Executive Summary
2011-2012 Final Budget

<u>Introduction</u>

The Final Budget is the District's spending plan for the fiscal year 2011-12. The Final Budget is based on "budget assumptions" developed from a number of sources including the state's adopted budget, approved trailer bills, and input from the Chancellor's Office and the Community College League of California.

The District maintains accounts in seven (7) major funds. The following is a summary indicating the projected beginning balances, 2011-12 budgets, and projected ending balances for each fund:

	Beginning	Budgets		Ending
	Fund Balance	2011-2012		Fund Balance
Funds	7/1/2011	Revenue	Expense	6/30/2012
General				
Unrestricted	$3,763,831	$37,533,388	$37,530,148	$3,767,071
Restricted	$0	$5,576,376	$5,576,376	$0
Special Revenue				
Child Development - Unrestricted	$0	$560,576	$560,576	$0
Child Development - Restricted	$0	$231,190	$231,190	$0
Student Center	$214,409	$275,200	$264,229	$225,380
Parking	$92,179	$469,000	$464,458	$96,721
Debt Service				
Student Center Revenue Bond	$20,905	$18,975	$18,975	$20,905
Lease Payments	$103,491	$275,324	$275,324	$103,491
Capital Projects	$812,067	$3,216,400	$3,914,852	$113,615
Building	$54,046,985	$200,000	$39,371,502	$14,875,483
Self Insurance	$9,327,145	$6,886,665	$7,477,624	$8,736,186
Fiduciary				
Financial Aid	$12,881	$5,500,000	$5,500,000	$12,881
Associated Students	$16,122	$134,000	$134,000	$16,122
Scholarship and Loans	$272,948	$2,850,000	$2,850,000	$272,948
Trust Funds	$293,917	$589,000	$589,000	$293,917
Orr Scholarship	$61,262	$50,000	$40,000	$71,262
Total	**$69,038,142**	**$64,366,094**	**$104,798,254**	**$28,605,982**

Notes: Beginning Balance is prior to audit of 2010-2011 fiscal year end.
Ending Balance is calculated based on Beginning Balance and Budgets

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

The state's budget situation continues to be challenging in light of the slow economic recovery. In January 2011, the Governor released his budget proposal for 2011-12 which identified a $26.6B deficit. The deficit is the result of the structural imbalance between revenues and expenses; declining revenues due to the recession; the expiration of the temporary taxes imposed in 2009; and the use of one-time solutions and accounting gimmicks of past budgets. In March 2011, the legislature passed $13.4B in budgets solutions including some affecting community colleges. The budget process began with a call for compromise and hope for an expedited agreement to allow the public to vote on tax extensions and other major reforms. It ended with a majority-vote budget featuring deep program cuts, deferred payments, assumptions of higher revenues, and the threat of mid-year trigger cuts.

Using the authority provided by the voters through Proposition 25 (November, 2010), the Legislature passed the 2011-12 Budget Act (SB 87) with a simple majority rather than the 2/3rds vote that had been required for the past several decades. The plan solves what was identified in January as a $26.6 billion gap through major program reductions, borrowing and transfers, and an assumption of major revenue gains beyond what had been estimated in January. The state's final budget assumes General Fund expenditures of $85.9 billion, a decrease of $5.5 billion from the 2010-11 fiscal year.

Recognizing concerns that the revenues may not match assumptions, the state budget includes a control section giving the Director of Finance authority to reduce appropriations as specified below upon a finding by December 15th that revenues are not keeping pace with budget assumptions.

- Tier 0 – There will be no midyear cuts if at least $3 billion of the $4 billion of the higher revenues materialize.
- Tier 1 – If only $2 billion to $3 billion of the revenues materialize, up to $601 million in midyear cuts could be enacted. A $30 million General Fund reduction to the California Community Colleges offset by an increase in fees to $46 per unit.
- Tier 2 – If less than $2 billion of the revenues materialize, over $1.8 billion in cuts could be meted out to K-14. The California Community Colleges could receive a reduction to apportionments of up to $72 million beyond the Tier 1 cuts.

In light of the continued uncertainty surrounding the state economic condition and the likelihood of mid-year trigger cuts, conservative budget assumptions are being used to develop MPC's Final Budget for 2011-12:

- No funded COLA (statutory COLA estimated at 2.24%)
- No growth funding
- $2.94M reduction to state apportionment (assumes Tier 2 trigger cut)
    - Workload reduction (reduced FTE cap)
- Fee increase from $26 to $36 per unit and a mid-year increase to $46 (Tier 1 & 2)
- No change to state categorical funding levels
    - Categorical flexibility extended for another two years
- New inter-year deferral.

