

BUDGET WORKSHOP STUDY SESSION

06/08/10

ISSUES FACING THE DISTRICT

- NEGATIVE CPI INFLATION ADJUSTMENT FOR SECURED PROPERTY.
- SMALLER INCREASE IN SUPPLEMENTAL PROPERTY TAX REVENUE.
- ADDITIONAL REDUCTIONS IN CATEGORICAL FUNDS FROM THE STATE.
- MAJOR INCREASES IN EMPLOYEE BENEFITS, INCLUDING STRS & PERS RATES.

ISSUES FACING THE DISTRICT

- 2009/10 DEFICIT
- ELIMINATING 2010/11 BUDGET DEFICIT
- IMPLICATIONS OF CONTINUING NEED TO ELIMINATE BUDGET DEFICITS
- EVALUATING SHORT-TERM AND LONG-TERM SOLUTIONS TO ELIMINATE BUDGET DEFICITS

REVENUE ASSUMPTIONS SUMMARY

1. COMMUNITY SERVICES BUDGET SHOULD REMAIN STABLE IN WHICH REVENUE AND EXPENDITURES ARE EQUAL.
2. RESTRICTED GENERAL FUND BUDGETS FOR 2010/11 AND 2011/12 MAY BE LOWER THAN THE 2009/10 STATE FUNDING LEVELS. BUDGET AT 85% OF 2009/10 STATE ALLOCATION.

REVENUE ASSUMPTIONS SUMMARY

3. FOR 2010/11, NEGATIVE CPI INFLATION ADJUSTMENT FOR SECURED PROPERTY TAXES WILL RESULT IN A DECLINE IN ANTICIPATED SECURED PROPERTY TAXES.
4. SUPPLEMENTAL PROPERTY TAXES WILL CONTINUE AT THE SAME FUNDING LEVELS AS WAS COLLECTED FOR THE 2009/10 FISCAL YEAR.

REVENUE ASSUMPTIONS SUMMARY

5. ENROLLMENT FEES ARE PROJECTED TO REMAIN CONSTANT PENDING LEGISLATION THAT MAY RESULT IN A FEE INCREASE.
6. STATE REVENUE IS BUDGETED AT 85% OF THE 2009/10 FUNDING LEVEL.
7. LOCAL REVENUE TO REMAIN CONSTANT.

SOURCES OF FUNDS

FISCAL YEAR	ACTUAL 2007-2008	ACTUAL 2008-2009	% CHANGE	ESTIMATED ACTUAL 2009-2010	PROJECTED BUDGET 2010-2011	% CHANGE
PROGRAM-BASED FUNDING						
STATE SUBVENTIONS	\$ 286,240	280,416	-2.0%	267,685	267,685	0.0%
TOTAL	286,240	280,416	-2.0%	267,685	267,685	0.0%
PROPERTY TAXES						
SECURED	35,766,615	37,713,052	5.4%	37,781,783	37,543,962	-0.6%
SUPPLEMENTAL	1,174,183	751,877	-36.0%	386,880	386,880	0.0%
UNSECURED	777,392	798,323	2.7%	850,212	850,212	0.0%
PRIOR-YEAR	114,687	103,062	-10.1%	80,492	80,492	0.0%
TOTAL TAXES	37,832,877	39,366,314	4.1%	39,099,367	38,861,546	-0.6%
ENROLLMENT FEES	1,420,403	1,338,495	-5.8%	1,750,000	1,750,000	0.0%
TOTAL PROGRAM-BASED	39,539,520	40,985,225	3.7%	41,117,052	40,879,231	-0.6%
FEDERAL REVENUE	232	245	5.6%	23,278	250	-98.9%
STATE REVENUE						
PARTNERSHIP FOR EXCELL	1,667,129	1,742,873	4.5%	1,153,040	1,153,040	0.0%
OTHER STATE	1,133,719	941,969	-16.9%	678,062	737,056	8.7%
TOTAL STATE	2,800,848	2,684,842	-4.1%	1,831,102	1,890,096	3.2%
LOCAL REVENUE						
INTEREST	22,524	97,271	331.9%	100,000	100,000	0.0%
NON-RESIDENCE FEES	493,225	682,286	38.3%	740,000	740,000	0.0%
OTHER STUDENT CHARGES	97,166	86,838	-10.6%	95,000	95,000	0.0%
NON-RESIDENCE INSURANCE	39,583	35,103	-11.3%	39,500	39,500	0.0%
MISCELLANEOUS	267,959	230,712	-13.9%	234,000	234,000	0.0%
	920,457	1,132,210	23.0%	1,208,500	1,208,500	0.0%
TOTAL REVENUE	\$ 43,261,057	\$ 44,802,522	3.6%	\$ 44,179,932	\$ 43,978,077	-0.5%

