



Budget Reduction Discussion

TUHSD Board of Trustees
April 28, 2020



Overview

- District Priorities
- Major expenses that impact the budget
- Overview of where the budget forecast was at 2nd Interim
- Budget forecast based on latest information from County on potential property tax revenue decreases
- Impact of budgetary changes on reserve levels
- Budget reduction options

District Priorities

The District's priorities, listed below, are reflected in our LCAP goals and were developed with stakeholder input.

- Equity of learning opportunities
- Excellence
 - In educational programming with robust course offerings
 - In teaching through attracting and retaining high quality educators
- Student social and emotional wellbeing

These priorities translate into budgetary considerations in the following ways:

1. Providing more resources to those who need it in order to access learning
2. Ensuring robust course offerings in a 7 period day, which allows students to explore elective courses in areas of high interest
3. Maintaining competitive salaries for our educators in order to attract and retain highly qualified teachers
4. Building and maintaining a Counseling and Wellness program

The Board also has a policy to maintain a minimum 17% reserve level

Major Drivers of Budget Expenditures



- Increase in mandated Pension Contributions
 - Will cost the District an additional \$6M/year by 2023-24
- 10% annual increase in mandated special education costs
 - Approximately \$1M/annually
- Certificated staffing related to increased student enrollment
 - Increase in 70.5 full time equivalent teachers over 10 yrs equating to an additional \$9M in annual expenditures
 - enrollment is peaking in 2020-21, holding steady in 2021-22 before beginning a slow decline

Budget Forecast at 2nd Interim

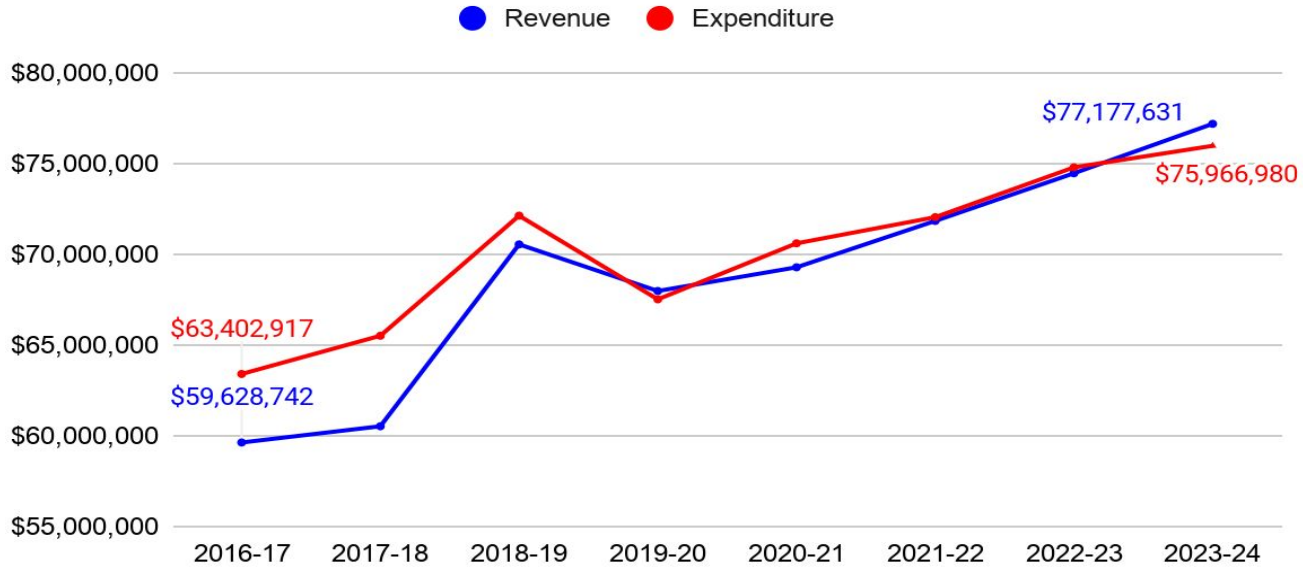


At the second interim budget presentation in March 10, 2020, the multi-year projection showed the District would have:

