



District Budget Committee

2014 Meeting Minutes

Click date to view
Press Home key to return to table of contents

January 30, 2014

February 27, 2014

March 27, 2014

April 24, 2014

May 22, 2014

October 30, 2014

November 20, 2014



DISTRICT BUDGET COMMITTEE

Minutes of January 30, 2014 Meeting

Present: Robert Brown, Anthony DiSilvestre, Peter Fitzsimmons, Henry Gee, Bruce Geer, Steven Graham, Barbara Hanfling, Dan Hawkins, Carlos Marques, Mark Newton, Doug Smith, John Thompson, Roi Ann Thompson, Jan Tomisaka, David Yancey

Absent: Seher Awan, Mark Gonzales, Fabio Gonzalez, Lauren McKee

Also Present: Lan Bui, Marina Dadayan, Kim Garcia, Tamela Hawley

- 1) Call to Order – The meeting was called to order at 3:03 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 October 24, 2014 Minutes – The minutes were approved following one change. **M/S/P; Ayes-13, Opposed-0, Abstentions-2, Absent-4**

One change was requested: page three, paragraph two, last sentence, change the word “track” to the word “maintain.”

4) Enrollment Update

Dr. Hawley provided hand-outs to the Committee related to enrollment. Speaking to the hand-out for Fall 2013, they start tracking at the beginning of the semester and again about six weeks into the semester. Enrollment was down 2% at EVC and 3% at SJCC. The majority of students are not taking a full load. This tends to be the District's student profile, which needs to be taken into consideration.

Mr. Yancey inquired as to whether the numbers included late-start classes. Dr. Hawley responded that they do not.

It was noted that the target was 14,060. There was discussion about the importance of continuing to stay close to that target.

Dr. Hawley referred to the hand-outs related to Spring 2014 and noted that students were still enrolling. Looking at the same time last year the District is down almost 5%. Seat count at SJCC is down 10% and at EVC 2%. Students are taking fewer courses.

Mr. Yancey stated now that the District is Basic Aid the District needs to rethink previous measurements when determining whether or not to cancel classes in order to keep those students. This would mean re-thinking classroom size and other related items.

District Budget Committee Meeting Minutes

January 30, 2014

Page 2 of 4

Mr. Gee noted that our district is like every other that is also has declining enrollment.

Mr. Newton stated they hear rumors that the region is down and inquired as to whether or not the information is available. Dr. Hawley confirmed that it's down, but they would need to get the specific numbers. Ms. Thompson noted that they are contacted a lot by other adjunct faculty looking to pick up classes as their classes at other colleges have been canceled.

Mr. Newton asked what it means to the District financially in terms of money coming in and whether or not it's a large amount. Mr. Smith stated that apportionment is where the large amounts are, but that's off the table because our district is Basic Aid. He stated that every student the District is short means \$126 less in lottery money.

Ms. Garcia stated that she believes there is a way a risk analysis can be done for the District in order to measure what the exposure is. She'd like to see what the gap is if we were not Basic Aid. Mr. Smith stated that the amount is approximately \$4M. Ms. Garcia suggested the District manage that risk; monitor the expenditures or increase recruitment.

Mr. Smith noted that if the District goes back to being dependent on the State there will be a huge loss. He stated that many of the districts shown in the article have a substantial fund balance in the event that occurs.

Mr. Fitzsimmons stated that the District may be losing a quarter million dollars in lottery, but he believes it would cost more than a quarter million dollars to serve 1,000 more students.

Ms. Hanfling noted it's always cheaper to serve less students, but we need to keep in mind what we are here for and what our goals are; offer classes the students need when they need it. She stated students cannot be manufactured, but the District should strive to get as close to cap as possible. Mr. Yancey stated that when we cancel a class we could lose not only that group of students, but all of their attendant classes when they go somewhere else to get the class we canceled. Mr. Newton asked if the District could look at withdrawals to see if more classes were lost as a result. Mr. Yancey stated it might be interesting to see those numbers. Mr. Smith said he would invite Dr. Hawley back to address this again at a later date.

5) FY2012/2013 50% Law Statewide

Mr. Smith referred to the hand-out and noted that these were provided last year. The reports include the same standards for all districts; it should be a fair representation. Mr. Fitzsimmons stated they're sorted highest to lowest and the Bay 10 are highlighted. 50% must be spent on Faculty salary and benefits and instructional aids. Every October a fairly comprehensive report must be provided to the State. It's one of the things the auditor looks at for accuracy.

6) FY2012/2013 EFB Law Statewide

Mr. Smith stated the list shows a point in time for everyone. All college districts have had negotiations in one form or another, which have or will impact their ending fund balance.

Mr. Fitzsimmons stated that our district's numbers vary slightly because Fund 15 is included with Fund 10 on the State's report.

7) Property Tax vs. CPI Article

Mr. Smith stated that normally the tax increase goes up 2% per year, but the anomaly is that the CPI is lower than the 2%. As noted in the article, the vast majority of homeowners will see less than 1.5%. The quarterly report will show a 3% escalator. County tax officials can increase taxes by 2% or by the inflation rate, whichever is lower. For the 8th time in 35 years the inflation rate is lower. The article speaks to why it's happening, mentioning lower price of gas; property tax growth will be one of the lowest since Prop 39 was passed. The article also discusses Basic Aid districts, stating they're "not flying as high as they thought they would be". The District won't change the assumptions, but they'll go to the meetings and listen. Mr. Smith noted that he cannot predict what will happen, but his job is to be a shade to the conservative. This is not a good indicator. Schools affected most are Basic Aid districts. He'll do an update to the Board on February 25th. He will address it when they have more substantive information than an article. The District needs to look at having an appropriate reserve in the event property taxes fall short of expectations.

