

**Monterey Peninsula
College
2011-12 Tentative Budget**

**Presentation to College Council
June 21, 2011**

Principals of Fiscal Stability

- Balancing ongoing revenues with ongoing expenses and only using one-time revenues for one-time expenses
- Not budgeting for growth income before they it is realized
- Not budgeting for non-verifiable employee turnover savings
- Including budgets for all approved permanent positions whether filled or unfilled in the current year
- Budget for all known expenses and liabilities and, maintain adequate reserves
- Continue using a total compensation formula that ties compensation increases to increases in ongoing revenue

State Budget Development

- Governor's budget was released in **January** showing a \$26.6 B deficit
- In **March**, legislature passed \$13.4B in budget solutions including a CC proposal
 - Workload reduction of \$400M, fee increase, no change to categorical funding
- **May Revision** is released by Governor
 - Prior budget solutions and improved revenue forecast reduces deficit to \$10.8B
 - CC proposal includes a \$350M buy down of \$960M deferral
 - Balance of deficit to be filled by extension of temporary taxes imposed in 2009

State Budget Development

- Budget negotiations continue without any real solution
 - Democrats approve budget on a majority vote that is promptly vetoed by the governor
 - Governor wants a balanced budget without accounting gimmicks
 - Republicans are willing to consider an election on the extension of taxes, but also wants voters to weigh in on pension reform and spending caps
- State budget negotiations create a climate of uncertainty for public education – but the show must go on
 - Board of Trustees must adopt a Tentative Budget by June 30th.

MPC Budget Assumptions

- No funded COLA (statutory COLA estimated at 2.24%)
- No growth funding
- \$3.4M reduction to state apportionment (9% reduction from 10-11)
 - Workload reduction (reduced FTE cap)
- Fee increase from \$26 to \$36 per unit
- No change to state categorical funding levels
 - Categorical flexibility extended for another two years
- No buy down of inter-year deferrals

Budget Response

- Opportunistic reductions are no longer sufficient to close deficit as in past years – budget response must be balanced
- Expenditure reductions / savings fall into three general categories
 - **Institutional savings** (15% cut to department budgets 4000-6000)
 - **FTEs cap / workload reduction savings**
 - 5% reduction of class offering for the fall with contingency plans if budget deteriorates
 - Reduce ISAs by \$400K
 - **Employee compensation related savings**
- Judicious use of **one-time funds** to help close deficit

Summary of All Funds Tentative Budget 2011-12

Funds	Beginning	Budgets		Ending
	Fund Balance	2011-2012		Fund Balance
	7/1/2011	Revenue	Expense	6/30/2012
General				
Unrestricted	\$3,763,831	\$35,650,922	\$35,638,310	\$3,776,443
Restricted	\$0	\$5,358,003	\$5,358,003	\$0
Special Revenue				
Child Development - Unrestricted	\$0	\$540,407	\$540,407	\$0
Child Development - Restricted	\$0	\$231,190	\$231,190	\$0
Student Center	\$214,409	\$275,200	\$263,207	\$226,402
Parking	\$92,179	\$464,000	\$456,998	\$99,181
Subtotal - Operating Funds	\$4,070,419	\$42,519,722	\$42,488,115	\$4,102,026
Debt Service				
Student Center	\$20,905	\$18,975	\$18,975	\$20,905
Lease Payments	\$103,491	\$275,324	\$275,324	\$103,491
Capital Projects	\$431,020	\$3,216,400	\$3,553,752	\$93,668
Building	\$54,046,985	\$200,000	\$39,371,502	\$14,875,483
Self Insurance	\$8,736,186	\$6,906,139	\$6,906,139	\$8,736,186
Fiduciary				
Financial Aid	\$12,881	\$5,500,000	\$5,500,000	\$12,881
Associated Students	\$90,600	\$134,000	\$134,000	\$90,600
Scholarship and Loans	\$272,948	\$2,850,000	\$2,850,000	\$272,948
Trust Funds	\$293,917	\$589,000	\$489,000	\$393,917
Orr Scholarship	\$61,262	\$40,000	\$38,000	\$63,262
Total	<u>\$68,140,614</u>	<u>\$62,249,560</u>	<u>\$101,624,807</u>	<u>\$28,765,367</u>

