

San M. 4/22/15

For several years now we have been making financial decisions about our school using only budgeted deficit figures, not actuals. Budgets are important, but ONLY until the point where those budgeted figures are replaced by figures that allow us to see our actual financial performance.

We continue to be told that our annual deficit is equal to the amounts transferred in to our unrestricted general fund from other funds, such as the capital outlay fund and the self-insurance fund. The primary problem with this approach is that we have returned significant unspent portions of those transferred-in amounts back to their source funds. When we consider the returned amounts as expenses and treat the entire transfer in amounts as necessary to cover the deficit, we are seriously distorting our financial picture.

Thanks should go out to Earl for beginning work on a draft of an "actuals" version of a deficit report, but that work appears to have been set aside as even yesterday our administration team was still presenting the discredited budgeted deficit version as if it were reality to the Health and Welfare Cost Containment Committee.

In my limited time today, I'd like to share a few analysis highlights so you can better experience these reporting shortcomings in this critical information.

The state-required 311 reports revealed those previously mentioned reciprocal (or round-trip) transactions involving the general fund. For example, In 2013-14 we transferred \$750,000 from the Capital Outlay fund in to the general fund. We report that entire \$750,000 as contributing to the deficit. We also make a reverse transfer of \$630,000 back to the Capital Outlay fund at year end because we did not use all of the money. We cannot legitimately count the whole \$750,000 as deficit or we'll have overstated our deficit by the returned \$630,000. These sorts of transfers happen every year with the SI fund and the Capital Outlay fund and they have distorted our perception of our financial troubles significantly.

Transfers to fund 63, Other Post-Employment Benefits, or OPEB are also dramatically overstating our deficit. Though this fund is often referred to as the GASB45 requirement, there is in fact absolutely NO requirement, nor need, to set aside these funds according to the actual GASB pronouncement. GASB45 only requires that we recognize the expense and liability for Other Post-Employment Benefits on our accrual based entity wide financial statements. There is no requirement, nor need to set aside the cash according to GASB45. GASB 45 need have no effect on our fund balances nor on our deficit. The \$4.6 million that we have transferred to the OPEB fund over the past several years represent a discretionary storage for amounts that should not in any way be counted as part of our annual general fund operating deficit. Doing so has overstated our cumulative deficit spending by about \$4 million.

The June 30, 2014 summary balance of all of our funds (except for the bond related funds) had actually increased by \$3.5 million over the last 5 years. In a deficit spending environment we would be eroding these fund account balances as we would have been consuming more than we brought in. Even if we set aside all of the restricted funds and focus just on our unrestricted funds, our totals have only decreased by \$1.5 million over a 5 year period, an average of about \$300,000 per year. When I adjust the **budgeted** deficit to correct for the fund transfer issues described above, I get a five year cumulative deficit amount of about \$1 million total. This is comparable to the \$1.5 million fund unrestricted fund balance decrease thereby corroborating that our actual cumulative deficit over the last years is somewhere around \$1 million to \$1.5 million total. This is nowhere near the scale of the over \$6 million dollars in budgeted deficits that we have been told represents our actual performance.

All of us at MPC want to be as strong and healthy as we can be. We want to help control our expenses and grow our revenue to provide the best learning experience we can for our students and for our community. However, in order to help we must have full access to genuine real numbers that indicate the true condition of our great school. If we attempt to make the dangerously large scale budget cuts that are up for consideration right now, we run the risk of doing some serious long-term damage to MPC, while potentially not even fixing our core problems.

2010-2014 General Fund Transfer Analysis Summary

	Reported Deficit	Actual Deficit or Surplus*	Deficit Overstatement
2013-2014	(2,526,136)	(1,540,364)	985,772
2012-2013	(2,055,232)	(924,434)	1,130,798
2011-2012	(1,101,042)	(93,482)	1,007,560
2010-2011	(504,928)	1,569,384	2,074,312
Totals	<u>(6,187,338)</u>	<u>(988,896)</u>	<u>5,198,442</u>

*Actual deficit does not analyze nor validate any other expenses, only interfund transfers and balances were evaluated.

*Debt reduction payments made from the general fund are not factored into this deficit analysis. If these funds are not properly spent from the general fund, then the deficit overstatement is even greater.

