Grossmont – Cuyamaca Community College District

2021 Fiscal Analysis

1. Scope of Work

- Validate Revenues (Past & Projected) 14/15 thru 24/25
- Evaluate Expenditures (Past & Projections) 14/15 thru 24/25
- Validate Revenue Generating Activities (SCFF Data)
  - FTES Generation (How are you capturing FTES?)
  - Low Income Student Populations
  - Student Success Outcomes

Validate the entire budget development process

- Develop recommendations

Budget Development Process is Sound

- All revenue assumptions were appropriate
- Expenditure assumptions are accurate

The Student Centered Funding Formula has changed the way we have to develop budgets. More specifically, capture revenues.

- Recommendations
  - Increase the understanding of one time funds vs ongoing revenue
  - Modify the budget presentation to identify one time revenues in the SCFF
  - As part of the annual budget development process, develop a fixed costs presentation.

2. Scope of Work

Does GCCCD Have a Fiscal Problem?.

1.If so, why?

2. Are there ways to improve?

How Do You Define Fiscal Problems?

- Can’t make payroll?
- Buildings & grounds are not being maintained?
- Offered the same programs of study for 30 years?
- Unable to mitigate American Disability Act (ADA) deficiencies?
- Borrow for cash flow purposes?
- Unable to provide salary increases?
- Retiree obligations are not being met?
- Using one time funds for ongoing expenses?
- Spending more than earning?

The California Community College System
Defining Fiscal Problems

- Independent decision-making - Each district gets to decide how they operate the district if they follow all regulations, laws, etc.

And

- The district ending balance remains above 10% & deficit spending is not occurring year after year.

Once this threshold is crossed, the district responds to questions. If deficit spending continues (projected), expect additional levels of oversight.

The district does not have the luxury of planning only for the current year.

Multi year budget planning is mandatory.

The challenge with multi year budgets

Our funding system has changed. As the funding model has become more complex, the reliability of our ongoing revenues we receive from the state has decreased.

The way the state has dealt with this fact is to utilize deficit factors at budget development. Once a deficit factor is established as part of your adopted budget, any change in the deficit factor becomes either a one time revenue or one time expense.

One time revenues or one time expenses are finalized 18 months after the adopted budget. There is no legal way to budget for these funds as ongoing revenues or expenses during budget development.

The California Community College System Funding Formula or Total Computational Revenue (TCR)

1. Zero sum system – Funding is distributed to districts
2. We are funded based on the student population we serve
   - Very little opportunity to increase <u>ongoing</u> revenue outside of the TCR
   - Based On K-12 Structure (i.e. 525 student contact hours equal 1 FTES, space inventory, 50% law, no tuition for residents, etc.)
   - The classroom faculty load are responsible for earning revenues and ensuring the district can fund all classroom, operational, retiree obligations and support services.
   - The college's adopted classroom schedules, following prudent position control standards is the single most important operational process impacting the district budget.

The better we understand how we are structured, the better we can maximize opportunities for our students

Does GCCCD Have a Fiscal Problem?

1. GCCCD will cross the CCC system's office threshold in 2 years (FY 22/23) unless operational trends reverse.
2. CWP recommends the district immediately develops a 5-year plan to reverse the trends identified below. If an approved plan is not implemented and deficit spending persists in future years, the district faces serious fiscal challenges.

The following operational standards are trending in the wrong direction

1. Overall enrollment
2. Course schedule efficiency
3. Benefit costs for current and retired employees are increasing faster than revenues
4. Staffing numbers are increasing while enrollment is decreasing
5. Management numbers are increasing while enrollment is decreasing
6. Using one-time funds for ongoing expenses
7. Annual increases associated with fixed costs are consuming all COLA increases

Overall Enrollment (FTES)

Currently receiving one-time funds above the levels of student populations served.

Totals FTES declines over past six years

Fiscal Year	14/15	15/16	16/17	17/18	18/19	19/20	% Change
FTES	18,977	19,606	19,948	18,051	18,471	17,478	-8%

TCR (State) funding over past six years

Fiscal Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Change
TCR (State Apportionments)	93,300,000	102,000,000	106,400,000	109,600,000	116,000,000	116,000,000	24%

Course Schedule Efficiency

- The efficiency of the course schedule directly determines the operational funding for the entire district.
- Based on the compensation levels (salary, benefits, release time, etc.) for teaching faculty, available funding is determined for all other expenses. If the adopted efficiency standard is not met, funds are shifted from all other expenses to cover the additional cost to deliver the schedule.
- The “other side” doesn’t have funds available and deficit spending occurs. *Zero sum system*

Every district needs to agree on an efficiency standard (average)

Class Size and FTES per FTEF							
	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**% Change**
Average Class Size (annual)	26.2	26.5	25.1	24.5	24.8	24.6	-6%
Average FTES per FTEF (semester)	15.38	15.36	14.66	14.34	14.61	14.09	-8%

Benefit Costs – Control where you can!

