Monterey Peninsula College

Final Budget

Fiscal Year 2013-2014

Board Approved
August 28, 2013

Monterey Peninsula College

Final Budget

Fiscal Year 2013-2014

-Table of Contents-

Executive Summary
2013-2014 Final Budget

Introduction

The Final Budget is the District's spending plan from September 15, 2013 through June 30, 2014. On or before September 15, the Board is required to hold a public hearing and adopt a Final Budget for the fiscal year. The Final Budget is based on "budget assumptions" developed from a number of sources including the Governor's May Revision, approved trailer bills, input from the Chancellor's Office, the Community College League of California, and the approved Budget Act for 2013-14.

Following is a summary indicating the projected beginning balances (based on the current 2013-14 adjusted budgets), 2013-14 final budgets, and projected ending balances for all funds maintained by the District:

MPC 2013-2014 Final Budget

The following is a summary indicating the projected beginning balances, 2013-2014 budgets, and projected ending balances for all funds maintained by the District:

Funds	Beginning Fund Balance 7/1/2013	Budgets 2013-2014 Revenue	Budgets 2013-2014 Expense	Ending Fund Balance 6/30/2014
General				
Unrestricted	$3,840,358	$38,614,399	$38,595,234	$3,859,523
Restricted	$0	$5,247,462	$5,247,462	$0
Special Revenue				
Child Development - Unrestricted	$0	$310,573	$310,573	$0
Child Development - Restricted	$0	$245,147	$245,147	$0
Student Center	$259,336	$264,200	$264,200	$259,336
Parking	$116,995	$512,000	$489,741	$139,254
Debt Service				
Student Center	$20,905	$18,075	$18,075	$20,905
Lease Payments	$52,285	$275,324	$275,324	$52,285
Capital Projects	$1,771,607	$1,269,405	$2,491,998	$549,014
Building	$27,158,736	$50,000	$7,520,032	$19,688,704
Self Insurance	$8,292,175	$6,349,078	$8,099,078	$6,542,175
Fiduciary				
Financial Aid	$12,881	$5,300,000	$5,300,000	$12,881
Associated Students	$75,000	$90,000	$90,000	$75,000
Scholarship and Loans	$272,948	$2,531,700	$2,531,700	$272,948
Trust Funds	$293,917	$469,102	$469,102	$293,917
Orr Scholarship	$41,262	$13,000	$28,000	$26,262
Total	**$42,208,405**	**$61,559,465**	**$71,975,666**	**$31,792,204**

Notes: Beginning Balance is prior to audit of 2012-2013 fiscal year end.
Ending Balance is calculated based on Beginning Balance and Budgets

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

All funds are budgeted to have positive ending fund balances. The unrestricted general fund maintains the Board established fund balance reserve of 10% of general fund expenditures. It should be noted that in the unrestricted general fund, district reserves and one-time funds totaling $2.5M are being used to balance the budget. This structural deficit must be addressed to maintain fiscal stability in the long run.

Signs of Economic Improvement

Despite federal sequestration, most economists are anticipating acceleration in the nation's economic growth. The LAO projects 2% real growth in U.S. gross domestic product (GDP) in 2013 and 2.8% in 2014. The Federal spending sequester will likely moderate real GDP growth through mid-2013, but overall growth of the nation's economy will accelerate in the second half of the year. The LAO anticipates growth in private sector jobs will offset employment weakness in the public sector. Over the past twelve months, the fastest-growing major job category (in percentage terms) has been temporary help which is likely a sign of future hiring growth.

California's economic climate is also improving, with housing leading the way. Housing prices and construction activity are strengthening. The growth rates for home prices in coastal urban areas of the State will likely outpace the central valley. The State's construction industry is a large employer and major contributor to taxable sales. The LAO forecasts that between 2013 and 2018, growth in construction jobs will outpace that in nearly all other major employment categories, growing at about 5% per year. As of June 2013, the national unemployment rate was 7.6% compared to California at 8.5%. The unemployment rate in a healthy economy generally ranges between 4% and 5%.

The following chart is the LAO's estimate of state revenue from the "big three" sources of personal income tax; sales and use tax; and corporation tax.

