Address to the Board
7-26-17

My name is Dr. Hazel Ross. I am a retired math instructor.

Carl Bernstein famously said that the best description of what journalism should try to achieve is summarized in the phrase "the best obtainable version of the truth."

I like to think that this concept can be extrapolated to the realms of science, academia, politics, and even every day decision making, where the goal should be "to ascertain the best available knowledge and interpretation of the facts."

I am deeply concerned that MPC is making far reaching decisions that affect the community, the College culture, students, and staff, without the "best available knowledge and interpretation of the facts."

We have been hearing for years now about the "structural deficit."
Is the deficit really structural? Is it really so serious?

We have been hearing about the loss of lifelong learners to the tune of 2,000 FTES and 5 million dollars in annual revenue.
How are lifelong learners defined? Is the loss that great?

We've been hearing about using reserves year after year to balance the budget – sounds awful, but are we missing something?

We've been hearing about the unheard of health costs per employee – 22,000 thousand dollars annually. Can it really be that large?

We've heard about the 5% increase in salaries last year with 2% more to come this year. Sounds great, but is it really?

These are all good questions to ask, and I asked them of myself when I read MPC's May Letter to the Community in the Herald.

As you know, I was Chief Negotiator for MPCTA for many years, and for many more years served on the Health and Welfare Cost Containment Committee where I developed an intimate understanding of the ins and outs of The Self Insured Health Plan and its relationship to the Unrestricted General Fund.

Based on that knowledge, I've spent the last few weeks delving deeper into the issues surrounding the above questions. The results are contained in this folder that I'm about to give you. I believe that it contains good news! Things are not as dire as they seem.

You should know that my philosophy has always been for others to critically examine my data, arguments, and conclusions, and to let me know of any errors, missing data, flaws in logic, etc. I hope that you will do me the honor of reading through the folder with that in mind. In the final analysis, I think we all want to "ascertain the best available knowledge and interpretation of the facts."

Thank you.

Response

To

MPC's Letter to the Community
in the 5-27-17 Issue of the Monterey Herald

by

Hazel Ross
July 24, 2017

My Qualifications

I have a BA in Physics from Edinburgh University, Scotland, a Ph.D. in Astronomy from Case Western Reserve University, Cleveland, and am well trained in analyzing large amounts of data. I am a founding member of the Monterey Institute for Research in Astronomy (MIRA). While MIRA was getting started, I worked part-time for the bookkeeper at Hudson, Martin, Ferrante and Street where I learned bookkeeping. To make ends meet, MIRA created Omnibooks, a mail order discount bookstore (predating Amazon by a couple of decades!), which I managed and for which I set up the bookkeeping system. Some years later as MIRA's administrator, I managed the fund accounting system required for non-profits. I've also, of course, taught math for many years at MPC before retiring two years ago. I was Chief Negotiator for MPCTA for most of those years and also served on the Health and Welfare Cost Containment Committee where I developed an intimate understanding of the ins and outs of MPC's self-insured health plan.

My Philosophy

My philosophy has always been for others to examine critically my data, arguments, and conclusions and let me know of any errors, missing data, flaws in logic, etc., so that, paraphrasing Carl Bernstein, the best available knowledge and interpretation of the facts can be ascertained.

Supporting Documents

I have included citation numbers for all my sources of data and information. The numbered source documents start on page 11 and are in chronological order.

Summary

1. ***Monterey Peninsula College (MPC) employees were paid 5% more in 2016-17 than in 2015-16 (4 percent one time, 1 percent ongoing). In 2017–18 all employees will receive a 2% salary increase.***

   Since the last raise in 2007, the average salary increase per year is 0.43%. This is why MPC's salaries have fallen to very near the bottom of California Community College salaries. Given the high cost of living in the Monterey Peninsula area, not only is this deeply concerning to faculty, but it makes it hard to attract quality new faculty to MPC.

2. ***MPC has lost approximately $5 million in annual revenues after Sacramento politicians cut funding for repeated course enrollments ("repeatability") and caused MPC to lose roughly two thousand (2,000) Full- Time Equivalent Students (FTES).***

   There was a loss of over 2000 FTES from 2008 to 2016 but the "repeatability" rules produced only a small fraction of the loss. With the increase in FTES in 2016-17, the loss in annual revenue is $2,361,251 not $5 million. $1,154,178 (49%) of the loss in revenue came from the unfortunate decision to cut classes during Workload Reduction. The rest of the loss in FTES and revenues came largely from the planned reduction in non-credit FTES which wasn't sufficiently offset by the increase in credit FTES through 2010-11.

4. ***MPC has used reserves annually for several years to support programs and services for students to compensate for losses in State funding. This has been verified by CPAs in their annual audits of MPC's finances under financial standards set by the State Chancellor's Office. The board and administration realize this is not sustainable; and have been taking action to remedy this challenge***

   There are some limitations to the CPA's annual audit. The CPA accepts the Self Insurance Fund Balance provided by MPC. However, the connection between the Self Insurance Reserve, the Unrestricted General Fund, and the Deficit is complex. The critical factor is the size of the Fund Balance relative to the Reserve.

   Adjusting for the fact that for many years the Self Insurance Fund Balance has been much higher than a prudent Reserve for the fund, the table summarizes the effects on the deficit of maintaining a conservative Reserve of $2,500,000 in the Fund, or a less conservative Reserve of $1,800,000:

Combining the Actual Deficits from the Two Previous Tables to Cover the Whole Period 2009 to 2018
with a row added to show the deficits assuming the typical Reserve recommended by Alliant of $1,800,000

	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	Final Budget FY 16/17	Tentative Budget FY 17/18
Actual Size of the Deficit Assuming a Reserve of $2,500,000	**$0**	**$0**	**$513,000**	**$770,061**	**$1,599,160**	**$2,061,469**	**$0**	**$814,714**	**$0**
Actual Size of the Deficit Assuming a Reserve of $1,800,000	$0	$0	$0	$70,061	$899,160	$1,361,469	$0	$114,714	$0

The actual deficits are not as large as has been thought even with a conservative reserve of $2,500,000.

The worst deficits were in 2013-14 and 2014-15 but since then the deficit picture has improved markedly. If the smaller reserve of $1,800,000 was used, as is typically recommended by Alliant, the actual deficits are even smaller.

The accumulated deficit would be smaller by $1,154,178 if Workload Restoration had been received in 2012-13.

All of the above suggests that there is no **structural** deficit but that there were some deficits with the worst years being FY13/14 and FY 14/15

5. *The Accrediting Commission for Community and Junior Colleges (ACCJC) placed MPC on probation in February 2017 due, in part, to MPC's unsustainable deficit spending. MPC has until March 2018 to improve before ACCJC reviews MPC for further sanctions.*

   From the analysis in Point #4 above, it can be argued that MPC has not been experiencing unsustainable deficit spending; deficits were a temporary issue; things are improving; and if the Self Insurance Fund is managed as suggested, further sanctions by the ACCJC can be avoided.

6. *Community college experts from the Collaborative Brain Trust (CBT) found that MPC's faculty are underutilized in the classroom, with an unusually high number of faculty on non-teaching "release time". This reduces the College's staffing efficiency. MPC's median class size for credit courses (19 students) is noticeably lower than our neighbors (Hartnell College – 26, Cabrillo College– 25).*

   It's worth noting that for most of the time period from 1990 – 2010 (I started at MPC in 1990), successive administrations were extremely reluctant to authorize any new reassigned time for any reason beyond what is listed currently in Exhibit D-2. Recent administrations have lost that reluctance and have initiated significant amounts of reassigned time.

7. *As a result of the State's unfunded reforms of public pension plans, MPC will be required to increase its payments for employee pensions by over $2 million annually when the reforms are fully implemented in 2021.*

   The statement is true, but the graph is very misleading. The graph lumps pension costs in with Benefits and Healthcare costs. The expenses in the Self Insurance Fund have been pretty flat for the last five years, except for the estimated expense for the current year.

8. *In addition, MPC is funding 100% of the cost of health benefits for its employees, their spouses, and their dependents. At a cost of around $22,000 annually per covered employee, the District is funding health benefits at level unheard of in this day and age.*

   Whether computing the Budget or Actual costs per plan member, the Annual Healthcare Cost per member has been remarkably flat in the range $15,000 to $16,000 until this year's figure of $17,242. The $22,000 figure quoted by the District is way too high – it appears to be a computational error. MPC has been doing an excellent job of keeping health costs down compared to regional and national trends as assessed by Alliant.

