

TUSTIN UNIFIED SCHOOL DISTRICT

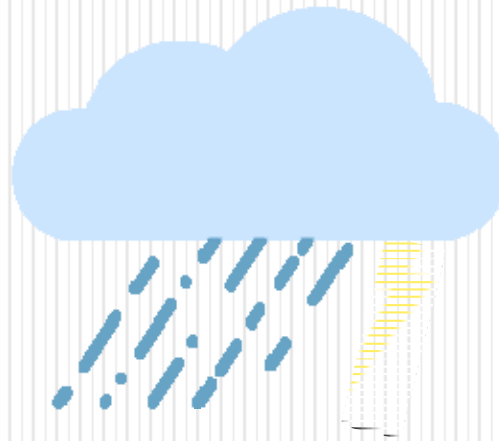
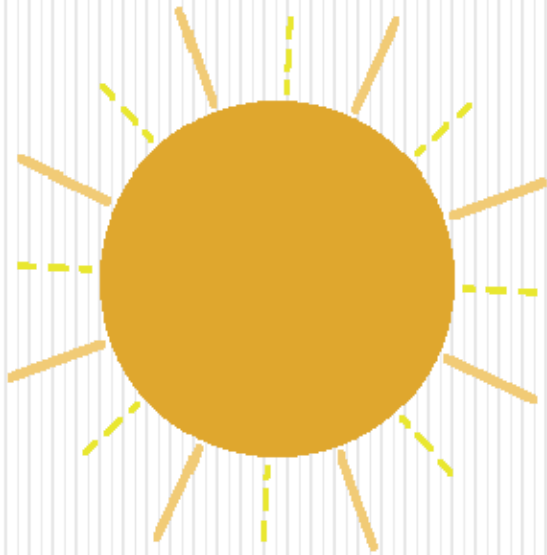
2018-19 First Interim Report

December 10, 2018



2018-19 First Interim Report

Weathering the Climate Change



2018-19 First Interim Report Agenda



- State and Education Budget
- Budget Details
- 2018-19 Revenue Projections
- 2018-19 Expenditure Projections
- 2018-19 Cash Flow
- Multi-Year Projections
- Enrollment
- Future Challenges
- Budget Strategies and Next Steps
- Budget Timeline
- Certification

2018-19 First Interim Report

State and Education Budget

Governor Brown's Legacy



Source: KNBC

California Gov. Jerry Brown signing his last state budget as governor at a ceremony in Los Angeles on June 27, 2018.

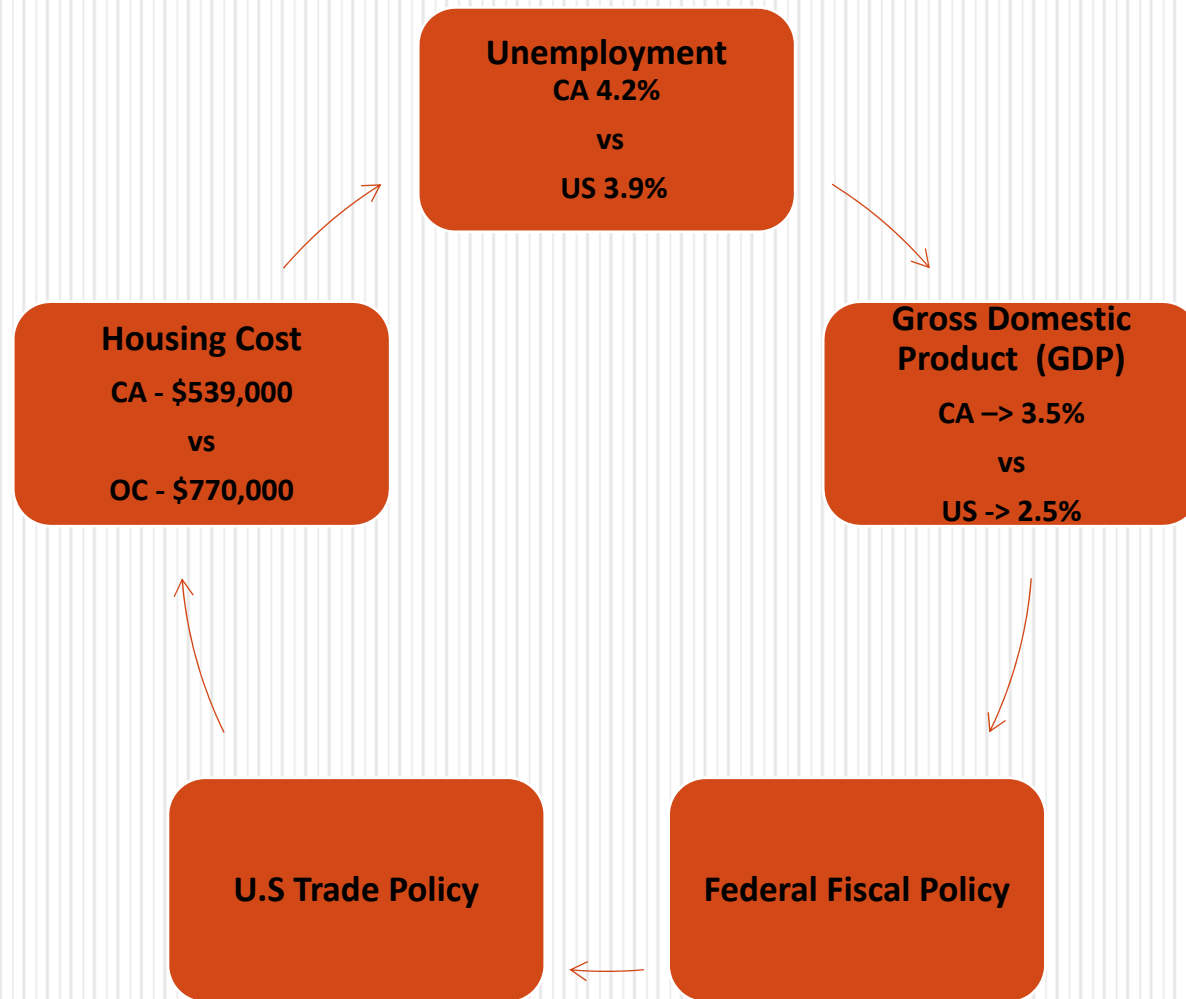
- **Governor Brown's Education Reforms**
 - ✓ **Proposition 30/Proposition 55**
 - ✓ **Implement New Funding Model – LCFF**
 - ✓ **Implement New Accountability Systems – LCAP**
- **New Governor – Gavin Newsom ??**



2018-19 First Interim Report

State and Education Budget

Economic Environment – Key Indicators



2018-19 First Interim Report

State and Education Budget

Economic Climate – LAO/UCLA Forecasts

- YTD Revenue Collections Exceed Projections by \$1.7B or 4.7%
- LAO Projects 2019-20 Budget Reserve -> \$30 billion
 - Highest surplus since 2001-02 \$10.3 billion
 - Followed a \$12.4 billion deficit in 2002-03
- UCLA and LAO Recession Projection Scenarios
 - Will history of past recessions repeat itself?
 - UCLA -> Worst Case -\$36 billion loss over 2 years
 - -> Mild recession -> \$31 billion loss over two years.
 - LAO -> \$16 billion loss over 3 years



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State and Education Budget

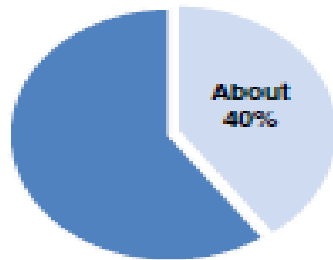
Proposition 98 Funding/Test Scenarios

- \$2.8 billion (\$2.4B ongoing + \$400M one-time) K-12 increase projected
 - \$2.3 billion – 3.1% COLA; \$500 million – Other programs
 - Estimated increased cost of CalSTRS & CalPERS contributions of \$2.4 billion

Figure 1

Three Proposition 98 “Tests”

Test 1 Share of General Fund Revenue



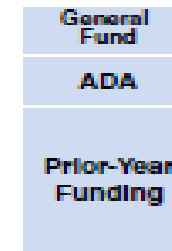
Guarantee based on share of state General Fund revenue going to K-14 education in 1986-87.

Test 2 Change In Per Capita Personal Income (PCPI)



Guarantee based on prior-year funding level adjusted for year-over-year changes in K-12 attendance and California PCPI.

Test 3 Change In General Fund Revenue



Guarantee based on prior-year funding level adjusted for year-over-year changes in K-12 attendance and state General Fund revenue.

ADA = average daily attendance.

