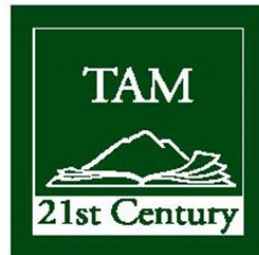


Tamalpais Union High School District

Budget Reduction Recommendation

February 12, 2019



Agenda

- Overview of process since 2015
- Budget Context:
 - Review reductions made last spring
 - Review changes that have been made to the budget since the June 2018 adoption
 - Multi-year projection
- Fiscal Advisory Committee Process
- Recommendation for reducing District expenditures



Overview of Process Since 2015

2015-16

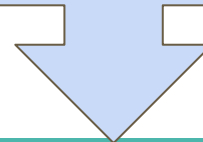
- Budget Study Committee
- Enrollment Growth Committee

2016-17

- Print shop closed
- Facilities Master Plan Dev
- Demographic study conducted
- Special Ed Audit=Opened CEC in Fall 2017

2017-18

- Fiscal Advisory Committee
- Board Interviewed Community Members about Priorities
- \$1.8M in reductions identified
- Supplemental Parcel Tax placed on the ballot



Timeline for Budget Reduction Recommendation

Date	Action
Spring 2018	<ul style="list-style-type: none">● Budget reductions of \$1.8M recommended to the board, reflected in 2018-19 Budget● Board placed Measure J, a \$149 parcel tax, on the November 6, 2018 ballot
July 2018	<ul style="list-style-type: none">● TUHSD Leadership set a goal of making an additional \$3M in reductions in the current fiscal year to help balance the budget within 2 years
August 2018	<ul style="list-style-type: none">● Communication out to the community and staff seeking applicants for the Fiscal Advisory and LCAP committees.● Committee members selected via application process● Joint meeting of both committee held to outline scope of work and ensure clarity on role of each committee as advisory only
September 2018	<ul style="list-style-type: none">● CFO Corbett Elsen visited each school site during a staff meeting to provide a budget update and solicit feedback on budget reductions● Fiscal Advisory Committee met 2 times to review LCAP priorities and began examining resources that support each LCAP goal.● LCAP and Fiscal Advisory Survey sent to parents, staff and students

Timeline for Budget Reduction Recommendation (cont'd)

Date	Action
October 2018	<ul style="list-style-type: none"> ● LCAP committee meeting to provide input to fiscal advisory ● Fiscal Advisory, 2 meetings to review feedback from various stakeholder groups ● 3 community Budget Update meetings (Oct 2nd-RHS, Oct 10th- DHS, Oct 11th-THS)
November 5th	Fiscal Advisory will consider feedback and refine recommendation
November 26th	Fiscal Advisory will update their draft recommendation with information on parcel tax
December 11th	Board Meeting <ul style="list-style-type: none"> ○ new Board Trustees seated ○ Fiscal Advisory update & including Mission/Vision/Values ○ 1st Interim Budget Update
December 17th	Fiscal Advisory met to update draft recommendation
January 7th PD day	Tara and Corbett present Fiscal Advisory recommendation to sites for processing and feedback

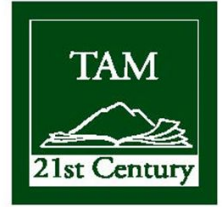
Timeline for Budget Reduction Recommendation (cont'd)

Date	Action
January 8th-18th	<ul style="list-style-type: none">● Corbett and Tara at sites for feedback<ul style="list-style-type: none">○ ½ day at each site
January 16th	Community Meeting at Redwood HS, 6pm
January 17th	Community Meeting at Drake HS, 6pm
January 22nd	Community Meeting at Tam HS, 6pm
January 28th	Fiscal Advisory considers feedback & adjusts recommendation (as appropriate)
February 12th	Board Meeting <ul style="list-style-type: none">● BOT initial presentation to Board (process and rec but no action) workshop format
February 26th	Board Meeting <ul style="list-style-type: none">● BOT final recommendation to the Board