LAO Revenue Forecast Summary
General Fund and Education Protection Account Combined (In Millions)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Personal income tax	$53,889	$64,453	$64,320	$70,354	$74,676	$78,606	$82,909
Sales and use tax	18,658	20,394	22,194	23,735	25,348	26,032	26,495
Corporation tax	7,283	7,500	8,600	9,300	9,800	10,200	10,600
Subtotals, "Big Three" Taxes	$79,830	$92,347	$95,114	$103,389	$109,824	$114,838	$120,004
Insurance tax	$2,165	$2,150	$2,200	$2,260	$2,490	$2,570	$2,670
Other revenues	2,959	2,640	2,246	1,861	1,853	1,829	1,832
Net transfers and loans	1,509	1,748	468	-520	-1,892	-299	282
Total Reveneues and Transfers	$86,463	$98,884	$100,028	$106,991	$112,276	$118,938	$124,788

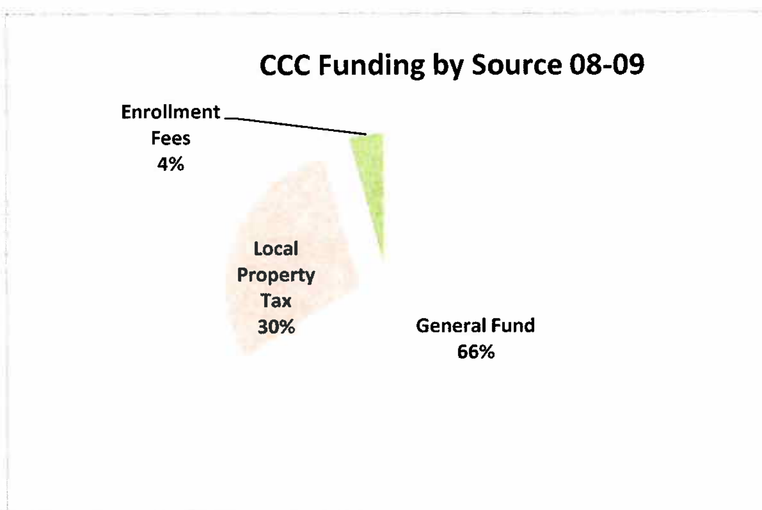
The LAO's projections clearly show revenues on the upswing. It should be noted that estimates include revenues generated from Proposition 30 known as the Education Protection Account. Approximately 50% of the special taxes generated from Prop 30 will sunset in four years and the balance in seven years unless there is agreement to extend the tax.

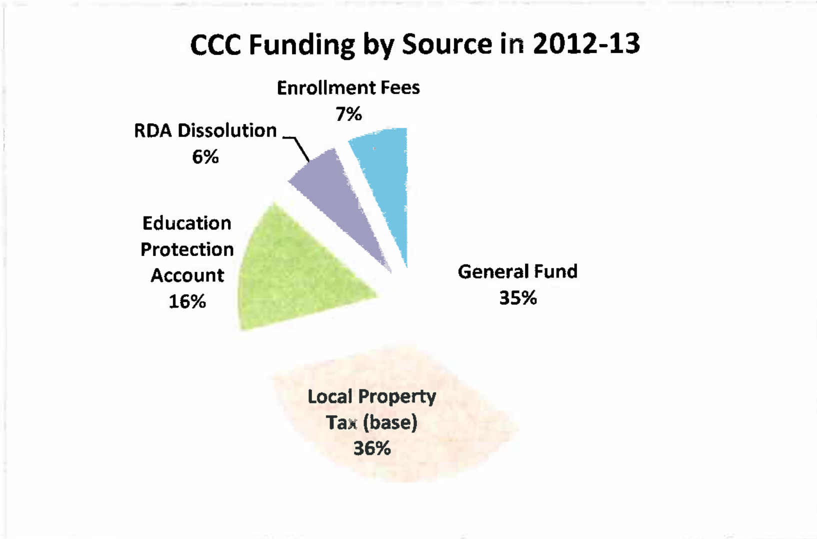
California Community Colleges

The approved Budget Act for 2013-14 calls for the following provisions for the California Community College system:

- Restore Access - $89.4 million (1.63%)
- COLA - $87.5 million (1.57%) first COLA since 2007-08
- Categoricals - $88 million
    - $50 million for Student Success and Support
    - $15 million for DSPS
    - $15 million for EOPS
    - $8 million for CalWorks
    - Pay down deferral from $961 million to $592 million
    - $30 million for scheduled maintenance
    - $30 million for instructional equipment and library - one time funds
    - $25 million planning grant for Adult Education – grants to local consortia which must include at least one CCD and one K-12 Location Education Agency
    - $16.9 million for online education initiative
    - $47 million for energy conservation from Prop 39

