

PRESENTATION OF THE 2016-17
ADOPTED BUDGET
SEPTEMBER 6, 2016

SANTA MONICA COLLEGE

OVERVIEW

- Significant Accounting Change
- 2015-2016 Recap
- General Assumptions
- Changes in Projected Revenues
- Changes in Projected Expenditure
- Changes in Projected Fund Balance

GASB 68/24 ON BEHALF PAYMENTS

- State provides an on behalf payment directly to STRS
- 1996 guidance
- GASB 68 requires recognition of on behalf payment
- 2015-2016 new revenue and expenditure budget lines entitled “State On-behalf Pension Contribution to STRS”
- Total effect on fund balance is net 0
- 15-16: \$3,622,320; 16-17: \$4,070,357

2015 - 2016 Recap

2015-2016 IN REVIEW

- **<\$769,147>** Operating deficit w/o one-time
 - 2014-15 operating deficit w/o one-time items was **<\$1,851,658>**
- \$10,913,161 Net one-time items
- \$10,144,014 operating surplus including one-time items
- Ending Fund Balance of \$23,925,591 or 14.42%
- Ongoing (*w/o one-time*) year over year revenue up ~\$14,233,474
 - Base adj (\$5.2M), STRS on-behalf (\$3.6M), Non-resident Tuition (\$2.0M), FON base adj (\$1.2M), COLA (\$1.1M), Growth (\$222k)
- Ongoing (without one-time) year over year expenditures up ~**\$13,150,963**
 - Salaries (\$5.5M), STRS on-behalf (\$3.6M), Pensions (\$1.5M), Health and Welfare (\$1.5M), Supplies and Services (\$1.0M)
- Adopted to Final Net of STRS OBP: Revenue 0.73% ; Exp. <0.91%>

2015-2016 IN REVIEW

COMPARISON INCLUDING ONE-TIME ITEMS

	2014-2015	2015-2016	INCREASE	%
REVENUE	\$150,456,338	\$176,032,586	\$25,576,248	17.0%
EXPENDITURE	\$150,646,540	\$165,888,572	\$15,242,032	10.1%
SURPLUS/ <DEFICIT>	-\$190,202	\$10,144,014		

2015-2016 IN REVIEW

COMPARISON WITHOUT ONE-TIME ITEMS (STRUCTURAL)

	2014-2015	2015-2016	INCREASE	%
REVENUE	\$148,794,882	\$163,028,356	\$14,233,474	9.6%
EXPENDITURE	\$150,646,540	\$163,797,503	\$13,150,963	8.7%
SURPLUS/ <DEFICIT>	-\$1,851,658	-\$769,147		

2016-2017

Proposed Adopted Budget
General Assumptions

MAJOR REVENUE ASSUMPTIONS

- Increase in General Apportionment of \$1,427,229 due to Base adjustment
 - Growth/Access: 0.00%
 - 0.91% or 201 FTES or ~\$996k available
 - Stabilization: <200> credit FTES decline
 - Credit FTES Growth:
 - 13-14 = 197 CrFTES; 14-15 = 181 CrFTES; 15-16 = 61 CrFTES
 - Inflationary Adjustment: 0.00%
 - Base Adjustments Net \$1,427,229
 - Base Adjustment: \$1,454,535 - For ongoing operation expenditures
 - FON Adjustment: <\$27,306>

MAJOR REVENUE ASSUMPTIONS

- One-time Mandated Cost Reimbursement:
\$2,002,249
- Non-resident tuition: No increase in FTES or Fees
 - 3 year average increase: ~\$2.8M
- All revenues driven by FTES adjusted
- Deficit factor of 0.72% or **<\$840,872>** not budgeted.

EXPENDITURE ASSUMPTIONS

- Salaries: Step, column, longevity and all Board approved changes to the salary schedules
- Inclusion of vacancy list reduced at 66%
- Benefits:
 - STRS: 10.73% to 12.58% - Increase of 17.2%
 - PERS: 11.85% to 13.89% - Increase of 17.2%
 - Health and Welfare: 3 Year Average
 - Current Employees: 3%; Retirees 7%
 - OPEB: Additional \$500,000 - Total \$2,000,000

EXPENDITURE ASSUMPTIONS

- Supplies and Services budgeted based on approved departmental requests and reflect requested reallocations and contractual increases - Year over year budget increase of ~\$111k
- Equipment: \$633,600
 - TCO for classroom and restroom refurbishments (\$250k); Technology replacement plan (\$183k); new office furniture and equipment for new faculty (\$120k); Telecom/Network Services (\$70k)
- \$1,738,815 is One-time

