

PRESENTATION OF THE 2017-2018
TENTATIVE BUDGET - BOARD OF TRUSTEES
JUNE 6, 2017

SANTA MONICA
COLLEGE

THINGS CAN STILL CHANGE

- Still waiting for P2 - June
- Year end closing - Summer
- Retroactive Salary and Benefit Adjustments
- May Revise - Macro view
- Governor vs. Legislature

OVERVIEW

- Governor's May Revise
- Tentative Budget

2017-2018

Governor's May Revise

WARNING: RESULTS MAY VARY

GOVERNOR'S PROPOSAL

- 2016-17 revenue <\$2.0B> below Budget Act
- 2016-17 Prop 98 <\$0.5B> below Budget Act
- 2017-18 May revision proposes a record \$124.0 B General Fund Budget - \$1.7B more than 16-17
 - Forecasts a 7.0% increase in PIT and 6.7% in Corp Tax
- Prop 98 Funding a record \$74.6 B
 - Community Colleges share is 10.90% or \$8.1B- Traditionally Share is 10.93%
- No enrollment fee change

PROPOSITION 98 FUNDING

■ June 16 Enacted
■ May 17 Estimate

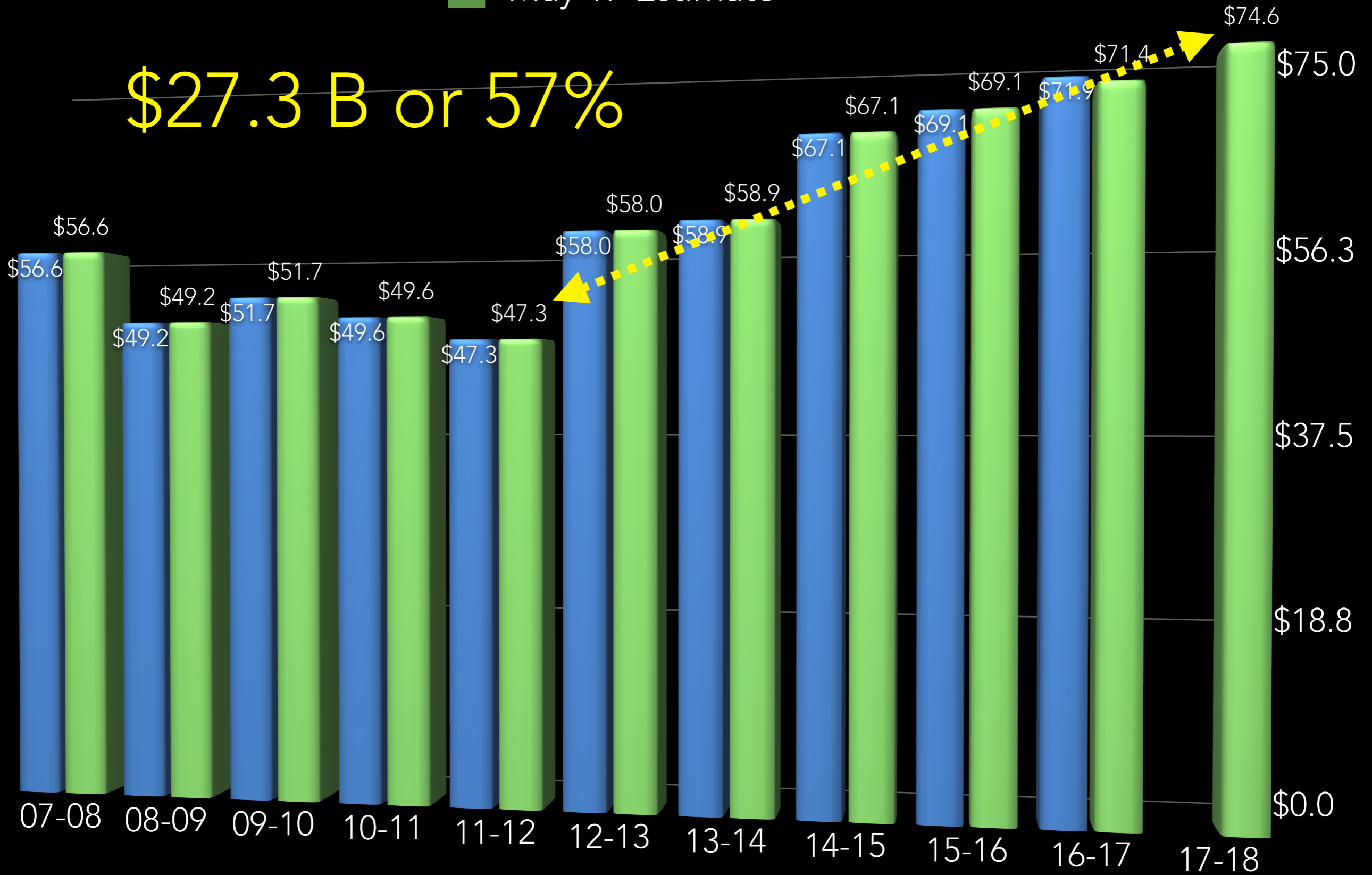


IN BILLIONS

PROPOSITION 98 FUNDING

■ June 16 Enacted
■ May 17 Estimate

\$27.3 B or 57%



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RECAP OF GOVERNOR'S BUDGET

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UNRESTRICTED FUND

	ONGOING	ONE-TIME	TOTAL
GROWTH - \$57.8M SYSTEM - 1.00% DISTRICT - 0.46%	\$265,880	-	\$265,880
COLA - \$97M - SYSTEM - 1.56%	\$1,860,288	-	\$1,860,288
BASE INCREASE - \$183.6 M	\$3,547,874	-	\$3,547,874
TOTAL	\$5,674,042	-	\$5,674,042

RECAP OF GOVERNOR'S BUDGET

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RESTRICTED FUND

	ONGOING	ONE-TIME	TOTAL
CATEGORICAL COLA	\$55,749	-	\$55,749
SM/IE BLOCK GRANT - \$135.8 <small>NOT ALLOCATED UNTIL JUNE 2019</small>	-	\$2,624,190	\$2,624,190
