



LOS GATOS UNION

SCHOOL DISTRICT

Our Community, Our Students, Our Future

20-21 1st Interim Budget

December 15, 2020

- Consumer spending down 3.9% compared to Jan 2020
- Bipartisan group considering additional \$916B in federal stimulus including new unemployment assistance. Hope is dwindling to pass before recess
 - Two contentious provisions include liability shield for business and aid to state and local governments
- 853,000 jobless claims in December highlighting that the economy may be sliding backwards

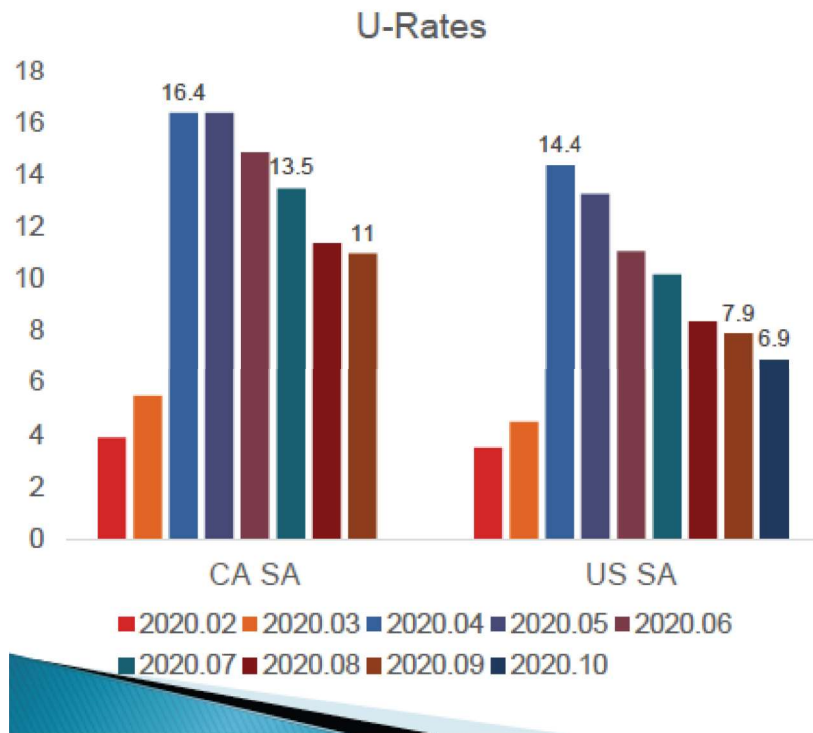
National Economic Forecast

2021-22 Outlook

- California economy continues to recover but remains significantly depressed compared to pre-pandemic levels
- State economic indicators are generally positive, except for unemployment
- March through September personal income tax withholding is up over same period in 2019 High wage earners relatively untouched in this economy
- UCLA Anderson Forecast recently suggested California's pre-coronavirus economic boom won't reappear until 2023
- School funding has significantly improved, however State is not able to remove deferrals without triggering tax implications on the school bonds used to fund the deferrals

California Economic Forecast

Pulse: Unemployment Rates High, Falling Slowly



- ▶ Driven by virus AND desire to resume activity
- ▶ Face-to-face hit hardest:
 - Leisure & Hospitality (restaurants, hotels, entertainment)
 - Retail (clothing stores)
 - Health Care and Social Assistance
 - Other Services (personal care salons, nonprofits)
- ▶ CA harder hit than US as whole because of slower re-opening

California Economic Forecast

- Prioritizing 20-21 and beyond
 - Maintain high quality staff and robust program offerings with appropriate annual salary adjustments
 - Create sustainable budget leveraging Parcel Tax, Home & School and Foundation revenue and provide good stewardship of expenditures
 - Maintain appropriate reserves to buffer fluctuations in property taxes and expiring parcel tax and avoid significant program cuts
 - Align and prioritize resources to support the common goals outlined in the Strategic Plan

District Budget Priorities

- Pandemic related expenses for staff, PPE, maintenance, technology etc...
- Property Taxes-Although Real Estate prices are increasing, business tax are estimated to significantly decrease
- Parcel Tax Expiration and Election prospects-Timing
- Donations are down and anticipated annual increases are questionable
- Enrollment- Decreasing 100+ students
- Class sizes are currently well below maximums allowed by contract could be increased to improve MYP budget
- Staffing-Bargaining annual adjustments and benefits
- Planning and implementation of Strategic initiatives

KEY IMPACTS ON BUDGET

BASE ASSUMPTIONS

	19-20	20-21	21-22	22-23	23-24	24-25
FULL TIME EMPLOYEES	244.19	246.67	242.8	242.8	242.8	242.8
ENROLLMENT	2,978	2722	2722	2722	2722	2722

PROPERTY TAX:Annual increase in property tax.
Anticipated a lower than average annual increase
due to housing market fluctuations and changing
tax laws

5.16%	3.53%	1.50%	1.50%	3.50%	5.00%
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SSC STATE COLA: Included in LCFF Funded Districts
but not applicable to Community Funded Districts

3.26%	2.31%	3.16%	0.70%	0.80%	2.50%
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PARCEL TAX:Current Parcel Tax expires in June 2022
(Loss of revenue equates to a % of revenue)

