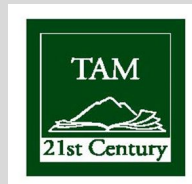





TAMALPAIS UNION HIGH SCHOOL DISTRICT

2020-21 Budget Proposal

June 2, 2020



What is included in the budget adoption process?

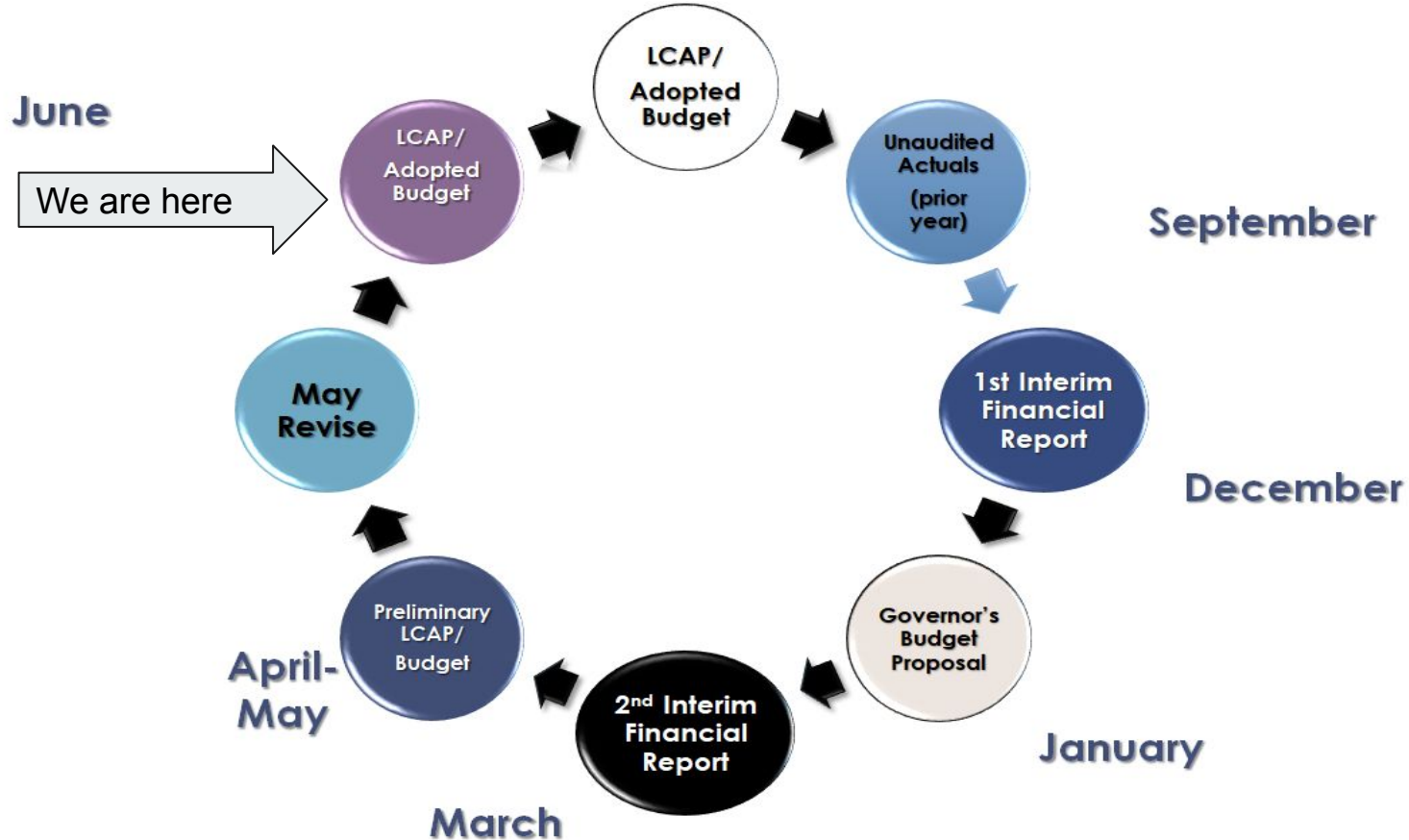
- 
- The 2019-20 'Estimated Actuals' reports:
 - Actual financial activity through April & projects financial activity through June 30th
 - Estimated Actuals will be compared to the Unaudited Actuals in September
 - Similar to a '3rd Interim' Budget report for 2019-20
 - 2020-21 Proposed Budget aligns resources to the LCAP goals & action steps
 - Inclusive of stakeholder feedback: Public Hearing, Community Forums, Site Budget Updates, Budget Update feedback, LCAP Committee, etc.
 - Provides an opportunity to:
 - Adopt a budget based on any significant changes since 2nd Interim in March
 - Recalculate Multi Year Projections
 - Discuss any needed changes or actions

Agenda



- Budget Reporting Cycle
- National, State & Local economic context & Governor's 'May Revise' Budget
- 2019-20 Estimated Actuals
- 2020-21 Budget & Multi-Year Projection for 2021-22 & 2022-23
 - Key Assumptions - Revenues & Expenditures
 - Reserves
 - Other Funds
- Uncertainties & Prudence
- Next Steps & Questions

'Normal' Budget Reporting Cycle



2020-21 Budget Calendar & Key Dates



June 2020

CA State Legislature must enact budget by June 15th
TUHSD must adopt a budget by June 30th

July 2020

State & Federal personal income tax deadline extension on 7/15

August 2020

Governor's 'August Revision' to State budget & State Legislature enactment
TUHSD 45-day budget revision for 2020-21

