



FINAL BUDGET

FISCAL YEAR 2012 - 2013
JULY 1, 2012 THROUGH JUNE 30, 2013

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
5055 SANTA TERESA BOULEVARD
GILROY, CA 95020
WWW.GAVILAN.EDU

FINAL BUDGET

**FISCAL YEAR 2012 - 2013
JULY 1, 2012 THROUGH JUNE 30, 2013**

**Gavilan Joint Community College District
5055 Santa Teresa Blvd.
Gilroy, CA 95020**

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JULY 1, 2012 – JUNE 30, 2013

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FY 12/13

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EXECUTIVE SUMMARY - FINAL BUDGET FY 12/13

September 11, 2012

INTRODUCTION

The Board of Trustees, faculty, managers and professional support staff of Gavilan College have outlined primary values through a strategic planning update process. The product of this process is the updated five-year Strategic Plan 2012/13 – 2016/17. It is expected that the Board of Trustees will approve the Strategic Plan at a future Board of Trustees meeting. The District continues in its efforts of integrating all planning efforts to include the Strategic Plan. Resources are allocated to the priority activities identified through the strategic planning process.

Consistent allocation of financial resources to strategic plan initiatives has resulted in improved learning and working environments at Gavilan College. Capitalizing on past successes, Gavilan College continues to focus on supporting its service communities and increased access to the District through educational sites in Hollister and Morgan Hill. The schedules of classes at all sites are arranged so that students are able to further their goals by access to a wide range of courses at the sites.

In response to current and possible continued state budget issues, Gavilan has repositioned itself to a smaller but adequately supported program. This matches program costs with available resources. This also offers Gavilan the opportunity to manage program growth efficiently as additional resources are available.

Gavilan College has been concentrating on achieving maximum Full Time Equivalent Students (FTES) to obtain and stabilize growth revenue funds. Over the last 6 years, there has been substantial growth. However, in FY 11/12 the State implemented a workload reduction process that decreased Gavilan funded FTES by 415. It appears that for this academic year (12/13), student demand continues to increase but resources to provide services remain reduced. This highlights the District's need to maximize growth to the level of funding and also enhance non-state sources of revenue.

Several institutional initiatives have been developed to maximize FTES; become the "College of Choice"; and, capture the estimated 35% of students residing in Gavilan's service area but leaving to attend surrounding community colleges. These initiatives have included implementing web registration, increasing full time faculty, conversion to a compressed, sixteen week semester schedule, and the development of the Early College project, High Step program and Transfer Institute.

BUDGET HIGHLIGHTS

UNRESTRICTED GENERAL FUND REVENUE

Funding from the State of California was determined by an allocation methodology referred to as Program Based Funding. With the passage of SB361 (Scott), community college

funding rates are now permanently equalized so that almost every district is funded at the same rate.

In FY 11/12, the state budget included provisions that reduce workload (FTES) measures to the amount of state funding available. The reduction for Gavilan is estimated to be \$1.8 million. Gavilan College's FY 11/12 base revenue of an estimated \$25,821,091 will stay the same for FY 12/13. The FY 12/13 Final Budget is based on zero growth revenue, zero Cost of Living Allowance (COLA), and no further workload reduction.

The FY 12/13 Final Budget shows a deficit budget as projected expenditures are more than projected revenues. A deficit is a concern due to the uncertainty of the state budget and growth. Although the District has adequate reserves to deal in the short term with a deficit, it is the District's intent to eliminate the deficit.

For this final budget revenues available for appropriation, including local, non-state revenue in FY 12/13 are estimated as follows:

State Revenue including local property taxes & fees	\$ 25,821,091
Less property taxes	(13,950,000)
Less Enrollment fees	(1,250,000)
Part-time Faculty	127,900
Enrollment Fee Waiver Admin	27,000
Lottery	845,000
Actual State Revenue	<u>11,620,991</u>
Local Property Taxes	13,950,000
Enrollment Fees	1,250,000
Interest Income	20,000
Non-Resident Tuition	150,000
Other Local Revenue	507,039
Total	<u>27,498,030</u>
Transfer Requirements (In)	2,144,883
Transfer Requirements (Out)	<u>(2,221,459)</u>
Net Revenue Available for Appropriation	<u>\$ 27,421,454</u>

UNRESTRICTED GENERAL FUND EXPENDITURES

STRATEGIC PLANNING AND BUDGET DEVELOPMENT

Discretionary funds are allocated to obtain the resources necessary to implement the Strategic Plan and the Educational Master Plan.

SALARIES AND BENEFITS - 82% OF GENERAL FUND EXPENDITURES

Gavilan College is in the process of negotiating multiple year agreements with the Gavilan College Faculty Association (GCFA) and the California School Employees Association (CSEA). The Final Budget contains a no general salary increase. In the past, multiple year agreements have helped provide increases that will allow Gavilan College to remain a competitive employer by providing a salary equal to the statewide median while controlling the increase in its largest category of expenditure.

TELECOMMUNICATIONS

Gavilan College has continued to enhance its telecommunications system through high speed Internet access to the instructional sites. Bandwidth to the off-sites has been increased during the summer, 2011. Wireless access is now available in all areas on campus and at the off-sites. Funds had been set aside and work is now complete in providing on-line enrollment access to students. The integrated system conversion from the HP3000 to our Banner ERP system started with course and schedule processing, followed by registration and now includes financial applications, Financial Aid, Degree Works, Extender optical imaging for an electronic student record data base, AppWork job scheduling, Luminis myGav portal and Resource25 scheduling software. These modules are completely operational, but do require additional ongoing support funding. The HP3000 is now only used to reference archival data. Grant funding has enabled the development of new computer laboratories for math and ESL, smart classrooms and a Teaching and Learning Center for faculty and staff. An electronic student appointment system is in full use. Students are able to make appointments to meet counselors electronically and student data collected will allow counseling, Disability Resource Center (DRC), Extended Opportunities Programs and Services (EOPS), and CalWORKS to track appointment patterns of students. Title V has funded the new Gavilan Early Alert Referral System (GEARS) to promote student success and retention. Title V and STEM grants have funded the new Accuplacer on-line student assessment for class placement. These programs enhance Gavilan College's efforts to bring high technology to the classroom; a primary initiative identified through the strategic planning process and the Educational Master Plan.

LONG TERM OUTLOOK

Due to the economic downturn, the communities of Gilroy, Hollister, and Morgan Hill are experiencing a slower population growth. Using data from the California Labor Market Information Department (CLMID), projections forecast that Gavilan's district service area total population will reach 189,070 by the year 2018, a 6% increase. Projected growth for Morgan Hill in the year 2017 is estimated to reach 52,872. Growth in the City of Gilroy is projected to reach 70,809 by the year 2017. The current economic downturn will clearly affect economic, population, and student growth. In San Benito County and southern Santa Clara County, proposed foreclosures and unemployment rates have dramatically increased. For example, in San Benito County in June 2012, unemployment (not seasonally adjusted) was 12.7% and in Gilroy the rate was 13.0% (CLMID). As more service area residents,

endeavor to retrain to increase employment prospects, student interests continue to be beyond current capacity limits.

CONCLUSION

The current economic conditions in California are resulting in a great deal of uncertainty. Almost all additional financial resources to community colleges will be based on the state budget process. For the moment, FY 12/13 provides Gavilan College with enough resources to stabilize the budget and to make improvements in achieving the goals of the Strategic Plan and the Educational Master Plan. Through its Strategic Plan, Gavilan College has positioned itself to expand and take advantage of the additional growth opportunities in the future. Revenue available for program enhancements will be used to provide quality education to the communities served by the District. As a cautionary note, over the long term we recognize that Gavilan College will need to be diligent in its efforts to achieve and maintain the ever-increasing level of FTES required to generate additional revenues.

GENERAL INFORMATION ABOUT GAVILAN COLLEGE

Gavilan College was originally established in 1919 as San Benito County Junior College. It operated under this title until 1963, when a new community college district was formed that included both San Benito and southern Santa Clara Counties. Successful passage of a local bond in 1966 provided the needed funds to construct the present campus at Santa Teresa Boulevard and Castro Valley Road in Gilroy, California. In the fall of 2009, Gavilan College celebrated its 90th year of operation as a community college.

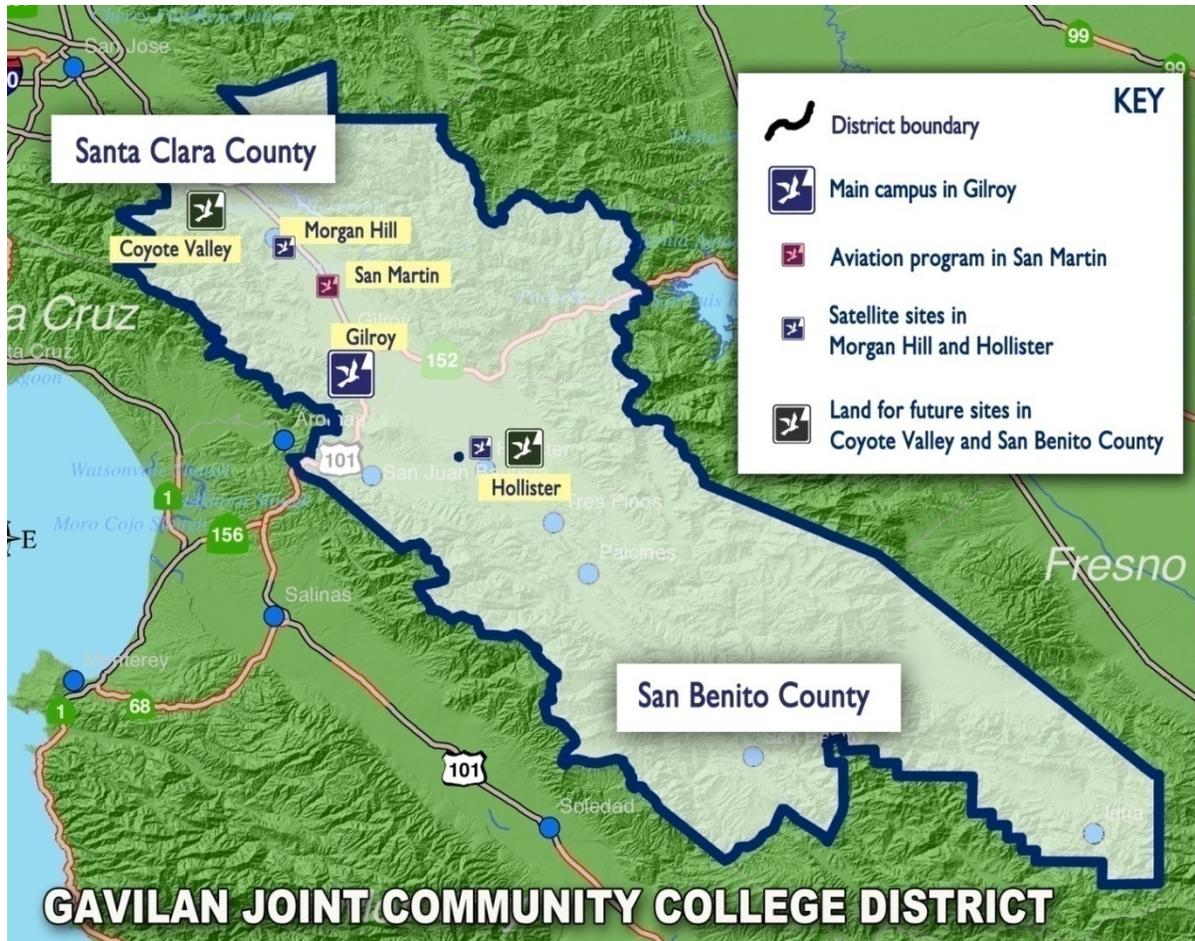
Gavilan College is one of 112 California Community Colleges that are organized into 72 districts which are political subdivisions authorized by the Constitution of the State of California. A seven-member board of trustees governs the Gavilan Joint Community College District. The voters of the communities served by the district elect board members to office. The Board of Trustees is responsible for the overall direction and control of the district so that it best meets the needs of the community it serves.