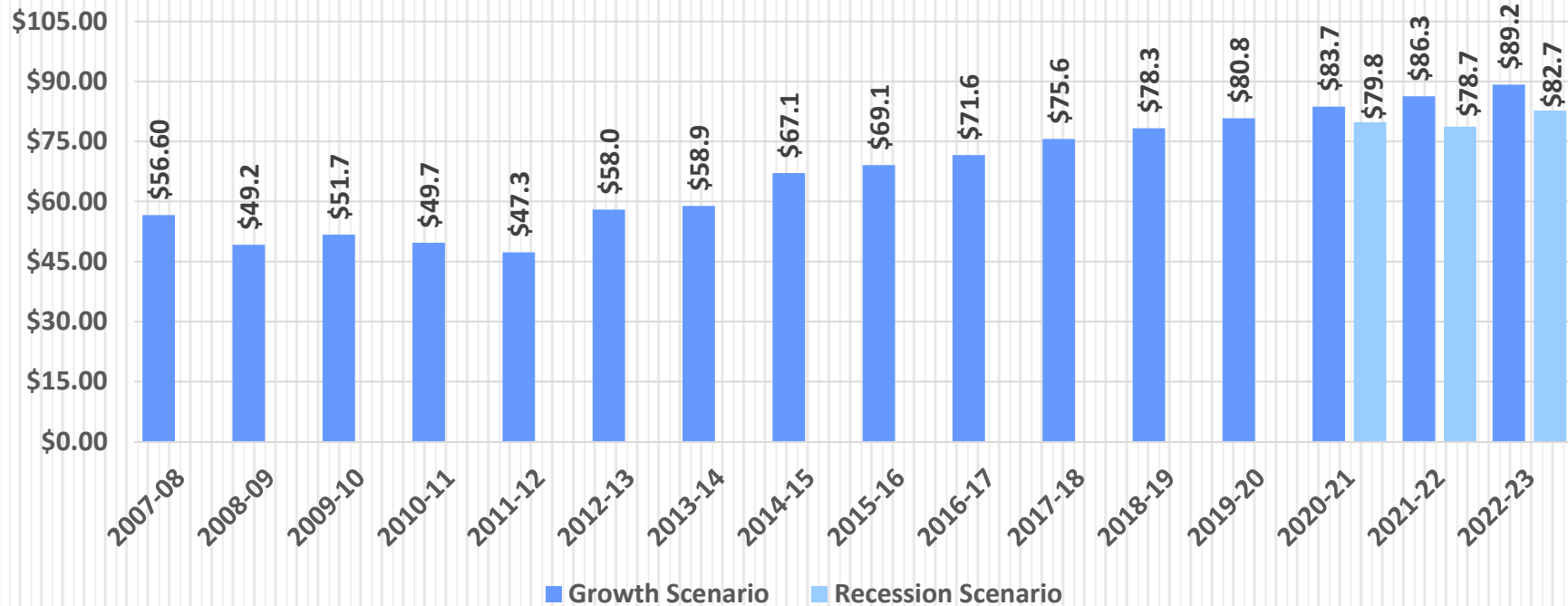
LAOA



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State and Education Budget

History of Proposition 98 Funding



Proposition 98 Outlook Under Two Economic Scenarios

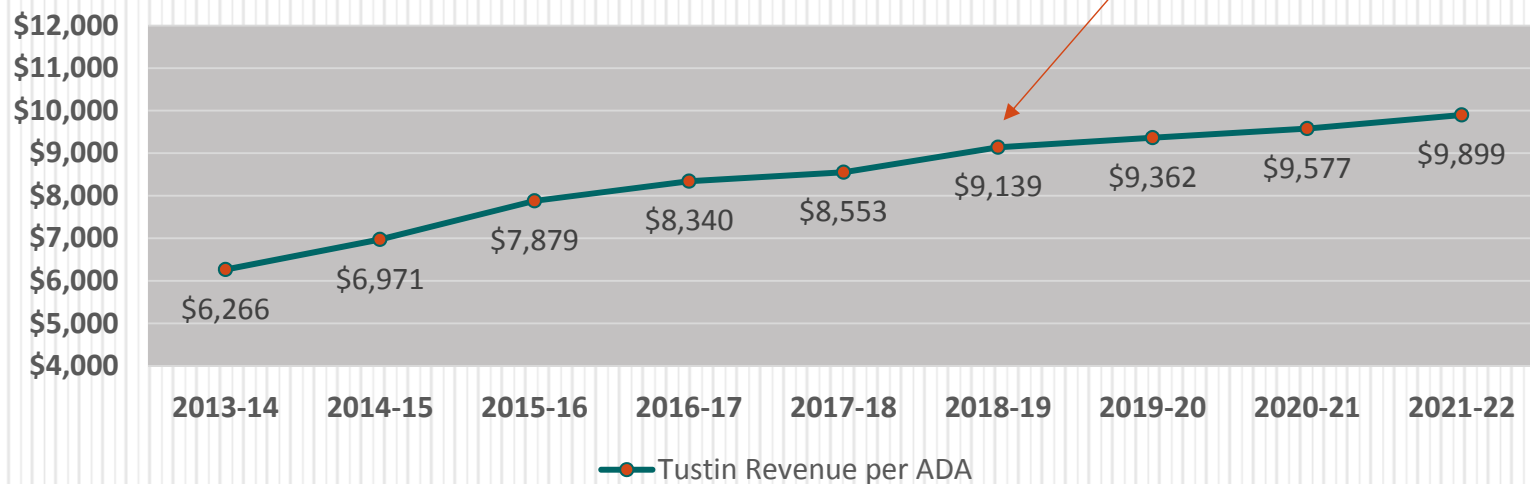
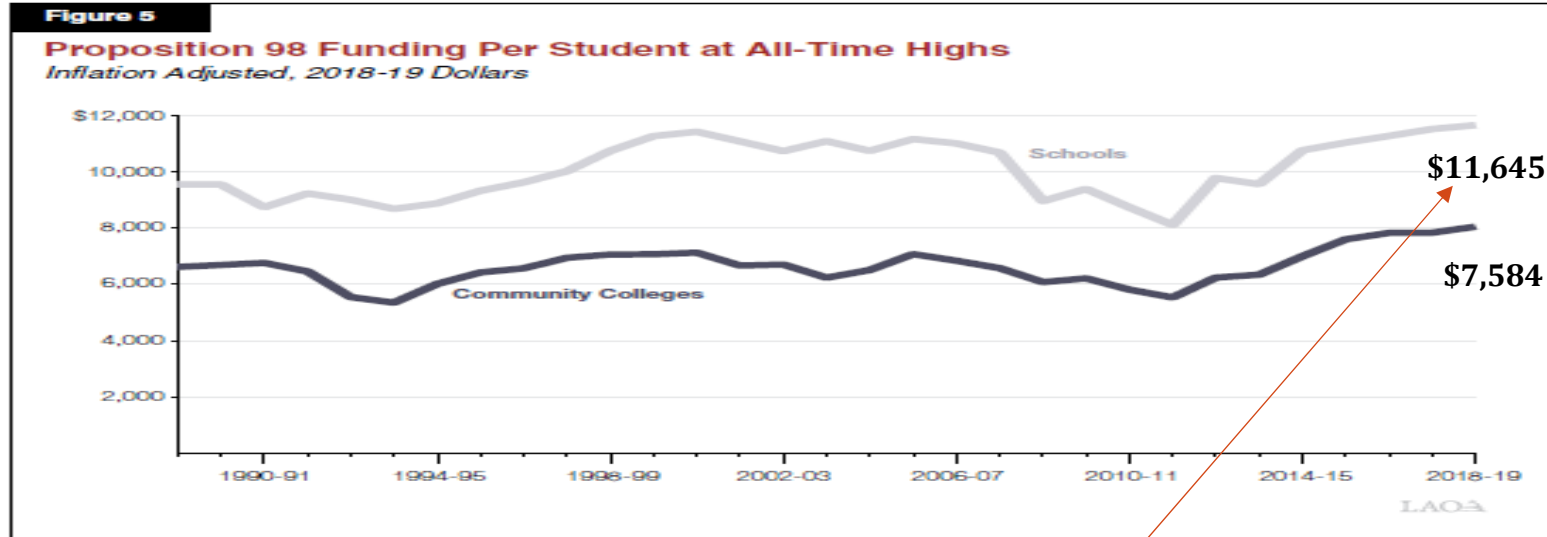
(Dollars in Billions)

Comparison of Scenarios	2018-19	2019-20	2020-21	2021-22	2022-23
Minimum Guarantee					
Growth scenario	\$78.3	\$80.8	\$83.7	\$86.3	\$89.2
Recession scenario	78.3	80.8	79.8	78.7	82.7
Differences	—	—	\$3.9	\$7.6	\$6.5

