

The background of the slide features a light blue and white spiral notebook with a pencil resting on it. The notebook is open, showing its pages and the spiral binding. The pencil is positioned diagonally across the top left of the notebook.

Tustin Unified School District

REVISED FINAL BUDGET

2014-15

ADOPTED AUGUST 25, 2014

Today's Presentation

	State Budget Update
	TUSD Budget Changes
	Multi-Year Challenges
	Multi-Year Projections
	Looking Forward
	Certification

State Budget Update

A close-up photograph of a black and gold pen lying diagonally across a document. The document contains faint, partially legible text that appears to be a legal or financial instrument, with phrases like "not be bound", "of my estate", "at my death", "one of the", and "my will" visible. The background is a light blue gradient with a subtle pattern of vertical lines.

Improving state economy

LCFF funding gap

Continuation of deferrals

LCAP reporting changes

Pension contribution changes

Local reserve restrictions

TUSD 2014-15 Budget Changes



What has changed since June

- ❖ LCFF gap closure increase
- ❖ Lottery increase
- ❖ Title I increase



2014-15 Revenues & Expenditures



2014-15 Projected Revenues



LCFF Revenue \$162,771,605

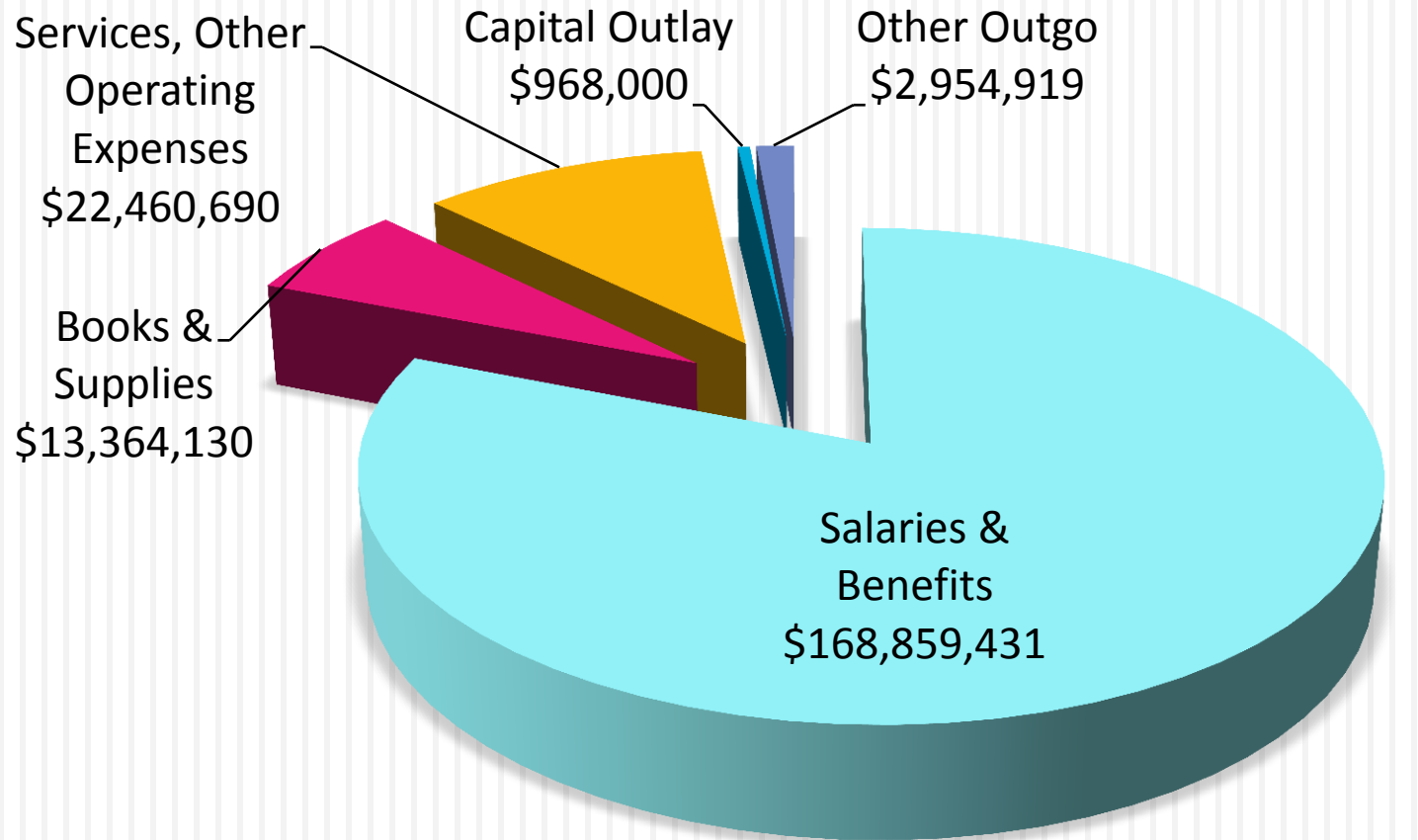
Federal Revenue \$8,802,828

Other State Revenue \$21,909,790

Other Local Revenue \$7,138,840

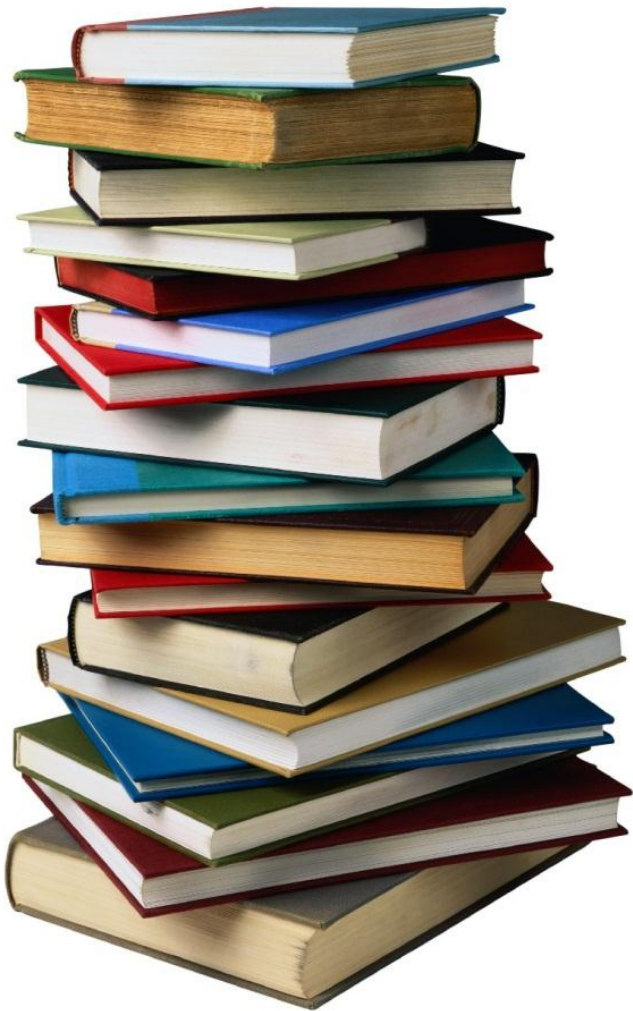
Total Revenue \$200,623,063

2014-15 Projected Expenditures



Total Projected Expenditures \$208,607,170

Local Control Accountability Plan

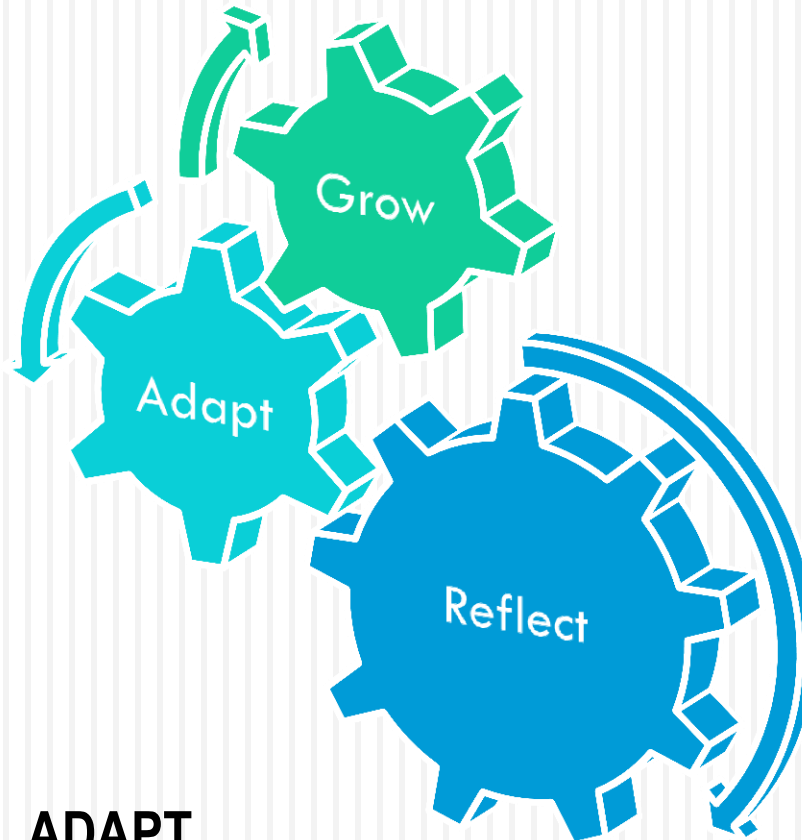


LCAP

Gearing up for the LCAP cycle

GROW

- ❖ Adopt the annual update
- ❖ Implement the revised plan



ADAPT

- ❖ Plan goals, actions, and services
- ❖ Review and revise based on stakeholder input

REFLECT

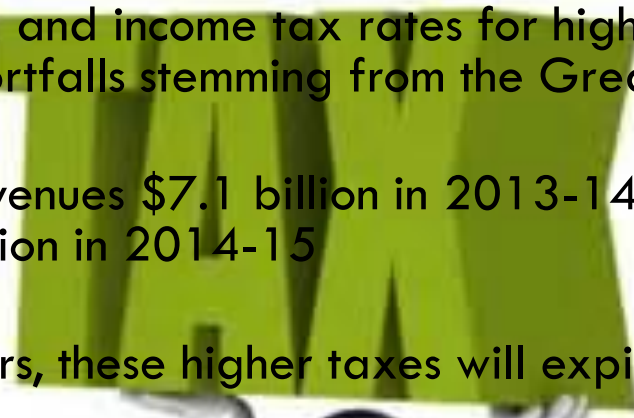
- ❖ Evaluate progress
- ❖ Engage stakeholders

