




**TAMALPAIS UNION HIGH
SCHOOL DISTRICT**

2023-24 2nd Interim Budget

March 12, 2024

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 2023) vs. 2nd Interim Budget (March 2024)
 - 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”

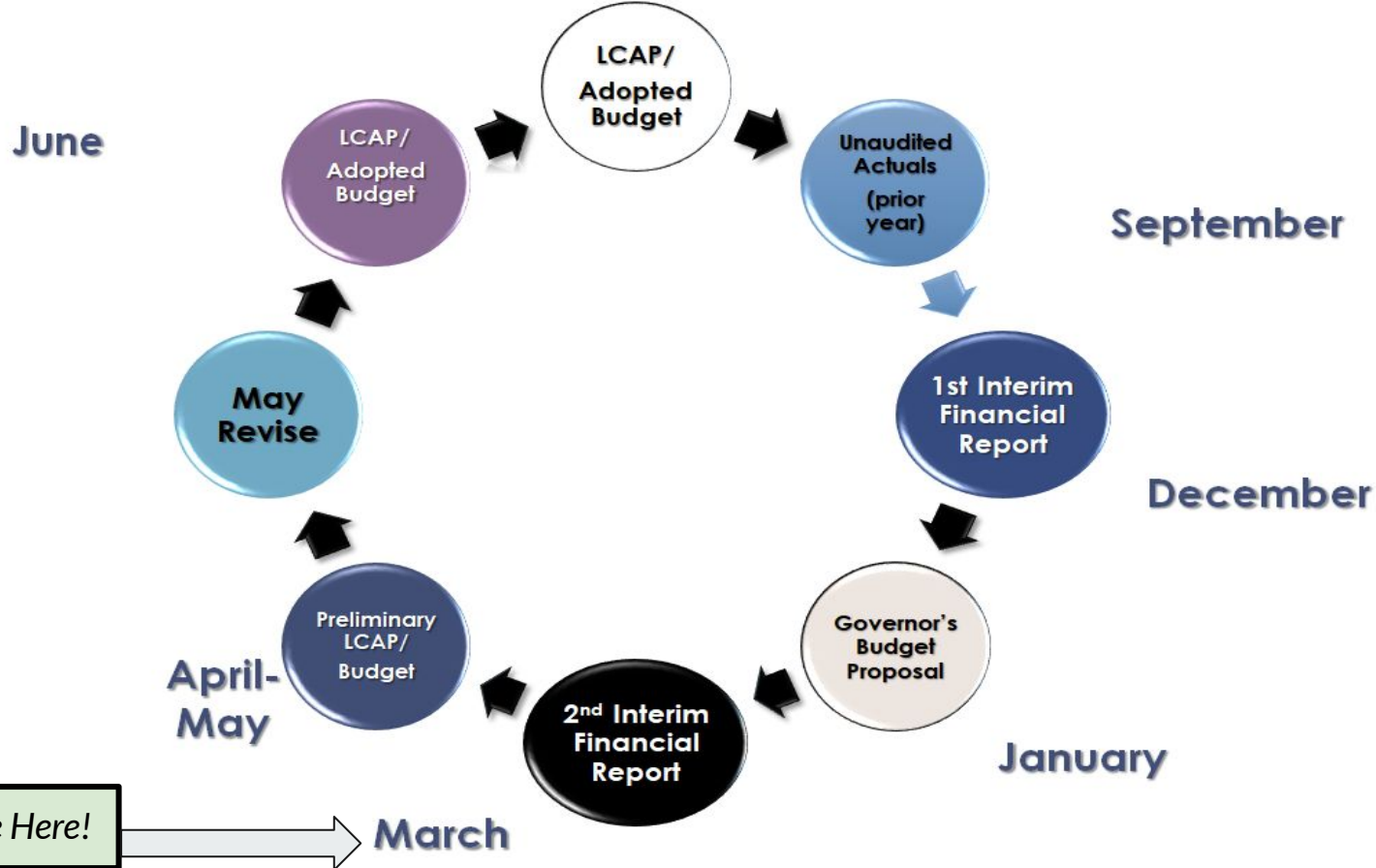
Agenda

- Budget Reporting Cycle
- Start with the End: *Where are we now compared to December?*
- 2023-24 Budget: Revenue & Expenditures - *What has changed since December?*
- Multi-Year Projection - *Where are we projecting to be in the future?*
- Other Funds
- 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?

