



***Metropolitan Education
District***

***2005-2006
2nd Interim Report
For the BAC***

March 21, 2006

This is the Spring update



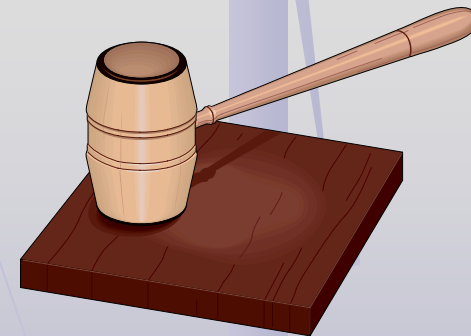
March 21, 2006

Purpose of Interim Reports

- Formal review of current year budget status
- Multi-Year Analysis of projected revenues, expenditures and fund balances
 - Will the District meet the financial obligations of the current and two subsequent fiscal years?
- 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
- Certification of Financial Condition

Interim Financial Reports

- Two Interim Reporting Periods
 - Actuals at October 31 (1st Interim)
 - Actuals at January 31 (2nd Interim)
- Board Certification Required
 - Positive (Good)
 - Qualified (Not So Good)
 - Negative (Really Bad)



Interim Financial Reports

- County Superintendent Certification
 - Approves or disputes District Board certification
- County sends notice to State Controller

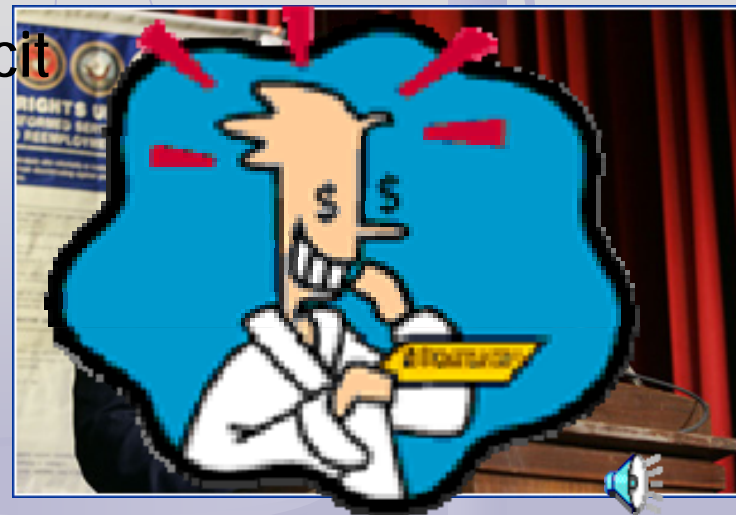


Components of 2nd Interim Report

- Executive Summary
- Budget at a Glance
(summary of all funds on one sheet)
- Monthly Budget Adjustments from 1/31/06,
(with changes footnoted)
- Report of Actual Expenditures/Revenues thru 1/31/06
(Included in the State Forms)
- 3-Year Multi-Year Projections, General & Adult Funds
- Other Funds (Deferred Maintenance, Asset Management,
Capital Outlay)

2006-07 State Budget Outlook

- The 2006-07 spending proposal outpaces revenue growth
 - 8.4% increase in expenditures, BUT
 - only an 4.4% increase in expenditures
- The 2006-07 Budget is balanced from Unexpected Reserves
- The GF reserve is left at only **.7%** of projected revenues
- And, the Structural Budget Deficit gets worse in the out years, even assuming continued economic growth !!!



Update - LAO Estimates

- Tax Revenues exceed Governor's estimates
 - 2005-06 + \$1.3 billion (on-going)
 - 2006-07 + \$1.0 billion (on-going)
- COLA exceeds Governor's estimate
 - 2006-07 5.80%
- Structural Budget Deficit is Reduced, but still continues
 - \$4.0 billion deficit in 2007-08
 - \$5.0 billion deficit in 2008-09
- LAO Recommends that the proposed Prop 98 funding increase be reduced \$1 billion & put into the General Fund Reserves, or the dollars allocated on a 1x basis.

Review of 2006-07 Prop 98 Funding



- Total Proposed K-14 Budget = \$54.3 billion
- New Funding = \$4.3 billion over 2005-06
 - \$3.7 billion for K-12 education
 - \$0.6 billion for community colleges

