




**TAMALPAIS UNION HIGH
SCHOOL DISTRICT**

2022-23 2nd Interim Budget

March 14, 2023

Why do a 2nd Interim budget report?

- 
- The 2nd Interim reports:
 - Actual financial activity from July 1st through January 31st
 - Projects financial activity through June 30th
 - Comparison: 1st Interim Budget (December 2022) vs. 2nd Interim Budget (March 2023)
 - Provides an opportunity to:
 - Revise the budget based on any significant changes since the budget adoption in June
 - Recalculate Multi Year Projections
 - Discuss any needed changes or actions
 - Board must approve certification of financial condition
 - Positive – “will be able”
 - Qualified – “may not be able”
 - Negative – “unable”

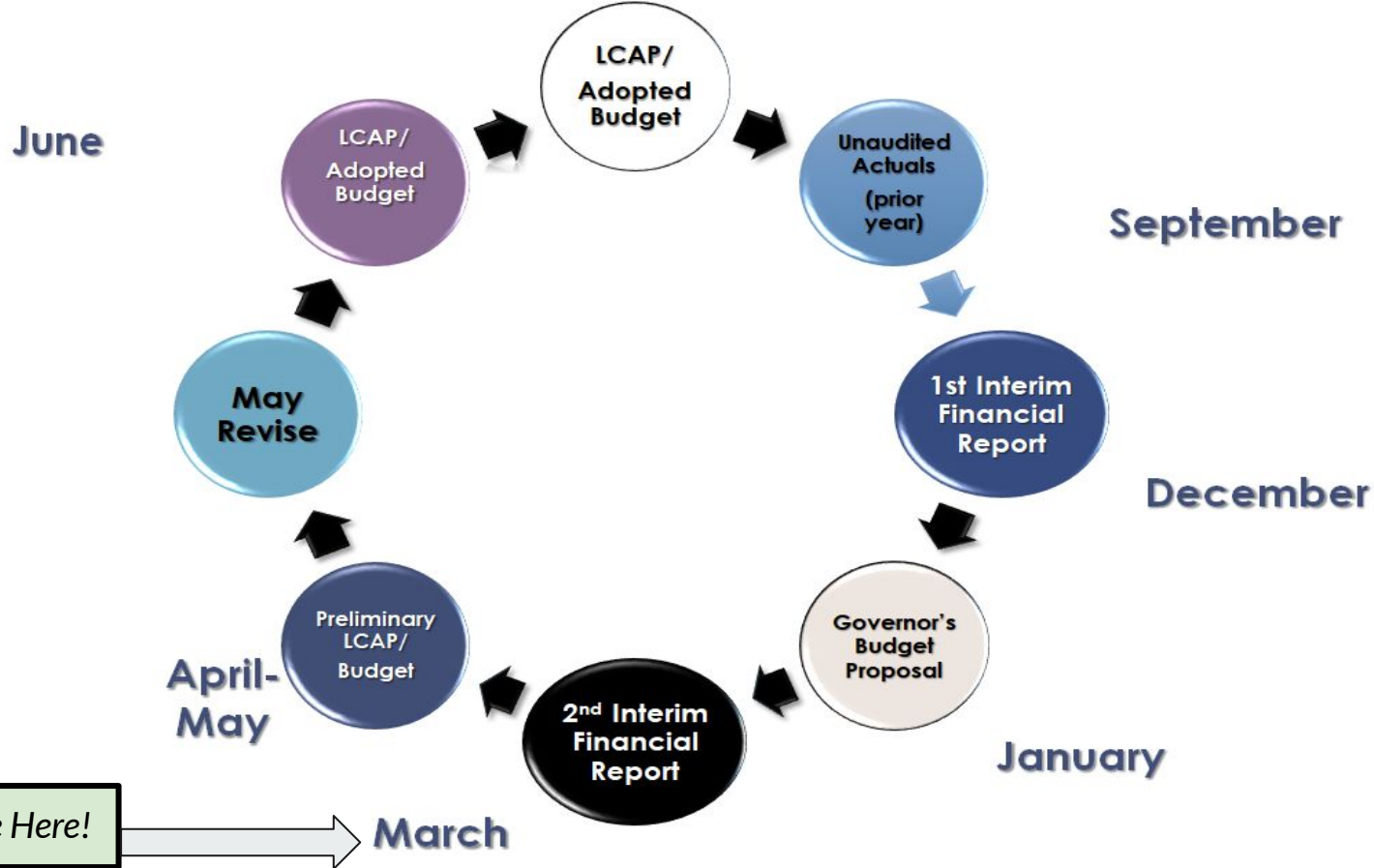
Agenda

- Budget Reporting Cycle
- Start with the End: *Where are we now compared to December?*
- 2022-23 Budget: Revenue & Expenditures - *What has changed since December?*
- Multi-Year Projection - *Where are we projecting to be in the future?*
- Other Funds
- Prudence and Next Steps
- Questions & Comments



Budget Reporting Cycle

Budget Reporting Cycle for California Schools



Start with the End

Where were we in December and now in March?

