




TAMALPAIS UNION HIGH SCHOOL DISTRICT

2021-22 2nd Interim Budget

March 8, 2022



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 2021) vs. 2nd Interim Budget (March 2022)
 - 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”

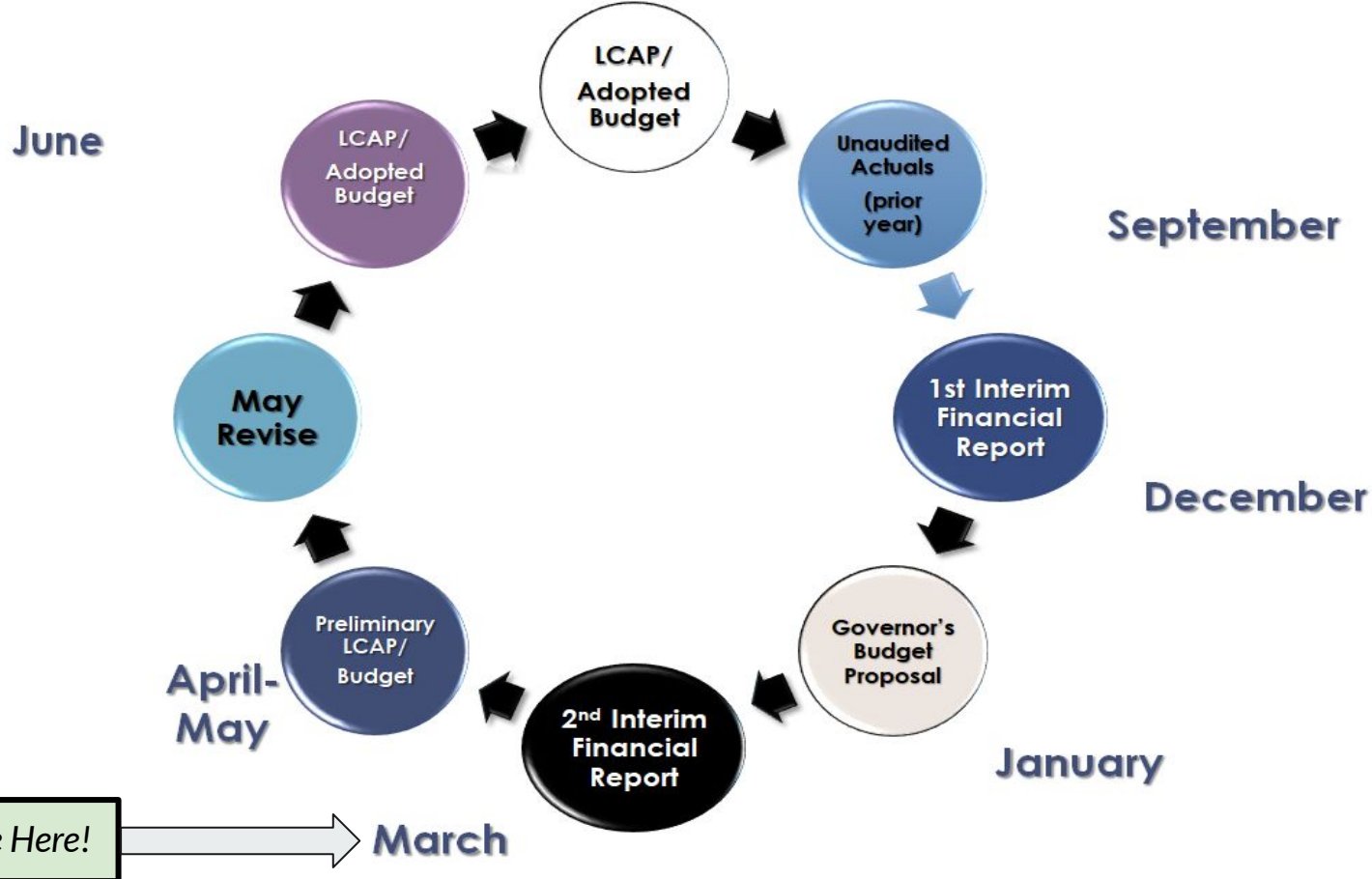
Agenda

- Budget Reporting Cycle
- Start with the End: *Where are we now compared to December?*
- 2021-22 Budget: Revenue & Expenditures - *What has changed since December?*
- Other Funds
- Multi-Year Projection - *Where are we projecting to be in the future?*
- 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?

