

SUBJECT: 2016/17 TENTATIVE BUDGETS

SYNOPSIS:

Board of Trustees consideration of the adoption of the 2016/17 Tentative Budgets.

A public hearing on the proposed 2016/17 Adopted Budgets will be held at the regular Board of Trustees meeting in September.

RECOMMENDATION:

The Superintendent/President recommends the adoption of the 2016/17 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 2016/17 Unrestricted General Fund beginning balance is \$4,369,080 based on the 2015/16 budgeted ending balance. 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 2016/17 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 3,220 FTES for 2016/17 which is 175 FTES more than our enrollment base of 3,045 FTES. This FTES target has been discussed by the Enrollment Management Committee as well as the Planning and Budget Committee (PBC). This will be comprised of two summer sessions of 325 FTES and a fall and spring of 1,285 FTES each. Additional information is provided in the "Growth Revenue" portion of this report.

This budget includes a deficit factor of 0.5% on general apportionment, resulting in a revenue reduction of \$105,000. 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 Governor's Budget included an estimated COLA of 0.47%. The COLA is statutorily determined by the United States Department of Commerce based upon the Implicit Price Deflator for State and Local Governments. The year-over-year percentage change in the value of the Deflator is now known to be 0.0029%, which rounds to a COLA of zero. This budget assumes a COLA on apportionment of zero.

### Growth Revenue

The Governor's May Revise included 2.0% 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 the 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 2016/17 will be 0.53%. Our growth target of 3,220 FTES, which is 175 FTES over our base of 3,045 FTES. This calculates to a 5.75% growth, which under normal circumstances would result in unfunded growth. However, we have requested that the Chancellor's Office transfer base FTES from College of the Redwoods base to our base up to 250 FTES to assure we receive funding for the FTES we are serving at the Coast Center. The Chancellor's Office has expressed support of our request and the Petition for Transfer of Territory is contingent upon approval of the transfer of base FTES. The Petition is scheduled to be considered by the Board of Governors of the California Community Colleges on July 18, 2016.

### Revenue for Operating Costs

The 2015/16 enacted budget included \$266.7 million for support of district general operating expenses, of which we received an increase of \$1.7 million to ongoing revenue. The 2016/17 Governor's May Revise proposes an additional \$75 million. This budget includes no new increases to base funding, any increase to base funding included in the enacted budget will be reflected in the Adopted Budget presented to the Board for consideration in September.

### Career Development College Preparation (CDCP) Rate

The CDCP funding rate per FTES was increased in 2015/16 to the same level as Credit FTES. The increased CDCP rate is included in this budget.

### One Time Funds

The 2015/16 enacted budget included \$604 million in one-time funds to address a backlog in mandated cost reimbursements, of which we received \$1.6 million. The May Revise for 2016/17 included mandated cost funding of \$105 million. This budget includes \$275,000 in one-time 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 eight years. In 2015/16, a significant number of positions were approved through the planning process for hire in the 2016/17 year. Many were replacement positions and others were net new positions and resulted in a net cost increase of approximately \$800,000. This budget includes funding for positions currently filled and those currently being recruited.

Projected 2016/17 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 a 3% salary increase agreed upon with full-time Faculty (MCFT) and M/S/C effective 7/1/16. The District and SEIU do have a tentative agreement for a 3% salary increase effective 7/1/16, but those costs are not included in this budget pending ratification by the Board and SEIU unit members. 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 the same level as 2015/16. This rate may be adjusted during the year as actual health costs become known.

The proposed 2016/17 June Tentative Budget includes a PERS (Public Employee Retirement System) District contribution rate of 13.888%, an increase from the 2015/16 rate of 11.847% which will result in a cost increase of \$36,000.

The Tentative Budget includes a 2016/17 STRS (State Teachers Retirement System) District contribution rate of 12.28%, up from 10.73% in 2015/16. This results in a cost increase of \$138,000.

#### 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

The unrestricted funding for capital outlay within the General Fund is comprised of \$50,000 for computers scheduled for replacement on the refresh cycle and \$10,000 for computers for new hires.

### **CATEGORICAL PROGRAMS**

The proposed June Tentative Budget includes over 40 categorical programs, totaling approximately \$8.1 million. This is a significant increase in the number and dollar value of categorical 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.

Until a 2016/17 State budget is enacted, some degree of uncertainty will prevail as to categorical program budgets.

