



**FISCAL YEAR 2020-21
FINAL BUDGET STRATEGY SESSION**

8/27/2020

Financial Policy Committee

Chair-Anthony Castro

Anthony Blacksher

Tatiana Vasquez

Mary Lawler

Financial Policy Committee Bylaws

The Committee on Financial Policy shall report to the Academic Senate on all financial matters or proposals that would appear to have significant bearing on the Senate or the SBVC Faculty.

1. The purpose of the Financial Policy Committee is to identify and monitor information about budget changes that occur that directly or indirectly affect the Senate or the SBVC Faculty.
2. The goals of the Financial Policy Committee are to read and understand the budget and how it relates to each line item by the effect the district has on supplies, course materials, staffing, etc. on the SBVC Faculty.
3. The charge of the Financial Committee is to identify budget trends and departures from trends, and provide input and feedback concerning the various financial issues facing the College. The financial policy committee serves as the liaison between the Faculty Senate and the San Bernardino Valley College budget committee.
4. The objectives of the Financial Policy Committee are to:
 - a) Read and understand (terminology) budget reports that yield the greatest information with which to denote changes in the decision-making process, and
 - b) set up lines of communication that will enable the faculty to be able to monitor and understand the budget changes that are, or have occurred that directly influence programs, etc.
 - c) Use campus qualitative and quantitative data to support decision making on budgetary needs
 - d) advocate for equity-minded decisions

5. The methods to be used by the Financial Policy Committee to meet these objectives are to:
 - a. establish specific dates which, where, and by whom do we get reports of a relevant nature,
 - b. list the consistent terminology of the school's accounting procedure, listing consistent data,
 - c. develop a line by line technique of registering inputs and outputs of budget dollars, measuring month-to-month, year-to-year, etc., and
 - d. establish communication with the Senate Committee on Legislation that may help:
 - i. identify new legislation that has an effect on ADA-money incomes given to District
 - ii. caps placed on budgets
 - iii. payments as received by District from State and other agencies
 - iv. significant planned cash outflows
 - v. establish priority lists of dollar programs
 - vi. request and interpret data from SBVC's institutional research team
 - vii. identify inequities in current and proposed budget models

- On June 30, Governor Newsom signed the FY 2020-21 State Budget Act.
- In January, the administration projected a \$5.6 billion surplus due to three very strong quarters of economic growth.
- However, the state's economy entered a profound and unanticipated recession in the fourth quarter.
- This recession, combined with \$5.7 billion in new spending related to the state's COVID-19 response, shifted the projected surplus of \$5.6 billion to a **\$54.3 billion** deficit.
- The Budget Act prevents immediate cuts to California Community Colleges (CCC) funding; however, it includes **\$1.5 billion in deferrals in 2020-21**.
- We remain cautiously positive that up to \$791 million of these deferrals will be rescinded if the U.S. Congress approves a stimulus package with sufficient funding by the **October 15, 2020** deadline.

- SBCCD's Final Budget was developed utilizing the same components as the SBCCD Tentative Budget, incorporating a **best**, **middle**, and **worst** case scenario into the multi-year forecast.
- This approach provides our district the agility to move quickly between scenarios as economic data emerges.
- The scenarios are differentiated by the expected **Cost of Living Adjustment (COLA)** along with a corresponding deficit factor.
- All scenarios include a hiring freeze.

COLA			
	BEST	MIDDLE	WORST
2019-20	3.26%	3.26%	3.26%
2020-21	0.00%	0.00%	0.00%
2021-22	2.80%	0.00%	0.00%
2022-23	3.16%	3.16%	3.16%
2023-24	3.16%	3.16%	3.16%
2024-25	3.16%	3.16%	3.16%

DEFICIT FACTOR

	BEST	MIDDLE	WORST
2019-20	0.95%	0.95%	0.95%
2020-21	0.00%	0.35%	10.60%
2021-22	0.00%	1.00%	2.00%
2022-23	0.00%	1.00%	2.00%
2023-24	0.00%	1.00%	2.00%
2024-25	0.00%	1.00%	2.00%

Multi Year Forecast: 2020-21 Final Budget [DRAFT]

