

Standard III.D: Financial Resources

III.D.1 Financial resources are sufficient to support and sustain student learning programs and services and improve institutional effectiveness. The distribution of resources supports the development, maintenance, allocation and reallocation, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability. (ER 18)

Evidence of Meeting the Standard:

- Monterey Peninsula College has allocated sufficient resources to support student learning programs and services [IIID3.1, IIID1.3, IIID1.4].
- Collaborative planning processes, including processes for annual planning and resource allocation, and budget development, ensure timely development, maintenance, allocation, and reallocation of resources in support of programs and services [IIID1.5, IIID1.6, IIID1.11].
- The College plans and manages its financial affairs with sustainability of resources and improved institutional effectiveness in mind [IIID1.2, IIID1.14]

Analysis and Evaluation

Monterey Peninsula College has allocated sufficient resources to support student learning programs and services [[IIID3.1a](#), [IIID3.1b](#), [IIID3.1c](#)]. To improve institutional effectiveness, the College distributes resources through the planning and resource allocation process, and manages its affairs with integrity and in a manner that ensures fiscal stability. However, improvements to long-range planning processes are needed to address a structural deficit and ensure sustainability of resources needed to support programs and services.

MPC has identified a structural deficit in the Unrestricted General Fund beginning fiscal year 2011-2012. Since that budget year, the use of financial reserves has allowed the College to operate during times of fiscal uncertainty at the State level. The College discussed the need to reduce the structural deficit and balance the budget for the 2015-2016 fiscal year using a combination of strategies. However, the use of one-time funds will be necessary until significant enrollment and cost containment plans are implemented. The partial restoration of Full time Equivalent Students (FTES) during stability funding from the state has allowed the College to address the restoration of some budgets that have been cut during the past several years. In addition, the College is working to improve institutional effectiveness by strengthening linkages between planning and budgeting and resource allocation. The College has closely monitored its expenditures, reducing expenses where possible. For the 2015-2016 fiscal year, the College used one-time funds to adopt a balanced budget. In prior years, the College made significant transfers to the general fund from other funds (e.g., Self-Insurance fund balance) to balance its budget. The College recognizes that this is not sustainable. The College has discussed taking steps to

move away from this practice through multi-year modeling and projections that reflect assumptions about revenue and expenses [[IIID1.2](#)].

Primary financial activities for day-to-day operating revenues and expenses occur in the College's general fund, which is separated into unrestricted and restricted funds. The largest source of unrestricted revenue (92 percent or \$33,328,898 in 2014-2015) is based on actual College student enrollments [[IIID1.3](#)].

Another source of significant income to the College stems from a local Proposition 39 facility bond, Measure I, 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 Fund and Capital Projects funds [[IIID1.4](#)].

The College determines resource distribution through its annual planning and resource allocation process [[IIID1.5](#); see also Standard I.B.9]. At the beginning of the spring semester, all units complete Program Review updates/Action plans to specify the budget-dependent actions necessary to support student learning and achievement and forward progress toward unit goals. The vice presidents of each area review the action plans and their advisory groups and share preliminary priorities for resource allocation with College Council. The Vice Presidents continue to refine priorities for their areas throughout the spring, as budget development continues. At the same time, the Budget Committee works with the Vice President of Administrative Services to affirm the College's revenue assumptions based on the Governor's Budget Proposal and begin budget development.

After the Governor's May Revise, the College Vice President (Chief Business Officer) provides an informational report to the Budget Committee affirming revenue assumptions, changes projected in the May Revise, and any other adjustments made to the tentative budget for expenditures. Using this information, the College Council considers the advisory groups' prioritized action plans, and, based on resources available and effectiveness toward meeting institutional goals and objectives, recommends items for possible inclusion in the College's budget to the Superintendent/President. The Superintendent/President considers the recommendations of the College Council and recommends the final budget to the Board of Trustees for approval [[IIID1.6](#)].

Throughout the process, the Superintendent/President and Vice President of Administrative Services provide monthly budget updates to the Board [[IIID1.7a](#), p. 7; [IIID1.7b](#), p. 8; [IIID1.7c](#), p. 6]. In spring 2015, the Superintendent/President began a series of budget forums for all staff to further campus-wide understanding of the College's budget and the general budgeting process [[IIID1.8a](#)]; these forums continued in 2015-2016 with a review of the financial outlook and budget development processes for 2016-2017 budget [[IIID1.8b](#)].

Integrity

Monterey Peninsula College manages its financial affairs with integrity. As described above, the College determines how resources will be distributed following the annual planning and resource allocation process, which includes broad campus-wide representation through the campus advisory groups and the College Council [IIID1.9]. As part of the budget development process, departmental budget managers with instructions, timelines, and a three-year history of expenses to their account(s), as well as a statement of overall College financial projections to help manage department expectations [IIID1.10, IIID1.11]. Departmental budget managers develop individual budgets, which are then reviewed by the department's dean or supervisor and discussed at the appropriate advisory group and College Council.

The process calls for a tentative budget to be developed prior to June 30 each year and be reviewed by the Budget Committee, and College Council, and approved by the Board of Trustees. An adopted budget is developed prior to September 1 each year, as recommended by the President and the Vice President of Administrative Services. The Budget Committee and College Council review the budget, Budget Committee and may make recommendations to the President prior to the President taking to the Board of Trustees for approval [IIID1.6]. During the course of the year, Fiscal Services provides detailed reports of budgets and monthly expenditures to each department to ensure accuracy and support ongoing budget management.

The College's charge 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, and the community at large. Meetings are held quarterly and are open to the public [IIID1.12].