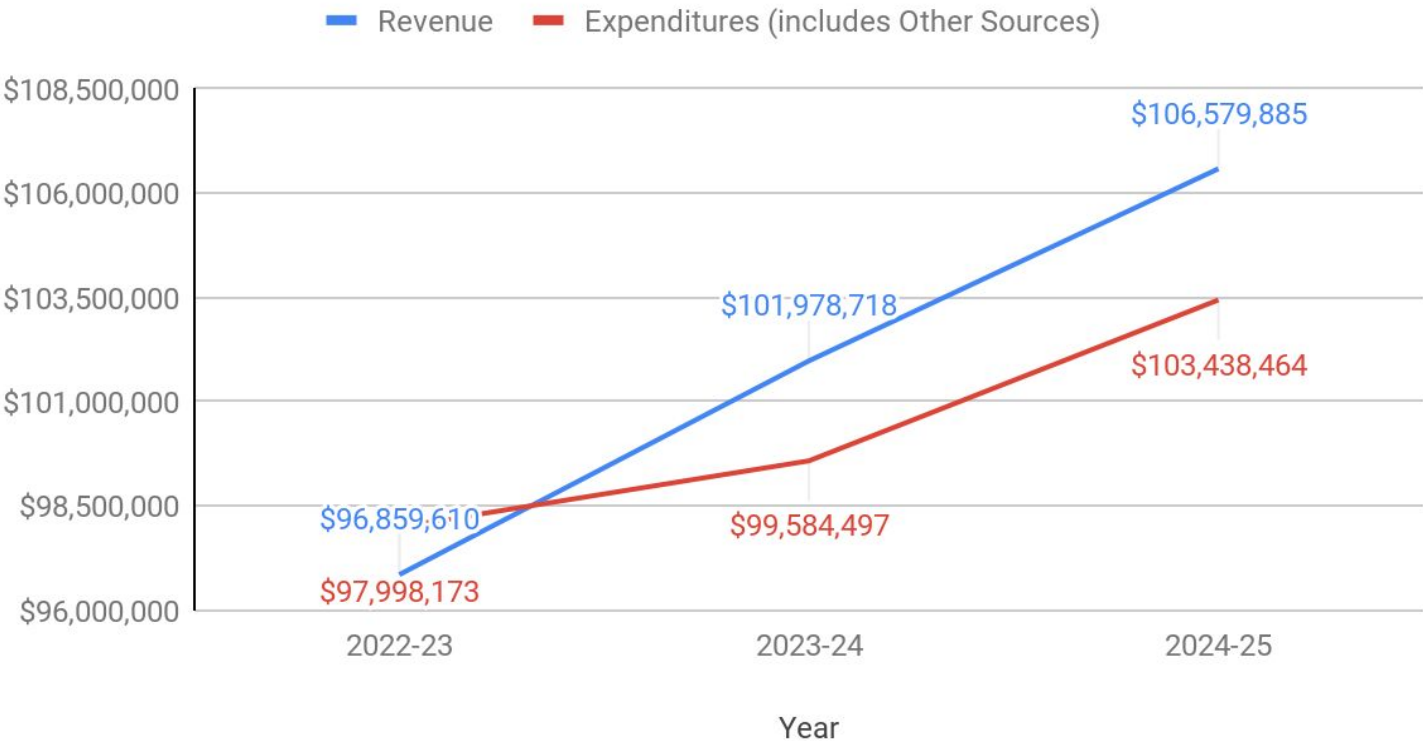
Summary of Multi-Year Projections (Unrestricted)

	2022-23	2023-24*	2024-25*
Operating Surplus (Deficit) (December 2022)	\$(1.2M)	\$2.6M*	\$3.5M*
Ending Fund Balance/Reserve (December 2022)	\$22.1M (19.2%)	\$24.7M (22.3%)	\$28.2M (24.7%)
Operating Surplus (Deficit) (March 2023)	\$(1.1M)	\$2.4M*	\$3.1M*
Ending Fund Balance/Reserve (March 2023)	\$22.2M (19.1%)	\$24.6M (22.2%)	\$27.8M (24.5%)

Key Assumptions: * Figures do not include any potential increase in staff compensation (cost of 1% raise = \$623k)

Summary of Multi-Year Projections

TUHSD Revenue and Expenditures (Unrestricted)



Revenues

Basic Aid

vs.

