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 SJECCCD 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.


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.