

## **OTHER FUNDS 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 information available at time of preparation and reasonable assumptions.

Attached are the Adopted Budget Reports for 2021-22 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 Education 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 2021-22 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. In addition, the District receives State revenues of \$21,199 which reflects the 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 \$82,035. Included in the Adult Education funds are \$29,356 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 schools.

The estimated state revenue totals \$294,763. Included in the Child Development Fund is \$19,644 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 student nutrition program. The Student Nutrition Services department served a weekly average of 15,000 meals to District students pre-pandemic; however since March 2019 the District has been serving over 20,000 meals per week to the community. As a result of the pandemic, federal waivers allowed the District to serve all members of the community under the age of eighteen for free without income limitations or verification. These federal waivers have been extended into 2021-22.

Revenues for the Cafeteria Fund 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. As a result of the federal waivers, the District anticipates a significant increase in reimbursement

compared to typical years for student meals and minimal payments from families aside from a-la-carte purchases. The District anticipates federal revenue to be \$2,728,000, state revenue to be \$191,000, and local revenue totaling \$133,600.

Expenses total \$3,264,507 and primarily are staffing and food related costs. Included in the Cafeteria Fund expense is \$105,257 for indirect costs that are reimbursed to the General Fund. The projected ending fund balance for 2021-22 is \$433,251, after the District transfers in \$211,907 from the Unrestricted General Fund to fund the operating deficit.

#### **Deferred Maintenance Fund**

There are no planned contributions to the Deferred Maintenance Fund aside from interest earned. The District is considering a policy that would provide an ongoing dedicated funding source for replacement of infrastructure and building systems at end of life. If a policy is adopted by the Board it will be reflected in the budgeted revenues at First Interim. Budgeted expenditures of \$100,000 include the repair and replacement of the Sobrato well which is used for irrigation of the campus.

#### **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 \$3,868,589 with estimated interest earnings of \$65,000. The projected ending fund balance will be \$3,933,589.

#### **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 75 regulations. GASB 75 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 at the December 2020 Board of Education Meeting. The report indicated the present value of projected benefits to be \$61.6 million.

The beginning balance is \$616,265 with estimated interest earnings of \$10,600, the projected ending fund balance will increase to \$626,865. There are no planned expenditures from this Fund. The District will not be making a contribution for the 2021-22 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 budgeted in the Bond fund will be interest earned. Series B funds are budgeted for the Britton Middle School Transformation project which includes design costs for the administration office and student union building. The Nordstrom construction costs associated with the modernization of the current Administration Building are included in the budget as well the construction costs associated with Jackson Academy's multi-purpose room renovation which is scheduled to be completed by August 2021. The balance of the Series B proceeds will fund the wifi replacement project, instructional technology, and safety and security projects throughout the District.

### **Capital Facilities Fund**

Projected revenues of \$1,380,000 consist of interest earned and developer fee collections. Budgeted expenses include consultants for the demographic study and boundary committee support. Design expenses for site development of the Borello campus are included in the estimated expenditures; however the design has been put on hold pending Board direction before proceeding.

### **Capital Projects 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 (CFD) which allows for financing of public improvements and services.

The District has two CFD's – CFD #1 was created in 1991 and CFD #2 was created in 1994. These 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 area. The projected revenue of \$594,043 reflects the annual ongoing property tax collections and interest. Resources are allocated for tax roll preparation.

### **Bond Interest and Redemption Fund**

This Fund is used for the repayment of bonds issued by the District for the Measure G 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.