

FINAL BUDGET 2012-13

College Council – Second Reading
August 14, 2012

STATE BUDGET 2012-13

- Approved state budget is based on “best case” scenario
 - Assumes Governor’s tax initiative (Prop 30) will be approved by voters in November.
 - Would keep apportionment revenue essentially the same as 2011-12
 - \$50M available for restoration / growth
 - Additional revenue (\$213M) from tax initiative would be used to buy down system wide deferral of nearly \$1B
 - Categorical funding levels would remain the same as 2011-12
 - Expanded flexibility not approved in final budget
 - Mandate Reimbursement process converted to block grant based on FTES or district can file claims using old method

STATE BUDGET 2012-13

- Trigger Cut – if Governor Brown’s tax initiative fails, then
 - \$5.5B trigger cut to K-14
 - CCC would lose \$213M in deferral buy down – cashflow management
 - \$338M in workload reduction to CCC
- MPC Trigger Cut = \$2.28M mid-year cut in apportionment equivalent to a workload reduction of 515 FTES or 7.3%.

TENTATIVE BUDGET ASSUMPTIONS FOR 2012-13

- No restoration of prior year cuts
- No funded COLA (statutory estimated at 3.24%)
- Fee increase to \$46 per unit starting this summer
- Categorical funding = 2011-12 level
- Hybrid estimate of apportionment revenue
 - Assumes \$750K cut in revenue (could be deficit coefficient, workload reduction, stability funding, or other)
 - MPC will earn back stability funding in 2012-13
- \$2M in TRAN borrowing
- Employee wage concession of 2.02%
- FT faculty replacements per agreement
- CDC will generate \$200K in savings thus requiring less GF support
- Use \$1.3M of District Reserves and 1X funds to balance the budget

WHAT HAS CHANGED IN THE FINAL BUDGET?

○ Revenues:

- Apportionment estimate is the same as Tentative Budget
 - ✓ Hybrid estimate is closer to “best case” than “worst case”
- Increase use of District reserves and 1X funds by **\$700K** to cover imbalance between ongoing revenues and expenses. Total now **\$2M (\$1.3 + \$0.7)**

○ Expenses:

- Increase in instructional contracts of \$476,000
 - ✓ Fire courses and contingency for additional South Bay commitment
- Increase in hourly adjunct for counseling totaling \$31,538.
- Increase in adjunct budget by **\$202,566**
- Increase in HR budget of \$4K due to purchase of applicant tracking software