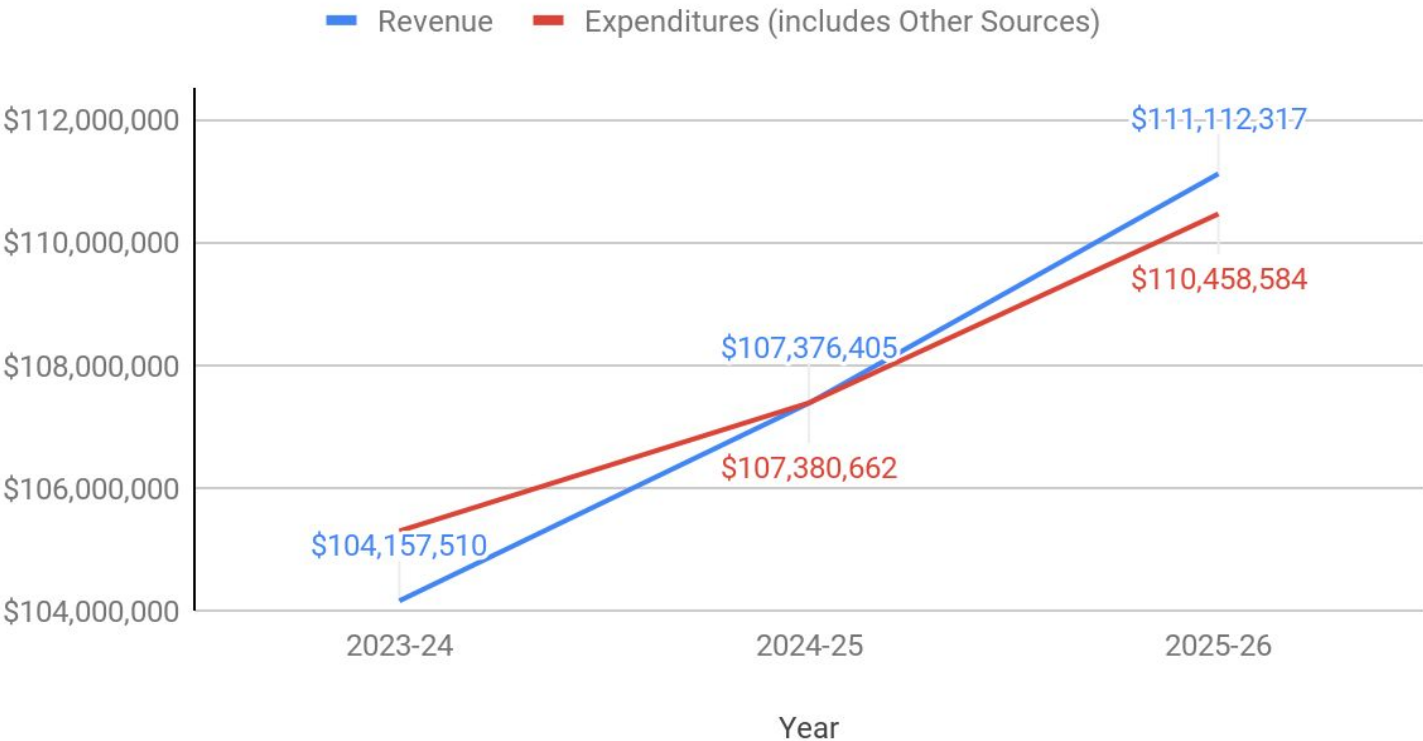
Summary of Multi-Year Projections (Unrestricted)

	2023-24	2024-25	2025-26*
Operating Surplus (Deficit) (Dec 2023)	\$(393k)	\$697k	\$1.2M*
Ending Fund Balance/Reserve (Dec 2023)	\$23.4M (19.3%)	\$24.1M (20.4%)	\$25.3M (21.2%)*
Operating Surplus (Deficit) (March 2024)	\$(1.1M)	\$(4k)	\$654k*
Ending Fund Balance/Reserve (March 2024)	\$22.7M (18.5%)	\$22.7M (18.9%)	\$23.3M (19.2%)*

Key Assumptions: * Figures do not include any potential increase in staff compensation (cost of 1% raise = \$623k)

Summary of Multi-Year Projections

TUHSD Revenue and Expenditures (Unrestricted)



Revenues

Basic Aid

vs.

State-Funded (LCFF)



- Also known as Community-funded
- 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 \$21M over the LCFF entitlement

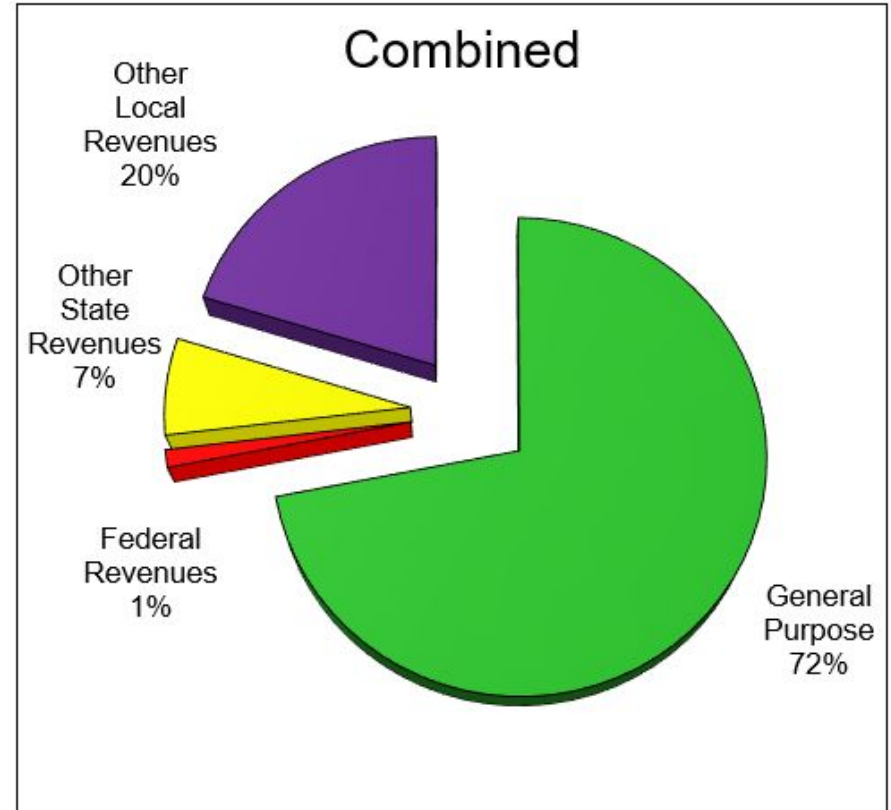
- Formerly referred to as 'Revenue Limit'
- District is entitled to a calculated revenue entitlement
- Comprised of both local property taxes and state aid
- When property taxes do not meet the calculated revenue entitlement, then the State makes up the shortfall with additional funding up to the calculated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



