

City College of San Francisco  
Multi-Year Budget and Enrollment Plan  
November 2020

DRAFT

## Introduction

The College is in a dire financial emergency. Enrollment at the College has dropped dramatically, from 32,600 full-time equivalent students in 2012-13 to just over 19,200 in 2019-20. Since the 2012-13 academic year, major portions of the College's revenue have not been tied to enrollment, as is normally the case in community colleges. Funds that were put into reserves in accordance with the "Long-Term Plan for Fiscal Stability" adopted by the Board of Trustees in February 2013 have been depleted by subsequent years of deficit spending. Deficit spending has continued despite significant changes in College operations. While the College is assured of some base level of funding for the next few years that is higher than the funding it would otherwise receive based on enrollment, it must use the next few years to plan for returning to revenues more closely tied to enrollment, avoiding any fiscal cliffs.

The purpose of this multi-year budget and enrollment plan is to provide an overall framework towards fiscal and enrollment planning for the period spanning fiscal years 2021-22 through 2024-25. It includes:

- A review of the College's funding structure
- A multi-year enrollment outlook
- A multi-year funding outlook
- A plan for annual budgets for the next five years that stabilizes the College's budget and operations
- An overview of an annual budget development and monitoring framework that the College will use to implement elements of this plan

This plan is being presented to the Board of Trustees after the adoption of the 2020-21 final adopted budget, and as a precursor to the development of the College's 2021-22 budget. Annual budgets tied to this multi-year plan will be developed through the College's participatory governance structure.

## College's Mission and Vision Statement

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Development of this multi-year budget and enrollment plan is consistent with the College's Board-adopted Vision and Mission statement, included here:

### Vision

CCSF shall provide a sustainable and accessible environment where we support and encourage student possibilities by building on the vibrancy of San Francisco and where we are guided by the principles of inclusiveness, integrity, innovation, creativity, and quality. Empowered through resources, collegiality, and public support, the college will provide diverse communities with excellent educational opportunities and services. We will inspire participatory global citizenship grounded in critical thinking and an engaged, forward thinking student body.

### Mission

Consistent with our Vision, City College of San Francisco provides educational programs and services that promote student achievement and life-long learning to meet the needs of our diverse community.

Our primary mission is to provide programs and services leading to:

- Transfer to baccalaureate institutions;
- Associate Degrees in Arts and Sciences;
- Certificates and career skills needed for success in the workplace;
- Basic Skills, including learning English as a Second Language and Transitional Studies.

In the pursuit of individual educational goals, students will improve their critical thinking, information competency, communication skills, ethical reasoning, and cultural, social, environmental, and personal awareness and responsibility.

In addition, the college offers other programs and services consistent with our primary mission as resources allow and whenever possible in collaboration with partnering agencies and community-based organizations.

City College of San Francisco belongs to the community and continually strives to provide an accessible, affordable, and high-quality education to all its students. The College is committed to providing an array of academic and student development services that support students' success in attaining their academic, cultural, and civic achievements. To enhance student success and close equity achievement gaps, the college identifies and regularly assesses student learning outcomes to improve institutional effectiveness. As a part of its commitment to serve as a sustainable community resource, our CCSF mission statement drives institutional planning, decision making and resource allocation.

## **Goals of this Plan**

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The goals of this multi-year budget and enrollment plan are to provide a framework for the development of annual budgets. Each year the College must adopt an annual budget that requires discussion and compromise in the face of competing priorities, a shifting local enrollment picture, and a shifting state and local funding picture. The creation of a multi-year budget and enrollment plan is designed to provide overall guidance to the annual budget development process by guiding these compromises in a way that moves the College towards a sustainable future.

Since it is always difficult to predict the future, and predictions of the future are especially difficult in the current year, it is envisioned that this multi-year budget and enrollment plan will be updated annually to reflect updated long-term projections.

# Financial, Policy, and Accreditation Framework

## Survey of Funds and Fund Types

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The College follows the accounting principles outlined in the California Community College Budget and Accounting Manual, which identifies the following types of funds:

- Unrestricted General Funds
- Restricted Funds
- Debt Service Funds
- Special Revenue Funds
- Capital Projects Funds, including Bond Funds
- Enterprise Funds
- Internal Service Funds, including the Self Insurance Fund
- Trust Funds
- Agency Funds

For the purposes of this multi-year budget and enrollment plan, we are focused on the following funds:

- Unrestricted general funds
- Restricted funds
- Parcel Tax funds, a special revenue fund

Funds received through the parcel tax have few restrictions, and so for planning purposes the consideration of parcel tax revenue and expenses are combined with the unrestricted general fund revenue and expenses.

## Policy Principles

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### Board Policy 8.01

Board Policy 8.01 and its associated Administrative Procedures 8.01 and 8.01A discuss the budget preparation process and fiscal accountability. They include criteria for budget development, the budget development calendar, and position control. Board Policy 8.01 establishes a requirement that unrestricted general fund reserves shall be maintained between 5% and 9%.

### Board Policy 8.05

Board Policy 8.05 discusses budget management, and includes requirements that Board approval is required for changes between major expenditure classifications.

## Accreditation Principles

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The College is accredited by the Accrediting Commission for Community and Junior Colleges (ACCJC). This accreditation is key to its continued operation – among other things, it is what ensures that students taking classes can have their credits recognized by other colleges, and it is the basis for receiving federal financial aid dollars.

There are a number of accreditation standards and principles that are tied to the College's financial situation. Standard III.D addresses financial resources, and includes the following:

*III.D.1. Financial resources are sufficient to support and sustain student learning programs and services and improve institutional effectiveness. The distribution of resources supports the development, maintenance, allocation and reallocation, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability.*

*III.D.4. Institutional planning reflects a realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements.*

*III.D.7. Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.*

*III.D.9. The institution has sufficient cash flow and reserves to maintain stability, support strategies for appropriate risk management, and, when necessary, implement contingency plans to meet financial emergencies and unforeseen occurrences.*

*III.D.12. The institution plans for and allocates appropriate resources for the payment of liabilities and future obligations, including Other Post-Employment Benefits (OPEB), compensated absences, and other employee related obligations. The actuarial plan to determine Other Post-Employment Benefits (OPEB) is current and prepared as required by appropriate accounting standards.*

The College's accreditation was most recently affirmed by ACCJC in January 2017. In the October 2016 Visiting Team Report that was the basis of this reaffirmation, the visiting team made two suggestions that are addressed in this multi-year budget and enrollment plan:

*2. It is suggested the college continue to focus on a realistic, responsive, and responsible enrollment management plan.*

*3. It is suggested the college focus on realistic budget reductions tied to the outcome of enrollment management.*

There are two critical accreditation-related factors addressed in this multi-year budget and enrollment plan:

**Maintenance of the College's Reserves.** Even with recent financial difficulties, the College has taken action to maintain reserves of at least 5% of the College's annual expenditures, in accordance with Board Policy 8.01. However, in the 2018-19 annual audit, the auditors expressed concerns about the amount of ready-cash reserves, noting that a large portion of what was being counted as part of the College's reserves were pre-paid assets. With the announcement of deferrals of apportionment payments from the state, the lack of ready cash reserves is putting the College in a position of having to borrow money to meet financial obligations in a timely manner. This multi-year plan will address how the College will not only maintain reserves at Board-required levels, but will increase the amount of ready cash reserves to address Accreditation Standard III.D.9.

