

PUHSD

CFD Guidance Document

Authorized Uses & Key Constraints

CFD No. 91-1 | CFD No. 92-1 | Developer Fees

For use by Facilities, Finance, and Administrative Staff

Audience: Facilities Directors, Finance Officers, Accounting Staff, Auditors, Board Members, Developers

SECTION 1 — Overview & Strategic Framework

Purpose of This Document

This guidance document is designed to help PUHSD facilities, finance, and administrative staff make defensible, compliant, and strategically sound decisions when coding projects to one or more of the District's development-related funding sources: CFD No. 91-1, CFD No. 92-1, and Developer Fees.

Each funding source carries distinct legal authorities, operational constraints, and strategic best uses. Understanding the differences — and how to layer them on mixed-benefit projects — is the key skill this document develops.

High-Level Strategic Summary

Before diving into detail, internalize this framework:

Funding Source	Role	Key Characteristic
CFD 91-1	Precision Tool	Growth-impact mitigation; spending must be proportional to CFD 91-1 student population served
CFD 92-1	Flexibility Tool	Roughly covers the area of the School District also served by Menifee Union School District
Developer Fees	Growth-Only Tool	Tightly restricted; no deferred maintenance, no movable furniture — capital construction and renovation only

KEY INSIGHT

You are not choosing IF you can fund something — you are choosing WHICH funding source minimizes restrictions and maximizes flexibility elsewhere. Strategic layering of these three sources on a single project is both allowed and encouraged where defensible.

SECTION 2 — CFD No. 91-1 (Most Restrictive — Impact-Based Use)

Authorized Uses — CFD No. 91-1

CFD 91-1 funds may be used for the following categories of capital expenditure:

Facilities & Capital Improvements

- Planning and design
- Acquisition, construction, or expansion of facilities
- Improvement, modification, or rehabilitation of existing facilities
- Facilities with a useful life of 5 years or greater

Specific Eligible Items

- Classrooms, administrative areas, and multimedia facilities
- Grading, landscaping, and parking improvements
- Buses and equipment tied to accommodating students from CFD 91-1 growth
- Expansions designed to meet growth demands within the CFD 91-1 boundaries

Soft Costs (Fully Eligible)

- Architectural, engineering, and inspection services
- Legal counsel, fiscal agent, and financial consultant fees
- Utility connection fees (water, sewer, etc.)
- Bond issuance costs
- Election and district formation costs
- Lease payments on equipment or facilities

Critical Constraint — The Proportionality Requirement

MOST IMPORTANT RULE FOR CFD 91-1

Use must be tied to the impacts from development within the CFD 91-1 boundaries. You cannot freely spend across the district. Spending must be proportional to the benefit received by CFD 91-1 students.

Required Approach for Mixed-Population Sites

If a site serves students from both CFD 91-1 and non-CFD populations, the proportional share methodology must be applied:

Step	Action Required
1. Identify the student population	Determine what percentage of the school's enrollment is from CFD 91-1
2. Calculate the eligible share	Multiply that percentage by the total project cost
3. Document the allocation	Record the enrollment data and calculation in the project file for audit purposes

WORKED EXAMPLE

School enrollment: 40% from CFD 91-1 area Project cost: \$10,000,000 Maximum reasonable CFD 91-1 contribution: \$4,000,000 (40% of \$10M)

SECTION 3 — CFD No. 92-1 (More Flexible — Broad Capital Authority)

Authorized Uses — CFD No. 92-1

CFD 92-1 carries broader statutory authority than CFD 91-1 and is suitable for a wider range of capital expenditures:

Eligible Uses

- Acquisition, construction, and expansion of school facilities
- Relocation or rehabilitation of existing facilities
- Leasing or purchasing facilities
- Site acquisition, easements, and rights-of-way
- Planning and design costs
- Financing costs associated with capital projects

Broad Authority Covers

- New construction
- Modernization projects
- Facility acquisition
- Districtwide shared-use facilities
- Program expansions (CTE, science labs, performing arts, etc.)

Practical Constraint — Alignment, Not Legal Restriction

IMPORTANT DISTINCTION

CFD 92-1 is NOT legally restricted to spending within the CFD boundary — but best practice is to align expenditures with facilities that serve CFD 92-1 students. This supports audit defensibility, community trust, and board optics.

