Monterey Peninsula College

Tentative Budget

Fiscal Year 2012-2013

Pending Board Approval of
June 27, 2012

Monterey Peninsula College

Tentative Budget

2012-2013 Fiscal Year

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Introduction

The Tentative Budget is the District's spending plan from July 1 through September 15. On or before September 15, the Board is required to hold a public hearing and adopt a Final Budget for the fiscal year. The Tentative Budget is based on "budget assumptions" developed from a number of sources including the Governor's May Revision, approved trailer bills, and input from the Chancellor's Office and the Community College League of California. As of this writing, there is no approved state budget for 2012-13.

Following is a summary indicating the projected beginning balances (based on the current 2011-12 adjusted budgets), 2012-13 tentative budgets, and projected ending balances for all funds maintained by the District:

Funds	Beginning Fund Balance 7/1/2012	Budgets 2012-2013 Revenue	Budgets 2012-2013 Expense	Ending Fund Balance 6/30/2013
General				
Unrestricted	$3,763,831	$37,449,005	$37,448,994	$3,763,842
Restricted	$0	$5,194,405	$5,194,405	$0
Special Revenue				
Child Development - Unrestricted	$0	$552,372	$552,372	$0
Child Development - Restricted	$0	$254,316	$254,316	$0
Student Center	$214,409	$265,200	$265,200	$214,409
Parking	$92,179	$512,000	$481,953	$122,226
Debt Service				
Student Center	$20,905	$18,525	$18,525	$20,905
Lease Payments	$52,285	$275,324	$275,324	$52,285
Capital Projects	$792,895	$755,062	$1,381,890	$166,067
Building	$54,046,985	$200,000	$31,021,614	$23,225,371
Self Insurance	$8,736,186	$6,701,200	$7,568,892	$7,868,494
Fiduciary				
Financial Aid	$12,881	$5,500,000	$5,500,000	$12,881
Associated Students	$50,475	$90,274	$90,274	$50,475
Scholarship and Loans	$272,948	$2,500,000	$2,500,000	$272,948
Trust Funds	$293,917	$550,000	$550,000	$293,917
Orr Scholarship	$61,262	$50,000	$50,000	$61,262
Total	**$68,411,158**	**$60,867,683**	**$93,153,759**	**$36,125,082**

Notes: Beginning Balance is prior to audit of 2011-2012 fiscal year end.
Ending Balance is calculated based on Beginning Balance and Budgets

All funds are budgeted to have a positive ending fund balances. The unrestricted general fund maintains the Board established fund balance reserve of 10% of general fund expenditures. Proposed general fund revenues and expenses are balanced.

Governor's May Revise 2012-13

On May 14, 2012, the Governor released his May revision to his January Proposed Budget for fiscal year 2012-13 (the "May Revision"). The following information is drawn from the LAO's summary of the May Revision released on May 18, 2012.

The May Revision estimates that the size of the budget deficit now totals \$15.7B, \$6.5B higher than projected in the Proposed Budget. The \$6.5B increase in the budget deficit is attributable to: (i) \$4.3B in lower revenues resulting from weaker than assumed spring tax collections, as well as lowered estimates of PIT (after including the projected \$1.5B of PIT collections related to the Facebook IPO) and corporation tax collections in fiscal year 2012-13; (ii) higher general fund Proposition 98 costs totaling \$2.4B resulting from a higher year-to-year growth of general fund revenues from fiscal year 2011-12 to fiscal year 2012-13 and lower local property taxes available to school districts and (iii) an offsetting \$200M decrease in net costs of non-Proposition 98 general fund expenditures since the release of the Proposed Budget.

The May Revision estimates that the Governor's revenue, expenditure and other budget proposals produce a combined \$16.7B of general fund fiscal benefit for fiscal years 2011-12 and 2012-13, leaving the State with an estimated reserve of \$1B at the end of fiscal year 2012-13. These proposals include approximately \$5.9B in revenue actions (which includes an offset of \$2.9B due to the projected increase in the Proposition 98 minimum funding guarantee resulting from higher revenues anticipated from the Governor's tax measure), \$5.2B in expenditure reductions and \$5.4B in other actions (principally non-recurring fund shifts, transfers and loans).

The May Revision presents a modified version of the Governor's tax initiative. The revised tax measure would temporarily increase the state sales and use tax (the "SUT") by 0.25% (down from the 0.5% rate proposed in the Proposed Budget) for four years beginning on January 1, 2013. The Governor projects that the tax will generate \$605M of additional revenue in fiscal year 2012-13 and \$1.3B or more annually for the subsequent fiscal years. The revised tax measure would also temporarily increase the marginal PIT rates for the highest income California taxpayers (by 1%, 2%, or 3% depending on their level of income) starting in the 2012 tax year and ending at the conclusion of the 2018 tax year. The Governor projects that the proposed increase in PIT would generate \$7.9B of additional revenues in fiscal years 2011-12, and when combined with the projected revenues from the temporary increase in the SUT would produce \$8.5B in additional State revenues in fiscal years 2011-12 and 2012-13 combined. The LAO notes that although essentially all of this revenue would be received in fiscal year 2012-13, a portion would be attributed to fiscal year 2011-12 under the Governor's January revenue accrual proposal. If the tax measure is successful, the Governor estimates that the additional revenues generated by these tax increases will result in an increase in the Proposition 98 minimum funding guarantee of approximately \$2.9B in fiscal year 2012-13, resulting in a net benefit to the general fund of \$5.6B.

