

Presentation for the
District Budget Advisory Committee
June 14, 2012

Tentative Budget
2012-2013

Presented by:
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Vice Chancellor
Finance & Administrative Services

Areas of Discussion

- State/System Update
- Revenue and Expense Summary
- Budget Solution Summary
- Health Benefits
- FTES
- Projection of Ending Fund Balance
- Discussion of Budgetary Risk
- Cash Flow Projection
- Recommended Action
- Looking Ahead

What Changed between January and May?



January Budget Proposal

Deficit: \$9.2 Billion

- Taxes Pass:
 - \$268 million deferral buy-down
- Taxes Fail:
 - \$300 million base cut
- Coast Impact
 - \$8.2 million base cut
 - 5.56% workload reduction
- Deficit Factor (current year)
 - \$5.4 million

May Revise

Deficit: \$15.7 Billion

- Taxes Pass:
 - \$313 million deferral buy-down
- Taxes Fail:
 - \$300 million base cut
- Coast Impact
 - \$9.5 million Base cut
 - 6.4% workload reduction
- Deficit Factor (current year)
 - \$4.1 million
- Redevelopment Fund Risk
 - Current Year - \$3.5 million
 - Budget Year - \$10.8 million

Budget Solution Schematic

Revised April 26, 2012

Balanced Budget Solution for 2012-2013 FY

Internal Operating Deficit (On-Going Solution)

New Expense Obligations

- STRS
- PERS
- Health Benefits
- Step/Column
- UIC

Revenue Reduction

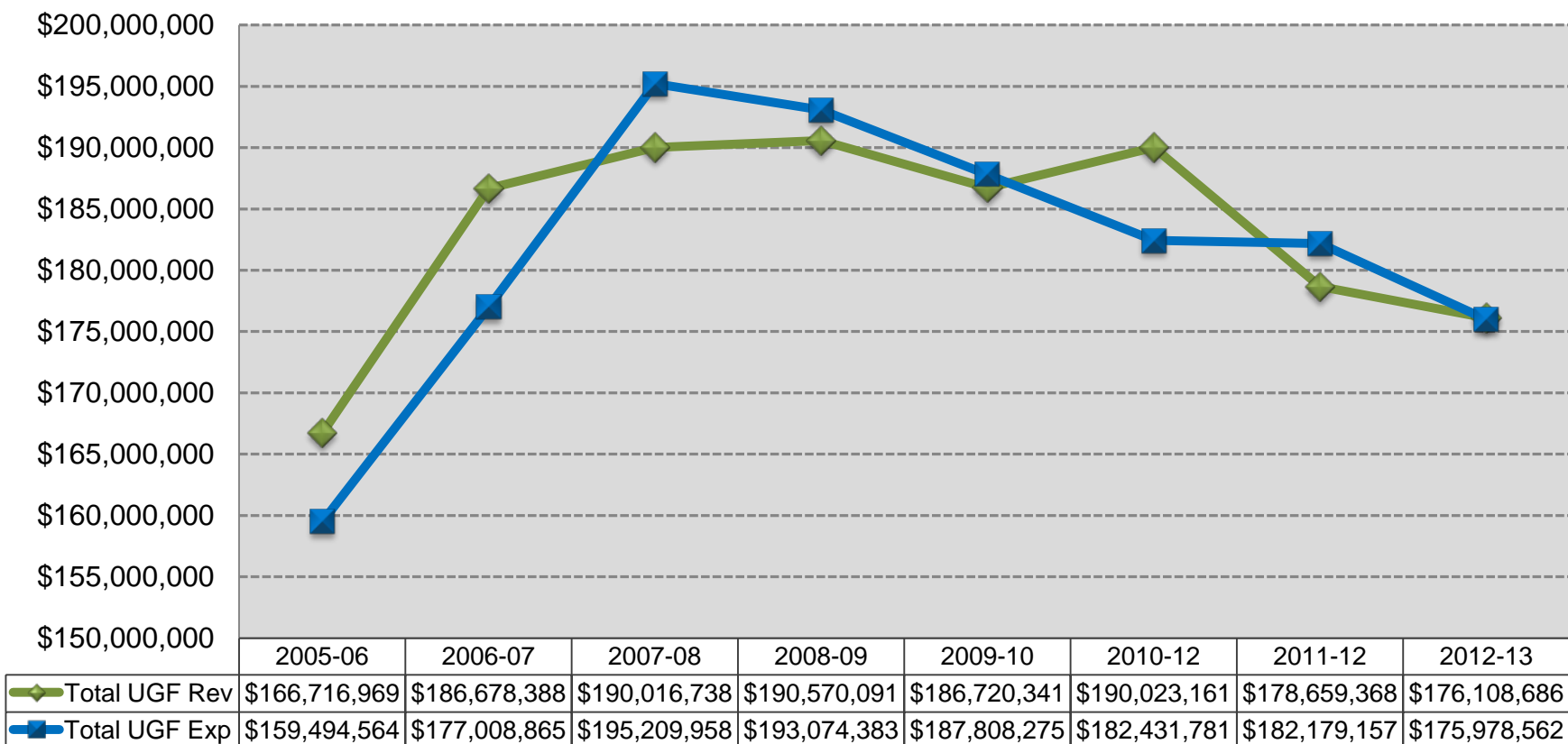
- Carry Forward Deficit
- Orange County Property Tax Grab

