TAMALPAIS UNION HIGH SCHOOL DISTRICT

2020-21 1st Interim Budget Report

December 15, 2020

TAM 21st Century

Why do a 1st Interim budget report?

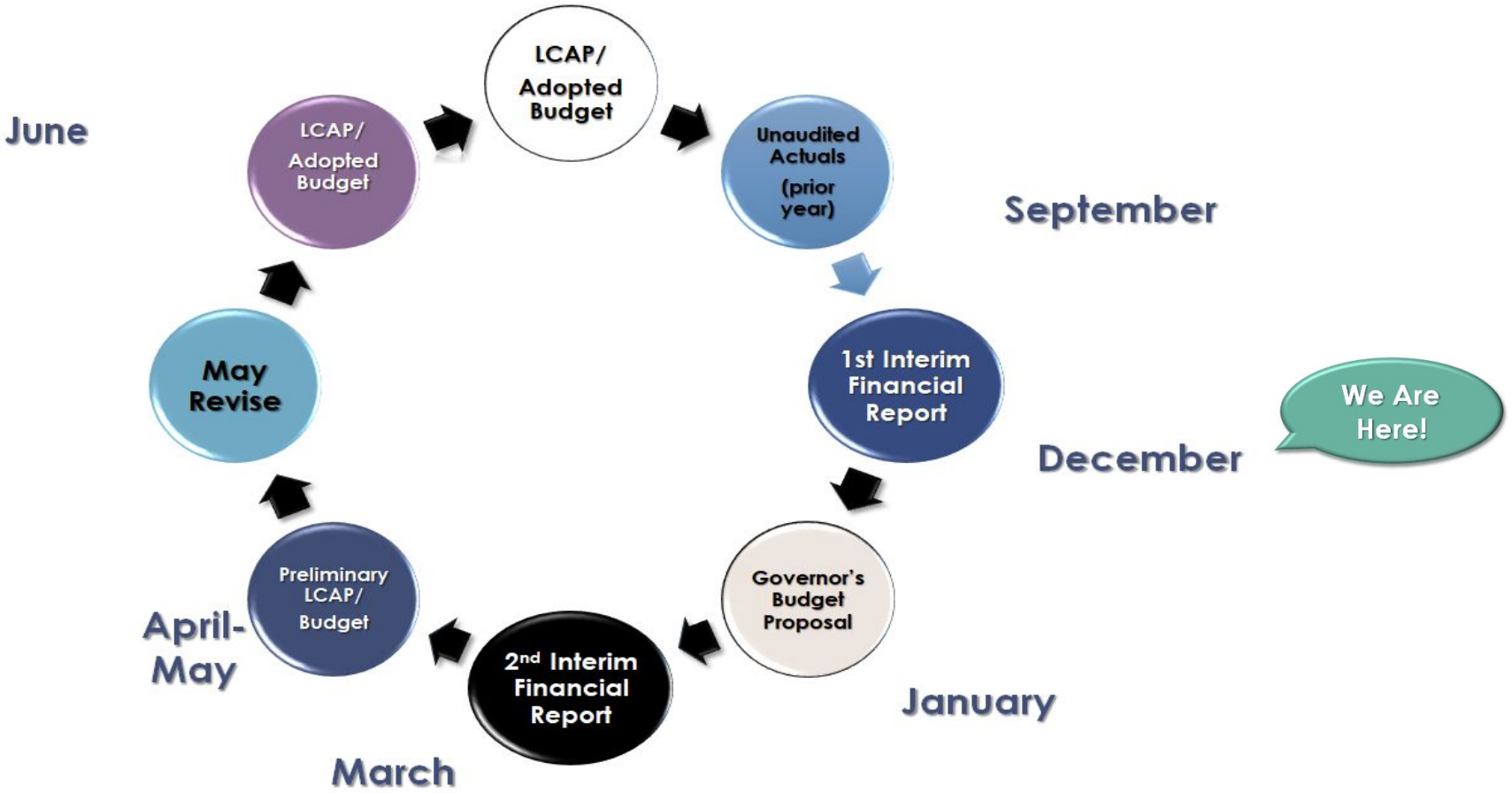
- The 1st Interim reports:
  - Actual financial activity from July 1st through October 31st
  - Projects financial activity through June 30th
- Comparison: Adopted Budget (June) vs. 1st Interim Budget (December)
- Provides an opportunity to:
  - Revise the budget based on any significant changes since 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
- Context: COVID & State Economic Update
- Start with the End: Where were we in June and now in December?
- 2020-21 Budget: Revenue & Expenditures - What has changed since June?
- Multi-Year Projection - Where are we going?
- Uncertainties and Next Steps
- Questions & Comments

