

Merced College Budget Forum

CHRIS VITELLI, SUPERINTENDENT/PRESIDENT

DR. JOANNE SCHULTZ, VICE PRESIDENT OF ADMINISTRATIVE SERVICES

JOSEPH ALLISON, DIRECTOR OF BUSINESS AND FISCAL SERVICES

APRIL 6, 2017 / 3:00-4:00 PM / LESHER 111

Forum Topics and Discussion Items

- 1) Budget
- 2) Q&A Discussion




Forum Agenda

- Overview of funding model
- Overview of deficit situation and concern
- Where are we now 2016-17
- Potential strategies for a course correction
- What does this mean for 2017-18?
- Questions and discussion

Overview of Funding Model

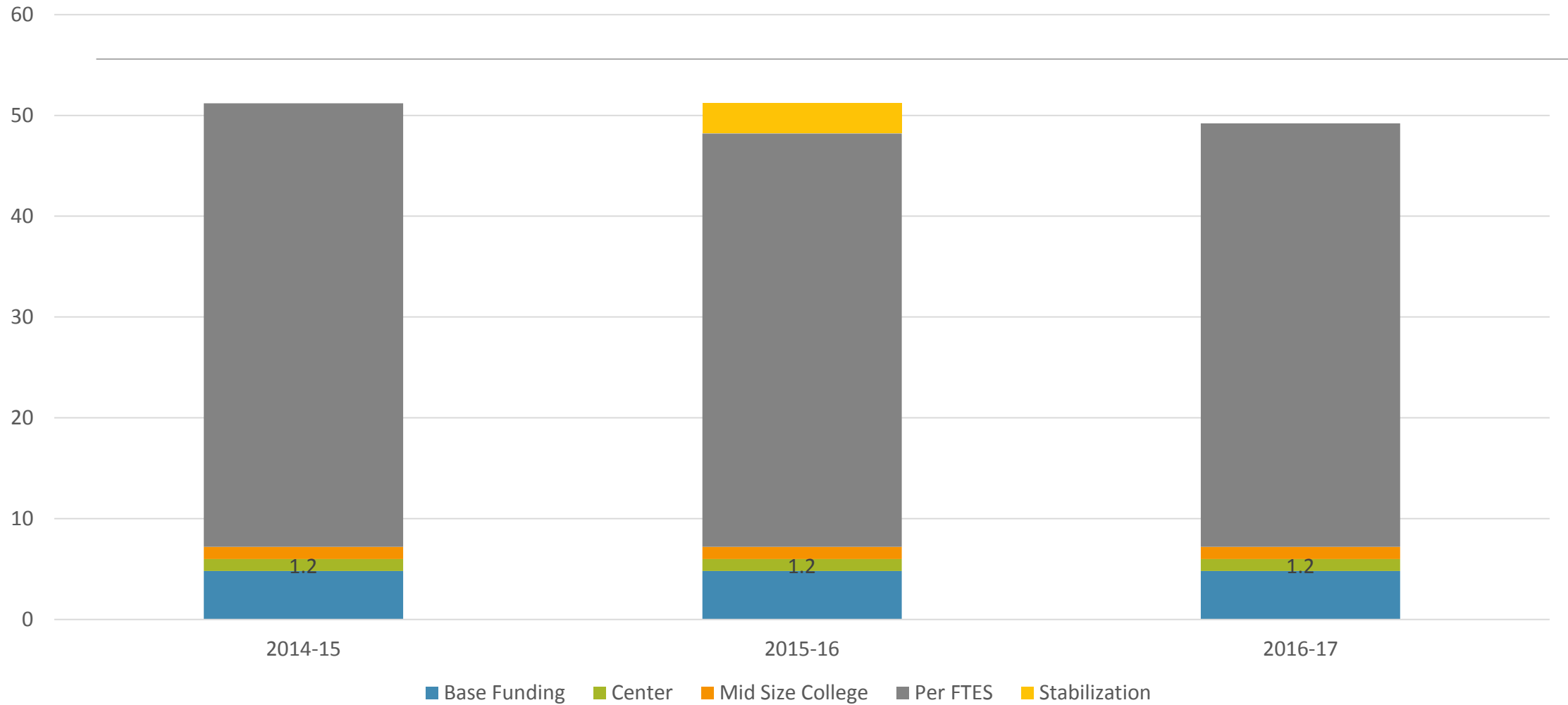
- Base funding comes from two sources...
 - Mid-size college and center funding (i.e. 10,000 FTES mid-size college status)
 - Apportionment / FTES
- Other sources of funding...
 - Categorical funds
 - Grant funds
 - Foundation funds
 - One-time funds