Detailed Analysis

I will respond to each of MPC's points one by one except for Numbers 3 and 9

1. *Monterey Peninsula College (MPC) employees were paid 5% more in 2016-17 than in 2015-16 (4 percent one time, 1 percent ongoing). In 2017–18 all employees will receive a 2% salary increase.*

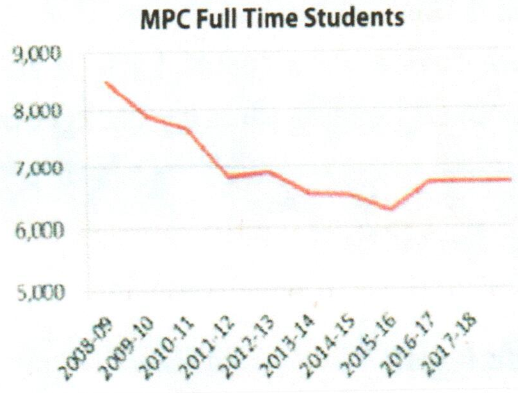
This sounds pretty reasonable, but the following table puts it in perspective:

Faculty Salary Increases 2008 - 2018			
Faculty:	**Part-Time**	**Full-Time**	**Comments**
Year	**Increase**		
2008-09	0	0	
2009-10	0	0	
2010-11	0	0	
2011-12	-3.83%	-3.83%	Salary Concession for 2011-12
2012-13	-2.02%	-2.02%	Salary Concession for 2012-13 along with a Restoration Clause
2013-14	0	0	
2014-15	2.02%	2.02%	Salary Concession for 2012-13 restored per Restoration Clause
2015-16	1.08%	1.08%	For 2012-15 per Restoration Clause and Salary Formula. Via Grievance, then Mediation on 7/1/15
2016	4.00%	4.00%	One time, off-schedule; not included for future on-schedule raises; nor towards pensions for many faculty. Negotiated November 2016 along with striking the Salary Formula from the Bargaining Agreement.
2016-17	1.00%	1.00%	Negotiated November 2016 along with striking the Salary Formula from the Bargaining Agreement.
2017-18	2.00%	2.00%	Negotiated November 2016 along with striking the Salary Formula from the Bargaining Agreement.
TOTAL	**4.25%**	**4.25%**	**Over the 10 year period 2008 - 2018.**
Average Increase per Year	**0.43%**	**0.43%**	

In summary: **Since the last raise in 2007, the average salary increase per year is 0.43%!** This is why MPC's salaries have fallen to very near the bottom of California Community College salaries. Given the high cost of living in the Monterey Peninsula area, not only is this deeply concerning to faculty, but it makes it hard to attract quality new faculty to MPC

For most of my time at MPC, once MPCTA negotiated a salary increase, classified received the same increase, as did administrators. Many classified folks are paid at the lower end of the pay scales and suffer even more with the area's high cost of living. Here is a radical thought: while MPC is still recovering from the effect of the recession, perhaps it is time for higher paid administrators to forgo the next few rounds of salary increases for the good of the college.

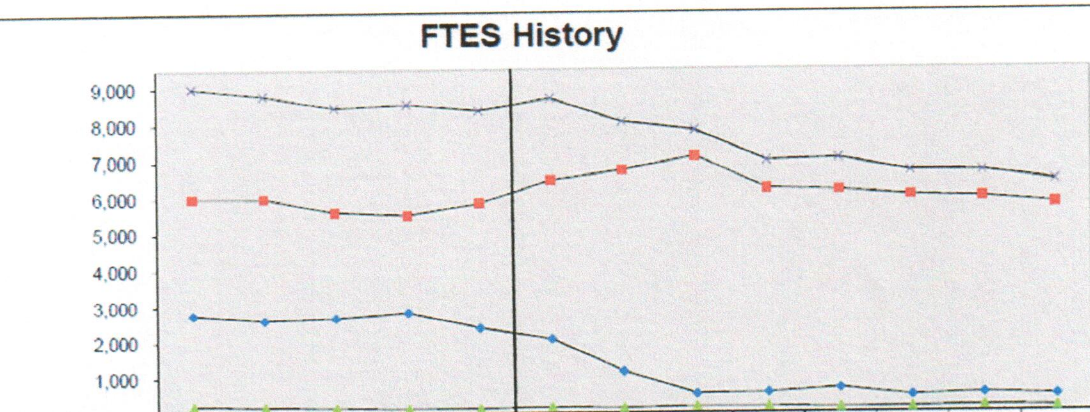
2. ***MPC has lost approximately $5 million in annual revenues after Sacramento politicians cut funding for repeated course enrollments ("repeatability") and caused MPC to lose roughly two thousand (2,000) Full- Time Equivalent Students (FTES).***



This looks pretty drastic, but the devil is in the details. The following graph and table from Page 11 of the 2016 Audit Report[1] (covering 2003-04 through 2015-16) shows MPC's FTES history in greater detail, with my annotations added above and below the figure:

Workload Reduction classes cut in 2011-12 ↓

Repeatability Rules Implemented Fall 2013 ↓



Fiscal Year	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Noncredit	2770	2606	2668	2839	2370	2061	1155	526	563	696	492	525	472
Credit	5996	5993	5623	5540	5858	6474	6735	7112	6242	6186	6032	5984	5790
Nonres	229	206	181	167	165	168	163	193	189	159	167	172	153
Total FTES	8995	8805	8472	8547	8393	8703	8053	7831	6994	7041	6691	6681	6415

← Period covered by MPC's Graph → 16-17

There are two issues to look at here:

i. **Losses in "Repeatability" funding caused MPC to lose roughly 2,000 Full-Time Equivalent Students (FTES)**

The "repeatability" rules went into effect in Fall, 2013[2a]. Note that the decline in FTES for the three years after the rules took effect was relatively small, and MPC's graph shows that FTES jumped up significantly in 2016-17.

Before the "repeatability" rules took effect, other factors caused MPC's FTES to drop significantly in 2011-12. As the 2016 Audit Report (Page 11)[1] states, "credit FTES has declined from 2010-2011 because of a variety of reasons including increased student fees, **State workload reduction**, the economy, and declining classroom efficiency."

The State workload reductions were implemented in 2009-10 and 2011-12[2b]. The effect was to lower caps on FTES for all community colleges, which meant that they would not be paid for any FTES above their new caps. Unfortunately, MPC made the decision in 2011-12 to cut classes and sections to avoid generating FTES above the cap.

Before 2010-11, (starting in 2006-07), MPC had made a concerted and successful effort to reduce non-credit enrollment, levelling it off to around 550 FTES. During the same period, to offset the decline in noncredit FTES, MPC managed to significantly increase credit enrollment and this would likely have continued if it hadn't been for classes being cut during the 2011-12 Workload Reduction.

Before 2010-11, (starting in 2006-07), MPC had made a concerted and successful effort to reduce non-credit enrollment, levelling it off to around 550 FTES. During the same period, to offset the decline in noncredit FTES, MPC managed to significantly increase credit enrollment and this would likely have continued if it hadn't been for classes being cut during the 2011-12 Workload Reduction.

ii. Losses in "Repeatability" funding caused MPC to lose approximately $5 million in annual revenues

Apportionment Reports from the Chancellor's Office provide Credit FTES and Non-Credit FTES numbers along with the corresponding Base Funding per FTES. The next table shows these for 2008-09 and 2016-17, along with the corresponding revenues, and shows a loss of $2,361,251, not $5,000,000.

FTES and Revenue for 2008-09 and 2016-17
(Using rounded figures for FTES and Base Funding)

Year 2008-09	**From the Final Recalculation Apportionment[3a]**	**FTES**	**Base Funding per FTES**	**Revenue (FTES x Base Revenue)**
	Credit	6,474	$4,565	$29,553,810
	Non-Credit	2,061	$2,745	$5,657,445
	Total:	**8535**	**Total:**	**$35,211,255**
Year 2016-17	**From the Second Principal Apportionment (P2)[3b] 6-23-17 (Latest Available Data)**	**FTES**	**Base Funding per FTES**	
	Credit	6348	$5,006	$31,778,088
	Non-Credit	356	$3,011	$1,071,916
	Total:	**6701**	**Total:**	**$32,850,004**
Decrease in FTES and Revenue from 2008-09 to 2016-17:		**1834**		**$2,361,251**

There was another factor contributing to MPC's loss in revenue over this period. MPC had made that unfortunate decision in 2011-12 to cut classes to avoid generating FTES above the Workload Reduction cap. Even though there was a slight uptick in FTES the following year, there was not enough growth to qualify for Workload Restoration Funds of $1,154,178 in 2012-13[2b]. In contrast, Steve Kinsella at Gavilan College did not make any cuts and stayed over cap; the expense of the unfunded classes was recouped by later restoration funds.

In summary: There was a loss of over 2000 FTES from 2008 to 2016 but the "repeatability" rules produced only a small fraction of the loss. With the increase in FTES in 2016-17, the loss in annual revenue is $2,361,251 not $5 million. $1,154,178 (49%) of the loss in revenue came from the unfortunate decision to cut classes during Workload Reduction[2b]. The rest of the loss in FTES and revenues came largely from the planned reduction in non-credit FTES which wasn't sufficiently offset by the increase in credit FTES through 2010-11.

4. ***MPC has used reserves annually for several years to support programs and services for students to compensate for losses in State funding. This has been verified by CPAs in their annual audits of MPC's finances under financial standards set by the State Chancellor's Office. The board and administration realize this is not sustainable; and have been taking action to remedy this challenge.***

There are two issues to look at here:

i. **The annual use of reserves has been verified by CPAs in their annual audits of MPC's finances under financial standards set by the State Chancellor's Office.**

There are some limitations to the CPA's annual audit. Quoting from the final statement (dated December 16, 2016) for the, 2016 Annual Audit[4]:

"A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis."

"Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified."

An important example of a situation like this is that the CPA accepts the Self Insurance Fund Balance provided by MPC as being accurate. The consequences of this are explored in the next section.

ii. **MPC has used reserves annually for several years to support programs and services for students**

True, but for a number of reasons it has not been recognized that the Self Insurance Fund Balance was far higher than an amount that would be considered a prudent reserve.

What is a prudent reserve? Alliant Insurance Services is MPC's Broker for the Self Insurance Plan, and typically recommends a Plan Reserve of around $1,800,000. A more conservative reserve would be able to handle 1½ times the largest spike in the Plan's costs in the last 10 years. A reserve of $2,500,000 would accomplish that. I am assuming this amount in what follows.

The main reason that the Self Insurance Fund Balance has been so high was that for many years the Self Insurance Fund included the OPEB and Workers Compensation Fund Balances. It was only in 2013-14 that separate funds were created for OPEB and Workers Comp with a fund transfer of $4,008,381 which revealed the actual Self Insurance Fund balance[5]. At that point, the amount of a prudent reserve should have been established, but with the turnover in the Vice President of Administrative Services position, it apparently fell through the cracks.

