Monterey Peninsula College

Final Budget

Fiscal Year 2010-2011

Pending Board Approval of
August 24, 2010

Monterey Peninsula College

Final Budget

2010-2011 Fiscal Year

-Table of Contents-

Executive Summary
2010-2011 Final Budget

Introduction

The District maintains accounts in seven (7) major funds. The following is a summary indicating the projected beginning balances, 2010-11 budgets, and projected ending balances for each fund:

Funds	Beginning Fund Balance 7/1/2010	Budgets 2010-2011 Revenue	Budgets 2010-2011 Expense	Ending Fund Balance 6/30/2011
General				
Unrestricted	$4,264,428	$39,423,936	$39,419,605	$4,268,759
Restricted	$0	$5,494,907	$5,494,907	$0
Special Revenue				
Child Development - Unrestricted	$0	$533,856	$533,856	$0
Child Development - Restricted	$0	$250,632	$250,632	$0
Student Center	$199,444	$275,200	$260,235	$214,409
Parking	$63,928	$460,000	$431,749	$92,179
Total Operating Funds	**$4,527,800**	**$46,438,531**	**$46,390,984**	**$4,575,347**
Debt Service				
Student Center	$20,905	$19,425	$19,425	$20,905
Lease Payments	$103,491	$239,783	$239,783	$103,491
Capital Projects	$352,946	$342,741	$600,664	$95,023
Building	$72,793,221	$220,000	$66,341,480	$6,671,741
Self Insurance	$8,479,076	$7,163,249	$6,906,139	$8,736,186
Fiduciary				
Financial Aid	$12,881	$4,300,000	$4,300,000	$12,881
Associated Students	$90,600	$122,000	$122,000	$90,600
Scholarship and Loans	$272,948	$2,940,000	$2,940,000	$272,948
Trust Funds	$223,917	$590,000	$520,000	$293,917
Orr Scholarship	$47,624	$4,300	$15,000	$36,924
Total	**$86,925,409**	**$62,380,029**	**$128,395,475**	**$20,909,963**

Notes: Beginning Balance is prior to audit of 2009-2010 fiscal year end.
Ending Balance is calculated based on Beginning Balance and Budgets

Projections show positive beginning balances for all funds of the District, and revenues and expenses budgeted for the 2010-11 result in positive year end balances for all funds.

Significant portions of the District's operating budgets are dependent on funding from the state and the state does not yet have an approved budget. However, considering the economic issues facing the state, budgets proposed in the Governor's May Revise and the current Democratic legislative plan both recommend a very favorable budget for community colleges. The proposals include:

- 2.21% for growth, included in both proposals
- May Revise includes 0.39% negative cost of living allowance (COLA), Democratic plan rejects
- May Revise cuts $10 million from EOP&S and $10 million from part-time faculty compensation, Democratic plan rejects both
- May Revise increases $20 million for career technical education, Democratic plan rejects
- The Democratic plan also proposes:
  - Augmentation of $35 million to backfill 1-time federal ARRA funding
  - $25 million augmentation to support workforce training enrollments
  - JPA to borrow against for mandate reimbursements from the state

A final approved state budget is not anticipated until mid September and the District may need to approve revisions to this budget to accommodate differences. The District's Final Budget was constructed assuming income from the state would be basically the same as 2009-10 (i.e. no growth, no negative COLA, and EOP&S and part-time faculty compensation would not change).

Without a COLA, all increased costs for the District needed to be absorbed by cutting current budgets. In addition, the District is currently dealing with deferrals of state payments totaling $4 million and it is probable that the state will experience additional cash flow issues that will further negatively impact the District. The District maintains adequate reserves that should provide sufficient cash to continue operations without external borrowing; however, the deferrals do result in reduced interest income for the District.

The major financial issue facing the District this year is the projected 25% increase in costs for medical benefits. The District has been working with employee groups to implement cost containment measures to offset the increase. Agreements with the employee groups have been approved and this Final Budget projects expenses to be approximately the same as last year.

<u>Institutional Goals</u>

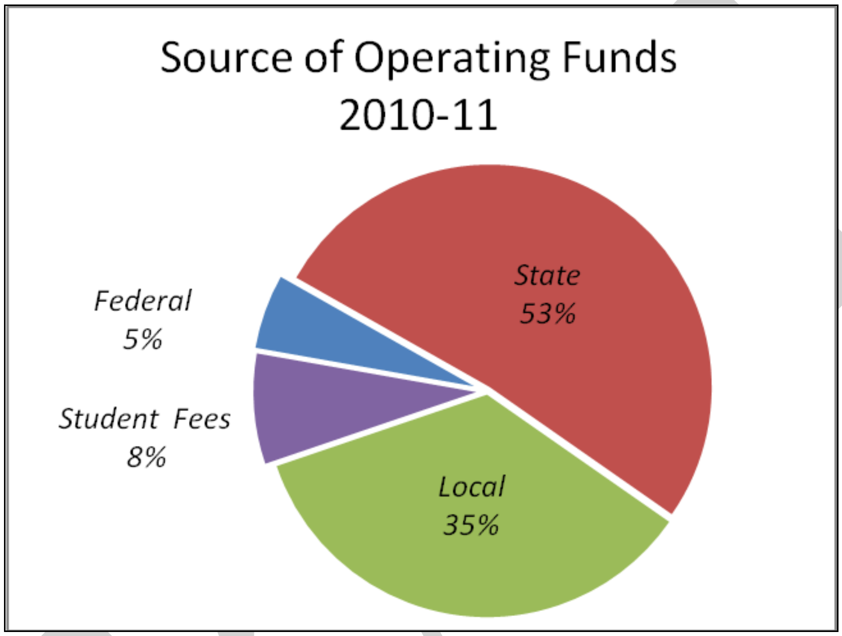
Progress on institutional goals this year that require additional resources continue to be made despite the difficult economic times and impact on District finances.

