

2015-16 FINAL BUDGET

OVERVIEW

The 2015-16 Final Budget is based on the appropriations for community colleges contained in the State Budget that was adopted on June 24, 2015. The state's economy continues to improve with tax receipts far exceeding initial estimates. The State Budget provides significant increases for access, student success, and student equity while also recognizing the college's need for growing operational costs. The Governor continues to emphasize the need for fiscal restraint. As a result, the Governor has increased the state's reserves by over \$3.4 billion and has appropriated much of the new funding as "one-time" funding.

Highlights of the budget for community colleges includes, \$61 million to fund a 1.02% COLA, \$156 million for enrollment growth (3.0%), \$75 million for full-time faculty hires, \$267 million for operational costs, \$49 million to equalize the Career Development College Prep (CDCP) funding rate, \$100 million for the Student Success Program, \$85 million for the Student Equity Program, \$604 million (one-time) for mandated cost claims, \$148 million for Instructional Equipment and Scheduled Maintenance, and \$60 million (one-time) for Basic Skills. The budget also provided \$33.7 million for EOP&S to restore funding back to pre-recession levels. Finally, the budget provided \$94.5 million to eliminate the remaining apportionment deferral and \$38.7 million for Proposition 39 Energy Conservation projects. Overall the State Budget was a very positive budget for community colleges.

Revenue augmentations in the college's 2015-16 Final Budget include a 1.02% COLA (\$700K), CDCP rate enhancement (\$3.3M), Apportionment for operations (\$3.4M), Apportionment for full-time faculty (\$810K), mandated cost revenue (\$6.824 million) and non-resident tuition (\$200K). Reductions in estimated revenue include \$115K for Other Local Income (Sale of MetLife stock in 2014-15) and the Blue Shield rebate (\$208K). It also included a reduction of the college's base revenues (\$350K) resulting from the \$1 million of anticipated growth revenues in the 2014-15 budget, yet only achieving \$650,000 of growth. Overall, the Final Budget reflects approximately \$14.56 million of additional revenue.

The Final Budget includes approximately \$3.08 million of expense augmentations. These augmentations included step and column (\$551K), health insurance (\$144K), utilities (\$185K), retirement (\$733K), Social Security/Medicare (\$35K), 14 new faculty (\$600K), 3 new custodians (\$100K), hourly faculty (\$750K), and other reserves (\$100K)..

The College's Final Budget is balanced and has approximately \$12.86 million in reserves. These reserves consist of the following: 5% General Reserve (\$4.900M), Contingency Reserve (\$450K), Reallocation Reserve (\$100K), Salary Stabilization Reserve (\$30K). In addition, a \$4.0 million (on-going) reserve and a \$3.375 million (one-time) reserve have been established for new budget requests, collective bargaining or reserving for future years.

Enrollment is the biggest concern with the college's budget. Enrollment was flat in 2014-15 and 772 FTEs from Summer 2015 were shifted to the 2014-15 fiscal year to maximize revenues. The college will be going into decline in 2015-16 and must grow to meet base enrollment levels in 2016-17 or risk the loss of apportionment funding. If the college is only receiving cost of living adjustment (COLA)

funds from the state, it will not have enough discretionary money to fund the projected inflationary expense increases for retirement, step and column, and health benefits. The college must be prudent in the allocation of its available funding to avoid financial problems in the coming years.

STATE FINANCES

Governor Brown released his 2015-16 budget proposal on January 9, 2015. The budget is balanced and reflects a strong economic outlook. State unemployment is declining and revenues are growing, resulting in an increased Proposition 98 K-14 funding guarantee. The budget reflected the Governor's fiscal prudence emphasizing that 2015-16 will be last year of full revenues from the Proposition 30 tax increase, with the sales tax portion expiring at the end of 2016. Highlights of the Governor's proposal for community colleges were as follows:

- \$92.4 million for a 1.58% COLA
- \$106.9 million for 2.0% enrollment growth/restoration
- \$125.0 million to increase base funding for lost COLAs in prior years
- \$49.0 million to equalize the Career Development College Prep (CDCP) rate to the resident credit rate
- \$200.0 million to be split evenly between Student Success and Support and Student Equity programs.
- \$48 million (one-time) for Career Technical Education to support the SB 1070 Career Technical Education Pathways Program
- \$94.5 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 2015-16.
- \$353.3 million (one-time) to pay down outstanding mandate claims

The Governor's proposal did not propose an increase in student fees. This budget proposal reflected the strong rebound in state revenues providing significant new revenues for community colleges.

