

CITY OF TUSTIN, CALIFORNIA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2023



CITY OF TUSTIN, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

Prepared By: Finance Department

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INTRODUCTORY SECTION

INTRODUCTORY SECTION



ANNUAL COMPREHENSIVE FINANCIAL REPORT

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CITY OF TUSTIN

Elected and Administrative Officials

As of June 30, 2023



AUSTIN LUMBARD
Mayor



LETITIA CLARK
Mayor Pro Tem



RYAN GALLAGHER
Councilmember



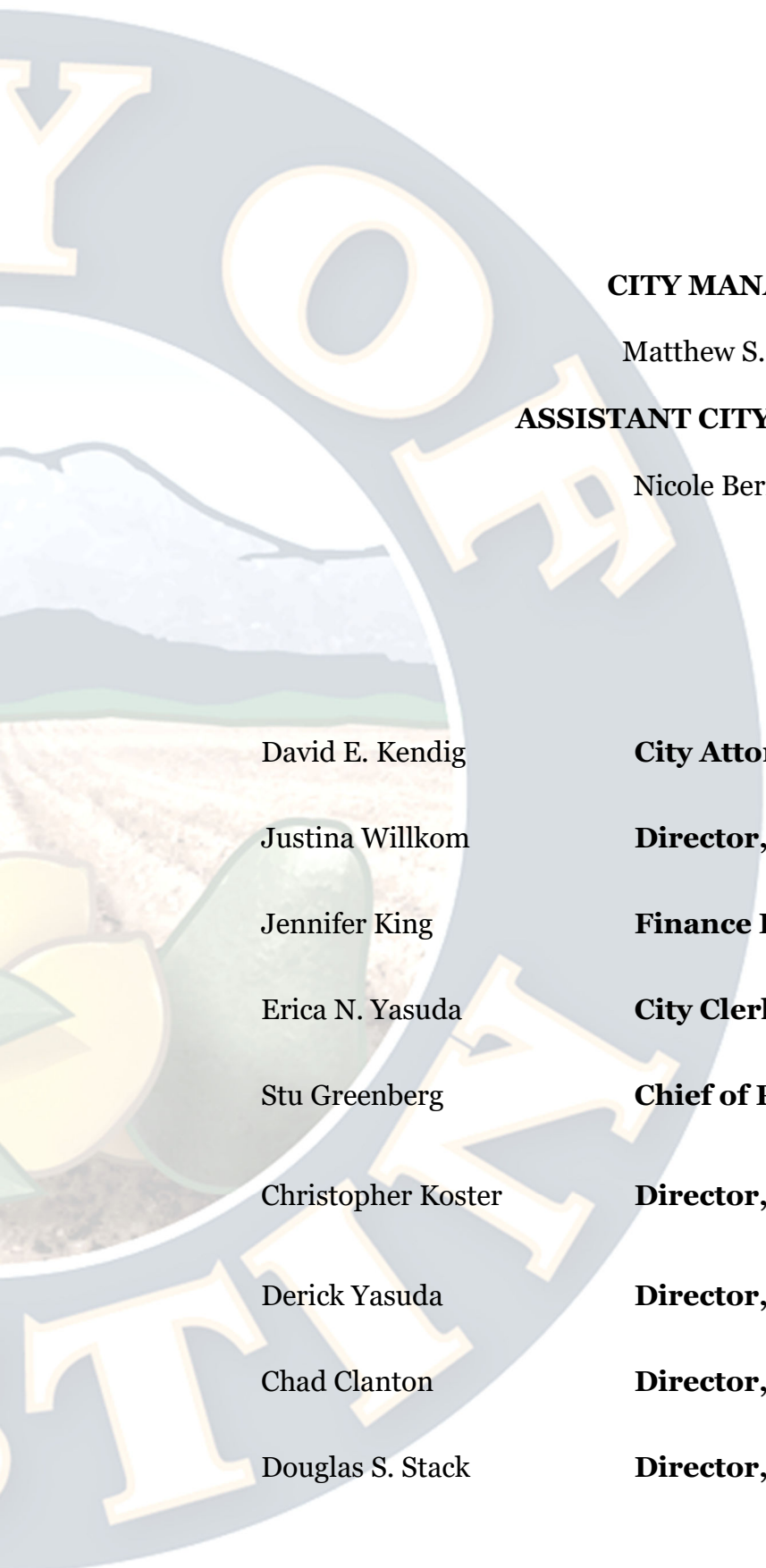
**REBECCA "BECKIE"
GOMEZ**
Councilmember



RAY SCHNELL
Councilmember

AUDIT COMMISSION

Jered Elmore, Chair
John Wende, Chair Pro Tem
Daniel Erickson
Adrian Henson
Kristin Manna



CITY MANAGER

Matthew S. West

ASSISTANT CITY MANAGER

Nicole Bernard

David E. Kendig

City Attorney

Justina Willkom

Director, Community Development

Jennifer King

Finance Director / City Treasurer

Erica N. Yasuda

City Clerk

Stu Greenberg

Chief of Police

Christopher Koster

Director, Economic Development

Derick Yasuda

Director, Human Resources

Chad Clanton

Director, Parks & Recreation Services

Douglas S. Stack

Director, Public Works / City Engineer

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FINANCE DEPARTMENT

Remembering what connects us.

December 21, 2023

To the Honorable Mayor, Members of the City Council
and Citizens of the City of Tustin:

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) of the City of Tustin for the fiscal year ended June 30, 2023.

These statements have been prepared in conformity with generally accepted accounting principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB). This report consists of management's representations concerning the finances of the City of Tustin. Responsibility for the accuracy and completeness of the data presented, including all disclosures, rests with management. To provide a reasonable basis for making these representations and assurance that the financial statements will be free from material misstatements, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. As the cost of internal control should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than an absolute assurance that the financial statements will be free from material misstatements.

The City of Tustin's financial statements for the year ended June 30, 2023, have been audited by Davis Farr LLP, an independent public accounting firm of licensed certified public accountants. The goal of the audit was to provide reasonable assurance that the financial statements of the City of Tustin for the fiscal year ended June 30, 2023, were free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Tustin's financial statements for the



fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Tustin's MD&A can be found immediately following the report of the independent auditors in the financial section of the ACFR.

PROFILE OF THE CITY OF TUSTIN

The City of Tustin is in the central part of Orange County, about forty miles southeast of Los Angeles and eighty miles north of San Diego, at the intersection of the 5 and 55 Freeways. Tustin covers over eleven square miles adjacent to the cities of Orange, Santa Ana, and Irvine. The State of California Department of Finance has estimated the City's population at 79,558 as of January 1, 2023, a decrease of about 0.2% from 2022. Most cities in Orange County showed minor decreases in population, with the County of Orange's total population decreasing by 0.5%. The California statewide population also decreased by 0.4% as the state continues to experience declining birth rates and aging baby boomer generation. Also contributing to the decline in population is the fact that affordable housing remains challenging for many Californians.

The City was incorporated under the General Laws of the State of California in 1927 and is governed by a five-member elected City Council. The Council/Administrator form of city government was adopted in 1965 and modified to the Council/City Manager form in 1981. Council members serve staggered, four-year terms, with a two-consecutive-term limit. The Mayor was selected by the City Council from among its members and serves a one-year term. The City Manager is appointed by the City Council to carry out the policies and direction of the City Council, oversee the day-to-day operations of the City, and appoint department directors. In 2021, the City code was amended to implement by-district elections for four council members and established the Office of the Mayor to be elected at-large starting in year 2022. In November 2022, a Council member for



Council District 3 and Mayor were elected in the general municipal election. The Council Members for Council Districts 1, 2, and 4 will be elected in the general municipal election in November 2024.

Tustin is a full-service City. The services provided by the City include police, street and park maintenance, water, recreation, traffic/transportation, public improvements, economic development, planning, zoning, and general administrative services. The City contracts with the Orange County Fire Authority for fire suppression and emergency medical services. Also included in the City's overall operations are the Tustin Public Financing Authority and the City of Tustin Housing Authority (Housing Authority). The activities of both entities are included in these financial statements. Additional information for the Tustin Public Financing Authority and the Tustin Housing Authority is available in Note 1 of the Notes to Basic Financial Statements.

BUDGET DEVELOPMENT AND MONITORING

The key element of the City's financial management process is the development and approval of the biennial budget. The two-year budget serves as the foundation for the City's financial planning and control, which allows the Council to prioritize expenditures and focus on programs essential to our community. Additionally, the Council adopts a second-year update to the biennial budget. As part of the budget development, the City Council conducts various public workshops on the proposed budget and adopts the budget at a public meeting. Budget documents are available on the City website at www.tustinca.org.

Budgetary control is at the fund level. The City Manager is authorized to transfer appropriations within the fund between various programs and/or departments as long as the transfers do not result in an increase in the fund's approved appropriations.

ECONOMIC OUTLOOK

As the nation emerged from the pandemic, household spending, particularly a shift back to experience and services, continues to grow, although at a slower pace than the double-digit increases seen during the initial pandemic recovery. In Fiscal Year 2022-



2023, many economic challenges such as inflation, labor shortage, and the more expensive mortgage rates remain prevalent. Low employment rate and inflation have been key driving forces behind the Federal Open Market Committee (FOMC)'s decision to increase the federal funds rate 500% dated back to the summer of 2022. However, inflation continues to be a concern. Looking ahead, tightening household budget, higher housing costs, increasing labor costs, and continuing inventory issues are all contributing to a slower economic outlook for the foreseeable future.

The City's year one of the biennial budget reflects an increase of \$1.9 million in General Fund revenues in Fiscal Year 2023-2024 as compared to the amendment budget from Fiscal Year 2022-2023. The budgeted revenues reflect a slower or flat growth trend in sales tax receipts as well as a steady increase in property tax revenue. Despite its slower growth, local sales tax revenue has seen a significant increase over the pre-pandemic periods. Activities for the City's top three revenue sources are briefly described below:

- Sales tax revenue is the General Fund's largest revenue source. As consumer demands remain stable, sales tax revenue is projected to increase by one to three percent each year.
- Property tax revenue is the General Fund's second largest revenue source. This revenue is estimated to increase by three to four percent per year due to projected increases in assessed property valuations and on-going development.
- Departmental revenues primarily consist of revenues generated by the Parks and Recreation and Community Development Departments. Building and permit fees are projected to return to the normal pace as certain major development activities were completed over the past year.

The General Fund expenditures are projected to increase by \$1.7 million over the Fiscal Year 2022-2023 amended budget. Major factors contributing to this increase are contractually obligated salary increases; higher annual required contributions toward the City's pension obligations; and an across-the-board increase in most contracts for services, including fire, animal services, and other professional services.



MAJOR ECONOMIC DEVELOPMENTS

Tustin Legacy

Development at Tustin Legacy, the City's newest community, continues to move forward. Staff are monitoring the costs of providing public services and maintaining facilities including streets, sidewalks, and parks; these items are largely funded by service taxes tied to the Community Facility Districts (CFDs). A significant amount of development has occurred to date, including major regional and local infrastructure, residential neighborhoods, shopping centers, parks, and institutional uses. While there is still a substantial amount of infrastructure to install and remaining land to develop, some major projects are underway or nearing completion, including:

- Senior Living – The City entered into an Exclusive Negotiating Agreement (ENA) with Confluent Senior Living and Morningstar Senior Living for the development of MorningStar at Tustin Legacy, an approximately 283,000-square-foot, large-scale senior living community. The project will feature 145 independent living units, 60 assisted living units, a secure memory care wing with 28 supportive units, as well as 29 adjacent single-story cottages. MorningStar at Tustin Legacy is anticipated to set the new gold standard for Class A, luxury senior living in Orange County, California as a community that integrates with the character of the surrounding 1,600-acre Tustin Legacy community, while delivering innovative and progressive design, and technology for the seniors of today and the future.
- Residential Development – The Landing at Tustin Legacy, an award-winning 400 for sale home community by Brookfield, is almost “sold out”. It offers three stylish home collections including contemporary elevator-served flats, stylish townhomes, and sophisticated single-family homes, all with flex spaces, offices, decks, smart home technology, and curated designer finishes. The final build-out will be completed approximately two years earlier than projected.
- South Orange County Community College District's (SOCCCD) Advanced Technology and Education Park (ATEP) campus – The City is coordinating development with SOCCCD of the Saddleback@ATEP project, the second



education project on the campus. Groundbreaking was held in March 2023 and the new complex with two buildings will house Saddleback College's Advanced Transportation department and Culinary Arts department. Estimated opening is in year 2025. The City is also coordinating development with SOCCCD of the first non-SOCCCD project – the Goddard School, a 14,400-square-foot educational preschool. The presence of the Goddard School adjacent to the community college campus will provide opportunities for learning and development for both the children in attendance and the community college students. Estimated opening is early 2024. Finally, the City is working with SOCCCD to finalize design and entitlements for the Advantech North America Headquarters Campus at ATEP, which will feature an approximately 109,000-square-foot headquarter building and an approximately 79,000-square-foot research and development building.

Central Tustin

- The Jessup – In January 2023, the City Council approved a request from Intracorp Homes to develop The Jessup residential community. The Jessup community includes a request to demolish two existing 2-story office buildings and construct a new, multifamily residential development at 17802 and 17842 Irvine Boulevard. The project includes 40, three story residential units (including two very-low-income affordable units) consisting of eighteen duplexes (36 units) and four single-family residences. Each unit includes a fully enclosed, two-car garage (80 total parking stalls), and the site includes ten uncovered guest parking spaces. The Jessup is currently under construction.

Transitional Housing

- House of Ruth – Family Promise of Orange County's House of Ruth, with seven apartment-style units ranging in size from one to three bedrooms, completed construction and opened in November 2023 to serve homeless families. With a shared commitment to ending family homelessness in our community, the City conveyed the property to Family Promise of Orange County in May 2022. The units will provide emergency short-term housing for homeless families while they



receive housing navigation services to help secure long-term, permanent housing. House of Ruth's Community Resource Center will offer vital support programs that promote stability, health, healing, and self-sufficiency.

Some of the factors impacting the sustainability of future budgets include the City's increasing pension costs and related unfunded liabilities, and funding of construction costs for infrastructure to advance development in Tustin Legacy. City Staff will continue to work with the City Council to prioritize these types of significant projects and to seek new revenue sources for the future. In addition, the City Council continues to advance the best long-term development strategies, with the intent of maximizing the City's long-term revenues.

ACCOMPLISHMENTS AND FUTURE PROJECTS

Major capital improvement projects completed during fiscal year 2023 include the following:

- **Park Facilities**
 - Pine Tree and Pioneer Park Renovations
- **Transportation Facilities**
 - Neighborhood D South Phase 1 Infrastructure
 - Annual Roadway and Pavement Maintenance Program
 - Newport Avenue Rehabilitation

The City's capital projects for fiscal year 2023-2024 are budgeted at \$57.3 million. The budget reflects capital improvement projects funded by Tustin Legacy Backbone Infrastructure Funds and proceeds from sale of land at the Tustin Legacy. Other funding sources for the capital projects include the General Fund, water revenues, Gas Tax, State grant for parks, Measure M2, and State Road Maintenance and Rehabilitation funds (RMRA). Major capital projects for fiscal year 2023-2024 include:

- **Public Facilities**
 - Civic Center Alternate Power Source Improvements
 - Legacy Annex Improvements – Police Substation



- **Park Facilities**
 - Alley Grove
 - Tustin Legacy Linear Park
 - Tustin Legacy Dog Park
 - Heideman School Park
 - Centennial Park Improvements
- **Traffic Facilities**
 - Main Street Improvements
 - Neighborhood D-South Infrastructure Construction – Phase 2
 - Neighborhood G Phase 1
 - Neighborhood D-North Phase 1
 - Armstrong Pedestrian Bridge
- **Transportation Facilities**
 - Annual Roadway Maintenance and Public Infrastructure Maintenance Program
 - Red Hill Rehabilitation – San Juan Street to First Street
 - Red Hill Rehabilitation – Walnut to I-5
- **Water Projects**
 - Conjunctive Use Well at Beneta Well Site

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tustin for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This was the thirty-sixth (36) consecutive year that Tustin has achieved this prestigious award. To be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of



Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. Special thanks are due to the following members of the Finance Department who assisted and contributed to its preparation: Elsa Chow, Deputy Director – Financial Services; Sean Tran, Deputy Director – Administrative Services; David Faraone, Jr., Senior Budget Analyst; Glenda Babbitt, Management Analyst; Andrea Campbell, Senior Accountant; and JP Facundo, Accountant.

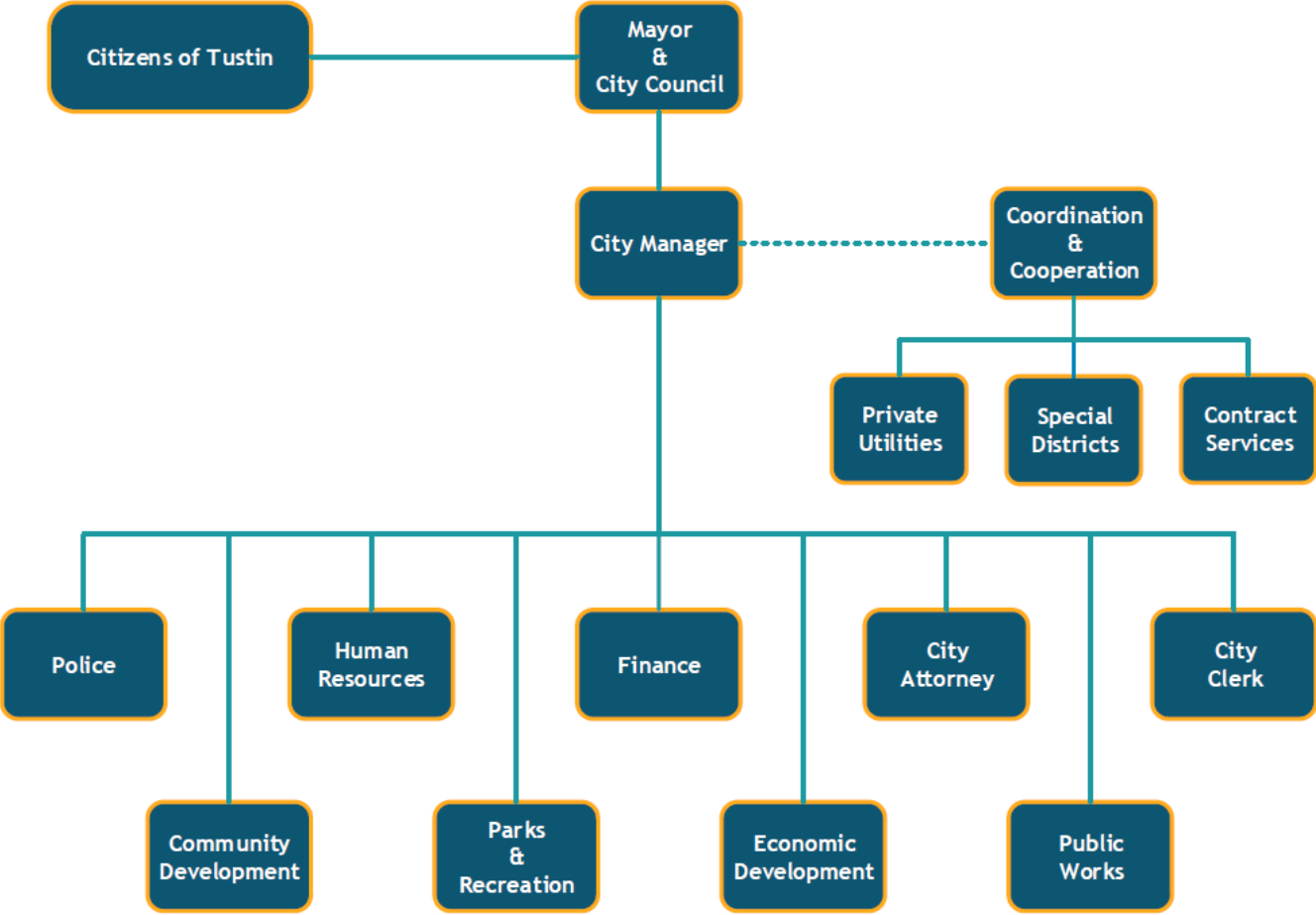
Credit must also be given to the City Council for their exceptional support and commitment to maintaining the highest standards of professionalism in the management of the City's finances; and finally, to the City's auditing firm of Davis Farr LLP for their professional assistance.

Respectfully submitted,

Nicole M. Bernard
Acting City Manager

Jennifer King
Finance Director/City Treasurer

LOCAL GOVERNMENT FY 2022-23





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Tustin
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S
REPORT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Independent Auditor's Report

City Council
City of Tustin
Tustin, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tustin, California, as of and for the year June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Tustin's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tustin, California, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Tustin, California, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described further in Note 1 to the financial statements, during the year ended June 30, 2023, the City of Tustin implemented Governmental Accounting Standards Board (GASB) Statement No. 96. As a result, the financial statements for the fiscal year ended June 30, 2023 reflect a certain prior period adjustment as described further in note 21 to the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Tustin's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tustin's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The City of Tustin's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tustin's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information for the General Fund and each major special revenue fund, Schedule of Proportionate Share of the Net Pension Liability – Safety Plan, Schedule of Contributions – Safety Plan, Schedule of Changes in the Net Pension Liability and Related Ratios – Miscellaneous Plan, Schedule of Contributions – Miscellaneous Plan, Schedule of Changes in the Net OPEB Liability and Related Ratios, Schedule of Contributions – OPEB, and the Annual Money-Weighted Rate of Return on Investments* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tustin’s basic financial statements. The *combining and individual nonmajor fund financial statements and schedules* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual nonmajor fund financial statements and schedules*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements and schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report December 21, 2023 on our consideration of the City of Tustin’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tustin’s internal control over financial reporting and compliance.



Irvine, California
December 21, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION
AND ANALYSIS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

CITY OF TUSTIN

Management's Discussion and Analysis (Unaudited)

June 30, 2023

As management of the City of Tustin, California (City), we offer readers of the City of Tustin's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2023, by \$816 million (*net position*). The net position consists of \$568 million invested in capital assets, \$54 million in restricted net position, and \$194 million in unrestricted net position.
- The City's total net position increased by \$10.5 million during the fiscal year ended June 30, 2023. The increase in net position is largely related to a one-time profit participation revenue of \$11.6 million received during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains the required supplementary and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finance, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Government-wide financial statements distinguish City governmental activities that are principally supported by taxes and intergovernmental revenues from other business-type activities that are

Government-wide Financial Statements (Continued)

intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities of the City, the Tustin Housing Authority, and Tustin Public Financing Authority, both of which are blended component units, cover general government, public safety, community services, and public works functions. Business-type activity of the City is the water utility services.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains various individual governmental funds organized by their type (special revenue and capital projects funds). Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. The General Fund, American Rescue Plan Act (ARPA) Special Revenue Fund, Housing Authority Special Revenue Fund, and Park Acquisition and Development Special Revenue Fund are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the

Fund Financial Statements (Continued)

form of *combining statements* elsewhere in this report.

The City adopts a biennial budget for its General Fund and the Special Revenue Funds. Budgetary comparison schedules have been provided to demonstrate compliance with this budget requirement elsewhere in this report.

The governmental funds financial statements can be found immediately following the government-wide financial statements.

Proprietary funds. The City of Tustin maintains one type of proprietary (Enterprise) fund. This enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water utility services.

The proprietary fund financial statements can be found immediately following the governmental funds financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The City utilizes a private-purpose trust fund to account for the assets, liabilities, and activities of the Successor Agency. The Successor Agency was created on February 1, 2012 with the dissolution of the Tustin Community Redevelopment Agency.

The second fiduciary fund is the Other Post-Employment Benefit (OPEB) Trust Fund, which is used to account for the assets in a Section 115 trust with the Public Agency Retirement Services (PARS) for pre-funding the City's OPEB obligations. The City Council approved the establishment of the trust in April 2017, and the City has made several deposits to the trust since its inception.

The third fiduciary fund is a custodial fund that is used to account for the assets of Community Facility Districts 04-1, 06-1, 07-1, and 2014-1. The fiduciary funds financial statements can be found immediately following the proprietary fund financial statements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fiduciary funds financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, which includes the Budgetary Comparison Schedules for the General Fund and three other major funds, as well as schedules of funding progress for the City's defined benefit pension plans and other post-employment healthcare benefits (OPEB) plan. The required supplementary information can be found immediately following the notes to the basic financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented for all nonmajor Special Revenue Funds and nonmajor Capital Projects Funds. These combining and individual fund statements and schedules can be found immediately following the required supplementary information.

Government-wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

The largest portion of the City's net position (70%) reflects its investment in capital assets (e.g., land, buildings, and improvements other than buildings, equipment, infrastructure, and construction in progress), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's total assets increased by \$7.2 million or 0.7% compared to the prior fiscal year while its total deferred outflows of resources increased by \$19.6 million or 88.3%. Total assets increased mainly due to an increase in cash from receiving a profit participation revenue of \$11.6 million, offset by a \$3.8 million reduction from land held for resale due to two property disposals that took place in the Water Enterprise Fund. The major factor to the increase in deferred outflows of resources was due to changes in actuarial assumptions affecting the calculation of pension liability and additional pension contribution made by the City, which will be applied as a reduction to the net pension liabilities for the next fiscal year.

The City's total liabilities increased by \$39.3 million or 28% while its total deferred inflows of resources decreased by \$23.1 million. The primary reason for the increased liabilities and decreased deferred inflows of resources can be attributed to CalPERS incurring an investment loss of 6.1% during fiscal year 2021-2022 compared to a 21% investment gain in fiscal year 2020-2021. As a result, the City's pension liabilities increased by \$45.2 million.

Government-wide Financial Analysis (Continued)

At the same time, this investment loss of 6.1% narrowed the gap between the pension plan's projected and actual investment earnings by \$23 million, which was reported as a decrease in deferred inflows of resources.

The other component that offset the total liability increase was a decrease in unspent American Rescue Plan Act (ARPA) funds. The City received two tranches of ARPA funds (\$9.7 million in May 2021 and \$9.7 million in June 2022). ARPA funds are required to be classified as unearned revenue until expended. The City expended \$5.2 million in ARPA funds in the current year and the remaining \$7.9 million was classified as unearned revenue at June 30, 2023.

The City's total net position increased by \$10.6 million or 1.3% (excluding restatement from GASB 96 implementation as shown in Note 21). Major factors that contributed to the net position increase are discussed in the following pages.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Government-wide Financial Analysis (Continued)

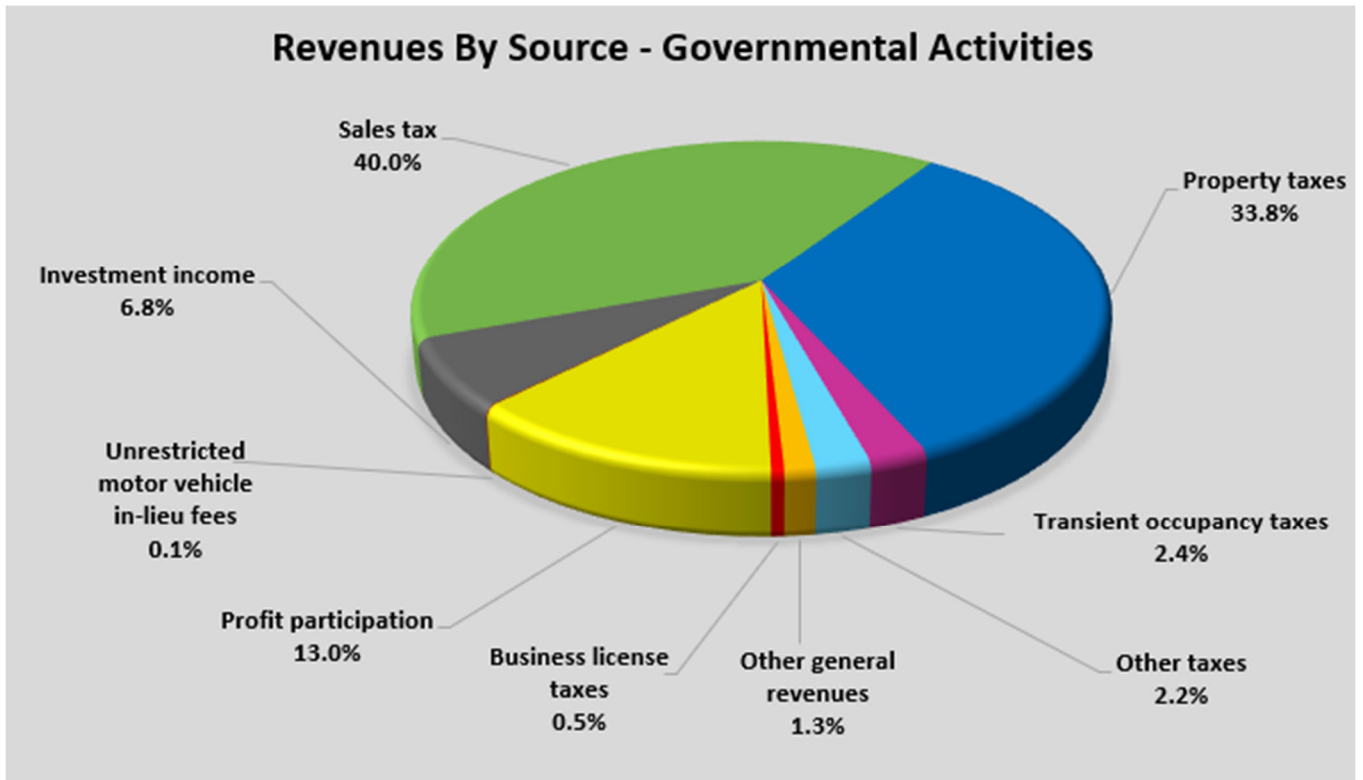
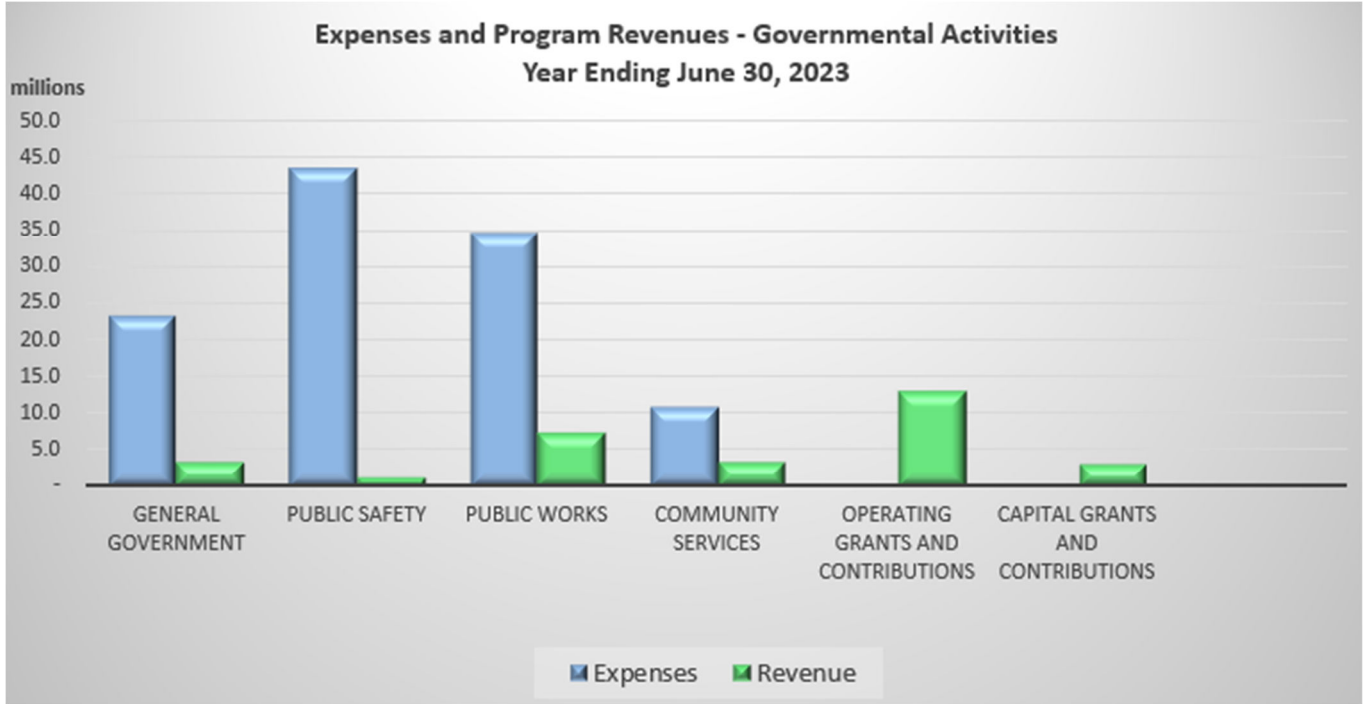
City of Tustin
Summary of Net Position
As of June 30, 2023
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total % Change 2022-2023
	2022	2023	2022	2023	2022	2023	
Assets:							
Current and other assets	\$ 334.8	\$ 347.7	\$ 19.0	\$ 15.0	\$ 353.8	\$ 362.7	
Capital assets *	<u>542.4</u>	<u>538.0</u>	<u>64.6</u>	<u>67.3</u>	<u>607.0</u>	<u>605.3</u>	
Total Assets	<u>877.2</u>	<u>885.7</u>	<u>83.6</u>	<u>82.3</u>	<u>960.8</u>	<u>968.0</u>	0.7%
Deferred outflows of resources	<u>18.1</u>	<u>36.8</u>	<u>4.1</u>	<u>5.0</u>	<u>22.2</u>	<u>41.8</u>	88.3%
Liabilities:							
Current liabilities	31.1	27.2	5.5	3.8	36.6	31.0	
Non-current liabilities	<u>62.1</u>	<u>105.4</u>	<u>41.5</u>	<u>43.1</u>	<u>103.6</u>	<u>148.5</u>	
Total Liabilities*	<u>93.2</u>	<u>132.6</u>	<u>47.0</u>	<u>46.9</u>	<u>140.2</u>	<u>179.5</u>	28.0%
Deferred inflows of resources	<u>35.7</u>	<u>14.2</u>	<u>1.7</u>	<u>0.1</u>	<u>37.4</u>	<u>14.3</u>	-61.8%
Net Position:							
Net investment in capital assets*	540.2	533.7	29.2	34.5	569.4	568.2	69.6%
Restricted	48.3	54.0	-	-	48.3	54.0	
Unrestricted	<u>177.9</u>	<u>188.0</u>	<u>9.8</u>	<u>5.8</u>	<u>187.7</u>	<u>193.8</u>	
Total Net Position*	<u>\$ 766.4</u>	<u>\$ 775.7</u>	<u>\$ 39.0</u>	<u>\$ 40.3</u>	<u>\$ 805.4</u>	<u>\$ 816.0</u>	1.3%

* 2022 numbers are not restated to reflect GASB 96 implementation.

