

Tentative Budget 2017-18

**Presented by:
Ann-Marie Gabel
Co-Chair
Budget Advisory Committee**

June 27, 2017

Overview

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- **State Budget Overview**
- **Strategic Plan Goals and Institutional Priorities**
- **BAC Planning Assumption Highlights**
- **FTES History and Projection**
- **List of All District Funds – Expenditures & Other Outgo**

Overview (continued)

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- **Unrestricted General Fund Details**
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 - Revenue Summary
 - Major Revenue Changes in 2017-18
 - Expenditure Summary
 - Major Expenditure Changes in 2017-18
 - Reserves
 - 7-Year Trends
- **Future Budget Challenges**



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State Budget Overview (Governor's Budget)

- \$57.8 million (1%) in growth funding.
 - \$0 budgeted for LBCC.
- \$97 million (1.56%) COLA.
 - \$1.7 million for LBCC.
- \$183.6 million base allocation increase.
 - Approximately \$3.1 million for LBCC.



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State Budget Overview (continued)

- \$5.6 million (1.56%) COLA for categorical programs (DSPS, EOPS, CaWORKs & Child Care Tax Bailout).
 - \$58,000 for LBCC.
- \$135.8 million for Deferred Maintenance/Instructional Equipment.
 - \$0 budgeted in 2017-18 because funding is being held as a contingency until the end of 2018-19.
- \$46.5 million in Proposition 39 Energy Efficiency and Renewable Generation funding.
 - \$841,000 for LBCC.



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State Budget Overview (continued)

- \$10 million for an Online Education Initiative.
 - System-wide learning management system (CANVAS).
- \$20 million for Innovation Awards.
- \$5 million for Full-Time Student Success Grant.
 - \$88,000 for LBCC.
- \$150 million for Guided Pathways program.
 - New program to develop an integrated institution-wide approach to student success.
- \$6 million for Integrated Library System.
 - For procurement of state-wide library system.

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Strategic Plan Goals

1. Innovate to achieve equitable student success.
2. Accelerate college readiness.
3. Build community.
4. Invest in people and support structures for transformation.

(Included within Board Goals approved on August 23, 2016.)

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Institutional Priorities

In alignment with the strategic plan goals: innovate to achieve equitable student success, accelerate college readiness, build community, and invest in people and support structures for transformation, the College will primarily focus on:

- A. Creating guided pathways and roadmaps,
- B. Maintaining fiscal viability,
- C. Expanding our profile within the community to enhance enrollment, and
- D. Supporting equitable student success through innovation.

Resource Allocation towards Goals & Priorities

	Strategic Plan Goals				Institutional Priorities			
	1. Equitable Student Success	2. Improve College Readiness	3. Build Community	4. Invest in People & Support Structures	A. Guided Pathways	B. Fiscal Viability	C. Expand Community Profile to Enhance Enrollment	D. Equitable Student Success Innovations
Hiring 28 FT Faculty	√	√	√	√	√	√	√	√
Computers for New Faculty				√				
Restored/New Classified Positions (3.70 FTE)			√	√				
Winter Intersession	√	√			√	√	√	
Instructional Equipment	√	√		√	√			√
Created 7 New Management Positions	√	√	√	√	√		√	√
Business Process Review	√			√				√
The Portal @ LBCC	√		√				√	√

Resource Allocation towards Goals & Priorities (continued)

	Strategic Plan Goals				Institutional Priorities			
	1. Equitable Student Success	2. Improve College Readiness	3. Build Community	4. Invest in People & Support Structures	A. Guided Pathways	B. Fiscal Viability	C. Expand Community Profile to Enhance Enrollment	D. Equitable Student Success Innovations
LEAD Academy			√	√				√
SBDC			√	√		√	√	
TAACCCT Grant	√			√		√		√
Goldman Sachs 10K Small Businesses			√	√		√	√	
CCPT AMETLLC Consrt.	√	√		√	√	√		√
Award for Innovation in Higher Education	√	√		√	√	√	√	√
Student Equity & SSSP	√	√		√	√	√		√
Strong Workforce	√		√	√	√	√	√	√

Resource Allocation towards Goals & Priorities (continued)