For at least 5 years before the MPC's first deficit, the Self Insurance Ending Fund Balance (excluding OPEB and Worker's Comp) ranged from around $3,000,000 to $6,000,000, well over a $2,500,000 reserve. If this had been recognized at the time the excess funds each year should have been transferred back to the Unrestricted General Fund (UGF) and the deficit would have been correspondingly reduced. The following table shows the effect of maintaining a $2,500,000 reserve on the size of the deficit:

Summary of the Relationship Among
the Self Insurance Fund, the Unrestricted General Fund and the Structural Deficit
Excerpted from the Detailed Source Material by Rosemary Barrios and Hazel Ross[5]
(Note: I do not have access to the data after FY 14/15)

Assuming a Self Insurance Reserve of $2,500,000

	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	Total
(8) Self Insurance Ending Fund Balance	$5,157,453	$6,476,412	$4,964,621	$3,804,519	$3,462,000	$2,737,349	
(9) Amounts available to be returned to the UGF = Ending Fund Balance (8) - $2,500,000	$2,657,453	$3,976,412	$2,464,621	$1,304,519	$962,000	$237,349	
(10) Amounts actually transferred to UGF to "cover Structural Deficit" from 2011-12 through 2014-15	$0	$0	$2,396,564	$1,418,580	$1,811,160	$2,298,818	$7,925,122
(11) Amount of the transfer that is: under (+) or over (-) the available amount (9) - (10)	$0	$0	$68,057	-$114,061	-$849,160	-$2,061,469	
(12) Part of the UGF deficit covered by the Self Insurance Fund	$0	$0	$0	$114,061	$849,160	$2,061,469	$3,024,690
(13) Part of the UGF deficit covered by the Capital Outlay Fund See Comments[6] in Steve Ma's "Self Insurance Fund Analysis"	$0	$0	$513,000	$656,000	*$750,000**	$0	$1,919,000
(14) Actual Size of the Deficit (12)+(13)	$0	$0	$513,000	$770,061	$1,599,160	$2,061,469	$4,943,690

**$750,000 was projected. I don't know the actual amount.*

Although the total amount transferred from the Self Insurance Fund to the Unrestricted General Fund from 2011-12 to 2014-15 was $7,925,122, this was NOT the accumulated size of the deficit. Including the funds transferred from the Capital Outlay Fund[6], the accumulated deficit was actually $4,943,690, or 62% of what had been thought. In addition, as mentioned in Point #2, MPC lost Workload Restoration Funds of $1,154,178 in 2012-13 which would have further reduced the accumulated size of the deficit to $3,789,512, or 48% of what had been thought.

Although I don't have access to similar data after 2014-15, the 7-31-16 Monthly Report[7] for 2015-16*, the Final Budget[8] for 2016-17, and the Tentative Budget[9] for 2017-18 provide the following information:

The Self Insurance Fund, The Unrestricted General Fund, and the Structural Deficit for 2015 - 2018 Assuming a Self Insurance Reserve of $2,500,000					
	Estimated Actual for 2015-2016*			Final Budget for 2016-2017	Tentative Budget for 2017-2018
***	***	(1)	Beginning Balance	$3,489,812	$2,547,905
***	***	(2)	Revenue	$7,181,305	$7,786,867
***	***	(3)	Expense without deficit transfer $8,985,831 - $2,031,765	$6,954,066	$7,385,138
Ending Balance	$3,784,636	(4)	Ending Balance without deficit transfer (1)+(2)-(3)	$3,717,051	$2,949,634
Available to Transfer Back to UGF ($3,784,636 - $2,500,000)	$1,284,636	(5)	Available to Transfer Back to UGF ($3,717,051 - $2,500,000)	$1,217,051	$449,634
Apparent Deficit	$1,173,293	(6)	Apparent Deficit	$2,031,765	$0
Actual Deficit	**$0**	(7)	**Actual Deficit (6)-(5)**	**$814,714**	**$0**
***	***	(8)	Ending Balance after deficit transfer $2,500,000 - (7)	$1,685,286	$2,949,634

* I do not have access to the data for 2015 – 2016. The regular July Board Meeting was cancelled, and the Monthly Financial Report for 6-30-16 (essentially the report for the whole year 2015-16) was not on the August meeting agenda. I used the Beginning Balance for the 7-31-16 Monthly Financial Report ($3,784,636) as the ending Balance for 6-30-16.

Note: i) The Final Budget for 2015-16 states that one-time state revenues were used to cover the deficit of $1,173,293. These funds could have been used for other purposes if the excess in the Self Insurance Fund had been transferred back to the UGF.

ii) In the 2017-18 Tentative Budget there is no deficit and $449,634 is available for transfer back to the UGF.

In summary:

Combining the Actual Deficits from the Two Previous Tables to Cover the Whole Period 2009 to 2018 with a row added to show the deficits assuming the typical Reserve recommended by Alliant of $1,800,000									
	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	Final Budget FY 16/17	Tentative Budget FY 17/18
Actual Size of the Deficit Assuming a Reserve of $2,500,000	**$0**	**$0**	**$513,000**	**$770,061**	**$1,599,160**	**$2,061,469**	**$0**	**$814,714**	**$0**
Actual Size of the Deficit Assuming a Reserve of $1,800,000	$0	$0	$0	$70,061	$899,160	$1,361,469	$0	$114,714	$0

There are some limitations to the CPA's annual audit. The CPA accepts the Self Insurance Fund Balance provided by MPC. However, the connection between the Self Insurance Reserve, the Unrestricted General Fund, and the Deficit is complex. The critical factor is the size of the Fund Balance relative to the Reserve. The actual deficits are not as large as has been thought even with a conservative reserve of $2,500,000 in the Self Insurance Fund.

The worst deficits were in 2013-14 and 2014-15 and since then the deficit picture has improved markedly. If a smaller reserve was used as recommended by Alliant, say, $1,800,000, the actual deficits would be even smaller by $700,000.

The accumulated deficit would have been smaller by $1,154,178 if Workload Restoration had been received in 2012-13.

All of the above suggests that there is no **structural** deficit but that there were some deficits for a variety of reasons with the worst years being FY13/14 and FY 14/15

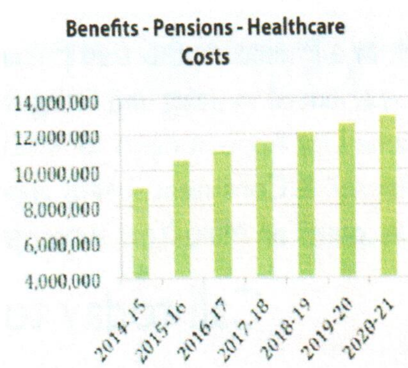
5. *The Accrediting Commission for Community and Junior Colleges (ACCJC) placed MPC on probation in February 2017 due, in part, to MPC's unsustainable deficit spending. MPC has until March 2018 to improve before ACCJC reviews MPC for further sanctions.*

From the analysis in Point #4 above, it can be argued that MPC has not been experiencing unsustainable deficit spending; deficits were a temporary issue; things are improving; and if the Self Insurance Fund is managed as suggested, further sanctions by the ACCJC can be avoided.

6. *Community college experts from the Collaborative Brain Trust (CBT) found that MPC's faculty are underutilized in the classroom, with an unusually high number of faculty on non-teaching "release time". This reduces the College's staffing efficiency. MPC's median class size for credit courses (19 students) is noticeably lower than our neighbors (Hartnell College – 26, Cabrillo College– 25).*

It's worth noting that for most of the time period from 1990 – 2010 (I started at MPC in 1990), successive administrations were extremely reluctant to authorize any new reassigned time for any reason beyond what is listed currently in Exhibit D-2. Recent administrations have lost that reluctance and have initiated significant amounts of reassigned time.

7. *As a result of the State's unfunded reforms of public pension plans, MPC will be required to increase its payments for employee pensions by over $2 million annually when the reforms are fully implemented in 2021.*



Note that the graph lumps pension costs in with Benefits and Healthcare costs!

Here are the Self Insurance Plan's expenses for the last five years along with Alliant's recommendations for increases in funding.

Self Insurance Plan Expenses 2012 - 2017					
Year	**2012-2013**	**2013-2014**	**2014-2015**	**2015-2016**	**2016-2017**
Expenses*	$6,270,956	$6,170,788	$6,216,925	$6,246,812	$6,931,265
Alliant's Recommended Funding Rate Increases**	7.14%	12.86%	19.52%	18.17%	25.18%

*2012-13 to 2015-16: Alliant Report[10] as of 2-18-17, p 4, Section 1: Executive Summary - Funding Recap

2016 - 17: The June 30, 2017, Monthly Financial Report[11]. The Expense of $8,931,265 included a $2,000,000 transfer to the UGF for the deficit. The true health care Expense is $6,931,265.

It's worth noting that, except for the current year, the expenses in the Self Insurance Fund have been pretty flat for the last five years. The current year's expense is 11.3% higher than the average of the previous four years – compare that with Alliant's recommended rate increase of 25.18%! This shows how well MPC's Self Insurance Plan has kept costs down compared to the regional and national trends used by Alliant.

In summary: The statement is true, but the graph is very misleading.

