

## **MISSION STATEMENT**

Los Gatos Union School District educates all children to their unique potential by teaching, modeling, and supporting the skills and attitudes that contribute to their development as globally and socially responsible citizens.

## **VISION STATEMENT**

All students know their individual learning styles and talents, think creatively and critically, act responsibly, communicate effectively, and apply knowledge in a diverse and ever-changing world.

## **DISTRICT GOALS**

- Improving Student Achievement
- Developing the Whole Child with a Well-Rounded Curriculum
- Teaching 21<sup>st</sup> Century Skills
- Collaborating in the Professional Community
- Improving District Operations

## **Los Gatos Union School District**

### **Budget Development/Planning Calendar**

<b>January</b>	Budget calendar presented to the Board of Trustees. End of 2 <sup>nd</sup> Interim reporting period. Governor's initial budget proposal for State is released.
<b>February</b>	Budget Estimates reviewed internally with program managers.
<b>March</b>	Budget meetings with all program managers. 2 <sup>nd</sup> Interim Report of fiscal solvency approved by the Board of Trustees.
<b>April</b>	Staff develops preliminary budget and reviews for trade-offs to reflect priorities and changing statutory requirements.
<b>May</b>	Draft budget revised according to Governor's "May Revise" budget. Preliminary audit fieldwork.
<b>June</b>	Board adoption of District budget for the next fiscal year and estimate of multi-year projections for two additional years.
<b>July</b>	Closing the books for the prior fiscal year.
<b>August</b>	District budget amended to reflect the State budget within 45 days of the Governor's signing the State budget. Close for prior year complete.
<b>September</b>	Unaudited actuals for the prior fiscal year presented to the Board of Trustees for approval. Final audit fieldwork.
<b>October</b>	End of 1 <sup>st</sup> Interim reporting period.
<b>November</b>	District audit complete.
<b>December</b>	1 <sup>st</sup> Interim Report of solvency presented to the Board of Trustees for approval. Audit report of prior fiscal year presented to the Board of Trustees.

# REVENUE PROJECTIONS

## LCFF REVENUE (Property Taxes)

	2014-2015	2015-2016	2016-2017
<b>Unrestricted</b>	22,286,000	23,014,780	23,847,731
<b>Restricted</b>	0	0	0
<b>Total</b>	<b>22,286,000</b>	<b>23,014,780</b>	<b>23,847,731</b>

This primary revenue component of the District's budget represents about 70.8% of total General Fund revenue is property tax revenue. The property tax revenue growth rate is monitored monthly and staff attends quarterly meetings with the Santa Clara County Assessor. The District is forecasting a growth rate of 5.62% in FY 2014-2015, a 5.5% increase in FY 2015-2016, and a 4.0% increase in FY 2016-2017. A future concern is that EPA funds that are in these totals will expire in FY 2017-2018. These EPA dollars currently represents a 3% growth in revenue.

## FEDERAL REVENUE

	2014-2015	2015-2016	2016-2017
<b>Unrestricted</b>	0	0	0
<b>Restricted</b>	612,007	605,414	605,414
<b>Total</b>	<b>612,007</b>	<b>605,414</b>	<b>605,414</b>

This represents about 1.9% of total General Fund. It includes the Special Education Federal pass-through Grant and other Federal Grants including Title II-Teacher Quality Grant and Title III-Immigrant Education.

## STATE REVENUE

	2014-2015	2015-2016	2016-2017
<b>Unrestricted</b>	696,481	500,000	515,000
<b>Restricted</b>	258,153	247,873	248,873
<b>Total</b>	<b>954,634</b>	<b>747,873</b>	<b>763,873</b>

This represents about 3.0% of the total General Fund budget for State programs. The District has calculated the Local Control Funding Formula (LCFF) for the State revenue projection and at this point the District does not qualify for any additional funding. The District will only receive State revenue from the lottery and the mandated cost block grant. Also, it should be understood that depending on several factors in the calculation the District could move from a Basic Aid District to a LCFF District by FY 2018-2019.