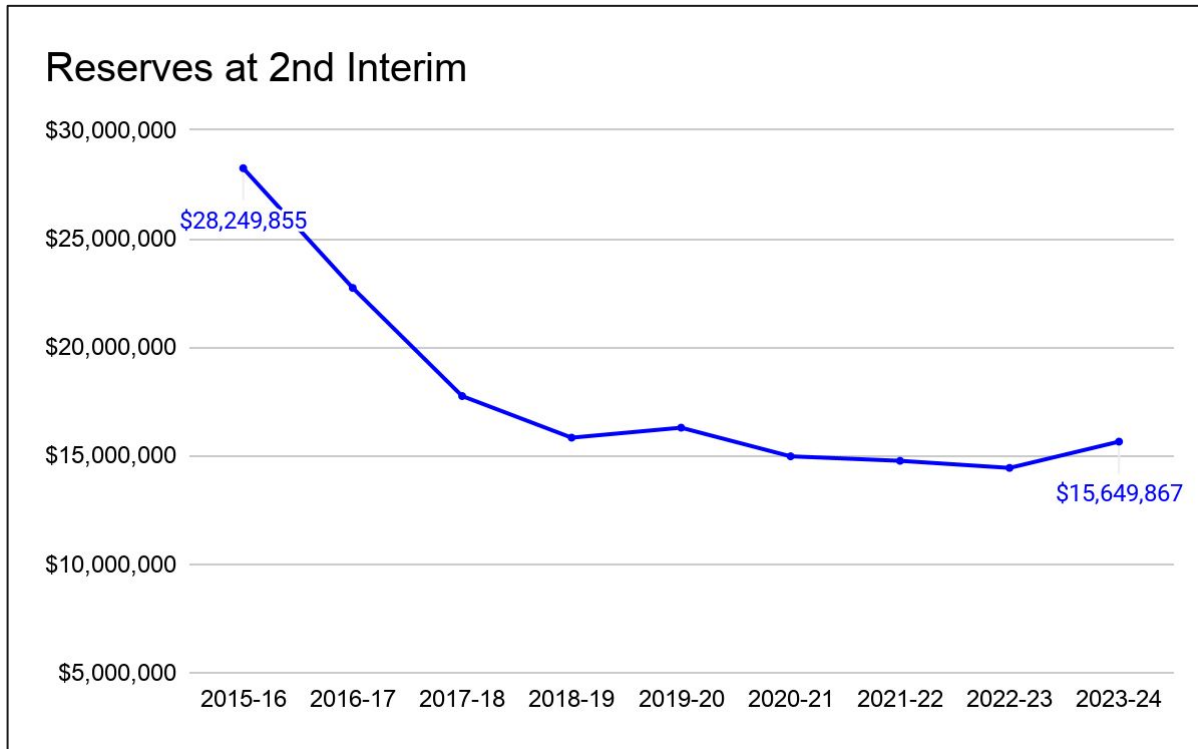
- A surplus of \$207,000 in 2019-20,
- A deficit of **\$1.3M** in the 2020-21 fiscal year
- A deficit of **\$226,000** in the 2021-22 fiscal year

- The figures presented for the 2020-21 and 2021-22 fiscal years do not include:
 - any increase in compensation for staff, beyond step and column adjustments
 - any potential reduction in property tax revenue due to economic downturn caused by the response to COVID-19

General Fund Unrestricted Revenues and Expenditures as of 2nd Interim (March 10, 2020)



- 2020-21 and subsequent years are projections
- The current year is based on the 2nd Interim budget
- Previous years are based on audited actuals
- No salary increases are assumed in the projection beyond 2019-20
- 2022-23 and 2023-24 assume renewal of existing parcel taxes at current levels
- **Does not include loss of property tax revenue due to response to COVID-19**