- Goal 3 to "grow enrollments and…teach employable skills." Adjunct budgets have been increased $253,931 to allow for additional class offerings.
- Goal 5 to "provide educational programs and services in Seaside and Marina…" Total FTES at the Ed Center was reported at 342 for the 2009-10 fiscal year and additional Class offerings are planned for the 2010-11 fiscal year.
- Goal 6 to "ensure adequate levels of personnel to support current programs…" The District has created 14 additional regular classified positions to support current programs and eliminated part-time temporary substitute positions in the same areas.
- Goal 7 to "maintain and improve District facilities." Facility projects being worked on in the 2010-11 fiscal year include: completion of new Student Services building and renovations of Auto Technology and Business Computer Science buildings, parking lots B and C, and bus stop, maintenance repairs to the Music building, addition of swing space village on campus, substantial completion of the Ed Center in Marina, and starting renovations on the pool and tennis courts, Gym, Theater, Humanities, and old Student Service buildings.

Long Term Outlook

Looking at major factors that affect community college budgets can provide an indication of a positive or negative outlook for the District. Major factors would include the economy in California, enrollments at MPC, employee compensation, and cost trends of expenses.

- Economy in California - 53% of the District's operating income is from the state, making the state budget a major factor in finances for the District.

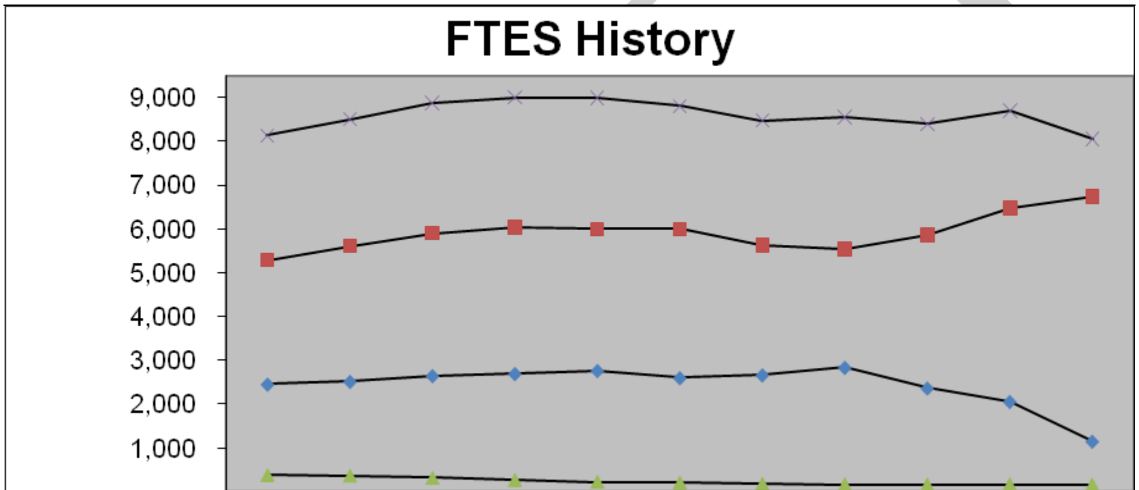


The state's fiscal year began on July 1, 2010, and the legislature failed to pass a budget by the deadline of June 15, 2010 and the state budget is now more than two months overdue. The state faces an estimated $19.1 billion deficit, after trimming billions of dollars from state spending last year and temporarily raising some taxes. On July 28, 2010, the governor declared a financial state of emergency and ordered furloughs for 150,000 state workers. Although legislative leaders are meeting, sides are very polarized and both Democratic and Republican legislators have mentioned the possibility of not reaching an agreement until the next governor takes office in January 2011.

The nation and California entered 2009 at the peak of the worst recession since the Great Depression. Monthly job losses were high, unemployment was increasing at an alarming rate, and national economic output was declining. The ranks of the unemployed increased from about 7.5 million to 14.7 million in the nation and from 1.1 million to more than 2.2 million in California during the recession. The Employment Development Department reports the state unemployment rate at 12.2% and Monterey County at 10.8% for June 2010. The recession that began in December 2007 hasn't officially been declared over, but most economists believe the recovery began in July 2009. Slow hiring continues to be the biggest hurdle facing the economy. Jobs must be created for the economy to recover and the outlook is a long and slow recovery.

- Enrollments at MPC – The four largest sources of revenue (apportionment, lottery, nonresident fees, part-time faculty compensation) totaling 99% of the Unrestricted General Fund are dependent on enrollments, both in-state and nonresident. The demand for classes has increased fueled by the downturn in the economy (unemployment), caps on enrollments at UC and CSU, and the increase in high school graduates (tidal wave 2).