Multi-Year Budget Challenges

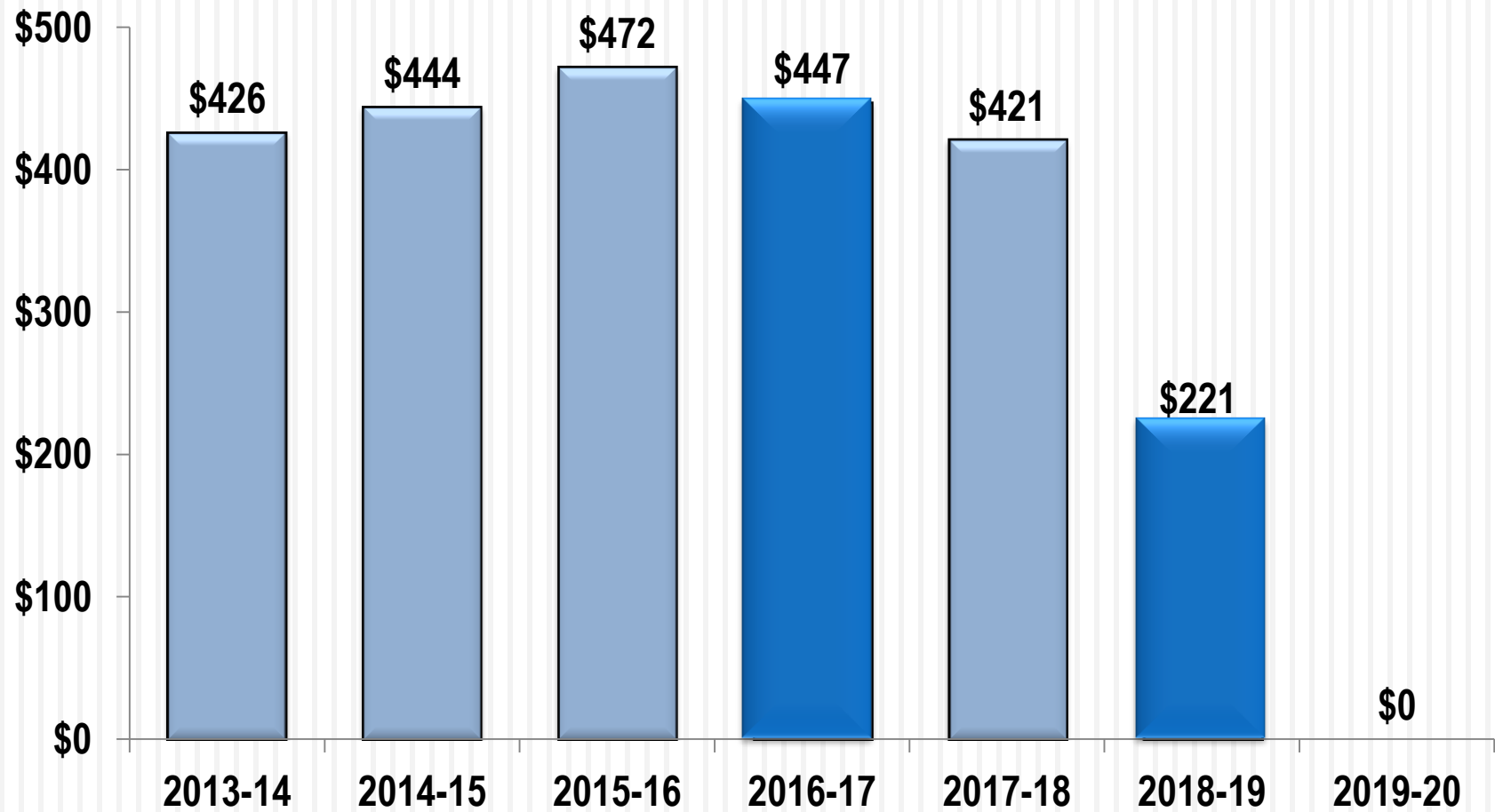


Proposition 30 Taxes are Temporary

- ❖ Proposition 30, approved by voters in November 2012, temporarily increased the state sales tax and income tax rates for high-income earners to address state revenue shortfalls stemming from the Great Recession
- ❖ The higher rates boosted revenues \$7.1 billion in 2013-14 and are forecast to provide \$7.4 billion in 2014-15
- ❖ Unless extended by the voters, these higher taxes will expire as follows:
 - The 0.25% sales tax increase expires in 2016 (i.e., the 2016-17 fiscal year)
 - The personal income tax increase expires in 2018 (i.e., the 2018-19 fiscal year)



Proposition 30 Revenues Per ADA



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Source: 2014-15 May Revision and SSC analysis

Outcome of Proposition 30 Expiration




With a growing economy, revenues could offset the loss of Proposition 30



On the other hand, an economic slowdown coupled with the expiration of Proposition 30 could result in cuts to education

General Fund Multi-Year Projection

A close-up photograph of a wooden filing cabinet drawer. A white label with the word "Pensions" in bold black text is attached to the front of the drawer. The drawer is slightly open, and the label is tilted. The background shows other drawers of the cabinet, some with labels like "Sch" and "W".

