Metropolitan Education District

First Interim Financial Report

December 9, 2009

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 11/18/09 the Legislative Analyst's Office (LAO) released its annual long-term forecast of the economy, the State Budget, and Proposition 98. The LAO forecast a budget shortfall of almost $21 billion for the balance of this year and 2010-11. The LAO projections show a $6.3 billion projected deficit for the current year, 2009-10, and a $14.4 billion gap between projected revenues and spending in 2010-11. The report, *The 2010-11 Budget: California's Fiscal Outlook*, provides more details on the economic outlook and a program-by-program review of the State Budget.

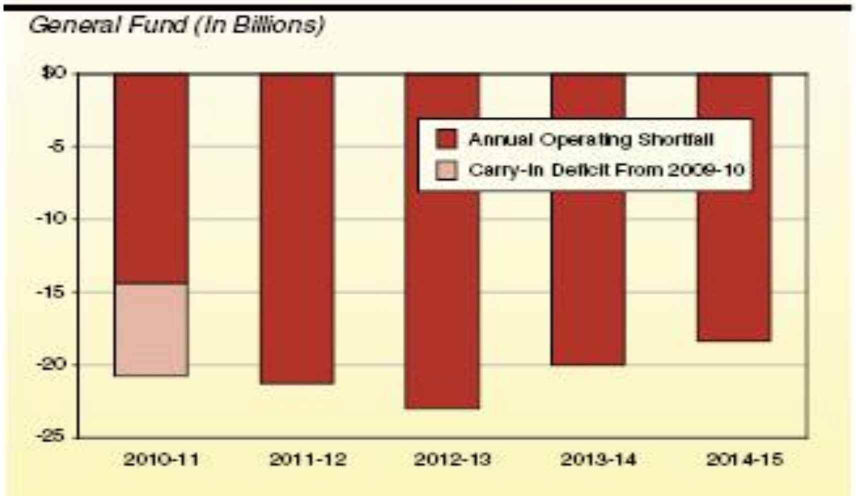
Some of the key points in the Executive Summary include the following:

- Failed Budget Solutions Responsible for Newly Identified Budget Problem:
  The current year budget problems can be attributed to the state's inability to implement several major solutions in the July 2009 budget plan, such as: the

inability of several programs-in particular, the prison system and MediCal, to collectively achieve billions of dollars of spending reductions; the inability of the state to sell the State Compensation Insurance Fund (SCIF) for the budgeted $1 billion in 2009-10; the state's loss of a court case that makes the General Fund unable to benefit from over $800 million in transportation funds in 2009-10, and; a nearly $1 billion increase in the Proposition 98 funding guarantee for K-14 education in 2009-10.

- Ongoing Annual Budget Problems Around $20 Billion:
  The forecast assumes no COLAs and no salary increases for state employees through 2014-15; school funding will be at the Proposition 98 minimum guarantee; school districts will be affected by the loss of billions of dollars of federal stimulus funding over the next two years, and; operating deficits will be around $20 billion each year, as shown in the following graphic

Figure 2
Huge Operating Shortfalls Projected Throughout Forecast Period



- No Way That California Can Avoid Reprioritizing Its Finances:
  Some of the state's budget deficit solutions were based on temporary taxes, that are scheduled to expire. The scale of the state's deficits is so enormous that the state must reprioritize its finances; major state spending programs will have to be significantly reduced and new revenues will be necessary to address the structural deficit.

- A Multi-year Approach is Needed:
  During the last two budget years, California has approached insolvency and, in some cases, unable to meet its obligations in a timely manner. The legislature and Governor must develop a sustainable framework for California's finances if it is to avoid these problems and restore public confidence in state government.

Governor Schwarzenegger has stated that resolution to the current $21 billion budget shortfall will have to be shared by all segments of the state budget, including education, and that tax increases are off the table. The Governor's budget proposal for 2010-11, including any adjustments for 2009-10, are expected in mid-January 1010.

