

# Morgan Hill Unified

## Narrative for all Funds

### Second Interim FY2021-22

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

#### Revenues Have Increased by \$2.75M

- LCFF sources have an increase of \$253,949. The increase was in the restricted revenues only. This increase of the AB602 allocation for Special Education.
- Federal income has an increase of \$879,557. There were many changes in federal restricted program revenue since the First Interim was completed in December 2021. All increases were to the restricted resources still. There were some slight changes with Title I, II, III and IV that resulted in a net increase of \$707. The Medi-Cal program authorized additional expenditures which increased their revenue by \$8,100. There was a decrease in the Workability program by \$11,873. There was a slight increase of \$1,081 for the Comprehensive Support and Improvement (CSI) grant. The significant change was in the COVID funding which was an increase of \$881,542.
- State income has a net increase of \$1,740,834. State Special Education funding resources have increased by \$40,426. The additional increase of \$1,700,408 was the Educator Effectiveness Grant. This plan was presented to the Board in December 2021 and now the revenues are reflected in the budget.
- Local income has a net decrease of (\$126,724). The decrease was in the Restricted Revenues only. Interdistrict transfer and low incidence for Special Education had a decrease of \$139,136. Other local grants and donations increased by \$12,412.

#### Expenses Have Increased by \$1,607,122

- Salaries and benefits have a net increase of \$496,692. The increase was mostly in the Unrestricted Fund. Approximately \$159,936 of this net increase was for the new Educator Effectiveness Grant. The COVID resources had an increase of \$42,344. A difference of \$43,707 was due to the increase in Summer School stipends. Budgetary figures also include changes made at open enrollment for health and welfare benefits for all employees that took effect in January 2022 with a net increase of \$437,745.
- Books and supplies have a net increase of \$469,184. The increase was mostly in the Restricted Fund. The increase is a combination of aligning budgeted expenditures to grant revenues, purchasing COVID testing kits, and the Educator Effectiveness Grant.
- Services and Other Operating Expenditures have a net increase by \$611,247. The increase was mostly in the Restricted Fund. There has been an increase in contracted services for Special Education needs in the amount of \$283,542. Educator Effectiveness Grant has \$170,120 budgeted in contracted services. Summer School increase and COVID related contracted services total \$107,664. Routine, Repair and Maintenance

Fund had a net increase of \$376,777. Transportation had a reduction in budget from First Interim in the amount of (\$421,400) which was originally budgeted for contracted services for drivers.

- Capital Outlay increased by \$30,000. The increase is due to projects that have been revised after First Interim. Playground at paradise increased by \$15,000 and basketball hoops at Los Paseos for \$15,000.
- Other Outgo decreased by (\$297,930). The majority of this decrease, (\$287,572), is the cost paid back to the County Office of Education for Special Education.
- Transfers and indirect costs increased \$1,628. This increase reflects changes made to the indirect cost amounts in other funds that are credited back to the General Fund.

## Interfund Transfers No Change

Fund Balance/Undesignated/Unappropriated Amount Increased by \$1,440,051:

- The ending unappropriated amount is \$29,819,117
- The District continues to maintain a 3% reserve of \$3,528,410
- Included in the set-asides are resources for CAHSEE carryover, TIGG carryover, LCFF Supplemental funds carryover, IMF carryover and the set-aside for the change in fair market value of cash assets

## Adult Ed Fund

### No change from First to Second Interim

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 \$541K 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 \$22K 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 \$92K.

## Child Development Fund

### **Increased by \$7,200 Revenue and Expenses from First to Second Interim**

This was a one time extra Federal pass-through funding.

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 \$307K. This amount fluctuates based on enrollment of students into the program. Included in the Child Development Fund is \$20K that is transferred to the General Fund for support services. The ending fund balance is \$0.

## Cafeteria Fund

### **Increased \$263,000 Revenues and \$131,957 in Expenses from First to Second Interim**

The revenue increase breakdown is \$251,000 for Federal, \$10,000 for State and \$2,000 for Local. The increase in expenses had a decrease in salary and benefits of (\$25,571) and an increase in supplies, contracted services and indirect charges for \$155,901.

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 5,400 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 are accounted for as local revenue.

## Deferred Maintenance Fund

### **No change from First to Second Interim**

Beginning in July 2013, Deferred Maintenance revenues were consolidated into the Local Control Funding Formula (LCFF). 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.

Budgeted expenditures of \$100K include the repair and replacement of the Sobrato well which is used for irrigation of the campus.

## Special Reserve Fund

### **No change from First to Second Interim**

The Special Reserve was established with one-time revenues as a result of a legal settlement and revenues received in 2012-13 when the City of Morgan Hill Redevelopment Agency was dissolved in accordance with AB 1484. The projected beginning balance is \$3.85M with estimated interest earnings of \$65K. The projected ending fund balance will be \$3.9M.

## Postemployment Benefit Fund

### **No change from First to Second Interim**

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 at the December 2020 Board of Education Meeting. The report indicated the present value of projected benefits to be \$61.6M.

The beginning balance is \$614K and with projected interest earnings of \$11K, the projected ending fund balance will increase to \$625K. There are no planned expenditures from this Fund. The District will not be making a contribution for the 2021-22 school year since the current year retiree benefit expenses are included in the Unrestricted General Fund therefore the District will meet the criteria for funding its annual postemployment benefit costs.

## Building Fund

### **Decreased (\$25,000) in Revenues and (\$8,286,836) in Expenses since 2nd Interim**

The budgets were realigned to coordinate with the projects that will be rolled over to the 2022-23 school year.

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 \$13.5M 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 \$413K 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 as the construction costs associated with Jackson Academy’s multi-purpose room renovation which was completed in October 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

### **Revenues had no change. Expenses decreased by (\$4,125) since First Interim**

Projected revenues of \$1.4M consist of interest earned and developer fee collections. Budgeted expenses include consultants from Schoolworks for the Developer Fee Study and Demographic Report and legal fees.

## Mello Roos Fund

### **Revenues had no change. Expenses increased by \$456,280**

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. 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 \$595K reflects the annual ongoing property tax collections and interest. Resources are allocated for tax roll preparations and design costs for roofing replacement projects.

## Bond Interest and Redemption Fund

### **Revenues increased by \$5,267. Expenses had no change**

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.