

2020-21 2ND INTERIM FINANCIAL REPORT

Los Altos School District

March 8, 2021 Board Meeting

Overview

- 2 interim financial reports required by state law each year
- 2nd Interim reflects actual revenues and expenditures through Jan 31
- Action item – presented for review and approval
- Positive certification – we can meet our financial obligations for current and two future years

CHANGES SINCE 1ST INTERIM

General Fund: Overview

General Fund	Adopted Budget	1st Interim	2nd Interim
	June	December	March
	(\$ in millions)	(\$ in millions)	(\$ in millions)
Revenues	67.0	69.5	69.3
<u>Expenditures (incl. transfers)</u>	<u>66.0</u>	<u>67.7</u>	<u>68.3</u>
Net Change	1.0	1.8	1.0
Fund Balance	2.7	6.3	5.4
Unrestricted Fund Balance	1.7	5.7	4.3
Reserves	9.5%	13.7%	11.6%

Fund Balances: All Funds

End of Year Projected Fund Balance	Adopted Budget	1st Interim	2nd Interim
	June	December	March
General Fund (unrestricted)	1,665,047	5,682,433	4,337,367
Deferred Maintenance	113,497	196,695	25,615
Special Reserve	3,562,161	3,590,562	3,590,562
OPEB Special Reserve	14,549	14,315	14,065
Building	18,747,655	22,975,044	22,609,930
Capital Facilities	43,491	1,511,097	1,685,221

