

OTHER FUNDS

2020-21 ADOPTED BUDGET

The District is required to adopt a budget prior to July 1 of each year in order to authorize the expenditure of funds. Since the preparation of this budget occurs before the Legislature's final action and before actual expenditures are known for the current year, estimates of proposed revenues and expenditures are based on the information available at time of preparation and reasonable assumptions.

Attached are the Adopted Budget Reports for 2020-21 for the restricted funds not included in the General Fund. These funds represent budgets that are legally restricted and/or designated for specific purposes such as Construction, Food Service, Adult Ed, etc.

Adult Ed Fund

These resources provide funding for training for adults, including concurrently enrolled students as defined in Education Code Section 52500.1, and revised by the passage of Assembly Bill 104, which allows students 18 years of age and older to enroll in adult education classes to pursue graduation requirements for the Adult High School diploma, prepare for completion of the California High School Equivalency credential, learn English as a second language, services for mandated classes, elective classes, other transitional programs, and to acquire skills for college and career readiness.

For the 2020-21 school year, the District will receive funds from the Adult Education Block Grant in the amount of \$539,371 to support programs for adult learners and to fund allowable expenses as defined by Assembly Bill 104. In addition, the District receives State revenues of \$24,139 which reflects District's proportionate share of the Santa Clara County's CalWORKs allocation. The projected federal revenue under the Workforce Innovation and Opportunity Act (WIOA) is \$88,400. Included in the Adult Education funds are \$29,547 for indirect costs that are reimbursed to the General Fund for support services. The projected ending fund balance is \$463,849.

Child Development Fund

This program is a pass-through, with expenses matching revenues. For the past twenty years, the District has contracted with an outside vendor to provide pre-school child care services at Walsh and El Toro schools.

The estimated state revenue totals \$200,585, a reduction from 2019-20 due to lower program enrollment. Included in the Child Development Fund is \$11,372 that is transferred to the General Fund for support services. The ending fund balance is \$0.

Cafeteria Fund

The Cafeteria Fund is used to account for revenues and expenses related to operating the food service program. The Student Nutrition Services department serves an average of 3,170 meals per day to District students.

Revenues are generated from federal, state and local sources. The District is reimbursed a fixed dollar amount from the Federal and State government for each meal served. Payments received from food service meal sales and catering events is accounted for as local revenue. Since it is unknown if the District will continue with distance learning or return to physical campuses, budgeted revenues have been adjusted slightly downward to reflect the most conservative estimates.

The District anticipates federal revenue to be \$1,495,000, state revenue to be \$97,500, and local revenue to be \$525,600.

Expenses total \$2,932,472 and primarily are staffing and food related costs. Included in the Cafeteria Fund expense is \$85,261 for indirect costs that are reimbursed to the General Fund and a transfer of \$40,000 from LCFF Supplemental funds to offset program costs so that all students at Title I schools eat for free. The projected ending fund balance for 2020-21 is zero, after the District transfers in \$814,372 from the Unrestricted General Fund to fund the operating deficit in the student nutrition program.

Deferred Maintenance Fund

Beginning in July 2013, Deferred Maintenance revenues were consolidated into the Local Control Funding Formula (LCFF); therefore, a transfer from the Unrestricted General Fund to the Deferred Maintenance Fund, in the amount of \$300,000 is necessary to backfill the revenues previously funded directly by the State.

As we plan for the upcoming year during COVID-19, the District will continue to monitor the usage of these funds for emergencies that are eligible projects under the former deferred maintenance program. The District has not budgeted for any expenditures from deferred maintenance due to the high likelihood that these resources will need to be used to support the operational needs of the district.

Special Reserve Fund

The Special Reserve was established with one-time revenues as a result of a legal settlement and revenues received in 2012-13 when City of Morgan Hill Redevelopment Agency was dissolved in accordance with AB 1484. The projected beginning balance is \$3,796,694 with estimated interest earnings of \$65,000. The projected ending fund balance will be \$3,861,694.