The District operates instructional sites in Hollister and Morgan Hill to augment their curricular offerings at the main (Gilroy) campus. These two sites are an integral part of the District's effort to enhance student access to a college education. Gavilan College is a public community college offering a wide range of services, including programs of continuing study in liberal arts, pre-professional, business, vocational and technical fields. Courses are offered in the day, evening and on weekends. In FY 11/12, Gavilan College served an estimated 16,000 students. Gavilan College employs 216 full time equivalent (FTE) permanent employees and approximately 250 part time faculty employees each semester.

The main campus in Gilroy rests against the foothills that form the western boundary of the Santa Clara Valley. The District is 35 miles south of San Jose, 80 miles south of San Francisco, and 40 miles northeast of the Monterey Coast. The main campus was initially master-planned to accommodate an enrollment of 5,000 students and rests on a 150-acre site that has been carefully planned to take advantage of the beautiful, natural and tranquil setting.

SERVICE AREAS OF GAVILAN COLLEGE

Gavilan Joint Community College District serves residents of the Gilroy Unified, Morgan Hill Unified, Aromas-San Juan Unified, and San Benito Joint Union High School Districts. The total service area population is approximately 178,399 (US Census Data). The District is comprised of approximately 2,700 square miles in southern Santa Clara County and all of San Benito County (see map).



Provided by Public Information Office

Information about each service area is presented below. Data were obtained from a U.S. Department of the Census and Census/GIS, California Department of Finance, California Labor Market Information Department, RAND, ABAG, and the City of San Jose population studies.

San Benito County is located at the southern end of Santa Clara Valley between the Gavilan and Diablo Mountain Ranges. San Benito County is a 1,396 square mile section bordered by Fresno, Merced, Monterey, and Santa Clara Counties. San Benito County's population which had been increasing steadily has now slowed. Using data from the U. S. Census Bureau, the population of the County was 55,269 in 2010.

San Benito has a varied economic base that is dominated by government, retail trade, and manufacturing industries. Historically, San Benito is largely an agricultural county with the industry currently employing 16.4 percent of the total workforce. The area typically has higher unemployment and lower income as compared to other parts of the Gavilan College service area.

Gilroy is located in southern Santa Clara County and is comprised of 9,376 acres of land located 30 miles south of San Jose and 15 miles northwest of Hollister. Gilroy developed from a rural, agricultural community to a community composed of agriculture, manufacturing, and service industries, along with a large number of commuters to Silicon Valley. Gilroy's population was estimated at 52,027 for 2010.

Growth in Gilroy has centered on high tech software and support industries as well as a number of manufacturing and production industries. Gilroy's industrial base includes food processing, sophisticated food processing, high tech software and semiconductors, wood, paper and metal fabrication and wine production. Gilroy is known as the "Garlic Capital of the World" because it processes garlic and plays host to over 125,000 visitors at the annual Gilroy Garlic Festival.

Morgan Hill is located at the southern end of Santa Clara Valley and is 13 miles north of the College. Morgan Hill is 10 miles south of San Jose and 70 miles south of San Francisco. The City limits of Morgan Hill covers approximately 12 square miles. Morgan Hill's desirable location has made the City one of the fastest growing communities in Santa Clara County. Morgan Hill's population was estimated at 40,246 for 2010.

Morgan Hill's work force includes a large number of highly technical and scientific residents, many commuting to the Silicon Valley to work. It is home to two of the ten largest business parks in Silicon Valley. Primary employers in Morgan Hill are manufacturers of electronics products and sports equipment and service providers specializing in precision machining and software duplication. Morgan Hill is also the home of a number of mushroom farms and wineries.

Coyote Valley Development is an area north of Morgan Hill and South of Bernal Road in San Jose. As outlined in the Coyote Valley Specific Plan, the population in this area is projected to reach 80,000. Currently this development is on hold. Because Coyote Valley resides within the Gavilan College service area, it is Gavilan College's responsibility to serve this area.

MISSION OF GAVILAN COLLEGE AS DEFINED BY THE BOARD OF TRUSTEES

In an environment that cultivates creativity, stimulates curiosity and emphasizes student learning, Gavilan College serves its community by providing high quality education/support services that prepare students for transfer, technical and public service careers, life-long learning and participation in a diverse global society.

ACCREDITATION

Gavilan College is accredited by the Accrediting Commission for Community and Junior Colleges and the Western Association of Schools and Colleges. The District's accreditation is valid until 2012. The District is currently writing a self study and preparing for an accreditation team visit in March 2013 in order to reaffirm the District's accreditation status.

PRINCIPLES OF COMMUNITY

At their December 14, 2010 meeting, the Board of Trustees adopted the "Gavilan College Principles of Community". The Principles were developed by a shared task force to produce a code of ethics for the college in accordance with our accreditation standards. The adopted Principles of Community follow:

As members of the Gavilan College community, we value the worth and dignity of every person, the pursuit of truth, devotion to excellence, acquisition of knowledge, and the nurture of democratic citizenship. We strive to maintain these ideals in an environment of inclusiveness and mutual respect.

The Principles of Community provide the foundation which creates this environment. The expectation is that we maintain the highest ethical standards in order to establish an atmosphere of civility, honesty, cooperation, professionalism and fairness.

Gavilan College aspires to be:

- *Diverse*
We embrace and celebrate diversity in all its forms (the heritage, achievements, uniqueness, and contributions of all our members) and seek to uphold an inclusive, open and enlightened community.
- *Open*
We believe free exchange of ideas requires mutual respect, trust and consideration for our differences.
- *Purposeful*
We are a community that maintains a shared commitment to service to society and advancement of knowledge through innovative teaching and learning.
- *Just*
We are committed to respect for individual dignity and equitable access to resources, recognition and security.

These Principles of Community, reflected in Board Policy 2715, guide the institution's actions. They provide guidelines to follow and are to be considered a living document. Adherence to the Principles of Community is the professional responsibility of all staff. Behavior that is in conflict with the principles may be subject to peer review. Ultimately, Gavilan College is dedicated to fulfilling its mission with compassion, caring and understanding, while respecting all individuals.

PROGRAMS AND SERVICES

Gavilan College offers an associate of arts degree and an associate of science degree. Transfer agreements exist between the University of California and California State systems. These agreements allow students to complete the first two years of a four-year college program at Gavilan.

Certificate and career programs are also offered to provide instruction in the skills and knowledge needed to enter a skilled or semi-professional occupation. To promote lifelong learning short-term, not for credit classes are offered through the Community and Contract Education program. Those courses typically include instruction in computer training, business, finance, children summer programs, physical exercise and recreation.

ORGANIZATION AND PERFORMANCE OF GAVILAN COLLEGE

The District operates under the direction of the Superintendent/President. The District is organized into three primary divisions: Administrative Services, Instructional Services, and Student Services. **Exhibit 1** is an organizational chart effective July 1, 2012.

Administrative Services is responsible for the administrative support of the District. Administrative Services' includes: equal opportunity and grievance officer, risk management, facility construction, faculty and classified negotiations, health and safety, and internal/external contract management. Departments include: Business Services, Human Resources, Facilities' Services, Management Information Systems (MIS), and Security & Support Services.

Instructional Services is responsible for the educational program and grant writing of the District. Curriculum, the schedule of classes, program review and development of new educational programs and services to meeting the needs of the community are the broad responsibilities of the division. Each full-time faculty member receives a teaching load assignment of 14-16 lecture equivalent hours per semester. This teaching load is consistent with other California community colleges. The number of students per class varies widely between basic skills, transfer and vocational courses. However, the overall efficiency of course scheduling and loading needs to improve in order to decrease costs without reducing the benefit to students. Full-growth funding and achievement of maximum enrollments will allow the District to increase its ability to enhance programs and serve students.

Student Services is responsible for assisting students in entering college and completing a course of study. Special support programs to assist students in being successful as college students are under the operating control of the Student Services division. Student Services include: Admissions and Records, Financial Aid, Counseling, Disability Resource Center, Extended Opportunity Program and Services, Health Services, Career Transfer Center, and the Hollister and Morgan Hill off sites.

TOTAL RESOURCES AVAILABLE TO OPERATE GAVILAN COLLEGE

To support the operations of Gavilan College, financial resources from a number of different origins are used. Many of the resources provided to operate District programs and functions specify the nature of expenditures that may be made with those resources. The District actively pursues special sources of funds that provide services that enhance the general operations of the District. Revenues received and expenditures made from special sources are separated from the District's general operating fund to allow better accountability for the disposition of those funds. To fully understand the operations of Gavilan College, it is necessary to consider all resources applied to provide services.

