



2007-08 Budget Forum

Presented by

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Budget Forum Topics

- Budget Development Time-line
- Key Goals & Strategies 2007-10
- Budget Values & Parameters
- FTES Projections 2006-07, 2007-08
- Current Revenue & Expenditure (R&E)
- 2007-08 Anticipated R&E Changes
- 2007-08 Compensation Facts
- Potential Funding Sources

2007-08 Budgeting Timeline

2006

- **October**

- District Education Program Planning Meeting
- Box 2A Meeting
- Cabinet develops Budget Key Goals & Strategies
- Goals & Strategies shared with DGC
- Budget Calendar developed

2007-08 Budgeting Timeline

2007

- Jan/Feb
 - Chancellor Cabinet establishes FTES Goals
- March
 - DGC Budget Workshop
- April
 - Board conducts 2007-08 Budget Study Session

2007-08 Budgeting Timeline

2007

- May
 - Chancellor & VC – Finance conduct budget forums at all District sites
- June
 - DGC updated on May Revise changes
 - Board presented “Tentative Budget” (July 1 Deadline)
- By August 15
 - Preparation of Proposed (Adopted) Budget

2007-08 Budgeting Timeline

2007

- August 15
 - Newspaper notification of Budget availability
- August 20
 - Proposed Budget available for public inspection
- August 29
 - Governing Board holds public hearing, and approves Budget (September 15 deadline)

2007-08 Budgeting Timeline

2007

- By September 30
 - District prepares CCFS-311 to transmit Budget to State Chancellor (transmittal has a October 10 deadline)
- October
 - Adjustments made to FTES Goals (and Budget)

2007-08 Budgeting Timeline

2008

- January
 - Governing Board presented with final budget modifications & audit adjustments to Fund Balance

Key Goals & Strategies 2007-10

- Budget developed with a multi-year (3-5 year) financial perspective
- Budget coincides with strategic planning cycle
- Budget reflects upon FTES decline since 2002-03 and the corresponding reductions in:
 - a) Employee salaries
 - b) District personnel
 - c) College operating budgets

Budget Goals

GOAL #1

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

Strategies

1. Explore the establishment of middle college high schools at DVC and LMC
2. Ensure systems are in place for appropriate collection of non-credit FTES

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
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

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

Budget Goals

GOAL #4

- Enhance college resources.

Strategies

1. Develop and implement means to increase operating budgets
2. Maintain the current ratio of full-time to part-time faculty

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
2. Manage and provide incentives for controlling costs
3. Solicit and evaluate employee ideas on how to control costs and implement viable ideas where possible
4. Develop a consensus on the definition of “productivity” for all employee groups
5. Continue to differentiate between ongoing and one-time expenses

Budget Goals

GOAL #6

- Revise the budget development process.

Strategies

1. Ensure transparency in the budget development process
2. Develop Key Goals and Strategies for Budget Development to coincide with District strategic planning
3. Develop budget allocation models that give the colleges autonomy in determining management and classified staffing levels
4. Change college allocation model to coincide with state distributions
5. Revise the C-hourly allocation to increase funding (if appropriate)
6. Continue transparency in District financial reports

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
2. Monitor and report on the District's ongoing progress toward funding the retiree health benefits, and (should it become necessary) suggest changes to the District's ongoing contribution

Budget Goals

GOAL #8

- Develop new sources of income for the District.

Strategies

1. Increase grant revenue through district wide collaborative efforts
2. Review facilities rental schedule
3. Increase number of International Education students
4. Review student fees
5. Provide incentives for new academic and vocational programs that are in keeping with our mission and meet service area needs
6. Increase the number of full-fee courses offered (contract education)
7. Identify auxiliary enterprises that support our mission and would generate additional revenue above cost

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 2007-08 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 and operations (materials, equipment, etc.).

