



# **Tustin Unified School District**



**2022-23**

**Second Interim Report**

**March 13, 2023**

# 2022-23 Second Interim Report Agenda



1. State Budget and Economy Updates

2. Tustin Multi-Year Budget Projections

3. Tustin's Budget Shape Ahead

- Enrollment and ADA
- Challenges and Considerations

4. Budget Cycle Timeline

5. Budget Certification

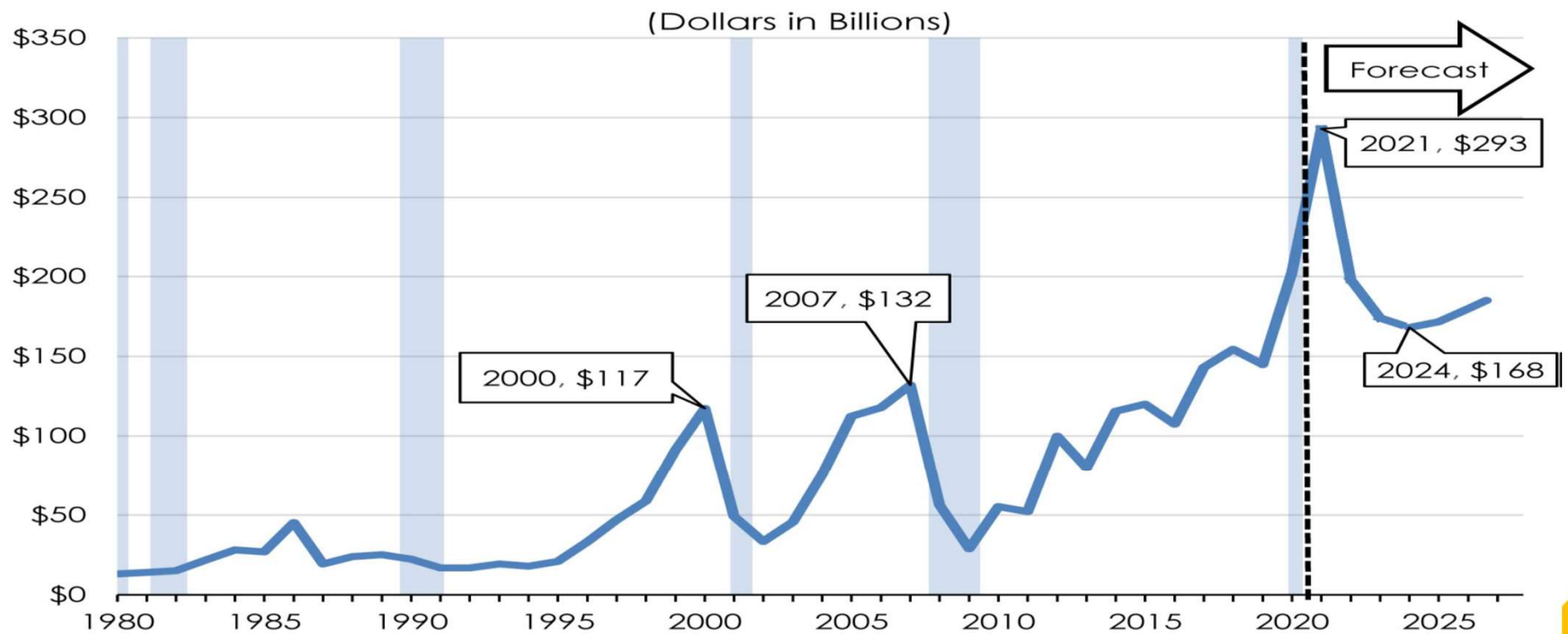
## 2022-23 Second Interim Report State Budget and Economy Updates

1. A mix of factors are leading to economic slowdown
2. Declining revenues lead to State budget problem in 2023-24
3. Prioritizes the continuation of LCFF purchasing power
4. Maintains prior education commitments, in part
5. Preserves state budget reserves to meet future needs

# 2022-23 Second Interim Report

## State Budget and Economy Updates

### Capital Gains Realizations



Shaded areas indicate previous U.S. recessions.

