




TUSTIN UNIFIED SCHOOL DISTRICT

2019-20 First Interim Report
December 9, 2019





2019-20 First Interim Report Agenda



<ul style="list-style-type: none"> ✓ State and Education Budget ✓ Tustin 2019-20 Budget Projections <ul style="list-style-type: none"> ✓ Major Changes ✓ Revenue Projections ✓ Expenditure Projections ✓ Cash Flow ✓ Multi-Year Projections 	<ul style="list-style-type: none"> ✓ Risks and Uncertainties Ahead <ul style="list-style-type: none"> ✓ Tustin Challenges ✓ Enrollment ✓ Budget Strategies and Next Steps ✓ Budget Timeline ✓ Certification
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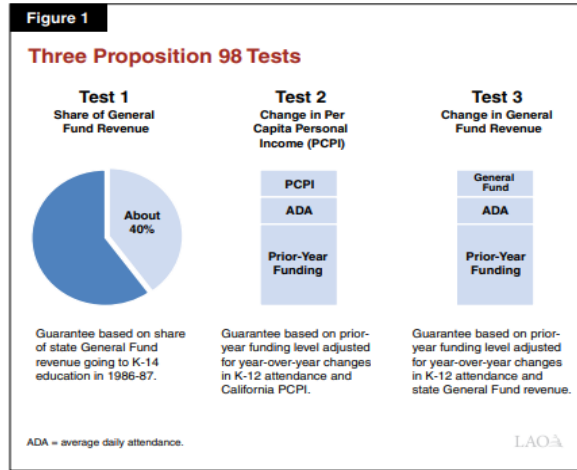
2019-20 First Interim Report State and Education Budget State Fiscal Health Indicators

	Economic Scenarios: Growth & Recession
	Unemployment
	Home Prices/Sales
	Tax Collection
	\$7 Billion State Surplus

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2019-20 First Interim Report State and Education Budget Proposition 98 Minimum Guarantee Tests



Source: LAO Report-Nov 20, 2019

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2019-20 First Interim Report State and Education Budget Proposition 98 Funding Fiscal Year 2020-21



Proposition 98 Minimum Guarantee Grows Steadily Under LAO Outlook Estimates

(Dollars in Millions)

LAO Report-Nov 20, 2019

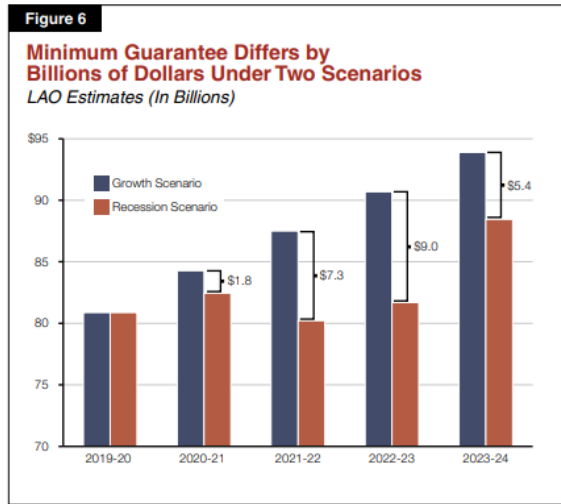
	2018-19	2019-20	2020-21	Change From 2019-20	
				Amount	Percent
General Fund	\$54,617	\$55,985	\$57,963	\$1,978	3.5%
Local property tax	23,723	24,886	26,306	1,420	5.7
Total Guarantee	\$78,340	\$80,871	\$84,269	\$3,398	4.2%

Revised COLA to Impact LCFF for Schools:

While the current COLA projection has been estimated at 3%, LAO now estimates 1.79% increase

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2019-20 First Interim Report State and Education Budget Proposition 98 Future Economic Scenarios



Source: LAO Report-Nov 2019

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2019-20 First Interim Report Tustin 2019-20 Budget Projection June Adoption and First Interim Major Changes

Revenues

Federal Revenue:
\$2.3 Million Increase (Carryovers and adjustments to grant awards: MAA, Lottery, Title I, II, III, and V)

State Revenue:
\$1.5 Million Increase (\$1.9 million Pre-School new program and adjustments for carryovers and current year grants)