Ms. Hanfling noted that the reserve is above 15.2%. Mr. Smith stated that amount did not yet include negotiations. Some of that will be noted in the second quarter report, but some will not yet be available; the 15% is true, but a lot has changed.

Mr. Newton stated that he is aware Mr. Smith is conservative, but according to this data our district is essentially in the middle. He believes none of the groups are in as good as shape as our district in regards to providing for retiree benefits. Mr. Smith conceded that one could argue that our fund balance doesn't have to keep the retiree benefits in mind, whereas other district's fund balance does.

Mr. Fitzsimmons noted that RDA will also be thrown into property taxes; something we need to keep our eye on. Ms. Hanfling asked if the 5.28% will change. Mr. Smith and Mr. Fitzsimmons replied that 5.28% is fairly solid; however this may change.

Mr. Yancey said it's an important piece of information, but this is the first part of the process, which should be noted when Mr. Smith speaks with the Board. Mr. Smith concurred.

Mr. Smith noted that there are other items to keep in mind such as the STRS rate problem, which could be a new burden on the District and/or the employee and/or the State. There also is the Affordable Care Act to consider, as well as the Milpitas operations. These will require money. Mr. Smith noted that these all together tell a story, along with other considerations, rather than him telling the Board to pick a percent. He stated that ultimately it's the Chancellor's recommendation and the Board's decision.

Ms. Hanfling referred to the STRS rate problem Mr. Smith mentioned and noted he didn't mention PERS, which over the years has been predicted to go up. Mr. Smith stated that PERS simply changes the rates and informs the locals. STRS is stagnant and based on legislation. He referred to the article where the Governor expressed concerns about the State's long-term unfunded liability. The Governor plans to retire this obligation over the next 30 years, to be phased in over time so that it won't be an obligation to the State.

8) Governor's FY2014/2015 Budget Update

Mr. Smith reviewed the Governor's budget update. He stated that the District would receive approximately \$1.2M for each of the \$100M mentioned for Student Success. However, this amount will likely be based on FTES and will be less if FTES declines. He noted that and there will be approximately a million dollars for deferred maintenance, and approximately another million for instructional equipment. Mr. Smith stated that the Governor is basically saying they have funds to pay off all the "credit cards," but he's not confident that will actually occur. COLA for apportionment does not come into play for Basic Aid districts. The District received just under \$475K this year for energy efficiency projects, which was split between the two campuses; they're taking care of projects as prioritized.

Mr. Smith noted that the Governor does not propose to raise student fees and the extra hurdles for the BOG waiver have been placed on hold.

The Governor is proposing a Constitutional amendment, which will address a rainy day fund. Among the goals is to smooth out the sharp ups and downs. Mr. Smith stated that is what he endeavors to do so as not to give it away nor let it pile up. Should there be a downturn, this would provide the ability to scoop from reserves to buy time for the economy to come back.

Prop 30 is temporary and will begin phasing out in 2017. Mr. Smith stated that it's his experience to not get too upset about that as there is always another solution around the corner. It does sunset, but he doesn't believe they'll allow the system to collapse as a result of this. The District will receive EPA monies of approximately \$1.3M.

9) FY2014/2015 Budget Calendar

The item was noted; there was no discussion.

10) Apportionment Worksheet

Mr. Smith stated the worksheet was an apportionment simulation. Mr. Fitzsimmons noted it's not ready for prime-time, but will be ready for the second quarter report.

Mr. Newton inquired about the RDA money. Mr. Fitzsimmons stated that as the RDA winds down, our property taxes increase, but it all depend upon debt. San Jose believes that in 2018 they will finally break even and will no longer need to borrow money. Mr. Yancey stated that those numbers will increase. Mr. Fitzsimmons stated that depends on the loans as there may be a balloon payment due.

The meeting was adjourned at 5:00 p.m.



DISTRICT BUDGET COMMITTEE

Minutes of February 27, 2014 Meeting

- Present: Seher Awan, Robert Brown, Peter Fitzsimmons, Henry Gee, Fabio Gonzalez, Steven Graham, Barbara Hanfling, Dan Hawkins, Carlos Marques, Mark Newton, Doug Smith, Roi Ann Thompson, David Yancey
- Absent: Adil Ahmed, Anthony DiSilvestre, Bruce Geer, Mark Gonzales, Lauren McKee, Jan Tomisaka,
- Also Present: Kim Garcia, Saloshni Lata, Marilyn Morikang, Hoa Pham, Richard Su, Linda Wilczewski

- 1) Call to Order – The meeting was called to order at 3:00 p.m.
- 2) Approval of Agenda – The agenda was approved as submitted. **M/S/P; Ayes-13, Opposed-0, Abstentions-0, Absent-6**
- 3) Approval of January 30, 2014 Minutes –**M/S/P; Ayes-13, Opposed-0, Abstentions-0, Absent-6**

The minutes were approved following one change to page two, paragraph 7: replace the third sentence to read “Mr. Yancey stated that when we cancel a class we could lose not only that group of students, but all of their attendant classes when they go somewhere else to get the class we canceled.”

