

**Presentation to the  
Board of Trustees  
September 7, 2011**

**2011-2012  
FINAL BUDGET**

**Presented by:**  
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Vice Chancellor  
Finance & Administrative Services

## **Areas of Discussion**

- State/System Update**
- Framework for Possible Mid-Year Cuts**
- Coast Metrics**
  - ▶ **Comparison of Beginning Balance and Revenue**
  - ▶ **Fund Balance Detail**
  - ▶ **Comparison of Expenses**
  - ▶ **50% Law**
  - ▶ **Health Benefits**
  - ▶ **Comparison of COLA to Benefit**
  - ▶ **Comparison of Salary & Benefits / UGF**
  - ▶ **Multi-Year Budget Projections**
- Discussion of Budgetary Risk**
- Recommended Action**
- Looking Ahead**

## State/System Update



- ❑ Workload reductions are preliminary.
  - ▶ Final figures will accompany Final Re-calc in February
- ❑ Student fee increases (\$36/unit to \$46/unit) would be postponed to summer 2012.
- ❑ Small rural districts exempted from workload reduction.
- ❑ Basic allocation thresholds will follow workload reduction.
- ❑ Fall 2011
  - ▶ SB 1143 Student Success Task Force will present recommendations at conferences and regional mtgs.

## Mid Year Cuts - Triggers

|                                | <b>Tier 0*</b>                 | <b>Tier 1 (alt.)</b>  | <b>Tier 2</b>                   | <b>Tier 2 (alt.)</b>  |
|--------------------------------|--------------------------------|---|---------------------------------|---|
| <b>Revenue Trigger</b>         | At least \$3 Billion           | \$2 Billion > \$3 Billion   | Less than \$2 Billion           |   |
| <b>Assumptions</b>             | 1) Mid Year Cuts - No          | 1) Mid Year Cuts - Yes  | 1) Mid Year Cuts - Yes          | 1) Mid Year Cuts - Yes  |
|                                |                                | 2) Fees increase to \$46/unit                                     | 2) Fees increase to \$46/unit   | 2) Fees increase to \$46/unit                                     |
|                                |                                | 3) \$30M additional cut offset by additional fees                 | 3) \$72M additional cut         | 3) \$72M additional cut   |
|                                |                                | Note: Assumes additional \$30M cut in lieu of mid-year fee change |                                 | Note: Assumes additional \$30M cut in lieu of mid-year fee change |
| <b>Apportionment Reduction</b> | -5.80%<br><b>(\$9,826,000)</b> | -6.28%<br><b>(\$10,729,000)</b>                                   | -7.10%<br><b>(\$12,072,000)</b> | -7.65%<br><b>(\$13,007,814)</b>                                   |
| <b>Workload Reduction</b>      | -6.15%                         | -6.6%   | -7.56%                          | -8.15%  |

## Comparison of Beginning Balance and Revenue

|                            | Actual<br>2007-2008 | Actual<br>2008-2009 | Actual<br>2009-2010 | Actual<br>2010-2011 | Budget<br>2011-2012 |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Beginning Balance *</b> | <b>28,794,303</b>   | <b>23,601,080</b>   | <b>21,096,788</b>   | <b>19,698,262</b>   | <b>27,289,190</b>   |
| <b>Federal Revenue</b>     | <b>7,582,538</b>    | <b>8,359,093</b>    | <b>10,745,253</b>   | <b>9,488,549</b>    | <b>8,701,493</b>    |
| <b>State Revenue</b>       | <b>99,114,856</b>   | <b>95,160,681</b>   | <b>82,816,482</b>   | <b>87,639,933</b>   | <b>74,135,188</b>   |
| <b>Local Revenue</b>       | <b>111,482,137</b>  | <b>115,332,768</b>  | <b>118,407,039</b>  | <b>116,581,085</b>  | <b>122,044,304</b>  |
| <b>Other Financing</b>     | <b>2,447</b>        | <b>3,074</b>        | <b>17,461</b>       | <b>512,511</b>      | <b>500,000</b>      |

\*INCLUDES COLLEGE BEGINNING BALANCES

|                         |                  |
|-------------------------|------------------|
| District Ending Balance | 21,513,238       |
| Entity Ending Balances  | <u>5,775,952</u> |
|                         | 27,289,190       |
| 2011-12 Reserve         | 13,500,000       |