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%	5.18%	3.40%
ROCP % Cap Growth	2.62%	2.70%	2.70%
Adult Ed % Cap Growth	2.50%	2.50%	2.50%
<u>Expenditures:</u>			
Employer Paid H&W Increase	5.00%	5.18%	5.00%
CPI Increase for expenses	4.40%	3.00%	2.60%
+ Step, column & longevity increases for employees			
General Reserve-Cash Flow	4.00%	4.00%	4.00%
Economic Uncertainty Reserve	6.00%	6.00%	6.00%
PERS Recapture Reserve	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	\$14,964,070	\$15,882,245	\$16,788,756
Transfers In	<u>\$ 1,010,858</u>	<u>\$ 10,493</u>	<u>\$ 10,749</u>
Total Sources	\$15,974,928	\$15,832,738	\$16,799,505
<u>Uses of Funds:</u>			
Expenditures	\$14,459,152	\$14,113,685	\$15,540,981
Transfers Out	<u>\$ 1,335,123</u>	<u>\$ 298,600</u>	<u>\$ 127,000</u>
Total Uses	<u>\$15,794,275</u>	<u>\$14,411,685</u>	<u>\$15,667,980</u>
Inc/Decr-Fund Bal	\$ 180,653	\$ 480,453	\$ 1,131,524
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Beg Fund Balance	\$ 1,944,648	\$ 2,125,301	\$ 2,605,754
Ending Fund Balance	\$ 2,125,301	\$ 2,605,754	\$ 3,737,279

The District's General Fund will meet its financial obligations

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 (4%)	\$ 531,771	\$ 616,491	\$ 626,719
Economic Uncertainty (6%)	\$ 947,657	\$ 924,737	\$ 940,079
Campus Security Projects	\$ 120,000	\$ 120,000	\$ 0
PERS Recapture Reserve	\$ 227,225	\$ 328,176	\$ 430,936
Total Reserves	\$ 1,846,653	\$ 2,009,404	\$ 2,017,734
Undesignated Fund Balance	\$ 278,648	\$ 596,350	\$ 1,719,545
Total Fund Balance	\$ 2,125,301	\$ 2,605,754	\$ 3,737,279

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>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
Revenues	\$10,609,936	\$10,430,107	\$10,974,554
Transfers In	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Sources	\$10,609,936	\$10,430,107	\$10,974,554
<u>Uses of Funds:</u>			
Expenditures	\$10,048,845	\$ 10,118,182	\$10,304,953
Transfers Out	<u>\$ 215,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Uses	<u>\$10,263,845</u>	<u>\$ 10,118,182</u>	<u>\$10,304,953</u>
Incr/Decr-Fund Bal	\$ 346,091	\$ 311,925	\$ 669,601
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Beg Fund Balance	\$ 1,177,304	\$ 1,523,395	\$ 1,835,320
Ending Fund Balance	\$ 1,523,395	\$ 1,835,320	\$ 2,504,921

The District's Adult Ed Fund will meet its financial obligations

Adult Education Fund - Ending Fund Balances

<u>Reserved & Designated:</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
General Reserve (4%)	\$ 410,554	\$ 404,727	\$ 412,198
Economic Uncertainty (6%)	\$ 615,831	\$ 601,091	\$ 618,297
PERS Reduction Liability	<u>\$ 195,492</u>	<u>\$ 306,922</u>	<u>\$ 420,133</u>
Total Reserves	\$1,221,877	\$1,318,740	\$1,450,628
Undesignated Fund Balance	<u>\$ 301,518</u>	<u>\$ 516,580</u>	<u>\$1,054,293</u>
Total Fund Balance	\$1,523,395	\$1,835,320	\$2,504,921

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>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	\$260,056	\$ 0	\$ 0
Interest Income	<u>\$ 16,000</u>	<u>\$ 10,000</u>	<u>\$ 8,000</u>
Total Sources	\$567,485	\$264,000	\$262,000
<u>Uses of Funds:</u>			
Transformer Replacement	\$514,508	\$ 0	\$ 0
All Other Projects	<u>\$418,492</u>	<u>\$400,000</u>	<u>\$250,000</u>
Total Uses	\$933,000	\$400,000	\$250,000
Beginning Fund Balance	\$577,939	\$212,424	\$ 76,424
Ending Fund Balance	\$212,424	\$ 76,424	\$ 88,424

Asset Management Fund

Multi-Year Projection Summary

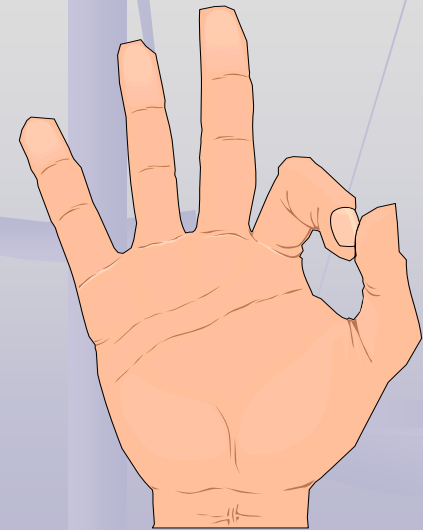
<u>Sources of Funds:</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
Lease Revenue	\$ 268,032	\$ 268,032	\$ 268,032
Interest Income	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>
Total Sources	\$ 283,032	\$ 283,032	\$ 283,032
<u>Uses of Funds:</u>			
Expenditures–New Classes	\$ 275,000	\$ 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	\$ 600,858	\$ 260,858	\$ 460,858
Beg. Fund Balance	\$ 770,395	\$ 452,569	\$ 474,743
Ending Fund Balance	\$ 452,569	\$ 474,743	\$ 296,917