Budget Reporting Cycle

Budget Reporting Cycle

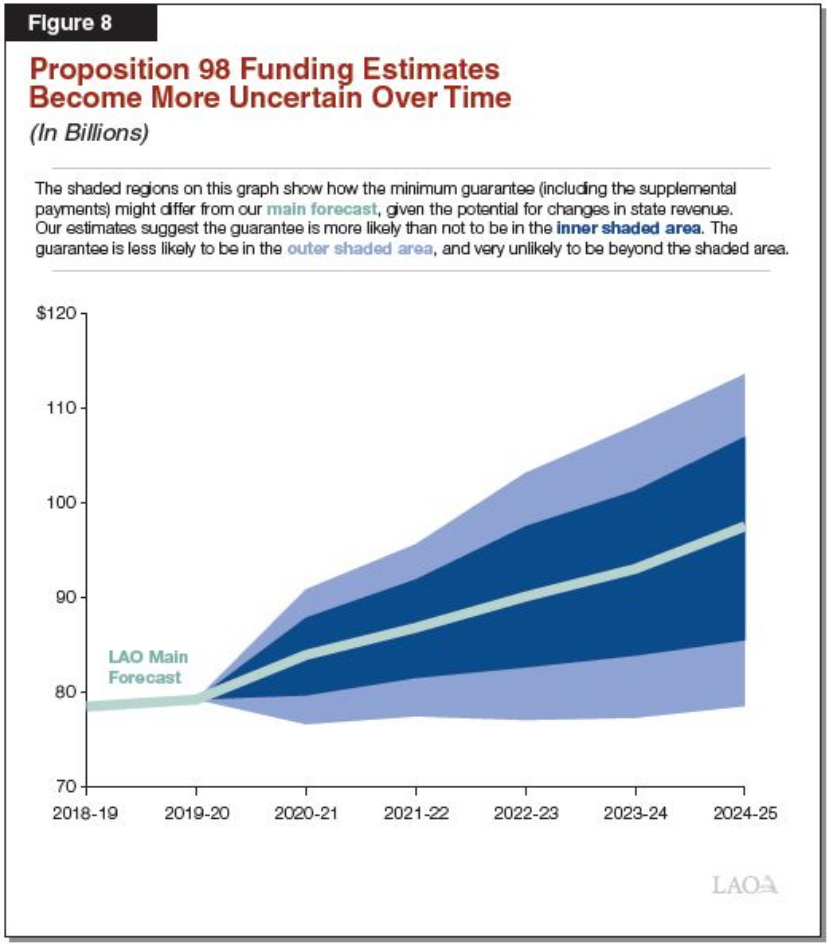


COVID Context
& State Economic Update

State Economic Forecast - November update from LAO

Legislative Analyst's Office report:

- Rapid rebound for many parts of the economy
- Significantly higher revenues compared to June assumptions
  - June: under Proposition 98's constitutional calculation, tax revenue decline resulted in a lower required funding level by $19 billion General Fund for K-12 schools and community colleges.
  - November: Prop 98 estimate is up $1.6 billion for 2019-20 & up $13.1 billion for 2020-21 and is entirely 'one-time' funds, but faces growing operating deficits beginning in 2021-22 and beyond
- Potential considerations for Governor's 2021-22 January Budget Proposal for unexpected 'one-time' funds:
  - Pay down cash deferrals
  - Dedicate as a 'budget cushion' given future State deficits
  - Extend 'one-time' pension relief to school districts
    - *Most beneficial option for TUHSD*