Budget Update

Cost Reductions - Spring 2018



TUHSD has already reduced costs

- \$1.8M in savings identified in Spring 2018 for 2018-19
 - Suspended Teacher Leader model
 - Reduced Instructional Coach staffing
 - Eliminated all but essential food, travel and conferences
 - Reduction in number of new teachers/counselors/assistant principals due to tighter staffing
- Original goal was identifying \$3M of cost savings

NOTE: *These \$1.8M in cost reductions brought the 2018-19 deficit down to \$7.8M*

June 2018 Budget Adoption Multi-year Projection

	2018-19	2019-20	2020-21
<i>Operating Deficits (June 2018)</i>	\$ (7.8M)	\$ (8.7M)	\$ (9.7M)
<i>Ending Fund Balance/Reserve (June 2018)</i>	\$8.6M (6.5%)	\$1M (1.1%)	Insolvent mid-year

Where were we in July 2018?

- In the last 10 years, TUHSD has added 1,227 (30% increase) students resulting in additional 70.5 fte certificated staff (\$9m)
- Given TUHSD is 'basic aid', we do not get extra revenue for each student
- As a result, TUHSD is projecting operating deficits of
 - \$7.8M for 2018-19 (current year)
 - \$8.7M for 2019-20
 - \$9.7M for 2020-21
- The Reserve has and will decrease by these operating deficits
 - Reserve was \$24.8M in 2016-17 & is currently \$17.7M to begin this year
- Solution = Reduce costs + Increase revenue (supplemental parcel tax)
- Measure J provides \$2.9M in current year and \$5.1M in the 3 subsequent years
- STRS and PERS rates were reset in 2013 and will have a cumulative impact of \$6.7M/annually by 2023-24

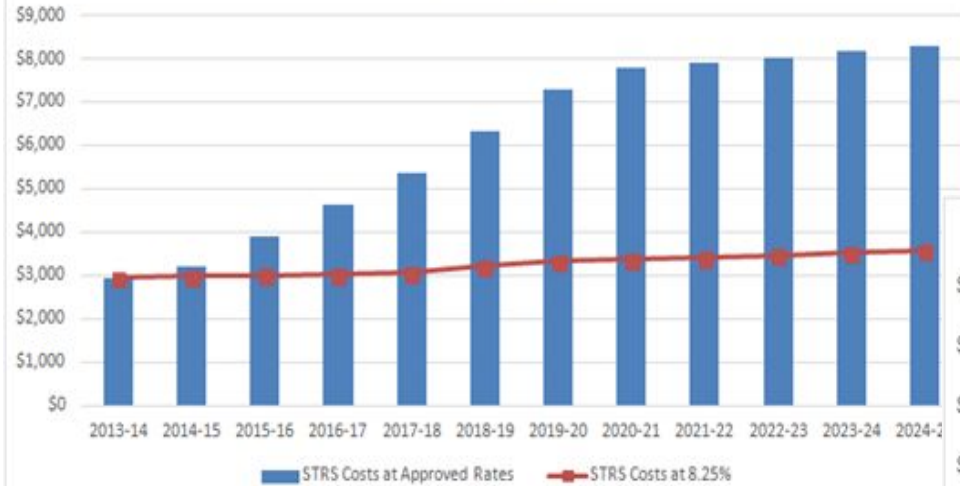
STRS & PERS Pension Rates Growth

- In 2013, both STRS and PERS rates were re-calculated based on the Public Employee Pension Reform Act that restructured retirement age and benefits.
- Compared to 2013-14, increased rates cost district additional \$3.99M as of 2018-19
- By 2022-23, budget will reflect \$2.7M more in annual district retirement contributions than 2018-19
- From 2013-14 to 2022-23, **the cumulative impact is \$6.7M annually**