**OTHER LOCAL REVENUE**

	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>Unrestricted</b>	4,750,749	4,807,741	4,845,784
<b>Restricted</b>	2,565,047	1,844,340	1,844,340
<b>Total</b>	<b>7,315,796</b>	<b>6,652,081</b>	<b>6,690,124</b>

Community support plays a tremendously important role in the District's budget. Local revenue represents 23.2% of the total General Fund revenue. It is the second largest source of revenue for the District. The Parcel Tax generates about \$2.7M and the Redevelopment Agency adds another \$1.8M for the District. Other local revenue sources include The Los Gatos Education Foundation (LGEF), Home and School Clubs, Special Education Local Plan Area allocations (SELPA), local grants, interest earnings, and rental income, which collectively generates about \$2.8M for the District.

**TRANSFER IN / OTHER SOURCES**

	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>Unrestricted</b>	309,000	659,000	559,000
<b>Restricted</b>	32,134	0	0
<b>Total</b>	<b>341,134</b>	<b>659,000</b>	<b>559,000</b>

In the current year and the two subsequent years we have included \$9,000 for the 3% cost for the collection of developer fees. Additionally, the District will transfer in \$300K in FY 2014-15, \$650K in FY 2015-2016 and \$550K in FY 2016-2017 from the Special Reserve to maintain the Board Policy of a 15% reserve for economic uncertainties.

**CONTRIBUTIONS TO RESTRICTED PROGRAMS**

	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>Unrestricted</b>	(3,304,883)	(3,355,000)	(3,415,000)
<b>Restricted</b>	3,304,883	3,355,000	3,415,000
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

The District contributes funds from unrestricted resources to restricted resources. The main restricted programs that require a contribution from unrestricted resources are Special Education and the Routine Repair Maintenance Account (RRMA).

# EXPENDITURE PROJECTIONS

## CERTIFICATED SALARIES

	2014-2015	2015-2016	2016-2017
<b>Unrestricted</b>	14,593,086	14,836,776	15,287,316
<b>Restricted</b>	2,059,621	2,056,186	2,091,141
<b>Total</b>	<b>16,652,707</b>	<b>16,892,962</b>	<b>17,378,457</b>

Certificated salaries represent 51.5% of the total General Fund budget. Teacher staffing is determined by established class size ratios. Enrollment projections result in the addition of 3.0 FTE's to each fiscal year with the goal of holding class sizes at current levels. The District has included step and column costs in the projections.

## CLASSIFIED SALARIES

	2014-2015	2015-2016	2016-2017
<b>Unrestricted</b>	2,697,079	2,698,245	2,744,863
<b>Restricted</b>	1,313,104	1,313,990	1,336,326
<b>Total</b>	<b>4,010,0183</b>	<b>4,012,235</b>	<b>4,081,189</b>

Classified salaries are salaries for positions that do not require a credential or permit issued by the Commission on Teacher Credentialing. Typical positions include instructional aides, administrative assistants, library aides, health clerks, computer specialists, district office staff, and maintenance and operations personnel. This represents 12.4% of the total General Fund expenditures.

## EMPLOYEE BENEFITS

	2014-2015	2015-2016	2016-2017
<b>Unrestricted</b>	4,531,361	4,860,361	5,314,380
<b>Restricted</b>	896,258	936,250	994,000
<b>Total</b>	<b>5,427,619</b>	<b>5,796,611</b>	<b>6,308,380</b>

The total employee benefits budget represents 16.8% of the total General Fund expenditures budget. It includes statutory benefits (such as STRS, PERS, FICA, Medicare, Workers' Compensation, and State Unemployment Insurance) and the District's contribution towards health and welfare benefits. The total rate of certificated payroll burden is 11.686%. The total rate of classified payroll burden is 20.777%. The unfunded pension liability will put additional pressure on the budget. We have included the additional anticipated costs in our projections. The payment of approximately \$300,000 for 22 retirees' benefits on a "pay-as-you-go" basis is included in this category and is expected to increase by approximately 10% in each of the next two years.