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Reserves over time based on 2nd Interim and projections



	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23*	2023-24*
<i>Ending Fund Balance/ Reserve</i>	\$28.2M (36.3%)	\$22.7M (29.9%)	\$17.7M (20.2%)	\$15.8M (15.9%)	\$16.3M (17.0%)	\$14.9M (15.4%)	\$14.7M (14.7%)	\$14.4M (13.8%)	\$15.6M (14.6%)

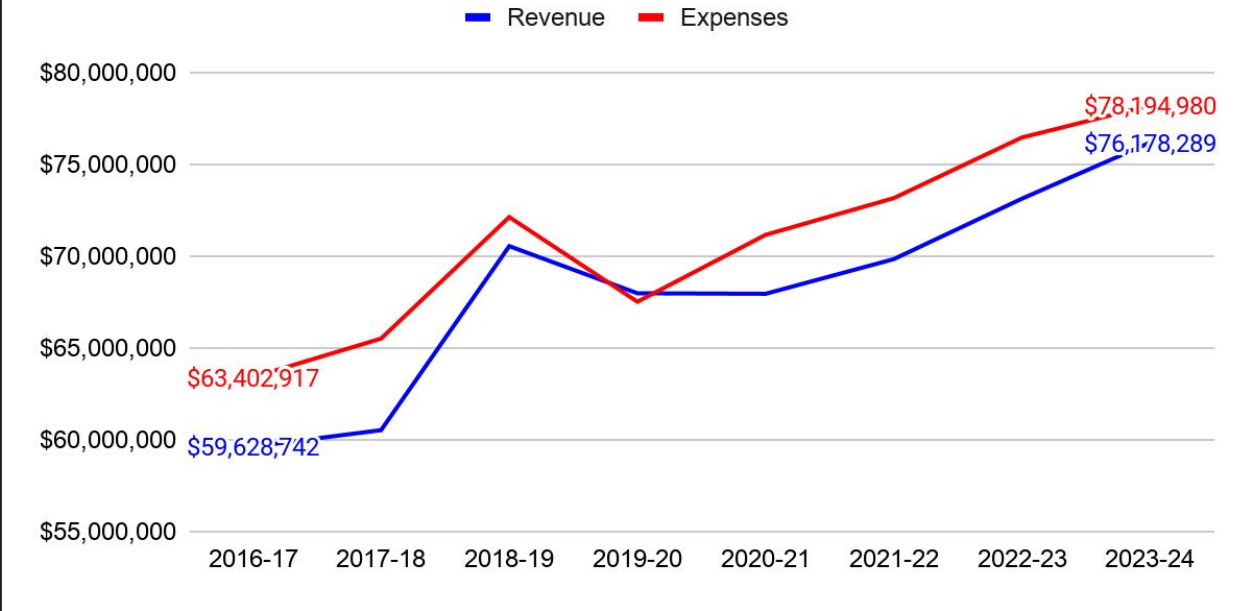
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- **Does not include loss of property tax revenue due to response to COVID-19**

Since 2nd Interim:



- Property tax revenues are projected to decrease over the next 4 years due to the economic downturn as a result of the response to COVID-19
- This information is based on guidance from State and County Officials