- 4) DRAFT FY2013/2014 Second Quarter Report

Mr. Fitzsimmons explained that there are changes to the assumptions since the first quarter report, which include inflation factor, growth, property taxes, health fee, and health and welfare benefits. Property taxes for this year that were noted in the first quarter report were based on information from the County at that time, which was 5.28% more than the prior year. The County is now projecting an increase of 7.41%, which has a value of \$1.4M. Half of the \$1.4M is from RDA. Mr. Smith noted that for each 1% increase in Blue Cross equals approximately \$45K.

Referring to a footnote to the assumptions, Ms. Hanfling stated that it's in writing that STRS won't go up. Mr. Yancey asserted that just because the Governor says it doesn't mean it's going to happen and should not be included in the assumptions. Mr. Fitzsimmons clarified the footnote doesn't state it will happen. Mr. Yancey noted it could justify someone to create a stability fund when it's not necessary. Mr. Smith responded that he had added the footnote to the assumptions and will remove it.

District Budget Committee Meeting Minutes

February 27, 2014

Page 2 of 3

Mr. Fitzsimmons stated that the numbers have not changed for student success and redesign, but that Mr. Smith has asked to have it noted that it's additive for transparency. Mr. Smith stated that to his knowledge no money has yet been spent as the decision was made just last week at the Executive Team meeting to provide \$100K to each campus and \$50K to Workforce Institute. Mr. Yancey asked if they will be able to tell what was done with the money, whether or not it's been spent. Mr. Fitzsimmons stated that a report can be run to identify expenditures as it has a unique identifier. Mr. Hawkins inquired about the fact that Workforce Institute is receiving \$50K, but the District Office is not receiving any of the monies. Ms. Garcia noted that it's not entirely accurate that it's going to Workforce Institute, but is actually being housed there for other projects, such as developing programming for the Milpitas center. Mr. Fitzsimmons reiterated that the funds can be tracked when spent. Mr. Gonzalez noted that the initiatives were to be in place at the beginning of the year, but they were told they didn't have the funding and now they're being told they do have the money; programs weren't implemented because the money wasn't available. Mr. Gonzales also stated that Workforce Institute has their own budget, including grants, etc. and also expressed concern that the funds aren't allocated to the colleges, as well as concern as to how the funds allocated to Workforce Institute will fall under program review. Mr. Newton stated that one of the items the District Budget Committee talks about is pots of money; in a couple months this money could become carry over and then they lose sight of it. He further stated there should be budget plans for the money now. Mr. Yancey asked Mr. Fitzsimmons to provide a report as to how the money is spent.

Continuing to review the quarterly report, Mr. Fitzsimmons stated that the District is expected to add 2% to the fund balance. This does not include Faculty negotiations nor CSEA negotiations; the third quarter will look different. From a fund balance perspective, it's expected the District will end with just over \$13M. Mr. Fitzsimmons noted that it's expected the expenditures savings will be \$489K for district-wide, \$281K for the District Office, \$104K for SJCC, and for \$21K EVC.

Mr. Fitzsimmons noted that Faculty COLA will be going to the Board in March. The campuses will be held harmless for these increases for 2013/2014; in 2014/2015 it will be reflected in their budget. Mr. Hawkins noted that Faculty and CSEA negotiations have been mentioned, but MSC needs to be included as they received an increase. Mr. Smith stated those numbers are already included as MSC's meet and confer have concluded.

Mr. Fitzsimmons stated it's expected the Parking Fund will collect \$702K, projecting an ending fund balance of \$108K. This is good news as the General Fund has had to augment the Parking Fund for several years.

Fund 15, Facility Rental, was reviewed. Mr. Fitzsimmons stated the reason revenues are anticipated to be less for District Office is that one of the tenants were bought out so that the District can use that space. Mr. Smith noted that it's hoped the revenue from the remaining tenants will be adequate to potentially support the parking fees for the staff. Mr. Fitzsimmons commended SJCC at they are anticipating more than \$400K in facility rental fees. The monies support the facility rental costs. If they have excess and a need, monies can be transferred to General Fund. Ms. Hanfling noted that it used to go to some of the athletic programs. Ms. Awan stated that there are two user codes and they do get some funding back; she works closely with SJCC athletics to facilitate the funding they need. Mr. Fitzsimmons noted that EVC is projecting to come in at budget with a little over \$100K; they will transfer \$70K to Fund 10 to support their operations.

District Budget Committee Meeting Minutes

February 27, 2014

Page 3 of 3

Workforce Institute is projecting to spend more than they bring in, drawing on their fund balance.

Fund 10 is supporting three categoricals. Mr. Fitzsimmons stated that initially it was thought \$1.4M would be received for the Student Success and Support program. However, when the budget was settled at the State level, they reduced Student Success and Support and increased EOPS. The Governor's budget is proposing a significant increase to Student Success; the amount would be almost \$2.9M, but a lot can happen between now and when the Legislature adopts the State budget. Library/instructional materials and scheduled maintenance and repair were one categorical together. It was de-funded in 08/09; this year it was resurrected in the Governor's budget and each will go up \$1M.

