ITEM: H.15. ADOPT 2022/2023 ADOPTED BUDGET

Rationale
Prior to July 1st of each fiscal year, the Board of Trustees must approve an operating budget.

The public hearing was held at the June 14, 2022 Board meeting.

Attached is the 2022/2023 Adopted Budget utilizing the State required forms. The District's internal budget documents are also included. The following forms and documents are included for review and approval:

1. Executive Summary
2. Internal Budget Documents for all Funds
3. Budget Reserves
4. District Certification
5. Workers' Compensation Certification
6. General Fund
7. Average Daily Attendance
8. Cash Flow Projection
9. Multiyear Projections - General Fund
10. Summary of Interfund Activities - 2022/2023 Budget
11. All "Other" funds
12. Criteria & Standards Review - General Fund

Recommended Motion
It is recommended that the Board of Trustees move to adopt the District's 2022/2023 Budget.

Quick Summary / Abstract
Prior to July 1st of each fiscal year, the Board of Trustees must approve an operating budget. The public hearing was held at the June 14, 2022, Board meeting. Attached is the 2022/2023 Adopted Budget utilizing the State required forms along with the District's internal budget documents. The Superintendent recommends that the Board of Trustees adopt the 2022/2023 Adopted Budget.
Contact person: Dr. Kristen Coates, telephone number (916) 566-1600 ext. 31203 or Kate Ingersoll ext. 31112

Supporting Documents

2022-2023 TRUSD Adopted Budget SACS Document
EXECUTIVE SUMMARY

The District is required to adopt a budget prior to July 1 of each year in order to authorize the expenditure of funds. Since the preparation of this budget occurs before the Governor’s final action, and before actual expenditures are known for the current year, estimates of proposed revenues and expenditures are based on the most reasonable assumptions and recent information available at the time of the preparation. The budget is a dynamic document which will change as the assumptions and estimates used to develop it change.

On May 13, 2022 the Governor presented the May Revision of the proposed state budget. The proposal includes 6.56% statutory cost-of-living adjustment (COLA) to the Local Control Funding Formula (LCFF), as well as a 6.56% COLA to Special Education, Child Nutrition, Adult Education Block Grant, Mandate Block Grant and Foster Youth programs. The final State budget should be approved by the end of June. Any changes from the May Revision will be included in our First Interim Budget revision (any material changes will require a 45-day budget revision).

The General Fund revenues are greater than the expenditures by $10.1 million. We have enough of an ending fund balance to meet our Board Policy in tent to maintain a minimum reserve of economic uncertainties equal to at least two months of the general fund payroll expenditures ($38 million) or 10% of the general fund expenditures and other financing sources ($50.6 million).

The 2023/2024 budget reflects a deficit of $8.9 million. However, once the $11.7 million of salaries related to the 2022/2023 fiscal year are removed, there is a surplus of $2.8 million. For 2024/2025 there is a surplus of $2.9 million. Please see multiyear projections for additional information on the out years.

Local Control and Accountability Plan (LCAP)

The 2013 Budget Act established the Local Control Funding Formula (LCFF) which expands local control, reduces state bureaucracy, and ensures that students needs drive the allocation of resources. The funding also includes increased transparency and accountability by the use of the Local Control Accountability Plan (LCAP). School districts are required to develop, adopt, and annually update a three-year LCAP, using the California State Board of Education’s adopted template. The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators. Additionally, the regulations require school districts “to increase and improve” services for targeted students (by way of supplemental and concentration grant funding within the LCFF). With our high percentage of targeted students, the regulations provide authority for school districts to spend funds “school-wide” when significant populations of those students attend a school. The budget is aligned with our LCAPs.
Reserve Cap Triggered

The school district reserve cap (SB 751) is triggered for the first time beginning with the 2022-2023 Adopted Budget. Assigned and unassigned reserves in the General Fund Adopted budget and revised budgets cannot be more than 10% of the expenditures. Committed reserves are not included in the 10% reserve cap calculation. Twin Rivers utilizes Board Policy 3100 Budget and committed reserves for specific purposes by a Resolution adopted by the Board.

One-Time COVID Savings

One-time COVID savings and additional positions continue; position reductions occur in the following two years along with a shift in funding from COVID to LCFF base in 2023/2024 of $1.3 million and $6.4 million in 2024/2025.

General Fund – Budget Assumptions

BEGINNING FUND BALANCE

The beginning fund balance is estimated to be $55,089,465; $47.1 million unrestricted and $8 million restricted. The unrestricted beginning fund balance does not include estimated program carryover funds. However, with the close of the 2021/2022 fiscal year the actual ending fund balance (which will then be this budget’s beginning fund balance) will increase from the unrestricted program carryover funds and unspent restricted categorical programs. The actual 2022/2023 beginning fund balance will be updated at First Interim (after the 2021/2022 financial records are closed).

