

Metropolitan Education District
Proposed Budget, Fiscal Year 2007-08
June 13, 2007

Executive Summary

Overview of the Governor's Proposed Budget

The Governor's May Revision budget proposal to the state legislature for 2007-08 indicates that both the nation and California will experience continued, though modest, economic growth over the next couple of years. The state's economy is expected to experience slower growth than in 2006, with personal income growth averaging in the mid-5 percent range and growth in jobs well under 2 percent. Growth will be slowest in 2007, in part due to the drag on the economy associated with the housing market's problems, before strengthening in 2008 and beyond.

The May Revision projects that General fund revenues and transfers will total \$102.3 billion in 2007-08, for a budget year growth of 6.4 percent. The proposed expenditures for the budget year are up \$624 million compared to the Governor's January budget. The major increases are due to:

- Added General Fund spending to meet the higher 2007-08 Proposition 98 minimum guarantee and reflect the altered treatment of a proposal to redirect public transit funds to benefit the General fund.
- Recognition that the pension obligation bonds will not be sold in 2007-08. The bonds were proposed to reduce General fund retirement payment by \$273 million. The administration now assumes that sale will occur in 2008-09.

Under the administration's estimate, the state would end the budget year with a reserve of \$2.2 billion. However, the Legislative Analyst's Office (LAO) projects that the May Revision likely overstates its reserve by about \$1.7 billion, leaving an estimated reserve of \$529 million, due to several overly optimistic assumptions on both revenues and expenditures.

The May Revision Summary

The May Revision has the following major impacts on California K-12 education:

- Full funding for a 4.53% COLA (up from 4.04% in January)
- More funding for career technical education, nutrition, teacher preparation, preschool, and school safety
- No current-year cuts
- No additional funding in equalization
- State mandated cost reimbursement still not funded
- No funding for declining enrollment relief

Both ROC/P and Adult Education, as categorical programs, receive the 4.53% COLA, plus ADA growth.

Purpose and Development of the Budget

The purpose of the MetroED budget is to express the educational program of the District in dollars. It is a tool to maximize the use of limited resources while implementing the District's vision and goals. During 2006-07, the District administration spent considerable time developing long and short term goals for budget year.

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For purposes of developing the MetroED budget, we have relied on the Governor's May Revision, projections provided by School Services of California in their "Financial Projections Dartboard", historic spending patterns, contractual obligations and the District's vision and goals.

The Vision for Metropolitan Education District

The District's goals are designed to realize the vision of what MetroED is all about. That vision is articulated in the following three statements:

- 1. The Metropolitan Education District is an organization that facilitates student learning through research-based teaching practices, accountability data and continual measurement of student achievement.**
- 2. The Metropolitan Education District programs and services are known and respected by its key constituencies, including students, education partners, business and industry.**
- 3. The Metropolitan Education District has a culture characterized by a high level of employee professionalism, teamwork, continual staff improvement, a supportive work environment and effective utilization of resources.**

Reserves for Cash Flow

Unlike K-12 education, ROC/P and Adult Education programs are categorical programs and do not receive state advance apportionment funding at the beginning of the fiscal year. Funds are apportioned ONLY after the state budget is signed into law. In recent years, adoption of the state budget has been delayed for as much as 60 days, resulting in the district having to rely on temporary reserves to cover vendor payments and employee payrolls. During 2004-05, the Governing Board established policy to make these reserves permanent, in order to provide sufficient cash for vendor payments and employee wages for a 60-day period. Two reserves are combined to provide an overall 10% reserve; a 4% General Reserve and a 6% Reserve for Economic Uncertainty.

Reserves for PERS Recapture Liability

In 1982-83, the Public Employees Retirement System (PERS) employer contribution rate was reduced from 13.02% to 12.045%. The state was in financial crisis and a state law was passed requiring the recapture of the savings from the PERS rate reduction. This was to have been a one-time reduction of districts' Revenue Limit apportionment. However, this one-time reduction has been a continuous part of the Revenue Limit calculation since 1982-83. The amount recaptured is the difference between the 13.02% and the employer contribution rate for that year. In years when there has been no employer rate, the recapture rate has been the full 13.02% of qualifying classified employee wages.

