

Eileen Cichocki
January 26, 2022

BUDGET WORKSHOP

BOARD OF TRUSTEES MEETING

AGENDA

- Quick review of current year budget – 2021/22
- Governor's Budget for 2022/23
- History of COLA and how it is spent
- Multiyear Scenarios
- Reserves
- Budget Parameters



ANNUAL BUDGET CALENDAR

- January – Governor's Budget
- May – Revised Governor's Budget
- June – District Tentative Budget
- June 30 – State Enacted Budget
- September – District Adopted Budget
- April – District Revised Budget

INFORMATION SOURCES



Chancellor's Office



Community College League of California



Legislative Analyst's Office



Association of California Community College
Administrators



Association of Chief Business Officials



California Department of Finance

CURRENT
YEAR
REVENUE

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
UNRESTRICTED GENERAL FUND
2021/22

	2020/21 REVISED BUDGET FUND 11	2020/21 UNAUDITED ACTUALS FUND 11	2021/22 ADOPTED BUDGET FUND 11
BEGINNING FUND BALANCE	\$ 6,465,652	\$ 6,465,652	\$ 9,526,540
REVENUE:			
A. Federal	37,500	39,522	42,500
B. State	15,197,359	14,181,639	14,667,711
C. Local	11,668,446	13,296,997	12,463,154
D. Transfer In (COVID-19)	14,600	14,600	10,000
TOTAL REVENUE	\$ 26,917,905	\$ 27,532,758	\$ 27,183,365

CURRENT
YEAR
EXPENSE

	2020/21 REVISED BUDGET FUND 11	2020/21 UNAUDITED ACTUALS FUND 11	2021/22 ADOPTED BUDGET FUND 11
EXPENDITURES:			
A. Certificated Salaries and Wages	\$ 9,929,838	\$ 9,548,799	\$ 10,732,644
Classified Salaries and Wages	4,929,574	4,828,814	5,157,537
Subtotal Salaries and Wages	<u>14,859,412</u>	<u>14,377,613</u>	<u>15,890,181</u>
Fringe Benefits	6,391,933	6,837,722	7,060,137
Total Personnel Costs	<u>21,251,345</u>	<u>21,215,335</u>	<u>22,950,318</u>
B. Supplies	609,619	340,225	689,913
C. Contractual Services	2,428,680	2,274,385	2,732,584
D. Capital Outlay	107,710	115,788	72,830
E. Transfers			
To Child Care Fund	144,286	122,092	157,018
To Debt Service Fund	278,567	279,045	-
To Capital Project Fund	<u>125,000</u>	<u>125,000</u>	<u>2,050,000</u>
	547,853	526,137	2,207,018
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 24,945,207</u>	<u>\$ 24,471,870</u>	<u>\$ 28,652,663</u>

CURRENT
YEAR
ENDING
FUND
BALANCE

	<u>2020/21 REVISED BUDGET FUND 11</u>		<u>2020/21 UNAUDITED ACTUALS FUND 11</u>		<u>2021/22 ADOPTED BUDGET FUND 11</u>	
<u>FUND BALANCE:</u>						
A. Designated (PERS/STRS)					468,000	1.64%
B. Undesignated	<u>8,438,350</u>		<u>9,526,540</u>		<u>7,589,242</u>	26.49%
TOTAL ENDING FUND BALANCE	8,438,350	33.83%	9,526,540	38.93%	8,057,242	28.12%
CHANGE IN RESERVES	<u>\$ 1,972,698</u>		<u>\$ 3,060,888</u>		<u>\$ (1,469,298)</u>	

GOVERNOR'S BUDGET

- First look at a 2022/23 State budget just released Monday, January 10, 2022
- This will be for the year beginning July 2022
- **Highlights at the State level**
- The State of California economy remains very strong despite the pandemic, largely due to growth in sales tax and income tax receipts.
- The State is projecting a surplus of \$45.7 billion and nearly \$35 billion in reserves.

GOVERNOR'S BUDGET

- **Highlights for California Community Colleges**
- Cost of Living Allowance (COLA) of 5.33% on SCFF
- COLA on many categorical programs, excluding Student Equity and Achievement
- Instructional Equipment
- Deferred Maintenance
- Retention and enrollment strategies
- Technology and cyber security
- Financial Aid Administration
- Student Success Completion Grants
- Equal Employment Opportunity
- Program pathway mapping
- And many more....

