

Metropolitan Education District

2007-2008

1st Interim Report.

December 12, 2007

Purpose of Interim Reports

- ❄ 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)



Components of 1st Interim Report

- ❄ 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)

2007-08 State Budget Outlook

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

- ❄ California faces significant fiscal challenges in the current and subsequent two years
- ❄ \$2 billion shortfall in 2007-08 FY and \$8 billion shortfall in 2008-09 FY, leaving a total of \$10 billion hole for the Governor and legislature to fill.

1st Interim Budget Assumptions

- ❄ General Fund: No COLA, no growth for next two years
- ❄ Adult Fund: No COLA, 2.5% growth per year, next 2 years
- ❄ PERS recapture liability reserve: capped as of 6/30/07
(3 yrs of liability)
- ❄ Gen. Fund reserve for state budget deficit: \$350,000
- ❄ Adult Fund: no reserves for state budget deficit
- ❄ Includes funding for step, column, longevity, H&W increases
- ❄ No salary increases for current or projected 2 years.

General Fund Multi-Year Projection Summary

<u>Sources of Funds:</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
Revenues	\$16,265,218	\$16,101,912	\$16,129,099
Transfers In	\$ 10,495	\$ 10,495	\$ 10,495
Total Sources	\$16,275,713	\$16,112,407	\$16,139,594
<u>Uses of Funds:</u>			
Expenditures	\$15,510,821	\$15,633,389	\$15,956,396
Transfers Out	\$ 476,954	\$ 472,159	\$ 175,000
Total Uses	\$15,987,775	\$16,105,548	\$16,131,396
Incr/Decr to Fund Bal	\$ 287,938	\$ 6,859	\$ 8,198
Beg Fund Balance	\$ 2,623,036	\$ 2,910,973	\$ 2,917,832
Ending Fund Balance	\$ 2,910,974	\$ 2,917,832	\$ 2,926,030

General Fund – ROC/P Ending Fund Balances

<u>Reserved & Designated:</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
Revolving Fund, Prepaid	\$ 20,000	\$ 20,000	\$ 20,000
General Reserve (4%)	\$ 639,511	\$ 644,222	\$ 645,256
Economic Uncertainty (6%)	\$ 959,267	\$ 966,333	\$ 967,884
Contingency for State Deficits	\$ 350,000	\$ 350,000	\$ 350,000
Sewer Line Project	\$ 100,000	\$ 0	\$ 0
Equalization Payments	\$ 450,000	\$ 450,000	\$ 450,000
Total Reserves	\$ 2,518,778	\$ 2,430,555	\$ 2,433,140
Undesignated Fund Bal *	\$ 392,195	\$ 487,277	\$ 492,890
Total Fund Balance	\$ 2,910,973	\$ 2,917,832	\$ 2,926,030

* Does not reflect employee salary increases. 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>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
Revenues *	\$11,726,313	\$11,719,704	\$11,992,675
Transfers In	\$ 0	\$ 0	\$ 0
Total Sources	\$11,726,313	\$11,719,704	\$11,992,675
<u>Uses of Funds:</u>			
Expenditures	\$11,435,713	\$11,616,816	\$11,954,281
Transfers Out	\$ 0	\$ 0	\$ 0
Total Uses	\$11,435,713	\$11,616,816	\$11,954,281
Incr/Decr to Fund Bal	\$ 290,600	\$ 102,888	\$ 38,394
Beg Fund Balance	\$ 1,617,087	\$ 1,907,687	\$ 2,010,575
Ending Fund Balance	\$ 1,907,687	\$ 2,010,575	\$ 2,048,969

Adult Education Fund Ending Fund Balances

<u>Reserved & Designated:</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
General Reserve	\$ 457,429	\$ 464,673	\$ 478,171
Economic Uncertainty	\$ 686,142	\$ 697,009	\$ 717,257
PERS Recapture Liability	<u>\$ 348,071</u>	<u>\$ 348,071</u>	<u>\$ 348,071</u>
Total Reserves	\$1,491,642	\$1,509,753	\$1,543,499
Undesignated Fund Balance *	<u>\$ 416,045</u>	<u>\$ 500,822</u>	<u>\$ 505,470</u>
Total Fund Balance	\$1,907,687	\$2,010,575	\$2,048,969

* *Does not reflect employee salary increases. 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>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
State Funding (Full)	\$176,954	\$165,458	\$170,846
District Contribution	\$176,954	\$165,458	\$170,846
State Hardship Grant	\$ 0	\$ 0	\$ 0
Interest Income	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 25,000</u>
Total Sources	\$373,908	\$350,916	\$366,692
<u>Uses of Funds:</u>			
All Other Projects	<u>\$649,430</u>	<u>\$400,000</u>	<u>\$300,000</u>
Total Uses	\$649,430	\$400,000	\$300,000
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Beginning Fund Balance	\$460,472	\$324,515	\$275,431
Ending Fund Balance	\$184,950	\$275,431	\$342,123

Special Reserve Fund for Other Than Capital Outlay

- ❄ To reserve mandated cost reimbursements and PERS recapture liability from General Fund
- ❄ Current Year Fund balance: *\$472,866*. It includes *\$89,038* for mandated cost reimbursement and *\$383,828* for PERS recapture liability
- ❄ No expenditures can be made from this fund. Dollars must first be transferred back to the General Fund

Asset Management Fund Multi-Year Projection Summary

<u>Sources of Funds:</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
Lease Revenue	\$ 299,217	\$ 301,000	\$ 301,000
Interest Income	\$ 0	\$ 0	\$ 0
Total Sources	\$ 299,217	\$ 301,000	\$ 301,000
<u>Uses of Funds:</u>			
Expenditures–New Classes	\$ 185,000	\$ 100,000	\$ 100,000
Expenditures-Existing Classes	\$ 115,000	\$ 200,000	\$ 100,000
Health & Safety	\$ 50,000	\$ 50,000	\$ 50,000
Management Fees	\$ 10,495	\$ 10,495	\$ 10,495
Total Uses	\$ 360,495	\$ 360,495	\$ 260,495
Beg. Fund Balance	\$ 536,234	\$ 474,956	\$ 415,461
Ending Fund Balance *	\$ 474,956	\$ 415,461	\$ 455,966

- *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	\$ 160,000	\$ 60,000	\$ 28,000
Transfers In-Debt Svc	\$ 300,000	\$ 0	\$ 0
Transfers In-Cap. Outlay	\$ 0	\$ 0	\$ 0
Total Sources	\$ 460,000	\$ 60,000	\$ 28,000
<u>Uses of Funds:</u>			
Capital Outlay Projects	\$ 0	\$ 0	\$ 0
Debt Service	\$ 19,500	\$ 0	\$ 0
Total Uses	\$ 19,500	\$ 0	\$ 0
Beg. Fund Balance	\$ 5,364,484	\$ 1,402,007	\$ 767,381
Ending Fund Balance	\$ 5,804,984 *	\$ 1,462,007	\$ 795,381

*: \$697,865 is reserved to pay back the QZAB bond in 15 years

Undetermined Budget Impacts & On-going Concerns

- State Vocational & Adult Education Funding is still discretionary – always a concern
- The District has not settled with its bargaining units for 2007-08 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

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

- ✓ 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

