

**Metropolitan Education District**  
***Adopted Budget, Fiscal Year 2008-09***  
**June 25, 2008**

***Executive Summary***

**Overview of the Governor's May Revision to the 2008-09 Budget**

On May 14, Governor Schwarzenegger released his "May Revision" to his 2008-09 proposed budget. The May Revision acknowledges that the state's structural deficit has grown to \$17.2 billion as a result of higher costs and a further decline in state tax revenues for the current and budget years. The economic forecast underlying the May Revision's fiscal estimates assumes that California will feel the effects of the economic slowdown somewhat more than the rest of the nation, with little growth in the current year before picking up to moderate growth within a couple of years. The state's economy is expected to slow in 2008, with personal income growth of 4.5 percent and a slight loss in jobs. The housing sector's woes would continue into 2009, providing a significant drag on economic growth in the state. Beginning in mid-2009, the pace of growth is expected to accelerate.

The May Revision proposes a combination of spending reductions and revenue solutions to address the budget gap and to provide for a reserve of \$2 billion without raising taxes. It proposes \$12.6 billion in expenditure reductions across the state government. The May Revision makes some important adjustments to address the larger deficit while protecting education and public safety. The May Revision fully funds the Proposition 98 guarantee and provides a modest increase in total funding for education in the budget year. It reflects approximately \$300 million in savings in the California Department of Corrections and Rehabilitation's budget without the early release of inmates. It also includes funds to keep all of the state's parks open, increasing fees where feasible to offset General Fund costs. The May Revision also makes additional difficult choices to reduce spending, including proposing \$627 million in additional reductions to health and human services programs

**The May Revision – Impact on Proposition 98**

The May Revision has the following major impacts on California K-12 education:

- No suspension of Proposition 98 with 5.66% Statutory COLA and 5.36% Revenue limit deficit (net effect = zero COLA)
- Maintain the special education funding at its 2007-08 funding level
- No state apportionment for the Deferred Maintenance program. Elimination of the local school district matching requirement for deferred maintenance in 2008-09
- 6.5% reduction in revenue limit funding from the 2007-08 funding level for most of the state categorical programs, including ROCP and Adult Education
- Spending flexibility proposals for local school districts, as follows:
  - Reduction to statutory reserve requirement up to ½ percent
  - Reduction of the restricted reserve for routine maintenance from 3 % to 2%
  - Increase current % caps on district transfer authority for AB825 categorical block grants
  - Allow districts to move state categorical program carryover or reserve funds from any prior year to the unrestricted general fund, excluding those funds prohibited under federal or state law.

Both ROC/P and Adult Education, as categorical programs, receive the 6.5% revenue limit reduction from the current year funding level, plus 0.55% growth ADA reduction for

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the ROC/P program. The Adult ED program will receive the statutorily guaranteed 2.5 % growth in the budget year.

**Purpose and Development of the Budget**

The purpose of the MetroED budget is to express the educational program of the District in dollars. It is a tool to maximize the use of limited resources while implementing the District's vision and goals.

For purposes of developing the MetroED budget, we have relied on the Governor's May Revision, projections provided by School Services of California in their "Financial Projections Dartboard", historic spending patterns, contractual obligations and the District's vision and goals.

**The Vision for Metropolitan Education District**

The District's goals are designed to realize the vision of what MetroED is all about. That vision is articulated in the following three statements:

- 1. The Metropolitan Education District is an organization that facilitates student learning through research-based teaching practices, accountability data and continual measurement of student achievement.**
- 2. The Metropolitan Education District programs and services are known and respected by its key constituencies, including students, education partners, business and industry.**
- 3. The Metropolitan Education District has a culture characterized by a high level of employee professionalism, teamwork, continual staff improvement, a supportive work environment and effective utilization of resources.**

**Reserves for Cash Flow**

Unlike K-12 education, ROC/P and Adult Education programs do not automatically receive state advance apportionment funding at the beginning of the fiscal year. Funds are apportioned ONLY after the state budget is signed into law. This means MetroED must rely on its reserves to cover vendor payments and employee payrolls. During 2004-05, the Governing Board established policy establishing 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 an approximate 60-day period. Two significant events combine to make cash flow for MetroED a serious issue. First, the Governor's budget proposal for 2008-09 defers the advance apportionment from July to September. Second, there is a high potential for adoption of the 2008-09 budget to be delayed even beyond September.