8. ***In addition, MPC is funding 100% of the cost of health benefits for its employees, their spouses, and their dependents. At a cost of around $22,000 annually per covered employee, the District is funding health benefits at level unheard of in this day and age.***

MPC's Self Insurance Plan Members are the active employees, retirees and board members. The Annual Healthcare Cost per member is found by dividing Total Healthcare Costs by the Number of Plan Members. The Total Costs could be either Budget Costs or Actual Costs. The Budget Funding Rate is the Cost per Member per Month and is used in building the Plan Budget. The following table shows the Annual Healthcare Cost per member calculated both ways using data from reports on the Plan provided by Alliant Insurance Services:

Budgeted and Actual Healthcare Costs and Healthcare Costs per Plan Member (Actives, Retirees, and Board Members)

	Year:	2012-13	2013-14	2014-15	2015-16	2016-17
	Number of Plan Members (Actives, Retirees, Board Members)	413	410	395	398	402
BUDGETED	**Budget Funding Rate** (Budget Cost per Member per Month)	$1,280	$1,200	$1,250	$1,250	$1,375
	Budgeted Costs (Funding Rate × Members × 12)	$6,343,680	$5,904,000	$5,925,000	$5,970,000	$6,633,000
	Annual Budgeted Cost per Member (Budgeted Costs ÷ Members)	$15,360	$14,400	$15,000	$15,000	$16,500
ACTUAL	**Actual Costs***	$6,270,956	$6,170,788	6,216,925	6,246,812	6,931,265
	Actual Funding Rate (Actual Costs ÷ Members ÷ 12)	$1,265	$1,254	$1,311.59	$1,307.96	$1,436.83
	Annual Actual Cost per Member (Actual Cost ÷ Number of Members)	$15,184	$15,051	$15,739	$15,696	$17,242

*For 2012-2016: Taken for the Alliant Report[10] through February 28, 2017, Page 4 Section 1: Executive Summary, Funding Recap

For 2016-2017: The June 30, 2017, Monthly Financial Report.[11] The Expense of $8,931,265 included a $2,000,000 transfer to the Unrestricted General Fund for the deficit. The true health care Expense is $6,931,265.

Whether Budget or Actual, the Annual Healthcare Cost per member has been remarkably flat in the range $15,000 to $16,000 until this year, when $17,242 represents an increase of 11.8% over the average of the previous four years.

See also the table and discussion in Point #7 as to how well MPC's Plan keeps costs down.

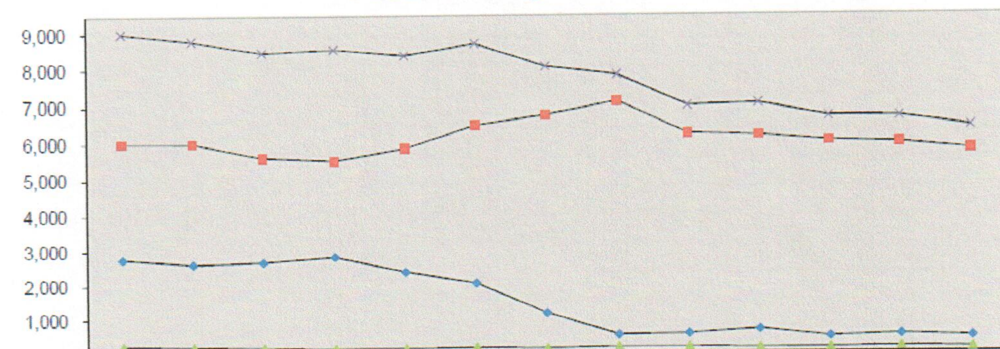
In summary: Whether computing the Budget or Actual costs per plan member, the Annual Healthcare Cost per member has been remarkably flat in the range $15,000 to $16,000 until this year's figure of $17,242. The $22,000 figure quoted by the District is way too high – it appears to be a computational error. MPC has been doing an excellent job of keeping health costs down compared to regional and national trends as assessed by Alliant.

Supporting Documents

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

A number of trends have become more prominent in the District's FTES production over the past few years. In 2008-2009, total FTES was 8,703 including non-resident students. At about the same time, the Chancellor's Office began to encourage community colleges to focus course offerings in three credit areas namely transfer courses, basic skills, and career technical education. From 2008-2009 to 2012-2013, Monterey Peninsula Community College (MPC) reduced non-credit FTES production 66 percent. From 2008-2009 to 2011-2012, credit FTES production increased 9 percent to offset revenue loss in the non-credit area. However, credit FTES has declined from 2010-2011 because of a variety of reasons including increased student fees, State workload reduction, the economy, and declining classroom efficiency. Declining enrollments have resulted in declines in revenue. The District's strategy for increasing FTES production to restore above 6,500, include increasing efficiency, offering additional course sections in growth areas, improve and enhance enrollment and retention rates, increase outreach, advertising, and create partner with public and private organizations.

FTES History



Fiscal Year	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Noncredit	2770	2606	2668	2839	2370	2061	1155	526	563	696	492	525	472
Credit	5996	5993	5623	5540	5858	6474	6735	7112	6242	6186	6032	5984	5790
Nonres	229	206	181	167	165	168	163	193	189	159	167	172	153
Total FTES	8995	8805	8472	8547	8393	8703	8053	7831	6994	7041	6691	6681	6415

Note: the regulations were approved on the second reading, but I couldn't easily find the later press release.

http://californiacommunitycolleges.cccco.edu/Portals/0/DocDownloads/PressReleases/MAY2012/PRESS_RELEASE_BOG_Repeatability_FINAL_050712.pdf

CALIFORNIA COMMUNITY COLLEGES
CHANCELLOR'S OFFICE

PRESS RELEASE **May 7, 2012**

Contact: Paige Marlatt Dorr
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California Community Colleges Board of Governors Regulation Proposal Would Stop Unnecessary Repeat Enrollment in State-funded Courses

Move designed to make better use of scarce resources and help prioritize course offerings

SACRAMENTO, Calif. – The California Community Colleges Board of Governors today heard regulatory changes that would make better use of state funds by preventing students from repeatedly enrolling in courses that they have already completed successfully.

The changes primarily focus on physical education, performing and visual arts classes that students had been allowed to take up to four times.

"Budget cuts have forced us to ration education, and we are currently turning away hundreds of thousands of students from our campuses that want to pursue a degree, transfer to a four-year university or get job training so they can get back into the workforce or advance in their current career," California Community Colleges Board of Governors President Scott Himelstein said. "It doesn't make sense for us to allow students to take the same physical education course four times on the taxpayer's dime while we are closing our doors on those looking for a degree or seeking job skills."

The recommended changes are intended to support the California Community Colleges Student Success Task Force goal of better aligning courses with student education plans and needs. By not allowing students to needlessly repeat courses, colleges are able to focus course offerings directly to a student's degree requirements.

"Restricting students' ability to repeat state-subsidized courses in physical education and other classes will help all of us focus on the priorities of providing basic skills in English and mathematics, certificate and degree attainment and transfer preparation," Chancellor Jack Scott said. "It used to be we could be all things to all people. Those days are gone, and now we have to focus on those with the greatest need."

The new regulations, which were drafted with extensive input from the Academic Senate for California Community Colleges, will prohibit a student who successfully completes a class from repeating it, except under certain circumstances. Students can repeat courses if it is required for transfer to the University of California or California State University, related to participation in intercollegiate athletics or is required for vocational or licensure reasons.

In July 2011, the board of governors adopted regulations that limited the number of times a student could repeat a class to make up for a substandard grade to three times. The new regulation changes focus on retaking classes that have already been successfully completed.

The regulation changes will go before the California Community Colleges Board of Governors for a second reading in July, and if approved then will take effect in the fall of 2013.

Document #2a Page 2

First Principal Apportionment and Recalculation Apportionment for 2012-13

Document 2b

The First Principal Apportionment came out on 2-18-13 (this page) showing Workload Restoration of 252.842 Credit FTES corresponding to Restoration of $1,154,178.

The Final Recalculation Apportionment (next page) came out November, 2014, showing a Workload loss of 55.690 Credit FTES, so MPC lost the $1,154,178 in restoration funds.

The Workload Reduction years of 2009-10 and 2011-12 are highlighted on the next page

CALIFORNIA COMMUNITY COLLEGES 2012-13
FIRST PRINCIPAL APPORTIONMENT (P1)
MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT 2-18-13

EXHIBIT C

Workload measures:	Base Funding	Marginal Funding	Base FTES	Workload Restoration FTES	Growth FTES	Restored FTES	Stability FTES	Total Funded FTES	Unfunded FTES	Actual FTES
Credit FTES	4,564.825103	4,564.830000	6,242.080	252.842	0.000	4.938	0.000	6,499.860	0.000	6,499.860
Noncredit FTES	2,744.957800	2,744.957800	521.640	0.000	0.000	74.951	0.000	596.590	0.000	596.590
Noncredit - CDCP FTES	3,232.067600	3,232.067600	41.500	0.000	0.000	2.310	0.000	43.810	0.000	43.810
Total FTES:			6,805.220	252.842	0.000	82.199	0.000	7,140.260	0.000	7,140.260

I Base Revenues +/- Restore or Decline

A Basic Allocation		$3,598,340
B Basic FTES Revenue Before Workload Reduction	$30,060,015	
C Workload Reduction	$0	
D Revised Base FTES Revenue		$30,060,015
1 Credit Base Revenue	$28,494,004	
2 Noncredit Base Revenue	$1,431,880	
3 Career Development College NonCr	$134,131	
E Current Year Decline		$0
Total Base Revenue Less Decline		$33,658,355

II Inflation Adjustment

A Statewide Inflation Adjustment	0%	
B Inflation Adjustment	$0	
C Current Year Base Revenue + Inflation Adjustment		$33,658,355

III Basic Allocation & Restoration

A Basic Allocation Adjustment	$0	
B Basic Allocation Adjustment COLA		$0
C Stability Restoration	Shortfall	$235,744
D Restoration of Prior Year Workload Reduction		$1,154,178
Total Basic Allocation & Restoration		$1,389,922

