

**Southwestern College
Tentative Budget Workshop
2017-18
May 26, 2017**

Linking Strategic Planning to Budget

- **Student Access**
 - Student-centered climate that provides equal access to educational achievement through collaboration that values diversity
- **Student Success**
 - Promote a culture of academic success by creating a safe and supporting environment that enables students to achieve their educational goals
- **Teaching and Learning**
 - Provide excellent instruction, develop culture of independent thinkers and learners
- **Economic, Workforce, and Community Development**
 - Contribute to the regions economic revitalization

Linking Strategic Planning to Budget

- **Human Resources**
 - Recruit, hire, train qualified diverse staff, faculty and administrators, demonstrating its commitment to providing an equitable and inclusive environment
- **Physical and Financial Resources**
 - SWC will act in a responsible, accountable and transparent manner.
 - SWC will provide that the college's design and infrastructure meet evolving needs of students, faculty, staff and the community
- **Organizational Effectiveness**
 - Effective implementation of goals and strategies by cultivating and sustaining processes, systems, and culture
- **Technology and Research**
 - Meet current and future technology needs

Budget Guiding Principals

- ▶ **Ensure transparency in the budget process**
- ▶ **Plan and budget for contractual obligations and State requirements**
- ▶ **Ensure short-term and long-term budget sustainability**
 - ▶ **One-time funds used for one-time expenses**
 - ▶ **Consider ongoing costs of new commitments**
 - ▶ **Develop long range plan to address future liabilities**
- ▶ **Maintain reserves for future uncertainties**
- ▶ **Ensure short-term and long-term budget sustainability**
- ▶ **Budget FTES based on realistic projections**

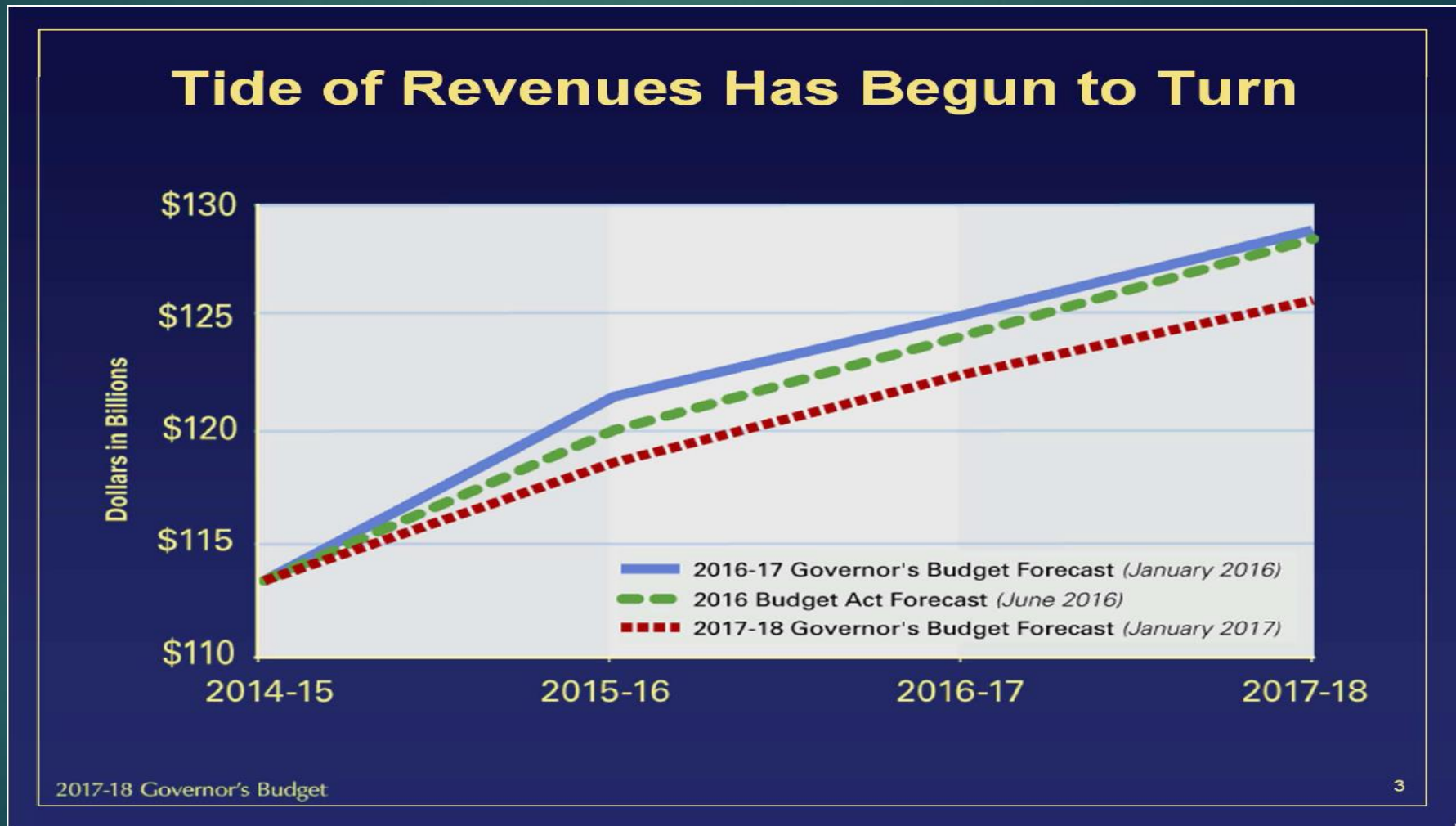
Overview

- ▶ **Brief Overview of State Economy**
- ▶ **Governor's May Revise Impacts on Community Colleges and Southwestern College**
- ▶ **Tentative Budget Highlights**
- ▶ **Next Steps**