Based on the preceding budget assumptions, the total apportionment for 2011-12 is estimated at $34,672,630 for FY 2011-12. This represents a $2,943,808 reduction from 2010-11 apportionment or approximately a 7.8% cut. The apportionment reduction will take the form of a workload reduction. That is, the funded FTES for MPC will be reduced for FY 2011-12.

Budget Response

In the past two years, MPC responses to budget deficits have been largely opportunistic. That is, taking advantage of opportunities to reduce expenditures as they arose, such as reducing staffing by attrition, reducing program costs due to reduction in state support, reducing instructional service agreements in response to the state's changing priorities, and restructuring MPC's defined health benefits plan. For budget year 2011-12, the magnitude of the proposed reduction to apportionment and its direct impact on FTES no longer allows MPC to rely primarily on an opportunistic approach.

Public education is a people business and 84% of MPC's general fund budget is devoted to salaries and benefits. The proposed apportionment cut ($2.9M) will fall directly on the unrestricted side of the general fund which bears the burden of salaries and benefits. Even in the best case scenario, MPC's budget deficit cannot be addressed without compensation expenditures being part of the overall solution.

In developing responses to the 2011-12 budget deficit, expenditure reductions or savings generally fall into three categories. The first includes institutional savings generated from reduction of service contracts, supplies, and other operating expenses. The second category is expenditures directly related to the reduced FTES cap such as instructional service agreements and program offerings. The third category is those cost saving measures produced through collective bargaining or reduction in force.

Each department was requested to reduce their operating budget in the areas of contracts and supplies by 15%. This produced savings of approximately $105,000. The travel and conference budgets were consolidated under the supervision of the VPs and were reduced by 15% as well.

The proposed reduction in MPC's funded FTES cap necessitates a reduction in the number of class offerings for 2011-12. FTES generated above the reduced cap would be unfunded by the state. The reduction was not approached as a flat percentage cut across the board. The deans in Academic Affairs and the division chairs carefully examined the fall schedule programmatically. Reductions were made in areas with multiple sections, elective courses, and courses as far as possible from the core required courses of programs. The deans, in coordination with division chairs, developed a specific cut of 5% in the fall schedule. Furthermore, the division chairs were asked to develop plans to cut 10% or 15% if the state budget situation deteriorated. In planning for the spring 2012 schedule, division chairs have been asked to develop a schedule comparable to the fall with a 5% cut compared to last spring. This cut, as was the fall, will be done programmatically and not across the board. Instructional service agreements also serve to generate FTES in a variety of areas such as drama, public safety and park ranger academy. MPC is proposing to reduce instructional service agreements by approximately $439,000 in 2011-12 as part of the overall budget solution.

In the area of collective bargaining, the District has reached a tentative agreement with MPCTA on compensation-related cost saving measures. This agreement has been ratified by their membership. MPCTA's portion of the deficit is $1.0M under the worst case scenario. MPCTA's deficit has been mitigated through a one-year wage concession and savings generated by faculty retirements. The District has also reached tentative agreements with MPCEA, but the agreement has yet to be ratified as of this writing. MPCEA's deficit is $550,964. Management and confidential employees have agreed to take the same wage concession as the faculty group. For budgeting purposes, it is assumed that each employee group will generate their respective share of savings through concessions or other means. The total deficit to be made up by the faculty, classified, management, and confidential groups is $1.8M.

In the fall of 2011-12, MPC will be opening the permanent Education Center complex in Marina. This $9.1M complex is being funded by the District's bond program and is the culmination of years of planning and development. It is estimated that the annual additional cost to operate this center will be $34,000 primarily for utilities. Operations at the former Fort. Ord are currently classified by the state as a grandfathered center. This is based on the extensive history of providing instruction and service prior to the Fort Ord base closure. This center status provides a base funding of approximately $277,000 plus apportionment for those operations. When the enrollment reaches 500 FTES and certain other conditions are met, the college will apply to the California Community Colleges Chancellor's Office, Board of Governors, and California Postsecondary Education Commission for full education center status. That status will increase the base funding approximately $250K for each increase of 250 FTES, up to a maximum base funding of $1M plus enrollment apportionment. The opening of the Education Center at Marina and the movement to full center status are important aspects of the District's fiscal stability plan.

