

**Metropolitan Education District**  
**Adopted Budget, Fiscal Year 2012-2013**  
June 27, 2012

***Executive Summary***

**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 2012-2013 "May Revise" budget proposal, 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 as follows:

**The Metropolitan Education District facilitates workforce-relevant student learning through research-based teaching practices, program accountability and continual measurement of student achievement.**

**The Metropolitan Education District programs and services are known and respected and meet the changing needs of key constituencies, including students, participating districts, education partners, business, industry and community.**

**The Metropolitan Education District fosters an internal culture characterized by employee professionalism, teamwork, continual staff improvement, an appreciation of diversity, a safe and supportive work environment and effective utilization of technology and other resources.**

**Overview of the Governor's 2012-13 Budget and May Revise**

The Governor's proposed 2012-13 budget in January identified a \$9.2 billion gap between revenues and spending and proposed to bridge the gap through a combination of spending cuts and new taxes. The Governor's May Revise to the budget proposal recognized an increase in the budget deficit to \$15.7 billion. His proposal to cut this deficit combines expenditure reductions, delay of loan payments to special funds and relies on increased tax revenues from the Governor's Schools and Local Public Safety Act, a temporary tax increase on the November ballot.

The ballot initiative is expected to generate an estimated \$8.5 billion through the budget year. However, if the initiative is not approved by California voters, the Governor's plan includes a trigger of cuts that would go into effect on January 1, 2013. For schools and community colleges, the cuts would amount to \$5.5 billion, equivalent to the cost of three weeks of instruction. The trigger reductions include cancellation of a \$2.8 billion repayment of deferrals and a \$2.7 billion reduction in programmatic funding for schools. Schools will be provided flexibility to reduce the school year by a combined total of 15 days in 2012-13 and 2013-14.

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Even though there is uncertainty with the tax extension, we are advised to adopt our budget based on the Governor's May Revise. Should the tax extension proposal fail, the District will have to amend its budget based on any new impacts (which are currently unknown).

**The Funding Model for ROCP and Adult Education**

Funding for the current and subsequent three years for Regional Occupational Centers/Programs (ROCPs) and Adult Education is based on a fixed grant that is about 20% less than 2007-08 funding levels. This means that funds will be received regardless of whether or not average daily attendance is generated. The solution for the 20% cut in revenues has been a corresponding cut in on-going expenses. Reserves can be helpful to fill some of the gaps. However, on-going structural deficits are not fiscally responsible and will ultimately precipitate a fiscal crisis for the organization. Adult Education also receives funding support from a federal Workforce Investment Act (WIA) grant, and the state CalWORKs program.

**Flexibility**

Flexibility authority for Joint Powers Authorities (JPAs) rests with the JPA Governing Board. At a board retreat held May 9, 2009 the MetroED Governing Board reaffirmed its desire for the administration to continue to operate the organization as it has in the past. Changes to board policy may be brought to the Board for approval when the administration sees the need for a change.

**Apportionment Deferrals & Reserves for Cash Flow**

The State of California has a serious problem with its cash flow. Both the amounts of the deferred apportionments and the time delays have increased. State year to year deferrals are currently at \$9.5 billion. The Governor has proposed reducing this to \$6.9 billion if his temporary tax increase initiative passes in November. Intra-year deferrals were increased in May, when the Governor signed Assembly Bill 103, which authorized intra-year deferrals of \$3.5 billion of school district funding, an increase from \$2.5 billion.

The District has taken steps to provide a minimum 15% reserve in both its General and Adult Education Funds, which would meet the district's cash flow needs under normal circumstances. However, the extent of these deferrals is severe, and the district will need to borrow funds from other fund reserves to help cover the cash shortfalls. Borrowing from the County Office of Education or County Treasurer may also be required if necessary. If these options are not available, the District is reviewing the possibility of a Revenue Anticipation Note (RAN). This is similar to a Tax Revenue Anticipation Notes (TRAN) that is available to regular school districts.

**Reserves for PERS Recapture ("PERS Reduction") 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%

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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 CDE and DOF believe 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.

Over the past several years, the MetroED Governing Board has recognized the potential financial liability to the District, and has directed that reserves be established in the District Special Reserve Fund 170 for both the General and Adult Education funds. However, due to increasing cost pressures, it will be necessary to transfer all of the Adult Ed PERS reserves into the Adult Education Fund in 2014-15, in order to mitigate projected deficit spending.