GOVERNOR'S BUDGET

- **Highlights for California Community Colleges**
- **Revenue Protections**
 - The pandemic has severely impacted the lives of our students and enrollments at the college.
 - Emergency Conditions Allowance expires at the end of the current year (2021/22)
 - Student Centered Funding Formula (SCFF) Hold Harmless expires at the end of 2024/25
 - The end of the SCFF Hold Harmless would return colleges to 2017/18 levels (plus COLA) and could lead to a drastic reduction in funding (fiscal cliff)
 - Governor's Budget proposes to make 2024/25 the new "floor", below which funding would not drop. However, under this new version of hold harmless, colleges would no longer automatically receive COLA going forward.
- All of this is proposed at this point and will go through the legislative process until the State has an Enacted Budget in June 2022.

HISTORY OF COLA REVENUE

Statutory COLA is based on the Price Index for State and Local Governments across the nation, not the Consumer Price Index (CPI)

Fiscal Year	Statutory COLA due to college from State	Actual COLA funded to college from State
2007/08	4.53%	4.53%
2008/09	5.66%	0.00%
2009/10	5.02%	0.00%
2010/11	-0.38%	0.00%
2011/12	2.24%	0.00%
2012/13	3.24%	0.00%
2013/14	1.57%	1.57%
2014/15	0.85%	0.85%
2015/16	1.02%	1.02%
2016/17	0.00%	0.00%
2017/18	1.56%	1.56%
2018/19	2.71%	2.71%
2019/20	3.26%	3.26%
2020/21	2.31%	0.00%
2021/22	1.7%	5.07%
TOTAL	35.29%	20.57%
Difference:		-14.72%

15.78% never received

Catch up + 1% received

WHERE DID
THE COLA GO
IN 2021/22?

New Funding

General Apportionment: \$24,525,225

COLA on Apportionment

Statutory COLA	1.70%	\$416,929
Additional COLA	1.00%	\$245,252
Revenue Increase	2.70%	\$662,181

New Expenditures

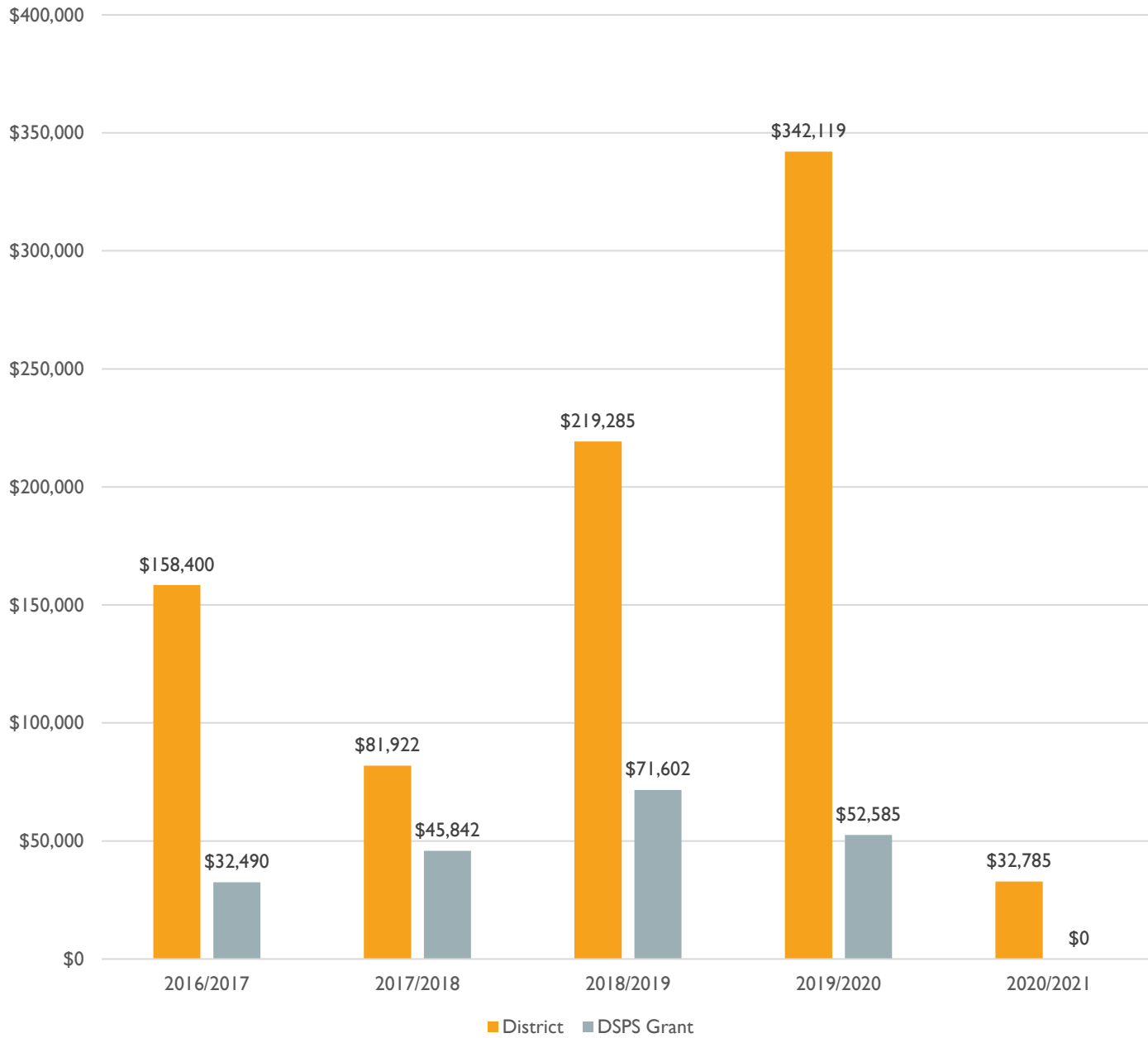
2% Salary increase to employees	\$350,000	
New Step and Longevity	\$230,000	
Health benefit rate increase	\$165,000	
PERS rate increase	\$134,000	
STRS rate increase	\$56,000	
New positions (not replacements)	\$150,514	
Subtotal of compensation	\$1,085,514	164% of COLA
Legal Rate Increase	\$15,000	
IT Maintenance Agreements	\$32,800	
Property and Liability Insurance	\$31,381	
MCOE Charges	\$15,000	
Subtotal of non-compensation items	\$94,181	
Total expenditure increases	\$1,179,695	
	(\$517,514)	