Sources of 2023-24 General Revenue (combined)


- General Purpose \$ 83,605,691
 - Property taxes, EPA, Minimum State Aid
- State Funding \$ 7,660,501
 - LRE, AMIM, Lottery, Special Education, etc
- Federal Funding \$ 1,395,427
 - Title funding, IDEA, etc.
- Local Revenue \$ 23,555,127
 - Parcel tax, Foundations, facilities fees, interest

TOTAL: \$ 116,216,746



Key Budget Assumptions - Unrestricted Revenues

Property Tax Revenue growth projections: \$82,065,219 in 2023-24 property tax revenue



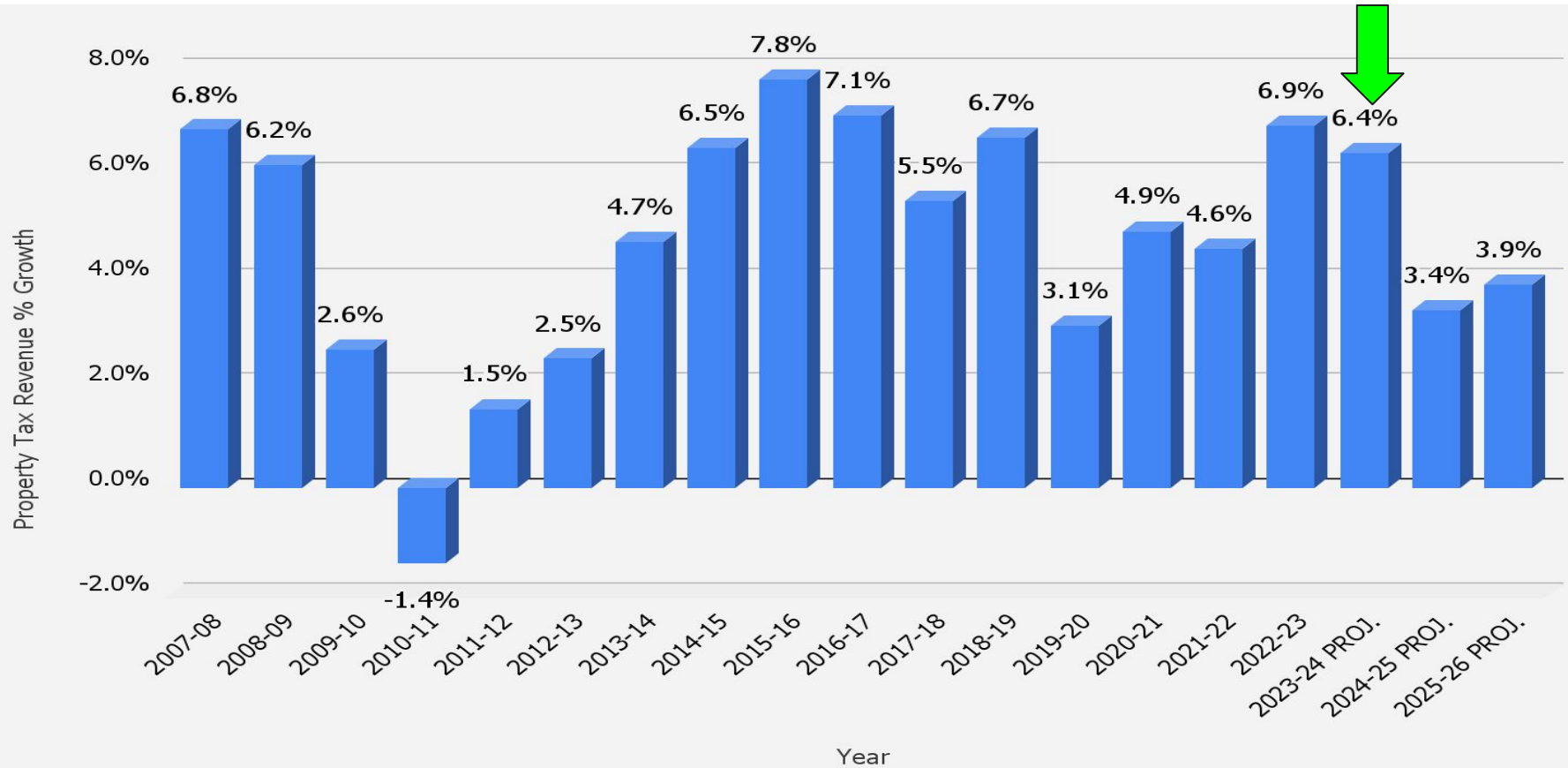
Year	2023-24	2024-25	2025-26
Growth Rate Projection (%)	6.38%	3.38%	3.88%