**Contingency Reserves for State Deficits**

In response to the state budget crisis MetroED has reserved all General and Adult Education fund balances not otherwise reserved as “Contingency for State Deficits.” For the 2012-13 budget years, the General Fund Contingency is projected to start \$1,515,997 and end at \$1,165,592. By the end of 2014-15, this contingency will have fallen to \$42,059. The Adult Education Fund is expected to start at \$1,026,440, and end the year at \$559,981. By the end of 2014-15, this reserve will have been reduced to \$4,500. These contingency reserves will be used during the budget and subsequent two years to off-set declining revenues and cost pressures.

**Adult Education – Revenue Reductions**

Starting with the 2011-12 school year, San Jose Unified School District flexed/reduced their funding for the MetroED Adult Ed program by \$3.5 million per year, which is 2/3 of the program’s state funding. The reduction carries forward into 2012-13 and subsequent years. MetroED committed to continue operating the core programs using the balance of state funding, a \$1 million federal Workforce Investment Board (WIA) grant and reserves from the Adult Education Fund. However, expenditures have been unsustainable levels, and the District has recently been notified that the WIA grant for 2012-13 will be reduced by 43%, a reduction of \$427,420. This reduction reflects the loss of the Campbell Adult Education program in 2009-10. Further reductions to the WIA grant are expected in subsequent years due to the decrease in number of students served in the San Jose program. The projected reductions in the subsequent years have been included in the multi-year projections.

These reductions in resources have led the District to propose considerable reductions in expenditures, including elimination of support for the Adults with Disabilities program

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at Hope Services (the last remaining outreach program) and reduction in personnel and other operating costs, which are detailed in the proposed budget Executive Summary.

**Employee Reductions, Reassignments & Retirements**

The following chart summarizes the net effect of the MetroED reductions, reassignments and retirements, as approved by the Governing Board and proposed.

Employee Unit	General Fund	Adult Ed Fund	Totals
<b>CCOC Teachers</b>	(2.00)	---	(2.00)
<b>Adult Ed Administrators</b>	---	(0.35)	(0.35)
<b>Adult Ed Teachers-Temp</b>	---	(1.91)	(1.91)
<b>Adult Ed-Assessment Tech</b>	---	(0.80)	(0.80)
<b>Adult Ed-Instructional Aides</b>	---	(2.02)	(2.02)
<b>Adult Ed-Site Registrar</b>	---	(1.00)	(1.00)
<b>Adult Ed-Instructional Aides/STEPS</b>	---	(0.88)	(0.88)
<b>Adult Ed-Site Registrar/STEPS</b>	---	(0.50)	(0.50)
<b>Central Office/Payroll</b>	(0.47)	(0.13)	(0.60)
<b>Totals</b>	<b>(2.47)</b>	<b>(7.59)</b>	<b>(10.06)</b>

**Key Changes to District Programs and Administration for 2012-13**

***General Fund (ROCP) Programs:***

- HVAC Instructor Retired; class may be brought back as .50 FTE for 2012-13, or left vacant until 2013-14. Instructor will be hired for an evening program.
- Electrical Maintenance Instructor promoted to Facilities Manager. The class may be brought back at either .50 FTE or 1.0 FTE if HVAC is left vacant for one year.
- Multimedia Instructor has left the District. This class may be brought back in 2013-14 as a hybrid with graphic design curriculum, but vacant for 2012-13.
- Computer Careers Instructor, Justin Locketz, has been promoted to CCOC Assistant Principal. He will be replaced as instructor.
- Building 600, which had been under Prop 1D construction since January will be open as a new Transportation Careers Center.
- Building 700 model courtroom was completed at the end of 2011-12 will become the permanent home to the Santa Clara County Peer Court in 2012-13.
- Building 700 exterior 2-story fire training tower will be under construction and complete in the fall of 2012-13.
- Building 100, a new Arts, Media & Entertainment Center will be under construction during the school year. Classes currently in building 100 will be moved to transition spaces in other buildings for one year.
- The CCOC fee-based evening program will be expanded with more offerings; may be expanded even more if district qualifies as a Title IV educational agency and is able to offer financial aid to students.
- The proportionate superintendent search budget is included in the budget year.
- E-rate rebates are back in the budget effective 2012-13.

