

Dallas County Community College District

Budget Workshop

June 5, 2007

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Dallas County
Community College District

IT ALL BEGINS HERE.

Agenda

- Fund Definitions
- Use of Fund Balances
- Budget Allocations
- Budget for District Offices
- Update on Planning Assumptions, 2007-08



What is a fund?

A fund is a grouping of assets and liabilities according to the purpose for which they are to be used, i.e. unrestricted operating, auxiliary enterprise, unexpended plant, etc.



- **Current funds:** Economic resources expendable for current operating and maintenance purposes in performing the primary objectives of the institution. Current funds are divided into the following subcategories:
 - **Unrestricted:** Funds that have no limitations or stipulations placed on them by external agencies or donors.
 - **Auxiliary enterprises:** Funds for activities that serve students, faculty, or staff for charges that are directly related to, although not necessarily equal to, the cost of the service. The state of Texas expects auxiliary enterprises to be self-supporting on a perpetual basis.
 - **Restricted:** Funds available for current purposes but with restrictions from outside entities.



- **Plant funds:** Plant funds are divided into three separately balanced fund groups.
- **Unexpended:** Funds for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.
- **Retirement of indebtedness:** Funds accumulated to meet debt service charges and the retirement of indebtedness.
- **Investment in plant:** Funds already expended for plant properties.



Loan funds: Funds available for loan to students.

Agency funds: Funds held by the District as custodial or fiscal agent for students, faculty, and/or others.

Quasi-endowment and similar funds: Funds for which the Board, rather than a donor or outside agency, determines the purpose or use of the fund and whether or not the principal can be expended.



What is a fund balance?



Fund balance is the amount remaining when liabilities (the amount owed by an entity) are subtracted from assets (the amount owned by an entity).



Fund balances fluctuate during the year based on the inflow and outflow of assets and liabilities associated with revenues and expenditures.



Dallas County Community College District
 Combined Balance Sheet (Unaudited)
 February 28, 2007
 With Comparative Totals (000's)

	<i>Current Funds</i>	<i>Plant Funds</i>	<i>Loan and Agency Funds</i>	<i>Quasi- Endowment Fund</i>	<i>Total Current Year</i>	<i>Total As Of 08/31/06</i>	<i>Total February 2006</i>
<u>ASSETS:</u>							
Cash and Cash Equivalents	\$75,497	\$42,871	\$1,499	\$916	\$120,783	\$87,178	\$62,378
Receivables, Net	12,850	157	17	300	13,324	25,395	17,267
Inventories and Other Assets	4,196	4,547			8,743	7,549	7,422
Due From Other Funds		7,462			7,462	2,303	7,720
Investments	124,458	4,800		4,377	133,635	130,766	198,393
Property, Plant, and Equipment		331,340			331,340	339,900	322,403
TOTAL ASSETS	\$217,001	\$391,177	\$1,516	\$5,593	\$615,287	\$593,091	\$615,583
<u>LIABILITIES:</u>							
Accounts Payable and Accrued Liabilities	\$19,588	\$5,317	(\$37)		\$24,868	\$32,260	\$28,831
Due to Other Funds	7,462				7,462	2,303	7,720
Deposits and Deferred Revenues	4,647		1,421	133	6,201	28,416	4,767
Notes Payable		349			349	444	584
Bonds Payable		134,145			134,145	146,175	146,175
TOTAL LIABILITIES	\$31,697	\$139,811	\$1,384	\$133	\$173,025	\$209,598	\$188,077
<u>FUND BALANCES:</u>							
<u>Current Funds:</u>							
Operating	\$166,716				\$166,716	\$102,286	\$147,755
Auxiliary	18,588				18,588	16,879	19,178
Restricted	-				-	-	-
<u>Plant Funds:</u>							
Unexpended		14,057			14,057	6,893	13,806
Retirement of Indebtedness		12,847			12,847	13,320	10,069
Investment in Plant		224,462			224,462	238,726	231,266
Loan Fund			132		132	131	129
Quasi-Endowment Fund				5,460	5,460	5,258	5,303
TOTAL FUND BALANCES	\$185,304	\$251,366	\$132	\$5,460	\$442,262	\$383,493	\$427,506
TOTAL LIABILITIES & FUND BALANCES	\$217,001	\$391,177	\$1,516	\$5,593	\$615,287	\$593,091	\$615,583