	Strategic Plan Goals				Institutional Priorities			
	1. Equitable Student Success	2. Improve College Readiness	3. Build Community	4. Invest in People & Support Structures	A. Guided Pathways	B. Fiscal Viability	C. Expand Community Profile to Enhance Enrollment	D. Equitable Student Success Innovations
IDRC Truck Driving Grant			√	√		√	√	
CA Endowment Health	√	√	√	√	√	√		√
Adult Ed Regional Consrt.	√	√		√	√	√	√	√
CA Promise Innovation Grant	√	√	√	√	√	√	√	√
Guided Pathways	√	√		√	√	√	√	√
Pre-Apprenticeship Grant	√	√	√	√		√	√	√
Global Trade and Logistics	√	√	√	√	√		√	√
International Business Accelerator			√	√			√	

Resource Allocation towards Goals & Priorities (continued)

Mandated Cost Allocations	Strategic Plan Goals				Institutional Priorities			
	1. Equitable Student Success	2. Improve College Readiness	3. Build Community	4. Invest in People & Support Structures	A. Guided Pathways	B. Fiscal Viability	C. Expand Community Profile to Enhance Enrollment	D. Equitable Student Success Innovations
• Scheduled Maintenance Projects				√		√		
• Website Design & Implementation			√	√	√		√	
• Professional Development	√	√		√	√			√
• Communication Plan Implementation			√				√	
• Title IX Compliance Implementation	√			√		√		
• Strategic Plan Implementation	√	√	√	√	√	√	√	√
• Technology Refresh - Multimedia	√			√		√		√



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BAC Budget Assumption Highlights

- There will be potential budget redirections in response to both the State's budget impact and the priority as identified by the College Planning Committee (CPC).
- FTES funded and total target is 20,775.
- A 0.5% deficit factor will be included to offset possible shortfall from apportionment revenues.
- Total Cost of Ownership – principles shall be employed in department planning and budgeting processes.

Tentative Budget

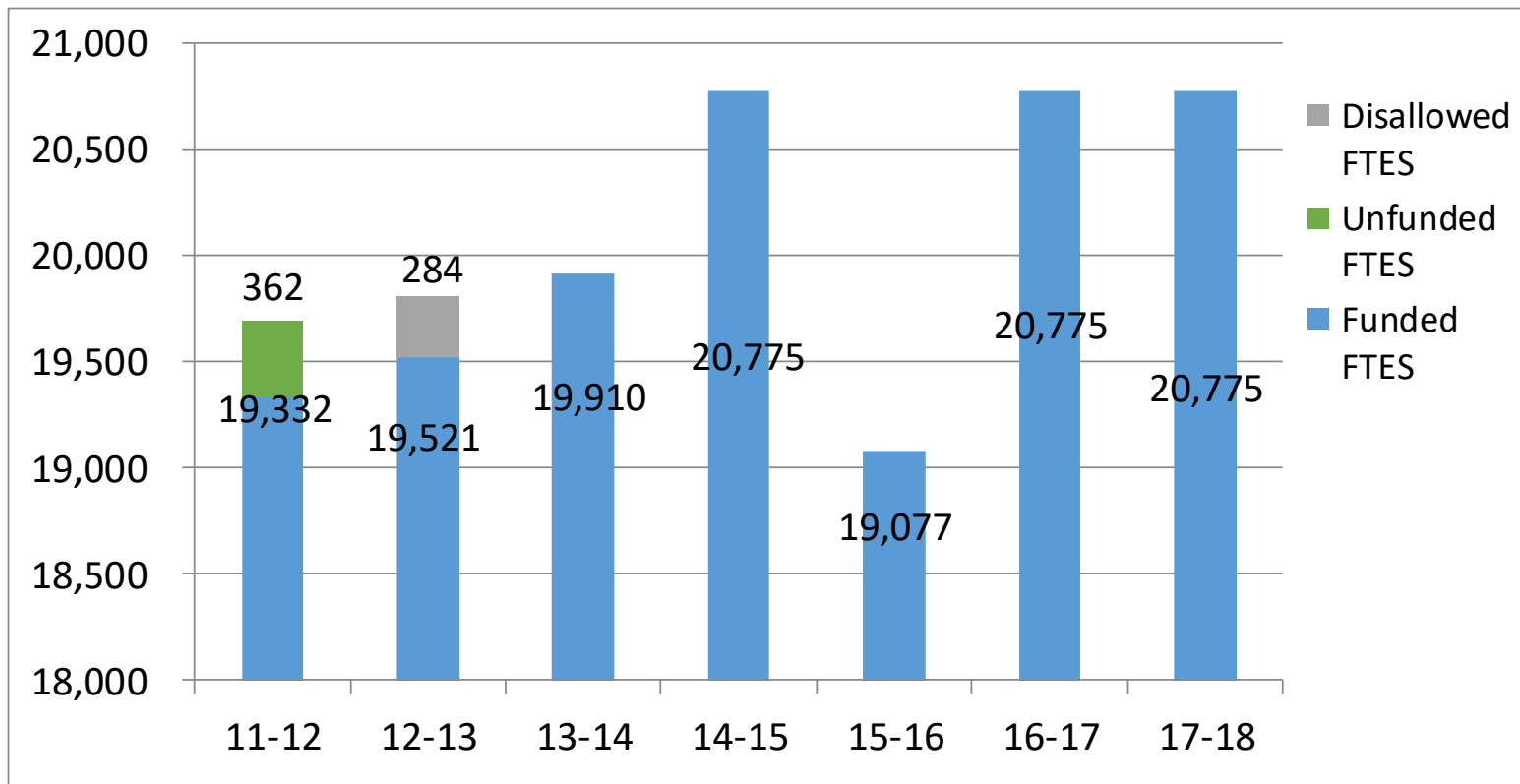
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BAC Budget Assumption Highlights (Continued)

