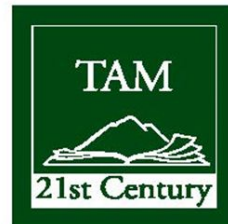




**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

# 2019-20 2nd Interim Budget

March 10, 2020



# So... 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 2019) vs. 2nd Interim Budget (March 2020)
- 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”

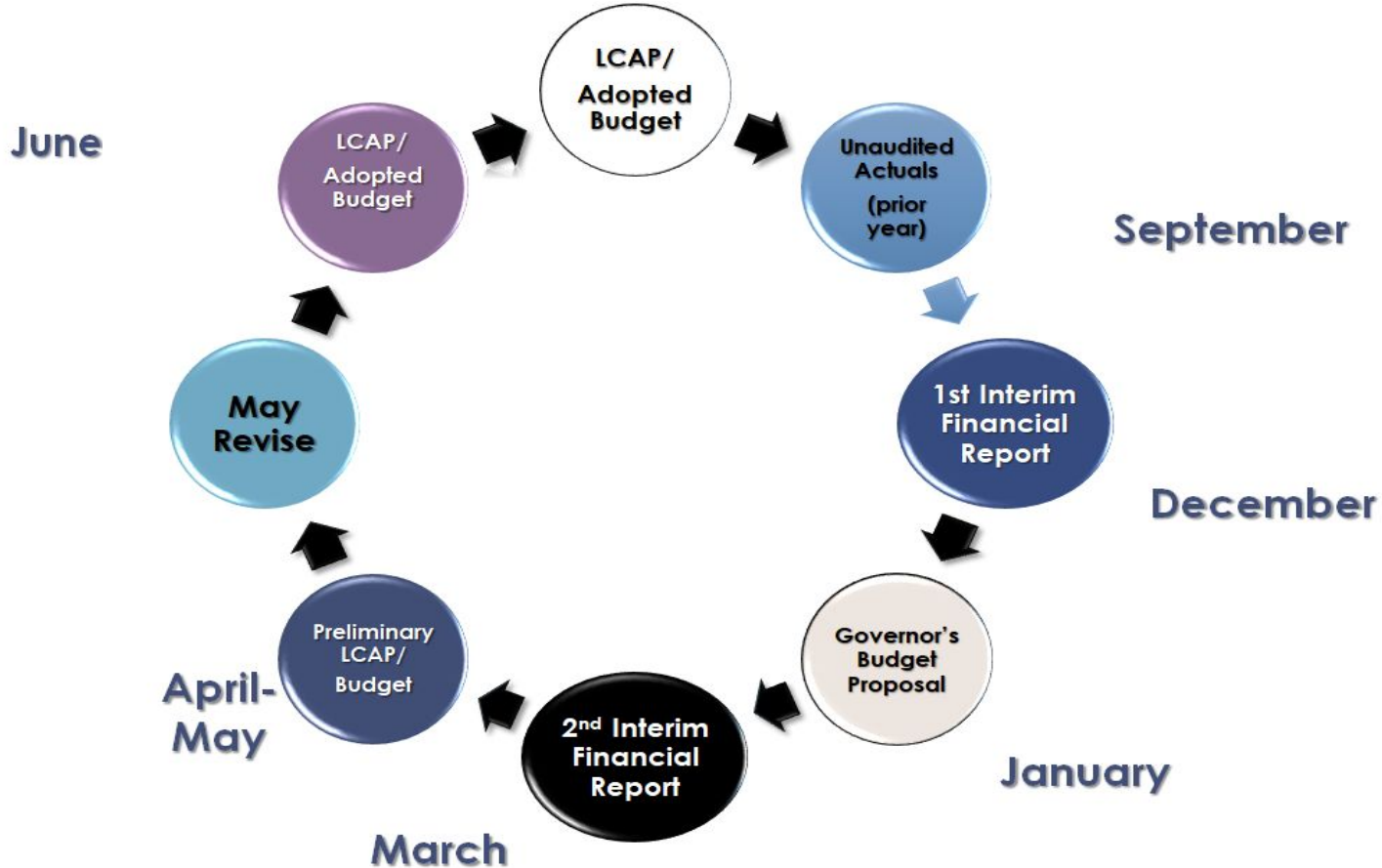
# Agenda

- Budget Reporting Cycle
- Start with the End: Where are we now compared to December?
- Budget: Revenue & Expenditures - What has changed since December?
  - Note: Financial implications of Measure B are not included given timing of election & 2nd interim deadlines
- State Teachers Retirement (STRS)/Public Employees Retirement System (PERS) rate increases & Special Education
- Other Funds
- Multi-Year Projection
- Prudence and Next Steps
- Possible Implications of Parcel Tax non-renewal
- Questions & Comments



# Budget Reporting Cycle

# Budget Reporting Cycle for California Schools



# Start with the End

*Where were we in December and now in March?*

# Start with the End... Summary of Multi-Year Projections

	2019-20	2020-21	2021-22
<b>Operating Deficit/Surplus</b> <i>(December 2019)</i>	\$208k	<b>\$(1.3M)*</b>	<b>\$(226k)*</b>
<b>Ending Fund Balance/Reserve</b> <i>(December 2019)</i>	\$16.0M (16.7%)	\$14.7M (15.1%)	\$14.5M (14.4%)
<b>Operating Deficit/Surplus</b> <i>(March 2020)</i>	\$460k	<b>\$(1.3M)*</b>	<b>\$(207k)*</b>
<b>Ending Fund Balance/Reserve</b> <i>(March 2020)</i>	\$16.3M (17.0%)	\$14.9M (15.4%)	\$14.5M (14.7%)

**\* Figures do not include any potential increase in staff compensation**

# Key Assumptions

# Key Budget Assumptions

<i>Description</i>	<i>Fiscal Year</i>		
<i>Planning Factor</i>	2019-20	2020-21	2021-22
<b>COLA (Minimal Effect)</b>	3.26%	2.29%	2.71%
<b>Estimated Local Property Tax Increase</b>	2.15%	6.00%	4.88%
<b>STRS Employer Rates (Current Rates / AB1469 for 2019-20 and 2020-21, otherwise estimated rates)</b>	17.10%	18.40%	18.10%
<b>PERS Employer Rates (PERS Board / Actuary)</b>	19.721%	22.80%	24.90%
<b>Lottery – Unrestricted per ADA</b>	\$153	\$153	\$153
<b>Lottery – Prop. 20 per ADA</b>	\$54	\$54	\$54
<b>Mandate Block Grant for Districts: K-8 per ADA</b>	\$32.18	\$32.92	\$33.81
<b>Mandate Block Grant for Districts: 9-12 per ADA</b>	\$61.94	\$63.36	\$65.08

# Revenues

# Basic Aid

vs.

