

ITEM NO:
DATE: June 14, 2017

SUBJECT: 2017/18 TENTATIVE BUDGET

SYNOPSIS:

Board of Trustees consideration of the adoption of the 2017/18 Tentative Budget.

A public hearing on the proposed 2017/18 Adopted Budget will be held at the regular Board of Trustees meeting in September.

RECOMMENDATION:

The Superintendent/President recommends the adoption of the 2017/18 Tentative Budget 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 Adopted Budget in September.

BEGINNING BALANCE

The projected 2017/18 Unrestricted General Fund beginning balance is \$5,289,929 based on the 2016/17 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 2017/18 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 3,117 FTES for 2016/17 which is 71 FTES more than our enrollment base of 3,045.88 FTES. This FTES target has been discussed by the Enrollment Management Committee as well as the Planning and Budget Committee (PBC). 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 \$109,000. 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 May Revise included a COLA of 1.56%. The COLA is statutorily determined by the United States Department of Commerce based upon the Implicit Price Deflator for State and Local Governments. This 1.56% equates to an increase to apportionment of \$335,090 to Mendocino College.

Growth Revenue

The Governor's May Revise included 1.0% funding for enrollment growth. The actual growth rate for Mendocino College is not yet known.

Revenue for Operating Costs

The 2016/17 enacted budget included \$75 million for support of district general operating expenses, of which we received an increase of \$259,000 to ongoing revenue. The 2017/18 Governor's May Revise proposes an additional \$183.6 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.

One Time Funds

The 2016/17 enacted budget included \$105 million in one-time funds to address a backlog in mandated cost reimbursements, of which we received \$234,000. The May Revise for 2017/18 included no one-time mandated cost funding.

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 and 2016/17, a significant number of positions were approved through the planning process for hire. Many were replacement positions and others were net new positions and resulted in a net cost increase of approximately \$720,000. This budget includes funding for positions currently filled and those currently being recruited.

Projected 2017/18 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 \$250,000. Salaries and wages are budgeted according to the terms of the current collective bargaining agreements, including a 1.56% salary increase agreed upon with full-time Faculty (MCFT) and M/S/C effective 7/1/17. The District is currently negotiating with SEIU and MPFA for 2017/18. 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 2016/17. This rate may be adjusted during the year as actual health costs become known.

The proposed 2017/18 Tentative Budget includes a PERS (Public Employee Retirement System) District contribution rate of 15.531%, an increase from the 2016/17 rate of 13.888% which will result in a cost increase of \$72,000.

The Tentative Budget includes a 2017/18 STRS (State Teachers Retirement System) District contribution rate of 14.43%, up from 12.58% in 2016/17. This results in a cost increase of \$146,000.

Supplies and Services

Departmental supplies and services budgets reflect the same level as prior years.

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 Tentative Budget includes 48 categorical programs, totaling approximately \$9.7 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.

ACTUARIAL LIABILITIES FOR RETIREE HEALTH BENEFITS (OPEB)

The College provides post-employment health care coverage for eligible retired employees and their dependents in accordance with negotiated contracts with the various bargaining units. The College is required by GASB 45 to plan for Other Post Employment Benefit (OPEB) liabilities and disclose the unfunded actuarial accrued liability (UAAL) in its financial statements. The College contracts with an actuary to estimate the future liability of these benefits. The most recent study conducted December 2016 determined the UAAL to be \$4,419,247. In December 2013, PBC reviewed a plan to address the OPEB liability and set aside funds from the Health Benefits Fund in years when that fund ends with a surplus. The PBC reviewed the plan on June 6, 2017. This budget recommends a transfer of \$1,104,703 from the Health Benefits Fund to the Special Reserve Fund. This leaves a fund balance of \$750,000 in the Health Benefits Fund and results in a GASB 45 OPEB reserve of \$1,453,189, which is 33% of the total UAAL.

ENDING BALANCE

The projected 2017/18 General Fund ending fund balance is \$3.9 million or 15.86% of expenditures and transfers. The Board has directed administration to set aside the amount estimated to cover future STRS/PERS pension cost increases. This amount totals \$998,000. With this amount set aside in the General Fund, the unrestricted reserve is lowered to \$2.9 million or 11.83% of expenditures and transfers. Typically, District expenditures are known with greater accuracy than revenues at this time. The 2017/18 beginning balance will also be more precisely projected by the time the Adopted Budget is presented as most financial transactions for 2016/17 will have been reconciled by that time. In the likely event of timely passage of the State Budget, more accurate revenue information will be available in time for inclusion in the 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 and 2016/17 were very good budget years for community colleges. While not as good, 2017/18 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.