EXPENDITURES INCREASED MORE THAN REVENUE

PENSION
COSTS OVER
TIME

\$1.5 million

	PERS Rate	STRS Rate
2016/2017	13.888%	12.580%
2017/2018	15.531%	14.430%
2018/2019	18.062%	16.280%
2019/2020	19.721%	16.280%
2020/2021	20.700%	16.150%
2021/2022	22.910%	16.150%
6 year increase	\$858,000	\$638,000



SIGN LANGUAGE INTERPRETING

MULTIYEAR SCENARIOS

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT											FOR BOARD DISCUSSION 1/26/2022	
GENERAL FUND-UNRESTRICTED BUDGET		MULTI YEAR PROJECTION										
	A	W	1		2		3		4		5	
	2021/22	2021/22	2022/23		2023/24		2024/25		2025/26		2025/26	
	ADOPTED	WORKING BUDGET	PROJECTION		PROJECTION		PROJECTION		PROJECTION		PROJECTION	
	BUDGET	Emergency Conditions Allowance	No ECA		Back on SCFF Hold Harmless		Last year of SCFF Hold Harmless		Fiscal Cliff		OR New Floor	
BEGINNING FUND BALANCE	\$9,526,540	\$9,526,540	\$8,049,191		\$7,386,191		\$7,202,330		\$7,658,458		\$7,658,458	
REVENUE:												
A. Federal Sources	\$42,500	\$42,500	\$42,500		\$42,500		\$42,500		\$42,500		\$42,500	
B. State Sources	\$14,667,711	\$14,888,497	\$115,195	\$15,003,692	\$788,802	\$15,792,494	\$925,789	\$16,718,283	(\$4,643,845)	\$12,074,438	\$0	\$16,718,283
C. Local Sources	\$12,473,154	\$12,549,416	\$12,549,416		\$12,549,416		\$12,549,416		\$12,549,416		\$12,549,416	
TOTAL REVENUE	\$27,183,365	\$27,480,413	\$27,595,608		\$28,384,411		\$29,310,199		\$24,666,354		\$29,310,199	
EXPENDITURES:												
A. Personnel Costs												
Instructional Salary	\$10,732,644	\$10,771,172	\$105,000	\$10,876,172	\$105,000	\$10,981,172	\$105,000	\$11,086,172	\$105,000	\$11,191,172		\$11,191,172
Classified Salary	\$5,157,537	\$5,303,126	\$105,000	\$5,408,126	\$105,000	\$5,513,126	\$105,000	\$5,618,126	\$105,000	\$5,723,126		\$5,723,126
Subtotal Salary	\$15,890,181	\$16,074,298		\$16,284,298		\$16,494,298		\$16,704,298		\$16,914,298		\$16,914,298
Benefits	\$7,060,137	\$7,088,668	\$395,846	\$7,484,514	\$99,664	\$7,584,178	\$75,799	\$7,659,977	\$40,000	\$7,699,977		\$7,699,977
Total Salary and Benefits	\$22,950,318	\$23,162,966		\$23,768,812		\$24,078,476		\$24,364,275		\$24,614,275		\$24,614,275
% of total expenditures:	80%	80%		84%		84%		84%		85%		85%
B. Supplies	\$689,913	\$741,686	\$70,000	\$811,686		\$811,686		\$811,686		\$811,686		\$811,686
C. Contractual Services	\$2,732,584	\$2,722,696	\$275,000	\$2,997,696		\$2,997,696		\$2,997,696		\$2,997,696		\$2,997,696
D. Capital Outlay	\$72,830	\$123,396		\$123,396		\$123,396		\$123,396		\$123,396		\$123,396
E. Transfers												
To Child Care Fund	\$157,018	\$157,018		\$157,018		\$157,018		\$157,018		\$157,018		\$157,018
To Capital Projects Fund	\$2,050,000	\$2,050,000	(\$1,650,000)	\$400,000		\$400,000		\$400,000		\$400,000		\$400,000
	\$2,207,018	\$2,207,018		\$557,018		\$557,018		\$557,018		\$557,018		\$557,018