Rainy Day Fund (One-Time Solution)

Preparation for Failure of Tax Measure

- Fund Balance
- General Reserve
- Deficit Factor (February Surprise)
- Board Election

Revenue and Expense Trend

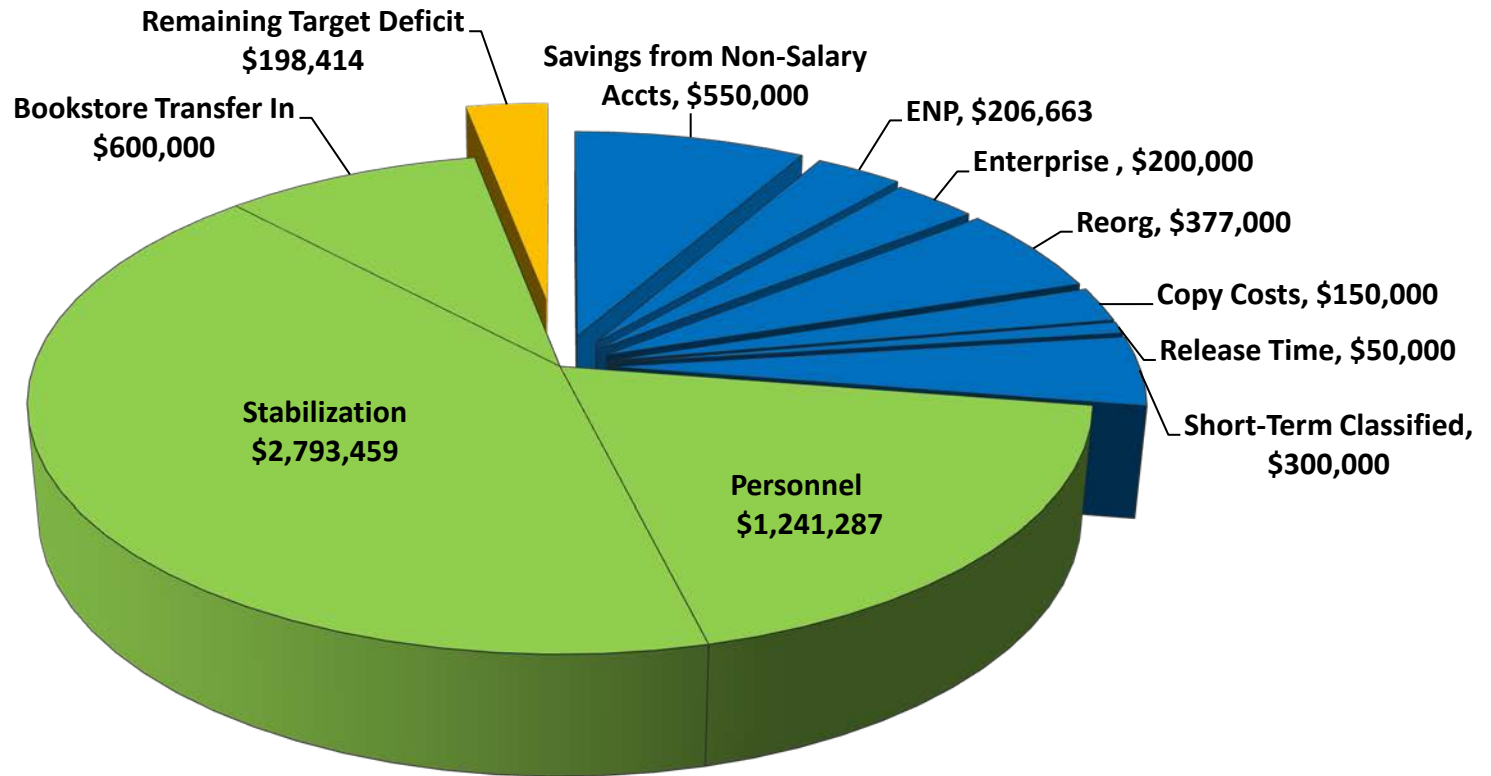


One-Time vs. On-Going Solutions

TARGET	<u>\$6,666,823</u>
Savings from Non-Salary Accts	\$550,000
ENP	\$206,663
Enterprise	\$200,000
Reorg	\$377,000
Copy Costs	\$150,000
Release Time	\$50,000
Short-Term Classified	\$300,000
Personnel	\$1,241,287
Stabilization	\$2,793,459
Bookstore Transfer In	<u>\$600,000</u>
Remaining Target Deficit	\$198,414
	\$6,666,823

