



Rancho Santiago Community College District
District Council Meeting
July 11, 2016
Electronic Meeting via Email

Agenda

1. 2016-2017 Budget Assumptions

The Fiscal Resources Committee (FRC) unanimously recommends approval of the attached 2016-2017 budget assumptions.

Included in the recommendation on item III.G for the increased cost of \$3.3 million in our Annual Required Contribution (ARC) for the retiree health benefit liability, is to first use the remaining uncommitted one-time Mandates Block Grant, second to use any unspent 2015/16 District Services budget, and lastly if needed, cover any difference from the Budget Stabilization Fund.

Next Meeting: August 8, 2016

Mission Statement

The mission of the Rancho Santiago Community College District is to provide quality educational programs and services that address the needs of our diverse students and communities.

The mission of Santa Ana College is to be a leader and partner in meeting the intellectual, cultural, technological, and workforce development needs of our diverse community. Santa Ana College provides access and equity in a dynamic learning environment that prepares students for transfer, careers and lifelong intellectual pursuits in a global community.

Santiago Canyon College is an innovative learning community dedicated to intellectual and personal growth. Our purpose is to foster student success and to help students achieve these core outcomes: to learn, to act, to communicate and to think critically. We are committed to maintaining standards of excellence and providing accessible, transferable, and engaging education to a diverse community.

DRAFT

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
UNRESTRICTED GENERAL FUND
2016-17 Adopted Budget Assumptions
July 6, 2016**

I. State Revenue

A. Budgeting will continue to utilize the District's Budget Allocation Model (BAM) based on SB 361.

B. FTES Workload Measure Assumptions:

Year	Base	Actual	Funded	Actual Growth
2012/13	27,711.41	28,185.04	28,185.04	1.71%
2013/14	28,185.04	28,688.93	28,688.93	1.79%
2014/15	28,688.93	28,908.08 ^a	28,908.08 ^a	0.76%
2015/16	P2 28,908.08	28,889.04 ^b	28,908.08 ^b	0.00%

a - based on 2014/15 Recalculation received 2/24/2016

b - P2 posted as of 6/23/2016 shows small reduction, estimating to possibly borrow for no growth/loss

The budget proposal includes 2% Restoration/Access/Growth funding, and 0.00% COLA.

Projected COLA of 0.00%	\$0
Projected Restoration/Access/Growth -0-	\$0
Projected Base Allocation Increase	\$1,800,000
Continued Projected Deficit (Reduced to est. 0.70%) Apportionment Base Increase for 2016/17	<u>\$461,255</u> <u>\$2,261,255</u>

2016/17 Potential Growth at 0.65% based on 2% system 29,096

C. Education Protection Account (EPA) funding estimated at \$23,794,942 based on 2015/16 P2. These are not additional funds. The EPA is only a portion of general purpose funds that offsets what would otherwise be state aid in the apportionments. We intend to charge a portion of faculty salaries to this funding source in compliance with EPA requirements.

D. Unrestricted lottery is projected at \$140 per FTES (\$4,200,032). Restricted lottery at \$41 per FTES (\$1,230,009). (2015/16 P1 of resident & nonresident factored FTES, 30,000.23 x 140 = \$4,200,032 unrestricted lottery; 30,000.23 x 41 = \$1,230,009.) With an slight increase in estimated FTES there is an increase in revenue.

E. Estimated reimbursement for part-time faculty compensation is estimated at \$601,066 (2015/16 P2). No change.

F. Categorical programs will continue to be budgeted separately; self-supporting, matching revenues and expenditures. COLA is being proposed on certain categorical programs. Without COLA, other categorical reductions would be required to remain in balance if settlements were reached with bargaining groups. The colleges will need to budget for any program match requirements using unrestricted funds.

G. BOG fee waivers 2% administration funding estimated at 2015/16 P2 of \$284,586. Unchanged.

H. Mandates Block Grant estimated at a total budget of \$740,000. Unchanged. In addition, with a one-time \$105.5 million allocation statewide for past Mandated Cost reimbursement, we expect approximately \$2.7 million in one time funds. These funds can be used for any one-time purposes and will require additional discussion before allocation.

II. Other Revenue

I. Non-Resident Tuition budgeted at \$2,600,000. Increase of \$600,000.

J. Interest earnings estimated at \$225,000. Slight increase.

K. Other miscellaneous income (includes fines, fees, rents, etc.) is estimated at approximately \$350,000. Unchanged.

L. Apprenticeship revenue estimated at \$2,388,374 (2015/16 P2). Increase of approximately \$488,000. (Corresponding expenses related to this increase must be budgeted for additional apprenticeship course offerings)

M. Scheduled Maintenance/Instructional Equipment allocation \$4.65 million (no match required).

N. Energy Efficiency/Prop 39 revenue estimated at \$1 million. Slight increase from 2015/16.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
UNRESTRICTED GENERAL FUND
2016-17 Adopted Budget Assumptions
July 6, 2016**