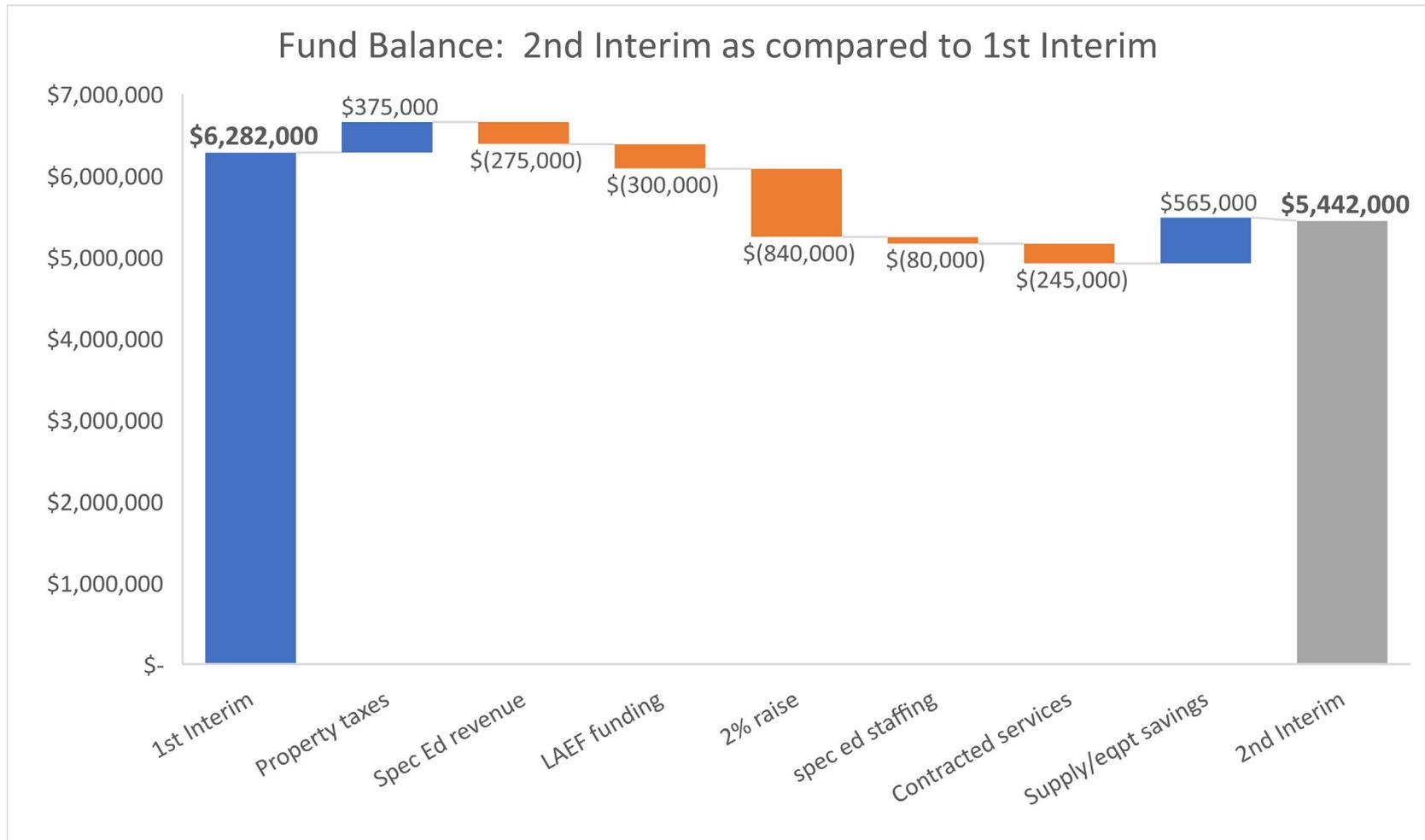
Revenue Changes

- **Net change: down 247,000**
 - Property tax revenues -- 375k increase
 - Special education funding – **net decrease of 275k**
 - Increase in county property taxes (in LCFF Sources revenue category; 210k)
 - Decrease in state funding via SELPA (in Other Local Revenue category; 485k)
 - **Why the net decrease?**
 - Loss of funding for serving students from out-of-district
 - LAEF funding – **decrease of 300k** (from 2.7M to 2.4M)
 - No change in program offerings for current year (i.e., no offsetting decrease on expense side of budget)
 - Miscellaneous minor adjustments (both positive and negative)