PROP 39 - \$46.5	-	\$898,563	\$898,563
TOTAL	\$55,749	\$3,522,753	\$3,578,502

RECAP OF GOVERNOR'S BUDGET

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UNRESTRICTED AND RESTRICTED FUND

	ONGOING	ONE-TIME	TOTAL
UNRESTRICTED (01.0)	\$5,674,042	-	\$5,674,042
RESTRICTED (01.3)	\$55,749	\$3,522,752	\$3,578,501
TOTAL	\$5,729,791	\$3,522,752	\$9,252,543

ITEMS NOT INCLUDED...

- \$10 M System wide Online Education Initiative
- \$6 M Integrated library system
- \$150 M Guided Pathways
- \$5 M Full-time Student Success Grant
- \$77.5 M Backfill of RDA shortfalls
- \$20 M Awards for Innovation
- \$4.6 M Equal Employment Opportunity Program

2017-2018
Tentative Budget

MAJOR REVENUE ASSUMPTIONS

- Increase in General Apportionment of \$3,547,874 due to Base adjustment
- Growth/Access: 0.00%
 - 0.46% or 50 FTES or ~\$265k available
 - FTES Decline: <278> credit FTES
 - Credit FTES History:
 - 13-14 = 197 CrFTES; 14-15 = 181 CrFTES; 15-16 = 47 CrFTES; 16-17 <253> CrFTES; 17-18 <278> CrFTES
- 2017 -2018 FTES Borrowing:
 - Funded =21,263.86 CrFTES
 - Actual Served = 20,420 CrFTES
 - Funding received from borrowed FTES \$4,402,913 will be lost in 19-20

MAJOR REVENUE ASSUMPTIONS

- Non-resident tuition:
 - Increase in fee of 7.55%
 - Decrease in FTES of $\langle 8.60\% \rangle$ or $\langle 413 \rangle$ FTES
 - Decrease in revenue of $\langle \$558,357 \rangle$
 - 3 year average increase: $\sim \$2.1\text{M}$
- Inflationary Adjustment: 1.56% or $\sim \$1.86\text{M}$
- Non-repeating of Mandated Cost Block Grant (one-time) or Prior Year Apportionment (borrowing, VLF, RDA) = $\sim \langle 4.4\text{M} \rangle$
- All revenues driven by FTES adjusted

