

SISKIYOU'S JOINT COMMUNITY COLLEGE DISTRICT

2021-2022
FINAL BUDGET



September 14, 2021

SISKIYOU'S JOINT COMMUNITY COLLEGE DISTRICT

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FINAL BUDGET



BUDGET NARRATIVE



**COLLEGE OF THE SISKIYOU
SISKIYOU JOINT COMMUNITY COLLEGE DISTRICT
FINAL BUDGET NARRATIVE
2021-2022**

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 State Budget enacted each June. This Final Budget must be adopted by the Board of Trustees no later than September 15th of each year.

On July 12, 2021, Governor Newsom signed the 2021 Budget Act, totaling \$263 billion. The Act, plus a Higher Education budget trailer bill, provides additional resources of \$3.5 billion to the California Community Colleges, fully pays down the \$1.5 billion of deferrals, and extends the hold harmless provision of the Student-Centered Funding Formula another year, through fiscal year 2024-25. A larger percentage of the new investments is one-time money directed toward needs that have surfaced since the start of the COVID-19 pandemic.

The State Budget Themes for Community Colleges:

- Zero Cost Textbook Pathways
- College Savings Accounts, K-12
- Diversity, Equity and Inclusion
- Student Needs: financial assistance grants, basic need funding and enrollment efforts
- Workforce Development
- COVID-19 Block Grants
- Deferred Maintenance
- Guided Pathways
- Housing

ENACTED STATE BUDGET

Key funding highlights from the Governor’s Final State Budget include the following:

Ongoing Funding:

- SCFF 5.07% COLA (same as K-12)
- SCFF Enrollment Growth 0.5%
- Fully retire deferrals in 2021-22, repayment of \$900 M in July 2021 and \$553 M in August 2021
- No material changes to the SCFF in 2021-22
- Hold Harmless, one additional year through 2024-25

One-Time Funding:

- Expanded Cal Grant Entitlement, \$155 M
- Develop zero-textbook cost degrees and open education resources, \$115 M
- Deferred Maintenance, \$511 M
- Emergency Financial Assistance Grants, \$250 M
- Basic Needs for Food and Housing Insecurity, \$100 M
- Retention and Enrollment Strategies, \$100 M
- Student Housing, \$2 B over three years (additional details contingent upon legislation)
- Capital Outlay, \$577.9 M (existing and new projects)

One-Time Funds:

- (Federal) American Rescue Plant Act – Emergency financial assistance grants for students.
- College Saving Accounts \$1.8 B federal ARP funds

REVISIONS TO THE STUDENT-CENTERED FUNDING FORMULA (SCFF)

The budget continues implementation of the Student-Centered Funding Formula but provides and includes a cost-of-living adjustment (COLA) of 5.07% for apportionments. The budget extends the formula's existing hold harmless (minimum revenue) provision by an additional year now through 2024-25. Under this provision, districts will earn at least their 2017-18 total computational revenue, adjusted by COLA each year; however, this revenue could be impacted by state imposed base reductions or deficits.

DISTRICT BUDGET – KEY ELEMENTS

For the 2021-22 Final Budget the district has chosen to budget apportionment at the Hold Harmless level and a 1.03% deficit as noted in the Advance Apportionment memo on July 30, 2021. The Hold Harmless calculation takes into consideration our 2017-18 Total Computational Revenue (TCR) plus the 2.71% COLA for 2018-19, 3.26% COLA for 2019-20 0.00% COLA for 2020-21 and 5.07% COLA for 2021-22. This method of calculation also produces the highest level of State apportionment available to the District under the SCFF.

Due to decreases in the District's three-year average for FTES generation, predominantly caused by the elimination of most of the FTES generated by the San Francisco Police Academy ISA and the COVID-19 pandemic, the Hold Harmless option enables the College to continue its efforts to stabilize FTES growth for the coming year. Despite opportunities for realizing some additional FTES in the coming year through our capacity building efforts, the District is utilizing a more conservative methodology that recognizes a standard practice in the California Community College System of not budgeting any growth in the year in which that growth is earned.

NOTABLE INCREASED EXPENDITURES

California Retirement Systems

The enacted budget includes an increase of CalPERS estimated employer contributions from 20.70% in 2020-21 to 22.91 % in 2021-22. Similarly, this action increases the CalSTRS estimated employer contributions from 16.15% in 2020-21 to 16.92% in 2021-22.

