TAMALPAIS UNION HIGH
SCHOOL DISTRICT

2024-25 2nd Interim Budget

March 11, 2025

Why do a 2nd Interim budget report?

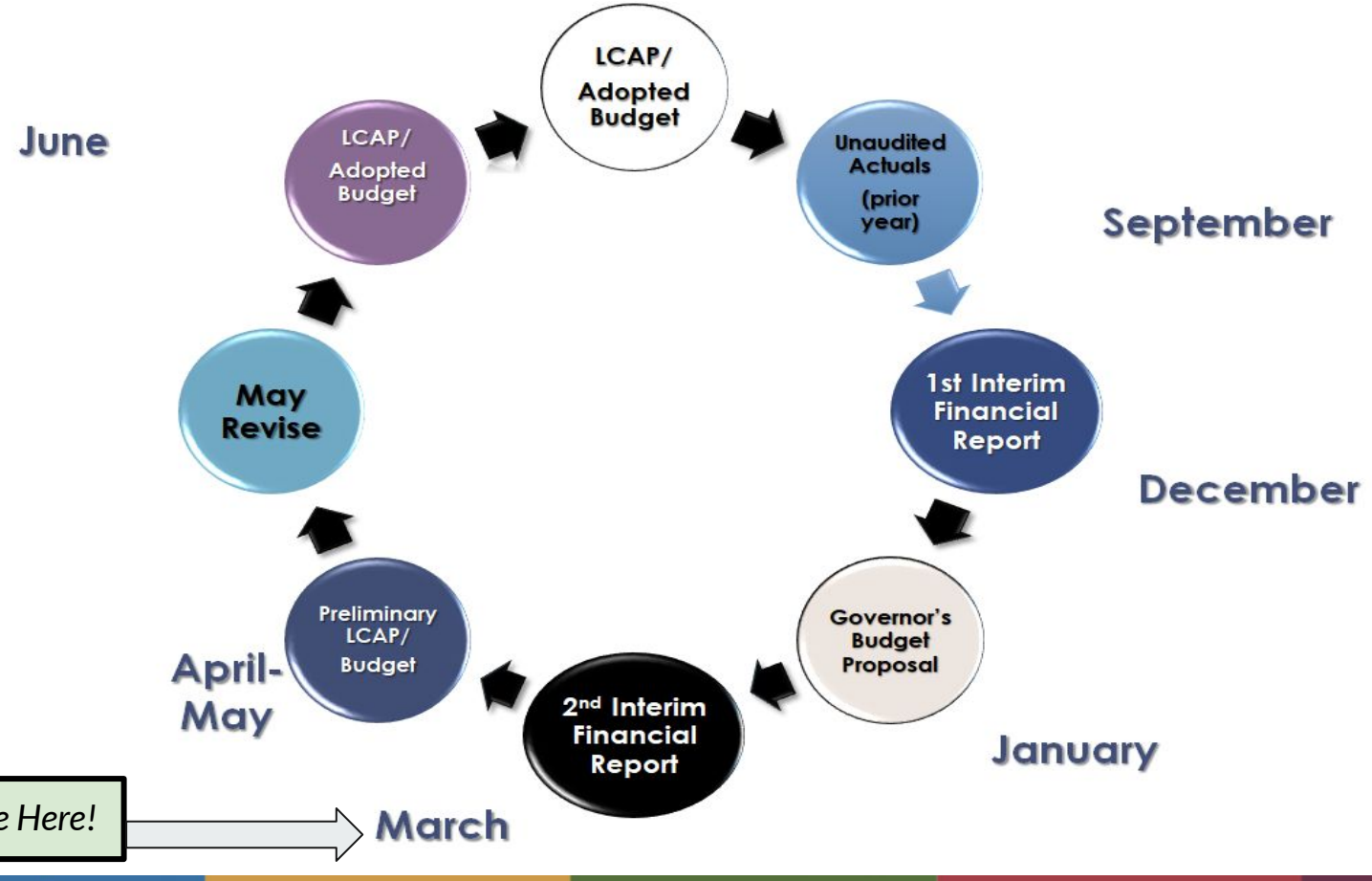
- The 2nd Interim reports:
  - Actual financial activity from July 1st through January 31st
  - Projects financial activity through June 30th
- Comparison: 1st Interim Budget (December 2024) vs. 2nd Interim Budget (March 2025)
- Provides an opportunity to:
  - Revise the budget based on any significant 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?*
- 2024-25 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?

