

SUBJECT: 2021/22 APRIL REVISED BUDGET

SYNOPSIS:

The 2021/22 April Revised Budget is presented for Board of Trustees adoption.

RECOMMENDATION:

The Superintendent/President recommends Board of Trustees adoption of the 2021/22 April Revised Budget as presented.

ANALYSIS:

On September 8, 2021, the Board of Trustees approved the 2021/22 Adopted Budget. All budgets presented here reflect information received and decisions made since the approval of the Adopted Budget. Highlights are discussed below:

UNRESTRICTED GENERAL FUND:

Beginning Balance: The beginning balance for the 2021/22 proposed April Revised Budget is \$9,526,540 based on the June 30, 2021 audited financial statements.

Revenue highlights include:

General Apportionment Revenue: Based on the First Principal Apportionment (P-1) documents and related information provided by the California Community Colleges Chancellor's Office (CCCCO), the proposed April Revised Budget includes an assumption that our General Apportionment funding will increase by \$1,184,202 from the Adopted Budget. This increase is the result of the College receiving funding protection under the COVID-19 Emergency Conditions Allowance (ECA). The College experienced significant enrollment decline due to the pandemic, the ECA provides funding based on 2019/20 FTES levels. The ECA replaced the FTES reported for the current year (1,862.80) with the FTES reported for 2019/20 (3,119.82). Total Computational Revenue (TCR) for 2021/22 General Apportionment is \$26,699,421. This TCR is comprised of \$24,999,625 in funding based on the hold harmless provision of the Student Centered Funding Formula (SCFF) plus \$1,699,796 based on the ECA. It is important to note that the ECA ends this fiscal year and must be considered as one-time revenue.

There is currently a shortage of funding at the State level which is resulting in a 3.3548% deficit factor on apportionment which would reduce apportionment by \$895,725. However, this deficit generally becomes less as property tax and enrollment fee revenues are better known.

Therefore, this April Revise Budget is based on a 1% deficit factor which computes to a \$266,944 reduction to TCR. When this deficit factor is considered, General Apportionment is reduced to an estimated \$26,432,427 for 2021/22. The final deficit factor and total funding will not be known until February 2023.

Prior Year Recalculation/One-time Revenue: The District received the final calculation for 2020/21 apportionment from the CCCCO via the Recalculation Apportionment in February 2022. The Recalculation for 2020/21 was \$1,024,368 more than the amount calculated when the books were closed in October 2021. Final TCR for 2020/21 was \$25,411,079. The reason for this increase is the same as indicated above for 2021/22 General Apportionment; funding received under the ECA protection. The ECA replaced the FTES reported for 2020/21 (1,991.70) with the FTES reported for 2019/20 (3,119.82). The recalculated revenue for 2021 had no deficit factor.

This \$1,024,368 increase between estimated and actual is a one-time increase to revenue and to be consistent with the Board Budget Parameters should only be used for one-time expenditures. When added to the ECA received for the current year, the total one-time revenues included in this budget total \$2,724,164. This is a significant amount that makes this budget favorable yet will not be received in future years.

Expenditure highlights include:

Salaries, Wages and Benefits:

Costs for all currently authorized positions are included in this budget based on projected actual costs for 2021/22. Collective bargaining agreements with all employee groups have been settled for 2021/22 and all associated costs are included in this budget.

It is important to note that there are many vacant positions, currently being recruited, that are not included in this budget because they are not anticipated to begin before June 30, 2022. Those positions will be budgeted in 2022/23.

Uncollected Student Receivables:

This budget includes writing off \$195,400 of the student accounts receivable balance that has been determined uncollectible. This is debt incurred by students from 1/1/2020 to 6/30/2020 which remains unpaid to date and is largely due to financial aid due back from students who dropped classes after receiving financial aid. The debt will remain on the student's account even after being written off and the District intends to remain active in pursuing the uncollected student accounts receivable.

COVID-19 Pandemic Related Budget Concerns:

The pandemic caused the College to miss a deadline to submit annual 2019 1098-T forms to the IRS in March 2020. The 1098-T forms were due to the IRS on March 31, 2020. At that same time, mid-March 2020, the stay-at-home order and State of Emergency caused by the COVID-19 pandemic began. The IT Department was supporting all students and employees in the pivot to remote learning and working, while at the same time working from home themselves. This resulted in an oversight and the 1098-T submission was not made. The College identified the issue itself when preparing to submit the 2020 1098-T forms in January 2021 and immediately made the submission for 2019. The IRS has imposed a penalty of \$1.5 million in response. The College has filed an appeal and is expecting the penalty to be waived. In the meantime, to avoid

paying interest on the penalty, it is prudent to pay the penalty while the appeal is under consideration. This budget includes allocation of \$1.5 million from General Fund reserves to authorize the payment of the penalty. When the College prevails in its appeal, the IRS will refund the payment and the refund will be deposited back to the General Fund and thus restore the General Fund reserves.