One-Time	\$4,634,746	69.5%
On-Going	\$1,833,663	27.5%
Remaining Deficit	\$198,414	3.0%
Total	\$6,666,823	100.0%

One-Time vs. On-Going Graphic



May 16, 2012

CCCD Health Benefit Renewal Analysis

Effective - October 1, 2012

Line of Coverage	Initial Renewal \$Δ	% Δ	Negotiated Renewal \$Δ	% Δ	Proposed Renewal \$Δ	% Δ
Delta Health Systems Medical/Rx - Self Funded*	\$920,199	4.30%	\$62,037	0.29%	\$62,037	0.29%
UnitedHealthcare HMO - Fully Insured	\$1,021,426	14.10%	\$377,688	5.20%	Anthem HMO -\$146,026	-2.01%
Kaiser HMO - Fully Insured	\$539,829	15.04%	\$539,829	15.04%	\$539,829	15.04%
Delta Dental - Self Funded*	\$204,614	5.80%	\$102,928	2.91%	\$102,928	2.91%
VSP Vision - Self Funded*	\$30,476	6.80%	\$9,063	2.03%	\$9,063	2.03%
ING Life/AD&D - Fully Insured	\$0	0.00%	\$0	0.00%	\$0	0.00%
ING Long Term Disability - Fully Insured	\$0	0.00%	\$0	0.00%	\$0	0.00%
Care Resources EAP	\$0	0.00%	\$0	0.00%	\$0	0.00%
TOTAL ANNUAL PREMIUM INCREASE	\$2,716,543	7.20%	\$1,091,544	2.90%	\$567,831	1.51%

*Self-Funded plans are underwritten with data through April 2012.

