

BOARD OF TRUSTEES	ACTION
Santa Monica Community College District	June 1, 2021

MAJOR ITEMS OF BUSINESS

RECOMMENDATION NO. 28

SUBJECT: 2021-2022 TENTATIVE BUDGET

SUBMITTED BY: Vice-President, Business/Administration

REQUESTED ACTION: It is recommended that the Board of Trustees adopt the 2021-2022 Tentative Budgets ([Appendix C](#)).

The Santa Monica Community College District Proposed Tentative Budget for fiscal year 2021-2022 is comprised of the following nine funds:

General Fund Unrestricted	\$226,043,938
General Fund Restricted	<u>\$ 79,349,975</u>
Total General Fund	\$305,393,913
Special Reserve Fund (Capital)	\$ 19,194,476
Bond Fund: Measure S	\$ 4,183,041
Bond Fund: Measure AA	\$ 4,698,785
Bond Fund: Measure V	\$ 71,713,620
Bond Interest & Redemption Fund	\$ 84,498,021
Student Financial Aid Fund	\$ 65,517,312
Scholarship Trust Fund	\$ 45,000
Auxiliary Operations	<u>\$ 3,953,000</u>
Total Other Restricted	\$253,803,255
 TOTAL PROPOSED TENTATIVE BUDGET	 \$559,197,168

MOTION MADE BY: Nancy Greenstein
 SECONDED BY: Louise Jaffe
 STUDENT ADVISORY: Aye
 AYES: 5
 NOES: 0
 ABSENT: 2 (Quiñones-Perez, Snell)

SANTA MONICA COMMUNITY COLLEGE DISTRICT
2021-2022 TENTATIVE BUDGET NARRATIVE

GENERAL FUND

The 2020-2021 fiscal year is projected to close with an Unrestricted General Fund ending balance, including Designated Reserves, of \$31,498,430.

For the 2021-2022 tentative budget, the District is projecting a increase in revenue of 0.11% or \$206,883 and an increase in expenditures of 6.5% or \$11,955,279. The increase in revenue is primarily due to the increase in Cost of Living Allowance (COLA) and the one-time apportionment deficit factor for FY 2020-2021 which will not repeat in FY 2021-2022, net of the projected decrease in non-resident tuition resulting from an expected decline in non-resident enrollment, the decrease in Higher Education Emergency Relief Fund (HEERF) backfill of lost revenues, and the one-time FY 2019-2020 apportionment adjustments which will not repeat in FY 2021-2022. The expected gradual return to campus of students and employees is projected to result in increased expenditures in supplies and contracts, utilities and insurance. Additionally, step, column and longevity increases, estimated across-the-board salary increases of 1.5%, the end of furlough and salary freezes that were put in place in 2020-2021 for academic managers, classified managers, confidential employees and CSEA members and the increase in benefits will result in a large increase in expenditures. These changes are projected to result in a structural deficit of ~~<\$31,194,070>~~ and, with the inclusion of one-time items, an overall operating deficit of ~~<\$1,589,055>~~ resulting in an ending Unrestricted Fund Balance is \$29,909,375 or 15.25% of total expenditures and transfers.

It is important to note that the revenue projections contained in the tentative budget are based on District projections of the proposals contained within the May Revision and are extremely preliminary. It is expected that variances, possibly significant in nature, will occur between the tentative and adopted budgets.

General Fund Unrestricted Revenues (01.0)

These are the only funds available for the general operations of the College. All other funds are restricted except some parts of the Auxiliary fund.

The tentative budget reflects the Governor's FY 2021-2022 May Revision proposals including a COLA increase of 4.05% or \$5,580,475. The tentative budget also reflects a projected decrease in enrollment for resident FTES of ~~<989.72>~~ FTES or ~~<5.0%>~~ and a decline of enrollment for non-resident FTES of ~~<638.99>~~ FTES or ~~<20.0%>~~ from FY 2020-2021 levels which is projected to result in a decline of revenue related to non-resident tuition of ~~~<\$4.7M>~~.

The largest source of revenue for the District is Apportionment from the State. The revenue sources for Apportionment are a combination of property taxes, enrollment fees, funding from the Education Protection Account and general apportionment funds. In FY 2018-2019, the State adopted a new funding formula to determine the Apportionment allocation for each district named the Student Centered Funding Formula (SCFF). The SCFF calculates Apportionment based on three main factors: base allocation (enrollment), supplemental allocation (number of students receiving financial aid), and the student success allocation (number of student success outcome achieved). The new formula stipulates that for the fiscal years of 2018-19 through 2023-2024, the District will be funded at the greater of the amount calculated under the SCFF or at a "Hold Harmless" amount which is equal to the 2017-2018 funding level adjusted for COLA. The District forecasts that for FY 2021-2022, the District will be funded at the "Hold Harmless" amount which is projected to be ~\$9.4M greater than the funding calculated under the SCFF.