Health care costs increased by roughly $4 million & will continue to increase.

Fiscal Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Change
Health Insurance (active employees)	$ 10,219,091	$ 10,863,269	$ 12,220,339	$ 13,025,911	$ 13,491,255	$ 14,064,486	38%
Retiree Health Insurance	$ 1,465,238	$ 1,320,492	$ 1,135,511	$ 1,259,163	$ 1,607,570	$ 1,384,965	-5%

Pension costs increased by $6 million going from $5.4M to $11.4M

Fiscal Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Change
CalPERS	$ 2,126,537	$ 2,222,792	$ 2,675,359	$ 3,070,161	$ 3,765,942	$ 4,444,025	109%
CalSTERS	$ 3,298,700	$ 4,035,742	$ 5,016,859	$ 5,664,139	$ 6,557,656	$ 6,984,161	112%

Benefit Costs

Pension costs will continue to increase.

Prior years and projection: CalPERS and CalSTRS employer rates

Fiscal Year	CalPERS	CalSTRS
2014-15	11.77%	8.88%
2015-16	11.84%	10.73%
2016-17	13.88%	12.58%
2017-18	15.53%	14.43%
2018-19	19.72%	16.28%
2019-20	19.72%	17.10%
2020-21	20.70%	16.15%
2021-22	23.00%	15.92%
2022-23	26.10%	18.00%
2023-24	27.10%	18.00%
2024-25	27.70%	18.00%

Source: Rates as of April 2021; Yellow are projected rates per the State Chancellor's Office & School Services of California, Inc.

Faculty/Staffing/Management Numbers

As Enrollments Declined, Personnel Increased

Fiscal Year	**14/15**	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**% Change**
Part-Time Faculty	330.9	358.7	368.5	409.9	395.1	393.6	19%
Full-Time Faculty	No data	No data	304.2	305.2	298.2	316.3	4%
Management/Supervisors	No data	No data	95	99.3	106.8	115.8	22%
Staff	No data	No data	365.3	394.3	410.5	400.1	10%
Confidential Staff	No data	No data	9	9	10	10	11%

*Note, part-time faculty numbers are measured over six years and the remainder of the staffing measurements (FT Faculty, Staff & Management) are done over four years.
A data source issue involving the district's ERP prevented the capture of six years of data except for PT faculty. Management/Supervisor counts include cabinet and confidential administrators.

Expenses Exceeding Revenues

Grossmont-Cuyamaca Community College District (April 2021)
Revenue and Expenditures Projections - Unrestricted General Fund

	2020/21 Projections	2021/22 Proj. (1.5% COLA)	2022/23 Proj. (1.25% COLA)	2023/24 Proj. (1.61% COLA)	2024/25 Proj.(1) (1.9% COLA)
Revenue	$ 123,796,347	$ 124,925,807	$ 129,026,735	$ 131,251,808	$ 132,303,166
Expenditures	$ 120,882,712	$ 130,207,637	$ 133,653,427	$ 137,245,462	$ 140,979,566
Annual Operations: Surplus/(Loss)	2,913,635	(5,281,830)	(4,626,691)	(5,993,654)	(8,676,400)
Ending Balance	17,801,448	12,519,618	7,892,927	1,899,273	(6,777,127)
Less: Legal Reserve 5%	6,604,008	6,796,536	6,740,303	6,625,940	6,390,592
Less: Board Goal Reserve	2,490,036	2,896,884	3,181,171	3,428,808	3,596,566
Net Ending Balance	**$ 8,707,405**	**$ 2,826,198**	**$ (2,028,546)**	**$ (8,155,474)**	**$ (16,764,285)**

(1) The Hold Harmless Protection no longer in effect. The protection gave district's the higher of 2017/18 Apportionment plus COLA each year or their calculated SCFF; Revenue projections also assume the district will lose the COVID-19 related FTES enrollments of 2,000 FTES in 2021/22 and that the district will start restoring resident FTES/Enrollments at 5% annually for the next three years with similar restoration of headcount numbers for the other SCFF metrics. Non-resident FTES enrollments will also begin to increase but at a slower rate than resident FTES/Enrollments.

Developing a fixed cost budget will identify the lack of flexibility in the district budget.

All Things In Balance – Reversing The Trends

As mentioned previously, every district decides how they provide educational opportunities for the student population. But…

<u>The trends we reviewed must reverse</u>

1. Improve classroom efficiency
2. Right size personnel through normal attrition
3. Establish an employer contribution limit to health insurance premiums (more choices)
4. Use one time funds for one time expenses

Questions?