

**Board of Trustees Agenda Item**

**Board Meeting Date: August 30, 2010**

**Title of Item: Public Hearing on 2010-11 Budget**

**Background and Analysis:**

In accordance with Title 5 Section 58301, the governing board is required to hold a public hearing on the adoption of the 2010-11 proposed budget of the District for the year ending June 30, 2011. The Board will be asked to officially adopt the budget at its meeting on September 13, 2010.

**Recommendation:** Information Only

Submitted by:	Kevin McElroy
Additional contact names:	Bernata Slater
Is backup provided?	Yes



To: Board of Trustees

From: Mike Brandy, Kevin McElroy, Bernata Slater

Subject: Public Hearing on 2010/11 Adopted Budget

Date: August 18, 2010

The 2010/11 Adopted Budget will be reviewed with the Board at the Public Hearing on August 30th.

The preparation of this budget began in the Fall of 2010. At that time the goals for structuring the 10/11 budget were broadly articulated as follows:

- To bring the operating revenue into balance with the operating expense
- To preserve student access and support services as much as possible
- To set aside "Escrow II" funds to carry new position reductions through the 10/11 year
- To maintain a "stability fund" to guard against last minute revenue reductions imposed by the state
- To anticipate further state revenue reductions in the 11/12 fiscal year

To accomplish these goals, there was broad discussion and analysis of all operating and staffing expenses throughout the district for the last ten months. Difficult decisions surrounding our core mission, program priorities, and filled and vacant positions, had to be made through the participatory governance process. As difficult as these decisions were, the staff came together to forward a set of recommendations through labor negotiations and participatory governance processes to prepare a far reaching set of recommendations which accomplished the goals set out at the beginning of the process. A brief summary of how these goals were accomplished follows:

**Balanced Budget:** The assumptions on revenue and expense for the 10/11 budget have not changed significantly since the Tentative Budget. The proposed budget for 10/11 is balanced with about \$2.3 million revenue in excess of expense. This is the position we hoped we would find ourselves in and, if these assumptions on revenue hold, it would mean that we could absorb the Escrow II positions back into the operating budget and remain in balance. As you will recall, we identified a group of positions that we thought might have to be eliminated at the end of the year if we could not otherwise balance the budget. However, we also knew that the district really could not operate with the loss of these additional positions, so every effort was made to try to find a solution to bring them back into the ongoing operating budget as opposed to funding them with one-time money.

The cuts, which have been implemented in the 10/11 budget, have been made as far from the classroom as possible in order to preserve as many of our excellent student support services as

possible. This was made more difficult because of the state's decision last year to make deep cuts to the categorical programs that support student services. In some cases, the categorical programs were cut by the state as much as 50%. As the colleges structured their budget decisions, they did, in some cases have to cut the general fund even deeper to absorb some of these services back into the general fund.

**Student Access:** While the state cut our funded enrollment by over 3% and we were forced to eliminate many sections of classes taught by part-time faculty, the district ended up serving over 1,100 Full-Time Equivalent Students (FTES) that were not funded by the state. This is a reflection of the strong commitment the district had to keeping the doors open for students.

**Escrow II Funds:** We have set aside sufficient funding for Deferment I and Escrow II positions to carry those staff members through the 10/11 fiscal year. As mentioned earlier, if the revenue assumptions hold when the state budget is signed, we will fund the Escrow II positions as ongoing expense rather than use the one-time funding for these positions.

**Stability Funds:** The Board of Trustees identified the need for setting aside unrestricted fund balance in a Stability Fund to guard against last minute reductions in state revenue for 10/11 and 11/12. As the district closed the books for last year, and kept the operating revenue in line with the operating expenses for the 10/11 year, we have identified about \$7.7 million that will remain in the Stability Fund. Given the uncertain state fiscal outlook, it is not possible to know at this time whether those funds represent sufficient reserves, but it is our belief that we may need all of it and perhaps more over the next two years to weather the uncertainties of the state. It is worth noting that the state cut the district's budget for the 09/10 year by over \$10 million. Also remember that the Stability Fund can only be used as one-time funding to buy time to make the necessary reductions in the ongoing expenses.

Since we met the broad objectives for the development of the 10/11 budget, we are recommending this budget to the Board of Trustees for approval in September.

The following notice was received from the State Chancellor's Office on August 17th:

*"Since we are 45+ days into the new fiscal year without a state budget, under the authority provided to the Chancellor's Office under CCR Title 5 Section 58306(b) to waive penalties, please accept this email as our permission for all district governing boards to extend until October 15th the September 15th deadline to adopt a final budget, if needed."*

In our case we would recommend proceeding with the public hearing on August 30th and the adoption of the budget on September 13th as planned. We would not anticipate making any changes to the adopted budget at the last minute based on state action. If changes are required, we will adjust the budget in November.

We will make a more detailed presentation to the Board on the budget on August 30th based upon the presentation and fund summaries attached in the bound budget document.