



Board of Trustees Presentation



Foothill College



De Anza College

2014-2015 Adopted Budget September 8, 2014

Kevin McElroy, Vice Chancellor, Business Services
Hector Quinonez, Executive Director, Fiscal Services
Joni Hayes, Director, Budget Operations



Development of the 2014/15 Budget

The development of the 2014/15 budget was initiated in Winter 2014 with the following broad objectives:

- To maintain and improve student access, student retention, and all related student support services
- Preserve reserves sufficient to meet 2014/15 operating budget needs
- To maintain one-time funds for fiscal year 2015/16 in anticipation of the ongoing FHDA structural deficit and until FTES/apportionment stabilizes



Review of June 30, 2014 Ending Balance

The June 30, 2014 ending balance of \$44,198,097 will be used in 2014/15 as follows:

- \$ 8,620,000 to maintain district's budgeted 5% reserves
- \$14,499,823 for colleges & Central Services designated "B" budget carryover
- \$ 2,304,809 for district-wide carryover (elections costs, negotiated contract items, EIS/ETS backfill, encumbrance carryforwards)
- \$ 2,000,000 for enrollment stimulus
- \$16,773,465 to be set aside as 2014/15 Stability Fund



Plans for Use of Designated Funds and Stability Fund

- To offset a projected operating deficit of \$2.08 million and delay permanent reductions to operating expenses using one-time stability funds in fiscal year 2014/15
- To offset any apportionment or productivity shortfall that may arise due to factors such as decline in demand, etc., in fiscal year 2014/15
- To stimulate student enrollment and restore prior years' FTES decline (\$2 million)
- To set aside \$14.7 million in stability funds for 2015/16 in anticipation of operating cost increases and to close the structural budget deficit

Summary of Net Change in Fund Balance and Carryover

Projected Revenue vs. Projected Expenses	
Beginning Balance, July 1, 2014	\$ 44,198,097
Revenue	\$ 170,340,795
Expenses	(172,423,441)
Net Change in Fund Balance (Projected)	\$ (2,082,646)
NET FUND BALANCE, June 30, 2015	\$ 42,115,451

Projected Ending Fund Balance as of June 30, 2015	\$ 42,115,451
Less: "B" Budget Carryforward	
Foothill College	\$ 6,499,823
De Anza College	5,100,000
Central Services	2,900,000
Subtotal	\$ 14,499,823
Less: District-Wide "A" Restricted	\$ 2,304,809
Subtotal	\$ 2,304,809
Total Carryforward	\$ 16,804,632
Less: Funds Designated for Enrollment Stimulus/Restoration	\$ 2,000,000
Less: Adopted Budget Reserves @ 5% (Restricted)	\$ 8,620,000
Remaining 2014/15 Stability Fund	\$ 14,690,819



Comparison of Assumptions from Tentative to Adopted Budget

Tentative Budget Assumptions:

- Enrollment estimated at 31,632 FTES
- .85% COLA
- No growth/restoration budgeted for resident FTES; however,
- \$2 million projected for one-time stimulus funds to restore FTES
- 1% deficit factor applied to state apportionment
- \$1,500,000 budgeted for Unfunded Retiree Liability
- Mandated Cost Reimbursement = \$760,480
- No growth budgeted for non-resident FTES

Adopted Budget Assumptions:

- Enrollment estimated at 31,942 FTES
- .85% COLA
- No growth/restoration budgeted for resident FTES; however,
- \$2 million has again been set aside as one-time stimulus funds to restore FTES
- 1% deficit factor applied to state apportionment
- \$1,500,000 budgeted for Unfunded Retiree Liability
- Mandated Cost Reimbursement = \$765,934
- 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



Where are we now for 14/15?

Current Income vs. Current Expenses

Income	\$ 170,340,795
Expenses	<u>172,423,441</u>
2014/15 Net Deficit	\$ (2,082,646)
<u>Use of Stability Fund (one-time funds)</u>	<u>2,082,646</u>
Net Deficit After Use of One-Time Funds *	\$ 0

** This will reduce our available Stability Fund balance to \$14,690,819
(this balance will be further reduced, contingent upon any negotiated salary adjustments)*

Major Revenue Assumptions

■ State Revenues

- 0.85% COLA
- FTES estimates based on 2013/14 P-Annual
- No growth budgeted for non-resident FTES
- Deficit factor applied to state apportionment funds (1%)



Major Variables Impacting Projections for Revenue and Expense

- Deficit factor due to state general fund revenue shortfall (property taxes), RDA shortfall, and/or Prop 30 EPA funding shortfall (1%, or \$1.4 million, budgeted)
- Reduction in district revenue due to potential decline in FTES
- Decrease in productivity to maximize FTES
- Restoration (possible increase to revenue of approximately \$470,000 for every 100 FTES restored)



General Outlook for Fiscal Year 2014/15

Assuming that by June 30, 2015, the district still has a \$2 million ongoing structural deficit, plus operating expense increases of approximately \$1 million, the structural deficit will increase to approximately \$3 million for FY 2015/16.