-\$2.75M	-\$2.75M	-\$2.75M
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STEP & COLUMN:Amount of annual adjustment
based on current bargaining agreements

2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
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RETIREMENT:Annual mandated increase in
retirement costs related to STRS. This is similar to
PERS retirement

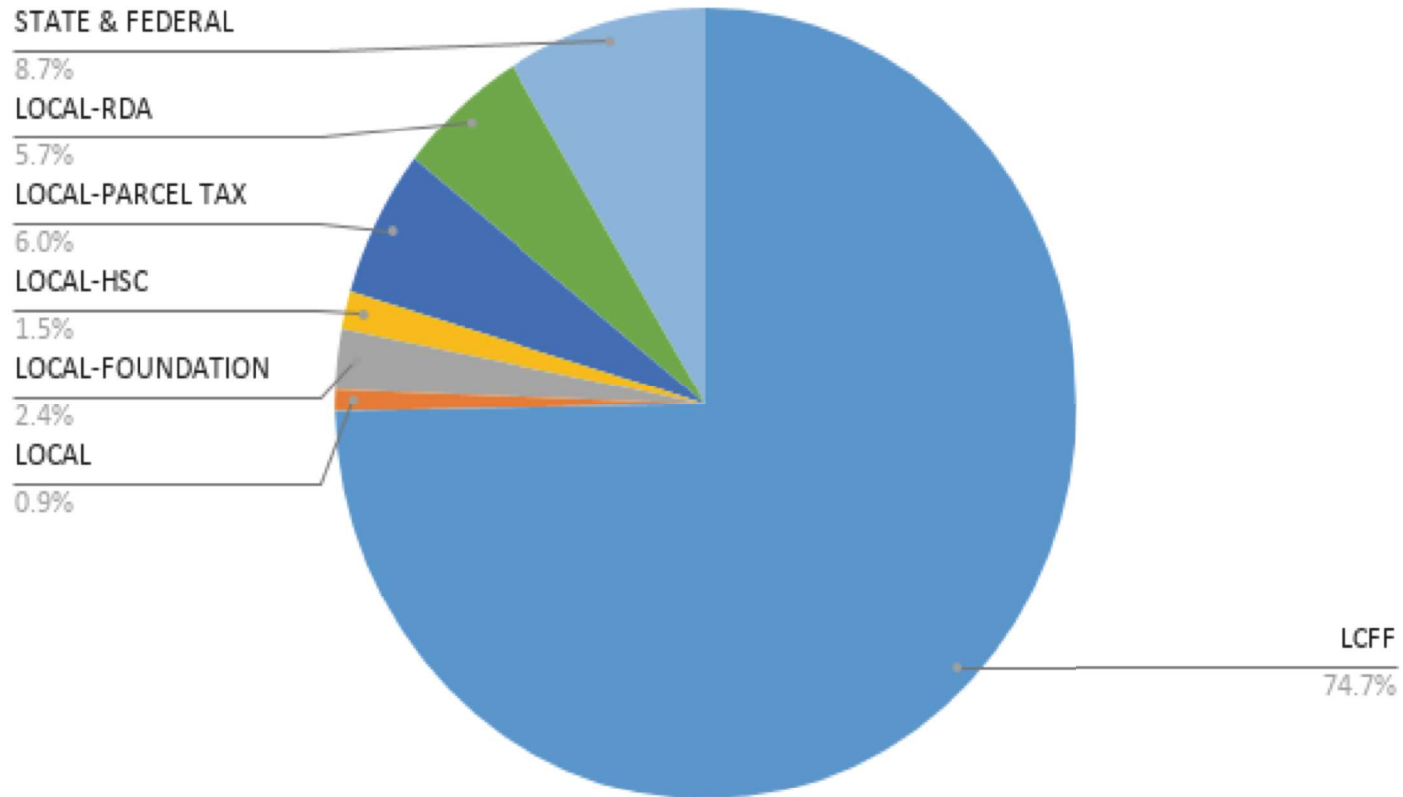
0.92%	0.95%	0.15%	2.10%	2.00%	2.00%
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PROJECTED SALARY ADJUSTMENT: (Included in
budget projections) This is a placeholder and does
not represent a cap nor a floor

2.00%	2.00%	2.00%	2.00%	0.00%	0.00%
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Budget Assumptions