  The state has not provided additional funding for enrollment growth for the past several years limiting the District's ability to offer additional classes. The District has been working to improve stability, increase efficiency, and maintain priority in basic skills, transfer, and career technical offerings. In 2007-08, an emphasis was put on increasing credit enrollments and decreasing dependence on noncredit instructional service agreements. This continues and the District reported its highest level of credit enrollments this past year. Although total enrollments have declined, Apportionment income continues to be maximized because of the higher rate of payment received for credit FTES.



Fiscal Year	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Noncredit	2458	2521	2652	2699	2770	2606	2668	2839	2370	2061	1155
Credit	5289	5608	5899	6033	5996	5993	5623	5540	5858	6474	6735
Nonres	384	373	318	270	229	206	181	167	165	168	163
Total FTES	8131	8501	8869	9002	8995	8805	8472	8547	8392	8704	8053

  The state continues to push colleges to prioritize courses that are of greater public interest to help in economic recovery and to deemphasize courses offered primarily to provide recreational or avocational pursuit. The District has some vulnerability here if changes were to be mandated.

  Although it is not probable to see any significant population growth in the District's service area in the near future, it is believed demand for classes will continue to outpace availability for at least the next few years because of high unemployment, caps on enrollments at UC and CSU, and tidal wave 2. As the economy and the job market improve, enrollments could be adversely affected in the future. Continued growth in core credit enrollments appears possible through improved retention and outreach, schedule improvements, and new and expanded programs.

- Employee compensation – District labor contracts tie increases in compensation to increases in apportionment income. Apportionment is the District's largest single source of revenue, making up 95% of the Unrestricted General Fund income (81.6% of the District's total Operating Fund income). Employee compensation includes salaries and fringe benefits and accounts for 83% of the District's Unrestricted General Fund expenses (80% of the District's total Operating Fund expenses). Although cost of benefits may increase at a different rate than apportionment income, the contract provision significantly helps keep future changes in revenues and expenses in balance.

- Cost trends for expenses – Costs for operating expenses are expected to continue to increase faster than inflation.
    - The District is self-insured for medical. Medical expenses nationwide continue to see double digit increases with no end in sight. A 25% increase in expenses was projected for the District's self funded medical including 12% for industry trend. The projected increase will hopefully be mitigated through a number of negotiated cost containment measures. Future cost containment measures will be needed to keep the District's medical below industry trends and avoid future double digit increases.
    - The District's practice of providing medical coverage continuation after retirement at District expense and accounting rules requiring the recording of the retiree medical liability (GASB 45) will continue to take a larger portion of the District's budget.
    - Costs for retirement plans are projected to increase significantly over the next several years. Required employer contribution rates to the Public Employee Retirement System (PERS) are scheduled to be increased from the current 10.707% to 14.507% by 2013-14. This 3.8% increase will mean an additional $356K in annual expenses. The State Teachers Retirement System (STRS) will need a 14% increase in contributions to make up a $22.5B shortfall. A 14% increase in the District's contribution would increase annual expenses $197K.
    - Costs for energy have seen significant swings both up and down. For the 2010-11 fiscal year, expenses are projected to be down because of very favorable electricity rates negotiated by the Leagues consortium and District's reduced utilization from conservation measures. However, rates are projected to increase beyond normal inflation in the future. The District should continue an aggressive campaign to implement additional conservation measures.
    - Other operating expenses projected to increase faster than COLA increases would include maintenance contracts, supplies, and equipment.

Conclusion

All funds are balanced and positive year-end balances (reserves) are projected. Minimal use of one-time solutions has been used to balance on-going budgets.

A state budget has not yet been approved and budgets in the operating funds of the District were constructed using the same state funding as received in the last fiscal year (2009-2010). Current discussions by the state legislature do not indicate any significant cuts to community colleges; however, the final budget approved by the state will likely alter some District assumptions which will require adjustments to the District's budgets. The state's budget problems will likely continue and will have a negative impact on future funding for the District.

Diligent planning in course offerings that will be fully supported by the state will be needed to enable the District to maintain stable enrollments and receive maximum apportionment funding from the state.

Revenue has been flat and expenses continue to increase because of inflation for the past several years. The District has been able to maintain balanced budgets through improved efficiencies and realignment of resources but at the cost of reduced service levels. Flat revenue and increasing expenses are likely to continue for at least the next several years and it will become more difficult to realign resources and further reduce programs and services. The need for future reductions is certain and planning for them needs to be done well in advance to allow programs sufficient time to accommodate changes.

Summaries by Fund

The District maintains accounts in seven (7) major funds. Revenue is budgeted by the source of the funding and expenses are budgeted by their function. The District's financial activities for day-to-day operating revenues and expenses are recorded in the General and Special Revenue Funds (aka Operating Funds).

