



District Budget Committee

2015 Meeting Minutes

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DISTRICT BUDGET COMMITTEE

DRAFT January 29, 2015 Meeting Minutes

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

Absent: Bruce Geer, Mark Gonzales, Steven Graham, Carlos Marques, Corinne Salazar, John Thompson

Also Present: Byron D. Clift Breland, Lan Bui, Jonathan Camacho, Jesus Covarrubias, Kim Garcia, Kathy Tran

- 1) Call to Order – The meeting was called to order at 3:03pm.
- 2) Approval of Agenda – Ayes-12, Opposed-0, Abstentions-0, Absent-6

The agenda was approved as submitted.

- 3) Approval of November 20, 2014 Minutes – Ayes-11, Opposed-0, Abstentions-1, Absent-6

The November 20, 2014 minutes were approved after making the following changes:

- a) All pages – Header date was corrected from October 30, 2014 to November 20, 2014.
- b) Page 1 – The spelling of Mr. Yancey’s name was corrected.

- 4) Student Success and Support Program FY 14-15 Budget

Mr. Fitzsimmons reviewed the Student Success and Support Program FY14-15 Budget. Mr. Gonzalez thanked Mr. Fitzsimmons for reviewing this, acknowledging that it is a topic currently being discussed State-wide.

Ms. Hanfling clarified that this is not one-time money; that these funds are being allocated to the District. Mr. Gonzalez informed the group that there were several comments made at the Board of Governors’ meeting that administrators should be hiring permanent employees and focusing on spending this money. The State Chancellor is very concerned that the California Community Colleges are aware of this.

Mr. Newton questioned why we are not already spending this money. Mr. Gee replied that the college is analyzing the situation. We are reminded that, years ago, the State cut these funds when crisis struck. There is uncertainty whether these funds will stick around, depending upon the economy.

Mr. Gonzalez agreed that the colleges should examine how the monies are being spent, as this is permanent money, not soft money. Mr. Smith acknowledged the different perspectives, and assured the group that due diligence will be done.

Ms. McKee commented that this budget was never discussed at EVC, which concerns her. Mr. Escobar suggested that this group remain informed of the additional impacts these programs might have so we can help the campuses with ideas and recommendations.

Mr. Gonzalez commented that SJCC already has this money earmarked to continue hiring faculty. Mr. Smith trusts that Mr. Gee will carry this message and work with his campus to move forward.

5) FY 2015-2016 Proposed Budget Calendar

The steps listed in the Budget Calendar are essentially the same each year. March and April is when a lot of the hard work happens: Campuses/DO evaluate the baseline budget, and make adjustments. In June and July, the budget is re-evaluated based upon the May Revise. Then, the Adopted Budget is presented to and approved by the Board of Trustees in September.

Ms. Garcia commented that there are some operational issues connected with loading the budget between closing out in June and going live in September. Mr. Fitzsimmons replied that Datatel can only accept one budget per year. Fiscal Services is working with IT to mitigate this issue. Ms. Garcia noted that there's a gap in understanding when it comes to the summer months.

Mr. Newton commented that this schedule seems like it would be different if we weren't a Basic Aid district. Mr. Fitzsimmons stated that being a Basic Aid district doesn't change the steps toward budget development. Mr. Newton replied that our status doesn't diminish what the Governor's Budget says. Mr. Fitzsimmons acknowledged that this group will discuss the Governor's Budget plans. Mr. Gee commented that while the State Budget may seem diminished to us because of our status, there are still many valid points from the State Budget. Mr. Smith suggested adding the dates we usually receive data points from the County to this calendar.

6) FY2015 – 2016 Governor's Budget Summary

*Communication from Dan Troy re: Governor's Proposed Budget
Proposed 2015-16 Augmentations for CCCs*

\$200M for Student Success: Each of our colleges received approximately \$800k. SJECCD represents about 1.2% of the CCC system, so next years' allocation is likely to be in excess of \$1M.

Ms. Hanfling commented that some of this money can go to adjunct because it relates to Student Success. The consultation group came up with a lot of areas that can be funded, but the message was that we can spend the money on full-time faculty; we have local control.

Mr. Gonzalez wants to make sure this money is earmarked properly. Realistic dialogue needs to take place with the colleges to determine how it should be spent. Mr. Covarrubias commented that there's a real need for the dollars to go as close as possible to the students/campuses.

Ms. McKee commented that when the District receives funds like this, the campuses tend to get territorial. There should be a full conversation between all representative groups. Mr. Smith confirmed that these are local dollars that will be spent at the colleges.

Since SJECCD is a Basic Aid District, it will not receive money from the following proposed funding areas: \$125M to increase base allocation funding, \$106M for increased access, \$92M for COLA, \$49M to fund CDCP rate equalization.

\$48M for Career Technical Education, \$29M for apprenticeship, \$39M for Proposition 39: The District will receive a small portion from these funds.

\$94.5M to retire deferrals: This will retire an old debt.

\$353.3M to pay down outstanding mandate claims: The District may receive \$308 per FTES, which amounts to about \$3.8M in one-time funds. The Board of Trustees will determine how to spend these funds.

7) 2nd Quarter Report

a) Assumptions (pg 85-87): Anticipated changes from 2nd Quarter to 3rd Quarter

- The District will receive an updated property tax data point at the next meeting with the County on February 9th. The 3rd Quarter report will reflect the new data.
- There is currently no COLA assumed because the negotiations are not yet concluded. The 3rd Quarter report will reflect the negotiations.

b) General Fund

- Noted that page 2 "Other Outgo" is representative of Board initiatives.
- Noted that page 3 "Transfers-In" is representative of facility rentals.
- Page 6: Ms. Hanfling commented that SJECCD is overspending the adjunct budget. Mr. Fitzsimmons replied that the District anticipates being in the black by the year's end.
- Mr. Fitzsimmons noted that the campuses are able to move their budgets around throughout the year to accommodate changes. At the end of the year, any unspent discretionary funds increase the carryover. Requests for changes to the budget come in from the campus via budget change requests.
- Page 7: Districtwide expenses are projected to slightly overspend the budget. Spend-out is assumed for the FMP, which came in higher than planned. The request will be made to the Board of Trustees to augment the budget, so this "overspend" will change.
- Page 8: District Office expenses are projected to be under budget by \$1.2M due to salary savings.
- Page 9: SJCC expenses are projected to be over budget by \$375k.
- Page 10: EVC expenses are projected to be under budget by \$115k.

c) Categorical

- Page 11: "SFAA 2% Adm." is an allowance for Financial Aid in the form of unrestricted funds.

d) Ending Fund Balance

- The legally mandated reserves amount is 3%, recommended is 5%, our Board of Trustees' principle is 7%, Statewide average is about 15%, Basic Aid average is about 16%. Mr. Smith commented that the goal is to stabilize SJECCD for years to come; to protect the district, protect the programs and bring quality to the classrooms.

- e) Fund 11: Parking
 - Projecting to draw from the fund balance for this year.
- f) Fund 15: Facility Rental
 - DO tenants' income goes into this fund. It then pays for DO parking expenses and costs to support tenants.
 - SJCC anticipates transferring \$213,050 from Fund 15 to Fund 10 to supplement operating expenses. Mr. Gonzalez asked why wait until the year's end to transfer the funds? Mr. Escobar explained that rentals are not the campus' main goal. SJCC will use the transferred funds to purchase supplies.
 - EVC anticipates transferring \$47,430 from Fund 15 to Fund 10 to supplement operating expenses.
- g) Fund 16: Workforce Institute
 - WI plans to draw from the fund balance, which will leave a projected ending fund balance of \$400k. The District will continue to monitor this situation.
- h) Fund 17: Noted that beginning on Page 30, a breakdown of every categorical and grant program is provided.
- i) Fund 18: Student Health Fees
 - SJCC plans to overspend by \$25k, requiring an augmentation from Fund 10.
 - EVC is projecting a slight surplus.
- j) Bond Funds
 - \$1.4M has been spent from Measure G 2004, Series B.
 - Not much has been spent from Measure G 2004, Series C. After Series B is exhausted, the Milpitas Joint-Use Project, SJCC PE building, EVC Central Green, and miscellaneous smaller EVC projects will come from Series C, 2004.
 - \$6k has been spent from Measure G 2010, Series A.
 - \$18.5M has been spent from Measure G 2010, Series C.
 - Fund 44 represents the bond series that is yet to be sold.
- k) Bookstore
 - The District is still working to close out the Bookstore, and hope to have final numbers by the 3rd Quarter.

The meeting was adjourned 5:05pm.



DISTRICT BUDGET COMMITTEE

February 18, 2015 Meeting Minutes

Present: Robert Brown, Jorge Escobar, Peter Fitzsimmons, Henry Gee, Bruce Geer, Mark Gonzales, Barbara Hanfling, Dan Hawkins, Carlos Marques, Mark Newton, Doug Smith, David Yancey

Absent: Fabio Gonzalez, Sandra Gonzalez, Steven Graham, Lauren McKee, John Thompson

Also Present: Elaine Burns, Jesus Covarrubias, Bruce Geer, Abdul Idris, Carlos Watkins

This meeting has one item for discussion. Mr. Smith will review the Budget Study Session, which will introduce the District Board Stabilization Fund to the Board of Trustees on February 24, 2015.

Reference Document: Board of Trustees Budget Study Session 2.24.15.pdf

Mr. Yancey requested more background on Dr. Schniepp.

(Presentation was edited to expand upon Dr. Schniepp's biography.): Dr. Schniepp prepares economic analysis and county level forecasts for Cal Trans, Kaiser Permanente, the California Associate of Realtors, and the Southern California Association of Governments. He was the keynote speaker at the Associate of California Community College Administrators' Governor's Proposed Budget Workshop in January 2015.

Mr. Smith noted that the graph exemplifying the "Boom & Bust" pattern would be removed from the presentation.

Ms. Hanfling noted that the worst recession in 40 years was the most recent one around 2010. Mr. Smith commented that he will address the Board with the group's comments in mind. He wants to be able to characterize the voice of the constituents to the Board.

Mr. Yancey suggests elimination of the 4th bullet "Recession probability looms..." on the "California Budget" slide. *(Presentation edited to reflect this change.)*

Ms. Hanfling noted that Prop 30 provides the District with \$1.3M. *(Presentation was edited to note this amount.)*

The chart showing District Assessed Value was changed from a line graph using percentages to a bar graph using dollar amounts.