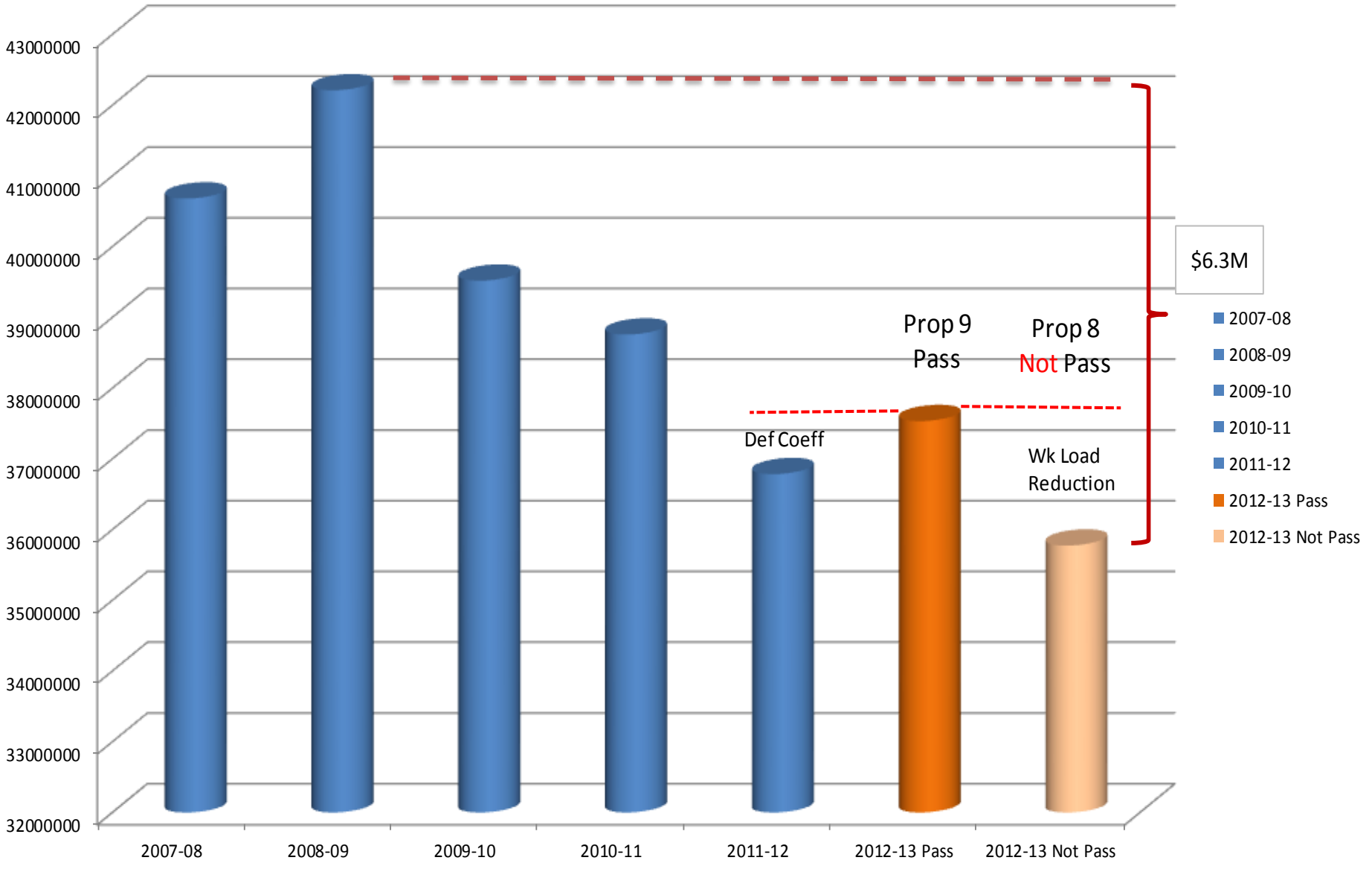
○ Other:

- Update to OPEB set aside (\$3.7M) towards long term liability of \$10.8M.
- Increase in Capital Outlay Fund of \$114,353 for technology and infrastructure emergencies. Funds come from return of insurance (P&L and WC) equity

APPORTIONMENT REVENUE ESTIMATE

	Budgeted 2011-12	Worst Case Actual 2011-12	Worst Case 2012-13	Hybrid Est. 2012-13
Apportionment	\$34,672,438	\$35,046,195	\$35,046,195	\$35,046,195
Trigger Cut - Workload Reduction	included	included	(\$2,287,810)	??
Deficit Coefficient - BOG Waivers	\$0	(\$823,390)	??	??
Stability Funding	NA	NA	??	Yes
				(\$750,000)
Total Apportionment	\$34,672,438	\$34,222,805	\$32,758,385	\$34,296,195
		→ \$34,672,438	→ \$32,758,385	
Shortfall in Revenue		(\$449,633)		(\$1,537,810)
Increase in expenses (ISA, CDC & Dept)		(\$1,050,084)		
Amount Needed Balance Budget in 2011-12		(\$1,499,717)		

