

Metropolitan Education District
Adopted Budget, Fiscal Year 2010-2011
June 30, 2010

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 2010-2011 "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 in the following three statements:

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

Overview of the Governor's 2010-11 Budget and May Revise

The Governor's January budget proposal highlighted a \$19.9 billion projected two-year shortfall for the California budget, with \$6.3 billion in the current year and \$13.3 billion for the 2010-2011 budget year. With legislative stalemates in Sacramento, reduced expectations for federal funding and revised revenue projections, the budget gap for the Governor's May Revision had been reduced by only \$0.8 billion to \$19.1 billion.

The Governor proposes to close this gap without raising taxes using...

- \$12.4 billion in cuts
- \$3.4 billion in additional federal funds
- \$3.4 billion in borrowing fund shifts, asset sales and surcharges

The few programs proposed for increases include state parks (\$140 million), Cal Grants (\$46 million) and restoration of cuts to UC and CSU enrollment growth (\$112 million).

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The major proposed cuts include the following:

- \$ 1.1 billion in savings from the elimination of CalWORKS
- \$637 million from cuts to the In-Home Support Services for the disabled.
- \$750 million in savings from Medi-Cal
- \$244 million in savings from transferring state prisoners to county jails
- \$602 million in savings from reduced county mental health services

Base revenue limit (BRL) funding for public education under the May Revision would receive the following adjustments:

- Funding for growth and a “fully funded” statutory cost-of-living adjustment (COLA) of -0.39%, essentially unchanged from the -0.38% estimate in January.
- No change in the deficit factor from the Governor’s January Budget Proposal
 - 18.355% for K-12 school districts
 - 8.621% for county offices of education (COEs)
 - To implement the \$1.5 billion cut to revenue limits, the DOF, in early May, was considering a 3.85% reduction to each district’s undeficitated revenue limit, but had not made a final decision.

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.

State Budget Impacts on MetroED

The major impact of the Governor’s May Revision on the Metropolitan Education District is the proposed elimination of the CalWORKS program, which could result in a revenue loss to the Metropolitan Adult Education Program of nearly \$1.0 million. This would be in addition to loss of revenue from the transfer of the Campbell Adult Education program to the Campbell Union High School District, as discussed below.

The only other proposed impact to MetroED funding for the 2010-2011 budget year will come from the negative COLA of -0.38 percent. This amounts to \$9.44 per ADA (\$39,233) for the General Fund/ROCP funding, and \$8.64 per ADA (\$19,886) for Adult Education Funding. All major MetroED funding sources (Adult Education, ROCP and Deferred Maintenance) are included in the Tier III flexibility.

Funding from federal sources is not affected by either the reductions or the continuing flexibility provisions of the Tier III programs though 2012-13.

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.

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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 cash flow. The new K-12 apportionment deferrals in the 2010-11 are projected to be much bigger, however, the actual impact is yet unknown. The June deferral has been in place since 2002-2003. Additionally, the 2009-2010 Revised Enacted Budget defers an additional \$1 billion from November to January. ABX4 changed the principal apportionment schedule deferring 56% of 2009-2010 P-2 apportionment to 2010-11. The proposal is to allow the deferrals to grow to \$2.5 billion. 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 borrow funds from its Capital Outlay Proposition 1D match reserves 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 all General and Adult Education fund balances that are not otherwise reserved as "Contingency for State Deficits." The plan is for these contingency reserves to be used during the budget and projected three years to off-set the declining revenues from the state.

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Transition of the Campbell Adult Education Program

The major impact on MetroED's budget for the 2010-2011 school year is the transfer of the Campbell Adult Education program to the Campbell Union High School District effective July 1, 2010. This decision was made by the CUHSD Governing Board at its meeting of December 10, 2009. Consequently, as of July 1, 2010 the Metropolitan Adult Education Program (MAEP) will no longer offer adult education programs/services in the CUHSD service area.

The Campbell Adult Education program represents approximately 1/3 of the Metropolitan Adult Education Program. The San Jose Adult Education program represents the other 2/3. CUHSD's share of the fund balances and reserves related to the Metropolitan Adult Education Program ("MAEP") are proportionate to the state imposed Average Daily Attendance ("ADA") CAP. CUHSD's proportionate share is 33.04%.

