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Mr. Kalen Gallagher  
Board President  
Campbell Union High School District  
3235 Union Avenue  
San Jose, CA 95124

Dear Mr. Gallagher:

Thank you for allowing School Services of California, Inc., (SSC) to assist the Campbell Union High School District (District) in a comprehensive Budget Review.

### Scope and Methodology

The District requested SSC to perform a Budget Review, which involved analyzing each major revenue and expenditure category for the General Fund and ancillary funds (to the extent those funds have a fiscal impact on the General Fund). The review was not an audit, but was designed to give the District a fair and independent assessment of the current District finances.

The review of revenues and expenditures included:

- An examination of projected enrollment and average daily attendance (ADA)
- Review of assumptions for local property tax collections
- Verification of State Budget assumptions for one-time sources and other state and categorical funds
- A review of budget assumptions for federal revenues, interest income, and other local sources
- Verification of budgeted salary and benefit amounts
- A review of budget assumptions for the expenditures of supplies, operational items, and capital outlay
- A review of the fiscal impact of current collective bargaining tentative agreements and proposals
- A review of fund balances and potential sources of funds

- Telephone interviews as needed with select District staff members

In this report we include the Budget Review findings for each major revenue and expenditure category examined. If certain budget assumptions were found not to be reasonable and the amounts are significant, we would normally suggest budget revisions be made. However, no budget revisions to the current budget are suggested in this report.

As part of this study, SSC also conducted a comparative analysis of revenues, expenditures, fund balance reserves, staffing ratios, and teacher salaries and benefits using our statewide databases. The analysis measures the District's level of funding, expenditures, and staffing, as well as teacher compensation, as compared to high school districts (serving grades 9-12) of like size and with comparable resources.

## Budget Review

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The Budget Review involved a detailed examination of the 2017-18 Unaudited Actuals report, the 2018-19 Adopted Budget, and the District's latest multiyear projection (MYP) dated September 18, 2018. We also analyzed the District's budget reports in previous fiscal years (2016-17 and 2017-18) as compared to the Unaudited Actuals reports in each of those years to determine and analyze historical budget trends. The Unaudited Actuals reports are the final reporting of the District's financial statements for the fiscal year and are the best source of information. The audited financial statements are not available from the state database of District information and would not provide the detail needed for this analysis.

Our main focus during this review was on the unrestricted side of the General Fund as an indicator of fiscal solvency and the availability of discretionary resources that can be used by the Board of Trustees for any educational purpose. Restricted resources are limited in acceptable use and revenue streams can be volatile depending on their source.

### Budget Monitoring

A budget is not a static document. Changes to revenues and expenditures occur throughout the budget cycle due to state-influenced factors—both positive and negative—and local factors based on Board priorities, staffing needs, program changes, unforeseen circumstances, and more. In addition to the state-required Adopted Budget each year, the District is required to update its budget at the state-determined intervals during the year: the First Interim report, the Second Interim report, and Estimated Actuals with the next year's Adopted Budget.

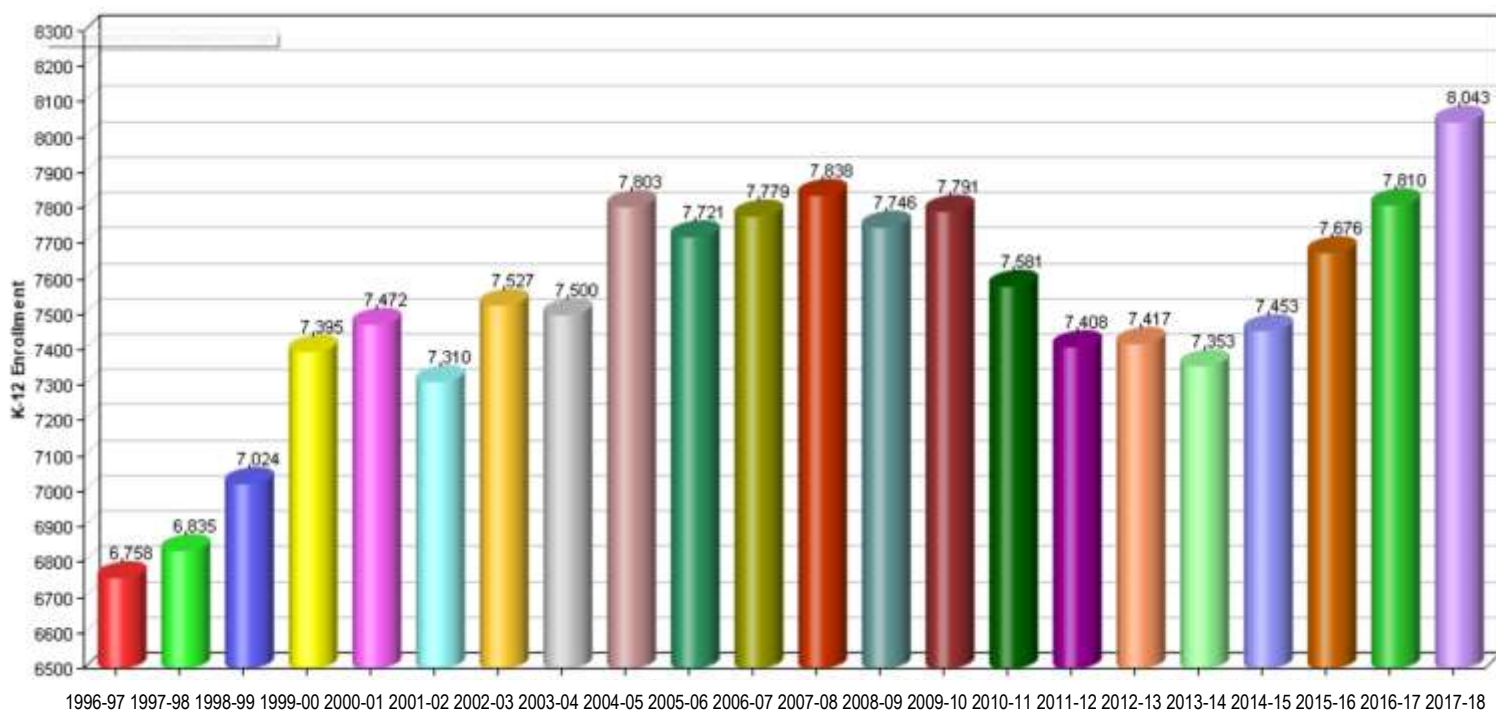
Based upon our review of the District's budgets that were provided, we can see that, as best practice would dictate, revisions are made for each of the reporting periods.

**Enrollment and Average Daily Attendance (ADA)**

Enrollment projections form the basis for most school district revenues and expenditures—enrollment drives ADA, unduplicated student counts, and staffing, primarily. For most school districts ADA and unduplicated student counts drive most of the discretionary revenues received through the Local Control Funding Formula (LCFF). However, because the District is community funded due to the local property taxes collected, it does not receive an LCFF entitlement. ADA in this case drives staffing and other expenditures but only a small portion of revenues, such as the Education Protection Account (EPA), Mandated Cost Block Grant, Special Education, and Lottery funds.

From the student enrollment peak of 7,838 in 2007-08, the District declined in enrollment and ADA for several years but has been growing steadily since 2013-14, as illustrated in Figure 1:

**Figure 1: Campbell Union HSD Enrollment (Includes Enrollment in County Office Programs)**



Source: California Department of Education

The District is conservatively projecting flat enrollment in the MYP (current and subsequent two years). The long-term outlook may be for moderate growth but will not affect the District’s revenue. Figure 2 and 3 display the District’s actual enrollment and ADA for the previous three years and the projected enrollment and ADA for the subsequent three years.

Figure 2: Prior-Year Enrollment and ADA					
	2013-14	2014-15	2015-16	2016-17	2017-18
Enrollment	7,478	7,585	7,811	7,944	8,156
ADA	7,099.27	7,191.91	7,393.41	7,509.57	7,739.3
ADA Change From Prior Year		92.64	201.50	116.16	229.82
ADA-to-Enrollment Ratio	94.94%	94.82%	94.65%	94.53%	94.89%

Source: District LCFF calculations

The District’s enrollment and ADA as estimated for the 2018-19 Adopted Budget and MYP is as follows:

Figure 3: Projected Enrollment and ADA			
	2018-19	2019-20	2020-21
Enrollment	8,156	8,156	8,156
ADA	7,739.39	7,739.39	7,739.39
ADA Change From Prior Year	–	–	–
ADA-to-Enrollment Ratio	94.89%	94.89%	94.89%

Source: District LCFF calculations

Although the District anticipates enrollment growth over the next decade, the growth doesn’t increase revenue for the District. Regardless, increasing enrollment and ADA places pressure on the District’s budget because new students do not generate additional revenues as with districts funded by the LCFF. Rather, the District must deploy other resources to serve additional students, which means additional staff, supplies, technology, facilities-related costs, etc. Balancing services to new students with other demands of the District’s instructional programs continues to be a challenge for the District’s budget.