EXPENDITURE ASSUMPTIONS

- Salaries: Step, column, longevity and all Board approved changes to the salary schedules
- 2.2% salary increase for SMCFA, CSEA and SMCPOA
- Inclusion of vacancy list reduced at 66% - 3 Management and 23 Classified
- Benefits:
 - STRS: 12.58% to 14.43% - Increase of 14.7%
 - PERS: 13.89% to 15.53% - Increase of 11.8%
 - Since 2013-14 expenditures for pensions increased ~\$5.99M or ~75%
 - Health and Welfare: 3 Year Average
 - Current Employees: 6%; Retirees 11%
 - OPEB: Funding suspended

EXPENDITURE ASSUMPTIONS

- Supplies and Services budgeted based on prior year allocation less targeted reductions and reflect contractual increases
 - 16-17 Adopted to 17-18 Tentative: ~<\$809k> reduction
 - 2nd Q 2016-2017 to 17-18 Tentative: ~<1.77M> reduction
- Equipment, Total Cost of Ownership and Technology
Equipment Replacement Plan moved to Capital Outlay Fund
= ~<633k>savings
- \$344,287 is One-time
 - BA implementation, Oracle upgrade, CBT/Strategic planning

Changes in Revenue

PROJECTED CHANGES IN REVENUE
2016-2017 TO TENTATIVE 2017-2018

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2016-2017 Revenue Projection:	170,895,772
Increase In Apportionment (Base)	3,547,874
Cola	1,860,288
State On Behalf Contribution To Strs	646,795
Other Local Revenue	142,800
Interest	-130,800
Non-Resident Tuition	-558,357
One-Time Mandated Cost Block Grant	-2,002,249
Py Adjustment For Apportionment (One-Time)	-2,439,958
Other	-97,381
2017-2018 Tentative Budget Revenue Projection:	171,864,784

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\$969,012 or 0.57%	
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Changes in Expenditures

PROJECTED CHANGES IN EXPENDITURES
2016-2017 TO TENTATIVE 2017-2018

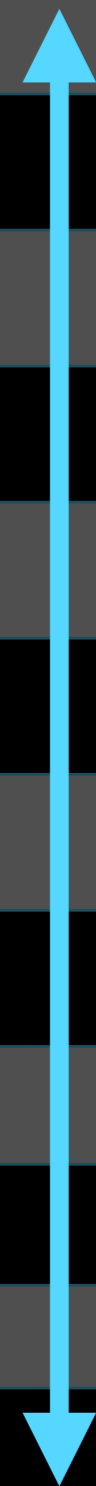
PROJECTED CHANGES IN EXPENDITURES 2016-2017 TO TENTATIVE 2017-2018

2016-2017 Expenditure Projection:	173,907,404
Smcfa Contractual Increase	2,077,460
Health And Welfare And Retiree Benefits	1,382,399
Employment And Retirement Benefits	1,356,200
Step, Column And Longevity	1,307,251
Csea And Smcpoa Contractual Increase	758,695
Vacancy List	690,441
State On Behalf Contribution To Strs	646,795
Full Year Effect Of Hiring And Separations	540,183
Supplies, Contracts And Equipment	167,190
Utilities And Insurance	116,452
Decrease In Hourly Instruction And Non-Instruction	-1,225,089
Other	10,001
2017-2018 Tentative Budget Exp. Projection:	181,735,382

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\$7,827,978 or ~4.5%



Changes in Fund Balance

THE "BOTTOM LINE"

	2016-2017 Projected	2017-2018 Tentative
Beg. Fund Balance	23,925,591	20,913,959
Structural Surplus/Deficit	-7,380,457	-\$13,929,224
One-Time Items	\$4,368,825	\$4,058,626
Ending Fund Balance	20,913,959	11,043,361
Fund Balance To Ttl Expenditures And Transfers	12.03%	6.08%