General Fund

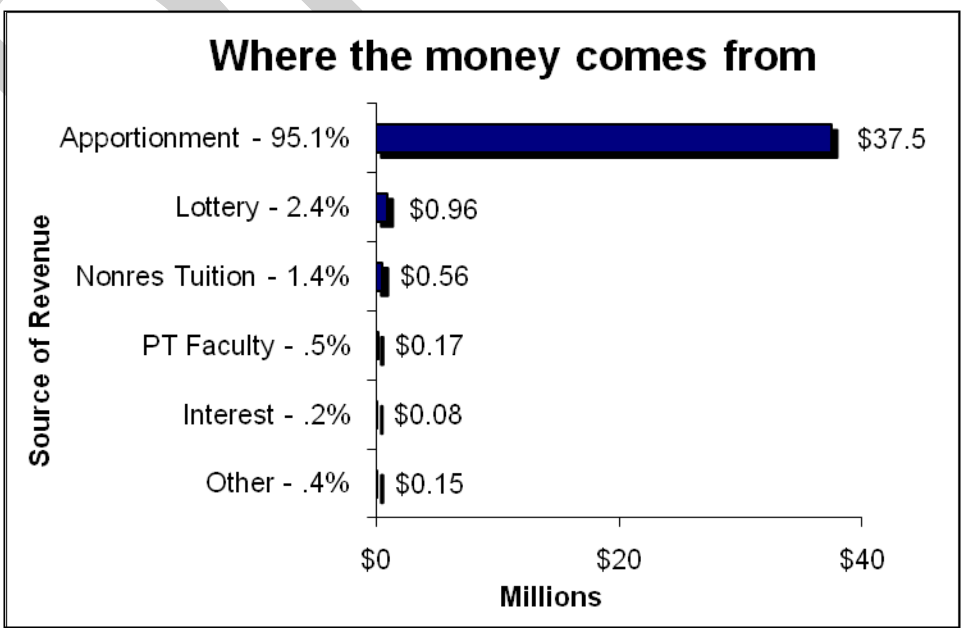
The General Fund includes the general operating budgets for the District. Some monies are restricted as to their use and the fund is therefore separated by unrestricted and restricted.

Unrestricted General Fund

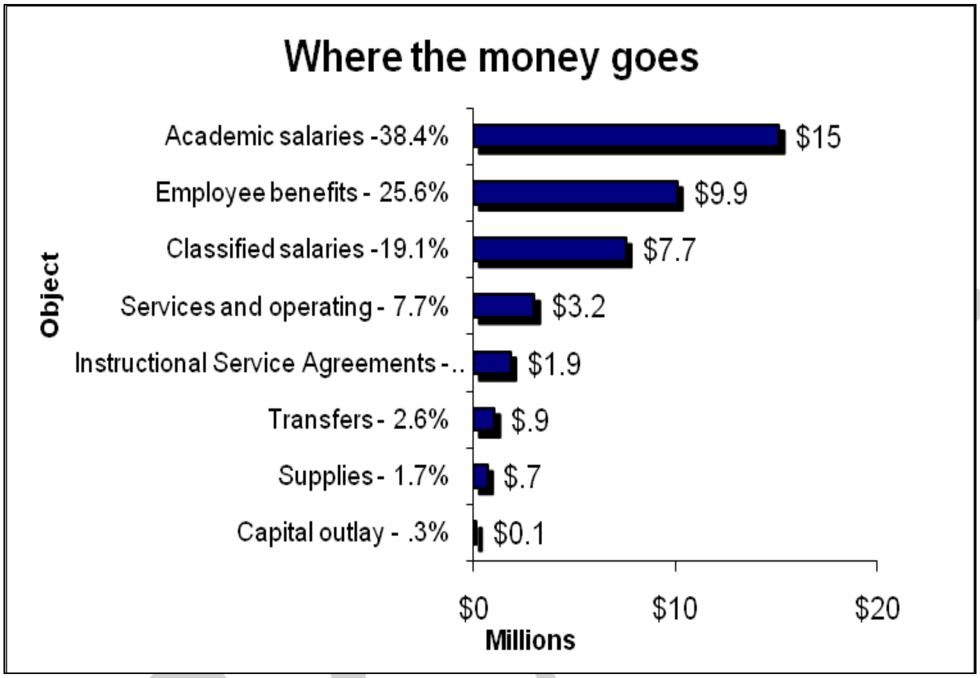
The District's primary financial activities for day-to-day operating revenues and expenses occur in the Unrestricted General Fund (UGF). Amounts budgeted for revenue and expense in the Unrestricted General Fund show revenue to exceed expenses by $4,331 and an ending balance of $4,268,759 (10.8% of budgeted revenues).

The Final Budget indicates total UGF revenue is budgeted to decrease $248,236 (0.6%) from the current 2009-2010 Revised Budget. The largest single item accounting for the change is the projection of a reduction in budgeted interest income of $255,000.

Apportionment is the largest source of revenue and represents 95% 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 uses the same in-state FTES as the District projects to generate for 2009-2010 (7890). 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) total 99% of the Unrestricted General Fund are dependent on enrollments, both in-state and nonresident.



Total expenses are projected to decrease $171,177 (0.4%) from the current 2009-2010 Revised Budget. The largest portions of expenses are for people with salaries and corresponding fringe benefits for employees accounting for 83% of total expenses. The cost of employee benefits continues to be the second largest expense in the budget, currently representing 25.6% of total expenses.



Labor contracts with the faculty and staff have been settled and increases for total compensation (salaries and benefits) are tied to increases in Apportionment revenue. Because no increases are included in this budget for Apportionment COLA or growth, no increases for compensation have been budgeted. Should a COLA or growth be realized, corresponding increases in compensation would also be realized.

The UGF budget includes $124,839 from one-time funding sources.