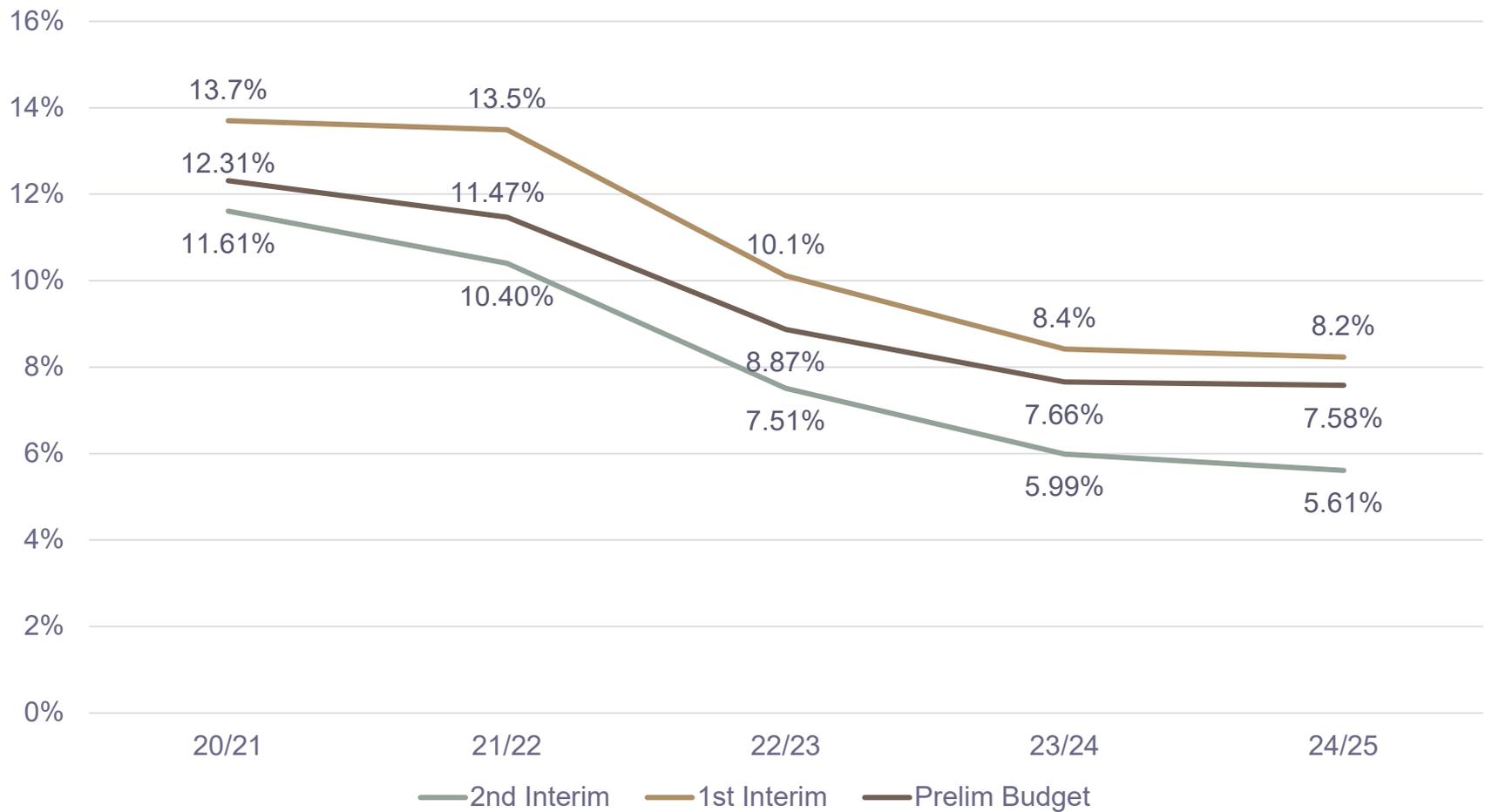
Expense Changes

- **Net change: up 600k**
 - Staffing costs update – 920k increase
 - 2% across-the-board salary increase – 840k increase
 - Additional costs for special education instructional aides (80k increase)
 - Contracted services – 245k increase
 - Insurance premium (liability coverage) – 45k increase
 - Electricity usage—100k increase
 - COVID related expenses (CO2 monitors, wifi access points) – 100k increase
 - Supply and equipment budgets – **565k decrease**
 - Some costs charged to COVID related accounts (now included in restricted ending balance)

Changes from 1st Interim



Reserves



COVID related expenses

- COVID funding to-date: \$1.8M
- COVID spending to-date: \$2.9M
 - \$1.1M restricted fund balance to account for the cost over-runs
- But, new funding on horizon
 - ESSER II: federal funding of approx. \$300k ready to be apportioned to LASD
 - SB86/AB86:
 - Incentive to Reopen in-person instruction: \$1.1M est. for LASD
 - Learning loss recovery: \$2.4M est. for LASD
 - Both funding sources can be used retroactively (i.e., help cover the \$1.1M cost over-runs due to LASD in-person instruction since Sept.)