2014/15 will continue to have challenges due to the following:

- A timeline to structurally balance the budget needs to be determined
- Enrollment uncertainty
- Guaranteed RDA/EPA backfill financing has been inconsistent
- Operating expenses outpacing new revenues

Analysis of FTES

12/13 P-A ReCalc	Resident Credit	Non- Credit	Total Apportionment	Non- Resident	Total
De Anza	17,190	0	17,190	2,590	19,780
Foothill	10,362	219	10,581	1,762	12,344
Total	27,553	219	27,772	4,353	32,124

FTES Below Budget at P-A ReCal (Funded FTES) -1,683
% -5.7%

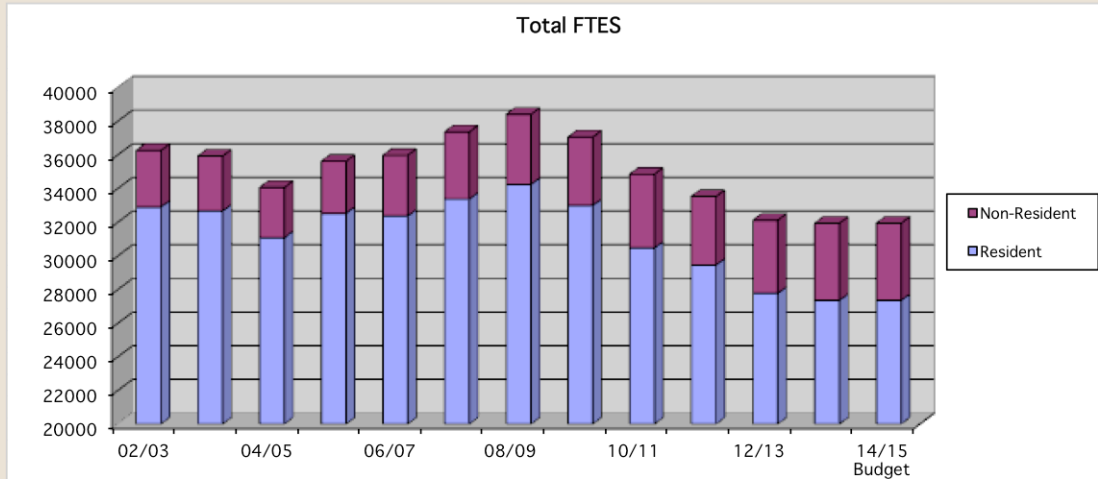
13/14 P-Annual	Resident Credit	Non- Credit	Total Apportionment	Non- Resident	Total
De Anza	16,827	0	16,827	2,672	19,499
Foothill	10,209	319	10,528	1,916	12,444
Total	27,036	319	27,355	4,588	31,942

FTES Below Budget at P-A (Funded FTES) -417
% -1.5%

14/15 Adopted Budget	Resident Credit	Non- Credit	Total Apportionment	Non- Resident	Total
De Anza	16,827	0	16,827	2,672	19,499
Foothill	10,209	319	10,528	1,916	12,444
Total	27,036	319	27,355	4,588	31,942



Foothill-De Anza Enrollment

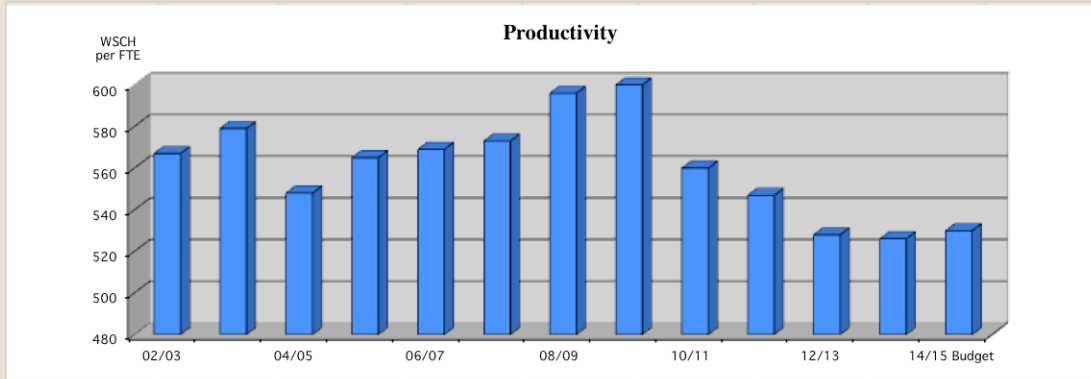




FHDA 2014/15 Productivity

- FTES from on-campus and off-campus programs is budgeted at 31,942 FTES and productivity is budgeted at 530

FHDA Productivity



What We *Will* Achieve

- We will still serve at least 31,942 full-time equivalent students ...a SIGNIFICANT number of students served
- We will continue to provide the very best support services for students in spite of recent multi-year resource and staffing reductions
- We will continue to maintain a minimum 5% reserve along with additional one-time funds
- We will have a Stability Fund to close the 2014/15 operating deficit and beyond to allow for strategic planning of future reductions if necessary
- We will continue to aggressively work on enrollment management strategies to restore lost FTES