20-21 1st Interim Budget Revenue

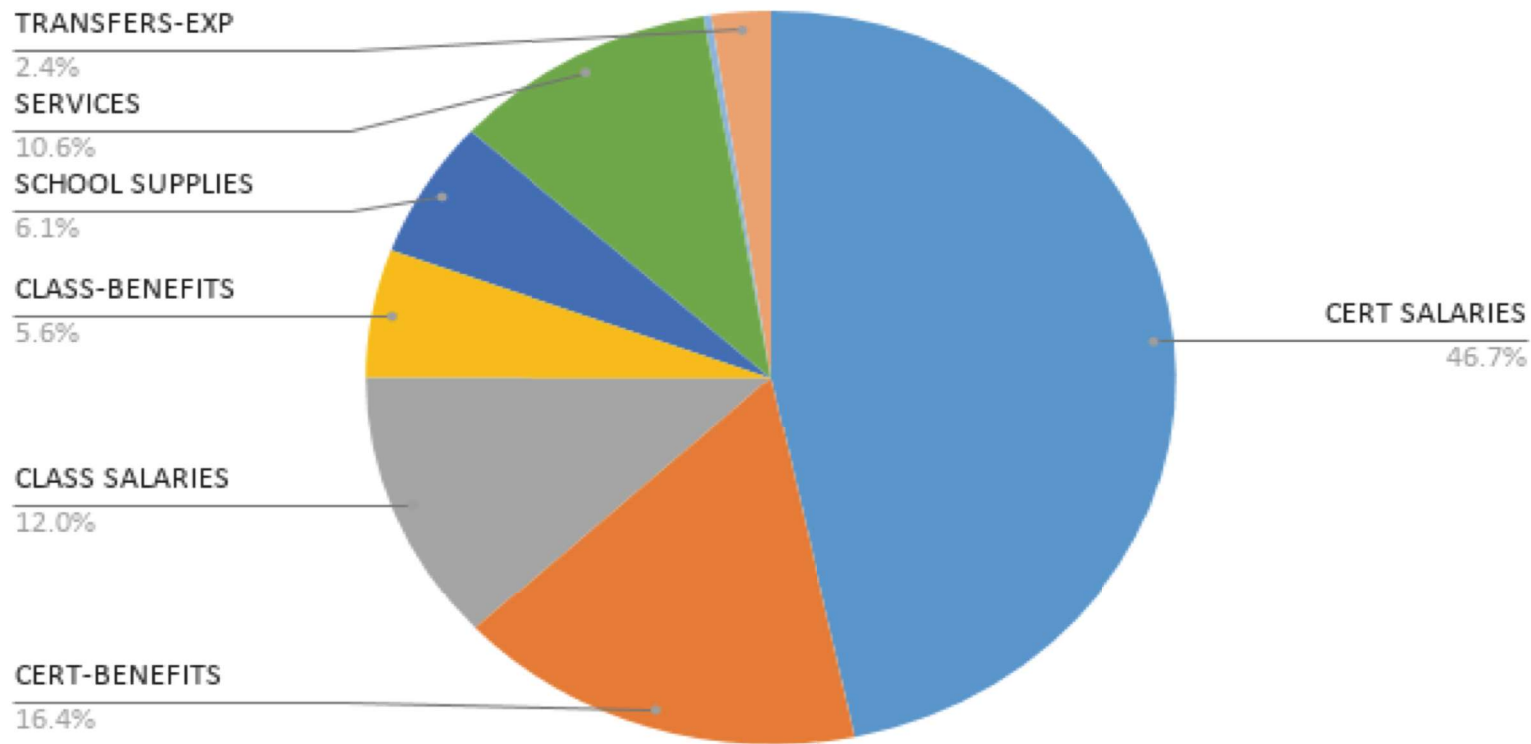


Revenue

- Property Tax – Slower projected growth in 21-22 but improved economic projections. 3.5% for 21-22 and 1.5% for 23-25.
 - Teeter Plan is still in place and likely to continue to collect full property tax roll
- Parcel Tax –Expires in June 2022
- RDA funds-State supreme court ruling provides additional RDA funds to districts with priority agreement. Ongoing revenue increase of approximately \$650K per year. Funds restricted for facilities and capital improvements.
- Donations –Reduced funding in 20-21 and slower growth in outer years.
 - Removed El Camino counselor grant in 21-22
 - Foundation unable to meet strategic initiatives without increased funding
- Facilities 75% reduction in fees 20-21 and slow recovery 21-22
- Developer Fees- Received first payment on the N40 development and anticipate full payments over the next few years. Using funds to meet our capital planning priorities including tech upgrades related to Rooming and Zooming.
- Governor proposes additional support for Special Education through equalizing payments to SELPA. Unique circumstance for our SELPA means District may not be eligible for any increases

Sensitivity of Revenue

20-21 1st Interim Budget Expenses



Expenses

- **STAFFING & BENEFITS \$800,000**
 - Substitute teachers needed to support teachers unable to teach on campus. Additional teacher hours for PD, Reopening task force
 - Hybrid learning assistants short term positions to support in classroom zoomers and other duties including gate checks etc.
 - Received grant funding for additional counseling but anticipating needing ongoing without guaranteed funding
 - Changed all custodian staff to higher Custodian II level-Provides additional support for cleaning and sanitizing during school hours
 - Health & Welfare Benefits (5% annual increase) Anticipate higher increases long term as providers recoup their costs
- **BOOKS & SUPPLIES \$1,000,000**
 - Instructional Materials- Curriculum adoption annually. Purchasing additional materials to support distancing learning and roomers and zoomers
 - Custodial/Maintenance supplies increase \$300K+/year including filters, sanitizing, plexiglass, hand sanitizing
 - Tech supplies and equipment-New teacher devices and workstation setup with cameras, monitors, speakers, document cameras, docking stations & chrome book loaners, hotspots. televisions
- **SERVICES & OTHER EXPENSES \$150,000**
 - Facilities & Maintenance Contracts-HVAC commissioning, repairs
 - Compliance software & licenses software, internet, telephones; Utilities/Insurance
 - Subsidized staff child care
- **CAPITAL & TRANSFERS \$1,900,000**
 - Transfers to cover \$300K + operating losses in Child Nutrition
 - Technology improvements are estimated at \$1,600,000 through the long term capital plan

