

TENTATIVE BUDGET 2013-14

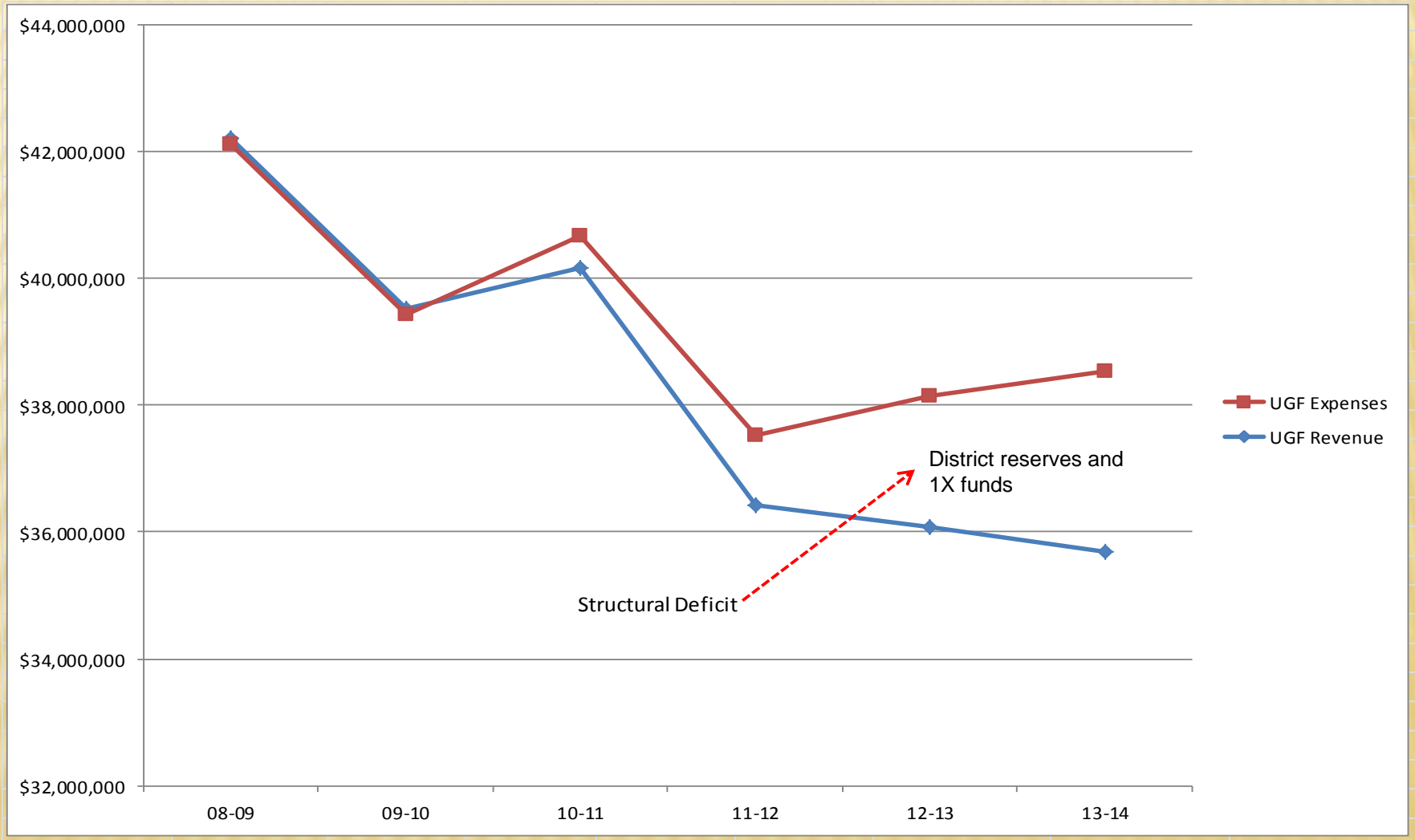
STATE BUDGET AGREEMENT IMMINENT

- ✘ Increased funding over Governor's May Revise
 - + Enrollment growth / restoration of 1.63% for 13-14 (total of \$266M new money for growth in the system)
 - + COLA of 1.57% (\$87.5M)
 - + Student Success Funding of \$99.2M
 - + Energy efficiency funding of \$48M (allocated by Chancellor's Office)
 - + Deferred Maintenance funding of \$30M
 - + Online education funding of \$16.9M
 - + Increased funding for categorical programs (EOPS \$15M; DSPS \$15M; CalWorks \$8M)
 - + Academic Senate funding increased by \$150K

A LOOK BACK ON 2012–13

- ✘ MPC adopted the 2012-13 budget with a structural deficit of \$2M.
