

Los Gatos-Saratoga  
Union High School District

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2019-20 First Interim  
Report

December 10, 2019

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This document, the First Interim Report, covers the financial and budgetary status of the District for the period ending October 31, 2019. 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 First Interim Report incorporates known changes from the budget that was adopted in June. The report reflects adjustments to tax revenues, changes in personnel costs and current spending trends.

## UNRESTRICTED GENERAL FUND

### Revenue Losses

This report reflects an unforeseen reduction in tax revenue of \$640,903. Secured taxes (based on assessed valuation of real property) are projected to increase 5.17% rather than the 5.25% projected at budget adoption. Unsecured taxes (which primarily consist of business inventory) are projected to drop 7.5%. Overall, taxes are expected to increase 4.36% rather than 5.25% projected at budget adoption.

Both Counties	Secured	HOPTR	Unsecured	Misc	RDA	TOTAL
Current 19-20 Estimate	46,305,200	185,799	2,811,223	7,047	211,661	<b>49,520,930</b>
18-19 Actual	44,028,709	191,063	3,039,019	7,758	185,011	<b>47,451,559</b>
Increase (Decrease)	5.17%	-2.76%	-7.50%	-9.16%	14.40%	<b>4.36%</b>

In addition, Special Education funding is down almost \$247,000 due a change that was made in how mental health funds are distributed to the members of SELPA III. This change occurred after the 2019-20 budget was adopted.

To balance the budget, the following items have been budgeted:

- The Retiree Benefit Fund will contribute \$201,699 to the General Fund to cover the cost of retiree benefits under the "Plan"
- The Special Reserve fund will contribute \$111,813 to the General Fund to ensure a positive fund balance

These actions would allow the District to submit a balanced budget to the county office of education. They do, however, erode the funds sets aside for retiree benefits as well as the District's general operating reserves.

### Change in Tax Assumptions for Future Years

Because of the softening of tax revenues, the District is no longer budgeting an annual increase in taxes of 4.5% in future years.

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%

With these lower tax assumptions, a contribution from the Retiree Benefit fund is again needed in 2020-21 to avoid a negative balance in the Unrestricted General Fund.

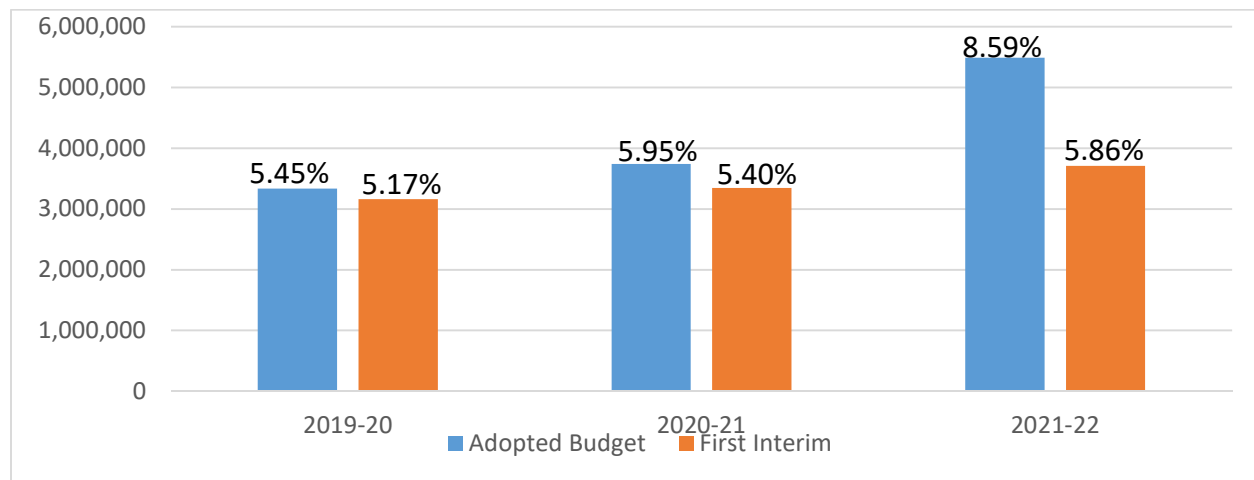
*Projected Status of the Retiree Benefit Fund*

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Ending Fund Balance	1,091,781	902,482	693,011	705,411	717,811	730,211

In subsequent years the low tax assumptions are offset by projected declining enrollment and associated staffing reductions.