The law has been confusing as to whether the PERS recapture applies to ROC/Ps operating as Joint Powers Authorities (JPAs). In 2000, SB 1667 was enacted that intended to include JPAs in the PERS reduction calculations. However, there was an erroneous cross reference in the legislation that kept it from being implemented. In 2003-

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04, the Department of Finance (DOF) attempted to unilaterally impose the PERS recapture on JPAs, without correcting the Education Code. The DOF attempt was defeated when education advocates threatened litigation. In 2004-05, legislation that would have corrected the erroneous reference, and provide a clear exemption for ROCP JPAs, was vetoed by the Governor, and the matter was referred to the California Department of Education (CDE) for interpretation. Currently, both the CDE and DOF believe that the PERS offset applies to ROCP JPAs. However, they have not imposed the recapture because of the incorrect Ed Code reference. The matter continues to be unresolved.

The MetroED Governing Board has recognized the potential financial liability to the District, and directed that reserves be established for both the General and Adult Education funds sufficient to pay the PERS Reduction recapture retroactive to 2003-04, or legal fees should the matter have to be litigated. General Fund reserves are maintained in the Special Reserve Fund 170. Adult Education Fund reserves are maintained as part of the Adult Education Designated Fund Balance.

Employee Salaries and Benefits

The MetroED administration has attempted to maintain employee salaries at levels reasonably competitive with surrounding school districts, within the limitations of ROC/P and Adult Education funding. The 2007-08 budget, and two projected years include step, column and longevity salary and statutory benefit increases for district employees, plus increases in the district's contribution to employee health and welfare benefits. Negotiations with the District's three bargaining units for 2007-08 have not been started. Hence, there is no salary settlement projected in the budget and two subsequent years

The Budget Presentation Format

The presentation of the proposed budget is similar to that of the District's Interim Reports. We have provided a "Budget at a Glance" that summarized the proposed budgets for all the District's funds. The Capital Outlay fund 400 has been divided to separately show the resources available for the Central County Occupational Center (CCOC), the San Jose Adult Education Program and Campbell Union High Adult Education Program. Included with the "Budget at a Glance" are spreadsheets detailing the new revenues/sources of funds and expenses/uses of funds for both the General Fund 010 and Adult Education Fund 110.

Multi-Year Projection (MYP) Assumptions

For the General Fund 010 and Adult Education Fund 110, we have provided detailed multi-year projections, with all budget assumptions and calculations. Budget assumptions for the two projected years are based on School Services of California (SSC) "Dartboard" projections, historic spending patterns, COLA for applicable expenditure accounts, increases in salary accounts for step, column and longevity adjustments, health and welfare increases and district goals. Revenues and expenses are summarized at a four-digit object code level. Comparative data is provided for the following five year period:

- 2005-06 Unaudited Actuals
- 2006-07 Estimated Actuals
- 2007-08 Proposed Budget
- 2008-09 Projected
- 2009-10 Projected

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The MetroED Budget Advisory Committee (BAC) reviewed the proposed budget in detail on May 22, 2007, and has unanimously recommended approval as presented.

Fund 010: General Fund (CCOC/P)

Fund 010 Purpose: Fund 010 is the General Fund for the Central County Occupational Center and Programs (CCOC/P), which includes the ROP programs in the high schools of the six participating districts.

Fund 010 Certification: The administration is recommending a positive certification. This means that the General Fund will meet its financial obligations for the budget and two subsequent fiscal years; will maintain at least the required 5% Reserve for Economic Uncertainty and will end the year with a positive cash balance. The projections include a 6% Reserve for Economic Uncertainty and 4% General Reserve, as required by Governing Board policy.

Fund 010 Budget Assumptions:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
• Revenue Limit COLA:	4.53%	3.70%	2.60%
• Total ROC/P Revenue Limit	\$3,487.31	\$3,616.34	\$3,710.36
• ADA Cap Growth %:	1.53%	0.00%	0.00%
• ADA Cap Growth	44	0	0
• Total Projected ADA Cap	4,195	4,195	4,195
• Reserve-Economic Uncertainty	6.0%	6.0%	6.0%
• General Reserve-Cash Flow	4.0%	4.0%	4.0%
• Employer-paid benefits increase	5.0%	5.0%	5.0%
• Employer-paid benefits maximum	\$10,646	\$11,178	\$11,737
• No increases in salary other than step, column and longevity advancement.			
• Decrease in Worker's Compensation rate from 1.931% to 1.495%			
• Increase in employer PERS contributions from 9.124% to 9.306%			
• General expenditures for Superintendent and Central Office support have been direct-charged to the General (ROC/P) and Adult Education Funds on a 65%-35% basis.			