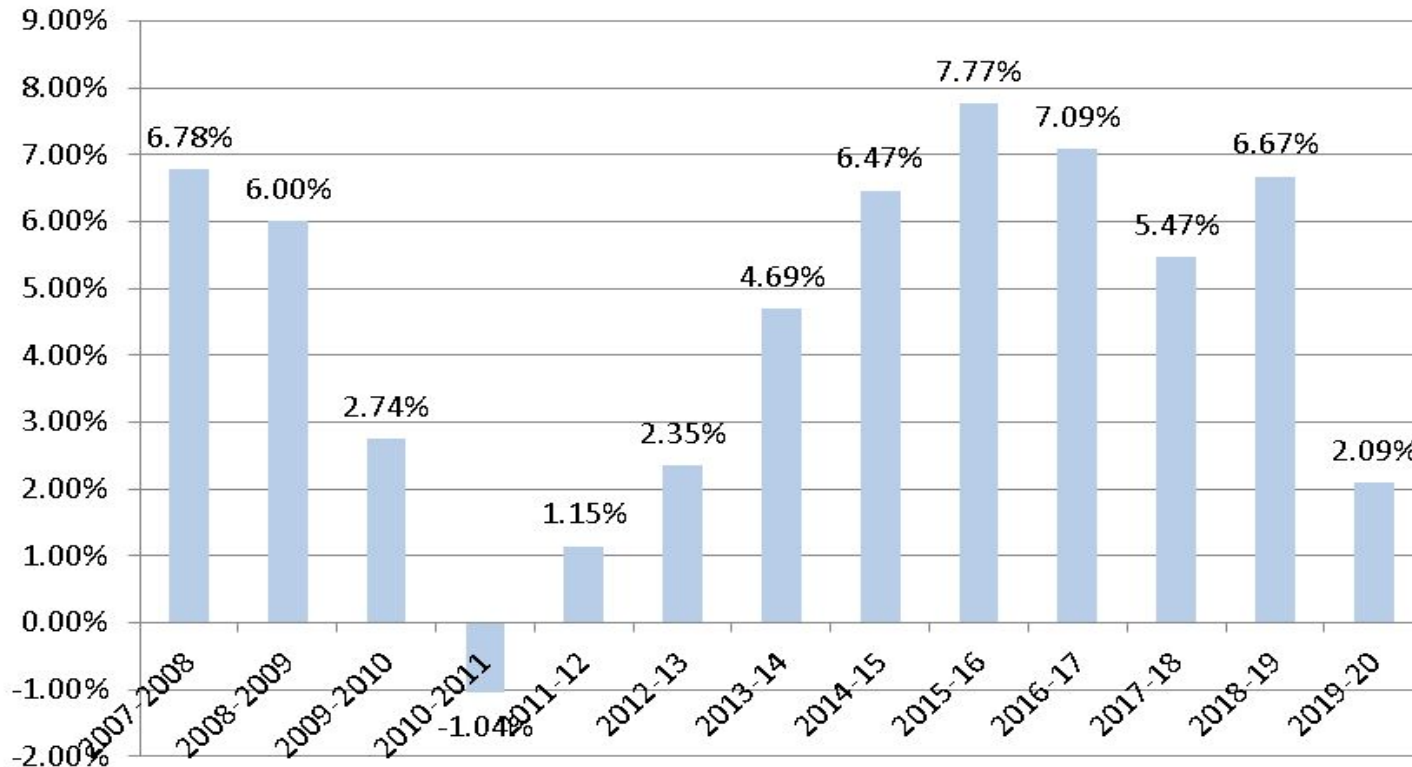
# State-Funded (LCFF)

- 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

# Property Tax Revenues



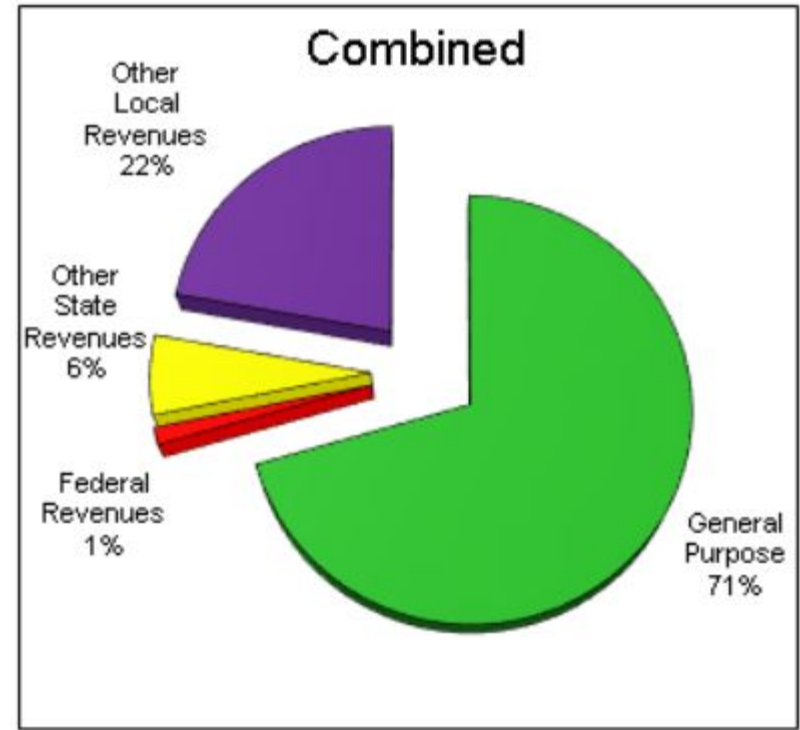
Note: Without CM Village  
mall tax remapping,  
5.73% in 2018-19 & 4.02%  
in 2019-20

Source: County of  
Marin Dept of Finance

# Sources of 2019-20 General Revenue (combined)

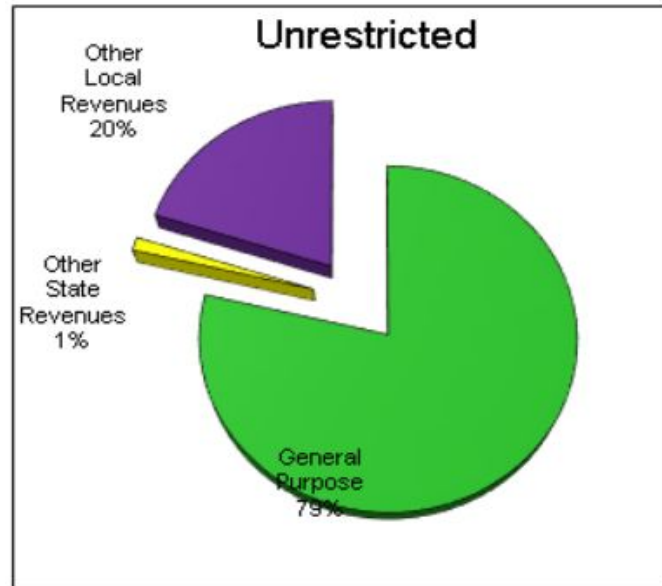
- General Purpose                      \$    66,265,777
  - Property taxes, Education Protection Account, minimum State Aid
- State Funding                        \$     5,661,785
  - Lottery, Special Education, etc.
- Federal Funding                    \$     1,227,687
  - Title I, Title II, etc.
- Local Revenue                        \$    20,804,472
  - Parcel tax, Foundations, facilities fees, interest

