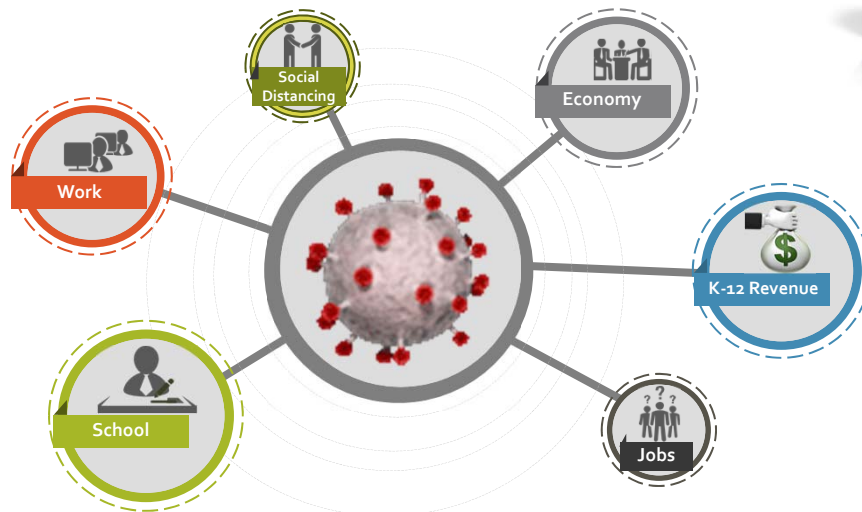




TUSTIN UNIFIED SCHOOL DISTRICT 2020-21 July 1 Budget

June 22, 2020

Tustin Unified School District Unpredictable Severity of COVID-19



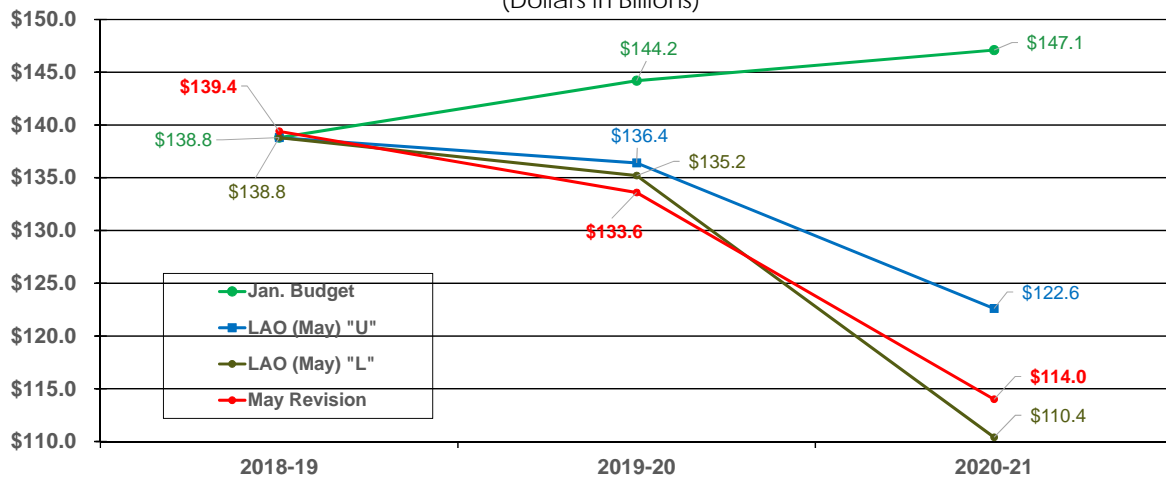
Tustin Unified School District Budget Agenda



- 1 State and Education Budget
- 2 Multi-Year Budget Projections
- 3 Tustin Risks and Challenges
- 4 Budget Timeline
- 5 Board Certification