Stability

Monterey Peninsula College is fiscally conservative to ensure financial stability. The College completed a Fiscal Stability Report in March 2007, and, using the information from this report, the Governing Board adopted a Long Term Financial Plan for the College in February 2009 [IIID1.13]. The plan identifies enrollments as the primary source of income for the College, and outlines seven (7) areas for the College to target in order to increase future revenue and promote reliable enrollments:

1. Increase enrollments (growth).
2. Review non-credit 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 Long Term Financial Plan also calls for the continuation of budgeting practices credited with past stability, including:

- Not budgeting for growth income before it is realized
- Not budgeting for non-verifiable employee turnover savings, including budgets for all approved permanent positions.
- Budgeting for all known expenses and liabilities
- Maintaining adequate reserves including an annual contingency budget for unexpected expenses

The College still needs to make significant progress in all areas noted in the Long Term Financial Plan. The College has begun a concentrated effort to address the need for enrollment management that incorporates best practice scheduling. In fall 2015, the College retained an external consultant (Collaborative Brain Trust) to assist the College with several areas identified for improvement, including enrollment management, scheduling, and financial stability [[IHD1.14](#)].

Conclusion: Since 2011-2012, the College has experienced a budgeted structural deficit and an actual structural deficit (net loss) in the Unrestricted General Fund. For purposes of clarity in its internal communications, the College has defined the structural deficit as the institution's negative gap in projected revenue to projected expenses. The College has taken many steps to reduce the structural deficit, including reducing expenditures and focusing on FTES growth through enhanced enrollment and retention. In addition, the College has developed a plan to eliminate the structural deficit in 2015-2016 and 2016-2017. However, at the time of this writing, the institution has not eliminated the structural deficit as defined. The recent rise in STRS and PERS employer contributions and other personnel related expenses have not been offset by increased revenue due to flat enrollment and the failure to restore previously lost FTES.

Actionable Improvement Plans:

1. The College will revise its long range financial plan and policies to prioritize actions that ensure fiscal stability and reduce dependence on instructional service agreements for apportionment revenue.

2. The College will implement new tools for multi-year budget planning and monitoring as recommended in a review conducted by the College Brain Trust (CBT) in order to improve its budget development and resource allocation processes to reflect enrollment projections, state apportionment, and increasing mandated costs.

Evidence Cited:

- IIID1.1 Annual Adopted Budgets
 - a. [2013-2014](#)
 - b. [2014-2015](#)
 - c. [2015-2016](#)
- IIID1.2 [Multi-year Budget Modeling](#)
- IIID1.3 [2014-2015 Audit Report](#)
- IIID1.4 [2014-2015 GO Bond Audit Report](#)
- IIID1.5 [Resource Allocation Model](#)
- IIID1.6 [Budget Development Calendars, 14-15 and 15-16](#)
- IIID1.7 Sample Monthly Financial Reports
 - a. [Board Minutes, 8/15](#) (Item 14A, p. 7)
 - b. [Board Minutes, 9/15](#) (Item 14A, p. 8)
 - c. [Board Minutes, 10/15](#) (Item 14A, p. 6)
- IIID1.8 Open Forums
 - a. [Budget 101](#)
 - b. [Spring 2016 Budget Forum](#)
- IIID1.9 [Budget Committee Charge](#)
- IIID1.10 [Board Policy 6200: Budget Preparation](#)
- IIID1.11 [Budget Development Process](#)
- IIID1.12 [Citizen's Bond Oversight Committee Website](#)
- IIID1.13 [Long-term Financial Plan](#)
- IIID1.14 [Collective Brain Trust Project Recommendations, 2/16](#)

III.D.2 The institution's mission and goals are the foundation for financial planning, and financial planning is integrated with and supports all institutional planning. The institution has policies and procedures to ensure sound financial practices and financial stability. Appropriate financial information is disseminated throughout the institution in a timely manner.

Evidence of Meeting the Standard:

- The College follows a Planning and Resource Allocation model that aligns short and long-term financial planning with institutional planning, Institutional Goals, and the mission. Program Review Annual Update/Action Plans inform budget development and financial planning [IIID2.1 -- IIID2.3].
- The College has Board Policies that ensure sound financial practices and stability, including policies related to budget preparation, budget management, fiscal management, and annual audits. Administrative procedures accompanying these policies are scheduled for review and revision in 2016-2017 as part of regular review practice [IIID2.4, IIID2.5]

- Consistent with its Board Policy on general fund reserve, the College has maintained a 10% Unrestricted General Fund Year-End Balance for the past three years [IIID2.5].

Analysis and Evaluation:

Monterey Peninsula College relies upon its mission and goals as the foundation for financial planning. As part of the planning and resource allocation process, College Council evaluates progress towards the institutional goals, reviews accomplishments from the previous year, and revises institutional objectives as needed [IIID2.1, IIID2.2]. The mission and Institutional Goals are also reflected in the annual action plan items submitted by each division/unit [IIID2.3]. Division/unit action plans are prioritized and reviewed by advisory groups and administrators before the College Council makes resource allocation recommendations to the Superintendent/President and the Board of Trustees. The College follows established policies and procedures to ensure that its practices are sound [IIID2.4a, IIID2.4b, IIID2.4c, IIID2.4d, IIID2.4e, IIID2.5].