The funds used to account for the services and the projected cost of expenditures for FY 2012/13 are as follows:

**Schedule of Resources Available to Operate Gavilan College
Final Budget FY 2012-13**

Unrestricted General Fund	\$ 28,991,611	53.54%
Instructional Equipment	-	0.00%
Parking Fund	163,836	0.30%
Restricted General Fund	7,373,340	13.62%
Child Development Center Fund	734,323	1.36%
Capital Projects Fund	10,000	0.02%
Measure E Debt Service Fund	6,062,994	11.20%
Measure E Construction Fund	1,000,000	1.85%
Long Term Debt Fund	1,000	0.00%
Associated Student Body Fund	40,825	0.08%
Financial Aid Fund	9,636,761	17.80%
Student Center Fund	<u>130,413</u>	<u>0.24%</u>
Total Expenditures	<u><u>\$ 54,145,103</u></u>	<u><u>100.00%</u></u>

BUDGET DEVELOPMENT AT GAVILAN COLLEGE

INTRODUCTION

Gavilan College is subject to the provisions of the *California Code of Regulations* and other laws that regulate the operations of public agencies. The *California Code of Regulations* requires that the governing board of a public agency adopt a tentative budget on or before July 1 and a final budget no later than September 15 of each year.

This Final Budget is prepared to comply with the *California Code of Regulations* and is used by the governing board and District administration in planning for the operations of the District for the fiscal year period July 1, 2012 through June 30, 2013. This budget uses assumptions to develop revenue and expenditure projections. The assumptions are based upon information from the Chancellor's Office, California Community Colleges and judgments made by District staff as to the financial implications of anticipated District operations.

The Board of Trustees provides budget guidance to the Superintendent/President who in turn formulates goals and objectives for the operating divisions. The board communicates its goals and objectives to the Superintendent/President through the Strategic Plan and the Educational Master Plan. The Board of Trustees generally adopts a **Budget Calendar (Attachment A)**. **Budget Guidelines (Attachment B)** are also adopted and are used to provide more specific directions regarding the allocation of resources to ensure objectives of the Strategic Plan are achieved. The **Status of Previous Budget Guidelines (Attachment C)** reports on the effectiveness of the resources allocated in previous years.

In addition to the governing board's actions, the District's internal participatory governance process mandated by AB 1725 operates concurrently to inform all members of the District constituencies about resources expected and allocations of resources consistent with the Strategic Plan goals and the Board's Budget Guidelines. The College Budget Committee has been established to meet the AB 1725 requirement. The College Budget Committee is provided full information about the District's operations and financial position.

IMPACT OF THE STRATEGIC PLAN

The Board of Trustees, faculty, managers and professional support staff of Gavilan College have outlined primary values through a strategic planning update process. The product of this process is the updated five-year Strategic Plan that identifies objectives for fiscal years 2012/13 - 2016/17. The Board of Trustees strategic planning values and objectives for calendar year 2012 are included as **Attachment B** to this report.

The Strategic Plan states broad values that allow the administration to define implementation activities. The Strategic Planning Committee continues to review new initiatives and provides direction to the administration in identifying programs and activities that it feels will support strategic plan values. The budget process is used to allocate available resources in a manner that will ensure funds required to implement action plans are provided.

As part of the strategic plan update process, the Educational Master Plan has been assessed for completion of activities and a new plan is in the process of being developed. The updated Educational Master Plan will consist of the program plans developed by the departments, programs and services at the District along with the activities that support the Strategic Plan objectives. These program plans will be updated each year for budget development, every four years when reviewed by the Institutional Effectiveness Committee and every four years for accreditation. This will satisfy the accreditation requirement to integrate planning efforts. The Educational Master Plan focuses on the instructional and student services programs of the District and the support services and facilities that will be necessary to provide the instruction and student service programs. The Educational Master Plan produced a series of program changes as well as standards of support necessary to effectively provide the highest quality programs that the District is capable of delivering. Both the Board of Trustee's Budget Committee and the College Budget Committee review the budget to ensure that the allocation of resources is consistent with program changes identified through the Educational Master Plan process and the supporting Facilities, Technology and Staffing Plans.

FISCAL STANDARDS

Gavilan College follows standards that impact revenues and expenditures. The Strategic Plan identifies the long-term direction and goals of the District while these fiscal standards set an operations baseline that is applied to maintain acceptable operating standards in pursuit of Strategic Plan goals.

OPERATING BUDGET STANDARDS

Total Salaries and Benefits - Total salary and benefit costs should not exceed 80% of total expenditures. This level is consistent with other California community colleges. Within this expenditure level is the flexibility to increase or decrease actual expenditures because about 13% of budgeted expenditures are paid to part time faculty members who work on an assignment by assignment basis. Permanent additions to staff levels will be made under the following conditions:

- 1) Increases in full time faculty personnel required by increased state funding
- 2) Additional staff that will result in an increase in FTES revenue
- 3) Inability to obtain part time faculty within an academic discipline
- 4) Workload demands resulting from growth and increased volume of work
- 5) Enhancements to support services necessary to support growth in instructional programs, student retention efforts or increased technology

Salary Rates - The Board of Trustees follows a practice of retaining a salary structure that is equal to the median range of other like agencies. For faculty members, the comparison is made against California community colleges. Classified employees are compared to local public agencies within the District's service area. Administrative employees are compared to California community colleges. The comparison entity bases for Gavilan College positions have been established in recognition of the target recruitment area that is used to hire employees. For example, recruitment for new faculty members is the State of California at a minimum and usually nationwide. To effectively compete for new faculty members, Gavilan

College acknowledges that the salaries should be at the median range of all California community colleges.

New Positions:

Faculty - A full time faculty requirement is established for each college based on prior year base revenues. Increases in full time faculty members are required when a college receives growth revenue or equalization revenue. Gavilan College complies with the state requirement that an increase be calculated to determine the number of new faculty hires that are to be hired as a result of achieving growth revenue.

The District is once again in the process of evaluating the need for additional full time faculty members in order to meet instructional demands that are difficult to satisfy because of a shortage of part time faculty members and/or program regulations. The faculty and administration will develop a five-year full time faculty hiring plan. The fully implemented plan would increase the full time to part time ratio to 65%. A level of 65% appears to be a reasonable goal assuming that class sizes average 22 or more across the campus.

Classified - Classified employee positions are evaluated on a year-to-year basis to determine where additional employees are needed to support student success, the instructional program or to enhance the working and learning environment. Support staffing levels are also considered when evaluating changes to instructional programs and student services.

Maintenance - An allocation of ½ to 1% of the unrestricted general fund revenues in excess of permanent staff costs and services agreements will be made each year, if possible, to preserve and enhance the District's investment in its facilities. These expenditures will be used to address recurring and on-going maintenance needs.

REVENUE STANDARDS

Gavilan College actively pursues state funded growth revenue. Growth revenue is viewed as an essential element in obtaining the resources necessary to meet the Strategic Plan goals of providing increasing community access to the District's educational services and in bringing high technology into the classroom.

Categorical revenue provided by state and local agencies for specific support purposes is pursued by the District when these services are consistent with the objectives of the Strategic Plan.

RESERVE STANDARD

General Fund Designated for Economic Uncertainties - The District will budget for a General Fund Designated for Economic Uncertainties of no less than \$1.2 Million. The target is 10% of the Unrestricted General Fund up to a maximum of \$1.5 Million. This is considered an acceptable level because of the relatively small size of the District's budget. It is to be used for unanticipated and adverse changes in expenditures or revenues.

Debt Service Reserve - The District has begun to build a reserve to fund the liability for retiree health benefits. Each year, if possible, funds will be allocated to increase this reserve.

Investments - Cash not required for ongoing operations will be invested with the Santa Clara County or a local agency investment fund.

DEBT AND CAPITAL LEASE OBLIGATIONS STANDARDS

Long term debt and capital lease obligations will not exceed 5% of total unrestricted general fund revenue. Long term debt will only be issued to obtain capital equipment or facilities for which state funds are unavailable or insufficient to meet the cost of these projects. Prior to financing any project, an assessment will be made to define how it assists in meeting the goals of the Strategic Plan.

Long term debt will not be used to pay for operating fund deficits.

Capital lease obligations will only be incurred for capital purchases in excess of \$25,000 and will have a lease term of no longer than five years.

Certificate of Participation issues will not exceed 10 years.

ACCOUNTING, AUDITING AND FINANCIAL REPORTING STANDARDS

Independent audits will be performed each year as required by law.

Annual financial reports will be produced in accordance with Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board and, the *California Community College's Budget and Accounting Manual*.

An internal control structure will be in place to ensure reasonable accuracy of accounting information, to safeguard assets from loss and to ensure operating policies and procedures are being followed.

CAPITAL BUDGET STANDARDS

A Five-Year Capital Construction Plan will be prepared each year. The Plan will be developed based on facility needs identified in the Educational Master Plan.

Each year the District will allocate \$25,000 to the capital projects funds to establish a fund to obtain the service of professionals to develop capital projects.

A construction management firm will be used as a project manager whenever there is new construction work in excess of \$750,000 for the District.

Every ten years a Facility Master Plan will be revised.

BUDGET COMMITTEE

The District formed a college budget committee consistent with the requirements of AB1725 that require a participatory governance process be in place to allow constituency groups affected by decisions to be consulted collegially and have the opportunity to comment on the proposed actions. To assist it in providing open access to the budget development process to all constituency groups, the Superintendent/President formed the College Budget Committee. The committee consists of representatives of the Associated Student Body, faculty, classified, and administrative employees. The committee members receive detailed information about revenue assumptions, expenditure patterns and information about the various financial risks associated with the operation of the District. The committee meets during the year to review current information about the District's operations and to discuss actual performance in relation to the budget.

BUDGET ADJUSTMENTS

The Board of Trustees approves a tentative budget no later than June 30 of each fiscal year. A final budget is approved no later than September 15 of each fiscal year. The budget includes a number of assumptions about State of California revenue and expenditures related to the operation of the District.