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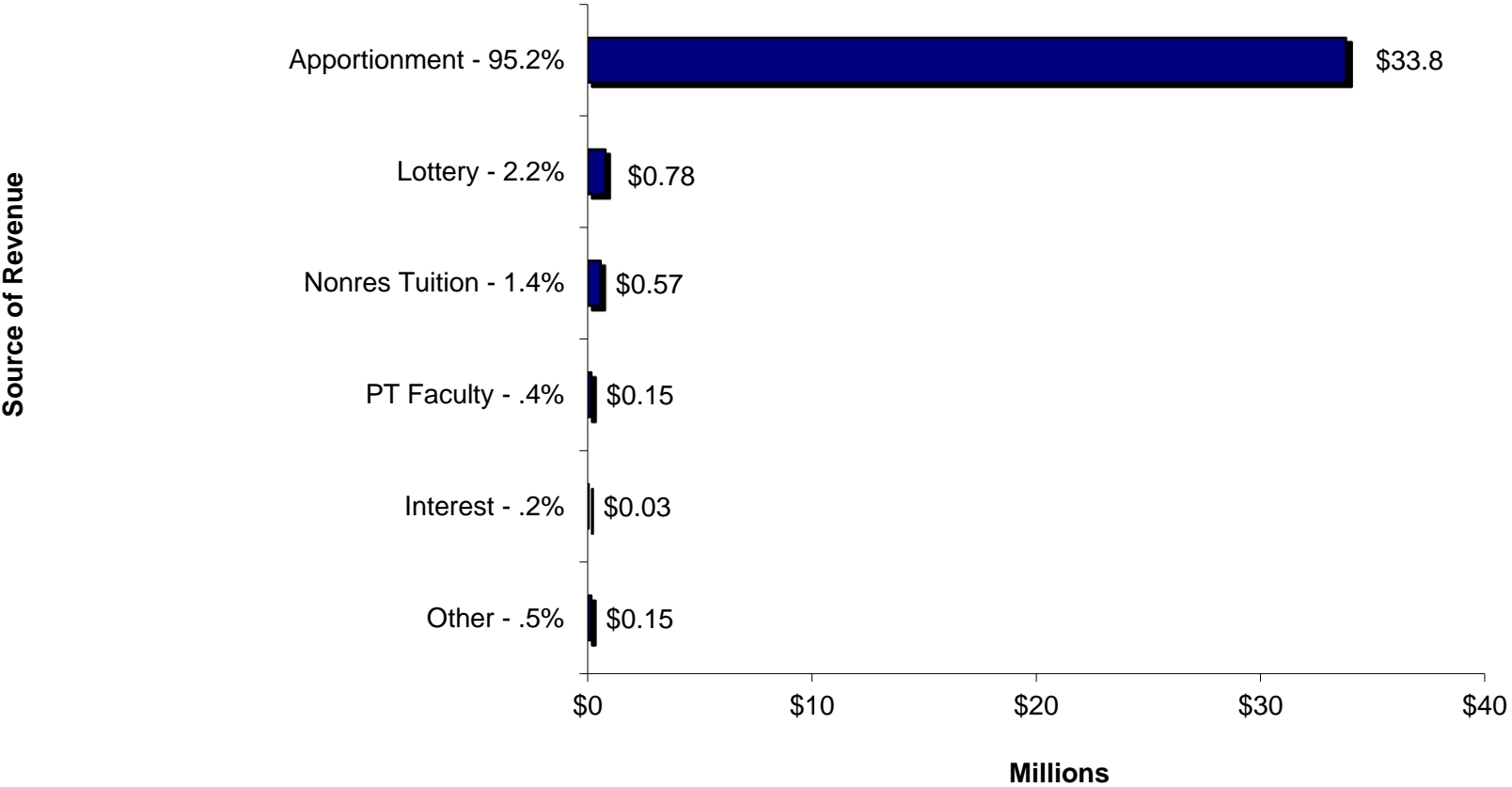
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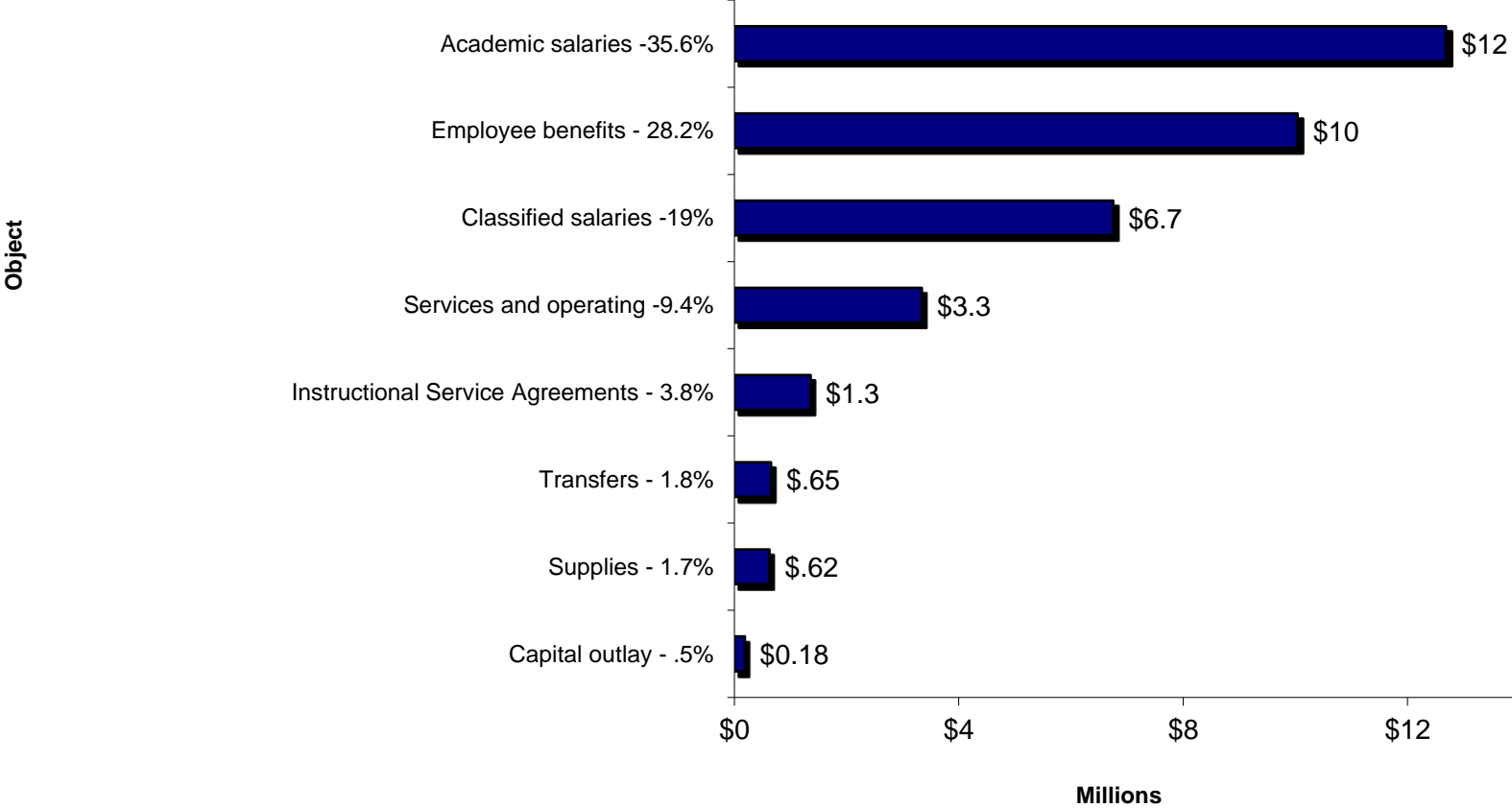
Unrestricted General Fund Revenues