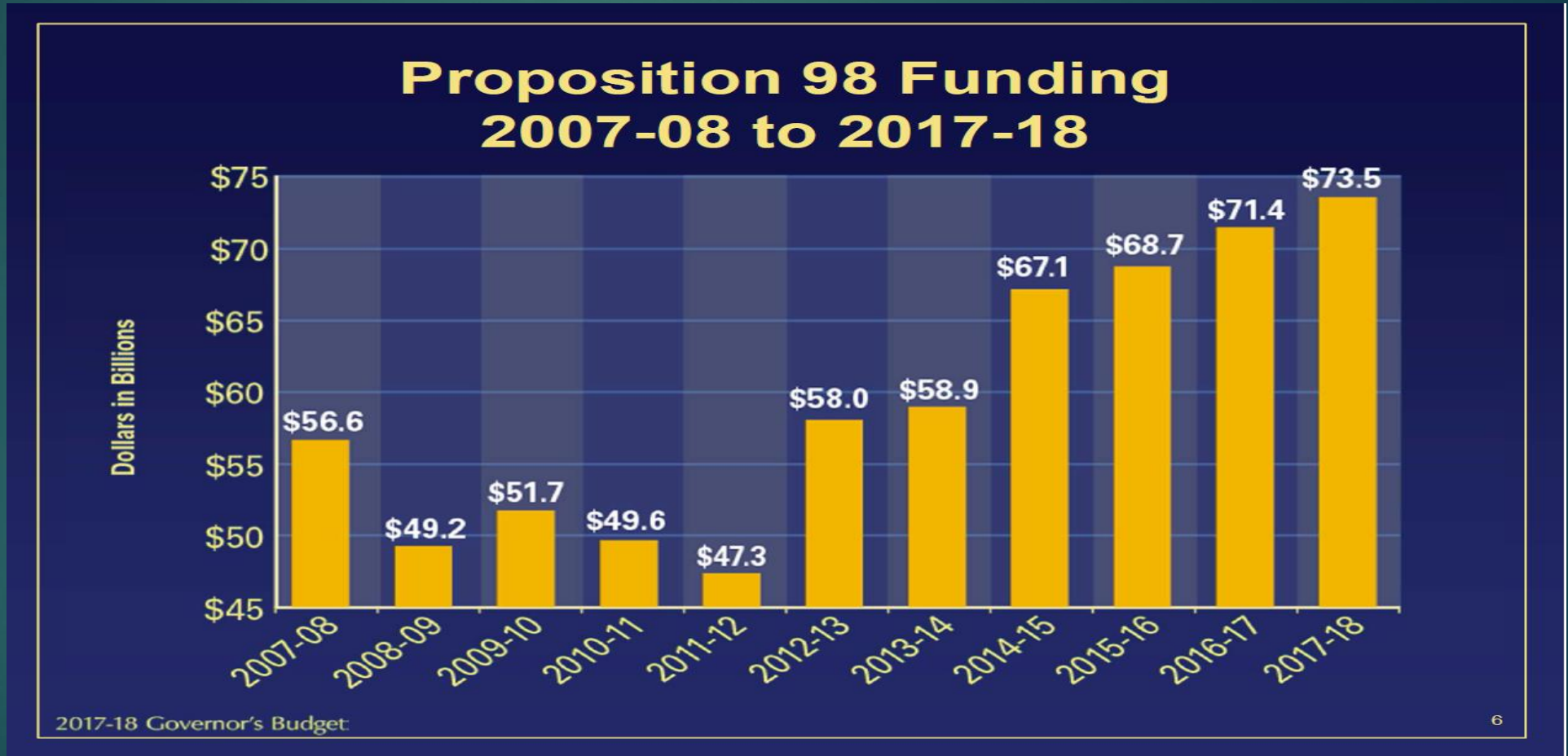
Impacts of a Dynamic Economy

- ▶ Although the State economy is continuing to expand it is slowing significantly
- ▶ Current recession recovery has lasted 3 years longer than average length
- ▶ Worries over possible changes to existing Federal fiscal policy

Revenues Projections have been lowered Twice in one year



Prop 98 Funding Growth



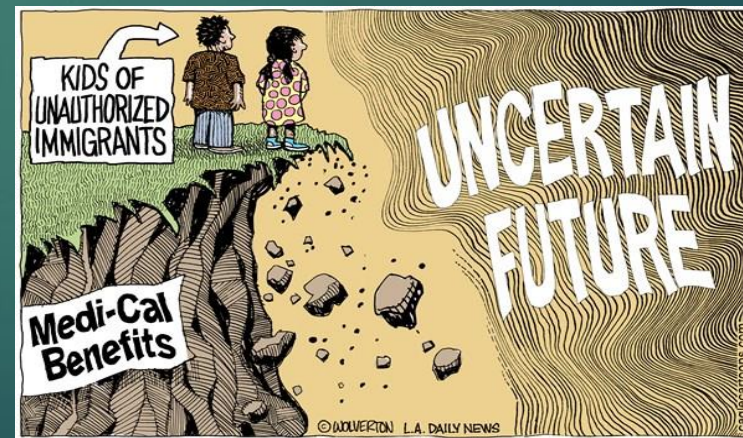
Preparing for the Unknown

TRUMP ECONOMIC PLANS



- TAX CUTS
- TOP INCOME TAX RATE OF 33%
- TOP CORPORATE TAX RATE OF 15%
- REDUCE TAX BRACKETS FROM 7 TO 3
- FULLY TAX-DEDUCTIBLE CHILD CARE
- REPEAL AFFORDABLE CARE ACT
- RENEGOTIATE TRADE DEALS

LIVE
MSNBC



Governor's *May* Revise Budget and Impacts

Governor's Budget Overview

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- ▶ **Governor's Budget Focus This Year Is To Preserve Core Achievements**
 - ▶ **Continuing to Invest in Education**
 - ▶ Maintaining affordability, supporting student success, strengthening workforce pathways
 - ▶ **Strengthen Infrastructure/Paying Down Debt**
 - ▶ Prepare for next recession build rainy day fund
 - ▶ Improve infrastructure for road and highway maintenance
 - ▶ **Countering the effects of Poverty**
 - ▶ Child Care, SSI increases
 - ▶ Minimum wage increases to \$11 per hour in 2018, and to \$15 per hour over time
 - ▶ **Addressing Climate Change**
 - ▶ Clean transportation
 - ▶ Pollutant reduction

