TAMALPAIS UNION HIGH SCHOOL DISTRICT

2024-25 1st Interim Budget

December 16, 2024

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

- ➢ State Outlook & Risks
- ➢ Budget Reporting Cycle
- ➢ Start with the End: *Where were we in June and now in December?*
- ➢ 2024-25 Budget: Revenue, Expenditures & Reserves - *What has changed since June?*
- ➢ Multi-Year Projection - *Where are we going?*
- ➢ Uncertainties and Next Steps
- ➢ Questions & Comments

State Outlook & Risks

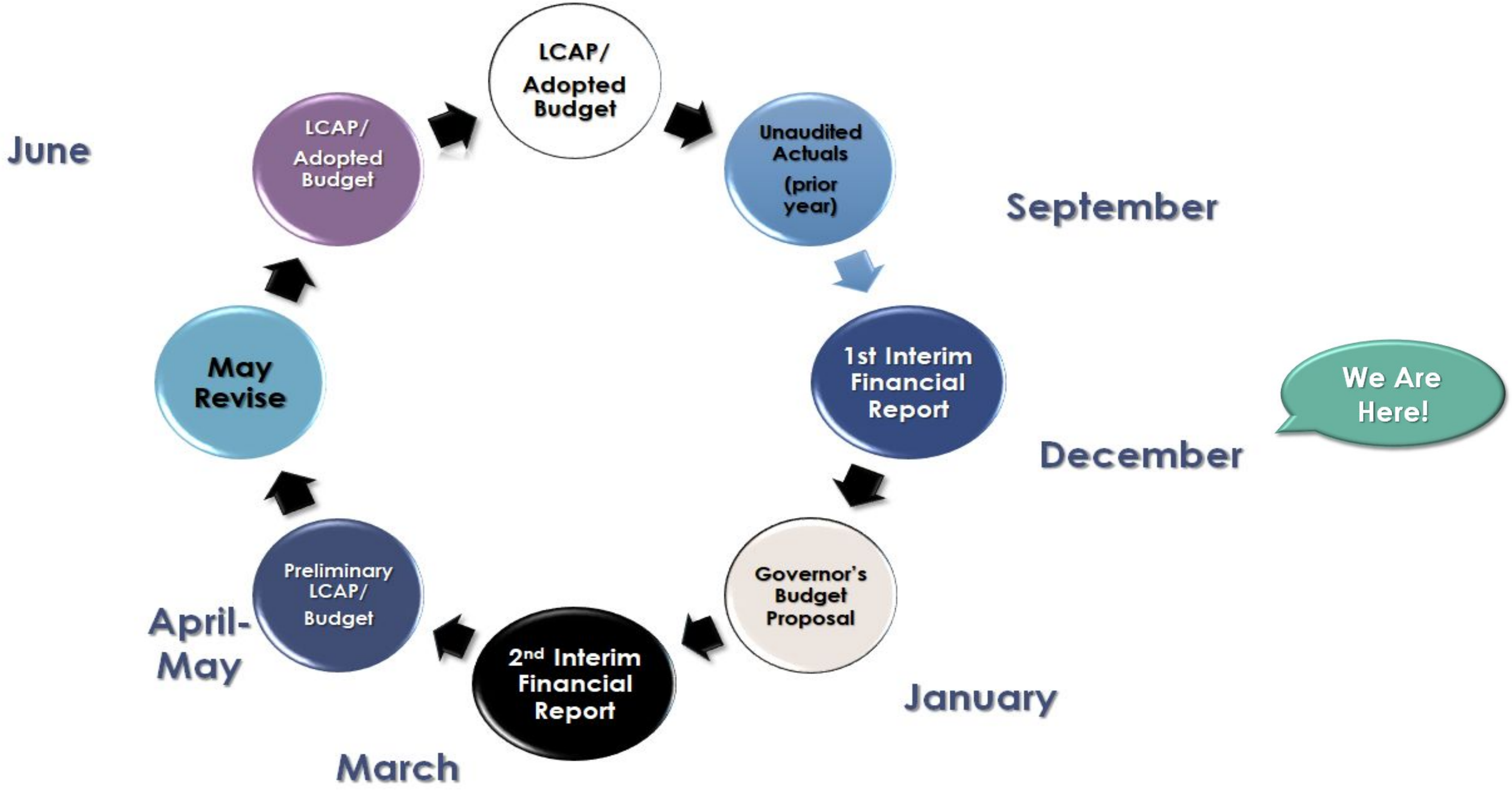
State Outlook & Risks

1. Declining CA enrollment trend
2. AB 218 & SAM
3. Prop 30 (Education Protection Account) expiration & reauthorization
4. Federal funding under new administration (Title funding, IDEA, etc.)
5. State economy & revenues ok, but needs to backfill reserves
6. Inflation lowered to pre-COVID levels, but Districts annual costs continue to grow greater than 5%