III. Appropriations and Expenditures

- A. As the District's budget model is a revenue allocation model, revenues flow through the model to the colleges as earned. The colleges have the responsibility, within their earned revenue, to budget for ALL necessary expenditures including but not limited to all full time and part time employees, utilities, instructional services agreements, multi-year maintenance and other contracts, supplies, equipment and other operating costs.
- B. Although the state is providing no Cost of Living Allowance (COLA), any collectively bargained increased costs will be added to the budget. The estimated cost of a 1% salary increase is \$1.4 million.
- C. Step and column movement is budgeted at an additional cost of approximately \$1.1 million including benefits. (FARSCCD approximate cost \$415,000, CSEA approximate cost \$340,000, Management/Other approximate cost \$345,000)
- D. Health and Welfare benefit premium cost increase is estimated at 5% (for half the year) for an additional cost of approximately \$455,000 for active employees and an additional cost of \$155,000 for retirees, for a combined increase of \$610,000. State Unemployment Insurance local experience charges are estimated at \$250,000 (2015/16 budgeted amount). Unchanged. CalPERS employer contribution rate will increase in 2016/17 from 11.847% to 13.888% for an increase of \$630,063. (Note: The cost of each 1% increase in the PERS rate is approximately \$350,000.) CalSTRS employer contribution rate will increase in 2016/17 from 10.73% to 12.58% for an increase of \$1,161,452. (Note: The cost of each 1% increase in the STRS rate is approximately \$700,000.)
- E. The full-time faculty obligation (FON) for Fall 2016 is estimated at 364.99. The District is currently recruiting 48 faculty positions (11 of which do not count toward the FON) for an estimated total of 37 positions counting toward the obligation. The District expects to meet its obligation. Penalties for not meeting the obligation amount to approximately \$73,000 per FTE not filled.

The additional cost of new full-time faculty being hired for Fall 2016 is estimated at \$382,437 is being covered from special projects in Fund 12 with no new costs to the unrestricted general fund. SAC is filling 10 vacancies and adding 11 new positions. SCC is filling nine vacancies and adding six new positions. (The cost of the 17 new positions, along with shifts from categorical funding, is budgeted at Class VI, Step 10 at approximately \$130,000 each, including benefits.)

- F. The current rate per Lecture Hour Equivalent (LHE) effective 7/1/15 for hourly faculty is \$1,249. Increase of 0.534%.
- G. Retiree Health Benefit Fund (OPEB/GASB 45 Obligation) - The District will continue to contribute an amount to fund the total actuarially determined Annual Required Contribution (ARC). The new ARC for 2016/17 has increased over \$3.3 million from \$8.35 million to a new cost of \$11.7 million. This increased cost to be paid with one-time funds in 2016/17.
- H. Estimated cost savings from new staff placement at lower salary levels and lesser cost benefit plans.
- I. Capital Outlay Fund - In addition to the state allocation for Scheduled Maintenance/Instructional Equipment, the District will continue to budget \$1.5 million for capital outlay needs.
- J. Utilities cost increases of 5%, estimated at \$200,000.
- K. Information Technology licensing contract escalation cost of 7%, estimated at \$125,000.
- L. Property and Liability Insurance transfer estimated at \$1,940,000, unchanged. All risks insurance reduced \$203,033
- M. Other additional DS/Institutional Cost expenses:
Legal Expenses of \$250,000 (from one-time funds)
Executive Recruitment Cost \$60,000 (from one-time funds)
Human Resources and Educational Services Reorganization (\$40,894 ongoing and \$66,685 one-time cost)
- N. Child Development Fund - The District will continue to budget \$250,000 as an interfund transfer from the unrestricted general fund as a contingency plan. (\$140,000 was transferred in 2014/15 and expected in 2015/16)

Rancho Santiago Community College District Unrestricted General Fund Summary 2016-17 Adopted Budget Assumptions Analysis July 6, 2016
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*	<u>New Revenues</u>	Ongoing Only	One-Time
B	COLA 0.00%	\$0	
B	Growth -0-	\$0	
B	Base Allocation	\$1,800,000	
B	Deficit Factor est. at 0.70%	\$461,255	
D	Unrestricted Lottery	\$75,026	
H	Mandates Block Grant (one-time)	\$0	\$2,700,000
I	Non-Resident Tuition	\$600,000	
J	Interest Earnings	\$45,000	
L	Apprenticeship - SCC	\$488,374	
EGK	Misc Income	\$0	
	Total	\$3,469,655	\$2,700,000
	<u>New Expenditures</u>		
B	COLA 0.00%	\$0	
C	Step/Column	\$1,100,000	
D	Health and Welfare/Benefits at 5% (1/2 year)	\$610,000	
D	CalPERS Increase	\$630,063	
D	CalSTRS Increase	\$1,161,452	
E	Full Time Faculty Obligation Hires	\$0	
E/F	Hourly Faculty Budgets (Convert to Full Time)	\$0	
H	Estimated Salary and Benefit Placement Savings	(\$2,300,000)	
I	Capital Outlay/Scheduled Maintenance Match	\$0	
J	Utilities Increase	\$200,000	
K	ITS Licensing/Contract Escalation Cost	\$125,000	
L.	Property, Liability and All Risks Insurance	(\$203,033)	
I.L	Apprenticeship - SCC	\$488,374	
M.	Other Additional DS/Institutional Costs	\$40,894	\$376,685
I.H	One-Time Cost to Cover Retiree Health ARC	\$0	\$2,323,315
	Total	\$1,852,750	\$2,700,000
	2016-17 Budget Year Surplus (Deficit)	\$1,616,905	

Note: Budget Stabilization Fund Balance at 6/30/2016 is estimated at \$13.7 million.

1 The Governor's intent in his proposal is that community college districts prioritize the use of their discretionary funding for "professional development, campus security infrastructure, technology infrastructure, and developing open education resources and zero-textbook-cost degrees."

2 Any new costs to attract and serve additional non-resident students would also need to be budgeted. (Estimated revenue totals \$2 million SAC and \$600,000 SCC)

* Reference to budget assumption number