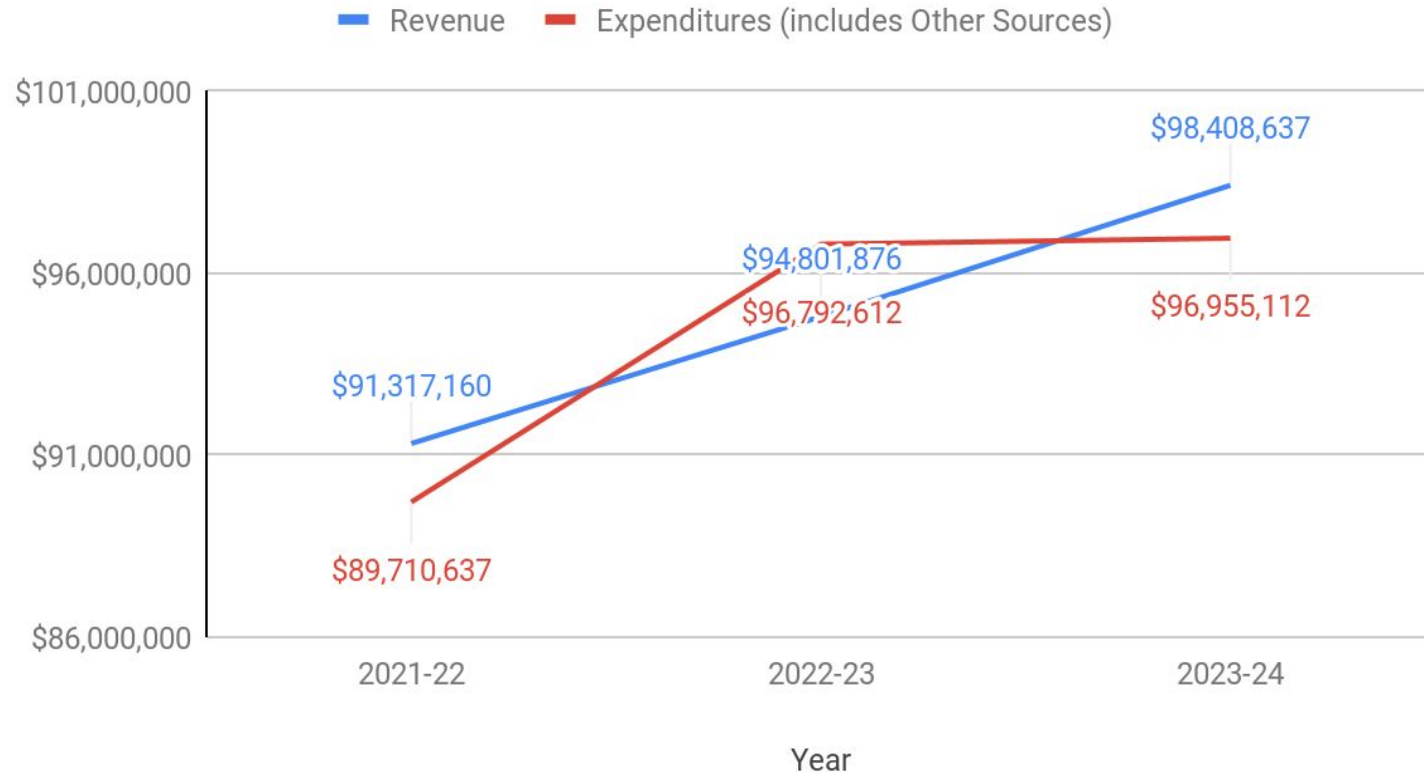
Summary of Multi-Year Projections (Unrestricted)

	2021-22	2022-23	2023-24
Operating Surplus (Deficit) (December 2021)	\$2.4M	\$(1.5M)	\$1.8M*
Ending Fund Balance/Reserve (December 2021)	\$24.4M (23.1%)	\$22.9M (21.8%)	\$24.7M (23.4%)
Operating Surplus (Deficit) (March 2022)	\$1.6M	\$(2.0M)	\$1.5M*
Ending Fund Balance/Reserve (March 2022)	\$23.6M (22.1%)	\$21.6M (20.4%)	\$23.1M (21.7%)

Key Assumption: * Figures do not include any potential increase in staff compensation (cost of 1% raise = \$600k)

Summary of Multi-Year Projections

TUHSD Revenue and Expenditures (Unrestricted)



Revenues

Basic Aid

vs.

State-Funded (LCFF)



- 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 \$21.5M over the LCFF entitlement

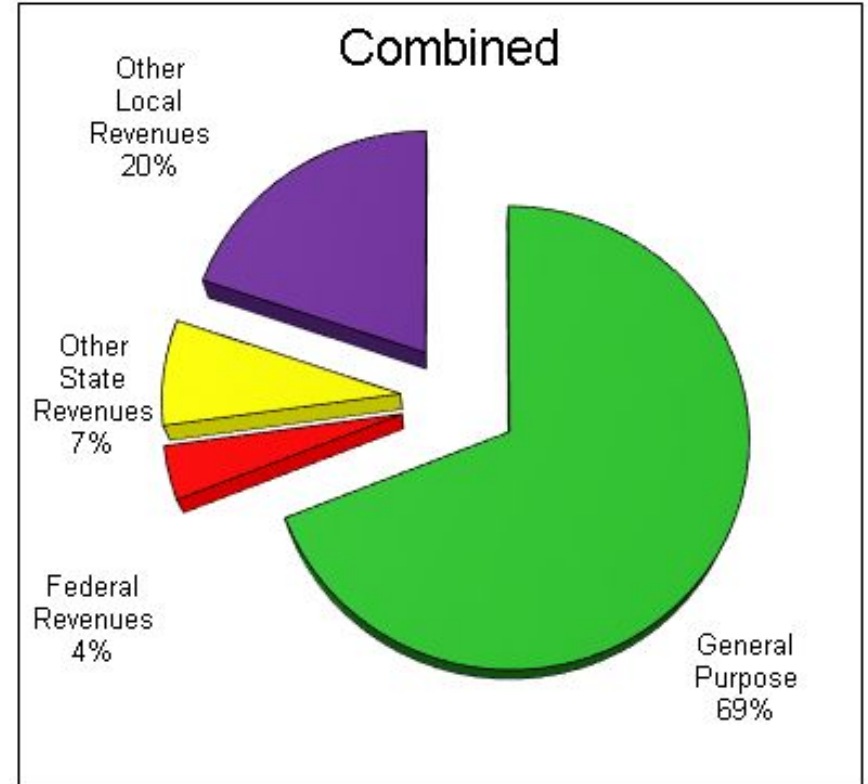
- Formerly referred to as 'Revenue Limit'
- District is entitled to a calculated revenue entitlement
- Comprised of both local property taxes and state aid
- When property taxes do not meet the calculated revenue entitlement, then the State makes up the shortfall with additional funding up to the calculated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