The May Revision also includes a revised set of trigger reductions totaling \$6.1B that would take effect in the event the Governor's tax measure is rejected by voters. The proposed trigger reductions now include (i) a total reduction of \$5.5B Proposition 98 funding, including \$2.8B in K-14 general purpose funding; (ii) a \$250M reduction to each of the University of California and California State University systems; and (iii) a \$50M reduction to developmental services. Other trigger reductions include reductions in funding for the Department of Parks and Recreation, CalFire, the Department of Water Resources flood control programs, Department of Fish and Game, local water safety patrol grants, and the Department of Justice law enforcement programs.

The May Revision includes $1.5B in expenditure reductions related to Proposition 98 funding, which include counting $450 M of fiscal year 2011-12 Proposition 98 funding toward the Quality Education Investment Act ("QEIA") program in fiscal year 2012-13. The May Revision also modifies and adjusts estimates from the Proposed Budget relating to the restructuring of CalWORKs and subsidized child care programs, as well as changes to Medi-Cal. In addition, the May Revision includes new proposals such as reducing: (i) state employee compensation ($402 M), (ii) Medi-Cal payments to hospitals ($325M, in addition to other Medi-Cal proposals), and (iii) hours in the IHSS program by 7%.

Approximately $5B in budget solutions consist of non-recurring shifts of funding responsibility from the general fund to other funds, loans, loan extensions, and transfers. The largest of these actions is the Governor's new proposal to facilitate the transfer of liquid assets of former redevelopment agencies to local governments, thereby increasing school district property tax moneys and reducing the State's near-term Proposition 98 general fund obligations. The May Revision assumes K-14 school districts will receive a total of $3.3B in fiscal years 2011-12 and 2012-13 from the dissolution of redevelopment agencies. This figure includes (i) $1.8B in redevelopment agency tax-increment revenues (down from the $2.1B assumed in the Proposed Budget) and (ii) $1.5B in redevelopment agency cash and other liquid assets.

The May Revision proposes to count 95% of redevelopment agency liquidated assets as an offset to the State's Proposition 98 minimum funding guarantee, with the additional 5% allocated to K-14 districts in addition to funds provided under Proposition 98. To facilitate the recapture and distribution of redevelopment agency liquid assets, the May Revision proposes legislative changes that (i) set deadlines for successor agency asset transfer and distribution and (ii) authorize reductions of local sales and property tax revenues from agencies not complying with the Department of Finance and State Controller's Office orders regarding redevelopment agency liquid assets.

As a result of the May Revision revised revenue estimates, the Proposition 98 minimum funding guarantee decreased for fiscal year 2011-12 and is projected to increase for fiscal year 2012-13. For fiscal year 2011-12, the $2.1B decrease in general fund revenues contributes to a $1.3B reduction in the Proposition 98 minimum funding guarantee – lowering the guarantee from $48.3B to $47B. For fiscal year 2012-13, despite a $300M decrease in projected revenues since the Proposed Budget, the Proposition 98 minimum funding guarantee is projected to increase by $1.2B from $52.5B to $53.7B. The projected year-to-year increase in the general fund growth rate is projected to result in a $2.9B maintenance factor payment when applied on top of Test 1 of the Proposition 98 funding calculation, $1.5B higher than projected in the Proposed Budget.

While the LAO believes the Governor's overall economic and revenue forecasts for the 2012-13 budget cycle are reasonable, the LAO is concerned that the Governor is overstating the amount of property tax revenues from redevelopment agencies that will be distributed to school districts and community college districts in fiscal years 2011-12 and 2012-13. After accounting for the partial-year implementation of ABX1 26, instances where the financial obligations of former agencies exceed the level of property tax revenues of such former agencies, and the payment of a backlog of pass-through payments, the LAO estimates that K-14 districts could receive approximately $200M in June, over $600M less than the May Revision anticipates. For fiscal year 2012-13, the LAO anticipates that K-14 school districts will receive $700M, $300M less than assumed by the Governor. The LAO also finds that the Governor's estimate of liquid assets transferred from redevelopment agencies and available for distribution during fiscal years 2012-13 and 2013-14 is subject to considerable uncertainty. The LAO also questions the Governor's application of the maintenance factor on top of Test 1 in calculating the Proposition 98 minimum funding guarantee. The LAO notes that, applying the deficit factor to Test 2 would decrease the Proposition 98 minimum funding guarantee obligation by $1.7B for fiscal year 2012-13.

California Community College Budgetary Impact

The Governor's May Revise does not make major changes to his January proposal for the California Community Colleges although significant unknowns and uncertainties remain. The increased growth of the Prop 98 guarantee (assuming successful passage of the November ballot measure) would result in a $313M buy down of deferrals, while only $218M was proposed in January. The Governor continues to pursue his proposal to consolidate categorical funding and to revise the current FTES funding model, though we note that the Legislature has shown little interest in these proposals. Similar to January, there is no proposal to fund growth, COLA, or increase funding for categorical programs. The Governor also alters his mandates block grant reform proposal to include two newly adopted mandates and increase the funding per FTES to $28. Total funding proposed is $33.4M. Further, the Governor would eliminate the mandate claiming process, which would more or less force districts to participate in the block grant program.

If the November initiative fails, K-14 education is slated for a trigger cut of nearly $5.5B. The CCCs would lose the $313M in deferral repayments mentioned earlier and then take an additional base cut of approximately $300M. Assuming CCCs would be allocated an 11% share of the reduction, this would equate to an approximate workload reduction of 6%.