Pensions

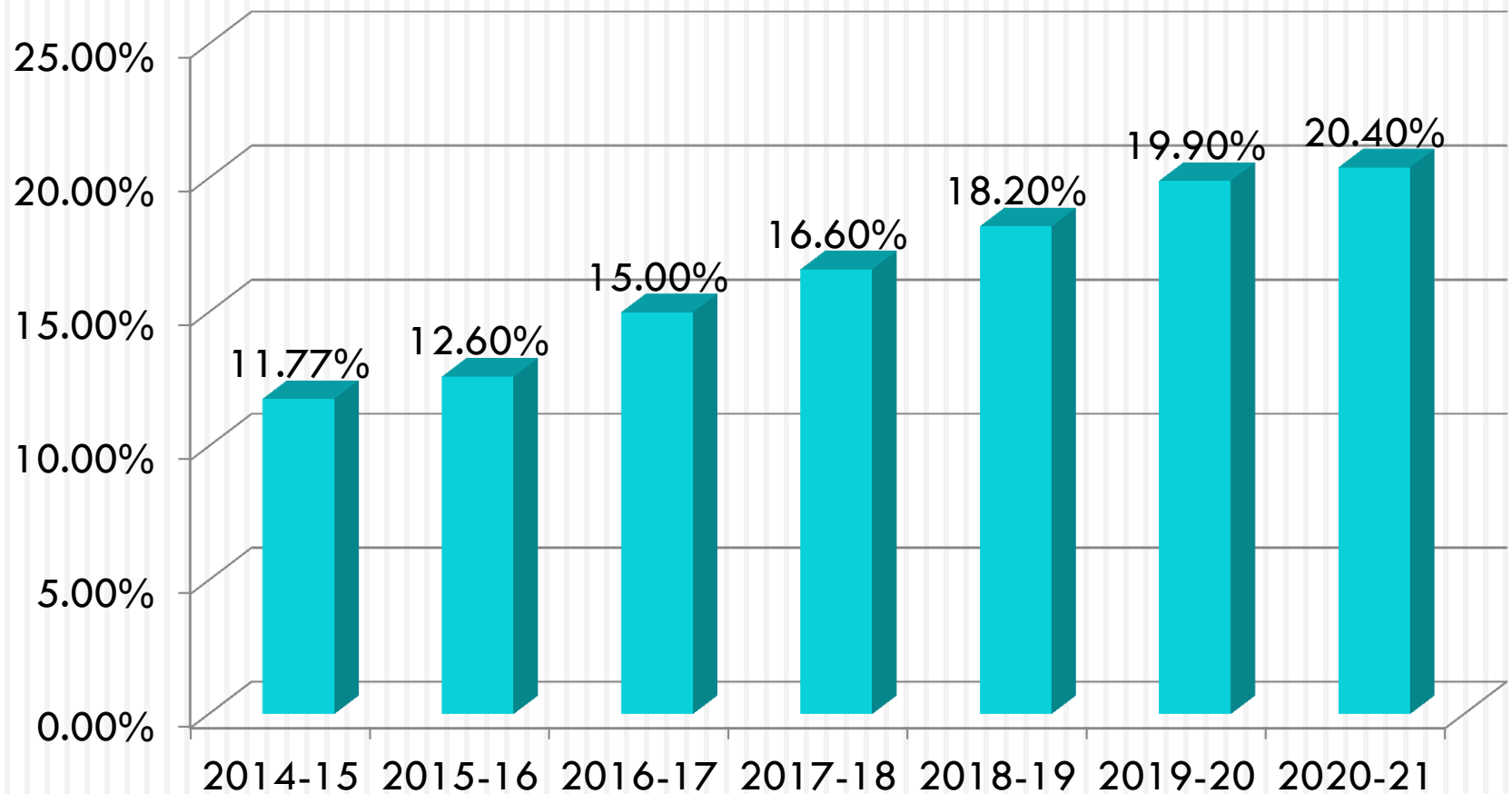
CalPERS Liability



- ❖ 24% losses suffered during the great recession
- ❖ Changes in actuarial assumptions
- ❖ Aims to fully fund the system in 30 years

