

Metropolitan Education District
First Interim Financial Report
December 10, 2008

Executive Summary

The Metropolitan Education District

The Metropolitan Education District (MetroED) is a joint powers authority (JPA) created under Government Code Sections 6500 in 1983 by six school districts in Santa Clara County. Its purpose is to provide and administer a regional occupational center and programs (ROCP) and adult education programs. The six districts are Campbell Union High School District, East Side Union High School District, Los Gatos-Saratoga Joint Union High School District, Milpitas Unified School District, San Jose Unified School District and Santa Clara Unified School District. Each of the six districts designates one of their elected board members to sit on the MetroED Governing Board.

Purpose of the First Interim Report

The California Education Code 42130 requires the District to file two interim financial reports with the County Superintendent of Schools and the State Department of Education. The First Interim Report covers the financial and budgetary status of the District for the period ending October 31. The Governing Board of the District must certify whether the District is able to meet its financial obligations for the remainder of the fiscal year and for the subsequent two fiscal years. The certification is classified as positive, qualified, or negative. A positive certification means the District will be able to meet its financial obligations for the current and two subsequent years; Qualified certification means the District may not meet its financial obligations for the current fiscal year or two subsequent fiscal years; Negative certification means the District will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal years.

Interim Reports are a “snapshot” of the condition of the agency at a point in time. Multi-year projections are highly dependent upon projected state funding, which is correspondingly dependent upon the health of the state economy and tax revenue collections. Consequently, Interim Report projections are only as reliable as the projections provided us by the state, and local expenditure decisions, which are constantly changing. Because of this, the District’s financial condition and current year budget is reviewed on an on-going basis by the business and fiscal staff, with changes provided to the Governing Board for monthly approval.

State Budget Outlook – Summary

On 11/20/08 the Legislative Analyst’s Office (LAO) released its annual long-term forecast of the economy, the State Budget, and Proposition 98. LAO forecast a two-year Budget shortfall of almost \$28 billion. The LAO projections indicated that California faces significant fiscal challenges in the current year 2008-09 and 2009-10. The report, [California Fiscal Outlook](#), provides more details on the economic outlook and a program-by-program review of the State Budget.

Some of the key findings of the report include the following:

- National GDP will fall 1% in 2009: At the national level, the real gross domestic product is expected to fall by 1% in 2009 and the unemployment rate will reach 7.6%; the unemployment rate will exceed 7% through 2012

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- Annual budget shortfall of \$22 billion: In California, the collapse of state revenues is so severe that, without corrective action, budget shortfalls of \$22 billion annually will persist through 2013-14
- Severe decline of State General Fund Budget: General Fund revenues will fall from a peak of \$103 billion in 2007-08 to a low of \$83 billion in 2009-10 and not reach the 2007-08 level until 2013-14, a six-year slump
- Proposition 98 Funding guarantee is questionable: For Proposition 98, the minimum guarantee will drop from the budgeted level by \$4 billion in the current year to \$54.1 billion; however, the forecast does not assume that the Legislature will reduce funding to this revised minimum level
- Dismal Funding forecast for Prop 98: Based on current law requirements, the Proposition 98 guarantee falls 6.4% in 2009-10 and will increase at an anemic rate, averaging only 2% from the current year through 2013-14.

Another report prepared by Beacon Economics, LLC, for California Forward, a new organization created by California Common Cause, Center for Governmental Studies, New California Network, and The Commonwealth Club of California's Voices of Reform Project paints a more pessimistic picture of state finances than we've seen from either the nonpartisan Legislative Analyst's Office (LAO) or the Department of Finance (DOF).

This report indicates that three major sources of revenue Sales, Income, Corporate Taxes will fall more than 11% over the next two years. They attribute their more pessimistic picture to their significantly lower forecast for corporate taxes than either the LAO or DOF has projected.

The report projects total revenue from income, corporate, and sales taxes to drop to just over \$80 billion in 2009-10, and that recovery will not occur until 2012. California's volatile revenue picture is expected to continue until the state's revenue base is widened to include less cyclical portions of the economy. Among other criticisms made regarding the effect this boom-bust cycle has on California spending was that it hurts California's educational system by building instability into public education's revenue streams.

