

Q&A from Trustee Prado 5/20/2020

Ms. Sendejo,

I am submitting questions pertaining to Presentations/Reports; Item #3 (May Budget Amendment). Would you please have staff explain in a more simplified manner the budget amendments involving various functions regarding "align payroll budget". Why are we having to make adjustments to correct the function codes?

We used the term "aligning payroll budget" during the process of recoding employees that had been erroneously coded to functions other than where they belonged, as discussed during the audit. There were no additional dollars associated with this, but rather a transference between functions. As these corrections were made, the associated budgeted funds needed to be moved to the correct and proper function. Staff can make budget transfers within the same function, but cross-functional transfers, as well as amendments requiring additional funding (i.e. Fund Balance) require board approval.

On the budget amendment increasing Function 81 from the Tax Subsidy Fund Balance for renovations and other improvements to WCHS, I have the following observations and questions: The issue of the Tax Subsidy Fund and how it is codified became a contentious matter last year with the previous administration. Since the Tax Subsidy Fund is a restricted fund, the Board insisted that it be "maintained" separately in order for the Board to comply with its legal obligation in expending Tax Subsidy Funds correctly. According to the last Quarterly Investment Report dated 2/29/2020, the Tax Subsidy Fund has been "separated", however, it is still co-mingled with Fund 199. Consequently, the optics presented in this May Budget Amendment would suggest that we continue depleting our General Fund Balance. Is there a descriptor Fund Number which could be utilized to separate the Tax Subsidy Fund from the General Fund? If so, could we assign this fund number before Wednesday's meeting and provide an amended version of the budget amendment? Case in point, the Board was able to transfer monies from the Worker's Compensation Fund Balance last year in order to replace the football field turf and track. However, the Worker's Compensation Fund has a different Fund Number-Fund 753. Therefore, this transfer of monies did not seem to deplete our General Fund Balance. If this can be accomplished, it would be the best course of action.

The Tax Subsidy Fund is part of our General Fund Balance, as it is a component of the General Fund. The Board has discretionary control of these monies on an ongoing basis, and thus decides how and when those specific monies are spent. Each year, there are two different deposits into this tax subsidy. Although these deposits go directly into the General Fund, they are coded with a separate account code (Local Code 21), giving us the granularity to track and report that portion of our Fund Balance separately.

We have a separate investment account for this amount, but expenditures are made out of our general account, and then trued up through transfers and adjusting journal entries.

Although the District began the fiscal year with \$30,448,517 in its General Fund Balance, \$1,786,310 of this total was reflective of the Tax Subsidy Funds that were acknowledged and assigned during the annual financial audit. We began this fiscal year with a budgeted amount of \$246,203 of Tax Subsidy funds which in essence, reduced the available subsidy amount to \$1,540,107. In February of this year, there was an amendment that used \$955,845 of the Tax Subsidy that brought the Tax Subsidy portion of Fund Balance down to \$584,262. There is cumulative interest received through April in the amount of \$22,207 in addition to a Tax Subsidy payment that was received this month in the amount of \$483,992 which would increase the available Tax Subsidy monies to \$1,090,461. The WCHS amendment that is being requested at the May 20th Board Meeting in the amount of \$1,165,000 would exhaust the remaining Tax Subsidy money, and actually take this amount into the red. Although the Tax Subsidy money would amount to (\$74,539), another Tax Subsidy payment is anticipated to be received in late August or early September. It is anticipated that the next deposit would be similar to the prior amount, or \$483,992 and would leave an available subsidy amount of \$409,453

Any unspent Tax Subsidy monies would be recognized and assigned prior to the completion of the audit for the current year.

Thank you,
Connie Prado