**Other Post-Employment Benefits.** In the 2011-12 fiscal year, the College established the Retiree Health Care Trust Fund (RHCTF) as a mechanism to address its Other Post-Employment Benefits (OPEB) liabilities. The College tapped into the RHCTF in 2019-20 and 2020-21 to pay for ongoing retiree health care costs, using \$21M of the \$28M that had been accumulated through College contributions and market gains. This multi-year plan will address how the College will ensure that the amount of funding in the RHCTF will meet College obligations, addressing Accreditation Standard III.D.12.

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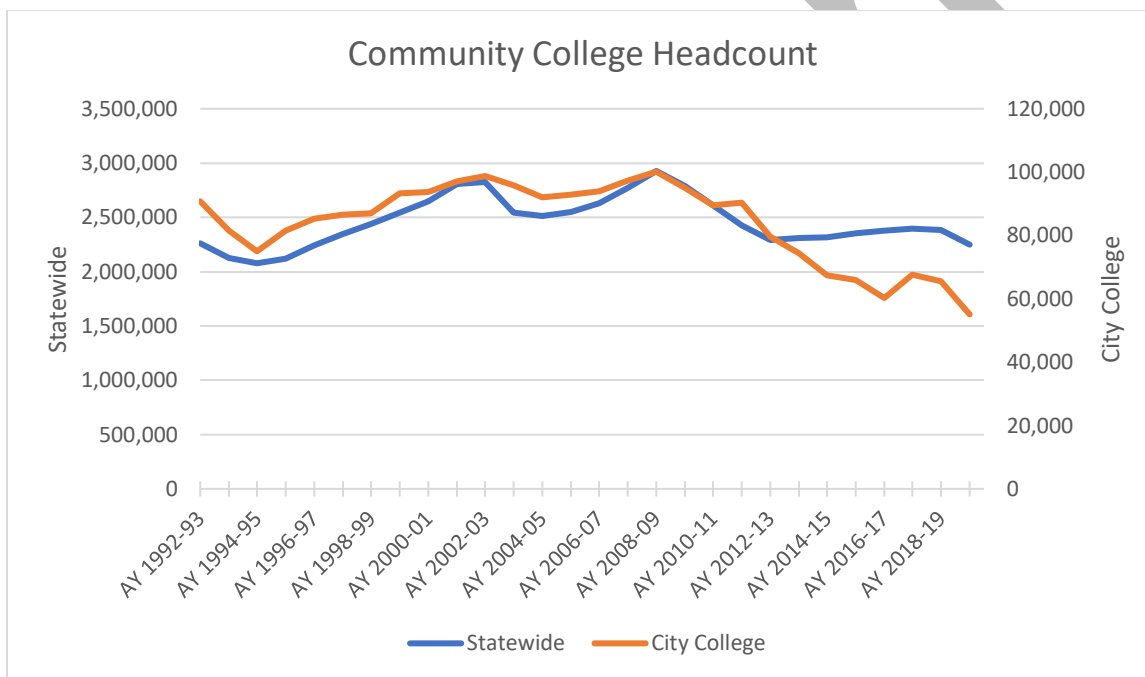
## Multi-year Enrollment Outlook

This section provides an overview of external factors that impact College enrollment, and provides a basis for projections of credit and noncredit enrollment for the next five years. Actual credit and noncredit enrollment will be influenced not only by these factors, but by internal budgetary constraints and decisions made about the allocation of instructional resources to the various parts of the College.

### Enrollment Factors

#### Community College Headcount – Statewide

The following chart compares changes in statewide community college headcount to changes in headcount at City College.

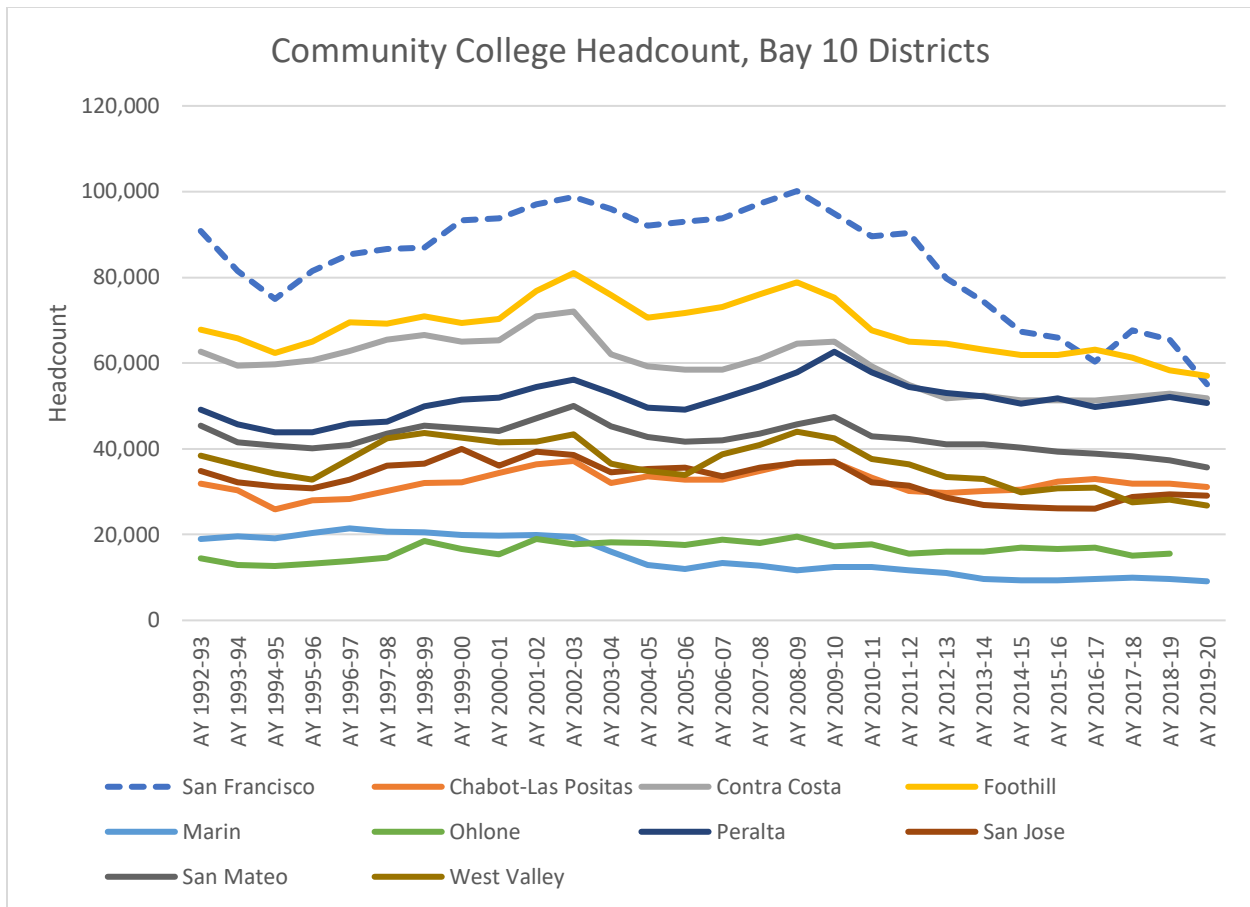


Source: CCCCO Data Mart, 9/1/20

AY 2008-09 was a high point for headcount, across the state and at City College. From AY 2008-09 to AY 2018-19, headcount has declined by 18.6% statewide, and by 34.6% at City College.