Governor's Budget May Revise Highlights

Ongoing Funding

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- ▶ **Cost of Living Adjustment (COLA), 1.56% Increase**
 - ▶ **Community Colleges - \$97 million**
 - ▶ **SWC - approx. \$1.3 million**
 - ▶ COLA also allocated to EOPS, DSPS, CARE, CalWORKs, and CCTP
- ▶ **Access/Growth, 1.0 % increase system wide**
 - ▶ **Community Colleges – \$57.8 million**
 - ▶ **SWC - SWC will not anticipate capturing growth**
 - ▶ SWC will be pulling Summer 2017 FTES to achieve the 2016-17 FTES target
 - ▶ We will likely be in stabilization in 2017-18

Governor's May Revise Highlights

Ongoing Funding Continued

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- ▶ **Base Augmentation**
 - ▶ Community Colleges - \$183.6 million
 - ▶ SWC - approx. \$2.4 million
- ▶ **Online Education Initiative**
 - ▶ Community Colleges – \$10 million
 - ▶ This is a system allocation that will not be allocated to sites
 - ▶ State to purchase LMS system & provide to colleges for free
- ▶ **SSSP, Student Equity, Basic Skills, Workforce/CTE Pathways to remain flat, with no increase or decrease projected**

Governor's May Revise Highlights

One-Time Funds

- ▶ **Scheduled Maintenance/Instructional Materials**
 - ▶ **Community Colleges - \$43.7 million, down from \$184.6 million in 2016-17**
 - ▶ Possible allocation of additional \$92.1 million in June of 2019
 - ▶ **SWC - \$576,000, down from \$2.4 million in 2016-17**
 - ▶ If June 2019 allocation is approved, SWC would receive approximately \$1.23 million
- ▶ **Proposition 39 Energy Projects**
 - ▶ **Community Colleges - \$46.5 million, down from \$49.2 million in 2016-17**
 - ▶ **SWC - \$620,000 , in 2016-17 SWC received \$605,656**
 - ▶ State only allocated \$41.9 to campuses
- ▶ **Mandated Claims One-Time Augmentation**
 - ▶ **Community Colleges - \$0, down from \$105.5 in 2016-17**
 - ▶ **SWC - \$0, down from \$1.4 million in 2016-17**

Governor's May Revise Highlights

One-Time Funds Continued

- ▶ **Guided Pathways**
 - ▶ Community Colleges - \$150 million
 - ▶ SWC – TBD, allocation model to be determined
- ▶ **Integrated Library Systems**
 - ▶ Community Colleges - \$6 million
 - ▶ SWC – \$0, this is a system-wide allocation cloud based library catalog
- ▶ **Innovation Awards**
 - ▶ Community Colleges - \$20 million
 - ▶ SWC – Competitive application & award process

What does this all mean?

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- ▶ **Proposed 2017-18 On-going Increases total \$3.69 million**
 - ▶ COLA increase of \$1.29 million
 - ▶ Base increase of \$2.4 million
- ▶ **Estimated 2017-18 Revenue Loss/Increased Costs of over \$4.52 million**
 - ▶ Loss in one-time funds of \$1.4 million
 - ▶ Increased PERS & STRS costs of \$1.12 million
 - ▶ Estimated 5% H&W increases of \$300,000
 - ▶ Ongoing salary increases negotiated with CBU's this year of \$1.7 million
 - ▶ Preparing for the opening of Wellness Center and National City HEC Expansion
- ▶ **Other Reductions that will impact SWC**
 - ▶ Reduction of Sched Maint/Instructional Materials funds of \$1.8 million

What is Tentative Budget?

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- ▶ Tentative Budget is an early budget that is adopted by the Governing Board usually based upon the Governor's May revise but usually before the legislature passes a budget
- ▶ It is required by Education Code to ensure smooth operations when the fiscal year starts July 1, and is based on projected revenues, expenses and ending balance figures

Budget Building Assumptions

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- ▶ Use Governor's 2017-18 May Revise to build 2017-18 Tentative Budget
- ▶ Develop a balanced budget for 2017-18, with no use of reserves to offset operational costs
- ▶ Budget for increased operational costs of new facilities
- ▶ Growth funds will not be included in the 2017-18 budget
 - ▶ Based on our current 2016-17 FTES, SWC will be in stabilization in 2017-18
 - ▶ Adjust course offerings to ensure centers all reach the 1,000 FTES mark by the end of 2017-18
- ▶ If the District projects at the end of FY16-17 to have unanticipated or one-time revenue remaining above our 10% goal , these funds should be considered for the following purposes: STRS/PERS reserve, the OPEB trust, facilities maintenance/TCO needs

SWC's Budget Funding Assumptions

- **Base Allocation Increase** **\$2.4 M**
- **Cost Of Living Adjustment Unrestricted** **\$1.3 M**
- **One-time Funds from State** **\$ 0**
- **Proposition 39 Clean Energy** **\$ 620 K**
- **Scheduled Maint./IELM Funds** **\$ 576 K**
- **1.0% Enrollment Growth/Restoration** **\$ 0**
 - **FTES is 15,594, Growth will not be possible to achieve in 2017-18**
 - **Growth available is 77 FTES based on preliminary state percentage**

SWC's Tentative Budget Assumptions

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- **Approved vacant positions are filled** **\$2.9 M**
 - **Unrestricted - \$2.3 million**
 - **Restricted - \$600 thousand**
 - **Note this figure changes daily as hiring continues**
- **District utilizes stability option in 2017-18**
 - **Growth funds not included in revenues**
- **2016-17 Available ending balance** **\$11.6 M**
 - **Includes Board Contingency of \$6.7 million**

