

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
2015-2016 TENTATIVE BUDGET NARRATIVE**

The Santa Monica Community College District Proposed Tentative Budget for fiscal year 2015-2016 is comprised of the following nine funds:

General Fund Unrestricted	\$180,554,330
General Fund Restricted	<u>\$39,173,382</u>
<i>Total General Fund</i>	\$219,727,712
Special Reserve Fund (Capital)	\$19,506,265
Bond Fund: Measure U	\$16,786,209
Bond Fund: Measure S	\$45,373,954
Bond Fund: Measure AA	\$46,646,003
Bond Interest & Redemption Fund	\$45,980,145
Student Financial Aid Fund	\$36,830,612
Scholarship Trust Fund	\$45,238
Auxiliary Operations	<u>\$4,643,021</u>
<i>Total Other Restricted</i>	\$215,811,447
TOTAL PROPOSED TENTATIVE BUDGET	\$435,539,159

GENERAL FUND

The 2014-2015 fiscal year is projected to close with an Unrestricted General Fund ending balance, including Designated Reserves of \$9,836,434.

For the 2015-2016 tentative budget, the District is projecting an increase in revenue of 14 % or \$21,018,969 and an increase in expenditures of 4.2% or \$6,523,469, resulting in a projected structural deficit of ~~<\$606,316>~~ and an overall operating surplus, with one-time items, of \$10,360,155. It is important to note that of the \$21,018,969 increase in projected revenue; approximately \$11,978,846 is one-time in nature and will not carry into future years. The projected ending Unrestricted Fund Balance is \$20,196,589 or 12.59% 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 Revise 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 with the exception of some parts of the Auxiliary fund.

The District has based the tentative budget on the Governor's "May Revise" budget proposal for the State. The Governor's 2015-2016 budget provides for a 1.02% Cost of Living Adjustment (COLA), a 3.0% Access/Restoration (approximately 2.544% for the District), an increase in base for support of district general operating expenses and a one-time funding to pay down prior mandate obligations of \$626M (approximately \$11.98M for the District).

The largest source of revenue for the District is state funding. The state funding formula is based on the combination of property taxes, enrollment fees and principal apportionment funds added together to equal the estimated State General Revenue. The figures in the tentative budget are

based on estimates from the Chancellor's Office adjusted by the District's enrollment projections.

The tentative budget assumes an increase of approximately 534 credit FTES served from 2014-2015. The related revenues and instructional related expenditures are contained within the tentative budget.

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. The District anticipates an increase in local revenue in fiscal year 2015-2016 mainly due to an increase in non-resident tuition revenue of 5.0%.

General Fund Unrestricted Expenditures (01.0)

The District's largest expenditures (87.9% 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. It also includes a negotiated increase of 2.2% in the salary of SMC Faculty Association members. The projected effect of the increase is approximately \$2,588,479

The discretionary section of the expenditure budget (Supplies, Services and Capital), reflects an increase of approximately \$1,258,590 from 2014-2015 projected expenditures. The main drivers of the projected expenditure increase are the inclusion of a technology replacement plan and a set aside for equipment replacement related to non-technology items. (*Accreditation Standard III.B and III.C, MPE Obj. #2*)

The amount of \$12,878,490 for the Contracts/Services line item in the tentative budget includes: Rents/Leases (i.e. Performing Arts Center, Swimming Pool, Big Blue Bus) 20%; Bank Fees and Bad Debt 12%; Advertising 10%; Other Contract Services 9%; Repairs of Equipment/Maintenance 9%; Software Licensing 6%; Consultants 5%; Legal Services (including those for the Personnel Commission) 4%; Online Course Management System 4%; Managed Print Services 3%; Postage and Delivery Services 3%; Conferences and Training 3%; Off-Campus Printing 3%; LACOE Contracts (i.e. PeopleSoft, HRS) 2%; Memberships and Dues 1%; Audit 1%; Professional Growth 1%; Recruiting-Students 1% and Other Services – all under 1% of budget per category (e.g. Repairs-Facility, Field trip, Mileage, Commencement, Fingerprinting, Board Meetings, Field Trips, etc.) 3%.

It is expected that adjustments to projections will occur between the tentative budget and adopted budget as more information becomes available from the State.

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, 2016 will be carried over to the 2016-2017 budget, if permissible.

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 Expenditures Fund. The major source of revenue for this fund is the non-resident capital surcharge. These funds are used for capital outlay related projects, including the installment payments for the AET Certificate of Participation and any required expenditure matches to State capital outlay funding. State funding for capital projects is also accounted for in this fund.

All capital expenditures and revenue in the Special Reserve Fund, as well as Funds 42.2, 42.3, and 42.4 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 U (42.2)

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

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 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 2015-2016 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 and Cal Grants). The transfer line items reflect a transfer from the Unrestricted General Fund to meet the match requirements of the individual grant programs.

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 revised state revenue, and others will be internal adjustments resulting from new or updated revenue information and expenditure reduction efforts.