Governmental Activities. The net position of the City's governmental activities increased by \$9.3 million or 1.2% to \$775.7 million (excluding restatement from GASB 96 as shown in Note 21) . Of the \$775.7 million in net position, \$533.7 million is invested in capital assets such as land, buildings, equipment, and infrastructure; \$54 million is restricted to specifically stipulated spending agreements originated by law, contracts, or other agreements with external parties. The remaining \$188 million is unrestricted and available to be designated for specific purposes by the City Council to meet the City's ongoing obligations.

Government-wide Financial Analysis (Continued)



CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Government-wide Financial Analysis (Continued)

City of Tustin
Summary of Changes in Net Position
For the Year Ended June 30, 2023
(in millions of dollars)

	Governmental		Business-Type		Total		Total % Change 2022-2023
	Activities		Activities		Total		
	2022	2023	2022	2023	2022	2023	
Revenues:							
Program revenues:							
Charges for services	\$ 12.7	\$ 15.6	\$ 19.6	\$ 19.5	\$ 32.3	\$ 35.1	
Operating grants and contributions	12.3	12.8	0.1	-	12.4	12.8	
Capital grants and contributions	12.9	3.1	1.6	4.1	14.5	7.2	
General revenues:							
Taxes	66.9	70.7	-	-	66.9	70.7	
Earnings(loss) on investments	(3.5)	6.1	(0.2)	0.3	(3.7)	6.4	
Motor vehicle in-lieu fees	0.1	0.1	-	-	0.1	0.1	
Miscellaneous	0.2	1.1	0.4	-	0.6	1.1	
Profit participation	0.3	11.6	-	-	0.3	11.6	
Gain on sale of assets	56.0	-	-	-	56.0	-	
Transfer	0.1	-	(0.1)	-	-	-	
Total Revenues	158.0	121.1	21.4	23.9	179.4	145.0	-19.2%
Expenses:							
General government	19.4	23.3	-	-	19.4	23.3	
Public safety	37.3	43.4	-	-	37.3	43.4	
Public works	34.8	34.3	-	-	34.8	34.3	
Community services	11.7	11.0	-	-	11.7	11.0	
Water	-	-	21.3	22.6	21.3	22.6	
Total Expenses	103.2	112.0	21.3	22.6	124.5	134.6	8.1%
Change in net position	54.8	9.1	0.1	1.3	54.9	10.4	
Net Position – Beginning Restated	711.6	766.6	38.9	39.0	750.5	805.6	
Net Position - Ending	\$ 766.4	\$ 775.7	\$ 39.0	\$ 40.3	\$ 805.4	\$ 816.0	1.3%

CITY OF TUSTIN

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Government-wide Financial Analysis (Continued)

In governmental activities, the increase in net position of \$9.1 million (after restatement from GASB 96 as shown in Note 21) is primarily due to the following:

- The City received a one-time \$11.6 million profit participation revenue pursuant to a Profit Participation Agreement between the City and the developer.
- As discussed previously, net pension liability changed due to CalPERS investment loss of 6.1% from fiscal year 2021-2022 and resulted in a decrease of \$42.4 million to net position.
- The same investment loss also resulted in an increase to the net deferred resources on pension plans and a \$41.8 million addition to net position.
- Capital asset depreciation expense in the amount of \$20 million; offset by a \$13 million increase in capital assets.
- Governmental liabilities decreased by \$5.7 million mainly due to changes in ARPA funding unearned revenue, claims and judgments, and compensated absences.
- Subscription-based IT assets increased by \$2.2 million with offset by subscription liability of \$2.1 million due to implementation of GASB 96.

In the prior fiscal year, the net position of governmental activities increased by approximately \$54.8 million compared to an increase of \$9.1 million in 2022-23, which reflects a \$45.7 million decrease year-over-year. In 2021-22, a significant amount of increase was due to a one-time sale of 25.44 acres of land for \$56 million. Other than the gain from the sale of land, the year-over-year difference can also be attributed to the following:

- The City received a one-time developer contribution of \$10.4 million during fiscal year 2021-22.
- Sales tax revenue, property tax, and investment earnings increased by a total of \$13 million mainly due to improved market conditions in fiscal year 2023 and economic recovery from the pandemic.
- Charges for services increased by \$2.8 million due to major development activities in fiscal year 2023.
- Other revenue increased by \$12.2 million mainly due to the profit participation revenue as discussed above.
- Expenditure increased by \$8.8 million mainly due to increases in contractually obligated labor costs, public safety expenditures, and inflation adjustments.

Business-Type activities net position increased slightly by \$1.3 million. Revenues increased by \$2.4 million, while expenses increased by \$1.2 million when compared to the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Financial Analysis of the Government's Funds (Continued)

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the City's financing requirements.

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of \$306.7 million, an increase of \$15.5 million from the prior year's fund balance. The following factors impacted the net change to fund balance:

- A combined increase of \$3.8 million from sales tax, property tax, and transient occupancy tax as a result of economic recovery from the pandemic.
- A combined increase of \$1.7 million in charges for services, licenses and permits revenue, and rental income as service demands increased.
- A net increase of \$2.7 million in profit participation and developer contributions.
- An increase of \$9.6 million in investment earnings due to improved market conditions.
- Intergovernmental revenue increased by \$1.4 million due to increases in CDBG and Special Tax revenues.
- The revenue increases were offset by a corresponding increase in service costs. Total non-capital expenditure increased by \$5.4 million while capital outlays reduced by \$1.4 million.

Approximately \$107.5 million or 35.1% of the City's governmental fund balance constitutes nonspendable fund balance. Of the nonspendable amount, \$102.5 million is land held for resale. The remaining fund balance consists of \$47.2 million in restricted funds, \$12.3 million assigned to capital projects, and \$139.7 million in unassigned funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$139.8 million, while total fund balance was \$274.7 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The unassigned fund balance covers 143.9% of the total General Fund expenditures, including transfers out.

Three other Special Revenue Funds are determined to be major governmental funds of the City. The first major governmental fund is the American Rescue Plan Act (ARPA) Special Revenue Fund, which has \$7.8 million in cash and investments with an offsetting unearned revenue of \$7.8 million. This fund is restricted for specific purposes relating to COVID-19 mitigation efforts and governmental services. The Housing Authority Special Revenue Fund is the second major governmental fund with \$0.4 million in restricted fund balance at the end of the current fiscal year. This fund is restricted for increasing or improving low-and-moderate income housing. The Housing Authority Fund holds \$4.9 million in affordable housing loans. The third major governmental fund is the Park Acquisition and Development Special Revenue Fund, which holds fees collected to develop the City's park system.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Financial Analysis of the Government's Funds (Continued)

City of Tustin			
Summary of Changes in Fund Balances - General Fund			
For the Year Ended June 30, 2023			
<i>(in millions of dollars)</i>			
	<u>2022</u>	<u>2023</u>	<u>Total % Change 2022-2023</u>
Revenues:			
Taxes	\$ 63.9	\$ 67.6	
Charges for services	4.2	5.0	
Intergovernmental	2.1	0.6	
Fines and forfeitures	1.0	1.2	
Licenses and permits	2.2	3.0	
Investment income (loss)	(3.3)	5.0	
Other	14.3	4.7	
Profit participation	0.3	11.6	
Gain on sale of land held for resale	<u>56.0</u>	<u>-</u>	
Total Revenues	<u>140.7</u>	<u>98.7</u>	-29.9%
Expenditures:			
General government	18.5	19.8	
Public safety	41.4	44.3	
Public works	15.6	16.8	
Community services	6.3	5.4	
Capital Outlay	4.8	3.8	
Debt service	<u>0.1</u>	<u>0.6</u>	
Total Expenses	<u>86.7</u>	<u>90.7</u>	4.6%
Excess of Revenues Over			
(Under) Expenditures	54.0	8.0	
Other Financing Sources (Uses):			
Net transfers	<u>7.6</u>	<u>2.2</u>	
Net Change in Fund Balance	<u>\$ 61.6</u>	<u>\$ 10.2</u>	-83.4%

CITY OF TUSTIN

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Financial Analysis of the Government's Funds (Continued)

General Fund total revenues decreased by \$42 million or 29.9% as noted in the previous table. Material transactions impacting revenues in the General Fund were as follows:

- Taxes increased \$3.7 million primarily due to higher sales tax and property tax revenues. Sales tax revenue totaled approximately \$35.9 million, an increase of \$1.5 million or 4.4% due to an increase in consumer spending. Property tax revenue totaled \$27.3 million, an increase of \$1.8 million or 6.9%.
- Program and fee revenues such as licenses and permits, charges for services and rental income experienced a total increase of \$1.7 million as service demands grew during the year.
- One-time gain of \$56 million from sale of land during last fiscal year 2021-2022.
- Net increase of \$1.7 million from a combination of developer contribution and profit participating revenues.
- Intergovernmental revenue decreased by \$1.5 million mainly due to the reclassification of CDBG fund from the General Fund to a special revenue fund starting this fiscal year.
- Investment earnings increased \$8.3 million during 2023, largely due to improved market conditions.

General Fund total expenditures increased by \$4 million or 4.6%, which is primarily related to labor obligations, increased public service demands, and inflation adjustments.

General Fund Budgetary Highlights

The General Fund actual revenues were \$17.1 million higher than the amended budgeted revenues, mostly due to the one-time profit participation revenue. The amended budgeted expenditures were \$142.6 million, an increase in appropriations of \$42.5 million from the original budgeted expenditures of \$100 million. The increase in appropriations was largely associated with additional capital outlay for improvements in public right of way and special equipment.

Actual General Fund expenditures were less than the amended budgeted amount of \$142.6 million by \$51.9 million, primarily due to appropriations for capital projects spanning multiple years.

Financial Analysis of the Proprietary Funds

The City has one proprietary fund which is the Water Enterprise Fund. Total revenues for the Water Fund exceeded total expenses by \$1.4 million, resulting in an increase in net position during fiscal year 2023, from \$38.9 million as of June 30, 2022, to \$40.3 million as of June 30, 2023.

Operating revenues decreased by \$0.1 million or 0.8%. Related operating costs increased by \$0.6 million from the prior fiscal year, due to increases in labor and on-going maintenance costs.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounts to \$605.3 million, net of accumulated depreciation. The investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, and bridges.

City of Tustin
Summary of Changes in Capital Assets
For the Year Ended June 30, 2023
(in millions of dollars)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u> <u>% Change</u> <u>2022-2023</u>
	<u>Activities</u>		<u>Activities</u>				
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	
Land	\$ 105.3	\$ 105.3	\$ 1.2	\$ 1.2	\$ 106.5	\$ 106.5	
Right of way	45.9	45.9	-	-	45.9	45.9	
Construction in progress	12.7	6.6	2.5	7.6	15.2	14.2	
Buildings and improvements	116.6	114.8	9.8	9.5	126.4	124.3	
Machinery and equipment	5.4	5.6	-	-	5.4	5.6	
Infrastructure	256.0	257.1	-	-	256.0	257.1	
Lease assets	0.5	0.4	-	-	0.5	0.4	
Subscription based assets	-	2.2	-	-	-	2.2	
Property, plant and equipment	-	-	51.1	49.1	51.1	49.1	
Total Capital Assets, Net	<u>\$ 542.4</u>	<u>\$ 537.9</u>	<u>\$ 64.6</u>	<u>\$ 67.4</u>	<u>\$ 607.0</u>	<u>\$ 605.3</u>	-0.3%

The net reduction of \$1.7 million in capital assets consists of additions totaling \$17.9 million (net of transfers from construction in progress and asset disposals); depreciation expense of \$22.4 million; and a prior period adjustment of \$2.8 million of subscription-based assets due to the implementation of GASB 96. In fiscal year 2023, the following major construction projects were completed:

- Neighborhood D South Phase 1 Improvements
- Various Roadway and Public Infrastructure Maintenance
- Pine Tree and Pioneer Park Renovations
- Newport Avenue Rehabilitation

The following major construction projects were in progress in fiscal year 2023: Neighborhood D-South Infrastructure Phase 2, Alley Grove, Tustin Legacy Dog Park, Beneta Wells, and various road widening, extension, and traffic signal projects.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Capital Asset and Debt Administration (Continued)

Additional information on the City's capital assets can be found in Note 8 of the notes to the basic financial statements section of this report.

Long-term Debt

At the end of the current fiscal year, the City had total outstanding long-term liabilities of \$148.4 million. Of this amount, \$36.8 million is secured solely by specified revenue sources such as water service charges.

City of Tustin
Summary of Changes in Long-Term Liabilities
For the Year Ended June 30, 2023
(in millions of dollars)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u> <u>% Change</u> <u>2022-2023</u>
	<u>Activities</u>		<u>Activities</u>				
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	
Bonds payable	\$ -	\$ -	\$ 38.1	\$ 36.8	\$ 38.1	\$ 36.8	
Claims and judgments	10.4	9.3	-	-	10.4	9.3	
Postemployment							
benefits obligation	11.9	11.8	1.4	1.5	13.3	13.3	
Compensated absences	5.0	5.0	0.4	0.4	5.4	5.4	
Lease payable	0.6	0.5	-	-	0.6	0.5	
Subscription based payable	2.6	2.1	-	-	2.6	2.1	
Pension liabilities	<u>34.2</u>	<u>76.6</u>	<u>1.6</u>	<u>4.4</u>	<u>35.8</u>	<u>81.0</u>	
Total Outstanding Debt	<u>\$ 64.7</u>	<u>\$ 105.3</u>	<u>\$ 41.5</u>	<u>\$ 43.1</u>	<u>\$ 106.2</u>	<u>\$ 148.4</u>	39.7%

Overall, long-term debt increased by \$40.1 million or 39.7% from the prior year balances mostly due to an increase in the City's net pension liability as a result of CalPER's investment loss for the 2021-2022 measurement period. As discussed previously, the increase in pension liabilities was offset by a decrease in deferred inflows of resources related to the pension plans. Additionally, bond payable decreased by \$1.3 million along with the decrease of \$1.1 million in claims and judgments.

Additional information on the City's long-term debt can be found in Notes 9, 10, and 11 of the notes to the basic financial statements section of this report.

Next Year's Budget

On June 20, 2023, the City Council adopted year one of the Fiscal Years 2023-2025 Biennial Budget. The budget for Fiscal Year 2023-2024 allocates resources that reflect the City Council's priorities set forth in the City's five-year strategic plan. The 2023-2024 Budget was adopted with a total appropriation of \$217 million. The General fund's estimated revenues are \$86 million and budgeted appropriations are \$90 million. The operating deficit can be covered by planned use of reserves. The appropriations are \$1.7 million higher than the prior year's amended appropriation, excluding the \$3.8 million General Fund loan to the Water Fund that the City Council approved in May 2023. Major increases impacting the General Fund's expenditures are compensation-related costs from labor agreements as well as service contracts due to inflationary adjustments.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Tustin, 300 Centennial Way, Tustin, California, 92780.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS



GOVERNMENT-WIDE
FINANCIAL STATEMENTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

CITY OF TUSTIN

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 188,853,562	\$ 14,625,281	\$ 203,478,843
Receivables:			
Accounts	9,063,748	2,967,975	12,031,723
Interest	687,031	39,877	726,908
Leases	9,161,417	-	9,161,417
Loans	6,443,142	-	6,443,142
Allowance for uncollectibles	(1,593,956)	-	(1,593,956)
Internal balances	3,830,700	(3,830,700)	-
Prepaid items and deposits	1,162,036	137,650	1,299,686
Land held for resale	102,457,773	-	102,457,773
Restricted assets:			
Cash and investments with fiscal agents	16,680,630	1,020,787	17,701,417
Cash and investments held by trust	10,951,986	-	10,951,986
Capital assets:			
Not being depreciated	157,810,973	8,789,491	166,600,464
Being depreciated, net	380,144,951	58,552,291	438,697,242
TOTAL ASSETS	885,653,993	82,302,652	967,956,645
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	-	3,051,022	3,051,022
Deferred amounts on OPEB plan	1,060,434	85,509	1,145,943
Deferred amounts on pension plans	35,739,325	1,892,772	37,632,097
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,799,759	5,029,303	41,829,062
LIABILITIES:			
Accounts payable and accrued liabilities	7,604,851	2,822,174	10,427,025
Interest payable	-	282,308	282,308
Deposits payable	10,039,855	727,778	10,767,633
Unearned revenue	9,570,802	-	9,570,802
Noncurrent liabilities:			
Due within one year	5,858,429	1,660,729	7,519,158
Due in more than one year	11,015,522	35,500,143	46,515,665
Due in more than one year - OPEB liability	11,836,203	1,510,251	13,346,454
Due in more than one year - pension liability	76,619,674	4,370,615	80,990,289
TOTAL LIABILITIES	132,545,336	46,873,998	179,419,334
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts on leases	8,778,411	-	8,778,411
Deferred amounts on OPEB plan	1,401,576	138,618	1,540,194
Deferred amounts on pension plans	4,038,631	-	4,038,631
TOTAL DEFERRED INFLOWS OF RESOURCES	14,218,618	138,618	14,357,236
NET POSITION:			
Net investment in capital assets	533,745,376	34,501,119	568,246,495
Restricted for:			
Community services	7,882,740	-	7,882,740
Public safety	1,216,599	-	1,216,599
Public works	44,636,034	-	44,636,034
Unrestricted	188,209,049	5,818,220	194,027,269
TOTAL NET POSITION	\$ 775,689,798	\$ 40,319,339	\$ 816,009,137

CITY OF TUSTIN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2023

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 23,229,440	\$ 3,344,041	\$ -	\$ -
Public safety	43,411,070	1,400,441	3,952,872	-
Public works	34,453,960	7,436,265	4,661,485	3,015,212
Community services	11,011,517	3,445,025	4,166,775	118,634
Interest on long-term liabilities	25,402	-	-	-
Total governmental activities	<u>112,131,389</u>	<u>15,625,772</u>	<u>12,781,132</u>	<u>3,133,846</u>
Business-type activity:				
Water	22,544,478	19,466,690	-	4,090,446
Total	<u>\$ 134,675,867</u>	<u>\$ 35,092,462</u>	<u>\$ 12,781,132</u>	<u>\$ 7,224,292</u>

General revenues:
Taxes:
Property
Franchise
Transient occupancy
Business license
Sales tax
Unrestricted intergovernmental revenue
Earnings on investments
Profit participation
Miscellaneous
Total general revenues

Change in net position

NET POSITION AT BEGINNING OF YEAR, AS RESTATED

NET POSITION AT END OF YEAR

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activity	Total
\$ (19,885,399)	\$ -	\$ (19,885,399)
(38,057,757)	-	(38,057,757)
(19,340,998)	-	(19,340,998)
(3,281,083)	-	(3,281,083)
(25,402)	-	(25,402)
<u>(80,590,639)</u>	<u>-</u>	<u>(80,590,639)</u>
-	1,012,658	1,012,658
<u>(80,590,639)</u>	<u>1,012,658</u>	<u>(79,577,981)</u>
30,283,746	-	30,283,746
2,011,849	-	2,011,849
2,151,007	-	2,151,007
470,064	-	470,064
35,889,406	-	35,889,406
82,411	-	82,411
6,081,889	326,716	6,408,605
11,622,220	-	11,622,220
1,126,304	19,918	1,146,222
<u>89,718,896</u>	<u>346,634</u>	<u>90,065,530</u>
9,128,257	1,359,292	10,487,549
<u>766,561,541</u>	<u>38,960,047</u>	<u>805,521,588</u>
<u>\$ 775,689,798</u>	<u>\$ 40,319,339</u>	<u>\$ 816,009,137</u>

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FUND FINANCIAL STATEMENTS



ANNUAL COMPREHENSIVE FINANCIAL REPORT

CITY OF TUSTIN
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2023

	General	American Rescue Plan Act (ARPA) Fund	Housing Authority Fund	Park Acquisition and Development	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 148,910,870	\$ 7,795,805	\$ 401,251	\$ 1,903,899	\$ 29,841,737	\$ 188,853,562
Restricted cash and investments	16,188,107	-	-	-	492,523	16,680,630
Restricted cash and investments held by trust	10,951,986	-	-	-	-	10,951,986
Receivables:						
Accounts	7,992,087	-	-	50	1,071,611	9,063,748
Interest	481,722	70,455	48,039	13,040	73,775	687,031
Leases	4,216,100	-	-	4,945,317	-	9,161,417
Loans	456,370	-	5,986,772	-	-	6,443,142
Allowance for uncollectibles	(544,048)	-	(1,049,908)	-	-	(1,593,956)
Prepaid items and deposits	1,154,735	-	-	-	7,301	1,162,036
Advances to other funds	3,830,700	-	-	-	-	3,830,700
Land held for resale	102,457,773	-	-	-	-	102,457,773
TOTAL ASSETS	\$ 296,096,402	\$ 7,866,260	\$ 5,386,154	\$ 6,862,306	\$ 31,486,947	\$ 347,698,069
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued liabilities	\$ 5,518,885	\$ -	\$ 141,542	\$ 389,798	\$ 1,554,626	\$ 7,604,851
Deposits payable	10,039,855	-	-	-	-	10,039,855
Unearned revenue	1,656,230	7,866,260	-	-	48,312	9,570,802
TOTAL LIABILITIES	17,214,970	7,866,260	141,542	389,798	1,602,938	27,215,508
DEFERRED INFLOW OF RESOURCES						
Unavailable revenue	28,765	-	4,891,280	-	95,022	5,015,067
Lease related	4,104,096	-	-	4,674,315	-	8,778,411
TOTAL DEFERRED INFLOW OF RESOURCES	4,132,861	-	4,891,280	4,674,315	95,022	13,793,478
FUND BALANCES						
Nonspendable	107,508,711	-	-	-	7,301	107,516,012
Restricted	27,466,991	-	353,332	-	19,399,599	47,219,922
Assigned	-	-	-	1,798,193	10,479,549	12,277,742
Unassigned	139,772,869	-	-	-	(97,462)	139,675,407
TOTAL FUND BALANCES	274,748,571	-	353,332	1,798,193	29,788,987	306,689,083
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 296,096,402	\$ 7,866,260	\$ 5,386,154	\$ 6,862,306	\$ 31,486,947	\$ 347,698,069

CITY OF TUSTIN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2023

Fund balances of governmental funds		\$ 306,689,083
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental funds.		537,955,924
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position: Balance at June 30, 2023 are:		
Claims and judgments payable	\$ (9,329,099)	
Compensated absences payable	(4,955,652)	
Subscription-based information technology arrangements	(2,121,251)	
Lease payable	<u>(467,949)</u>	
Total long-term liabilities		(16,873,951)
Pension related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:		
Deferred outflows of resources	35,739,325	
Deferred inflows of resources	(4,038,631)	
Pension liability	<u>(76,619,674)</u>	
		(44,918,980)
OPEB related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to OPEB are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:		
Deferred outflows of resources	1,060,434	
Deferred inflows of resources	(1,401,576)	
Post employment benefit liability	<u>(11,836,203)</u>	
		(12,177,345)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds balance sheet.		<u>5,015,067</u>
Net position of governmental activities		<u>\$ 775,689,798</u>

CITY OF TUSTIN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2023

	General	American Rescue Plan Act (ARPA) Fund	Housing Authority Fund	Park Acquisition and Development	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 67,627,570	\$ -	\$ -	\$ -	\$ 209,868	\$ 67,837,438
Licenses and permits	3,007,410	-	-	-	-	3,007,410
Fines and forfeitures	1,160,608	-	-	-	-	1,160,608
Investment income	4,988,709	236,463	8,322	153,305	695,090	6,081,889
Intergovernmental revenue	556,238	5,178,924	599,257	228,279	15,046,529	21,609,227
Charges for services	5,018,259	-	1,000	18,895	63,146	5,101,300
Rental income	2,925,421	-	-	398,224	-	3,323,645
Other revenue	13,411,404	-	26,840	-	381,481	13,819,725
TOTAL REVENUES	98,695,619	5,415,387	635,419	798,703	16,396,114	121,941,242
EXPENDITURES						
Current:						
General government	19,831,017	-	-	-	7,000	19,838,017
Public safety	44,298,391	-	-	-	53,357	44,351,748
Public works	16,765,571	-	-	-	2,418,195	19,183,766
Community services	5,357,382	1,575,600	1,492,620	54,732	301,483	8,781,817
Capital outlay	3,757,886	-	-	940,063	8,888,446	13,586,395
Debt service:						
Principal retirement	638,528	-	-	-	-	638,528
Interest expenditures	25,402	-	-	-	-	25,402
TOTAL EXPENDITURES	90,674,177	1,575,600	1,492,620	994,795	11,668,481	106,405,673
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,021,442	3,839,787	(857,201)	(196,092)	4,727,633	15,535,569
OTHER FINANCING SOURCES (USES)						
Transfer in	8,638,611	-	439,787	-	6,450,000	15,528,398
Transfer out	(6,450,000)	(3,839,787)	-	-	(5,238,611)	(15,528,398)
TOTAL OTHER FINANCING SOURCES (USES)	2,188,611	(3,839,787)	439,787	-	1,211,389	-
NET CHANGES IN FUND BALANCES	10,210,053	-	(417,414)	(196,092)	5,939,022	15,535,569
FUND BALANCES - BEGINNING OF YEAR	264,538,518	-	770,746	1,994,285	23,849,965	291,153,514
FUND BALANCES - END OF YEAR	\$ 274,748,571	\$ -	\$ 353,332	\$ 1,798,193	\$ 29,788,987	\$ 306,689,083

CITY OF TUSTIN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2023

Net changes in fund balances - total governmental funds		\$ 15,535,569
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital expenditures and contributions exceeded depreciation and disposition of capital assets in the current period:		
Capital outlay	\$ 12,986,269	
Disposition of capital assets	(336,970)	
Depreciation expense	<u>(19,909,357)</u>	(7,260,058)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt and changes in other long-term liabilities affects the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term liabilities:		
Principal payments - lease	113,146	
Principal payments - subscription-based information technology arrangements	525,382	
Claims and judgments payable	1,099,471	
Compensated absences payable	<u>1,554</u>	1,739,553
Pension expenditures reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.		
		(636,092)
OPEB expenditures reported in the governmental funds includes the actuarially determined contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.		
		93,911
Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are reported as available revenues in the governmental funds:		
Net change in unavailable revenue		<u>(344,626)</u>
Change in net position of governmental activities		<u><u>\$ 9,128,257</u></u>