Ms. Hanfling noted that property tax increases were below 3% in only 5 out of 15 years, and that property tax percentages increased an average of 4.5% each year

Mr. Covarrubias suggested that each college receive a \$1M stabilization fund, rather than all money going to the District Office. The dollars should be going where it matters most – to the students. Strategies should be made to expand on those areas. Mr. Smith is aware that establishing this fund is a choice, but it is his responsibility to analyze what the State is doing and make a recommendation to the Board of Trustees.

Mr. Geer asked if this fund would be in addition to the reserves we have. Mr. Smith confirmed that it is.

Ms. Hanfling noted that the graph titled “Simulation: Based on 2015 – 2016 Recommendation” is projecting 6.95%, which is below the mandated reserve of 7%. The State does not have a 7% mandated reserve amount.

Mr. Newton asked whether this new stabilization fund plays into the 50% Law. Mr. Fitzsimmons clarified that any fund balance does not play into the 50% law. Money that is saved does not factor in. When that money is spent, it gets factored in.

Mr. Hawkins asked whether the Bay 10 average shown is duplicative in that it includes the SJECCD average as well. Mr. Smith acknowledged that yes, it is.

Mr. Smith plans to approach the creation of this fund as an action item. If the Board is not comfortable with taking action immediately, he will withdraw it as an action item and let the Board members confer with constituents, etc. before making a decision.

Mr. Covarrubias asked for clarity between the regular required reserve and this new fund. When would one fund be accessed versus the other?

Mr. Hawkins questioned why not raise the percentage of the current 7% reserve fund rather than creating a new fund.

Ms. Hanfling suggested waiting until the May revise comes out; there will be a better sense of what will happen with the budget.

Mr. Brown commented that by indicating the fund would be replenished in healthy fiscal times, it now becomes a recurring item, not a one-time item.

Mr. Fitzsimmons commented that even if another fund was created, when SJECCD reports to the State, the new fund, Fund 15, and Fund 10 will be considered by the State to be unrestricted general funds.

Mr. Smith mentioned that reserves are necessary for economic uncertainty, technology refreshment, opening of Milpitas Joint-Use campus, unforeseen circumstances, etc. This particular fund is for the economy's inevitable downturn.

Ms. Hanfling commented that if the 5 smaller reserves were included, (Redesign, High Impact, Student Success, Milpitas, Cadillac Fund), the ending reserve would be 7-8% higher.

Mr. Covarrubias re-stated his request to see a list clarifying the use of the two reserve funds; which fund would be accessed in what situations?

Mr. Yancey feels that the new fund "sells" better with a new name rather than adding to the current reserves so that the SJECCD can show that there are not enough funds to replenish things like salaries. Mr. Smith reiterated that he just wants to protect the organization from the inevitable.

Mr. Newton requested that the Ending Fund Balance Averages chart gets a line added for FY13-14 showing the totals of the 5 smaller funds Ms. Hanfling mentioned. Mr. Smith indicated that doing so would not be comparable to the other data points provided. Mr. Newton asked for clarity whether the last column shows all of the fund balance, not including the anticipated \$5M fund and the 5 reserves Ms. Hanfling listed. Mr. Fitzsimmons replied that 16.2% represents the ending fund balance for FY13/14. The items Mr. Newton inquired about are not reflected in the 16.2% because these will take place in future years. The Milpitas campus will open in FY 16/17. The Cadillac Tax will be included in FY17/18.

Mr. Yancey requested that, at the board presentation, Mr. Smith please mention that all of the "projected" columns will be much higher than they are shown because we are projecting at 3%, but we have not had that low of a percentage in recent years. Mr. Smith acknowledged that SJECCD crossed into Basic Aid in FY12/13. 3% has been assumed each year, but the District often has received much higher than that, and is currently in a strong "up cycle".

Mr. Covarrubias expressed concern about this being an action item. Mr. Smith reiterated the plan to present this as an action item, and let the Board decide if they are ready to act. It cannot be put it on the agenda as an information item at this point, but Mr. Smith will offer the Board the option to wait. Mr. Hawkins commented that SJECCD tends to be more liberal regarding spending, and conservative regarding income. He would like to see a happy medium between these two. Mr. Smith replied that the budgets always assume spend out, but that is not usually accomplished.

Ms. Hanfling requested to show several bar graphs next to each other: 1) fund balance as shown in 2nd Quarter report, 2) simulation with 5% allocated to all constituent groups, and 3) simulation based on the recommendation for allocation of one-time funds. *(Presentation was edited to accommodate this request.)*

Mr. Gee had two comments: 1) Differentiation needs to be made between the two reserve funds. To distinguish between these, guidelines should be created to indicate when each fund would be accessed and replenished. 2) In looking at the Property Tax Analysis: suggestion to add a bar on top showing what happens when it's 7 or 8%. Mr. Smith replied that the graph will be updated when a new number is provided by the County.

Mr. Fitzsimmons commented that the organization can forever debate how to spend one-time money. He suspects that the \$353M proposed by the Governor will be fought over. This money may not come to the District in the form in which it was proposed. The impetus behind this reserve fund proposal is to avoid repeating the 2008 – 2010 layoffs. If revenues dry up in the future, this fund will buy time for the District when the downturn comes. The 7% reserve is only 2 months of payroll.

Mr. Gee commented that one of the conditions that used to exist was that the District had to keep a 5% reserve at the year's end because of the bond issuance. Mr. Fitzsimmons replied that we have an agreement between us and the OPEB bond holders that requires a 5% reserve. Ms. Hanfling commented that SJECCD is one of the few districts that has no retiree benefit liability. The OPEB trust pays the liability. Mr. Fitzsimmons clarified that Fund 10 still has to pay \$2M for the debt service associated with the bonds that funded the OPEB trust.

Mr. Newton asked if there will be any detail regarding allowable access to the reserve fund. Mr. Smith replied that the only clarifying language added will be "by Board authority".

Overall, Mr. Smith understands that he should not press this issue to the Board. He plans to present all options, including putting all this money into the classroom. If this concept is agreeable to the Board, then we some specific guidelines will need to be developed regarding access to this fund.

Mr. Newton commented that if this money is earmarked to avoid layoffs, then it should specifically say that somewhere.

Mr. Smith received a suggestion to remove the proposed principal: *"Data will be used to drive decision-making"*. Mr. Newton pointed out that projections are being used, not data. Mr. Smith acknowledged that data is looking back, and projections are looking forward and are based on assumptions. *(Presentation was edited to accommodate the suggestion.)*

Mr. Yancey commented that the group should be more collaborative in these types of projects, and appreciates Mr. Smith's willingness to hear and accommodate suggestions.

Mr. Newton commented that he appreciates Mr. Smith's attitude. Government is the only place that does not assess the need before allocating the dollars. There are other areas of need at the campuses. Mr. Smith replied that in budget allocations over the last 2 years, the college presidents have asked for a block grant with a request to let the colleges prioritize the need. In the new fund proposal, Mr. Smith followed that idea.

Mr. Yancey posed the question: \$500k was designated to the campuses, but what happens if they have \$600k of needs? First ask what the campuses need, then allocate the funds. Putting money into a savings fund seems fiscally-oriented, but not campus/student-oriented.

Mr. Gonzales requested that Mr. Smith be careful with communicating the constituent's concerns to the Board, as not all groups are in agreement.

Mr. Covarrubias commented that as we teach on social justice, we should also live by this standard. There are fellow colleagues that have to go from college to college who need to work more. We have the resources to hire full-time faculty who can get benefits and instead we want to put the money away.

Mr. Escobar commented that the colleges could be consulted more in the allocation of funds. \$500k is great for SJCC, but it is not sufficient as one-time funds.

Mr. Smith closed the meeting by stating that he will do his best in presenting to the Board of Trustees on Tuesday night.

The meeting was adjourned at 4:51pm.

DISTRICT BUDGET COMMITTEE

March 26, 2015 Meeting Minutes

Present: Robert Brown, Jorge Escobar, Peter Fitzsimmons, Henry Gee, Bruce Geer, Fabio Gonzales, Barbara Hanfling, Dan Hawkins, Carlos Marques, Mark Newton, Doug Smith, David Yancey

Absent: Mark Gonzales, Sandra Gonzalez, Steven Graham, Lauren McKee, John Thompson

Also Present: Arthur Azevedo, Byron D. Clift Breland, Lan Bui, Jonathan Camacho, Carol Coen, Jesus Covarrubias, Tamela Hawley, Nathan Jennings, Kathy Tran

- 1) Call to Order – The meeting was called to order at 3:04pm.
- 2) Approval of Agenda – Ayes-12, Opposed-0, Abstentions-0, Absent-5
The agenda was approved as submitted.
- 3) Approval of January 29, 2015 Minutes – Ayes-12, Opposed-0, Abstentions-0, Absent-5
The January 29, 2015 minutes were approved as submitted.
- 4) Approval of February 18, 2015 Minutes – Ayes-12, Opposed-0, Abstentions-0, Absent-5
The February 18, 2015 minutes were approved with the following amendments:
 - Page 2 – The third paragraph will be removed.
 - Page 2 – The final sentence of the sixth paragraph will be edited to read, “The State does not have a 7% mandated reserve amount.”
 - Page 5 – Correction to the spelling of Mr. Gonzales’ name on page 5.
- 5) Debrief Board of Trustees Study Session
 - a. Mr. Covarrubias commented that he is hopeful that processes will improve and lessons will be learned. Mr. Smith understood from that night that the District did not do adequate vetting, review, and feedback.
 - b. Mr. Yancey did not think that discussion should have taken place at the Board meeting. Rather, it should have happened with the District Budget Committee. We should have a united decision beforehand.
- 6) Review Newly Adopted Board Principles
 - a. Mr. Newton asked about the context of Principle #2: “Validate student-centered approach”. Mr. Smith commented that it relates to keeping decisions student-centered, classroom-centered.
 - b. Principle #7: “Establish and maintain an employee salary and compensation structure that is competitive among the Bay 10 Community College Districts”
 - i. Mr. Yancey asked how many Bay 10 districts are Basic Aid? There are four: SJECCD, West Valley/Mission, San Mateo, and Marin. There are 6 Basic Aid in CA. Mr. Yancey commented that using the word “competitive” implies that we are not striving to

gain back what was lost. As a Basic Aid, SJECCD should try to restore the buying power we've had in previous years. Where we are now is about 12% below where we would've been if we had gotten raises every time we didn't. To be competitive with the Bay 10 is to sell ourselves short.