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 last years' state budget. One-time funding of $68,674 from the UGF is being used to balance Disabled Students Programs and Services (DSP&S). Funds budgeted for all programs total just under $5.5 million including:

Disabled Students Programs and Services (DSP&S)	$	834,507
Extended Opportunities Programs and Services (EOP&S)	$	554,408
Marine Advanced Technology Education (MATE)	$	372,731
Upward Bound	$	369,995
Math Science Upward Bound (MSUB)	$	358,042
Health Services	$	350,600
Matriculation - CR/NCR	$	346,349
New Scholars	$	249,046
Student Financial Aid Allowance (SFAA/BFAP)	$	222,047
Enrollment Growth- Nursing	$	166,870
CalWorks/TANF	$	147,208
Perkins I-C Student Support Structure	$	144,360
Federal Work Study	$	136,838
Lottery	$	117,000
Workability	$	111,828
Tech Prep	$	69,708
CARE	$	63,517
Marine Tech Mentor/Intern	$	59,930

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 $784,488 (unrestricted and restricted). The fund has no reserves and a transfer of $466,158 (59% of their total budget) from the Unrestricted General Fund is budgeted to balance current year expenses.

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. A transfer of $19,425 is budgeted to the Debt Service Fund for the required payment. Half of the Student Activity Coordinator in the Student Center Fund is paid by the Unrestricted General Fund. The reserve in the fund, projected to be over $214 thousand by year end, will be used for maintenance on the building.

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 in this fund are for parking security and maintenance and improvements to the parking lots. The fund is projected to have a reserve of over $92 thousand which will be used for future parking related repairs and improvements. This year, the fund is being assessed $9,700 as a cost for electricity for parking lot lighting.

Debt Service Fund

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 $19,425. A transfer from the Unrestricted General Fund representing projected energy savings is budgeted to cover the required payments to SunTrust. Normally, the annual payment is $275,324; however, this year the payment will be $239,783 because of a 1-time construction work credit of $35,541.

Capital Projects Fund

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, 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 environmental insurance required by FORA. Current expenses budgeted total $600,664.

Building Fund

Expenses associated with Measure I, the $145 million Proposition 39 bond, are accounted for in the Building Fund. At this time, the budget balances for all currently active projects, $66,341,480 are being included in the Tentative Budget. The Board will be considering adjustments to bond budgets at their meeting on August 24, 2010 which will alter this total. If approved, adjustments to these budgets will need to be made.

Self Insurance Fund

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. A major financial issue facing the District this year is the projected 25% increase in costs for medical benefits. Agreements with the employee groups have been approved that are intended to mitigate the projected increase:

- Academic and management employees have agreed to cost containment measures that will be implemented in 3 phases depending on actual expenses whereby the 1st phase was implemented July 1, 2010, expenses will be reviewed each 6 months for 3 years and if current expense exceed budget the subsequent phase would be implemented.
- Classified employees have agreed to the 1st phase cost containment measures and a furlough of 65 hours for the 2009-10 year.

A total contribution of $7,163,249 is currently being budgeted including $257,110 from classified furloughs. Expenses are budgeted at $6,906,139 including $6,739,038 for medical (approximately the same as last year), $112,620 for categorical contributions for retiree benefits (OPEB GASB 45) and $54,481 for other categorical medical (vision, dental, life & disability).

It is projected that expenses in 2009-10 will exceed budget by approximately $1 million leaving an approximate fund balance in the Self Insurance Fund of $7.5 million, including $3.05 million designated for GASB 45 liability. The actuarial study completed in February 2009 calculates the actuarial accrued liability as of November 1, 2008 to be $11,082,229. In addition, the fund balance may be further reduced in 2010-11 because the cost containment measures to be implemented in 2010-2011 for faculty and management employees will be implemented in three (3) phases. The furlough money from classified employees will be used for medical expenses that exceed budget while negotiations for additional cost containment measures are worked out with classified 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.

Monterey Peninsula College
3-Year Comparison

	2007-2008 Actual	2008-2009 Actual	2009-2010 Actual*	2009-2010 Budget	2010-2011 Budget	% 2009-10 Budget to Final Budget
Unrestricted General Fund:						
Income						
Federal	$7,819	$8,977	$11,043	$2,000	$10,500	425.0%
State	$13,691,246	$23,875,935	$17,778,977	$22,071,672	$21,092,956	-4.4%
Local	$26,031,931	$18,325,567	$17,602,260	$17,598,500	$18,320,480	4.1%
Total Income	$39,730,997	$42,210,479	$35,392,280	$39,672,172	$39,423,936	-0.6%
Expense						
Academic Salaries	$14,634,195	$15,745,978	$14,917,573	$14,948,843	$15,116,946	1.1%
Classified Salaries	$7,593,262	$7,740,028	$7,609,219	$7,637,468	$7,542,458	-1.2%
Fringe Benefits	$3,976,687	$4,159,078	$4,192,621	$4,328,761	$4,457,802	3.0%
Books and Supplies	$745,873	$820,607	$778,320	$721,008	$676,897	-6.1%
Operating	$6,819,468	$6,330,251	$4,287,901	$5,533,500	$4,843,960	-12.5%
Capital Outlay	$218,216	$232,857	$172,014	$137,616	$125,212	-9.0%
Transfers	$6,122,632	$7,092,698	$5,994,448	$6,283,588	$6,656,331	5.9%
Total Expenses	$40,110,333	$42,121,497	$37,952,096	$39,590,783	$39,419,606	-0.4%
Restricted General Fund:						
Income						
Federal	$2,110,556	$2,137,247	$1,873,165	$2,523,576	$2,458,901	-2.6%
State	$4,044,886	$3,667,509	$3,222,172	$3,048,373	$2,347,749	-23.0%
Local	$504,277	$474,331	$535,973	$669,250	$688,257	2.8%
Total Income	$6,659,719	$6,279,087	$5,631,310	$6,241,199	$5,494,907	-12.0%
Expense						
Academic Salaries	$1,526,755	$1,484,864	$1,230,885	$1,478,427	$1,285,911	-13.0%
Classified Salaries	$1,264,448	$1,192,471	$1,106,491	$1,139,623	$1,218,313	6.9%
Fringe Benefits	$452,924	$401,826	$380,403	$414,822	$418,994	1.0%
Books and Supplies	$462,522	$345,857	$199,625	$288,868	$111,382	-61.4%
Operating	$1,446,868	$1,628,262	$1,665,069	$1,667,774	$1,498,249	-10.2%
Capital Outlay	$330,272	$152,007	$120,622	$389,705	$178,400	-54.2%
Transfers	$1,396,525	$1,073,800	$729,158	$861,977	$783,658	-9.1%
Total Expenses	$6,880,313	$6,279,087	$5,432,253	$6,241,196	$5,494,907	-12.0%
Unrestricted Child Development						
Income	$424,246	$528,288	$507,412	$514,302	$533,856	3.8%
Expense	$424,246	$528,288	$478,650	$514,302	$533,856	3.8%
Restricted Child Development						
Income	$253,338	$216,594	$255,793	$265,567	$250,632	-5.6%
Expense	$253,338	$216,594	$286,773	$265,567	$250,633	-5.6%
Student Center						
Income	$287,083	$293,645	$277,271	$279,200	$275,200	-1.4%
Expense	$214,256	$214,201	$200,688	$264,983	$260,235	-1.8%