General Fund Revenues



SUMMARY OF ALL FUNDS 2012-13

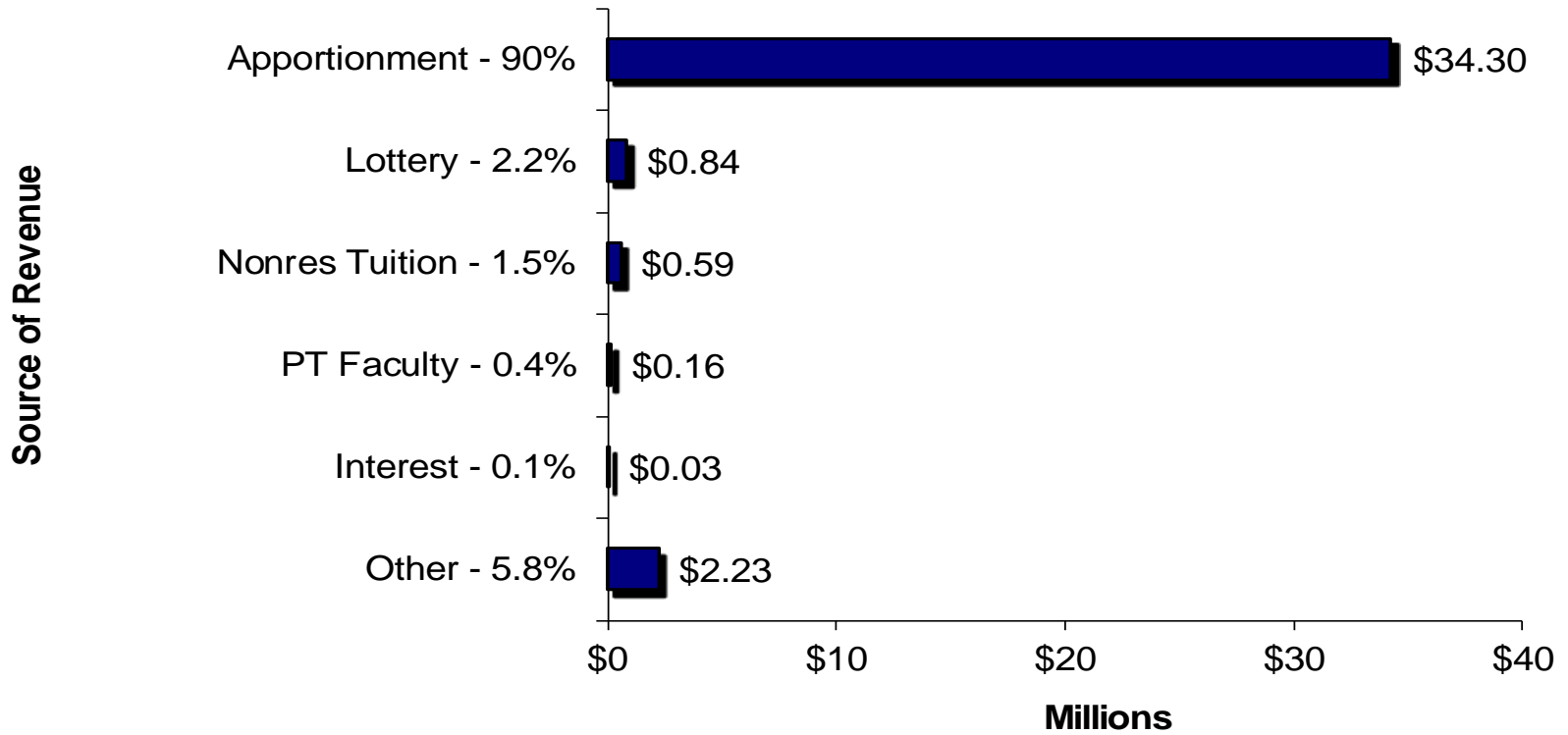
Funds	Beginning	Budgets		Ending
	Fund Balance	2012-2013		Fund Balance
	<u>7/1/2012</u>	<u>Revenue</u>	<u>Expense</u>	<u>6/30/2013</u>
General				
Unrestricted	\$3,814,300	\$38,143,002	\$38,143,002	\$3,814,300
Restricted	\$0	\$5,224,845	\$5,224,842	\$3
Special Revenue				
Child Development - Unrestricted	\$0	\$397,970	\$397,970	\$0
Child Development - Restricted	\$0	\$174,130	\$174,130	\$0
Student Center	\$214,409	\$265,200	\$265,200	\$214,409
Parking	\$92,179	\$512,000	\$481,028	\$123,151
Debt Service				
Student Center	\$20,905	\$18,525	\$18,525	\$20,905
Lease Payments	\$52,285	\$275,324	\$275,324	\$52,285
Capital Projects	\$980,493	\$757,062	\$1,654,811	\$82,744
Building	\$54,046,985	\$200,000	\$31,021,614	\$23,225,371
Self Insurance	\$8,736,186	\$6,632,229	\$8,050,809	\$7,317,606
Fiduciary				
Financial Aid	\$12,881	\$5,500,000	\$5,500,000	\$12,881
Associated Students	\$50,475	\$90,274	\$90,274	\$50,475
Scholarship and Loans	\$272,948	\$2,500,000	\$2,500,000	\$272,948
Trust Funds	\$293,917	\$600,000	\$600,000	\$293,917
Orr Scholarship	\$61,262	\$50,000	\$50,000	\$61,262
Total	<u>\$68,649,225</u>	<u>\$61,340,561</u>	<u>\$94,447,529</u>	<u>\$35,542,257</u>

Notes: Beginning Balance is prior to audit of 2011-2012 fiscal year end.