**BOOKS AND SUPPLIES**

	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>Unrestricted</b>	454,604	925,000	505,000
<b>Restricted</b>	1,626,539	640,000	645,000
<b>Total</b>	<b>2,081,143</b>	<b>1,565,000</b>	<b>1,150,000</b>

The cost of supplies and materials generally increase over time due to inflation and the needs of students. We have included additional expenses for textbook adoptions in FY 14/15 and FY 15/16.

**SERVICES AND OTHER OPERATING EXPENSES**

	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>Unrestricted</b>	1,944,689	1,884,000	1,920,000
<b>Restricted</b>	1,211,425	835,000	850,000
<b>Total</b>	<b>3,156,114</b>	<b>2,719,000</b>	<b>2,770,000</b>

This category covers a wide variety of classifications including; conferences, memberships, insurance, repairs, professional services and communications.

**CAPITAL OUTLAY**

	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>Unrestricted</b>	0	0	0
<b>Restricted</b>	65,034	65,000	65,000
<b>Total</b>	<b>65,034</b>	<b>65,000</b>	<b>65,000</b>

This accounts for equipment expenditures that meet the district capitalization threshold.

**OTHER OUTGO**

	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>Unrestricted</b>	54,000	54,000	65,000
<b>Restricted</b>	107,220	127,000	133,000
<b>Total</b>	<b>161,220</b>	<b>181,000</b>	<b>198,000</b>

This accounts for lease payments in FY 14/15 thru FY 15/16 for teacher laptops. Also included in the budget year is \$122,220 for excess cost from the Special Education Transportation JPA.

**TRANSFERS OUT**

	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>Unrestricted-Deferred Maintenance</b>	400,000	430,000	430,000
<b>Unrestricted-Special Reserve</b>	360,000		
<b>Unrestricted-Cafeteria</b>	15,000	15,000	15,000
<b>Restricted</b>	32,134	0	0
<b>Total</b>	<b>807,134</b>	<b>445,000</b>	<b>445,000</b>

The District will transfer funds from the General Fund to the Deferred Maintenance Fund to address potential needs. The District will transfer RDA to the Special Reserve Fund for Capital Outlay Projects to help fund Measure E programs. Also, the District will help support the Cafeteria Fund.

# ENROLLMENT

The chart below provides the enrollment history and projections. As opposed to the state Local Control Funding Formula, which pays an amount per student and therefore automatically funds growth, if enrollment grows in a Basic Aid District, there is no corresponding increase in revenue to offset the increase in expenditures. Enrollment in the Los Gatos Union School District is projected to increase. Funding for additional students will put pressure on the budget as property tax revenues are not planned to increase at the rate of enrollment growth.

Grade	FY 12/13 (month 2)	FY 13/14 (month 2)	FY 14/15 Projection	FY 15/16 Projection	FY 16/17 Projection
<b>K</b>	280	306	310	280	295
<b>1</b>	323	304	320	310	305
<b>2</b>	339	353	320	345	340
<b>3</b>	344	344	362	351	363
<b>4</b>	378	367	370	399	379
<b>5</b>	379	379	380	400	417
<b>Subtotal (K-5)</b>	2043	2053	2062	2085	2099
<b>6</b>	389	400	410	430	430
<b>7</b>	373	409	420	418	445
<b>8</b>	375	379	430	428	436
<b>Subtotal (K-8)</b>	1137	1188	1260	1276	1311
<b>Total</b>	3180	3241	3322	3361	3410
<b>SDC</b>	22	23	23	24	23
<b>Pre</b>	1	0	0	0	0
<b>Total</b>	3203	3264	3345	3385	3433



## MULTI-YEAR ASSUMPTIONS

The accuracy of a District's budget projection is only as good as the assumptions that are used in developing next year's budget numbers. The key budget assumptions are shown below.

