

Santa Monica Community College District
Budget Procedures Narrative

Updated by & Date: Veronica Diaz and Christopher Bonvenuto, 05.18.15

Budget Development Summary/Overview

The budget process begins in January with the release of the Governor's January Budget Proposal. At this time the Budget Department prepares an analysis of the Governor's proposal which is reviewed by the Chief Director of Business Services and presented to the Senior Administration. In February the Budget Department prepares the "Status Quo" budget sheets, incorporating the budget assumptions approved by Senior Administration, for distribution to all departmental managers. The purpose of the Status Quo budget sheets is to allow departments to request the movement of budget between the discretionary line items of their department and is not used for augmentations.

If the department needs an augmentation to their budget and/or request for new academic and classified position, temporary classified and overtime, the Personnel & Budget Augmentation Report (PBAR) process needs to be followed. The PBAR process entails the department completing a PBAR Form which includes information such as, specifics of the request, the amount requested, and the justification for the request and how it ties to mission, vision goals of the District and/or program review of the department. Before a request for augmentation is considered the PBAR must be reviewed and approved by the divisional Vice President and returned to the Chief Director of Business Services and/or Accounting Manager – Budget and Reconciliation.

In March/April all received PBARs are presented by the divisional Vice Presidents to the Interim President and Vice President of Business Administration and ranked according to priority. When a request involves hiring of employee, the request is further reviewed and approved by the Interim President, Vice President of Business Administration and Vice President of Human Resources.

Additionally, technology equipment is budgeted based on a series of equipment replacement plans prepared and reviewed by Dean of Information Technology and Chief Director of Fiscal Services as approved by Senior Staff. Individual departmental requests for technology equipment replacement are not allowed.

In May the Budget Department compiles all relevant budget information and prepares the Tentative Budget. To budget for the salaries of current active full-time employees a list of employees and their salaries are downloaded from PCProducts and the projected expenditure is adjusted by expected new hires, replacements and terminations, longevity, negotiated settlements with bargaining units. For academic hourly salaries a projection is prepared based on the staffing plans of the Academic Affairs and Counseling Departments for the fiscal year. For benefits a calculated based on the salary budget and related payroll tax and retirement rates is conducted. For Health and Welfare, utilities and insurance budgets are based on an average of past years' expenditures plus any

anticipated increases in rates. For all other discretionary budgets the status quo budgets, approved and prioritized PBAR requests and the equipment replacement plans are the basis for the projection.

Revenues are budgeted based on information from the State (funding, growth, COLA, etc.), the plan received from Senior Staff, Academic Affairs and various revenue generating departments.

Once the tentative budget is completed, the Chief Director of Business Services reviews all the line items for reasonableness. The budget is then reviewed by the Vice President of Business Administration and the Superintendent/President.

During the development of the tentative budget, the District Budget Committee is informed of budget updates and assumptions. The Committee is given the opportunity to make suggestions and recommendation on the budget. This process is done to ensure transparency and to comply with the expectations of the Accrediting organization.

The tentative budget is then presented to the Board of Trustees for approval no later than July 1.

After the Governor's budget is finalized, changes are made to the tentative budget to reflect the state budget in both the Unrestricted and Restricted funds. Any new information for the new fiscal year is also updated in the budget. During the period of time between the approval of the tentative budget and the adoption of the final budget, the District's Budget Committee is informed of budget changes and developments and is given the opportunity to make suggestions and recommendation on the budget. This process is done to ensure transparency and to comply with the expectations of the Accrediting organization. The budget is then adopted by the Board of Trustees in its final form no later than September 15.

Functional Budget Development Process

The following is a summary of the functional process of Budget Development as lead by the Budget Department:

1. Verify all existing account (budgets) in the financial system. Make revisions or deletions based on chart field addition or deletion (fund, object, categorical year, location, and activity), expenditure activity in the prior budget period, or status of future funding (deferred revenue or accounts receivable).
2. Enter preliminary budgets with zero (0) dollar amounts and appropriation budget into financial system via R.A.D upload feature.
3. Create a budget sheet for each cost center and activity code. The sheets will only contain hourly and discretionary funds.