Revenue losses for the MAEP Program for the 2010-2011 school year total approximately \$2.9 million. While the Campbell decision significantly impacts the Adult Education Program and its funding, the ROC/P programs are also affected by related reductions in district-provided services and support.

Employee Reductions and Reassignments

On 3/10/10 the MetroED Governing Board approved resolutions to eliminate the equivalent of 28.8 FTE certificated teacher positions, 4.69 FTE administrative positions and 16.2 FTE classified positions. Layoff notices were issued to the individual employees and the District initiated the bumping process. As of June 1, a total of 41.48 FTE MetroED positions were scheduled to be eliminated. All Adult Ed temporary teachers were issued letters releasing them from their assignment effective 6/30/10. Permanent Adult Ed teachers were reassigned, accepted the layoff or reduced hours.

Key Changes to General and Adult Education Funds

General Fund Budget:

- Transition of 2.0 FTE career/tech classes at San Jose Job Corps to Job Corps funding
- Continuation of 2.0 FTE CCOC teaching positions funded by Job Corps
- Final closing of the Cosmetology Program
- Continuation of evening program as fee-based
- Layoffs of identified administrative and support positions

Adult Education Budget:

- Closing of the MAEP Campbell Adult Education Program
- Reductions in Older Adult classes
- Elimination of Distance Learning Program
- Reduction of classes with low enrollment
- Addition of Health/medical and Vocational ESL classes
- Offering of Credit Recovery Classes for San Jose high school students
- Layoffs of identified administrative and support positions
- Reorganization of the Adult Education administrative structure to balance site supervision and program responsibilities to enhance administrative oversight and efficiencies

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The Budget Presentation Format

The presentation of the proposed budget is similar to that of the District's Interim Reports. We have provided a "Budget at a Glance" that summarized the proposed budgets for all the District's funds. The Capital Outlay fund 400 has been divided to separately show the resources available for the Central County Occupational Center (CCOC), the San Jose and Campbell 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:

- 2007-08 Actuals (audited)
- 2008-09 Actuals (audited)
- 2009-10 Estimated Actuals
- 2010-11 Proposed Budget
- 2011-12 Projected Budget
- 2012-13 Projected Budget

The MetroED Budget Advisory Committee (BAC) reviewed the proposed budget in detail on June 1, 2010, and recommended the priorities included in the budget assumptions. The vote on recommending the overall budget to the Superintendent was five (5) yes votes, one (1) no vote and three (3) abstentions. The major concern was that the funded reserves may be more than necessary for the upcoming year.

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 2010-11 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, which for 2010-11 will be \$12,324 per full-time equivalent employee. A number of MetroED participating districts have reduced employee salaries through furlough days. MetroED has not reduced employee salaries or workdays.

Fund 010: General Fund (CCOC/P)

Fund 010 Purpose: Fund 010 is the General Fund for the Central County Occupational Center and Programs (CCOC/P), which includes the ROP programs in the high schools of the six participating districts.

Fund 010 Certification: The administration is recommending a positive certification. This means that the General Fund will meet its financial obligations for the budget and two subsequent fiscal years; will maintain at least the required 5% Reserve for Economic Uncertainty and will end the year with a positive cash balance. The projections include a 6% Reserve for Economic Uncertainty and 4% General Reserve, as required by Governing Board policy.

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Fund 010 Budget Assumptions	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-13 Projected
Revenue Limit COLA	4.25%	-0.38%	1.80%	2.40%
Revenue Limit Reduction	0.00%	0.00%	0.00%	0.00%
Total ROCP Revenue Limit	\$2,939.35	\$2,797.58	\$2,856.33	\$2,924.88
ADA Cap Growth	4,155.57	4,155.57	4,155.57	4,155.57
Reserve-Economic Uncertainty	6.00%	6.00%	6.00%	6.00%
General Reserve for Cash Flow	4.00%	4.00%	4.00%	4.00%
Employer Paid Benefits Increase	5.00%	5.00%	5.00%	5.00%
Employer Paid Benefits Maximum	\$11,737	\$12,324	\$12,940	\$13,587
Salary Increase COLA	0.00%	0.00%	0.00%	0.00%
Workers Comp Rate	1.711%	1.548%	1.548%	1.548%
PERS Contribution Rates	9.709%	10.707%	11.60%	13.02%
SUI Rate	0.30%	0.72%	0.72%	0.72%

General expenditures for Superintendent & Central Office support have been direct-charged to the General and Adult Education Funds on a 65%-35% basis. Because of the significant change to the Metropolitan Adult Education fund for 2010-2011, the Governing Board has approved the services of School Services of California which is currently reviewing the funding formulas and will be making recommendations to the Superintendent and Governing Board.

