

# *Metropolitan Education District*

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*2007-2008*

*2nd Interim Report.*

*March 12, 2008*

# *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*

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- ❄ 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 2nd 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)

# *Governor's 2008-09 Budget Proposal*

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- ❄ General Fund revenue loss \$1,016,000
  
- ❄ Adult Education Fund revenue loss \$ 620,000
  
- ❄ July apportionment deferral to September creates cash flow problems. We will need:
  - ❄ All our 10% reserves
  - ❄ Capital Outlay Fund borrowing (75% maximum)
  - ❄ Possible loan from County Treasurer

# MYP Major Budget Assumptions: General Fund

- \* COLA:                    2008-09 – 4.94%                    2009-10 – 3.00%
- \* Deficit:                    2008-09 – (10.90%)                    2009-10 – 0.00%
- \*     Permanent reduction in revenue limit base of 6.5%
- \* Growth:                    2008-09 – (0.55%)                    2009-10 – 0.00%
- \* Gen. Fund reserve for state budget deficit: \$700,000
- \* Includes funding for step, column, longevity
- \* Includes 5% per year increase in H&W contribution
- \* 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	\$16,210,702	\$14,903,562	\$15,326,549
Transfers In	\$ 10,495	\$ 10,495	\$ 10,495
Total Sources	\$16,221,197	\$14,914,057	\$15,337,044
<u>Uses of Funds:</u>			
Expenditures	\$14,925,270	\$14,898,951	\$15,271,869
Transfers Out	\$ 1,086,954	\$ 160,969	\$ 175,000
Total Uses	\$16,012,224	\$15,059,920	\$15,446,869
Incr/Decr to Fund Bal	\$ 208,973	\$ (145,862)	\$ (109,825)
Beg Fund Balance	\$ 2,623,036	\$ 2,832,008	\$ 2,686,146
Ending Fund Balance	\$ 2,832,008	\$ 2,686,146	\$ 2,576,321

# General Fund – ROC/P Ending Fund Balances

<u>Reserved &amp; 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%)	\$ 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
Sewer Line Project	\$ 40,000	\$ 0	\$ 0
Equalization Payments	\$	\$ 0	\$ 0
Total Reserves	\$ 2,361,222	\$ 2,225,992	\$ 2,064,687
Undesignated Fund Bal *	\$ 470,787	\$ 460,154	\$ 511,634
Total Fund Balance	\$ 2,832,009	\$ 2,686,146	\$ 2,576,321

\* Does not reflect employee salary increases.

# 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 *	\$11,663,109	\$10,893,373	\$11,353,125
Transfers In	\$ 0	\$ 0	\$ 0
Total Sources	\$11,663,109	\$10,893,373	\$11,353,125
<u>Uses of Funds:</u>			
Expenditures	\$10,949,053	\$11,152,561	\$11,661,318
Transfers Out	\$ 0	\$ 0	\$ 0
Total Uses	\$10,949,053	\$11,152,561	\$11,661,318
Incr/Decr to Fund Bal	\$ 714,056	\$ (259,188)	\$ (308,193)
Beg Fund Balance	\$ 1,617,087	\$ 2,331,143	\$ 2,071,955
Ending Fund Balance	\$ 2,331,143	\$ 2,071,955	\$ 1,763,762

# Adult Education Fund Ending Fund Balances

<u>Reserved &amp; Designated:</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
General Reserve	\$ 437,962	\$ 446,102	\$ 466,453
Economic Uncertainty	\$ 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

\* *Does not reflect employee salary increases.*

# 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)	\$161,187	\$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	\$358,141	\$350,916	\$366,692
<u>Uses of Funds:</u>			
All Other Projects	<u>\$649,431</u>	<u>\$350,000</u>	<u>\$250,000</u>
Total Uses	\$649,431	\$350,000	\$250,000
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Beginning Fund Balance	\$460,472	\$169,182	\$170,098
Ending Fund Balance	\$169,182	\$170,098	\$286,790

# *Special Reserve Fund for Other Than Capital Outlay*

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- ❄ **Purpose:** 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 (**capped at 3 years 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	\$ 269,217	\$ 271,000	\$ 271,000
Interest Income	\$ 30,000	\$ 30,000	\$ 30,000
Total Sources	\$ 299,217	\$ 301,000	\$ 301,000
<u>Uses of Funds:</u>			
Expenditures–New Classes	\$ 205,000	\$ 100,000	\$ 100,000
Expenditures-Existing Classes	\$ 95,000	\$ 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
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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>Sources of Funds:</u>	<u>CCOC</u>	<u>San Jose Adult Ed</u>	<u>Campbell Adult Ed</u>
Interest Income	\$ 160,000	\$ 60,000	\$ 28,000
Transfers In-Cap. Outlay	\$ 910,000	\$ 0	\$ 0
<b>Total Sources</b>	<b>\$ 1,070,000</b>	<b>\$ 60,000</b>	<b>\$ 28,000</b>
<u>Uses of Funds:</u>			
Capital Outlay Projects	\$ 105,253	\$ 0	\$ 0
Debt Service	\$ 19,500	\$ 0	\$ 0
<b>Total Uses</b>	<b>\$ 124,753</b>	<b>\$ 0</b>	<b>\$ 0</b>
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Beg. Fund Balance	\$ 5,364,484	\$ 1,402,007	\$ 767,381
Ending Fund Balance	\$ 6,309,731*	\$ 1,462,007	\$ 795,381

\*: \$725,148 is reserved to pay back the QZAB bond in 15 years

# *Undetermined Budget Impacts & On-going Concerns*

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- State Vocational & Adult Education Funding is still discretionary – always a concern, especially with the 2008-09 budget proposals
- The District has not settled with its bargaining units for 2007-08 compensation adjustments
- Implementation of the CCOC Equalization Funding Model
- 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

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- ✓ The Governing Board accept the 2<sup>nd</sup> Interim Report and Instruction the Board President to submit a positive certification to the County Superintendent of Schools for all funds