In February, the Chancellor's Office informed the CCC community that the P1 report showed a deficit of $179M, of which $149M was unanticipated (the other $30M was a statutory trigger cut).

While the Governor does not address the issue in his May Revise proposal, the Chancellor's Office has reported that the deficit will be lower at P2. The P2 estimate is expected to be approximately $125M. The improvement in the situation comes from a modest increase in fee revenues and from the San Mateo Community College District's shift into basic aid status.

Just as the January proposal included many risks, so does the May Revise. The biggest uncertainty remains the willingness of the voters to pass the Governor's tax initiative. The Governor's tax initiative is further complicated by a competing tax initiative sponsored by Molly Munger that is exclusively targeted at K12. Will competing initiatives split the support vote or turn off enough voters to kill the Governor's initiative? It should further be noted that the Munger initiative would cancel out the Brown initiative if it receives a higher vote total, so CCCs could also be subject to trigger cuts in a scenario where the Brown initiative reaches 50% but receives less support than the Munger initiative.

MPC Apportionment Estimate

In light of the uncertainties surrounding the state budget, trigger cuts, deficit coefficient, and stability funding, estimating apportionment revenue for 2012-13 could fluctuate significantly depending on outcomes beyond the control of the District. A number of these outcomes may not be known until mid-year or later.

The Final Budget for 2011-12 had estimated apportionment revenue at $34,672,438 on a worst case basis. This estimate did account for trigger cuts in 2011-12, but did not anticipate the deficit coefficient attributable to BOG fee waivers or the projected RDA revenue shortfall. This additional mid-year surprise will reduce apportionment revenue by $670,000 if fully enacted in 2011-12.

In analyzing the conditions surrounding the 2012-13 apportionment revenue estimate, even more unknowns are present including the trigger cut, deficit coefficient, and possible stability funding. A very preliminary estimate of worst case apportionment revenue for 2012-13 would suggest a $1.9M reduction compared to 2011-12 adopted revenues assuming no deficit coefficient or stability funding. Closing this magnitude of a deficit in light of the uncertainties would require major program changes and significant employee wage and benefit concessions. Administration is recommending a more "measured" approach that would allow the District to adopt a budget while deferring decisions until more is known. Administration's estimate of apportionment revenue is based on a hybrid approach. That is, somewhere between "best case" and "worst case". The following chart shows the estimated apportionment revenue estimate using the hybrid approach.

	Budgeted 2011-12	Worst Case Actual 2011-12	Worst Case 2012-13	**Hybrid w/ Trigger 2012-13**
Apportionment	$34,672,438	$35,048,737	$35,048,738	**$35,048,738**
Trigger Cut - Workload Reduction	included	included	($1,935,850)	**$0**
Deficit Coefficient - BOG Waivers	$0	($670,000)	??	**$0**
Stability Funding	NA	NA	??	**$0**
				($750,000)
Total Apportionment	$34,672,438	$34,378,737	$33,112,888	**$34,298,738**

The following budget assumptions will be used in developing the Tentative Budget for 2012-13. As noted earlier, these assumptions will likely change:

- No restoration of prior year cuts or growth funds
- No COLA (statutory estimated at 3.24%)
- Fee increase to $46 per unit starting this summer
- Categorical funding = 2011-12 level
- Hybrid estimate of apportionment revenue
  - Assumes $750K cut in revenue (could be deficit coefficient, workload reduction, stability funding, or other)
  - MPC will earn back stability funding in 2012-13
- Collective bargaining agreements are <u>approved</u>
- $2M in TRAN borrowing
- FT faculty replacements per agreement
- CDC will generate $200K in savings through expenditure reductions thus requiring less GF support

Deferrals have been an integral part of state budget solutions for the past four to five years. The inter-year deferrals for the community college system now total $960M. MPC share of this deferral is approximately $5.4M. Part of the 2012-13 budget assumptions is that the District will issue $2M in Tax Revenue Anticipation Notes. The District has used the Self Insurance Fund to manage the apportionment deferral in the General Fund. However, use of reserves from the Self Insurance Fund to close the general fund deficit in 2011-12 and 2012-13 will result in the need for temporary borrowing measures.

<u>MPC Budget Response</u>

In the past three years, MPC responses to budget deficits have been largely opportunistic. That is, taking advantage of opportunities to reduce expenditures as they arose, such as reducing staffing by attrition, reducing program costs due to reduction in state support, reducing instructional service agreements in response to the state's changing priorities, and restructuring MPC's defined health benefits plan. For budget year 2012-13, the "measured" approach will allow the District to defer some difficult decisions until more is known about the true budget picture. The District did utilize $1.1M in one-time funds and reserves to close the 2011-12 Budget's $2.8M deficit. This has created a deficit spending situation where ongoing revenues and ongoing expenses are out of balance. Even with the passage of the tax initiative in November, no new funding is anticipated to restore prior year cuts in programs or workloads in 2012-13. Clearly, the use of one-time funds and reserve funds to fix an ongoing revenue shortfall is unsustainable and will have to be dealt with at some point.