Fund 010 Revenues: While Federal revenues remained stable, budgeted state revenues are impacted by changes in the SB 70 grants, the one-time nature of \$1.2 million in excess property tax which is being distributed to the participating districts, a reduction in lottery revenues of \$190k due to Campbell's pull-out, and several prior year adjustments. While the ROC/P Primary Funding budget line shows a significant increase, it is off-set by a reduction in the ROC/P Revenue Limit, Current Year Base. This is an accounting change due to the County Office of Education's implementation of SB 1197, direct funding for JPA ROCPs.

Fund 010 Expenditures: Over the past two years, in response to the state budget crisis, the District froze most discretionary budgets in order to build reserves to help carry the District cover mid-year funding deficits. The 2010-2011 budget continues an appropriate level of expenditures to maintain General Fund programs with additional reductions of staff expenses. Following are the major adjustments to expenses projected for the budget year:

- \$91,282 savings in teacher salaries due to the transfer of positions to Job Corps funding
- \$159,663 in savings from reductions of classified administrative positions as a result of District/Central Office changes due to transfer of the Campbell Adult Education program.
- \$28,054 in savings from reductions of Central Office classified support due to the Campbell Adult Education Program transfer.

Excess Property Tax Distribution: Each year the state calculates and distributes an excess property tax allocation to the State's 74 ROC/P's which is not considered "on-

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going” funding. For the last number of years MetroED has transferred the appropriation to the District’s Capital Outlay Fund 400 as the District’s match for nearly \$10 million in Proposition 1D facility modernization and reconfiguration grants for the programs at the Central County Occupational Center.

Since the District’s Proposition 1D match requirements are close to being met, and operational adjustments have been made to absorb the on-going reductions in state funding, the District Board approved distribution of nearly all of the 2009-10 Excess Property Taxes to the participating districts to support their Satellite ROP classes. The participating districts are scheduled to receive \$1,096,504 for 2009-10.

Fund 010 Fund Balance: For the budget year, we are expecting a reduction in the ending fund balance of \$247,857. The General Reserve is maintained at the Board required 4% and the Designation for Economic Uncertainty is maintained at 6%. For cash flow purposes, and to help cover state deficits in the budget year and beyond, the District has reserved an additional \$1,466,931 as a contingency for state deficits.

Fund 010 Multi-Year Projections: The following chart summarizes the high points of operations for the proposed budget and two projected years:

General Fund - Operations	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-2013 Projected
Total Revenues	16,593,957	13,896,612	14,119,819	14,341,109
Total Expenditures	<u>15,416,564</u>	<u>13,819,250</u>	<u>14,057,304</u>	<u>14,426,368</u>
Net Revenues/Expenses	1,177,393	77,361	62,516	14,741
Other Sources (Uses)	(465,926)	(325,218)	(328,651)	(336,797)
Change to Fund Balance	711,467	(247,857)	(266,135)	(322,056)

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

General Fund – Fund Balance	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-2013 Projected
Reserved & Designated:				
Revolving Fund, Prepaid	31,988	31,988	31,988	31,988
General Reserve (4%)	639,346	566,067	575,868	586,957
Legally Restricted	506,661	239,163	239,163	239,163
Economic Uncertainty (6%)	959,018	849,100	863,802	880,435
Contingency for State Deficits	1,010,433	1,213,270	922,632	572,854
CCOC Site Budget C/Over & Student Competition Fund	255,348	255,348	255,348	255,348
Total Reserves	3,402,794	3,154,937	2,888,802	2,566,746
Undesignated Fund Balance	0	0	0	0
Total Fund Balance	3,402,794	3,154,937	2,888,802	2,566,746

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.

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Any funds not otherwise designated in the projected years are shown as Contingency for State Deficits. If not needed for additional state cuts to our funding, these funds are available for use or designation by the Governing Board.

