



LOS GATOS UNION

SCHOOL DISTRICT

*Our Community, Our Students, Our Future*

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


December 13, 2018

- Budget Overview
  - Revenue
  - Expenses
  - Multi Year Projections
  - Key Impacts on Budget
- Planning for 18-19 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

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# Budget Overview



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- 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
  - Housing construction and housing costs are falling
  - Strong expectations for recession in 2020-2022

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## Economic Forecast

- COMMUNITY SOURCES
  - Property Tax
  - Parcel Tax
  - Bonds (Not included in general operating income)
- PARENTS
  - Los Gatos Education Foundation Grant
  - H&SC Grants
  - Restricted Donations
- STATE & FEDERAL
  - State Aid, Special Education, EPA, Energy Efficiency, Mandated Cost

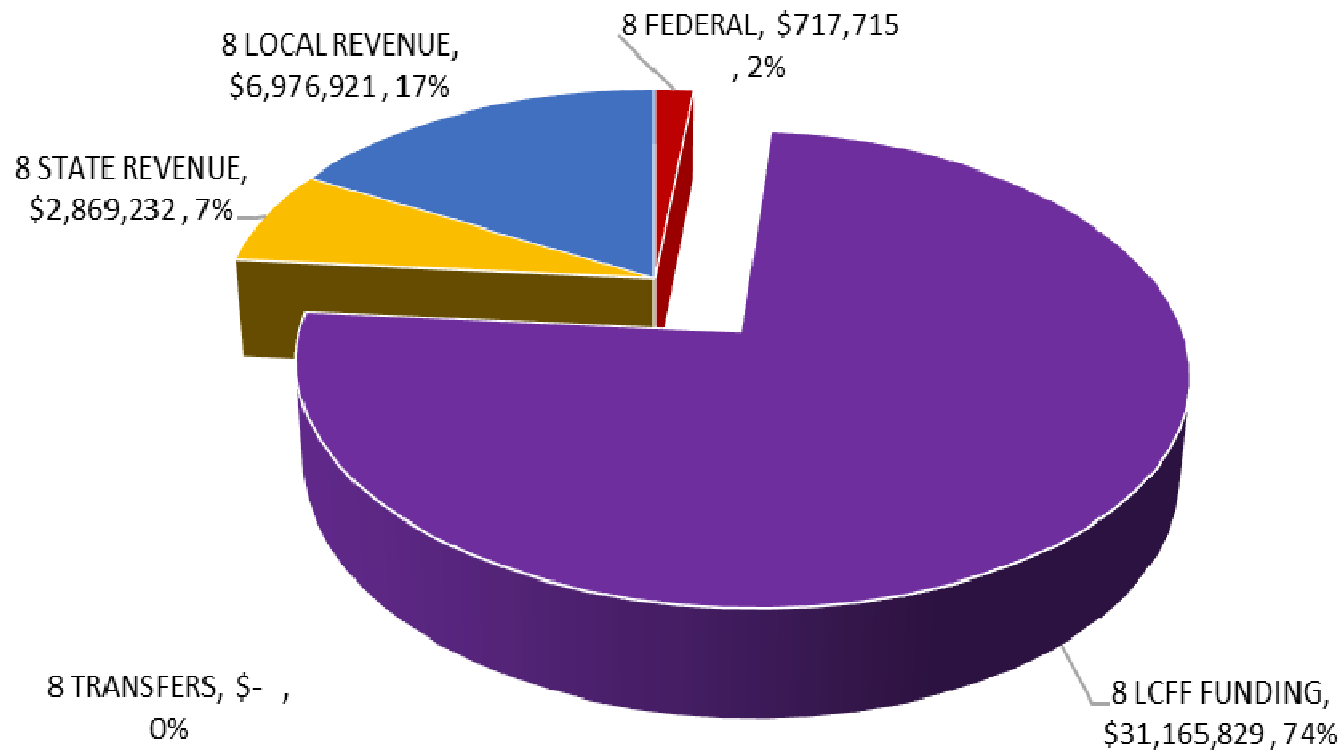
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# Sources of Funding

