

**Monterey Peninsula College
Institutional Self Study Report
Standard IID: Financial Resources**

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**Monterey Peninsula College
Institutional Self Study Report
Standard IID: Financial Resources**

An Introduction

STANDARD IID

Financial resources are sufficient to support student learning programs and services and to improve institutional effectiveness. The distribution of resources supports the development, maintenance, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability. The level of financial resources provides a reasonable expectation of both short-term and long-term financial solvency. Financial resources planning is integrated with institutional planning.

Description:

Monterey Peninsula College has sufficient resources to support student learning programs and services and to improve institutional effectiveness, distributes resources through a dynamic planning and resource allocation process, and manages its affairs with integrity and in a manner that ensures financial stability.

Sufficient Financial Resources

Monterey Peninsula College is financially sound, supporting student learning programs and services and constantly working to improve institutional effectiveness. To complete its mission and in keeping with appropriate budgeting practices, the district maintains accounts in seven major funds. The following is a summary indicating the projected beginning balances, 2008-2009 budgets, and projected ending balances for each fund:

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Funds	Beginning Fund Balance 7/1/2008	Budgets 2008-2009		Ending Fund Balance 6/30/2009
		Revenue	Expense	
General				
Unrestricted	\$4,079,114	\$40,806,074	\$40,798,479	\$4,086,709
Restricted	\$0	\$6,113,946	\$6,113,946	\$0
Special Revenue	\$153,381	\$1,396,825	\$1,354,179	\$196,027

Sub Total - Operating Funds	\$4,385,876	\$49,713,670	\$49,620,783	\$4,478,763
Debt Service	\$172,257	\$365,574	\$537,388	\$443
Capital Projects	\$937,330	\$1,052,799	\$1,907,979	\$82,150
Building	\$100,000,000	\$3,150,000	\$20,865,373	\$82,284,627
Self Insurance	\$6,460,883	\$6,555,923	\$6,555,923	\$6,460,883
Fiduciary	\$527,403	\$4,820,000	\$4,620,000	\$727,403
Total	<u>\$112,330,368</u>	<u>\$64,261,141</u>	<u>\$82,753,267</u>	<u>\$93,838,242</u>

Primary financial activities for day-to-day operating revenues and expenses occur in the district’s general fund, which is separated into unrestricted and restricted funds. The largest source of unrestricted revenue (92 percent or \$37,518,108 in 2008-2009) is based on actual district student enrollments. These funds are referred to as apportionment, which is calculated based on state formulas using the district’s actual credit and non-credit full time equivalent students (FTES). Actual funds for apportionment are paid through local property taxes, student registration fees, and the state. The state sets student registration fees and any amount assessed is included in the total apportionment calculation. Although these funds are less than desirable, they are sufficient to support MPC’s student learning programs and services.

Another source of significant income to the college stems from a local Proposition 39 facility bond, Measure I [IIID.1], which passed in 2002. The \$145 million provided through this bond has allowed the college to improve its facilities and infrastructure, thus enhancing its student learning programs and student services. State capital outlay funding (over \$26.8 million) has further supplemented bond funds. Expenditure of these funds is recorded in the Building and Capital Projects funds.

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The Distribution of Resources: MPC’s Planning and Resource Allocation Process

Resource distribution is determined through the college’s planning and resource allocation process [IIID.2], which is described in detail in Standard IB. The process involves MPC’s primary shared governance committee, the College Council; the college’s three advisory groups: Academic Affairs Advisory Group (AAAG), which is chaired by the Vice President of Academic Affairs, Student Services Advisory Group (SSAG), which is chaired by the Vice President of Student Services, and Administrative Services Advisory Group (ASAG), which is chaired by the Vice President of Administrative Services; the Budget Committee; the vice presidents, the Superintendent/President; and the Board of Trustees. The process begins with the development of a multi-year institutional mission and goals. These are developed with input from the entire campus via a top down/bottom up approach and adopted by the College Council and the Board of Trustees. Programs then develop action plans [IIID.3] that address

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specific needs and issues and identify any new or increased financial needs. Each division or service area then prioritizes its respective programs' action plans.

In the spring of each year, advisory groups develop component goals [IID.4]. They also review prioritized action plans from all of their respective areas and further prioritize action items [IID.3]. The vice presidents then review the prioritized requests to confirm their feasibility and refine priorities within their individual areas. The Budget Committee identifies resources available. The College Council combines the various prioritized advisory groups' action plan [IID.3] lists, and, based on resources available and effectiveness toward meeting institutional goals and objectives, makes an institutional recommendation on items for possible inclusion in the district's budget. The College Council's recommendations are forwarded to the Superintendent/President and then to the Board of Trustees for final action.

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Managing Financial Affairs with Integrity

Monterey Peninsula College seeks to manage its financial affairs with integrity. As described, the district's resource distribution is determined using the planning and resource allocation process [IID.2]. This process includes the campus advisory groups and the College Council, the district's primary shared governance committees.

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The district also uses a budget development process [IID.6]. This process provides department budget managers with instructions on the budget process, timelines, and a three-year history of expenses to their account(s). Instructions include overall district financial projections to help manage department expectations. Departmental budgets are developed by department budget managers and processed through the appropriate advisory group to the College Council. The process calls for a tentative budget [IID.7] to be developed prior to June 30 each year and be approved by the Budget Committee, College Council, and Board of Trustees. A final budget [IID.8] is developed prior to September 1 each year and is also approved by the Budget Committee, College Council and Board of Trustees. Detailed reports of budgets and monthly expenditures are provided to departments for management and to ensure accuracy.

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The college's desire to manage its finances with integrity is also evident in its use of a Citizen's Bond Oversight Committee. The Citizen's Bond Oversight Committee contributes to the monitoring of bond-related expenditures at Monterey Peninsula College. The Board of Trustees established the committee in February 2003 following voter approval of the college's \$145 million bond measure in November 2002. The committee consists of ten members who represent the local business community, a senior citizen's organization, students, a college support organization, taxpayer's organization,

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and the community at large. Meetings are held quarterly and are open to the public.
[IID.9].

