

COLLEGE OF THE SISKIYOU
SISKIYOU JOINT COMMUNITY COLLEGE DISTRICT

2020-2021
FINAL BUDGET



OCTOBER 20, 2020

COLLEGE OF THE SISKIYOU
SISKIYOU JOINT COMMUNITY COLLEGE DISTRICT

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BUDGET NARRATIVE



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FINAL BUDGET NARRATIVE
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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 2020 signed State Budget. This Final Budget must be adopted by the Board of Trustees no later than September 15th of each year.

On May 15, 2020, the Chancellor's Office determined that strict compliance with the regulations governing financial reporting requirements will impede the continuity of education during the COVID-19 pandemic. For this reason, the Chancellor issued Executive Order 2020-06 temporarily suspending California Code of Regulations, title 5, sections 58301, 58305(c), 58305(d).

- Section 58301: The requirement that the governing board of each district hold a public hearing on the proposed budget for the ensuing fiscal year by September 15, 2020, is temporarily suspended until October 31, 2020.
- Section 58305, subdivision (c): The requirement that the governing board of each district adopt a final budget by September 15, 2020, is temporarily suspended until October 31, 2020.
- Section 58305, subdivision (d): The requirement that each district complete preparation of its adopted annual financial and budget report by September 30, 2020, is temporarily suspended until November 15, 2020. The requirement that each district submit this report to the Chancellor by October 10, 2020, are temporarily suspended until November 30, 2020.

BACKGROUND

The State Budget Themes

- closes a \$54.3 billion gap in 2020-21 and significantly reduces the state's ongoing structural deficit.
- makes critical investments to save lives.
- protects public education.
- supports Californians facing the greatest hardships
- supports job creation and promotes economic recovery.

ENACTED STATE BUDGET

The CCC system was able to rapidly adapt its budget priorities to focus on the fundamental needs of students, faculty, staff, and college administrators. The purpose of the revised priorities is to support colleges through the health crisis while mitigating disruption to instruction, the system's focus on equity, and momentum toward the *Vision for Success*.

While the budget for 2020-21 does prevent immediate cuts to the California Community Colleges apportionment and categorical funding, it does defer around \$1.5 billion in funding to 2021-22. Of this \$1.5 billion deferral, up to \$791 million would be rescinded if Congress approves a fourth stimulus package with sufficient funding by October 15th. While deferrals help the state balance its budget, the continued use of this mechanism for the long term has an adverse impact on district operations and programmatic continuity.

As campuses across the state of California remain largely closed during the global pandemic, and students and staff members continue to perform much of their work remotely, the Chancellor's Office has issued 24 Emergency Executive Orders. These orders temporarily suspend sections of Title 5 in order to enable California Community Colleges to focus on ensuring continuity of education, student access, and reduce bureaucratic barriers that hinder continuity of services during an emergency.

Throughout 2020-21, emergency conditions under Title 5, Section 58146 will continue to be in effect. This section provides funding allowances due to emergency conditions such as the COVID-19 pandemic. The intent behind this section is to prevent districts from losing apportionment as a result of emergency conditions.

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

Ongoing Expenditures

- Student-Centered Funding Formula Base Adjustment, \$5 million
- Student Success Completion Grant Program, \$154.8 million **(COS \$348,106)**
- Mandated cost reimbursement totaling, \$30.16 per FTES **(COS \$57,013)**

One-Time Expenditures

- COVID-19 Response Block Grant, \$120 million **(COS \$227,032)**
- Capital Outlay Funding \$416.5 million **(COS Theatre Arts Building Remodel/Addition: \$2.041 million, all years \$27.482 million)**

REVISIONS TO THE STUDENT-CENTERED FUNDING FORMULA (SCFF)

The budget continues implementation of the Student-Centered Funding Formula but provides no enrollment growth funding or cost-of-living adjustment (COLA) for apportionments. The budget extends the formula's existing hold harmless (minimum revenue) provision by two years, through 2023-24. 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.

The components of the SCFF will remain unchanged for the 2020-21 Final Budget with 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. The SCFF model is currently under review by the statewide Student-Centered Funding Formula Oversight Committee.

DISTRICT BUDGET – KEY ELEMENTS

For the 2020-21 Final Budget the district has chosen to budget apportionment at the Hold Harmless level and a 0.85% deficit as noted in the Advance Apportionment memo on September 28, 2020. The Hold Harmless calculation that takes into consideration our 2017-18 Total Computational Revenue (TCR) plus the 2.71% COLA for 2018-19, 3.26% COLA for 2019-20 and 0.00% COLA for 2020-21. 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 reduces local school employer pension contributions in 2020-21 and 2021-22 by about 2% in each year. Specifically, this action reduces CalPERS estimated employer contributions from 22.67% to 20.7% in 2020-21 and from 24.6% to 22.84% in 2021-22. Similarly, this action reduces CalSTRS estimated employer contributions from 18.41% to 16.15% in 2020-21 and from 17.9% to 16.02% 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, 2020 was estimated at approximately \$7,259,631. 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 \$2,002,569. Additional payments against the District's long-term liability are determined during budget development each year. For the 2020-21 fiscal year the District has made the decision to forgo any additional payments against the liability.

The 2020-21 Final Budget reflects the District's repayment of the onetime withdrawal of funds in 2019-20 fiscal year in the amount of \$468,529. The original intent of this withdrawal was to offset budgeted retiree health benefits costs in order to reduce the budget deficit for 2019-20; however, this need no longer exists based on 2019-20 Estimated Actuals.

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 2020-2021 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
- 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 2020-21, 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 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. The 2020-21 fiscal year will be extremely 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. 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), 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 \$130,000, is budgeted to maintain an end-of year reserve of 15.433%

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 fulfill the College's mission by achieving the Board's annual goals.
- 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 to become more efficient and cost effective.
- Maintains current technology and efficiency by updating and replacing equipment.
- Provides resources for the total cost of ownership and to maintain buildings and grounds.
- Manages anticipated Deferrals during the 2020-21 fiscal year.

RECOMMENDATION

The Final Budget, as presented, was reviewed by the Integrated Planning and Budget (IPB) Committee (a sub-committee of College Council, disproportionately comprised of college constituencies) in two joint meetings with College Council, October 9, 2020 and October 15, 2020. IPB voted not to recommend approval of the 2020-21 Final Budget as presented. IPB's recommendation was forwarded to College Council (comprised of equal representation from all college constituencies) who voted to recommend approval of the 2020-21 Final Budget as presented. Therefore, the Final 2020-21 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.