Best Practice Guidance

When coding a project to CFD 92-1, ensure the facility either:

- Is physically located within the CFD 92-1 boundaries, OR
- Primarily serves students who reside within the CFD 92-1 area

This alignment is not legally mandated but is strongly recommended for the following reasons:

- Audit defensibility: Auditors will scrutinize the nexus between expenditure and CFD purpose
- Community trust: Taxpayers expect their assessments to benefit their local area
- Board optics: Spending that appears disconnected from the CFD area may draw board or public scrutiny

Strategic Use of CFD 92-1

CFD 92-1 is your most flexible capital funding tool. It is ideally positioned for:

- Districtwide modernization serving students
- Shared-use facilities serving multiple attendance areas
- Program expansions requiring new or renovated space (CTE, labs, career pathways)
- Projects where CFD 91-1 proportionality would significantly limit the eligible contribution

SECTION 4 — Developer Fees (Most Restrictive Operationally)

Authorized Uses — Developer Fees

Developer fees collected under California Education Code may be used for capital construction activities directly related to growth-driven facility needs. Eligible uses include:

Eligible Expenditures

- Construction of new facilities
- Reconstruction of existing facilities
- Refurbishment and renovation projects
- Modernization of classroom and support spaces
- Portable classroom rehabilitation (see conditions below)
- Fixed furniture and furnishings (cabinetry, countertops, wall-mounted whiteboards)

Ineligible Uses — What Developer Fees Cannot Fund

CRITICAL EXCLUSION — DEFERRED MAINTENANCE

Developer fees CANNOT be used for deferred maintenance activities. This is a hard statutory exclusion. Deferred maintenance includes items such as roof replacement and floor repair or replacement — even when these are part of a larger renovation project.

Furniture Rules — A Common Source of Errors

Furniture eligibility is frequently misunderstood. Apply this test: is the item fixed or movable?

NOT ELIGIBLE (Movable)	ELIGIBLE (Fixed)
Student desks	Built-in cabinetry
Chairs (freestanding)	Countertops
Freestanding bookshelves	Wall-mounted whiteboards

Strategic Use of Developer Fees

Developer fees are best deployed for:

- Growth-related additions — new classrooms, portable acquisition, site expansions tied to enrollment increases
- Renovation components that are clearly construction or reconstruction in nature

Developer fees are NOT appropriate for:

- Ongoing or cyclical maintenance activities
- Lifecycle replacements that are deferred maintenance in nature (e.g., aging roofs, worn flooring)
- Movable furniture or equipment

SECTION 5 — Quick Reference: Project Eligibility Matrix

Project-Type Eligibility at a Glance

Use this matrix to quickly assess which funding source(s) may be applicable to a given project type. Always refer to the detailed guidance in Sections 2–4 and the Decision Framework in Section 6 before coding.

Project Type	CFD 91-1	CFD 92-1	Dev Fees	Other
New classroom construction	YES	YES	YES	GO Bond
Site/campus expansion	% of students	YES	YES	—
Portable rehabilitation	% of students	YES	No maint. items	—
Modernization (CFD 92-1)	Proportional only	YES	Non-maint. only	GO Bond
Roof replacement	If capital scope	If capital scope	NO	Deferred Maint.
CTE labs / program facilities	Proportional only	YES	Non-maint. only	CTE Grant
Movable furniture (desks, chairs)	NO	NO	NO	General Fund
Fixed cabinetry / countertops	YES	YES	YES	—
Site acquisition	YES	YES	NO	GO Bond
Bond issuance / formation costs	YES	YES	NO	—

Commented [DF1]: Benefiting CFD 92-1 students

MATRIX NOTES

YES = Generally eligible subject to standard requirements. Conditional entries require meeting specific criteria described in the relevant section. NO = Ineligible by statute or policy. 'Other' column identifies alternative funding sources to consider.

SECTION 6 — Decision Framework for Project Coding

Four-Question Decision Framework

When preparing to code a project, work through these four questions in sequence. The answers will guide you to the appropriate funding source or combination of sources.

Question 1: Is this project growth-driven?

Is the project necessitated by enrollment growth attributable to new development within the CFD area?