In developing responses to the 2012-13 budget deficit, expenditure reductions or savings generally fall into three categories. The first category is those cost saving measures produced through collective bargaining; the second is through attrition and unfilled vacancies; and the third is the use of District reserves and one-time funds. Staff has identified uncontrollable increases in the operating 2012-13 budget. These include operating increases (TRAN, SIS, PERS, utilities, insurance etc.) totaling $160,620. The employee related increases (Classified reclass / equity study, step, column, and longevity) totaling $387,015. This is somewhat offset by the proposed wage concession for all groups at $574,334. There is no classified or management attrition savings anticipated in 2012-13, however, management attrition generated savings from 2011-12 is still uncommitted for 2012-13. There were six new full time faculty retirees projected for 2012-13. Four are expected to be filled with permanent replacements. Of the two remaining, one will be filled with a one-year temporary contract. In the area of collective bargaining, MPCTA and MPCEA have approved the tentative agreements on compensation related matters. Both agreements will be brought to the board for ratification on June 27th.

Much like the 2011-12 budget, administration is proposing to use $1.3M in one-time funds and reserves to augment revenues in the Tentative Budget. The majority of these funds will be used to replace the $1.1M in one-time funds and reserves used in the 2011-12 budget. The $1.3M District funds will be comprised of $867K from the rate stabilization reserve within the Self Insurance Fund and $479K of unspent funds (election costs and 2010-11 year end funds) from the 2011-12 budget.

General Fund

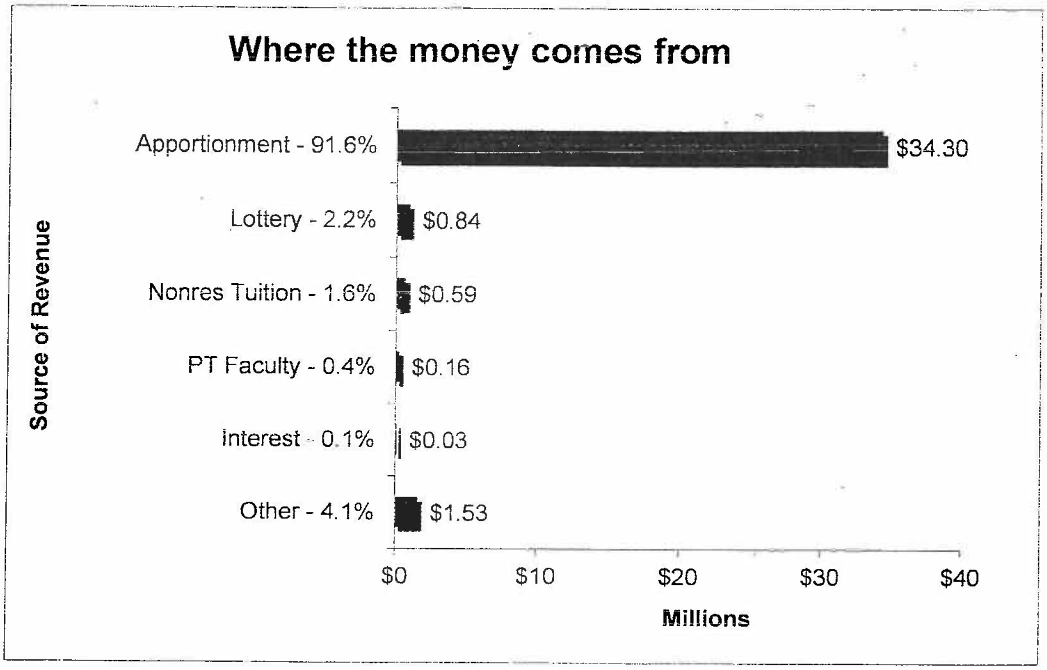
The General Fund includes the general operating budgets for the District. Some monies are restricted as to their use and the fund is therefore separated by unrestricted and restricted.

Unrestricted General Fund

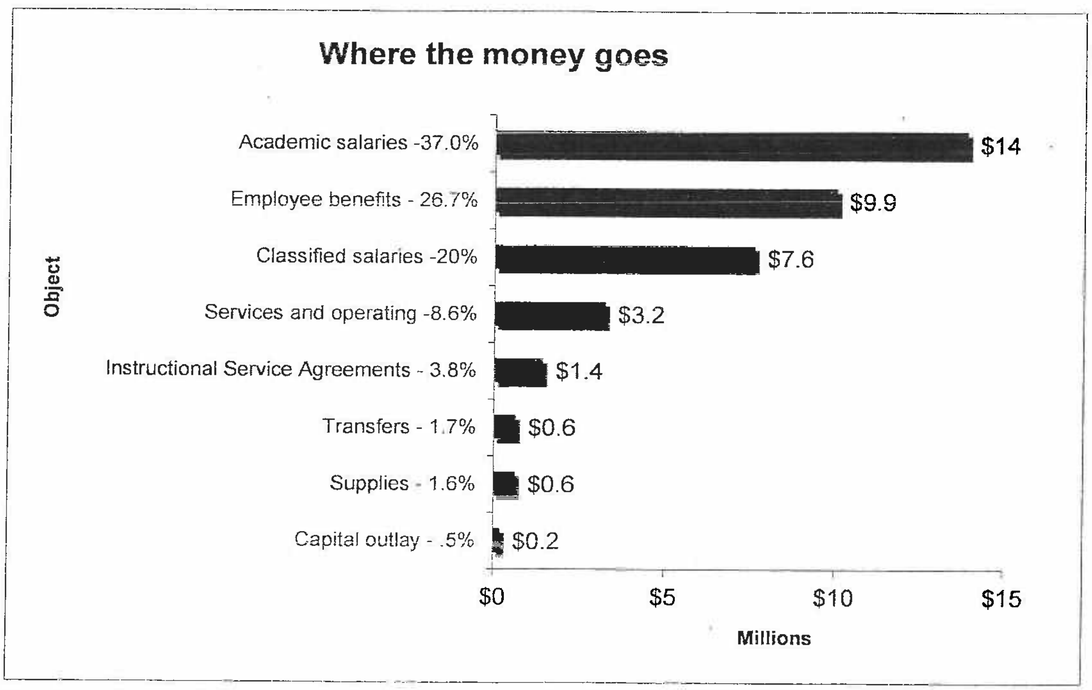
The District's primary financial activities for day-to-day operating revenues and expenses occur in the Unrestricted General Fund. Revenue is budgeted by the source of the funding and expenses are budgeted by their function. Amounts budgeted for revenue and expense in the Unrestricted General Fund show revenue and expenses essentially balanced with an ending balance of $3,763,842, which maintains the Board's 10% target reserve. The District is using $1.3M in one-time funds and reserves to augment unrestricted revenues to balance the budget.