State-Funded (LCFF)

- Also known as Community-funded
- District is entitled to a calculated revenue entitlement
- Comprised of both local property taxes revenue and state aid
- If property taxes exceed the calculated revenue entitlement, then the district keeps the overflow revenue and receives only basic (minimal) state aid
- Does not receive significant additional revenue for each new student in enrollment growth
- TUHSD is about \$22M over the LCFF entitlement

- Formerly referred to as 'Revenue Limit'
- District is entitled to a calculated revenue entitlement
- Comprised of both local property taxes and state aid
- When property taxes do not meet the calculated revenue entitlement, then the State makes up the shortfall with additional funding up to the calculated revenue entitlement

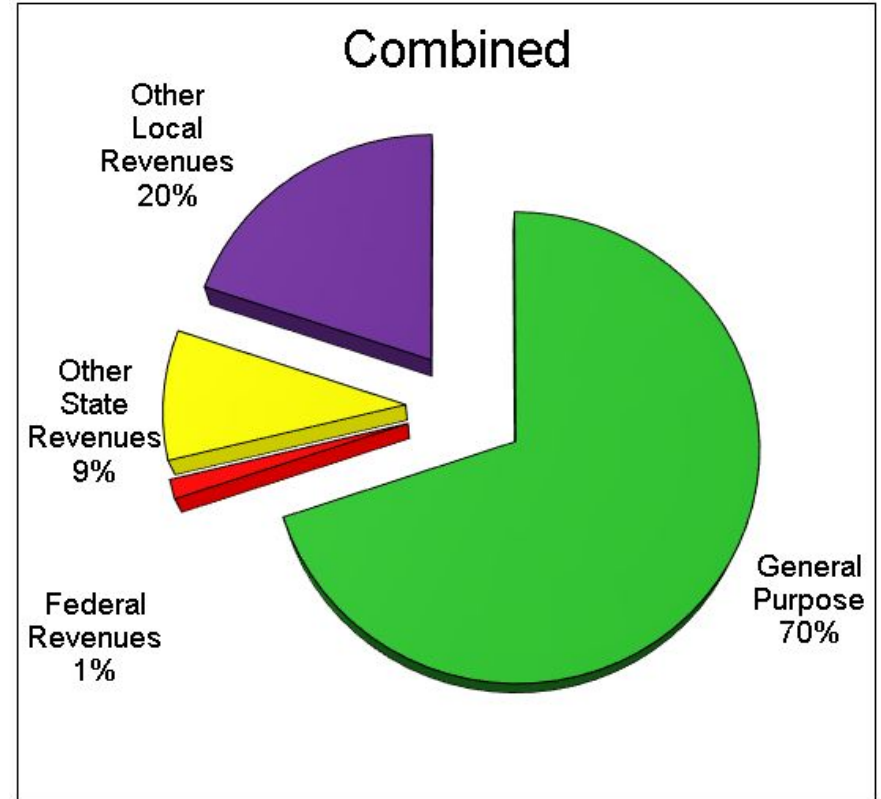


Sources of 2022-23 General Revenue (combined)



- General Purpose \$ 78,124,921
 - Property taxes, EPA, Minimum State Aid
- State Funding \$ 10,046,361
 - COVID relief, Lottery, SpEd, ROP, etc.
- Federal Funding \$ 1,506,187
 - COVID relief, Title funding, IDEA, etc.
- Local Revenue \$ 22,188,529
 - Parcel tax, Foundations, facilities fees, interest

TOTAL: \$ 111,865,998



Key Budget Assumptions - Unrestricted Revenues

Property Tax Revenue growth rates:

Note: 1% of property tax revenue = \$768k

Year	2022-23	2023-24	2024-25 <i>see note 2</i>
Growth Rate Projection (%)	6.15%	6.15%	5.15%

Notes:

1. Marin County Schools Property Tax Forum in early May 2022 for 2022-23 Budget Adoption
2. Significant decrease in growth rate expected to be reflected in Budget Adoption in June 2022 due to slowdown in local real estate market conditions (both sales & market value) in the Fall 2022 attributed primarily to significant interest rate increases by the Federal Reserve

Parcel Tax Revenue:

- Passage of Measure M ('straight renewal') for 9 years through June 2029
- Increase of 3% with annual inflation adjustment
 - Actual amount depends on volume of new Senior Exemptions
- 2022-23 Parcel Tax revenue projected to be \$17.0M

TUHSD Historical Secured Property Tax Revenue Growth



Source: County of Marin Dept of Finance

* See Note 2 on previous slide

Key Budget Assumptions - Other Revenues



State revenue: (as mentioned at 45-day budget revision report in August 2022)

- One-time funding of \$1.2M in Learning Recovery Emergency Block Grant
- One-time funding in Arts, Music, & Instructional Materials Discretionary Block Grant
 - Amount now estimated to be \$2.1M (Gov's 2023-24 budget proposal reduced grant by ⅓)
- Universal Meals for all students helps our TUHSD Nutrition program run at less of a deficit
 - Note: TUHSD volume of meals participation had dropped from Fall peaking leading to about \$250k in less revenue
- All COVID relief funding was one-time funding and has been exhausted

Federal revenue: No significant changes

Other Local revenue: Facilities rental revenue is projected to increase by \$43k

Expenditures

Primary Components:

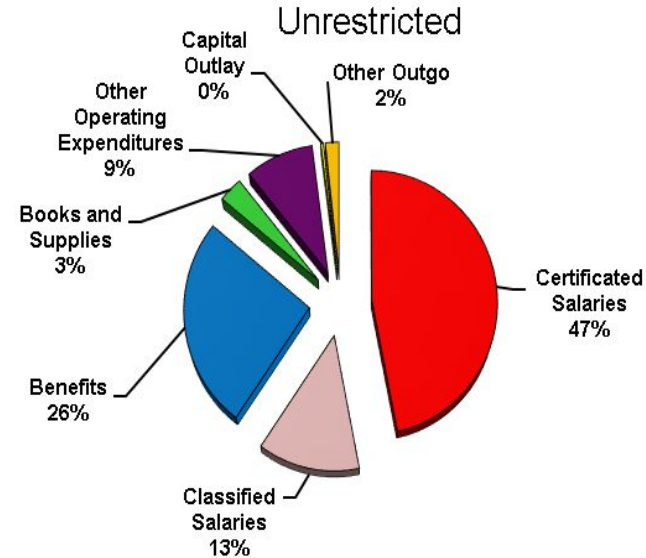
Enrollment

STRS & PERS pension rate increases

Special Education

General Fund Expenditures

Description	Unrestricted	Combined
Certificated Salaries	\$35,535,921	\$42,969,205
Classified Salaries	\$9,749,233	\$14,203,129
Benefits (Payroll Taxes and Health & Welfare Contributions)	\$19,791,841	\$30,189,112
Books and Supplies	\$2,384,793	\$7,939,914
Other Operating Expenditures	\$6,806,271	\$17,056,630
Capital Outlay	\$253,401	\$518,685
Other Outgo	\$1,341,457	\$2,553,408
TOTAL	\$75,862,917	\$115,430,083



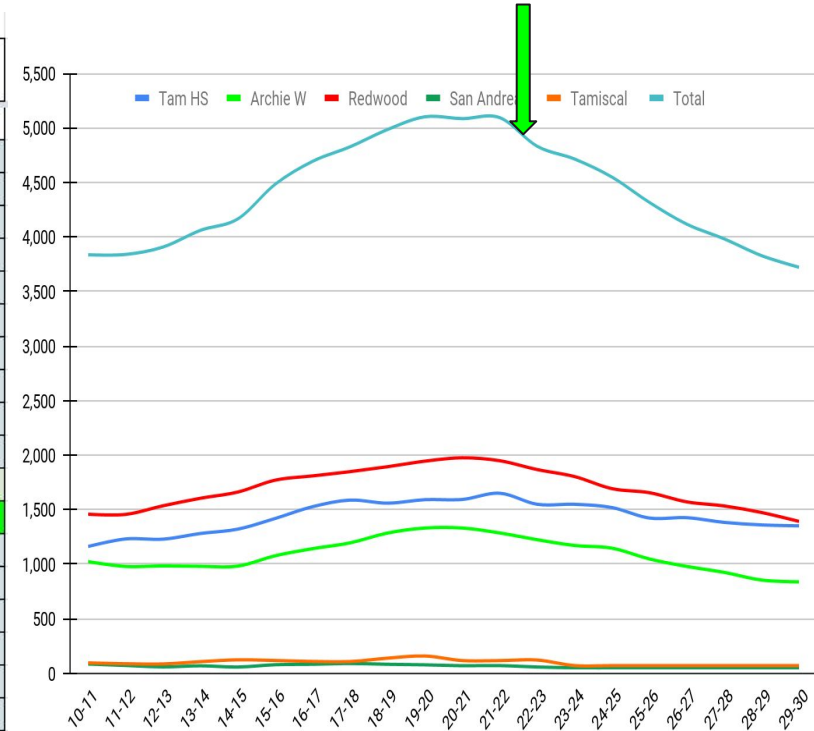
Salaries and benefits comprise approximately 86% of the District's unrestricted expenditures, and approximately 76% of the combined General Fund expenditures.

TUHSD Enrollment Projections (by site)

Updated: Jan 2023

Cohort Survival Method

School Year	Tam HS	Archie W	Redwood	San Andreas	Tamiscal	NPS	Total	Change in students	Percent Change
10-11	1,162	1,023	1,458	84	95	14	3,836		
11-12	1,231	979	1,456	71	87	15	3,839	3	0.1%
12-13	1,229	984	1,535	58	85	16	3,907	68	1.7%
13-14	1,281	980	1,604	68	106	21	4,060	153	3.8%
14-15	1,321	982	1,661	57	123	21	4,165	105	2.5%
15-16	1,419	1,077	1,770	78	117	22	4,483	318	7.6%
16-17	1,527	1,142	1,809	82	108	25	4,693	210	4.7%
17-18	1,587	1,195	1,848	89	107	21	4,826	133	3.2%
18-19	1,559	1,285	1,893	82	138	27	4,984	158	3.3%
19-20	1,591	1,331	1,944	77	158	26	5,101	117	2.3%
20-21	1,593	1,331	1,975	69	116	29	5,084	-17	-0.3%
21-22	1,650	1,286	1,948	70	116	23	5,093	9	0.2%
22-23	1,549	1,224	1,867	57	121	21	4,831	-262	-5.1%
23-24	1,549	1,171	1,803	50	70	21	4,714	-117	-2.4%
24-25	1,519	1,146	1,692	50	70	21	4,548	-166	-3.5%
25-26	1,423	1,048	1,655	50	70	21	4,316	-232	-5.1%
26-27	1,426	979	1,571	50	70	21	4,117	-200	-4.6%
27-28	1,383	925	1,534	50	70	21	3,982	-135	-3.3%
28-29	1,360	854	1,473	50	70	21	3,828	-154	-3.9%
29-30	1,351	838	1,392	50	70	21	3,722	-106	-2.8%



