DISTRICT BUDGET COMMITTEE

Minutes of March 27, 2014 Meeting

Present: Adil Ahmed, Seher Awan, Robert Brown, Peter Fitzsimmons, Henry Gee, Fabio Gonzalez, Steven Graham, Barbara Hanfling, Dan Hawkins, Carlos Marques, Lauren McKee, Mark Newton, Doug Smith, Jan Tomisaka, David Yancey

Absent: Anthony DiSilvestre, Bruce Geer, Mark Gonzales, Roi Ann Thompson

Also Present: Byron Breland, Lan Bui, Carol Coen, Kim Garcia, Tamela Hawley, Mike Russell, John Thompson

1) Call to Order – The meeting was called to order at 3:05 p.m.

2) Approval of Agenda – The agenda was approved as submitted. M/S/P; Ayes-15, Opposed-0, Abstentions-0, Absent-4

3) Approval of February 27, 2014 Minutes – M/S/P; Ayes-15, Opposed-0, Abstentions-0, Absent-4

Minutes were approved following a change in the last sentence of the third paragraph on page two: “negotiations” changed to “meet and confer.”

4) Student Success and Support Program Financial Results

Mr. Smith explained to the Committee that Student Success is the name of State categorical programs, formerly known as Matriculation. He stated that for a number of years the amount declined each year, but is now receiving additional funding. Mr. Fitzsimmons briefly outlined the various handouts.

Mr. Fitzsimmons stated the budget report from Datatel reflects this year and when the books are closed this year, this information will be submitted to the State for their report.

Mr. Newton noted that essentially the funding has doubled this year. Mr. Fitzsimmons confirmed and stated that it will go up again next year according to the Governor’s proposal. Mr. Gonzalez thanked Mr. Fitzsimmons for providing the report in order that it can be used as a marker moving forward. Ms. Hanfling asked
for a break-down of SJCC year-to-date; she would like to know what's included in that amount. Ms. Seher replied that she has the information and she will follow up with Ms. Hanfling to provide her the information.

Mr. Yancey expressed concern that a lot of Student Success money is often used for salaries that had been budgeted for General Fund. That is called supplanting and that is illegal. He stated that the District should be careful with this practice to avoid ending up on the news. Mr. Gee noted that historically they have used Matriculation monies for salaries. Mr. Yancey stated he believes the new money should have more restrictions. Mr. Fitzsimmons stated that EVC has spent $230K with $333K left to spend and SJCC has spent $270K with $255K left to spend for FY2013-2014 SSSP categorical funds.

Mr. Fitzsimmons noted that the Student Success Board initiative monies were distributed as follows: $100K to each college and $50K to Workforce Institute. Ms. Hanfling inquired as to whether anyone has yet spent the funds. Mr. Fitzsimmons responded that Workforce Institute has spent approximately $25K. Ms. Hanfling inquired as to what it was spent on. Ms. Coen responded that they purchased software that is career-focused.

5) Credit Ratings

Mr. Smith explained to the Committee that the District asked the tax payers to support a General Obligation Bond three times and each time they’ve said yes. The District must spend everything that is drawn on within three years. The District gets issuances only when they think they can spend the monies within a three-year cycle. The District is now in the process of doing three things in regards to issuances. The first is $31.6M in Measure G-2004. The second is $120M in Measure G-2010, which means the projects will be moving fast. The third is a refinancing. They have found that some of the 1998 and 2004 bonds can be refinanced at a more advantageous rate. This won’t be for more projects, but at a better rate to lower the debt. All of this is underpinned with a credit report. They provided a presentation to Moody’s and Standard and Poor’s. Mr. Smith has asked Mr. Fitzsimmons to present the information to the Board of Trustees at the April 8, 2014 meeting.

Mr. Fitzsimmons noted the agenda package includes the actual press releases. He also provided a sheet with comparisons to other districts’ ratings. Standard and Poor’s has moved SJECCD up to AA; last year was AA-. Last year Moody’s rated SJCC as AA1 with a negative outlook; this year they have removed the “negative outlook.”

6) STRS
Mr. Smith noted that for every dollar of STRS that goes out the employee pays a portion and the district pays a portion. PERS can adjust the rate through their own agency. STRS has been flat at 8.25% and must be changed by legislation. They study it using actuaries and there are discussions as to whether the State should provide additional funding to solve the problem or ask the employee or employer to pick up the additional cost. The article provided describes some of that problem. The District’s budget doesn’t call for anything other than the 8.25% rate in the years going out as it’s unknown what amount to use. The District will need to have that discussion as the STRS obligation needs to be addressed.

7) Apportionment Worksheet

Mr. Fitzsimmons let the Committee know the information can also always be found in the Appendices of the budget reports. Provided to the Committee was an update from what had been reported in the Q2 budget report. Mr. Fitzsimmons noted that last year the District didn’t make their cap and it went into stability. Mr. Fitzsimmons walked the Committee through the apportionment details. The District doesn’t receive general apportionment due to its Basic Aid status.

Ms. Hanfling stated it would be helpful if property tax increases could be tracked. Ms. Hanfling stated she would still like to make the request to receive a report.

Mr. Smith noted that the last quarterly report assumed the District achieved cap. It has been updated for that margin as to what’s actually tracking. Mr. Yancey noted that the District would lose if they go out of Basic Aid and don’t achieve cap, which will require the colleges to be diligent about not falling behind in enrollment.

Mr. Smith stated that there are a lot of efforts underway to achieve cap. He also noted that many of the community colleges are below cap. Dr. Breland stated that the response at the colleges will be to ramp up marketing (radio, media) as everyone is competing for students. He noted the importance of getting the students and making sure they don’t leave. He also noted that it’s going to cost to get the colleges’ names out there. Mr. Yancey stated that instead of cutting a class of 15 students, they should keep every student possible.

Ms. McKee noted that there are two perspectives. One is working and always watching FTES and the other is discussions to obtain more students. She noted there should be discussions about expanding course offerings and programs to attract more students. The colleges also need to look at why enrollment is down; perhaps they’re becoming stagnant and everyone needs to work together toward a solution. Mr. Gee stated there are other strategies to build up enrollment; the situation they are in is not new. He noted that expansion of programs and course offerings that are different than what have been offered before are now possible.
since they are not reliant on FTES; they can focus on attracting students in other ways and keep them for the FTES.

Mr. Gonzalez noted he believes different messages are going to the Board. He stated the District isn’t observing what’s happening at the State level. BOG is going to kick out about 3% of the students, which will automatically have an impact. Another issue is they’re closing the doors on student success, which will impact the students. He believes they will have a bigger problem and that it’s a message the Board needs to hear. He concurred with Mr. Gee that if cap is not an issue, they shouldn’t carry that mentality and message, but instead open up gateways for students to come in and focus on retention.

Mr. Smith went around the table to see if there is anything else to be brought into the discussion.

Ms. Coen stated this is the reason adult education is important and they’re going to great lengths to achieve that. They’re providing non-credit courses that will bridge the gap to lead to credit courses.

Ms. McKee wanted to remind everyone of the purpose of the Committee. She stated the colleges have their own processes and everything should be filtered there before it’s brought to the District Budget Committee. The District Budget Committee is not the final decision; the decisions at the colleges are what’s important and then brought to the District Budget Committee.

Mr. Gee reiterated that in the past they were chasing FTES, but they now have an opportunity to focus on quality as opposed to quantity.

Mr. Newton wanted to remind everyone that when it was decided to go to a compacted, 16-week calendar it was to have the colleges be more productive on Fridays and Saturdays. He looks around on Fridays and there are still very few people there.

The meeting was adjourned at 4:20 p.m.