



# Victor Valley Community College District

## 2012-13 Budget Workshop

June 21, 2012

# Agenda

- **Ending Balances / Audit Adjustments**
- **Budget Cuts**
- **2012/13 Budget Assumptions**
- **November, 2012 Tax Measure Pass / Fail**
- **Center Status**
- **Redevelopment Agency Pass Through Funds (RDA)**
- **Other Post Employment Benefits (OPEB)**
- **GIC**

# Ending Balances / Audit Adjustments

<b>Ending Fund Balance 2010/11 (As of 09/06/11)</b>	<b>\$ 11,797,437</b>		
October, 2011 Audit Adjustments:			
OPEB Liability	\$ 3,100,500	} } } }	\$6,308,548
Vacation Liability	\$ 1,500,000		
OPEB Current Liability	\$ 1,500,000		
Other Long-Term Liability	\$ 208,048		
Miscellaneous adjustment	\$ (89,209)		
<b>Beginning Fund Balance 2011/12</b>	<b>\$ 18,016,776</b>		
- GASB 10 & 16			
- Designated Ending Balances (OPEB & Vacation)			

## General Fund Salaries (2011-12 Estimate)

Academic Management	\$ 1,697,926	
Classified Management	\$ 1,759,370	
<b>Total Management</b>		<b>\$ 3,457,296</b>
Faculty	\$ 10,298,824	
Adjunct Faculty & Other	\$ 11,348,018	
<b>Total Faculty</b>		<b>\$ 21,646,842</b>
Classified	\$ 7,713,310	
Classified Other	\$ 1,546,027	
<b>Total Classified</b>		<b>\$ 9,259,337</b>
<b>Total General Fund Salaries</b>		<b><u>\$ 34,363,474</u></b>

# ***General Fund Budget Assumptions For Fiscal-Year 2012-2013***

## **General Assumptions:**

1. The District shall maintain legal compliance of the 50% law.
2. The District will develop a balanced budget with a minimum 5% ending fund balance (reserve).
3. The District will not access long-term reserves for balancing the budget.
4. The Program Review (PRAISE), Planning, and Budget Development Process will guide the allocation of resources.
5. Vacancies due to retirement or resignation will not automatically be filled.
6. Statewide Enrollment Fee increases from \$36 to \$46 per unit.

## **Revenue Assumptions:**

7. California Controller estimates State revenue shortfall of approximately \$15.6 billion for FY 2012/13.
8. If the November tax initiative fails, VVC's share of cuts could be as much as \$3 million dollars.
9. Funded workload is anticipated at 8,234 FTES.
10. Categorical funding may be affected due to the state revenue shortfall.
11. The District will save approximately \$475,000 by implementing energy efficiencies and sustainability projects.
12. The District will receive approximately \$840,000 in new revenue from energy incentives.
13. General fund reserve funds (bridge) will be utilized to offset revenue shortfall.
14. The base allocation increase of approximately \$1 million will be maintained for medium college status and continue through 2014/15

**Expense Assumptions:**

15. Budget augmentations will be considered only for mandatory and compliance related requests.
16. Budget augmentations for non-mandated or compliance expenses may be considered through reallocation of existing resource or one-time external non-general fund revenue.
17. District health benefit premiums will increase by approximately \$470,000.
18. Employer contribution to PERS will increase from 10.9232% to 11.417%.
19. The District will consider fully funding the OPEB liability per the latest actuarial study.



# **2012/13 Budget**



## Budget Cuts

### 2011-12

<b>1</b>	<b>Enacted Budget Cut (Workload/Permanent) \$313 Million</b>	<b>\$ (2,716,000)</b>
	The state general fund appropriation was cut by \$400 million, and the state raised fees from \$26 to \$36/unit to mitigate the cuts. Along with other state shortfalls, this resulted in a \$313 million cut, which districts were told to accommodate by reducing "workload", or classes to students.	
	<b>January Trigger Cuts</b>	
<b>2</b>	<b>Tier I (One-Time) \$30 Million</b>	<b>\$ (257,000)</b>
<b>3</b>	<b>Tier II (Workload/Permanent) \$72 Million</b>	<b>\$ (625,000)</b>
	As part of the state's budget deal, certain cuts were automatically made in January, including this \$72 million leading to reduced "workload," or course sections, and an additional \$30 million as an "Expected Shortfall."	
<b>4</b>	<b>February Surprise (Permanent) \$149 Million</b>	<b>\$ (1,276,000)</b>
	Due to the fee increase and course reductions, fewer students are enrolling and paying the \$36/unit fee (as more qualify for the state-required fee waiver). This has resulted in a \$106 million reduction in state-projected student fee revenue that, combined with a \$43 million shortfall in property tax revenue and other state calculations, results in an additional mid-year, surprise cut of over 3%.	
	<b>Total \$415 Million</b>	<b>\$ (4,874,000)</b>

### 2012-13

<b>5</b>	<b>Failure of November 2012 Tax Plan</b>	<b>\$ (2,938,974)</b>
----------	--	-----------------------

# November, 2012 Tax Measure Pass / Fail Scenarios

## Scenario A

### Passage of November 2012 Tax Plan

- > No additional budget cuts
- > \$213 million Statewide "deferral buy-down"
  
- > VVC Target 9,400 FTES Enrollment
- > \$1 million Base Funding through 2015/16

