

## **General Fund Narrative 2021-22 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 most reasonable assumptions and recent information available at the time.

As staff prepared the 2021-22 budget, the information presented by School Services at the Governor's May Revise and the Santa Clara County Office of Education's budget guidelines were utilized in making budget assumptions and projections.

### **Revenues**

- **Local Control Funding Formula (LCFF) Sources:** LCFF Sources account for 82.12% of the District's General Fund revenue. As a result of the State's hold harmless provision related to the pandemic, the District will be funded based on 2019-20 Average Daily Attendance (ADA) which is 8,014.19. The rolling unduplicated student count for supplemental grant funding is 42.59%. After receiving a zero Cost of Living Adjustment (COLA) in 2020-21, the Governor's May Revise includes a "mega" COLA of 5.07% for 2021-22. Total LCFF unrestricted revenues total \$80,447,800.
- **Federal Revenues:** Federal allocations have been reduced by carryover amounts, as carryover amounts are not included in the budget until the District has closed the prior year financials and actual amounts are known. Pandemic relief funds from the Elementary and Secondary School Emergency Relief Funds, Part II and Part III, are not included in the Adopted Budget as the District expects to expend these resources in 2022-23 and 2023-24.
- **State Revenues:** Similar to Federal revenue, State revenue allocations have been reduced by carryover amounts. Many State categorical programs were consolidated into LCFF, but several programs remained outside of LCFF including Lottery, mandated cost block grant reimbursement, After School Education & Safety, and the mental health block grant. The State restricted revenues are significantly smaller for the 2021-22 Adopted Budget due to one-time COVID funds (AB-86) that were received in 2020-21.
- **Other Local Revenues:** Other local revenues include revenues from other agencies and local donations. Compared to the prior year, other local revenues have been reduced for carryover, any one-time donations or grants.

## **Expenditures**

- **Salaries and Benefits:** In Morgan Hill Unified School District, 90% of the District's unrestricted budget is allocated for staffing related expenses. Annual increases for step & column and longevity are included in the proposed budget and statutory benefits have been updated to reflect increases in unemployment insurance and employer pension costs for PERS and STRS. The Adopted Budget includes the negotiated enhancements for Morgan Hill Classified Employee Association and Morgan Hill Educational Leaders Association; however, Morgan Hill Federation of Teachers enhancements are not included since the parties have not reached tentative agreement.

Staffing is determined by a combination of fixed and contractual formula-driven allocations. The District maintains class sizes at 20:1 for TK, 24:1 for grades K-2, and 29:1 for grades 3-12. At the secondary level, 5.5 FTEs continue to be allocated as part of the Equity Allocation to provide additional intervention and acceleration opportunities for students.

- **Books, Supplies, Services and Other Operating:** No carryover is included in the expenditures. Contracts and other operating expenditures have been adjusted based on current information.
- **Capital Outlay:** The District does not have any budgeted plans for facility improvements from the General Fund. Facilities improvements are included in the non-General Funds.
- **Other Outgo:** This reflects special education costs paid to the Santa Clara County Office of Education and other school districts to provide services for District students and the budget has been adjusted based on current information.
- **Transfers and Indirect Costs:** Indirect costs reflect the District's approved 2021-22 indirect cost rate of 7.14%.
- Additional expenses related to the Expanded Learning Opportunities Grant have been included in the Adopted Budget and provide for additional staffing resources to support students' accelerated learning. It is anticipated that these expenses will be funded in future years by the Elementary and Secondary School Emergency Relief Funds, Part II and Part III, in order to continue to provide expanded support to students over the next three years.

## **Other Financing Sources/Uses**

- Transfers into the General Fund include \$41,400 from Capital Facilities for reimbursement of the administrative costs to collect developer fees. A \$2,246,250

transfer between the Unrestricted General Fund and the Routine Repair and Maintenance Fund is from revenues collected in Community Redevelopment Funds.

- Transfers out of the General Fund total \$2,910,759. This includes the \$2,246,250 transferred to Routine Repair and Maintenance mentioned above and \$412,794 which is transferred to the Building Fund to pay the annual debt service payments for the solar projects at Live Oak and Sobrato. The District transfers \$20,000 to the Adult Education Fund to reimburse for services for concurrently enrolled students. The General Fund will contribute \$231,715 to the Student Nutrition Fund to cover the operating deficit in the program.
- Contributions total to \$14,837,544 which includes \$888,256 to Routine Repair and Maintenance which represents a portion of the required 3% contribution of General Fund expenditures. The unfunded Special Education program cost is projected to be \$13,824,287. The District will also contribute \$125,000 for technology replacement costs.

### **Projected Ending Balance**

For the school year ending June 30, 2021, it is projected that the unassigned/unappropriated Unrestricted General Fund balance will be \$27,061,528 after taking into account the required 3% reserve for economic uncertainties and other set-asides.

Upon the completion of the Unaudited Actuals in August 2021, the ending fund balance and the unappropriated amount will be modified.