CITY OF TUSTIN
STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2023

	Business-type Activity
	Water
	Enterprise Fund
ASSETS:	
CURRENT ASSETS:	
Cash and investments	\$ 14,625,281
Accounts receivable	2,967,975
Interest receivable	39,877
Prepaid items	137,650
Restricted cash and investments	1,020,787
TOTAL CURRENT ASSETS	18,791,570
NONCURRENT ASSETS:	
Capital assets:	
Not being depreciated	8,789,491
Being depreciated, net	58,552,291
TOTAL NONCURRENT ASSETS	67,341,782
TOTAL ASSETS	86,133,352
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	3,051,022
Deferred amounts on pension plans	1,892,772
Deferred amounts on OPEB plan	85,509
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,029,303
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	2,822,174
Deposits payable	727,778
Interest payable	282,308
Advances from other funds	3,830,700
Compensated absences payable	263,125
Bonds payable	1,397,604
TOTAL CURRENT LIABILITIES	9,323,689
LONG-TERM LIABILITIES:	
Compensated absences payable	87,708
Bonds payable	35,412,435
Net pension liability	4,370,615
Net OPEB liability	1,510,251
TOTAL LONG-TERM LIABILITIES	41,381,009
TOTAL LIABILITIES	50,704,698
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts on OPEB plan	138,618
TOTAL DEFERRED INFLOWS OF RESOURCES	138,618
NET POSITION:	
Net investment in capital assets	34,501,119
Unrestricted	5,818,220
TOTAL NET POSITION	\$ 40,319,339

CITY OF TUSTIN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND

For the year ended June 30, 2023

	Business-type Activity Water Enterprise Fund
OPERATING REVENUES:	
Charges for services	\$ 19,466,690
TOTAL OPERATING REVENUES	<u>19,466,690</u>
OPERATING EXPENSES:	
Personnel services	4,147,146
Purchased water	9,674,776
Maintenance and operation	4,309,711
Depreciation	2,530,814
TOTAL OPERATING EXPENSES	<u>20,662,447</u>
OPERATING INCOME (LOSS)	<u>(1,195,757)</u>
NONOPERATING REVENUES (EXPENSES):	
Investment income	326,716
Loss on sale of land held for resale	(663,799)
Other income	19,918
Interest expense and other fiscal charges	(1,218,232)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,535,397)</u>
CAPITAL CONTRIBUTIONS:	
Capital contributions	<u>4,090,446</u>
CAPITAL CONTRIBUTIONS	<u>4,090,446</u>
CHANGE IN NET POSITION	1,359,292
NET POSITION AT BEGINNING OF YEAR	<u>38,960,047</u>
NET POSITION AT END OF YEAR	<u>\$ 40,319,339</u>

CITY OF TUSTIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the year ended June 30, 2023

	Business-type Activity <u>Water</u> <u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 21,174,883
Payments to suppliers	(15,753,822)
Payments to employees	<u>(4,057,573)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,363,488</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash received from other funds	<u>3,830,700</u>
NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES:	<u>3,830,700</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(1,201,478)
Proceeds from the sale of land held for resale	3,100,000
Principal paid on bonds	(1,165,000)
Interest paid on long-term debt	<u>(1,126,307)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(392,785)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>314,529</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>314,529</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,115,932
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>10,530,136</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 15,646,068</u>
CASH AND CASH EQUIVALENTS:	
Cash and investments - current assets	\$ 14,625,281
Cash and investments - restricted assets	<u>1,020,787</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 15,646,068</u>

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 (CONTINUED)

For the year ended June 30, 2023

	Business-type Activity
	<u>Water</u>
	<u>Enterprise Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (1,195,757)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,530,814
Other nonoperating income (expense)	19,918
Change in assets, liabilities and deferrals:	
(Increase) decrease in accounts receivable	1,688,275
(Increase) decrease in prepaid items	(47,785)
(Increase) decrease in deferred outflows of resources	(1,116,320)
Increase (decrease) in accounts payable and accrued liabilities	(1,806,551)
Increase (decrease) in deposits payable	85,001
Increase (decrease) in compensated absences	(21,896)
Increase (decrease) in net pension liability	2,739,221
Increase (decrease) in total OPEB liability	64,158
Increase (decrease) in deferred inflows of resources	<u>(1,575,590)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,363,488</u>
SCHEDULE OF NON-CASH CAPITAL AND INVESTING ACTIVITIES	
Unrealized gain on investments	\$ 39,160
Donated capital assets	4,090,446

CITY OF TUSTIN

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2023

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund	Other Post- Employment Benefit (OPEB) Trust Fund	Custodial Funds
ASSETS:			
Cash and investments	\$ 3,308,822	\$ -	\$ 216,212
Investments:			
Money markets	-	163,004	-
Mutual funds - equity	-	1,670,332	-
Mutual funds - fixed income	-	1,600,781	-
Restricted cash and investments	1,208	-	13,152,135
Receivables:			
Accounts	-	-	101,216
TOTAL ASSETS	3,310,030	3,434,117	13,469,563
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	5,396,835	-	-
LIABILITIES:			
Interest payable	578,042	-	-
Long-term liabilities:			
Due within one year	2,476,076	-	-
Due in more than one year	46,333,573	-	-
TOTAL LIABILITIES	49,387,691	-	-
NET POSITION:			
Restricted for:			
Postemployment benefits other than pensions	-	3,434,117	-
Individuals, organizations and other governments	(40,680,826)	-	13,469,563
TOTAL NET POSITION	\$ (40,680,826)	\$ 3,434,117	\$ 13,469,563

CITY OF TUSTIN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2023

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund	Other Post-Employment Benefit (OPEB) Trust Fund	Custodial Funds
ADDITIONS:			
Tax revenue	\$ 3,974,928	\$ -	\$ 7,112,218
Investment income	5,633	212,945	342,064
Employer contributions	-	500,000	-
TOTAL ADDITIONS	3,980,561	712,945	7,454,282
DEDUCTIONS:			
Administrative expenses	-	14,960	173,863
Community services	25,173	-	-
Principal	-	-	2,435,000
Interest	1,782,965	-	4,319,516
TOTAL DEDUCTIONS	1,808,138	14,960	6,928,379
CHANGE IN NET POSITION	2,172,423	697,985	525,903
NET POSITION - BEGINNING OF YEAR	(42,853,249)	2,736,132	12,943,660
NET POSITION - END OF YEAR	<u>\$ (40,680,826)</u>	<u>\$ 3,434,117</u>	<u>\$ 13,469,563</u>



NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS



ANNUAL COMPREHENSIVE FINANCIAL REPORT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. The Financial Reporting Entity

The City of Tustin (City) was incorporated in 1927 as a “General Law” City governed by an elected five-member city council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Tustin (the primary government) and its component units. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City of Tustin’s elected officials have a continuing full or partial accountability for fiscal matters of the other entities. The financial reporting entity consists of: (1) the City, (2) organizations for which the City is financially accountable, and (3) organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit’s balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit’s governing body is substantially the same as the City’s or the component unit provides services almost entirely to the City and there is a financial benefit/burden relationship.

Blended Component Units

The Tustin Public Financing Authority (the Authority) is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. The Authority exists under a Joint Exercise of Power Agreement dated May 1, 1995. The members of the City Council constitute the members of the Board of Directors of the Authority. The Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes, and other obligations of, or for the purpose of making loans to the City and/or to refinance outstanding obligations of the City or Assessment Districts of the City. The Authority’s financial transactions consist of debt service payments that are reported in the Water Enterprise Fund as the Authority has issued debt for the Water Enterprise Fund.

The City of Tustin Housing Authority (the Housing Authority) was established by the City Council in 2011 and is responsible for the administration of providing affordable housing in the City. The Housing Authority is governed by a five-member Board of Directors which consists of members of the City Council, which designates management and has full accountability for the Housing Authority’s financial affairs. The Housing Authority’s financial transactions are reported in the Housing Authority Special Revenue Fund.

All of the City’s component units are considered to be blended component units as the City Council serves as the governing board, management of the City has operational reasonability, and the City is considered financially accountable for these component units. Blended component units, although legally separate entities, are in substance, part of the City’s operations and so data from these units are reported within the funds of the primary government. These component units do not issue separate component unit financial statements.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the reporting government as a whole, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activity, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, inter-fund services have been eliminated; however, those transactions between governmental and business-type activity have not been eliminated.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements for the City's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental funds. Fiduciary fund statements, even though excluded from the government-wide financial statements, include financial information for private purpose trust funds, other post-employment benefit trust fund, and custodial funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary private purpose trust fund (fiduciary custodial funds use the economic resource measurement focus) financial statements. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statements of net position. Operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds result from providing services and producing and delivering goods. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Property taxes are recognized as revenue in the year for which they are levied. Operating revenues are those that result from providing services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets, current liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on long-term liabilities, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term liabilities are reported as other financing sources.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, intergovernmental revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City's fiduciary funds consist of a private purpose trust, other post-employment benefit (OPEB) trust, and custodial funds which are reported using the economic resources measurement focus.

All governmental activities, business-type activity and fund financial statements of the City follow Governmental Accounting Standards Board (GASB) pronouncements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Classifications

The funds designated as major funds are determined by a mathematical calculation. The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City and is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

The American Rescue Plan Act (ARPA) Fund is used to account for monies received from the U.S Treasury for COVID-19 related expenses.

The Housing Authority Fund is used to account for revenues and associated expenditures to be used for increasing or improving low- and moderate-income housing.

The Park Acquisition and Development Fund is used to account for fees received from developers and park activities to develop the City's park system.

The City reports the following major proprietary fund:

The Water Enterprise Fund is used to account for the City's water service operations to residents and businesses.

The City's fund structure also includes the following fund types:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for a specified purpose.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the Tustin Community Redevelopment Agency.

Other Post-Employment Benefit Trust Fund is used to account for the activities of the City's trust for the OPEB plan.

Custodial Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments. The custodial funds are used to account for taxes received for special assessment district debt for which the City is not obligated.

d. New Accounting Pronouncements

Current Year Standards

In May 2020, GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Early application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented.

In April 2022, GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective date for this GASB is for the year ending June 15, 2023.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. New Accounting Pronouncements (Continued)

Pending Accounting Standards

In June 2022, GASB issued Statement No. 100 - *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This statement clarifies the existing definition of *accounting changes* and requires enhancements accounting and financial reporting for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information.

In June 2022, GASB issued Statement No. 101 – *Compensated Absences*. This statement clarifies the existing recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled.

In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- e. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Cash, Cash Equivalents and Investments

Investments are stated at fair value (the value at which a financial instrument would be exchanged in a current transaction between willing parties other than a forced or liquidation sale), except for certain investments which have a remaining life of less than one year when purchased and investment contracts, which are stated at amortized cost.

The City's proprietary fund participates in the pooling of City-wide cash and investments. Amounts held in the City pool are available to the fund on demand and are considered to be cash and cash equivalents for statement of cash flow purposes. Investments not held in the City pool that are short-term investments with original maturities of three months or less from the date of acquisition are considered cash and cash equivalents.

Prepays

The City uses the consumption method to record prepaid items.

Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at acquisition value at the date of contribution. Capital asset purchases (other than infrastructure) in excess of \$10,000 are capitalized if they have an expected useful life of five years or more. Infrastructure assets with a cost exceeding \$150,000 are capitalized.

Capital assets include additions to public domain (infrastructure), certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, streetlights, sewers, storm drains, bridges, and right-of-way corridors within the City.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the enterprise fund. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position. The lives used for depreciation purposes of each capital asset class generally are:

Buildings	5 - 40 years
Improvements other than buildings	5 - 40 years
Property and plant	5 - 40 years
Machinery and equipment	4 - 10 years
Infrastructure	25 - 75 years
Subscription-based IT assets	1 - 7 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- e. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Capital Assets (Continued)

Lease assets are defined as assets with an initial, individual cost of more than \$10,000 and an estimated useful life of at least one year. Such assets are recorded at the present value of the lease liability. Lease assets are amortized using the straight-line method of each leases' term.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

The City has the following items that qualify for reporting in the deferred outflows of resources category:

- Deferred charge on refunding, net of accumulated amortization, reported in the government-wide statement of net position, the proprietary fund and fiduciary funds financial statements. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflow related to pensions resulting from employer contributions made after the measurement date of the net pension liability. These amounts are recognized in the subsequent fiscal year. Deferred outflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions, differences between expected and actual experience, and from changes of assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to OPEB plan resulting from the differences in projected and actual earnings on investments of the OPEB plan fiduciary net position. These amounts are amortized over five years. Deferred outflow related to changes in assumptions, and differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees provided with OPEB.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- e. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflow from unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants and rental. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans. Deferred inflow related to pension plan resulting from the difference between projected and actual earnings on investments of the pension plan fiduciary net positions. These amounts are amortized over five years.
- Deferred inflow related to pensions and OPEB for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB through the respective plans. Deferred inflow related to pensions and OPEB plan resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions and OPEB through the respective plans.
- Deferred inflow related to future lease revenue which is recorded at present value at the point of inception and is recognized over the life of each lease term.

Land Held for Resale

Land held for resale is carried at the lower of cost or estimated realizable value at fiscal year-end. Estimated realizable value is determined only upon the execution of a disposition and development agreement. Land held for resale is recorded in the General Fund.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- e. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas. The City accrues as revenues only those taxes which are received within 60 days after year end in the fund financial statements.

Property Tax Calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	January 1 st
Levy period	July 1 st to June 30 th
Levy date	On or before 4 th Monday in September
Due date	November 1 st - 1 st installment February 1 st - 2 nd installment
Collection date	December 10 th - 1 st installment April 10 th - 2 nd installment

Interest and penalties are assessed after the collection date.

Compensated Absences

All vested vacation and compensatory leave time is recognized as an expense and as a liability in the proprietary type fund at the time the liability vests. Governmental fund types recognize the vested vacation and compensatory time as an expenditure in the current year to the extent it is paid during the year or is due and payable at year-end. For governmental activities, compensated absences are primarily liquidated from the general fund. Any additional accrued vacation and compensatory time relating to governmental funds and amounts relating to the proprietary fund type are included as long-term liabilities within the government-wide statement of net position.

Leases

At the commencement of the lease, the City initially measures the payable at the present value of payments expected to be paid during the lease term. Subsequently, the payable is reduced by the principal portion of payments made. The lease assets are initially measured by the present value of payments expected to be paid during the lease term. Subsequently, the lease assets are amortized over the life of the lease term.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- e. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Subscription-Based Information Technology (IT) Arrangements

The City is a participant in subscription-based IT arrangements as detailed in Footnote 9. The City recognizes a subscription-based IT payable and right to use IT assets in the financial statements.

At the commencement of the arrangement, the City initially measures the payable at the present value of payments expected to be paid during the arrangement term. Subsequently, the payable is reduced by the principal portion of payments made. The right to use assets are initially measured at the initial amount of the subscription-based IT payable. Subsequently, the right to use assets are amortized over the life of the arrangement term.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the City's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the statement of net position date, and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Unrestricted assets:			
Cash and investments	\$ 203,478,843	\$ 3,525,034	\$ 207,003,877
Restricted assets:			
Cash and investments	17,701,417	13,153,343	30,854,760
Cash and investments held by trust	10,951,986	3,434,117	14,386,103
Total cash and investments	<u>\$ 232,132,246</u>	<u>\$ 20,112,494</u>	<u>\$ 252,244,740</u>

Cash and investments as of June 30, 2023, consist of the following:

Cash on hand	\$ 9,950
Deposits with financial institutions	8,494,833
Investments	<u>243,739,957</u>
Total cash and investments	<u>\$ 252,244,740</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Cash and Investments (Continued)

Investments Authorized by the California Government Code and the City’s Investment Policy

The table below identifies the investment types that are authorized for the City. The table also identifies certain provisions of the City’s investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City or the funds within the Pension Trust and OPEB Trust that are governed by the agreement between the City and the trustee, rather than the general provisions of the California Government Code or the City’s investment policy.

Investment Types Authorized by the City's Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Negotiable certificates of deposit	5 years	30%	5%
Commercial paper	270 days	30%	5%
Local Agency Investment Pool (LAIF)	N/A	None	Max permitted by State Treasurer
Orange County Investment Pool (OCIP)	N/A	None	Max permitted by County Treasurer
Bankers acceptances	180 days	30%	5%
Medium-term notes	5 years	30%	5%
Municipal and state securities	5 years	30%	5%
Federal agency bonds or notes	5 years	None	50%
United States (U.S.) Treasury securities	5 years	None	None
Money market mutual funds	N/A	20%	10%
Agency mortgage pass-through securities	5 years	20%	10%
Repurchase agreements	1 year	30%	5%
Supranationals	5 years	5%	5%
Shares of beneficial interest by a JPA	5 years	None	50%

N/A - Not Applicable

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and the concentration of credit risk.

Investment Types Authorized by Debt Agreements	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S Treasury Obligations	None	None	None
U.S Government Sponsored			
Agency Securities	N/A	None	None
Banker's Acceptances	270 days	None	None
Commercial Paper	180 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Certificates of Deposit	None	None	None
Corporate Notes	None	None	None
Repurchase Agreements	None	None	None

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	12 Months or less	12 to 24 Months	25 - 60 Months	Total
U.S. Treasury Notes	\$ 19,671,046	\$ 6,000,220	\$ 6,790,145	\$ 32,461,411
U.S. Government Sponsored Agency Securities:				
Federal National Mortgage Association (FNMA)	-	1,836,166	-	1,836,166
Federal Home Loan Bank (FHLB)	14,210,622	2,869,995	-	17,080,617
Federal Home Loan Mortgage Corporation (FHLMC)	-	977,954	712,494	1,690,448
Federal Farm Credit Bank (FHLB)	-	977,853	-	977,853
Local Agency Investment Pool (LAIF)	18,035,024	-	-	18,035,024
California Asset Management Program (CAMP)	108,021,595	-	-	108,021,595
Negotiable Certificates of Deposit	241,771	-	1,136,749	1,378,520
Commercial Paper	2,949,938	-	-	2,949,938
Medium-term Notes	994,870	15,068,061	15,378,819	31,441,750
Held by Fiscal Agents:				
Money Market Mutual Funds	13,480,532	-	-	13,480,532
Held by Pension Trust:				
Money Market Mutual Funds	520,795	-	-	520,795
Mutual Funds - Equity	5,327,090	-	-	5,327,090
Mutual Funds - Fixed Income	5,104,101	-	-	5,104,101
Held by OPEB Trust:				
Money Market Mutual Funds	163,004	-	-	163,004
Mutual Funds - Equity	1,670,332	-	-	1,670,332
Mutual Funds - Fixed Income	1,600,781	-	-	1,600,781
Total	\$ 191,991,501	\$ 27,730,249	\$ 24,018,207	\$ 243,739,957

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the Standard & Poor’s actual rating as of year end for each investment type.

Investment Type	Total as of June 30, 2023	Minimum Required Rating	Minimum				Not Rated
			AAA	AA	A	A-1	
U.S. Treasury Notes	\$ 32,461,411	N/A	\$ -	\$ 28,500,152	\$ -	\$ 3,961,259	\$ -
U.S. Government Sponsored							
Agency Securities:							
FNMA	1,836,166	N/A	-	1,836,166	-	-	-
FHLB	17,080,617	N/A	-	6,326,252	-	10,754,365	-
FHLMC	1,690,448	N/A	-	-	-	-	1,690,448
FCFB	977,853	N/A	-	977,853	-	-	-
LAIF	18,035,024	N/A	-	-	-	-	18,035,024
CAMP	108,021,595	N/A	108,021,595	-	-	-	-
Negotiable Certificates of Deposit	1,378,520	N/A	-	-	-	-	1,378,520
Commercial Paper	2,949,938	A-1	-	-	-	2,949,938	-
Medium-term Notes	31,441,750	A	-	5,548,733	19,340,206	6,552,811	-
Held by Fiscal Agents:							
Money Market Mutual Funds	13,480,532	AAA	13,480,532	-	-	-	-
Held by Pension Trust:							
Money Market Mutual Funds	520,795	N/A	520,795	-	-	-	-
Mutual Funds - Equity	5,327,090	N/A	-	-	-	-	5,327,090
Mutual Funds - Fixed Income	5,104,101	N/A	-	-	-	-	5,104,101
Held by OPEB Trust:							
Money Market Mutual Funds	163,004	N/A	163,004	-	-	-	-
Mutual Funds - Equity	1,670,332	N/A	-	-	-	-	1,670,332
Mutual Funds - Fixed Income	1,600,781	N/A	-	-	-	-	1,600,781
Total	<u>\$ 243,739,957</u>		<u>\$ 122,185,926</u>	<u>\$ 43,189,156</u>	<u>\$ 19,340,206</u>	<u>\$ 24,218,373</u>	<u>\$ 34,806,296</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Investments in any one issuer that represent five percent or more of total City's investments are as follows:

Issuer	Investment Type	Reported Amount	Percentage of Portfolio
Federal Home Loan Bank (FHLB)	United States Government Sponsored Agency Securities	\$ 17,080,617	7.00%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an investor will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an investor will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2023, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The California Local Agency Investment Fund is not insured or collateralized. The Fund is subject to regulatory oversight by the State of California Treasurer, although it is not registered with the SEC. Deposits and withdrawals to and from LAIF are made on the basis of \$1 and not at fair value. Accordingly, under the fair value hierarchy, the investment with LAIF is uncategorized.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment in California Asset Management Program (CAMP)

The City is a voluntary participant in the California Asset Management Program (CAMP) that is regulated by the California Government Code. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro rata share of the fair value provided by CAMP for the entire CAMP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

Investments in Pension and OPEB Trusts

The City established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the City’s pension and OPEB plans. The Pension and OPEB Trusts’ specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the City. Those guidelines are as follows:

Risk Tolerance	Moderate
Risk Management	The portfolio is constructed to control risk through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.
Investment Objective	To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.
Strategic Ranges	0% - 20% Cash 40% - 60% Fixed Income 40% - 60% Equity

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2023:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Notes	\$ -	\$ 32,461,411	\$ -	\$ 32,461,411
U.S. Government Sponsored				
Agency Securities:				
FNMA	-	1,836,166	-	1,836,166
FHLB	-	17,080,617	-	17,080,617
FHLMC	-	1,690,448	-	1,690,448
FFCB	-	977,853	-	977,853
Negotiable Certificates of Deposit	-	1,378,519	-	1,378,519
Commercial Paper	-	2,949,938	-	2,949,938
Medium-term Notes	-	31,441,751	-	31,441,751
Held by Pension Trust:				
Mutual Funds - Equity	5,327,090	-	-	5,327,090
Mutual Funds - Fixed Income	5,104,101	-	-	5,104,101
Held by OPEB Trust:				
Mutual Funds - Equity	1,670,332	-	-	1,670,332
Mutual Funds - Fixed Income	1,600,781	-	-	1,600,781
Total Levelled Investments	<u>\$ 13,702,304</u>	<u>\$ 89,816,703</u>	<u>\$ -</u>	<u>103,519,007</u>
LAIF*				18,035,024
CAMP*				108,021,595
Money Market Mutual Funds*:				
Held by Fiscal Agents				13,480,532
Held by Pension Trust				520,795
Held by OPEB Trust				163,004
Total Investment Portfolio				<u>\$ 243,739,957</u>

* Not subject to fair value measurement hierarchy.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 3 - LOANS RECEIVABLE

Multi-Family Development Loan: A bridge loan was provided to a senior apartment developer to assist in the development of 53 affordable rental units. The total outstanding balance as of June 30, 2023, including accrued interest of \$10,024 was \$360,024.

Home Improvement Loans: Home improvement loans were provided to low- and moderate-income households (rental and ownership). These deferred loans are due upon sale, refinance, or when the rental units are no longer available as affordable units. Term is 30 years. The total outstanding balance as of June 30, 2023, was \$12,840. An allowance of \$12,840 has been recorded to reflect the amount of the loans not expected to be collectible.

Orange County Rescue Mission: On February 10, 2015, the City entered into an agreement with the Orange County Rescue Mission (OCRM), whereby the City agreed to convey two residential buildings to the OCRM to be used for housing for homeless veterans. In exchange, the OCRM executed a promissory note to the City in the amount of \$533,000. The note is payable after 30 years with 3% interest. For every year that the OCRM uses the property for homeless veterans housing, the promissory note and any accrued interest will be forgiven by 1/30th. Should the OCRM successfully utilize the properties for homeless veterans housing for all 30 years in which the note is in effect, as stipulated in the deed of trust, it will owe no money to the City. The total outstanding balance at June 30, 2023, including accrued interest of \$51,402, was \$442,268. An allowance of \$442,268 has been recorded to reflect the amount of the note not expected to be collectible.

Boys' and Girls' Club Roof Loan: On January 7, 2019, the City executed a promissory note with the Boys' and Girls' Club of Tustin (the Club) in the amount of \$86,000 to assist in roof replacements of the Club's facility. The loan is payable over 15 years at 2% interest per annum with annual installments of principal and interest in the amount of \$6,693 commencing on January 11, 2021. The total outstanding balance at June 30, 2023, including accrued interest of \$610, was \$66,113.

Affordable Housing Loans: The City executed promissory notes with approximately 279 affordable home buyers to facilitate the preservation of the City's affordable housing supply. The entire unpaid principal amount and accrued interest is due 45 years from the date of the initial sale of the unit to a member of the home-buying public. No prepayment of the note in whole, or in part, is allowed any time prior to the maturity date. Additionally, 95% of the loan is forgivable, should the owner comply with the Affordable Housing Covenant as of the maturity date. As of June 30, 2023, the total outstanding principal balance was \$92,478,647. An allowance of \$87,854,715 has been recorded to reflect the amount of the note not expected to be collectible.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 3 - LOANS RECEIVABLE (CONTINUED)

Family Promise Loan: On February 18, 2020, the Housing Authority entered into an agreement with Family Promise of Orange County, whereby the City agreed to convey real property for the development of transitional housing units for homeless families. In exchange, Family Promise executed a promissory note to the City in the amount of \$1,000,000 on May 12, 2022. The note is payable after 30 years with 3% interest. For each year that Family Promise complies with all applicable terms, conditions, and covenants of the agreement, 1/30 of both principal and interest shall be forgiven. The total outstanding balance at June 30, 2023, including accrued interest of \$37,068, was \$1,037,068. An allowance of \$1,037,068 has been recorded to reflect the amount of the note not expected to be collectible.

NOTE 4 - INTERFUND TRANSFERS AND ADVANCES

The composition of interfund transfers for the year ended June 30, 2023, is as follows:

Transfers In	Transfers Out	Amount
General Fund	ARPA Fund	\$ 3,400,000
General Fund	Other Governmental Funds	5,238,611
Housing Authority Fund	ARPA Fund	439,787
Other Governmental Funds	General Fund	6,450,000
		\$ 15,528,398

The transfers during the fiscal year ended June 30, 2023, were for the following purposes:

ARPA Fund transferred to the General Fund \$3,400,000 for revenue replacement intended to cover public safety salaries.

Other governmental fund (Special Tax B Special Revenue Fund) transferred \$5,059,557 to the General Fund for eligible Special Tax B area expenditures.

Other governmental fund (Measure M Special Revenue Fund) transferred \$179,054 to the General Fund for eligible Measure M expenditures.

ARPA Fund transferred to the Housing Authority Fund \$439,787 for homeless shelter expenditure.

General Fund transferred to other governmental fund (Other Capital Projects Fund) \$6,450,000 for capital and maintenance expenditures.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 4 - INTERFUND TRANSFERS AND ADVANCES (CONTINUED)

The composition of interfund advances for the year ended June 30, 2023, is as follows:

<u>Advance From</u>	<u>Advance To</u>	<u>Amount</u>
General Fund	Water Enterprise Fund	\$ 3,830,700

The General Fund advanced a total of \$3,830,700 to the Water Enterprise Fund to replenish cash to meet bond covenant requirements. The advance accrues interest at a 3.5% annual interest rate and has a maturity date no later than July 1, 2030.

NOTE 5 - LAND HELD FOR RESALE

Land held for resale as of June 30, 2023, consisted of the following:

	<u>General Fund</u>
Pacific Center East*	\$ 30,380,902
Tustin Legacy	72,076,871
Total Land Held for Resale	<u>\$ 102,457,773</u>

*Pacific Center East includes several parcels bordered by Del Amo, Valencia, Edinger and Newport Avenue.

In November 2022, the City sold the property at 2061 Valhalla Drive for \$1,750,000 resulting in a loss on land held for resale of \$207,603.

In January 2023, the City sold the property at 11781 Outlook Lane for \$1,350,000 resulting in a loss on land held for resale of \$456,197.

NOTE 6 - LAND TRANSFER FROM THE UNITED STATES GOVERNMENT

On May 13, 2002, the City entered into an agreement with the United States of America (the Government) wherein the Government agreed to convey to the City a portion of the former Marine Corps Air Station Tustin (MCAS Tustin). The transfer is pursuant to the authority provided by Section 2905(b)4 of the Defense Base Closure and Realignment Act of 1990, as amended, and the implementing regulations of the Department of Defense to convey surplus property at a closing installation to the local redevelopment authority at no cost for economic development purposes.

The real properties, consisting of approximately 1,153 acres of land located within the bounds of the former MCAS Tustin, were conveyed to the City in multiple parcels, by separate conveyances. Parcel Group I, (consisting of approximately 977 acres), was conveyed to the City on May 14, 2002. A portion of Parcel Group I (consisting of approximately 23 acres) was conveyed to the City during fiscal year 2003 and the remainder was conveyed to the City in fiscal year 2004. Conveyance of Parcel Group II (consisting of a total of 49 acres) was conveyed in September 2006 and May and July 2003. Conveyance of Parcel Group III (consisting of approximately 18 acres) and Parcel Group IV (consisting of approximately 119 acres) were conveyed in September 2006 and April 2008,

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 6 - LAND TRANSFER FROM THE UNITED STATES GOVERNMENT (CONTINUED)

respectively. As part of the agreement, the City also received certain personal property and utilities on the base. The land parcels were recorded at their estimated fair values at the dates of conveyance.

Subsequent to the conveyance of properties from the Government, the Agreement required the City to convey approximately 22 acres to Santa Ana Unified School District (SAUSD), 15 acres to Rancho Santiago Community College District (RSCCD) and 65 acres to South Orange County Community College District (SOCCCD) subject to certain conditions as detailed in the agreement with the Government and the terms and conditions of the settlement and release agreements between the City and SAUSD and the City and the RSCCD.

The SAUSD declined the conveyance of the land from the City and instead of receiving the land, the SAUSD was paid \$60,000,000 under an agreement dated December 20, 2002. The City conveyed the RSCCD parcel during fiscal year 2003. Conveyance of the SOCCCD parcel happened in fiscal year 2004.

On May 21, 2013, the City Council approved a General Plan Amendment, MCAS Tustin Specific Plan Amendment, Development Agreement, and Agreement for Exchange of Real Property with the SOCCCD. The Exchange Agreement delineates the terms and processes associated with the exchange of the ultimate ownership of approximately 89 acres of land within Planning Area 1 of Tustin Legacy. The City of Irvine has identified concerns about that project's traffic impacts in Irvine, and about the traffic analysis of projects in the MCAS Tustin Specific Plan area generally. In July 2013, the City entered into a settlement agreement with the City of Irvine which allowed the City to proceed with the Exchange Agreement. The transfer of the parcels occurred in August 2014 and was considered an even exchange.