<b>Factor</b>	<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>
Funding Status	Basic Aid District	Basic Aid District	Basic Aid District
Enrollment	3,345	3,385	3,433
Property Tax Increase	5.62%	5.5%	4.0%
State (COLA)	0.85%	1.58%	2.17%
California Lottery/ADA	\$162.00	\$162.00	\$162.00
Mandated Cost per ADA	\$67.00	\$0.00	\$0.00
Mandated Block Grant	\$28.00	\$28.00	\$28.00
Step & Column	1.7%	1.7%	1.7%
CalPERS Employer Rate	11.771%	12.600%	15.000%
CalSTRS Employer Rate	8.88%	10.73%	12.58%
Staffing (FTE's) (Adding three teachers each year)	240.8	243.8	246.8
Parcel Tax- Measure B (Expires June 2022)	\$290	\$290	\$290

## RESERVE ANALYSIS

	FY 13/14 Actuals	FY 14/15 Projected	FY 15/16 Projected	FY 16/17 Projected
TOTAL Revenue	30,431,589	31,168,437	31,020,148	31,907,142
TOTAL Expenditures	28,759,199	31,554,020	31,231,808	31,951,026
NET Transfers IN/OUT	(4,516,780)	(466,000)	214,000	114,000
(Deficit Spending)	(2,844,390)	(851,583)	(2,340)	70,116
Ending <u>Unrestricted</u> Reserve Balance	5,172,535	4,861,302	4,785,680	4,857,875
Change in Reserve Balance	(2,777,219)	(311,233)	(75,622)	72,195
% Reserve	18%	15%	15%	15%

The District monitors its reserve balance closely to ensure it is meeting the State minimum required reserve for economic uncertainty of 3.0% of General Fund expenditures. In addition, every effort is made to maintain the balance at the Board recommended 15.0%. The Board's goal is aligned with the recommendation from advisors that a Basic Aid District maintain a higher reserve balance than that which is required by statute due to the high risk involved in the funding model, specifically property tax volatility and enrollment growth possibilities that carry no additional revenue.

## **SPECIAL REVENUE FUNDS**

**CAFETERIA FUND (FUND 13):** This is used to account separately for Federal, State and Local resources to operate the food service program. The primary goal is to provide children with quality nutritious meals that meet or exceed regulatory standards. The current program continues to offer breakfast, lunch and snack options. The projected revenue is \$607,300 with expenses of \$607,300. The projected ending balance for FY 14/15 is \$34,715.

**DEFERRED MAINTENANCE FUND (FUND 14):** This is used to account separately for State apportionments and the District's contribution for deferred maintenance purposes. However, with adoption of LCFF the allocation we once received is now part of the LCFF base grant and with our Basic Aid status we will not receive any additional funds. We are planning to transfer \$400,000 to this fund from the General Fund. The fund is anticipated to have an ending balance for FY 14/15 in the amount of \$412,767.

### **SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY PROJECTS**

**(FUND 17):** The balance in the account is to offset past negotiated salary enhancements. Also, part of these reserves have been earmarked for anticipated employer cost increases from the STRS and PERS retirement systems. The fund is anticipated to have an ending balance for FY 14/15 in the amount of \$1,909,808.

## **CAPITAL PROJECT FUNDS**

**BUILDING FUND (FUND 21):** Used to account for proceeds from the sale of bonds. In June 2001, the voters of the District approved authorization of \$91M in General Obligation Bonds (GOB). In June 2010, the voters of the District approved an additional \$30.9M GOB to accommodate increasing enrollment and continued modernizing of its schools. The District exhausted the remaining funds in the second quarter of FY 14/15.

**CAPITAL FACILITIES FUND (FUND 25):** This fund is used to account for money received from fees levied on developers. The anticipated revenue is \$305,400; the anticipated expenditures and other financing uses are \$9,000. The projected ending balance for FY 14/15 is \$1,724,741.

**SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS (FUND 40):** This fund is used to account for resources from rentals, leases, and the sale of real property. We will transfer \$360,000 of RDA revenue to this fund in FY 14/15. The projected ending balance for FY 14/15 is \$8,045,842. Nearly all of the funds are earmarked for Measure E programs.