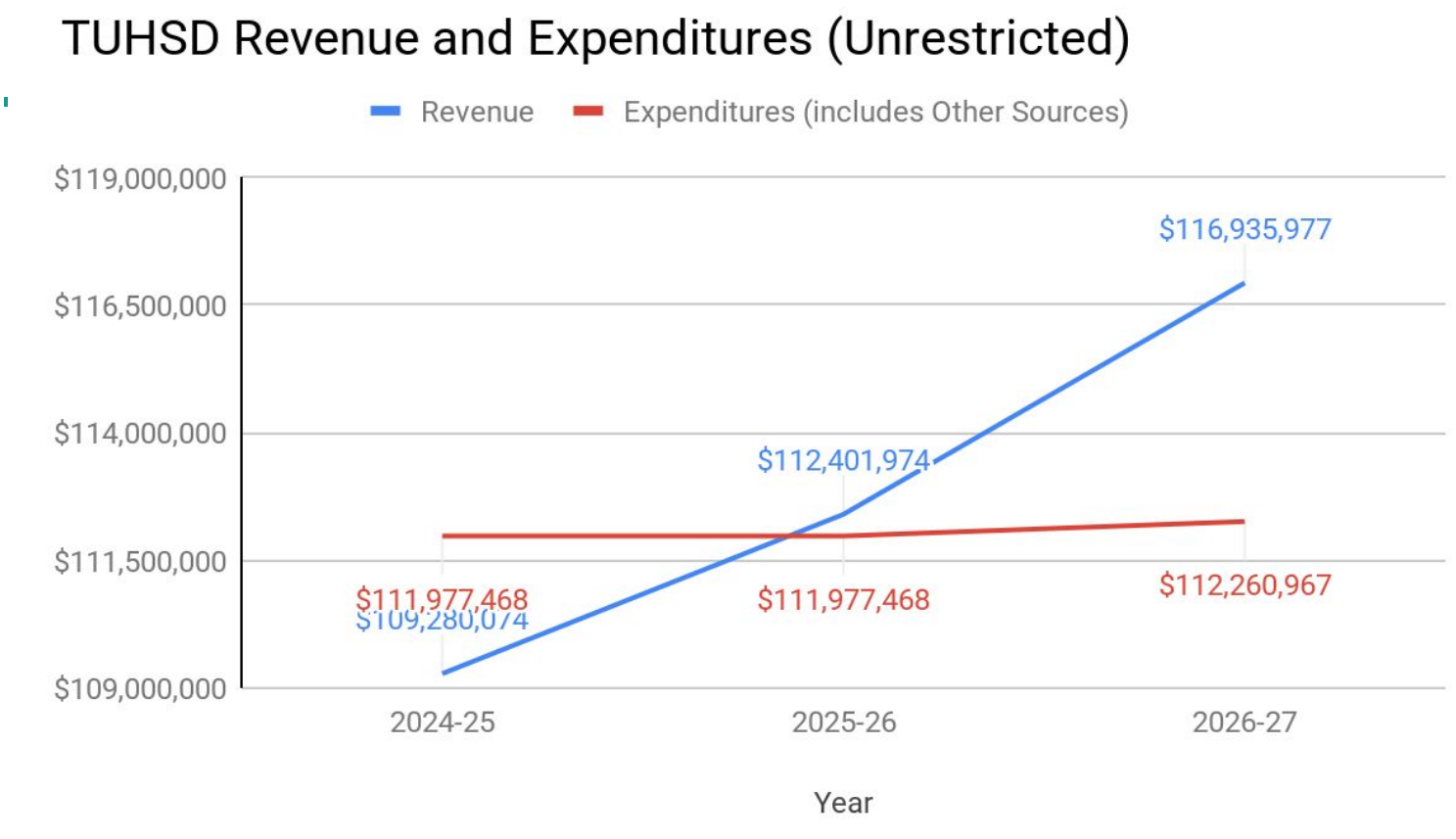
Summary of Multi-Year Projections (Unrestricted)

	2024-25	*2025-26* **	*2026-27* **
Operating Surplus (Deficit) ***(December 2024)***	**$1.5M**	**$(615k)***	**$3.6M***
Ending Fund Balance/Reserve ***(December 2024)***	**$23.4M (18.0%)**	**$22.4M (17.9%)***	**$26.1M (20.8%)***
Operating Surplus (Deficit) ***(March 2025)***	**$2.1M**	**$479k* ***	**$4.7M* ***
Ending Fund Balance/Reserve ***(March 2025)***	**$22.5M (17.5%)**	**$22.9M (18.5%)* ***	**$27.5M (22.3%)* ***

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

* **$1.3M of expenditure reductions included in these figures from 2/11 Board meeting**

Summary of Multi-Year Projections



Revenues

Basic Aid vs. State-Funded (LCFF)