Key Budget Assumptions - Expenditures

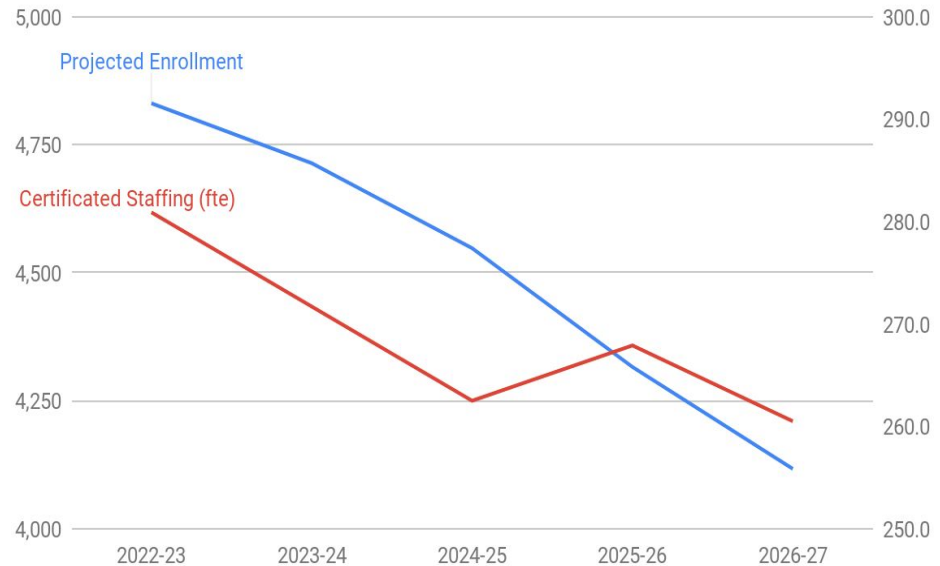
Enrollment & Certificated Staffing projections:

School Year	Projected Enrollment	Difference from Prior Year	Certificated Staffing (fte)	Difference from Prior Year
2022-23	4,831	-	280.9	
2023-24	4,714	-117	271.7	-9.2
2024-25	4,548	-166	262.5	-9.2
2025-26	4,316	-232	267.9 *	+ 5.4 *
2026-27	4,117	-199	260.5	-7.4

Notes:

* Expiration of extended 'Class Size increase' MOU (assumes return to lower class size ratios)

TUHSD Projected Enrollment & Certificated Staffing



Key Budget Assumptions - Expenditures (cont'd)



- TFT- & CSEA-represented employee groups have settled on compensation through 2022-23, but not in 2023-24 & beyond
 - Future cost of a 1% raise in 2023-24 estimated to be approximately \$623k
- Step & Column increases are 1.77% for Certificated and 2.76% for Classified from 2021-22
 - Note: Classified employee job reclassification cost increases of \$219k BOT approved on 2/28 is not reflected in 2nd interim as it occurred after 1/31
- Health & Welfare employee benefit increases up 7.9% in 2022-23 and assumed 5% annually thereafter
- Insurance rates changes: property: +20%, liability: +9%, cyber: +9%, workers' compensation: -6%
- Utilities expenses projected to increase 4% annually (i.e. MMWD, PG&E, etc)
- Continued historic trend of Special Education costs average annual increase of \$1.1M (*later slide*)

2022-23 Reinvestment in 'Teaching & Learning' and Sustainability

- Return of site Learning Leadership Team (LLT - formerly Teacher Leader) model
 - MTSS Intervention Coordinators (temp), Instructional Coach release periods (temp), increased AVID stipends, professional development
- Additional Wellness Interns at comprehensive site and Wellness Coordinator at alternative sites
- Addition of three Deans of Student Success (temp) at comprehensive high schools
- HR department reorganization (i.e. Director of HR, Confidential Administrative Assistant)
- Return of a Groundsperson & additional Nutrition worker*
 - * In July, re-evaluate additional Nutrition worker given drop in volume of Universal Meals participation leading to loss of State reimbursement revenue of about \$250k (annualized)
- Investment in Athletics (i.e. athletic directors, clerks, coaches stipends, more assistant coaches, site budgets)
- 4th Campus Supervisor at Tam High (temp for 2022-23 only using Foundation/grant funds)
- Return of Assistant Superintendent of Educational Services (in 2023-24)

Total additional services in 2022-23: \$2.8M ongoing

STRS & PERS Pension Employer Rates & Costs

- In 2013, pension rates were re-calculated based on the Public Employee Pension Reform Act that restructured retirement age and benefits
- Compared to 2013-14, increased pension employer rates & annual costs have more than doubled (i.e. about \$6M to \$13M per year)
- PERS employer rates have now increased for 2023-24 and beyond (see table below)