Fund 010 Revenues:

For the budget year, there is an increase to the ROC/P revenue limit funding from COLA and growth in the amount of \$775,114. The overall state revenue budget is reduced significantly compared to current fiscal year, due to the one time school site/district block grant and CTE equipment grant received in 2006-07, which are not continued into the budget year.

On January 17, 2007 the MetroED Governing board approved the "Amendment #3 to Master Business Relationship Agreements with JPA Participating Districts: Lottery Funds". The amendment states that all lottery revenue generated by JPA member District students in the ROC/P program is retained by those Districts. Lottery revenue from ROC/P students who are not registered in the JPA member Districts (Job Corp, Cosmetology, Adults at CCOC etc.), will be passed through to MetroED through Milpitas Unified School District, which is the current practice. 2007-08 is the first year of

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implementing the amendment. With this change, the lottery revenue projection is reduced by \$67,000. Once the equalization plan between the JPA member districts fully implemented in fiscal year 2009-10, all member districts will pay the full cost of the students they send to CCOC. Therefore there is no need for MetroED to generate additional operating revenue from the Districts. Any lottery dollars received by the JPA would only reduce the cost per CCOC student. In effect, the dollars all come from the same JPA-member general fund sources.

Federal Carl Perkins grant funding has not been carried on into the budget year. Actual grant amounts will not be known until after budget adoption. Adjustments will be brought to the Board when the actual amounts are known.

Fund 010 Expenditures:

A high priority goal for the ROC/P program is to maximize the value of the programs to our JPA members, and their students. In 2004, the participating districts approved a three-year plan to equalize the funding rate for the ROP (also referred as satellite program) ADA in high schools. On November 8, 2006, the Governing board of MetroED ratified the Amendments to Master Business Relationship Agreements with JPA Participating District (CCOC Funding Model). For 2006-07 fiscal year, MetroED allocated a one-time payment of \$300,000 to those districts generating revenue limit dollars in excess of the cost of their students attending CCOC. At the end of the 2006-07 fiscal year, as part of the year end closing process, MetroED will calculate the first 20% of the equalization payment, which is estimated around \$180,000. For the budget year, \$600,000 is reserved for this purpose and \$800,000 is reserved for 2008-09. In the 2009-10 fiscal year, each district will pay the cost of their students attending CCOC, either with revenue limit dollars from the ROP classes on the high school campuses, or with cash.

The administration believes that the District must contribute both financially and programmatically to the equalization process. The CCOC cost per high school students needs to be reduced. Steps taking the District in that direction have been taken throughout the year. They include:

- Elimination of CCOC classes that do not pay for themselves by meeting an ADA minimum, and maintain the minimum level over time.
- Assure relevancy of CCOC day classes. High school students must be the CCOC priority, not the adults. Classes with high adult enrollment are considered for replacement.
- Ancillary programs must cover their costs, and not encroach on the General Fund.
- Administrative costs must be reduced through departmental reorganization, down-sizing and implementation of efficiencies, where possible.
- Funds must be set aside by the District to help address the continued ADA & revenue limit inequity between JPA members.
- Review of high school ROP classes to assure relevancy, high levels of student enrollment and compliance with state codes.

The CCOC will drop three programs and add two half-day programs for the 2007-08 budget year. The dropped classes are: Cabinetmaking, Precision Machining and Electronics/Robotics. The Robotics program was an afternoon program only, and was

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partially supported by Mission Community College SB 70 grant. Fire Science and Emergency Medical Technician (EMT) will be added in the fall semester as half-day programs. They will be expanded to full day programs the following year if successful. It was based on a survey of 10th and 11th graders at CCOC and various high schools in the fall of 2004. These classes are expected to fill quickly. The net savings to the District from these adjustments is \$150,522.

The California Commission on Teacher Credentialing authorizes the holder of a Certificated of Staff Development (SB 2913) to teach English Language Development (ELD) and Specially Designed Academic Instruction Delivered in English Learner (EL) students. If our teachers are not certified to teach EL students, MetroED will be held out of compliance with the credential authorizations, and if any complaints are issued under the *Williams* settlement, we must respond. In order to be in compliance with all regulations, MetroED will pay the cost of the EL Certification workshop for any teacher or administrator who completes the requirements by December 31, 2007. \$55,000 is budgeted under staff development for this purpose.