Ending Balance Projections

	<u>FY14-15 Actual</u>	<u>FY15-16 Actuals</u>	<u>FY16-17 Estimates</u>	<u>FY17-18 Tentative</u>
Adjusted Beginning Balance	\$9,460,983.00	\$8,404,996.00	\$11,624,240.00	\$11,624,240.00
Income	\$87,780,062.00	\$102,346,906.00	\$92,948,467.00	\$96,118,786.00
Transfers Between Funds	<u>-\$664,907.00</u>	<u>-\$978,459.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total Income	\$87,115,155.00	\$101,368,447.00	\$92,948,467.00	\$96,118,786.00
Total Funds Available for Distribution	\$96,576,138.00	\$109,773,443.00	\$104,572,707.00	\$107,743,026.00
Less Expenditures	<u>\$88,171,142.00</u>	<u>\$98,149,203.00</u>	<u>\$92,948,467.00</u>	<u>\$96,118,786.00</u>
Total Ending Balance	<u>\$8,404,996.00</u>	<u>\$11,624,240.00</u>	<u>\$11,624,240.00</u>	<u>\$11,624,240.00</u>

Ending Balance

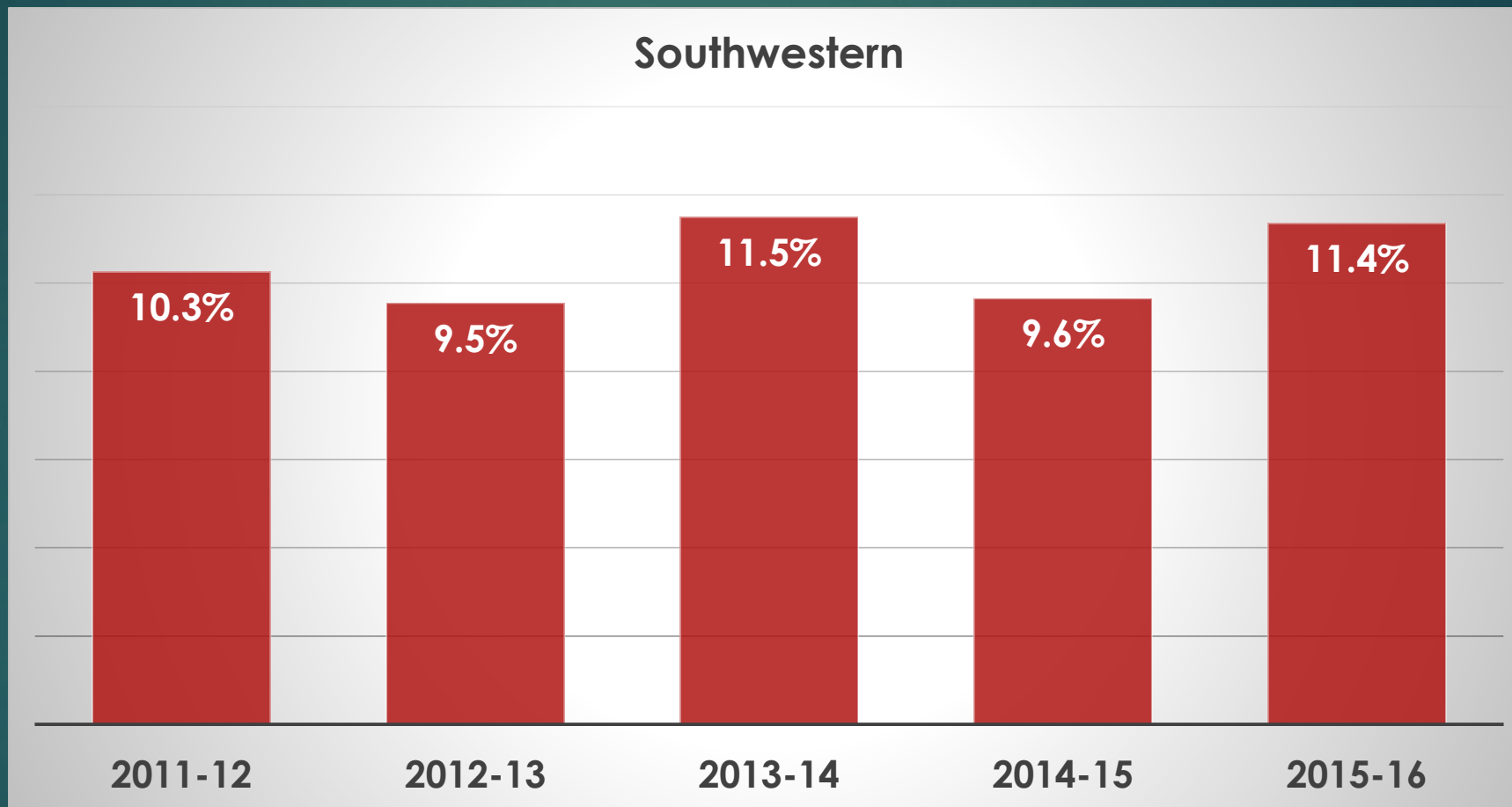
Current Ending Balance Practice

	<u>FY15-16 Actuals</u>	<u>FY16-17 Estimates</u>	<u>FY17-18 Tentative</u>
Governing Board Reserve	\$ 6,870,444	\$ 6,506,393	\$ 6,728,315
Available Funds	4,753,796	5,117,847	4,895,925
Total Ending Balance	\$ 11,624,240	11,624,240	\$ 11,624,240