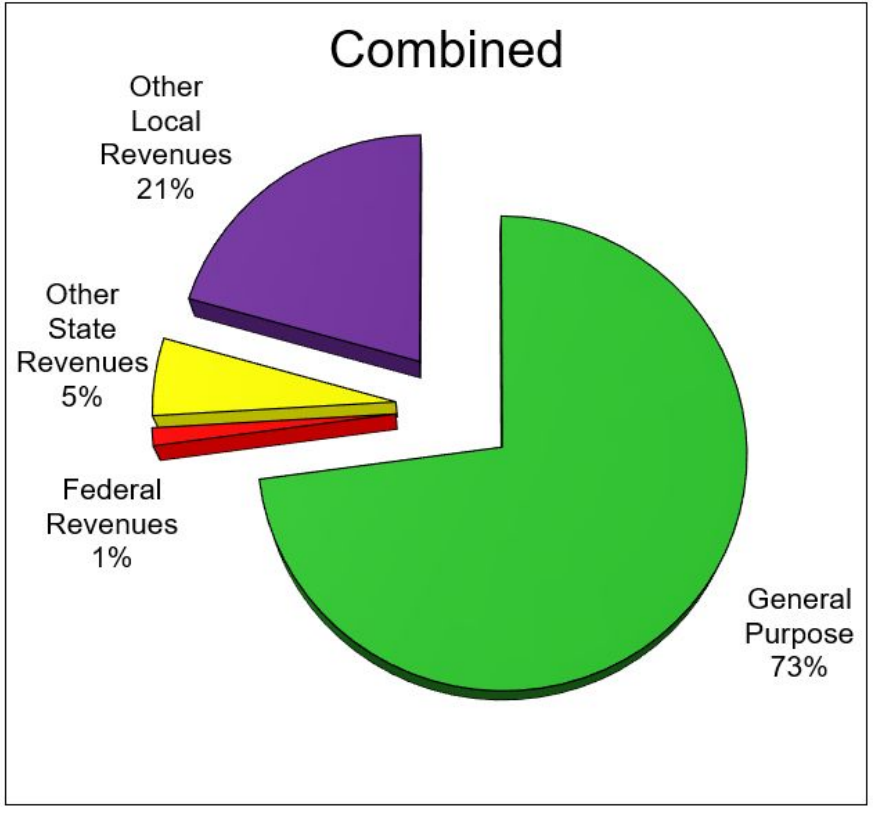
- Also known as Community-funded
- District is entitled to a calculated revenue entitlement
- Comprised of both local property taxes revenue and state aid
- If property taxes exceed the calculated revenue entitlement, then the district keeps the overflow revenue and receives only basic (minimal) state aid
- Does not receive significant additional revenue for each new student in enrollment growth
- *TUHSD is about $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 $ 24,621,648
  - Parcel tax, Foundations, facilities fees, interest

TOTAL: $ 119,506,066



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%

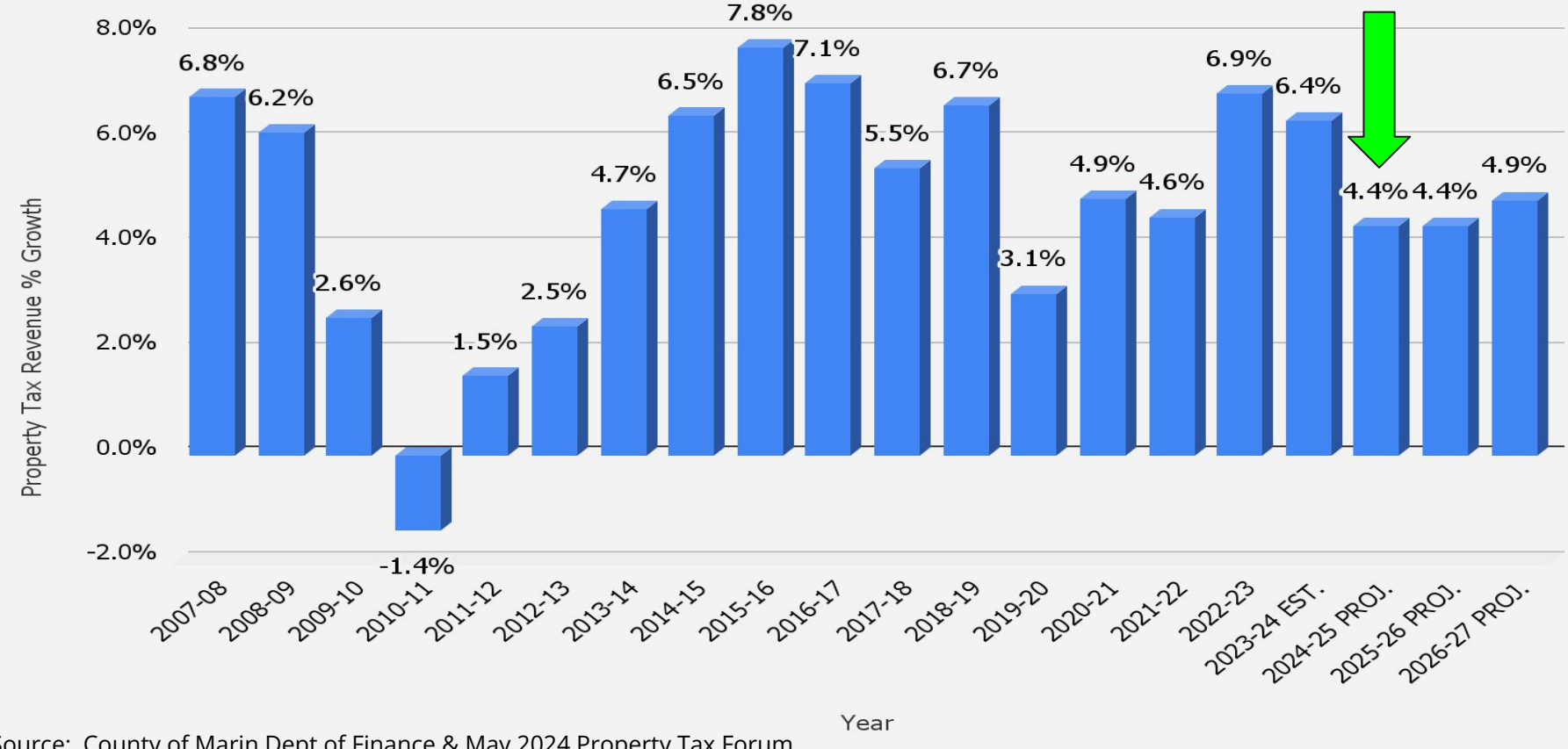
Notes:

- 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, but risk of potential revenue loss given several possible federal policy changes *(more to come later at end of presentation)*

Other Local revenue: No significant changes to date

Expenditures

Primary Components:

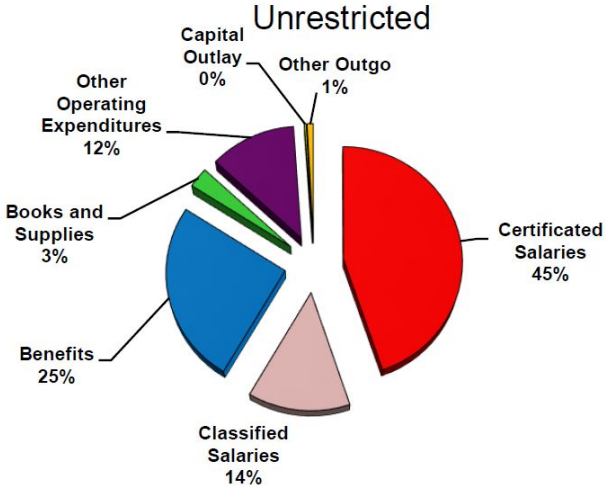
Enrollment

STRS & PERS pension rate increases

Special Education

General Fund Expenditures

Description	Unrestricted	Combined
Certificated Salaries	$37,912,492	$46,041,869
Classified Salaries	$11,523,803	$16,726,469
Benefits (Payroll Taxes and Health & Welfare Contributions)	$21,639,254	$32,033,709
Books and Supplies	$2,410,811	$5,837,894
Other Operating Expenditures	$10,160,671	$20,966,613
Capital Outlay	$208,725	$468,142
Other Outgo	$728,615	$2,238,279
TOTAL	**$84,584,371**	**$124,312,975**



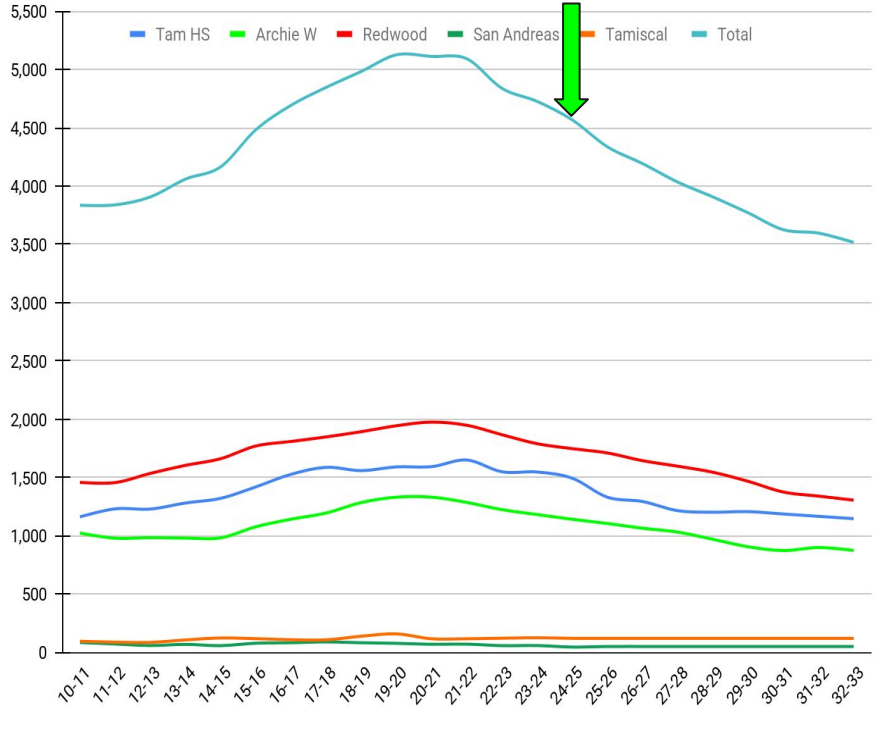
Salaries and benefits comprise approximately 84% of the District's unrestricted expenditures, and approximately 76% of the combined General Fund expenditures.

