

# *Metropolitan Education District*

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*2006-2007*

*1<sup>st</sup> Interim Report.*

*December 13, 2006*



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*But First.....*

*We wish you happy holidays*



December 13, 2006

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# *Purpose of Interim Reports*

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- ❄ Formal review of current year budget status
- ❄ Multi-Year Analysis of projected revenues, expenditures and fund balances
- ❄ Determination of the **adequacy of fund** balances at the end of the current & 2 subsequent fiscal years
- ❄ Determination of the **adequacy of cash** balances at the end of the current and 2 subsequent fiscal years
- ❄ Identification of **contingent liabilities**, & resources to service those liabilities
- ❄ Board Certification of Financial Condition

# *Interim Financial Reports*

- ❄ Two Interim Reporting Periods
  - ✓ October 31 Actuals (1st Interim)
  - ✓ January 31 Actuals (2nd Interim)
- ❄ Board Certification
  - 😊 Positive (good)
  - ☹ Qualified (not so good)
  - ☠ Negative (bad)



# *Interim Financial Reports*

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- ❄️ **County Superintendent Certification**

- ❄️ Approves or disputes District Board certification

- ❄️ **County sends notice to State Controller**



# *Components of 1st Interim Report*

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- ❄ Executive Summary
- ❄ JPA Certification, Criteria & Standards
- ❄ Budget at a Glance
- ❄ Monthly Budget Adjustments, with changes footnoted
- ❄ General Fund: State Form, Cash Flow Worksheet, Multi-Year Projections, Criteria & Standards Review
- ❄ Adult Education Fund: State Forms, Cash Flow Worksheet, Multi-Year Projections
- ❄ Other Funds (Deferred Maintenance, Asset Management, Capital Outlay Reserve, Special Reserve)

# *2006-07 State Budget Outlook*

According to the Legislative Analyst's Office.....

## For the short term,

- \* "The current year will end with a reserve of \$3.1 billion, up nearly \$1 billion from the \$2.1 billion estimate."
- \* "However, expenditures will exceed revenues by \$5.5 billion in 2007-08 and \$5 billion in 2008-09, absent corrective action."

## For the long term,

- \* "In subsequent years the operating short falls decline-particularly after repayments associated with the deficit-financing bonds...at the conclusion of 2009-10. Nevertheless, they remain over \$1.2 billion through the end of the forecast period."

# 1<sup>st</sup> Interim Budget Adjustments

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- ❖ The MetroED Governing Board approves budget adjustments on a monthly basis.
- ❖ Budget changes shown in the 1<sup>st</sup> Interim budget document reflect only changes from the last update on **10/31/06**.

# *General Fund - ROC/P Budget Summary*

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	<u>Adopted</u>	<u>1st Interim</u>
Revenues	\$15,418,398	\$ 15,824,664
Other Sources, Transfers	<u>\$ 10,495</u>	<u>\$ 10,495</u>
Total Sources	\$15,428,893	\$15,835,159
Expenditures	\$14,405,913	\$14,835,334
Other Uses, Transfers	<u>\$ 296,600</u>	<u>\$ 529,334</u>
Total Uses	\$14,702,513	\$15,364,668
Change to Fund Balance	<u>\$ 726,380</u>	<u>\$ 470,491</u>

# General Fund – ROC/P Fund Balance

<u>Reserved &amp; Designated</u>		<u>Adopted</u>	<u>1st Interim</u>
Rev. Fund, Prepaid		\$ 20,000	\$ 20,000
General Reserve	(4%)	\$ 588,101	\$ 614,587
Economic Uncertainty	(6%)	\$ 882,150	\$ 921,880
Campus Security Projects		\$ 120,000	\$ 130,000
Equalization Payment		\$ 300,000	\$ 100,000
PERS Recapture Liability		<u>\$ 324,537</u>	<u>\$ 324,537</u>
Total Reserves		\$ 2,234,789	\$ 2,111,004
Undesignated Balance		<u>\$ 515,684</u>	<u>\$ 384,397</u>
Total Fund Balance		\$ 2,750,473	\$ 2,495,401