REVENUE ASSUMPTIONS

The Local Control Funding Formula (LCFF) consists of base, supplemental, concentration and add-on funds that primarily focus resources based on a district’s student demographics. Each school district receives the same per pupil base amount by grade span: K-3, 4-6, 7-8, and 9-12. Supplemental and concentration funds are based on the unduplicated number of English Learners, students eligible for free and reduced meals, and foster youth students.

- The LCFF Sources (major assumptions):
  - Average Daily Attendance (ADA) “funded” is the same as “projected”; 20,391 (includes 79 ADA for SCOE classes). Compared to the prior year, the “funded” ADA decrease is 1,309 ADA due to the use of the declining enrollment calculation in the prior year. The declining enrollment calculation softens and delays a portion of the revenue reduction to the following year (which now affects the current year).
  - District Charter ADA is estimated at 2,111.
  - Estimated Unduplicated Pupil Percentage (3 year rolling average):
    - Twin Rivers – 90.20%
    - Creative Connections Arts Academy – 76.09%
    - Smythe Academy of Arts & Science – 92.95%
    - Westside Preparatory – 79.36%
  - Add-ons for transportation and TII BG 2012/2013 awards = $9,932,217
  - Cost of Living Adjustment (COLA) = 6.56%
  - Property taxes are estimated at 2021/2022 P2 levels.
  - Education Protection Account (EPA) is estimated at $65.3 million (the LCFF revenue is reduced by this amount). The EPA funds will be used on salaries and benefits for instruction.
The LCFF sources are as follows:

<table>
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<th>Base</th>
<th>S/C</th>
<th>Additional Concentration</th>
<th>Total</th>
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<tr>
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<td>$10.4 mil</td>
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<tr>
<td>CCAA</td>
<td>$6.02 mil</td>
<td>$1.56 mil</td>
<td>$191 thousand</td>
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<td>Smythe</td>
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<td>WPCS</td>
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<td>$128 thousand</td>
</tr>
<tr>
<td>TOTAL</td>
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<td>$76 mil</td>
<td>$11.2 mil</td>
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</table>

Potential LCFF increases to the Governor’s final state budget adoption that are not in Twin Rivers’ budget are:

- Additional ongoing Proposition 98 General Fund monies above the COLA to increase LCFF base funding; estimated to be $8.5 million for Twin Rivers.
- A third option in calculating the ADA for LCFF funding (3 year average); estimated to be $10.7 million for Twin Rivers.
- Transitional kindergarten add-on of $2,813 per TK ADA; estimated to be $1.2 million for Twin Rivers.

- Federal Revenue includes the reduction of prior year carryover funds ($9.7 million), the elimination of various COVID one-time funds ($88.4 million), the reduction of Title I funds ($1.5 million) and various other smaller grant changes. There will be unearned revenue carryover; revenues and expenditures will be budgeted in the First Interim after the 2021/2022 financial records are closed and the actual amounts are known.

- Other State Revenue includes the reduction of $1.1 million of prior year carryover funds and a net increase of $11.9 million for increased grants (mostly the Expanded Learning Opportunity Program). The significant State revenues include Expanded Learning Opportunity Program ($31 million), Special Education ($22.5 million), Lottery ($5.3 million), ASES ($5.1 million), Mental Health ($1.9 million), and on-behalf CalSTRS contribution ($16.1 million).

Effective with the close of the books for 2014/2015, the State’s contribution to CalSTRS on-behalf of district employees must be recorded in the district’s SACS financial records. The entry to recognize the State’s on-behalf pension contribution accounts for both the revenue and expenditure of the financial assistance represented by the state’s contribution; thus there is no impact to the bottom line.

Another potential increases to the Governor’s final state budget adoption that is not in Twin Rivers’ budget is a one-time discretionary block grant estimated to be over $33 million for Twin Rivers.

- Other Local Revenue includes the reduction of various one-time donations and grants of about $2.5 million. The significant reduction is one-time grants from SMAQMD of $2.7 million. The largest revenue sources are interest income for $650,000 and MOUs with our independent charter schools for $3.3 million for facility use and required administrative support services.

- Transfers In include the annual rent from Adult Education.

- Contributions from unrestricted to restricted programs is $42.6 million for the Special Education and Routine Restricted Maintenance programs.
EXPENDITURE ASSUMPTIONS

- Certificated salaries and benefits reflect current position control. Position control includes a 1.20% increase for step/column. There is no salary schedule increase. The unrestricted certificated salaries net increase of $1 million is due to step/column costs. The restricted certificated salaries decrease of $15 million is significantly from one-time COVID MOU employee payments and extra duty.