**TOTAL: \$    93,959,721**



# General Fund Revenue Sources (Unrestricted)

Description	Unrestricted	Combined
General Purpose Revenue (LCFF)	\$66,265,777	\$66,265,777
Federal Revenues	\$0	\$1,227,687
Other State Revenues	\$1,032,212	\$5,661,785
Other Local Revenues	\$16,887,139	\$20,804,472
<b>TOTAL</b>	<b>\$84,185,128</b>	<b>\$93,959,721</b>

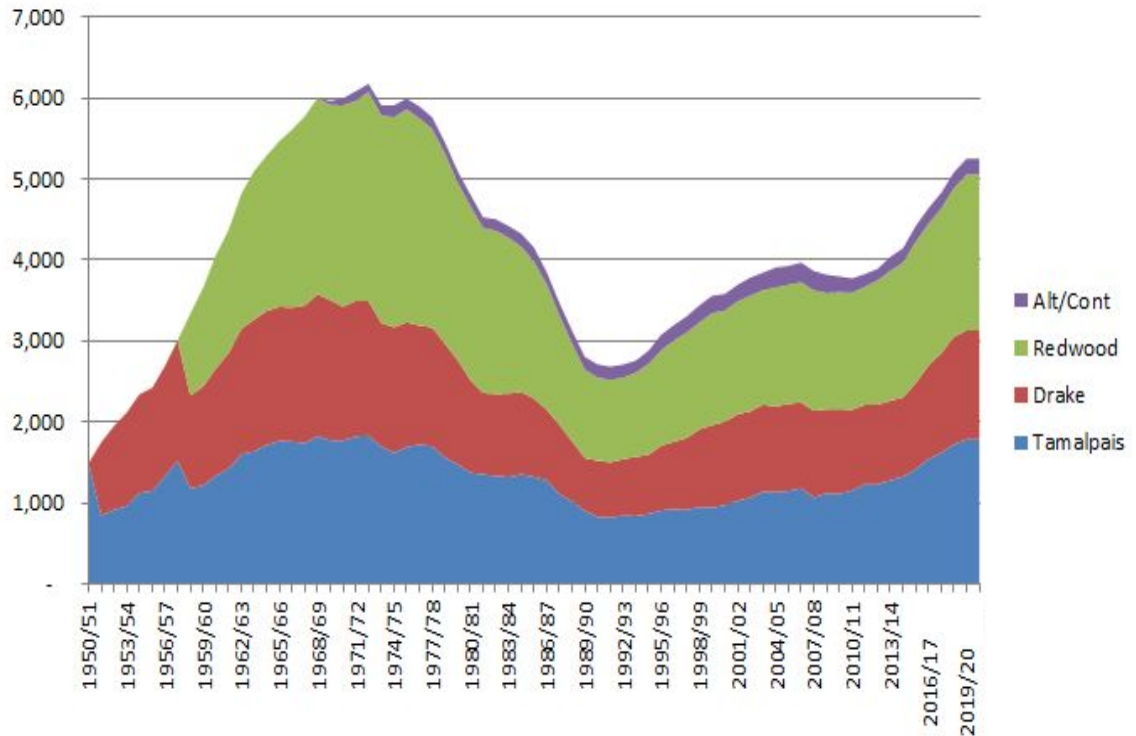


# Primary Expenditure Increase Drivers:

Enrollment Growth  
STRS & PERS rate increases  
Special Education

# Enrollment Growth

- Additional 1,361 students over 11 years
  - 3,823 students in 2008-09 to 5,184 students in 2019-20
- 35% increase over 11-year time period
- Projected enrollment is:
  - 5,270 in 2020-21 (*peak enrollment*)
  - 5,263 in 2021-22



# Enrollment Growth - Moderate 10 yr Projection

2019-20



Grade	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
9	1216	1204	1230	1306	1226	1284	1226	1187	1124	1062	1039	1052	1053	1085
10	1120	1207	1190	1225	1299	1220	1277	1220	1185	1122	1061	1037	1051	1051
11	1058	1099	1208	1191	1226	1300	1223	1279	1221	1187	1123	1062	1039	1051
12	989	1058	1086	1196	1183	1216	1289	1212	1273	1215	1182	1119	1057	1034
Subtotals:	4383	4568	4714	4918	4934	5020	5015	4898	4803	4586	4405	4270	4200	4221
Pct Chg:	0%	4.2%	3.2%	4.3%	0.3%	1.7%	-0.1%	-2.3%	-1.9%	-4.5%	-3.9%	-3.1%	-1.6%	0.5%
SDC:	80	90	99	99	98	98	96	94	92	88	85	82	80	80
Totals:	4463	4658	4813	5017	5032	5118	5111	4992	4895	4674	4490	4352	4280	4301

**Source:** DecisionInsite Enrollment Projection report to Board on 5/14/19

# Enrollment Projections - by High School

School	5-Yr Pct Change	10-Yr Pct Change
Sir Francis Drake HS	-12%	-27%
Tamalpais HS	-9%	-21%
Redwood HS	2%	-12%

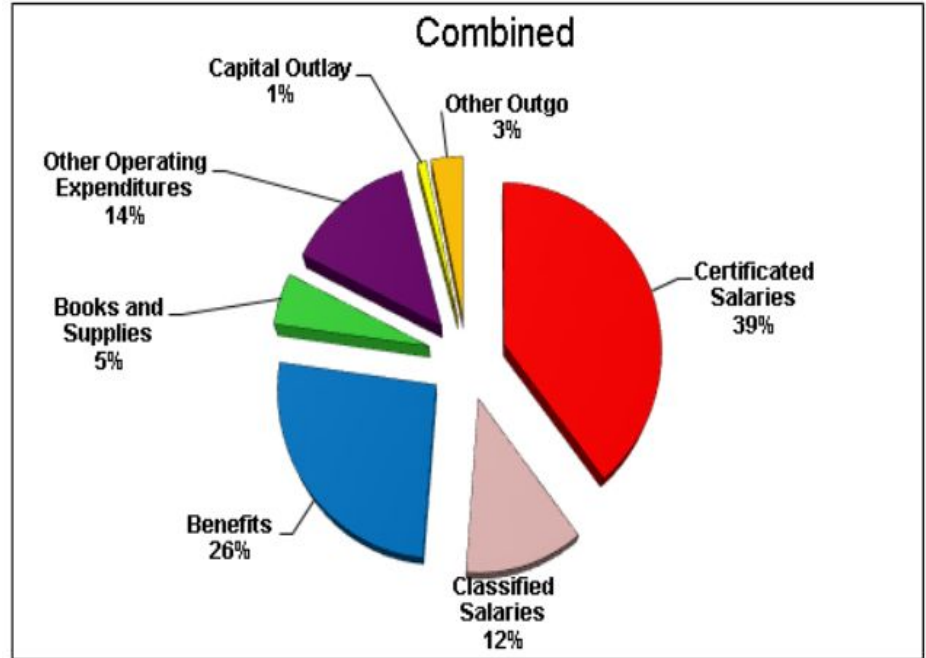
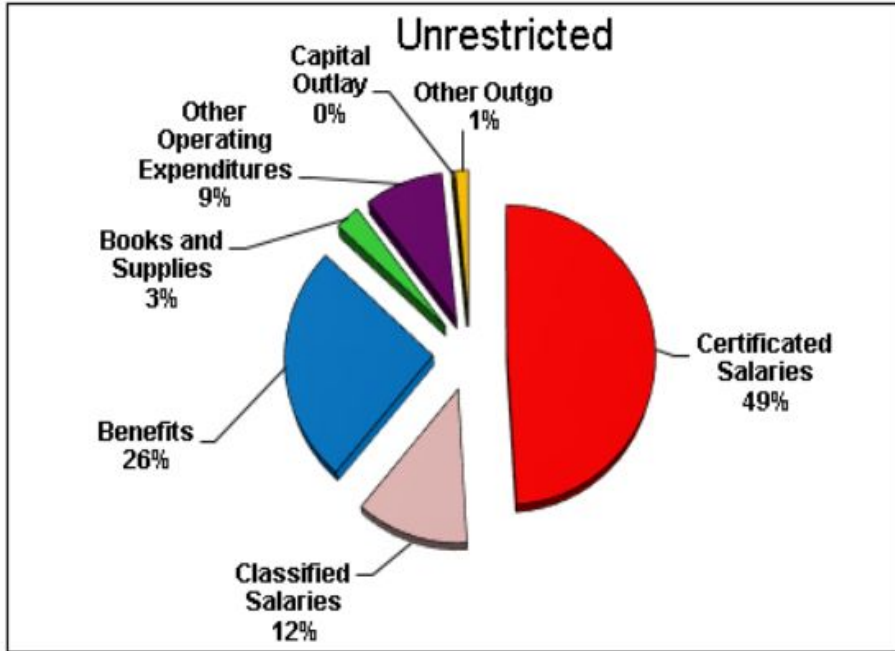
**Source:** DecisionInsite Enrollment Projection report to Board on 5/14/19