May Revise:

On May 14, 2015, Governor Brown released his May Revision budget proposal. The actual revenues collected by the state treasury over the course of the current fiscal year have significantly outpaced estimates made at the time of the Governor's January proposal. Major changes from the January proposal included the following:

- (\$31.3) million decrease from COLA being reduced from 1.58% to 1.02%.
- Additional \$49.7 million to increase access 2.0% to 3.0% (\$156.5 million total for 2015-16).
- \$75 million to support an increase in full time faculty hiring
- Additional \$141.7 million for support of district general operating expenses (\$266.7 million total for 2015-16)
- Additional \$274.7 million of one-time funds to pay down prior mandate obligations (\$626 million total for 2015-16)

- \$148 million for deferred maintenance and instructional equipment. No match required.
- \$60 million in one-time funds for the Basic Skills and Student Outcomes Transformation Program.
- Additional \$15 million for Student Equity Plan funding (\$115 million total increase for 2015-16)
- \$2.5 million to fund COLA for the EOP&S, DSPS and CalWORKs programs

Adopted State Budget

On June 24, 2015, the Governor signed the State Budget. He made no line item vetoes for community colleges and made the following revisions to the May Revise:

- \$12.7 million reduction to the Apportionment for full-time faculty hires
- \$30 million reduction to the Student Equity program
- \$23.8 million reduction to the mandated cost revenue
- \$33.7 million augmentation to EOP&S
- Matching requirement for the Student Success and Support Program (SSSP) will remain at the 2014-15 level
- \$100 million of the Deferred Maintenance/Instructional Equipment funding will be ongoing
- No match required for Deferred Maintenance/instructional Equipment funds

Following is a chart that summarizes the 2015-16 budget proposals:

2015-16 State Budget Proposals
(in \$ millions)

<u>Item</u>	<u>2014-15</u>	<u>January</u>	<u>May Revise</u>	<u>Adopted</u>
COLA	0.85%	1.58%	1.02%	1.02%
Enrollment Growth/Restoration	2.75%	2.00%	3.00%	3.00%
Apportionment Deferral	600.0	94.0	94.0	94.0
Career Development College Preparation Rate (CDCP)	0.0	49.0	49.0	49.0
General Operating Costs	0.0	125.0	266.7	266.7
Full Time Faculty Hires	0.0	0.0	75.0	62.3
Student Success & Support	199.2	299.2	299.2	299.2*
Student Equity	70.0	170.0	185.0	155.0
Instructional Equipment/ Scheduled Maintenance (1X)	148.0	0.0	148.0	148.0**
Mandated Cost (1X)	49.5	353.3	627.8	604.0
Basic Skills (1X)	0.0	0.0	60.0	60.0
EOP&S	89.5	89.5	123.2	123.2
Career Technical Ed (1X)	50.0	48.0	48.0	48.0

*Match maintained at 2014-15 level

**No match required, districts have discretion on the allocation of these funds to scheduled maintenance and instructional equipment, and \$100 million is ongoing.

BUDGET DEVELOPMENT PROCESS

The 2015-16 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) A new 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, \$3.108 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 \$950 thousand in savings. This recommendation was approved by the Budget Committee and TOPS managers are currently being given the opportunity to appeal the recommendation by providing additional information. To date, \$85,500 of proposed cuts have been restored. Following is a list of the accounts restored:

College-wide signage	\$ 3,000
DSP&S interpreters	\$ 15,000
International Student Travel	\$ 5,000
A&R hourly workers	\$ 12,000
A&R Supplies	\$ 3,000
IT contract services	\$ 43,500
Women's athletic classified hourly	<u>\$ 4,000</u>
Total	\$85,500

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) Streamline the transition from Noncredit to credit.
- 2) Increase levels of assessment of learning outcomes at the course, program, and institutional levels to 100% and maintain that level; formalize process for the use of assessment results in program improvement
- 3) The college will strengthen its use of marketing and communication, including social media, to provide information to students, faculty, staff, and the community and to share college accomplishments more widely.
- 4) The college will clarify its hiring prioritization and decision making processes (IHAC, SSHAC, and CHAC) regarding which positions will be funded.
- 5) The college will develop and communicate a sustainability policy, and implement it in order to work toward reducing the use of paper and reducing the college's impact on the environment.
- 6) Identify and evaluate the total student experience, which includes elements such as the following: Academic excellence, high standards and expectations, personal growth, global and social awareness, leadership and experiential opportunities, international experiences, a culture of participation (membership, voting, etc.) a role in decision-making, pride for the organization/institution, exposure to potential careers, and a personal intellectual and professional identity.