**Revenues**

As mentioned above, the District’s primary revenue source is from local property taxes. This, along with minimal state aid and the EPA, constitute the revenues from all LCFF-related sources for the District. Figure 4 illustrates the most recent trend for the District’s revenues from local property taxes and other LCFF sources:

Figure 4: Prior Year Property Tax Revenues and Other LCFF Sources					
	2013-14	2014-15	2015-16	2016-17	2017-18
	LCFF Calculation	LCFF Calculation	LCFF Calculation	LCFF Calculation	Unaudited Actuals
Local Property Taxes	\$61,067,501	\$65,570,422	\$69,932,510	\$74,592,099	\$78,250,122
In Lieu to Charter	(\$250,613)	(\$255,611)	(\$252,724)	(\$341,464)	(\$383,439)
State Aid	\$3,663,744	\$3,663,744	\$3,827,724	\$3,827,724	\$3,827,724
Education Protection Account	\$1,430,722	\$1,438,382	\$1,478,682	\$1,501,914	\$1,514,780
Total	\$65,911,354	\$70,416,937	\$74,986,192	\$79,580,273	\$83,209,187
% Increase/(Decrease) From Prior Year		7%	6%	6%	5%

Source: District Standardized Account Code Structure (SACS) reports and LCFF calculations

Given the above trend for local revenues, the District has projected the following in its budget and MYP:

Figure 5: Projected Property Tax Revenues and Other LCFF Sources			
	2018-19 Budget	2019-20 Projected	2020-21 Projected
Local Property Taxes	\$82,140,612	\$86,207,263	\$90,517,560
In Lieu to Charter	(\$383,439)	(\$383,439)	(\$383,439)
State Aid	\$3,827,724	\$3,827,724	\$3,827,724
Education Protection Account	\$1,547,878	\$1,547,878	\$1,547,878
Total	\$87,132,775	\$91,199,426	\$95,509,723
% Increase/(Decrease) From Prior Year	5%	5%	5%

Source: District MYP dated September 18, 2018

Based upon our review of the District’s projections for local property tax revenues and other LCFF sources, we believe the District’s estimates are reasonable. It is important to note that the unrestricted LCFF funds are net of the Fair Share Deduction to the LCFF for basic aid districts; in the MYP, the State Aid entitlement of \$8,835,718 is then reduced by the fair share amount of \$5,007,994; for a net funding level of \$1,547,878 (the EPA amount shown above).

The estimated revenues above for 2018-19 reflect an increase of approximately \$3.9 million from the 2017-18 funding level. While this increase appears to be substantial, some of the change in revenue does not actually increase resources available to the District. This is because of the following issues that must be considered in budgeting for the current and future fiscal years:

- Even though the District is not funded through the LCFF, it must still calculate its entitlement under the LCFF each year and must comply with the regulations related to the LCFF. The LCFF provides additional resources to both restore base funding lost during the Great Recession and to increase or improve services for those students that are eligible to generate supplemental and concentration grant funding. Supplemental and concentration grant funding is based on the percentage of students enrolled who are English learners, foster youth, or eligible for the free and reduced-price meals (FRPM) program. That percentage for the District is estimated at 27.25% (based upon a three-year rolling average). State statutes and regulations require that the proportion of increased funding a school district receives as a result of the percentage of eligible students enrolled is accounted for in the district's Local Control and Accountability Plan (LCAP). Therefore, the District must recognize that a proportional share of its LCFF entitlement must be used to provide increased or improved services targeted to meet the needs of eligible students, and this should be taken into account during budget preparation and planning whenever the District is considering its future expenditure commitments. The amount of supplemental grant funds reflected in the District's 2018-19 LCFF entitlement this year is \$3,883,061. The District does not receive concentration grant funds.
- Increasing revenues are also required to fund automatically increasing costs such as step and column movement, contributions to the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), etc.

It is important to note that increases based on the cost-of-living adjustment (COLA) which is provided to the LCFF is not applicable to the unrestricted funding of a community funded district. Restricted categorical programs may gain additional revenues through a COLA, but the impact overall is minimal as the cost of the programs may exceed the minimal increase.

When considering increases to employee compensation, the District should consider additional revenues as potentially available for funding across-the-board proposals only after all other claims on the new revenues have been funded—including step and column movement, fuel cost increases, utility cost increases, increases required for pension contributions, increasing health benefit costs, and the use of supplemental grant funds to further the goals specified in the LCAP.

After the District approved its 2018-19 Adopted Budget, the 2018-19 State Budget was enacted, which changed some of the revenue provisions upon which the District's budget was based. The final State Budget reduced the one-time discretionary funds from \$344 per ADA to \$184 per ADA, which reduces the District's revenues by just over \$1.2 million. We can see that the District has made this adjustment in its budget and MYP dated September 18, 2018, and that these one-time funds are appropriately backed out in subsequent years. One-time discretionary funds should only be applied to one-time uses such as increasing reserves or purchasing instructional materials, textbooks, technology, etc.

A last-minute change in the State Budget, which was finalized after the District adopted its 2018-19 budget, was to continue the Career Technical Education Incentive Grant but with a lower level of state funding. The District is awaiting the final notice and state allocation tables to determine the net impact on the District.

We believe the District’s assumptions for unrestricted General Fund revenues appear reasonable.

**Expenditures**

In the review of unrestricted salary and benefit expenses as compared to unrestricted total expenditures budgeted in 2018-19, the District projects to spend 89% of all unrestricted expenditures on salaries and benefits. This leaves only 11% for all other expenditures. Expenditures on salaries and benefits will continue to grow due to growing enrollment, unfunded Special Education costs, and the increases in the employer contribution rates for CalSTRS and CalPERS.

Unrestricted expenditures for salaries and benefits (Object Codes 1000-3000) are shown in Figure 6:

Figure 6: Unrestricted General Fund Salaries and Benefits				
	2017-18 Unaudited	2018-19 Budget	2019-20 Projected	2020-21 Projected
Certificated Salaries	\$37,904,740	\$38,335,585	\$38,828,633	\$40,101,062
Classified Salaries	\$8,603,387	\$8,524,674	\$8,652,544	\$8,942,332
Employee Benefits	\$19,237,942	\$20,851,917	\$22,676,242	\$24,090,545
<b>Total</b>	<b>\$65,746,069</b>	<b>\$67,712,176</b>	<b>\$70,157,419</b>	<b>\$73,133,939</b>
<b>Total Unrestricted Expenditures</b>	<b>\$74,093,525</b>	<b>\$76,043,858</b>	<b>\$78,572,947</b>	<b>\$81,549,467</b>
<b>Total % Unrestricted Salaries &amp; Benefits to Total Unrestricted Expense</b>	<b>88.73%</b>	<b>89.04%</b>	<b>89.29%</b>	<b>89.68%</b>

Source: District SACS reports

The current budget and MYP reflect a net increase in staffing for 2018-19, as well as additional staff positions for 2020-21.

The District has in place a soft cap (also referred to as a floating cap) on the District’s contribution to employee health benefits, which is tied to the premiums for certain health plans depending on the employee group. The soft cap provides little protection for the District from automatic cost increases that have been significant in recent years and are expected to continue. For the current year, the District’s budget includes a 3.8% increase in the premium costs.

The collective bargaining agreement (CBA) between the District and the Campbell High School Teachers Association (CHSTA) includes language for a Health Benefits Committee, which does not appear to be active. A hard cap on the District’s contribution to health benefits is a way to incentivize employees to make more prudent health care decisions, and the sharing of cost-savings ideas through a mechanism such as a benefits committee can result in reduced premium costs, or at least premium increase mitigation, which would free up resources and provide both the District and the bargaining units more flexibility in allocating resources.

The CBAs between the District and its bargaining units provide postemployment benefits for qualified employees. For classified employees the benefit is based upon hire date, years of service, and age. Due to the agreement with CalPERS, the District is required to provide lifetime benefits to eligible employees, increasing the costs for other postemployment benefits (OPEB). The latest actuarial study measures the District’s future liability for OPEB to be \$8,552,587 as of June 30, 2018. The District has set aside funds for this purpose in a Retiree Benefit Fund (Fund 71) as an irrevocable Exclusive Benefit Trust for the purpose of funding the OPEB obligation as well as the increases in pension costs. The Trust became effective on December 1, 2016, and has not had any withdrawals to date. The Trust is new, and withdrawals in the early stages of funding the benefits would primarily come from the principal amount and not the earnings on the investment. The current value of the Fund is \$7,155,566 of which 5,105,806 is designated for OPEB. For certificated employees the postemployment health coverage benefit is based upon providing service to the District after retirement, so it is not included in the calculation of the future liability.

The District has included in its expenditure budget the increases in contribution rates for CalSTRS and CalPERS, as follows in Figure 7:

Figure 7: Employer Contributions to Employee Pensions						
	2017-18	2018-19	2019-20	2020-21	2021-22*	2022-23*
CalSTRS	14.430%	16.280%	18.130%	19.100%	18.600%	18.600%
<b>Increase From Prior Year</b>		<b>1.850%</b>	<b>1.850%</b>	<b>0.970%</b>	<b>-0.5%</b>	<b>0%</b>
CalPERS	15.531%	18.062%	20.800%	23.500%	24.600%	25.100%
<b>Increase From Prior Year</b>		<b>2.531%</b>	<b>2.738%</b>	<b>2.700%</b>	<b>1.1%</b>	<b>0.5%</b>

Source: CalPERS and CalSTRS

\*Based upon most recent actuarial posted on CalSTRS and CalPERS websites

As can be seen above, the District is required to fund significant increases in the required contributions to both pension systems.