COVID RELATED EXPENSES

20-21 1st Interim Budget Presentation

		20-21 Adopted	Actuals	20-21 1st	Var to Adopted	
– REVENUE	LCFF	\$32,636,882	\$7,113,112	\$34,055,678	\$1,418,796	RDA Funding + Tax Escalator
	LOCAL	\$451,260	\$110,782	\$401,024	-\$50,236	
	LOCAL-FOUNDATION	\$955,902	\$74,381	\$1,113,025	\$157,123	Counselor/Remove revenue in 21-22
	LOCAL-HSC	\$1,164,558	\$269,502	\$701,008	-\$463,550	Based on current Grants
	LOCAL-PARCEL TAX	\$2,750,000	\$0	\$2,750,000	\$0	
	LOCAL-RDA	\$2,535,133	\$0	\$2,589,000	\$53,867	
	STATE & FEDERAL	\$3,014,032	\$1,716,953	\$3,976,033	\$962,001	Federal CARES act
	TRANSFERS	\$83,416	\$4,144	-\$124,943	-\$208,359	
REVENUE Total		\$43,591,183	\$9,288,874	\$45,460,825	\$1,869,642	
– EXPENSE	CERT SALARIES	\$20,685,099	\$19,534,387	\$21,213,658	\$528,559	Increase include LT Subs
	CERT-BENEFITS	\$7,274,208	\$5,413,300	\$7,430,990	\$156,782	
	CLASS SALARIES	\$5,277,248	\$5,075,589	\$5,444,510	\$167,262	Added Tech Position and SPED Aide
	CLASS-BENEFITS	\$2,404,097	\$2,159,927	\$2,561,501	\$157,404	
	SCHOOL SUPPLIES	\$2,061,443	\$1,757,946	\$2,757,784	\$696,341	\$350K Instructional Materials+\$200K PPE
	SERVICES	\$4,852,215	\$3,541,779	\$4,826,611	-\$25,604	\$200K for Hybrid Aide-Offset by HSC reduction
	TERM-CAPITAL	\$144,539	\$0	\$139,321	-\$5,218	
	TRANSFERS-EXP	\$921,751	\$240,000	\$1,071,751	\$150,000	Increased Contribution to CN
EXPENSE Total		\$43,620,600	\$37,722,928	\$45,446,126	\$1,825,526	
Beg Balance Reserves		\$12,276,951	\$12,276,951	\$12,276,951		
Net Expenses		-\$29,417	-\$28,434,054	\$14,699		
Eng Balance Reserves		\$12,247,534	-\$16,157,103	\$12,291,650		
Restricted Reserves		\$1,434,148	\$1,234,376	\$1,234,376		
Available Unrestricted Reserves		\$10,813,386	-\$17,391,479	\$11,057,274		
Required 3%		\$1,308,618	\$1,131,688	\$1,363,384		
Actual %		24.79%	-46.10%	24.33%		