IV Growth

A Unadjusted Growth Rate	0.00%	
B Constrained Growth Rate	0.00%	
C Constrained Growth Cap	$0	
D Actual Growth	$0	
E Funded Credit Growth Revenue	$0	
F Funded Noncredit Growth Revenue	$0	
G Funded Noncredit CDCP Growth Revenue	$0	
Total Growth Revenue		$0

V Other Revenues Adjustments

A Revenue Adjustment	$0
Total Revenue Adjustments	$0

VI Stability Adjustment $0

VII Total Computational Revenue (sum of II, III, IV, V, & VI) $35,048,277

VIII District Revenue Source

A1 Property Taxes		$13,691,474
A2 Less Property Taxes Excess		$0
B Student Enrollment Fees		$1,209,874
C State General Apportionment		$12,238,622
D June Estimated EPA		$5,633,788
E Revenue	0.93510325777	$2,274,519
Total Available General Revenue		$35,048,277

IX Other Allowances and Total Apportionments

A State General Apportionment	$12,238,622
B Statewide Average Replacement Cost	$60,289
Number of Faculty Not Hired	0.00
Full-time Faculty Adjustment	$0
Net State General Apportionment	$12,238,622

X Unrestored Decline as of July 1st of Current Year

A 1st Year	$1,387,840
B 2nd Year	$0
C 3rd Year	$0
Total	$1,387,840

Regular Growth Caps adjusted by a factor of 0.00000000 to match funding.

CALIFORNIA COMMUNITY COLLEGES

2012-13 RECALCULATION APPORTIONMENT (Revision - November 2014)

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

EXHIBIT E

Workload measures:	Base Funding	Marginal Funding	Base FTES	Workload Restoration FTES	Growth FTES	Restored FTES	Stability FTES	Total Funded FTES	Unfunded FTES	Actual FTES
Credit FTES	4,564.825103	4,564.825100	6,242.080	-55.690	0.000	0.000	0.000	6,186.390	0.000	6,186.390
Noncredit FTES	2,744.957800	2,744.957800	521.640	89.327	0.000	40.603	0.000	651.570	0.000	651.570
Noncredit - CDCP FTES	3,232.067600	3,232.067600	41.500	2.790	0.000	0.000	0.000	44.290	0.000	44.290
Total FTES:			6,805.220	36.427	0.000	40.603	0.000	6,882.250	0.000	6,882.250

I Base Revenues +/- Restore or Decline

A Basic Allocation		$3,598,340
B Basic FTES Revenue Before Workload Reduction	$30,060,015	
C Workload Reduction	$0	
D Revised Base FTES Revenue		$30,060,015
1 Credit Base Revenue	$28,494,004	
2 Noncredit Base Revenue	$1,431,880	
3 Career Development College NonCr	$134,131	
E Current Year Decline		$0
Total Base Revenue Less Decline		$33,658,355

II Inflation Adjustment

A Statewide Inflation Adjustment B	0%	
Inflation Adjustment	$0	
C Current Year Base Revenue + Inflation Adjustment		$33,658,355

III Basic Allocation & Restoration

IV A Basic Allocation Adjustment	$0	
B Basic Allocation Adjustment COLA		$0
C Stability Restoration		$111,454
D1 Restoration of Prior Year Workload Reduction 09-10		$0
D2 Restoration of Prior Year Workload Reduction 11-12		$0
Total Basic Allocation & Restoration		$111,454

IV Growth

A Unadjusted Growth Rate B	0.00%	
Constrained Growth Rate	0.00%	
C Constrained Growth Cap	$0	
D Actual Growth	$0	
E Funded Credit Growth Revenue	$0	
F Funded Noncredit Growth Revenue	$0	
G Funded Noncredit CDCP Growth Revenue	$0	
Total Growth Revenue		$0

V Other Revenues Adjustments

A Revenue Adjustment	$0
Total Revenue Adjustments (Includes III A. Adjustment)	$0

VI Stability Adjustment

$0

VII Total Computational Revenue

(sum of II, III, IV, V, & VI) $33,769,809

VIII District Revenue Source

A1 Property Taxes		$15,725,378
A2 Less Property Taxes Excess		$0
B Student Enrollment Fees		$2,949,160
C State General Apportionment		$9,774,217
D June EPA		$5,315,309
Available Revenue		$33,764,064
E Revenue Shortfall	0.9998298776	$5,745
Total Revenue Plus Shortfall		$33,769,809

IX Other Allowances and Total Apportionments

A State General Apportionment	$9,774,217
B Statewide Average Replacement Cost	$69,532
Number of Faculty Not Hired	0.00
Full-time Faculty Adjustment	$0
Net State General Apportionment	$9,774,217

X Unrestored Decline as of July 1st of Current Year

A 1st Year	$1,387,840
B 2nd Year	$0
C 3rd Year	$0
Total	$1,387,840

Document #2b Page 2

FTES and Revenue for 2008-09

Document #3a

CALIFORNIA COMMUNITY COLLEGES
2008-09 RECALCULATION
MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT - March Revision

EXHIBIT E

Workload measures:	Base Funding	Marginal Funding	Base FTES	Restored FTES	Funded Growth FTES	Stability FTES	Total Funded FTES	Unfunded FTES	Actual FTES
Credit FTES	4,564.825286	4,564.825100	5,857.56	332.39	282.79	0.00	6,472.74	1.54	6,474.28
Noncredit FTES	2,744.957800	2,744.957800	2,369.50	0.00	-308.12	0.00	2,061.38	0.00	2,061.38
Noncredit - CDCP FTES	3,232.067600	3,232.067600	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total FTES:			8,227.06	332.39	-25.33	0.00	8,534.12	1.54	8,535.66

I Base Revenues +/- Restore or Decline

A Basic Allocation		$3,598,340
B Base Revenue		$33,242,897
1 Credit Base Revenue	$26,738,719	
2 Noncredit Base Revenue	$6,504,178	
3 Career Development College NonCr	$0	
C Current Year Decline		$0
D Total Base Revenue Less Decline		$36,841,237

II Inflation Adjustment

A Statewide Inflation Adjustment	0%	
B Inflation Adjustment Entitlement	$0	
C Current Year Base Revenue + Inflation Adjustment		$36,841,237

III Basic Allocation & Restoration

Basic Allocation Adjustment	$0
Basic Allocation Adjustment COLA	$0
Restoration	$1,517,280
Total	$1,517,280

IV Growth

A Unadjusted Growth Rate	2.42%	
B Constrained Growth Rate	1.22%	
C Constrained Growth Cap	$404,070	
D Actual Growth	$452,163	
E Funded Credit Growth Revenue	$1,290,934	
F Funded Noncredit Growth Revenue	$-845,776	
G Funded Noncredit CDCP Growth Revenue	$0	
Total Growth Revenue		$445,158

V Other Revenues Adjustments

A Audit Adjustment	$-285,610
B CDCP Rate Adjustment	$0
Total Revenue Adjustments	$-285,610

VI Stability Adjustment

VI Stability Adjustment	$0

VII Total Computational Revenue

(sum of II, III, IV, V, & VI)

VII Total Computational Revenue		$38,518,065
Deficit Coefficient	0.9881012195	$-458,318
Adjusted Revenue Entitlement		$38,059,747

VIII District Revenue Source

A1 Property Taxes	$14,354,067
A2 Less Property Taxes Excess	$0
B Student Enrollment Fees	$1,719,446
C State General Apportionment	$21,986,234
D Total Available General Revenue	$38,059,747

IX Other Allowances and Total Apportionments

A State General Apportionment	$21,986,234
B Statewide Average Replacement Cost	$60,289
Number of Faculty Not Hired	$0.00
Full-time Faculty Adjustment	$0
C Net State General Apportionment	$21,986,234

X Remaining Unrestored Decline (informational)

(as of the most recent apportionment)

A 1st Year	$0
B 2nd Year	$0
C 3rd Year	$1,517,280

CALIFORNIA COMMUNITY COLLEGES
2016-17 SECOND PRINCIPAL APPORTIONMENT
MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

EXHIBIT C

Workload Measures	Base Funding	Marginal Funding	Base FTES	Growth FTES	Restored FTES	Stability FTES	Total Funded FTES	Unfunded FTES	Actual FTES
Credit FTES	5,005.747442	5,005.747437	5,789.880	29.774	440.126	0.000	6,259.780	0.000	6,259.780
Noncredit FTES	3,010.096810	3,010.096810	355.900	(3.000)	0.000	0.000	352.900	0.000	352.900
CDCP FTES	5,005.747437	5,005.747437	115.980	(27.970)	0.000	0.000	88.010	0.000	88.010
Total FTES			6,261.760	(1.196)	440.126	0.000	6,700.690	0.000	6,700.690

I Base Revenues +/- Restore or Decline		
A. Basic Allocation		$3,902,271
B. Revised Base FTES Revenue		$30,634,537
1. Credit Base Revenue	$28,982,677	
2. Noncredit Base Revenue	$1,071,293	
3. Career Development College Prep	$580,567	
C. Current Year Decline		$0
Total Base Revenue Less Decline		$34,536,808
II Inflation Adjustment		
A. Statewide Inflation Adjustment	0%	
B. Inflation Adjustment	$0	
Current Year Base Revenue + Inflation Adjustment		$34,536,808
III Basic Allocation & Restoration		
A. Basic Allocation Adjustment		$0
B. Basic Allocation Adjustment COLA		$0
C. Stability Restoration		$2,203,160
Total Basic Allocation & Restoration		$2,203,160
IV Growth		
A. Target Growth Rate	1.01%	$318,912
B. Funded Growth Rate	0.00%	$0
C. Funded Credit Growth Revenue	$149,041	
D. Funded Noncredit Growth Revenue	($9,030)	
E. Funded Noncredit CDCP Growth Rev.	($140,011)	
Total Growth Revenue		$0

