

2014-2015 Tentative Budget

Board of Trustees Meeting
June 9, 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

Overview

1. State and District Budget Update
2. RSCCD 2014-15 Tentative Budget
3. Fiscal Accountability
4. Timeline and Recommendation

State and District Budget Update

- Tentative Budget revenue estimates based on Governor's January budget proposal with changes included in May Revision
 - Does not include any possible Legislative conference committee augmentations
 - State budget due by this Sunday June 15
 - Law requires districts have approved Tentative Budget in place in order to continue paying district obligations starting July 1
 - Placeholder budget

State and District Budget Update

- New unrestricted revenues
 - COLA – 0.85%
 - RSCCD = approximately \$1.2 million
 - Growth/Access/Restoration – 2.75%
 - RSCCD = approximately \$3.6 million

- Total new unrestricted revenue = \$4.8 million

State and District Budget Update

- New restricted (categorical) revenues
 - SSSP - \$100 million statewide - 2:1 match
 - Student Equity - \$100 million statewide
 - Scheduled Maintenance - \$148 million statewide – one time funding
 - Economic Workforce Development - \$50 million statewide – one time funding
 - Telecommunications and Technology Infrastructure - \$4.6 million statewide
 - Telecommunications and Technology - \$1.4 million statewide – one time funding
- RSCCD share - TBD

State and District Update

■ New district expenditures

- COLA – 0.85% - subject to collective bargaining - \$1.2 million
- Step/column movement - \$1.2 million
- Health benefit premium increase - \$1.6 million
- CalPERS and CalSTRS increase - \$786,200
- Full Time Faculty Obligation - \$2 million
- Other - \$600,000

■ Total new district expenditures = \$7.4 million

■ Annual costs are increasing at a greater rate than new ongoing unrestricted state funding

State and District Update

- Based on current new state revenues and projected new current year expenditures
 - Deficit spending in budget year - \$2.7 million
 - Ongoing deficit spending increases to \$5.5 million ongoing
 - Use of budget stabilization funds