	2010-2011	2011-2012	2012-2013	2013-2014
Flex Days claimed deficit	(2,526,136)	(2,055,232)	(1,101,042)	(504,928)
April 13, 2015 Earl's Draft of actuals	623,950	(1,151,981)	(1,779,538)	(1,654,433)
Surplus (Deficit) with reciprocal transfers removed	1,569,384	(93,482)	(924,434)	(1,540,364)

2013-2014 Reciprocal Transfer Analysis
Reported Deficit

(2,526,136)

Fund 29 Debt Service Fund transfer analysis

from gen fund to cap outlay 630,000
From cap outlay to debt service 1,054,861
Total transferred from general
fund to debt service fund

630,000 This is the net debt reduction paid for with general
unrestricted funds. Shouldn't this be paid by taxes earmarked
for bond debt service?

Fund 41 Capital Outlay Projects Fund transfer analysis

Out to 41 630,000
From 41 back to 11 795,302
Net deficit transfer in overstated

630,000

Fund 61 Self Insurance Fund transfer analysis

Local revenues 6,707,233
Expenses 6,351,461
Excess revenues (from gen fund)
From 61(SI) to 11 (1,750,000)
Net transfer to 61 from 11 (1,394,228)
Overstatement of deficit

355,772
(1,750,000)
(1,394,228)

355,772

Actual deficit (Other expense validity NOT analyzed)

(1,540,364)

Deficit overstated

985,772

CALIFORNIA COMMUNITY COLLEGES

Interfund Transfer Report

Annual Financial and Budget Report

SUPPLEMENTAL DATA

For Actual Year: 2013-2014

District ID: 460

Name: MONTEREY

Fund Number In	Fund Name	Fund Number Out	Fund Name	Amount Transferred
12	RESTRICTED SUBFUND	11	UNRESTRICTED SUBFUND	84,323
29	OTHER DEBT SERVICE FUND	11	UNRESTRICTED SUBFUND	275,324
33	CHILD DEVELOPMENT FUND	11	UNRESTRICTED SUBFUND	256,913
41	CAPITAL OUTLAY PROJECTS FUND	11	UNRESTRICTED SUBFUND	930,000
51	SELF-INSURANCE FUND	11	UNRESTRICTED SUBFUND	570,000
11	UNRESTRICTED SUBFUND	41	CAPITAL OUTLAY PROJECTS FUND	795,302
29	OTHER DEBT SERVICE FUND	41	CAPITAL OUTLAY PROJECTS FUND	1,054,861
11	UNRESTRICTED SUBFUND	51	SELF-INSURANCE FUND	1,750,000
59	OTHER INTERNAL SERVICES FUND	51	SELF-INSURANCE FUND	4,008,381

2012-2013 Reciprocal Transfer Analysis
Reported Deficit

(2,055,232)

Fund 29 Other Debt Service Fund transfer analysis

Out to 29	275,324	
Debt interest & service charges	275,324	This is the net debt reduction paid for with general unrestricted funds. Shouldn't this be paid by taxes earmarked for bond debt service?

Fund 41 Capital Outlay Projects Fund transfer analysis

Out to 41	967,502	
From 41 back to 11	636,561	
Net deficit transfer in overstated		636,561

Fund 61 Self Insurance Fund transfer analysis

Local revenues & other financing from UGF	6,940,012	
Expenses	6,445,775	
Excess revenues (from gen Unr& restr. fund)	494,237	
From 61(SI) to 11	1,418,580	
Net transfer to 11 from 61	924,343	
Overstatement of deficit		494,237

Actual deficit (Other expense validity NOT analyzed)

(924,434)

Deficit overstated

1,130,798

CALIFORNIA COMMUNITY COLLEGES
Annual Financial and Budget Report
SUPPLEMENTAL DATA

