

Southwestern Community College District  
Governing Board

ADOPTION BUDGET PRESENTATION  
FY23-24

AUGUST 28, 2023

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# Developing the Adoption Budget

- The fiscal year for the District and the State of California is July 1 – June 30
- Typically, the State passes its budget for the coming year very close to June 30
- The District cannot wait until the State passes its budget to approve its own budget for the coming year
- As a result, the District passes a Tentative Budget before July 1 based on assumptions of what will be included in the State budget, the District's financial position at that time, and what District needs will be
- In September, the District passes an Adoption Budget to address the actual State budget passed, as well as updated information on the District's financial position and needs

# California State Budget Highlights

- The State's Budget Act for FY 23-24 was passed July 10 and includes \$310 billion in expenditures, a \$2 billion increase over the prior year
- Significant revenue shortfalls related to a downturn in the stock market and a decline in income tax withholdings resulted in a budget deficit estimated to be \$31.5 billion
- For community colleges, the Budget Act includes a small increase from \$13.4 billion to \$13.5 billion
  - This budget included an 8.22% cost-of-living adjustment for apportionment, and selected categorial and other support programs
  - Deferred maintenance funds allocated in the prior year were reduced by a net \$494 million while additional flexibility was provided in allowable uses of several one-time funding sources

# Unrestricted General Fund - FY 23

## SWC Unrestricted General Fund

Description	FY 22-23 Adjusted Budget	FY 22-23 Unaudited Actuals	Increase/ Decrease	
Revenue	\$ 134,575,029	\$ 133,776,306	\$ (798,723)	CO applying a .88% deficit factor to apportionment
Expenses	\$ 131,213,725	\$ 137,894,673	\$ 6,680,948	Expenses exceeded budget
(Deficit)	\$ 3,361,304	\$ (4,118,367)	\$ (7,479,671)	Expected surplus became a deficit

Where did we exceed budget?

Capital Expenses	\$ 113,345,203	\$ 121,640,920	\$ 8,295,718	Over budget
Personnel Expenses	\$ 17,868,522	\$ 16,253,752	\$ (1,614,770)	Under budget
Other Expenses	\$ 131,213,725	\$ 137,894,673	\$ 6,680,948	

# Unrestricted General Fund - FY 23 Actuals

Effect of the FY 23 deficit on the GB reserve

Description	FY 22-23 Unaudited Actuals	
<b>Beginning Fund Balance</b>	\$ 22,258,433	
Excess (Deficit)	<u>\$ (4,118,367)</u>	
<b>Ending Fund Balance</b>	\$ 18,140,066	Fund balance decreased due to deficit
Committed for Economic Uncertainty - Governing Board Reserve (16%)	<u>22,063,148</u>	Amount needed for reserve increased due to higher expenses
<b>Reserve Shortfall</b>	<u><u>\$ (3,923,081)</u></u>	Shortfall to maintaining established reserve
 <i>Resulting Governing Board Reserve as % of Total Expenses</i>	 <i>13%</i>	

Additional reserve (above and beyond GB reserve) for compensated absences no longer maintained

Chancellor's Office Emergency Conditions Allowance has lapsed

City's apportionment funding will be based on the highest of SCFF, Stability, or Hold-Harmless

- Upward trend in FTES during past year will continue
- Statewide 0.88% deficit factor to FY 23 apportionment revenue will remain

0% COLA for apportionment, selected categorical funds, basic needs centers, mental health services, rapid response, NextUp, MESA, Puente, Umoja and veterans' resource centers

- No COLA for Student Equity and Achievement Program (SEAP) or Strong Workforce

Decrease projected for non-apportionment revenue

City exploring possibility of seeking voter approval for new bond to support phase II of Facilities Vision Plan

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Additional vacancy savings for 52 employees who elected to SERP

- Select positions in SERP deemed critical will be filled as soon as possible
- 2023 SERP payouts will add to ongoing payouts for 2019 and 2021 SERPs

Strategic approach to filling vacancies/backfills while promoting efficiency/process improvements

