



2008-09

# Budget Forum

Presented by

Helen Benjamin, Chancellor

Mark Zacovic, Interim Vice Chancellor, Administrative Services

# Budget Forum Topics

- Progress on Key Goals & Strategies 2007-10
- Budget Values & Parameters
- FTES Projections 2007-08, 2008-09
- Current Revenue & Expenditure (R&E)
- 2008-09 Anticipated R&E Changes
- 2008-09 Compensation Facts

# Key Goals & Strategies 2007-10

- Budget developed with a multi-year (3-5 year) financial perspective
- Budget coincides with strategic planning cycle

# 2007-10 Budget Goals

## GOAL #1

- Develop strategies to fill the gap due to prior year FTES losses based on state regulations.

## Strategies

1. Explore the establishment of middle college high schools at DVC and LMC - **Met**
2. Ensure systems are in place for appropriate collection of non-credit FTES - **Not Met**

# 2007-10 Budget Goals

## GOAL #2

- Develop strategies to increase enrollment.

## Strategies

1. Conduct a market survey to assess the educational needs of the District's service areas, and reposition the District to meet those needs and improve marketing - **Met**
2. Develop a District Enrollment Marketing Plan to:
  - create incentives to grow or stop the enrollment decline
  - remove barriers to enrollment
  - Create incentives that encourage student retention and persistence
  - Increase International and out-of-state FTES; and
  - Improve the marketing efforts at both the District and colleges - **Ongoing**

# 2007-10 Budget Goals

## GOAL #3

- Improve employee compensation.

## Strategies

1. Develop and implement means to increase total compensation of all employees so that the District is in the top 1/3 of the Bay 10 salary schedule - **Ongoing**

# 2007-10 Budget Goals

## GOAL #4

- Enhance college resources.

## Strategies

1. Develop and implement means to increase operating budgets - **Met**
2. Maintain the current ratio of full-time to part-time faculty - **Not Met**

# 2007-10 Budget Goals

## GOAL #5

- Ensure fiscal sustainability.

## Strategies

1. Determine the appropriate distribution of resources, to meet District needs, based on FTES or other measurement - **Ongoing**
2. Manage and provide incentives for controlling costs - **Ongoing**
3. Solicit and evaluate employee ideas on how to control costs and implement viable ideas where possible - **Not Met**
4. Develop a consensus on the definition of “productivity” for all employee groups - **Not Met**
5. Continue to differentiate ongoing from one-time expenses - **Met**



# 2007-10 Budget Goals

## GOAL #6

- Revise the budget development process.

## Strategies

1. Ensure transparency in the budget development process - **Ongoing**
2. Revise the C-hourly allocation to increase funding (if appropriate) - **Not Met**
3. Continue transparency in District financial reports - **Met**
4. Develop Key Goals and Strategies for Budget Development to coincide with District strategic planning - **Not Met**
5. Change college allocation model to coincide with state distributions - **Met**
6. Develop budget allocation models that give the colleges autonomy in determining management and classified staffing levels - **Ongoing**

# 2007-10 Budget Goals

## GOAL #7

- Develop a plan to meet the District's obligations for the funding retiree health benefits under GASB 45.

## Strategies

1. Borrow FTES in 2005/06 (from 2006/07) and put these funds toward the District's unfunded retiree, health-benefit liability - **Met**
2. Monitor and report on the District's ongoing progress toward funding the retiree health benefits, and (if necessary) suggest changes to the District's ongoing contribution - **Met**

# 2007-10 Budget Goals

## GOAL #8

- Develop new sources of income for the District.