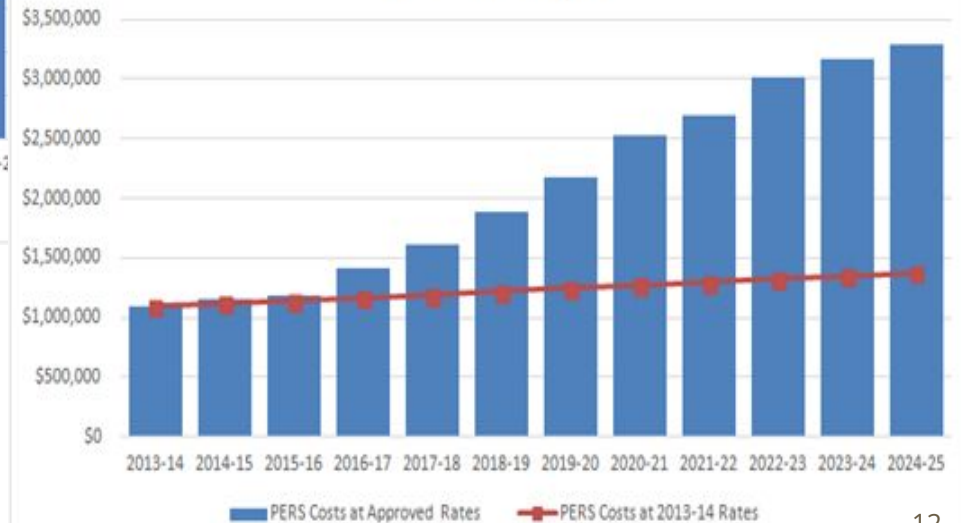
	CalPERS Rate Comparison								
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 est	2023-24 est
Employer Rates	11.85%	13.89%	15.53%	17.70%	20.00%	22.70%	23.70%	26.10%	26.80%
Change		2.04%	1.64%	2.17%	2.30%	2.70%	1.00%	2.40%	0.70%
	CalSTRS Rate Comparison								
Employer Rates	10.73%	12.58%	14.43%	16.28%	18.13%	19.10%	20.10%	20.10%	20.10%
Change		1.85%	1.85%	1.85%	1.85%	0.97%	1.00%	0.00%	0.00%

STRS & PERS Costs double in next few years

STRS Cost Analysis
(in thousands)



PERS Cost Analysis



<i>Reductions Made to Date</i>	<i>Amount</i>
Closure of the Print Shop-2016	\$187,000
Suspension of the Instructional Leadership Team, Teacher Leaders- <i>Spring 2018</i>	\$945,000
Reduction in Instructional Coaching FTE- <i>Spring 2018</i>	\$92,000
Reduction in Anticipated Hiring- <i>Spring 2018</i>	\$463,000
Reduction of all but essential travel, conferences and consultant services- <i>Spring 2018</i>	\$300,000
Reduction of 1.0 FTE Administration: Combine Senior Director of Curriculum and Instruction and Tamiscal Principalship	\$151,000
Reduction of 1.0 FTE Administration: Assistant Superintendent of Educational Services	\$256,000
Reduction in Administration Hours: reduction of work calendar for Director of Nutritional Services	\$5,600
10% reduction in District Department budgets (ed services, maintenance, nutrition, etc)	\$300,000
25% reduction in school site budgets	\$300,000
13	Total \$2,999,600

Comparison: Adopted Budget vs. 1st Interim Budget

<i>Description</i>	<i>Amount</i>
2018-19 Adopted Budget Projected Deficit	\$ (7,847,650)
Changes <i>(\$2.9M of this is supplemental parcel tax for current year, we also made additional reductions since June)</i>	\$ 4,129,039
2018-19 First Interim Projected Deficit	\$ (3,718,611)

Operating Deficit occurs when the current year expenditures exceed current year revenues, which results in depleting reserves.

