# Assumptions for Five Year Projections

Fiscal years: 2016-17 to 2020-21

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# WHY the DRAMATIC DECLINE in FTES?

- The strength of the economy.
- Cal State and UC increasing acceptance rates significantly.
- The high cost of housing.
- Loss of housing in IV (Tropicana - 800 beds).
- The strength of the dollar on international markets.
- Fewer incoming and continuing students.

# DROP IN RESIDENT FTES

- Projected decline in FTES is 23% from 2015-16 to 2019-20.
- Projected decline in revenues is $16.1 million;
  - $9 million in revenue has already been lost for 2017-18.

| Actual | Actual | Estimated | Estimated | Estimated | Estimated | Estimated |
|---|---|---|---|---|---|---|
| Decline | 6.9% | 6.3% | 3.3% | 4.1% | 4.8% | 0.0% |
| 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| 14,273 | 13,295 | 12,454 | 12,037 | 11,537 | 10,988 | 10,988 |
| $70,771,330 | $70,771,330 | $66,161,016 | $61,976,732 | $59,899,550 | $57,414,351 | $54,682,616 |

# REVENUE

| REVENUE REDUCTIONS | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|
| Percent FTES reduction applied to: | 6.9% | 6.3% | 3.3% | 4.1% | 4.8% |
| Mandate Costs | | 104,321 | 54,351 | 68,437 | 78,482 |
| Lottery | | 126,488 | 65,900 | 82,979 | 95,159 |
| State Enrollment Fees | | 548,750 | 285,900 | 359,992 | 412,832 |
| State Apportionment Revenues | | 4,184,284 | 2,077,182 | 2,485,199 | 2,731,735 |
| **SubTotal FTES Revenue Reduction** | | **4,963,842** | **2,483,334** | **2,996,608** | **3,318,207** |
| Prop 30 Sales Tax Discontinuance | | 1,146,000 | | | |
| Loss in Nonresident Enrollments | 1,058,000 | 162,235 | 157,368 | 152,646 | 148,067 |
| **Total Revenue Reduction** | **1,058,000** | **6,272,077** | **2,640,701** | **3,149,254** | **3,466,275** |

This is for Unrestricted General Fund only, not categorical funding based on FTES.

# SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

- The Supplemental Employee Retirement Plan (SERP) may be utilized to reduce staffing to the levels required in the assumption. Savings from the SERP given the assumptions of 20 classified, 1 classified manager, 2 certificated managers, 11 faculty not being replaced are:

| SERP | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | Total |
|---|---|---|---|---|---|---|
| Faculty | 462,810 | 470,481 | 480,141 | 492,633 | 501,876 | 2,407,941 |
| Certificated Managers | 99,950 | 96,565 | 98,049 | 96,781 | 94,206 | 485,551 |
| Classified | 1,028,773 | 1,064,949 | 1,089,481 | 1,115,199 | 1,127,275 | 5,425,677 |
| Classified Managers | 188,870 | 187,691 | 187,092 | 189,255 | 185,982 | 938,890 |
| Total | 1,780,403 | 1,819,686 | 1,854,763 | 1,893,868 | 1,909,339 | 9,258,059 |

# ENDING UNRESTRICTED GENERAL FUND BALANCE

| SCENARIO 1, NO CHANGE | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|
| | Projection | Projection | Projection | Projection | Projection |
| REVENUE | 96,038,895 | 89,766,818 | 87,126,117 | 83,976,863 | 80,510,588 |
| EXPENSE | 95,255,415 | 96,714,396 | 97,760,737 | 98,828,206 | 99,305,219 |
| TRANSFERS | -3,975,847 | -3,975,847 | -3,975,847 | -3,975,847 | -3,975,847 |
| NET ADJ TO ENDING BALANCE | -3,192,367 | -10,923,425 | -14,610,467 | -18,827,190 | -22,770,478 |
| ENDING BALANCE | 26,197,461 | 15,274,036 | 663,569 | -18,163,621 | -40,934,098 |
| | | | | | |
| SCENARIO 2, SERP | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | Projection | Projection | Projection | Projection | Projection |
| REVENUE | 96,038,895 | 89,766,818 | 87,126,117 | 83,976,863 | 80,510,588 |
| EXPENSE | 95,255,415 | 94,933,993 | 95,941,051 | 96,973,443 | 97,411,351 |
| TRANSFERS | -3,975,847 | -3,975,847 | -3,975,847 | -3,975,847 | -3,975,847 |
| NET ADJ TO ENDING BALANCE | -3,192,367 | -9,143,022 | -12,790,781 | -16,972,427 | -20,876,610 |
| ENDING BALANCE | 26,197,461 | 17,054,439 | 4,263,658 | -12,708,769 | -33,585,378 |

These are projected ending balances from the 5 Year Projection based on the two scenarios included in the projection assumptions.

# CONCLUSION

- The college has not been able to stop the decline in enrollment.
- This will result in the erosion of ending balances.

# RECOMMENDATIONS

- Immediately implement hiring freeze for faculty, staff and administration.
- The SERP assumptions allow for replacements of 7 classified and 8 faculty. Not replacing the 7 classified would save an additional $468,000 and not replacing the 8 faculty would save an additional $810,000. While this would not eliminate the need to continue reducing employees in the next few years, it would possibly eliminate the need for layoffs if there is enough natural attrition.
- Begin evaluation of facilities to shut down. There will not be enough custodial and maintenance staff to support the Main Campus and both Centers.

# RECOMMENDATIONS

- Eliminate transfers to Construction and Equipment Funds.
- Discontinue automatic IT refresh of technology equipment. Replace technology equipment only if cost of repair exceeds replacement cost.
- Discontinue deferred maintenance projects that are not state funded. Complete emergency, health and safety repairs only.
- Decrease hourly significantly.
- Reduce all discretionary expenditures.

# ADDITIONAL ACTIONS FOR 2016-17

- REDUCTIONS in the major discretionary dollars: e.g. hourly staff, consulting, legal and stipends must be put in place in the CURRENT FISCAL YEAR!
- IF Discretionary expenditure budgets are not decreased significantly those costs will have to be absorbed through additional staff reductions in future years.

# RECOMMENDATIONS “WAYS TO INCREASE REVENUE”

- Improve efficiencies in the classroom.
- Convert fee based to apportionment generating noncredit courses.
- Increase marketing in-state and for promise.
- Improve course offerings for two summer sessions.