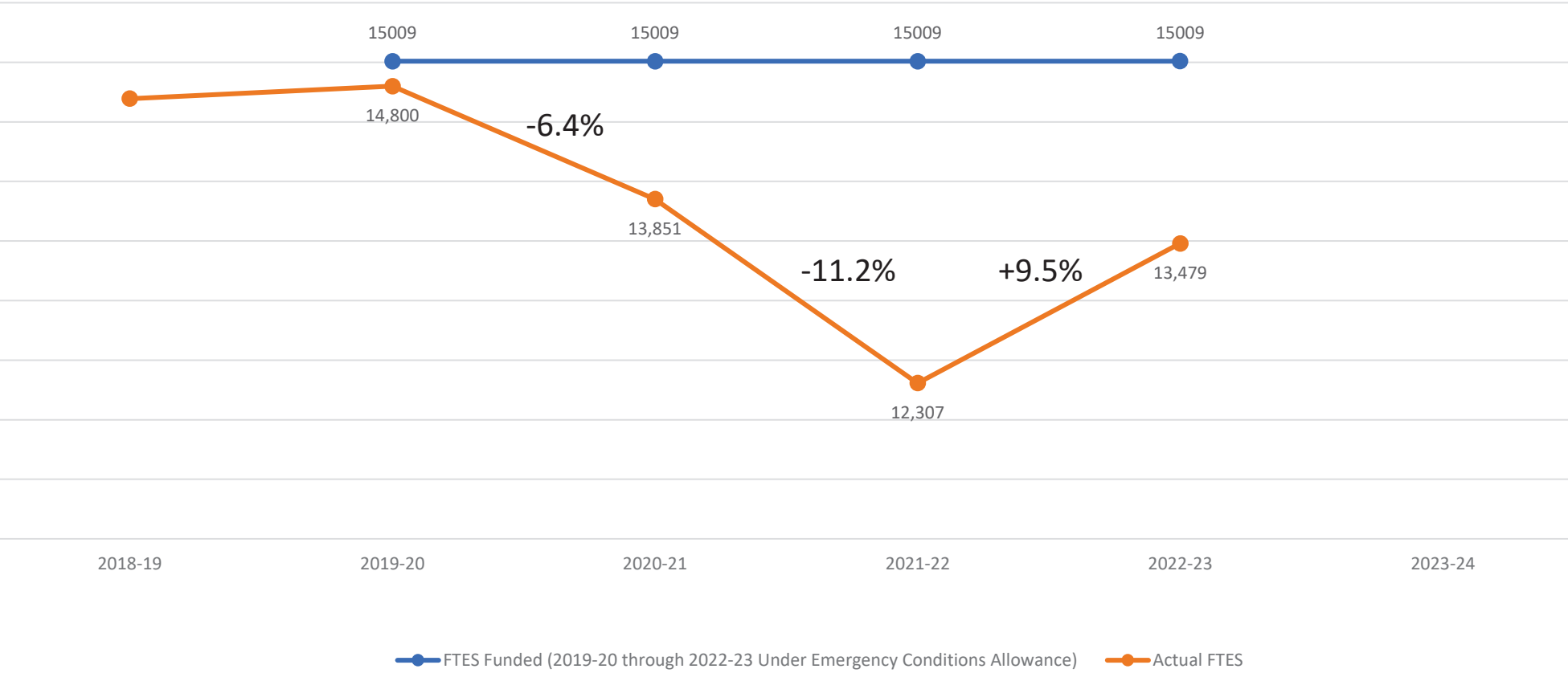
Increased costs for STRS/PERS contributions and Health & Welfare benefits

