District Budget Committee

2016 Meeting Minutes

Click date to view
Press Home key to return to table of contents

January 29, 2016
February 11, 2016
April 7, 2016
April 28, 2016
May 19, 2016
August 25, 2016
September 22, 2016
October 27, 2016
November 10, 2016
December 8, 2016
DISTRICT BUDGET COMMITTEE

January 29, 2016 Meeting Minutes

Present: Linda Wilczewski, Jorge Escobar, Mark Gonzales, Lauren McKee, Barbara Hanfling, Mark Newton, Robert Brown, Eric Narveson, Jesus Covarrubias, Dan Hawkins, Carlos Marques, Yesenia Ramirez

Absent: Fabio Gonzalez, Arthur Azevedo, Bruce Geer

Also Present: Chancellor Budd, Kathy Tran, Hoa Pham, John Ives, Fareha Bakre, Lan Bui, Sherri Brusseau, Peter Fitzsimmons, Doug Smith, Reema Kumar

1) Call to Order – The meeting was called to order at 3:32pm

2) Approval of Agenda — Motion to approve by Mark Newton, second motion by Lauren McKee

3) Approval of December 10, 2015 Meeting Minutes -- Motion to approve by Lauren McKee, second motion by Dan Hawkins

4) FY2015-16 2nd Quarter Budget Report
   a) Budget Assumptions
      • Governor proposed for next year a .47% COLA. Our previous assumption was 1.6%. Due to the reduction in FY16/17, we have reduced the assumptions for FY17/18 to 1.35% and for FY18/19 to 1.75%
      • Change to property tax from 3.38% to 3.96% based upon the latest information from the County. The next update will be received February 10, 2016.
      • Non-Resident Tuition Fee—For FY16/17 the Board approved a fee increase from $200 to $211 per semester unit, which is the minimum per the Education Code. We carried the same fee amount into the out years.
   b) Expenditures
      • BlueCross –Peter—1st Quarter it was at 11%, however we received preliminary information that it will increase significantly for FY16-17 based upon prior year experience. Conservatively we are estimating 25%. We should know the actual number by the end of March / beginning of April.
      • Cadillac Tax—Assumptions changed for FY17/18 and FY 18/19. We were under the assumption we would need to pay $891,505 in FY17/18 and pay $1,789,012 in FY18/19. The Cadillac Tax would take effect January 2018, however that has been pushed out two years by the Federal Government.
   c) Fund 10 Workforce Institute (Current Year + 3 Out Years)
• Already in the budget to receive an inter-fund transfer of $0.5M to ensure an ending fund balance of $0 for this fiscal year. It has since been converted to an actual ongoing appropriation due to a more favorable outlook associated with the receipt of additional revenue in the form of indirect from the receipt of new grants. This ongoing appropriation is for non-credit adult education.
  ➢ Ms. Hanfling—shared her concern on the representation of the possibility of full-time faculty working for the Workforce Institute. Vice Chancellor Coen explained the fund was put there to build the pathway for launching the adult education program. Vice Chancellor Coen explained it would be noncredit adult education and the faculty would be represented by Workforce Institute, and supervised by the Union.
• Workforce Institute is anticipating spending $234,000 of the $0.5m in FY16/17.

d) Milpitas 21st Century Joint-Use Facility (Current Year + 3 Out Years)
• Board changed the named to “San Jose Evergreen College Extension.” No change to budget 1st quarter. The site is anticipated coming online in the Fall of 2016.

e) Fund 10 EVC (Current Year + 3 Out Years)
• Projecting to bring in $3.6M in FY15/16 primarily due to tuition and registration fees.
• On the expenditure side EVC is projected to spend $37M in FY15/16.
• The FY16/17 expenditure budget is estimated at $37.9M.
• In FY17/18 expenditure budget is estimated to increase 2% to $38.6M.
• In FY18/19 expenditure budget is estimated to increase 2% to $39.5M.

f) Fund 10 SJCC (Current Year + 3 Out Years)
• Projecting to bring in $4M in FY15/16.
• On the expenditure side SJCC is projected to spend $37.2M in FY15/16.
• The FY16/17 expenditure budget is estimated at $37.3M.
• FY17/18 expenditure budget is estimated to increase 2% to $38.2M
• FY18/19 expenditure budget is estimated to increase 2% to $39M.
  ➢ There was an inquiry if the estimator is always a 2% increase? Mr. Fitzsimmons explained that estimations are based upon assumptions that were reviewed earlier.

g) Fund 10 District Office (Current Year + 3 Out Years)
• Projected revenues of $165,000 are a result of the anticipated transfer-in from Fund 15 to offset the parking costs at the District Office.
• On the expenditure side DO is projected to spend $13.8M in FY15/16.
• The FY16/17 expenditure budget is estimated at $15.5M.
• FY 17/18 expenditure budget is estimated to increase 1% to $15.7M.
• FY18/19 expenditure budget is estimated to increase 3% to $16.2M. This is partially due to the cost associated with the biennial election of trustees.
• Mr. Hawkins inquired on the tenants lease status. Mr. Smith informed Mr. Hawkins the attorneys are month to month and they have no plans to leave. Mr. Smith is in contact with RMW Architecture, and they are interested in renewing. He noted Univision has a sixty day out clause.

h) Fund 10 District Wide (Current Year + 3 Out Years)
• FY15/16 revenue projected at $93.8M in FY15-16.
• FY16/17 estimates revenue at $90.3M.
  ➢ Mr. Fitzsimmons explained that the reduction primarily stems from the reduction of “one-time money” provided by the State.
• FY17/18 estimates revenue at $92.3M primarily as a result of an assumption of an increase of 3.5% in property taxes.
• FY18/19 estimates revenue at $94.8M primarily as a result of an assumption of an increase of 3.5% in property taxes. It was noted that Proposition 30 sunsets in FY18/19.
• There was a discussion regarding what is included in the Districtwide expenditures, which are fairly consistent at around $10.5M. These expenditures include items that are provided across the district such as utilities, insurances, ERP costs, etc.

i) Summary of Fund 10 Consolidated (Current Year + 3 Out Years)
• FY15/16 anticipating recognizing $101M in General Fund revenues and anticipating spending $98.6M. We are anticipating adding $3M to our ending fund balance projected to end at $15.6M or 15.88%.
• FY16/17 we are anticipating recognizing $98M in General Fund revenues and expending $102.6M. We are anticipating drawing $4.5M from fund balance bring the ending fund balance to $11.2M or 10.88%.
• FY17/18 we are anticipating recognizing $100.2M in General Fund revenues and expending $104.4M. We are anticipating drawing $4.2M from fund balance bringing the ending fund balance to $6.9M or 6.64%.
• FY18/19 we are anticipating recognizing $102.7M in General Fund revenues and expending $106.7M. We are anticipating drawing $4M from fund balance bringing the ending fund balance to 2.75%.

j) Fund 10 (Current Year) Adopted Budget, Revised Budget, Actuals, and Projections
• Workforce Institute—is projecting to spend $234,073 and end in the black by $268,437.
  ➢ Mrs. Hanfling shared her concern on the possibility of full-time faculty working. She informed the participants of the meeting that representation of full-time faculty is not in the Union contract, and if Workforce Institute adopts adding on full-time faculty that will be a negotiable item. Mr. Smith
acknowledged Mrs. Hanfling’s concerns and understood it as a pending item to be discussed.

- Mr. Covarrubias asked for clarification on District Wide vs. District Office. Mr. Fitzsimmons explained the difference is in the service such as datatel & utilities. They serve District Wide, and not just the District Office. Mr. Covarrubias explained that it is important to clarify the lineations, because it speaks to a larger issue on district budget allocation. Mr. Smith acknowledged Mr. Covarrubias’s concern.

- Mr. Yancey voiced his concern on the certificated faculty. He voiced that it should not be on the budget until the details are worked out, and the item is negotiated. Mr. Smith acknowledged Mr. Yancey’s concern and it is a discussion that will be carried out at another venue.

- San Jose Evergreen College Extension—Currently there are no expenditures or budget. There is an on-going $750,000 placeholder budget beginning in FY16/17.
  - Dr. Breland commented that discussions have already been held with the Milpitas Unified School District and the budget is looking closer to the 1M mark
  - Mr. Newton asked if the Milpitas budget is going to be a separate budget item. Mr. Fitzsimmons replied that it will be stand-alone because it is joint-use between the District Office and Milpitas and the District will need to capture costs that are to be reconciled and divided between the two organizations.

- EVC—Revenues are projected at $3.5M or 107% of anticipated revenues. On the expenditure side EVC has spent 18.3M or 49% of their budget, and are projecting to spend a little over $37M this year while ending in the black by $45K.

