FOOTHILL-DE ANZA
Community College District

Board of Trustees Presentation


Foothill College


De Anza College

2012-2013 ADOPTED BUDGET
Public Hearing
August 27, 2012

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Development of 2012/13 Budget (Fall 2011)

The development of the 2012/13 budget was initiated in Fall 2011 with the following broad objectives:

- To bring the operating revenue and expense into balance by the end of fiscal year 2012/13
- To identify budget reductions to be implemented June 30, 2012 ($3.4 million in cuts were identified and implemented)
- To preserve student access and support services as much as possible
- To set aside one-time funds to postpone position and operating budget reductions in the 12/13 year pending results of the November election
- To set aside one-time funds for fiscal year 13/14 in anticipation of continued state fiscal challenges

Review of June 30, 2012 Ending Balance

The June 30, 2012 ending balance was $38,214,956 and consisted of the following components:

Restricted:

- $10,060,000 District's budgeted 5% reserves

Designated:

- $13,623,650 for college and Central Services carryover
- $ 1,021,327 for encumbrances and reservations carryover
- $ 2,006,325 for district-wide carryover (negotiated contract items, election costs for 2012, EIS backfill, etc.)
- $ 3,000,000 for 2013/14 Stability Funds
- $2,000,000 for enrollment stimulus/restoration
- $6,503,654 net 2012/13 Stability Fund *(This amount will increase to $6,673,654 in 12/13 as a result of an adjustment to 5% reserves. These funds will be used to partially close the 12/13 operating deficit.)*

Plans for Use of Designated Funds and Stability Fund

- To partially offset an operating deficit of $11.9 million and delay permanent reductions to operating expenses using one-time stability funds ($6.6 million) in fiscal year 2012/13
- To offset any apportionment or productivity shortfall that may arise due to factors such as student fee increases, etc., in fiscal year 12/13
- To stimulate student enrollment and restore prior years' FTES decline/workload reduction
- To set aside $3 million in stability funds for 2013/14 in anticipation of operating cost increases and additional state reductions

Comparison of Assumptions from Tentative to Adopted Budget

Tentative Budget Assumptions:

- Enrollment estimated at 30,793 FTES
- Zero COLA
- No restoration of FTES lost in fiscal year 10/11 budgeted for credit and non-credit FTES
- No growth/restoration budgeted for resident FTES
- No growth budgeted for non-resident FTES

Adopted Budget Assumptions:

- Enrollment estimated at 31,376 FTES
- Zero COLA
- No growth/restoration budgeted for resident FTES; however,
- $2 million has been set aside as one-time stimulus funds to restore FTES lost in 10/11 as well as to grow/restore FTES lost due to workload reduction if best case scenario were to materialize
- No growth budgeted for non-resident FTES; due to volatility of the program, we will adjust increases to revenue, if there are any, as the funds materialize

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Comparison of Assumptions from Tentative to Adopted Budget (con't.)

Tentative Budget Assumptions:

- Deficit factor applied to state apportionment (1.5%)
- $250,000 budgeted for Unfunded Retiree Medical Liability
- Mandated Cost Reimbursement = $0

Adopted Budget Assumptions:

- Deficit factor applied to state apportionment (1.5%)
- $500,000 budgeted for Unfunded Retiree Medical Liability
- Mandated Cost Reimbursement = $764,000

Adopted Budget Fiscal Year 2012/13

	Best Case Scenario- Tax Package Passes	Worst Case Scenario- Tax Package Fails
Revenue	171,420,096	161,426,254
Expenses	(177,168,740)	(173,356,853)
Deficit	(5,748,645)	(11,930,599)

Where Are We Now for 12/13? (Based on Worst Case Scenario)

Current Income vs. Current Expenses

Income =	$161,426,254
Expenses =	(173,356,853)
Deficit ***(after workload reduction of 7.3%)***	(11,930,599)

General Purpose Fund (114) Summary

FOOTHILL-DE ANZA Community College District

INCOME	Adopted Ongoing 12/13 Budget	Carryover FH/DA/CS One-Time	Restricted One-Time	Estimated Total
TOTAL INCOME	**$ 161,426,254**	**$ 0**	**$ 0**	**$ 161,426,254**
EXPENSES				
TOTAL EXPENSES	**$ 166,712,185**	**$ 13,623,650**	**$ 3,027,652**	**$ 183,363,487**
TRANSFERS AND OTHER				
TOTAL TRFs/OTHER SOURCES	**$ (6,644,668)**	**$ 0**	**$ 0**	**$ (6,644,668)**
FUND BALANCE				
Net Change in Fund Balance	$ (11,930,599)	$ (13,623,650)	$ (3,027,652)	$ (28,581,901)
Beginning Balance (Colleges, CS, DW) as of July 1	0	13,623,650	3,027,652	16,651,302
Use of 12/13 Stability Fund	6,673,654	0	0	6,673,654
13/14 Stability Fund & Enrollment Stimulus/Restoration	0	0	5,000,000	5,000,000
5% Reserves	0	0	9,890,000	9,890,000
NET FUND BALANCE, June 30	**$ (5,256,945)**	**$ 0**	**$ 14,890,000**	**$ 9,633,055**