# *Adult Education Fund Budget Summary*

	<u>Adopted</u>	<u>1st Interim</u>
Revenues	\$10,665,424	\$10,903,790
Other Sources, Transfers	<u>\$ 0</u>	<u>\$ 0</u>
Total Sources	\$10,665,424	\$10,903,790
Expenditures	\$10,491,200	\$10,701,630
Other Uses, Transfers	<u>\$ 0</u>	<u>\$ 0</u>
Total Uses	\$10,491,200	\$10,701,630
Change to Fund Balance	<u>\$ 165,224</u>	<u>\$ 202,160</u>

# *Adult Education Fund Fund Balance*

<u>Reserved &amp; Designated</u>		<u>Adopted</u>	<u>1st Interim</u>
General Reserve	(4%)	\$ 419,648	\$ 428,065
Economic Uncertainty	(6%)	\$ 629,472	\$ 642,098
PERS Reduction Liability		<u>\$ 318,071</u>	<u>\$ 318,071</u>
Total Reserves		\$ 1,367,191	\$ 1,388,234
Undesignated Balance		<u>\$ 99,528</u>	<u>\$ 136,284</u>
Total Fund Balance		\$ 1,466,719	\$ 1,524,518

# Multi-Year Projections Assumptions – The Basics

<u>Revenues:</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
ROCP & Adult % COLA	5.92%	4.70%	2.80%
ROCP % Growth Funding	2.62%	2.62%	2.62%
ROCP Growth	2.62%	2.62%	2.62%
Adult Ed % Growth	2.50%	2.50%	2.50%
<u>Expenditures:</u>			
Employer Paid H&W Increase	5.92%	5.92%	5.92%
CPI Increase for expenses	3.30%	2.90%	2.70%
+ Step, column & longevity increases for employees			
General Reserve-Cash Flow	4.00%	4.00%	4.00%
Economic Uncertainty Res.	6.00%	6.00%	6.00%
PERS Red Liability Res.	3.896%	3.896%	3.896%

# General Fund Multi-Year Projection Summary

<u>Sources of Funds:</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Revenues	\$15,824,664	\$16,465,167	\$17,220,845
Transfers In	\$ 10,495	\$ 10,495	\$ 10,495
Total Sources	\$15,835,159	\$16,475,662	\$17,231,340
<u>Uses of Funds:</u>			
Expenditures	\$14,835,334	\$15,364,574	\$15,992,851
Transfers Out	\$ 529,334	\$ 165,458	\$ 170,846
Total Uses	\$15,364,668	\$15,530,032	\$16,163,697
Incr/Decr to Fund Bal*	\$ 470,491	\$ 945,630	\$ 1,067,643
Beg Fund Balance	\$ 2,024,910	\$ 2,495,401	\$ 3,441,031
Ending Fund Balance	\$ 2,495,401	\$ 3,441,031	\$ 4,508,674

\* Does not reflect employee salary increases for COLA

# General Fund – ROC/P Ending Fund Balances

<u>Reserved &amp; Designated:</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Revolving Fund, Prepaid	\$ 20,000	\$ 20,000	\$ 20,000
General Reserve (4%)	\$ 614,587	\$ 621,201	\$ 646,548
Economic Uncertainty (6%)	\$ 921,880	\$ 931,802	\$ 969,822
Security Projects	\$ 130,000	\$ 150,000	\$ 150,000
Equalization Payment	\$ 100,000	\$ 400,000	\$ 500,000
PERS Recapture Liability	\$ 324,537	\$ 429,850	\$ 538,154
<b>Total Reserves</b>	<b>\$ 2,111,004</b>	<b>\$ 2,552,853</b>	<b>\$ 2,824,524</b>
<b>Undesignated Fund Bal *</b>	<b>\$ 384,397</b>	<b>\$ 888,178</b>	<b>\$ 1,684,150</b>
<b>Total Fund Balance</b>	<b>\$ 2,495,401</b>	<b>\$ 3,441,031</b>	<b>\$ 4,508,674</b>