September 2020

Unaudited Actuals Budget Report for 2019-20

December 2020

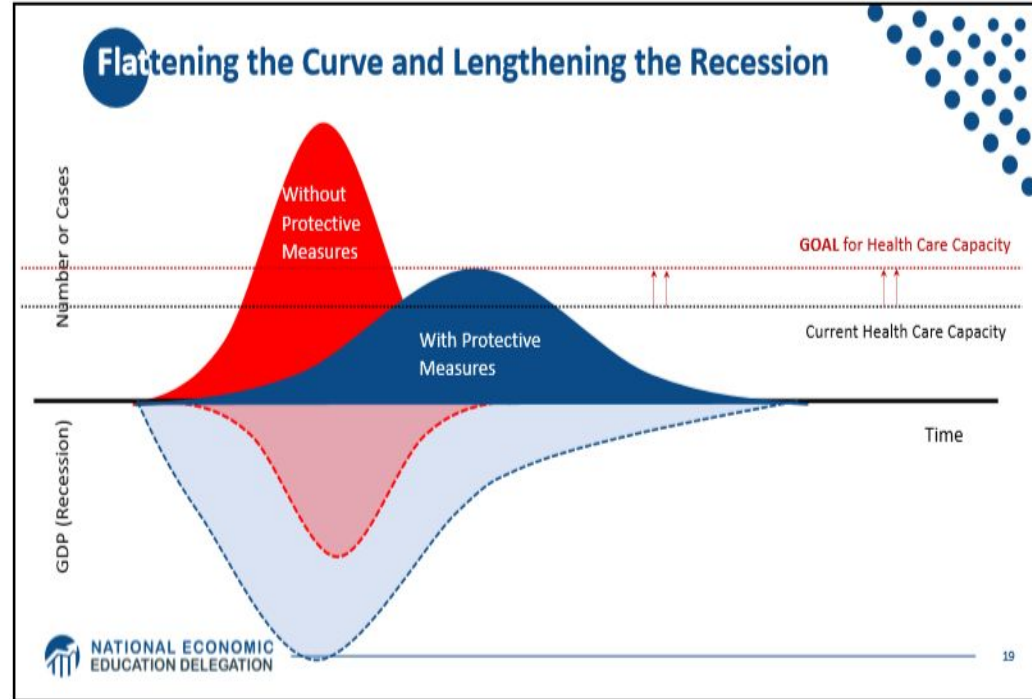
LCAP & 1st Interim Budget Report for 2020-21

National, State & Local Economic Context



COVID & Economic Impact

- Significant economic slowdown is expected
 - Depth and duration is still unknown
- Short-term impacts are widespread
 - Increased unemployment
 - Declining economic activity and tax revenues
 - Increased demand for disaster response and safety net services
- Federal and State stimulus packages will help offset short term impacts
- 'Time lag' or delay for impact on many government entities given annual tax collection cycle



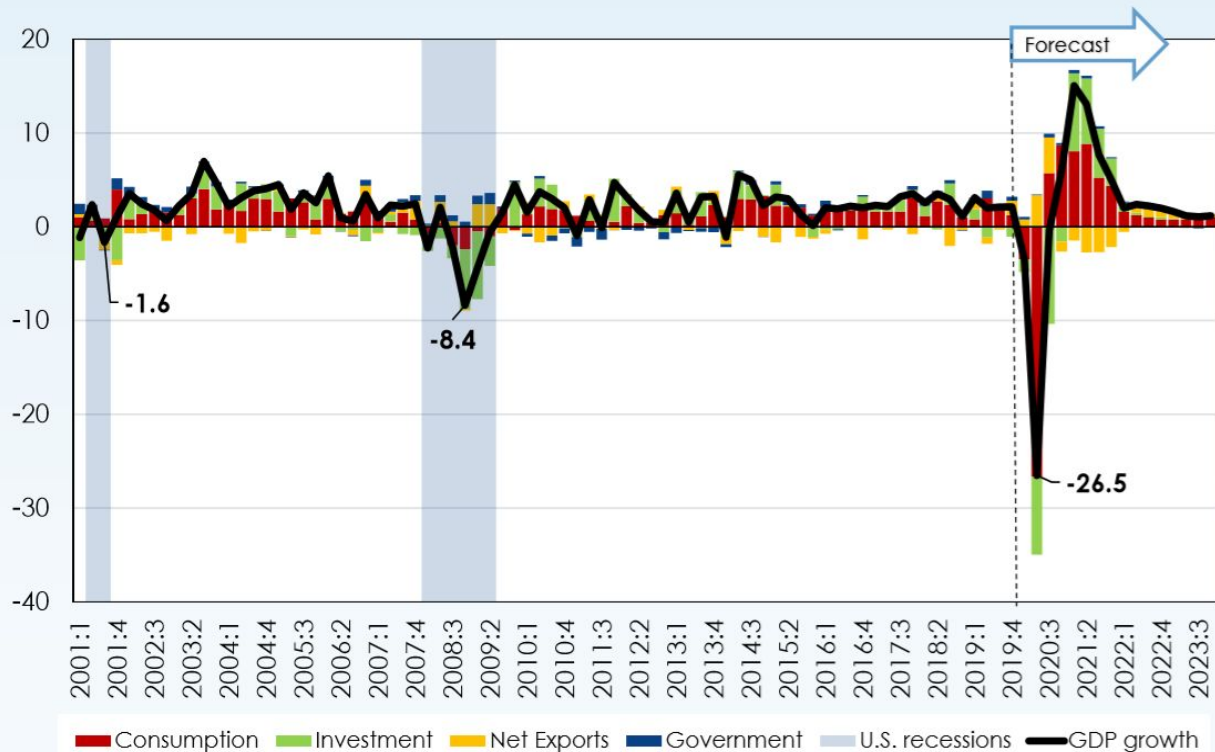
Source: National Economic Education Delegation

National Economic context

- The U.S. is currently in a recession
- COVID-19 recession projected to lead to declines in GDP, employment, and personal income that are worse than declines during the Great Recession
- U.S. GDP projected to decrease by 26.5% in spring of 2020

Source: CA Dept of Finance

Contributions to U.S. Real GDP



Source: U.S. Bureau of Economic Analysis; CA Department of Finance, May Interim Forecast.