Source: California Department of Finance, 2023-24 Governor's Budget Forecast.



## 2022-23 Second Interim Report Combined Summary – General Fund Multi-Year Projections



	2022-23 First Interim Report	2022-23 Changes		2022-23 Second Interim Report	2023-24 Budget Projection	2024-25 Budget Projection
LCFF COLA Projection Factor ->	13.26%		=	13.26%	8.13%	3.54%
<b>REVENUES:</b>						
LCFF Source	\$ 249,830,890	\$ 845,010	=	\$ 250,675,900	\$ 262,213,534	\$ 260,992,171
Federal	29,333,427	( 856,567)	=	28,476,860	22,412,769	6,454,346
Other State	95,789,276	( 1,791,160)	=	93,998,116	62,254,182	59,798,405
Other Local	11,739,507	3,355,164	=	15,094,671	9,096,999	9,096,999
<b>TOTAL REVENUES</b>	<b>\$ 386,693,100</b>	<b>\$ 1,552,447</b>	<b>=</b>	<b>\$ 388,245,547</b>	<b>\$ 355,977,484</b>	<b>\$ 336,341,921</b>
<b>EXPENDITURES:</b>						
Certificated Salaries	\$ 138,797,329	\$ 789,430	=	\$ 139,586,759	\$ 133,972,935	\$ 129,349,983
Classified Salaries	53,116,686	93,670	=	53,210,356	54,606,883	53,679,801
Employee Benefits	87,055,624	( 331,564)	=	86,724,060	86,722,574	87,558,108
Books and Supplies	18,653,639	2,903,664	=	21,557,303	39,074,585	44,219,383
Services and Other Operating Expenditures	39,270,952	625,271	=	39,896,223	38,788,984	39,796,799
Capital Outlay	1,869,355	123,714	=	1,993,069	2,960,639	3,608,403
Other Outgo – Payments and Indirect	4,064,023	75,573	=	4,139,596	4,139,596	4,139,596
<b>TOTAL EXPENDITURES</b>	<b>\$ 342,827,608</b>	<b>\$ 4,279,758</b>	<b>=</b>	<b>\$ 347,107,366</b>	<b>\$ 360,266,196</b>	<b>\$ 362,352,074</b>
<b>TOTAL TRANSFERS OUT</b>	<b>\$ 3,500,000</b>	<b>\$ 1,377,698</b>	<b>=</b>	<b>\$ 4,877,698</b>	<b>\$ 3,500,000</b>	<b>\$ 3,500,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 40,365,492</b>	<b>(\$ 4,105,009)</b>	<b>=</b>	<b>\$ 36,260,483</b>	<b>(\$ 7,788,711)</b>	<b>(\$ 29,510,152)</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$ 139,721,295</b>	<b>\$ 0</b>	<b>=</b>	<b>\$ 139,721,295</b>	<b>\$ 175,981,778</b>	<b>\$ 168,193,067</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 180,086,787</b>	<b>(\$ 4,105,009)</b>	<b>=</b>	<b>\$ 175,981,778</b>	<b>\$ 168,193,067</b>	<b>\$ 138,682,915</b>
<b>3% Requirement for Economic Uncertainty</b>	<b>\$ 10,389,829</b>	<b>\$ 169,723</b>		<b>\$ 10,559,552</b>	<b>\$ 10,912,987</b>	<b>\$ 10,975,564</b>
<b>Other Required Reserves</b>	<b>\$ 169,696,958</b>	<b>(\$ 4,274,732)</b>		<b>\$ 165,422,226</b>	<b>\$ 157,280,080</b>	<b>\$ 127,707,351</b>