**Reserves**

The projected unrestricted ending balance in 2019-20 is \$2,029 a decrease of \$92,428 from the projected ending balance at budget adoption. The unrestricted fund balance in the General Fund, plus the \$3,157,953 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	Adopted Budget	First Interim Budget	Difference	Projected 2020-21	Projected 2021-22
Revenue	53,043,278	52,477,014	-566,264	54,355,831	55,887,142
Expenditures	43,807,994	43,689,855	-118,139	44,782,977	45,624,461
Revenue - Expense	9,235,284	8,809,972	-448,125	9,572,854	10,262,681
Contributions	-9,214,208	-9,238,378	-24,170	-9,635,845	-9,929,531
Fund Balance Incr./Decr.	21,076	-428,406	-472,295	-62,991	333,150
Interfund Transfers In		313,512	313,512	221,869	
Beginning Fund Balance	73,381	139,736	66,355	158,878	160,907
Ending Fund Balance	94,457	2,029	-92,428	160,907	494,057

### Unrestricted General Fund Revenues

Item	Adopted Budget	First Interim Budget	Difference
LCFF (mostly local taxes)	50,838,734	50,197,831	-640,903
Other State Revenue	748,391	779,030	30,639
Local Revenue	1,456,153	1,500,153	44,000
<b>SUBTOTAL</b>	<b>53,043,278</b>	<b>52,477,014</b>	<b>-566,264</b>
Contributions	-9,214,208	-9,238,378	-24,170
<b>TOTAL</b>	<b>43,829,070</b>	<b>43,238,363</b>	<b>-590,434</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.

Property taxes are estimated to increase by 4.36% over the prior year. This is less than the increase that was estimated at the time the budget was adopted (5.25%). The projected increase for subsequent years has been lowered from 4.5% to 4.0% in 2020-21 and 3.5% thereafter.

Other state revenue has increased overall due to prior year Lottery funds being received in the current year. Other local revenue has been increased to reflect slightly higher interest rates, and increased lease revenue. Parcel tax revenue reflects an anticipated reduction of \$7,000 due to an increase in exemption applications.

### Unrestricted General Fund Expenditures

Item	Adopted Budget	First Interim Budget	Difference
Certificated Salaries	21,366,604	21,434,214	67,610
Classified Salaries	5,721,168	5,787,859	66,691
Benefits	11,332,385	11,147,224	-185,161
Books and Supplies	1,104,162	1,245,212	141,050
Operating Expenses	3,913,662	3,945,236	31,574
Capital Outlay	0	0	0
Other Outgo	370,013	130,110	-239,903
<b>TOTAL</b>	<b>43,807,944</b>	<b>43,689,855</b>	<b>-118,139</b>

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 (now zero in 19-20), Interfund transfer to the Cafeteria Fund (now less due to the Cafeteria redesign project). 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	Adopted Budget	First Interim Budget	Difference	Projected 2020-21	Projected 2021-22
Revenue	8,123,835	7,815,476	-308,359	7,655,798	7,721,177
Expenditures + Trf Out	17,338,043	17,451,978	113,935	17,227,535	17,634,302
Revenue - Expense	-9,214,208	-9,636,502	-422,294	-9,571,737	-9,913,125
Contribution from Unrestricted	9,214,208	9,238,378	24,170	9,635,845	9,929,531
Fund Balance Incr/Decr	0	-398,124	-398,124	64,108	16,406
Beginning Fund Balance	499,883	639,512	139,629	241,389	305,497
Ending Fund Balance	499,833	241,388	-258,445	305,497	321,903

### 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. 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	Adopted Budget	First Interim Budget	Difference
Taxes (Special Education)	917,080	764,934	-152,146
Federal Revenue	724,598	685,117	-39,421
State Revenue	2,880,349	2,726,964	-153,385
Local Revenue	3,601,808	3,638,401	36,593
Contributions	9,214,208	9,238,378	24,170
TOTAL	17,338,043	17,053,854	-284,189

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

### Restricted General Fund Expenditures

Item	Adopted Budget	First Interim Budget	Difference
Certificated Salaries	3,062,719	2,981,291	-81,428
Classified Salaries	2,356,153	2,138,120	-218,033
Benefits	4,262,662	4,000,915	-261,747
Books and Supplies	891,901	714,948	-176,953
Other Operating Expenses	4,541,334	4,598,547	57,213
Capital Outlay	28,030	675,207	647,177
Other Outgo	2,195,244	2,342,950	147,706
<b>TOTAL</b>	<b>17,388,043</b>	<b>17,451,978</b>	<b>113,935</b>

## ASSUMPTIONS

REVENUE ASSUMPTIONS	2019-20	2020-21	2021-22
<b><u>Enrollment</u></b>			
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
<b><u>ADA</u></b>			
P-2 ADA	3,374	3,348	3,313
ADA Gain (Loss)	19	(26)	(35)
ADA as Percent of Enrollment	95.3%	95.3%	95.3%
<b><u>LCFF</u></b>			
LGSUHSU LCFF (categorical minimum)	\$ 150,619	\$ 150,619	\$ 150,619
Education Protection Act (\$200 per ADA)	\$ 670,912	\$ 674,800	\$ 669,600
<b><u>Other Revenue</u></b>			
Property Tax Increase	4.36%	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	3.26%	3.00%	2.80%
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	\$63.80	65.59%