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**Adult Education Programs:**

- Sylvia Karp, Director of Adult Education Program, made an announcement of her retirement as of June 30, 2012. Her position will be frozen for the budget year as well as two subsequent years.
- Suzi Glass promoted to a Principal from Assistant Principal to take over the top leadership of the adult education program.
- A hiring of 0.625 FTE Assistant Principal for the evening program is included (5 hours/day, 4 nights per week, 155 days)
- Reductions of Instructional Aides and Site Registrars are budgeted due to the reduction of WIA grant (federal adult education grant).
- The proportionate superintendent search budget is included in the budget year.
- E-rate rebates are back in the budget effective 2012-13.
- Additional \$42,000 in fee revenue is projected because of the fees charged for ESL classes (as allowed by AB 189).
- Additional \$100,000 in credentialing/teacher preparation program revenue is budgeted.
- \$25,000 local grant is budgeted to support the credentialing services program.

**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 Adult Education Programs. 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.

**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. Revenues and expenses are summarized at a four-digit object code level. Comparative data is provided for the following six year period:

- 2009-10 Actuals
- 2010-11 Actuals
- 2011-12 Estimated Actuals
- 2012-13 Proposed Budget
- 2013-14 Projected Budget
- 2014-15 Projected Budget

**The MetroED Budget Advisory Committee (BAC)**

The MetroED Budget Advisory Committee is composed of the participating District Chief Business Officials, partnership representatives such as Job Corps, and bargaining unit representatives. The group meets 3-4 times per year to review and advise the development of the proposed budget. The group met on March 20, 2012 and April 24, 2012. Third meeting which was scheduled on May 29 was cancelled due to unforeseen circumstances.

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**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 ROCP and Adult Education funding. The 2012-13 budget, and two projected years, include step, projected column and longevity salary and statutory benefit increases for district employees, and the projected cost of the employee health benefits. The District's benefit cap for the budget year is \$15,089 which includes 5% annual increase. Excess cost over the District's cap is paid by the employees. The District switched the health benefits provider to CalPERS in January 1, 2012 and the cost of overall health insurance went down. As a result, the District projects to pay for the entire cost of the health insurance without employee share for the budget year. Annual 5% increase is budgeted in 2 subsequent years. This may change depending on increases by CalPERS for medical benefits on January 1, 2013.

**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 15% Reserve (10% Reserve for Economic Uncertainty and 5% General Reserve) and will end the year with a positive cash balance with the authorized inter-fund cash borrowing from the Construction Funds. The spending deficits for the current and two subsequent years are covered by the Contingency for State Deficits and reserves.

<b>Fund 010 Budget Assumptions</b>	<b>2011-12 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
Revenue Limit COLA	0.00%	0.00%	2.40%	2.70%
Revenue Limit Reduction	0.00%	0.00%	0.00%	0.00%
Total ROCP Revenue Limit	\$2,769.90	\$2,769.90	\$2,829.53	\$2,898.22
ADA Cap Growth	4,155.57	4,155.57	4,155.57	4,155.57
Reserve-Economic Uncertainty	10.00%	10.00%	10.00%	10.00%
General Reserve for Cash Flow	5.00%	5.00%	5.00%	5.00%
Employer Paid Benefits Increase	5.00%	5.00%	5.00%	5.00%
Employer Paid Benefits Maximum	\$14,371	\$15,089	\$15,843	\$16,635
Salary Increase COLA	0.00%	0.00%	0.00%	0.00%
Workers Comp Rate	1.66%	1.58%	1.58%	1.58%
PERS Contribution Rates	10.923%	11.417%	11.417%	11.417%
SUI Rate	1.61%	1.11%	1.11%	1.11%

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Overhead Costs: For the past several years, general expenditures for Superintendent and Central Office support have been direct-charged to the General and Adult Education Funds on a 65%-35% basis. This was based on an extensive time allocation survey of all impacted positions. The method has proved to be both time consuming and unreliable. Based on a review of alternatives considered by the MetroED Cabinet, the ratio utilized for the 2011-12 and subsequent MYP years is calculated using total revenues. That ratio is 79% to the General Fund and 21% to the Adult Education Fund.

Fund 010 Revenues: Projected revenues for the 2012-13 school years total \$13,731,207 which is approximately \$1.2 million less than the current year Actuals. This is due to the inclusion of estimated Excess Property Taxes for the 2011-12 year and changes in the CalWORKS and SB 70 Grants.

