

# Jefferson Union High School District

## 2024-2025 PROPOSED BUDGET



### EXECUTIVE SUMMARY

#### May Revision Overview

The May Revision is the last set of data points received before the district must adopt a local budget. Once the 2024-2025 State Budget has been adopted, at the end of June, more information will be available on what has changed and how to adapt locally. Until then, this is the best available budgeting information.

The Governor's Revised Budget shows that the state revenue is coming in lower than previously anticipated and inflation has remained high. The governor's proposal increases the Local Control Funding Formula (LCFF) base by the statutory cost-of-living adjustment (COLA) of 1.07%. The remaining Proposition 98 funds (which are required to be used for K-14 education) are allocated to a variety of initiatives with continued investments in universal meals and Career Tech Education. To make ends meet, there is a projected withdrawal from State's Rainy Day Fund.

#### Other Revenue Considerations

LCFF Funding – For 24-25, LCFF growth is projected to be 1.07%. The governor is also proposing to continue the additional multiplier for high needs school districts that was instituted in 23-24. JUHSD will continue to be funded outside of the LCFF formula and remain Basic Aid/Community Funded. The gap between our tax revenue and our LCFF formula is projected to be about 19%.

Federal Funding – The 24-25 budget shows a decrease from the prior year due to the end of COVID relief funding.

Other State Funding – State funding for special education will receive a 1.07% COLA as will CTE programs. However, these programs are funded per pupil so we will likely see net decreases due to our declining enrollment. There are additional decreases due to the end of COVID relief funding.

Local Funds – These funds are primarily generated by our Parcel Taxes, by grants, and through our facility rentals. There is no change in this anticipated funding compared to the current year.

## ASSUMPTIONS FOR THE 24-25 PROPOSED BUDGET AND MULTI YEAR PROJECTION

### *Basic Assumptions*

Assumptions are based on the School Services of California (SSC) Dartboard and San Mateo County Assessor's Office information:

<b>Assumptions</b>	<b>24-25</b>	<b>25-26</b>	<b>26-27</b>
Average Daily Attendance (ADA)	3,358	3,274	3,274
Property Tax Increase	3.4%	4.0%	5.0%
COLA	1.07%	2.93%	3.08%
Consumer Price Index (CPI)	3.10%	2.86%	2.87%
STRS	19.10%	19.10%	19.10%
PERS	27.05%	27.60%	28.00%

The retirement system for certificated employees, STRS, last saw a large increase in 22-23, but is projected to remain at 19.10% for the foreseeable future. We continue to see increases to the costs for the classified retirement program, PERS. There is a projected 0.37% increase from 23-24 to 24-25 which will result in about \$52,000 in additional PERS expenses for JUHSD in 24-25.

### *Salary Assumptions*

JUHSD has settled labor negotiations for 24-25 with a 3.55% total compensation increase. This increase is reflected in the proposed budget with 2.44% on salary and the remaining amount applied to anticipated increases in health and welfare benefits. Additionally, the budget includes increases to standard employee compensation costs (salary increase from step and column).

### *Implementation of Reserve Policy BP 3100.1*

As a Community Funded school district, JUHSD relies on property taxes for our largest portion of revenue. This funding source can be more unpredictable than State Funding, therefore maintaining reserves beyond the minimum required by law is recommended. Board Policy 3100.1 outlines how JUHSD intends to maintain fiscal stability. The proposed budget implements a Strategic Reserve as outlined in the policy. However, it anticipates NOT making contributions to the Special Reserve Fund 17 each year to reach the goal of 2% reserve in Fund 17 by 2028. This decision can be revisited after we close the books for 23-24.

<b>Assumptions</b>	<b>24-25</b>	<b>25-26</b>	<b>26-27</b>
Strategic Reserve Set-Aside	5.0%	3.0%	1.0%
Contributions to Fund 17	\$0	\$0	\$0

### *Governmental Accounting Standards Board (GASB) 87*

In 22-23, new accounting standards, known as GASB 87, were implemented that required governmental entities to recognize lease liabilities and assets. This was reflected in an Audit Adjustment in 22-23 of over \$11.5M. The adjustment made it appear that JUHSD had more money than was available. In 23-24, you see another audit adjustment undoing the previous adjustment.