The Chancellor's Office, Department of Finance, Legislative Analyst's Office and the Governor continue to advise colleges to remain cautious in making on-going expenditure decisions. The current economic expansion has extended well beyond the average number of years of historical economic up turns. All agencies implore colleges to plan for the increases to pension costs and position themselves for the next downturn.

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 at the end of 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 2016/17 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 \$122,115.

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 2017/18 fiscal year. This fund was established when the District made a decision to self-insure these benefits. Revenue and expenditures are budgeted at \$1,600 per plan participant per month (\$19,200 annually) for 2017/18.

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, North County Center and Coast Center.

The Student Financial Aid Award Projections Budget (Attachment I), reflects a program similar to the 2016/17 program.

MOTION/ACTION:

RESOLVED, That the Board of Trustees of the Mendocino-Lake Community College District does hereby adopt the proposed 2017/18 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
2017/18**

	2016/17 REVISED BUDGET FUND 11		2017/18 TENTATIVE BUDGET FUND 11	
	<u> </u>		<u> </u>	
BEGINNING FUND BALANCE	\$ 4,971,004		\$ 5,289,929	
<u>REVENUE:</u>				
A. Federal	40,000		40,500	
B. State	14,397,652		14,527,423	
C. Local	9,240,782		8,861,348	
TOTAL REVENUE	<u>\$ 23,678,434</u>		<u>\$ 23,429,271</u>	
<u>EXPENDITURES:</u>				
A. Certificated Salaries and Wages	\$ 9,802,675		\$ 10,245,678	
Classified Salaries and Wages	4,546,540		4,938,346	
Subtotal Salaries and Wages	<u>14,349,215</u>		<u>15,184,024</u>	
Fringe Benefits	5,377,828		6,114,225	
Total Personnel Costs	<u>19,727,043</u>		<u>21,298,249</u>	
B. Supplies	776,430		745,604	
C. Contractual Services	2,187,258		1,985,723	
D. Capital Outlay	78,862		146,421	
E. Transfers				
To Child Care Fund	132,217		142,115	
To Debt Service Fund	457,699		470,514	
Other Outgo	-		-	
	<u>589,916</u>		<u>612,629</u>	
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 23,359,509</u>		<u>\$ 24,788,626</u>	
<u>FUND BALANCE</u>				
A. Designated (PERS/STRS)	693,000	2.97%	998,000	4.03%
B. Undesignated	<u>4,596,929</u>	19.68%	<u>2,932,574</u>	11.83%
TOTAL ENDING FUND BALANCE	5,289,929	22.65%	3,930,574	15.86%
CHANGE IN RESERVES	<u>\$ 318,925</u>		<u>\$ (1,359,355)</u>	

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
RESTRICTED GENERAL FUND
2017/18**

	2016/17 REVISED BUDGET FUND 12	2017/18 TENTATIVE BUDGET FUND 12
	<u> </u>	<u> </u>
BEGINNING FUND BALANCE	\$ 233,106	\$ 194,057
<u>REVENUE:</u>		
A. Federal	1,826,804	2,276,514
B. State	7,715,854	7,323,412
C. Local	133,643	117,143
TOTAL REVENUE	<u>\$ 9,676,301</u>	<u>\$ 9,717,069</u>
<u>EXPENDITURES:</u>		
A. Certificated Salaries and Wages	\$ 1,403,631	\$ 1,157,957
Classified Salaries and Wages	<u>1,799,093</u>	<u>1,871,767</u>
Subtotal Salaries and Wages	3,202,724	3,029,724
Fringe Benefits	<u>1,071,103</u>	<u>1,226,367</u>
Total Personnel Costs	4,273,827	4,256,091
B. Supplies	765,017	523,625
C. Contractual Services	3,328,962	3,321,589
D. Capital Outlay	792,384	802,538
E. Transfers to Student Financial Aid Fund and Other Payments To/For Students	<u>555,160</u>	<u>867,275</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 9,715,350</u>	<u>\$ 9,771,118</u>
ENDING FUND BALANCE	\$ 194,057	\$ 140,008
CHANGE IN RESERVES	<u>\$ (39,049)</u>	<u>\$ (54,049)</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
DEBT SERVICE FUND
2017/18**

