

*Metropolitan Education
District*

2005-2006

1st Interim Report.

December 14, 2005

Happy Holidays



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 Year
- Determination of the Adequacy of Cash Balances at the end of the Year
- Certification of Financial Condition

Interim Financial Reports

■ Two Interim Reporting Periods

- October 31 (1st Interim)
- January 31 (2nd Interim)

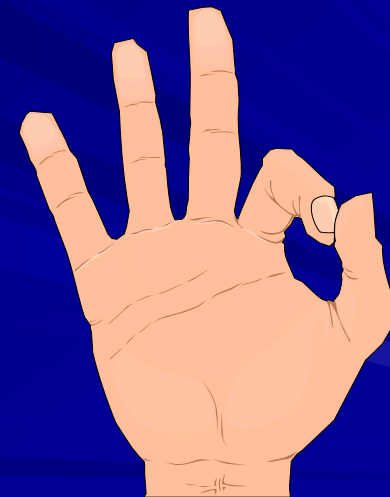
■ Board Certification

- Positive
- Qualified
- Negative



Interim Financial Reports

- **County Superintendent Certification**
 - Approves or Disputes District Board Certification
- **Notice to State Controller**



Components of 1st Interim Report

- Executive Summary
- Budget at a Glance
- Monthly Budget Adjustments, with changes footnoted
- Report of Expenditures/Revenues (State Forms)
- Cash Flow Projections, General & Adult Funds
- Multi-Year Projections, General & Adult Funds
- Updated Criteria & Standards, General Fund
- Other Funds (Deferred Maintenance, Asset Management, Capital Outlay)

2005-06 State Budget Outlook

- According to the Legislative Analyst's Office.....
 - For the short term, "The budget outlook for 2006-07 and beyond has improved considerably over the past year."
 - "The current year will end with a reserve of \$5.2 billion, up nearly \$4 billion from the 2005-06 Budget Act estimate."
 - For the long term, "...the state still faces major challenges in achieving an ongoing balance between revenues and expenditures and getting its fiscal house in order. Even assuming continued steady economic growth, we project that multibillion dollar operating deficits...will persist throughout most of the forecast period. Eliminating these shortfalls will require significant action."

Prop 98 Funding

- **Prop 98 will be funded at the minimum guarantee for 2006-07 and beyond**
- **2006-07 Statutory COLA = 5.2% (we're sticking with SSC 4.4% estimate)**
- **Legislature must appropriate \$731 million above Prop 98 guarantee to meet COLA & growth projections for 2006-07**

1st Interim Budget Adjustments

- The MetroED Governing Board approves budget adjustments on a monthly basis.
- Budget changes shown in the 1st Interim budget document reflect only changes from the last update on **10/31/05**.

General Fund - ROC/P Budget Summary

| | <u>Adopted</u> | <u>1st Interim</u> |
|--------------------------|-------------------|--------------------|
| Revenues | \$14,689,552 | \$14,945,852 |
| Other Sources, Transfers | <u>\$ 10,238</u> | <u>\$ 10,858</u> |
| Total Sources | \$14,699,790 | \$14,956,934 |
| Expenditures | \$14,279,051 | \$14,498,934 |
| Other Uses, Transfers | <u>\$ 335,123</u> | <u>\$ 335,123</u> |
| Total Uses | \$14,614,174 | \$14,834,057 |
| Change to Fund Balance | <u>\$ 85,616</u> | <u>\$ 122,653</u> |

General Fund - Fund Balance

| <u>Reserved & Designated</u> | | <u>Adopted</u> | <u>1st Interim</u> |
|----------------------------------|------|-------------------|--------------------|
| Rev. Fund, Prepaid | | \$ 62,140 | \$ 20,000 |
| General Reserve | (4%) | \$ 584,567 | \$ 593,362 |
| Economic Uncertainty | (6%) | \$ 876,850 | \$ 890,043 |
| Campus Security Projects | | \$ 150,000 | \$ 120,000 |
| PERS Reduction Liability | | <u>\$ 226,511</u> | <u>\$ 226,664</u> |
| Total Reserves | | \$ 1,900,068 | \$ 1,850,069 |
| Undesignated Balance | | <u>\$ 143,359</u> | <u>\$ 217,232</u> |
| Total Fund Balance | | \$ 2,043,427 | \$ 2,067,301 |

Adult Education Budget Summary

| | <u>Adopted</u> | <u>1st Interim</u> |
|--------------------------|-------------------|--------------------|
| Revenues | \$10,219,160 | \$10,293,370 |
| Other Sources, Transfers | <u>\$ 0</u> | <u>\$ 0</u> |
| Total Sources | \$10,219,160 | \$10,293,370 |
| Expenditures | \$10,005,868 | \$10,043,399 |
| Other Uses, Transfers | <u>\$ 0</u> | <u>\$ 0</u> |
| Total Uses | \$10,005,868 | \$10,043,399 |
| Change to Fund Balance | <u>\$ 213,292</u> | <u>\$ 249,971</u> |