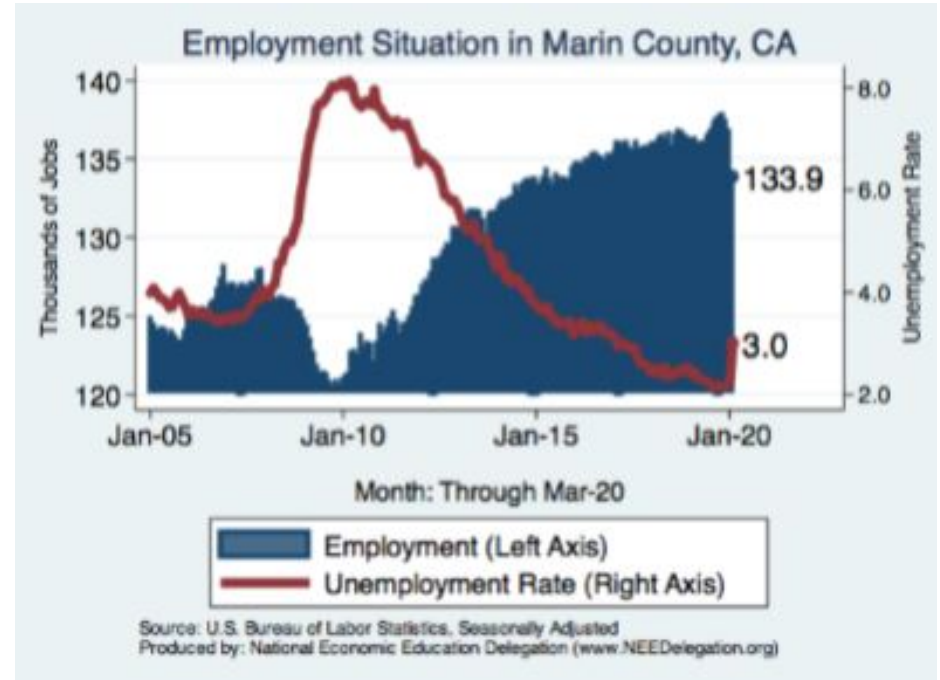
State Economic Forecast - May Revision by CA Dept of Finance (5/7)



- COVID-19 Recession Projected Deficit through 2020-21
 - Surplus at Governor's January Budget - \$5.6 billion
 - Changes at May Revision:
 - May Revision Revenue reduction of **\$41.2 billion**
 - Health & Human Services expenditure increases of **\$7.1 billion**
 - Other expenditure increases of **\$6.0 billion**
 - Overall Deficit of **\$54.3 billion**
- Reserves of \$20 billion are unlikely to be sufficient to mitigate impacts
 - Significant reliance on volatile revenue sources such as income tax and sales tax
- Under Proposition 98's constitutional calculation, this revenue decline results in a lower required funding level by **\$19 billion** General Fund for K-12 schools and community colleges.

Local Economic Forecast - Marin County Property Tax Forum (5/13/20)

- Marin County unemployment increased since COVID
 - 2% to 3% (through March 20th)
 - 3% to 11% (since April)
- Property tax revenues are more stable compared to volatile personal income, sales and corporate income taxes
- In 2020-21, property tax revenues are predicted to be relatively stable
- But predicted to drop in 2021-22 and beyond depending on depth & duration of 'shelter in place' and economic recovery
 - Projected reduction of 2% in 2021-22 & 2% in 2022-23 as 'most likely' scenario



2019-20 Estimated Actuals

—

COVID Shelter-in-Place: Savings & Expense Differentials



Save in....

- Utilities
- Student transportation (Bolas bus to Tam High & Special Education)
- Materials and supplies
- Some contracted services

Increased spending in....

- Procuring technology devices & internet access
- Technology infrastructure
- Online learning resources
- Cafeteria funds (averaged 500 meals per day on Mondays/Tuesdays since April)
- Custodial supplies
- Hazard pay & overtime in certain departments


Comparison of 2nd Interim vs. Estimated Actuals



<i>Description</i>	<i>Unrestricted Projected Operating Surplus</i>
2019-20 2nd Interim Projection (March)	\$ 460,115
<i>Changes</i> (See Next Slide)	\$ 257,962
2019-20 Estimated Actuals Projection (June)	\$ 718,077


Operating Surplus occurs when the current year revenues exceed current year expenditures, which results in increasing reserves.

Changes from 2nd Interim vs. Estimated Actuals



<i>Description of Changes (Unrestricted)</i>	<i>Amount</i>
Decrease in local revenue for facilities rentals due to 'shelter in place'	(\$35k)
Increase in certificated salaries as a result of maternity leave changes	(\$114k)
Decrease in budgeted expenditures for 'books and supplies' & services given distance learning	\$456k
Increase in transfer out to Fund 13 (Nutrition Services) given reduced food sales revenue	(\$95k)
Net other	\$46k
Total Changes	\$258k

Comparison of 2nd Interim vs. Estimated Actuals - Impact on Reserves



<i>Description</i>	<i>Unrestricted Projected Operating Surplus</i>	<i>Ending Fund Balance (Reserve)</i>
2019-20 2nd Interim Projection (March)	\$ 460,115	\$ 16,292,666
<i>Changes</i>	\$ 257,962	\$ 257,962
2019-20 Estimated Actuals Projection (June)	\$ 718,077	\$ 16,550,628

