



LOS GATOS UNION

SCHOOL DISTRICT

*Our Community, Our Students, Our Future*

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

December 12, 2019

- California is 5<sup>th</sup> largest economy in the world
- Full employment with historically low unemployment
- Declining population of school age children
- California's economy is robust and expected to remain strong through 2019 with slight decrease in 2020
- Housing construction and housing costs are falling
- Improved economic expectations for 2020-2022. Expect slower and more volatile
- Major impact is from declining property tax values

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# Economic Forecast



- Budget Overview
  - Revenue
  - Expenses
  - Multi Year Projections
  - Key Impacts on Budget
- Prioritizing 19-20 and beyond
  - Maintain high quality staff and robust program offerings with appropriate annual salary adjustments
  - Create a sustainable budget that leverages potential revenue from Parcel Tax, Home & School and Foundation and provides good stewardship of expenditures
  - Build appropriate reserves to buffer fluctuations in property taxes and avoid significant program cuts
  - Align and prioritize resources to support the common goals outlined in the Strategic Plan

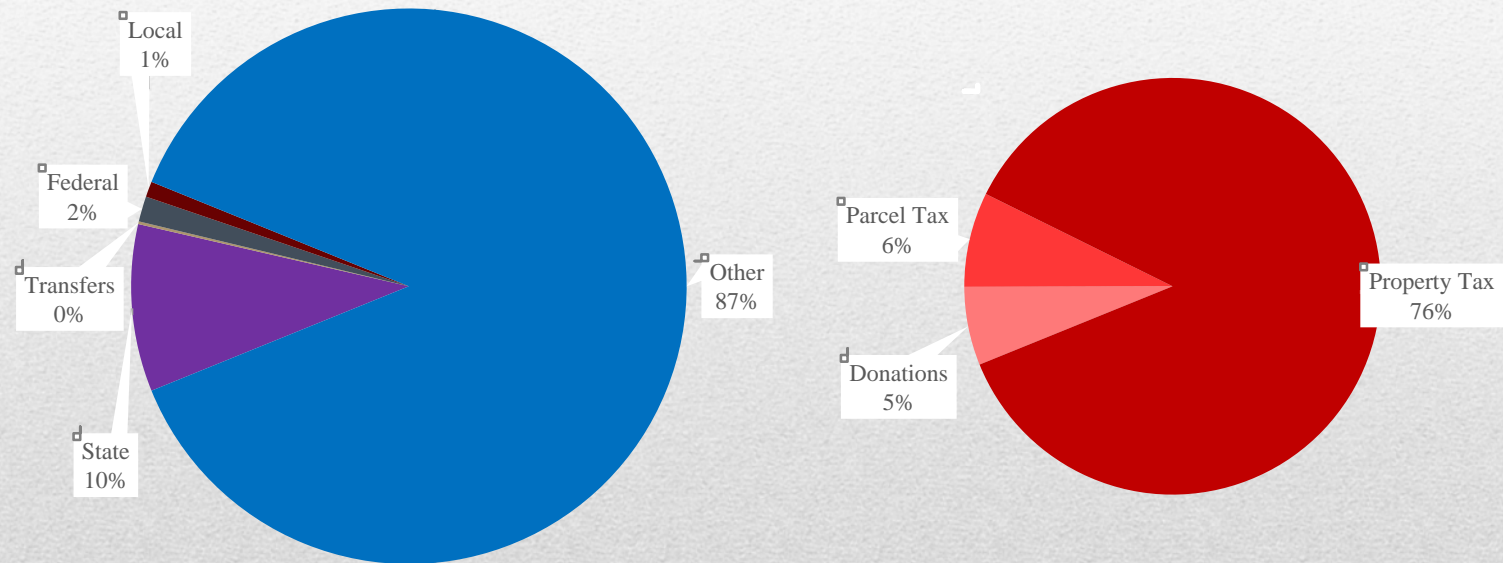
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# Budget Overview

<b>BASE ASSUMPTIONS</b>	<b>16-17</b>	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</b>	<b>22-23</b>	<b>23-24</b>
<b>FULL TIME EMPLOYEES</b>	253.9	247.9	246.19	244.19	244.19	244.19	244.19	244.19
<b>ENROLLMENT</b>	3,254	3,122	3,022	2,978	2,893	2,803	2,727	2,727
<b>PROPERTY TAX:</b> 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%	5.00%
<b>STATE COLA:</b> Included in LCFF Funded Districts but not applicable to Community Funded Districts	0.00%	1.56%	2.71%	3.26%	2.80%	3.16%	2.50%	2.50%
<b>PARCEL TAX:</b> Current Parcel Tax expires in June 2022 (Loss of revenue equates to a % of revenue )							6.40%	6.40%
<b>STEP &amp; COLUMN:</b> Amount of annual adjustment based on current bargaining agreements	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
<b>RETIREMENT:</b> Annual mandated increase in retirement costs related to STRS. This is similar to PERS retirement	1.85%	1.85%	1.85%	0.92%	1.20%	0.30%	0.50%	0.50%
<b>PROJECTED SALARY ADJUSTMENT:</b> (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%	2.00%	2.00%