Sources of 2021-22 General Revenue (combined)


- General Purpose \$ 73,333,661
 - Property taxes, EPA, Minimum State Aid
- State Funding \$ 7,875,794
 - COVID relief, Lottery, SpEd, ROP, etc.
- Federal Funding \$ 4,038,865
 - COVID relief, Title funding, IDEA, etc.
- Local Revenue \$ 21,031,048
 - Parcel tax, Foundations, facilities fees, interest

TOTAL: \$ 106,279,368



Key Budget Assumptions - Unrestricted Revenues

Property Tax Revenue growth rates:



Year	2021-22 <i>see note 1</i>	2022-23 <i>see note 2</i>	2023-24 <i>see note 2</i>
Growth Rate (%)	4.07%	4.25%	4.25%

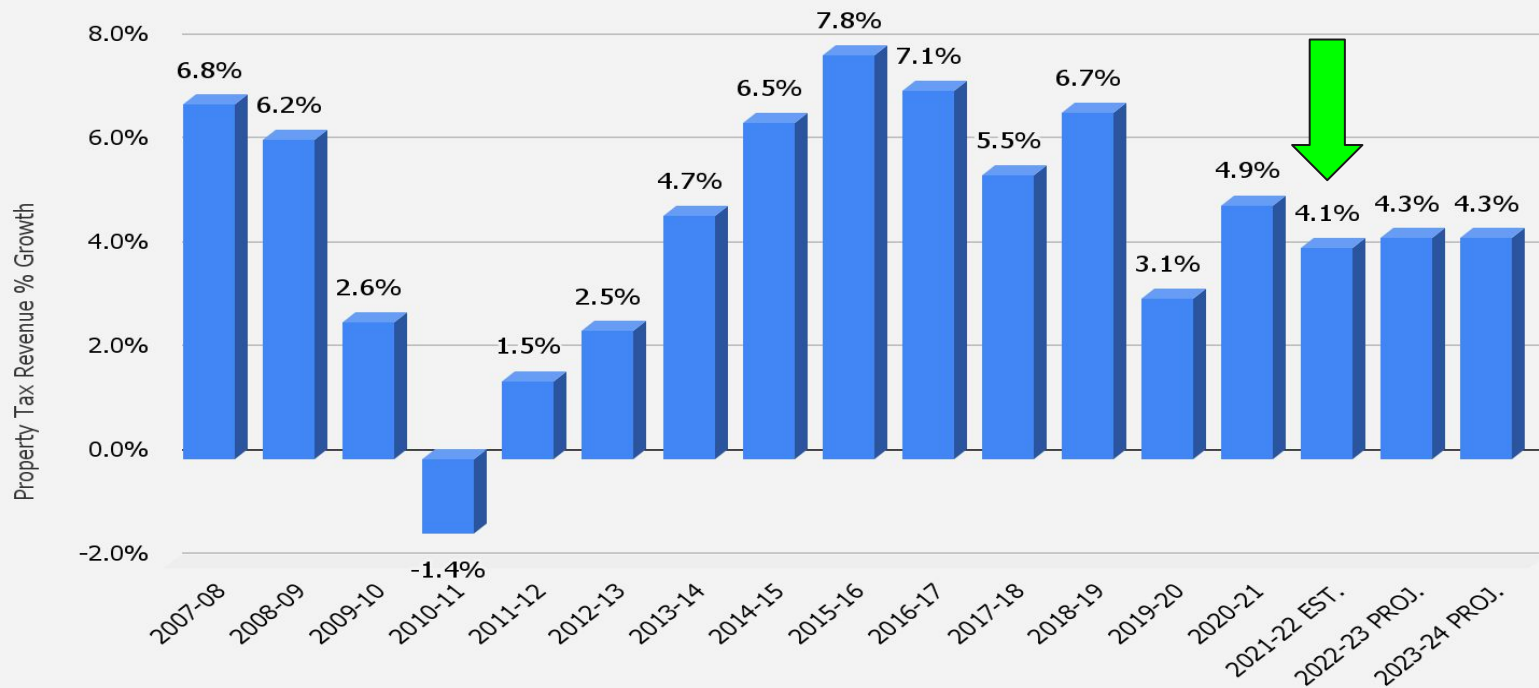
Notes:

1. Per Proposition 13, State inflation was less than 2%, therefore property tax bills could not increase by the typical full 2% annual amount
2. Marin County Schools Property Tax Forum in early May 2022 for 2022-23 Budget Adoption

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 Senior Exemptions
- 2021-22 Parcel Tax revenue projected to be \$16.4M

TUHSD Historical Secured Property Tax Revenue Growth



Source: County of Marin Dept of Finance

Year

Key Budget Assumptions - Other Revenues



Federal revenue:

