DISTRICT BUDGET COMMITTEE

April 24, 2014 Meeting Minutes

Present: Adil Ahmed, Seher Awan, Anthony DiSilvestre, Peter Fitzsimmons, Henry Gee, Bruce Geer, Fabio Gonzalez, Steven Graham, Barbara Hanfling, Carlos Marques, Lauren McKee, Mark Newton, Doug Smith, Roi Ann Thompson, David Yancey

Absent: Robert Brown, Mark Gonzales, Dan Hawkins, Jan Tomisaka

Also Present: Farena Bakre, Byron Breland, Lan Bui, Kim Garcia, Hoa Pham, Linda Wilczewski

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

2) Approval of Agenda – M/S/P; Ayes-15, Opposed-0, Abstentions-0, Absent-4

The agenda was approved following two additions: Student Success & Categorical Support (#5) and District Budget Committee Guidelines (#6).

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

The March 27, 2014 minutes were approved following a change and addition to the first sentence of the first paragraph on page two: “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.”

4) FY2013/2014 Third Quarter Budget Report

Mr. Smith noted that the bulk of our revenues come from property taxes. The 3rd Quarter line item is 7%. 90% of our funding comes from this source (excluding categoricals). There will be a new data point for the current year on May 12. It may increase, but we don’t expect it to decrease; projections for the next three years are rather conservative.

Page 96 addresses budget assumptions for personnel salaries. There was a change in the assumption from the 2nd Quarter under Vacant Faculty and Adjunct Faculty positions because of the COLA that was negotiated. Ms. Hanfling questioned why MSC raises are not represented in the assumptions. Mr. Fitzsimmons explained that the step and column increases are represented in the 0.90% and 0.70% shown. They agreed to discuss later.
Mr. Fitzsimmons walked through the Health & Welfare Premiums, which reflects changes from the 2nd Quarter under FY 14/15 estimated assumptions.

Mr. Smith noted the big money is in Blue Cross and Kaiser. The 35% increase sounds staggering, but that area only covers about 10%. The Blue Cross rate was coming in at 24% and the team was able to negotiate to 12%.

Mr. Newton questioned why the last three lines on page 97 are represented as monetary amounts rather than percentages. Mr. Fitzsimmons explained that those lines are cumulative.

Ms. Hanfling asked if they have additional years to use the funds that they don’t spend. Mr. Smith confirmed that is the case, but there is a detailed plan that shows expenditure of all monies. It is understood that all the vacant positions in phase one of the redesign will not be filled by July. The unspent dollars will revert to the fund balance.

Mr. Newton requested clarification on the FY 14/15 Deficit Factor, which shows growth by 1%. Mr. Smith clarified that this is an area that should always be watched. Some districts factor 0, 1, or 2%. For this District’s purposes, it’s a moot point because we are a Basic Aid District. Mr. Hanfling then questioned why we are reporting Deficit Factor at 1%. Mr. Smith indicated that he had experienced years where there was a Deficit Factor. Because of this, he would rather be prepared for good news than give bad news later.

Mr. Fitzsimmons then walked through the Third Quarter Report.

Highlight for FY 13/14: We anticipate general fund revenue to settle at $82.5M and total spending at $83.2M. We will draw on our fund balance around $670K. This will leave us with an ending fund balance of $10.3M. Mr. Smith noted this assumes that every dollar allocated will be spent. However, there will be hundreds of thousands that won’t be spent. Additionally, Mr. Fitzsimmons stated that FY 14/15 also assumes spend out, which rarely happens.

The assumptions indicate that expenses will amount to $1.7M more than income. Ms. Hanfling and Mr. Fitzsimmons agree that since the property tax will be lower, there will be more money left in the end.

Ms. Awan commented that SJCC is still working on tentative budget, which will be very accurate. SJCC plans to purchase equipment using Instructional Technology monies, not Fund 10 monies. They also plan to utilize bond funds, which have been allocated for this year and next year. Bond expenses will hit Fund 41, not Fund 10.

The general fund is anticipated to close this year with $10.2M. Mr. Smith reminded everyone that this assumes spend out, which is almost never experienced.

Ms. Hanfling pointed out that although the Certificated Adjunct salaries estimated actuals are $16M, the budget only reflects $14.6M and does not provide for
increases. There has always been concern over this as it doesn’t make sense to project something that is not a reality. Mr. Fitzsimmons replied that traditionally there has always been savings with Certificated Non-Adjunct salaries, which covers over-expenditures.

Mr. Yancey commented that he would like to see budgeting done according to actual costs. Ms. Hanfling noted that there should be some increase for the Certificated Adjunct. Mr. Fitzsimmons replied that there is an increase shown in this area in FY 14/15. Ms. McKee noted that, historically, the Adjunct salaries have never been funded appropriately; consider funding the Full-Time Certificated and providing the correct funding for the Adjunct salaries. Ms. Garcia commented that if we go back to the 75/25 conversation and think about the number of faculty to be hired this year, in essence we want Adjunct to shrink and Full-Time to grow. In summary, Mr. Smith agreed that budgets should be formulated with the truest possible numbers in mind. Mr. Fitzsimmons pointed out that on Page 7 Certificated has grown from $13M to $14M. Ms. Awan noted that when an Adjunct is hired, benefits and other costs should be taken into account.

