

ITEM NO: 7.2
DATE: June 13, 2018

SUBJECT: 2018-2019 TENTATIVE BUDGETS

SYNOPSIS:

Board of Trustees consideration of the adoption of the 2018/19 Tentative Budgets.

A public hearing on the proposed 2018/19 Adopted Budgets will be held at the regular Board of Trustees meeting in September.

RECOMMENDATION:

The Superintendent/President recommends the adoption of the 2018/19 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 2018/19 Unrestricted General Fund beginning balance is \$5,183,513 based on the 2017/18 budgeted ending balance. Currently over \$210,000 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 2018/19 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

The Tentative Budgets assume that the District will report an enrollment of 3,120 FTES for 2018/19 which is same funded FTES base as 2017/18. This FTES target has been discussed by the Enrollment Management Committee as well as the Planning and Budget Committee (PBC). The funding formula for California Community Colleges is under review and

discussion. It is unknown what the formula may be for 2018/19, but most iterations include a hold harmless for 2018/19. 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

COLA on general apportionment is statutorily determined by the United States Department of Commerce based upon the Implicit Price Deflator for State and Local Governments. It is likely the District will receive a 2.71% COLA for 2018/19 as it is included in budgets passed by both houses of the legislature. Should the District receive COLA of 2.71% for 2018/19, general apportionment would increase \$608,000 over this proposed budget. It is unknown at this time if the COLA will be funded on a one-time or on-going basis.

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.

EXPENDITURES:

Salaries, Wages, and Benefits

As a result of cuts in the State Budget which began in 2008, staff vacancies have been judiciously reviewed for the past ten years. Since 2015/16, as budgets began improving, a significant number of positions were approved through the planning process for hire. Many were replacement positions and others were net new positions. In 2016/17 and 2017/18, 54 positions were filled. These positions were comprised of 25 Classified, 17 Faculty, and 12 MSC. This budget includes funding for positions currently filled and 17 positions which are currently being recruited.

Projected 2018/19 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. 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 \$1,400 per plan participant per month or \$16,800 per year. This a reduction from the rate for 2017/18 which was \$1,600/\$19,200. The rate is being reduced based on actual claim costs coming in under budget in 2017/18. This rate reduction reduced the budgeted costs for health benefits by \$218,000 in the unrestricted general fund and a total of \$468,000 when all funds of the college are taken into consideration. This rate may be adjusted during the year as actual health costs become known.

The proposed 2018/19 June Tentative Budgets include a PERS (Public Employee Retirement System) District contribution rate of 18.062%, an increase from the 2017/18 rate of 15.531% which will result in a cost increase of \$108,000.

The Tentative Budgets include a 2018/19 STRS (State Teachers Retirement System) District contribution rate of 16.28%, up from 14.43% in 2017/18. This results in a cost increase of \$132,000.

Supplies and Services

Departmental supplies and services budgets reflect the same level as prior years, with the exception of an increase of \$40,000 to cover the cost of trustee elections being held in November 2018.

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 49 categorical programs, totaling approximately \$11.3 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 5, 2017. The budget for 2017/18 included a transfer of \$1,151,732 from the Health Benefits Fund to the Special Reserve Fund. This would leave a fund balance of \$750,000 in the Health Benefits Fund and results in a GASB 45 OPEB reserve of \$1,500,218, which is 34% of the total UAAL. A similar transfer will be considered in 2018/19 should actual health claims come in under the budgeted amount of \$1,400 per employee per month.

ENDING BALANCE

The projected 2018/19 General Fund ending fund balance is \$3,813,997 or 15.04% 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 \$699,000 for the time period from 2019/20 to 2023/24. With this amount set aside in the General

Fund, the unrestricted reserve is lowered to \$3,114,997 or 12.28% of expenditures and transfers. Typically, District expenditures are known with greater accuracy than revenues at this time. The 2018/19 beginning balance will also be more precisely projected by the time the Adopted Budget is presented as most financial transactions for 2017/18 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 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 through 2017/18 were very good budget years for community colleges. 2018/19 and beyond are very uncertain due to the proposed major changes to the formula by which colleges are funded.

Unknowns that may impact the budget which, when clarified, may be included in the Adopted Budget:

- Receiving COLA of 2.71% would increase revenue by \$608,000
- Eliminating the deficit factor on apportionment would increase revenue by \$109,000
- Funding Formula – unknown impact
- As a result of recent hiring of full time faculty, an analysis of the part-time hourly instructional budget may indicate those expenditures can be reduced.