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State and Education Budget

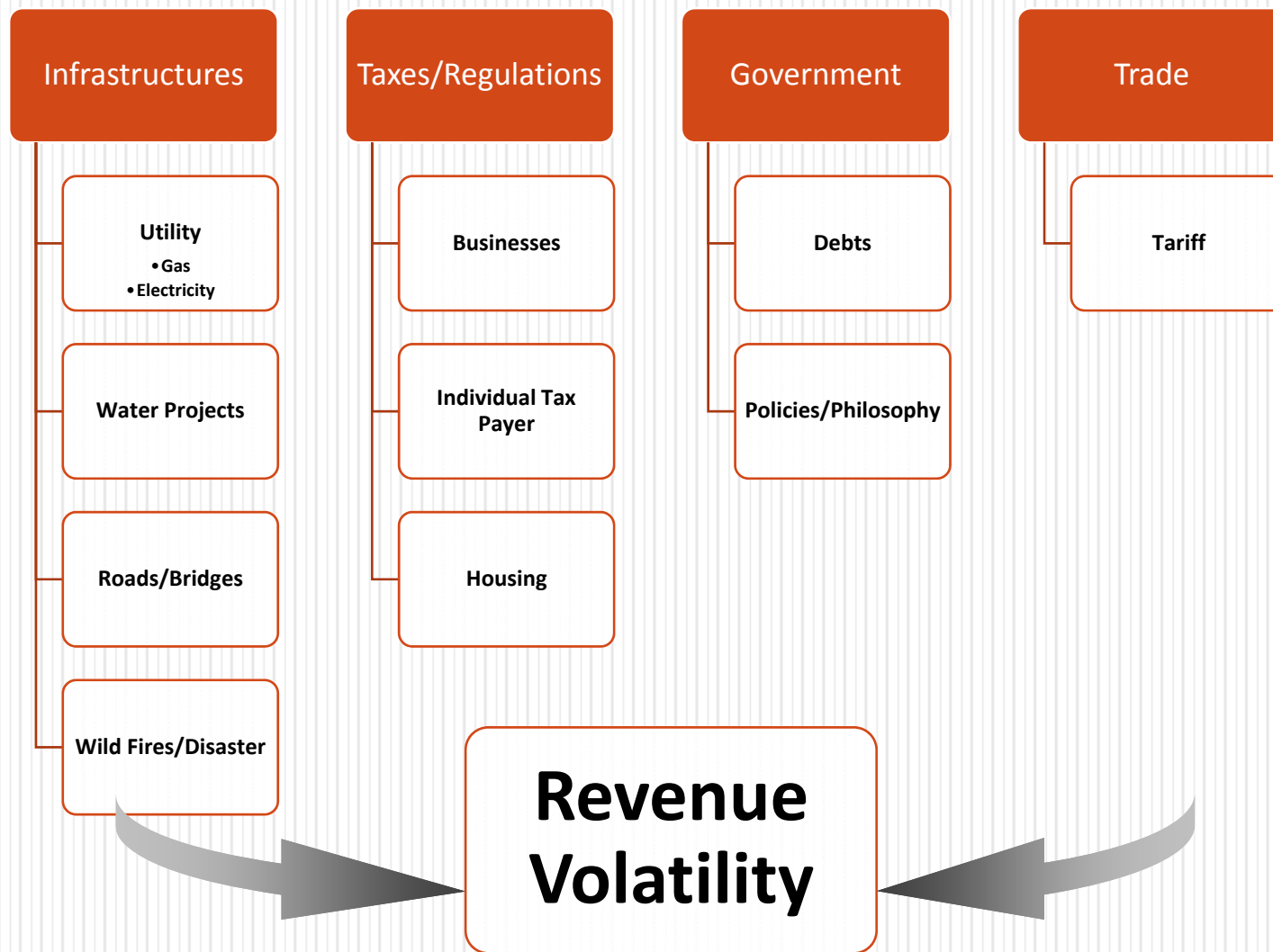
Education Proposition 98



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State and Education Budget

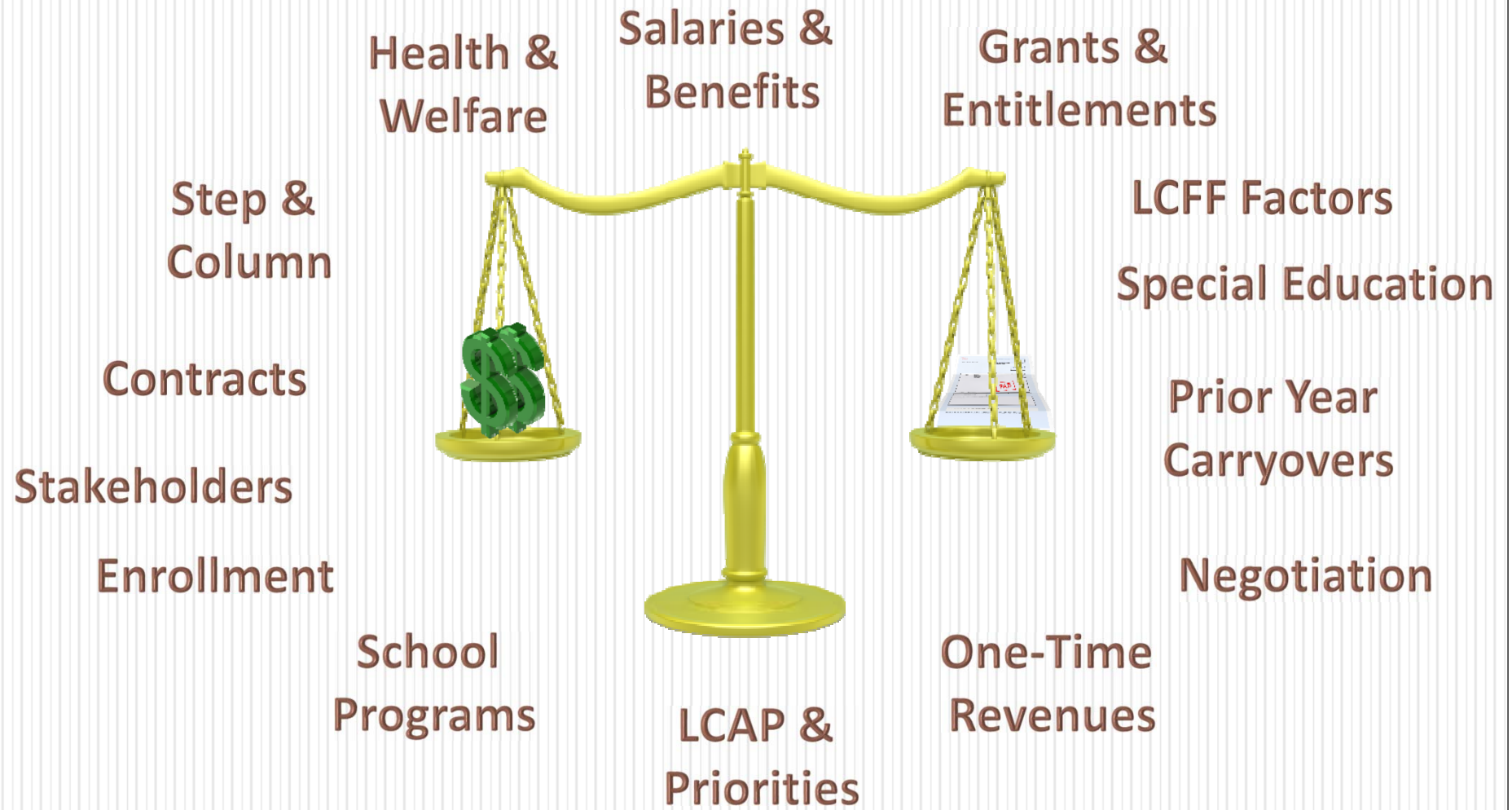
California Fiscal Risks



2018-19 First Interim Report

Budget Details

Components

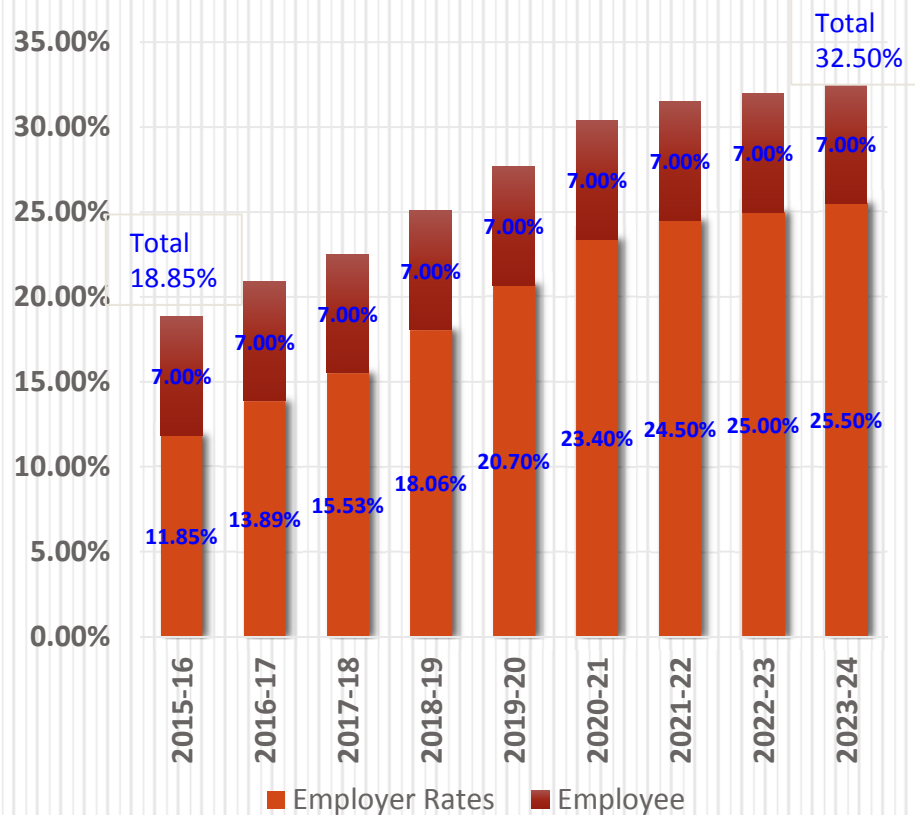


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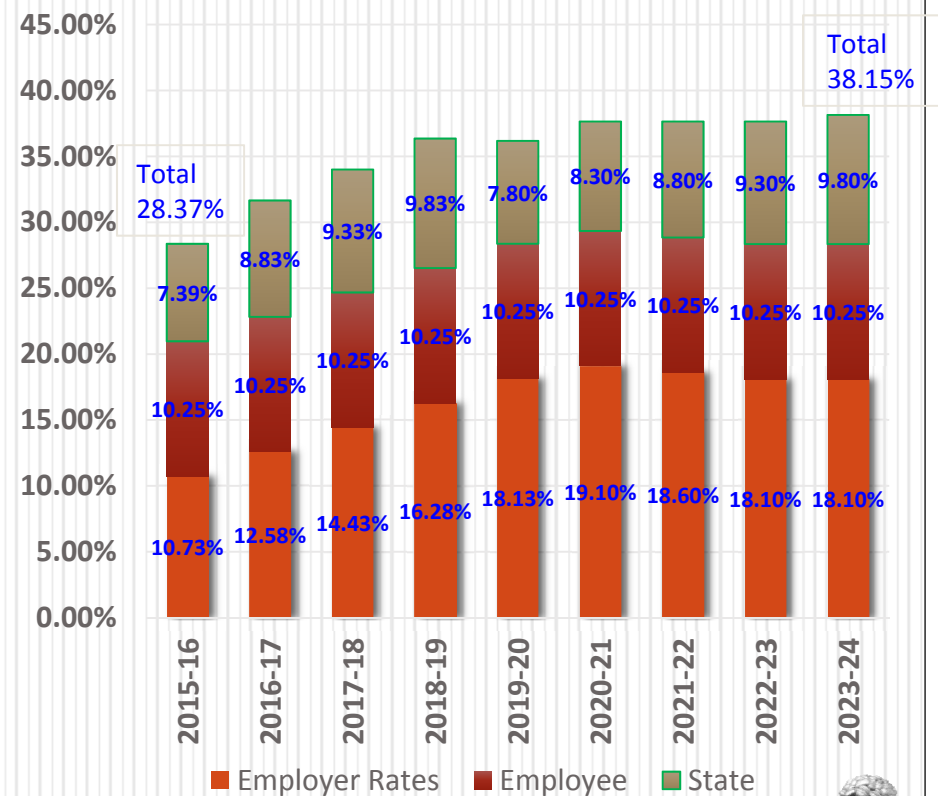
Budget Details

Employee Pension Costs

CalPERS



CalSTRS



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Budget Details

Impact of Election on Education



California New Administration

- Governor –Gavin Newsom
- Supt of Public Instructions – Tony Thurmond
- CDE Chief Deputy Supt –Lupita Cortez Alcala
- Chief of Staff –Ann O’Leary
- Cabinet Secretary - Ana Matosantos
- Attorney General – Xavier Becerra



Education Programs

- Commitment to the local control and local control decision making
- Position on categorical programs
- Position on education accountability
- Leadership strength and relationship with key education leaders