### **ENDING BALANCE**

The projected 2016/17 unrestricted ending fund balance is \$4,310,006 or 18.54% of expenditures and transfers. Typically, District expenditures are known with greater accuracy than revenues at this time. The 2016/17 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. 2015/16 was the best budget community colleges had seen in a very long time. While not as good, 2016/17 is shaping up to be very positive as well. 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 regarding the 2015/16 budget: *"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."* While a year has passed, this caution is still relevant.

**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 2015/16 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 \$112,075.

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 2016/17 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 2016/17.

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.

**MOTION/ACTION:**

RESOLVED, That the Board of Trustees of the Mendocino-Lake Community College District does hereby adopt the proposed 2016/17 Tentative Budgets as presented and shown on Attachments A through I:

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  
2016/17**

	2015/16 REVISED BUDGET FUND 11		2016/17 TENTATIVE BUDGET FUND 11	
	<u>                    </u>		<u>                    </u>	
BEGINNING FUND BALANCE	\$ 2,125,361		\$ 4,369,080	
<b>REVENUE:</b>				
A. Federal	42,000		42,000	
B. State	15,829,263		14,912,572	
C. Local	8,391,219		8,238,947	
TOTAL REVENUE	<u>\$ 24,262,482</u>		<u>\$ 23,193,519</u>	
<b>EXPENDITURES:</b>				
A. Certificated Salaries and Wages	\$ 9,345,305		\$ 9,842,046	
Classified Salaries and Wages	4,216,260		4,356,838	
Subtotal Salaries and Wages	<u>13,561,565</u>		<u>14,198,884</u>	
Fringe Benefits	4,817,528		5,433,747	
Total Personnel Costs	<u>18,379,093</u>		<u>19,632,631</u>	
B. Supplies	717,036		695,128	
C. Contractual Services	2,281,998		2,296,536	
D. Capital Outlay	90,196		60,000	
E. Transfers				
To Child Care Fund	102,457		112,075	
To Debt Service Fund	442,983		456,223	
Other Outgo	5,000		-	
	<u>550,440</u>		<u>568,298</u>	
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 22,018,763</u>		<u>\$ 23,252,593</u>	
ENDING FUND BALANCE	4,369,080	19.84%	4,310,006	18.54%
CHANGE IN RESERVES	<u>\$ 2,243,719</u>		<u>\$ (59,074)</u>	

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT  
RESTRICTED GENERAL FUND  
2016/17**

	2015/16 REVISED BUDGET FUND 12	2016/17 TENTATIVE BUDGET FUND 12
BEGINNING FUND BALANCE	\$ 230,903	\$ 183,981
<b>REVENUE:</b>		
A. Federal	1,268,992	1,180,050
B. State	5,585,726	6,585,690
C. Local	109,488	338,891
TOTAL REVENUE	<u>\$ 6,964,206</u>	<u>\$ 8,104,631</u>
<b>EXPENDITURES:</b>		
A. Certificated Salaries and Wages	\$ 1,134,578	\$ 1,250,557
Classified Salaries and Wages	1,595,544	1,885,932
Subtotal Salaries and Wages	<u>2,730,122</u>	<u>3,136,489</u>
Fringe Benefits	953,446	1,044,574
Total Personnel Costs	<u>3,683,568</u>	<u>4,181,063</u>
B. Supplies	593,919	694,479
C. Contractual Services	1,360,863	1,505,927
D. Capital Outlay	801,464	885,844
E. Transfers to Student Financial Aid Fund and Other Payments To/For Students	<u>571,314</u>	<u>878,085</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 7,011,128</u>	<u>\$ 8,145,398</u>
ENDING FUND BALANCE	\$ 183,981	\$ 143,214
CHANGE IN RESERVES	<u>\$ (46,922)</u>	<u>\$ (40,767)</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT  
DEBT SERVICE FUND  
2016/17**

	2015/16 REVISED BUDGET FUND 29	2016/17 TENTATIVE BUDGET FUND 29
BEGINNING FUND BALANCE	\$ -	\$ -
<u>REVENUE:</u>		
A. Interest	(1,000)	(500)
B. PG&E Incentive - Solar	-	-
C. Transfer from General Fund - Solar	346,209	359,449
D. Transfer from General Fund - Energy Projects	96,774	96,774
TOTAL FUNDS AVAILABLE	<u>\$ 441,983</u>	<u>\$ 455,723</u>
<u>EXPENDITURES:</u>		
A. Solar debt service payments	\$ 345,209	\$ 358,949
B. Energy projects debt service payments	96,774	96,774
RESERVES	-	-
TOTAL EXPENDITURES AND RESERVES	<u>\$ 441,983</u>	<u>\$ 455,723</u>