Reconciliation of Adopted vs. 1st Interim Budgets

<i>Description</i>	<i>Operating Deficit</i>	<i>Ending Fund Balance (Reserve)</i>
2018-19 Adopted Budget Projection	\$(7,847,650)	\$8,630,435 (6.5%)
<i>Changes</i>	\$4,129,039	\$5,400,600 <i>(change due to reduction in operating deficit & \$1.3M adjustment to beginning fund balance at Unaudited Actuals in September)</i>
2018-19 First Interim Projection	\$(3,718,611)	\$14,031,035 (11.5%)

Multi-Year Projection Assumptions

Revenue Assumptions:

- Enrollment will continue to increase over the next three years by an estimated total of 242 students
- Local property tax revenue growth is projected to decrease from 4.64% in 2018-19 to 4.1% in 2020-21
- Local revenue is expected to increase by the new supplemental parcel tax measure revenue
 - Prorated percentage of the annual parcel tax revenue in 2018-19 (\$2.9M)
 - Full annual revenue in 2019-20 continuing for the term (\$5.1M)
 - Additional increase with the 3% annual inflation adjustment in both parcel taxes

Expenditure Assumptions:

- \$3 million in ongoing expenditure reductions from the Fiscal Advisory recommendation
- Expenditure reductions made in Fall 2018 are ongoing

	1st Interim			Notes:	Projection			Projection		
	2018-19				2019-20			2020-21		
	Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
Revenue										
LCFF Sources	63,666,385	0	63,666,385		66,427,582	0	66,427,582	69,118,588	0	69,118,588
Federal Revenue	0	1,169,181	1,169,181		0	1,140,005	1,140,005	0	1,113,747	1,113,747
State Revenue	1,821,575	2,870,397	4,691,972	2	941,701	2,886,553	3,828,254	960,492	2,886,553	3,847,045
Local Revenue	13,840,595	3,448,133	17,288,728	1	16,501,587	3,744,924	20,246,511	16,976,409	4,080,298	21,056,707
Total Revenue	79,328,555	7,487,711	86,816,266		83,870,870	7,771,483	91,642,353	87,055,489	8,080,598	95,136,088
Expenditures										
Certificated Salaries	33,239,901	4,204,539	37,444,440	3,4,7,8,9	34,288,009	4,539,692	38,827,701	35,355,297	4,618,257	39,973,555
Classified Salaries	8,211,746	2,836,025	11,047,771	3	8,373,628	2,888,889	11,262,517	8,538,795	2,942,826	11,481,622
Benefits	17,169,114	5,803,056	22,972,170	3,9	18,856,849	6,192,601	25,049,451	20,318,140	6,535,947	26,854,087
Books and Supplies	2,064,390	3,219,294	5,283,684	5,6	2,064,390	1,164,217	3,228,607	2,064,390	1,164,217	3,228,607
Other Services & Oper. Expenses	5,826,969	6,844,021	12,670,990		5,646,969	6,764,021	12,410,990	5,826,969	7,564,021	13,390,990
Capital Outlay	152,173	53,777	205,950		152,173	53,777	205,950	152,173	53,777	205,950
Other Outgo 7xxx	331,992	2,488,397	2,820,389		331,992	3,346,286	3,678,278	331,992	3,346,286	3,678,278
Transfer of Indirect 73xx	(694,145)	663,802	(30,343)		(694,145)	663,802	(30,343)	(694,145)	663,802	(30,343)
Unidentified Budget ((Cuts)/Increase)			0		(3,000,000)	0	(3,000,000)	(3,000,000)	0	(3,000,000)
Total Expenditures	66,302,140	26,112,911	92,415,051		66,019,865	25,613,286	91,633,151	68,893,612	26,889,134	95,782,746
Deficit/Surplus	13,026,415	(18,625,200)	(5,598,785)		17,851,005	(17,841,803)	9,202	18,161,877	(18,808,535)	(646,658)
Other Sources/(uses)	502,220	0	502,220	17	0	0	0	0	0	0
Transfers in/(out)	(677,123)	0	(677,123)	13-15	(957,123)	0	(957,123)	(957,123)	0	(957,123)
Contributions to Restricted	(16,570,123)	16,570,123	0	10-12	(18,000,538)	18,000,538	0	(19,380,874)	19,380,874	0
Net incr (decr) in Fund Bal.	(3,718,611)	(2,055,077)	(5,773,688)		(1,106,655)	158,734	(947,921)	(2,176,120)	572,339	(1,603,781)
Beginning Balance	17,749,646	2,150,098	19,899,744		14,031,035	95,021	14,126,056	12,924,380	253,755	13,178,135
Ending Balance	14,031,035	95,021	14,126,056		12,924,380	253,755	13,178,135	10,748,260	826,094	11,574,354
Components of Fund Balance										
Revolving/Stores/Prepays	12,000	0	12,000		12,000	0	12,000	12,000	0	12,000
Restricted Programs	0	95,021	95,021		0	253,755	253,755	0	826,094	826,094
Assigned	3,282,775	0	3,282,775		2,836,120		2,836,120	595,000	0	595,000
Unassigned - REU @ 3%	2,792,765	0	2,792,765		2,777,708	0	2,777,708	2,902,196	0	2,902,196
Amount Above/(below) 3% REU	7,943,495	0	7,943,495		7,298,552	0	7,298,552	7,239,064	0	7,239,064
Total Fund Balance	14,031,035	95,021	14,126,056		12,924,380	253,755	13,178,135	10,748,260	826,094	11,574,354
<i>Unassigned Fund Balance</i>			<i>11.5%</i>				<i>10.9%</i>			<i>10.5%</i>

