

Metropolitan Education District
Second Interim Financial Report
March 12, 2008

Executive Summary

The Metropolitan Education District

The Metropolitan Education District (MetroED) is a joint powers authority (JPA) created under Government Code Sections 6500 in 1983 by six school districts in Santa Clara County. Its purpose is to provide and administer a regional occupational center and programs (ROCP) and adult education programs. The six districts are Campbell Union High School District, East Side Union High School District, Los Gatos-Saratoga Joint Union High School District, Milpitas Unified School District, San Jose Unified School District and Santa Clara Unified School District. Each of the six districts designates one of their elected board members to sit on the MetroED Governing Board.

Purpose of the 2nd Interim Report

The California Education Code 42130 requires the District to file two interim financial reports with the County Superintendent of Schools and the State Department of Education. The Second Interim Report covers the financial and budgetary status of the District for the period ending January 31. The Governing Board of the District must certify whether the District is able to meet its financial obligations for the remainder of the fiscal year and for the subsequent two fiscal years. The certification is classified as positive, qualified, or negative. A positive certification means the District will be able to meet its financial obligations for the current and two subsequent years; Qualified certification means the District may not meet its financial obligations for the current fiscal year or two subsequent fiscal years; Negative certification means the District will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal years.

Interim Reports are a “snapshot” of the condition of the agency at a point in time. Multi-year projections are highly dependent upon projected state funding, which is correspondingly dependent upon the health of the state economy and tax revenue collections. Consequently, Interim Report projections are only as reliable as the projections provided us by the state, and local expenditure decisions, which are constantly changing. Because of this, the District’s financial condition and current year budget is reviewed on an on-going basis by the business and fiscal staff, with changes provided to the Governing Board for monthly approval.

Governor’s 2008-09 Budget Proposal:

On January 10, 2008, the Governor released his budget proposal for 2008-09. The proposal relies overwhelmingly on expenditure reductions to close a projected \$16 billion budget shortfall between revenues and expenses. In an effort to beat the Feb. 23 deadline for action in the emergency session, the Senate Budget Committee approved a package of eight bills containing \$1 billion in midyear reductions, and over \$1.2 billion in (non-education) savings in the budget year on Feb. 13. Of the total current-year reductions, over \$900 million came from education-related savings.

Current Year Cuts to Education: The proposed education spending reductions avoid cuts at the local level. Instead, all of the state’s education “savings” are realized through the capture of \$507 million in Proposition 98 current- and prior-year savings and reversions, and through the use of \$409 million in Public Transportation Account (PTA) dollars to fund home-to-school transportation.

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Furthermore, the action to “swap” PTA funds for state general fund dollars as a source of funding for school transportation was done in such a manner as to avoid reducing the Proposition 98 guarantee by a like amount. As a result, the Proposition 98 guarantee will be lowered by \$507 million in the current year, but not by the full \$916 million in education savings realized by the state. The lower Proposition 98 guarantee carries forward into subsequent years.

Deferral of July Advance Apportionments: As expected, the final midyear education package also contains language authorizing the deferral of the July advance apportionment to schools by two months – from July to September. We understand that this provision also contains language authorizing the Department of Finance to exempt from the deferral any districts that would be put at fiscal risk as a result of the delayed payment.

Governor’s 2008-09 Budget Impacts on Education: The Governor’s proposed reductions to education funding would be accomplished in part by providing no cost-of-living adjustment (COLA) for 2008-09. The Governor’s proposal is that revenue limits would not receive the projected cost-of-living adjustment of 4.94% and would then be reduced by additionally 2% from the 2007-08 level. As in the past, this would create a “deficit” factor. The projected deficit factor is 6.99% for K-12 general fund revenue limits. All other K-12 education programs would also receive no COLA. However, these other programs are typically supported only by the state general fund, which means the entire program is subject to the 10.9% reduction. After counting 4.94% for the “no COLA”, these programs are proposed to have reductions from current year funding of about 6.5%. These cuts are proposed to apply to virtually all categorical education programs, including state funded special education, school transportation, instructional materials, K-3 class size reduction, Adult Education, Regional Occupational Centers/Programs and others.