EXPENSE ASSUMPTIONS SUMMARY

1. ANNUAL STEP AND COLUMN SALARY INCREASES WILL CONTINUE.
2. BENEFITS COSTS WILL CONTINUE TO RISE.
3. HOLD OTHER COSTS FLAT.
4. CATEGORICAL AND COMMUNITY EDUCATION PROGRAMS ARE SELF-FUNDED.

USES OF FUNDS

FISCAL YEAR	ACTUAL <u>2007-2008</u>	ACTUAL <u>2008-2009</u>	ESTIMATED ACTUAL <u>2009-2010</u>	PROJECTED BUDGET <u>2010-2011</u>	DOLLAR CHANGE	% CHANGE
USE OF FUNDS						
SALARIES	\$ 28,907,717	\$ 27,899,435	\$ 28,628,286	\$ 28,762,767	\$ 134,481	0.5%
BENEFITS	9,232,333	9,537,655	9,717,973	10,399,700	681,727	7.0%
TOTAL SALARIES & BENEFITS	38,140,050	37,437,090	38,346,259	39,162,467	816,207	2.1%
FIXED EXPENSES	1,894,892	1,880,347	1,904,362	1,940,000	35,638	1.9%
OTHER OPERATING	3,111,161	3,514,111	3,449,836	3,211,572	(238,264)	-6.9%
CAPITAL OUTLAY	330,630	211,918	210,380	114,427	(95,953)	-45.6%
OTHER OUTGO	609,966	1,313,096	815,207	271,663	(543,544)	-66.7%
EDUC. EXCELLENCE RESERVE	-	-	-	-	-	n/a
TOTAL OTHER EXPENSES	5,946,649	6,919,472	6,379,785	5,537,662	(842,123)	-13.2%
TOTAL USES	\$ 44,086,699	\$ 44,356,562	\$ 44,726,045	\$ 44,700,129	\$ (25,916)	-0.1%