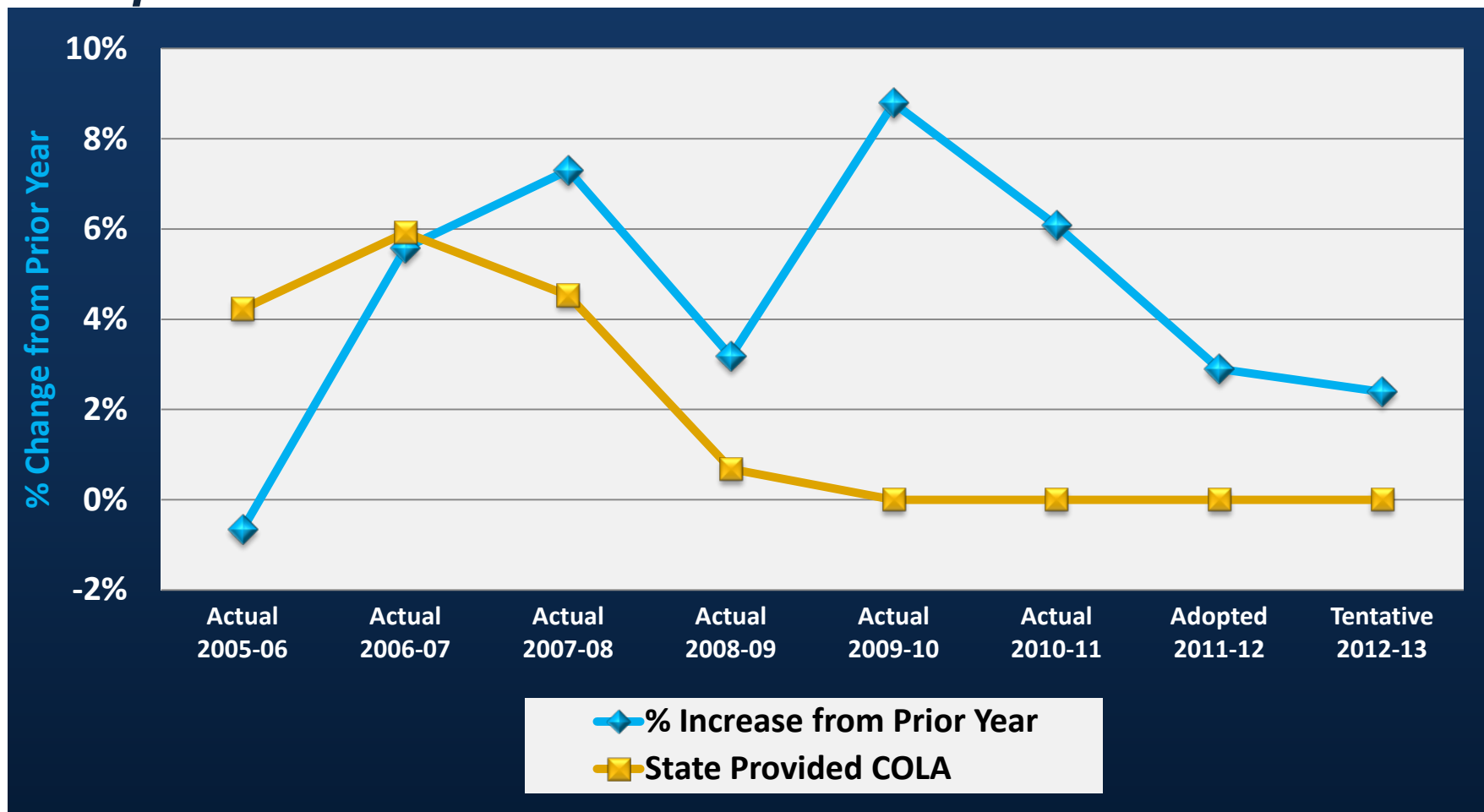
Source: Driver Alliant

Comparison of Funded COLA to Increase in Health Benefits

	Actual 2005-06	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Actual 2010-11	Adopted 2011-12	Tentative 2012-13
Total Benefit Costs per Person	\$10,601	\$11,193	\$12,010	\$12,392	\$13,481	\$14,237	\$14,650	\$15,000
% Increase from Prior Year	-0.65%	5.58%	7.30%	3.18%	8.79%	5.61%	2.90%	2.39%

State Provided COLA	4.23%	5.92%	4.53%	0.68%	0.00%	0.00%	0.00%	0.00%
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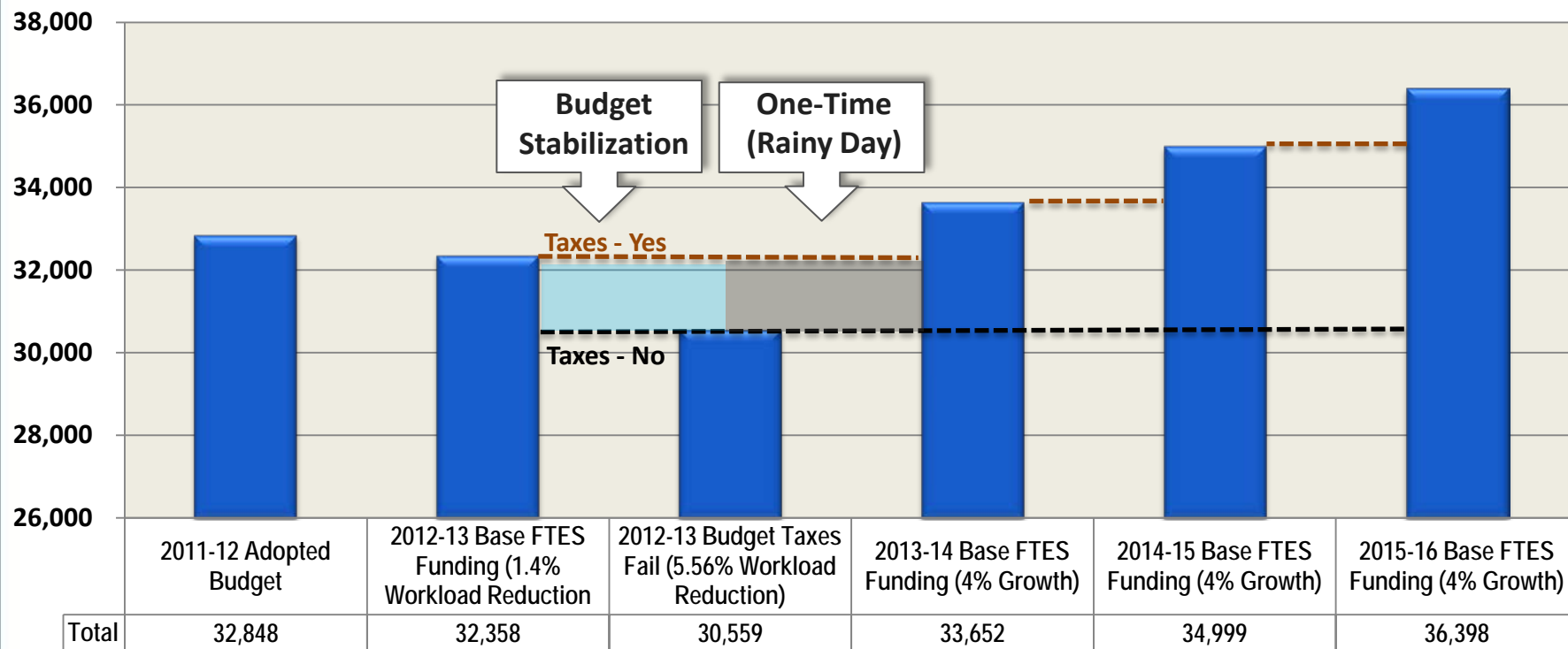
Comparison of Funded COLA to Increase in Health Benefits