In order to meet its cash flow needs, the district will use its 10% reserves, additional reserves that have been established to help cover the projected state budget deficits and short term borrowing from the district's Capital Outlay funds.

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**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 ROC/PS 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 ROC/PS 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 projected 2008-09 balance of \$436,146. The Adult Education Fund reserve is designated as part of the fund balance for the Adult Education Fund 110 with a projected balance of \$302,000.

**Employee Salaries and Benefits**

The District administration has attempted to maintain employee salaries at levels reasonably competitive with surrounding school districts, within the limitations of ROC/PS and Adult Education funding. The 2008-09 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. Negotiations with the District's bargaining units for 2008-09 have not started. Hence, there are no salary settlements projected in the budget and two subsequent years.

**The Budget Presentation Format**

The presentation of the proposed budget is similar to that of the District's Interim Reports. We have provided a "Budget at a Glance" that summarized the proposed budgets for all the District's funds. The Capital Outlay fund 400 has been divided to separately show the resources available for the Central County Occupational Center (CCOC), the San Jose Adult Education Program and Campbell Union High Adult Education Program. Included with the "Budget at a Glance" are spreadsheets detailing the new revenues/sources of funds and expenses/uses of funds for both the General Fund 010 and Adult Education Fund 110.

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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 (SSC) "Dartboard" projections, 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:

- 2006-07 Actuals (audited)
- 2007-08 Estimated
- 2008-09 Proposed Budget
- 2009-10 Projected
- 2010-11 Projected

The MetroED Budget Advisory Committee (BAC) reviewed the proposed budget in detail on May 27, 2008, and has unanimously recommended approval as presented.

**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.

**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:**

	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>
• Revenue Limit COLA:	0%	4.83%	2.70%
• Total ROC/P Revenue Limit	\$3,265.79	\$3,428.45	\$3,523.77
• Revenue Limit Deficit Factor	(6.5%)	0%	0%
• ADA Cap Growth %:	(0.55%)	(0.50%)	(0.50%)
• ADA Cap Growth	(22.86)	(20.67)	(20.56)
• Total Projected ADA Cap	4,133	4,112	4,092
• 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 maximum	\$11,178	\$11,737	\$12,324
• No increases in salary other than step, column and longevity advancement.			
• Increase in Worker's Compensation rate from 1.501% to 1.649%			
• Increase in employer PERS contributions from 9.306% to 9.428%			
• Increase in SUI rate from 0.05% to 0.3%			
• General expenditures for Superintendent & Central Office support have been direct-charged to the General and Adult Education Funds on a 65%-35% basis.			

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Fund 010 Revenues:

For the budget year, there is a decrease in revenue limit income of \$1,020,547 to reflect the 6.5% revenue limit reduction from the current year funding level and the 0.55% reduction in the district's ADA cap.

Budgeted state revenue decreased by about \$87,000, which is due to the SB 70 middle school grant ending in 2007-08 and there is no budget for the staff development block grant in the budget year, due to the uncertainty of the state budget.

Federal Carl Perkins grant funding has not been carried on into the budget year. Actual grant amounts will not be known until after budget adoption. Adjustments will be brought to the Board when the actual amounts are known.

Fund 010 Expenditures:

During 2007-08, in response to the state budget crisis, the District froze most discretionary budgets in order to build reserves to help carry the District cover funding deficits in 2008-09, and beyond. The 2008-09 budget continues an appropriate level of expenditures to maintain General Fund programs, with slight increases for San Francisco Bay Area increases in the Consumer Price Index (CPI).

Cost reductions, where appropriate, are included in the proposed budget. For example, CCOC will drop the Office Assistant class and change the Brakes and Alignment and Graphic Design classes to a half day classes in the budget year. This is the result of declining ADA in those classes, which can no longer justify their cost. The net savings to the District is \$191,280. In addition, the District central office will reduce its staff level by a total of 3.5 FTE, which will result in a savings of \$180,055 to the General fund budget.

Fund 010 Other Financing Sources/Uses:

Even though District will not be required to provide local match for Deferred Maintenance program in the budget year, the administration believes that it is important to keep our CCOC facilities maintained. We will continue the local match in the budget year, which is \$176,954.

Fund 010 Fund Balance:

For the 2007-08 Estimated Actuals, ROCP operations are expected to generate an increase of \$231,486 to the fund balance. For the budget year, the fund balance is expected to decrease \$448,629. The General Reserve is maintained at the Board required 4% and the Designation for Economic Uncertainty is maintained at 6%. For cash flow purposes, and to help cover state deficits in the budget year and beyond, the District has reserved an additional \$700,000 in Contingency for State Deficits.