SOURCES AND USES OF FUNDS

FISCAL YEAR	ACTUAL	ACTUAL	ESTIMATED	PROJECTED	DOLLAR	%
	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>CHANGE</u>	<u>CHANGE</u>
SOURCES OF FUNDS						
REVENUES						
PROGRAM-BASED FUNDING	39,539,520	40,985,225	41,117,052	40,879,231	(237,821)	-0.6%
FEDERAL	232	245	23,278	250	(23,028)	-98.9%
OTHER STATE	2,800,848	2,684,842	1,831,102	1,890,096	58,994	3.2%
OTHER LOCAL	920,457	1,132,210	1,208,500	1,208,500	-	0.0%
TOTAL SOURCES	43,261,057	44,802,522	44,179,932	43,978,077	(201,855)	-0.5%
USE OF FUNDS						
SALARIES	28,907,717	27,899,435	28,628,286	28,762,767	134,481	0.5%
BENEFITS	9,232,333	9,537,655	9,717,973	10,399,700	681,727	7.0%
TOTAL SALARIES & BENEFITS	38,140,050	37,437,090	38,346,259	39,162,467	816,207	2.1%
FIXED EXPENSES	1,894,892	1,880,347	1,904,362	1,940,000	35,638	1.9%
OTHER OPERATING	3,111,161	3,514,111	3,449,836	3,211,572	(238,264)	-6.9%
CAPITAL OUTLAY	330,630	211,918	210,380	114,427	(95,953)	-45.6%
OTHER OUTGO	609,966	1,313,096	815,207	271,663	(543,544)	-66.7%
TOTAL OTHER EXPENSES	5,946,649	6,919,472	6,379,785	5,537,662	(842,123)	-13.2%
TOTAL USES	44,086,699	44,356,562	44,726,045	44,700,129	(25,916)	-0.1%
SOURCES OVER (UNDER) USES	(825,642)	445,960	(546,113)	(722,051)	(175,939)	32.2%
TRANSFER IN (OUT)	(25,756)	(148,519)	(122,203)	-	122,203	-100.0%
BEGINNING FUND BALANCE	\$ 5,469,895	4,618,497	\$ 4,915,938	\$ 4,247,622	\$ -	0.0%
ENDING FUND BALANCE	\$ 4,618,497	4,915,938	\$ 4,247,622	\$ 3,525,571	\$ (175,939)	-4.1%
RESERVE	10.5%	11.1%	9.5%	7.9%		

SHORT-TERM SOLUTIONS FOR ELIMINATING A DEFICIT

- ▶ % REDUCTION ACROSS THE BOARD
- ▶ STOP SUBSIDIZING CATEGORICAL PROGRAMS
- ▶ REDUCE INSTRUCTIONAL UNITS IN ALL SEMESTERS
- ▶ FREEZE VACANT POSITIONS

SHORT-TERM SOLUTIONS ARE NOT SUSTAINABLE YEAR OVER YEAR

IMPLICATIONS OF SHORT-TERM SOLUTIONS

1. BUDGET CUTS MAY OR MAY NOT BE STRATEGIC.
2. POTENTIAL DECLINE IN ENROLLMENT.
3. PERMANENT FORCE REDUCTIONS IN CATEGORICAL PROGRAMS.
4. NOT VIABLE IN THE LONG-TERM.

OUTLOOK FOR THE FUTURE

1. UNCERTAIN PROPERTY TAX REVENUES – ANTICIPATE A SLOW RECOVERY.
2. INCREASING SALARIES AND BENEFITS.
3. CONTINUED REDUCTION IN STATE FUNDING OF CATEGORICAL PROGRAMS.

NEED RESERVE LEVELS THAT CAN WITHSTAND ECONOMIC DOWNTURNS.

PROPERTY TAXES

	<u>ACTUAL</u> <u>2004-2005</u>	<u>ACTUAL</u> <u>2005-2006</u>	<u>%</u> <u>CHANGE</u>	<u>ACTUAL</u> <u>2006-2007</u>	<u>%</u> <u>CHANGE</u>	<u>ACTUAL</u> <u>2007-2008</u>	<u>%</u> <u>CHANGE</u>	<u>ACTUAL</u> <u>2008-2009</u>	<u>%</u> <u>CHANGE</u>	<u>ESTIMATED</u> <u>ACTUAL</u> <u>2009-2010</u>	<u>%</u> <u>CHANGE</u>	<u>PROJECTED</u> <u>BUDGET</u> <u>2010-2011</u>	<u>%</u> <u>CHANGE</u>
PROGRAM-BASED FUNDING													
STATE SUBVENTIONS	\$ 286,699	\$ 282,928	-1.32%	\$ 287,630	1.66%	\$ 286,240	-0.48%	\$ 280,416	-2.03%	\$ 267,685	-4.54%	\$ 267,685	0.00%
TOTAL	286,699	282,928	-1.32%	287,630	1.66%	286,240	-0.48%	280,416	-2.03%	267,685	-4.54%	267,685	0.00%
PROPERTY TAXES													
SECURED	28,100,100	30,615,880	8.95%	33,450,987	9.26%	35,766,615	6.92%	37,713,052	5.44%	37,781,783	0.18%	37,543,962	-0.63%
SUPPLEMENTAL	1,466,253	1,611,902	9.93%	1,247,943	-22.58%	1,174,183	-5.91%	751,877	-35.97%	386,880	-48.54%	386,880	0.00%
UNSECURED	853,649	849,442	-0.49%	727,137	-14.40%	777,392	6.91%	798,323	2.69%	850,212	6.50%	850,212	0.00%
PRIOR-YEAR	93,181	63,309	-32.06%	133,711	111.20%	114,687	-14.23%	103,062	-10.14%	80,492	-21.90%	80,492	0.00%
TOTAL TAXES	30,513,183	33,140,533	8.61%	35,559,778	7.30%	37,832,877	6.39%	39,366,314	4.05%	39,099,367	-0.68%	38,861,546	-0.61%
TOTAL	\$ 30,799,882	\$ 33,423,461	8.52%	\$ 35,847,408	7.25%	\$ 38,119,117	6.34%	\$ 39,646,730	4.01%	\$ 39,367,052	-0.71%	\$ 39,129,231	-0.60%

