

2014-15 FINAL BUDGET

OVERVIEW

The 2014-15 Final Budget is based on the appropriations for community colleges contained in the State Budget that was adopted on June 20, 2014. The state's economy is improving but the Governor emphasized the need for fiscal restraint. As a result, the Governor pushed to build up reserves and to pay down existing debt. A "rainy day" reserve ballot language has been proposed and only \$94 million of the apportionment deferral remains. The budget for community colleges has been significantly augmented and includes funding for a 0.85% COLA (\$47m), 2.75% enrollment growth (\$140m), \$50 million for Economic Development, \$170 million for Student Success programs, \$30 million for Disabled Student Programs and Services, \$6 million for increased technology infrastructure, \$49.5 million for outstanding mandated cost claims and \$148 million for deferred maintenance/instructional equipment.

The college's Final Budget is balanced but there are a couple of items outstanding that may require additional adjustments; the funding of new budget requests, the health plan renewal rates and negotiations with the bargaining units. The college ended the 2013-14 fiscal year with an ending balance of \$4,838,857, (6.01%) a \$126,572 decrease from the previous year.

Revenue augmentations in the college's budget include an adjustment to the 2013-14 base revenues (\$203K), 2013-14 un-budgeted growth revenues (\$101K), a 0.85% COLA (\$622K), anticipated 2014-15 growth revenues (\$1.0 million), an increase in non-resident tuition (\$350K), an increase in lottery income (\$100K), mandated cost claim revenue (\$600K), increases to student fees (\$39K) and the sale of our Met-Life stock (\$115K). Revenue reductions include a reduction in Other State income (\$15K) and the Blue Shield rebate (\$90K). Overall revenues are approximately \$3.04 million more than last year.

The Final Budget was augmented to maintain a 5% general reserve (\$150K), establishment of the salary stabilization reserve (\$30K), step and column (\$567K), eleven additional full time faculty hires (\$385K), a two percent increase to the full time faculty schedule (agreement for the elimination of pro-rata pay (\$300K), increases in retirement costs (\$352K), \$1 million to the hourly faculty accounts and other exempt cost line items (\$224K). Major savings within the budget were realized in unemployment insurance (\$75K), retiree benefits (\$75K), and the review of the discretionary accounts with budgets over \$6,000 (\$1.49M).

The College's enrollment grew 337 FTES to meet its growth target in 2013-14. The college was able to achieve this level by reporting 365 credit FTES of Summer 2014 enrollment.

STATE FINANCES

Governor Brown released his 2014-15 budget proposal on January 8, 2014. With the passage of Proposition 30 and the improvement in the economy, the state is no longer faced with a structural budget shortfall and additional money is available for appropriation. The Governor is pushing for fiscal restraint and proposed to use much of the additional resources to pay down debt and build up a "Rainy Day Fund." Highlights of the Governor's proposal for community colleges were as follows:

- \$48.5 million for a 0.86% COLA
- \$155.2 million for 3.0% enrollment growth/restoration
- \$592.4 million to buy down the remaining deferral. Although this is not additional funding for community colleges, more funds would be received before June 30th. Total deferral would be eliminated in 2014-15.
- \$200.0 million for Student Success and Support programs.
- \$87.5 million for Scheduled Maintenance
- \$87.5 million for Instructional Equipment

The Governor's proposal did not propose to raise student fees, nor did it propose to fund FTES based on completion of classes.

May Revise:

On May 13, 2014, Governor Brown released his May Revision budget proposal. Major changes from the January proposal included the following:

- (\$1.2) million decrease from a reduction in COLA from 0.86% to 0.85%.
- (\$14.8) million decrease from reducing enrollment growth/restoration from 3.0% to 2.75%.
- \$50 million augmentation for Economic and Workforce Development programs
- \$6.0 million augmentation for improving the technology infrastructure (upgrade bandwidth and replace technology equipment on campuses).
- (\$87.5) million decrease to eliminate funding for Instructional Equipment
- \$60.5 million augmentation for Schedule Maintenance (\$87.5 million to \$148 million). The 1:1 match was also eliminated.
- Increase the funding rate for Career Development and College Preparation noncredit courses to the credit course rate effective 2015-16.