While every effort has been made to reduce expenditures in response to the proposed budget cut, there are a number of unavoidable one-time district expenses that will be incurred in 2011-12. These one-time expenditures total $325,000 and include Education Center at Marina startup, trustee elections, demographic review of trustee areas, and library materials.

In recognition of these extraordinary budget times, the District will be utilizing some one-time funds and reserves to close the budget deficit. These include excess reserves above 10% in 2010-11, and mandated cost reimbursement. A number of year end transfers from the unrestricted general fund to capital outlay and self-insurance will be implemented prior to closing the books for 2010-11. Some of these one-time funds will be transferred back to the unrestricted general fund as other revenue to help close the budget deficit for 2011-12.

Enrollment Trends / FTES

In 2009-10, MPC was funded on enrollment of 7,888 FTES. The total included 6,732.95 credit FTES and 1,155.05 non-credit FTES. In the 2010-11 annual apportionment attendance report filed with the Chancellor's Office on July 20, 2011, the District is reporting total FTES of 7,681.07. This is based on 7,111.29 credit FTES and 569.74 non-credit FTES. While total FTES reported for 2010-11 is less than 2009-10, credit FTES has increased 8.5% from the prior year. The net effect of increased credit FTES offsets the overall reduction in total FTES year over year because credit FTES are funded at a 40% higher rate.

The proposed workload reduction in 2011-12 has a significant fiscal impact on apportionment. The Chancellor's Office has estimated that under a Tier 0 scenario, funded FTES will be reduced by 480 FTES. Under a Tier 2 scenario, the workload reduction is likely to increase to 580 FTES or more. To maximize funding under a workload reduction, MPC should make every effort to continue emphasizing credit FTES course offerings.

Institutional Goals

Progress on institutional goals that require additional resources continues to be made despite the challenging budget climate. Goal 3 in the Institutional Goals and Objectives for 2011-14 calls for "Managing the rate of growth in programs and services in Seaside and Marina, subject to funding and growth conditions." The district is committed to opening the permanent Education Center at Marina in 2011-12 with a long-term view of increased funding when full center status is achieved. Growth at the Education Center will need to be monitored and regulated if workload reductions continue. Institutional Goal 4 identifies the need to "Maintain and strengthen instructional and institutional technology." The District will be investing in "thin client" technology and infrastructure in 2011-12. This will be rolled out on a limited basis in 2011-12, and should provide a more cost effective platform for the College as older PC units become obsolete and are replaced by thin clients.

