




# Tustin Unified School District 2021-22 Year-End Unaudited Actuals & 2022-23 Budget Updates

September 12, 2022



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## Tustin Unified School District Agenda

1. Year-end Closing Fiscal Year 2021-22
2. 2022-23
  - Budget Updates
    - June Adoption – September (45-Day Budget and Other Updates)
  - Necessity of Reserves/Risk Tolerance
  - Tustin Risk Tolerance and Fiscal Stability
3. What Next?
4. Board Approval/Acceptance

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## Year-End Closing 2021-22 Estimated and Unaudited Actuals Comparison



	2021-22 Estimated Actuals	2021-22 Unaudited Actuals	2021-22 Estimated to Unaudited Differences
<b>REVENUES:</b>			
LCFF Source	\$ 224,594,895	\$ 224,840,518	\$ 245,623
Federal	21,168,993	20,375,128	(793,865)
Other State	60,290,595	59,950,998	(339,597)
Other Local	<u>12,525,455</u>	<u>14,467,519</u>	<u>1,942,064</u>
<b>TOTAL REVENUES</b>	<b>\$ 318,579,938</b>	<b>\$ 319,634,163</b>	<b>\$ 1,054,225</b>
<b>EXPENDITURES:</b>			
Certificated Salaries	\$ 126,297,293	\$ 124,532,944	\$ (1,764,349)
Classified Salaries	47,217,275	46,503,813	(713,462)
Employee Benefits	75,537,589	74,598,224	(939,365)
Books and Supplies	15,271,717	11,167,037	(4,104,680)
Services and Other Operating Expenditures	31,021,740	30,582,502	(439,238)
Capital Outlay	628,094	535,306	(92,787)
Other Outgo – Payments and Indirect Transfers	<u>3,411,844</u>	<u>3,521,305</u>	<u>109,461</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 299,385,552</b>	<b>\$ 291,441,131</b>	<b>\$ (7,944,421)</b>
<b>TOTAL TRANSFERS OUT</b>	<b>\$ 4,725,639</b>	<b>\$ 5,850,088</b>	<b>\$ 1,124,449</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 14,468,747</b>	<b>\$ 22,342,944</b>	<b>\$ 7,874,197</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$ 117,378,352</b>	<b>\$ 117,378,352</b>	<b>\$ 0</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 131,847,099</b>	<b>\$ 139,721,296</b>	<b>\$ 7,874,197</b>
Reserve Total (Including 3% requirement for Economic Uncertainty, approx. \$8.9M)	\$ 131,847,099	\$ 139,721,296	\$ 7,874,197

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## Year-End Closing 2021-22 Estimated and Unaudited Actuals Comparison




Components of Ending Fund Balance	2021-22 Estimated Actuals	2021-22 Unaudited Actuals	2021-22 Estimated to Unaudited Differences
3% Requirement for Economic Uncertainties	\$ 9,123,336	\$ 8,918,737	\$ (204,599)
<b>Non-Spendable Reserves:</b>			
• Revolving Cash	150,000	150,000	0
• Stores/Prepaid Expenses	309,297	408,646	99,349
• Benefits Bank Accounts	170,000	851,066	681,066
<b>Restricted Fund Balance</b>	<b>33,239,729</b>	<b>33,136,113</b>	<b>(103,616)</b>
<b>Committed Reserves:</b>			
• Vacation Liability	2,935,686	2,935,686	0
• Declining Enrollment	3,000,000	3,000,000	0
• Local Protection	25,915,952	25,915,952	0
• Facilities Maintenance	6,000,262	7,500,262	1,500,000
• Technology Refresh	6,500,000	8,000,000	1,500,000
• Classroom Furniture	100,000	100,000	0
• Future School Opening	100,000	100,000	0
• One-Time Discretionary	30,241,539	29,714,049	(527,490)
• Textbook Adoption	6,000,000	6,000,000	0
• MAA/Medi-Cal Program C/O	1,259,623	1,118,386	(141,237)
• LCAP Program C/O	3,444,492	4,322,242	877,750
• Anthem Health Reimbursement (HRA)	147,916	147,916	0
• Health & Welfare Insurance Rebate	1,875,856	1,875,856	0
• H & W Wellness Program C/O	105,479	105,479	0
• School Program C/O	889,726	1,169,917	280,191
• 2021-22 Purchase Orders C/O	0	118,689	118,689
• Other Instructional Program C/O	338,206	357,790	19,584
• Pension Liability	0	<u>3,774,510</u>	<u>3,774,510</u>
<b>TOTAL COMPONENTS OF ENDING FUND BALANCE</b>	<b>\$ 131,847,099</b>	<b>\$ 139,721,296</b>	<b>\$ 7,874,197</b>