The Board of Trustees establishes the allocation amounts for expenditures based on projected revenues. Funds are allocated in a manner that is consistent with the Budget Guidelines.

The budget is used to control or limit the expenditure of funds by major expenditure codes defined by the *California Community College's Budget and Accounting Manual*. The board must approve any expenditure in excess of the amount authorized by the Board of Trustees. Adjustments to the budget are submitted to the board for approval on an as needed basis. The budget is then adjusted to reflect the adjustments approved by the board.

LONG TERM CONCERNS

REVENUES

In FY 11/12, the state budget included provisions that reduce workload (FTES) measures to the amount of state funding available. The FY11/12 workload reduction decreased state funding to Gavilan by \$1.8 million. The FY 12/13 Final Budget assumes a zero COLA, zero in growth funding, and no further base revenue reduction.

The increase in the population of the District's service area should affect Gavilan College's growth rate in future fiscal years. These revenues are contingent on state revenues being allocated for this purpose.

OFF-SITE DEVELOPMENT:

The District continues to research options to expand services at both off-sites in order gain educational center status. However, in the January 2012 Community College Coalition newsletter, Mr. Frank Gornick, chair, noted, in part, the following:

“In order to live within the amount of funding that is likely, we believe it would be a good strategy to impose a moratorium on the establishment of new colleges and centers until the community college funding level returns to the 2008-09 fiscal year level. Without such a moratorium, the funds available for colleges will continue to be diluted and the educational program offering statewide will become increasingly inferior. Many districts are providing instruction for unfunded students. It seems like folly to start funding new centers and colleges while existing districts are serving unfunded students. Another major factor is that according to the 2010 census, the high growth of the past ten years is clearly over.

We will be seeking the Chancellor’s Office concurrence on a moratorium policy in order to limit the further dilution of what appears to be a declining revenue source.”

In checking with State facilities staff, the issue of a moratorium continues to be discussed at the State level. As of August 2012 there is no formal moratorium and if one is imposed, it would only mean that the District and the community it serves would wait longer to receive state support. In the meantime, the District continues to research options to expand services at both off-sites in order to gain educational center site.

FINANCIAL PLAN - ALL FUNDS UTILIZED BY GAVILAN COLLEGE

INTRODUCTION

The State Chancellor's Office provides funding to the community colleges using criteria established by a board of governors. The Governor appoints members of the board of governors. The board of governors is responsible for establishing, among other things, the budget and accounting structure for the California Community Colleges.

Consistency and comparability in recording of transactions is achieved through a systematic classification scheme prescribed by the *California Community College's Budget and Accounting Manual*. The board of governors in accordance with *California Education Code* Section 70901 is responsible for defining, establishing and maintaining the budget and accounting structure and procedures for the California Community Colleges. *California Education Code* Section 84030 requires each community college to follow the procedures prescribed by the board of governors.

GAVILAN COLLEGE USES FUND ACCOUNTING TO REPORT ITS ACTIVITIES

Fund accounting is used when a governmental agency receives revenues from various sources, some with restrictions and some without restrictions. A single fund is established to report and account for sources and uses of revenues available for or restricted to the same purpose. Each fund is considered a separate reporting entity. An understanding of a governmental agency requires the reader of financial statements to consider all funds established to operate the various programs or services offered by that agency. This budget includes revenue and expenditure projections for all of the funds used to provide programs and services.

Gavilan College uses modified accrual accounting consistent with government accounting standards and *California Community College's Budget and Accounting Manual*. Revenues are classified primarily by source and secondarily by purpose. Expenditures are classified by activity and by object. Activity relates to the purpose of the expenditure such as instructional activities. The object classification relates to the product or service obtained such as academic salaries and instructional supplies.

The diverse nature of public operations and the complexity of legal requirements prevent governmental agencies from maintaining financial transactions and balances in a single accounting entity. A single accounting entity is used in private business accounting and use of fund accounting sets governmental agencies aside from private industry because of this reporting structure. For the public readers of this budget document an explanation of governmental fund accounting is important in understanding Gavilan College's proposed use of public funds.

**PROVIDED FUNDS ARE GROUPED BY THE MAJOR SERVICE
OR GROUP OF SERVICE**

Gavilan College uses two fund groups to report its operations. The groups are the Governmental Funds Group and the Fiduciary Funds Group.

This budget provides information about the District's sources of revenues and details the anticipated revenues by major category. Due to the requirements of fund accounting, this report follows a format that provides information by fund. The majority of the report focuses on the Unrestricted General Fund because it is the primary fund of the District.

GOVERNMENTAL FUNDS GROUP

Resources used or available for use in conducting a District's educational objectives are included in the Governmental Funds Group. Gavilan College has established the following funds that are within the group of governmental funds:

General Fund – Unrestricted - Used to account for resources available for the general purpose of the District's operations and support of its educational program.

General Fund – Restricted - Used to account for resources available for the operation and support of the educational programs of the District that are specifically restricted by laws, regulations, donors, or other outside agencies as to their expenditures. **The majority of these funds must be expended within the fiscal year. Unexpended funds are returned to the funding agency.** The primary difference between restricted funds and unrestricted funds is the fact that externally imposed restrictions will not allow use of funds for any purpose other than that specified. In contrast, unrestricted funds may be used for any legal purpose deemed necessary. **Exhibit 5** shows the restricted general fund program accounts Gavilan College uses.

Special Revenue Funds - Used to account for the proceeds of specific revenue resources whose expenditures are legally restricted. These funds are not directly related to the educational program of the District but provide a service to students. Gavilan College has two special revenue funds: the **Parking Fund** and the **Child Development Center Fund**.

Capital Projects Fund, Other - Used to account for financial resources used for the acquisition or construction of capital outlay projects such as buildings, sites, site improvements, library books and equipment. Gavilan College uses this fund primarily each year for scheduled maintenance projects funded in part by the state as well as for new building construction.

Capital Projects Funds, Bond – Used to account for financial resources secured through voter approved general obligation bonds and the associated expenditures.

Debt Service Fund - Used to account for the accumulation of funds for payment of long-term debt obligations. Gavilan College's long term debts are obligations of the general fund. Funds are transferred from the General Fund to the Debt Service Fund for accounting and payment purposes.

FIDUCIARY FUNDS GROUP

The Fiduciary Funds Group is used to account for assets held by the District in a trustee or agency capacity. Gavilan College accounts for the disbursement of federally funded PELL Grants and serves as fiscal agent for that purpose. The Financial Aid Fund is an agency fund. Gavilan College also utilizes two trust funds: Associated Student Body and the Student Center Fund. A trust fund is one where a District recognizes revenues and expenditures related to trust activities and does exercise some discretion in the expenditure of those funds. The agency and trust funds used are:

- Financial Aid Fund
- Associated Student Body Fund
- Student Center Fund

BUDGET PRESENTATION

Exhibit 2, pages 1 - 6 is a consolidated summary of the budgets for all funds used by Gavilan College.

FINANCIAL PLAN - GENERAL FUND

INTRODUCTION

This Final Budget incorporates revenue and expenditure projections reported in the accounting structure format described in the *California Community College's Budget and Accounting Manual*. The budget uses revenue assumptions from the State of California Budget as projected by the State Chancellor's Office. Expenditure projections are made by the District in consideration of the Board of Trustees approved budget guidelines and known expenditure obligations for employee salaries and benefits, long term debt obligations and retiree health benefits. Expenditure amounts presented are expected to be reasonably accurate projections of expenditures for the fiscal year. There are no identified contingencies that could affect the expenditure projections shown in this budget. Adequate reserves are maintained to allow the District to absorb unanticipated adverse financial actions.

STATE REVENUES

PROPOSITION 98 REQUIREMENT

Proposition 98 requires that a specified amount of State of California revenues be provided to public education institutions. Proposition 98 funds are shared between the kindergarten through high school system (K-12) and the community college system. These two public education systems are collectively referred to as K-14 and receive the specified Proposition 98 funding on a shared basis. The allocation of Proposition 98 funds is determined by the Legislature.

STANDARDS FOR FUNDING

California Community Colleges were, prior to FY 06/07, funded based on an allocation method called "Program Based Funding". With the passage of SB 361 (Scott), a new approach to community college funding was implemented effective July 1, 2006.

This new approach provides for the distribution of funds to community colleges that is both simpler and more equitable. Each district receives a "base allocation" based on the number of colleges and centers in the district. In addition to this "base allocation", each district receives an equalized rate for its full-time equivalent students (FTES).

In FY 11/12 for example, Gavilan's base allocation is made up of the following two (2) components:

1. Single college district with less than 10,000 FTES = \$3,321,545 ($\$3,177,600 \times 4.53\% \text{ 07/08 COLA} \times 0\% \text{ 08/09 COLA} \times 0\% \text{ 09/10 COLA} \times 0\% \text{ 10/11 COLA} \times 0\% \text{ 11/12 COLA}$).
2. Rural campus designation = \$553,591 ($\$529,600 \times 4.53\% \text{ 07/08 COLA} \times 0\% \text{ 08/09 COLA} \times 0\% \text{ 09/10 COLA} \times 0\% \text{ 10/11 COLA} \times 0\% \text{ 11/12 COLA}$).

In addition to the base allocation above, Gavilan, along with most other community colleges receives the following:

1. Credit FTES = \$4,565 (4,367 x 4.53% 07/08 COLA x 0% 08/09 COLA x 0% 09/10 COLA x 0% 10/11 COLA x 0% 11/12 COLA)
2. Noncredit FTES = \$2,745 (2,626 x 4.53% 07/08 COLA x 0% 08/09 COLA x 0% 09/10 COLA x 0% 10/11 COLA x 0% 11/12 COLA)

Other than the base allocation, credit and non-credit FTES, are the primary factors that determine the amount of revenue a college will receive. Variations in FTES have a significant impact on the amount of state apportionment revenue that will be received.

Community colleges are allocated a maximum state apportionment revenue amount by the Chancellor's Office. The revenue is provided to the colleges through a combination of local county property taxes and state apportionment revenue. Local property tax estimates provided by local county auditors are subtracted from the maximum state apportionment revenue. Enrollment fees expected to be collected from students are also subtracted from the maximum state apportionment revenue. The State Chancellor's Office pays the college the difference between the maximum state revenue and the amount paid to the college in the form of local property taxes and enrollment fees. However, if the state does not have resources to make up this difference or "backfill", districts must make up the difference themselves.