	2007-2008 Actual	2008-2009 Actual	2009-2010 Actual*	2009-2010 Budget	2010-2011 Budget	% 2009-10 Budget to Final Bud
Student Revenue Bond						
Income	$42,077	$19,484	$20,345	$19,875	$19,425	-2.3%
Expense	$20,776	$20,325	$19,875	$19,875	$19,425	-2.3%
Debt Service						
Income	$440,413	$356,607	$170,503	$275,324	$239,783	-12.9%
Expense	$416,105	$517,063	$68,831	$275,324	$239,783	-12.9%
Parking						
Income	$304,314	$325,351	$604,395	$446,000	$460,000	3.1%
Expense	$304,314	$327,926	$388,499	$443,853	$431,749	-2.7%
Capital Projects						
Income	$3,062,696	$1,005,509	$32,866	$245,705	$342,741	39.5%
Expense	$2,989,101	$1,605,493	$346,361	$554,721	$600,664	8.3%
Self Insurance						
Income	$6,721,550	$6,598,751	$7,007,564	$6,777,696	$7,163,249	5.7%
Expense	$5,291,292	$6,010,816	$7,149,451	$6,777,696	$6,906,139	1.9%
Financial Aid						
Income	$2,036,953	$2,779,674	$4,460,481	$4,460,481	$4,300,000	-3.6%
Expense	$2,071,067	$2,779,674	$4,460,481	$4,460,481	$4,300,000	-3.6%
Associated Students						
Income	$96,487	$117,593	$110,247	$114,000	$122,000	7.0%
Expense	$96,487	$84,065	$159,062	$114,000	$122,000	7.0%
Scholarship and Loans						
Income	$2,072,886	$2,289,368	$2,911,277	$2,915,000	$2,940,000	0.9%
Expense	$2,032,290	$2,303,470	$2,929,688	$2,915,000	$2,940,000	0.9%
Trust Funds						
Income	$778,677	$444,575	$587,677	$475,000	$590,000	24.2%
Expense	$855,694	$392,038	$537,591	$400,000	$520,000	30.0%
Orr Scholarship						
Income	$36,929	$46,693	$5,221	$6,000	$4,300	-28.3%
Expense	$25,675	$24,809	$24,544	$30,000	$15,000	-50.0%
Building Fund						
Income	$109,937,250	$198,008	$595,973	$1,700,000	$220,000	-87.1%
Expense	$22,925,031	$16,162,764	$13,421,701	$14,029,511	$66,341,480	372.9%

***Actual through June 30, 2010 (prior to closing entries).**

Unrestricted General Fund Highlights

2010-2011 Final Budget

Revenues:

Total Unrestricted General Fund income budgeted for 2010-11 is $39,423,936, $248,236 (.63%) less than the 2009-10 adjusted budget. The District's budget has been calculated using estimates based on a roll-over budget from the state. Although the Governor's May Revise calls for a negative cost of livings allowance (COLA) of 0.39% and 2.21% for growth, it is not believed that the state's final approved budget will provide any additional funding for community colleges.

- **Apportionment** - The largest source of unrestricted revenue, $37,500,000 (95.2%) 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 the state. 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. In state FTES of 7890.03 (6734.98 credit, and 1155.05 noncredit) as reported at July 15 Annual Period CCFS320 for 2009-10 has been used in the calculation for this budget. The state budget includes additional funding to (hopefully) avoid a property tax shortfall and no amount is included in the District's budget for a shortfall.

- **Part-Time Faculty Compensation** – The District has budgeted $173,268, the same allocation as provided in 2009-10.

