

SUBJECT: 2015/16 TENTATIVE BUDGETS

RECOMMENDATION:

The Superintendent/President recommends the adoption of the 2015/16 Tentative Budgets for the Mendocino-Lake Community College District General Fund, Debt Service Fund, Child Care Fund, Capital Projects Fund, Special Reserve Fund, Health Fund, Student Representation Fee Fund, Student Center Fund, and Student Financial Aid Award Projections, as shown in Attachments A through I.

ANALYSIS:

All California Community College Districts are required to adopt Tentative Budgets for the coming fiscal year and transmit them to the County Superintendent of Schools prior to July 1 of the current year. The Tentative Budgets reflect the best estimates of coming year revenues and expenditures known at the time of submission. Since the State of California typically does not adopt its budget until after June 15, significant changes in projected revenues and expenditures can be anticipated for the September Adopted Budget.

BEGINNING BALANCE

The projected 2015/16 General Fund beginning balance is \$1,863,998 based on the 2014/15 budgeted ending balance. \$1,676,174 of the projected 2015/16 beginning balance is unrestricted. Currently over \$250,000 of prospective expenditures are encumbered. Actual expenditure levels cannot be determined until the current year's books are closed and those encumbrances are resolved.

REVENUE:

The General Fund revenue included herein is based on the most recent 2015/16 fiscal year budget information received from the Governor's Budget, the Governor's May Revise, the Chancellor's Office, the Community College League of California, the Legislative Analyst's Office, and School Services of California.

Apportionment Base/Restoration/Stability

This proposed Tentative Budget assumes that the District will report an enrollment of 2,960 FTES for 2014/15 which is 83 FTES less than our enrollment base of 3,043 FTES. Summer 2015 enrollments are appearing very strong, therefore the college may be able to report our base of 3,043. If the college attains its goal of serving 3,043 FTES, the budget as presented here would improve by \$388,000.

This budget includes a deficit factor of 0.5% on general apportionment, resulting in a revenue reduction of \$95,000. A deficit factor on apportionment is a result of the difference between what the State assumes all 72 colleges will receive for property taxes and enrollment fees and what colleges actually receive.

COLA Revenue

The COLA on apportionment in the 2015/16 Governor's May Revise is 1.02%, which equates to \$186,000 for Mendocino College and is included in this budget.

Growth Revenue

The Governor's May Revise included 3.0% funding for enrollment growth. A new funding formula has been developed to take into account the need for access (growth) in each District. Multiple factors are considered based on population data from each District. 50.1% of the calculation is based on "need for access", which includes number of adults without college

attainment, number of households below the poverty level, and the number of unemployed adults, all as compared to statewide counts. 49.9% of the calculation is based on current FTES, which is the District FTES compared with overall system FTES. The calculation then factors in the District's actual growth for the previous two fiscal years. When all of these factors are taken into account, our growth rate for 2015/16 will be 1%. It is not likely we could earn any growth in 2015/16 as we are reporting all eligible Summer 2015 FTES in 2014/15.

Revenue for Operating Costs

The May Revise includes \$267 million for support of district general operating expenses, an increase from the \$125 million proposed by the Governor in January. The distribution of these funds is still under discussion, but will likely bring \$800,000 to \$1.7 million to Mendocino College. The actual amount will depend upon the level of funding in the enacted budget and the allocation method. This budget includes an increase of \$800,000 to our basic allocation. The current funding proposal from the Chancellor's Office Funding Formula Task Force is to double the rural college allocation from \$562,282 to \$1,136,036. The remaining amount is due to increases to the college allocation, center allocation, and the rate per FTES. These are an ongoing source of revenue.

Career Development College Preparation (CDCP) Rate

The May Revise increases the CDCP funding per FTES to the same level as Credit FTES. This is estimated to result in \$70,000 increased revenue to Mendocino College. The increased CDCP rate is included in this budget.

One Time Funds

The May Revise includes \$627 million to fund the mandated cost backlog, up from \$353 million in the January Budget. Depending on the level in the enacted budget, Mendocino College could receive between \$900,000 and \$1.6 million. These are one time funds and can only be spent on one time needs such as equipment or capital projects, restoring reserves, or funding outstanding retiree health benefit liabilities. This budget includes \$900,000 in mandated cost backlog funds.

EXPENDITURES:

Salaries, Wages, and Benefits

Due to cuts in the State Budget, staff vacancies have been judiciously reviewed for the past seven years with a result in a savings estimated to be as much as \$1 million annually. Prior year reductions in various expenditure accounts have been carried forward into the 2015/16 budget year. This budget includes funding for positions currently filled and those currently being recruited.

