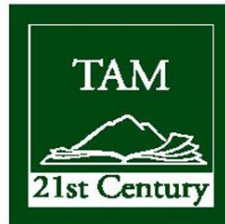





TAMALPAIS UNION HIGH SCHOOL DISTRICT

2020-21 2nd Interim Budget

March 9, 2021



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 2020) vs. 2nd Interim Budget (March 2021)
 - 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”

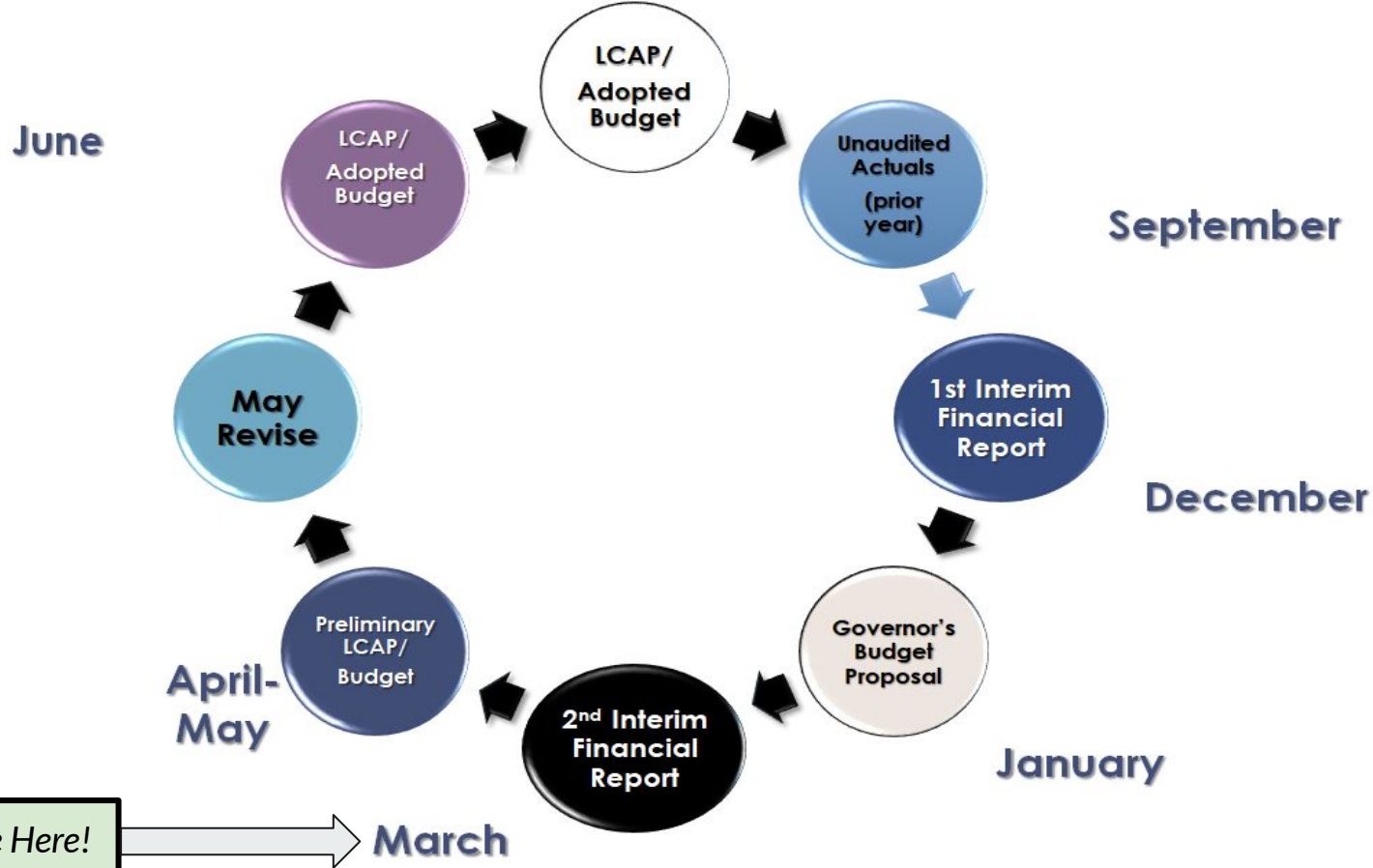
Agenda

- Budget Reporting Cycle
- Start with the End: *Where are we now compared to December?*
- 2020-21 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?