### Final Ending Fund Balance - 2010-2011

|   |                     |                           |
|---|---------------------|---------------------------|
| <b>Beginning Fund Balance (Reserve)</b> |                     | <b>\$13,500,000</b>       |
| <b>New Revenues</b>                     |                     |                           |
| Apportionment                           | \$3,950,000         |                           |
| Mandated Costs Reimbursement            | 635,000             |                           |
| Other Income                            | <u>58,000</u>       |                           |
| <b>Total New Revenues</b>               |                     | <b>\$4,643,000</b>        |
| <b>Budget Savings</b>                   |                     |                           |
| District Site                           | \$1,405,000         |                           |
| District-Wide Accounts (Admin 9)        | 1,965,000           |                           |
| <b>Total Budget Savings</b>             |                     | <b><u>\$3,370,000</u></b> |
| <b>Ending Fund Balance</b>              |                     | <b>\$21,513,000</b>       |
| <b>Reserved Ending Balance</b>          |                     |                           |
| RESERVE FOR CONTINGENCY (6.5%)          | \$13,500,000        |                           |
| HOLDING FOR MID-YEAR CUTS               | \$3,200,000         |                           |
| GWC LEARNING RESOURCE CENTER            | 2,000,000           |                           |
| RETIREE HEALTH BENEFITS                 | 1,000,000           |                           |
| EQUIPMENT UPGRADES                      | 920,000             |                           |
| VSP PAYOUT                              | 397,000             |                           |
| CONTRACTUAL CARRY OVER                  | 316,000             |                           |
| CONTRACT/GRANT DEVELOPMENT              | 100,000             |                           |
| REDISTRICTING                           | <u>80,000</u>       |                           |
| <b>Total Designations</b>               | <b>\$21,513,000</b> |                           |
| <b>UNDESIGNATED ENDING FUND BALANCE</b> |                     | <b>\$0</b>                |
| <b>College Ending Balances</b>          |                     |                           |
| Orange Coast College                    | \$2,502,942         |                           |
| Golden West College                     | 1,833,874           |                           |
| Coastline Community College             | 1,439,136           |                           |
| <b>Total College Ending Balances</b>    |                     | <b>\$5,775,952</b>        |

## Comparison of Expenses

|                                       | Actual     | Actual     | Actual     | Actual     | Budget     |
|---------------------------------------|------------|------------|------------|------------|------------|
|                                       | 2007-2008  | 2008-2009  | 2009-2010  | 2010-2011  | 2011-2012  |
| <b>Certificated Salaries</b>          | 81,423,245 | 83,247,032 | 80,805,978 | 74,796,109 | 72,343,790 |
| <b>Classified Salaries</b>            | 55,929,069 | 56,482,760 | 55,174,407 | 51,725,911 | 49,843,414 |
| <b>Staff Benefits</b>                 | 45,267,659 | 48,164,793 | 48,983,373 | 50,048,423 | 49,260,659 |
| <b>Books and Supplies</b>             | 5,259,579  | 4,289,346  | 3,452,601  | 3,623,844  | 4,887,297  |
| <b>Other Operating Exp &amp; Svcs</b> | 20,955,085 | 22,659,384 | 19,621,842 | 18,567,719 | 24,983,002 |
| <b>Capital Outlay</b>                 | 5,713,968  | 2,345,078  | 2,072,907  | 2,856,037  | 3,325,096  |
| <b>Student Aid &amp; Other Outgo</b>  | 8,826,593  | 4,171,515  | 2,963,061  | 5,012,655  | 4,257,516  |