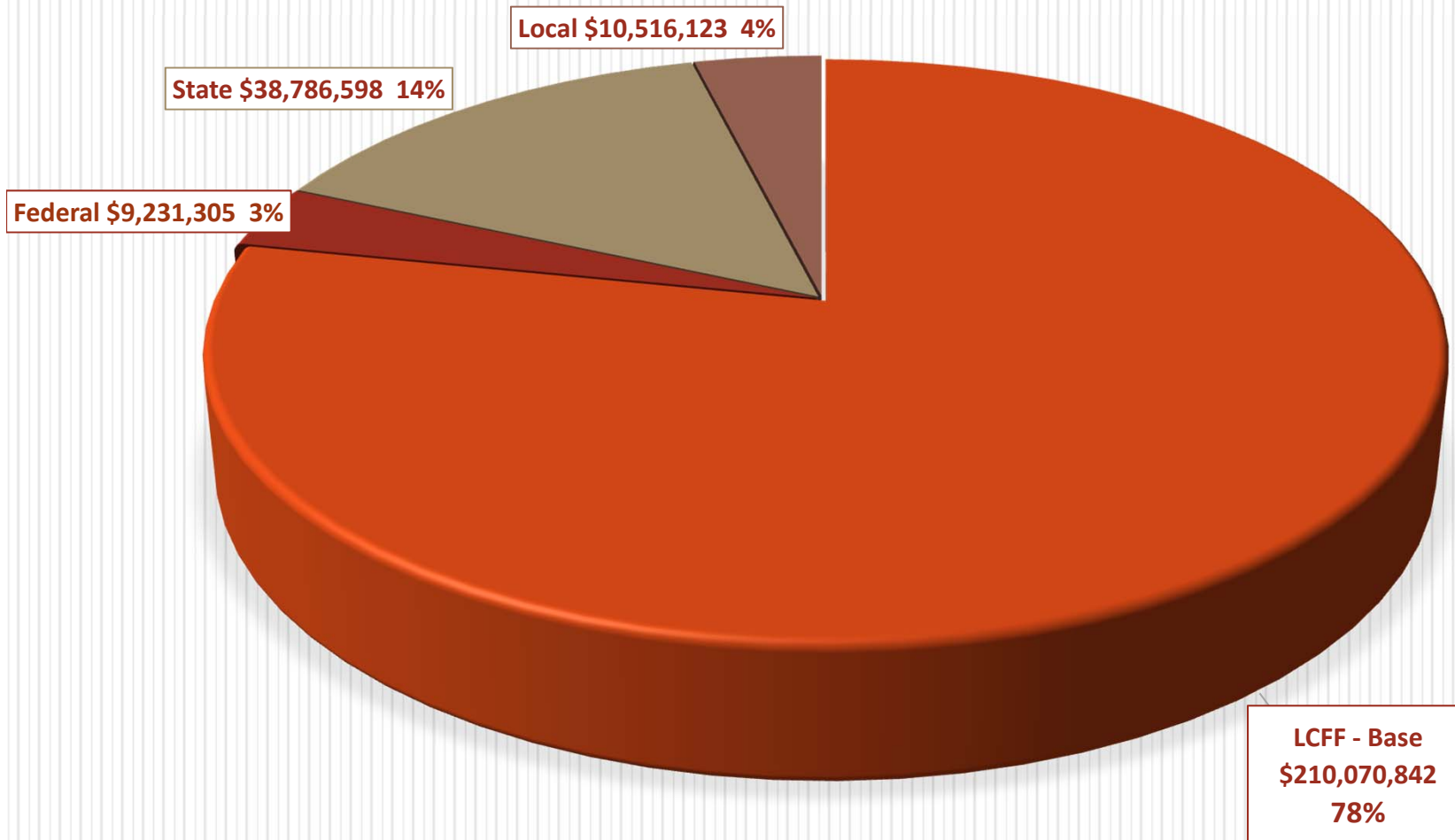


2020 Election

- President
- Other Bills



2018-19 First Interim Report Revenue Projections

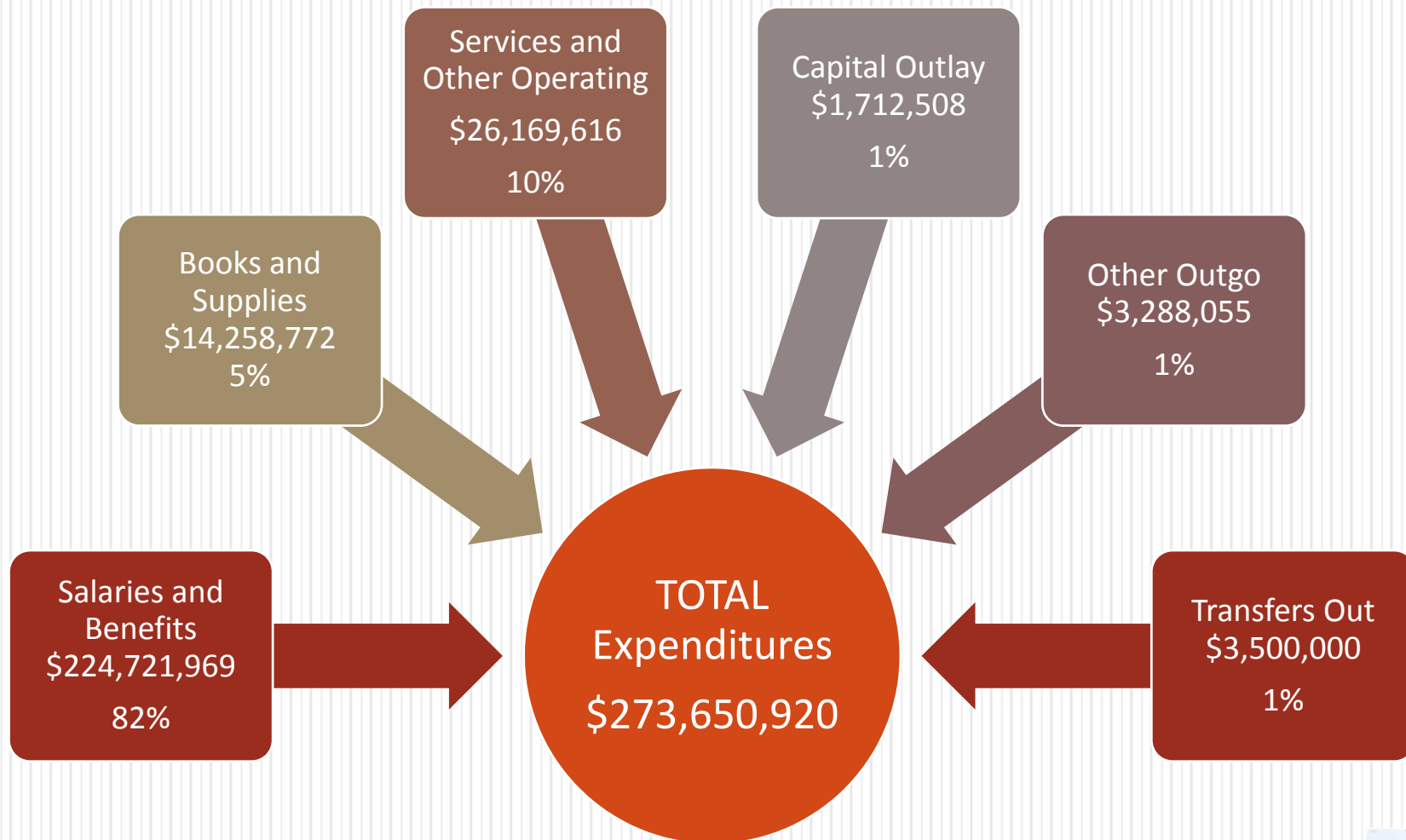


TOTAL REVENUES: \$268,604,868



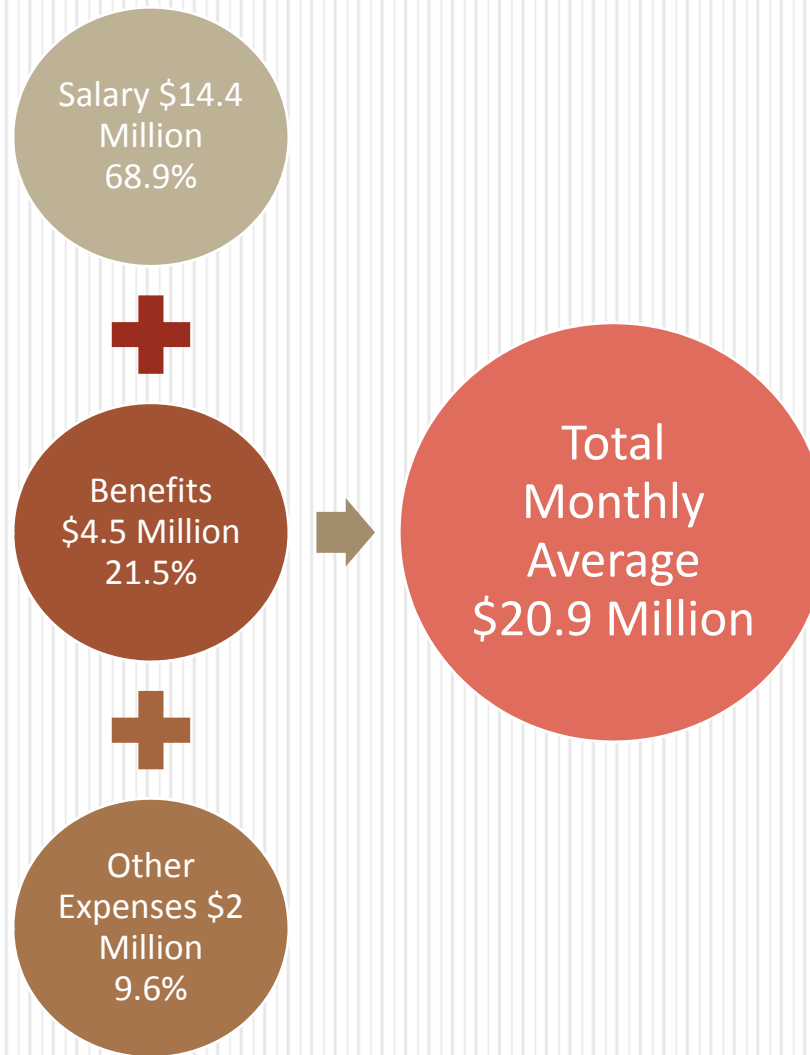
2018-19 First Interim Report

Expenditure Projections



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Cash Flow - Monthly Disbursement



2018-19 First Interim Report

Multi-Year Budget Projections

Key Budget Assumptions



Assumptions	2018-19	2019-20	2020-21
LCFF COLA	3.70%	2.57%	2.67%
LCFF GAP Funding Rate	100%	100%	100%
Free & Reduced/EL Learner Rate	43.13%	41.60%	39.56%
Projected Enrollment			
Original Budget Projection –CBEDS	24,010	23,969	24,005
Increase (Decrease) from Original Budget	-261	-478	-705
Revised Projected CBEDS Enrollment	23,749	23,491	23,300
CBEDS Enrollment Growth	-261	-258	-191
CBEDS Enrollment Growth %	-1.09%	-1.09%	-0.81%
Projected Staffing Reduction Due to Declining Enrollment (Rounded)		(9)	(6)
Projected ADA			
Original Budget Projection – ADA	23,170	23,082	23,117
Increase (Decrease) from Original Budget	-252	-460	-679
Total Projected ADA	22,918	22,622	22,438
ADA Growth	-290	-296	-184
ADA Growth %	1.25%	-1.29%	-0.81%
Statutory Benefits (Full-time Employee)			
Certificated	18.63%	20.48%	21.45%
Classified	26.61%	29.25%	31.95%
Health and Welfare Rate		13%	13%

2018-19 First Interim Report Multi-Year Budget Projections



	2018-19	2019-20	2020-21
Revenues	\$268,604,868	\$ 262,384,023	\$ 264,518,214
Expenditures	\$270,150,920	\$ 269,632,399	\$ 277,667,630
Transfers Out	\$ 3,500,000	\$ 3,100,000	\$ 3,100,000
Net Change (Deficit)	(\$5,046,052)	(\$10,348,376)	(\$16,249,416)
Beginning Balance	\$ 81,605,921	\$ 76,559,869	\$ 66,211,493
Ending Balance	\$ 76,559,869	\$ 66,211,493	\$ 49,962,077
3% Economic Uncertainty	\$ 8,209,528	\$ 8,181,973	\$ 8,423,030