**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT  
CHILD CARE FUND  
2016/17**

	2015/16 REVISED BUDGET FUND 33	2016/17 TENTATIVE BUDGET FUND 33
	<u>                    </u>	<u>                    </u>
<b>REVENUE:</b>		
Federal		
A. Food Program	\$    35,000	\$    35,000
State		
B. CA State Preschool Program	192,348	192,348
C. Food Program	2,000	2,000
D. General Contract	141,473	139,564
E. Facilities Renovation Repair	18,012	-
Local		
F. Parent Fees - Non-Certified/Full Fee	40,000	49,333
G. Other Local Income	-	1,000
Transfers		
H. General Fund Subsidy	82,427	92,075
I. Employee Child Care Benefit	20,000	20,000
TOTAL REVENUE	<u><u>\$    531,260</u></u>	<u><u>\$    531,320</u></u>
<b>EXPENDITURES:</b>		
A. Personnel Costs		
1. Salary and Wages		
Classified Regular	\$    145,023	\$    183,856
Classified Hourly	196,200	147,189
	<u>341,223</u>	<u>331,045</u>
2. Benefits	121,665	130,915
Total Personnel Costs	<u>462,888</u>	<u>461,960</u>
B. Supplies	30,100	49,100
C. Contractual Services	20,260	20,260
D. Capital Outlay	<u>18,012</u>	<u>-</u>
TOTAL EXPENDITURES	<u><u>\$    531,260</u></u>	<u><u>\$    531,320</u></u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT  
CAPITAL PROJECTS FUND  
2016/17**

	2015/16 REVISED BUDGET FUND 41	2016/17 TENTATIVE BUDGET FUND 41
	<u>                    </u>	<u>                    </u>
BEGINNING FUND BALANCE		
Unrestricted	\$ 1,094,349	\$ 860,836
TOTAL BEGINNING FUND BALANCE	<u>1,094,349</u>	<u>860,836</u>
<u>REVENUE:</u>		
A. Interest	2,500	2,500
B. Proposition 39 Energy Projects	116,011	201,236
D. Physical Plant Block Grant	193,547	287,000
E. Redevelopment Agency On-going	100,000	100,000
F. NCCCSIA Return of Equity	38,000	38,000
G. Other PG&E Rebates	18,941	-
TOTAL REVENUES	<u>468,999</u>	<u>628,736</u>
TOTAL FUNDS AVAILABLE	<u>\$ 1,563,348</u>	<u>\$ 1,489,572</u>
<u>EXPENDITURES AND TRANSFERS:</u>		
A. Energy System Upgrades	\$ 116,011	\$ 201,236
B. Physical Plant Block Grant	193,547	237,000
C. Campus Signs	54,952	52,983
D. Disabled Access Improvements	50,000	50,000
E. Flooring Replacement	33,078	-
F. Telecommunications Technology	100,000	-
G. Other Capital Projects	154,924	100,000
TOTAL EXPENDITURES	<u>702,512</u>	<u>641,219</u>
RESERVES	860,836	848,353
TOTAL EXPENDITURES AND RESERVES	<u>\$ 1,563,348</u>	<u>\$ 1,489,572</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT  
SPECIAL RESERVE FUND  
2016/17**

	2015/16 REVISED BUDGET FUND 61	2016/17 TENTATIVE BUDGET FUND 61
	<u>                    </u>	<u>                    </u>
BEGINNING FUND BALANCE	\$ 1,280,852	\$ 1,284,852
<u>REVENUE:</u>		
A. Interest	4,000	4,000
TOTAL FUNDS AVAILABLE	<u>\$ 1,284,852</u>	<u>\$ 1,288,852</u>
<u>EXPENDITURES AND TRANSFERS:</u>		
A. Transfer to General Fund	<u>-</u>	<u>-</u>
<u>RESERVES:</u>		
A. Accrued Vacation Reserve	\$ 135,000	\$ 135,000
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	<u>13,862</u>	<u>17,862</u>
TOTAL RESERVES	<u>1,284,852</u>	<u>1,288,852</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 1,284,852</u>	<u>\$ 1,288,852</u>