PROPERTY TAXES HAVE DECLINED
FOR THREE YEARS

LABOR-RELATED COSTS ARE THE DISTRICT'S LARGEST EXPENSE

▶ DISTRICT PAID PENSION COSTS:

	<u>2001</u>	<u>2009/10</u>
PERS	7.00%	16.709%, 17.879%, 26.338%
STRS	8.25%	8.25%

▶ DISTRICT PAID HEALTH CAP:

	<u>2001</u>	<u>2009/10</u>
HEALTH	\$7,247	\$14,375 AND \$15,094
DENTAL/VISION	<u>\$1,308</u>	<u>\$ 1,728</u> <u>\$ 1,728</u>
TOTAL	\$8,555	\$16,103 AND \$16,822

▶ THESE COSTS WILL CONTINUE TO RISE

▶ NEED TO FIND WAYS TO CONTROL BENEFITS COSTS

SOURCES AND USES OF FUNDS

FISCAL YEAR	ACTUAL	ESTIMATED	PROJECTED	PROJECTED	PROJECTED
	ACTUAL	ACTUAL	BUDGET	BUDGET	BUDGET
	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
SOURCES OF FUNDS					
REVENUES					
PROGRAM-BASED FUNDING	40,985,225	41,117,052	40,879,231	41,379,904	41,882,078
FEDERAL	245	23,278	250	250	250
OTHER STATE	2,684,842	1,831,102	1,890,096	1,765,437	1,652,308
OTHER LOCAL	1,132,210	1,208,500	1,208,500	1,212,126	1,215,762
TOTAL SOURCES	44,802,522	44,179,932	43,978,077	44,357,716	44,750,398
USE OF FUNDS					
SALARIES	27,899,435	28,628,286	28,762,767	29,062,767	29,362,767
BENEFITS	9,537,655	9,717,973	10,399,700	10,599,700	10,799,700
TOTAL SALARIES & BENEFITS	37,437,090	38,346,259	39,162,467	39,662,467	40,162,467
FIXED EXPENSES	1,880,347	1,904,362	1,940,000	1,940,000	1,940,000
OTHER OPERATING	3,514,111	3,449,836	3,211,572	3,211,572	3,211,572
CAPITAL OUTLAY	211,918	210,380	114,427	114,427	114,427
OTHER OUTGO	1,313,096	815,207	271,663	271,663	271,663
TOTAL OTHER EXPENSES	6,919,472	6,379,785	5,537,662	5,537,662	5,537,662
TOTAL USES	44,356,562	44,726,045	44,700,129	45,200,129	45,700,129
SOURCES OVER (UNDER) USES	445,960	(546,113)	(722,051)	(842,413)	(949,730)
TRANSFER IN (OUT)	(148,519)	(122,203)	-	-	-
BEGINNING FUND BALANCE	4,618,497	\$ 4,915,938	\$ 4,247,622	\$ 3,525,571	\$ 2,683,158
ENDING FUND BALANCE	4,915,938	\$ 4,247,622	\$ 3,525,571	\$ 2,683,158	\$ 1,733,428
RESERVE	11.1%	9.5%	7.9%	5.9%	3.8%