Apportionment is the largest source of revenue and represents 92% of total unrestricted income. Apportionment is calculated by the State Chancellor's office based on in-state enrollments referred to as full time equivalent students (FTES) at the District. This Tentative Budget assumes an apportionment reduction of $750,000. The estimated total FTES for 2012-13 is 7,093. No new apportionment funds are budgeted for growth or a COLA. The four largest sources of revenue (apportionment, lottery, nonresident fees, part-time faculty compensation) totaling 96% of the Unrestricted General Fund are dependent on enrollments, both in-state and nonresident.

It should be noted that the District will not likely meet FTES cap (7,093) in 2011-12. The current estimate of the shortfall is 100-200 FTES. The District will be held harmless in apportionment revenue for 2011-12, however, the District must make up the shortfall in 2012-13 or be subject to the loss of revenue. The Chancellor's Office has clarified that if a workload reduction is implemented in 2012-13, it will not offset or cancel out the District's obligation to make up the stability funding. The District has three years to make up the stability funding, otherwise, funds will be re-distributed to other districts who are over cap and have unfunded FTES.



The largest portion of expenses is for people, with salaries and corresponding fringe benefits for employees accounting for 84% of total expenses. Adding Instructional Service Agreements to employee expenses accounts for 88% of total expenses. The cost of employee benefits continues to be the second largest expense in the budget, currently representing 27% of total expenses.



Both MPCTA and MPCEA have approved their tentative agreements. The agreements will go to the board for ratification on June 27th.

Restricted General Fund

Funds used for the operation and support of educational programs that are specifically restricted by law, regulation, donor, or other outside agency are recorded in the Restricted General Fund. The majority of these funds must be expended within the fiscal year or returned to the funding agency. Budgets for state programs are based on the state's current approved budget. Funds budgeted for all programs total just under $5.2 M.

The following chart shows the 19 largest categorical programs and their respective funding level for the 2012-13 Tentative Budget:

	2011-12	*2012-13*	Change
Extended Opportunities Programs and Services (EOP&S)	$604,226	***$604,042***	-$184
Disabled Students Programs and Services (DSP&S)	$592,643	***$586,093***	-$6,550
Marine Advanced Technology Education (MATE)	$429,174	***$435,106***	$5,932
Upward Bound	$369,995	***$358,487***	-$11,508
Health Services	$363,345	***$355,500***	-$7,845
Math Science Upward Bound (MSUB)	$358,042	***$347,067***	-$10,975
Matriculation - CR/NCR	$346,346	***$346,190***	-$156
New Scholars	$304,351	***$294,916***	-$9,435
Student Financial Aid Administration (SFAA/BFAP)	$211,260	***$215,941***	$4,681
Lottery	$165,462	***$165,462***	$0
CalWorks/TANF	$158,262	***$158,262***	$0
Perkins I-C Student Support Structure	$142,130	***$146,249***	$4,119
Enrollment Growth- Nursing	$131,156	***$140,987***	$9,831
Federal Work Study	$136,838	***$136,838***	$0
MATE ROV Competition/ITEST	$373,141	***$131,370***	-$241,771
Workability	$111,828	***$123,980***	$12,152
First 5 Monterey County Workforce Devt.	$96,376	***$102,253***	$5,877
Basic Skills 2010-11	$72,852	***$90,000***	$17,148
Basic Skills 2011-12	$90,000	***$90,000***	$0

Special Revenue Fund:

Child Development Center (CDC), Student Center and Parking are accounted for in the Special Revenue Fund. Revenues generated by these programs are intended to pay for the cost of services provided.

Revenues and expenses for child development services are recorded in the CDC Fund. The CDC Fund includes monies that are restricted as to their use and the fund is therefore separated into unrestricted and restricted. The CDC Fund has a total budget of $806,688 (unrestricted and restricted). CDC has been operating with a State Preschool contract under the California Dept. of Education. Unfortunately the reimbursement funds available from state contracts have covered less than 50% of operating costs, which are almost entirely payroll and benefits. The District has recently received a consultant's report on the CDC operations and has identified findings and recommendations. For Fiscal Year 2012-13, the District plans to implement a number of cost saving measures to reduce the amount of Unrestricted General Fund support.

The Student Center Fund is maintained to record financial transactions of the Student Center building that was partially constructed using lease revenue bonds. The Student Center Fund receives revenue primarily from student use fees and commissions from the bookstore and cafeteria. The bond requires income to be used to make debt payments and maintain the facility. The reserve in the fund, projected to be over $20K by year end, will be used for maintenance on the building. Half of the Student Activity Coordinator is paid by the Student Center Fund and half is paid by the Unrestricted General Fund.