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Ensuring Financial Stability

Monterey Peninsula College is fiscally conservative to ensure financial stability. The district completed a *Fiscal Stability Report* in March 2007 [IID.10], and, using the information from this report, the Board of Trustee adopted a *Long Term Financial Plan* [IID.11] for the district in February 2009. The plan identifies that the primary source of income for the district is based on enrollments. The plan includes seven (7) areas that the district will target to help increase future revenue and promote reliable enrollments:

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1. Increase enrollments (growth).
 - A. Enrollment Advisory Committee activities
 - B. Marketing/outreach activities
 - C. Eliminate artificial barriers to enrolling.
 - D. Expand programs and classes.
 - E. Improve class scheduling.
 - F. Improve retention.
2. Review noncredit FTES for potential conversion to credit or enhanced noncredit FTES.
3. Review positive attendance courses for possible conversion to census and review attendance accounting methods to ensure compliance and accuracy.
4. Review possible gains by restructuring current academic calendar.
5. Reduce dependence on instructional service agreements (ISAs) and ensure that those maintained are well administered.
6. Ensure administrative support for economic and workforce development.
7. Pursue other outside funding sources.

The plan also calls for the continuation of budgeting practices that are credited for past stability, including:

- Balancing ongoing revenues with ongoing expenses and only using one-time revenues for one-time expenses
- Not budgeting for growth income before 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
- Budgeting for all known expenses and liabilities
- Maintaining adequate reserves including an annual contingency budget for unexpected expenses
- Continue using a negotiated salary and benefit formula that ties increases in these expenses to increases in revenue

In addition, district Board Policy 2106 (Budget Standards & Policy) calls for a target reserve of 10 percent of the unrestricted general fund revenues.

Evaluation – Standard IIID: MPC meets the standard.

Monterey Peninsula College has sufficient resources to support student learning programs and services and to improve institutional effectiveness, distributes resources through a dynamic planning and resource allocation process, and manages its affairs with integrity and in a manner that ensures financial stability.

As of this writing, the college has sufficient resources. MPC is accustomed to careful budgeting; like most California community colleges, MPC’s reliance on state formulas (apportionment) has caused the college to plan on minimal financing to accomplish its mission. Even with bond funds being allocated for various projects, programs do go wanting; yearly action plans attest to new or ongoing staff, equipment, facility, or technology needs to enhance instructional programs and support services. What is interesting to note is that the Accreditation Faculty and Staff Survey conducted in fall 2008 indicates that 65 percent of the responders “strongly agreed or somewhat agreed” that the district has adequate resources to achieve its mission and goals, as opposed to 23 percent that “somewhat disagree” and 11 percent that “strongly disagree.” Survey responses also indicate the following:

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- 84 percent of the responders “strongly agreed or somewhat agreed” that the district has adequate classroom and office, equipment, software and technology.
- 78 percent “strongly agreed or somewhat agreed” that they had adequate technology to meet their needs.

Given the fact that the state is facing significant budget problems, the district anticipates it will be adversely affected by the state’s budget problems. Plans and processes are in place, however, to ensure that the college distributes its resources relevant to its mission and goals while providing financial stability. The college has established a clear and consistent planning and resource allocation process to ensure that spending supports the college’s mission and institutional goals. Employees of MPC acknowledge that this process is working and that financial resources are used to support the college’s mission; the fall 2008 Accreditation Faculty and Staff Survey indicates the following:

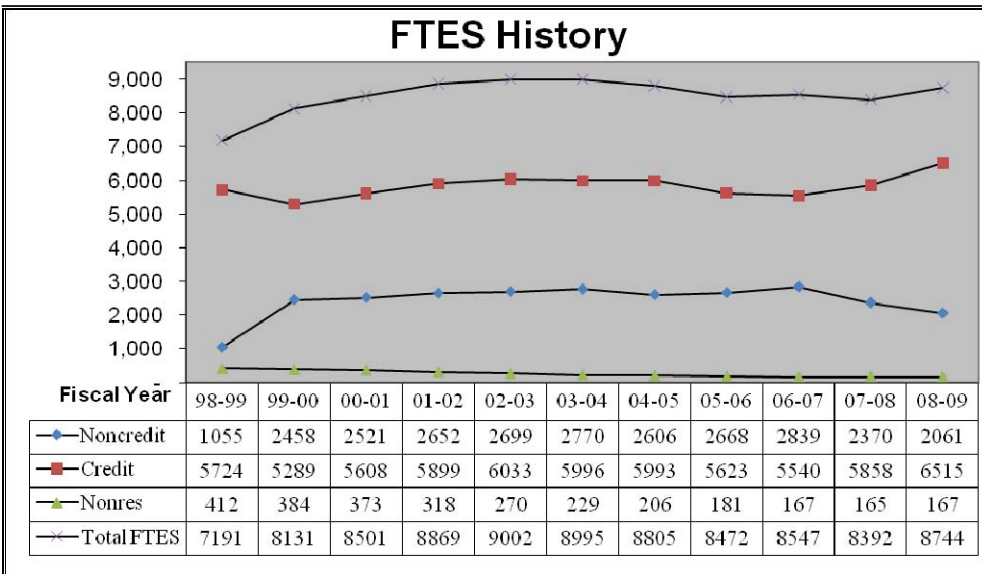
- 80 percent of the respondents “strongly agreed or somewhat agreed” that the district effectively uses financial resources to maximize the achievement of mission and critical educational objectives.
- 88 percent “strongly agreed or somewhat agreed” that the college attempts to meet needs based on availability of resources, and manages financial resources well.

Monterey Peninsula College’s planning and resource allocation process, the budget development process, the Long Term Financial Plan [IIID.11], and Board Policy 2106 [IIID.12] all reflect the district’s sound fiscal planning and management. The district’s planning and resource allocation and budget development [IIID.6] processes are implemented in a transparent environment with extensive involvement from the campus community to deliver responsible financial planning and help the district achieve its mission and goals. Each step in the process includes participation, input, and oversight. The employee survey completed for accreditation indicates that 88 percent of the respondents “strongly agreed or somewhat agreed” that the district manages its financial resources ethically with integrity, fairness and transparency.

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The following chart indicates the past 10-year history of enrollments at the district. The chart reflects the district’s efforts since 2006-2007 to increase credit enrollments and move away from non-credit and Instructional Service Agreements [IIID.13], as called for in the district’s Long Term Financial Plan [IIID.11].

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Despite fluctuation in enrollments and corresponding income, the district has maintained the Board of Trustees' 10 percent unrestricted general fund reserve for the past 10 years and has not imposed layoffs of employees. During the state's fiscal crisis in the early 2000's, the district avoided layoffs and maintained reserves, provided modest increases to employee compensation, received approval from local voters for a \$145 million

Proposition 39 Measure I construction bond [IIID.1], and completed numerous projects with the funds. The district does not anticipate layoffs of permanent employees during the current financial recession. Financial stability of the district is a long and short term priority that is consistently achieved as evidenced by the 10 percent unrestricted general fund reserve, carefully monitored capital expenditure and building budgets, and the continued analysis and development of a solid funding base.

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The district's Long Term Financial Plan [IIID.1] calls for the district to continue past conservative budgeting practices, and lays out specific actions to be taken to help increase revenues and decrease expenses.