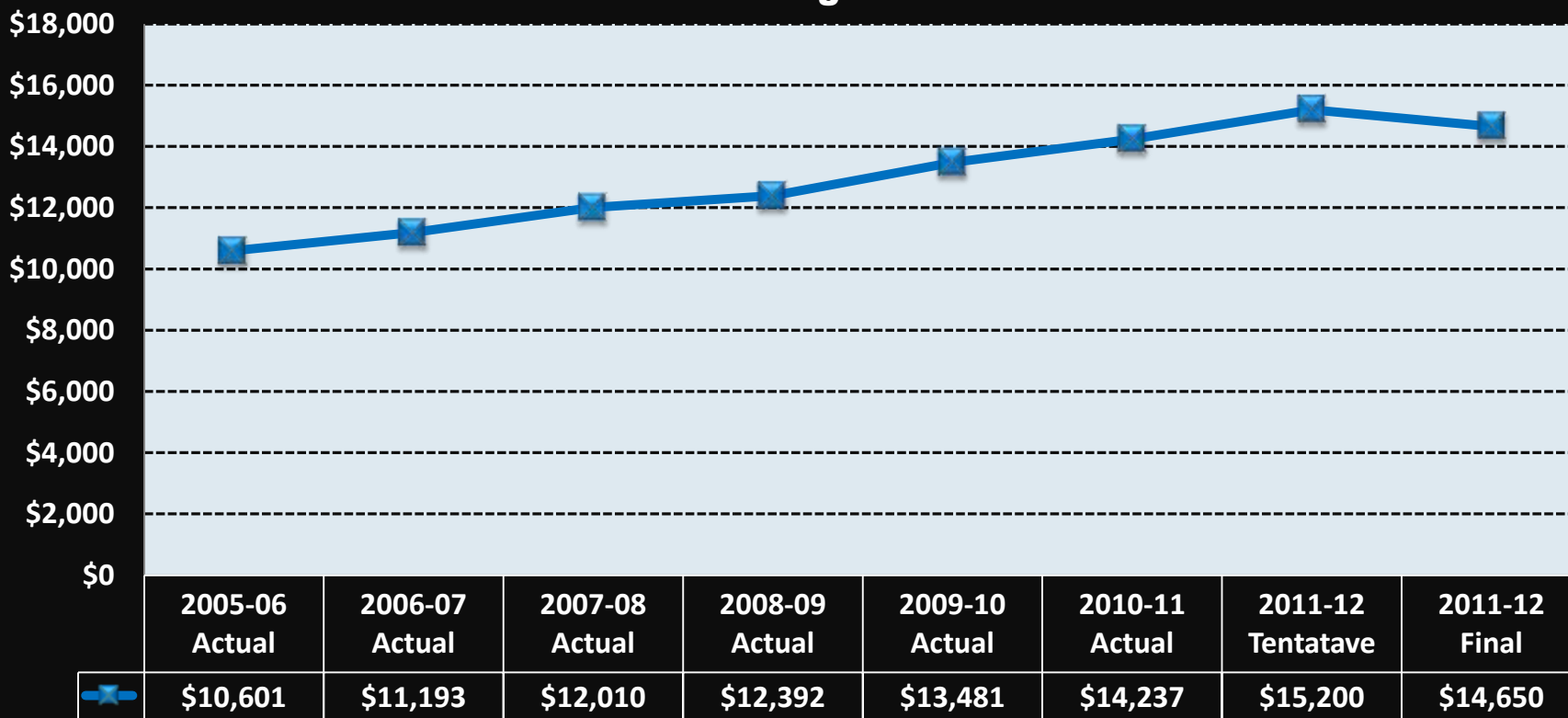


## 50% Law History

|                                   | <u>2006-07</u> | <u>2007-08</u> | <u>2008-09</u> | <u>2009-10</u> | <u>2010-11</u> |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Instructional Salaries & Benefits | 75,978,128     | 80,692,989     | 81,501,504     | 80,479,987     | 76,427,486     |
| Total Expenses (Less Exclusions)  | 151,486,501    | 159,540,718    | 162,813,592    | 159,279,530    | 150,975,072    |
| Percentage                        | 50.16%         | 50.58%         | 50.06%         | 50.53%         | 50.62%         |



## Total Claims Cost per Employee 2005-2006 through 2011-2012



## Comparison of Funded COLA to Increase in Health Benefits

|                                   | Actual<br>2005-06 | Actual<br>2006-07 | Actual<br>2007-08 | Actual<br>2008-09 | Actual<br>2009-10 | Actual<br>2010-11 | Adopted<br>2011-12 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Total Benefit Costs<br>per Person | \$10,601          | \$11,193          | \$12,010          | \$12,392          | \$13,481          | \$14,237          | \$14,650           |
| % Increase from<br>Prior Year     | -0.65%            | 5.58%             | 7.30%             | 3.18%             | 8.79%             | 5.61%             | 2.90%              |

|                        |       |       |       |       |       |       |       |
|------------------------|-------|-------|-------|-------|-------|-------|-------|
| State Provided<br>COLA | 4.23% | 5.92% | 4.53% | 0.68% | 0.00% | 0.00% | 0.00% |
|------------------------|-------|-------|-------|-------|-------|-------|-------|

## Salaries & Benefits Percentage of Total Expenditures Unrestricted General Fund

| <u>2006/07</u> | <u>2007/08</u> | <u>2008/09</u> | <u>2009/10</u> | <u>2010/11</u> |
|----------------|----------------|----------------|----------------|----------------|
| 84.1%          | 84.3%          | 87.6%          | 89.5%          | 88.1%          |

