



# 2012-13 Adoption Budget Board Presentation September 12, 2012



# 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>   |
| <b>Ending Fund Balance:</b> | <b>\$ 29,601,670</b> |

## Components of Ending Fund Balance

|                      |                           |
|----------------------|---------------------------|
|                      | <b><u>Restricted:</u></b> |
| 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

|                        |                             |
|------------------------|-----------------------------|
|                        | <b><u>Unrestricted:</u></b> |
| 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     |
|--------------|---------------|--------------|---------------|----------------|
| <b>CCC</b>   | 5,466         | 193          | 5,659         | 19.20%         |
| <b>DVC</b>   | 14,341        | 1,975        | 16,316        | 55.37%         |
| <b>LMC</b>   | 7,393         | 100          | 7,493         | 25.43%         |
| <b>Total</b> | <b>27,200</b> | <b>2,268</b> | <b>29,468</b> | <b>100.00%</b> |

## FY 2012-13 Total FTES Targets- Prop 30 Fails

|              | Resident      | Non-resident | Total         | % of Total     |
|--------------|---------------|--------------|---------------|----------------|
| <b>CCC</b>   | 5,177         | 193          | 5,370         | 19.16%         |
| <b>DVC</b>   | 13,583        | 1,975        | 15,558        | 55.50%         |
| <b>LMC</b>   | 7,002         | 100          | 7,102         | 25.34%         |
| <b>Total</b> | <b>25,762</b> | <b>2,268</b> | <b>28,030</b> | <b>100.00%</b> |

## FY 2012-13 Total FTES Targets- Prop 30 Passes

|              | Resident      | Non-resident | Total         | % of Total     |
|--------------|---------------|--------------|---------------|----------------|
| <b>CCC</b>   | 5,581         | 193          | 5,774         | 19.22%         |
| <b>DVC</b>   | 14,642        | 1,975        | 16,617        | 55.32%         |
| <b>LMC</b>   | 7,547         | 100          | 7,647         | 25.46%         |
| <b>Total</b> | <b>27,770</b> | <b>2,268</b> | <b>30,038</b> | <b>100.00%</b> |

# 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**