CalPERS Rate Increases

CalPERS Employer Rates

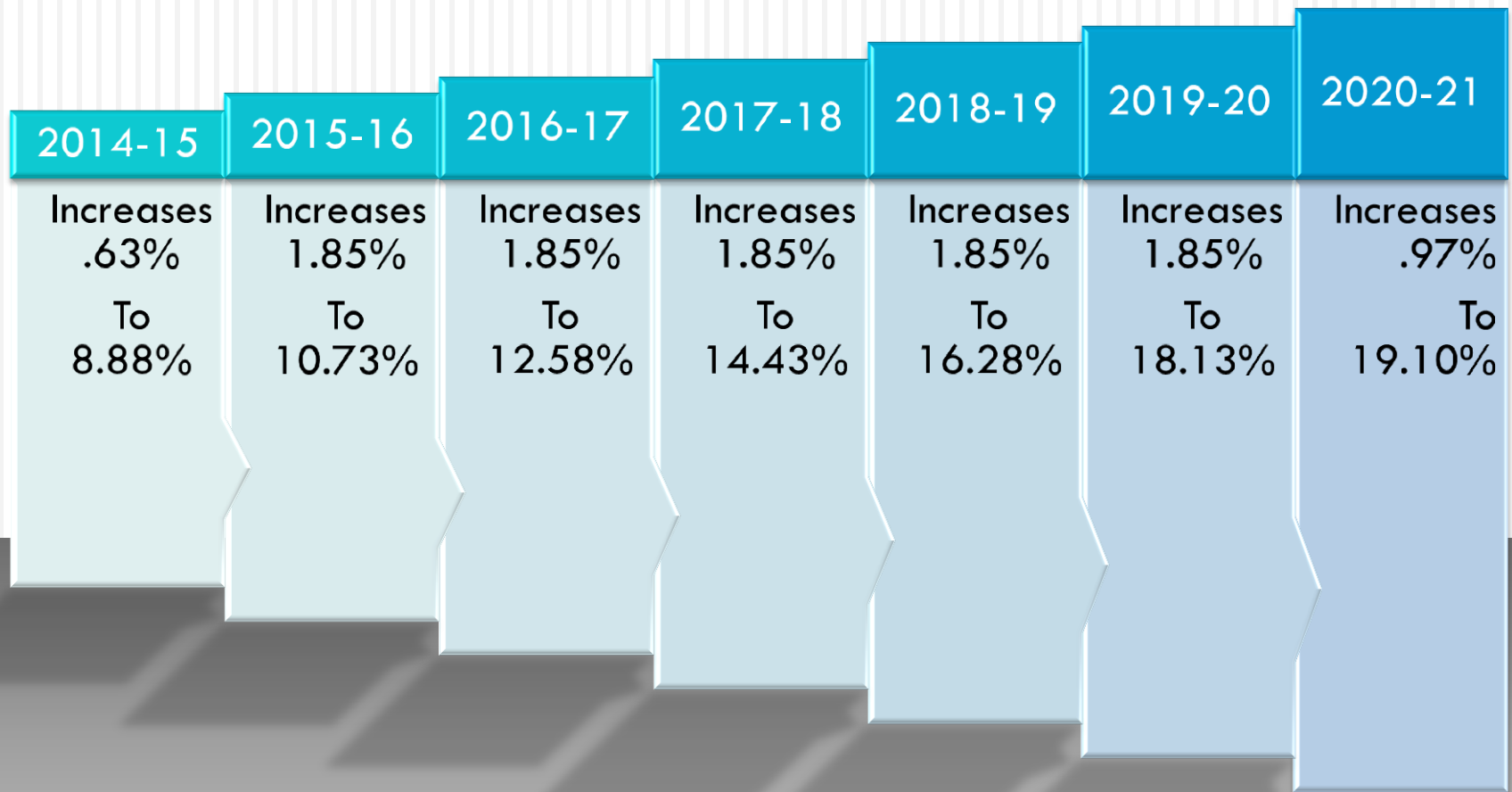


CalSTRS Liability

- ❖ Last fully funded in 1998
- ❖ Dot.com bust and global recession have taken a toll
- ❖ Liability estimated at 71 billion