BASE ASSUMPTIONS	16-17	17-18	18-19	19-20	20-21	21-22	22-23
FULL TIME EMPLOYEES	253.90	247.90	246.19	245.00	245.00	245.00	245.00
PROPERTY TAX: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%	6.19%	5.00%	3.00%	3.00%	5.00%
PARCEL TAX:Current Parcel Tax expires in June 2022 (Loss of revenue equates to a % of revenue )							6.40%
STEP & COLUMN:Amount of annual adjustment based on current bargaining agreements	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
RETIREMENT:Annual mandated increase in retirement costs related to STRS. This is similar to PERS retirement	1.85%	1.85%	1.85%	1.85%	0.97%		
COLA ADJUSTMENT: (Included in budget projections)			2.00%	2.00%	2.00%	2.00%	2.00%

# Budget Assumptions

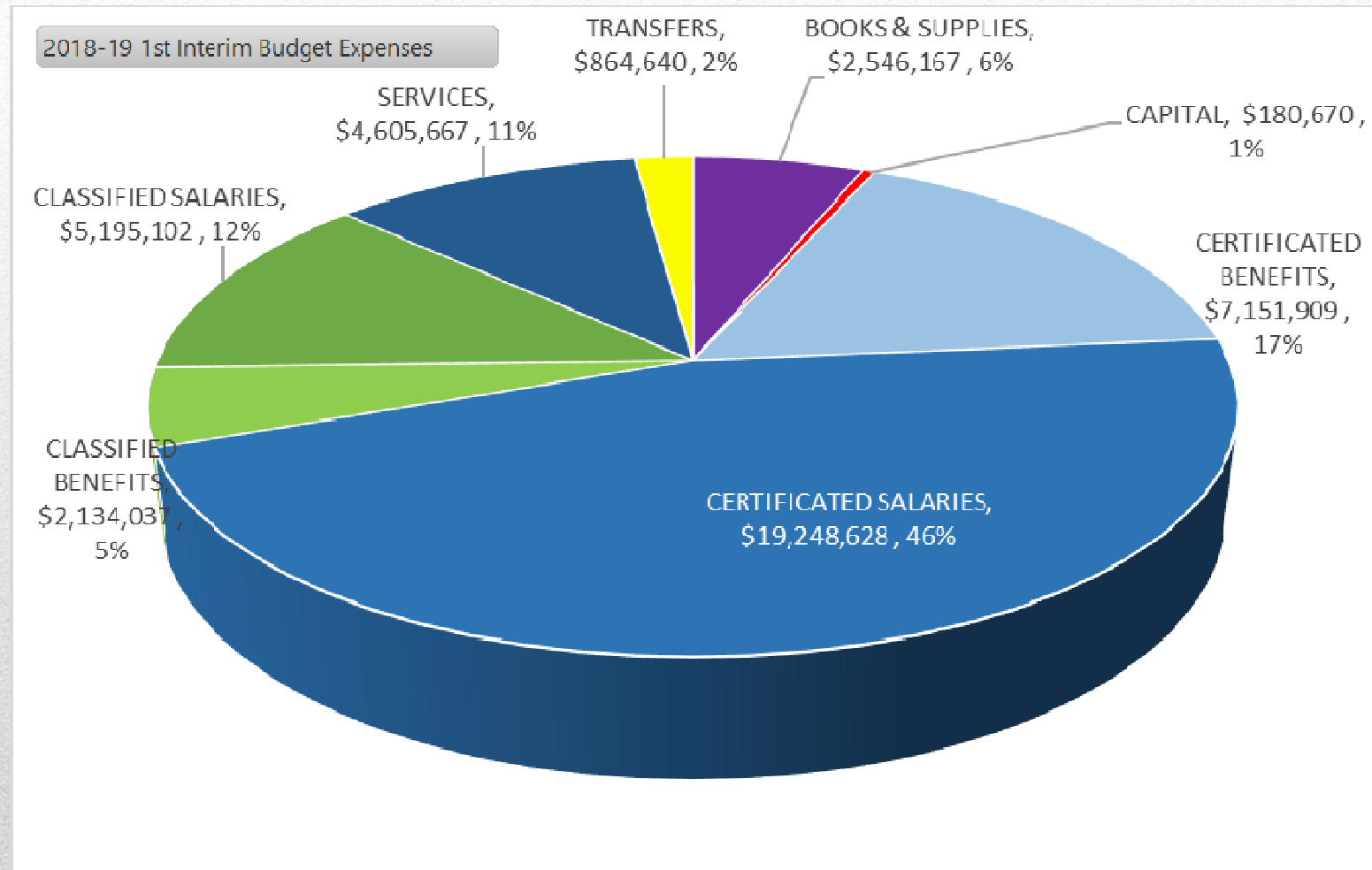
2018-19 1st Interim Budget Revenue



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# Revenue





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# Expenses

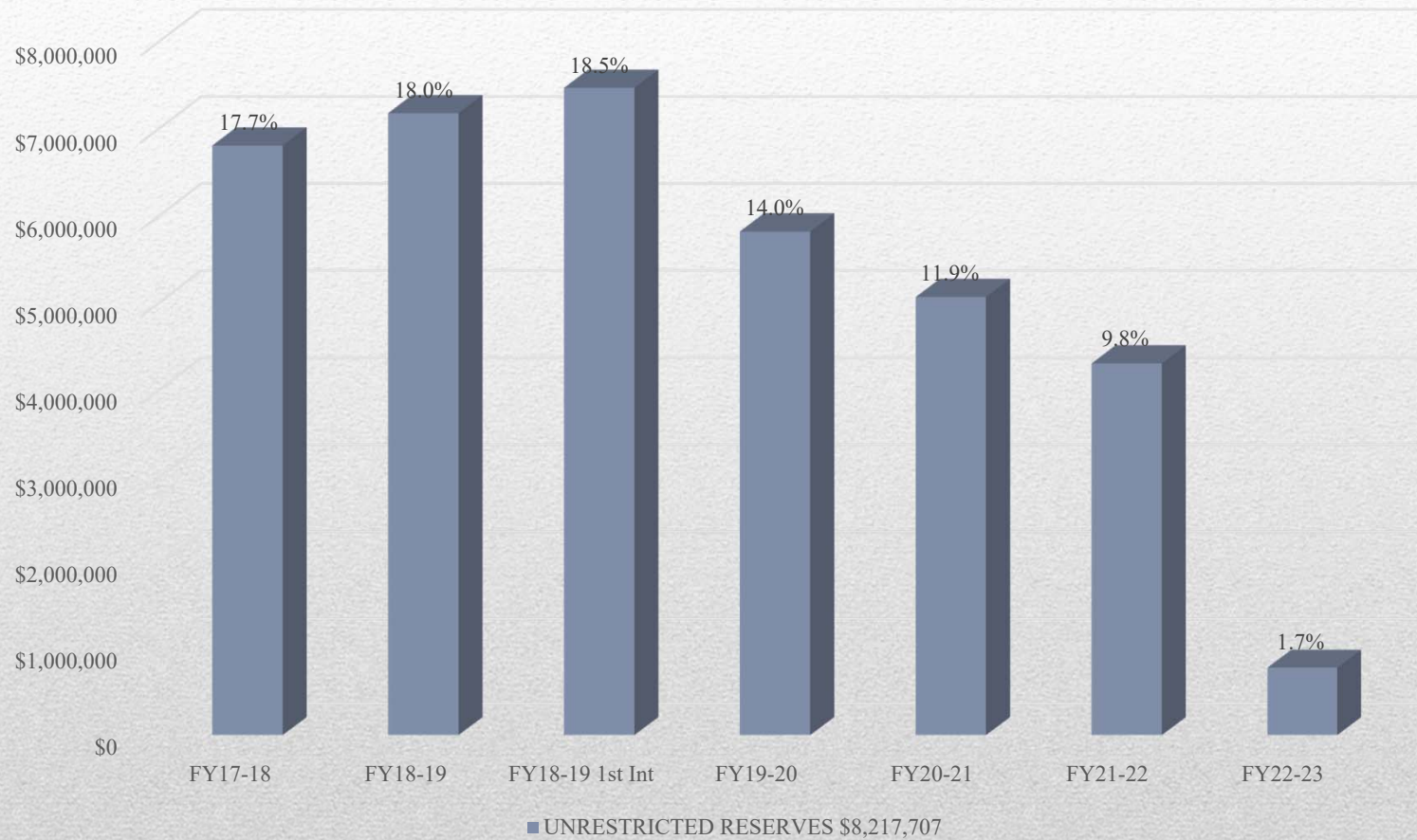
- SALARIES & BENEFITS (81%)
  - Cost of living adjustment, Step & Column, STRS, PERS
  - STRS & PERS have been increasing approximately 2% per year
  - Due to Collective Bargaining agreements, permanent status and State mandates Step, Column, Number of staff and retirement benefits are largely predetermined
- BOOKS & SUPPLIES (6%)
  - Instructional Materials-Text books & Consumables, Teacher supplies, Technology equipment, Custodial/Maintenance supplies & equipment
- SERVICES & OTHER EXPENSES (11%)
  - Consulting & Professional Services; Facilities & Maintenance Contracts, Professional Development; SPED-Tuition, Consultants & Transportation; Technology licenses, software, internet, telephones; Utilities/Insurance
- CAPITAL & TRANSFERS (2%)