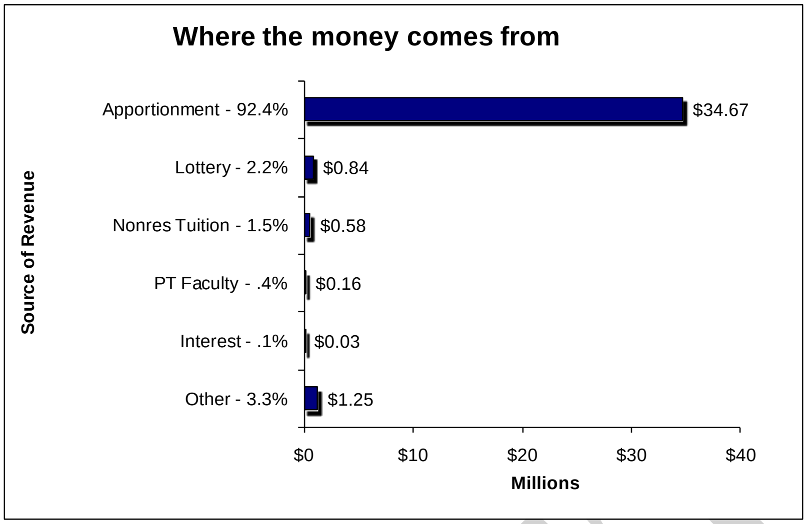
General Fund

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

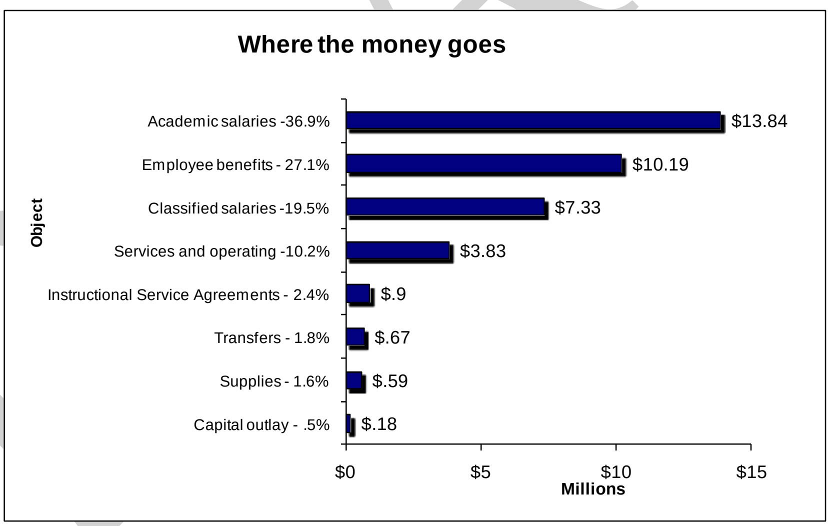
Unrestricted General Fund

The District's primary financial activities for day-to-day operating revenues and expenses occur in the Unrestricted General Fund. Revenue is budgeted by the source of the funding and expenses are budgeted by their function. Amounts budgeted for revenue and expense in the Unrestricted General Fund show revenue to exceed expenses by $3,240 and an ending balance of $3,767,071, which maintains the Board's 10% target reserve. The Final Budget indicates total General Fund revenue is budgeted to decrease 4.9% from the 2010-2011 Revised Budget. Unrestricted general fund revenues include federal, state and local revenue sources.

Apportionment is the largest source of revenue and represents 92% of total unrestricted income. Apportionment is calculated by the State Chancellor's office based on in-state enrollments referred to as full time equivalent students (FTES) at the District. This Final Budget assumes an apportionment reduction of $2.9M based on a "worst case" Tier 2 scenario. No new apportionment funds are budgeted for growth or a COLA. The four largest sources of revenue (apportionment, lottery, nonresident fees, part-time faculty compensation) totaling 97% of the Unrestricted General Fund are dependent on enrollments, both in-state and nonresident.



Total general fund expenses are projected to decrease $1,889,457 (4.79%) from the 2010-2011 Approved Budget. The largest portion of expenses is for people, with salaries and corresponding fringe benefits for employees accounting for 84% of total expenses. Adding Instructional Service Agreements to employee expenses accounts for 86% of total expenses. The cost of employee benefits continues to be the second largest expense in the budget, currently representing over 27% of total expenses.



A labor contract with MPCTA has been ratified by their membership. A tentative agreement with MPCEA has been signed but not ratified as of this writing. Savings generated from these agreements are assumed in this final budget.

Restricted General Fund

Funds used for the operation and support of educational programs that are specifically restricted by law, regulation, donor, or other outside agency are recorded in the Restricted General Fund. The majority of these funds must be expended within the fiscal year or returned to the funding agency. Budgets for state programs are based on the state's current approved budget. Funds budgeted for all programs total a little over $5.5 million.

The following chart shows the 18 largest categorical programs and their respective funding level for the 2011-12 Final Budget:

Disabled Students Programs and Services (DSP&S)	$592,643
Extended Opportunities Programs and Services (EOP&S)	$604,226
Marine Advanced Technology Education (MATE)	$429,174
MATE ROV Competition/ITEST	$373,141
Upward Bound	$369,995
Health Services	$363,300
Math Science Upward Bound (MSUB)	$358,042
Matriculation - CR/NCR	$346,346
New Scholars	$304,351
Student Financial Aid Administration (SFAA/BFAP)	$211,620
Enrollment Growth- Nursing	$131,156
CalWorks/TANF	$158,262
Perkins I-C Student Support Structure	$142,130
Federal Work Study	$136,838
Lottery	$165,462
Workability	$111,828
Marine Tech Mentor/Intern	$111,282
Basic Skills 2009-10	$92,784

Special Revenue Fund:

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

Revenues and expenses for child development services are recorded in the CDC fund. The CDC Fund includes monies that are restricted as to their use and the fund is therefore separated by unrestricted and restricted. The CDC Fund has a total budget of $791,766 (unrestricted and restricted). CDC has been operating with two contracts under the California Dept. of Education. Unfortunately the reimbursement funds available from the state contracts have not covered operating costs, which are almost entirely payroll and benefits. For Fiscal Year 2011-12, the CDC was asked to reduce the amount of Unrestricted General Fund support by $200,000. The CDC proposed a plan to operate a full-cost classroom program without a state subsidy, and free of state controls on fees charged. As part of the plan, the district has cancelled the state General Child Care contract, which provided a very low rate of funding per resources used. The CDC will continue to operate a program for 3 and 4 year- olds under a State Preschool contract.