\* Does not reflect employee salary increases for COLA

\*\* The District will end these years with adequate cash and fund balances

# Adult Education Fund Multi-Year Projection Summary

<u>Sources of Funds:</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Revenues *	\$10,903,790	\$11,469,495	\$12,003,253
Transfers In	\$ 0	\$ 0	\$ 0
<b>Total Sources</b>	<b>\$10,903,790</b>	<b>\$11,469,495</b>	<b>\$12,003,253</b>
<u>Uses of Funds:</u>			
Expenditures	\$10,701,630	\$11,093,494	\$11,578,184
Transfers Out	\$ 0	\$ 0	\$ 0
<b>Total Uses</b>	<b>\$10,701,630</b>	<b>\$11,093,494</b>	<b>\$11,578,184</b>
<b>Incr/Decr to Fund Bal **</b>	<b>\$ 202,160</b>	<b>\$ 376,001</b>	<b>\$ 425,069</b>
<b>Beg Fund Balance</b>	<b>\$ 1,322,358</b>	<b>\$ 1,524,518</b>	<b>\$ 1,900,520</b>
<b>Ending Fund Balance</b>	<b>\$ 1,524,518</b>	<b>\$ 1,900,520</b>	<b>\$ 2,325,588</b>

\* Does not include final federal ABE grants

\*\* Does not reflect employee salary increases for COLA

# Adult Education Fund Ending Fund Balances

<u>Reserved &amp; Designated:</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
General Reserve	\$ 428,065	\$ 443,740	\$ 463,127
Economic Uncertainty	\$ 642,098	\$ 665,610	\$ 694,691
PERS Recapture Liability	<u>\$ 318,071</u>	<u>\$ 437,302</u>	<u>\$ 556,533</u>
Total Reserves	\$1,388,234	\$1,546,652	\$1,714,351
Undesignated Fund Balance *	<u>\$ 136,284</u>	<u>\$ 353,868</u>	<u>\$ 611,237</u>
Total Fund Balance	\$1,524,518	\$1,900,520	\$2,325,588

\* Does not reflect employee salary increases for COLA

\*\* The District will end these years with adequate cash and fund balances

## *Deferred Maintenance Fund Multi-Year Projection Summary*

<u>Sources of Funds:</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
State Funding (Full)	\$164,747	\$165,458	\$170,846
District Contribution	\$164,747	\$165,458	\$170,846
State Hardship Grant	\$119,768	\$ 0	\$ 0
Interest Income	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 25,000</u>
Total Sources	\$469,262	\$350,916	\$366,692
<u>Uses of Funds:</u>			
Transformer Replacement	\$442,537	\$ 0	\$ 0
All Other Projects	<u>\$362,743</u>	<u>\$350,000</u>	<u>\$300,000</u>
Total Uses	<u>\$805,280</u>	<u>\$350,000</u>	<u>\$300,000</u>
Beginning Fund Balance	\$660,533	\$324,515	\$325,431
Ending Fund Balance	\$324,515	\$325,431	\$392,123



## *Special Reserve Fund* *Reserves for Mandated Costs Reimbursements*

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- ❄ New fund authorized by Board this year
- ❄ Reserves for potential liability from SCO Mandated Cost reimbursement audits
- ❄ Transfer-in and Fund balance **\$192,987**
- ❄ No expenditures can be made from this fund. Dollars must first be transferred back to the General Fund for Adult Ed Fund

# *Asset Management Fund Multi-Year Projection Summary*

<u>Sources of Funds:</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Lease Revenue	\$ 269,217	\$ 268,032	\$ 268,032
Interest Income	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>
Total Sources	\$ 299,217	\$ 298,032	\$ 298,032
<u>Uses of Funds:</u>			
Expenditures–New Classes	\$ 197,390	\$ 100,000	\$ 100,000
Expenditures-Existing Classes	\$ 125,000	\$ 300,000	\$ 100,000
Health & Safety	\$ 50,000	\$ 50,000	\$ 50,000
Management Fees	<u>\$ 10,495</u>	<u>\$ 10,495</u>	<u>\$ 10,495</u>
Total Uses	\$ 382,885	\$ 460,495	\$ 260,495
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Beg. Fund Balance	\$ 536,099	\$ 452,431	\$ 289,968
Ending Fund Balance *	\$ 452,431	\$ 289,968	\$ 327,505