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## Year-End Closing 2021-22 Dynamic Budget Process and Fund Balance Budget Planning and Management



**Budget Process**

- Budget Unrestricted/Restricted Grant vs Entitlement Programs
- Technical Accounting/Budgeting Requirements (Ex. Title I, Unrestricted/Restricted Lottery)
- Multi-Year Budget Planning

- Impact of COVID-19
- Program additions and requirements
- Staffing Recruitment Challenge

**Ongoing Vs One-Time**

- Revenues
- Expenditures
- Reserves



Summary of Unspent Funds by Major Category	Amount
Information Technology (IT)	\$ 526,221
Special Education	\$ 1,610,284
General Operation	\$ 1,500,000
Revenue Adjustments (Ex. Redevelopment, Lottery, LCFF)	\$ 1,379,838
District -LCAP	\$ 822,814
Transportation	\$ 220,981
School Program Carryovers (Misc Programs/POs)	\$ 1,646,396
Miscellaneous Restricted Programs (Ex. Title I & CTE, etc.)	\$ 167,663
<b>Total Unspent Funds</b>	<b>\$ 7,874,197</b>

Represents 1.8% of 2021-22 General Fund Total Resources \$437 Million

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## 2022-23 Budget Updates Program Revenue Change Summary

Programs	R/U	Period	Funding Amount	Budget Planning Spending Guidelines
Local Control Funding Formula (LCFF)	U	N/A	\$27.2 Million	<ul style="list-style-type: none"> <li>Ongoing funding</li> <li>CDE will develop a data gathering tool for districts to meet Nov 1, 2022 deadline to certify compliance with the conditions</li> </ul>
Local Control Funding Formula (LCFF) - Universal Transition Kindergarten	U	N/A	\$.84 Million	<ul style="list-style-type: none"> <li>Ongoing funding</li> <li>CDE will develop a data gathering tool for districts to meet Nov 1, 2022 deadline to certify compliance with the conditions</li> </ul>
Transportation	U	N/A	\$2.6 Million	<ul style="list-style-type: none"> <li>Ongoing funding</li> <li>Pupil transportation services</li> <li>Requires Governing Board approved transportation service plan</li> </ul>
Special Education AB 602	R	N/A	\$.64 Million	<ul style="list-style-type: none"> <li>On-going funding</li> <li>Special Education related expenditures, including behavioral and mental health services</li> </ul>
Expanded Learning Opportunities Program (ELO-P)	R	2022-23 Thru 2023-24	\$8.64 Million	<ul style="list-style-type: none"> <li>Ongoing funding</li> <li>Increase enrichment programs outside of regular school year, provide transportation, and offer access to all classroom-based unduplicated students TK-6 and at least 50% of all unduplicated students</li> </ul>
Art, Music & Instructional Materials Discretionary Block Grant ("Flexible Block Grant")	R	2022-23 Thru 2025-26	\$13.9 Million	<ul style="list-style-type: none"> <li>One-time funding</li> <li>Professional development, instructional materials, diverse book collections, arts/music program, and offset increased operational costs (e.g. PERS/STRS pension, health &amp; welfare, COVID mitigation)</li> <li>Requires Governing Board approved expenditure plan</li> </ul>
Learning Recovery Emergency Block Grant	R	2022-23 Thru 2027-28	\$19.1 Million	<ul style="list-style-type: none"> <li>One-time funding</li> <li>To increase/stabilize instructional learning time, academic services, and staff-to-pupil ratios</li> </ul>
<b>TOTAL NEW STATE FUNDING REVISION</b>			<b>\$72.9 MILLION</b>	<b>45-Day August 22, 2022 Board Budget Updates</b>
September Additional Budget Updates			(1.8 Million)	Program adjustments for carryovers, grants/entitlement, and misc transfers
<b>FUND 01 COMBINED FUNDING REVISION</b>			<b>\$71.1 MILLION</b>	<b>September 12, 2022 Board Budget Updates</b>

