

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**  
[website : Fiscal Resources Committee](#)

**Agenda for March 12, 2014**

1:30 p.m. - 2:30 p.m.

Executive Conference Room #114

1. 2014/15 RSCCD Tentative Budget Assumptions - **Action Item**
2. Other

**Next FRC Committee Meeting:** (Executive Conference Room #114 1:30 pm – 3:00 pm)  
March 19, 2014

**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.**

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT  
UNRESTRICTED GENERAL FUND  
2014-15 Tentative Budget Assumptions  
March 10, 2014**

I. State Revenue

A. Budgeting will continue to utilize the District's Budget Allocation Model Based on SB 361, modified if necessary using the Budget Stabilization Fund.

B. FTES Workload Measure Assumptions:

Year	Base	Actual	Funded	Actual Growth
2010/11	29,961.80	30,515.15	30,515.15	1.85%
2011/12	28,182.19	27,711.41	27,711.41	-9.95%
2012/13	a 27,711.41	28,185.04	28,185.04	1.71%
2013/14	b 28,185.04 (P1)	28,766.22 c	28,765.57 P1 est.	2.06%

a - based on 2012/13 Recalculation received 2/6/2014

b - based on 2013/14 P1 received 2/24/2014

c - based on 2013/14 P1 320 submitted 1/15/2014

Estimated unfunded FTES in 2013/14 of 0.65 as of P1

The Governor's budget proposal includes 3% Restoration/Access/Growth funding and .86% COLA.

Projected COLA of 0.86% (Est.)	<b>1,200,000</b>
Projected Restoration/Access/Growth 3% (Est.)	<b>3,900,000</b>
Projected Deficit (Estimated at 1%)	<b>(1,300,000)</b>
Base Increase for 2014/15	<b><u>3,800,000</u></b>

2014/15 Est. 3% R/A/Growth for FTES planning	<b><u>29,629</u></b>
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C. Education Protection Account (EPA) funding estimated at \$17,848,841 based actual on 2013/14 P1. These are not additional funds, rather the EPA is only a portion of general purpose funds that offsets what would otherwise be state aid in the apportionments. Our intention is to charge a portion of faculty salaries against this funding source in compliance with EPA requirements.

D. Unrestricted lottery is projected at \$126 per FTES (\$3,677,193). Restricted lottery at \$30 per FTES (\$875,522). (2013/14 P1 of resident & nonresident factored FTES, 29,184.07 x 126 = \$3,677,193 unrestricted lottery; 29,184.07 x 30 = \$875,522.

E. Estimated reimbursement for part-time faculty compensation is estimated at \$691,647 (2012/13 actual amount).

F. Categorical programs will continue to be budgeted separately; self-supporting, matching revenues and expenditures. No COLA has been proposed by the Governor for categorical programs. However, if the district were to settle with employees for a COLA, this will increase expenditures without increased revenues for these programs. Other categorical reductions would therefore be required to remain in balance with state funding. The colleges will need to budget for any match requirements in unrestricted funds. Historical program match requirements for SSSP (cr. Matric) is at 3:1.

G. BOG fee waivers 2% administration funding estimated at 2013/14 P1 of \$238,965.

II. Local Revenue

H. Non-Resident Tuition budgeted at \$1,500,000.

I. Interest earnings estimated at \$120,000.

J. Other miscellaneous income is estimated at \$408,261 (2012/13 budgeted amount, includes fines, fees, rents, etc.).

K. Mandated Block Grant reduced based on systemwide FTES growth, estimated at a total budget of \$750,000.

L. Apprenticeship revenue estimated at \$1,389,973 (2013/14 budgeted amount).

M. Scheduled Maintenance allocation estimated at \$2.2 million (1:1 Match) and Instructional Equipment allocation estimated at \$2.2 million (1:3 Match).

