

OTHER FUNDS
2020-21 SECOND INTERIM BUDGET

Attached are the second interim reports for the 2020-21 restricted funds not included in the General Fund. These funds represent budgets that are restricted and designated for specific purposes such as Construction, Food Service, Adult Ed, etc. The second interim budget reflects additional refinement since the first interim budget based on current information. The following is a brief overview of the various budget adjustments made to the second interim budget for the General Fund:

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 \$527,479 to support programs for adult learners and to fund allowable expenses as defined by Assembly Bill 104. Due to the late re-opening of campus as a result of the Coronavirus pandemic (COVID-19) this year, approximately \$77,000 in funding will be carried over to be used in the 2021-22 school year. In addition, the District receives State revenues of \$11,861 which reflects the District's proportionate share of Santa Clara County's CalWORKs allocation. The projected federal revenue under the Workforce Innovation and Opportunity Act (WIOA) is \$82,035. Unlike prior years, WIOA allowed the District to carryover unspent funds due to COVID-19. The carryover from that is \$6,246 of funds that needed to be spent by September 2020. Included in the Adult Education funds are \$34,064 for indirect costs that are reimbursed to the General Fund for support services. The projected ending fund balance is \$446,320.

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 elementary schools.

The estimated state revenue totals \$294,763. This amount might decrease again, since it is based on enrollment of students into the program. Included in the Child Development Fund is \$16,756 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. During the COVID-19 meal distribution, the Student Nutrition Services department serves an average of 15,000 meals per week to children age 18 and under in the community, not just the students of Morgan Hill Unified School District.

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 are accounted for as local revenue. Since it is uncertain

if the District will continue with distance learning or return to physical campuses, budgeted revenues have been adjusted slightly to reflect the most conservative estimates.

The District anticipates federal revenue to be \$2,394,845, and state revenue to be \$543,898. As part of the CARES Act approved in December 2020, the District was provided an additional \$0.75 reimbursement per meal served during the months of March through August 2020, totaling \$363,000 which is recorded as part of the Second Interim budget. The local revenue includes both Albertson's and Genyouth grants totaling \$109,500. Even though the District is planning for a school re-opening in March, we do not anticipate collecting revenue from any a la carte food sales for the remainder of the school year.

Expenses totaling \$2,759,287 are primarily staffing and food related costs. An amount of \$274,401 of expenditures has been reduced from this budget and moved to the Coronavirus Relief Fund, as allowed, for employee salaries and benefits costs from reassignment of job duties from July through December 2020. Included in the Cafeteria Fund expense is \$126,204 for indirect costs that are reimbursed to the General Fund. The projected ending fund balance for 2020-21 is \$433,251. As a result, the District no longer has an operating deficit in the student nutrition program and it is no longer necessary to make a transfer from the Unrestricted General Fund to the Cafeteria Fund!

Deferred Maintenance Fund

As we plan for the current 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 only budgeted for the final payment for the Sobrato locker room plumbing repair, Martin Murphy boiler demolition and the Sobrato irrigation pump repair. Budgeted resources have been significantly reduced 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. There is no change since the First Interim budget. The beginning balance is \$3,803,589 with estimated interest earnings of \$65,000. The projected ending fund balance will be \$3,868,589.

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 was completed and presented to the Board in December 2020 to indicate the present value of projected benefits.

There have been no changes to this budget since First Interim. The beginning balance is \$605,665 and with projected interest earnings of \$10,600, the projected ending fund balance will increase to \$616,265. 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 were received in the 2017-18 school year. Therefore, the only revenue the District expects 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 the planning of a new Student Union Building and modernization of Wing B to be the Administration Office. At Nordstrom Elementary portables have been replaced with new classroom buildings which were occupied starting in November 2020. Additionally, Nordstrom Elementary is starting to design the modernization and addition to the existing Administration Building. At Jackson Academy, facilities enhancements include new classrooms to replace those classrooms displaced as part of the planned expansion of the multi-purpose room. The classroom project is scheduled to be completed in February 2021 and the new Multi-Use building will start construction in February 2021 with a projected completion date of September 2021. Included in the budget are instructional technology, infrastructure, as well as safety and security projects throughout the District. The Board has participated in two facilities study sessions regarding future projects and as additional projects are approved by the Board, they will be included in the budget.

Capital Facilities Fund

Projected revenues of \$1,100,000 consist of interest earned and developer fee collections. The District is currently working with the City of Morgan Hill on a school/park agreement at the Borello site. Budgeted expenses include the 3% transfer for administration fees into the general fund and consultants for the demographic study. Construction projects included in the budget are for the Borello School Phase 1 which include design, inspections, testing, site preparation, utility fees and onsite utility connections.

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 that are received from property taxes paid by those parcels residing within the Mello Roos district. Projected revenue of \$665,467 reflects the annual property tax collections, proceeds from the sale of a portion of the Main/Hale Lot to the City of Morgan Hill for right-of-way traffic improvements, 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.