#### Community College Headcount – Bay Area

The following chart compares changes in headcount across the Bay 10 community college districts.



Source: CCCCO Data Mart, 9/1/20

Across the Bay 10 Districts, headcount has been flat or declining since the high points of AY 2008-09 to AY 2009-10. The following table shows the percentage change in headcount for the Bay 10 Districts between AY 2008-09 and AY 2018-19.

District	AY 2008-09 Headcount	AY 2018-19 Headcount	Change	Notes
San Francisco	100,131	65,447	-34.6%	
Chabot-Las Positas	36,900	31,845	-13.7%	
Contra Costa	64,493	52,925	-17.9%	
Foothill	78,913	58,388	-26.0%	
Marin	11,729	9,676	-17.5%	Basic Aid
Ohlone	19,532	15,609	-20.1%	
Peralta	57,906	52,136	-10.0%	
San Jose	36,653	29,332	-20.0%	Basic Aid
San Mateo	45,746	37,312	-18.4%	Basic Aid
West Valley	44,006	28,121	-36.1%	Basic Aid
<b>Overall</b>	<b>496,009</b>	<b>380,791</b>	<b>-23.2%</b>	

Source: CCCCO Data Mart, 9/1/20

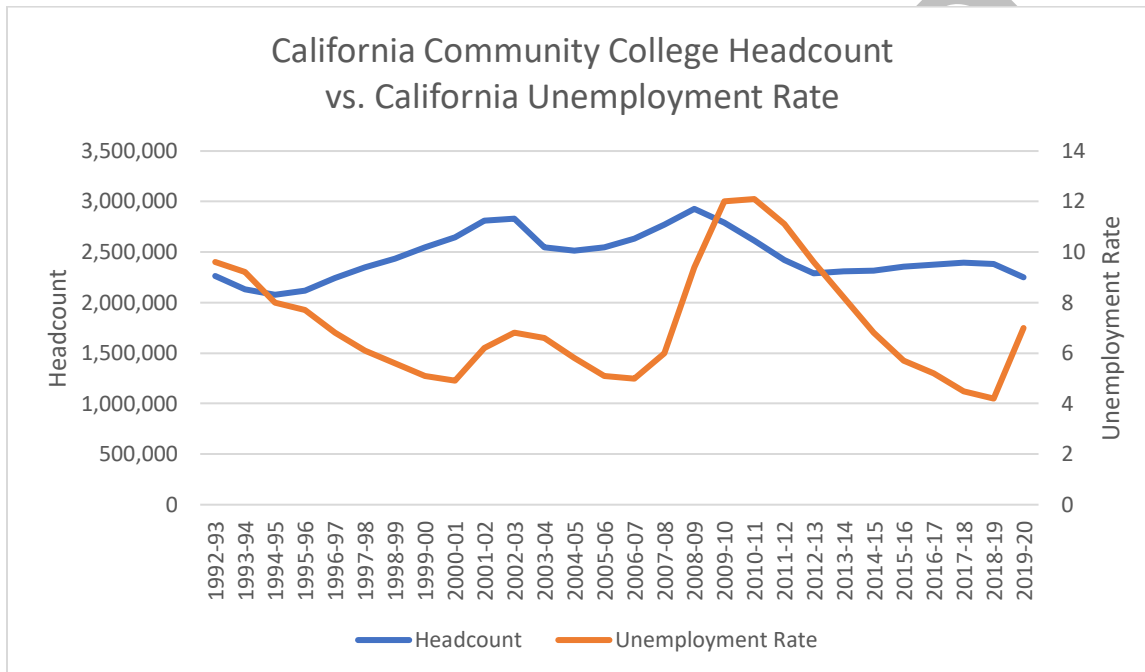
Overall, Bay 10 Districts have experienced a 23.2% decline in headcount since AY 2008-09. Notably, declines have even been seen in Basic Aid districts, where district revenue is not tied to enrollment.



## Economy

A common assumption is that community college enrollment is tied to the economy – when the economy is good, enrollment drops, and when the economy is bad, enrollment increases as people turn to community colleges to learn new skills and improve their job prospects.

The following chart compares statewide community college headcount and statewide unemployment rate.

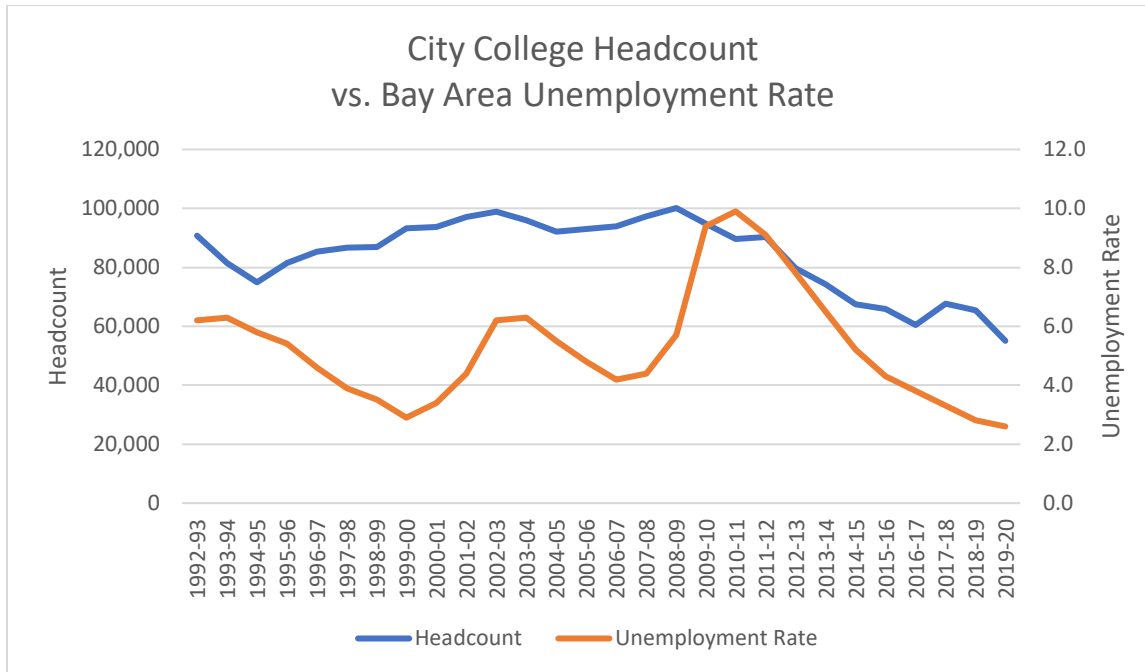


\* Source: CCCCO Data Mart as of 9/1/2020.