V Other Revenue Adjustments		
A. Misc. Revenue Adjustments		$0
B. Full-Time Faculty Hiring Adjustments		$25,237
C. Base Increase FON		$4,825
D. Base Increase Non-FON		$482,260
Total Revenue Adjustments		$512,322
VI Stability Adjustment		$0
VII Total Computational Revenue		$37,252,290
(sum of II,III,IV,V,& VI)		
VIII District Revenue Source		
A1. Property Taxes		$18,352,639
A2. Less Property Taxes Excess		$0
B. Student Enrollment Fees		$2,719,661
C1. State General Apportionment		$10,574,087
C2. Full-Time Faculty Hiring		$368,766
D. Estimated EPA		$5,237,137
Available Revenue		$37,252,290
E Revenue Shortfall	1.0000000000	$0
Total Revenue Plus shortfall		$37,252,290
IX Other Allowance and Total Apportionments		
A. State General Apportionment		$10,942,853
B. Statewide Average Replacement Cost		$0
Number of Faculty Not Hired		0.00
Full-time Faculty Adjustment		$0
Net State General Apportionment		$10,942,853
X Unrestored Decline as of July 1st of Current Year		
A. 1st Year		$1,154,988
B. 2nd Year		$131,860
C. 3rd Year		$1,351,660
Total		$2,638,508

Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Monterey Peninsula Community
College District Monterey, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Monterey Peninsula Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from materi misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed n instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and t results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is n suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga,
California December 16, 2016

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Document #4 Page 2

Detailed Source Material Showing the Relationship Among the Self Insurance Fund, the Unrestricted General Fund and the Structural Deficit

Monterey Peninsula College
5 Year Comparison - Self Insurance Fund 5/15/2015

	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	Budget FY 14/15
(1)Beginning Fund Balance	$8,479,077	$8,757,453	$10,526,412	$9,253,112	$8,328,769	$2,865,000
MEDICAL PLAN						
Revenue	736,793	701,619	704,173	784,100	1,030,427	6,553,264
Transfers In						
Transfer In - UGF	5,484,180	5,616,401	5,484,524	5,363,807	4,990,380	
Transfer In - Restricted Funds	854,060	838,446	880,224	792,105	686,426	
Transfer In - Mid Year	0	257,110	0	0	0	
Transfer In - Year-End	350,000	590,959	0	0	0	
(2) **Total Revenue**	7,425,033	8,004,535	7,068,921	6,940,012	6,707,233	6,553,264
Expense (without TF Out)	-7,146,657	-6,235,576	-5,945,658	-6,445,775	-6,351,461	-6,495,653
(3) **Difference**	278,376	1,768,959	1,123,263	494,237	355,772	57,611
(4)Transfer Out for UGF Budget Balancing	0	$0	-590,959	-1,418,580	-1,750,000	-2,241,207
(5)Transfer Out - Mid Year Transfer	0	$0	-1,805,605	0	-61,160	-57,611
(6)Transfer Out - Year End Transfer	0	$0	0	0	-4,008,381	0
(7)Ending Fund Balance [SIF+OPEB+WC combined in 09/10-12/13]	$8,757,453	$10,526,412	$9,253,111	$8,328,769	$2,865,000	$623,793
(7)(1+2+3+4+5+6) OPEB EFB	*2,600,000*	*3,050,000*	*3,288,490*	*3,524,250*	3,908,381	3,908,381
Work Comp EFB	*$1,000,000*	*$1,000,000*	*$1,000,000*	*$1,000,000*	770,000	*770000
Total EFB of SIF/OPEB/WC	[No separate OPEB/WC Funds for FY 09/10-12/13]				$7,543,381	$4,532,174

*only $173,000 is needed in this fund for WK Comp and for 2013-14, so add $597,000 back for the correct Ending Fund Balances (EFB)-see below

Changes in red made by Hazel Ross

Added by Hazel Ross 7-8-17

Above italicized red numbers are taken from Steve Ma's 2-26-14 Self Insurance Fund Analysis[6] and from my conversations with Joe Bissell re the Workers Compensation Reserve

	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	Total
(8) Self Insurance Ending Fund Balance = Ending Fund Balance (7) - OPEB - Work.Comp (2009-13)	$5,157,453	$6,476,412	$4,964,621	$3,804,519	$3,462,000	$2,737,349	
					Above amount = EFB(7) increased by $770,000-$173,000	*June 30,2015 Report EFB (year end closing not completed)*	
Assuming a Self Insurance Reserve of $2,500,000							**Total**
(9) Amounts available to be returned to the UGF Self Insurance Ending Fund Balance (8) - $2,500,000	$2,657,453	$3,976,412	$2,464,621	$1,304,519	$962,000	$237,349	
(10) Amounts actually transferred to UGF to "cover Structural Deficit" from 2011-12 through 2014-15 Add (4) and (5)	$0	$0	$2,396,564	$1,418,580	$1,811,160	$2,298,818	$7,925,122
(11) Amount of the transfer that is: under (+) or over (-) the available amount (9) - (10)	$0	$0	$68,057	-$114,061	-$849,160	-$2,061,469	
(12) Part of the UGF deficit covered by the Self Insurance Fund	$0	$0	$0	$114,061	$849,160	$2,061,469	$3,024,690
(13) Part of the UGF deficit covered by the Capital Outlay Fund (Steve Ma's 2-26-14 Self Insurance Fund Analysis[6])	$0	$0	$513,000	$656,000	*$750,000*	$0	$1,919,000
(14) Actual Size of the Deficit (12)+(13)	$0	$0	$513,000	$770,061	$1,599,160	$2,061,469	$4,943,690

$750,000 was projected. I don't know the actual amount

Document #6

Self Insurance Fund - Analysis

2/26/2014

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Projected 2013/14
Adopted Budget - Final (Revenue S.I. Fund)	$6,370,158	$6,445,000	$6,555,923	$6,777,696	$6,906,139	$6,886,665	$6,632,229	$6,349,078
Composite Rate	*$1,248*	*$1,214*	*$1,214*	*$1,280*	*$1,280*	*$1,280*	*$1,280*	*$1,200*
Actual Expenses from Yr. End Audit	($5,495,612)	($4,595,652)	($5,964,966)	($7,144,494)	($5,801,966)	($5,821,456)	($6,375,658)	($6,375,658)
Over / Under	$874,546	$1,849,348	$590,957	($366,798)	$1,104,173	$1,065,209	$256,571	($26,580)
Transfer Out:								
At Budget Adoption	$0	$676,850	$0	$0	$0	($590,959)	($1,418,580)	($1,750,000)
During FY Year because of unexpected changes	$0	$0	$0	$0	$0	($1,805,605)	$0	??
Transfer In:								
At Adoption for Other	$0	$0	$0	$0	$257,110	$0	$0	$0
Year End Fund Balance from Audit	$6,460,883	$7,891,141	$8,479,077	$8,757,453	$10,526,412	$9,253,112	$8,328,769	$6,552,189
Components of Fund Balance:								
GASB 45 / OPEB Allocation	NA	NA	$2,250,000	$2,600,000	$3,050,000	$3,288,490	$3,524,250	$3,623,400
Workers Comp Runnout Claim Reserve	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	$1,000,000	$1,000,000	$1,000,000
Incurred But Not Reported Reserve	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	$1,500,000	$1,500,000	$1,500,000
Rate Stabilization Reserve	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	$3,464,622	$2,304,519	$428,789
Total Components of Fund Balance	$6,460,883	$7,891,141	$8,479,077	$8,757,453	$10,526,412	$9,253,112	$8,328,769	$6,552,189
Unfunded Actuarial Accrued Liability (UAAL)	NA	NA	$11,082,229	$11,082,229	$11,082,229	$11,281,610	$11,281,610	$11,281,610
Comments			First yr. district is required to report OPEB liability under GASB 45	Retiree rates increased 6%	Transfer in for classified furlough; 3 phase plan implemented	Estimated GF structural deficit at adoption of $1.1M. $590K from SI and $513K from Cap Outlay. Midyear transfer out of $1.3M due to deficit coeff, SB purchase, CDC, OT etc.	Estimated GF structural deficit at adoption of $2.05M; $1.4M from SF; $656K from cap outlay.	Estimated GF structural deficit at adoption was $2.5M. $1.75M from SF + $750K from Cap Outlay. * Assume medical expenses the same as 12-13, but funding rate is lower at $1200 PEPM