Source: CASBO CBO Symposium, November 2024, FCMAT/SSC workshop

Budget Reporting Cycle

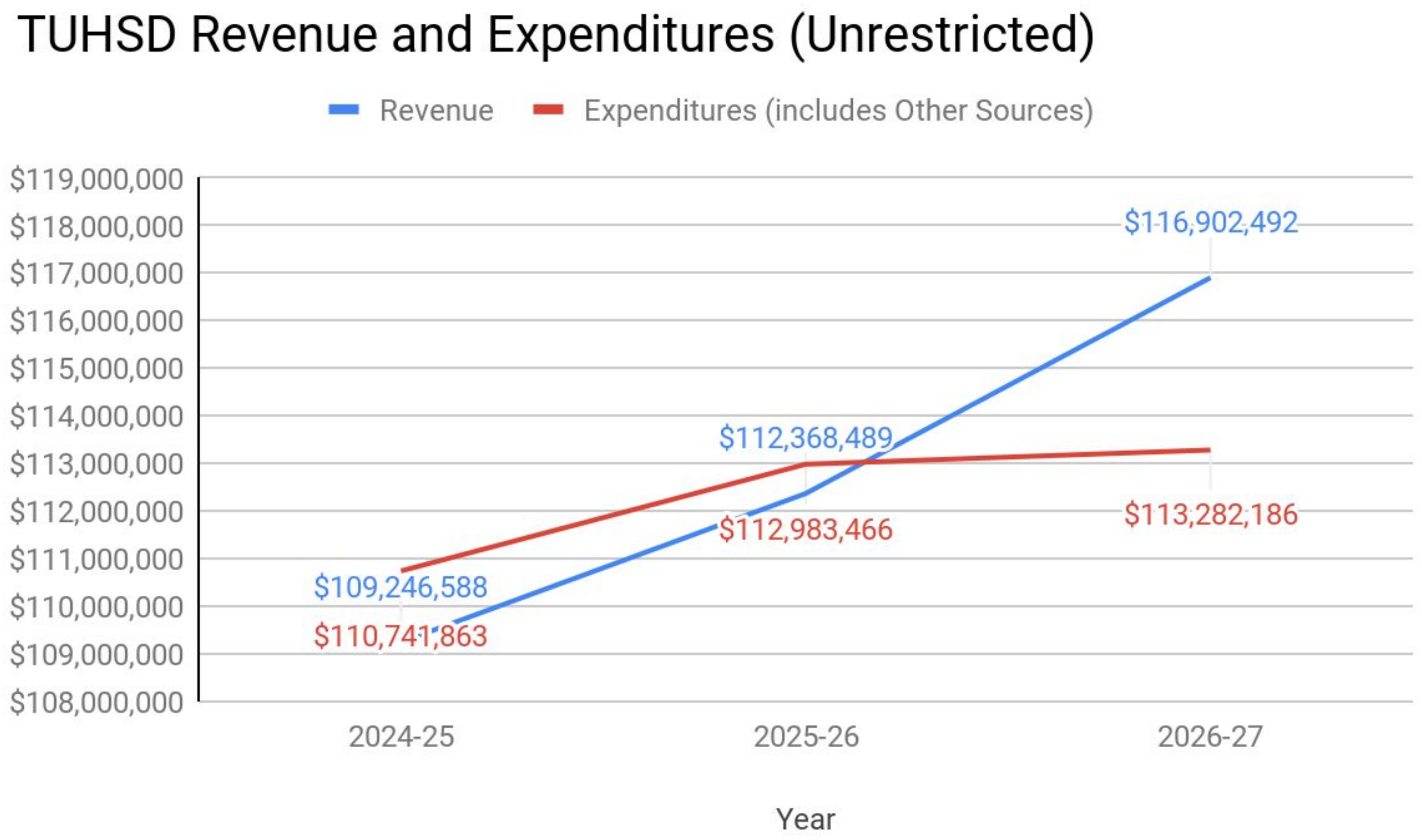
Budget Reporting Cycle



Start with the End…

Where were we in June and now in December?

Summary of Multi-Year Projections



Summary of Multi-Year Projections

	2024-25	*2025-26**	*2026-27**
Operating Surplus (Deficit) *(June 2024)*	$(934k)	$154k*	$4.6M*
Ending Fund Balance/Reserve *(June 2024)*	$23.3M (18.9%)	$23.4M (19.0%)*	$28.0M (22.7%)*
Operating Surplus (Deficit) *(Dec 2024)*	$1.5M	$(615k)*	$3.6M*
Ending Fund Balance/Reserve *(Dec 2024)*	$23.41 (18.0%)	$22.4M (17.9%)*	$26.1M (20.8%)*

Key Assumptions: * **Figures do not include any potential increase in staff compensation (cost of 1% raise = $695k)**

Revenue

Basic Aid vs. State-Funded (LCFF)

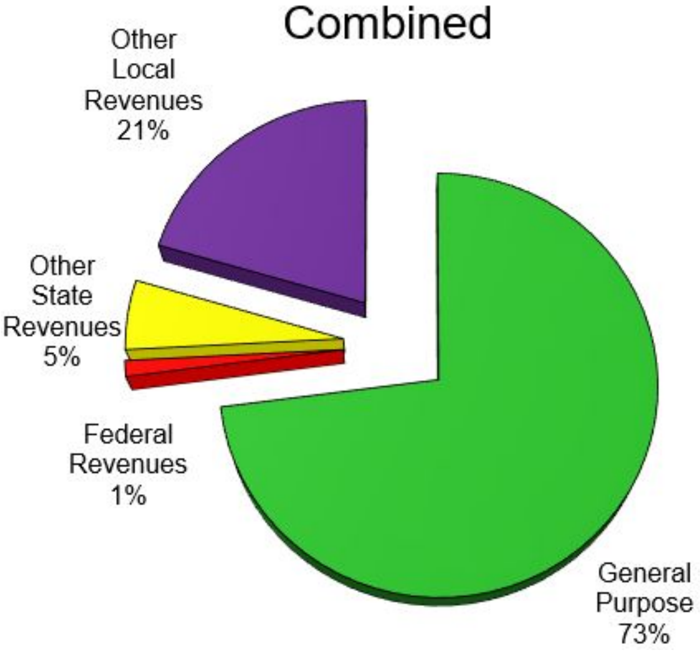
- District is entitled to a calculated revenue entitlement
- Comprised of both local property taxes revenue and state aid
- If property taxes exceed the calculated revenue entitlement, then the district keeps the overflow revenue and receives only basic (minimal) state aid
- Does not receive significant additional revenue for each new student in enrollment growth
- *TUHSD is about $25.9M 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 2024-25 General Revenue (combined)

- General Purpose $ 87,053,778
  - Property taxes, EPA, Minimum State Aid
- State Funding $ 6,373,833
  - LRE, AMIM, Lottery, Special Education, etc
- Federal Funding $ 1,456,807
  - Title funding, IDEA, etc.
- Local Revenue $ 24,442,280
  - Parcel tax, Foundations, facilities fees, etc.