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

The Parking Fund is maintained to record financial transactions related to parking as required by the Education Code. Revenues are primarily from parking permit sales and parking citations. Expenses are for parking security and maintenance and improvements to the parking lots. The fund is projected to have a reserve of over $92K which will be used for future parking related repairs and improvements.

Debt Service

Long-term debt principal, interest, and related costs of the District are accounted for in the Debt Service Fund. There are two obligations accounted for in this fund: the annual long-term debt payment for the Student Center and the capital lease for energy conservation projects (SunTrust lease) both requiring annual payments. Student Use Fees in the Student Center operating accounts pay the Student Center required payment of $18,975. A transfer from the Unrestricted General Fund of $275,324, representing projected energy savings, is budgeted to cover the required payments to SunTrust.

Capital Projects

Non-bond expenses for all major acquisition, construction and maintenance projects are accounted for in the Capital Projects Fund. State funded projects include the renovation of old Student Services and Humanities and demolition of Business/Humanities ($3.2M state portion), and carry over state scheduled maintenance funds to rebuild art lockers. Local projects include IPP & FPP processing, donations for the Library & Technology Center and athletic facilities, and District expenses for Fort Ord including the last year for environmental insurance required by FORA.

Building

Expenses associated with Measure I, the $145 million Proposition 39 bond, are accounted for in the Building Fund. Expenses included in the 2011-12 final budget total $39M which include amounts to be expended for four projects (theatre, LS/PS, Hum/Old Student Services, and 1st floor gym). All these projects are expected to start construction in 2011-12.

Self Insurance

Expenses for the district's self insured medical benefits are budgeted and recorded in the Self Insurance Fund. Transfers are made from the various operating accounts to the Self Insurance Fund to cover the expenses. Total expenses of $7,477,624 are currently being budgeted. The total expense includes a year-end transfer of $590,959 from the 2010-11 General Fund to the Self Insurance Fund. This transfer amount will be held in the Self Insurance Fund temporarily. The amount will be transferred to the General Fund during the fiscal year to be used as the District's one-time funds to cover the anticipated 2011-12 deficit in the General Fund. Deducting this transfer from the budgeted expenses indicate self-insurance expenses at $6,886,665, same as budgeted revenue.

Preliminary indications are that health benefit expenses are approximately $500,000 less than budgeted in 2010-11. The auditor will finalize this number in October after trailing claims have been posted and actual expenditures accounted for. The district's health benefits consultant, Keenan and Associates, have indicated that the savings are the result of the following factors:

- CHOMP discounts due to the hospital moving from Tier 3 to Tier 1 in Jan. 2011
- Expiration of grandfather clause of maintenance prescription drugs
- Higher discounts due to coalition size
- Employee's making more cost effective choices
- Favorable utilization variance

Although Keenan had projected a 25% increase in health cost in 2010-11, the preceding factors are likely to have mitigated some of the projected increase. Some of the factors can be clearly estimated, but others are more anecdotal such as the last two bullets. Keenan's renewal estimate for 2011-12 suggests that the district should increase the medical composite rate for budgeting purposes by 18%. This increase would account for the more expensive stop loss premium ($305K) and the industry cost trending of 9% per annum. In consideration of the projected savings from 2010-11 and the encouraging medical trends highlighted above, the district is using the savings from last year to offset the projected increase for 2011-12. Therefore, the District is using last year's medical composite rate of $1,280 per insured individual for budgeting purposes instead of the increased rate suggested by Keenan. If medical expenses increase beyond the budgeted rate, the District will be spending down the self insurance reserve to cover increased costs. This may be partially offset if faculty and management move to other phases of the medical plan due to expense loss ratio for active employees.

Fiduciary Fund

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

Conclusion

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

The Final Budget for 2011-12 was developed using conservative revenue assumptions. The adopted state budget is based on a Tier 0 trigger cut. MPC's final budget is assumes a "worst case" scenario or Tier 2 trigger cut.