- All COVID relief federal funding is one-time funding and has been exhausted (or will be spent) by end of 2021-22

State revenue:

- One-time funding of \$1.1M Educator Effectiveness grant funding included
- One-time funding of estimated \$503k UC a-g Eligibility grant fund not included
- Universal Meals for all students helps our TUHSD Nutrition program run at less of a deficit
- All other COVID relief State funding is one-time funding and has been exhausted (or will be spent) by end of 2021-22)

Other Local revenue (Facilities Rentals):

- Facilities rental revenue is projected to increase by \$43k

Expenditures

Primary Components:

Enrollment

STRS & PERS pension rate increases

Special Education

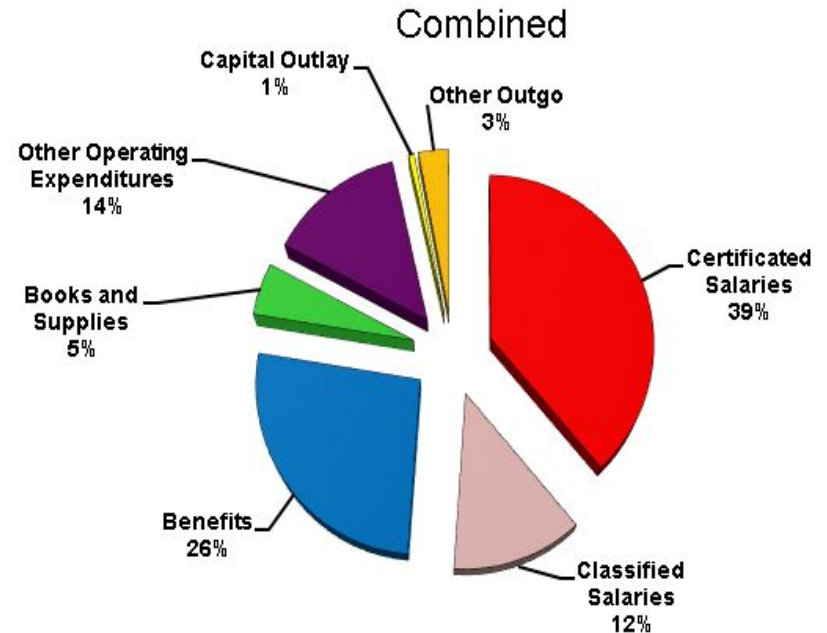
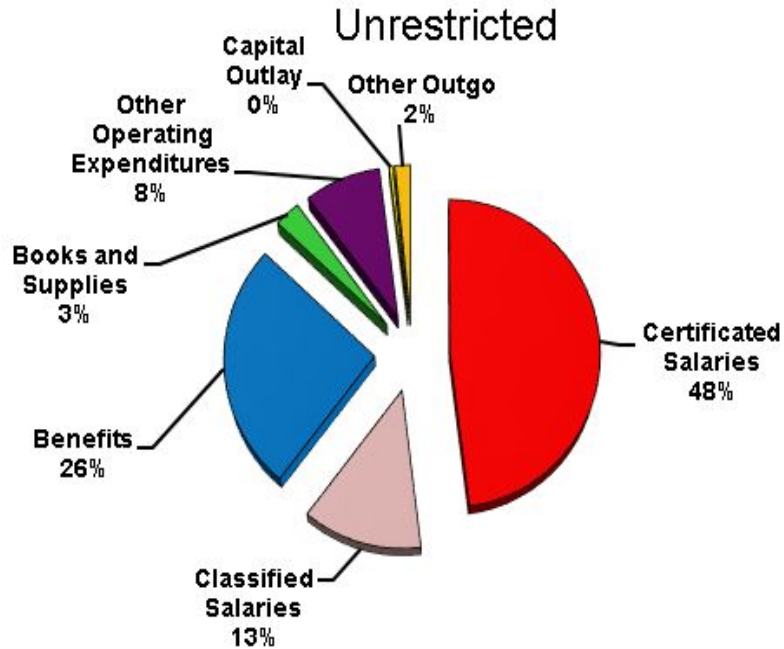
General Fund Expenditures



Description	Unrestricted	Combined
Certificated Salaries	\$33,106,522	\$40,220,070
Classified Salaries	\$8,688,818	\$13,059,560
Benefits (Payroll Taxes and Health & Welfare Contributions)	\$18,043,805	\$27,490,325
Books and Supplies	\$1,956,546	\$5,261,573
Other Operating Expenditures	\$5,755,932	\$14,409,304
Capital Outlay	\$260,712	\$597,979
Other Outgo	\$1,145,113	\$3,184,955
TOTAL	\$68,957,448	\$104,223,766