- SJCC—Revenues are projected at $4M or 99% of their anticipated revenues. On the expenditure side SJCC has spent $18.8M or 51% of their budget, and are projecting to spend $37.3M while ending in the red by $725K.
  - Mr. Escobar commented that there is very strong facility rentals activity at SJCC. He stated he will have a better indication of the budget after the 3rd quarter and backfilling hires.

- District Office—DO have spent $6.5M or 43% of their budget. The DO projects to spend $13.8M while ending in the black by $1.2M primarily associated with the salary savings due to vacancies at the DO.

- District-wide—Through December 31, 2016 $38.7M or 41% of anticipated revenues have been recognized. Projections indicate revenues ending at $93.8M or $242K more than the budget. On the expenditure side District-wide expenses are at $3.7M or 35% of the budget. The projection is $10.3M or 96% while ending in the black by almost $450K.
Ms. McKee inquired if there is any revenue being received from the bookstore. Mr. Fitzsimmons explained the revenue is accumulated based on commission sales, and is recognized as District-wide revenues estimated to be around $350K.

k) Fund 11 (Parking Fund)
   • Parking fund revenues are at $288K or 47% of anticipated revenues. Expenditures are at $347K or 37% of the budget with a projection of $820K, which will require an augmentation from Fund 10 of $178K to keep the fund from ending in the red.

l) Fund 12 (Financial Stabilization Fund)
   • Currently there is no activity.
     • Mr. Smith proposed after the books close, and after a good year we start to contribute towards this fund. Ms. Hanfling expressed her concern on ensuring looking at all three years before taking a step in that direction. Mr. Smith acknowledged Ms. Hanfling’s concern. Mr. Yancey voiced his concern on “one-time money” being part of the consideration for this fund. Mr. Smith acknowledged Mr. Yancey’s concern.

m) Fund 15 (Facility Rentals)
   • District Office—Funds accumulates based upon revenues from the three tenants at the DO. The expenditures support these tenants, anticipating $165K transferring to Fund 10 to offset parking associated with the DO.
   • SJCC—First six months of the fiscal year recognized 42% of anticipated revenues or $253K. Projecting to recognize at budget or $596K. SJCC has spent $36K supporting these activities and is anticipating spending $442K and transferring $336K to the Unrestricted General Fund. Projected ending with a fund balance of $103K.
   • EVC—Recognized $55K in the first six months or 42% of anticipated revenues with expenditures of $51K EVC is projecting to spend $227,000 including a transfer to the Unrestricted General Fund in the amount of $90K; thereby, ending with a fund balance of $47K.

n) Fund 16 (Workforce Institute)
   • Recognized $294K or 12% of anticipated revenues, and has spent $654K or 33% of the budget.

o) Fund 17 (Categorical and Grants)
   a. Mr. Fitzsimmons highlighted the programs that are projected to require augmentation by the Unrestricted General Fund and recommended to the
committee to review the pages that list all the programs in great detail at their leisure.

p) Fund 18 (Health Services)
   • SJCC—Recognized 63% of anticipated revenues or $197K while spending 140K or 44% of anticipated expenditures. SJCC is anticipating having to transfer $14K to end with a $0 fund balance.
   • EVC—Recognized $259K or 85% of anticipated revenues. EVC is anticipating ending with a fund balance of $11K.

q) Capital Projects and Bond Funds
   • Measure G 04 Series B—$1.9M spent in the first six months. Projections are that this series will be fully spent by June 30, 2016.
   • Measure G 04 Series C—$3.5M spent in the first six months. Assuming current projections stand, there will still be about $19M to spend before Measure G 04 is retired.
   • Fund 36—This fund is for non-bond capital improvements and includes State revenue associated with Prop 39 – the Clean Energy Act. Estimated to end the year with a $3.2M fund balance.
   • Measure G 10 Series B—Endowment of $20M. We are estimating to have $21.5M at year-end. This is revenue we will not be touched for a couple more years.
     ➢ There was a question regarding if these funds are allocated. Mr. Fitzsimmons confirmed that they are allocated for projects, specifically technology and scheduled maintenance projects associated with the Bond.
   • Measure G 10 Series C—The most active bond series currently with expenditures of $31M in first six months of the year.
   • Measure G 10 Series D—this will conclude Measure G 2010 and we anticipate selling these bonds later this fiscal year.

Special Revenue Funds
   • Cafeteria Fund—Estimating a $59K ending fund balance.
   • Child Development Fund—(SJCC) This fund is a primarily a pass-through. Money comes in from State to SJCC and funds the contract with Estrella Family Services.

Internal Service Fund
   • Fund 61 is a pass-through account for accounting purposes associated with dental and vision benefits.

Fiduciary Funds
- Financial Aid Fund
  - SJCC—Issued $4.2M to students in the first six months.
  - EVC—Issued $6.5M in the first six months.
- Scholarships
  - SJCC disbursed $101K
  - EVC disbursed $92K

OPEB-Related Funds

OpeB Trust Fund—projecting an ending fund balance of $45.8M. Revenues are below anticipated due to market fluctuations; however, as of June 30, 2015 per the actuarial study the fund is over-funded by $7.5M or funded at a level of 119%.

- Retiree Benefit Fund—First six months cost of retiree benefits was $1.8M. The projection for the year is $3.6M, which is less than the cost of the debt service associated with the bonds that funded the trust.

❖ Chancellor Budd recognized issues regarding part-time faculty salaries, and data driven decisions. She has been working with the research office to look into Mr. Smith’s and Mr. Fitzsimmons’s outlook on productivity. Chancellor Budd stated, “The key is as a basic aid district to ensure that we are serving our community and offering classes so students can complete a program of study and go into the workforce or transfer.”

5) Reschedule of February 25th Meeting Date
   - After group discussion the new meeting date is February 11th from 3pm-5pm

6) Adjournment
   - The meeting was adjourned at 5:07pm
DISTRICT BUDGET COMMITTEE

February 11, 2016 Meeting Minutes

Present: Lauren McKe, Barbara Hanfling, Robert Brown, Jesus Covarrubias, Dan Hawkins, Yesenia Ramirez Fabio Gonzalez, Arthur Azevedo, Bruce Geer,

Absent: Mark Gonzales, Mark Newton, Eric Narveson, Carlos Marques

Also Present: Chancellor Budd, Kathy Tran, Hoa Pham, John Ives, Fareha Bakre, Peter Fitzsimmons, Doug Smith, Reema Kumar, Bryon Breland, Carol Coen, Linda Wilczewski, Jorge Escobar, David Yancey

1) Call to Order — The meeting was called to order at 3:16pm

2) Approval of Agenda — Motion to approve by Bruce Geer, second motion by Dan Hawkins

3) Approval of January 29, 2016 Meeting Minutes -- Motion to approve by Dan Hawkins, second motion by Bruce Geer

4) Budget Study Session Presentation by Vice Chancellor Smith

A. Ms. Hanfling notes there is always “one-time” money that comes from the state, and the District is not budgeting the “one-time” money. Mr. Fitzsimmons explains FY 16/17 does assume about $800,000 in “one-time” money based upon the Governor’s proposal. Mr. Smith notes that the District does not know the exact amount being allocated by the state yet. He notes that the District is 95% driven by property taxes. The District participates in the state categorical, and a few other programs.

B. Ms. McKee inquires if there are any projections being done on the Adult Ed programs. Mr. Smith notes that the District is working hard in adding to the international programs. He states there has been an agreement that has been worked out with the colleges that allows 75% of new money that’s generated from international fees will go to the colleges to enhance their international programs.

C. Mr. Smith notes that the process of getting the “one-time” money includes the Governor’s proposal, review by the Legislative Analyst’s Office, and the May Revise. He notes that the final number is provided in June or July. He states based upon the trends the state level is improving.

- Mr. Covarrubias states that it contradicts what Mr. Smith is saying regarding the trends of the state. Mr. Smith notes for the out-years in FY 16/17, FY 17/18, and FY 18/19 that is where we assume 3.5% as our property tax new money. Mr. Smith states he is reporting on the basis of assumptions.
Mr. Yancey states Mr. Smith did not include the potential for the “one-time” money. Mr. Smith states it is included for the FY 16/17.