TOTAL: $ 119,326,698



Key Budget Assumptions - Unrestricted Revenues

Property Tax Revenue growth projections: $85,785,650 in 2024-25 property tax revenue

Year	2024-25	2025-26	2026-27
Growth Rate Projection (%)	4.37%	4.37%	4.87%

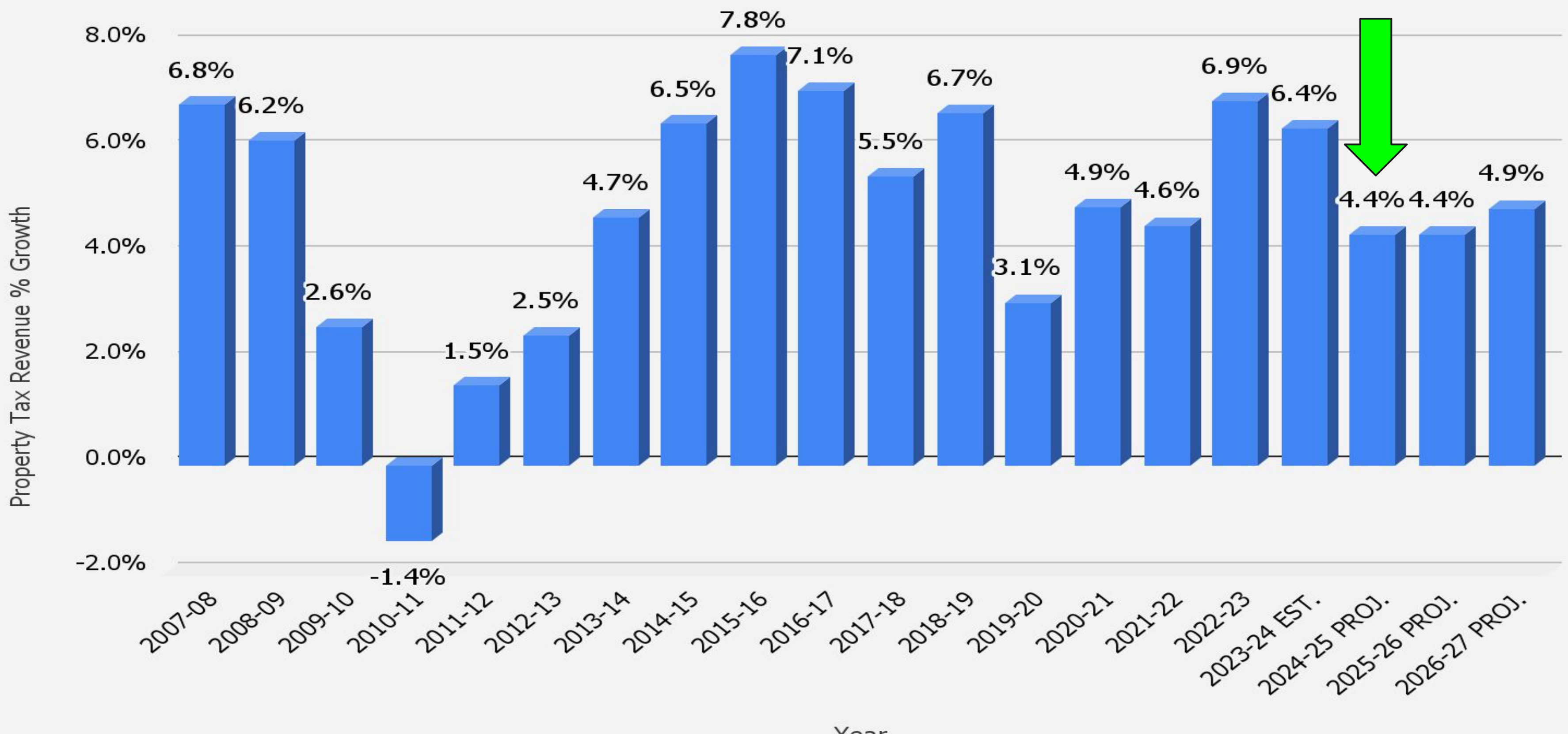
Notes:

- Projections inclusive of information provided at Marin County Property Tax Forum in May

Parcel Tax Revenue

- Increase of 3% with annual inflation adjustment
    - Actual amount depends on volume of Senior Exemptions
- 2024-25 Parcel Tax revenue projected to be $17.8M, which is an increase of $298k from 2023-24

TUHSD Historical Property Tax Revenue Growth



Source: County of Marin Dept of Finance & May 2024 Property Tax Forum

Key Budget Assumptions - Other Revenues

State revenue:

- Remaining one-time funding of $1.8M in Arts, Music, & Instructional Materials Discretionary Block Grant to be nearly exhausted in 2024-25 leaving a one-time balance of $368k for 2025-26
- Universal Meals for all students helps our TUHSD Nutrition program run at less of a deficit
- Prop 28 Arts Education funding still not included in budget due to allowable uses
- All COVID relief funding was one-time funding and has been exhausted