During the fiscal year end closing process, one last measurement is taken of the amount of assets compared to the amount of liabilities to determine the final fund balance for the fiscal year.

$$\text{Assets} - \text{Liabilities} = \text{Fund Balance}$$



Fund balances may be

- Unrestricted
- Reserved
- Designated
- Undesignated
- Restricted



FUND BALANCES:

Current Funds:

	<i>Unrestricted</i>		
	<i>Reserved</i>	<i>Designated</i>	<i>Undesignated</i>
Operating	\$14,484	\$4,484	\$147,748
Auxiliary	2,398	2	16,188
Restricted			
<i>Subtotal:</i>	16,882	4,486	163,936

Plant Funds:

Unexpended	14,057		
Retirement of Indebtedness			
Investment in Plant			
Loan Fund			
Quasi-Endowment Fund		5,460	
TOTAL FUND BALANCES	\$30,939	\$9,946	\$163,936

<i>Restricted</i>	
<i>Debt</i>	<i>Other</i>
<i>Service</i>	
12,847	
	132
\$12,847	\$132

<i>Net</i>
<i>Investment</i>
<i>in Plant</i>
224,462
\$224,462

<i>Total-</i>	<i>Fiscal</i>	<i>Net Change</i>
<i>Current</i>	<i>Year Ending</i>	<i>Increase/</i>
<i>Month</i>	<i>08/31/06</i>	<i>(Decrease)</i>
\$166,716	\$102,286	\$64,430
18,588	16,879	1,709
185,304	119,165	66,139
14,057	6,893	7,164
12,847	13,320	(473)
224,462	238,726	(14,264)
132	131	1
5,460	5,258	202
\$442,262	\$383,493	\$58,769



- Reserved fund balance is used mainly to set aside an amount to cover
 - Encumbrances
 - Receivables
 - Inventories
 - Prepaid expenses



- Designations for a specific use of fund balance have to be approved by the Board.

- This is different than approving use of fund balance requests.

- Examples of current designations
 - Quasi-endowment fund for scholarships
 - Contingency for legal liabilities



An example of a **restricted** fund balance is the fund balance for debt service because bond covenants and various laws require amounts to be set aside to cover outstanding debt.



Over 88% of the operating fund is unrestricted and undesignated this fiscal year.



- During the budget cycle, the expected revenues and expenditures are set to equal one another.
- Use of fund balance is requested for non-operating, one time transactions that will cause expenditures to exceed revenues for the year if all budgeted expenditures and revenues were realized.



- Expenditures may exceed revenues in any given year because
 - Transactions budgeted for the prior year may not be completed until the current year.
 - A location may have been setting aside funds in prior years in its fund balance for a special project this fiscal year.
 - An unexpected emergency may arise.



- Transactions budgeted for the prior year may not be completed until the current year
 - These are handled through encumbrance carryforwards.
 - Funds for expenditures that were budgeted last year but were not spent are rolled into fund balance at the end of that fiscal year. The carryforward of encumbrances recognizes that the expenditures are occurring in the current year and takes the funds back out of the fund balance.



- A location may have been accumulating funds in its fund balance for a special project.
 - A request to use fund balance is submitted to the Vice Chancellor of Business Affairs for initial approval and is presented to the Board during the budget approval process for Fall and Spring revisions.



- An unexpected emergency may arise
 - This happened in the case of the El Centro flood in August 2003.
 - This also occurred when the State cut the budget during the middle of fiscal year 2002. Having a strong fund balance available made the needed adjustments to budget less harsh for the campuses.



- The level of fund balance on hand is recommended to be no less than 90 days (3 months) and ideally should be no more than 180 days (6 months).
- This provides a level of comfort for unforeseen circumstances but does not underutilize funds available.



- Fund balance does **not** = cash on hand
 - Assets include receivables and other non-cash items that may or may not result in a future inflow of cash.
 - Liabilities include accounts payable and other non-cash items that may or may not result in a future outflow of cash.