2018-19 First Interim Report

Multi-Year Projections

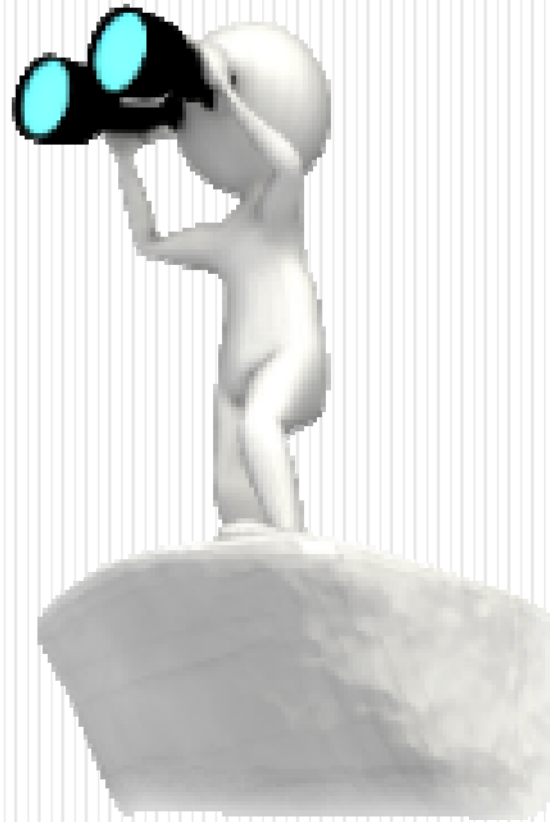
Components of Ending Fund Balance

	2018-19	2019-20	2020-21
Non-Spendable:			
Revolving Cash	\$ 150,000	\$ 150,000	\$ 150,000
Stores	\$ 264,999	\$ 264,999	\$ 264,999
Restricted Programs	\$ 17,476,133	\$ 14,990,085	\$ 12,077,430
Committed Reserves:			
• Benefits Accounts	\$ 140,000	\$ 140,000	\$ 140,000
• Vacation Liability	\$ 1,109,470	\$ 1,109,470	\$ 1,109,470
• Local Protection Reserve	\$ 18,773,124	\$ 12,471,565	\$ 4,796,150
• Facilities Maintenance Reserve	\$ 5,600,262	\$ 5,600,262	\$ 5,600,262
• Technology Reserve	\$ 6,021,468	\$ 6,021,468	\$ 6,021,468
• Classroom Furniture Reserve	\$ 1,278,276	\$ 0	\$ 0
• Pension Liability Reserve (Growth)	\$ 0	\$ 3,063,349	\$ 2,115,316
• Future School Opening	\$ 500,000	\$ 500,000	\$ 500,000
• One-Time Discretionary	\$ 9,427,748	\$ 6,348,322	\$ 2,593,952
• Textbook Adoption	\$ 4,170,000	\$ 4,170,000	\$ 4,170,000
• School Programs Carryover	\$ 2,348	\$ 0	\$ 0
• Anthem HRA Balance Reserve	\$ 236,513	\$ 0	\$ 0
• H&W Insurance Rebate (New)	\$ 1,200,000	\$ 1,200,000	\$ 0
• Declining Enrollment	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000

2018-19 First Interim Report

Future Challenges

Maintaining Fiscal Solvency



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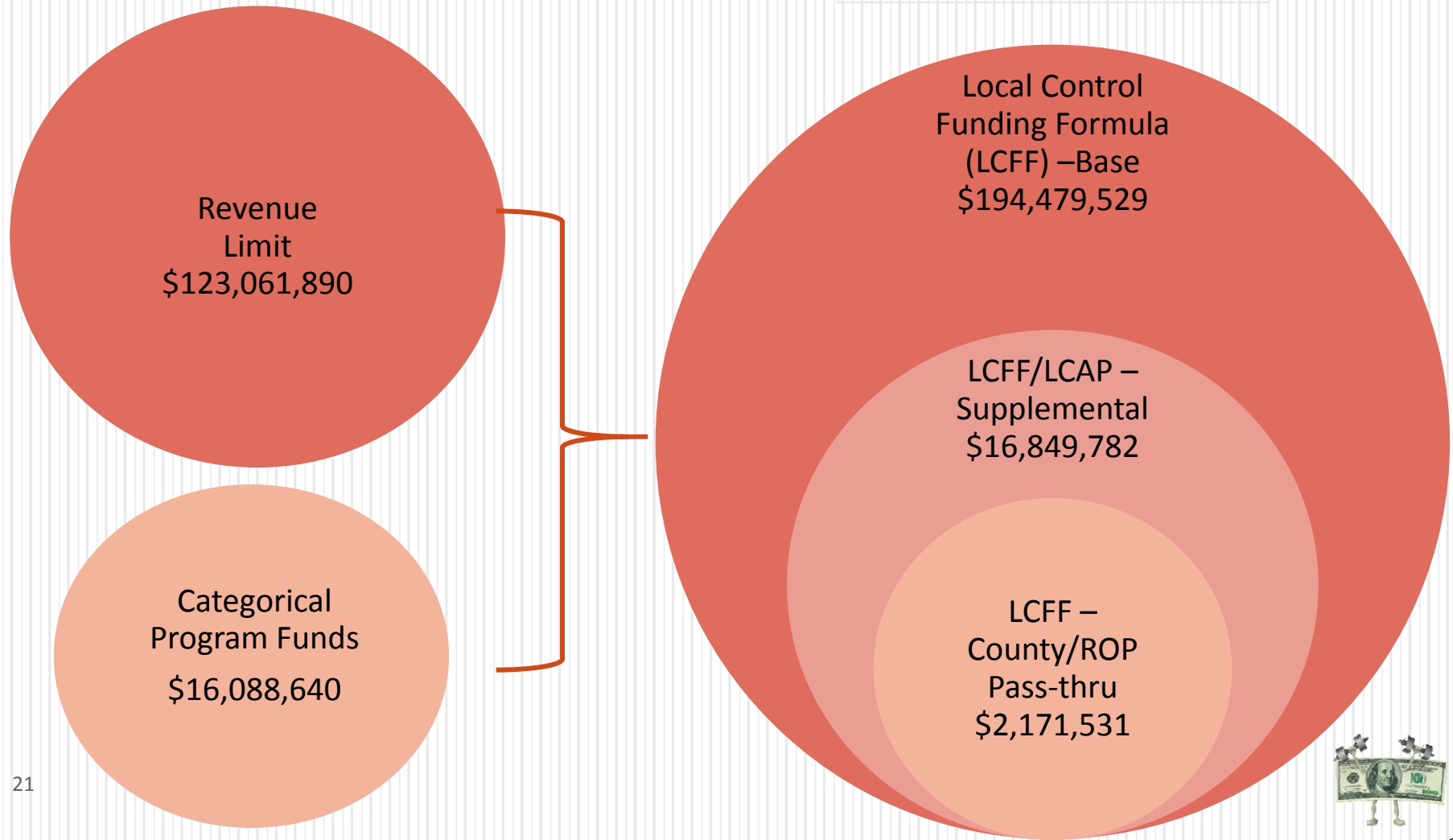
Future Challenges

