



LOS GATOS UNION

SCHOOL DISTRICT

*Our Community, Our Students, Our Future*

# Budget Assumptions

May 23, 2019

- Governor's Budget Forecast
- District Historical Trends
  - Revenue
  - Expenses
  - Enrollment
- Current Assumptions
- Budget Goals
- Challenges and Other Considerations

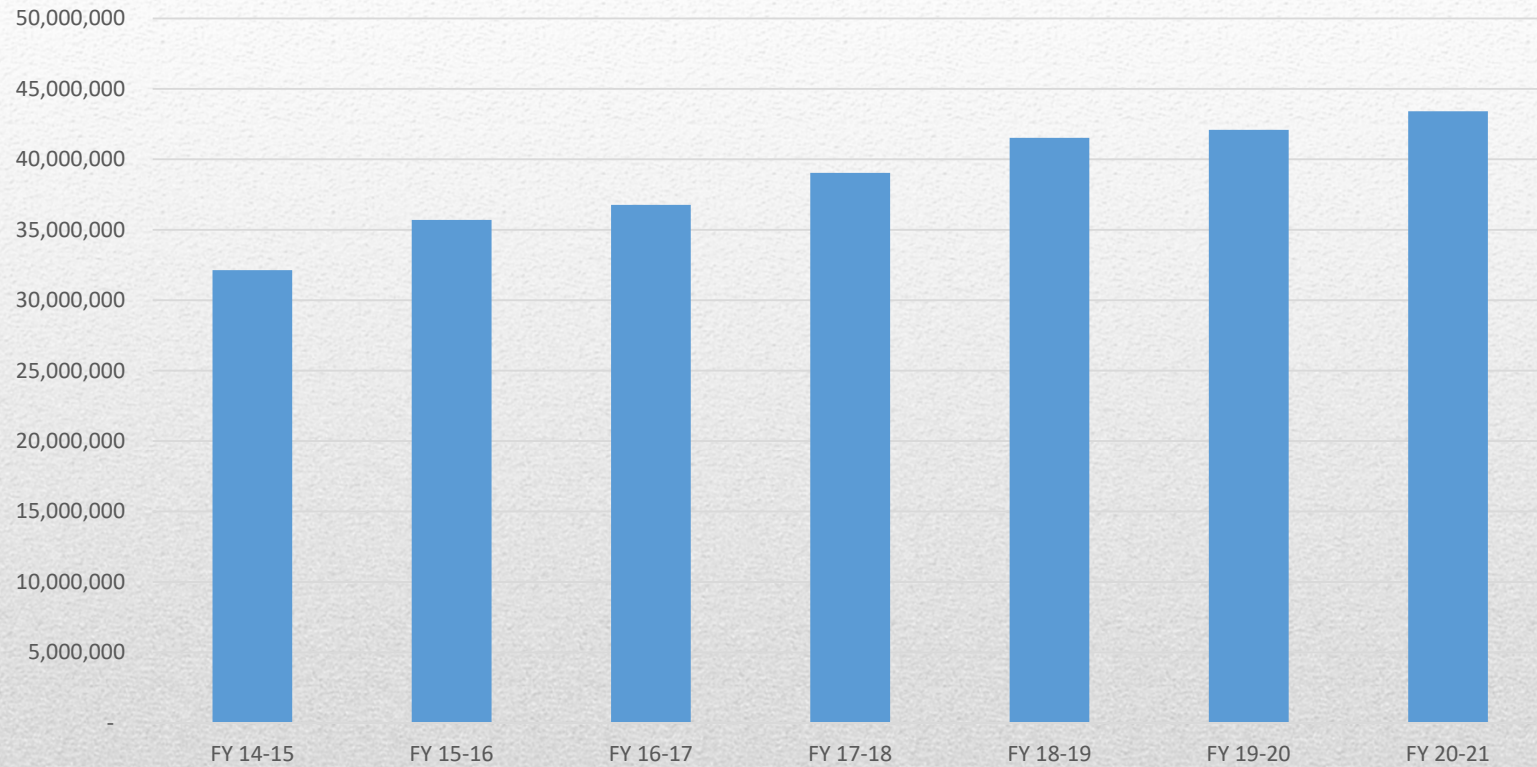
# Agenda

- Strong April tax revenues allow Governor to invest in Rainy Day Fund, LCFF cost-of-living-adjustment, early childhood education, SPED and employer STRS contributions
  - STRS reduced from 18.13 to 16.7 in 2019-20 and from 19.1 to 18.1 in 2020-21.
  - Education makes up a record 45% of the State's General Fund
- Revenue still growing around 2% but significant slowdown from 10% and 5.4% in 2017-18 & 2018-19 respectively
- Continued economic growth depends on consumer spending and is directly tied to salaries and employment rates
- Budget assumes a slowdown and focuses on growing reserves, reducing liabilities and making one-time investments in programs listed above and professional development for SEL, computer science, restorative practices and subject matter competency