The Funding Model for ROCP and Adult Education

For 2009-10 and the next three years, funding for Regional Occupational Centers/Programs (ROCPs) and Adult Education will be 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.

Apportionment Deferrals & Reserves for Cash Flow

The State of California has a serious problem with its cash flow. To help solve the problem, apportionments for school districts are being "deferred." The February 2009 apportionment is deferred to July 2009. The June 2009 apportionment is deferred to July 2009, and the July/August apportionments are deferred to October 2009. MetroED has taken steps to provide a minimum 10% 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 use its Capital Outlay Proposition 1D match reserves as well to help cover the cash shortfalls.

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% 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 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 in the District Special Reserve Fund 170 for both the General and Adult Education funds.

Contingency Reserves for State Deficits

In response to the state budget crisis MetroED has reserved $833,105 in the General Fund and $148,889 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 the declining revenues from the state.

Employee Salaries and Benefits

The 2009-10 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 has not settled with its CTA and CSEA bargaining units for 2008-09. Bargaining with the District's three units for 2009-10 is in the early stages. The District is anticipating no salary increases for COLA for 2008-09, 2009-10 and the two subsequent years.

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:

- 2007-08 Actuals
- 2008-09 Actuals
- 2009-10 Budget, 1st Interim Report
- 2010-11 Projected
- 2011-12 Projected

There is one exception to the Dartboard projections. The Dartboard includes a COLA increase for revenue limits for 2010-11 and 2011-12. However, the District is projecting a more realistic zero COLA due to the state's continuing budget deficits.

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)

General Fund - 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.

General Fund - 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 board required 10% in reserves, and will end the year with a positive cash balance. While state revenue limit funding is now a fixed amount, MetroED continues to calculate revenue limit and ADA for internal purposes.

General Fund – Assumptions:

FUND 010 ASSUMPTIONS	2009-10	2010-11	2011-12
Revenue Limit COLA	0.00%	0.00%	0.00%
Revenue Limit Reduction	0.00%	0.00%	0.00%
Total ROCP Revenue Limit	$2,808.26	$2,808.26	$2,808.26
Total Projected ADA Cap	4,155.57	4,155.57	4,155.57
Reserve-Economic Uncertainty	6.00%	6.00%	6.00%
General Reserve for Cash Flow	4.00%	4.00%	4.00%
Employer Paid Benefits Increase	5.00%	5.00%	5.00%
Employer Paid Benefits Maximum	$11,737	$12,324	$12,940
Salary Increase COLA	0.00%	0.00%	0.00%
Central Office/Overhead Charge	35%	35%	35%

General Fund - Revenues: Major adjustments from the 9/30/09 budget update include: a $335,229 revenue increase for the state Deferred Maintenance apportionment which, under state flexibility rules, is now apportioned through the general fund instead of the Deferred Maintenance Fund; two apportionment increases ($359,323, $62,690) due to reclassification of an apportionment accrual from 2008-09 to 2009-10 via an audit adjustment (the District was advised by the state of this accounting change after the district had closed its books for 2008-09), and; a local revenue increase of $264,026 due to a one-time transfer of CCOC Revolving Funds into the QSS accounting system. There are also a number of reductions in local programs that are not generating revenues at the budgeted levels.

General Fund - Expenditures: Major changes from the 9/30/09 budget include: increase of the grant funded Business Partnership position from .5 FTE to 1.0 - $50,349. The rest of the changes are small in nature. See *Monthly Budget Adjustments-1st Interim Report* for detail of changes.

General Fund - Other Financing Sources/Uses: Transfers Out increased $172,315 to the Deferred Maintenance Fund. This reflects the change in processing for Deferred Maintenance apportionments during the flex period, with the apportionment being processed through the General Fund rather than directly to the Deferred Maintenance Fund.

General Fund - Fund Balance: A major adjustment is to the Legally Restricted Balances account with an increase of $529,133. This is composed of funds that have been restricted as to their purpose either by the state or by the MetroED Governing Board. The Contingency for State Deficits is increased $230,282 as precaution for expected additional state budget cuts in 2010-11. Other Designations is reduced $517,040 as these funds were moved to the Legally Restricted Balances account.