CalSTRS Rate Increases



ADA & Enrollment Changes

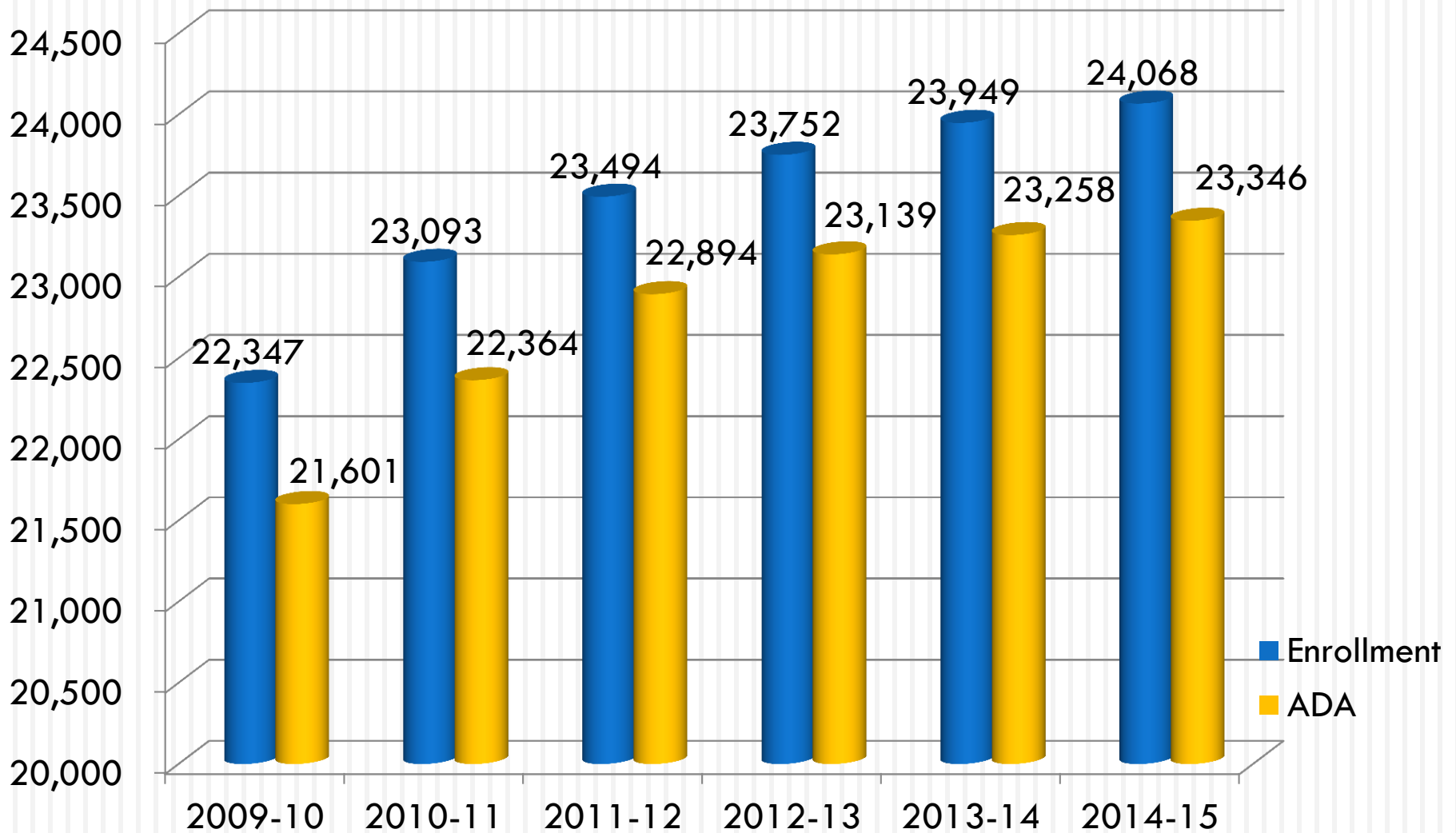


ADA & Enrollment Drive Funding



- ❖ Student enrollment & ADA continue to drive funding
- ❖ Determines:
 - LCFF
 - Special Education
 - Lottery
 - Mandated cost funding
 - Staffing
 - Site allocations
 - Textbooks
 - Facilities

Average Daily Attendance



Reserves – Senate Bill 858



Requires more detailed
public disclosure

The background image shows a magnifying glass held over a document. The word 'disclosure' is prominently visible through the lens. A flowchart with three colored boxes and arrows is overlaid on the right side of the image.