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 2017/18 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 \$133,267.

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 2018/19 fiscal year. This fund was established when the District made a decision to self-insure these benefits. Revenue and expenditures are budgeted at \$1,400 per plan participant per month (\$16,800 annually) for 2018/19.

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 2017/18 program.

MOTION/ACTION:

RESOLVED, That the Board of Trustees of the Mendocino-Lake Community College District does hereby adopt the proposed 2018/19 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
2018/19**

	2017/18 REVISED BUDGET FUND 11		2018/19 TENTATIVE BUDGET FUND 11	
BEGINNING FUND BALANCE	\$ 5,749,761		\$ 5,183,513	
REVENUE:				
A. Federal	24,500		24,500	
B. State	14,880,956		14,694,661	
C. Local	9,311,967		9,268,372	
TOTAL REVENUE	\$ 24,217,423		\$ 23,987,533	
EXPENDITURES:				
A. Certificated Salaries and Wages	\$ 10,112,912		\$ 10,628,152	
Classified Salaries and Wages	4,746,347		4,936,426	
Subtotal Salaries and Wages	14,859,259		15,564,578	
Fringe Benefits	5,781,822		5,961,271	
Total Personnel Costs	20,641,081		21,525,849	
B. Supplies	816,510		795,795	
C. Contractual Services	2,493,441		2,427,601	
D. Capital Outlay	225,496		64,934	
E. Transfers				
To Child Care Fund	151,258		153,267	
To Debt Service Fund	455,385		389,603	
Other Outgo	500		-	
	607,143		542,870	
TOTAL EXPENDITURES AND TRANSFERS	\$ 24,783,671		\$ 25,357,049	
FUND BALANCE:				
A. Designated (PERS/STRS)	940,000	3.80%	699,000	2.76%
B. Undesignated	4,243,513	17.12%	3,114,997	12.28%
TOTAL ENDING FUND BALANCE	5,183,513	20.92%	3,813,997	15.04%
CHANGE IN RESERVES	\$ (566,248)		\$ (1,369,516)	

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
RESTRICTED GENERAL FUND
2018/19**

	2017/18 REVISED BUDGET FUND 12	2018/19 TENTATIVE BUDGET FUND 12
	<u> </u>	<u> </u>
BEGINNING FUND BALANCE	\$ 231,661	\$ 197,541
<u>REVENUE:</u>		
A. Federal	2,300,451	2,259,135
B. State	9,465,443	8,902,681
C. Local	157,643	102,000
TOTAL REVENUE	<u>\$ 11,923,537</u>	<u>\$ 11,263,816</u>
<u>EXPENDITURES:</u>		
A. Certificated Salaries and Wages	\$ 1,706,453	\$ 2,020,417
Classified Salaries and Wages	<u>2,093,147</u>	<u>2,394,507</u>
Subtotal Salaries and Wages	3,799,600	4,414,924
Fringe Benefits	<u>1,271,822</u>	<u>1,608,836</u>
Total Personnel Costs	5,071,422	6,023,760
B. Supplies	767,485	411,585
C. Contractual Services	2,937,271	1,110,460
D. Capital Outlay	1,133,280	604,313
E. Transfers to Student Financial Aid Fund and Other Payments To/For Students	<u>2,048,199</u>	<u>3,162,818</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 11,957,657</u>	<u>\$ 11,312,936</u>
ENDING FUND BALANCE	\$ 197,541	\$ 148,421
CHANGE IN RESERVES	<u>\$ (34,120)</u>	<u>\$ (49,120)</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
DEBT SERVICE FUND
2018/19**

	2017/18 REVISED BUDGET FUND 29	2018/19 TENTATIVE BUDGET FUND 29
BEGINNING FUND BALANCE	\$ -	\$ -
<u>REVENUE:</u>		
A. Interest	(1,500)	(1,500)
B. Transfer from General Fund - Solar	374,740	389,603
C. Transfer from General Fund - Energy Projects	80,645	-
TOTAL FUNDS AVAILABLE	<u>\$ 453,885</u>	<u>\$ 388,103</u>
<u>EXPENDITURES:</u>		
A. Solar debt service payments	\$ 373,240	\$ 388,103
B. Energy projects debt service payments	80,645	-
RESERVES	-	-
TOTAL EXPENDITURES AND RESERVES	<u>\$ 453,885</u>	<u>\$ 388,103</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
CHILD CARE FUND
2018/19**