Start with the End

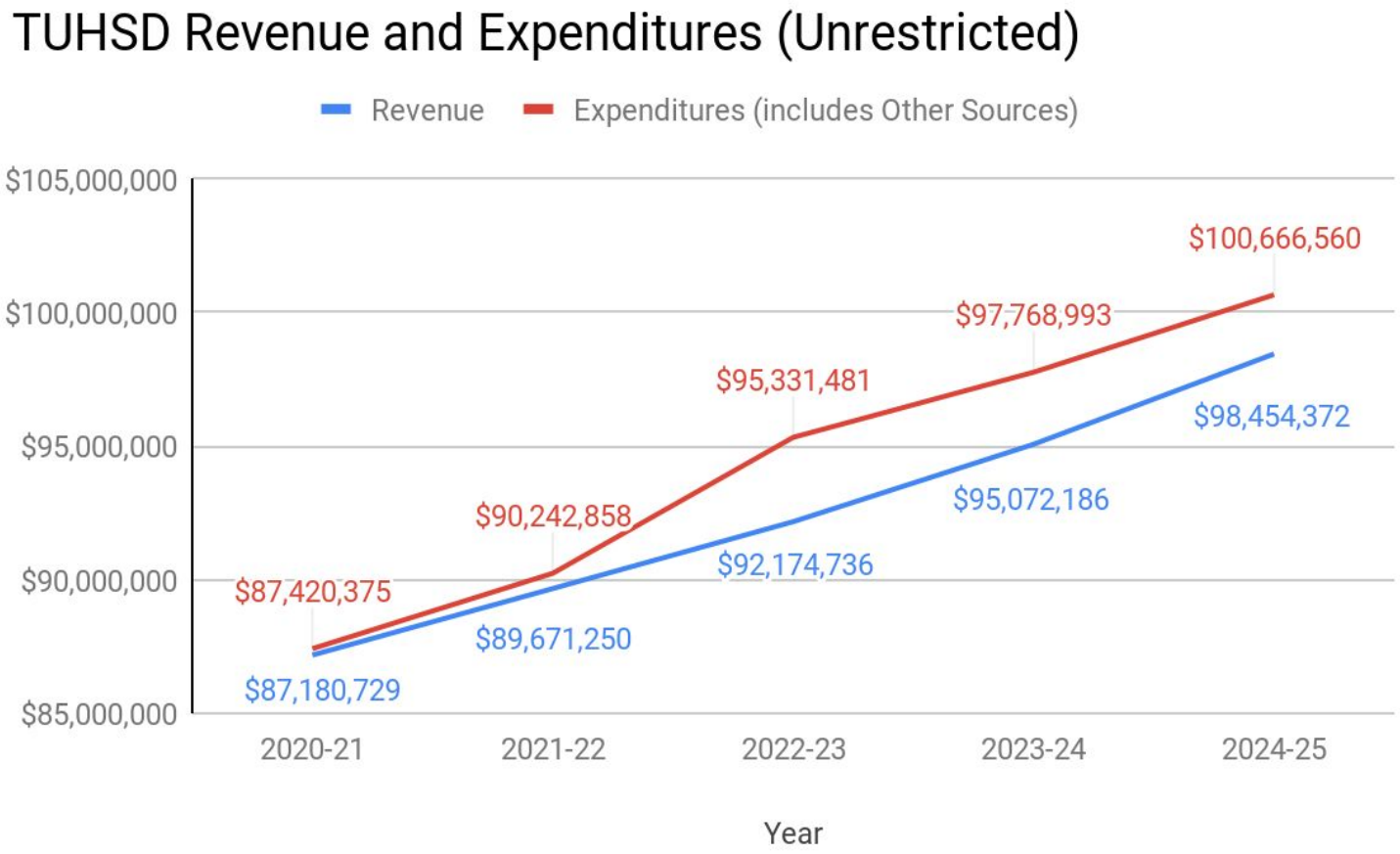
Where were we in June and now in December?

Summary of Multi-Year Projections *(official 3-yr & projected 5-yr)*

	2020-21	2021-22	2022-23	2023-24	2024-25
Operating Surplus (Deficit) (June 2020)	$342k*	$(134k)*	$(2.6M)*	$(2.2M)*	$(1.9M)*
Ending Fund Balance/Reserve (June 2020)	$16.9M* (17.8%)	$16.8M* (17.1%)	$14.1M* (13.7%)	$13.5M* (11.3%)	$11.6M* (9.3%)
Operating Surplus (Deficit) (Dec 2020)	$(240k)*	$(572k)*	$(3.2M)*	$(2.7M)*	$(2.2M)*
Ending Fund Balance/Reserve (Dec 2020)	$18.0M* (17.7%)	$17.5M* (17.7%)	$14.3M* (13.8%)	$11.6M* (10.9%)	$9.4M* (8.6%)

Key Assumption: * **Figures do <u>not</u> include any potential increase in staff compensation (cost of 1% raise = $557k)**

Summary of Multi-Year Projections *(5-year)*



Revenue

Basic Aid vs. State-Funded (LCFF)

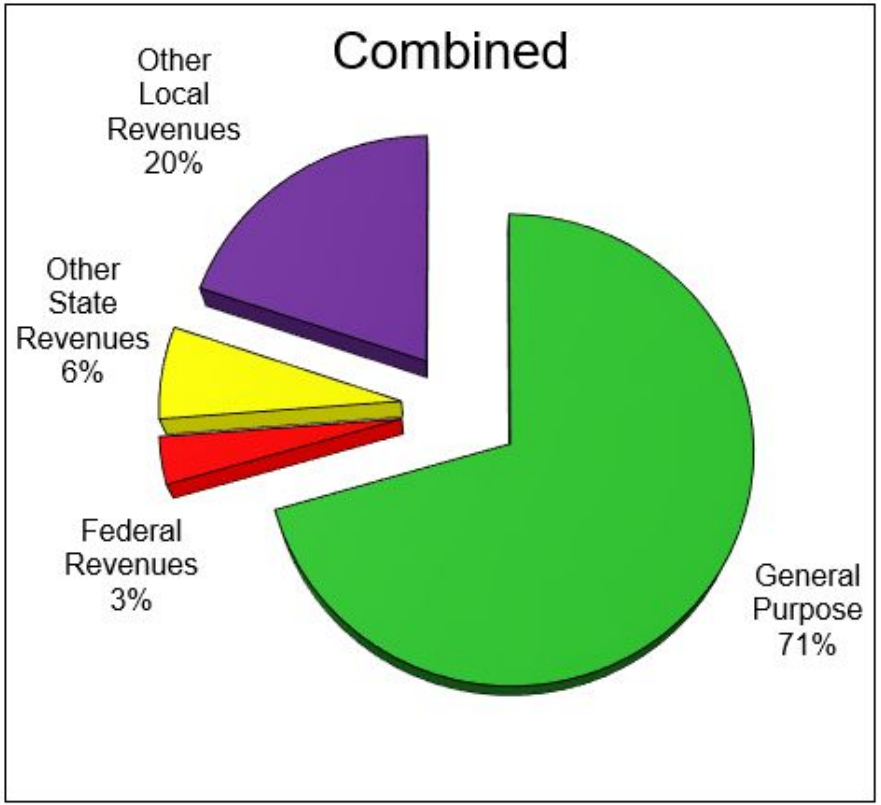
- District is entitled to a calculated revenue entitlement
- Comprised of both local property taxes revenue and state aid
- If property taxes exceed the calculated revenue entitlement, then the district keeps the overflow revenue and receives only basic (minimal) state aid
- Does not receive significant additional revenue for each new student in enrollment growth
- *TUHSD is about $18M 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 2020-21 General Revenue (combined)