While the budget presented here for 2021/22 is very positive, there are several expenditures that will return as the operations of the College continue to return to normal post-pandemic. The Planning and Budgeting Committee (PBC) has discussed the uncertainty caused by the pandemic and made certain recommendations to reduce expenditures, such as reducing supplies and services budgets. Recruiting for some positions was put on hold during the pandemic, but recruitment has largely resumed. Additionally, the pandemic resulted in a passive reduction in expenditures in some areas, such as a lower cost of instruction due to fewer class sections, lower utility costs, lower sign language interpreting costs, and less travel related costs. As operations return to normal, the budgets for these expenditures will need to be restored as the budget for 2022/23 is developed.

BOARD BUDGET PARAMETERS:

1. General Fund Budget Parameters:

- 1.1 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%. - **MET**
- 1.2 Balanced Budget
 - 1.2.1 The General Fund shall have a balanced budget with total ongoing expenditures and transfers not exceeding total ongoing revenues. - **MET**
 - 1.2.2 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. - **MET**

Unrestricted Ending Balance:

The April Revised Budget as presented adds \$548,348 to the unrestricted reserves of the General Fund.

The budgeted ending fund balance is \$10,074,888, which is 34.77% of expenditures. The Board has directed administration to set aside the amount estimated to cover future year increases to PERS/STRS rates through 2023/24. Therefore, \$468,000 has been set aside in the Unrestricted General Fund reserve, which results in a remaining fund balance of \$9,606,888 or 33.15%.

The projected reserves percentage of 34.77% is in excess of the 15% target set by the Board, however also per the Budget Parameters set by the Board, reserves shall not be used to fund ongoing expenditures, but may be used for one-time purposes that do not create obligations in future years.

These figures assume that all revenues and expenditures will materialize at 100% of budgeted amounts. Past experience suggests that some budgeted expenditures could be unspent at year end which would increase the ending balance.

Impact of one-time revenues and one-time expenditures 2021/22:

There is no question that this budget for 2021/22 is a very good one, it is balanced, adds a fair amount to reserves, and projects a strong ending fund balance of 34.77%. However, it is prudent to consider there are considerable one-time revenues and one-time expenditures in this budget that will not occur next year. The one-time revenues are a result of the ECA which will end this year. The one-time expenditures are the IRS Penalty described above and the Battery Energy Storage System (BESS) described in the Adopted Budget. The one-time expenditures that were included in the Adopted Budget for the Emergency Exit Road have been removed in this April Revise, as the project will occur next fiscal year.

The following table shows a summary of how the on-going operational surplus of the college would calculate if these one-time amounts were removed:

Current year revenue over expenditures (surplus)	\$548,348
Current year one-time revenue	(\$2,724,164)
Current year one-time expenditures	\$2,499,800
Surplus when one-time amounts removed	\$323,984

OTHER FUNDS:

Restricted General Fund (Attachment A-2), includes all funds that come from categorical and grant sources. Approximately 60 unique funding sources are accounted for in this fund and come from local, state, and federal sources.

The District has received substantial funding from Federal Stimulus programs to address the economic impacts of COVID-19. These Higher Education Economic Relief Funds (HEERF) are to be used in direct financial aid to students and by the institution to fund expenses that address the impacts COVID-19 has had on the operations of the College. A summary of HEERF allocations is below:

Phase	Approved	Student Aid	Institutional	HSI	Total
HEERF I	March 2020	\$655,000	\$655,000	\$86,000	\$1,396,000
HEERF II	December 2020	\$655,000	\$2,788,000	\$192,000	\$3,635,000
HEERF III	March 2021	\$3,036,500	\$3,036,500	\$200,000	\$6,273,000
		\$4,346,500	\$6,479,500	\$478,000	\$11,304,000

It is expected that at the end of this fiscal year, there will be \$516,000 remaining in Student Aid funds and \$1,803,000 in Institutional funds, which will be carried over to next fiscal year.

The Child Care Fund Budget (Attachment B), was revised to reflect salary, benefit, supply, and service expenditure revisions made since the adoption of the budget in October. The proposed

April Revised Budget includes a General Fund subsidy of \$155,231, an increase of \$18,213 over the Adopted Budget.