State Budget Impacts on MetroED

Following is a summary of the estimated financial impacts to MetroED:

For 2007-08 Fiscal Year:	<u>General Fund (ROC/P)</u>	<u>Adult ED Fund (MAEP)</u>
Estimated Revenue Loss:	(\$72,372)	(\$47,774)

For 2008-09 Fiscal Year:	<u>General Fund (ROC/P)</u>	<u>Adult ED Fund (MAEP)</u>
Estimated Revenue Loss:	(\$1,016,174)	(\$620,875)

Reserves for Cash Flow

Unlike K-12 education, ROC/P and Adult Education programs 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, 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 set up an overall 10% reserve, composed of a 4% General Reserve and a 6% Reserve for Economic Uncertainty, to provide sufficient cash for vendor payments and employee wages for a 60-day period. Based on the Governor’s budget proposal for 2008-09, to defer the July advanced apportionment to September, plus the uncertainty of how timely the state budget will be adopted, the cash flow can be a serious issue for the District in the

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coming fiscal year. Currently we reserved additional \$700,000 in General fund and \$500,000 in Adult ED fund for this purpose.

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 become an on-going 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 2003-04, 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 has directed that reserves be established for both the General and Adult Education funds. The General Fund PERS reserve is held in the District Fund 170 "Special Reserve" with a balance of \$383,828. The Adult Education Fund reserve is designated as part of the fund balance for the Adult Education Fund 110 with a balance of \$282,000.

Employee Salaries and Benefits

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. The district is currently in negotiations with its three bargaining units for 2007-08.

2nd Interim Budget Adjustments

Budget transfers and adjustments for the current year are approved by the Governing Board on a monthly basis. Consequently, there are few adjustments presented in the 2nd Interim Report that have not already been approved.

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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's (SSC) "dartboard" projections, reflecting the 2008-09 Governor's budget cut proposal, 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 Actuals
- 2006-07 Actuals
- 2007-08 Budget, 2nd Interim Report
- 2008-09 Projected
- 2009-10 Projected

Budget Advisory Committee: The Budget Advisory Committee (BAC) met on February 26, 2008 to review the proposed 2nd Interim Report. The BAC took action to recommend that the District make the following adjustments for the 2008-09 budget year (as reflected in the multi-year projections):

- 1) Temporary use of the PERS reduction reserve in the Adult Education Fund to cover the proposed cuts to education funding. This reserve is to be restored when funds are available.
- 2) Elimination of the Adult Ed Parent Participation program for 2008-09.

Deficit Spending – A Note of Caution: For both the General and Adult Education Funds, there is a heavy reliance on reserves to cover the Governor's proposed funding reductions in 2008-09. Those reductions carry forward into subsequent years as a permanent reduction to the District's revenue limit. Assuming salary increase agreements with the District's unions for the current year, the District will be deficit spending in 2008-09 and 2009-10. As education funding comes into clearer focus, the administration will revise projections and continue to look for options to eliminate the deficit spending.

Budget Presentation

Presentation of the Second Interim Report includes "Budget at a Glance" that summarizes the proposed budgets for all the district's funds and "Monthly Budget Adjustments" showing all changes from the last budget update approved by the Board. The Capital Outlay Fund 400 has been divided to separately show the resources available for the Central County Occupational Center (CCOC) and the Adult Education programs for San Jose and Campbell. Required state forms are provided in the sections identified in the Table of Contents.

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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. ROC/P funding is considered categorical by the state and is not guaranteed.

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%	4.94%	3.00%
• Revenue Limit Deficit Factor:	(0.5%)	(10.9%)	0%
• Total ROC/P Revenue Limit	\$3,475.02	\$3,265.47	\$3,366.51
• ADA Cap Growth %:	(1.09%)	(0.55%)	0%
• ADA Cap Growth	(49)	(23)	0
• Total Projected ADA Cap	4,199	4,122	4,122
• 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 max	\$10,646	\$11,178	\$11,737
• No increases in salary other than step, column and longevity advancement.			
• COLA increases to appropriate expenditures for 2007-08 and 2008-09			
• General expenditures for Superintendent and Central Office support have been directly charged to the General (ROC/P) and Adult Education Funds on a 65%-35% basis.			

