

SANTA BARBARA CITY COLLEGE

ASSUMPTIONS USED TO DEVELOP THE 5 Year Projection 2016-17 through 2020-21

As of September 2016

The current ongoing deficit is \$2.0 million. The anticipated loss of FTES revenue from the state is approximately \$4.7 million for 2017-18. This does not include the categorical losses due to the drop in FTES for SSSP, SEP or one-time income such as Deferred Maintenance and Instructional Equipment. The ratio for state allocations has dropped from 1.3% down to 1.15% in the current year for categorical allocations, a 11.5% drop. This is dropping faster due to the districts with growth taking up what we lost.

The College needs to address the increasing negative deficit by reducing costs or increasing revenues. With the current market conditions, it is impossible to recover from the decline realized by year end 2016-17. In fact, the decline is projected to continue for the next few years. The two scenarios below are not “planned”, but are put together to aid in planning for future years. The planning required for 2017-18 and beyond needs to be put in place now.

The reasons for the dramatic decline in FTES are a confluence of issues.

1. The strength of the economy.
2. Cal State and UC increasing acceptance rates significantly.
3. The high cost of housing.
4. The strength of the dollar on international markets.
5. Fewer incoming and continuing students.

This was exacerbated by:

1. The loss of rental income from KAPLAN.
2. Discontinuing of marketing for nonresident and out-of-district students.
3. Negative image from local residents and news agencies.
4. College Promise programs at other districts projected to worsen SBCC enrollment.
5. Increasing staffing for instructors and classified during declining enrollment.

Included in the Projections:

1. A projection of FTES including resident, international and out-of-state.
2. An example from reducing staffing from the SERP in Scenario 2.
3. The 2016-17 projected budget and Scenario 1 does not include any reduction in staffing.

What is still missing for the Projections:

1. Good assumptions for the major discretionary dollars: e.g. hourly staff, consulting, legal and stipends. Discretionary expenditure budgets must be decreased significantly or those costs will have to be absorbed through additional staff reductions.
2. The reduction in staffing for the years 2015-16, 2016-17, and 2017-18 must be absorbed in 2017-18.

The 5 Year projections for the **Unrestricted General Fund** includes the reduction in FTES as projected in the chart below.

The following chart has the projections for FTES and the revenue that results from the FTES generated, based upon the FTES assumptions noted above. The chart illustrates the "Hold Harmless" effect of stability. The reduction in revenue is in the year following the reduction in FTES generated. In this example the revenue for 2015-16 is equal to the revenue earned in 2014-15 because of the interplay of declining enrollment and the hold harmless year. At the most basic level, revenue in the current year is based on the prior year FTES.

Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated
Decline	6.9%	6.3%	4.1%	4.8%	0.0%	
2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
14,273	13,295	12,454	12,037	11,537	10,988	10,988
\$70,771,330	\$70,771,330	\$66,161,016	\$61,976,732	\$59,899,550	\$57,414,351	\$54,682,616

The 5 Year projections for the **Unrestricted General Fund** (UGF) also includes the following assumptions:

REVENUES

State Revenue - Ongoing

1. Education Protection Act (Prop 30): the 1/4 cent sales tax revenue sunsets December 31, 2016 reducing revenue commencing 2016-17. The overall impact of this sales tax sunset is reducing revenue by \$1,146,000 in 2016-17 and an additional \$1,146,000 in 2017-18

2. Enrollment fee revenues are projected to decrease due to the decline in enrollment (see stability above). Due to the continuation of the decline in FTES stability allows the carryforward of the reduction to the following year. The following chart is for the years 2017-18, 2018-19, 2019-20 and 2020-21 respectively.