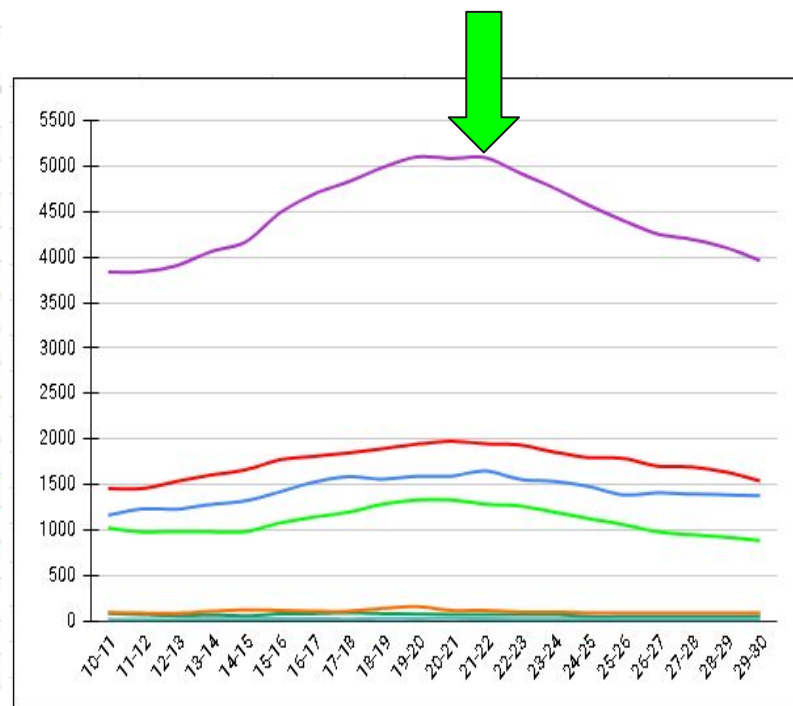
Salaries and benefits comprise approximately 87% of the District's unrestricted expenditures, and approximately 77% of the combined General Fund expenditures.

General Fund Expenditures



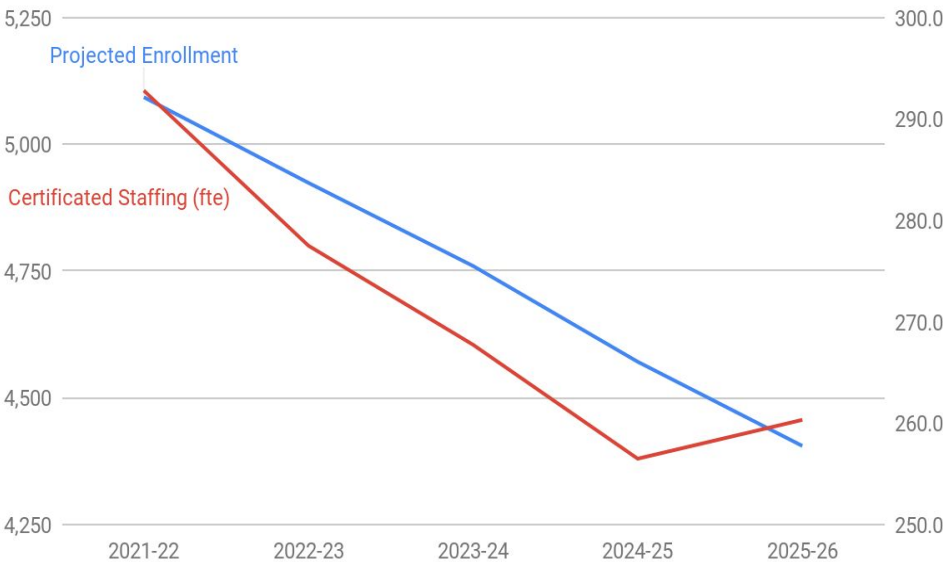
Long-term TUHSD Enrollment Projections

Cohort Survival Method									
Year	Tam HS	Archie W	Redwood	San Andreas	Tamiscal	NPS	Total	Change in students	Percent Change
10-11	1162	1023	1458	84	95	14	3,836		
11-12	1231	979	1456	71	87	15	3,839	3	0.1%
12-13	1229	984	1535	58	85	16	3,907	68	1.7%
13-14	1281	980	1604	68	106	21	4,060	153	3.8%
14-15	1321	982	1661	57	123	21	4,165	105	2.5%
15-16	1419	1077	1770	78	117	22	4,483	318	7.6%
16-17	1527	1142	1809	82	108	25	4,693	210	4.7%
17-18	1587	1195	1848	89	107	21	4,826	133	3.2%
18-19	1559	1285	1893	82	138	27	4,984	158	3.3%
19-20	1,591	1331	1944	77	158	26	5,101	117	2.3%
20-21	1,593	1331	1975	69	116	29	5,084	-17	-0.3%
21-22	1650	1286	1948	70	116	23	5,093	9	0.2%
22-23	1557	1263	1933	70	100	21	4,924	-180	-3.5%
23-24	1536	1198	1857	70	100	21	4,760	-164	-3.3%
24-25	1479	1126	1797	50	90	21	4,571	-189	-4.0%
25-26	1387	1060	1788	50	90	21	4,405	-166	-3.6%
26-27	1408	982	1704	50	90	21	4,255	-150	-3.4%
27-28	1,396	947	1692	50	90	21	4,196	-59	-1.4%
28-29	1,387	919	1637	50	90	21	4,104	-92	-2.2%
29-30	1,378	883	1540	50	90	21	3,962	-142	-3.5%



Key Budget Assumptions - Enrollment & Staffing

TUHSD Projected Enrollment & Certificated Staffing



School Year	Projected Enrollment	Difference from Prior Year	Certificated Staffing (fte)	Difference from Prior Year
2021-22	5,093	-	292.8	-
2022-23	4,924	-169	277.5	-15.3
2023-24	4,760	-164	267.7	-9.8
2024-25	4,571	-189	256.5	-11.2
2025-26	4,405	-166	260.3	3.8