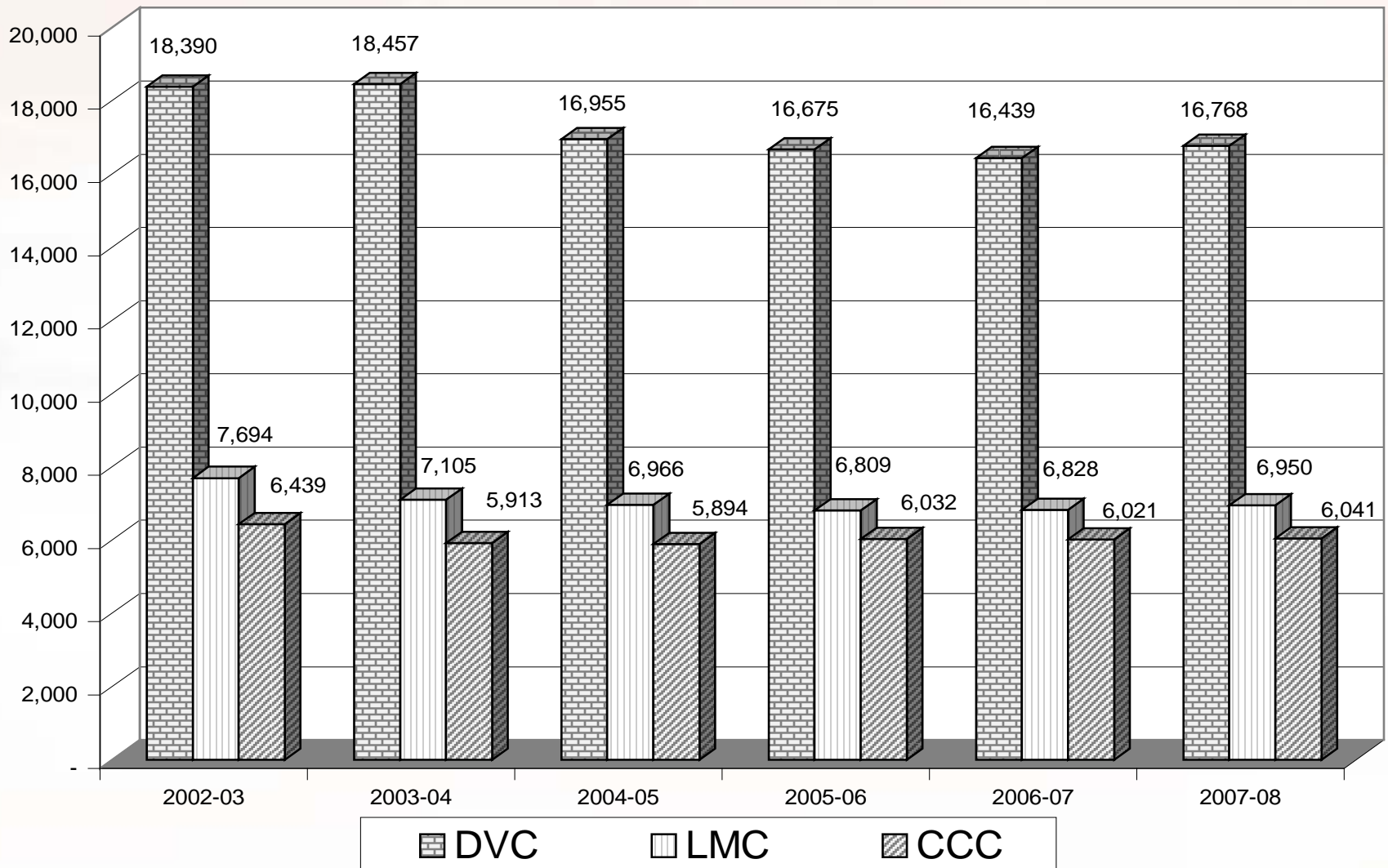
District 2007-08 FTES Projections

	2006-07 Projected FTES	2007-08 FTES Goals	Increase
CCC	6,021	6,041	0.3%
DVC	16,439	16,768	2.0%
LMC	6,828	6,950	1.8%
Total *	29,288	29,759	1.6%

* (with 1,400 FTES coming from non-resident students)

District 2007-08 FTES Projections

District Trend of Earned FTES (2006-07 projected, 2007-08 Goals)



Projection of District Resources

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

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

- 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 2006-07 District Revenue

• Apportionment Revenue *	\$131,962,035	89.7%
• Non-Resident & Foreign Fees	5,978,821	4.1%
• Lottery *	3,291,619	2.2%
• Other State Revenues	2,275,385	1.6%
• Local Revenues	3,597,822	1.8%
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• Total	\$147,105,682	100.0%

* Revenue directly tied to reported FTES

Apportionment Funding

- SB 361 Base Funding Model

Basic Allocation

Multi College District: College FTES \geq 20,000	\$4,000,000
Multi College District: College FTES \geq 10,000	\$3,500,000
Multi College District: College FTES \leq 10,000	\$3,000,000
CPEC Approved Center (San Ramon)	\$1,000,000