Local revenues are a combination of property taxes and revenue generated at the college level through the charging of fees and fines, through interest earned on cash and non-resident tuition revenue.

General Fund Unrestricted Expenditures (01.0)

The District's largest expenditures (90.3% of the total budget) are related to salary and benefits. The salary and benefit related expenditure projections reflect appropriate step, column and longevity increases for all qualified employees and an estimated across-the-board salary increase of 1.5%.

The discretionary section of the expenditure budget (Supplies and Services) reflects an increase of 16.8% or \$1,979,709 from FY 2020-2021 projected expenditures mainly as a result of the expected gradual return to campus (specifically utilities) coupled with the shifting of expenditure of the Big Blue Bus "Any Time Any Line" program to the District.

The amount of \$12,708,591 for the Contracts/Services line item in the tentative budget includes: Advertising 17%; Bank Fees and Bad Debt 12%; Rent/Lease (including Big Blue Bus) 11%; Repairs of Equipment/Maintenance 9%; Other Contract Services 9%; Software Licensing 7%; Consultants 7%; Managed Print Services 5%; LACOE Contracts (i.e. PeopleSoft, HRS, BEST) 4%; Legal Services (including those for the Personnel Commission) 3%; Off-Campus Printing 3%; Postage and Delivery Services 3%; Conferences and Training 2%; Professional Growth 2%; Memberships and Dues 1%; Audit 1%; Recruiting-Students 1% and Other Services – all under 1% of budget per category (e.g. Repairs-Facility, Mileage, Commencement, Fingerprinting, Board Meetings, etc.) 3%.

Linking Budget and Planning

The District Planning and Advisory Council (DPAC) is the District's primary planning body and is responsible for developing the annual Master Plan for Education Update, overseeing long-term planning efforts, reviewing the Vision, Mission, Values and Goals, assessing the Colleges planning process and developing new Strategic Initiatives. Over the last two years, DPAC has made major revisions to the planning process to ensure that Annual Action Plans are presented to Budget Committee for review and are recommended to the Superintendent/President for approval within a timeframe that ensures that approved Annual Action Plans are included in the Adopted Budget. For fiscal year 2021-2022, the following action plans have been approved by the Superintendent/President and are included in the Tentative Budget:

Reduce Racial Equity Gaps and Increase Completion of Academic and Career Paths

Budget: \$44,707 to be funded by Award and Innovation in Higher Education

Purpose/Goal of Action Plan: Close gaps in educational outcomes and provide educational and career opportunities and pathways through a critical review of practices for developing, approving and assessing Program Learning Outcomes (PLOs) and course level Student Learning outcomes (SLOs).

Reduce Racial Equity Gaps in Course Success for Largest Gateway Courses

Budget: \$1,402,535 to be funded by Student Equity Achievement Program and Guided Pathways

Purpose/Goal of Action Plan: Reduce racial equity gaps in course success for the largest gateway courses by implementing professional development program in equity minded teaching practices and curricular development.

Reduce Racial Equity Gaps and Increase Success in AB705 Mathematics Courses

Budget: \$192,330 (on-going) to be funded by Unrestricted General Fund

Purpose/Goal of Action Plan: Reduce racial equity gaps in AB 705 Math courses by providing support services to help students be successful on their Mathematics paths at SMC and when they move on to a 4-year institution.

Reduce Racial Equity Gaps and Increase Success in AB705 English Courses

Budget: \$142,896 (on-going) to be funded by Unrestricted General Fund

Purpose/Goal of Action Plan: Reduce racial equity gaps in AB 705 English courses by providing support services to help students be successful on their English paths at SMC and when they move on to a 4-year institution.

Starfish GPS Early Alert System

Budget: \$93,034 to be funded by Student Equity Achievement Program

Purpose/Goal of Action Plan: Increase persistence, retention and completion among racially minoritized students using SMC Gateway to Persistence and Success (GPS) technology tool.

SMC Online Education

Budget: \$60,000 (on-going) to be funded by the Unrestricted General Fund and \$51,180 to be funded by Student Equity and Achievement Program

Purpose/Goal of Action Plan: Increase the number of online degree and certificate completions by African American and Latinx students.