Financial planning supports long-term integrated planning at the College. As noted in Standard I.B.9, integrated planning activities at Monterey Peninsula College generally fall into either a long-term planning cycle or an annual cycle of planning and resource allocation [IIID2.6, IIID2.1]. Long-term plans such as the Facilities Master Plan, Technology Plan, and Long-term Financial Plan consider current and anticipated challenges that could affect the College financially. Institutional Goals and objectives drive long-range financial planning; for example, Objective 4.2, “implement an information management system,” has led the College to prioritize its plans for the procurement funds to support installation of an Enterprise Resource Planning system [IIID2.7; see also QFE Action Project 3].

Short-term planning and resource allocation follows an annual cycle that includes development of the budget for the upcoming fiscal year, as well as consideration and implementation of shorter-term goals and objectives identified in departmental action plans [IIID2.1, IIID2.3]. The College anticipates that its implementation of TracDat (see QFE Action Project 2) will greatly improve the effectiveness of both short and long-term financial planning.

The College distributes financial information in a timely fashion, to ensure that personnel and other stakeholders are informed. The Vice President, Administrative Services provides a monthly financial report to the Governing Board [IIID2.8a, p. 7; IIID2.8b, p. 8; IIID2.8c, p. 6], and annual budgets and audit reports are posted on the Administrative Services website [IIID2.9]. A budget development calendar is distributed annually to ensure relevant individuals and constituencies know how and when to engage in the process [IIID2.10].

Conclusion: Monterey Peninsula College meets Standard III.D.2.

Evidence Cited

IIID2.1 [Resource Allocation Model](#)

- IIID2.2 [Budget Development Process](#)
- IIID2.3 [Program Review Annual Update/Action Plans, 2014-2015](#)
- IIID2.4 Sample Business and Fiscal Affairs Policies
 - a. [Board Policy 6200: Budget Preparation](#)
 - b. [Board Policy 6210: General Fund Reserve](#)
 - c. [Board Policy 6250: Budget Management](#)
 - d. [Board Policy 6300: Fiscal Management](#)
 - e. [Board Policy 6400 Financial Audits](#)
- IIID2.5 [Administrative Procedures \(6000 Series\) Review Matrix](#)
- IIID2.6 [Integrated Planning Model](#)
- IIID2.7 [Institutional Action Plan](#), Goal 4, Objective 4.2
- IIID2.8 Sample Monthly Financial Reports
 - a. [Board Minutes, 8/15](#) (Item 14A, p. 7)
 - b. [Board Minutes, 9/15](#) (Item 14A, p. 8)
 - c. [Board Minutes, 10/15](#) (Item 14A, p. 6)
- IIID2.9 [Administrative Services Website](#)
- IIID2.10 [Budget Development Calendars, 14-15 and 15-16](#)

III.D.3 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.

Evidence of Meeting the Standard:

- 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 and the budget development process [IIID3.1, IIID3.2].
- The College encourages all staff to participate in resource planning and allocation. The Budget Committee meets to address specific topics to facilitate appropriate resource allocation. The Budget Committee membership is comprised of representatives from all constituency groups at the College [IIID3.4].

Analysis and Evaluation

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 and the budget development process [IIID3.1, IIID3.2]. Both of these processes include timelines that guide each process to timely completion at a deliberate pace.

The College encourages all staff to participate in resource planning and allocation. The Budget Committee meets to address specific topics to facilitate appropriate resource allocation. The

Budget Committee membership is comprised of representatives from all constituency groups at the College [[IIID3.4](#)].

As a subcommittee of College Council, the Budget Committee:

1. Evaluates previous year's budget (revenue projections, actuals, etc.)
2. Contextualizes institutional budget information.
3. Reviews and/or analyzes budget information, including, but not limited to the following:
4. Distills institutional information to inform budget managers.
5. Presents/distributes budget packets
6. Offers budget workshops to help inform campus community about budget construction and process.
7. Reviews the budget at Governor's May revise, affirming revenue assumptions. Following the budget assumptions and processes, summarizes the budget information and presents to College Council.

College Council developed and refined the current planning and resource allocation process [[IIID3.1](#)]. The first step is the creation of institutional goals with input from the entire campus community. The second step is annual component goals created by each advisory group. Faculty and staff of each program or area develop program reviews and annual action plans, which include budget implications and feasibility. These are reviewed and prioritized by the advisory group for each respective program or unit. The College Council then reviews and prioritizes the combined list of all action plans for the campus [[IIID3.5](#)].

The budget development process for the College details the information to be gathered, the people responsible, and the other detailed steps involved in completing the budget, as described in the budget development calendar [[IIID3.2](#)]. Administrative Services and the Budget Committee provide the general framework for the budget by preparing revenue estimates based on approved assumptions and compiling all fixed and committed costs. The College provides a budget construction package 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. After advisory groups for Academic Affairs, Administrative Services, and Student Services prioritize action plan requests for departments in their area, and College Council discusses all requests in the context of College priorities, institutional goals, and available resources. The Superintendent/President recommends the final budget to the Governing Board, which takes final action on the budget in an open session.

The budget development process ensures that 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 participatory governance committees, including the College Council and the Budget Committee [[IIID3.6](#), [IIID3.7](#)].

Conclusion: Monterey Peninsula College meets Standard III.D.3.

Evidence Cited:

- IIID3.1 [Resource Allocation Model](#)
- IIID3.2 [Budget Development Process](#)
- IIID3.3 [Budget Development Calendars, 14-15 and 15-16](#)
- IIID3.4 [Budget Committee Charge](#)
- IIID3.5 [College Council Bylaws](#)
- IIID3.6 [College Council website](#)
- IIID3.7 [Budget Committee Website](#)

III.D.4 Institutional planning reflects a realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements.