## 2022-23 Second Interim Report Summary – General Fund - Unrestricted Multi-Year Projections



	2022-23 First Interim Report	2022-23 Changes		2022-23 Second Interim Report	2023-24 Budget Projection	2024-25 Budget Projection
LCFF COLA Projection Factor ->	13.26%		=	13.26%	8.13%	3.54%
<b>REVENUES:</b>						
LCFF Source	\$ 249,830,890	\$ 845,010	=	\$ 250,675,900	\$ 262,213,534	\$ 260,992,171
Federal	0	0	=	0	0	0
Other State	7,417,289	( 108,299)	=	7,308,990	8,078,621	8,142,471
Other Local	9,137,416	1,876,152	=	11,013,568	7,680,027	7,680,027
<b>TOTAL REVENUES</b>	<b>\$ 266,385,595</b>	<b>\$ 2,612,863</b>	<b>=</b>	<b>\$ 268,998,458</b>	<b>\$ 277,972,182</b>	<b>\$ 276,814,669</b>
<b>EXPENDITURES:</b>						
Certificated Salaries	\$ 104,738,736	\$ 692,849	=	\$ 105,431,585	\$ 106,849,139	\$ 107,603,943
Classified Salaries	30,953,611	( 61,768)	=	30,891,843	32,745,099	33,453,138
Employee Benefits	51,792,598	5,914	=	51,798,512	54,299,556	57,016,994
Books and Supplies	9,897,572	2,635,834	=	12,533,406	15,238,733	12,444,485
Services and Other Operating Expenditures	23,948,713	( 365,215)	=	23,583,498	24,437,762	25,578,578
Capital Outlay	402,109	28,589	=	430,698	430,698	430,698
Other Outgo – Payments and Indirect	( 858,961)	20,978	=	( 837,983)	( 184,599)	( 184,599)
<b>TOTAL EXPENDITURES</b>	<b>\$ 220,874,378</b>	<b>\$ 2,957,181</b>	<b>=</b>	<b>\$ 223,831,559</b>	<b>\$ 233,816,388</b>	<b>\$ 236,343,239</b>
<b>TOTAL TRANSFERS OUT</b>	<b>\$ 3,500,000</b>	<b>\$ 0</b>	<b>=</b>	<b>\$ 3,500,000</b>	<b>\$ 3,500,000</b>	<b>\$ 3,500,000</b>
<b>CONTRIBUTIONS</b>	<b>( \$ 42,822,393)</b>	<b>( \$ 731,583)</b>	<b>=</b>	<b>( \$ 43,553,976)</b>	<b>( \$ 46,735,325)</b>	<b>( \$ 48,749,786)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>( \$ 811,176)</b>	<b>( \$ 1,075,901)</b>	<b>=</b>	<b>( \$ 1,887,077)</b>	<b>( \$ 6,079,530)</b>	<b>( \$ 11,778,354)</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$ 106,585,182</b>	<b>\$ 0</b>	<b>=</b>	<b>\$ 106,585,182</b>	<b>\$ 104,698,105</b>	<b>\$ 98,618,575</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 105,774,006</b>	<b>( \$ 1,075,901)</b>	<b>=</b>	<b>\$ 104,698,105</b>	<b>\$ 98,618,575</b>	<b>\$ 86,840,220</b>
3% Requirement for Economic Uncertainty	\$ 10,389,829	\$ 169,723	=	\$ 10,559,552	\$ 10,912,987	\$ 10,975,564
Other Required Reserves	\$ 95,384,177	( \$ 1,245,624)	=	\$ 94,138,553	\$ 87,705,588	\$ 75,864,656



