VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

BUDGET CRITERIA (GUIDING PRINCIPLES) AND ASSUMPTIONS

FISCAL YEAR 2013-14 (FY14)

The District will develop a budget that allocates resources to achieve goals and objectives established in the District's master plan as approved by the Board. The Budget Criteria and Assumptions serves as a guide in developing the annual budget by setting forth the guiding principles by which the budget will be built and by providing assumptions which are the basis for the financial projections of revenue and expenditures. The budget is developed through a collaborative district-wide process that involves the Board of Trustees, the Chancellor and her Cabinet, the District Council on Administrative Services (DCAS), and the Chancellor's Consultation Council. The budget is developed in more specific detail through collaboration at each college.

<u>Guiding Principles</u>

A budget will be developed that:

- Allocates resources to achieve goals and objectives established by the Board.
- Provides resources for continued improvement of student success and learning outcomes
- Provides resources and support for high quality, innovative instructional programs and services to students
- Balances enrollment goals and student access
- Increases and/or maintains sufficient levels of institutional effectiveness while becoming more efficient and cost effective
- Works to maintain technological currency and efficiency by updating and replacing equipment
- Provides resources to address the total cost of ownership and to maintain building and grounds
- Continues to increase the reserves for unfunded liabilities each year until such unfunded liabilities are eliminated.

<u>Assumptions</u>

Budget Assumptions are the basis for the financial projections of revenue and expenditures contained within the budget allocation process. While these Assumptions are based on the most current information available, it is recognized that ever-changing circumstances can alter the economic foundation upon which the Assumptions have been built.

The initial Budget Assumptions presented at this time are preliminary in nature and will be revised whenever significant and reliable information becomes available during the State budget development process. Events such as the "May Revise" of the Governor's Budget, state mid- and year-end adjustments (P2 apportionment) in June, and legislative actions to approve a State budget may impact these

Assumptions and the development of the Ventura County Community College District's budget.

The budget development process, the Tentative Budget, and the Adoption Budget will be based on the assumptions described in this document as modified periodically.

Revenue

The Governor's initial budget proposal would provide $197 million more to the community college system (CCC) in 2013-14 and directs the CCC Board of Governors to determine the best way to allocate the money to districts. At this time the allocation of new revenue among growth, COLA, student success, etc. has not been determined at the state level. We will be monitoring this revenue allocation throughout the State budget development process. Unrestricted revenues will be budgeted in accordance with BP and AP 6200, including the requirement that any growth dollars will be budgeted in the year following the year in which the growth is actually earned. In addition to the budgeting of the $1 million in growth earned from fiscal year 2012-13, until the allocation between categories of revenue is determined by the State, additional 2013-14 revenue will be conservatively projected for the Tentative Budget.

The Governor's budget also provides the Community College System with $49.5 million for Energy Efficiency projects. It is uncertain as to how this revenue will be allocated; it is recommended to exclude this revenue in the Tentative Budget until further information is available.

Student Services

Because of past years' budget reductions to categorical programs, the colleges developed integrated models to maintain core and/or mandated student services with the goal of meeting the unique needs of special populations beyond those mandates, and to better coordinate outreach, orientation, advisement and retention activities. Administrative relief measures, provided four years ago by the State Chancellor's Office in response to the substantial and still un-restored cuts to categorical programs of 40% to assist in administering various programs such as EOPS and DSP&S, remain in effect during FY 2013-14.

In January 2012, the CCC Board of Governors endorsed the recommendations of the Student Success Task Force. Major recommendations address linkages with public schools, student intake and support systems, instructional programs, and accountability. Recommendations that have been identified for initial implementation include the establishment of common assessment, revisions to enrollment priorities, revised accountability measures, enrollment management mandates, and adjustments to the Board of Governor's fee waiver requirements, among others.

The Governor's proposal provides no new money specifically, however it is possible that a portion of the $197 million may be earmarked to categorical programs and/or the new student success initiatives. With this uncertainty, it is recommended that the current categorical programs be built assuming the 95% funding guarantee will still be in place, consistent with prior year budget assumptions.