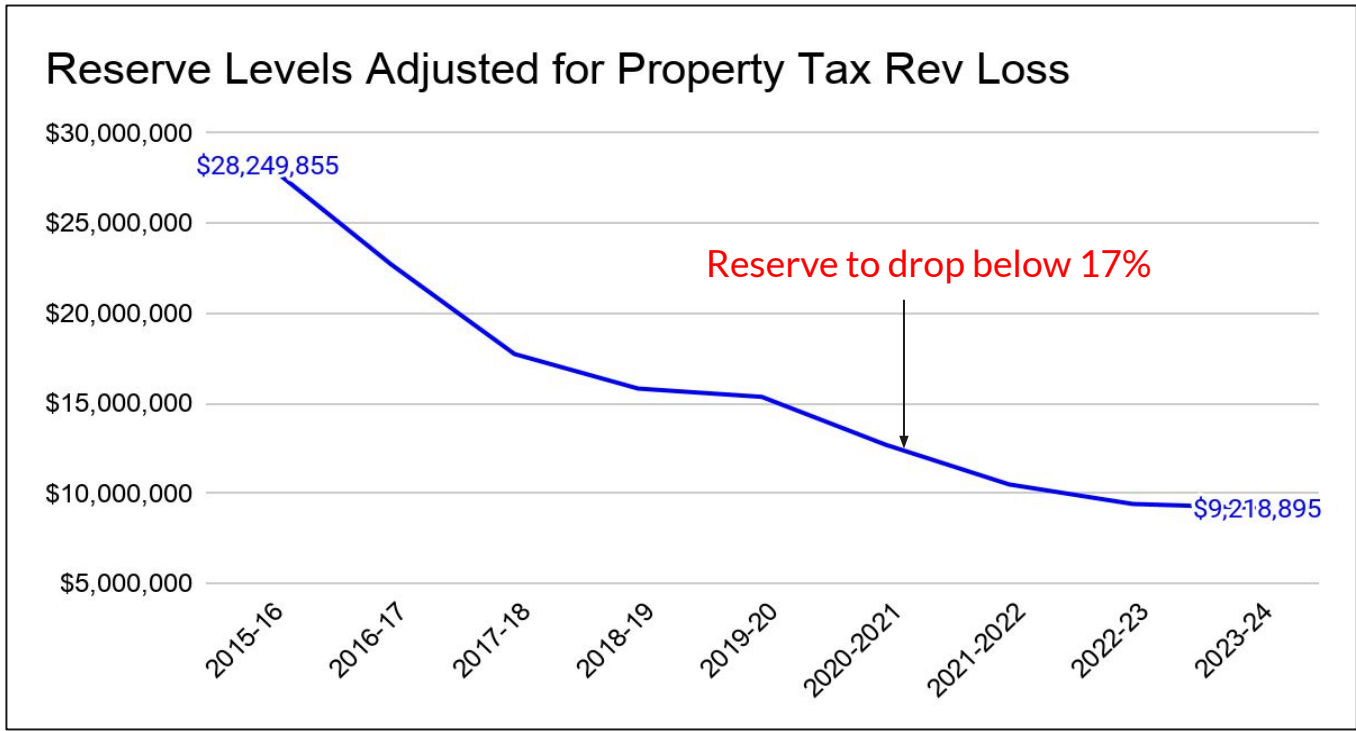
General Fund Unrestricted Revenues and Expenditures Adjusted for Property Tax Rev Loss



- 2020-21 and subsequent years are projections
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- Previous years are based on audited actuals

Assumptions:

- The projections for 2020-21 and beyond include potential property tax revenue loss due to economic downturn (approximately \$1.3M 2020-21, \$1.9M 2021-22, \$1.3M 2022-23, \$900K 2023-24)
- 2022-23 and 2023-24 assume renewal of existing parcel taxes at current levels



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Reserves Adjusted for Property Tax Revenue Loss



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Assumptions:

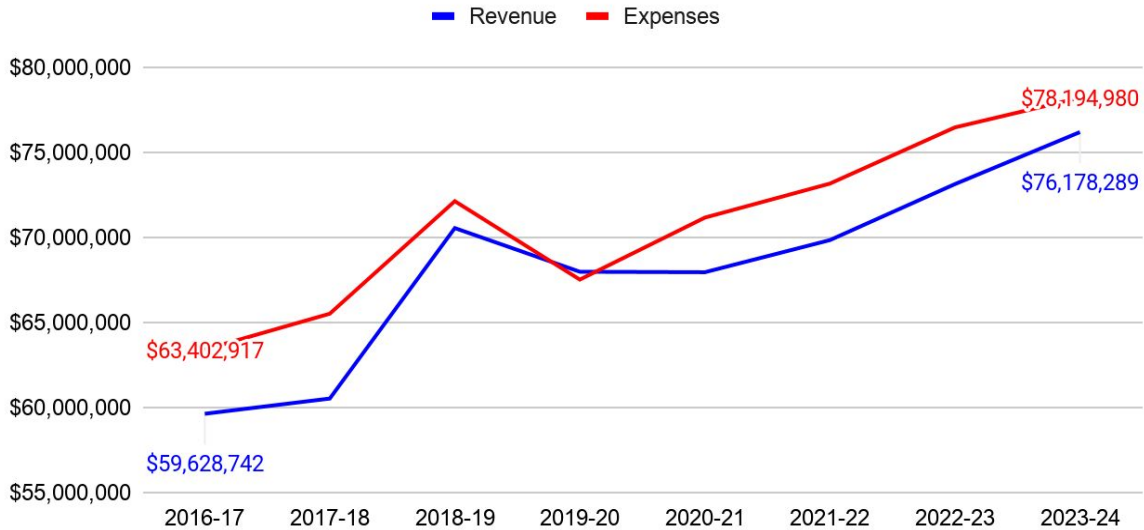
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If we adjust for:

- A 1% raise for all employees (*for illustrative purposes only*) in addition to the decrease in property tax revenue

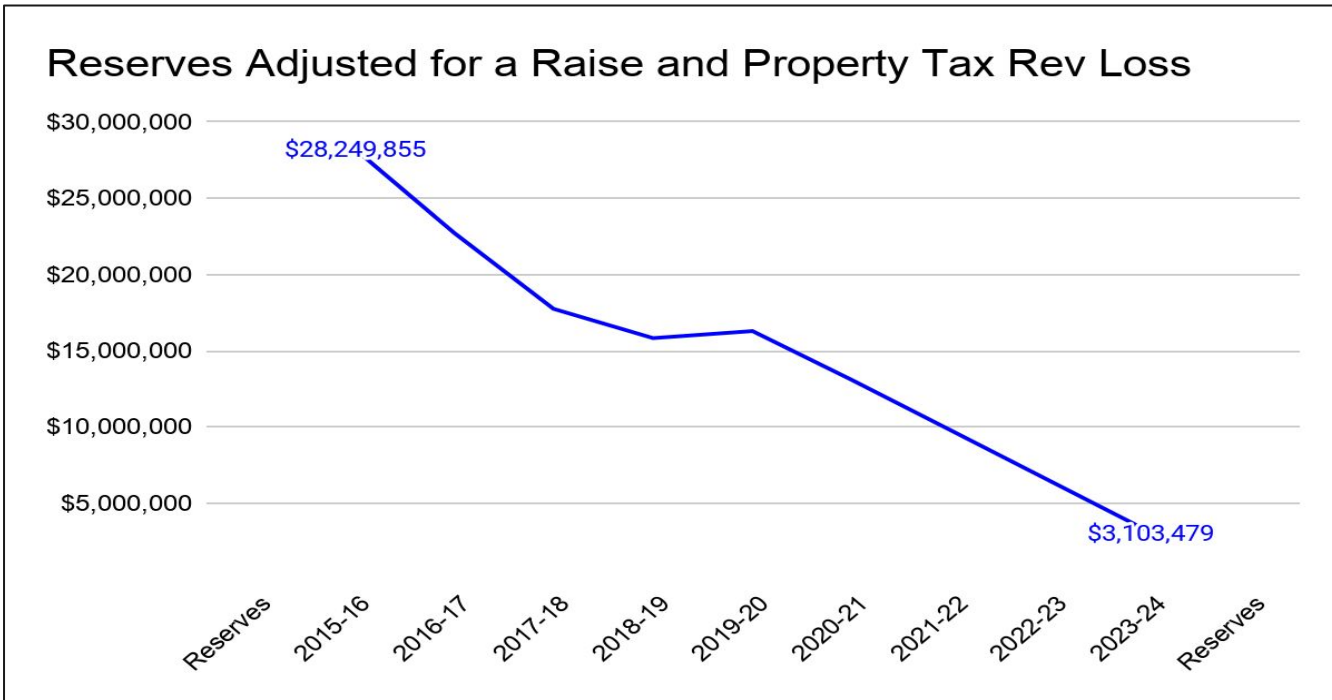
General Fund Unrestricted Revenues and Expenditures Adjusted for Property Tax Rev Loss and a 1% Raise