- ii. Mr. Smith reiterated that these are living docs, editable and changeable for review.
- iii. Dr. Breland – The Board is setting up a comparison to the Bay 10. Is it implied that we should be looking at a salary structure that's commiserate with the local cost of living (housing, gas, and other indicators). Mr. Smith suggested that when the Board reviews the Principles next year, we can change the language to be more relevant to local economics. Ms. Hawley agreed that staff need to be able to live and work here. Ms. Coen asked how the idea of "competitive" salaries will be measured. Mr. Smith replied that saying "we want to be at the 75th percentile across the board" is challenging, so use of the word "competitive" is intended to be general.

c. Principle #8: "Establish a District Stabilization Fund"

- i. The Board did a great job providing us with a tool that's workable. The job for the Chancellor is how to move forward with this. We need to make sure we balance this fund with program needs.
- ii. Ms. Hanfling commented that the "one-time" verbiage is missing from the document we're looking at today. Mr. Smith confirmed that the Board approved the Principles without the words "one-time". The Principles we're looking at now were taken directly from the approved Board minutes.
- iii. Mr. Yancey commented that the "one-time" phrase makes a difference. Mr. Smith has confidence that there will be plenty of checks and balances when it comes to the use and replenishment of this fund.
- iv. Ms. Hanfling acknowledged that, yes, she understood that night that the Board wants some kind of fund. She would like to reiterate that constituents hope it's not anywhere near \$5M. Ms. Hanfling asked if Mr. Smith is planning to add a dollar amount to this principle. Mr. Smith replied that he is not. He will propose an update to these Principles next year, after much discussion and vetting. Mr. Smith wants to grow this fund in a way that will allow for continued rich programs, and we won't feel the difference.
- v. Mr. Covarrubias mentioned that in looking at Principle #4, it seems that the Board wants to be clear about whether funds are one-time or on-going. Mr. Smith replied that fund balance is one-time. Principle #4 is intended to help avoid actions such as putting one-time money on the salary schedule (for example).
- vi. Mr. Gonzalez noticed that none of the Principles have the words "college" or "students". Based on the principles the Board is adopting, the colleges will have a hard time establishing budget independence. Mr. Smith acknowledged that when the Principles are revisited in February 2016, these elements should be considered for addition.
- vii. Mr. Escobar commented that he was not with SJECCD when cuts were made, but perhaps we could look at Principle #7 and add verbiage that would make us the "employer of choice". Mr. Fitzsimmons added that there are a lot of factors to consider when a person is decided who their "employer of choice" would be.

d. Principle #9: "Establish and maintain a balanced funding model"

- i. Mr. Newton asked what this Principle means. Mr. Smith clarified that it ensures the District keeps its expenditures within its revenue; maintain a balance. Mr. Newton asked whether that means on years that we utilize reserves, is that against this principle? Mr. Smith interprets it to have intended leeway. If the fund balance is drawn upon every year, that is an issue. If it is used intermittently, that is not an issue.
- e. Principle #10: "Property Tax projections will be based on 3.5% growth and will be adjusted each period based on County Tax Collector updates."
 - i. Ms. Hanfling was happy about this small victory.
 - ii. Mr. Gee commented that this Principle is specific to the current climate. Ideally, the percentage would be based on a mean of the last several years of tax information. This way, we the Principle wouldn't need to be updated as the economy changes.
 - iii. Mr. Gonzalez suggested that each of the principles be broken down to outline what they mean.
- f. Principle #11: "Adopted Budgets and Quarterly Reports will include long-term revenue and expenditure forecasts, enrollment experience, and financial risk analysis. (BP6200)"
 - i. Mr. Newton suggested editing the Principle to read "... will include forecasts of long-term revenue and expenditures..." This change will add clarity.

7) Analyses of Legislative Analyst's Office Report

- a. School Services of California: Community College Update
 - i. Paragraph 4 talks about the growth allocation model. The Budget Act required that beginning in FY15/16, when the budget provides growth to the system that it follows a model based upon 5 factors: educational obtainment, unemployment, poverty indicator, participation rate, and unfunded FTES. A simulation is completed for each districts' demographics. This simulation determines each district's amount of growth. All districts are guaranteed 1% except for Basic Aid districts. However, if the simulation for a district amounts to 10% growth, and there is no market to achieve that type of growth, then what? That is the issue. The State Chancellor's office has been tasked with recreating this formula by May 1.
 - ii. The LAO recommends that rather than providing silo categorical funding, do a block grant. This would encompass SSSP, EOPS, Financial Aid administration and other smaller categorical programs. In regard to the May revision, \$170M was found to be unallocated. The State administration said they will include this in the May revise.
 - 1. It was clarified that the \$170M is on-going.
 - 2. Mr. Hawkins noted that this is a School Services report, not the LAO report.
 - 3. Mr. Newton asked whether the District receives Prop 98 funds. Mr. Fitzsimmons replied that, yes. The Community College System is approximately 11% of Prop 98 funding with the remaining going to K-12 We do not receive funds from general apportionment funding given our basic aid status.
- b. Community College League of California: Analysis on LAO Report
 - i. The same comments are provided on the new growth allocation formula. The formula is not sensitive to market or demand. The goal is to match funding with demand, not just use the 5 current drivers within the formula. The formula should also align with enrollment need.

1. Mr. Newton asked if this something new. Mr. Fitzsimmons replied that this growth allocation model is from the 15/16 budget. They are trying to right-size growth. Mr. Smith clarified that the new growth allocation formula does not affect SJECCD because we are a basic aid district. Ms. Hanfling noted that this formula is important to our brother colleges who are losing revenue.
- ii. First paragraph on the back: In FY 14/15, the system got 2.75% growth, but enrollment is only at 2%. The question is what will happen to the 0.75% growth.
- iii. Concern over students taking more units than required to graduate. The average student takes twice the amount of units they need.
- iv. Desire for the creation of a block grant for Categoricals.
 1. Cal Works, student services, childcare support.
- v. Mr. Gonzalez stated that, as a District, we need take a stand that we are not in support of these decisions. For example, the creation of block grants. This Committee can ask the Board to take a stand. Mr. Smith requested for Mr. Gonzalez to draft a resolution and send it to Mr. Smith.

8) One-time Money

- a. \$353M one-time money for past mandated costs was in the January proposal, which led to the creation of the stabilization fund.
- b. There is now a proposal that transitions part of these funds from one-time to on-going.
- c. \$125M may convert to on-going funds. This begs the question: as a Basic Aid district, what does that mean to us? If the funds come in the form of apportionment, we do not benefit. If it comes in for past mandated cost claims, then we would benefit.

9) Review Next Significant Budget Events

- a. 3rd Quarter Budget: We receive data about the current year as we go through it. We are also getting information from the system office at the same time.
- b. May Revise: This is an update to the Governor's proposal originally made in January, using new information gathered as the year goes by.
- c. Tentative Budget: Major assumption update: Health benefit premiums may be significantly larger.
- d. State Budget Act – Not as significant to our budget, but still relevant.
- e. Property Tax Update – Very significant to our District. Data point will likely come in August.
- f. Adopted Budget – There should not be any surprises. This Committee will hear all the background in the 3rd Quarter and Tentative Budget meetings.
- g. Major topics
 - i. Allocation of One-Time Funds
 1. Planning should be underway at the colleges for the receipt of one-time funds; what will be done with the money if and when it is received. Dr. Breland confirmed that those planning processes are well underway.
 2. Mr. Covarrubias commented that the colleges should be listing the needs, regardless of cost. Tell the District what we need, then meet the need.
 3. Ms. Hanfling inquired as to whether EVC is planning in this same way? Mr. Smith mentioned that it's really about the college budget committee/participatory governance. Mr. Gee commented that EVC's

budget committee is tasked to decide if the budgets need to be realigned. In the past we had rolled the budget over. The goal is to refine the process of what each department is doing, and see whether the discretionary spending is aligned. Ms. Hanfling replied that this is good, and we have discussed this before. However, she is hearing from her dean about planning for one-time funds. She hopes that the same planning is happening at EVC. Mr. Smith reinforced the importance of starting to plan.

ii. New Resources On-Going

1. Will serve staffing, compensation, student-centered programs, Board initiatives and Boards ends policy programs.
2. Feeder for this is property taxes at 3.5%. This will be updated after we get a data point in August.

10) Closing Comments

- a. Mr. Fitzsimmons mentioned that it is a struggle to get students to participate in the DBC. Whatever you can do to encourage this at the campuses will be helpful. Mr. Gonzalez is requesting that the State create a resolution to pay students a stipend to participate.
- b. Dr. Breland brought up discussion of a budget allocation model as a way to address planning issues. If we don't know how much money we'll have, we just can't prioritize. If each of the entities knew how much they would receive, planning would improve.
 - i. Mr. Smith commented that the District is about to go through a major transition with the employment of the new Chancellor. Chancellor Cepeda's approach has been to have these discussions at the Cabinet level. There have been requests not to have these discussions with the Cabinet, but to allocate monies directly to the colleges to let them make their own decisions.
 - ii. The redesign is in progress. Initially, we have funded new positions, but until we hear the final numbers, we cannot be sure. Whenever we receive information, we tell you. Whether you have money or not, you should be planning.
- c. Mr. Covarrubias requested clarity going forward about this Committee's role. Mr. Gonzalez commented that it creates a conflict. We tell accreditation one story, but something different is actually taking place. We do not make decisions here, we make recommendations. Ms. Hanfling commented this is not a decision making body.

