

OHLONE COMMUNITY COLLEGE DISTRICT

MEMORANDUM

TO: BOARD OF TRUSTEES

FROM: DOUGLAS TREADWAY

DATE: APRIL 27, 2005

SUBJECT: PRELIMINARY 2005-06 GENERAL FUND (FUND 10) BUDGET
PROJECTION

Staff has prepared a preliminary 2005-06 General Fund (Fund 10) budget projection.

Major Revenue Assumptions

The revenue has been projected using the Governor's January budget proposal as a starting point. A COLA of 3.93% is included. Given recent discussions at the legislature, staff believes that the Governor's proposal to pass on an additional STRS contribution of 2% to colleges without any additional funding will not be supported by the legislature. Staff is assuming that this additional cost will be offset with additional revenue. The Governor did not include in his January budget proposal additional Partnership for Excellence (PFE) funding which he vetoed in the 2004-05 budget because new accountability guidelines had not been developed yet. These guidelines have been developed and have gone to the Board of Governors for approval. Therefore, staff has assumed that this funding will be incorporated into the May Budget Revision. Finally, the Governor has made comments recently that he is supportive of equalization funding for community colleges. This funding has not been incorporated into the budget projection.

Staff is projecting for the current year 2004-05 that the District may not reach its base enrollment. However, it is believed that during 2005-06, enrollment will be restored to at least the 2004-05 base enrollment level.

Major Expenditure Assumptions

The budget projection is based on the staffing plan approved by the Board of Trustees in February 2005. All 2004-05 negotiated salary and benefits including step, column and longevity adjustments are included. However, no salary increases for 2005-06 have been included in this projection. Funding to support District Wide task force initiatives will be supported from the Title III grant.

Major Reserve Assumptions

The budget projection incorporates a 5% contingency as well as maintains the Rainy Day Reserve at \$450,000.

Projected Shortfall

With the foregoing budget assumptions, staff is projecting a shortfall of \$270,850. It is hoped that the May Budget Revision will incorporate more funding for community colleges. With the Governor's and the Legislative Analyst's support of equalization funding, equalization funding may be added to the May Budget Revision. If this happens, the District will not have a shortfall. If there is not a funding improvement, then the District will have to identify operational reductions to be included in the Final Budget.

Staff is planning on presenting a 2005-06 Tentative Budget Workshop immediately preceding the June 8, 2005 Board meeting. Although it will not be possible for staff to incorporate recent May Budget Revision changes into the Tentative Budget, they will review with the Board their probable impact on the budget. The Board will need to adopt the 2005-06 Tentative Budget at its June 8, 2005 Board meeting. In September staff will schedule a budget workshop at least one week prior to the time the Board must take action on a Final Budget.