Interfund Transfer Report

For Actual Year: 2012-2013

District ID: 460

Name: MCHITREY

Fund Number In	Fund Name	Fund Number Out	Fund Name	Amount Transferred
12	RESTRICTED SUBFUND	11	UNRESTRICTED SUBFUND	59,186
29	OTHER DEBT SERVICE FUND	11	UNRESTRICTED SUBFUND	275,324
33	CHILD DEVELOPMENT FUND	11	UNRESTRICTED SUBFUND	296,235
41	CAPITAL OUTLAY PROJECTS FUND	11	UNRESTRICTED SUBFUND	967,502
51	SELF-INSURANCE FUND	11	UNRESTRICTED SUBFUND	5,363,807
51	SELF-INSURANCE FUND	12	RESTRICTED SUBFUND	545,030
51	SELF-INSURANCE FUND	33	CHILD DEVELOPMENT FUND	141,186
41	CAPITAL OUTLAY PROJECTS FUND	35	REVENUE BOND PROJECT FUND	250,000
51	SELF-INSURANCE FUND	35	REVENUE BOND PROJECT FUND	11,755
51	SELF-INSURANCE FUND	39	OTHER SPECIAL REVENUE FUND	34,124
11	UNRESTRICTED SUBFUND	41	CAPITAL OUTLAY PROJECTS FUND	926,561
11	UNRESTRICTED SUBFUND	51	SELF-INSURANCE FUND	1,418,580

2011-2012 Reciprocal Transfer Analysis
Reported Deficit

(1,101,042)

Fund 29 Other Debt Service Fund transfer analysis

Out to 29	275,324	
Debt interest & service charges	275,324	This is the net debt reduction paid for with general unrestricted funds. Shouldn't this be paid by taxes earmarked for bond debt service?

Fund 41 Capital Outlay Projects Fund transfer analysis

Out to 41	986,052	
From 41 back to 11	513,323	
Net deficit transfer in overstated		513,323

Fund 61 Self Insurance Fund transfer analysis

Local revenues & other financing	6,940,012	
Expenses	6,445,775	
Excess revenues (from gen Unr& restr. fund)	494,237	
From 61(SI) to 11	2,396,564	
Net transfer to 11 from 61	1,902,327	
Overstatement of deficit		494,237

Actual deficit (Other expense validity NOT analyzed)

(93,482)

Deficit overstated

1,007,560

CALIFORNIA COMMUNITY COLLEGES

Interfund Transfer Report

Annual Financial and Budget Report

SUPPLEMENTAL DATA

For Actual Year: 2011-2012

District ID: 460

Name: MONTEREY

Fund Number In	Fund Name	Fund Number Out	Fund Name	Amount Transferred
12	RESTRICTED SUBFUND	11	UNRESTRICTED SUBFUND	57,121
29	OTHER DEBT SERVICE FUND	11	UNRESTRICTED SUBFUND	275,324
33	CHILD DEVELOPMENT FUND	11	UNRESTRICTED SUBFUND	413,756
41	CAPITAL OUTLAY PROJECTS FUND	11	UNRESTRICTED SUBFUND	986,052
51	SELF-INSURANCE FUND	11	UNRESTRICTED SUBFUND	5,484,524
51	SELF-INSURANCE FUND	12	RESTRICTED SUBFUND	565,356
51	SELF-INSURANCE FUND	33	CHILD DEVELOPMENT FUND	209,313
51	SELF-INSURANCE FUND	35	REVENUE BOND PROJECT FUND	11,794
51	SELF-INSURANCE FUND	39	OTHER SPECIAL REVENUE FUND	34,272
11	UNRESTRICTED SUBFUND	41	CAPITAL OUTLAY PROJECTS FUND	513,323
11	UNRESTRICTED SUBFUND	51	SELF-INSURANCE FUND	2,396,564

Until the district provides a detailed schedule regarding the calculation of the actual deficit, there is information available that is still contrary to the presented scale of the deficit. In particular, the behavior of the district's fund balances is inconsistent with reported deficit amounts.

Questions were submitted to administration about recent year changes in MPC's total fund balances. The purpose of these questions is to discover the true scale of the deficit. Deficit spending reduces fund account balances. During deficit spending, fund balances will decrease by the amount of the deficit.

Fund balance change scenarios were presented to administration as part of these questions. The following submitted version removes only the bond fund and the debt service fund. These amounts reflect all other MPC fund balances. Note how the increases in the total balance indicate the opposite of what would be happening during deficit spending.