Ending Balance is calculated based on Beginning Balance and Budgets

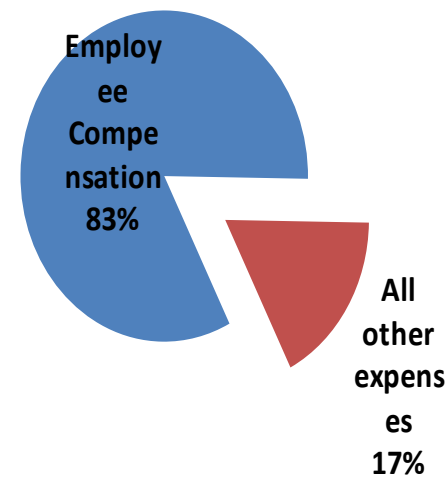
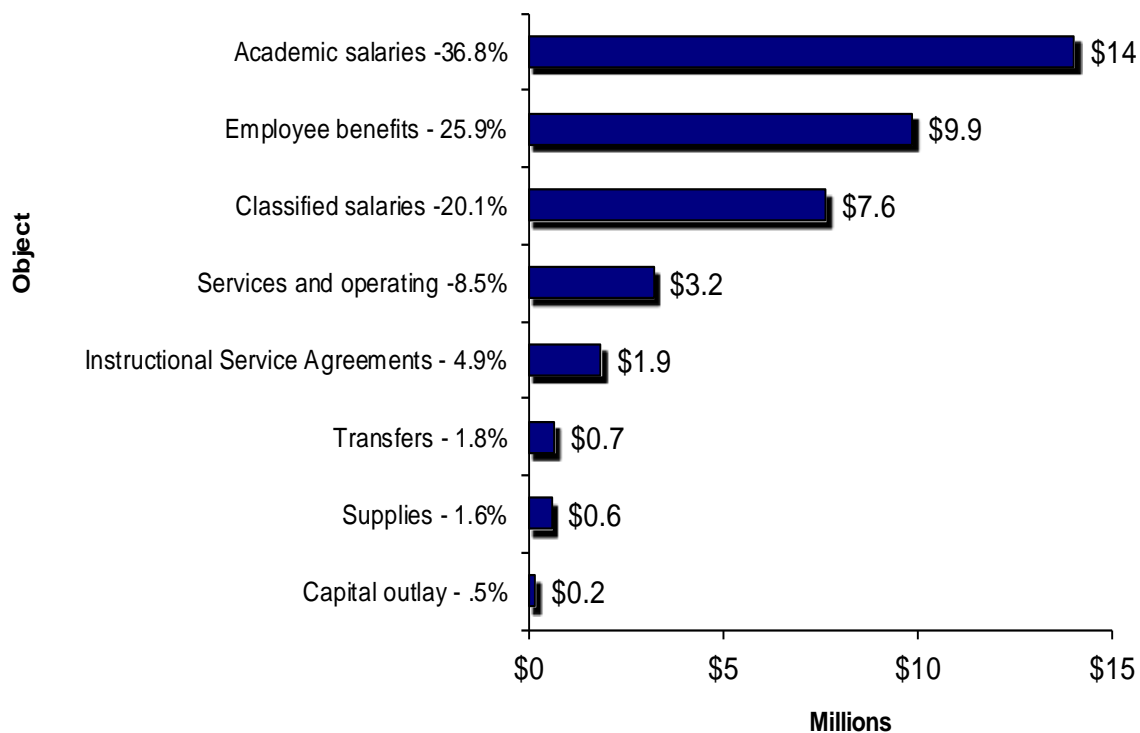
Other - 5.8%	5.85%	\$2,230,702	5.8	
Interest - 0.1%	0.08%	\$30,000	0.1	
PT Faculty - 0.4%	0.42%	\$159,407	0.4	} \$35,882,300 94.07%
Nonres Tuition - 1.5%	1.53%	\$585,000	1.5	
Lottery - 2.2%	2.21%	\$841,698	2.2	
Apportionment - 90%	89.91%	\$34,296,195	89.9	
Total	100.00%	\$38,143,002	100.0	