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### 2022-23 Budget Updates June Adoption and Current Budget Comparison



	2022-23 June 2022 Adoption	2022-23 Current Budget	2022-23 June 2022 to Current Budget Differences		Differences (45-Day Budget Adjustments)	Other Differences (Current Budget)	Differences Reasons
<b>REVENUES:</b>							
LCFF Source	\$ 220,656,471	\$ 248,797,396	\$ 28,140,925	->	\$ 28,029,275	\$ 111,650	LCFF Adjustment C/O, Addition and Adj. C/O, Addition and Adj. C/O, Addition and Adj.
Federal	26,688,880	27,750,801	1,061,921	->	0	1,061,921	
Other State	49,655,839	91,253,788	41,597,949	->	44,857,289	(3,259,340)	
Other Local	<u>10,162,489</u>	<u>10,428,294</u>	<u>265,805</u>	->	<u>0</u>	<u>265,805</u>	
<b>TOTAL REVENUES</b>	<b>\$ 307,163,679</b>	<b>\$ 378,230,279</b>	<b>\$ 71,066,600</b>	->	<b>\$ 72,886,564</b>	<b>\$ (1,819,964)</b>	
<b>EXPENDITURES:</b>							
Certificated Salaries	\$ 125,711,453	\$ 126,003,463	\$ 292,010	->	\$ 0	\$ 292,010	C/O, Addition and Adj.
Classified Salaries	49,450,024	49,523,587	73,563	->	0	73,563	
Employee Benefits	82,502,013	82,846,804	344,791	->	0	344,791	
Books and Supplies	18,190,676	19,838,476	1,647,800	->	0	1,647,800	
Services and Other Operating Expenditures	32,733,672	34,057,258	1,323,586	->	0	1,323,586	
Capital Outlay	817,615	1,241,236	423,621	->	0	423,621	
Other Outgo-Payments & Indirect Transfers	<u>3,551,666</u>	<u>3,912,032</u>	<u>360,366</u>	->	<u>0</u>	<u>360,366</u>	
<b>TOTAL EXPENDITURES</b>	<b>\$ 312,957,119</b>	<b>\$ 317,422,856</b>	<b>\$ 4,465,737</b>	->	<b>\$ 0</b>	<b>\$ 4,465,737</b>	
<b>TOTAL TRANSFERS OUT</b>	<b>\$ 3,500,000</b>	<b>\$ 3,500,000</b>	<b>\$ 0</b>		<b>\$ 0</b>	<b>\$ 0</b>	
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (9,293,440)</b>	<b>\$ 57,307,423</b>	<b>\$ 66,600,863</b>	->	<b>\$ 72,886,564</b>	<b>\$ (6,285,701)</b>	
<b>BEGINNING FUND BALANCE</b>	<b>\$ 131,847,099</b>	<b>\$ 139,721,296</b>	<b>\$ 7,874,197</b>				
<b>ENDING FUND BALANCE</b>	<b>\$ 122,553,659</b>	<b>\$ 197,028,719</b>	<b>\$ 74,475,060</b>				
Reserve Total (Including 3% requirement for Economic Uncertainty, approx. \$9.6M)	\$ 122,553,659	\$ 197,028,719	\$ 74,475,060				

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### 2022-23 Budget Updates June Adoption and Current Budget Comparison Cont.