Fund 010 Other Financing Sources/Uses:

2006-07 is the last year for Debt service payment. No Transfers Out are budgeted for this purpose in the budget year. Also in 2006-07, the District transferred out the PERS recapture liability reserve of \$374,537 to Special Reserve Other Than Capital Outlay Fund 170. This allows the District to be in compliance with Education Code 52321, Section C that limits reserves in the ROC/P program to 15% of expenditures. The additional reserves projected for the budget year are \$100,273.

Fund 010 Fund Balance:

For the 2006-07 Estimated Actuals, ROC/P operations are expected to generate a small decrease of \$44,010 to the fund balance. For the budget year, the fund balance is expected to increase \$739,885. The General Reserve is maintained at the Board required 4% and the Designation for Economic Uncertainty is maintained at 6%. Other major reserves and designations include: \$20,000 for implementing the requirements of AB 2448 (Career Technical Education Reform); \$40,000 for WASC accreditation; \$600,000 for equalization payments and \$130,000 for campus security projects (video security system).

Fund 010 Multi-Year Projections:

The following chart summarizes the high points of operations for the proposed budget and two projected years:

GENERAL FUND - OPERATIONS	2007-2008	2008-2009	2009-2010
Total Revenues	\$16,043,162	\$16,535,593	\$16,943,492
Total Expenditures	\$15,047,499	\$15,738,809	\$16,460,158
Net Revenues/Expenses	\$ 995,663	\$ 796,785	\$ 483,334
Other Sources (Uses)	(\$ 255,778)	(\$ 313,748)	(\$ 421,960)
Change to Fund Balance	\$ 739,885	\$ 483,037	\$ 61,374

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Multi-Year Projection Fund Balances: The following chart details the projected fund balances for the budget and two subsequent years:

GENERAL FUND – FUND BALANCE	2007-2008	2008-2009	2009-2010
Reserved & Designated:			
Revolving Fund, Prepaid	\$ 20,000	\$ 20,000	\$ 20,000
General Reserve (4%)	\$ 612,551	\$ 642,522	\$ 675,705
Economic Uncertainty (6%)	\$ 918,826	\$ 963,783	\$ 1,013,557
WASC Project	\$ 40,000	\$ 0	\$ 0
Staff Development - CTE reform	\$ 20,000	\$ 0	\$ 0
Campus Security Projects	\$ 130,000	\$ 0	\$ 0
Equalization Payments	\$ 600,000	\$ 800,000	\$ 0
Total Reserves	\$ 2,341,377	\$ 2,426,305	\$ 1,709,262
Undesignated Fund Balance	\$ 379,407	\$ 777,516	\$ 1,555,933
Total Fund Balance	\$ 2,720,784	\$ 3,203,821	\$ 3,265,195

Increases to the fund balance are due to revenue increases for COLA and growth. There is no provision made for salary increases. However, the projections include salary increases for step, column and longevity advancement, increases in the district contribution to employee health and welfare benefits and COLA increases for impacted expenditure accounts such as supplies and other operating expenses.

Any funds not otherwise designated in the projected years are shown as Undesignated Fund Balance and are available for use or designation by the Governing Board.

Fund 110: Adult Education

Fund 110 Purpose: The Adult Education Fund is used to account separately for federal, state and local revenues for Adult Education programs. MetroED administers the Adult Education programs for San Jose Unified School District and Campbell Union High School District under a Master Business Relationship Agreement. Expenditures in this fund must be for Adult Education purpose only.

Fund 110 Certification: The administration is recommending a positive certification. This means that the Adult Education Fund 110 will meet its financial obligations for the budget and two subsequent fiscal years; will maintain a 6% Reserve for Economic Uncertainty and 4% General Reserve as required by Governing Board policy; and will end the year with a positive cash balance.

Fund 110 Budget Assumptions:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
• Revenue Limit COLA	4.53%	3.70%	2.60%
• Total Adult Ed Revenue Limit	\$2,645.30	\$2,743.18	\$2,814.18
• ADA Cap Growth %	2.50%	2.50%	2.50%
• ADA Growth-San Jose USD	56	58	59
• ADA Growth-Campbell UHSD	<u>28</u>	<u>28</u>	<u>29</u>
Total ADA Growth	84	86	88