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Fund 010 Multi-Year Projections:

The following chart summarizes the high points of operations for the proposed budget and two projected years:

<b>General Fund - Operations</b>	<b>2007-08 Estimated</b>	<b>2008-2009 Budget</b>	<b>2009-2010 Projected</b>	<b>2010-2011 Projected</b>
Total Revenues	\$ 17,397,072	\$ 15,159,484	\$ 15,744,742	\$ 16,128,785
Total Expenditures	\$ 14,733,421	\$ 15,304,319	\$ 15,622,981	\$ 16,071,834
Net Revenues/Expenses	\$ 2,663,651	\$ (144,835)	\$ 121,761	\$ 56,951
Other Sources (Uses)	\$ (2,432,165)	\$ (303,794)	\$ (406,840)	\$ (408,840)
<b><i>Change to Fund Balance</i></b>	<b><i>\$ 231,486</i></b>	<b><i>\$ (448,629)</i></b>	<b><i>\$ (285,079)</i></b>	<b><i>\$ (351,889)</i></b>

Multi-Year Projection Fund Balances: The following chart details the projected fund balances for the budget and two subsequent years:

<b>General Fund – Fund Balance</b>	<b>2007-08 Estimated</b>	<b>2008-2009 Budget</b>	<b>2009-2010 Projected</b>	<b>2010-2011 Projected</b>
<b>Reserved &amp; Designated:</b>				
Revolving Fund, Prepaid	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
General Reserve (4%)	\$ 687,873	\$ 624,744	\$ 641,613	\$ 659,647
Economic Uncertainty (6%)	\$ 1,031,809	\$ 937,116	\$ 962,419	\$ 989,470
Contingency for State Deficits	\$ 800,000	\$ 700,000	\$ 400,000	\$ 0
On-going Salary Commitment	\$ 160,000	\$ 0	\$ 0	\$ 0
WASC Project	\$ 60,000	\$ 0	\$ 0	\$ 0
<b>Total Reserves</b>	<b>\$ 2,759,682</b>	<b>\$ 2,281,860</b>	<b>\$ 2,024,032</b>	<b>\$ 1,669,117</b>
<b>Undesignated Fund Balance</b>	<b>\$ 94,840</b>	<b>\$ 124,033</b>	<b>\$ 96,781</b>	<b>\$ 99,807</b>
<b>Total Fund Balance</b>	<b>\$ 2,854,522</b>	<b>\$ 2,405,893</b>	<b>\$ 2,120,813</b>	<b>\$ 1,768,924</b>

There is no provision made for salary increases. However, the projections include salary increases for 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 supplies and other operating expenses.

The proposed 6.5% revenue limit deficit will put the General Fund into a deficit spending mode for the budget and two subsequent fiscal years. While the deficits will be covered using reserves, the trend is of concern, and will be the subject of on-going review by the administration.

Any funds not otherwise designated in the projected years are shown as Undesignated Fund Balance and are available for use or designation by the Governing Board.

**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. Expenditures in this fund must be for Adult Education purpose only.



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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>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
• Revenue Limit COLA	0%	4.83%	2.70%
• Revenue Limit Deficit Factor	(6.5%)	0%	0%
• Total Adult Ed Revenue Limit	\$2,473.36	\$2,601.36	\$2,671.36
• ADA Cap Growth %	2.50%	2.50%	2.50%
• ADA Growth-San Jose USD	58	59	60
• ADA Growth-Campbell UHSD	<u>28</u>	<u>29</u>	<u>30</u>
Total ADA Growth	86	88	90
• Total ADA Cap-San Jose USD	2,359	2,418	2,478
• Total ADA Cap-Campbell UHSD	<u>1,164</u>	<u>1,193</u>	<u>1,223</u>
Total ADA Cap (rounded)	3,523	3,611	3,701
• 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 maximum	\$11,178	\$11,737	\$12,324
• No increases in salary other than step, column and longevity advancement			
• Increase in Worker's Compensation rate from 1.501% to 1.649%			
• Increase in employer PERS contributions from 9.306% to 9.428%			
• Increase in SUI rate from 0.05% to 0.3%			
• General expenditures for Superintendent and Central Office support have been direct-charged to the General and Adult Education Funds on a 65%-35% basis.			

