

Metropolitan Education District

First Interim Report
December 9, 2009




Purpose of Interim Reports

- Formal review of current year budget status
- Multi-Year Analysis of projected revenues, expenditures and fund balances
- Determination of the adequacy of fund balances at the end of the current & 2 subsequent fiscal years
- Determination of the adequacy of cash balances at the end of the current and 2 subsequent fiscal years
- Identification of contingent liabilities, & resources to service those liabilities
- Board Certification of Financial Condition

Interim Financial Reports

- Two Interim Reporting Periods
 - October 31 Actuals (1st Interim)
 - January 31 Actuals (2nd Interim)
- Board Certification Required

➤ Positive 

➤ Qualified 

➤ Negative 



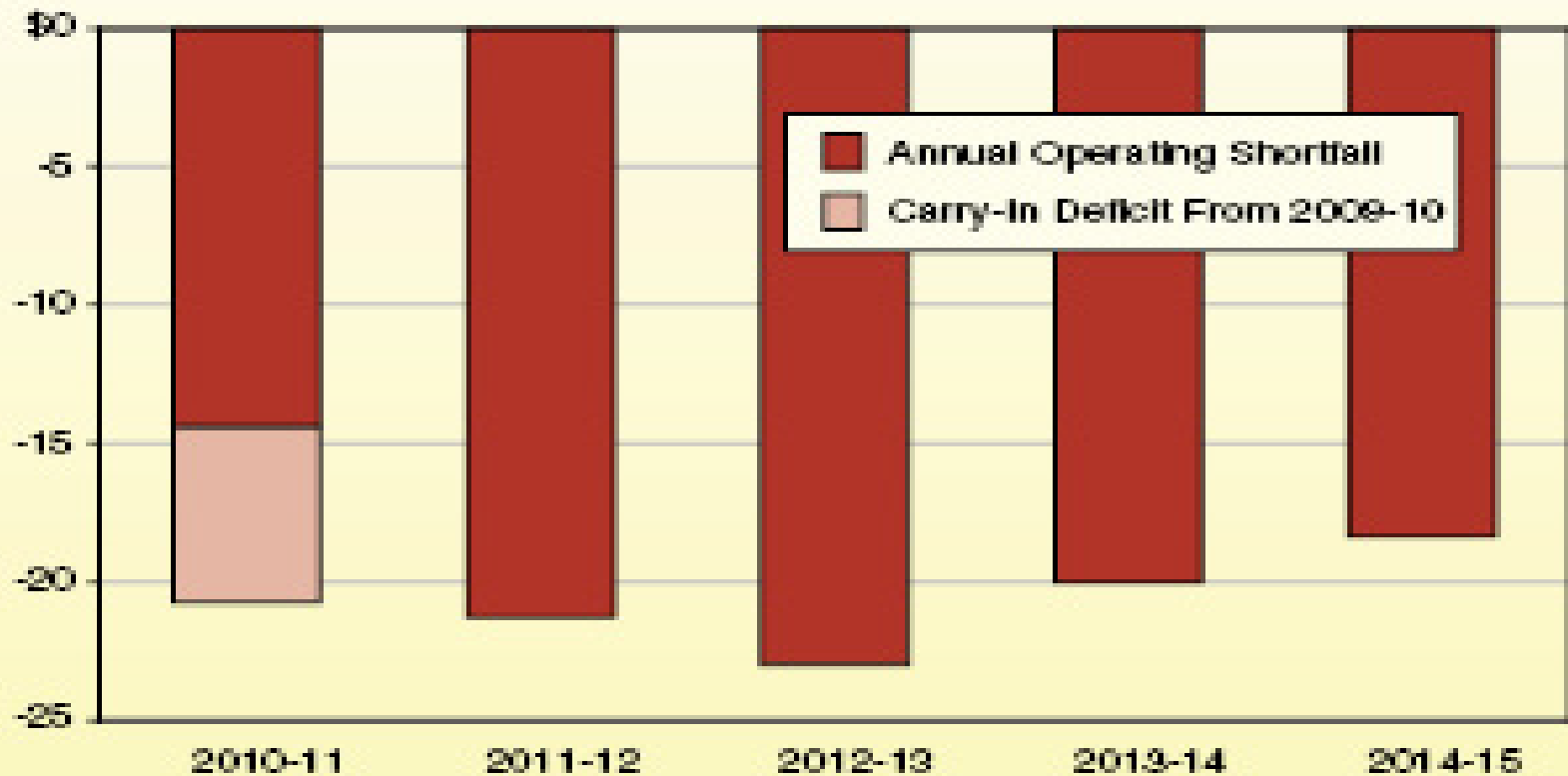
LAO State Budget Outlook

- End of California recession in 2009
- Recovery in 2010 and 2011, same as national
- State revenues are basically on track
- State structural budget problems persist
- \$21 billion shortfall for 2009-10 and 2010-11
 - ✓ \$6.3 billion current year shortfall
 - ✓ \$14.4 billion shortfall for 2010-11
- Failed solutions account for most of problems
 - ✓ Prison system & medical failed to achieve cost reductions
 - ✓ Failure of state to sell Workers Comp Ins. Fund
 - ✓ State loss of court case to transfer transportation funds
 - ✓ \$1 billion increase in Prop 98 funding guarantee
- California must reprioritize its finances to avoid annual deficits, potential cash problems & bankruptcy