2020-21 Budget Proposal

**Multi-Year Projection for 2021-22 &
2022-23**

TUHSD Impact of Governor's 'May Revision' Budget

- For TUHSD, significant implications include:
 - Basic aid district 'fair share reduction' proposed in trailer bill language
 - In 2009, TUHSD's 'fair share reduction' was \$2.6M of \$3.3M in Minimum State Aid
 - In 2020-21, TUHSD projected to receive \$704k in Minimum State Aid
 - Analogous to 10% reduction for LCFF districts, a potential 10% 'fair share reduction' for basic aid districts equates to a \$70.4k given current trailer bill language
 - No change to state Special Education funding
 - Reduced funding by 50% for CTEIG & K12/SWP programming (vocational education) & 12% for adult education
 - Reallocation of state pension funding of \$2.3B from paying down unfunded liability to STRS/PERS employer rates
 - STRS employer rate reduction of 2.25% & 2.18% in '20-21 & '21-22 respectively (one-time savings for 2 years)
 - PERS employer rate reduction of 1.93% & 2.16% in '20-21 & '21-22 respectively (one-time savings for 2 years)
- Nothing is final until the State Legislature passes and enacts a State Budget by June 15th
 - Expected Governor's 'August Revision' given personal income tax extension to July 15th
 - As a result, a TUHSD 45-day budget revision likely in Fall to include any significant changes

TUHSD Summary of Multi-Year Projections

	2019-20	2020-21*	2021-22*	2022-23* **
Operating Surplus (Deficit) (March 2020)	\$460k	\$(1.3M)*	\$(207k)*	--
Ending Fund Balance/Reserve (March 2020)	\$16.3M (17.0%)	\$14.9M (15.4%)	\$14.5M (14.7%)	--
Operating Surplus (Deficit) (June 2020)	\$718k	\$342k*	\$(134k)*	\$(2.6M)* **
Ending Fund Balance/Reserve (June 2020)	\$16.3M (17.3%)	\$16.9M (17.8%)	\$16.8M (17.1%)	\$14.1M (13.7%)

Key Assumptions:

* Figures do not include any potential increase in staff compensation

** Figures assume a straight renewal of existing parcel taxes despite expiration in June 2022 (per MCOE's guidance)

Potential Multi-year Projection - *No parcel tax renewal?*

	2019-20	2020-21*	2021-22*	2022-23*
Operating Surplus (Deficit) <i>(June 2020)</i> Straight Renewal of Parcel Tax for '22-23	\$718k	\$342k*	\$(134k)*	\$(2.6M)*
Ending Fund Balance/Reserve <i>(June 2020)</i>	\$16.3M (17.3%)	\$16.9M (17.8%)	\$16.8M (17.1%)	\$14.1M (13.7%)
Operating Surplus (Deficit) <i>(June 2020)</i> <u>No</u> renewal of Parcel Tax for '22-23	\$718k	\$342k*	\$(134k)*	\$(18.8M)*
Ending Fund Balance/Reserve <i>(June 2020)</i>	\$16.3M (17.3%)	\$16.9M (17.8%)	\$16.8M (17.1%)	Insolvent in March 2023

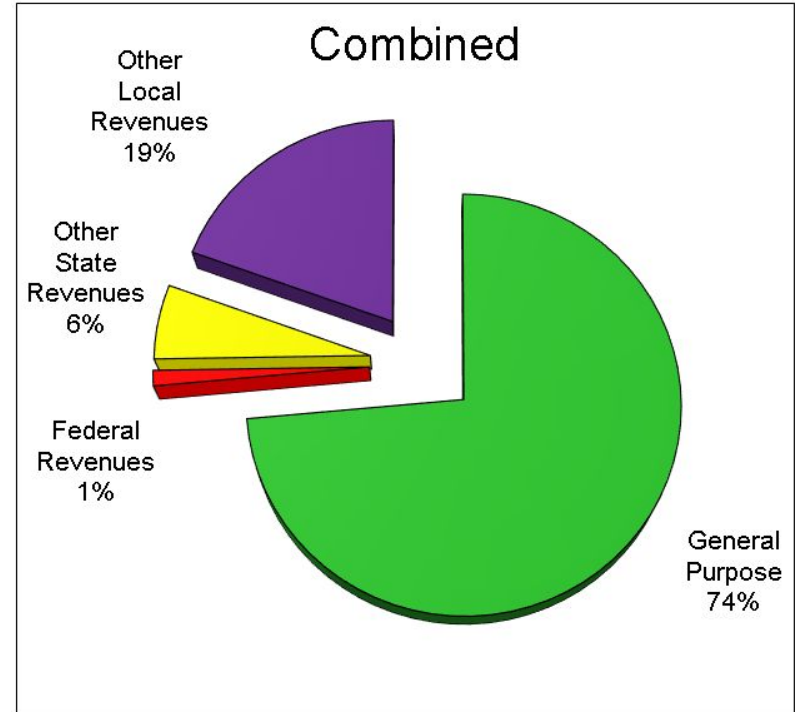
Key Assumptions: * Figures do not include any potential increase in staff compensation

Revenue Sources for 2020-2021 (combined)



- General Purpose \$ 70,116,843
 - Property taxes, Education Protection Account, minimum State Aid
- State Funding \$ 5,489,391
 - Lottery, Special Education, CTEIG, ROP, etc.
- Federal Funding \$ 1,134,613
 - Title I, Title II, IDEA, etc.
- Local Revenue \$ 18,591,408
 - Parcel tax, Foundations, facilities fees, interest

TOTAL: \$ 95,332,255



TUHSD Property Tax revenue scenarios

- Given information provided at Marin County Property Tax Forum by the County Department of Finance & MCOE, TUHSD looked at three possible scenarios & used the 'most likely' scenario for budget adoption
- These figures will updated as more information is provided in the future by County Dept of Finance

Scenario	2020-21	2021-22	2022-23
<i>2nd Interim figures in March</i>	6.0%	4.9%	4.9%
Optimistic	6.0%	3.9%	3.9%
<u>Most Likely</u>	<u>6.0%</u>	<u>2.9%</u>	<u>2.9%</u>
Pessimist	6.0%	1.9%	1.9%