\*\* Source: Federal Reserve Bank of St Louis, California Unemployment Percent, Monthly, Seasonally Adjusted (Accessed 9/9/2019), calculated July-June annual AY averages

Based on this data, the common assumption about the correlation between unemployment and community college enrollment does not appear to hold. Statewide, headcounts were increasing between AY 1994-95 and AY 2000-01 while the unemployment rate fell. The large increase in unemployment rate between AY 2007-08 and AY 2009-10 was not reflected in an increase in community college enrollment, nor was the decline in unemployment rate between 2012-13 and 2018-19 reflected in a decrease in state headcount.

The following chart compares City College headcount and the Bay Area unemployment rate.



\* Source: CCCC Data Mart as of 9/1/2020.

\*\* Source: Bureau of Labor Statistics, Unemployment Rate for San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area

The decline in unemployment rate between 2010 and 2019 is mirrored by a decline in enrollment. However, declines in the unemployment rate between 1994 and 1999, and between 2003 and 2006, were not matched with declines in enrollment.

### San Francisco Population and Demographics

San Franciscans represent about 75% of the College’s credit headcount and about 83% of the College’s noncredit headcount<sup>1</sup>.

The following table summarizes changes and projections in the total San Francisco population.

	2010	2017	2022
<b>Population</b>	805,235	871,042	917,117
<b>Households</b>	345,811	373,835	393,497

Source: ESRI

<sup>1</sup> Source: CCSF Fact Sheet on [Student Residence](#)

The following table summarizes projected changes in household income in San Francisco.

Income Bracket	Percent of Households		
	2017	2022	Change
<\$15,000	11.0%	10.2%	-0.8
\$15,000 - \$24,999	7.3%	6.5%	-0.8
\$25,000 - \$34,999	6.1%	5.1%	-1.0
\$35,000 - \$49,999	8.3%	6.4%	-1.9
\$50,000 - \$74,999	13.4%	11.3%	-2.1
\$75,000 - \$99,999	11.5%	11.9%	+0.4
\$100,000 - \$149,999	16.4%	18.4%	+2.0
\$150,000 - \$199,999	9.6%	11.3%	+1.7
\$200,000+	16.4%	18.9%	+2.5

Source: ESRI

The following table compares demographics of the San Francisco Adult population and the City College student population.

Demographic	San Francisco Adult Population (2018)		City College Headcount (AY 2018-19)	
	Count	Percent	Count	Percent
American Indian/Alaska Native	--	--	129	0.2%
Asian	269,726	35.3%	20,276	32.3%
Black or African American	38,758	5.1%	3,765	6.0%
Filipino*			2,695	4.3%
Latino/a/x	106,693	14.0%	17,098	27.2%
Native Hawaiian or Other Pacific Islander	--	--	359	0.6%
Two or more races	35,670	4.7%	2,501	4.0%
Unknown/Not reported	59,168	7.7%	4,039	6.4%
White	317,818	41.6%	11,974	19.0%
Low Income (CCPG/Pell recipients)**	76,127	10.1%	20,445	32.5%

Source: CCSF Office of Research & Planning, Student Equity and Achievement Data Tables

\* Filipino included in Asian in SF statistics

\*\* Credit student only

The following tables historic and projected age distributions of San Francisco residents, along with a comparison to the College’s enrollment.

Age Bracket	San Francisco Population					CCSF Students	
	2010	2015	2020	2025	2030	Credit	Noncredit
17-19	3.3%	3.3%	3.2%	3.6%	3.9%	18.9%	15.0%
20-24	8.4%	7.4%	6.2%	6.2%	7.0%	23.1%	8.9%
25-29	12.5%	9.4%	7.8%	6.9%	7.6%	18.0%	9.2%
30-34	11.5%	12.3%	10.0%	7.9%	7.0%	12.6%	9.6%
35-39	10.0%	11.2%	11.7%	10.1%	7.7%	8.0%	8.6%
40-49	17.2%	17.4%	19.4%	20.9%	19.5%	9.1%	14.1%
50-59	15.0%	14.5%	14.8%	15.5%	17.0%	6.0%	11.5%
60-69	10.7%	12.3%	12.1%	12.1%	12.3%	3.1%	10.8%
70+	11.4%	12.1%	14.8%	16.8%	18.1%	1.0%	11.5%
<b>Total Population</b>	<b>810,369</b>	<b>864,405</b>	<b>892,280</b>	<b>916,935</b>	<b>943,815</b>	<b>35,529</b>	<b>19,240</b>

Source: California Department of Finance, Demographic Projections

Source: Office of Research and Planning Institutional Headcount Argos Report, AY 2019-20

The population of San Francisco residents is projected to both grow and skew older in the next ten years. This may have different impacts for credit and noncredit student populations:

- The majority of CCSF credit students (72.6%) are aged 17-34. As a group, this age bracket is projected to decrease from 27.2% of the San Francisco population to 24.6% in 2025, but then increase again to 25.5% in 2030. The projected increase in the population will mitigate this effect – the number of San Francisco residents in this 17-34 age range is projected to vary from 242,700 (2020) to 225,566 (2025) to 240,673 (2030).
- The majority of CCSF noncredit students (47.9%) are aged 40+, although another 15.0% are under 20. Both of these age groups are projected to increase in percentage (under 20: 3.2% to 3.6% to 3.9%; aged 40+: 61.1% to 65.3% to 66.9%). Coupled with the projected rising population, these groups will increase in number (under 20: 28,552 to 33,009 to 36,808; aged 40+: 545,183 to 598,759 to 631,412).

The following table compares the education level of adults aged 25+ in California and in San Francisco.