LONG-TERM SOLUTIONS FOR ELIMINATING A DEFICIT

- ▶ PRIORITIZE RESOURCE ALLOCATIONS
- ▶ BENCHMARK AGAINST OTHER DISTRICTS
- ▶ CONTROL BENEFIT COSTS

TOUGH DECISIONS WILL NEED TO BE
MADE

RESOURCE ALLOCATION

- ▶ REVIEW CURRENT RESOURCE ALLOCATION:
 - OVERALL STUDENT INSTRUCTION/ADMINISTRATION
 - ADMINISTRATION
 - FUNDING OTHER PROGRAMS FROM UNRESTRICTED FUND

- ▶ EVALUATE PROGRAM OFFERINGS:
 - TRANSFER EDUCATION
 - CAREER TECHNICAL EDUCATION
 - BASIC SKILLS

- ▶ OTHER BOARD PRIORITIES:
 - RESERVE LEVEL
 - UNFUNDED LIABILITIES
 - EMPLOYEE EQUITY STUDY
 - CONTRACT NEGOTIATIONS
 - FACILITIES MAINTENANCE

PRIORITIZE LIMITED RESOURCES

RESOURCE ALLOCATION

ORGANIZATION		<u>Adoption Budget</u>	<u>5/31/10 YTD</u>	<u>2009/10 Annualized</u>	<u>% 2009/10</u>
College Skills Department - DW	\$	2,050,160	\$ 2,313,948	\$ 2,621,332	5.84%
Fine and Visual Arts		1,253,200	1,739,936	1,971,070	4.39%
Health Sciences		1,583,937	1,708,554	1,935,519	4.32%
Mathematics		1,384,282	1,607,710	1,821,278	4.06%
Life and Earth Sciences		1,416,068	1,528,266	1,731,280	3.86%
Career Education - DW		1,386,571	1,513,366	1,714,402	3.82%
Performing Arts		1,246,084	1,469,700	1,664,934	3.71%
Physical Education		1,161,777	1,356,847	1,537,090	3.43%
Business; Information Systems - DW		1,074,461	1,217,605	1,379,352	3.08%
Physical Sciences		1,000,784	1,180,340	1,337,136	2.98%
English and Humanities		882,677	1,014,988	1,149,819	2.56%
Social Sciences		743,309	839,861	951,428	2.12%
Communications		691,837	834,506	945,362	2.11%
Modern Languages		749,417	808,221	915,585	2.04%
Behavioral Sciences		745,743	792,912	898,242	2.00%
Noncredit		122,505	137,275	155,511	0.35%
Instructional Activities	\$	17,492,812	\$ 20,064,034	\$ 22,729,340	50.68%
Admissions and Records	\$	839,160	\$ 1,083,473	\$ 1,227,402	2.74%
Counseling		884,758	1,011,190	1,145,516	2.55%
Deans		621,553	710,997	805,446	1.80%
Library		536,123	571,407	647,312	1.44%
Financial Aid		371,725	458,661	519,589	1.16%
Academic Svcs; Articulation		330,050	423,256	479,481	1.07%
Media Services		283,171	377,204	427,312	0.95%
Learning Resources Center		204,132	237,758	269,342	0.60%
Student Developmt; Spec Svcs		285,840	252,489	286,030	0.64%
EOPS A		101,313	138,782	157,218	0.35%
Testing		82,502	127,083	143,965	0.32%
Student Affairs		112,101	126,400	143,191	0.32%
Transfer Center		43,142	70,147	79,466	0.18%
Outreach and School Relations		50,585	56,092	63,543	0.14%
Tutoring		50,000	39,497	44,743	0.10%
Student Support Services	\$	4,796,155	\$ 5,684,436	\$ 6,439,557	14.36%
EXPENDED TOWARD STUDENTS	\$	22,288,967	\$ 25,748,470	\$ 29,168,897	65.04%