 - + Ongoing apportionment did not equal ongoing expenses.
 - + Concessions, attrition, and district reserves used to close gap at adoption
- ✘ Mid-year changes have compounded structural deficit
 - + P2 FTES suggest MPC will not make apportionment cap for second year in a row. State will reduce 12-13 apportionment by \$1.4M. Somewhat buffered because of hybrid estimate of apportionment revenue.
 - + MPC used district reserves to purchase another 275 FTES from South Bay in an effort to get to cap
 - + Deficit coefficient will likely be reduced to 1% - 1.5% or approximately \$300K
 - + Chancellor's Office investigation of South Bay FTES has not been completed

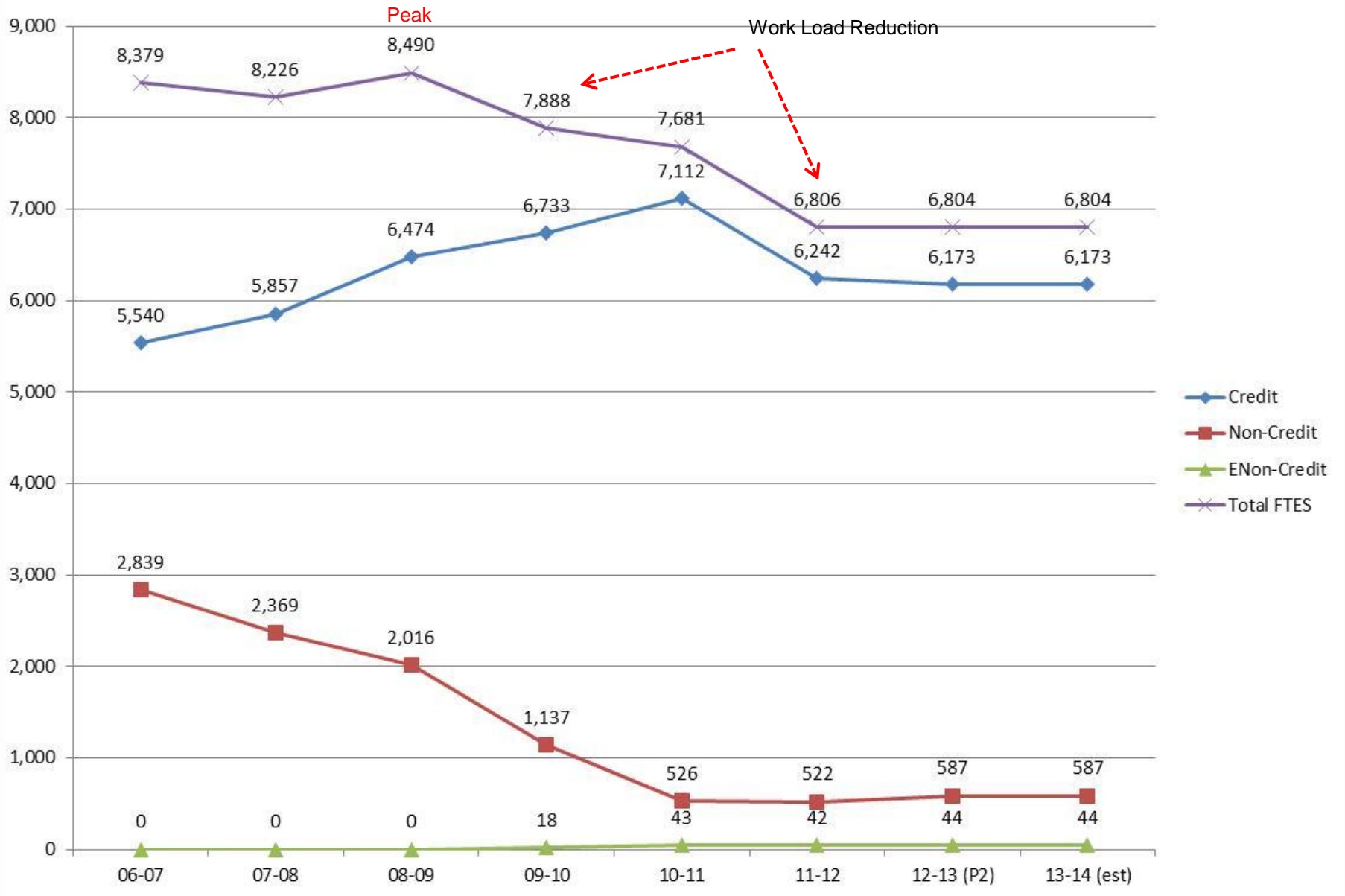
WHAT DOES “DEFICIT SPENDING” LOOK LIKE?