# Budget Assumptions

## 88% of Total Funding from Local Community



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# Revenue

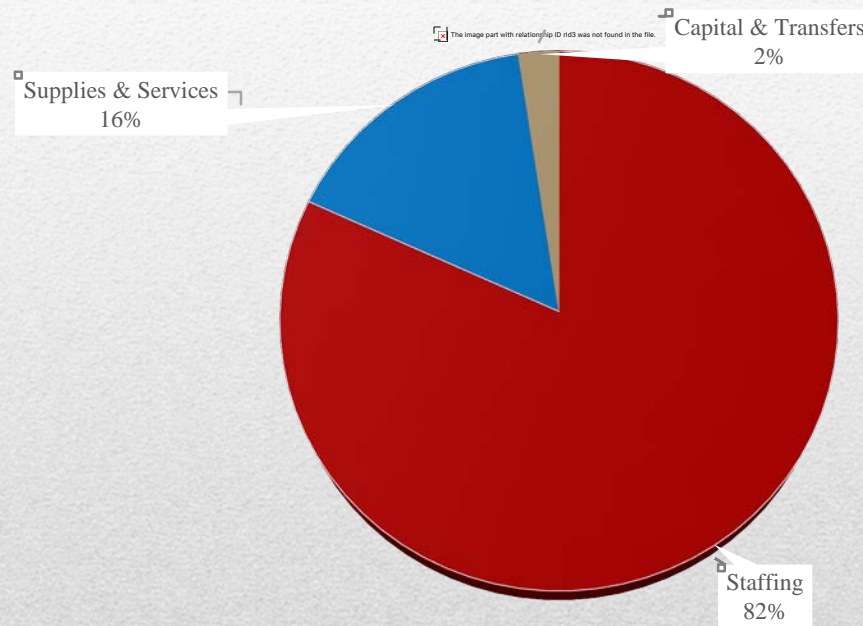


- 88 % from COMMUNITY SOURCES
  - Property Tax
  - Parcel Tax
  - Donations
    - Los Gatos Education Foundation Grant
    - H&SC Grants
    - Restricted Donations
  - Facilities Use
- 12 % STATE & FEDERAL
  - State Aid, Special Education, EPA, Energy Efficiency, Mandated Cost, Lottery

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# Sources of Funding

## 82% of Expenses are Staffing



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# Expenses



- SALARIES & BENEFITS
  - Core Classroom Teachers and Classified Staff
  - Step & Column
  - Health & Welfare Benefits
  - Special Education
  - Retirement (STRS & PERS have been increasing approximately 2% per year)
- BOOKS & SUPPLIES
  - Instructional Materials-Core Curriculum
  - Custodial/Maintenance supplies & equipment
  - Office supplies and equipment
- SERVICES & OTHER EXPENSES
  - Facilities & Maintenance Contracts
  - SPED-Tuition, Consultants & Transportation
  - Compliance software & licenses software, internet, telephones; Utilities/Insurance, legal
- CAPITAL & TRANSFERS
  - Transfers to cover operating losses in Child Nutrition

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# NON DISCRETIONARY EXPENSES



- SALARIES & BENEFITS
  - Cost of living adjustments
  - Elective staff positions
  - Supporting Strategic Initiatives with appropriate staffing
- BOOKS & SUPPLIES
  - Classroom supplies
  - Supplemental instructional materials
  - Technology equipment
  - Materials for strategic initiatives
- SERVICES & OTHER EXPENSES
  - Consulting & Professional Services
  - Professional Development
- CAPITAL IMPROVEMENTS FOR STRATEGIC INITIATIVES

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# EXPENSES PRIORITIES

- SALARIES & BENEFITS
  - Core staffing supported by District & Parcel Tax
  - Elective staffing supported by Foundation Donations
- BOOKS & SUPPLIES
  - Curriculum supported by District & Parcel Tax
  - Supplemental supported by HSC
- SERVICES & OTHER EXPENSES
  - General Operating Expenses supported by District
  - Professional Development and discretionary supported by HSC
- CAPITAL IMPROVEMENTS
  - Supported by Redevelopment Agency Property Taxes and Developer fees