Fund 010 Expenditures: The 2012-13 budget continues an appropriate level of expenditures to maintain General Fund programs. Projected Expenditures for the 2012-13 school year total \$14,198,582, a reduction of \$302,292 from the 2011-12 Estimated Actuals. This was due in part to the closing of two classes (three sections) at CCOC at the end of the 2011-12 school years. Because of its volatility, excess property taxes are not included in the budget year, or in the 2 subsequent years and that is the main reason for the projected deficit spending.

Fund 010 Other Financing Sources/Uses: Under the state flexibility program, the District is not required to provide local match for Deferred Maintenance for five years starting in 2008-09. However, the CCOC facilities are 40 years old and the maintenance needs have been increasing in a number of areas. The administration believes that it is prudent to keep our CCOC facilities maintained, and the Board approved resolution establishing the fund balance commitment for the Deferred Maintenance Program for its original intended purposes. Therefore the District continues with its annual match for Deferred Maintenance. For the budget year, that amount is budgeted at \$166,466.

Fund 010 Fund Balance: For the 2011-12 Estimated Actuals, we are estimating an ending balance of \$4,011,323. For the budget year, the fund balance is expected to decline to \$3,553,069. The General Reserve is maintained at the Board required 10% and the Designation for Economic Uncertainty is maintained at 5%. For cash flow purposes, and to help cover state deficits in the budget year and beyond, the District has reserved an additional \$1,165,592 under the Contingency for State Reserves

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>2011-12 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
Total Revenues	14,550,054	13,731,207	13,647,706	13,932,811
Total Expenditures	14,500,874	14,198,582	14,062,263	14,299,065
Net Revenues/Expenses	49,180	(467,375)	(414,557)	(366,254)
Other Sources (Uses)	(460,669)	9,121	(159,641)	(164,243)
<b>Change to Fund Balance</b>	<b>(411,489)</b>	<b>(58,254)</b>	<b>(574,198)</b>	<b>(530,497)</b>

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

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<b>General Fund – Fund Balance</b>	<b>2011-12 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
<b>Reserved &amp; Designated:</b>				
Revolving Fund, Prepaid	20,000	20,000	20,000	20,000
General Reserve (5%)	756,857	718,252	711,636	723,706
Legally Restricted	0	0	0	0
Contingency for State Deficits	1,505,557	1,163,116	608,767	42,059
Other Designations	212,720	212,720	212,720	212,720
Economic Uncertainty (10%)	1,513,713	1,436,505	1,423,272	1,447,413
<b>Total Reserves</b>	<b>4,008,847</b>	<b>3,550,593</b>	<b>2,976,395</b>	<b>2,445,898</b>
Undesignated Fund Balance	0	0	0	0
<b>Total Fund Balance</b>	<b>4,008,847</b>	<b>3,550,593</b>	<b>2,976,395</b>	<b>2,445,898</b>

There is no provision made for salary increases. However, the projections include salary step increases, projected column and longevity advancement, and increases in the district contribution to employee health and welfare benefits.

Any funds not otherwise designated in the projected years are shown as Contingency for State Deficits. The impact of withdrawal from the JPA by the Los Gatos-Saratoga Union High School District is included in the projections for 2013-14 and 2014-15.

**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 the San Jose Unified School District under a Master Business Relationship Agreement. Expenditures in this fund must be for Adult Education only.

**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 10% Reserve for Economic Uncertainty and 5% General Reserve as required by Governing Board policy; and will end the year with a positive cash balance.

<b>Fund 110 Budget Assumptions</b>	<b>2011-12 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
Adult Ed. COLA	0.00%	0.00%	2.40%	2.70%
Adult Ed. Revenue Limit	\$2,274.09	\$2,274.09	\$2,328.67	\$2,391.54
ADA Cap Growth	0.00%	0.00%	0.00%	0.00%
Reserve-Economic Uncertainty	10.00%	10.00%	10.00%	10.00%
General Reserve for Cash Flow	5.00%	5.00%	5.00%	5.00%
Employer Paid Benefits Increase	5.00%	5.00%	5.00%	5.00%
Employer Paid Benefits Maximum	\$14,371	\$15,089	\$15,843	\$16,635
Salary Increase COLA	0.00%	0.00%	0.00%	0.00%
Workers Comp Rate	1.66%	1.58%	1.58%	1.58%
PERS Contribution Rates	10.923%	11.417%	11.417%	11.417%
SUI Rate	1.61%	1.11%	1.11%	1.11%
San Jose USD's Flexibility Amount	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000



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Overhead Calculations

For the past several years, expenditures for Superintendent and Central Office support have been direct-charged to the General and Adult Education Funds on a 65%-35% basis. This was based on an extensive time allocation survey of impacted positions. The method has proved to be time consuming and unreliable. Based on a review of alternatives by the MetroED Cabinet, the ratio utilized for the 2010-11 and subsequent MYP years are based on the proportion of total revenues. For 2011-12 and the budget years, overhead is charged 79% to the General Fund and 21% to the Adult Education Fund.