Key Budget Assumptions - Revenues



Property Tax Revenue growth (per Marin County Department of Finance)

- 6.0%* in 2020-21 (6.0% in March 2020)
- 2.9% in 2021-22 (4.9% in March 2020)
- 2.9% in 2022-23 (4.9% in March 2020)
 - Note: Potential downward risk for commercial/retail mid-year re-assessments down (i.e. malls)

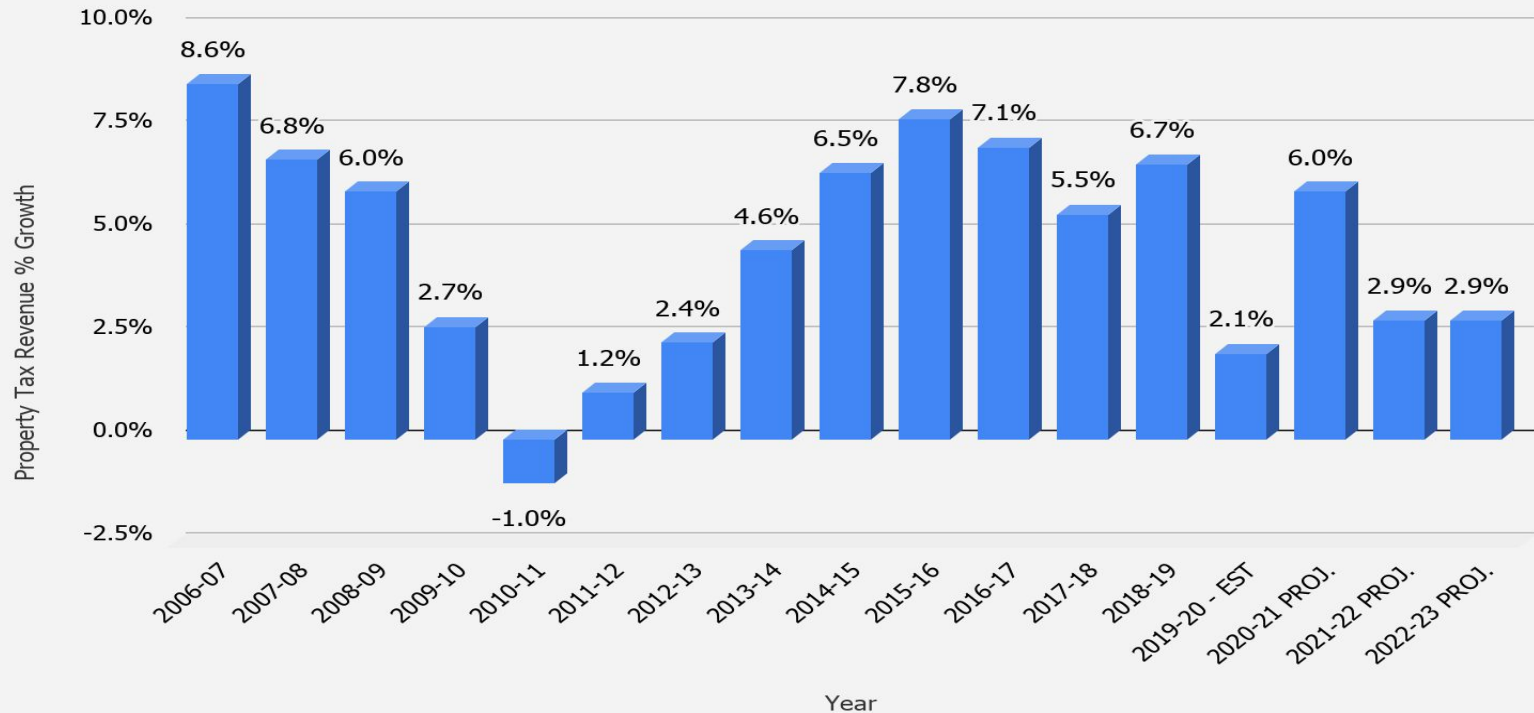
Parcel Tax Revenue

- Increase of 3% with annual inflation adjustment
- Significant uptick in Senior Exemptions processed for 2020-21 resulting in less revenue
- 2020-21 Parcel Tax revenue projected to be \$15.8M

Facilities Rental Revenue

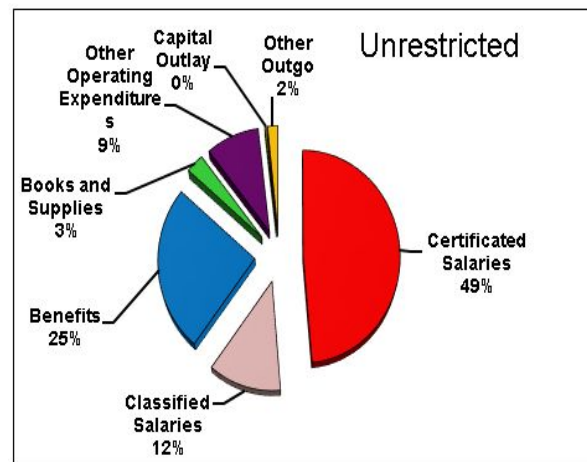
- Due to COVID 'shelter in place' guidelines, revenue is projected to be \$300k, which is a decrease of \$168k from 2019-20

TUHSD Historical Property Tax Revenue Growth



General Fund Expenditures

Description	Unrestricted	Combined
Certificated Salaries	\$32,277,512	\$37,358,685
Classified Salaries	\$7,890,841	\$11,157,812
Benefits (Payroll Taxes and Health & Welfare Contributions)	\$16,921,508	\$24,983,241
Books and Supplies	\$2,010,439	\$2,698,609
Other Operating Expenditures	\$6,006,765	\$13,148,163
Capital Outlay	\$158,200	\$158,200
Other Outgo	\$1,124,343	\$3,462,611
TOTAL	\$66,389,608	\$92,967,321



Salaries and benefits comprise approximately 86% of the District's unrestricted expenditures, and approximately 79% of the combined General Fund expenditures.