TUHSD Enrollment Projections (by Site)

Date: February 2025

Cohort Survival Method

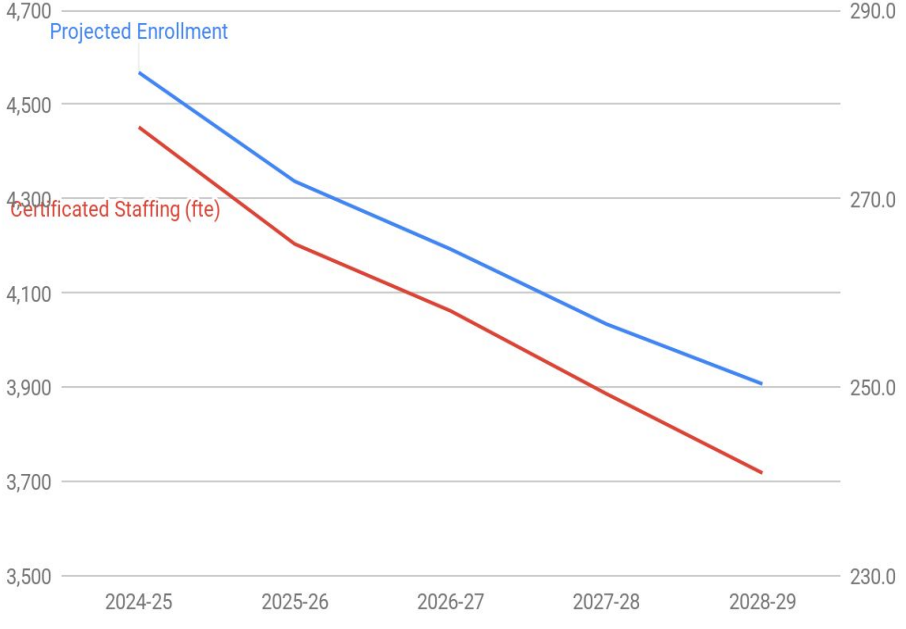
School Year	Tam HS	Archie W	Redwood	San Andreas	Tamiscal	NPS	Total	Change in students	Percent Change
10-11	1,162	1,023	1,458	84	95	14	**3,836**		
11-12	1,231	979	1,456	71	87	15	**3,839**	3	0.1%
12-13	1,229	984	1,535	58	85	16	**3,907**	68	1.7%
13-14	1,281	980	1,604	68	106	21	**4,060**	153	3.8%
14-15	1,321	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	**4,847**	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	45	120	21	**4,568**	-159	-3.4%
25-26	1,331	1,105	1,710	50	120	21	**4,337**	-231	-5.1%
26-27	1,294	1,064	1,644	50	120	21	**4,193**	-144	-3.3%
27-28	1,215	1,031	1,597	50	120	21	**4,034**	-159	-3.8%
28-29	1,202	969	1,545	50	120	21	**3,907**	-127	-3.1%
29-30	1,207	906	1,467	50	120	21	**3,771**	-136	-3.5%
30-31	1,187	873	1,375	50	120	21	**3,626**	-145	-3.8%
31-32	1,167	899	1,340	50	120	21	**3,597**	-29	-0.8%
32-33	1,147	874	1,305	50	120	21	**3,517**	-79	-2.2%



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	4,568	-	277.6	-
2025-26	4,337	-231	265.2	-12.4
2026-27	4,193	-144	258.1	-7.1
2027-28	4,034	-159	249.3	-8.8
2028-29	3,907	-127	240.9	-8.4



Key Budget Assumptions - Expenditures (cont'd)

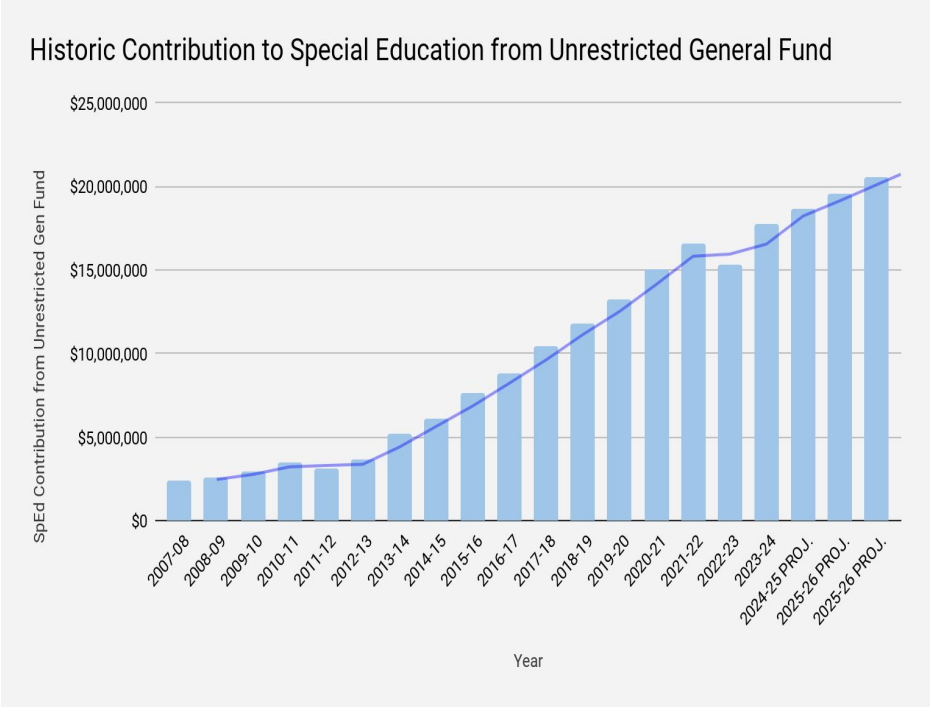
- TFT- & CSEA-represented employee groups have settled on compensation through 2024-25, but not in 2025-26 & beyond
  - Future cost of a 1% raise in 2025-26 estimated to be approximately $695k
- Step & Column increases are 1.58% for Certificated and 2.93% for Classified from 2023-24
- Health & Welfare 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 ongoing 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

