

2021-2022
District Budget Advisory Committee (DBAC)

Meeting Agenda - June 21, 2022

Location: Via Zoom

<https://fhda-edu.zoom.us/j/91286098283?pwd=ZjltM2lwNCsya0tsdkJ2QXZoMDdDZz09>

Time: 1:30-3:00 p.m.

Note Taker: Carla Maitland

Time	Agenda Topic	Discussion Leader
1:30-2:15	2022-23 Tentative Budget	Cheu/Puentes-Griffith
2:15-2:30	2022-23 Meeting Dates	All
2:30-3:00	Other	All
Handouts:	2022-23 Tentative Budget 2022-23 Meeting Dates	



2022-23 Tentative Budget

June 13, 2022

Susan Cheu, Vice Chancellor, Business Services
Raquel Puentes-Griffith, Executive Director, Fiscal Services
Sirisha Pingali, Director, Budget Operations

Overview

- Projected 2021-22 Ending Fund Balance
- Latest Updates – May Revise
- 2022-23 Assumptions, Projected Revenues/Expenses and Fund Balance
- FTES Trends and Basic Aid Status
- Multi-year Projections & Future Fiscal Planning
- Looking Ahead



Projected 2021-22 Ending Fund Balance Allocations

- ❑ **\$32.2M 2021-22 Projected Fund Balance Allocation:**
 - \$11.7M – Colleges & Central Services “B” budget carryover
 - \$2.3M – Districtwide carryover
 - \$2.8M – Supplemental Retirement Program Reserve
 - \$10.1M – Maintain district’s budgeted 5% reserve
 - **\$5.3M – Projected Stability Fund Balance**

Please note: *Stability Fund will fluctuate based on final year-end close figures and changes in carryforwards. The 2021-22 5.07% COLA estimated retro is reflected in the above balances.*

May Revise Update

- Another year of actuals exceeding the projections made in the January proposed budget

- Change to the "floor" proposed to the SCFF
 - Reset at 2024-25 rates
 - Ease the "SCFF Cliff" effect
 - No automatic COLA's effective 2025-26

- Many different types of ongoing & one-time funding proposed
 - Understanding restrictions and requirements
 - Reporting and tracking efforts

- Effect of the Gann Limit
 - The state did not exceed the Gann limit this year
 - There may be a situation where the state has a deficit but still needs to make Gann Limit payments in future years



Major Revenue Assumptions

2022-23 General Fund

- ❑ COLA of 6.56% or \$10.8 million for the District
- ❑ SCFF Base and Basic Allocations - Improve SCFF Revenue and less hold harmless exposure, but not an overall increase to funding.
 - ❑ Increase in funding and metric rates
 - ❑ Tech Basic Allocation
 - ❑ Hold Harmless floor proposal extends through 2024-25
- ❑ Mitigation of nonresident revenue dependency
 - ❑ Continued decline of FTES and ongoing revenue
 - ❑ Maintain lowered current year unit activity flat and budget as base ongoing revenue
 - ❑ Budget incremental tuition fee \$1.3M increase as temporary
 - ❑ Consider changing assumptions to reflect a decline in ongoing base revenue in the Adopted Budget



2022-23 General Fund Revenue

2021-22 Base Ongoing Revenue	\$183.8M
State Apportionment COLA	10.8M
Full-Time Faculty Hiring	2.6M
Prior Year State Apportionment Base Adjmt	0.7M
Other State & Local Revenue	<u>(0.9M)</u>
Net Ongoing Revenue Changes	\$197.0M
Nonresident Tuition Rate Increase – <i>Temporary</i>	1.3M
Hold Harmless Revenue – <i>Temporary</i>	<u>11.8M</u>
Total 2022-23 Tentative Budget Revenue	\$210.1M

2022-23 General Fund Expenditures

2021-22 Expenditures and Net Transfers	\$ 194.2M
COLA 2021-22 5.07% & 2022-23 5.56% - Filled & Vacant	14.0M
STRS/PERS Rate Increase	2.9M
Net Change Operating/Supplies – Technology, Election Costs, Other	.5M
Part-time Faculty Budget Adjustment	<u>(2.7M)</u>
Net Changes	\$ 14.7M
2022-23 Tentative Budget Expenditures and Net Transfers	\$ 208.9M