Contingency Reserves for State Deficits

In response to the state budget crisis MetroED has reserved \$1,000,000 in the General Fund and \$800,000 in the Adult Education Fund ending balances as "Contingency for State Deficits." The plan is for these contingency reserves to be used during the budget and projected two years to off-set declining revenues from the state. In addition, \$638,000 in the General Fund and \$331,000 in the Adult Education Fund expenditure budgets have been "frozen" pending resolution of the Governor's proposed mid-year cuts to education funding.

Reserves for Cash Flow

Unlike regular K-12 education, ROC/P and Adult Education programs do not receive state advance apportionment funding at the beginning of the fiscal year. Funds are apportioned ONLY after the state budget is signed into law, resulting in the district having to rely on temporary reserves to cover vendor payments and employee payrolls.

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During 2004-05, the Governing Board established policy to set up 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 a 60-day period. In the current 2008-09 fiscal year, the adoption of the state budget was delayed for 85 days. The District's advance apportionment was delayed a total of 123 days because of additional processing time taken by the Department of Finance. Because of these 10% reserves, and use of temporary borrowing from the District's Capital Outlay Funds, the District was able to maintain its normal operations during this period.

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 recapture 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 the CDE and DOF believe that 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.

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." The Adult Education Fund reserve is designated as part of the fund balance for the Adult Education Fund 110. The District decided to cap these reserves for both funds as of June 30, 2007. The District will accumulate the interest earnings from the reserves up to \$500,000 for each fund to be used for the potential liability or possible litigation.

Employee Salaries and Benefits

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. The district is currently holding off

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on negotiations with its three bargaining units for 2008-09 until Governor's Budget direction, for the current and subsequent year, is made clear.

1st Interim Budget Adjustments

Budget transfers and adjustments for the current year are approved by the Governing Board on a monthly basis. Consequently, there are few adjustments presented in the 1st Interim Report that have not already been approved.

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's (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
- 2007-08 Actuals
- 2008-09 Budget, 1st Interim Report
- 2009-10 Projected
- 2010-11 Projected

Budget Presentation

Presentation of the First Interim Report includes "Budget at a Glance" that summarizes the proposed budgets for all the district's funds and "Monthly Budget Adjustments" showing all changes from the last budget update approved by the Board. The Capital Outlay Fund 400 has been divided to separately show the resources available for the Central County Occupational Center (CCOC) and the Adult Education programs for San Jose and Campbell. Required state forms are provided in the sections identified in the Table of Contents.

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. ROC/P funding is considered categorical by the state and is not guaranteed by

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.

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Fund 010 Budget Assumptions:

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
• Revenue Limit COLA:	-0.55%	0.00%	0.00%
• Total ROC/P Revenue Limit	\$3,473.59	\$3,473.59	\$3,473.59
• ADA Cap Growth %:	0.00%	0.00%	0.00%
• ADA Cap Growth	0.00	-20.78	-20.67
• Total Projected ADA Cap	4,205.57	4,184.79	4,164.12
• Reserve-Economic Uncertainty	6.00%	6.00%	6.00%
• General Reserve-Cash Flow	4.00%	4.00%	4.00%
• Employer-paid benefits increase	5.00%	5.00%	5.00%
• Employer-paid benefits max	\$11,178	\$11,737	\$12,324
• No increases in salary other than step, column and longevity advancement.			
• COLA increases, if necessary, are applied to appropriate expenditures for 2009-10 and 2010-11 Fiscal Years			
• General expenditures for Superintendent and Central Office support have been directly charged to the General (ROC/P) and Adult Education Funds on a 65%-35% basis.			

Fund 010 Revenues: Adjustments from the 10/31/08 Board-approved budget update include \$107,370 revenue increase for Carl Perkins Grant and \$20,485 increase in State SB70 State Revenue.

There is a negative .55% adjustment to the ROCP revenue limit. This is due to a .55% decline in 11th and 12th grade enrollments statewide, which is used to determine ADA growth for ROCPs. However, mechanisms in current education code result in any negative growth being applied to ROCP revenue limits, not to ADA caps.

Fund 010 Expenditures: Major changes include the increases in various object categories to reflect the revenue adjustment in Fund 010. See *Monthly Budget Adjustments-1st Interim Report* for detail of changes.

Fund 010 Other Financing Sources/Uses: No changes.

Fund 010 Fund Balance: See *Monthly Budget Adjustments-1st Interim Report* for detail of changes.

