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EXECUTIVE SUMMARY

The Resource Master Plan adds a new element to community college master plans that has been borrowed from private business planning. Essentially, resource planning addresses the following question:

What will the future costs be to implement your plans and how will the necessary funds be raised to meet schedule expectations?

POTENTIAL ENROLLMENT GROWTH

It is important that we understand that over the next 20 years the forecasted adult population within the District, coupled with a possible increase in birth rates from 3.65 to 4.73 percent, could result in the doubling of college enrollment from 20,000 students currently to about 40,000 students.

This would result in a robust average enrollment growth approaching five percent per year, thus reversing the recent enrollment decline. On one hand, growth in the Tracy/Manteca area would be higher but on the other hand, growth in the Stockton area will be lower and more gradual.

Clearly, the District faces major impacts on its organization, operations and funding sources in dealing with this growth in students. This situation has no precedence, however, several colleges in California, i.e. Las Positas College and the College of the Canyons, are presently dealing with annual enrollment growths of 10 percent.

IMPACT ON ORGANIZATION

By 2020, faculty may be doubled from 376 FTEF currently to 752 at all campuses. Distance learning classes reduce the increase in classroom teaching loads.

IMPACT ON OPERATIONS

By 2020, Instructional, student services and other programs may be doubled at all campuses and outreach centers unless reduced by distance learning.

IMPACT ON FACILITIES

Currently, the District has 816,000 gross square feet of facility space to handle an enrollment of about 20,000 students. Within 25 years, that could double to 1,632,000 gross square feet to handle 40,000 students at the Tracy Learning Center, Delta and Delta. This would also require a proportional increase in infrastructure.

IMPACT ON OPERATIONAL BUDGETS AND FUNDING SOURCES

The District's new Five-Year Operational Budget Resource Plan conservatively forecasts future growth of 2 percent annually for the next five years. This would increase expenditures by \$5.5 million (9 percent) from \$57.9 million currently to \$63.4 million.

[REDACTED]

the five-year period. In the same period, revenues are forecast to increase (11 percent) from \$57.5 to \$63.6 million. However, the increased net revenue needed to offset operating deficits that will diminish over the first four surplus in the fifth year.

DELTA COLLEGE - MAY BE ASKED TO DO MORE WITH LESS

When considering the District's five-year forecast of operational budget it is important to recognize that there will soon be upward pressure from increasing District expenditure levels are driven by the State funding rate for students is currently \$3,031 per credit Full Time Equivalent Student (FTES) and \$1 per credit FTES. The maintenance and operations rate is \$5.89 per square foot, substantially less than the \$6,000/FTES national average rate for community colleges. Moreover, this rate is substantially below the \$5,944 rate received by K-12 in California, \$9,975 for CSU students and \$14,973 for UC students. Moreover, Delta, as well as other community colleges, will probably be asked to do more if the rate fails to keep up with the increasing costs of dealing with growing enrollments.

IMPACT ON CAPITAL OUTLAY, BUDGETS AND FUNDING SOURCES

The District's plans to construct about 800,000 square feet of additional infrastructure over the next 25 years could potentially cost in excess of \$100 million (at current prices). Because lead-time for planning would concentrate most of the costs into a 20-year period, an average annual funding level in the range of \$5 million would be needed.

Clearly, it would not be prudent to expect the State to provide funding at that level over the next twenty years. The demand by other colleges for construction will increase the competition for State funds and restrict the amount that would be available to the District.

To qualify for State funds for new school projects, Tracy Unified School District must provide 50 percent matching funds. To provide its match for the Tracy Center, TUSD is considering placing a local general obligation bond issue on the 2000 ballot for voter approval.

Given the need to obtain capital outlay funding above what can potentially be provided from the State over the next 20 years, the District will probably need to issue one or series of local bond issues in either the entire district or just in the Joaquin County. Local bond money may provide leverage for obtaining State District projects.

The District should also consider the use of lease-purchase financing of new facilities. This approach is being used successfully by the State to build new state offices.

Additionally, the District should consider the use of future revenues from redevelopment agreements with Stockton, Manteca and Tracy, and leasing or selling instructional property at the Manteca Farm as alternative sources of capital funding.





