

## Exhibit B

# Capital Improvement Plan Funding Sources

### Building Renewal

The Students FIRST law prescribes that the School Facilities Board provides monies to school districts for building renewal. The SFB funding formula yields a fully-funded annual allowance of approximately \$2.78 million for the Kyrene School District. Although this is the expectation, the building renewal funding has been inconsistent the past several years. The result has been that, in some years, there have been *no* Building Renewal monies available to the district.

The statute imposes restrictions on the expenditures of monies received by school districts from the Building Renewal Fund. "Building Renewal" is defined as major activities that involve the repair, renovation, or remodeling of a building and the supporting infrastructure, including the upgrade of the systems and areas that will result in maintaining or extending a building's expected useful life.

Allowable expenditures from the Building Renewal Fund (Fund 690) include:

1. Major renovations and repairs of a building
2. Upgrading systems and areas that will maintain or extend the useful life of a building
3. Infrastructure costs
4. Staff/Consultants

Prohibited expenditures from the Building Renewal Fund (Fund 690) include:

1. New construction
2. Remodeling interior space for aesthetical or preferential reasons
3. Exterior (site) beautification
4. Demolition
5. Purchase of soft capital items
6. Routine maintenance
7. Administrative buildings

### Bond Proceeds

The proceeds from district bond issues are expended in accordance with the voter-approved ballot question and background information contained in the voter pamphlet.

In November 2005, the voters approved \$111,350,000 in bonds for capital improvements and pupil transportation buses. The capital improvements are outlined in a detailed plan available online at [www.kyrene.org/cap](http://www.kyrene.org/cap). The district has held three bond sales as of May 2008. The first sale for \$16M was in March 2006; the second for \$18M in January 2007; the most recent was for \$30M in May 2008.

Allowable expenditures from the Bond Fund (Fund 630) may include:

1. Acquisition or lease of sites
2. Construction or renovation of school buildings
3. Improving school grounds
4. Purchasing pupil transportation vehicles

### Unrestricted Capital Outlay

The unrestricted capital outlay funding formula currently provides \$225.76 per student. The student count is “un-weighted” and is based on average daily membership (ADM) with pre-school and kindergarten students counted as half.

For FY 08/09, this formula yielded \$3,843,354 in funding for the district. Consistent with past years, the district transferred approximately 90% of this amount to the Maintenance & Operation budget limit, leaving \$350,000 for capital needs.

Expenditures from the Unrestricted Capital Outlay (Fund 610) can be used for any capital need. A helpful document to differentiate between an M&O and capital expense is the Auditor General’s USFR Memorandum No. 185, a copy of which can be found at the end of this document.

### Food Services

The Food Service Fund (Fund 510) is used to account for all financial operations of school activities that have as their purpose the preparation and serving of regular and incidental meals and snacks in conjunction with school functions.

The projects in this section are funded with revenue from the food service program.

## **Capital Funding Sources Not Included in the CIP**

### Soft Capital Allocation

This capital source is use-restricted to short-term capital items (not land and buildings) that are required to meet academic adequacy standards such as technology, textbooks, library resources, instructional aids, pupil transportation vehicles, furniture, and equipment.

### Capital Override

The district currently has a capital override in place, approved in November 2005, which funds \$6,834,400 per year for seven years which began in FY 06/07. These funds are used to support technology infrastructure, equipment, and software needs.