# SOURCES OF FUNDING FOR EXPENSES PRIORITIES

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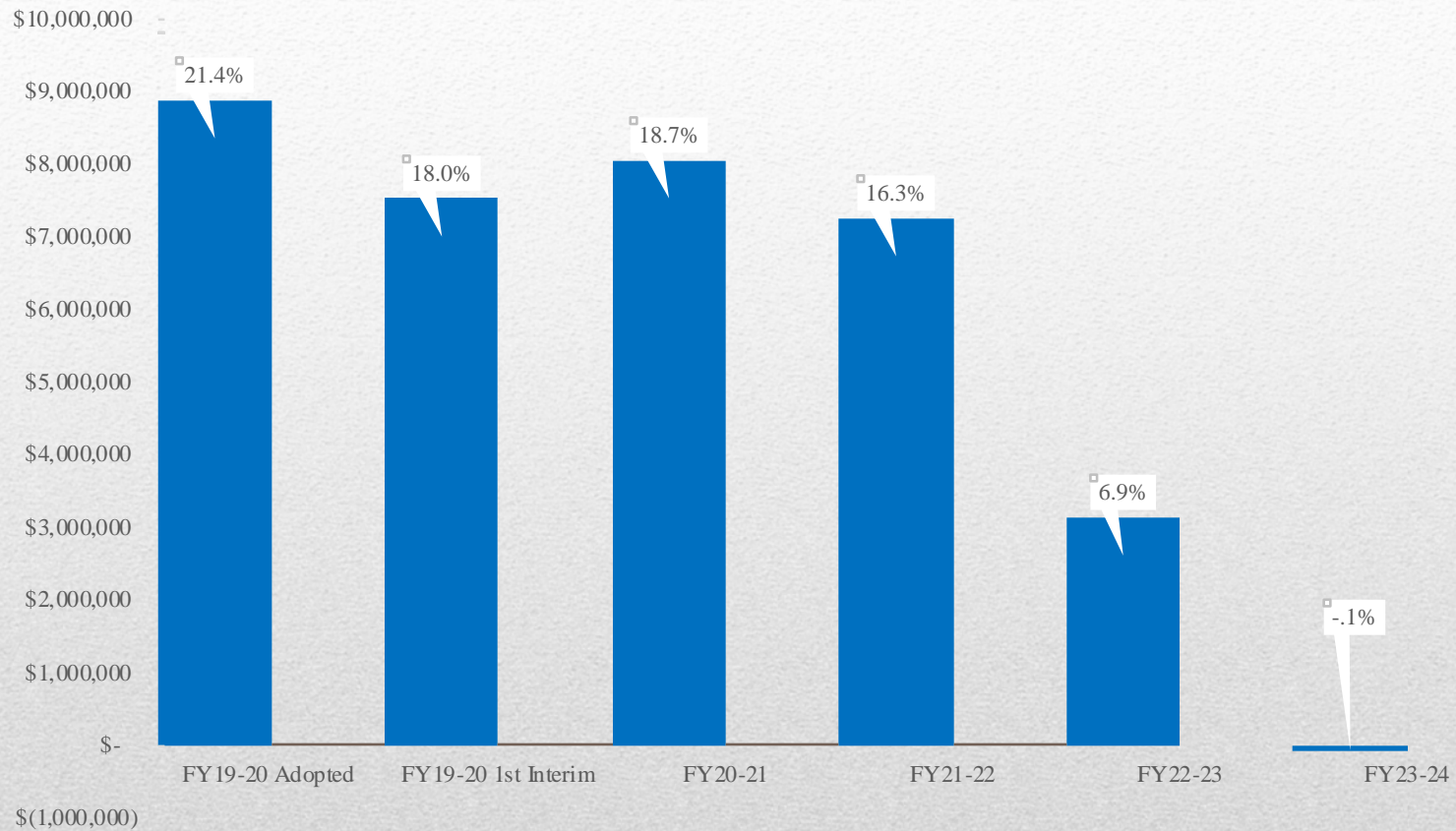