The City also entered into a separate agreement with the SOCCCD in July 2014 to acquire the Valencia Parcels, approximately five acres of land, for \$1,083,220 less a demolition credit of \$500,000.

In August 2014, the City sold 74 acres of the land to a developer for \$56,000,000 resulting in a gain on land held for resale of \$40,143,447.

In February 2015, the City entered into an Exchange Agreement with the United States of America Department of Army. The Exchange Agreement delineates the terms associated with the exchange of the ultimate ownership of approximately 15 acres of usable land and improvements. The transfer of the property occurred in April 2015 and was determined to be of equivalent value.

In fiscal year 2015-16, the City reclassified 279 acres of the land held for resale related to the land transfer from the United States Government to land to be used for government purposes. The reclassification was for land to be given to another governmental agency and to be used for parks and roads. In addition, the Valencia Parcels (about five acres) were reclassified due to a change in the intended use of the property. As a result, land held for resale was reduced by \$64,002,073 in the General Fund and is reported as land in the government-wide statement of net position.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 6 - LAND TRANSFER FROM THE UNITED STATES GOVERNMENT (CONTINUED)

In July 2016, the City sold 20.96 acres of the land to a developer for \$8,300,000 resulting in a gain on land held for resale of \$3,808,739.

In June 2017, the City sold 17.54 acres of land to a developer for \$18,292,602 resulting in a gain on land held for resale of \$14,533,528.

In June 2018, the City sold 14.48 acres of land to a developer for \$34,202,712 resulting in a gain on land held for resale of \$31,100,613.

In September 2021, the City sold 25.44 acres of land to a developer for \$61,500,000 resulting in a gain on land held for resale of \$56,048,775.

Additionally, in September of 2021 the City of Tustin took title to approximately 7.93 acres of property at the Tustin Legacy, which was former Lease in Furtherance of Conveyance (LIFOC) property. The property consists of Carveout 2 (6.23 acres) and Carveout 9 (1.7 acres). In May 2022, 4.74 acres associated with Carveout 2 was sold to a land developer for \$1,784,115. An additional 1.49 acres of Carveout 2 and 0.14 acres of Carveout 9 were reclassified by the City out of land held for resale to appropriately record the assets as rights-of-way. The remaining 1.56 acres from Carveout 9 remains in land held for resale at a value of \$587,177.

The recorded value of the remaining conveyed parcels as of June 30, 2023, was \$72,076,871. The value of the parcels was recorded at estimated value at the time of conveyance. The remaining property not sold will be park space or conveyed to other governmental agencies.

NOTE 7 – LEASE RECEIVABLES

The City is a lessor in 18 noncancellable leases for use of City land and buildings. The lessees are required to make fixed monthly payments ranging from \$500 to \$43,680 per month. The City recognized \$1,784,662 in lease revenue and \$123,260 in interest revenue during the current fiscal year related to these agreements. As of June 30, 2023, the lease receivable is \$9,161,417 and deferred inflows of resources is \$8,778,411. A schedule of future payments is included below:

June 30,	Principal	Interest	Total
2024	\$ 1,443,466	\$ 187,090	\$ 1,630,556
2025	1,680,076	153,531	1,833,607
2026	1,710,411	111,434	1,821,845
2027	471,800	82,854	554,654
2028	390,153	75,503	465,656
2029 - 2033	2,009,563	260,805	2,270,368
2034 - 2038	1,106,736	96,422	1,203,158
2039 - 2041	349,212	9,543	358,755
Totals	<u>\$ 9,161,417</u>	<u>\$ 977,182</u>	<u>\$ 10,138,599</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 8 - CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets for the year ended June 30, 2023, is as follows:

	Balance at June 30, 2022*	Additions	Deletions	Balance at June 30, 2023
Capital assets, not depreciated:				
Land	\$ 105,254,634	\$ -	\$ -	\$ 105,254,634
Right of way	45,926,681	-	-	45,926,681
Construction in progress	12,727,986	11,555,638	(17,653,966)	6,629,658
Total capital assets, not depreciated	<u>163,909,301</u>	<u>11,555,638</u>	<u>(17,653,966)</u>	<u>157,810,973</u>
Capital assets, being depreciated:				
Buildings	86,713,891	-	(5,580)	86,708,311
Improvements other than buildings	72,887,063	2,713,140	(53,674)	75,546,529
Machinery and equipment	18,667,270	1,733,994	(212,799)	20,188,465
Infrastructure	413,634,366	14,637,463	(2,737,965)	425,533,864
Lease assets	649,132	16,566	-	665,698
Subscription-based IT assets*	2,797,692	-	-	2,797,692
Total capital assets, being depreciated	<u>595,349,414</u>	<u>19,101,163</u>	<u>(3,010,018)</u>	<u>611,440,559</u>
Less accumulated depreciation for:				
Buildings	(26,106,524)	(1,695,371)	5,580	(27,796,315)
Improvements other than buildings	(16,869,816)	(2,831,607)	32,771	(19,668,652)
Machinery and equipment	(13,292,502)	(1,448,250)	212,615	(14,528,137)
Infrastructure	(157,661,254)	(13,217,650)	2,422,082	(168,456,822)
Lease assets	(129,203)	(154,379)	-	(283,582)
Subscription-based IT assets*	-	(562,100)	-	(562,100)
Total accumulated depreciation	<u>(214,059,299)</u>	<u>(19,909,357)</u>	<u>2,673,048</u>	<u>(231,295,608)</u>
Total capital assets, being depreciated, net	<u>381,290,115</u>	<u>(808,194)</u>	<u>(336,970)</u>	<u>380,144,951</u>
Total governmental activities capital assets, net	<u>\$ 545,199,416</u>	<u>\$ 10,747,444</u>	<u>\$ (17,990,936)</u>	<u>\$ 537,955,924</u>

* - Balance at June 30, 2022 has been restated to implement GASB Statement No. 96.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 8 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General Government	\$ 2,980,435
Public Safety	435,414
Public Works	14,331,452
Community Services	<u>2,162,056</u>
Total	<u>\$ 19,909,357</u>

A summary of changes in the Business-type Activity capital assets for the year ended June 30, 2023, is as follows:

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Capital assets, not depreciated:				
Land	\$ 1,177,216	\$ -	\$ -	\$ 1,177,216
Construction in progress	<u>2,519,231</u>	<u>5,093,044</u>	<u>-</u>	<u>7,612,275</u>
Total capital assets, not depreciated	<u>3,696,447</u>	<u>5,093,044</u>	<u>-</u>	<u>8,789,491</u>
Capital assets, being depreciated:				
Buildings and improvements	16,498,710	-	-	16,498,710
Property, plant and equipment	<u>83,464,800</u>	<u>198,880</u>	<u>-</u>	<u>83,663,680</u>
Total capital assets, being depreciated	<u>99,963,510</u>	<u>198,880</u>	<u>-</u>	<u>100,162,390</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,660,148)	(349,169)	-	(7,009,317)
Property, plant and equipment	<u>(32,419,137)</u>	<u>(2,181,645)</u>	<u>-</u>	<u>(34,600,782)</u>
Total accumulated depreciation	<u>(39,079,285)</u>	<u>(2,530,814)</u>	<u>-</u>	<u>(41,610,099)</u>
Total capital assets, being depreciated, net	<u>60,884,225</u>	<u>(2,331,934)</u>	<u>-</u>	<u>58,552,291</u>
Total business-type activity capital assets, net	<u>\$ 64,580,672</u>	<u>\$ 2,761,110</u>	<u>\$ -</u>	<u>\$ 67,341,782</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 9 - LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2023, is as follows:

	Balance July 1, 2022*	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Governmental Activities:					
Claims and judgments	\$ 10,428,570	\$ 744,173	\$ (1,843,644)	\$ 9,329,099	\$ 1,303,009
Subscription-based IT payable	2,646,633	-	(525,382)	2,121,251	640,128
Lease payable	564,529	16,566	(113,146)	467,949	198,553
Compensated absences	4,957,206	3,770,145	(3,771,699)	4,955,652	3,716,739
Total governmental activities					
long-term liabilities	<u>\$ 18,596,938</u>	<u>\$ 4,530,884</u>	<u>\$ (6,253,871)</u>	<u>\$ 16,873,951</u>	<u>\$ 5,858,429</u>
Business-type Activities:					
2012 Refunding					
Water Revenue Bonds	\$ 960,000	\$ -	\$ (960,000)	\$ -	\$ -
Bond premium	61,317	-	(61,317)	-	-
2016 Water Refunding					
Revenue Bonds	21,515,000	-	-	21,515,000	905,000
Bond premium	1,012,643	-	(52,604)	960,039	52,604
2020 Taxable Water					
Refunding Revenue Bonds	14,540,000	-	(205,000)	14,335,000	440,000
Compensated absences	372,729	319,189	(341,085)	350,833	263,125
Total business-type activity					
long-term liabilities	<u>\$ 38,461,689</u>	<u>\$ 319,189</u>	<u>\$ (1,620,006)</u>	<u>\$ 37,160,872</u>	<u>\$ 1,660,729</u>

* - Balance at June 30, 2022 has been restated to implement GASB Statement No. 96.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities

Subscription-Based Information Technology (IT) Arrangements Payable

The City has entered into 18 subscription-based IT arrangements for various software applications and is required to make annual principal and interest payments ranging from \$1,815 to \$172,746 over the arrangement terms. The payable at June 30, 2023, was \$2,121,251. The future principal and interest lease payments as of June 30, 2023, were as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 640,128	\$ 56,474	\$ 696,602
2025	626,668	37,879	664,547
2026	303,439	21,032	324,471
2027	208,879	13,283	222,162
2028	137,631	7,725	145,356
2029 - 2030	204,506	5,694	210,200
Totals	<u>\$ 2,121,251</u>	<u>\$ 142,087</u>	<u>\$ 2,263,338</u>

Lease Payable

The City has entered into ten leases as a lessee for facilities, vehicles and equipment and is required to make principal and interest payments ranging from \$485 to \$3,844 over the lease terms. The lease liability at June 30, 2023, was \$467,949. The future principal and interest lease payments as of June 30, 2023, were as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 198,553	\$ 18,723	\$ 217,276
2025	122,906	8,656	131,562
2026	111,012	4,602	115,614
2027	35,478	939	36,417
Totals	<u>\$ 467,949</u>	<u>\$ 32,920</u>	<u>\$ 500,869</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activity

2016 Refunding Water Revenue Bonds

On September 28, 2016, the City issued \$21,515,000, 2016 Water Refunding Revenue Bonds. The Bonds were issued to provide funds to defease the 2011 Water Revenue Bonds and pay the costs of issuing the bonds. The 2016 Water Refunding Revenue Bonds proceeds were invested in an escrow fund with a trustee to pay interest on the 2011 Water Revenue Bonds until April 1, 2021 and to redeem all 2011 Bonds in full on April 1, 2021.

The Bonds are payable in annual installments ranging from \$905,000 to \$1,540,000 until maturity on April 1, 2041. Interest is payable semiannually on April 1 and October 1, with rates ranging from 2.0% to 4.0% per annum.

The defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,273,764. The difference reported in the accompanying statements as a deferred outflow of resources, is being charged to interest expense through 2041. The remaining balance at June 30, 2023, is \$2,389,848.

The City has pledged net revenues received from the operation of the Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2023, total interest and principal remaining on the bonds is \$28,642,662. During the fiscal year, the total interest expense incurred was \$687,300, no principal payment was due, and net revenues were \$4,308,093.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activity (Continued)

2016 Water Refunding Revenue Bonds (Continued)

The annual debt service requirements to amortize the bonds are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 905,000	\$ 687,300	\$ 1,592,300
2025	925,000	669,200	1,594,200
2026	950,000	645,450	1,595,450
2027	975,000	615,450	1,590,450
2028	1,015,000	576,450	1,591,450
2029 - 2033	5,575,000	2,378,125	7,953,125
2034 - 2038	6,670,000	1,283,287	7,953,287
2039 - 2041	4,500,000	272,400	4,772,400
Subtotals	21,515,000	7,127,662	28,642,662
Add: Premium	960,039	-	960,039
Totals	<u>\$ 22,475,039</u>	<u>\$ 7,127,662</u>	<u>\$ 29,602,701</u>

2020 Taxable Water Refunding Revenue Bonds

On February 11, 2020, the City issued \$14,910,000, Taxable Water Refunding Revenue Bonds, Series 2020. The Bonds were issued to provide funds to defease the 2013 Water Revenue Bonds and pay the costs of issuing the bonds. The 2020 Bonds proceeds were invested in an escrow fund with a trustee to pay interest and principal on the 2013 Bonds until April 1, 2022 and to redeem all 2013 Bonds in full on April 1, 2022.

The City refunded the 2013 Bonds to reduce its total debt services payments over 23 years by \$3,101,131 and to obtain an economic gain (difference between the present values of the old and new debt) of \$2,160,323.

The Bonds are payable in annual installments ranging from \$609,834 to \$2,429,165 until maturity on April 1, 2043. Interest is payable semiannually on April 1 and October 1, with rates ranging from 1.567% to 3.107% per annum.

The defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$773,237. The difference reported in the accompanying statements as a deferred outflow of resources, is being charged to interest expense through 2043. The remaining balance at June 30, 2023, is \$661,174.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activity (Continued)

2020 Taxable Water Refunding Revenue Bonds

The City has pledged net revenues received from the operation of Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2023, total interest and principal remaining on the bonds is \$19,961,616. During the fiscal year, the total interest expense incurred was \$400,608, principal payments were \$205,000, and net revenues were \$4,308,093.

The annual debt service requirements to amortize the bonds are as follows:

June 30,	Principal	Interest	Total
2024	\$ 440,000	\$ 397,240	\$ 837,240
2025	445,000	389,721	834,721
2026	450,000	381,760	831,760
2027	465,000	373,169	838,169
2028	475,000	363,827	838,827
2029-2033	2,545,000	1,652,483	4,197,483
2034-2038	2,910,000	1,294,928	4,204,928
2039-2043	6,605,000	773,488	7,378,488
Totals	<u>\$ 14,335,000</u>	<u>\$ 5,626,616</u>	<u>\$ 19,961,616</u>

NOTE 10 - PENSION PLANS

a. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police) and Miscellaneous (all other) Plans. The Miscellaneous Plan is an agent multiple-employer defined benefit pension plan, and the Safety Plan is a cost-sharing multiple employer defined benefit pension plan. Both of these Plans are administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 10 - PENSION PLANS (CONTINUED)

a. General Information about the Pension Plans (Continued)

Benefits Provided

CalPERS provides service retirement and disability retirement benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or their beneficiaries. Benefits are based on three factors: service credit (up to one year of service per fiscal year), benefit factor (based on plan and age at retirement), and final compensation (highest pensionable compensation for a consecutive 12- or 36-month period, depending on plan). Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. Members of all but one plan available to employees are eligible to retire upon reaching age 50 and attaining five years of service credit. PEPRA Miscellaneous members (membership date on or after January 1, 2013) are eligible to retire upon reaching age 52 and attaining five years of service. All members are eligible for non-duty disability retirement benefits after five years of service. Safety members are eligible for industrial disability retirement benefits, regardless of age or years of service, if they are determined to be industrially disabled within the meaning of the retirement law. The survivors of members are eligible for the Basic Death Benefit, the 1957 Survivor Benefit, and/or the 1959 Survivor Benefit. The survivors of Safety members who die prior to retirement are also eligible for the Pre-Retirement Option 2W Death Benefit and, if the member is actively employed and dies in the course of duty, the Special Death Benefit. Each plan provides retirees with a cost-of-living adjustment of up to 2% per year.

The information below includes the aggregate total pension plan related items:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Net pension liability	\$ (33,620,118)	\$ (47,370,171)	\$ (80,990,289)
Deferred outflows of resources - pension	13,663,684	23,968,413	37,632,097
Deferred inflows of resources - pension	-	(4,038,631)	(4,038,631)
Pension expense	5,683,328	6,074,294	11,757,622

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 10 - PENSION PLANS (CONTINUED)

a. General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

The Plans' provisions and benefits in effect at the measurement date ended June 30, 2022, are summarized as follows:

	Miscellaneous		
	Prior to January 1, 2012	January 1, 2012 to December 31, 2012	On or After January 1, 2013
Hire date			
Benefit formula	2%@55	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50+	50+	52+
Monthly benefits, as a % of			
eligible compensation	2.00%	2.00%	2.00%
Required employee contribution rates	10.00%	10.00%	6.25%
Required employer contribution rates			
Normal cost rate		9.06%	
Payment of unfunded liability		\$2,740,081	

The Plans' provisions and benefits in effect at the measurement date ended June 30, 2022, are summarized as follows:

	Safety		
	Prior to January 1, 2012	January 1, 2012 to December 31, 2012	On or After January 1, 2013
Hire date			
Benefit formula	3%@50	2%@50	2.7%@57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50+	50+	50+
Monthly benefits, as a % of			
eligible compensation	3.00%	2.00%	2.70%
Required employee contribution rates	12.00%	12.00%	13.00%
Required employer contribution rates:			
Normal cost rate	23.75%	18.17%	12.78%
Payment of unfunded liability	\$ 3,508,683	\$ 12,801	\$ 27,231

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 10 - PENSION PLANS (CONTINUED)

a. General Information about the Pension Plans (Continued)

Employees Covered

At the measurement date ended June 30, 2022, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	309
Inactive employees entitled to but not yet receiving benefits	296
Active employees	<u>214</u>
Total	<u><u>819</u></u>

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. The liability for governmental activities is primarily liquidated from the General Fund and the liability for business-type activities is liquidated from the Water Enterprise Fund.

b. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the next page.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 10 - PENSION PLANS (CONTINUED)

b. Net Pension Liability (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry-Age Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Projected Salary Increase	(1)	(1)
Mortality Rate Table	(2)	(2)
Post Retirement Benefit Increase	(3)	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

(3) The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.30% thereafter.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 10 - PENSION PLANS (CONTINUED)

b. Net Pension Liability (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class ¹	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

¹ - An expected inflation of 2.30% used for this period.

² - Figures are based on the 2021 Asset Liability Management study.

NOTE 10 - PENSION PLANS (CONTINUED)

b. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions are reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 10 - PENSION PLANS (CONTINUED)

c. Changes in the Net Pension Liability

The changes in the net pension liability for the Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2021 (Measurement Date)	<u>\$138,684,172</u>	<u>\$126,134,984</u>	<u>\$ 12,549,188</u>
Changes in the Year:			
Service cost	3,049,919	-	3,049,919
Interest on the total pension liability	9,777,454	-	9,777,454
Differences between actual and expected experience	134,069	-	134,069
Changes in assumptions	4,647,187	-	4,647,187
Contribution - employer	-	4,877,030	(4,877,030)
Contribution - employee	-	1,239,440	(1,239,440)
Net investment income	-	(9,500,196)	9,500,196
Administrative expenses	-	(78,575)	78,575
Benefit payments, including refunds of employee contributions	<u>(6,576,321)</u>	<u>(6,576,321)</u>	<u>-</u>
Net Changes	<u>11,032,308</u>	<u>(10,038,622)</u>	<u>21,070,930</u>
Balance at June 30, 2022 (Measurement Date)	<u>\$ 149,716,480</u>	<u>\$ 116,096,362</u>	<u>\$ 33,620,118</u>

As of June 30, 2023, the City reported \$47,370,171 of liabilities for its proportionate share of the net pension liability for the Safety Plan.

The City's net pension liability for the Safety Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Safety Plan is measured as of June 30, 2022, and the total pension liability for the Safety Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 10 - PENSION PLANS (CONTINUED)

c. Changes in the Net Pension Liability (Continued)

The City's proportionate share of the net pension liability for the Safety Plan as of measurement dates ended June 30, 2021 and 2022 was as follows:

	<u>Safety</u>
Proportion - June 30, 2021	0.66329%
Proportion - June 30, 2022	<u>0.68936%</u>
Change - Increase (Decrease)	0.02607%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan of 6.90%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 54,248,228	\$ 72,476,220
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$ 33,620,118	\$ 47,370,171
1% Increase	7.90%	7.90%
Net Pension Liability	\$ 16,691,413	\$ 26,851,648

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

d. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the City recognized pension expense of \$5,683,328 and \$6,074,294 for the Miscellaneous and Safety Plans, respectively. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 10 - PENSION PLANS (CONTINUED)

d. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,333,352	\$ -
Differences between actual and expected experience	537,516	-
Change in assumptions	3,098,125	-
Net differences between projected and actual earnings on plan investments	5,694,691	-
Total	\$ 13,663,684	\$ -
	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,729,176	\$ -
Differences between actual and expected experience	1,960,479	(514,403)
Change in assumptions	4,776,347	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	3,021,999	(43,253)
Net differences between employer's contributions and proportionate share of contributions	-	(3,480,975)
Net differences between projected and actual earnings on plan investments	7,480,412	-
Total	\$ 23,968,413	\$ (4,038,631)

Deferred outflows of resources \$4,333,352 and \$6,729,176 reported in the Miscellaneous and Safety Plans, respectively, are related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 10 - PENSION PLANS (CONTINUED)

d. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Fiscal Year		
Ending		
June 30,	Miscellaneous	Safety
2024	\$ 2,937,070	\$ 3,793,791
2025	2,380,472	3,102,628
2026	377,681	1,741,042
2027	3,635,109	4,563,145
2028	-	-
Thereafter	-	-

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS

a. General Information about the OPEB Plan

Plan Description

The City administers a single-employer defined benefit other post-employment benefit (OPEB) plan that provides eligible retirees with a subsidy towards retiree medical insurance premiums. An employee hired by the City prior to July 1, 2011 is eligible for this benefit if they retire from the City on or after age 50 (unless disabled), with five years of service and are eligible for a CalPERS pension and enroll in a CalPERS medical insurance plan immediately after retirement. An employee hired by the City on or after July 1, 2011 is eligible for this benefit if they retire from the City on or after age 50 (unless disabled), with ten years of service and are eligible for a CalPERS pension and enroll in a CalPERS medical insurance plan immediately after retirement. Eligible employees who suffer a disability may satisfy the continuous service requirement using a combination of service with the City and service with any public agency with a reciprocal retirement system. Benefits vary by hire date, employment status and employment classification. In the event of a retiree’s death, benefits may continue to surviving beneficiaries in certain circumstances.

A portion of the City’s OPEB liability is in the form of an implied rate subsidy. Retirees and active employees are insured together as a group, thus creating a lower rate for retirees than if they were insured separately. Although the retirees are solely responsible for the cost of their health insurance benefits through this plan, the retirees receive the benefit of a lower rate. The difference between these amounts is the implied rate subsidy, which is considered an OPEB liability.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

a. General Information about the OPEB Plan (Continued)

Plan Description (Continued)

In 2018, the City established a trust with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for the City's OPEB plan under Section 115 of the Internal Revenue Code. The City makes discretionary contributions to the OPEB Trust. Contributions to the OPEB Trust and earnings on those contributions are irrevocable. The City also determines the timing of the distribution of trust assets and whether those assets will be paid directly to the insurance provider or to reimburse the City for plan benefits and expenses paid by the City. The OPEB Trust is reported as a fiduciary fund since it would be misleading to exclude the OPEB Trust Fund from the City's financial statements. PARS issues a publicly available financial report for the fiduciary net position of the OPEB Trust, which is available upon request. The plan itself does not issue a separate financial report.

Employees Covered

At June 30, 2021, valuation date, the benefit terms covered the following employees:

Inactive employees or beneficiaries currently receiving benefits	139
Active employees	<u>294</u>
Total	<u><u>433</u></u>

Accounting for the Plan

The OPEB trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

a. General Information about the OPEB Plan (Continued)

Method Used to Value Investments

Investments are reported at fair value, which is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

Contributions

The contribution requirements of plan members and the City are established and may be amended by City Council. Currently, contributions are not required from plan members. Administrative costs of the OPEB plan are financed through investment earnings. The annual contribution is based on the actuarially determined contributions.

For measurement period ending June 30, 2023, the City contributed \$500,000 to the PARS OPEB trust, made payments of \$572,305 to insurance providers and retirees, and the estimated implied subsidy was \$273,505, resulting in total contributions of \$1,345,810. The liability for governmental activities is primarily liquidated from the General Fund and the liability for the business-type activity is liquidated from the Water Enterprise Fund.

b. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2023 using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown on the next page.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

b. Net OPEB Liability (Continued)

Actuarial Assumptions

The net OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Level Percentage of Salary
Actuarial Assumptions:	
Discount Rate	6.25%
Expected long term investment rate of return	6.25% net of OPEB plan investment expense
Inflation	2.75%
Salary Increase	2.75%.
Healthcare Cost Trend Rates	4.00% for 2023; 5.20 percent for 2024 to 2069; and 4.00% for 2070 and later years; Medicare ages: 3.50% for all years
Pre-Retirement Mortality:	
Miscellaneous	Preretirement Mortality Rates for Public Agency Miscellaneous from 2021 CalPERS Experience Study.
Safety	Preretirement Mortality Rates for Public Agency Police from 2021 CalPERS Experience Study.
Post-Retirement Mortality:	
Miscellaneous	Postretirement Mortality Rates for Public Agency Miscellaneous from 2021 CalPERS Experience Study.
Safety	Postretirement Mortality Rates for Public Agency Police from 2021 CalPERS Experience Study.

Actuarial assumptions used in the June 30, 2021 valuation were based on a review of plan experience during the period June 30, 2019 to June 30, 2021.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

b. Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate).

The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
PARS OPEB Trust		
Broad U.S Equity	60.00%	4.40%
U.S Fixed	40.00%	1.80%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the PARS OPEB trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

c. Changes in the net OPEB liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022 (Measurement Date)	\$ 16,067,699	\$ 2,736,132	\$ 13,331,567
Changes in the Year:			
Service cost	546,336	-	546,336
Interest on the total OPEB liability	1,012,346	-	1,012,346
Contribution - employer	-	1,345,810	(1,345,810)
Net investment income	-	212,945	(212,945)
Benefit payments	(845,810)	(845,810)	-
Administrative expenses	-	(14,960)	14,960
Net Changes	712,872	697,985	14,887
Balance at June 30, 2023 (Measurement Date)	\$ 16,780,571	\$ 3,434,117	\$ 13,346,454

Change of Assumptions

From measurement date June 30, 2022 to measurement date June 30, 2023, there were no changes in assumptions.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

c. Changes in the net OPEB liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability	\$ 15,233,238	\$ 13,346,454	\$ 11,749,698

Sensitivity of the Net OPEB Liability to Changes in the Health-Care Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 11,789,645	\$ 13,346,454	\$ 15,390,506

d. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB expense of \$1,304,364. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 433,339	\$ (1,096,586)
Change in assumptions	516,764	(443,608)
Differences between projected and actual earnings on investments	195,840	-
Total	<u>\$ 1,145,943</u>	<u>\$ (1,540,194)</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

d. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year		
Ending		Amount
June 30,		Amount
2024	\$	(78,346)
2025		(83,879)
2026		(27,244)
2027		(134,411)
2028		(108,938)
Thereafter		38,567

NOTE 12 - IRS SECTION 457 DEFERRED COMPENSATION PLAN

In accordance with federal law, all part-time employees must be enrolled in Social Security or another “qualified” retirement plan. Since the City does not participate in Social Security, part-time employees are enrolled in the City’s IRS Section 457 deferred compensation plan. Nationwide Retirement Solutions, Inc. acts as the third-party administrative services provider for the defined contribution plan. Employees are required to contribute 5.5% of their salary to the deferred compensation plan every pay period. The City contributes an additional 2% of salary, for a total contribution of 7.5%. The City Council established the plan by resolution in fiscal year 2011-2012 and has the authority to amend contribution requirements. Contributions to the participant’s account must equal at least 7.5% of the participant’s compensation, or such other minimum amount as required for the plan to be considered a retirement system under applicable government code and legal requirements. Total contributions to the plan during fiscal year 2023 were \$107,647.

NOTE 13 - SELF-INSURANCE PROGRAM/RISK POOL

The City uses a combination of insured and self-insured programs to finance its property and casualty risk. The City is self-insured for worker’s compensation, automotive, and general liability risks. Excess liability coverage for the City’s self-insurance retention of \$350,000 per occurrence is provided through a risk sharing pool, the California Insurance Pool Authority (CIPA). The CIPA provides excess liability coverage above \$3,000,000 per occurrence and \$20,000,000 annual aggregate. The City’s self-insurance retention limit is \$400,000 per occurrence for worker’s compensation claims. Worker’s compensation claims which exceed the self-insurance retention are insured by CIPA up to \$2,000,000. Property, pollution, cyber and employment practices liability risk are financed through insurance contracts and have various limits and deductibles.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 13 - SELF-INSURANCE PROGRAM/RISK POOL (CONTINUED)

The City is a member of CIPA in order to jointly purchase insurance coverage and to share costs for professional risk management, claim administration, and group purchasing of insurance products with ten other Orange County cities. Members may be assessed the difference between the funds available and the \$20,000,000 annual aggregate in proportion to their annual premium. CIPA uses independent actuaries and underwriters to determine premiums and help set insurance limits and deductible levels.

The pool is managed by an independent general manager and contracted legal advisers. Two internal subcommittees are made up of City members to provide direction on underwriting and claims activities. The Governing Board of CIPA is comprised of one member from each participating City and is responsible for the selection of the independent general manager, legal counsel, and electing subcommittee members. The financial statements of the CIPA are available at the administrative office located at 366 San Miguel Drive, Newport Beach, California.

The government retains a risk of loss, due to the fact that actual losses may exceed estimated claims or coverage amounts. Settled claims have not exceeded any of the City’s coverage amounts in any of the last three fiscal years, and there were no reductions in the City’s coverage during the year ended June 30, 2023. At June 30, 2023, estimated claims payable of \$9,329,099, which includes a provision for incurred but not reported claims and loss adjustment expenses, are reported as a long-term liability.

Changes in the balances of claims liabilities for the years ended June 30, 2023 and 2022, including a provision for incurred but not reported claims and loss adjustment expenses, were as follows:

June 30,	Beginning Balance	Additions	Deletions	Ending Balance
2022	\$ 9,303,222	\$ 2,132,017	\$ (1,006,669)	\$ 10,428,570
2023	10,428,570	744,173	(1,843,644)	9,329,099

NOTE 14 - SPECIAL ASSESSMENT DISTRICTS’ BONDS

Special assessment districts exist in various parts of the City to provide improvements to properties located in those districts. Properties are assessed for the cost of improvements; these assessments are payable over the term of the debt issued to finance the improvements and must be sufficient to repay this debt. The bonds listed below were issued pursuant to the Refunding Act of 1984 for the 1915 Improvement Act Bonds and the Improvement Bond Act of 1915. They are the liabilities of the property owners and secured by liens against the assessed property. The City Treasurer acts as an agent for collection of principal and interest payments by the property owners and remittance of such monies to bondholders.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 14 - SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED)

Neither the faith and credit nor the general taxing power of the City have been pledged to the payment of the bonds. Therefore, none of the following special assessment bonds have been included in the accompanying financial statements.