The Parking Fund is maintained to record financial transactions related to parking as required by the Education Code. Revenues are primarily from parking permit sales and parking citations. Expenses are for parking, security and maintenance and improvements to the parking lots. The fund is projected to have a reserve of over $120K which will be used for future parking-related repairs and improvements.

Debt Service

Long-term debt principal, interest, and related costs of the District are accounted for in the Debt Service Fund. There are two obligations accounted for in this fund: the annual long-term debt payment for the Student Center and the capital lease for energy conservation projects (SunTrust lease) both requiring annual payments. Student Use Fees in the Student Center operating accounts pay the Student Center required payment of $18,525. A transfer from the Unrestricted General Fund of $275,324, representing projected energy savings, is budgeted to cover the required payments to SunTrust.

Capital Projects

Non-bond expenses for all major acquisition, construction and maintenance projects are accounted for in the Capital Projects Fund. State funded projects include the renovation of old Student Services and Humanities and demolition of Business/Humanities ($3.2M state portion.) Local projects include IPP & FPP processing, donations for the Library & Technology Center and athletic facilities, and district expenses for Fort Ord. Expenses have been estimated at $1,381,890 which includes a $479,000 transfer out to the UGF for the deficit. The $479,000 consists of election expenses not expended in 2011-12 and uncommitted year end funds.

Building

Expenses associated with Measure I, the $145 M Proposition 39 bond, are accounted for in the Building Fund. Expenses included in the 2011-12 Tentative Budget total $31M which include amounts to be expended for four projects (theatre, LS/PS, Humanities, and 1st floor gym). All these projects are currently under construction.

Self Insurance

Expenses for the District's self-insured medical benefits are budgeted and recorded in the Self Insurance Fund. Transfers are made from the various operating accounts to the Self Insurance Fund to cover the expenses. Total expenses of $7,568,892 are currently being budgeted and include $867,692 transfer out to the UGF for the deficit. The $867,692 is one-time funds from the Rate Stabilization Reserve.

Medical and RX claims appear to be holding steady in 2011-12. Review of the expense loss ratio for "active" employees continues to show ratios of less than 100%. As a result, all groups remain at Phase 1 of the three phase plan implemented in 2010-11. Part of the leveling off of medical claims is likely tied to CHOMP being moved from Anthem's Tier 3 to Tier 1 hospital rating. No details of the Anthem Blue Cross and CHOMP agreement have been released, but industry consultants have speculated that the agreement provides discounts for Anthem members in the 12% range. Claims experience in 2011-12 continues to show a significant number (7) of large claims resulting in stop loss carrier reimbursement. The use of "stop loss" insurance does shift large claims cost to the insurance carrier, however, the cost of the stop loss policy has increased $500K over the last two years. The annual premium for the policy is now $1,177,459 and is a significant portion of our self-insurance budget for 2012-13.

The District's new health benefits consultant, Alliant Insurance Services, has estimated a funding premium of $1,371 per employee per month (PEPM) for 2012-13. This represents a 7.14% increase over the 2011-12 funding rate of $1,280 PEPM. In light of the moderated claims experience over the past year, administration and the Health and Welfare Cost Containment Committee have elected to take a "rate pass" in 2012-13 and hold the funding rate at $1,280 PEPM. If Alliant is correct and the District does experience a 7.14% increase, the District will be using the Rate Stabilization Reserve to absorb the increase for 2012-13. This rate pass approach is not without risk. If claims experience in 2012-13 does exceed funded premium, the District will have to increase the funding rate significantly in 2013-14 to catch up with experience.

Fiduciary Fund

The Fiduciary Fund is used to account for assets held by the District as trustee. These funds include Student Financial Aid, Associated Students, Scholarships and Loans, Trust Funds, and Orr Scholarship funds.

Conclusion

All funds are balanced and positive year-end balances (reserves) are projected.

The Tentative Budget for 2012-13 was developed using best information at the time. Revenue assumptions were used in the absence of an approved state budget. The final budget approved by the state, as well as the tax initiative outcome, could alter District assumptions which would require further adjustments to the District's budgets.