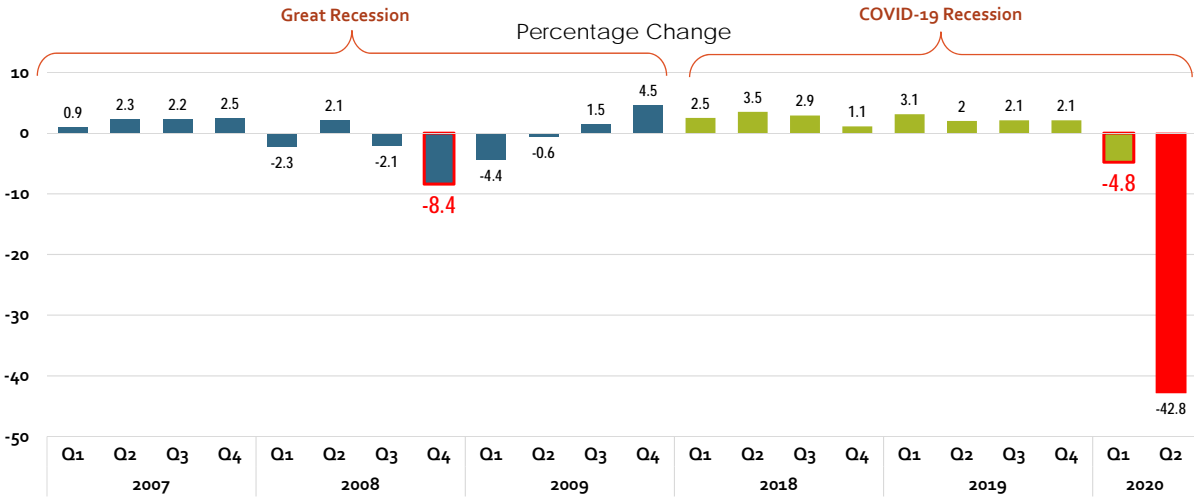
Tustin Unified School District State Budget Updates Projected "Big 3" General Fund Revenues

(Dollars in Billions)



Source: Capitol Advisors Group, LLC - May Revision 2020

Tustin Unified School District State Budget Updates U.S. Real Gross Domestic Product



Source: U.S. Bureau of Economic Statistics (SSC May Revision)

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Tustin Unified School District Education Budget Updates Recessions



Great Recession 2008

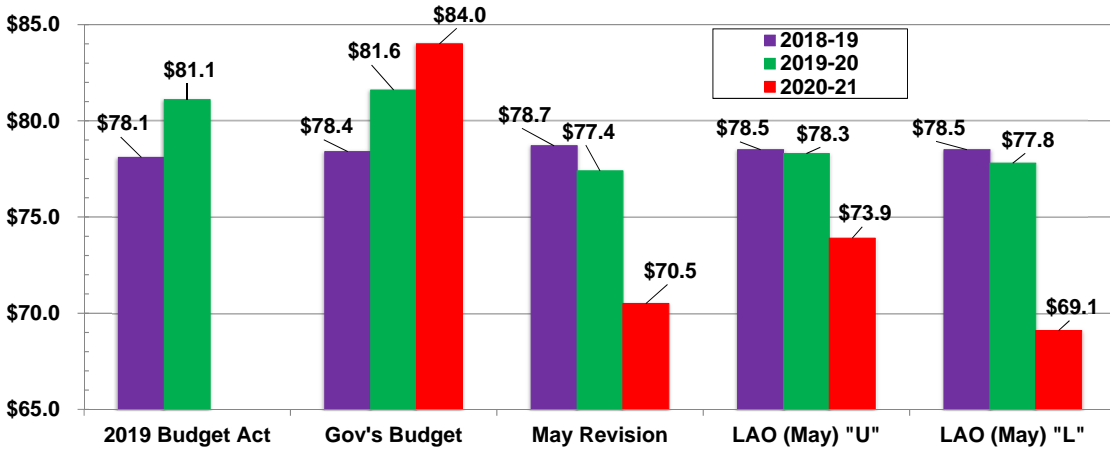
- Unemployment Rate (District UIC rates .30% - .72%)
- State Deficit -> \$17.2 Billion
- Proposition 98 Cut -> \$7.4 Billion (13%) = \$1,200/ADA
- ARRA 2009 -> \$6 Billion (Tustin \$15.3 Million)
- State Zero Reserve
- Deferral (IOU) -> \$10 Billion by 2011-12
- Categorical Program Flexibility Transfers

Coronavirus Recession 2020 (Projected Impact Through 2020-21)