The Committee discussed Student Success monies. It was determined this would be placed on the next agenda and a report will be provided.

The Bookstore has been projecting for years that they are losing money. Based on projections, this year they will need to be supplemented by General Fund.

OPEB Fund 75 exceeded what was anticipated the first six months. Although there was a \$900K loss in January, the trust fund continues to realize a good return on investment.

The meeting was adjourned at 5:00 p.m.



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. Mr. Fitzsimmons noted where the information can be found in the budget reports. 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.



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.



DISTRICT BUDGET COMMITTEE

Draft Minutes of May 22, 2014 Meeting

Present: Adil Ahmed, Peter Fitzsimmons, Henry Gee, Bruce Geer, Fabio Gonzalez, Barbara Hanfling, Dan Hawkins, Carlos Marques, Lauren McKee, Mark Newton, Doug Smith, David Yancey

Absent: Seher Awan, Robert Brown, Anthony DiSilvestre, Mark Gonzales, Steven Graham, Roi Ann Thompson, Jan Tomisaka

Also Present: Lan Bui, Jesus Covarrubias, Kim Garcia

1) Call to Order – the meeting was called to order at 1:02p.m.

2) Approval of Agenda – **M/S/P; Ayes-8, Opposed-0, Abstentions-0, Absent-11**

The agenda was approved as submitted.

3) Approval of April 24, 2014 Minutes – **M/S/P; Ayes-11, Opposed-0, Abstentions-0, Absent-8**

The April 24, 2014 minutes were approved after making the following changes:

- 1) Page 2, paragraph 5, sentence 4 should read: “Ms. Hanfling then questioned...”
- 2) Page 5, paragraph 3, sentence 1 should read: “We are about 1,000 FTES below our apportionment requirements. Mr. Yancey’s concern is if the economy goes down...”

4) FY 2014/2015 Meeting Schedule

The schedule for FY2014/2015 meetings was provided to the Committee. Invitations will be sent via Outlook to the Committee Members.

5) State Budget Update – May Revise

The revised State budget will be passed July 1. The Governor proposed .86% COLA in January. The May Revise now shows .85%. The Senate proposed that COLA be doubled to 1.7%. There are modest changes to categorical programs. Final documents will be received in 6 weeks.

Mr. Gonzalez commented that the Assembly and Senate rejected the flexibility language. COLA was approved by the Assembly. If Bill SB23 passes, there is a possibility to receive an additional \$20M to EOPS. In regards to STRS, Mr. Fitzsimmons shared that the May Revise shows a plan to retire that debt in 30 years. The Governor is proposing that the three entities’ cost will rise incrementally each year. Employer’s cost will cap at 19.1%; employee’s cost will cap at 10.25% indefinitely; state’s cost will cap at 6.33%. Mr. Smith noted that historically speaking, this plan is likely to change. The pace and timing of implementation is still up in the air.

Mr. Smith mentioned that same situation is occurring at PERS, which is not legislatively driven the way STRS is. The PERS fund has built-in escalators.

Ms. Hanfling inquired as to the results of the meeting with the State Assessors office. Mr. Smith responded that the last projection for property taxes was 7.5%. The current number provided by the County office is 7.96%. This amounts to an additional \$366K. The district is projecting 3% in each of the next years based on almost 8% in the current year. Ms. Hanfling suggested increasing the 3% to at least 4% to make that hit not as dramatic. Mr. Yancey agreed that this projection is too conservative now that the property tax is at 8% and would like the percentage increased.

Confirmation was given that the Adopted Budget will be reviewed in August.

Mr. Yancey suggested lowering the 2.75% growth percentage and re-allocating it elsewhere.

Mr. Smith reminded everyone that the budget is tentative and still under development.

6) Draft FY2014/2015 Tentative Budget

Budget Assumptions: Property Tax growth has been updated to 7.96%, which amounts to approximately \$366K. Two changes for the final document based on the May Revise will be: 1) Inflation factor = .85%. 2) Growth = 2.75%. No additional revenue or expenditure changes will be made from the 3rd Quarter to the document that will be presented to the Board. STRS and PERS percentages will be updated upon receiving official numbers from the State.

Mr. Gonzalez mentioned that LAU reported an increase in funding and the Senate has yet to decide how to spend these monies.

State Revenues: Education Protection Act (Prop 30) will disappear in FY17/18. Any changes in anticipated State revenues are usually centered on FTES-driven areas.

Local Revenues: Main driver for local revenue is property taxes. Property Rentals – Income from the Bookstore will cease, but revenue from the new vendor will still come to us. Use of Facilities – \$4K comes from Foundation and \$100K comes from The Academy. A lease has been negotiated with The Academy that will include large rent accelerators. This will allow the district to eventually disencumber that property to allow for land development. By FY16/17, The Academy will potentially be relocated.

Page 7: SERP – FY14/15 is the last year of this 5-year program.

Page 7: TRAN (Tax & Revenue Anticipation Note) – This is a short term borrowing program to smooth cash flow which the district has had to participate for several years. The district anticipates borrowing only \$3M in FY14/15 because of the trend in cash management. In FY15/16, the district hopes to no longer participate in this program.

