

**MERCED COLLEGE
Office of the President**

BOARD AGENDA BACKUP

**PRESENTED TO THE BOARD OF TRUSTEES OF THE
MERCED COMMUNITY COLLEGE DISTRICT
AT THE SEPTEMBER 3, 2013, MEETING OF THE BOARD**

Item: The Proposed 2013-14 Final Budget

Presented By: Joanne Schultz

For: **Information** _____ **Action** **X**

Background Information

As prescribed by California Code of Regulations Section 58305©, “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 2013-14 budget bill, AB 110, was signed by Governor Jerry Brown on June 27, 2013. For the third consecutive year, the State budget was passed on time and with no Republican votes. The final budget assumes total General Fund expenditures of \$96.3 billion, \$5 billion more than in 2012-13 but still \$6 billion below the 2007-08 fiscal year. Despite passage of Proposition 30 and higher than anticipated tax receipts, the adopted State budget is based on the Governor’s more conservative revenue projections.

2013-14 State Budget - Impact to Community Colleges

The adopted State budget includes the following items:

- 1.57% COLA to the unrestricted apportionment
- 1.63% increase in funding for enrollment restoration/access
- \$30 million to reduce outstanding deferrals to \$592 million in the budget year. This is in addition to the \$339 million reduction during the 2012-13 year.
- \$50 million to fund an augmentation of the Matriculation/Student Success and Support categorical program
- Reduces the \$300 million proposed augmentation to community colleges in favor of a revised proposal which provides additional transition time and promotes collaboration between K-12 and community college adult education providers.
- \$30 million for deferred maintenance and instructional equipment (one-time).

State Budget – Impact on Merced College

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

Revenue:

- As a result of the passage of Proposition 30 in November 2012, \$6.5 million in revenue is included from the newly created Education Protection Account (EPA).
- In 2012-13, the District opted to receive State Mandated Cost reimbursements based on FTES. The District is choosing this option again for 2013-14 and is including \$250,000 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.
- The Final budget assesses a 1% deficit factor against State apportionment revenue, for a reduction of \$478,188.
- Cost of Living Adjustment (COLA) has been budgeted in the amount of \$727,476
- The Part-time Faculty Compensation is budgeted based on unspent dollars received in 2012-13, plus additional funds to be received in 2013-14.
- 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:

- The District's full-time faculty obligation (FON) was 169.6 FTEF for Fall 2012. The FON has been reduced to 154.6 for Fall 2013. At this time, six vacant faculty positions have been filled in 2013-14 with one position still vacant. These positions were replacements for 2012-13 retirees and are projected to generate a net savings of \$184,549.
- Nine additional faculty positions are currently vacant and are not projected to be filled in 2013-14. As a result, they are not included in the Final Budget. These vacancies will generate a savings of approximately \$840,510.
- Due to a recent nursing accreditation report, the District has hired an additional nursing faculty at a cost of \$88,247.

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- Two management positions, the Vice President, Instruction and Vice President, Student Services, will be filled with interim replacements for 2013-14. This will generate savings of \$296,555. Also, backfill for the Dean, Student Services is not included in this amount.
- Health benefits for SISC medical rates will change as follows:
 - 9.71% increase for Medical, an additional cost of \$421,887
 - 4.14% decrease for Vision, generating savings of \$3,516
 - Dental rates will remain the same as 2012-13.
- The PERS rate will increase by 3.5%, from 11.054% to 11.442%, for an additional cost of \$36,054.
- The District's contribution rate for State Unemployment Insurance has decreased from 1.10% to 0.05%, a reduction in cost of \$305,501. As in 2012-13, 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 2013-14.
- Workers Comp rates will increase by 8.07%, from \$1.511 per \$100 of payroll to \$1.633, for an additional cost of \$34,876.
- Salaries have been adjusted for step and column increases including 2013-14 classified longevity bonuses.