Funding Models

2012-13 Total: \$139,150,530



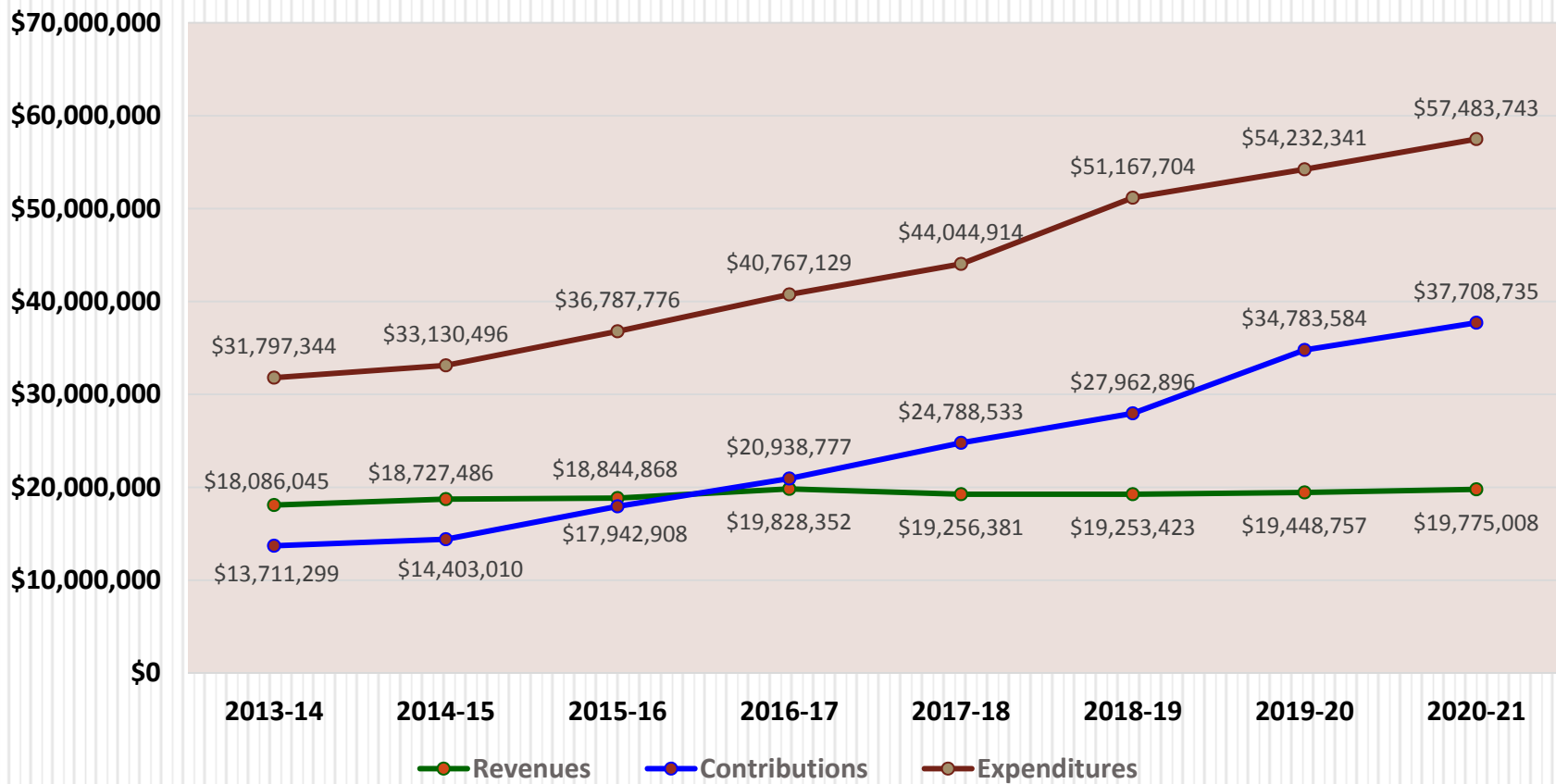
Current Total: \$213,500,842



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Future Challenges

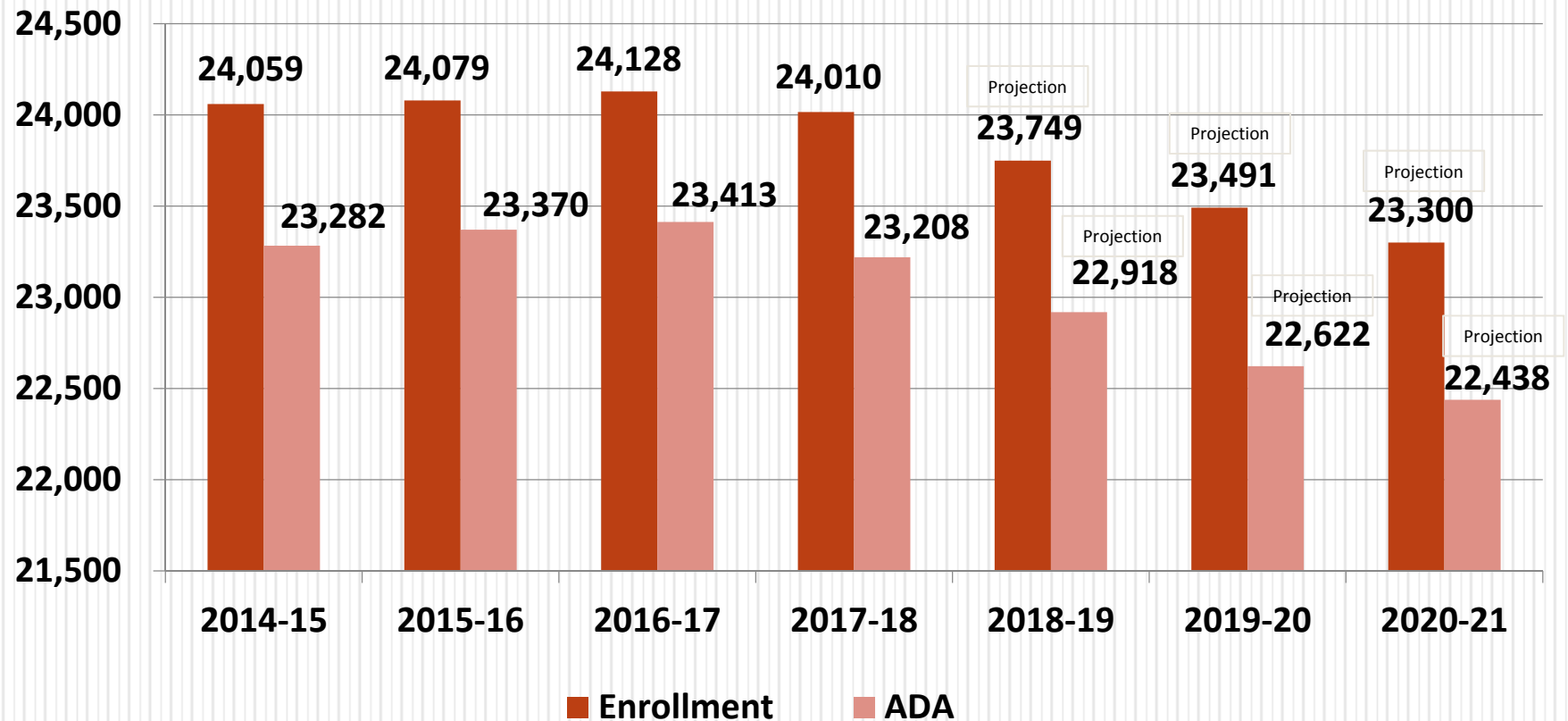
Tustin Special Education Contributions



2018-19 First Interim Report

Future Challenges

Enrollment/ADA



Enrollment Changes	110	20	49	-113	-261	-258	-191
ADA Changes	23	88	43	-194	-290	-296	-184

2018-19 First Interim Report

Future Challenges



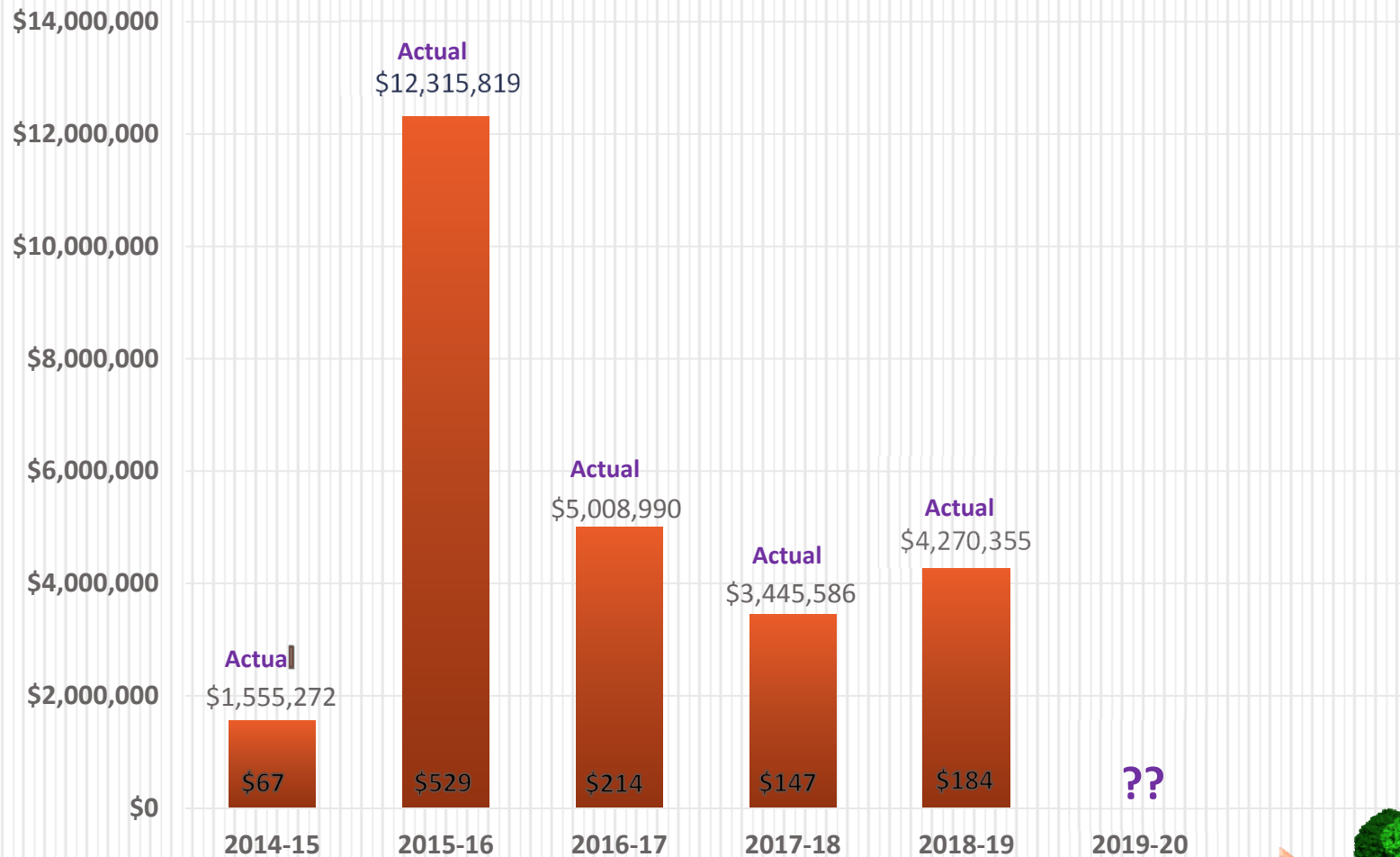
2018-19 Unrestricted & Restricted Deficit Projections