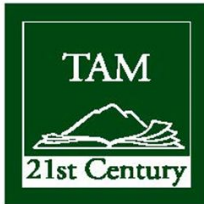
Summary of Multi-Year Projections

	2018-19 (Current Year)	2019-20	2020-21
Operating Deficits (June 2018)	\$(7.8M)	\$(8.7M)	\$(9.7M)
Ending Fund Balance/Reserve (June 2018)	\$8.6M (6.5%)	\$1M (1.1%)	Insolvent by mid-year
Operating Deficits (December 2018)	\$(3.7M)	\$(1.1M)	\$(2.2M)
Ending Fund Balance/Reserve (December 2018)	\$14.0M (11.5%)	\$12.9M (10.9%)	\$10.7M (10.5%)

Note: These figures include the ongoing \$3 million of budget reductions from the Fiscal Advisory committee

Budget Calendar & Key Dates

January 2019	Fiscal Advisory Draft Recommendation presented to Staff/Community for feedback New Governor's proposal for State budget
February 2019	Superintendent presents Fiscal Advisory recommendations to Board Board Resolution specifying \$3m in reductions required by MCOE
March 2019	2nd Interim TUHSD Budget Report for 2018-19
May 2019	Board reviews preliminary 2019-20 Budget from Superintendent Governor's May Revise budget proposal
June 2019	Board adopts 2019-20 Budget & LCAP





Fiscal Advisory Process

Purpose of the Fiscal Advisory Committee

The Fiscal Advisory committee is an advisory body that will provide input to the Superintendent regarding budgetary decisions. The committee will make decisions on what recommendations to bring to the Superintendent for consideration. They are a representative body that will provide the district with multiple perspectives on how resources should be allocated in order to meet our goals

Fiscal Advisory Committee Composition

13 members:

TFT representative

CSEA representative

2 at large teacher representatives

1 at large classified employee

5 parent representatives (1 from each comprehensive, 1 from alt. schools)

1 community partner representative

1 management representative

1 Trustee observer

Fiscal Advisory Decision Making Process

Step 1: Mindset

The mindset speaks to values and beliefs upon which any decisions will be made. For our purposes, we will ground our mindset in the District's LCAP goals.

Step 2: The Problem

Clearly defining the problem being addressed ensures that we are all in agreement upon what issue we are to focus.

Problem Statement Draft:

Currently, TUHSD is operating with a structural deficit which, if not corrected, will render the district insolvent within 3 years. The District has a strong reputation for rigorous and engaging educational programming that we wish to maintain.