Monterey Peninsula College
3-Year Comparison

	2008-2009	2009-2010	2010-2011		2011-2012	% > Budget
	Actual	Actual	Act thru June*	Revised Budget	Budget	to Final Bud
Unrestricted General Fund:						
Income						
Federal	$8,977	$11,043	$11,357	$10,500	$10,700	1.9%
State	$23,875,935	$21,807,935	$23,414,545	$21,092,956	$20,561,741	-2.5%
Local	$18,325,567	$17,699,306	$17,264,510	$18,370,480	$16,960,947	-7.7%
Total Income	$42,210,479	$39,518,284	$40,690,413	$39,473,936	$37,533,388	-4.9%
Expense						
Academic Salaries	$15,745,978	$15,236,907	$14,892,592	$15,069,069	$13,842,699	-8.1%
Classified Salaries	$7,740,028	$7,656,182	$7,593,652	$7,595,136	$7,326,059	-3.5%
Fringe Benefits	$4,159,078	$4,205,163	$4,417,020	$4,458,974	$4,706,505	5.6%
Books and Supplies	$820,607	$735,357	$768,023	$707,233	$586,784	-17.0%
Operating	$6,330,251	$4,590,839	$4,896,031	$4,808,203	$4,724,893	-1.7%
Capital Outlay	$232,857	$176,308	$164,247	$174,658	$184,056	5.4%
Transfers	$7,092,698	$6,831,758	$6,656,331	$6,656,331	$6,159,152	-7.5%
Total Expenses	$42,121,497	$39,432,514	$39,387,897	$39,469,605	$37,530,148	-4.9%
Restricted General Fund:						
Income						
Federal	$2,137,247	$2,445,140	$1,566,098	$2,607,843	$2,419,211	-7.2%
State	$3,667,509	$2,644,073	$2,599,249	$2,595,630	$2,432,931	-6.3%
Local	$474,331	$492,560	$774,511	$844,499	$724,234	-14.2%
Total Income	$6,279,087	$5,581,773	$4,939,858	$6,047,972	$5,576,376	-7.8%
Expense						
Academic Salaries	$1,484,864	$1,250,723	$1,245,402	$1,326,374	$1,277,933	-3.7%
Classified Salaries	$1,192,471	$1,111,353	$1,097,201	$1,198,534	$1,088,782	-9.2%
Fringe Benefits	$401,826	$378,809	$384,533	$417,100	$413,767	-0.8%
Books and Supplies	$345,857	$261,952	$137,899	$269,442	$207,566	-23.0%
Operating	$1,628,262	$1,709,831	$1,400,511	$1,611,460	$1,513,629	-6.1%
Capital Outlay	$152,007	$140,872	$193,002	$403,608	$236,403	-41.4%
Transfers	$1,073,800	$728,233	$735,563	$821,453	$838,295	2.1%
Total Expenses	$6,279,087	$5,581,773	$5,194,111	$6,047,972	$5,576,375	-7.8%
Unrestricted Child Development						
Income	$528,288	$481,557	$538,857	$533,856	$560,576	5.0%
Expense	$528,288	$481,557	$515,688	$533,856	$560,575	5.0%
Restricted Child Development						
Income	$216,594	$287,201	$306,196	$292,533	$231,190	-21.0%
Expense	$216,594	$287,201	$266,684	$292,534	$231,190	-21.0%
Student Center						
Income	$293,645	$296,987	$257,677	$275,200	$275,200	0.0%
Expense	$214,201	$208,588	$198,018	$260,235	$264,229	1.5%
Student Revenue Bond						
Income	$19,484	$20,374	$19,493	$19,425	$18,975	-2.3%
Expense	$20,325	$19,875	$19,425	$19,425	$18,975	-2.3%