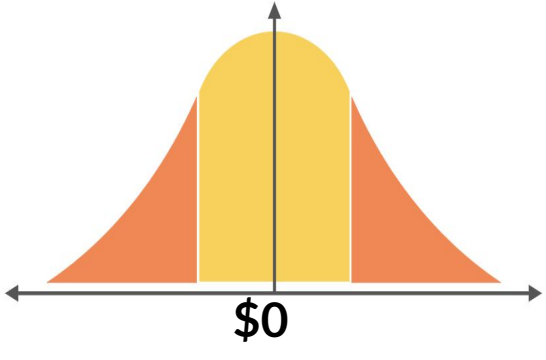


- In 2012, CA law changed increasing district responsibility for funding special education (NPS, mental health)
- TUHSD SpEd contributions have increased from $2.4M to $20.1M in 14 years
  - Avg. of $1.3M increase annually
- TUHSD currently has 4 Counseling Enriched Classrooms (CEC) and opening 5th at San Andreas in the Fall
  - Estimated savings is $560k annually per CEC
  - Total savings of about $2.8M annually
- Special Education transportation (via MPTA) to increase 42% (from $950k) due to end of 10-year contract and current market rates

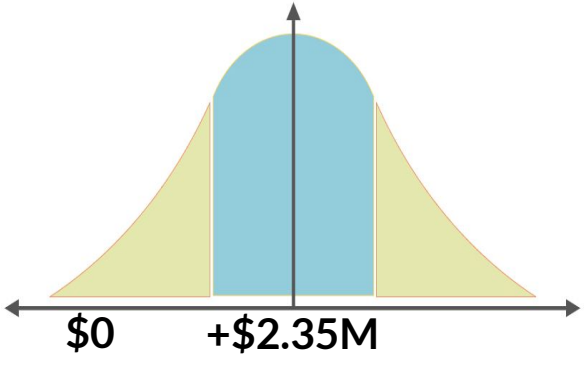
Reminder from January 2021 Budget Workshop:

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

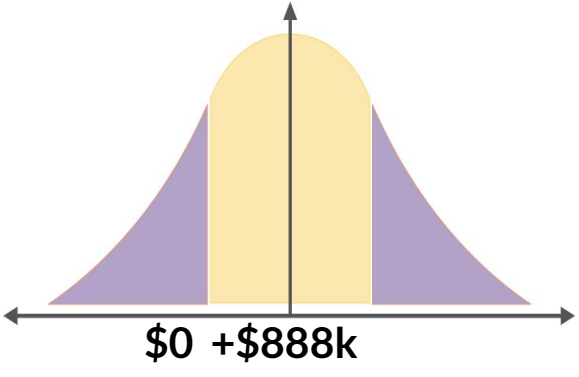
Hypothetical Case:
Aim for perfect accuracy, but 50% chance of negative fall-out



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.

Comparison:

1st Interim (December 2024)

vs.

2nd Interim (March 2025)

Reconciliation of 1st Interim vs. 2nd Interim Budgets

Description	*Amount*
2024-25 First Interim Projected Deficit	**$ (1,495,275)**
Add: Variance Components (*See Next Slide*)	**$ (557,885)**
2024-25 Second Interim Projected Deficit	**$ (2,053,160)**

Reconciliation of Variance Components

Description of Variance Components	*Amount*
Increase in local revenue due to facilities rentals	$33k
Increase in staffing & benefits expenditures (i.e. new paraeducator position, staffing adjustments for increased and various leaves)	$(453k)
Increase in Other Services & Operating Costs expenditures (i.e. $1.1M insurance payment for legal settlement)	$(1.2M)
Decrease transfer out to other funds (i.e. reduced transfer out to Fund 17 by $1.0M)	$1.0M
Other net adjustments (i.e. Books & Supplies reduction, capital outlay, SELPA funding)	$(16k)
Total Variance	**$ (558k)**

Reconciliation of 1st Interim vs. 2nd Interim Budgets

Description	*Amount*	*Ending Fund Balance (Reserve)*
2024-25 First Interim Projected Deficit	**$ (1,495,275)**	**$23,058,581 (18.0%)**
Add: Variance Components (*See Previous Slide*)	**$ (557,885)**	**$ (557,885)**
2023-24 2nd Interim Projected Deficit	**$ (2,053,160)**	**$22,500,696 (17.5%)**