The Budget Committee has started reviewing the 2015-16 budget requests. So far the committee has approved the Instructional Equipment/Scheduled Maintenance items. Following is a list of items funded from this program:

Instructional Equipment	
Wifi Upgrade	\$ 126,000
Network Upgrade (over 4 years)	200,000
Replace classroom projectors	12,000
Additional wireless access points	9,240
Upgrade classrooms to level 3	16,000
Replace track and field (over 2 years)	450,000
Computer lab chairs	12,000
Physical Science lab equipment	8,722
Classroom chairs (SG 329)	1,700
NOVA station and computer	18,000
Library and classroom computers	39,000
Library furniture	50,000
Extron Switches	4,000
Remodel Kreider Hall	60,000
Lighting equipment	<u>10,000</u>
Total Instructional Equipment	\$1,016,662

Scheduled Maintenance	
Replace two compressors (AS)	\$ 30,000
New pad and air handling unit (SR)	110,000
Elevator hydraulic piston (SG)	50,000
Collegewide electric coordination - 480V to 120V	74,000
Replace oil fused cut-off switch (Library)	130,000
Replace lighting inverter (AD)	98,000
Replace stage lift	130,000
Replace stage draperies (AU, SR, SN)	175,000
Repair roof (VG)	<u>180,000</u>
Total Scheduled Maintenance	\$ 977,000

The review of all 2015-16 budget requests will be started in September when all employees are back on campus. The Budget Committee is currently identifying “Must Do” budget requests and alternative sources of revenue to fund other 2015-16 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	2013-14 Actual	2014-15 Actual	2015-16 Budget
General Fund, Unrestricted	80.481	83.348	102.056
General Fund, Restricted	15.034	17.610	28.339
Student Financial Aid	31.477	29.570	37.988
Capital Projects	9.712	19.151	15.422
Self Insurance	2.970	2.805	3.124
Cafeteria	0.773	0.891	0.914
Professional Development Center	1.772	1.433	2.546
GO Bond – Series D	0.498	1.350	0.420
GO Bond – Series E	0.453	1.042	12.639

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 2015-16 budget is approximately \$10.7 million over what was spent in 2014-15. This increase is primarily from the 2014-15 ending balance (\$3.6M), the transfer of mandated cost revenue for GASB 45 retiree benefits (\$3.8M) and the increased funding from Student Success, Student Equity and EOP&S (\$2.4M).

2. **Student Financial Aid:** The Student Financial Aid budget is \$8.4 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 \$3.7 million less than what was spent last year. This difference is due to the completion of the Lab/College Services Building that is funded by the State Construction bond.
4. **Self Insurance:** The Self Insurance fund's budget is slightly higher than last year's expenditures. This is primarily due to the 2014-15 ending balance. This fund is financially sound with almost \$300,000 in reserve.
5. **Cafeteria:** The Cafeteria's budget has remained flat over 2014-15 actual expenditures.
6. **Professional Development Center (PDC):** The PDC's 2015-16 budget is approximately \$1.1 million over what was spent in 2014-15. This is a result of its ending balance.
7. **GO Bond Fund Series E:** The 2015-16 Budget includes funding for the energy conservation projects and partial funding for the Lab/College Services project.
8. **GO Bond Fund Series F:** The 2015-16 Budget reflects the last of the Measure G bond funds. These bonds were sold to fund the Lab/College Services project. Additional projects funded include upgrading the network, the second phase of energy conservation projects and \$3 million set aside for the college's match on the Physical Education remodel project.

ENROLLMENT

Although actual enrollment for 2014-15 declined slightly in 2014-15 (37 FTEs), the college's **reported** enrollment showed a growth of 170 FTEs. This growth was accomplished by shifting 772 FTEs from the Summer 2015 semester. This shift in enrollment increased the college's revenue for 2014-15 by approximately \$650K in new revenue. This significant shift in FTEs allowed the college to maximize its revenues for 2014-15, but unfortunately will result in the college going into decline in 2015-16. The college will need to develop a plan to increase enrollment in the next two years.