Unrestricted General Fund Budget Assumptions Analysis

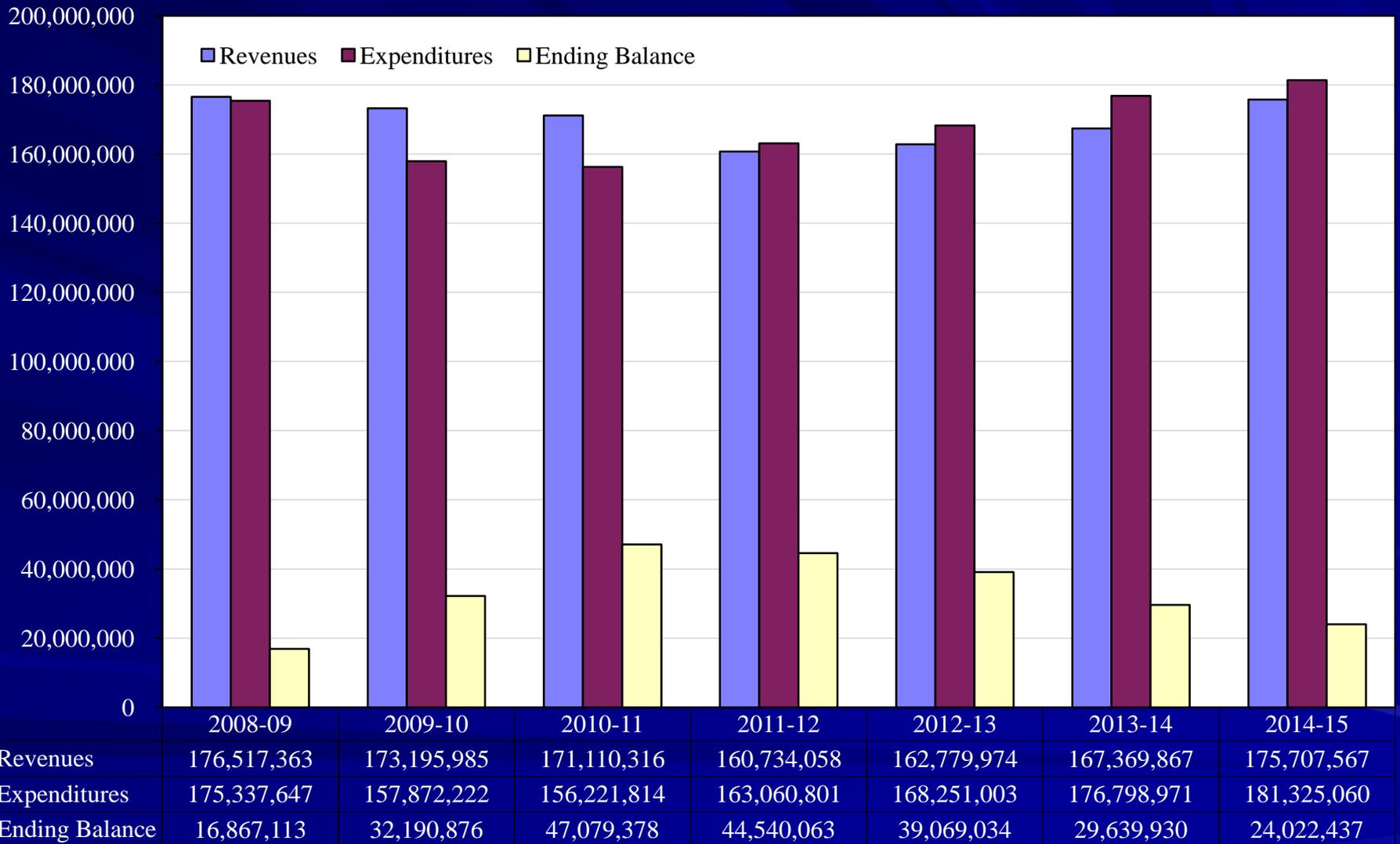
New Revenues

| | |
|----------------------|--------------------|
| COLA 0.85% | \$1,185,000 |
| Growth 2.75% | \$3,575,000 |
| Unrestricted Lottery | \$71,428 |
| Non-Resident Tuition | (\$100,000) |
| Interest Earnings | (\$30,000) |
| Misc Income | (\$63,109) |
| Mandates Block Grant | (\$10,000) |
| Total | \$4,628,319 |

New Expenditures

| | |
|-------------------------------------------------|----------------------|
| COLA 0.85% | \$1,185,000 |
| Step/Column | \$1,200,000 |
| Health and Welfare/Benefits 8.2% | \$1,650,000 |
| CalPERS Increase | \$98,700 |
| CalSTRS Increase | \$687,500 |
| Full Time Faculty Obligation Hires | \$2,702,501 |
| Hourly Faculty Budgets (Convert to Full Time) | (\$774,840) |
| SSSP Match | \$0 |
| Capital Outlay/Scheduled Maintenance Match | (\$750,000) |
| Utilities Increase | \$200,000 |
| ITS Licensing/Contract Escalation Cost | \$197,105 |
| Property and Liability Insurance | \$100,000 |
| Other Additional DO/Districtwide Costs | \$906,000 |
| Total | \$7,401,966 |
| 2014-15 Budget Year Deficit | (\$2,773,647) |
| 2013-14 Ongoing Base Structural Deficit | (\$2,754,568) |
| Total Ongoing 2014-15 Structural Deficit | (\$5,528,215) |

Recap of Revenues and Expenditures General Fund (Combined Fund 11, 12 & 13)



Amended Proposed Tentative Budget

- Last minute adjustment to budget assumptions used to prepare proposed Tentative Budget
 - Budget assumptions – page 87
 - Line item L
 - Other additional DO/Districtwide expenses
 - Remove the following:
 - Trustee Expenses of \$13,000
 - Chancellor's Office Expenses of \$25,000
 - Marketing Expenses of \$200,000
 - Reduces expenditures by \$238,000

2014-15 Tentative Budget

RSCCD Tentative Budget

- Tentative Budget continues utilizing the district's Budget Allocation Model for revenue allocations to the campuses
 - FTES split adjusted to 70.19% SAC / 29.81% SCC
 - Campuses decide expenditure appropriations
- Includes “placeholder” revenue for COLA and Restoration/Access/Growth of \$4.76 million
 - These funds are subject to collective bargaining and allocation between the campuses
- Estimated spend down (deficit spending) of Budget Stabilization Funds - \$(5.5 million)