Fund 110 Revenues: Projected revenues for 2012-13 is \$4,027,887, approximately \$300,000 less than the 2011-12 estimated actuals. This is primarily due to the reduction of the WIA grant, which is partially offset by fee increases. Revenue funding for the 2013-14 is further reduced due to expected additional reductions in the WIA grant going forward.

Fund 110 Expenditures: The following expenditures reductions represent the largest reductions in order to accommodate the cuts to Adult Education funding:

- \$118,938 in freezing the position of Director of Adult Education
- \$79,112 in Teacher salaries
- \$69,574 in Classified Clerical and Office salaries
- \$61,103 in Instructional Aide salaries

Fund 110 Fund Balance: For the 2011-12 Estimated Actuals, an ending fund balance of \$1,828,981 is projected. For the budget year, the fund balance is expected to decrease to \$1,260,357. The Reserve for cash flow is maintained at 5% and the Designation for Economic Uncertainty is maintained at 10%. To help cover deficits in the budget year and beyond, the District has reserved additional funds in the Contingency for State Deficits. In order to maintain the Adult Education Program during the period with the funding uncertainty, this contingency balance must be maintained at much higher level.

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>2011-12 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
Total Revenues	4,327,753	4,027,887	3,917,437	4,082,297
Total Expenditures	<u>5,204,954</u>	<u>4,596,511</u>	<u>4,426,858</u>	<u>4,065,113</u>
Net Revenues/Expenses	(877,201)	(568,624)	(509,421)	(300,116)
Other Sources (Uses)	64,790	-0-	-0-	211,041
<b><i>Change to Fund Balance</i></b>	<b>(812,411)</b>	<b>(568,624)</b>	<b>(509,421)</b>	<b>(89,075)</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>2010-11 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
<b><i>Reserved &amp; Designated:</i></b>				
Revolving Cash, Stores	21,798	10,899	-0-	-0-
General Reserve (5%)	520,495	459,651	442,686	438,241
Economic Uncertainty (10%)	260,248	229,826	221,343	219,121
Contingency for State Deficits	1,026,440	559,981	86,907	4,500
<b>Total Reserves</b>	<b>1,828,981</b>	<b>1,260,357</b>	<b>750,936</b>	<b>661,862</b>
Undesignated Fund Balance	0	0	0	0
<b>Total Fund Balance</b>	<b>1,828,981</b>	<b>1,260,357</b>	<b>750,936</b>	<b>661,862</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.

Federal Grant Funding: The ability of the Adult Education program to maintain its proposed level of services for the budget year and beyond is greatly dependent upon federal grant funding. Because of the reduction in services due to the “flexing” (taking) of \$3.5 million by the San Jose Unified School District, it is expected that student learning gains will also decline (since we’re serving fewer students). This will result in a corresponding reduction in the federal Workforce Investment Act grant funding, and even further students served. That reduction is reflected in the multiyear projections. Federal grant funds should be considered “soft money” in term of commitments to long term expenditures.

**Fund 140: Deferred Maintenance**

Deferred Maintenance (DM) will continue to be funded by the state, but after the cuts noted above. Flexibility allows the district to not fund its matching deposit to the DM Fund. However, given the increasing maintenance needs of the aging CCOC facilities, the Board approved the resolution establishing the fund balance commitment for the Deferred Maintenance Program as its original intended purposes.

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.

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Fund 140 Revenues: The 2012-13 budget projects DM revenues of \$334,851, which comprises \$166,466 of the basic Deferred Maintenance Fund and the final installment of the Extreme Hardship Funds of \$168,385, which paid for the sewer lines replacement project. Funding for replacement of the sewer lines at CCOC was approved in 2008-09. This has been apportioned in five installments over five years. The two major sewer lines for the Hillsdale Campus were replaced in 2009-2010 and new sewer construction and connections were completed in conjunction with the 1D project remodeling.