11) Adjournment – The meeting was adjourned at 4:31pm



DISTRICT BUDGET COMMITTEE

April 30, 2015 Meeting Minutes

Present: Robert Brown, Jesus Covarrubias, Jorge Escobar, Peter Fitzsimmons, Henry Gee, Bruce Geer, Sandra Gonzalez, Barbara Hanfling, Carlos Marques, Mark Newton, Doug Smith, Kathy Tran

Absent: Mark Gonzales, Fabio Gonzalez, Steven Graham, Dan Hawkins, Lauren McKee, John Thompson

Also Present: Bryron D. Clift Breland, Lan Bui, Jonathan Camacho, Carol Coen, Kim Garcia, Lamar Thorpe, David Yancey

- 1) Call to Order – The meeting was called to order at 3:08pm.
- 2) Approval of Agenda – Ayes-10, Opposed-0, Abstentions-0, Absent-9
The agenda was approved as submitted.
- 3) Approval of March 26, 2015 Minutes – Ayes-10, Opposed-0, Abstentions-0, Absent-9
The March 26, 2015 minutes were approved as submitted.
- 4) FY 15/16 Proposed Meeting Schedule
The meeting dates for FY 15/16 were discussed with the group. The proposed calendar will be edited, and approved at the next DBC meeting (May 21, 2015).
- 5) Board Initiatives Summary

Mr. Smith noted that the Chancellor's Cabinet has vetted the list of positions shown on the Board Initiatives Summary. Approximately \$1.6M has been allocated for the new positions. Ms. Hanfling commented that some of the constituent groups feel that the first Redesign concentrated on the DO.

The Summary lists "CS" (College Service) in the "Area Served" column. Mr. Smith noted that the "Area Served" column was intended to reflect the location of service for each position, thus the use of "CS".

The request was made to discontinue use of "CS", and instead, that column should reflect each position's budgeted location. This change will allow the document to be more accurate and transparent.

Mr. Escobar noted that the benefit of this summary is that it shows both headcount and cost. Therefore, the list could have 2 columns; one reflecting the service area and the other reflecting funding source.

Ms. Garcia shared that there have been many conversations about understanding and defining centralization/decentralization. Mr. Fitzsimmons clarified that Custodial and Grounds are decentralized at each campus and Maintenance is centralized to the DO.

Mr. Covarrubias expressed concern in basing the "Area Served" column upon the location of service. One could argue that every position ultimately is in direct support of the Campuses. Therefore, he suggested listing the positions based upon funding source.

Mr. Geer noted that Katie Vang is listed as the SharePoint Developer, but she is the Sr. Systems Administrator. This will be corrected.

Mr. Fitzsimmons reminded the group that this summary is an update from the document previously reviewed on November 20, 2014. He noted all the changes that have taken place since then:

A. Redesign Appropriation

- Third Year Appropriation (Ongoing): FY 15/16 – FY 17/18 was \$750k, now is \$2.5M.

B. Redesign Activity

- Contracts and Risk Manager: was a Director (range 28), now is a Manager (range 20).
- Director, College Fiscal Services is a new position. EVC defunded the College Fiscal Coordinator position; Redesign is paying for the differential.
- Dean, Business & Technology: Funding is coming from Redesign.
- 2 part-time Traffic & Campus Services Officers updated to full-time.
- 1 new Traffic & Campus Services Officer position was created.
- VC WERD is now funded through Redesign.
- All positions at the bottom of this section from Executive Assistant, WI through Budget Analyst, DO are newly approved. They are not funded in FY 14/15, and it is assumed they will be filled in FY 15/16.
- Mr. Covarrubias requested further clarification of the changes to the Director of Community Relations EEO and Diversity's job description.
 - Ms. Garcia clarified that the public relations duties were removed from that job description. This position doesn't necessarily have marketing assignments, but it does have community outreach assignments.
 - Mr. Covarrubias asked whether the Director of Marketing/Community Relations at SJCC (new position) and the Director of Community Relations EEO and Diversity will work together. President Breland replied that they are completely separate. The SJCC position will be focused on activities specific to the College: creating brochures, email distributions, website upkeep, etc. The Director of Community Relations EEO and Diversity is an extension of what the Chancellor desires to do in the greater San Jose community.
- Ms. Hanfling asked about the Redesign Appropriation Third Year increase (FY 15/16 – FY 17/18 was \$750k, now is \$2.5M). The numbers are not matching up with what was previously discussed.
- When new positions are created, the initial total cost is based upon current vacant position budget assumptions (i.e. Step 1, Blue Cross 2 Party, etc.). When the person gets hired, those amounts get updated to reflect reality. The changes in total cost from year to year are based on assumptions – medical benefits, step change, COLA, etc.
- Mr. Yancey asked if this sheet reflects "Redesign I" or "Redesign II". Mr. Smith clarified that this summary lists all Redesign efforts. Some of the new positions went to the Board for approval this week. They are expected to be filled in FY 15/16.

C. Student Success Appropriation

- Third Year Appropriation (Ongoing): FY 15/16 – FY 17/18 was \$100k, now is \$400k.

D. Student Success Activity

- SharePoint Designer (range 142) changed to SharePoint Developer (range 150).
- Program Assistant changed to Program Coordinator. Range increased accordingly.

The Board Initiatives Summary will be on the agenda at the next DBC meeting (May 21, 2015), reflecting the changes discussed.

6) Draft FY 14/15 3rd Quarter Report

A. Assumptions

- a. Projected property tax for FY14-15 is now 8.82% and the out years are now 3.5%.
- b. AFT (4.5%), MSC (5.00%), and Executive (5.00%) COLA are reflected. CSEA negotiations are not completed so no assumption has been made.
 - i. Ms. Garcia asked how the creation of Step 9 creates change. Mr. Fitzsimmons replied that the average cost of an Adjunct faculty was calculated about a year ago, which was found to be Column 3, Step 8. We are working to re-evaluate the median cost for an Adjunct. AFT 6157 asked to review the re-evaluation once completed.
- c. Blue Cross is increasing costs by almost 30% next year. We are assuming 11% in future years. This impacted our budget by about \$1M. Conversely, we assumed 4% for Kaiser, which came in at -5%. Dental came in at -7.80%, Vision came in at 10.70%.
- d. FY 17/18: \$891,506 is the Cadillac Tax assumption, which is only reflective of 6 months. Mr. Smith mentioned that this is still several years away, and things are likely to change.
- e. Mr. Escobar asked whether we do anything to manage the households that have double insurance? Mr. Fitzsimmons replied that if an eligible employee elects to waive benefits, the District contributes towards a 403(b) on behalf of the employee.

B. General Fund

- a. Income: State Revenue includes the assumption that one-time funds from the State will come through. It only decreases the next year because we may not receive any additional State one-time funds.
- b. The District projects to draw on the fund balance in the amount of \$1.5M, which translates to a 12.86% ending fund balance. FY 15/16 assumes spend down, which rarely happens.
- c. Ms. Hanfling noted that Certificated Salaries Adjunct is funded incorrectly as has been stated before. We need to be more realistic with this budget.
- d. Page 7: This year is the last year the District has to pay for Employee Benefits (SERP), so there is no budget in future years. We are assuming the Milpitas Joint-Use Center (opening Fall 2016) will cost \$750k. The Cadillac Tax is shown at \$891k.
- e. District Office
 - i. Mr. Newton asked whether the contingency in District Office is considered surplus. Mr. Fitzsimmons cited the budget principle that allows for any unspent discretionary funds to be carried over to the next year.
 - ii. Mr. Covarrubias questioned whether our District is frugal when it comes to spending, as that has not what's been seen or felt on the campuses. Mr. Smith would prefer to manage a budget contingency rather than ask the Board to review, modify, and augment the budget every month.
 - iii. Ms. Hanfling noted that between the 3 entities, there is \$737k surplus. What's never reflected here is salary savings, which is another area of contingency.
- f. SJCC and EVC

- i. Operating expenses in FY 16/17 diminishes \$500k because the previous year, they will be given \$500k in one-time funds. Discretionary funds will carry over.
- g. Fund 10
 - i. Activity reflects through March 31, 2015.
 - ii. We've recognized \$60.7M in revenues (another property tax update will come in before the end of the year), and have spent \$63.7M.
 - iii. Districtwide projecting \$155k over budget, based on transfers out projections and utilities.
 - iv. Page 7: Asterisk by Classified Salaries* is representative of vacation and comp time pay out.
 - v. District Office spent 68% and is projecting to have significant year-end savings; approximately \$656k primarily due to salary savings.
 - vi. "Discretionary funds" are materials and supplies, operating expenses, and capital outlay. Only discretionary funds are carried over.
 - vii. SJCC is projecting to overspend by \$433k. \$168k in discretionary carries over.
 - viii. EVC is projecting to have \$84k in savings. \$368k in carry over.
 - ix. Graph (Page 12) reflects 2 of 3 COLA increases. (Not inclusive of CSEA settlement.)
 - x. Spring Enrollment (Credit FTES). We are working to get stimulus money for the international programs.
- h. Fund 11
 - i. This Fund primarily supports the Police Department. Projected to draw on the fund balance by \$82k. This fund is positioning itself to draw on Fund 10 again in FY 15/16. The driver behind this fund is reduced parking fee revenues and increased costs. However, the parking machines are beyond their useful life. Upgraded parking machine systems are a bond-funded project that is actively being worked on.
- i. Fund 15
 - i. District Office: This represents the three tenants at 40 S Market. We are losing one tenant next year, which is the decline in revenues. We're entertaining another potential tenant. Goal is to replace this revenue with the same amount or more.
 - ii. SJCC: Received 92% of estimated revenue. Will supplement general fund with \$213k (showing under "transfer out").
 - iii. EVC: Received 98% of estimated revenue. Will supplement general fund with \$47k.
- j. Fund 16
 - i. WFI is projecting revenues of just over \$1M, and plan to draw on their fund balance by \$600k, which leaves them with a small fund balance.
- k. Fund 17
 - i. Page 25 lists the programs that the General Fund is supplementing.
 - ii. Governor is proposing \$100M additional for Student Success, \$100M additional for Student Equity. SJECCD would receive a portion of this money. Likely, the money will be distributed based on FTES, rather than equitable division.
 - iii. Pages 30 to 32 – Mr. Fitzsimmons encouraged each individual to take a closer look at these pages. This section includes every grant, every categorical. Changes are made as information from the State comes in.
 - iv. Page 31 – Scheduled Maintenance Repairs. Funds must be encumbered by June 30, then spent within one year. Both colleges have projects in the works.