Faculty	\$182,398
Adjunct Faculty	60,000
Classified	147,631
Management Team	<u>136,781</u>
Total	\$526,810

- 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 \$71,666.
- Rates for liability, property, employment practices and auto physical damage insurance have increased by 7.4%, for an additional cost of \$23,608.
- Rates for student insurance have increased by 4%, an additional cost of \$3,208.

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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 based on the Governor's 2013-14 Budget.
- In prior years, the District has provided unrestricted general fund support to the following categorical programs: Matriculation/Student Success and Support (SSSP), DSPS, EOPS and CalWorks. The 2013-14 State budget includes additional funding for each of these programs, therefore, the amount of general fund support will be reduced accordingly. The additional state funding for SSSP, DSPS and CalWorks will exceed the prior general fund contribution. As a result, the general fund support for these programs will be reduced to zero. EOPS will receive a reduced level of support in the amount of \$76,002.
- Maintenance agreements are projected to increase by \$74,066.
- The approved Resource Allocation items for 2013-14 have been finalized. One-time apportionment funding for State Instructional Equipment/Library Materials will be used to fund applicable items from this list.
- District salary savings of \$500,000 are included for 2013-14.
- District Planned Expenditures have been included at a cost of \$330,000.
- District benefit savings of \$400,000 are included for 2013-14.
- SERP annuity costs of \$295,394 have been added to the budget.
- Vacation payouts to management and classified employees are included in the budget at an estimated cost of \$200,000.

Reserves:

- The ending balance for 2012-13 was \$5,661,014. District reserves of \$1,459,251 will be needed to balance the 2013-14 budget.
- The District is projecting a 2013-14 ending balance of \$4,201,763.
- The Board Reserve will be budgeted at 6 percent of the anticipated expenditures.
- The remaining balance of \$1,014,820 will be set aside as a reserve for authorized carryover accounts, potential budget augmentations, restoral of previous budget items, and for 2014-15 Resource Allocation Process.

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2013-14 Final Budget

Based on the above information and assumptions, the proposed 2013-14 Final Budget for the Unrestricted General Fund would be as follows:

	2011-12 <u>Actual</u>	2012-13 <u>Actual</u>	2013-14 Final <u>Budget</u>
Income:			
8100 Federal	\$ 36,606	\$ 37,855	\$ 40,000
8600 State	37,125,988	38,275,878	38,851,672
8800 Local	10,960,609	11,635,145	12,524,799
8900 Transfers-In	<u>163,974</u>	<u>166,570</u>	<u>240,000</u>
Total	\$ <u>48,287,177</u>	\$ <u>50,115,448</u>	\$ <u>51,656,471</u>
Expenditures:			
1000 Faculty Salaries	\$ 19,726,520	\$ 20,086,097	\$ 19,451,858
2000 Classified Salaries	9,512,676	9,449,979	9,643,514
3000 Benefits	13,716,892	14,425,350	15,368,882
4000 Supplies	631,204	530,413	573,754
5000 Services	5,007,880	4,634,473	5,259,453
6000 Capital Outlay	659,311	358,902	285,518
7000 Transfers-Out	<u>2,157,179</u>	<u>2,712,214</u>	<u>2,532,743</u>
Total Expenditures	\$ <u>51,411,662</u>	\$ <u>52,289,928</u>	\$ <u>53,115,722</u>
Net Income (Loss)	\$ (3,124,485)	\$ (2,174,480)	\$ (1,459,251)
Beginning Balance	\$ 10,959,979	\$ 7,835,494	\$ 5,661,014
Ending Balance	\$ <u>7,835,494</u> =====	\$ <u>5,661,014</u> =====	\$ <u>4,201,763</u> =====
Percentage	15.2%	10.8%	7.9%

Major Components of the projected 2013-14 Ending Balance

Reserve for Contingency @ 6.0%	\$ 3,186,943
Reserve for Restoral Items	840,461
Set Aside for Encumbrances	59,994
Set Aside for Materials Carryover	66,133
Set Aside for Budget Augmentation Requests	48,232
Set Aside for One-time Expenditures	<u>0</u>
Total	\$ <u>4,201,763</u>