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As described in Standard IIIB - Physical Resources, significant improvements have already been completed with Preoposition 38 Measure I bond funds and improvements will continue for the next five to six years.

Plan – Standard IIID:

None

Evidence:

IIID.1	Prop. 39 Bond Measure I	http://mympc.mpc.edu/AdministrativeServices/Facilities/Documents/Bond%20Measure%20I%20Ballot%20and%20Proposition,%20November%205,%202002.pdf
IIID.2	MPC Planning and Resource Allocation Process	http://www.mpc.edu/collegecouncil/CollegeCouncilBylaws/MPCPlanningResourceAllocationProcessupdate3-08(2).pdf
IIID.3	Action Plans 2008-09	http://www.mpc.edu/collegecouncil/Pages/CollegeCouncilDocuments.aspx?RootFolder=%2fcollegecouncil%2fCollege%20Cou

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IIID.4	Area Component Goals 2008-09 (ASAG, AAAG, SSAG)	http://www.mpc.edu/collegecouncil/College%20Council%20Bylaws/Forms/AllItems.aspx
IIID.5	Long Term Institutional Goals 2007-2010	http://www.mpc.edu/collegecouncil/College%20Council%20Bylaws/Institutional%20Goals%202007-10.pdf .
IIID.6	Budget Development Process	http://www.mpc.edu/collegecouncil/College%20Council%20Bylaws/BUDGET%20DEV%20PROCESS%202nd%20reading%20to%20CC%2011-4-08.pdf
IIID.7	Tentative Budget 2009-2010	http://www.mpc.edu/collegecouncil/College%20Council%20Bylaws/2009-10%20Tentative%20Budget-%20June%2023%202009%20Board.pdf
IIID.8	Final Budget 2008-2009	http://mympc.mpc.edu/Committees/FacilitiesCommittee/Five%20Year%20Construction%20Plans/Forms/AllItems.aspx .
<u>IIID.9</u>	<u>Citizen's Bond Oversight Committee</u>	http://www.mpc.edu/mpcbond/CitizensBondOversight/Pages/default.aspx
<u>IIID.10</u>	<u>Fiscal Stability Report</u>	http://www.mpc.edu/collegecouncil/Pages/CollegeCouncilDocuments.aspx
<u>IIID.11</u>	<u>Long Term Financial Plan</u>	http://www.mpc.edu/collegecouncil/College%20Council%20Bylaws/Long%20Term%20Financial%20Plan.pdf
IIID.12	Board Policy 2106	http://www.mpc.edu/GoverningBoard/Pages/GoverningBoardPolicies.aspx
IIID.13	Instructional Service Agreements	Will be posted once document library created. http://www.mpc.edu/AdministrativeServices/Pages/default.aspx

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IID.14	Independent Contractor	http://www.mpc.edu/AdministrativeServices/Pages/default.aspx
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**Monterey Peninsula College
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Mission, Goals and Planning

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STANDARD IIID

Section 1

The institution relies upon its mission and goals as the foundation for financial planning.

Section 1.a

Financial planning is integrated with and supports all institutional planning.

Description:

As indicated in Standard IIID’s introduction, Monterey Peninsula College relies upon its mission and goals as the foundation for financial planning. Step one of the college’s planning and resource allocation process indicates, “Every three years the College Council develops multi-year mission and institutional goals with input from the entire campus community.” The mission and goals are then reflected through annual action plan items, which are prioritized and reviewed by advisory groups and administrators before the College Council makes resource allocation recommendations to the Board of Trustees, subject to review by the Superintendent/President. This process illustrates the integration of institutional planning with financial planning.

Evaluation – Standard IIID.1, 1.a: MPC meets the standard.

The college’s planning and resource allocation process [IIID.1.1, 2] clearly shows the connection between the district’s mission and goals with the request and allocation of funds in the budgeting process. Financial planning is integrated with and supports all institutional planning.

Plan – Standard IIID.1, 1.a:

None

Evidence:

IIID.1.1	MPC Planning and Resource Allocation Process	http://www.mpc.edu/collegecouncil/College Council Bylaws/MPC Planning Resource Allocation Process update 3-08 (2).pdf
IIID.2	Sample College Council Recommendations to the Board of Trustees on resource allocation	

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Monterey Peninsula College
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Realistic Financial Assessment

STANDARD IIID

Section 1.b

Institutional planning reflects realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements.

Description:

Assessment of Financial Resource Availability

Planning occurs on all levels at Monterey Peninsula College, but it ultimately unites through the college's planning and resource allocation process [IIID.1.b.1]. This process identifies the Budget Committee [IIID.1.b.2] as having primary responsibility for determining the resources available to the district. The Budget Committee, chaired by the Vice President of Administrative Services, includes the district's controller and budget analyst. The Budget Committee makes recommendations on the assumptions used to develop the district's budget. Assumptions include FTES and state finances. Budget assumptions and budget projections are reviewed and approved by the College Council and ultimately by the Board of Trustees. The district Administrative Services offices prepare budget documents using the approved assumptions, all contractual commitments, any new or changed positions, other mandated increases, and any changes recommended by the College Council.

Proposals for additional funding are made by programs and areas through action plans. Action plans are evaluated with budgeted financial information at hand to ensure realistic expectations and proper cost benefit analysis and prioritization. The financial information used in these evaluations considers revenue resources as well as immediate and long-range cost expectations and commitments. The individuals developing the proposal have the most intimate knowledge of the requirements and supply expenditure requirements with their proposals. The College Council and Budget Committee, which review and make final recommendations on action plans, include broad-based membership, which helps to ensure realistic projections and assessments of costs are used in the budget development process.

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The district's budget development process [IIID.1.b.3] calls for a tentative budget [IIID.1.b.4] to be developed prior to June 30 each year. The preliminary budget is approved by the Budget Committee, College Council and Board of Trustees. A final budget [IIID.1.b.5] is developed prior to September 1 each year and is also approved by the Budget Committee, College Council and Board of Trustees. Detail reports of budgets and monthly expenditures [IIID.1.b.6] are provided to departments for proper management and to ensure accuracy.

