2014/15 TENTATIVE BUDGET WORKSHOP

June 12, 2014

NAPA VALLEY COLLEGE
Linking Strategic Planning to Budget

- **Focus on Student Success**
  - "It’s all about the students…"

- **Teaching & Learning**
  - Enhancing learning & the instruction core

- **Value & Support Employees**
  - Matching the needs of employees with the needs of students

- **Economic & Community Development**
  - Maximize potential revenues for our mission

- **Fiscal & Physical Resources**
  - Fund our structural commitments and fixed increases
  - Address accreditation, legal and fiscal stability challenges (TWF Phase II- year 1)
Overview

- 2013/2014 State Forecast
- 2014/2015 Governor’s Proposed Budget
- 2014/2015 Governor’s May Revise
- 2014/2015 NVC Tentative Budget Development
- Summary
2013-14 State Forecast

- Projected year-end reserve to be $2.5 billion $6.4 billion in higher revenues
- Offset by $5 billion in increased expenditures
- $1.1 billion included in State 2013-14 budget
- Economy will see slow to steady growth over the next few years
- California’s unemployment rate will fall to 7.9% in 2014 and 7.3% in 2015
- Significant improvement from the unemployment rate of 12.4% in 2010
- Still not at the pre-recession level of 4.9% in 2006
On January 9, 2014, Governor Brown released his proposed budget.

Budget proposal always have changes and revisions follow.

Budget Priorities:

- Paying down debt and long-term liabilities
- Saving for a Rainy Day
- Continuing to invest in Education

Did not include any major restorations in funding for programs that were subject to deep cuts in recent years.
California Community Colleges
Proposed Budget

- Access: $155.2 million to fund a 3% restoration of access
- COLA: $48.5 million to fund COLA of .86%
- Student Success: $200 million to support student success programs: $100 million for Student Success and Support Program
- $100 million to close gaps in access and achievement for underrepresented student groups
- Deferral: $592 million to pay down deferrals & completely eliminate deferrals by the end of 2014/15
- RDA: $35.6 million backfill funding to resolve shortfalls stemming from dissolution of Redevelopment Agencies
California Community Colleges
May Revise

- Adjustments to Access and COLA
  - decrease of $14.8M to reflect change from 3% to 2.75% in access
  - decrease of $1.2M to reflect a drop in the COLA from .86% to .85%

- Adjustment to the January maintenance and instructional equipment proposal:
  - decrease from $175M to $148M
  - all funds will go toward deferred maintenance rather than a 50/50 split with instructional equipment
  - local match will not be required

- Decrease of $1.5M for Proposition 39 energy projects

- Increase of $6M for Technology Infrastructure:
  - $4.6M on-going
  - $1.4M one-time

- Increase of $50M in one-time funds to the Economic and Workforce Development Program to enhance and expand CTE programs
May Revise proposed increase in CalSTRS contributions:

- District’s contributions would increase each year for the next 7 years from the current 8.25% up to 19.1% by 2021-22
- District contribution rate would be 9.5% for 2014-2015
- Employee contributions would increase from 8.25% to 9.5% in 2014-2015 up to 10.25% by 2021-22

Senate Budget Committee adopted an alternative proposal:

- Phases in the increases on employers and employees more slowly in the early years and more steeply in the later years
- District contribution rate would be 8.88% for 2014-2015
- Employee contribution rate would be 8.15% for 2014-2015
Budget Timeline

- Proposed budget was reviewed (6/11) by the joint Budget Conference Committee both houses with these updates
  - Funding for Student Equity Plans will be reduced from $100M to $70M
  - $30M augmentation for DSPS
  - $49.5M for reimbursement of previous mandate claims
  - A reduction of $94.465M in the pay-down of deferrals
  - Districts will have flexibility to determine the split of expenditures between maintenance and instructional equipment ($148M)
  - Cal Grant B awards will increase to $1,648

- Further, the final budget will include a positive trigger: If the Department of Finance determines as of the 2015 May Revision that the Proposition 98 guarantee is higher than what is estimated at the time of the budget agreement, additional expenditures will occur. The first priority would be to pay-down the remaining K14 deferrals ($94.465M for the CCCs).