- Classified salaries and benefits reflect current position control. Position control includes a 1.80% increase for step. There is no salary schedule increase. The unrestricted classified salaries net increase of $3 million is due to step costs and the shift of paraeducators from COVID funds back into LCFF base. The restricted classified salaries decrease of $4 million is significantly from one-time COVID MOU employee payments and overtime along with the shift of paraeducators from COVID funds back into LCFF base.

- Payroll driven benefit expenditures are budgeted at the following rates:
  - STRS – 19.10% (+2.18%)
  - PERS – 25.37% (+2.46%)
  - UI – 0.50%
  - OASDI – 6.20%
  - MC – 1.45%
  - WC – 1.595%

- We included $7.9 million of 2021/2022 categorical carryover expenditures. We balanced the categorical entitlements so that the current year revenues equal the expenditures.

- The Routine Restricted Maintenance Account (RRMA) is projected at $11.3 million. Education Code Section 17070.75(b)(2)(A) requires 3% of total general fund expenditures less STRS On-behalf and Federal COVID funds.

- Encumbrance carryovers and one-time budgets are eliminated.

- Books and Supplies decrease $2.5 million in unrestricted and significantly decrease ($16 million) in restricted mainly due to the elimination of carryover budgets and one-time budgets (mostly COVID funds).

- Services and Other Operating Expenditures decrease $84 million between both unrestricted and restricted programs due to the elimination of carryover budgets and one-time budgets (mostly COVID funds).

- Capital Outlay increases $2 million; maintaining a significant level of facility projects using ESSER III funds.

- Other Outgo decrease is in unrestricted and is mainly from the reduction of a capital lease.

- Interfund Transfers Out are budgeted at $10 million from Supplemental/Concentration to Fund 14 for high needs facility projects and $15 million to Fund 40 towards the Board approved facility projects.

ENDING FUND BALANCE

The ending fund balance of $65,222,397 is reported within the following classifications:

- Nonspendable - revolving cash and stores inventory is estimated at $1,667,344.

- Restricted – legally restricted categorical programs are $2.
• Committed - $14,000,000
  o Board Resolution for technology - $4,000,000
  o Board Resolution for HVAC - $10,000,000

• Assigned – $0

• Unassigned –
  o $49,555,051 Reserve for Economic Uncertainty (9.79% of expenditures)
    Board Policy intent to maintain a minimum reserve of economic uncertainties equal to
    at least two months of the general fund payroll expenditures ($38 million) or 10% of
    the general fund expenditures and other financing sources.
  o $0 Unappropriated

**Other Funds – Budget Assumptions**

**STUDENT ACTIVITY SPECIAL REVENUE FUND**

The beginning fund balance is estimated at $456,176.

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, established
criteria for identifying and reporting fiduciary activities for all state and local governments, effective the
2020-2021 fiscal year. May 2021 the Board approved the establishment of the Student Activity Special
Revenue Fund (Fund 08) to account for Associated Student Body (ASB) funds. The budget will be
generated at year end based on the actuals reported in the ASB financial system.

The projected ending fund balance is $456,176 and restricted for the associated student body (ASB).

**ADULT EDUCATION FUND**

The beginning fund balance is estimated at $1,613,568.

Revenue from Federal categorical programs are budgeted at approximately 75% of the prior years’
awards and one-time carryover is removed. Actual award and carryover amounts will be known and
reflected at First Interim.

Other State Revenue represents the California Adult Education Program (CAEP) in the amount of $3.0
million to run the Adult Education programs for English as a Second Language (ESL), high school
completion, pre-apprenticeship and Career Technical Education (CTE) classes. CalWORKS funds are
provided by the Department of Social Services for education and training and is projected at $98,702.
The STRS on-behalf contribution for district employees is projected to be $110,462. The revenue
contribution has a corresponding STRS expenditure for the same amount; there is no impact to the
bottom line of the finances.

There is no Other Local Revenue for student fees; fees for adult education classes have not been charged
since January 1, 2016. Interest is budgeted at $7,263.

Certificated and classified salaries and benefits reflect current position control which includes
step/column increases, STRS/PERS increases and the STRS on-behalf of district employees. Salaries
and benefits have been budgeted for staff that may be needed to teach ESL and HSC classes not budgeted
through position control. A decrease in Refugee grant funding reflects a decrease to the variable pay for
classified salaries. We anticipate to be notified in September of increased Refugee funding which would
then allow for additional variable time/pay towards the program.
Books and Supplies and Services and Other Operating expenditures include all amounts needed to operate the program as well as IT technology fees, rent for facilities and indirect costs. Other Operating expenditures have been adjusted to reflect the changes in appropriations in Federal programs including the reduction of purchases of online instructional programs and the issuance of supportive services to Refugee clients.

The ending fund balance is projected at $1,613,568.

**CHILD DEVELOPMENT FUND**

The beginning fund balance is estimated at $975,719.