In comparing the prior-year Second Interim reports to the Unaudited Actuals, following are the variances in the major object codes of expenditures:

Figure 8: Comparison of Expenditures: Second Interim to Unaudited Actuals				
Major Object Code/Year	Second Interim	Unaudited Actuals	Increase/ (Decrease)	%
<b>Certificated Salaries</b>				
2016-17	\$36,368,649	\$36,631,669	\$263,020	0.7%
2017-18	\$38,177,005	\$37,904,740	(\$272,265)	-0.7%
<b>Classified Salaries</b>				
2016-17	\$8,228,211	\$7,992,305	(\$235,906)	-2.9%
2017-18	\$8,585,568	\$8,603,387	\$17,819	0.2%
<b>Employee Benefits</b>				
2016-17	\$17,680,654	\$17,467,170	(\$213,484)	-1.2%
2017-18	\$20,119,815	\$19,237,942	(\$881,873)	-4.4%
<b>Books and Supplies</b>				
2016-17	\$2,478,990	\$1,827,539	(\$651,451)	-26.3%
2017-18	\$1,550,354	\$1,370,796	(\$179,558)	-11.6%
<b>Services and Other Operating Expenditures</b>				
2016-17	\$8,399,651	\$7,050,273	(\$1,349,378)	-16.1%
2017-18	\$7,625,571	\$6,845,622	(\$779,949)	-10.2%
<b>Capital Outlay</b>				
2016-17	\$71,640	\$66,781	(\$4,859)	-6.8%
2017-18	\$51,311	\$120,325	\$69,014	134.5%
<b>Other Outgo</b>				
2016-17	\$930,856	\$911,923	(\$18,933)	-2.0%
2017-18	\$210,220	\$425,895	\$215,675	102.6%
<b>Indirect/Direct Support</b>				
2016-17	(\$536,345)	(\$433,469)	\$102,876	-19.2%
2017-18	(\$580,795)	(\$415,182)	\$165,613	-28.5%

Source: District SACS reports

The expenditures for salaries and benefits reflect variances ranging from a decrease of 4.4% to an increase of 0.7%. Since these expenditures comprise 89% of the District’s unrestricted General Fund budget, even minor variances can have a significant impact. We note that these variances, however, are within the realm of best practice.

Negative variances are not unusual in the areas of Books and Supplies and Services and Other Operating Expenditures, as department, program, and school site budgets across the District are not fully expended by the time the books are closed. To minimize these variances, we recommend that the District conduct an analysis, when preparing the Second Interim report or Estimated Actuals each year, of these expenditure budgets and determine an amount for each major object code that is expected not to be spent. These amounts can be set up as negative line items in the budget and will allow the District to more closely estimate its General Fund ending balance for the year.

We believe that the District’s assumptions for expenditures appear reasonable.

**Contributions**

The District’s contributions to restricted programs have been increasing from year to year and are anticipated to continue increasing in the future:

Figure 9: Contributions to Restricted Programs – Budget and Projections				
	2017-18 Unaudited Actuals	2018-19 Adopted Budget	2019-20 Projected	2020-21 Projected
Special Education	\$15,219,256	\$16,849,983	\$17,182,017	\$17,526,950
Routine Restricted Maintenance Account (RRMA)	\$2,605,302	\$2,558,613	\$2,633,908	\$2,712,998
Other Programs	\$508,607	\$0	\$707,152	\$707,152
Child Nutrition Program*	\$281,575	\$321,696	\$209,688	\$209,688
Transportation**	\$987,379	\$1,171,112	\$1,288,223	\$1,417,045
Total	\$19,602,119	\$20,901,404	\$22,020,988	\$22,573,833
% Increase/(Decrease) from Prior Year		7%	5%	3%

Source: District SACS reports and additional financial data

\*Transfers Out to the Cafeteria Fund (13)

\*\*State converted to an unrestricted program in 2013-14

We include the contribution to the Home-to-School Transportation program, even though it is no longer a restricted program, as most school districts make a contribution to support it. The state funding is still continued as an add-on to the LCFF and school districts are required to maintain the same level of expenditures as the state aid received for the program in 2012-13.

The 2015-16 State Budget Act contained some flexibility in the Routine Restricted Maintenance Account (RRMA) contribution requirements. For 2017-18 through 2019-20 the minimum contribution is the greater of: (1) the lesser of 3% or the amount contributed for 2014-15, or (2) 2%. The District is currently budgeting for a contribution of 2.3%, or \$2,558,613, which is just

over the current requirement of \$2,406,752. The District should continue to ensure that sufficient funds are included in the budget to appropriately maintain its facilities.

For the Special Education program, and to a lesser extent the Home-to-School Transportation and Child Nutrition programs, costs continue to increase, which include the increased contributions to pensions. It is important to understand the reasons for cost increases in these programs and determine if they can be mitigated or managed. The District should continue to closely monitor actual expenditures to determine if the budgeted expenses will come to fruition and whether the projections for the next two years should be adjusted to reflect the increasing trend.

## Other Funds

The Adult Education Fund (Fund 11) reflects revenues from the Adult Education Block Grant and the expenditures associated with the program, and the District is appropriately charging indirect costs to this program. The current budget indicates that the program is deficit spending but has adequate reserves for the time being. We recommend that the District take steps to address the deficit spending in this fund in order to avoid exhausting the reserves and requiring support from the General Fund.

The Cafeteria Fund (Fund 13) requires General Fund support each year, which is not unusual given the percentage of students that qualify for FRPM and the fact that meal participation is lower at the upper-grade levels. Indirect costs are not charged to this program, presumably because General Fund support is required anyway; however, the District might consider charging indirect costs in order to reflect the true cost of running the program. Charging the indirect costs will require a greater contribution from the general fund, meaning there will be no net benefit to either fund. The District has taken steps in recent years to reduce the deficit spending and the General Fund contribution required.

The Capital Facilities Fund (Fund 25) contains the revenues from developer fees and expenditures for projects related to growth. The resources in this fund are pledged for repayment of the Qualified Zone Academy Bonds (a form of debt).

The District maintains a Self-Insurance Fund (Fund 67), as it was self-insured for property and liability, Workers' Compensation, dental insurance through the Protected Insurance Program, and a joint powers authority with other school agencies. The District has maintained self insurance for dental and is spending down the reserve balance in Fund 67 as claims from the prior Workers' Compensation program are paid. Although the fund has been deficit spending to pay down the claims, there is no contribution being made to maintain the fund.

The District does not anticipate that any of its other funds will require a contribution from the General Fund in order to remain solvent. It is important to continue to monitor the other funds of the District to ensure that they continue to be as self-supporting as possible.

## Reserves

A key distinction in maintaining an appropriate level of reserves for the District is to recognize that the District is a community funded basic aid district, with property taxes exceeding its entitlement under the LCFF. As a result, the District's funding is not based on changes in funding for the LCFF. Instead, the District receives funding based on the overall performance of the property tax, which is unrelated to workload changes. Revenue protections afforded to LCFF state aid districts, such as the declining enrollment adjustment, do not apply to community funded districts; therefore, factors other than enrollment must be taken into consideration to determine the District's appropriate reserve level.

Board Policy 3100 states the District shall maintain a reserve for economic uncertainties that meets or exceeds the requirements as specified by the state's Criteria and Standards. (Based upon the District's ADA, the state-established minimum reserve level is 3% of total expenditures and other financing uses.) The District's policy further states that the District:

...is a basic aid school district and maintains a minimum unassigned fund balance of no more than six percent (6%) of budgeted general fund expenditures and other financing uses as a Reserve for Economic Uncertainties. The district believes a reserve of this level is prudent to maintain a high bond rating and to protect the district from the effects of fluctuations in property tax revenues to which basic aid school districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

Reserves are used between property tax collections to fund the ongoing operations of the District, salaries, utilities, supplies, etc. In a basic aid district, the reserves are extremely volatile due to the daily cash needs of the District, with only two major revenue collections in a fiscal year. We commend the District for establishing a policy for a minimum reserve that is greater than that required by the state. There are many reasons why school districts in the state of California should have higher reserves, and for the District in particular the growing student population, the potential volatility of local property taxes, and the cash flow challenges (discussed later in this report) add to these reasons. The Government Finance Officers' Association, a national organization, recommends a minimum reserve level of 17%, or two months' expenditures, for all school districts. Schools for Sound Finance, a consortium of locally funded districts, recommends a reserve equal to one-third of the difference between the District's basic aid funding level and its LCFF funding level, in addition to the state-required minimum reserve of 3%. When considering looking at these two funding levels for the District for the last five years, one-third of the difference ranged from approximately \$3 million to \$5 million, in addition to the 3% reserve.