Non-resident enrollment continues to grow. The college added almost 100 FTEs of non-resident enrollment in 2014-15. This enrollment provided over \$500K of revenue over what was earned in 2013-14. This is a sign of the recovery in the economy. Following is a summary of enrollment reported to the state:

Type	2013-14	2014-15	Variance
Credit	12,508	12,542	34
Noncredit	362	271	(91)
Career Dev./College Prep	<u>2,422</u>	<u>2,649</u>	<u>227</u>
Total Resident	15,292	15,462	170
Non-resident	<u>772</u>	<u>869</u>	<u>97</u>
Total	16,064	16,331	267

UNRESTRICTED GENERAL FUND REVENUES

The College's revenue increased over \$14.55 million over last year's budget. The following chart provides a summary of proposed revenues for the Unrestricted General Fund.

Unrestricted General Fund Revenues (in \$ millions)					
Item	2013-14 Actual	2014-15 Budget	2014-15 Actual	2015-16 Tentative	2015-16 Final
General Revenues:					
Base	70.070	72.575	72.575	77.497	77.148
COLA	1.100	0.622	0.617	0.700	0.700
Growth	1.405	1.000	0.656	0.000	0.000
Operations Apportionment	0.000	0.000	0.000	3.400	3.400
FT Faculty Apportionment	0.000	0.000	0.000	0.900	0.810
Deficit	<u>(0.315)</u>	<u>(0.301)</u>	<u>(0.235)</u>	<u>(0.600)</u>	<u>(0.300)</u>
Total General Revenues	72.260	73.896	73.613	81.897	81.758
Prior Year Adjustment	0.097	0.000	0.312	0.000	0.000
Federal Funds	0.002	0.001	0.000	0.001	0.001
Lottery	2.118	2.050	2.130	2.050	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	0.623	1.293	1.311	0.617	8.117
Other Local	0.288	0.256	0.328	0.141	0.141
Non-Resident Tuition	3.486	3.801	4.006	4.000	4.000
Other Student Fees	0.407	0.416	0.431	0.416	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	79.748	82.180	82.598	89.589	96.950
Incoming Transfers	0.612	0.626	0.599	0.418	0.418
Beginning Balance	<u>4.960</u>	<u>4.839</u>	<u>4.839</u>	<u>4.839</u>	<u>4.688</u>
Total Available	85.320	87.645	88.036	94.486	102.056
Total Appropriations	<u>80.481</u>	<u>83.495</u>	<u>83.348</u>	<u>89.961</u>	<u>97.156</u>
Ending Balance	<u>4.839</u>	<u>4.150</u>	<u>4.688</u>	<u>4.525</u>	<u>4.900</u>

An analysis of the 2015-16 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 \$7.862 million over the prior year. This increase results from the 1.02% COLA (\$700,000), the Career Development College Preparation rate increase (\$3.3 million), the apportionment for general operating expenses (\$3.4 million) and the apportionment for full-time faculty

hires (\$810,000). A reduction was made in the amount of \$350,000 for 2014-15 growth revenues. The 2014-15 budget was developed based on attaining \$1 million of growth. As enrollment was stable, only \$650,000 of growth revenues were earned in 2014-15.

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 2016 when we receive our First Principal Apportionment report.
3. **Other State Revenue:** The 2015-16 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 \$604 million of one-time funds for prior year mandated cost claims. This is an increase of \$554 million over last year resulting in approximately \$6.82 million of more revenue in 2015-16.
4. **Non-Resident Tuition:** Non-Resident tuition line item has been increased \$200,000. Non-Resident enrollment grew again in 2014-15. The 2015-16 budget was set at the level of revenue generated in 2014-15.
5. **Other Local:** The Other Local category was budgeted at \$115,000 less than the amount budgeted in 2014-15. The decrease is due to the sale of MetLife stock in 2014-15.
6. **Interfund Transfers:** In 2014-15, the College transferred \$576,000 from the 2012 and 2013 Blue Shield rebate. The 2014 Blue Shield rebate is \$368,000. This line item was reduced \$208,000 for 2015-16..
7. **Beginning Balance:** The College's ending balance decreased by approximately \$150,000 from \$4.84 million to \$4.69 million. This ending balance of \$4.69 million was 5.63% 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 \$4,900,000 (\$750,000 increase). Then, \$3,108,000 of Exempt Cost augmentations were made. All other 2015-16 budget requests for the operating budget are in-process for funding. There is approximately \$4 million of unallocated revenue and \$3.375 million of one-time revenue that can be allocated for these requests and collective bargaining