Page 8: Interfund Transfer Out – This is the anticipated amount the Bookstore will need in order to close books with a zero fund balance. Interfund Transfer (10 to 11) – The Parking Fund balance has grown because of vacant positions. These positions are now actively being recruited. Based on those eventual changes, it appears this fund may eventually need money from other sources.

DRAFT - District Budget Committee Meeting Minutes

May 22, 2014

Page 3 of 5

Page 8: Appropriations for Contingency – These are unallocated balances for the Board initiatives: high-impact programs, student success, and redesign.

Page 8: Mr. Yancey asked if the Interfund Transfer (10 to 85) is cumulative. Mr. Fitzsimmons clarified that it is all OPEB. It's a direct transfer, not a range.

Page 10: District Office Contract Services prior year variance – CampusWorks 3-year contract expires. Board Election Expense – Elections take place every other year.

Page 12: Mr. Hawkins asked why the Contingency is growing by 1025%. Mr. Fitzsimmons replied that this represents the year-over-year carry forward of unspent discretionary budgets at SJCC.

Page 30: Districtwide expenditures are projected to end higher than the budget because the budget did not anticipate a transfer into the bookstore;

Page 35: Ms. Hanfling asked if the over-expenditures in SJCC's General fund are due to the rise in COLA. Mr. Fitzsimmons confirmed that is correct.

Graph on Page 44: Firm numbers will be available at the end of July/beginning of August. Mr. Smith noted that property taxes, STRS, and CSEA negotiations will cause changes to the chart once that information is received. Mr. Fitzsimmons reminded everyone that none of the projections include the CSEA COLA because it is still unknown. Graph on Page 45 shows a loss of 1,000 FTES between FY11/12 & FY12/13.

Ms. Hanfling stated that Adjunct Salaries always experience over-expenditure, yet the budget is being reduced by 18%. Mr. Yancey agreed and commented that "robbing Peter to pay Paul" cannot be the standard. This is a fundamental and consistent problem which needs to be addressed in this Committee. Mr. Gonzalez added that this impacts students as classes are cancelled when there are not enough funds. Mr. Fitzsimmons clarified that the \$1.5M variance is not income. Mr. Smith suggested that these conversations should happen with each campus administration. Mr. Yancey disagreed; this is about a districtwide philosophy. Full-time faculty is seen as too expensive and a long-term investment. When a position becomes vacant, the funds should be left in that account because if they get taken away, they will disappear forever. There's a lot of talking from the district but not much demonstrated commitment. Mr. Smith confirmed that hiring full-time faculty is a shared interest between the campuses and district. This area of the budget has been increased by 4% each year regardless of growth to try to close this gap. Mr. Gonzalez commented that the variance of \$1.5M is revenue that's being created because the interest of the students is not coming first. Mr. Fitzsimmons noted that SJCC has it within their power to move the money in their budget if they so choose. Mr. Smith acknowledged that many of these comments are from a campus perspective, but the organizational voice has been heard. Mr. Gonzalez indicated that it is more about the message being sent. It will put pressure on the colleges to reduce classes. Ms. Garcia clarified that there are several significant faculty searches ongoing. Mr. Yancey replied that the vacancies open each year are not being filled. Mr. Gonzalez made a motion on behalf of the Academic Senate for Adjunct Salaries to remain at \$8.6M for FY14/15 Tentative Budget. Motion was seconded by Mr. Yancey. Mr. Smith indicated that the motion should be redirected to campus administration. Mr. Yancey disagreed with Mr. Smith and felt that the District Budget Committee should address the issue. Mr. Smith confirmed that the record will show that a dialogue was had and there are strong opinions. Ms. McKee noted that

DRAFT - District Budget Committee Meeting Minutes

May 22, 2014

Page 4 of 5

a motion can't be made at this time because it's an information item, not an action item. She continued to say that the issue needs to be brought back to the campuses, which can then bring it to the district. When full-time faculty is hired they become our premiere employees. Programs that are not successful should be reviewed, and funding new programs should be considered. When these issues are brought to the District Budget Committee, the district must hear and help the campuses. Ms. Hanfling compared line items from Page 12 and noted that every other line item is budgeted for with accuracy, yet Adjunct is underfunded consistently. Mr. Gee commented that if we put the correct amount in for Adjunct, it has to come from within the campus budget. If we take the amount from the District as a whole, that may distort the District's health. Ms. Hanfling noted the same Adjunct funding issue at EVC.

Fund 12: Apprenticeship program will be moved to Fund 17 in FY14/15.

Fund 15: District Office's revenue represents the tenants at 40 S. Market.

Fund 16: Workforce Institute is projecting to draw on their fund balance. The district is monitoring this closely.

Fund 17: State Categoricals – Ms. Hanfling asked if these are being supported by the General Fund or mandated matching funds. Mr. Fitzsimmons stated that it's both. Sometimes the program cannot survive based on the State funding provided, so the campuses can decide to supplement programs when needed. Note that educational equipment and scheduled maintenance are now in two separate programs.

Fund 18: SJCC is projecting to run a deficit and will get support from their General Fund. EVC is projecting an ending fund balance of around \$5K, which is primarily because of staffing vacancies.

All bond funds are broken down by project. A project may cross multiple bond series.