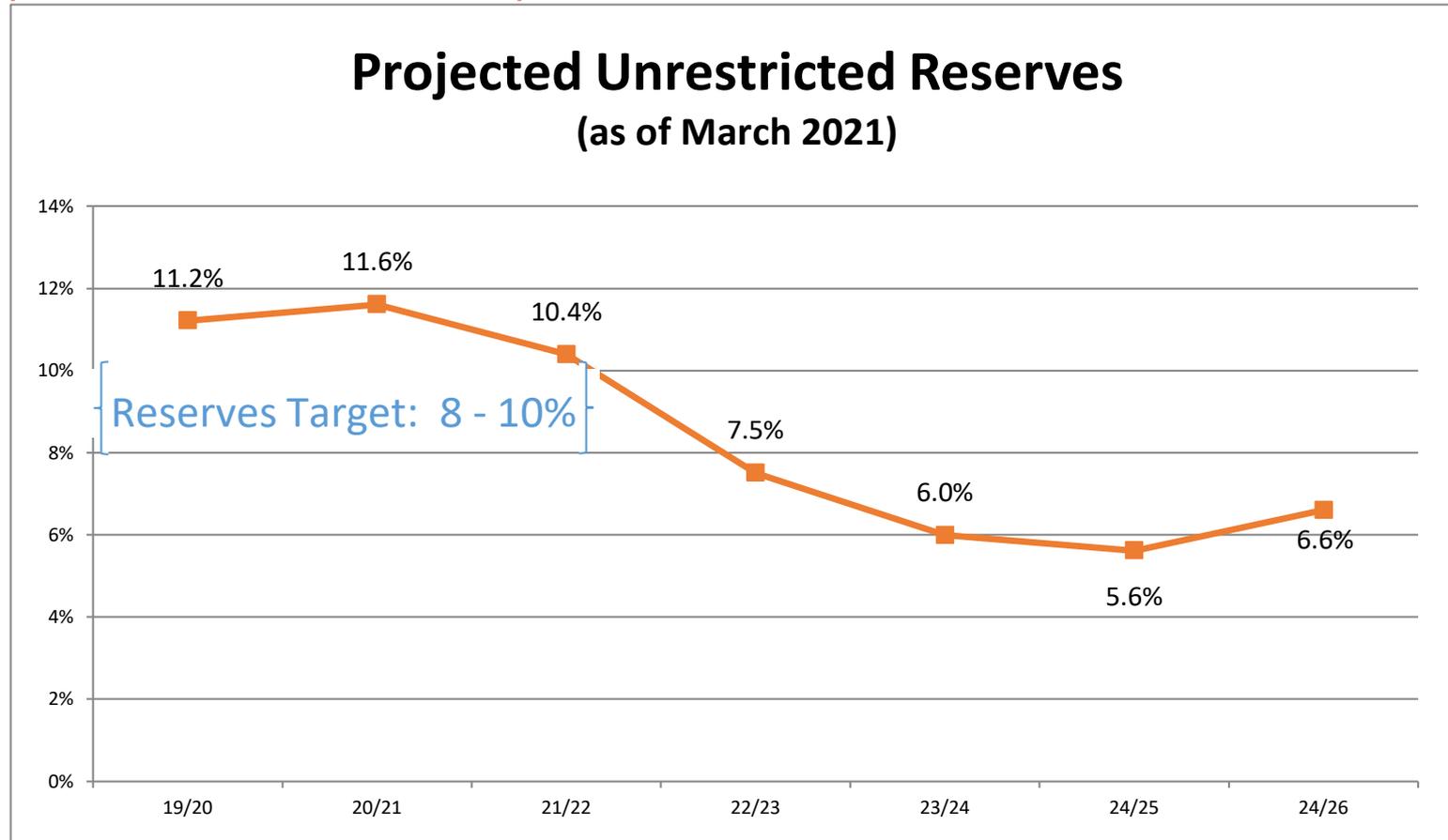
MULTI-YEAR PROJECTIONS

Multi-Year Projections (MYP)

- 3 Year Forecast (required by state)
 - 2020/21 through 2022/23
 - **Reserves projected to decline to 7.5% under baseline scenario**
- 6 Year Forecast
 - 2020/21 through 2025/26
 - **Under baseline forecast, reserves decline then start growing and end up at 6.6%**

Baseline MYP

(no raises after 21/22)



Key Assumptions - MYP

- 2021-22 Assumptions
 - Property Tax growth rate of 3% next year
 - Enrollment & Staffing
 - LASD increase to 3,669; BCS up to 1,101
 - 2 additional teachers due to enrollment growth
 - 2% across-the-board raises (negotiated this year)
 - Health insurance costs projected to increase by 7.5%