The Capital Projects Fund Budget (Attachment C), reflects budgets similar to those presented in the Adopted Budget, with the exception of the budget for the Emergency Exit Road. This budget includes \$200,000 in planning expenditures for the road, but the project construction costs will be budgeted in next fiscal year.

The Special Reserve Fund Budget (Attachment D), includes the reserves for accrued vacations, load banking and self-insurance needs (property and liability insurance, workers' compensation). Accrued vacation and load banking are both reserved at 25% of the total value projected as of June 30, 2021. The GASB 75 Reserve begins to address the need to fund the future liability of retiree health benefits: reflecting approximately 28% of the \$5.6 million GASB 75 OPEB liability. The OPEB liability is calculated in the actuarial study dated August 2021. The Self Insurance Reserve is set aside to address other unforeseen costs associated with the District being self-insured for property, liability, and workers' compensation.

The Student Representation Fee Fund Budget (Attachment E), was included to reflect the \$2 per semester that each student pays to support student government here at the College and state-wide.

The Student Center Fee Fund Budget (Attachment F), was included to reflect the \$1 per unit per semester to a maximum of \$5 that each student pays for equipment and improvements in the Student Centers.

The Student Financial Aid Award Projections (Attachment G), includes projected revenues and expenditures in direct financial aid to students.

MOTION/ACTION:

RESOLVED, That the Board of Trustees of the Mendocino-Lake Community College District does hereby adopt the proposed 2021/22 April Revised Budget as presented and shown on Attachments A-1 through G:

Attachment A-1	April Revised Unrestricted General Fund Budget, 2021/22
Attachment A-2	April Revised Restricted General Fund Budget, 2021/22
Attachment B	April Revised Child Care Fund Budget, 2021/22
Attachment C	April Revised Capital Projects Fund Budget, 2021/22
Attachment D	April Revised Special Reserve Fund Budget, 2021/22
Attachment E	April Revised Student Representation Fee Fund Budget, 2021/22
Attachment F	April Revised Student Center Fee Fund Budget, 2021/22
Attachment G	April Revised Student Financial Aid Award Projections, 2021/22

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

	2021/22 ADOPTED BUDGET FUND 11		2021/22 REVISED BUDGET FUND 11	
BEGINNING FUND BALANCE	\$ 9,526,540		\$ 9,526,540	
REVENUE:				
A. Federal	42,500		40,000	
B. State	14,667,711		17,484,383	
C. Local	12,463,154		11,986,152	
D. Transfer in (COVID-19)	10,000		15,000	
TOTAL REVENUE	<u>\$ 27,183,365</u>		<u>\$ 29,525,535</u>	
EXPENDITURES:				
A. Certificated Salaries and Wages	\$ 10,732,644		\$ 10,678,358	
Classified Salaries and Wages	5,157,537		5,088,270	
Subtotal Salaries and Wages	<u>15,890,181</u>		<u>15,766,628</u>	
Fringe Benefits	7,060,137		6,743,041	
Total Personnel Costs	<u>22,950,318</u>		<u>22,509,669</u>	
B. Supplies	689,913		774,070	
C. Contractual Services	2,732,584		4,024,122	
D. Capital Outlay	72,830		144,095	
E. Transfers				
To Child Care Fund	157,018		175,231	
To Capital Project Fund	2,050,000		1,350,000	
	<u>2,207,018</u>		<u>1,525,231</u>	
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 28,652,663</u>		<u>\$ 28,977,187</u>	
FUND BALANCE:				
A. Designated (PERS/STRS)	468,000		468,000	
B. Undesignated	<u>7,589,242</u>	26.49%	<u>9,606,888</u>	33.15%
TOTAL ENDING FUND BALANCE	8,057,242	28.12%	10,074,888	34.77%
CHANGE IN RESERVES	<u>\$ (1,469,298)</u>		<u>\$ 548,348</u>	

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
RESTRICTED GENERAL FUND
2021/22**

