

Monterey Peninsula College

2010-11 General Fund Tentative Budget Projections

4/19/2010

Projections currently being used to develop MPC's Tentative Budget indicate a \$1.3M shortfall (see attached). Additional changes in both revenue and expense projections are likely before a Final Budget is presented; however, it is not anticipated they will significantly alter the current bottom line projection.

Revenue

Revenues are projected to be approximately the same (-\$20K) as the current year (2009-10). Small reductions are projected for nonresident fees (-\$23K) and lottery (-\$78K) that will be offset by the current budgeted excess revenue over expenses (\$81K).

Although the Governor's January proposed budget for the state includes 2.21% growth funds for community colleges and a negative COLA of 0.38%, it is not believed that either of these will be approved and no adjustments for them are included in the district's projections. If approved, the growth and COLA would provide MPC with potential increased revenue of approx \$686K (+\$828K-\$142K) which could be used for compensation increases based on the union contract formulas offsetting most of the revenue with corresponding increases in expenses. At this time the LAO would lead one to believe that the only way growth might be funded is with a registration fee increase to \$40 per unit. The Governor also proposed that EOPS and Part-time compensations be cut by \$10M each to fund a \$20M augmentation to CTE, which is not probable to be approved and has not been included in the district's current projected cuts.

Expenses

Expenses are projected to increase \$1.3M. The increase is being driven by the district's self insured medical that is projected to increase 25% (\$1.375M). The increase is projected based on current year paid claims (adjusted down for large claims), a 9% trend factor, and a projected 25% increase for stop loss coverage. This appears in line, possibly even low, considering actual claims for 2009-10 indicate a current expense loss ratio of 128.89% with projected expenses for the year being \$1.3M over budget.

Excluding self insured medical benefits, projections indicate a number of budgets increasing and decreasing with total other expenses being approximately the same as the current year (2009-10). Turnover saving from employees leaving is projected to cover costs for required increases in step, column, and longevity. Projected increases in expenses include: \$131K to cover increased rates for PERS and SUI, \$190K to cover increases to classified budgets for equity increases and correcting the part time employee classifications in the Reading Center, utilities \$60K, and \$80K for the required transfer for student insurance. Expenses decreasing include elimination of adjunct budget contingency \$100K,

elimination of remaining off campus PFIT contracts \$291K, reduction in budget for payment to CHOMP for nursing \$24K, and elimination of budgets for election expenses and accreditation \$125K.

Solutions to cover \$1.3M gap

Option A – use medical cost containment measures to cover increase in medical costs.

The district's Health & Welfare Cost Containment Committee is reviewing a list of potential measures that could be used to accomplish this. Changes to benefits will require both CTA and MPCEA union approvals.

Option B – look to all district budgets for cuts...freeze positions, implement furloughs, reduce class offerings, cut part time adjunct compensation, part time and student help, supplies, travel, contract equipment and transfer budgets.

The district currently has 6 unfilled academic positions. The FON requires the district to fill 3 of these leaving 3 that could be used to balance the budget. There may be additional position vacancies after the FON deadline that can also be used to balance the budget.

There are currently 4 unfilled classified positions. These positions can be frozen and there probably will be additional vacancies that can be frozen and used to balance the budget.

Furloughs could be implemented reducing hours and wages.

Additional changes to the schedule can be made to improve efficiency with classes and enable reduction of classes to further reduce adjunct and ISA budgets. (Reductions to the schedule limit the ability to maintain current apportionment funding and possibly meet future growth opportunities.)

By contract, the adjunct hourly budget can be cut by the cuts implemented by the state this year and next year.

The vice presidents are currently working with their account directors on a list of potential cuts totaling \$455K to existing part time and student help, supplies, travel, contract, equipment and transfer budgets.

Option C – combination of options A and B.

Option A (cost containment) could be used to satisfy all of the current projected shortfall and leave the remaining budgets balanced and not require deferral of positions, furloughs, etc. Should any of the options result in greater cuts than needed, these funds could be used to reinstate cuts or to fund higher prioritized action plans.