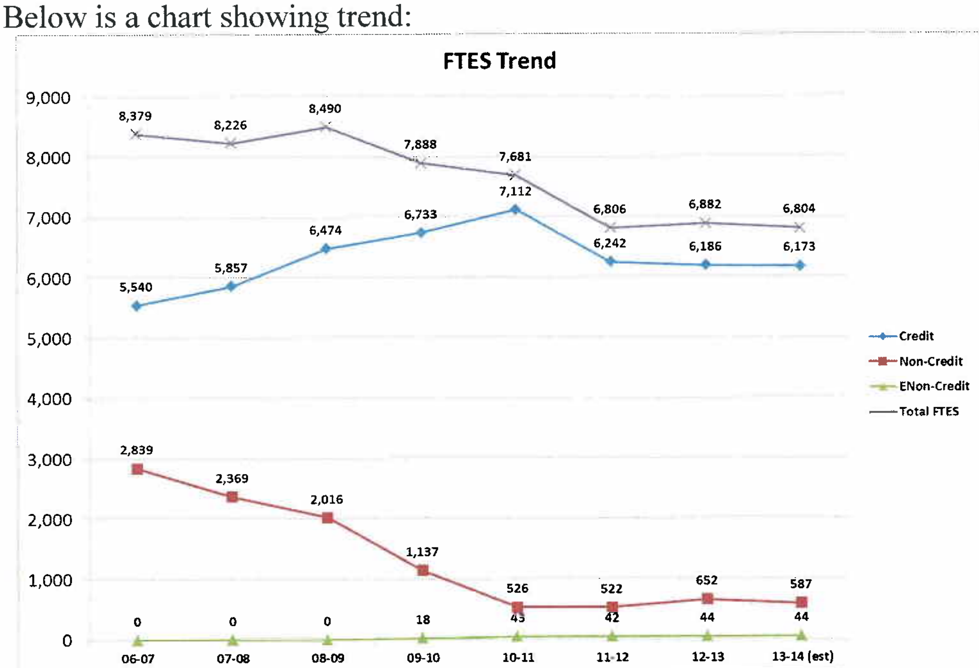
After years of revenue cuts during the "great recession", the community college system is beginning to see a slow restoration of funding. The restoration has been improved with the voter approved special tax (Prop 30) to support K-14 public education. The inclusion of EPA funds from Prop 30 and the shifting of RDA (redevelopment agency) funds to schools and the State have complicated community college apportionment projections. In 2008-09, about two-thirds of apportionment was General Fund approved in the Budget Act. It is now about one-third. Two-thirds of the apportionment is based on estimates that may or may not materialize, causing greater uncertainties for community college districts. Lack of a continuous appropriation is an increasing problem for the system.





