

## METROPOLITAN EDUCATION DISTRICT

### Executive Summary 2013-14 Unaudited Actuals

It is my privilege to share with you the final accounting of the financial activity for the 2013-14 school year. Recognition should go to the Board, Superintendent, and staff for the dedication to students during this most difficult financial time. I would be remiss if I did not thank and congratulate Joyce Shen, Fiscal Services Manager, and the fiscal staff for their hard work throughout the year and closing the books with fewer staff and more work to do. The good news is we were able to finish the year with strong fiscal practices that we hope will help us transition to a different funding structure in the years to come. As all school districts are learning to work within the framework of the Local Control Funding Formula, we are uncertain as to what our funding future will be, thus we have to be prepared with sufficient reserves to manage any transition.

#### **STATE BUDGET:**

As you are well aware, the 2014-15 school year is the final year of the required Maintenance of Effort (MOE) for regional occupational centers and programs and adult education programs. This means there is no continuing funding requirements through legislative action. The Governor's budget initially required the Department of Finance to develop recommendations by January for ROC/Ps, but new pending legislation may move that deadline to April. This leaves a very short transitional period for the Silicon Valley Career Technical Education (SVCTE) center to adapt to any change in funding. The Silicon Valley Adult Education (SVAE) has been working through the South Bay Consortium for Adult Education and that collaborative effort is anticipating some budget information in January.

#### **LCAP:**

The MetroED LCAP as adopted in June will be the basis for future budget decisions and updated annually.

#### Revenues:

Fund 010 (ROP)	Original Budget	First Interim	Second Interim	Actuals	Prior Year Actuals	Difference
State ROP and Other <sup>(1)</sup>	11,699,952	12,918,536	12,948,635	13,024,595	13,009,042	15,553
Federal Revenue <sup>(2)</sup>	63,001	75,092	75,092	75,092	63,318	11,774
Other State and Local <sup>(3)</sup>	2,050,010	2,018,283	2,121,191	2,175,178	1,978,844	196,334
<b>Total</b>	<b>13,812,963</b>	<b>15,011,911</b>	<b>15,144,918</b>	<b>15,274,865</b>	<b>15,051,204</b>	<b>223,661</b>

ROP Apportionment funding <sup>(1)</sup> is the block grant funding that is passed through from our districts for ROC/Ps through the MOE mentioned earlier. Federal Revenue reflects the funds for the Carl Perkins Grant <sup>(2)</sup>. Other State and Local <sup>(3)</sup> includes any additional funds passed through including fees and tuitions, interest, and other local funds.

Overall revenue increased by 9% over original budget and just over 1% from last year's revenue. Any additional funds generated outside the block grant are considered to be one-time in nature and cannot be considered as an ongoing funding source.

Fund 110 (Adult Ed)	Original Budget	First Interim	Second Interim	Actuals	Prior Year Actuals	Difference
State Adult Ed and Other <sup>(4)</sup>	3,240,278	3,150,904	3,119,974	3,141,757	3,160,456	(18,699)
Federal Revenue <sup>(5)</sup>	275,081	456,471	456,741	456,741	566,700	(109,959)
Other Local <sup>(6)</sup>	178,542	178,542	273,394	99,742	93,110	6,632
<b>Total</b>	<b>3,693,901</b>	<b>3,785,917</b>	<b>3,850,109</b>	<b>3,698,240</b>	<b>3,820,266</b>	<b>(122,026)</b>

Adult Education Apportionment<sup>(4)</sup> reflects the amount of pass-through funding from San Jose Unified School District and any other State funding that is passed through (CalWORKs). Federal revenue<sup>(5)</sup> reflects the Carl Perkins and Workforce Investment Grants. Local revenue<sup>(6)</sup> indicates an Excess CalWORKs funding and interest. Revenue projections fluctuated throughout the year but ended up very close to the actual initial budget. Revenues declined by 3% over last year.