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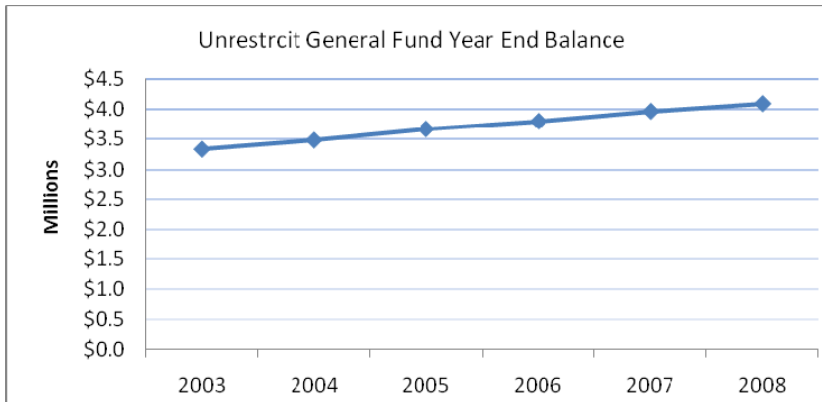
Development of Financial Resources, Partnerships, and Expenditure Requirements

The district's facility plans [IIID.1.b.7] include maximizing state capital outlay funding by using local Proposition 39 Measure I bond funds [IIID.b.1.8] to maximize scores used to determine the allocation of state funds.

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Evaluation – Standard IIB.1.b: MPC meets the standard.

In keeping with the college's planning and resource allocation process, the district relies on the Budget Committee to identify available funding. Given MPC's history of balanced budgets and on-going maintenance of a 10 percent unrestricted general fund reserve, it appears that the Budget Committee has faithfully fulfilled its primary responsibility. The amount of the reserve continues to grow as the budget increases.



Plan – Standard IIB.1.b:

None

Evidence:

III.D.1.b.1	MPC Planning and Resource Allocation Process	http://www.mpc.edu/collegecouncil/College Council Bylaws/MPC Planning Resource Allocation Process update 3-08 (2).pdf
III.D.1.b.2	Budget Committee	http://mympc.mpc.edu/Committees/BudgetCommittee/Pages/default.aspx
III.D.1.b.3	Budget Development Process	http://mympc.mpc.edu/Committees/BudgetCommittee/Final%20Budgets%20Fiscal%20Stability%20Reports%20Long%20Term%20F/Forms/AllItems.aspx
III.D.1.b.4	Tentative Budget	http://mympc.mpc.edu/Committees/BudgetCommittee/Final%20Budgets%20Fiscal%20Stability%20Reports%20Long%20Term%20F/Forms/AllItems.aspx
III.D.1.b.5	Final Budget	http://mympc.mpc.edu/Committees/BudgetCommittee/Final%20Budgets%20Fiscal%20Stability%20Reports%20Long%20Term%20F/Forms/AllItems.aspx
III.D.1.b.6	Detail Reports of Monthly Expenditures	http://mympc.mpc.edu/Committees/BudgetCommittee/Final%20Budgets%20Fiscal%20Stability%20Reports%20Long%20Term%20F/Forms/AllItems.aspx
III.D.1.b.7	Educational/Facilities Master Plan 2004	http://www.mpc.edu/presidetnsoffice/Documents/MPCEducationalAndFacilitiesMasterPlan.pdf
III.D.1.b.8	Prop. 39 Bond Measure I	http://mympc.mpc.edu/AdministrativeServices/Facilities/Documents/Bond%20Measure%20I%20Ballot%20and%20Proposition,%20November%205,%202002.pdf

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**Monterey Peninsula College
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Short-Range and Long-Range Financial Planning

STANDARD IID

Section 1.c

When making short-range financial plans, the institution considers its long-range financial priorities to assure financial stability. The institution clearly identifies and plans for payment of liabilities and future obligations.

Description:

Monterey Peninsula College's short-range financial decisions are made in light of its long-range financial priorities. As explained earlier, the college's planning and resource allocation process [IID.1.c.1] begins with the review and development of its mission and goals. It then relies on the expertise of the Budget Committee, the advisory committees, the College Council [IID.1.c.2], and the Superintendent/President. Final recommendations and budgets are ultimately reviewed and approved by the Board of Trustees.

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The district's Long Term Financial Plan [IID.1.c.3] described earlier lays out actions to be taken to ensure and improve the district's future fiscal stability. Plans include increasing revenues through enrollment growth by expanding the district's Education Center at Marina.

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The district currently has only two long-term obligations that are required to be repaid with district funds: \$2.8 million for energy conservation projects lease/purchase and \$200,000 for a student center lease revenue bond. The district also has a \$145 million Prop 39 Measure I bond outstanding that is to be repaid through local property tax assessments.

The district has negotiated multi-year contracts with employee groups. The contracts include a formula that ties increases for salary and benefits to increases in apportionment income. In 2008-2009, the unrestricted general fund budget for salaries and fringe benefits is 80 percent of the total expenses, and apportionment income is 92 percent of

the total revenue. Using this formula helps ensure a balance between the increases in income and expense. The contract with Monterey Peninsula California Teachers Association also includes a provision to set aside new monies for “improvement and growth.” [IID.1.c.4]

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The district provides post employment benefits to certain retirees. The current actuarial study dated February 2009 [IID.1.c.5] indicates the district’s actuarial accrued liability to be \$11 million. On June 30, 2008, the district had a \$7.9 million fund balance in its self insurance fund that includes a \$2.8 million Board designated reserve for this liability. The district has a goal to contribute \$550,000 annually to fund the remaining liability using year-end balance funds.

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Evaluation – Standard IID.1.c: MPC meets the standard.

The district clearly considers long-range priorities to assure financial stability when making short-range financial plans. It also plans for long-term liabilities. In addition to the information provided in the description of Standard III.D.1.c, the district is implementing its plans to provide permanent facilities at the Monterey Peninsula College Education Center at Marina. Permanent facilities at the Public Safety Training Center in Seaside should be operational by fall 2009 and the Education Center at Marina by spring 2011. Both of these expansions have taken short-term resources that, through improved and increased service, will provide increased enrollments and revenues in the long term.

Plan - Standard IID.1.c:

None

Evidence

IID.1.c.1	MPC Planning and Resource Allocation Process	http://www.mpc.edu/collegecouncil/College Council Bylaws/MPC Planning Resource Allocation Process update 3-08 (2).pdf
IID.1.c.2	College Council	http://www.mpc.edu/collegecouncil/Pages/default.aspx
IID.1.c.3	Long Term Financial Plan	http://www.mpc.edu/collegecouncil/College %20Council%20Bylaws/Long%20Term%20Financial%20Plan.pdf
IID.1.c.4	MPC Faculty Contract	To be posted.

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IID.1.c.5	Retiree Medical Actuarial Study	To be posted.
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**Monterey Peninsula College
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Defining and Following Guidelines

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STANDARD IIID

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Section 1.d.

The institution clearly defines and follows its guidelines and processes for financial planning and budget development, with all constituencies having appropriate opportunities to participate in the development of institutional plans and budgets.