- Maintain a 5.5% minimum unrestricted reserve.
 - Institutional Effectiveness Fund Balance goal set at 15% (short-term goal is 12.5%).
- Load Banking and Vacation Liability Reserves – \$2.8 million.
- Benefit costs changes:
 - STRS increased by 1.850% - \$936,000
 - PERS increased by 1.643% - \$538,000
 - Retiree Benefits – Annual Required Contribution (ARC) \$5.1 million.
- Health & Welfare Premiums
 - Increased by 3.2% - \$576,000

FTES History and Projection



**Total
19,694**

**Total
19,805**

**Total
19,910**

**Total
Recal
20,775**

**Total
19,077**

**Total
P-2
20,775**

**Total
Budget
20,775**

List of Funds – Expenditures & Other Outgo (in millions)

	Adopted Budget 2016-17	Estimated Actual 2016-17	Tentative Budget 2017-18
Unrestricted General Fund	\$ 134.4	\$ 127.6	\$ 137.7
Restricted General Fund	49.3	40.7	39.7
Capital Projects Fund	13.7	7.4	9.7
Child & Adult Development Fund	1.8	1.8	1.9
Contract/Community Education Fund	1.5	0.6	1.2
General Obligation Bond Fund 2008 Measure E	167.8	22.0	145.9
General Obligation Bond Fund 2016 Measure LB	786.6	3.5	784.2
Retiree Health Fund	3.6	3.1	3.2
Self-Insurance Fund	1.2	1.1	1.2
Student Financial Aid	52.8	52.8	52.8
Vet Stadium Operations	2.2	2.2	1.3
Total	\$ 1,214.9	\$ 262.8	\$ 1,178.8



Unrestricted General Fund Overall Summary

	Estimated Actual 2016-17	Tentative Budget 2017-18	Change Increase/ (Decrease)
Revenues and Other Financing Sources	\$124,460,263	\$126,934,162	\$ 2,473,899
Expenditures and Other Outgo	127,607,474	137,673,361	10,065,887
Surplus/(Deficit)	(3,147,211)	(10,739,199)	(7,591,988)
Fund Balance	\$ 25,147,977	\$ 14,408,778	\$ (10,739,199)

Unrestricted General Fund Revenue Summary

	Estimated Actual 2016-17	Tentative Budget 2017-18	Change Increase/ (Decrease)
Federal	\$ 78,000	\$ 78,000	\$ 0
Apportionment	112,648,692	116,851,858	4,203,166
Other State	8,585,068	6,671,911	(1,913,157)
Local	2,807,254	2,990,800	183,546
Other Sources	341,249	341,593	344
Total	\$124,460,263	\$126,934,162	\$ 2,473,899