D. Infrastructural Balance/ Imbalance Slide
- Mr. Smith notes in this slide that he removed the “one-time” money received this fiscal year. This slide speaks to the District’s infrastructural problem.
  - Ms. Hanfling requests to pull this slide. Mr. Covarrubias agrees to pull the slide.
  - Mr. Covarrubias states part of this meeting is to get input from the group. He inquires on the structure of the meeting group. Mr. Smith notes that this is a vetting process. It is his job to report to the Trustees what the constituents feel and express. He notes that during his presentation he will present with full comment. He notes that infrastructural imbalance is a big deal. He notes the trends are not like they have been the last couple of years. Mr. Hawkins states CSEA concurs with AFT and the Academic Senate about removing the slide.
  - Mr. Gonzalez states he respects Mr. Smith’s opinion and requests for the slide to not be in the presentation. Mr. Smith states he will take it as advice. If he presents it, it will be with full comment.
  - Mr. Brown notes it is just this one year that makes a big difference. He states the rest of the years the trends are pretty much the same. Mr. Smith states that the “one-time” money skews the numbers. He states he is trying to extract that and display the infrastructural imbalance.
  - Mr. Covarrubias notes that the group really falls prey to presenting a false illusion on a sense of consensus. Mr. Smith notes he will carry it as such.
  - Ms. Hanfling states as a thought to include 4% in the out years if Mr. Smith is going to include the 5% and 6%.

E. Property Tax Change History Slide
- Ms. Hanfling requested a word change. Mr. Hawkins suggested the word “current” to “third data point.”
- Chancellor Budd stated she has been working with the Office of Institutional Research to help get data out there regarding the drop in FTES.

F. Basic Data Points Slide
- Mr. Hawkins states there should be a word change from “Bargaining Groups” to “Bargain Groups including Executive Staff.” Mr. Smith notes the change.
- Ms. Hanfling notes as a thought for the future it is important for the Board to see where we are in terms of the 75% rule. Mr. Smith agrees to Ms. Hanfling’s request.

G. Comparison between Property Tax and Benefits Cost Slide
Mr. Hawkins suggests word change to “new Benefit costs.” The title is not showing it’s inclusive. He states the Board considers benefits as just health and welfare. Mr. Smith states he will characterize the slide differently to pick up those comments.

Ms. Hanfling states the Property Tax figure is much more actual than the figure on the Benefit Cost figure. She states the comparison is not accurate. Mr. Fitzsimmons states the column on the right is a projection. The dollar amount on benefit figure is a projection of where the District thinks it is going to be on June 30th, so that is not an absolute number. The property tax column is a point in time. He states it is the latest data point the District has received from the County, and the District will receive two additional data points between now and June 30th. He states in essence both of them will probably change.

Mr. Gonzalez states he does not agree with this slide.

- Mr. Covarrubias inquires to the purpose of this slide. Mr. Smith informs Mr. Covarrubias that the slide represents new on-going money and on-going revenue. Mr. Smith states it is the story of total compensation. The flipping of the calendar from June 30th to July 1st result in all these new costs. He stated he is trying to compare new revenue that’s ongoing and new cost that’s ongoing. Mr. Covarrubias states the issue he has is that the left column is a point in time. He would like that reflected on the slide. Mr. Smith says he can emphasize it for the vetting.
- Mr. Gonzalez requests to remove the slide. Mr. Smith states this is a very strong slide. It shows total new dollars, total new costs. This is the cost of doing business.

H. Budget Principals Slide

- Ms. Hanfling states there is nothing in the principals to bring money to the colleges.
- Mr. Gonzalez requested to allow the colleges to be autonomous allow them to be funded through a Resource Allocation formula. Mr. Covarrubias agrees with Mr. Gonzalez’s statement. Mr. Smith shared that a new District Allocation Formula will be developed.
- Ms. McKee shared her concern with the colleges presenting the same courses every year. She shared her view on investing into different programs that would allow the colleges to grow.
- Mr. Yancey requested to take 50% of the “one-time” money lingo presented in the principals and to place a fixed amount. Mr. Smith noted “not to exceed $500K.”
- Mr. Covarrubias states that the District speaks on being student centered and student focused. He expressed the colleges need to get the attention and for the District to do more outreach. He shared his concern on creating a master plan with regards to enrollment management.
- Mr. Gonzalez stated he would prefer the colleges have stabilization funds so they have full control of their funds. Mr. Smith states the colleges should have autonomy within their working budgets. Mr. Covarrubias stated more resources should be allocated colleges.
• Dr. Breland states the presentation does not speak to student success efforts or how the colleges will grow. Dr. Breland would like to see something go into the principles that would express that. Mr. Smith states he will add Budget Allocation Model.

I. Discussion on Budget Allocation Model
• Mr. Hawkins expresses he is disappointed that at the last meeting there was no quantitative formula. Mr. Smith states it wasn’t about the ideal but what we have been doing.
• Mr. Hawkins requested information regarding percentage of distribution of funds when the three entities were formed.
• Ms. Hanfling would like to see that the Budget Allocation Model is an agenda item for the next District Budget Committee meeting.
DISTRICT BUDGET COMMITTEE

April 7, 2016 - San Jose City College

Meeting Minutes

Present: Lauren McKee, Barbara Hanfling, Robert Brown, Jesus Covarrubias, Dan Hawkins, Yesenia Ramirez, Eric Narveson, Carlos Marques

Absent: Mark Gonzales, Mark Newton, Fabio Gonzalez, Arthur Azevedo, Bruce Geer

Also Present: Chancellor Budd, John Ives, Jonathan Camacho, Peter Fitzsimmons, Doug Smith, Reema Kumar, Bryon Breland, Linda Wilczewski, Jorge Escobar, David Yancey, Kim Garcia, Phil Crawford, Henry Yong, Kishan Vujjeni

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

2) Approval of Agenda—Motion to approve by Eric Narveson, second motion by David Yancey

3) Approval of February 11, 2016 Amended Meeting Minutes -- Motion to approve by David Yancey, second motion by Barbara Hanfling

4) Budget Principles
   • Ms. Hanfling stated her concern on revisiting principle number nine. She stated they were not in total agreement at the time.

5) Property Tax Trends—Presented by Peter Fitzsimmons
   • The Property Tax Trends report was presented by Peter Fitzsimmons to illustrate the fluctuation in receipts over the past few years. Mr. Smith stated he and Peter spoke with Jacelyn Ma an Accounting Manager for the Santa Clara County Controller-Treasurer department. They meet on a quarterly basis. Mr. Smith stated that Peter is presenting the report prior to conversation with Jacelyn. Mr. Smith stated it is a friendly reminder of where we are today.

   • Mr. Covarrubias expressed his concern on data-driven numbers. He voiced a need to balance data for a student centered approach.
• Mr. Yancey questioned if the FTES numbers are accurate. Mr. Fitzsimmons explained the numbers are garnered from Datatel.
• Ms. Hanfling questioned the year-end FTEF numbers as being overstated.
• Mr. Hawkins voiced to Mr. Smith his concern on the goal of the FTEF / FTES allocation model. He is concerned on how the District Office will account into the plan which has neither. Mr. Smith stated many formulas are led by FTES / FTEF.
• Mr. Crawford questioned why the faculty are being used as a comparison group to student expenditures? Mr. Smith stated when he studied the formulas—50% of the District’s unrestricted general fund budget goes to instruction.
• Ms. McKee voiced her concern on the lack of discussion regarding new programs for the colleges to grow.
• Ms. Hanfling voiced her concern on faculty not being included in the decision making. She stated it felt very “top-down.”
• Chancellor Budd acknowledged Ms. Hanfling’s concerns. Chancellor Budd stated it is important to have classes that the students can count on once the schedule is published. The conversation was to look at the schedule going out, by no means were the instructions to cut courses. We need to structure our offerings to better serve our students to complete their educational goals.
• Mr. Crawford stated he wanted to point out it is great that the administrative team got together. He expressed part-time faculty are concerned about being laid off. He stated a need for transparency and being included in the decision-making process.
• Mr. Yancey voiced his concern on a need to work together. Chancellor Budd responded she has received the concerns
• Mr. Covarrubias expressed the need to focus on a student-centered approach he encouraged to move forward with a plan.
• Ms. Hanfling suggested integrating more time into focusing on the budget allocation model.

