



**DRAFT FOR MARCH FAC**

# LGUSD Financial Advisory Committee Long Term Planning

Presentation to School Board  
March 12, 2020 Meeting

Waseem Bashiti, David Wells

# Who We Are

## Waseem Bashiti

- Parent of 2x Fisher, 1x Daves
- Founder and ceo at Borza
- Finance and banking background
- Member of LGUSD FAC for 3+ years

## David Wells

- Parent of current Fisher 7th grader
- 25 Years Finance & Analysis Professional
- 15 of that leading Planning Function & CFO of Fortune 100 Company
- Member of LGUSD FAC for 5+ Years

# Last Year

- Built long term spreadsheet model in Google Sheets that allows 5+ year planning
- Worked with LGUSD looking at actuals for past years plus it's projections, and past property tax and school funding trends to develop independent view
- Looked at multi-year scenarios to see what funding/expense dictates a “Bump Along & Make Do” versus an “Invest & Grow” outcome

# This Year

- Worked alongside Strategic Planning Process to placeholder set-asides to support Plan in future years
- Fine-tuned assumptions for property tax revenues and staff costs
- Worked the above into multi-year scenarios to see what funding/expense dictates a “Bump Along & Make Do” versus an “Invest & Grow” outcome. Parcel tax & other source needs?

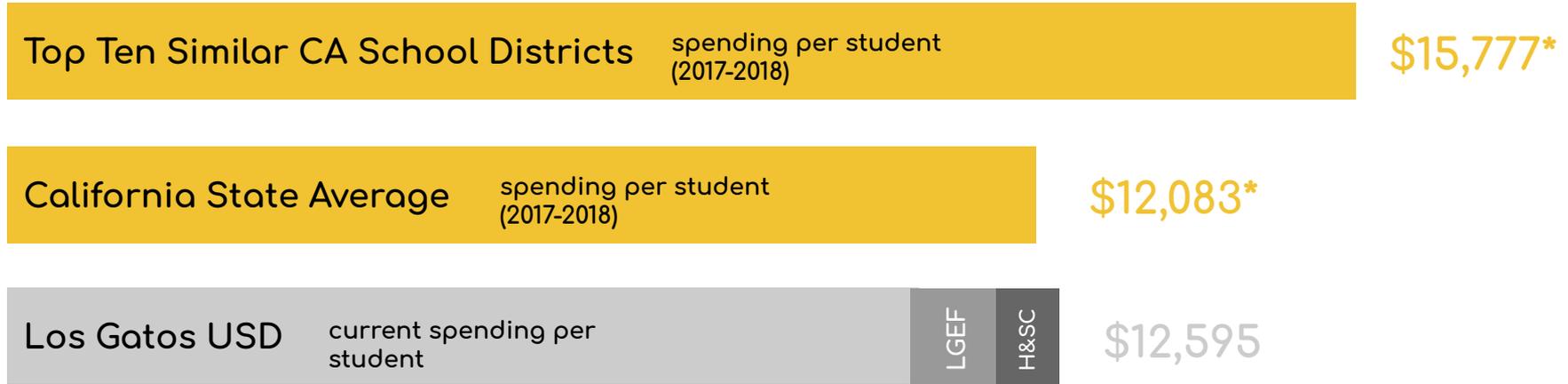
# Key Assumptions

- Modest property tax revenue increases (3 - 4% annual). No recession built in.
- Small decline in enrollment over next 3 years (8% over 3 years). No offsetting growth from North 40 housing.
- Custom scenario assumes:
  - \$560 parcel tax raise from \$290 with inflation escalator
  - LGEF grows from ~\$1M annual to \$2M annual contribution
  - Strategic plan initiatives add \$3M to annual opex spending
  - Use of current reserve ok to accelerate Strategic Plan

# MODEL DEMO

LGUSD Working Model  
FY19-20 Version 2.0

# Funding Per Pupil Needs to Increase



\* Source Ed-data.org Year 2017-2018 <sup>7</sup>

# Funding Per Pupil Needs to Go Up To Stay Relevant

Top Ten Similar CA School Districts spending per student (2017-2018)

\$15,777\*

California State Average spending per student (2017-2018)