Board Policy 3100 further states, "In a year following a year in which there is a contribution of

any amount to the Public School System Stabilization Account (also referred to as the state-level Prop 98 reserve account), the district budget adopted pursuant to Education Code 42127 and this policy must not contain a combined assigned or unassigned ending fund balance that is two times the minimum required level of reserve for economic uncertainty. (Education Code 42127.01) In the district's case, the level of reserve shall not exceed six percent (6%).” Since the time this statute was enacted, Senate Bill 751 (Chapter 674/2017) was signed into law and excludes basic aid school districts from this limitation on reserves. We recommend that the District remove this language from its policy during the next opportunity to adopt a revision. We also recommend that the District consider increasing the minimum reserve to ensure the ability to maintain programs for students in times of budget volatility. A minimum of 10% is prudent. A preferred reserve, aligned with the Government Finance Officers Association of 17% is recommended. The use of one-time funds to increase reserves is recommended when possible.

### Multiyear Projections

We reviewed the District’s MYP as of September 18, 2018, which reflects the revisions made since the District adopted its 2018-19 budget in June 2018. The District’s MYP for the unrestricted General Fund is summarized in Figure 10:

Figure 10: Unrestricted General Fund MYP			
	2018-19	2019-20	2020-21
Beginning Fund Balance	\$15,961,557	\$15,505,027	\$14,243,386
Revenues	\$95,401,466	\$98,044,070	\$102,354,367
Expenditures	(\$76,127,704)	(\$78,572,947)	(\$81,549,467)
Transfers Out	(\$321,696)	(\$209,687)	(\$209,688)
Contributions to Restricted Programs	(\$19,408,596)	(\$20,523,077)	(\$20,947,100)
Surplus/(Deficit)	<b>(\$456,530)</b>	<b>(\$1,261,641)</b>	<b>(\$351,888)</b>
Ending Fund Balance	<b>\$15,505,027</b>	<b>\$14,243,386</b>	<b>\$13,891,498</b>
Nonspendable	(\$51,848)	(\$51,848)	(\$51,848)
Assigned - Parcel Tax	\$4,770,270	\$4,770,270	\$4,770,270
Assigned - SVCTE Program	\$1,424,047	\$716,895	\$0
Unassigned - Reserve for Economic Uncertainties	\$6,550,064	\$6,594,226	\$6,795,665
Available for Budget Stabilization	\$2,708,798	\$2,110,147	\$2,273,715
<b>Budget Stabilization Funds as % of Total General Fund Expenditures and Other Outgo</b>	<b>8.5%</b>	<b>7.9%</b>	<b>8.0%</b>

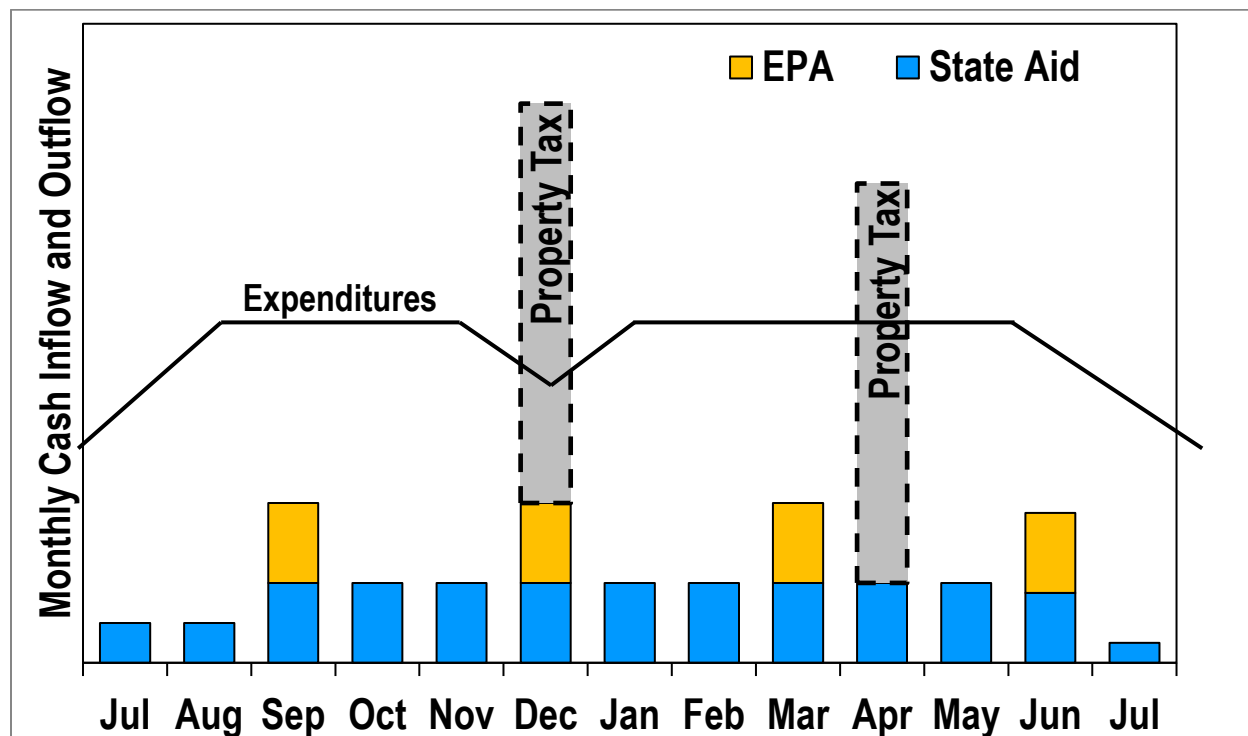
Source: District SACS reports

As can be seen above, the District is estimated to deficit spend each year in the MYP, which reduces its unrestricted reserves each year in the projection. In evaluating the adequacy of reserves, the state’s Criteria and Standards considers the Unassigned/Unappropriated reserves as a percentage of Total General Fund expenditures and Other Financing Uses. These percentages have been calculated above and range from 7.9% to 8.5% in the MYP. While this appears to be comfortably above the 6% reserve established by the District’s Board Policy, it is below the recommendations as discussed in the earlier section.

**Cash Flow**

Because the District is community funded, most of its revenues are received after significant cash must be paid out in expenditures during the year. This is because the bulk of its revenues are from local property taxes that are due to be paid twice per year. Figure 11 provides a simplified illustration of the cash flow challenges faced by community funded districts. The level of expenditures that require cash outlays each month are indicated by the expenditure line and the level of revenues each month are indicated by the bars.

**Figure 11: Sample Cash Flow Illustration for a Community Funded School District**



Upon reviewing the District’s cash flow projections for 2018-19 that were included with the Adopted Budget, we noted that half of the months in the year generate a cash deficit. During one month the ending cash balance is projected to be negative by approximately -\$3.2 million. This

indicates that cash must be borrowed from another fund in order to fund the payrolls and other obligations for that month until additional revenues are received.

The District should continue to update its cash flow projections for 2018-19, and also prepare a projection for 2019-20, to ensure that it has sufficient operating cash for the next 18 months.

## Audit Findings for the Fiscal Year Ending June 30, 2017

School districts are required to have an external audit of their financial records on an annual basis. The most recent audit conducted was for the 2016-17 fiscal year. The District requested additional audit steps with regard to its associated student body funds, so there were some findings in the report that the District has taken steps to resolve. There were also findings with regard to student attendance and the School Accountability Report Cards, for which the District has developed action plans. The District should review its next audit report to ensure that these prior-year findings have been resolved. It should be recognized, however, that in districts with high schools it is not unusual to have findings in the area of associated student body funds, as these involve many staff members, parents, and students, all of whom need to have appropriate training and procedures.

## Current Negotiations

The District is currently negotiating with its bargaining units for the 2018-19 fiscal year. The District's latest proposal to CHSTA is for a 2% ongoing salary increase for 2018-19 and, for Unit B members only, an additional 2% one-time salary increase. To date, the parties have not reached a settlement. The District has calculated that the cost of a 1% salary increase for CHSTA members is \$385,318, including statutory fringe benefits; and for all employees it is a \$655,355.

Figure 12 illustrates the impact of this proposal on the District's MYP.

Figure 12: Unrestricted General Fund MYP			
	2018-19	2019-20	2020-21
Beginning Fund Balance	\$15,961,557.00	\$14,676,715.00	\$12,615,600.00
Revenues	\$95,401,466.00	\$98,044,070.00	\$102,354,367.00
Expenditures	(\$76,127,704.00)	(\$78,572,947.00)	(\$81,549,467.00)
<b>Proposal to CHSTA</b>	<b>(\$828,312.00)</b>	<b>(\$799,474.00)</b>	<b>(\$799,474.00)</b>
Transfers Out	(\$321,696.00)	(\$209,687.00)	(\$209,688.00)
Contributions to Restricted Programs	(\$19,408,596.00)	(\$20,523,077.00)	(\$20,947,100.00)
Surplus/(Deficit)	<b>(\$1,284,842.00)</b>	<b>(\$2,061,115.00)</b>	<b>(\$1,151,362.00)</b>
Ending Fund Balance	<b>\$14,676,715.00</b>	<b>\$12,615,600.00</b>	<b>\$11,464,238.00</b>
Nonspendable	(\$51,848.00)	(\$51,848.00)	(\$51,848.00)
Assigned - Parcel Tax	\$4,770,270.00	\$4,770,270.00	\$4,770,270.00
Assigned - SVCTE Program	\$1,424,047.00	\$716,895.00	\$0.00
Unassigned - Reserve for Economic Uncertainties	\$6,550,064.00	\$6,594,226.00	\$6,795,665.00
Unassigned/Unappropriated	\$1,880,486.00	\$482,361.00	(\$153,545.00)
<b>Unassigned/Unappropriated as % of Total General Fund Expenditures and Other Outgo</b>	<b>7.7%</b>	<b>6.4%</b>	<b>5.9%</b>

Source: District SACS reports

As can be seen above, the latest District proposal to CHSTA is projected to reduce the District's available reserves to just below the Board Policy reserve level of 6% unless mitigating measures are implemented.