Assets – Liabilities = Fund Balance



Purposeful planning and monitoring by the Vice Chancellor of Business Affairs and his staff and the location Presidents in association with their location Vice Presidents of Business Services result in protecting the assets of the District and its available fund balances.



Budget Allocations



Budget Development Process

- Estimate revenue for next fiscal year
- Develop allocation for unrestricted revenue
- Colleges & District offices
 - Plan and evaluate programs and services
 - Negotiate and adjust plans
 - Compile and submit plans to VCBA and Chancellor
- Prepare working budget



Budget Development Process

- Review proposed budget (Board)
- Calculate effective tax rate
- Take record vote (Board)
- Publish official notices
- Conduct public hearing on tax rate (Board)
- Conduct public hearing on budget (Board)
- Take action on 2007-08 budget and tax rate (Board)



Allocating Resources

Formula for distributing unrestricted revenue
among the colleges:

- Allocates revenue equitably
- Introduces high level of objectivity and accountability for developing budgets
- Offers college administrations a predictable tool
- Provides college administrations with a reliable bottom line to work against from the outset
- Includes a fixed amount that is advantageous to smaller colleges as well as funding rates for enrollment and plant size that address needs of all colleges



Allocating Resources

College budget allocation formula
has three components:

1. Base allocation
2. Recurring items
3. Non-recurring items



Allocating Resources

1. Line items in base allocation
 - Fixed amount
 - Maintenance allowance
 - Landscaping
 - State funding
 - Technology
 - College supplies and activities
 - Salary adjustments



Example: Richland College

<u>Base Allocation:</u>	<u>Proposed 2007-08</u>
Fixed Allocation	3,150,000
Maintenance Allowance:	
\$0.187/contact hour	1,107,843
\$2.86/square foot	1,734,993
Landscaping	100,000
State Funding:	
Academic	23,791,447
Tech Occ	3,053,744
Continuing Education	4,653,595
\$.01 Tax Increase	2,328,829
Technology	638,541
Colleges Supplies/Activities	387,613
Adjusted to Recognize Loss in Base Allocation	0
Salary Adjustments:	
Faculty	0
Administrators	0
Prof Support Staff	0
Prior Year Salary Adjustments	<u>1,240,408</u>
Total Base Allocation	<u>\$42,187,013</u>



Allocating Resources

Amount of Base Allocation

College	Proposed 2007-08
BHC	\$31,235,376
CVC	17,239,682
EFC	29,351,130
ECC	25,481,566
MVC	20,050,142
NLC	29,080,493
RLC	42,187,013
BPI	2,079,078
Total	\$196,704,480



Allocating Resources

Base Allocation Only

	Approved 2006-07	Proposed 2007-08	Change
BHC	\$30,798,556	\$31,235,376	436,820
CVC	17,107,087	17,239,682	132,595
EFC	29,831,572	29,351,130	(480,442)
ECC	24,262,556	25,481,566	1,219,010
MVC	19,819,507	20,050,142	230,635
NLC	29,045,403	29,080,493	35,090
RLC	41,898,243	42,187,013	288,770
BPI	2,228,324	2,079,078	(149,246)
Total	\$194,991,248	\$196,704,480	1,713,232



Allocating Resources

2. Recurring items include staff benefits and local income.



Allocating Resources

Example: Richland College

<u>Recurring Items</u>	<u>Proposed 2007-08</u>
Staff Benefits	1,814,079
College Revenues:	
Net Continuing Education Tuition	3,199,000
Net Other Fees (e.g., tuition installment plan)	115,500
Miscellaneous Income	209,650
Work Study/Administrative Allowance	215,544
State Work Study	<u>27,613</u>
Total College Revenues	<u>3,767,307</u>
Total Recurring Items	<u>\$5,581,386</u>



Allocating Resources

<u>All Colleges Recurring Items</u>	<u>Proposed 2007-08</u>
Budgeted Staff Benefits	\$8,880,365
College Revenues	
Net Continuing Ed Income	12,316,056
Net Other Fees	566,800
Miscellaneous Income	1,398,349
Work Study/Administration Allowance	1,140,186
State Work Study	130,334
Total College Revenues	<u>15,551,725</u>
Total Recurring Items	<u><u>\$24,432,090</u></u>