REVENUE REDUCTIONS	2016-17	2017-18	2018-19	2019-20	2020-21
Percent FTES reduction applied to:	6.9%	6.3%	3.3%	4.1%	4.8%
Mandate Costs		104,321	54,351	68,437	78,482
Lottery		126,488	65,900	82,979	95,159
State Enrollment Fees		548,750	285,900	359,992	412,832
State Apportionment Revenues		4,184,284	2,077,182	2,485,199	2,731,735
SubTotal FTES Revenue Reduction		4,963,842	2,483,334	2,996,608	3,318,207
Prop 30 Sales Tax Discontinuance		1,146,000			
Loss in Nonresident Enrollments	1,058,000	162,235	157,368	152,646	148,067
Total Revenue Reduction	1,058,000	6,272,077	2,640,701	3,149,254	3,466,275

Local Revenue

3. Local revenue (international student and non-resident fees) declines in the 2016-17 projected budget and beyond. Nonresident revenue has declined significantly beyond what is included in the adopted budget, the 15% decline in International and 6% decline for Nonresident/Out-of-state will be included in the 2016-17 projection. Nonresident is projected to decline 3% per year going forward. (see in chart 2 above)

EXPENDITURES

1. The CalPERS and CalSTRS employer contribution rate increase is based on the current estimates from the state.

TRANSFERS

These are the transfer of funds to and from the **Unrestricted General Fund Ending Balance**.

1. Transfer to the Construction Fund for ongoing campus maintenance will be \$2.0 million. NOTE: Deferred maintenance/instructional equipment one-time funds can be used to meet some or all of this annual contribution.

2. Transfer to the Construction Fund for loan payments to the California Energy Commission for the photovoltaic and LED light system loans of \$54,000. These amounts will continue for the life of the loans (ending in 2024 and 2021).
3. Transfer to the Equipment Fund for equipment replacement of \$1.5 million and for copier replacement of \$155,000. NOTE: Deferred maintenance/instructional equipment one-time funds can be used to meet some or all of this annual contribution.

Scenario 2

Scenario 2 has the following assumptions:

- The Supplemental Employee Retirement Plan (SERP) may be utilized to reduce staffing to the levels required in the assumption. This does not change the projections currently as it is not known if the SERP will be implemented. Savings from the SERP given the assumptions of 20 classified, 1 classified manager, 2 certificated managers, 11 faculty not being replaced are:

SERP	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Faculty	462,810	470,481	480,141	492,633	501,876	2,407,941
Certificated Managers	99,950	96,565	98,049	96,781	94,206	485,551
Classified	1,028,773	1,064,949	1,089,481	1,115,199	1,127,275	5,425,677
Classified Managers	188,870	187,691	187,092	189,255	185,982	938,890
Total	1,780,403	1,819,686	1,854,763	1,893,868	1,909,339	9,258,059

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

General Fund - Unrestricted

5 Year Financial Projections

Scenario 1, No Reductions in Headcount

October 11, 2016

	2016-17 Projection	2017-18 Projection	2018-19 Projection	2019-20 Projection	2020-21 Projection
REVENUES					
Federal					
State					
Local					
Total Revenues	\$44,527,435	\$38,417,593	\$35,934,259	\$32,937,651	\$29,619,444
	\$51,511,460	\$51,349,225	\$51,191,858	\$51,039,211	\$50,891,144
	\$96,038,895	\$89,766,818	\$87,126,117	\$83,976,863	\$80,510,588
EXPENDITURES					
Academic Salaries	\$43,481,959	\$43,481,959	\$43,481,959	\$43,481,959	\$43,481,959
Classified and Other Nonacademic Salaries	\$20,870,140	\$20,870,140	\$20,870,140	\$20,870,140	\$20,870,140
Employee Benefits	\$18,556,563	\$20,015,544	\$21,061,885	\$22,129,354	\$22,606,367
Supplies & Materials	\$2,157,395	\$2,157,395	\$2,157,395	\$2,157,395	\$2,157,395
Other Operating Expenses and Services	\$9,881,598	\$9,881,598	\$9,881,598	\$9,881,598	\$9,881,598
Capital Outlay	\$291,370	\$291,370	\$291,370	\$291,370	\$291,370
Other Outgo	\$16,389	\$16,389	\$16,389	\$16,389	\$16,389
Total Expenditures	\$95,255,415	\$96,714,396	\$97,760,737	\$98,828,206	\$99,305,219
Excess of Revenues over (under) Expenditures	\$783,480	(\$6,947,577)	(\$1,0634,620)	(\$14,851,343)	(\$18,794,630)
Other Financing Sources (Uses)					
Intrafund Transfers - In	\$78,998	\$78,998	\$78,998	\$78,998	\$78,998
Intrafund Transfers - Out	\$0	\$0	\$0	\$0	\$0
Interfund Transfers - In	\$0	\$0	\$0	\$0	\$0
Interfund Transfers - Out	\$4,054,845	\$4,054,845	\$4,054,845	\$4,054,845	\$4,054,845
Total Other Financing Sources (Uses)	(\$3,975,847)	(\$3,975,847)	(\$3,975,847)	(\$3,975,847)	(\$3,975,847)
Excess of Revenues & Other Sources over (under) Expenditures & Other Uses	(\$3,192,367)	(\$10,923,425)	(\$14,610,467)	(\$18,827,190)	(\$22,770,478)
Beginning Fund Balance	\$29,389,828	\$26,197,461	\$15,274,036	\$663,569	(\$18,163,621)
Ending Fund Balance	\$26,197,461	\$15,274,036	\$663,569	(\$18,163,621)	(\$40,934,098)