Components of Ending Fund Balance	2022-23 June 2022 Adoption	2022-23 Current Budget	2022-23 June 2022 to Current Budget Differences
3% Requirement for Economic Uncertainties	\$ 9,493,714	\$ 9,627,686	\$ 133,972
<b>Non-Spendable Reserves:</b>			
• Revolving Cash	150,000	150,000	0
• Stores/Prepaid Expenses	309,297	408,646	99,349
• Benefits Bank Accounts	170,000	851,066	681,066
<b>Restricted Fund Balance</b>	<b>33,887,810</b>	<b>73,999,611</b>	<b>40,111,801</b>
<b>Committed Reserves:</b>			
• Vacation Liability	2,935,686	2,935,686	0
• Declining Enrollment	3,000,000	3,000,000	0
• Local Protection	25,915,952	25,915,952	0
• Facilities Maintenance	6,000,262	7,500,262	1,500,000
• Technology Refresh	6,500,000	8,000,000	1,500,000
• Classroom Furniture	100,000	100,000	0
• Future School Opening	100,000	100,000	0
• One-Time Discretionary	19,346,884	23,440,413	4,093,529
• Textbook Adoption	6,000,000	6,000,000	0
• Pension Liability	3,774,510	3,774,510	0
• Anthem Health Reimbursement (HRA)	147,916	147,916	0
• Health & Welfare Insurance Rebate	1,875,856	1,875,856	0
• Wellness Program C/O	105,479	0	(105,479)
• MAA/Medi-Cal Program C/O	1,512,361	1,371,124	(141,237)
• School Programs C/O	889,726	0	(889,726)
• Other Instructional Programs C/O	338,206	0	(338,206)
• LCAP Programs C/O	0	2,658,138	2,658,138
• Future District Priorities	0	25,171,853	25,171,853
<b>TOTAL COMPONENTS OF ENDING FUND BALANCE</b>	<b>\$ 122,553,659</b>	<b>\$ 197,028,719</b>	<b>\$ 74,475,060</b>

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## Necessity of Reserves/Risk Tolerance Tustin Historical and Current/Future Budget Impacts






<p>2008-09 Recession</p>	<ul style="list-style-type: none"> <li>• 2010-11 -&gt; 9 Furlough Days</li> <li>• 2011-12 -&gt; 7 Furlough Days</li> <li>• 2011-12 -&gt; 2 Restoration of Furlough Days</li> </ul>
<p>2009-10 Fiscal Solvency Maintenance</p>	<ul style="list-style-type: none"> <li>• Eliminate -&gt; 112 Certificated Positions</li> <li>• Eliminate -&gt; 5 Classified Positions</li> <li>• Shift Categorical Funds</li> </ul>
<p>Current/Future Impacts</p>	<ul style="list-style-type: none"> <li>• Fluctuating Enrollment</li> <li>• Managing Flood of One-Time Funding</li> <li>• Addressing Learning Loss</li> </ul>

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## Tustin Unified School District Necessity of Reserves/Risk Tolerance Ongoing Uncertainties

**Rising Costs**

- Inflation
- Pension Liability
- Cost of Living
- Salaries/Benefits
- Supplies/Contracts
- Health Insurance
- Statutory Benefits