Not much different from
current practice

Makes process more
formal

Reserves — Senate Bill 858

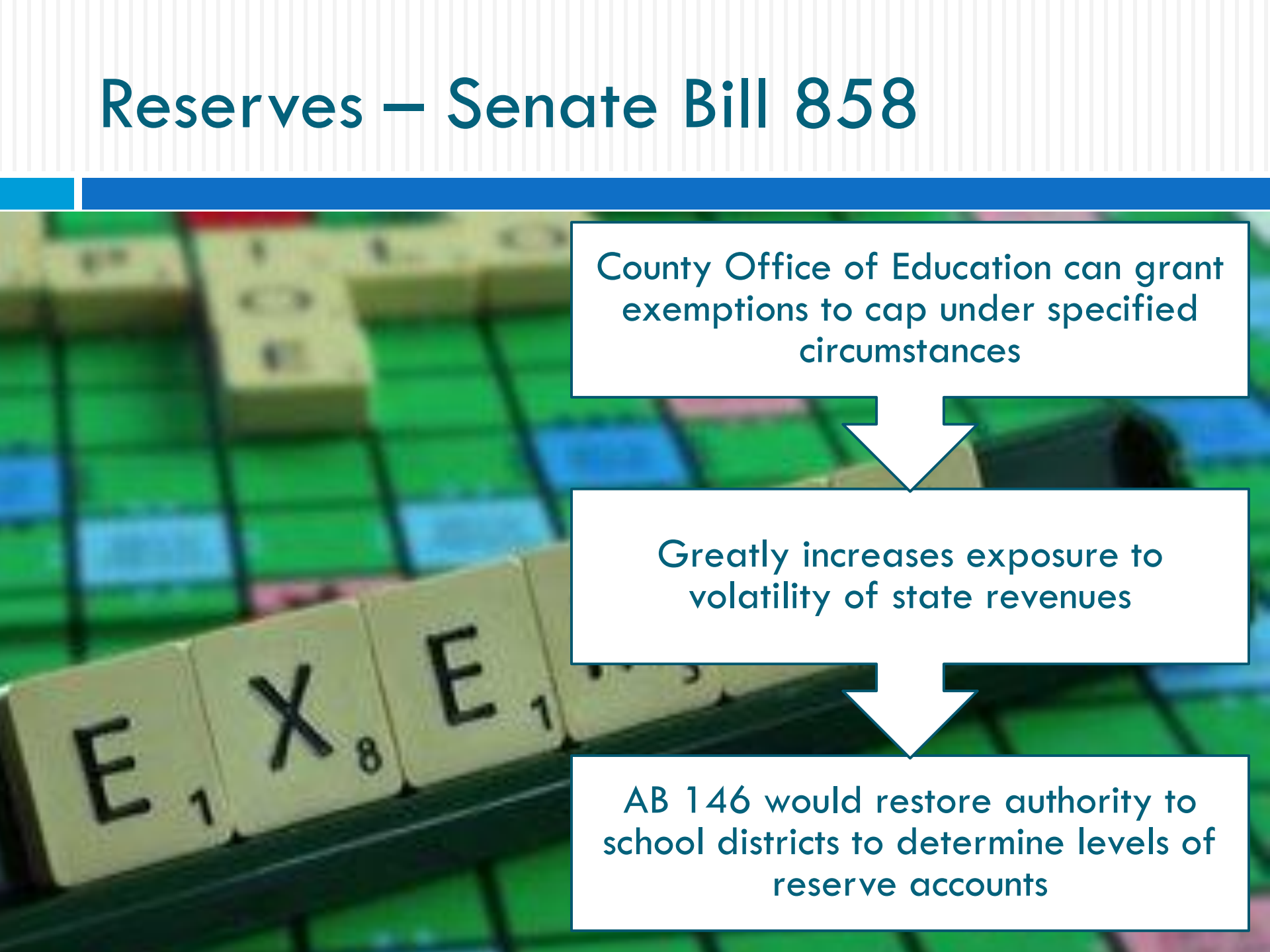


Enactment of “Rainy Day Fund” on ballot in November

If enacted prohibits maintaining reserves in excess of twice the minimum

School boards still responsible for solvency despite cap on reserves

Reserves – Senate Bill 858



County Office of Education can grant exemptions to cap under specified circumstances

Greatly increases exposure to volatility of state revenues

AB 146 would restore authority to school districts to determine levels of reserve accounts

Reserves – Senate Bill 858

- ❖ Prudent reserves above the state minimum level is a necessity
- ❖ Flexibility protects against economic downturns



Multi-Year Budgets

	2013-14	2014-15	2015-16	2016-17
• Revenue	\$ 182,910,936	\$ 200,623,063	\$ 201,560,332	\$ 207,178,589
• Expenditures	\$ 178,170,119	\$ 208,607,170	\$ 209,862,719	\$ 214,610,572
• Transfers Out	\$ 2,701,569	\$ 1,450,257	\$ 1,450,257	\$ 1,450,257
• Net Change	\$ 2,039,248	\$ (9,434,364)	\$ (9,752,644)	\$ (8,882,240)
• Beginning Balance	\$ 56,013,024	\$ 58,052,245	\$ 48,617,881	\$ 38,865,237
• Ending Balance	\$ 58,052,245	\$ 48,617,881	\$ 38,865,237	\$ 29,982,997
• Economic Uncertainty	\$ 21,595,215	\$ 18,066,495	\$ 12,857,301	\$ 10,376,137

District Deficit Spending

Some deficit spending is related to conservative projections



Deficit spending continues; ending balance is maintained at a stable level over next the 3 years

Components of Ending Fund Balance