RESOURCE ALLOCATION

ORGANIZATION	<u>Adoption Budget</u>	<u>5/31/10 YTD</u>	<u>2009/10 Annualized</u>	<u>% 2009/10</u>
President	\$ 385,887	\$ 397,043	\$ 449,787	1.00%
Board	114,899	186,894	211,721	0.47%
VP - Student Learning	486,211	394,087	446,438	1.00%
Academic Senate	126,248	116,823	132,342	0.30%
VP College Operations	254,972	239,927	271,799	0.61%
Police	525,048	643,602	729,098	1.63%
Information Technology	1,244,970	1,537,030	1,741,209	3.88%
Fiscal Services	795,837	833,978	944,763	2.11%
Maintenance	2,505,294	3,324,789	3,766,454	8.40%
Districtwide Expenses	12,032,732	1,976,086	2,238,750	4.99%
Utilities	1,628,200	1,166,115	1,321,021	2.95%
Human Resources	668,656	760,878	861,953	1.92%
Planning, Research & Institutional Effectiveness	339,461	382,182	432,952	0.97%
Communication; Comm Relations	513,834	479,226	542,886	1.21%
Logistics	514,952	671,955	761,217	1.70%
Administration	\$ 22,137,201	\$ 13,110,615	\$ 14,852,390	33.12%
Categorical Programs Funded with Unrestricted Funds				
DSPS		\$ 233,974	\$ 233,974	0.52%
Economic Workforce Development		231,000	231,000	0.52%
Child Care Fund	\$ 92,503	92,503	92,503	0.21%
BFAPS		85,669	85,669	0.19%
Puente		34,700	34,700	0.08%
Workstudy		6,200	6,200	0.01%
Matriculation-Noncredit		20,000	20,000	0.04%
Miscellaneous		712	712	0.00%
Community Services		122,203	122,203	0.27%
External Funding Allocations	\$ 92,503	\$ 826,961	\$ 826,961	1.84%
TOTAL EXPENSES	\$ 44,426,168	\$ 39,686,046	\$ 44,848,248	100.00%

BENCHMARK AGAINST OTHER DISTRICTS

REVIEW BEST PRACTICES AT OTHER DISTRICTS

- ▶ EVALUATE STUDENT ENROLLMENT
- ▶ EVALUATE ORGANIZATION STRUCTURE
- ▶ EVALUATE STAFFING NEEDS
- ▶ IMPLEMENT BENEFITS FROM BANNER INTEGRATION
- ▶ EVALUATE OTHER OPPORTUNITIES FOR STREAMLINING

“RIGHT-SIZE” THE DISTRICT

CONTROL BENEFITS COSTS

EMPLOYER PORTION OF BENEFITS FOR SOME STAFF IS > 74% OF SALARY

<u>SALARY</u>	<u>BENEFITS</u>	<u>% OF SALARY</u>
\$35,000	\$26,100	74%
\$50,000	\$30,200	60%
\$75,000	\$35,700	47%
\$115,000	\$29,600	26%

EXPECT 30% INCREASE IN PERS OVER THE NEXT FEW YEARS

HEALTH BENEFITS WILL CONTINUE TO INCREASE

MAY NEED TO RE-EVALUATE EMPLOYEE BENEFITS

IMPLICATIONS OF LONG-TERM SOLUTIONS

1. RENEWED FOCUS ON THE DISTRICT'S MISSION AND PURPOSE.
2. POTENTIAL DECLINE IN ENROLLMENT.
3. PERMANENT FORCE REDUCTIONS.
4. CREATING A VIABLE ENTITY THAT CAN WITHSTAND ECONOMIC DOWNTURNS.