Major Revenue Changes in 2017-18

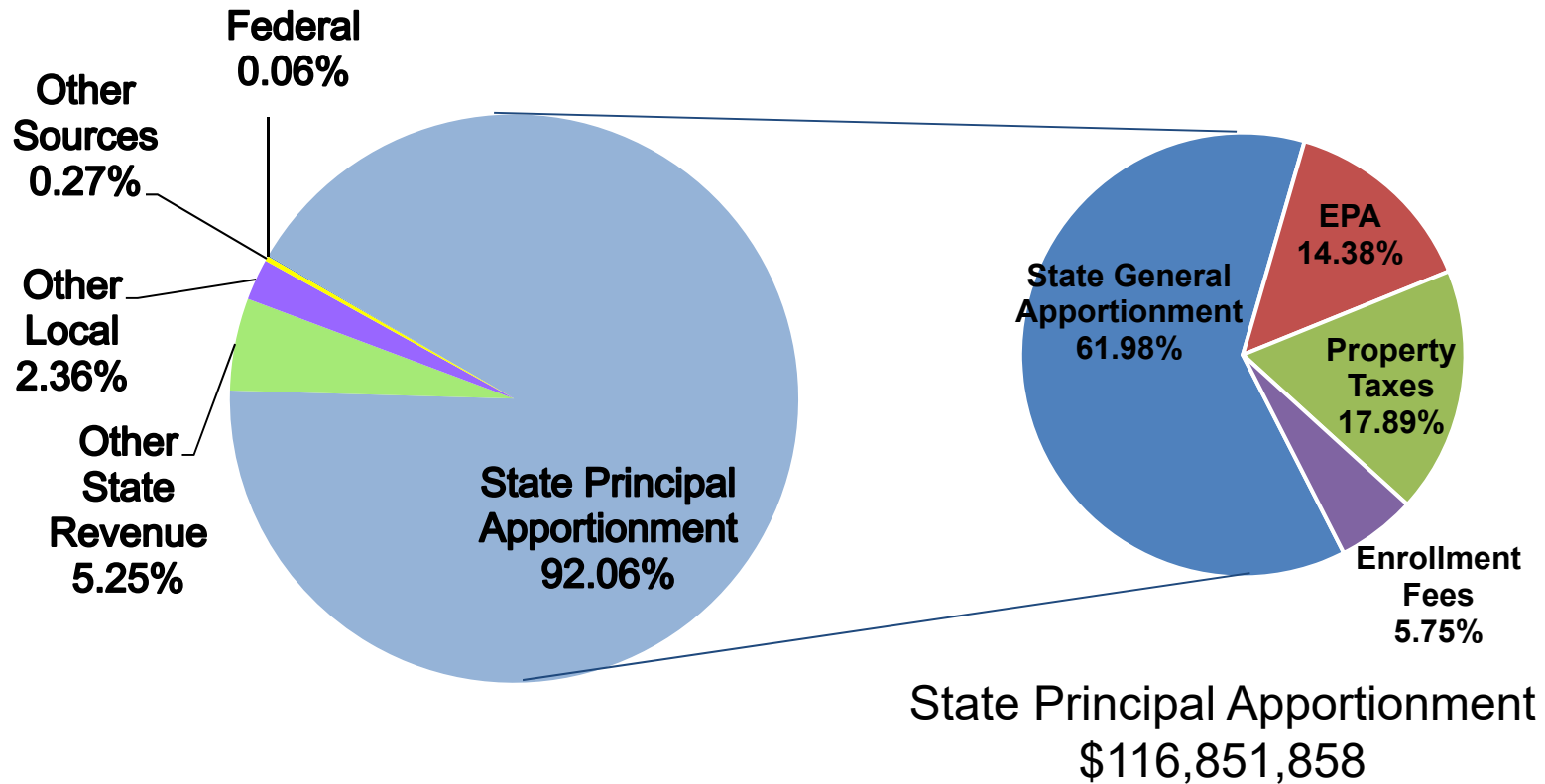
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- **Apportionment** – \$4.2 million increase is the net of:
 - \$3.2 million increase to base allocation.
 - \$1.7 million COLA.
 - (\$0.5) million deficit factor increase.
 - (\$0.2) million decrease due to prior year apportionment revenue.
- **Other State Revenue** – \$1.9 million decrease due to:
 - \$1.9 million decrease in one-time allocation of Mandated Cost Revenue.

Unrestricted General Fund Budgeted Revenue 2017-18 \$126,934,162



Unrestricted General Fund Expenditure Summary

	Estimated Actual 2016-17	Tentative Budget 2017-18	Change Increase/ (Decrease)
Academic Salaries	\$ 51,529,187	\$ 54,060,096	\$ 2,530,909
Classified Salaries	26,327,313	27,503,108	1,175,795
Benefits	34,188,963	38,083,051	3,894,088
Supplies	1,106,477	921,792	(184,685)
Services	10,948,052	14,062,208	3,114,156
Capital Outlay	2,061,482	1,597,106	(464,376)
Other Outgo	1,446,000	1,446,000	0
Total	\$127,607,474	\$137,673,361	\$ 10,065,887



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Major Expenditure Changes in 2017-18

- **Academic Salaries** – the \$2.5 million increase is due mainly to hiring 26 new full-time faculty, 1 long-term full-time faculty sub and 1 new academic manager.
- **Classified Salaries** – \$1.2 million increase is due mainly to the restoration of certain previously reduced positions (3.70 FTE), step & column increases, and the assumption that vacancies will be filled.
- **Total Benefits** – \$3.9 million increase is due to the increase in positions and increases to certain benefit rates, most notably the 1.850% for STRS, the 1.643% for PERS, and the 3.2% increase to health and welfare benefits.