- Notes:
- Projections inclusive of information provided at Marin County Property Tax Forum on May 2nd

Parcel Tax Revenue

- Increase of 3% with annual inflation adjustment
 - Actual amount depends on volume of Senior Exemptions
- 2023-24 Parcel Tax revenue projected to be \$17.5M, which is an increase of \$532,203 from 2022-23

TUHSD Historical Property Tax Revenue Growth



Source: County of Marin Dept of Finance & May 2023 Property Tax Forum

Key Budget Assumptions - Other Revenues



State revenue:

- One-time funding of \$960K in Learning Recovery Emergency Block Grant (LRE)
- One-time funding of \$3.0M in Arts, Music, & Instructional Materials Discretionary Block Grant (AMIM)
- Prop 28 Arts Education estimated revenue of \$566k included in budget, but expenditures are not due to necessary CDE clarification on allowable uses, per MCOE's direction
- Universal Meals for all students helps our TUHSD Nutrition program run at less of a deficit
- All COVID relief funding was one-time funding and has been exhausted

Federal revenue: No significant changes to date

Other Local revenue: No significant changes to date

Expenditures

Primary Components:

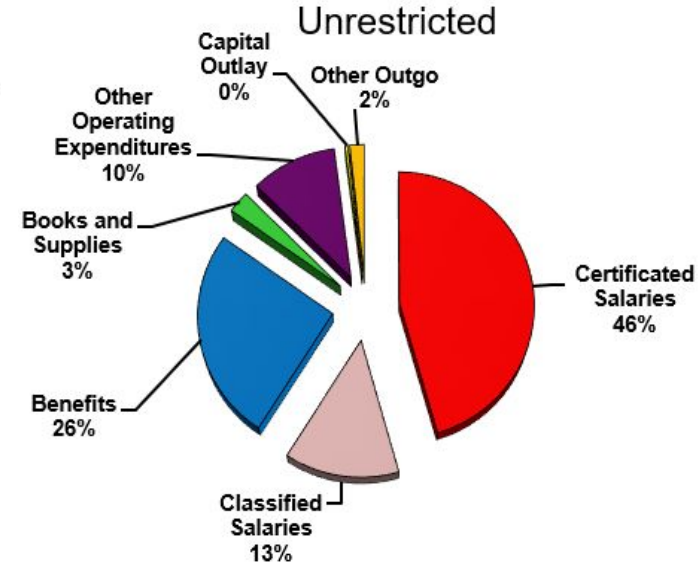
Enrollment

STRS & PERS pension rate increases

Special Education

General Fund Expenditures

Description	Unrestricted	Combined
Certificated Salaries	\$35,957,913	\$43,923,475
Classified Salaries	\$10,621,989	\$15,609,326
Benefits (Payroll Taxes and Health & Welfare Contributions)	\$20,300,177	\$30,620,636
Books and Supplies	\$2,079,215	\$5,826,169
Other Operating Expenditures	\$8,316,703	\$18,276,633
Capital Outlay	\$257,692	\$633,709
Other Outgo	\$1,373,992	\$2,601,475
TOTAL	\$78,907,681	\$117,491,423

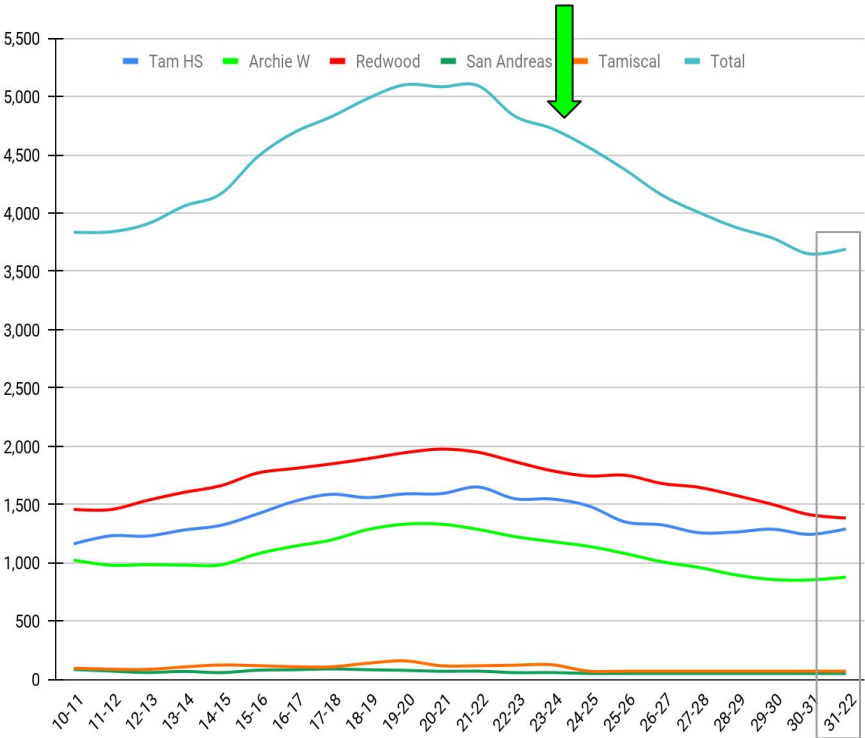


Salaries and benefits comprise approximately 85% of the District's unrestricted expenditures, and approximately 77% of the combined General Fund expenditures.