Fund 010 Revenues: No major adjustments made compared to the January board approved budget.

Fund 010 Expenditures: No major adjustments made compared to the January board approved budget.

Fund 010 Other Financing Sources/Uses: Transfer out increased by \$450,000 to the Capital Outlay Fund, compared to the January 31 board approved budget. This funding was originally designated to implement a revised Master Business Relationship Agreement (MBRA) and funding plan, which included increasing the Satellite program payment from \$934/ADA to \$1,000/ADA and a \$300,000 pass-through to Districts. Since there was no agreement reached by the MetroED Executive Council at their meeting on 2/15/08, these dollars are reflected as current year savings to help cover cash flow and revenue loss estimated for fiscal year 2008-09.

Fund 010 Fund Balance: No major adjustments made compared to the January board approved budget.

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Fund 010 Multi-Year Projections: A major change in the multi-year projections from the adopted budget is the net 6.5% reduction of revenue limit in 2008-09 from the 2007-08 funding level. The following chart summarizes the high points of operations for the 2nd Interim Budget and two projected years:

GENERAL FUND - OPERATIONS	2007-2008	2008-2009	2009-2010
Total Revenues	\$16,210,702	\$14,903,562	\$15,326,549
Total Expenditures	\$14,925,270	\$14,898,951	\$15,271,869
Net Revenues/Expenses	\$ 1,285,432	\$ 4,611	\$ 54,680
Other Sources (Uses)	(\$ 1,076,459)	(\$ 150,474)	(\$ 164,505)
Change to Fund Balance	\$ 208,973	(\$ 145,862)	(\$ 109,825)

Multi-Year Projection Fund Balances: The following chart details the projected fund balances for the 2nd Interim Budget and two projected 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%)	\$ 640,489	\$ 602,397	\$ 617,875
Economic Uncertainty (6%)	\$ 960,733	\$ 903,595	\$ 926,812
Contingency for State Deficits	\$ 700,000	\$ 700,000	\$ 500,000
WASC Projects	\$ 40,000	\$ 0	\$ 0
Total Reserves	\$ 2,361,222	\$ 2,225,992	\$ 2,064,687
Undesignated Fund Balance	\$ 470,787	\$ 460,154	\$ 511,634
Total Fund Balance	\$ 2,832,009	\$ 2,686,146	\$ 2,576,321

There are no provisions for salary increases in current year. However, provision is made for salary increases due to 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 materials and other operating expenses. The projections also reflect budget savings carried on from current year and potential staff reductions in the budget year. We anticipate full funding of the district's match for Deferred Maintenance. Reserves are maintained at 6% for Economic Uncertainty, 4% General Reserve required by the District Governing Board, for cash flow purpose, additional amount is reserved in the current and two subsequent years.

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.

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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%	4.94%	3.00%
• Revenue Limit Deficit Factor:	(0.5%)	(10.9%)	0%
• Total Adult Ed Revenue Limit	\$2,632.07	\$2,473.36	\$2,552.36
• 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
• Total ADA Cap-San Jose USD	2,301	2,358	2,418
• Total ADA Cap-Campbell UHSD	<u>1,135</u>	<u>1,164</u>	<u>1,193</u>
Total ADA Cap (rounded)	3,436	3,522	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 max	\$10,646	\$11,178	\$11,737
• No increases in salary other than step, column and longevity advancement			
• COLA applied to appropriate expenditures for 2007-08 and 2008-09			
• General expenditures for Superintendent and Central Office support have been direct charged to the ROC/P and Adult Education on a 65%/35% basis			

Fund 110 Revenues: No major adjustments made compared to the January board approved budget.

Fund 110 Expenditures: No major adjustments made compared to the January board approved budget.

Fund 110 Other Financing Sources/Uses: No major adjustments made compared to the January board approved budget.