Projected 2015/16 costs for all currently authorized positions are reflected in this budget, including step and longevity increments for which current staff are eligible. The cost of these increments is approximately \$200,000. Salaries and wages are budgeted according to the terms of the current collective bargaining agreements, including the 1% salary increase agreed upon with Classified staff and M/S/C effective 7/1/15. This proposed budget does not include expenditures which may result from future collective bargaining settlements.

The General Fund Budget includes a payment to the Health Fund equal to \$1,600 per plan participant per month or \$19,200 per year which is \$50 per month less than 2014/15 and more accurately reflects actual costs for the past three years. This rate may be adjusted during the year as actual health costs become known.

The proposed 2015/16 June Tentative Budget includes a PERS (Public Employee Retirement System) District contribution rate of 11.847%, an increase from the 2014/15 rate of 11.771%

which will result in a minor cost increase of \$3,100.

The Tentative Budget includes a 2015/16 STRS (State Teachers Retirement System) District contribution rate of 10.73%, up from 8.88% in 2014/15. This results in a cost increase of \$132,000.

Supplies and Services

Departmental supplies and services budgets reflect the continuation of significant reductions that were made in prior years and include \$15,000 for professional development.

Capital Outlay

At this time, unrestricted funding for capital outlay within the General Fund does not have a budget for equipment.

CATEGORICAL PROGRAMS

The proposed June Tentative Budget includes over 40 categorical programs, totaling approximately \$4.9 million. This is a significant increase in the number of programs. Only a few years back, the college had 30 programs totaling \$2.9 million. Categorical revenues are projected based on tentative information from various state and federal agencies.

The Governor's May Revise includes many augmentations to grants and categorical programs, including:

- \$100 million increase to SSSP
- \$115 million increase to Student Equity
- \$2.5 million to fund COLA on EOPS, DSPS, and CalWORKs
- \$148 million for deferred maintenance and instructional equipment

Until a 2015/16 State budget is adopted, some degree of uncertainty will prevail as to categorical program budgets.

ENDING BALANCE

The projected 2015/16 unrestricted ending fund balance is \$2,410,473 or 11.56% of expenditures and transfers. Typically, District expenditures are known with greater accuracy than revenues at this time. The 2015/16 beginning balance will also be more precisely projected by the time the Adopted Budget is presented. In the event of timely passage of the State Budget, more accurate revenue information will be available in time for inclusion in the September Adopted Budget.

SUMMARY

In summary, there are many revenue and expenditure assumptions included in this budget that will likely change based upon enrollment and the final budget enacted by the State. The May Revise is by far the best budget Community Colleges have seen in a very long time. The proposed increases will help as we continue to recover from the devastating reductions of the recession.

Dan Troy, Vice Chancellor of College Finance at the Chancellor's Office provided this caution in his summary of the May Revise: *"Even with this good May Revision news, it is important to remember that the colleges have not yet fully recovered from the bad times. We have not completely restored access and college operational budgets are still approximately \$750 million below where we were, accounting for inflation. Further, college budgets will face additional stresses in the coming years, as PERS and STRS obligations are scheduled to increase rapidly and the state faces the sunset of Proposition 30 revenues. Given these circumstances and our knowledge of the volatility of the state's revenue system, we suggest that districts plan carefully now so they are prepared to meet the*

challenges ahead.”

OTHER FUND BUDGETS:

The Debt Service Fund Budget (Attachment B), was included for the first time in 2009/10 to reflect the debt service payments on the Solar project. A portion of the project was funded by municipal lease bonds and the debt service will be offset by the energy savings from the solar field and PG&E rebates. The college received a \$500,000 interest free loan from PG&E to upgrade the HVAC system. This loan will also be repaid with the energy savings from the project. When the loan on the HVAC upgrade project is paid off in 2018, the transfer from the general fund will level off at \$350,000 until the solar field is paid off in 2021. At that time the debt service fund will no longer be necessary and the \$350,000 will be available for other purposes.

The Child Care Fund Budget (Attachment C), reflects a program similar to the 2014/15 program. The estimated increased costs for salary step and column advancements are included in this budget. The proposed budget reflects a general fund subsidy of \$120,395.

The Capital Projects Fund Budget (Attachment D), includes projected revenues and expenditures as well as reserves set aside for future capital projects.

The Special Reserve Fund Budget (Attachment E), includes reserves for accrued vacations, load banking, GASB 45 requirements, and self insurance (active/retiree health plans, property, liability, and workers' compensation). Accrued vacation and load banking are each reserved at 25% of the total value of vacation and load banking accruals respectively, based on the most recent audited figures.