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

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT  
HEALTH FUND  
2016/17**

	2015/16 REVISED BUDGET FUND 62	2016/17 TENTATIVE BUDGET FUND 62
	<u>                    </u>	<u>                    </u>
BEGINNING FUND BALANCE	\$ 1,307,710	\$ 1,307,710
 <u>REVENUE:</u>		
A. Contribution from Other Funds	3,401,331	3,401,331
B. Employee Contributions	21,000	21,000
C. Interest	4,000	4,000
TOTAL REVENUE	<u>3,426,331</u>	<u>3,426,331</u>
 TOTAL FUNDS AVAILABLE	 <u>\$ 4,734,041</u>	 <u>\$ 4,734,041</u>
 <u>EXPENDITURES:</u>		
A. Health Care Services	<u>\$ 3,426,331</u>	<u>\$ 3,426,331</u>
TOTAL EXPENDITURES	3,426,331	3,426,331
 RESERVE	 <u>1,307,710</u>	 <u>1,307,710</u>
 TOTAL EXPENDITURES AND RESERVES	 <u>\$ 4,734,041</u>	 <u>\$ 4,734,041</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT  
STUDENT REPRESENTATION FEE FUND  
2016/17**

	2015/16 REVISED BUDGET FUND 72	2016/17 TENTATIVE BUDGET FUND 72
BEGINNING FUND BALANCE	\$ 24,336	\$ 29,436
<u>REVENUE:</u>		
A. Student Representation Fees	11,000	10,000
B. Interest	100	100
TOTAL REVENUE	<u>11,100</u>	<u>10,100</u>
TOTAL FUNDS AVAILABLE	<u>\$ 35,436</u>	<u>\$ 39,536</u>
<u>EXPENDITURES:</u>		
A. Services (Travel)	\$ 6,000	\$ 10,100
TOTAL EXPENDITURES	<u>6,000</u>	<u>10,100</u>
RESERVES	<u>29,436</u>	<u>29,436</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 35,436</u>	<u>\$ 39,536</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT  
STUDENT CENTER FUND  
2016/17**

	2015/16 REVISED BUDGET FUND 73	2016/17 TENTATIVE BUDGET FUND 73
BEGINNING FUND BALANCE	\$ 297,136	\$ 319,636
<u>REVENUE:</u>		
A. Student Center Fees	34,000	30,000
B. Interest	1,000	500
TOTAL REVENUE	<u>35,000</u>	<u>30,500</u>
TOTAL FUNDS AVAILABLE	<u>\$ 332,136</u>	<u>\$ 350,136</u>
<u>EXPENDITURES:</u>		
A. Student Salary & Benefits	\$ -	\$ -
B. Supplies	7,000	3,000
C. Services	4,500	-
D. Equipment	1,000	-
TOTAL EXPENDITURES	<u>12,500</u>	<u>3,000</u>
RESERVES	<u>319,636</u>	<u>347,136</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 332,136</u>	<u>\$ 350,136</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT  
STUDENT FINANCIAL AID AWARD PROJECTIONS  
2016/17**

	<u>2015/16 ESTIMATED AWARDS</u>	<u>2016/17 ESTIMATED AWARDS</u>
<u>SOURCE OF FUNDS:</u>		
FEDERAL SOURCES		
A. PELL GRANT	\$ 5,500,000	\$ 5,500,000
B. FSEOG	69,000	69,000
C. BUREAU OF INDIAN AFFAIRS	6,000	6,000
D. DIRECT LOANS	1,250,000	1,300,000
E. AMERICORPS	30,000	45,000
F. FEDERAL WORK STUDY	62,000	62,000
TOTAL FEDERAL SOURCES	<u>6,917,000</u>	<u>6,982,000</u>
STATE SOURCES		
A. CAL GRANT	320,000	350,000
B. FULL-TIME STUDENT SUCCESS GRANT	-	100,000
C. EOPS GRANT	55,000	90,000
D. CHAFEE GRANT	35,000	40,000
TOTAL STATE SOURCES	<u>410,000</u>	<u>580,000</u>
LOCAL SOURCES		
A. SCHOLARSHIPS	200,000	250,000
TOTAL	<u>\$ 7,527,000</u>	<u>\$ 7,812,000</u>
<u>DISBURSEMENTS:</u>		
A. STUDENT FINANCIAL AID	<u>\$ 7,527,000</u>	<u>\$ 7,812,000</u>