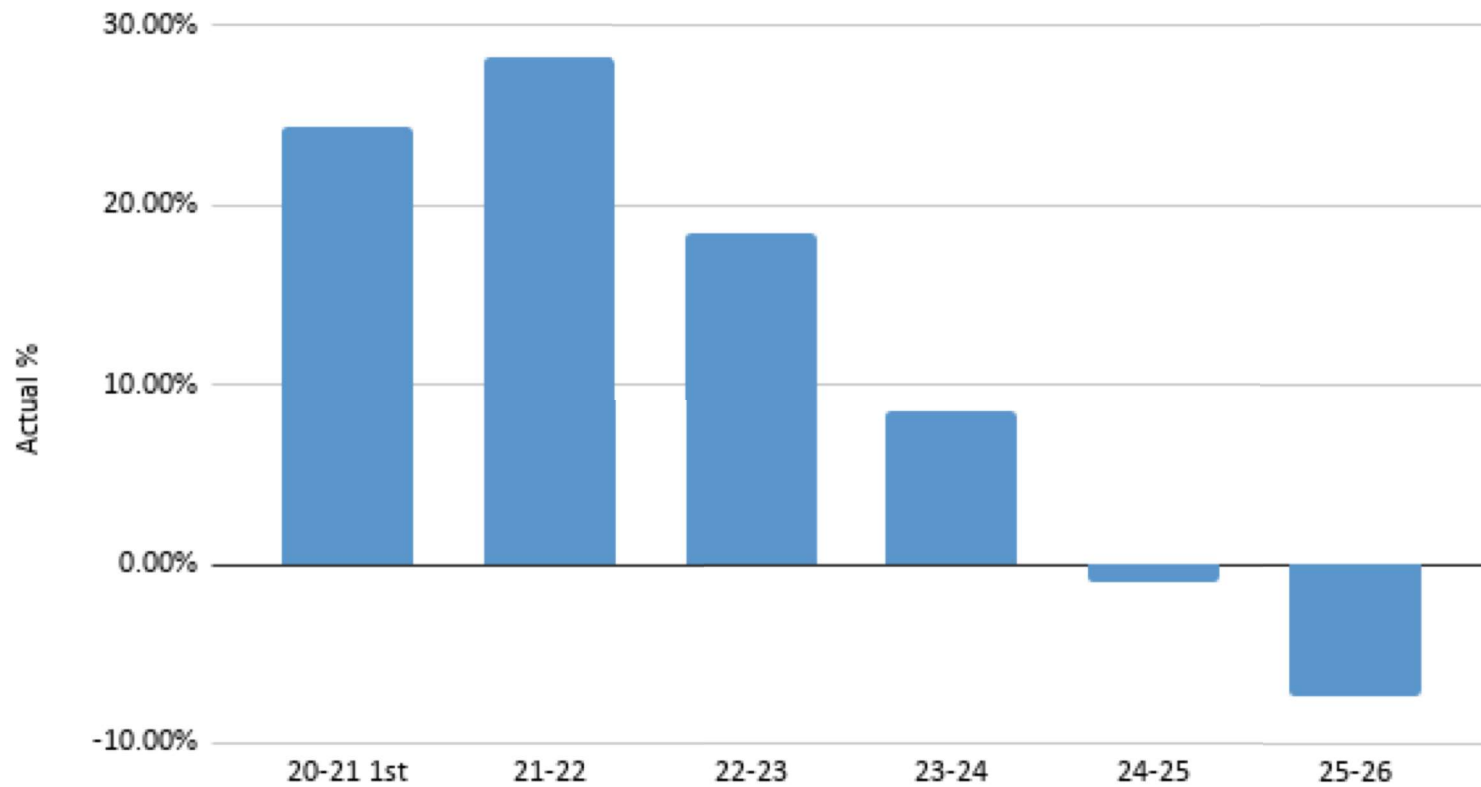
1st Interim Comparison

		20-21 1st	21-22	22-23	23-24	24-25	25-26
— REVENUE	LCFF	\$34,055,678	\$35,209,033	\$34,922,072	\$35,420,712	\$36,601,654	\$38,347,697
	LOCAL	\$401,024	\$366,024	\$366,024	\$366,024	\$366,024	\$366,024
	LOCAL-FOUNDATION	\$1,113,025	\$1,052,175	\$1,103,783	\$1,103,783	\$1,157,970	\$1,214,867
	LOCAL-HSC	\$701,008	\$701,008	\$701,008	\$701,008	\$701,008	\$701,008
	LOCAL-PARCEL TAX	\$2,750,000	\$2,750,000	\$0	\$0	\$0	\$0
	LOCAL-RDA	\$2,589,000	\$2,673,919	\$2,714,028	\$2,754,738	\$2,851,154	\$2,993,712
	STATE & FEDERAL	\$3,976,033	\$3,018,046	\$3,018,046	\$3,018,046	\$3,018,046	\$3,018,046
	TRANSFERS	-\$124,943	\$25,057	\$25,057	\$25,057	\$25,057	\$25,057
REVENUE Total		\$45,460,825	\$45,795,262	\$42,850,018	\$43,389,368	\$44,720,913	\$46,666,411
— EXPENSE	CERT SALARIES	\$21,213,658	\$21,709,939	\$22,578,337	\$23,029,904	\$23,481,471	\$23,707,255
	CERT-BENEFITS	\$7,430,990	\$7,685,284	\$8,081,377	\$8,345,867	\$8,941,315	\$9,037,004
	CLASS SALARIES	\$5,444,510	\$5,611,172	\$5,835,613	\$5,952,327	\$6,069,040	\$6,127,397
	CLASS-BENEFITS	\$2,561,501	\$2,658,596	\$2,792,276	\$2,876,688	\$3,081,672	\$3,114,777
	SCHOOL SUPPLIES	\$2,757,784	\$1,957,931	\$1,997,086	\$2,037,025	\$2,077,763	\$2,119,318
	SERVICES	\$4,826,611	\$4,590,111	\$4,590,111	\$4,590,111	\$4,590,111	\$4,590,111
	TERM-CAPITAL	\$139,321	\$139,321	\$139,321	\$139,321	\$139,321	\$139,321
	TRANSFERS-EXP	\$1,071,751	\$959,456	\$959,456	\$959,456	\$959,456	\$959,456
EXPENSE Total		\$45,446,126	\$45,311,810	\$46,973,577	\$47,930,698	\$49,340,149	\$49,794,638

Beg Balance Reserves	\$12,276,951	\$12,291,650	\$12,775,102	\$8,651,543	\$4,110,213	-\$509,023
Net Expenses	\$14,699	\$483,452	-\$4,123,559	-\$4,541,330	-\$4,619,236	-\$3,128,228
Eng Balance Reserves	\$12,291,650	\$12,775,102	\$8,651,543	\$4,110,213	-\$509,023	-\$3,637,250
Restricted Reserves	\$1,234,376					
Available Unrestricted Reserves	\$11,057,274	\$12,775,102	\$8,651,543	\$4,110,213	-\$509,023	-\$3,637,250
Required 3%	\$1,363,384	\$1,359,354	\$1,409,207	\$1,437,921	\$1,480,204	\$1,493,839
Actual %	24.33%	28.19%	18.42%	8.58%	-1.03%	-7.30%