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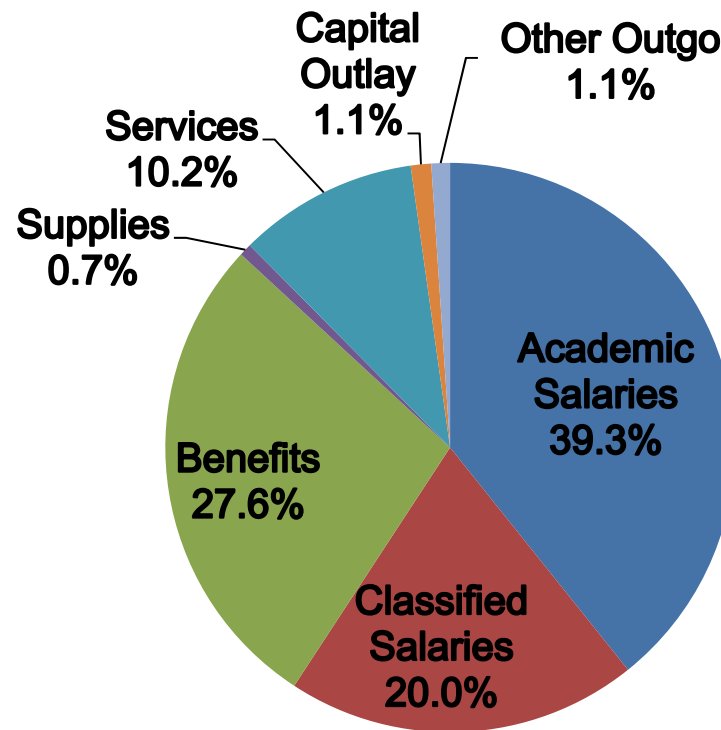
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Major Expenditure Changes in 2017-18 (continued)

- **Contract Services and Operating Expenses** – \$3.1 million increase is due mainly to the increase in professional services and other expenses for Business Process Reviews (which were budgeted last year but not spent so the funds are carrying over), increases in rents and utilities, and the increase for the cost of elections, which are held every other year.
- **Capital Outlay** – \$0.5 million decrease is due mainly to the reduction in one-time expenditures for technology refresh and instructional equipment funded by the Mandated Cost revenue augmentation.

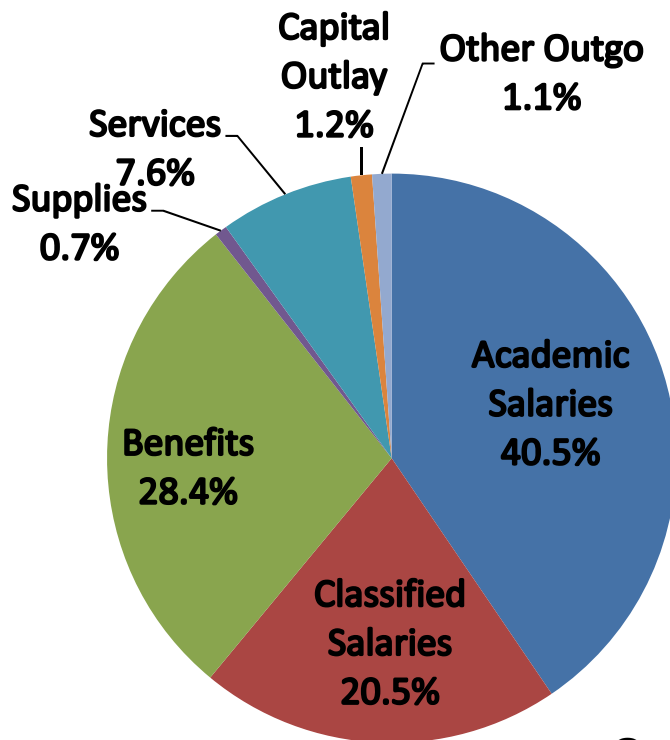


Unrestricted General Fund Budgeted Expenditures 2017-18 \$137,673,361



Salaries & Benefits 86.9%

Unrestricted General Fund Budgeted Expenditures 2017-18 without One-Time Expenses (\$133,642,569)