	2021/22 ADOPTED BUDGET FUND 12	2021/22 REVISED BUDGET FUND 12
	<u> </u>	<u> </u>
BEGINNING FUND BALANCE	\$ 279,200	\$ 279,200
<u>REVENUE:</u>		
A. Federal	6,772,805	7,101,177
B. State	12,219,954	13,851,237
C. Local	220,000	232,000
TOTAL REVENUE	<u>\$ 19,212,759</u>	<u>\$ 21,184,414</u>
<u>EXPENDITURES:</u>		
A. Certificated Salaries and Wages	\$ 2,584,210	\$ 2,554,230
Classified Salaries and Wages	2,128,247	2,851,534
Subtotal Salaries and Wages	<u>4,712,457</u>	<u>5,405,764</u>
Fringe Benefits	1,925,250	2,180,987
Total Personnel Costs	<u>6,637,707</u>	<u>7,586,751</u>
B. Supplies	1,245,060	1,357,396
C. Contractual Services	3,785,427	4,948,337
D. Capital Outlay	4,089,624	5,250,093
E. Transfers to Student Financial Aid Fund and to Capital Funds and Other Payments To/For Students and Payments Directly to ML ACE Consortium Members	<u>3,479,401</u>	<u>2,032,759</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 19,237,219</u>	<u>\$ 21,175,336</u>
ENDING FUND BALANCE	254,740	288,278
CHANGE IN RESERVES	<u>\$ (24,460)</u>	<u>\$ 9,078</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
CHILD CARE FUND
2021/22**

	2021/22 ADOPTED BUDGET FUND 33	2021/22 REVISED BUDGET FUND 33
	<u> </u>	<u> </u>
<u>REVENUE:</u>		
Federal		
A. Food Program	\$ 22,000	\$ 22,000
B. CDV COVID Relief Funds		6,093
State		
C. CA State Preschool Program	249,209	258,209
D. Food Program	1,000	1,000
E. General Contract	223,908	241,474
F. CDV COVID Relief Funds	-	16,358
Local		
G. Parent Fees - Certified/Subsidized	-	-
H. Parent Fees - Non-Certified/Full Fee	48,000	65,000
Transfers		
I. General Fund Subsidy	137,018	155,231
J. Employee Child Care Benefit	20,000	20,000
K. Other Transfers in (COVID-19)	43,000	33,000
 TOTAL REVENUE	 <u><u>\$ 744,135</u></u>	 <u><u>\$ 818,365</u></u>
<u>EXPENDITURES:</u>		
A. Personnel Costs		
1. Salary and Wages		
Classified Regular	\$ 264,731	\$ 271,542
Classified Hourly	183,238	203,238
	<u>447,969</u>	<u>474,780</u>
2. Benefits	227,352	234,883
Total Personnel Costs	<u>675,321</u>	<u>709,663</u>
B. Supplies	49,100	79,988
C. Contractual Services	19,714	21,714
D. Capital Outlay	-	7,000
 TOTAL EXPENDITURES	 <u><u>\$ 744,135</u></u>	 <u><u>\$ 818,365</u></u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
CAPITAL PROJECTS FUND
2021/22**

	2021/22 ADOPTED BUDGET FUND 41	2021/22 REVISED BUDGET FUND 41
	<u> </u>	<u> </u>
BEGINNING FUND BALANCE		
Unrestricted	\$ 582,481	\$ 582,481
TOTAL BEGINNING FUND BALANCE	<u>582,481</u>	<u>582,481</u>
<u>REVENUE:</u>		
A. Interest	4,000	4,000
B. Physical Plant Block Grant	600,000	600,000
C. Redevelopment Agency On-Going	150,000	150,000
D. NCCCSIA Safety Credit	20,000	20,000
E. Self-Generation Incentive Program	750,000	-
F. Transfer From COVID-19 Funds	1,500,000	-
G. Transfer From General Fund	2,050,000	1,350,000
TOTAL REVENUES	<u>5,074,000</u>	<u>2,124,000</u>
TOTAL FUNDS AVAILABLE	<u>\$ 5,656,481</u>	<u>\$ 2,706,481</u>
<u>EXPENDITURES AND TRANSFERS:</u>		
A. Physical Plant Block Grant	\$ 600,000	\$ 500,000
B. HVAC Upgrades	20,000	30,000
C. Emergency Exit Road	2,400,000	200,000
D. Battery Energy Storage System	1,500,000	750,000
E. Campus Signs	7,500	7,500
F. Disabled Access Improvements	50,000	50,000
G. Road Repairs and Resurfacing	-	200,000
H. Network Upgrades	200,000	201,962
I. Safety Improvements	40,000	100,000
J. Other Capital Projects	80,000	80,000
TOTAL EXPENDITURES	<u>4,897,500</u>	<u>2,119,462</u>
RESERVES	758,981	587,019
TOTAL EXPENDITURES AND RESERVES	<u>\$ 5,656,481</u>	<u>\$ 2,706,481</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SPECIAL RESERVE FUND
2021/22**