CalPERS Rate Comparison

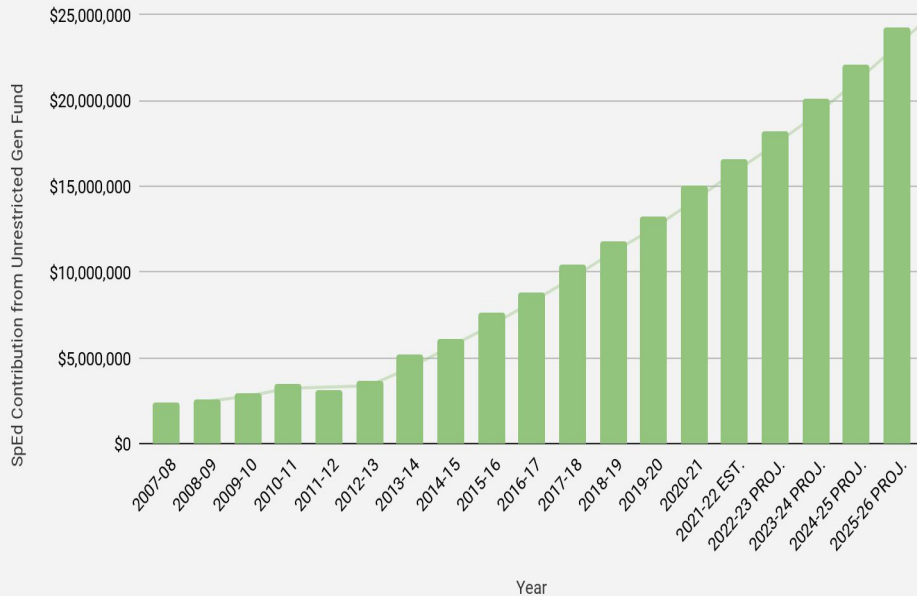
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Employer Rates	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%	25.37%	27.00%	28.10%	28.10%	28.10%
Change		2.04%	1.64%	2.53%	1.66%	0.98%	2.21%	2.46%	1.63%	1.10%	0.00%	0.00%

CalSTRS Rate Comparison

Employer Rates	10.73%	12.58%	14.43%	16.28%	17.10%	16.15%	16.92%	19.10%	19.10%	19.10%	19.10%	19.10%
Change		1.85%	1.85%	1.85%	0.82%	-0.95%	0.77%	2.18%	0%	0%	0%	0%

Special Education Costs

Historic Contribution to Special Education from Unrestricted General Fund



- In 2012, CA law changed increasing district responsibility for funding special education (NPS, mental health)
- TUHSD SpEd contributions have increased from \$2.4M to \$18.3M in 14 years
 - Avg. of \$1.3M increase annually
- TUHSD currently has five Counseling Enriched Classrooms (CEC) and opened 5th at San Andreas in the Fall
 - Estimated savings is \$560k annually per CEC
 - Total savings of about \$2.8M annually

Comparison:

1st Interim (December 2022)

VS.


2nd Interim (March 2023)

Reconciliation of 1st Interim vs. 2nd Interim Budgets



<i>Description</i>	<i>Amount</i>
2022-23 First Interim Projected Deficit	\$ (1,235,238)
Add: Variance Components (See Next Slide)	\$ 96,675
2022-23 Second Interim Projected Deficit	\$ (1,138,563)

Reconciliation of Variance Components



<i>Description of Variance Components</i>	<i>Amount</i>
Increase in local revenue due to increase facilities rentals	\$44k
Increase in miscellaneous staffing adjustment expenditures adjustment including catastrophic leaves, and extra Fall counselor hours	\$(156k)
Reduction in information technology services	\$14k
Decreased contribution to Restricted Fund primarily due to net of decreases in Special Education excess costs (\$126k), and reduced MPTA SpEd transportation expenditures (\$93k)	\$228k
Other net adjustments	\$(33k)
Total Variance	\$97k

Reconciliation of 1st Interim vs. 2nd Interim Budgets


<i>Description</i>	<i>Amount</i>	<i>Ending Fund Balance (Reserve)</i>
2022-23 1st Interim Projected Deficit	\$ (1,235,238)	\$22,126,077 (19.2%)
Add: Variance Components (See Previous Slide)	\$ 96,675	\$ 96,675
2022-23 2nd Interim Projected Deficit	\$ (1,138,563)	\$22,222,752 (19.1%)

Reminder: TUHSD Board Policy (BP 3100) establishes a targeted minimum reserve level at 17% of annual expenditures.

Other Funds

Summary of All Funds

In addition to the general fund, other funds collect and track specific funds for restricted purposes.