Monterey Peninsula College
3-Year Comparison

	2009-2010 Actual	2010-2011 Actual	2011-2012 Act thru May*	2011-2012 Revised Budget	2012-2013 Budget	% > Budget to Final Bud
Unrestricted General Fund:						
Income						
Federal	$11,043	$13,177	$1,406	$10,700	$10,700	0.0%
State	$21,807,935	$22,780,479	$12,201,502	$20,561,741	$20,130,023	-2.1%
Local	$17,699,306	$17,367,910	$18,074,996	$16,960,947	$17,308,282	2.0%
Total Income	$39,518,284	$40,161,566	$30,277,904	$37,533,388	$37,449,005	-0.2%
Expense						
Academic Salaries	$15,236,907	$15,229,482	$13,011,548	$13,786,204	$13,857,024	0.5%
Classified Salaries	$7,656,182	$7,662,700	$6,932,760	$7,278,373	$7,577,325	4.1%
Fringe Benefits	$4,205,163	$4,379,524	$4,374,599	$4,678,047	$4,624,174	-1.2%
Books and Supplies	$735,357	$636,490	$460,000	$587,976	$609,346	3.6%
Operating	$4,590,839	$4,798,069	$3,089,207	$4,801,305	$4,608,825	-4.0%
Capital Outlay	$176,308	$162,768	$218,186	$239,086	$184,056	-23.0%
Transfers	$6,831,758	$7,797,461	$5,804,416	$6,159,152	$5,988,245	-2.8%
Total Expenses	$39,432,514	$40,666,494	$33,890,717	$37,530,142	$37,448,995	-0.2%
Restricted General Fund:						
Income						
Federal	$2,445,140	$2,460,953	$1,681,827	$2,458,993	$2,068,442	-15.9%
State	$2,644,073	$2,434,362	$2,098,735	$2,462,125	$2,389,162	-3.0%
Local	$492,560	$615,807	$542,863	$811,837	$736,801	-9.2%
Total Income	$5,581,773	$5,511,122	$4,323,425	$5,732,955	$5,194,405	-9.4%
Expense						
Academic Salaries	$1,250,723	$1,372,546	$1,184,302	$1,326,671	$1,235,612	-6.9%
Classified Salaries	$1,111,353	$1,198,172	$982,943	$1,107,026	$1,081,480	-2.3%
Fringe Benefits	$378,809	$426,437	$387,779	$423,782	$411,328	-2.9%
Books and Supplies	$261,952	$262,433	$84,177	$236,192	$128,005	-45.8%
Operating	$1,709,831	$1,609,255	$1,152,302	$1,546,640	$1,218,137	-21.2%
Capital Outlay	$140,872	$408,578	$85,652	$287,960	$285,393	-0.9%
Transfers	$728,233	$801,626	$650,360	$804,682	$834,449	3.7%
Total Expenses	$5,581,773	$6,079,046	$4,527,517	$5,732,954	$5,194,404	-9.4%
Unrestricted Child Development						
Income	$481,557	$497,990	$185,240	$560,576	$552,372	-1.5%
Expense	$481,557	$497,990	$250,656	$560,576	$552,372	-1.5%
Restricted Child Development						
Income	$287,201	$296,919	$512,588	$247,713	$254,316	2.7%
Expense	$287,201	$296,919	$494,969	$247,713	$254,316	2.7%
Student Center						
Income	$296,987	$286,370	$147,552	$275,200	$265,200	-3.6%
Expense	$208,588	$210,140	$159,507	$264,229	$265,200	0.4%
Student Revenue Bond						
Income	$20,374	$19,517	$19,147	$18,975	$18,525	-2.4%
Expense	$19,875	$19,425	$18,975	$18,975	$18,525	-2.4%

*Actual through May 31, 2012

	2009-2010 Actual	2010-2011 Actual	2011-2012 Act thru May*	2011-2012 Revised Budget	2012-2013 Budget	% > Budget to Final Bud
Debt Service						
Income	$170,623	$240,605	$276,900	$275,324	$275,324	0.0%
Expense	$124,588	$239,783	$275,324	$275,324	$275,324	0.0%
Parking						
Income	$387,227	$387,929	$607,079	$469,000	$512,000	9.2%
Expense	$387,227	$387,929	$370,182	$464,458	$481,953	3.8%
Capital Projects						
Income	$671,045	$787,665	$237,474	$3,244,784	$755,062	-76.7%
Expense	$483,353	$532,312	$703,584	$3,943,236	$1,381,890	-65.0%
Self Insurance						
Income	$7,425,033	$8,004,535	$6,262,426	$6,886,665	$6,701,200	-2.7%
Expense	$7,146,657	$6,235,576	$5,724,342	$7,477,624	$7,568,892	1.2%
Financial Aid						
Income	$4,903,856	$5,830,000	$5,463,209	$5,500,000	$5,500,000	0.0%
Expense	$4,911,561	$5,830,000	$5,463,209	$5,500,000	$5,500,000	0.0%
Associated Students						
Income	$157,553	$124,280	$88,669	$90,274	$90,274	0.0%
Expense	$157,553	$148,499	$72,228	$90,274	$90,274	0.0%
Scholarship and Loans						
Income	$2,920,326	$2,820,500	$2,343,169	$2,850,000	$2,500,000	-12.3%
Expense	$2,936,475	$2,841,867	$2,343,300	$2,850,000	$2,500,000	-12.3%
Trust Funds						
Income	$588,073	$620,222	$516,113	$589,000	$550,000	-6.6%
Expense	$566,521	$658,436	$399,954	$589,000	$550,000	-6.6%
Orr Scholarship						
Income	$5,221	$53,202	$44,866	$50,000	$50,000	0.0%
Expense	$24,544	$39,949	$57,608	$40,000	$50,000	25.0%
Building Fund						
Income	$621,134	$166,400	$179,944	$200,000	$200,000	0.0%
Expense	$13,376,047	$16,502,824	$13,382,715	$39,371,502	$31,021,614	-21.2%

*Actual through May 31, 2012.

Unrestricted General Fund Highlights

2012-2013 Tentative Budget

Revenues:

Total Unrestricted General Fund revenue budgeted for 2012-13 is $34,298,738. This is very close to the total revenue adopted for the 2011-12 Budget. The Governor's May Revision and approved trailer bills have included a "trigger cut" if the Governor's tax initiative is not passed in November. In estimating total revenues for the 2012-13 Budget, administration is using a revenue estimate somewhere between "best case" and "worst case" as an interim measure. Regardless of whether the tax initiative is approved or not, the District will have to revisit the budget mid-year to address potential budgetary impacts of any deficit coefficient or stability funding.