Fund balances	30-Jun-14	30-Jun-13	30-Jun-12	30-Jun-11	30-Jun-10
Totals (less bond and debt service fund)	17,936,845	15,677,646	17,305,432	16,891,778	14,518,295
Difference	2,259,199	(1,627,786)	413,654	2,373,483	
Total multi-year balance change	3,418,550				

The district's response to MPCTA's questions included an assertion that only the unrestricted fund balances should be considered in evaluating fund balance changes. The district included the following schedule detailing the total balance changes in only those unrestricted funds. Note that the balance in the district presentation of the unrestricted funds has only declined about \$1.6 million across the entire 5-year period.

5 Year Summary of the Unrestricted Fund Balances					
	2009-10	2010-11	2011-12	2012-13	2013-14
Unrestricted General Fund Balance	4,268,759	3,763,831	4,586,890	3,895,079	3,885,709
Self Insurance Fund Balance	8,757,453	10,526,412	9,253,112	8,328,769	7,543,381
Total	13,026,212	14,290,243	13,840,002	12,223,848	11,429,090
Does not include the unrestricted designated portion of the capital outlay fund.					
There are some unrestricted funds in the capital outlay fund that are not included in the attachment that will be provided in a 5 year comparison of the Unrestricted Fund for the District.					

Whether or not restricted funds should be omitted from this analysis is not fully accepted. Restricted funds routinely receive amounts from the general fund to cover costs. Therefore the potential to increase restricted fund balances with allocations from the general fund is something that should be reviewed. If general fund amounts are used to increase restricted fund balances, then those amounts should be removed from deficit calculations.

As long as there are unexplained differences between fund balance changes and the reported deficit, there will remain uncertainty as to the true scale and direction of the reported deficit.

The bond is to be paid with the proceeds from non-general-fund sources. However, a multi-step transfer appears to be moving general fund amounts through the capital outlay fund, then to the debt service fund from where a \$1,334,447 Bond Principal payment was made from that fund.

Note that this debt service fund is separate from the Bond Interest and Redemption Fund.

Any adjustments to the district presentation of expenses in the latest 5 year comparison – Unrestricted General Fund report having to do with these funds needs to be analyzed closely.

Interfund transfer path from General Fund to the Debt Service Fund:

Indirect transfers from the General Fund to the Debt Service Fund:

From Gen Fund to Capital Outlay Fund	630,000	
From Capital Outlay Fund to Debt Service Fund	1,054,861	
Net indirect transfers from Gen Fund to Debt Service Fund	630,000	

Bond Principal paid from the Debt Service Fund	1,334,447
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311 Report Interfund Transfer Detail

CALIFORNIA COMMUNITY COLLEGES

Interfund Transfer Report

Annual Financial and Budget Report

SUPPLEMENTAL DATA

For Actual Year: 2013-2014

District ID: 460

Name: MONTEREY

Fund Number In	Fund Name	Fund Number Out	Fund Name	Amount Transferred
12	RESTRICTED SUBFUND	11	UNRESTRICTED SUBFUND	64,322
29	OTHER DEBT SERVICE FUND	11	UNRESTRICTED SUBFUND	275,324
33	CHILD DEVELOPMENT FUND	11	UNRESTRICTED SUBFUND	256,313
41	CAPITAL OUTLAY PROJECTS FUND	11	UNRESTRICTED SUBFUND	630,000
51	SELF-INSURANCE FUND	11	UNRESTRICTED SUBFUND	670,000
11	UNRESTRICTED SUBFUND	41	CAPITAL OUTLAY PROJECTS FUND	795,302
29	OTHER DEBT SERVICE FUND	41	CAPITAL OUTLAY PROJECTS FUND	1,054,861
11	UNRESTRICTED SUBFUND	51	SELF-INSURANCE FUND	1,750,000
59	OTHER INTERNAL SERVICES FUND	51	SELF-INSURANCE FUND	4,008,281

On the district's internal report line item 7 entitled "(7) Expense.." does not match the GAAP approved expense totals as submitted to the Chancellor's office in the required 311 reports. This is true even for the 13/14 year when health care expenses are reflected in these general fund amounts.