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## EXPENSES PRIMARILY FIXED



## 2018-2019 1st Interim Budget Reserves




# Reserves

## LGUSD Multi Year Projections 1st Interim Budget

	FY17-18	FY18-19	FY18-19 1st Int	FY19-20	FY20-21	FY21-22	FY22-23
<b>REVENUE</b>							
PROPERTY TAX %		5%	6%	5%	3%	3%	5%
PROPERTY TAX	\$27,542,393	\$30,521,135	\$31,165,829	\$32,633,813	\$33,574,624	\$34,540,412	\$36,196,458
FEDERAL	\$635,689	\$652,793	\$652,500	\$667,758	\$685,588	\$702,107	\$720,295
OTHER STATE REVENUE	\$3,439,197	\$2,788,817	\$2,868,747	\$2,276,624	\$2,261,927	\$2,245,920	\$2,229,896
OTHER LOCAL REVENUE	\$4,171,066	\$2,221,873	\$2,660,881	\$2,595,001	\$2,655,379	\$2,715,305	\$2,733,030
FOUNDATION	\$510,000	\$810,000	\$810,000	\$810,000	\$810,000	\$810,000	\$810,000
PARCEL TAX	\$2,735,129	\$2,735,000	\$2,735,000	\$2,735,000	\$2,735,000	\$2,735,000	\$0
TRANSFERS IN	\$810,218	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTAL REVENUE</b>	<b>\$39,843,692</b>	<b>\$39,729,618</b>	<b>\$40,892,957</b>	<b>\$41,718,196</b>	<b>\$42,722,518</b>	<b>\$43,748,744</b>	<b>\$42,689,679</b>
<b>EXPENSES</b>							
COLA % (above the 1.5% Step & Column)			2%	2%	2%	2%	2%
SALARIES	\$23,906,617	\$24,304,981	\$24,137,674	\$24,570,633	\$25,445,020	\$26,350,011	\$27,286,676
BENEFITS	\$8,508,565	\$9,284,738	\$9,187,673	\$9,524,423	\$9,850,319	\$10,132,494	\$10,425,897
BOOKS & SUPPLIES	\$1,500,819	\$1,893,296	\$2,258,603	\$2,326,361	\$2,396,152	\$2,468,036	\$2,542,078
PROFESSIONAL SERVICES	\$4,367,881	\$4,217,444	\$4,598,834	\$4,727,799	\$4,560,633	\$4,697,452	\$4,838,376
CAPITAL	\$60,823	\$10,000	\$35,670	\$36,740	\$37,842	\$38,978	\$40,147
OTHER OUTGO	\$183,508	\$208,640	\$208,640	\$214,899	\$221,346	\$227,987	\$234,826
TRANSFERS OUT (CAFETERIA AND DEFERRED	\$126,068	\$650,000	\$656,000	\$700,000	\$700,000	\$700,000	\$700,000
<b>TOTAL EXPENSES</b>	<b>\$38,654,281</b>	<b>\$40,569,099</b>	<b>\$41,083,094</b>	<b>\$42,100,855</b>	<b>\$43,211,312</b>	<b>\$44,614,958</b>	<b>\$46,068,000</b>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<b>\$1,189,411</b>	<b>-\$839,481</b>	<b>-\$190,137</b>	<b>-\$382,659</b>	<b>-\$488,794</b>	<b>-\$866,214</b>	<b>-\$3,378,321</b>
ENDING BALANCE	\$9,083,351	\$8,243,870	\$8,893,214	\$8,510,555	\$8,021,761	\$7,155,547	\$3,777,226
RESTRICTED RESERVES (1)	\$1,982,980	\$1,069,980	\$1,430,234	\$1,130,234	\$1,130,234	\$1,130,234	\$1,130,234
ASSIGNED RESERVES	\$298,269	\$0	\$0	\$0	\$0	\$0	\$0
UNRESTRICTED RESERVES	\$6,802,102	\$7,173,890	\$7,462,980	\$5,813,770	\$5,061,255	\$4,298,740	\$791,225
<b>RESERVE %</b>	<b>17.7%</b>	<b>18.0%</b>	<b>18.5%</b>	<b>14.0%</b>	<b>11.9%</b>	<b>9.8%</b>	<b>1.7%</b>
(1) Unaudited Actuals 17-18 ended with \$865k higher restricted reserves than shown in the adopted budget							

# Multi Year Projections



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- Enrollment / Staffing
  - Class Size
  - Collective Bargaining
  - Parcel Tax Election
    - Parcel Tax per parcel
    - Annual escalation
    - Length of Tax
  - Increased cost of pensions
  - Balancing priorities between staffing, program and reserves

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## **KEY IMPACTS ON BUDGET**