Fund 140 Expenditures: The following chart details the Estimated Actuals and planned expenditures, by type of project, for the proposed budget and two projected years. The sewer line replacement project is a state-approved Deferred Maintenance Extreme Hardship project. The other major project planned for 2011-12 from Deferred Maintenance is the second phase of the reconfiguration/restriping of the Hillsdale campus parking lot.

<b>Deferred Maintenance Fund</b>	<b>2011-12 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
<b>Revenues &amp; Other Sources:</b>				
State Regular DM Funding	166,466	166,466	170,461	175,063
State Extreme Hardship Funding	168,385	168,385	0	0
District Match Contribution	166,466	166,466	170,461	175,063
Interest Income	8,795	6,735	6,896	7,082
<b>Total Income</b>	<b>510,112</b>	<b>508,052</b>	<b>347,818</b>	<b>357,208</b>

<b>Deferred Maintenance Fund</b>	<b>2011-12 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
<b>Expenditures &amp; Other Uses:</b>				
Transfers Out	168,385	168,385	0	0
Electrical Projects	20,586	50,000	50,000	50,000
HVAC	11,037	50,000	50,000	50,000
Painting Projects	111,105	112,700	117,575	118,516
Paving Projects	386,368	0	0	0
Plumbing Projects	25,000	50,000	50,000	50,000
Floor Covering Projects	10,000	80,000	60,000	60,000
Wall Systems	25,870	20,000	20,000	20,000
Sewer Line Replacement	28,500	0	0	0
Building 6 Upgrade	122,330	0	0	0
Building 7 Upgrade	1,000	65,000	0	0
Building 400 Upgrade	34,600	20,000	0	0
<b>Total Expenditures</b>	<b>944,781</b>	<b>616,085</b>	<b>347,575</b>	<b>348,516</b>
<b>Fund Balance:</b>				
<b>Beginning Fund Balance</b>	<b>1,244,472</b>	<b>809,803</b>	<b>701,770</b>	<b>702,013</b>
<b>Ending Fund Balance</b>	<b>809,803</b>	<b>701,770</b>	<b>702,013</b>	<b>710,705</b>

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**Fund 170: Special Reserve Fund for Other than Capital Outlay Projects**

**Fund 170 Purpose:** The Special Reserve Fund for Other Than Capital Outlay is used to account for 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). Additional funds from the General and Adult Education Funds have been transferred here as reserves for the PERS recapture (reduction) liability, and a legal reserve for both funds.

**Fund 170 Certification:** Staff is recommending a positive certification. This means the Special Reserve 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 170 Revenues:** The projected revenues for the budget year include the interest of \$5,733.

**Fund 170 Expenditures:** There are no expenditures expected in the budget year. In 2014-15, it is projected to transfer the reserve set aside for PERS recapture liability back to Adult Education Fund F-110.

<b>SPECIAL RESERVE FUND</b>	<b>2011-12 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
Total Revenues	5,674	5,733	5,871	5,754
Total Expenditures	0	0	0	0
Other Sources (Uses)	0	0	0	211,041
<b>Change to Fund Balance</b>	5,674	5,733	5,871	(205,287)
<b>Fund Balance:</b>				
<b>Beginning Fund Balance</b>	<b>761,311</b>	<b>766,985</b>	<b>772,718</b>	<b>778,589</b>
<b>Reserved &amp; Designated:</b>				
Legal Reserve	134,004	135,006	136,032	137,415
PERS Recapture Liability	632,981	637,712	642,557	435,887
<b>Ending Fund Balance</b>	<b>766,985</b>	<b>772,718</b>	<b>778,589</b>	<b>573,302</b>

**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:** Staff 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.

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Fund 210 Revenues: Projected revenues are budgeted at \$193,783 which includes rent from the Capitol Auto Mall LLP and interest on the fund balance. Lease revenues include a 30% recession-related rent reduction for Capital Auto Mall LLC. The rent reduction commenced in 2009-10 and was extended through 2012-13.

Fund 210 Expenditures: The following chart details the planned expenditures, by type of class, for the budget and two projected years. Nearly all budgeted and projected expenditures are as match for Proposition 1D equipment grants for CCOC programs.