Figure 2

Huge Operating Shortfalls Projected Throughout Forecast Period

General Fund (In Billions)



California Must Dig Itself Out





Arnold Schwarzenegger

“The people’s governor”

"I think that there will be across-the-board cuts again. I mean, we are not going to go and pick and choose. I think that we always have to go and cut across the board"

The Problem:

- Vast majority of the budget problems caused by failure of cuts to other segments of the budget
- Cuts to Education were actual
- Now, again, cuts must be across the board
- \$10 analogy...\$10-\$10, \$5-\$5

Highlights of Major Changes from Sept. Budget Update

- **(\$422,013)** negative audit adjustments to the General Fund, **(\$157,564)** to the Adult Ed fund & **(\$168,914)** to the DM- fund balances, offset by corresponding revenue increases; net effect of zero. Caused by state revenue deferrals..last year to this year.
- **\$166,684** state annual deferred maintenance apportionment processed through the General Fund instead of directly to the Def. Maint. Fund
- **\$168,385** SAB 1/5 payment for sewer project was going to be transferred from DM to Capital Outlay for final Prop 1D match. Now will remain in Gen. Fund. Match met from bid savings.
- **\$56,789** new GF revenue, new SB 70 grant, pays for full time Business Partnerships Coordinator (Greg Cabrera)

Highlights of Major Changes from Sept. Budget Update

- **\$264,026** CCOC revolving fund balances transferred to General Fund (1x transfer), for increased transparency
- **\$529,133** transferred to General Fund Legally Restricted Balances (federal, state & local restricted)
 - **\$185,562** student competition endowment-Board designated
 - **\$276,294** ½ of SFSF funds reserved for 2010-11
 - **\$24,108** local reserve for Voc/Ed LVN program
 - **\$43,169** balance of professional development block grant
- **(\$99,000)** reduction in Gen Fund class fees, interest, cafeteria revenue (based on projections of actual receipts)
- **(\$86,926)** reduction in Asset Management Fund revenue due to the 24 month lease reduction amendment with Cap Mall LLC

Highlights of Major Changes from Sept. Budget Update

- No adjustments to scholarship fund; not an allowed fund for JPAs (county approves-state disapproves)
- Multi-Year Projections:
 - SSC COLA projections (0.9%, 2.4%) removed from assumptions
 - Adult Ed will need to reduce instructional hours \$410,000 in 2010-11
 - \$168,385 DM transfers to Cap. Outlay, Prop 1D match eliminated, retained in the General Fund

Reserves for uncertainties, cash flow & potential liabilities

<u>Fund Balances</u>	<u>Gen. Fund</u>	<u>Adult Ed</u>	<u>Spec Res</u>
Revolving Cash Reserve	\$ 20,000	\$ 0	\$ 0
Restricted Balances	\$ 529,133	\$ 0	\$ 0
General Reserve (4%)	\$ 591,513	\$ 423,676	\$ 0
Economic Uncertainty	\$ 887,269	\$ 635,514	\$ 0
Contingency-State Deficits	\$ 833,105	\$ 148,889	\$ 0
PERS Recapture Liability Res	\$ 0	\$ 0	\$ 710,620
Mandated Cost Audit Res	\$ 0	\$ 0	\$ 93,946
Reserves for Legal Costs	\$ 0	\$ 0	\$ 162,000
Undesignated Fund Balance	\$ 0	\$ 0	\$ 0
Total Fund Balances	\$2,861,020	\$1,208,079	\$ 966,566

Unknowns & Surprises

- 2009-10 state mid-year cuts to education
- 2010-11 cuts to the education budget
- LG-Saratoga stopping JPA funding, 2010-11
- Campbell “take-back” of Adult Education
- Additional SFSF funding
- Excess Property Taxes: if and how much
 - ✓ Don't need for match
 - ✓ Possible distribution to participating districts
- New funding model for 2010-11



Given the Assumptions- The Financial Standards are Met

- ✓ All Funds will meet their financial obligations for the current & subsequent 2 fiscal years
- ✓ All funds will end the year with positive cash balances
- ✓ General and Adult funds will maintain at least a 5% required reserve for economic uncertainty. Board policy requires 10% reserves for cash flow
 - ✓ 6% Reserve for Economic Uncertainty
 - ✓ 4% General Reserve for Cash Flow



Recommendation

- ✓ The Governing Board accept the 1st Interim Report and Instruct the Board President to submit a positive certification to the County Superintendent of Schools for all funds