- Budget expected to be approved and signed before July 1, 2014
NVC Tentative Budget

- Based on January Proposed Budget COLA of .85%
- *Restoration of 2.5% (conservative)*
- Includes:
  - Structural commitments
  - Board commitments
  - Contingency reserve
  - Commitment to retiree liability costs (including OPEB, Pay-as-you-go & ERI payments)
- Improvements to technical, instructional services & support
- Minimal budget surplus
## Total Tentative Budget

Total Budget $42,483,708

<table>
<thead>
<tr>
<th></th>
<th>13/14 TB</th>
<th>14/15 TB</th>
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<tbody>
<tr>
<td><strong>General Fund:</strong></td>
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<tr>
<td>Unrestricted Fund</td>
<td>$34.5 m</td>
<td>$35.0 m</td>
</tr>
<tr>
<td>Restricted Fund</td>
<td>7.4 m</td>
<td>7.4 m</td>
</tr>
<tr>
<td>Total General Fund</td>
<td>$41.9 m</td>
<td>$42.4 m</td>
</tr>
<tr>
<td><strong>Other Funds:</strong></td>
<td></td>
<td>[TBD for Adopted Budget]</td>
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<td>DAS</td>
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</table>
NVC Tentative Budget

- Slight Increase in TB Funds
- Offset by increased costs as discussed at Budget and Planning Committee Meetings such as: Technology support & services, strategic planning initiatives
NVC Tentative Budget Assumptions

- **Fiscal Stability**
  - When making budgetary decisions, the college leadership will assess the extent to which those decisions support the college mission and ensure fiscal stability.
  - It is the intent of the District not to engage in deficit spending.
  - Seek resources to fund college priorities consistent with institutional plans.
NVC Tentative Budget Assumptions

**Personnel**
- The District is committed to the concept that all employee groups play an important role in educating and serving students and all employees will be respected and valued for their contributions to the success of students.
- Every vacancy will be analyzed to determine the extent to which the position is essential to college operations. Whenever possible, restructuring positions and/or programs, transfers of existing staff, and delays in hiring will be considered in order to support the fiscal stability of the District.
- The use of temporary, hourly employees will be carefully reviewed in order to limit these costs to what is absolutely essential to maintain educational programs and basic services.
- The District will honor financial commitments resulting from any negotiated collective bargaining agreements.
- The District is committed to a consistent method of budgeting for all positions.
NVC Tentative Budget Assumptions

- **Legal Mandates**
  - The District will meet all legally mandated (state and federal) obligations. The District will meet the legal requirements of the 50 percent law.

- **Grants**
  - Grants will be carefully reviewed prior to their acceptance to ensure that their benefits outweigh their costs and are consistent with the mission of the college. Whenever possible, grants should include funding to reimburse the District for administrative overhead expense and should not obligate the District to ongoing expenses after expiration of the grant funding period.
NVC Tentative Budget Assumptions

- **Expenditures**
  - Expenditures must support student success and the mission of the college and be consistent with the planning and budgeting guidelines.
  - Budget augmentations related to health and safety items will be given a high priority.
  - Funds will be provided to meet contractual obligations, audit requirements and fixed costs.