	2013-14	2014-15	2015-16	2016-17
• Revolving Cash	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
• Stores	\$ 182,152	\$ 182,152	\$ 182,152	\$ 182,152
<u>Other Assignments</u>				
• Benefit Accounts	\$ 120,000	\$ 140,000	\$ 140,000	\$ 140,000
• Accrued Vacation	\$ 1,132,512	\$ 1,132,512	\$ 1,132,512	\$ 1,132,512
• Uncertain LCFF	\$12,471,565	\$12,471,565	\$11,090,931	\$ 6,577,836
• ERRP Reserves	\$ 426,968	\$ 214,968	\$ 0	\$ 0
• Unfilled Priorities	\$ 2,367,205	\$ 0	\$ 0	\$ 0
• Pension Liability	\$ 0	\$ 694,852	\$ 2,060,251	\$ 2,509,357
• Fac. Maint. Reserve	\$ 1,758,298	\$ 2,008,298	\$ 2,008,298	\$ 2,008,298
• Technology	\$ 1,500,000	\$ 1,750,000	\$ 1,750,000	\$ 1,750,000
• Restricted Balance	\$16,348,331	\$11,807,039	\$ 7,493,791	\$ 5,156,705
• Economic Uncertainty	\$21,595,214 11.94%	\$18,066,495 8.60%	\$12,857,301 6.08%	\$10,376,137 4.80%

Looking Forward



What's in store

LCAP

- Reflection
- Adaptation
- Growth
- Changes in LCAP template

Budget Concerns

- Bargaining Unit Negotiations
- Health & Welfare cost increases
- Ongoing Pension rate increases

Budget Concerns

- Deficit spending
- Volatility of GAP funding from the State
- Prop 30 impact

Reserves

- Legislation to repeal cap is proposed
- Consider committing reserves as appropriate

Certification

In certifying the 2014-15 Revised Final Budget as positive, the Board understands its fiduciary responsibility to maintain fiscal solvency for the current and subsequent two fiscal years. The District will implement the necessary budget changes to maintain a positive certification.