- Fund 41: Series A is winding down.
- Fund 42: Series B is for technology and scheduled maintenance endowment.
- Fund 43: Series C was just sold; \$120M.
- Fund 44: Series D. This is what's left for Measure G 2010. These bonds (\$58M) have not been sold yet. When they are, that will conclude Measure G 2010.

Fund 83, 84, & 86: This shows the debt service associated with the bond measures. The County pays the debt service on behalf of the district, but we are required to note this in the books.

Page 133: Apportionment Worksheet – If we were not Basic Aid, revenues would be \$69.5M. But because we *are* Basic Aid, it was \$77.2M for FY13/14.

Ms. Garcia addressed risk analysis: Property taxes change over time. There's risk associated with that, which is not being reflected. If there are any fluctuations, the budget is not flexible enough to accommodate changes. Mr. Yancey commented that the way to remove the risk is to build FTES back up. As the district becomes less reliant on FTES, that gap gets bigger. The generation of FTES should be more aggressive. Mr. Smith noted that the district is below cap, and above our guarantee. Ms. Garcia commented that discussions regarding risk factors are good for the District Budget Committee.

The meeting was adjourned at 3:14 p.m.



DISTRICT BUDGET COMMITTEE

October 30, 2014 Meeting Minutes

Present: Peter Fitzsimmons, Henry Gee, Fabio Gonzalez, Barbara Hanfling, Carlos Marques, Lauren McKee, Mark Newton, Doug Smith, David Yancey, Jorge Escobar, Robert Brown, Dan Hawkins, Sandra Gonzalez, and Jan Tomisaka

Absent: John Thompson, Anthony DiSilvestre, Bruce Geer, Mark Gonzales, and Steven Graham

Also Present: Fareha Bakre, Marilyn Morikang, Richard Su, Saloshni Lata, Tamela Hawley, Lan Bui, and Kim Garcia

Call to Order – The meeting was called to order at 3:10 p.m.

1) Approval of Agenda – **M/S/P; Ayes-15, Opposed-0, Abstentions-0, Absent-5**

The agenda required the following changes: the faculty information listed on the bottom of the agenda was incorrect. (Faculty Association needs to be changed to AFT; Ms. Hanfling and Mr. Newton are not representatives of a particular campus; Mr. Brown and Mr. Graham are representatives of the Academic Senate at EVC; and Mr. Gonzalez and Mr. Yancey are representatives of the Academic Senate at SJCC.)

2) Approval of August 29, 2014 Minutes – **M/S/P; Ayes-15, Opposed-0, Abstentions-2, Absent-5**

The August 29, 2014 minutes were approved as submitted.

3) FY 2013/2014 Fund 10 Discretionary Student Success Initiative Expenditures

Mr. Fitzsimmons walked through the Fund 10 Discretionary Student Success Initiative Expenditures.

San Jose City College spent \$17k of the \$100k received for FY 2013/2014. This was spent on salaries, and non-instructional licenses.

Evergreen Valley College spent \$49k of the \$100k received for FY 2013/2014. This was spent on hourly salaries, non-instructional licenses, supplies, contracts, and equipment.

Workforce Institute spent \$50k of \$50k given. This was spent on software and contracts.

Ms. Hanfling asked where these funds come from and who decides where the money should go. It is agreed to discuss this at the next meeting.

Mr. Newton asked if this money is dispersed every fiscal year, and if so is there a rollover of any unspent funds. Mr. Fitzsimmons responded yes this amount is dispersed every fiscal year, and there is a rollover with any unspent discretionary funds in keeping with the budget principles developed by this committee.

There was also a discussion regarding the State Categorical Student Success and Support Program. Mr. Fitzsimmons advised that the State provided a one-time allowance carryover unspent FY 2013/2014 funds; however, they must be spent by December 31, 2014.

There was also a request to bring back the updated Board Initiative Summary.

Mrs. Gonzalez asks if funds can be "bid on" by other groups or is it mainly in the President's Office. The committee was informed that these budget decisions are made at the campus level.

Mr. Newton asked about the role of the Campus Budget Committees: how is it decided where the money goes and does it need to be reorganized. Mr. Smith agrees that more transparency may be needed with campus budget decisions. Mr. Fitzsimmons agreed to provide the FY 2014/2015 State Categorical Student Success and Support Program's budget at the next meeting.

4) FY 2014/2015 1st Quarter Budget Report

Mr. Fitzsimmons reviewed the changes to the budget assumptions from the FY 2014/2015 Adopted Budget to the FY 2014/2015 1st Quarter Budget Report. He also highlighted the introduction of FY 2017/2018.

He also highlighted the introduction of the projected Cadillac Tax. That will take effect in FY 2017/2018 per the Affordable Healthcare Act. Ms. Hanfling inquired as to how the amount is established. Mr. Smith asked Ms. Garcia to gather this information and send it to him so that the analysis may be dispersed to the committee for group discussion at the next meeting.

Projected revenues for FY 2014/2015 are projected to be slightly less than projected expenditures resulting in a projected deficit of \$266,472 with a projected ending fund balance of 14.82%. Next year with property taxes driving an increase in revenues, the organization is projecting a \$1.5m surplus resulting in a projected ending fund balance of 16.37%. This trend is projected to continue through FY 2017/2018; however, it was noted that the projections do not include any assumption for cost-of-living adjustments.