Retiree Health Liability

An actuarial study for post-retirement benefits was performed May 25, 2020, 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, 2021 was estimated at approximately \$7,161,571. 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 \$2,074,036. Additional payments against the District's long-term liability are determined during budget development each year. For the 2021-22 fiscal year the District has made the decision to forgo any additional payments against the liability due to the positive return on investment through the Retiree Health Benefit Program, JPA.

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 \$517,250 for 2021-22 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)

The General Fund – Restricted (12) 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
- Perkins IV (VTEA/Vocational and Technical Education Act) federal grants
- Restricted Lottery (Proposition 20) funds
- Nursing grants.
- Higher Education Emergency Relief Fund (HEERF I, II & III)

Historically, these individual categorical budgets are developed based at 95% of the existing programs prior year level, unless official funding notification has been received from the state prior to adoption of the Final Budget; then, 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. , This fund is used to pay the debt service on the \$4 million debt, incurred in 2018-19, associated with numerous projects related to campus improvements. For 2021-22, the debt service will be paid in semi-annual payments in August and February.

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 residences 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 2016-17 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 five of the business model. In 2019-20 with the unforeseen negative impact of the COVID-19 on food services, the operations recognized an additional unexpected financial loss. In 2020-21 fiscal year the operations continued to see the impact of COVID -19 on revenue and utilized HEERF funds to help mitigate the loss. It will be extremely important for this department as it continues to develop short-term and long-term strategic business plans to refine quality of service and search out fiscal opportunities in expenditure reductions and revenue generation, without impacting our support of students and the community.

Residence Hall Revenue and Repair (35/39)

The Residence Hall Revenue Fund (35) is the operating account for the District's 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 ability to rent textbooks and purchase textbooks online, receive digital delivery of materials, and utilize Open Educational Resources (OER) at the college, provides students and faculty with greater flexibility. The Bookstore will be offering a way to deliver eBooks and other Course Material Buying options to our students through the Learning Management System (Canvas) and Vital Source, Verba Compare. The COS bookstore has done a good job over the last several years maintaining a positive net profit or breakeven through budget management and innovative marketing approaches. During the COVID-19 pandemic the bookstore continues to be flexible in its service to students and the campus community in an effort to support the mission of the college.

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), Direct Loans and the student Higher Education Emergency Relief Funds (HEERF I, II & III). 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 College of the Siskiyous 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; Capital Expenditure Reserve; Contingency Reserve; and Undesignated Reserve.

State Required 5% Minimum

In accordance with 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.

Capital Expenditure Reserve

This reserve was added to the Tentative Budget for fiscal year 2021-22 in an effort to address the ongoing cost of ownership and future repairs of buildings that are 50-plus years old. The approved reserve was \$250,000 as a starting point, keeping in mind that future schedule maintenance repairs are currently in the millions.

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.

The Final Budget, shows an estimated ending reserve of \$6,597,355 at 31.24% which is trending much higher than previous years due to the savings impact of COVID-19 on operating cost in 2020-21, instructional expenses related to FIELD ISA and the inability to run a normal schedule of courses along with the 5.07% COLA as part of the Student Center Funding Formula (SCFF) 2021-22 as part of the enacted budget for the state.

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 the Integrated Planning and Budget Committee. The budget is developed in more specific detail through collaboration within each department: Academic Affairs, Student Services, Administrative Services, and the 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

The 2021-22 budget has been developed to:

- Allocate resources to fulfill the College's mission by achieving the Board's annual goals.
- Provide resources for continued improvement of student success and learning outcomes.
- Provide resources and support for high quality, innovative instructional programs and services to students.
- Balance enrollment goals and student access.
- Increase and/or maintain sufficient levels of institutional effectiveness to become more efficient and cost effective.

- Maintain current technology and efficiency by updating and replacing equipment.
- Provide resources for the total cost of ownership and to maintain buildings and grounds.

MOVING FORWARD

For 2021-22, the District's financial status is stable under the Student-Centered Funding Formula (SCFF) Hold Harmless provision, which is set to expire in 2024-25. The District remains 100% focused on increasing enrollments and providing an affordable higher education through the College. It will be critical for the fiscal years going forward that we continue to explore ways to increase enrollments, bolster access and equity, and retain and graduate more students.

RECOMMENDATION

The Final Budget, as presented, was reviewed by the Integrated Planning and Budget Committee in a joint meeting with College Council on September 1, 2021, with both entities voting to recommend approval. Therefore, the Siskiyou Joint Community College District has successfully completed the building and review process of the Final 2021-22 Budget, and the Superintendent/President forwards this Final Budget to the Board of Trustees for final review and approval.