## Comparative Analysis

We believe that one way to inform the District's future fiscal decisions is to look at the District's past fiscal practices as compared with that of other districts. In conjunction with the District, we selected a group of local high school districts (HSDs) and unified school districts (USDs) in order to prepare comparisons of financial, staffing, and teacher compensation information:

Figure 13: Comparative District Group		
District	2016-17 ADA	2016-17 UPP*
<b>Campbell Union HSD</b>	<b>7,572.50</b>	<b>26%</b>
East Side Union HSD	22,318.93	54%
Fremont Union HSD	10,763.29	18%
Gilroy USD	10,898.62	60%
Los Gatos-Saratoga Joint Union HSD	3,281.79	4%
Milpitas USD	10,119.67	46%
Morgan Hill USD	8,090.40	44%
Mountain View-Los Altos Union HSD	4,106.94	21%
Palo Alto USD	11,201.60	17%
San Jose USD	29,069.74	48%
Santa Clara USD	14,808.28	49%

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

\*Unduplicated pupil percentage

The latest certified statewide data available for these comparisons is from the 2016-17 fiscal year from these sources:

- SACS financial reports
- California Basic Educational Data System (CBEDS) student and staffing data
- California Longitudinal Pupil Achievement Data System student and staffing data
- J-90 Teacher Salaries and Benefits survey

### Financial Comparisons

The comparative tables in this section are focused on the unrestricted side of the General Fund, as that is where the District's Board of Trustees has discretion for spending.

Figure 14 illustrates that, out of the 11 districts, eight of them, including the District, grew in ADA during the five-year period from 2012-13 to 2016-17. The District's ADA trend indicates the

second highest growth rate in the group. As stated earlier, additional ADA will increase costs for serving the students without any corresponding revenue.

Figure 14: Total ADA By Fiscal Year With Percentage Change

Rank	District	% Change in ADA 2012-13 to 2016-17	2012	2013	2014	2015	2016
1	Mountain View-Los Altos Union HSD	9.68%	3,597	3,641	3,748	3,887	3,945
<b>2</b>	<b>Campbell Union HSD</b>	<b>4.99%</b>	<b>7,031</b>	<b>6,969</b>	<b>7,069</b>	<b>7,283</b>	<b>7,382</b>
3	Palo Alto USD	4.74%	11,341	11,470	11,516	11,920	11,879
4	Los Gatos-Saratoga Joint Union HSD	3.28%	3,108	3,135	3,167	3,120	3,210
5	Milpitas USD	3.28%	9,762	9,897	10,010	10,008	10,082
6	Fremont Union HSD	1.99%	10,284	10,335	10,418	10,368	10,489
7	Santa Clara USD	1.51%	14,481	14,776	14,584	14,689	14,700
8	Gilroy USD	1.05%	10,776	10,870	10,861	10,861	10,889
-	<b>Comparative Group Average</b>	<b>-0.43%</b>	<b>125,414</b>	<b>125,944</b>	<b>125,793</b>	<b>125,282</b>	<b>124,881</b>
-	<b>All High School Districts</b>	<b>-0.55%</b>	<b>492,167</b>	<b>489,795</b>	<b>488,402</b>	<b>489,442</b>	<b>489,448</b>
-	<b>All Unified School Districts</b>	<b>-1.93%</b>	<b>3,924,678</b>	<b>3,930,573</b>	<b>3,907,788</b>	<b>3,879,418</b>	<b>3,848,949</b>
9	East Side Union HSD	-2.06%	22,515	22,371	22,463	22,049	22,052
10	Morgan Hill USD	-3.25%	8,321	8,181	8,117	8,049	8,050
11	San Jose USD	-5.27%	31,229	31,267	30,911	30,332	29,584

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Figure 15 illustrates that the District, on a per-ADA basis for 2016-17, ranks in the middle of the comparative group in unrestricted General Fund revenues.

Figure 15: Unrestricted General Fund Revenue for 2016-17		
Rank	District	Revenue (Excluding Other Sources) Per ADA
1	Mountain View-Los Altos Union HSD	\$18,690.89
2	Palo Alto USD	\$17,511.23
3	Santa Clara USD	\$15,405.88
4	Los Gatos-Saratoga Joint Union HSD	\$15,020.60
5	Fremont Union HSD	\$12,502.87
<b>6</b>	<b>Campbell Union HSD</b>	<b>\$12,332.80</b>
-	<b>Comparative Group Average</b>	<b>\$12,020.58</b>
-	<b>All High School Districts</b>	<b>\$11,119.02</b>
7	East Side Union HSD	\$10,679.65
8	San Jose USD	\$10,335.63
-	<b>All Unified School Districts</b>	\$10,290.48
9	Gilroy USD	\$9,479.66
10	Morgan Hill USD	\$9,324.85
11	Milpitas USD	\$9,322.10

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Figure 16 illustrates that the District ranks in the middle of the comparative group in per-ADA expenditures on unrestricted certificated salaries for 2016-17. The level of expenditures in this category can be due to the number of certificated staff members, the salary paid for each staff member, or a combination of both. This is explored further in the comparative tables later in this report.

Figure 16: Unrestricted Certificated Salaries for 2016-17		
Rank	District	Certificated Salaries per ADA
1	Palo Alto USD	\$8,065.98
2	Mountain View-Los Altos Union HSD	\$7,842.69
3	Los Gatos-Saratoga Joint Union HSD	\$6,214.89
4	Santa Clara USD	\$6,065.11
-	<b>Comparative Group Average</b>	<b>\$5,238.50</b>
5	Fremont Union HSD	\$5,146.56
<b>6</b>	<b>Campbell Union HSD</b>	<b>\$4,962.28</b>
7	San Jose USD	\$4,764.14
8	East Side Union HSD	\$4,683.17
-	<b>All High School Districts</b>	<b>\$4,527.64</b>
9	Milpitas USD	\$4,439.03
-	<b>All Unified School Districts</b>	<b>\$4,242.51</b>
10	Gilroy USD	\$4,022.41
11	Morgan Hill USD	\$3,921.56

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Figure 17 illustrates that the District ranks 8<sup>th</sup> out of the 11 districts in per-ADA expenditures on unrestricted classified salaries for 2016-17.

Figure 17: Unrestricted Classified Salaries for 2016-17		
Rank	District	Classified Salaries Per ADA
1	Palo Alto USD	\$2,213.41
2	Mountain View-Los Altos Union HSD	\$2,170.58
3	Los Gatos-Saratoga Joint Union HSD	\$1,707.81
4	Santa Clara USD	\$1,539.28
5	Fremont Union HSD	\$1,455.08
-	<b>All High School Districts</b>	<b>\$1,385.91</b>
-	<b>Comparative Group Average</b>	<b>\$1,313.29</b>
6	Morgan Hill USD	\$1,211.92
-	<b>All Unified School Districts</b>	<b>\$1,177.99</b>
7	San Jose USD	\$1,154.92
<b>8</b>	<b><i>Campbell Union HSD</i></b>	<b><i>\$1,082.67</i></b>
9	Gilroy USD	\$1,059.14
10	East Side Union HSD	\$979.94
11	Milpitas USD	\$863.84

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Figure 18 illustrates that the District ranks 4<sup>th</sup> out of the 11 districts in per-ADA expenditures on unrestricted employee benefits for 2016-17. Employee benefits include the District’s contributions to pension systems, health benefits, Workers’ Compensation, and other employee and retiree benefit programs.

Figure 18: Unrestricted Employee Benefit Expense for 2016-17		
Rank	District	Employee Benefits Per ADA
1	Mountain View-Los Altos Union HSD	\$3,489.36
2	Palo Alto USD	\$3,084.43
3	Los Gatos-Saratoga Joint Union HSD	\$2,761.48
<b>4</b>	<b>Campbell Union HSD</b>	<b>\$2,366.18</b>
5	East Side Union HSD	\$2,263.78
-	<b>Comparative Group Average</b>	<b>\$2,127.03</b>
6	San Jose USD	\$2,114.22
-	<b>All High School Districts</b>	<b>\$2,102.26</b>
7	Fremont Union HSD	\$2,069.98
8	Santa Clara USD	\$2,010.98
-	<b>All Unified School Districts</b>	<b>\$1,896.19</b>
9	Milpitas USD	\$1,494.41
10	Gilroy USD	\$1,461.51
11	Morgan Hill USD	\$1,444.82

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Figure 19 illustrates that the District ranks in the middle of the comparative group for the percentage of total expenditures dedicated to all unrestricted personnel salaries and benefits for 2016-17. This comparison reflects expenditures for certificated employee salaries, classified employee salaries, and employee and retiree benefits.