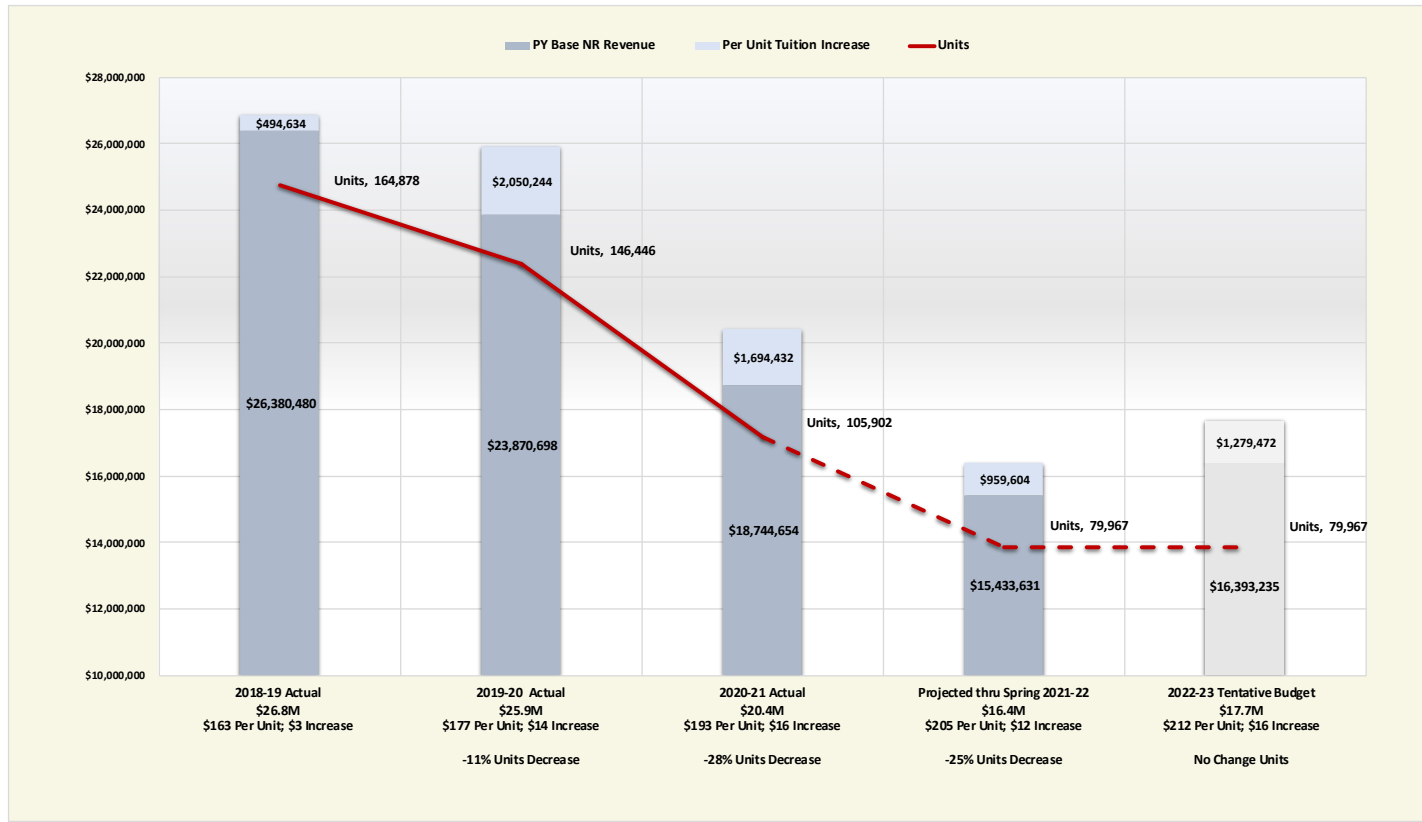
2022-23 Projected
2022-23 Projected
Ending Fund Balance
Ending Fund Balance

Projected Beginning Fund Balance, July 1, 2022	\$ 32.2M
Net Projected Change	<u>1.2M</u>
Projected Ending Fund Balance, June 30, 2023	\$ 33.4M

Fund Balance Allocation:

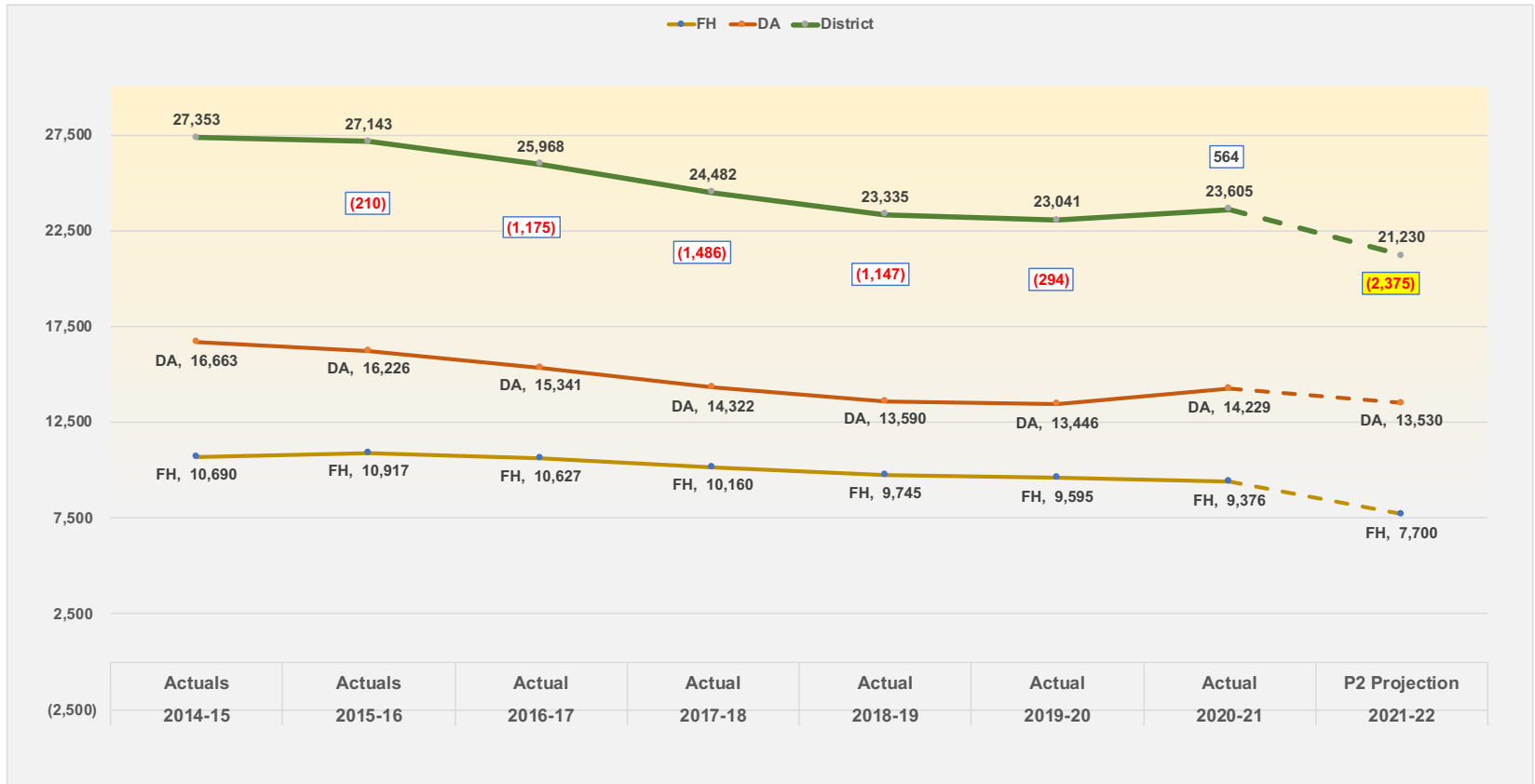
College & Central Services Carryforwards	\$ 11.7M
Districtwide Restricted Carryforwards	2.3M
Supplemental Retirement Plan (SRP)	1.6M
Required 5% Budgeted Reserve	<u>10.4M</u>
Projected Stability Fund Balance, June 30, 2023	\$ 7.4M

Nonresident FTES - Revenue Uncertainty



- In 2019-20 Adopted Budget, \$26.8M accounted for 15% of Base Revenue..
- Over the last three years, the actual cumulative ongoing revenue loss is \$10.4M.
- Strategy needs to continue to reduce ongoing revenue dependency due to volatile external factors.