<b>ASSET MANAGEMENT FUND</b>	<b>2011-12 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
<b>Revenues:</b>				
Lease Revenue	184,788	184,788	275,797	275,797
Interest Income	9,468	8,995	9,805	9,903
<b>Total Revenues</b>	<b>194,256</b>	<b>193,783</b>	<b>285,602</b>	<b>285,700</b>

<b>ASSET MANAGEMENT FUND</b>	<b>2010-11 Estimated Actuals</b>	<b>2011-12 Proposed Budget</b>	<b>2012-13 Projected</b>	<b>2013-14 Projected</b>
<b>Expenditures:</b>				
Prop1 D equipment Grants-Match	446,360	65,733	0	0
3% District Management Fee	7,202	7,202	7,202	7,202
<b>Total Expenditures, Transfers</b>	<b>453,562</b>	<b>72,935</b>	<b>7,202</b>	<b>7,202</b>
<b>Fund Balance:</b>				
<b>Beginning Fund Balance</b>	<b>1,202,842</b>	<b>943,536</b>	<b>1,034,384</b>	<b>1,342,784</b>
<b>Reserved &amp; Designated:</b>				
Health & Safety Reserve	50,000	50,000	50,000	50,000
Prop 1D Projects Match (Equip)	77,341	0	0	0
Reserve for County Share Rent	62,592	62,592	62,592	62,592
Minimum Required Reserve	250,000	250,000	250,000	250,000
Other: Undesignated	503,603	701,792	980,192	1,258,691
<b>Ending Fund Balance</b>	<b>943,536</b>	<b>1,064,384</b>	<b>1,342,784</b>	<b>1,621,283</b>

The \$50,000 Health & Safety budget reserve 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. Unspent funds from this account are to revert back to the fund balance at the end of each year. The fund also maintains a minimum \$250,000 reserve, which is a requirement of the Joint Powers Agreement.

**Fund 350: County School Facilities Funds**

Fund 350 Purpose: This fund was established in 2008-09 to account separately for apportionments from the state and expenditures related to construction and modernization projects that have been approved by the State under Proposition 1D. State funds will be released when District submits the funding request after Division of State Architect's approval.

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Fund 350 Certification: The administration is recommending a positive certification. This means that the County School Facilities 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 350 Revenues & Expenditures: The only resources for this fund come from state Proposition 1D apportionments and interest earnings. The expenditures are for Proposition 1D-approved projects and are shown by project, based on the preliminary timeline for completion of each project. These represent only 50% of the cost of each project. The District's match is recorded in the Capital Outlay Fund 400.

The District plans to complete all 16 Prop 1D projects by the end of 2012-13 with the project savings of approximately \$565,589. The District may keep interest earned on these funds, and they may be spent on any Capital project. Any savings on projects must be returned to the state.

<b>COUNTY SCHOOL FACILITIES FUND 350</b>	<b>2011-12 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
<b>Revenues:</b>				
Interest Earnings	40,362	20,895	0	0
Prop 1D State Apportionments	222,258	0	0	0
<b>Total Sources Available</b>	<b>262,620</b>	<b>20,895</b>	<b>0</b>	<b>0</b>
<b>Expenditures:</b>				
Prop 1D: Bldg 300 (40360-00-01)	22,079	0	0	0
Prop 1D: Bldg 800 (40360-00-02)	314,955	0	0	0
Prop 1D: Bldg 200 (40360-00-03)	238,091	0	0	0
Prop 1D: Bldg 100 (40360-00-04)	104,943	1,271,034	0	0
Prop 1D: Bldg 100 (40360-00-05)	25,000	223,679	0	0
Prop 1D: Bldg 200 (40360-00-06)	456,145	0	0	0
Prop 1D: Bldg 600 (40360-00-07)	1,348,509	0	0	0
Prop 1D: Bldg 700 (40360-00-08)	31,099	0	0	0
Prop 1D: Bldg 300 (40360-00-09)	84	0	0	0
Prop 1D: Bldg 100 (40360-00-10)	30,914	0	0	0
Prop 1D: Bldg 100 (40360-00-11)	(2,152)	8,276	0	0
Prop 1D: Bldg 200 (40360-00-12)	463,405	179,012	0	0
Prop 1D: Bldg 600 (40360-00-13)	38,293	0	0	0
Prop 1D: Bldg 700 (40360-00-14)	30,493	452,946	0	0
Prop 1D: Bldg 300 (40360-00-15)	182,640	0	0	0
Prop 1D: Bldg 100 (40360-00-16)	199,344	0	0	0
<b>Total Expenditures</b>	<b>3,483,842</b>	<b>2,134,947</b>	<b>0</b>	<b>0</b>
<b>Fund Balance:</b>				
<b>Beginning Fund Balance</b>	<b>5,900,863</b>	<b>2,679,641</b>	<b>565,589</b>	<b>565,589</b>
<b>Ending Fund Balance</b>	<b>2,679,641</b>	<b>565,589</b>	<b>565,589</b>	<b>565,589</b>

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**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.