FUND	2021-22	Est. Net Change	2022-23
GENERAL (COMBINED)	\$30,881,670	(\$3,745,085)	\$27,136,585
ASSOCIATED STUDENT BODY FUND	\$847,514	\$0	\$847,514
ADULT EDUCATION	\$885,319	(\$61,831)	\$823,488
CAFETERIA FUND	\$679,900	(\$473,795)	\$206,105
DEFERRED MAINTENANCE FUND	\$2,907,142	(\$583,000)	\$2,324,142
FOUNDATION SPECIAL RESERVE FUND	\$53,815	\$300	\$54,115
CAPITAL FACILITIES FUND	\$626,502	(\$100,993)	\$525,509
CAPITAL OUTLAY FUND	\$12,112,354	(\$5,887,391)	\$6,224,963
BOND INTEREST & REDEMPTION	\$11,920,658	(\$171,290)	\$11,749,368
TOTAL	\$60,914,874	(\$11,023,085)	\$49,891,789

Reserves & Assignments

Reserves & Assignments



2022-23 Estimated Ending Fund Balance (Unrestricted) - \$22,222,752 (19.1% reserve level)

Non-Spendable - \$12,000
grants)

Restricted - \$4,913,832 (i.e. one-time State

Assigned - \$18,559,900

- Textbook Adoption Purchases (Next Gen Science Standards) - \$500,000
- Property Tax Uncertainty (1% of prop tax revenues) - \$750,000
- Special Education Uncertainty - \$1,000,000
- Additional 17% Reserve (less REU), per Board Policy - \$16,309,900

Unassigned - 3% minimum reserve for economic uncertainty (REU) - \$3,495,000

Unassigned (Other) - \$155,852

Reminder: TUHSD Board Policy (BP 3100) establishes a targeted minimum reserve level at 17% of annual expenditures.

Back to the End

Where were we in in December and now in March?

Summary of Multi-Year Projections (Unrestricted)

	2022-23	2023-24*	2024-25*
Operating Surplus (Deficit) (December 2022)	\$(1.2M)	\$2.6M*	\$3.5M*
Ending Fund Balance/Reserve (December 2022)	\$22.1M (19.2%)	\$24.7M (22.3%)	\$28.2M (24.7%)
Operating Surplus (Deficit) (March 2023)	\$(1.1M)	\$2.4M*	\$3.1M*
Ending Fund Balance/Reserve (March 2023)	\$22.2M (19.1%)	\$24.6M (22.2%)	\$27.8M (24.5%)

Key Assumptions: * Figures do not include any potential increase in staff compensation (cost of 1% raise = \$623k)

Description	2022-23 Second Interim Budget			2023-24 Projected Budget			2024-25 Projected Budget		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
REVENUES									
General Purpose Revenue (A)	78,124,921	-	78,124,921	82,734,235	-	82,734,235	86,810,314	-	86,810,314
Federal Revenue (B)	-	1,506,187	1,506,187	-	1,232,189	1,232,189	-	1,232,189	1,232,189
State Revenue (B)	1,165,900	8,880,461	10,046,361	1,165,900	5,705,334	6,871,234	1,165,900	5,705,334	6,871,234
Local Revenue (C)	17,568,789	4,619,740	22,188,529	18,078,583	2,814,210	20,892,793	18,603,671	2,814,210	21,417,881
TOTAL REVENUES	96,859,610	15,006,388	111,865,998	101,978,718	9,751,733	111,730,451	106,579,885	9,751,733	116,331,618
EXPENDITURES									
Certificated Salaries (D)	35,535,921	7,433,284	42,969,205	34,238,300	6,354,601	40,592,901	33,858,073	6,458,816	40,316,889
Classified Salaries (D)	9,749,233	4,453,896	14,203,129	9,868,749	4,263,577	14,132,326	10,108,560	4,367,182	14,475,742
Benefits (E)	19,791,841	10,397,271	30,189,112	19,885,829	10,228,000	30,113,829	20,260,350	10,477,249	30,737,599
Books and Supplies (F)	2,384,793	5,555,121	7,939,914	2,384,793	1,407,101	3,791,894	2,384,793	1,407,101	3,791,894
Other Services & Oper. Exp (G)	6,806,271	10,250,359	17,056,630	6,692,771	11,080,865	17,773,636	6,792,771	10,636,169	17,428,940
Capital Outlay (H)	253,401	265,284	518,685	253,401	-	253,401	253,401	-	253,401
Other Outgo (I)	1,419,471	1,165,824	2,585,295	1,429,002	1,294,824	2,723,826	1,436,795	1,436,824	2,873,619
Transfer of Indirect Costs	(78,014)	46,127	(31,887)	(77,432)	45,545	(31,887)	(77,432)	45,545	(31,887)
TOTAL EXPENDITURES	75,862,917	39,567,166	115,430,083	74,675,413	34,674,513	109,349,926	75,017,311	34,828,886	109,846,197
EXCESS / (DEFICIENCY)	20,996,693	(24,560,778)	(3,564,085)	27,303,305	(24,922,780)	2,380,525	31,562,574	(25,077,153)	6,485,421
OTHER SOURCES/USES									
Transfers In	888,000	-	888,000	-	-	-	-	-	-
Transfers Out (J)	(1,069,000)	-	(1,069,000)	(1,344,000)	-	(1,344,000)	(3,344,000)	-	(3,344,000)
Net Other Sources (Uses)	-	-	-	-	-	-	-	-	-
Contributions to Restricted (K)	(21,954,256)	21,954,256	-	(23,565,084)	23,565,084	-	(25,077,153)	25,077,153	-
TOTAL OTHER SOURCES / USES	(22,135,256)	21,954,256	(181,000)	(24,909,084)	23,565,084	(1,344,000)	(28,421,153)	25,077,153	(3,344,000)
Net Increase (Decrease)	(1,138,563)	(2,606,522)	(3,745,085)	2,394,221	(1,357,696)	1,036,525	3,141,421	-	3,141,421
FUND BALANCE, RESERVES									
Estimated Beginning Balance	23,361,315	7,520,354	30,881,670	22,222,752	4,913,832	27,136,585	24,616,973	3,556,136	28,173,110
Estimated Ending Balance	22,222,752	4,913,832	27,136,585	24,616,973	3,556,136	28,173,110	27,758,394	3,556,136	31,314,531
Nonspendable	12,000	-	12,000	12,000	-	12,000	12,000	-	12,000
Restricted	-	4,913,832	4,913,832	-	3,556,136	3,556,136	-	3,556,136	3,556,136
Assigned	18,559,900	-	18,559,900	17,747,100	-	17,747,100	18,096,600	-	18,096,600
Unassigned - REU @ 3%	3,495,000	-	3,495,000	3,320,900	-	3,320,900	3,395,800	-	3,395,800
Unassigned - Other	155,852	0	155,853	3,536,973	0	3,536,974	6,253,994	0	6,253,995
Total - Est. Fund Balance	22,222,752	4,913,832	27,136,585	24,616,973	3,556,136	28,173,110	27,758,394	3,556,136	31,314,531
Fund Balance Reserve Percentage (Combined Assigned & Unassigned)			19.07%			22.23%			24.51%