## Strategies

1. Increase grant revenue through district wide collaborative efforts - **Met**
2. Review facilities rental schedule - **Met**
3. Increase number of International Education students - **Ongoing**
4. Review student fees - **Met**
5. Provide incentives for new academic and vocational programs that are in keeping with our mission and meet service area needs - **Met**
6. Increase offerings of full-fee courses (contract education) - **Ongoing**
7. Identify auxiliary enterprises that support our mission and would generate additional revenue above cost - **Not Met**

# Budget Values & Parameters

## Values

- The foundation of the budget development process is a belief in the basic shared values of:  
  
**Honesty , Integrity , Transparency , and an overall sense of Collegiality**
- **Fiscal prudence** will be exercised in the development of the budget
- These values will be upheld by ensuring:
  - Discussions and actions are student-centered
  - District's financial condition will be honestly communicated to all
  - Decisions on financial matters are data-driven
  - District budget practices are comparable with similar institutions
  - Items included in the budget will be based on need

# Budget Values & Parameters

## Parameters

To the extent possible, the budget will:

- Allow sufficient resources to meet diverse student needs
- Be developed based on achievable FTES goals
- Maintain a minimum 5% emergency reserve
- Provide sufficient staffing to fulfill our mission
- Provide for contractual obligations and fixed costs
- Cover costs of retiree health benefits & increase reserve
- Include funding for District wide projects

# Budget Values & Parameters

## Parameters

To the extent possible, the budget will:

- Adhere to formulae stipulated in Business Procedures
- Budget college carry-overs as one-time expenditures
- Maintain & improve college appearance (provide required matching funds)
- Have compensation be at the top third of Bay 10 (if affordable)
- Reflect improvement in productivity at all levels
- Be developed within a multi-year plan

# District 2008-09 FTES Projections

- The **starting point** for building the District's budget is the College FTES Goals.
- The State uses total FTES in the SB 361 Funding Model to determine the District's revenue.
- The District uses FTES to determine College funding for part-time faculty, non-operational classified employees, and operations allocations (i.e., materials, equipment, etc.).

# District 2008-09 FTES Projections

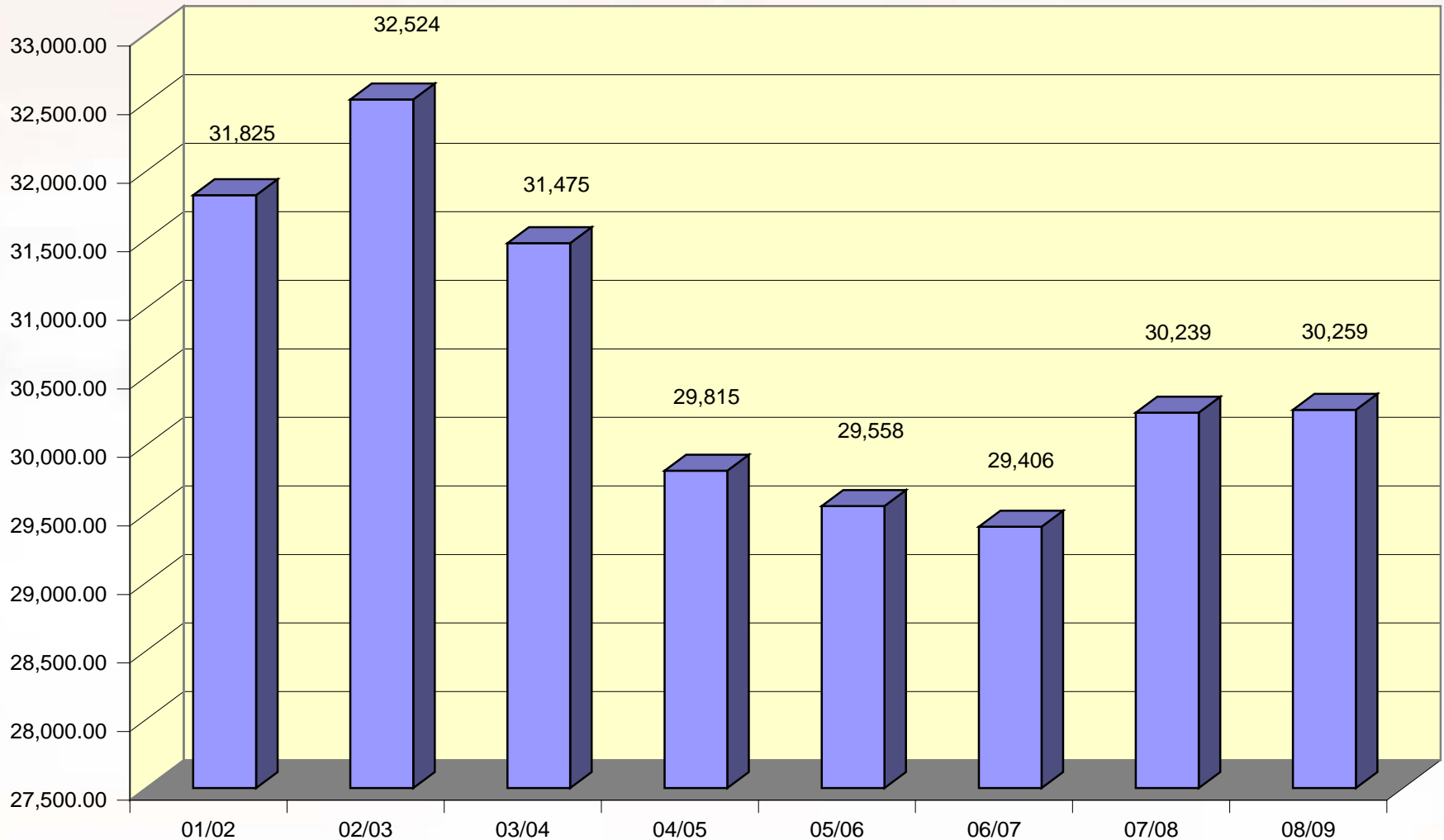
	2007-08 Projected FTES	2008-09 FTES Goals	Increase / Decrease
CCC	6,185	6,041	-2.3%
DVC	16,632	16,768	0.8%
LMC	7,422	7,450	0.3%
Total *	30,239	30,259	0.1%