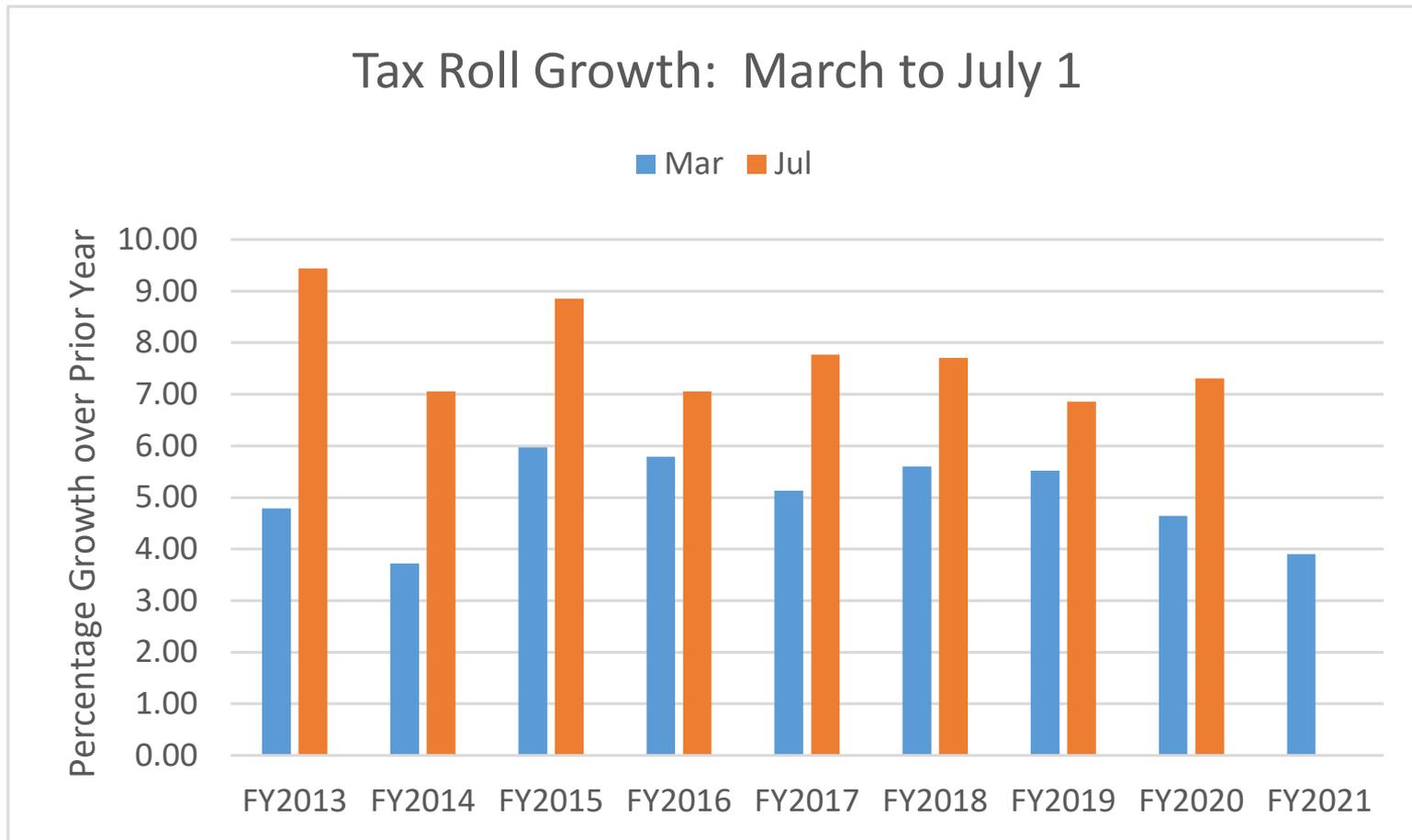
Key Assumptions - MYP

- Property Tax growth rate of 6.8% in current year, 3% next year, 2% the following year, and 4% thereafter
- Enrollment & Staffing
 - Enrollment slowly increasing over 6 year period
 - 8 additional teachers needed to accommodate the growth
 - BCS enrollment projected to stay same as next year over the 6 year period
- No across-the-board raise after next year, in baseline forecast
- Health Benefit rate increases at 7.5% per year
- **All of these assumptions to be vetted by CACF**