The Legislative Analyst Office projects that state tax revenues are exceeding budget amounts by \$2.5 billion over the 2012-13 through 2014-15 fiscal years. As a result, both the Senate Budget Subcommittee and the Assembly Budget Subcommittee have developed budget proposals based on higher revenue estimates.

Legislative Budget Subcommittee Proposals

Both the Assembly and Senate Budget Subcommittees have developed budget proposals. Unlike previous years, the funding plans approved by both houses took a coordinated approach in a single proposal. An additional \$246 million in funding is provided in the 2014-15 fiscal year and \$34 million more in the 2013-14 fiscal year compared to the May Revise. The additional funding was used to double COLA to 1.70% and to augment many of the categorical programs. The Conference Committee is being formed to present and negotiate the plan to the Governor.

Adopted State Budget

On June 20, 2014, the Governor signed the State Budget. He made no line item vetoes for community colleges and made the following revisions to the May Revise:

- Funding for Student Equity plans reduced \$30 million to \$70 million
- \$30 million augmentation for DSP&S
- \$49.5 million augmentation for outstanding mandated cost claims
- \$94.5 million reduction for the apportionment deferral
- STRS employer rate to increase to 8.88% (from 8.25%) and the employee rate to 8.15% (from 8.0%)

Following is a chart that summarizes the 2014-15 budget proposals:

2014-15 State Budget Proposals
(in \$ millions)

<u>Item</u>	<u>January</u>	<u>May Revise</u>	<u>Legislative</u>	<u>Adopted</u>
COLA	0.86%	0.85%	1.70%	0.85%
Enrollment Growth/Restoration	3.00%	2.75%	2.75%	2.75%
Apportionment Deferral	592.0	592.0	592.0	498.0
Instructional Equipment	87.5	0.00	*	*
Scheduled Maintenance	87.5	148.0	199.3*	148.0*
Categorical Programs:				
Basic Skills	20.0	20.0	25.0	20.0
Student Financial Aid	67.9	69.4	69.4	69.4
EOP&S	79.3	79.3	95.4	79.3
CARE	9.3	9.3	11.2	9.3
DSP&S	84.2	84.2	134.2	114.2
CalWORKS	34.5	34.5	49.5	34.5
Matriculation	201.7	201.7	201.7	201.7
Student Equity	100.0	100.0	100.0	70.0
PT Health	0.5	0.5	0.5	0.5
PT Parity	24.9	24.9	24.9	24.9
PT Office	3.5	3.5	10.0	3.5
Nursing	13.4	13.4	13.4	13.4
Economic Development	22.9	72.9	82.9	72.9
Telecomm/Technology	15.8	21.8	21.8	21.8
Mandated Cost Claims	0.0	0.0	0.0	49.5

*No match required and districts have discretion on the allocation of these funds to scheduled maintenance and instructional equipment.

BUDGET DEVELOPMENT PROCESS

The 2014-15 Final Budget was developed along the guidelines of the Administrative Regulation 3110, District's Budget. These guidelines included the following:

- 1) Each functional unit (President's Office, Instruction, College Services, Administrative Services, Human Resources, and Information Technology) receives an allocation based on the preliminary revenue projections developed by staff and reviewed with the Budget Review Committee. After funding a five percent (5%) General Reserve and the "Exempt Cost" line items (expenses that benefit the entire college and cannot be controlled by the TOPS manager e.g. utilities, insurance and benefits), a rollover budget (the "turn-around" document) is distributed to the TOPS managers. TOPS managers can transfer funds as long as their total budget fits within their allocation.
- 2) An improved process was developed for funding budget requests in an effort to address the Accreditation Report and to strengthen the link between planning and resource allocation. Items that need additional funding are initiated through a Program Review report or College plan. These requests are reviewed by either the Institutional Planning Coordinating Committee (IPCC) or program Review for validation. After validation, the requests are forwarded to their respective Governance Committee (Academic Affairs, Student Affairs, Administrative Affairs, and CCCC's). The prioritized requests are then forwarded to the Budget Committee for funding.
- 3) The Budget Committee reviews all requests to determine which ones are "Must Do" requests and provides funding.
- 4) An expanded Budget Committee will meet to review the other requests from each Governance committee to develop a consolidated list of budget request in priority order.