About 46% of Gavilan College's total apportionment revenue is received through state payments with the remaining portions being received in the form of local county property taxes and student enrollment fees.

Article XIII-B of the *California Constitution* and Chapter 1205 of the Statutes of 1980 require that each community college calculate its appropriations limit for each fiscal year. This limit referred to as the GANN limit allows public agencies to receive a maximum amount of funds from taxes. If revenue projections are expected to exceed the GANN limit, the voters must approve the amount in excess of the limit.

SPECIAL PROGRAM REVENUE

Section 56070 of Subchapter 1 of Chapter 7 of Division 6 of Title 5 of the *California Code of Regulations* requires that colleges calculate the amount of FTES revenue earned from credit and noncredit special classes. The revenue generated from these special classes is then subtracted from the costs incurred to provide the program services. At Gavilan College, the Disability Resource Center (DRC) program generates the type of revenue subject to the Title 5 regulation. The revenue attributed to DRC is estimated at \$1,134,408.

LOCAL REVENUES

Like other community colleges, the largest amount of revenue received by Gavilan College is from state appropriations. Colleges are authorized to receive funds from sources other than state appropriations. At Gavilan College those other revenues are primarily:

- **Other State Revenue** – This is state revenue other than base revenue. For example, Gavilan receives additional revenue for part-time faculty compensation and office hours in the amount of \$127,900.
- **Lottery Revenue** - This is revenue received from The Lottery Commission and is based on each public education institution's Average Daily Attendance (ADA). Total revenue from the lottery for budget purposes is projected at \$845,000.
- **Interest Income** - This is revenue received from funds on deposit in the County Treasury and also includes interest income from Tax Revenue Anticipation Note investment proceeds. The projected revenue from interest income is \$20,000.
- **Non-Resident Tuition** - This is revenue received from non-resident students who pay the out-of-state student tuition rate. The State of California does not provide apportionment revenue for these students. These students are charged the non-resident tuition rate of \$192 per unit. The projected revenue is \$150,000.
- **Mandated Cost Reimbursement** - Although defined as revenue, mandated cost reimbursements are based on actual expenditures for state mandated activities. Gavilan College receives reimbursement for costs associated with holding open public meetings and for costs associated with the collective bargaining process. This budget does not include a reimbursement projection.
- **Other Local Revenue** - This is revenue received for cosmetology services, use of college facilities, and for indirect costs. Indirect costs are the fees the general fund is able to charge to various grants and other programs for such services as board of trustees, institutional administration, business, human resources, facilities, and security. Other local revenue is projected at \$507,039.

EXPENDITURES

Gavilan College has maintained an ending fund balance that has decreased from about 13% to 10% for the past three fiscal years. This level of ending fund balance, even with the decreases, was considered a prudent reserve and accordingly appropriations for expenditures were set close to a level equal to estimated revenue. The Final Budget ending fund balance is 5% of expenditures and transfers out. The District's ending fund balance should not drop below the 5% level.

The general fund expenditures are summarized into the program areas of instruction, instructional support, student support, administrative support, executive administration, and community support. Expenditure allocations are made using the following criteria:

1. Fixed costs receive the first priority. Fixed costs include salaries and benefits for permanent employees, adjunct faculty salaries, lease payments, and unrestricted general fund allocations required to obtain restricted specially funded program funds.

2. Expenditures necessary to provide adequate instructional and student support services
3. Expenditures necessary to implement a course of action within the scope of the strategic plan objectives for the fiscal year
4. Expenditures that enhance the Educational Master Plan
5. Expenditures that reduce long term debt
6. Any residual funds are retained and designated in the ending fund balance

Utilizing the guidelines listed above along with the Budget Guidelines adopted by the Board of Trustees, and fiscal policies used by Gavilan College, the allocations by program for the FY 11/12 and the FY 12/13 Final Budget is as follows:

Instructional Program Funding Department	Current Budget FY 11/12		Final Budget FY 12/13	
	Amount	Percent	Amount	Percent
Allied Health	\$ 711,474	2.55%	\$ 709,029	2.45%
Athletics	939,189	3.36%	997,599	3.44%
Business	342,932	1.23%	326,329	1.13%
NonCredit	361,779	1.29%	343,084	1.18%
Computer Sciences	491,580	1.76%	460,873	1.59%
English	1,146,165	4.10%	1,038,787	3.58%
English-Second Language	387,942	1.39%	398,225	1.37%
Fine Arts	1,220,432	4.37%	1,247,872	4.30%
Guidance	8,875	0.03%	3,538	0.01%
Mathematics	552,384	1.98%	402,408	1.39%
Natural Sciences	501,915	1.80%	433,180	1.49%
Physical Education	216,486	0.77%	201,599	0.70%
Police Academy	964,881	3.45%	1,198,916	4.14%
Santa Clara County Sheriff Office	188,308	0.67%	224,872	0.78%
Social Sciences	644,269	2.30%	649,284	2.24%
Vocational/Technical	911,167	3.26%	997,957	3.44%
Part-Time Faculty, Instructional Subs	4,149,813	14.85%	4,435,498	15.30%
Total Instructional Programs	\$ 13,739,591	49.15%	\$ 14,069,049	48.53%
Administrative and Support Services				
Executive Administration Services				
Communication Office	269,093	0.96%	264,653	0.91%
Cultural Activities	-	0.00%	-	0.00%
Governing Board	265,246	0.95%	336,977	1.16%
President's Office	494,948	1.77%	553,713	1.91%
Travel, Conference, Equipment	10,709	0.04%	21,615	0.07%

Total	\$ 1,039,996	3.72%	\$ 1,176,958	4.06%
Instructional Support				
Academic Administration	436,480	1.56%	442,667	1.53%
Dean, Liberal Arts	360,380	1.29%	363,696	1.25%
Dean, Technical & Public Services	300,411	1.07%	324,195	1.12%
Computer Place	245,662	0.88%	245,240	0.85%
Distant Education	128,213	0.46%	122,916	0.42%
Faculty Senate	155,968	0.56%	159,295	0.55%
Hollister Satellite	381,203	1.36%	401,348	1.38%
Library	540,410	1.93%	664,769	2.29%
Media Services	163,978	0.59%	181,692	0.63%
Morgan Hill Satellite	468,512	1.68%	494,034	1.70%
Television Services	10,000	0.04%	26,655	0.09%
Television Channel 18	35,615	0.13%	7,802	0.03%
Tutoring	39,025	0.14%	46,582	0.16%
Total	\$ 3,265,857	11.68%	\$ 3,480,890	12.01%
Student Support Services				
Admissions and Records	646,770	2.31%	676,608	2.33%
Career Center	56,646	0.20%	24,614	0.08%
Counseling	549,347	1.97%	591,358	2.04%
Enrollment Management	182,569	0.65%	212,639	0.73%
Financial Aid Office	381,755	1.37%	392,320	1.35%
Graduation	15,519	0.06%	16,315	0.06%
Institutional Researcher	92,272	0.33%	93,141	0.32%
Scholarship Award Ceremony	1,689	0.01%	1,586	0.01%
Student Services	94,309	0.34%	109,937	0.38%
Student Activity	150	0.00%	2,500	0.01%
Work Study	1,267	0.00%	-	0.00%
Total	\$ 2,022,293	7.23%	\$ 2,121,019	7.32%
Administrative Services				
Business Services	1,408,100	5.04%	1,424,729	4.91%
Classified Staff Development	2,500	0.01%	2,500	0.01%
Custodial	547,160	1.96%	572,640	1.98%
Facility Usage	110,176	0.39%	110,449	0.38%
Grounds	437,222	1.56%	441,752	1.52%
Health/Safety	88,493	0.32%	84,733	0.29%
Insurance	203,789	0.73%	224,900	0.78%
Maintenance	675,588	2.42%	730,635	2.52%
Management Information Systems	1,675,848	6.00%	1,653,684	5.70%
Personnel	369,161	1.32%	502,343	1.73%
Security	255,010	0.91%	356,010	1.23%

Campus Services	111,610	0.40%	112,372	0.39%
Utilities	865,239	3.10%	850,659	2.93%
Warehouse	292,510	1.05%	295,882	1.02%
Energy Assess/Property				
Devel/Puente	155,000	0.55%	140,000	0.48%
TRAN Expense	34,500	0.12%	-	0.00%
Retiree Health Benefits	609,774	2.18%	606,249	2.09%
Non-Instructional Substitutes	42,417	0.15%	34,158	0.12%
Total	\$ 7,884,097	28.21%	\$ 8,143,695	28.09%
Total All Support Services	\$ 14,212,243	50.85%	\$ 14,922,562	51.47%
Total All Expenditures	\$ 27,951,834	100.00%	\$ 28,991,611	100.00%

SALARIES AND EMPLOYEE EXPENDITURES

As an educational institution whose products are instruction and support services, the primary expenditure for Gavilan College is salaries and employee related expenditures. Through definitions described in the *California Education Code*, employees are grouped into three different categories. The categories are academic, classified and administrative. The distinction of employee categories is important in defining classroom instruction costs, support and administrative management costs. Each community college is required to expend at least 50% of its budget on classroom instruction costs as defined by *California Educational Code* Section 84362. Gavilan College expects to expend at least 50% of its expenditures in this area during FY 12/13.

ACADEMIC EMPLOYEE EXPENDITURES

Academic employees are employees in positions for which minimum qualifications have been established by the board of governors pursuant to *California Education Code* Section 87356.

The Gavilan College Faculty Association (GCFA) represents academic employees. GCFA is affiliated with the California Teachers Association. GCFA negotiates its salary and benefits through a collective bargaining process which is currently in process. Currently, the FY 11/12 salary schedule provides compensation that ranges from \$50,010 to \$107,909 per academic year, depending on education and experience.

Academic employees are compensated based upon their educational qualifications and experience. Currency in subject matter taught in the classroom is an important factor to Gavilan College. To recognize this factor and to provide an incentive for faculty to maintain currency in their chosen professional disciplines, Gavilan College and GCFA have agreed to advance employees on the salary schedule based on each employee's completion of a combination of professional education course work and course work from a regionally accredited post secondary education institution.