Step 3: Solution Criteria:

Our solution should provide a short term recommendation for balancing the budget along with long term strategies for ongoing fiscal solvency.

We will know we have drafted a good solution if...

Step 4: Possible Solutions

Possible recommendations are drafted and discussed

Step 5: Solution Choice

The group will use a consensus process to select the recommendation to be made to the superintendent

Fiscal Advisory Process

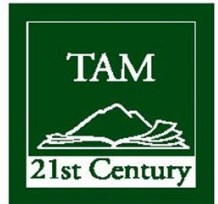
- Group Reviewed LCAP Goals and Action Steps
- Prioritized the actions steps as they related to the goals
- Established an initial list of priorities
- Reviewed stakeholder feedback from the LCAP Survey (@1300 responses) and Google form feedback from site and community meetings
- Continued to refine based on feedback and conversation



LCAP and Fiscal Advisory Budget Priority Question

TUHSD endeavors to align our resources to the priorities established in the LCAP. Currently, the district is seeking to identify ways to reduce expenditures in order to be fiscally responsible and balance our budget. We are making presentations to staff, parent and community groups and asking for input on budget priorities.

Please rank your top four budget priorities below (*Note: categories are listed alphabetically*)

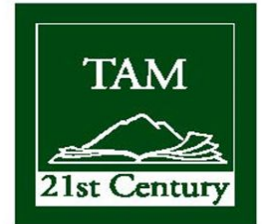


How will we know we have crafted a good recommendation?

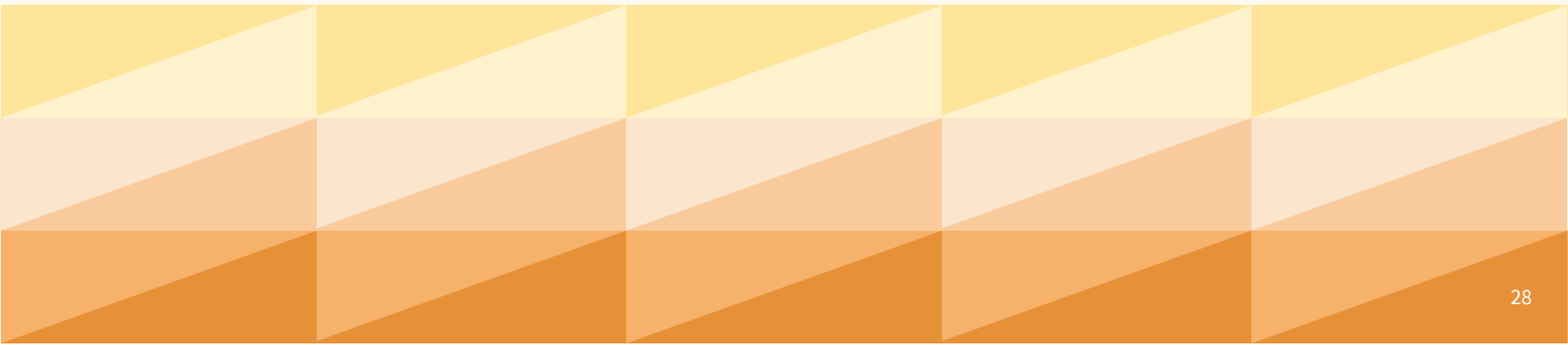
Solution Criteria for the recommendation include:

- assuming parcel tax passage, provides a net of \$3 million of cost reductions
- aligns to LCAP goals and prioritizes student learning and well being
- takes into account feedback from stakeholders

Comments: equity, reflects broader community values, minimize the impact on school community