Tax Growth Scenario

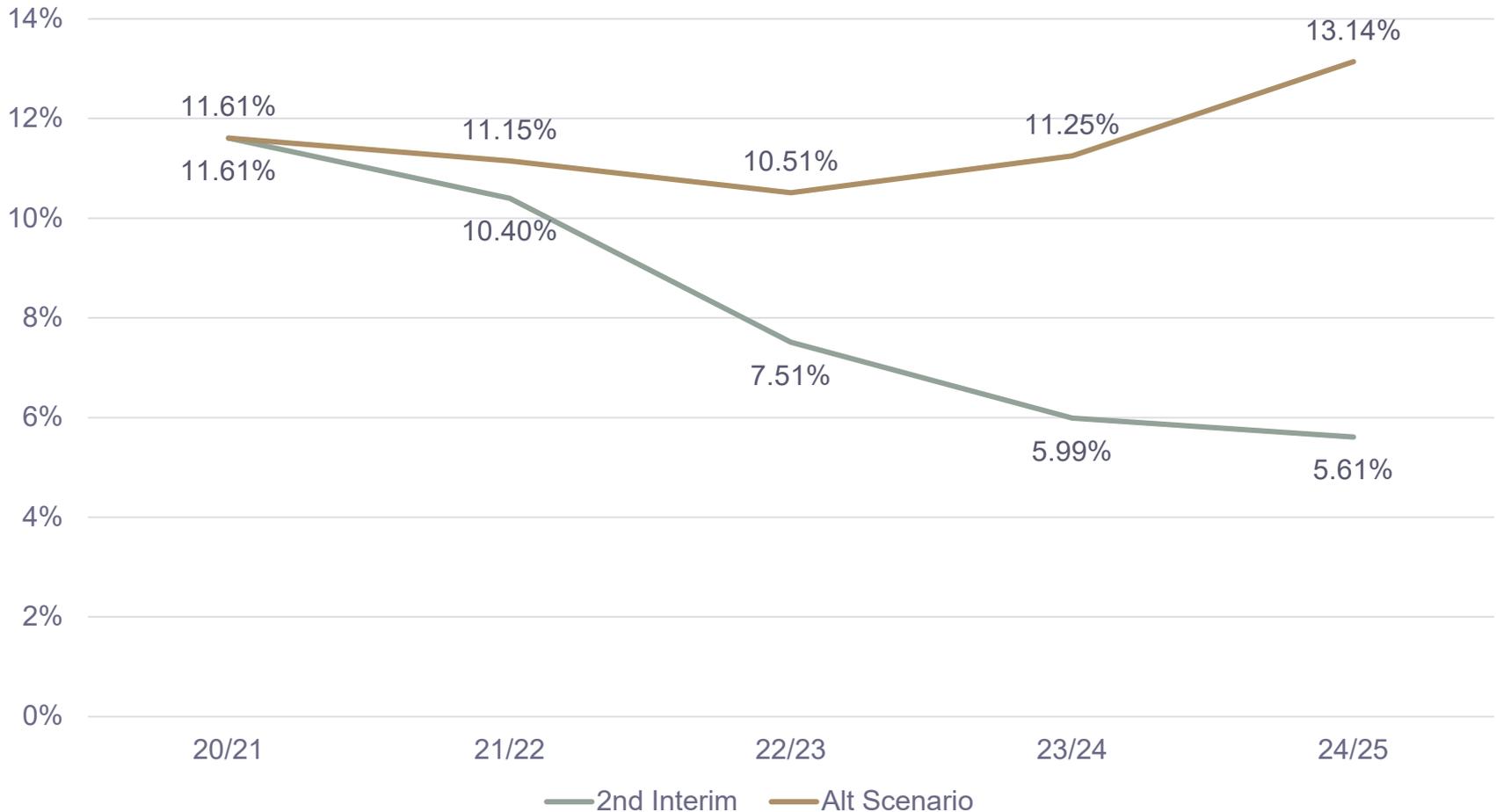
- Our MYP as of 2nd Interim uses as tax growth assumptions...
 - 3% next year; 2% the following year; 4% annually thereafter
- I expect to change those growth assumptions for our Adopted Budget
 - Based on AV growth to date, a rebounding economy, and increasing housing values
 - At this time I am planning to use 4% annual growth starting next year, which I believe is still a fairly conservative projection
 - See next slide (history of AV growth from now until July 1)