Employees are placed on a "Track" that has a maximum of 19 steps plus "longevity" steps for Track II, III, IV, and V. One step advance is allowed for each academic year and provides a salary increase of roughly \$2,250 per annum. In addition to step advances, employees

may also change track through achievement of identified academic milestones. For example, to qualify for Track III, an employee generally needs to have completed a master's degree plus 15 semester units of credit beyond the master's degree. To move to Track IV the employee would have to complete an additional 15 semester units of credit bringing the total course work to a level of a master's degree plus 30 semester units. A change in track provides a salary increase of roughly \$3,600 per annum.

Full time faculty members teach approximately 60% of all courses offered at Gavilan College. Adjunct or part -time faculty members teach the remaining courses. Adjunct faculty members are hired to teach specific courses on a semester basis. Gavilan College employs on the average between 200 and 210 adjunct faculty during each of the spring and fall semesters.

Currently, based on the FY 11/12 salary schedule, lecture adjunct faculty members can earn between \$54.91 and \$79.33 per hour.

Use of adjunct faculty is an extremely important resource that is used to increase course offerings and to manage enrollment. Because adjunct faculty members are hired as needed, Gavilan College retains a great deal of control over expenditures for adjunct faculty and is able to balance enrollment requirements with available funding.

CLASSIFIED EMPLOYEE EXPENDITURES

Classified employees provide professional, technical, and clerical support services that support classroom instruction and maintain the District. A classified employee is an employee defined by *California Education Code* Section 88001 as an employee in a position that has a designated title, a regular minimum number of assigned hours per day, days per week, and months per year, a specific statement of the duties required to be performed by the employees in each position, and has a regular monthly salary defined by a salary range for each position. A classified employee that has served in and successfully completed a probationary period is considered a permanent classified employee.

The classified workforce provides support services to the District's administrative operations and instructional programs. Samples of the job description titles in the classified work force are office assistant, instructional program specialist, accountant, admissions and student records technician, and library technician.

Currently, in FY 11/12, classified employees can earn between \$29,565 and \$78,685 on a twelve-month assignment. Classified employees are placed on a salary range that is determined through the classification process. Any employee hired into a classified position will be paid on one of the steps within the salary range for the position. Unlike academic employees, once hired and placed on the salary schedule, classified employees move one step per year until they reach Step 5. Movement from one salary range to another salary range is possible if the employee changes jobs or the position they currently serve in is reclassified to another salary range.

An employee may be placed anywhere between Step 1 and 5 of a salary range depending on previous relevant experience. Once placed on the salary schedule, assuming satisfactory performance, the employee will advance one step per year on the first day of the anniversary month of hire. Gavilan College also provides employees with longevity increases that provide for a \$50 per month increase after nine years of service; \$150 per month increases after 14 years of service and \$350 per month after 19 years of service.

CONFIDENTIAL AND SUPERVISORY EMPLOYEES

Confidential/Supervisory employees are not represented by a bargaining unit and are either responsible for the management of specific support functions or serve in positions where confidentiality related to negotiations is required.

ADMINISTRATIVE EMPLOYEES

Administrative employees are those employees responsible for managing the operations of the District and provide direction and leadership to all functions of the District.

Exhibit 6 provides a complete detail by FTE of all permanent employees paid out of the Unrestricted General Fund. The exhibit compares FY 10/11 and FY 11/12 staffing to the FY 12/13 staffing plan.

BOARD OF TRUSTEES

Members of the Board of Trustees receive a monthly stipend of \$252 dependent upon attendance at all board meetings scheduled for the month. The members of the Board of Trustees are the governing body of Gavilan Joint Community College District. Public meetings of the board are held monthly and at other times as needed to provide direction to the administration and to review and approve as appropriate District operating transactions that require the expenditure of funds.

PAYROLL COSTS, EMPLOYEE HEALTH BENEFITS, AND RETIREMENT

Gavilan College pays for a number of payroll related expenditures in addition to the health benefit allowances provided to each category of employee. These expenditures are collectively referred to as employee burdens. The cost of the expenditure is identified as a percentage of the employees' gross wages. The employee burdens are described below and represent only the portion of cost paid by Gavilan College.

- **8.25% State Teachers Retirement System** - Applies to all academic employees who meet (STRS) membership requirements prescribed by STRS. This applies to all full time and some part time academic employees and certificated administrators.
- **11.817% Public Employees Retirement System** – Applies to all classified employees who meet (PERS) membership requirements prescribed by PERS. This applies to all full time classified employees and some part time classified employees.
- **6.20% Federal Insurance Contribution** - Applied to all gross wages of employees (FICA) who are not members of STRS.
- **1.45% Medicare Insurance** - Applied to all gross wages of every employee hired after 1986.
- **2.5% Worker's Compensation** - Applied to all gross wages of every employee.
- **1.50% Retiree Health Benefit Liability Fund** – Applied to all gross wages of every employee.
- **2.0% Unemployment Insurance** - Applied to all gross wages of every employee.
- **1.00% Deferred Compensation Plan** - Applied as an “up to” match for participating employees.

- **Health Benefits** - Gavilan College offers a health benefit program that provides medical, dental, and visions insurance for the employee and the employee's dependents. Employees also receive a \$50,000 term life insurance policy. The cost for health benefits ranges from \$7,878 to \$25,581 per employee.

RETIREE HEALTH BENEFIT OBLIGATIONS

Gavilan College provides lifetime health benefits to classified employees who were employed prior to July 1, 1980 and are 55 years of age or older at the time of retirement. To qualify for lifetime benefits, an employee must have ten consecutive years immediately preceding retirement must have served the District in an assignment of half time or more and worked ten or more months per year. Employees hired after July 1, 1986 will receive post retirement benefits only until the employee reaches age 65 or elects to take Medi-Care or Medi-Cal whichever occurs first.

Academic and administrative employees who retire after July 1, 1980 and who have served the District full-time for ten or more consecutive years immediately prior to retirement will receive paid health benefits until age 65, or earlier if the retired employee accepts Medi-Care.

INTRAFUND/INTERFUND TRANSFERS

Funding guidelines of the State of California, for some programs, requires that a college receiving program funds provide an unrestricted general fund contribution to pay program expenditures. The unrestricted general fund transfers funds to the restricted general fund and other funds to pay for matching fund contributions, debt service, and capital outlay projects. The amounts vary by program and are unique to each program.

Exhibit 4 provides a breakout of intrafund/interfund transfers.

ENDING FUND BALANCE

For FY 12/13, Gavilan College's Final Budget provides for a projected ending fund balance at June 30, 2013 of \$1,560,621. The \$1,560,621 is classified as designated for economic uncertainties representing 5% of total expenditures and transfers out.

FINANCIAL BUDGET PRESENTATIONS- UNRESTRICTED GENERAL FUND

Exhibits 2 (page 1) and Exhibit 3 provide additional details about Unrestricted General Fund expenditures.

RISK MANAGEMENT AND INSURANCE

JOINT POWERS AUTHORITIES ARE USED TO STABILIZE EXPENDITURES AND MANAGE BUSINESS RISK

A JPA is an organization formed by governmental entities, including community colleges for the purpose of providing services that each individual entity has the ability to provide. By combining services the JPA has the ability to provide services on a more economical basis or on a basis that provides less risk of loss to each participating governmental entity. The combining of similar services provides more flexibility in offering services and in many cases, due to the expense of providing the various services provides the colleges the only opportunity to continue to offer some services. Gavilan College is a member of 4 JPA's: 2 for liability transfer, 1 for a health benefit trust, and 1 for academic services.

NORTHERN CALIFORNIA COMMUNITY COLLEGE POOL (NCCCP)

The NCCCP is a JPA that was formed for the purpose of combining the workers' compensation claims. The NCCCP JPA provides coverage for all workers' compensation claims filed at each of the participating college districts. The JPA administers all claims and works directly with the injured employee and the member college district. The JPA administrator is required to comply with all State of California laws that govern workers' compensation and works closely with each member district to ensure compliance with the law.

A Board of Directors comprised of the chief business officer of each community college district governs the NCCCP JPA. Participating districts include Cabrillo Community College District, Gavilan Joint Community College District, Monterey Peninsula Community College District, San Jose-Evergreen Community College District, and West Valley Mission Community College District. The Board of Directors approves claim payments, settlements and the contribution rates to be levied against each district. Since all workers' compensation injuries are related to workplace safety, the JPA hired a safety officer who is responsible for ensuring each district has an ongoing safety program and for providing technical expertise in hazard mitigation. As a condition of membership in the JPA each college district has agreed to maintain a safety program.

Gavilan College is assessed a contribution amount that for FY 12/13 is estimated to be \$550,000. The contribution is determined by the dollar amount of total payroll and the district's claims history and can rise or fall each year depending on the claims made during the year. The contribution for workers' compensation administration is included in this budget as a statutory employee cost.

BAY AREA COMMUNITY COLLEGES, JPA

The Bay Area Community College JPA provides coverage for a wide variety of liability claims including general liability, discrimination, wrongful termination, and property damage. Coverage for claims is defined by a Memorandum of Coverage that is approved by the Bay Area Community College JPA and may change as claim events at the colleges' change. In accordance with the Memorandum of Coverage, a claim made against Gavilan College is first reviewed by the District's Board of Trustees and if denied is forwarded to the JPA for defense as appropriate.

A Board of Directors comprised of the chief business officer of each community college district governs the Bay Area Community College JPA. Participating districts include Allan Hancock Joint Community College District, Contra Costa Community College District, Gavilan Joint Community College District, Hartnell Community College District, Monterey Peninsula Community College District, Ohlone Community College District, San Jose-Evergreen Community College District, San Luis Obispo County Community College District, and West Valley Mission Community College District. The Board of Directors approves claim payments, settlements and the contribution rates to be levied against each district.

Gavilan College's contribution for coverage provided by the Bay Area Community College JPA for FY 12/13 is determined to be \$200,000.

THE SOUTH BAY REGIONAL PUBLIC SAFETY CONSORTIUM

The South Bay Regional Public Safety Consortium is a JPA formed by eleven colleges for the purpose of providing an administration of justice program that includes police and fire academies program that trains a large number of candidates for employment. This JPA provides an academic service that generates FTES, which is then reported by each member college district on its attendance accounting reports. The FTES reported results in the colleges receiving state apportionment revenue. The apportionment revenue to be received by Gavilan College is included in the state computational revenue amount shown in this report.

