

**MERCED COLLEGE  
Office of the President**

**BOARD AGENDA BACKUP**

**PRESENTED TO THE BOARD OF TRUSTEES OF THE  
MERCED COMMUNITY COLLEGE DISTRICT  
AT THE SEPTEMBER 2, 2014, MEETING OF THE BOARD**

**Item:** The Proposed 2014-15 Final Budget

**Presented By:** Joanne Schultz

**For:**                    **Information** \_\_\_\_\_                    **Action**                      **X**  

**Background Information**

As prescribed by California Code of Regulations Section 58305c, "On or before the fifteenth day of September, the governing board of each district shall adopt a final budget". The action the Board will be asked to take tonight will fulfill the District's requirement.

The 2014-15 budget bill, SB 852, was signed by Governor Jerry Brown on June 20, 2014. For the fourth consecutive year, the State budget was passed on time and with few Republican votes. The final budget assumes total General Fund expenditures of \$108 billion, \$12 billion more than in 2013-14. Despite higher than anticipated revenues in 2013-14, the adopted State budget is based on the Governor's more conservative forecast.

**2014-15 State Budget - Impact to Community Colleges**

The adopted state budget includes the following items:

- 0.85% COLA to the unrestricted general state apportionment
- 2.75% increase in funding for enrollment restoration/access
- Reduce system-wide apportionment payment deferrals to \$94 million
- \$100 million dollar increase to the Student Success and Support Program
- \$50 million dollar increase to Economic and Workforce Development Program, to improve student success in career technical education
- \$148 million for Scheduled Maintenance and Instructional Equipment, with the funding allocation decided by each District (one-time funds)
- \$32.7 million for Proposition 39 projects
- \$30 million for DSPS program

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### **State Budget – Impact on Merced College**

Highlights and assumptions used to develop the District's Final Budget are as follows:

#### **Revenue:**

- Education Protection Account (EPA) funding is projected at \$7.8 million
- Since 2012-13, the District has opted to receive State Mandated Cost reimbursements based on FTES. The District is choosing this option again for 2014-15 and is including \$275,000 in the Final Budget. In addition, based on a recent audit conducted by the State Controller's Office, the District is anticipating receiving approximately \$200,000 for prior year mandated cost reimbursement claims. This revenue will not be included in the budget until the state provides a definitive timeframe for payment.
- The Final Budget assesses a 1% deficit factor against state apportionment revenue, for a reduction of \$501,102
- A Cost of Living Adjustment (COLA) is budgeted at 0.85%, or \$409,924
- 2.75% increase in funding for enrollment restoration/access, \$1,326,223
- The Part-time Faculty Compensation is budgeted based on unspent dollars received in 2013-14, plus additional funds to be received in 2014-15.
- Nonresident tuition rates will remain level at \$208 per unit. It is anticipated that the number of out-of-state athletes will remain level as the athletic programs remain unchanged.

#### **Expenditures:**

- In an effort to generate savings in previous years, the District has removed or excluded certain items from the budget. Many of these items were intended to be temporary or one-time savings and need to be restored in the budget to some extent. The Final Budget does not include any amount of restoral, however, these items will continue to be reviewed for alternate funding or inclusion in future budgets.
- The full-time faculty obligation is projected to be 167.6 FTEF. For Fall 2014, the District is projected to have 180 FTEF.
- Five faculty positions are currently vacant and are not projected to be filled in 2014-15. As a result, these positions are not included in the Final Budget. These vacancies will generate a savings of approximately \$477,352.

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- Health benefits for SISC medical rates will change as follows:
  - 9.52% increase for Medical, an additional cost of \$444,059
  - Dental and Vision rates will remain the same as 2013-14.
- The PERS rate will increase from 11.442% to 11.771%, for an additional cost of \$27,647.
- The STRS rate will increase from 8.25% to 8.88%, for an additional cost of \$112,380.
- The District's contribution rate for State Unemployment Insurance will remain the same as 2013-14, 0.05%. As in 2013-14, the District will incur an additional Local Experience Charge (LEC) against benefits paid to former employees. The LEC is calculated annually and is determined based on the District's reserve ratio. The LEC rate is 10% and is estimated to result in an additional cost of \$20,000 for 2014-15.
- Workers Comp rates will decrease by 0.79%, from \$1.633 per \$100 of payroll to \$1.620, for a slight savings of \$3,609.
- Rates for liability and employment practices, property, and auto physical damage insurance have decreased by 4.2%, for a savings of \$15,075.
- Salaries have been adjusted for step and column increases including 2014-15 longevity bonuses.

Faculty	\$178,148
Adjunct Faculty	60,000
Classified	120,417
Management Team	<u>98,443</u>
Total	\$457,008

- All retirees, including employees that have filed intent to retire, have been budgeted in the Retiree Health Benefits.
- SISC medical benefit rates vary depending upon the age and number of dependents for each retired employee. On average, rate adjustments were relatively similar to those for active employees, resulting in an additional cost of \$183,724.
- Rates for student insurance will decrease by approximately 1%.