If there is a new activity or location, that request must be submitted separately. Make certain each department manager has access to the current chart of accounts.

4. Download salary forecast from PC Products Labels, Lists and Letters for both certificated and classified with new fiscal year projections. This is used to justify current and/or new position requests. Add new hires and retirements effective July 1 of the new fiscal year and later. Calculate longevity increase. Add allowance and stipend. Obtain from Human Resources vacancy list approved by Senior Administration.
5. Distribute budget sheet by location in Excel format to each Vice President via email with confirmation requested.
6. Collect all status quo and PBAR budgets from Department Managers and/or Vice Presidents.
7. Conduct the PBAR review process for augmentations.
8. Prepare a summary of all budget detail by activity, object, location and department Manager. Communicate with Managers and/or Vice Presidents for changes.
9. Calculate a reasonable base budget funding for the contingency reserve which should meet the CCCCCO recommended levels. The contingency reserve is in preparation for economic uncertainties.
10. Ensure compliance with the GANN Limit calculation.
11. Submit final budgets to the Superintendent/President for Board approval.
12. Once board approval is obtained, enter the budgets (via upload) into financial system with dollar amounts and request from LACOE a snapshot (freezing) of the budget.

**Note: During the entire process above, the District's Budget Committee is involved and has the opportunity to make suggestions or recommendations.

Budgeting for Areas Not Directly Tied to a Department

General Fund Institutional Budgeting

General District expenditures that are not the direct responsibility of any department shall be budgeted to holding accounts. These include, but are not limited to, full time salaries and benefits, retiree benefits and OPEB payments.

Financial Aid Grants

Grants and Educational Opportunity Program funding is allocated as restricted funds to the District and cannot be used for any other purposes. Balances remaining in these accounts will be rolled forward to the following fiscal year and reallocated for their original purpose as deferred revenue.

Categorical Grants

Categoricals are budgeted at 95% of current year budget as that is the statutory minimum level of funding. As the year progresses, budgets are adjusted upon approval from the Board of Trustees.

In years of severe categorical cuts, the District may budget backfill funding in the Unrestricted General Fund.

Work Study/Perkins Loan Program

Work Study On/Off Campus is primarily funded from a federal award and partially offset by department matching funds as well as private reimbursements. Funding for the program may be allocated as restricted.

Reporting Accountability

As part of the annual budget process, each department is responsible to provide:

- information on all sources of funds available to their departments
- a use and source report for allocations in the previous year's annual budget (Categoricals)
- explanation of year-end balances (surpluses or deficits).

Enterprise funds including Campus Center, Foundation, Associated Students, Auxiliary Services, and Bookstore are not included in the District's budget.

Budget Maintenance

The following is a summary of the budget maintenance process:

- Analysis and justification are required for the continuation of a vacant position or salary adjustments to a position. Before taking steps to refill a position, department Managers should obtain prior approval from Senior Administration.
- Fiscal Services shall proportionately allocate the salary and benefits funding to departments based on each departments' monthly salary expenditure. It is the Fiscal Services' responsibility to budget for and maintain holding accounts that are appropriate to cover all departmental salary and benefits expenditure.

- The Superintendent/President is ultimately responsible for the fiscal solvency of the College. Fiscal solvency is also the responsibility of each Manager at their budgeting level. Budget oversight is provided to ensure that resources and expenditures are occurring in general conformity with the District's mission. Department Managers are responsible to monitor resources and expenditures to ensure funding is on target with the operational budget, avoid deficit spending, and to quickly resolve deficiencies.
- Budget maintenance is a joint responsibility; however, it should not be viewed as an exclusive right of the department Manager. From time to time, as a result of increases or decreases in funding, changes in Board policy or departmental priorities, budgets may be adjusted. There should be frequent communication with Fiscal Services to assure approved resources meet the departments' needs. Budget adjustments are reviewed and, if approved, entered into the financial system by Fiscal Services.