Increased costs for utilities and new building maintenance contracts

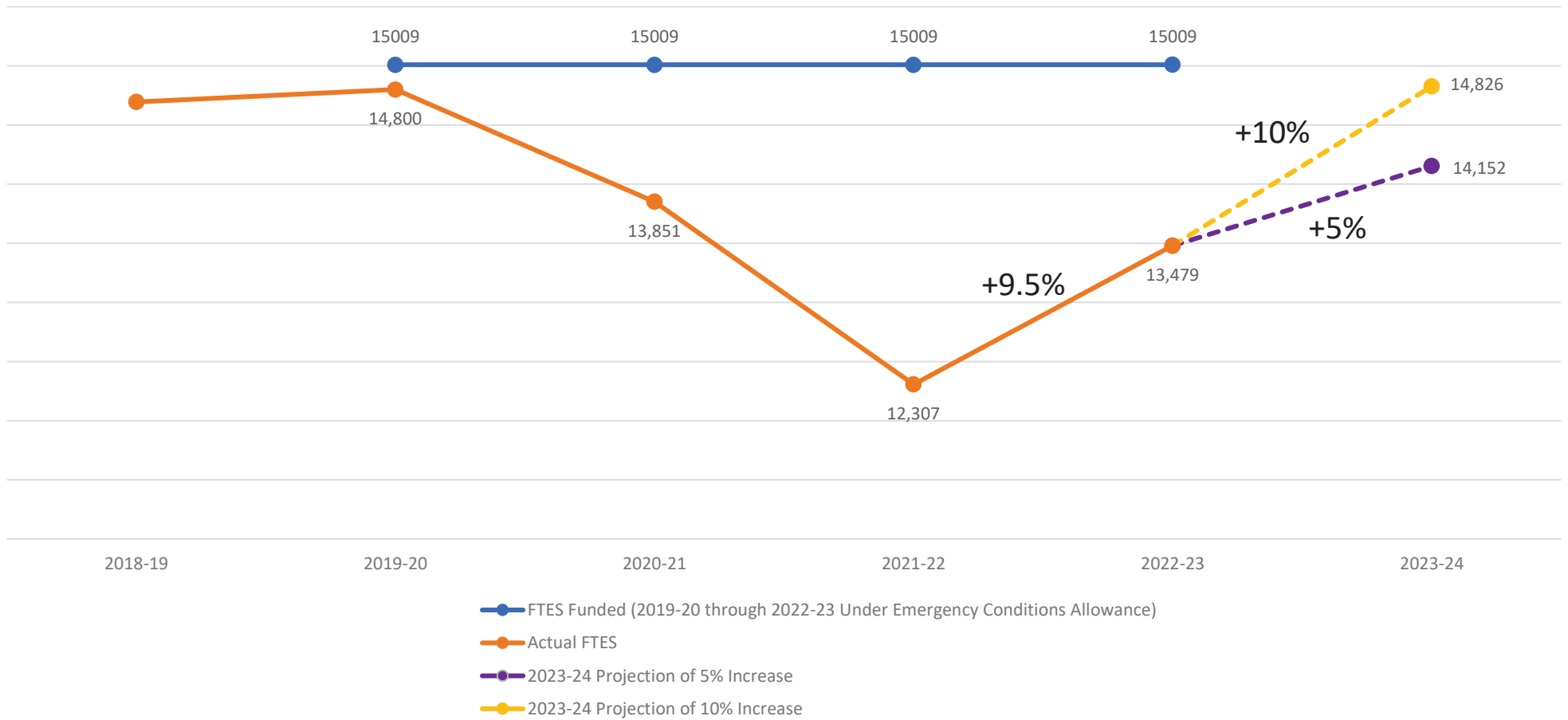
City committed to reducing expenses and producing a surplus to help restore GB reserve

# FY23-24 Adoption Budget Assumptions

# FTES Trend



# FTES Trend (Cont.)



Revenue in FY 24 protected by stability; increasing FTES by at least 5-10% (or more) this year is key for FY 25



<b>SWC Unrestricted General Fund</b>	<b>FY 23-24 Adoption Budget</b>
<u>Student Centered Funding Formula</u>	
<u>State Apportionment</u>	
<b>Basic Allocation</b>	
<b>Total Basic Allocation - Medium w/3 Centers</b>	<b>\$ 14,881,366</b>
<b>FTES</b>	
Credit FTES	\$ 76,202,689
Regular Non-Credit CDCP	369,736
Non-Credit FTES	215,552
Special Admit	1,378,690
Incarcerated Credit	225,392
<b>Total FTES</b>	<b>\$ 78,392,059</b>
<b>Total Base Allocation (Basic + FTES)</b>	<b>\$ 93,273,425</b>
Supplemental Allocation/Student Equity	21,964,909
Student Success Allocation	13,021,365
<b>Total Computational Revenue (TCR)</b>	<b>\$ 128,259,699</b>
<u>Other Revenue</u>	
<b>Total Other Revenue (Federal, State, Local)</b>	<b>\$ 13,226,829</b>
<b>Total Unrestricted Revenue</b>	<b>\$ 141,486,528</b>

# FY23-24 Revenue Estimates

# Unrestricted General Fund - FY 24 Budget

## SWC Unrestricted General Fund

Description	FY 22-23 Unaudited Actuals	FY 23-24 Adoption Budget	Increase/ Decrease	
Revenue	\$ 133,776,306	\$ 141,486,528	\$ 7,710,222	Increase in apportionment revenue due to COLA and Decrease in non-apportionment revenue
Personnel Expenses	\$ 121,640,920	\$ 121,452,450	\$ (188,471)	One-time funds used to support/reduce personnel costs
Other Expenses	\$ 16,253,752	\$ 18,667,020	\$ 2,413,268	Increases in utilities, building maintenance and committed co
Expenses	\$ 137,894,673	\$ 140,119,470	\$ (2,224,797)	Total increase in expenses
(Deficit)	\$ (4,118,367)	\$ 1,367,058	\$ 5,485,425	Operating turnaround and surplus