Federal Revenue is budgeted at the following anticipated award amounts: Head Start at $2,255,261, Early Head Start at $1,005,011, Head Start Training & Technical Assistance at $29,642, Head Start COVID at $61,048, Head Start American Rescue Plan at $258,444 and General Child Care and Development Program (CCTR) at $29,507. Any carryover amounts will be known and reflected at First Interim.

Other State revenue includes CCTR, the California State Preschool program (CSPP) and the pre-Kindergarten and Family Literacy Program Support program (CPKS); projected State Preschool revenues total $6,421,430. Other State Revenue also includes QRIS funds at $140,000 and IEEEP funds at $296,428. Actual award amounts will be known and reflected at First Interim along with any carryover amounts. The STRS on-behalf for district employees is projected to be $285,887. The revenue contribution has a corresponding STRS expenditure for the same amount; there is no impact to the bottom line of the finances.

Other Local Revenue includes the First Five program funded at $461,583.

Certificated and classified salaries and benefits reflect current position control which includes step/column increases, STRS/PERS increases and STRS contribution on-behalf of district employees.

Books and Supplies and Services and Other Operating Expenditures include all amounts needed to operate the program and have been adjusted to reflect the changes in appropriations of Federal and State funded programs.

The projected ending fund balance of $980,719 is restricted and can only be used with State approval.

**CAFETERIA FUND**

The beginning fund balance is estimated at $4,963,136.

Federal and State revenue projections are estimated at $18 million, representing a 14.5% decrease over 2021/2022 estimated actuals. The projected decrease is due to the expiration of waivers related to COVID which results in lowered reimbursement rates; $0.81 less per lunch meal and $0.25 less per breakfast meal. The one-time Federal and State grants related to the pandemic have also ended.

Other Local revenues for a-la-carte food sales remain unchanged.

Salaries and benefits reflect current position control which includes step increases and PERS increases. Open positions and the cost to fill site and program needs were evaluated and charged against variable salary costs.

Food is the largest operating expense after staffing. The estimated cost for food reflects a decrease from the prior year for price stabilization, cost adjustments through availability of commodity group items,
implementation of food waste reduction program, improvement in food production estimates, improved menu development and increased training of kitchen and nutrition staff.

Services and Other Operating costs decrease due to investments of new equipment and major maintenance done in the previous year.

Equipment costs reflect a decrease due to one-time purchases in the prior year utilizing the federal kitchen infrastructure grant.

The indirect cost is calculated using the approved CDE rate of 5.35% and excludes food costs in the calculated formula to reflect the CDE requirements.

The total projected ending fund balance of $4,981,334 is Restricted for the use of nutritional services. None of the programs are deficit spending.

**DEFERRED MAINTENANCE FUND**

The beginning fund balance is estimated at $6,304,107.

LCFF Sources represent a transfer from the General Fund in the amount of $1,775,000 to be used for facility maintenance projects.

Other Local Revenue represents interest income.

Interfund Transfers In are budgeted at $10 million from Supplemental/Concentration funds (in the General Fund) for high needs facility projects.

Expenditures are budgeted based on the District’s Facilities Master Plan.

The ending fund balance is projected at $0. Carryover amounts will be known after the prior year financial records are closed and reflected at First Interim.

**SPECIAL RESERVE FUND FOR POSTEMPLOYMENT BENEFITS**

The beginning fund balance is estimated at $6,596,142.

Interest income is budgeted under Other Local Revenue.

The ending fund balance is projected at $6,621,142 and is assigned for future postemployment benefits.

**BUILDING FUND**

The beginning fund balance is estimated at $23,775.

Interest income is budgeted under Other Local Revenue.

Expenditures reflect bond administrative fees.

The ending fund balance is projected at $20,095 and is to be used for future bond administrative fees.

**CAPITAL FACILITIES - DEVELOPER FEE FUND**

The beginning fund balance is estimated at $40,860,094.

Other Local Revenue includes estimated calculations for redevelopment and developer fees.
Expenditures are budgeted to reflect current known projects including funds toward the future Northlake area school.

The ending fund balance is projected at $6,290,012 and is restricted for capital facilities.

**COUNTY SCHOOL FACILITIES FUND**

The beginning fund balance is estimated at $15,700,000.

Other Local Revenue is for interest income.

Expenditures are budgeted based on the Modernization projects which are included in the District’s Facilities Master Plan.

The ending fund balance is projected at $0.

**SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS**

The beginning fund balance is estimated at $84,344,791.

Other Local Revenue includes interest income and MOU with Gateway Community Charter (GCC) for maintenance of Ben Ali site location.

Interfund Transfers In of $15 million is from the General Fund (one-time COVID savings) to go towards Board approved facility projects.

Expenditures are budgeted for facility projects utilizing prior year sale of surplus property income.

The ending fund balance is projected at $73,648,382 to be used for future facility projects. $29 million is held to go towards the construction of a new elementary school in the Northlake area.