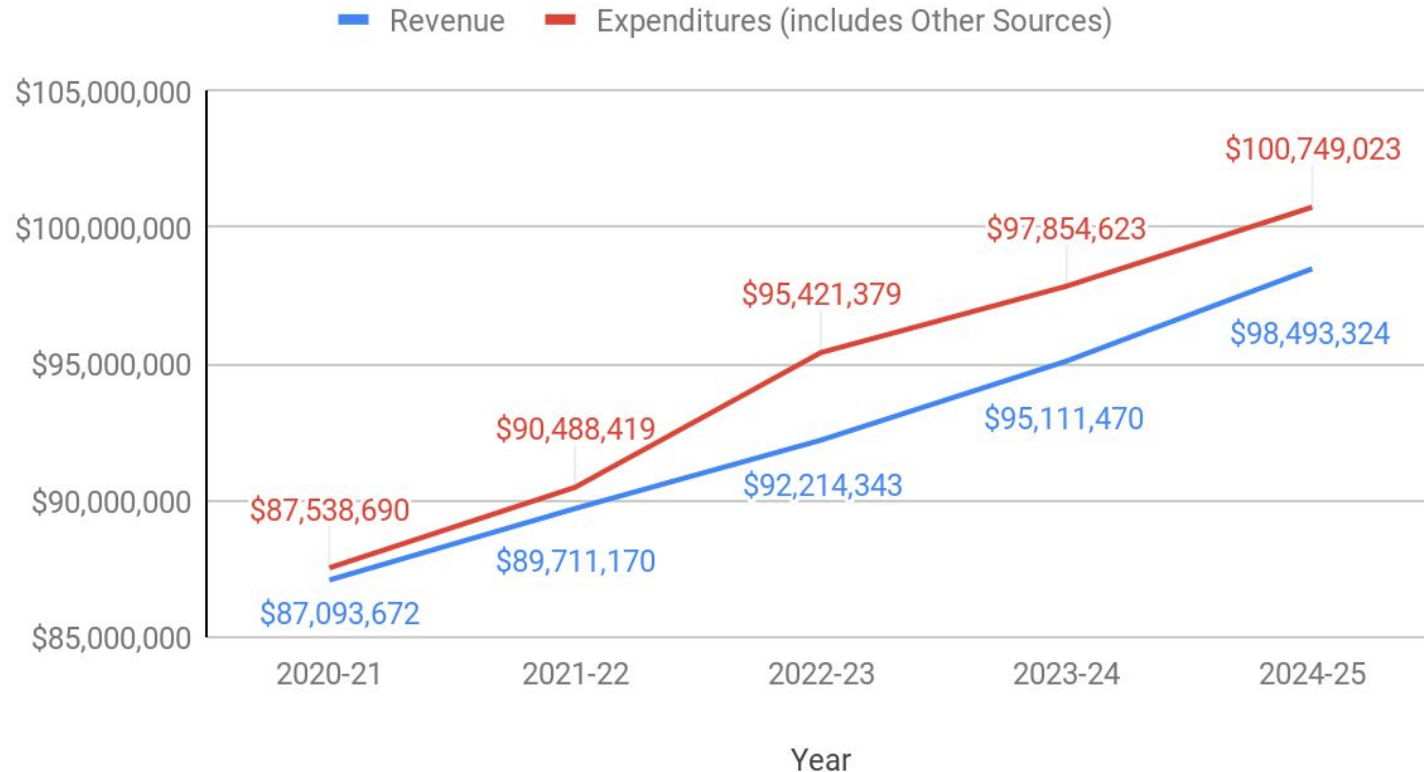
Summary of Multi-Year Projections *(official 3-yr & projected 5-yr)*

	2020-21	2021-22	2022-23	2023-24	2024-25
Operating Surplus <i>(Deficit)</i> <i>(Dec 2020)</i>	\$(240k)*	\$(572k)*	\$(3.2M)*	\$(2.7M)*	\$(2.2M)*
Ending Fund Balance/Reserve <i>(Dec 2020)</i>	\$18.0M* (17.7%)	\$17.5M* (17.7%)	\$14.3M* (13.8%)	\$11.6M* (10.9%)	\$9.4M* (8.6%)
Operating Surplus <i>(Deficit)</i> <i>(March 2021)</i>	\$(445k)*	\$(777k)*	\$(3.2M)*	\$(2.7M)*	\$(2.3M)*
Ending Fund Balance/Reserve <i>(March 2021)</i>	\$17.8M* (17.4%)	\$17.0M* (17.3%)	\$13.8M* (13.4%)	\$11.1M* (10.5%)	\$8.8M* (8.1%)

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

Summary of Multi-Year Projections (5-year)

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 \$18M over the LCFF entitlement