The combined ROP and Adult Education revenues are depicted below:

Combined	Original Budget	First Interim	Second Interim	Actuals	Prior Year Actuals	Difference
Apportionments	14,940,230	16,069,440	16,068,609	16,166,352	16,169,498	(3,146)
Federal Revenue	338,082	531,563	531,833	531,833	630,018	(98,185)
Other Local	2,228,552	2,196,825	2,394,585	2,274,920	2,071,954	202,966
<b>Total</b>	<b>17,506,864</b>	<b>18,797,828</b>	<b>18,995,027</b>	<b>18,973,105</b>	<b>18,871,470</b>	<b>101,635</b>

**EXPENSES:**

ROP Expenses were less than originally budgeted by 2% and slightly less than the prior year expenditures. The cost of the PARS Retirement Incentive was not budgeted or realized in the 2013-14 year, as the first installment payment would not have been due until the initial payout in August. The district did however, plan for, and reserve funds for the purpose of the PARS incentive for staff.

As position control continues to be refined, the cost of salaries and benefits in budget and actuals are more accurately projected. The cost of substitutes and temporary help are still difficult to project in any district. We are currently working very closely with our Worker's Compensation firm to increase awareness and reduce injuries to contain costs in this area.

Fund 010 (ROP)	Original Budget	First Interim	Second Interim	Actuals	Prior Year Actuals	Difference
Certificated Salaries	3,452,154	3,485,348	3,434,690	3,441,261	3,160,987	280,274
Classified Salaries	2,865,097	2,714,383	2,812,207	2,829,633	2,976,800	(147,167)
Payroll Costs & Benefits	2,649,778	2,653,228	2,620,094	2,457,259	2,437,382	19,877
Supplies	953,462	978,613	1,015,039	894,113	1,181,788	(287,675)
Services/Utilities	2,705,400	2,793,689	2,980,415	2,613,335	2,582,748	30,587
Capital Outlay	20,000	11,600	137,377	109,148	73,361	35,787
Other Outgo	1,937,482	1,937,482	1,908,866	1,901,560	1,902,458	(898)
<b>Total</b>	<b>14,583,373</b>	<b>14,574,343</b>	<b>14,908,688</b>	<b>14,246,309</b>	<b>14,315,524</b>	<b>(69,215)</b>

The Adult Education program continues to outspend the revenues despite cuts totaling over \$200,000 in expenditures, revenues were reduced by \$122,000 leaving only approximately \$80,000 in sustainable, long-term reductions. With the passage of the 2014-15 budget, significant reductions are projected and will require difficult decisions throughout the year.

Fund 110 (Adult Ed)	Original Budget	First Interim	Second Interim	Actuals	Prior Year Actuals	Difference
Certificated Salaries	1,637,548	1,655,927	1,645,668	1,644,212	1,732,202	(87,990)
Classified Salaries	1,028,577	992,650	1,021,390	1,040,477	1,052,784	(12,307)
Payroll Costs & Benefits	1,071,529	1,088,412	1,140,428	1,044,991	1,097,814	(52,823)
Supplies	141,481	144,470	155,514	151,890	180,366	(28,476)
Services/Utilities	354,932	372,596	405,114	297,788	332,454	(34,666)
Capital Outlay	4,384	7,000	8,919	19,098	4,379	14,719
Other Outgo	-	-	-	-	-	-
<b>Total</b>	<b>4,238,451</b>	<b>4,261,055</b>	<b>4,377,033</b>	<b>4,198,456</b>	<b>4,399,999</b>	<b>(201,543)</b>

The combined fund expenditures are depicted below:

Combined Funds	Original Budget	First Interim	Second Interim	Actuals	Prior Year Actuals	Difference
Certificated Salaries	5,089,702	5,141,275	5,080,358	5,085,473	4,893,189	192,284
Classified Salaries	3,893,674	3,707,033	3,833,597	3,870,110	4,029,584	(159,474)
Payroll Costs & Benefits	3,721,307	3,741,640	3,760,522	3,502,250	3,535,196	(32,946)
Supplies	1,094,943	1,123,083	1,170,553	1,046,003	1,362,154	(316,151)
Services/Utilities	3,060,332	3,166,285	3,385,529	2,911,123	2,915,202	(4,079)
Capital Outlay	24,384	18,600	146,296	128,246	77,740	50,506
Other Outgo	1,937,482	1,937,482	1,908,866	1,901,560	1,902,458	(898)
<b>Total</b>	<b>18,821,824</b>	<b>18,835,398</b>	<b>19,285,721</b>	<b>18,444,765</b>	<b>18,715,523</b>	<b>(270,758)</b>

**DEFICIT SPENDING:**

Deficit spending occurs when we spend more than we bring in. Anytime carryover or reserves are spent, the district is deficit spending. The General Fund for ROP (Fund 010) did not deficit spend. In fact, with the PARS benefit in mind, spending was contained to allow sufficient reserve increase to fund the program without impacting future years. The total addition to reserves was \$1,012,374 and the total cost of the PARS program is \$1,204,464 (shown in Assigned Reserves on page 6 of the Unaudited Actuals).