Changes in Revenue

PROJECTED CHANGES IN REVENUE 15-16 TO PROPOSED ADOPTED

2015-2016 Unaudited Actual Revenue:	176,032,586
Mandated Costs - Past Claims - One-time	2,002,249
Apportionment - Base Change	1,427,229
State On-behalf STRS Payment	448,037
Lottery	-175,241
BA Program Funding	-350,000
Non-Repeat of Prior Year Apportionment	-626,898
Non-Repeat Mandated Cost Block Grant	-12,027,332
Other	-50,476
<\$9,352,432> or <5.31%>	
2016-2017 Proposed Adopted Revenue Projection:	166,680,154

FIVE YEAR REVENUE TREND

■ Revenue



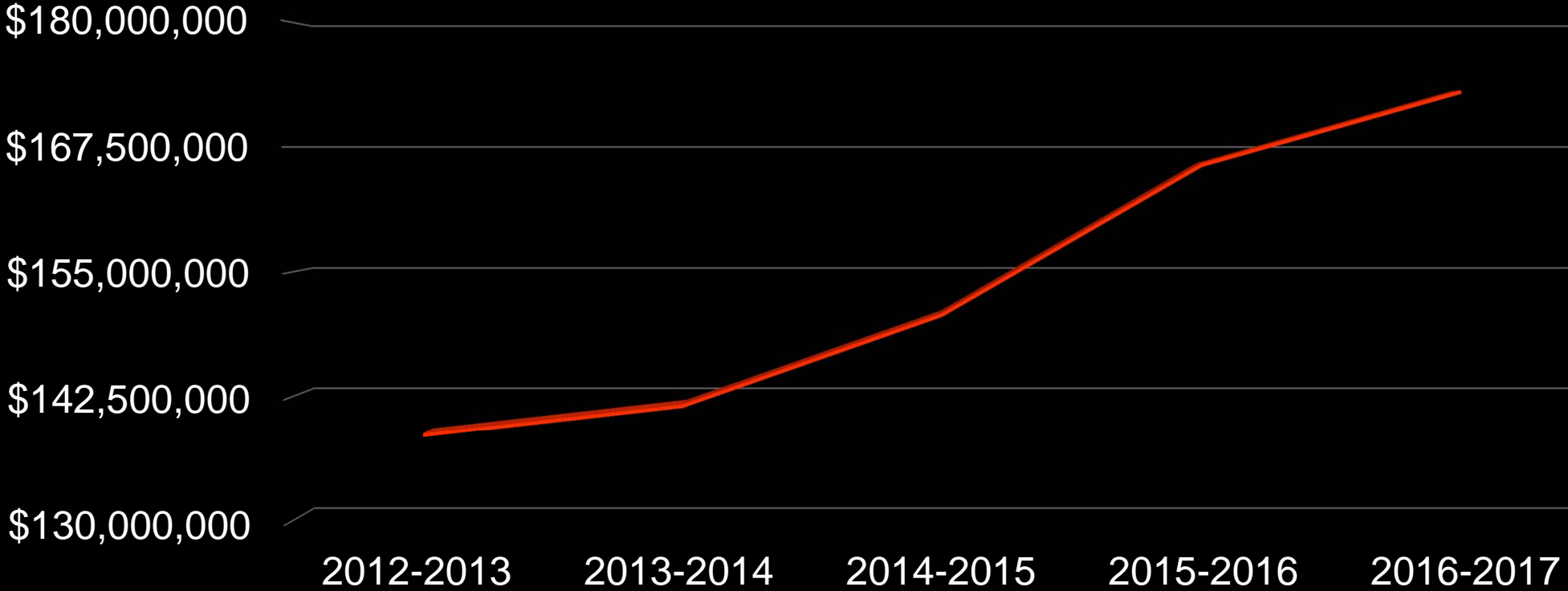
Changes in Expenditures

PROJECTED CHANGES IN EXPENDITURES 2015-2016 TO PROPOSED ADOPTED

2015-2016 Unaudited Actual Expenditures:	165,888,572
Pension and Employment Benefits	1,998,664
Net effect of hiring, separation and adjustments	1,841,084
Step, Column and Longevity	1,081,303
Health and welfare including retirees	1,004,384
Supplies, Contracts and Equipment	894,272
Vacancy list	779,417
Opeb contribution	500,000
State on-behalf STRS payment	448,037
Utilities and insurance	197,058
CSEA One-time payment	-411,699
Hourly Instruction and non-instruction (Academic and classified)	-1,202,971
Others	3,385
\$7,132,934 or 4.3%	
2016-2017 Proposed Adopted Expenditure Projection:	173,021,506