Where the money comes from



Capital outlay - .5%	\$184,056	0.48%	0.50%				
Supplies - 1.6%	\$607,758	1.59%	1.60%		\$31,568,020	Employee Compensation	\$31,568,020
Transfers - 1.8%	\$678,122	1.78%	1.80%		82.76%	All other expenses	\$6,574,983
Instructional Service Agreements - 4.9%	\$1,880,999	4.93%	4.90%				\$38,143,003
Services and operating -8.5%	\$3,224,048	8.45%	8.50%				
Classified salaries -20.1%	\$7,649,540	20.05%	20.10%			Benefits to salaries	45.52%
Employee benefits - 25.9%	\$9,874,954	25.89%	25.90%				
Academic salaries -36.8%	\$14,043,526	36.82%	36.80%		\$33,449,019		
Total	\$38,143,003		100.1%		87.69%		

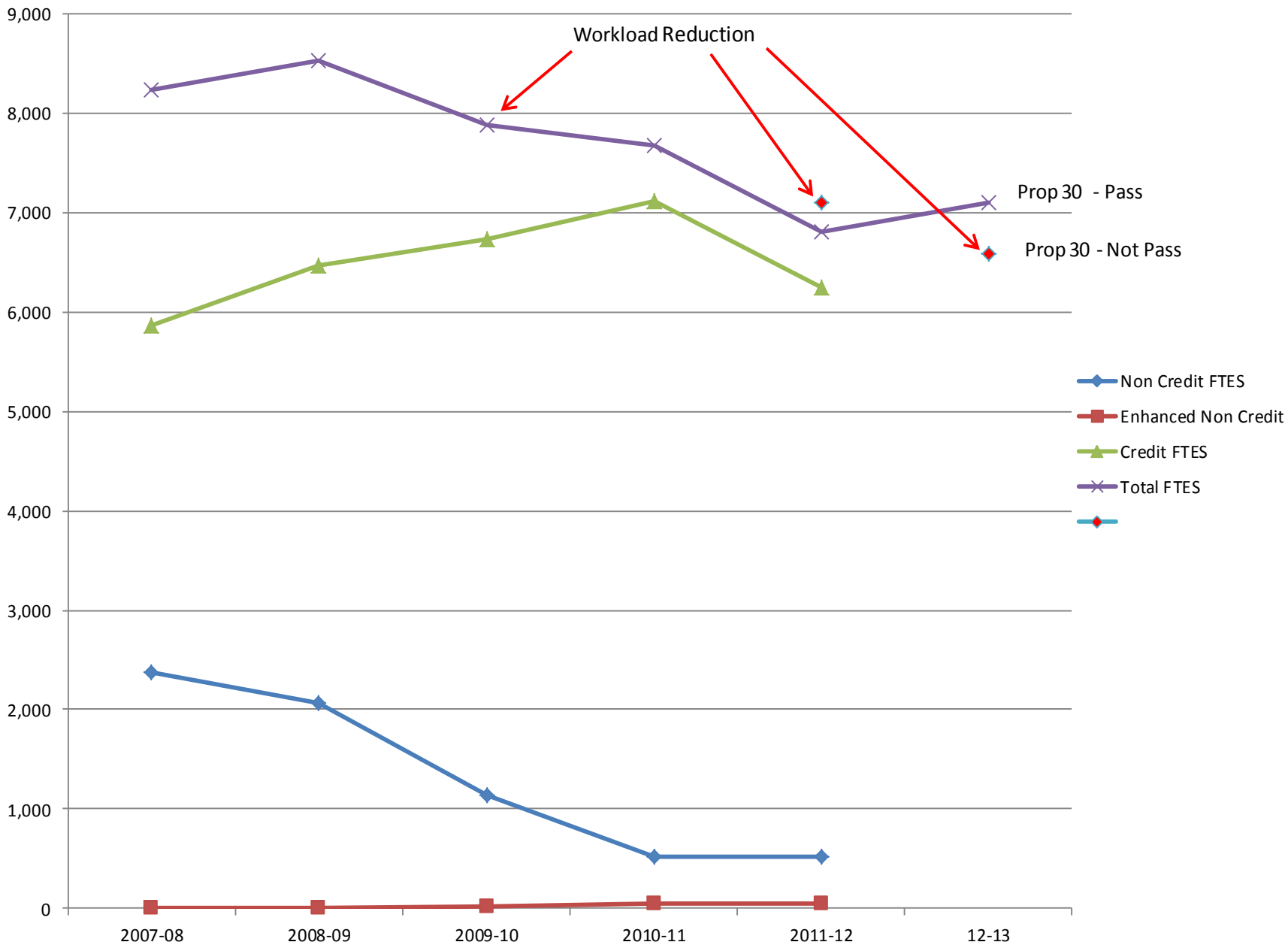
Where the money goes



WE ARE ON STABILITY FUNDING!

- Apportionment cap for 2011-12 was 7,095 FTES
 - Final reported 2011-12 FTES = 6,805
 - Short of apportionment cap by 290 FTES or \$1.39M even with maximum summer borrowing
 - The \$1.39M was paid and spent in 2011-12, but not earned
- Top priority for district to earn the 290 FTES back in 2012-13
 - If we don't earn FTES back, our apportionment will be cut by the amount unearned.

FTES Trend and Workload Reduction



HOW DO WE GENERATE FTES?

- Using existing resources
 - Increase efficiency - most cost effective method
 - Student retention / pretention
 - Offer more classes and sections to growth areas (Marina and DE)
- Purchase additional instructional contracts where it makes financial sense

CLASS SIZE EFFICIENCY

	<u>Credit</u>	<u>Non-credit</u>
Apportionment/FTES/525 contact hrs	\$4,564.83	\$2,744.96
Apportionment/contact hr	\$8.69	\$5.23
Ave FT faculty comp*/contact hr	\$196.32	
Students/class to cover FT comp	23	38.3
Students/class to cover FT comp w/50% overhead	46	76.6
Average PT faculty comp**/contact hr	\$67.37	
Students/class to cover PT comp	7.8	12.9
Students/class to cover PT comp w/50% overhead	15.5	25.9