Figure 19: Unrestricted Personnel Salary and Benefit Expenses for 2016-17		
Rank	District	% of Total Expense
1	Mountain View-Los Altos Union HSD	90.23%
2	East Side Union HSD	89.07%
3	Palo Alto USD	88.69%
4	San Jose USD	88.31%
5	Fremont Union HSD	88.14%
-	<b>Comparative Group Average</b>	<b>87.51%</b>
6	Los Gatos-Saratoga Joint Union HSD	87.31%
<b>7</b>	<b><i>Campbell Union HSD</i></b>	<b><i>86.82%</i></b>
-	<b>All Unified School Districts</b>	<b>86.14%</b>
8	Morgan Hill USD	85.57%
-	<b>All High School Districts</b>	<b>85.43%</b>
9	Santa Clara USD	85.19%
10	Milpitas USD	84.87%
11	Gilroy USD	84.71%

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Figure 20 illustrates that the District ranks 9<sup>th</sup> out of the 11 districts in per-ADA expenditures on unrestricted books and supplies for 2016-17.

Figure 20: Unrestricted Books and Supplies Expense for 2016-17		
Rank	District	Books and Supplies Per ADA
1	Santa Clara USD	\$537.99
2	Palo Alto USD	\$500.02
3	Morgan Hill USD	\$444.64
4	Los Gatos-Saratoga Joint Union HSD	\$388.96
-	<b>All High School Districts</b>	<b>\$379.15</b>
5	Gilroy USD	\$373.64
6	Fremont Union HSD	\$372.98
-	<b>All Unified School Districts</b>	<b>\$360.25</b>
7	Mountain View-Los Altos Union HSD	\$344.87
-	<b>Comparative Group Average</b>	<b>\$335.66</b>
8	Milpitas USD	\$257.18
<b>9</b>	<b><i>Campbell Union HSD</i></b>	<b><i>\$247.57</i></b>
10	San Jose USD	\$238.98
11	East Side Union HSD	\$192.14

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS



Figure 21 illustrates that the District ranks in the middle of the comparative group in per-ADA expenditures on unrestricted services and other operating expenses for 2016-17. Services and other operating expenses include utilities, contracted services, dues and memberships, insurance, rentals and leases, travel and conferences, and communications expense.

Figure 21: Unrestricted Services and Other Operating Expenses for 2016-17		
Rank	District	Services and Operations Per ADA
1	Palo Alto USD	\$1,219.14
2	Mountain View-Los Altos Union HSD	\$1,117.31
3	Los Gatos-Saratoga Joint Union HSD	\$1,114.95
4	Santa Clara USD	\$960.84
<b>5</b>	<b>Campbell Union HSD</b>	<b>\$955.06</b>
6	Fremont Union HSD	\$898.20
-	<b>Comparative Group Average</b>	<b>\$814.67</b>
-	<b>All High School Districts</b>	<b>\$811.35</b>
7	Gilroy USD	\$774.26
-	<b>All Unified School Districts</b>	<b>\$735.21</b>
8	San Jose USD	\$723.02
9	Morgan Hill USD	\$682.36
10	East Side Union HSD	\$681.80
11	Milpitas USD	\$532.85

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Figure 22 illustrates that the District ranks 8<sup>th</sup> out of the 11 districts in per-ADA expenditures on unrestricted capital outlay expenditures for 2016-17.

Figure 22: Unrestricted Capital Outlay Expense for 2016-17		
Rank	District	Capital Outlay Per ADA
1	Santa Clara USD	\$200.35
2	San Jose USD	\$169.26
-	<b>All High School Districts</b>	<b>\$115.32</b>
3	Morgan Hill USD	\$106.63
4	Mountain View-Los Altos Union HSD	\$104.54
-	<b>Comparative Group Average</b>	<b>\$84.44</b>
-	<b>All Unified School Districts</b>	<b>\$83.23</b>
5	Gilroy USD	\$78.19
6	Milpitas USD	\$25.24
7	Los Gatos-Saratoga Joint Union HSD	\$12.91
<b>8</b>	<b><i>Campbell Union HSD</i></b>	<b><i>\$9.05</i></b>
9	Palo Alto USD	\$8.90
10	Fremont Union HSD	\$6.55
11	East Side Union HSD	\$0.00

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Figure 23 illustrates that the District ranks 3<sup>rd</sup> out of the 11 districts in per-ADA expenditures on unrestricted other outgo expense for 2016-17. Other outgo expense includes excess cost and tuition payments to other entities and debt service expenditures. This includes contributions to SVCTE and county office programs.

Figure 23: Unrestricted Other Outgo Expense for 2016-17		
Rank	District	All Other Per ADA
1	Milpitas USD	\$396.03
2	East Side Union HSD	\$98.98
<b>3</b>	<b><i>Campbell Union HSD</i></b>	<b><i>\$64.81</i></b>
-	<b>All High School Districts</b>	<b>\$60.73</b>
4	Los Gatos-Saratoga Joint Union HSD	\$35.53
-	<b>Comparative Group Average</b>	<b>\$4.25</b>
-	<b>All Unified School Districts</b>	<b>-\$1.13</b>
5	Palo Alto USD	-\$23.08
6	Santa Clara USD	-\$27.07
7	Gilroy USD	-\$45.16
8	San Jose USD	-\$68.21
9	Mountain View-Los Altos Union HSD	-\$104.21
10	Fremont Union HSD	-\$111.17
11	Morgan Hill USD	-\$124.13

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

A key indicator of fiscal solvency is the size of the unrestricted ending fund balance. Figure 24 illustrates that the District’s unrestricted ending fund balance is lower than all of the comparative districts except two based on the percentage of total expenditures, transfers, and other uses for 2016-17. The District ranks 8<sup>th</sup> out of the 11 districts on a per-ADA basis.

**Figure 24: 2016-17 Unrestricted Net Ending Balance as a Percent of Total Expenditures, Transfers, and Other Uses**

Rank	District	Fund 01 Net Ending Balance Per ADA	Fund 17 Net Ending Balance Per ADA	Combined Net Ending Balance Per ADA	% of Total Expenditures, Transfers, and Other Uses
1	Santa Clara USD	\$6,954.62	\$0.00	\$6,954.62	45.78%
2	Morgan Hill USD	\$3,258.68	\$324.75	\$3,583.43	32.59%
3	Milpitas USD	\$1,357.54	\$1,421.70	\$2,779.24	25.77%
-	<b>Comparative Group Average</b>	<b>\$2,216.97</b>	<b>\$899.71</b>	<b>\$3,116.67</b>	<b>22.80%</b>
4	San Jose USD	\$528.04	\$2,144.42	\$2,672.45	21.21%
5	Palo Alto USD	\$2,508.27	\$1,318.97	\$3,827.24	19.60%
-	<b>All Unified School Districts</b>	<b>\$2,003.18</b>	<b>\$114.03</b>	<b>\$2,117.22</b>	<b>17.25%</b>
6	Gilroy USD	\$1,913.27	\$0.00	\$1,913.27	17.21%
-	<b>All High School Districts</b>	<b>\$1,853.18</b>	<b>\$308.24</b>	<b>\$2,161.41</b>	<b>16.64%</b>
7	Fremont Union HSD	\$2,430.30	\$0.00	\$2,430.30	16.62%
8	East Side Union HSD	\$1,585.62	\$378.39	\$1,964.01	15.86%
<b>9</b>	<b>Campbell Union HSD</b>	<b>\$2,119.86</b>	<b>\$0.00</b>	<b>\$2,119.86</b>	<b>15.53%</b>
10	Mountain View-Los Altos Union HSD	\$1,944.66	\$1,209.09	\$3,153.75	15.36%
11	Los Gatos-Saratoga Joint Union HSD	\$100.58	\$992.13	\$1,092.71	6.53%

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

## Staffing Comparisons

Figure 25 illustrates that the District has the lowest class sizes in grades 9-12 in the comparative group in 2016-17. This means that the District has a higher investment in the number of staff members to serve its student population.

Figure 25: Average Class Size by Grade Level for 2016-17						
Rank	District	District Average	Grade K-3	Grade 4-6	Grade 7-8	Grade 9-12
1	Morgan Hill USD	29.36	24.79	28.33	32.62	29.28
2	Fremont Union HSD	29.28	0	0	0	29.28
3	East Side Union HSD	27.66	0	0	0	27.66
4	Gilroy USD	27.61	24.62	28.78	30.53	26.61
5	Milpitas USD	27.01	23.18	30.44	28.31	26.80
6	Los Gatos-Saratoga Joint Union HSD	26.96	0	0	0	26.96
7	San Jose USD	26.78	25.69	25.95	26.52	27.32
8	Santa Clara USD	26.77	22.24	28.32	27.99	26.80
9	Palo Alto USD	24.58	20.71	23.26	25.25	25.43
10	Mountain View-Los Altos Union HSD	23.94	0	0	0	23.94
<b>11</b>	<b>Campbell Union HSD</b>	<b>23.47</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23.47</b>

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Figure 26 illustrates that the District ranks in the middle of the comparative group for the number of students per nonadministrative certificated employee in 2016-17.

