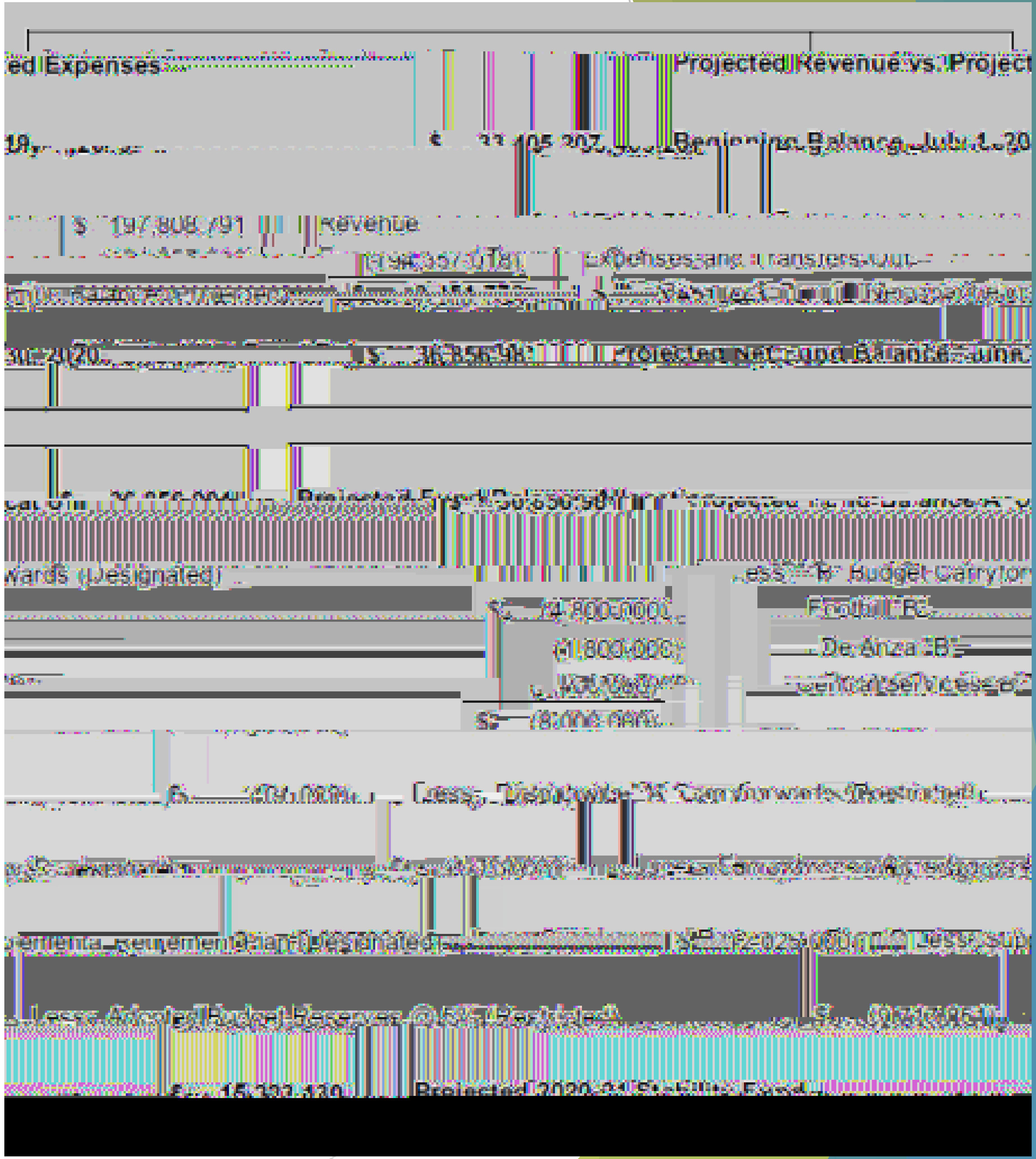
Budget Planning in 2020-2021

Projection for 2020-21 Stability Fund

Current Budget Status – as of 3/31/2020

Balances Ending 2019-20

- Ending Balances
  - Stability fund
  - Reserve
  - Colleges/Central Services Carry Forward
  - Other: Supplementary Retirement Plan (SRP), Encumbrances



Navigating 2020-21

Revenue Risks 2020-21

Navigating 2020-21

What About…Basic Aid Status?

(State Apportionment < Local Property Taxes and Student Fees)

State Apportionment = $156.9M

- Shrinking down towards Basic Aid – loss of FTES
- Further FTES Loss or Cuts of $11.7M to reach Basic Aid status

Does not account for Non-Resident Income Loss

- Current Income = $26M
- 50% Loss = $13M

Local Property Tax + Fees = $145.2M

- Local property tax would need to increase by $11.7M in Taxes/Fees to match 2019-20 state apportionment revenue
- 2, 3, or ? years before Prop Taxes/

Basic Aid Considerations

- The District is shrinking down to Basic Aid
  - Will still have reductions to deal with
  - Might take several years to reach current revenue levels

Budget Summary

- $11.7M Revenue Decline – Stop Gap to Basic Aid Status
  - Stops the downward spiral for state funding, but there will still be revenue reductions
  - Variability in property tax revenue
- $XXM – Loss of Non-Resident Income
  - Overall effect unknown at this time
  - Potential effect on cash flow
- Categorical Funding
  - Some isolated cuts at this point
    - Strong Workforce Program
    - Student Equity and Achievement (SEA) Program
    - Proposed new "Consolidated Program"
  - Potential for more cuts if Basic Aid status is attained
- Local Self-Sustaining and Enterprise Programs not able to generate revenue
- Changes to expenses: COLA, step, pension, SRP, STRS/PERS
- Classification study costs
- COVID-19 accommodations

Stability Fund = $15.2M

Expenses – Finally some good news!