Description:

Monterey Peninsula College clearly defines and follows its guidelines and processes for financial planning and budget development. The financial planning and development processes are provided in two documents: the planning and resource allocation process [IIID.1.d.1] and the budget development process [IIID.1.d.2]. Both of these processes include timelines that guide each process to timely completion at a deliberate pace.

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The planning and resource allocation process has been developed and refined by the College Council. The first step is the creation of institutional goals with input from the entire campus community. The second step is annual component goals [IIID.1.d.3] created by each advisory group. Faculty and staff of each program or area develop program reviews and annual action plans [IIID.1.d.4], which include budget implications and feasibility. These are reviewed and prioritized by each program's or area's respective advisory group. The College Council then reviews and prioritizes the combined list of all action plans for the campus.

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The budget development process [IIID.1.d.2] for the district details the information to be gathered, the people responsible, and the other intricate steps involved in completing the budget.

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The process, developed by the Budget Committee, was approved by the College Council. The first step in the budget development process refers to the creation of component goals (step 2 of the planning and resource allocation process) by advisory groups [IIID.1.d.5]. The Budget Committee recommends the assumptions to be used to create the budget and ultimately, the resources available. Administrative Services provides the

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general framework for the budget by providing revenue estimates based on approved assumptions and compiling all fixed and committed costs. The district provides a budget construction package [IIID.1.d.6] to budget managers annually as part of the creation of the budget to ensure accuracy of individual accounts. Programs and other college areas develop action plans requesting new funds based on program reviews, component goals, and mandated increases. Advisory groups prioritize action plan requests for departments in their area. The College Council takes the advisory groups' requests and recommends district priorities based on institutional goals and resources available. The process is used for the creation of the preliminary and final budgets for the district. The Board of Trustees takes final action on the budget in an open session, which includes a public hearing.

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All constituencies have appropriate opportunities to participate in the development of institutional plans and budgets. At the beginning of the college's planning and resource allocation process, all campus constituencies are encouraged to participate in the dialogue regarding the college's mission and goals. Furthermore, college constituencies are well represented on budget-related shared governance committees, including the College Council and Budget Committee. The College Council consists of a total eighteen voting members comprised of the following: two student members, seven faculty members, four classified members, five administrative/management members, the President/ Superintendent as an ex-officio/non-voting member, and one resource person (non-voting) who keeps minutes of the College Council meetings.

The Budget Committee consists of a total of fourteen voting members comprised of the following: two student members, the Vice President of Administrative Services, the Vice President of Academic Affairs, the Vice President of Student Services, the Dean of Instruction, the Dean of Student Services, the California Teachers Association (CTA) President and one CTA representative, the Academic Senate President and one Academic Senate representative, the California State Employees Association (CSEA) President and one CSEA representative, Management, Supervisors and Confidential (MSC) President, the Controller (non-voting), the Budget Analyst (non-voting), and a note-taker (non-voting).

Evaluation – Standard IIID.1.d: MPC meets the standard.

A review of the college's planning and resource allocation process [IIID.1.d.1] and the budget development process [IIID.1.d.2] documents indicates the processes for financial planning and budget development are clearly defined. The fall 2008 Accreditation Faculty and Staff Survey indicates that 80 percent of the responders "strongly agreed or

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somewhat agreed” that there are clear connections between planning, budgeting and allocation of financial resources. This would further indicate that a significant number of employees understand the processes.

A review of the processes also indicates high participation levels at many steps. In addition, the College Council sends agendas and minutes of its meetings to All-Users and posts these documents on the College Council web page [IIID.1.d.7] in a timely manner. College Council and Budget Committee meetings are open to the public and allow all constituencies opportunities to participate in the processes.

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Plan – Standard IIID.1.d:

None

Evidence:

IIID.1.d.1	MPC Planning and Resource Allocation Process	http://www.mpc.edu/collegecouncil/College Council Bylaws/MPC Planning Resource Allocation Process update 3-08 (2).pdf
IIID.1.d.2	Budget Development Process	http://mympc.mpc.edu/Committees/BudgetCommittee/Final%20Budgets%20Fiscal%20Stability%20Reports%20Long%20Term%20F/Forms/AllItems.aspx
IIID.1.d.3	Area Component Goals 2008-09 (ASAG, AAAG, SSAG)	http://www.mpc.edu/collegecouncil/College%20Council%20Bylaws/Forms/AllItems.aspx
IIID.1.d.4	Action Plans 2008-09	http://www.mpc.edu/collegecouncil/Pages/CollegeCouncilDocuments.aspx?RootFolder=%2fcollegecouncil%2fCollege%20Council%20Bylaws%2fAction%20Plans%202008%2d09&FolderCTID=&View=%7bAF2D5493%2d549B%2d456A%2d8FE7%2dBD6D357D1E59%7d
IIID.1.d.5	Long Term Institutional Goals 2007-10	http://www.mpc.edu/collegecouncil/College%20Council%20Bylaws/Institutional%20Goals%202007-10.pdf
IIID.1.d.6	Budget Construction Package	http://mympc.mpc.edu/Committees/BudgetCommittee/Final%20Budgets%20Fiscal%20Stability%20Reports%20Long%20Term%20F/Forms/All

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		Items.aspx
IID.1.d.7	College Council	http://www.mpc.edu/collegecouncil/Pages/default.aspx

**Monterey Peninsula College
Institutional Self Study Report
Standard IIID: Financial Resources**

Financial Integrity

STANDARD IIID

Section 2

To assure the financial integrity of the institution and responsible use of financial resources, the financial management system has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision making.

Section 2.a

Financial documents, including the budget and independent audit, reflect appropriate allocation and use of financial resources to support student learning programs and services. Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.

Description:

The district creates a tentative and a final budget [IIID.2.1] as indicated in the budget development process [IIID.2.2]. The budget documents are provided to members of the Budget Committee and the College Council, to administrators, and as part of the Board agenda when the items are acted on. Individual department managers are provided copies of their budgets. External audits are performed annually with the auditor providing a report at an open Board of Trustees meeting.

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The financial records of the district are maintained on the Monterey County's Financial Management System. This system is adequate, though not ideal; the county system does not provide users real-time processing and other desired functions. However, the benefits of a more sophisticated system do not outweigh the additional cost (purchase, maintenance, and staff support) of a new stand-alone financial software package.

Evaluation – Standard IIID.2, 2.a: MPC meets the standard.

The district provides the Chancellor’s Office **with the** required annual report (311) [IIID.2.3] on or before the required due date. MPC’s Board of Trustees has consistently approved a tentative budget prior to June 30 and a final budget prior to September 1 each fiscal year. The district does allow budget transfers during the year, which are also approved by the Board of Trustees. The district’s history of balanced budgets at the end of the year indicates the appropriate allocation of budgets.