Federal revenue: No significant changes to date

Other Local revenue: Increase in interest revenue in current year & decreased in out years due to anticipated Federal Reserve interest rate reductions

Expenditures

Primary Components:

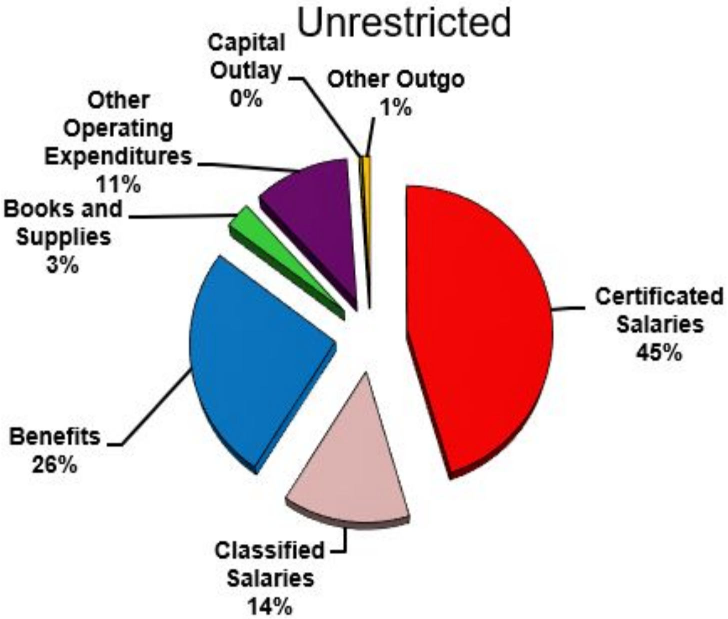
Enrollment

STRS & PERS pension rate increases

Special Education

General Fund Expenditures

Description	Unrestricted	Combined
Certificated Salaries	$37,576,250	$45,654,286
Classified Salaries	$11,480,915	$16,591,668
Benefits (Payroll Taxes and Health & Welfare Contributions)	$21,565,597	$31,920,933
Books and Supplies	$2,409,053	$6,029,498
Other Operating Expenditures	$9,003,280	$19,598,226
Capital Outlay	$203,525	$453,609
Other Outgo	$728,615	$2,292,502
TOTAL	$82,967,235	$122,540,722

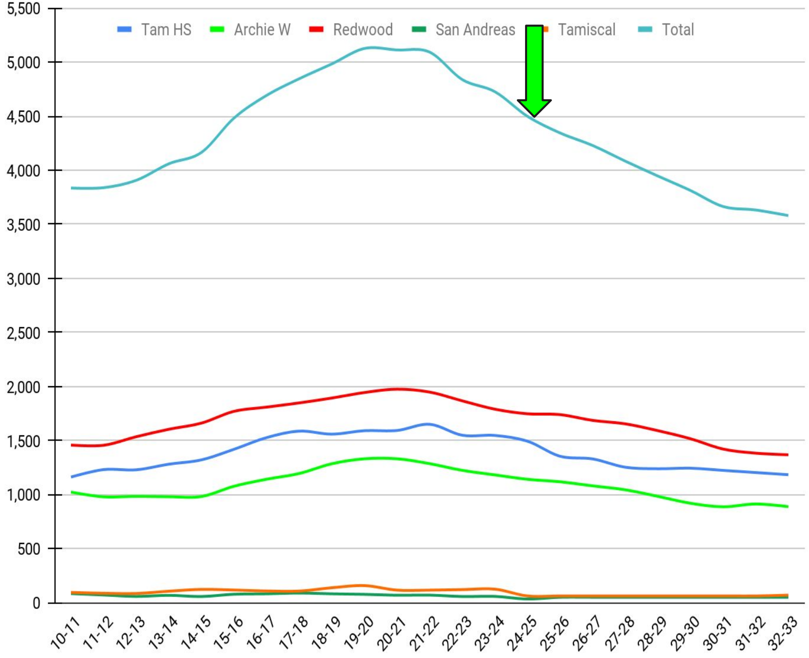


Salaries and benefits comprise approximately 85% of the District's unrestricted expenditures, and approximately 77% of the combined General Fund expenditures.

TUHSD Enrollment Projections (by Site)