# General Fund Expenditures

Description	Unrestricted	Combined
Certificated Salaries	\$32,036,644	\$36,779,345
Classified Salaries	\$7,846,397	\$10,989,884
Benefits (Payroll Taxes and Health & Welfare Contributions)	\$16,823,542	\$24,146,932
Books and Supplies	\$1,816,840	\$4,728,403
Other Operating Expenditures	\$5,698,003	\$12,601,803
Capital Outlay	\$115,873	\$870,046
Other Outgo	\$951,191	\$3,126,201
<b>TOTAL</b>	<b>\$65,288,490</b>	<b>\$93,242,614</b>

Salaries and benefits comprise approximately 86% of the District's unrestricted expenditures, and approximately 77% of the combined General Fund expenditures.

# General Fund Expenditures



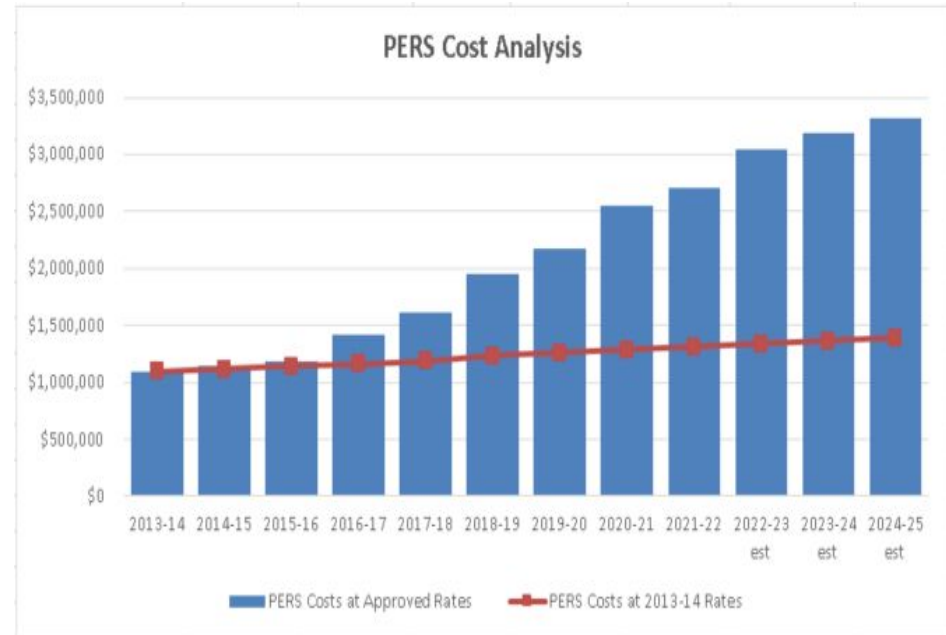
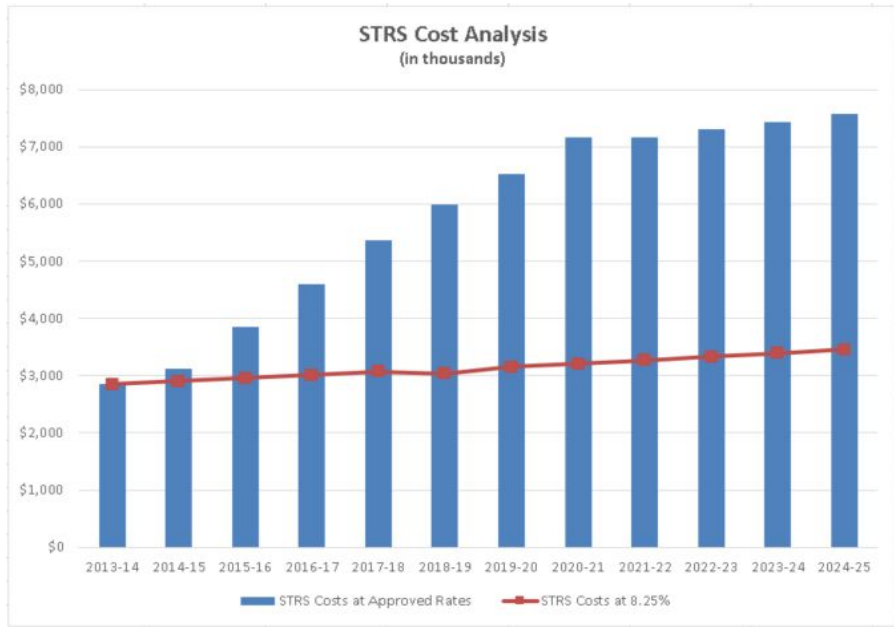
# State Mandated Pension Costs

## State Teachers Retirement System & Public Employees Retirement System rates grow significantly

- In 2013, both STRS and PERS rates were re-calculated based on the Public Employee Pension Reform Act that restructured retirement age and benefits, which results in less funding for other uses
- Compared to 2013-14, increased rates cost district additional \$4.2M as of 2019-20
- By 2022-23, budget will reflect \$2.0M more in annual district retirement contributions than '19-20
- From 2013-14 to 2022-23, **the cumulative impact is \$6.2M annually**