FIVE YEAR EXPENDITURE TREND

■ Expenditures



Changes in Fund Balance

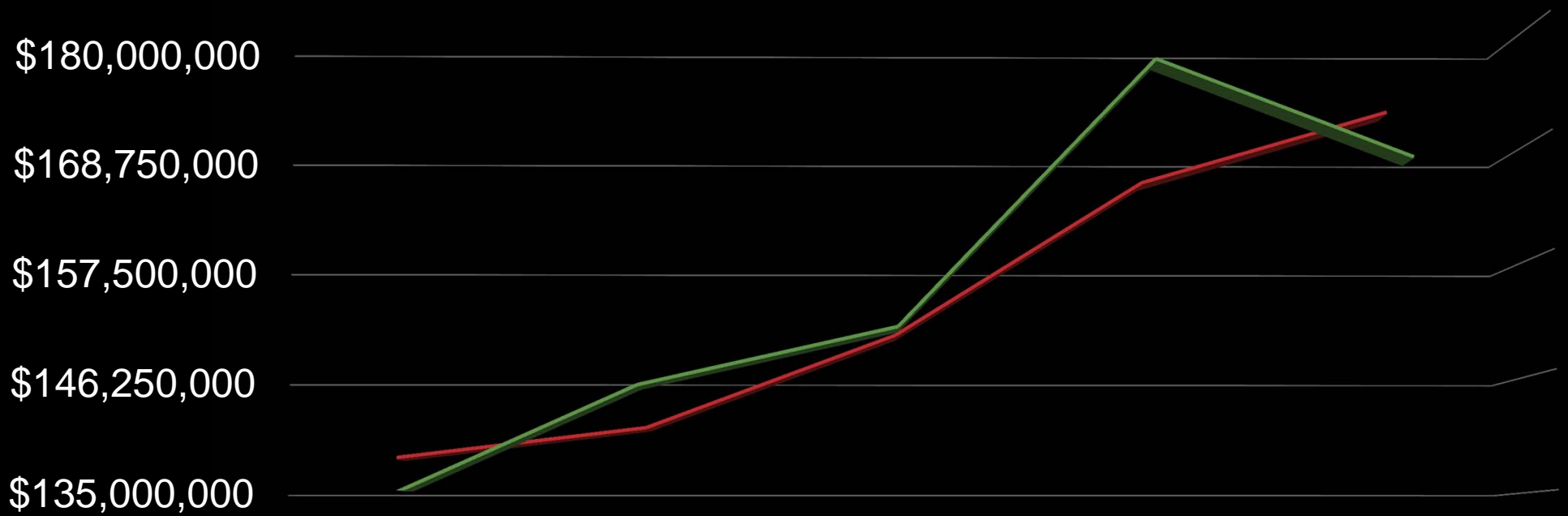
THE “BOTTOM LINE”

	2015-2016 Unaudited	2016-2017 Proposed AB
Beg. Fund Balance	\$13,781,577	\$23,925,591
Structural Surplus/Deficit	-\$769,147	-\$6,604,786
One-Time items	\$10,913,161	\$263,434
Ending Fund Balance	\$23,925,591	\$17,584,239
Fund Balance to TTL Expenditures and Transfers	14.42%	10.16%

FIVE YEAR TREND

■ Revenue

■ Expenditures



OTHER ISSUES MOVING FORWARD

- Stabilization - FTES in decline = Stalled Revenues
 - Held harmless 16-17; will rebase in 17-18
 - 200 Growth in 16-17 will produce no additional revenue
- PERS and STRS increases

	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
STRS	8.25%	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	19.1%
PERS	11.442%	11.77%	11.85%	13.89%	15.50%	17.10%	18.60%	19.80%

- State revenues not meeting expectation. June and July <\$1.036>B
- Prop 30 Sunset -December 2016 sales tax expires (21%) December 2018 income tax (79%)
- Structural deficit is <\$6,604,786>

IN SUMMARY

- Projected revenues decreased **<\$9,352,432>** or **<5.31%>** from 2015-2016
- Projected expenditures increased **\$7,132,934** or **4.3%** from 2015-2016
- Projected fund balance decrease of **<\$6,341,352>** and is projected to be 10.16% (15-16 14.42%) of TTL expenditures and transfers
- Structural deficit is **<\$6,604,786>** and careful planning is needed to ensure fiscal stability

Thank You!!!

The Accounting Team with Special
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Lau

Charlie Yen, Greg Brown and the
Facilities Team



Budget Committee