Adult Education Fund Balance

| <u>Reserved & Designated</u> | | <u>Adopted</u> | <u>1st Interim</u> |
|----------------------------------|------|-------------------|--------------------|
| Rev. Fund, Prepaid | | \$ 28,000 | \$ 0 |
| General Reserve | (4%) | \$ 400,235 | \$ 401,736 |
| Economic Uncertainty | (6%) | \$ 600,352 | \$ 602,604 |
| PERS Reduction Liability | | <u>\$ 199,766</u> | <u>\$ 201,370</u> |
| Total Reserves | | \$ 1,228,353 | \$ 1,205,710 |
| Undesignated Balance | | <u>\$ 185,609</u> | <u>\$ 221,565</u> |
| Total Fund Balance | | \$ 1,413,962 | \$ 1,427,275 |

Multi-Year Projections Assumptions – The Basics

| <u>Revenues:</u> | <u>2005-06</u> | <u>2006-07</u> | <u>2007-08</u> |
|--|----------------|----------------|----------------|
| ROCP & Adult % COLA | 4.23% | 4.40% | 3.20% |
| 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 | 5.00% | 5.00% | 5.00% |
| CPI Increase for expenses | 4.40% | 3.60% | 2.80% |
| + 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. | 3.904% | 3.904% | 3.904% |

General Fund

Multi-Year Projection Summary

| <u>Sources of Funds:</u> | <u>2005-2006</u> | <u>2006-2007</u> | <u>2007-2008</u> |
|--------------------------|---------------------|---------------------|---------------------|
| Revenues | \$14,945,852 | \$15,743,957 | \$16,572,683 |
| Transfers In | <u>\$ 10,858</u> | <u>\$ 10,493</u> | <u>\$ 10,749</u> |
| Total Sources | \$14,956,710 | \$15,754,450 | \$16,583,432 |
| <u>Uses of Funds:</u> | | | |
| Expenditures | \$14,498,934 | \$14,835,970 | \$15,194,971 |
| Transfers Out | <u>\$ 335,123</u> | <u>\$ 298,600</u> | <u>\$ 627,000</u> |
| Total Uses | <u>\$14,834,057</u> | <u>\$15,134,570</u> | <u>\$15,821,971</u> |
| Incr/Decr to Fund Bal | \$ 122,653 | \$ 619,880 | \$ 761,461 |
| Beg Fund Balance | \$ 1,944,648 | \$ 2,067,301 | \$ 2,687,181 |
| Ending Fund Balance | \$ 2,067,301 | \$ 2,687,181 | \$ 3,448,642 |

General Fund

Ending Fund Balances

| <u>Reserved & Designated:</u> | <u>2005-2006</u> | <u>2006-2007</u> | <u>2007-2008</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| Revolving Fund, Prepaid | \$ 20,000 | \$ 20,000 | \$ 20,000 |
| General Reserve | \$ 593,362 | \$ 605,383 | \$ 632,879 |
| Economic Uncertainty | \$ 890,043 | \$ 908,074 | \$ 949,318 |
| Campus Security Projects | \$ 120,000 | \$ 0 | \$ 0 |
| PERS Reduction Liability | \$ 226,664 | \$ 326,463 | \$ 427,909 |
| Total Reserves | <u>\$ 1,850,069</u> | <u>\$ 1,859,920</u> | <u>\$ 1,980,106</u> |
| Undesignated Fund Balance | <u>\$ 217,232</u> | <u>\$ 827,261</u> | <u>\$ 1,418,536</u> |
| Total Fund Balance | \$ 2,067,301 | \$ 2,687,181 | \$ 3,448,642 |

Adult Education Fund Multi-Year Projection Summary

| <u>Sources of Funds:</u> | <u>2005-2006</u> | <u>2006-2007</u> | <u>2007-2008</u> |
|--------------------------|---------------------|---------------------|---------------------|
| Revenues | \$10,293,370 | \$10,174,139 | \$10,691,325 |
| Transfers In | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Total Sources | \$10,293,370 | \$10,174,139 | \$10,691,325 |
| <u>Uses of Funds:</u> | | | |
| Expenditures | \$10,043,399 | \$ 9,878,228 | \$10,070,987 |
| Transfers Out | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Total Uses | <u>\$10,043,399</u> | <u>\$ 9,878,228</u> | <u>\$10,070,987</u> |
| Incr/Decr to Fund Bal | \$ 249,971 | \$ 295,911 | \$ 620,338 |
| Beg Fund Balance | \$ 1,177,304 | \$ 1,427,275 | \$ 1,723,186 |
| Ending Fund Balance | \$ 1,427,275 | \$ 1,723,186 | \$ 2,343,524 |