Tax Roll Growth (update for March)



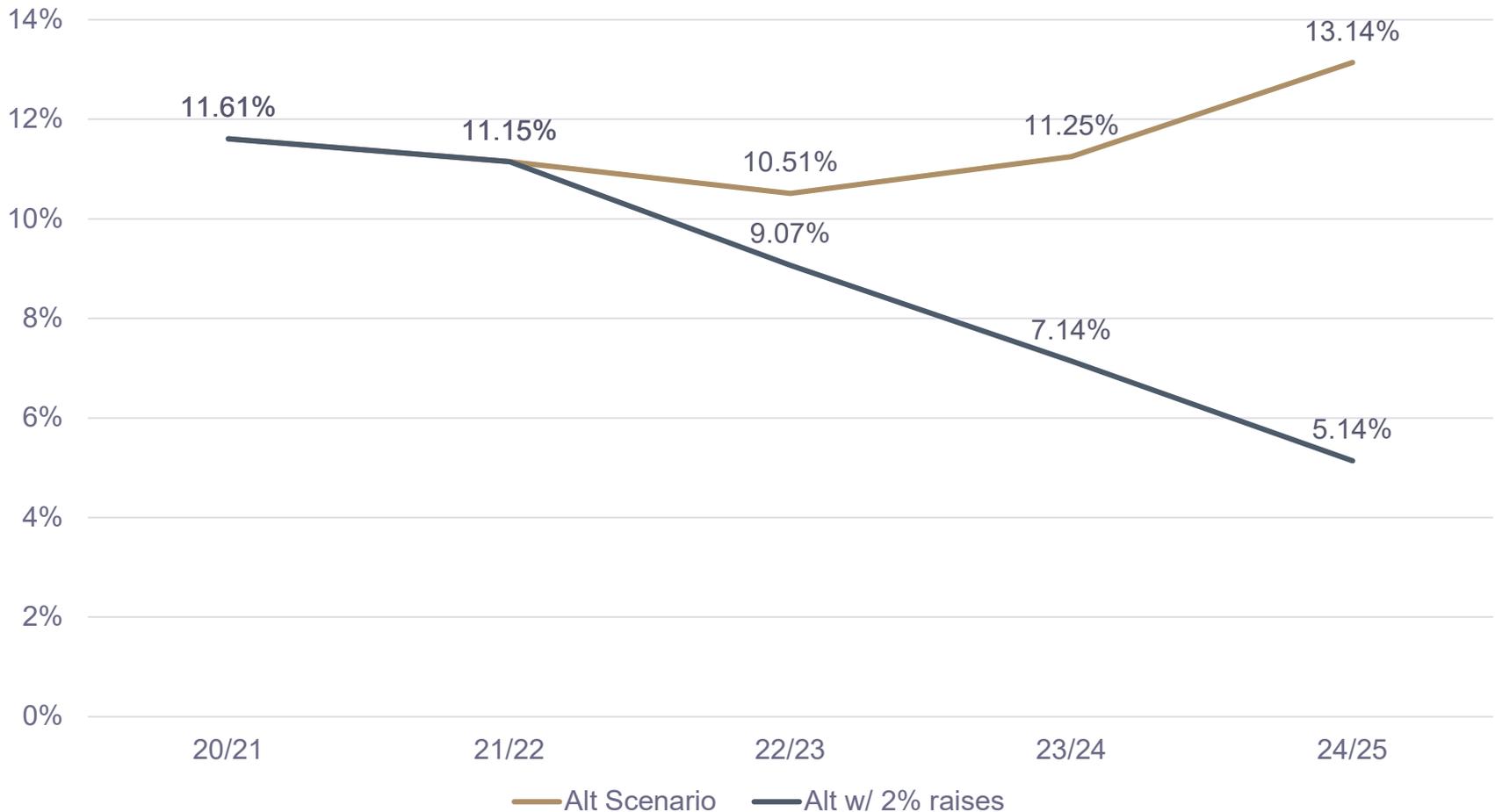
Reserves

Impact of changing tax growth assumption to 4% annually



Reserves

Impact of changing tax growth assumption to 4% annually and 2% annual raises



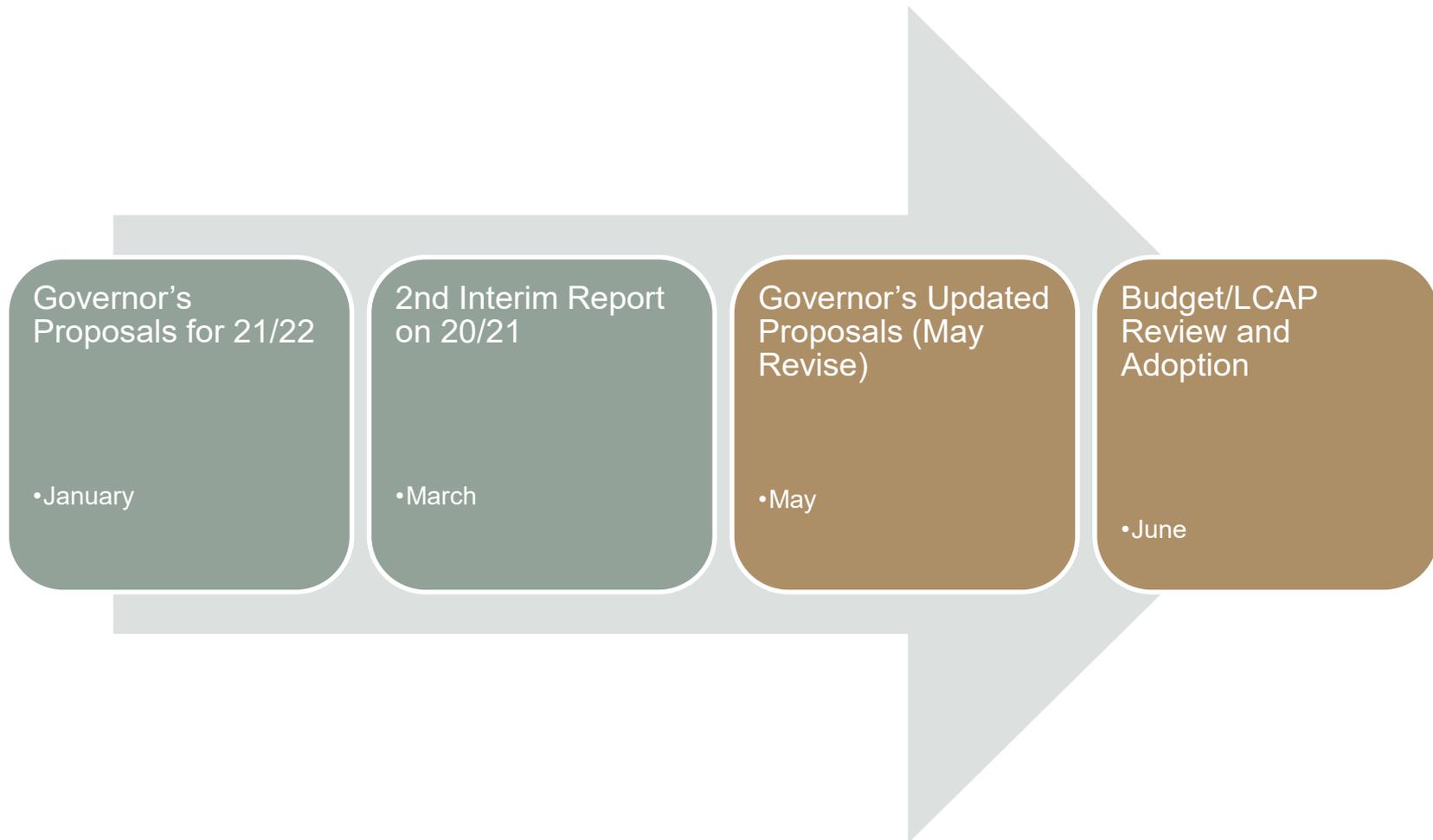
Uncertainties re MYP

- What level of AV growth will we experience?
- What are COVID impacts on the economy?
- What will BCS enrollments be in future?
 - Impacts both our operating budget and capital budget
- What about LASD enrollments?
 - Impacts staffing
- Competition for teachers affects our compensation decisions
- Health insurance costs and the state retirement systems' unfunded liabilities are key variables to watch

Conclusion

- 2nd Interim Report shows that we have adequate reserves to make a positive certification that we can meet our financial obligations in the current and two subsequent years
- Staff recommends approval of the 2nd Interim Financial Report
- **What direction does the board wish to provide to the Budget Review Committee re the 2021-22 budget?**