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
Transfer In-QZAB Proceeds	\$ 1,000,000	\$ 0	\$ 0
Transfers In-Cap. Outlay	\$ 0	\$ 143,334	\$ 71,666
Total Sources	\$ 1,260,920	\$ 173,334	\$ 86,666
<u>Uses of Funds:</u>			
Capital Outlay Projects	\$ 971,000	\$ 0	\$ 0
Debt Service	\$ 170,920	\$ 0	\$ 0
Cost of Issuance-QZAB	\$ 44,000	\$ 0	\$ 0
Total Uses	\$ 1,185,920	\$ 0	\$ 0
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Beg. Fund Balance	\$2,819,706	\$1,158,183	\$ 591,740
Ending Fund Balance	\$2,894,706	\$1,331,517	\$ 678,406

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)



Undetermined Budget Impacts – & On-Going Concerns

- Vocational & Adult Education Funding is still discretionary – always a concern
- Adult Ed relies on Federal grants, which are projected to decline substantially starting in 06-07
- The District has not settled with its bargaining units for 2005-06 compensation adjustments
- Facilities modernization costs
 - State Modernization funding not available to JPAs (yet)
 - We have no sources for any match requirements (BAC has been tasked to make recommendations to Superintendent)
- Cash flow concerns due to late Budgets

On-Going Concerns – PERS Recapture Liability

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Adult Ed Fund</u>	<u>Cumulative Liability</u>
2000-01	\$ 238,642	\$ 195,253	\$ 433,895
2001-02	\$ 254,026	\$ 207,839	\$ 895,760
2002-03	\$ 206,649	\$ 157,863	\$ 1,260,272
2003-04	\$ 54,561	\$ 47,839	\$ 1,362,672
2004-05	\$ 72,599	\$ 60,777	\$ 1,496,048
2005-06	<u>\$ 99,233</u>	<u>\$ 80,521</u>	<u>\$ 1,675,802</u>
Totals	\$ 925,710	\$ 750,092	\$ 1,675,802
Reserves	\$ 227,225	\$ 195,492	\$ 422,717

*Staff Recommends a
POSITIVE CERTIFICATION
for all Funds*



Capital High School

	San Jose Current Year	San Jose Rev Limit 90%	San Jose Rev Limit 100%	Total Cost Recovery	Charter School
Funding Rate	\$4,602	\$4,869	\$5,410	\$5,657	\$6,331
Categorical Grant	\$0	\$0	\$0	\$0	\$302
Lottery	\$0	\$0	\$0	\$0	\$141
Funding / ADA	\$4,602	\$4,869	\$5,410	\$5,657	\$6,774
ADA	43	43	43	43	43
Total Revenue	\$197,873	\$209,367	\$232,631	\$243,258	\$291,267
Total Expenses	\$231,869	\$243,258	\$243,258	\$243,258	\$243,258
Net Rev (Exp)	(\$33,996)	(\$33,890)	(\$10,627)	\$0	\$48,009

CCOC Fee-Based Programs Projected for 2006-07

	Fee-Based No Increase	Fee-Based With % Increase	PIP No Increase	PIP With % Increase
% Increase		25%		20%
Revenue:	\$439,000	\$548,750	\$82,356	\$99,000
Expenses:				
Salaries & Benefits	\$485,657	\$485,657	\$82,356	\$82,356
Other Expenditures	\$18,135	\$18,135	\$6,715	\$6,715
Total Expenditures	\$503,792	\$503,792	\$89,070	\$89,070
Indirect Charge (8.5%)	\$42,822	\$42,822	\$7,571	\$7,571
Total Expenses with Indirect Charges	\$546,614	\$546,614	\$96,641	\$96,641
Net Revenue (Expense)	(\$107,614)	\$2,316	(\$14,141)	\$2,359

Recommendations to the MetroED Superintendent

1. Should Capital High School funding cover all costs, including indirect costs?
2. The BAC recommends Cap HS funding Option # _____ for fiscal year 2006-07
3. Should MetroED seriously consider a Charter for Cap HS, and commence discussions with the JPA?
4. Fees for fee-based programs should be increased approximately ____% to cover all program costs, including indirect costs.
5. Should the CCOC Cafeteria program be required to break even, close or continue as a student & employee service (at a loss)?
6. Other recommendations: 2006-07 Program changes