MULTIYEAR SCENARIOS

- Based on 2021/22 Working Budget
- 4 years, through 2025/26
- Revenue Assumption:
 - Adding COLA on apportionment per Department of Finance estimates, these are not givens, actual calculation is done May before each fiscal, and depends upon State funding.
- Expenditure Assumptions:
 - Steps and Longevity each year
 - PERS/STRS rate increases through 2024/25
 - Facilities and IT continuing costs after HEERF funding is spent (filters, software, hotspots).

MULTIYEAR SCENARIOS

- What is not included:
 - Future collective bargaining agreements
 - New staffing
 - Changes in health care costs
 - Changes to interpreting costs
 - Changes in the cost of schedule (# of sections)

MULTIYEAR SCENARIOS

Bottom line:

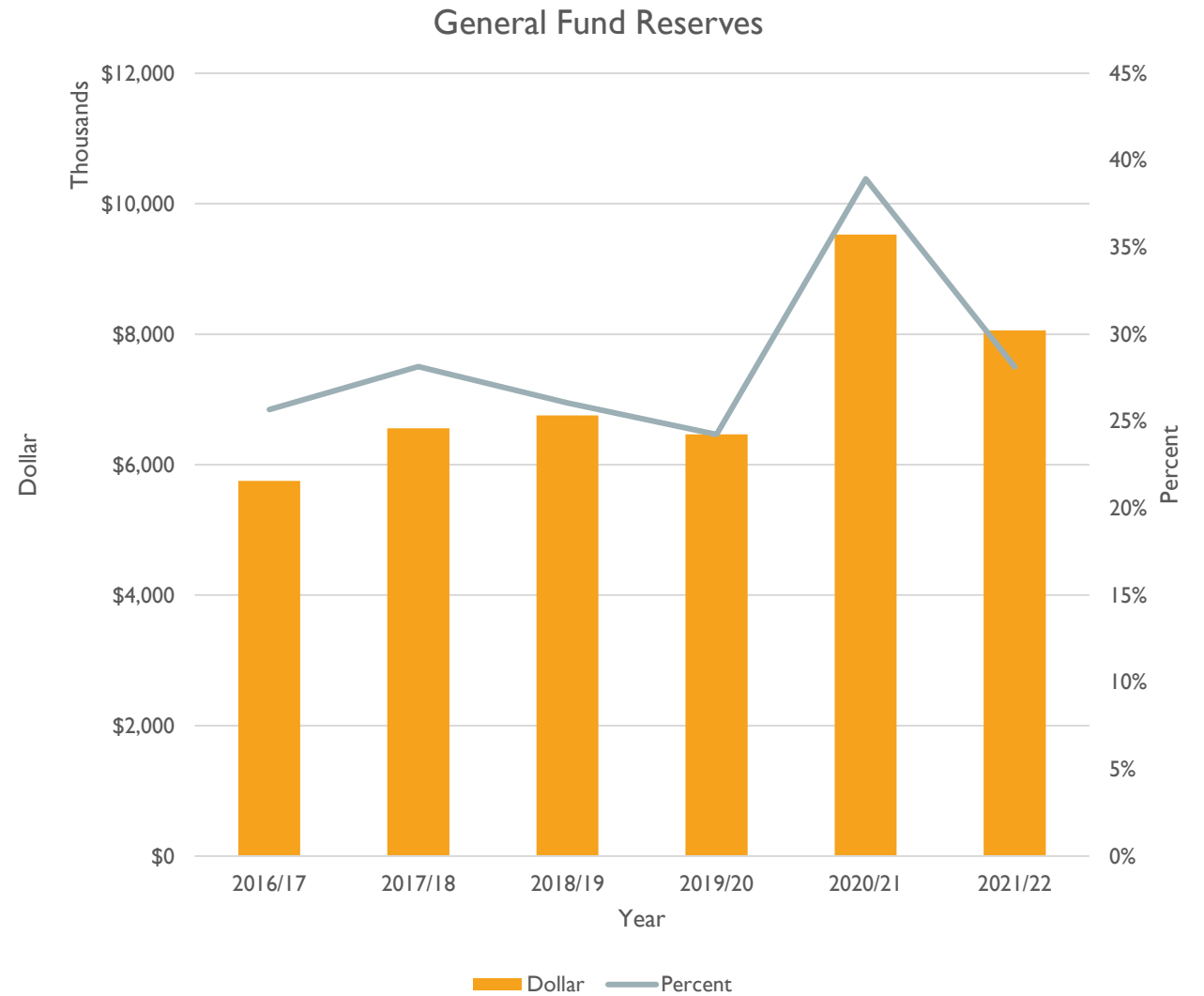
Reserves stay between 25-27% of expenditures