Evidence:

- Institutional planning processes, including the annual resource allocation process, reflect consideration of financial resource availability and expenditure requirements [[IIID4.1](#)].
- The Budget Committee, led by the Vice President of Administrative Services, reviews budget information and affirms revenue assumptions based on the Governor's May revise. These assumptions include information about current and projected FTES, as well as state finances, in order to provide a realistic assessment of financial resource availability in support of institutional planning [[IIID4.2](#), [IIID4.3](#)].

Analysis and Evaluation

Following the College's annual planning and resource allocation process [[IIID4.1](#)], the Budget Committee reviews budget information and affirms revenue assumptions based on May revise. These assumptions include information about current and projected FTES, as well as state finances. Budget assumptions and budget projections are then discussed at College Council, where they are used to make allocation recommendations to the Superintendent/President. The College Council and Budget Committee, which review and make final recommendations on action plans, include broad-based membership to help ensure that the budget development process uses realistic projections and assessments of costs, as well as ensuring that items focused on student learning have been prioritized appropriately.

Proposals for additional funding are made by programs and areas through annual program review action plans. The individuals developing the action plans have supply expenditure requirements with their proposals to ensure realistic costs. Unit administrators evaluate action plans using

budgeted financial information to ensure realistic expectations, proper cost/benefit analysis, and appropriate prioritization of needs within the unit overall. The financial information used in these evaluations considers revenue resources as well as immediate and long-range cost expectations and commitments.

Throughout the budget development process, the Office of Administrative Services provides prepares 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. This information helps the College ensure realistic assessment of resource availability during planning [[IIID4.1](#), [IIID4.4](#)].

Adopted budgets are posted on the Administrative Services website [[IIID4.5](#)]. During the fiscal year, the Fiscal Services Office provides detailed reports of budgets and monthly expenditures to departments to support proper management of funds and ensure transparency.

The College's facilities plans include provisions for maximizing state capital outlay funding by using local Proposition 39 Measure I bond funds to maximize the scores used to determine the allocation of state funds [[IIID4.6](#)].

Conclusion: Monterey Peninsula College meets Standard III.D.4.

Evidence Cited:

- IIID4.1 [Resource Allocation Model](#)
- IIID4.2 [Budget Committee Charge](#)
- IIID4.3 [Budget Development Process](#)
- IIID4.4 [College Council Minutes, 8/25/15](#)
- IIID4.5 [Administrative Services Website](#)
- IIID4.7 [Citizens Bond Oversight Committee Annual Report, 2014-2015](#)

III.D.5 To assure the financial integrity of the institution and responsible use of its financial resources, the internal control structure has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision-making. The institution regularly evaluates its financial management practices and uses the results to improve internal control systems.

Evidence of Meeting the Standard:

- The current organizational chart and internal control procedures are annually reviewed by the College and an external audit firm for appropriate separation of duties [[IIID5.1](#), [IIID5.2](#)].
- The planning and resource allocation process has gone through several refinements in open meetings of the College Council with input from the Budget Committee to both

improve and better clarify the various steps. The current version of the budget process was recommended by College Council in fall 2014 to align with the Monterey Peninsula College planning and resource allocation process [IIID5.4].

- The Budget Committee reviews the budget development process annually and makes changes to improve and/or clarify the process when necessary [IIID5.5].

Analysis and Evaluation

The current organizational chart and internal control procedures are annually reviewed by the College and an external audit firm for appropriate separation of duties [[IIID5.1a](#), [IIID5.1b](#), [IIID5.c](#)]. Software used to access financial data maintains appropriate access and control for those authorized for specific financial functions [[IIID5.2a](#); [IIID5.2b](#), p. 4].

The Fiscal Services office uses financial software provided through the Monterey County Office of Education. Financial reports available through this system, Escape, provide detailed information and online access capabilities for the appropriate budget managers. Both Fiscal Services and Human Resources use the Escape system, which allows for better integration of data. However, the Escape system does not fully integrate with the College's current student information system (Santa Rosa SIS). The College is currently planning to migrate away from SIS, as its developer will cease support within the next three to four years. The College has begun preparations for a migration to a full-featured Enterprise Resource Planning (ERP) system, which will allow continued systems improvement through the linking of real-time data that includes enrollments [[IIID5.3](#); see QFE Project #3].

The College Council created the Monterey Peninsula College planning and resource allocation process in fall 2007, and the process was used beginning in the 2007-2008 year. The planning and resource allocation process has gone through several refinements in open meetings of the College Council with input from the Budget Committee to both improve and better clarify the various steps. The current version of the budget process was recommended by College Council in fall 2014 to align with the Monterey Peninsula College planning and resource allocation process [[IIID5.4](#)].

Monterey Peninsula College regularly evaluates its processes, including its financial management processes, and the results of evaluations are used to improve financial management systems. The Budget Committee reviews the budget development process annually and makes changes to improve and/or clarify the process [[IIID5.5](#)].

Conclusion: Monterey Peninsula College meets Standard III.D.5.

Evidence Cited:

- IIID5.1 Annual Audits
a. [2012-2013](#)

- b. [2013-2014](#)
 - c. [2014-2015](#)
- IIID5.2 Division of Functions
- a. [Human Resources Functions](#)
 - b. [Administrative Services Org Chart](#) (see p. 4)
- IIID5.3 [Sample Business Process Analysis Report](#)
- IIID5.4 [Budget Development Process](#)
- IIID5.5 [Budget Development Calendars, 14-15 and 15-16](#)

III.D.6 Financial documents, including the budget and independent audit, have a high degree of credibility and accuracy, and reflect appropriate allocation and use of financial resources to support student learning programs and services.