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Assumptions:

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Reserves Adjusted for a 1% Raise and Property Tax Rev Loss



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<i>Ending Fund Balance/ Reserve</i>	\$28.2M (36.3%)	\$22.7M (29.9%)	\$19.8M (22.6%)	\$18.6M (18.8%)	\$16.3M (17.0%)	\$11.7M (12.1%)	\$8.4M (8.4%)	\$5.1M (4.9%)	\$3M (2.8%)

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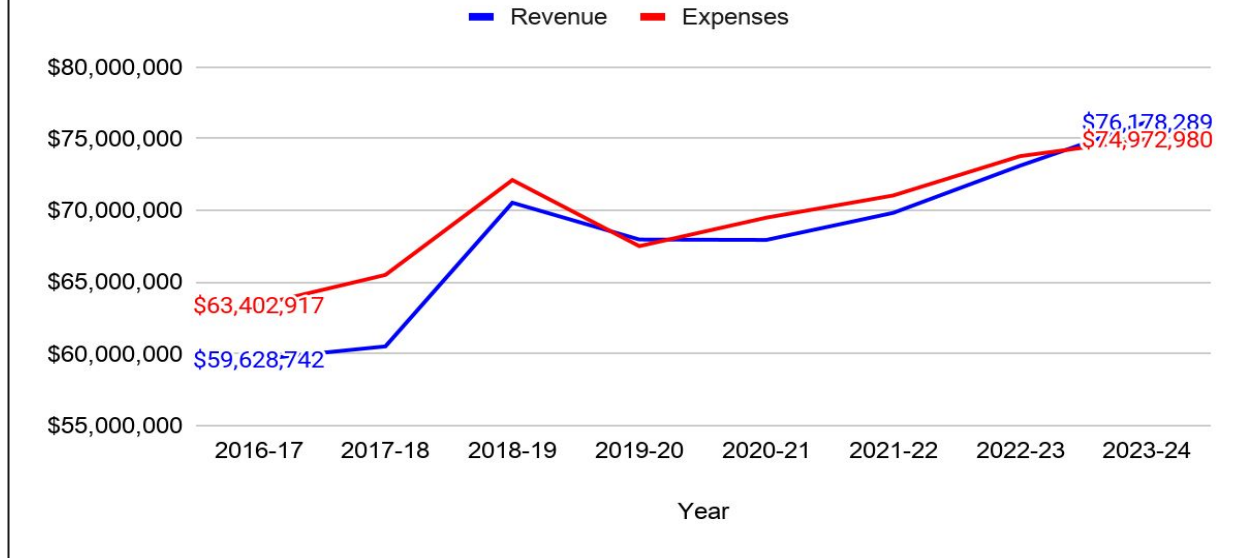
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Budget Reduction Options

Reduction	Savings
Release Periods: Journalism, Leadership, instructional Coaches Global Studies	<ul style="list-style-type: none">● Ongoing savings beginning next year (\$210,000 in 20-21, up to \$450,000/per year moving forward)
Suspension of Team Program	<ul style="list-style-type: none">● Savings of 1.6 FTE (\$230,000) for each year of suspension
Suspension of teacher leader program	<ul style="list-style-type: none">● Savings of up to \$724,000 for each year of suspension