General Fund - Multi-Year Projections: A major change in the multi-year projections from the adopted budget is the elimination of COLA adjustments for the 2010-11 and 2011-12 fiscal years. This is due to the state's budget crisis and the potential impact on funding for categorical programs. 2010-2012 show deficit spending, however, there are sufficient reserves to cover these deficits. The following chart summarizes the high points of operations for the 1st Interim Budget and two projected years:

GENERAL FUND - OPERATIONS	2009-2010	2010-2011	2011-2012
Total Revenues	14,950,310	14,177,130	14,171,548
Total Expenditures	14,318,169	13,877,891	13,973,363
Net Revenues/Expenses	632,142	299,238	198,185
Other Sources (Uses)	(462,448)	(462,448)	(456,257)
Change to Fund Balance	**169,693**	**(163,210)**	**(258,072)**

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	2009-2010	2010-2011	2011-2012
Reserved & Designated:			
Revolving Fund, Prepaid	20,000	20,000	20,000
General Reserve (4%)	591,513	573,902	577,618
Legally Restricted Balances	529,133	252,839	252,839
Economic Uncertainty (6%)	887,269	860,852	866,426
Contingency for State Deficits	833,105	990,218	722,856
Other Designations	0	0	0
Total Reserves	**2,861,020**	**2,697,811**	**2,439,739**
Undesignated Fund Balance	**0**	**0**	**0**
Total Fund Balance	**2,861,020**	**2,697,811**	**2,439,739**

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 a minimum of 10% (6% for Economic Uncertainty, 4% General Reserve).

Contingencies for state deficits: Funds are reserved in the current and two subsequent years as contingencies for state deficits. These will be used depending on further cuts from the adoption of the 2010-11 state budget.

Legally Restricted Balances: These represent programs (local, state and federal) that are restricted in terms of their use. The 2009-10 balance includes approximately half of the SFSF funds ($276,680) received in 2009-10, to be used in 2010-11 and $185,562 locally restricted funds dedicated to assist CCOC students to participate in state and national competitions.

Fund 110: Adult Education

Adult Ed Fund - 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.

Adult Ed Fund - 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 (6% Reserve for Economic Uncertainty and 4% General Reserve), and will end the year with a positive cash balance. While state revenue limit funding is now a fixed amount, MetroED continues to calculate revenue limit and ADA for internal purposes.

Adult Ed Fund - Budget Assumptions:

FUND 011 ASSUMPTIONS	2009-10	2010-11	2011-12
Revenue Limit COLA	0.00%	0.00%	0.00%
Revenue Limit Reduction	(4.46%)	0.00%	0.00%
Total Adult Ed Revenue Limit	$2,138.62	$2,138.62	$2,138.62
ADA CAP Growth	0.00%	0.00%	0.00%
Total ADA CAP-San Jose USD	2,301.39	2,301.39	2,301.39
Total ADA CAP-Campbell UHSD	1,135.55	1,135.55	1,135.55
Total District ADA CAP	3,436.94	3,436.94	3,436.94
Reserve-Economic Uncertainty	6.00%	6.00%	6.00%
General Reserve for Cash Flow	4.00%	4.00%	4.00%
Employer Paid Benefits Increase	5.00%	5.00%	5.00%
Employer Paid Benefits Maximum	$11,737	$12,324	$12,940
Salary Increase COLA	0.00%	0.00%	0.00%
Central Office/Overhead Charge	35%	35%	35%

Adult Ed Fund - Revenues: Major adjustments include: an $82,500 increase from a new Santa Clara County Works (CalWORKs) grant; a $157,564 increase due to reclassification of an apportionment accrual from 2008-09 to 2009-10 via an audit adjustment (the District was advised by the state of this accounting change after the district had closed its books for 2008-09); reduction in projected revenue limit due to a recalculation based on 2007-08 as the base year (less 20%). There are no changes in this category from the 9/30/09 Board approved budget update.