Figure 26: Student Enrollment Per Nonadministrative Certificated Employee		
Rank	District	2016-17
1	Palo Alto USD	14.13
2	Mountain View-Los Altos Union HSD	17.83
3	San Jose USD	18.07
4	Los Gatos-Saratoga Joint Union HSD	18.73
5	Santa Clara USD	18.84
-	<b>All Unified School Districts</b>	<b>19.26</b>
6	East Side Union HSD	19.73
-	<b>Comparative Group Average</b>	<b>19.80</b>
<b>7</b>	<b><i>Campbell Union HSD</i></b>	<b><i>20.50</i></b>
8	Gilroy USD	20.55
9	Morgan Hill USD	20.64
-	<b>All High School Districts</b>	<b>20.77</b>
10	Fremont Union HSD	21.20
11	Milpitas USD	21.26

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Figure 27 illustrates that the District ranks in the middle of the comparative group for the number of students per certificated employee in 2016-17.

Figure 27: Student Enrollment Per All Certificated Employees		
Rank	District	2016-17
1	Palo Alto USD	13.27
2	Mountain View-Los Altos Union HSD	16.50
3	San Jose USD	16.84
4	Los Gatos-Saratoga Joint Union HSD	17.38
5	Santa Clara USD	17.59
-	<b>All Unified School Districts</b>	<b>17.89</b>
-	<b>Comparative Group Average</b>	<b>18.62</b>
<b>6</b>	<b><i>Campbell Union HSD</i></b>	<b>18.67</b>
7	East Side Union HSD	18.81
8	Gilroy USD	19.30
9	Morgan Hill USD	19.33
10	Milpitas USD	19.37
-	<b>All High School Districts</b>	<b>19.38</b>
11	Fremont Union HSD	19.56

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Figure 28 illustrates that the District ranks the lowest of the comparative group for the number of students per classified employee for 2016-17.

Figure 28: Student Enrollment Per All Classified Employees		
Rank	District	2016-17
1	Palo Alto USD	20.80
-	<b>All Unified School Districts</b>	<b>25.45</b>
-	<b>All High School Districts</b>	<b>28.72</b>
2	Santa Clara USD	30.54
3	San Jose USD	30.61
4	Mountain View-Los Altos Union HSD	31.47
5	Morgan Hill USD	31.48
6	Gilroy USD	33.14
7	Los Gatos-Saratoga Joint Union HSD	33.86
8	Fremont Union HSD	34.22
9	Milpitas USD	34.29
-	<b>Comparative Group Average</b>	<b>35.26</b>
10	East Side Union HSD	36.74
<b>11</b>	<b>Campbell Union HSD</b>	<b>71.32</b>

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS



Figure 29 illustrates that the District ranks highest of the comparative districts for the number of students per school-level administrator for 2016-17. In the analysis of the data, the District recognizes that some of the positions accounted for in this table should not appear as Administrators (i.e., counselors, athletic and activities advisors) and will correct the data submissions in future years.

Figure 29: Student Enrollment Per School-Level Administrator		
Rank	District	2016-17
1	<b>Campbell Union HSD</b>	<b>248.73</b>
2	Palo Alto USD	324.2
3	San Jose USD	332.81
4	Milpitas USD	354.53
-	Los Gatos-Saratoga Joint Union HSD	374.22
5	<b>All Unified School Districts</b>	<b>387.98</b>
6	Morgan Hill USD	390.18
7	Santa Clara USD	396.12
-	Fremont Union HSD	411.7
8	<b>All High School Districts</b>	<b>474.29</b>
9	Mountain View-Los Altos Union HSD	476.86
-	Gilroy USD	478.46
<b>10</b>	<b>Comparative Group Average</b>	<b>511.64</b>
11	East Side Union HSD	620.63

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Figure 30 illustrates that the District ranks the second to the lowest of the comparative group for the number of students per district-level administrator for 2016-17.

Figure 30: Student Enrollment Per District-Level Administrator		
Rank	District	2016-17
1	Mountain View-Los Altos Union HSD	414.24
2	Milpitas USD	570
3	Fremont Union HSD	658.73
4	Palo Alto USD	662.37
5	Los Gatos-Saratoga Joint Union HSD	673.6
6	<b>All Unified School Districts</b>	<b>712.64</b>
-	<b>All High School Districts</b>	<b>743.36</b>
-	Santa Clara USD	790.21
7	<b>Comparative Group Average</b>	<b>803.59</b>
-	Gilroy USD	956.92
8	San Jose USD	972.44
9	East Side Union HSD	1,131.90
10	<b>Campbell Union HSD</b>	<b>1301.67</b>
11	Morgan Hill USD	1,417.67

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

## Teacher Compensation Comparisons

The following comparative tables reflect the salary schedules and health and welfare benefits offered by each district in the comparative group for the 2016-17 fiscal year.

In Figure 31, the District's salary offered at BA+30, Step 1, ranks 8<sup>th</sup> out of the 11 districts in the comparative group.

Figure 31: Salary Paid for BA+30, Step 1		
District	Rank	Salary at BA+30, Step 1
Mountain View-Los Altos Union	1	\$79,162
Santa Clara USD	2	\$66,873
Palo Alto USD	3	\$63,197
Los Gatos-Saratoga Joint Union High	4	\$62,976
Fremont Union HSD	5	\$62,514
<b>Comparative Group Average</b>	-	<b>\$59,087</b>
Milpitas USD	6	\$57,644
<b>Region 05 High Average*</b>	-	<b>\$57,307</b>
East Side Union HSD	7	\$56,136
<b>Campbell Union HSD</b>	<b>8</b>	<b>\$55,444</b>
San Jose USD	9	\$54,958
<b>Statewide High Average</b>	-	<b>\$53,715</b>
Morgan Hill USD	10	\$53,387
Gilroy USD	11	\$50,743

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

\*Region 5—Monterey, San Benito, Santa Clara, and Santa Cruz counties

In Figure 32, the District’s salary offered at BA+60, Step 10, ranks 8<sup>th</sup> out of the 11 districts in the comparative group.

Figure 32: Salary Paid for BA+60, Step 10		
District	Rank	Salary at BA+60, Step 10
Mountain View-Los Altos Union	1	\$125,967
Santa Clara USD	2	\$101,093
Palo Alto USD	3	\$100,603
Los Gatos-Saratoga Joint Union High	4	\$99,750
Fremont Union HSD	5	\$97,405
East Side Union HSD	6	\$90,881
<b>Comparative Group Average</b>	-	\$90,516
<b>Region 05 High Average*</b>	-	<b>\$90,241</b>
Milpitas USD	7	\$89,447
<b><i>Campbell Union HSD</i></b>	<b>8</b>	<b>\$82,708</b>
<b>Statewide High Average</b>	-	<b>\$82,419</b>
San Jose USD	9	\$79,132
Morgan Hill USD	10	\$79,027
Gilroy USD	11	\$74,751

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

\*Region 5—Monterey, San Benito, Santa Clara, and Santa Cruz counties

In Figure 33, the District’s maximum salary offered ranks 8<sup>th</sup> out of the 11 districts in the comparative group.

Figure 33: Maximum Scheduled Salary		
District	Rank	Maximum Scheduled Salary
Mountain View-Los Altos Union	1	\$149,586
Los Gatos-Saratoga Joint Union High	2	\$129,157
Palo Alto USD	3	\$127,517
Santa Clara USD	4	\$119,850
Fremont Union HSD	5	\$116,495
<b>Region 05 High Average*</b>	-	<b>\$113,671</b>
East Side Union HSD	6	\$112,154
<b>Comparative Group Average</b>	-	<b>\$111,263</b>
Milpitas USD	7	\$108,905
<b>Statewide High Average</b>	-	<b>\$106,111</b>
<b><i>Campbell Union HSD</i></b>	<b>8</b>	<b><i>\$104,438</i></b>
Morgan Hill USD	9	\$99,994
San Jose USD	10	\$97,032
Gilroy USD	11	\$94,963

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

\*Region 5—Monterey, San Benito, Santa Clara, and Santa Cruz counties

The computed average salary is based upon how many full-time equivalent (FTE) teachers there are at each cell in the salary schedule. In Figure 34, the District’s computed average salary ranks 8<sup>th</sup> out of the 11 districts in the comparative group.

Figure 34: Computed Average Salary		
District	Rank	Computed Average Salary
Mountain View-Los Altos Union	1	\$129,964
Los Gatos-Saratoga Joint Union High	2	\$107,788
Palo Alto USD	3	\$106,088
Santa Clara USD	4	\$100,971
Fremont Union HSD	5	\$96,552
<b>Comparative Group Average</b>	-	\$89,928
<b>Region 05 High Average*</b>	-	<b>\$89,727</b>
East Side Union HSD	6	\$89,332
<b>Statewide High Average</b>	-	<b>\$85,519</b>
Milpitas USD	7	\$84,981
<b>Campbell Union HSD</b>	<b>8</b>	<b>\$82,088</b>
Gilroy USD	9	\$76,379
Morgan Hill USD	10	\$75,780
San Jose USD	11	\$75,422

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

\*Region 5—Monterey, San Benito, Santa Clara, and Santa Cruz counties

In Figure 35, the District’s average and maximum contributions for health and welfare benefits rank higher than all but one of the comparative districts.