Where the money comes from



Unrestricted General Fund Expenses

Where the money goes



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Self Insurance Fund

- \$6.9M budgeted for 2011-12
 - Budgeted amount is the same as 2010-11
 - Latest renewal estimate indicates self-funded rate will increase another 16.5% (\$665K) next year
 - Increase is made up of industry trend (9% per annum) and rising “stop loss” premium
 - Movement of CHOMP to Tier 1 could mitigate some of the increase
 - Net increase is estimated at \$382,600
 - Absent any additional cost containment measures, fund balance will be spent down to absorb increase
 - Possibility that current year expenditures will be slightly less than projected, therefore any savings could also be used to offset increase.

Self Insurance

- Long term solution is needed
 - Claims data shows
 - MPC avg. age is 3-7 years older than most districts
 - Avg. claims cost increased 28.93% in the last 12 months
 - The number of large claims doubled in the last 12 months, particularly for retirees
- Every dollar used to maintain health benefits is one less dollar that is going to programs and salary schedule
 - STRS and PERS retirement pension formulas are based on highest salary not salary + health benefits!

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Conclusion

- Budget situation is directly tied to state economy
 - Recovery will be slow and uneven
- Budget responses are painful and affect people, programs, and student access
- Final approved state budget could have additional impacts on district's budgets
- Need long-term solutions to managing costs of benefits

Questions?