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. Ms. 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.

   i. 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