Budget Reduction Recommendation



Draft Fiscal Advisory Recommendation

Item	Cost Savings
Net reduction in certificated staffing by staffing up to current contractual ratios	\$500,000***
Reduction in technology (hardware and software)	\$100,000
Reduction custodial, grounds and maintenance staffing (approximately 8 FTE)	\$510,250
Reduction of certificated staffing by limiting students to taking only 7 classes	\$328,000
Elimination of community education evening classes (<i>maintain pool and facilities access</i>)	\$350,000
Eliminate certificated librarians and maintain library aides	\$411,000
Reduce Tamiscal staffing by 0.8 FTE	\$109,600
Reduce BACR services by 50%	\$209,500
Reduce Nutritional Services menu offerings & reduce kitchen staffing by 2.5 FTE	\$160,000
Reduce athletic budgets (<i>keep all teams & 10% reduction, eliminate UCSF athletic trainers</i>)	\$242,000
*** Rough estimate pending retirement incentive & department staffing	Total \$2,921,150

Budget Reduction Recommendation

Item	Cost Savings
Net reduction in certificated staffing by staffing up to contractual ratios	\$823,000***
Reduction in technology (hardware and software)	\$100,000
Reduction custodial and grounds staffing (approximately 8 FTE)	\$510,250
Elimination of community education evening classes (<i>maintain pool and facilities access</i>)	\$350,000
Reduce certificated librarians from 3.0 FTE to .2 FTE and maintain library aides	\$384,000
Reduce Tamiscal staffing by 0.8 FTE	\$109,600
Reduce BACR cost by 22%, with offset by TUPE grant (\$25,000/yr for two years)	\$117,180
Share of Wellness Director position 75/25% between TUHSD and MCOE	\$44,000
Reduce Nutritional Services menu offerings & reduce kitchen staffing by 2.5 FTE	\$160,000
Reduce athletic budgets (<i>keep all teams & 10% reduction, possible offset of athletic trainers by school foundations</i>)	\$242,000
*** <i>An estimate pending department staffing</i>	Total \$2,839,780

<i>Reductions Made to Date</i>	<i>Amount</i>
Closure of the Print Shop-2016	\$187,000
Suspension of the Instructional Leadership Team, Teacher Leaders- <i>Spring 2018</i>	\$945,000
Reduction in Instructional Coaching FTE- <i>Spring 2018</i>	\$92,000
Reduction in Anticipated Hiring- <i>Spring 2018</i>	\$463,000
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Reduction of 1.0 FTE Administration: Combine Senior Director of Curriculum and Instruction and Tamiscal Principalship	\$151,000
Reduction of 1.0 FTE Administration: Assistant Superintendent of Educational Services	\$256,000
Reduction in Administration Hours: reduction of work calendar for Director of Nutritional Services	\$5,600
10% reduction in District Department budgets (ed services, maintenance, nutrition, etc)	\$300,000
25% reduction in school site budgets	\$300,000
31	Total \$2,999,600

Summary of Multi-Year Projections

	2018-19	2019-20	2020-21
Operating Deficits <i>(June 2018)</i>	\$(7.8M)	\$(8.7M)	\$(9.7M)
Ending Fund Balance/Reserve <i>(June 2018)</i>	\$8.6M (6.5%)	\$1M (1.1%)	Insolvent mid-year
Operating Deficits <i>(December 2018)</i>	\$(3.7M)	\$(1.1M)	\$(2.2M)
Ending Fund Balance/Reserve <i>(December 2018)</i>	\$14.0M (11.5%)	\$12.9M (10.9%)	\$10.7M (10.5%)

Note: These figures include the ongoing \$3 million of budget reductions from the Fiscal Advisory committee

What will happen if we do not make these reductions?

- Structural deficit will continue and increase in magnitude
- Marin County Office of Ed likely will not approve our budget in June 2019
- District will run out of reserves during the 2021-22 school year-we will not be able to meet our financial obligations
- Marin County Office of Ed will gain control over the District and begin making decisions for fiscal solvency

Next Steps

- **February 26th:**
 - Board action on budget reduction recommendation
 - Board action on resolution confirming a budget reduction for fiscal solvency (*this resolution is required by the Marin County Office of Ed and must accompany our 2nd Interim Report*)

- **March 12th:** 2nd Interim Budget Presentation