Evidence of Meeting the Standard:

- The College’s budget development process includes input from appropriate campus constituencies, including the College Council and Budget Committee. The Budget Development Process results in the preparation of a tentative budget by June 30, and a final budget prior to September 1. The Board of Trustees approves the final budget [IIID6.1].
- The College submits an annual financial report (CCFS-311) to the Chancellor’s Office detailing how financial resources are allocated to support student learning programs and services [IIID6.2].
- The College undergoes an annual external audit, which helps to ensure accuracy of and appropriate allocation of resources. The auditor reports the results of the audit to the Governing Board in an open meeting [IIID6.4].

Analysis and Evaluation

The College creates a tentative and adopted budget as indicated in the budget development process. MPC’s Governing Board has consistently approved a tentative budget prior to June 30 and adopted budget prior to September 1 each fiscal year to ensure support for student learning programs and services. During the development process, Fiscal Services provides individual department managers with copies of their budgets, 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 [[IIID6.1](#)].

To ensure accuracy of financial documents, the Vice President of Administrative Services reviews monthly projections and provides a monthly financial report to the Governing Board [[IIID6.3a-c](#), linked below].

The College undergoes an annual external audit, which helps to ensure accuracy of and appropriate allocation of resources. The auditor reports the results of the audit to the Governing Board in an open meeting. External audits are performed annually with the auditor providing a

report at an open Board meeting. The most recent audit was for the fiscal year ending June 30, 2015. The College received an “unqualified opinion” and had only one finding [[IIID6.4c](#)]. The College addressed the finding in a timely manner (see Standard III.D.7).

Conclusion: Monterey Peninsula College meets Standard III.D.6.

Evidence Cited:

- IIID6.1 [Budget Development Process](#)
- IIID6.2 Annual 311 Reports
 - a. [2012-2013](#)
 - b. [2013-2014](#)
 - c. [2014-2015](#)
- IIID6.3 Monthly Financial Reports
 - a. [Board Minutes, 8/15](#) (Item 14A, p. 7)
 - b. [Board Minutes, 9/15](#) (Item 14A, p. 8)
 - c. [Board Minutes, 10/15](#) (Item 14A, p. 6)
- IIID6.4 Annual Audits
 - a. [2012-2013](#)
 - b. [2013-2014](#)
 - c. [2014-2015](#)

III.D.7 Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.

Evidence of Meeting the Standard:

- Per established Board Policy and Education Code, the College undergoes an annual external audit of all funds, books, and accounts [[IIID7.1](#), [IIID7.2](#)].
- The Office of Administrative Services posts External Audits reports on its department website (as annual Financial Reports) to ensure appropriate and timely communication [[IIID7.3](#)].
- Audit results and any findings (and responses to findings) are discussed publicly, in open sessions of Board meetings [[IIID7.4](#)].

Analysis and Evaluation

When the College receives an audit finding, it takes steps to respond in a timely manner. As of this writing, the most recent audit for the College took place for the fiscal year ending June 30, 2015. The College received an “unqualified opinion” and had only one finding [[IIID7.2c](#)]. The College has adequately addressed the finding related to the timely return of federal funds, and has procured new software to better manage financial aid awards moving forward [[IIID7.2c](#), see MD&A].

Conclusion: Monterey Peninsula College meets Standard III.D.7.

Evidence Cited:

- IIID7.1 [Board Policy 6400: Financial Audits](#)
- IIID7.2 Annual Audits
- a. [2012-2013](#)
 - b. [2013-2014](#)
 - c. [2014-2015](#)
- IIID7.3 [Administrative Services website](#)
- IIID7.4 Board Meeting Minutes:
- a. [2/26/2014](#), Item 14C, p. 8
 - b. [1/30/2015](#), Item 14B, p. 5
 - c. [1/22/2016](#), Item 14A, p. 4

III.D.8 The institution's financial and internal control systems are evaluated and assessed for validity and effectiveness and the results of this assessment are used for improvement.

Evidence of Meeting the Standard:

- External auditors evaluate the validity and effectiveness of the College's financial and internal control systems annually [IIID8.1].

Analysis and Evaluation

External auditors review financial and internal control systems during the annual audit [[IIID8.1a](#), [IIID8.1b](#), [IIID8.1c](#)]. The auditors evaluate systems for validity and effectiveness, and report on any material weakness in internal control, if found.

Similarly, the College reviews its processes through program review and annual audits as well as inspection of process as needed. The College maintains internal controls through review of emerging needs and regulations.

Conclusion: Monterey Peninsula College meets Standard III.D.8.

Evidence Cited:

- IIID8.1 Annual Audits
- a. [2012-2013](#)
 - b. [2013-2014](#)
 - c. [2014-2015](#)

III.D.9 The institution has sufficient cash flow and reserves to maintain stability, support strategies for appropriate risk management, and, when necessary, implement contingency plans to meet financial emergencies and unforeseen occurrences.

Evidence of Meeting the Standard:

- Board Policy 6210: General Fund Reserve requires the College to maintain a general fund budgeted reserve of 10% of unrestricted fund adopted budgeted expenditures to provide for economic uncertainties [IIID9.1].
- Financial Statements filed with the State Chancellor's Office demonstrate that the College maintains sufficient reserves to maintain stability [III9.2].

Analysis and Evaluation

The College's current level of reserves allows for sufficient cash flow under normal circumstances. The College maintains a 10% unrestricted general fund reserve in accordance with established Board Policy [[IIID9.1](#)]. In addition, the College has prepared to use Tax Revenue Anticipation Notes (TRAN) through the California Community College League should emergency needs arise that cannot be addressed from the fund balance or contingency funds.

