Budget and the First Interim Budget.

Nearly 4 years after the initial impact of COVID-19, lingering effects still haunt our economy with high inflation and interest rates with signals of a looming recession. As a community funded district, the greatest impact to our school district will not be reduced state funding but rather the impact to property tax assessments. As of Second Interim, the district’s assessed value (AV) which determine property tax collections has continued to hold strong.

UNRESTRICTED GENERAL FUND

Reserves

The unrestricted general fund balance for 2023-24 is projected to be \$4,553,913. The unrestricted fund balance in the General Fund, plus the \$3,483,600 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 minimum 10% reserve in Board policy 3100, although a strategic reserve of 16% is desired. For the 2025-26 school year the reserves are shown without the revenues from the \$49 per Parcel Tax which sunsets July 1, 2025. The proposed Parcel Tax would start July 1, 2024 and renew the existing \$49 and increase by \$79 for the total amount of \$128 per parcel.

Unrestricted General Fund Summary

| Item | First Interim Budget | Second Interim Budget | Difference |
|----------------------------------|----------------------|-----------------------|-------------|
| Revenue | 65,534,730 | 65,534,730 | - |
| Expenditures | (54,903,180) | (55,902,519) | (999,339) |
| Revenue less Expenditures | 10,631,550 | 9,632,211 | (999,339) |
| Contributions | (11,987,994) | (12,061,958) | (73,964) |
| Fund Balance Increase/(Decrease) | (1,691,107) | (2,766,226) | (1,075,119) |
| Interfund Transfers In | - | - | - |
| Interfund Transfers Out | (334,663) | (336,479) | (1,816) |
| Beginning Fund Balance | 7,320,139 | 7,320,139 | - |
| Ending Fund Balance | 5,629,032 | 4,553,913 | (1,075,119) |

Unrestricted General Fund Revenues

| Item | First Interim Budget | Second Interim Budget | Difference |
|--|----------------------|-----------------------|------------|
| LCFF/Property Tax (mostly local taxes) | 63,271,436 | 63,271,436 | - |
| Other State Revenue | 763,674 | 763,674 | - |
| Local Revenue | 1,499,620 | 1,499,620 | - |
| SUBTOTAL | 65,534,730 | 65,534,730 | - |
| Contributions | (11,987,994) | (12,061,958) | (73,964) |
| Interfund Transfers In | - | - | - |
| TOTAL | 53,546,736 | 53,472,772 | (73,964) |

Second Interim unrestricted revenues have not increased or decreased since the First Interim Budget. 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. There has not been any new information regarding those revenue sources.

Unrestricted revenues are reduced by contributions to restricted programs. These contributions are for restricted maintenance and special education.

Unrestricted General Fund Expenditures

| Item | First Interim Budget | Second Interim Budget | Difference |
|-----------------------|----------------------|-----------------------|------------------|
| Certificated Salaries | 24,415,120 | 24,412,051 | 3,069 |
| Classified Salaries | 8,118,917 | 8,205,039 | (86,122) |
| Benefits | 14,879,051 | 14,823,604 | 55,447 |
| Books and Supplies | 1,498,905 | 1,498,755 | 150 |
| Operating Expenses | 5,859,755 | 6,831,857 | (972,102) |
| Capital Outlay | - | - | - |
| Other Outgo | (116,143) | (116,362) | 219 |
| TOTAL | 54,903,180 | 55,902,519 | (999,339) |

Salary and benefit budgets have been updated to reflect changes since First Interim. 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. An increase of \$900,000 for the May 2024 Parcel Tax election is included as an estimated increase in operating costs for the second interim. 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 anticipated. The budget for future years conservatively maintains a 9% annual increase. The long-term impact of COVID-19 on health insurance rates may be impacted in future years.