Salaries & Benefits 89.4%

Expenditures	
Total	\$ 137.6 M
Less: One-Time Exp	<u>(4.0 M)</u>
Expenditures without Mandated Cost	\$ 133.6 M

Unrestricted General Fund 7-Year Trend Summary (in millions)

	11-12 Actual	12-13 Actual	13-14 Actual	14-15 Actual	15-16 Actual	16-17 Estimated Actual	17-18 Tentative Budget
Salaries & Benefits as a % of Total Expenses & Other Outgo	89.0%	89.0%	85.0%	88.9%	82.8% 89.4%*	87.8% 90.0%*	86.9% 89.4%*
Surplus / (Deficit)	(\$3.3)	\$2.4	\$4.0	\$4.4	\$2.7	(\$3.2)	(\$10.7)
Ending Balance	\$14.8	\$17.2	\$21.2	\$25.6	\$28.3	\$25.1	\$14.4
Ending Balance as a % of Total Expenses & Other Outgo	14.2%	17.7%	20.6%	24.0%	21.4%	19.7%	10.5%

*Percentage of Total Expenses and Other Outgo excluding one-time expenses including Mandated Cost revenue (current year and carryover allocations).

Unrestricted General Fund Two-Year Projection

	Projected 2017-18	Projected 2018-19
Beginning Fund Balance	<u>\$ 25,147,977</u>	<u>\$ 14,408,778</u>
Prior Year Surplus/(Deficit)	(3,147,211)	(10,739,199)
Apportionment Changes	4,203,166	2,512,315
Other Revenue Changes	(1,729,267)	-
New & Restored Positions	(2,184,146)	-
Salary Rate Changes	(33,572)	(392,466)
Other Salary & Benefit Changes	(5,383,074)	(3,954,000)
Other Expense Changes	<u>(2,465,095)</u>	<u>4,651,292</u>
Net Surplus/(Deficit)	<u>(10,739,199)</u>	<u>(7,922,058)</u>
Ending Fund Balance	<u>\$ 14,408,778</u>	<u>\$ 6,486,720</u>
	10.47%	4.72%

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Future Budget Challenges

- **Enrollment:**
 - No growth projected for 2017-18.
 - Without growth funds we will need to start reducing expenditures in order to balance the budget.
- **BOGG Waiver Eligibility:**
 - Stricter eligibility requirements could reduce enrollment.



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Future Budget Challenges

(continued)

- **State Pension Obligations:**
 - Employer Contributions scheduled to increase each year over the next five years.
 - STRS – 20.25% by 2022-23.
 - PERS – 27.30% by 2024-25.
- **Retiree Benefit Obligations:**
 - Other post-employment benefits (OPEB) liabilities for future retiree health benefits may be more volatile going forward with the implementation of GASB 74 & 75 in 2016-17.
 - \$44.4 million unfunded actuarial accrued liability (UAAL).

STRS & PERS Future Employer Rates

Fiscal Year	STRS		PERS	
2016-17	12.58%		13.89%	
2017-18	14.43%	\$ 936,000	15.53%	\$ 538,000
2018-19	16.28%	936,000	18.10%	842,000
2019-20	18.13%	936,000	20.80%	885,000
2020-21	19.10%	491,000	23.80%	983,000
2021-22	20.10%	506,000	25.20%	459,000
2022-23	20.25%	76,000	26.10%	295,000
2023-24	20.25%	0	26.80%	229,000
2024-25	20.25%	0	27.30%	164,000
Total		\$ 3,881,000		\$ 4,395,000

Rates are as of May 2017 & are subject to change. Employer contribution increase estimates are based on total covered salary estimates from the 2016-17 Adopted Budget.

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Future Budget Challenges

(continued)

- **Deficit Spending:**
 - Structural deficit amounts to \$6.7 million.
 - Need to monitor expenditures going forward.
- **Limited Ongoing Base Funding:**
 - Most of the funding increases in recent years have been in the form of categoricals and one-time allocations.
 - There is limited ongoing unrestricted funding to administer the increased programs.



LONG BEACH CITY COLLEGE

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Questions?