Key Budget Assumptions - Expenditures



- Enrollment:
 - 2019-20: 5,113 students
 - 2020-21: 5,191 students (projected)
 - 2021-22: 5,179 students (projected)
 - 2022-23: 5,100 students (projected)
- Certificated Staffing (teachers & counselors):
 - 2019-20: 292.3 fte (full time equivalents)
 - 2020-21: 291.3 fte (projected)
 - 2021-22: 291.7 fte (projected)
 - 2022-23: 298.7 fte (projected) - *'Increased Class Size' MOU expired*

Key Budget Assumptions - Expenditures (cont'd)



- No employee groups have settled on compensation with TUHSD in 2020-21 & beyond
 - Cost of a 1% raise for all staff is \$557k
- Step & Column increases are 1.40% for Certificated and 4.38% for Classified
- \$1.1M of 2020-21 budget reductions Board-approved on 5/12/20 included
- Health & Welfare employee benefit increases up 5%
- Utilities expenses projected to increase 4% annually (i.e. MMWD, PG&E, etc)
- STRS/PERS Pension employer rates reduced by Governor's 'May Revision' is included (*next slide*)
- Continued historic trend of Special Education costs average annual increase of \$1.1M (*later slides*)

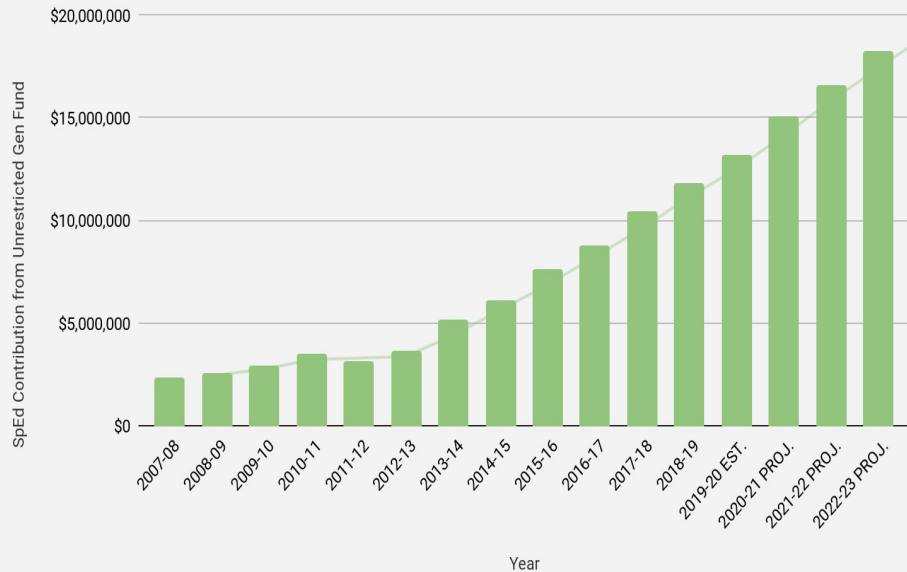
STRS & PERS Pension Employer Rates & Costs

- 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 & costs have more than doubled
- 'May Revise' proposed pension relief is 'one-time' savings of \$1,068,000 for 2020-21 & 2021-22 and is included in our budget proposal

	CalPERS Rate Comparison								
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 est
Employer Rates	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.84%	25.50%	26.20%
Change		2.04%	1.64%	2.53%	1.66%	0.98%	2.14%	2.66%	0.70%
	CalSTRS Rate Comparison								
Employer Rates	10.73%	12.58%	14.43%	16.28%	17.10%	16.15%	16.02%	18.10%	18.10%
Change		1.85%	1.85%	1.85%	0.82%	-0.95%	-0.13%	2.08%	0.00%

