COLLEGE OF THE SISKIYOUS
JOINT COMMUNITY COLLEGE DISTRICT

2019-2020
FINAL BUDGET

SEPTEMBER 10, 2019

COLLEGE OF THE SISKIYOUS JOINT CCD

ADMINISTRATION

Dr. Stephen Schoonmaker, Superintendent/President

Darlene Melby, Vice President, Administrative Services

Melissa Green, Vice President, Student Services

Dr. Char Perlas, Vice President, Academic Affairs

Theresa Richmond, Vice President, Human Resources

2019-2020

FINAL BUDGET

BUDGET NARRATIVE

COLLEGE OF THE SISKIYOUS JOINT CCD
FINAL BUDGET NARRATIVE
2019-2020

PURPOSE

Title 5, California Code of Regulations (CCR), Section 58305 requires the District to develop a Final Budget as an update to the Tentative Budget which reflects the Governor's June 2019 signed State Budget. This Final Budget must be adopted by the Board of Trustees no later than September 15th of each year.

BACKGROUND

State of California

The Governor's State Budget was approved in June 2019 noting that California continues to be in its longest economic recovery, which started in 2009. The Budget represents a significant investment in the state's public higher education and the students of California. The Budget also continues to provide significant ongoing increases in base funding and history-making investments in financial aid programs that will increase the quality of education, expand access, improve timely degree completion, and support upward economic mobility for Californians. It is also a reflection of the State's commitment to affordability, access, and efficiency in higher education.

Higher Education Themes

- "Strengthening the relationship between higher education, workforce development programs, and employers will be a key focus of the Administration."
- "The Administration will work to promote affordability, access, and efficiency in higher education."
- "The Administration will also work to ensure higher education and training programs to better meet the needs of nontraditional students."

ENACTED STATE BUDGET

The Budget deposits an additional $1.2 billion into the Rainy Day Fund, bringing that reserve to $16.5 billion in 2019-20. By the end of 2022-23, the final year of the multi-year budget window considered by state budget-writers, the Rainy Day Fund balance is projected to be $18.7 billion.

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

Ongoing Expenditures

- Student-Centered Funding Formula Base Adjustment, $62.5 million
- Student-Centered Funding Formula, $230 million for a 3.26% COLA
- An increase of $24.7 million for enrollment growth of 0.55 percent
- Expand the California Promise Program, $42.6 million **(COS $135,645)**
- Student Success Completion Grant Program, $18.4 million **(COS $249,664)**
- Mandated cost reimbursement totaling, $30.14 per FTES **(COS $72,619)**

One-Time Expenditures

- Physical Plant and Instruction, $13.5 million **(COS $26,816)**
- Financial Aid Technology Systems, second year **(COS $40,513)**

REVISIONS TO THE STUDENT-CENTERED FUNDING FORMULA (SCFF)

The Administration continues to support the goals of the Student-Centered Funding Formula (SCFF), which includes increasing students' timely completion and supporting low-income students. The Budget adopts a revised implementation plan for the SCFF, which was established as part of the 2018 Budget Act, and allocates funding to community college districts based upon total enrollment, the number of low-income students enrolled, and the number of students who meet specified student success metrics, such as completion of a degree or certificate. The adopted revisions include:

- Distributing 70 percent of funding to districts based on enrollment, 20 percent based on enrollment of low-income students, and 10 percent based on student success metrics.
- Annually including only a student's highest outcome earned for specified student success metrics.
- Implementing the use of a three-year average for all student success metrics.
- Extending the existing hold harmless provision of the SCFF by an additional year so that no district will receive less funding than they received in 2017-18 with cost-of-living adjustments until 2021-22.
- Clarifying the definition of a transfer student for purposes of the SCFF.

DISTRICT BUDGET – KEY ELEMENTS

For the 2019-20 Final Budget, the district has chosen to budget apportionment at the Hold Harmless level, which is a calculation that takes into consideration our 2018-19 Total Computational Revenue (TCR) plus the 3.26% COLA for 2019-20. This method of calculation also produces the highest level of State apportionment available to the District under the new funding formula transition opportunities.

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), 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

Salary and Benefit Costs

- Includes contractual step and column increases, position augmentation and addition of new positions with an annual on-going cost of approximately $332,675.
- Increase to the Adjunct Budget of $249,000 to increase enrollment.

California Retirement Systems

To provide relief to local educational agencies and community colleges for the rising costs of pensions, both now and in the future, the 2019-20 budget includes a $3.15 billion non-Proposition 98 General Fund payment on their behalf to the CalSTRS and CalPERS Schools Pool. Of this amount, an estimated $850 million will buy down the employer contribution rates in 2019-20 and 2020-21.

- The California State Teachers' Retirement System (CalSTRS) provides retirement, disability, and survivor benefits for California's educators and their families. Contribution rates for employers were previously expected to increase from 16.28 percent in 2018-19 to 19.1 percent by 2020-21. These payments will now decrease the CalSTRS employer contribution rate from 18.13 percent to 17.1 percent in 2019-20 and from 19.1 percent to 18.4 percent in 2020-21.

- The California Public Employees' Retirement System (CalPERS) Schools Pool, which includes classified school employees as members, funds pension benefits through actuarially determined contributions. Contribution rates for employers were expected to increase from 18.1 percent in 2018-19 to 23.6 percent by 2020-21. These payments will now decrease the CalPERS Schools Pool employer contribution rate from 20.7 percent to 19.7 percent in 2019-20 and from 23.6 percent to 22.9 percent in 2020-21.

Retiree Health Liability

An actuarial study for post-retirement benefits was performed in November 2018, 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, 2019 was estimated at approximately $7,141,231. 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 $1,890,667. Additional payments against the District's long term liability are determined during budget development each year.

- For the 2019-20 fiscal year the District has made the decision to forgo any additional payments against the liability. After careful consideration based on risk assessment and the final actuarial study, the District will be withdrawing funds in the amount up to $475,000 to offset budgeted retiree health benefits costs. This will be a one-time event that cannot be planned to alleviate future budget deficiencies.

- 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 2019-2020 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
- Perkins IV (VTEA/Vocational and Technical Education Act) federal grants,
- Restricted Lottery (Proposition 20) funds, and
- Nursing grants.

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. In 2018-19, this fund was used to pay the debt service on the $4 million debt associated with numerous projects related to campus improvements. For 2019-20, the $4 million in project debt 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 residents 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 (32, 35, 39 & 41)

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; it is in year four 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 2019-20 fiscal year will be important for this department as it continues to develop short-term and long-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 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.

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 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.

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, while showing a deficit spending amount of approximately $300,000, is budgeted to maintain an end-of year reserve of 11.33%

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 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

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 buildings 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 21, 2019, with both entities voting to recommend approval. Therefore, the Final 2019-20 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.