	2017/18 REVISED BUDGET FUND 33	2018/19 TENTATIVE BUDGET FUND 33
REVENUE:		
Federal		
A. Food Program	\$ 30,000	\$ 35,000
State		
B. CA State Preschool Program	228,604	228,605
C. Food Program	2,000	2,000
D. General Contract	165,856	165,856
Local		
E. Parent Fees - Non-Certified/Full Fee	80,000	70,000
F. Other Local Income	-	-
Transfers		
G. General Fund Subsidy	131,258	133,267
H. Employee Child Care Benefit	20,000	20,000
TOTAL REVENUE	\$ 657,718	\$ 654,728
EXPENDITURES:		
A. Personnel Costs		
1. Salary and Wages		
Classified Regular	\$ 195,852	\$ 211,915
Classified Hourly	190,643	202,815
	<u>386,495</u>	<u>414,730</u>
2. Benefits	147,346	158,311
Total Personnel Costs	<u>533,841</u>	<u>573,041</u>
B. Supplies	88,672	63,343
C. Contractual Services	27,214	18,344
D. Capital Outlay	<u>7,991</u>	<u>-</u>
TOTAL EXPENDITURES	\$ 657,718	\$ 654,728

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
CAPITAL PROJECTS FUND
2018/19**

	2017/18 REVISED BUDGET FUND 41	18/19 TENTATIVE BUDGET FUND 41
	<u> </u>	<u> </u>
BEGINNING FUND BALANCE		
Unrestricted	\$ 1,019,216	\$ 790,206
TOTAL BEGINNING FUND BALANCE	<u>1,019,216</u>	<u>790,206</u>
<u>REVENUE:</u>		
A. Interest	10,000	15,000
B. Proposition 39 Energy Projects	199,945	34,000
C. Physical Plant Block Grant	159,378	200,000
D. Redevelopment Agency On-going	100,000	100,000
E. NCCCSIA Return of Equity	34,000	34,000
F. NCCCSIA Safety Credit	-	15,000
TOTAL REVENUES	<u>503,323</u>	<u>398,000</u>
TOTAL FUNDS AVAILABLE	<u>\$ 1,522,539</u>	<u>\$ 1,188,206</u>
<u>EXPENDITURES AND TRANSFERS:</u>		
A. Energy System Upgrades	\$ 199,945	\$ 34,000
B. Physical Plant Block Grant	159,378	115,000
C. Campus Signs	42,010	25,000
D. Disabled Access Improvements	50,000	100,000
E. Coast Center Improvements	115,000	-
F. Traffic Light	-	300,000
G. Safety Improvements	-	50,000
H. Housing Study	-	50,000
I. Facilities Master Planning	-	25,000
J. Other Capital Projects	166,000	100,000
TOTAL EXPENDITURES	<u>732,333</u>	<u>799,000</u>
RESERVES	790,206	389,206
TOTAL EXPENDITURES AND RESERVES	<u>\$ 1,522,539</u>	<u>\$ 1,188,206</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SPECIAL RESERVE FUND
2018/19**

	2017/18 REVISED BUDGET FUND 61	2018/19 TENTATIVE BUDGET FUND 61
BEGINNING FUND BALANCE	\$ 1,295,665	\$ 2,365,719
<u>REVENUE:</u>		
A. Interest	12,000	12,000
B. Transfer from Health Fund	1,151,732	-
TOTAL FUNDS AVAILABLE	<u>\$ 2,459,397</u>	<u>\$ 2,377,719</u>
<u>EXPENDITURES AND TRANSFERS:</u>		
A. Transfer to General Fund	<u>93,678</u>	<u>-</u>
<u>RESERVES:</u>		
A. Accrued Vacation Reserve	\$ 151,788	\$ 151,788
B. Load Banking Reserve	91,888	91,888
C. Health Fund Reserve	275,000	275,000
D. Incurred But Not Recorded (IBNR) Health Benefits	180,000	180,000
E. GASB 45 Reserve	1,500,218 *	1,500,218
F. Self Insurance Reserve	166,825	178,825
TOTAL RESERVES	<u>2,365,719</u>	<u>2,377,719</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 2,459,397</u>	<u>\$ 2,377,719</u>