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- District will continue funding the EOPS program's match at the 2008-09 Required District Contribution calculation amount of \$231,166; although, the Required District Contribution calculation remains at \$165,194.
- In prior years, the District has provided unrestricted general fund support to the following categorical programs: Matriculation/Student Success and Support Program (SSSP), DSPS, EOPS and CalWorks. The 2013-14 state budget included additional funding for each of these programs, therefore, the amount of general fund support was reduced accordingly. The additional state funding in 2013-14 for SSSP, DSPS and CalWorks exceeded the prior general fund contribution. As a result, the general fund support for these programs was reduced to zero. EOPS received a reduced level of general fund support in the amount of \$197,430. The 2014-15 state budget did not include additional funding for EOPS, therefore, the level of support will remain at the 2013-14 level.
- Maintenance agreements are projected to increase by \$87,387.
- The approved Resource Allocation items for 2014-15 have been finalized. One-time apportionment funding for State Instructional Equipment/Library Materials will be used to fund applicable items from this list.
- District Planned Expenditures have been included at a cost of \$225,000
- Lifecycle funding of \$100,000 is provided, and is included as part of the District's ongoing base budget. The funding level is the same as 2013-14.
- Net savings related to the 2013-14 SERP program are projected to be \$402,869. Net savings related to the 2012-13 SERP program are projected to be \$422,852.
- District salary savings of \$900,000 and benefit savings of approximately \$1.1 million are included for 2014-15.
- Vacation payouts to management and classified employees are included in the budget at an estimated cost of \$95,000.
- Sets aside \$100,000 in contingency funds for unanticipated costs that arise during the fiscal year
- Projects energy savings of approximately \$34,000
- The state has allocated \$300 million for Adult Education, however, it is unknown at this time how much will be allocated to community colleges. Therefore, the Final Budget does not include any anticipated revenue for this item. Funding is not expected until 2015-16.

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- The state budget provided an additional \$100 million for SSSP. This is in addition to the funding received in 2013-14 and will result in approximately \$1.1 million in total program funding. The projected match requirement was reduced to 2 to 1 (District to State dollars) for 2014-15 funding. This will require approximately \$2.2 million of District resources.
- The state budget included \$148 million in funding for Scheduled Maintenance and Instructional Equipment. The District is projected to receive approximately \$1.3 million and has the flexibility to determine the funding split between the programs. In addition, a local match will not be required for 2014-15.

### **Reserves:**

- The ending balance for 2013-14 was \$4,725,146. District reserves of \$888,695 will be needed to balance the 2014-15 budget.
- The District is projecting a 2014-15 ending balance of \$3,836,451, or 7%.
- The Board Reserve will be budgeted at 6 percent of the anticipated expenditures.
- The remaining balance of \$560,894 will be set aside as a reserve for authorized carryover accounts, restoral of previous budget items, and for 2015-16 Resource Allocation items.

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## 2014-15 Final Budget

Based on the above information and assumptions, the proposed 2014-15 Final Budget for the unrestricted General Fund would be as follows:

	2012-13 <u>Actual</u>	2013-14 <u>Actual</u>	2014-15 Final <u>Budget</u>
Revenue:			
8100 Federal	\$ 37,855	\$ 36,011	\$ 40,000
8600 State	38,275,878	39,734,092	41,128,490
8800 Local	11,635,145	12,074,038	12,270,432
8900 Transfers-In	<u>166,570</u>	<u>140,855</u>	<u>265,000</u>
Total Revenue	\$ <u>50,115,448</u>	\$ <u>51,984,996</u>	\$ <u>53,703,922</u>
Expenditures:			
1000 Faculty Salaries	\$ 20,086,097	\$ 19,064,174	\$ 18,977,837
2000 Classified Salaries	9,449,979	8,993,880	8,816,592
3000 Benefits	14,425,350	14,696,214	15,488,055
4000 Supplies	530,413	564,525	517,964
5000 Services	4,634,473	4,972,195	5,731,524
6000 Capital Outlay	358,902	287,024	202,361
7000 Transfers-Out	<u>2,804,714</u>	<u>4,342,852</u>	<u>4,858,284</u>
Total Expenditures	\$ <u>52,289,928</u>	\$ <u>52,920,864</u>	\$ <u>54,592,617</u>
Net Income (Loss)	\$ (2,174,480)	\$ (935,868)	\$ (888,695)
Beginning Balance	\$ 7,835,494	\$ 5,661,014	\$ 4,725,146
Ending Balance	\$ <u>5,661,014</u> =====	\$ <u>4,725,146</u> =====	\$ <u>3,836,451</u> =====
Percentage	10.8%	8.9%	7.0%

## Major Components of the projected 2014-15 Ending Balance

Reserve for Contingency @ 6.0%	\$ 3,275,557
Set Aside for Encumbrances	45,157
Set Aside for Materials Carryover	64,910
Set Aside for One-time Expenditures/Carryover	<u>450,827</u>
Total	\$ 3,836,451