Local Revenue:
\$1.4 Million Increase (.6 million Interest; .5 million Insurance Contribution; and .3 million local programs, i.e. Cotsen, CROPS, Imagine Million)

**Total Change In Revenues:
\$5.2 Million Increase**

Expenditures

Salaries and Benefits Expenditures:
\$4.7 Million Increase (Salaries for settlements, program carryovers and grant awards with benefits adjustments, including PERS and STRS)

Books and Supplies Expenditures:
\$1.4 Million Increase (Adjustments for program carryovers and current year grants)

Services and Other Operating Expenditures:
\$1.3 Million Increase (Adjustments for program carryovers and actual cost projections: software licenses, consultants)

**Total Change In Expenditures:
\$7.4 Million Increase**

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2019-20 First Interim Report Tustin 2019-20 Budget Projection

REVENUES		
LCFF	\$216.5 Million	(78.3%)
Federal	\$ 10.8 Million	(3.9%)
State	\$ 36.2 Million	(13.1%)
Local	<u>\$ 12.8 Million</u>	<u>(4.7%)</u>
Total Revenues	\$276.4 Million	

EXPENDITURES		
Salaries & Benefits	\$233.5 Million	(82.4%)
Books & Supplies	\$ 12.7 Million	(4.5%)
Services, Other Exp.	\$ 29.1 Million	(10.3%)
Capital Outlay	\$ 1.2 Million	(0.4%)
Other Outgo	<u>\$ 6.8 Million</u>	<u>(2.4%)</u>
Total Expenditures	\$283.3 Million	

CASH FLOW	
Salaries	\$14.9 Million (67.4%)
Benefits	\$ 5.0 Million (22.6%)
Other Expenses	<u>\$ 2.2 Million (10.0%)</u>
Total Monthly Average	\$22.1 Million

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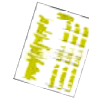
2019-20 First Interim Report Multi-Year Budget Projections Highlights of Key Budget Assumptions

Assumptions	2019-20	2020-21	2021-22
LCFF COLA (100% GAP Rate)	3.26%	3.00%*	2.80%
Free & Reduced/EL Learner Rates	43.67%	42.14%	40.75%
Projected ADA	22,509	22,221	21,835
Pension Rates: PERS	20.733% Adopted 19.721% (-1.01%) FI	23.60% Adopted 22.70% (-0.9%) FI 22.80% (-0.8%) SI <small>(Actuarial Report)</small>	24.90% Adopted 24.60% (-0.3%) FI 24.90% (+0.3%) SI <small>(Actuarial Report)</small>
Pension Rates: STRS	18.13% Adopted 17.10% (-1.03%) FI	19.10% Adopted 18.40% (-0.7%) FI	18.40% Adopted 18.10% (-0.3%) FI
Health & Welfare Costs	8.0% Adopted 5.37% FI	12.0% Adopted 12.0% FI	12.0% Adopted 12.0% FI

***COLA Impact to LCFF for Tustin:**
 Current projection at 3% = \$218 Million
 COLA at 1.79% = \$215.5 Million (Loss of approx. \$123/ADA)
 Funding Loss = \$2.6 Million

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2019-20 First Interim Report Multi-Year Budget Projections



	2019-20	2020-21	2021-22
Revenues	\$276,361,749	\$271,866,627	\$272,802,134
Expenditures	\$279,763,573	\$278,916,974	\$286,271,264
Transfers Out	\$ 3,500,000	\$ 3,100,000	\$ 3,100,000
Net Change (Deficit)	(\$ 6,901,824)	(\$ 10,150,347)	(\$ 16,569,130)
Beginning Balance	\$ 89,864,449	\$ 82,962,625	\$ 72,812,278
Ending Balance	\$ 82,962,625	\$ 72,812,278	\$ 56,243,148
3% Economic Uncertainty	\$ 8,497,908	\$ 8,460,509	\$ 8,681,138

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2019-20 First Interim Report Multi-Year Projections Cont. Components of Ending Fund Balance