[REDACTED]

PART 1: OPERATING BUDGET PLAN

In 1997-98 the College stopped the practice of using the subsequent year to be reported in the current year. This practice was started when the College reported Time Equivalent Student (FTES) from the California Department of Corrections. It helped lessen the impact of the FTES loss. The net result of stopping this practice was reported FTES that was 1,327 below the beginning FTES base for 1997-98. This loss was equivalent to a loss of \$3.3 million to the ongoing revenue base. The College is allowed by Title 5, to restore the FTES loss. At the end of the three year period the FTES base would be that as reported on June 30, 2000. At this time, based on the assumptions listed below, the College will not restore all the FTES needed and will have an ongoing base FTES at July 1, 2000 of 12,908.90. It will, therefore lose 4,327 ongoing base.

The College in 1997-98 immediately initiated a "Three Year Fiscal Stability Plan" to stabilize the College from this FTES loss. The Plan was made up of a number of components including the restoration of FTES, the replacement of six full time adjunct faculty and budget reductions in excess of \$842,000. As of June 1, 1999 the College stabilized the ongoing finances of the College contingent on additional revenue of at least 200 in 1999-2000.

OPERATIONAL BUDGET (GENERAL FUND)

1999-2000 - The operating fund, as of July 26, 1999 includes an ongoing revenue of \$462,091. Although the financial budget was stabilized, as reported above, the addition of steps and longevity (\$136,000) and a 7.9% increase in health care (\$320,000) resulted in the \$462,091 deficit. The estimated revenue for 1999-2000 is based on restored FTES of 200. This FTES projection will be increased to 252 in the 1999-2000 Budget. This will lower the recurring deficit below \$400,000; however, it will increase the College's dependency on the added FTES. The College can operate with a deficit below the \$400,000 level with the assumption that future growth will offset the ongoing deficit.

2000-2004 - The operating fund deficit, based on the assumptions below, will continue in the 2000-01. The deficit in this year will be a primarily a result of the loss of stability funding because the district is not projected to restore in 1999-2000 FTES up to the 1997-98 level of 13,327 as mentioned above. Again, the new base is projected to be 12,908.90. The district is then projected to be in the red for a year with a declining deficit until the year 2003-2004 when the operating fund will have a positive recurring balance of \$205,645.

The operating fund budgets for the four out years starting with 2000-01 and ending with 2003-04 are based on certain assumptions:

1. The Revenue COLA used is 1.41%. This is the same revenue COLA received in 2000.



2. Contract salary increases are estimated at the revenue COLA percent.
3. Future growth is estimated at 2%.
4. All future growth is supported by hourly adjunct faculty.
Note: If the College falls below it required minimum Full Time Faculty level to employ Full Time Faculty up to the level required. This is not anticipated.
5. Faculty salary costs are estimated at meeting at least 95% of the cost of 19.52 FTES/FTEF/Semester.
6. Partnership for Excellence will subsidize the lower class size to 95% of FTES/FTEF/Semester.
7. Future health premium increases are estimated at 9% annually.
8. The College will continue to pay for the employer's portion of the Public Retirement System (PERS) contribution.
9. COLA used for supplies and services is 0.5%.









PART 2: 1999 BUDGET ACTIONS AND 2000 BUDGET REQUEST
FOR CALIFORNIA COMMUNITY COLLEGES

1999 BUDGET ACTIONS

The Legislature and Governor approved a total of \$4,024,418,000 for general apportionment and other local assistance in 1999-2000. This represents an overall increase above the \$3,806,652,000 previously appropriated in 1998.

In addition, Capital Outlay Program project appropriations totaling \$165, made from the 1998 Bond Fund for 93 facility projects. Appropriations were \$1,947,000 from the 1996 Bond Fund for one project and \$4,772,000 from the Fund for one project.

The State Chancellor's Office provided the following summary information for the 2000 budget year.





2000-2001 BUDGET REQUEST

On July 12, 1999, the Board of Governor's approved the following 2000-200 Budget Concept Recommendations. At its upcoming November 1999 meeting, it will act to approve the final budget request for 2000-2001.



