

2014-15 Adoption Budget Board Presentation September 10, 2014



Contra Costa College

Diablo Valley College

San Ramon Campus

Los Medanos College

Brentwood Center

Governing Board Priorities: 2014-2019

- Governing Board recently developed its goals to reflect the updated Districtwide Strategic Plan
 - Goal 1
 - Enhance Student Learning and Success
 - Goal 2
 - Strengthen Current and Create New Partnerships
 - Goal 3
 - Create a culture of continuous improvement and tangible success
 - Goal 4
 - Be Good Stewards of the District's resources

Governing Board – Goal 4

BE GOOD STEWARDS OF THE DISTRICT'S RESOURCES

- Sustainable economic future
 - Ongoing review
 - Financial reports at each meeting
 - Long-range budgets
 - 3-year budget forecast each April
 - Additional analysis as needed; e.g. defined benefit pension plan contributions
 - Strategy for underfunded liabilities
 - Board designated reserves for compensated absences
 - Established irrevocable trust in 2008 for retiree health benefits
 - Presented borrowing strategy to Board in June 2014



Governing Board – Goal 4

BE GOOD STEWARDS OF THE DISTRICT'S RESOURCES

- Measure E oversight
 - Discuss and provide feedback on Measure E system reports
 - Established new fund to track expenditures within our system and at the County; will provide segregation from other capital funds
- Monitor allocations of financial and human resources
 - Budgets are student-centric and are built to align with our FTES targets
 - Sufficient resources are allotted for the administration of the District



Adoption Budget Topics

- Increased State Support
 - Modest Cost of Living Adjustment (COLA)
 - Significant categorical funding enhancements
 - Large one-time scheduled maintenance allocation
- Defined Benefit Pension Plan Contributions
 - CalSTRS and CalPERS employer contribution rate increases
 - Long-term forecast
- Fiscal Year 2014-15 Adoption Budget
 - Overview and fund balance
 - FTES targets
 - Major Areas of Concern
 - Recap



Increased State Support

- Community College System is receiving 0.85% for a Cost of Living Adjustment (COLA); total of \$47.3 million
 - \$1.1 million for the District
- Community College System is receiving 2.75% to restore student access; total of \$140 million
 - District is not budgeting for nor will it earn any of these access dollars



Increased State Support

- Categorical funding
 - Student Success and Support Program (SSSP) enhanced by \$100 million (ongoing)
 - District’s allocation grows from \$1.8 million in FY 2013-14 to \$4.2 million in FY 2014-15
 - Student Equity funds of \$70 million (one-time)
 - District will receive \$1.4 million in one-time funds
- Deferred Maintenance
 - \$148 million to the community college system for deferred maintenance (one-time)
 - District will receive \$3.6 million in one-time funds



Pension Plan Contributions

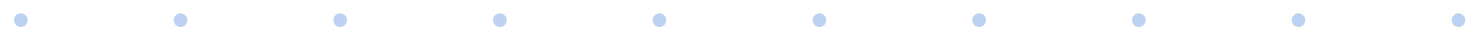
- Large employer increases in CalSTRS and CalPERS
 - CalSTRS will rise from 8.25% to 19.1% by 2021
 - District contribution will go from \$4.85 million to \$12.90 million by 2021
 - These employer contribution rates are in statute
 - CalPERS is estimated to rise from 11.442% to 20.4%
 - District contribution will go from \$4.14 million to \$8.47 million by 2021
 - Total contributions expected to escalate from about \$9 million in FY 2013-14 to \$21.4 million in FY 2020-21



Pension Plan Contribution %s

	CalSTRS <u>Employer %</u>	CalPERS <u>Employer %*</u>
2013-14	8.25	11.442
2014-15	8.88	11.771
2015-16	10.73	12.600
2016-17	12.58	15.000
2017-18	14.43	16.600
2018-19	16.28	18.200
2019-20	18.13	19.900
2020-21	19.10	20.400

*CalPERS percentages are estimates from a CalPERS circular letter from March 2014



Pension Plan Contributions

	<u>CalSTRS Increase</u>	<u>CalPERS Increase</u>	<u>Total Increase</u>	<u>% of Payroll</u>	<u>Breakeven COLA</u>
FY 2014-15	474,869	204,038	678,907	0.70%	0.50%
FY 2015-16	1,238,264	398,597	1,636,861	1.66%	1.20%
FY 2016-17	1,285,665	1,015,482	2,301,147	2.28%	1.67%
FY 2017-18	1,334,466	741,167	2,075,633	2.02%	1.48%
FY 2018-19	1,384,704	768,512	2,153,216	2.05%	1.51%
FY 2019-20	1,436,419	837,364	2,273,783	2.13%	1.57%
FY 2020-21	895,272	369,654	1,264,926	1.16%	0.86%