From fiscal year 2011-2012 through 2014-2015, the College borrowed cash for the unrestricted general fund from other College funds as a short-term solution to cover budget deficits and balance its budget. As of spring 2016, the College is reviewing expenditures, modifying instructional service agreements in response to the State's changing priorities, and reviewing the possibility of restructuring the College's self-funded medical plan in order to curtail the practice of borrowing from other funds to balance its budget.

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

Conclusion: Monterey Peninsula College meets Standard III.B.9.

Evidence Cited:

- IIID9.1 [Board Policy 6210: General Fund Reserve](#)
IIID9.2 Annual 311 Reports
- [2012-2013](#)
 - [2013-2014](#)
 - [2014-2015](#)

III.D.10 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.

Evidence of Meeting the Standard:

- The Office of Fiscal Services provides effective financial oversight for all areas of the College, including financial aid, grants, the MPC Foundation, and Gentrain Society. The Office of Administrative Services provides monthly financial reports to the Board for effective oversight [IIID10.1]
- The College maintains the financial records for financial aid, grants, and externally funded programs in its financial management system. The majority of these records are accounted for in the College's restricted and fiduciary funds, which are audited as part of the College's annual external audit [IIID10.2].
- College investments are managed through the office of the County Treasurer, who provides quarterly reports to the College at public Board meetings [IIID10.3].

Analysis and Evaluation

The Office of Fiscal Services provides financial oversight for the College, including the MPC Foundation and the Gentrain Society. The Office of Fiscal Services also provides oversight for College investments and assets. Working with departmental budget managers as appropriate, Fiscal Services staff maintain oversight for all College accounts, including financial aid, grants, and trusts. The Vice President of Administrative Services and Comptroller apprise the Governing Board of the accounts of the College through monthly financial reports and special reports for bond expenditures at regular Board meetings [[IIID10.1a](#), p. 7; [IIID10.1b](#), p. 8; [IIID10.1c](#), p. 6].

Management of Financial Aid, Grants, and Externally Funded Programs

The College maintains the financial records for financial aid, grants, and externally funded programs in its financial management system. The majority of these records are accounted for in the College's restricted and fiduciary funds, which are audited as part of the College's annual external audit [[IIID10.2a](#), [IIID10.2b](#), [IIID10.2c](#)].

The College manages contractual relationships appropriately through the office of the Vice President of Administrative Services and review by counsel as needed.

Management of Auxiliary Organizations and Foundations

The College has one auxiliary organization, the Gentrain Society, which supports the College's Gentrain program. The MPC Foundation is organized as an independent 501c3 and is the primary fundraising organization for the College. Both the Gentrain Society and MPC Foundation maintain their own financial records. The Vice President of Administrative Services reviews financial statements of both organizations.

Management of Investments and Assets

The College maintains an inventory of all equipment with a cost of \$1,000 or more. A physical inventory is completed annually for one-third of its equipment.

All investments for the College are managed through the County Treasurer who provides quarterly reports to the College. These reports are shared with the Governing Board [[IIID10.3a](#), [IIID10.3b](#), [IIID10.3c](#)].

Conclusion: Monterey Peninsula College meets Standard III.D.10.

Evidence Cited:

- IIID10.1 Monthly Financial Reports to the Board
 - a. [Board Minutes, 8/15](#) (Item 14A, p. 7)
 - b. [Board Minutes, 9/15](#) (Item 14A, p. 8)
 - c. [Board Minutes, 10/15](#) (Item 14A, p. 6)
- IIID10.2 Annual Audits
 - a. [2012-2013](#)
 - b. [2013-2014](#)
 - c. [2014-2015](#)
- IIID10.3 County Treasurer Quarterly Reports to the Board
 - a. [May 2015](#)
 - b. [August 2015](#)
 - c. [November 2015](#)

III.D.11 The level of financial resources provides a reasonable expectation of both short-term and long-term financial solvency. When making short-range financial plans, the institution considers its long-range financial priorities to assure financial stability. The institution clearly identifies, plans, and allocates resources for payment of liabilities and future obligations.

Evidence of Meeting the Standard:

- Long-term OPEB liabilities are projected using actuarial studies. To assure that OPEB liabilities can be met while maintaining short-term solvency, the College has placed funds into an irrevocable trust as required by GASB 43 and 45 standards to address a significant portion of these liabilities. The College meets its current current-year liabilities within its annual budget. [IIID11.3]
- The College currently has one long-term obligation that is required to be paid back, a student center lease revenue bond. The College budgets sufficient funds for the repayment of this lease in its annual budget [IIID11.4].

Analysis and Evaluation

Monterey Peninsula College's short-range financial decisions are made in light of its long-range financial priorities. During the annual resource allocation and budget development processes,

the Budget Committee, the advisory committees, the College Council recommend resource allocation decisions to the Superintendent/President. The Superintendent/President makes final resource allocation decisions and recommends the final budget to the Board of Trustees for review and approval [[IIID11.1](#), [IIID11.2](#)].

During this process, the College considers long-range financial priorities, such as post-employment benefits (OPEB) provided to certain retirees. Long-term OPEB liabilities are projected using actuarial studies. The current actuarial study indicates the College's actuarial accrued liability to be approximately \$11 million [[IIID11.3](#)]. To assure that OPEB liabilities can be met while maintaining short-term solvency, the College has placed funds into an irrevocable trust as required by GASB 43 and 45 standards to address a significant portion of these liabilities. The College meets its current current-year liabilities within its annual budget [[IIID11.4](#)].