## 2022-23 Second Interim Report Combined Summary – General Fund Multi-Year Projections Cont.



Component of Fund Balances	2022-23 First Interim Report	2022-23 Changes		2022-23 Second Interim Report	2023-24 Budget Projection	2024-25 Budget Projection
Projection Factor: LCFF COLA ->	13.26%		=	13.26%	8.13%	3.54%
3% Requirement for Economic Uncertainties	\$ 10,389,829	\$ 169,723	=	\$ 10,559,552	\$ 10,912,987	\$ 10,975,564
Non-Spendable Reserves:						
▪ Revolving Cash	\$ 150,000	\$ 0	=	\$ 150,000	\$ 150,000	\$ 150,000
▪ Stores/Prepaid Expenses	1,089,712	( 241,643)	=	848,069	848,069	848,069
▪ Benefits Bank Accounts	170,000	20,000	=	190,000	190,000	190,000
Restricted Fund Balance	\$ 74,312,781	(\$ 3,029,108)	=	\$ 71,283,673	\$ 69,574,492	\$ 51,842,694
Committed Reserves:						
▪ Vacation Liability	\$ 2,935,686	(\$ 168,783)	=	\$ 2,766,903	\$ 2,766,903	\$ 2,766,903
▪ Declining Enrollment	3,000,000	0	=	3,000,000	3,000,000	3,000,000
▪ Local Protection	27,915,952	0	=	27,915,952	27,915,952	27,915,952
▪ Facilities Maintenance	9,000,262	0	=	9,000,262	9,000,262	9,000,262
▪ Technology Refresh	9,500,000	( 2,600,000)	=	6,900,000	6,900,000	6,900,000
▪ Classroom Furniture	100,000	0	=	100,000	100,000	100,000
▪ Future School Opening	100,000	0	=	100,000	100,000	100,000
▪ One-Time Discretionary	30,808,141	1,342,461	=	32,150,602	23,249,301	13,702,010
▪ Textbook Adoption	6,000,000	0	=	6,000,000	6,000,000	6,000,000
▪ Anthem Health Reimbursement Account	147,916	( 127,916)	=	20,000	20,000	20,000
▪ Health & Welfare Insurance Rebate	1,524,738	0	=	1,524,738	1,524,738	1,524,738
▪ MAA/LEA Medical Program - Carryover	1,371,124	( 1,685)	=	1,369,439	1,117,788	866,735
▪ School/Instructional Programs –Carryover	0	60,000	=	60,000	60,000	60,000
▪ LCAP Programs – Carryover	1,570,646	471,942	=	2,042,588	4,762,575	2,719,987



## 2022-23 Second Interim Report Tustin's Budget Shape Ahead



- Declining Enrollment
- Declining ADA (Average Daily Attendance)
  - 96% -> 94%
- Declining Funding
  - \$11,303 per ADA
  - +/- 1% = \$2.4M
- ADA Mitigation
  - Attendance Campaigns

### Risk - Enrollment and ADA







# 2022-23 Second Interim Report Tustin's Budget Shape Ahead Cont.



## State/National Level

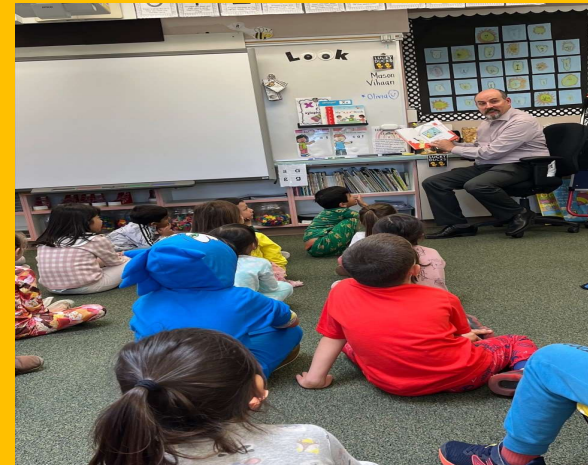
Economy  
Inflation  
Policy Changes  
Labor Market & Wages  
Housing  
Tax Structure Volatility

## Local Level

Pension Costs  
Staffing  
Special Education Costs  
Instructional Programs  
Technology Costs  
Exhaustion of One-Time Funds  
Ongoing Cost Increases  
(Salary, H&W, Utility, Water, Contracts, Others)

➤ Deficit Spending – Maintaining Fiscal Solvency

## Challenges and Considerations



# 2022-23 Second Interim Report Budget Cycle Timeline



## March

- File Second Interim Report

## April – May

- Refine 2022-23 Budget
- Develop 2023-24 Budget – May Revision

## June – August

- Close Fiscal Year 2022-23

## June 12, 2023

- Public Hearing
  - 2023-24 LCAP
  - 2023-24 Budget

## June 26, 2023

- Board Adoption
  - 2023-24 LCAP
  - 2023-24 Budget

## **2022-23 Second Interim Report Certification**

**In certifying the 2022-23 Second 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.**