Fund 110: Adult Education

Fund 110 Purpose: The Adult Education Fund is used to account separately for federal, state and local revenues for Adult Education programs. MetroED has been administering the Adult Education programs for San Jose Unified School District and Campbell Union High School District under a Master Business Relationship Agreement. As noted above, MetroED will be administering the programs exclusively for San Jose as of July 1, 2010.

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 011 Budget Assumptions	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-13 Projected
Revenue Limit COLA	-4.46%	-.038%	1.80%	2.40%
Revenue Limit Reduction	0.00%	0.00%	0.00%	0.00%
Total Adult Ed Revenue Limit	\$2,280.92	2,265.08	2,305.85	2,361.19
ADA Cap Growth	0.00%	0.00%	0.00%	0.00%
Reserve-Economic Uncertainty	6.00%	6.00%	6.00%	6.00%
General Reserve for Cash Flow	4.00%	4.00%	4.00%	4.00%
Employer Paid Benefits Increase	5.00%	5.00%	5.00%	5.00%
Employer Paid Benefits, Max	\$11,737	\$12,324	\$12,940	\$13,587
Salary Increase COLA	0.00%	0.00%	0.00%	0.00%
Workers Comp Rate	1.71%	1.55%	1.55%	1.55%
PERS Contribution Rate	9.71%	10.71	11.60%	13.02%
SUI Rate	.30%	.72%	.72%	.72%

General expenditures for Superintendent and Central Office support have been direct-charged to the General and Adult Education Funds on a 65%-35% basis. Because of the significant change to the Metropolitan Adult Education fund for 2010-2011, the Governing Board has approved the services of School Services of California which is reviewing the ratio and will make recommendations.

Fund 110 Revenues: The major impact on Adult Education Fund revenues is the decision by the Campbell Unified High School District to take back its adult education program. The total loss of revenue due to this transition is approximately \$2.9 million. In addition, the Governor has again proposed total elimination of the state CalWORKS program. However, until there has been a final determination of how much and where the cuts to CalWORKS will be made, we are leaving \$613,609 CalWORKS in the budget funding for site representatives and \$319,720 CalWORKS funding for the S.T.E.P.S. (formerly Bridge) programs. Should this funding be cut, corresponding positions and expense accounts funded by these funds will also need to be cut.

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The budget year reflects a \$3,564,205 reduction in interagency services revenue, of which \$2,945,600 is attributable to the Campbell program transition.

Fund 110 Expenditures: The following expenditure accounts represent the largest reductions in order to accommodate the significant loss to Adult Education funding. Due to the high percentage of personnel costs in the Fund 110 budget, the majority of the reductions are in staffing. Most of the cost reductions were directly related to the Campbell Adult Education Program transition.

- \$1,060,663 in reductions due to the closing of classes and loss of teaching positions.
- \$672,525 in reductions due to terminations of classified positions
- \$222,668 in reductions of MAEP administrative staff
- \$133,344 in reductions in District/Central Office administrative support staffing
- \$34,782 in reductions in District/Central Office classified support staffing

Fund 110 Fund Balance: For the 2009-10 Estimated Actuals, we expect an increase of \$1,333,168 to the fund balance from the previous year. For the budget year, the fund balance is expected to decrease by \$190,142. The General Reserve is maintained at the Board required 4% and the Designation for Economic Uncertainty is maintained at 6%. For cash flow purposes, and to help cover state deficits in the budget year and beyond, the District has reserved an additional \$824,333 in Contingency for State Deficits.

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

Adult Ed Fund - Operations	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-13 Projected
Total Revenues	11,398,286	7,832,071	7,899,058	8,033,809
Total Expenditures	<u>10,107,940</u>	<u>8,022,213</u>	<u>7,968,120</u>	<u>8,116,249</u>
Net Revenues/Expenses	1,290,346	(190,142)	(69,062)	(82,440)
Other Sources (Uses)	200,386			
Change to Fund Balance	1,290,346	(190,142)	(69,062)	(82,440)

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

Adult Ed Fund – Fund Balance	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-13 Projected
Reserved & Designated:				
General Reserve (4%)	404,318	320,889	318,725	324,650
Economic Uncertainty (6%)	606,476	481,333	478,087	486,975
Estimated Due to Campbell	915,427	915,427	915,427	915,427
Other Designation	83,000	38,538	0	0
Contingency for State Deficits	761,441	824,333	799,220	701,967
Total Reserves	2,770,662	2,580,520	2,511,458	2,429,018
Undesignated Fund Balance	0	0	0	0
Total Fund Balance	2,770,662	2,580,520	2,511,458	2,429,018

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There is no provision made for salary increases. However, the projections include salary increases for step, column and longevity advancement and a five (5.0) percent increase in the district contribution to employee health and welfare benefits.