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|-------------------------------|--------------|--------------|--------------|
| • Total ADA Cap-San Jose USD | 2,331 | 2,359 | 2,418 |
| • Total ADA Cap-Campbell UHSD | <u>1,156</u> | <u>1,164</u> | <u>1,193</u> |
| Total ADA Cap (rounded) | 3,487 | 3,523 | 3,611 |
-
- Reserve-Economic Uncertainty 6.0% 6.0% 6.0%
 - General Reserve-Cash Flow 4.0% 4.0% 4.0%
 - Employer-paid benefits increase 5.0% 5.0% 5.0%
 - Employer-paid benefits maximum \$10,646 \$11,178 \$11,737
 - No increases in salary other than step, column and longevity advancement
 - Decrease in Worker's Compensation rate from 1.931% to 1.495%
 - Increase in employer PERS contributions from 9.124% to 9.306%
 - General expenditures for Superintendent and Central Office support have been direct-charged to the General (ROC/P) and Adult Education Funds on a 65%-35% basis

Fund 110 Revenues:

For the budget year, revenues will increase \$611,895 from COLA and growth. A 10% reduction was projected for Federal grant revenue, due to the uncertainty of the funding rate for the California Adult Education program. Carl Perkins grant was not carried on into the budget year due to the uncertainty of the grant amount. Adjustments will be brought to the Board when the actual amounts are known.

On January 17, 2007 the MetroED Governing Board approved the "Amendment #3 to Master Business Relationship Agreements with JPA Participating Districts: Lottery Funds". The amendment state that all lottery revenue generated by JPA member District students in the ROC/P program is retained by those Districts. Disposition of the Lottery revenue from the Campbell and San Jose Adult Education programs will be negotiated directly between MetroED, Campbell UHSD and San Jose USD. Currently no lottery revenue is budgeted for the program.

MAEP will continue to offer the Community Interest Program (CIP) plus fee-based programs in the following areas: Accounting and taxes, Art and design, Dance, Fitness and Health, Languages, Technologies and Writing. We are expecting to bring in an additional \$130,500 in revenue to the Adult Education fund.

Fund 110 Expenditures:

New costs associated with the CIP and Fee based program are approximately \$94,350. In 2006-07, the District Governing board approved MAEP program reductions to offset a decline of \$342,000 in Federal revenues. These reductions will carry on into the budget year. In addition, there are reductions in the following categories; Hourly Counselors - \$5,062; Site Supervisors - \$67,178; Curriculum Specialists - \$30,037 and Instructional Aids and Extra Duties - \$23,844.

Fund 110 Other Financing Sources/Uses:

During previous years, federal grants have allowed the Adult Education program to transfer substantial year end funds to the Capital Outlay Fund for facilities needs in the Campbell and San Jose Adult programs. There are no transfers budgeted for the 2007-08 fiscal year and beyond.

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Fund 110 Fund Balance:

For the 2006-07 Estimated Actuals, we expect an increase of \$194,246 to the fund balance. For the budget year, fund balance is expected to increase \$332,617. The General Reserve is maintained at the Board required 4% and the Designation for Economic Uncertainty is maintained at 6%. Other reserves and designations include: \$40,000 reserved for WASC accreditation and \$442,096 for PERS Recapture Liability.

Fund 110 Multi-Year Projections: The following chart summarizes the high points of operations for the proposed budget and two projected years:

ADULT ED FUND - OPERATIONS	2007-2008	2008-2009	2009-2010
Total Revenues	\$ 11,591,070	\$ 12,013,821	\$ 12,539,842
Total Expenditures	\$ 11,258,453	\$ 11,553,333	\$ 12,048,404
Net Revenues/Expenses	\$ 332,617	\$ 460,487	\$ 491,438
Other Sources (Uses)	(\$ 0)	(\$ 0)	(\$ 0)
Change to Fund Balance	\$ 332,617	\$ 460,487	\$ 491,438

Multi-Year Projection Fund Balances: The following chart details the projected fund balances for the proposed budget and two projected years:

ADULT ED FUND – FUND BALANCE	2007-2008	2008-2009	2009-2010
Reserved & Designated:			
General Reserve (4%)	\$ 450,338	\$ 462,133	\$ 481,936
Economic Uncertainty (6%)	\$ 675,507	\$ 693,200	\$ 722,904
Misc. Projects-WASC staff dev.	\$ 40,000	\$ 0	\$ 0
PERS Recapture Liability	\$ 442,096	\$ 565,123	\$ 570,677
Total Reserves	\$ 1,607,941	\$ 1,720,456	\$ 1,775,517
Undesignated Fund Balance	\$ 241,281	\$ 589,253	\$ 1,025,630
Total Fund Balance	\$ 1,849,221	\$ 2,309,709	\$ 2,801,147

Increases to the fund balance are due to revenue increases for COLA and growth. There is no provision made for salary increases. However, the projections include salary increases for step, column and longevity advancement, increases in the district contribution to employee health and welfare benefits and COLA increases for impacted expenditure accounts such as supplies and other operating expenses.