When district customizes reports in ways that vary from approved standards, the district needs to provide the line item detail that allows us to see why the expenses should be reported differently for MPC's internal management needs. A preferred presentation would look like this:

Suggested format for district supplied deficit report: See lines (7)-(7.6)

Monterey Peninsula College						4/13/2015
5 Year Comparison - Unrestricted General Fund						Adopted Budget 14-15
	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	
(1) Beginning Fund Balance	\$4,182,989	\$4,268,759	\$3,763,830	\$4,586,889	\$3,895,080	\$3,885,949
Transfers In to balance budget-COF	0	0	513,323	636,651	776,136	400,000
Transfers In to balance budget -SIF	0	0	590,959	1,418,580	1,750,000	2,241,207
(2) Subtotal - Transfer In - Balance Budget	0	0	1,104,282	2,055,231	2,526,136	2,641,207
(3) Transfer In - Mid-Year - COF	0	50,000		0	19,166	0
(4) Transfer In - Mid-Year - SIF	0	0	1,805,605	0	0	0
(5) Total Transfer In	0	50,000	2,909,887	2,055,231	2,545,302	2,641,207
ONGOING OPERATIONS						
(6) Revenue <i>(As per submitted 311 report)</i>	39,518,284	40,111,566	36,462,610	36,060,096	36,678,285	35,388,266
(7) Expenses						
(7.1) Expenditures as per 311 report	32,600,756	32,869,033	31,317,662	31,843,285	37,336,399	
(7.2) Descriptions of non-standard expense #1	#	#	#	#	#	
(7.3) Descriptions of non-standard expense #2	#	#	#	#	#	
(7.4) Descriptions of non-standard expense #3	#	#	#	#	#	
(7.5) Descriptions of non-standard expense #4	#	#	#	#	#	
(7.6) Total Operating Expenses for internal purposes	-38,639,719	-39,478,616	-37,614,591	-37,839,634	-38,332,718	-38,029,473
(8) Net Income/Loss from ongoing operations	878,565	632,950	-1,151,981	-1,779,538	-1,654,433	-2,641,207
(9) Year-End Transfer Out - COF	-442,795	-596,919	-934,847	-967,502	-230,000	0
(10) Year-End Transfer Out - SIF	-350,000	-590,959	0	0	-670,000	0
(11) Total Year-End Transfer	-792,795	-1,187,878	-934,847	-967,502	-900,000	0
(12) Ending Fund Balance (12(1)=5-8-11)	\$4,268,759	\$3,763,830	\$4,586,889	\$3,895,080	\$3,885,949	\$3,885,949

UGF = Unrestricted General Fund

COF = Capital Outlay Fund

SIF = Self Insurance Fund

Reference on next page: District supplied deficit report

Monterey Peninsula College
5 Year Comparison - Unrestricted General Fund

4/13/2015

Adopted
Budget

	<u>FY 09/10</u>	<u>FY 10/11</u>	<u>FY 11/12</u>	<u>FY 12/13</u>	<u>FY 13/14</u>	<u>14-15</u>
(1) Beginning Fund Balance	\$4,182,989	\$4,268,759	\$3,763,830	\$4,586,889	\$3,895,080	\$3,885,949
Transfers In to balance budget-COF	0	0	513,323	636,651	776,136	400,000
Transfers In to balance budget -SIF	0	0	590,959	1,418,580	1,750,000	2,241,207
(2) Subtotal - Transfer In - Balance Budget	0	0	1,104,282	2,055,231	2,526,136	2,641,207
(3) Transfer In - Mid-Year - COF	0	50,000		0	19,166	0
(4) Transfer In - Mid-Year - SIF	0	0	1,805,605	0	0	0
(5) Total Transfer In	0	50,000	2,909,887	2,055,231	2,545,302	2,641,207
ONGOING OPERATIONS						
(6) Revenue (without TF In)	39,518,284	40,111,566	36,462,610	36,060,096	36,678,285	35,388,266
(7) Expense (without TF Out)	-38,639,719	-39,478,616	-37,614,591	-37,839,634	-38,332,718	-38,029,473
(8) Net Income/Loss from ongoing operations	878,565	632,950	-1,151,981	-1,779,538	-1,654,433	-2,641,207
(9) Year-End Transfer Out - COF	-442,795	-596,919	-934,847	-967,502	-230,000	0
(10) Year-End Transfer Out - SIF	-350,000	-590,959	0	0	-670,000	0
(11) Total Year-End Transfer	-792,795	-1,187,878	-934,847	-967,502	-900,000	0
(12) Ending Fund Balance (12)(1+5-8-11)	\$4,268,759	\$3,763,830	\$4,586,889	\$3,895,080	\$3,885,949	\$3,885,949