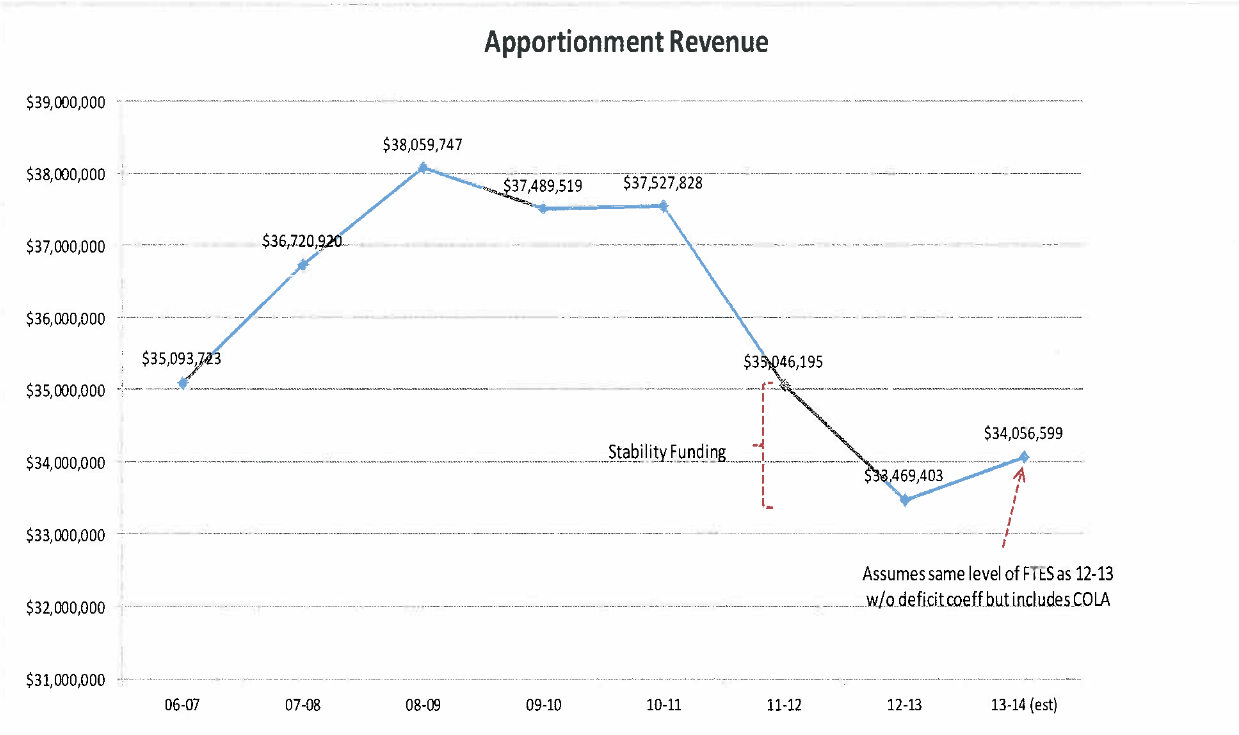
FTES Trend

A historical review of MPC's FTES trend shows that the college peaked in 2008-09 with 8,490 total FTES of which 76.3% were credit FTES. Starting in 2009-10, the state imposed a system wide workload reduction cutting unrestricted apportionment by $190M. Growth/restoration funding of $126M was added to the 2010-11 system wide, but MPC's total FTES generation continue to decline from the 2009-10 level. In 2011-12, the state imposed a large system wide workload reduction of $385M based on a number of mid-year trigger cuts, and MPC's total FTES decreased to 6,806. The most recent enrollment numbers for Fall 2013 show that daily census headcount numbers are down 7% from Fall 2012. In light of recent trends and more restrictive repeatability legislation, changes to financial aid, and an improving economy, the final budget assumes the college will maintain a similar level of FTES production in 2013-14 as in 2012-13. Below is a chart showing trend:



MPC Apportionment Trend and Estimate for 2013-14

Approximately 95% of the unrestricted general fund revenues are generated by FTES. The mixture of credit, non-credit, and enhanced non-credit FTES determines the amount of apportionment earned by a college. At the high-water mark in 2008-09, MPC generated $38,069,747 in apportionment based on 8,490 total FTES. Due to significant system wide workload reductions imposed by the State in 2009-10 and 2011-12, MPC's apportionment was reduced from $38M to $35M during the same time period. In 2011-12, MPC did not generate sufficient FTES to make its apportionment cap, therefore, the college received stability funding of $1,387,840. This is shown in the following chart.



The Annual 320 attendance report recently submitted to the Chancellor's Office for 2012-13 indicates MPC will not reach its apportionment cap for the second year in a row. This will result in the State reducing MPC apportionment by $1.28M at prior year recalculation. In estimating the college's apportionment revenue for 2013-14, the final budget assumes MPC will maintain the lower 2012-13 FTES levels while generating apportionment revenue totaling $34,056,599. For budgeting purposes, it is important to utilize a conservative estimate of revenue until growth is demonstrated. Deficit coefficients have significantly reduced the actual apportionment received over the past three years. Since external factors such as student fees collected, property taxes, and RDA backfill are difficult to estimate, the apportionment estimate for 2013-14 assumes no deficit coefficient arising from these factors at this time.

MPC Budget Assumptions

The following budget assumptions will be used in developing the Final Budget for 2013-14. As noted earlier, these assumptions can change during the course of a fiscal year.