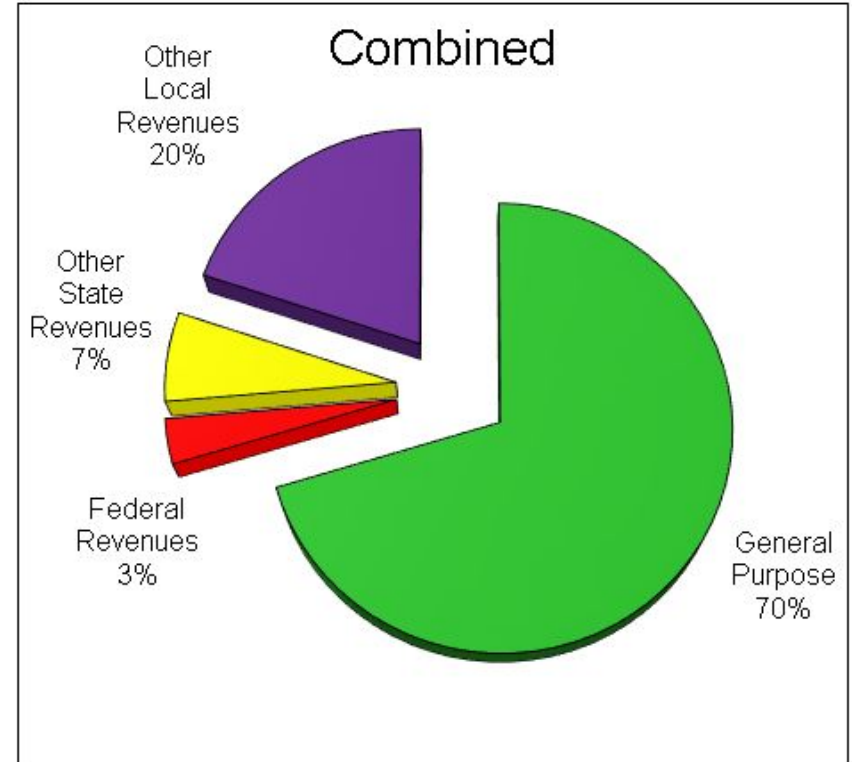
- Formerly referred to as 'Revenue Limit'
- District is entitled to a calculated revenue entitlement
- Comprised of both local property taxes and state aid
- When property taxes do not meet the calculated revenue entitlement, then the State makes up the shortfall with additional funding up to the calculated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



Sources of 2020-21 General Revenue (combined)

➤	General Purpose	\$	70,016,633
	○ Property taxes, EPA, Minimum State Aid		
➤	State Funding	\$	6,423,494
	○ Lottery, Special Education, ROP, etc		
➤	Federal Funding	\$	3,257,978
	○ Title funding, IDEA, etc.		
➤	Local Revenue	\$	19,815,157
	○ Parcel tax, Foundations, facilities fees, interest		

TOTAL: \$ 99,513,262



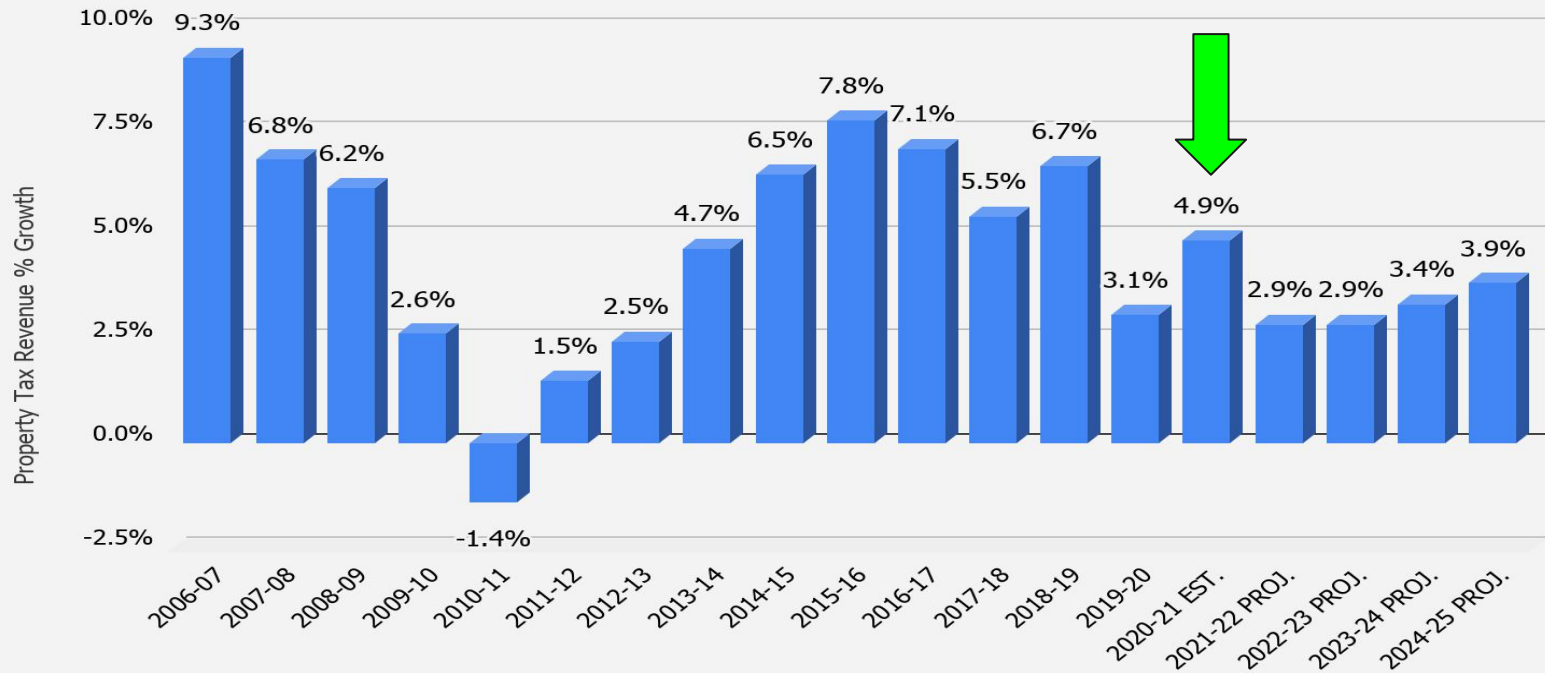
Current TUHSD Property Tax revenue estimates