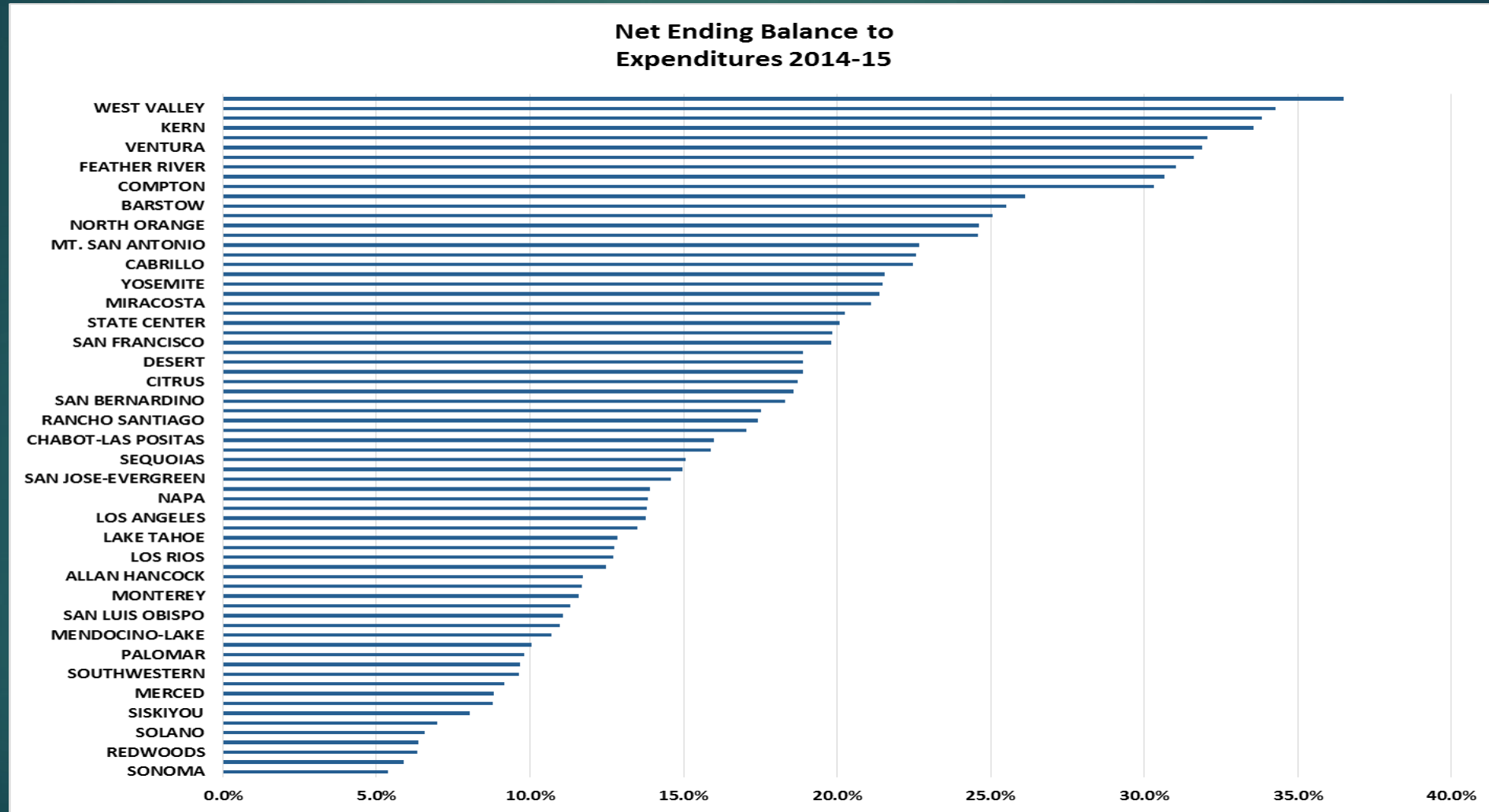
Spending 2% of Board Reserve

	<u>FY15-16 Actuals</u>	<u>FY16-17 Estimates</u>	<u>FY17-18 Tentative</u>
Governing Board Reserve 7%	\$ 6,870,444	\$ 6,506,393	\$ 6,728,315
Available Funds	4,753,796	3,154,863	1,073,972
Ending Balance	11,624,240	9,661,256	7,802,287
Less 2% for Facilities	(1,962,984)	(1,858,969)	(1,922,376)
Total Ending Balance to next year	\$ 9,661,256	\$ 7,802,287	\$ 5,879,911

Ending Balance Trends



State Ending Balance Trends 2014-15 (2015-16 not yet available)

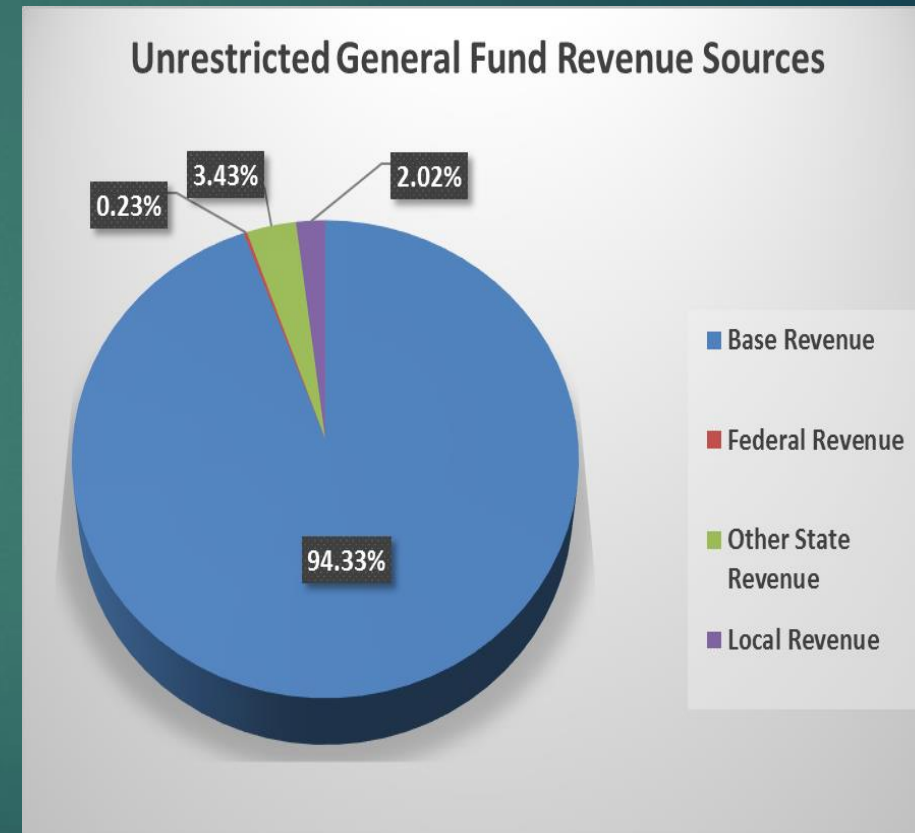


FTES Assumptions

	Estimated 2016-17 Earned	2017-18 FTES Base
Earned Base FTES	13,767.4	15,594
Growth FTES	183.6	0
Restored FTES	1,643.0	0
Stability	0	?
Total Funded FTES	15,594	15,594

