Siskiyou Joint Community College District
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MEMORANDUM

TO: Siskiyou Joint Community College District Board of Trustees

FROM: Dr. Stephen Schoonmaker, Superintendent/President, College of the Siskiyous

DATE: September 13, 2018

RE: 2018-2019 Budget Message

Attached you will find the final budget for College of the Siskiyous and the Siskiyou Joint Community College District for 2018-2019.

This budget is the result of a collaborative, inclusive, and transparent process undertaken by the participatory governance process of the College. It was a new process for the budget managers and the entire campus community and, for a first run, things went rather well.

As a result of the preparation undertaken for the 2018-2019 budget, which is now in its final form, implementation of the budget will go smoother as budgets are expended according to budget preparation. While new opportunities that may arise during the fiscal year will definitely be reviewed through our participatory governance process, budget allocations that were vetted during the budget building process will not require duplicative vetting.

As we enter 2018-2019, I believe the College and District are well positioned to start seeing the benefits of ideas and efforts planted during the past few years. Progress is not predetermined by the ways we allocate our finite resources, but the tone and opportunities a sound budget provides can help all of us succeed in fulfilling our mission. It will take all of us being good stewards of the resources we have to conclude this fiscal year positively. I look forward to everyone's engagement, commitment, and budgetary skill to implement what we have developed in our 2018-2019 budget plan.

Stephen Schoonmaker

COLLEGE OF THE SISKIYOUS

JOINT COMMUNITY COLLEGE DISTRICT

2018-2019

FINAL BUDGET

SEPTEMBER 11, 2018

COLLEGE OF THE SISKIYOUS JOINT CCD

BOARD OF TRUSTEES

ADMINISTRATION

2018-2019

FINAL BUDGET

College of the Siskiyous

BUDGET NARRATIVE

COLLEGE OF THE SISKIYOUS JOINT CCD
FINAL BUDGET NARRATIVE
2018-2019

PURPOSE

Title 5, California Code of Regulations (CCR), Section 58305 requires the District develop a Final Budget as an update to the Tentative Budget which reflects the Governor's June 2018 signed State Budget, and must be adopted by the Board no later than September 15th of each year.

BACKGROUND

State of California

The Governor's State Budget was approved in June 2018 noting California was in the longest economic recovery in the state's history. The Governor placed a strong emphasis on saving for the future, focusing on increasing funding for education to its highest level ever, bringing the Rainy Day Fund to capacity, creating a fully online community college, a new Student-Centered Funding Formula and consolidating three student support programs into a new block grant, Student Success and Support Program (SSSP), funding for Student Equity, and the Student Success for Basic Skills Students program into the new block grant "Student Equity and Achievement Program."

The most significant initiative for 2018-2019 was the development and implementation of a new Student-Centered Funding Formula for general purpose apportionment that reflects the following components: 70% as a base funding allocation largely comprised of a funding rate per Full-Time Equivalent Student (FTES); 20% as a supplemental allocation based on a funding rate per low-income student; and 10% as a student success allocation comprised of a funding rate per degree, certificate, completion, transfer to a four year university and attainment of regional living wage. The proposed funding formula also includes a hold-harmless provision that ensures that no district would receive less per FTES revenue in 2018-2019 and 2019-2020 than it received in 2017-2018.

The Governor's Final State Budget proposed the following for funding:

Ongoing Expenditures

- Student-Centered Funding Formula, $270 million
- Increase in Full Time Faculty, $50 million (COS $168,000)
- California Promise Program, $46 million (COS $220,753)
- Student Success Completion Grant Program, $40.6 million (COS $101,126)
- California Online Community College, $20 million
- Mandated cost reimbursement totaling, $69,076 which is $28 per FTES

One-Time Expenditures

- California Online Community College, $100 million
- Part-Time Faculty Office Hours compensation, $50 million (Parity Pay)
- Physical Plant and Instruction, $28.4 million (COS $62,426)
- Financial Aid Technology Systems, $13.5 million (COS $152,009)

NOTABLE INCREASED EXPENDITURES

Salary and Benefit Costs

The Final Budget includes contractual step and column increases, position augmentation and addition of new positions with an annual on-going cost of approximately $728,000.

California Retirement Systems

California State Teachers' Retirement System (STRS), AB1469, enacted as a part of the 2014-2015 budget, addressed the nearly $74 billion unfunded liability for teachers' pensions. The plan shares the responsibility of the unfunded liability by the three partners that currently fund STRS - the state, education employers, and the employee members. Under the plan, all participate in increased contributions for the STRS solution. To address the "employer share" of $42 billion, the community college districts employer rate was increased annually from 8.25% in 2013-2014 to 19.1% by 2020-2021. The rate from 2017-2018 of 14.43% increased to 16.28% in 2018-2019.