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	551,000
Health Insurance	144,000
Utilities	185,000
STRS/PERS Retirement	733,000
Social Security/Medicare	35,000
3 new custodians (half year)	100,000
Audit	10,000
14 Full Time Faculty hires	600,000
Additional Hourly Faculty	<u>750,000</u>
Total	3,108,000

- 1) **Step and Column Increases (\$551,000):** Step and column increases are the annual pay increases for all employees as they move to a higher step or range on the salary schedule.
- 2) **Health Insurance (\$144,000):** The health plan renewal rates for 2016 have not been received. The budget will accommodate a 10% increase in premiums.
- 3) **Utilities (\$185,000):** Utility augmentations consist of a \$200,000 augmentations to electricity, a \$25,000 reduction to natural gas and a \$10,000 augmentation for Garfield. These adjustments were made based on 2014-15 expenditures and rate increases that will occur in 2015-16.
- 4) **STRS/PERS Retirement (\$733,000):** The State Teachers Retirement System (STRS) rate will increase 1.85% in 2015-6. A minor increase will occur for the Public Employees Retirement System (PERS).
- 5) **Social Security/Medicare (\$35,000):** The Social Security and Medicare line items will be augmented \$35,000 based on 2014-15 actual expenses.
- 6) **3 New Custodians (\$100,000):** Three new custodians have been budgeted to support the Lab/College Services Building scheduled to be operational in December 2015.
- 7) **Audit (\$10,000):** The audit line item has been increased \$10,000 to accommodate current contract.
- 8) **Fourteen Full Time Faculty Hires (\$600,000):** The college is hiring fourteen additional full time faculty to meet its full time obligation.
- 9) **Additional Hourly Faculty (\$750,000):** \$750,000 was augmented to the hourly faculty line item based on 2014-15 actual expenditures.

2015-16 Reserves:

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

Reserve	Ongoing Funds	One-Time Funds	Total Funds
Mandatory Reserves:			
General Reserve (5.04%)		4,900,000	4,900,000
Contingency Reserve (0.46%)	<u>450,000</u>	<u>0</u>	<u>450,000</u>
Subtotal Mandatory (5.50%)	450,000	4,900,000	5,350,000
Unallocated Revenue	4,003,000	3,375,000	7,378,000
Salary Stabilization	30,000	0	30,000
Classified Reallocations	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total Reserves	<u>4,583,000</u>	<u>8,275,000</u>	<u>12,858,000</u>

FOUR 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 or new discretionary revenue in future years
- 2) Enrollment will remain flat
- 3) 1% COLA will be granted in future years
- 4) Historical cost trends will continue (step and column, employee benefit rate increases etc.).
- 5) 7.5% health plan renewal increases
- 6) STRS will increase 1.85% and PERS will increase 1% each year
- 7) No new faculty hired (only replacements)
- 8) No new major programs/needs requiring significant budgets

Unrestricted General Fund Revenues				
(In \$ millions)				
Category	2015-16 Projection	2016-17 Projection	2017-18 Projection	2018-19 Projection
New On-going Revenue	\$7.062	\$0.775	\$0.783	\$0.791
New Ongoing Expenses	<u>3.062</u>	<u>2.637</u>	<u>2.215</u>	<u>2.190</u>
Surplus/Deficit	4.000	(1.862)	(1.432)	(1.399)
Scenarios:				
No COLA in 2015-16	4.000	2.138	0.706	(0.693)
1% COLA in 2015-16	3.327	1.465	0.033	(1.366)
2% COLA in 2015-16	2.654	0.792	(0.640)	(2.039)
3% COLA in 2015-16	1.981	0.119	(1.313)	(2.712)
4% COLA in 2015-16	1.308	(0.554)	(1.986)	(3.385)

The four year projection shows that a deficit will occur in 2018-19 if no COLA or a one percent COLA is granted to employees in 2015-16. A budget deficit will occur in 2017-18 if a two or three percent COLA is granted in 2015-16. Finally, a budget deficit will occur in 2016-17 if a four percent COLA is granted in 2015-16. This model only assumes a COLA granted in 2015-16. If COLAs are provided to employees in any year between 2016-17 and 2018-19, the deficit will occur earlier.