District Bonds	Amount of Issue	Outstanding June 30, 2023
Community Facilities District 04-1, 2013	\$ 9,350,000	\$ 6,315,000
Community Facilities District 06-1, 2015A	49,740,000	42,270,000
Community Facilities District 06-1, 2015B	2,735,000	2,065,000
Community Facilities District 07-1, 2015A	13,155,000	12,410,000
Community Facilities District 2014-01, 2015A	27,665,000	26,200,000
	<u>\$ 102,645,000</u>	<u>\$ 89,260,000</u>

In May 2013, the City issued \$9,350,000 of Special Tax Refunding Bonds, Series 2013, to refund in full and defease the City of Tustin Community Facilities District No. 04-1 Special Tax Bonds, Series 2004. The 2004 series was originally issued to facilitate the new infrastructure construction on the former MCAS being converted into various public, housing, commercial and educational uses. The proceeds of the bonds will be used to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the Tustin Legacy District, fund the reserve account, pay capitalized interest on bonds through September 1, 2032, and pay costs of issuing the Series 2013 Bonds. Serial current interest bonds will mature from September 1, 2014 to September 1, 2032. Term current interest bonds will mature on September 1, 2034, with mandatory sinking payments from September 1, 2033 through September 1, 2034. Interest maturity rates of the current interest bonds range from 2.00% at September 1, 2014 to 5.00% at September 1, 2024. At June 30, 2023, the outstanding amount of the Special Tax Refunding Bonds, Series 2013 was \$6,315,000.

In November 2015, the City issued \$27,665,000 Community Facilities District No. 2014-01 Special Tax Bonds, Series 2015A (CFD 2014-01 2015A Special Tax Bonds). The CFD 2014-01 2015A Special Tax Bonds were issued to finance certain infrastructure improvements and school facilities, fund a reserve account, and pay for costs of issuance and administrative costs. Serial current interest bonds will mature from September 1, 2016 to September 1, 2035 with interest rates ranging from 2.0% to 5.0%. Term current interest bonds will mature on September 1, 2040 and September 1, 2045, with mandatory sinking payments from September 1, 2036 through September 1, 2045 with interest rates of 5.0%. At June 30, 2023, the outstanding amount of the CFD 2014-01 2015A Special Tax Bonds was \$26,200,000.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 14 - SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED)

In December 2015, the City issued \$13,155,000 Community Facilities District No. 07-1 Special Tax Refunding Bonds, Series 2015A (CFD 07-1 2015A Refunding Bonds). The CFD 07-1 2015A Refunding Bonds were issued to refund in full and defease the CFD 07-1 Series 2007 Bonds. Serial bonds will mature from September 1, 2021 to September 1, 2025 with interest rates ranging from 2.5% to 3.125%. Term current interest bonds will mature on September 1, 2030 and September 1, 2037, with mandatory sinking payments from September 1, 2030 through September 1, 2037 with interest rates of 5.00%. The City's refunding of the CFD 07-1 Series 2007 Bonds resulted in a decrease of its total debt service payments by \$2,152,849 and an economic gain (difference between the present values of the old and new debt) of \$1,423,246. At June 30, 2023, the outstanding amount of the CFD 07-1 2015A Refunding Bonds was \$12,410,000.

In November 2015, the City issued \$49,740,000 Community Facilities District No. 06-1 Special Tax Refunding Bonds, Series 2015A (CFD 06-01 2015A Refunding Bonds). The CFD 06-01 2015A Refunding Bonds were issued to refund in full and defease the CFD No 06-1 Series 2007A Bonds and Special Tax Bonds 2010. Serial current bonds will mature from September 1, 2016 to September 1, 2035 with interest rates ranging from 2.0% to 5.0%. Term current interest bonds will mature on September 1, 2037 with an interest rate of 5.00%, September 1, 2037 with an interest rate of 3.75% and September 1, 2039 with an interest rate of 4.0% with mandatory sinking fund payments due September 1, 2036 through September 1, 2039. The City's refunding of the CFD No. 06-1 Series 2007A Bonds and Special Tax Bonds 2010 resulted in a decrease of its total debt service payments by \$15,726,836 and an economic gain (difference between the present values of the old and new debt) of \$7,020,039. At June 30, 2023, the outstanding amount of the CFD 06-01 2015A Refunding Bonds was \$42,270,000.

In November 2015, the City issued \$2,735,000 Community Facilities District No. 06-1 Special Tax Bonds, Series 2015B (CFD 06-1 Special Tax 2015B Bonds). The CFD 06-1 Special Tax 2015B Bonds were issued to finance public improvements, fund a reserve account, and pay for costs of issuance. Serial current bonds will mature from September 1, 2016 to September 1, 2033 with interest rates ranging from 2.0% to 3.75%. Term current interest bonds will mature on September 1, 2035 with an interest rate of 3.75%, and September 1, 2037 with an interest rate of 3.75% with mandatory sinking fund payments due September 1, 2035 through September 1, 2037. At June 30, 2023, the outstanding amount of the CFD 06-1 Special Tax 2015B Bonds was \$2,065,000.

NOTE 15 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The fund balances reported on the fund statements consist of the following categories:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 15 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED)

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned - This classification includes amounts that are intended to be used for specific purposes as indicated by City Council or by persons to whom City Council has delegated the authority to assign amounts for specific purposes. The City Council has not delegated such authority.

Unassigned - This classification includes the residual balance for the City's general fund including all spendable amounts not contained in other classifications. Negative fund balance in governmental funds, after determining the fund balance classifications described above, is also reported as unassigned fund balance. The General Fund is the only fund that reports a positive unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 15 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED)

	General Fund	Housing Authority	Parks Development & Acquisition Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	\$ 1,154,735	\$ -	\$ -	\$ 7,301	\$ 1,162,036
Land held for resale	102,457,773	-	-	-	102,457,773
Loan receivable	65,503	-	-	-	65,503
Advances to other funds	3,830,700	-	-	-	3,830,700
Restricted for:					
Capital projects (1)	15,760,068	-	-	14,681,392	30,441,460
Public safety program	301,415	-	-	915,184	1,216,599
Community services	453,522	-	-	-	453,522
Housing projects	-	353,332	-	2,089,584	2,442,916
Solid waste program	-	-	-	1,713,439	1,713,439
Pension	10,951,986	-	-	-	10,951,986
Assigned to:					
Capital projects (2)	-	-	1,798,193	10,479,549	12,277,742
Unassigned	139,772,869	-	-	(97,462)	139,675,407
Total fund balances	<u>\$ 274,748,571</u>	<u>\$ 353,332</u>	<u>\$ 1,798,193</u>	<u>\$ 29,788,987</u>	<u>\$ 306,689,083</u>

(1) Restricted for capital projects:

- General Fund \$15,564,382 - legally restricted for backbone infrastructure at the Tustin Legacy development.
- General Fund \$195,686 – retention withheld in restricted escrow account to be paid to contractors once projects are completed.
- Other Governmental Funds:
 - Gas Tax Special Revenue Fund \$5,035,908 - comprised of state gas taxes restricted for allowable street-related purposes.
 - Air Quality Special Revenue Fund \$253,413 - restricted for projects to reduce pollution.
 - Road Maintenance and Rehabilitation Special Revenue Fund \$5,830,407 - restricted for maintenance and rehabilitation of streets.
 - Measure M Special Revenue Fund \$3,151,223 - state gas taxes restricted for allowable street-related purposes.
 - Construction 95-1 Capital Projects Fund \$332,609 - restricted for uses specified in the bond indenture.
 - Other Capital Projects Fund \$11,410 - retention amounts withheld in restricted escrow accounts to be paid to contractors once projects are completed.
 - CFD Construction Capital Projects Fund \$66,422 - comprised of bond proceeds restricted for uses specified in the bond indenture.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 15 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED)

- (2) Assigned to capital projects:
- Other Capital Projects Fund \$10,479,549 – for specific projects indicated in the adopted budget.
 - Park Acquisition and Development Special Revenue Fund \$1,798,193 – comprised of park fees for improvement of City parks.

NOTE 16 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Excess of Expenditures over Appropriations

	Final Budget	Actual	Variance with Final Budget
Other Governmental Funds:			
Special Tax B Fund	\$ -	\$ 7,000	\$ 7,000

NOTE 17 - JOINT POWERS AUTHORITY

Orange County Fire Authority

In January 1995, the City of Tustin entered into a joint powers agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Villa Park, and Yorba Linda and the County of Orange (County) to create the Orange County Fire Authority (Fire Authority). The purpose of the Fire Authority is to provide for mutual fire protection, prevention, and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. In 2021, the City of Placentia left the Fire Authority.

The effective date of formation was March 1, 1995. The Fire Authority’s governing board consists of one representative from each City and two from the County. The operations of the Fire Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach. The County pays all structural fees it collects to the Fire Authority. The cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach are considered “cash contract cities” and, accordingly, make cash contributions based on the Fire Authority’s annual budget.

The financial statements of the Orange County Fire Authority are available at 1 Fire Authority Road, Irvine, California.

NOTE 17 - JOINT POWERS AUTHORITY (CONTINUED)

Orange County Housing Finance Trust

In May 2019, the City of Tustin entered into a joint powers agreement with cities throughout the county and the County of Orange (County) to create the Orange County Housing Finance Trust (OCHFT). The purpose of the OCHFT is to fund the planning and construction of housing of all types and tenures for the homeless population and persons and families of extremely low, very low, and low income as defined in the Section 50093 of the Health and Safety Code, including but not limited to, permanent supportive housing, and to receive public and private financing and funds.

The OCHFT's governing board consists of nine members: two members of the Board of Supervisors of the County, two countywide elected officials, one city council member for each city member with the greatest population in the North, Central, and South Region Service Planning Area, as depicted in the agreement, and two city council members selected from member cities that are not already represented. The County is responsible for OCHFT's administrative costs for one year following the creation of OCHFT. After the initial year, the member cities will make annual contributions towards the budgeted administrative costs in accordance with a cost allocation formula approved by the governing board. The particular programs and program budget, funded, sponsored or operated by OCHFT, as well as the level of and mechanisms for, the involvement of OCHFT and each member city, in such programs and program budget, will be determined and approved by the governing board. A member city's individual contribution, involvement and role in any particular program or budgeted program costs will be mutually agreed to between the member city and OCHFT.

The financial statements of the Orange County Housing Finance Trust are available at 333 W. Santa Ana Blvd, Santa Ana, California.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 18 - SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY DISCLOSURES

The assets and liabilities of the former redevelopment agency were transferred to the Successor Agency to the Tustin Community Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former redevelopment agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to these transactions are as follows:

Long-Term Liabilities

A summary of long-term liabilities activity for the year ended June 30, 2023, is as follows:

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>	Due Within <u>One Year</u>
Tax allocation bonds	\$ 46,175,000	\$ -	\$ (2,130,000)	\$ 44,045,000	\$ 2,215,000
Unamortized premium	5,025,725	-	(261,076)	4,764,649	261,076
Total long-term liabilities	<u>\$ 51,200,725</u>	<u>\$ -</u>	<u>\$ (2,391,076)</u>	<u>\$ 48,809,649</u>	<u>\$ 2,476,076</u>

2016 Tax Allocation Refunding Bonds

On September 29, 2016, the Successor Agency to the Tustin Community Redevelopment Agency issued \$55,940,000 Refunding Tax Allocation Bonds, Series 2016 (2016 Bonds) for the purpose of refunding in advance the 2010 Housing Bonds and the MCAS 2010 Redevelopment Bonds and pay for a surety bond insurance policy and costs of issuance of the bonds. The 2016 Bonds proceeds were invested in escrow funds (2010 Housing Escrow Fund and 2010 Redevelopment Escrow Fund) with a trustee which together will pay interest and principal on the 2010 Housing Bonds up to and including September 1, 2021 and to redeem the then outstanding 2010 Housing Bonds in full on September 1, 2021; and pay interest and principal on the MCAS 2010 Redevelopment Bonds up to and including September 1, 2018 and to redeem the then outstanding MCAS 2010 Redevelopment Bonds in full on September 1, 2018. As of June 30, 2023 the amount of defeased 2010 Housing Bonds outstanding was \$5,396,835. The defeased MCAS 2010 Redevelopment Bonds were paid in full on September 1, 2018.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 18 - SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY DISCLOSURES (CONTINUED)

Long-Term Liabilities (Continued)

2016 Tax Allocation Refunding Bonds (Continued)

The 2016 Bonds are payable in annual installments ranging from \$2,025,000 to \$2,925,000 commencing on September 1, 2017. Interest is payable semiannually on March 1 and September 1, with rates ranging from 2.0% to 5.0% per annum. The bonds maturing on or after September 1, 2027, are subject to optional redemption prior to maturity, as a whole or in part, from any available source of funds, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

The defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7,392,925. The difference reported in the accompanying statements as a deferred outflow of resources, is being charged to interest expense through 2040. The remaining balance at June 30, 2023, is \$5,396,835.

At June 30, 2023, the 2016 Tax Allocation Refunding Bonds outstanding balance was \$44,045,000.

The annual debt service requirements to amortize the tax allocation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 2,215,000	\$ 1,689,825	\$ 3,904,825
2025	2,305,000	1,599,425	3,904,425
2026	2,395,000	1,493,450	3,888,450
2027	2,515,000	1,370,700	3,885,700
2028	2,640,000	1,241,825	3,881,825
2029 - 2033	11,050,000	4,596,913	15,646,913
2034 - 2038	12,885,000	2,314,725	15,199,725
2039 - 2041	8,040,000	344,550	8,384,550
Totals	<u>\$ 44,045,000</u>	<u>\$ 14,651,413</u>	<u>\$ 58,696,413</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 19 - SCHOOL FACILITIES IMPLEMENTATION COMMITMENT

In August 2015, the City entered into a School Facilities Implementation, Funding and Mitigation Agreement (I/M Agreement) as amended with the Tustin Unified School District (TUSD), as well as a joint community facilities agreement with TUSD and Standard Pacific that provides a framework for development of grades 6-12 schools on the 40-acre designated site, along with the opening of Heritage Elementary School as a magnet elementary site in the fall of 2016. The estimated cost to complete the project is \$75,117,850. In order to facilitate the implementation plan, the City will advance funds to the project development with three different approaches. First, the City advanced \$4 million in October 2015. Second, the City will deposit an additional \$15 million in the project development account which occurred on August 1, 2016. Third, the City will have the option to advance additional funds for the entire project or just certain projects. The City also issued 2014-1 Community Facilities District Special Tax Bonds, Series 2015A, totaling \$27,665,000.

In October 2017, the City conveyed approximately 40 acres of the former Marine Corps Air Station Tustin (MCAS Tustin) to the Tustin Unified School District for the establishment of the grades 6-12 schools facility project in accordance with the site conveyance agreement.

The total obligation under the I/M Agreement with TUSD is the lesser of the actual cost to construct TUSD facilities or \$85,000,000. In January 2019, the City advanced \$14,958,598 to TUSD to provide the remaining funds necessary to fund both: (a) the Legacy Magnet Academy classroom building for grades 6-9 along with associated parking and athletic fields, and (b) the Administration Building portion of the Legacy Magnet Academy 6-12 School Project. These expenses are expected to be offset by a credit the City will receive from TUSD in the amount of \$11,849,685 which credit will be redeemable by the City against any future prepayment by the City of the special tax obligations within CFD 15-2. As of June 30, 2023, the City's total contributions to TUSD under the I/M agreement was \$65,042,546. The balance remaining under the IM is \$19,957,454.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Legal Claims

There are certain legal actions pending against the City which have arisen in the normal course of operations. In the opinion of management and the City Attorney, the ultimate resolution of such actions is not expected to have a significant impact, if any, on the financial statements or operations of the City.

Capital Projects

Various capital projects were in progress at June 30, 2023 with an estimated cost to complete of approximately \$14,317,199 across all fund types.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2023

NOTE 21 – PRIOR PERIOD ADJUSTMENT

With the implementation of GASB 96 - Subscription Based Information Technology Arrangements, the beginning balance of capital assets and long-term liabilities were restated as follows:

	Governmental Activities
Net position, beginning of year, as previously reported	\$ 766,410,482
Subscription-based IT assets	2,797,692
Subscription-based IT payable	(2,646,633)
Net position, beginning of year, as restated	<u>\$ 766,561,541</u>

NOTE 22 – SUBSEQUENT EVENT

On November 7, 2023, a fire erupted at the decommissioned Tustin Air Base in the North Hangar, a 17-story, 323,000-square-foot wooden structure designated as a historical landmark. The fire eventually destroyed the North Hangar. The U.S. Navy (Navy), who owns the North Hangar and its 85-acres site, entered into a cooperative agreement with the City that allows the City to take all appropriate emergency measures necessary to address public health and environmental concerns related to this fire incident. The Navy has represented that it's committed to funding the costs of the emergency response, and, to date, has already entered into contractual commitments to reimburse the City up to \$11 million toward those costs. Discussions regarding reimbursements for the remaining costs are actively continuing at this time.

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REQUIRED SUPPLEMENTAL INFORMATION



REQUIRED SUPPLEMENTAL INFORMATION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TUSTIN

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SAFETY PLAN

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Measurement period	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Plan's proportion of the net pension liability	0.68936%	0.66329%	0.64745%	0.61609%	0.62908%
Plan's proportionate share of the net pension liability	\$ 47,370,171	\$ 23,278,195	\$ 40,839,584	\$ 38,459,938	\$ 36,911,786
Plan's covered payroll	\$ 12,664,376	\$ 11,498,163	\$ 10,848,695	\$ 9,896,349	\$ 9,967,145
Plan's proportionate share of the net pension liability as a percentage of covered payroll	374.04%	202.45%	376.45%	388.63%	370.33%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.53%	86.61%	73.12%	73.37%	75.26%
Plan's proportionate share of aggregate employer contributions	\$ 8,968,451	\$ 7,653,147	\$ 6,191,362	\$ 5,000,688	\$ 4,600,007

Notes to Schedule:

Benefit Changes:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as a CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions:

From fiscal year June 30, 2022 to June 30, 2023:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

From fiscal year June 30, 2018 to June 30, 2022:

There were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

CITY OF TUSTIN

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SAFETY PLAN

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.60938%	0.60679%	0.58972%	0.68843%
Plan's proportionate share of the net pension liability	\$ 36,411,988	\$ 31,427,228	\$ 24,298,906	\$ 25,822,675
Plan's covered payroll	\$ 10,443,467	\$ 10,013,168	\$ 9,495,434	\$ 9,640,345
Plan's proportionate share of the net pension liability as a percentage of covered payroll	348.66%	313.86%	255.90%	267.86%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	73.31%	74.06%	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	\$ 3,520,089	\$ 3,193,318	\$ 3,182,851	\$ 2,544,912

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS
SAFETY PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Contractually required contribution (actuarially determined)	5,729,176	5,243,210	\$ 4,592,442	\$ 4,132,787	\$ 3,641,308
Contributions in relation to the actuarially determined contributions	<u>(6,729,176)</u>	<u>(6,243,210)</u>	<u>(4,592,442)</u>	<u>(5,782,787)</u>	<u>(5,291,308)</u>
Contribution deficiency (excess)	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ -</u>	<u>\$ (1,650,000)</u>	<u>\$ (1,650,000)</u>
Covered payroll	\$ 13,375,405	\$ 12,664,376	\$ 11,498,163	\$ 10,848,695	\$ 9,896,349
Contributions as a percentage of covered payroll	50.31%	49.30%	39.94%	53.30%	53.47%

Notes to Schedule:

Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.300%	2.500%	2.500%	2.625%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.00% (3)	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 3% at 50 and 2% at 50 and 2.7% at 57
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS
SAFETY PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 3,204,833	\$ 3,002,977	\$ 2,708,192	\$ 3,045,919
Contributions in relation to the actuarially determined contributions	<u>(3,204,833)</u>	<u>(3,002,977)</u>	<u>(2,708,192)</u>	<u>(7,049,591)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,003,672)</u>
Covered payroll	\$ 9,967,145	\$ 10,443,467	\$ 10,013,668	\$ 9,495,434
Contributions as a percentage of covered payroll	32.15%	28.75%	27.04%	74.24%

Notes to Schedule:

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	15 Year Smoothed Fair Value
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)
Investment rate of return	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

CITY OF TUSTIN

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
MISCELLANEOUS PLAN

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Measurement period	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total Pension Liability:					
Service cost	\$ 3,049,919	\$ 2,693,820	\$ 2,581,396	\$ 2,456,587	\$ 2,402,594
Interest on total pension liability	9,777,454	9,379,056	8,860,960	8,458,273	8,052,611
Differences between expected and actual experience	134,069	1,568,479	(417,769)	(222,610)	(426,547)
Changes in assumptions	4,647,187	-	-	-	1,050,413
Benefit payments, including refunds of employee contributions	(6,576,321)	(6,434,816)	(5,207,052)	(4,648,016)	(4,523,921)
Net Change in Total Pension Liability	11,032,308	7,206,539	5,817,535	6,044,234	6,555,150
Total Pension Liability - Beginning of Year	138,684,172	131,477,633	125,660,098	119,615,864	113,060,714
Total Pension Liability - End of Year (a)	<u>\$ 149,716,480</u>	<u>\$ 138,684,172</u>	<u>\$ 131,477,633</u>	<u>\$ 125,660,098</u>	<u>\$ 119,615,864</u>
Plan Fiduciary Net Position:					
Contributions - employer	\$ 4,877,030	\$ 3,581,172	\$ 4,837,028	\$ 4,373,702	\$ 2,249,216
Contributions - employee	1,239,440	1,196,644	1,190,426	1,097,180	1,043,932
Net investment income	(9,500,196)	23,665,065	5,011,357	6,030,153	7,268,642
Benefit payments	(6,576,321)	(6,434,816)	(5,207,052)	(4,648,016)	(4,523,921)
Net plan to plan resource movement	-	-	-	-	(213)
Other miscellaneous expense	-	-	-	213	(254,792)
Administrative expense	(78,575)	(104,120)	(138,915)	(65,475)	(134,170)
Net Change in Plan Fiduciary Net Position	(10,038,622)	21,903,945	5,692,844	6,787,757	5,648,694
Plan Fiduciary Net Position - Beginning of Year	126,134,984	104,231,039	98,538,195	91,750,438	86,101,744
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 116,096,362</u>	<u>\$ 126,134,984</u>	<u>\$ 104,231,039</u>	<u>\$ 98,538,195</u>	<u>\$ 91,750,438</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 33,620,118</u>	<u>\$ 12,549,188</u>	<u>\$ 27,246,594</u>	<u>\$ 27,121,903</u>	<u>\$ 27,865,426</u>
Plan fiduciary net position as a percentage of the total pension liability	77.54%	90.95%	79.28%	78.42%	76.70%
Covered payroll	\$ 18,260,967	\$ 17,513,680	\$ 16,946,205	\$ 16,542,504	\$ 15,403,283
Net pension liability as percentage of covered payroll	184.11%	71.65%	160.78%	163.95%	180.91%

Benefit Changes:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as a CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions:

From fiscal year June 30, 2022 to June 30, 2023:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

From fiscal year June 30, 2018 to June 30, 2022:

There were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

CITY OF TUSTIN

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
MISCELLANEOUS PLAN

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:				
Service cost	\$ 2,211,312	\$ 1,840,275	\$ 1,779,008	\$ 1,747,494
Interest on total pension liability	7,614,130	7,306,376	6,982,672	6,613,765
Differences between expected and actual experience	(737,480)	(531,595)	452,122	-
Changes in assumptions	6,589,964	-	(1,770,351)	-
Benefit payments, including refunds of employee contributions	(4,300,829)	(4,102,189)	(3,956,389)	(3,974,724)
Net Change in Total Pension Liability	11,377,097	4,512,867	3,487,062	4,386,535
Total Pension Liability - Beginning of Year	101,683,617	97,170,750	93,683,688	89,297,153
Total Pension Liability - End of Year (a)	<u>\$ 113,060,714</u>	<u>\$ 101,683,617</u>	<u>\$ 97,170,750</u>	<u>\$ 93,683,688</u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 1,881,701	\$ 1,850,072	\$ 1,503,081	\$ 1,379,562
Contributions - employee	1,037,304	998,937	905,331	962,617
Net investment income	8,829,526	372,172	1,753,374	11,900,167
Benefit payments	(4,300,829)	(4,102,189)	(3,956,389)	(3,974,724)
Net plan to plan resource movement	-	-	(114)	-
Other miscellaneous expense	-	-	-	-
Administrative expense	(116,299)	(48,573)	(89,714)	-
Net Change in Plan Fiduciary Net Position	7,331,403	(929,581)	115,569	10,267,622
Plan Fiduciary Net Position - Beginning of Year	78,770,341	79,699,922	79,584,353	69,316,731
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 86,101,744</u>	<u>\$ 78,770,341</u>	<u>\$ 79,699,922</u>	<u>\$ 79,584,353</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 26,958,970</u>	<u>\$ 22,913,276</u>	<u>\$ 17,470,828</u>	<u>\$ 14,099,335</u>
Plan fiduciary net position as a percentage of the total pension liability	76.16%	77.47%	82.02%	84.95%
Covered payroll	\$ 14,684,868	\$ 13,828,003	\$ 12,847,036	\$ 12,270,014
Net pension liability as percentage of covered payroll	183.58%	165.70%	135.99%	114.91%

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS
MISCELLANEOUS PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Contractually required contribution (actuarially determined)	\$ 4,333,352	\$ 3,877,030	\$ 3,581,172	\$ 3,187,028	\$ 2,723,702
Contributions in relation to the actuarially determined contributions	<u>(4,333,352)</u>	<u>(4,877,030)</u>	<u>(3,581,172)</u>	<u>(4,837,028)</u>	<u>(4,373,702)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (1,000,000)</u>	<u>\$ -</u>	<u>\$ (1,650,000)</u>	<u>\$ (1,650,000)</u>
Covered payroll	\$ 18,865,908	\$ 18,260,967	\$ 17,513,680	\$ 16,946,205	\$ 16,542,504
Contributions as a percentage of covered payroll	22.97%	21.22%	20.45%	28.54%	26.44%

Notes to Schedule:

Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.300%	2.500%	2.500%	2.625%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.00% (3)	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 2.5% at 55 and 2% at 60 and 2% at 62
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS
MISCELLANEOUS PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 2,249,217	\$ 1,881,701	\$ 1,850,100	\$ 1,503,081
Contributions in relation to the actuarially determined contributions	<u>(2,249,217)</u>	<u>(1,881,701)</u>	<u>(1,850,100)</u>	<u>(1,503,081)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,403,283	\$ 14,684,868	\$ 13,828,003	\$ 12,847,036
Contributions as a percentage of covered payroll	14.60%	12.81%	13.38%	11.70%

Notes to Schedule:

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	15 Year Smoothed Fair Value
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)
Investment rate of return	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

CITY OF TUSTIN

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability:						
Service cost	\$ 546,336	\$ 531,714	\$ 482,722	\$ 437,360	\$ 735,504	\$ 714,949
Interest on total OPEB liability	1,012,346	970,235	894,576	824,887	890,622	862,866
Differences between expected and actual experience	-	(10,715)	627,373	(1,778,679)	-	-
Changes of assumptions	-	639,802	-	(416,384)	(398,848)	-
Benefit payments	(845,810)	(839,870)	(849,652)	(791,153)	(777,685)	(686,172)
Net Change in Total OPEB Liability	712,872	1,291,166	1,155,019	(1,723,969)	449,593	891,643
Total OPEB Liability - Beginning of Year	16,067,699	14,776,533	13,621,514	15,345,483	14,895,890	14,004,247
Total OPEB Liability - End of Year (a)	16,780,571	16,067,699	14,776,533	13,621,514	15,345,483	14,895,890
Plan Fiduciary Net Position:						
Contributions - employer	1,345,810	1,339,870	849,652	1,291,153	1,277,685	1,686,172
Net investment income	212,945	(335,000)	431,637	97,677	77,171	3,283
Benefit payments	(845,810)	(839,870)	(849,652)	(791,153)	(777,685)	(686,172)
Administrative expense	(14,960)	(14,404)	(13,016)	(11,216)	-	-
Net Change in Plan Fiduciary Net Position	697,985	150,596	418,621	586,461	577,171	1,003,283
Plan Fiduciary Net Position - Beginning of Year	2,736,132	2,585,536	2,166,915	1,580,454	1,003,283	-
Plan Fiduciary Net Position - End of Year (b)	3,434,117	2,736,132	2,585,536	2,166,915	1,580,454	1,003,283
Net OPEB Liability - Ending (a)-(b)	\$ 13,346,454	\$ 13,331,567	\$ 12,190,997	\$ 11,454,599	\$ 13,765,029	\$ 13,892,607
Plan fiduciary net position as a percentage of the total OPEB liability	20.46%	17.03%	17.50%	15.91%	10.30%	6.74%
Covered - employee payroll	\$ 44,626,782	\$ 39,276,574	\$ 31,930,486	\$ 34,926,881	\$ 23,559,635	\$ 24,156,049
Net OPEB liability as percentage of covered - employee payroll	29.91%	33.94%	38.18%	32.80%	58.43%	57.51%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2018 to June 30, 2019:

The discount rate increased from 6.00% to 6.25%. The inflation rate decreased from 2.75% to 2.50%. Salary increase changed from 2.875% to 2.75%. June 30, 2018 contained healthcare cost trend rates of 7.00% trending down to 3.84% over 58 years while June 30, 2019 contained healthcare cost trend rates from 6.50% trending down to 3.84% over 57 years.

From fiscal year June 30, 2019 to June 30, 2020:

The inflation rate increased from 2.50% to 2.75%. Healthcare cost trend rates changed to 3.50% trending down to 4.00% for 2070 and later years.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

Healthcare cost trend rates changed to 4.00% for 2023, 5.20% for 2024-2069 and 4.00% for 2070 and later years.

* Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS - OPEB

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 1,641,241	\$ 1,597,315	\$ 1,354,712	\$ 1,318,454	\$ 1,780,746	\$ 1,729,589
Contributions in relation to the actuarially determined contributions	<u>(1,345,810)</u>	<u>(1,339,870)</u>	<u>(849,652)</u>	<u>(1,291,153)</u>	<u>(1,277,685)</u>	<u>(1,686,172)</u>
Contribution deficiency (excess)	<u>\$ 295,431</u>	<u>\$ 257,445</u>	<u>\$ 505,060</u>	<u>\$ 27,301</u>	<u>\$ 503,061</u>	<u>\$ 43,417</u>
Covered - employee payroll	\$ 44,626,782	\$ 39,276,574	\$ 31,930,486	\$ 34,926,881	\$ 23,559,635	\$ 24,156,049
Contributions as a percentage of covered-employee payroll	3.02%	3.41%	2.16%	4.04%	5.42%	6.98%

Notes to Schedule:

Valuation Date	6/30/2021	6/30/2021	6/30/2019	6/30/2019	6/30/2017	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)
Inflation	2.75%	2.75%	2.75%	2.50%	2.50%	2.50%
Salary increases	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Healthcare trend rates	(4)	(3)	(3)	(2)	(2)	(2)
Rate of return on assets	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Mortality rate	CalPERS Rates	CalPERS Rates	CalPERS Rates	CalPERS Rates	CalPERS Rates	CalPERS Rates
Retirement rates	CalPERS Rates	CalPERS Rates	CalPERS Rates	CalPERS Rates	CalPERS Rates	CalPERS Rates

- (1) Level percentage of payroll, closed
- (2) 7.00%, trending down to 3.84%
- (3) 3.50% until 2023, 5.20% for 2024 to 2069 and 4.00% for 2070 and later years
- (4) 4.00% until 2023, 5.20% for 2024 to 2069 and 4.00% for 2070 and later years

* Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

CITY OF TUSTIN
 OTHER POST-EMPLOYMENT BENEFIT PLAN
 ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS

Last Ten Fiscal Years*

Retiree Health Plan

<u>Fiscal Year Ended</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense (1)</u>
6/30/2018	N/A*
6/30/2019	6.16%
6/30/2020	5.35%
6/30/2021	19.62%
6/30/2022	-11.23%
6/30/2023	6.99%

(1) Ten years of historical information is required by the Governmental Accounting Standards Board Statement No. 74. Fiscal year ended June 30, 2018 was the first year of implementation; therefore, only six years are presented.

* Initial deposit to the OPEB trust was made on June 26, 2018.

CITY OF TUSTIN
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes	\$ 58,751,483	\$ 65,096,447	\$ 67,627,570	\$ 2,531,123
Licenses and permits	1,438,837	2,247,914	3,007,410	759,496
Fines and forfeitures	916,000	1,030,000	1,160,608	130,608
Investment income	843,000	1,390,000	4,988,709	3,598,709
Intergovernmental revenue	295,300	326,500	556,238	229,738
Charges for services	7,888,610	8,481,505	5,018,259	(3,463,246)
Rental income	1,958,073	2,491,477	2,925,421	433,944
Other revenue	848,300	514,300	13,411,404	12,897,104
TOTAL REVENUES	72,939,603	81,578,143	98,695,619	17,117,476
EXPENDITURES:				
Current:				
General government	25,760,991	27,518,120	19,831,017	7,687,103
Public safety	42,471,405	46,407,478	44,298,391	2,109,087
Public works	18,148,923	16,478,752	16,765,571	(286,819)
Community services	4,855,559	5,342,165	5,357,382	(15,217)
Capital outlay	8,733,972	46,732,640	3,757,886	42,974,754
Debt service:				
Principal retirement	81,200	81,200	638,528	(557,328)
Interest expense	3,500	6,637	25,402	(18,765)
TOTAL EXPENDITURES	100,055,550	142,566,992	90,674,177	51,892,815
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(27,115,947)	(60,988,849)	8,021,442	69,010,291
OTHER FINANCING SOURCES (USES):				
Transfer in	10,431,248	8,893,332	8,638,611	(254,721)
Transfer out	(5,876,674)	(6,694,832)	(6,450,000)	244,832
TOTAL OTHER FINANCING SOURCES (USES)	4,554,574	2,198,500	2,188,611	(9,889)
NET CHANGE IN FUND BALANCE	(22,561,373)	(58,790,349)	10,210,053	69,000,402
FUND BALANCE - BEGINNING OF YEAR	264,538,518	264,538,518	264,538,518	-
FUND BALANCE - END OF YEAR	\$ 241,977,145	\$ 205,748,169	\$ 274,748,571	\$ 69,000,402

See accompanying notes to the required supplementary information

CITY OF TUSTIN

BUDGETARY COMPARISON SCHEDULE
HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 8,322	\$ 8,322
Intergovernmental revenue	385,000	599,257	599,257	-
Charges for services	1,400	1,120	1,000	(120)
Other revenue	-	-	26,840	25,720
TOTAL REVENUES	386,400	600,377	635,419	33,922
EXPENDITURES:				
Current:				
Community services	868,440	1,756,285	1,492,620	263,665
TOTAL EXPENDITURES	868,440	1,756,285	1,492,620	263,665
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(482,040)	(1,155,908)	(857,201)	297,587
OTHER FINANCING SOURCES (USES):				
Transfer in	-	460,000	439,787	20,213
NET CHANGE IN FUND BALANCE	(482,040)	(695,908)	(417,414)	317,800
FUND BALANCE - BEGINNING OF YEAR	770,746	770,746	770,746	-
FUND BALANCE - END OF YEAR	<u>\$ 288,706</u>	<u>\$ 74,838</u>	<u>\$ 353,332</u>	<u>\$ 317,800</u>

See accompanying notes to the required supplementary information

CITY OF TUSTIN

BUDGETARY COMPARISON SCHEDULE
 ARPA SPECIAL REVENUE FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Investment income	\$ -	\$ -	\$ 236,463	\$ 236,463
Intergovernmental revenue	-	-	5,178,924	5,178,924
TOTAL REVENUES	-	-	5,415,387	5,415,387
EXPENDITURES:				
Current:				
Community Services	-	3,900,000	1,575,600	2,324,400
TOTAL EXPENDITURES	-	3,900,000	1,575,600	2,324,400
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(3,900,000)	3,839,787	7,739,787
OTHER FINANCING SOURCES (USES):				
Transfer out	-	(3,860,000)	(3,839,787)	20,213
TOTAL OTHER FINANCING SOURCES (USES)	-	(3,860,000)	(3,839,787)	20,213
NET CHANGE IN FUND BALANCE	-	(7,760,000)	-	7,760,000
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ (7,760,000)	\$ -	\$ 7,760,000

See accompanying notes to the required supplementary information

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARK ACQUISITION AND DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 20,000	\$ 20,000	\$ 153,305	\$ 133,305
Intergovernmental revenue	-	-	228,279	228,279
Charges for services	15,000	32,500	18,895	(13,605)
Rental income	340,000	207,400	398,224	190,824
TOTAL REVENUES	375,000	259,900	798,703	538,803
EXPENDITURES:				
Current:				
Community services	-	-	54,732	(54,732)
Capital outlay	1,035,000	6,721,481	940,063	5,781,418
TOTAL EXPENDITURES	1,035,000	6,721,481	994,795	5,726,686
EXCESS OF REVENUES OVER EXPENDITURES	(660,000)	(6,461,581)	(196,092)	6,265,489
NET CHANGE IN FUND BALANCE	(660,000)	(6,461,581)	(196,092)	6,265,489
FUND BALANCE - BEGINNING OF YEAR	1,994,285	1,994,285	1,994,285	-
FUND BALANCE - END OF YEAR	\$ 1,334,285	\$ (4,467,296)	\$ 1,798,193	\$ 6,265,489

See accompanying notes to the required supplementary information

CITY OF TUSTIN
Notes to Required Supplementary Information
June 30, 2023

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgets.

- (1) The annual budget is adopted by the City Council after the holding of a hearing and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
- (2) The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This “appropriated budget” covers City expenditures in all governmental funds, except for one Special Revenue Funds noted below and capital improvement projects carried forward from prior years.

The City Manager is authorized to transfer budgeted amounts between departments. Actual expenditures may not exceed budgeted appropriations at the fund level. Budget figures used in the accompanying required supplementary information are the original and final adjusted amounts.

- (3) Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Unspent capital projects appropriations are an automatic supplemental appropriation for the next year. All other operating appropriations lapse unless they are re-appropriated through the formal budget process.
- (4) Annual budgets are adopted for the General and Special Revenue Funds, except for the Voluntary Workforce Housing Incentive Special Revenue Fund, on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the City’s Proprietary Funds as the City is not legally required to adopt budgets for these fund types. Budgetary comparisons of Capital Projects Funds are primarily “long-term” budgets, which emphasize capital outlay plans extending over one year. Because of the long-term nature of these budgets, “annual” budget comparisons are not considered meaningful and accordingly, no budgetary information is provided.

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SUPPLEMENTARY SCHEDULES



SUPPLEMENTARY SCHEDULES

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SUPPLEMENTARY INFORMATION

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SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for a specific purpose.

Gas Tax – This fund accounts for revenues and expenditures apportioned under the Street and Highways Code of the State of California. Expenditures may be made for any street-related purpose allowable under the Code.

Community Development Block Grant Fund – This fund is used to account for funds received from U.S. Department of Housing and Urban Development to meet low income housing and community development needs.

Asset Forfeiture – This fund is used to account for monies received from the Federal government that are used for special law enforcement purchases.

Air Quality – This fund is used to account for funds received from the South Coast Air Quality Management District to be used for reducing pollution.

Supplemental Law Enforcement – This law was established under Government Code Section 30061 enacted by AB3229, Chapter 134, of the 1996 Statutes and is an appropriation from the State Budget for the “Citizen Option for Public Safety Program”. This fund can only be used for police front line municipal activities that provide police services to the City in prevention of drug abuse, crime prevention and community awareness programs.

Special Tax B – This fund is used to account for Special Tax B perpetual tax levied on taxable property in the Tustin Legacy to pay for public services and administrative expenses.

Road Maintenance and Rehabilitation – This fund is used to account for revenues and expenditures apportioned under the Road Repair and Accountability Act of 2017 (SB1) for road maintenance and rehabilitation.

Voluntary Workforce Housing Incentive – This fund is used to account for in-lieu fees collected and the associated expenditures that support development of City affordable housing programs and projects under the City of Tustin Ordinance 1491.

Solid Waste – This fund is used to account for solid waste program revenues and expenditures.

Measure M – This fund is used to account for monies received from the County for street and maintenance projects.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Construction 95-1 – This fund accounts for infrastructure improvements to the Tustin 95-1 Area.

Other Capital Projects – This fund is used to account for capital projects which are not funded by a specific source.

CFD Construction – This fund is used to account for construction and improvements to the Tustin Legacy area.

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CITY OF TUSTIN
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS

June 30, 2023

	Special Revenue Funds					
	Gas Tax	CDBG	Asset Forfeiture	Air Quality	Supplemental Law Enforcement	Special Tax B
ASSETS						
Cash and investments	\$ 5,091,990	\$ 60,768	\$ 410,201	\$ 226,320	\$ 442,566	\$ 1,750
Restricted cash and investments	-	-	-	-	-	-
Receivables:						
Accounts	178,713	95,022	-	26,526	-	63,557
Interest	13,001	-	1,036	567	1,127	-
Prepaid items	2,835	-	-	-	-	-
TOTAL ASSETS	\$ 5,286,539	\$ 155,790	\$ 411,237	\$ 253,413	\$ 443,693	\$ 65,307
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES:						
Accounts payable and accrued liabilities	\$ 247,796	\$ 158,230	\$ -	\$ -	\$ 3,303	\$ 1,750
Unearned revenue	-	-	-	-	-	-
TOTAL LIABILITIES	247,796	158,230	-	-	3,303	1,750
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue	-	95,022	-	-	-	-
FUND BALANCES:						
Nonspendable	2,835	-	-	-	-	-
Restricted	5,035,908	-	411,237	253,413	440,390	63,557
Assigned	-	-	-	-	-	-
Unassigned	-	(97,462)	-	-	-	-
TOTAL FUND BALANCES	5,038,743	(97,462)	411,237	253,413	440,390	63,557
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,286,539	\$ 155,790	\$ 411,237	\$ 253,413	\$ 443,693	\$ 65,307

Special Revenue Funds (Continued)				Capital Projects Funds			Total Other Governmental Funds
Road Maintenance and Rehabilitation	Voluntary Workforce Housing Incentive	Solid Waste	Measure M	Construction 95-1	Other Capital Projects	CFD Construction	
\$ 5,509,178	\$ 2,084,290	\$ 1,773,216	\$ 3,368,633	\$ 332,609	\$ 10,529,439	\$ 10,777	\$ 29,841,737
-	-	-	77,686	-	11,410	403,427	492,523
314,416	-	25,289	368,088	-	-	-	1,071,611
14,010	5,294	3,589	8,609	-	26,542	-	73,775
-	-	-	-	-	4,466	-	7,301
<u>\$ 5,837,604</u>	<u>\$ 2,089,584</u>	<u>\$ 1,802,094</u>	<u>\$ 3,823,016</u>	<u>\$ 332,609</u>	<u>\$ 10,571,857</u>	<u>\$ 414,204</u>	<u>\$ 31,486,947</u>
\$ 7,197	\$ -	\$ 40,343	\$ 671,793	\$ -	\$ 76,432	\$ 347,782	\$ 1,554,626
-	-	48,312	-	-	-	-	48,312
7,197	-	88,655	671,793	-	76,432	347,782	1,602,938
-	-	-	-	-	-	-	95,022
-	-	-	-	-	4,466	-	7,301
5,830,407	2,089,584	1,713,439	3,151,223	332,609	11,410	66,422	19,399,599
-	-	-	-	-	10,479,549	-	10,479,549
-	-	-	-	-	-	-	(97,462)
<u>5,830,407</u>	<u>2,089,584</u>	<u>1,713,439</u>	<u>3,151,223</u>	<u>332,609</u>	<u>10,495,425</u>	<u>66,422</u>	<u>29,788,987</u>
<u>\$ 5,837,604</u>	<u>\$ 2,089,584</u>	<u>\$ 1,802,094</u>	<u>\$ 3,823,016</u>	<u>\$ 332,609</u>	<u>\$ 10,571,857</u>	<u>\$ 414,204</u>	<u>\$ 31,486,947</u>

CITY OF TUSTIN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2023

	Special Revenue Funds					
	Gas Tax	CDBG	Asset Forfeiture	Air Quality	Supplemental Law Enforcement	Special Tax B
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	136,116	-	9,416	5,040	11,400	-
Intergovernmental revenue	2,036,471	2,188,802	198,929	131,305	203,493	5,082,454
Charges for services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
TOTAL REVENUES	2,172,587	2,188,802	208,345	136,345	214,893	5,082,454
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	7,000
Public safety	-	-	-	-	53,357	-
Public works	1,821,799	-	-	-	-	-
Community services	-	301,483	-	-	-	-
Capital outlay	295,367	1,809,929	46,893	-	-	-
TOTAL EXPENDITURES	2,117,166	2,111,412	46,893	-	53,357	7,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	55,421	77,390	161,452	136,345	161,536	5,075,454
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(5,059,557)
TOTAL OTHER FINANCING (USES)	-	-	-	-	-	(5,059,557)
NET CHANGE IN FUND BALANCES	55,421	77,390	161,452	136,345	161,536	15,897
FUND BALANCES - BEGINNING OF YEAR	4,983,322	(174,852)	249,785	117,068	278,854	47,660
FUND BALANCES - END OF YEAR	\$ 5,038,743	\$ (97,462)	\$ 411,237	\$ 253,413	\$ 440,390	\$ 63,557

Road Maintenance and Rehabilitation	Special Revenue Funds (Continued)			Capital Projects Funds			Total Other Governmental Funds
	Voluntary Workforce Housing Incentive	Solid Waste	Measure M	Construction 95-1	Other Capital Projects	CFD Construction	
\$ -	\$ -	\$ 209,868	\$ -	\$ -	\$ -	\$ -	\$ 209,868
134,560	54,707	38,153	90,815	-	185,411	29,472	695,090
1,794,306	-	85,574	2,245,938	-	1,079,257	-	15,046,529
-	-	63,146	-	-	-	-	63,146
-	-	381,029	452	-	-	-	381,481
1,928,866	54,707	777,770	2,337,205	-	1,264,668	29,472	16,396,114
-	-	-	-	-	-	-	7,000
-	-	-	-	-	-	-	53,357
23,911	-	380,965	-	-	-	191,520	2,418,195
-	-	-	-	-	-	-	301,483
1,723,140	-	-	1,997,764	-	2,038,558	976,795	8,888,446
1,747,051	-	380,965	1,997,764	-	2,038,558	1,168,315	11,668,481
181,815	54,707	396,805	339,441	-	(773,890)	(1,138,843)	4,727,633
-	-	-	-	-	6,450,000	-	6,450,000
-	-	-	(179,054)	-	-	-	(5,238,611)
-	-	-	(179,054)	-	6,450,000	-	1,211,389
181,815	54,707	396,805	160,387	-	5,676,110	(1,138,843)	5,939,022
5,648,592	2,034,877	1,316,634	2,990,836	332,609	4,819,315	1,205,265	23,849,965
<u>\$ 5,830,407</u>	<u>\$ 2,089,584</u>	<u>\$ 1,713,439</u>	<u>\$ 3,151,223</u>	<u>\$ 332,609</u>	<u>\$ 10,495,425</u>	<u>\$ 66,422</u>	<u>\$ 29,788,987</u>

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 136,116	\$ 136,116
Intergovernmental revenue	2,032,800	2,333,800	2,036,471	(297,329)
TOTAL REVENUES	2,032,800	2,333,800	2,172,587	(161,213)
EXPENDITURES:				
Current:				
Public works	1,432,802	1,827,513	1,821,799	5,714
Capital outlay	200,000	763,100	295,367	467,733
TOTAL EXPENDITURES	1,632,802	2,590,613	2,117,166	473,447
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	399,998	(256,813)	55,421	312,234
NET CHANGE IN FUND BALANCE	399,998	(256,813)	55,421	312,234
FUND BALANCE - BEGINNING OF YEAR	4,983,322	4,983,322	4,983,322	-
FUND BALANCE - END OF YEAR	\$ 5,383,320	\$ 4,726,509	\$ 5,038,743	\$ 312,234

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 313,345	\$ 2,859,588	\$ 2,188,802	\$ (670,786)
TOTAL REVENUES	<u>313,345</u>	<u>2,859,588</u>	<u>2,188,802</u>	<u>(670,786)</u>
EXPENDITURES:				
Current:				
Community services	313,345	1,982,154	301,483	1,680,671
Capital outlay	<u>-</u>	<u>1,809,929</u>	<u>1,809,929</u>	<u>-</u>
TOTAL EXPENDITURES	<u>313,345</u>	<u>3,792,083</u>	<u>2,111,412</u>	<u>1,680,671</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(932,495)</u>	<u>77,390</u>	<u>1,009,885</u>
NET CHANGE IN FUND BALANCE	-	(932,495)	77,390	1,009,885
FUND BALANCE - BEGINNING OF YEAR	<u>(174,852)</u>	<u>(174,852)</u>	<u>(174,852)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (174,852)</u>	<u>\$ (1,107,347)</u>	<u>\$ (97,462)</u>	<u>\$ 1,009,885</u>

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ASSET FORFEITURE SPECIAL REVENUE FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 9,416	\$ 9,416
Intergovernmental revenue	-	-	198,929	198,929
TOTAL REVENUES	-	-	208,345	208,345
EXPENDITURES:				
Current:				
Capital outlay	-	46,900	46,893	7
TOTAL EXPENDITURES	-	46,900	46,893	7
EXCESS OF REVENUES OVER EXPENDITURES	-	(46,900)	161,452	208,352
NET CHANGE IN FUND BALANCE	-	(46,900)	161,452	208,352
FUND BALANCE - BEGINNING OF YEAR	249,785	249,785	249,785	-
FUND BALANCE - END OF YEAR	\$ 249,785	\$ 202,885	\$ 411,237	\$ 208,352

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AIR QUALITY SPECIAL REVENUE FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 500	\$ 500	\$ 5,040	\$ 4,540
Intergovernmental revenue	95,900	95,900	131,305	35,405
TOTAL REVENUES	96,400	96,400	136,345	39,945
NET CHANGE IN FUND BALANCE	96,400	96,400	136,345	39,945
FUND BALANCE - BEGINNING OF YEAR	117,068	117,068	117,068	-
FUND BALANCE - END OF YEAR	\$ 213,468	\$ 213,468	\$ 253,413	\$ 39,945

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 11,400	\$ 11,400
Intergovernmental revenue	176,000	176,000	203,493	27,493
TOTAL REVENUES	176,000	176,000	214,893	38,893
EXPENDITURES:				
Current:				
Public safety	142,300	117,293	53,357	63,936
TOTAL EXPENDITURES	142,300	117,293	53,357	63,936
EXCESS OF REVENUES OVER EXPENDITURES	33,700	58,707	161,536	102,829
NET CHANGE IN FUND BALANCE	33,700	58,707	161,536	102,829
FUND BALANCE - BEGINNING OF YEAR	278,854	278,854	278,854	-
FUND BALANCE - END OF YEAR	\$ 312,554	\$ 337,561	\$ 440,390	\$ 102,829

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SPECIAL TAX B SPECIAL REVENUE FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 4,700,000	\$ 4,812,929	\$ 5,082,454	\$ 269,525
TOTAL REVENUES	4,700,000	4,812,929	5,082,454	269,525
EXPENDITURES:				
Current:				
General government	-	-	7,000	(7,000)
TOTAL EXPENDITURES	-	-	7,000	(7,000)
EXCESS OF REVENUES OVER EXPENDITURES	4,700,000	4,812,929	5,075,454	262,525
OTHER FINANCING SOURCES (USES):				
Transfer out	(4,700,000)	(5,098,500)	(5,059,557)	38,943
NET CHANGE IN FUND BALANCE	-	(285,571)	15,897	301,468
FUND BALANCE - BEGINNING OF YEAR	47,660	47,660	47,660	-
FUND BALANCE - END OF YEAR	\$ 47,660	\$ (237,911)	\$ 63,557	\$ 301,468

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ROAD MAINTENANCE AND REHABILITATION SPECIAL REVENUE FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 134,560	\$ 134,560
Intergovernmental revenue	1,590,300	1,823,800	1,794,306	(29,494)
TOTAL REVENUES	1,590,300	1,823,800	1,928,866	105,066
EXPENDITURES:				
Current:				
Public works	22,400	23,874	23,911	(37)
Capital outlay	1,050,000	4,041,670	1,723,140	2,318,530
TOTAL EXPENDITURES	1,072,400	4,065,544	1,747,051	2,318,493
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	517,900	(2,241,744)	181,815	2,423,559
NET CHANGE IN FUND BALANCE	517,900	(2,241,744)	181,815	2,423,559
FUND BALANCE - BEGINNING OF YEAR	5,648,592	5,648,592	5,648,592	-
FUND BALANCE - END OF YEAR	\$ 6,166,492	\$ 3,406,848	\$ 5,830,407	\$ 2,423,559

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SOLID WASTE SPECIAL REVENUE FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 210,000	\$ 230,000	\$ 209,868	\$ (20,132)
Investment income	-	-	38,153	38,153
Intergovernmental revenue	-	114,000	85,574	(28,426)
Charges for services	10,000	10,000	63,146	53,146
Other revenue	-	-	381,029	381,029
TOTAL REVENUES	<u>220,000</u>	<u>354,000</u>	<u>777,770</u>	<u>423,770</u>
EXPENDITURES:				
Current:				
Public works	<u>224,000</u>	<u>460,820</u>	<u>380,965</u>	<u>79,855</u>
TOTAL EXPENDITURES	<u>224,000</u>	<u>460,820</u>	<u>380,965</u>	<u>79,855</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,000)</u>	<u>(106,820)</u>	<u>396,805</u>	<u>503,625</u>
NET CHANGE IN FUND BALANCE	(4,000)	(106,820)	396,805	503,625
FUND BALANCE - BEGINNING OF YEAR	<u>1,316,634</u>	<u>1,316,634</u>	<u>1,316,634</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,312,634</u>	<u>\$ 1,209,814</u>	<u>\$ 1,713,439</u>	<u>\$ 503,625</u>

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MEASURE M SPECIAL REVENUE FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 50,000	\$ 50,000	\$ 90,815	\$ 40,815
Intergovernmental revenue	1,646,900	1,646,900	2,245,938	599,038
Other revenue	-	-	452	452
TOTAL REVENUES	1,696,900	1,696,900	2,337,205	640,305
EXPENDITURES:				
Capital outlay	1,070,000	2,879,089	1,997,764	881,325
TOTAL EXPENDITURES	1,070,000	2,879,089	1,997,764	881,325
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	626,900	(1,182,189)	339,441	1,521,630
OTHER FINANCING SOURCES (USES):				
Transfer out	(40,000)	(150,000)	(179,054)	(29,054)
NET CHANGE IN FUND BALANCE	586,900	(1,332,189)	160,387	1,492,576
FUND BALANCE - BEGINNING OF YEAR	2,990,836	2,990,836	2,990,836	-
FUND BALANCE - END OF YEAR	\$ 3,577,736	\$ 1,658,647	\$ 3,151,223	\$ 1,492,576

CITY OF TUSTIN

COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS

June 30, 2023

	Community Facilities District 04-01	Community Facilities District 06-01	Community Facilities District 07-01	Community Facilities District 2014-1	Total
ASSETS					
Cash and investments	\$ -	\$ 151,501	\$ -	\$ 64,711	\$ 216,212
Restricted cash and investments	1,160,655	6,480,895	1,938,962	3,571,623	13,152,135
Accounts receivable	12,399	53,156	-	35,661	101,216
TOTAL ASSETS	\$ 1,173,054	\$ 6,685,552	\$ 1,938,962	\$ 3,671,995	\$ 13,469,563
NET POSITION					
Restricted for: Bondholders	\$ 1,173,054	\$ 6,685,552	\$ 1,938,962	\$ 3,671,995	\$ 13,469,563

CITY OF TUSTIN

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS

For the year ended June 30, 2023

	Community Facilities District 04-01	Community Facilities District 06-01	Community Facilities District 07-01	Community Facilities District 2014-1	Total
ADDITIONS					
Tax revenue	\$ 698,091	\$ 3,707,670	\$ 1,088,718	\$ 1,617,739	\$ 7,112,218
Investment Income	24,053	168,949	48,920	100,142	342,064
TOTAL ADDITIONS	722,144	3,876,619	1,137,638	1,717,881	7,454,282
DEDUCTIONS					
Administrative expenses	17,903	84,595	41,770	29,595	173,863
Principal	390,000	1,335,000	425,000	285,000	2,435,000
Interest	285,406	2,171,769	596,466	1,265,875	4,319,516
TOTAL DEDUCTIONS	693,309	3,591,364	1,063,236	1,580,470	6,928,379
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	28,835	285,255	74,402	137,411	525,903
NET POSITION AT BEGINNING OF YEAR	1,144,219	6,400,297	1,864,560	3,534,584	12,943,660
NET POSITION AT END OF YEAR	\$ 1,173,054	\$ 6,685,552	\$ 1,938,962	\$ 3,671,995	\$ 13,469,563



STATISTICAL SECTION



STATISTICAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

STATISTICAL SECTION

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CITY OF TUSTIN
Description of Statistical Contents
June 30, 2023

This part of the City of Tustin’s Annual Comprehensive Financial Report presents detail information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> – These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	128
<u>Revenue Capacity</u> – These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	138
<u>Debt Capacity</u> – These schedules present information to help the read assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	144
<u>Demographic and Economic Information</u> – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	150
<u>Operating Information</u> – These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	152

Sources:

Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

CITY OF TUSTIN

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
Governmental activities:				
Net investment in capital assets	\$ 461,673,323	\$ 456,649,085	\$ 483,229,135	\$ 490,574,647
Restricted	36,693,458	72,929,522	95,241,025	102,027,853
Unrestricted	93,877,440	140,727,040	107,224,779	144,442,931
Total governmental activities net position	<u>\$ 592,244,221</u>	<u>\$ 670,305,647</u>	<u>\$ 685,694,939</u>	<u>\$ 737,045,431</u>
Business-type activities:				
Net investment in capital assets	\$ 23,657,878	\$ 24,270,718	\$ 25,443,651	\$ 23,252,432
Restricted	-	-	-	-
Unrestricted	8,326,340	11,845,734	12,227,557	15,129,697
Total business-type activities net position	<u>\$ 31,984,218</u>	<u>\$ 36,116,452</u>	<u>\$ 37,671,208</u>	<u>\$ 38,382,129</u>
Primary government:				
Net investment in capital assets	\$ 485,331,201	\$ 480,919,803	\$ 508,672,786	\$ 513,827,079
Restricted	36,693,458	72,929,522	95,241,025	102,027,853
Unrestricted	102,203,780	152,572,774	119,452,336	159,572,628
Total primary government net position	<u>\$ 624,228,439</u>	<u>\$ 706,422,099</u>	<u>\$ 723,366,147</u>	<u>\$ 775,427,560</u>

* Fiscal year 2020 net position was restated.