# LGUSD Multi Year Projections 19-20 1st Interim

	FY19-20 Adopted	FY19-20 1st Interim	VARIANCE		FY20-21	FY21-22	FY22-23	FY23-24
<b>REVENUE</b>								
PROPERTY TAX %	4.75%	4.46%	-0.29%		3.5%	3.5%	5%	5%
PROPERTY TAX-LCFF	\$31,607,517	\$31,527,433	\$ (80,084)	Decrease Unsecured Prop Taxes	\$32,575,053	\$33,659,339	\$34,781,576	\$35,943,091
FEDERAL	\$609,850	\$629,234	\$ 19,384	Increase SPED	\$629,234	\$629,234	\$629,234	\$629,234
OTHER STATE REVENUE	\$2,551,383	\$2,509,930	\$ (41,453)	Received 1/2 of State Grant in 18-19	\$2,379,488	\$2,379,488	\$2,379,488	\$2,379,488
OTHER LOCAL REVENUE	\$2,803,635	\$2,821,116	\$ 17,481	Increase in RDA Property Tax	\$3,040,977	\$3,136,271	\$3,228,391	\$3,323,735
FOUNDATION	\$900,000	\$900,000	\$ -		\$900,000	\$900,000	\$900,000	\$900,000
H&SC	\$1,096,869	\$1,513,872	\$ 417,003	Increase HSC for furniture & supplies	\$1,386,082	\$1,386,082	\$1,386,082	\$1,386,082
PARCEL TAX	\$2,750,000	\$2,750,000	\$ -		\$2,750,000	\$2,750,000	\$0	\$0
<b>TOTAL REVENUE</b>	<b>\$42,319,254</b>	<b>\$42,651,585</b>	<b>\$ 332,331</b>		<b>\$43,660,834</b>	<b>\$44,840,414</b>	<b>\$43,304,771</b>	<b>\$44,561,630</b>
<b>EXPENSES</b>								
Salary Adjust % (In addition to Step & Column)	2%	2%			2%	2%	2%	2%
SALARIES	\$25,105,304	\$25,018,293	\$ (87,011)	Open SPED resource teacher	\$25,888,762	\$26,794,869	\$27,732,689	\$28,703,333
BENEFITS	\$9,483,427	\$9,590,607	\$ 107,180	STRS increased by .5%	\$10,019,784	\$10,161,652	\$10,508,265	\$10,875,651
BOOKS & SUPPLIES	\$1,945,955	\$2,275,541	\$ 329,586	HSC Furnitures and Supplies	\$2,172,797	\$2,340,974	\$2,340,974	\$2,340,974
PROFESSIONAL SERVICES	\$4,732,590	\$4,720,260	\$ (12,330)	Adjust to actuals	\$4,627,347	\$4,766,167	\$4,766,167	\$4,766,167
CAPITAL	\$106,225	\$116,423	\$ 10,198	Adjust to actuals	\$120,078	\$123,681	\$123,681	\$123,681
OTHER OUTGO	\$215,000	\$215,000	\$ -		\$221,751	\$228,404	\$228,404	\$228,404
TRANSFERS OUT (CAFETERIA AND DEF. MAINT)	\$700,000	\$680,000	\$ (20,000)	Savings in Child Nutrition	\$701,352	\$722,392	\$722,392	\$722,392
<b>TOTAL EXPENSES</b>	<b>\$42,288,501</b>	<b>\$42,616,124</b>	<b>\$327,623</b>		<b>\$43,751,871</b>	<b>\$45,138,139</b>	<b>\$46,422,572</b>	<b>\$47,760,602</b>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<b>\$30,753</b>	<b>\$35,461</b>			<b>-\$91,037</b>	<b>-\$297,725</b>	<b>-\$3,117,801</b>	<b>-\$3,198,972</b>
ENDING BALANCE	\$10,458,205	\$10,589,391			\$10,498,354	\$10,200,629	\$7,082,828	\$3,883,856
RESTRICTED RESERVES (1)	\$1,574,253	\$2,426,021			\$1,939,256	\$1,939,256	\$1,939,256	\$1,939,256
Clean Energy		\$299,121						
Lottery		\$187,609						
Special Education		\$35						
RDA		\$1,812,778						
ASSIGNED RESERVES	\$0	\$631,488	\$ 631,488		\$ 500,000	\$ 1,000,000	\$ 2,000,000	\$ 2,000,000
Curriculum		\$350,000	\$ 350,000	Science Adoption delayed to 19-20				
Updating Obsolete Phone System		\$200,000	\$ 200,000	Actual expenses paid in 19-20				
Child Nutrition Prepaid Balances Due		\$81,488	\$ 81,488	Prepaid Balances Due				
Strategic Planning Initiatives		\$ -	\$ -	Placeholder for Initiatives	\$500,000	\$1,000,000	\$2,000,000	\$2,000,000
UNRESTRICTED & UNASSIGNED RESERVES	\$8,883,952	\$7,531,882			\$8,059,098	\$7,261,373	\$3,143,572	(\$55,400)
<b>RESERVE %</b>	<b>21.4%</b>	<b>18.0%</b>			<b>18.7%</b>	<b>16.3%</b>	<b>6.9%</b>	<b>-0.1%</b>

# Multi Year Projections

## 19-20 1<sup>st</sup> Interim Budget Reserve Projections



# Reserves



- Strategic Plan Alignment
- Increase in Property Taxes
- Parcel Tax Election
  - Parcel Tax per parcel
  - Annual escalation
  - Length of Tax
- Donations
- Enrollment / Staffing
- Class Size
- Collective Bargaining
- Increased cost of pensions
- Balancing priorities between staffing, program and reserves

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## KEY IMPACTS ON BUDGET

Adopted Budget

June 2019

Negotiations

2020

Property Tax Estimated Tax Roll

November 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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