	2016/17 REVISED BUDGET FUND 29	2017/18 TENTATIVE BUDGET FUND 29
BEGINNING FUND BALANCE	\$ -	\$ -
<u>REVENUE:</u>		
A. Interest	(500)	(500)
B. Transfer from General Fund - Solar	360,925	373,740
C. Transfer from General Fund - Energy Projects	96,774	96,774
TOTAL FUNDS AVAILABLE	<u>\$ 457,199</u>	<u>\$ 470,014</u>
<u>EXPENDITURES:</u>		
A. Solar debt service payments	\$ 358,949	\$ 373,240
B. Energy projects debt service payments	96,774	96,774
C. Solar debt payment fee	1,476	-
RESERVES	-	-
TOTAL EXPENDITURES AND RESERVES	<u>\$ 457,199</u>	<u>\$ 470,014</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
CHILD CARE FUND
2017/18**

	2016/17 REVISED BUDGET FUND 33	2017/18 TENTATIVE BUDGET FUND 33
REVENUE:		
Federal		
A. Food Program	\$ 35,000	\$ 35,000
State		
B. CA State Preschool Program	202,228	202,228
C. Food Program	2,000	2,000
D. General Contract	146,732	146,732
Local		
F. Parent Fees - Non-Certified/Full Fee	65,000	65,000
G. Other Local Income	2,244	5,000
Transfers		
H. General Fund Subsidy	112,217	122,115
I. Employee Child Care Benefit	20,000	20,000
TOTAL REVENUE	\$ 585,421	\$ 598,075
EXPENDITURES:		
A. Personnel Costs		
1. Salary and Wages		
Classified Regular	\$ 187,166	\$ 204,753
Classified Hourly	200,606	181,966
	<u>387,772</u>	<u>386,719</u>
2. Benefits	131,947	153,922
Total Personnel Costs	<u>519,719</u>	<u>540,641</u>
B. Supplies	44,380	39,090
C. Contractual Services	21,322	18,344
TOTAL EXPENDITURES	\$ 585,421	\$ 598,075

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
CAPITAL PROJECTS FUND
2017/18**

	2016/17 REVISED BUDGET FUND 41	2017/18 TENTATIVE BUDGET FUND 41
	<hr/>	<hr/>
BEGINNING FUND BALANCE		
Unrestricted	\$ 935,697	\$ 778,071
TOTAL BEGINNING FUND BALANCE	<hr/> 935,697	<hr/> 778,071
REVENUE:		
A. Interest	2,500	5,000
B. Proposition 39 Energy Projects	197,385	170,564
D. Physical Plant Block Grant	237,864	237,864
E. Redevelopment Agency On-going	100,000	100,000
F. NCCCSIA Return of Equity	38,000	38,000
TOTAL REVENUES	<hr/> 575,749	<hr/> 551,428
TOTAL FUNDS AVAILABLE	<hr/> <hr/> \$ 1,511,446	<hr/> <hr/> \$ 1,329,499
EXPENDITURES AND TRANSFERS:		
A. Energy System Upgrades	\$ 197,385	\$ 170,564
B. Physical Plant Block Grant	187,864	187,864
C. Campus Signs	52,983	52,983
D. Disabled Access Improvements	90,000	90,000
E. Coast Center Improvements	100,000	50,000
F. Other Capital Projects	105,143	100,000
TOTAL EXPENDITURES	<hr/> 733,375	<hr/> 651,411
RESERVES	778,071	678,088
TOTAL EXPENDITURES AND RESERVES	<hr/> <hr/> \$ 1,511,446	<hr/> <hr/> \$ 1,329,499

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SPECIAL RESERVE FUND
2017/18**

	2016/17 REVISED BUDGET FUND 61	2017/18 TENTATIVE BUDGET FUND 61
BEGINNING FUND BALANCE	\$ 1,286,197	\$ 1,293,197
<u>REVENUE:</u>		
A. Interest	7,000	7,000
B. Transfer from Health Fund	-	1,104,703
TOTAL FUNDS AVAILABLE	\$ 1,293,197	\$ 2,404,900
<u>EXPENDITURES AND TRANSFERS:</u>		
A. Transfer to General Fund	-	-
<u>RESERVES:</u>		
A. Accrued Vacation Reserve	\$ 141,622	\$ 141,622
B. Load Banking Reserve	87,000	87,000
C. Health Fund Reserve	275,000	275,000
D. Incurred But Not Recorded (IBNR) Health Benefits	180,000	180,000
E. GASB 45 Reserve	348,486 *	1,453,189
F. Self Insurance Reserve	261,089	268,089
TOTAL RESERVES	1,293,197	2,404,900
TOTAL EXPENDITURES AND RESERVES	\$ 1,293,197	\$ 2,404,900