	<u>2021/22 ADOPTED BUDGET FUND 61</u>	<u>2021/22 REVISED BUDGET FUND 61</u>
BEGINNING FUND BALANCE	\$ 2,538,243	\$ 2,538,243
<u>REVENUE:</u>		
A. Interest	15,000	8,000
TOTAL FUNDS AVAILABLE	<u>\$ 2,553,243</u>	<u>\$ 2,546,243</u>
<u>RESERVES:</u>		
A. Accrued Vacation Reserve	227,652	227,652
B. Load Banking Reserve	104,641	104,641
C. Health Fund Reserve	525,000	525,000
D. GASB 75 Reserve	1,595,950 *	1,588,950 *
E. Self Insurance Reserve	100,000	100,000
TOTAL RESERVES	<u>2,553,243</u>	<u>2,546,243</u>
TOTAL RESERVES	<u>\$ 2,553,243</u>	<u>\$ 2,546,243</u>

*Total GASB 75 liability per actuarial study dated August 18, 2021 is \$5,614,919.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STUDENT REPRESENTATION FEE FUND
2021/22**

	2021/22 ADOPTED BUDGET FUND 72	2021/22 REVISED BUDGET FUND 72
BEGINNING FUND BALANCE	\$ 60,522	\$ 60,522
<u>REVENUE:</u>		
A. Student Representation Fees	8,500	9,000
B. State Portion of Representation Fees	8,500	9,000
C. Interest	500	400
TOTAL REVENUE	<u>17,500</u>	<u>18,400</u>
TOTAL FUNDS AVAILABLE	<u>\$ 78,022</u>	<u>\$ 78,922</u>
<u>EXPENDITURES:</u>		
A. Services (Travel)	\$ 9,000	\$ 3,000
B. Other Outgo (State Portion of Rep Fee)	8,500	9,000
TOTAL EXPENDITURES	<u>17,500</u>	<u>12,000</u>
RESERVES	<u>60,522</u>	<u>66,922</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 78,022</u>	<u>\$ 78,922</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STUDENT CENTER FEE FUND
2021/22**

	2021/22 ADOPTED BUDGET FUND 73	2021/22 REVISED BUDGET FUND 73
	<u> </u>	<u> </u>
BEGINNING FUND BALANCE	\$ 360,782	\$ 360,782
<u>REVENUE:</u>		
A. Student Center Fees	28,000	29,000
B. Charging Station Revenue	25,000	3,300
C. Interest	2,500	2,000
D. Other Transfers In (COVID-19)	-	21,700
TOTAL REVENUE	<u>55,500</u>	<u>56,000</u>
 TOTAL FUNDS AVAILABLE	 <u>\$ 416,282</u>	 <u>\$ 416,782</u>
<u>EXPENDITURES:</u>		
A. Salary & Benefits	\$ 28,631	\$ 9,944
B. Supplies	4,000	4,000
C. Services	4,500	1,000
D. Equipment	25,000	29,595
TOTAL EXPENDITURES	<u>62,131</u>	<u>44,539</u>
 RESERVES	 <u>354,151</u>	 <u>372,243</u>
 TOTAL EXPENDITURES AND RESERVES	 <u>\$ 416,282</u>	 <u>\$ 416,782</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STUDENT FINANCIAL AID AWARD PROJECTIONS
2021/22**

	2021/22 ESTIMATED AWARDS	2021/22 ESTIMATED AWARDS
<u>SOURCE OF FUNDS:</u>		
FEDERAL SOURCES		
A. PELL GRANT	\$ 4,900,000	\$ 5,000,000
B. FSEOG	120,000	200,400
C. BUREAU OF INDIAN AFFAIRS	4,500	4,500
D. DIRECT LOANS	790,000	600,000
E. AMERICORPS	30,000	30,000
F. FEDERAL WORK STUDY	120,000	50,000
G. HEERF	2,739,744	2,223,500
TOTAL FEDERAL SOURCES	8,704,244	8,108,400
STATE SOURCES		
A. CAL GRANT	730,000	780,000
B. EOPS GRANT	148,000	180,000
C. CHAFEE GRANT	40,000	50,000
D. DISASTER RELIEF FUND	15,410	30,210
E. MENDOCINO COLLEGE PROMISE PROGRAM	85,000	70,000
F. STUDENT SUCCESS COMPLETION	665,584	537,515
TOTAL STATE SOURCES	1,683,994	1,647,725
LOCAL SOURCES		
A. SCHOLARSHIPS	460,000	461,778
TOTAL	\$ 10,848,238	\$ 10,217,903
<u>DISBURSEMENTS:</u>		
A. STUDENT FINANCIAL AID	\$ 10,848,238	\$ 10,217,903