Special Education Costs

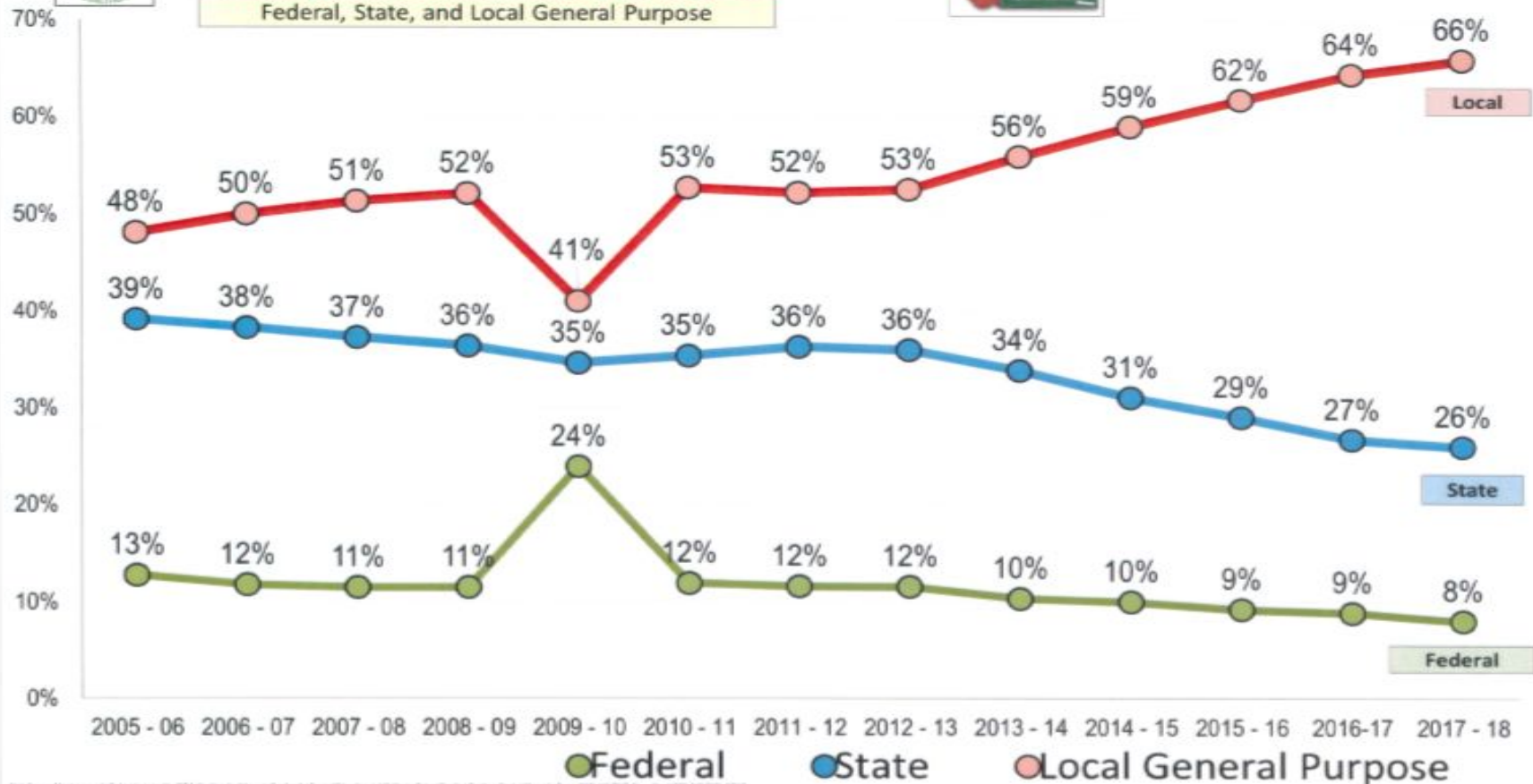
Historic Contribution to Special Education from Unrestricted General Fund



- TUHSD SpEd contributions have increased from \$2.4M to \$15.1M in 12 years
 - Avg. of \$1.1M increase annually
- In 2012, CA law changed increasing district responsibility for funding special education (NPS, mental health)
- 2016 TUHSD Special Education Audit
 - Recommendation to reduce NPS expenses
- TUHSD currently has 4 Counseling Enriched Classrooms (CEC) and opening 5th at San Andreas in the Fall
 - Estimated savings is \$560k annually per CEC
 - Total savings of about \$2.8M annually



California Special Education Funding for *Extra Costs*
Percentage of Total Contribution by Funding Source
Federal, State, and Local General Purpose



Source: Coalition for Adequate School Funding for Special Education (via JLAC)

Description	2020-21 Proposed Budget			2021-22 Projected Budget			2022-23 Projected Budget		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
REVENUES									
General Purpose Revenue (A)	70,116,843	-	70,116,843	72,051,807	-	72,051,807	74,042,498	-	74,042,498
Federal Revenue (B)	-	1,134,613	1,134,613	-	1,134,613	1,134,613	-	1,134,613	1,134,613
State Revenue (B)	823,363	4,666,028	5,489,391	823,363	4,666,028	5,489,391	823,363	4,666,028	5,489,391
Local Revenue (C)	16,098,654	2,492,754	18,591,408	16,531,833	2,492,754	19,024,587	17,019,207	2,492,754	19,511,961
TOTAL REVENUES	87,038,860	8,293,395	95,332,255	89,407,003	8,293,395	97,700,398	91,885,068	8,293,395	100,178,463
EXPENDITURES									
Certificated Salaries (D)	32,277,512	5,081,173	37,358,685	32,886,997	5,152,309	38,039,306	34,005,415	5,224,441	39,229,856
Classified Salaries (D)	7,890,841	3,266,971	11,157,812	8,317,460	3,410,064	11,727,524	8,681,765	3,559,425	12,241,190
Benefits (E)	16,921,508	8,061,733	24,983,241	17,666,928	8,298,946	25,965,874	19,357,410	8,684,044	28,041,454
Books and Supplies (F)	2,010,439	688,170	2,698,609	2,010,439	688,170	2,698,609	2,010,439	688,170	2,698,609
Other Services & Oper. Exp (G)	6,006,765	7,141,398	13,148,163	5,753,765	7,777,398	13,531,163	5,964,565	8,466,398	14,430,963
Capital Outlay (F)	158,200	-	158,200	158,200	-	158,200	158,200	-	158,200
Other Outgo (H)	1,168,213	2,326,555	3,494,768	1,177,142	2,646,555	3,823,697	1,186,419	2,999,555	4,185,974
Transfer of Indirect Costs	(43,870)	11,713	(32,157)	(43,870)	11,713	(32,157)	(43,870)	11,713	(32,157)
TOTAL EXPENDITURES	66,389,608	26,577,713	92,967,321	67,927,061	27,985,155	95,912,216	71,320,343	29,633,746	100,954,089
EXCESS / (DEFICIENCY)	20,649,252	(18,284,318)	2,364,934	21,479,942	(19,691,760)	1,788,182	20,564,725	(21,340,351)	(775,626)
OTHER SOURCES/USES									
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out (I)	(2,022,552)	-	(2,022,552)	(1,922,552)	-	(1,922,552)	(1,847,552)	-	(1,847,552)
Net Other Sources (Uses)	-	-	-	-	-	-	-	-	-
Contributions to Restricted (J)	(18,284,318)	18,284,318	-	(19,691,760)	19,691,760	-	(21,340,351)	21,340,351	-
TOTAL OTHER SOURCES / USES	(20,306,870)	18,284,318	(2,022,552)	(21,614,312)	19,691,760	(1,922,552)	(23,187,903)	21,340,351	(1,847,552)
Net Increase (Decrease)	342,382	-	342,382	(134,370)	-	(134,370)	(2,623,178)	-	(2,623,178)
FUND BALANCE, RESERVES									
Estimated Beginning Balance	16,550,628	994,894	17,545,522	16,893,010	994,894	17,887,904	16,758,640	994,894	17,753,534
Estimated Ending Balance	16,893,010	994,894	17,887,904	16,758,640	994,894	17,753,534	14,135,462	994,894	15,130,356
Nonspendable	12,000	-	12,000	12,000	-	12,000	12,000	-	12,000
Restricted	-	994,894	994,894	-	994,894	994,894	-	994,894	994,894
Assigned	3,757,548	-	3,757,548	3,623,178	-	3,623,178	1,000,000	-	1,000,000
Unassigned - REU @ 3%	2,849,700	-	2,849,700	2,935,100	-	2,935,100	3,084,100	-	3,084,100
Unassigned - Other	10,273,762	-	10,273,762	10,188,362	-	10,188,362	10,039,362	-	10,039,362
Total - Est. Fund Balance	16,893,010	994,894	17,887,904	16,758,640	994,894	17,753,534	14,135,462	994,894	15,130,356