Allocating Resources

3. Non-recurring items occur from time to time and may not apply to every college.



Allocating Resources

Example: Richland College

<u>Non-recurring Items</u>	<u>Proposed 2007-08</u>
District Placement Center	(7,125)
Internet Course Mgt Allocation	110,446
Encumbrances	0
Requisitions	0
Visiting Scholars Funds	276,000
Community Campus Operations	100,000
DART Free Program	0
Dia de la Familia	0
VCEA/VCPD Special Funding	0
SECC Matching Funds	0
LoanStar Program (yr 3 of 5)	0
DO Security	0
Total	<u>\$479,321</u>

Allocating Resources

<u>All Colleges Non-recurring Items</u>	<u>Proposed 2007-08</u>
Internet Course Mgt Allocation	464,535
Visiting Scholar Funds	1,368,500
Community Campus Operations	500,000
Dart Free Program	250,000
Dia de La Familia	10,000
LoanStar Program (yr 3 of 5)	(208,281)
DO Security	58,020
Total Non-recurring Items	<u>\$2,442,774</u>



Allocating Resources

Example: Richland College

All Formula Components Proposed 2007-08

Base Allocation	42,187,013
Recurring Items	5,581,386
Non-recurring Items	479,321
Total	\$ 48,247,720



Allocating Resources

Total Allocation per Campus

<u>College</u>	<u>Approved 2006-07</u>	<u>Proposed 2007-08</u>	<u>Difference</u>
BHC	\$ 34,535,363	\$ 34,915,142	\$ 379,779
CVC	19,611,252	19,525,779	(85,473)
EFC	33,325,250	32,737,062	(588,188)
ECC	28,319,998	29,402,654	1,082,656
MVC	22,573,654	22,706,927	133,273
NLC	32,160,329	32,103,661	(56,668)
RLC	48,167,055	48,247,720	80,665
BPI	3,995,601	3,940,399	(55,202)
Total	\$ 222,688,502	\$ 223,579,344	\$ 890,842