Grant Funding: The ability of the Adult Education program to generate a positive contribution to its fund balance is greatly dependent upon federal, state and local grants. The actual dollar amounts of federal grants are not usually known until December or January of the current budget year. As a result, federal grants are budgeted conservatively. Continued funding is dependent on Federal and State budget priorities, including the current risk of the elimination or reduction of the CalWORKS program. Consequently, 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 state 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, staff is recommending that the district continue to fund its full share, which is included in the budget and multi-year projections.

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). Since it is included in the Tier III Categorical programs, it is no longer required to match contribution nor to maintain the 5-year Deferred Maintenance plan.

Fund 140 Certification: The administration is recommending a positive certification. This means that the Deferred Maintenance Fund 140 will be able to meet its financial obligations for the budget and subsequent two fiscal years and will end the year with a positive cash balance.

Fund 140 Revenues: The state budget reduced Deferred Maintenance Funding by 15.38% in 2008-09, an additional 4.46% in 2009-10, and -0.38% in the projected year. Because the Deferred Maintenance is included in the Tier III Categorical Programs, the revenue is accounted for in the General Fund (F-010) as “unrestricted,” and be transferred to Fund 140 to spend it for the Deferred Maintenance projects.

Sewer Line Replacement: In 2009 the state approved an \$841,926 Deferred Maintenance Extreme Hardship project to replace deteriorating sewer lines on the CCOC campus. The funds are paid at \$168,835 per year for five years, starting in 2009-10. The two main sewer lines on the Hillsdale Campus were replaced during the summer of 2009, and branch lines to each building are scheduled in conjunction with the planned Proposition 1D funded building upgrades.

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

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sewer line replacement project is a state-approved Deferred Maintenance Extreme Hardship project. The other major plan project for the 2010-11 school year is repair or replacement of the Hillsdale campus natural gas lines which are over 40 years old.

Deferred Maintenance Fund	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-13 Projected
Revenues:				
State Regular DM Funding	166,844	166,210	169,700	173,773
District Match Contribution	166,844	166,210	169,700	173,773
Interest Income	19,850	19,775	20,190	20,675
Total Income	353,538	352,195	359,590	369,221

Deferred Maintenance Fund	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-13 Projected
Expenditures:				
Electrical Projects	--	50,000	50,000	50,000
Floor Covering	--	20,000	20,000	20,000
HVAC (Gas line replacement)	--	75,000	--	--
Painting Projects	101,590	102,000	102,000	102,000
Paving Projects	90,000	50,000	50,000	50,000
Plumbing Projects	32,250	20,000	20,000	20,000
Sewer Line Replacement	249,371	184,153	184,153	184,158
Classroom Lighting Projects	--	50,000	50,000	50,000
Roofing Projects	--	20,000	20,000	20,000
Wall Systems	6,800	20,000	20,000	20,000
Other miscellaneous projects	--	100,000	--	--
Total Expenditures	480,011	691,153	516,153	516,158
Fund Balance:				
Beginning Fund Balance	1,235,768	1,109,295	770,337	613,774
Ending Fund Balance	1,109,295	770,337	613,774	465,837

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

Fund 170 Purpose: The Special Reserve Fund for Other Than Capital Outlay Projects is used to account for the accumulation of General Fund money for purposes other than capital outlay. This fund was authorized by the Governing Board in October 2006 to reserve mandated cost reimbursements pending audit by the State Controllers' Office (SCO). Additional funds from the General and Adult Education Funds have been transferred here as reserves for the PERS recapture (reduction) liability and legal reserves for both funds.

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. The ending fund balance for 2010-11 is projected at \$570,359.

Fund 170 Revenues: The only revenues expected for the budget and subsequent years are interest earnings.

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Fund 170 Expenditures: There is no expenditures budgeted.