Fund 110 Fund Balance: No major adjustments made compared to the January board approved budget.

Fund 110 Multi-Year Projections: A major change in the multi-year projections from the adopted budget is the net 6.5% reduction of revenue limit from the 2007-08 funding level, based on the assumptions recommended by School Services of California, in response to the Governor's January budget proposal for 08-09. The following chart summarizes the high points of operations for the 2nd Interim Budget and two projected years:

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ADULT ED FUND - OPERATIONS	2007-2008	2008-2009	2009-2010
Total Revenues	\$ 11,663,109	\$ 10,893,373	\$ 11,353,125
Total Expenditures	\$ 10,949,053	\$ 11,152,561	\$ 11,661,318
Net Revenues/Expenses	\$ 714,056	(\$ 259,188)	(\$ 308,193)
Other Sources (Uses)	\$ 0	\$ 0	\$ 0
Change to Fund Balance	\$ 714,056	(\$ 259,188)	(\$ 308,193)

Multi-Year Projection Fund Balances: The following chart details the projected fund balances for the 2nd Interim Budget and two projected years:

ADULT ED FUND – FUND BALANCE	2007-2008	2008-2009	2009-2010
Reserved & Designated:			
General Reserve (4%)	\$ 437,962	\$ 446,102	\$ 466,453
Economic Uncertainty (6%)	\$ 656,942	\$ 669,154	\$ 699,679
Contingency for State Deficits	\$ 500,000	\$ 500,000	\$ 0
PERS Recapture Liability	\$ 282,000	\$ 0	\$ 0
Total Reserves	\$ 1,876,904	\$ 1,615,256	\$ 1,166,632
Undesignated Fund Balance	\$ 454,239	\$ 456,699	\$ 597,630
Total Fund Balance	\$ 2,331,143	\$ 2,071,955	\$ 1,763,762

There are no provisions for salary increases in current year. However, provision is made for salary increases due to 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 materials and other operating expenses. The projections also reflect budget savings carried on from the current year and potential program and staff reductions in the budget year. Reserves are maintained at 6% for Economic Uncertainty, 4% General Reserve required by the District Governing Board. For cash flow purposes, an additional amount is reserved in the current and one subsequent year, with the hope that state budget will get better in the 2009-10 fiscal year. The PERS Recapture liability reserve is taken out in the two subsequent years, as part of the solution to cover the anticipated net 6.5% revenue limit reductions. District will restore the reserve to its current level, when funds become available.

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. 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: No major adjustments made compared to the January board approved budget.

Fund 140 Expenditures: The following chart details the planned expenditures, by type of project, for the current and subsequent two fiscal years:

DEFERRED MAINTENANCE FUND	2007-2008	2008-2009	2009-2010
<i>Revenues:</i>			
State Funding	\$ 161,187	\$ 165,458	\$ 170,846
District Contribution	\$ 176,954	\$ 165,458	\$ 170,846
State Hardship Grant	\$ 0	\$ 0	\$ 0
Interest Income	\$ 20,000	\$ 20,000	\$ 25,000
<i>Total Income</i>	\$ 358,141	\$ 350,916	\$ 366,692
<i>Expenditures:</i>			
Floor Covering	\$ 0	\$ 50,000	\$ 50,000
Roofing Projects	\$ 2,000	\$ 0	\$ 0
Painting Projects	\$ 124,380	\$ 100,000	\$ 100,000
Paving Projects	\$ 180,051	\$ 0	\$ 0
Lighting Projects	\$ 65,000	\$ 0	\$ 50,000
Plumbing Projects	\$ 278,000	\$ 200,000	\$ 50,000
<i>Total Expenditures</i>	\$ 649,431	\$ 350,000	\$ 250,000
<i>Beginning Fund Balance</i>	\$ 460,472	\$ 169,182	\$ 170,098
<i>Ending Fund Balance</i>	\$ 169,182	\$ 170,098	\$ 286,790

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 fund was authorized by the Governing Board in October 2006 to reserve mandated cost reimbursements pending audit by the State Controllers' Office (SCO). Also included under this fund is a transfer from the General Fund for the PERS recapture liability.