\* (with 1,660 FTES coming from non-resident students)



# District 2008-09 FTES Projections

Total District FTES (01/02 - 07/08 Actual, 08/09 Projection)



# Projection of District Resources

- **District Resources** are simply the total of the current-year's beginning fund balance plus the current-year's revenues.

$$\begin{array}{rcll} \text{District} & & \text{Beginning} & \text{Current-Year} \\ \text{Resources} & = & \text{Fund Balance} & + \text{Revenues} \end{array}$$

- The District's "Resources" are used to afford the District's total "Uses" ... which include the District's expenditures and the fund balance/reserve.

# Components of the 2006-07 Unrestricted Fund "Ongoing" Revenue

• <b>Apportionment Revenue *</b>	<b>\$132,255,834</b>	<b>89.2%</b>
• <b>Non-Resident &amp; Foreign Fees *</b>	<b>6,456,498</b>	<b>4.4%</b>
• <b>Lottery *</b>	<b>3,742,543</b>	<b>2.5%</b>
• <b>Local Revenues &amp; Transfers</b>	<b>3,489,071</b>	<b>2.4%</b>
• <b>Other State Revenues</b>	<b>2,267,197</b>	<b>1.5%</b>
• <b>Total</b>	<b>\$146,453,554</b>	<b>100.0%</b>

**\* 96% of Ongoing Revenue is directly tied to Enrollment**

# 2007-08 Apportionment Funding

## SB 361 Base Funding Model (which began in 2006-07)

### Basic Allocation

Multi College District: College FTES $\geq$ 20,000	\$4,428,727
Multi College District: College FTES $\geq$ 10,000	\$3,875,136
Multi College District: College FTES $\leq$ 10,000	\$3,321,545
CPEC Approved Center (San Ramon)	\$1,107,182

### Instruction

Credit Instruction Dollars per FTES	\$ 4,565
Noncredit Instructional Dollars per FTES	\$ 2,745
Noncredit Career Development / College Prep Instructional Dollars per FTES	\$ 3,232

“FTES” = Full Time Equivalent Student = 525 Student Contact Hours

# State Apportionment

The total apportionment to be received in any one year is calculated as follows:

$$\begin{array}{r} \text{Base Apportionment} \\ + \text{ COLA} \\ + \text{ Growth} \\ - \text{ Decline} \\ + \text{ Stability Funding} \quad (\text{offsets the decline}) \\ - \text{ Deficit Funding} \\ \hline = \text{Total Apportionment} \end{array}$$