Fiscal Year					
2018	2019	2020*	2021	2022	2023
\$ 499,190,473	\$ 520,166,300	\$ 549,473,651	\$ 565,395,034	\$ 540,256,185	\$ 533,745,376
87,395,188	67,892,989	59,304,350	39,407,529	48,269,367	53,735,373
151,119,177	108,567,573	114,195,576	106,773,829	177,884,930	188,209,049
<u>\$ 737,704,838</u>	<u>\$ 696,626,862</u>	<u>\$ 722,973,577</u>	<u>\$ 711,576,392</u>	<u>\$ 766,410,482</u>	<u>\$ 775,689,798</u>
\$ 22,753,763	\$ 20,650,435	\$ 24,145,887	\$ 25,941,133	\$ 29,184,048	\$ 34,501,119
-	-	-	-	-	-
16,505,744	19,489,664	15,070,837	12,918,451	9,775,999	5,818,220
<u>\$ 39,259,507</u>	<u>\$ 40,140,099</u>	<u>\$ 39,216,724</u>	<u>\$ 38,859,584</u>	<u>\$ 38,960,047</u>	<u>\$ 40,319,339</u>
\$ 521,944,236	\$ 540,816,735	\$ 573,619,538	\$ 591,336,167	\$ 569,440,233	\$ 568,246,495
87,395,188	67,892,989	59,304,350	39,407,529	48,269,367	53,735,373
167,624,921	128,057,237	129,266,413	119,692,280	187,660,929	194,027,269
<u>\$ 776,964,345</u>	<u>\$ 736,766,961</u>	<u>\$ 762,190,301</u>	<u>\$ 750,435,976</u>	<u>\$ 805,370,529</u>	<u>\$ 816,009,137</u>

CITY OF TUSTIN

CHANGES IN NET POSITION
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
Expenses:				
Governmental activities:				
General government	\$ 14,825,780	\$ 17,121,057	\$ 20,023,280	\$ 24,504,764
Public safety	28,440,799	29,886,284	27,779,830	34,611,078
Public works	49,538,371	34,435,214	47,326,664	24,822,480
Community services	3,498,460	3,699,059	7,869,124	19,524,660
Interest on long-term debt	-	-	-	5,802
Total governmental activities expenses	<u>96,303,410</u>	<u>85,141,614</u>	<u>102,998,898</u>	<u>103,468,784</u>
Business-type activities:				
Water	16,100,137	15,982,078	15,586,463	16,654,429
Total business-type activities expenses	<u>16,100,137</u>	<u>15,982,078</u>	<u>15,586,463</u>	<u>16,654,429</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	249,237	252,074	2,072,540	1,979,211
Public safety	920,112	1,071,099	1,195,350	1,255,299
Public works	1,710,813	1,564,314	3,538,906	1,861,045
Community services	967,134	892,102	953,149	1,101,294
Operating grants and contributions	3,325,304	3,546,823	2,722,978	2,742,140
Capital grants and contributions	12,222,106	20,244,479	48,711,583	26,535,693
Total governmental activities program revenues	<u>19,394,706</u>	<u>27,570,891</u>	<u>59,194,506</u>	<u>35,474,682</u>
Business-type activities:				
Charges for services:				
Water	18,682,821	19,375,359	16,511,795	17,100,836
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>18,682,821</u>	<u>19,375,359</u>	<u>16,511,795</u>	<u>17,100,836</u>
Net revenues (expenses):				
Governmental activities	\$ (76,908,704)	\$ (57,570,723)	\$ (43,804,392)	\$ (67,994,102)
Business-type activities	2,582,684	3,393,281	925,332	446,407
Total net revenues (expenses)	<u>\$ (74,326,020)</u>	<u>\$ (54,177,442)</u>	<u>\$ (42,879,060)</u>	<u>\$ (67,547,695)</u>

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 23,949,544	\$ 27,097,686	\$ 29,282,004	\$ 27,172,397	\$ 19,435,937	\$ 23,229,440
33,713,796	36,215,060	39,064,730	42,307,312	37,274,550	43,411,070
37,599,662	45,849,976	40,430,009	25,720,382	34,752,971	34,453,960
10,795,733	20,304,550	5,682,249	7,898,475	11,705,919	11,011,517
12,043	9,297	6,444	3,476	25,311	25,402
<u>106,070,778</u>	<u>129,476,569</u>	<u>114,465,436</u>	<u>103,102,042</u>	<u>103,194,688</u>	<u>112,131,389</u>
17,680,886	17,763,633	17,767,158	19,283,136	21,303,398	22,544,478
<u>17,680,886</u>	<u>17,763,633</u>	<u>17,767,158</u>	<u>19,283,136</u>	<u>21,303,398</u>	<u>22,544,478</u>
1,630,903	1,920,214	2,157,735	2,011,470	3,072,210	3,344,041
1,283,672	1,285,584	1,205,519	1,298,587	1,222,841	1,400,441
2,167,726	3,300,906	3,123,961	2,586,033	5,825,437	7,436,265
1,434,988	2,426,578	1,892,126	1,232,539	2,654,817	3,445,025
3,863,547	4,952,271	4,911,642	8,618,631	12,264,401	12,781,132
7,641,510	3,942,834	4,565,393	4,422,891	12,852,760	3,133,846
<u>18,022,346</u>	<u>17,828,387</u>	<u>17,856,376</u>	<u>20,170,151</u>	<u>37,892,466</u>	<u>31,540,750</u>
18,229,013	17,329,090	17,364,694	18,891,433	19,633,007	19,466,690
-	-	-	-	48,914	-
-	-	-	-	1,575,140	4,090,446
<u>18,229,013</u>	<u>17,329,090</u>	<u>17,364,694</u>	<u>18,891,433</u>	<u>21,257,061</u>	<u>23,557,136</u>
\$ (88,048,432)	\$ (111,648,182)	\$ (96,609,060)	\$ (82,931,891)	\$ (65,302,222)	\$ (80,590,639)
548,127	(434,543)	(402,464)	(391,703)	(46,337)	1,012,658
<u>\$ (87,500,305)</u>	<u>\$ (112,082,725)</u>	<u>\$ (97,011,524)</u>	<u>\$ (83,323,594)</u>	<u>\$ (65,348,559)</u>	<u>\$ (79,577,981)</u>

CITY OF TUSTIN

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 13,661,771	\$ 14,552,535	\$ 16,451,763	\$ 24,437,717
Transient occupancy taxes	616,897	1,090,675	1,554,754	1,609,318
Business license taxes	393,241	419,148	406,891	420,684
Other taxes	1,663,215	1,763,878	1,839,963	1,931,185
Sales tax	22,288,032	22,269,896	24,513,610	25,133,146
Motor vehicle in lieu, unrestricted	6,150,893	6,380,698	6,778,329	37,056
Investment income (loss)	628,180	1,052,276	2,430,087	611,964
Other general revenues	4,040,996	7,829,149	2,671,845	4,594,651
Gain on sale of land held for resale	-	48,136,121	-	24,241,261
Profit participation	-	-	-	31,327,612
Transfers	-	-	-	-
Contribution from successor agency	-	32,137,773	-	-
Extraordinary and special items	1,412,257	-	2,546,442	5,000,000
Total governmental activities	<u>50,855,482</u>	<u>135,632,149</u>	<u>59,193,684</u>	<u>119,344,594</u>
Business-type activities:				
Investment income (loss)	144,381	249,863	480,050	108,669
Miscellaneous	408,749	489,090	149,374	155,845
Transfers	-	-	-	-
Total business-type activities	<u>553,130</u>	<u>738,953</u>	<u>629,424</u>	<u>264,514</u>
Total primary government	<u>\$ 51,408,612</u>	<u>\$ 136,371,102</u>	<u>\$ 59,823,108</u>	<u>\$ 119,609,108</u>
Changes in net position:				
Governmental activities	\$ (26,053,222)	\$ 78,061,426	\$ 15,389,292	\$ 51,350,492
Business-type activities	3,135,814	4,132,234	1,554,756	710,921
Total primary government	<u>\$ (22,917,408)</u>	<u>\$ 82,193,660</u>	<u>\$ 16,944,048</u>	<u>\$ 52,061,413</u>

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 25,636,673	\$ 26,275,789	\$ 27,358,525	\$ 29,142,850	\$ 28,324,241	\$ 30,283,746
1,575,830	1,825,957	1,593,532	1,218,924	1,857,502	2,151,007
431,457	466,828	438,632	416,266	435,626	470,064
1,781,175	1,762,642	1,792,263	1,862,200	1,850,139	2,011,849
24,925,934	26,634,458	25,487,518	30,753,042	34,391,644	35,889,406
43,359	39,526	64,400	58,955	92,431	82,411
1,109,193	7,167,093	4,445,124	1,676,386	(3,500,691)	6,081,889
4,838,383	6,002,632	4,556,040	1,308,076	190,141	1,126,304
33,636,759	395,281	1,014,511	85,240	56,048,775	-
-	-	-	5,012,767	337,972	11,622,220
-	-	-	-	108,532	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>93,978,763</u>	<u>70,570,206</u>	<u>66,750,545</u>	<u>71,534,706</u>	<u>120,136,312</u>	<u>89,718,896</u>
150,371	1,084,525	869,426	5,629	(173,093)	326,716
178,880	230,610	23,193	28,934	428,425	19,918
-	-	-	-	(108,532)	-
<u>329,251</u>	<u>1,315,135</u>	<u>892,619</u>	<u>34,563</u>	<u>146,800</u>	<u>346,634</u>
<u>\$ 94,308,014</u>	<u>\$ 71,885,341</u>	<u>\$ 67,643,164</u>	<u>\$ 71,569,269</u>	<u>\$ 120,283,112</u>	<u>\$ 90,065,530</u>
\$ 5,930,331	\$ (41,077,976)	\$ (29,858,515)	\$ (11,397,185)	\$ 54,834,090	\$ 9,128,257
877,378	880,592	490,155	(357,140)	100,463	1,359,292
<u>\$ 6,807,709</u>	<u>\$ (40,197,384)</u>	<u>\$ (29,368,360)</u>	<u>\$ (11,754,325)</u>	<u>\$ 54,934,553</u>	<u>\$ 10,487,549</u>

CITY OF TUSTIN

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	2014	2015	2016	2017
General fund:				
Nonspendable	\$ 129,049,954	\$ 122,458,642	\$ 88,579,214 ³	\$ 84,344,748
Restricted	1,352,309	16,650,332	18,657,461	34,901,943
Unassigned	18,781,826	84,278,138 ¹	79,667,061	102,517,562
Total general fund	<u>\$ 149,184,089</u>	<u>\$ 223,387,112</u>	<u>\$ 186,903,736</u>	<u>\$ 221,764,253</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ 1,922	\$ 1,922
Restricted	29,820,853	24,048,818	54,438,343	51,069,708
Assigned	5,493,536	37,350,531 ²	26,871,816	20,408,936
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 35,314,389</u>	<u>\$ 61,399,349</u>	<u>\$ 81,312,081</u>	<u>\$ 71,480,566</u>

2018	2019	2020*	2021	2022	2023
\$ 82,868,217	\$ 82,902,130	\$ 107,921,521	\$ 108,201,957	\$ 103,464,420	\$ 107,508,711
41,269,878	31,250,893	16,438,469	15,684,164	24,668,684	27,466,991
116,332,458	88,768,803	74,972,202	78,811,634	136,230,562 ⁴	139,772,869
<u>\$ 240,470,553</u>	<u>\$ 202,921,826</u>	<u>\$ 199,332,192</u>	<u>\$ 202,697,755</u>	<u>\$ 264,363,666</u>	<u>\$ 274,748,571</u>
\$ -	\$ 1,922	\$ -	\$ 3,305	\$ 5,731	\$ 7,301
46,322,996	37,215,903	37,107,137	27,060,075	21,976,212	19,752,931
17,719,394	5,762,048	1,432,974	4,918,161	4,807,905	12,277,742
-	-	(628,792)	-	-	(97,462)
<u>\$ 64,042,390</u>	<u>\$ 42,979,873</u>	<u>\$ 37,911,319</u>	<u>\$ 31,981,541</u>	<u>\$ 26,789,848</u>	<u>\$ 31,940,512</u>

¹ Increase of \$65.5 million due to the gain on sale of land held for resale of \$48.1 million for the development of residential housing and special item totaling \$21.4 million due to reclassification of promissory note to long-term debt.

² Increase of \$31.9 million due to the transfer of bond proceeds from the Successor Agency to the TCRA to the MCAS 2010 Capital Project Fund.

³ Decrease of \$33.9 million due to the reclassification of \$34 million of land held for resale to land reported as capital assets which is not reflected in the governmental funds statements.

⁴ Increase of \$56 million due to the gain on sale of land in the former Marine Corp Air Station referred to as the Legacy.

* Fiscal year 2020 fund balance was restated.

CITY OF TUSTIN

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
Revenues:				
Taxes	\$ 22,808,488	\$ 21,426,308	\$ 23,525,899	\$ 24,825,401
Licenses and permits	1,284,232	885,043	1,334,311	853,990
Fines and forfeitures	631,340	752,597	982,123	953,665
Investment income (loss)	621,786	1,041,661	2,422,072	608,888
Intergovernmental revenues	29,741,754	37,302,283	42,838,003	35,382,444
Charges for services	1,787,268	1,870,401	2,357,268	1,999,860
Rental income	751,724	1,113,340	1,308,852	1,542,281
Developer contributions	-	16,934,704	26,357,490	16,804,964
Profit participation	-	-	-	23,495,709
Gain on sale of land held for resale	-	48,136,121	-	24,241,261
Contribution from Successor Agency	-	32,137,773	-	-
Other revenues	6,110,735	6,302,392	4,714,101	5,849,937
Total revenues	<u>63,737,327</u>	<u>167,902,623</u>	<u>105,840,119</u>	<u>136,558,400</u>
Expenditures:				
Current:				
General government	14,205,424	17,568,297	20,372,454	24,052,915
Public safety	28,170,314	33,062,929	27,897,182	30,733,524
Public works	5,797,705	6,417,257	7,182,380	7,591,876
Community services	3,081,299	3,170,747	7,308,498	18,727,257
Capital outlay	74,422,436	23,800,093	22,498,621	26,657,177
Debt service:				
Principal retirement	-	5,000,000	4,101,171	4,129,203
Interest and fiscal charges	-	-	-	5,802
Total expenditures	<u>125,677,178</u>	<u>89,019,323</u>	<u>89,360,306</u>	<u>111,897,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(61,939,851)</u>	<u>78,883,300</u>	<u>16,479,813</u>	<u>24,660,646</u>
Other financing sources (uses):				
Transfers in	2,084,612	5,266,102	5,453,988	4,242,209
Transfers out	(2,084,612)	(5,266,102)	(5,453,988)	(4,242,209)
Leases issued	-	-	-	368,356
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>368,356</u>
Extraordinary gain (loss)	1,412,257	-	976,042	-
Special item	-	21,404,683	(34,026,499)	-
Net change in fund balances	<u>\$ (60,527,594)</u>	<u>\$ 100,287,983</u>	<u>\$ (16,570,644)</u>	<u>\$ 25,029,002</u>
Debt service as a percentage of noncapital expenditures	1.73%	8.86%	6.03%	5.28%

¹ Sales tax revenues were classified as intergovernmental revenues prior to June 30, 2021.
Effective June 30, 2021, sales tax revenues have been classified as taxes in the financial statements.

		Fiscal Year									
		2018	2019	2020	2021	2022	2023				
\$	25,770,970	\$	26,385,383	\$	27,187,012	\$	58,744,483 ¹	\$	64,078,031	\$	67,837,438
	905,086		1,212,696		1,280,180		1,227,707		2,179,335		3,007,410
	996,912		909,355		841,747		929,637		1,011,519		1,160,608
	1,120,276		7,172,443		4,455,060		1,676,386		(3,500,691)		6,081,889
	42,121,841		39,613,110		38,156,567		16,875,101 ¹		19,174,643		21,609,227
	2,177,345		2,761,688		2,688,921		2,017,100		4,293,614		5,101,300
	1,674,068		2,055,135		2,133,706		1,905,553		3,259,121		3,323,645
	1,341,143		-		-		-		-		-
	7,179,553		212,651		-		5,012,767		-		11,622,220
	33,636,759		395,281		1,014,511		85,240		56,048,775		-
	-		-		-		-		-		-
	8,848,778		7,590,956		4,918,426		5,678,057		12,238,083		2,197,505
	<u>125,772,731</u>		<u>88,308,698</u>		<u>82,676,130</u>		<u>94,152,031</u>		<u>158,782,430</u>		<u>121,941,242</u>
	21,259,806		25,539,637		27,145,126		25,336,809		18,626,105		19,838,017
	32,335,404		33,200,885		36,427,058		37,592,859		41,515,077		44,351,748
	7,795,849		9,105,493		8,231,789		8,784,309		17,365,084		19,183,766
	9,747,562		19,603,654		4,955,971		4,711,435		9,799,151		8,781,817
	40,082,440		59,389,068		42,277,454		20,209,628		14,954,652		13,586,395
	3,271,503		71,908		74,763		77,730		131,364		638,528
	12,043		9,297		6,444		3,476		25,311		25,402
	<u>114,504,607</u>		<u>146,919,942</u>		<u>119,118,605</u>		<u>96,716,246</u>		<u>102,416,744</u>		<u>106,405,673</u>
	<u>11,268,124</u>		<u>(58,611,244)</u>		<u>(36,442,475)</u>		<u>(2,564,215)</u>		<u>56,365,686</u>		<u>15,535,569</u>
	8,908,605		7,281,771		4,745,170		11,814,494		12,495,004		15,528,398
	(8,908,605)		(7,281,771)		(4,745,170)		(11,814,494)		(12,386,472)		(15,528,398)
	-		-		-		-		-		-
	-		-		-		-		108,532		-
	-		-		-		-		-		-
	-		-		-		-		-		-
\$	<u>11,268,124</u>	\$	<u>(58,611,244)</u>	\$	<u>(36,442,475)</u>	\$	<u>(2,564,215)</u>	\$	<u>56,474,218</u>	\$	<u>15,535,569</u>
	3.46%		0.06%		0.09%		0.10%		0.16%		0.71%

CITY OF TUSTIN

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
(IN THOUSANDS)

Last Ten Fiscal Years

Fiscal Year Ended June 30	City		Taxable Assessed Value
	Secured	Unsecured	
2014	\$ 7,151,192	\$ 267,629	\$ 7,418,821
2015	7,503,074	287,558	7,790,632
2016	7,924,736	293,492	8,218,228
2017	8,254,232	312,525	8,566,757
2018	8,684,095	311,475	8,995,570
2019	9,092,631	313,242	9,405,874
2020	9,494,882	324,715	9,819,597
2021	9,958,441	326,678	10,285,119
2022	10,296,800	312,672	10,609,472
2023	10,921,736	408,806	11,330,542

Notes:

Exemptions are netted directly against individual categories.

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

¹ Effective February 1, 2012, the Redevelopment Agency was dissolved. The Successor Agency took over the assets and liabilities of the former Redevelopment Agency. See Note 18 for more information.

⁴ This rate represents the weighted average of all individual direct rates applied by the City of Tustin.

Successor Agency ¹				Total Direct Tax Rate ²
Secured	Unsecured	Taxable Assessed Value		
\$ 2,192,026	\$ 121,534	\$ 2,313,560	0.116%	
2,362,339	139,834	2,502,173	0.116%	
2,643,865	141,934	2,785,799	0.116%	
2,872,602	138,433	3,011,035	0.116%	
3,260,212	143,833	3,404,045	0.116%	
3,498,105	138,599	3,811,347	0.116%	
3,671,553	167,199	3,996,268	0.116%	
3,900,575	186,969	4,087,544	0.116%	
4,077,588	125,960	4,203,548	0.116%	
4,290,538	145,081	4,435,619	0.117%	

CITY OF TUSTIN

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years
(rate per \$100 of taxable value)

	Fiscal Year			
	2014	2015	2016	2017
Direct Rate:				
City of Tustin	\$ 0.1272	\$ 0.1272	\$ 0.1272	\$ 0.1272
Tustin Unified School District	0.4397	0.4397	0.4397	0.4397
South Orange County Community College District	0.0886	0.0886	0.0886	0.0886
County of Orange	0.0617	0.0617	0.0617	0.0617
Orange County Flood Control District	0.0198	0.0198	0.0198	0.0198
Orange County Library District	0.0167	0.0167	0.0167	0.0167
Orange County Department of Education	0.0161	0.0161	0.0161	0.0161
Various Special Districts	0.2302	0.2302	0.2302	0.2302
Total Direct Rate	1.0000	1.0000	1.0000	1.0000
Overlapping Rates:				
Tustin Unified School District Bonds	0.0891	0.0696	0.0775	0.0700
Metropolitan Water District Bonds	0.0035	0.0035	0.0035	0.0035
Rancho Santiago Community College District Bonds	0.0333	0.0508	0.0504	0.0495
Orange Unified School District Bonds	-	-	-	-
Irvine Ranch Water District Bonds	0.2155	0.0960	0.0960	0.1270
Santa Ana Unified School District Bonds	0.0736	0.0687	0.0660	0.0638
Irvine Unified School District Bonds	-	-	-	-
Total Overlapping Rates	0.4150	0.2886	0.2934	0.3138
Total Direct and Overlapping Rates	\$ 1.4150	\$ 1.2886	\$ 1.2934	\$ 1.3138

Source: HdL, Coren & Cone

Fiscal Year						
2018	2019	2020	2021	2022	2023	
\$ 0.1272	\$ 0.1272	\$ 0.1272	\$ 0.1272	\$ 0.1272	\$ 0.1272	\$ 0.1272
0.4397	0.4397	0.4397	0.4397	0.4397	0.4397	0.4397
0.0886	0.0886	0.0886	0.0886	0.0886	0.0886	0.0886
0.0617	0.0617	0.0617	0.0617	0.0617	0.0617	0.0617
0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198
0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167
0.0161	0.0161	0.0161	0.0161	0.0161	0.0161	0.0161
0.2302	0.2302	0.2302	0.2302	0.2302	0.2302	0.2302
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
0.0687	0.0669	0.0638	0.0710	0.0652	0.0665	0.0665
0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035
0.0509	0.0454	0.0518	0.0452	0.0429	0.0469	0.0469
-	0.0269	0.0229	0.0166	0.0166	0.0256	0.0256
0.1270	0.1270	0.1270	0.1270	0.1270	0.1270	0.1270
0.0633	0.0556	0.0730	0.0813	0.0686	0.0698	0.0698
0.0271	0.0280	0.0253	0.0280	0.0231	0.0258	0.0258
0.3405	0.3532	0.3673	0.3727	0.3469	0.3651	0.3651
\$ 1.3405	\$ 1.3532	\$ 1.3672	\$ 1.3727	\$ 1.3469	\$ 1.3651	\$ 1.3651

CITY OF TUSTIN

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2023		2014	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Vestar Kimco Tustin LP	\$ 190,437,097	1.21%	\$ 161,608,021	1.66%
Raintree Tustin LLC	155,680,536	0.99%		
Legacy Villas LLC	136,110,390	0.86%		
Schools First Federal Credit Union	125,729,499	0.80%		
Flight Phase I Owner LLC	124,669,667	0.79%		
Costco Wholesale Corporation	89,421,969	0.57%	47,423,012	0.49%
Tustin Market Place	88,871,492	0.56%		
DPIF3 California 35 Valencia Ave	88,100,000	0.56%		
Borchard Redhill SKB-Tustin LLC	69,839,286	0.44%	47,494,260	0.49%
Tustin Parc LP	67,280,224	0.43%		
Irvine Company LLC			227,080,989	2.33%
Avalon II California Value I			97,699,746	1.00%
PK II Larwin Square SC LP			50,771,745	0.52%
Irvine Apartment Communities			50,674,680	0.52%
Ricoh Development			49,023,342	0.49%
Cadigan Communities			47,268,376	0.48%
CP II Park Place LLC			42,307,193	0.43%
	<u>\$ 1,136,140,160</u>	<u>7.21%</u>	<u>\$ 821,351,364</u>	<u>8.41%</u>

Source: HdL, Coren & Cone

CITY OF TUSTIN

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

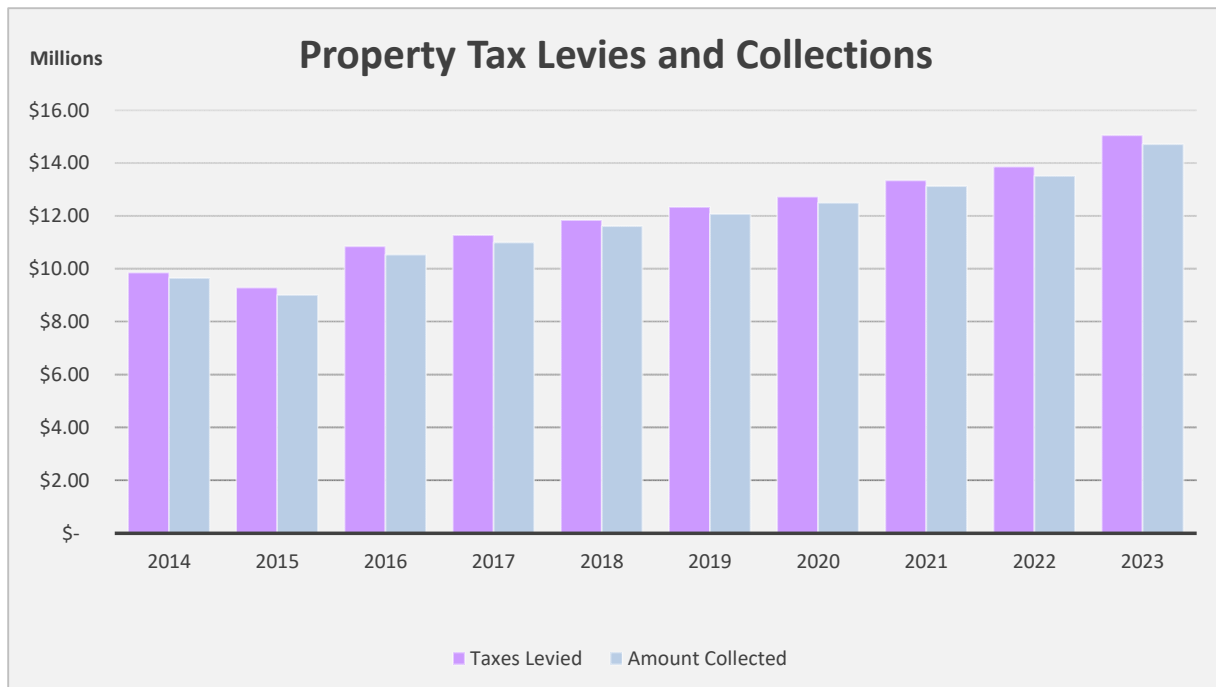
Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2014	\$ 9,862,476	\$ 9,655,778	97.90%	\$ 121,400	\$ 9,777,178	99.14%
2015	9,287,149	9,007,785	96.99%	163,497	9,171,282	98.75%
2016	10,847,984	10,541,516	97.17%	233,935	10,775,451	99.33%
2017	11,278,643	10,996,314	97.50%	207,332	11,203,646	99.34%
2018	11,844,150	11,615,833	98.07%	174,112	11,789,945	99.54%
2019	12,335,873	12,072,342	97.86%	183,788	12,256,130	99.35%
2020	12,732,756	12,500,616	98.18%	182,977	12,683,593	99.61%
2021	13,346,141	13,122,458	98.32%	180,669	13,303,126	99.68%
2022	13,867,033	13,518,415	97.49%	279,787	13,798,202	99.50%
2023	15,050,249	14,717,998	97.79%	277,170	14,995,168	99.63%

Notes:

The amounts presented for fiscal years 2009 through 2012 include City property taxes and former Redevelopment

Effective February 1, 2012, the former Redevelopment Agency was dissolved. See Notes 18 for more information.

Source: County of Orange Auditor Controller's Office



CITY OF TUSTIN

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				Total Governmental Activities
	Notes Payable ¹	Lease Payable ²	Lease Payable ³	Subscription Payable ⁴	
2014	\$ 21,404,683	\$ -	\$ -	\$ -	\$ 21,404,683
2015	16,404,683	-	-	-	16,404,683
2016	12,303,512	-	-	-	12,303,512
2017	3,202,341	340,324	-	-	3,542,665
2018	-	271,162	-	-	271,162
2019	-	199,255	-	-	199,255
2020	-	124,492	-	-	124,492
2021	-	46,761	-	-	46,761
2022	-	-	564,529	-	564,529
2023	-	-	467,949	2,121,251	2,589,200

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ In December of 2008 the City executed a note payable to the Tustin Redevelopment Agency in the amount of \$18,881,750 to increase its deposit of probable compensation per court order pending litigation. As of February 1, 2012, this note became payable to the Successor Agency to the Tustin Community Redevelopment Agency. See Note 18 for more information.

² In February 2017 the City entered into a lease to finance equipment with a present value of \$368,356.

³ In fiscal year 2021-2022, the City implemented GASB 87 Lease Payable as a lessee for facilities, vehicles and equipment. See Note # for more information.

⁴ In fiscal year 2022-2023, the City implemented GASB 96 Subscription Payable as a lessee for facilities, vehicles and equipment. See Note # for more information.

Source: LT Debt-City & Water
Revenue Bonds + Bond Premium

Business-type Activity							Total	Percentage	Debt
Water Revenue Bonds ⁵	Water Revenue Bonds ⁶	Water Revenue Bonds ⁷	Water Revenue Bonds ⁸	Water Revenue Bonds ⁹	Advance to Water ¹⁰	Total Business-type Activity	Primary Government	of Personal Income	Per Capita
\$ 21,034,111	\$ 8,205,372	\$ 14,160,362	\$ -	\$ -	\$ -	\$ 43,399,845	\$ 64,804,528	2.73%	827
21,023,911	7,398,615	14,111,418	-	-	-	42,533,944	58,938,627	2.44%	752
21,013,711	6,571,858	14,062,474	-	-	-	41,648,043	53,951,555	2.21%	656
-	5,720,101	14,013,530	22,790,666	-	-	42,524,297	46,066,962	1.82%	559
-	4,843,344	13,959,586	22,738,061	-	-	41,540,991	41,812,153	1.63%	508
-	3,931,858	13,905,642	22,685,456	-	-	40,522,956	40,722,211	1.46%	500
-	2,989,831	-	22,632,852	14,910,000	-	40,532,683	40,657,175	1.37%	506
-	2,023,074	-	22,580,247	14,745,000	-	39,348,321	39,395,082	1.27%	492
-	1,021,317	-	22,527,643	14,540,000	-	38,088,960	38,653,489	1.18%	486
-	-	-	22,475,037	14,335,000	3,830,700	40,640,737	43,229,937	1.32%	543

⁵ In May 2011 the City issued \$20,760,000 Water Revenue Bonds, 2011 Series A to finance water capital improvement projects.

⁶ In March 2012 the City issued \$8.91 million of Refunding Water Bonds to defease the outstanding 2003 Water Revenue Bonds.

⁷ In October 2013 the City issued \$14,045,000 Water Revenue Bonds to finance water capital improvement projects.

⁸ In September 2016 the City issued \$21.515 million of Refunding Water Bonds to defease the outstanding 2011 Water Revenue Bonds.

⁹ In February 2020 the City issued \$14.91 million of Refunding Water Bonds to defease the outstanding 2013 Water Revenue Bonds.

¹⁰ On June 1, 2023, the General Fund purchased a seven year Promissory Note issued by the Water Enterprise Fund to provide cash flows.