The Adult Education fund was overspent by \$271,470 after an interfund transfer of \$228,746 which had been reserved for future PERS reduction repayment. Because that transfer is considered as only one-time money, the true deficit of the Adult Education fund is considered to be \$500,216. Our target for reductions is \$545,317 based on the current budget.

**CASHFLOW:**

With the reduction of many of the deferrals, cash flow concerns are somewhat eased. We continue to monitor the cash as monthly expenses and payroll are processed to be sure there is adequate cash available. Joyce Shen, Fiscal Services Manager, has proposed a cash flow schedule to our partner districts that will follow the cash payments made to districts so as not to increase a cash burden to our partners.

Each year, cash available at the end of June is far less as we wait for deferred funds.

The table below depicts the amount of accounts receivable by type for the 2013-14 year.

Description	Accounts Receivable
<b>ROCP Apportionment 2013-14</b>	2,766,195.39
<b>ROCP Apportionment 2010-11</b>	4,398.00
<b>Apprenticeship 2013-14</b>	45,357.00
<b>Apprenticeship 2012-13</b>	255,463.00
<b>Adult Education</b>	366,129.64
<b>Categorical &amp; Local Contract Reimbursements 2012-13</b>	486,982.00
<b>Miscellaneous</b>	110,535.79
<b>Total</b>	<b>4,035,060.82</b>

**ENDING FUND BALANCE:**

The Adult Education fund balance is down 20% from last year's ending balance. This is the result of year-over-year deficit spending and will be addressed throughout 2014-15. The ROC/P fund balance increased, as part of the plan to pay off the PARS obligation without furthering any multi-year impact of that incentive.

	General Fund	Adult Ed Fund	Total
Cash at County Treasurer	\$ 2,994,569	\$ 600,134	\$ 3,594,703
Cash-Revolving/Credit Card Clearing Fund	\$ 27,716	\$ 10,301	\$ 38,017
Accounts Receivable	\$ 3,319,919	\$ 724,211	\$ 4,044,130
Due From Other Funds	\$ 31,577	\$ 106	\$ 31,683
Prepaid Expenditures	\$ 27,259	\$ 3,034	\$ 30,293
<b>Total Assets</b>	<b>\$ 6,401,040</b>	<b>\$ 1,337,786</b>	<b>\$ 7,738,826</b>
Accounts Payable	\$ 308,698	\$ 46,980	\$ 355,678
Due To Other Funds	\$ 31,684	\$ -	\$ 31,684
Deferred Revenue	\$ 9,510	\$ -	\$ 9,510
<b>Total Liabilities</b>	<b>\$ 349,892</b>	<b>\$ 46,980</b>	<b>\$ 396,872</b>
<b>Ending Fund Balance</b>	<b>\$ 6,051,148</b>	<b>\$ 1,290,806</b>	<b>\$ 7,341,954</b>

All other Board specified reserve limits have been met.

**SUMMARY AND RECOMMENDATIONS:**

In summary, MetroED was able to meet all obligations and preserve funds for the obligation of the retirement incentive. The uncertainty surrounding any future funding weighs very heavy in all ongoing expenditure decisions. Although we are hopeful for both ROC/P and Adult Education that there will be some legislative direction as to future funding, we are unable to budget or project hope.

Superintendent Alyssa Lynch, deserves our gratitude for tirelessly working with legislators to help them learn the value of CTE and the difference of attending classes at a center versus on a high school campus. She always includes the uncertainty of adult education in her dialogue with legislators in hopes that they will recognize the need for urgency in settling the funding issues.

In future projections, we have been directed to project as if our funding would be stable because our only other choice is to project as if there is no funding. Until we know what the future holds, we will continue to project flat funding and work to reduce expenditures to be the low-cost, high-value provider of service that meets the needs of our partners.

Respectfully submitted,

Debbie Fry  
Chief Business Officer/HR Director