- General Purpose $ 70,116,633
  - Property taxes, EPA, Minimum State Aid
- State Funding $ 6,332,697
  - Lottery, Special Education, ROP, etc
- Federal Funding $ 3,254,177
  - Title funding, IDEA, etc.
- Local Revenue $ 19,723,740
  - Parcel tax, Foundations, facilities fees, interest

TOTAL: $ 99,427,247



From June Budget Adoption: 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 be updated as more information is provided in the future by County Dept of Finance

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

Note: All figures are related to 'Secured' property taxes, not total property taxes

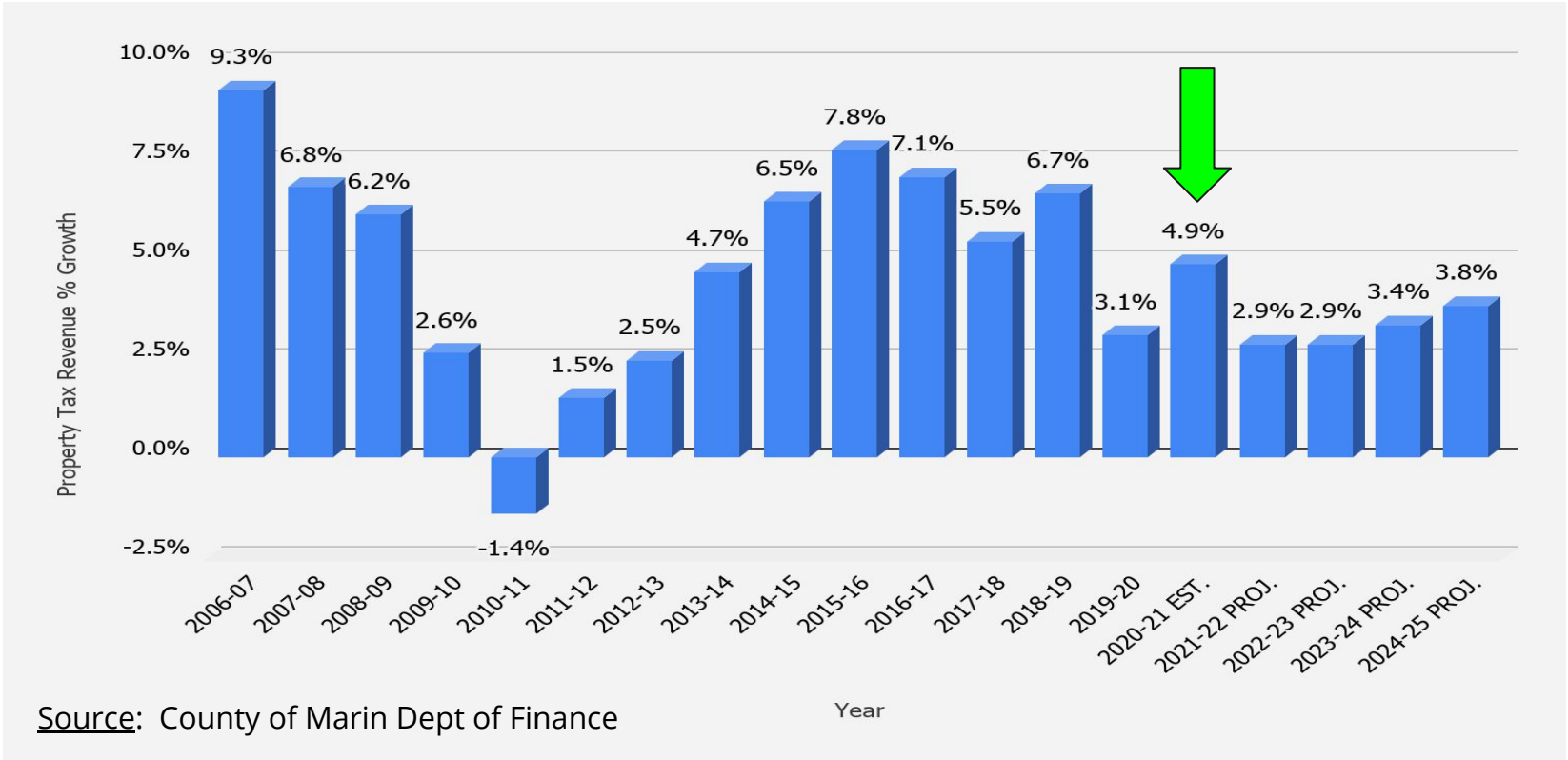
Current TUHSD Property Tax revenue estimates