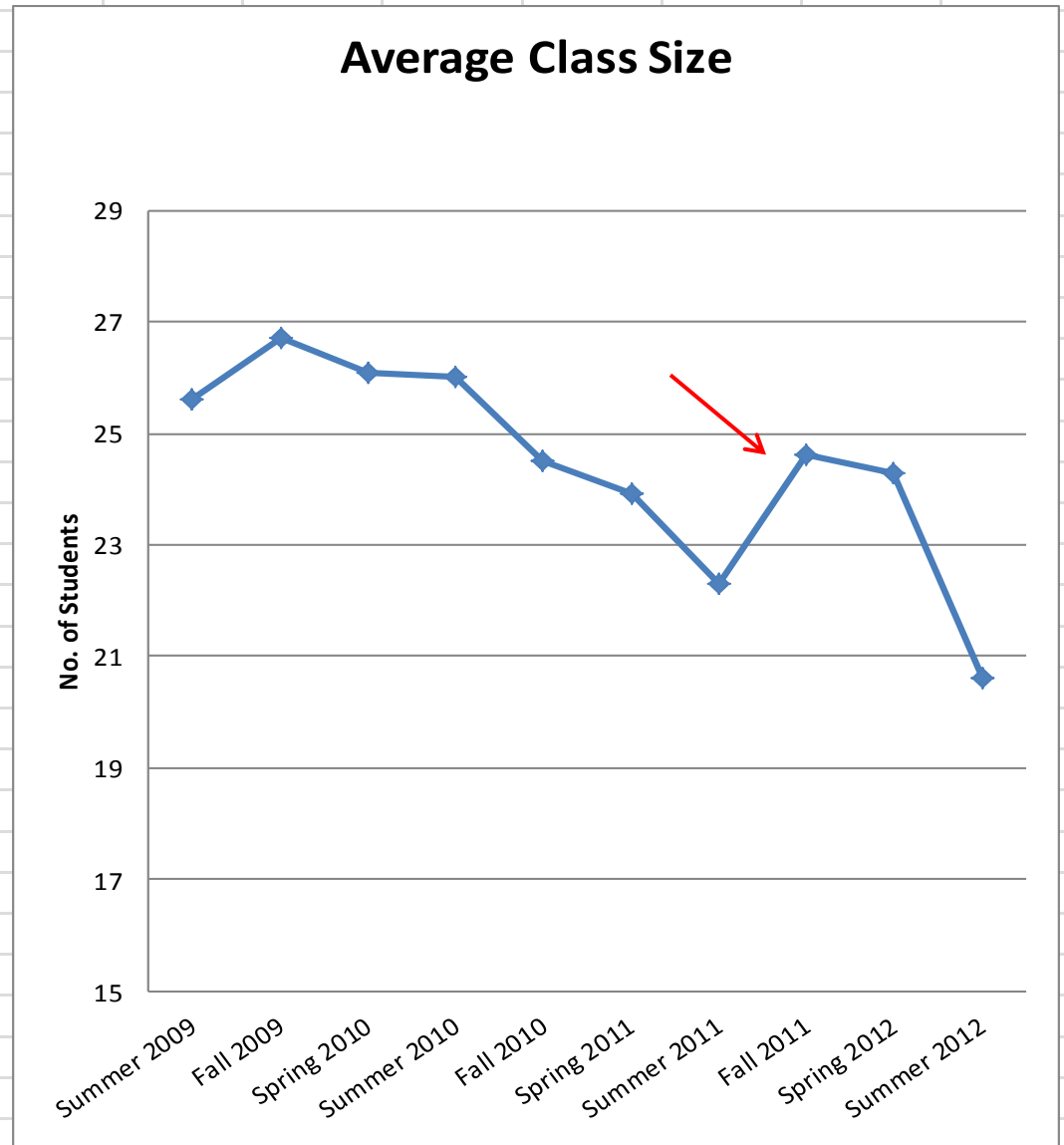
Notes * uses \$71,259 salary (\$103,067 total comp) for full-time annual teaching salary

** uses \$59.82 (\$67.37 total comp) for adjunct hourly teaching salary

EFFICIENCY TRENDS

Average Class Size

Summer 2009	25.6
Fall 2009	26.7
Spring 2010	26.1
Summer 2010	26
Fall 2010	24.5
Spring 2011	23.9
Summer 2011	22.3
Fall 2011	24.6
Spring 2012	24.3
Summer 2012	20.6



SELF INSURANCE FUND

- Self insurance expenses are budgeted at \$7.56M
 - This includes a transfer of \$1,418,580 from “rate stabilization reserve” to GF revenue to cover a portion of the GF deficit.
- Medical /RX claims are holding steady – kind of
 - Still in Phase 1 of three phase plan – Sept review coming up
 - Continue to experience a significant number of large claims
 - stop loss policy are covering claims > \$150K
 - Stop loss policy premium has increased nearly \$500K in the last two years because of poor large claims experience.
- New medical consultant, Alliant, has estimated a funding premium increase of 7.14% (\$450K), however, district and HWCCC have agreed to take a “rate pass” in 2012-13 because of sufficient reserves in Rate Stabilization Reserve.

TAX INITIATIVE(S)

- Approved state budget assumes passage of Governor's tax initiative (Prop 30)
 - Would increase sales tax by $\frac{1}{4}$ percent for 4 yrs.
 - Increase income taxes for those making more than \$250,000 per year.
- Passage of Prop 30 would raise \$6B annually in additional state revenues
- Prop 30 and Prop 38 (Munger) both support public education, but only Prop 30 helps CC
 - If both are approved by voters, the one with the most votes is implemented

DO YOU FEEL LUCKY?

- Most recent field poll shows 54% approval rating for Prop 30
 - Pollsters expect this will drop by 10 points when negative ads start running (Munger and anti-tax advocates) in September.
 - Legislature could improve the likelihood of Prop 8 passing if they move on public employee pension reforms.
- Hope for the best and plan for the worst!
 - We are deficit spending to the tune of \$2M
 - Ongoing revenues do not match ongoing expenses - unsustainable
 - How would we address an additional \$1.53M (\$2.28-\$.75) mid-year cut?
 - Start developing a “contingency plan” now!