Districtwide operating expenses are projected to increase \$750k in FY 2016/2017 due to the Milpitas Center. Then in FY 2017/2018 an additional \$425k is projected to accommodate the Cadillac Tax.

District Office operating expenses are projected to increase \$150k in FY 2016/2017 to accommodate the Board Election Expense, which occurs every other year.

Consolidated Fund 10 revenues are projected to come in close to budget and expenditures are projected to come in \$888k under budget. As a District, 23% of the budget was spent in the first quarter. Districtwide expenses were at 24% of the budget in the first quarter, with a projected year-end surplus of \$244,534. District Office expenses were at 21% of the budget for the first quarter, with a projected year-end surplus of \$698,627 (primarily due to salary savings from vacant positions). San Jose City College expenses were at 23% of the budget for the first quarter, with a projected year-end deficit of \$175,861. Evergreen Valley College expenses were also at 23% of the budget for the first quarter, with a projected surplus of \$121,415.

Ms. Hanfling requested that adjunct budgets be discussed at the next meeting.

Parking Fund – The FY 2014/2015 Adopted Budget assumed an inter-fund transfer from Fund 10 in the amount of \$58,369. The current projection is \$41k because the filling of vacancies is not happening as quickly as anticipated.

Facility Rental Fund – District Office has recognized 25% of anticipated annual revenues, San Jose City College has recognized 44% of anticipated annual revenues, while Evergreen Valley College has recognized 16% of anticipated annual revenues.

Workforce Institute Fund – FY 2014/2015 projected revenues are at \$1.275m with projected expenses of \$1.5m. This is improved from the FY2014/2015 Adopted Budget. Current estimates are that Fund 10 may have to augment this fund beginning in FY2016/2017.

State Categorical Fund – Mr. Fitzsimmons recommended that the committee study pages 29 through 36 as there is much detail regarding the financial status of all the categorical and grant programs.

Student Health Fees Fund – San Jose City College has recognized 45% of anticipated revenues and is projecting a slight surplus. Evergreen Valley College has recognized 50% of revenues and is also projecting a slight surplus. This fund will be monitored as there is not a sufficient fund balance to offset over-expenditures.

Measure G 2004 Series B – As a district only \$66k was spent in the first quarter.

Measure G 2004 Series C (the last series of the Measure G 2004 program) - This quarter only \$23,499 was spent.

Fund 36 Capital Projects Fund – Spent \$41k focusing on the non-bond funded capital projects.

Measure G 2010 Series A – A fund balance of \$2k remains.

Measure G 2010 Series B – Sold \$20m worth of bonds and currently at about \$20.5m with no expenditures to date, which is expected given the endowment provisions.

Measure G 2010 Series C – Spent \$4.6m in the first quarter.

Measure G 2010 Series D (Future sale of bonds) - Once these bonds are sold in the future this is the last of the Measure G 2010 Bond Program.

Cafeteria Fund – A fund balance of \$52k remains.

Child Development Fund – this fund is a pass-through for SJCC primarily associated with the relationship with St. Elizabeth's Day Home.

Bookstore Fund – As of October 1st the bookstores transitioned from self-operation. The books are still in the process of closing. The estimates may change in the second quarter once the books are finalized to potentially close with a surplus that will revert to the district to offset the money given to the bookstores in FY 2013/2014.

Self-Insurance Fund – this fund is a pass-through for certain benefit expenses.

Financial Aid Fund– San Jose City College dispersed \$1.5m in financial aid in the first quarter while Evergreen Valley College dispersed \$2.7m during the same period. Mr. Newton questioned the disparity. The campuses will provide more data at the next meeting.

Scholarship Fund – San Jose City College dispersed \$27k in scholarships in the first quarter while Evergreen Valley College dispersed \$15k in scholarships during the first quarter.

OPEB – In July 2015 the rental income from the shopping center next to the District Office increases 18% increasing Fund 81's portion of the debt service and thus decreasing Fund 10's contribution to the OPEB Debt Service.

5) Next Meeting Schedule

Mr. Smith will send out possible dates to the committee to decide on the next meeting date given scheduling conflicts of fiscal services and business services staff.

The meeting was adjourned at 5:17 p.m.



DISTRICT BUDGET COMMITTEE

November 20, 2014 Meeting Minutes

- Present: John Thompson, Jorge Escobar, Peter Fitzsimmons, Henry Gee, Corinne Salazar, Steven Graham, Barbara Hanfling, Dan Hawkins, Lauren McKee, Mark Newton, Doug Smith, Sandra Gonzalez, David Yancey
- Absent: Robert Brown, Anthony DiSilvestre, Mark Gonzalez, Fabio Gonzalez, Carlos Marques, Jan Tomisaka
- Also Present: Sherri Brusseau, Tamela Hawley, Kim Garcia, Takeo Kubo, Deanna Herrera, Fareha Bakre

Call to Order – The meeting was called to order at 3:50 p.m.

- 1) Approval of Agenda – **M/S/P; Ayes- 13 , Opposed-0, Abstentions-, Absent-**
- 2) Approval of October 30, 2014 Minutes – **M/S/P; Ayes-15, Opposed-0, Abstentions-1, Absent-1**

The October 30, 2014 minutes were approved as submitted.