Alternative Budget developed before deficit fully realized

# Unrestricted General Fund - FY 24 Budget (Cont.)

Effect of the FY 24 surplus on the GB reserve

Description	FY 22-23 Unaudited Actuals	FY 23-24 Adoption Budget	
Beginning Fund Balance	\$ 22,258,433	\$ 18,140,066	
Excess (Deficit)	(4,118,367)	1,367,058	
Ending Fund Balance	\$ 18,140,066	\$ 19,507,125	Surplus increases fund balance
Committed for Economic Uncertainty (Governing Board Reserve)	(22,063,148)	(22,419,115)	
Reserve Shortfall	\$ (3,923,081)	\$ (2,911,990)	Shortfall to maintaining established reserve decreased
Governing Board Reserve as % of Total Expenses	13%	14%	Reserve moves upward to GB goal

# FY 24 Adoption Budget (Cont.)

<u>Potential Outcomes that Would Benefit the District</u>	<u>Increases</u>	<u>Estimate</u>
Statewide 0.88% deficit factor to FY 23 apportionment revenue may be restored	Ending fund balance	\$1M
10% Increase in FTES, Supplemental (Equity) and Student Success for FY 24 (exceeding stability protection)	Revenue	\$2-3M
Non-apportionment revenue only decreases by 4.8% as opposed to estimated 13%	Revenue	\$1.2M
Total		<u>\$4.2-5.2M</u>

## Potential Uses for Increases

Restore one-time funds used to support/reduce salaries in FY 24	Funding salary commitments in GF	\$2.3M
Achieve GB reserve of 16% of expenses in FY 24	Ending fund balance	\$2.9M
Total		<u>\$5.2M</u>

## Risks

Potential increases in utilities usage/costs and benefits costs

# Moving Forward

- Continue to focus on ***SWC's goals to increase access, enrollment, student success, and eliminate equity gaps*** while increasing efficiency, improving processes, and reducing expenses
- Tighten fiscal ***controls and monitoring*** to ensure spending stays aligned with budget
  - Forecast revenue and expense quarterly to anticipate challenges early

# Adoption Budget also includes Restricted/Categorical Funds, Enterprise Funds and Facilities/Bond Funds

- Carryover funds, new revenues and all expenditures are estimates for these funds.
- Budgets were included in the Tentative Budget to authorize spending beginning 7/1.
- Adoption Budget includes updates to earlier estimates.
- The detailed budgets will be adjusted to actuals after the 6/30-year end is completed
  - Financial Services closes year end in September.

# Restricted General Funds

- Adoption Budget includes \$53.6 Million of Categorical Revenue

➤ Student Equity & Access	\$ 6.7 M
➤ Student Access	22.7
➤ Student Success & Community	18.4
➤ Institutional Effectiveness	5.8
<b>Total Restricted Revenue</b>	<b>\$53.6 M</b>

*Listing by Program included in Budget Packet – page 25*

# Facility Bonds and Capital Projects

## • Proposition R & Z Funds

- Includes all funds available in the bonds for listed projects.
- Balances will be updated to actuals after year-end close is completed.

## • Capital Outlay Funds

- State scheduled maintenance/deferred maintenance funds
  - No new funds for FY 23-24
- Local redevelopment funds
- Locally funded facility projects




# Enterprise Funds

- Bookstore
- Food Services
- Civic Center Facilities Leasing - CCFL
- Fitness Center-JAWS

# Other District Funds

- Other Funds

- Student Center – fund collects fees to support the Student Center including paying debt issued in 2010 to improve the center.
  - Student Representation Fee – fund collects fees to support the Student Senate of Calif CC and SWC student leaders
  - Associated Students Funds – fund collects fees to support ASO activities
  - Self-Insurance Fund – closed out at YE 22-23 to offset general fund insurance costs
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# Next Steps

- Adoption Budget presentation to Governing Board on August 28.
- Governing Board approves the budget September 11.
- Budget is updated once FY 22-23 is finalized and audit is completed. Summary will be presented to Governing Board.
- State will provide updated budget information at P1 in February 2024.

# Budget process acknowledgement and appreciation

- Budgets are a result of detailed strategic planning and thoughtful collegial discussions considering budget priorities.
- Budget managers continually manage their budgets throughout the year to effectively serve students and focus on the success of our students.
- Many professionals across the district participate in budget development, program review and the prioritization of the requests.

*We appreciate everyone involved in the budget development process.*

*We truly could not pull all the details together without you.*

Thank You!

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