	SBVC	CHC	DSO	SBCCD Total
Section A - State Base Revenue				
1 Base Allocation Revenue (medium and small colleges)	\$ 4,719,754	\$ 4,045,502		\$8,765,256
2 Credit FTES	10,134.89	4,591.51		14,726.40
3 Rate Per Credit FTES				\$4,009.00
4 Total Credit FTES Funding	\$ 40,630,723	\$ 18,407,342		\$59,038,065
5 Special Admit and CDCP (enhanced) FTES	431.07	69.65		500.72
6 Rate Per Special Admit and CDCP (enhanced) FTES				\$5,621.94
7 Total Special Admit and CDCP (enhanced) FTES Funding	\$ 2,423,450	\$ 391,568		\$2,815,018
8 Non-Credit FTES	229.45	17.55		247.00
9 Rate Per Non-Credit FTES				\$3,380.63
10 Total Non-Credit FTES Funding	\$ 775,686	\$ 59,330		\$835,016
11 Total SBCCD FTES	10,795.41	4,678.71		15,474.12
12 Supplemental Component (based on %)	18,076	6,118		24,194
13 Rate Per Supplemental Component				\$948
14 Total Supplemental Component Funding	\$ 17,136,048	\$ 5,799,864		\$22,935,912
15 Total Student Success Incentive Component Funding	\$ 6,469,944	\$ 2,753,520		\$9,223,464
16 Total State Base Revenue (sum of lines 1,4,7,10,14,15)	\$ 72,155,604	\$ 31,457,126		\$103,612,730
17 State-Based Revenue Percent By College	69.64%	30.36%		
18 Calculated Revenue Shortfall Percent				-0.35%
19 Revenue Shortfall Amount	-\$256,117	-\$111,658		-\$367,775
20 Adjusted State Base Revenue (line 16 + line 19)	\$71,899,487	\$31,345,468	\$0	\$103,244,955
21 Proposed Base Allocation Increase				\$0
22 Total State Revenue	\$71,899,487	\$31,345,468	\$0	\$103,244,955
23 Change From Previous Year State Base Revenue				\$616,611

Fund Balance

- The fund balance is the district reserve needed to pay emergency expenditures. The percent of the fund balance is given as the balance over the total yearly expenditures.

Unrestricted General Fund Middle Case Scenario

Multi Year Forecast: 2020-21 Final Budget [DRAFT]

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21 Proposed Base Allocation Increase				\$0
22 Total State Revenue	\$71,899,487	\$31,345,468	\$0	\$103,244,955
23 Change From Previous Year State Base Revenue				\$616,611

Section B - Other Revenue				
24 Part-time Faculty Funding	\$704,851	\$307,289		\$1,012,140
26 Lottery Funding	\$1,425,914	\$621,645		\$2,047,559
27 Interest Income	\$586,544	\$255,711		\$842,256
28 Other Campus Revenue Per Campus Projections	\$922,926	\$402,361		\$1,325,286
29a STRS/PERS Trust Interest Revenue	\$1,427,614	\$622,386		\$2,050,000
29b Commercial Building Annual Revenue	\$0	\$0		\$0
30 Other Revenue	\$532,227	\$216,164		\$748,391
31 Total Other Revenue	\$5,600,076	\$2,425,556		\$8,025,632
32 Total Revenue (line 22 + line 31)	\$77,499,563	\$33,771,024	\$0	\$111,270,587
Section C - Site Expenses				
33 1000 - Academic Salaries	\$30,524,601	\$14,755,965	\$1,013,847	\$46,294,413
34 2000 - Classified Salaries	\$10,821,110	\$6,647,281	\$9,323,977	\$26,792,368
35 3000 - Benefits	\$12,455,398	\$6,740,105	\$4,954,750	\$24,150,252
36 4000 - Supplies	\$823,658	\$321,977	\$388,505	\$1,534,140
37 5000 - Other Expenses and Services	\$5,287,830	\$2,323,562	\$5,589,674	\$13,201,065
38 6000 - Capital Outlay	\$454,601	\$28,330	\$132,245	\$615,176
39 7000 - Other Outgo	\$33,215	\$7,000	\$580,000	\$620,215
40 Site Budgeted / Projected Actual Expenditures	\$60,400,412	\$30,824,220	\$21,982,997	\$113,207,629
41 Percentage of Budget by Site	53.35%	27.23%	19.42%	
42 Shared Costs (DSO)	\$15,308,896	\$6,674,102	-\$21,982,997	
43 Annual Excess/(Deficit) (line 32 - line 40 - line 42)	\$1,790,255	-\$3,727,298	\$0	-\$1,937,042
Section D - One-Time Adjustments & Fund Balance				
44 FCC Legal Fees Reimbursement				
45 Salary Increases (Retro)--included in expenses above				
46 Annual Increase/(Decrease) to Fund Balance				-\$1,937,042
47 Prior Year Audit Adjustments to Fund Balance				
48 Fund Balance July 1, Year Beginning				\$23,246,196
49 Year-end Estimated Fund Balance (actual is per CCFS 311)				\$21,309,154
50 Fund Balance Percentage (line 51 / line 40)				18.82%
51 Unrestricted Fund Balance				\$21,309,154

$$\text{Fund Balance} = \frac{\$21,309,154}{\$113,207,629} = 0.1882 = 18.82\%$$

Scenario Breakdowns

- Based on our analysis, **we recommend moving forward with the middle case** scenario and continuing to adjust our decisions as additional economic data becomes available.