***Actual through May 31, 2010**

	2008-2009 Actual	2009-2010 Actual	2010-2011 Act thru June*	2010-2011 Revised Budget	2011-2012 Budget	% > Budget to Final Bud
Debt Service						
Income	$356,607	$170,623	$240,544	$239,783	$275,324	14.8%
Expense	$517,063	$124,588	$239,783	$239,783	$275,324	14.8%
Parking						
Income	$325,351	$387,227	$677,032	$495,000	$469,000	-5.3%
Expense	$327,926	$387,227	$372,216	$466,749	$464,458	-0.5%
Capital Projects						
Income	$1,005,509	$671,045	$241,040	$387,741	$3,216,400	729.5%
Expense	$1,605,493	$483,353	$419,317	$645,664	$3,914,852	506.3%
Self Insurance						
Income	$6,598,751	$7,425,033	$7,352,756	$7,163,249	$6,886,665	-3.9%
Expense	$6,010,816	$7,146,657	$6,227,716	$6,906,139	$7,477,624	8.3%
Financial Aid						
Income	$2,779,674	$4,903,856	$5,763,003	$5,638,957	$5,500,000	-2.5%
Expense	$2,779,674	$4,911,561	$5,733,870	$5,638,957	$5,500,000	-2.5%
Associated Students						
Income	$117,593	$157,553	$118,578	$122,000	$134,000	9.8%
Expense	$84,065	$157,553	$148,498	$122,000	$134,000	9.8%
Scholarship and Loans						
Income	$2,289,368	$2,920,326	$2,820,200	$2,940,000	$2,850,000	-3.1%
Expense	$2,303,470	$2,936,475	$2,841,867	$2,940,000	$2,850,000	-3.1%
Trust Funds						
Income	$444,575	$588,073	$577,689	$590,000	$589,000	-0.2%
Expense	$392,038	$566,521	$559,648	$520,000	$589,000	13.3%
Orr Scholarship						
Income	$46,693	$5,221	$53,502	$51,693	$50,000	-3.3%
Expense	$24,809	$24,544	$39,949	$38,055	$40,000	5.1%
Building Fund						
Income	$198,008	$621,134	$164,123	$220,000	$200,000	-9.1%
Expense	$16,162,764	$13,376,047	$16,422,183	$66,341,480	$39,371,502	-40.7%

***Actual through June 30, 2011.**

Unrestricted General Fund Highlights

2011-12 Final Budget

Revenues:

Total Unrestricted General Fund income budgeted for 2011-12 is $37,533,388. This is 4.9% less than the 2010-11 Revised Budget. The approved state budget calls for a significant reduction to state apportionment for the community college system along with a provision for mid-year trigger cuts. In light of conditions, conservative revenue estimate is being utilized for this final budget.

- **Apportionment** - The largest source of unrestricted revenue, $ 34,672,630 (92%) is received through the California Community College System and is based on actual enrollments of the College. These funds are referred to as apportionment and are received from student registration fees, local property taxes, and state backfill. Apportionment is calculated based on full time equivalent students (FTES): $4,564.83 per credit FTES and $2,744.96 per noncredit FTES plus a base allocation of $3,321,545 for a single campus district and $276,795 for a satellite campus. The projected apportionment cut of $2.9M will be a workload reduction which will lower the District's funded FTES cap for 2011-12.

- **Part-Time Faculty Compensation** – The District has budgeted $159,407 the same amount as provided in 2010-11. It should be noted that in 2008-09, the state cut part-time faculty compensation by $180K. The District has continued to backfill this cut using unrestricted general fund dollars for the last two years. In the light of the proposed workload reduction, there will be no backfill budgeted for the 2011-12 budget.

- **Lottery** –Funds received from the Lottery Commission are based on FTES, including non-resident and apprenticeship. Given the proposed workload reduction and its effect on the district's FTES cap, lottery funds were reduced to $841,698 for 2011-12

- **Nonresident Fees** – Non-resident enrollments are projected to be $11,000 more than the approved budget for 2010-11. As of May 2011, actual non-resident fee collection for 2010-11 was $70K above budgeted, however, the new rate adopted by the board for 2011-12 is $176 per unit or $7 less than 2010-11 because adjacent districts adopted the lower statewide average rate.

- **Interest** –Interest income is budgeted at $30,000 for 2011-12. The yield on the funds deposited with the county treasury continues to be at historic lows (0.60%). All indications are that the Federal Reserve will continue to keep short term rates at very low levels.

- **Apprenticeship** – Normally apprenticeship funding is received based on actual hours of apprenticeship; however, through 2011-2012 schools have been provided a set allocation. MPC is budgeted to receive $68,638. Although these funds are unrestricted, they are being recorded in the Restricted Fund to support Supportive Services.

Expenses:

Total Unrestricted General Fund Expenses are budgeted at $37,530,148, a decrease of $ 1,939,457 or 4.9% less than the Revised Budget for 2010-11. Projections are included for all known obligations including negotiated employee contracts.