- These figures are provided by Marin County Department of Finance

Scenario	2020-21	2021-22	2022-23	2023-24	2024-25
1st Interim (Dec 2020)	4.9%	2.9%	2.9%	3.4%	3.9%
2nd Interim (March 2021)	4.9%	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

Year

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

Primary Drivers:

Enrollment

STRS & PERS pension rate increases

Special Education



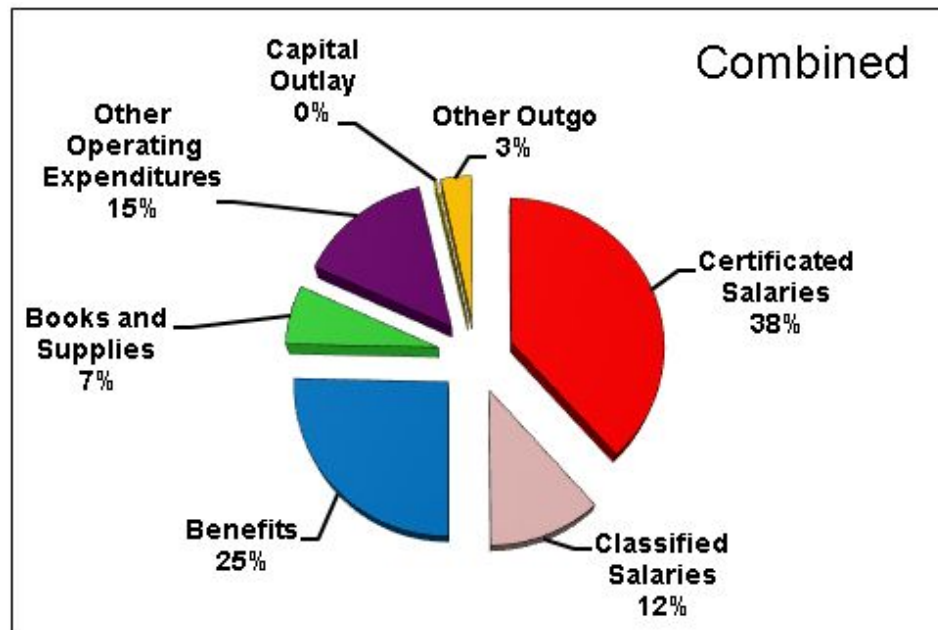
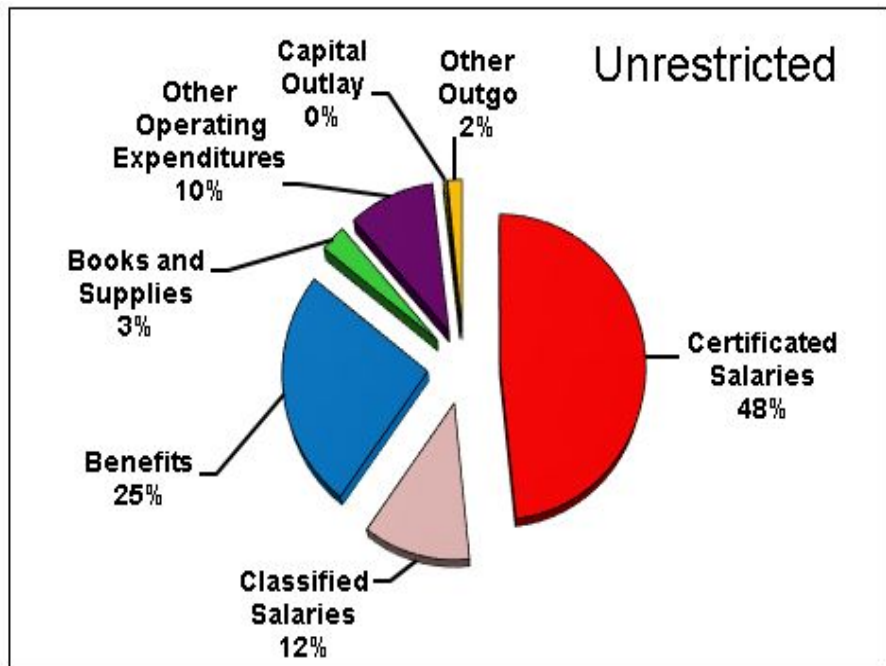
General Fund Expenditures