Mr. Gonzalez asked for clarification because as Student Success FY 15/16 shows different amounts on Page 3 and Page 98. Mr. Fitzsimmons clarified that those are unallocated funds. Once it’s been allocated to a position, then the money moves into another category: Certificated or Classified.

Mr. Fitzsimmons directed the Committee to Page 8, showing a General Fund three-year outlook, district-wide. A correction to the final document: There will not be a transfer out to Fund 11 (parking) this year or next year. In essence, this means we anticipate overspending by $160K, which is primarily associated with a transfer out to the bookstore. Other variables are that revenues might come in higher than anticipated and COLA is not assumed in this document, as CSEA is still negotiating.

Fund 11 - Parking revenues go toward police and grounds. Projected ending fund balance is $212K, which is dependent on how quickly the vacancies in the police department are filled. Mr. Smith noted that the police services fund is substantially underwritten by the parking fund. Currently, there is a police department redesign underway.

Fund 15 – The District’s monies are centered on 40 S. Market’s rental income, as well as the cost of supporting those tenants. SJCC has collected 120% of their revenue budget. In the case of a surplus, the entity can transfer funds to general operations. SJCC plans to do this. EVC has received $83K in rental revenue.

Fund 17 – Breakdown of Categorical Programs on both campuses. Mr. Gonzalez mentioned that there might be a new categorical coming online. It could possibly be over $50M system-wide. Mr. Fitzsimmons noted that the challenge with new categorical programs is that we don’t know our final allotment until October.
Bond Project Fund 31 & 32 expenditures will soon go up as a result of the P.E. Project at SJCC, the Milpitas Project, and EVC projects.

Fund 36 – Capital Projects are funded by capital outlay fees (Prop 39), which allows for energy-efficient projects for schools and RDA pass-through. SJCC & EVC are converting all parking lot lights to LED lighting. Mr. Gonzalez wanted to know the amount of monetary savings to be experienced from the energy-efficient lighting. Ms. Awan replied that there is a formula to figure that out, but didn’t have it on hand. Mr. Smith confirmed that the general fund will be more efficient as we see savings in operational costs.

Fund 41 – Bond Series A, $70M. This has been and continues to be a very robust bond program. It’s anticipated spending will be over $25M this year.

Fund 42 – Bond Series B, $20M. There was a bond sale to fund the endowment. This amount can only be spent on technology and scheduled maintenance.

Fund 43 – Bond Series C, $120M. Once we start exhausting Series A, we’ll start tapping into Series C.

Fund 44 – Bond Series D, not yet sold. Series D will be sold when A and C are exhausted. All monies recently received must be expended within three years. Series D is anticipated to be sold in about two years.

Bookstore: Mr. Smith noted that the bookstore has a history of spending $200K+ more per year than they bring in; the primary expense being staff. CSEA is still in negotiations. We are also looking for potential contractors to run the bookstore.

OPEB: For FY 13/14 Fund 10 is responsible for $1.9M in debt services associated with OPEB funds. Mr. Smith commented that we are locked in to our rate for 15 years. There are very few districts that have this benefit and obligation. Mr. Fitzsimmons clarified that the actual cost of retiree benefits was $2.5M and we’re projecting $3.2M. Had we not had this trust fund, Fund 10 would be responsible for the additional $1.2M.

Ms. Hanfling noted that no one from Faculty Association works at Workforce Institute; she’s not sure why the 1% Cost Analysis spreadsheet related to salaries and benefits indicates otherwise.

Page 102 is a snapshot of the enrollment report the District submitted to the state. These numbers will get updated July 15, and there is a final opportunity to update the report in October.

Mr. Gonzalez inquired whether our Basic Aid status is the reason there are no plans shown to provide a more robust summer school program. Mr. Smith responded that total FTES gives a picture of decline over the last three years, and as a result, there are no additional plans to boost summer school. Mr. Fitzsimmons commented that West Valley/Mission seems to be in the same state of decline. Mr. Gee stated that
EVC has been offering the same number of sections for the last five years. In the last two years, EVC has increased sections by approximately 15 each semester. With 900+ sections, EVC doesn't have room Monday through Thursday for any more sections. They would have to expand to Friday through Sunday, which is where they meet resistance from students to enroll.

Ms. McKee stated their goal is to work with faculty to build new programs. They want to expand curriculum since monies are available to do so, while also trying to be very efficient.

We are about 1,000 FTES below our apportionment requirements. Mr. Yancey's concern is if the economy goes down, and if we don't pay attention to the FTES numbers, we will lose millions overnight; those doing the decision-making need to plan for this.

Ms. McKee noted that they are discussing offering weekend courses, but want to be smart about it.

Page 117 correction: “Budget” in columns 1-5 will change to say “Projection” on the final document.

The Board Initiative Summary on page 119 was included at the request of the Committee.

5) Student Success & Categorical Support

This information was provided to the Committee in response to a request to provide detail for positions supported by Student Success & Support Program. These are not 100% funded from SSSP; they are each funded different amounts.

Ms. Hanfling wanted to clarify that these are categorical monies. Ms. Awan replied that percentages of Fund 10 have been moved to allow for proper payment of these positions.

6) District Budget Committee Guidelines to FY 14/15 Budget Development

Mr. Smith indicated that there is a strong interest by the Committee to develop a smarter budget relative to prior year actuals. There are always variables due to staff transition and vacancies. However, the request has been made to true-up budgets; to really look at the previous year's numbers and use them as a guide.

The meeting was adjourned at 4:58 p.m.