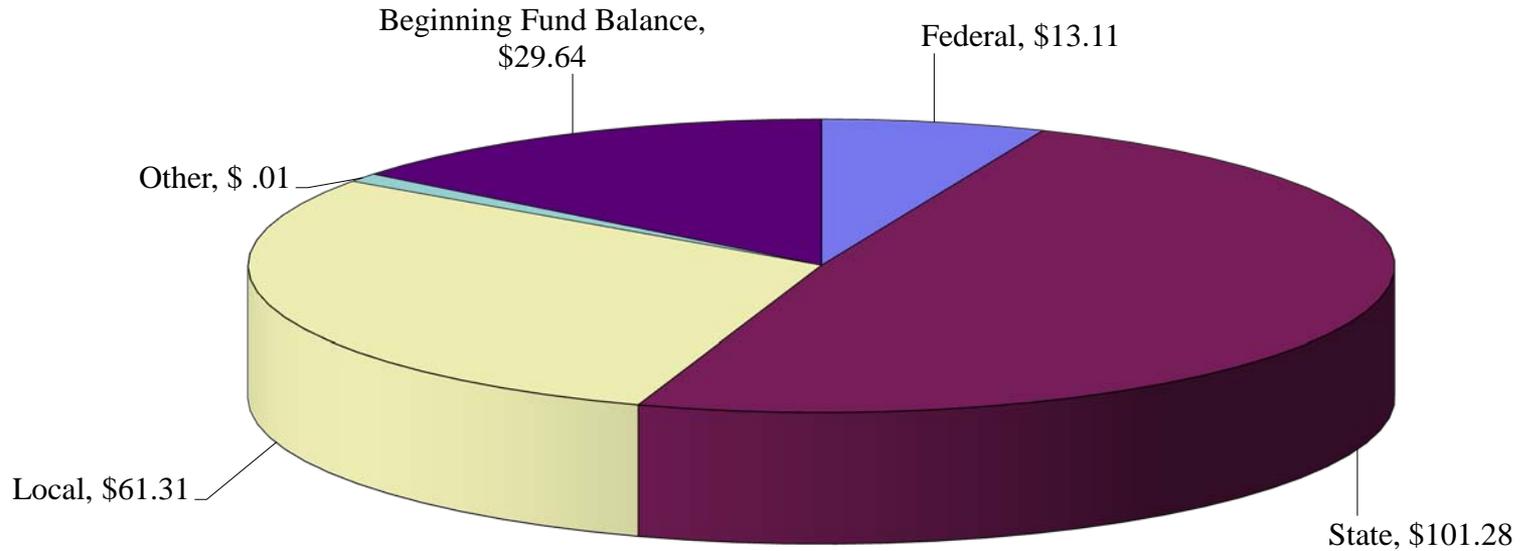
Tentative Budget

■ 2014-15 Budgeted Unrestricted General Fund Expenditures, including estimated carryover funds:

| | |
|------------------------------------------------|--------------|
| – Santa Ana College | \$78,894,712 |
| – Santiago Canyon College | \$35,064,132 |
| – District Office | \$27,995,229 |
| – Districtwide Costs | \$10,508,240 |
| ■ Retiree Medical Premiums | |
| ■ All Risks and Property & Liability Insurance | |
| ■ Election Cost | |
| ■ Interfund Transfers | |