	2019-20	2020-21	2021-22
Non-Spendable: Revolving Cash	\$ 150,000	\$ 150,000	\$ 150,000
Stores	\$ 188,549	\$ 188,549	\$ 188,549
Restricted Programs	\$ 18,849,714	\$16,662,358	\$ 11,780,778
Committed Reserves:			
• Benefits Accounts	\$ 140,000	\$ 140,000	\$ 140,000
• Vacation Liability	\$ 1,109,470	\$ 1,109,470	\$ 1,109,470
• Local Protection Reserve	\$ 18,708,417	\$ 14,449,906	\$ 6,753,412
• Facilities Maintenance Reserve	\$ 5,600,262	\$ 5,600,262	\$ 5,600,262
• Technology Reserve	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
• Pension Liability Reserve	\$ 0	\$ 2,647,533	\$ 389,165
• Future School Opening	\$ 500,000	\$ 500,000	\$ 0
• Textbook Adoption	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
• One-Time Discretionary	\$ 12,019,026	\$ 8,653,691	\$ 7,200,374
• ELL Carryover	\$ 2,104,736	\$ 0	\$ 0
• Anthem HRA Balance Reserve	\$ 250,000	\$ 250,000	\$ 250,000
• H & W Insurance Rebate	\$ 330,000	\$ 0	\$ 0
• MAA/LEA Medi-Cal Program	\$ 514,543	\$ 0	\$ 0
• Declining Enrollment	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000

2019-20 First Interim Report Risks and Uncertainties Ahead Tustin Challenges

Managing Rising Operational Costs

Impact of Declining Revenues

Deferrals and Cash Flow

Meeting Legal Requirements

Negotiation

Local Expectations

Maintaining Fiscal Solvency

Maintaining Programs

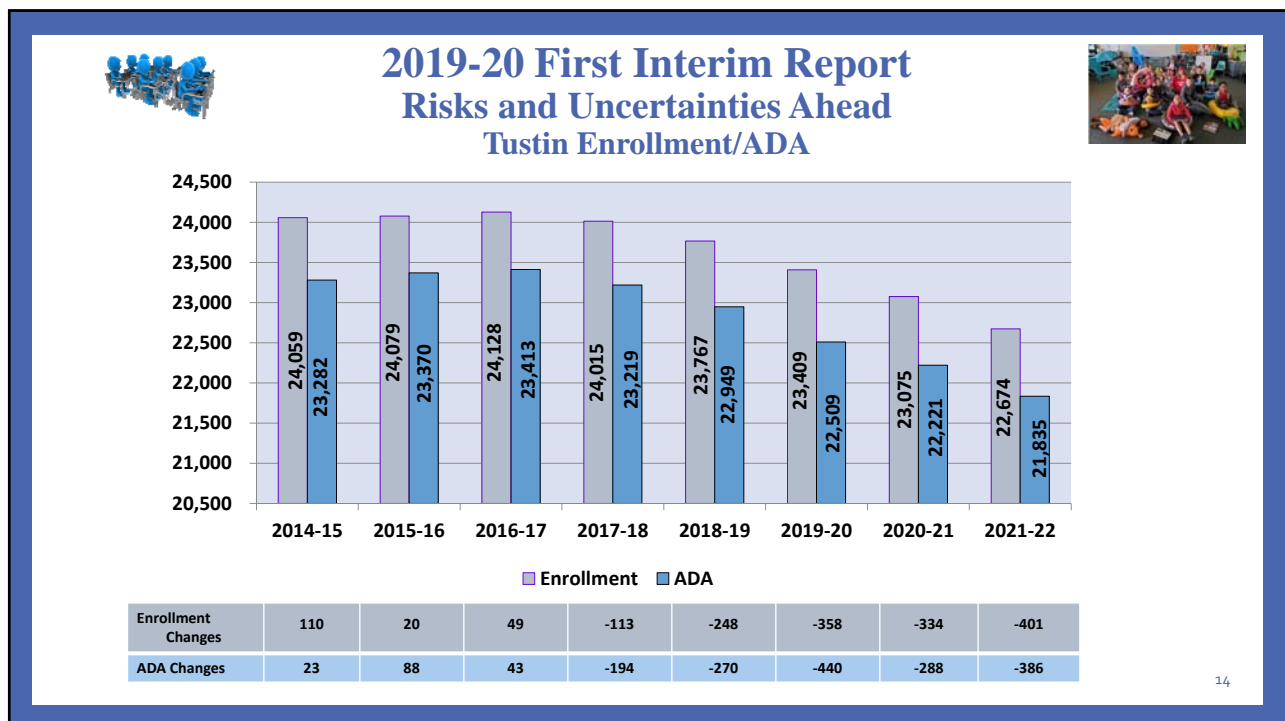
Maintaining Commitments

Maintaining Enrollment

Managing Structural Deficit

Upcoming 2020 Elections

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2019-20 First Interim Report Budget Strategies and Next Steps Advance Planning To Address the Challenges