6) Meeting Adjourned—5:08 p.m.
DISTRICT BUDGET COMMITTEE
April 28, 2016 – 3:00 p.m. to 5:00 p.m.
EVC Library, Mishra Room

Meeting Minutes

Present: Linda Wilczewski, Jorge Escobar, Mark Gonzales, Lauren McKee, Barbara Hanfling, Mark Newton, Robert Brown, Eric Narveson, Jesus Covarrubias, Dan Hawkins, Carlos Marques, Yesenia Ramirez

Absent: Fabio Gonzalez, Arthur Azevedo, Bruce Geer

Also Present: Chancellor Budd, Kathy Tran, Hoa Pham, John Ives, Fareha Bakre, Lan Bui, Sherri Brusseau, Peter Fitzsimmons, Doug Smith, Reema Kumar

1) Call to Order – The meeting was called to order at 3:32pm

2) Approval of Agenda -- Motion to approve by Bruce Greer, second motion by Mark Newton

3) Approval of April 28, 2016 Minutes -- Motion to approve by Eric Narveson, second motion by Linda Wilczewski, Opposed by--Phil Crawford, Mark, Jesus

4) FY2015-16 3rd Quarter Budget Report
   a) Budget Assumptions
      • Inflation Factor Assumptions:
         o 2nd Quarter FY17/18 1.3% updated to 2.13%. FY18/19 1.75% updated to 2.65%.
      • Change within property tax 3.96% to 5.84%.
   b) Expenditures
      • BlueCross –Increased to 17.52%
      • Kaiser—4.72%.
      • Mr. Crawford questioned if the management salaries encompass the Chancellor, Presidents and Vice Chancellors? Mr. Fitzsimmons noted they make no assumptions for COLA until negotiations are settled, and management and executive salaries are listed.
      • Discount Factor—Mr. Fitzsimmons noted the variance is what is projected in the current year. With the discount factor applied to the budget he looked back at a five year timeframe, and found an average of 98.52% being spent of the general fund. To mitigate the ski slope we are applying the discount factor is 1.48%.
c) Fund 10 Workforce Institute 3 Year Projection  
   - Workforce has an appropriation of $502,510 and are not projecting to spend any of it. For FY16/17 the budget rolls. We are projecting they are going to spend $520,000 which is with the 1.48% discount factor.

d) San Jose-Evergreen College Extension  
   - $750,000 allocation starting in FY16/17.

e) Fund 10 EVC  
   - Projecting to bring in $3.9M primarily due to tuition and registration fees.
   - On the expenditure side EVC projected to spend $37.4M for FY15/16.
   - In FY16/17 projecting $3.9M in revenues, on the expenditure side $38.4M.
   - In FY17/18 projecting $3.9M in revenues, on the expenditure side $38.2M.
   - In FY18/19 projecting $3.9M in revenues, on the expenditure side $39M.

f) Fund 10 SJCC  
   - Collected revenues of $4.1M for FY15/16.
   - Estimated to spend $37.3M FY15/16.
   - FY16/17 Budget $4.3M; projected expenditure $37.4M.
   - FY17/18 revenues slightly over $4M; projected expenditure $38.15M.
   - FY18/19 revenues slightly over $4M; expenditure slightly over $39M.
   - Mr. Crawford questioned FY16/17 budget cuts of 1.5M salaries. Is this a result of the rapid meeting schedule? Mr. Fitzsimmons explained this is not a budget cut for FY15/16; they are estimated actuals. FY16/17 is the estimated budget and as we know historically our adjunct budget is overspent and actually we increase adjunct budget by 1%. It is actuals for this year in relation to next year’s budget.

g) Fund 10 District Office  
   - $165,000 transferred in from Fund 15.
   - Rental income from the three tenants at the District Office helps to offset the parking on 60 S. Market Street.
   - FY15/16 expenditure $14.3M.
   - FY16/17 anticipating spending $15.7M.
   - FY17/18 anticipating spending $15.7M.
   - FY18/19 anticipating spending $16.2M.

h) Fund 10 District Wide  
   - FY15/16 collection of revenue at $95.3M; expenditure $10.9M.
   - FY16/17 estimated revenue collection of $91.8M; big drop $6.2M reduction in one-time money from the state. Expenditure side $10.6M.
   - FY17/18 estimated revenue collection of $94M; expenditure of $10.5M.
   - FY18/19 estimated revenue collection near $96.5M; expenditure of $10.6M.
   - Ms. Hanfling questioned if Mr. Smith and Mr. Fitzsimmons heard anything about the May Revise. Mr. Smith stated the figure is $868,000, and is
projected for FY15/16 one-time money. He noted basic aid districts were
supposed to play in that. Mr. Smith noted he and Mr. Fitzsimmons will
be traveling to Sacramento tomorrow with the Chancellor’s office staff to
gather an update.

i) Summary of Evergreens revenue as a unit

- FY15/16 anticipating a collection of $103.4M in general fund revenues. Anticipating
  spending $99.8M. We are anticipating adding $3.6M to our ending fund balance
  projecting to end at $16.3M. We are projecting 16.3% for our ending fund balance
  June 2016.
- FY16/17 we are anticipating $100.2M in general fund revenues, and projecting to
  spend $101.8M. We are anticipating drawing out $1.6M which will drop the balance
down to $14.6M, which will leave us at a 14.37%.
- FY17/18 we are anticipating $102M in general fund revenues. The planned
  expenditure is set for $102.3M, so there is a minor draw from the fund at $14.4M
  which leaves it at 14.08% fund balance
- FY18/19 we are anticipating $104.7M in general fund revenues. We are anticipating
  spending $104.5M translating to 13.96%.
  - Mr. Crawford stated he researched the six basic aid districts. He noted San
    Mateo has resolution to make their reserves 7.5%. Mr. Smith noted we are
    right in the middle. Our policy is 7% yet our reality is 16%. We have not
    settled for our collective bargaining agreements FY15/16 so it will change.
  - Ms. Hanfling read the basic aid average which stated FY14/15 is 21.9% ours
    was 12.9% and the Bay 10 average 19.8% state was 17.6%.
    Mr. Newton noted we are comparing apples and oranges. He noted those
    colleges have enormous retiree debts. Mr. Smith acknowledged the
    comparison and stated we have solved the problem at our district.
  - Mr. Covarrubias questioned Mr. Smith as to why he makes the comparison
    knowingly.
  - Mr. Newton questioned the discount factor of 1.5% and if it changes the
    percentage of the reserve.
  - Mr. Smith noted it changes our projection, it makes it more favorable. It
    trues it more closely to what is done historically.

j) Adopted, Revised Budget, Expenditures

- Workforce Institute—they are estimating not to spend any of their allocation.
- Milpitas Extension—at this point there is not expenditure, and no budget. They have
  $750,000 as a placeholder for next year. Mr. Smith noted Mr. Breland and Mr.
  Escobar are looking into the financial need to run the Milpitas center. Mr. Escobar
  noted an4 estimation of $1.25M the first year.
- EVC—through March 31st they recognized $3.8M in revenues are at 114% of the
  revised budget. On the expenditure side they spent $28.36M or 76% of their
  budget. They are projecting $3.9M in revenues and to spend $37.4M this year.
• SJCC—recognized $3.9M or 97% of their anticipated revenues. They are anticipating a little over $4.1M. On the expenditure side they spent $29M or 79% of their budget. They are anticipating spending $37.3M which is $681,000 over their budget.
• District Office—DO has spent $10.1M or 67% of their budget projecting to spend $14.1M. Ending in a savings of $875,000.
• District wide—we recognized $62M in revenues which is 66% of the budget. On the expenditure side our expenses are shy of $6.2M or 57% of the budget. Our estimate for the district-wide revenues $95.3M. Spending just shy of $11M slight over expenditure of $115,000 over budget.

Consolidated—As an organization we have recognized $69.7M which is 69% of the budget we are projecting at the end of the year $135.4M on the expenditure side as $73.6M which is 73% of the budget we are projecting to spend $99.8M or $600,000 less than our budget.

k) Fund 11
• Parking Fund Revenue—Parking fund revenues are at 48%. Mr. Fitzsimmons noted EVC had a lot of construction this year. Our enrollments going down so that is a big driver. Assuming that the eco-pass passes that may have an effect on the parking fund.
• Mr. Smith stated our parking lots have diminished in terms of quality even our meters and our machines are out of service a lot. He noted it is really a problematic area.
• We are projecting $138,000 by June 30th and spent $735,000 to get this fund to 0 it will require augmentation from the general fund of $138,000.
  o Mr. Newton questioned if the district has any financial responsibility to pay for parking. Mr. Fitzsimmons stated no.
  o Mr. Crawford questioned if the district has any revenue from parking citations. Mr. Fitzsimmons stated parking citations are fund 10 revenues.
  o Mr. Crawford question if the District plans to use parking meters at Milpitas?
  o Mr. Escobar noted there are currently ninety-seven parking spaces at Milpitas. It will be big deficit on parking. He noted the need to have a parking sticker. He stated when the students are cited we are actually taking funds away from the students. It is a revenue source, but at the same time it affects the students.

l) Fund 12
• Financial Stabilization Fund—we are projecting at year end to cap at $500,000 into that fund.

