



2012-13 Adoption Budget Board Presentation September 12, 2012



Contra Costa College

Diablo Valley College

San Ramon Campus

Los Medanos College

Brentwood Center

Topics

- The District's Budget Philosophy
 - Our principles
- Enhancements
 - New tools
- Fiscal Year 2012-13 Adoption Budget
 - Overview and fund balance
 - Goals and targets
 - Proposition 30 and reserves
 - Recap and questions



The District's Budget Philosophy

- Since adopting the SB361 model, the District has budgeted revenue conservatively
 - Apportionment revenue
 - Example: In FY 2010-11 the District experienced unanticipated FTES growth funds
 - Lottery revenue
 - The District has typically budgeted for an historically low dollar per FTES figure
 - Non-resident tuition
 - There has been extensive growth in this area (increase of 13.5% in the past two fiscal years) yet the District has not anticipated these large increases in its budgeting



The District's Budget Philosophy

- On the expense side, the District has planned and budgeted for increases within areas outside its control
 - Utilities
 - Due to the light winter, costs in FY 2011-12 were at 93% of budget; this created a \$280,000 savings
 - Retiree Health Benefits
 - The pay-as-you-go system, while still costing well over \$10 million in FY 2011-12, was at 97% of budget; this created a \$380,000 savings
 - Legal Fees
 - On the flip side, legal fees exceeded budget by \$90,000



The District's Budget Philosophy

- Overall, the District's budget philosophy is built upon fiscally conservative principles that plans with an eye out for future success
 - Realistic, yet cautious, revenue estimates
 - Sensible, but prudent, expense estimates
 - Assessing and planning for future liabilities and obligations
- These are sound principles and have served the District well



Budgeting Enhancements

- The District Office developed a uniform budget template that all sites now utilize
 - Creates continuity between the campuses and eliminates the disparate fashions in which the District Office would receive budget information
 - Allows for easy auditing of payroll
 - Auto-calculates salary and benefit costs for employees (86% of total expenses) with the option for manual adjustments
- Revenues and expenses have been adjusted to be more in sync with known trends
 - This is not a departure from our budget philosophy; the enhancements in the model allows for the utilization of historical trends to create a more robust and accurate budget document

Adoption Budget Overview

- Due to the uncertainty of state funding, the District built the Adoption Budget with an FTES target in between two funding extremes
 - Mitigates risk
 - Allows for manageable mid-year adjustments
 - Protects base funding
- This is a temporary budget
 - The District will not know to what level the state will fund it until nearly half the fiscal year is complete
 - Significant adjustments will occur once the outcome of Proposition 30 is known



Adoption Budget Overview

- The District begins FY 2012-13 with an opening fund balance in its ongoing, unrestricted general fund of \$30.78 million
 - While a very healthy amount, this is nearly \$3 million less than the District had as an opening balance in FY 2011-12
- With budgeted expenses of \$157.33 million offset by revenues of \$156.15 million, the District is facing a structural, or operating, deficit of \$1.18 million
 - This \$1.18 million deficit will be paid from the District fund balance

Adoption Budget – Fund Balance

| | |
|-----------------------------|----------------------|
| Opening Fund Balance: | \$ 30,785,101 |
| less operating deficit | <u>(1,183,431)</u> |
| Ending Fund Balance: | \$ 29,601,670 |

Components of Ending Fund Balance

| | |
|----------------------|---------------------------|
| | <u>Restricted:</u> |
| 5% Board Reserve: | 7,801,333 |
| 3% Board Reserve: | 4,680,800 |
| Designated Reserves: | <u>9,400,124</u> |
| Subtotal Restricted: | \$ 21,882,257 |

includes ISA Payback, deficit fund reserves and reserves for tax measure failing

| | |
|------------------------|-----------------------------|
| | <u>Unrestricted:</u> |
| 2% Board Authorized: | 3,120,532 |
| Undesignated Reserves: | <u>4,598,881</u> |
| Subtotal Unrestricted: | \$ 7,719,413 |

Total Reserves: \$ 29,601,670 (18.8% of expenses)

Goals and Targets

| FY 2012-13 Total FTES Targets- Adoption Budget | | | | |
|---|---------------|--------------|---------------|----------------|
| | Resident | Non-resident | Total | % of Total |
| CCC | 5,466 | 193 | 5,659 | 19.20% |
| DVC | 14,341 | 1,975 | 16,316 | 55.37% |
| LMC | 7,393 | 100 | 7,493 | 25.43% |
| Total | 27,200 | 2,268 | 29,468 | 100.00% |

| FY 2012-13 Total FTES Targets- Prop 30 Fails | | | | |
|---|---------------|--------------|---------------|----------------|
| | Resident | Non-resident | Total | % of Total |
| CCC | 5,177 | 193 | 5,370 | 19.16% |
| DVC | 13,583 | 1,975 | 15,558 | 55.50% |
| LMC | 7,002 | 100 | 7,102 | 25.34% |
| Total | 25,762 | 2,268 | 28,030 | 100.00% |

| FY 2012-13 Total FTES Targets- Prop 30 Passes | | | | |
|--|---------------|--------------|---------------|----------------|
| | Resident | Non-resident | Total | % of Total |
| CCC | 5,581 | 193 | 5,774 | 19.22% |
| DVC | 14,642 | 1,975 | 16,617 | 55.32% |
| LMC | 7,547 | 100 | 7,647 | 25.46% |
| Total | 27,770 | 2,268 | 30,038 | 100.00% |

Proposition 30

- Governor Brown's tax measure has a \$9.2 million impact to the District
 - If Proposition 30 passes, the District's revenue will increase approximately \$2.6 million from the Adoption Budget
 - If Proposition 30 fails, the District's revenue will reduce by approximately \$6.6 million from the Adoption Budget
- FTES growth potential
 - Provided Proposition 30 passes **and** assuming it generates the anticipated revenue, there is a provision for \$50 million in system-wide growth
 - The District is eligible for \$853,000 in growth funds, approximately 187 FTES. This is growth of 0.6%

Proposition 30 - Reserves

- If Prop 30 passes, the revenue increase will result in a structurally balanced budget for the District
 - This will provide firm footing for the District's future and is a result of the significant reductions the District has made over the past few years
- If Prop 30 fails, the District's reserves, including the 2% the Board authorized, will be needed
 - The District will be forced to further downsize resulting in fewer students served, more sections eliminated and additional staff reductions
- Expenses will also adjust based upon the outcome of Prop 30. The District will add to or downsize course offerings to adapt to the finalized funded FTES level

Recap

- Fiscally conservative budget philosophy that adjusts for known changes and spotted trends
- Healthy reserves; over 18% of expense budget
- Small structural deficit; less than 1% of expense budget
- An aggressive FTES strategy that allows for mid-year adjustments and protects base funding
- A recognition that the outcome of Proposition 30 will cause a mid-year course correction
- A commitment to the community to serve and provide excellent educational opportunities to all students

Questions?

Proposition 30