- These figures are updated with more current information is provided by County Dept of Finance
- **Note**: The 2020-21 revenue dollar estimate is the same, but the percentage growth has decreased as a result of the 2019-20 property tax revenue 'base' increasing, as seen in 2019-20 TUHSD Unaudited Actuals in Sept 2020

Scenario	2020-21	2021-22	2022-23	2023-24	2024-25
2nd Interim figures in March	6.0%	4.9%	4.9%	4.9%	4.9%
Most Likely (June Budget Adoption)	6.0%	2.9%	2.9%	3.4%	3.9%
1st Interim (Dec)	***4.9%*** ***(see note above)***	***2.9%***	***2.9%***	***3.4%***	***3.9%***

Note: All figures are related to 'Secured' property taxes, not total property taxes

TUHSD Historical Secured Property Tax Revenue Growth



Source: County of Marin Dept of Finance

Key Budget Assumptions - Other Revenues

Parcel Tax revenue

- Passage of Measure M ('straight renewal') for 9 years through June 2029
- Increase of 3% with annual inflation adjustment for individual parcels
- Significant uptick in Senior Exemptions processed for 2020-21 resulting in less total revenue

'CARES Act' Federal revenue

- One-time funding of $2.4M to mitigate the learning and safety impact of COVID-19

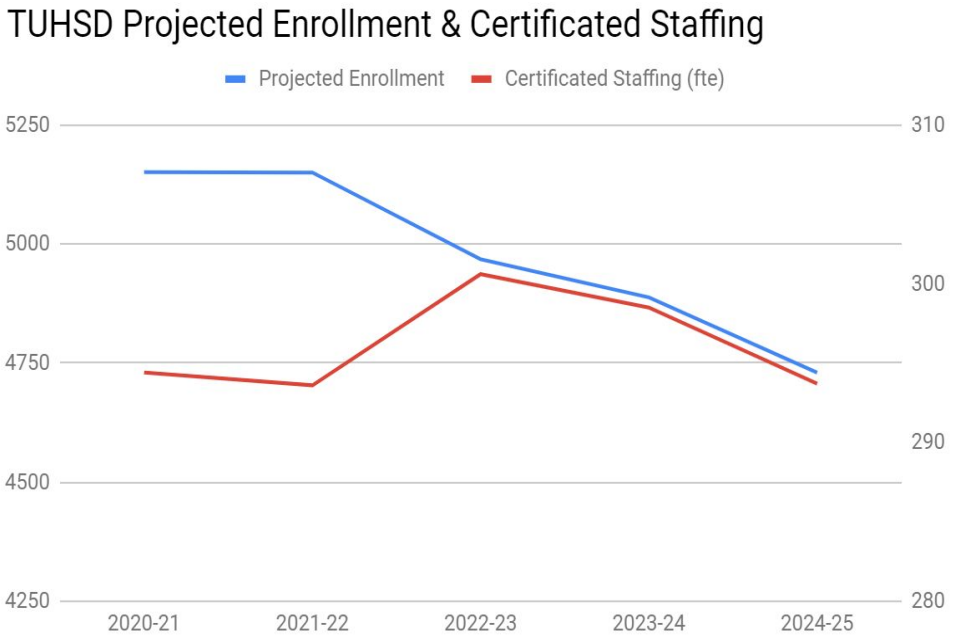
Facilities Rental revenue

- Due to COVID 'shelter in place' guidelines, revenue is projected to be $202k, which is a decrease of $100k from Adopted Budget in June

Expenditures

Key Budget Assumptions - Expenditures

School Year	Projected Enrollment	Certificated Staffing (fte)
2020-21	5151	294.4
2021-22	5150	293.6
2022-23	4968	300.6
2023-24	4888	298.5
2024-25	4730	293.7



Notes:

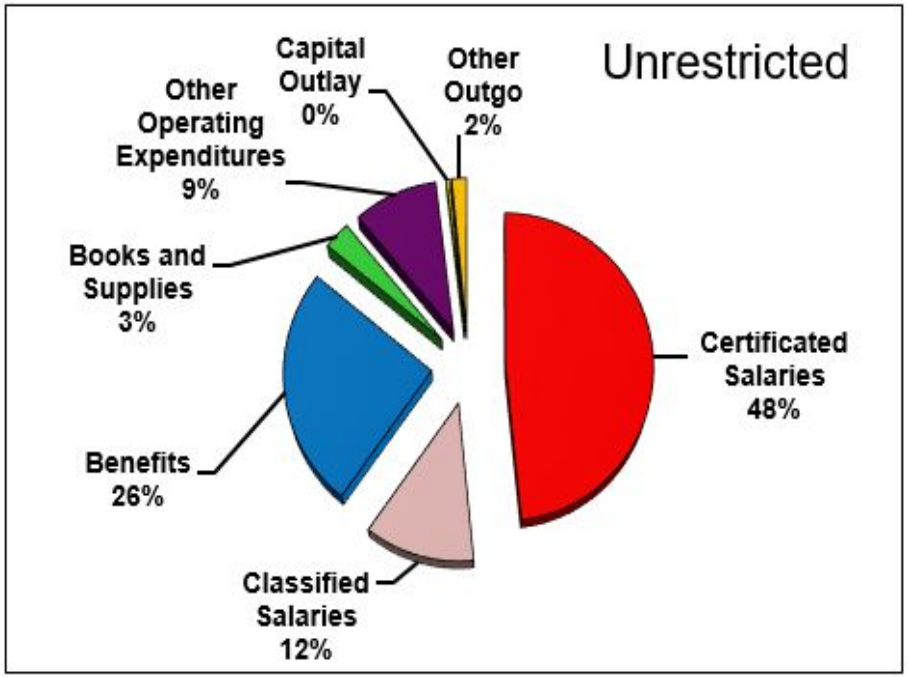
- 2020-21: Increase of 2.3 fte given site staffing needs since Budget Adoption in June; 0.4fte is 'one time' using CARES Act funds
- 2022-23: Increase of 7.0 fte due to '*Class Size increase*' MOU expiration

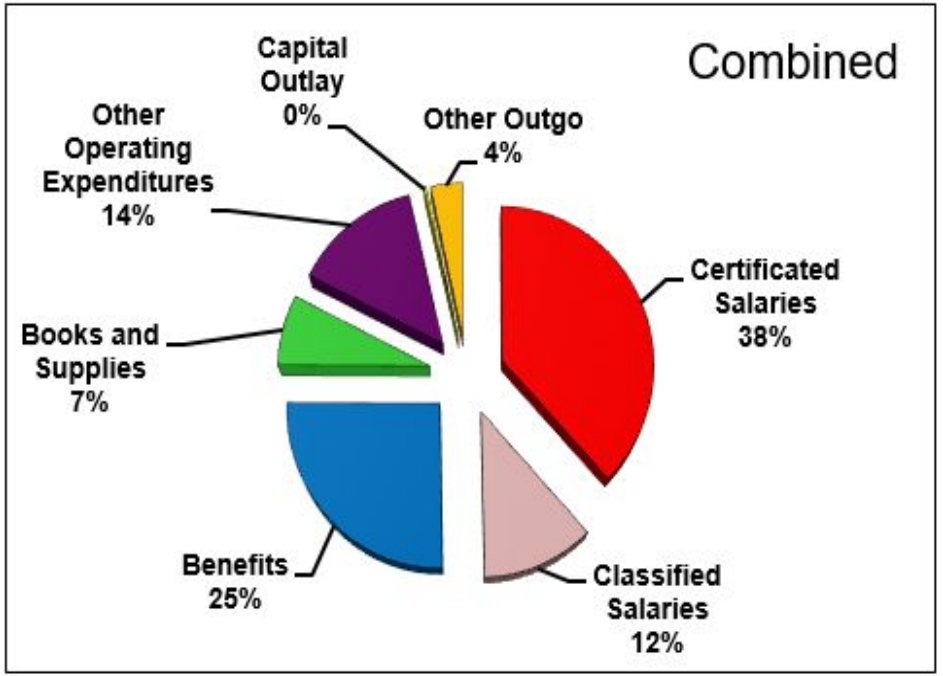
General Fund Expenditures

Description	Unrestricted	Combined
Certificated Salaries	$32,511,909	$38,024,515
Classified Salaries	$7,931,493	$11,528,062
Benefits (Payroll Taxes and Health & Welfare Contributions)	$17,112,860	$25,319,169
Books and Supplies	$2,006,256	$7,232,466
Other Operating Expenditures	$6,305,478	$13,885,905
Capital Outlay	$227,845	$275,949
Other Outgo	$1,106,419	$3,494,202
TOTAL	**$67,202,260**	**$99,760,268**

Salaries and benefits comprise approximately 86% of the District's unrestricted expenditures, and approximately 75% of the combined General Fund expenditures.