Mandated Cost Block Grant	\$ 208,986	\$ 213,602	\$ 198,217
One time Funding (offsets to mandate claims)	\$ -	\$ -	\$ -
Lottery (Unrestricted) per ADA	\$ 153.00	\$ 153.00	\$ 153.00
Lottery (Unrestricted)	\$ 516,222	\$ 512,244	\$ 506,889
Lottery (Restricted) per ADA	\$ 53.00	\$ 53.00	\$ 53.00
Lottery (Restricted)	\$ 178,822	\$ 177,444	\$ 175,589

EXPENDITURE ASSUMPTIONS	2019-20	2020-21	2021-22
<b><u>Employer Rate</u></b>			
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	5.00%	5.00%	5.00%
LEGAL COST (Special Ed)	2.00%	2.00%	2.00%
LEGAL COST (Other)	5.00%	5.00%	5.00%
SPECIAL EDUCATION Non-Public Schools	5.00%	5.00%	5.00%
BOARD ELECTION EXPENSE	\$0	\$50,000	\$0
INDIRECT COST RATE	7.21%	7.21%	7.21%

**SCHOOL ALLOCATIONS**

MATERIALS/SUPPLIES - SCHOOL SITES per student	\$115	\$115	\$115
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	\$55,563	\$77,444	\$75,589
Extra Curricular \$15,000 per site	\$30,000	\$30,000	\$30,000



### SSC School District and Charter School Financial Projection Dashboard 2019-20 Adopted State Budget

This version of School Services of California, Inc. (SSC) Financial Projection Dashboard is based on the 2019-20 adopted State Budget. 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
2018-19 Base Grants	\$7,459	\$7,571	\$7,796	\$9,034
COLA at 3.26%	\$243	\$247	\$254	\$295
2019-20 Base Grants	\$7,702	\$7,818	\$8,050	\$9,329
Grade Span Adjustment Factors	10.4%	—	—	2.6%
Grade Span Adjustment Amounts	\$801	—	—	\$243
2019-20 Adjusted Base Grants	\$8,503	\$7,818	\$8,050	\$9,572
Supplemental Grants (% Adj. Base)	20%	20%	20%	20%
Concentration Grants	50%	50%	50%	50%
Concentration Grant Threshold	55%	55%	55%	55%

\*Average daily attendance (ADA)

LCFF FUNDING FACTORS					
Factors	2018-19	2019-20	2020-21	2021-22	2022-23
Department of Finance Gap Funding Percentage	100.00%	—	—	—	—
COLA <sup>1</sup>	3.70%	3.26%	3.00%	2.80%	3.16%

OTHER PLANNING FACTORS						
Factors		2018-19	2019-20	2020-21	2021-22	2022-23
Statutory COLA <sup>2</sup>		2.71%	3.26%	3.00%	2.80%	3.16%
California CPI		3.62%	3.33%	3.14%	3.02%	3.13%
California Lottery	Unrestricted per ADA	\$164	\$153	\$153	\$153	\$153
	Restricted per ADA	\$66	\$54	\$54	\$54	\$54
Mandate Block Grant (District)	Grades K-8 per ADA	\$31.16	\$32.18	\$33.15	\$34.08	\$35.16
	Grades 9-12 per ADA	\$59.83	\$61.94	\$63.80	\$65.59	\$67.66
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$16.33	\$16.86	\$17.37	\$17.86	\$18.42
	Grades 9-12 per ADA	\$45.23	\$46.87	\$48.28	\$49.63	\$51.20
One-Time Discretionary Funds per ADA		\$184	—	—	—	—
Interest Rate for Ten-Year Treasuries		2.58%	2.35%	2.58%	2.60%	2.70%
CalPERS Employer Rate <sup>3</sup>		18.062%	19.721%	22.70%	24.60%	25.40%
CalSTRS Employer Rate <sup>4</sup>		16.28%	17.10%	18.40%	18.10%	18.10%

STATE MINIMUM RESERVE REQUIREMENTS	
Reserve Requirement	District ADA Range
The greater of 5% or \$67,000 <sup>5</sup>	0 to 300
The greater of 4% or \$67,000 <sup>5</sup>	301 to 1,000
3%	1,001 to 30,000
2%	30,001 to 400,000
1%	400,001 and higher

<sup>1</sup>2018-19 rate includes statutory COLA of 2.71% plus an augmentation of 0.99% for school districts and charter schools. County offices of education receive only the statutory COLA.

<sup>2</sup>Applies to Special Education, Child Nutrition, Preschool, Foster Youth, American Indian Education Centers/American Indian Early Childhood Education and Mandate Block Grant.

<sup>3</sup>California Public Employees' Retirement System (CalPERS) rate in 2019-20 is final; that rate as well as the rates in the following years are subsidized based on the adopted State Budget.

<sup>4</sup>California State Teachers' Retirement System (CalSTRS) rates for 2019-20 and beyond are subsidized based on the adopted State Budget.

<sup>5</sup>Rate adjusts upward to \$69,000 beginning in 2019-20.