Date: Nov 2024

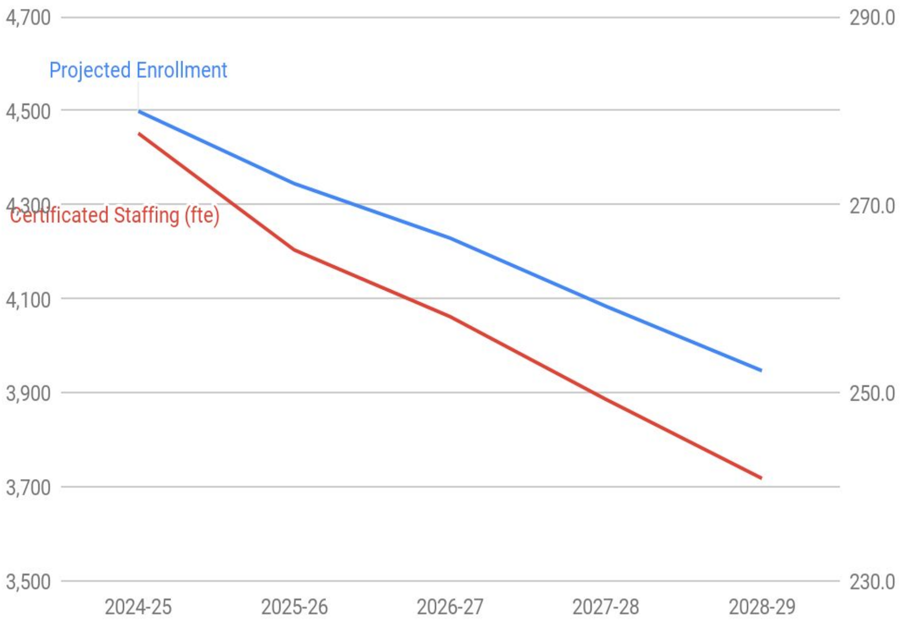
School Year	Tam HS	Archie W	Redwood	San Andreas	Tamiscal	NPS	Total	Change in students	Percent Change
10-11	1,162	1,023	1,458	84	95	14	3,836		
11-12	1,231	979	1,456	71	87	15	3,839	3	0.1%
12-13	1,229	984	1,535	58	85	16	3,907	68	1.7%
13-14	1,281	980	1,604	68	106	21	4,060	153	3.8%
14-15	1,321	982	1,661	57	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	4,847	154	3.2%
18-19	1,559	1,285	1,893	82	138	27	4,984	137	2.8%
19-20	1,591	1,331	1,944	77	158	26	5,127	143	2.9%
20-21	1,593	1,331	1,975	69	116	29	5,113	-14	-0.3%
21-22	1,650	1,286	1,948	70	116	23	5,093	-20	-0.4%
22-23	1,549	1,224	1,867	57	121	21	4,839	-254	-5.0%
23-24	1,547	1,182	1,790	58	125	25	4,727	-112	-2.3%
24-25	1,494	1,141	1,747	34	62	21	4,499	-228	-4.8%
25-26	1,355	1,118	1,739	50	62	21	4,345	-154	-3.4%
26-27	1,330	1,080	1,686	50	62	21	4,229	-116	-2.7%
27-28	1,253	1,044	1,654	50	62	21	4,084	-145	-3.4%
28-29	1,239	983	1,591	50	62	21	3,947	-138	-3.4%
29-30	1,244	920	1,516	50	62	21	3,813	-134	-3.4%
30-31	1,224	887	1,421	50	62	21	3,665	-148	-3.9%
31-32	1,204	913	1,383	50	62	21	3,633	-32	-0.9%
32-33	1,184	888	1,368	50	70	21	3,581	-52	-1.4%



Key Budget Assumptions - Expenditures

Enrollment & Certificated Staffing projections:

School Year	Projected Enrollment	Difference from Prior Year	Certificated Staffing (fte)	Difference from Prior Year
2024-25	4,499	-	277.6 *	-
2025-26	4,345	-154	265.2	-12.4
2026-27	4,229	-116	258.1	-7.1
2027-28	4,084	-145	249.3	-8.8
2028-29	3,947	-137	240.9	-8.4



Notes: * Increase of 6.3 fte compared to staffing at Budget Adoption in June 2024

Key Budget Assumptions - Expenditures (cont'd)

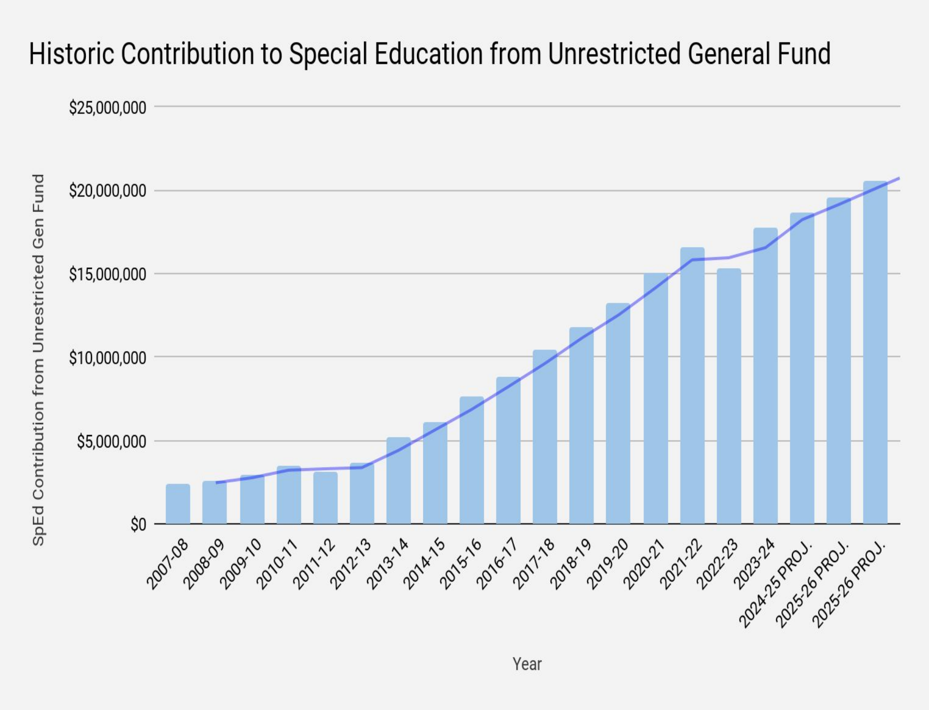
- TFT- & CSEA-represented employee groups have settled on compensation through 2024-25, but <u>not</u> in 2025-26 & beyond
    - Future cost of a 1% raise in 2025-26 estimated to be approximately $695k
- Step & Column increases are 1.77% for Certificated and 2.76% for Classified from 2023-24
- Health & Welfare employee benefit increases up 7.6% from 2023-24 and assumed 5% annually thereafter
- Insurance rates changes: property: +7%, liability: +16%, cyber: +10%, workers' compensation: +4% dental: -10% vision: -6%
- Utilities expenses projected to increase 4% annually (i.e. MMWD, PG&E, sewer, etc)
- In 2025-26 & beyond, increase of $135k in <u>ongoing</u> expenditures to replace current school accounting software (QSS) & student transportation increase of $475k
- 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 & costs have more than doubled (i.e. about $6M to $15M per year