\$12,083\*

Los Gatos USD current spending per student

LGEF

H&SC

\$12,595

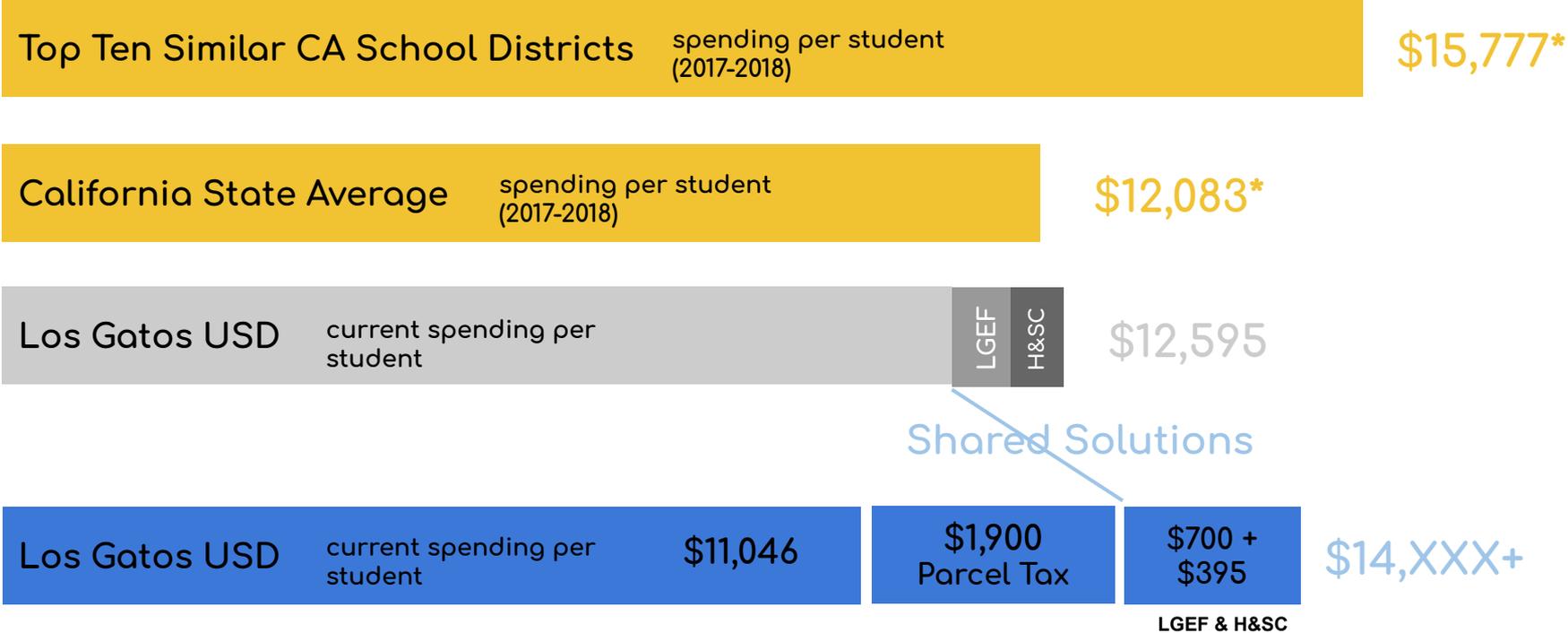
New Jersey State Average spending per student (2017-2018)

\$18,920\*\*

\* Source Ed-data.org Year 2017-2018

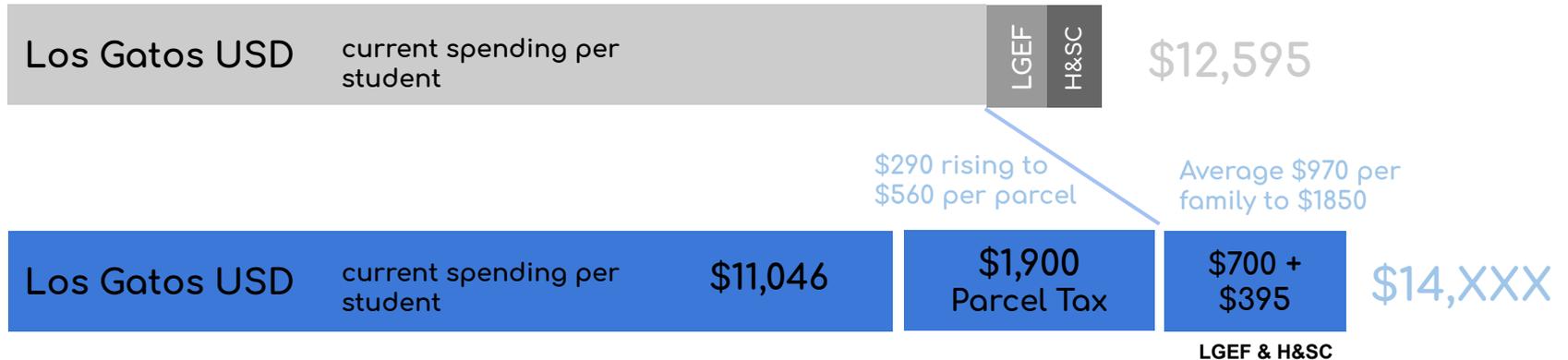
\*\* US Census Bureau, released 4/19/19

# Funding Per Pupil Needs to Increase



\* Source Ed-data.org Year 2017-2018 <sup>9</sup>

# Looking at things from a family or household view



# Findings

To support Strategic Plan objectives of additional ~ \$3M in annual spend (and raise per pupil funding to close to Top 10):

- ❑ Parcel Tax needs to be at least \$550 (current is \$290) with inflation escalator
- ❑ This pairs with a doubling of revenues from LGEF. This may not be realistic, at least in near term.