### **Multiyear Projections**

An important part of the budget adoption process is the subsequent two-year projection of the general fund. In addition to the above-mentioned changes, the multiyear projection assumes the following:

- Salary increases of 2.44%
- Significant health benefits premium increase of 12% for 2025
- Minimal changes to staffing levels
- Debt repayment \$287,524 per year, ongoing

The multiyear projection shows deficit spending in all four years, 23-24 estimated actuals, 24-25 budget year, and the two subsequent years. There is deficit spending in all years showing that JUHSD is using reserve funds to cover ongoing costs.

<b>General Fund Summary</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
Beginning Fund Balance	26,618,485	20,038,803	13,305,401	7,701,507
<b>REVENUES</b>				
LCFF/Taxes	62,303,778	64,261,575	66,622,674	69,692,470
Federal	2,725,707	1,962,063	1,965,097	2,026,211
Other State	7,010,328	6,748,927	6,753,128	6,761,232
Local	9,707,638	9,707,638	9,707,638	9,707,638
<b>Revenue Total</b>	<b>81,747,452</b>	<b>82,680,203</b>	<b>85,048,537</b>	<b>88,187,551</b>
<b>EXPENDITURES</b>				
Salaries	41,865,377	43,309,874	43,589,200	43,838,038
Benefits/Payroll Costs	20,290,381	21,709,868	22,453,787	22,796,935
Goods & Services	22,551,944	22,443,066	22,614,738	22,789,859
Other	2,337,964	1,663,273	1,707,182	1,713,617
<b>Expenditure Total</b>	<b>87,045,666</b>	<b>89,126,081</b>	<b>90,364,907</b>	<b>91,138,449</b>
Transfer Out - COP Payment	1,281,469	287,524	287,524	287,524
To Fund 17	-	-	-	-
<b>TOTAL EXCESS/DEFICIT</b>	<b>(6,579,683)</b>	<b>(6,733,402)</b>	<b>(5,603,894)</b>	<b>(3,238,422)</b>
Ending Fund Balance (EFB)	20,038,803	13,305,401	7,701,507	4,463,085
Restricted Balance	2,680,634	881,771	831,771	781,771
Remaining EFB	17,358,168	12,423,630	6,869,736	3,681,314
<b>RESERVES</b>				
Statutory Reserve	2,649,814	2,682,408	2,719,573	2,742,779
Strategic Reserve	4,416,357	4,470,680	2,719,573	914,260
Unallocated Funds	10,291,997	5,270,542	1,430,590	24,275
<b>Fund 01 Reserve Percentage</b>	<b>19.65%</b>	<b>13.89%</b>	<b>7.58%</b>	<b>4.03%</b>
Special Reserve Fund 17	837,225	842,225	847,225	852,225
Total Reserves all Funds	18,195,393	13,265,855	7,716,961	4,533,539
<b>Total Reserve Percentage</b>	<b>20.60%</b>	<b>14.84%</b>	<b>8.51%</b>	<b>4.96%</b>

### *Ending Fund Balance*

The General Fund ending fund balance in the Proposed Budget for 24-25 is comprised of the following:

1. Restricted and non-spendable items totaling \$881,771: Restricted Balance \$871,771, Revolving Cash \$10,000
2. Statutory reserve for economic uncertainty \$2,682,408 – 3.0%
3. Strategic reserve per BP 3100.1 \$4,470,680 – 5.0%
4. Unallocated amount \$5,270,542 – 5.89%

The budget anticipates no transfer to Fund 17 – Special Reserve Fund which projects an additional reserve of \$842,225 – 0.95%, for a total reserve of 14.84% for 24-25.

### **Other Funds**

All other funds (i.e. adult education, nutrition, etc.) have positive ending fund balances and there are no significant changes over last year. The nutrition program continues to be projected as a break-even program.

### **Next Steps**

The State Budget will be adopted by the end of June. The district will begin revising the JUHSD budget this summer to reflect the adopted state budget and final 23-24 spending.

Unaudited Actuals for 23-24 will be presented in September and the 1<sup>st</sup> Interim Report will be presented in November with more accurate information for 24-25 financials.