Section B - Other Revenue				
24	Part-time Faculty Funding	\$704,851	\$307,289	\$1,012,140
26	Lottery Funding	\$1,425,914	\$621,645	\$2,047,559
27	Interest Income	\$586,544	\$255,711	\$842,256
28	Other Campus Revenue Per Campus Projections	\$922,926	\$402,361	\$1,325,286
29a	STRS/PERS Trust Interest Revenue	\$1,427,614	\$622,386	\$2,050,000
29b	Commercial Building Annual Revenue	\$0	\$0	\$0
30	Other Revenue	\$532,227	\$216,164	\$748,391
31	Total Other Revenue	\$5,600,076	\$2,425,556	\$8,025,632
32	Total Revenue (line 22 + line 31)	\$77,499,563	\$33,771,024	\$0 \$111,270,587
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37	5000 - Other Expenses and Services	\$5,287,830	\$2,323,562	\$5,589,674 \$13,201,065
38	6000 - Capital Outlay	\$454,601	\$28,330	\$132,245 \$615,176
39	7000 - Other Outgo	\$33,215	\$7,000	\$580,000 \$620,215
40	Site Budgeted / Projected Actual Expenditures	\$60,400,412	\$30,824,220	\$21,982,997 \$113,207,629
41	Percentage of Budget by Site	53.35%	27.23%	19.42%
42	Shared Costs (DSO)	\$15,308,896	\$6,674,102	-\$21,982,997
43	Annual Excess/(Deficit) (line 32 - line 40 - line 42)	\$1,790,255	-\$3,727,298	\$0 -\$1,937,042
Section D - One-Time Adjustments & Fund Balance				
44	FCC Legal Fees Reimbursement			
45	Salary Increases (Retro)-included in expenses above			
46	Annual Increase/(Decrease) to Fund Balance			-\$1,937,042
47	Prior Year Audit Adjustments to Fund Balance			
48	Fund Balance July 1, Year Beginning			\$23,246,196
49	Year-end Estimated Fund Balance (actual is per CCFS 311)			\$21,309,154
50	Fund Balance Percentage (line 51 / line 40)			18.82%
51	Unrestricted Fund Balance			\$21,309,154

BEST CASE

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue	110,653,976	111,638,362	111,638,435	115,912,599	118,290,228	121,774,589
Expense	113,829,544	113,207,629	114,900,458	116,675,911	118,494,923	120,358,675
Change in Fund Balance	(3,175,568)	(1,569,267)	(3,262,023)	(763,312)	(204,695)	1,415,914
Fund Balance \$	23,246,196	21,676,929	20,414,905	19,651,593	19,446,898	20,862,812
Fund Balance %	20.42%	19.15%	17.77%	16.84%	16.41%	17.33%

MIDDLE CASE

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue	110,653,976	111,270,587	110,602,307	114,843,730	117,187,582	120,637,099
Expense	113,829,544	113,207,629	114,900,458	116,675,911	118,494,923	120,358,675
Change in Fund Balance	(3,175,568)	(1,937,042)	(4,298,151)	(1,832,182)	(1,307,341)	278,425
Fund Balance \$	23,246,196	21,309,154	19,011,002	17,178,821	15,871,480	16,149,904
Fund Balance %	20.42%	18.82%	16.55%	14.72%	13.39%	13.42%

WORST CASE*

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue	110,653,976	100,611,822	109,566,179	116,074,860	118,384,936	121,799,610
Expense	113,829,544	113,207,629	114,900,458	116,675,911	118,494,923	120,358,675
Change in Fund Balance	(3,175,568)	(12,595,807)	(5,334,279)	(601,051)	(109,987)	1,440,935
Fund Balance \$	23,246,196	10,650,389	7,316,109	6,715,058	6,605,071	8,046,006
Fund Balance %	20.42%	9.41%	6.37%	5.76%	5.57%	6.69%