- v. Mr. Newton asked if the District ever gets data showing the total number of students these funds impact. President Breland replied that yes, we do, in conjunction with compliance guidelines and reports. Mr. Escobar commented that we need to make sure the investments SJECCD is making are truly impacting student success. Mr. Fitzsimmons added that the auditors look at those programs as well.
- l. Fund 18 Health Fees
 - i. Ms. Hanfling suggested increasing health fees by \$1. This small change would allow for more robust campus health services programs.
- m. Measure G 2004 & G 2010 Bond Funds
 - i. Measure G 2004 Series B: Spent over \$2M.
 - ii. Measure G 2004 Series C: This is the last series of bonds. Spent \$36k (Series B will be completely exhausted before fully utilizing Series C.)
 - iii. Measure G 2010 Series A: Spent \$5k, have \$5k more to spend. Will close out by year end.
 - iv. Measure G 2010 Series B: This is the endowment – won't touch this for a few more years. This will allow us more to spend more on technology and scheduled maintenance.
 - v. Measure G 2010 Series C: This is where most of the 2010 activity is happening. We have spent \$28M in the first nine months of the year.
 - vi. Measure G 2010 Series D: This series (\$58M) has not yet been sold.
- n. Fund 48: Financial Aid
 - i. SJCC has dispersed almost \$9.2M in Financial Aid funds; EVC has dispersed almost \$13.5M.
- o. Fund 96: Scholarships
 - i. SJCC has awarded about \$130k; EVC has awarded about \$118k.
- p. Fund 75: OPEB Funds
 - i. Page 82 – For the first 9 months, earnings are at 24% of projections.
- q. Fund 81: Retiree benefits – Revenue is from the rent receipts from the shopping center by EVC. In 15/16, we are 11 years into that lease, so the rent increases.
- r. The Foundation Report shows only a balance sheet. Payroll is not an “item” listed individually, but it is embedded in related categories.

7) Adjournment – The meeting was adjourned at 5:10pm.



DISTRICT BUDGET COMMITTEE

May 21, 2015 Meeting Minutes

Present: Jorge Escobar, Peter Fitzsimmons, Bruce Geer, Barbara Hanfling, Dan Hawkins, Carlos Marques, Lauren McKee, Kathy Tran, David Yancey (proxy for Mark Newton)

Absent: Robert Brown, Jesus Covarrubias, Henry Gee, Mark Gonzales, Fabio Gonzalez, Sandra Gonzalez, Steven Graham, Doug Smith, John Thompson

Also Present: Lan Bui, Jonathan Camacho, Carol Coen, Kim Garcia, Hoa Pham, Amanda Samayoa, Linda Wilczewski

- 1) Call to Order – The meeting was called to order at 1:07pm.
- 2) Approval of Agenda – Ayes-7, Opposed-0, Abstentions-0, Absent-9
- 3) Approval of April 30, 2015 Minutes – Ayes-6, Opposed-0, Abstentions-1, Absent-9
The April 30, 2015 minutes were approved as submitted.
- 4) FY 15/16 Meeting Schedule – Ayes-7, Opposed-0, Abstentions-0, Absent-9
The FY15/16 Meeting Schedule was approved as submitted. Outlook invitations will be sent to all.
- 5) Board Initiatives Summary
 - A. This revised Board Initiatives Summary reflects the request to discontinue the use of “CS” (College Service), and instead reflect each position’s actual budgeted location.
 - B. The only exceptions to that change are the Campus Based Research Analysts (2 positions). These positions are funded out of the DO, but work on campus and are therefore listed at their corresponding College.
- 6) May Revise Highlights
 - A. *\$49.7 million to increase access from 2 percent to 3 percent (\$156.5M total for 2015-16).*
 - This will not impact us as a Basic Aid district. There is a growth formula that’s being developed to better serve the underserved. Mr. Escobar questioned how can we continue to track what level of FTES we should meet? How do we develop the processes to make sure we maintain the correct levels? Mr. Fitzsimmons noted that there are committees/task forces that track these levels. Ms. Hanfling commented that it would be helpful to have a graph included in the report showing where our FTES should be. Mr. Fitzsimmons shared with the group about a document from the State which addresses her request; “Exhibit C”. This document can be brought to the next District Budget Committee meeting.
 - B. *A decrease of \$31.3 million to reflect a downward adjustment in the COLA from 1.58% to 1.02%.*
 - This will not impact us as a Basic Aid district.

- C. *\$75 million to support an increase in full-time faculty hiring. Funding would be allocated per FTES, but districts with relatively low proportions of full-time faculty would be required to hire more than districts with relatively high proportions of full-time faculty.*
- This will not impact us, although the Basic Aid districts and AFT are advocating to change that.
- D. *\$141.7 million in additional funds for support of district general operating expenses, bringing the proposed total to \$266.7 million for the 2015-16 fiscal year.*
- Does not impact us, as it is general apportionment. There is a base allocation depending on the size of your institution. We are at \$3.3M because we are a smaller College.
- E. *\$274.7 million in additional one-time funds to pay down prior mandate obligations, bringing the proposed total to \$626 million. These funds would be distributed on a per-FTES basis.*
- We will receive approximately \$7M in one-time funds. Our outstanding claims amount to approximately \$1.5M, but that not will not impact the amount we receive in one-time funds.
- F. *\$148 million for deferred maintenance and instructional equipment. Of this amount, \$48 million is attributable to the current fiscal year. No local match is required.*
- Our assumption at 3rd Quarter was \$0, so this will impact us, although we don't know how much. We are optimistic that it is good news.
- G. *\$60 million in one-time funds for the Basic Skills and Student Outcomes Transformation Program. These funds are intended to improve basic skills instruction through adoption and/or expansion of evidence-based models of placement, remediation, and student support that will aid the progress and success of basic skills students. More detail will be available in the forthcoming trailer bill.*
- This is somewhat new; not sure if this will impact the District.
- H. *\$15 million increase for Student Equity Plan funding, bringing the total proposed increase to \$115 million for the 2015-16 fiscal year. Concurrently, provisional language will require the implementation of SB 1023 (Liu, 2014), which authorizes a pilot program to provide additional support of foster youth who participate in EOPS.*
- We are not sure if this will impact the District.
- I. *\$15 million increase for the Institutional Effectiveness Partnership Initiative. Of this amount, \$3 million will go toward technical assistance and the remaining \$12 million is for the development and dissemination of effective practices. Provisional language would prioritize development of curriculum and practices for members of the California Conservation Corps and for inmates pursuant to SB 1391 (Hancock, 2014). There will also be language included in the budget encouraging districts to offer up funding to enhance inmate education efforts.*
- This may not impact us; it may stay closer to the system offices.
- J. *\$2.5 million to fund the COLA for the EOPS, DSPS, CalWORKs, and the Childcare Tax Bailout programs.*
- We are assuming this will increase our categorical funds in these 4 programs.
- K. *\$2 million in one-time funds for a pilot program to foster collaboration between colleges and CSU campuses relating to basic skills instruction for incoming CSU students.*
- Unclear how this will affect the District.

- L. *A decrease of \$825,000 in energy efficiency funding pursuant to the California Clean Energy Jobs Act (Proposition 39, 2012). This reduces the amount available in 2015-16 to \$38.7 million.*
- This refers to Prop 39. This should only impact our funding by about \$10k or \$15k in Fund 36.
 - Ms. McKee asked about the benefits of our solar farm. Mr. Fitzsimmons shared that we get a rebate of up to \$2.5M over 5 years. We also pay less on our energy bills. The rebate is a contra-expense account in the general fund. Currently, our PG&E bills are rising, which is likely due to construction.
- M. *\$25 million increase in Proposition 98 funds for the Awards in Innovation in Higher Education. This would bring the proposed total funding to \$50 million for the 2015-16 fiscal year (half Prop 98, half non-98). The May Revision would also reclassify \$23 million in current year awards as Proposition 98 funds, reflecting awards coordinated by community colleges. The May Revision further proposes to allow community colleges may be lead applicants for awards.*
- Not sure how this will impact us, although the term “award” indicates that this may be in the form of a grant opportunity.
- N. *The May Revision makes various other adjustments to the general apportionment, such as the inclusion of funding for projected FTES restoration and revised estimates concerning property taxes and fee revenues.*
- This is in reference to general apportionment, which does not apply to us.
- O. *Concerning the adult education proposal, forthcoming trailer bill will propose various modifications, perhaps most notably the elimination of the allocation boards that were proposed in January. Each consortium will instead be required to propose a transparent governance structure for joint approval by the Superintendent of Public Instruction and by the Chancellor. It will no longer be required that each consortium have a fiscal agent, allowing for direct funding of member agencies if so desired. Language will also specify and clarify various reporting and funding deadlines. More information will be provided on these changes as details become available in the trailer bill.*
- Ms. Hanfling asked whether the “transparent governance structure” may refer to the lack of faculty in the leadership groups. Ms. Coen commented that the structure will follow the form that is agreed upon amongst the 7 regional districts, then approved by the Superintendent of Public Instruction.
- P. **Closing Thoughts/Comments**
- We’ll know more in the summer, when the final State budget is signed by the Governor.
 - Ms. Garcia asked about how concrete this information is, and how likely it is to actually happen. Mr. Fitzsimmons replied that it’s pretty certain that this plan will happen, although there is always a footnote at the bottom of the page.

7) FY15/16 Draft Tentative Budget

- Property Tax: 3Q was 8.82%, Tentative is now 10.10%. This change equates to just under \$1M. Our next meeting with the County is August 24, 2015, which will provide our first snapshot of FY15/16 numbers.