The Health Fund Budget (Attachment F), identifies those monies set aside for payment of health benefits during the 2015/16 fiscal year. This fund was established when the District made a decision to self-insure these benefits. Revenue is budgeted at \$1,600 per plan participant per month (\$19,200 annually) for 2015/16.

The Student Representation Fee Fund Budget (Attachment G), reflects the \$1 per semester that each student pays to support student government here at the College.

The Student Center Fund Budget (Attachment H), reflects the \$1 per unit per semester to a maximum of \$5 that each student pays for equipment and improvements to student areas in the Lowery Student Center and student areas at the Lake Center and North County Center.

The Student Financial Aid Award Projections Budget (Attachment I), reflects a program similar to the 2015/16 program.

Attachment A-1	General Fund Unrestricted Tentative Budget
Attachment A-2	General Fund Restricted Tentative Budget
Attachment B	Debt Service Fund Tentative Budget
Attachment C	Child Care Fund Tentative Budget
Attachment D	Capital Projects Fund Tentative Budget
Attachment E	Special Reserve Fund Tentative Budget
Attachment F	Health Benefits Fund Tentative Budget
Attachment G	Student Representation Fee Fund Tentative Budget
Attachment H	Student Center Fund Tentative Budget
Attachment I	Student Financial Aid Award Tentative Projections

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
UNRESTRICTED GENERAL FUND
2015/16**

	<u>2014/15 REVISED BUDGET FUND 11</u>		<u>2015/16 TENTATIVE BUDGET FUND 11</u>	
BEGINNING FUND BALANCE	\$ 1,776,434		\$ 1,676,174	
REVENUE:				
A. Federal	45,000		45,000	
B. State	12,073,830		13,772,389	
C. Local	7,875,569		7,775,822	
D. Transfer in from Health Fund	830,000		-	
TOTAL REVENUE	<u>\$ 20,824,399</u>		<u>\$ 21,593,211</u>	
EXPENDITURES:				
A. Certificated Salaries and Wages	\$ 9,074,722		\$ 9,098,710	
Classified Salaries and Wages	4,145,816		3,992,539	
Subtotal Salaries and Wages	<u>13,220,538</u>		<u>13,091,249</u>	
Fringe Benefits	4,293,620		4,335,753	
Total Personnel Costs	<u>17,514,158</u>		<u>17,427,002</u>	
B. Supplies	713,263		653,302	
C. Contractual Services	1,945,536		2,209,576	
D. Capital Outlay	33,633		5,654	
E. Transfers				
To Child Care Fund	111,441		120,395	
To Debt Service Fund	606,628		442,983	
	<u>718,069</u>		<u>563,378</u>	
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 20,924,659</u>		<u>\$ 20,858,912</u>	
ENDING FUND BALANCE	1,676,174	8.01%	2,410,473	11.56%
CHANGE IN RESERVES	<u>\$ (100,260)</u>		<u>\$ 734,299</u>	

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
RESTRICTED GENERAL FUND
2015/16**

	2014/15 REVISED BUDGET FUND 12	2015/16 TENTATIVE BUDGET FUND 12
	<hr/>	<hr/>
BEGINNING FUND BALANCE	\$ 232,628	\$ 187,824
 <u>REVENUE:</u>		
A. Federal	1,282,844	1,163,041
B. State	3,819,654	3,626,822
C. Local	91,789	109,650
TOTAL REVENUE	<u>\$ 5,194,287</u>	<u>\$ 4,899,513</u>
 <u>EXPENDITURES:</u>		
A. Certificated Salaries and Wages	\$ 1,021,956	\$ 814,457
Classified Salaries and Wages	1,167,168	1,031,262
Subtotal Salaries and Wages	<hr/> 2,189,124	<hr/> 1,845,719
Fringe Benefits	826,506	699,289
Total Personnel Costs	<hr/> 3,015,630	<hr/> 2,545,008
B. Supplies	365,522	378,742
C. Contractual Services	847,363	1,118,986
D. Capital Outlay	612,862	463,222
E. Transfers to Student Financial Aid Fund and Other Payments To/For Students	<hr/> 397,714	<hr/> 442,555
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 5,239,091</u>	<u>\$ 4,948,513</u>
ENDING FUND BALANCE	\$ 187,824	\$ 138,824
CHANGE IN RESERVES	<u>\$ (44,804)</u>	<u>\$ (49,000)</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
DEBT SERVICE FUND
2015/16**