Notes:

- 2025-26: Increase of 3.8 fte due to expiration of 'New Class Size ' MOU
- All staffing figures will be updated at Budget Adoption in June

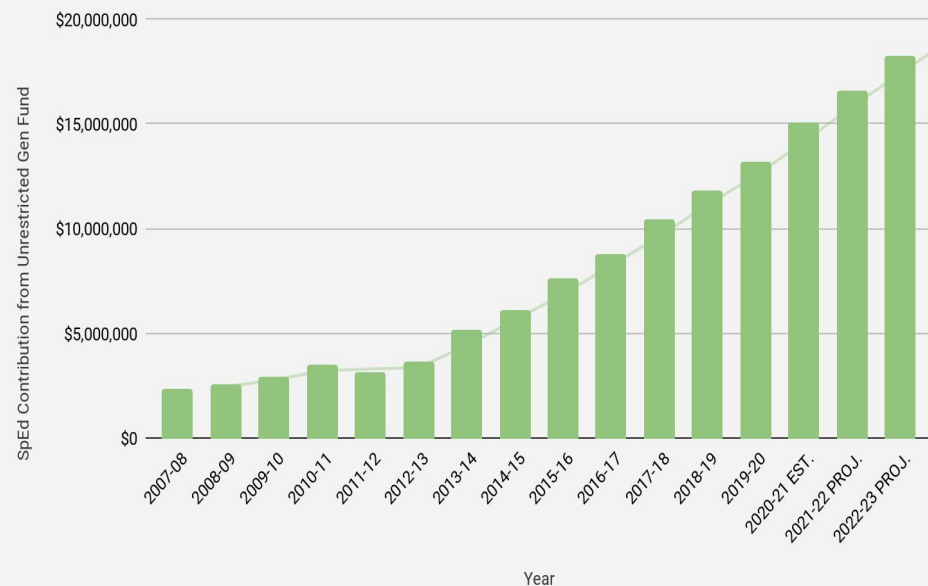
STRS & PERS Pension Employer Rates & Costs

- In 2013, pension rates were re-calculated based on the Public Employee Pension Reform Act (PEPRA) that restructured retirement age and benefits
- Compared to 2013-14, increased pension employer rates & costs have more than doubled
 - Represents an increased cost of \$6.2M annually
- State pension relief provided 'one-time' savings of \$1,068,000 for 2020-21 & 2021-22
 - As a result, significant pension rate increases for both systems are still scheduled for 2022-23
- School Services of CA recently reported that PERS employers rates are going to increase less than the below (updated in June once confirmed)

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%	26.10%	27.10%	27.70%	27.80%	27.60%
Change		2.04%	1.64%	2.53%	1.66%	0.98%	2.21%	3.19%	1.00%	0.60%	0.10%	-0.20%
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 \$15.8M in 12 years
 - Avg. of \$1.4M increase annually over past 3 years (~14% increase)
- TUHSD currently has five Counseling Enriched Classrooms (CEC) at all sites
 - Total estimate savings of about \$2.8M annually

Comparison:

1st Interim (December 2021)

VS.

2nd Interim (March 2022)

Reconciliation of 1st Interim vs. 2nd Interim Budgets



<i>Description</i>	<i>Amount</i>
2021-22 First Interim Projected Surplus	\$ 2,442,423
Add: Variance Components (See Next Slide)	\$ (835,900)
2021-22 Second Interim Projected Surplus	\$ 1,606,523

Reconciliation of Variance Components

<i>Description of Variance Components</i>	<i>Amount</i>
Increase in local revenue due to increase facilities rentals	\$43k
Increase in certificated staffing expenditures given increase maternity/paternity leaves, substitute teacher expenses, and related miscellaneous expenditures	\$(110k)
Increase in benefit expenditures associated with increased classified staffing expenditures (i.e. 3 fixed date Campus Assistants for remainder of 2021-22 and HR Director position)	\$(115k)
Increase in benefit expenditures associated with both items above & associated fringe benefits	\$(146k)
Increase in other services due to increase of instructional and information technology services	\$(136k)
Increased contribution to Restricted Fund primarily due to net of decreases in Special Education excess costs, additional transportation and staffing adjustments	\$(351k)
Other net adjustments (books and supplies expenditures, etc)	\$(21k)
Total Variance	\$(836k)

Reconciliation of 1st Interim vs. 2nd Interim Budgets

<i>Description</i>	<i>Amount</i>	<i>Ending Fund Balance (Reserve)</i>
2020-21 First Interim Projected Surplus	\$ 2,442,423	\$24,443,743 (23.1%)
Add: Variance Components <i>(See Previous Slide)</i>	\$ (835,900)	\$ (835,900)
2020-21 Second Interim Projected Surplus	\$ 1,606,523	\$23,607,843 (22.1%)

TUHSD has a target minimum reserve of at least 17%, per Board Policy (BP 3100).