Fund 110 Revenues:

For the budget year, revenues will decrease \$590,958 to reflect the 6.5% reduction in revenue limit from the current year funding level. A 10% reduction is projected for Federal grant revenue, due to the uncertainty of the funding rate for the California Adult Education program. Carl Perkins grant is not carried on into the budget year due to the uncertainty of the grant amount. Adjustments will be brought to the Board when the actual amounts are known.

The District is currently working with Campbell Union High School District to have a memorandum of understanding to have Campbell pass through the unrestricted lottery funding generated by their Adult Education program to MetroED. Part of the lottery revenue will be used as rent payment back to Campbell for using the Del Mar high school classrooms and the DX education center. The lottery revenue has to be recorded in District general fund first, and then transferred into the Adult Education fund.

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**Fund 110 Expenditures:**

In the budget year, the adult education program will not offer the Parenting, Family and Consumer Awareness Program, which will save the fund \$195,670. The District central office will reduce its staff level by total of 3.5 FTE, which will save the fund an additional \$98,862.

Other major increases include a \$95,000 rent payment for the facility use at Campbell; \$165,000 in salaries and benefits for the additional 86 growth ADA in the budget year and \$97,000 to contract for 90 ADA in cosmetology program.

**Fund 110 Other Financing Sources/Uses:**

During previous years, federal grants have allowed the Adult Education program to transfer substantial year end funds to the Capital Outlay Fund for facilities needs in the Campbell and San Jose Adult programs. There are no transfers budgeted for the 2008-09 fiscal year and beyond.

**Fund 110 Fund Balance:**

For the 2007-08 Estimated Actuals, we expect an increase of \$1,211,127 to the fund balance. For the budget year, the fund balance is expected to decrease \$524,078. The General Reserve is maintained at the Board required 4% and the Designation for Economic Uncertainty is maintained at 6%. For cash flow purposes, and to help cover state deficits in the budget year and beyond, the District has reserved an additional \$700,000 in Contingency for State Deficits, plus \$302,000 for PERS Recapture Liability.

**Fund 110 Multi-Year Projections:** The following chart summarizes the high points of operations for the proposed budget and two projected years:

<b>Adult Ed Fund - Operations</b>	<b>2007-08 Estimated</b>	<b>2008-2009 Budget</b>	<b>2009-2010 Projected</b>	<b>2010-2011 Projected</b>
Total Revenues	\$12,246,784	\$11,110,871	\$11,707,151	\$12,193,087
Total Expenditures	\$11,172,992	\$11,772,284	\$12,072,665	\$ 2,528,203
Net Revenues/Expenses	\$ 1,073,792	(\$ 661,413)	(\$ 365,514)	(\$ 335,116)
Other Sources (Uses)	\$ 137,335	\$ 137,335	\$ 137,335	\$ 137,335
<b><i>Change to Fund Balance</i></b>	<b><i>\$ 1,211,127</i></b>	<b><i>(\$ 524,078)</i></b>	<b><i>(\$ 228,179)</i></b>	<b><i>(\$ 197,781)</i></b>



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Multi-Year Projection Fund Balances: The following chart details the projected fund balances for the proposed budget and two projected years:

<b>Adult Ed Fund – Fund Balance</b>	<b>2007-08 Estimated</b>	<b>2008-2009 Budget</b>	<b>2009-2010 Projected</b>	<b>2010-2011 Projected</b>
<b>Reserved &amp; Designated:</b>				
General Reserve (4%)	\$ 446,920	\$ 470,891	\$ 482,907	\$ 501,128
Economic Uncertainty (6%)	\$ 670,379	\$ 706,337	\$ 724,360	\$ 751,692
Contingency for State Deficits	\$ 800,000	\$ 700,000	\$ 450,000	\$ 250,000
On-going Salary Commitment	\$ 170,000	\$ 0	\$ 0	\$ 0
Capital Facility Upgrade	\$ 170,000	\$ 0	\$ 0	\$ 0
Computer Upgrade	\$ 70,000	\$ 0	\$ 0	\$ 0
WASC Project	\$ 100,000	\$ 0	\$ 0	\$ 0
PERS Recapture Liability	\$ 302,000	\$ 302,000	\$ 302,000	\$ 302,000
<b>Total Reserves</b>	<b>\$ 2,729,299</b>	<b>\$ 2,179,228</b>	<b>\$ 1,959,267</b>	<b>\$ 1,804,820</b>
<b>Undesignated Fund Balance</b>	<b>\$ 98,915</b>	<b>\$ 124,908</b>	<b>\$ 116,690</b>	<b>\$ 73,356</b>
<b>Total Fund Balance</b>	<b>\$ 2,828,214</b>	<b>\$ 2,304,136</b>	<b>\$ 2,075,957</b>	<b>\$ 1,878,176</b>

There is no provision made for salary increases. However, the projections include salary increases for 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 supplies and other operating expenses.