m) Fund 15 (Facility Rentals)
• District Office—Fund accumulates based on three tenants. Recognized 94% of revenues, projecting $244,000. On the expenditure side we have spent 9% of the budget so that is direct support of those tenants. We are projecting $205,000 that is the $165,000 transferring to Fund 10 to offset parking.
• SJCC—First nine months recognized $187,000 in revenues or 82% of their budget. Projecting almost $600,000 in facility rental revenues. On the expenditure side they have spent $163,000 projecting to spend $278,000 ending the year with $583,000.
• EVC—Recognized $115,000 in revenues 88% projecting to end the year with $140,000 on the expenditure side. They have spent $65,000 or 24% and projecting $185,000 ending the year with $129,000 ending fund balance.

n) Fund 16
• Workforce Institute recognized over $1M or 43% of their budget, and spent just over $1M or 51% of their anticipated budget. They are estimating revenues of $1.5M and expending $1.5M ending with a 0 fund balance.
  o Mr. Newton questioned the income which is just over $1M at 43%, and the expenditures at 52%? Mr. Fitzsimmons noted it is comparing revenue budget to revenue actuals and expenditure budget to expenditure actuals. You will see that the revenue budget is different from the expenditure budget.

o) Fund 18 Health Services
• SJCC—Recognized $282,000 or 89% of their budget. On the expenditure side 67% or $212,000. Projecting to spend $282,000 very shy fund balance of $5,000.
• EVC—Recognized $298,000 in revenues 85% of their budget. They are projecting just shy of $300,000 this year. On the expense side $192,000 or 55% of their budget projecting to spend $255,000 ending with $42,000.
  o Ms. Hanfling—This is a student service fund; it is for our students there should be no ending reserve. Ending with $42,000 is a lot of money. Meaning the adjunct budget is not being spent. This is not where we want a healthy ending fund balance. The students need it. This is not about having an ending reserve.
  o Ms. Wilczewski—I believe the plan is to bring an RN next year and that is why they are trying to shore up this fund balance going into the next fiscal year.
  o Ms. Hanfling—There should be enough money to have an RN for 4-5 hours, or 10 hours a week.

p) Capital Projects and Bond Funds
• Measure G 04 Series D-- we spent 4.4M of our last series D dollars
• Fund 36—the first nine months we recognized 500,000 in revenues or 54% of the budget. We spent 472,000 or 11% of the budget. We are projecting 1.25M in revenues 637,000 ending with a fund balance of 3.4M.
• Fund 42 Series B—we are estimating to have $21.5M. This is revenue we will not touch for a couple of years.
  o Mr. Crawford questioned if the district spends on electric vehicle charge stations? Mr. Fitzsimmons noted there are a lot of active reporting requirements.
• Measure G 2010 Series C—Active bond series, spent $47M.
• Fund 72—(SJCC) This fund is a pass through. Money comes in from state to City College.
• Financial Aid Fund
  o SJCC—Issued $8M to students in the first 9 months. Projecting to award $10.4M this year.
  o EVC—Issued $12.5M in financial aid in the first 9 months, and are projecting to award $14.5M this year.
• Scholarships
  o SJCC $172,000 this year.
  o EVC $134,000 this year.
• OpeB Trust Fund—projecting to end at fund balance $44.4M.
• Fund 81—Anticipating spending $3.7M this year for retired benefits.

5) Adjournment

• The meeting was adjourned at 5:07pm
DISTRICT BUDGET COMMITTEE
Meeting Minutes
May 19, 2016 – San Jose City College

Present: Barbara Hanfling, Linda Wilczewski, Yesenia Ramirez, Dan Hawkins, Jonathan Camacho, Mark Newton, Peter Fitzsimmons, Bruce Geer, and Doug Smith

Absent: Jorge Escobar, Mark Gonzales, Lauren McKee, Robert Brown, Eric Narveson, Jesus Covarrubias, Fabio Gonzalez, Carlos Marques, and Arthur Azevedo

Also Present: Reema Kumar, Roy Stutzman, Phil Crawford, John Ives, David Yancey, Hoa Pham, Kathy Tran, Faustino Villa, and Carol Coen

Introduction: Doug Smith introduced Roy Stutzman. Roy is a consultant hired by the District to listen to all our voices, observe us, and help with our resource allocation model. He is a past president of ACBO and a retired Vice Chancellor of Administrative Services from Chabot/Las Positas. Roy is attending the District Budget Committee as an observer and will share his experiences later.

1) Call to Order – the meeting was called to order at 2:09 p.m.

2) Approval of Agenda A motion to approve the agenda was made by Bruce Geer, Barbara Hanfling seconded the motion. All approved and the motion was carried. The agenda was approved as submitted.

3) Approval of 4/28/16 Minutes – A motion was made to approve the minutes from the April 28, 2016 meeting. Dan Hawkins seconded the motion. All approved and the motion carried.

Any additions/corrections: Phil was present, representing Fabio.

4) Credit Ratings – The last series of bonds were issued for Measure G 2010. Moody's and Standards and Poors issued credit ratings that become foundational and is an external review for investors interested in purchasing the bonds. The ratings received are one of the highest in CA among community colleges. Our excellent credit rating, our status as a basic aid district, and the bond market helped us to sell the $58M worth of bonds at record low interest rates. Bonds were sold at a 1:1.39 ratio, which means that for every dollar borrowed the taxpayer will pay $1.39.

5) Property Tax Slide - Doug reviewed the slide regarding property taxes as requested by Jesus. Mark requested that a trend line be added to the slide. Kathy made note of the request and will attempt to incorporate a trend line into the slide.

6) May Revise - We are basic aid funded so there is very little “in play” for us. The May Revise discusses a reduction to the COLA of zero. Will we participate in one-time money in the form of reimbursements for the Mandated-cost program. In January we estimated that our receipts would be $650K. We have revised our estimate to $942K; however, the final number won’t be known until July.

There are three additional items in the May revise that will impact us:

a) There are two items under facilities: a $70.1M system-wide decrease for the Deferred Maintenance and Instructional Equipment program and a $4.1M system-wide increase for Proposition 39 Clean Energy Efficiency programs. These will have a net negative impact on our restricted budgets.

b) A $5M system-wide increase to support the Adult Education Block Grant program, which will have a positive impact on our restricted budgets.

This is mostly good news, with the exception of the facility items.
7) **Tentative Budget** - Peter reviewed the tentative budget and advised that the document is still being fine-tuned but shouldn't change significantly. Highlights of the review are:

Page 137 – Peter highlighted the change from the 3rd Quarter Budget Report. FY15-16 Property Tax growth increased from 5.84% to 6.32%. FY16-17 COLA was at .47%; however, is now 0% per the May Revision. This does not impact us financially since we are a basic aid district.

Page 139 - Health and Welfare Benefits for FY17-18 and FY18-19 we are now predicting an increase of 15% to Blue Cross, at 3rd Quarter we were projecting 11%. The FY16-17 rate for PERS is 13.89% for FY15-16. We are projecting 15.5% for FY17-18 and 17.10% for FY18-19.

Phil questioned the STRS benefit rate for part-time/adjunct employees. Peter explained that the STRS rate in the assumptions is for permanent positions. Hourly employees are not tied to position control and those budgets are developed at the college level.

We are not assuming any negotiated settlements this year as none have been settled or approved.

Barbara requested that FA be changed to AFT on Pages 141, 142, and 143.

Unrestricted General Fund 10 – Unlike the quarterly reports, the tentative budget lists every object code that has activity.

Page 17 - Workforce Institute - WFI is not planning on spending their allocation due to the non-credit instruction component not yet beginning so unspent discretionary budgets will carry over to next year.

Page 16 - San Jose Evergreen College Extension (Milpitas) - The FY16-17 Tentative Budget is $750k to support the operation.

Page 15 – EVC - Estimated totals for FY15-16 are $37.1M, budget for FY16-17 is $38.9M with $900k projected to carryover from this year. FY17-18 estimated budget is $38.8M and for FY18-19 is $39.7M.

Page 16 - SJCC - Estimated to spend $37.2M for FY15-16, budget for FY16-17 is $37.4 and SJCC is not projecting to carry over any unspent discretionary from this year to next year. The estimated budget for FY17-18 is $38.3M and the estimated budget for FY18-19 is $39.2M.

Page 9 - DS - District Services is anticipating spending slightly under $14M, $15.9M tentative for FY16-17, FY17-18 is flat and FY18-19 is estimated at $16.5M. Barbara asked where the extra $2M is for the DO budget between this year and next year. Peter reminded the committee that the FY15-16 number is projected actual expenses and not budget. The difference between estimated expenditures this year and next year’s budget is primarily associated with $150k allocated for the Board of Trustees elections and the rest is for salaries and benefits for positions.

Page 7 – Districtwide – The projected expenditures are just shy of $13M this year and this remains relatively flat across the next three years.