Multi Year Projections

Reserve %



Reserves

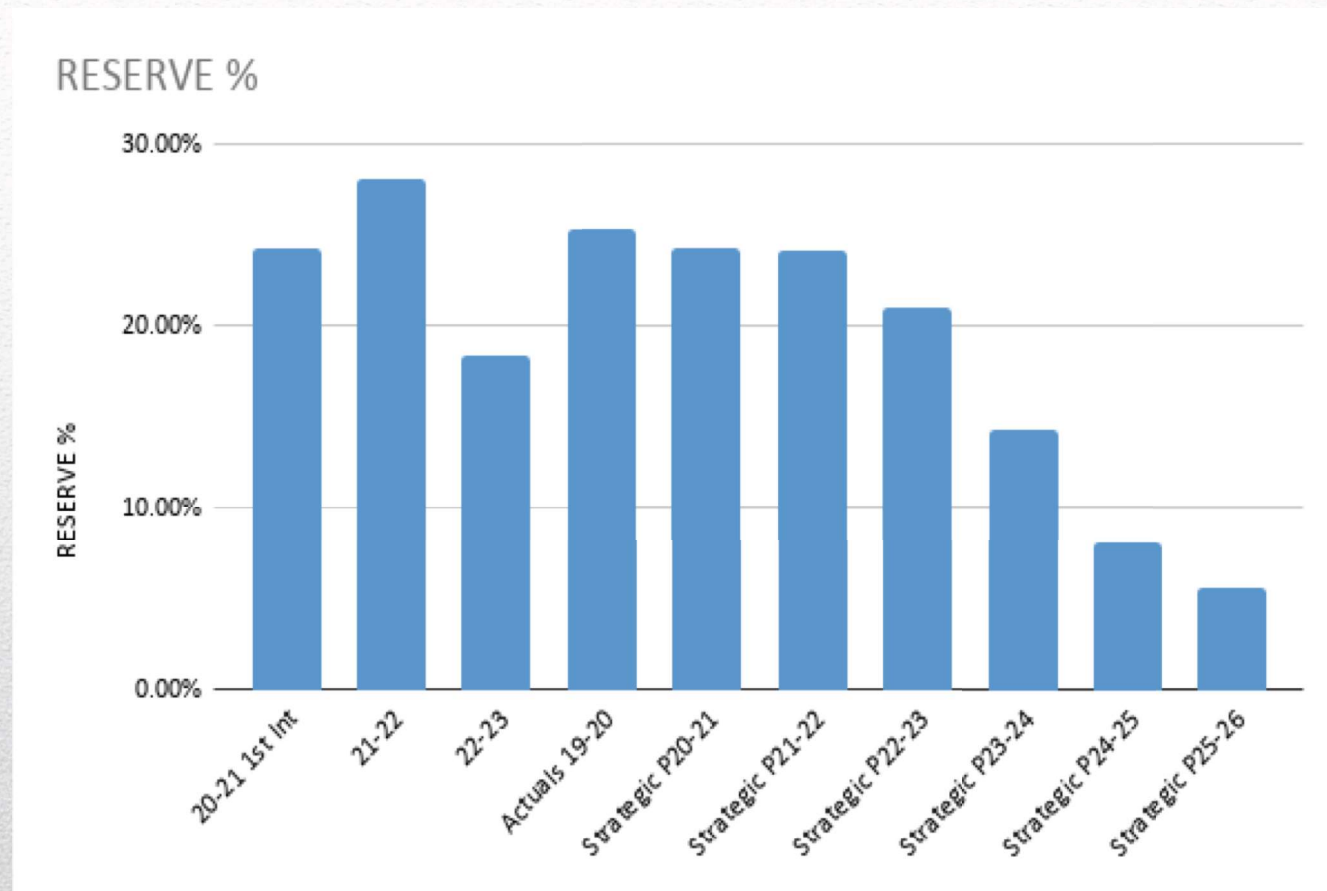
ASSUMPTIONS FOR STRATEGIC PLANNING PROJECTIONS				19-20	20-21	21-22	22-23	23-24	24-25	25-26
		Net. Property Tax % Increase		5.16%	3.53%	1.50%	1.50%	3.50%	3.50%	5.00%
		Property Tax Change from Projections \$		\$ -						
		Foundation		900,000	983,000	1,052,175	1,104,784	1,160,023	1,218,024	1,278,925
		Foundation %		0.00%	3.00%	5.00%	5.00%	5.00%	5.00%	5.00%
		Foundation \$ Change			0	20,025	21,026	22,078	23,181	24,341
		Parcel Tax		\$2,750,000	\$2,750,000	\$2,750,000	\$3,698,276	\$3,772,241	\$3,847,686	\$3,924,640
		Per Parcel				\$290	\$390	\$398	\$406	\$414
		Parcel Tax \$ Change from Assumptions			\$ -	\$ -	\$3,698,276	\$3,772,241	\$3,847,686	\$3,924,640
		HSC		\$969,053	\$701,008	\$701,008	\$701,008	\$701,008	\$701,008	\$701,008
		Wage Assumptions in Model (Include Step & Column & CO		3.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
		Medical		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
		Staffing Additions Cert		\$ -	\$194,833.24	\$ -	\$ -	\$ -	\$ -	\$ -
		Staffing Adjustments			2.48	-1	-1	-1	-1	-1
		Staffing Additions Class		\$ -	\$57,234.16	\$ -	\$ -	\$ -	\$ -	\$ -
		Staffing Adjustments Class			0.60					
		STRS % Change to Prior Year		0.00%	-1.00%	0.00%	2.40%	2.00%	2.00%	2.00%
		PERS % Change to Prior Year		0.00%	0.98%	2.14%	2.66%	2.00%	2.00%	2.00%
		Benefits		0.00%	0.00%	0.00%	3.50%	3.50%	3.50%	3.50%
		Revenue CPI		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
		CPI Expenses		0.00%	0.00%	0.00%	3.13%	3.00%	3.00%	3.00%