## Multi-Year Model

| <b>A) Revenue</b>                     | <b>2011-12</b>       | <b>2012-13</b>      | <b>2012-13 (alt.)</b> | <b>2013-14</b>      | <b>2014-15</b>        | <b>2015-16</b>      |
|---------------------------------------|----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|
| <b>Changes in Revenue</b>             |                      |                     |                       |                     |                       |                     |
| Apportionment Base (per yr)           | \$171,000,000        | \$164,854,000       | \$173,978,800         | \$175,074,948       | \$185,054,220         | \$195,972,419       |
| State Budget Reduction                | (\$9,926,000)        | 0.00% \$0           | \$0                   | 0.00% \$0           | 0.00% \$0             | 0.00% \$0           |
| <b>PY Carry forward deficit</b>       |                      |                     | (\$3,000,000)         |                     |                       |                     |
| Est Funded COLA                       | \$0                  | 3.20% \$5,275,328   | \$5,567,322           | 2.70% \$4,727,024   | 2.90% \$5,366,572     | 3.10% \$6,075,145   |
| Growth Funds                          | \$3,780,000          | 3.00% \$4,945,620   | \$5,219,364           | 3.00% \$5,252,248   | 3.00% \$5,551,627     | 3.00% \$5,879,173   |
| Subtotal                              | (\$6,146,000)        | \$10,220,948        | \$7,786,686           | \$9,979,272         | \$10,918,199          | \$11,954,318        |
| State Deficit Factor                  | \$0                  | \$0                 | \$0                   | \$0                 | \$0                   | \$0                 |
| Lottery FTES                          |                      | 34,184              |                       | 35,210              | 36,266                | 37,354              |
| Lottery Projection                    | (\$300,000)          | \$110 \$76,333      | \$76,333              | \$108.75 \$68,795   | \$108.75 \$114,871.23 | \$108.75 \$118,317  |
| <b>Total Revenue Changes</b>          | <b>(\$6,446,000)</b> | <b>\$10,297,281</b> | <b>\$7,863,019</b>    | <b>\$10,048,067</b> | <b>\$11,033,070</b>   | <b>\$12,072,635</b> |
| <b>B) Expense</b>                     | <b>2011-12</b>       | <b>2012-13</b>      | <b>2012-13 (alt.)</b> | <b>2013-14</b>      | <b>2014-15</b>        | <b>2015-16</b>      |
| <b>Change in Expense</b>              |                      |                     |                       |                     |                       |                     |
| Board Election                        | \$0                  | \$400,000           | \$400,000             | \$0                 | \$400,000             | \$0                 |
| <b>Estimated Benefit Changes</b>      |                      |                     |                       |                     |                       |                     |
| STRS                                  | \$0                  | \$0                 | \$0                   | \$0                 | \$0                   | \$0                 |
| PERS                                  | \$160,000            | 14.13% \$1,172,180  | \$1,172,180           | 14.43% \$130,720    | 14.43% \$0            | 14.43% \$0          |
| UIC (1.6%, 0%, 0%)                    | \$700,000            | \$0                 | \$0                   | \$0                 | \$0                   | \$0                 |
| Health Benefits                       | \$850,000            | 10.80% \$3,749,907  | \$3,749,907           | 12.40% \$4,772,728  | 12.50% \$5,436,625    | 10.00% \$4,800,000  |
| Step & Column                         | \$325,000            | \$725,000           | \$725,000             | \$725,000           | \$725,000             | \$725,000           |
| Subtotal Expense Changes              | \$2,035,000          | \$6,047,087         | \$6,047,087           | \$5,628,448         | \$6,561,625           | \$5,525,000         |
| <b>Total Expense Changes</b>          | <b>\$2,035,000</b>   | <b>\$6,047,087</b>  | <b>\$6,047,087</b>    | <b>\$5,628,448</b>  | <b>\$6,561,625</b>    | <b>\$5,525,000</b>  |
| <b>Net Change in Operating Budget</b> | <b>(\$8,481,000)</b> | <b>\$4,250,194</b>  | <b>\$1,815,932</b>    | <b>\$4,419,619</b>  | <b>\$4,471,445</b>    | <b>\$6,547,635</b>  |

## What is the Budgetary Risk Coast is Facing?

- ❑ Mid-Year Cut Triggers
  - ▶ State Revenues below target levels
- ❑ Student Fee shortfall
  - ▶ DOF estimates appear *not* to consider increase BOG waivers
- ❑ Economic Recovery
  - ▶ Assumption of \$11.8 billion in new revenue

## How are we Mitigating the Risk?

- ❑ Projected the impact of Tier II mid-year cuts.
  - ▶ 6.15% workload could go to ~ 8.15%
- ❑ Designated one-time funds in ending balance.
  - ▶ If cuts occur, will require structural solution in 2012-13
- ❑ Will not further impact service or access this year
  - ▶ Unfunded FTES increases
  - ▶ Carry structural imbalance into next year

## **RECOMMENDED ACTION**

**Title 5, California Code of Regulations, Section 58305 requires the following:**

- ▶ On or before the 15th day of September, the governing board of each district shall adopt a final budget.
- ▶ On or before the 30th day of September, each district shall complete the preparation of its adopted annual financial and budget report (CCFS 311).
- ▶ On or before the 10th day of October, each district shall submit a copy of its adopted annual financial and budget report to the State Chancellor.

**It will be recommended that the Board of Trustees adopt the final budget.**