Grant Funding

The ability of the Adult Education program to generate a positive contribution to its fund balance is greatly dependent upon federal, state and local grants. The actual dollar amounts of Federal grants are not usually known until December or January of the current budget year. As a result, federal grants are budgeted conservatively. MetroED Adult programs have been highly successful in obtaining grant funding over the years. However, continued funding is dependent on Federal and State budget priorities. Consequently, grant funds should be considered “soft money” in term of commitments to long term expenditures.

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Fund 140: Deferred Maintenance

Fund 140 Purpose:

The Deferred Maintenance Fund is used to account separately for state apportionments and the District's match contribution for deferred maintenance purposes. Primary revenues for this fund are the state Deferred Maintenance apportionment, interest earnings and district interfund transfers for the district's match. Expenditures in this fund are intended for major repairs or replacements at the Central County Occupational Center (CCOC) under the 5-year Deferred Maintenance plan approved by the Office of Public School Construction (OPSC).

Fund 140 Certification:

The administration is recommending a positive certification. This means that the Deferred Maintenance Fund 140 will be able to meet its financial obligations for the budget and subsequent two fiscal years and will end the year with a positive cash balance.

Fund 140 Revenues:

The Governor's May Revision includes full funding for the Deferred Maintenance state match. We estimated the amount to be \$166,000, which will be matched by MetroED. We are also projecting interest earnings of \$19,458.

Fund 140 Expenditures:

The following chart details the planned expenditures, by type of project, for the proposed budget and two projected years.

DEFERRED MAINTENANCE FUND	2007-2008	2008-2009	2009-2010
Revenues:			
State Funding	\$ 166,000	\$ 172,159	\$ 175,000
District Contribution	\$ 166,000	\$ 172,159	\$ 175,000
Interest Income	\$ 19,458	\$ 20,000	\$ 25,000
Total Income	\$ 351,458	\$ 364,318	\$ 375,000
Expenditures:			
Floor Covering	\$ 50,000	\$ 50,000	\$ 50,000
Painting Projects	\$ 124,380	\$ 100,000	\$ 100,000
Paving Projects	\$ 204,000	\$ 0	\$ 50,000
Plumbing Projects	\$ 325,000	\$ 50,000	\$ 50,000
Total Expenditures	\$ 703,380	\$ 200,000	\$ 250,000
Beginning Fund Balance	\$ 497,149	\$ 145,227	\$ 309,545
Ending Fund Balance	\$ 145,227	\$ 309,545	\$ 434,545

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Fund 170: Special Reserve Fund for Other Than Capital Outlay Projects

Fund 170 Purpose:

The Special Reserve Fund for Other Than Capital Outlay Projects is used to account for the accumulation of General Fund money for purposes other than capital outlay. This is a new fund authorized by the Governing Board in October 2006 to reserve mandated cost reimbursements pending audit by the State Controllers' Office (SCO). The SCO has been auditing prior year mandated cost reimbursements, and has been disallowing more than 80% of these reimbursements. Consequently, prior year mandated cost reimbursement funds can be a potential liability to the District.

Fund 170 Certification:

The administration is recommending a positive certification. This means that the Special Reserve Fund 170 will be able to meet its financial obligations for the budget and subsequent two fiscal years and will end the year with a positive cash balance.

Fund 170 Revenues:

In 2006-07, District transferred in the PERS recapture liability reserve of \$374,537 from General fund. We are projecting an additional \$100,273 for the budget year.

Fund 170 Expenditures:

There are no expenditures expected in the budget year.

Fund 210: Building Fund (Asset Management)

Fund 210 Purpose:

This is otherwise known as the CCOC Asset Management Fund. This Fund exists primarily to account separately for proceeds from the rentals and leases of real property specifically authorized for deposit into the Fund by the Governing Board. Revenues include lease payments from the Capital Auto Mall LLP and interest earnings. Expenditures are allowed only for new programs, upgrading of existing programs and necessary facility upgrades as approved by the Governing Board.