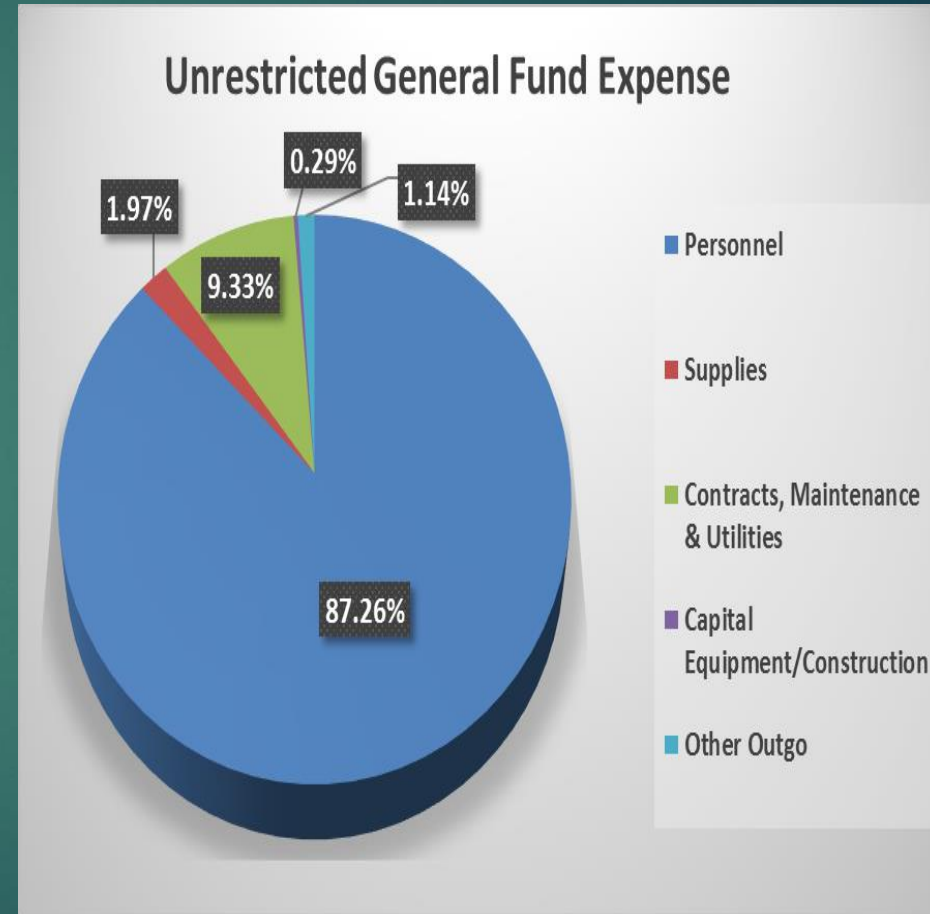
Unrestricted Revenue

Base Revenue	\$90,665,672
Federal Revenue	217,000
Other State Revenue	3,298,006
Local Revenue	<u>1,938,048</u>
Total	\$96,118,786



Unrestricted Fund Expense

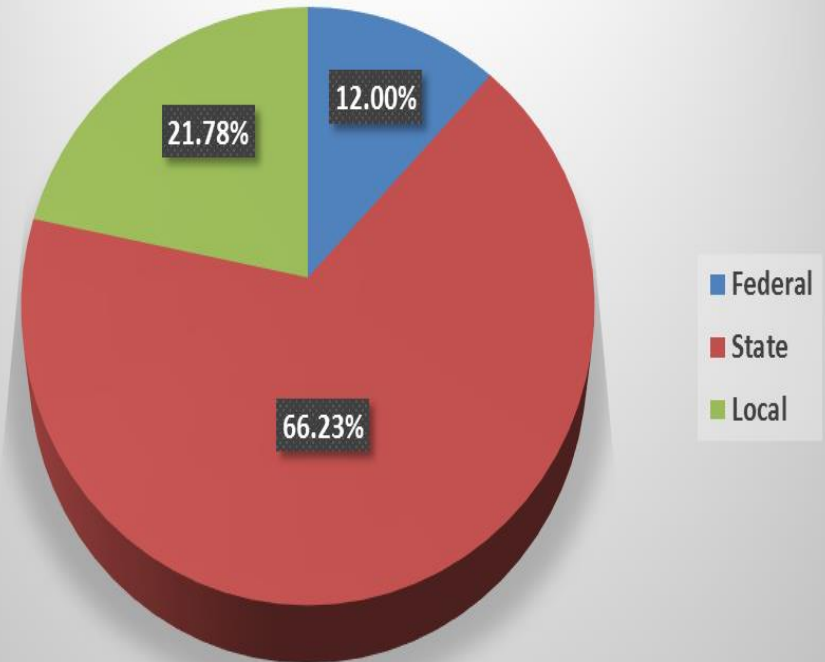
Academic Salaries	\$42,636,770
Classified Salaries	22,193,169
Benefits	20,043,142
Vacant Salary Savings	- 1,000,000
Supplies and Materials	1,896,677
Operating Costs	8,971,427
Capital Outlay	279,468
Other Outgo	<u>\$1,098,133</u>
Total Estimated Expense	\$96,118,786