Description	Unrestricted	Combined
Certificated Salaries	\$32,703,103	\$38,436,061
Classified Salaries	\$7,891,661	\$11,602,921
Benefits (Payroll Taxes and Health & Welfare Contributions)	\$17,207,402	\$25,484,179
Books and Supplies	\$1,976,135	\$6,461,261
Other Operating Expenditures	\$6,584,286	\$14,653,226
Capital Outlay	\$168,445	\$216,549
Other Outgo	\$1,101,658	\$3,368,035
TOTAL	\$67,632,690	\$100,222,232

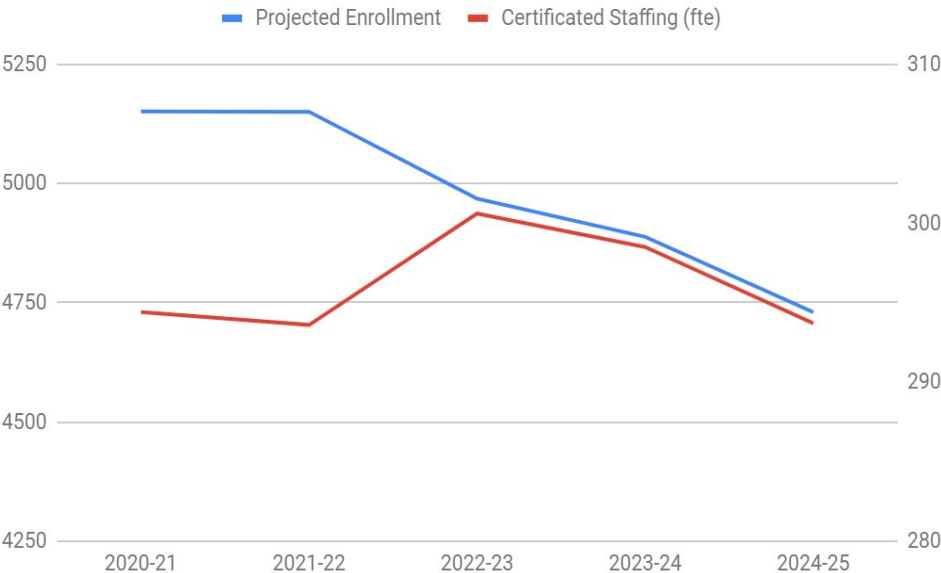
Salaries and benefits comprise approximately 85% of the District's unrestricted expenditures, and approximately 75% of the combined General Fund expenditures.

General Fund Expenditures



Key Budget Assumptions - Enrollment & Staffing

TUHSD Projected Enrollment & Certificated Staffing



School Year	Projected Enrollment	Certificated Staffing (fte)
2020-21	5151	293.5
2021-22	5150	294.5
2022-23	4968	299.7
2023-24	4888	297.6
2024-25	4730	293.0

Notes:

- 2020-21: Decrease in 0.9 fte due to changes related to reduction of site Learning Hubs given school re-opening
- 2022-23: Increase of 7.0 fte due to 'Class Size increase' MOU expiration