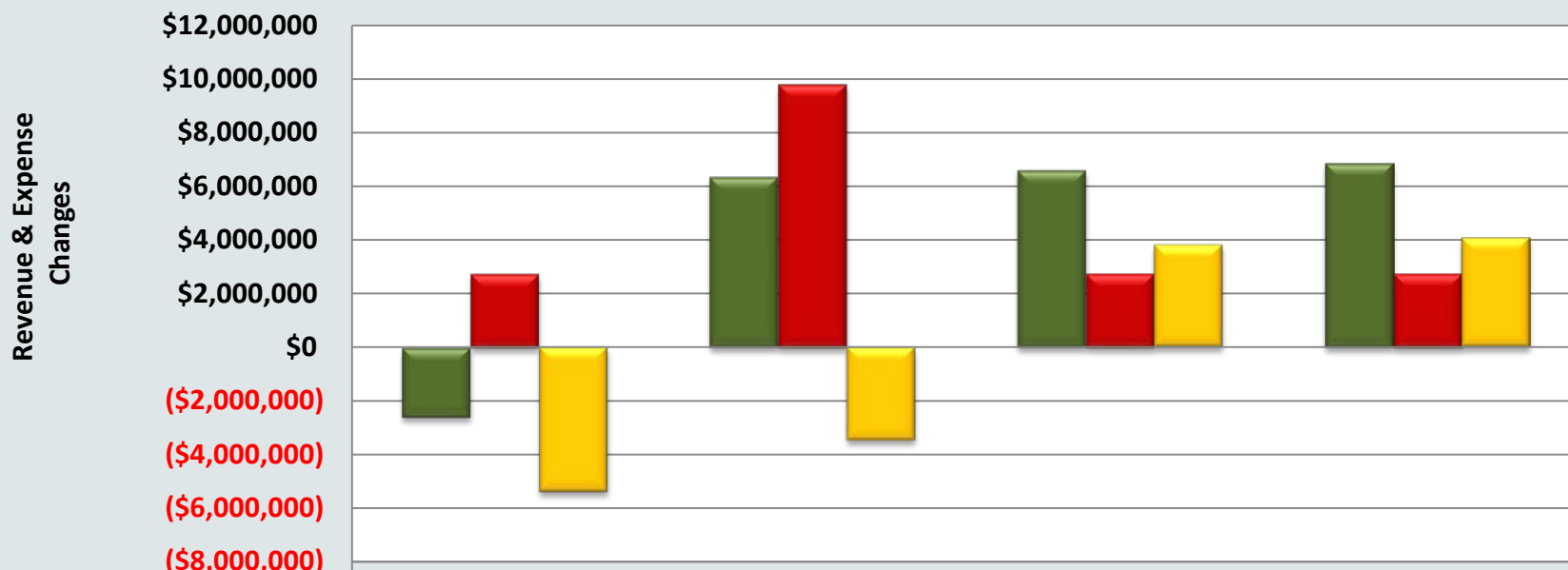
Review of Retiree Benefit Contributions

Retiree Health Benefits Past Service Liability 6/30/2010	\$ 90,506,727
Available Funds as of 3/31/12	
RHB Irrevocable Trust	\$ 43,327,141
Country Treasury	12,353,032
	\$ 55,680,173
Unfunded RHB Past Service Liability 3/31/12	\$ 34,826,554
Amortization of Unfunded Liability	\$ 4,600,000
Normal Cost for Active Employees	3,500,000
	\$ 8,100,000
Annual Required Contribution (ARC)	\$ 8,100,000
Reduction for Extended Amortization	\$ (1,200,000)
Revised ARC	\$ 6,900,000

Multi-Year FTES Trend District-Wide Total



Multi-Year Projections (Taxes Pass)