Strategic Plan

Assumptions

MULTI YEAR PROJECTIONS		20-21 1st Int	21-22	22-23	Actuals 19-20	Strategic Projection 20-21	Strategic Projection 21-22	Strategic Projection 22-23	Strategic Projection 23-24	Strategic Projection 24-25	Strategic Projection 25-26
INCOME		\$45,460,825	\$45,795,262	\$42,850,018	\$44,263,797	\$45,460,825	\$45,795,262	\$46,548,294	\$47,161,609	\$48,568,599	\$50,591,050
	LCFF	\$34,055,678	\$35,209,033	\$34,922,072	\$31,760,901	\$34,055,678	\$35,209,033	\$34,922,072	\$35,420,712	\$36,601,654	\$38,347,697
	STATE & FED	\$3,976,033	\$3,018,046	\$3,018,046	\$4,388,297	\$3,976,033	\$3,018,046	\$3,018,046	\$3,018,046	\$3,018,046	\$3,018,046
	LOCAL										
	Foundation	\$1,113,025	\$1,052,175	\$1,103,783	\$900,000	\$1,113,025	\$1,052,175	\$1,103,783	\$1,103,783	\$1,157,970	\$1,214,867
	HSC	\$701,008	\$701,008	\$701,008	\$969,053	\$701,008	\$701,008	\$701,008	\$701,008	\$701,008	\$701,008
	Parcel Tax	\$2,750,000	\$2,750,000	\$0	\$2,741,457	\$2,750,000	\$2,750,000	\$3,698,276	\$3,772,241	\$3,847,686	\$3,924,640
	Other	\$401,024	\$366,024	\$366,024	\$831,910	\$401,024	\$366,024	\$366,024	\$366,024	\$366,024	\$366,024
	RDA	\$2,589,000	\$2,673,919	\$2,714,028	\$2,672,179	\$2,589,000	\$2,673,919	\$2,714,028	\$2,754,738	\$2,851,154	\$2,993,712
	TRANSFERS	-\$124,943	\$25,057	\$25,057		-\$124,943	\$25,057	\$25,057	\$25,057	\$25,057	\$25,057
EXPENSE		\$45,446,126	\$45,311,810	\$46,973,577	\$41,881,544	\$45,446,126	\$45,922,028	\$47,583,795	\$49,964,378	\$51,474,899	\$51,829,388
	SALARIES	\$21,213,658	\$21,709,939	\$22,578,337	\$19,619,085	\$21,213,658	\$21,709,939	\$22,578,337	\$23,029,904	\$23,481,471	\$23,707,255
	CLASSIFIED	\$5,444,510	\$5,611,172	\$5,835,613	\$5,171,267	\$5,444,510	\$5,611,172	\$5,835,613	\$5,952,327	\$6,069,040	\$6,127,397
	BENEFITS	\$9,992,491	\$10,343,880	\$10,873,653	\$10,320,145	\$9,992,491	\$10,343,880	\$10,873,653	\$11,222,554	\$12,022,987	\$12,151,781
	SUPPLIES	\$2,757,784	\$1,957,931	\$1,997,086	\$1,544,358	\$2,757,784	\$1,957,931	\$1,997,086	\$2,037,025	\$2,077,763	\$2,119,318
	SERVICES	\$4,826,611	\$4,590,111	\$4,590,111	\$4,367,937	\$4,826,611	\$4,590,111	\$4,590,111	\$4,590,111	\$4,590,111	\$4,590,111
	CAPITAL	\$139,321	\$139,321	\$139,321	\$23,108	\$139,321	\$139,321	\$139,321	\$139,321	\$139,321	\$139,321
	TRANSFERS/CAP	\$1,071,751	\$959,456	\$959,456	\$835,644	\$1,071,751	\$959,456	\$959,456	\$959,456	\$959,456	\$959,456
	STRATEGIC PLAN					\$0	\$610,218	\$610,218	\$2,033,680	\$2,134,750	\$2,034,750
NET		\$14,699	\$483,452	-\$4,123,559	\$2,382,253	\$14,699	-\$126,766	-\$1,035,502	-\$2,802,768	-\$2,906,300	-\$1,238,338
Beg Bal Reserves		\$12,291,650	\$12,775,102	\$8,651,543		\$12,276,951	\$12,150,185	\$11,114,683	\$8,311,915	\$5,405,615	\$4,167,277
Restricted Reserves		\$1,234,376				-\$1,234,376					
UNRESTRICTED RESERVES		\$11,071,973	\$12,775,102	\$8,651,543		\$11,057,274	\$12,150,185	\$11,114,683	\$8,311,915	\$5,405,615	\$4,167,277
3% REQUIRED RESERVES		\$1,363,384	\$1,359,354	\$1,409,207		\$1,363,384	\$1,377,661	\$1,427,514	\$1,498,931	\$1,544,247	\$1,554,882
RESERVE %		24.36%	28.19%	18.42%	25.37%	24.33%	26.46%	23.36%	16.64%	10.50%	8.04%
UNFUNDED STRATEGIC PLAN							\$1,043,753	\$1,088,843	\$1,135,881	\$1,184,951	\$1,236,141
							\$11,106,432	\$10,025,840	\$7,176,034	\$4,220,664	\$2,931,137
							24.19%	21.07%	14.36%	8.20%	5.66%