Note: Comparison is net of use of fund balance



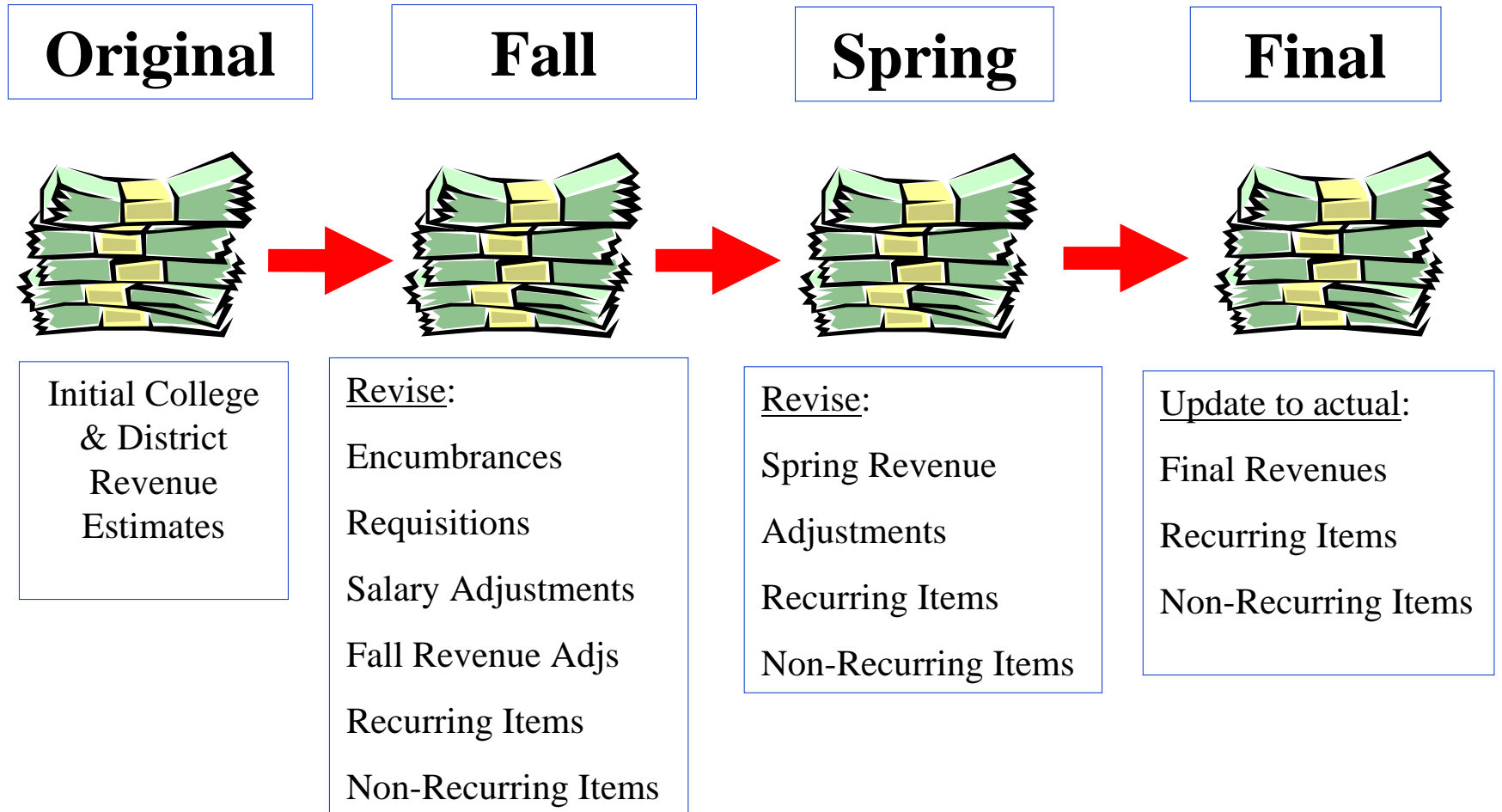
Allocating Resources

Formula Life Cycle

- **Original:** basis for the annual proposed budget
- **Salary/Fall Revision:** salary adjustments, carryforward encumbrances and revised revenue projections
- **Spring Revision:** revised revenue projections
- **Final:** actual revenues



Allocating Resources



Allocating Resources

Example: Brookhaven College

	2005-06	2006-07	Proposed 2007-08
Original	\$32,656,839	\$33,885,649	\$34,915,142
Salary / Fall Revision	33,946,623	35,358,841	
Spring Revision	34,880,685	35,402,948	
Final	34,253,514		



Campus Fund Balances

At fiscal year end,
any unused allocation at a college
is placed in a fund balance
designated for that college.



Campus Fund Balances

College fund balances are
a key element
in DCCCD's fiscal management
and accreditation.



Campus Fund Balances

Unrestricted ¹

	Beg Balance 9/1/06	Approved Use of Fund Balance	Projected Balance 8/31/07
BHC	\$ 3,786,961	\$ (1,714,297)	\$ 2,072,664
CVC	2,060,214	(1,097,994)	962,220
EFC	5,265,257	(576,902)	4,688,355
ECC	2,211,883	(866,086)	1,345,797
MVC	4,238,573	(2,159,452)	2,079,121
NLC	9,854,819	(2,448,550)	7,406,269
RLC	9,925,215	(4,206,467)	5,718,748
BJP	1,820,669	(991,982)	828,687
VC ²	407,186	(250,000)	157,186
DISTRICT	63,875,725	(655,403)	63,220,322
Total	\$ 103,446,502	\$ (14,967,133)	\$ 88,479,369

