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 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.