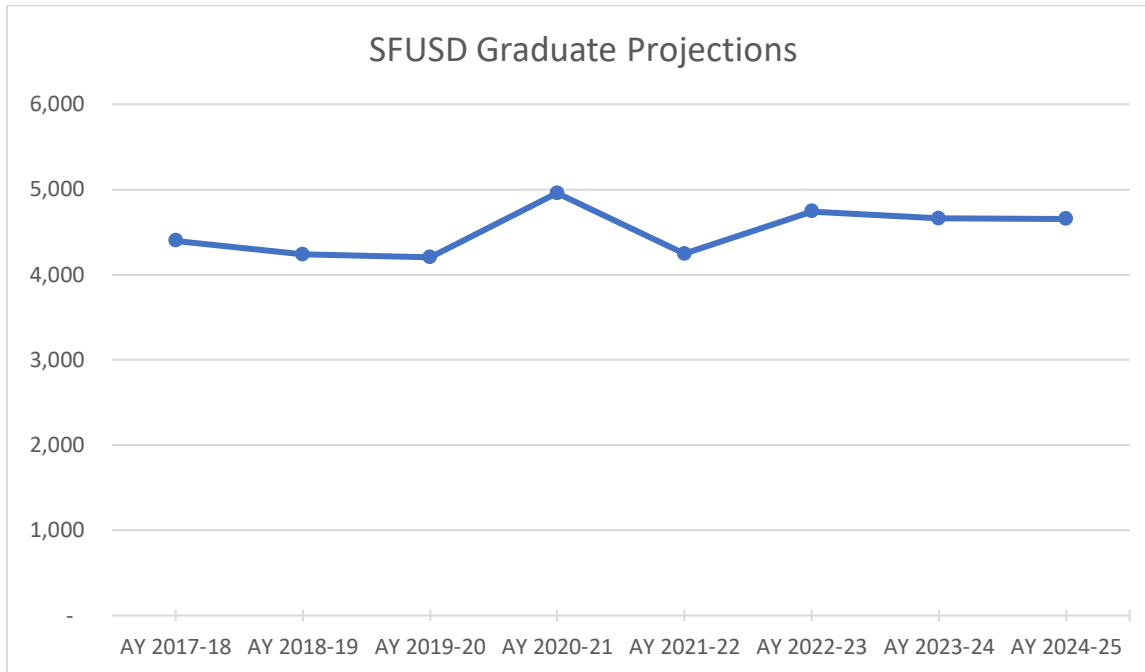
Education Level	California		San Francisco	
	Number	Percent	Number	Percent
Less than 9th grade	2,471,189	9.4%	48,708	7.1%
9th to 12th grade, no diploma	2,004,376	7.6%	30,700	4.5%
High school graduate (includes equivalency)	5,391,120	20.6%	84,630	12.3%
Some college, no degree	5,582,150	21.3%	95,239	13.8%
Associate's degree	2,051,313	7.8%	36,270	5.3%
Bachelor's degree	5,445,781	20.8%	236,593	34.3%
Graduate or professional degree	3,272,956	12.5%	157,411	22.8%

Source: US Census American Community Survey, 2014-2018 5-Year Profile

### SFUSD Projections

As noted above, students aged 19-29 comprise 60.0% of the College’s credit headcount, and 33.1% of the College’s noncredit headcount.

The following chart shows historic and projected SFUSD graduates through 2024-25.



Source: CA Department of Finance Demographic Research Unit

Through this period, SFUSD annual graduates are projected to stay fairly constant, at an average of approximately 4,500 graduates per year.

### Immigration and Language Proficiency

The College has traditionally operated a large English as a Second Language program. Looking at immigration statistics and language proficiency may help predict future enrollment in ESL classes.

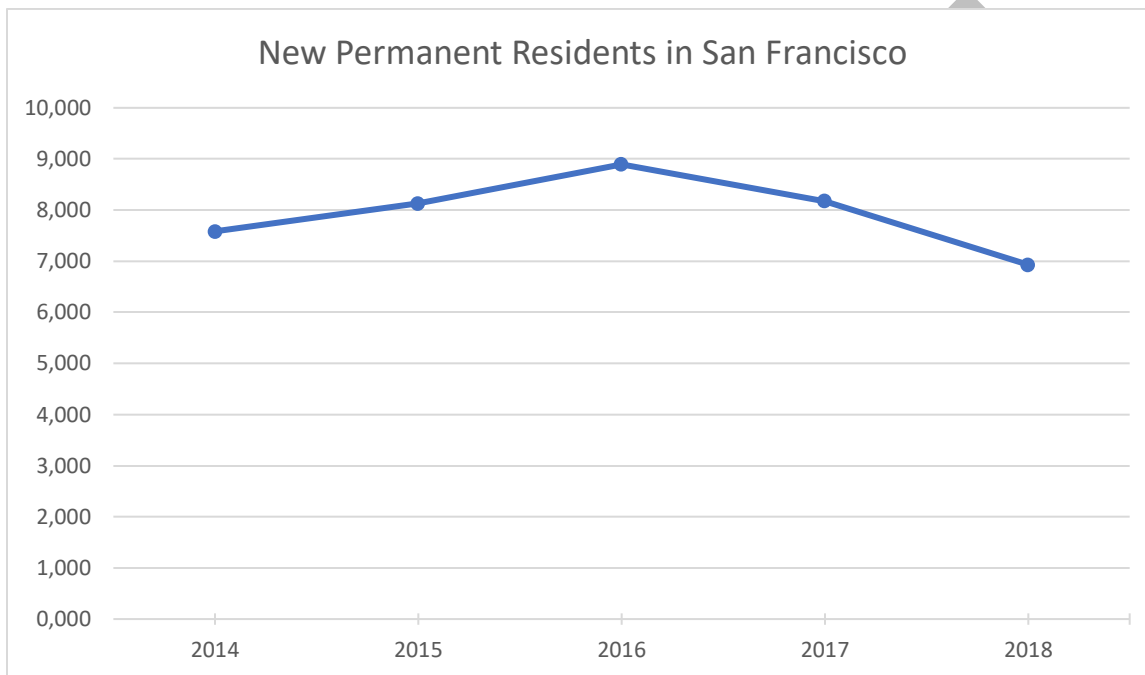
The US Census Bureau administers the American Community Survey annually to over 3.5 million households across the country. The following table shows the number of people in San Francisco that responded to the survey, saying that they spoke English “less than very well”.

Primary Language	Headcount 2011	Headcount 2018	Change	Percent Change
Chinese (incl. Mandarin, Cantonese)	94,696	90,841	-3,855	-4.1%
Spanish	39,628	28,306	-11,322	-28.6%
Tagalog (incl. Filipino)	10,507	8,698	-1,809	-17.2%
Russian	8,762	4,081	-4,681	-53.4%
Vietnamese	6,471	7,136	665	10.3%
Korean	3,701	3,003	-698	-18.9%
Japanese	2,773	2,816	43	1.6%
French (incl. Patois, Cajun)	1,408	490	-918	-65.2%
Thai	1,210	269	-941	-77.8%
Arabic	1,089	1,386	297	27.3%
<b>Total</b>	<b>170,245</b>	<b>147,026</b>	<b>-23,219</b>	<b>-13.6%</b>

Source: US Census Bureau, American Community Survey

Overall, there has been a decline in the number of San Franciscans that report that they speak English less than very well.

The following chart shows the number of new legal permanent residents in San Francisco over the last few years. Notably, this table is based on US Department of Homeland Security immigration statistics, and does not include undocumented immigration.



Source: US Dept of Homeland Security - Office of Immigration Statistics

Overall, the number of new permanent residents has averaged just under 8,000 people annually, and has been trending downwards since 2016.