Page 2 – Consolidated Revenues – Similar to the expenditure scheme, every revenue object code is listed. Peter highlighted certain revenues. Federal revenue illustrates the MAA Funds, Mandated Costs Reimbursement sees a significant reduction between FY15-16 and FY16-17 as we project to receive $7M this year and next year we project to receive $1.4M. Peter reminded the committee that EPA Funds (Prop 30 – Object 48614) sunsets on December 2018. We are hoping there is an extension and we will update the numbers if that happens.

Page 3 - Consolidated Expenses – Peter highlighted the Employee Benefits (Objects 53xxx). For FY15-16 we are estimating to spend $11.7M on Statutory Employee Benefits but will increase to a projected $13M in FY18-19. He noted that Health and Welfare benefits are estimated at $11.7M this year and estimated to be at $18M by FY18-19. That is a significant increase to expenses. The District is looking to join a larger JPA for more purchasing power which should gleen better rates. The projections are based on trends given our current experience.

Page 5 - Ending Fund Balance – Peter reminded the committee that the estimate doesn’t factor in any negotiated settlements. The ending fund balance is calculated by starting with the beginning fund balance, adding revenues and
subtracting expenses. We are estimating to end FY15-16 with a balance of $17.4M (or 17.24% of expenditures), FY16-17 estimates an ending balance of $15.8M (or 15.15% of expenditures), FY17-18 estimates an ending balance of $15M (or 14.25% of expenditures), and FY18-19 estimates an ending balance of $14.3M (or 13.29% expenditures). These numbers will decrease if there are settlements.

Page 46 - Enrollment – Enrollment continues to decline. At P2, Resident FTES were 11,840, which is a decline of 526 FTES from the prior year. Non-resident FTES have increased from the prior year by 111.

Page 47 - Parking Fund 11 - We are anticipating the Unrestricted General Fund 10 having to augment the parking fund by $20,147. Next year may be significantly higher depending on revenues and expenses.

Page 48 – Financial Stabilization Fund 12 - We are projecting a transfer-in at the end of this year but not in the out years. We will evaluate this activity on an annual basis.

Page 49 - Facility Rental Fund 15 - We are projecting a beginning balance of $900k and bringing in almost $1M next year. Most of this is at SJCC. The institution is anticipating transferring $625,000 to the Unrestricted General Fund 10 to support operating costs.

Page 53 - Workforce Institute Fund 16 - The WFI is anticipating beginning next year with a zero fund balance and ending with a modest ending fund balance of $217,322. We are anticipating a transfer into the Unrestricted General Fund 10 in the amount of $38,351 based on the 15% operating profit agreement made a few years ago.

Page 59 - Categorical and Grant Fund 17 - The Unrestricted General Fund 10 is projected to have a beginning balance of $93,695, primarily at EVC, and having a balanced budget and ending with a zero ending fund balance for next year.

Pages 31 – 113 – Capital Project and Bond Funds – Due to time constraints, Peter quickly highlighted that the District went to market and sold the remaining $58M authorized for the Measure G 2010 Bond Program, which is accounted for in Fund 44. Cash is scheduled to be in the bank in June 2016. Peter reminded the committee that unlike the quarterly budget reports, the tentative budget is presented at the project level and that projects can cross bond funds.

Page 119 – Internal Service Fund 61 - This is a pass-through fund for self-insurance expenses.

Page 122 - Student Financial Aid Fund 48 – Peter reminded the committee that unlike the quarterly budget reports, expenses are provided by program rather than by object code in the tentative budget document.

Page 124 – Scholarship Fund 96 - Peter reminded the committee that unlike the quarterly budget reports, expenses are listed by type of scholarship as opposed to the object code “other payments to/for students”.

OPEB-Related Funds – Peter highlighted the three funds and the interaction between them:

Debt Service Funds - These reflected in the tentative and adopted budget documents and not in the quarterly budget reports. Peter noted that these funds reflect the debt associated with the bonds sold for Measures I, G-2004, and G-2010.

Page 133 - Measure I - The budget to retire the debt for FY16-17 associated with Measure I is $10.3M/

Page 134 - Measure G-2004 - The budget to retire the debt for FY16-17 associated with Measure G-2004 is $14M.

Page 135 - Measure G-2010 - The budget to retire the debt for FY16-17 associated Measure G-2010 is $11M.

Page 140 is a snapshot of all funds.
Page 147 is the historical and future projection of property taxes and how far into basic aid we are. We are estimating that we are a little over $21M into basic aid for this year.

Resource Allocation Model

Roy Stutzman was reintroduced. He explained that it is a pleasure to be working with the District on the allocation model. He has been involved with the allocation project for three weeks. The scope of his work is to make observations and recommendations to the District and the District will decide whether they adopt the recommended changes. If recommended changes are accepted by the District, then Roy will work with the District to implement the changes.

Roy brought two handouts - one is the current allocation model and the other is the allocation model principals developed in 2011, which appears to be the last time the model was looked at, which was pre-basic aid.

The question was asked, “Why review the current model?”

- Allocation model “check-up” - how is the current model working and what are the issues?
- Impact of the move from State funding to “basic aid” in 2012/2013 - While our budget is not tied to FTES, (i.e., it doesn't drive the bulk of our revenue), it is still a key component of the allocation model.
- Assure linkage between revenues and expenditures - don't spend more than you bring in.
- Fiscal Stability and accountability.
- Documentation and understanding (transparency) - Do people understand? This is important in any model.
- “Development of a new District Allocation Model” was approved by the Board of Trustees as a budget principle in 2016/2017 budget planning.
- Self-study discussion around accreditation standards III D1 and IVD3.

This is not an effort to develop a quick fix to any issues surrounding the allocation model.

Allocation principles must be simple and easy to understand, provide for financial stability, provide for an appropriate level of reserves consistent with board policy and direction, responsive to the District/College's planning process and related goals and objectives, provide means to address any current or future emphasis directed by the Governing Board, must promote efficient use of District resources, be flexible and allow for appropriate decisions to be made at the local level (i.e., centralization vs. de-centralization), allow colleges to initiate, implement and be responsible for program and service initiatives, provide transparency of District Services and District Wide expenditures in support of college operations (need to be clearly laid out), must match resources with service levels using objective standards or measures to assure equity. Workload measures or parameters need to be developed, FTES is supposed to capture the overall expenditures. The State uses FTES.

Centralization vs. De-centralization - More de-centralization is better, the colleges know more about what goes on at the college but there must be parameters because the District has the overall responsibility for running the enterprise.

Simply put and most important - is the model easily understood and is it fair? Does it treat all entities equally? This is always an issue with regards to resource allocation.

Allocation Fundamentals:

- Regardless of the allocation method used, the amount of revenue to be distributed is finite, and there is never enough to meet everyone's needs.
- Use a sound and rational formula to distribute revenue to colleges, needs to be agreed to by all.
- Need for consistent District and College enrollment management plans (even in a basic aid district).
- District wide costs and cost of providing district services shall be clearly identified and provided for in the model.
- Allocation model should a) encourage colleges to maximize revenues and provide incentives to make effective use of those resources and b) provide incentives to improve student access and provide quality improvement.
- Required District reserve will be provided for in the model.

Typical Allocation Model issues:

- Work load measures
• Timing of allocations to colleges
• Ending balances
• Reserves and accountability for over spending
• Allocation of new revenues
• Long term planning
• Collectively bargained compensation increases
• Shifting of resources between colleges
• Periodic review of the procedures-one year after implementation and a 2-3 year review
• 50% Law
• Full time faculty obligation (FON)

Accrediting Commission Standard IID1:

“Financial resources are sufficient to support student learning programs and services and improve institutional effectiveness. The distribution of resources supports the development, maintenance, allocation and reallocation, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability.”

Accreditation Commission Standard IVD3:

The district/system provides fair distribution of resources that are adequate to support the effective operations of the colleges.

Open Discussion:

Roy has spent time at each college but has not looked a lot at the expenditures. It looks like what the district currently has is a roll-over model, we don’t seem to allocate revenue, it comes down to the bottom line. You can see what the total expenditures are but not sure you can clearly see the revenue attached to the expenditures.

Jesus posed the question, “How do we enhance new or existing programs?” These are issues that come up on a regular basis. Every year we have faculty doing reviews of programs only to be told the funds are not there. Roy explained that there are base level services that need to be provided for and suggested maybe we discuss an innovation fund at either the college or district level.

Mark stated that we talk a lot about focusing on student needs but it is very hard starting at the bottom and figuring out what the students’ needs are and then translate that up to the district level. He suggested that we get an assessment of student needs and develop a budget based on that. David stated that we have the data for what the student needs are and that we need to plan the budget to fit the student needs and feels we need to have fundamental changes in our priorities. We need to spend our money funding programs we already have.

