2018-19 Tentative Budget

June 11, 2018

Kevin McElroy, Vice Chancellor, Business Services
Raquel Puentes-Griffith, Executive Director, Fiscal Services
Sirisha Pingali, Director, Budget Operations
Overview

- Projected 2017-18 Ending Fund Balance
- Projected Fund Balances, Major Factors Impact, Assumptions & Projected Revenues/Expenses
- Productivity and Full-time Equivalent Student (FTES) Trends
- Planning Within New Fiscal Landscape
- Looking Ahead
Projected 2017-18 Ending Fund Balance – Allocation

$39.2M 2017-18 Projected Fund Balance Allocation:

- $10.3M - Colleges & Central Services “B” budget carryover less 17-18 one-time reductions
- $2.6M - District-wide carryover (negotiated contract items, EIS/ETS backfill and encumbrance carryforwards)
- $9.9M - Maintain district’s budgeted 5% reserve
- $16.4M – Projected Stability Fund
Major Factors Impacting 2018-19 Budget

- New Funding Formula or Status Quo?

- Continuing FTES decline?
  - Resident and non-resident – ongoing revenue reduction

- Productivity:
  - New goals within managing targeted budgeted dollars to maximize FTES

- Budget Reduction Planning
  - Achieved $5 million budget reduction for 2018-19
  - Balance of planned budget reductions, $12.6 million on target for 2019-20 Adopted Budget
2018-19 Major Revenue Assumptions

- FTES loss – 2017-18 P-2 projections* $ (7.6M)
- 2.71% COLA – Under Current Funding Formula $ 3.8 M
- Decline in non-resident FTES $ (0.5M)

*1,486 Resident FTES loss
2018-19 Projected General Fund Revenue

2017-18 Base Revenue (Apportionment, Lottery, Non-Resident, etc.) $188.9M

- Loss FTES Revenue $(7.6M)
- COLA 3.8M
- Decrease in Non-Resident $(.5M)
- STRS On-Behalf $(.4M)
- Other State/Local Revenue Adjustments $(.5M)

Total Projected Tentative Budget Revenue $183.7M
2018-19 Projected
General Fund Unadjusted Expenses

2017-18 Base Expenses and Net Transfers  $ 199.3M

Salary Increases (Step/Column; Position Funding Changes)  1.5M
Benefit Increases (STRS/PERS)  2.7M
Reduced P/T Faculty Budget / 2017-18 FTES Decline  (3.9M)
STRS On-Behalf  (.4M)
Police Dept. Support Transfer  .2M
Other Adjustments  (.6M)

Unadjusted Tentative Expenditures and Net Transfers  $ 198.8M
2018-19 Projected Structural Deficit
Adjusted with Reductions

Projected 2018-19 Tentative Budget Revenue $183.7M
Less: Unadjusted Expenditures and Net Transfers 198.8M
Unadjusted 2018-19 Projected Structural Deficit $ (15.1M)

Projected 2018-19 Tentative Budget Revenue $183.7M
Less: Unadjusted Expenditures and Net Transfers 198.8M
Less: Tier 1 Budget Reductions (5.0M)
Adjusted 2018-19 Projected Structural Deficit $ (10.1M)*

*Covered by one-time allocation from Stability Fund
2018-19 Projected Ending Fund Balance

Projected Beginning Fund Balance, July 1, 2018 $39.2M
Ongoing Structural Deficit and Projected Change (10.1M)
Projected Ending Fund Balance at June 30, 2019 $29.1M

Fund Balance Allocation:
College & Central Services Carryforwards $10.3M
Districtwide Restricted Carryforwards 2.6M
Required 5% Budgeted Reserve 9.7M
Projected Stability Fund at June 30, 2019 $6.5M*

*NOTE: 2017-18 Projected Stability Fund Balance was $16.4M.
Resident FTES Historical Trend Analysis

Note: 3,290 decline in FTES since 2013-14 represents lost ongoing apportionment revenue of approximately $16.7M.
Historical and Projected Total FTES/Productivity