Based on these guidelines, \$2.758 million of Exempt Cost augmentations were made. A detailed list of the Exempt Cost augmentations is discussed later in this document.

In an effort to identify savings within the Rollover Budget, the Budget Reallocation Subcommittee again convened to review all discretionary accounts (permanent position and benefit accounts excluded) with a budget over \$6,000. TOPS managers with accounts within these parameters were required to justify and explain the use of these accounts to the sub-committee. Through this process, the Budget Reallocation Subcommittee recommended budget cuts to accounts that resulted in a \$1.533 million savings. This recommendation was reviewed by the Budget Committee with TOPS managers given the opportunity to appeal the recommendation by providing additional information. During the appeal process \$42,000 of proposed cuts were restored.

The Strategic Master Plan Committee (Team A) has approved annual goals which will be used by the Expanded Budget Committee to prioritize funding for new budget requests. These annual goals are not in priority order and are as follows:

- 1) Scheduling will respond to data, including a review of room ownership.
- 2) Develop a framework for defining programs in terms of how they meet GCCD's primary, secondary, and tertiary missions. This stratification provides the relative value of programs and services to GCCD's mission.
- 3) Streamline the transition from Noncredit to credit.

- 4) The College will continue its work in competing for grants and pursue additional business partnerships that will provide additional funding.
- 5) The College will allocate on-going funding so that the replacement of equipment and technology can be scheduled and planned based on industry standards.
- 6) The College will implement its two-year projection into its budget process.
- 7) Investigate means of increased coordination and communication among the diverse student labs, including technology development and training with the goal of more consistent data collection, standard assessments (SLOAC), and possible economies of scale.
- 8) Continue to assess student learning outcomes at the course, program, and institutional levels and use assessment results for continuous improvement. Further develop the SLO database to improve the college's reporting and planning capabilities with regard to SLOs.
- 9) Faculty will continue to explore, evaluate and implement delivery modes and methods of instruction that meet the objectives of the curriculum and support student needs.
- 10) The College will strengthen governance relationships and promote trust by an ongoing self-evaluation process of the state of shared governance including an annual leadership survey.
- 11) The college will improve its use of communication tools (e.g. Facebook, Twitter, Instagram, Tumblr, etc.) to provide information to students, faculty, staff, and the community and to share college accomplishments more widely.
- 12) The college will clarify its hiring prioritization processes (IHAC, SSHAC, and CHAC) and how decisions are made about which positions will be funded.
- 13) The college will develop a "green" policy and implement it in order to work toward reducing the use of paper and improving the college's impact on the environment.

The Budget Committee has started reviewing the 2014-15 budget requests. So far the committee has approved \$25,292 of requests that were considered "Must Do" that are funded from the operating budget. Other "Must Do" items were funded but through Instructional Equipment and other alternative funding. Following are the requests that have been approved for funding from the operating budget:

DSP&S Assistive Tech software	\$7,637
Architect software license	2,553
Master Cam software	4,500
ESL-FL software license	2,100
Math software	5,810
Music LogicProX software	<u>2,692</u>
Total	\$25,292

The review of all 2014-15 budget requests will be started in September when all employees are back on campus. The Budget Committee is currently identifying alternative sources of revenue to fund other 2014-15 budget requests. The Expanded Budget Committee will meet to prioritize and fund the "High Priority" budget requests with any available funding.