### **Credit outlook**

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Based on the above, the outlook for credit enrollment is as follows:

*Awaiting Enrollment Management Committee Recommendation*

### **Noncredit outlook**

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Based on the above, the outlook for noncredit enrollment is as follows:

*Awaiting Enrollment Management Committee Recommendation*

## Multi-year Funding Outlook

This section provides an overview of internal and external factors that impact College funding, and provides a basis for projections of this funding for the next five years.

### External Factors used in Outlook

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#### Cost of Living

The state adjusts some of its funding factors based on a cost of living adjustment (COLA). Actual COLA percentages are adopted as a component of the state's budget. The following table summarizes actual and projected COLA values:

Year	2019-20	2020-21	2021-22	2022-23	2023-24
<b>COLA Percentage</b>	3.26%	0.0%	0.6%	0.7%	1.6%
<b>Actual/ Projected</b>	Actual	Actual	Projected	Projected	Projected

Projection Source: School Services of California

### State funding

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#### Total Computational Revenue

The majority of funding for the College comes by way of state apportionment. Under current law, the College receives this funding based on the highest of three calculations:

- **Student-Centered Funding Formula (SCFF)** calculations, which include the following:
  - Base funding as a single-college district with several centers
  - Base allocation, calculated using the College's enrollment
  - Supplemental allocation, based on the number of students receiving some kind of financial aid.
  - Success allocation, based on the number of credit students achieving certain milestones.
- The **SCFF hold harmless** provision, which provides for funding based on 2017-18 apportionment and annual adjustments based on the state's COLA. The state's 2020-21 budget established that this provision persists through the 2023-24 fiscal year.
- The **Leno Bill** provisions, which allow for pre-SCFF apportionment calculations for the San Francisco and Compton Community College Districts. This provision also persists through the 2023-24 fiscal year.

For the 2019-20 fiscal year, these calculations currently result in the following values:

Calculation Method	Funding	Difference from Highest
SCFF	\$ 128,181,752	(\$ 7,951,231)
SCFF Hold Harmless	\$ 136,132,983	\$ -
Leno Bill	\$ 120,269,377	(\$ 15,863,606)

Source: 2019-20 Second Principal Apportionment Report

The difference in these funding calculations is significant. Making up the \$7.95M difference between the SCFF calculation and the SCFF hold harmless value would have required an

enrollment of approximately 20,630 resident FTES, an increase of approximately 7% over current projections for 2019-20, without any commensurate increases in expenses.

Because of this gap, this plan projects that the College's apportionment will be calculated using the SCFF Hold Harmless provision through the expiration of this provision in 2023-24. Thereafter, the College's apportionment will be calculated using the SCFF calculations.

### **Debt Repayment**

The College is currently repaying the state for an overreporting of enrollment prior to 2013-14. This repayment figure is \$1.2M annually, and is expected to continue through the 2020's.

### **Local funding**

In addition to state funding, the College receives local funding from a number of different sources. The following table summarizes the major sources of this funding for fiscal years 2018-19 through 2020-21.

<b>Funding Source</b>	<b>FY 2018-19 Actual</b>	<b>FY 2019-20 Estimate</b>	<b>FY 2020-21 Budget</b>
Sales Tax	\$15,195,215	\$13,516,695	\$11,600,000
Nonresident Enrollment Fees	\$5,590,686	\$5,144,554	\$4,155,643
Parcel Tax	\$20,190,456	\$19,813,662	\$19,813,662
<b>Total</b>			

Projections for these funding sources are as follows:

#### **Sales Tax**

Sales tax projections for the 2020-21 fiscal year have been reduced significantly compared to prior years, as the projected sales tax receipts in San Francisco have suffered greatly due to COVID-19. At this point it is uncertain when a post-COVID economic recovery will occur, or the magnitude of any restoration in sales tax revenue. This plan assumes that sales tax revenue will remain at the 2020-21 budgeted level.

#### **Nonresident Enrollment Fees**

The state's credit apportionment calculations are based on students who are residents of California; the state does not provide funding for credit students that are non-residents. Instead, these non-resident students are assessed a non-resident enrollment fee, which is currently set at \$290 per unit. This nonresident enrollment fee was raised from \$234 per unit to \$290 per unit effective Summer 2020.

Two factors will impact the nonresident enrollment fees in the next few years:

- The primary factor will be the overall district enrollment trends for credit classes
- A secondary factor will be the percentage of total students who are not California residents. This figure dropped from about 6.8% in Fall 2017 to 5.4% in Fall 2019.

This plan assumes that nonresident enrollment fees will remain at the 2020-21 budgeted level.

#### **Parcel Tax**

The Parcel Tax is based on a flat rate of \$99 per parcel. The current Parcel Tax was approved by San Francisco voters in November 2016, and is set to expire in June 2032. Since the per-parcel



rate is a flat fee and there are not significant changes in the number of parcels in San Francisco, this revenue source is expected to remain steady at the 2020-21 budgeted amount.

## **Restricted Funds**

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The College receives federal, state, and local restricted funds which must be spent on specific purposes. Targets of these funds include:

- DSPS services
- EOPS services
- Lottery funds for instructional supplies
- Funds for specific categorical programs, including Strong Workforce Program, Adult Education Program, and the Student Equity and Achievement Program

The funding calculations for these sources of funding vary, and future revenues are difficult to project. In the 2020-21 fiscal year, the state provided no COLA for major state restricted funds. This plan assumes that the level of restricted funding will remain steady.

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# Multi-year Budget and Enrollment Plan

## Multi-year Goals

This multi-year budget and enrollment plan extends through 2024-25, the fiscal year after the sunset of the SCFF hold harmless provision. It is based on the following multi-year goals, designed to improve the College's financial situation and ensure the long-term fiscal stability of the College:

- Stabilized credit and noncredit enrollment, with small year-over-year enrollment changes.
- Growth in unrestricted fund reserves to 8.8% of College operating expenses in 2023-24, dropping to 8.2% in 2024-25.
- Personnel costs below 90% of total unrestricted and parcel tax expenditures.

## Unrestricted General Fund and Parcel Tax Revenue

The following table summarizes planned unrestricted general fund and parcel tax revenues for the fiscal years 2020-21 through 2024-25. Fiscal year 2020-21 figures are from the final budget adopted by the Board of Trustees on October 22. Figures for fiscal years 2021-22 through 2024-25 are based on projections from the multi-year funding outlook.

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Total Computational Revenue</b>	\$136,132,983	\$136,132,983	\$136,132,983	\$136,132,983	\$128,181,752
<b>Debt Payment</b>	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)
<b>Other state and local revenues</b>	22,235,002	22,235,002	22,235,002	22,235,002	22,235,002
<b>Parcel tax</b>	19,813,662	19,813,662	19,813,662	19,813,662	19,813,662
<b>Total Revenue</b>	<b>\$176,981,647</b>	<b>\$176,981,647</b>	<b>\$176,981,647</b>	<b>\$176,981,647</b>	<b>\$169,030,416</b>

As noted in the multi-year funding outlook, total computational revenue for 2020-21 is based on the SCFF hold harmless provision.