FULL TIME EQUIVALENT STUDENT (FTES) TREND

- ✘ Over 95% of unrestricted GF revenue is generated by FTES
- ✘ State imposed workload reductions (reduced apportionment cap) in 09-10 and 11-12 have significantly reduced apportionment revenues
 - + Since 08-09, MPC's total reported FTES has declined by 19.9%
 - + Credit FTES peaked in 10-11, but declined by 12.2% in 11-12.
 - + Non-credit FTES has remained level for the past four years.

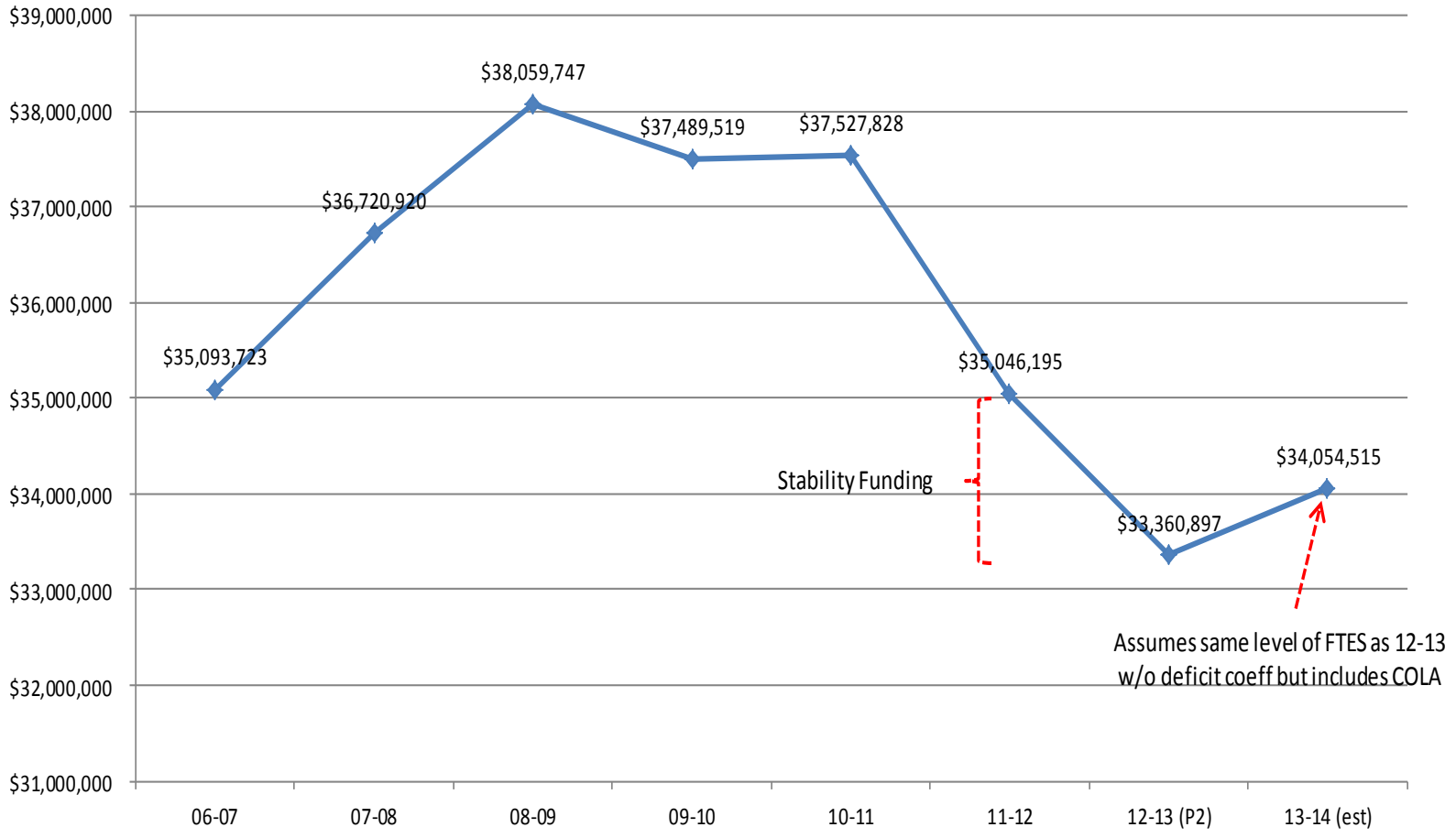
FTES Trend



APPORTIONMENT REVENUE

- ✘ Apportionment revenue has been significantly reduced over the past four years
 - + Apportionment peaked in 08-09 at \$38M
 - + In 11-12, MPC went on “stability funding” because we did not make apportionment cap of \$35M
 - ✘ Stability funding equivalent to \$1.387M
 - + In 12-13, MPC unlikely to make \$35M cap again, therefore, MPC apportionment will be reduced \$1.387M at recalc
 - + For 13-14, apportionment is estimated at same level as 12-13, but does include a 1.57% proposed COLA

Apportionment Revenue



2013-14 BUDGET ASSUMPTIONS

- ✘ A 1.57% COLA will likely materialize in state budget.
- ✘ MPC apportionment cap will be reduced to \$34M because we have been below cap for two successive years.
 - + Could go lower due to repeatability and other ISAs generating fewer FTES
 - + MPC increasing South Bay commitment to 475 FTES
 - + MPC will not be eligible for growth funding until we get back to cap
- ✘ Increase in Student Success funding will help in areas of counseling, advising, and education planning
 - + Criteria for funding allocation not yet approved by BOG

2013-14 BUDGET ASSUMPTIONS

- ✘ Buy down of deferrals will not generate any new funding for MPC.
 - + It will help reduce reliance on internal borrowing
- ✘ Categorical funding will be budgeted at 12-13 levels for tentative budget.
- ✘ Absent any new agreement(s), wage concession of 2012-13 will expire in June 2013.
- ✘ Absent any new agreement(s), the three phase medical plan will expire in June 2013.

