

Los Gatos Union School District Budget Narrative 2017 -2018

MISSION STATEMENT

Los Gatos Union School District educates all children to their unique potential by teaching, modeling, and supporting the skills and attitudes that contribute to their development as globally and socially responsible citizens.

VISION STATEMENT

All students know their individual learning styles and talents, think creatively and critically, act responsibly, communicate effectively, and apply knowledge in a diverse and ever-changing world.

STRATEGIC INITIATIVES

1. Learning - Engage, Educate and Support the Whole Child
2. Teaching - Create a Culture of Collaboration and Continuous Improvement
3. Operations – Ensure Effective and Efficient Operations

Los Gatos Union School District

Budget Development/Planning Calendar

January	Budget calendar presented to the Board of Trustees. End of 2 nd Interim reporting period. Governor's initial budget proposal for State is released.
February	Budget Estimates reviewed internally with program managers.
March	Budget meetings with all program managers. 2 nd Interim Report of fiscal solvency approved by the Board of Trustees.
April	Staff develops preliminary budget and reviews for trade-offs to reflect priorities and changing statutory requirements.
May	Draft budget revised according to Governor's "May Revise" budget. Preliminary audit fieldwork.
June	Board adoption of District budget for the next fiscal year and estimate of multi-year projections for two additional years.
July	Closing the books for the prior fiscal year.
August	District budget amended to reflect the State budget within 45 days of the Governor's signing the State budget. Close for prior year complete.
September	Unaudited actuals for the prior fiscal year presented to the Board of Trustees for approval. Final audit fieldwork.
October	End of 1 st Interim reporting period.
November	District audit complete.
December	1 st Interim Report of solvency presented to the Board of Trustees for approval. Audit report of prior fiscal year presented to the Board of Trustees.

REVENUE PROJECTIONS

LCFF REVENUE (Property Taxes)

	2017-2018	2018-2019	2019-2020
Unrestricted	26,884,785	28,089,150	29,367,382
Restricted	795,317	811,223	827,448
Total	27,680,102	28,900,373	30,194,830

The Local Control Funding Formula (LCFF) has been calculated and because the districts local property tax is greater than the LCFF calculation the district will retain its basic aid status. This one source of property tax revenue represents about 76.11% of general fund revenue. The property tax revenue growth rate is monitored monthly and staff attends quarterly meetings with the Santa Clara County Assessor. The district is projecting a 5.5% increase in FY 17/18, and a 5.0% increase in FY 18/19 and FY 19/20.

FEDERAL REVENUE

	2017-2018	2018-2019	2019-2020
Unrestricted	0	0	0
Restricted	631,846	631,846	631,846
Total	631,846	631,846	631,846

This represents about 1.73% of the total General Fund. It includes the Special Education Federal pass-through Grant and other Federal Grants including Title II-Teacher Quality Grant and Title III- Immigrant Education.

STATE REVENUE

	2017-2018	2018-2019	2019-2020
Unrestricted	564,000	553,640	547,448
Restricted	1,685,686	1,683,136	1,681,201
Total	2,249,686	2,236,776	2,228,649

This represents about 6.16% of the total general fund budget for state program. The only state revenue the district receives is from the Lottery and the Mandated Cost Block Grant. The district has not included the \$173 per ADA for one-time discretionary funds as proposed in the Governor's May Revision since these funds will not be disbursed until May of 2019. Additionally, because of GASB 68 there is a "paper only" entry for STRS on-behalf payments in the amount of \$1.4M. For the GASB 68 transaction, no actual revenue was received or expended.

OTHER LOCAL REVENUE

	2017-2018	2018-2019	2019-2020
Unrestricted	4,987,254	5,076,922	5,128,403
Restricted	855,658	810,000	810,000
Total	5,842,912	5,886,922	5,938,403

The local community continues to support the district in many ways and they do play a tremendous role in the district's budget. Local revenue represents 16.0% of the total General Fund revenue and is the second largest source of revenue for the district. The parcel tax generates about \$2.7M and the redevelopment agency adds another \$1.9M for the district. Local revenue sources include The Los Gatos Education Foundation (LGEF), home and school clubs, special education local plan area allocations (SELPA), interest earnings, and rental income, which collectively generates about \$1.2M for the district.