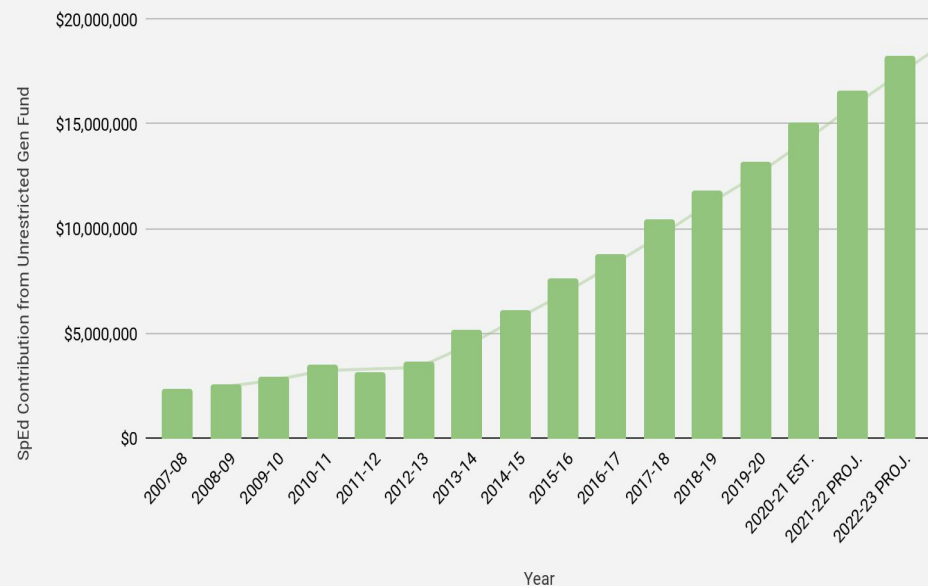
STRS & PERS Pension Employer Rates & Costs

- 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
- 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%	18.00%
Change		1.85%	1.85%	1.85%	0.82%	-0.95%	-0.23%	2.08%

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 \$15.1M 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

Comparison:

1st Interim (December 2020)

VS.

2nd Interim (March 2021)

Reconciliation of 1st Interim vs. 2nd Interim Budgets



<i>Description</i>	<i>Amount</i>
2020-21 First Interim Projected Deficit	\$ (239,646)
Add: Variance Components (See Next Slide)	\$ (205,372)
2020-21 Second Interim Projected Deficit	\$ (445,018)

Reconciliation of Variance Components

<i>Description of Variance Components</i>	<i>Amount</i>
Increase in certificated staffing expenditures given increase maternity/paternity leaves, instructional coach and extra service stipends, and catastrophic leave assessments	\$(192k)
Increase in benefit expenditures associated with increased certificated staffing expenditures & associated fringe benefits	\$(95k)
Increase in other services due to increase of legal services and information technology services	\$(279k)
Decrease in capital outlay due removing capital costs for technology equipment	\$59k
Reduced contribution to Restricted Fund due to decreases in Special Education excess costs and increases in mental health revenue	\$141k
Other net adjustments (<i>proceeds from closing Fund 67, classified salaries, etc.</i>)	\$161k
Total Variance	\$(205k)

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 Deficit	\$ (239,646)	\$18,018,009 (17.7%)
Add: Variance Components <i>(See Previous Slide)</i>	\$ (205,372)	\$ (205,372)
2020-21 Second Interim Projected Deficit	\$ (445,018)	\$17,812,637 (17.3%)

TUHSD has a target minimum reserve of at least 17%, per Board Policy. Given this budget report, the District will comply with this policy for 2020-21 & 2021-22, but not in 2022-23 & beyond.

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

- Revolving cash - \$12,000
- Restricted - \$917k
- Assignments (i.e. future Projected Operating Deficits, NGSS Textbook Adoption & Distance Learning) - \$5.0M
- Reserve for Economic Uncertainty (3% State-required minimum) - \$3.1M
- Unassigned - (Board Policy reserve toward 17% minimum target) - \$9.8M

Other Funds

Summary of All 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	(\$2,564,478)	\$18,728,835
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	\$343,505	\$9,453,614
SELF-INSURANCE	\$66,771	(\$66,771)	\$0
TOTAL	\$38,305,023	(\$5,360,547)	\$32,944,476

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)*

	2020-21	2021-22	2022-23	2023-24	2024-25
Operating Surplus <i>(Deficit)</i> <i>(Dec 2020)</i>	\$(240k)*	\$(572k)*	\$(3.2M)*	\$(2.7M)*	\$(2.2M)*
Ending Fund Balance/Reserve <i>(Dec 2020)</i>	\$18.0M* (17.7%)	\$17.5M* (17.7%)	\$14.3M* (13.8%)	\$11.6M* (10.9%)	\$9.4M* (8.6%)
Operating Surplus <i>(Deficit)</i> <i>(March 2021)</i>	\$(445k)*	\$(777k)*	\$(3.2M)*	\$(2.7M)*	\$(2.3M)*
Ending Fund Balance/Reserve <i>(March 2021)</i>	\$17.8M* (17.4%)	\$17.0M* (17.3%)	\$13.8M* (13.4%)	\$11.1M* (10.5%)	\$8.8M* (8.1%)