Barbara spoke to the union needs. There are pots of money in different places and this affects collective bargaining.

Jesus pointed out that from the college viewpoint there is no money for programs while the District was hiring vice chancellors.

Phil wants to know Roy’s perspective on having large reserves, he has seen it happen before where the money has been swept and spread out. Does that put us at risk? Roy stated that as a basic aid district we have more risk. If you have a drop in property taxes it could take years to recover. It took five years to get back to pre-2008 levels. There is more risk being basic aid than being an apportionment district. If basic aid went away we would go back to an apportionment district.

Chancellor Budd thinks we are fortunate to be a basic aid district and that we as a district have great financial leadership. No one else in the State is OPEB funded like we are. We need to ensure that we are offering the right program mix. We need to take the time to develop a strong allocation model. We need to set realistic targets. We can get there but we need to look at the data and be open-minded.
Phil is concerned we aren't encouraging students to come to our colleges and that we aren't in a rush to get students to come. Chancellor Budd thinks we are in a rush. The PIO position has gone to the Board. We are building high school to college pathways and need to get high school counselors in and show them the exemplary programs we have.

Per Roy, we are a small multi-college district and to achieve economies of scale is a challenge.

David feels we are rushing into the efficiency model and that we made this mistake before. We are reducing classes, students aren't getting the classes they need so they go elsewhere, but in looking for that one class somewhere else, they are taking all their other classes with them.

The meeting was adjourned at 4:10 p.m.
District Budget Committee
Meeting Minutes
August 25, 2016

Present: Doug Smith, Peter Fitzsimmons, Kathy Tran, Andrea Alexander, Jonathan Camacho, Barbara Hanfling, Eric Narveson, Fabio Gonzalez, Dan Hawkins, Arthur Azevedo, Yesenia Ramirez, Bruce Geer, Eugenio Canoy, Lauren McKee

Absent: Jorge Escobar, Paul Fong, Robert Brown, Faustino Villa

Also Present: Carol Anderson, Sherri Brusseau, Marilyn Morikang, Byron Breland, Mark Newton, Hoa Pham, Lan Bui

1. Called to order: 3:33

2. Approval of Agenda-agenda was approved as is

3. Approval of 5/19/16 minutes: A motion to approve the May 19, 2016 minutes was made by Eric Narveson and seconded by Bruce Geer. All approved and the motion carried.

4. FY 16/17 Revised Meeting Schedule- Chancellor would like District Budget Committee to be in front of District Council to lead to a higher level discussion at District Council. It was agreed that the November 10th and December 8th meetings will be moved from 1:00-3:00 to 3:00-5:00. A motion was made by Mark Newton to approve the revised DBC Schedule, seconded by Dan Hawkins. All approved and the motion carried.

5. FY 16/17 Draft Adopted Budget- This document is still being fine-tuned. We received information this morning regarding the Property Tax numbers, EVC is still balancing Fund 17 carryovers and unspent discretionary, and a correction to the VTA Eco Pass Revenue are all changes that will be reflected in the Final Adopted Budget. Peter reviewed the key data points:

   Budget Assumptions – primarily drive a lot of the numbers for this year’s budget.

   a. Page 140-Budget assumptions associated with revenues

      - We finished 15/16 with an actual Property Tax Growth of 6.57%. The 16/17 tentative budget for Property Tax Growth will be changed to 3.5%, however with information received this morning, it looks like Property Tax Growth for the 16/17 Adopted Budget is actually 5.68% and will be updated in the document. This means an increase of $2,120,032.00.
• Our tentative budget for Growth, which doesn’t impact us financially, is a 1% assumption but is now 1.01%, it won’t affect us financially but is still a change.

• Lottery was projected at $144.00 for FTES

• In 19/20 we will have to pay a Cadillac Tax, part of the Affordable Care act, which imposes a tariff (tax). If the cost of benefits exceeds the Federal Threshold we will have to pay a 40% tariff on the difference, which could be a hit of close to two million dollars. This will be reflected in the 1st quarter budget. Cadillac tax is meant to smooth the financials of the Affordable Care Act program.

b. Page 141-Expenditures
• Changes from Tentative Budget: We have been adding 1% to the adjunct each year, but at tentative we had put down 0% but 1% was built in.

• The step in column for adjunct did not change, however the number did based on COLA. Step in column was based on 14/15 snapshot. Will take another snapshot this fall and see if it’s still column 3, step 4. This information will be updated this fall.

c. Page 142-Budget Assumptions
• Actual COLA was included in the adopted. Tentative Budget had nothing in it.

• There was a correction to Board Initiatives, tentative budget had no new money and will be corrected and the Final Adopted Budget will reflect this change to 0.00.

• Discount Factor increased from 1.48% to 1.72%. For the current year and out years, we artificially inflate the slope which wasn’t a true picture as we don’t spend every dollar. This gives a more accurate picture.

• Premium increases for Blue Cross are unprecedented. Vice Chancellor Garcia is looking into alternative strategies and possibly entering into a Joint Powers Authority and join a massive pool to lower premiums. We would have more buying power if we aren’t a customer of one.
d. Page 2-Fund 10
   • This is the big picture. Report starts with 15/16 actuals, then what we are expecting for 16/17 adopted budget and the difference between the two. The report then looks out to 17/18 and 18/19.

   • Page 2 is Fund 10 revenue. Total Budget Resources are the beginning balance plus revenue. We then look at how we spent the revenue.

e. Page 5- Ending Fund 10 Balance
   • Page 5 shows our ending fund balance on June 30th, revenues minus expenses. This then begins our next FY beginning balance. Need to remember that with the Property Tax Growth increase our balances will be higher. We are expecting to end 16/17 $15,600,000 (including Property Tax Growth).

   • Pages 6 to 18 are the details at the location level.

f. Page 47-Ending Fund 10 Balance Chart
   • Peter reviewed the chart on page 47 showing the Ending Fund Balance for Fund 10. The power of the Discount Factor is shown in this chart.

g. Page 19-20 – Consolidated Revenue story between Tentative Budget and Adopted Budget
   • Consolidated Revenue Story for Fund 10. The 15/16 Actual column is the same information shown and reviewed on page 2. The difference between the 16/17 Tentative Budget and the 16/17 Adopted Budget is what were we thinking in May vs. what we are thinking now. The variance column shows the difference between Adopted and Tentative Budgets.

   • The biggest differences are FT Faculty and Part Time Office hours.

   • Page 20 shows that at Tentative we projected $120,759,027 in Total Budget Resources and at Adopted we are at $121,348,601. That number will increase by approximately two million due to Property Tax Growth.

h. Page 25- Consolidated Expenditures
   • Shows the difference between Tentative and Adopted Budgets for expenditures. There was an increase in Full Time Faculty with the creation of four new positions. Classified had a 5% expenditure increase due to their COLA increase, which was paid out in July. The bottom line is at Tentative our expenses were $107.4 million and at Adopted were $109.6 million, an overall increase of approximately two million (2%).
i. **Page 32-Districtwide**
   - In 15/16 we spent $12.5 million Districtwide. Our Tentative Budget was $12.8 million and our Adopted Budget, Districtwide is $12.5.
   - Peter noted that in 55830 (Undistributed), there is $300,000 dedicated to High Impact Programs and $68,000 is dedicated to Police Services for Turbo Data, a service used for providing Parking Passes.

j. **Page 38-San Jose City College**
   - For 15/16, SJCC spent $38.7 million. Their Tentative Budget for 16/17 was $37.9 million and their Adopted Budget is $39.8 million, a 5% increase.
   - SJCC has $1.3 million in 55820 (Undistributed Funded Programs). Marilyn explained that $500,000 of that is a one-time allocation, $390,000 was from Workforce Institute for Adult Ed (Non Credit) and approximately $370,000 is one-time carryover for sidewalk repairs that began in June and have not been completed.

k. **Page 42-Evergreen Valley College**
   - For 15/16 EVC spent $38 million. Their Tentative Budget was $39.4 million and their Adopted Budget is $40.3 million.
   - EVC has $425,326 in 57910 (Contingency), $743,902 in 55820 (Undistributed Funded Programs) and $550,047 in 55830 (Other Operating Expense).

l. **Page 43-Milpitas**
   - The Milpitas campus will be coming online soon. Their Tentative Budget was $750,000 and their Adopted Budget is $737,100.

m. **Page 45-Workforce Institute**
   - The Interim Chancellor allocated $502,510 to Workforce Institute which was reflected in their Tentative Budget. At the direction of Chancellor Budd, $406,118 was redirected back to the colleges.

n. **Page 46-Fund 10 State Categorical Programs**
   - Shows Full-Time and Part-Time Faculty categorical monies.

o. **Page 48-Total Enrollment**
   - Chancellor has set the District Enrollment target to 12,500 FTES. That is an FTES increase of 6000 for SJCC and a 6500 FTES increase for EVC. This is an 8% target for Enrollment Growth. Currently as a District our enrollment is down 5%.
p. **Page 49-Parking Fund (Fund 11)**

- The Parking Fund had to be augmented by $99,647.00. While revenue is relatively flat, expenses keep rising.

q. **Page 50-Financial Stabilization Fund (Rainy Day Fund - Fund 12)**

- Current balance for Adopted Budget is $500,000.

r. **Page 51-Student Success Enhancement Fund (Fund 14)**

- This a new fund created to capture new revenue associated with land development. The goal is to have transparency to those monies and how they are spent.
  