- Unemployment (Current District UIC rate .05%)
- State Deficit -> \$54.3 Billion
- Proposition 98 Cut -> \$17.7 Billion (14%-15%) = \$1,700/ADA
- CARES ACT ESSER 2020 -> \$1.9 Billion (Tustin \$2.6 Million)
- COVID-19 Relief (Tustin \$398,000)
- State High Reserve -> (\$17.5 Billion)
- Deferral (IOU) -> \$7.15 Billion by 2020-21 (Tustin \$27 Million)
- Limited State Flexibility

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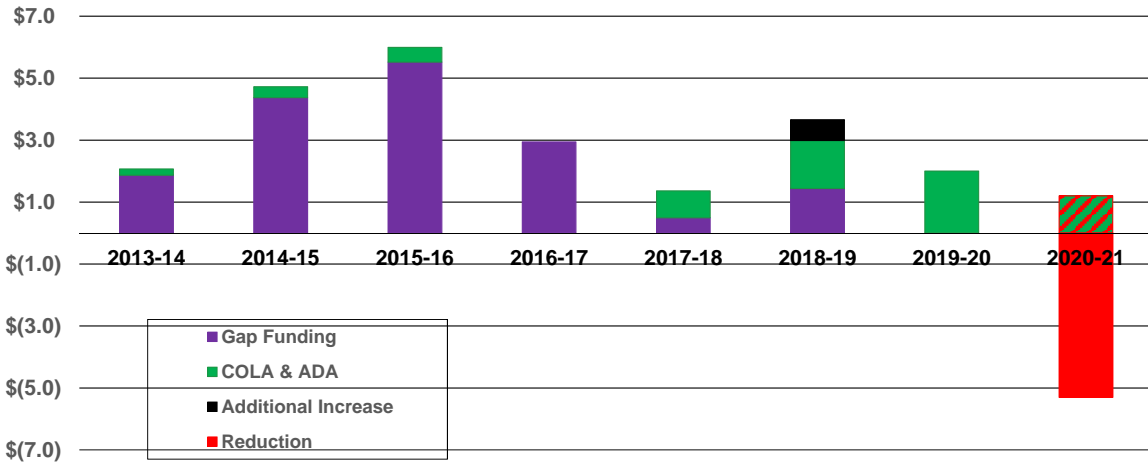
Tustin Unified School District Education Budget Updates Proposition 98 Changes (Dollars in Billions)



Source: Capitol Advisors Group, LLC - May Revision 2020

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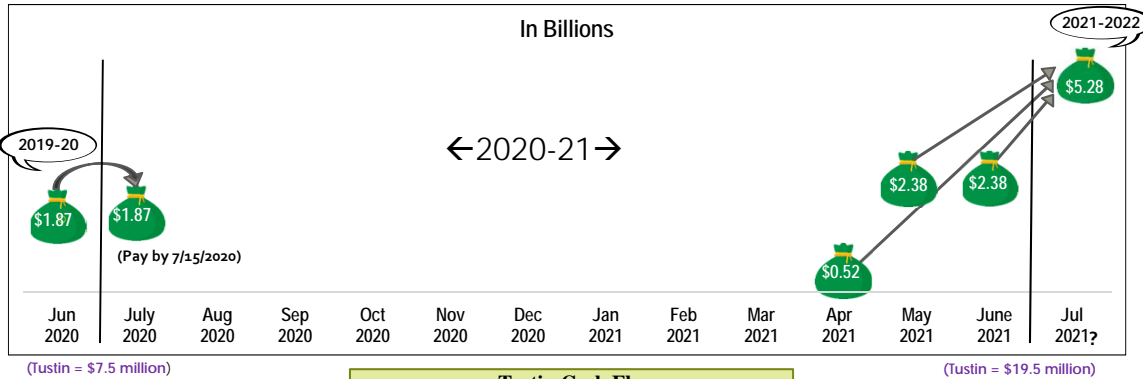
Tustin Unified School District Education Budget Updates Changes in LCFF Funding (Dollars in Billions)



Source: Capitol Advisors Group, LLC - May Revision 2020

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Tustin Unified School District Education Budget Updates Restoration of Cash Deferrals



Tustin Cash Flow		
Salaries	\$15.1 Million	(66.5%)
Benefits	\$ 5.1 Million	(22.5%)
Other Expenses	\$ 2.5 Million	(11.0%)
Total Monthly Average	\$22.7 Million	