Adult Ed Fund - Expenditures: Major expenditure adjustments include: inclusion of expenditures related to the SSC Works grant and reductions totaling $190,154 to various expenditure accounts to offset the reduced revenue limit income.

Adult Ed Fund - Other Financing Sources/Uses: There is a minor increase in transfers in as an adjustment for projected lottery revenue.

Adult Ed Fund - Fund Balance: There is an audit adjustment of a negative $157,564 to the fund balance due to reclassification of an apportionment accrual from 2008-09 to 2009-10. This negative adjustment is offset by an increase of the same amount in the Other Local Revenues account. The net effect is zero. There is a decrease in Contingency for State Deficits to offset the reduced state revenue limit calculation.

Adult Ed Fund - Multi-Year Projections: The major changes in the multi-year projections from the adopted budget include: elimination of revenue limit COLA from 2010-11 and 2011-12 and a $410,000 reduction in projected teacher hourly wages. This reflects a reduction in program instructional hours to offset the recalculated reduction in projected state revenue limit income.

ADULT ED FUND - OPERATIONS	**2009-2010**	**2010-2011**	**2011-2012**
Total Revenues	10,377,241	10,140,577	10,113,077
Total Expenditures	10,591,898	10,266,385	10,373,949
Net Revenues/Expenses	(214,657)	(125,808)	(260,872)
Other Sources (Uses)	142,806	142,806	140,233
Change to Fund Balance	**(71,851)**	**16,998**	**(120,639)**

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	**2009-1009**	**2010-2011**	**2011-2012**
Reserved & Designated:			
General Reserve (4%)	423,676	410,655	414,958
Economic Uncertainty (6%)	635,514	615,983	622,437
Contingency for State Deficits	148,889	198,439	67,043
Total Reserves	**1,208,079**	**1,225,077**	**1,104,438**
Undesignated Fund Balance	**0**	**0**	**0**
Total Fund Balance	**1,208,079**	**1,225,077**	**1,104,438**

There is no provision made for employee 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 10% (6% for Economic Uncertainty and 4% General Reserve).

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. Consequently, grant funds should be considered "soft money" in term of commitments to long term expenditures.

Fund 140: Deferred Maintenance

Deferred Maintenance Fund - 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 primarily at the Central County Occupational Center (CCOC), as approved under the 5-year Deferred Maintenance plan approved by the Office of Public School Construction (OPSC). Under the state's budget flexibility provisions, the requirement for a board-approved 5-year Deferred Maintenance plan has been suspended. However, MetroED has chosen to voluntarily continue with the 5-year plan. Deferred Maintenance apportionments are considered by the state to be General Fund, unrestricted. The District has also chosen to continue to generally fund Deferred Maintenance as it has in the past.

Deferred Maintenance Fund - 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.

Deferred Maintenance Fund – Revenues/Transfers In: The major change to this fund is a $315,840 reduction on of the state apportionment, since this now will pass through the General Fund to the Deferred Maintenance Fund. Transfers In are increased $166,844 to reflect the transfer of the state annual funding from the General Fund.

Deferred Maintenance Fund – Expenditures/Transfers Out: There is a $399,404 reduction in the project budgets, primarily from moving the unspent balance of the sewer line replacement project to 2010-11, when the expenditures are expected to occur. Transfers Out is reduced $168,914. This was the projected 1/5th state funding for the sewer line replacement project that was going to pass through Deferred Maintenance to the Capital Outlay Fund 400 as match for Prop 1D projects. Since the match has now been made through other means, these 1/5th payments to be made by the state will remain in the General Fund to replace the funds that were advanced to the Deferred Maintenance Fund to cover the sewer line project costs. The following chart details the planned expenditures, by type of project, for the current and subsequent two fiscal years:

Deferred Maintenance Fund 140	**2009-10 Budget**	**2010-11 Projected**	**2011-12 Projected**
Revenues:			
State Regular DM Funding	166,844	166,844	166,844
State Extreme Hardship Funding	0	0	0
District Match Contribution	160,000	160,000	160,000
Interest Income	8,000	8,000	8,000
Total Income	**334,844**	**334,844**	**334,844**

Deferred Maintenance Fund	**2009-10 Budget**	**2010-11 Projected**	**2011-12 Projected**
Expenditures:			
Classroom Lighting	50,000	50,000	50,000
Electrical Projects	50,000	50,000	50,000
Floor Covering	20,000	20,000	20,000
HVAC	0	0	0
Painting Projects	96,540	97,409	97,409
Paving Projects	100,000	50,000	50,000
Plumbing Projects	20,000	20,000	20,000
Sewer Line Replacement	226,000	250,000	0
Classroom Lighting Projects	100,000	50,000	50,000
Roofing Projects	20,000	20,000	20,000
Wall Systems	20,000	20,000	20,000
Other Miscellaneous Projects	150,000	100,000	
Total Expenditures	**852,540**	**727,409**	**377,409**
Fund Balance:			
Beginning Fund Balance	***1,066,854***	***549,158***	***156,593***
Ending Fund Balance	***549,158***	***156,593***	***114,028***

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

Special Reserve Fund - Purpose: The Special Reserve Fund for Other Than Capital Outlay Projects accounts for the accumulation of General Fund money for purposes other than capital outlay. Included in this fund are Mandated Cost reserves pending state audit, reserves for future legal costs and reserves for the PERS recapture liability.

Special Reserve Fund - 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.

Special Reserve Fund - Revenues: There are no changes in this category from the 9/30/09 Board approved budget update.

Special Reserve Fund - Expenditures: There are no changes in this category from the 9/30/09 Board approved budget update.

Special Reserve Fund - Other Financing Sources/Uses: There are no changes in this category from the 9/30/09 Board approved budget update.

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Fund 210: Building Fund-Asset Management

Asset Management Fund - Purpose: This is otherwise known as the 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.

Asset Management Fund - 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.

Asset Management Fund – Revenues/Transfers In: Revenues are decreased $86,926 to reflect a negotiated 33% reduction in lease revenues from the Capitol Auto Mall LLC (the auto dealers) due to vacancies in the Capital Auto Mall project.

Asset Management Fund – Expenditures/Transfers Out: The Board-authorized $50,000 for a health and safety budget is added, and there are additional internal transfers. The 3% transfer to the General Fund for the annual administration fee is reduced $3,293 to reflect the reduced fund revenues. The following chart shows detail, by class, for current budget year and two subsequent years:

ASSET MANAGEMENT FUND 210	**2009-10 BUDGET**	**2010-11 PROJECTED**	**2011-12 PROJECTED**
Revenues:			
Lease Revenue	183,074	183,074	280,077
Interest Income	18,000	10,000	5,000
Total Revenues	**201,074**	**193,074**	**285,077**

ASSET MANAGEMENT FUND	**2009-10 BUDGET**	**2010-11 PROJECTED**	**2011-12 PROJECTED**
Expenditures:			
Prop 1D – Bldg 200 Equipment (Res: 9508)	67,723	0	0
Prop 1D – Bldg 300 Equipment (Res: 9509)	29,168	0	0
Prop 1D – Bldg 800 Equipment (Res: 9510)	53,677	0	0
Prop 1D – Bldg 100 Equipment (Res: 9511)	102,620	0	0
Prop 1D – Bldg 500/600 Equip (Res: 9515)	388,867	0	0
Other Classroom Equipment Upgrades	0	250,000	250,000
Health & Safety	50,000	50,000	50,000
3% District Management Fee	7,202	7,202	10,820
Total Expenditures	**699,257**	**307,272**	**310,820**
Beginning Fund Balance	**943,674**	**445,491**	**331,293**
Ending Fund Balance	**445,491**	**331,293**	**315,550**

The $50,000 health and safety budget is 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 350: County School Facilities Funds

County School Facilities Fund - 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 are released when the District submits the funding request after Division of State Architect's approval.