2025/26 is a critical year in terms of revenue

- Without additional hold harmless, fiscal cliff, \$4.6 million loss of revenue, 11% reserve
- With new hold harmless, floor for apportionment is 2024/25 level, and a 27% reserve

HISTORY OF RESERVES

Year	Dollar	Percent
2016/17	\$5,749,761	26%
2017/18	\$6,559,593	28%
2018/19	\$6,755,399	26%
2019/20	\$6,465,652	24%
2020/21	\$9,526,540	39%
2021/22	\$8,057,242	28%



RESERVES
A KEY INDICATOR
OF FISCAL
HEALTH

Districts Keep Reserves For Five Main Reasons



Manage Cash Flow



Mitigate Volatility in Funding or Expenditures



Address Unexpected Costs



Save for Large Purchases



Reduce Costs of Borrowing Money

CURRENT
YEAR USE
OF
RESERVES

Emergency exit road: \$900,000

- Original estimate was \$2.4 million, with the plan to fund \$1.5 million with HEERF
- Current estimate is \$1.7 to \$2 million and found out we cannot use HEERF funds
- Leaving around \$800,000 to \$1.1 million in funding to be identified
- Will be constructed next fiscal year

Battery Energy Storage System: \$750,000

- \$1.7 million project
- \$1.5 million grant funded (\$750,000 first year, balance over 5 years)
- Guaranteed \$146,000 in electricity costs each year for the next 15 years

BOARD
APPROVED
OCTOBER 2021

Mendocino-Lake Community College District District Priorities 2021-2022

Support the Superintendent/President and College to retain focus on student success by:

- Supporting the remote delivery of services and instruction focused on the health, safety, and well-being of our students, faculty, staff, and community in response to the COVID-19 pandemic.
- Strengthening educational opportunities and sustaining enrollments for the Mendocino-Lake Community College District through collaborations with schools, business/industry, civic organizations, government, non-profits, Native American communities and other community groups while always considering the best use of our available resources.
- Supporting equity-minded professional development opportunities, instructional and student service strategies and practices that facilitate student success and addressing structural racism to ensure that college communities and students have access to an equal opportunity.
- Demonstrate purposeful allocation of resources, make strategic investments in technology, infrastructure, facilities, and strengthen sustainable and resilient practices to create a supportive and collaborative 21st Century learning environment.

2022/23 BUDGET PARAMETERS

General Fund Budget Parameters

1. Unrestricted Ending Balance – The targeted ending fund balance in the General Fund shall be 15% of total unrestricted expenditures. At no time shall the ending balance go below a minimum of 5%.
2. Balanced Budget
 - 2.1. The General Fund shall have a balanced budget with total ongoing expenditures and transfers not exceeding total ongoing revenues.
 - 2.2. One-time revenues and reserves shall not be used to fund ongoing expenditures but may be considered for current year expenditures that do not create obligations in future years.
3. Use of General Fund Reserves – When reserves are projected to exceed 15% and the budget is balanced, reserves in excess of 15% may be allocated for infrastructure projects that require a one-time expense which improve the safety, sustainability, resiliency, or technology of the District and the remodeling or construction of facilities to meet District needs. Preference should be given to projects that are a one-time investment which will result in lowering or avoiding future expenses.