Source: SSC May Revision

Tustin Unified School District Education Budget Updates Employer Contribution Rates



Proposes redirecting the \$2.3 billion for employer long-term unfunded liability provided in the 2019-20 Budget to further reduce CalPERS and CalSTRS contribution rates in 2020-21 and 2021-22

• CalSTRS

Fiscal Year	Under 2019 Budget Act	Under May Revision
2019-20	17.1	17.1
2020-21	18.4	16.15 (-2.25)**
2021-22	18.2*	16.02 (-2.18)**
2022-23	18.1*	18.4**
2023-24	18.1*	18.4**

• CalPERS

Fiscal Year	Under 2019 Budget Act	Under May Revision
2019-20	19.7	19.7
2020-21	22.7	20.7 (-2.00)**
2021-22	25.0*	22.8 (-2.20)**
2022-23	25.5*	25.8**
2023-24	26.2*	26.5**
2024-25	26.5*	26.8**
2025-26	26.4*	26.7**
2026-27	26.2*	26.5**

*Latest projected rates

**Does not reflect any rate increases STRs or PERs may enact to address investment losses

Source: Capitol Advisors Group, LLC - May Revision 2020

Tustin Unified School District Education Budget Updates May Revision - Program Funding Reduction



- LCFF 10% Reduction → **Tustin \$20.3 Million ***
- Exploratorium (Approx. 50%, \$3.5 Mil)
- California Partnership Academies (Approx. 50%, \$9.4 Mil) → **Tustin \$78,000**
- Adult Education Block Grant (Approx. 12.1%, \$66.7 Mil) → **Tustin \$99,549**
- Career Technical Education Incentive Grant (Approx. 50%, \$77.4 Mil) → **Tustin \$348,000**
- Online Resource Subscription for Schools (Approx. 50%, \$3 Mil)
- Agricultural Career Technical Education Incentive Grant (Approx. 50%, \$2.1 Mil)
- Career Technical Education (Approx. 50%, \$7.7 Mil)
- After School Education and Safety (Approx. 15.54%, \$100 Mil) → **Tustin \$173,000**
- Specialized Secondary Program (Approx. 50%, \$2.4 Mil)
- K-12 Strong Workforce Program (Approx. 50%, \$79.4 Mil) → **Tustin \$178,000**
- Clean Technology Partnership (Approx. 50%, \$1.3 Mil)
- Child Development (Approx. 10%) → **Tustin \$192,000**

TOTAL IMPACT TO TUSTIN = \$ 21,364,258 (*Budgeted Reduction: LCFF \$20.3 Million)

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Tustin Unified School District Multi-Year Projections



	2019-20	2020-21	2021-22	2022-23
Revenues	\$ 280,413,869	\$ 255,673,561	\$ 247,212,129	\$ 242,267,898
Expenditures	\$ 276,599,934	\$ 277,020,687	\$ 278,656,077	\$ 284,559,940
Transfers Out	\$ 4,507,583	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Net Change	(\$ 693,648)	(\$ 22,847,126)	(\$ 32,943,948)	(\$ 43,792,042)
Beginning Fund Balance	\$ 89,864,449	\$ 89,170,801	\$ 66,323,675	\$ 33,379,728
Ending Fund Balance	\$ 89,170,801	\$ 66,323,675	\$ 33,379,728	⁽¹⁾ (\$ 10,412,316)
3% Economic Uncertainty	\$ 8,433,226	\$ 8,355,621	\$ 8,404,682	⁽¹⁾ (\$ 8,581,799)
Other Required Reserves*	\$ 80,737,575	\$ 57,968,054	\$ 24,975,045	⁽¹⁾ (\$ 9,999,601)
Adjusted Ending Fund Balance	\$ 89,170,801	\$ 66,323,675	\$ 33,379,728	⁽¹⁾ (\$ 28,993,716)

* Revolving Cash, Stores, Vacation Liability, Restricted Programs, Pension Liability, and Benefits Accounts
⁽¹⁾ [(\$10,412,316) + (\$8,581,799) + (\$9,999,601)] = (\$28,993,716)

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Tustin Unified School District Multi-Year Projections Cont.