- **Lottery** – Funds received from the Lottery Commission are based on prior years FTES, including non-resident and apprenticeship. Assuming the total FTES of 8079.14 (7890.03 in-state, 163.41 non-resident, 25.7 apprenticeship) and School Services projection of $115 per FTES results in a total of $929,000, $40,000 less than the 2009-10 Final Budget. (The District's Restricted General Fund includes a budget of $145,000 for projected Prop 20 Lottery funds, assuming $18 per FTES, resulting in total Lottery funds of $1,074,000.)

- **Nonresident Fees** – Non-resident enrollments are projected to be $11,000 less than budgeted in 2009-10 because of a reduction in rates from $190 to $182 per unit. Using 163.41 FTES reported on the July 15 CCFS320 income is budgeted at $564,000.

- **Interest** – Interest income is budgeted at $75,000 (assuming an average monthly balance of $15M at 0.5%), a reduction of $255,000 from last year's budget. (Actual interest income for last year is projected to be significantly less than the $330,000 budgeted.)

- **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 $68,674. Although these funds are unrestricted, they are being recorded in the Restricted Fund to balance Supportive Services budgets.

Expenses:

Total Unrestricted General Fund Expenses are budgeted at $39,419,606, a decrease of $171,178 (0.43%) from the 2009-10 adjusted budget. 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 $15,116,946 are up $268,103 from last year's adjusted budget primarily because of an increase in adjunct salaries. $4,915,943 is budgeted for adjuncts, overloads and other non regular instructional salaries, an increase of $253,931 from last year.

  Classified salaries at $7,542,458 are down $128,273 from last year's adjusted budget. Major items accounting for the reduction include a reduction of $166,084 in pay for furloughs, a reduction in hourly temp budgets of $38,493, and turnover savings netted with an equity increase for $109,376.

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

  Salary roll-up costs of $4,477,802 include retirement, Medicare, FICA, unemployment, and workers comp and total 29.077% for classified employees and 13.42% for academic employees. Roll-up costs associated with salary increases for required step and column movement, longevity, and equity increases have been budgeted. Net salary roll-up costs are projected to increase by $130,175 primarily due to an increase in unemployment from 0.3% to 0.72% and an increase in PERS from 16.709% to 17.707%.

  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 for medical benefits at $5,616,476, $132,296 more than 2009-10. The increase was required to keep the total budget in the self insurance fund the same as 2009-10 and comply with the June 14, 2010 Accounting Advisory from the Chancellor's Office concerning charges for retiree medical benefits (OPEB) against categorical programs.

- **Books and Supplies** – At $676,897, this budget category is $40,607 less than last year, primarily from a $33,712 reduction in printing.

- **Services and Operating** – At $4,843,960, this budget category is $762,295 less than last year:

  1. Utilities – Total utility expenses are budgeted at $1,162,580 ($1,265,553 for all funds of the District), a reduction of $83,984 from last year. Electricity is budgeted at $624,978, natural gas at $189,800, water at $169,337,waste disposal at $38,721, sewage at $38,000 and telephone at $98,812.

(A transfer to the Debt Services Fund of $239,783 is also budgeted to make lease payments for the energy conservation projects completed by Siemens.)

2. Risk Management (insurance) – Budgeted basically at the same level as 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 $257,400 plus $30,000 for deductibles. Student accident insurance for athletes is budgeted at $66,756. (A budget for student accident insurance is also included in the Restricted General Fund at $43,449, 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 – $1,829,216 is budgeted for Instructional Service Agreements (ISA), a decrease of $22,291 from last year.

4. Travel – Budgeted at $163,803, a reduction of $15,143 from last year.

5. Legal Expenses – Budgeted at $45,000 a reduction of $34,000 from last year.

6. Election Expenses – No funds are budgeted for election expenses, a reduction of $95,000 from last year.

7. Building Maintenance – Minor capital improvements remains the same as last year with a budget of $73,285.

8. Other Services & Expenses – Budgeted at $389,572 represents a reduction of $84,006 from last year primarily from reductions in advertising of $27,798 (to $137,419), accreditation expenses of $12,650, postage $7,032, 1098 processing $5,000, and special services budget for negotiations $5,000.

9. Contingencies – Total general contingencies remain basically the same as last year, $77,537: $50,000 for unanticipated institutional expenditures (utilities, postage, telephone, etc.), $7,740 for the Superintendent, $8,500 total for VPs, $5,200 total for deans, and $6,097 for athletics.

- **Capital Outlay** – Budgeted at $125,212, a reduction of $11,023 from last year.

- **Transfers** - Transfers to other funds are budgeted at $6,656,331, an increase of $372,743 from last year, primarily from: a transfer for classified furloughs of $215,325, increased costs of $132,296 in the UGF to comply with accounting changes regarding charges for OPEB against categorical programs, an increase of $60,329 in support for CDC, and a 1-time reduction of $35,541 for debt service. The following transfers are budgeted:

Self Insurance Fund – medical	$5,616,476
Self Insurance Fund – furloughs	215,325
Child Development Fund	466,158
Debt Service (energy conservation)	239,783

EOP&S	67,384
Capital Outlay (insurance for Fort Ord)	51,205

- **Other** - The District records the mandatory allocation of revenue generated by Supportive Services (DSPS) classes by covering direct expenses in the Unrestricted General Fund. The revenue generated last year totaled $303,786 and expenses of $325,354 are budgeted for 2010-11.

Fund Balance:

Revenues are budgeted to exceed expenses by $4,330 and an ending Unrestricted General Fund balance of $4,268,759 is projected which is 10.83% of Unrestricted General Fund revenues.