- Ms. Garcia mentioned that last year, we got a one-time amount after June. Mr. Fitzsimmons clarified that was a one-time settlement. Ms. Hanfling added that at the most recent Property Tax meeting, they said there will be another bump before the end of the year. There will not be additional one-time funds.
- Page 127: No changes from 3Q, but note that CSEA negotiations are not included. They will be in the Adopted budget. Ms. Hanfling asked about the estimates shown for healthcare; are they realistic? Ms. Garcia explained that they took the average of last 3 years to make that projection. Mr. Fitzsimmons mentioned that Alliant does a trend analysis and provides us with a number as well. Blue Cross is increasing next year 30%, and Kaiser decreases 5%.
- Fund 10
 - Note that, unlike the Quarterly report, the Tentative budget shows every object code.
 - Page 42: EVC's budget for FY15/16 is increasing \$1.5 M, or 4%. They are estimating to carry over about \$150k in discretionary. Object code 55820; \$500k of this is the one-time allocation given to EVC in FY15/16.
 - Page 38: SJCC's budget increases \$1.8M or 5%. SJCC is planning to carry over \$253k in discretionary. Object code 55820: \$500k of this is the one-time allocation given to SJCC in FY15/16.
 - Page 35: Ms. Hanfling noted that SJCC shows -2% for Certificated FT salaries, Classified MSC shows +32%, and +5% for Classified. She wants to make sure no positions have been defunded. Mr. Escobar replied that he'll need to research this. The practice is that when people retire, the position is reset to a lower step, so that may be the cause for -2%. Mr. Fitzsimmons commented that the change is likely a result 1 of 3 things: retirees (as noted above), a defunded position, or STRS workload reduction. Ms. McKee asked if a higher step is used for assumptions because the majority of Faculty come in at Step 4. Mr. Fitzsimmons confirmed that a midrange step is used for assumptions.
 - Page 34: DO budget increases \$500k or 4%. Projecting to carry over \$175k discretionary.
 - Page 32: Board elections expense decreases \$150k since there are no elections this year. Object code 55712: BOT \$225k reduction in legal expenses. Our legal fees are not decreasing; they are moving to Districtwide (DW) rather than District Office (DO).
 - Page 30: DW budget is increasing \$837k, or 9%. This is largely due to inter-fund transfers: 1) Fund 11 (Parking) will be reduced by \$108k. 2) Workforce Institute (WI) is receiving \$200k in one-time funds in FY15/16. WI gained 4 positions through Board Initiatives, about \$756k. WI inter-fund transfer of \$525k from Fund 10 to Fund 16.
 - Page 28: TRAN Fees – Our cash flow is healthy. We used to have to borrow cash to get through the year, and now we anticipate not having to borrow at all next year.
 - Page 27: ADA requirements (e.g., interpreters) will be funded by DW rather than burden the campuses with these costs. Ms. Garcia – the Colleges also have needs for other ADA compliance this when an employee needs accommodations. Those may be handled by DW as well, although that information has not yet been received for input to the budget. Ms. Hanfling asked whether some of this comes from DSP funds. Mr. Fitzsimmons clarified that since DW is taking care of the costs, the campus gets to use the other funds however they choose, as long as it falls within the parameters of the program.

- Page 26: Consolidated information for all entities – Overall, the budget for FY15/16 is increasing \$4.7M or 5%.
- Page 1: Note the big jump in FY15/16 State revenues. This is because of the one-time funds we are receiving this year.
- Page 4: We project we will end this year with a \$12.4M fund balance.
- Page 13: There was a discussion regarding budgeting for Adjunct salaries. Mr. Escobar commented there has been progress in this area and have allocated more funds to this area this year than previous years.
- Page 44: There is a spike next year, which are one-time funds. The future years are likely to be higher. Mr. Yancey noted that a 1% increase reflects about \$900k.
- Page 45: Enrollment looks at resident and non-resident. Mr. Escobar asked whether we are going to add a line or back up document to support this graph. Mr. Fitzsimmons replied that the group would be best served by looking at the “Exhibit C”.
- Fund 11, Page 46: Parking Fund – We need to watch this fund because it’s now starting to draw on the General Fund. Mr. Escobar confirmed that the District is looking at whole parking strategies, not just fixing machines.
- Fund 12, Page 47: Financial Stabilization Fund – Newly established “Rainy Day Fund”.
- Fund 15: Page 49-51, Rentals
 - DO – \$105k estimated ending fund balance, assuming revenues of \$210k from 40 S. Market tenants. \$165k transfer out to Fund 10 to offset parking expense of DO.
 - Mr. Hawkins asked how parking costs will be covered if a tenant leaves the building. Mr. Fitzsimmons replied that we will have to figure out another way to fund the parking expense, but it’s a point well taken.
 - SJCC – \$138k estimated ending fund balance. Assuming revenue of \$588k. Transfer over \$300k into Fund 10 to support operations. Mr. Escobar asked that if SJCC didn’t have this additional \$300k from rentals, would there be \$300k less in their budget? Mr. Fitzsimmons said ultimately, yes. Ms. McKee noted that EVC has plenty of nice facilities that are not being used. Mr. Fitzsimmons added that this discussion should be taken to the Campus.
- Fund 16, Page 52: Workforce Institute – Projecting to have an ending fund balance.
- Fund 17, Page 58: Categoricals – Note that the draft has some “Yes” for the “Flexibility” column, but the final will say “No” for all of these categories because that allowance expires in FY15/16. “Fund 10 Supplemental” column will likely look different at Adopted because of the May Revise. Ms. McKee asked for clarification; is the State providing any funding for Veterans? Ms. Hanfling understands that each district is using their own funds for Veterans programs.
- Mr. Fitzsimmons encouraged everyone to look at pages 62-70. Pages 62-64 are a sum of all the locations, including every single grant and categorical, and provides history. 5-digit codes can be understood as such: Codes starting with a 1 is a Federal program. Codes starting with a 2 is State. Codes starting with a 3 is Local.
- Fund 18, Page 72: Health Fee Fund – Ms. Hanfling commented we require the Health Center to subsist on health fees even though we have less students and more money. She suggests that if we want to serve our students better, we need to fund the program better. Ms. McKee added

that, to serve students better, hours should be extended, including intersessions and summer. We also need more mental health programs.

- Fund 32, Page 78: Measure G 2004 – Be mindful that projects can cross funds. The Board just approved a contract for EVC’s Central Green for \$7M.
- Fund 36, Page 82: Capital Outlay fund – Money from property taxes and Prop 39 (clean energy projects). This is to fund capital projects that are not covered by the Bond.
- Fund 42, Page 92: Measure G 2010 Series B –This page reflects the technology endowment. Not planning to use these funds until FY17/18.
- Fund 44, Page 102: Measure G 2010, Series D – After Series C winds down, we will go to market and sell the remainder of the voter’s authorization. Mr. Hawkins asked about the recent refinancing of the 2004 Bonds. Mr. Fitzsimmons confirmed that yes, we just completed the refinancing of some 2004 Bonds and spoke with Moody’s and Standard & Poor’s, who will provide us with a credit rating. The better the score, the lower the interest. As a result, taxpayers are anticipated to save about \$10M.
- Fund 72, Page 108: Child Development – We received notice that St. Elizabeth’s is closing. Mr. Escobar is making sure there is no break in service. We are expecting to have a new contractor on board by July 1, 2015.
- Page 110 – Bookstore: No budget is reflected because the self-operated bookstore no longer exists. However, this page will continue to be in our document in the short term.
- Fund 96, Page 115: Scholarships – Internal Scholarships Foundation = Foundation holds the money, we disburse the money, then bill Foundation. Internal Scholarships ASB = ASB holds the money, we disburse the money, then bill ASB. External = external entity provides funds to the District for disbursement.
- Fund 75, Page 119: OPEB Trust – Assets are increasing (even though we are still paying out retiree benefits) because of return on investments. We anticipate having to pay out more retiree benefits next year because of the Blue Cross premium increase.
- Fund 85, Page 121: Debt service associated with OPEB trust – If we didn’t have the trust, we would pay about \$3.5M from the general fund. The trust costs the general fund \$2.5M. Mr. Escobar asked whether the OPEB bonds can be refinanced. Mr. Fitzsimmons replied that yes, they can, and we did so in 2012. The District pays the debt service, not the taxpayer. We will do another actuary effective June 30, 2015 to get an updated liability projection.
- Fund 83, Page 122: Debt service associated with the three Bond programs – There is an ending fund balance because the County wants 6 months of debt service in the bank at all times. The County will not allow a \$0 ending fund balance. When we refund the bonds these numbers will change.
- Page 131, 1-Day Cost Analysis – The cost increased from last year due to COLA, PERS, and STRS.

8) Adjournment – The meeting was adjourned at 3:12pm.

DISTRICT BUDGET COMMITTEE

August 28, 2015 Meeting Minutes

Present: Fareha Bakre, Robert Brown, Phil Crawford for Jesus Covarrubias, Jorge Escobar, Peter Fitzsimmons, Bruce Geer, Fabio Gonzalez, Barbara Hanfling, Dan Hawkins, Mark Newton, Susan Rinne, Doug Smith

Absent: Arthur Azevedo, Mark Gonzales, Steven Graham, Carlos Marques, Lauren McKee, John Thompson

Also Present: Byron Breland, Lan Bui, Jonathan Camacho, John Hendrickson, Marilyn Morikang, Kathy Tran, Kishan Vujjeni, Linda Wilczewski, David Yancey

- 1) Call to Order – The meeting was called to order at 3:32pm.
- 2) Approval of Agenda – Ayes-12, Opposed-0, Abstentions-0, Absent-6
The agenda was approved as submitted.
- 3) Approval of May 21, 2015 Minutes – Ayes- 10, Opposed-0, Abstentions-2, Absent-6
The May 21, 2015 minutes were approved as submitted.
- 4) Vacancy of Student Representatives
 - a. Please communicate with your Presidents regarding our need for student representatives.
 - b. Idea to offer a credit, stipend or other incentive to student participants.
- 5) Review of Exhibit C
 - a. The *Exhibit C* document is generated by the State. We have provided 2 versions of this document; both FY 14/15 and FY15/16. Of 72 California districts, 66 depend on this report. This provides us with an understanding as to how far into Basic Aid we are.
 - b. Mr. Newton requested clarification regarding the difference shown for “Stability FTES” between FY14/15 and FY15/16. Mr. Fitzsimmons clarified that this change is because the State is assuming we will meet our cap.
 - c. Ms. Hanfling asked about page 134 of the Adopted Budget; the numbers shown there don’t match what’s shown in *Exhibit C*. Mr. Fitzsimmons responded that the Adopted Budget has the most current information. As a result, the numbers are different.
- 6) Draft FY 2015/16 Adopted Budget
 - a. Mr. Fitzsimmons will highlight the changes between the Tentative and Adopted Budgets.
 - b. Budget Assumptions - Revenue
 - i. Inflation factor (COLA) has increased to 1.6% for FY16/17 and 2.48% for FY17/18.
 - ii. Property tax percentage projection is 3.67%. The next property tax meeting is on December 4, 2015. The number we receive at that time will be reflected in the 2nd Quarter budget report.