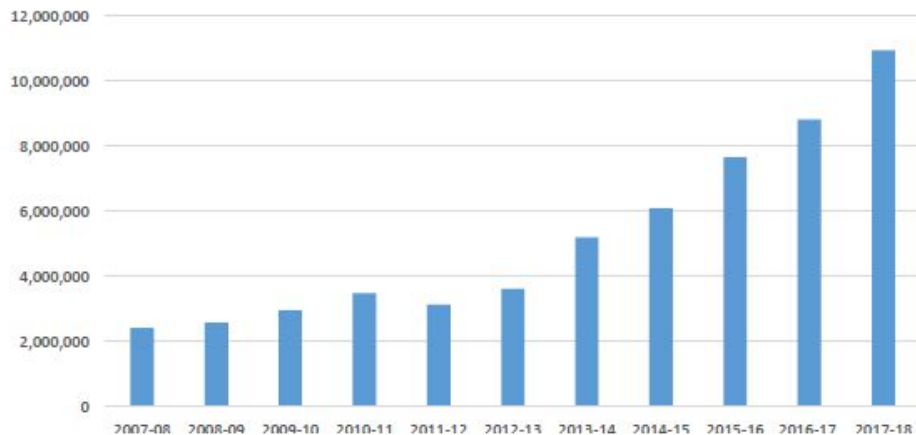
	CalPERS Rate Comparison								
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 est	2023-24 est
Employer Rates	11.85%	13.89%	15.53%	18.06%	19.72%	22.70%	24.60%	26.10%	26.80%
Change		2.04%	1.64%	2.53%	1.66%	2.98%	1.90%	1.50%	0.70%
	CalSTRS Rate Comparison								
Employer Rates	10.73%	12.58%	14.43%	16.28%	17.10%	18.40%	18.10%	18.10%	18.10%
Change		1.85%	1.85%	1.85%	0.82%	1.30%	-0.30%	0.00%	0.00%

# State Pension costs double with Pension Reform



# Special Education Costs

Special Education Contribution from Unrestricted Has Increased from \$2.4M to \$10.9M in Ten Years, an Average Annual Rate of Increase of \$850,000 (12% Annual Average Increase)

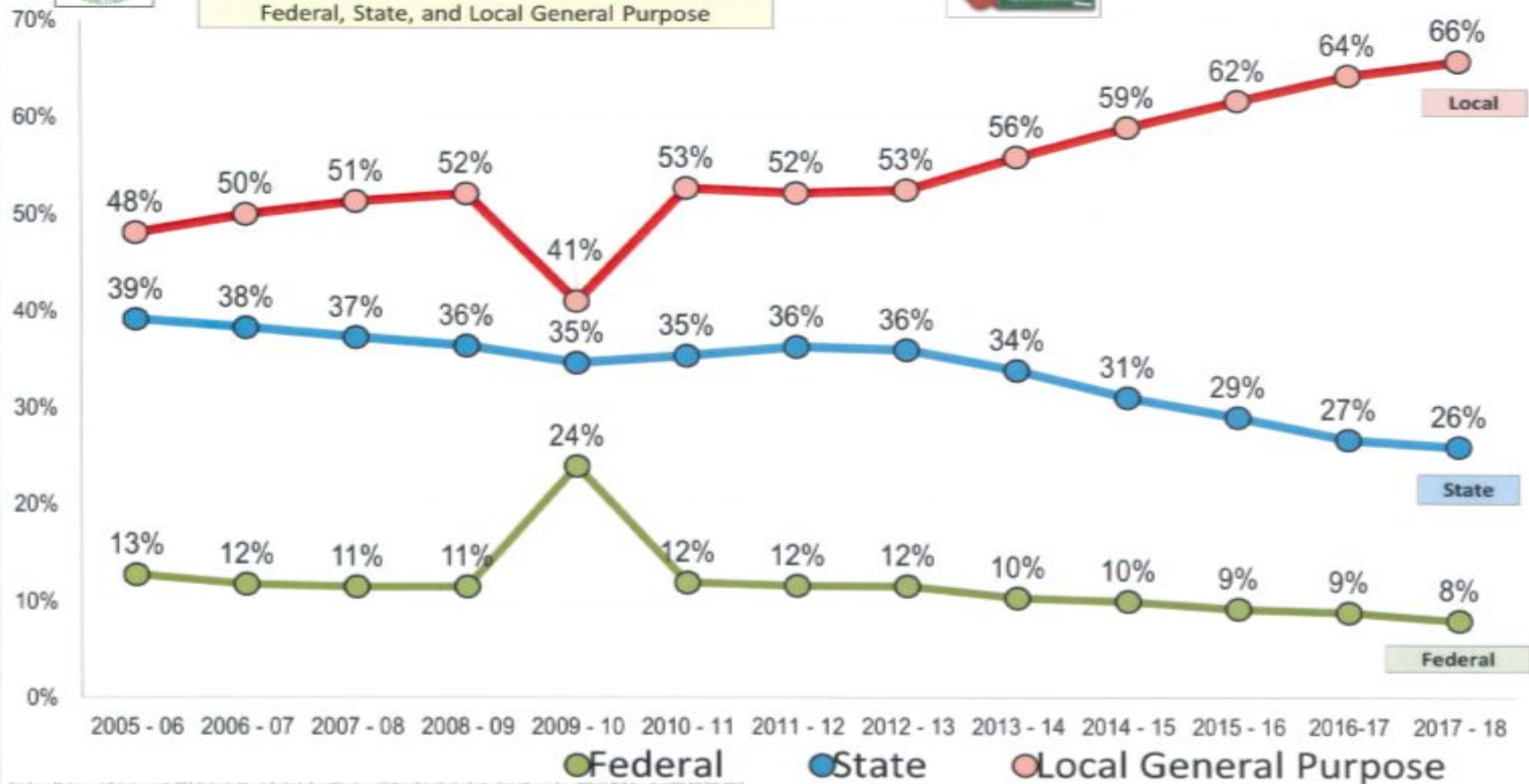


Special Education costs are not solely under the control of the local school district

- TUHSD SpEd contributions have increased from \$2.4M to \$14.3M in 11 years
  - Avg. of 10% or \$1M increase annually
- In 2012, CA law changed requiring Districts to provide mental health services to special education students & shifted the full financial responsibility for Non-Public School (NPS) placement onto Districts
- 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



**1st Interim (December 2019)**

**VS.**

**2nd Interim (March 2020)**

# Reconciliation of 1st Interim vs. 2nd Interim Budgets

<i>Description</i>	<i>Amount</i>
<b>2019-20 1st Interim Projected Surplus</b>	<b>\$ 208,061</b>
<b>Add: Variance Components (See Next Slide)</b>	<b>\$ 252,054</b>
<b>2019-20 2nd Interim Projected Surplus</b>	<b>\$ 460,115</b>