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	2023-24	Est. Net Change	2024-25
GENERAL (UNRESTRICTED & RESTRICTED)	$35,099,417	($6,986,909)	$28,112,508
ASSOCIATED STUDENT BODY FUND	$690,629	$0	$690,629
ADULT EDUCATION	$1,065,791	($419,628)	$646,163
CAFETERIA FUND	$907,222	($422,870)	$484,352
DEFERRED MAINTENANCE	$4,484,150	($711,000)	$3,773,150
SPECIAL RESERVE - OTHER THAN CAPITAL OUTLAY	$0	$0	$0
FOUNDATION SPECIAL RESERVE FUND	$57,538	($6,691)	$50,847
BUILDING FUND	$0	$0	$0
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**	($16,333,284)	**$48,621,776**

Reserves & Assignments

Reserves & Assignments

2024-25 Estimated Ending Fund Balance (Unrestricted) - $22,500,696 (17.5% reserve level)

Non-Spendable - $12,000

Restricted - $5,611,813

Assigned - $18,559,100

- Property Tax Uncertainty (1% of prop tax revenues) - $267,500
- Special Education Uncertainty - $267,500
- Additional 17% Reserve (less REU), per Board Policy - $18,024,100

Unassigned - 3% minimum reserve for economic uncertainty (REU) - $3,862,300

Unassigned (Other) - $67,296

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)

	2024-25	*2025-26* **	*2026-27* **
Operating Surplus (Deficit) ***(December 2024)***	**$1.5M**	**$(615k)***	**$3.6M***
Ending Fund Balance/Reserve ***(December 2024)***	**$23.4M (18.0%)**	**$22.4M (17.9%)***	**$26.1M (20.8%)***
Operating Surplus (Deficit) ***(March 2025)***	**$2.1M**	**$479k* ***	**$4.7M* ***
Ending Fund Balance/Reserve ***(March 2025)***	**$22.5M (17.5%)**	**$22.9M (18.5%)* ***	**$27.5M (22.3%)* ***

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

* $1.3M of expenditure reductions included in these figures from 2/11 Board meeting

Description	2024-25 Second Interim Budget			2025-26 Projected Budget			2026-27 Projected Budget		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	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	1,292,502	4,771,304	6,063,806	1,292,502	4,771,304	6,063,806
Local Revenue (C)	20,140,213	4,481,435	24,621,648	20,424,964	3,365,725	23,790,689	20,725,758	3,365,725	24,091,483
TOTAL REVENUES	**109,280,074**	**10,225,992**	**119,506,066**	**112,401,974**	**9,593,836**	**121,995,810**	**116,935,977**	**9,593,836**	**126,529,813**
EXPENDITURES									
Certificated Salaries (D)	37,912,492	8,129,377	46,041,869	37,017,348	7,170,817	44,188,165	37,064,368	6,973,744	44,038,112
Classified Salaries (D)	11,523,803	5,202,666	16,726,469	11,861,450	5,026,025	16,887,475	12,231,527	5,182,837	17,414,364
Benefits (E)	21,639,254	10,394,455	32,033,709	21,976,652	10,273,353	32,250,005	22,515,242	10,477,673	32,992,915
Books and Supplies (F)	2,410,811	3,427,083	5,837,894	2,410,811	1,291,285	3,702,096	2,410,811	1,291,285	3,702,096
Other Services & Oper. Exp (G)	10,160,671	10,805,942	20,966,613	9,111,918	10,970,963	20,082,881	9,308,325	11,968,963	21,277,288
Capital Outlay (H)	208,725	259,417	468,142	208,725	-	208,725	208,725	-	208,725
Other Outgo (I)	789,340	1,470,553	2,259,893	799,377	1,622,553	2,421,930	484,141	1,789,553	2,273,694
Transfer of Indirect Costs	(60,725)	39,111	(21,614)	(60,725)	39,111	(21,614)	(60,725)	39,111	(21,614)
TOTAL EXPENDITURES	**84,584,371**	**39,728,604**	**124,312,975**	**83,325,556**	**36,394,107**	**119,719,663**	**84,162,414**	**37,723,166**	**121,885,580**
EXCESS / (DEFICIENCY)	**24,695,703**	**(29,502,612)**	**(4,806,909)**	**29,076,418**	**(26,800,271)**	**2,276,147**	**32,773,563**	**(28,129,330)**	**4,644,233**
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)	(4,430,000)	-	(4,430,000)	(4,415,000)	-	(4,415,000)	(2,165,000)	-	(2,165,000)
Net Other Sources (Uses)	-	-	-	-	-	-	-	-	-
Contributions to Restricted (K)	(24,568,863)	24,568,863	-	(26,432,689)	26,432,689	-	(28,129,330)	28,129,330	-
TOTAL OTHER SOURCES / USES	(26,748,863)	24,568,863	(2,180,000)	(28,597,689)	26,432,689	(2,165,000)	(28,044,330)	28,129,330	85,000
Net Increase (Decrease)	**(2,053,160)**	**(4,933,749)**	**(6,986,909)**	**478,729**	**(367,582)**	**111,147**	**4,729,233**	**-**	**4,729,233**
FUND BALANCE, RESERVES									
Estimated Beginning Balance	24,553,856	10,545,562	35,099,417	22,500,696	5,611,813	28,112,508	22,979,425	5,244,231	28,223,655
Estimated Ending Balance	**22,500,696**	**5,611,813**	**28,112,508**	**22,979,425**	**5,244,231**	**28,223,655**	**27,708,658**	**5,244,231**	**32,952,888**
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	18,559,100	-	18,559,100	18,318,900	-	18,318,900	18,867,100	-	18,867,100
Unassigned - REU @ 3%	3,862,300	-	3,862,300	3,724,100	-	3,724,100	3,721,600	-	3,721,600
Unassigned - Other	67,296	-	67,296	924,425	-	924,425	5,107,958	-	5,107,958
Total - Est. Fund Balance	**22,500,696**	**5,611,813**	**28,112,508**	**22,979,425**	**5,244,231**	**28,223,656**	**27,708,658**	**5,244,231**	**32,952,889**
Fund Balance Reserve Percentage (Combined Assigned & Unassigned)			**17.47%**			**18.50%**			**22.33%**