N. Energy Efficiency/Prop 39 revenue is estimated at \$999,000.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT  
UNRESTRICTED GENERAL FUND  
2014-15 Tentative Budget Assumptions  
March 10, 2014**

III. Appropriations and Expenditures

- A. The Tentative Base Budget for 2014/15 will begin with a rollover in total 2013/14 Adopted Budget by site, as allocated by budget center. The 2014/15 Tentative Budget will be balanced if necessary by using a portion of the Budget Stabilization Fund.
- B. The COLA revenue (estimated at 0.86%, \$1.2 million) will be set aside in districtwide expenditure accounts subject to collective bargaining.
- C. Step and column movement is budgeted at an additional cost of approximately \$1.1 million including benefits.
- D. Health and Welfare benefit premium cost increase estimated at 7.5% is an additional cost of approximately \$1,050,000 for active employees and an additional cost of \$450,000 for retirees.  
State Unemployment Insurance local experience charges are estimated at \$250,000 (2013/14 budgeted amount).  
CalPERS employer contribution rate estimated to remain the same in 2014/15 at 11.442%.  
Note: The cost of each 1% increase in the PERS rate is approximately \$300,000.  
There is currently no proposed increase in the STRS rate although projections indicate large increases beginning 2015/16.  
Note: The cost of each 1% increase in the STRS rate is approximately \$550,000.
- E. The full-time faculty obligation (FON) for Fall 2014 is estimated at 334.80. Although districts have not been required to comply with this requirement for several years due to the budget crisis, the FON has been reinstated for 2014-15 by the Board of Governors of the California Community Colleges. The District is currently recruiting 33 faculty positions (one of which does not count toward the FON) for an estimated total of 32 positions counting toward the obligation. The District expects to meet its obligation in 2014-15. Penalties for not meeting the obligation amount to approximately \$69,532 per FTE not filled.  
  
The additional cost of new faculty being hired for Fall 2014 is estimated at \$2.7 million. SAC is filling nine vacancies and adding 19 new positions. SCC is filling two vacancies and adding three new positions. (The cost of the 22 new positions is budgeted at Class VI, Step 10  $\$85,360.54 \times 22 = \$1,877,932 + \$37,480.40 \times 22 = \$824,599$ , for a total of \$2,702,501).
- F. The current rate per Lecture Hour Equivalent (LHE) for hourly faculty is \$1,174 effective July 2013. This represents a 6.7% increase from 2012/2013.
- G. Retiree Health Benefit Fund (OPEB/GASB 45 Obligation) - The District will continue to contribute 1% of total salaries plus a minimum of \$500,000 to fund the total actuarially determined Annual Required Contribution (ARC).
- H. Capital Outlay Fund - The District will contribute the 1:1 match of \$2.2 million for Scheduled Maintenance.
- I. Utilities cost increases of 5% overall estimated at \$200,000.
- J. Information Technology licensing contract escalation of 7%, estimated at \$125,000.
- K. In allocating the Instructional Equipment allocation of \$2.2 million as noted in II-M above, the colleges will need to budget the 1:3 match of \$733,333 in unrestricted funds.
- L. Property and Liability Insurance cost estimated at \$1,800,000.
- M. Other DO/Districtwide expenses:  
Trustee Election Expense estimated at \$400,000  
Trustee Expenses of \$13,000  
Chancellor's Office Expenses of \$25,000  
Marketing Expenses of \$200,000  
Legal Expenses of \$250,000  
International Student Recruitment China Office \$18,000



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Santa Ana College • Santiago Canyon College

DATE: March 10, 2014  
TO: Peter Hardash, Vice Chancellor  
FROM: Raúl Rodríguez, Chancellor  
SUBJECT: DO/Districtwide Expenses

It is my understanding that further detail was requested by the Fiscal Resources Committee concerning the expenses that were being incorporated into the 2014-2015 general fund budget. I am glad to provide greater detail on these expenses. What follows is a description of each of those items.

Trustee Election Expense. The district must pay for trustee elections and the estimated cost for the next election is \$400,000. The trustees are on a cycle where we face elections every other year. The next trustee election is November 2014 when three current trustees will be up for election. Four trustees will be up for elect in 2016. There is no way to avoid this cost.