- Apportionment revenue estimated at $34,056,599 assuming no deficit coefficient
- MPC will not earn back stability funding or any growth/restoration funds in 2013-14
- A Cost of Living Adjustment (COLA) of 1.57% is included in the apportionment estimate
- Mandated Costs Reimbursement Block grant will generate $190,000 in one-time funds
- Revised lottery estimate shows approximately $200,000 more revenue than indicated in the tentative budget
- Utilities budget increased by $61,880 from the tentative budget because it was prematurely lowered before final accounting for 2012-13
- Decrease State Unemployment Insurance $229,487 per MCOE
- Increase marketing and advertising by $50,000
- Decrease library budget in UGF by $68,000 for instructional equipment. New categorical grant will likely provide backfill
- Increase UGF backfill totaling $48,000 for Matriculation and Supportive Services because Apprenticeship funding is no longer flexible and cannot be used as backfill
- Restricted Revenues
  - Instructional Equipment and Library funded at $109,705
  - Scheduled Maintenance funded at $109,713
  - No Apprenticeship Allowance – loss of $68,000

MPC Budget Response

In the past three years, MPC responses to budget deficits have been largely opportunistic. That is, taking advantage of opportunities to reduce expenditures as they arose, such as reducing staffing by attrition, reducing program costs due to reduction in state support, reducing instructional service agreements in response to the state's changing priorities, and restructuring MPC's defined health benefits plan. For budget year 2013-14, this "measured" approach will continue to allow the District to defer some difficult decisions until more is known about the true budget picture and FTES production.

The State has primed the community college system with over $250M of growth/restoration funding. These funds are intended to restore the workload reductions imposed in 2009-10 and 2011-12. MPC is eligible for approximately $5M of restoration funding, but must grow FTES in order to receive this funding. Administration has been focusing on growth in the following ways in order to reduce the deficit spending pattern by increasing revenues:

- Grow credit FTES
- Identify areas of high student demand
- Develop wait lists
- Remove impediments to registration
- Improve efficiency
- Improve student retention
- Increase outreach, advertising and marketing
- Using the new Student Success funding to relieve the unrestricted general fund support of certain categorical programs

At the same time, the district is continuing to examine ways to reduce expenses in operations, programs, positions, wages, and benefits. The vast majority of general fund expenses are in the areas of salaries and benefits, therefore subject to collective bargaining.

General Fund

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

Unrestricted General Fund

The District's primary financial activities for day-to-day operating revenues and expenses occur in the Unrestricted General Fund. Revenue is budgeted by the source of the funding and expenses are budgeted by their function. Amounts budgeted for revenue and expense in the Unrestricted General Fund show revenue and expense essentially balanced with an ending balance of $3,859,523 which maintains the Board's 10% target reserve. The district is using $2.5M in one-time funds and reserves to augment unrestricted revenues to balance the budget.

Unrestricted General Fund revenues for 2013-14 are estimated to be $18,674 less than the adopted level in 2012-13. It should be noted that adopted 2012-13 revenues are high because they do not account for the anticipated deficit coefficient that is likely to range from $250,000 to $816,000, nor does it account for the loss of stability funding. The net change in revenue for 2013-14 accounts for loss of stability funding, mandated cost reimbursement revenue, and the 1.57% COLA. Unrestricted General Fund expenses are estimated to increase by $452,231 from the 2012-13 adopted level. This is the net change after accounting for: the expiration of the 2012-13 wage concession; attrition; increase in ISA contracts; increase in non-personnel items such as the board election and insurance; and the lower health insurance funding rate. Changes in UGF revenues and increases in expenses for 2013-14 show a structural deficit of $2,526,136 before district reserves and one-time funds are used to balance the budget.

Unrestricted General Fund	**Adopted 12-13**	**Final 13-14**	**Variance**
Revenues			
8100 Fed Revenues	$10,700	$10,700	
8600 State Revenues	$1,025,626	$5,883,525	
8610 Apportionment	$19,104,397	$12,246,457	
8800 Local Revenues	$15,947,048	$17,928,415	
Ongoing Revenues before Transfers & Reserves	$36,087,771	$36,069,097	($18,674)
Expenses			
Salaries & Statutory Benefits (1000+2000+3000 minus 3400's)	$25,816,256	$26,140,518	
Health & Welfare (7309 + 3400's)	$5,751,764	$5,404,098	
Contracts (ISA, CHOMP & Misc.) (total 5100's)	$2,045,076	$2,392,746	
Non-personnel items (utilities, insurance, supplies, repairs, etc) (All other expense)	$4,529,906	$4,657,871	
	$38,143,002	$38,595,233	$452,231
Structural Deficit in UGF	**$2,055,231**	**$2,526,136**	