OTHER FUND BALANCES						
OTHER FUNDS	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Fund 13 Child Nutrition</b>	<b>21,317</b>	<b>18,589</b>	<b>18,589</b>	<b>11,004</b>	<b>10,129</b>	<b>10,129</b>
Income	537,957	582,298	563,843	591,851	621,444	652,516
Transfers In	110,000	79,984	126,068	106,000	112,219	117,830
Expenses	650,685	662,282	697,496	698,726	733,662	770,345
ENDING BALANCE	18,589	18,589	11,004	10,129	10,129	10,129
<b>Fund 14 Deferred Maintenance</b>	<b>387,054</b>	<b>833,834</b>	<b>1,366,910</b>	<b>1,037,160</b>	<b>789,160</b>	<b>662,160</b>
Income			17,152	7,000	7,000	7,000
Transfers In	550,000	661,048	550,000	550,000	550,000	550,000
Transfers Out			750,000			
Expenses	103,220	127,972	146,902	805,000	684,000	483,000
ENDING BALANCE	833,834	1,366,910	1,037,160	789,160	662,160	736,160
<b>Fund 17 Other Reserves (STRS/PERS)</b>	<b>2,210,545</b>	<b>2,226,285</b>	<b>810,218</b>	<b>11,717</b>	<b>13,106</b>	<b>14,495</b>
Income	15,741	12,296	11,717	1,389	1,389	1,389
Transfers Out		1,428,363	810,218	-		
ENDING BALANCE	2,226,285	810,218	11,717	13,106	14,495	15,884
<b>Fund 25 Developer Fees</b>	<b>1,751,995</b>	<b>1,772</b>	<b>41,249</b>	<b>443,650</b>	<b>1,820,650</b>	<b>4,570,650</b>
Income	508,172	276,506	402,402	1,377,000	2,750,000	2,750,000
Expenses	2,258,395	237,029	-			
ENDING BALANCE	1,772	41,249	443,650	1,820,650	4,570,650	7,320,650
<b>Fund 35 County School Facilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income	3,908,780					
Expenses	3,908,780					
ENDING BALANCE	-	-	-	-	-	-
<b>Fund 40 Special Capital Reserve</b>	<b>9,569,475</b>	<b>4,735,876</b>	<b>3,850,296</b>	<b>2,050,878</b>	<b>1,520,878</b>	<b>1,555,878</b>
Income	56,952	58,672	69,886	35,000	35,000	35,000
Transfers In		1,428,363	750,000			
Expenses	4,890,551	944,252	2,619,303	565,000		
ENDING BALANCE	4,735,876	3,850,296	2,050,878	1,520,878	1,555,878	1,590,878
<b>Total</b>	<b>\$ 13,940,385</b>	<b>\$ 7,816,357</b>	<b>\$ 6,087,262</b>	<b>\$ 3,554,410</b>	<b>\$4,153,924</b>	<b>\$ 6,813,313</b>

# Other Fund Balances



Deferred Maintenance - Fund 14							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-33
<b>Fund 14 - Beginning Balance</b>	\$1,037,161	\$1,037,161	\$1,032,161	\$898,161	\$865,161	\$757,161	\$757,161
General Fund Transfers		\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$2,750,000
Prop 39 Energy Efficiency Fund		\$300,000					\$300,000
P1 - VM Heating and Cooling		(\$125,000)	(\$84,000)	(\$83,000)	(\$83,000)		(\$375,000)
P2 - Safety Upgrades		(\$30,000)					(\$30,000)
P3 - Tech Infrastructure		(\$150,000)	(\$100,000)	(\$200,000)	(\$250,000)	(\$100,000)	(\$800,000)
P4 - Playground Equipment		(\$50,000)					(\$50,000)
P5 - Fields			(\$175,000)	(\$175,000)	(\$175,000)	(\$175,000)	(\$700,000)
P6 - Repave Blacktop			(\$200,000)				(\$200,000)
P7 - Painting		(\$200,000)	(\$125,000)	(\$125,000)	(\$150,000)		(\$600,000)
P8 - AC Fisher						(\$450,000)	(\$450,000)
P9 - Prop 39 Energy Efficiency Upgrades		(\$300,000)					(\$300,000)
P10 - Years 11 to 15							(\$3,290,000)
<b>Ending Balance</b>	<b>\$1,037,161</b>	<b>\$1,032,161</b>	<b>\$898,161</b>	<b>\$865,161</b>	<b>\$757,161</b>	<b>\$582,161</b>	<b>(\$2,987,839)</b>

**Notes:**

- (1) Blossom Hill - Steel roofs, minimal maintenance. Boiler system will require on-going maintenance, major component replacement in 10-15 years.
- (3) Lexington, no deferred maintenance in next 15 years, school is new.
- (4) GF transfer equals lost State funding plus District match and identified need

# Deferred Maintenance



Adopted Budget

June 2018

Negotiations

September 2018-ongoing

Property Tax Estimated Tax Roll

November 2018

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

December 2018

2<sup>nd</sup> Interim Budget Presentation

Mar 2019

19-20 Budget Approval

June 2019

# Budget Timeline

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