Use of One-time revenues to cover on-going expenses:

The following is a list of one-time revenues used in this budget:

Debt services credit for energy conservation work not completed	$35,541
Transfer from left over State Instructional Equip to cover library materials	$33,500
Transfer from library donations to cover TTIP	$36,036
Rebate from BACC Property/Liability JPA	$19,762
Monies included in the Final Budget from one-time funding sources	**$124,839**

In addition, UGF Apprenticeship funding of $68,674 which may be eliminated after 2011/12 is being used to balance RGF accounts for Supportive Services.

Attachment A

<u>The Budget Development Process for the District is as follows:</u>

1) Board approved long-term goals and annual objectives are used to establish district priorities. Each area develops component goals supporting their area needs and institutional goals and objectives.
2) Administrative Services develops a list of estimated revenues and committed costs as a preliminary estimate of available funds for the upcoming fiscal year.
    a) Administrative Services compiles a listing of all fixed/committed costs, to include:
        i) Salaries and payroll related benefits
        ii) Health Benefits
        iii) Lease Agreements
        iv) Contracts
        v) Lease Purchase Agreements
        vi) Inter fund Transfer Requirements
    b) Administrative Services provides revenue estimates
    c) Administrative Services provides projections for ending fund balances.
    d) Administrative Services prepares budget development instructions. The Budget Committee reviews assumptions and support documentation, and requests clarification, as appropriate. Budget packages including 3 year history of expenses, and instructions are sent to Superintendent/President and vice presidents for distribution to cost center managers/division chairs.
    e) Cost center managers/division chairs are requested to ensure any roll over budgets are accurate and to identify any mandated increases to their appropriate vice president.
3) The Budget Committee reviews all data provided and projections and provides information on available funding or shortfalls to College Council.
4) In light of annual institutional goals and available resources, the vice presidents, working through the Advisory Groups, provide guidance and leadership to allow the cost center managers/division chairs to develop their individual component goals. Component goals are shared with the College Council.
5) The advisory groups prioritize budget requests/action plans based on annual institutional goals and department component goals. Prioritized budget requests/action plans are shared with the College Council.
6) The College Council reviews component goals and prioritized budget requests/action plans from the three advisory groups and the President's areas; and based on district long-term goals and annual objectives and available funding, balances the requests. The College Council makes a recommendation on any additional funding and/or reductions to the Superintendent/President for review and action.
7) The Superintendent/President, in consultation with the College Council, makes any final adjustments to the budget. The president then sends the draft budget to the Board for approval as the Tentative Budget.
8) The cost center managers/division chairs review the budget to see required adjustments have been made, and check for possible errors. They may request budget hearings from their respective advisory group.
9) As updated revenue information becomes available from the Chancellor's Office, revenue estimates change and/or changes to budgeted expenses are needed, the budget is modified for the Final Budget as provided in numbers 2 through 7 above.
10) The modified Tentative Budget is presented to the Budget Committee and College Council for recommendation and sent to the Superintendent/President. The Superintendent/President, in consultation with the College Council, makes any final adjustments to the budget. The president then sends the draft budget to the Board for approval as the Final Budget.

Attachment B

Monterey Peninsula College

Institutional Goals, 2007 – 2010

December, 2007

Monterey Peninsula College is committed to promoting Academic Excellence and Enrollment Growth based on the following Institutional Goals.

1. Promote academic excellence and critical thinking across all areas and disciplines.

Objectives:

1. Support faculty and staff development for effective teaching, learning, and service delivery
2. Expand distance education by providing leadership, technical assistance, services, training opportunities, exploring partnerships, and designing quality control mechanisms
3. Articulate the meaning, value, and use of SLOs (Student Learning Outcomes) at MPC

2. Foster a climate that promotes diversity throughout the institution.

Objectives:

1. Actively seek and enhance diversity in all college programs, curricula, extra-curricula, outreach and community events, and in the college population, students, employees and Board of Trustees
2. Recruit and retain a diverse college-wide community

3. Grow enrollment and build MPC into an economic driving force for the Monterey area by supporting and developing programs that teach employable skills.

Objectives:

1. Improve the college's financial stability by diversifying the college's revenue sources and increasing enrollment
2. Establish and strengthen industry, government, and community partnerships
3. Establish and strengthen partnerships with high schools and transfer institutions
4. Develop an integrated, effective district-wide marketing strategy for continuing programs, new programs and services

4. Create pathways to success that address the diverse, holistic needs of all MPC students.

Objectives:

1. Identify barriers that prevent students from achieving their goals
2. Increase collaboration between Student Services and Academic Affairs to provide systems and programs that better assist students
3. Improve the delivery of academic support for diverse student learners

5. Provide educational programs and services in Seaside and Marina that meet community needs.

Objectives:

1. Develop class and service delivery schedules based on assessment and analysis of community needs
2. Provide support services that are sufficient in quantity, currency, depth, and variety to facilitate educational offerings

6. Ensure adequate levels of personnel to support current programs and establish priorities for future growth.

Objectives:

1. Provide adequate levels of well-trained support personnel to meet the needs of learning, teaching, college-wide communications, research and operational systems
2. Attract and retain the best-qualified employees by continuing to increase compensation for full and part-time staff and faculty

7. Maintain and improve district facilities.

Objectives:

1. Create safe, attractive, functional facilities through the allocation of bond funds
2. Provide a stable and secure technical environment for the entire institution