# Reconciliation of Variance Components

<i>Description of Variance Components</i>	<i>Amount</i>
Decrease in property tax revenue (Corte Madera mall tax remapping included)	\$(619k)
Increase in local revenue given short term Measure J parcel taxes & removal of stale-dated checks	\$124k
Decrease in site & department expenditures in materials, supplies, and services	\$343k
Decrease in benefits given OPEB expenditures related to current GASB 75 actuarial study	\$321k
Make one-time transfer to Fund 40 (Capital Outlay) given Tam Pool Boiler, Drake Elevator and Drake Pool Boiler replacements	\$(825k)
Decrease in contribution to Restricted Fund due to reduction in Special Education expenditures (NPS placements, transportation, Excess Costs, OPEB, etc.)	\$824k
Other net adjustments (certificated & classified salaries, capital outlay, transfer of indirect costs, other)	\$84k
<b>Total Variance</b>	<b>\$ 252,054</b>

# Reconciliation of 1st Interim vs. 2nd Interim Budgets

<i>Description</i>	<i>Operating Surplus</i>	<i>Ending Fund Balance (Reserve)</i>
<b>2019-20 1st Interim Projection</b>	<b>\$ 208,061</b>	<b>\$16,040,612 (16.69%)</b>
<b><i>Add Variance/Change</i></b>	<b>\$ 252,054</b>	<b>\$ 252,054</b> <i>(change due to increase in operating surplus)</i>
<b>2019-20 2nd Interim Projection</b>	<b>\$ 460,115</b>	<b>\$16,292,666 (17.04%)</b>

Minimum recommended reserve levels for CA basic aid districts is 17%, so TUHSD has met minimum target level, but will fall below again in future years as seen in MYP.

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

- Revolving cash - \$12,000
- Restricted - \$783k
- Assignments - \$9.0M
- Reserve for Economic Uncertainty (REU) - \$2.9M
- Unassigned - Other - \$4.4M

# Other Funds

# Summary of All Funds

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

<b>FUND</b>	<b>2018-19</b>	<b>Est. Net Change</b>	<b>2019-20</b>
GENERAL (UNRESTRICTED & RESTRICTED)	\$18,640,599	(\$1,564,501)	\$17,076,098
ADULT EDUCATION	\$786,876	(\$519,854)	\$267,022
CAFETERIA FUND	\$223,620	\$7,570	\$231,190
DEFERRED MAINTENANCE	\$1,944,768	(\$1,944,768)	\$0
SPECIAL RESERVE FUND	\$9,092	\$100	\$9,192
FOUNDATION SPECIAL RESERVE	\$52,327	\$0	\$52,327
BUILDING FUND	\$0	\$0	\$0
CAPITAL FACILITIES FUND	\$218,240	(\$218,240)	\$0
CAPITAL OUTLAY FUND	\$2,781,945	\$634,718	\$3,416,663
BOND INTEREST & REDEMPTION	\$8,716,411	\$348,750	\$9,065,161
SELF-INSURANCE	\$65,012	\$0	\$65,012
<b>TOTAL</b>	<b>\$33,438,890</b>	<b>(\$3,256,225)</b>	<b>\$30,182,665</b>

# Multi-Year Projections (MYP)

Note: Financial implications of Measure B are not included  
given timing of election & 2nd interim deadlines

# Multi-Year Projection Assumptions ('20-21 & '21-22)

## Revenue Assumptions:

- Local property tax revenue growth is projected at 6.0% for 2020-21 & 4.88% for 2021-22
- Federal & State revenue is expected to remain relatively constant
- Local revenue is expected to increase with the 3% annual inflation adjustment for parcel taxes
  - Note: For 2020-21 and beyond, an increase of senior exemptions have been processed reducing local revenue, as seen in the MYP.

# Multi-Year Projection Assumptions ('20-21 & '21-22)

## Expenditure Assumptions:

- Enrollment to increase to 5,270 students in '20-21 and 5,263 students in '21-22 from 5,184 students in '19-20
- Planned certificated hiring of:
  - **'20-21:** Net 0.6 fte increase = + 3.7 fte (growth) - 0.6 fte (end of NGSS releases) - 2.5 fte (English per class size MOU)
  - **'21-22:** Net 1.2 fte decrease = 0 fte (no growth) - 1.2 fte (English per class size MOU)
- District's ongoing expenditure reductions of \$5.8M included and assumed ongoing
  - Reinstatement of Asst Supt of Ed Services and a teacher leader model (no release periods) in 2020-21
- All employee groups & TUHSD have settled on compensation through '19-20, but not '20-21 nor '21-22
  - Note: Total cost of a 1% raise for all staff is predicted to be \$557k in 2020-21
- Step & Column salary cost increases are approximately 2% for both certificated & classified staff
- All new employees hired for 2019-20 have a cap on District-paid health benefits (i.e. Healthcap),
  - Health & Welfare costs are budgeted to increase 5% annually
- Continued historic trend of Special Education costs increasing approximately 10% annually
- Utilities expenses projected to increase 4% annually (i.e. MMWD, electric, sewer, etc.)

# Summary of Multi-Year Projections

	2019-20	2020-21	2021-22
<b><i>Operating Deficit/Surplus (December 2019)</i></b>	\$208k	<b>\$(1.3M)*</b>	<b>\$(226k)*</b>
<b><i>Ending Fund Balance/Reserve (December 2019)</i></b>	\$16.0M (16.7%)	\$14.7M (15.1%)	\$14.5M (14.4%)
<b><i>Operating Deficit/Surplus (March 2020)</i></b>	\$460k	<b>\$(1.3M)*</b>	<b>\$(207k)*</b>
<b><i>Ending Fund Balance/Reserve (March 2020)</i></b>	\$16.3M (17.0%)	\$14.9M (15.4%)	\$14.5M (14.8%)