Fund 010 Multi-Year Projections: A major change in the multi-year projections from the adopted budget is the elimination of COLA adjustments for both 2008-09 and 2009-10 fiscal years. This is due to the state's budget crisis and the potential impact on funding for categorical programs. Additionally, ROCP cap growth is based on 11th and 12th grade enrollment statewide. For the two projected years statewide 11th and 12th grade student enrollment is expected to decline by about .50%. The following chart summarizes the high points of operations for the 1st Interim Budget and two projected years:

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GENERAL FUND - OPERATIONS	2008-2009	2009-2010	2010-2011
Total Revenues	\$ 16,415,594	\$ 15,978,952	\$ 15,951,910
Total Expenditures	\$ 16,280,773	\$ 15,778,242	\$ 6,096,297
Net Revenues/Expenses	\$ 134,821	\$ 200,710	(\$ 144,387)
Other Sources (Uses)	(\$ 303,794)	(\$ 406,840)	(\$ 308,840)
Change to Fund Balance	(\$ 168,973)	(\$ 206,130)	(\$ 453,227)

Multi-Year Projection Fund Balances: The following chart details the projected fund balances for the 1st Interim Budget and two projected years:

GENERAL FUND – FUND BALANCE	2008-2009	2009-2010	2010-2011
Reserved & Designated:			
Revolving Fund, Prepaid	\$ 20,000	\$ 20,000	\$ 20,000
General Reserve (4%)	\$ 663,802	\$ 647,823	\$ 656,625
Economic Uncertainty (6%)	\$ 995,704	\$ 971,735	\$ 984,938
Contingency for State Deficits	\$ 1,000,000	\$ 400,000	\$ 0
Other Designations	\$ 0	\$ 0	\$ 0
Legally Restricted Balances	\$ 0	\$ 0	\$ 0
Total Reserves	\$ 2,679,506	\$ 2,039,558	\$ 1,661,563
Undesignated Fund Balance	\$ 219,936	\$ 653,753	\$ 578,521
Total Fund Balance	\$ 2,899,442	\$ 2,693,311	\$ 2,240,084

There are no provisions for salary increases for COLA. However, provision is made for salary increases due to 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 materials and other operating expenses. The projections anticipate full funding of the district's match for Deferred Maintenance. Reserves are maintained at 6% for Economic Uncertainty, 4% General Reserve for cash flow.

Contingency Reserve for state deficits: \$1,000,000 is reserved in the current year and \$400,000 is reserved next year for potential state budget shortfalls, which are projected by the Legislative Analyst's Office.

Reserve for Equalization: The MetroED Governing board ratified the Amendments to the Master Business Relationship Agreements with the JPA Participating Districts (CCOC Funding Model) on November 08, 2006. The intent of this new funding model is to have all six participating districts pay the cost of their students attending CCOC by the 2009-10 fiscal year. The equalization plan was based on allocating the growth ADA from the state to districts over a four year period in order to generate sufficient ROP revenue to cover the cost of sending students to the CCOC. However, in light of the loss of growth ADA from the state for the current fiscal year and zero growth ADA for the two subsequent years, it is difficult to implement the current equalization plan. The District is in the process of working with the six participating districts to resolve this. Currently we

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have reserved \$300,000 for the current and \$350,000 for the two subsequent years to help with equalization. How these dollars might be allocated has not yet been determined. Going forward, we are providing various funding models for the participating districts to consider as resolutions.

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.

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>2019-11</u>
• Revenue Limit COLA	0.00%	0.00%	0.00%
• Total Adult Ed Revenue Limit	\$2,645.30	\$2,645.30	\$2,645.30
• ADA Cap Growth %	2.50%	2.50%	2.50%
• ADA Growth-San Jose USD	58	59	59
• ADA Growth-Campbell UHSD	<u>28</u>	<u>29</u>	<u>29</u>
Total ADA Growth	86	88	88
• Total ADA Cap-San Jose USD	2,358	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)	3,522	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 max	\$11,178	\$11,737	\$12,324
• No increases in salary other than step, column and longevity advancement			
• COLA applied to appropriate expenditures for 2009-10 and 2010-11			
• General expenditures for Superintendent and Central Office support have been direct charged to the ROC/P and Adult Education on a 65%/35% basis			

Fund 110 Revenues: There are no changes in this category from the 10/31/08 Board-approved budget update.

Fund 110 Expenditures: There are no changes in this category from the 10/31/08 Board-approved budget

Fund 110 Other Financing Sources/Uses: There are no changes in this category from the 10/31/08 Board-approved budget update.