CONTRIBUTIONS TO RESTRICTED PROGRAMS

	2017-2018	2018-2019	2019-2020
Unrestricted	(4,177,004)	(4,333,557)	(4,506,627)
Restricted	4,177,004	4,333,557	4,506,627
Total	0	0	0

The district contributes funds from unrestricted resources to restricted resources. The main restricted programs that require a contribution from unrestricted resources are Special Education and the Routine Repair Maintenance Account (RRMA).

EXPENDITURE PROJECTIONS

CERTIFICATED SALARIES

	2017-2018	2018-2019	2019-2020
Unrestricted	16,669,480	16,919,522	17,173,314
Restricted	2,380,992	2,416,722	2,452,988
Total	19,050,472	19,336,244	19,626,302

Certificated salaries represent 51.0% of the total General Fund budget. Teacher staffing is determined by established class size ratios. Enrollment projections from the demographic study completed in October of 216 show declining enrollment and as a result the district has reduced staff by of 6.0 FTE's in FY 17/18. The district has included 1.5% for step and column.

CLASSIFIED SALARIES

	2017-2018	2018-2019	2019-2020
Unrestricted	3,245,173	3,293,850	3,343,257
Restricted	1,382,552	1,403,289	1,424,338
Total	4,627,725	4,697,139	4,767,595

Classified salaries are salaries for positions that do not require a credential or permit issued by the Commission on Teacher Credentialing. Typical positions include instructional aides, administrative assistants, library aides, health clerks, computer specialists, district office staff, and maintenance and operations personnel. This represents 12.4% of the total General Fund expenditures.

EMPLOYEE BENEFITS

	2017-2018	2018-2019	2019-2020
Unrestricted	5,963,977	6,156,899	6,676,951
Restricted	2,618,579	2,678,761	2,738,461
Total	8,582,556	8,835,660	9,415,412

The total employee benefits budget represents 23.0% of the total General Fund expenditures budget. It includes statutory benefits (such as STRS, PERS, FICA, Medicare, Workers' Compensation, and State Unemployment Insurance) and the district's contribution towards health and welfare benefits. The total rate of certificated payroll burden is 17.223% for FY 17/18 and will grow to at least 20.923% by FY19/20. The total rate of classified payroll burden is 24.524% and will grow to 29.793% by FY 19/20. The district has included these additional anticipated costs in the projections. The payment of approximately \$200,000 for 18 retirees' benefits on a "pay-as-you-go" basis is included in this category and is expected to increase by approximately 10% in each of the next two years. The GASB 68 "paper only" expenditure is included in this category.

BOOKS AND SUPPLIES

	2017-2018	2018-2019	2019-2020
Unrestricted	807,005	614,350	900,000
Restricted	724,064	732,493	736,000
Total	1,531,069	1,346,843	1,636,000

This category covers the cost of supplies and materials used throughout the district. The biggest change in expense is for the planned language arts adoption in FY 17/18.

SERVICES AND OTHER OPERATING EXPENSES

	2017-2018	2018-2019	2019-2020
Unrestricted	2,276,308	2,304,308	2,411,916
Restricted	954,022	822,332	879,170
Total	3,230,330	3,126,640	3,291,086

This category covers a wide variety of classifications including; conferences, memberships, insurance, repairs, professional services and communications.

CAPITAL OUTLAY

	2017-2018	2018-2019	2019-2020
Unrestricted	10,000	10,000	10,000
Restricted	0	0	0
Total	10,000	10,000	10,000

This accounts for equipment expenditures that meet the district capitalization threshold.

OTHER OUTGO

	2017-2018	2018-2019	2019-2020
Unrestricted	0	0	0
Restricted	208,640	215,000	225,000
Total	208,640	215,000	225,000

This accounts for costs paid to West Valley Transportation JPA for Special Education Transportation.

TRANSFERS OUT

	2017-2018	2018-2019	2019-2020
Unrestricted-Special Reserve	0	0	0
Unrestricted-Cafeteria	95,000	100,000	110,000
Restricted	0	0	0
Total	95,000	100,000	110,000

The district will transfer funds from the General Fund to help support the Cafeteria Fund.

ENROLLMENT

The chart below provides the enrollment history and projections. The most recent demographic study shows a declining enrollment trend. This will equate to a reduction in the amount of FTE's required to maintain current programs.