The College currently has one long-term obligation that requires re-payment, the Student Center lease revenue bond. The outstanding balance for this locally incurred debt is \$62,700, and will be paid off in full in 2018-2019. The College has budgeted sufficient funds for the repayment of this lease [[IIID11.4](#)]. The College also has a \$145 million Prop 39 Measure I bond, which is being repaid through local property tax assessments.

As described in III.D.1, the College's Long Term Financial Plan outlines actions to be taken to ensure and improve the College's future fiscal stability. Plans include increasing revenues through enrollment growth by expanding the College's Education Center at Marina and by reducing costs to the level of protected revenues [[IIID11.5](#)].

Conclusion: Monterey Peninsula College meets Standard III.D.11.

Evidence Cited:

- IIID11.1 [Resource Allocation Model](#)
- IIID11.2 [Budget Development Process](#)
- IIID11.3 [Actuarial Study, Aug. 2014](#)
- IIID11.4 [Annual Budget, 2015-2016](#)
- IIID11.5 [Long-Term Financial Plan](#)

III.D.12 The institution plans for and allocates appropriate resources for the payment of liabilities and future obligations, including Other Post-Employment Benefits (OPEB), compensated absences, and other employee-related obligations. The actual plan to determine Other Post-Employment Benefits (OPEB) is prepared as required by appropriate accounting standards.

Evidence of Meeting the Standard

- The College determines its Other Post-Employment Benefits (OPEB) liabilities using appropriate accounting standards and regular actuarial analysis [IIID12.1].
- The College allocates appropriate resources for the payment of liabilities and future obligations, including OPEB [IIID12.2].

Analysis and Evaluation

Planning for payment of liabilities and future employee-related obligations is addressed within the College's annual budgeting process. In fall 2015, the College began participating in the Community College League of California (CCLC) Retiree Health Benefit Program Joint Powers Authority [[IIID12.2](#), Item 14C, p. 4]. Investing funds for OPEB liabilities and future obligations in an irrevocable trust as required by GASB 43 and 45 standards helps the College to ensure that appropriate resources are available for the payment of these obligations.

Conclusion: Monterey Peninsula College meets Standard III.D.12.

Evidence Cited:

IIID12.1 [Actuarial Study, Aug. 2014](#)

IIID12.2 [Board Meeting Minutes, 11/18/15](#), See Item 14C, p. 4

III.D.13 On an annual basis, the institution assesses and allocates resources for the repayment of any locally incurred debt instruments that can affect the financial condition of the institution.

Evidence of Meeting the Standard:

- The College follows an annual planning and resource allocation process that includes the development of an annual budget [IIID13.1, IIID13.2].
- Budget development processes ensure that resources for repayment of locally incurred debt instruments are appropriately allocated [IIID13.3, IIID13.4]

Analysis and Evaluation

The College follows an annual planning and resource allocation process that includes the development of an annual budget [[IIID13.1](#), [IIID13.2](#)]. During the budget development process, the College allocates funds for the repayment of locally incurred debt instruments and assesses how these debts might affect the fiscal health of the institution.

The College currently has one long-term obligation that requires re-payment, the Student Center lease revenue bond. The outstanding balance for this locally incurred debt is \$62,700, and will be paid off in full in 2018-2019. The College has budgeted sufficient funds for the repayment of this lease [[IIID13.3](#), p. 7-8; 79-81].

The College also has a \$145 million Prop 39 Measure I bond, which is being repaid through local property tax assessments [[IIID13.4](#), p. 108-113].

Conclusion: Monterey Peninsula College meets Standard III.D.13.

Evidence Cited:

- IIID13.1 [Resource Allocation Model](#)
- IIID13.2 [Budget Development Calendars, 14-15 and 15-16](#)
- IIID13.3 [Annual Budget, 2015-2016: Student Center Lease Bond](#) (see p. 7-8 and 79-81)
- IIID13.4 [Annual Budget, 2015-2016: Measure I Bond Funds](#) (see p. 109-113)

III.D.14 All financial resources, including short- and long-term debt instruments (such as bonds and Certificates of Participation), auxiliary activities, fund-raising efforts, and grants, are used with integrity in a manner consistent with the intended purpose of the funding source.

Evidence of Meeting the Standard:

- The College contracts with an external accounting firm to perform an annual audit on all funds, including its general obligation bond funds. These audits, along with input from the Citizen’s Bond Oversight Committee, ensure that funds are used with integrity in a manner consistent with their intended purpose [[IIID14.1](#), [IIID14.2](#), [IIID14.3](#)].
- The College Superintendent/President serves as a voting member of the MPC Foundation’s Executive Board. Input from the Superintendent/President helps to ensure that the Foundation’s efforts directly support institutional priorities [[IIID14.4](#)].

Analysis and Evaluation

The College uses its financial resources, including those from its general obligation bond funds, foundation, and grants, to further its mission and goals. The College’s mission and goals form the foundation of the planning and resource allocation process, as described in Standards I.A.3 and I.B.9. Individual divisions and units develop budgets and action plans with the College’s mission and Institutional Goals in mind. Requests for equipment, staffing, and supplies are also prioritized in the context of the mission and Institutional Goals through budget development and program review and action plans.

The College contracts with an external accounting firm to perform an annual audit on all funds, including its general obligation bond funds [[IIID14.1a](#), [IIID14.1b](#), [IIID14.1b](#), [IIID14.2a](#), [IIID14.2b](#), [IIID14.2c](#)]. These audits ensure that funds are used in a manner consistent with their intended purpose. Input from the Citizen’s Bond Oversight Committee provides additional assurance that bond funds are used for their intended purpose [[IIID14.3](#)].