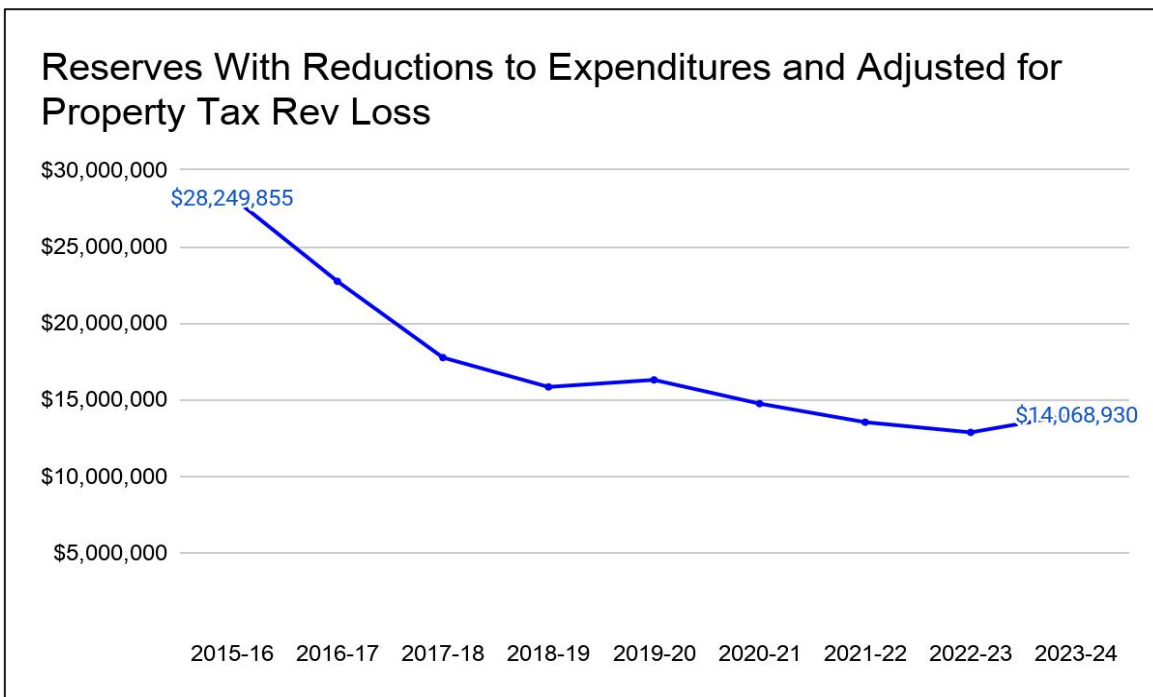
General Fund Unrestricted Revenues and Expenses Adjusted for Property Tax Rev Loss and Reduction in Expenditures



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- 2022-23 and 2023-24 assume renewal of existing parcel taxes at current levels
- Assumes \$1.1M of reductions in 2020-21, and \$970,000 of reductions in subsequent years
- Assumes **no increase** in salaries beyond step and column for the years beyond 2019-20



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Reserves Adjusted for Reduction to Expenditures and Property Tax Rev Loss

