

## **NON-GENERAL FUNDS 2018-19 FIRST INTERIM BUDGET**

Attached are the first interim reports for 2018-19 for the 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 first interim budget reflects the reworking of the adopted budget based on carryover of funds, new funding levels and real or projected expense increases, the second interim budget reflects additional refinement based on current information. The following information reflects changes made between the adopted budget and first interim.

### **Adult Ed**

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 2018-19 school year, the District will receive funds from the Adult Education Block Grant in the amount of \$535,559 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 \$14,941 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 \$107,350. Included in the Adult Education funds are \$36,977 for indirect costs that are reimbursed to the General Fund for support services. The projected ending fund balance is \$479,553.

### **Child Development**

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 \$322,866. Included in the Child Development Fund is \$21,009 that is transferred to the General Fund for support services. The ending fund balance is \$0.

### **Cafeteria**

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 3,300 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 is accounted for as local revenue. The District anticipates federal revenue to be \$1,553,000, state revenue to be \$214,589, and local revenue to be \$565,508.

Expenses total \$3,051,717 and primarily are staffing and food related costs. Included in the Cafeteria Fund expense is \$150,682 for indirect costs that are reimbursed to the General Fund. As

part of the Right Sizing of the Budget, a transfer of \$100,000 from LCFF Supplemental funds to subsidize meals served as part of the Free & Reduced Lunch program. The projected ending fund balance for 2018-19 is \$0, after the District transfers in \$718,620 from the Unrestricted General Fund to cover the operating deficit in the student nutrition program.

### **Deferred Maintenance**

Beginning in July 2013, Deferred Maintenance revenues were consolidated into the Local Control Funding Formula (LCFF); therefore, a transfer from the Unrestricted General Fund to the Deferred Maintenance Fund, in the amount of \$300,000 is necessary to backfill the revenues previously funded directly by the State.

The District will continue to use these funding resources for emergencies that are eligible projects under the former deferred maintenance program. Those projects will include District-wide structural, roofing, paving, painting, flooring and door hardware repairs, and replacement projects. Specifically, the projects planned for 2018-19 included in the Deferred Maintenance Fund are the roof replacement for Live Oak administration office and kitchen, repairs at the District Office, a Prop 30 energy audit with Indoor Environmental Systems, repairs to the Charter School of Morgan Hill fire alarm system, repairs at Machado school's well, a new pump for the irrigation well at Sobrato, and the installation of mechanical units for building 600 at Live Oak.

### **Special Reserve**

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 beginning balance is \$3,843,100 and with projected interest earning of \$30,000, the projected ending fund balance will increase to \$3,873,100. There are no planned expenditures from this Fund.

### **Postemployment Benefit**

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 in August 2018 to indicate the present value of projected benefits.

The beginning balance is \$582,143 and with projected interest earning of \$6,000, the projected ending fund balance will increase to \$588,143. There are no planned expenditures from this Fund. The District will not be making a contribution for the 2018-19 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 the bond program (2012) and the Certificates of Participation (2010).

- Certificates of Participation (COP) - 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. Also, a one-time transfer from the Governor's One Time Discretionary Funds, in the amount of \$1.4 million, will be used towards paying down the debt from our COP program.
- 2012 Bond (Measure G) – The \$80 million bonds from Series B was received in the 2017-18 school year. Therefore, the only revenue we will expect in the Bond fund will be interest earned from the bond proceeds. Any carryover funds from Series A will be used towards completion of the new multipurpose room and administration office at Paradise Valley. Series B funds are budgeted for the new Britton Middle School Transformation project which includes new classrooms, administration office, and student union buildings. Nordstrom will receive a new classroom building to replace portables and a modernization of their existing multipurpose room. Jackson Academy will receive a new gymnasium with attached performing arts classroom spaces. The balance of the Series B proceeds will fund instructional technology and infrastructure throughout the District.

### **Capital Facilities Fund**

Projected revenues of \$2,040,000 in this fund consist of interest earned and developer fee collections. Budgeted expenses include the 3% transfer for administration fees into the general fund, consultants for the demographic study, a boundary consultant, new school site selection studies and the purchase of the VTA lot. Construction projects included in the budget are for the Borello school site.

### **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 are received from property taxes paid by those properties residing within the Mello Roos district. Projected revenue of \$ 553,204 reflects the annual ongoing property tax collections and interest. Resources are allocated for tax roll preparations and a portion of the purchase of the VTA lot.

### **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.