Timeline – Looking Ahead to FY2022



Appendix

- Next Page – Multi-Year Projection
 - The multi-year projection rolls current year revenue streams and current year program expenses forward—with some exceptions
 - Carryovers are one-time expenses and thus not carried forward
 - The multi-year projection has not yet been vetted by our Citizens Advisory Committee for Finance

Multi-Year Projection – Status Quo Budget

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
% Change in Prop Tax Collections	7.00%	6.77%	3.00%	2.00%	4.00%	4.00%	4.00%
Enrollment	3,996	3,574	3,669	3,725	3,761	3,792	3,813
In-district students @ charter school	983	1043	1061	1061	1061	1061	1061
Total Enrollment, LASD + BCS	4,979	4,617	4,730	4,786	4,822	4,853	4,874
Transfer of Prop Tax to BCS	8,754,943	9,418,850	9,920,608	10,191,690	10,475,096	10,765,246	11,064,961
Cost-of-Living Adjustment (COLA)	3.26%	0.00%	3.84%	2.98%	3.05%	3.00%	3.00%
Foundation Funding	3,000,000	2,400,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Parcel Tax	820	820	820	820	820	820	820
Class Size, K-3	22	19	22	22	22	22	22
Class Size, 4-6	25	25	25	25	25	25	25
Class Size, 7-8	26	25	26	26	26	26	26
Teachers, FTE	234	224	226	228	229	231	232
Raises (across-the-board)	2.00%	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%
Cost of Step/Column Movement	356,678	352,764	362,136	364,500	365,681	368,044	369,226
Step/Col (converted to % salary inc.)	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Health Benefit rate increases	1.4%	5.0%	7.5%	7.5%	7.5%	7.5%	7.5%
Health Benefits (converted to % salary inc.)	0.3%	0.9%	1.4%	1.4%	1.5%	1.6%	1.8%
STRS rate increases	0.8%	-1.0%	-0.2%	2.1%	0.0%	0.0%	0.0%
Total Comp (as % of salary)	4.3%	3.2%	4.4%	4.7%	2.7%	2.9%	3.0%
LCCF Sources	44,698,442	47,445,731	48,504,575	49,379,742	51,377,110	53,464,476	55,630,057
Federal Sources	1,063,634	2,657,652	1,165,688	1,200,425	1,237,038	1,274,149	1,312,374
Other State Sources	4,866,360	4,077,720	3,737,616	3,760,178	3,774,633	3,785,311	3,792,295
Other Local Sources	17,486,845	15,082,614	15,739,721	15,796,982	15,860,355	15,928,295	15,997,860
Total Revenues	68,115,280	69,263,717	69,147,599	70,137,327	72,249,135	74,452,231	76,732,585
Certificated Salaries	26,151,573	26,593,580	27,597,268	27,891,701	28,116,375	28,413,668	28,641,863
Classified Salaries	10,646,854	11,541,842	11,826,325	11,932,885	12,039,424	12,145,812	12,252,461
Employee Benefits	17,040,490	16,624,363	18,039,620	19,591,903	20,286,333	20,988,526	21,625,243
Retiree Benefits	967,653	934,490	974,206	1,015,610	1,058,773	1,103,771	1,150,681
Books & Supplies	2,357,464	3,203,226	2,015,463	2,083,200	2,148,352	2,218,266	2,284,895
Contract Services	7,349,023	9,133,495	9,150,102	9,267,934	9,413,085	9,580,037	9,750,119
Capital Outlay	173,201	251,893	254,573	259,611	265,233	271,415	277,742
Other	7,036	8,262	8,262	8,262	8,262	8,262	8,262
Total Expenses	64,693,294	68,291,151	69,865,819	72,051,106	73,335,837	74,729,757	75,991,266
Net Change	3,421,986	972,566	(718,220)	(1,913,779)	(1,086,702)	(277,525)	741,320
Adjusted Beginning Balance	1,047,814	4,469,801	5,442,367	4,724,147	2,810,368	1,723,666	1,446,141
Ending Balance	4,469,801	5,442,367	4,724,147	2,810,368	1,723,666	1,446,141	2,187,460
Encumbrances	765,972	1,105,000	1,105,000	1,105,000	1,105,000	1,105,000	1,105,000
General Fund Reserves	3,703,829	4,337,367	3,619,147	1,705,368	618,666	341,141	1,082,460
Reserves, Special Reserve Funds	3,550,562	3,590,562	3,643,702	3,703,823	3,774,196	3,853,454	3,934,376
Total Reserves	7,254,391	7,927,929	7,262,849	5,409,191	4,392,862	4,194,594	5,016,836
% of Expense	11.21%	11.61%	10.40%	7.51%	5.99%	5.61%	6.60%