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

Description	2020-21 Second Interim Budget			2021-22 Projected Budget			2022-23 Projected Budget			2023-24 Projected Budget			2024-25 Projected Budget		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
REVENUES															
General Purpose Revenue (A)	70,016,633	-	70,016,633	72,059,863	-	72,059,863	74,074,540	-	74,074,540	76,468,517	-	76,468,517	79,332,126	-	79,332,126
Federal Revenue (B)	-	3,257,978	3,257,978	-	1,153,346	1,153,346	-	1,153,346	1,153,346	-	1,153,346	1,153,346	-	1,153,346	1,153,346
State Revenue (B)	1,035,650	5,387,844	6,423,494	1,035,650	4,346,699	5,382,349	1,035,650	4,346,699	5,382,349	1,035,650	4,346,699	5,382,349	1,035,650	4,346,699	5,382,349
Local Revenue (C)	16,041,389	3,773,768	19,815,157	16,615,657	2,598,736	19,214,393	17,104,153	2,598,736	19,702,889	17,607,303	2,598,736	20,206,039	18,125,548	2,598,736	20,724,284
TOTAL REVENUES	87,093,672	12,419,590	99,513,262	89,711,170	8,098,781	97,809,951	92,214,343	8,098,781	100,313,124	95,111,470	8,098,781	103,210,251	98,493,324	8,098,781	106,592,105
EXPENDITURES															
Certificated Salaries (D)	32,703,103	5,732,958	38,436,061	33,318,546	5,051,673	38,370,219	34,443,006	5,122,396	39,565,402	34,727,808	5,194,110	39,921,918	34,762,797	5,266,828	40,029,625
Classified Salaries (D)	7,891,661	3,711,260	11,602,921	8,318,316	3,506,981	11,825,297	8,682,658	3,660,587	12,343,245	9,062,958	3,820,921	12,883,879	9,459,916	3,988,277	13,448,193
Benefits (E)	17,207,402	8,276,777	25,484,179	17,942,424	8,346,406	26,288,830	19,707,225	8,758,357	28,465,582	20,445,764	8,995,912	29,441,676	21,120,850	9,226,205	30,347,055
Books and Supplies (F)	1,976,135	4,485,126	6,461,261	1,976,135	1,150,399	3,126,534	1,976,135	1,150,399	3,126,534	1,976,135	1,150,399	3,126,534	1,976,135	1,150,399	3,126,534
Other Services & Oper. Exp (G)	6,584,286	8,068,940	14,653,226	6,297,286	7,085,170	13,382,456	6,508,086	7,741,170	14,249,256	6,455,086	8,463,170	14,918,256	6,685,086	9,257,170	15,942,256
Capital Outlay (F)	168,445	48,104	216,549	168,445	31,427	199,872	168,445	31,427	199,872	168,445	31,427	199,872	168,445	31,427	199,872
Other Outgo (H)	1,191,548	2,225,912	3,417,460	1,200,477	2,420,388	3,620,865	1,209,754	2,662,388	3,872,142	1,209,754	2,928,388	4,138,142	1,209,754	3,221,388	4,431,142
Transfer of Indirect Costs	(89,890)	40,465	(49,425)	(72,411)	22,986	(49,425)	(72,411)	22,986	(49,425)	(72,411)	22,986	(49,425)	(72,411)	22,986	(49,425)
TOTAL EXPENDITURES	67,632,690	32,589,542	100,222,232	69,149,218	27,615,430	96,764,648	72,622,898	29,149,710	101,772,608	73,973,539	30,607,313	104,580,852	75,310,572	32,164,680	107,475,252
EXCESS / (DEFICIENCY)	19,460,982	(20,169,952)	(708,970)	20,561,952	(19,516,649)	1,045,303	19,591,445	(21,050,929)	(1,459,484)	21,137,931	(22,508,532)	(1,370,601)	23,182,752	(24,065,899)	(883,147)
OTHER SOURCES/USES															
Transfers In	67,044	-	67,044	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Out (I)	(1,922,552)	-	(1,922,552)	(1,822,552)	-	(1,822,552)	(1,747,552)	-	(1,747,552)	(1,372,552)	-	(1,372,552)	(1,372,552)	-	(1,372,552)
Net Other Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to Restricted (J)	(18,050,492)	18,050,492	-	(19,516,649)	19,516,649	-	(21,050,929)	21,050,929	-	(22,508,532)	22,508,532	-	(24,065,899)	24,065,899	-
TOTAL OTHER SOURCES / USES	(19,906,000)	18,050,492	(1,855,508)	(21,339,201)	19,516,649	(1,822,552)	(22,798,481)	21,050,929	(1,747,552)	(23,881,084)	22,508,532	(1,372,552)	(25,438,451)	24,065,899	(1,372,552)
Net Increase (Decrease)	(445,018)	(2,119,460)	(2,564,478)	(777,249)	-	(777,249)	(3,207,036)	-	(3,207,036)	(2,743,153)	-	(2,743,153)	(2,255,699)	-	(2,255,699)
FUND BALANCE, RESERVES															
Estimated Beginning Balance	18,257,655	3,035,658	21,293,313	17,812,637	916,198	18,728,835	17,035,388	916,198	17,951,586	13,828,352	916,198	14,744,550	11,085,199	916,198	12,001,397
Estimated Ending Balance	17,812,637	916,198	18,728,835	17,035,388	916,198	17,951,586	13,828,352	916,198	14,744,550	11,085,199	916,198	12,001,397	8,829,500	916,198	9,745,698
Nonspendable	12,000	-	12,000	12,000	-	12,000	12,000	-	12,000	12,000	-	12,000	12,000	-	12,000
Restricted	-	916,198	916,198	-	916,198	916,198	-	916,198	916,198	-	916,198	916,198	-	916,198	916,198
Assigned	4,984,285	-	4,984,285	4,207,036	-	4,207,036	1,000,000	-	1,000,000	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Unassigned - REU @ 3%	3,064,400	-	3,064,400	2,957,700	-	2,957,700	3,105,700	-	3,105,700	3,178,700	-	3,178,700	3,265,500	-	3,265,500
Unassigned - Other	9,751,952	-	9,751,952	9,858,652	-	9,858,652	9,710,652	-	9,710,652	6,894,499	-	6,894,499	4,552,000	-	4,552,000
Total - Est. Fund Balance	17,812,637	916,198	18,728,835	17,035,388	916,198	17,951,586	13,828,352	916,198	14,744,550	11,085,199	916,198	12,001,397	8,829,500	916,198	9,745,698
Fund Balance Reserve Percentage (Combined Assigned & Unassigned)			17.43%			17.27%			13.35%			10.45%			8.10%