General Fund Expenditures



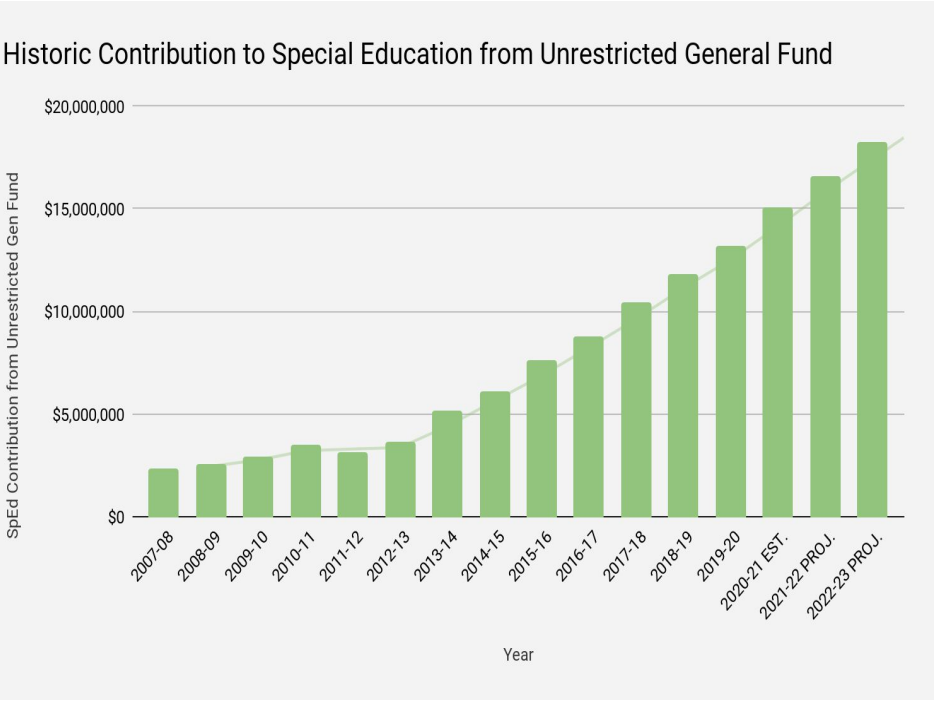


STRS & PERS Pension Employer Rates & Costs

- 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
- State pension relief provides '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 in 2022-23

CalPERS Rate Comparison								
	2015-16	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
Employer Rates	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	23.00%	26.30%
Change		2.04%	1.64%	2.53%	1.66%	0.98%	2.30%	3.30%
CalSTRS Rate Comparison								
Employer Rates	10.73%	12.58%	14.43%	16.28%	17.10%	16.15%	15.92%	18.40%
Change		1.85%	1.85%	1.85%	0.82%	-0.95%	-0.23%	2.48%

Special Education Costs



- In 2012, CA law changed increasing district responsibility for funding special education (NPS, mental health)
- TUHSD SpEd contributions have increased from $2.4M to $15.1M 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

Budget Adoption (June)
vs.
1st Interim (December)

Reconciliation of Adopted vs. 1st Interim Budgets

Description	*Amount*
2020-21 Budget Adoption Projected Surplus	**$ 342,382**
Add: Variance Components (*See Next Slide*)	**$ (582,028)**
2020-21 First Interim Projected Deficit	**$ (239,646)**

Reconciliation of Variance Components

Description of Variance Components	*Amount*
Increase in state lottery revenue	$212k
Decrease in local revenue given reduction primarily due to facilities rentals given COVID-19 restrictions	$(70k)
Increase in certificated staffing expenditures given additional teacher staffing (1.9 fte) and revised extra service stipends	$(234k)
Increase in benefit expenditures associated with increased staffing levels & associated fringe benefits	$(191k)
Increase in other services due to $84k increase in property & liability insurance and $186k in digital subscriptions & IT services	$(299k)
Decrease in restricted contributions due to ongoing Foundation support for BACR therapeutic services & reduced ROP expenditures	$89k
Other net adjustments *(additional Health Specialist salary & benefits, M&O expenses, etc.)*	$(88k)
Total Variance	**$(582k)**

Reconciliation of Adopted vs. 1st Interim Budgets

Description	*Amount*	*Ending Fund Balance (Reserve)*
2020-21 Budget Adoption Projected Surplus	**$ 342,382**	**$16,893,010 (17.8%)**
Add: Variance Components (*See Previous Slide*)	**$ (582,028)**	**$1,124,999** (net change adjusted by 2019-20 Unaudited Actuals & 2020-21 variance)
2020-21 First Interim Projected Deficit	**$ (239,646)**	**$18,018,009 (17.7%)**

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

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

- Revolving cash - $12,000
- Restricted - $920k
- Assignments (i.e. future Projected Operating Deficits, NGSS Textbook Adoption & Distance Learning)- $4.7M
- Reserve for Economic Uncertainty (3% State-required minimum) - $3.1M
- Unassigned - (Board Policy reserve toward 17% minimum target) - $10.2M

Other Funds

Summary of Other Funds

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

FUND	2019-20	Est. Net Change	2020-21
GENERAL (UNRESTRICTED & RESTRICTED)	$21,293,313	($2,355,573)	$18,937,740
ADULT EDUCATION	$582,778	($563,136)	$19,642
CAFETERIA FUND	$501,834	($114,115)	$387,719
DEFERRED MAINTENANCE	$2,435,480	($2,435,480)	$0
SPECIAL RESERVE FUND	$9,280	$100	$9,380
FOUNDATION SPECIAL RESERVE	$53,413	$0	$53,413
BUILDING FUND	$0	$0	$0
CAPITAL FACILITIES FUND	$308,172	($265,172)	$43,000
CAPITAL OUTLAY FUND	$3,943,873	$305,000	$4,248,873
BOND INTEREST & REDEMPTION	$9,110,109	$0	$9,110,109
SELF-INSURANCE	$66,771	$0	$66,771
TOTAL	**$38,305,023**	($5,428,376)	**$32,876,647**