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The most recent audit for the fiscal year ending June 30, 2007 was completed December 22, 2008 [IIID.2.4]. The report provided the district an “unqualified opinion” and listed five findings not considered to be material weaknesses by the auditor. The district provided responses to the findings which are included in the audit report. The district does not anticipate the findings included in past audit reports to be repeated in the future.

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Plan – Standard IIID.2, 2.a:

None

Evidence:

IIID.2.1	Tentative and Final Budget	http://mympc.mpc.edu/Committees/BudgetCommittee/Final%20Budgets%20Fiscal%20Stability%20Reports%20Long%20Term%20F/Forms/AllItems.aspx	Formatted Table Deleted: a
IIID.2.2	Budget Development Process	http://mympc.mpc.edu/Committees/BudgetCommittee/Final%20Budgets%20Fiscal%20Stability%20Reports%20Long%20Term%20F/Forms/AllItems.aspx	Deleted: a
IIID.2.3	Annual Report 311	To be posted.	Deleted: a Comment [JMG5]: Need link
IIID.2.4	Annual Audit 2007-2008	To be posted.	Deleted: a Comment [JMG6]: Need link

**Monterey Peninsula College
Institutional Self Study Report
Standard IIID: Financial Resources**

Sharing Financial Information

STANDARD IIID

Section 2.b

Appropriate financial information is provided throughout the institution.

Description:

The district budget is approved by the College Council and the Board of Trustees and is widely distributed. The materials provided to all budget managers in the budget development process include instructions timelines and a three year summary report indicating expense totals by object category for each department. For effective management and to ensure accuracy, summary reports of the preliminary budget are provided to all programs and areas. Approved budget reports and monthly updates are also provided to budget managers. Financial reports (*Monthly Financial and Budgetary Report*) [IIID.2.b.1] and special bond updates (*Bond Expenditure Report*) [IIID.2.b.2] are provided to the Board of Trustees monthly at their regular meetings. In addition, budget transfers, County Treasurer investment reports [IIID.2.b.3], and required quarterly financial reports to the Chancellor's Office (311Q) [IIID.2.b.4] are presented quarterly at regular Board of Trustees' meetings.

Changes in the financial outlook are discussed regularly at Budget Committee, College Council, and advisory group meetings. This information is then further discussed at division and department meetings. Updates on the district and state budgets are also presented to the campus at flex days.

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Evaluation – Standard IIID.2.b: MPC meets the standard.

All budget managers are provided copies of their budgets and monthly updates. The Vice President of Administrative Services includes a written summary of the District's budget as a part of the monthly financial update to the Board of Trustees. District budget documents and the written summary are included in the agenda and discussed in open

session as part of the Board of Trustees regular meeting. Updates on the status of the Budget are provided to the Budget Committee, College Council and Administrative Services Advisory Group at their regular meetings. The financial status of the district is a regular topic at flex day addresses, and special information sessions on the district's finances are provided when warranted. As an example, the Superintendent/President conducted town hall meetings on April 27 and June 3, 2009 to inform the campus of the current budget issues and efforts to balance the district's 2008-2009 budget and the proposed plans to balance the 2009-2010 budget. An All-Users email followed for those that could not attend.

Plan – Standard IID.2.b:

None

Evidence:

IID.2.b.1	Monthly Financial and Budgetary Report	To be posted.	Comment [JMG7]: Need link Formatted Table
IID.2.b.2	Bond Expenditure Report	To be posted.	Comment [JMG8]: Need link
IID.2.b.3	County Treasurer Investment Report	To be posted.	Comment [JMG9]: Need link
IID.2.b.4	Chancellor's Office 311 Q	To be posted.	Comment [JMG10]: Need link

**Monterey Peninsula College
Institutional Self Study Report
Standard III D: Financial Resources**

Financial Stability

STANDARD III D

Section 2.c

The institution has sufficient cash flow and reserves to maintain stability, strategies for appropriate risk management, and realistic plans to meet financial emergencies and unforeseen occurrences.

Description:

Monterey Peninsula College uses fiscally conservative principles, and thus has sufficient cash flow and reserves to maintain stability. It also has strategies in place for risk management, and is prepared to meet financial emergencies and unforeseen occurrences.

Reserves

The district's current level of reserves allows for sufficient cash flow under normal circumstances. The district maintains a ten percent unrestricted general fund reserve (currently \$4 million) as mandated by the Board of Trustees. Additionally, on June 30, 2008 the district had a reserve of \$7.9 million in its Self Insurance fund (including \$2.8 million for the post-retirement benefits), and \$1.3 million in its Capital Outlay fund.

Risk Management

Risk management for property and liability coverage is provided through district membership in the Bay Area California Community College Districts Joint Powers Association (BACCCJPA) and State Wide Association of Community Colleges. Districts in the BACCCJPA have a \$10,000 deductible per occurrence and \$250 million property and \$25 million liability coverage. Workers compensation coverage is provided through district membership in the Northern California Community Colleges Pool (NCCCP). The NCCCP purchases full coverage through Protected Insurance Program for Schools and Community Colleges Joint Powers Authority (PIPS).

Financial Emergency Plans

The district has not needed to borrow cash under the prior state budgets, which included a \$200 million Community College system deferral, and does not anticipate the need to do so under the state proposed \$540 million system deferral. As a fall back measure, the district is prepared to use Tax Revenue Anticipation Notes (TRAN) through the California Community College League should the need arise.

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Evaluation – Standard IID.2.c: MPC meets the standard.

The college has had positive cash flow for at least the past 10 years. The district has not needed to borrow cash under the prior state budgets that included a \$200 million Community College System deferral, and current projections indicate the district will not need to borrow funds for cash flow under the current state budget, as of this writing, that includes a \$540 million systemwide deferral.

Risk management through the Joint Powers Agreements has served the district well. The district budgets \$30,000 annually for the required deductible which has not been exceeded in at least the past 10 years.