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%	27.40%	27.50%	27.50%
Change		2.04%	1.64%	2.53%	1.66%	0.98%	2.21%	2.46%	1.31%	0.72%	0.10%	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

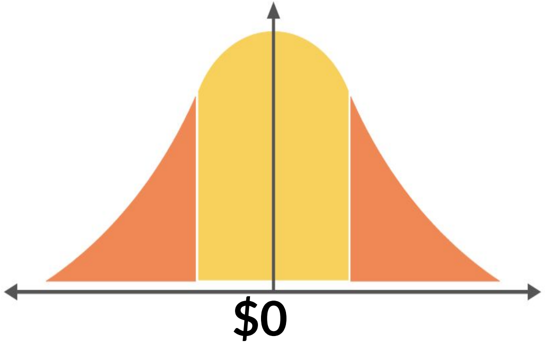


- In 2012, CA law changed increasing district responsibility for funding special education (NPS, mental health)
- TUHSD SpEd contributions have increased from $2.4M to $20.1M in 14 years
  - Avg. of $1.3M increase annually
- TUHSD currently has 4 Counseling Enriched Classrooms (CEC) and opening 5th at San Andreas in the Fall
  - Estimated savings is $560k annually per CEC
  - Total savings of about $2.8M annually
- Special Education transportation (via MPTA) anticipated to increase 50% (from $950k) due to end of 10-year contract and current market rates

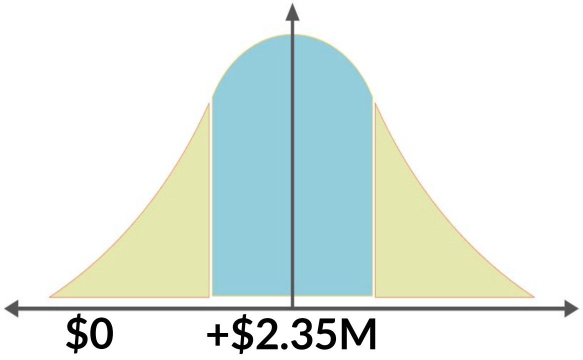
Reminder from January 2021 Budget Workshop:

To increase budget accuracy, ‘Expenditure Fall-Out’ mechanism still in place with increased magnitude to $2.25M.

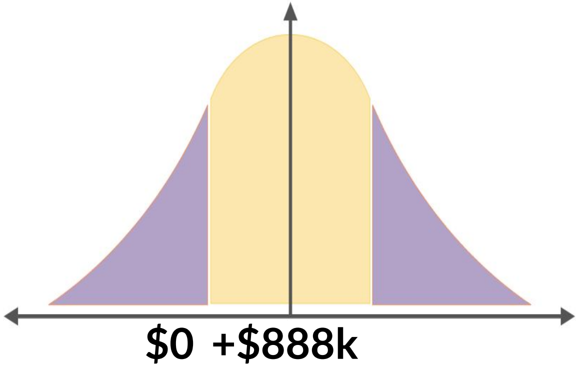
Hypothetical Case:
Aim for perfect accuracy, but 50% chance of negative fall-out



Historical TUHSD Trend:
Less accurate, but significantly little chance of negative fall-out



Options for 2021-22 TUHSD Budget:
More accurate with less chance of negative fall-out



Trade-Off: In exchange for greater budget accuracy, there will be a greater risk (albeit less than hypothetical case) of negative budget fall-out.

Reconciliation of Adopted vs. 1st Interim Budgets

Description	*Amount*
2024-25 Budget Adoption Projected Deficit	**$ (933,968)**
Add: Variance Components (***See Next Slide***)	**$ (561,307)**
2024-25 First Interim Projected Deficit	**$ (1,495,275)**

Reconciliation of Variance Components

Description of Variance Components (Unrestricted only)	*Amount*
Increase in ongoing State revenue for Lottery	$77k
Increase in local interest revenue in 2024-25 only (& then reduced in out years) & facilities usage revenue	$509k
Increase in net certificated staffing expenditures (+6.3 fte increase) and miscellaneous staffing adjustments	$(344k)
Increase in net classified salaries and miscellaneous staffing adjustments	$(133k)
Decrease in net staff Benefits due to reduced OPEB expenditures & increased staffing position adjustments (above)	$116k
Decrease in net Books & Supplies expenditures	$115k
Increase in Other Services & Operating Costs due to Water/Electricity/Sewer, MSIA insurance, transportation and legal	$(361k)
Increase in contributions to Restricted Funds (SELPA & SpEd staffing adjustments)	$(517k)
Net Other Variances	$(23k)
Total Variance	**$(561k)**

Reconciliation of Adopted vs. 1st Interim Budgets

Description	*Amount*	*Ending Fund Balance (Reserve)*
2024-25 Budget Adoption Projected Deficit	**$ (933,968)**	**$23,275,576 (18.9%)**
Add: Variance Components (*See Next Slide*)	**$ (561,307)**	**$(216,996)** *(net change adjusted by variance of $(561k) & updated 2023-24 Unaudited Actuals of $344k)*
2024-25 First Interim Projected Deficit	**$ (1,495,275)**	**$23,058,581 (18.0%)**

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

Reserves & Assignments

Reserves & Assignments

2024-25 Estimated Ending Fund Balance (Unrestricted) - $23,058,581 (18.0% reserve level)