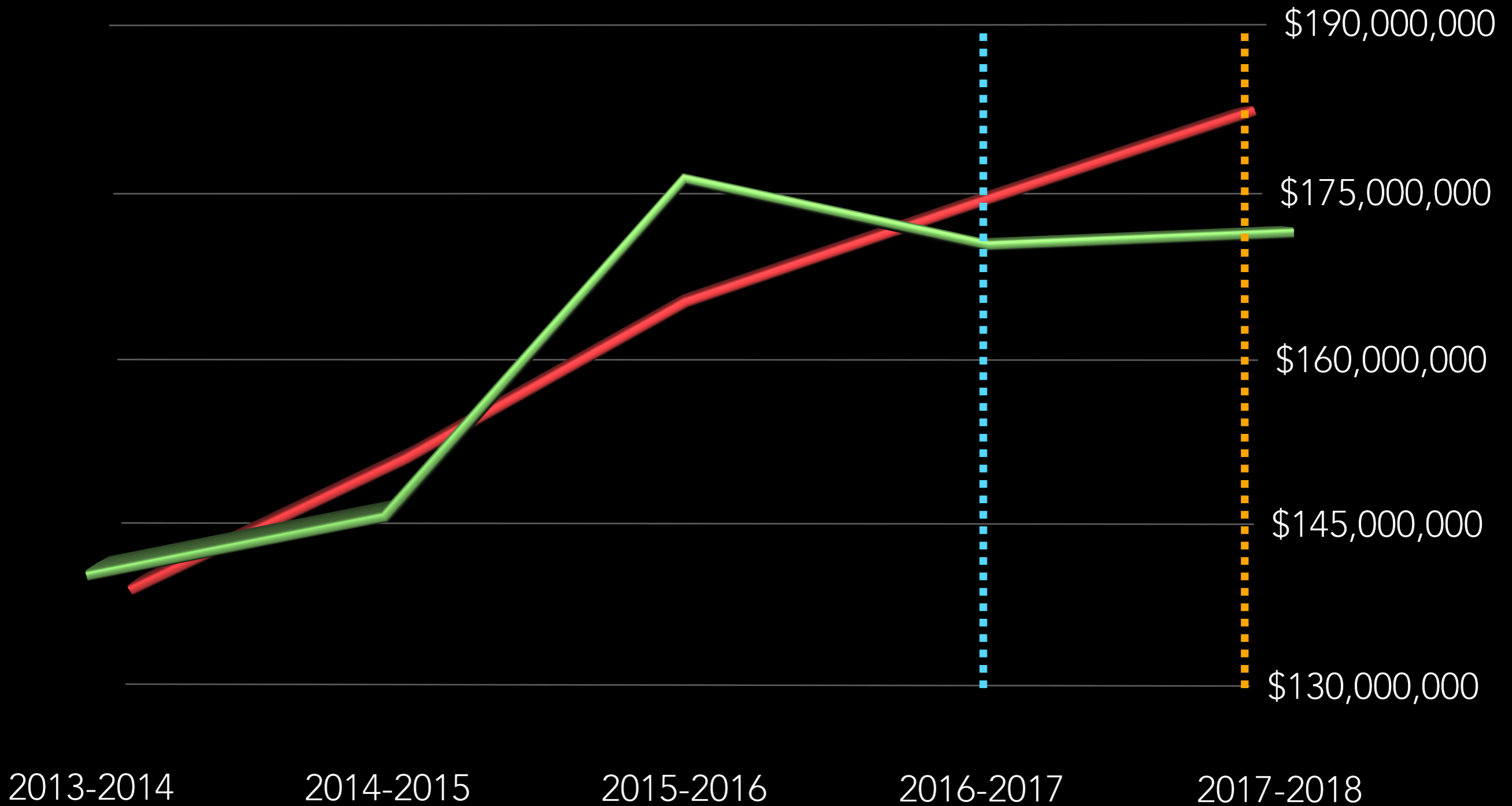
FIVE YEAR TREND COMPARISON INCLUDING ONE-TIME FUNDING

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Revenue	\$144,945,575	\$150,456,338	\$176,032,586	\$170,895,772	\$171,864,784
Expenditures	\$141,494,606	\$150,646,540	\$165,888,572	\$173,907,404	\$181,735,382
Surplus/ Deficit	\$3,450,969	-\$190,202	\$10,144,014	-\$3,011,632	-\$9,870,598
Ending F B	\$13,971,779	\$13,781,577	\$23,925,591	\$20,913,959	\$11,043,361