The South Bay Regional Public Safety Consortium is reimbursed for instructional costs based on the FTES provided to each college district. Colleges identify their desired participation level for each year. The contribution to the JPA is based on each college's cost of education. In FY 12/13 Gavilan College is providing an estimated \$1,141,066 to the JPA and will in turn receive an estimated 470 FTES.

RETIREE HEALTH BENEFIT PROGRAM, JPA

Public employers in the United States, including California community college districts, now face a new fiscal challenge. The Governmental Accounting Standards Board (GASB) has issued new accounting standards that require community college districts to either fully fund retiree health benefit costs for current and retired employees or acknowledge, in their annual financial statements, their unfunded liability.

To meet this requirement Gavilan and a number of other California community college districts have joined together as members of the Retiree Health Benefit Program, JPA.

The JPA will provide the actuarial services required to properly calculate each district's annual post-employment benefit cost and accumulated liability every two years as required. It will also create a trust arrangement for accumulating irrevocable benefit funds and operate a pooled investment program for accumulated benefit funds. By the end of FY 12/13, Gavilan College projects having in excess of \$5 million in this pooled investment program with an estimated obligation of \$5,000,000 at this point in time.

FINANCIAL PLAN – RESTRICTED GENERAL FUND

Restricted general fund programs are established for the purpose of providing specialized services funded by either revenues collected from program participants or from revenues provided by a state or local agency. As the name implies restricted funds may only be used to pay for the costs of providing specific services. This section provides a description of a number of the restricted general fund programs that Gavilan College expects to use in FY 12/13.

Federal, state and local agencies frequently require that a college receiving special funding provide general fund dollars to the program. This “match” varies by funding agency and may be in the form of a cash contribution to pay for specific expenditures or it may be an “in-kind” contribution that is made through allocation of existing college resources such as use of a facility, use of equipment, utilities, or personnel.

The restricted fund programs offered by Gavilan College are used to enhance the educational program of the District and to provide valuable services to the community. A number of these programs are described below with financial information appearing in **Exhibit 5**.

CALIFORNIA WORK AND RESPONSIBILITY TO KIDS (CALWORKS)

CalWORKs serves students who receive public assistance to become self-sufficient through the provision of education, employment and supportive services. The occupational programs for CalWORKs students are linked to the demands of the local labor market and can assist students with a career track that will lead to a family supporting income. The support services that CalWORKs provides include academic, personal and career counseling, textbooks, employment preparation, job placement and serves as a liaison with county departments of social services.

COMMUNITY SERVICES AND CONTRACT EDUCATION

Community and Contract Education provide a variety of offerings that are of general interest and benefit to members of the community and businesses within the District.

COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)

CARE is designed to assist single parents who attend, or would like to attend Gavilan College. CARE provides a variety of services including assistance in completing college admissions, financial aid applications, counseling and class registration. Grants and educationally related expenses (such as childcare, transportation, textbooks and supplies) may be awarded as a means of strengthening retention. To be eligible for CARE, a student must be at least 18 years of age, head of household single parent/grandparent receiving cash assistance from the Department of Social Services. The student must have at least one child less than 14 years of age and be eligible for EOPS. Gavilan College incurs no additional unrestricted general fund costs to provide services under the CARE program.

DISABILITY RESOURCE CENTER (DRC)

DRC offers support services and instruction to students with disabilities pursuant to *California Education Code* Sections 67310-12 and 84850. Support services provided in the DRC program must be in accordance with Title 5 regulations applicable to expenditures of funds:

- (a) Not duplicate services or instruction which are otherwise available to all students
- (b) Be directly related to the educational limitations of the students to be served
- (c) Be directly related to the students' participation in the educational process
- (d) Promote the maximum independence and integration of students with disabilities
- (e) Support equal access and participation in pursuit of educational goals and activities consistent with the mission of community colleges

The DRC base funding is determined using a weighted count formula by type of disability added to the Special Rate FTES revenue that is generated from students qualified to be served by the DRC. Regulations applicable to DRC require that each college calculate the amount of Special Rate FTES revenue generated from students in the DRC program and subtract that amount of revenue from DRC's total expenditures to determine the amount of direct excess costs incurred as a result of providing specialized services. The direct excess cost amount may be reimbursed to the District by the state. The actual amount received from the state depends on the amount allocated to the District.

EXTENDED OPPORTUNITIES PROGRAMS AND SERVICES (EOPS)

EOPS is a state funded program established for the purpose of providing educational access to low-income students facing social, economic, and educational disadvantages. To be eligible for services students must demonstrate a financial and educational need according to program guidelines. To remain eligible for services a student must attend college on a full time basis and maintain an average of "C" or better. The EOPS program provides the following services:

- (a) **Outreach** - provides campus tours, special orientations, and recruitment at high school events.
- (b) **Admissions** - assists in determining a student's eligibility for EOPS services and offers advice on admissions, provides pre-priority registration, and assists students in applying for financial aid.
- (c) **Retention** - assists students with class selection and scheduling, academic, career, and personal counseling, student success workshops, referral to campus and community services, student advocacy, academic progress reports, and provides grants to purchase books.
- (d) **Transfer** - assists students with transferring to a university by providing tours, assistance in the completion of application forms, assessment of transfer requirements and application for fee waivers.

An EOPS program is offered by all California community colleges. Funding is determined by the State Chancellor's Office using a complicated formula that considers a base funding level and the number of students served by each college. The Gavilan College general fund pays for the cost of the EOPS Associate Dean as mandated by the State Chancellor's Office.

FACULTY AND STAFF DIVERSITY

The purpose of these funds is to enable the California community Colleges system to address its goal of hiring a work force that reflects proportionately the adult population of the state. Funds provided are to be used for:

- (a) The costs of publishing, distributing and reporting affirmative action success rates as provided in *California Education Code* Section 87102
- (b) The cost of preparing and updating equal opportunity plans
- (c) Providing for outreach and recruitment of underrepresented groups, for incentives to hire underrepresented groups, for in-service training and for other related staff diversity

HEALTH SERVICES

Currently, fees are charged to students at the rate of \$15 per semester for the cost of providing health services to students. Effective with the spring session of 2012, the fee will be \$17 per semester, \$14 for summer session, and \$14 for each intersession of at least four weeks.

In accordance with *California Education Code* Section 76355, expenditures are restricted to payment of the cost of health supervision and services, including direct or indirect medical and hospitalization services, or the operation of a student health center. Health services fees cannot be used to pay expenditures of athletic trainers' salaries, athletic insurance, medical supplies for athletes, or any other expenditure related to providing medical services specifically to athletes.

INSTRUCTIONAL EQUIPMENT AND LIBRARY MATERIALS

This is a state grant authorized for equipment purchased for instructional and/or library/learning resource center activities involving presentations and/or hands-on experience to enhance student learning and skills development. It includes the purchase of library materials such as books, periodicals, related ordering, processing, cataloging or binding costs or services, reference databases, cataloging and/or security systems, maps, documents, microforms, computer software, or prerecorded audio-visual resources for the benefit of student learning.

The allocation of these funds takes place at the department chair meeting facilitated by District administrators. The process includes the basic following formula:

Total amount of the current year grant
Add any prior year carryover
Less amount allocated to library (approximately \$60,000)
Equals amount for general instructional equipment needs

MATRICULATION

Matriculation funds are provided to Gavilan College pursuant to the Seymour-Campbell Matriculation Act of 1986. The intent of the Legislature when approving the Act was to:

- (a) Ensure equal education opportunity for all Californians

- (b) Ensure that students receive the educational services necessary to optimize their opportunities for success
- (c) Provide students with the information to establish realistic educational goals, and ensure that the matriculation process does not exclude students from receiving appropriate educational services at community colleges

California Education Code Section 78212 defines matriculation and identifies the services that are to be provided when a college receives funding for matriculation. Matriculation is defined as a process that brings a college and a student who enrolls for credit into an agreement for the purpose of realizing the student's educational objectives. Matriculation services to be provided include all of the following:

- (a) Processing of the application for admission
- (b) Orientation and pre-orientation services to provide students with information concerning campus procedures, academic expectations, and financial assistance
- (c) Assessment and counseling upon enrollment
- (d) Post-enrollment evaluation of each student's progress and required advertisement or counseling for students who are enrolled in remedial courses, who have not declared an educational objective as required, or who are on academic probation, as defined by standards adopted by the Board of Governors of the California Community Colleges and community college districts

The District is not required to provide a cash or in-kind match for these services but does maintain a Student Services division that maintains a staff of trained counselors and other professionals that assist in meeting the matriculation service requirements defined above.

MATHEMATICS, ENGINEERING, AND SCIENCE ACHIEVEMENT (MESA)

The MESA (Mathematics, Engineering, and Science Achievement Program) is dedicated to the academic excellence and personal support to students majoring in a math or science-based field (computer science, biology, all engineering, etc.), and who plan to transfer to a university.

The MESA program is a rigorous academic support program with various components that help build an academically based peer community to provide mutual students support and motivation, further fostering a community of learners/scholars. There is an academic and economic disadvantage criteria, both of which must be met to qualify as a MESA student.

NONCREDIT PROGRAM

The goal of the Noncredit Program, often referred to as adult education, is to provide educational opportunities that assist individuals with skills that are critical to their ability to become and or remain independent and contribute to the economy. They can earn a high school diploma or GED, increase literacy skills, learn English, learn to read and write, gain American citizenship, become an effective parent, or learn a specific job skill.

There are nine authorized categories for state-supported noncredit education are set forth in the *California Education Code*, 84757, as: Parenting, Elementary and Secondary Basic

Skills, English as a Second Language (ESL), Immigrants, Adults with Disabilities, Short-term Vocational, Older Adults, Home Economics, Health and Safety.

The Noncredit Program also provides Noncredit Matriculation services made possible through new legislation passed in 1997-98 (AB 1542, AB 107) and revisions in budget language that extended the provision of matriculation services to students enrolled in designated noncredit classes, courses and programs. Under this new legislation (AB 1542, Section 16, 72620.5) was added to the Education Code to read: "Commencing with 1997-98 fiscal year, community college districts to the extent that funding is provided in the annual Budget Act, may provide counseling and matriculation services for students enrolled in credit courses and students enrolled in noncredit courses, according to a welfare-to-work plan as provided in section 11325.1 of the Welfare and Institutions Code."