Strategy for Fiscal Year 2012/13

• Net Deficit 6/30/12	$ (11,930,599)
• Use of One-Time Funds	6,673,654
• Mid-Year Reductions and/or use of college and Central Services carryover	5,256,945
Net Deficit After Use of One-Time Funds and Mid-Year Cuts	$ 0

Impact of Cuts on Foothill-De Anza Community College District

- If the worst case scenario, for which we are preparing, were to materialize:
  - Workload reduction of 7.3% in 12/13 will equate to loss of funding for 2,155 FTES, or $9.8 million

- The 2012/13 workload reduction would represent the third year of reductions in funding to our apportion-ment, totaling approximately 18.4%, or $26 million, in cuts to the General Purpose Fund

Critical Steps to Balance the Budget

- Pending results of the November election:
  - Implementation of section reductions can be implemented in fiscal year 12/13 starting in winter and spring quarters
  - Reductions in staffing to be effective no later than the end of the winter quarter pending results of the November election
  - One-time funds will be used to provide for transition during the first half of the 2012/13 fiscal year

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Analysis of FTES

10/11 P-A Recertified	Resident Credit	Non-Credit	Total Apportionment	Non-Resident	Total
De Anza	17,642	-	17,642	2,383	20,025
Foothill	12,846	200	13,046	1,575	14,621
Total	30,488	200	30,688	3,958	34,646
		FTES below base (funded FTES)	(1,406)		
		% decrease	-4.4%		

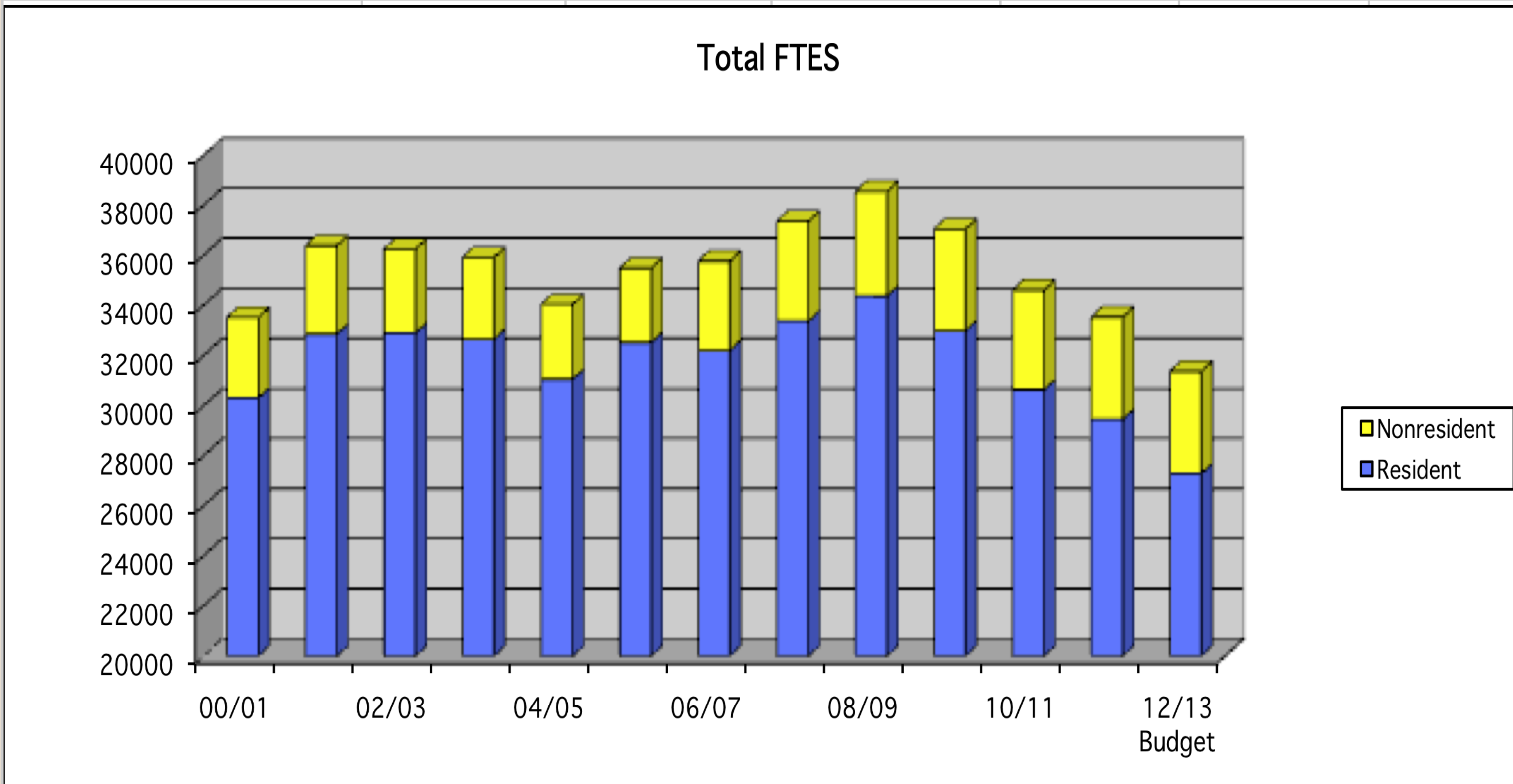
11/12 Revised Budget - 6.21 % Workload Reduction and 1.5% Tier 2 WLR but assumes restoration of 4.4%	Resident Credit	Non-Credit	Total Apportionment	Non-Resident	Total
De Anza	17,176	79	17,255	2,387	19,642
Foothill	12,273	223	12,495	1,584	14,079
Total	29,449	302	29,750	3,971	33,721