Adoption Budget Overview – All Funds

	Beginning Balance	Total Revenues	Total Expenses	Ending Balance
Unrestricted	\$35,273,738	\$174,523,528	\$177,760,862	\$32,036,404
Restricted	233,457	25,785,778	25,927,891	91,344
Bond Redemption	18,318,786	30,123,025	27,970,484	20,471,327
Long-Term Debt	5,413,381	514,427	100,000	5,827,808
Special Revenue	184,287	128,271	135,447	177,111
Capital	156,292,222	125,355,008	44,343,932	237,303,298
Auxiliary	3,461,704	12,508,590	12,351,558	3,618,736
Self Insurance	580,366	101,350	-	681,716
Retiree Benefits	8,733,364	1,613,558	6,959,510	3,387,412
Student and Financial Aid	2,959,478	35,798,881	35,805,146	2,953,213
OPEB Irrevocable Trust	66,858,559	12,778,860	245,029	79,392,390
Total	\$298,309,342	\$419,231,276	\$331,599,859	\$385,940,759

 **\$717 Million** 

Adoption Budget Overview

- The District begins FY 2014-15 with an opening fund balance in its ongoing, unrestricted general fund of \$25.9 million
 - Very healthy reserves, approximately 15% of total expenditures
- With budgeted expenses of \$171.7 million offset by anticipated revenues of \$171.5 million, the District has a structural, or operating, deficit of \$242,555 (about 1/10th of 1% of the expenditure budget)
 - This \$242,555 deficit is subtracted from the District's fund balance, bringing the ratio of fund balance to expenditures to 14.99%

Adoption Budget – Fund Balance

Beginning Fund Balance:	\$ 25,989,815
less operating deficit:	<u>(242,555)</u>

Projected Ending Balance at June 30, 2015: \$ 25,747,260

Components of Ending Balance

	<u>Restricted</u>
5% Board Reserve	\$8,505,771
5% Board Contingency Reserve	8,505,771
1% Minimum Site Reserves	4,027,414
Designated Reserve	<u>1,624,424</u>
Subtotal Restricted	\$ 22,663,380

	<u>Unrestricted</u>
Undesignated Reserves	<u>\$ 3,083,881</u>
Subtotal Unrestricted	\$ 3,083,881

Total Reserves 14.99% of expenditure budget **\$ 25,747,261**

FTES Targets

FY 2014-15 Total FTES Targets

	<u>Resident</u>	<u>Non-resident</u>	<u>Total</u>	<u>% of Total</u>
CCC	5,581	250	5,831	18.74%
DVC	15,035	2,400	17,435	56.03%
LMC	7,751	100	7,851	25.23%
Total	28,367	2,750	31,117	100.00%



\$132.6 million in apportionment revenue



\$13.5 million in local revenue

Major Areas of Concern

- Student Demand
 - Inverse relationship between the economy and demand for courses
 - The District must be innovative in its scheduling and course offerings
 - Build momentum heading into FY 2015-16
- Funding of long-term liabilities
 - Retiree health benefits, banked load, and vacation accrual
- Health benefit premium increases
 - Premiums went up 14% in FY 2014-15
 - Over \$3.5 million in additional costs



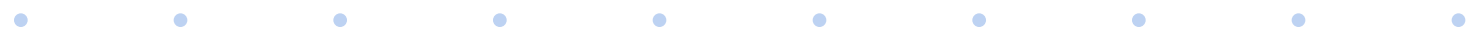
Major Areas of Concern

- Escalating employer contributions rates for CalSTRS and CalPERS
 - Large annual increases in both plans between now and FY 2020-21
- Proposition 30 taxes to sunset
 - Beginning January 1, 2017, the temporary sales tax increase will end
 - Beginning January 1, 2019, the temporary personal income tax increase will end



Recap

- Increased state support through COLA and categorical dollars
- FTES targets held steady; no growth budgeted or anticipated
- Healthy reserves; about 15% of expense budget
- Small structural deficit; approximately 1/10th of 1% of expense budget
- A commitment to the community to serve and provide excellent educational opportunities to all students



Questions?