Document #7

Monterey Peninsu' Community College

Monthly Financial Report

July 31, 2016

Summary of All Funds

Funds	Beginning Fund Balance 07/01/16	Revised Budgets 2016 - 2017 Revenue	Revised Budgets 2016 - 2017 Expense	Ending Fund Balance 6/30/2017	Year to Date Actual 2016 - 2017 Revenue	Year to Date Actual 2016 - 2017 Expense	Year to Date Actual 2016 - 2017 Encumbrances	% Actual to Budget Rev	% Actual to Budget Expense/ Enc.	Cash Balance 7/31/2016
General - Unrestricted	$4,207,901	$39,033,756	$39,033,756	$4,207,901	1,259,763	2,031,293	2,113,644	3.2%	10.6%	$11,553,231
General - Restricted	0	9,248,113	9,248,113	0	200,882	454,223	246,944	2.2%	7.6%	0
Child Dev - Unrestricted	0	155,631	155,631	$0	0	8,855	0	0.0%	5.7%	-29,232
Child Dev - Restricted	0	439,166	439,166	0	0	5,868	0	0.0%	1.3%	0
Student Center	437,772	258,000	259,094	436,678	0	3,511	66,198	0.0%	26.9%	554,884
Parking	573,254	418,790	418,790	573,254	0	17,583	0	0.0%	4.2%	677,484
Subtotal Operating Funds	**$5,218,927**	**$49,553,456**	**$49,554,550**	**$5,217,833**	**$1,460,645**	**$2,521,333**	**$2,426,786**	2.9%	10.0%	**$12,756,367**
Self Insurance	3,784,636	7,181,305	8,331,829	2,634,112	0	675,834	45,833	0.0%	8.7%	3,052,517
Worker Comp	100,000	1,000	97,500	3,500	0	9,032	5,500	0.0%	14.9%	130,396
Other Post Employment Benefits	119,319	100,770	0	220,089	0	0	0	0.0%	0.0%	157,607
Capital Project	400,000	462,898	562,439	300,459	0	0	406,729	0.0%	72.3%	987,801
Building	9,866,896	65,000	0	9,931,896	0	0	0	0.0%	0.0%	9,869,487
Revenue Bond	22,371	21,500	21,500	22,371	0	0	0	0.0%	0.0%	22,503
Associated Student	105,740	90,000	90,000	105,740	2,704	274	0	3.0%	0.3%	234,892
Financial Aid	17,745	5,722,000	5,722,000	17,745	0	0	0	0.0%	0.0%	46,434
Scholarship & Loans	272,948	2,600,000	2,600,000	272,948	21,547	11,702	0	0.8%	0.5%	245,590
Trust Funds	36,718	1,145,000	1,145,000	36,718	82,333	52,033	0	7.2%	4.5%	882,632
Orr Estate	16,385	20,000	20,000	16,385	1,019	19	0	5.1%	0.1%	27,740
Total all Funds	**$19,961,685**	**$66,962,929**	**$68,144,818**	**$18,779,796**	**$1,568,248**	**$3,270,227**	**$2,884,848**	**2.3%**	**4.8%**	**$28,413,966**

Executive Summary
2016-2017 Final Budget

Summary of All Funds

MPC 2016-2017 Final Budget

The following is a summary indicating the projected beginning fund balances, 2016-2017 budgets, and projected ending fund balances for all funds maintained by the District:

Funds	Beginning Fund Balance 7/1/2016	Budgets 2016-2017 Revenue	Budgets 2016-2017 Expense	Ending Fund Balance 6/30/2017
General				
Unrestricted	$4,207,901	$40,237,689	$40,237,689	$4,207,901
Restricted	$0	$10,151,519	$10,151,519	$0
Special Revenue				
Child Development - Unrestricted	$0	$155,631	$155,631	$0
Child Development - Restricted	$0	$439,166	$439,166	$0
Student Center	$437,772	$258,000	$259,094	$436,678
Parking	$573,254	$418,790	$418,790	$573,254
Debt Service				
Student Center	$22,371	$21,500	$21,500	$22,371
Capital Projects	$780,000	$784,712	$884,253	$680,459
Building	$9,866,896	$65,000	$0	$9,931,896
Self Insurance	$3,489,812	$7,181,305	$8,985,831	$1,685,286
Other Post Employment Benefits (OPEB)	$119,319	$100,770	$0	$220,089
Worker Comp Insurance	$100,000	$1,000	$97,500	$3,500
Fiduciary				
Financial Aid	$17,745	$5,722,000	$5,722,000	$17,745
Associated Students	$105,740	$90,000	$90,000	$105,740
Scholarship and Loans	$272,948	$2,600,000	$2,600,000	$272,948
Trust Funds	$36,718	$1,145,000	$1,145,000	$36,718
Orr Scholarship	$16,385	$20,000	$20,000	$16,385
Total	**$20,046,861**	**$69,392,081**	**$71,227,972**	**$18,210,970**

One-time funds of $2,031,765 are being budgeted to be transferred from the Self Insurance Fund to the Unrestricted General Fund to be included in the Final Budget to offset the structural deficit. This will be the sixth consecutive year the District has had an Unrestricted General Fund deficit.

Note: The Budgeted Expense of $8,985,831 includes the transfer of $2,031,765 to the Unrestricted General Fund. Thus the true Budgeted Expense for health care in the Self Insurance Plan is $6,954,066.

Executive Summary
2017-2018 Tentative Budget

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 approve an Adopted 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, the Chancellor's Office and the Community College League of California. As of this writing, there is no approved State Budget for 2017-18, however legislative leaders and the Governor appear to have an agreed framework including the funding of public education.

Following is a summary indicating the projected beginning balances (based on the current 2016-17 budgets and prior to year-end and audit), 2017-18 tentative budgets and projected ending balances for all funds maintained by the District:

Summary of All Funds

MPC 2017-2018 Tentative Budget

Funds	Beginning Fund Balance 7/1/2017	Budgets 2017-2018 Revenue	Budgets 2017-2018 Expense	Ending Fund Balance 6/30/2018
General				
Unrestricted	$4,543,767	$40,045,956	$40,045,956	$4,543,767
Restricted	$0	$8,998,493	$8,998,493	$0
Special Revenue				
Child Development - Unrestricted	$0	$204,600	$204,600	$0
Child Development - Restricted	$0	$429,737	$429,737	$0
Student Center	$590,109	$241,500	$240,225	$591,384
Parking	$560,013	$555,000	$735,132	$379,881
Debt Service				
Student Center	$22,534	$20,900	$20,900	$22,534
Debt Service	$200,604	$1,000	$0	$201,604
Capital Projects	$590,327	$53,702	$471,814	$172,215
Building	$9,537,578	$120,000	$115,110	$9,542,468
Self Insurance	$2,547,905	$7,786,867	$7,385,138	$2,949,634
Other Post Employment Benefits (OPEB)	$530,860	$112,014	$112,014	$530,860
Worker Comp Insurance	$148,111	$22,100	$92,000	$78,211
Fiduciary				
Financial Aid	$19,146	$6,200,000	$6,200,000	$19,146
Associated Students	$211,320	$80,000	$80,000	$211,320
Scholarship and Loans	$68,307	$3,500,000	$3,500,000	$68,307
Trust Funds	$348,636	$2,135,000	$1,930,000	$553,636
Orr Scholarship	$30,333	$25,000	$20,000	$35,333
Total	**$19,949,550**	**$70,531,869**	**$70,581,119**	**$19,900,300**

Unrestricted General Fund

The District has had an Unrestricted General Fund structural deficit for the past four years: 2013-14 through 2016-17. The 2017-18 Tentative Budget is balanced, with no funds being borrowed from other funds. The balanced budget has been achieved by a reduction to operating budgets, efficiency through scheduling, vacancies, and reduced workers compensation rate and additional funds projected to the base apportionment revenue.

Document #10

SECTION I: EXECUTIVE SUMMARY

Funding Recap

Alliant EMPLOYEE BENEFITS

Renewal July 2012 - June 2013	MPC Starting Funding Rate	Alliant Recommended Funding Rate at 7/1/12	MPC Final Funding Rate Decision	MPC Expenditures P&C Reports
Actives, Early Retirees	$1,576.00	$1,688.53	$1280 $1,576.00	
Post 65 Retirees w/Medicare				Total plan expenditure for the 2012-13 plan year
Retiree Only	$320.63	$343.52	$320.63	
Retiree and Spouse on Medicare	$641.26	$687.05	$641.26	
1 On and 1 off Medicare	$890.54	$954.12	$890.54	
Annual Total	$6,402,665	$6,859,829	$6,402,665	$5,270,958
% Change		7.14%	0.00%	

Renewal July 2013 - June 2014	MPC Starting Funding Rate	Alliant Recommended Funding Rate at 7/1/13	MPC Final Funding Rate Decision	MPC Expenditures P&C Reports
Actives, Early Retirees	$1,576.00	$1,778.65	$1200 $1,470.63	
Post 65 Retirees w/Medicare				Total plan expenditure for the 2013-14 plan year
Retiree Only	$320.63	$361.86	$349.49	
Retiree and Spouse on Medicare	$641.26	$723.72	$698.97	
1 On and 1 off Medicare	$890.54	$1,005.05	$970.69	
Annual Total	$6,320,898	$7,133,674	$5,996,858	$6,170,788
% Change		12.86%	-6.59%	

Renewal July 2014 - June 2015	MPC Starting Funding Rate	Alliant Recommended Funding Rate at 7/1/14	MPC Final Funding Rate Decision	MPC Expenditures P&C Reports
Actives, Early Retirees	$1,470.63	$1,757.69	$1250 $1,517.00	
Post 65 Retirees w/Medicare				Total plan expenditure for the 2014-15 plan year
Retiree Only	$349.49	$417.71	$349.49	
Retiree and Spouse on Medicare	$698.97	$835.41	$698.97	
1 On and 1 off Medicare	$970.69	$1,160.17	$970.69	
Annual Total	$5,851,257	$6,993,398	$6,016,314	$6,216,925
% Change		19.52%	3.15%	

Renewal July 2015 - June 2016	MPC Starting Funding Rate	Alliant Recommended Funding Rate at 7/1/15	MPC Final Funding Rate Decision	MPC Expenditures P&C Reports
Actives, Early Retirees	$1,517.00	$1,792.62	$1250 $1,517.00	
Post 65 Retirees w/Medicare				Total plan expenditure for the 2015-16 plan year
Retiree Only	$349.49	$412.99	$349.49	
Retiree and Spouse on Medicare	$698.97	$825.96	$698.97	
1 On and 1 off Medicare	$970.69	$1,147.05	$970.69	
Annual Total	$6,019,323	$7,112,958	$6,019,323	$6,246,812
% Change		18.17%	0.00%	