Plan – Standard IID.2.c:

None

Evidence:

IID.2.c.1	Unrestricted General Fund Year End Balance	http://mympc.mpc.edu/AdministrativeServices/Documents/Budget%20and%20Financial%20Related%20docs/UGF%20Year%20End%20Balance%2003-08.pdf	Formatted Table Formatted: Line spacing: single, Don't adjust space between Latin and Asian text
IID.2.c.2	Memorandum of Coverage Declarations	http://mympc.mpc.edu/AdministrativeServices/Documents/SWACC%20MOC%20and%20Insurance%20related/SWACC%20MOC%20Declarations%2008-09.PDF	Formatted: Line spacing: single, Don't adjust space between Latin and Asian text
IID.2.c.3	Cash Flow chart-Normal Year	http://mympc.mpc.edu/AdministrativeServices/Documents/Budget%20and%20Financial%20Related	Formatted: Line spacing: single, Don't adjust space between Latin and Asian text

	vs. Deferral Year	%20docs/GF%20Cash%20Flow%20normal%20year%20and%20with%20deferrals.PDF
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**Monterey Peninsula College
Institutional Self Study Report
Standard IIID: Financial Resources**

Effective Oversight

STANDARD IIID

Section 2.d

The institution practices effective oversight of finances, including management of financial aid, grants, externally funded programs, contractual relationships, auxiliary organizations or foundations, and institutional investments and assets.

Description:

Monterey Peninsula College practices effective oversight of finances. Oversight of virtually all aspects of the institution is provided by the college's Fiscal Services office, department managers, and Board of Trustees. Oversight is also provided for the college's foundation and auxiliary organization, the Gentrain Society, as well as for its investments and assets.

The district's Fiscal Services office maintains oversight over all accounts for the college, including financial aid, grants, and trusts. Department managers also provide oversight, as they are responsible for budgets within their area. The Board of Trustees is apprised of all accounts of the college, as it receives monthly financial reports [IIID.2.d.1] and special reports for bond expenditures at regular open Board meetings. The college also undergoes an annual external audit. The external auditor presents the annual audit report to the Board at a regular open meeting. Financial audits show unqualified opinions with minimal findings, and repeat findings are rare.

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The district has a foundation, the MPC Foundation [IIID.2.d.2], which is organized as an independent 501c3 and is the primary fundraising organization for the district. The district has one auxiliary organization, the Gentrain Society [IIID.2.d.3], which supports the college's Gentrain program. Both organizations maintain their own financial records. Financial statements of both of these organizations are forwarded to the district's Vice-President of Administrative Services for review. These organizations are required to have external audits.

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The college not only practices effective oversight of its finances, it also practices effective oversight of its investments and assets. All investments for the college are managed through the County Treasurer [IIID.2.d.4] who provides quarterly reports to the district. These reports are shared with the Board of Trustees. The district maintains an inventory [IIID.2.d.5] of all equipment with a cost of \$1,000 or more. A physical inventory is completed annually for one-third of its equipment.

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Evaluation – Standard IIID.2.d: MPC meets the standard.

The district maintains the financial records for financial aid, grants, and externally funded programs on its Financial Management System. The majority of these records are accounted for in the district’s restricted and fiduciary funds, which are audited as part of the district’s annual external audit. Gentrain, the only auxiliary organization of the district, maintains its own records but is required to have an annual audit. Institutional investments are maintained by the County Treasurer, who pools the district funds with other county managed funds and follows government regulations in making investments.

Plan – Standard IIID.2.d:

None

Evidence:

IIID.2.d.1	Monthly Financial and Budgetary Report	To be posted.	Comment [JMG11]: Need link Formatted Table
IIID.2.d.2	MPC Foundation audit	To be posted.	Comment [JMG12]: Need link Formatted Table Deleted: IIID2d.2
IIID.2.d.3	MPC Gentrain audit	To be posted.	Comment [JMG13]: Need link Comment [JMG14]: Need link Deleted: To be posted. Deleted: County Treasurer Investment Report
IIID.2.d.4	County Treasurer Investment Report	To be posted.	Deleted: IIID2d.3
IIID.2.d.5	District Physical Inventory	To be posted.	Comment [JMG15]: Need link Comment [JMG16]: Need link Deleted: To be posted. Deleted: IIID2d.4 ... [2] Deleted: MPC Foundation audit Comment [JMG18]: Need link

**Monterey Peninsula College
Institutional Self Study Report
Standard IID: Financial Resources**

Use and Support of the College Mission and Goals

STANDARD IID

Section 2.e

The college utilizes its financial resources, including those from auxiliary activities, fundraising efforts and grants, in a way consistent with its mission and goals.

Description:

The college uses its financial resources, including those from its foundation and grants, to further its mission and goals.

The college's mission and goals are foundational to its planning and resource allocation process [IID.2.e.1]. At the program and office level, budgets and action plans [IID.2.e.2] are derived with the college's mission and institutional goals in mind; equipment, staffing, and supplies are also requested and prioritized in respect to the mission and institutional goals. At the general college level, the final approval of the annual budgets is granted by the College Council and the Board of Trustees. Salaries fall somewhat outside this process because of collective bargaining laws, but final approval of salary changes require action by the Board of Trustees.

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The district Superintendent/President is a voting member of the Foundation Executive Board. Input is provided to the college's foundation to ensure the priorities of the foundation support the district priorities.

The district reviews a completed pre-application grant approval form [IID.2.e.3] prior to completion of a grant request for proposal (RFP). The form includes a description of how the grant will support the long-term institutional goals, impact district commitments, and affect the college fiscally (space, staffing, matching funds, institutionalization implications to current programs). Completed forms are reviewed by the area administrator, the Office of Institutional Research, the vice presidents, and the Superintendent/President. The Superintendent/President has the final authority, indicating approval or disapproval to proceed.

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Evaluation – Standard IIID.2.e: MPC meets the standard.

As indicated previously, the Monterey Peninsula planning and resource allocation process is used to ensure financial resources are consistent with the district’s mission, goals, and objectives. The district Superintendent/President’s membership on the Foundation Executive Board and the pre-application grant approval form are also used to help ensure consistency with the college mission and institutional goals.

Plan – Standard IIID.2.e:

None

Evidence:

IIID.2.e.1	MPC Planning and Resource Allocation Process	http://www.mpc.edu/collegecouncil/College Council Bylaws/MPC Planning Resource Allocation Process update 3-08 (2).pdf	Formatted Table
IIID.2.e.2	Action Plans	http://www.mpc.edu/collegecouncil/Pages/CollegeCouncilDocuments.aspx?RootFolder=%2fcollegecouncil%2fCollege%20Council%20Bylaws%2fAction%20Plans%202008%2d09&FolderCTID=&View=%7bAF2D5493%2d549B%2d456A%2d8FE7%2dBD6D357D1E59%7d	
IIID.2.e.3	Pre-Application Grant Approval Form	To be posted.	
IIID.2.e.4	Area Component Goals 2008-09 (ASAG, AAAG, SSAG)	http://www.mpc.edu/collegecouncil/College%20Council%20Bylaws/Forms/AllItems.aspx	

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**Monterey Peninsula College
Institutional Self Study Report
Standard IIID: Financial Resources**

Contract Agreements

STANDARD IIID

Section 2.f

Contractual agreements with external entities are consistent with the mission and goals of the institution, governed by institutional policies, and contain appropriate provisions to maintain the integrity of the institution.”