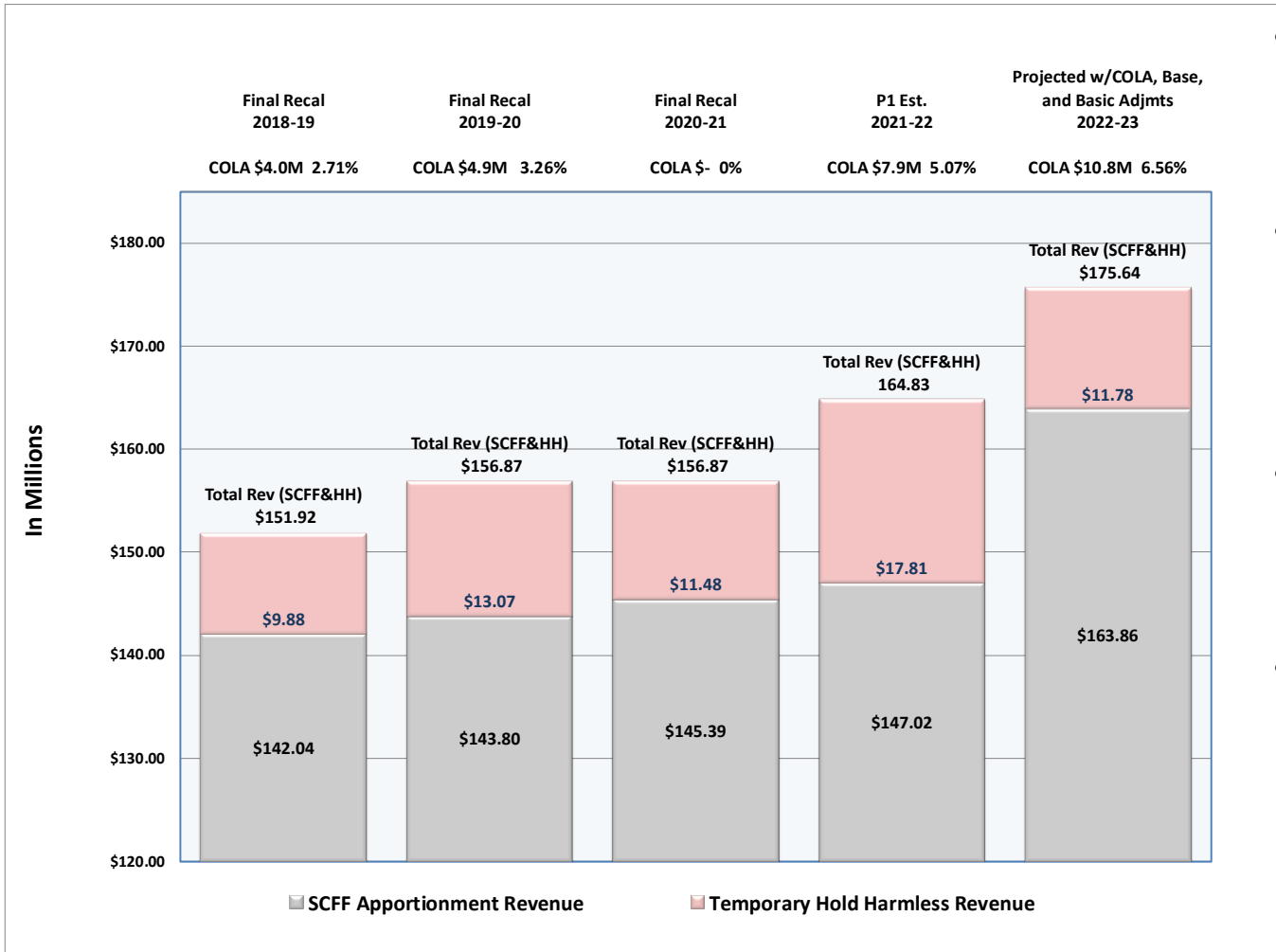
Resident FTES Trends - District with Campus Detail 2014-15 to Projected 2021-22



2021-22 Projected loss of 2,375 Resident FTES or 10% over prior year is the steepest decline experienced in the last seven years – since 2014-15, a cumulative loss of over 6,123 Resident FTES.