Fund 210 Certification:

The administration is recommending a positive certification. This means that the Asset Management fund will be able to meet its financial obligations for the budget and subsequent two fiscal years, and will end the year with a positive cash balance.

Fund 210 Revenues:

Projected revenues are budgeted at \$299,217 which includes rent from the Capitol Auto Mall LLP and interest on the fund balance.

Fund 210 Expenditures:

The following chart details the planned expenditures, by type of class, for the proposed budget and three projected years:

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ASSET MANAGEMENT FUND	2006-07 EST. ACT	2007-08 PROJECTED	2008-09 PROJECTED	2009-10 PROJECTED
Revenues:				
Lease Revenue	\$ 269,217	\$ 269,217	\$ 269,217	\$ 269,217
Interest Income	\$ 30,000	\$ 30,000	\$ 32,000	\$ 34,000
Total Revenues	\$ 299,217	\$ 299,217	\$ 301,217	\$ 303,217
Expenditures – New Classes:				
Baking and Catering	\$ 41,500	\$ 0	\$ 0	\$ 0
Probation & Legal Careers	\$ 10,000	\$ 0	\$ 0	\$ 0
Veterinary Assistant	\$ 75,000	\$ 0	\$ 0	\$ 0
Fire Science & EMT	\$ 0	\$ 150,000	\$ 0	\$ 0
New Classes (TBD)	\$ 0	\$ 0	\$ 150,000	\$ 100,000
Expenditures – Existing Classes:				
Bldg. 700 Renovations	\$ 149,100	\$ 0	\$ 0	\$ 0
Other Classes (TBD)	\$ 0	\$ 150,000	\$ 200,000	\$ 100,000
Expenditures – Other:				
Health & Safety	\$ 17,649	\$ 50,000	\$ 50,000	\$ 50,000
3% District Management Fee	\$ 10,495	\$ 10,495	\$ 10,495	\$ 10,495
Total Expenditures	\$ 303,744	\$ 360,495	\$ 410,495	\$ 260,495
Beginning Fund Balance	\$ 536,099	\$ 531,572	\$ 470,294	\$ 361,016
Ending Fund Balance	\$ 531,572	\$ 470,294	\$ 361,016	\$ 403,738

The \$50,000 Health & Safety budget was established by the Governing Board based on a recommendation by the District's Budget Advisory Committee. The funds are to be used for the correction of health and safety problems that are identified throughout the year. Any unspent funds from this account are to revert back to the fund balance at the end of each year. The fund maintains a minimum \$250,000 reserve, per board policy.

Fund 400: Special Reserve Fund for Capital Outlay Projects

Fund 400 Purpose:

This Capital Outlay Fund exists to provide for accumulation of monies for capital outlay purposes. The only sources of revenue for this fund are interest earnings and transfers from the ROC/P and Adult Education Funds. Monies in this fund are kept separate in their own Resource codes. Amounts are appropriated for expenditures as projects are planned and executed.

The facilities on the CCOC campus are showing considerable wear as they near 40 years in age, and are in need of modernization. There is also a need for upgraded Adult Education facilities in San Jose, and replacement of the administration building at the Campbell Adult Ed DX site.

Fund 400 Certification:

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The administration is recommending a positive certification. This means that the Capital Outlay Fund will be able to meet its financial obligations for the budget and subsequent two fiscal years and will end the year with a positive cash balance.

Fund 400 Revenues:

We are expecting interest revenue of \$160,000 for CCOC, \$28,000 for Campbell Adult and \$60,000 for San Jose Adult Education programs for the budget year.

Fund 400 Expenditures:

\$19,500 is budgeted for QZAB bond interest payment.

Fund 400 Other Financing Sources/Uses:

The following chart summarizes the Capital Outlay Fund budget for 2007-08:

CAPITAL OUTLAY FUND	CCOC	ADULT ED SAN JOSE	ADULT ED CAMPBELL
Revenues:			
Interest Earnings	\$ 160,000	\$ 60,000	\$ 28,000
Total Sources Available	\$ 160,000	\$ 60,000	\$ 28,000
Expenditures:			
Capital Outlay Projects	\$ 0	\$ 0	\$ 0
Debt Service – QZAB Bond	\$ 19,500	\$ 0	\$ 0
Total Expenditures	\$ 19,500	\$ 0	\$ 0
Beginning Fund Balance	\$ 4,752,773	\$ 1,377,812	\$ 756,229
Ending Fund Balance	\$ 4,893,273	\$ 1,437,812	\$ 784,229