The components of the District's fund balance are as follows:

- Revolving cash - \$12k
- Restricted - \$4.0M
- Assignments (i.e. future Projected 2022-23 Operating Deficit, NGSS Textbook Adoption & Distance Learning, Property Tax Uncertainty, Special Education reserve) - \$19.2M
- Reserve for Economic Uncertainty (3% State-required minimum) - \$3.2M
- Unassigned - (Board Policy reserve toward 17% minimum target) - \$1.2M

Other Funds

Summary of All Funds

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



FUND	2020-21	Est. Net Change	2021-22
GENERAL (UNRESTRICTED & RESTRICTED)	\$28,108,510	(\$517,537)	\$27,590,973
ASSOCIATED STUDENT BODY FUND	\$753,239	\$0	\$753,239
ADULT EDUCATION FUND	\$753,378	(\$166,829)	\$586,549
CAFETERIA FUND	\$389,838	(\$47,263)	\$342,575
DEFERRED MAINTENANCE FUND	\$2,694,986	(\$350,000)	\$2,344,986
FOUNDATION SPECIAL RESERVE FUND	\$53,780	\$300	\$54,080
CAPITAL FACILITIES	\$479,627	(\$48,192)	\$431,435
CAPITAL OUTLAY	\$5,883,382	\$1,215,000	\$7,098,382
BOND INTEREST & REDEMPTION	\$10,224,432	(\$370,888)	\$9,853,544
TOTAL	\$49,341,172	(\$285,409)	\$49,055,763

Multi-Year Projections (MYP)

Multi-Year Projection Assumptions ('21-22 through '22-23)



Revenue Assumptions:

Total Property Tax Growth	2020-21	2021-22	2022-23
2nd Interim (March)	4.07%	4.25%	4.25%

- Local property tax revenue growth
 - Updated in Budget Adoption after Marin County Property Tax Forum in May
- All federal and State COVID relief federal funding is one-time funding and has been budgeted
 - Exception: State UC a-g Eligibility grant will included at Budget Adoption in June
 - No more COVID funding relief is anticipated moving forward
- Parcel tax revenue is expected to increase approximately 3% each year with annual inflation adjustment depending on volume of new Senior Exemptions

Multi-Year Projection Assumptions ('21-22 to '23-24)

Expenditure Assumptions:



- Projected Enrollment & Certificated Staffing levels

School Year	Projected Enrollment	Difference from Prior Year
2021-22	5,093	-
2022-23	4,924	-169
2023-24	4,760	-164
2024-25	4,571	-189
2025-26	4,405	-166

- All 'one-time' COVID federal and state funding exhausted by end of 2021-22 except UC a-g & Educ. Effect. grants
- State \$1.1M of employer-paid pension relief in both '20-21 & '21-22 is removed in 2022-23
- No employee groups have settled on compensation in current and future years
 - Note: Total cost of 1% for all staff is predicted to be \$600k in 2023-24
- New 'Class size' MOU expires after 2023-24 school year
- All new employees hired for 2019-20 have a cap on District-paid health benefits (i.e. Healthcap)
- Health & Welfare benefits are estimated to increase by 5% each year
- Utilities expenses projected to increase 4% annually (i.e. MMWD, electric, sewer, etc.)
- Special Education cost are estimated to increase by 10% each year

Summary of Multi-Year Projections (Unrestricted)

	2021-22	2022-23	2023-24
Operating Surplus (Deficit) (December 2021)	\$2.4M	\$(1.5M)	\$1.8M*
Ending Fund Balance/Reserve (December 2021)	\$24.4M (23.1%)	\$22.9M (21.8%)	\$24.7M (23.4%)
Operating Surplus (Deficit) (March 2022)	\$1.6M	\$(2.0M)	\$1.5M*
Ending Fund Balance/Reserve (March 2022)	\$23.6M (22.1%)	\$21.6M (20.4%)	\$23.1M (21.7%)

Key Assumption: * Figures do not include any potential increase in staff compensation (cost of 1% raise = \$600k)