SCFF vs. Hold Harmless

2024-25 Funding Floor & Future COLA Impact



- Past revenue growth mostly attributable to COLA.
- Must begin to focus on SCFF Metrics - since Basic Aid is unlikely in the near future.
- However, 70% of funding is still dependent on FTES.
- If 2024-25 SCFF Floor is enacted, the HH difference **must** first be earned within the SCFF metrics **before** new COLA revenue is possible.

Basic Aid Evaluation

2022-23

- ❑ Reminder – basic aid/community supported status occurs when a district’s local property tax and enrollment revenues exceed what it would receive from the state in apportionment.

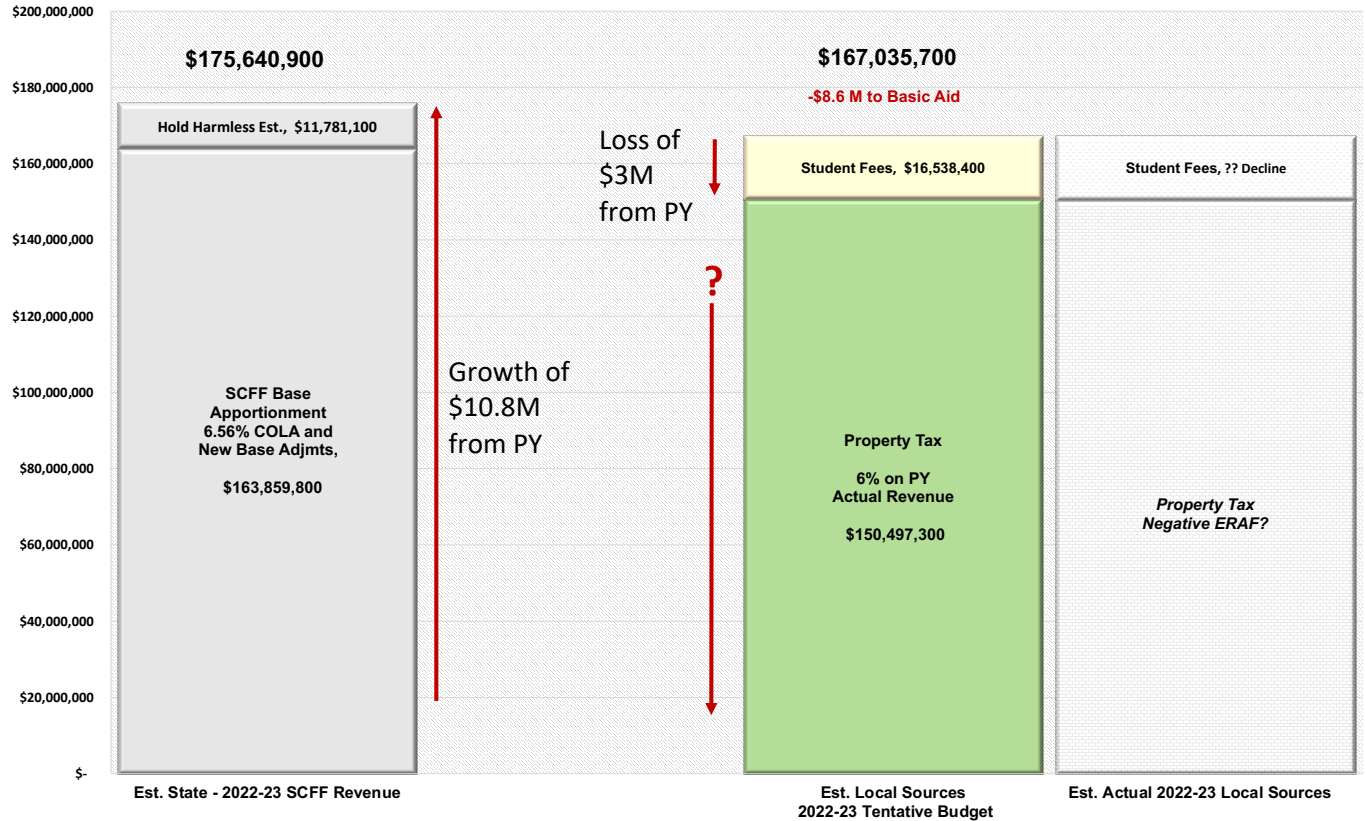
- ❑ Very unlikely the District will change to basic aid/community supported status in the 2022-23 fiscal year

- ❑ Main economic indicators are moving in the opposite direction
 - *Increasing* – State apportionment target is growing from cost-of-living-adjustment and base increases raising the total computation revenue (TCR) amount from the state, which means a higher target for our local sources to reach
 - *Decreasing* – Enrollment revenue is declining
 - *Decreasing* – Property tax revenue at lower than historical 6% growth
 - Projected 3.92% in 2021-22
 - Property values rising, but homeowners are not selling

2022-23 Increasing State vs. Declining Local Sources Impact on Basic Aid

Transition depends on key factors which are trending in the opposite direction to reach Basic Aid.