- If YES: CFD 91-1 is eligible (proportional to CFD 91-1 student impact). Developer Fees are also eligible for construction and renovation components.
- If NO: Proceed to Question 2.

Question 2: Is this a districtwide or shared-benefit project?

Does the project serve the district broadly, multiple attendance areas, or a program that draws from across the district?

- If YES: CFD 92-1 is the primary appropriate source. It may also be layered with CFD 91-1 (proportional share) for growth-impacted components.
- If NO: Proceed to Question 3.

Question 3: Is this deferred maintenance?

Does the project involve the repair or replacement of building components that have reached the end of their useful life — items such as roofs, flooring, or HVAC systems?

- If YES: Developer Fees are NOT eligible. Consider CFD funds (if the scope qualifies as capital improvement), GO Bond proceeds, or state deferred maintenance funds.
- If NO: Proceed to Question 4.

Question 4: Is this a mixed-benefit project?

Does the project serve both CFD and non-CFD populations, or include both eligible and ineligible components?

- If YES: Use the proportional allocation methodology. Allocate CFD 91-1 funds based on the percentage of CFD 91-1 students served. Use CFD 92-1 as a flexible supplement. Apply Developer Fees only to the clearly eligible construction components.
- If NO: You should now have a clear funding source from questions 1–3. Document your rationale and proceed.

DOCUMENTATION REQUIREMENT

For every project coded to any of these sources, maintain in the project file: (1) the four-question analysis, (2) enrollment data if proportional allocation is used, (3) a description of the project scope confirming eligibility, and (4) the funding allocation rationale. This documentation is your primary defense in an audit.

SECTION 7 — Worked Example: Portable Classroom Rehabilitation

Example Scenario: Can We Fund Portable Rehabilitation?

Portable classroom rehabilitation is a commonly encountered scenario that involves all three funding sources. This example walks through the analysis step by step.

Project Description

PUHSD is planning to rehabilitate 10 portable classroom buildings at a site that serves a mixed student population. The project includes: new electrical systems, HVAC replacement, interior finishes, fixed cabinetry, and re-roofing of the portable units.

Funding Source Analysis

Funding Source	Can Use?	Conditions
CFD 91-1	YES*	Must match % of CFD 91-1 students served at that site
CFD 92-1	YES	This CFD covers a massive area geographically (most of the area overlapping Menifee Union School District), and therefore the funds can be used at several school sites.
Developer Fees	YES*	Only if NOT deferred maintenance components (e.g., roofing, flooring replacement excluded)

Component-Level Breakdown

Not all components of this project are coded the same way. Apply the following logic:

Component	Dev Fee Eligible?	Reason
Electrical system replacement	YES	Construction/refurbishment in nature
HVAC replacement	YES	Capital improvement; not classified as deferred maintenance
Interior finishes	YES	Part of refurbishment scope
Fixed cabinetry	YES	Fixed (not movable) furniture is eligible
Re-roofing	NO	Roof replacement = deferred maintenance — fund via CFD or other capital source
Student desks	NO	Movable furniture — ineligible for all three sources; use General Fund

SECTION 8 — Contacts, Audit Tips & Final Notes

Audit Defensibility — What Auditors Look For

When any of these three funding sources are audited, examiners will focus on the following:

For CFD 91-1

- Evidence of the nexus between expenditure and growth impacts from the CFD area
- Enrollment data supporting any proportional allocation calculation
- Documentation that the project serves facilities with useful life of 5+ years
- Confirmation that no general maintenance items were included

For CFD 92-1

- Confirmation that expenditures relate to capital facilities (not maintenance)
- Evidence connecting the facility to CFD 92-1 area students where possible
- Proper treatment of financing costs and soft costs

For Developer Fees

- Verification that no deferred maintenance items were charged
- Confirmation that all furniture charges relate to fixed (not movable) items
- Documentation connecting expenditure to growth-related capacity needs
- Separation of eligible and ineligible components on mixed-scope projects
- Eligible for **construction, reconstruction and refurbishment** and fixed furniture

FINAL GUIDANCE NOTE

This document provides general guidance based on established statutory frameworks and best practices for California school districts. For project-specific determinations, particularly on complex or high-value projects, consult the District's legal counsel and fiscal agent. When in doubt, document your rationale fully — a well-documented borderline decision is far more defensible than an undocumented clear-cut one.