Figure 35: Average and Maximum District Contributions for Health and Welfare Benefits for Active Employees			
District	Rank	Average Active Employee District Contribution Per FTE	Maximum District Contribution for Active Employees Per FTE
Mountain View-Los Altos Union	1	\$24,334	\$27,709
<b>Campbell Union HSD</b>	<b>2</b>	<b>\$21,190</b>	<b>\$33,422</b>
Los Gatos-Saratoga Joint Union High	3	\$20,761	\$26,233
East Side Union HSD	4	\$20,114	\$34,376
<b>Region 05 High Average*</b>	-	<b>\$18,514</b>	<b>\$29,117</b>
Fremont Union HSD	5	\$18,016	\$33,004
San Jose USD	6	\$16,474	\$31,271
<b>Comparative Group Average</b>	-	\$16,104	\$26,617
<b>Statewide High Average</b>	-	<b>\$15,249</b>	<b>\$21,110</b>
Palo Alto USD	7	\$14,522	\$22,061
Gilroy USD	8	\$14,306	\$20,289
Santa Clara USD	9	\$13,764	\$13,764
Milpitas USD	10	\$10,907	\$13,024
Morgan Hill USD	11	\$10,423	\$11,714

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

\*Region 5—Monterey, San Benito, Santa Clara, and Santa Cruz counties

The following comparative tables reflect total compensation at different points of the salary schedule by adding the average district contribution to health and welfare benefits to the salary. In Figure 36, the District's total compensation at the salary offered at BA+30, Step 1, ranks in the middle of the comparative group.

Figure 36: Total Compensation: Salary Paid for BA+30, Step 1 Plus Average District Contribution for Health and Welfare Benefits				
District	Rank	Total Compensation	Salary at BA+30, Step 1	Average Benefits Contribution
Mountain View-Los Altos Union	1	\$103,496	\$79,162	\$24,334
Los Gatos-Saratoga Joint Union High	2	\$83,737	\$62,976	\$20,761
Santa Clara USD	3	\$80,637	\$66,873	\$13,764
Fremont Union HSD	4	\$80,530	\$62,514	\$18,016
Palo Alto USD	5	\$77,719	\$63,197	\$14,522
<b>Campbell Union HSD</b>	<b>6</b>	<b>\$76,634</b>	<b>\$55,444</b>	<b>\$21,190</b>
East Side Union HSD	7	\$76,250	\$56,136	\$20,114
<b>Region 05 High Average*</b>	-	<b>\$75,821</b>	<b>\$57,307</b>	<b>\$18,514</b>
<b>Comparative Group Average</b>	-	<b>\$75,191</b>	<b>\$59,087</b>	<b>\$16,104</b>
San Jose USD	8	\$71,432	\$54,958	\$16,474
<b>Statewide High Average</b>	-	<b>\$68,964</b>	<b>\$53,715</b>	<b>\$15,249</b>
Milpitas USD	9	\$68,551	\$57,644	\$10,907
Gilroy USD	10	\$65,049	\$50,743	\$14,306
Morgan Hill USD	11	\$63,810	\$53,387	\$10,423

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

\*Region 5—Monterey, San Benito, Santa Clara, and Santa Cruz counties



In Figure 37, the District’s total compensation at the salary offered at BA+60, Step 10, ranks in the middle of the comparative group.

Figure 37: Total Compensation: Salary Paid for BA+60, Step 10 Plus Average District Contribution for Health and Welfare Benefits				
District	Rank	Total Compensation	Salary at BA+60, Step 10	Average Benefits Contribution
Mountain View-Los Altos Union	1	\$150,301	\$125,967	\$24,334
Los Gatos-Saratoga Joint Union High	2	\$120,511	\$99,750	\$20,761
Fremont Union HSD	3	\$115,421	\$97,405	\$18,016
Palo Alto USD	4	\$115,125	\$100,603	\$14,522
Santa Clara USD	5	\$114,857	\$101,093	\$13,764
East Side Union HSD	6	\$110,995	\$90,881	\$20,114
<b>Region 05 High Average*</b>	-	<b>\$108,755</b>	<b>\$90,241</b>	<b>\$18,514</b>
<b>Comparative Group Average</b>	-	\$106,620	\$90,516	\$16,104
<b><i>Campbell Union HSD</i></b>	<b>7</b>	<b><i>\$103,898</i></b>	<b><i>\$82,708</i></b>	<b><i>\$21,190</i></b>
Milpitas USD	8	\$100,354	\$89,447	\$10,907
<b>Statewide High Average</b>	-	<b>\$97,668</b>	<b>\$82,419</b>	<b>\$15,249</b>
San Jose USD	9	\$95,606	\$79,132	\$16,474
Morgan Hill USD	10	\$89,450	\$79,027	\$10,423
Gilroy USD	11	\$89,057	\$74,751	\$14,306

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

\*Region 5—Monterey, San Benito, Santa Clara, and Santa Cruz counties

In Figure 38, the District’s total compensation at the maximum salary offered ranks in the middle of the comparative group.

Figure 38: Total Compensation: Maximum Scheduled Salary Plus Average District Contribution for Health and Welfare Benefits				
District	Rank	Total Compensation	Maximum Scheduled Salary	Average Benefits Contribution
Mountain View-Los Altos Union	1	\$173,920	\$149,586	\$24,334
Los Gatos-Saratoga Joint Union High	2	\$149,918	\$129,157	\$20,761
Palo Alto USD	3	\$142,039	\$127,517	\$14,522
Fremont Union HSD	4	\$134,511	\$116,495	\$18,016
Santa Clara USD	5	\$133,614	\$119,850	\$13,764
East Side Union HSD	6	\$132,268	\$112,154	\$20,114
<b>Region 05 High Average*</b>	-	<b>\$132,185</b>	<b>\$113,671</b>	<b>\$18,514</b>
<b>Comparative Group Average</b>	-	<b>\$127,367</b>	<b>\$111,263</b>	<b>\$16,104</b>
<b><i>Campbell Union HSD</i></b>	<b>7</b>	<b><i>\$125,628</i></b>	<b><i>\$104,438</i></b>	<b><i>\$21,190</i></b>
<b>Statewide High Average</b>	-	<b>\$121,360</b>	<b>\$106,111</b>	<b>\$15,249</b>
Milpitas USD	8	\$119,812	\$108,905	\$10,907
San Jose USD	9	\$113,506	\$97,032	\$16,474
Morgan Hill USD	10	\$110,417	\$99,994	\$10,423
Gilroy USD	11	\$109,269	\$94,963	\$14,306

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

\*Region 5—Monterey, San Benito, Santa Clara, and Santa Cruz counties

In Figure 39, the District’s total compensation at the computed average salary ranks in the middle of the comparative group.

Figure 39: Total Compensation: Computed Average Salary Plus Average District Contribution for Health and Welfare Benefits				
District	Rank	Total Compensation	Computed Average Salary	Average Benefits Contribution
Mountain View-Los Altos Union	1	\$154,298	\$129,964	\$24,334
Los Gatos-Saratoga Joint Union High	2	\$128,549	\$107,788	\$20,761
Palo Alto USD	3	\$120,610	\$106,088	\$14,522
Santa Clara USD	4	\$114,735	\$100,971	\$13,764
Fremont Union HSD	5	\$114,568	\$96,552	\$18,016
East Side Union HSD	6	\$109,446	\$89,332	\$20,114
<b>Region 05 High Average*</b>	-	<b>\$108,241</b>	<b>\$89,727</b>	<b>\$18,514</b>
<b>Comparative Group Average</b>	-	\$106,032	\$89,928	\$16,104
<b>Campbell Union HSD</b>	<b>7</b>	<b>\$103,278</b>	<b>\$82,088</b>	<b>\$21,190</b>
<b>Statewide High Average</b>	-	<b>\$100,768</b>	<b>\$85,519</b>	<b>\$15,249</b>
Milpitas USD	8	\$95,888	\$84,981	\$10,907
San Jose USD	9	\$91,896	\$75,422	\$16,474
Gilroy USD	10	\$90,685	\$76,379	\$14,306
Morgan Hill USD	11	\$86,203	\$75,780	\$10,423

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

\*Region 5—Monterey, San Benito, Santa Clara, and Santa Cruz counties

**Conclusion**

The comparative data above indicates that the District has maintained competitive total compensation for its teachers even with the higher expense commitment in additional staffing for lower class sizes.

We believe that overall the District makes reasonable budget projections for both revenues and expenditures. The District should exercise caution at the bargaining table in order to ensure that it maintains a prudent level of reserves in the current environment. The District should continue to be cautious with future revenue projections due to the pending expiration of a Parcel Tax. Reserves used to maintain programs in the event the tax is not reauthorized will be quickly exhausted leaving the District in a more vulnerable position and requiring reductions to programs. The Parcel Tax, if passed, will allow the district to maintain programs without future reductions, but should not be considered a future windfall.

Thank you for allowing us to provide you with this Budget Review. We welcome any questions you may have about this report. If we can be of further service to the District, please do not hesitate to contact us.

Sincerely,



SHEILA G. VICKERS  
Vice President