- Due to various factors, FY 2020-21 General Fund expenses year-over-year appear to be coming in only $2 million higher than FY19/20 Adopted.
  - SRP methodology was interpreted in such a way that $2.1 million was budgeted both in SRP and backfill as part of ongoing costs.
  - SRP retiree benefit cost used for original calculation was higher than the amount used in the most recent in actuarial study.
  - Refined SRP methodology and will continue to review as move through the process.
  - Large number of vacant classified SRP positions in FY19/20 provided additional savings. As a result FY 2020-21 classified positions were budgeted at actual new hire rate versus the higher retiree rate.

Historical Budget Reduction Approach

Assigning costs based on percent of expenses at each campus and Central Services

Last time with the $17.6 million reduction target, the split was:

- 50% De Anza
- 35% Foothill
- 15% Central Services

Under a potential $10.5 or $15.0 million reduction, these equivalent targets would be:

- $5.25 or $7.5 million De Anza
- $3.675 or $5.25 million Foothill
- $1.575 or $2.25 million Central Services

Where would these cuts come from?

Assigning Total Available Budget to Campuses and Central Services

For demonstration purpose only. The Adopted Budget did not include the 6% COLA implemented in FY 2019-20

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Where do the reductions get applied?

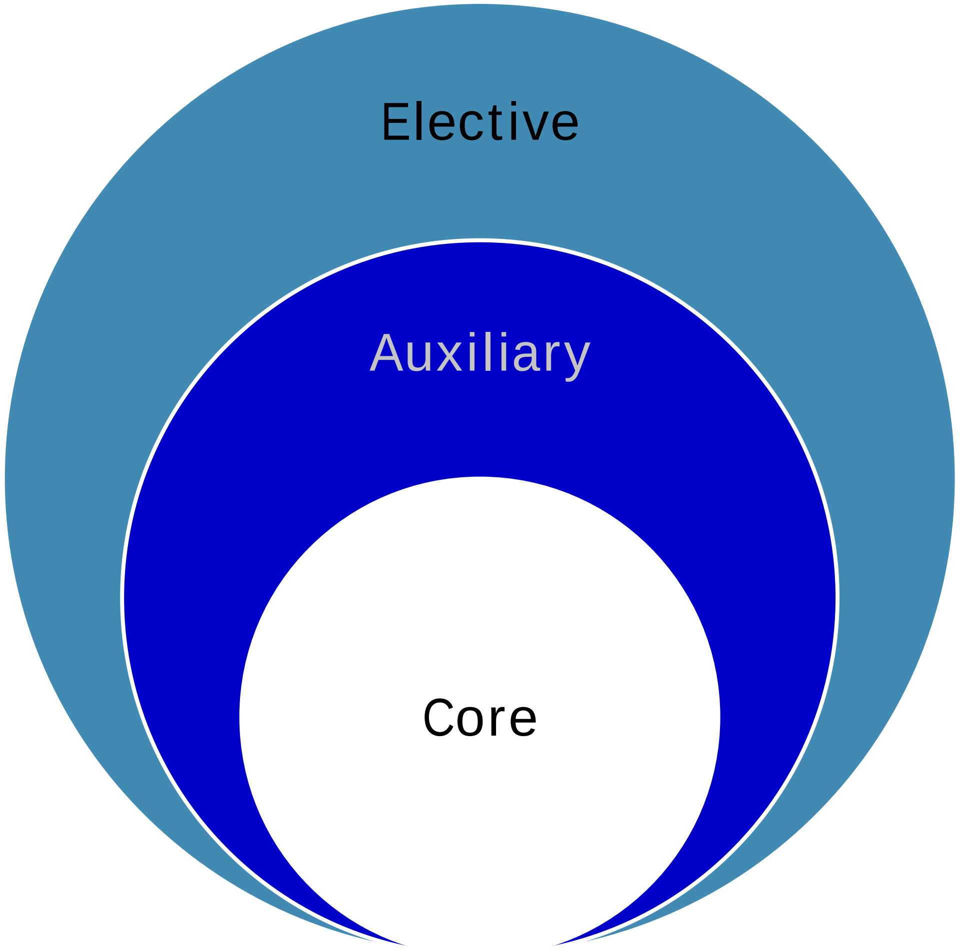
Historical Budget Reduction Approach

Prior approaches are unlikely to work this time.

- May cut too deeply into support and other core services
- May prevent the district from meeting its legal obligations
- May increase liability (and thereby costs) going forward
- May incorrectly assume we can reduce operational infrastructure (power, water, insurance, community service obligations, …)

Maybe a New Approach should be considered…

Perspectives to Consider in Planning



Maybe a New Approach Should be Considered

Build from the Core

Core Programs and Services First

Core: Tier 1

- What programs and services are the highest priorities?
  - What criteria do we use to assess the highest priorities? What must we retain and why?
  - What is the cost for these and what is left?
  - Test Assumptions and Outcomes

Auxiliary: Tier 2

- What is next to further support our Core Competencies?
  - Do the same assessment criteria apply? What do we retain and why?
  - What is the cost for these and what is left?
  - Test Assumptions and Outcomes

Elective: Tier 3

- What is elective that can be added if funds remain?
  - Assessment criteria? What comes back in first and why?
  - What is the cost for these and what is left?
  - Test Assumptions and Outcomes

QUESTIONS?