- **Apportionment** - The largest source of unrestricted revenue, $34,298,738 is received through the California Community College System and is based on actual enrollments of the College. These funds are referred to as apportionment and are received from student registration fees, local property taxes, and state backfill. Apportionment is calculated based on full time equivalent students (FTES): $4,564.83 per credit FTES and $2,744.96 per noncredit FTES plus a base allocation of $3,321,545 for a single campus district and $276,795 for a satellite campus. The projected apportionment does not assume a workload trigger cut in December. If the trigger cut does occur, the estimated reduction to apportionment revenue is $2.2M or approximately 490 FTES.

- **Part-Time Faculty Compensation** – The District has budgeted $159,407 the same allocation as provided in 2011-12. It should be noted that in 2008-09, the state cut part-time faculty compensation by $180K. The District has continued to backfill this cut using unrestricted general fund dollars for the last two years. This backfill will continue for 2012-13 assuming the MPCTA collective bargaining agreement is approved and ratified by the board.

- **Lottery** – Funds received from the Lottery Commission are based on prior years' FTES, including non-resident and apprenticeship. Lottery funds are budgeted at $841,698 for 2012-13.

- **Nonresident Fees** – The non-resident fee revenue for 2012-13 is budgeted at $585K. The new rate adopted by the board for 2012-13 is the state average of $179 per unit, which is $3 more than the MPC 2011-12 rate.

- **Interest** – Interest income is budgeted at $30,000 for 2011-12. The yield on the funds deposited with the county treasury continues to be at historic lows (< 0.50.%). All indications are that the Federal Reserve will continue to keep short term rates at very low levels.

- **Apprenticeship** – Normally apprenticeship funding is received based on actual hours of apprenticeship; however, through 2012-2013 schools have been provided a set allocation. MPC is budgeted to receive $68,638. Although these funds are unrestricted, they are being recorded in the Restricted Fund to support Supportive Services.

Expenses:

Total Unrestricted General Fund Expenses are budgeted at $37,448,994. Projections are included for all known obligations, including tentative agreements on negotiated employee contracts.

- **Salaries** - Increases for required step and column movement, longevity, and classified equity have been budgeted, where appropriate and total $387,015 for 2012-13. Wage concession (2.02%) for all employees have been incorporated in the budget estimate assuming approval and ratification of both collective bargaining agreements.

- **Fringe Benefits** – Fringe benefits are shown in two categories: salary roll-up costs and medical benefits.

  Salary roll-up costs include retirement, Medicare, FICA, unemployment, and workers comp and total 30.677% for classified employees and 14.31% for academic employees. Roll-up costs associated with salary increases for required step and column movement and longevity increases have been budgeted. The PERS employer rate increased from 10.923% to 11.417% for FY 2012-2013.

  Expenses for the District's self-insured medical benefits are budgeted and recorded in the Self Insurance Fund. Transfers are made from the various operating accounts to the Self Insurance Fund to cover the expenses. This Tentative Budget holds the medical rate the same as last year, although a 7.14% increase is projected.

- **Books and Supplies** – This category is budgeted at $609,346 for 2012-2013.

- **Services and Operating** – At $3,204,987 this budget category is $116,068 less than last year:

  1. Utilities – Total utility expenses are budgeted at $1,224,586 ($1,368,944 for all funds of the District.) Electricity is budgeted at $588,237 natural gas at $178,948, water at $316,996, waste disposal at $39,496, sewage at $35,500 and telephone at $85,500.
     (A transfer to the Debt Services Fund of $275,324 is also budgeted to make lease payments for the energy conservation projects completed by Siemens.)

  2. Risk Management (insurance) – Budgeted at a similar level to last year, with an overall increase of $15K shared between property and student accident insurance. The District is in a pool with other community colleges and is self-insured for property and liability coverage. Property and liability is budgeted at $268,000 plus $30,000 for deductibles. Student accident insurance for athletes is budgeted

at $69,886. (A budget for student accident insurance is also included in the Restricted General Fund at $45,022.)

3. Instructional Service Agreements – $1,403,838 is budgeted for Instructional Service Agreements (ISA.)

4. Travel – The conference attendance and related travel budget was reduced $8,000 from 2011-12 levels.

5. Legal Expenses - This category is $10K more than last year with a budget of $55,000.

6. Election Expenses –There will be no Board election in 2012-2013, and election expense is budgeted at zero, a decrease of $198,805 from the 2011-2012 budget.

7. Building Maintenance – Minor capital improvements is budgeted at $72,000.

8. Other Services & Expenses – The total budgets here are similar to last year.

9. Contingencies – Total general contingencies are $77,000, including $50,000 for unanticipated institutional expenditures (utilities, postage, telephone, etc.), $6,580 for the Superintendent, $8,000 total for VPs, $2,500 total for deans. In addition, there is a contingency of $10,000 for possible one-time startup expenses of the Education Center.

- **Capital Outlay** – This category is budgeted at $184,056, the same as last year.

- **Transfers** - Transfers to other funds are budgeted at $5,987,045, a decrease of $172,107 from last year, primarily due to a decrease in the transfer to Self-Insurance and the elimination of the transfer for Ft. Ord environmental insurance. The following are transfers to other funds:

Self Insurance Fund	$5,363,807
Child Development Fund	280,978
Debt Service (energy conservation)	275,324
EOP&S	66,936

- **Other** - The District records the mandatory allocation of revenue generated by DSPS classes by covering direct expenses totaling $374,381 in the Unrestricted General Fund.

Fund Balance:

General Fund Revenues are budgeted to exceed expenses by $11 and an ending Unrestricted General Fund balance of $3,763,842 is projected which is 10.05% of expenditures.