SUMMARY ALL FUNDS

The following chart summarizes the eight funds by which the college tracks revenues and expenditures:

Expenditure Summary All Funds (in \$ million)			
Fund	2012-13 Actual	2013-14 Actual	2014-15 Budget
General Fund, Unrestricted	77.302	80.481	86.771
General Fund, Restricted	15.322	15.034	20.570
Student Financial Aid	32.385	31.477	37.744
Capital Projects	1.520	9.712	34.662
Self Insurance	2.560	2.970	3.235
Cafeteria	0.761	0.773	0.911
Professional Development Center	1.405	1.772	2.644
GO Bond – Series D	1.227	0.498	1.758
GO Bond – Series E		0.453	13.592

The Unrestricted General Fund is discussed in detail on the following pages. The following is a brief summary of the other funds:

1. **General Fund, Restricted:** The Restricted General Fund contains those programs whose funds are restricted by either law, an external funding agency or Board of Trustee action. The 2014-15 budget is approximately \$5.5 million over what was spent in 2013-14. This increase is primarily from the 2013-14 ending balance and unspent grant funds that carry forward.
2. **Student Financial Aid:** The Student Financial Aid program has increased significantly over the last three years. The budget is \$6.3 million higher than last year primarily due to the increased number of students qualifying for PELL awards and the loans that are being issued.
3. **Capital Projects:** The Capital Projects Fund budget is \$24.9 million over what was spent last year. This difference is due to the State Construction funding that is budgeted for building the Lab/College Services Building.
4. **Self Insurance:** The Self Insurance fund's budget is slightly higher than last year's expenditures. This is due to the 2013 Blue Shield rebate (\$496K) that has been put in a reserve account. This fund is financially sound with \$190,000 in reserve.
5. **Cafeteria:** The Cafeteria was able to operate within budget for 2013-14. This is a \$100K improvement over last year and was made possible by meal cards provided to students by unused EOP&S grant funds.

6. **Professional Development Center:** The Professional Development Center’s 2014-15 budget is approximately \$872 thousand over what was spent in 2013-14. This is a result of its 2013-14 ending balance.
7. **GO Bond Fund Series E:** The 2014-15 Budget includes funding for the energy conservation projects and partial funding for the Lab/College Services project.
8. **GO Bond Fund Series F:** The 2014-15 Budget reflects the last of the Measure G bond funds. These bonds were sold to fund the Lab/College Services project. With the construction contract awarded at a much lower level than anticipated, approximately \$7.5 million of funds are no longer needed for this project and have been put into a reserve account for future allocation.

ENROLLMENT

Although actual enrollment growth for 2013-14 was 302 credit FTEs, the college’s **reported** enrollment growth in 2013-14 was 337 resident FTEs. This difference results from the 165 FTEs shifted from 2013-14 to 2012-13 and the 365 FTEs shifted from 2014-15 to 2013-14. These shifts in enrollment had enabled the college, to meet its growth targets in both the 2012-13 and 2013-14 fiscal years. For 2014-15, an additional \$1 million was added to the budget for the adjunct faculty line item. This funding was made possible through the anticipation of 2014-15 growth revenues.

The college has experienced significant growth in its nonresident students. Nonresident student enrollment grew 132 FTEs in 2013-14 providing \$730 thousand of revenue over what was earned in 2012-13. This is a sign of the recovery in the economy. Following is a summary of enrollment reported to the state:

Type	2012-13	2013-14	Variance
Credit	12,281	12,508	227
Noncredit	343	362	19
Career Dev./College Prep	<u>2,331</u>	<u>2,422</u>	<u>91</u>
Total Resident	14,955	15,292	337
Non-resident	<u>640</u>	<u>772</u>	<u>132</u>
Total	15,595	16,064	469

UNRESTRICTED GENERAL FUND REVENUES

The College’s revenue increased over \$3.04 million over last year’s budget. Following are the major changes:

Revenue Source	Amount
2013-14 Base revenue adjustment	\$216K
2013-14 unbudgeted growth	\$106K
2014-15 0.85% COLA	\$622K
2014-15 Anticipated Growth Revenue	\$1,000K

Lottery	\$100K
Mandated Cost Revenue	\$600K
Other State Revenue	(\$15K)
Non-resident Tuition	\$350K
MetLife stock sale	\$115K
Blue Shield Rebate	(\$90K)
Miscellaneous	<u>\$39K</u>
Total	(\$3,043K)

The following chart provides a summary of proposed revenues for the Unrestricted General Fund.