Description	2021-22 Second Interim Budget			2022-23 Projected Budget			2023-24 Projected Budget		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
REVENUES									
General Purpose Revenue (A)	73,333,661	-	73,333,661	76,364,970	-	76,364,970	79,464,544	-	79,464,544
Federal Revenue (B)	-	4,038,865	4,038,865	-	1,407,146	1,407,146	-	1,407,146	1,407,146
State Revenue (B)	1,032,750	6,843,044	7,875,794	1,032,750	4,786,734	5,819,484	1,032,750	4,786,734	5,819,484
Local Revenue (C)	16,950,749	4,080,299	21,031,048	17,404,156	2,835,187	20,239,343	17,911,043	2,835,187	20,746,230
TOTAL REVENUES	91,317,160	14,962,208	106,279,368	94,801,876	9,029,067	103,830,943	98,408,337	9,029,067	107,437,404
EXPENDITURES									
Certificated Salaries (D)	33,106,522	7,113,548	40,220,070	34,991,957	5,618,882	40,610,839	33,240,775	5,711,032	38,951,807
Classified Salaries (D)	8,688,818	4,370,742	13,059,560	9,592,911	3,961,361	13,554,272	9,835,377	4,070,695	13,906,072
Benefits (E)	18,043,805	9,446,520	27,490,325	20,252,091	9,144,145	29,396,236	20,299,607	9,388,271	29,687,878
Books and Supplies (F)	1,956,546	3,305,027	5,261,573	2,134,239	961,453	3,095,692	2,118,178	961,453	3,079,631
Other Services & Oper. Exp (G)	5,755,932	8,653,372	14,409,304	6,694,316	7,624,709	14,319,025	6,637,316	8,281,709	14,919,025
Capital Outlay (H)	260,712	337,267	597,979	260,712	105,460	366,172	260,712	105,460	366,172
Other Outgo (I)	1,213,983	1,999,296	3,213,279	1,213,983	2,175,296	3,389,279	1,213,983	2,369,296	3,583,279
Transfer of Indirect Costs	(68,870)	40,546	(28,324)	(42,877)	14,553	(28,324)	(42,877)	14,553	(28,324)
TOTAL EXPENDITURES	68,957,448	35,266,318	104,223,766	75,097,332	29,605,859	104,703,191	73,563,071	30,902,469	104,465,540
EXCESS / (DEFICIENCY)	22,359,712	(20,304,110)	2,055,602	19,704,544	(20,576,792)	(872,248)	24,845,266	(21,873,402)	2,971,864
OTHER SOURCES/USES									
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out (J)	(2,573,139)	-	(2,573,139)	(1,473,139)	-	(1,473,139)	(1,873,139)	-	(1,873,139)
Net Other Sources (Uses)	-	-	-	-	-	-	-	-	-
Contributions to Restricted (K)	(18,180,050)	18,180,050	-	(20,222,141)	20,222,141	-	(21,518,902)	21,518,902	-
TOTAL OTHER SOURCES / USES	(20,753,189)	18,180,050	(2,573,139)	(21,695,280)	20,222,141	(1,473,139)	(23,392,041)	21,518,902	(1,873,139)
Net Increase (Decrease)	1,606,523	(2,124,060)	(517,537)	(1,990,736)	(354,651)	(2,345,387)	1,453,225	(354,500)	1,098,725
FUND BALANCE, RESERVES									
Estimated Beginning Balance	22,001,320	6,107,190	28,108,510	23,607,843	3,983,130	27,590,973	21,617,107	3,628,479	25,245,586
Estimated Ending Balance	23,607,843	3,983,130	27,590,973	21,617,107	3,628,479	25,245,586	23,070,332	3,273,979	26,344,311
Nonspendable	12,000	-	12,000	12,000	-	12,000	12,000	-	12,000
Restricted	-	3,983,130	3,983,130	-	3,628,479	3,628,479	-	3,273,979	3,273,979
Assigned	19,227,436	-	19,227,436	17,205,700	-	17,205,700	17,252,000	-	17,252,000
Unassigned - REU @ 3%	3,204,000	-	3,204,000	3,185,300	-	3,185,300	3,190,200	-	3,190,200
Unassigned - Other	1,164,407	-	1,164,407	1,214,107	-	1,214,107	2,616,132	-	2,616,132
Total - Est. Fund Balance	23,607,843	3,983,130	27,590,973	21,617,107	3,628,479	25,245,586	23,070,332	3,273,979	26,344,311
Fund Balance Reserve Percentage (Combined Assigned & Unassigned)			22.09%			20.35%			21.68%

Uncertainties & Prudence

Uncertainties & Prudence



- COVID, the Rebounding Economy & Safety Measures:
 - Impact on property tax revenues?
 - No additional COVID relief anticipated moving forward
- 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
- All employee groups have settled on compensation with TUHSD through 2022-23, but not beyond
- New 'Class size MOU' expires after 2023-24 school year
- State pension relief of \$1.1M in both '20-21 & '21-22 expires in 2022-23

Bottom Line:

With all of the above considered, TUHSD is projecting sustainable budgets in the official 3-year MYP and anticipates presenting a similarly sustainable 2022-23 budget proposal in June.

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.”*

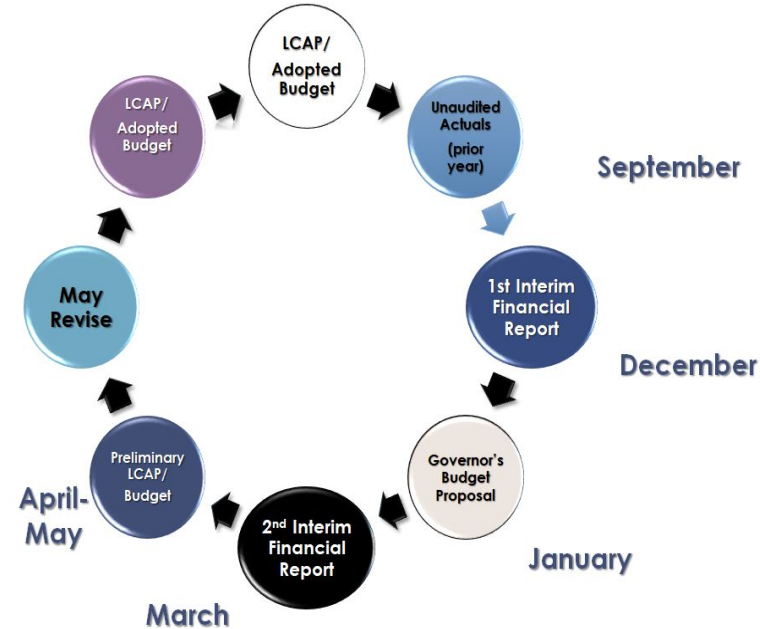
The District is self-certifying as “Positive”.

Budget Calendar & Key Dates

Budget Calendar & Key Dates



March 2022	2nd Interim Budget Report for 2021-22 Possible Federal & State COVID relief
May 2022	Governor's May Revise budget proposal for 2022-23
June 2022	Board adopts 2022-23 Budget & LCAP
September 2022	Unaudited Actuals Report for 2021-22



Questions? Comments?



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