APPORTIONMENT ESTIMATE

	2011-12		2012-13		2013-14
	Recalc		Projected P2		Tentative
Total Computational Revenue (TCR)	\$35,046,195		\$35,048,737		\$34,189,373 e
Less:					
Deficit Coefficient	(\$676,293)		(\$300,000) b		??
Stability Reduction #1	NA		(\$1,387,840) c		NA
Stability Reduction #2	NA		NA		(\$132,774) f
Adjusted Revenue Entitlement	\$34,369,902 a		\$33,360,897 d		\$34,056,599
Budgeted Apportionment	\$34,672,630		\$34,296,195		\$34,056,599

a) Includes \$1,387,840 in stability funding because MPC did not make apportionment cap

b) Assume deficit coefficient reduced from \$2.2M to \$300K by year end

c) Assume we don't make cap in 2012-13 and Chancellor's Office reduces apportionment at recalc

d) Includes \$132,744 in additional stability funding because of additional FTES reduction in 2012-13

e) Assumes a 1.57% COLA

f) Assume additional stability funding is taken away because we don't make lowered cap in 2013-14

Proposed SB 1456 Student Success and Support Program Credit Funding Formula

College's Potential
Population of Students
to Receive Services



Students
Served at
the College



College Match



Unduplicated Credit
Student Headcount*
*(academic year =
summer, fall, winter, spring)*



Base Funding
Floor \$35K or 10%
(whichever is greater)

40%

Initial Orientation (SM07)** 10%
Initial Assessment (SM08)** 10%
Abbreviated SEP** 10%
Counseling/Advising (SM12) 15%
Comprehensive SEP 35%
At Risk Follow-Up Svc (SM09) 15%
Other Follow-Up Svc 5%

60%

3:1***

*includes CA resident students enrolled as of census in at least 0.5 credit units, (STD7) headcount status "A," "B," "C," excludes special admits

**include pre-enrollment services provided for students with SB record, but no enrollment)

***match may include A&R and research

TENTATIVE BUDGET RESULTS

- ✘ UGF revenues are estimated to decrease by \$391K compared to 12-13
 - + Loss of stability funding somewhat offset by hybrid estimate and COLA
- ✘ UGF expenses are estimated to increase by \$402K compared to 12-13
 - + Board election, ISA increase, expiration of wage concession, and lowering of health premium
- ✘ Structural deficit has increased from \$2M in 12-13 to \$2.85M in 13-14
- ✘ Will have to use reserves and other 1X funds (Self Insurance and Capital Outlay) to close structural deficit

UNRESTRICTED GENERAL FUND COMPARISON

Unrestricted General Fund	Adopted 12-13	Tentative 13-14	Variance
Revenues			
8100 Fed Revenues	\$10,700	\$10,700	
8600 State Revenues	\$1,025,626	\$894,887	
8610 Apportionment	\$19,104,397	\$18,019,598	
8800 Local Revenues	\$15,947,048	\$16,770,667	
Ongoing Revenues <u>before</u> Transfers & Reserves	\$36,087,771	\$35,695,852	(\$391,919)
Expenses			
Salaries & Statutory Benefits	\$26,678,433	\$26,929,769	
Health & Welfare	\$5,751,764	\$5,404,100	
Contracts (ISA + CHOMP)	\$2,045,076	\$2,392,165	
Non-personnel items (utilities, insurance, supplies, repairs, etc)	\$3,667,729	\$3,819,120	
	\$38,143,002	\$38,545,154	\$402,152
Structural Deficit in UGF	\$2,055,231	\$2,849,302	

SELF INSURANCE FUND

- ✘ Self Insurance – health benefits
 - + 3 phase medical plan implemented in 10-11 because of projected increase
 - + Employee behavior and reduced utilization seem to have moderated claims experience over the last few years
 - + Savings from SI have been used to backfill GF structural deficit in 11-12, 12-13 and will be needed for 13-14

SELF INSURANCE FUND

- + Benefits consultant is recommending a 12.82% premium increase based on national trends
- + Reducing current funding rate from \$1,280 to \$1,200 because of recent past experience.
 - × If the consultant is right and HWCCC is wrong, we could be looking at a 20%+ increase in 13-14
- + HWCCC is recommending a 9% increase in rates for retirees (>65 yrs.) starting in January
 - × This is based on the cumulative CPI since the last increase in 09-10