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

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
HEALTH FUND
2018/19**

	2017/18 REVISED BUDGET FUND 62	2018/19 TENTATIVE BUDGET FUND 62
BEGINNING FUND BALANCE	\$ 1,900,732	\$ 750,000
<u>REVENUE:</u>		
A. Contribution from Other Funds	3,801,000	3,276,000
B. Employee Contributions	24,000	24,000
C. Interest	16,000	16,000
TOTAL REVENUE	<u>3,841,000</u>	<u>3,316,000</u>
TOTAL FUNDS AVAILABLE	<u>\$ 5,741,732</u>	<u>\$ 4,066,000</u>
<u>EXPENDITURES:</u>		
A. Health Care Services	\$ 3,840,000	\$ 3,316,000
B. Transfer to Special Reserve Fund	1,151,732	-
TOTAL EXPENDITURES	<u>4,991,732</u>	<u>3,316,000</u>
RESERVE	<u>750,000</u>	<u>750,000</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 5,741,732</u>	<u>\$ 4,066,000</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STUDENT REPRESENTATION FEE FUND
2018/19**

	2017/18 REVISED BUDGET FUND 72	2018/19 TENTATIVE BUDGET FUND 72
BEGINNING FUND BALANCE	\$ 26,888	\$ 26,038
<u>REVENUE:</u>		
A. Student Representation Fees	11,000	11,000
B. Interest	250	250
TOTAL REVENUE	<u>11,250</u>	<u>11,250</u>
TOTAL FUNDS AVAILABLE	<u>\$ 38,138</u>	<u>\$ 37,288</u>
<u>EXPENDITURES:</u>		
A. Services (Travel)	\$ 12,100	\$ 12,100
TOTAL EXPENDITURES	<u>12,100</u>	<u>12,100</u>
RESERVES	<u>26,038</u>	<u>25,188</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 38,138</u>	<u>\$ 37,288</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STUDENT CENTER FUND
2018/19**

	2017/18 REVISED BUDGET FUND 73	2018/19 TENTATIVE BUDGET FUND 73
BEGINNING FUND BALANCE	\$ 347,403	\$ 312,262
<u>REVENUE:</u>		
A. Student Center Fees	36,000	36,000
B. Interest	3,000	3,000
TOTAL REVENUE	<u>39,000</u>	<u>39,000</u>
TOTAL FUNDS AVAILABLE	<u>\$ 386,403</u>	<u>\$ 351,262</u>
<u>EXPENDITURES:</u>		
A. Student Salary & Benefits	\$ 25,405	\$ 30,502
B. Supplies	6,000	6,000
C. Services	7,300	5,300
D. Equipment	35,120	-
TOTAL EXPENDITURES	<u>73,825</u>	<u>41,802</u>
RESERVES	<u>312,578</u>	<u>309,460</u>
TOTAL EXPENDITURES AND RESERVES	<u>\$ 386,403</u>	<u>\$ 351,262</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STUDENT FINANCIAL AID AWARD PROJECTIONS
2018/19**

	<u>2017/18 ESTIMATED AWARDS</u>	<u>2018/19 ESTIMATED AWARDS</u>
<u>SOURCE OF FUNDS:</u>		
FEDERAL SOURCES		
A. PELL GRANT	\$ 5,500,000	\$ 5,500,000
B. FSEOG	69,000	88,000
C. BUREAU OF INDIAN AFFAIRS	6,000	6,000
D. DIRECT LOANS	1,300,000	1,300,000
E. AMERICORPS	20,000	25,000
F. FEDERAL WORK STUDY	62,000	85,000
TOTAL FEDERAL SOURCES	<u>6,957,000</u>	<u>7,004,000</u>
STATE SOURCES		
A. CAL GRANT	395,000	450,000
B. FULL-TIME STUDENT SUCCESS GRANT	198,000	198,000
C. EOPS GRANT	150,000	150,000
D. CHAFEE GRANT	40,000	55,000
E. COMMUNITY COLLEGE COMPLETION GRANT	115,500	115,500
F. NONRESIDENT DREAMER EMERGENCY AID	12,953	12,953
TOTAL STATE SOURCES	<u>911,453</u>	<u>981,453</u>
LOCAL SOURCES		
A. SCHOLARSHIPS	250,000	250,000
TOTAL FUNDS	<u>\$ 8,118,453</u>	<u>\$ 8,235,453</u>
<u>DISBURSEMENTS:</u>		
A. STUDENT FINANCIAL AID	<u>\$ 8,118,453</u>	<u>\$ 8,235,453</u>