Enrollment Management

The District receives revenue primarily through the generation of FTES (full-time equivalent students). The FTES are generated by each college; however, the state funded cap (the maximum number of FTES for which the state will pay) is allocated by the State at a District level as opposed to an individual college level. The budget (and resulting class offerings) will be built on an assumption that a portion of the new revenue will be allocated for growth; **and we will assume an unfunded FTES enrollment goal of 1-2% (300-500 FTES).** It is projected that we will end FY13 with approximately 300 unfunded.

Salary and Benefits

Although there have been no general salary increases for the past several years, the costs of personnel (i.e., salary columns, steps and benefits) continue to increase. Care will be given to review and eliminate vacant positions and redundancies, and create consolidations where possible and necessary to reduce costs and increase efficiencies. For the Tentative Budget, salaries costs will include step and column increases only. As negotiations with both collective bargaining units have only just begun, no other assumptions for salary and benefits can be made at this time.

Proprietary (Enterprise) and Auxiliary Funds
Bookstore, Food Service and Child Care Center

The enterprise/auxiliary funds account for business operations that are to be managed similar to private enterprise and will be budgeted assuming they are self-supporting.

Infrastructure Funding

The State has eliminated categorical funding for such items as Instructional Equipment/Library Materials (IELM), Scheduled Maintenance, Telecommunications and Technology Infrastructure Program (TTIP) funding for libraries, and the receipt of restricted lottery funds has significantly decreased These items are central to the core mission of the colleges and the District.

Effective FY13 the Board authorized modification to the current Budget Allocation Model and approved the Infrastructure Funding Model, which provides revenue streams dedicated to addressing these structural deficits. The Infrastructure Funding Model was approved to be phased in over eight years. The Budget will include the second phase of transition.

Reserves

The District has designated its ending balance into four categories: State Required 5% Minimum Reserve, Revenue Shortfall Contingency Reserve, Budget Carryover, and Unallocated.

Budget Carryover

As a part of the current Budget Allocation Model, funds designated for Budget Carryover are currently limited to 1% of the prior year budget. Because of the uncertainty of the state fiscal condition in the prior years, the sites have been allowed to carryover up to 2% of their prior year budget for the past several years. It is recommended to continue the 2% carryover in FY14 if those funds are unexpended at the end of this year (FY13). Failure to allow the same carryover as in prior years would result in an effective decrease to the FY14 budget. In the upcoming year, we will consider a recommendation to address the carryover % as a modification in the Allocation Model.

State Required 5% Minimum Reserve

In accordance with the State Chancellor's Office Accounting Advisory FS 05-05: Monitoring and Assessment of Fiscal Condition, the State Chancellor's Office requires a minimum prudent unrestricted general fund balance of 5%. To ensure the District does not drop below this minimum requirement, the Board authorizes the segregation of this amount in a reserve designated for that purpose.

The Revenue Shortfall Contingency Reserve

This reserve is designated to cover any mid-year reductions (including, but not limited to, statewide property tax shortfall, enrollment fee shortfall, general statewide deficit, mid-year "triggers", etc.), thus negating the need for mid-year reduction in operating budgets. This reserve was exhausted in FY12 due to trigger cuts, enrollment fee, property tax shortfalls, etc. The District faced these same potential mid-year revenue reductions in FY13 at which time the Board authorized $6 million to be designated as a contingency for revenue shortfalls. It is recommended that the Board authorized $5 million designated as the Revenue Shortfall Contingency for FY14.

Unallocated Ending Balance

Unallocated ending balance is the remaining balance that has not been designated for the other three reserves or uses. This balance is maintained in large part to augment cash to handle the significant cash flow requirements of the District as the State continues to delay our payments of millions of dollars in state apportionment (deferrals). The Unallocated balance would also be used to cover any mid-year budget reductions beyond what has been designated in the Revenue Shortfall Contingency Reserve, and for any other unanticipated/unbudgeted expenditures approved by the Board or any one-time use of funds included in the Budget.

Compliance

Budgeted expenditures will reflect compliance with all existing collective bargaining agreements, external requirements, laws, including the Education Code, Title 5 regulations, Full Time Faculty Obligation Numbers, FTES targets, the 50% law, and financial accounting standards (such as GASB, including post retirement health benefit costs), etc.

Allocation

The allocation of resources will be in accordance with the Budget Allocation Model approved by the Board in May 2007 and modified on March 2009 and April 2012.

Timeline

The Tentative Budget will be presented to the Board for approval in June 2013 with the Adoption Budget planned for presentation to the Board for approval in September 2013.