Strategic Plan Projections




Strategic Plan Reserve Projections

	Los Gatos Union School District							
	Deferred Maintenance Projects (15 Year Projection)							
	Deferred Maintenance & Developer Fees							
Priority	1-5 Years	Fisher Middle	Blossom Hill	Daves Avenue	Lexington	Van Meter	District Office	Total
2	Heating and Cooling Systems		\$60,000					\$60,000
5	Scrape and Repave Blacktop Playground	\$75,000	\$20,000	\$75,000		\$75,000		\$245,000
3	Landscaping Improvements		\$1,200,000	\$1,200,000		\$1,200,000		\$3,600,000
3	Field Renovations/Irrigation		\$1,600,000	\$1,600,000		\$1,600,000		\$4,800,000
1	Tech Infrastructure/AV	\$490,000	\$300,000	\$250,000	\$100,000	\$250,000	\$275,000	\$1,665,000
6	Painting	\$200,000	\$150,000	\$150,000		\$150,000		\$650,000
5	Playground Equipment		\$10,000	\$10,000		\$35,000		\$55,000
7	Safety Upgrades	\$30,000	\$30,000	\$30,000		\$30,000	\$30,000	\$150,000
4	Solar Upgrades/Generator	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$300,000
	Sub-Total	\$845,000	\$3,420,000	\$3,365,000	\$150,000	\$3,390,000	\$355,000	\$11,525,000
	6-15 Years							
	Field Renovation /Turf	\$2,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000		\$6,000,000
	Heating and Cooling Systems	\$450,000	\$250,000	\$250,000	-	\$375,000	\$100,000	\$1,425,000
	Parking Lots and Asphalt	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$600,000
	Roofs	\$2,500,000	\$500,000	\$500,000		\$500,000	\$250,000	\$4,250,000
	Technology	\$300,000	\$150,000	\$150,000	\$75,000	\$150,000	\$169,307	\$994,307
	Total Projected Cost	\$6,195,000	\$5,420,000	\$5,365,000	\$1,325,000	\$5,515,000	\$974,307	\$24,794,307

Long Term Capital Plan

Long Term Capital Funding - Fund 14 & 25						
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-35
Deferred Maintenance - Fund 14	\$1,972,123	\$3,767,429	\$3,208,122	\$2,278,122	\$148,122	\$768,122
General Fund Transfers	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$5,500,000
Developer Fees - Fund 25	\$910,306					
Developer Fees Transfers	\$2,000,000	\$2,700,000	\$1,500,000	\$300,000	\$300,000	\$3,000,000
P1 -Tech Infrastructure	-\$1,665,000	-\$169,307				-\$825,000
P2 - HVAC		-\$60,000				-\$1,425,000
P3 - Fields/Irrigation		-\$1,600,000	-\$1,600,000	-\$1,600,000		-\$6,000,000
P3 - Landscaping upgrades		-\$1,200,000	-\$1,200,000	-\$1,200,000		-\$6,000,000
P4 - Solar Buyout/Generator		-\$300,000				
P5 - Playground Equipment & Blacktop		-\$300,000				-\$600,000
P6 - Painting		-\$150,000	-\$150,000	-\$150,000	-\$200,000	
P7 - Safety Upgrades		-\$30,000	-\$30,000	-\$30,000	-\$30,000	-\$300,000
Years 6 to 15 (Parking, Roofs)						-\$4,850,000
Ending Balance	\$3,767,429	\$3,208,122	\$2,278,122	\$148,122	\$768,122	-\$10,731,878
Notes:						
Tech General Fund	-\$700,000	-\$100,000	-\$100,000	-\$100,000	-\$100,000	-\$1,000,000

LT Capital Funding



Adopted Budget	June 2020
Property Tax Estimated Tax Roll	December 2020
1 st Interim Budget Presentation	December 2020
Property Tax Est 21-22 Roll	February 2021
2 nd Interim Budget Presentation	March 2021
21-22 Budget Approval	June 2021
Proposed Parcel Tax Election	November 2021

Budget Timeline