¹ Unaudited

² Virtual College



District Office & District Service Center Expenditures



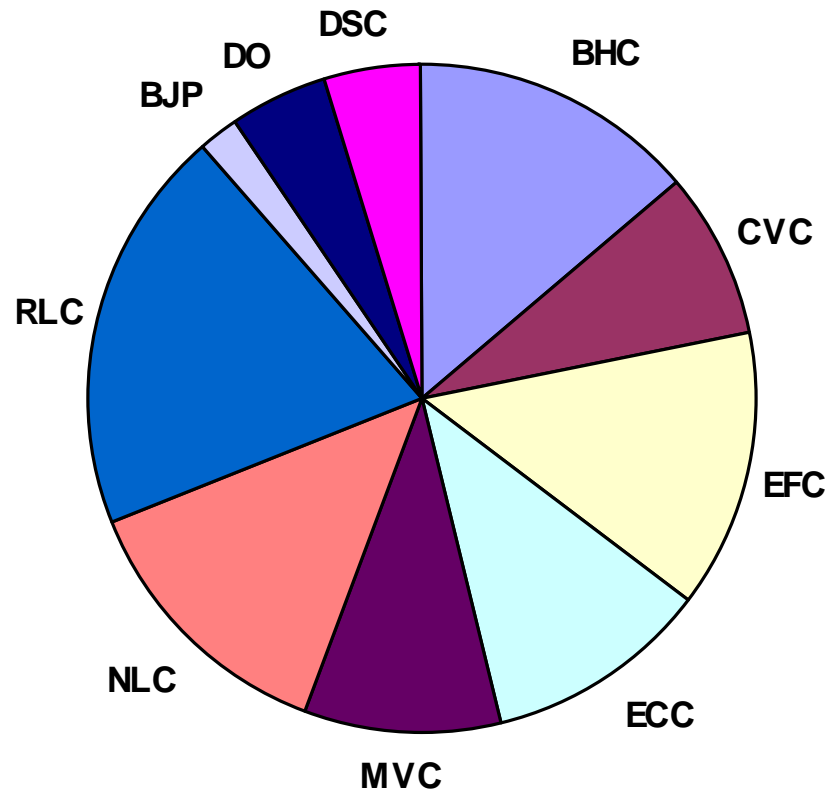
Unrestricted Fund

	FY2007 ¹	FY2006	FY2005	FY2004	FY2003
BHC	35,733,841	34,607,439	32,830,526	32,745,773	29,754,298
CVC	20,780,554	19,404,324	18,632,361	17,494,194	15,514,474
EFC	34,222,687	33,105,586	30,459,934	29,300,395	26,200,926
ECC	29,388,464	26,868,644	26,143,661	24,900,732	24,383,913
MVC	23,440,279	23,090,536	22,332,577	21,940,795	19,601,615
NLC	34,197,459	33,308,827	33,597,071	31,655,400	29,101,851
RLC	49,511,568	48,752,565	47,950,524	46,150,081	42,539,145
BJP	4,216,333	4,425,969	4,618,825	3,948,929	4,067,168
DO	12,424,900	11,521,672	10,346,404	10,441,020	9,578,562
DSC	12,898,159	11,956,850	12,942,877	11,417,703	10,544,783
Total	256,814,244	247,042,412	239,854,760	229,995,022	211,286,735

¹ Budget 2006-2007



FY 2006 College Allocations & DO/DSC Expenditures



Change in College Allocations Compared to DO/DSC Expenditures



Note: FY07 is budgeted amount.



Allocated Charges

Some DO/DSC cost centers allocate the cost of their operations to the colleges and district administration. These charges are made for services provided to the locations within the DCCCD. Some of the charges are amortized software and equipment costs.



Services Supported by Allocated Charges

- Library acquisitions, cataloging, on-line databases
- Transcript evaluation
- LeCroy Center
- Records Management
- Document Imaging (amortization)
- Central Police Dispatch
- Information Technology

