2013-14 BUDGET PREVIEW
CHART REVIEW

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Attached is a one page chart that provides a general overview of the primary revenue and expense assumptions currently in place for development of the 2013-14 Foothill-De Anza Tentative Budget. The purpose of the chart is to give senior management an advance review of the likely financial scenario to be faced by our district in the 2013-14 fiscal year.

It was planned for this budget preview into next year to be an interactive exercise for last week's April 16th Senior Administrator's meeting in the District Board room. But because I was out ill that day, I am providing a modified version of the presentation in this written format.

I have numbered each of the main topics on the chart that I planned to cover in person, 1 through 9 and will address each one as follows:

1. **Assumptions**: We are starting with the premise that the 2012-13 FY budget has been balanced as of June 30, 2013 through implementation of the $5.7M in cuts we have developed and agreed upon over the last two years. However, we know that we will not have achieved the full $5.7M in cuts as of 07/01/2013 because reaching the total cut target is based on F/T faculty position reduction to our minimum FON. This is why I have indicated that we will be $500K to $1M short of the total $5.7M budget target.

2. **Revenue**: This is the most significant number on this summary spreadsheet. Based on our P-2 320 report provided to the state for the 2012-13 FY, which shows enrollments to be down over 1500 FTES, we are compelled to project our apportionment revenue for 2013-14 to be **down approximately $7M.**

3. **Expenses**: On this line we have listed only the major expense categories we know will increase and that will have a material impact on our overall 2013-14 budget. They include a required increase to fund our OPEB Retiree Liability of $1M, annual salary Step/Column increases of approximately $800K, benefit expenses tied to salaries (PERS contribution increase) of approximately $400K, and approximately $800K increase in general operational expenses.

4. **Total Deficit**: Consequently, even after we make the $5.7M in cuts to balance our 2012-13-budget deficit, we are facing a new structural budget shortfall for *2013-14* of approximately *$10.2M.*

5. **Colleges and CS Share of Deficit:** This line provides a very general approximation of the total share of the structural deficit for Foothill, De Anza and Central Services. These are the targets we will each face to make the required cuts to balance the deficit going forward from 2013-14.

6. **Proj. 12/13 Ending Fund Balance:** The $30.04M is the estimated total General Fund carry-over available at the end of 2012-13.

7. **Designated Carryovers:** This line breaks down what is included in the $30.04M projected ending fund balance.
The first $12.5M includes both the colleges and CS carryover balances and District wide carryover balances previously committed.
The $9.89M represents our required 5% district reserve fund.
The next $4M is made up of the previously committed 2013-14 Stability Fund (as designated in the 2012-13 Adopted Budget) and the approximately $1M that we estimate will be left over in this year's FTES Stimulus Fund (also designated in the 2012-13 Adopted Budget).

8. **Net Variance:** The approximate $3.6M remaining balance is undesignated General Fund ending balance as of this time. We anticipate recommending to the Board that these dollars be added to the 2013-14 Stability Fund budget to provide needed additional funding to off set the projected $10.2M structural budget deficit for 2013-14. Added together, we would have approximately $7.6M of one-time dollars to delay making cuts to balance the $10.2M deficit.

Assuming our preferred strategy is to delay making any more cuts through the 2013-14 FY (due to the overall exhaustion of making the last round of cuts), we will then need to begin discussions of how much of the carry over dollars the colleges and Central Services will each commit to make up the approximate $2.6M shortfall between the Stability Fund ($7.6M) and our total budget deficit ($10.2M).

9. **Unknown:** This line describes some of the major variables that may still impact our budget assumptions as described above. Each one of the categories could potentially swing our projections positively or negatively by $500K to $1.5M. But it is clear that the single largest factor that will likely determine our financial future is what happens to our enrollments and corresponding apportionment for 2013-14. While we certainly need to continue to maximize operational efficiency wherever possible, seek out creative ways to minimize our expenses, and identify as many entrepreneurial revenue sources as possible, it is clear that our biggest single impact lies in our core mission and expertise for the education of students and generation of FTES resulting in the corresponding apportionment revenue necessary to balance our district budget for the long haul.

I will look forward to discussing this important topic further with all of you at our next Senior Administrators meeting.

2013/14 Budget Preview

1. **Assumptions:**	**12/13 budget will be balanced within +/- $500K-$1M**	
Projected Changes to 13/14 Budget		
2. **Revenue:**	(7,000,000)	Enrollment down by 1,583 FTES
3. **Expenses:**		
Unfunded Retiree Liability	1,000,000	
Steps/Columns	800,000	
Benefits	400,000	
Operating Expenses	1,000,000	
4. **Total Deficit:**	**10,200,000**	

	FH	DA	CS	Total
5. **Colleges and CS Share of Deficit (est. only)**	2,550,000	5,100,000	2,550,000	10,200,000

6. **Proj. 12/13 Ending Fund Balance**	**30,043,702**
Less:	
7. Designated Carryovers	(12,500,000)
5% Reserves	(9,890,000)
13/14 Stability Fund & Enr. Stim.	(4,000,000)
8. **Net Variance (Add. to Stability Fund)**	**3,653,702**

9. **Unknown:**		
Non-Resident Revenue	500,000	increase in fee would reduce operating deficit if enrollment stays constant
If FTES are Restored	7,000,000	if restored the same year, would reduce deficit
If FTES Loss Exceeds 1,583	?	100 FTES = approx. $450,000
Productivity	?	will be budgeted lower for 13/14
Prior Year Deficit	+/- 1,000,000	
COLA	1,500,000	? est. only
12/13 Deficit Factor	?	