Components of Ending Fund Balance	2019-20	2020-21	2021-22	2022-23
Revolving Cash	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Stores	\$ 188,549	\$ 188,549	\$ 188,549	\$ 188,549
Restricted Fund Balance	\$ 19,905,573	\$ 18,890,117	\$ 16,256,556	\$ 3,288,498
Committed Reserves:				
• Benefits Accounts	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000
• Vacation Liability	\$ 2,599,800	\$ 2,599,800	\$ 2,599,800	\$ 2,599,800
• Declining Enrollment	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 0
• Local Protection	\$ 22,942,522	\$ 19,742,522	\$ 831,351	\$ 0
• Pension Liability	\$ 0	\$ 0	\$ 688,789	\$ 3,512,754
• Facilities Maintenance	\$ 5,600,262	\$ 5,600,262	\$ 0	\$ 0
• Technology	\$ 500,000	\$ 500,000	\$ 0	\$ 0
• Future School Opening	\$ 100,000	\$ 100,000	\$ 0	\$ 0
• One-Time Discretionary	\$ 19,049,351	\$ 495,286	\$ 0	\$ 0
• School Program Carryover	\$ 425,310	\$ 425,310	\$ 0	\$ 0
• Textbook Adoption	\$ 4,000,000	\$ 4,000,000	\$ 2,000,000	\$ 0
• ELL Carryover	\$ 2,122,250	\$ 2,122,250	\$ 0	\$ 0
• Anthem HRA Liability	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
• Health & Welfare Insurance Rebate	\$ 330,000	\$ 330,000	\$ 0	\$ 0
• MAA/Medi-Cal Program Carryover	\$ 563,958	\$ 563,958	\$ 0	\$ 0

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Tustin Unified School District Multi-Year Projections Cont. Structural Deficit and Mitigation Plan



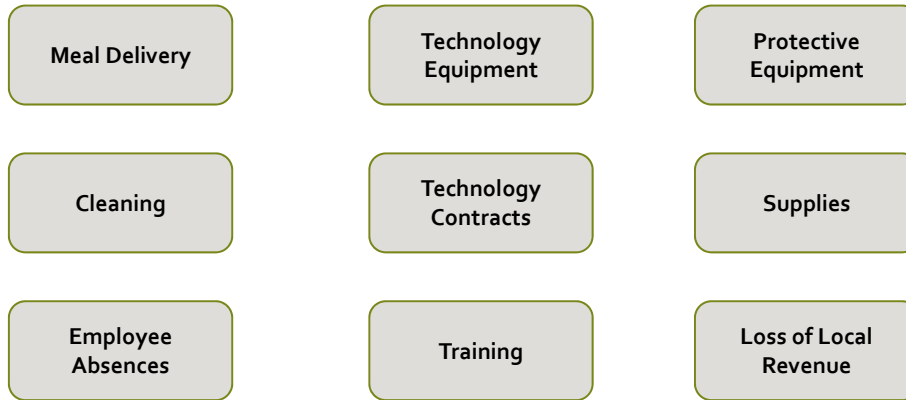
2019-20	2020-21	2021-22	2022-23	Cumulative Total
Structural Deficit (\$693,648)	Structural Deficit (\$22,847,126)	Structural Deficit (\$32,943,948)	Structural Deficit (\$43,792,042)	Structural Deficit (\$100,276,764)

Mitigation Plan Consideration

- Hiring Freeze
- Furlough Days
- Budget Reduction (10% Site Allocation)
- Reduction in Temporary Positions
- Collaboration with Bargaining Units
- Review Other Spending Requirements (Programs, Personnel, and Commitments)
- Federal and State Intervention