- The **worst** case scenario assumes that Congress will not approve a stimulus package by the **October 15, 2020** deadline.
- If that happens, beginning in FY **2022-23**, SBCCD will be forced to include the addition of \$2.3 million in commercial property revenue – funds currently being used for the **SBCCD Promise** – to maintain compliance with the State fund balance requirement of **5%**.
- While the best and middle case scenarios meet or exceed the Board of Trustees fund balance goal of maintaining a range of **10-15%** of expenditures, it is important to note that they also include extremely high levels of deferrals.
- Recording these deferred revenues sends a misguided message that the economy is excellent. As stated in the July 2, 2020 Joint Analysis, deferrals “can cause cash flow problems for districts, requiring them to deplete reserves and use internal and external short-term borrowing to meet ongoing obligations. Moreover, deferrals can permit the state to authorize – and districts to maintain – programmatic levels they can afford only by creating ongoing out-year obligations. These obligations can make future program reductions more likely and more profound.”

- To mitigate the difficult challenge ahead, we have performed a thorough inventory of vacant positions and instituted a districtwide hiring freeze, except for certain positions necessary to continue operations.
- All other operating expenditures have been reduced accordingly, and we continue to explore the implementation of additional efficiencies.
- These scenarios do not include furloughs or layoffs, and it is our hope that we can continue to provide our faculty and staff with the security of employment.
- In addition, due to the anticipated deferrals, we are projecting a cash need for the unrestricted general fund of **\$32.8 million** which will be met as follows:

FUND		PROJECTED TEMPORARY BORROWING BY MONTH					
#	DESCRIPTION	FEB	MAR	APR	MAY	JUN	TOTAL
410	Capital Outlay	4,000,000					4,000,000
590	Investment Properties	714,000	2,836,000	5,450,000			9,000,000
615	Workers Compensation			3,732,000	2,268,000		6,000,000
690	Retiree Benefit				2,500,000		2,500,000
730	Student Body Center Fee						-
775	PARS Investment Trust				5,605,000	5,703,000	11,308,000
TOTALS		4,714,000	2,836,000	9,182,000	10,373,000	5,703,000	32,808,000

- The temporary borrowing will support the unrestricted general fund to maintain at least **\$10 million** each month as cash available to cover at least one month of payroll expenses.
- It is important to note that these borrowings will need to be repaid within 12 months to the originating fund.
- According to the State Chancellor's office, the 2020-21 deferrals will be paid back in the months of **July 2021 through November 2021**.
- When this takes place, it is expected that another set of deferrals for 2021-22 will be implemented, making this a multi-year economic problem.

Unrestricted General Fund Budget Summary

	2018-19 Estimated Actuals		2019-20 Budget		2020-21 Forecast		2021-22 Forecast		2022-23 Forecast		2023-24 Forecast	
	Increase/ (Decrease) to Fund Balance	Fund Balance	Increase/ (Decrease) to Fund Balance	Fund Balance	Increase/ (Decrease) to Fund Balance	Fund Balance	Increase/ (Decrease) to Fund Balance	Fund Balance	Increase/ (Decrease) to Fund Balance	Fund Balance	Increase/ (Decrease) to Fund Balance	Fund Balance
SBCCD TOTAL	\$ (3,412,684)	\$ 21,276,092	\$ (5,033,023)	\$ 16,243,069	\$ (3,857,602)	\$ 12,385,468	\$ (433,927)	\$ 11,951,541	\$ 431,249	\$ 12,382,790	\$ 2,391,599	\$ 14,774,389
Fund Balance Percent		20.13%		14.29%		10.70%		10.17%		10.37%		12.19%
Average Monthly Expenses		\$ 8,806,936		\$ 9,469,325		\$ 9,646,308		\$ 9,794,378		\$ 9,946,089		\$ 10,100,524
Months to Cover Monthly Expenditures		2.4		1.7		1.3		1.2		1.2		1.5
Minimum Fund Balance of 10%		\$ 10,568,323		\$ 11,363,190		\$ 11,575,570		\$ 11,753,254		\$ 11,935,307		\$ 12,120,629
Excess (Deficit) of 10% Goal		\$ 10,707,769		\$ 4,879,879		\$ 809,898		\$ 198,287		\$ 447,483		\$ 2,653,761

Summary

- The reserve fund carried over from 2019-20 for 2020-21 is **\$23,246,196**.
- The district is borrowing **\$32,808,000** giving a total of **\$56,054,196**.
- We operate off of **\$10,000,000** a month. The 5 months of deferrals will need to be covered by \$50,000,000.
- We would be left with **\$6,054,196** and meet the **5%** recommendation of \$5,000,000 in the fund balance.

Questions?

