

Attachment D

STAFF REPORT

DATE: April 28, 2022

TO: Budget Committee

FROM: Philip D. Smith, District Manager and Dana Shigley, Management Aide

SUBJECT: Proposed 2021/22 Fiscal Year Budget Amendment



RECOMMENDATION

Staff recommends that the Committee review the proposed budget amendment and provide feedback to staff. This budget amendment is planned for consideration by the Board of Trustees in June.

BACKGROUND

In the last several months, staff prepared projections for actual expenses and revenues in the current fiscal year (2021/22). To complete these projections, staff reviewed actual expenses and revenues to date this year to the amounts received at this point in the year in three prior years. Based on this analysis and adjustments for current year experience, we anticipate General Fund revenues of approximately \$10.7 million and actual expenditures of \$9 million, resulting in an increase to the General Fund balance of \$1.7 million. During years such as this, when revenues are strong, it is prudent to set aside funds in reserves to ease the burden on the District when times are fiscally challenging. As such, in recent years, the Board has set aside funds in a trust account with CalPERS to fully fund the post-employment medical benefits available to some employees. Staff is proposing two amendments to the adopted current year (2021/22) fiscal year budget to similarly set aside funds.

Funding the new CEPPT Trust

The Board will be considering a new policy that will create a California Employers' Pension Prefunding Trust (CEPPT) account with CalPERS for the purpose of setting aside an amount equal to between one and three years of annual payments to MCERA for retirement benefits for employees. These funds would be held in reserve and used in the future if the District faces fiscal challenges and cannot make the payments with current resources. There are sufficient funds available in the current year to make an initial deposit equal to the coming one-year anticipated payment to MCERA of \$1.1 million. This will bring the District into compliance with the proposed policy to set aside between one and three years of anticipated MCERA contributions in reserve. (Note that staff will also be recommending the Board allocate additional funds to the trust in the 22/23 fiscal year budget, to be considered separately.)

To accomplish this deposit, the Board will need to amend the current budget. The proposed budget change is as follows:

Account	Name	Current Budget	Proposed Change	Revised Budget
101-5100-6070	Payment to CEPPT Trust	\$0	+\$1,100,000	\$1,100,000

Assessing Facility Needs and Environmental Site Constraints

In recent years, it has become apparent that the District's current facilities may be insufficient as our services expand and technical requirements increase. Recent and planned office remodels have helped make the space more efficient. However, in the long run, the District may need additional space for educational, operational and technical staff. Staff is proposing to fund a facility needs study and

environmental site analysis. This study will evaluate the District's long-term facility needs and describe options for meeting those needs. Additionally, as the Board is aware, the current District site has environmental constraints that may limit our ability to expand. The proposed study will review the site for environmental constraints and determine what will be needed to expand on site. After reviewing these studies and considering the options, the Board can determine how to proceed and set aside additional funds as needed.

To accomplish study, staff recommends the Board transfer \$250,000 from the General Fund to the Capital Fund to fund the analysis. The proposed budget change is shown below. In addition to amending the current year budget to transfer the cash to the Capital Fund, the proposed 2022/23 budget includes a budget allocation to complete this study.

Account	Name	Current Budget	Proposed Change	Revised Budget
101-5100-6990	Transfers out of General Fund (to Capital Fund)	\$337,200	+\$250,000	\$587,200

CONCLUSION

After comment from the Budget Committee, we will amend the proposed budget amendment and prepare a resolution as needed and bring to the Board of Trustees for their consideration in June. If approved by the Board, staff will process the deposit and transfers as described before fiscal year end.