CITY OF TUSTIN

OVERLAPPING DEBT SCHEDULE

June 30, 2023

2022-23 Assessed Valuation:	\$ 15,767,387,612
Redevelopment Incremental Valuation	(4,255,930,133)
Adjusted Assessed Value	<u>\$ 11,511,457,479</u>

	Total Debt	% Applicable ¹	City's Share of Debt at 6/30/23
	6/30/23		6/30/23
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 19,215,000	0.433%	\$ 83,201
Rancho Santiago Community College District	176,539,286	0.151	266,574
Rancho Santiago Community College District School Facilities Improvement District No.1	149,820,000	0.26	389,532
Irvine Unified School District School Facilities Improvement District No. 1	155,185,000	2.783	4,318,799
Orange Unified School District	277,865,000	0.028	77,802
Santa Ana Unified School District	418,970,373	0.319	1,336,515
Tustin Unified School District School Facilities Improvement District No. 2002-1	40,350,000	46.966	18,950,781
Tustin Unified School District School Facilities Improvement District No. 2008-1	76,275,000	45.491	34,698,260
Tustin Unified School District School Facilities Improvement District No. 2012-1	51,825,000	45.872	23,773,164
Tustin Unified School District Community Facilities District No. 88-1	7,360,000	100	7,360,000
Tustin Unified School District Community Facilities District No. 06-1	12,995,000	100	12,995,000
City of Tustin Community Facilities Districts	89,260,000	100	89,260,000
Irvine Ranch Water District Improvement Districts	432,232,738	4.964 - 88.258	51,620,961
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>245,130,589</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
Orange County General Fund Obligations	\$ 451,165,000	2.175%	\$ 9,812,839
Orange County Board of Education General Fund Obligations	10,860,000	2.175	236,205
Orange Unified School District Certificates of Participation	12,945,618	0.028	3,625
Orange Unified School District Benefit Obligations	58,570,000	0.028	16,400
Santa Ana Unified School District General Fund Obligations	46,436,043	0.319	148,131
City of Tustin Lease Payable	467,949	100	467,949
City of Tustin Subscription Payable	2,121,251	100	2,121,251
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			<u>12,806,400</u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)</u>	\$ 100,500,000	0.001-100.0%	<u>44,045,565</u> ²
TOTAL OVERLAPPING DEBT			299,861,303 ³
TOTAL DIRECT DEBT			<u>2,589,200</u>
COMBINED TOTAL DEBT			<u>\$ 302,450,503</u>

¹ The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

² Effective February 1, 2012, the former Redevelopment Agency was dissolved. The Successor Agency took over assets and liability of the former Redevelopment agency. See Note 18 for more information

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded leases

Ratios to 2022-2023 Assessed Valuations:

Total Overlapping Tax and Assessment Debt	1.55%
Total Direct Debt	0.02%
Combined Total Debt	1.92%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$4,255,930,133):

Total Overlapping Tax Increment Debt	1.03%
--------------------------------------	-------

Source: California Municipal Statistics, Inc. via HdL

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CITY OF TUSTIN

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year				
	2014	2015	2016	2017	2018
Assessed valuation	\$ 7,418,821,000	\$ 7,790,632,000	\$ 8,218,228,000	\$ 8,566,757,000	\$ 8,995,570,000
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,854,705,250	1,947,658,000	2,054,557,000	2,141,689,250	2,248,892,500
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	278,205,788	292,148,700	308,183,550	321,253,388	337,333,875
Total net debt applicable to limitation	-	-	-	-	-
Legal debt margin	<u>\$ 278,205,788</u>	<u>\$ 292,148,700</u>	<u>\$ 308,183,550</u>	<u>\$ 321,253,388</u>	<u>\$ 337,333,875</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based on 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Sources: County Tax Assessor's Office
City Finance Department

Fiscal Year				
2019	2020	2021	2022	2023
\$ 9,405,874,000	\$ 9,819,597,000	\$ 10,285,119,000	\$ 10,609,472,000	\$ 11,330,542,000
25%	25%	25%	25%	25%
2,351,468,500	2,454,899,250	2,571,279,750	2,652,368,000	2,832,635,500
15%	15%	15%	15%	15%
352,720,275	368,234,888	385,691,962.50	397,855,200	424,895,325
-	-	-	-	-
<u>\$ 352,720,275</u>	<u>\$ 368,234,888</u>	<u>\$ 385,691,963</u>	<u>\$ 397,855,200</u>	<u>\$ 424,895,325</u>
0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF TUSTIN

PLEGDED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue	Proceeds from Advance ¹	Less Operating Expenses	Net Available Revenue	Water Revenue Bonds		
					Debt Service		Coverage
					Principal	Interest	
2014	\$ 18,955,616	\$ -	\$ 13,198,598	\$ 5,757,018	\$ 710,000	\$ 1,622,859	2.47
2015	19,428,741	-	12,511,648	6,917,093	770,000	1,973,820	2.52
2016	17,141,219	-	12,013,376	5,127,843	790,000	1,951,170	1.87
2017	17,365,350	-	13,032,698	4,332,652	815,000	1,229,673	2.12
2018	18,558,264	-	14,315,827	4,242,437	845,000	1,535,895	1.78
2019	18,644,225	-	14,284,473	4,359,752	880,000	1,503,095	1.83
2020	18,257,313	-	14,022,416	4,234,897	860,000	1,474,120	1.81
2021	19,083,377	-	15,889,077	3,194,300	1,050,000	1,251,630	1.39
2022	21,740,382	-	18,481,674	3,258,708	1,125,000	1,166,362	1.42
2023	18,550,021	3,830,700	18,072,628	4,308,093	1,165,000	1,126,308	1.88

¹ On June 1, 2023, the General Fund purchased a seven year Promissory Note issued by the Water Enterprise Fund to provide cash flows.

Notes:

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

Operating expenses do not include interest or depreciation and amortization expenses.

Source: Proprietary Fund (ACFR) & Debt Service Schedules

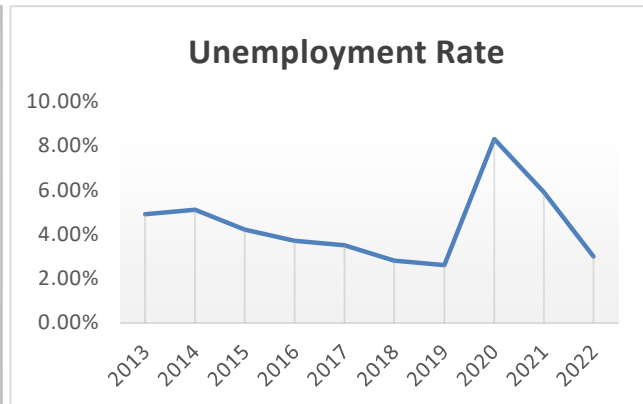
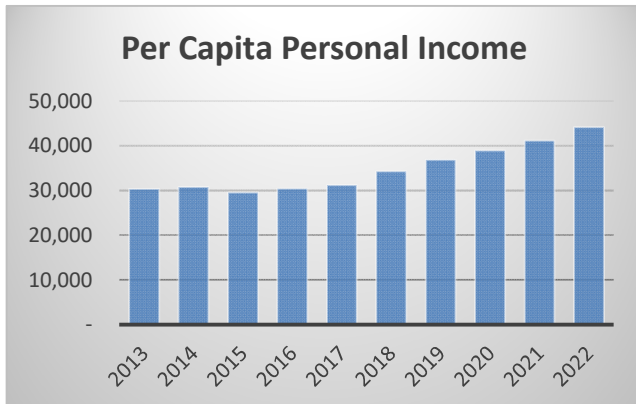
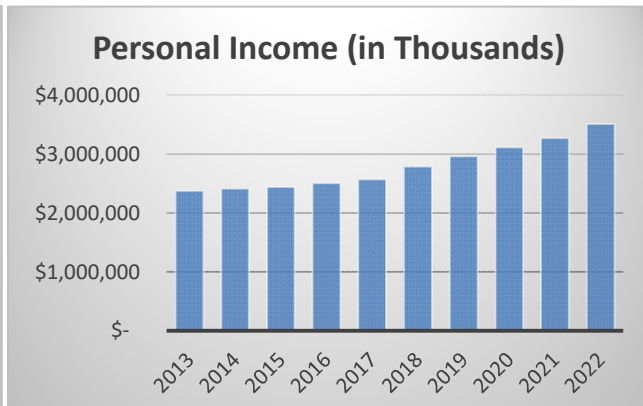
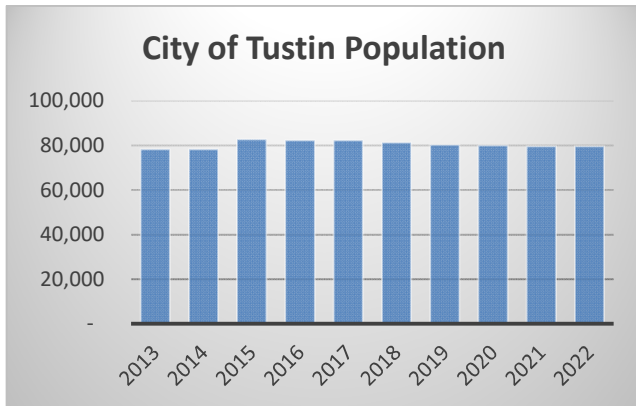
CITY OF TUSTIN

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	City of Tustin Population	Personal Income (in Thousands)	Per Capita Personal Income	Unemployment Rate
2013	78,360	\$ 2,375,640	30,317	4.90%
2014	78,347	2,411,442	30,779	5.10%
2015	82,717	2,441,169	29,512	4.20%
2016	82,372	2,506,380	30,427	3.70%
2017	82,344	2,570,460	31,216	3.50%
2018	81,369	2,785,795	34,237	2.80%
2019	80,382	2,963,734	36,870	2.60%
2020	80,009	3,112,332	38,899	8.30%
2021	79,535	3,271,521	41,133	5.90%
2022	79,558	3,510,034	44,119	3.00%

Source: HdL Coren & Cone, LLC



CITY OF TUSTIN

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2023		2014	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Tustin Unified School District	2,889	6.88%	1,313	3.07%
Schools First Federal Credit Union	1,165	2.77%		
Costco Wholesale Corporation	770	1.83%	450	1.05%
Pacific Bell	472	1.12%		
City of Tustin	440	1.05%	360	0.84%
Foothill Regional Medical Center	431	1.03%		
New American Funding	354	0.84%		
Rivian	338	0.80%		
Lendistry	300	0.71%		
Nogin	273	0.65%		
Rockwell Collins	-	0.00%	600	1.40%
Ricoh Electronics Inc	-	0.00%	500	1.17%
Newport Specialty Hospital	-	0.00%	300	0.70%
Toshiba America Medical Systems	-	0.00%	300	0.70%
Tustin Hospital Medical Center	-	0.00%	300	0.70%
Micro Vention Inc.	-	0.00%	300	0.70%
Balboa Water Group	-	0.00%	253	0.59%

Sources: State of California Employment Development Department
 City of Tustin
 US Census Bureau

CITY OF TUSTIN

FULL-TIME CITY EMPLOYEES
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government	35	33	38	35	39	42	42	45	42	46
Community Development	15	16	19	19	19	20	20	23	24	24
Public Works	47	48	45	48	47	49	50	53	60	61
Police	140	141	141	137	142	140	143	150	147	163
Parks and Recreation	13	14	14	17	17	17	16	17	19	17
Water	17	18	19	18	18	19	17	21	16	20
Total	267	270	276	274	282	287	288	309	308	331

The City contracts with the OC Fire Authority for fire services.

Source: City of Tustin Human Resources Department

CITY OF TUSTIN

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations ¹	2	2	2	2	2	2	2	2	2	2
Public Works										
Street (miles)	129.1	129.1	130.1	130.7	131.3	131.3	132.6	132.6	132.6	134.4
Street Lights	3,640	3,640	3,680	3,700	3,700	3,740	3,797	3,789	3,789	3,874
Traffic Signals	121	121	125	126	128	128	128	131	131	135
Storm Drain (miles)	51.2	51.4	51.8	52.9	53.9	53.9	53.9	54.8	54.8	56.5
Street Trees	16,073	15,815	15,706	15,542	15,574	15,042	14,606	14,546	14,546	14,566
Parks and Recreation										
Parks	13	13	14	14	14	14	16	16	16	18
Parks (acres)	98.5	98.5	116.0	116.0	116.0	116.0	173.5	173.5	173.5	173.6
Community Centers	3	3	3	3	3	3	3	4	4	4
Senior Centers	1	1	1	1	1	1	1	1	1	1
Water										
Metered Services	14,181	14,148	14,099	14,109	14,104	14,241	14,328	14,325	14,392	14,405
Average daily consumptic	13,975	13,975	9,975	10,601	11,770	11,098	11,098	12,494	11,755	10,389
Reservoirs	6	6	6	6	6	6	6	6	7	7
Wells	13	13	13	14	14	14	14	14	14	14
Water Main (miles)	178	178	178	178	178	178	178	178	178	183
Fire Hydrants	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911

¹ The City contracts with the OC Fire Authority for fire services, and they have full use of City owned stations.

Source: City of Tustin Finance Department

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CITY OF TUSTIN

WATER CONSUMPTION BY CUSTOMER TYPE

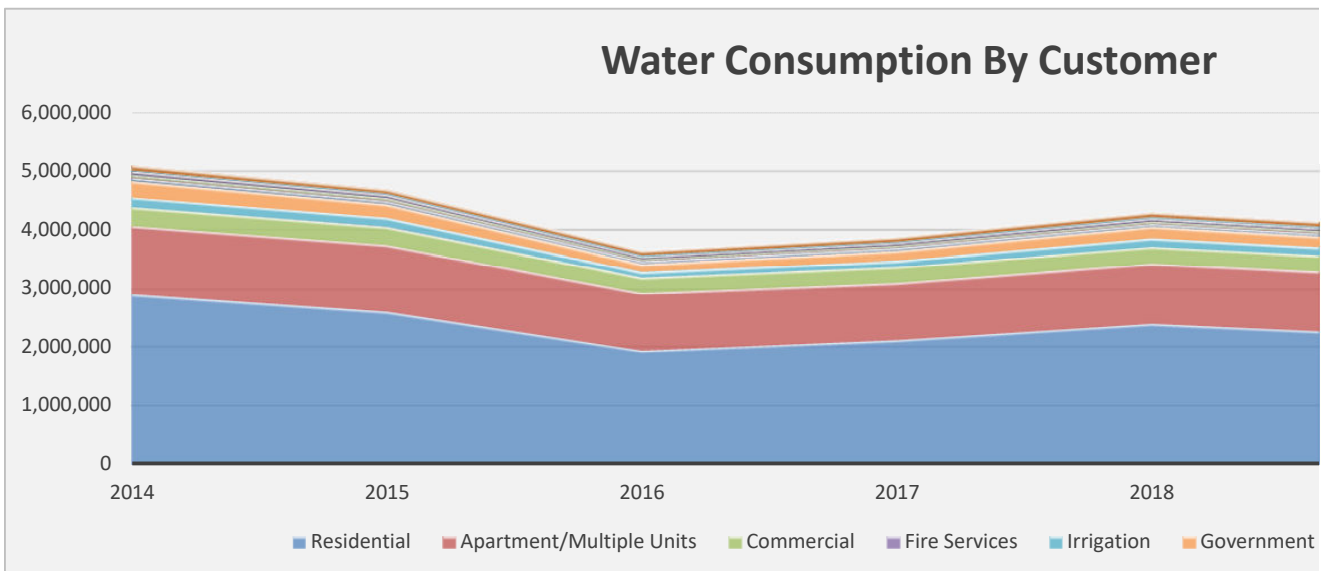
Last Ten Fiscal Years

Type of Customer	Fiscal Year			
	2014	2015	2016	2017
Residential	2,905,069	2,603,538	1,934,761	2,119,716
Apartment/Multiple Units	1,163,159	1,139,321	1,003,808	987,688
Commercial	321,125	310,585	259,459	271,649
Fire Services	577	837	646	504
Irrigation	167,346	155,766	96,082	105,750
Government	276,292	229,262	134,446	162,843
Restaurants	52,520	51,658	45,069	44,947
Hospitals	7,634	10,018	11,166	11,276
Non-Profit	45,920	41,601	22,989	26,751
Industrial	60,438	59,292	40,407	45,071
Hotel/Motels	12,866	21,379	23,387	25,185
All Others	87,785	71,324	68,830	70,721
	<u>5,100,731</u>	<u>4,694,581</u>	<u>3,641,050</u>	<u>3,872,101</u>

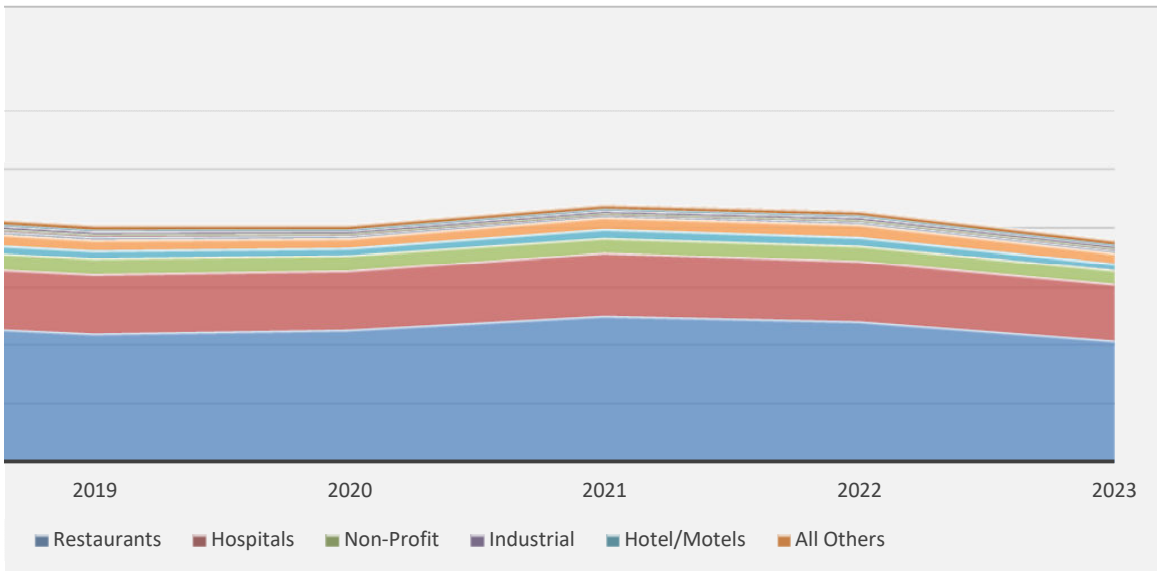
Measured in hundred cubic feet.

*2021 data was restated.

Source: City of Tustin Finance Department



Fiscal Year					
2018	2019	2020	2021*	2022	2023
2,398,744	2,199,236	2,264,772	2,498,332	2,407,301	2,079,303
1,039,878	1,029,284	1,026,696	1,093,537	1,045,809	988,524
274,943	267,541	255,245	247,832	252,125	229,890
589	564	475	595	767	479
146,941	131,579	127,429	151,390	147,165	112,562
195,695	177,321	158,344	195,034	214,756	174,594
45,086	45,905	37,786	30,574	36,088	37,173
10,536	13,102	10,158	10,256	9,687	15,232
34,539	32,021	28,491	28,792	30,534	26,749
45,062	44,693	37,520	43,009	45,838	32,634
28,908	32,594	32,754	33,598	31,621	26,531
75,208	76,873	70,777	66,722	68,762	68,168
4,296,129	4,050,713	4,050,447	4,399,671	4,290,453	3,791,839



CITY OF TUSTIN

WATER RATES

Last Ten Fiscal Years

Fiscal Year	Bi-Monthly Fixed Charge	Consumption Charges						
		Up to 10 HCF	From 11 to 20 HCF	From 21 to 30 HCF	From 31 to 40 HCF	From 41 to 50 HCF	From 51 to 60 HCF	All Over 61 HCF
2014	\$ 43.59	\$ 0.79	\$ 1.38	\$ 1.81	\$ 2.25	\$ 2.79	\$ 3.24	\$ 3.70
2015 ¹	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2016	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2017	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2018	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2019	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2020	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2020 ²	39.76	2.79	2.79	2.79	2.79	2.79	2.79	2.79
2021	41.75	2.93	2.93	2.93	2.93	2.93	2.93	2.93
2022	43.84	11.44	3.08	3.08	3.08	3.08	3.08	3.08
2023	46.03	12.02	3.24	3.24	3.24	3.24	3.24	3.24

Fiscal Year	Bi-Monthly Fixed Charge	Emergency Drought Stage 2 - Consumption Charges						
		Up to 8 HCF	From 9 to 16 HCF	From 17 to 24 HCF	From 25 to 32 HCF	From 33 to 40 HCF	From 41 to 48 HCF	All Over 49 HCF
2015 ¹	\$ 46.85	\$ 0.84	\$ 1.48	\$ 1.94	\$ 2.41	\$ 3.05	\$ 3.53	\$ 4.05
2016	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2017	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2018	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2019	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2020 ³	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05

Notes:

HCF = Hundred Cubic Feet (1 HCF = 748 gallons)

¹ A revised seven (7) tiered rate structure was approved on August 5, 2014 to address a stage 2 emergency drought water demand reduction mandate.

A seven (7) tiered rate structure was implemented on July 1, 2010. Additionally, a new fixed charge (Capital Fee) was implemented with the new rate structure, which has been included in the Bi-Monthly Fixed Charge. The rate shown is for a standard residential customer.

The bi-monthly fixed rate shown is based on the standard residential customer meter (5/8"). The City uses the American Water Works Association equivalent meter capacity ratios from the AWWA Manual M6 to calculate fixed charges for meters ranging from 1 to 6 inches.

² The City Council adopted Resolution No. 20-04 to replace the tiered rate structure with a rate structure that consists a fixed component based on the size of water meter and a variable component based on usage. The new rate structure went into effect on February 1, 2020.

³ No longer in effect.

Source: City of Tustin Finance Department

CITY OF TUSTIN

WATER CUSTOMERS

Current Fiscal Year and Nine Years Ago

Water Customer	2023		2014	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
Tustin Unified School District	\$ 708,396	3.64%	\$ 778,935	4.11%
Tustin Village Community Association	335,521	1.72%		
Tustin Acres Community Association	314,228	1.61%	33,548.00	0.18%
City of Tustin	216,076	1.11%	171,104.00	0.90%
Raintree Tustin LLC	201,086	1.03%		
Tustin Parc	112,173	0.58%		
15701 TV Way Partnership	90,570	0.47%	33,025.00	0.17%
Briarwood Investment Co. Ltd.	87,547	0.45%		
Contesta Immobilien Gmbh & Co	86,798	0.45%		
Tustin Plaza Center, LP	78,401	0.40%	47,173.00	0.25%
Vio Tustin Investment LP	75,665	0.39%		
Westchester Park LP	74,926	0.38%	28,767.00	0.15%
CMC Association Management	72,680	0.37%	25,374.00	0.13%
Schroeder Property Management	72,305	0.37%	44,598.00	0.24%
Arnel Management (Walnut East)	66,988	0.34%		
Raintree-Evergreen LLC	64,624	0.33%		
Waterstone Gardens Investments LP	63,795	0.33%		
Saddleback Mobilodge	63,492	0.33%		
Regency West	60,623	0.31%		
New Villa Valencia MHP	57,651	0.30%		
Roshan M.D.	57,647	0.30%		
Pointe Newport Appartments	57,272	0.29%		
Stonebrook Lmtd.	56,692	0.29%		
Alders Apartment Company	55,863	0.29%		
Alta Newport Hospitals Inc	44,926	0.23%		
CalTrans - District 12			83,238.00	0.44%
AT& T Services, Inc.			71,216.00	0.38%
Ricoh Electronics			78,935.00	0.42%
HSA LP			34,623.00	0.18%
Tustin Place HOA			48,439.00	0.26%
SKB-Tustin LLC			42,485.00	0.22%
Trinity United Presbyterian			31,115.00	0.16%
Valencia Gardens Owner LLC			28,022.00	0.15%
Red Hill Association			29,176.00	0.15%
GRE Tustin Financial			25,678.00	0.14%
Key Inn			25,046.00	0.13%
Sierra Corporate Management			24,456.00	0.13%
EMS Development			32,212.00	0.17%
Cadigan Communities			28,493.00	0.15%
School's First Credit Union			27,080.00	0.14%
Atomic Investments			26,591.00	0.14%
Sycamore Gardens Assoc.			26,133.00	0.14%
Total Water Sales	\$ 3,175,945	16.32%	\$ 1,825,462	9.63%
Total Water Revenues	\$ 19,466,690			

Source: City of Tustin Finance Department

CITY OF TUSTIN

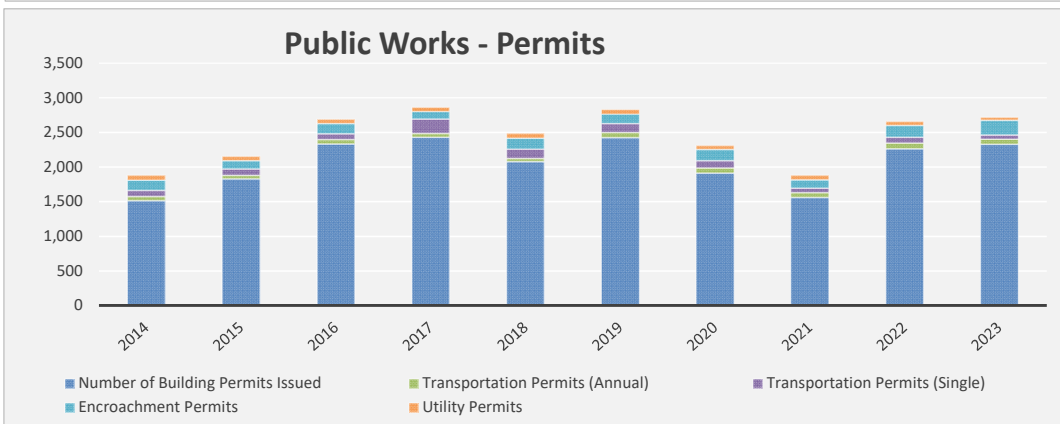
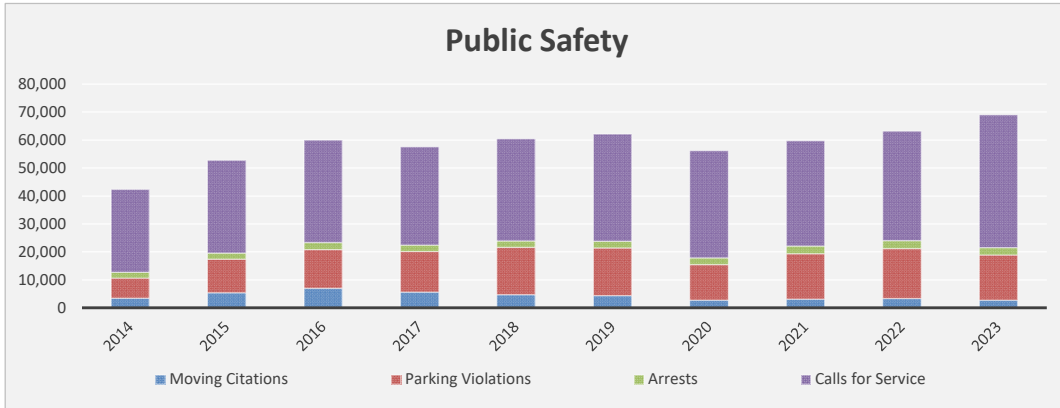
OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

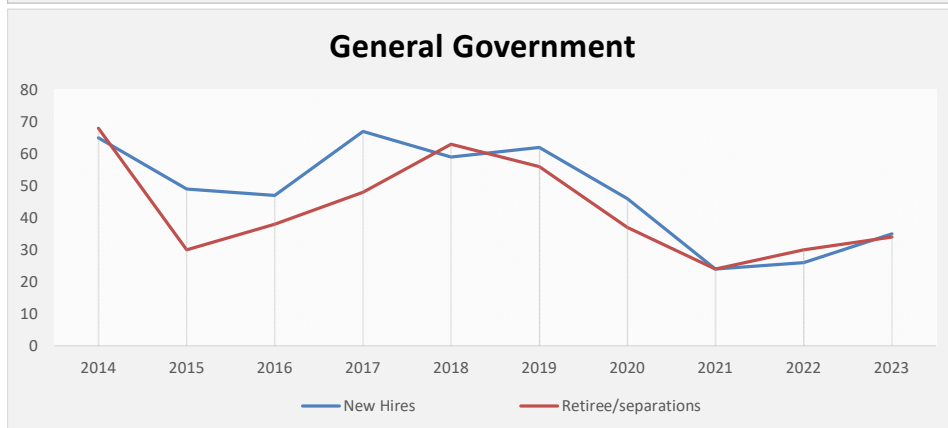
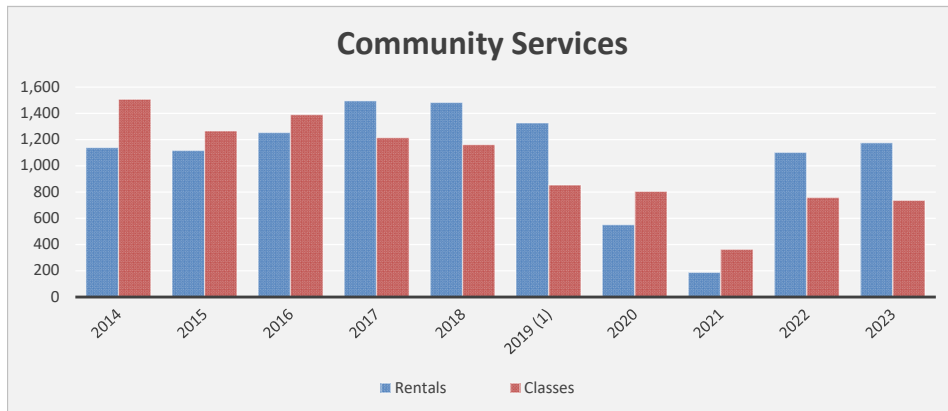
	Fiscal Year			
	2014	2015	2016	2017
Public Safety				
Moving Citations	3,499	5,444	6,982	5,590
Parking Violations	7,136	11,994	13,855	14,514
Arrests	2,139	2,155	2,494	2,343
Calls for Service	29,527	33,114	36,618	35,172
Public Works				
Number of Building Permits Issued	1,517	1,828	2,334	2,430
Number of Building Inspections Completed	5,655	6,344	11,947	11,768
Transportation Permits				
Annual	59	55	66	56
Single	89	88	82	208
Encroachment Permits	148	124	147	107
Utility Permits	66	60	59	62
Curb Miles Swept	21,118	20,773	22,087	20,589
Community Services				
Rentals	1,138	1,117	1,253	1,494
Classes	1,508	1,265	1,389	1,213
General Government				
New Hires	65	49	47	67
Retiree/separations	68	30	38	47

(1) Prior to 2019, Community Services Classes include Classes that were canceled but offered.
Fiscal year 2019 on reflects the classes that were held.

* Reduced rentals and classes due to COVID-19 pandemic restrictions.



Fiscal Year					
2018	2019	2020	2021	2022	2023
4,762	4,355	2,811	3,079	3,312	2,788
16,836	17,017	12,609	16,256	17,898	16,094
2,302	2,463	2,448	2,774	2,810	2,605
36,571	38,326	38,288	37,616	39,168	47,564
2,078	2,425	1,915	1,560	2,265	2,330
9,816	11,348	15,884	9,907	10,073	14,962
46	77	74	73	81	73
137	127	104	64	84	62
155	136	161	117	147	209
71	65	57	65	55	43
20,270	22,162	20,766	20,766	20,766	19,276
1,483	1,326	550 *	187 *	1,102	1,176
1,160	854	805	362 *	758	735
48	62	46	24	26	35
63	56	37	24	30	34



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