TUHSD Enrollment Projections (by Site)

Date: February 2024

Cohort Survival Method									
School Year	Tam HS	Archie W	Redwood	San Andreas	Tamiscal	NPS	Total	Change in students	Percent Change
10-11	1,162	1,023	1,458	84	95	14	3,836		
11-12	1,231	979	1,456	71	87	15	3,839	3	0.1%
12-13	1,229	984	1,535	58	85	16	3,907	68	1.7%
13-14	1,281	980	1,604	68	106	21	4,060	153	3.8%
14-15	1,321	982	1,661	57	123	21	4,165	105	2.5%
15-16	1,419	1,077	1,770	78	117	22	4,483	318	7.6%
16-17	1,527	1,142	1,809	82	108	25	4,693	210	4.7%
17-18	1,587	1,195	1,848	89	107	21	4,826	133	3.2%
18-19	1,559	1,285	1,893	82	138	27	4,984	158	3.3%
19-20	1,591	1,331	1,944	77	158	26	5,101	117	2.3%
20-21	1,593	1,331	1,975	69	116	29	5,084	-17	-0.3%
21-22	1,650	1,286	1,948	70	116	23	5,093	9	0.2%
22-23	1,549	1,224	1,867	57	121	21	4,831	-262	-5.1%
23-24	1,547	1,182	1,790	58	125	25	4,727	-104	-2.2%
24-25	1,488	1,141	1,744	50	70	21	4,565	-162	-3.4%
25-26	1,350	1,079	1,751	50	70	21	4,371	-194	-4.2%
26-27	1,325	1,008	1,680	50	70	21	4,154	-217	-5.0%
27-28	1,258	960	1,647	50	70	21	4,006	-148	-3.6%
28-29	1,264	896	1,578	50	70	21	3,879	-127	-3.2%
29-30	1,288	856	1,501	50	70	21	3,787	-92	-2.4%
30-31	1,244	852	1,413	50	70	21	3,650	-136	-3.6%
31-32	1,290	876	1,384	50	70	21	3,692	41	1.1%



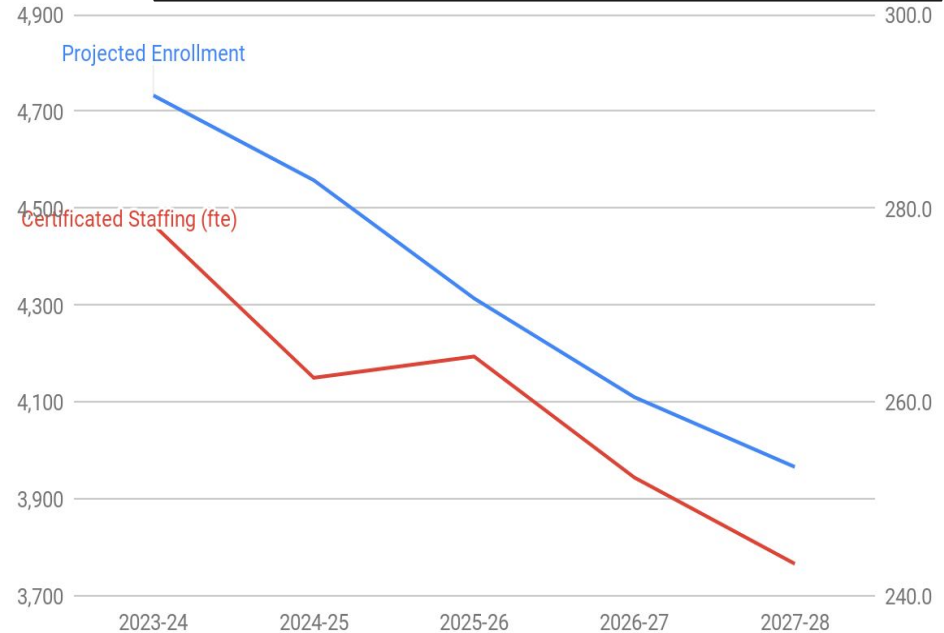
Enrollment Increase

Key Budget Assumptions - Expenditures

Enrollment & Certificated Staffing projections:


School Year	Projected Enrollment	Difference from Prior Year	Certificated Staffing (fte)	Difference from Prior Year
2023-24	4,733	-	278.3	
2024-25	4,558	-175	262.5	-15.8*
2025-26	4,314	-244	264.7	+2.2
2026-27	4,110	-204	252.2	-12.5
2027-28	3,966	-144	243.3	-8.9

Note: These staffing figures are from 1st Interim and will change at Budget Proposal in June as staffing process for 2024-25 is ongoing.