	2014/15 REVISED BUDGET FUND 29	2015/16 TENTATIVE BUDGET FUND 29
BEGINNING FUND BALANCE	\$ -	\$ -
<u>REVENUE:</u>		
A. Interest	(1,500)	(1,000)
B. PG&E Incentive - Solar	197,243	-
C. Transfer from General Fund - Solar	509,854	346,209
D. Transfer from General Fund - Energy Projects	96,774	96,774
TOTAL FUNDS AVAILABLE	<u>\$ 802,371</u>	<u>\$ 441,983</u>
<u>EXPENDITURES:</u>		
A. Solar debt service payments	\$ 705,597	\$ 345,209
B. Energy projects debt service payments	96,774	96,774
RESERVES	-	-
TOTAL EXPENDITURES AND RESERVES	<u>\$ 802,371</u>	<u>\$ 441,983</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
CHILD CARE FUND
2015/16**

	2014/15 REVISED BUDGET FUND 33	2015/16 TENTATIVE BUDGET FUND 33
	<u> </u>	<u> </u>
REVENUE:		
Federal		
A. Food Program	\$ 35,000	\$ 35,000
State		
B. CA State Preschool Program	176,624	177,013
C. Food Program	2,000	2,000
D. General Contract	130,233	130,000
E. Facilities Renovation Repair	19,987	18,012
Local		
F. Parent Fees - Non-Certified/Full Fee	73,680	82,220
G. Other Local Income	100	-
Transfers		
H. General Fund Subsidy	101,441	110,395
I. Employee Child Care Benefit	10,000	10,000
 TOTAL REVENUE	 <u><u>\$ 549,065</u></u>	 <u><u>\$ 564,640</u></u>
 EXPENDITURES:		
A. Personnel Costs		
1. Salary and Wages		
Classified Regular	\$ 185,282	\$ 181,833
Classified Hourly	169,391	162,904
	<u>354,673</u>	<u>344,737</u>
2. Benefits	132,327	159,531
Total Personnel Costs	<u>487,000</u>	<u>504,268</u>
B. Supplies	24,100	24,100
C. Contractual Services	17,978	18,260
D. Capital Outlay	<u>19,987</u>	<u>18,012</u>
 TOTAL EXPENDITURES	 <u><u>\$ 549,065</u></u>	 <u><u>\$ 564,640</u></u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
CAPITAL PROJECTS FUND
2015/16**

	2014/15 REVISED BUDGET FUND 41	2015/16 TENTATIVE BUDGET FUND 41
	<u> </u>	<u> </u>
BEGINNING FUND BALANCE		
Unrestricted	\$ 983,681	\$ 1,028,729
TOTAL BEGINNING FUND BALANCE	<u>983,681</u>	<u>1,028,729</u>
<u>REVENUE:</u>		
A. Interest	5,000	2,500
B. Proposition 39 Energy Projects	88,006	68,000
D. Physical Plant Block Grant	113,457	155,000
E. Redevelopment Agency On-going	100,000	100,000
G. NCCCSIA Return of Equity	20,000	20,000
TOTAL REVENUES	<u>326,463</u>	<u>345,500</u>
TOTAL FUNDS AVAILABLE	<u>\$ 1,310,144</u>	<u>\$ 1,374,229</u>
<u>EXPENDITURES AND TRANSFERS:</u>		
A. Energy System Upgrades	\$ 88,006	\$ 68,000
B. Physical Plant Block Grant	113,457	155,000
C. Campus Signs	54,952	54,952
D. Other Capital Projects	25,000	25,000
TOTAL EXPENDITURES	<u>281,415</u>	<u>302,952</u>
<u>RESERVES:</u>		
A. Redevelopment Agency One-time	694,992	694,992
B. Other Capital Projects	333,737	376,285
TOTAL RESERVES	<u>1,028,729</u>	<u>1,071,277</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 1,310,144</u>	<u>\$ 1,374,229</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SPECIAL RESERVE FUND
2015/16**

	2014/15 REVISED BUDGET FUND 61	2015/16 TENTATIVE BUDGET FUND 61
BEGINNING FUND BALANCE	\$ 1,277,487	\$ 1,281,487
<u>REVENUE:</u>		
A. Interest	4,000	4,000
TOTAL FUNDS AVAILABLE	<u>\$ 1,281,487</u>	<u>\$ 1,285,487</u>
<u>EXPENDITURES AND TRANSFERS:</u>		
A. Transfer to General Fund	<u>-</u>	<u>-</u>
<u>RESERVES:</u>		
A. Accrued Vacation Reserve	\$ 138,000	\$ 138,000
B. Load Banking Reserve	81,000	81,000
C. Health Fund Reserve	275,000	275,000
D. Incurred But Not Recorded (IBNR) Health Benefits	180,000	180,000
E. GASB 45 Reserve	599,990 *	599,990
F. Self Insurance Reserve	7,497	11,497
TOTAL RESERVES	<u>1,281,487</u>	<u>1,285,487</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 1,281,487</u>	<u>\$ 1,285,487</u>