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM (FCMAT)

- ✘ State calls in this agency when K14 district get into financial trouble
- ✘ FCMAT has identified these common causes of fiscal instability
 - + Declining or unstable enrollment
 - + Loss of control of staffing
 - + Poor decisions at the negotiation table
 - + Failure to recognize multi-year decisions
 - + Chronic deficit spending
 - + Debt issues

ROAD BACK TO FISCAL STABILITY

✘ Increase Revenues

- + MPC is eligible for \$5M+ of restoration and growth funding but we have to earn it
 - ✘ Grow credit FTES
 - ✘ Identify areas of high student demand
 - ✘ Develop wait list (SIS related)
 - ✘ Remove impediments to registration (webpage and SIS)
 - ✘ Improve efficiency (class size)
 - ✘ Improve student retention
 - ✘ Ramp up outreach, advertising and marketing
- + Identify ways to use Student Success funding to relieve UGF
 - ✘ Current SIS system not able to produce data for state compliance to earn additional funding.

ROAD BACK TO FISCAL STABILITY

✘ Reduce Expenses

- + Operations, Programs, Positions, Wages and Benefits

✘ Maintain 10% GF reserve because reduction in apportionment revenue has been chronic.

- + GF reserve is one-time money and it is not fiscally prudent to use for an ongoing problem.

ON THE HORIZON

- ✘ Performance (completion) based funding
 - + Fully expect governor to resurrect in 2014-15
- ✘ Adult Education restructuring in 2014-15 will likely result in the redefinition of non-credit courses as we know it
- ✘ State funding will be tied more closely to data in the future.
 - + This will be a challenge for MPC because of current limitations of SIS.

SUMMARY OF FUNDS

MPC 2013-2014 Tentative Budget

The following is a summary indicating the projected beginning balances, 2013-2014 budgets, and projected ending balances for all funds maintained by the District:

Funds	Beginning Fund Balance 7/1/2013	Budgets 2013-2014		Ending Fund Balance 6/30/2014
		Revenue	Expense	
General				
Unrestricted	\$3,858,515	\$38,541,154	\$38,545,154	\$3,854,515
Restricted	\$0	\$5,133,123	\$5,133,123	\$0
Special Revenue				
Child Development - Unrestricted	\$0	\$312,715	\$312,715	\$0
Child Development - Restricted	\$0	\$187,493	\$187,493	\$0
Student Center	\$259,336	\$265,200	\$265,200	\$259,336
Parking	\$116,995	\$512,000	\$487,184	\$141,811
Debt Service				
Student Center	\$20,905	\$18,075	\$18,075	\$20,905
Lease Payments	\$52,285	\$275,324	\$275,324	\$52,285
Capital Projects	\$1,771,607	\$1,159,692	\$2,682,285	\$249,014
Building	\$27,158,736	\$50,000	\$7,520,032	\$19,688,704
Self Insurance	\$8,292,175	\$6,342,942	\$8,092,942	\$6,542,175
Fiduciary				
Financial Aid	\$12,881	\$5,300,000	\$5,300,000	\$12,881
Associated Students	\$75,000	\$90,000	\$90,000	\$75,000
Scholarship and Loans	\$272,948	\$2,531,700	\$2,531,700	\$272,948
Trust Funds	\$293,917	\$469,102	\$469,102	\$293,917
Orr Scholarship	\$41,262	\$13,000	\$28,000	\$26,262
Total	<u>\$42,226,562</u>	<u>\$61,201,520</u>	<u>\$71,938,329</u>	<u>\$31,489,753</u>

Notes: Beginning Balance is prior to audit of 2012-2013 fiscal year end.

Ending Balance is calculated based on Beginning Balance and Budgets

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

QUESTIONS