# Projected Apportionment 2008-09

<b>Base Apportionment</b>	<b>\$140,855,975</b>
<b>+ COLA 0.00%</b> (as of 3/28/08)	<b>0 *</b>
<b>+ FTES Growth 0.1%</b>	<b>0 *</b>
<b>- Decline</b>	<b>0</b>
<b>+ Stability Funding</b>	<b>0</b>
<b>- Deficit Funding (0.0%)</b>	<b>0 *</b>
<hr/>	<hr/>
<b>= Total Apportionment</b>	<b>\$140,855,975</b>
<b>❖ Potential New Money =</b>	<b>\$ 0</b>

# Projection of District's "Use" of Resources

- From the total resources available, the District makes budgetary allocations to fund the following:
  1. **Fund Balance / Reserve** (9.0% of expenditures, 5.0% = minimum)
  2. **Full-time Employee Salaries & Benefits**
  3. **Retiree Health Benefits**
  4. **Part-time Faculty Salaries & Benefits**
  5. **Operational Expenses**
    - (includes expenditures for: supplies, equipment, contracted services, leases, insurance, utilities, classified & student hourly staff, etc.)
- If total District resources do not cover total uses, then expenditure-reductions are required.



# **CHANGES TO REVENUES AND EXPENSES**



# 2008-09 Anticipated Changes to Revenues & Expenditures (from 2007-08)

- **Currently, the anticipated increases to revenue are:**

– Apportionment: COLA 0.00%	\$	0
– Apportionment: FTES Growth 0.1%	\$	0 *
– Apportionment: Deficit Factor (0.0%)	\$	0
– Nonresident Tuition	\$	446,560
– Interest revenue	\$	0

\* Note: For 2008-09, the District will not book growth revenue, or the associated expenditure-increases, until the growth is confirmed by the Fall 2008 Census figures.

# 2008-09 Anticipated Changes to Revenues & Expenditures (from 2007-08)

- **Currently, the anticipated increases to expenditures are:**

- **Step, Class & Longevity Increases** **\$ 859,153**
- **10% increase in Health Benefit Costs** **\$ 1,879,707**

- **Currently, the anticipated decreases to expenditures are:**

- **Utility Savings from energy projects** **\$ 0**

# 2008-09 Compensation Facts

- Under the current contract, and, given the projected increases in health benefits, **total compensation** for the District's employee groups will increase\* by:

– Faculty	1.48%
– Local One	2.07%
– Unrepresented	1.60%

- \* Increase Components:

	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>
– Faculty	0.80%	0.68%	1.48%
– Local One	0.80%	1.27%	2.07%
– Unrepresented	0.80%	0.80%	1.60%

- The cost associated with of a 1% change in salary by employee group is:

<u>Faculty</u>	<u>Local One</u>	<u>Unrepresented</u>	<u>Total</u>
\$696,046	\$273,462	\$154,320	\$1,123,827

# 2008-09 Estimated Salary Increase

## 2008-09 Estimated Salary Increase

Amount

<b>1</b>	<b>Added to the Distribution amount is 88% of the following "new" unrestricted ongoing revenues:</b>							
	a) 2008-09 Community College initiative funding (if passed)							0
	b) 2008-09 State Statutory COLA and other new ongoing allocation							
	2007-08 Estimated Apportionment	140,855,975						
	2008-09 COLA	0%						
	Calculated 2008-09 COLA Dollars	<u>-</u>						0
	Other Ongoing Increases							
	None	-						
	Subtotal	<u>-</u>						0
	c) 2008-09 increased non-resident fees							
	2008-09 Budget Increase over 2007-08 Budget	07-08 Budget 6,457,252	07-08 Actual 6,902,017	08-09 Incr. 6.47%	08-09 Budget 7,348,577	Increase 891,325		<b>891,325</b>
	d) 2007-08 actual growth							
	Credit FTES (Earned)	Base 27,455.82	Actual 28,158.39	Change 702.57	Rate 4,564.83	Dollars 3,207,113		
	Non-credit FTES (Earned)	399.79	413.12	13.33	2,744.96	<u>36,590</u>		<b>3,243,703</b>
						<u>3,243,703</u>		
	e) 2008-09 net decreases in on-going expenses realized through work of the Compensation Committee (understanding that the Committee does not negotiate the budget)							
	Item: None	-						
	Item: None	-						
	Subtotal	<u>-</u>						0
	f) 2008-09 net savings realized through increased efficiency (including savings from retirements)							
	Item: Cost of Instruction Savings	-						
	Item: Savings from Retirements	-						
	Item: Other	-						
	Subtotal	<u>-</u>						0
	<b>Subtotal</b>							<b>4,135,028</b>