Non-Spendable - $12,000

Restricted - $5,611,813

Assigned - $18,744,300

- Property Tax Uncertainty (1% of prop tax revenues) - $587,500
- Special Education Uncertainty - $587,500
- Additional 17% Reserve (less REU), per Board Policy - $17,920,900

Unassigned - 3% minimum reserve for economic uncertainty (REU) - $3,840,200

Unassigned (Other) - $110,481

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

Other Funds

Summary of Other Funds

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

FUND	2023-24	Est. Net Change	2024-25
GENERAL (UNRESTRICTED & RESTRICTED)	$35,099,417	($6,429,024)	$28,670,393
ASSOCIATED STUDENT BODY FUND	$690,629	$0	$690,629
ADULT EDUCATION	$1,065,791	($419,628)	$646,163
CAFETERIA FUND	$907,222	($506,058)	$401,164
DEFERRED MAINTENANCE	$4,484,150	($40,000)	$4,444,150
SPECIAL RESERVE - OTHER THAN CAPITAL (	$0	$1,035,000	$1,035,000
FOUNDATION SPECIAL RESERVE FUND	$57,538	($6,691)	$50,847
CAPITAL FACILITIES FUND	$794,677	$19,288	$813,965
CAPITAL OUTLAY	$9,171,878	($6,828,891)	$2,342,987
BOND INTEREST & REDEMPTION	$12,683,757	($976,583)	$11,707,174
TOTAL	**$64,955,060**	($14,152,587)	**$50,802,473**

Back to the End

Where were we in June and now in December?

Summary of Multi-Year Projections

	2024-25	*2025-26**	*2026-27**
Operating Surplus (Deficit) *(June 2024)*	$(934k)	$154k*	$4.6M*
Ending Fund Balance/Reserve *(June 2024)*	$23.3M (18.9%)	$23.4M (19.0%)*	$28.0M (22.7%)*
Operating Surplus (Deficit) *(Dec 2024)*	$1.5M	$(615k)*	$3.6M*
Ending Fund Balance/Reserve *(Dec 2024)*	$23.41 (18.0%)	$22.4M (17.9%)*	$26.1M (20.8%)*

Key Assumptions: * **Figures do not include any potential increase in staff compensation (cost of 1% raise = $695k)**

Description	2024-25 First Interim Budget Unrestricted	2024-25 First Interim Budget Restricted	2024-25 First Interim Budget Combined	2025-26 Projected Budget Unrestricted	2025-26 Projected Budget Restricted	2025-26 Projected Budget Combined	2026-27 Projected Budget Unrestricted	2026-27 Projected Budget Restricted	2026-27 Projected Budget Combined
REVENUES									
General Purpose Revenue (A)	87,053,778	-	87,053,778	90,684,508	-	90,684,508	94,917,717	-	94,917,717
Federal Revenue (B)	-	1,456,807	1,456,807	-	1,456,807	1,456,807	-	1,456,807	1,456,807
State Revenue (B)	2,086,083	4,287,750	6,373,833	1,292,503	4,805,854	6,098,357	1,292,503	4,805,854	6,098,357
Local Revenue (C)	20,106,727	4,335,553	24,442,280	20,391,478	3,365,725	23,757,203	20,692,272	3,365,725	24,057,997
TOTAL REVENUES	**109,246,588**	**10,080,110**	**119,326,698**	**112,368,489**	**9,628,386**	**121,996,875**	**116,902,492**	**9,628,386**	**126,530,878**
EXPENDITURES									
Certificated Salaries (D)	37,576,250	8,078,036	45,654,286	38,161,153	7,122,347	45,283,500	38,224,873	6,924,566	45,149,439
Classified Salaries (D)	11,480,915	5,110,753	16,591,668	11,817,306	4,986,669	16,803,975	12,186,006	5,142,253	17,328,259
Benefits (E)	21,565,597	10,355,336	31,920,933	22,227,796	10,239,051	32,466,847	22,769,200	10,442,391	33,211,591
Books and Supplies (F)	2,409,053	3,620,445	6,029,498	2,409,053	765,881	3,174,934	2,409,053	765,881	3,174,934
Other Services & Oper. Exp (G)	9,003,280	10,594,946	19,598,226	9,211,510	11,215,604	20,427,114	9,407,917	12,213,604	21,621,521
Capital Outlay (H)	203,525	250,084	453,609	203,525	-	203,525	203,525	-	203,525
Other Outgo (I)	789,340	1,524,776	2,314,116	799,377	1,676,776	2,476,153	484,141	1,843,776	2,327,917
Transfer of Indirect Costs	(60,725)	39,111	(21,614)	(60,725)	39,111	(21,614)	(60,725)	39,111	(21,614)
TOTAL EXPENDITURES	**82,967,235**	**39,573,487**	**122,540,722**	**84,768,995**	**36,045,439**	**120,814,434**	**85,623,990**	**37,371,582**	**122,995,572**
EXCESS / (DEFICIENCY)	**26,279,353**	**(29,493,377)**	**(3,214,024)**	**27,599,494**	**(26,417,053)**	**1,182,441**	**31,278,502**	**(27,743,196)**	**3,535,306**
OTHER SOURCES/USES									
Transfers In	2,250,000	-	2,250,000	2,250,000	-	2,250,000	2,250,000	-	2,250,000
Transfers Out (J)	(5,465,000)	-	(5,465,000)	(4,415,000)	-	(4,415,000)	(2,165,000)	-	(2,165,000)
Net Other Sources (Uses)	-	-	-	-	-	-	-	-	-
Contributions to Restricted (K)	(24,559,628)	24,559,628	-	(26,049,471)	26,049,471	-	(27,743,196)	27,743,196	-
TOTAL OTHER SOURCES / USES	(27,774,628)	24,559,628	(3,215,000)	(28,214,471)	26,049,471	(2,165,000)	(27,658,196)	27,743,196	85,000
Net Increase (Decrease)	**(1,495,275)**	**(4,933,749)**	**(6,429,024)**	**(614,978)**	**(367,582)**	**(982,560)**	**3,620,306**	**-**	**3,620,306**
FUND BALANCE, RESERVES									
Estimated Beginning Balance	24,553,856	10,545,562	35,099,417	23,058,581	5,611,813	28,670,393	22,443,603	5,244,231	27,687,834
Estimated Ending Balance	**23,058,581**	**5,611,813**	**28,670,393**	**22,443,603**	**5,244,231**	**27,687,834**	**26,063,909**	**5,244,231**	**31,308,140**
Nonspendable	12,000	-	12,000	12,000	-	12,000	12,000	-	12,000
Restricted	-	5,611,813	5,611,813	-	5,244,231	5,244,231	-	5,244,231	5,244,231
Assigned	19,095,900	-	19,095,900	18,102,200	-	18,102,200	19,022,500	-	19,022,500
Unassigned - REU @ 3%	3,840,200	-	3,840,200	3,756,900	-	3,756,900	3,754,900	-	3,754,900
Unassigned - Other	110,481	-	110,481	572,503	(0)	572,503	3,274,509	(0)	3,274,509
Total - Est. Fund Balance	**23,058,581**	**5,611,813**	**28,670,393**	**22,443,603**	**5,244,231**	**27,687,834**	**26,063,909**	**5,244,231**	**31,308,140**
Fund Balance Reserve Percentage (Combined Assigned & Unassigned)			**18.00%**			**17.91%**			**20.81%**