11/12 P-A	Resident Credit	Non-Credit	Total Apportionment	Non-Resident	Total
De Anza	17,720	-	17,720	2,423	20,143
Foothill	11,496	239	11,735	1,653	13,388
Total	29,216	239	29,455	4,076	33,531
Below funded base:	(232.30)	(62.92)	(295.22)		

12/13 Budget - Best Case Scenario- no cuts, based on P-A	Resident Credit	Non-Credit	Total Apportionment	Non-Resident	Total
De Anza	17,720	0	17,720	2,423	20,143
Foothill	11,496	239	11,735	1,653	13,388
Total	29,216	239	29,455	4,076	33,531

12/13 Budget - 7.3 % Workload Reduction, based on P-A	Resident Credit	Non-Credit	Total Apportionment	Non-Resident	Total
De Anza	16,427	0	16,427	2,423	18,850
Foothill	10,664	210	10,873	1,653	12,527
Total	27,090	210	27,300	4,076	31,376

Chart on Foothill-De Anza Enrollment



FHDA 2012/13 Productivity

- FTES from on-campus and off-campus programs is budgeted at 31,376 FTES and productivity is budgeted at 541

Major Variables for Expense and Revenue Projections

- Final state reduction in 2012/13 *(workload reduction of 7.3% is only an estimate)*
- Deficit factor due to property tax shortfall, state general fund revenue shortfall, and RDA shortfall (only 1.5%, or $2 million, budgeted)
- Productivity may increase because of student demand or decrease due to tuition increase
- Restoration (possible increase to revenue of approximately $450,000 for every 100 FTES restored)
- Medical benefits costs may vary from projections

Health Benefit Plans 2011/12

- Fiscal year 11/12 ended with a lower-than-expected claims experience. A savings of $800,00 has been realized due to exposure cost variance and claims cost variance. These savings have been transferred to our Internal Service Fund to offset future benefit rates cost increases.
- Regulatory benefits savings due to the large number of vacancies held open during the fiscal year have been generated (net $670,000)
- One-time savings from Workers' Comp ($310,000) in fiscal year 11/12 were realized and, together with savings from regulatory benefits, were retained in our General Purpose Fund

District Health Benefits (con't.)

- New plan administered under CalPERS went into effect July 1, 2012
- The cost of medical benefits is estimated to be approximately $24.4 million
  - Any variance from budget resulting from mid-year enrollment, as well as closing out claims with prior medical providers, will be covered from the one-time unrestricted Rate Stabilization Fund (est. $10.6 million)

General Outlook for Fiscal Year 2013/14

Assuming that by June 30, 2013, $5.7 million (best case scenario) to $12 million (worst case scenario) in operating costs have already been reduced to balance the budget,

2013/14 is expected to be challenging for the following reasons:

- State budget is still not/may not be balanced
- Our medical benefits costs may increase and if so, will be paid with one-time funds in 2013/14 and possibly 2014/15
- Enrollment uncertainty

Remember What We Will Do to Achieve our Educational Master Plan Goals

- We will be able to serve at least 31,376 full-time equivalent students (FTES) by focusing on our core mission
- If the tax package passes, we have capacity to serve in excess of 33,531 FTES if our growth/restoration efforts are successful
- We will continue to provide the very best support services for students, given the reductions in state funding due to workload reductions already implemented and a probable mid-year workload reduction
- We will maintain a minimum 5% reserve to anticipate mid-year fluctuations
- We will have a Stability Fund to partially close the 12/13 operating deficit and to allow for strategic mid-year reductions
- We will aggressively search for new revenue sources in support of critical programs and services