- iii. Doug distributed a graph showing the relationship between SJECCD's Assessed Valuation and District Property Taxes. This graph will be included in the presentation to the Board.
- c. Budget Assumptions – Expenditures
 - i. Adjunct Base Adjustment: Increased the assumption at 1.00%.
 - ii. Average cost of a full time Adjunct Faculty is now at Column 4, Step 9: \$63,641.
 - iii. PERS: FY17/18 is likely to be 16.6%.
 - iv. Each October, a financial report is due to the State Chancellor's office – the Annual 311 – which requires us to estimate STRS and PERS projections for upcoming years.
 - v. Anticipated changes in upcoming years:
 - 1. Milpitas campus opens Fall 2016.
 - 2. Prop 30 sunsets December 31, 2017.
 - 3. Cadillac Tax takes effect January 2018.
 - 4. These changes have been included in SJECCD's budget projections.
- d. Ms. Hanfling brought up adjunct salaries. FY14/15 shows \$17.2M, but FY15/16 still shows \$14.9M, which is \$2.2M less than was needed the prior year. Mr. Fitzsimmons clarified that the \$14.9M does represent a 1.00% increase from last year's starting point.
- e. Actuals for the prior year reflect 84.2% spending on personnel, and 15.8% operations, which is right in line with the State average.
- f. Beginning fund balance for FY15/16 is \$113.7M. We are estimating to spend \$110M this year.
- g. Ending fund balance FY14/15 was \$12,706,736, which equates to about 13.7%. It was noted that the Tentative Budget ending fund balance only differed by about \$200k.
- h. The District is receiving almost \$7M in one-time funds from the State in FY15/16.
- i. Mr. Gonzalez wanted to readdress the topic of adjunct salary funding. He agrees with Ms. Hanfling's viewpoint as stated earlier. Mr. Brown commented that the problem he sees is that we will go over the adjunct budget, so that means someone else will think they have more funds than they really do. Mr. Gonzalez noted that we should stick to the numbers we agreed to. If we have guidelines to follow while we make decisions, why change those now? Mr. Crawford mentioned that the President says that they are over budget on Adjunct budgets so they need to cancel classes. This budgetary issue has an impact on our enrollment management. Mr. Smith acknowledged that we need to analyze this issue, not simply throw money at it, but address it in an analytical way. Mr. Gonzalez showed concern that we are not following our principles. Mr. Yancey commented that we've got \$14M in reserves. The District throws money at other board initiatives oftentimes without analysis. This has been going on for years. Let's correct the problem. Ms. Hanfling commented that she agrees with Mr. Yancey, but would address it in a different way: we need to fix the budgets with the money *already in* the budget. We don't need to use the reserves. We should look at where the budget transfers are coming from and then adjust; true it up based on the transfers that are taking place. Mr. Smith agreed that these conversations need to take place.
- j. Mr. Crawford asked if AB86 funds are part of the budget. Mr. Smith replied that those are listed separately.

- k. Fund 10 - Revenue
 - i. State revenue was \$10.6M, now assuming \$10.9M
 - ii. Local revenue was \$89.0M, now assuming \$89.4M
 - iii. Total budget resources have grown about \$1M.
 - l. Districtwide Expenditures (covers insurance, utilities, etc.)
 - i. Expenses went over by \$2M. This is because we paid out more in vacation/comp time than anticipated. Also, electricity costs were higher than anticipated. Mr. Escobar noted that all the construction happening around the campuses may be a reason for such an increase. Mr. Fitzsimmons agreed, and mentioned that there have also been rate hikes.
 - m. Mr. Breland asked whether any consideration has been given to the allocation of funds to the colleges for accreditation expenses. Mr. Smith replied that there has not been any additional allocations to the colleges since the \$500k in the springtime.
 - n. DO came in under budget by \$1M. This was primarily due to salary savings.
 - o. SJCC spent at about budget, spending almost \$35M. SJCC did a lot of analysis to make sure the budget is as accurate as possible. Mr. Escobar noted that the prior year's carryover has been allocated already; it is included in the budget.
 - p. EVC came in under budget, spending almost \$35M.
 - q. Page 44 speaks to Student Support Programs and is based on the advanced apportionment, which we don't usually worry about. However, we do need to monitor this.
 - r. Workforce Institute spent \$1.6M, and Fund 10 covered about \$400k of their expenses. They anticipate bringing in more money next year.
 - s. Each percent of basic aid equates to about \$800k. We are about 25% into basic aid.
 - t. Mr. Hawkins asked if we should be talking about cash management. Mr. Fitzsimmons noted that historically, the District had to participate in a TRAN (short-term borrowing) for many years. Next year, we anticipate not having to participate in a TRAN.
- 7) Round Table Check Out
- a. Mr. Gonzalez requested that we take a look at the adjunct numbers. DO received a 1% increase but he's not sure where or how that happened. We need to allow the colleges to run their own budgets. They need more flexibility.
 - b. Ms. Bui noted that EVC's surplus is mostly tied up already in areas like the Central Green and Student Success. They need more equipment for their grounds to be managed properly.
 - c. Ms. Rinne noted that when we start looking at the adjunct budgets she'd like to participate in that.
 - d. Ms. Hanfling noted that she will be glad to work with whomever on the adjunct budgets. She's concerned about Workforce Institute having to draw on Fund 10.
 - e. Mr. Vujjeni – Workforce Institute just earned a \$13.2M grant.
- 8) Adjournment – The meeting was adjourned at 5:17pm.

DISTRICT BUDGET COMMITTEE

October 29, 2015 Meeting Minutes

Present: Arthur Azevedo, Fareha Bakre, Robert Brown, Jesus Covarrubias, Peter Fitzsimmons, Bruce Geer, Barbara Hanfling, Carlos Marques, Lauren McKee, Marilyn Morikang (proxy for Jorge Escobar), Mark Newton, Susan Rinne, Doug Smith, Linda Wilczewski

Absent: Mark Gonzales, Fabio Gonzalez, Dan Hawkins, John Thompson

Also Present: Lan Bui, Jonathan Camacho, Eugenio Canoy, John Hendrickson, Eric Narveson, Yesenia Ramirez, Kathy Tran, Kishan Vujjeni, David Yancey

- 1) Call to Order – The meeting was called to order at 3:07pm.
- 2) Approval of Agenda – Ayes-14, Opposed-0, Abstentions-0, Absent-4
The agenda was approved as submitted.
- 3) Approval of August 28, 2015 Minutes – Ayes-14, Opposed-0, Abstentions-0, Absent-4
The August 28, 2015 minutes were approved as submitted.
- 4) Draft FY 15/16 1st Quarter Budget Report
 - A. Budget Assumptions – Revenue
 - i. This Report provides our first look at FY 18/19.
 - ii. The Property Tax point has been adjusted from 3.67% to 3.38%. (Each percent equates to about \$800k.)
 - iii. Note that STRS & PERS have large increases, which represents a significant impact to our budget.
 - iv. The Cadillac Tax takes effect in FY 18/19, which will also impact our budget significantly.
 - v. Blue Cross premiums rose almost 30% this year.
 - vi. Ms. Hanfling commented that the County Assessor’s office is optimistic that the next Property Tax point will likely be made available before December.
 - B. Fund 10: General Fund
 - i. Milpitas Campus: \$750k was set aside for the initial expenses the new Milpitas Campus will incur. This figure may be inadequate, although we don’t have details on this yet. Ms. McKee asked whether the Colleges will get reimbursed for other efforts that have previously been “gifted out”. Mr. Smith clarified that Ms. McKee is referring to the support we provide to The South Bay Regional Public Safety Consortium (Academy). Local concerns such as this should be raised through the Campus allocation model. There’s no specific detail on what the \$750k will encumber as of yet. This conversation will be forthcoming.
 - ii. Districtwide: This year SJECCD is getting \$6M in one-time funds. Therefore, FY 16/17 reflects a significant decrease in revenue.

- iii. Mr. Smith commented that the Governors' strategy appears to be allocating funds on a one-time basis rather than ongoing so as not to make commitments that may later have to be retracted, as has happened in the past.
 - a. Ms. McKee asked if SJECCD currently receives revenue from leasing the lot of land that is Evergreen Marketplace, and at what point will we start receiving revenue from the leasing of the larger 27 acres.
 - b. Mr. Smith replied that we receive \$618k annually on the existing land lease, which is used to mitigate the OPEB debt service. We will receive \$1.5M annually once an agreement is reached for the new land lease. Most interested parties would like these new funds to be categorical.
- iv. Corrected page 2: FY 17/18 there are no Board Elections taking place, so \$150k will be added back to available budget.
- v. Districtwide Expenditures (page 2)
 - a. Changes: State Revenue for FY 17/18 will increase to \$4.2M. FY 18/19 revenue will increase to almost \$3.5m.
 - b. Detail: Other Outgo listed here reflects the Cadillac Tax.
 - c. Detail: Transfers-Out reflects 2 large transfers: 1) Supports Funds 11 (Parking) and 16 (WFI), which is beginning to deficit. 2) Supports OPEB debt service.
 - d. Mr. Smith noted that there have been no funds transferred into the District Stabilization Fund 12 and explained that there is a compounding effect in the way property tax is calculated. Mr. Yancey requested that Mr. Smith explain the graph with this same clarification to the Board in his Quarterly presentation. Mr. Smith committed to add graphs that show what the future would look like with potential increases to the property tax number (graphs if the property tax point is 3%, 5%, 7%, etc.).
- vi. Evergreen Valley College
 - a. Recognized 66% of estimated revenue thus far. Projecting to bring in \$210k more than originally planned. EVC has spent 23%. Projecting to end in the black by \$400k.
- vii. San Jose City College
 - a. Recognized 58% of estimated revenue. Projecting to bring in \$85k more than originally planned. SJCC has spent 23%. Projecting to end in the black by \$173k.
 - b. There was clarification regarding facility rental revenues. Facility rentals are housed at the Campus in Fund 15. If there is surplus as a result of the rental, the Campus is free to move those excess funds into Fund 10. Mr. Covarrubias asked for clarification whether those transferred over funds are supplementing or supplanting. Mr. Fitzsimmons clarified that it is supplementing.
- viii. District Office