Notes: * - Expiration of extended 'Class Size increase' MOU (assumes return to lower class size ratios)

Key Budget Assumptions - Expenditures (cont'd)

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- TFT- & CSEA-represented employee groups have settled on compensation through 2024-25, but not in 2025-26 & beyond
 - Future cost of a 1% raise in 2025-26 estimated to be approximately \$687k
 - Step & Column increases are 1.77% for Certificated and 2.76% for Classified from 2022-23
 - Health & Welfare employee benefit increases up 7.9% in 2022-23 and assumed 5% annually thereafter
 - Insurance rates changes: property: +20%, liability: +10%, cyber: +10%, workers' compensation: -3%
 - Utilities expenses projected (i.e. budget) to increase 4% annually (i.e. water, electricity, sewer, etc)
 - But combined increase of **\$793k** ongoing given utility rate hikes as of 7/1/2023 & 1/1/2024
 - Continued historic trend of Special Education costs average annual increase of \$1.1M (*later slide*)

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 & annual costs have more than doubled (i.e. about \$6M to \$13M per year)
- PERS employer rates have now increased for 2023-24 and beyond (see table below)

CalPERS Rate Comparison

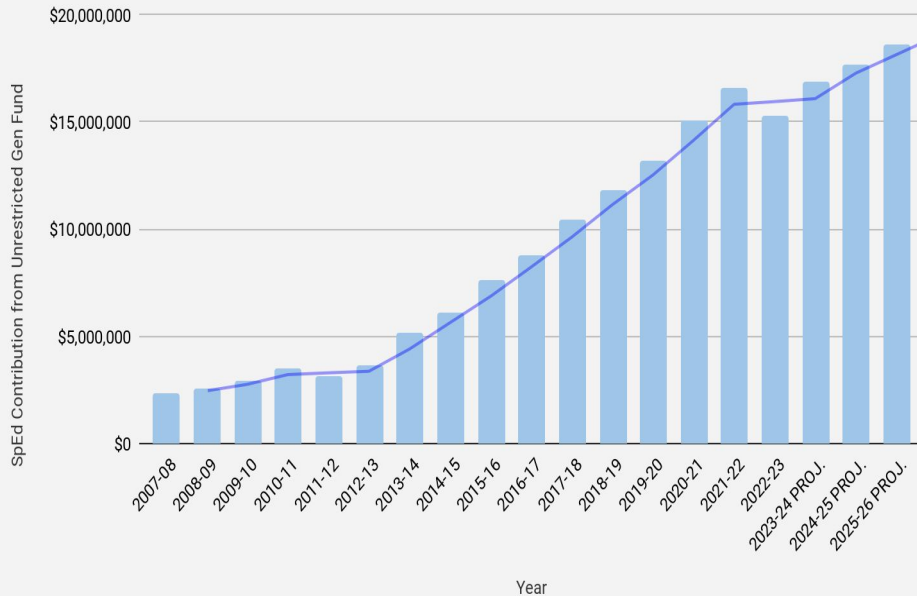
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Employer Rates	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%	25.37%	26.68%	27.80%	28.50%	28.50%
Change		2.04%	1.64%	2.53%	1.66%	0.98%	2.21%	2.46%	1.31%	1.12%	0.70%	0%

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



- TUHSD SpEd contributions have increased from \$2.4M to \$18.3M in 15 years
 - Avg. of \$1.2M increase annually
- TUHSD currently has five Counseling Enriched Classrooms (CEC) and opened 5th at San Andreas in the Fall
 - Estimated savings is \$560k annually per CEC
 - Total savings of about \$2.8M annually

Comparison:

1st Interim (December 2023)

VS.

2nd Interim (March 2024)

Reconciliation of 1st Interim vs. 2nd Interim Budgets



<i>Description</i>	<i>Amount</i>
2023-24 First Interim Projected Deficit	\$ (393,267)
Add: Variance Components (See Next Slide)	\$ (743,846)
2023-24 Second Interim Projected Deficit	\$ (1,137,113)

Reconciliation of Variance Components

<i>Description of Variance Components</i>	<i>Amount</i>
Increase in property revenue due higher 2022-23 property tax revenues from Unaudited Actuals	\$242k
Increase in staffing expenditures (certificated staffing, Tam High DEI support, Director of Technology, miscellaneous staffing adjustments for various leaves)	\$(324k)
Increase in Other Services & Operating Costs expenditures (Water/Sewer/Electricity utilities)	\$(364k)
Increase in Other Services & Operating Costs expenditures (one-time E3 & Courageous Conversations prof development, audio/visual for Board Meetings, other)	\$(386k)
Other net adjustments (facilities rental revenue, Books & Supplies reduction, surplus property sales revenue, etc)	\$88k
Total Variance	\$ (744k)

Reconciliation of 1st Interim vs. 2nd Interim Budgets




<i>Description</i>	<i>Amount</i>	<i>Ending Fund Balance (Reserve)</i>
2023-24 First Interim Projected Deficit	\$ (393,267)	\$23,416,342 (19.3%)
Add: Variance Components (See Previous Slide)	\$ (743,846)	\$ (743,846)
2023-24 2nd Interim Projected Deficit	\$ (1,137,113)	\$22,672,496 (18.5%)

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

Other Funds

Summary of All Funds

Illustrated below is a summary of each Fund's fund balance and corresponding change.