The College Superintendent/President serves as a voting member of the MPC Foundation's Executive Board. Input from the Superintendent/President helps to ensure that the Foundation's efforts directly support institutional priorities [IIID14.4]. The Executive Director of the MPC Foundation provides monthly reports to the Governing Board.

The College applies for grant funding as appropriate to support its mission and goals. The College reviews a completed pre-application grant approval form prior to completion of a grant request for proposal (RFP) [IIID14.5]. The form includes a description of how the grant will support the short-term and long-term institutional goals, affect College commitments, and affect the College financially (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. Methods for measuring the impact of grants are codified within Administrative Services policies and procedures. The Governing Board approves all grants requiring matching funds, per policy [IIID14.6].

Conclusion: Monterey Peninsula College meets Standard III.D.14.

Evidence Cited:

- IIID14.1 Annual Financial Reports
 - a. [2012-2013](#)
 - b. [2013-2014](#)
 - c. [2014-2015](#)
- IIID14.2 General Obligation Bond Audits
 - a. [2012-2013](#)
 - b. [2013-2014](#)
 - c. [2014-2015](#)
- IIID14.3 [Citizen's Bond Oversight Committee](#)
- IIID14.4 [MPC Foundation Annual Report, 2015](#)
- IIID14.5 [Grant Approval Form](#)
- IIID14.6 [Board Policy 2200: Grant Applications](#)

III.D.15 The institution monitors and manages student loan default rates, revenue streams, and assets to ensure compliance with federal requirements, including Title IV of the Higher Education Act, and comes into compliance when the federal government identifies deficiencies.

Evidence of Meeting the Standard:

- The College undergoes an annual audit to determine compliance with major Federal programs, including Title IV. In the most recent audit (for FY ending June 30, 2015), MPC received one finding related to OMB Circular A-133. The College's response to

the finding indicated how the issue would be addressed during the 15-16 fiscal year [IIID15.1, IIID15.2].

Analysis and Evaluation

The College undergoes an annual audit to determine compliance with major Federal programs, including Title IV. In the most recent audit (for FY ending June 30, 2015), MPC received one finding related to OMB Circular A-133. The College's response to the finding indicated how the issue would be addressed during the 15-16 fiscal year [[IIID15.1](#)]. The College has taken steps to address the situation [[IIID15.2](#), p. 2]

The Office of Student Financial Services monitors student loan default rate. The most current official three-year Cohort Default Rate (FY2012) for the College is 21.4% [[IIID15.3](#)]. The College works with USA Funds Borrower Connect to help identify and work with borrowers at highest risks of default.

Conclusion: Monterey Peninsula College meets Standard III.D.15.

Evidence Cited:

- IIID15.1 [Annual Financial Audit, 2014-2015](#)
- IIID15.2 [College Council Minutes, 1/26/16](#), p. 2
- IIID15.3 [Three-Year Cohort Default Rates, FY2012](#)

III.D.16 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 and the quality of its programs, services, and operations.

Evidence of Meeting the Standard

- The College contracts with external entities in a manner consistent with its policies, mission, and goals. When entering into contractual agreements with external entities, the College uses standard contract forms and Instructional Service Agreements (ISAs) to help ensure consistency with the institutional mission and goals [IIID16.1, IIID16.2, IIID16.3, IIID16.6].

Analysis and Evaluation

When entering into contractual agreements with external entities, the College uses standard contract forms and Instructional Service Agreements (ISAs) to help ensure consistency with the institutional mission and goals [[IIID16.1](#), [IIID16.2](#), [IIID16.3](#)]. The College's legal counsel reviews contractual forms and ISAs to help ensure all legal provisions are included and the College is appropriately indemnified from any damages as a result from outside parties. Instructional Service Agreements are specifically written to ensure the College adheres to

regulations contained in Title 5 of the California Code of Regulations. The College may terminate contracts and ISAs if the external entities are found to be out of compliance; the College has terminated contracts in the past for this reason.

Standard contract forms and agreements also help the College ensure contracts with external entities are consistent with the College's interests and policies and maintain the integrity of the institution. The College works to ensure its contractual agreements with outside agencies are consistent with the mission and goals of the institution. For example, the College's Long Term Financial Plan includes reducing dependence on Instructional Service Agreements, as the FTES generated through Instructional Service Agreements are primarily non-credit [[IIID16.4](#)].

To maintain the integrity of the institution and quality of its operations, the College uses the adopted budget as the primary vehicle to fund contractual agreements and capital expenditures. Per policy, the Superintendent/President and Vice President of Administrative Services are the only two persons given general authority by the Board as legal signatory for contractual agreements [[IIID16.5](#), [IIID16.6](#)].

Conclusion: The College's current reliance on contracted educational agreements to meet minimum FTES goals for apportionment does not align with its Long-Term Financial Plan. Additional planning is needed to address this current reliance and improve consistency between external agreements and the institutional mission, goals, and policies.

Actionable Improvement Plan

The College will revise its long range financial plan and policies to prioritize actions that ensure fiscal stability and reduce dependence on instructional service agreements for apportionment revenue.

Evidence Cited:

- IIID16.1 [Board Policy 4330: Instructional Service Agreements \(ISA\)](#)
- IIID16.2 [Sample Contract Form](#)
- IIID16.3 [Sample ISA Form](#)
- IIID16.4 [Long-Term Financial Plan](#)
- IIID16.5 [Board Policy 1050: Executive Officer of the Governing Board](#)
- IIID16.6 [Board Policy 2132: Bids and Contracts](#)

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