Instruction

Credit Instruction Dollars per FTES	\$ 4,367
Noncredit Instructional Dollars per FTES	\$ 2,626
Noncredit Career Development / College Prep Instructional Dollars per FTES	\$ 3,092

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 2007-08

Base Apportionment	\$131,962,035
+ COLA 4.53% (as of 4/27)	5,977,880 *
+ FTES Growth 1.6%	0 *
- Decline	0
+ Stability Funding	0
- Deficit Funding (0.5%)	- 689,700 *
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= Total Apportionment	\$137,250,215
❖ Potential New Money =	\$ 5,288,180

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** (11.0% 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-cuts are required.



CHANGES TO REVENUES AND EXPENSES

2007-08 Anticipated Changes to Revenues & Expenditures (from 2006-07)

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

– Apportionment: COLA 4.53%	\$ 5,977,880
– Apportionment: FTES Growth 1.6%	\$ 0 *
– Apportionment: Deficit Factor (0.5%)	-\$ 689,700
– Nonresident Tuition	\$ 500,000
– Interest revenue	\$ 400,000

* Note: For 2007-08, the District will not book growth revenue, or the associated expenditure-increases, until the growth is confirmed by the Fall 2007 Census figures.

2007-08 Anticipated Changes to Revenues & Expenditures (from 2006-07)

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

– Step, Class & Longevity Increases	\$ 900,265
– 1 Counselor & ½ Recruiter for Int'l Ed.	\$ 105,000
– Emergency preparedness Officer	\$ 75,000
– I.T. Information Security position	\$ 125,000
– 15% increase in Health Benefit Costs	\$ 2,397,008

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

– Reduction of D.O. Budgets	\$ 1,000,000
– Net Reduction SRVC / Brentwood Leases	\$ 200,000
– Utility Savings from energy projects	\$ 1,000,000

2007-08 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	1.89%
– Local One	2.17%
– Unrepresented	1.58%

- * Increase Components:

	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>
– Faculty	0.00%	1.89%	1.89%
– Local One	0.00%	2.17%	2.17%
– Unrepresented	0.00%	1.58%	1.58%

- 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>
\$651,839	\$239,768	\$137,079	\$1,028,686

2007-08 Changes to Statutory Revenues & Contractual Obligations

(reasonable projections for 2008-09 & Beyond)

- **Net State Revenue Increases (COLA) less Contractual Obligations:**

– COLA (4.53%)	\$ 5,977,880
– Less: Deficit Factor (0.5%)	<u>\$ 689,700</u>
– Net State Apportionment Increase	\$ 5,288,180
– Less: Step, Class & Longevity	\$ 900,265
– Less: Health Benefit Increases	<u>\$ 2,397,008</u>
– Increased Contractual Expenditures	\$ 3,297,273
– “Net Available New Money “	
(Apportionment Increase – Contract Obligations) =	\$ 1,990,907

2007-08 Changes to District Generated Revenues & Expenditures

- **District Generated Revenues and Cost Reductions less Expenditure Increases:**

– Non-resident Tuition Increase	\$ 500,000
– Interest Revenue Increase	<u>\$ 400,000</u>
– <i>Net District Revenue Increases</i>	\$ 900,000
– Reduction of D.O. Budgets	\$ 1,000,000
– Reduction in Utility Costs (Energy Projects)	\$ 1,000,000
– Net Reduction SRVC/Brentwood Leases	<u>\$ 200,000</u>
– <i>Net District Cost Reductions</i>	\$ 2,200,000
– Counselor & ½ Recruiter for Int'l Ed.	\$ 105,000
– Emergency Preparedness Officer	\$ 75,000
– I.T. Information Security Position	<u>\$ 125,000</u>
– <i>Net District Cost Increases</i>	\$ 305,000
– <i>Net Revenues & “Use” Reductions</i>	\$ 2,795,000

2007-08 Potential Funding Sources

- Final COLA
 - In two of the last three years, there has been increase in “COLA” between the Governor’s “January Budget” and the “Final Budget”

Year	January	Final
2004-05	2.41%	2.41%
2005-06	3.93%	4.23%
2006-07	5.18%	5.92%
2007-08	4.04%	4.53 %– (?)

2007-08 Potential Funding Sources

- **Funded FTES Growth**

- What will be the District's reported/funded FTES for 2007-08?
- 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 2007-08 available resources?

QUESTIONS