Current Plan Year July 2016 - February 2017	MPC Starting Funding Rate	Alliant Recommended Funding Rate at 7/1/16	MPC Final Funding Rate Decision	MPC Expenditures P&C Reports
Actives, Early Retirees	$1,517.00	$1,899.00	$1375 $1,668.70	
Post 65 Retirees w/Medicare ***				Total plan expenditure for the 2016-17 plan year through February 28, 20[illegible]
Retiree Only	$349.49	$437.00	$419.39	
Retiree and Spouse on Medicare	$698.97	$875.00	$838.76	
1 On and 1 off Medicare	$970.69	$1,215.00	$1,164.83	
Annual Total	$4,056,414	$5,077,625	$4,501,493	$4,758,218
% Change		25.18%	10.00%	

* Funding Rate Annual Total updated based on actual enrollment for the plan year 2013-14, 2014-15, 2015-16 and 2016-17

Important Note

The Budget Funding Rate for Actives and Early Retirees used here is found by subtracting the premiums paid by Post 65 Retirees from the Plan's total expenses. However, Post 65 Retiree Premiums only cover about 50% - 60% of their actual health costs. Adding the remainder on to the costs for the Actives and Early Retirees inflates their costs by about 20%. More realistic Budget Funding Rates for Actives and Early Retirees (handwritten numbers) are found by dividing the Total Budgeted Plan Costs by the Total Number of Plan Members as described in Point #8.

Monterey Peninsul ommunity College

Monthly Financial Report

June 30, 2017

Summary of All Funds

Funds	Beginning Fund Balance 07/01/16	Revised Budgets 2016 - 2017 Revenue	Revised Budgets 2016 - 2017 Expense	Ending Fund Balance 6/30/2017	Year to Date Actual 2016 - 2017 Revenue	Year to Date Actual 2016 - 2017 Expense	Year to Date Actual 2016 - 2017 Encumbrances	% Actual to Budget Rev	% Actual to Budget Expense/ Enc	Cash Balance 6/30/2017
General - Unrestricted	$6,755,552	$40,237,689	$41,267,787	$5,725,454	44,669,891	39,990,726	0	111.0%	96.9%	$14,023,400
General - Restricted	0	15,053,914	15,053,914	0	13,642,306	12,541,884	0	90.6%	83.3%	0
Child Dev - Unrestricted	79,143	155,631	155,631	79,143	224,444	122,656	0	144.2%	78.8%	152,101
Child Dev - Restricted	0	439,166	439,166	0	376,522	408,812	0	85.7%	93.1%	0
Student Center	565,728	258,000	259,094	564,634	212,210	186,946	0	82.3%	72.2%	805,804
Parking	649,435	418,790	418,790	649,435	474,891	551,913	0	113.4%	131.8%	600,217
Subtotal Operating Funds	**$8,049,858**	**$56,563,190**	**$57,594,382**	**$7,018,666**	**$59,600,264**	**$53,802,937**	**$0**	105.4%	93.4%	**$15,581,522**
Self Insurance	3,581,841	7,181,305	8,985,831	1,777,315	7,264,660	8,931,265	0	101.2%	99.4%	1,903,516
Worker Comp	131,701	25,000	97,500	59,201	25,855	39,007	0	103.4%	40.0%	118,550
Other Post Employment Benefits	557,878	100,770	112,014	546,634	84,996	112,014	0	84.3%	100.0%	530,861
Capital Project	67,820	1,333,637	884,253	517,204	1,489,568	669,824	0	111.7%	75.8%	890,804
Building	9,925,943	94,000	429,418	9,590,525	96,741	421,701	0	102.9%	98.2%	9,625,868
Revenue Bond	22,562	21,500	21,500	22,562	21,618	21,500	0	100.5%	100.0%	22,679
Associated Student	199,733	80,000	80,000	199,733	76,646	61,641	0	95.8%	77.1%	253,503
Financial Aid	19,146	5,722,000	5,722,000	19,146	5,686,652	5,686,652	0	99.4%	99.4%	48,708
Scholarship & Loans	89,154	2,600,000	2,600,000	89,154	3,230,999	3,241,331	0	124.3%	124.7%	250,553
Trust Funds	439,580	2,530,000	2,530,000	439,580	1,919,400	1,973,215	0	75.9%	78.0%	804,936
Orr Estate	26,740	20,000	20,000	26,740	19,977	16,383	0	99.9%	81.9%	30,334
Total all Funds	**$23,111,956**	**$76,271,402**	**$79,076,898**	**$20,306,460**	**$79,517,376**	**$74,977,469**	**$0**	**104.3%**	**94.8%**	**$30,061,834**

Excerpt from the Monthly Financial Report May 31, 2017

Self Insurance Fund

- Self Insurance Fund (SIF) expenses are at 91.2% of budgeted expenditures. Last fiscal year at this time we were at 97.9%.
- The transfer between funds from the Self Insurance Fund and the Unrestricted General Fund has been completed this month for $2M. This was the amount that was budgeted to balance the Unrestricted Revenue with the Unrestricted Expense budget.

The year-to-date Actual Expense of $8,931,265 includes the transfer of $2,000,000 to balance the Unrestricted Revenue and Expense budgets as described in the above excerpt. Thus the true Actual Expenses for health care in the Self Insurance Plan are $6,931,265.

![MPC | Monterey Peninsula College]

Dear Friends of Monterey Peninsula College:

You may have heard about Monterey Peninsula College's (MPC) ongoing labor negotiations with the Monterey Peninsula College Teachers Association (MPCTA). Rest assured that MPC is intent upon reaching an agreement that benefits the College, the faculty, and the students.

Any settlement will have to account for the College's economic realities. This is a critical time in the history of MPC and we all must make the right decisions, as difficult as they may be, to secure the College's fiscal solvency. MPC's bargaining positions reflect the Board of Trustees' belief that the College's operating philosophy and structure must be reformed. As stewards of MPC's public resources and the College itself, the Board is firmly committed to improving the College's operations and financial well-being under the leadership of Dr. Tribley.

Recent media reports on this issue correctly characterize the labor talks as being at a critical juncture; however, MPC is aware that some of the information received by the community is either erroneous or misleading. As such, the following information provides the factual and historical context for our current labor negotiations, and also describes elements of the proposals that District has put on the negotiating table. We hope that you will take the time to read it.

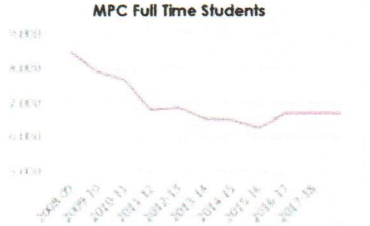
Thank you.

Dr. Walter Tribley, MPC Superintendent/President
Marilynn Dunn Gustafson, MPC Board of Trustees Chair

By The Numbers

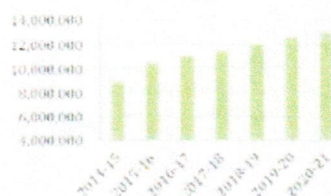
1. Monterey Peninsula College (MPC) employees were paid **5%** more in 2016-17 than in 2015-16 (4 percent one time, 1 percent ongoing). In 2017–18 all employees will receive a 2% salary increase.
2. MPC has lost approximately **$5 million** in annual revenues after Sacramento politicians cut funding for repeated course enrollments ("repeatability") and caused MPC to lose **roughly two thousand (2,000)** Full-Time Equivalent Students (FTES).

MPC Full Time Students



3. Community College revenues are based on Full-Time Equivalent Students (FTES). MPC is projected to have no significant increases in revenues from the State of California in the next several years.
4. MPC has used reserves annually for several years to support programs and services for students to compensate for losses in State funding. This has been verified by CPAs in their annual audits of MPC's finances under financial standards set by the State Chancellor's Office. The board and administration realize this is not sustainable; and have been taking action to remedy this challenge.
5. The Accrediting Commission for Community and Junior Colleges (ACCJC) placed MPC on **probation** in February 2017 due, in part, to MPC's unsustainable **deficit spending.** MPC has until March 2018 to improve before ACCJC reviews MPC for further sanctions.
6. Community college experts from the Collaborative Brain Trust (CBT) found that MPC's faculty are underutilized in the classroom, with an unusually high number of faculty on non-teaching "release time". This reduces the College's staffing efficiency. MPC's median class size for credit courses (19 students) is noticeably lower than our neighbors (Hartnell College–26, Cabrillo College–25).
7. As a result of the State's unfunded reforms of public pension plans, MPC will be required to increase its payments for employee pensions by over $2 million annually when the reforms are fully implemented in 2021.

Benefits- Pensions- Healthcare Costs



8. In addition, MPC is funding 100% of the cost of health benefits for its employees, their spouses, and their dependents. At a cost of around $22,000 annually per covered employee, the District is funding health benefits at a level unheard of in this day and age.
9. While facing these challenges, MPC must also make changes to become a more sustainable institution. MPC has proposed changes to the MPCTA contract that include:
   - An additional **pay increase** for full-time faculty teaching extra classes
   - An additional **pay increase** for part-time faculty teaching,
   - An **increase in paid** part-time faculty office hours,
   - The addition of **reemployment preferences** for long-term part-time faculty,
   - The expansion of load carryover rights for pregnancy and serious health issues,
   - A more equitable method of compensation for faculty leadership roles,
   - A clearer distinction between administrative and faculty roles,
   - A refocusing of faculty talent toward student instruction.
10. The District is hopeful that MPCTA will evaluate the District's current proposal fairly and for the good of the entire college community, and that a settlement can be reached in short order.

No public funding was used to pay for this letter to the community.

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