PART 3: CAPITAL OUTLAY FUNDING SOURCES

FUTURE FACILITY COSTS

The Facilities Master Plan indicates that the District may need to develop for 800,000 gross square feet (gsf) of space at the Delta College Tracy Learning Center over the next 25 years. Based upon today's construction prices of about \$160 million per gsf, the cost to construct 800,000 gsf of space would be about \$160 million. Adding infrastructure costs of about 25 percent, the total future capital outlay cost would be about \$200 million over the next 25 years.

However, the prospects of receiving \$200 million of State funding over a twenty-year period are not good even if the community colleges receive \$200 million each year from State acts. Based upon its enrollment, the District could be entitled to just over five percent of the total available State funding. In fact, it would not be possible to fund the District's future facilities plan on the assumption that \$10 million of State funding is available every year for twenty years. This means that the District will probably encounter difficulties in establishing a dependable source of funds for its Tracy Learning Center.

DISTRICT BOND ISSUE WILL PROBABLY BE NEEDED

Approval of a District bond issue may be difficult, however, it will probably be necessary for the District to seek approval of a bond issue on the November 2000 ballot for the Tracy Learning Center. Moreover, additional bond issues may be needed in future years.

To undertake a successful bond issue, it is essential that the District organize a public campaign with local agencies and community groups. But, first the feasibility of such an issue should be investigated.

Local Schools must provide 50 percent matching money in order to receive State funding. The District is considering placing a bond issue on the November 2000 ballot to provide matching funds for the Tracy Learning Center project.

Last November, 43 bond issues for schools and colleges were proposed to the voters, but only 24 passed the "super majority" requirement for 66.6 percent approval.

- Elk Grove Schools gained 80 percent approval for \$205 million
- Long Beach secured 70 percent approval for \$295,000
- San Jose City College gained 74 percent approval for \$155 million
- Cabrillo College secured 75 percent approval for \$85 million
- Folsom Schools fell just 76 votes shy of approval for \$18 million
- Contra Costa College failed approval of \$145 million by a narrow margin but will try again in November 2000
- Sacramento Schools, after making two previous attempts fail, will try again in November 2000



POTENTIAL INITIATIVE FOR SIMPLE MAJORITY APPROVAL

Almost all of the local bond issues that failed in recent years would have been simple majority (51%) had been needed rather than a super majority (66.6%). mounted by a coalition of Silicon Valley businesses and the California Teachers Association place an initiative on the March 2000 ballot to reduce the voter approval requirements for bonds to a simple majority.

LEASE-PURCHASE FINANCING

In recent years, the State Department of General Services has used the lease-develop approach to develop new facility projects for State government programs.

This approach has been very successful, saving two or more years on completion and up to ten percent in project costs. Moreover, this approach has avoided the time consuming budget process.

Given the success of this development/financing approach, the District should consider the use of lease-purchase with other district's and the State Chancellor's Office.

REDEVELOPMENT AGREEMENT REVENUES

The College during the past nine years negotiated several agreements with the Manteca and Tracy to share in redevelopment property taxes income. Based on increases in assessed valuations at the time of the respective agreements about \$17 million is expected to be received over the life of the respective redevelopment project. These redevelopment agreements can be a funding source for the issuance of debt certificates or Certificates of Participation.

	<u>Future Revenue</u>	<u>Present Value</u>
Stockton Eastland	\$ 527,539	\$ 116,058
Stockton West End	6,569,926	1,758,350
Tracy	5,729,931	1,242,060
Manteca #1	1,366,227	368,881
Manteca #2	<u>2,966,289</u>	<u>676,472</u>
	\$17,159,912	\$ 4,161,821

SALE OR REVENUE FROM MANTECA PROPERTY

The College owns 160 acres in Manteca. A portion of this property is proposed for instructional purposes. An instructional agriculture laboratory and an instructional building will consume a yet to be determined portion of the farm. The non-instructional buildings are being reviewed to either farm or lease this portion of the farm and to retain ownership. Based on the future capital construction needs of the college it may be feasible to consider a potential sale in future years to provide funding. It is recognized that the Manteca Farm property will probably increase in value in future years and the sale of the property will have to be considered. It may be feasible to use a portion of the operating revenue from the farm, if leased, to help pay for any required debt certificates for capital construction.