Note: Deferred Maintenance (Fund 14) only projected to spend about $550k; the entire $2.4M budgeted above is a placeholder for department purposes

Multi-Year Projections (MYP)

Official 3-yr & Projected 5-yr

Summary of Multi-Year Projections *(official 3-yr & projected 5-yr)*

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Key Assumption: * Figures do not include any potential increase in staff compensation (cost of 1% raise = $557k)

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

Revenue Assumptions:

- Local property tax revenue growth:

Total Prop. Tax Growth	2020-21	2021-22	2022-23	2023-24	2024-25
1st Interim (Dec)	4.9%	2.9%	2.9%	3.4%	3.8%

- Federal & State revenue is expected to remain relatively constant compared to 2020-21
  - Note: Removal of 'one-time' 2020-21 federal CARES Act funding
- 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 ('20-21 & '21-22)

Expenditure Assumptions:

- Projected Enrollment & Certificated Staffing levels

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- 'One-time' expenditures in 2020-21 using CARES Act funding are removed in 2021-22
- State $1.1M of employer-paid pension relief in '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 $557k in 2020-21
- 'Class size increase' MOU expires after 2021-22 school year
- All new employees hired for 2019-20 have a cap on District-paid health benefits (i.e. Healthcap)
- Continued historic trend of Special Education costs increasing approximately 14% annually for past 3 years
- Utilities expenses projected to increase 4% annually (i.e. MMWD, electric, sewer, etc.)

Uncertainties & Prudence

- COVID, the Rebounding Economy & Safety Measures:
  - Impact on property tax revenues? More ‘upside’ potential?
  - Unanticipated expenditures with return to ‘in person’ instruction in January? Fall of 2021-22?
  - Potential future federal & State COVID relief? (i.e. House-tabled HEROES Act, new State pension relief)
    - State pension relief of $1.1M in both ‘20-21 & ‘21-22 expires in 2022-23
- Enrollment decline is projected starting in 2021-22
- None of the employee groups have settled on compensation & TUHSD in 2020-21 or into the future
- ‘Class size increase’ MOU expires after 2021-22 school year
- For 2022-23, potential expenditure reduction recommendations (amount TBD) from Fiscal Advisory committee to balance future projected operating deficits

1st Interim Certification

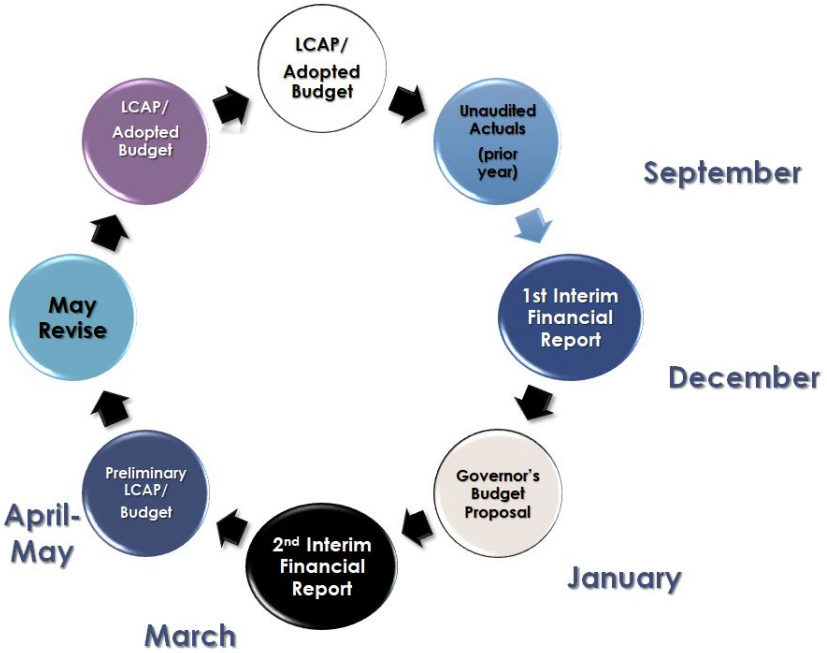
- Per AB 1200
- *The First Interim projection indicates that, as defined in AB 1200, "the district **will** be able to meet its financial obligations for the current fiscal year and subsequent two years."*

The District is self-certifying as "Positive"

Budget Calendar
&
Key Dates

Budget Calendar & Key Dates

January 2021	Governor's proposal for State budget
	TUHSD Board Budget workshop
March 2021	2nd Interim Budget Report for 2020-21
May 2021	Governor's May Revise budget proposal
June 2021	Board adopts 2021-22 LCAP & Budget



Questions? Comments?

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