FUND	2022-23	Est. Net Change	2023-24
GENERAL (UNRESTRICTED & RESTRICTED)	\$35,020,620	(\$5,305,677)	\$29,714,943
ASSOCIATED STUDENT BODY FUND	\$664,594	\$0	\$664,594
ADULT EDUCATION FUND	\$992,672	(\$307,755)	\$684,917
CAFETERIA FUND	\$765,666	(\$734,126)	\$31,540
DEFERRED MAINTENANCE FUND	\$4,836,178	(\$522,168)	\$4,314,010
FOUNDATION SPECIAL RESERVE FUND	\$54,870	(\$4,455)	\$50,415
CAPITAL FACILITIES FUND	\$702,102	(\$24,292)	\$677,810
CAPITAL OUTLAY FUND	\$13,800,236	(\$2,316,445)	\$11,483,791
BOND INTEREST & REDEMPTION	\$12,569,561	(\$171,290)	\$12,398,271
TOTAL	\$69,406,500	(\$9,386,208)	\$60,020,292

Reserves & Assignments

Reserves & Assignments



2023-24 Estimated Ending Fund Balance (Unrestricted) - \$22,672,496 (18.5% reserve level)

Non-Spendable - \$12,000

Restricted - \$7,042,447 (i.e. one-time State grants)

Assigned - \$18,637,500

- Property Tax Uncertainty (1% of prop tax revenues) - \$750,000
- Special Education Uncertainty - \$750,000
- Additional 17% Reserve (less REU), per Board Policy - \$17,137,500

Unassigned - 3% minimum reserve for economic uncertainty (REU) - \$3,672,400

Unassigned (Other) - \$350,596

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

Back to the End

Where were we in in December and now in March?

Summary of Multi-Year Projections (Unrestricted)

	2023-24	2024-25	2025-26*
Operating Surplus (Deficit) (Dec 2023)	\$(393k)	\$697k	\$1.2M*
Ending Fund Balance/Reserve (Dec 2023)	\$23.4M (19.3%)	\$24.1M (20.4%)	\$25.3M (21.2%)*
Operating Surplus (Deficit) (March 2024)	\$(1.1M)	\$(4k)	\$654k*
Ending Fund Balance/Reserve (March 2024)	\$22.7M (18.5%)	\$22.7M (18.9%)	\$23.3M (19.2%)*

Key Assumptions: * Figures do not include any potential increase in staff compensation (cost of 1% raise = \$623k)

Description	2023-24 Second Interim Budget			2024-25 Projected Budget			2025-26 Projected Budget		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
REVENUES									
General Purpose Revenue (A)	83,605,691	-	83,605,691	86,298,766	-	86,298,766	89,493,084	-	89,493,084
Federal Revenue (B)	-	1,395,427	1,395,427	-	1,395,427	1,395,427	-	1,395,427	1,395,427
State Revenue (B)	1,836,863	5,823,638	7,660,501	1,836,863	5,562,772	7,399,635	1,836,863	5,562,772	7,399,635
Local Revenue (C)	18,714,956	4,840,171	23,555,127	19,240,776	3,813,013	23,053,789	19,782,370	3,813,013	23,595,383
TOTAL REVENUES	104,157,510	12,059,236	116,216,746	107,376,405	10,771,212	118,147,617	111,112,317	10,771,212	121,883,529
EXPENDITURES									
Certificated Salaries (D)	35,957,913	7,965,562	43,923,475	36,105,432	7,828,318	43,933,750	38,158,980	6,808,989	44,967,969
Classified Salaries (D)	10,621,989	4,987,337	15,609,326	11,235,940	4,919,255	16,155,195	11,624,704	5,086,930	16,711,634
Benefits (E)	20,300,177	10,320,459	30,620,636	20,994,954	10,522,723	31,517,677	22,267,737	10,469,562	32,737,299
Books and Supplies (F)	2,079,215	3,746,954	5,826,169	2,164,314	1,439,863	3,604,177	2,202,604	1,316,381	3,518,985
Other Services & Oper. Exp (G)	8,316,703	9,959,930	18,276,633	8,288,687	10,634,150	18,922,837	8,537,687	11,341,166	19,878,853
Capital Outlay (H)	257,692	376,017	633,709	257,692	152,342	410,034	257,692	152,342	410,034
Other Outgo (I)	1,429,808	1,203,554	2,633,362	789,318	1,341,554	2,130,872	799,355	1,493,554	2,292,909
Transfer of Indirect Costs	(55,816)	23,929	(31,887)	(55,816)	23,929	(31,887)	(55,816)	23,929	(31,887)
TOTAL EXPENDITURES	78,907,681	38,583,742	117,491,423	79,780,521	36,862,134	116,642,655	83,792,943	36,692,853	120,485,796
EXCESS / (DEFICIENCY)	25,249,829	(26,524,506)	(1,274,677)	27,595,884	(26,090,922)	1,504,962	27,319,374	(25,921,641)	1,397,733
OTHER SOURCES/USES									
Transfers In	888,000	-	888,000	-	-	-	-	-	-
Transfers Out (J)	(4,919,000)	-	(4,919,000)	(3,279,000)	-	(3,279,000)	(744,000)	-	(744,000)
Net Other Sources (Uses)	-	-	-	-	-	-	-	-	-
Contributions to Restricted (K)	(22,355,942)	22,355,942	-	(24,321,141)	24,321,141	-	(25,921,641)	25,921,641	-
TOTAL OTHER SOURCES / USES	(26,386,942)	22,355,942	(4,031,000)	(27,600,141)	24,321,141	(3,279,000)	(26,665,641)	25,921,641	(744,000)
Net Increase (Decrease)	(1,137,113)	(4,168,564)	(5,305,677)	(4,257)	(1,769,781)	(1,774,038)	653,733	-	653,733
FUND BALANCE, RESERVES									
Estimated Beginning Balance	23,809,609	11,211,011	35,020,620	22,672,496	7,042,447	29,714,943	22,668,239	5,272,666	27,940,905
Estimated Ending Balance	22,672,496	7,042,447	29,714,943	22,668,239	5,272,666	27,940,905	23,321,972	5,272,666	28,594,638
Nonspendable	12,000	-	12,000	12,000	-	12,000	12,000	-	12,000
Restricted	-	7,042,447	7,042,447	-	5,272,666	5,272,666	-	5,272,666	5,272,666
Assigned	18,637,500	-	18,637,500	18,289,100	-	18,289,100	18,472,200	-	18,472,200
Unassigned - REU @ 3%	3,672,400	-	3,672,400	3,597,700	-	3,597,700	3,636,900	-	3,636,900
Unassigned - Other	350,596	(0)	350,596	769,439	(0)	769,439	1,200,872	(0)	1,200,872
Total - Est. Fund Balance	22,672,496	7,042,447	29,714,943	22,668,239	5,272,666	27,940,905	23,321,972	5,272,666	28,594,638
Fund Balance Reserve Percentage (Combined Assigned & Unassigned)			18.51%			18.89%			19.23%