MetroED has received funding approval for nearly \$10 million for 16 Prop 1D project applications, which must be matched by the District on a dollar-for-dollar basis. This \$20 million is designated for the Central County Occupational Center to consolidate and reconfigure programs, bring the buildings into compliance with fire and ADA codes and improve classroom safety and security. It also includes funds for equipment upgrades to industry standards.

The District accumulated its required match in this fund primarily from Excess Property Taxes, which the Governing Board has designated for the District's match.

**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 & Expenditures:** The only revenue, other than authorized transfers from the General and Adult Education Funds, is interest revenue. The chart below shows the projected revenues and expenditures for the Adult Education facilities and the match expenditures for the Proposition 1D projects. We are expecting interest revenue of \$31,673 for CCOC and \$160 for the Adult Education Program for the budget year. In addition, it is expected to earn \$18,579 in interest & investment towards a repayment of QAZB.

<b>SPECIAL RESERVE-CAPITAL OUTLAY PROJECTS FUND 400</b>	<b>2011-12 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
<b>Revenues &amp; Transfers In:</b>				
Interest-Gen Fund Capital Projects	42,230	31,673	25,338	17,737
Interest-Adult Ed Capital Projects	431	160	80	70
Interest -QZAB Reserve	18,570	18,579	18,595	18,607
Transfers In-General Fund/Prop 1D	405,000	0	0	0
Transfers In-Adult Education Fund	0	0	0	0
<b>Total New Sources Available</b>	<b>466,231</b>	<b>50,412</b>	<b>44,013</b>	<b>36,414</b>

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<b>SPECIAL RESERVE-CAPITAL OUTLAY PROJECTS FUND 400</b>	<b>2011-12 Estimated Actuals</b>	<b>2012-13 Proposed Budget</b>	<b>2013-14 Projected</b>	<b>2014-15 Projected</b>
<b>Expenditures &amp; Transfers Out:</b>				
General & Debt Service	19,500	19,500	19,500	19,500
Gas Line Replacement Project	213,000	0	0	0
Adult Ed Facilities	452,998	10,000	10,000	5,000
Prop 1D: Bldg 300 (9501)	18,412	0	0	0
Prop 1D: Bldg 800 (9502)	340,595	0	0	0
Prop 1D: Bldg 200 (9503)	110,951	0	0	0
Prop 1D: Bldg 100 (9504)	54,943	1,288,728	0	0
Prop 1D: Bldg 100 (9505)	25,000	217,051	0	0
Prop 1D: Bldg 200 (9506)	456,264	0	0	0
Prop 1D: Bldg 600 (9507)	1,350,479	0	0	0
Prop 1D: Bldg 700 (9512)	472,137	0	0	0
Prop 1D: Bldg 300 (9513)	35,221	0	0	0
Prop 1D: Bldg 100 (9514)	30,844	439,214	0	0
A New Classroom in Bldg 100 (9602)	35,000	465,000	0	0
CCOC Facilities (006)	0	95,000	50,000	50,000
Gen Facilities Planning, QZAB fee	37,500	26,501	26,500	26,500
<b>Total Uses</b>	<b>3,652,844</b>	<b>2,560,994</b>	<b>106,000</b>	<b>101,000</b>
<b>Fund Balance:</b>				
<b>Beginning Fund Balance</b>	<b>7,392,748</b>	<b>4,206,135</b>	<b>1,695,553</b>	<b>1,119,078</b>
<b>Reserved &amp; Designated:</b>				
Prop 1D Projects	1,940,050	0	0	0
Facilities Reserve-General	1,422,633	861,941	772,700	694,437
Facilities Reserve-Adult Ed	31,444	21,604	11,684	6,754
QZAB Reserve	812,008	812,008	849,182	867,789
<b>Ending Fund Balance</b>	<b>4,206,135</b>	<b>1,695,553</b>	<b>1,633,566</b>	<b>1,568,980</b>