- 3) Financial Aid Disbursements

Mr. Escobar and Mr. Kubo provided a presentation relative to Financial Aid Disbursements.

Mr. Newton redefined the question asked at the 10/30/14 meeting; why are Evergreen Valley College students receiving more financial aid funding than San Jose City College students?

Mr. Escobar and Mr. Kubo explained that EVC enrolled a higher percentage of students under the age of 24 at 49.15% (SJCC at 40.76%) and of that, 6% are eligible for Pell Grants compared to SJCC. Additionally fewer students have completed the FASFA at SJCC compared to EVC.

Mr. Yancey questioned what steps are needed to increase FASFA awareness to the SJCC student body. Mr. Escobar and Mr. Kubo responded that they are moving towards additional outreach programs and are currently reviewing options with SJCC VP of Student Affairs, Dr. Burns.

Mr. Gee noted that only approximately 3% of the student population applied for financial aid. Additionally, students are receiving FASFA and Pell Grant information, support and direction at the high school level.

Ms. McKee commented that EVC has more support in the Financial Aid Department than SJCC and suggests that funds be provided to hire a director-level person in order to better serve students.

4) Adjunct Budgets

Mr. Fitzsimmons reviewed the Fund 10 Budget Analysis illustrating that while the adjunct budget line items end in the red, the organization as a whole (all budget line items) end in the black.

Ms. McKee voiced concern over the larger problem that each year adjunct budgets are not sufficiently funded, which creates a shortage in campus positions throughout the year. Ms. McKee suggested that the District fund the adjunct budget based on the previous year's expenditures.

Mr. Smith noted that to budget based upon the previous year's expenses would cost approximately \$1 to 2 million and come at the cost of multiple opportunities that are unknown at the time that the budget is approved.

Mr. Yancey noted that in review of the last two columns of the report, there was essentially a \$2 million deficit, however we still ended with \$600k in the black, thus showing an approximate \$2.6 million to move around; Mr. Yancey stated that this is a lot of money that is not being accounted for and suggests moving towards a more true budget.

Ms. Hanfling mentioned that she plans to meet with each campus President to review the findings.

Mr. Escobar noted we need to look at different perspectives, as when only looking at the deficits a perspective is lost. For example when looking at the Adjunct Budgets compared to the District Budget, though the expenditure negatives are increasing, the Adjunct proportions are also increasing proportionately.

Ms. Hanfling noted that numbers are increasing because there are fewer full-time Adjunct employees, whereas full-time instructor numbers have decreased. Ms. Garcia noted that the number of full-time instructors has only decreased by 5 since 2010.

Ms. Hanfling requested that the District Budget Committee receive this Adjunct Budget report at the end of each year.

5) Board Initiatives Summary

Mr. Smith reviewed the summary identifying the sections and the funding resources stating that the purpose of this report was to create a comprehensive review of each area served and to distinguish direct and indirect reports, district-wide.

Mr. Newton questioned why Custodians are listed in the Student Success Appropriation instead of the Redesign Appropriation. Ms. Hanfling added that we were at 51.1% of the 50% law for FY13-14. She noted that this does not look good to the public and as we move forward it would behoove us to add money to our adjunct budget and instructional support staff.

Mr. Smith noted that the Board of Trustees will receive a 50% Law tutorial in one of the upcoming meetings.

Mr. Newton noted the lack of any faculty member positions listed in the Student Success Appropriation.

6) District Budget Committee Charge

Mr. Smith reviewed the District Budget Committee Charge and posed the question of “who are the voting members?” Ms. McKee noted that there are currently 3 Administrators which are non-voting members, while MSC has only two voting members, but has yet to have the opportunity to add additional voting members.

The committee collectively agreed to update bullet #2 to include property taxes.

Mr. Smith noted the original point in the committee’s request to review this Charge was to determine if we are fulfilling our role relative to campus budgets. Mr. Smith also noted that the committee’s hope is that each campus has a similar charge that correlates with the District Budget Committee Charge.

The committee collectively agreed to remove any reference to the letter “P” referring to Planning in the Charge.

Mr. Gee shared EVC’s Campus Budget Committee process pointing out the different groups represented (classified staff/students/academic senate) and the schedule of regular meetings held on the 2nd and 4th Wednesday of each month, with agendas being sent out within 48 hours of each meeting date.

Mr. Escobar shared that SJCC’s Campus Finance Committee also meets regularly and delivers recommendations to the campus President.

Ms. Hanfling identified the lack of District representation on the Campus committees. Mr. Escobar noted that these meetings are open to the public and all are welcome to attend.

Mr. Escobar and Mr. Gee agreed to provide each campus budget committee charge to the District Budget Committee meeting at the next District Budget Committee session.

7) Student Success & Support Program FY14-15 Budget

The committee collectively agreed to move this item to the next District Budget Committee meeting.

8) Cadillac Tax

Ms. Garcia reviewed the 2018 Affordable Care Act for single coverage and family coverage that will be subject to the tax.

Mr. Smith noted that these calculations are an extrapolation that will be updated as changes occur.

9) Future Meetings

Mr. Smith announced that the next District Budget Committee Meeting will be held on Thursday, December 11th at San Jose City College in room T-112 (WI) from 3:00 p.m. to 5:00 p.m.

The meeting was adjourned at 5:20 p.m.