RESTRICTED GENERAL FUND

Restricted General Fund Summary

| Item | First Interim Budget | Second Interim Budget | Difference |
|--------------------------------|----------------------|-----------------------|-------------|
| Revenue | 10,616,953 | 11,463,797 | 846,444 |
| Expenditures + Transfers Out | 22,842,881 | 23,303,908 | (461,027) |
| Revenue less Expenditures | (10,616,773) | (11,840,111) | (1,223,338) |
| Contribution from Unrestricted | 11,987,994 | 12,061,958 | 73,964 |
| Fund Balance Increase/Decrease | (238,114) | 221,847 | 459,961 |
| Beginning Fund Balance | 3,140,937 | 3,139,682 | (1,255) |
| Ending Fund Balance | 2,902,823 | 3,361,530 | 458,707 |

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 |
|---------------------------|----------------------|-----------------------|----------------|
| Taxes (Special Education) | 2,080,734 | 2,080,734 | - |
| Federal Revenue | 1,507,399 | 1,509,714 | 2,315 |
| State Revenue | 3,681,997 | 4,499,324 | 817,327 |
| Local Revenue | 3,346,823 | 3,374,025 | 27,202 |
| Contributions | 11,987,994 | 12,061,958 | 73,964 |
| TOTAL | 22,604,947 | 23,525,755 | 920,808 |

Special Education Funding includes Taxes, Federal Revenue and Local Revenue. The Local Revenue and Taxes are being held flat as there is not new information since First Interim. Changes in expenses caused an adjustment in the contributions for Special Education.

Restricted General Fund Expenditures

| Item | First Interim Budget | Second Interim Budget | Difference |
|--------------------------|----------------------|-----------------------|----------------|
| Certificated Salaries | 3,770,357 | 4,160,797 | (390,440) |
| Classified Salaries | 3,385,536 | 3,239,458 | 146,078 |
| Benefits | 5,988,967 | 6,189,155 | (200,188) |
| Books and Supplies | 2,669,141 | 1,483,448 | 1,185,692 |
| Other Operating Expenses | 4,691,853 | 5,886,585 | (1,194,732) |
| Capital Outlay | 11,200 | 18,238 | (7,038) |
| Other Outgo | 116,362 | 118,853 | (219) |
| Interfund Transfers Out | 2,209,864 | 2,209,864 | - |
| TOTAL | 22,843,280 | 23,306,398 | 733,885 |

Salary and benefit budgets have been updated to reflect changes since First Interim. Multi-year budgets reflect projected step increases, the projected cost of new hires, and retirements. No salary schedule increase is included in the 2024/25 year. Budgets for non-personnel costs have been updated to reflect current needs in books, supplies, and other operating expenses. Carryover from the prior fiscal year was distributed to expenditure accounts.

ASSUMPTIONS

| REVENUE ASSUMPTIONS | 2023-24 | 2024-25 | 2025-26 |
|---|---------------|---------------|---------------|
| Enrollment | | | |
| October Enrollment | 3,187 | 3,041 | 2,888 |
| Enrollment Gain (Loss) over prior October | (88) | (146) | (153) |
| Gain (Loss) Percentage | (2.69%) | (4.58%) | (5.03%) |
| Budgeted Teacher Increase/(Decrease) | 0 | 0 | (1) |
| Teacher Retirements (from prior June) | 3 | 1 | 4 |
| ADA | | | |
| P-2 ADA | 3,014 | 2,843 | 2,696 |
| ADA Gain (Loss) | (50) | (171) | (147) |
| ADA as Percent of Enrollment | 94.91% | 93.84% | 93.72% |
| LCFF | | | |
| LGSUHSD LCFF (categorical minimum) | \$ 150,691 | \$ 150,691 | \$ 150,691 |
| Education Protection Act (\$200 per ADA) | \$ 645,246 | \$ 618,630 | \$ 596,942 |
| Other Revenue | | | |
| Property Tax (in \$) | \$ 61,294,499 | \$ 64,044,696 | \$ 66,936,358 |
| Property Tax Increase | 5.70% | 4.49% | 4.36% |
| Redevelopment Agency Distribution | \$ 1,176,250 | \$ 220,000 | \$ 220,000 |