FIVE YEAR TREND

— Revenue

— Expenditures

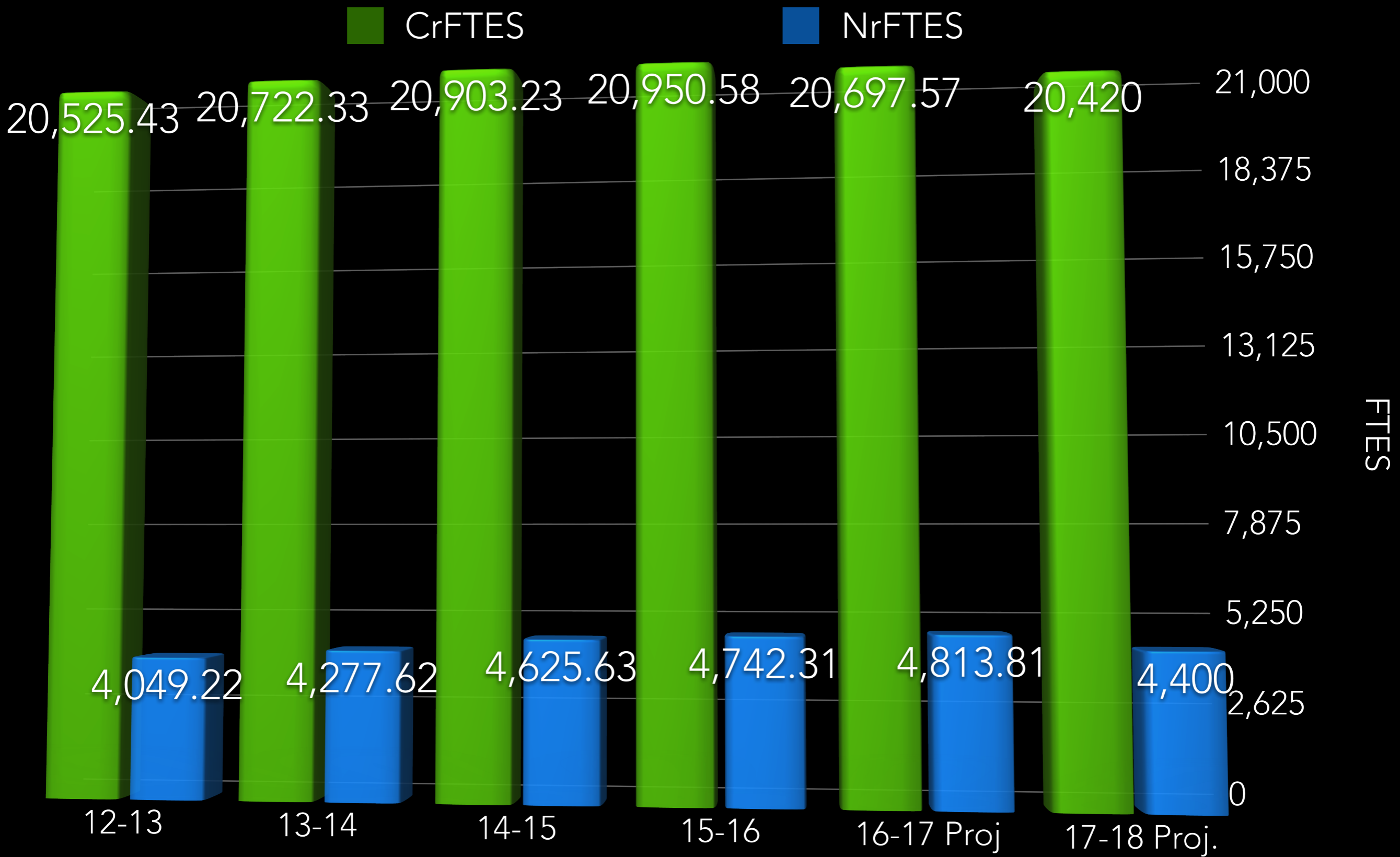


MAJOR ISSUES MOVING FORWARD

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- May Revise heavily reliant on capital gains taxes and assumes large increases in PIT and Corp tax revenue
- FTES: Demand Continues Downward Trend
 - 2016-2017 P2: Decline of <253> resident credit FTES
 - 2017-2018 Tentative:
 - Projected decline of <277> resident credit FTES
 - Projected decline of <413> non-resident credit FTES

CREDIT AND NON-RESIDENT FTES PROJECTIONS



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 - STRS: Employer contribution 2020-21 will be 19.1%
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- Built in increases: Step and column, benefits, and contractual
- Health and Welfare, Utilities, OPEB
- Significant and immediate action needs to be taken to secure the Districts fiscal stability

Thank You!!!

The Accounting Team with Special
Thanks To Veronica Diaz and Jo Lau

Charlie Yen, Greg Brown, Emil Zordilla
and the Facilities Team

Budget Committee