Uncertainties & Prudence

Uncertainties & Prudence



- Inflation, Federal Reserve, Interest Rates & Economic Uncertainty
 - Reduced property tax revenue in 2024-25 anticipated due to local real estate market downturn
- Ongoing enrollment decline for at least the next 8 years has begun
 - Major 'lesson learned' from past financial challenges: Need to adjust staffing to enrollment accordingly
- New 'Class Size Increase' MOU expires in 2025-2026 school year
- Concerns about future increases to STRS & PERS pension rates given statewide loss of enrollment & staff paying into pension systems
- No additional one-time State or federal funding anticipated moving forward
- Statewide trend of Special Education costs increases continue ('unfunded mandate')
- TFT and CSEA employee groups have settled on compensation with TUHSD through 2022-23, but not beyond
 - Future cost of a 1% raise in 2023-24 estimated to be \$623k
- Pending the above, TUHSD is projecting balanced budgets in the official 3-year MYP & minimum 17% reserve = Sustainable

2nd Interim Certification



- Per AB 1200
- *The Second Interim projection indicates that, as defined in AB 1200, “the district **will** be able to meet its financial obligations for the current fiscal year and subsequent two years.”*

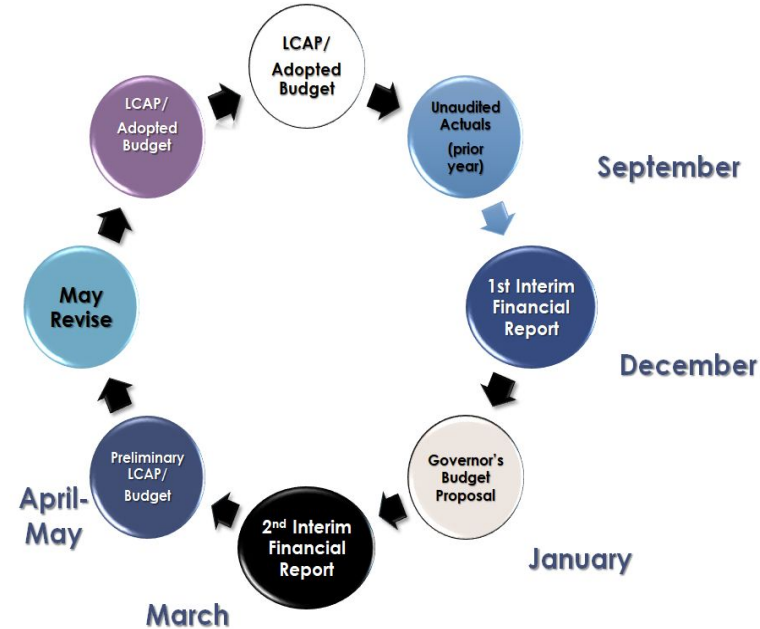
The District is self-certifying as “Positive”

Budget Calendar & Key Dates

Budget Calendar & Key Dates



March 2023	2nd Interim Budget Report for 2022-23
May 2023	Governor's May Revise budget proposal for 2023-24
June 2023	Board adopts 2023-24 Budget & LCAP Enacted State Budget Act
September 2023	Unaudited Actuals Report for 2022-23





TAMALPAIS UNION HIGH SCHOOL DISTRICT

Questions?
Comments?



*Special thanks to our Business Office staff for
their work to help prepare this report!*