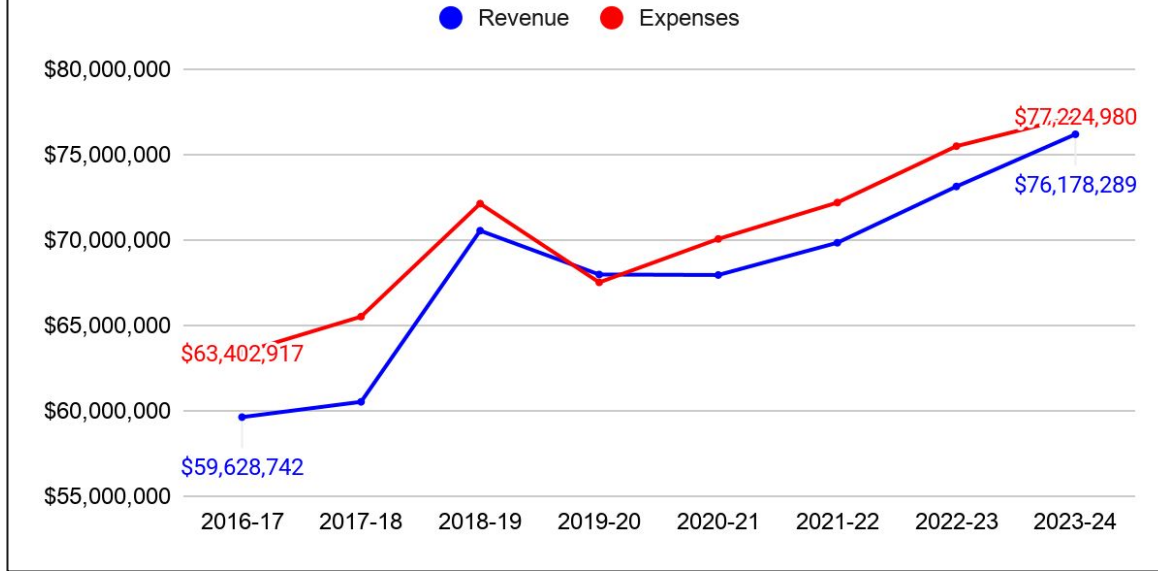
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General Fund Unrestricted Rev and Exp Adjusted for Property Tax Rev Loss, Reduction in Expenditures and a 1% Raise

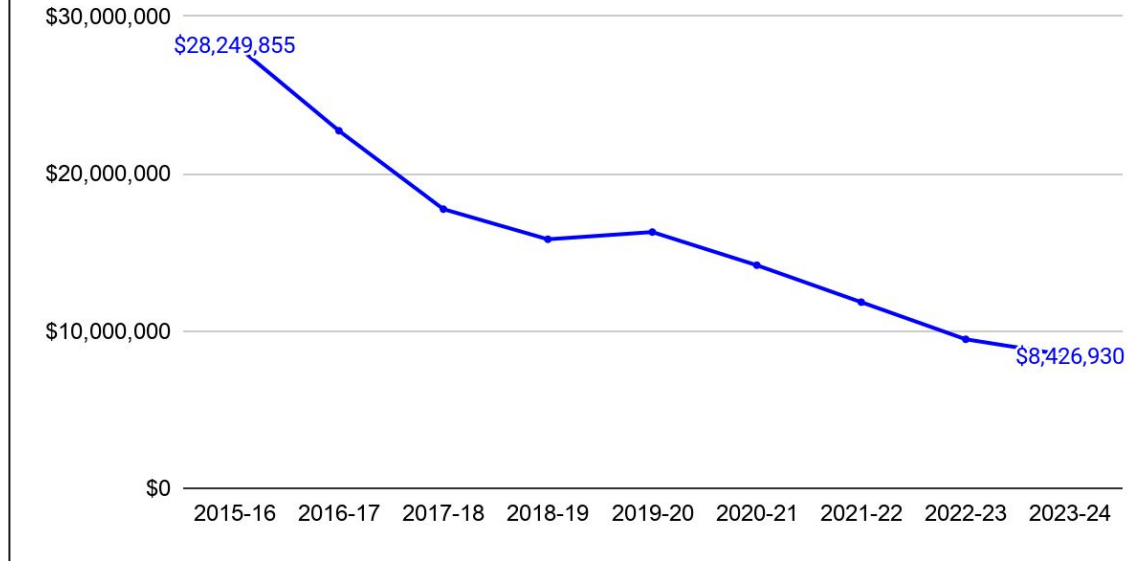


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Reserve Levels Adjusted for Property Tax Rev Loss, Reduction in Expenditures and a 1% Raise



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Reserves Adjusted for Reduction to Expenditures, Property Tax Revenue Loss and a 1% Raise

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Next Steps

- We need to consider both short and long term budget reduction options
 - Reductions for 2020-21
 - Potential parcel tax renewal
 - Convene a Fiscal Advisory Committee upon return to explore long term solutions for fiscal solvency



Discussion and Questions