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Fund 110 Fund Balance: There are no changes in this category from the 10/31/08 Board-approved budget update.

Fund 110 Multi-Year Projections: A major change in the multi-year projections from the adopted budget is the restored COLA deficits have been set aside for the possibility of state-imposed mid-year budget reductions. COLA adjustments for years 2009-10 and 2010-11 remain at zero. This is due to the state's budget crisis and the potential impact on funding for categorical programs. The following chart summarizes the main points of operation for the 1st Interim Budget and two projected years:

ADULT ED FUND - OPERATIONS	2008-2009	2009-2010	2010-2011
<i>Total Revenues:</i>	\$ 11,756,788	\$ 11,865,832	\$ 2,096,650
Total Expenditures	\$ 12,190,929	\$ 12,180,692	\$ 12,642,405
Net Revenues/Expenses	(\$ 434,141)	(\$ 314,860)	(\$ 545,755)
Other Sources (Uses)	\$ 137,335	\$ 137,335	\$ 137,335
<i>Change to Fund Balance</i>	(\$ 296,806)	(\$ 177,525)	(\$ 408,420)

Multi-Year Projection Fund Balances: The following chart details the projected fund balances for the 1st Interim Budget and two projected years:

ADULT ED FUND – FUND BALANCE	2008-2009	2009-2010	2010-2011
Reserved & Designated:			
General Reserve (4%)	\$ 487,637	\$ 487,228	\$ 505,696
Economic Uncertainty (6%)	\$ 731,456	\$ 730,842	\$ 758,544
Contingency for State Deficits	\$ 800,000	\$ 450,000	\$ 250,000
PERS Recapture Liability Reserve	\$ 302,000	\$ 302,000	\$ 302,000
<i>Total Reserves</i>	\$ 2,019,094	\$ 1,668,070	\$ 1,514,240
<i>Undesignated Fund Balance</i>	\$ 190,831	\$ 364,329	\$ 109,739
<i>Total Fund Balance</i>	\$ 2,511,924	\$ 2,334,399	\$ 1,925,979

Decreases to the fund balance are due to anticipated mid-year budget reduction adjustments and worsened economic climate. 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. Reserves are maintained at 6% for Economic Uncertainty, 4% General Reserve for cash flow and the PERS Recapture Liability.

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. 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.

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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).

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: There are no changes in this category from the 10/31/08 Board-approved budget update.

Fund 140 Expenditures: The following chart details the planned expenditures, by type of project, for the current and subsequent two fiscal years:

DEFERRED MAINTENANCE FUND	2008-2009	2009-2010	2010-2011
<i>Revenues:</i>			
State Funding	\$ 160,000	\$ 180,000	\$ 182,000
District Contribution	\$ 176,954	\$ 180,000	\$ 182,000
State Hardship Grant	\$ 641,835	\$ 0	\$ 0
Interest Income	\$ 20,000	\$ 22,000	\$ 23,000
<i>Total Income</i>	\$ 998,789	\$ 382,000	\$ 387,000
<i>Expenditures:</i>			
Floor Covering	\$ 0	\$ 0	\$ 0
Roofing Projects	\$ 0	\$ 100,000	\$ 100,000
Painting Projects	\$ 106,286	\$ 110,000	\$ 120,000
Paving Projects	\$ 50,000	\$ 50,000	\$ 50,000
Lighting Projects	\$ 0	\$ 100,000	\$ 100,000
Plumbing Projects	\$ 801,835	\$ 0	\$ 0
<i>Total Expenditures</i>	\$ 958,121	\$ 360,000	\$ 370,000
<i>Net Change to Fund Balance</i>	\$ 40,668	\$ 22,000	\$ 17,000
<i>Beginning Fund Balance</i>	\$ 415,531	\$ 456,199	\$ 478,199
<i>Ending Fund Balance</i>	\$ 456,199	\$ 478,199	\$ 495,199

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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 Projects is used to account for the accumulation of General Fund money for purposes other than capital outlay. This is a new fund authorized by the Governing Board in October 2006 to reserve mandated cost reimbursements pending audit by the State Controllers' Office (SCO). Also included under this fund is a transfer from the General Fund for the PERS recapture liability.

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: There are no changes in this category from the 10/31/08 Board-approved budget update.

Fund 170 Expenditures: There are no changes in this category from the 10/31/08 Board-approved budget update.