The proposed 6.5% revenue limit deficit will put the Adult Education Fund into a deficit spending mode for the budget and two subsequent fiscal years. While the deficits will be covered using reserves, the trend is of concern, and will be the subject of on-going review by the administration.

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. The actual dollar amounts of Federal grants are not usually known until December or January of the current budget year. As a result, federal grants are budgeted conservatively. 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.

**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).

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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:

The Governor's May Revision includes zero funding for the Deferred Maintenance state match and eliminates the requirement for the local match from the District's General Fund, but full funding for extreme hardship projects. In April 2008, we applied for an \$801,835 extreme hard ship grant to repair/replace our sewer lines. In our budget, we assume the state will fully fund our application.

Fund 140 Expenditures:

The following chart details the planned expenditures, by type of project, for the proposed budget and two projected years.

<b>Deferred Maintenance Fund</b>	<b>2007-08 Estimated</b>	<b>2008-2009 Budget</b>	<b>2009-2010 Projected</b>	<b>2010-2011 Projected</b>
<b><i>Revenues:</i></b>				
State Funding	\$ 161,187	\$ 801,835	\$ 180,000	\$ 182,000
District Contribution	\$ 176,954	\$ 176,954	\$ 180,000	\$ 182,000
Interest Income	\$ 20,000	\$ 20,000	\$ 22,000	\$ 23,000
<b><i>Total Income</i></b>	<b>\$ 358,141</b>	<b>\$ 998,789</b>	<b>\$ 382,000</b>	<b>\$ 387,000</b>
<b><i>Expenditures:</i></b>				
Painting Projects	\$ 94,031	\$ 106,286	\$ 110,000	\$ 120,000
Paving Projects	\$ 235,051	\$ 50,000	\$ 50,000	\$ 50,000
Plumbing Projects	\$ 4,000	\$ 801,835	\$ 0	\$ 0
Lighting Projects	\$ 68,000	\$ 0	\$ 100,000	\$ 100,000
Roofing Projects	\$ 2,000	\$ 0	\$ 100,000	\$ 100,000
<b><i>Total Expenditures</i></b>	<b>\$ 403,082</b>	<b>\$ 958,121</b>	<b>\$ 360,000</b>	<b>\$ 370,000</b>
<b><i>Beginning Fund Balance</i></b>	<b>\$ 460,472</b>	<b>\$ 415,531</b>	<b>\$ 456,199</b>	<b>\$ 478,199</b>
<b><i>Ending Fund Balance</i></b>	<b>\$ 415,531</b>	<b>\$ 456,199</b>	<b>\$ 478,199</b>	<b>\$ 495,199</b>

**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). The SCO has been auditing prior year mandated cost reimbursements, and has been disallowing more than 80% of these reimbursements. Consequently, prior year mandated cost reimbursement funds can be a potential liability to the District.

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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:

In 2006-07, District transferred in the PERS recapture liability reserve of \$374,537 from General fund. The cumulative interest earned in this fund will be used to build up the reserve to \$500,000. In the budget year, the balance for the reserve is projected at \$436,146, including \$89,038 from the mandated cost reimbursement reserve, the ending fund balance at \$525,184.

Fund 170 Expenditures:

There are no expenditures expected in the budget year.

**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 Capital 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:

Projected revenues are budgeted at \$305,000 which includes rent from the Capitol Auto Mall LLP and interest on the fund balance.