California Public Employees' Retirement System (PERS) Board of Administration determines employer contribution rates on an annual basis. According to the most recent CalPERS Schools Pool Actuarial Valuation report dated June 30, 2016, the total Unfunded Accrued Liability (UAL) is nearly $22 billion. As a result, the community college districts employer rate increased from 15.53% in 2017-2018 to 18.1% in 2018-2019. The total STRS and PERS increased expense for 2018-2019 is estimated at $263,000.

Retiree Health Liability

An actuarial study for post-retirement benefits was performed in November 2017, estimating the amount that should be accumulated under the requirements of GASB 75. Actuarial studies are performed every two years. The District's long-term liability as of June 30, 2017 was estimated at approximately $7,149,969. To the extent that benefits are funded through a GASB 75 qualifying trust, the trust's Fiduciary Net Position (FNP) is subtracted to get the Net OPEB Liability. The FNP is the value of assets adjusted for any applicable payables and receivables of $1,702,912. Additional payments against the District's long term liability are determined during budget development each year. For the 2018-2019 fiscal year the district has made the decision to forgo any additional payments against the liability based on risk assessment and the final actuarial study.

The District currently operates on a "pay-as-you-go" methodology whereby the retiree health benefit costs are expensed at the time they are paid with an annual budget of $475,000 for 2018-2019 which is based on historical trends.

GENERAL FUND – UNRESTRICTED (11)

The General Fund is the principal operating fund of the District. All revenues and expenditures not required by statutory law to be accounted for in a different fund are budgeted and accounted for in the General Fund.

The District's budget development process places heavy emphasis on the building of the General Fund-Unrestricted (11) budget, since this is the budget that most heavily impacts ongoing college and district operations.

GENERAL FUND – RESTRICTED (12)

This fund supports categorical programs, grants, contracts, and other programs whose budget resources are restricted by law, regulation, contract, grant agreement, or other externally restricted terms and conditions.

Major programs accounted for in this fund include state categorical programs such as Student Equity and Achievement Program (Basic Skills, Student Success and Support Program (SSSP), Student Equity), Strong Workforce Program (SWP), Extended Opportunity Programs and Services (EOPS), Disabled Students Programs and Services (DSPS), California Work Opportunities and Responsibility to Kids (CalWORKS), Career Technical Education programs, as well as Perkins IV (VTEA/Vocational and Technical Education Act) federal grants, Restricted Lottery (Proposition 20) funds and Nursing grants.

Historically, these budgets are developed within the existing individual categorical programs based at 95% of the prior year level unless official funding notification has been received from the state prior to adoption of the Final Budget at which point budgets are developed at 100% of allocation.

BOND AND INTEREST AND REDEMPTION FUND (21)

The Bond and Interest and Redemption Fund functions to service the District's debt. Though 2017-2018, this fund was used to pay the debt service on the Campus Lodges, several capital leases and most recently the $4 million debt associated with numerous projects related to campus improvements. For 2018-2019, the only remaining debt is the $4 million in project debt which will be paid off in semi-annual payments in August and February of each year.

GENERAL OBLIGATION BOND AND INTEREST AND REDEMPTION FUND (23)

The General Obligation Bond and Interest and Redemption Fund functions the same way to service the District's General Obligation Bond debt which began in 2005 when the District placed a ballot initiative with the voters to build and renovate facilities on both the Weed and Yreka campuses. The District receives property tax receipts from county residence specifically to pay for the debt service of the General Obligation bonds that have been sold to the public. These payments are also made semi-annually in August and February.

PROPRIETARY (ENTERPRISE) FUNDS

The enterprise funds account for business operations that are financed and managed similarly to private enterprise and are to be self-supporting. These funds consist of a separate Bookstore Fund, Food Service Fund, and Residence Hall Fund to account for the revenues, expenses, and profits and/or losses.

Food Services (32)

In fiscal year 2016-2017 the decision was made to discontinue contracting out the food service operation due to poor quality of service and meals. It was at this point; the department became self-operating and is in year three of the business model. It was anticipated that the food service area would reflect a loss the first couple of years due to startup costs and stabilization of the operations. The 2018-2019 fiscal year will be pivotal for this department as it develops a short-term and long-strategic business plan to address quality of service and fiscal opportunities.