Fund 170 Other Financing Sources/Uses: There are no changes in this category from the 10/31/08 Board-approved budget update.

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 Capitol 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: There are no changes in this category from the 10/31/08 Board-approved budget update.

Fund 210 Expenditures: Included in the 1st Interim Report is detail of the proposed five year expenditure plan. The following chart shows detail, by class, for fiscal year 2007-08, the current budget year and two subsequent years:

ASSET MANAGEMENT FUND	2007-08 ACTUALS	2008-09 BUDGET	2009-10 PROJECTED	2010-11 PROJECTED
<i>Revenues:</i>				
Lease Revenue	\$ 271,439	\$ 270,000	\$ 270,000	\$ 270,000
Interest Income	\$ 29,319	\$ 35,000	\$ 36,000	\$ 38,000
<i>Total Revenues</i>	\$ 300,758	\$ 305,000	\$ 306,000	\$ 308,000

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ASSET MANAGEMENT FUND	2007-08 ACTUALS	2008-09 BUDGET	2009-10 PROJECTED	2010-11 PROJECTED
<i>Expenditures:</i>				
Culinary Arts	\$ 10,017	\$ 0	\$ 0	\$ 0
Baking and Catering	\$ 5,762	\$ 0	\$ 0	\$ 0
Probation & Legal Careers	\$ 0	\$ 0	\$ 0	\$ 0
Veterinary Assistant	\$ 12,106	\$ 0	\$ 0	\$ 0
Fire Science	\$ 94,589	\$ 0	\$ 0	\$ 0
EMT	\$ 36,638	\$ 0	\$ 0	\$ 0
Bldg. 700 Renovations	\$ 3,114	\$ 0	\$ 0	\$ 0
Prop1 D equipment Grant	\$ 0	\$ 290,462	\$ 290,462	\$ 290,462
Equipment	\$ 0	\$ 100,000	\$ 0	\$ 0
Health & Safety	\$ 0	\$ 50,000	\$ 50,000	\$ 50,000
3% District Management Fee	\$ 10,627	\$ 10,495	\$ 10,495	\$ 10,495
<i>Total Expenditures</i>	\$ 172,853	\$ 450,957	\$ 350,957	\$ 350,957
<i>Beginning Fund Balance</i>	\$ 536,234	\$ 664,139	\$ 518,182	\$ 473,225
<i>Ending Fund Balance</i>	\$ 664,139	\$ 518,182	\$ 473,225	\$ 430,228

The \$50,000 health and 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 revert back to the fund balance at the end of each year. The fund maintains a minimum \$250,000 reserve, as required by 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 ROC/P and Adult Education Funds. Monies in this fund are kept separate in their own Resource codes. Amounts are appropriated for expenditures as projects are planned and executed.

The facilities on the CCOC campus are showing considerable wear as they near 40 years in age, and are in need of modernization. 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 Adult Ed Del Mar site.

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: There are no changes in this category from the 10/31/08 Board-approved budget update.

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Fund 400 Expenditures: There are no changes in this category from the 10/31/08 Board-approved budget update.

Fund 400 Other Financing Sources/Uses: There are no changes in this category from the 10/31/08 Board-approved budget update.

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

CAPITAL OUTLAY FUND	CCOC	ADULT ED SAN JOSE	ADULT ED CAMPBELL
Revenues:			
Interest Earnings	\$ 320,000	\$ 30,000	\$ 5,000
Transfers In – Capital Outlay	\$ 0	\$ 0	\$ 0
Total Sources Available	\$ 320,000	\$ 30,000	\$ 5,000
Expenditures:			
Capital Outlay Projects	\$ 180,500	\$ 800,000	\$ 575,000
Debt Service	\$ 19,500	\$ 0	\$ 0
Total Expenditures	\$ 200,000	\$ 800,000	\$ 575,000
Net Change to Fund Balance	\$ 120,000	(\$ 770,000)	(\$ 570,000)
Beginning Fund Balance	\$ 8,172,185	\$ 1,737,576	\$ 736,138
Ending Fund Balance	\$ 8,292,185	\$ 957,576	\$ 166,138

Fund 400 Ending Fund Balance: Included in the Fund 400 fund balance for CCOC is \$697,865 which is held on deposit by a trustee for repayment of a \$1 million QZAB. The balance of the funds in the CCOC Resource Code is designated for the match for Proposition 1D facility modernization grants.