Grade	FY 15/16 Month 10	FY 16/17 Projection	FY 17/18 Projection	FY 18/19 Projection	FY 19/20 Projection	FY 20/21 Projection
K	307	259	263	238	254	241
1	277	295	245	274	257	274
2	335	295	319	270	296	278
3	374	344	308	338	282	282
4	393	379	370	336	363	303
5	393	397	394	390	350	378
Subtotal (K-5)	2079	1969	1899	1846	1802	1755
6	436	416	425	422	417	374
7	419	439	428	438	434	429
8	412	431	452	441	451	447
Subtotal (6-8)	1267	1286	1305	1301	1302	1251
Total	3346	3255	3204	3146	3104	3006
SDC	25	30	30	30	30	30
Pre	0	0	0	0	0	0
Total	3371	3285	3234	3176	3134	3036

MULTI-YEAR ASSUMPTIONS

The accuracy of a District's budget projection is only as good as the assumptions that are used in developing next year's budget numbers. The key budget assumptions are shown below.

Factor	FY 17/18	FY 18/19	FY 19/20
Funding Status	Basic Aid District	Basic Aid District	Basic Aid District
Enrollment	3,234	3,176	3,134
Property Tax Increase	5.5%	5.0%	5.0%
State (COLA)	1.56%	2.15%	2.35%
California Lottery/ADA	\$181.00	\$181.00	\$181.00
Mandated Block Grant	\$28.00	\$28.00	\$28.00
Step & Column	1.5%	1.5%	1.5%
CalPERS Employer Rate	15.531%	18.100%	20.800%
CalSTRS Employer Rate	14.43%	16.28%	18.13%
Staffing (FTE's)	244.5	244.5	244.5
Parcel Tax- Measure B (Expires June 2022)	\$290	\$290	\$290

RESERVE ANALYSIS

	FY 16/17 Projected	FY 17/18 Projected	FY 18/19 Projected	FY 19/20 Projected
TOTAL Revenue	36,983,955	36,404,546	37,655,917	38,993,728
TOTAL Expenditures	37,378,341	37,240,792	37,567,526	38,971,395
NET Transfers IN/OUT	(90,000)	716,922	(100,000)	(110,000)
(Deficit Spending)	(484,386)	(119,324)	(11,609)	(87,667)
Ending <u>Unrestricted</u> Reserve Balance	6,172,854	6,178,033	6,166,424	6,078,757
Change in Reserve Balance	(422,928)	5,179	(11,609)	(87,667)
% Reserve	15.93%	16.55%	16.36%	15.55%

The District monitors its reserve balance closely to ensure it is meeting the State minimum required reserve for economic uncertainty of 3.0% of General Fund expenditures. In addition, every effort is made to maintain the balance at the Board policy of 15.0%. The Board's goal is aligned with the recommendation from advisors that a Basic Aid District maintain a higher reserve balance than that which is required by statute due to the high risk involved in the funding model, specifically property tax volatility.

SPECIAL REVENUE FUNDS

CAFETERIA FUND (FUND 13): This is used to account separately for federal, state and local resources to operate the food service program. The primary goal is to provide children with quality nutritious meals that meet or exceed regulatory standards. The current program continues to offer breakfast and lunch options. The projected revenue is \$685,351 with expenses of \$685,351. The projected ending balance for FY 17/18 is \$18,589

DEFERRED MAINTENANCE FUND (FUND 14): This is used to account separately for the District's contribution for deferred maintenance purposes. The state does not allocate any funds for this purpose. Therefore, we will transfer \$550,000 to this fund from the general fund for our deferred maintenance needs. In FY 17/18 the district is planning on improving the Van Meter lunch area and \$750,000 has been allocated for the Fisher Fields project. The fund is anticipated to have an ending balance for FY 17/18 in the amount of \$1,391,204

SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY PROJECTS

(FUND 17): The balance in the account is to offset past negotiated salary enhancements. Also, part of these reserves have been earmarked for anticipated employer cost increases from the STRS and PERS retirement systems. The district will transfer the remaining balance of \$811,922 to the general fund for these retirement increases.

CAPITAL PROJECT FUNDS

CAPITAL FACILITIES FUND (FUND 25): This fund is used to account for money received from fees levied on developers. The anticipated revenue for FY 17/18 is \$302,500. The projected ending balance for FY 17/18 is \$209,707

SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS (FUND 40): This fund is used to account for resources from rentals, leases, and the sale of real property. The district is projecting \$2.45M in expenses to be charged here for the R. J. Fisher Fields Project. The projected ending balance for FY 17/18 is \$3,188,409.