UGF = Unrestricted General Fund

COF= Capital Outlay Fund

SIF = Self Insurance Fund

Jon Mikkelsen

From: Steve Kinsella <SKinsella@gavilan.edu>
Sent: Tuesday, April 21, 2015 10:34 AM
To: Walter Tribley; Jon Mikkelsen
Subject: RE: Answers to Questions on Friday

Follow Up Flag: Follow up
Flag Status: Flagged

Thank you Jon,
I wish you all the very best as you continue to work this issue. You are dealing with the issue and that is really the only hard choice to make. Others will certainly disagree but to make the choice to address the issue regardless of the actions you choose already signals you are on top of problem. Every time I have seen this happen, positive things occur at those colleges; and they will for MPC as well.

Steve

-----Original Message-----

From: Walter Tribley [mailto:wtribley@mpc.edu]
Sent: Tuesday, April 21, 2015 9:56 AM
To: Jon Mikkelsen; Steve Kinsella
Subject: RE: Answers to Questions on Friday

Thanks Jon.

Our college is too great to let it fail. We will make it work, together.

Walt

-----Original Message-----

From: Jon Mikkelsen
Sent: Monday, April 20, 2015 6:52 PM
To: Steve Kinsella
Cc: Walter Tribley
Subject: RE: Answers to Questions on Friday

This is the right address. There are enough lessons in your responses to enable us to make significant, beneficial changes to our school - both in mechanical process and importantly in the mindset of how we approach information, involvement, transparency, and taking action to shape our school as we would like it to be. I know that we are understaffed in important positions, especially now that Earl is stepping back to ramp up his fight against cancer. But, we do have a whole slew of faculty and staff with a variety of strengths who care deeply about MPC, and who would be more than willing to find ways to help.

Steve, You are dead on right about how to build a successful school. Many organizations have been built by strong individuals. But only those leaders who build an effective culture of ownership and commitment throughout the ranks end up with something bigger than them that continues on after their stint at the helm. Nobody expects a leader to have all the answers and to do everything anymore. The Santa Claus principle, I like to call it. If everybody plays a role of leadership, then the kids all get presents. Make one guy do it all and he would need some serious magic to pull it off.

Anyway, my questions and your answers were really meant for our whole organization to hear. Walt that was a brave move to call in an outside peer like Steve to help us figure ourselves out. That sort of openness to ask for help and embrace the risk that somebody else's ideas might be adopted is as brave as leadership can get. Keep it up!

Thank you Steve, I am sure that everybody here at your old MPC appreciates your contribution.

Jon

From: Steve Kinsella [SKinsella@gavilan.edu]

Sent: Monday, April 20, 2015 4:46 PM

To: Jon Mikkelsen

Cc: Walter Tribley

Subject: Answers to Questions on Friday

Hi Jon,

I have some short answers for your list of questions from last week. I'll try to be as candid as possible.

1. Growth - Gavilan was able to grow back its enrollment as the state was able to return funding to our FTES. We scaled back where and when we could but we also held off on any further reductions that would have severely impacted our ability to generate student enrollment once conditions improved. In plain English, we did not eliminate any programs. With natural attrition we were able to rebalance our revenues and expenditures just about yearly with a couple exceptions. We also held our South Bay Consortium at the same level which is 470 FTES per year. Other areas fluctuated a little but not by a lot. We allowed unfunded FTES in years when we did not want to scale our costs back any further. We were also a few years into the recession so I was not expecting the imbalance to go on for more than a couple years. It looks like this year we will finally reach our 08/09 FTES levels.