SPECIAL RESERVE FUND F-170	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-13 Projected
Revenues:				
Interest Income	19,492	19,882	20,359	20,909
Total Revenues	19,492	19,882	20,359	20,909
Total Expenditures	0	0	0	0
Fund Balance:				
Beginning Fund Balance	954,566	913,112	899,994	920,353
Ending Fund Balance	913,112	899,994	920,353	941,262

Special Rev. Fund –Fund Balance	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-13 Projected
Estimated-Due to Campbell UHSD	117,334	67,111	33,555	0
Reserve for Attendance Software	33,000	33,000	33,000	33,000
Reserve for Legal Services	133,333	133,333	133,333	133,333
Reserve for PERS Recapture	629,445	649,327	669,686	690,595
Total Fund Balance	913,112	899,994	920,353	941,262

Fund 210: Building Fund (Asset Management)

Fund 210 Purpose: This is otherwise known as the CCOC Asset Management Fund. This Fund exists primarily to account separately for proceeds from the rentals and leases of real property specifically authorized for deposit into the Fund by the Governing Board. Revenues include lease payments from the Capital Auto Mall LLP and interest earnings. Expenditures are allowed only for new programs, upgrading of existing programs and necessary facility upgrades as approved by the Governing Board.

Fund 210 Certification: The administration is recommending a positive certification. This means that the Asset Management fund will be able to meet its financial obligations for the budget and subsequent two fiscal years, and will end the year with a positive cash balance.

Fund 210 Revenues: Projected revenues are budgeted at \$190,488 which includes rent from the Capitol Auto Mall LLP and interest on the fund balance.

Fund 210 Expenditures: The following chart details the planned expenditures, by type of class, for the proposed budget and three projected years:

ASSET MANAGEMENT FUND	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-13 Projected
Revenues:				
Lease Revenue	184,788	184,788	275,798	275,798
Interest Income	18,996	5,700	5,837	5,995
Total Revenues	203,784	190,488	281,635	281,793

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Total Expenditures	62,277	705,311	10,749	10,749
Fund Balance:				
Beginning Fund Balance	943,675	1,085,182	570,359	841,245
Ending Fund Balance	1,085,182	570,359	841,245	1,112,289

The \$50,000 Health & Safety budget was established by the Governing Board based on a recommendation by the District's Budget Advisory Committee. The funds are to be used for the correction of health and safety problems that are identified throughout the year. Any unspent funds from this account are to revert back to the fund balance at the end of each year. The fund maintains a minimum \$250,000 reserve, which is a requirement of the Joint Powers Agreement.

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

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: During 2008-09, State Facilities Apportionment in the amount of \$269,204 was transferred in to this fund from the General Fund, which acted as fiscal agent pending approval from the County Office of Education to establish this fund. The dollars were in advance of Proposition 1D grants which are now being received. State Facilities Apportionments for 2010-11 are expected to total \$1,481,927.

Fund 350 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.

COUNTY SCHOOL FACILITIES FUND 350	2009-10 Estimated	2010=11 Budget	2011-12 Projected	2012-13 Projected
Revenues:				
Interest Earnings	26,830	24,150	1,470	
State Facilities Apportionments	5,316,538	1,481,927	2,876,452	--
Total Sources Available	5,343,368	1,506,077	2,877,922	--
Total Expenditures	1,509,182	5,464,427	3,025,369	--
Fund Balance:				
Beginning Fund Balance	271,611	4,105,797	147,447	--
Ending Fund Balance	4,105,797	147,447	--	--

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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 15 grant applications for state Proposition 1D grants, and has received funding approval for nearly \$10 million, 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 either match accumulation or repayment of Proposition 1D loans. The State Allocation Board (SAB) has approved approximately \$4 million in Proposition 1D loans that may be used for the District's project match.

The Adult Education facility (the MC Village cluster) at the San Jose Hillsdale campus was funded and completed during the current year.

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: The only anticipated revenue for the current and two following years is interest income on the funds.

Fund 400 Expenditures: \$4,395,679 is budgeted for the 2010-11 school year, primarily for use in upgrading buildings 200 and 800.

CAPITAL OUTLAY FUND	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-13 Projected
Revenues:				
Interest Earnings	98,802	72,569	40,770	42,490
Total Sources Available	98,802	72,569	40,770	42,490
Total Expenditures	2,931,658	4,395,679	2,747,186	19,500
Fund Balance:				
Beginning Fund Balance	10,279,505	7,446,649	3,123,539	417,123
Ending Fund Balance	7,446,649	3,123,539	417,123	440,113