| | | | |
|-----------------------------------|--------------|--------------|--------------|
| Redevelopment Agency Pass through | \$ 2,209,864 | \$ 2,209,864 | \$ 2,209,864 |
| RDA Pass through Increase | 0.00% | 0.00% | 0.00% |
| Parcel Tax | \$ 900,000 | \$ 850,000 | \$ 0 |
| Mandated Cost Block Grant | \$72.84 | \$75.71 | \$78.20 |
| Mandated Cost Block Grant | \$ 219,540 | \$ 215,244 | \$ 210,827 |
| Lottery (Unrestricted) per ADA | \$ 170.00 | \$ 170.00 | \$ 170.00 |
| Lottery (Unrestricted) | \$ 524,860 | \$ 524,860 | \$ 524,860 |
| Lottery (Restricted) per ADA | \$ 67.00 | \$ 67.00 | \$ 67.00 |
| Lottery (Restricted) | \$ 208,000 | \$ 208,000 | \$ 208,000 |

| | | | |
|--------------------------------|----------------|----------------|----------------|
| EXPENDITURE ASSUMPTIONS | 2023-24 | 2024-25 | 2025-26 |
|--------------------------------|----------------|----------------|----------------|

Employer Rate

| | | | |
|---------------------------------|---------|---------|---------|
| STRS RATE | 19.10% | 19.10% | 19.10% |
| PERS RATE | 26.68% | 27.80% | 28.50% |
| MEDICARE | 1.45% | 1.45% | 1.45% |
| SOCIAL SECURITY | 6.20% | 6.20% | 6.20% |
| UNEMPLOYEMENT INSURANCE | 0.50% | 0.50% | 0.50% |
| WORKERS COMPENSATION | 1.453% | 1.453% | 1.453% |
| Classified Salary Total Rates | 36.283% | 37.303% | 37.903% |
| Certificated Salary Total Rates | 22.503% | 22.503% | 22.503% |

Health Plans

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

| | | | |
|--------------------------------------|---------|---------|---------|
| Monthly Employer Cap - Employee Only | \$1,138 | \$1,362 | \$1,485 |
| Monthly Employer Cap - Employee +1 | \$2,278 | \$2,631 | \$2,868 |
| Monthly Employer Cap - Family | \$2,961 | \$3,420 | \$3,782 |
| Percent Increase | 5.5% | 9.0% | 9.0% |

Percent Increases

| | | | |
|--------------------------------------|-------|--------|--------|
| UTILITIES | 3.50% | 3.50% | 3.50% |
| PROPERTY and LIABILITY INSURANCE | 6.00% | 10.00% | 10.00% |
| LEGAL COST (Special Ed) | 5.00% | 5.00% | 5.00% |
| LEGAL COST (Other) | 5.00% | 5.00% | 5.00% |
| SPECIAL EDUCATION Non-Public Schools | 5.00% | 5.00% | 5.00% |

SCHOOL ALLOCATIONS

| | | | |
|---|----------|----------|----------|
| MATERIALS/SUPPLIES - SCHOOL SITES per student | \$130 | \$130 | \$130 |
| Graduation | \$35,000 | \$30,000 | \$30,000 |
| Furniture/Fixtures/Equipment | \$75,000 | \$75,000 | \$75,000 |
| Sports/Training/Helmet/Referee | \$60,000 | \$60,000 | \$60,000 |
| Project Lead the Way/STEM | \$15,000 | \$15,000 | \$15,000 |
| School Site Council | \$40,000 | \$40,000 | \$40,000 |