Multi-Year Projection Assumptions ('21-22 through '24-25)



Revenue Assumptions:

Total Prop. Tax Growth	2020-21	2021-22	2022-23	2023-24	2024-25
2nd Interim (March)	4.9%	2.9%	2.9%	3.4%	3.9%

- Local property tax revenue growth:
- Federal & State revenue is expected to remain relatively constant compared to 2020-21
 - Note: Removal of 'one-time' 2020-21 federal CARES Act restricted revenue for 2021-22
- 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

School Year	Projected Enrollment	Certificated Staffing (fte)
2020-21	5151	293.5
2021-22	5150	294.5
2022-23	4968	299.7
2023-24	4888	297.6
2024-25	4730	293.0

- '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)
- 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

Uncertainties & Prudence

- 
- COVID, the Rebounding Economy & Safety Measures:
 - Impact on property tax revenues?
 - Unanticipated expenditures with return to 'in person' instruction this month? Fall of 2021-22?
 - Potential future 'one-time' federal & State COVID 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 (but without any material impact until 2022-23)
 - None of the employee groups have settled on compensation with 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 & comply with Board Policy (i.e. minimum of 17% reserve)

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.”*

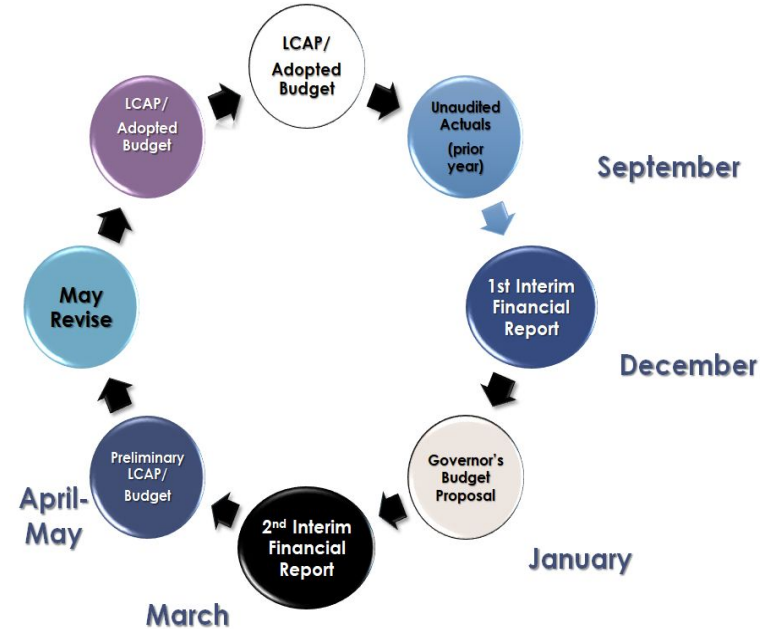
The District is self-certifying as “Positive”.

Budget Calendar & Key Dates

Budget Calendar & Key Dates



March 2021	2nd Interim Budget Report for 2020-21 Possible Federal & State COVID relief
May 2021	Governor's May Revise budget proposal for 2021-22
June 2021	Board adopts 2021-22 Budget & LCAP
September 2021	Unaudited Actuals Report for 2020-21



Questions? Comments?



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