

Background

If we include the final Certificate of Participation payment of \$700,000 in the operation budget, we would need to reduce the budget by \$856,758. In order to obtain this amount, lay-offs would be needed (approximately 10-14 employees).

An option would be to treat a portion of the COP payment as a one-time expenditure and pay it directly from reserves.

Pros and Cons:

Pro:

FCMAT recommends that we review the budget for both on-going and one-time expenditures. The final COP payment is by definition a one-time expense.

Treating a portion of the COP payment as a one-time expense would lessen the amount needed to balance the operations budget. This would prevent the College from having to do lay-offs.

Cons:

The reserve level would decrease to approximately 4.5% - 5.0%. In our response to ACCJC, we would have to explain our rationale.

Option 1

Budgeted Revenue	\$36,576,119
Budgeted Expenditures	<u>\$37,432,877</u>
Deficit	(\$856,758)

Reserves

Beginning balance	\$2,400,000
Deficit	<u>(\$856,758)</u>
Ending Reserve	\$1,543,242

Reserve Percentage 4.12%

Option 2

Budgeted Revenue	\$36,576,119
Budgeted Expenditures	\$37,432,877
<i>Less portion of COP Payment</i>	<u>(\$600,000)</u>
Revised Expenditures	\$36,832,877

Deficit (*amount needed to balance*) (\$256,758)

Reserves

Beginning balance	\$2,400,000
<i>COP Payment (partial)</i>	<u>(\$600,000)</u>
Ending Reserve	\$1,800,000

Reserve Percentage 4.89%

Amount needed to balance

On-going Revenue	\$36,576,119
On-going Expenses	<u>\$36,832,877</u>
Deficit	(\$256,758)