- a. Spent \$3.2M of the budget, which equates to 21%. Projecting to end \$916k in the black due to the number of vacancies at the District Office.
 - ix. Districtwide
 - a. Recognized 1% of estimated revenue because Property Taxes are the main driver but don't come in until later in the year. Expensed 23%. Projecting to spend \$10.8M and end in the black by \$330k.
 - b. Ms. Hanfling noted that SJCC has already spent 33% of their Adjunct budget, and EVC has already spent 35% of their Adjunct budget. This is an indication of under-allocating.
 - c. Mr. Narveson asked about the rental revenues which come in from the District Office tenants. Mr. Fitzsimmons clarified that the tenant revenues go in to the DO's Fund 15 which offsets any expenses from the tenants and pays for the parking at the DO. Just like the Campuses, if there is any surplus from that, DO can move it into Fund 10.
 - x. Consolidated
 - a. 23% of the budget has been spent. Projecting to end in the black with \$1.8M which goes back into fund balance.
- C. Fund 11 – Parking
 - i. Expenditures are almost all police personnel, some maintenance/grounds personnel. 25% of local revenue has been recognized. Spent 17% of the budget. Projecting \$810k total expenditures. This \$810k is driving the inter-fund transfer from Fund 10. The ending fund balance cannot be a negative.
 - ii. Mr. Yancey asked whether or not we are charging the maximum allowable for parking. Mr. Fitzsimmons replied that we are not charging the maximum allowable. Mr. Narveson noted that the dirt lot that's on EVC is free parking, which is lost revenue.
- D. Fund 12 – District Stabilization Fund
 - i. There's been no transfers to this account as of yet. Mr. Smith noted that this would not be the right time to add to this fund. We were expecting a big property tax number, but that did not happen. We need to fill fund this during the good times so we can draw from it in the bad times.
- E. Fund 15 – Facility Rentals
 - i. SJCC: Received \$200k, spent \$19k. Projecting a \$336k transfer to Fund 10.
 - ii. EVC: Received \$12k, spent \$15k. Projecting \$25k less on expenditures than was at budget.
- F. Fund 16 – Workforce Institute: 2% revenue received, spent 15%. Projecting \$0 fund balance. Transfer in from Fund 10 and Fund 17.
- G. Fund 17 – Categoricals: Page 33 provides a full list of every program and grant the District participates in, and the activity of each program thus far.
- H. Fund 18 – SJCC anticipates augmenting from General Fund \$8,879 to ensure a positive ending fund balance. EVC anticipates an ending fund balance of \$10,802.
- I. Capital and Bond Project Funds

- i. Funds 31 & 32 – Measure G 2004, Series C projects include Milpitas Campus, PE building at SJCC, Central Green at EVC (partial)
 - ii. Fund 36 – Capital Projects Fund: Revenues are driven by 1) Prop 30 Energy Efficiency funds and 2) the student capital outlay fee (\$4 per unit) and 3) RDA Pass-Through Funds. Not a very active fund as our capital projects are primarily funded by the Bond Funds.
 - iii. Fund 42 – 2010 Series B. Endowment. The plan is not to utilize this until April 2017. Mr. Newton noted that the Net Fund Balance is showing as 1620%. Mr. Fitzsimmons replied he will think about how to fashion the document to reflect this properly. That odd figure is showing simply based on a formula.
 - iv. Fund 43 – 2010 Series C: This is the most active Bond fund we have. \$13.5M spent just this quarter. South campus, auto tech, etc.
 - v. Fund 44 – 2010 Series D: Reflects the future sale of bonds.
- J. Fund 75 – OPEB Trust Fund
- i. Note the change: Fund 81 has traditionally received 100% of the revenues from the shopping center adjacent to the old district office. Now, \$25k of that revenue will be directed to Student Success Enhancement Programs. This \$25k that is no longer going to the OPEB will need to be backfilled by the General Fund.
 - ii. There is a rent increase reflected beginning in FY 15/16.
 - iii. Due to market volatility, we lost \$1.3M in the 1st Quarter. There was an actuarial study done last year, which showed that the OPEB trust is overfunded by 119% or \$7.5M, which is a good thing.
 - iv. Mr. Newton requested a page in the report that breaks down the various “buckets” that are kept within Fund 10.

The next meeting is set for November 19, 2015. The group today has consensus to cancel this meeting. Mr. Smith will send out an email to the Committee before cancelling.

- 5) Adjournment – The meeting was adjourned at 5:00pm.

DISTRICT BUDGET COMMITTEE

December 10, 2015 Meeting Minutes

Present: Arthur Azevedo, Robert Brown, Jesus Covarrubias, Phil Crawford (proxy for Fabio Gonzalez), Bruce Geer, Barbara Hanfling, Dan Hawkins, Yesenia Ramirez, Doug Smith, David Yancey (proxy for Mark Newton)

Absent: Fareha Bakre, Jorge Escobar, Peter Fitzsimmons, Mark Gonzales, Carlos Marques, Lauren McKee, Eric Narveson, Mark Newton, Linda Wilczewski

Also Present: Lan Bui, Jonathan Camacho, Kim Garcia, Marilyn Morikang, Kathy Tran, Kishan Vujjeni

1) Call to Order – The meeting was called to order at 3:06pm.

2) Approval of Agenda – Ayes-10, Opposed-0, Abstentions-0, Absent-9
The agenda was approved as submitted.

3) Approval of October 29, 2015 Minutes – Ayes-9, Opposed-0, Abstentions-1, Absent-9
The October 29, 2015 minutes were approved as submitted.

A. Mr. Covarrubias requested further discussion on the manner in which rental funds are allocated. Mr. Smith agreed to add this topic to our next agenda.

4) Fiscal News & Information

A. County Property Tax Update

- i. Mr. Smith will ask accounting staff to include more history on the “Property Taxes and One-Time Settlement” spreadsheet – as far back as FY11/12.
- ii. Mr. Smith notes that we typically receive five data points throughout the year from the County.
- iii. Mr. Crawford asked what the second indicator was in FY14/15.
 - a. Mr. Smith referenced the 1st Q report that was presented to the Board on 11/10/15, which shows that it was 7.69%.
- iv. Ms. Tran shared that the County has not completed the appraisal of some properties that rolled over from last year, thus creating a low property tax number. The County plans to complete this task by the end of the year which should present an uptick in the data point.

B. Email: Legislative Analyst’s Office Fiscal Outlook Summary

- i. About \$3M in potential one-time funds for July 1, 2016.
- ii. Ms. Hanfling – Ms. Hanfling shared her concern on the issue of receiving Prop 98 one-time funds. What enables us to receive Prop 98 one-time funds?
 - a. Mr. Yancey shared his understanding that the Governor prefers to designate one-time funds rather than granting ongoing funds to avoid any need to recall those ongoing commitments.

- C. State Controllers Report Shows Robust Revenues for October
 - i. Report discusses incoming taxes.
 - ii. Second tax revenue from investment income is often identified as one time. Which affects discussion of the state's spending priorities.
- D. Articles Related to Potential Prop 30 Extension
 - i. EPA – we get \$100 per FTES, which equates to about \$1.2M
 - ii. Each percent of property tax gain is about \$800k.
 - iii. Mr. Yancey notes that he spoke with CFT President Josh Pechthalt, and assumes EPA funds will not be included in the new version of Prop 30.
 - a. Mr. Yancey adds that it might be helpful to provide examples of the good that has been done as a result of Prop 30.
 - iv. Mr. Yancey shared one of the things we need to promote and advance is the reissuance of the Prop 30. We need examples of how the District has been impacted in a positive way, and what it has allowed us to accomplish. Mr. Yancey asks for anyone around the table to contribute an example to support in a public campaign as to why it should be extended.
- E. Comments:
 - i. Mr. Crawford notes that the Capital Gains factor is important for tax revenues. Best estimates show that revenues will not change much and will stabilize.
 - ii. Mr. Covarrubias asked where we are at with the District Resource Allocation Model. Mr. Smith shared that he provided it to the Cabinet several weeks ago and it is being vetted at the Colleges. This document speaks to what we currently do, which is the first leg of the journey. This can be a source document for accreditation. The District Resource Allocation Model serves two purposes: accreditation documentation, and provides a solid ground as we move forward and edit the process. The perspectives of the District Council, the District Budget Committee, and Chancellor Budd will all be important.
 - iii. Mr. Crawford notes that the LAO office did a study on districts; if you eliminated the districts, the savings would be \$0.5B. What is the percentage of the overall budget?
 - a. Mr. Smith notes that the District has roughly a third.
 - b. Mr. Smith agreed that having the model as we do is expensive. SB361 gave baseline allocations to multi-college districts.
 - c. Mr. Covarrubias notes that it would be interesting to see where we stand, by comparing our model to the Bay 10.
 - d. Mr. Smith commented that being data-driven will help the District in analyzing future trends.
 - e. Ms. Hanfling notes that the District looked at the idea of separating out the colleges about 7 years ago, however the result would have been a huge loss regarding SB361.
 - a. Ms. Hanfling questioned, now that we are a Basic Aid District, would that change?
 - f. Mr. Yancey notes the need to have a better budget allocation model.

- a. Mr. Smith notes that the Draft Allocation Model is currently being vetted through the campuses and agrees to bring it back to this committee in January.
 - iv. Mr. Yancey notes the need for this committee to stay informed and engaged in order to make recommendations to the Board.
 - a. Mr. Covarrubias requests clarification around the ultimate charge of this committee.
 - b. Mr. Smith informs the committee that he will be sharing history of this committee with Dr. Budd regarding the balance and influence of this committee.
 - F. First Quarter Report Presentation to the Board – November 10, 2015
 - i. We will now share these quarterly reports to our meetings on a regular basis, as many of this meetings’ attendees do not attend the Board of Trustee meetings.
 - ii. Mr. Yancey notes the importance of the Board’s understanding of these projections.
 - iii. Mr. Smith notes that we are at risk regarding the 50% law. And that we will not know how we did until the year is over. If we do end the year at 49% we would need to take corrective action the next year.
 - iv. Mr. Crawford calls attention to a standard regarding complying with 75/25 ratio written in the Principles for Budget Development, developed in 2008.
 - v. Ms. Hanfling notes that she has suggested to the Board that they allocate funds for faculty, as if were getting the funds now.
 - G. Check Out
 - i. Mr. Crawford notes that he is looking for a budget and planning instrument for a non-credit instruction funding model.
 - ii. Ms. Garcia notes that the new Allocation Model needs to clearly state how the District determines how the funds are allocated.
 - iii. Ms. Hanfling requests reassurance that those funds generated by WFI are paying for both faculty and overhead.
 - a. Mr. Smith notes that we should table this discussion for a time when WFI is present.
- 5) Adjournment – The meeting was adjourned at 4:32pm.