# Governor's Budget

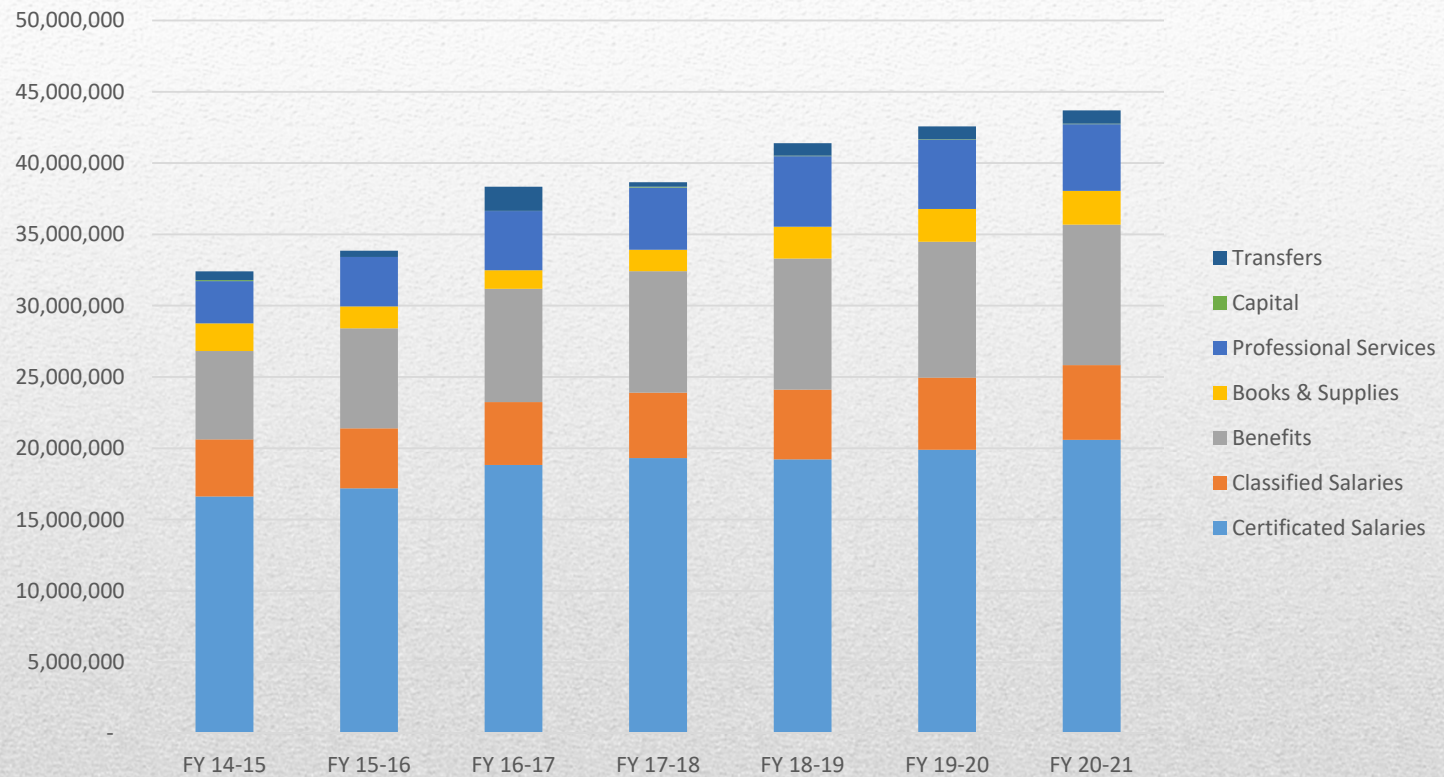
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2018-19  
2nd Interim Historical and Projected Income



# Revenue

2018-19  
2nd Interim Historical and Projected Expenses



# Expenses

BASE ASSUMPTIONS	16-17	17-18	18-19	19-20	20-21	21-22	22-23
FULL TIME EMPLOYEES	253.90	247.90	246.19	244.19	241.19	238.19	236.19
ENROLLMENT	3,254	3,122	3,022	2,917	2,826	2,778	2,727
PROPERTY TAX: Annual increase in property tax. Anticipated a lower than average annual increase due to housing market fluctuations and changing tax laws	8.08%	5.05%	6.82%	4.75%	3.50%	3.50%	5.00%
STATE COLA: Included in LCFF Funded Districts but not applicable to Community Funded Districts	0.00%	1.56%	2.71%	3.26%	3.00%	2.80%	3.16%
PARCEL TAX: Current Parcel Tax expires in June 2022 (Loss of revenue equates to a % of revenue )							6.40%
STEP & COLUMN: Amount of annual adjustment based on current bargaining agreements	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
RETIREMENT: Annual mandated increase in retirement costs related to STRS. This is similar to PERS retirement	1.85%	1.85%	1.85%	0.42%	1.40%		
PROJECTED SALARY ADJUSTMENT: (Included in budget projections) This is a placeholder and does not represent a cap nor a floor				2.00%	2.00%	2.00%	2.00%

# Multi Year Assumptions

- Develop and retain high quality staff with appropriate annual salary adjustments
- Maintain robust program offerings in alignment with Strategic Planning Goals
- Create a sustainable budget that leverages potential revenue from Parcel Tax, Home & School and Foundation and provides good stewardship on expenditures
- Build appropriate reserves to buffer fluctuations in property taxes and avoid significant program cuts (15% Reserve Policy)

# Budget Goals

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- Challenge to Increase Revenue
  - Property Tax Flattening
  - Parcel Tax Expiration
  - Foundation is only covering 40% of elective program staff
  - H&SC
  - Facilities Fees
- Challenge to Control Expense Growth
  - Strategic planning goals with potential cost increases
  - Declining Enrollment / Staffing versus Class Size
  - Collective Bargaining
  - Increased cost of pensions
  - Potential utilities savings through capital improvements
- Reserve Percentage
- Deferred Maintenance
- Correct balance between staff & salary, programs and reserves

# Challenges & Considerations

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Adopted Budget

June 2019

Unaudited Actuals

September 2019

Property Tax Estimated Tax Roll

October 2019

1<sup>st</sup> Interim Budget Presentation

December 2019

2<sup>nd</sup> Interim Budget Presentation

Mar 2020

20-21 Budget Approval

June 2020

# Budget Timeline

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