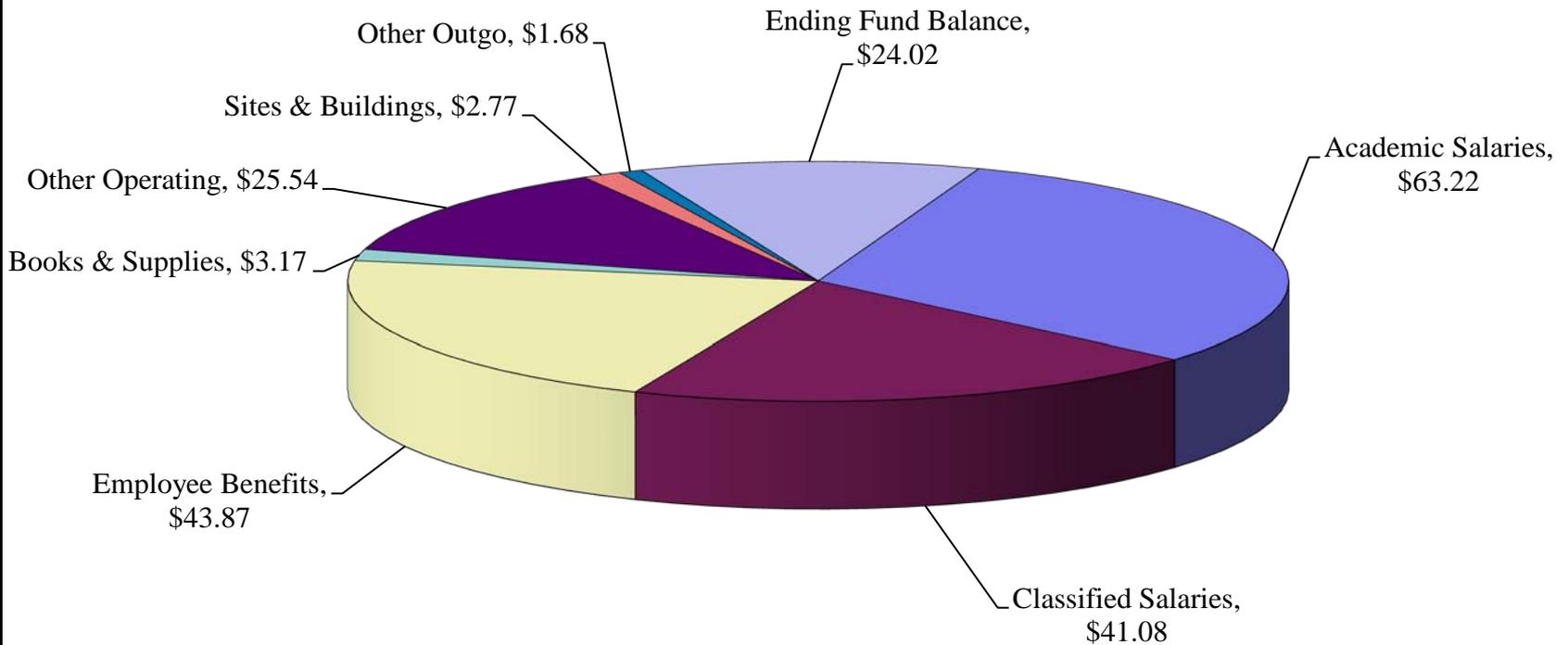
Tentative Budget

**Total Combined General Fund Revenue
\$175.71 million, Plus Beginning Balance of \$29.64 million**



Tentative Budget

**Total Combined General Fund Expenditures
\$181.33 million, Plus Ending Fund Balance of \$24.02 million**



All District Funds

| | | |
|----------------------------------------------|----------------|-----------------------|
| General Fund | | |
| Expenditures | \$ 181,325,060 | |
| Board Policy Contingency (5%) | 7,561,467 | |
| Restricted Reserves | 5,449,836 | |
| Budget Stabilization | 9,778,155 | |
| Unrestricted Contingency | 1,232,979 | |
| | <hr/> | |
| Total General Fund | | \$ 205,347,497 |
| Bond Interest and Redemption Funds | | 32,143,742 |
| Bookstore Fund | | 10,891,326 |
| Child Development Fund | | 6,261,937 |
| Capital Outlay Projects Fund | | 41,448,987 |
| General Obligation Bond Fund - Measure E | | 28,236,780 |
| General Obligation Bond Fund - Measure Q | | 198,000,000 |
| Self-Insurance Fund - Property and Liability | | 3,583,401 |
| Self-Insurance Fund - Workers' Compensation | | 8,807,488 |
| Retiree Benefits Fund | | (5,377,074) |
| Associated Students Fund | | 544,198 |
| Representation Fee Trust Fund | | 95,868 |
| Student Financial Aid Fund | | 29,837,709 |
| Community Education Fund | | 1,048,876 |
| Diversified Trust Fund | | 2,984,653 |
| | | <hr/> |
| Total All Funds | | <u>\$ 563,855,388</u> |

Fiscal Accountability

Fiscal Accountability – What and Why

- Authorized in Ed Code Section 85266
- District would take full responsibility and accountability for issuing non-payroll (vendor) checks
- Differs from “Fiscal Independence” - full responsibility for both payroll and non –payroll (vendor) checks
- RSCCD is interested in becoming fiscally accountable not fiscally independent
- Better customer service to both internal and external customers:
 - Faster turn around time for checks
 - Take advantage of additional vendor discounts
- Minimal initial costs with no additional on-going costs

Typical Check Process Timeline Comparison

| # of workdays | Current Process Time | New Process Timeline |
|----------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| | | |
| Workday 1 | Process Invoices | Process Invoices |
| | Print Checks | Print Checks |
| | | |
| Workday 2 | Send Check Registers/POS Pay File to OCDE | Send Check Registers/POS Pay File to OCDE |
| | Courier delivers checks to OCDE | RSCCD Audits Checks |
| | | |
| Workday 3 | OCDE Audits Checks/Requests Backup | RSCCD releases checks |
| | | |
| Workday 4 | OCDE signs and releases checks | |
| | | |
| Workday 5 | Receive checks from OCDE and mail out | |
| (Note: days 3-5 can take up to 2 additional days) | | |
| | | |

District Requirements

- Currently working on Application and Audit
- Need to designate Disbursing Officer and update policies and procedures
- July 21, 2014 – Board Authorization of Application and Resolution to OCDE and County Auditor
- Application due on or before September 1, 2014
- County Approval on or before March 1, 2015
- Fiscal Accountability Effective July 1, 2015

Timeline and Recommendation

RSCCD Budget Timeline

- July 1st deadline by law for an approved operating district budget
- Tentative Budget is merely a placeholder in order to continue to pay employees and obligations after July 1st
 - More budget detail developed for Adopted Budget once state budget act enacted and “Blue Book” is issued by state Chancellor’s Office in July
 - 2013-2014 fiscal year closing information
- RSCCD proposed Adopted Budget scheduled for September 8th Board of Trustees meeting

Tentative Budget Recommendation

- Recommend approval of the amended proposed 2014-2015 Tentative Budget, as presented