*Adopted by Budget Committee January 30, 2014*
*Presented for adoption to the Board of Trustees February 13, 2014*
State Apportionment Funding

- FTES Rates:
  - Credit FTES: $4,636
  - Noncredit FTES: $2,788
  - Enhanced noncredit FTES: $3,283
Budget Challenges

- Unknown State Deficit Final deficit amount in February 2015
- Modest revenue increase with sharply increasing expenditures
- Proposition 30 is temporary tax increase Sales tax increase ends on December 31, 2016
- Income tax increase ends on December 31, 2018
- We are still below our 2008/09 funding level
Review of Line Items in Tentative Budget
## NVC Tentative Budget

### RECONCILIATION of ENDING BALANCE

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<thead>
<tr>
<th></th>
<th>2013</th>
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<tbody>
<tr>
<td><strong>BEGINNING FUND BALANCE at JULY 1, 2013</strong></td>
<td>4,983,129</td>
<td>4,983,129</td>
<td>4,983,129</td>
<td>5,023,762</td>
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<tr>
<td>ADD: Total Income</td>
<td>40,732,477</td>
<td>34,036,632</td>
<td>41,966,543</td>
<td>42,483,708</td>
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<tr>
<td>LESS: Total Unrestricted Expenditures</td>
<td>(32,351,141)</td>
<td>(26,652,203)</td>
<td>(33,003,575)</td>
<td>(34,255,714)</td>
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<tr>
<td><strong>END BALANCE before GASB54 ASSIGNMENTS</strong></td>
<td>13,364,465</td>
<td>12,367,558</td>
<td>13,946,097</td>
<td>13,251,756</td>
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<tr>
<td>NON-SPENDABLE FUND BALANCE (Prepaid)</td>
<td>(504,784)</td>
<td>(504,784)</td>
<td>(504,784)</td>
<td>(94,917)</td>
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<td>RESTRICTED FUND BALANCE (Grants/Categor)</td>
<td>(6,789,600)</td>
<td>(6,261,278)</td>
<td>(7,444,095)</td>
<td>(7,444,095)</td>
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<tr>
<td>COMMITTED FUND BALANCE (OPEB)(BOT ITEMS)</td>
<td>(490,956)</td>
<td>0</td>
<td>(490,956)</td>
<td>(654,608)</td>
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<tr>
<td>ASSIGNED FUND BALANCE (Funds Set Aside)</td>
<td>(482,500)</td>
<td>(482,500)</td>
<td>(482,500)</td>
<td>(131,780)</td>
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<thead>
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<tbody>
<tr>
<td>CHANCELLOR's OFFICE REQ. RESERVE - 5%</td>
<td>1,691,469</td>
<td>1,381,974</td>
<td>1,724,091</td>
<td>1,756,851</td>
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<tr>
<td>UNASSIGNED (Ending) FUND BALANCE</td>
<td>3,405,156</td>
<td>3,737,022</td>
<td>3,299,671</td>
<td>3,169,505</td>
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**Percent of Ending Balance (Ending Balance div. by Total Unrestr Expend)** 9.57% 9.02%

**EXCESS OF CURRENT YEAR INCOME OVER CURRENT YEAR EXPENDITURES**

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<tr>
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<td>$113,496</td>
<td>$135,867</td>
<td>$40,633</td>
<td>$34,374</td>
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SUMMARY

- **Step 1 Consider 2014/15 Tentative Budget**
  - Tentative Budget must be approved
  - Coming to the Board tonight for approval June 12
  - Continue operations July 1, 2014

- **Step 2 Close Out 2013/14**
  - Final revenue & expenditures

- **Step 3 Develop 2014/15 Adoption Budget**
  - Update revenue per approved State budget
  - Update beginning balance
  - September Adoption Budget Workshop BC Public Forum 9/4/14
  - September Adoption Budget Presentation to BOT 9/11/14
Questions?

Strategic Planning Committee Members

Bryan Avila
Steve Balassi
Carolle Cattolica
Matt Christensen
Oscar De Haro
John Dotta
David Ellingson
Chris Farmer
Terry Giugni
Lynda Monger
Bonnie Moore
Mary Shea (Co-Chair)
Joann Stubitsch
Shea Tanner (Student Rep)
Robyn Wornall (Co-Chair)
Cliff Zyskowski

Budget Committee Members

David Angelovich (Co-Chair)
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Dianna Chiabotti
Matt Christensen
Oscar De Haro
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Christy Kling
Dr. Stephen Krebs
Mark Martin Robert Millay
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Diane Van Deusen