Fund Balance Reserve Percentage
(Combined Assigned & Unassigned)

17.77%

17.12%

13.74%

TUHSD Summary of Multi-Year Projections

	2019-20	2020-21*	2021-22*	2022-23* **
Operating Surplus (Deficit) (March 2020)	\$460k	\$(1.3M)*	\$(207k)*	--* **
Ending Fund Balance/Reserve (March 2020)	\$16.3M (17.0%)	\$14.9M (15.4%)	\$14.5M (14.7%)	--
Operating Surplus (Deficit) (June 2020)	\$718k	\$342k*	\$(134k)*	\$(2.6M)* **
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Key Assumptions:

* Figures do not include any potential increase in staff compensation

** Figures assume a straight renewal of existing parcel taxes despite expiration in June 2022 (per MCOE's guidance)


Potential Multi-year Projection - *No parcel tax renewal?*

	2019-20	2020-21*	2021-22*	2022-23*
Operating Surplus (Deficit) <i>(June 2020)</i> Straight Renewal of Parcel Tax for '22-23	\$718k	\$342k*	\$(134k)*	\$(2.6M)*
Ending Fund Balance/Reserve <i>(June 2020)</i>	\$16.3M (17.3%)	\$16.9M (17.8%)	\$16.8M (17.1%)	\$14.1M (13.7%)
Operating Surplus (Deficit) <i>(June 2020)</i> <u>No</u> renewal of Parcel Tax for '22-23	\$718k	\$342k*	\$(134k)*	\$(18.8M)*
Ending Fund Balance/Reserve <i>(June 2020)</i>	\$16.3M (17.3%)	\$16.9M (17.8%)	\$16.8M (17.1%)	Insolvent in March 2023

Key Assumptions: * Figures do not include any potential increase in staff compensation

Summary of All Funds

Below is a summary of each Fund's fund balance (or reserve) and estimated changes.



FUND	2019-20	Est. Net Change	2020-21
GENERAL (UNRESTRICTED & RESTRICTED)	\$17,545,522	\$342,382	\$17,887,904
ADULT EDUCATION	\$11,274	\$129,092	\$140,366
CAFETERIA	\$23,732	\$155,750	\$179,482
DEFERRED MAINTENANCE	\$0	\$0	\$0
SPECIAL RESERVE	\$9,192	\$100	\$9,292
FOUNDATION SPECIAL RESERVE	\$52,327	\$0	\$52,327
BUILDING	\$0	\$0	\$0
CAPITAL FACILITIES	\$0	\$20,000	\$20,000
CAPITAL OUTLAY	\$2,958,458	\$305,000	\$3,263,458
BOND INTEREST & REDEMPTION	\$9,065,161	\$0	\$9,065,161
SELF-INSURANCE	\$65,012	\$0	\$65,012
TOTAL	\$29,730,676	\$952,324	\$30,683,000

Reserves & Assignments

Reserves & Assignments

2020-21 Estimated Ending General Fund Balance - \$17,887,904 (17.8% reserve level)



Non-Spendable - \$12,000

Restricted - \$994,894

Assigned - \$3,757,548

- 2021-22 Operating Deficit (Unrestricted) - \$134,370
- 2022-23 Operating Deficit (Unrestricted) - \$2,623,178
- Textbook Adoption Purchases (Next Gen Science Standards) - \$500,000
- Distance Learning materials & supplies - \$500,000

Unassigned - 3% minimum reserve for economic uncertainty (REU) - \$2,771,700

Unassigned (Other) - \$10,273,762

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

Uncertainties & Prudence



- Unknown depth and duration of economic downturn & impact on local property tax revenues
- 'May Revise' proposal: Basic aid 'fair share' reduction of 10%
- TUHSD at 'peak enrollment' in 2020-21, but history suggests possible future increases from private schools given economy
- No employee groups have settled on compensation with TUHSD in 2020-21 nor moving forward
- Concerns about future increases to STRS & PERS pension rates given stock market losses despite State relief
- Statewide trend of Special Education costs increases continue (unfunded mandate)
- Class size MOU & both parcel taxes expire in June 2022
- Given \$6.7M of TUHSD budget reductions over past 3 years are assumed ongoing; staff need to monitor to ensure practice continues align with this policy

2020-21 Budget Calendar & Key Dates



June 2020

CA State Legislature must enact budget by June 15th
TUHSD must adopt a budget by June 30th

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Questions? Comments?



Special thanks to our many new Site & Department budget secretaries across the District for their help to prepare this report!