Areas of Interest Counseling (at Scale) and Student Care Teams

Budget: \$492,998 to be funded by Student Equity and Achievement Program and Title V Navigating Pathways to Success

Purpose/Goal of Action Plan: (a) Implement counseling and support staff clusters for all Areas of Interest (AOI) (at Scale) (b) Student Care Teams – reduce racial equity gaps in persistence, retention and completion through the implementation of a “case management approach” for racially minoritized students.

Human Resource Staffing Plan

Budget: \$125,000 (one-time) to be funded by Unrestricted General Fund

Purpose/Goal of Action Plan: Research and assess costs associated with developing a Human Resources staff plan which supports student success by achieving benchmark levels of full-time faculty, classified staff and administrators.

RESTRICTED FUNDS

General Fund Restricted (01.3)

This fund represents restricted funding that is received by the District from Federal, State, and Local sources. All grants that do not end by June 30, 2022, will be carried over to the FY 2022-2023 budget, if permissible.

The projected ending fund balance is generated from six restricted programs as required by Generally Accepted Accounting Principles: Proposition 20 Lottery, Contract Education, Parking Fees, Community Services, Health and Psychological Services and the SMC Performing Arts Center. These funds are restricted and can not be used for any other purpose then specified by law or action of the Board of Trustees.

When received, new grants will be presented to the Board of Trustees for approval, and the District’s budget will be augmented to reflect the increase.

Special Reserve Fund (40.0) Capital

This fund is also known as the Capital Outlay Fund. The major source of revenue for this fund is the reimbursement from State Capital Outlay, RDA pass-thru property tax, donation from City of Santa Monica for Child Care Center, and non-resident capital surcharge. These funds are used for capital outlay related projects, District equipment purchases and any required expenditure matches to State capital outlay funding. State funding for capital projects are also accounted for in this fund.

All capital expenditures and revenue in the Special Reserve Fund, as well as Funds 42.3, 42.4 and 42.5 reflect the total expenditure allocation and the total revenue for all projects and are not limited to the current year, thus resulting in a zero ending balance. These funds are legally restricted and may not be transferred into the unrestricted general fund.

Bond Fund Measure S (42.3)

This fund reflects the revenue from the sale of bonds approved through Measure S and the interest earned in the fund. The expenditures in this fund relate to the College construction plan approved under Measure S.

Bond Fund Measure AA (42.4)

This fund reflects the revenue from the sale of bonds approved through Measure AA and the interest earned in the fund. The expenditures in this fund relate to the College construction plan approved under Measure AA.

Bond Fund Measure V (42.5)

This fund reflects the revenue from the sale of bonds approved through Measure V and the interest earned in the fund. The expenditures in this fund relate to the College construction plan approved under Measure V.

Bond Interest and Redemption Fund (48.0)

This fund is administered by the County of Los Angeles Department of Auditor-Controller. It reflects the receipt of property tax revenues due to voted indebtedness for bond issues, the payment of interest on those bonds, plus the redemption of the bonds that mature within the 2021-2022 fiscal year. This information is provided by the County of Los Angeles Department of Auditor-Controller through the Los Angeles County Office of Education.

Student Financial Aid Fund (74.0)

This fund consists of all student financial aid programs (PELL, SEOG, Loans, Cal Grants, Santa Monica College Promise, Student Success Completion Grant, Early Action Emergency Student Aid, Disaster Relief Emergency Student Aid, CARES-Higher Education Relief Fund (HEERF I and II) and American Rescue Plan (HEERF III). The transfer line items reflect a transfer from the Unrestricted General Fund to meet the match requirements of the individual grant programs. For FY 2021-2022 award year, the District has been granted a waiver of the institutional share requirement under the Federal Work Study (FWS) Program and the Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

Scholarship Trust Fund (75.0)

This fund is to account for gifts, donations, bequests, and devises (subject to donor restrictions) which are to be used for scholarships or for grants in aid to students.

Auxiliary Operations

This budget reflects the revenue and expenditures of the auxiliary operations of the District, namely the Bookstore, the food and vending concessions, and college expenditures in programs such as Athletics, Music, Theatre Arts, the Corsair student newspaper and transportation.

CONCLUSION

This is the tentative budget recommended for acceptance. It is expected that changes will occur between now and the Adopted Budget. Some changes will be the result of the passage of the State budget, and others will be internal adjustments resulting from new or updated revenue information and expenditure reduction efforts.