
Los Altos School District

CACF Mid-year Report 2023-2024

— Citizens Advisory Committee on —
Finance - January 22, 2024



Agenda

PREVIEWS

- “ABCs of Local School District Finance”
- CACF “Constitution”

FEATURE PRESENTATION

- Planning for Today and Tomorrow in the Current and Likely Future Economic Environment



Key messages

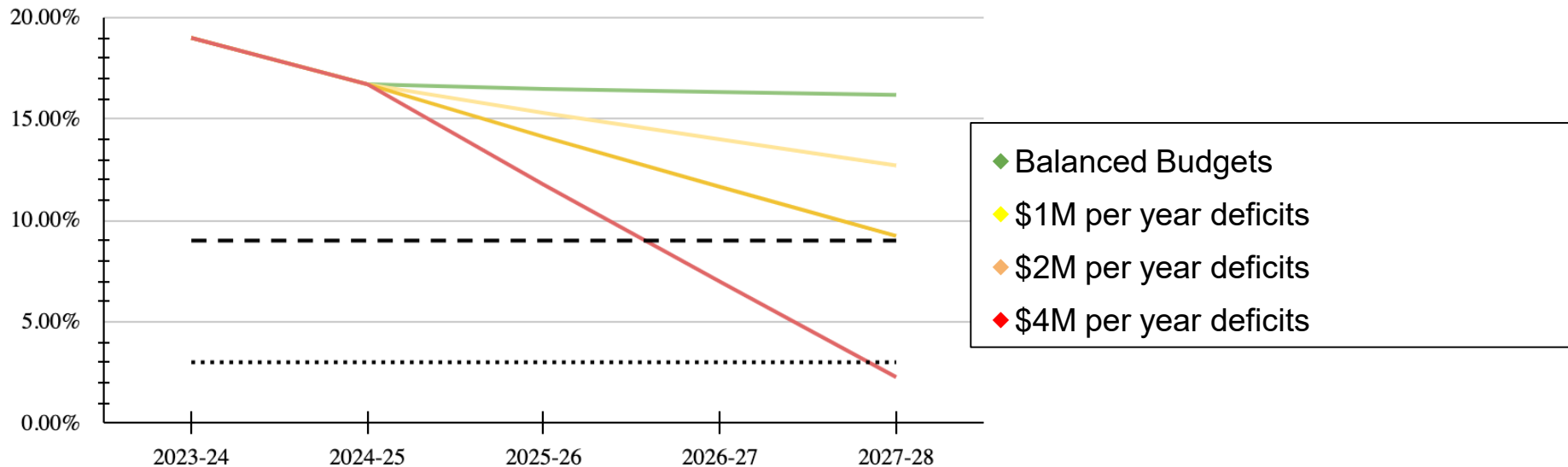
- The District cannot continue to budget for deficit spending.
- While this and other challenges loom, fortunately the District can plan for and take orderly action because of healthy current reserves and passage of Measure A.
- CACF recommends...
 - Reduce budget deficit for the current year to the greatest extent possible to a balanced budget consistent with our District's values.
 - Balance the budget for 2024/25
 - Generate a longer term strategic plan, consistent with District values, for operating on a balanced budget in later years
 - Plan for revenue growth of under 4% in the near and medium term future
 - Include in District's financial planning the need to fund new projects, such as transition to middle school, expansion of transitional kindergarten, and opening a 10th site
 - Support the continuing efforts of District staff to address the current situation and plan beyond



We cannot continue this year's budgeted deficit spending.

We can't sustain deficits for very long.

Reserve Levels after 3 years of different budget balances





Continuing Challenges for the District

Slowing Revenue Growth

- Home sales down 30% - 50% even with stable prices, means lower property tax growth (under 5%)
- More generally, uncertainty as to whether there is an economic soft landing or recession
- State budget uncertainties

Expense Challenges

- The increasing cost of recruiting and retaining talented teachers in a competitive market
- Inflation moderating but still affects labor, maintenance, and health-care costs
- Aging facilities
- Future unfunded mandates and encroachments, hot lunch, ELOP, etc.
- Middle school transition and TK expansion impact
- PERs and STRs increases
- Enrollment uncertainty



Sensitivity Analysis – Identifying Biggest Concerns

Cumulative impact over three years:

- Property-tax growth (1% change)
 - 1 year only, cumulative 3 years: \$2.0M
 - 3 years of 1% change: \$4.0M

- Salary adjustments in 24/25:
 - 2% one time: \$1.07M
 - 2% each of 3 years: \$3.2 M

- Facilities Maintenance and Upgrades > \$3.0M?

- PERs or STRS (+1% employer share) \$148K for Pers in 24/25
- Enrollment (+/- 100 students) \$0 to \$1.0M
- Health-Costs (5% growth) \$304K per year



Looking Forward: Plan, Balance Budget, Protect Reserves & Address Future Needs

Take the following steps in the coming months:

Revenue: Plan for tax growth under 4% in the upcoming budget and probably beyond

Act on Expenses

- Reduce expenses to balance the budget for 2024/25
- Develop contingency plans for increases in maintenance, healthcare, PERS, STRS and labor costs in later years

Include and Accommodate New Future Needs

- Budget for improvements in future academic programming – like transitioning to a middle school model
- Include costs of next steps for the 10th site along with expense savings once occupied
- Plan for capital improvements at other facilities
- Additional steps that may be necessary to recruit and retain talented teachers where demand is likely to continue to outpace supply

Questions?