- Joint Powers Agreement requires a minimum \$250,000 reserve

# Capital Outlay Fund

	<u>CCOC</u>	<u>San Jose Adult Ed</u>	<u>Campbell Adult Ed</u>
<u>Sources of Funds:</u>			
Interest Income	\$ 145,000	\$ 38,000	\$ 21,000
Transfers In-Debt Svc	\$ 171,600	\$ 0	\$ 0
Transfers In-Cap. Outlay	\$ 0	\$ 0	\$ 0
Total Sources	\$ 316,600	\$ 38,000	\$ 21,000
<u>Uses of Funds:</u>			
Capital Outlay Projects	\$1,162,440	\$ 0	\$ 0
Debt Service	\$ 191,100	\$ 0	\$ 0
Total Uses	\$1,353,540	\$ 0	\$ 0
<u>Beg. Fund Balance</u>	\$4,602,759	\$1,363,083	\$ 742,766
<u>Ending Fund Balance</u>	\$3,565,819	\$1,401,083	\$ 763,766

## *Undetermined Budget Impacts & On-going Concerns*

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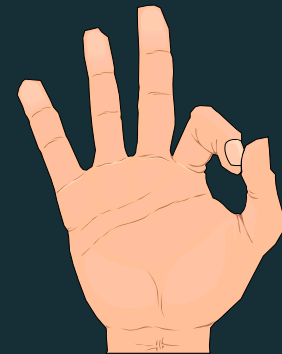
- State Vocational & Adult Education Funding is still discretionary – always a concern
- The District has not settled with its bargaining units for 2006-07 compensation adjustments
- Implementation of the CCOC Equalization Funding Model, and levels of CCOC participation by JPA member districts
- CCOC Facilities modernization costs
- MAEP facilities replacement costs at the Hillsdale and DX campuses

## *On-Going Concerns – Potential PERS Recapture Liability*

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Adult Ed Fund</u>	<u>Cumulative Liability</u>
2000-01	\$ 238,642	\$ 195,253	\$ 433,895
2001-02	\$ 254,026	\$ 207,839	\$ 895,760
2002-03	\$ 206,649	\$ 157,863	\$ 1,260,272
2003-04	\$ 54,561	\$ 47,839	\$ 1,362,672
2004-05	\$ 72,599	\$ 60,777	\$ 1,496,048
2005-06	\$ 95,803	\$ 84,882	\$ 1,676,733
2006-07	\$ <u>91,370</u>	\$ <u>93,536</u>	\$ <u>1,861,639</u>
<b>Total potential Liability</b>	<b>\$1,013,650</b>	<b>\$ 847,989</b>	<b>\$ 1,861,639</b>
<b>Actual Reserves</b>	<b>\$ 324,537</b>	<b>\$ 318,071</b>	<b>\$ 642,608</b>
<b>% of Potential Liability</b>	<b>32%</b>	<b>37.5%</b>	<b>34.5%</b>

## *Given the Assumptions- The Financial Standards are Met*

- ✓ All Funds will meet their financial obligations for the current & subsequent 2 fiscal years
- ✓ All funds will end the year with positive cash balances
- ✓ General and Adult funds will maintain at least a 5% required reserve for economic uncertainty
  - ✓ 6% Reserve for Economic Uncertainty
  - ✓ 4% General Reserve for Cash Flow
- ✓ Contingent liabilities have been identified and provisions are being made to address those liabilities (PERS Recapture Reserve)



# *Recommendation*

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- ✓ The Governing Board accept the First Interim Report and Instruction the Board President to submit a positive certification to the County Superintendent of Schools for all funds