Budget Transfers Between Major Object Codes

CCR Section 58307 dictates that all budgetary transfers that occur between major object codes are required to be approved by the Board of Trustees.

When a budget transfer request is received in Accounting, the Accountant responsible for the fund or program performs the following:

- Make sure there's available balance to transfer and enters the transfers in PeopleSoft.
- Enter the transaction into the "Budget Transfers Requiring Board Approval" form which is located on the server.
- File the budget transfer.

On the day the agenda is due:

- 1) The accountant responsible for budget transfers will perform the following tasks for each Fund:
 - Print out the "Budget Transfers Requiring Board Approval" form that shows the activity for the period and cross reference it with the budget transfer forms which are filed in the "Budget Transfers Awaiting Board Approval" file to ensure all transactions have been recorded.
 - Create a packet that consists of the appropriate "Budget Transfers Requiring Board Approval" form and the appropriate budget transfers.
 - Complete Form 503-T (LACOE Form) and attach it to the appropriate packet.
 - Forward the packet to the Accounting Manager for review and to obtain the Chief Director of Business Services approval.
 - Forward the "Board Approval" document to the Administrative Assistant of the Vice President of Business Administration who submits it for inclusion in the Board agenda.

- E-mail Board agenda and Form 503-T form to LACOE for approval of the budget journals.
- Create three copies of the signed/approved 503-T form. The original and two copies are to be sent to LACOE and the final copy is to be placed as the cover sheet for each packet when consent agenda is available.
- File the packets into the appropriate Budget Transfer file.
- Ensures the budget journal is posted to the General Ledger.

Other Related Policies and Procedures

- Budgeting is meant to complement the District's mission:
 1. Protect and assure the quality of our academic programs and services by providing appropriate resources
 2. Provide clear and consistent priorities for funding
 3. Encourage and reward sustained and managed enrollment growth
 4. Allow for allocation of funding to meet changing enrollment demand
 5. Develop and identify departmental base budget
 6. Provide a responsible District contingency reserve
- The annual operating budget categorizes anticipated revenues and expenditures within the District's current authorized funding levels. Developmental budgets identify funding requirements for salary and benefit and other operating expenses to support the District's objective. It also shows the beginning, ending fund balance and designated reserves.
- According to Budget and Accounting Manual, once the budget is adopted, the total amount designated as proposed expenditure for each major object of expenditure classification is the maximum allowed without additional governing board authorization for transfers between major classifications or from the reserve for contingencies in accordance with *California Code of Regulations* Section 58307 (BAM 2012 Edition). Salary and benefit costs, estimated between 80% and 90%, are the major expense of the District's budget and are always increasing. At the same time, services or operating expenditures must compete for funding.
- Annual budget development is a collaborative process between department managers, deans, directors, and faculty/staff. It involves creating initial departmental budgets based on input provided by Managers and projecting fixed costs for salary and benefits. To comply with the Fifty Percent Law, budgets are maintained by object in the financial system. Once adopted, these budgets are entered by Fiscal Services into the financial system upon receiving final budget authority from the legislature, State Chancellor's Office and the Board of Trustees.

- On a monthly basis budget to actual reports are provided to each department's Manager and the area Vice Presidents as a tool for departments to assess their budget.
- During the year, if the departments needs additional budget, the PBAR is completed and approved by the Vice President for approval by Senior Staff.
- Based on current information, quarterly projections are prepared, reviewed by Chief Director of Business Services, Vice President of Business Administration and the Superintendent/President. It is then presented to the Budget Committee for comments and recommendations. The quarterly projection, together with the Form CCFS-311 is presented to the Board of Trustees for approval.