Residence Hall Revenue and Repair (35/39)

The Residence Hall Revenue Fund (35) is the operating account for the District Lodges.

Revenues are received from students and groups that use the facilities and these revenues are used for the salaries, benefits and general operations of the Lodges as well as setting aside funds for future improvements and repairs. These set-aside funds are transferred to the Residence Hall Repair and Replacement Fund (39) for future facility improvements and emergency repairs.

Bookstore (51)

The bookstore industry has been rapidly changing, offering many alternatives to students. The availability to purchase textbooks online, receive digital delivery of materials, and the ability to rent textbooks provides students greater flexibility. The COS bookstore has done a good job over the last couple of years maintaining positive net profit or breakeven through budget management and innovative marketing approaches.

CAPITAL PROJECTS FUNDS (41 & 42)

These funds account for the financial resources used in the acquisition and/or construction of major capital outlay projects. Project elements may include site improvements including parking lots, walkways and monument signs, building renovations, new construction, scheduled maintenance projects, hazardous substance abatement projects, and fixed assets, and may be funded from a combination of state capital outlay funds and local funds.

STUDENT FINANCIAL AID FUND (78)

This fund accounts for the receipt and disbursement of government-funded student financial assistance programs. The major federally funded programs include Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Direct Loans. The major state-funded programs are the Full Time Student Success Grants, and Cal Grants.

FOUNDATION AND SCHOLARSHIP (83 & 84)

Since 1992, the Foundation has actively raised funds with the intent of helping to keep COS at the forefront of educational quality by developing new programs, improving facilities, providing equipment, and offering student scholarships.

Scholarships have been established through the generosity of businesses, associations and individuals. These scholarships reward student achievement, encourage student leadership and accomplishments, and provide needed financial assistance.

RESERVES

The District's designated ending fund balance is comprised of the following categories: State Required 5% Minimum Reserve; Contingency Reserve; and Undesignated Reserve.

State Required 5% Minimum

In accordance the State Chancellor's Office Accounting Advisory FS 05-05: Monitoring and Assessment of Fiscal Condition, the State Chancellor's Office requires a minimum prudent unrestricted general fund balance of 5 percent. To ensure the District does not drop below this minimum requirement, the amount is segregated in a reserve designated for that purpose.

Contingency Reserve

Contingency Reserve is monies set aside to cover unexpected expenses during the fiscal year.

Undesignated Reserve

These funds make up the remaining ending balance. This balance is maintained to allow for gradual adjustment to any substantial reductions in revenue and, along with other cash reserves, to handle the significant cash flow requirements. This reserve may be allocated to cover any other unanticipated one-time expenditures.

COMPLIANCE

The Final Budget reflects all compliance with external standards, including but not limited to, GASB, other post-employment benefits (OPEB), the Education Code, Title 5 regulations, Full Time Faculty Obligation Number (FON), the 50% law, EPA funding, etc.

Assumptions

Assumptions serve as a guide in developing the annual budget by setting forth the guiding principles by which the budget will be built and by providing assumptions which are the basis for the financial projections of revenue and expenditures. The budget is developed through a collaborative district-wide process that involves the Board of Trustees, the Superintendent/President, College Council and Integrated Planning and Budget committee. The budget is developed in more specific detail through collaboration within each department: Instruction, Student Services, Administrative Services and President's Office.

Budget Assumptions are the basis for the financial projections of revenue and expenditures contained within the budget allocation process. While these Assumptions are based on the most current information available, it is recognized that ever-changing circumstances can alter the economic foundation upon which the Assumptions have been built.

Guiding Principles

A budget will be developed that:

- Allocates resources to achieve goals and objectives established by the Board.
- Provides resources for continued improvement of student success and learning outcomes.
- Provides resources and support for high quality, innovative instructional programs and services to students.
- Balances enrollment goals and student access.

- Increases and/or maintains sufficient levels of institutional effectiveness while becoming more efficient and cost effective.
- Works to maintain current technology and efficiency by updating and replacing equipment.
- Provides resources to address the total cost of ownership and to maintain building and grounds.

RECOMMENDATION

The Final Budget, as presented, was reviewed by the Integrated Planning and Budget Committee in a joint meeting with College Council on August 29, 2018, with both entities voting to recommend approval. Therefore the Final 2018-2019 Budget for College of the Siskiyous and the Siskiyou Joint Community College District has successfully completed the building and review process, and the Superintendent/President forwards this Final Budget to the Board of Trustees for final review and approval.