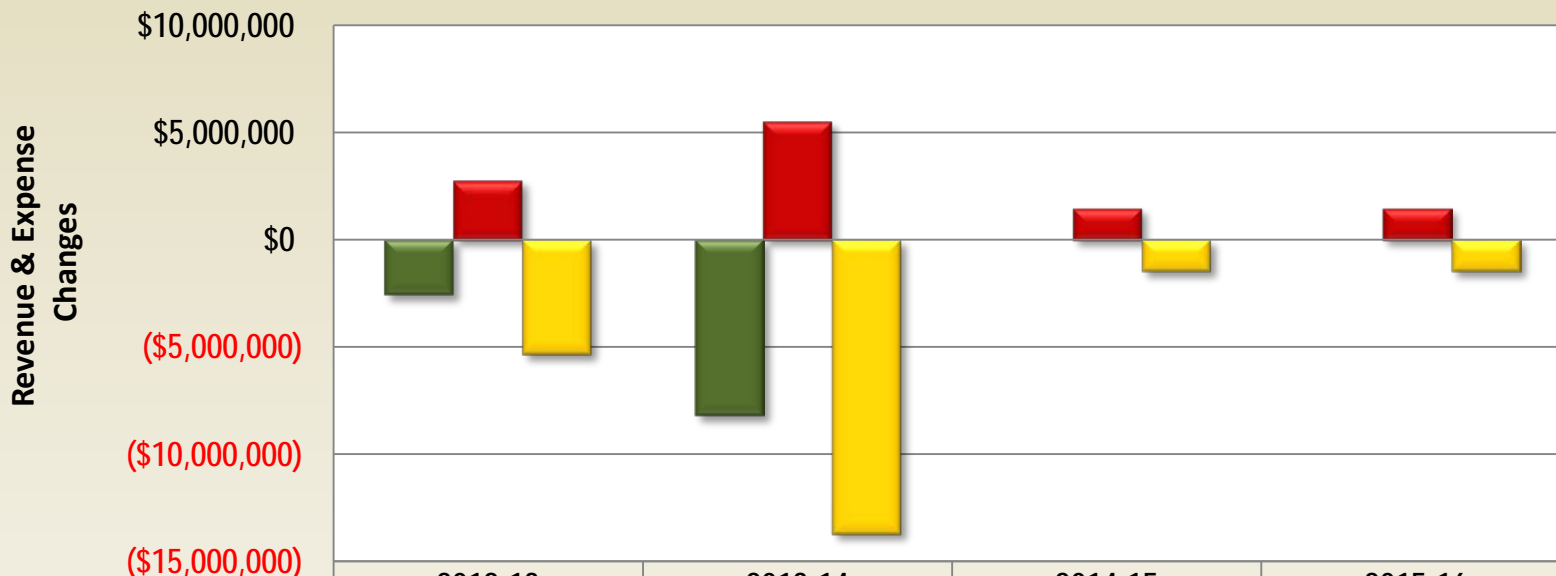


	2012-13	2013-14	2014-15	2015-16
■ Total Revenue Changes	(\$2,600,000)	\$6,336,000	\$6,589,440	\$6,853,018
■ Total Expense Changes	\$2,763,885	\$9,780,000	\$2,780,000	\$2,780,000
■ Net Change in Operating Budget	(\$5,363,885)	(\$3,444,000)	\$3,809,440	\$4,073,018

Assumptions

1. Assumes November 2012 Tax Measure Passes
2. 4% new funds (Growth) begin to flow in 2013-14
3. Use of one-time solutions for 2012-13 carries forward to 2013-14
4. Restore "unfrozen FON Base" in 2013-14
5. Assumes 4% addition to FON base each year (2013-14 thru 2015-16)

Multi-Year Projections (Taxes Fail)



	2012-13	2013-14	2014-15	2015-16
■ Total Revenue Changes	(\$2,600,000)	(\$8,200,000)	\$0	\$0
■ Total Expense Changes	\$2,763,885	\$5,500,000	\$1,500,000	\$1,500,000
■ Net Change in Operating Budget	(\$5,363,885)	(\$13,700,000)	(\$1,500,000)	(\$1,500,000)

Assumptions

1. Assumes November 2012 Tax Measure Fails
2. "Rainy Day Fund" delays impact of tax failure to 2013-14
3. Use of one-time solutions for 2012-13 carries forward to 2013-14

How has our Rainy Day Fund Changed?

	May 12	May Revise	May 30	Jun 13
Estimated Fund Balance (at June 30, 2012)	\$18,700,000	\$18,700,000	\$18,700,000	\$18,200,000
Deficit Factor (Student Fee shortfall)	(\$5,400,000)	(\$4,101,103)	(\$3,031,000)	(\$3,031,000)
Redevelopment Revenue Risk (2011-12)	\$0	\$0	(\$3,516,000)	\$0
Estimated Net Available Fund Balance	\$13,300,000	\$14,598,897	\$12,194,059	\$15,210,073
General Reserve	(\$11,600,000)	(\$11,600,000)	(\$11,600,000)	(\$11,600,000)
Balance/(Deficit)	\$1,700,000	\$2,998,897	\$594,059	\$3,610,073

Additional One-Time Fund Needs:

Create " Rainy Day Fund "	(\$8,211,252)	(\$9,509,849)	(\$9,081,906)	(\$9,081,906)
Redevelopment Revenue Risk (2012-13)	\$0	\$0	(\$10,809,000)	\$0
Election Cost	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
Contractual Carry Over	(\$325,000)	(\$325,000)	(\$325,000)	(\$325,000)
ED Svcs Grant Dev	(\$65,000)	(\$65,000)	(\$65,000)	(\$65,000)
EFR/ENP Payout	(\$269,000)	(\$269,000)	(\$269,000)	(\$269,000)
Additional needed one-time funds	(\$9,370,252)	(\$10,668,849)	(\$21,049,906)	(\$10,240,906)

Balance/(Deficit)	(\$7,670,252)	(\$7,669,952)	(\$20,455,847)	(\$6,630,833)
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Redirect Retiree Benefits to pay portion of current year cost	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Freeze Equipment from 10-11 ending balance	\$0	\$0	\$0	\$0
Reduce General Reserve from 6.5% to 5.5%	\$1,900,000	\$1,900,000	\$1,900,000	\$1,900,000
Transfer-In Unrestricted F-40 balances	\$200,000	\$200,000	\$200,000	\$200,000
Current year health benefit savings	\$1,600,000	\$1,600,000	\$1,600,000	\$800,000
Unused Categorical Backfill	\$0	\$0	\$0	\$0
subtotal	\$6,700,000	\$6,700,000	\$6,700,000	\$5,900,000

Balance/(Deficit)	(\$970,252)	(\$969,952)	(\$13,755,847)	(\$730,833)
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Transfer-In from Entity Resources:

OCC - 52.11%	(\$505,598)	(\$505,442)	(\$7,168,172)	(\$380,837)
GWC - 30.51%	(\$296,024)	(\$295,932)	(\$4,196,909)	(\$222,977)
CCC - 17.38%	(\$168,630)	(\$168,578)	(\$2,390,766)	(\$127,019)

Balance	\$0	\$0	\$0	\$0
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\$341 million RDA shortfall risk

June 13: DOF and Legislature agree to hold CCC harmless re RDA backfill

Cash Flow Projections 2012-2013 with Tax

	July Estimated	August Estimated	September Estimated	October Estimated	November Estimated	December Estimated
Beginning Balance	15,410,029	8,814,194	6,971,134	7,604,589	149,056	(8,233,758)
Revenue	12,238,716	13,418,750	16,788,180	10,366,573	9,006,300	28,890,212
Expenses	<u>(18,834,551)</u>	<u>(15,261,810)</u>	<u>(16,154,725)</u>	<u>(17,822,106)</u>	<u>(17,389,114)</u>	<u>(10,927,018)</u>
Ending Balance	<u>8,814,194</u>	<u>6,971,134</u>	<u>7,604,589</u>	<u>149,056</u>	<u>(8,233,758)</u>	<u>9,729,436</u>

	January Estimated	February Estimated	March Estimated	April Estimated	May Estimated	June Estimated
Beginning Balance	9,729,436	9,094,652	(4,664,067)	(16,079,263)	(24,988,328)	(47,602,840)
Revenue	25,317,659	3,596,544	4,368,563	7,928,303	(1,156,260)	57,237,232
Expenses	<u>(25,952,443)</u>	<u>(17,355,263)</u>	<u>(15,783,759)</u>	<u>(16,837,368)</u>	<u>(21,458,252)</u>	<u>(7,816,252)</u>
Ending Balance	<u>9,094,652</u>	<u>(4,664,067)</u>	<u>(16,079,263)</u>	<u>(24,988,328)</u>	<u>(47,602,840)</u>	<u>1,818,140</u>

Cash Flow Projections 2012-2013 Without Tax

	July Estimated	August Estimated	September Estimated	October Estimated	November Estimated	December Estimated
Beginning Balance	15,410,029	8,860,502	10,234,053	14,635,666	9,087,366	4,323,241
Revenue	12,285,024	16,635,361	20,556,338	12,273,806	12,624,989	34,070,910
Expenses	<u>(18,834,551)</u>	<u>(15,261,810)</u>	<u>(16,154,725)</u>	<u>(17,822,106)</u>	<u>(17,389,114)</u>	<u>(10,927,018)</u>
Ending Balance	<u>8,860,502</u>	<u>10,234,053</u>	<u>14,635,666</u>	<u>9,087,366</u>	<u>4,323,241</u>	<u>27,467,133</u>

	January Estimated	February Estimated	March Estimated	April Estimated	May Estimated	June Estimated
Beginning Balance	27,467,133	19,001,131	13,645,313	10,633,018	9,918,312	(3,298,312)
Revenue	17,486,441	11,999,445	12,771,464	16,122,662	8,241,628	(3,385,342)
Expenses	<u>(25,952,443)</u>	<u>(17,355,263)</u>	<u>(15,783,759)</u>	<u>(16,837,368)</u>	<u>(21,458,252)</u>	<u>(7,816,252)</u>
Ending Balance	<u>19,001,131</u>	<u>13,645,313</u>	<u>10,633,018</u>	<u>9,918,312</u>	<u>(3,298,312)</u>	<u>(14,499,906)</u>

What Risks loom as we Look Ahead?