Unrestricted General Fund Revenues
(in \$ millions)

Item	2012-13 Actual	2013-14 Budget	2013-14 Actual	2014-15 Tentative	2014-15 Final
General Revenues:					
Base	69.292	69.867	70.070	72.270	72.575
COLA	0.000	1.097	1.100	0.622	0.622
Growth	0.766	0.989	1.405	1.000	1.000
Deficit	<u>(0.230)</u>	<u>0.000</u>	<u>(0.315)</u>	<u>0.000</u>	<u>(0.301)</u>
Total General Revenues	69.828	71.953	72.260	73.892	73.896
Prior Year Adjustment	0.285	0.000	0.097	0.000	0.000
Federal Funds	0.002	0.001	0.002	0.001	0.001
Lottery	1.972	1.950	2.118	2.000	2.050
Part Time Parity	0.349	0.349	0.349	0.349	0.349
Part Time Faculty	0.118	0.118	0.118	0.118	0.118
Other State	0.650	0.632	0.623	0.603	1.217
Other Local	0.633	0.135	0.288	0.250	0.256
Non-Resident Tuition	2.755	3.150	3.486	3.500	3.500
Other Student Fees	0.388	0.383	0.407	0.384	0.416
General Purpose Block Grant	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Total Income	76.980	78.671	79.748	77.333	81.803
Incoming Transfers	0.387	0.220	0.612	0.125	0.130
Beginning Balance	<u>4.895</u>	<u>4.960</u>	<u>4.960</u>	<u>4.960</u>	<u>4.839</u>
Total Available	82.262	83.851	85.320	86.182	86.772
Total Appropriations	<u>77.302</u>	<u>79.851</u>	<u>80.481</u>	<u>82.032</u>	<u>82.622</u>
Ending Balance	<u>4.960</u>	<u>4.000</u>	<u>4.839</u>	<u>4.150</u>	<u>4.150</u>

An analysis of the 2014-15 revenues are as follows:

1. **General Revenues:** General revenues consist of base, COLA, growth and the system-wide deficit in property taxes and enrollment fees. General revenues will increase approximately \$1.93 million from our base levels. This increase results from a \$200K adjustment to our base revenues, 2013-14 growth revenues (\$100K), the 0.85% COLA for 2014-15 (\$622K), and \$1 million of anticipated 2014-15 growth revenues.
2. **Prior Year Adjustment:** An estimate is not made for Prior-Year Adjustment because we have no basis to make such an estimate. These funds are a result of a number of factors including how well other districts do in making their growth targets and the amount of property taxes statewide. We will know this number in February 2015 when we receive our First Principal Apportionment report.
3. **Other State Revenue:** The 2014-15 State Budget provides a block grant for mandated cost claims allocated at \$28/FTEs. The College does have the option of filing claims as currently done. The \$28/FTE option will provide an additional \$421,000 a year in revenue. In addition, the state appropriated \$49.5 million for prior year mandated cost claims. The college is expecting to receive approximately \$600,000. Finally, the BOG fee waiver revenue was estimated at \$196,000.
4. **Non-Resident Tuition:** Non-Resident tuition line item has been increased \$350K. Non-Resident enrollment grew in 2013-14. Thee 2014-15 budget was set at the level of revenue generated in 2013-14.
5. **Other Local:** The Other Local category was budgeted at \$121K more than the amount budgeted in 2013-14. The increase is primarily due to the anticipated sale of MetLife stock.
6. **Interfund Transfers:** In 2013-14, the College transferred \$170K from the 2012 Blue Shield rebate and returned \$300K from the Self Insurance fund. Both of these transfers were a one-time source of funds and as a result need to be adjusted in the budget. For 2014-15, this line item was reduced \$482,000 from the amount transferred in 2013-14..
7. **Beginning Balance:** The College's ending balance decreased by approximately \$122,000 from \$4.96M to \$4.84M. This ending balance of \$4.84M was 6.01% of expenditures.

UNRESTRICTED GENERAL FUND APPROPRIATIONS

The College began its appropriation adjustments by establishing a five per cent (5%) General Reserve in the amount of \$4,150,000. Then, \$2,758,000 of Exempt Cost augmentations were made. All other 2014-15 budget requests are in-process for funding. A reserve has not been set aside for these requests.