Description:

The district uses standard contract forms [IIID.2.f.1] and Instructional Service Agreements (ISAs) [IIID.2.f.2], which are reviewed by counsel to help ensure all legal provisions are included, and the district is appropriately protected. Instructional Service Agreements are specifically written to ensure the district adheres to regulations contained in Title 5 of the California Code of Regulations. Contracts and ISAs can be terminated if the external entities are found to be out of compliance. The district has terminated some contracts in the past due to lack of compliance.

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The adopted budget is used as the primary vehicle to fund contractual agreements and cap expenditures. The Superintendent/President, Vice President of Administrative Services, and purchasing agent are the only three persons given general authority by the Board as legal signatory for contractual agreements.

Evaluation – Standard IIID.2.f: MPC meets the standard.

The district uses standard contract forms to help ensure they are consistent with the district’s interests, contain appropriate legal provisions, and maintain the integrity of the institution. The district works to ensure its contractual agreements with outside agencies are consistent with the mission and goals of the institution. As an example of this, the district’s Long Term Financial Plan [IIID.2.f.3] includes reducing dependence on Instructional Service Agreements. FTES generated through Instructional Service Agreements is primarily non-credit. A chart showing the district’s FTES history included

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earlier in this standard shows a reduction in non-credit FTES from 2,839 in 2006-2007 to 1,993 in 2008-2009, primarily from the reduction in non-credit Instructional Service Agreements.

Plan – Standard IID.2.f:

None

Evidence:

IID.2.f.1	Standard Contract (Independent Contract)	To be posted.
IID.2.f.2	Instructional Service Agreements	To be posted.
IID.2.f.3	Long Term Financial Plan	http://www.mpc.edu/collegecouncil/College%20Council%20Bylaws/Long%20Term%20Financial%20Plan.pdf

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**Monterey Peninsula College
Institutional Self Study Report
Standard IIID: Financial Resources**

Financial Management Evaluation

STANDARD IIID

Section 2.g

The institution regularly evaluates its financial management processes, and the results of evaluations are used to improve financial management systems.

Description:

Monterey Peninsula College regularly evaluates its processes, including its financial management processes. The Monterey Peninsula College planning and resources allocation process was created by the College Council. The College Council bylaws call for the committee to review the shared governance process annually and to discuss any possible changes with the entire campus community before change is implemented.

The role of the Budget Committee [IIID.2.g.1] includes a review of the budget to ensure that the process is followed. The Budget Committee also reviews the budget development process [IIID.2.g.2] annually and makes changes to improve and/or clarify the process.

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In addition, a program review is conducted by the Fiscal Services department every six years to review its internal processes and procedures to improve services to end users.

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Evaluation – Standard IIID.2.g: MPC meets the standard.

The College Council first created the Monterey Peninsula College planning and resource allocation process [IIID.2.g.3] in fall 2007, and the process was used in the 2007-2008 year. The process has gone through numerous revisions to both improve and better clarify the various steps in open meetings of the College Council. The current process is the fourth revision dated October 24, 2008. The current version of the budget process, dated August 6, 2008, is the version altered by the Budget Committee to align with the Monterey Peninsula College planning and resource allocation process.

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In addition, the district Fiscal Services office is researching possible ways to redesign the monthly financial reports that are provided to budget managers to make them more user-friendly. Furthermore, it is looking at possible ways to allow users on-line access to their financial accounts

Plan – Standard IID.2.g:

Fiscal Services will implement a system to process purchase requisitions on-line and computerize the district’s capital asset accounting.

Evidence:

IID.2.g.1	Budget Committee	http://mympc.mpc.edu/Committees/BudgetCommittee/Pages/default.aspx
IID.2.g.2	Budget Development Process	http://mympc.mpc.edu/Committees/BudgetCommittee/Final%20Budgets%20Fiscal%20Stability%20Reports%20Long%20Term%20F/Forms/A
IID.2.g.3	MPC Planning and Resource Allocation Process	http://www.mpc.edu/collegecouncil/College Council Bylaws/MPC Planning Resource Allocation Process update 3-08 (2).pdf

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**Monterey Peninsula College
Institutional Self Study Report
Standard IIID: Financial Resources**

Financial Resource Evaluation

STANDARD IIID

Section 3

The institution systematically assesses the effective use of financial resources and uses the results of the evaluation as the basis for improvement.

Description:

Monterey Peninsula College systematically assesses its use of financial resources and works to use the results as a basis for improvement. Step ten of the planning and resource allocation process [IIID.3.1] calls for an accountability review. The vice president of each component of the college reports to the College Council activities related to program reviews and/or action plans of the prior year as well as success in reaching component goals.

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The district's *Fiscal Stability Report* [IIID.3.2] dated March 20, 2007 includes an analysis of district revenues and expenses, FTES, average class size, and age of employees. Program reviews provide data including department budget and FTES generation history.

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Evaluation – Standard IIID.3: MPC meets the standard.

Information from program reviews and data from the *Fiscal Stability Report* are used as a starting point for subsequent planning cycles. As an example, the *Fiscal Stability Report* shows the district will likely see a significant turnover in employees over the next 10 years; MPC faculty salaries are less than desired based on the cost of living in Monterey, and cost of benefits statewide are significantly less than MPC. Based on these data, the district's salary formula has been adjusted to include benefits and subsequently, the costs of benefits have been reduced with the savings put on the salary schedule. Another example is the movement to reduce reliance on instructional service agreements, reducing non-credit FTES and increasing credit FTES.

Plan – Standard IIID.3:

None

Evidence:

IIID.3.1	MPC Planning and Resource Allocation Process	http://www.mpc.edu/collegecouncil/College Council Bylaws/MPC Planning Resource Allocation Process update 3-08 (2).pdf
IIID.3.2	Fiscal Stability Report	http://www.mpc.edu/collegecouncil/Pages/CollegeCouncilDocuments.aspx

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**Monterey Peninsula College
Institutional Self Study Report
Standard IID: Financial Resources**

List of Contributors

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IIID.11	Citizen's Bond Oversight Committee	http://www.mpc.edu/mpcbond/CitizensBondOversight/Pages/default.aspx
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IIID2d.4	MPC Gentrain audit	To be posted.[JMG1]
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IIID2e.3	Area Component Goals 2008-09 (ASAG, AAAG, SSAG)	http://www.mpc.edu/collegecouncil/College%20Council%20Bylaws/Forms/AllItems.aspx
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