- **Salaries** - Increases for required step and column movement, longevity, and classified equity have been budgeted, where appropriate.

  Total academic salaries at $13,842,699 are down $1,226,370 from last year's adjusted budget. This reduction includes retirements, negotiated concessions with MPCTA, reduction in adjunct budget, and wage concessions for administrative salaries categorized under academic salaries.

  Classified salaries at $6,754,718 are down $269,077 from last year's adjusted budget. MPCEA membership has not ratified the tentative agreement as of this writing. As previously noted, MPCEA's group deficit is $550,964. This reduced expense is spread between a number of "classified salary contingency" lines and not fully reflected in the classified salary line at this time.

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

  Salary roll-up costs include retirement, Medicare, FICA, unemployment, and workers comp and total 30.183% for classified employees and 14.31% for academic employees. Roll-up costs associated with salary increases for required step and column movement and longevity increases have been budgeted. Salary roll-up costs are projected to increase by $248,703 as compared to FY 2010-2011. The PERS employer rate increased from 10.707% to 10.923% for FY 2011-2012. The unemployment rate increased from 0.72% to 1.61%, an increase of 124%.

  Expenses for the District's self insured medical benefits are budgeted and recorded in the Self Insurance Fund. Transfers are made from the various operating accounts to the Self Insurance Fund to cover the expenses. This Final Budget shows transfers to be approximately the same as last year.

- **Books and Supplies** – At $586,784, this budget category is $90,113 less than last year, primarily from 15% operating cost reductions by many departments and programs.

- **Services and Operating** – At $4,724,893, this budget category is $19,067 less than last year:

  1. Utilities – Total utility expenses are budgeted at $1,230,585 ($1,329,943 for all funds of the District.) Electricity is budgeted at $586,237 natural gas at $171,448, water at $292,189,waste disposal at $39,648, sewage at $41,500 and telephone at $80,876.

(A transfer to the Debt Services Fund of $275,324 is also budgeted to make lease payments for the energy conservation projects completed by Siemens.)

2. Risk Management (insurance) – Budgeted at a similar level to last year. The District is in a pool with other community colleges and is self insured for property and liability coverage. Property and liability is budgeted at $322,095 plus $30,000 for deductibles. Student accident insurance for athletes is budgeted at $67,095. (A budget for student accident insurance is also included in the Restricted General Fund at $43,207, and a transfer of $51,205 is budgeted as a transfer in the Unrestricted General Fund to the Capital Outlay Fund for insurance required for Fort Ord properties).

3. Instructional Service Agreements – $899,851 is budgeted for Instructional Service Agreements (ISA), a decrease of $439,365 from last year.

4. Travel – The conference attendance and related travel budget was reduced $21,312 from 2010-11 levels.

5. Legal Expenses - This category remains the same as last year with a budget of $45,000.

6. Election Expenses –There will be a Board election in 2011-2012, and election expense is budgeted at $198,805.

7. Building Maintenance – Minor capital improvements is budgeted at $82,000.

8. Other Services & Expenses – The total budgets here were increased $67,721 primarily due to a new fee of $53,101 for Monterey County Office of Education financial services.

9. Contingencies – Total general contingencies are $92,080, including $50,000 for unanticipated institutional expenditures (utilities, postage, telephone, etc.), $6,580 for the Superintendent, $8,000 total for VPs, $2,500 total for deans. In addition, there is a contingency of $25,000 for possible one-time startup expenses of the Education Center at Marina.

- **Capital Outlay** – This category is budgeted at $184,056, or $58,844 more than last year. This includes a new amount of $70,000 for library materials, to compensate for funding no longer provided by the state.

- **Transfers** - Transfers to other funds are budgeted at $6,159,152, a decrease of $497,179 from last year, primarily due to a decrease of $185,000 in the transfer for CDC. The following are transfers to other funds:

Self Insurance Fund	$5,484,524
Child Development Fund	280,978
Debt Service (energy conservation)	275,324
EOP&S	67,121

Capital Outlay (insurance for Fort Ord)	51,205

- **Other** - The District records the mandatory allocation of revenue generated by DSPS classes by covering direct expenses totaling $322,234 in the Unrestricted General Fund.

Fund Balance:

Revenues are budgeted to exceed expenses by $3,240 and an ending Unrestricted General Fund balance of $3,767,071 is projected which is 10.0% of expenditures.