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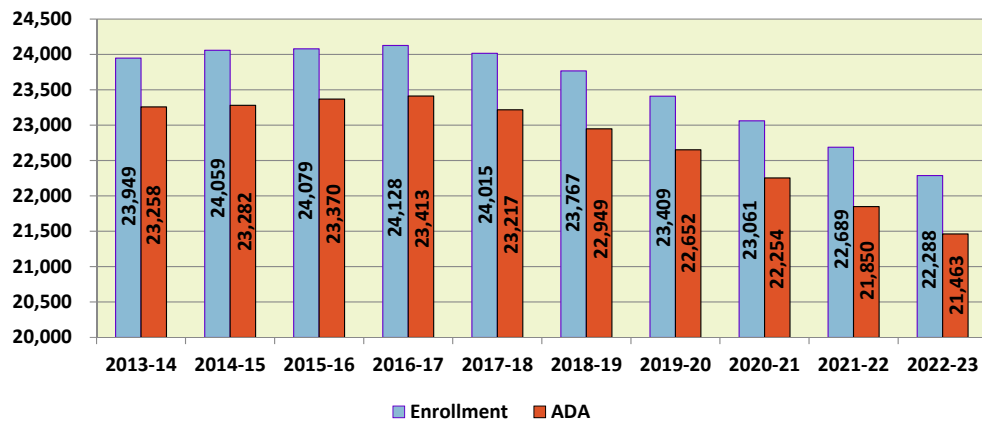
Tustin Unified School District Risks and Challenges Persist Ahead Pandemic Unprecedented Expenses



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Tustin Unified School District Risks and Challenges Persist Ahead Enrollment/ADA



Enrollment Changes	197	110	20	49	-113	-248	-358	-348	-372	-401
ADA Changes	123	24	88	43	-196	-268	-297	-398	-404	-387

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Tustin Unified School District Risks and Challenges Persist Ahead



State/National Level

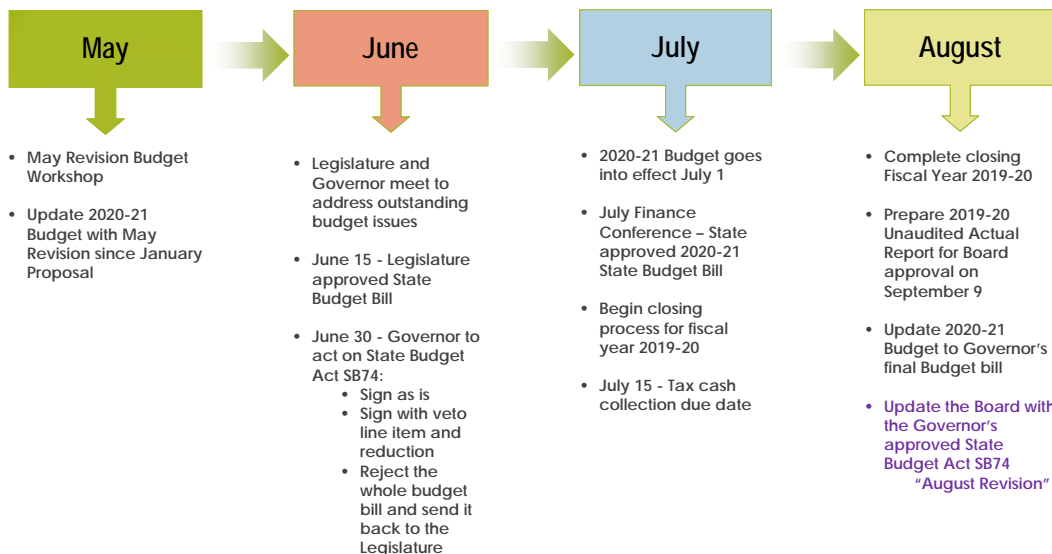
- Recession Period
- Economy Recovery
- Unemployment Rate
- Climate Change (Wildfire, Drought, and Earthquake)
- COVID-19 Unknown Health Issues
- Global Impact
- Homeless Crisis
- November Election

Local Level

- Recession Period
- Economy Recovery
- Managing Ongoing Structural Deficit
- Maintaining Fiscal Solvency (General Fund and Cafeteria Fund)
- Reopening Schools
- COVID-19 Unknown and Ongoing Expenditures
- Enrollment/ADA Decline
- LCAP Restrict Requirement
- Cash Flow – Payment Deferrals
- Ongoing Cost Increases (Pension, Utility, Water, Health & Welfare, Legal, and Other Expenses)
- Funding Reduction (LCFF and Programs)
- Step & Column
- Collective Bargaining
- Special Education Costs
- Maintaining Commitments
- November Election

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Tustin Unified School District Budget Timeline – What's Next?



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Tustin Unified School District 2020-21 July 1 Budget Adoption Certification



In certifying the 2020-21 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 adjustments to maintain a positive certification.