Exempt Costs: Exempt costs are defined as costs that benefit the college as a whole and which a manager has no control over the amount. Examples would include employee benefits, collective bargaining changes, utilities etc. The major exempt cost items that were augmented in this budget are as follows:

Augmentation	Amount
Step & Column	567,000
Health Insurance	0
Utilities	195,000

Postage	(20,000)
Insurance	10,000
STRS	191,000
PERS	161,000
Medicare	39,000
State Unemployment Insurance	(75,000)
Retiree Benefits	(75,000)
11 Full Time Faculty hires	385,000
2% increase to Full Time Faculty	300,000
Additional Hourly Faculty	1,000,000
Reallocation Reserve	50,000
Salary Stabilization Reserve	<u>30,000</u>
Total	2,758,000

- 1) **Step and Column Increases (\$567,000):** Step and column increases are the annual pay increases for all employees as they move to a higher step on their salary schedule or to a higher range.
- 2) **Health Insurance (\$0):** The health plan renewal rates for 2015 have not been received. In addition, the District is negotiating with the unions on changes to the health plans that will result in savings. As a result, this line item was not changed.
- 3) **Utilities (\$195,000):** Utility augmentations consisted on \$25,000 augmentations to Water/sewer, \$25,000 augmentation to natural gas, \$150,000 augmentation for electricity and a \$5,000 reduction for telephone. These adjustments were made based on 2013-14 projections and rate increases that will occur in 2014-15.
- 4) **Postage (-\$20,000):** The postage budget was decreased \$20,000 based on 2014-15 actual expenditures.
- 5) **Insurance (\$10,000):** The college's student insurance was augmented \$10,000 based on 2013-14 actual expenses.
- 6) **STRS (\$191,000):** The STRS employer rate is increasing from 8.25% to 8.88% for 2014-15. This rate increase requires a \$191,000 augmentation.
- 7) **PERS (\$161,000):** The PERS employer rate increased from 11.442% to 11.771%. The budget was augmented \$161,000 to fund this rate increase and to accommodate an overdraft in 2013-14.
- 8) **Medicare (\$39,000):** The Medicare expense budget was augmented \$91,000 based on 2013-14 actual expenses.
- 9) **State Unemployment Insurance (-\$75,000):** The State Unemployment Insurance expense budget was reduced \$25,000 based on 2013-14 actual expenses.
- 10) **Retiree Benefits (-\$75,000):** Retiree benefits have decreased as the number of retirees has decreased over the last 3 years.
- 11) **Eleven Full Time Faculty Hires (\$385,000):** The college had to hire eleven additional full time faculty to meet its full time obligation. This augmentation is the net of the cost of the full time position less \$45,000 of adjunct backfill.
- 12) **2% Increase to the Full Time Faculty Pay Schedule (\$300,000):** The agreement with the Guild to eliminate pro-rata pay in the intersessions included a 2% increase to the full time faculty schedule in 2014-15. This increase is estimated to cost \$300,000.
- 13) **Additional Hourly Faculty (\$1,000,000):** \$1,000,000 was augmented to the hourly faculty line item to meet the 2.75% growth target.

14) Reallocation Reserve (\$50,000): The CSEA contract provides \$50,000 for salary reallocation adjustments each year with a maximum bank of \$150,000. This augmentation is required to comply with the CSEA contract.

15) Salary Stabilization Reserve: The college established the salary stabilization reserve in 2013-14. This reserve is to be funded through unbudgeted growth revenues and is to be used in those years that the college is unable to meet its salary obligations to its employees. For 2013-14, 30% of unbudgeted growth (\$30,000) was deposited into this reserve.