**Unpredictable  
Emergencies/Expenditures**

- COVID
- Staffing

**State/Local Economic**

- Volatility
- Potential Recession

**State and Local  
Expectations/Requirements**

- Programmatic Changes

**Cash Flow/State Payment Deferral**

- Tustin Monthly Obligations = **\$25.9M**

**Loss in Enrollment**

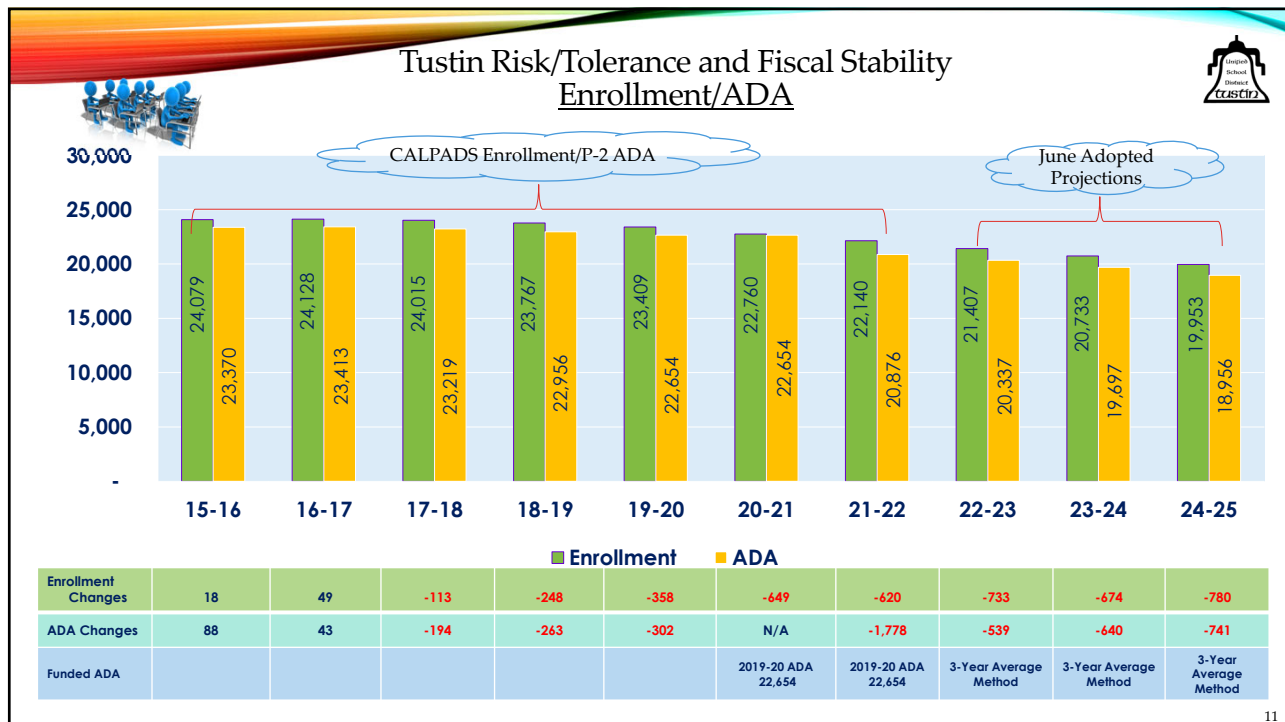
- 2020-21 758
- 2021-22 629
- 2022-23 226 (First Day =Improvement of 509)
- Total Three-Year Loss: 1,613**