Adult Education Fund Ending Fund Balances

| <u>Reserved & Designated:</u> | <u>2005-2006</u> | <u>2006-2007</u> | <u>2007-2008</u> |
|-----------------------------------|-------------------|-------------------|-------------------|
| General Reserve | \$ 401,736 | \$ 395,129 | \$ 402,839 |
| Economic Uncertainty | \$ 602,604 | \$ 592,694 | \$ 604,259 |
| PERS Reduction Liability | <u>\$ 201,370</u> | <u>\$ 313,310</u> | <u>\$ 425,958</u> |
| Total Reserves | \$1,205,710 | \$1,301,133 | \$1,433,506 |
| Undesignated Fund Balance | <u>\$ 221,565</u> | <u>\$ 422,053</u> | <u>\$ 910,468</u> |
| Total Fund Balance | \$1,427,275 | \$1,723,186 | \$2,343,524 |

Deferred Maintenance Fund Multi-Year Projection Summary

| <u>Sources of Funds:</u> | <u>2005-2006</u> | <u>2006-2007</u> | <u>2007-2008</u> |
|--------------------------|------------------|------------------|------------------|
| State Funding (Full) | \$127,226 | \$127,000 | \$127,000 |
| District Contribution | \$164,203 | \$127,000 | \$127,000 |
| State Hardship Grant | \$191,262 | \$ 0 | \$ 0 |
| Interest Income | <u>\$ 16,000</u> | <u>\$ 10,000</u> | <u>\$ 8,000</u> |
| Total Sources | \$498,691 | \$264,000 | \$262,000 |
| <u>Uses of Funds:</u> | | | |
| Transformer Replacement | \$514,508 | \$ 0 | \$ 0 |
| All Other Projects | <u>\$400,000</u> | <u>\$400,000</u> | <u>\$250,000</u> |
| Total Uses | <u>\$914,508</u> | <u>\$400,000</u> | <u>\$250,000</u> |
| Beginning Fund Balance | \$577,939 | \$162,122 | \$ 26,122 |
| Ending Fund Balance | \$162,122 | \$ 26,122 | \$ 38,122 |

Asset Management Fund

Multi-Year Projection Summary

| <u>Sources of Funds:</u> | <u>2005-2006</u> | <u>2006-2007</u> | <u>2007-2008</u> |
|-----------------------------|-------------------|-------------------|-------------------|
| Lease Revenue | \$ 268,032 | \$ 268,032 | \$ 268,032 |
| Interest Income | <u>\$ 15,000</u> | <u>\$ 15,000</u> | <u>\$ 15,000</u> |
| Total Sources | \$ 283,032 | \$ 283,032 | \$ 283,032 |
| <u>Uses of Funds:</u> | | | |
| Expenditures–New Classes | \$ 375,000 | \$ 100,000 | \$ 100,000 |
| Expenditures-Exist. Classes | \$ 262,000 | \$ 100,000 | \$ 300,000 |
| Health & Safety | \$ 50,000 | \$ 50,000 | \$ 50,000 |
| Management & Legal Fees | <u>\$ 13,858</u> | <u>\$ 10,858</u> | <u>\$ 10,858</u> |
| Total Uses | \$ 770,395 | \$ 452,569 | \$ 460,858 |
| Beg. Fund Balance | \$ 770,395 | \$ 452,569 | \$ 474,743 |
| Ending Fund Balance | \$ 452,569 | \$ 474,743 | \$ 296,917 |

Bldg 700 Storage - Before



Bldg 700 Storage - Before



Bldg 700 Storage - Before



Bldg 700 Storage - Before



Bldg 700 – New Welding Area



Capital Outlay Fund

| | <u>CCOC</u> | <u>San Jose Adult Ed</u> | <u>Campbell Adult Ed</u> |
|--------------------------|-------------|------------------------------|------------------------------|
| <u>Sources of Funds:</u> | | | |
| Interest Income | \$ 90,000 | \$ 30,000 | \$ 15,000 |
| Transfers In-Debt Svc | \$ 170,920 | \$ 0 | \$ 0 |
| Transfers In-Cap. Outlay | \$ 0 | \$ 0 | \$ 0 |
| Total Sources | \$ 260,920 | \$ 30,000 | \$ 15,000 |
| <u>Uses of Funds:</u> | | | |
| Capital Outlay Projects | \$ 15,000 | \$ 0 | \$ 0 |
| Debt Service | \$ 170,920 | \$ 0 | \$ 0 |
| Total Uses | \$ 185,920 | \$ 0 | \$ 0 |
| <hr/> | | | |
| Beg. Fund Balance | \$2,819,706 | \$1,158,183 | \$ 591,740 |
| Ending Fund Balance | \$2,894,706 | \$1,188,183 | \$ 606,740 |

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**

Undetermined Budget Impacts

- Vocational & Adult Education Funding is still discretionary – always a concern
- The District has not settled with its bargaining units for 2005-06 compensation adjustments
- Facilities modernization costs

*Staff Recommends a
POSITIVE CERTIFICATION
for all Funds*