2014-15 Reserves:

Following is a summary of reserves and how they are funded:

Reserve	Ongoing Funds	One-Time Funds	Total Funds
Mandatory Reserves:			
General Reserve (5.02%)		4,150,000	4,150,000
Contingency Reserve (0.48%)	<u>400,000</u>	<u>0</u>	<u>400,000</u>
Subtotal Mandatory (5.50%)	400,000	4,150,000	4,550,000
Salary Stabilization	30,000	0	30,000
Classified Reallocations	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total Reserves	<u>480,000</u>	<u>4,150,000</u>	<u>4,630,000</u>

THREE YEAR FORECAST

The following projection was prepared to show where the College will be in 2015-16 and 2016-17 using the following assumptions:

- 1) No State cuts in 2015-16 or 2016-17
- 2) No Enrollment Fee/Property Tax shortfall in 2015-16 or 2016-17
- 3) College will realize 1% total savings within operating budget (99% of budget expended)
- 4) Historical cost trends will continue (step and column, employee benefit rate increases etc.).
- 5) Growth will be funded at 2.00% in 2015-16 and 2016-17.
- 6) COLA will be used for collective bargaining and is not included in the projection
- 7) 10% health plan renewal increases
- 8) No new major programs/needs requiring significant budgets
- 9) No cost of living raises for employees

Unrestricted General Fund Revenues			
(In \$ millions)			
Category	2014-15 Projection	2015-16 Projection	2016-17 Projection
Base Revenues	\$72.575	\$74.661	\$76.900
COLA (1%)	0.622	0.746	0.769
Growth (2%)	<u>1.464</u>	<u>1.493</u>	<u>1.538</u>
Total Base Revenue	\$74.661	76.900	79.207
Lottery	2.050	2.050	2.050
Other State	1.684	1.084	1.084
Nonresident Tuition	3.500	3.500	3.500
Other Student Fees	0.416	0.416	0.416
Other Local	0.256	0.256	0.256
Interfund Transfer	<u>0.130</u>	<u>0.050</u>	<u>0.050</u>
Total Revenues	82.697	84.256	86.563
Beginning Balance	<u>4.839</u>	<u>5.740</u>	<u>5.400</u>
Total Available	87.536	89.996	91.963
Base Appropriations	81.796	81.796	84.596
Step/Column	0.000	0.650	0.650
Health Benefits	0.000	0.800	0.800
Other Exempt Costs	0.000	0.400	0.400
Additional Classes	0.000	0.750	0.750
“Must Do” augmentations	<u>0.000</u>	<u>0.200</u>	<u>0.200</u>
Total Appropriations	<u>81.796</u>	<u>84.596</u>	<u>87.396</u>
Ending Balance	<u>5.740</u>	<u>5.400</u>	<u>4.567</u>
Percentage	<u>7.02%</u>	<u>6.38%</u>	<u>5.23%</u>

The three year projection shows that our fund balance will decrease slightly if the state will begin funding a 1% COLA and growth funds of at least 2%. However, this model assumes that the college

only maintains its current operations without any employee pay increases, any expansion of services, or replacing its capital needs. Traditionally, COLA has been used for collective bargaining so if this continues, the fund balance will decline to 5.5% in 2015-16 and 3.49% in 2016-17.

BUDGET COMMITTEE ACTIONS

The 2014-15 Final Budget is balanced. To balance the budget, the Budget Committee identified the following changes:

- 1. New Revenue (\$799,000):** Revenue sources were increased \$799,000. Lottery revenue (\$100K), non-resident tuition (\$350K), student fees (\$39K), Other State Income (-15K), and Blue Shield rebate (-90K) were adjusted based on 2013-14 actual amounts. In addition, the sale of the college's MetLife stock should produce approximately \$115,000 in revenue for the college. Finally, the college should receive approximately \$600,000 in mandated cost claim revenue. The college's policy reserves half of any mandated claim revenue for GASB 45 post-employment benefits. As a result, \$300,000 is available for appropriation.
- 2. Budget Reallocation Sub-Committee (\$1,491,000):** The Budget Reallocation Sub-Committee reviewed all discretionary accounts that had a budget in excess of \$6,000 for potential budget savings. The sub-committee recommended \$1.533 million in budget cuts to the Budget Committee. The Budget Committee restored \$42,000 after hearing appeals from TOPS managers.
- 3. Vacant Positions (\$463,000):** Six full-time faculty retirements and one faculty position on a part-time service leave were identified. These positions will remain vacant in 2014-15 and backfilled with adjunct employees. This will result in approximately \$360,000 in savings. Seven classified vacancies were identified. Although these positions will be re-filled, the estimated salary placement for these positions should provide \$85,000 in savings. Finally, the salary placement of five of the new faculty positions resulted in an \$18,000 savings.
- 4. DSP&S Support (\$74,000):** With the additional state funding for DSP&S, the college was able to reduce its support to the program by approximately \$74,000. The college continues to provide approximately \$500,000 of support to DSP&S.
- 5. Cadets and 0.5 FTE Police Officer Position (\$125,000):** The last payment for the bond that was issued to build the upper parking lot was made in 2014. The college should realize approximately \$220,000 of new revenue. With this money, the college will be hiring a new police officer to expand services to the Garfield Campus. In addition, one half of an existing police officer and all of the cadets can now be transferred off of college funds.

