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 1:02 p.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.
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
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.