County School Facilities Fund - 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.

County School Facilities Fund - Revenues: All revenues are either interest earnings or State Proposition 1D grants.

County School Facilities Fund - Expenditures: Estimated expenditures 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 or Asset Management Fund 210.

County School Facilities Fund 350	2009-10 Budget	2010-11 Projected	2011-12 Projected
Revenues:			
Interest Earnings	40,000	20,000	10,000
Prop 1D Grants	3,876,471	2,699,737	2,931,309
Total Sources Available	**3,916,471**	**2,719,737**	**2,941,309**
Expenditures:			
Prop 1D: Bldg 300 (40360-00-01, Res: 9501)	1,478,151	0	0
Prop 1D: Bldg 800 (40360-00-02, Res: 9502)	952,534	0	0
Prop 1D: Bldg 200 (40360-00-03, Res: 9503)	15,129	265,509	0
Prop 1D: Bldg 100 (40360-00-04, Res: 9504)	153,465	0	1,251,330
Prop 1D: Bldg 100 (40360-00-05, Res: 9505)	23,266	0	240,046
Prop 1D: Bldg 200 (40360-00-06, Res: 9506)	138,692	1,020,936	128,848
Prop 1D: Bldg 600 (40360-00-07, Res: 9507)	153,331	0	1,250,227
Prop 1D: Bldg 700 (40360-00-12, Res: 9512)	79,062	840,745	
Prop 1D: Bldg 300 (40360-00-13, Res: 9513)	461,040	200,000	0
Prop 1D: Bldg 100 (40360-00-14, Res: 9514)	52,394	427,211	
Prop 1D-Equipment (Res: 9508,9,10,11,15)	643,119	0	0
Total Expenditures	**4,151,869**	**2,754,401**	**2,870,451**
Fund Balance:			
Beginning Fund Balance	**271,611**	**36,213**	**1,549**
Ending Fund Balance	**36,213**	**1,549**	**72,407**

Fund 400: Special Reserve Fund for Capital Outlay

Capital Outlay Fund - 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. 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. MetroED, as a ROCP JPA, has been approved for $9,776,719 in Proposition 1D grants for equipment, facility modernization and program reconfiguration. The District has been saving for the required Proposition 1D grant matches in this fund. All matches have been made, except for $618,874. However, project bids are coming about 20% lower than estimated, so the match can be made with funds already transferred into Fund 400. The Adult Education facilities on the Hillsdale campus (MC Village) are being replaced this year.

Capital Outlay Fund - 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.

Capital Outlay Fund – Revenues/Transfers In: $168,385 transfer in from the Deferred Maintenance Fund for additional Prop 1D match is eliminated. Prop 1D match will be made from existing match dollars, as project bids are coming in lower than expected.

Capital Outlay Fund – Expenditures/Transfers Out: Changes to this category to reflect changes to Capital Projects scheduling.

The following chart summarizes the Capital Outlay Fund budget for 2009-10:

CAPITAL OUTLAY FUND	CCOC	ADULT ED SAN JOSE	ADULT ED CAMPBELL
Revenues:			
Interest Earnings	120,000	5,000	1,000
Transfers In – Capital Outlay	0	0	0
Total Sources Available	**120,000**	**5,000**	**1,000**
Expenditures:			
Capital Outlay Projects	3,057,321	1,288,968	2,086
Debt Service	20,000	0	0
Total Expenditures	**3,077,321**	**1,288,968**	**2,086**
Net Change to Fund Balance	**(2,957,321)**	**(1,283,968)**	**(1,086)**
Beginning Fund Balance	**8,524,917**	**1,598,869**	**155,719**
Ending Fund Balance	**5,567,596**	**359,901**	**154,633**

Capital Outlay Fund - Ending Fund Balance: Included in the Fund 400 fund balance for CCOC is $730,024 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.