*Total GASB 45 liability per actuarial study dated December 7, 2013 is \$6,342,577.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
HEALTH FUND
2015/16**

	2014/15 REVISED BUDGET FUND 62	2015/16 TENTATIVE BUDGET FUND 62
	<u> </u>	<u> </u>
BEGINNING FUND BALANCE	\$ 1,559,787	\$ 729,787
 <u>REVENUE:</u>		
A. Contribution from Other Funds	2,889,575	2,965,529
B. Employee Contributions	24,671	24,671
C. Interest	5,000	5,000
TOTAL REVENUE	<u>2,919,246</u>	<u>2,995,200</u>
 TOTAL FUNDS AVAILABLE	 <u>\$ 4,479,033</u>	 <u>\$ 3,724,987</u>
 <u>EXPENDITURES:</u>		
A. Health Care Services	\$ 2,919,246	\$ 2,995,200
B. Transfer to General Fund	830,000	-
TOTAL EXPENDITURES	<u>3,749,246</u>	<u>2,995,200</u>
 B. Reserve for Future Expenditures	 <u>729,787</u>	 <u>729,787</u>
 TOTAL EXPENDITURES AND RESERVES	 <u>\$ 4,479,033</u>	 <u>\$ 3,724,987</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STUDENT REPRESENTATION FEE FUND
2015/16**

	2014/15 REVISED BUDGET FUND 72	2015/16 TENTATIVE BUDGET FUND 72
BEGINNING FUND BALANCE	\$ 21,520	\$ 21,520
<u>REVENUE:</u>		
A. Student Representation Fees	10,000	10,000
B. Interest	100	100
TOTAL REVENUE	<u>10,100</u>	<u>10,100</u>
TOTAL FUNDS AVAILABLE	<u>\$ 31,620</u>	<u>\$ 31,620</u>
<u>EXPENDITURES:</u>		
A. Services (Travel)	\$ 10,100	\$ 10,100
TOTAL EXPENDITURES	<u>10,100</u>	<u>10,100</u>
RESERVES	<u>21,520</u>	<u>21,520</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 31,620</u>	<u>\$ 31,620</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STUDENT CENTER FUND
2015/16**

	2014/15 REVISED BUDGET FUND 73	2015/16 TENTATIVE BUDGET FUND 73
BEGINNING FUND BALANCE	\$ 271,243	\$ 268,743
<u>REVENUE:</u>		
A. Student Center Fees	30,000	30,000
B. Interest	1,000	1,000
TOTAL REVENUE	<u>31,000</u>	<u>31,000</u>
TOTAL FUNDS AVAILABLE	<u>\$ 302,243</u>	<u>\$ 299,743</u>
<u>EXPENDITURES:</u>		
A. Student Salary & Benefits	\$ 10,000	\$ 10,000
B. Supplies	10,000	10,000
C. Services	3,500	3,500
D. Equipment	10,000	10,000
TOTAL EXPENDITURES	<u>33,500</u>	<u>33,500</u>
RESERVES	<u>268,743</u>	<u>266,243</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 302,243</u>	<u>\$ 299,743</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STUDENT FINANCIAL AID AWARD PROJECTIONS
2015/16**

	2014/15 ESTIMATED AWARDS	2015/16 ESTIMATED AWARDS
	<u> </u>	<u> </u>
<u>SOURCE OF FUNDS:</u>		
FEDERAL SOURCES		
A. PELL GRANT	\$ 5,500,000	\$ 5,500,000
B. FSEOG	55,000	69,000
C. BUREAU OF INDIAN AFFAIRS	6,000	6,000
D. DIRECT LOANS	1,400,000	1,250,000
E. AMERICORPS	12,000	30,000
F. FEDERAL WORK STUDY	35,000	62,000
TOTAL FEDERAL SOURCES	<u>7,008,000</u>	<u>6,917,000</u>
STATE SOURCES		
A. CAL GRANT	300,000	320,000
B. EOPS GRANT	40,000	55,000
C. CHAFEE GRANT	12,500	35,000
TOTAL STATE SOURCES	<u>352,500</u>	<u>410,000</u>
C. LOCAL SOURCES		
1. SCHOLARSHIPS	200,000	200,000
TOTAL	<u>\$ 7,560,500</u>	<u>\$ 7,527,000</u>
<u>DISBURSEMENTS:</u>		
A. STUDENT FINANCIAL AID	<u>\$ 7,560,500</u>	<u>\$ 7,527,000</u>