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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: No major adjustments made compared to the January board approved budget.

Fund 170 Expenditures: No major adjustments made compared to the January board approved budget.

Fund 170 Other Financing Sources/Uses: No major adjustments made compared to the January board approved budget.

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 Capitol 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: No major adjustments made from the January board approved budget.

Fund 210 Expenditures: Included in the 2nd Interim Report is detail of the proposed five year expenditure plan. The following chart shows detail, by class, for fiscal year 2006-07, the current budget year and two subsequent years:

ASSET MANAGEMENT FUND	2006-07 ACTUALS	2007-08 BUDGET	2008-09 PROJECTED	2009-10 PROJECTED
<i>Revenues:</i>				
Lease Revenue	\$ 270,603	\$ 269,217	\$ 271,000	\$ 271,000
Interest Income	\$ 29,319	\$ 30,000	\$ 30,000	\$ 30,000
Total Revenues	\$ 299,922	\$ 299,217	\$ 301,000	\$ 301,000
<i>Expenditures:</i>				
Culinary Arts	\$ 0	\$ 20,000	\$ 0	\$ 0
Baking and Catering	\$ 41,408	\$ 15,000	\$ 0	\$ 0
Probation & Legal Careers	\$ 7,259	\$ 0	\$ 0	\$ 0
Veterinary Assistant	\$ 74,426	\$ 15,000	\$ 0	\$ 0
Fire Science	\$ 0	\$ 100,000	\$ 0	\$ 0
EMT	\$ 0	\$ 55,000	\$ 0	\$ 0
Bldg. 700 Renovations	\$ 148,497	\$ 0	\$ 0	\$ 0

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New Classes (TBD)	\$ 0	\$ 0	\$ 100,000	\$ 100,000
Other Classes (TBD)	\$ 0	\$ 95,000	\$ 200,000	\$ 100,000
Health & Safety	\$ 17,650	\$ 50,000	\$ 50,000	\$ 50,000
3% District Management Fee	\$ 10,547	\$ 10,495	\$ 10,495	\$ 10,495
Total Expenditures	\$ 299,787	\$ 360,495	\$ 360,495	\$ 260,495
Beginning Fund Balance	\$ 536,099	\$ 536,234	\$ 474,956	\$ 415,461
Ending Fund Balance	\$ 536,234	\$ 474,956	\$ 415,461	\$ 455,966

The \$50,000 health and 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 revert back to the fund balance at the end of each year. The fund maintains a minimum \$250,000 reserve, per the Joint Powers Agreement.

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 at the Hillsdale campus in San Jose, and replacement of the administration building at the Campbell Adult Ed Del Mar site.

Fund 400 Certification: 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: No major adjustments made compared to the January board approved budget.

Fund 400 Expenditures: No major adjustments made compared to the January board approved budget.

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Fund 400 Other Financing Sources/Uses: Transfer- in increased by \$450,000 from the General Fund, compared to the January 31 board approved budget. This fund will be used to cover the revenue loss estimated in 2008-09 FY.

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
Transfers In – Capital Outlay	\$ 910,000	\$ 0	\$ 0
Total Sources Available	\$1,070,000	\$ 60,000	\$ 28,000
Expenditures:			
Capital Outlay Projects	\$ 105,253	\$ 0	\$ 0
Debt Service	\$ 19,500	\$ 0	\$ 0
Total Expenditures	\$ 124,753	\$ 0	\$ 0
Beginning Fund Balance	\$ 5,364,484	\$ 1,402,007	\$ 767,381
Ending Fund Balance	\$ 6,309,731	\$ 1,462,007	\$ 795,381

Fund 400 Ending Fund Balance: Included in the Fund 400 fund balance for CCOC is \$725,148 which is held on deposit by a trustee for repayment of a \$1 million QZAB. The balance of the funds in the CCOC Resource Code is tentatively designated for the match for Proposition 1D facility modernization grants.