Uncertainties & Prudence

Uncertainties & Prudence

- Inflation, Federal Reserve, & Interest Rates
  - Impact on local real estate market and TUHSD property tax revenues
- Ongoing enrollment decline for at least the next 8 years has begun, but flattens in later years
  - <u>Major 'lesson learned' from past financial challenges</u>: Need to adjust staffing to enrollment accordingly
  - 1st interim includes additional +6.3 fte in certificated staffing not included in Budget Adoption in June 2024
- No additional one-time State or federal funding anticipated moving forward
- Statewide trend of Special Education costs increases continue ('unfunded mandate')
  - Special Education transportation (via MPTA) anticipated to increase 50% on $950k cost due to end of 10-year contract and current market rates
- TFT- & CSEA-represented employee groups have settled on compensation through 2024-25, but <u>not</u> afterwards
  - Future cost of a 1% raise in 2025-26 for all staff estimated to be approximately $695k
- Given the above and ongoing expenditure increases (primarily certificated staffing & SpEd MTSA rate increase), <u>staff is recommending $1.3M of budget reductions</u> effective 2025-26 to maintain fiscal sustainability & to offer staff compensation increases
- <u>Assuming $1.3M of budget reductions, TUHSD is projecting balanced budgets in the official 3-year MYP & minimum 17% reserve</u> = **Sustainable**

1st Interim Certification

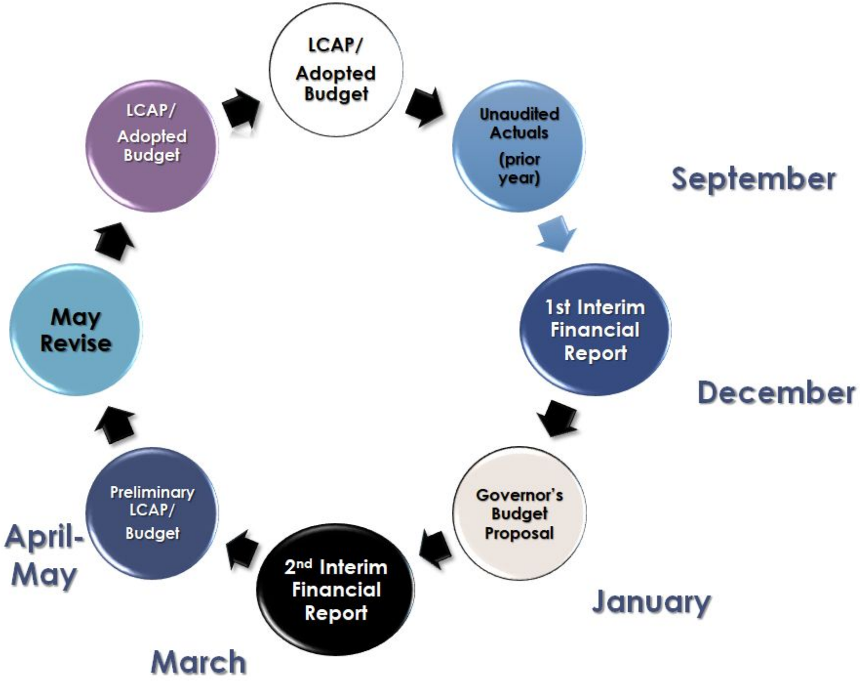
- Per AB 1200
- *The First Interim projection indicates that, as defined in AB 1200, "the district **will** be able to meet its financial obligations for the current fiscal year and subsequent two years."*

The District is self-certifying as "Positive"

Budget Calendar
&
Key Dates

Budget Calendar & Key Dates

January 2025	Governor's proposal for State budget
February 2025	Mid-year LCAP update
March 2025	2nd Interim Budget Report for 2024-25
May 2025	Governor's May Revise budget proposal
June 2025	Board adopts 2025-26 LCAP & Budget
	Enacted State Budget Act



Questions? Comments?

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