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**Fund 210 Expenditures:**

The following chart details the planned expenditures, by type of class, for the proposed budget and three projected years:

<b>Asset Management Fund</b>	<b>2007-08 Estimated</b>	<b>2008-2009 Budget</b>	<b>2009-2010 Projected</b>	<b>2010-2011 Projected</b>
<b>Revenues:</b>				
Lease Revenue	\$ 269,217	\$ 270,000	\$ 270,000	\$ 270,000
Interest Income	\$ 34,500	\$ 35,000	\$ 36,000	\$ 38,000
<b>Total Revenues</b>	<b>\$ 303,717</b>	<b>\$ 305,000</b>	<b>\$ 306,000</b>	<b>\$ 308,000</b>
<b>Expenditures:</b>				
Baking & Catering/Culinary Art	\$ 25,000	\$ 0	\$ 0	\$ 0
Veterinary Assistant	\$ 15,000	\$ 0	\$ 0	\$ 0
Fire Science & EMT	\$ 122,000	\$ 0	\$ 0	\$ 0
Prop. 1D equipment grant	\$ 0	\$ 290,462	\$ 290,462	\$ 290,462
Equipment	\$ 0	\$ 100,000	\$ 0	\$ 0
<b>Expenditures – Other:</b>				
Health & Safety	\$ 25,500	\$ 50,000	\$ 50,000	\$ 50,000
3% District Management Fee	\$ 10,495	\$ 10,495	\$ 10,495	\$ 10,495
<b>Total Expenditures</b>	<b>\$ 197,995</b>	<b>\$ 450,957</b>	<b>\$ 350,957</b>	<b>\$ 350,957</b>
<b>Beginning Fund Balance</b>	<b>\$ 536,234</b>	<b>\$ 641,956</b>	<b>\$ 495,999</b>	<b>\$ 451,042</b>
<b>Ending Fund Balance</b>	<b>\$ 641,956</b>	<b>\$ 495,999</b>	<b>\$ 451,042</b>	<b>\$ 408,085</b>

The \$50,000 Health & 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 are to revert back to the fund balance at the end of each year. The fund maintains a minimum \$250,000 reserve, which is a requirement of 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 ROCP and Adult Education Funds. Monies in this fund are kept separate in their own Resource codes. Amounts are appropriated for as need for projects.

On June 27 2007, the MetroED Governing Board authorized the District to submit applications for the Proposition 1D cycle one grants for modernization of career technical education facilities at CCOC. On March 26, 2008, the State Allocation Board (SAB) approved funding for all of our seven applications, for a total of \$7,071,463. The modernization grants require the District to match any approved grants on a dollar-for-dollar basis. We have reserved and designated funds in the CCOC Capital Outlay fund for that purpose. In the budget year we project our matching fund will reach \$7,222,805.

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 DX Adult site.

**Metropolitan Education District**  
***Adopted Budget, Fiscal Year 2008-09***  
**June 25, 2008**

**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:**

We are expecting interest revenue of \$320,000 for CCOC, \$5,000 for Campbell Adult and \$30,000 for San Jose Adult Education programs for the budget year.

**Fund 400 Expenditures:**

\$19,500 is budgeted for QZAB bond interest payment and \$180,500 is budgeted as start up architect fees for the CCOC Prop. 1D projects. \$800,000 is budgeted under San Jose Adult Ed Capital Outlay fund for phase one facility construction on the Hillsdale campus and \$575,000 under Campbell Adult Ed Capital Outlay fund for transfer to the Campbell Union High School District for construction of new facilities at the DX adult ed site.

**Fund 400 Other Financing Sources/Uses:**

The following chart summarizes the Capital Outlay Fund budget for 2008-09:

<b>Capital Outlay Fund</b>	<b>CCOC</b>	<b>Adult Ed San Jose</b>	<b>Adult Ed Campbell</b>
<b><i>Revenues:</i></b>			
Interest Earnings	\$ 320,000	\$ 30,000	\$ 5,000
<b><i>Total Sources Available</i></b>	<b><i>\$ 320,000</i></b>	<b><i>\$ 30,000</i></b>	<b><i>\$ 5,000</i></b>
<b><i>Expenditures:</i></b>			
Capital Outlay Projects	\$ 180,500	\$ 800,000	\$ 575,000
Debt Service – QZAB Bond	\$ 19,500	\$ 0	\$ 0
<b><i>Total Expenditures</i></b>	<b><i>\$ 200,000</i></b>	<b><i>\$ 800,000</i></b>	<b><i>\$ 575,000</i></b>
<b><i>Beginning Fund Balance</i></b>	<b><i>\$ 7,872,805</i></b>	<b><i>\$ 1,445,007</i></b>	<b><i>\$ 597,381</i></b>
<b><i>Ending Fund Balance</i></b>	<b><i>\$ 7,992,805</i></b>	<b><i>\$ 675,007</i></b>	<b><i>\$ 27,381</i></b>