Postemployment Benefit Fund

The Postemployment Benefit Fund was established pursuant to *Education Code* Section 42840 to account for monies that have been earmarked for the future cost of postemployment benefits for retirees of the District and in compliance with GASB 45 regulations. GASB 45 provides that the cost of postemployment benefits should be accrued systematically over the working careers of employees. The District is required to update its actuarial study every two years. An actuarial study will be completed by August 2018 to indicate the present value of projected benefits. The next narrative will be completed by August 2020.

The beginning balance is \$605,796 and with projected interest earning of \$10,600, the projected ending fund balance will increase to \$616,396. There are no planned expenditures from this Fund. The District will not be making a contribution for the 2020-21 school year, but since the current year retiree benefit expenses are included in the Unrestricted General Fund the District will meet the criteria for funding its annual postemployment benefit costs.

Building Fund

The Building Fund contains resources from several different sources namely two bond programs (1999 and 2012) and the Certificates of Participation (2010).

- Certificates of Participation - In 2009 the District received an allocation of funds from the Qualified School Construction Bond program and in 2010 the District issued debt via a

Certificate of Participation in the amount of \$13.5 million which funded the construction of the photovoltaic systems at Live Oak and Sobrato High Schools. Revenues into this program include semi-annual federal subsidy payments which offset a portion of the interest expense for the Certificates of Participation and an annual \$412,794 transfer from the Unrestricted General Fund which represents the projected energy cost savings generated by the photovoltaic systems. Expenditures include the semi-annual debt service payments on the Certificates of Participation.

- 2012 Bond (Measure G) – The \$80 million bonds from Series B was received in the 2017-18 school year. Therefore, the only revenue we will expect in the Bond fund will be interest earned from the bond proceeds. Series B funds are budgeted for the new Britton Middle School Transformation project which includes new classrooms, administration office, and student union building. At Nordstrom portables will be replaced and a new classroom building provided. The new classroom building is currently under construction and scheduled to be completed in November 2020. At Jackson Academy, facilities enhancements include modernization and expansion of the existing multi-purpose room to support the music focus as well as new classrooms to replace those classrooms displaced as part of the expansion of the multi-purpose room. The project is scheduled to be completed by 2021. The balance of the Series B proceeds will fund instructional technology, infrastructure, and safety and security projects throughout the District.

Capital Facilities Fund

Projected revenues of \$1,065,000 consist of interest earned and developer fee collections. The District also anticipates receiving a contribution of \$2,000,000 from the City of Morgan Hill for the joint-use park on the Borello site. Budgeted expenses include consultants for the demographic study and boundary committee support. Construction expenses for site development of the Borello campus are included in the estimated expenditures and includes design, inspections, testing, site preparation (blacktop paving, parking lot, sidewalks, grass play fields, etc.) and onsite utility connections and fees.

Mello Roos Fund

The Mello-Roos Community Facilities Act of 1982 allows any county, city, special district, school district or joint powers authority to establish a Mello-Roos Community Facilities District (a “CFD”) which allows for financing of public improvements and services. Morgan Hill USD has two CFD’s – CFD #1 was created in 1991 and CFD #2 was created in 1994 by the majority of voters. The areas were established due to housing development impacting the District. Revenues are received from property taxes paid by those properties residing within the Mello Roos district. Projected revenue of \$ 559,467 reflects the annual ongoing property tax collections and interest. Resources are allocated for tax roll preparations.

Bond Interest and Redemption Fund

This fund is used for the repayment of bonds issued by the District for the refinance of 1999 General Obligation Bond and 2012 General Obligation Bond. The principal and interest on the bonds are paid by property taxes levied on all properties within the District’s boundaries. Fiscal year 2019-20 was the final year for taxpayer assessment for the 1999 General Obligation Bond and the final debt service payment will be made in August 2020.