Trustee Expenses. The trustee discretionary budget for travel and related expenses, including trustee meals at board meetings, is being augmented by approximately \$13,000. As we have three new trustees and conference attendance is one of the most common methods by which trustees receive professional development training, this seems like a logical way for our trustees to seek such training. It is in fact a best practice for trustees to attend such conferences (e.g., CCCT, ACCT, etc.) and to attend workshops on specific topics of professional development related to good trusteeship.

Chancellor's Office Expenses. The bulk of this \$25,000 expense is related to the reinstatement of previous memberships that were allowed to lapse during the budget crisis. The largest of these is membership in the American Association of Community Colleges (AACC). This cost alone is approximately \$14,000 for the district office and one college (we are required to have at least one college be a member for the district office to be a member). The AACC is the premier national organization representing community colleges and they provide an array of member services and also lobby the federal government and other entities on our behalf. We will also join the Association of Community College Trustees and several other organizations.

Marketing Expenses. During the budget crisis the district and the colleges essentially abandoned any coherent or directed marketing activities. As we move into a more competitive environment where districts will be vying for increased enrollment to capture their share of growth dollars, we can't afford not to invest in marketing campaigns. The amount that I have put into this category is a small investment as marketing expenses are concerned. This amount will have to pay for marketing at both colleges since neither of our two colleges have the capacity or the funds to undertake marketing efforts on their own. A

BOARD OF TRUSTEES:

Claudia C. Alvarez • Arianna P. Barrios • John R. Hanna • Lawrence R. "Larry" Labrado • Jose Solorio • Nelida Mendoza Yanez • Phillip E. Yarbrough

CHANCELLOR:

Raúl Rodríguez, Ph.D.

budget of \$200,000 is a minimal amount and may need to be augmented in future years as we get a better sense of how best to leverage our marketing efforts.

Legal Expenses. Due to a variety of issues, our legal costs have continued to rise over the last few years. For example, the compliance issues that were identified with the Orange Education Center (OEC) were not anticipated. The complex legal issues associated with this problem have contributed to the escalation of costs. There are many other items, some related to personnel, some related to construction projects, some related to board directives, and other subjects that are covered under this category. We have been overspending the estimated costs for this budget item and we need to increase the amount to cover the new reality of legal fees and associated costs.

International Student Recruitment. This is an item where we have to invest a few dollars to make money. Both colleges have undergone training related to the recruitment and retention of international students. One of the activities that is difficult for the colleges to undertake is the recruitment of these students. The district office is taking the lead on this recruitment effort. To enable us to recruit students from China for our two colleges, we are opening an office in China in collaboration with our Canadian partner, Centennial College. This office will cost the district approximately \$1,500 per month. The amount listed previously was for \$12,000 and that will have to be amended to reflect the \$18,000 amount. The payback on this investment will be that both colleges will see an increase in international students who will pay the higher tuition costs required of out-of-state students. The extra income from these students will remain with their respective colleges. That is, whatever is earned accrues to the colleges and there is no district share.

It is my hope that these explanations will assure the Fiscal Resources Committee that these items are not being placed into the budget lightly. Budgets need to be adjusted to reflect actual spending. Budgets need to be augmented at times to reflect new initiatives and activities that are intended to advance the strategic interests of the colleges and the district. I believe these budget items are all reasonable and necessary. Our goal is not to significantly increase the budget of the district office or of districtwide services. Our goal is to meet our current needs and undertake activities that could potentially provide increased revenue to our colleges and district.

Although I am pleased to provide whatever information is requested related to these items, I want to correct what may be a misperception held by members of the Fiscal Resources Committee. There may be a misperception that the Fiscal Resources Committee has veto power or control over all budget items. That is not the case and the Board of Trustees is the only legal entity that has such control. Of course, our participatory governance process provides opportunities for input as the budget is formulated and prepared to present to the Board of Trustees. Input is not the same thing as authority over or veto power concerning particular budget items. We can debate the merits of these budget items and we should do so. It is important to understand the thinking behind budget requests. However, our budget model does not provide authority to any committee that reviews the budget to red line requests that come from the Chancellor's Office.