	Unrestricted	Restricted	Combined
Revenues	\$228,634,561	\$ 39,970,307	\$ 268,604,868
Less:			
One-Time Discretionary	4,271,366		4,271,366
Carryovers	70,939	1,739,872	1,810,811
Hlth & Wlfare Insurance Rebate	1,200,000		1,200,000
STRS Excess Contrib Refund	208,992		208,992
Low-Performing Improvement		944,540	944,540
Classified Professional Develop		148,141	148,141
ESSA Title IV		208,842	208,842
Adjusted Ongoing Revenues	222,883,264	36,928,912	\$259,812,176
Expenditures	\$193,176,970	\$76,973,950	\$ 270,150,920
Less:			
One-Time Salary/Benefits /	2,558,017	3,976,586	6,534,603
Other Costs			
Adjusted Ongoing Expenditures	\$190,618,953	\$72,997,364	\$263,616,317
Transfers Out/Contributions	(\$ 39,568,452)	\$36,068,452	(\$ 3,500,000)
Net Change (Deficit)	(\$7,304,141)	(\$ 0)	(\$ 7,304,141)

2018-19 First Interim Report

Future Challenges

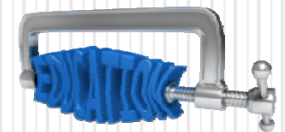
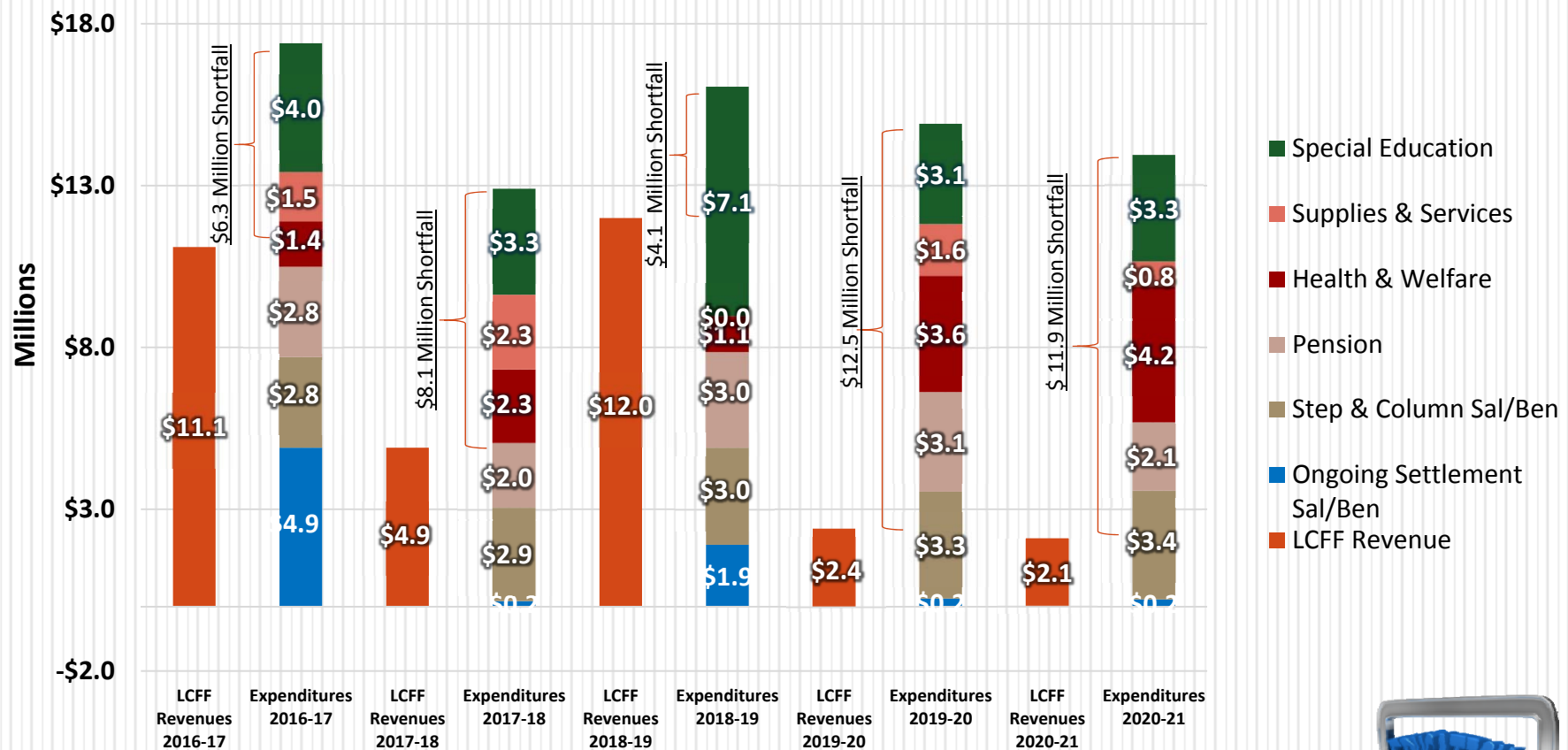
One-Time Discretionary Funds



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Future Challenges

Major Ongoing Revenues vs Costs Increases



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Future Challenges

School District Budget Crisis

Chula
Vista Elem

Placentia-
Yorba Linda
Unified

Jamul-
Dulzura
Union

Sweetwater
Unified

Santa Ana
Unified

Capistrano
Unified

Orange
Unified

Vista
Unified

Fullerton
Elementary

San
Marcos
Unified

Sacramento
City Union

Pasadena
Unified

Coronado
Unified

Ocean
Unified


LAUSD

San Diego
Union HS

2018-19 First Interim Report

Future Challenges

County Recommended Reserves

- 
- Volatility of state and federal economic forecasts
 - Unknown impacts of federal tax reform on state revenue
 - Changes in revenue versus expenditure increases
 - Mitigate impact of declining enrollment
 - Cash flow requirements
 - Savings for future one-time planned expenditures
 - Protection against unanticipated/unbudgeted expenditures
 - Credit ratings and long-term borrowing costs

2018-19 First Interim Report

Future Challenges

Proposals and Considerations

Proposed Items	Other Items Under Consideration
Repurpose Elementary School	10% Reduction of Dept. Budgets
10% Reduction of Site Budgets	Energy Savings
Reduction Summer Institute budget	Evaluation of Conference Budgets
Reduction of School Libraries budgets	Maintenance & Operations Contributions
Reduction of Coaches Utilized	Medi-Cal and MAA Increased billings
Transfer of IT Equipment Repairs/Replacements to Measure S	Other Fund Transfers
Continued evaluation H & W future Costs	



2018-19 First Interim Report

Future Challenges

Maintaining Fiscal Solvency



Reserving for the Future

2018-19 First Interim Report

Budget Strategies and Next Steps

Be Flexible

Be Positive

Be
Transparent

Monitor
Costs

Monitor
Environment

Monitor
Options

Prepare for
Change

Prepare for
Emergencies

Prepare to
React

EQUAL TO HEALTHY RESERVE



2018-19 First Interim Report Budget Timeline

December

File 2018-19
First Interim
Report

December

Monitor
Enrollment

January

Governor's
Proposal for
2019-20

March

Present Second
Interim Report

February

Prepare Second
Interim Report

February

Submit Budget
Proposal for
Board Approval



2018-19 First Interim Report Certification



In certifying the 2018-19 First Interim Report 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 adjustments to maintain a positive certification.