

**MERCED COLLEGE
Office of the President**

BOARD AGENDA BACKUP

**PRESENTED TO THE BOARD OF TRUSTEES OF THE
MERCED COMMUNITY COLLEGE DISTRICT
AT THE SEPTEMBER 15, 2015, MEETING OF THE BOARD**

Item: The Proposed 2015-16 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 2015-16 budget bill, AB 93/SB 97, was signed by Governor Jerry Brown on June 24, 2015. For the fifth consecutive year, the State budget was passed on time and with few Republican votes. The final budget assumes total General Fund expenditures of \$115 billion, \$7 billion more than in 2014-15. Despite higher than anticipated revenues in the past few years, the adopted State budget is based on the Governor's more conservative forecast.

2015-16 State Budget - Impact to Community Colleges

Based on the Governor's May Revision, the state budget will include the following items:

- 1.02% COLA to the unrestricted general state apportionment, \$61 million
- 3% increase in funding for enrollment restoration/access, \$156.5 million
- \$94.5 million to reduce system-wide apportionment payment deferrals to zero
- \$100 million dollar increase to the Student Success and Support Program
- \$148 million for Scheduled Maintenance and Instructional Equipment, with no funding for Instructional Equipment (one-time funds)
- \$266.7 million to increase base allocation funding
- \$62.3 million to increase the number of full-time faculty
- \$632 million to further reduce outstanding mandate claims reimbursements (one-time funds)

State Budget – Impact on Merced College

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

Revenue:

- Education Protection Account (EPA) funding is projected at \$8.5 million.
- Since 2012-13, the District has opted to receive annual State Mandate Cost reimbursements based on FTES. The District is choosing this option again for 2015-16 and is including \$300,000 in the Final Budget.
- The Final Budget assesses a 0.5% deficit factor against state apportionment revenue, for a reduction of \$269,789.
- The Cost of Living Adjustment (COLA) of 1.02% is budgeted at \$515,847.
- If the proposed statewide increase in enrollment restoration/access funding remains at 3%, the District's proportionate growth percentage would be 2.06%, or approximately \$901,062. The District is uncertain whether it can meet this level of growth, therefore, this potential revenue is not included in the Final Budget.
- Funding to increase the number of full-time faculty will be allocated based on FTES and will result in approximately \$517K.
- The Part-time Faculty Compensation is budgeted based on unspent dollars received in 2014-15, plus additional funds to be received in 2015-16.
- 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.
- Base allocation funding increase will result in additional revenue of \$2,351,656.
- The one-time payment for outstanding mandated cost claims will result in approximately \$5.3 million to the District. This funding is not included in the Final Budget and there is ongoing dialogue regarding its potential use.

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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.
- The District is expecting to exceed the Fall 2015 full-time faculty obligation number of 178.6 FTEF. The Final Budget includes 185 filled FT faculty positions plus five vacancies.
- Health benefits for SISC medical rates will change as follows:
 - 0.73% increase for Medical, an additional cost of \$39,669
 - Dental and Vision rates will remain the same as 2014-15.
- The PERS rate will increase from 11.771% to 11.847%, for an additional cost of \$6,821.
- The STRS rate will increase from 8.88% to 10.73%, for an additional cost of \$349,191.
- The District's contribution rate for State Unemployment Insurance will remain the same as 2014-15, 0.05%. The District will not 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.
- Workers Comp rates are projected to increase by 2%, from \$1.62 per \$100 of payroll to \$1.652, for an increase of \$9,414.
- SISC medical benefit rates vary depending upon the age and number of dependents for each retired employee. Rate adjustments for 2015-16 range between 0.56% and 1.8%, for an approximate cost of \$93,670.
- Rates for student insurance will decrease by approximately 0.6%.
- All retirees, including employees that have filed intent to retire, have been budgeted in the Retiree Health Benefits.
- Sets aside \$100,000 in contingency funds for unanticipated costs that arise during the fiscal year.

