

SECOND INTERIM REPORT 2020-21 NARRATIVE FOR GENERAL FUND

The following is a brief overview of the various budget adjustments made to the Second Interim budget for the General Fund:

Revenues Have Increased by \$448,628:

- LCFF sources have a net increase of \$5,460. There was a small increase in the estimated supplemental grant funds from the unduplicated pupil percentage increasing by 0.32%, now totaling 42.46%
- Federal income has a net increase of \$48,074. There were several changes in federal program revenue since the First Interim was completed in December 2020. Revenue for programs that increased were Medi-Cal Billing Option and other federal grants by \$55,092. However, Title I decreased by \$4,758 and Career Technical Education grants decreased by \$2,260, resulting in a net federal revenue increase of \$48,074.
- State income has a net decrease of \$45,624. The District received an additional \$5,698 for the Tobacco Use Prevention Education grant from the Santa Clara County Office of Education. However, the estimated revenue for Lottery decreased by \$67,016.
- Local income has a net increase of \$440,719. The biggest reason for the increase is due to a \$311,400 lease to the Santa Clara Valley Water District for use of the former VTA lot. State Special Education funding resources have increased by \$86,853 for Low Incidence services. Revenue from local donations and grants also increased by \$42,466.

Expenses Have Decreased by \$978,314.62:

- Salaries and benefits have a net decrease of \$531,534. The budget now reflects costs associated with salaries and benefits for a March 22nd return to in-person instruction. At First Interim, expenditures were estimated for a return in January 2021. Other adjustments include alignment of all salaries and benefits to staffing projections and grant revenues. Budget projections also include changes made at open enrollment for health and welfare benefits for all employees which took effect in January 2021.
- Books and supplies decreased by \$99,533. The decrease is due to aligning budgeted expenditures to grant revenues.
- Services and Other Operating Expenditures decreased by \$242,895. There has been an increase in contracted services for Special Education needs in the amount of \$36,065 due to new non-public school placements and settlement costs. There has been an increase to insurance payments by \$102,279 since the First Interim as a result of AB-218 which expanded the statute of limitations for civil suits arising

out of childhood sexual assault, imposed additional damages in certain cases, and revive previously time-barred claims.

These increases were partially offset with reductions in other programs realigning costs in other operating budgets and other expense lines. One example is a decrease in LCFF Supplemental expenditures by \$40,000 that normally would have subsidized breakfast meals for all students at elementary school sites. However, MHUSD does not anticipate restarting the Breakfast Program until August 2021. Travel and conference costs have also been reduced by \$122,477 since we anticipate professional development will consist of video conferences without any travel due to the pandemic. Expenditures for projects originally projected at First Interim for Routine Repair and Maintenance have also decreased by \$169,572 since projects are being pushed into the 2021-22 school year or transferred to Capital Outlay projects. Other adjustments totaling to \$49,190 in contracted services were made to align budgets to balance within total grant resources.

- Capital Outlay increased by \$144,029. The increase is due to projects that have been revised after the First Interim budget. A total of \$95,200 is budgeted for the purchase of equipment for a hydroponic shipping container that will be used to grow lettuce and other vegetables used in the Student Nutrition program. Another greenhouse is planned as part of the Water Conservation and Career Pathway Grant for the high schools' CTE program with a total budget of \$76,000. The increases to this budget are offset by a decrease in \$27,171 to balance within total grant resources.
- Other Outgo decreased by \$249,488. This reflects a decrease in special education costs paid to the County Office of Education.
- Transfers and indirect costs increased \$1,107. This increase reflects changes made to the indirect cost amounts in other funds that are credited back to the General Fund.

Interfund Transfers Have Decreased by \$259,760:

- Transfers into the Capital Facilities program transfer increased by \$1,050 for administrative fees.
- Due to the increased participation in the food distribution programs during the pandemic, revenues in the Student Nutrition program are estimated to exceed expenditures. Therefore, there is no longer a need to make a contribution into the Cafeteria Fund for the current year, decreasing the originally estimated contribution by \$260,810 compared to First Interim.

Fund Balance/Undesignated/Unappropriated Amount Increased by \$1,192,066:

- The ending unappropriated amount is \$27,967,877.

- The District continues to maintain a 3% reserve of \$3,191,849.
- Included in the set-asides are resources for CAHSEE carryover, TIGG carryover, LCFF Supplemental funds carryover, One-time Discretionary funds carryover, and CTE carryover.

The District will continue to monitor all revenue and expenditure changes and inform the Board of Education when more information becomes available.