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.