**SSC School District and Charter School Financial Projection Dartboard
2024-25 Governor’s Budget**

This version of the School Services of California Inc. (SSC) Financial Projection Dartboard is based on the 2024-25 Governor’s Budget proposal. SSC has updated the cost-of-living adjustment (COLA), Consumer Price Index (CPI), and ten-year T-bill planning factors per the latest economic forecasts. SSC has also updated the Local Control Funding Formula (LCFF) factors. SSC relies 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 PLANNING FACTORS | | | | | |
|--------------------------------------|----------------------------|----------------|----------------|----------------|----------------|
| Factor | 2023-24¹ | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Department of Finance Statutory COLA | 8.22% | 0.76% | 2.73% | 3.11% | 3.17% |

| LCFF GRADE SPAN FACTORS FOR 2024-25 | | | | |
|--|-------------|------------|------------|-------------|
| Entitlement Factors per ADA* | TK-3 | 4-6 | 7-8 | 9-12 |
| 2023-24 Base Grants | \$9,919 | \$10,069 | \$10,367 | \$12,015 |
| Statutory COLA of 0.76% | \$75 | \$77 | \$79 | \$91 |
| 2024-25 Base Grants | \$9,994 | \$10,146 | \$10,446 | \$12,106 |
| Grade Span Adjustment Factors | 10.4% | – | – | 2.6% |
| Grade Span Adjustment Amounts | \$1,039 | – | – | \$315 |
| 2024-25 Adjusted Base Grants ² | \$11,033 | \$10,146 | \$10,446 | \$12,421 |
| Transitional Kindergarten (TK) Add-On ³ | \$3,067 | – | – | – |

*Average daily attendance (ADA)

| OTHER PLANNING FACTORS | | | | | | |
|---|----------------------|----------------|----------------|----------------|----------------|----------------|
| Factors | | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| California CPI | | 3.36% | 2.83% | 2.70% | 2.72% | 2.72% |
| California Lottery | Unrestricted per ADA | \$177 | \$177 | \$177 | \$177 | \$177 |
| | Restricted per ADA | \$72 | \$72 | \$72 | \$72 | \$72 |
| Mandate Block Grant (District) ⁴ | Grades K-8 per ADA | \$37.81 | \$38.10 | \$39.14 | \$40.36 | \$41.64 |
| | Grades 9-12 per ADA | \$72.84 | \$73.39 | \$75.39 | \$77.73 | \$80.19 |
| Mandate Block Grant (Charter) ⁴ | Grades K-8 per ADA | \$19.85 | \$20.00 | \$20.55 | \$21.19 | \$21.86 |
| | Grades 9-12 per ADA | \$55.17 | \$55.59 | \$57.11 | \$58.89 | \$60.76 |
| Interest Rate for Ten-Year Treasuries | | 4.16% | 3.68% | 3.50% | 3.60% | 3.60% |
| CalSTRS Employer Rate ⁵ | | 19.10% | 19.10% | 19.10% | 19.10% | 19.10% |
| CalPERS Employer Rate ⁵ | | 26.68% | 27.80% | 28.50% | 28.90% | 30.30% |
| Unemployment Insurance Rate ⁶ | | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% |
| Minimum Wage ⁷ | | \$16.00 | \$16.50 | \$16.90 | \$17.30 | \$17.70 |

| STATE MINIMUM RESERVE REQUIREMENTS | |
|---|---------------------------|
| Reserve Requirement | District ADA Range |
| The greater of 5% or \$80,000 | 0 to 300 |
| The greater of 4% or \$80,000 | 301 to 1,000 |
| 3% | 1,001 to 30,000 |
| 2% | 30,001 to 400,000 |
| 1% | 400,001 and higher |

¹Also applies to Equity Multiplier, Special Education, Child Nutrition, Youth in Foster Care, Mandate Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers and the American Indian Early Childhood Education Program.

²Additional 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 65% for each eligible student beyond the 55% identification rate threshold.

³Funding is based on TK ADA only and is in addition to the adjusted base grant amount. Further, the funding is adjusted by statutory COLA each year.

⁴The 2025-26 rate does not factor in the impact of \$25 million for the proposed training to support literacy screenings.

⁵California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) rates are subject to change based on determination by the respective governing boards.

⁶Unemployment rate in 2023-24 is final, and the subsequent years’ rates are subject to actual experience of the pool and will be calculated in accordance with California Unemployment Insurance Code Section 823(b)(2).

⁷Minimum wage rates are effective January 1 of the respective year.