Restricted Fund Revenue

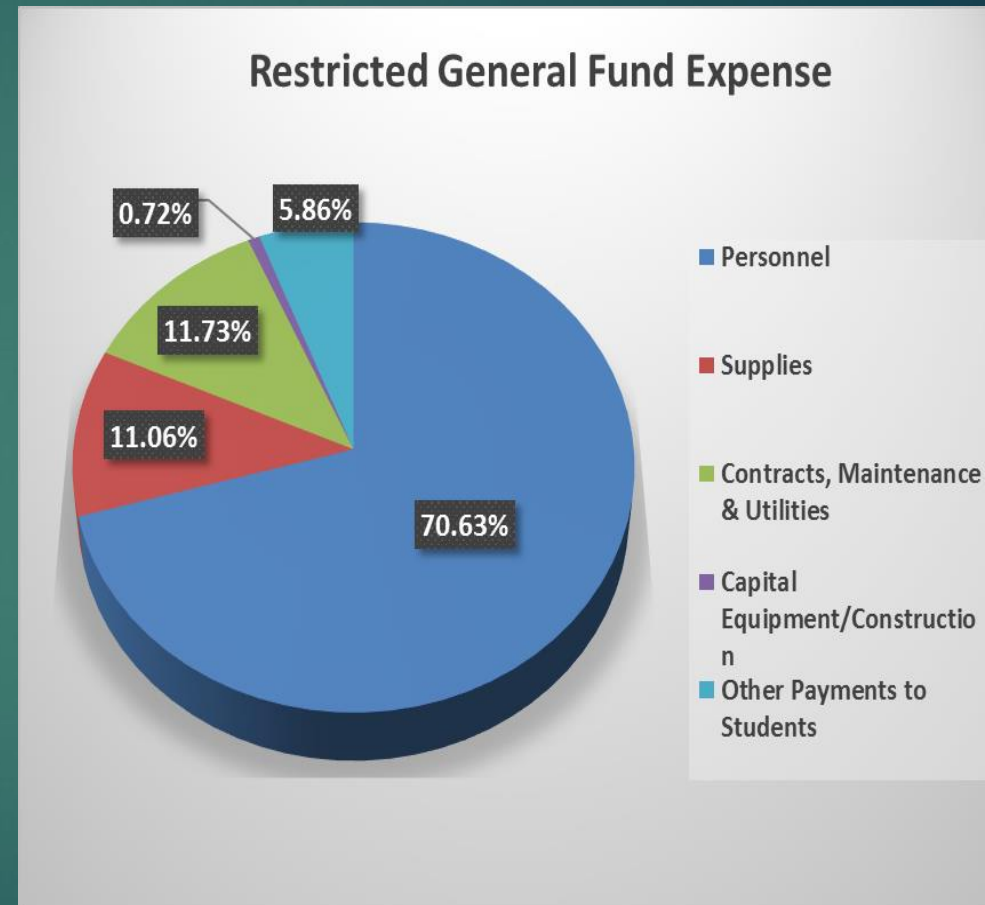
Federal Revenue	\$ 2,784,045
State Revenue	15,370,449
Local Revenue	<u>5,053,604</u>
Total	\$23,208,098

Restricted General Fund Revenue Sources



Restricted Fund Expense

Academic Salaries	\$ 4,931,860
Classified Salaries	7,752,481
Benefits	3,708,593
Supplies and Materials	2,567,377
Operating Costs	2,721,469
Capital Outlay	167,163
Other Outgo/Payments	<u>1,359,155</u>
Total Estimated Expense	\$23,208,098



Other Funds - Enterprise

Bookstore Revenue & Expense

	2014-2015	2015-2016	2016-17	2017-2018
Beginning Fund Balance	\$1,901,217	\$ 1,988,419	\$ 2,021,147	\$ 2,061,108
Revenue				
Sales	\$3,133,804	\$ 3,234,382	\$ 3,167,845	\$ 3,376,237
Other Income	34,308	45,196	38,653	35,796
Total Revenue	\$3,168,112	\$ 3,279,578	\$ 3,206,498	\$ 3,412,033
Expenses				
2000 Classified & Student Salaries	\$ 506,426	\$ 581,627	\$ 518,740	\$ 561,484
3000 Employee Benefits	121,085	131,228	107,752	110,559
4000 Supplies & Replacement	2,287,116	2,358,520	2309845	2,457,868
5000 Other Operating Costs	165,254	169,744	180,200	191,200
6000 Capital Outlay and transfers out	1,029	5,731	50,000	50,000
Total Expenses	\$3,080,910	\$ 3,246,850	\$ 3,166,537	\$ 3,371,111
9720 Ending Fund Balance	\$1,988,419	\$ 2,021,147	\$ 2,061,108	\$ 2,102,030

Food Service by Location

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	<u>CAFETERIA</u>	<u>TRADEWINDS</u>	<u>CAFÉ</u>	<u>CONCESSIONS</u>
Revenue				
Sales	\$ 650,000	\$ 170,000	\$ 810,000	\$ 55,000
Pepsi contribution and commissions	79,000			
Vending machine revenue	7,200			
Other income	5,000	500	2,500	3,000
Transfers-in	0	1,800	4,500	0
Total revenue	<u>\$ 741,200</u>	<u>\$ 172,300</u>	<u>\$ 817,000</u>	<u>\$ 58,000</u>
Expenses				
2000 Classified & student salaries	\$ 410,000	\$ 75,000	\$ 230,000	\$ 9,500
3000 Employee benefits	130,000	25,000	70,000	
4000 Supplies	400,000	90,000	400,000	30,000
5000 Other operating	48,000	15,000	70,000	3,000
6000 Capital outlay				
7000 Other outgo and transfers	36,500	0	0	0
Total Expenses	<u>\$ 1,024,500</u>	<u>\$ 205,000</u>	<u>\$ 770,000</u>	<u>\$ 42,500</u>
Surplus (Deficit)	<u>\$ (283,300)</u>	<u>\$ (32,700)</u>	<u>\$ 47,000</u>	<u>\$ 15,500</u>