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity</td>
<td>528</td>
<td>526</td>
<td>522</td>
<td>520</td>
<td>489</td>
<td>492</td>
<td>506</td>
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<tr>
<td>FTES Res &amp; NR</td>
<td>32,125</td>
<td>32,032</td>
<td>32,158</td>
<td>31,946</td>
<td>30,582</td>
<td>28,822</td>
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</table>
### Historical and Projected Resident and Non-Resident FTES

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Resident</th>
<th>Resident</th>
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<tbody>
<tr>
<td>2012-13</td>
<td>4,353</td>
<td>27,772</td>
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<tr>
<td>2013-14</td>
<td>4,591</td>
<td>27,441</td>
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<tr>
<td>2014-15</td>
<td>4,805</td>
<td>27,353</td>
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<td>2015-16</td>
<td>4,803</td>
<td>27,143</td>
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<tr>
<td>2016-17</td>
<td>4,614</td>
<td>25,968</td>
</tr>
<tr>
<td>2017-18 Projected</td>
<td>4,340</td>
<td>24,482</td>
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</table>

The chart above illustrates the historical and projected number of Full Time Equivalent Students (FTES) from 2012-13 to 2017-18, distinguishing between Resident and Non-Resident students.
Planning Within New Fiscal Environment

- Currently forced to plan implementation of current SB-361 funding formula until new information confirms otherwise.

- Implementation of a new funding formula will impact strategic organizational planning decisions.

- The impact of $17.6M of necessary budget reductions through 2019-20 will require assessment of how students and operations are affected.

- Plan for additional risk factors which will need to be considered in fiscal planning for the near future.
Looking Ahead

Key Final Budget Dates:

- Revised budget due from the legislature to the governor by June 15, 2018.
- Governor must finalize budget by June 30, 2018.
- 2017-18 ending fund balance will be finalized.
- August 27, 2018 – Budget Hearing
- September 10, 2018 – Final Budget Adoption
- Summer enrollment and early evaluation of Fall enrollment
### Tentative Budget Assuming New Funding Formula; 1Yr Hold Harmless & Temporary 3Yr COLA

*Note: Projected amounts are estimates only and subject to change as new information becomes available.*

<table>
<thead>
<tr>
<th>Description</th>
<th>2017-18</th>
<th>2017-18</th>
<th>2018-19 Tentative Budget</th>
<th>2019-20</th>
<th>2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident FTES (F/T Equiv Student)</td>
<td>25,967</td>
<td>24,482</td>
<td>24,482</td>
<td>24,482</td>
<td>24,482</td>
</tr>
<tr>
<td>FTES Decline/Restoration</td>
<td>0.00%</td>
<td>-5.72%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Productivity</td>
<td>509</td>
<td>509</td>
<td>506</td>
<td>506</td>
<td>506</td>
</tr>
<tr>
<td>COLA</td>
<td>1.56%</td>
<td>1.56%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
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</tbody>
</table>

#### Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Adopted Budget</th>
<th>Projection</th>
<th>Tentative Budget</th>
<th>Projection</th>
<th>Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Apportionment</td>
<td>147,945,800</td>
<td>140,233,700</td>
<td>140,233,700</td>
<td>140,233,700</td>
<td>140,233,700</td>
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<tr>
<td>Non-Resident Tuition</td>
<td>27,750,000</td>
<td>26,750,000</td>
<td>27,258,300</td>
<td>27,939,800</td>
<td>28,638,300</td>
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<tr>
<td>STRS On-Behalf Payments</td>
<td>4,500,000</td>
<td>4,500,000</td>
<td>4,150,758</td>
<td>4,350,758</td>
<td>4,550,758</td>
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<tr>
<td>Other Revenues</td>
<td>8,790,293</td>
<td>9,127,533</td>
<td>8,324,200</td>
<td>8,324,200</td>
<td>8,324,200</td>
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<td><strong>Total Ongoing Revenues</strong></td>
<td><strong>$188,986,093</strong></td>
<td><strong>$180,611,233</strong></td>
<td><strong>$179,966,958</strong></td>
<td><strong>$180,848,458</strong></td>
<td><strong>$181,746,958</strong></td>
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#### Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Certificated Salaries</th>
<th>Classified Salaries</th>
<th>Employee Benefits</th>
<th>STRS On-Behalf Payments</th>
<th>Materials &amp; Supplies</th>
<th>Operating Expenses</th>
<th>Capital Outlay</th>
<th>Ongoing Reductions to Exp: 2019-20</th>
<th>Ongoing Additional Reductions - 1,486 Decline</th>
<th>Total Ongoing Expenses</th>
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<tbody>
<tr>
<td></td>
<td>86,191,895</td>
<td>37,392,242</td>
<td>41,875,732</td>
<td>4,500,000</td>
<td>3,874,610</td>
<td>18,295,852</td>
<td>672,538</td>
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<td>192,802,869</td>
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<td>87,202,928</td>
<td>36,823,208</td>
<td>41,319,768</td>
<td>4,500,000</td>
<td>4,023,968</td>
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<td>0</td>
<td>192,336,179</td>
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<tr>
<td></td>
<td>81,997,932</td>
<td>37,273,434</td>
<td>42,824,697</td>
<td>4,150,758</td>
<td>3,554,528</td>
<td>16,927,561</td>
<td>422,893</td>
<td>0</td>
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<td>187,151,803</td>
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<td>(5,000,000)</td>
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<td>181,220,206</td>
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#### Net Transfers Out

| Net Transfers Out                  | 6,555,241            | 6,562,608          | 6,721,569          | 6,721,569               | 6,721,569            |

#### Total Expenses & Net Transfers Out

| Total Expenses & Net Transfers Out | $199,358,110         | $198,898,787       | $193,873,372       | $184,811,775            | $187,941,775         |

#### Structural Surplus/(Deficit)

| Structural Surplus/(Deficit)       | (10,372,017)         | (18,287,554)       | (13,906,414)       | (3,963,317)             | (6,194,817)          |
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#### One-Time Adjustments to Revenue

- New Funding Formula - Temporary 3Yr COLA (out years assuming lower base and 2% COLA): 0, 0, 4,007,600, 2,804,700, 2,804,700
- New Funding Formula - Hold Harmless: 0, 0, 7,650,000, 0, 0
- PY Apportionment Adjustment: 0, 301,826, 0, 0, 0
- Mandated Cost Payment: 0, 725,411, 0, 0, 0
- State Stabilization SB 361: 0, 7,650,000, 0, 0, 0

Total One-Time Adjustments: $0, $8,677,237, 11,657,600, $2,804,700, $2,804,700

#### One-Time Expenditures & Transfers

- One-Time Districtwide Savings: 0, 0, 0, 1,000,000, 1,000,000

Total One-Time Expenditures: $0, $0, $0, $1,000,000, $1,000,000

Net Change in Fund Balance: ($10,372,017), ($9,610,317), ($2,248,814), ($158,617), ($2,390,117)

Beginning Fund Balance: $48,851,803, $48,851,803, $39,241,485, $36,992,671, $36,834,054

Net Change in Fund Balance: ($10,372,017), ($9,610,317), ($2,248,814), ($158,617), ($2,390,117)

Ending Fund Balance: $38,479,786, $39,241,485, $36,992,671, $36,834,054, $34,443,937

Less:

- College/CS/DW Encumbrances and Carryforwards: 15,117,381, 12,922,655, 12,922,655, 12,922,655, 12,922,655
- 5% Reserves: 9,967,905, 9,944,939, 9,693,669, 9,190,589, 9,347,089
- Less One-Time 2017-18 Cuts: (2,000,000), 0, 0, 0, 0
- FHDA Stability Fund: $15,394,500, $16,373,891, $14,376,348, $14,720,811, $12,174,194
Questions?/Comments