*Total GASB 45 liability per actuarial study dated December 27, 2016 is \$4,419,247.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
HEALTH FUND
2017/18**

	2016/17 REVISED BUDGET FUND 62	2017/18 TENTATIVE BUDGET FUND 62
BEGINNING FUND BALANCE	\$ 1,854,703	\$ 1,854,703
<u>REVENUE:</u>		
A. Contribution from Other Funds	3,548,000	3,808,000
B. Employee Contributions	17,000	24,000
C. Interest	8,000	8,000
TOTAL REVENUE	<u>3,573,000</u>	<u>3,840,000</u>
TOTAL FUNDS AVAILABLE	<u>\$ 5,427,703</u>	<u>\$ 5,694,703</u>
<u>EXPENDITURES:</u>		
A. Health Care Services	\$ 3,573,000	\$ 3,840,000
B. Transfer to Special Reserve Fund	-	1,104,703
TOTAL EXPENDITURES	<u>3,573,000</u>	<u>4,944,703</u>
RESERVE	<u>1,854,703</u>	<u>750,000</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 5,427,703</u>	<u>\$ 5,694,703</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STUDENT REPRESENTATION FEE FUND
2017/18**

	2016/17 REVISED BUDGET FUND 72	2017/18 TENTATIVE BUDGET FUND 72
BEGINNING FUND BALANCE	\$ 24,480	\$ 24,580
<u>REVENUE:</u>		
A. Student Representation Fees	11,000	8,500
B. Interest	100	100
TOTAL REVENUE	<u>11,100</u>	<u>8,600</u>
TOTAL FUNDS AVAILABLE	<u>\$ 35,580</u>	<u>\$ 33,180</u>
<u>EXPENDITURES:</u>		
A. Services (Travel)	\$ 11,000	\$ 11,100
TOTAL EXPENDITURES	<u>11,000</u>	<u>11,100</u>
RESERVES	<u>24,580</u>	<u>22,080</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 35,580</u>	<u>\$ 33,180</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STUDENT CENTER FUND
2017/18**

	2016/17 REVISED BUDGET FUND 73	2017/18 TENTATIVE BUDGET FUND 73
BEGINNING FUND BALANCE	\$ 325,690	\$ 334,622
<u>REVENUE:</u>		
A. Student Center Fees	36,000	36,000
B. Interest	1,500	1,500
TOTAL REVENUE	<u>37,500</u>	<u>37,500</u>
TOTAL FUNDS AVAILABLE	<u>\$ 363,190</u>	<u>\$ 372,122</u>
<u>EXPENDITURES:</u>		
A. Student Salary & Benefits	\$ 16,268	\$ 30,502
B. Supplies	7,000	6,000
C. Services	5,300	5,300
D. Equipment	-	-
TOTAL EXPENDITURES	<u>28,568</u>	<u>41,802</u>
RESERVES	<u>334,622</u>	<u>330,320</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 363,190</u>	<u>\$ 372,122</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STUDENT FINANCIAL AID AWARD PROJECTIONS
2017/18**

	2016/17 ESTIMATED AWARDS	2017/18 ESTIMATED AWARDS
	<u> </u>	<u> </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	1,300,000	1,300,000
E. AMERICORPS	20,000	20,000
F. FEDERAL WORK STUDY	62,000	62,000
TOTAL FEDERAL SOURCES	<u>6,957,000</u>	<u>6,957,000</u>
STATE SOURCES		
A. CAL GRANT	395,000	395,000
B. FULL-TIME STUDENT SUCCESS GRANT	115,000	115,000
C. EOPS GRANT	127,000	127,000
D. CHAFEE GRANT	40,000	40,000
TOTAL STATE SOURCES	<u>677,000</u>	<u>677,000</u>
LOCAL SOURCES		
A. SCHOLARSHIPS	250,000	250,000
TOTAL	<u>\$ 7,884,000</u>	<u>\$ 7,884,000</u>
<u>DISBURSEMENTS:</u>		
A. STUDENT FINANCIAL AID	<u>\$ 7,884,000</u>	<u>\$ 7,884,000</u>