***Today's
presentation is
primarily about
these funds***

Overview of the Funding Model

Funding comparisons



Overview of Deficit

- 2014-2015: Approximately 2.5% growth (3.5% FTES growth)
 - FTES from 9,401 to 9,754 (new FTES base)
- 2015-2016: Decline / Stability Funding
 - FTES from 9,754 to 9,146
 - Maintained full funding (held harmless for one year)
 - Remained a mid-size college
 - Received funding based on 9,754

Overview of Deficit: Ed Code

Per Education Code Section 84750.5(c)(6)(B) and (C), “decreases in FTES shall result in revenue reductions beginning in the year following the initial year of decrease in FTES, and at the district’s marginal funding per FTES. Community college districts shall be entitled to the restoration of any reductions in apportionment revenue due to decreases in FTES during the three years following the initial year of decrease in FTES if there is a subsequent increase in FTES.”

Overview of Deficit

- 2014-2015: 2.5% growth
 - FTES from 9,401 to 9,754
- 2015-2016: Stability Funding
 - FTES from 9,754 to 9,146
 - Held harmless and received funding based on 9,754
- 2016-2017: Year 1 of Restoration Funding
 - Basic allocation funding (i.e. mid-size college)
 - FTES of 9,319 reported (P1)
 - Funding based on actual FTES (same for Years 2 and 3 of “restoration”)

Overview of Deficit

- 2014-2015: Funded at 9,754
- 2015-2016: Funded at 9,754 (even though we reported 9,146)
- 2016-2017: Funded at 9,319 (reported in P1)

NOTE: The District can still report additional FTES to make up for the remainder of the year in 2016-17

Budget – Current 2016-17 Projection

<u>2016-17 Projected Ending Balance Based on 3rd Quarter Projection - FUND 110 ONLY</u>						
		Projected		Revenue		Projected
		2nd Qtr		Reduction		3rd Qtr
TOTAL REVENUE		60,218,690		58,347,330		58,837,135
TOTAL EXPENDITURES		60,749,060		60,749,060		60,308,632
NET INCOME (LOSS)		(530,370)		(2,401,730)		(1,471,497)
BEGINNING FUND BALANCE		4,816,617		4,816,617		4,816,617
ENDING FUND BALANCE		4,286,247		2,414,887		3,345,120
% OF EXPENDITURES		7.06%		3.98%		5.55%

Budget – Net Income (Loss) Activity

- 2016-17 - (\$1,471,497) Projected Net Loss – Includes FTES of 9,319 as reported on the January 2017 320 Enrollment report
- How did we reduce the deficit to \$1,471,497?
 - Budget Manager voluntary budget reductions, approximately \$370K so far
 - Updated revenue and expenditure projections

Budget – Strategies for a course correction

This fiscal year (2016-2017)...

- Capture as much FTES between now and June 30, 2017
- Balance short-term and long-term enrollment growth plans
- Minimize all non-essential spending between now and June 30, 2017
- One-time funds (if needed)



What does this mean for 2017-2018?

- *Revenue*

- From the Governors January Budget
 - COLA at 1.48% is approximately \$780,000
 - Base funding increase approximately \$215,000
- FTES from 9,550 to 9,650

- *Expenditures*

- Step and Column \$520,000
- PERS \$192,000
- STRS \$354,000
- Medical \$148,000
- All vacant position are being reviewed for possible freezes for at least 1 year

What does this mean for 2017-2018?

- ACCJC Preliminary Recommendation:
 - *Plan and manage its financial resources in a manner that ensures sustainable financial stability*
- Be more fiscally responsible and efficient as a District
- Need to develop a sustainable and comprehensive financial plan including:
 - Economic Factors and Analysis
 - Enrollment Trends and Growth Strategies
 - Revenue Trends
 - Expenditure Trends
 - Capital Outlay Trends and Projects
 - Criteria for Budget Cuts
 - Summary of Findings and Plan
 - Summary of Budget Analysis/Future Projections



What does this mean for 2017-2018?

- Impact on current initiatives and discussions...
 - Classified Reclassification Study
 - MCFA Negotiation: Salary and Benefits
 - Vacant positions
 - One-time funds: \$2.7 million still remaining

- Does this mean...
 - Layoffs or reduction in force? *No, this is not currently an issue or on the table for discussion!*

Questions, Comments,
Discussion, etc.