- Tax Measure
 - Voter willingness to pass November tax??
 - Munger vs. Brown – one could cancel the other!
- Revenues are highly variable, with or without tax measure.
- Workload reduction of 6% will be decided in November.
- Mid-year trigger unfolds January 1.
- Redevelopment funds may not materialize.
 - Current Year (\$116.1m)
 - Budget Year (\$341.2m)
- Student fee shortfall
 - Increased BOG waivers as fees go to \$46/unit.
- Enrollment declines possible in some districts, particularly rural colleges with a proposal to triple neighboring state student fees to \$138/unit.

RECOMMENDED ACTION

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

- ▶ On or before the first day of July in each year, each district shall adopt a tentative budget and forward an informational copy to the appropriate county officer.
- ▶ It is recommended that the Board of Trustees adopt the Tentative Budget.

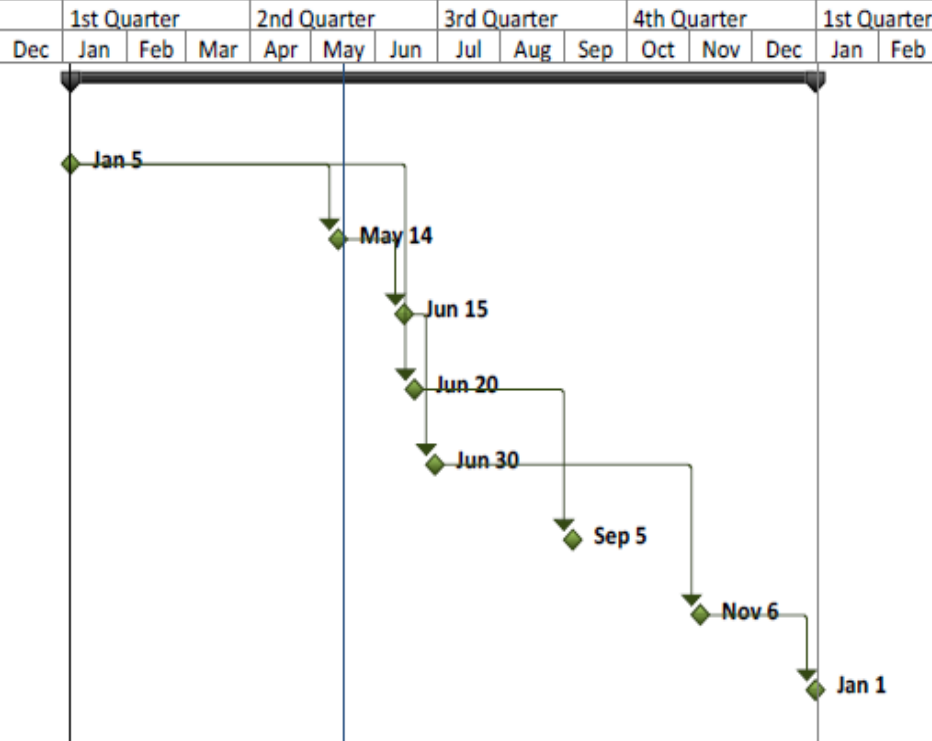
LOOKING AHEAD

Title 5, California Code of Regulations, Section 58305, also 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.

Critical Path Budget Development Calendar

2012-13 Budget Development Calendar

ID	Task Name	Start	Finish	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter			1st Quarter			
				Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
1	Coast Budget Development 2012-2013	Thu 1/5/12	Tue 1/1/13																
2	Governor's Budget Proposal Released	Thu 1/5/12	Thu 1/5/12	Jan 5															
3	May Revise Released	Mon 5/14/12	Mon 5/14/12					May 14											
4	Legislature sends budget to Governor	Fri 6/15/12	Fri 6/15/12						Jun 15										
5	Coast Board Adopt Tentative Budget	Wed 6/20/12	Wed 6/20/12							Jun 20									
6	Governor Signs state budget into law	Sat 6/30/12	Sat 6/30/12								Jun 30								
7	Coast Board Adopts Final Budget	Wed 9/5/12	Wed 9/5/12									Sep 5							
8	General Election (Gov. Tax Package)	Tue 11/6/12	Tue 11/6/12											Nov 6					
9	Trigger reductions if Rev. targets not met	Tue 1/1/13	Tue 1/1/13														Jan 1		