The state's fiscal situation has been impacted by COVID-19. For the 2020-21 fiscal year, the Governor's May Revise budget envisioned not just a zero COLA, but an 8% reduction in funding for total computational revenue, which would have resulted in a \$10.8M loss in funding to the College. This funding reduction was avoided in the final adopted state budget for 2020-21, with the state relying on funding deferrals instead of reductions.

While the multi-year funding outlook estimates COLA figures of between 0.6% and 1.6% for fiscal years 2021-22 through 2023-24, the uncertainty surrounding the state's budget picture is concerning. This plan assumes zero COLA for 2021-22 through 2023-24.

As noted in the multi-year funding outlook, the debt repayment, other state and local funds, and parcel tax revenues are projected to remain stable from 2020-21 through 2024-25.

Total computational revenue for 2024-25, the first year after the expiration of the SCFF hold harmless provision, is based on an enrollment and other SCFF factors similar to that projected in 2019-20.

## Unrestricted General Fund and Parcel Tax Expenses

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### Administrator Salary Expenses

In the 2020-21 final adopted budget, administrator salary expenses comprise 3.7% of all unrestricted general fund and parcel tax expenses. Administrator salary expenses include salaries for both academic and classified administrators.

The following table summarizes planned unrestricted general fund<sup>2</sup> administrator salary expenses for the fiscal years 2020-21 through 2024-25. Fiscal year 2020-21 figures are from the final budget adopted by the Board of Trustees on October 22.

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Administrator Salaries</b>	\$6,762,875	\$6,018,958	\$5,838,390	\$5,721,622	\$5,607,189

### Faculty Salary Expenses

In the 2020-21 final adopted budget, faculty salary expenses comprise 40.1% of all unrestricted general fund and parcel tax expenses. Faculty salary expenses include salaries for full- and part-time faculty, and include expenses for instruction, counseling, librarian services, day-to-day substitutes, reassigned time, and additional department chairperson compensation. Faculty are represented by AFT Local 2121. Department chairperson are represented by the Department Chairperson Council.

The following table summarizes planned unrestricted general fund and parcel tax faculty salary expenses for the fiscal years 2020-21 through 2024-25. Fiscal year 2020-21 figures are from the final budget adopted by the Board of Trustees on October 22.

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Faculty Salaries</b>	\$73,197,762	\$62,200,758	\$59,577,985	\$57,589,325	\$55,723,599

### Classified Salary Expenses

In the 2020-21 final adopted budget, classified salary expenses comprise 22.6% of all unrestricted general fund and parcel tax expenditures. Classified salary expenses include salaries for full and part-time classified personnel and student employees. General classifications of these positions reside in service, support and front-line supervisor roles which may or may not be covered by union representation: SEIU 1029, Local 39, SFBCTCU.

The following table summarizes planned unrestricted general fund and parcel tax classified salary expenses for the fiscal years 2020-21 through 2024-25. Fiscal year 2020-21 figures are from the final budget adopted by the Board of Trustees on October 22.

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<sup>2</sup> Parcel tax revenues cannot be spent on administrator salaries.

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Classified Salaries</b>	\$41,142,663	\$36,531,970	\$35,473,511	\$34,789,041	\$34,118,260

### Benefits Expenses

In the 2020-21 final adopted budget, benefits expenses comprise 23.0% of all unrestricted general fund and parcel tax expenditures. Benefit expenses include payments to employee retirement systems, employer contributions to health care plans, and payments for retiree health care costs.

Unrestricted general fund benefits expenses for fiscal year 2020-21 have been reduced by approximately \$10M by a planned withdrawal from the Retiree Health Care Trust Fund. Starting in 2021-22, the College's benefit expenses will once again include both the employer contribution (indexed at 1% of administrator, faculty, and classified salaries) along with an annual pay-as-you-go cost for existing retirees.

The following other factors have been included in projected benefits expenses:

- Annual increases in health care costs of 4.5%
- Annual increases of 1.71% in SF Retirement expenses
- Changes in STRS and PERS contribution rates per the following table:

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>STRS</b>	16.15%	16.00%	18.10%	18.10%	18.10%
<b>PERS</b>	20.70%	22.84%	25.50%	26.20%	26.20%

STRS and PERS Projection Source: School Services of California

The following table summarizes planned unrestricted general fund and parcel tax benefits expenses for the fiscal years 2020-21 through 2024-25. Fiscal year 2020-21 figures are from the final budget adopted by the Board of Trustees on October 22.

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Benefits</b>	\$42,050,339	\$52,752,939	\$54,803,649	\$55,956,486	\$57,188,042

### Non-Compensation Expenses

In the 2020-21 final adopted budget, non-compensation expenses comprised 10.4% of all unrestricted general fund and parcel tax expenditures. Non-compensation expenses include supplies, services, and equipment.

Certain non-compensation expenses, including utilities, have been impacted by changes in College operation due to COVID. Those have been adjusted back to 2018-19 levels for fiscal year 2021-22, and have been subsequently adjusted by the Consumer Price Index (CPI), which is estimated to increase expenses by 1.87% in 2022-23, and by 2.33% in each year thereafter.

Non-compensation expenses also include a \$2.1M annual SERP payment, which will end after the 2023-24 fiscal year.

The following table summarizes planned unrestricted general fund and parcel tax non-compensation expenses for the fiscal years 2020-21 through 2024-25. Fiscal year 2020-21 figures are from the final budget adopted by the Board of Trustees on October 22.

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Non-compensation</b>	\$18,959,181	\$18,151,190	\$18,756,001	\$18,389,037	\$16,925,173

### Transfers

The College’s unrestricted general fund also provides support for other types College funds, where revenues for those funds do not match expenses. These largest of these transfers goes to the Cafeteria fund, which supports the operation of the College’s cafeteria at the Ocean Campus.

Transfers have been reduced in fiscal years 2019-20 and 2020-21 due to the COVID-related shutdown of the cafeteria. These expenses are projected to resume in fiscal year 2021-22.

The following table summarizes planned unrestricted general fund transfers for the fiscal years 2020-21 through 2024-25. Fiscal year 2020-21 figures are from the final budget adopted by the Board of Trustees on October 22.

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Transfers</b>	\$335,402	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000

## Summary of Unrestricted General Fund & Parcel Tax Revenues and Expenses

The following table summarizes planned unrestricted general fund and parcel tax revenues and expenses for the fiscal years 2020-21 through 2024-25. Fiscal year 2020-21 figures are from the final budget adopted by the Board of Trustees on October 22.