# 2008-09 Estimated Salary Increase

<b>Items a) through f) Subtotal</b>	<b>4,135,028</b>
<b>Distribution Factor</b>	<b>88%</b>
<b>Items a) through f) Distributable Amount</b>	<b>3,638,825</b>

## 1.1 To the above amount the District will add:

<b>"Fronted growth" in an amount equal to the actual 2007-08 growth increase plus 0.5%, to a maximum of 1.25%, to be expensed in 2009-10</b>			Cost 1% salary Increase	
Actual 2007-08 Growth Percentage	2.59%			
Additional 0.5% Growth	0.50%			
Total	<u>3.09%</u>			
Allowable Lesser of Total or 1.25%	1.25%		1,123,827	<b>1,404,784</b>
<b>Subtotal - Total Distributable Amount</b>				<b>5,043,609</b>

## 2 Subtracted from the distribution amount are the following ongoing expenditure increases:

<b>h) 2007-08 "fronted growth" of 1.25%</b>	1.25%		1,123,827	<b>1,404,784</b>
<b>i) 2007-08 "costs" of growth (to be calculated using our existing formula) ... see cost-of-growth schedule</b>	0			<b>0</b>
<b>j) 2008-09 District-paid health benefit premium increases</b>	at 10%	1,879,707		<b>1,879,707</b>
<b>k) 2008-09 cost of step-column-longevity increases</b>		859,153		<b>859,153</b>
<b>Subtotal</b>				<b>4,143,644</b>
<b>Total - Net Distributable Amount</b>				<b>899,965</b>

# 2008-09 Estimated Salary Increase

3

**If this formula results in a total-compensation percentage increase that fails to exceed the combined percentage-increase represented by the State's COLA percentage increase plus the health benefits percentage increase plus the step-column-longevity percentage increase, negotiation on salary for 2008-09 will be re-opened**

		Dollar Value	% of Salary	
Net Distributable Amount		899,965	<b>0.80%</b>	<b>899,965</b>
Health benefits percentage increase	9.90%	1,879,707	<b>1.67%</b>	<b>1,879,707</b>
Step-Column-Longevity percentage increase	0.76%	859,153	<b>0.76%</b>	<b>859,153</b>
<b>Total Compensation percentage increase - ( \$ )</b>			<b>3.24%</b>	<b>3,638,825</b>

<b>State Cola percentage increase</b>	0.00%	-	0.00%	<b>0</b>
Health benefits percentage increase	9.90%	1,879,707	1.67%	<b>1,879,707</b>
Step-Column-Longevity percentage increase	76.45%	859,153	0.76%	<b>859,153</b>
<b>Total Compensation percentage increase - ( \$ )</b>			<b>2.44%</b>	<b>2,738,860</b>

Does the Calculated Distribution percentage exceed the minimum amount ?

**YES**

# 2008-09 Potential Funding Sources

- **COLA ?**
  - Not deemed likely
- **Funded FTES Growth ?**
  - What will be the District's reported/funded FTES for 2008-09?
  - If growth occurs, what will be the "net revenues" of that growth?
- **Additional Reductions to Current Expenditures?**
  - If such cuts can be made, what are they?
- **Use of Fund Balance**
  - Are there circumstances where the District would want to use some of its Fund Balance ... (one-time money) ... to augment 2008-098 available resources?

# QUESTIONS