**\* Figures do not include any potential increase in staff compensation**

Description	2019-20 Second Interim Budget			2020-21 Projected Budget			2021-22 Projected Budget		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
<b>REVENUES</b>									
General Purpose Revenue (A)	66,265,777	-	66,265,777	70,159,999	-	70,159,999	73,515,174	-	73,515,174
Federal Revenue (B)	-	1,227,687	1,227,687	-	1,142,449	1,142,449	-	1,142,449	1,142,449
State Revenue (B)	1,032,212	4,629,573	5,661,785	1,032,212	4,577,783	5,609,995	1,032,212	4,577,783	5,609,995
Local Revenue (C)	16,887,139	3,917,333	20,804,472	16,387,528	2,679,147	19,066,675	16,854,005	2,679,147	19,533,152
<b>TOTAL REVENUES</b>	<b>84,185,128</b>	<b>9,774,593</b>	<b>93,959,721</b>	<b>87,579,739</b>	<b>8,399,379</b>	<b>95,979,118</b>	<b>91,401,391</b>	<b>8,399,379</b>	<b>99,800,770</b>
<b>EXPENDITURES</b>									
Certificated Salaries (D)	32,036,644	4,742,701	36,779,345	33,638,977	4,703,094	38,342,071	34,208,557	4,797,156	39,005,713
Classified Salaries (D)	7,846,397	3,143,487	10,989,884	8,050,125	3,179,542	11,229,667	8,211,128	3,243,133	11,454,261
Benefits (E)	16,823,542	7,323,390	24,146,932	18,213,468	7,585,188	25,798,656	18,829,967	7,781,411	26,611,378
Books and Supplies (F)	1,816,840	2,911,563	4,728,403	1,945,477	1,499,362	3,444,839	1,945,477	1,499,362	3,444,839
Other Services & Oper. Exp (G)	5,698,003	6,903,800	12,601,803	6,227,721	7,284,338	13,512,059	6,097,221	7,959,338	14,056,559
Capital Outlay (F)	115,873	754,173	870,046	161,702	-	161,702	161,702	-	161,702
Other Outgo (H)	951,191	2,175,010	3,126,201	959,979	2,393,010	3,352,989	1,184,991	2,632,010	3,817,001
Transfer of Indirect Costs	(85,478)	57,086	(28,392)	(85,478)	57,086	(28,392)	(85,478)	57,086	(28,392)
<b>TOTAL EXPENDITURES</b>	<b>65,203,012</b>	<b>28,011,210</b>	<b>93,214,222</b>	<b>69,111,971</b>	<b>26,701,620</b>	<b>95,813,591</b>	<b>70,553,565</b>	<b>27,969,496</b>	<b>98,523,061</b>
<b>EXCESS / (DEFICIENCY)</b>	<b>18,982,116</b>	<b>(18,236,617)</b>	<b>745,499</b>	<b>18,467,768</b>	<b>(18,302,241)</b>	<b>165,527</b>	<b>20,847,826</b>	<b>(19,570,117)</b>	<b>1,277,709</b>
<b>OTHER SOURCES/USES</b>									
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out (I)	(2,310,000)	-	(2,310,000)	(1,485,000)	-	(1,485,000)	(1,485,000)	-	(1,485,000)
Net Other Sources (Uses)	-	-	-	-	-	-	-	-	-
Contributions to Restricted (J)	(16,212,001)	16,212,001	-	(18,302,241)	18,302,241	-	(19,570,117)	19,570,117	-
<b>TOTAL OTHER SOURCES / USES</b>	<b>(18,522,001)</b>	<b>16,212,001</b>	<b>(2,310,000)</b>	<b>(19,787,241)</b>	<b>18,302,241</b>	<b>(1,485,000)</b>	<b>(21,055,117)</b>	<b>19,570,117</b>	<b>(1,485,000)</b>
<b>Net Increase (Decrease)</b>	<b>460,115</b>	<b>(2,024,616)</b>	<b>(1,564,501)</b>	<b>(1,319,473)</b>	<b>-</b>	<b>(1,319,473)</b>	<b>(207,291)</b>	<b>-</b>	<b>(207,291)</b>
<b>FUND BALANCE, RESERVES</b>									
Estimated Beginning Balance	15,832,551	2,808,048	18,640,599	16,292,666	783,432	17,076,098	14,973,193	783,432	15,756,625
Estimated Ending Balance	16,292,666	783,432	17,076,098	14,973,193	783,432	15,756,625	14,765,902	783,432	15,549,334
Nonspendable	12,000	-	12,000	12,000	-	12,000	12,000	-	12,000
Restricted	-	783,432	783,432	-	783,432	783,432	-	783,432	783,432
Assigned	8,776,764	-	8,776,764	7,457,291	-	7,457,291	7,250,000	-	7,250,000
Unassigned - REU @ 3%	2,865,800	-	2,865,800	2,919,000	-	2,919,000	3,000,300	-	3,000,300
Unassigned - Other	4,638,102	-	4,638,102	4,584,902	-	4,584,902	4,503,602	-	4,503,602
<b>Total - Est. Fund Balance</b>	<b>16,292,666</b>	<b>783,432</b>	<b>17,076,098</b>	<b>14,973,193</b>	<b>783,432</b>	<b>15,756,625</b>	<b>14,765,902</b>	<b>783,432</b>	<b>15,549,334</b>
<b>Fund Balance Reserve Percentage</b> (Combined Assigned & Unassigned)			<b>17.04%</b>			<b>15.38%</b>			<b>14.75%</b>

# MYP Notes

## Notes:

- (A) The changes to general purpose revenues are primarily due to estimated increases in property tax revenue of 6.0% and 4.8% for the next two subsequent years, respectively.
- (B) Federal and state revenue are expected to decrease due to the removal of one-time funds.
- (C) Unrestricted local revenue is projected to decrease in 20-21 by 1.5% due to an increase of senior exemptions for parcel tax and then projected to increase due to parcel tax growth of 3% each year thereafter. Restricted local revenue is estimated to decrease for 20-21 primarily due to removing one-time foundation funding (athletic trainers, instructional coaching, graduation ceremonies) and remain constant thereafter.
- (D) Salary changes are due to certificated step & column increases of approximately 2%, and classified step increases of approximately 2%. In addition, certificated salary costs are estimated to increase in 20-21 due to additional teaching staff to accommodate projected increased enrollment; reinstating the Assistant Superintendent - Ed Services position and the teacher leader program. Lastly, both certificated and classified salaries were increased due to budgeting funds for projected contracted retirement incentive grant costs.
- (E) Benefits are adjusted accordingly based on the salary changes noted above, as well as to account for expected increased pension costs.
- \* The STRS rate contains an increase of 1.3 percentage points for 20-21 in order to bring the rate to 18.40%.
  - \* The STRS rate for 21-22 contains a 0.3 percentage point decrease that results in a rate of 18.10%.
  - \* Based on the latest estimates, PERS is projected to increase by 3.079 percentage points in 20-21, and by 2.1 percentage points in 21-22.
- Health & Welfare benefits are estimated to increase by approximately 5% each year.
- (F) Unrestricted supplies and capital outlay are expected to remain constant. Restricted supplies and capital outlay will decrease due to removing one-time funds.
- (G) The change in unrestricted services is due to projected increases to utilities of 4% each year and budgeting for election costs every other year. Restricted services are projected to decrease due to a combination of removing one-time activity and expected rises in special education costs of 10% each year.
- (H) Unrestricted other outgo is projected to increase due to expected rises in solar lease payments. Restricted other outgo is projected to increase due to expected rises in special education costs of 10% each year.
- (I) Transfers-out are estimated to decrease due to the removal of one-time transfers to the Capital Outlay Fund (Fund 40).
- (J) The increase of contributions to restricted programs is due to projected salary step and benefit increases relating to the restricted portion of the general fund; increased special education costs noted above; expiration of foundation-funded activities; and increased transfers to restricted routine maintenance.

## 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”.***

# Uncertainties & Prudence

- Enrollment to increase to 5,270 students in 2020-21 and 5,263 students in 2021-22 from 5,184 students in 2019-20
- Eventual downturn in the economy (every 8-10 years) & impact of property tax revenues
- Scheduled large facilities projects ongoing (Science room conversions, field replacements, pools, etc)
- All employee groups & TUHSD have settled on compensation through '19-20, but not '20-21 nor '21-22
- STRS and PERS annual increases larger than revenue increases
- Statewide trend of Special Education costs increases (unfunded mandate)
- Given all \$5.8M expenditure reductions are assumed ongoing (with two stated exceptions)
  - Staff need to monitor to ensure practice continues align with this policy
- Class size MOU & both parcel taxes expire in June 2022

***While the MYP still shows a balanced budget in '19-20, there is still 'downward budgetary pressure'.***

***Given the above, a return to deficit spending is currently projected for '20-21 & '21-22 and 5-year***

***horizon***

# Possible Implications of Parcel Tax Non-renewal

# Existing Parcel Tax details

- Provides \$16.8 million annually
- Accounts for 17% of annual budget
- Set to expire in June 2022
- Provides funding to attract and retain high-quality teachers, support academic programs, provide excellent instruction and art/music programming, and prepare students for college and careers

If parcel tax expires without renewal, TUHSD would be forced to make **\$16.8 million** in cuts to programs and staffing.