Uncertainties & Prudence

Uncertainties & Prudence

- Inflation, Federal Reserve, Interest Rates & Economic Uncertainty
 - Reduced property tax revenue in 2024-25 anticipated due to local real estate market downturn
- Ongoing enrollment decline for at least the next 8 years has begun, **BUT ends in 2031-32**
 - Major 'lesson learned' from past financial challenges: Need to adjust staffing to enrollment accordingly
- 'Class Size' MOU now expires in 2024-25 school year
- Concerns about future increases to STRS & PERS pension rates given statewide loss of enrollment & staff paying into pension systems
- No additional one-time State or federal funding anticipated moving forward
 - CDE clarification still pending for Prop 28 Art Education allowable uses
- Statewide trend of Special Education costs increases continue ('unfunded mandate')
- TFT and CSEA employee groups have settled on compensation with TUHSD through 2022-23, but not beyond
 - Future cost of a 1% raise in 2023-24 estimated to be \$623k
- Major, imminent facilities needs (without dedicated funding) would divert funding from General Fund (students & staff)
- **Pending the above, TUHSD is projecting balanced budgets in the official 3-year MYP & minimum 17% reserve = Sustainable, BUT unfunded imminent facilities needs pose significant risk to general fund**

2nd Interim Certification



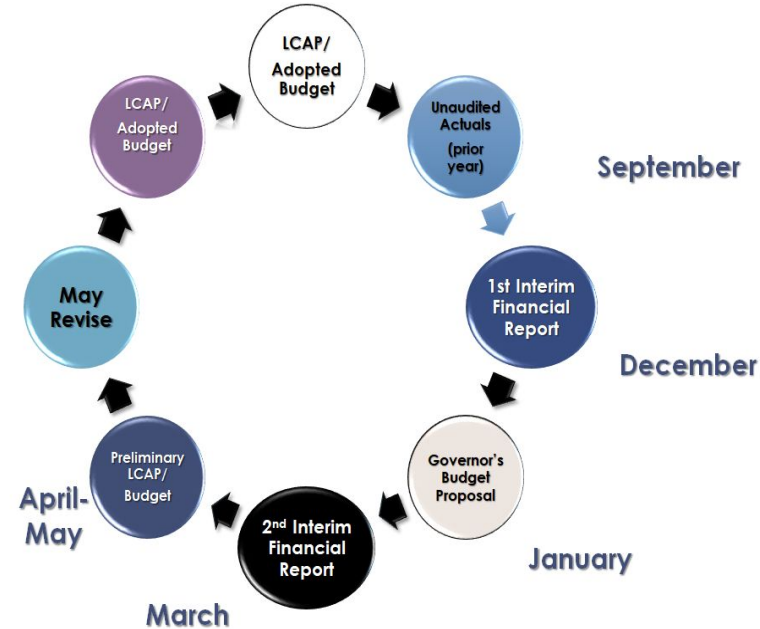
- Per AB 1200
- *The Second Interim projection indicates that, as defined in AB 1200, “the district **will** be able to meet its financial obligations for the current fiscal year and subsequent two years.”*

The District is self-certifying as “Positive”

Budget Calendar & Key Dates

Budget Calendar & Key Dates

March 2024	2nd Interim Budget Report for 2023-24
May 2024	Governor's May Revise budget proposal for 2024-25
June 2024	Board adopts 2024-25 Budget & LCAP Enacted State Budget Act
September 2024	Unaudited Actuals Report for 2023-24





TAMALPAIS UNION HIGH SCHOOL DISTRICT

Questions?
Comments?



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