2. Expense Control - We still pay 100% of health benefit costs for employees and their dependents. In retirement, we offer benefits between age 55 and 65 for those employees who have 10 years of consecutive service with the college. We are not self-funded for insurance and our aggregate average cost was \$17,400 in 2013. The highest cost is close to \$28,000 for some employee's benefits. So far no employee contributes to the cost of health benefits. Our OPEB obligation is \$7 million and we have about \$5.8 million of that funded. In three years we should reach the 100% funding level.

I understand that health benefit costs have gone up yet again so we are looking at containing this cost just like so many before us have which is to limit what the college can contribute. We are not there yet but it is on the list for 2016 and our unions are aware of the concern. I have been deliberately waiting to see what the Affordable Care Act was going to do for rates. In economic theory, by adding more insured buyers and hence lowering the number of uninsured users, the overall cost to insurance buyers should come down. So far that does not appear to be happening.

3. Budgeting - I am directly involved in reviewing budgets and have not quite moved to zero based budget but instead went to a process where we record all known fixed costs like salaries and benefits of permanent personnel, and all other costs are budgeted based on the past three year actual results-adjusted for known changes. One of the biggest problems we had was unexpended funds that were allocated but not used by departments. At the same time departments were requesting even more money than the records show they actually used. I informed people of what I

was doing and why - to give part-time faculty more of a salary increase than what we offered other groups. The first time I did this we added about 20% to adjunct salaries (on the schedule). In the past four years we added 2% (11/12), 2% (13/14) and 2% (14/15) for all employees. If the allocated but unused money is wasting away by sitting in an account that is not going to be used, it denies someone else on campus the money they need, including employees who could not receive pay increases unless the money was consolidated for everyone's benefit.

My point with everyone is to prepare accurate budgets and then we live by them to maximize what we can offer in terms of service. Holding money just to hold money prevents us from maximizing the services we can offer to our community and everyone here usually accepts that as an operating concept. Most have been here to benefit from it even though they may not know how it all happened.

4. Budget Communication - Everything is in our budget document. Communication is always a problem and we change the process to help others understand what they requested and what they received - as this is our only real issue here. We use the budget committee to let everyone know what is going on with the budget and all of our various assumptions. The budget document explains everything also.

5. Budget process - still room for improvement although we have the Noah's Ark arrangement for our committees. Our real issue is that the representatives are not informing their peer group. Everyone is involved in ranking the requests that come in on program plans so everyone gets input into the money that we are allocating in any given year. We have done this for a number of years although with new people around some here think we are doing something different - in a sense it is a little different but not by much. Most people here don't realize the extent of the process and the reach it has into our on-going operations. We will still work on this for many years to come I am sure.

6. Transparency - I am currently teaching one newly tenured faculty member and anyone else who is interested on the mechanics of California community college budgeting. I provide all the detail the person can absorb in hopes of training others on campus to do the analysis that I do. It is a very mechanical process and I try to give everyone the information they need to check on our budget. When everyone is looking at the budget it becomes much more useful to the college in allocating resources for specific needs.

I provide regular budget updates that from what people tell me, are of little to no value because it is coming from me (they meant this in a positive light) and they state they are not worried about the budget while I am here. My concern is that when I leave no one will know the budget process and that is my biggest concern- that the process may be working because of one or two people - and that is not healthy for any organization. Mostly, I suggest that you point people to all independent sources of information so others can independently develop the financial picture that is MPC. For example, when preparing for Friday, I pulled everything from independent sources at the Chancellor's Office and the MPC annual audit report. Only the Fund 35 - Self Insurance Fund came from your local budget document which is also why I did not know if it was in another one of the funds you have at the college. Easy to reconcile but still you need to know how the college set it up in order to know where it is in the budget.

Thank you for taking the time to write up the questions that you have. I hope this helps somewhat. The best advice I can give to anyone on my campus is that everyone can have anything they want. Any reports, pay data, costs, prior actual reports, etc. are all fair game for anyone that wants the information.

I wish you the best as you all continue to work through your resource allocation questions and challenges. I am available to meet to address any specific items if you still have open questions. I would like to help to the extent that I can. Mostly, because of my involvement with the accrediting commission, my involvement will be limited to education and information about how the system works and what types of events can occur to generate the financial results you all are working to address.

Best regards,

Steve Kinsella

PS: Please confirm receipt of this message just so I know I have the right address. Thx