Be Flexible

Be Positive

Be Prudent

Be Transparent

Be Patient



Prepare for Change

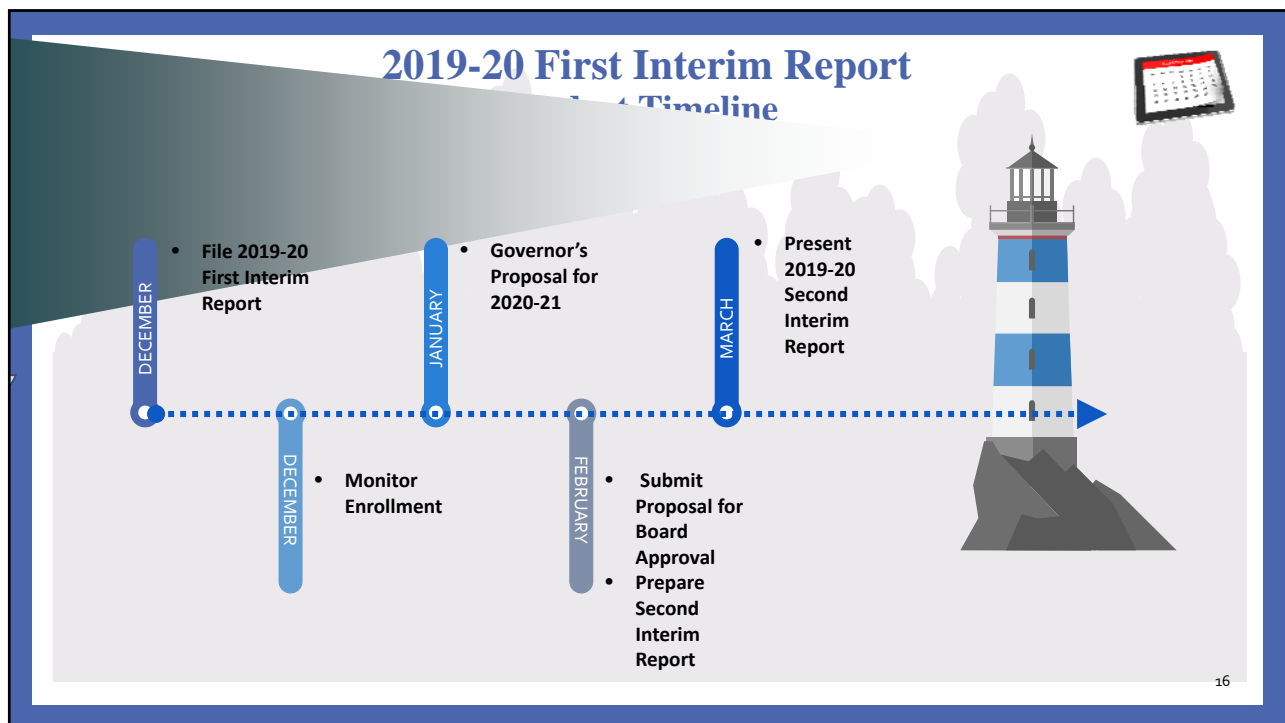
Prepare for Emergencies

Prepare to React

Monitor CostsMonitor Options

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2019-20 First Interim Report Timeline



- DECEMBER**
 - File 2019-20 First Interim Report
- DECEMBER**
 - Monitor Enrollment
- JANUARY**
 - Governor's Proposal for 2020-21
- FEBRUARY**
 - Submit Proposal for Board Approval
 - Prepare Second Interim Report
- MARCH**
 - Present 2019-20 Second Interim Report

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2019-20 First Interim Report Certification



In certifying the 2019-20 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.