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

General Fund - Unrestricted

Long Range Financial Projections

Scenario 2, SERP Assumptions

	2016-17 Projection	2017-18 Projection	2018-19 Projection	2019-20 Projection	2020-21 Projection
REVENUES					
Federal	\$0	\$0	\$0	\$0	\$0
State	\$44,527,435	\$38,417,592.71	\$35,934,259.07	\$32,937,651.47	\$29,619,444.02
Local	\$51,511,460	\$51,349,225.46	\$51,191,857.96	\$51,039,211.48	\$50,891,144.39
Total Revenues	\$96,038,895	\$89,766,818	\$87,126,117	\$83,976,863	\$80,510,588
EXPENDITURES					
Academic Salaries	\$43,481,959	\$42,919,199	\$42,914,913	\$42,903,769	\$42,892,545
Classified and Other Nonacademic Salaries	\$20,870,140	\$19,652,497	\$19,617,500	\$19,593,567	\$19,565,696
Employee Benefits	\$18,556,563	\$20,015,544	\$21,061,885	\$22,129,354	\$22,806,367
Supplies & Materials	\$2,157,395	\$2,157,395	\$2,157,395	\$2,157,395	\$2,157,395
Other Operating Expenses and Services	\$9,881,598	\$9,881,598	\$9,881,598	\$9,881,598	\$9,881,598
Capital Outlay	\$291,370	\$291,370	\$291,370	\$291,370	\$291,370
Other Outgo	\$16,389	\$16,389	\$16,389	\$16,389	\$16,389
Total Expenditures	\$95,255,415	\$94,933,993	\$95,941,051	\$96,973,443	\$97,411,351
Excess of Revenues over (under) Expenditures	\$783,480	(\$5,167,174)	(\$8,814,934)	(\$12,996,580)	(\$16,890,762)
Other Financing Sources (Uses)					
Intrafund Transfers - In	\$78,998	\$78,998	\$78,998	\$78,998	\$78,998
Intrafund Transfers - Out	\$0	\$0	\$0	\$0	\$0
Interfund Transfers - In	\$0	\$0	\$0	\$0	\$0
Interfund Transfers - Out	\$4,054,845	\$4,054,845	\$4,054,845	\$4,054,845	\$4,054,845
Total Other Financing Sources (Uses)	(\$3,975,847)	(\$3,975,847)	(\$3,975,847)	(\$3,975,847)	(\$3,975,847)
Excess of Revenues & Other Sources over (under) Expenditures & Other Uses	(\$3,192,367)	(\$9,143,022)	(\$12,790,781)	(\$16,972,427)	(\$20,876,610)
Beginning Fund Balance	\$29,389,828	\$26,197,461	\$17,054,439	\$4,263,658	(\$12,708,769)
Ending Fund Balance	\$26,197,461	\$17,054,439	\$4,263,658	(\$12,708,769)	(\$33,585,378)