**Local Level**

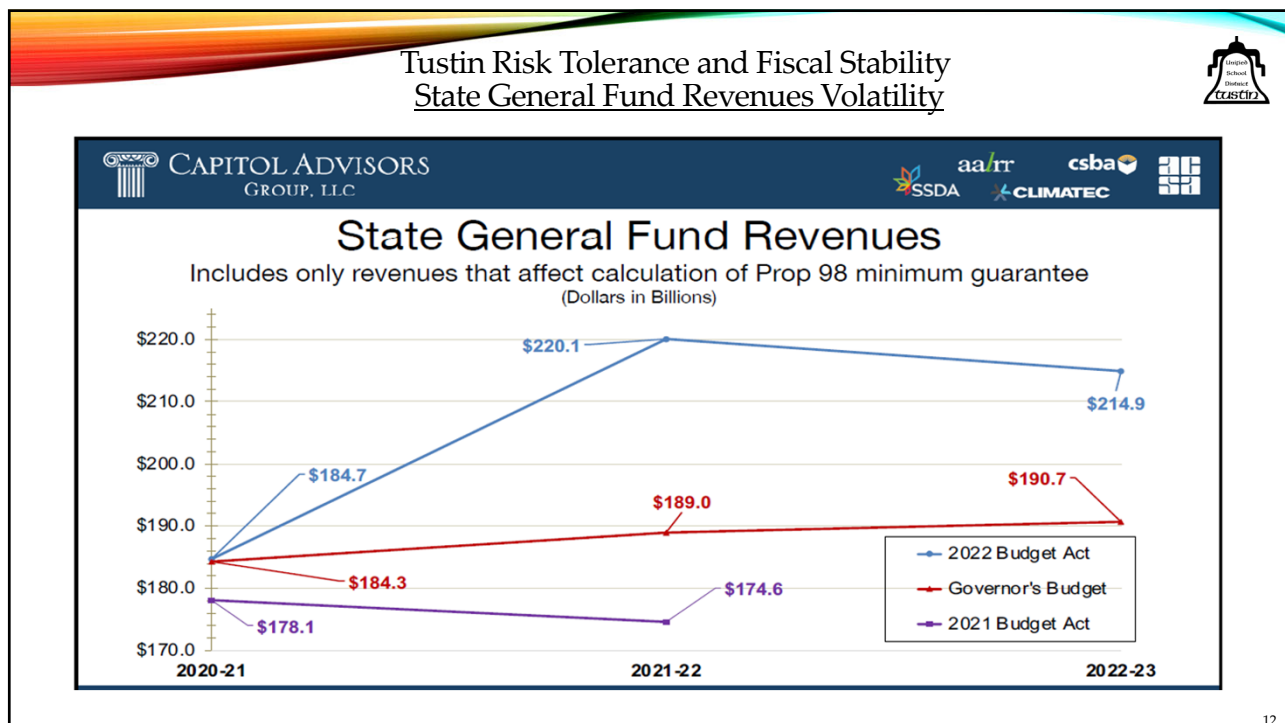
- Inflation
- LCFF Funding COLA
- Enrollment/ADA Decline
- Maintaining Credit Rating
- Legal Requirements
- Special Education Costs
- Cash Flow – Payment Deferrals
- Structural Deficit –Maintaining Fiscal Solvency
- Managing One-Time Funds
  - ❖ COVID & New State Funding)
- Potential Recession
- Coronavirus Impact
- Collective Bargaining
- Escalating Technology Costs
- Maintaining Commitments/Stability
- Ongoing Cost Increases (Step & Column/H&W/Pension/Utility/Water/Legal/Contracts/Others)
- Other Local Expectations

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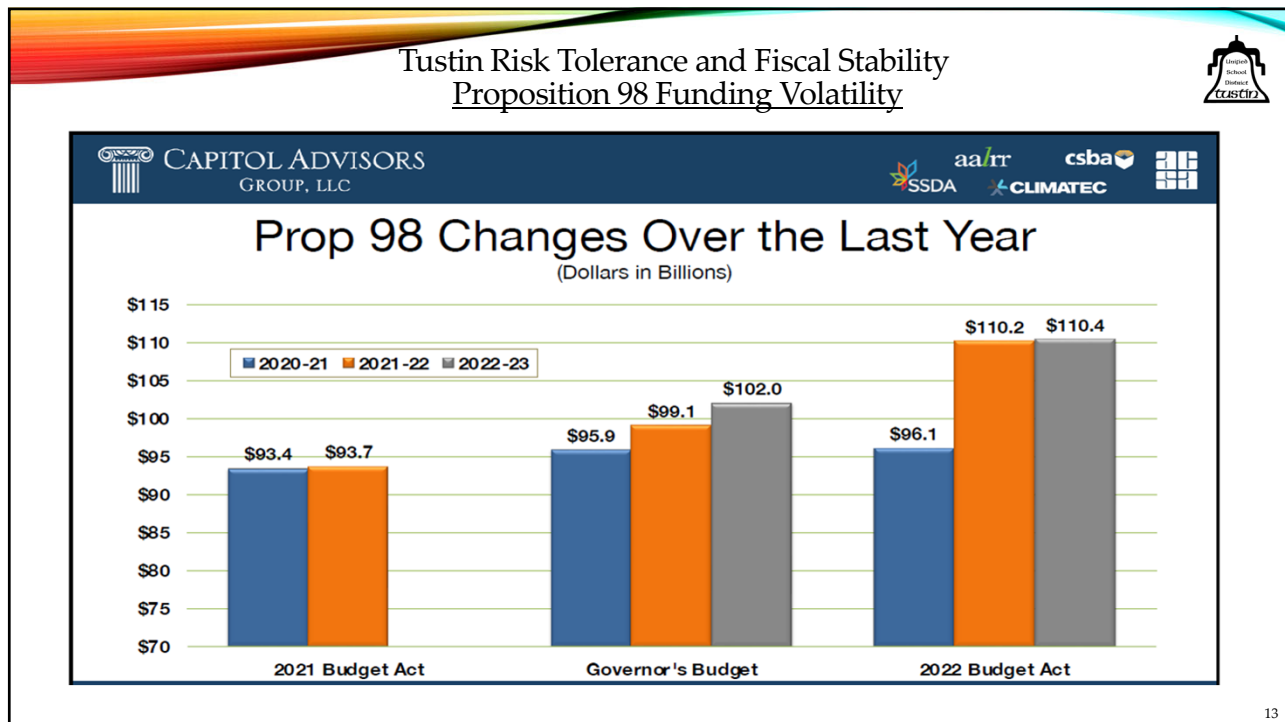
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### Tustin Risk Tolerance and Fiscal Stability Multi-Year Projections