- 1) SCFF/HH State Apportionment
- 2) Enrollment Fees
- 3) Property Tax Revenues
- 4) Negative ERAF



Foothill-De Anza Community College District
Multi-Year Projections For General Purpose Fund (Fund 114)

2022-23 Tentative Budget

Note: Projected amounts are estimates only and subject to change as new information becomes available.

Description	2021-22 Adopted Budget	2021-22 Projected Actuals	2022-23 Tentative Budget	2023-24 Projection	2024-25 Projection
Resident FTES (F/T Equiv Student)	23,605	21,230	21,230	21,230	21,230
FTES Decline	563	(2,375)	(2,375)		
FTES Decline %	2.44%	-10.06%	-10.06%	0.00%	0.00%
COLA	5.07%	5.07%	6.56%	0.00%	0.00%
Ongoing Revenues	\$183,829,850	\$180,509,300	\$197,050,700	\$197,300,700	\$197,550,700
Ongoing Expenses & Net Transfers Out*	192,983,036	201,382,000	208,919,800	209,669,800	210,419,800
Structural Surplus/(Deficit)	(\$9,153,186)	(\$20,872,700)	(\$11,869,100)	(\$12,369,100)	(\$12,869,100)
One-Time and Temporary Revenue	12,437,100	18,772,200	13,060,600	13,060,600	13,060,600
One-Time Expenditures & Transfers; Expenditure Savings	(3,900,000)	0	0	1,000,000	1,000,000
Net Change in Fund Balance	(\$616,086)	(\$2,100,500)	\$1,191,500	\$1,691,500	\$1,191,500
<i>Beginning Fund Balance</i>	34,261,494	34,261,494	32,160,994	33,352,494	35,043,994
<i>Net Change in Fund Balance</i>	(616,086)	(2,100,500)	1,191,500	1,691,500	1,191,500
Ending Fund Balance	\$33,645,408	\$32,160,994	\$33,352,494	\$35,043,994	\$36,235,494
Less: Carryforwards/Restricted					
Colleges/CS/DW Carryforwards, 5% Reserves	26,837,448	26,814,100	25,991,000	24,626,796	24,664,296
FHDA Stability Fund Balance	\$6,807,960	\$5,346,894	\$7,361,494	\$10,417,198	\$11,571,198

Planning in this Fiscal Environment

- ❑ Another favorable state budget
 - ❑ Legislature has sent proposal to Governor and though there are some changes, the factors affecting the General Fund are consistent
 - ❑ Should have final state budget by the end of June
 - ❑ Managing multiple specific-purpose funding sources

- ❑ Basic Aid is not likely in 2022-23
 - ❑ Need to incorporate maximizing funding under the SCFF in the District reimagining
 - ❑ Reset of Hold Harmless base would add more planning time for adjusting expenses to revenues

- ❑ Monitoring of nonresident external and internal factors to determine impact on stability of revenue

- ❑ Potential recession, as well as effects of inflation, supply-chain issues and worldwide unrest



Looking Ahead – Schedule

Key Final Budget Dates:

- ✓ Revised budget due from the Legislature to the Governor by June 15, 2022
- ✓ Governor must finalize and sign budget by June 30, 2022
- ✓ 2021-22 ending fund balance will be finalized in August
- ✓ September 13, 2022 – Final Budget Adoption



Questions?



2022-2023
District Budget Advisory Committee (DBAC)
1:30 PM – 3:00 PM

Meeting Schedule
09/20/2022 – Third Tuesday
No meeting in October (Due to Fall ACBO Conference)
11/15/2022 – Third Tuesday
No meeting in December
01/17/2023 – Third Tuesday
02/21/2023 – Third Tuesday
03/21/2023 – Third Tuesday
04/18/2023 – Third Tuesday
05/23/2023 – Fourth Tuesday (Due to Spring ACBO Conference)
06/20/2023 – Third Tuesday