Uncertainties & Prudence

Uncertainties & Prudence

- Potential federal policy changes & impact on educational funding & larger economy (i.e. inflation & interest rates)
  - Impact on local real estate market and TUHSD property tax revenues
  - Title I (about $135k currently used for Dynamic Solutions for Youth)
  - Tite II (about $225k for Tam Adult School's ESL program)
  - IDEA (Special Education - about $4.5M including SELPA pass-through)
  - Universal Meals (about $450k in federal funding and $1.2M in State funding via federal gov't)
  - 25% trade tariffs on steel & aluminum
    - Significant steel and aluminum in both of the new building replacement projects and especially the four-story Tam High STEAM building. Cost estimates for these tariffs could cost an additional $500k.
- Ongoing enrollment decline for at least the next 8 years has begun, but flattens in later years
  - Major 'lesson learned' from past financial challenges: Need to adjust staffing to enrollment accordingly
- Statewide trend of Special Education costs increases continue ('unfunded mandate')
  - Special Education transportation (via MPTA) to increase 42% 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 not afterwards
  - Future cost of a 1% raise in 2025-26 for all staff estimated to be approximately $695k
- Pending the above, TUHSD is projecting balanced budgets in the official 3-year MYP & minimum 17% reserve = **Sustainable, BUT potential federal revenue loss due to policy changes could pose material risk to general fund**

2nd Interim Certification

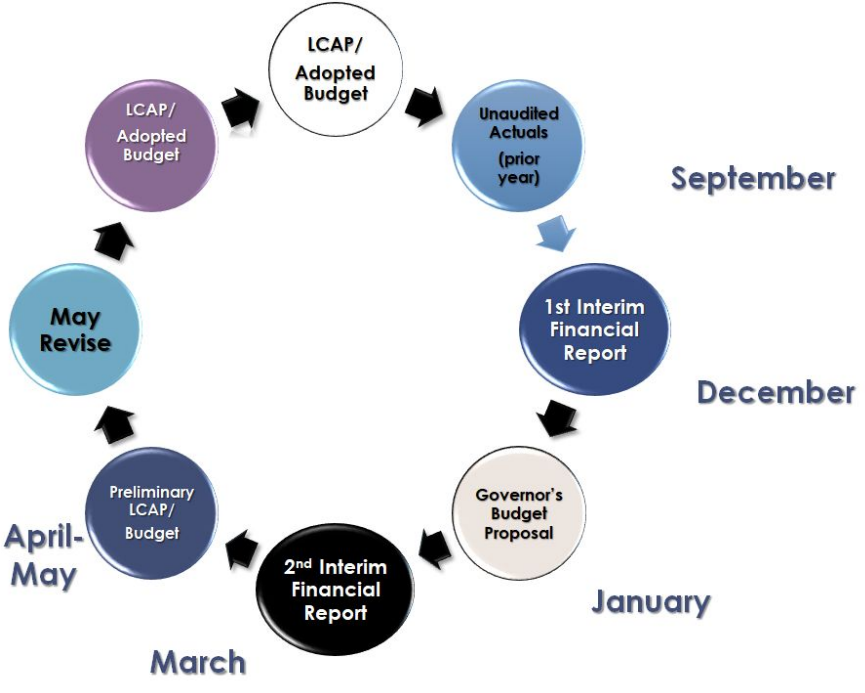
- Per AB 1200
- *The Second Interim projection indicates that, as defined in AB 1200, "the district **will** be able to meet its financial obligations for the current fiscal year and subsequent two years."*

The District is self-certifying as "Positive"

Budget Calendar
&
Key Dates

Budget Calendar & Key Dates

January 2025	Governor's proposal for State budget
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
August 2025	45-day Budget Revision pending State Enacted Budget
September 2025	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!