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- Salaries have been adjusted for step and column increases including 2015-16 longevity bonuses:

Faculty	\$189,276
Adjunct Faculty	60,000
Classified	135,504
Management Team	<u>116,676</u>
Total	\$501,456

- The Required District Contribution amount for the EOPS program is \$203,189. This amount is included in the Final Budget, and is slated to increase in 2016-17.
- 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. The adopted 2015-16 state budget included additional restoral funding for EOPS. Since the additional funding exceeds the prior general fund contribution, the general fund support for EOPS has been reduced to zero.
- Maintenance agreements are projected to increase by \$101,178.
- District Planned Expenditures have been included at a cost of \$137,000.
- Resource Allocation items for 2015-16 have not been finalized and no cost estimates are included.
- Projects District salary savings of \$800,000 and benefit savings of \$900,000.
- Vacation payouts to management and classified employees who separate from the District are included in the budget at an estimated cost of \$95,000.
- The state budget provided an additional \$100 million for SSSP. The projected match requirement was reduced to 1.3 to 1 (District to State dollars) for 2015-16 funding. At this time, the final program allocation has not been determined. However, the District is projecting that the match requirement amount will be approximately the same as 2014-15, or \$2.2 million.
- Includes lifecycle technology funding of \$100,000 as part of the District's ongoing base budget.

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- The state budget included \$148 million in funding for Scheduled Maintenance and Instructional Equipment. The District is projected to receive approximately \$1.2 million and has the flexibility to determine the funding split between the programs. In addition, as with 2014-15, a local match will not be required for 2015-16.
- Prior year Planned Expenditure amount of \$50,000 for Facilities equipment was approved as ongoing funding and is included in the District's base budget.
- Includes \$50,000 for various stipend payments (Cohort Assessments, Performances, Program Review, Staff Development, etc.)
- Projects approximately \$1 million for FT faculty reassigned time (\$800K for FT faculty and \$200K for adjunct backfill.)
- SERP payments of \$296,722 and \$257,397 are included.

Reserves:

- The ending balance for 2014-15 was \$4,371,424, or 8.05%.
- The District is projecting a 2015-16 ending balance of \$4,430,045, or 7.64%.
- The Board Reserve will be budgeted at 6 percent of the anticipated expenditures.
- Budget augmentation requests totaled \$563,320, including requests for instructional supplies of \$11,069. The instructional supply requests may be funded with restricted Proposition 20-Lottery funding, which will reduce the total requests to \$552,251. No portion of this remaining balance has been included in the Final Budget or specifically set aside in reserves.

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2015-16 Final Budget

Based on the above information and assumptions, the proposed 2015-16 Final Budget for the unrestricted General Fund would be as follows:

	2013-14 <u>Actual</u>	2014-15 <u>Actual</u>	2015-16 Final <u>Budget</u>
Income:			
8100 Federal	\$ 36,011	\$ 31,646	\$ 40,000
8600 State	39,734,092	40,520,562	43,445,330
8800 Local	12,074,038	13,156,681	14,249,433
8900 Transfers-In	<u>140,855</u>	<u>221,976</u>	<u>285,000</u>
Total	\$ <u>51,984,996</u>	\$ <u>53,930,865</u>	\$ <u>58,019,763</u>
Expenditures:			
1000 Faculty Salaries	\$ 19,064,174	\$ 19,243,207	\$ 20,146,865
2000 Classified Salaries	8,993,880	8,656,377	9,272,199
3000 Benefits	14,696,214	15,707,404	16,942,814
4000 Supplies	564,525	535,465	540,981
5000 Services	4,972,195	5,210,493	5,869,457
6000 Capital Outlay	287,024	250,249	207,016
7000 Transfers-Out	<u>4,342,852</u>	<u>4,681,392</u>	<u>4,981,810</u>
Total Expenditures	\$ <u>52,920,864</u>	\$ <u>54,284,587</u>	\$ <u>57,961,142</u>
Net Income (Loss)	\$ (935,868)	\$ (353,722)	\$ 58,621
Beginning Balance	\$ 5,661,014	\$ 4,725,146	\$ 4,371,424
Ending Balance	\$ <u>4,725,146</u> =====	\$ <u>4,371,424</u> =====	\$ <u>4,430,045</u> =====
Percentage	8.93%	8.05%	7.64%

Major Components of the projected 2015-16 Ending Balance

Reserve for Contingency @ 6.0%	\$ 3,477,669
Set Aside for One-time Expenditures/Carryover	<u>952,376</u>
Total	\$ 4,430,045