AB 107, Item 7b reads, "Of the amount appropriated in Schedule (f), \$10,000,000 shall be allocated to community college districts on a one-to-one matching fund basis to provide matriculation services to include, but not be limited to, orientation, assessment, and counseling for students enrolled in designated noncredit classes and programs who may benefit most, as determined by the Chancellor of the California Community Colleges pursuant to Sections 78216 to 78218, inclusive, of the Education Code."

The intent of the legislation is to allow community colleges to provide matriculation services for students enrolled in designated courses in the following Noncredit Categories: Elementary and Secondary Basic Skills, English as a Second Language, Disabled/Adults with Disabilities, Citizenship/Immigrant, Parenting and Short-Term Vocational courses. Students enrolled in these categories of courses will be able to use these curricula and support services to move into the workforce through skill acquisition or job placement services.

REGIONAL OCCUPATION PROGRAM (ROP)

ROP is a program funded by the Santa Clara County Office of Education to provide career technical training on a countywide basis using Gavilan College and other institutions to provide educational services to students. The orientations of these programs vary as the vocational needs of the county change. In FY 12/13 Gavilan College expects to provide educational services for the following career technical programs:

Business Office Technology	Clinical Medical Assistant	Computer Graphics Applications
Home Health Aide	Nursing Assistant	

Gavilan College is not required to provide a cash or in-kind match in order to receive funding under this program.

STAFF DEVELOPMENT

Staff development funds are provided by the State Chancellor's Office for the purpose of providing professional level training to the faculty, staff and administration of the district. As defined in *California Education Code* Section 87153, these funds may be used for the following purposes:

- (a) Improvement of teaching
- (b) Maintenance of current academic and technical knowledge and skills

- (c) In-service training for vocational education and employment preparation programs
- (d) Retraining to meet institutional needs
- (e) Intersegmental exchange programs
- (f) Development of innovations in instructional and administrative techniques and program effectiveness
- (g) Computer and technological proficiency programs
- (h) Course and training implementing affirmative action and upward mobility programs
- (i) Other activities determined to be related to educational and professional development pursuant to criteria established by the Board of Governors of the California Community Colleges, including but not limited to programs designed to develop self-esteem

SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (STEM)

Gavilan College in partnership with San Jose State University is the recipient of a 2-year STEM grant funded by the Department of Education. These grant monies are being used to fund the two major goals of the STEM project which are to increase the number of Hispanic and other low income students attaining degrees in the fields of science, technology, engineering and mathematics and to develop model transfer and articulation agreements between 2-year Hispanic-serving institutions and 4-year institutions in such fields. The Natural Sciences department is currently engaged in several activities to accomplish these goals including the redesign of curriculum, purchase of new laboratory equipment and computers, and the establishment of a Supplemental Instruction tutoring program. The grant is also funding additional services for students such as a dedicated STEM advisor and paid student internships.

TJ OWENS GILROY EARLY COLLEGE ACADEMY

The TJ Owens Gilroy Early College Academy (GECA), originally funded from the Bill and Melinda Gates Foundation through the Foundation for California Community Colleges, is a partnership between Gavilan College and the Gilroy Unified School District. The program houses a high school on the Gavilan College Campus and supports early access to college through a linked high school diploma and college degree attainment program for grades 9-12.

TRIO

TRIO, Student Support Services is a five-year federal grant, funded through the Department of Education. Gavilan's program provides students with a "sense of place" while on campus, and offers academic and support services in a caring environment that seeks to ensure their successful completion of an associate degree and/or transfer to a four-year university from Gavilan College. The program serves approximately 160 first generation, low-income and/or disabled college students.

VOCATIONAL AND TECHNICAL EDUCATION ACT (VTEA)

VTEA is funded under provisions of the Carl D. Perkins Act of 1990. This federally funded program is administered by the State of California and requires that participating colleges use these funds to enhance and augment vocational training programs that meet certain

eligibility criteria. Gavilan College expects to use these funds to enhance its Allied Health, Business Technology, Aviation, Cosmetology, Child Development and Computer Graphics and Design programs.

FINANCIAL BUDGET PRESENTATION – RESTRICTED GENERAL FUND

Exhibit 5 is a budget for the Restricted General Fund.

Exhibit 7 provides a complete detail by FTE of all permanent employees paid out of the Restricted General Fund. The exhibit compares FY 10/11 and FY 11/12 staffing to the FY 12/13 staffing plan.

FINANCIAL PLAN – ALL OTHER FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are to account for revenues whose expenditures are not legally restricted. The special revenues collected are used to pay for the cost of providing services that are not necessarily part of the educational program of the District but enhance the District's ability to serve its students. Gavilan College utilizes two special revenue funds; the Parking Fund and the Child Development Fund.

Parking Fund - As authorized by *California Education Code* Section 76360, Gavilan College charges students a parking fee. The fee ranges from \$20 per semester for evening or summer only parking to \$40 per semester for a daytime parking permit. A daily permit is also available at a cost of \$1.00. The parking fees are used to pay the salaries and related costs of security personnel and to pay for repairs for the parking lots and roadways.

Child Development Fund – The Child Development Fund is the fund designated to account for all revenues for, or from the operation of, child care and development services, including student fees for child development services, Costs incurred in the operation and maintenance of the child care and development services are paid from this fund.

FIDUCIARY FUNDS GROUP

Fiduciary funds account for the revenues and expenditures, and assets held by the District in a trustee or agency capacity. Gavilan College utilizes two trust funds; Student Center Fund and Associated Student Body Fund and one agency fund; Financial Aid. A trust fund differs from an agency fund in that the District has some discretion in the expenditure of trust funds and does not have discretion in the expenditure of agency funds.

Associated Student Body (ASB) - The ASB fund is designed to account for moneys held in trust by the District for the ASB. Students pay membership fees to the ASB and receive special discounts on parking and entry to a variety of special events over the course of the academic year. Funds collected may be expended upon approval of three persons: an employee of the District designated by the governing board, the certificated employee who is the designated advisor, and a representative of the student body organization.

Student Center Fund - Gavilan College established a student center fund for the purpose of constructing a student center. The budget for the Student Center Fund includes all revenues derived from the Student Center and all anticipated expenditures related to the maintenance and improvement of the facility.

Student Center fees are charged at the rate of \$1 per credit hour of instruction up to \$10 per student per year. *California Education Code* Section 76375 limits collection of student fees to \$10 per fiscal year.

Rental fee income is derived from lease payments for space currently used as a bookstore and a cafeteria that is located in the Student Center building. Expenditures charged to the

Student Center Fund include capital improvements, cost of custodial and maintenance services, and accounting and administration fees.

Financial Aid Fund - Financial aid is provided to students through a Federal Pell Grant. Gavilan College administers the program and serves as a fiscal agent for the federal government. Gavilan College makes disbursements based upon the Federal Pell Grant program requirements and then obtains reimbursement for the grants made. Revenues collected and expenditures made are reflected in the budget. As fiscal agent, Gavilan Colleges receives a nominal amount for administrative services.

Gavilan College also participates in a federally funded work-study program. The Financial Aid department administers the federal work study program and identifies employment sites and eligible students for the program.

In addition to the Pell Grant and work-study programs, Gavilan College provides a number of financial aid services to its students. The cost for other unrestricted program services is included in the Unrestricted General Fund.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used primarily to account for the expenditure of funds provided by the state for new construction projects and to complete scheduled maintenance projects.

Each year the District prepares a Five-Year Capital Construction Plan for submission to the Chancellor's Office, California Community Colleges. Projects are identified in consideration of existing lecture, laboratory and office space in relation to capacity workload measures defined by the state. Anticipated changes in programs assist in determining what additional facilities will be considered. To evaluate each College's individual need in relation to all other colleges, the state uses a criterion that prioritizes the allocation of construction funds. Projects that provide additional lecture and laboratory space receive a higher priority than other projects like administrative or student support buildings. In order for the District to receive funding it must demonstrate high utilization of existing facilities.

The Five-Year Capital Construction Plan is used for planning purposes in identifying new facility needs of the District. Funding for any project in the Plan must be requested through a separate request. Development of a funding request requires a detailed description of the project and a detailed cost projection. The cost of preparing a funding request is between \$50,000 and \$75,000.

In November 2003, the Board of Trustees approved a revision to the District's Facilities Master Plan. With the passage of Gavilan's \$108 million Measure E General Obligation Bond in March, 2004, the Board of Trustees asked that a new Facilities Master Plan be developed to guide the design and construction efforts of the Measure E Bond Program. To this end a series of planning meetings were held with campus committees and stakeholders to develop criteria for the Plan. A Draft Master Plan document was submitted for review and comment in a series of five (5) public forums. In addition, copies were distributed to all public libraries within the District's service area and the document was made available on-line, for collecting interactive feedback from students, staff, and the community. Additional meetings were held with each building user-group to develop final recommendations. From the data

collected a final set of prioritized recommendations were developed to define scope, budget, and schedule for each of the proposed projects.

On February 14, 2006, the Board of Trustees approved a two-volume Facilities Master Plan, dated February 14, 2006, including appendices, which is the plan for the facilities portion of the Measure E Bond Program. The Plan represents an on-going, fluid document that will be updated and amended to reflect new or changed conditions that influence the ultimate facilities delivery over the next eight (8) years. The Plan reflects the latest consensus thinking of the District, its stakeholders and its consultants as the framework for design and construction of the various projects that translate “vision” into affordable reality. It is to serve as the guideline for decision-making, capital-outlay expenditures, and educational facilities design.

DEBT SERVICE FUND

LONG TERM DEBT

The current long term debt that exists is the obligation for existing retiree health benefits. It is estimated that this obligation is \$5,000,000 at this point in time. The District is a member of a Retiree Health Benefit program along with a number of other California community colleges. By the end of FY 12/13, the District projects having accumulated in excess of \$5 million to this program in order to provide resources to pay for the existing retiree health benefit obligations in the future. Although the District continues to pay for the immediate year costs of retiree health benefits by allocating current year budget funds, the Final Budget includes a 1.50% charge on all payroll expenditures to fund future retiree health benefit obligations.