



Santa Clara County Office of Education

Charles Weis, Ph.D.
County Superintendent of Schools

January 17, 2012

Mr. Jim Canova, Board President
Metropolitan Education District
760 Hillsdale Avenue
San Jose, CA 95136

Dear President Canova:

Re: 2011-12 First Interim Report

In compliance with the provisions of Education Code (EC) Section 42131, a review of the Metropolitan Education District's (District) First Interim Report and the accompanying certification of financial solvency as approved by your board for fiscal year 2011-12 have been completed by the Santa Clara County Superintendent of Schools (County Superintendent).

Based on our analysis of the data and assumptions provided by the District, **we concur with the District's Certification of Positive** at this time and offer comments on the following issues.

State Fiscal Crises and Trigger Cuts

On December 13, 2011, the Department of Finance (DOF) issued its revenue forecast and determined that revenues for fiscal year 2011-12 were \$2.2 billion below the budget assumptions made in June. As a result of this determination, all Tier 1 and Tier 2 reductions were fully enacted. Effective January 1, 2012, \$248 million will be cut from school transportation. Reductions to current year funding for K-12 revenue limit apportionments are \$79.6 million which translates to roughly \$13 per ADA per School Services of California. The probability these cuts will be on-going is very likely. The cut to pupil transportation funding equals about half of the total annual allocation for regular and special ed transportation which means that District's receiving special ed transportation funding will be nearly zeroed out.

The trigger cuts will be followed by January's budget proposal for the 2012-13 fiscal year, which will assume \$7 billion in additional taxes from next November's initiative. The Governor's plan is to include yet another trigger to enact cuts if voters turn down the measure. We caution Districts that the planning assumptions used in the First Interim Report could change dramatically over the next several months. Districts should exercise caution in their monitoring and adjusting spending plans for the rest of this year and with the planning for the upcoming fiscal year.

Status of Labor Agreements

We note that the District has not settled the **2011-12** negotiations with the certificated bargaining unit. The Criteria and Standards specify that upon settlement, the District must provide the SCCOE with a salary settlement notification that includes an analysis of the cost of the settlement and its impact on the operating budget. Government Code Section 3547.5 requires the superintendent of the school District and the chief business official to certify in writing that the costs incurred by the school District under the agreement can be met by the District during the term of the agreement.

Other Reports on District Operations

As a reminder, Education Code Section 42127.6 requires school Districts to provide the County Superintendent of schools with a copy of any new studies, reports, evaluations, or audits that were commissioned by the, the Superintendent of Public Instruction, or state control agencies that contain evidence that the school is showing fiscal distress under the standards and criteria adopted in Section 33127, or a report on the school by the FCMAT or any regional team. Please provide copies of any such reports to us immediately upon their release.

Conclusion

The magnitude of the state budget crises makes budgeting reductions very difficult this year. The District will be able to overcome these obstacles through collaborative effort between the governing board, superintendent, staff and collective bargaining units.

Please review this document carefully for any changes in data submitted. Should any adverse circumstances arise which would negatively impact the financial condition of the District, please notify this office as soon as possible

We want to thank the staff at Metropolitan Education District, JPA for submission of the First Interim Report and providing us with detailed information about the District's budget. Should you have any questions concerning this review, please feel free to call me at (408) 453-6593.

Sincerely,

Ann Redd-Oyedele, District Business Advisor
District Business and Advisory Services

cc: Members of the Board, Metropolitan Education District, JPA
Mr. Paul Hay, Superintendent, Metropolitan Education District, JPA
Ms. Linda Orong, Chief Business Officer, Metropolitan Education District, JPA
Dr. Charles Weis, Santa Clara County Superintendent of Schools
Mr. Kenneth Shelton, Chief Business Officer, Santa Clara County Office of Education
Ms. Nimrat Johal, Director-DBAS, Santa Clara County Office of Education