	2021-22 (Unaudited Actuals)	2022-23 (Current Budget)	2023-24 (June Adoption)	2024-25 (June Adoption)
Revenues	\$ 319,634,163	\$ 378,230,279	\$ 305,195,126	\$ 290,406,125
Expenditures	\$ 291,441,131	\$ 317,422,856	\$ 312,661,679	\$ 301,428,561
Transfers Out	\$ 5,850,088	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000
Net Change	\$ 22,342,944	\$ 57,307,423	(\$ 10,966,553)	(\$ 14,522,436)
Beginning Fund Balance	\$ 117,378,352	\$ 139,721,296	\$ 197,028,719	\$ 186,062,166
Ending Fund Balance	\$ 139,721,296	\$ 197,028,719	\$ 186,062,166	\$ 171,539,730
3% Economic Uncertainty	\$ 8,918,737	\$ 9,627,686	\$ 9,484,850	\$ 9,147,857
Other Required Reserves*	\$ 130,802,559	\$ 187,401,033	\$ 176,577,316	\$ 162,391,873
Adjusted Ending Fund Balance	\$ 139,721,296	\$ 197,028,719	\$ 186,062,166	\$ 171,539,730

\* Includes Revolving Cash, Stores, Vacation Liability, Restricted Programs, LCAP Program, Pension Liability, Prepaids, and Benefits Accounts

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## What Next? Timeline

- Develop expenditure plans for required programs
- Aligning existing program budgets to curriculum priorities
- Review State and Federal new guidelines for reporting compliance
- Work with auditors to finalize 2021-22 financial report
- Federal Program Monitoring "FPM"



December 12, 2022  
First Interim Report

January 17, 2023  
Auditor Financial Audit Report

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## Tustin Unified School District 2021-22 Unaudited Actual Reports and 2022-23 Budget Updates

**ARTICLE 1. Statements [42100 - 42120]**  
*(Article 1 enacted by Stats. 1976, Ch. 1010.)*

**42100.**  
(a) On or before September 15, the governing board of each school district shall approve, in a format prescribed by the Superintendent of Public Instruction, an annual statement of all receipts and expenditures of the district for the preceding fiscal year and shall file the statement, along with the statement received pursuant to subdivision (b), with the county superintendent of schools. On or before October 15, the county superintendent of schools shall verify the mathematical accuracy of the statements and shall transmit a copy to the Superintendent of Public Instruction.

**45-Day Budget Update Requirement**

Education Code 42127(h) Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.

**" August 11 "**

- Certify 2021-22 Unaudited Actual Financial Reports
- Accept 2022-23 Budget Updates (Including 45-Day Budget Updates)

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