# Swing Factors

What could be better? What could be worse?

- ❑ If economy enters recession, 3% annual growth in property tax revenue to 0% is worth ~ \$1M/yr to LGUSD
- ❑ Parcel tax might be able to be \$590. +\$30 = +250k/yr
- ❑ CA retirement contribution improves (+ <\$0.5M annual)
- ❑ Enrollment +/- 10% = 300 students. +/- \$1800 in per pupil revenue at constant budget.

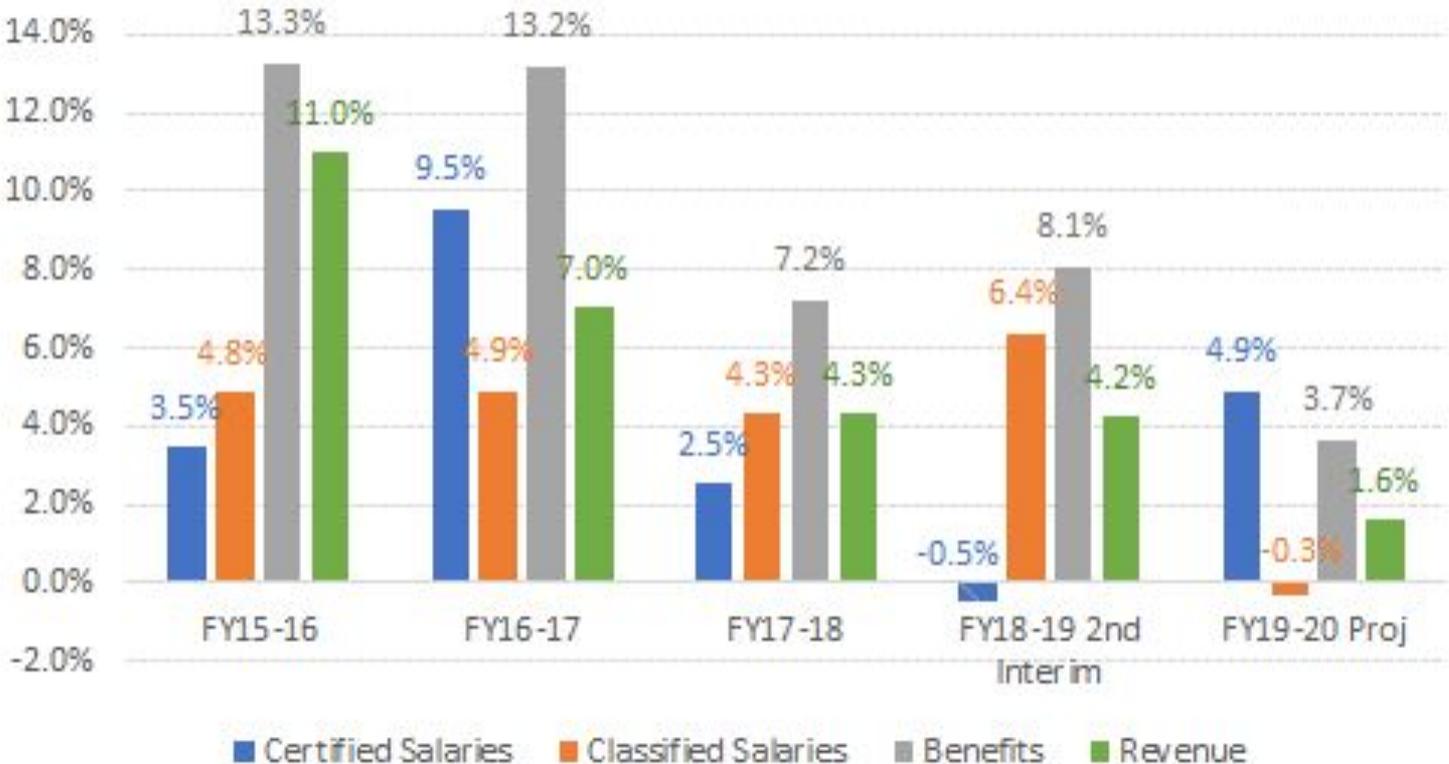
# Slides from Last Year

# 2019 Projection Findings

- Because salaries & benefits drive ~ 80% of overall budget, the main driver of expense is staff costs, itself driven by enrollment and salary/benefit growth assumptions
- Revenue needs to grow faster than staff costs (~6% annual) in order to fuel investment.
- Expiring parcel tax (June 2022) makes this worse
- Growth in health care and pension costs have driven out investment in other areas for many years

# Growth of pension & health care costs are driving out investment

Y/Y Growth Of Key Expenses & Revenue



# Challenges Ahead

## Declining Purchasing Power of Parcel Tax

source: US Department of Labor, Bureau of labor Statistics,CPI Index Over Time, February 2019