Civic Center

	<u>2016-17</u>	<u>2017-2018</u>
Revenue:	\$ 360,000	\$ 400,000
Expenses:		
Classified Contract Salaries	\$123,630	\$130,064
Classified Overtime	40,000	40,000
Hourly Employees	7,800	52,000
Benefits	41,918	\$55,535
Non Instructional Supplies Materials	15,000	8000
Non Instructional Equipment	7,000	3,000
Equipment Replacement	97,652	10,000
Contract Services	\$25,000	\$42,000
Admin Travel	2,000	2,000
Total Expenses	\$ 360,000	\$ 342,599
Excess Revenue	0	57,401

Proposition R Funds

	ACTUAL 2014-2015	ACTUAL 2015-2016	ADOPTED 2016-2017	TENTATIVE 2017-2018
Program Management	\$ 2,267,822	\$ 2,264,729	\$ 2,697,000	\$ 2,001,800
District Security Systems	2,540,950	13,750		
H Street Access	35,899			
Devore Stadium/Central Plant	5,106,518			
Solar Initiative	8,867,470	683,036		
Utility Infrastructure	770,387	263,150		300,000
Four pipe loop - (Central Plant)	609,861	1,513,885		
Math and Science	2,815,191	2,533,917	42,000,000	31,940,000
Wellness Center	2,383,847	9,212,015	36,000,000	18,105,000
National City Classroom	893,501	3,209,643	15,500,000	10,885,000
Security Complex	-	19,778	2,500,000	3,532,000
Technology	4,326,775	1,150,528	1,000,000	800,000
Performing Arts	264,894	1,983,593	500,000	731,000
Utility Hydronics				4,284,000
Parking structure				603,000
Other	12,749	0	0	136,000
Total Budget	\$ 30,895,864	\$ 22,848,024	\$ 100,197,000	\$ 73,317,800

Redevelopment Funds

Bermuda Grass Project	\$	1,005
Building 600 HVAC		25,014
Retaining Wall		30,275
Track Repairs		5,273
Tree Trimming/Maintenance		44,337
Tennis Court Surfacing		13,600
Parking Lot Repairs		120,099
Building 550 Repairs		40,000
Storage Unit Installation		78,417
LED Exterior Light Poles		90,000
Grounds Restroom Repairs		14,128
Building 1200 Safety Remodel		195,000
Building 750 Repairs		59,308
Building 550 Repairs		50,258
General Campus Repairs		260,535
Carpet and Flooring Repair		64,392
ADA Access Upgrade		77,286
Piping Upgrades		181,194
FY18 Unallocated		<u>450,000</u>
	\$	1,800,121

Scheduled Maintenance

Lattice Phase III FY15	\$5,475
ADA Upgrades FY15	85,550
Irrigation Controls FY16	34,001
Flooring upgrades - various classrooms AFY16	65,431
Electrical Upgrade 1 FY16	155,554
Lattice Phase IV FY16	165,763
Access Road Repair FY16	1,435
Drought Tolerant Landscaping FY16	194,102
HVAC Controls - CV FY16	230,839
Building 400 Electrical Upgrade FY17	237,555
Water Line Valve Upgrade FY17	600,000
Building 470 Roof Repair/Replace FY17	198,236
Structural Repairs FY17	200,000
Sewer Line Repairs FY17	<u>\$252,572</u>
Total	\$2,426,513

Capital Outlay Projects Continued

Proposition 39-Clean Energy

FY17-18 TENTATIVE

Chula Vista LED FY17	7,073
HEC National City LED FY17	12,001
Unallocated FY18	<u>620,000</u>
Total	<u>\$ 639,074</u>

Capital Outlay (from General Fund)

Logistical Service (vehicles and carts, etc.)	\$ 67
Facility Use/CMMS System transfer	<u>\$ 88,287</u>
Total	<u>\$ 88,354</u>

Program Review

Program Review	<u>\$ 1,478,446</u>
Total	<u>1,478,446</u>

Associated Student Organization

	AUDITED 2014-2015	AUDITED 2015-2016	ADOPTED 2016-2017	TENTATIVE 2017-2018
Beginning Fund Balance (see note below)	\$ 904,152	\$ 886,776	\$ 885,415	\$ 849,415
Student Activity Cards - Other revenue	\$ 351,411	\$ 465,867	\$ 317,000	\$ 308,000
Transfers In		30,000	30,000	30,000
Total Revenue	\$ 351,411	\$ 495,867	\$ 347,000	\$ 338,000
Classified & Student Salaries	\$ 90,007	\$ 99,138	\$ 102,000	\$ 102,000
Employee Benefits	1,754	2,349		-
Supplies & Replacement	147,801	297,119	210,500	40,500
Other Operating Costs	129,225	98,622	70,500	202,500
Total Expenses	\$ 368,787	\$ 497,228	\$ 383,000	\$ 345,000
9720 Ending Fund Balance	\$ 886,776	\$ 885,415	\$ 849,415	\$ 842,415

Student Center Funds

	AUDITED 2014-2015	AUDITED 2015-2016	ADOPTED 2016-2017	TENTATIVE 2017-2018
9720 Beginning Fund Balance	\$ 357,023	\$ 375,975	\$ 369,260	\$ 297,416
Revenue				
Interest and Bond Proceeds	\$ 474	\$ 978	\$ 500	\$ 700
Student Fees	152,297	151,500	150,000	150,000
Revenue Bond				
Total Revenue	\$ 152,771	\$ 152,478	\$ 150,500	\$ 150,700
Expense:				
4000 Supplies	\$ 5,175	\$ 13,129		
5000 Other Expenses		20,570	\$ 100,000	\$ 50,000
5890 Bond Payment	128,644	125,494	122,344	124,568
6000 Capital Outlay	-			
Total Expense	\$ 133,819	\$ 159,193	\$ 222,344	\$ 174,568
9720 Ending Fund Balance	\$ 375,975	\$ 369,260	\$ 297,416	\$ 273,548

Going Forward

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Remember this is an initial step in the budget process

Tentative Budget is built on projections

- ▶ There will be changes and challenges before the final budget in June

Tentative Budget still has challenges to overcome

- ▶ New operating costs and personnel associated with new buildings
- ▶ Salary adjustments and finalization based on approved salary schedules
- ▶ Unknown State Revenue Shortfall percentage

Questions?