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Beginning Fund Balance</b>	\$13,851,873	\$8,385,299	\$8,711,130	\$10,243,241	\$13,779,376
<b>Total Revenue</b>	\$176,981,647	\$176,981,647	\$176,981,647	\$176,981,647	\$169,030,416
<b>Administrator Salaries</b>	\$6,762,875	\$6,018,958	\$5,838,390	\$5,721,622	\$5,607,189
<b>Faculty Salaries</b>	\$73,197,762	\$62,200,758	\$59,577,985	\$57,589,325	\$55,723,599
<b>Classified Salaries</b>	\$41,142,663	\$36,531,970	\$35,473,511	\$34,789,041	\$34,118,260
<b>Benefits</b>	\$42,050,339	\$52,752,939	\$54,803,649	\$55,956,486	\$57,188,042
<b>Non-compensation</b>	\$18,959,181	\$18,151,190	\$18,756,001	\$18,389,037	\$16,925,173
<b>Transfer</b>	\$335,402	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
<b>Total Expenses</b>	\$182,448,221	\$176,655,816	\$175,449,536	\$173,445,512	\$170,562,263
<b>Surplus (Deficit)</b>	(\$5,466,574)	\$325,831	\$1,532,111	\$3,536,135	\$(1,531,848)
<b>Ending Fund Balance</b>	\$8,385,299	\$8,711,130	\$10,243,241	\$13,779,376	\$12,247,528
<b>Reserve Level</b>	5.3%	5.5%	6.5%	8.8%	8.2%
<b>Funds in Excess of Reserve</b>	\$253,571	\$869,022	\$2,461,447	\$6,097,783	\$4,710,098
<b>Personnel Costs as Percentage of Expenses</b>	89.4%	89.2%	88.7%	88.8%	89.5%

## Restricted Funds

The following table summarizes planned restricted fund revenues and expenses for the fiscal years 2020-21 through 2024-25. Fiscal year 2020-21 figures are from the final budget adopted by the Board of Trustees on October 22.

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Beginning Fund Balance</b>	\$4,760,941	\$2,623,968	\$2,623,968	\$2,623,968	\$2,623,968
<b>Federal Revenue</b>	\$6,623,332	\$6,623,332	\$6,623,332	\$6,623,332	\$6,623,332
<b>State Revenue</b>	\$32,950,028	\$32,950,028	\$32,950,028	\$32,950,028	\$32,950,028
<b>Local Revenue</b>	\$3,483,088	\$3,483,088	\$3,483,088	\$3,483,088	\$3,483,088
<b>Total Revenue</b>	\$43,056,448	\$43,056,448	\$43,056,448	\$43,056,448	\$43,056,448
<b>Administrator Salaries</b>	\$2,438,465	\$2,323,162	\$2,323,162	\$2,323,162	\$2,323,162
<b>Faculty Salaries</b>	\$11,248,231	\$10,716,358	\$10,716,358	\$10,716,358	\$10,716,358
<b>Classified Salaries</b>	\$9,657,975	\$9,201,297	\$9,201,297	\$9,201,297	\$9,201,297
<b>Benefits</b>	\$8,383,930	\$7,987,495	\$7,987,495	\$7,987,495	\$7,987,495
<b>Non-compensation</b>	\$8,936,319	\$8,513,765	\$8,513,765	\$8,513,765	\$8,513,765
<b>Transfer</b>	\$4,528,501	\$4,314,371	\$4,314,371	\$4,314,371	\$4,314,371
<b>Total Expenses</b>	\$45,193,421	\$43,056,448	\$43,056,448	\$43,056,448	\$43,056,448
<b>Surplus (Deficit)</b>	(\$2,136,973)	\$0	\$0	\$0	\$0
<b>Ending Fund Balance</b>	\$2,623,968	\$2,623,968	\$2,623,968	\$2,623,968	\$2,623,968
<b>Reserve Level</b>	5.8%	6.1%	6.1%	6.1%	6.1%

As noted in the multi-year revenue outlook, the funding calculations for these sources of funding vary, and future revenues are difficult to project. This plan projects steady funding levels from federal, state, and local sources, and projects reductions in all categories of expenses from 2020-21 levels such that total expenses match revenues and the overall restricted fund balance is maintained at 6.1%.

Restricted funds must be spent on specific purposes, and so any increases or decreases in funding levels will necessitate adjustments in the funding for those specific purposes. Any changes in the underlying cost structures (e.g., changes in negotiated salaries, benefit rates, CPI increases in costs) will also need to be balanced against revenue.

## **Budget, Enrollment, and Service Impacts**

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The College's unrestricted general fund and parcel tax financial position poses significant challenges towards maintaining the College's enrollment. The College's 2020-21 budget has a \$5.5M deficit that results in an ending fund balance of 5.3%, with a fund balance margin of approximately \$250,000. One-time reductions in benefits expenses in 2020-21 will expire at the end of that year, resulting in a \$10.7M increase in benefits expenses without an anticipated offsetting increase in revenue. The proportion of the College's unrestricted general fund and property tax expenses that goes towards personnel costs is 89.4%. This position necessitates significant reductions in personnel expenses, starting in 2021-22 and continuing through 2024-25.

While short-term modest changes in the College's enrollment will not impact College revenue, either up or down, the College must begin planning for the end of the SCFF Hold Harmless provision after 2023-24, since certain elements of the SCFF calculations are based on 3-year averages.

The multi-year budget plan anticipates that, despite reductions in personnel expenses across the College, total computational revenue for the 2024-25 fiscal year will be what total computational revenue would have been in 2019-20 based on the SCFF enrollment, supplemental, and student success allocations. This enrollment level will not maintain revenue at the SCFF hold harmless level – the budget has a \$1.5M deficit that year – but the buildup of a reserve in the prior years will mitigate the impact of a revenue decrease.

Getting College enrollment to 2019-20 levels by 2024-25 while reducing personnel expenses across the district will require a careful programmatic review of:

- expenses and anticipated enrollment and student success measures in instructional areas
- expenses and anticipated enrollment support and contribution to SCFF supplemental measures in student support areas
- expenses and anticipated College impact in other College areas

### **Budgeting for Instructional Departments**

As noted in the multi-year enrollment outlook, *insert enrollment management committee recommendations here.*

Based on this outlook and the overall budget situation, the College will take the following steps so that College enrollment will support the planned total computational revenue in 2024-25.

*Based on enrollment management committee recommendations, instructional area priorities.*

Budgeting for instructional departments will be comprehensive, taking into account compensation expenses for all employee categories as well as non-compensation expenses. Contributions to the College's enrollment and the SCFF student success measures will be included in budgeting decisions.



**Budgeting for Student Affairs Areas**

As with academic departments, budgeting for student affairs areas will be comprehensive, taking into account compensation expenses for all employee categories as well as non-compensation expenses. Contributions to the College's enrollment and the SCFF supplemental measures will be included in budgeting. Budgeting will also take into account service levels at the Ocean Campus and the various centers.

**Budgeting for Other Areas**

Other budget areas of the College include areas that have personnel expenses as well as areas that focus on non-compensation expenses. Budgeting for these areas will take into account service levels at the Ocean Campus and the various centers.

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# **Annual Budget Development Process and Principles**

## **Development Process and Principles**

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Annual budgets will be developed following Board Policies 8.01 and 8.05 and their associated administrative procedures.

## **Program Review/Annual Plan**

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The College's Program Review and Annual Planning processes allow departments to identify funding requests. These funding requests and their projected impact will be considered as the College establishes per-program annual budgets.

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