## Scenario B

### Failure of November 2012 Tax Plan

- > ~\$339 million Statewide triggered cut  
(\$2,938,974 to VVC)
- > 7.3% Workload Reduction (FTES)  
(645 FTES to VVC)
  
- > VVC Target 8,234 FTES Enrollment
- > \$1 million Base Funding through 2014/15

# November, 2012 Tax Measure Pass / Fail Scenarios For FTES

<u><i>Scenario A</i></u>					<u><i>Scenario B</i></u>			
<i>Passage of November 2012 Tax Plan</i>					<i>Failure of November 2012 Tax Plan</i>			
<b>Planning Year 2012-2013</b>					<b>Planning Year 2012-2013</b>			
Target: 9,379					Target: 8,234			
Funded: 8,879					Funded: 8,234			
<b>PY Roll:</b>	<b>into 2012-13</b>	<b>500</b>			<b>PY Roll:</b>	<b>into 2012-13</b>	<b>500</b>	
<b>AY FTES:</b>	<b><i>Summer 2012</i></b>	<b>50</b>	<i>&gt; July 1st + PA</i>		<b>AY FTES:</b>	<b><i>Summer 2012</i></b>	<b>50</b>	<i>&gt; July 1st + PA</i>
	<b><i>Fall 2012</i></b>	<b>4,500</b>				<b><i>Fall 2012</i></b>	<b>4,500</b>	
	<b><i>Winter 2013</i></b>	<b>15</b>				<b><i>Winter 2013</i></b>	<b>15</b>	
	<b><i>Spring/Summer 2013</i></b>	<b>4,314</b>				<b><i>Spring/Summer 2013</i></b>	<b>3,169</b>	
	<b>Total FTES</b>	<b>9,379</b>				<b>Total FTES</b>	<b>8,234</b>	

## Center Status for RPSTC

- > Clear Accreditation issues by July, 2013
- > Increase RPSTC enrollment to 1,000 FTES in Fall 2013
- > Receive Center "Status" in Spring, 2014  
Receive \$1 million base funding for RPSTC in 2015/16

## Redevelopment Agency Pass Through Funds (RDA)

### Revenue

		<b>47.5% To General Fund</b>	<b>52.5% To Infrastructure &amp; Maintenance</b>	<b>Total</b>
2008/09		\$ 1,153,933	\$ 1,275,399	\$ 2,429,332
2009/10		\$ 617,333	\$ 682,316	\$ 1,299,649
2010/11		\$ 440,445	\$ 486,808	\$ 927,253
2011/12 *		\$ 332,980	\$ 368,031	\$ 701,011
* as of 3/30/12				

*Possible cuts in 2012/13 could lower revenue projections.*

## Other Post Employment Benefits (OPEB)

### "Pay As You Go" Funding of Retiree Benefits

Victor Valley CCD has established a GASB 43 Trust for future OPEB costs.

Actuarial Value of Plan Assets at June 18, 2012: \$7,756,482

#### OPEB Trust Corpus Unchanged

#### Annual Payments:

			<b>Total</b>		
<b>Possible Revenue from \$11.3 M</b>		2012	\$ 708,858	}	<b>\$ 2,886,138</b>
@ 10%	\$1.10 Million	2013	\$ 682,229		
@ 12%	\$1.32 Million	2014	\$ 741,924		
		2015	\$ 753,127		
		2016	\$ 850,640		
		2017	\$ 940,122		
		2018	\$ 992,988		
		2019	\$1,026,999		
		2020	\$1,072,052		
		2021	\$1,136,380		

### **RECOMMENDATION: Increase OPEB Trust to \$11.3 million.**

The current value of the Annual Required Contributions (ARC) is \$11.3 million.

The actuarial study is assuming the trust will grow at 7% per year. **The fund has averaged 12.93%**. If the trust grows at 7% per year, \$11.3 million should be sufficient to pay the ARC plus annual increases.

**Special Reserve Fund (GIC)**  
**Corpus \$21,598,768**

	<u>Beginning Bal</u>	<u>Interest</u> (GIC)	<u>Interest</u> (County)	<u>Outgoing</u> (Draw)	<u>Prior Yr Adj.</u>	<u>Balance</u>
<b>2009-10</b>	\$ 28,022,430	\$ 1,923,016	\$ 3,322	\$ (8,350,000)	\$ -	\$ 21,598,768
<b>2010-11</b>	\$ 21,598,768	\$ 1,691,509	\$ 1,951	\$ -	\$ 8,115	\$ 23,300,343
<b>2011-12 *</b>	\$ 23,300,343	\$ 1,691,509	\$ 2,000	\$ -	\$ -	\$ 24,993,852
<b>2012-13 *</b>	\$ 24,993,852	\$ 1,691,509	\$ 2,000	\$ -	\$ -	\$ 26,687,361

<b>Corpus</b>	\$ 21,598,768
<b>Interest Earned</b>	\$ 5,088,593
<b>Total</b>	\$ 26,687,361

*\*Projected*

# SUMMARY



1. Administration presented the District's fiscal issues to the Board of Trustees
2. Administration requests the Board of Trustees to pass a formal resolution in July, 2012, directing and authorizing the Superintendent/President to balance the VVC budget by FY 2015/16..
3. Administration will present solutions for the Board of Trustees approval in order to balance the budget by FY 2015/16.



# Discussion