PENDING BUDGET ACTIONS

There are still several items that have not been resolved that may affect the 2013-14 budget. Following are those items:

- 1) Funding of 2014-15 Budget Requests:** Other than the approval of full time faculty to meet the full time faculty obligation and the funding of "Exempt Cost" and "Must Do" line items, the Budget Committee has not completed its prioritization and funding of the 2014-15 budget

requests. A reserve has not been set aside for these requests.

- 2) **2015 Health Plan Renewal Rates:** The College is still waiting for the 2015 renewal rates for its health plans. Funds have not been set aside for an increase in premiums.
- 3) **Negotiation with Employee Groups:** The College will commence negotiations with the Guild and CSEA on several items that could impact the budget; COLA, health care changes and use of the 2013 Blue Shield rebate (\$496,000).

BUDGET RISKS

The District's financial position is stronger than it has been in the last four years. However, there are still some risks that could impact the budget as follows:

1. **2013-14 Statewide Deficit:** Although there is a surplus in state tax receipts in 2013-14, there is a possibility that there may be a statewide deficit that all community colleges would have to take their proportionate share. The budget has set aside \$315,000 for a projected shortfall.
2. **2014-15 Enrollment:** The college is targeting a 2.75% growth target for 2014-15. In shooting for this target, an augmentation of \$1 million for hourly instruction was made. Enrollment has been more difficult to attain since the state has recovered from the recession. In order to meet the 2013-14 enrollment target, 3651 FTES were required to be shifted from Summer 2014. In the previous year, 165 FTES were shifted. The college cannot continue this trend and it is hoped that 2014-15 will be the year in which the growth target will be met without shifting any FTES.

CONCLUSION

With unemployment going down and the housing market improving, it appears that the state has recovered from the recession. The economy has rebounded to the point where the state is in the best financial position in years. And with the passage of Proposition 30, the college is also in the best financial position in years. It is expected that improvements will continue through the period the tax increases included in Proposition 30 are in force. Hopefully in two years the economy is thriving and additional funding will continue for community colleges.

The Final Budget is balanced but there are still two major items within the budget that have to be addressed: Health plans and COLA for staff. No money has been set aside for either of these items and both have to be negotiated. There is general agreement throughout the campus that health plan changes must be made to generate budget savings. It is hoped that an agreement can be reached to offset any premium increases this year. COLA for staff must also be addressed. With the budget getting stronger, there is an expectation that a COLA will be granted. The college has already received a Blue Shield rebate for the 2013 contract year of almost \$500,000. The negotiation of the use of this rebate may help either of the two items above.

Growth revenues will be essential to the college to add and expand services without budget cuts. However, the college is in a position where there is not significant unfunded enrollment, so any growth revenues must be earned by actually increasing enrollment rather than maintaining enrollment. This will require additional funding to add classes and to effectively manage class offering. It will be critical to invest these funds wisely to prepare for the next time the economy declines.

One of the policy changes that was included in this year's budget is the funding of noncredit Career Development College Preparation enrollment at the credit rate. Glendale College has a major noncredit program, so this change will provide over \$3 million of additional funding. However, the change is not effective until the 2015-16. The financial condition of the college is looking brighter for the future.