Without any increase in funding beyond the existing parcel tax, the District is facing ongoing deficits in the multi-year projection. These structural operating deficits exist without any increases in staff compensation beyond 2019-20.

# Current & projected Structural Operating Deficits

At current funding, without ANY staff compensation increases, TUHSD projects operating deficits will be:

<b><u>Without</u> compensation increases</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23 (forecast)</b>
<b>Operating Deficit</b>	<b>\$(1.3M)</b>	<b>\$(226k)</b>	<b>\$(17.1M) - Insolvent</b>

At current funding, if we consider the average raise given within the County for 2019-20, and apply a similar staff compensation increase, TUHSD projects operating deficits will be:

<b><u>With</u> compensation increases</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23 (forecast)</b>
<b>Operating Deficit</b>	<b>\$(3M)</b>	<b>\$(3.8M)</b>	<b>\$(23M) - Insolvent</b>

Reminder: Total cost of a 1% raise for all TUHSD staff is predicted to be \$557k in 2020-21

# What if the parcel tax *fails* on March 3rd?

## Possible next steps:

- Analyze results, reassess, and possibly go back out again in November 2020

<b><i><u>Without</u> compensation increases</i></b>	<b><i>2020-21</i></b>	<b><i>2021-22</i></b>	<b><i>2022-23 (forecast)</i></b>
<b><i>Operating Deficit</i></b>	<b><i>\$(1.3M)</i></b>	<b><i>\$(226k)</i></b>	<b><i>\$(17.1M) - Insolvent</i></b>
<b><i><u>With</u> compensation increases</i></b>	<b><i>2020-21</i></b>	<b><i>2021-22</i></b>	<b><i>2022-23 (forecast)</i></b>
<b><i>Operating Deficit</i></b>	<b><i>\$(3M)</i></b>	<b><i>\$(3.8M)</i></b>	<b><i>\$(23M) - Insolvent</i></b>

During 2020-21 school year:

- Re-establish Fiscal Advisory committee & continue work from 2018-19
- Begin to identify additional, significant budget cuts including, but not limited to, district-wide programming
  - Note:** These potential cuts would need to be in addition to the ongoing expenditure cuts already made

## Next Steps (if Measure B fails)

- Take immediate steps to reduce deficit spending for 2020-21 (*next slides*)
- In Spring 2020, reconvene a Fiscal Advisory committee with broad stakeholder representation to make further budget cut recommendations to Superintendent for 2021-22 and beyond
- Upon final outcome of Measure B, re-assess the options for another parcel tax campaign at a future date
  - Next two regular elections are November 2020 & March 2022
  - There are several special election dates but they are more costly for the District
  - Reminder: Current parcel taxes expire at end of June 2022

# Proposed Cuts for 2020-21 (if Measure B fails)

- Reduce academic programming (*estimated savings of \$406k*)
  - Suspend Team program for 2020-21
  - Limit elective offerings & move to waitlist/lottery system
    - Prioritize staffing for graduation requirements and not expand staffing for sections to accommodate elective offerings
  - Suspend Journalism release periods at all three comprehensive sites for 2020-21
  - Suspend districtwide Global Studies release period for 2020-21
  - Limit students to 7-period course-load (outside of AVID & Special Ed students)

# Proposed Cuts for 2020-21 (if Measure B fails) - Cont'd

- Suspend teacher leader program for 2020-21 (*estimated savings of \$607k*)
- Further tighten teacher staffing (per 'class size' increase MOU) (*estimated savings of \$365k*)

Note: These proposed 2020-21 budget cuts total \$1.4M. Given the projected operating deficit is \$3M for 2020-21 (and larger in future years), additional programming cuts will need to be made via the Fiscal Advisory committee process.

# Conclusion

- If the current parcel taxes expire in June 2022 without any renewal, TUHSD would need to cut an additional \$16.8M from our budget.

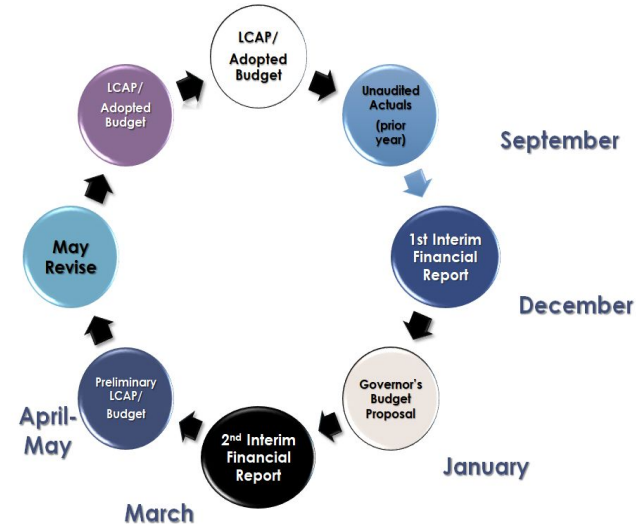
## Assumptions used to development financial forecast:

1. Enrollment growth: DecisionInsight demographic firm as well as District's projections show peak enrollment in 2021-22 with gradual decline the following 3 years.
2. Special Education costs are increasing Statewide at 11% per year while TUHSD's are increasing 10% per year.
3. Pensions contribution rates are set by the State and we are required to pay them. We cannot negotiate these rates.
4. Property taxes revenue forecasts are provided by the Marin County Department of Finance and revenue increase trends have been slowing.
5. The adopted budget assumes no raises for staff and shows deficits of **\$1.3M** in 2020-21, **\$227k** in 2021-22 and **\$17.1M (insolvent)** in 2022-23 (*assumes no parcel tax revenue*). If we forecast staff compensation raises using the average raise given within Marin County public schools for this year, the projected deficits would be **\$3M** in 2020-21, **\$3.8M** in 2021-22 and **\$23M (insolvent)** (*assumes no parcel tax revenue*) in 2022-23
6. Budget projections assume reduction in the number of teachers after enrollment growth through retirements and attrition.

# Budget Calendar & Key Dates

# Budget Calendar & Key Dates

March 2020	Parcel Tax (Measure B) renewal election 2nd Interim Budget Report for 2019-20
April 2020	LCAP submitted to County Office for first review
May 2020	Governor's May Revise budget proposal 5/15 deadline for Board to take action on preliminary layoff notices
June 2020	Board adopts 2020-21 Budget & LCAP
September 2020	Unaudited Actuals Report for 2019-20



# Questions? Comments?