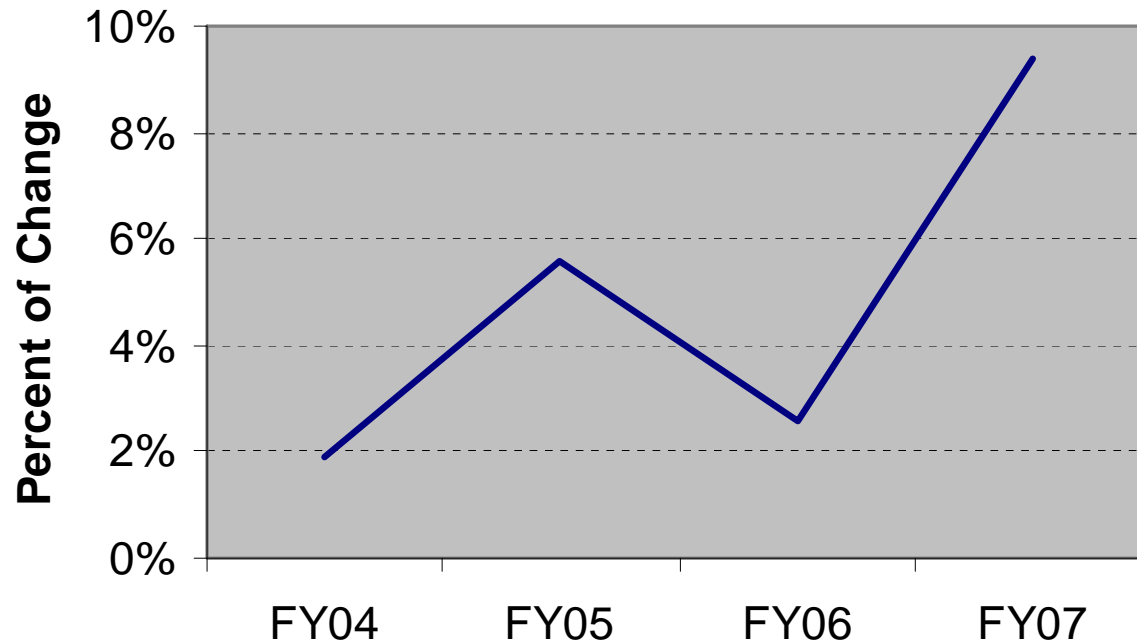


Allocated Insurance Charges

- The cost of insurance coverage is allocated to DCCCD locations:
 - Property
 - Vehicle
 - General and Umbrella Liability
 - Errors and Omissions
 - Bonding
 - Student Travel



Percent of Change in Allocated Costs



Note: FY07 is budgeted amount.



Update on Planning Assumptions for 2007-08 Budget

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Update on 2007-08 Planning Assumptions

Revenue:

- Assume from the State approximately \$2,600,000 new dollars for the biennium
- Assume 5% increase in property valuation for an estimated increase of \$5,339,308
- Assume no increase in tuition rate for 2007-08
 - However, tuition revenue will increase from
 - 1) full year of current tuition rate and
 - 2) initial projected enrollment increase of 2%
 - Estimated increase from tuition = \$2.5 million



Update on 2007-08 Planning Assumptions

Expenditures: (p. 1 of 3)

- Consideration of \$1 million for New Program Development
- Consideration of financial plan to provide for major facility rehabilitation and repair
 - Provision each year for planned maintenance amount for each college: minimum target for 2007-08 is \$5,000,000 (to be funded through use of fund balance)
- Consideration of budget provision to support colleges with enrollment increases
 - Additional \$1,700,000 put into base allocation



Update on 2007-08 Planning Assumptions

Expenditures: (p. 2 of 3)

- Continue to assess distance learning infrastructure capacity relative to growth; on-going, however an initial \$545,000 need has been identified for new servers, software and technical support
- Consideration of compensation issues
 - Cost of Living Allowance (COLA) increase of 2.5% for all employees for a cost of approximately \$4,500,000
 - Salary schedule adjustments
 - Proposed new professional support staff salary ranges (cost to be determined)
 - Proposed new faculty salary ranges (cost to be determined)



Update on 2007-08 Planning Assumptions

Expenditures: (p. 3 of 3)

- Consideration of compensation issues (cont'd)
 - Possible faculty salary compression adjustment (cost to be determined)
 - Faculty market disparity stipend - approximately \$750,000 (details still being developed)
 - Regular job evaluation for professional support staff - \$300,000 in adjustments
 - Increase to parking stipend (El Centro and 701 employees) from \$75 to \$110 per month for a cost of \$174,000
 - Increase to Business and Travel allowance (increased amount to each administrative range for a cost of \$116,000)



The End