BUDGET COMMITTEE ACTIONS

The 2015-16 Final Budget is balanced with approximately \$12.858 million in reserve. To achieve this balance, the Budget Committee identified the following changes:

- 1. New Revenue (\$14,562,000):** Revenue sources were increased \$14,562,000. Base Revenues were increased \$7.862 million from the increase in the CDCP rate, the 1.02% COLA, and the additional apportionments for general operating costs and the full-time faculty. Other State revenues were increased \$6.824 million from the additional one-time mandated cost revenues. Other revenue adjustments for non-resident tuition, other local revenue and interfund transfers netted to a \$124,000 decrease.
- 2. Budget Reallocation Sub-Committee (\$864,000):** 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 \$950,000 in budget cuts to the Budget Committee. The Budget Committee restored \$85,500 after hearing appeals from TOPS managers.
- 3. Vacant Positions/New Hires (\$459,000):** Savings were identified in the budget through seven faculty retirements which will be backfilled with adjunct faculty in 2015-16. In addition, there were savings in new hire salary placements versus the budget for these positions.

PENDING BUDGET ACTIONS

There are still several items that have not been resolved that may affect the 2015-16 budget. The allocations for the apportionment for general operating costs, the apportionment for full-time faculty hires and the one-time mandated cost revenues have not been determined by the State Chancellor's Office. As a result, estimates were used to develop this budget. The allocations will be provide in September and the budget will be adjusted accordingly. Following are additional budget items pending:

- 1) 2016 Health Care Renewal:** The college has not received its 2016 health care renewal rates. The Tentative Budget will accommodate a 10% premium increase.
- 2) Funding of 2015-16 Budget Requests:** Other than the approval of full time faculty to meet the full time faculty obligation and the funding of "Exempt Cost" line items, the Budget Committee has not completed its prioritization and funding of the 2015-16 budget requests. This process will be completed in the Fall when all constituent groups will be on campus.
- 3) Negotiation with Employee Groups:** The College will commence negotiations with the Guild and CSEA on compensation items in the Fall.

BUDGET RISKS

The college's financial position is now stronger as the state's economy continues to improve. Community colleges are receiving significant additional revenues for 2015-16 after a period of budget cuts. However with the improvement in the economy and people returning to work, enrollment has become the biggest factor for the college's budget. Enrollment was flat for 2014-15. 772 FTEs from the 2015 summer semester, were shifted and reported for the 2014-15 fiscal year. This maximized the revenue, for the college, but will result in the college going into decline for 2015-16. This will mean that the college will not be earning any new growth revenue in 2015-16 and all new 2016-17 inflationary costs and new services will have to be funded with COLA funds if additional discretionary funds are not appropriated by the state. The college will have one year to address its enrollment level. If the college's enrollment declines and is not able to meet base enrollment levels in 2016-17, apportionment revenues will be reduced.

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. This is probably a once in a lifetime budget based on the amount of new funding provided by the state.

The Final Budget is balanced and there is approximately \$7.4 million in reserves above the 5% general reserve. \$4 million is in on-going funds and \$3.375 million of reserves are in one-time funds. These funds can be used for new budget requests, to expand existing services, collective bargaining or to keep as reserves for future years. This is the first time in several years that there is significant funding for additional services.

The college will need to take great care in investing these additional funds. The college did not grow in 2014-15 despite the fact that additional classes were provided. With no new growth funds, the only new discretionary funding for the college will be COLA. COLA will not provide enough funding to keep up with the anticipated increases in expenses. We are expecting significant increases in retirement costs over the next five years. In addition, the college will be faced with the traditional increases for step and column raises and increased medical premiums. Finally, the 0.5% sales tax component of Proposition 30 will expire in 2016 and the tax rate increase will expire in 2018 which may result in reduced funding from the state. With new enrollment growth revenues questionable, it will be imperative that the college position itself so that these factors can be accommodated with minimal impact to the college's future operations.