  - The $25,000 currently in the budget for Fund 14 was redirected from OPEB debt service which is revenue from the shopping center.
  
  - Goal is to not have these monies embedded in other funds and programs.

s. **Page 52-Facility Rentals Fund (Fund 15)**

- The beginning Fund 15 balance was $571,696. Revenue was $961,043, primarily from SJCC and expenses were $331,263. Transfers to the colleges were $393,592, leaving an ending fund balance of $807,884.

t. **Page 56-Workforce Institute (Fund 16)**

- Workforce Institute has turned the corner. They had an operating profit in 15/16. A transfer of $6383 (15% of their operating profit) was transferred to the General Fund, leaving them with an ending balance of $36,169. They are projecting a modest surplus in the future.

u. **Page 57-Grants and Categoricals (Fund 17)**

- Pages 57-78 show every Grant and Categorical at all locations. Would be good for everyone to review at a later time.

v. **Page 79-Health Services (Fund 18)**

- Beginning balance for 15-16 was $43,806. Revenue was $606,848, expenses were $542,574 leaving an ending balance of $108,079.

w. **Page 83-Capital and Bond Funds**

- Expenditures are illustrated at the project level. One project can cross multiple funds. Bond programs are very active.
x. **Page 118-Special Revenue Funds**
   - Fund 70 is the Cafeteria Fund which is not very active and Fund 72 is a pass-through account for the Child Development Center at SJCC. The center is contracted out and money is received from the state.

y. **Page 124-Student Financial Aid Fund (Fund 48)**
   - We have four Financial Aid programs and the expenses are broken down by each program.

z. **Page 127-Scholarships (Fund 96)**
   - The district issues Scholarship checks and then is reimbursed by the entity holding the money (ASB, Foundation, etc...). It is hard to track Scholarships if they are being issued from multiple locations.
   - Expenses are broken down by Scholarship type.

aa. **Page 130-OPEB-Related Funds**

bb. **Page 135-Long-Term Debt Funds**
   - Still paying down our General Obligation Bonds.

c. **Page 143 – Recap of All Fund Balances**

dd. **Budget Pooling**
   - The District is moving towards a Budget Pooling model, which would help to eliminate thousands of budget transfers.

e. **Consultants**
   - The concern was raised at to how many consultants we are hiring and how we can see it reflected in the budget. Peter is not aware of a way to identify consultants in Datatel, however they are paid from 55100. Not only consultants are paid from 55100, but it could give you a ballpark figure. It was agreed to discuss this at the next District Budget Committee meeting.

6. **FY 16/17 Final State Budget Update**
The Final State Budget update was sent to all DBC members. Peter reviewed the document and highlighted those bullets that we will benefit from as a Community Aid District. We participate fully in Categoricals and will benefit from the following:

   a. Apportionments: Bullets 4 and 5
   b. Instructional: Bullets 2, 3 and 4
   c. Workforce: Bullets 1, 2 and 3
d. Facilities: Bullets 1, 2 and 3  
e. Financial Aid and Outreach: Bullet 1  
f. Other: Bullet 1  

7. **Adjournment:** Meeting adjourned at 5:09 PM
District Budget Committee
Meeting Minutes
September 22, 2016

Present: Lauren McKee, Eugenio Canoy, Yesenia Ramirez, Jorge Escobar, Dan Hawkins, Kathy Tran, Fabio Gonzalez, Jesus Covarrubias, Jonathan Camacho, Doug Smith, Andrea Alexander, Peter Fitzsimmons, Art Azevedo, Mark Newton, Carlos Marques, Barbara Hanfling, Eric Narveson,

Absent: Robert Brown, Faustino Villa, Bruce Geer, Linda Wilczewski

Also Present: Carol Anderson, Sherri Brusseau, Keiko Kimura, Phil Crawford, Paul Fong, John Ives, Roy Stutzman, Henry Yong, William Watson, Kim Garcia, Debbie Budd, Guillermo Castilla

1. Called to order: 3:03

2. Approval of Agenda- A motion to approve the agenda was made by Eugenio Canoy, Jorge Escobard seconded the motion. All approved and the motion was carried. The agenda was approved as submitted.

3. Approval of August 25, 2016 Minutes – A motion was made by Dan Hawkins and seconded by Jonathan Camacho to approve the August 25, 2016 minutes as written. All approved and the motion was carried.

4. Establishment of Resource Allocation Model (RAM) Taskforce – The primary focus of today’s meeting is the establishment of a Resource Allocation Model (RAM) Taskforce. The Goal of the RAM Taskforce is to create a model that can then be presented to the District Budget Committee and District Council. From there, the model will be presented to the Chancellor. Roy’s goal is to have a smaller group to work on the new Resource Allocation Model. It is easier to arrange schedules with fewer people.

Roy asked Doug to review the Taskforce matrix. The matrix was created by allotting each representative group with a certain number of spots on the Taskforce. The thought was to start the discussion with an idea instead of a blank piece of paper and take it from there. The ultimate objective is to reach a balance that is representative of the District Budget Committee and leads to a recommendation to the Chancellor. It was stated that the SJCC Academic Senate doesn’t always agree with their representative and may not agree with the recommended model. Taskforce needs to be a small, workable group.
Doug asked President Yong and Vice President Escobar to seek student representation on the Taskforce.

5. **RAM Taskforce Goals**

   a. The goal of the Taskforce is to come to agreement on an adjustment to the current Allocation Model or create a new model. If no consensus is reached in creating a new model, Roy will make a recommendation to the Chancellor, but he is hoping the process will yield a result that all the constituency groups can agree on. The process should be easily understood by people and the colleges can predict year-to-year what their monies will be and they can better plan.

   b. Members of the Taskforce need to be willing to dedicate time for meetings as well as time to review models from other districts on their own time. The Taskforce needs to be a priority. The question was asked as to what the “fire” is to create a new Resource Allocation Model. We are demonstrating to the Accreditation Team that we are serious about creating a new model and that it is a priority. Doug’s hope is that next year’s budget is built using the new Resource Allocation Model.

   c. The Taskforce will meet bi-monthly through December. The Taskforce needs to meet often so that momentum remains. MSCC would like to see the Taskforce work complete by the 1st week in December.

   d. The following schedule was agreed upon:

   ```
   9/30/16 @ EVC  
   10/7/16 @ SJCC  
   10/21/16 @ SJCC  
   10/28/16 @ EVC  
   11/18/16 @ SJCC  
   12/2/16 @ EVC  
   12/9/16 @ SJCC  
   ```

   We will re-evaluate the schedule in November and decide on our spring calendar. Anyone planning to participate in the RAM Taskforce needs to review the materials and be ready to discuss concepts at the 1st Taskforce meeting on September 30th.

6. Meeting adjourned at 4:59 P.M.
1) Call to Order – The meeting was called to order at 3:12 p.m.

2) Approval of Agenda – The agenda was approved as submitted. Motion to approve: Dan Hawkins/Second to approve: Eugenio Canoy/P; Ayes-15, Opposed-0, Abstentions-1, Absent- 6

3) Approval of September 22, 2016 Meeting Minutes – Motion to approve: Barbara Hanfling/Second to approve: Danny Hawkins /P; Ayes 15-, Opposed-, Abstentions-1, Absent- 6

4) DRAFT FY2016/2017 First Quarter Report

Mr. Fitzsimmons noted various items reviewing the quarterly report, including the following:

- Assumptions
  i) The assumption for the inflation factor has been reduced in FY2017-18 to 1.11%, in FY18-19 to 2.42%, and in FY19-20 a new assumption of 2.67%.

  ii) Mr. Escobar questioned if the Transportation Fee (Eco-Pass) is represented here. Mr. Fitzsimmons clarifies that the District acts as a pass-through for the Eco-Pass revenue to the college, and notes that the fee amount can be added to the assumption page.

  iii) Fiscal Services plans to revisit the median cost of an adjunct this year by determining the median step/column of adjunct faculty, as well as review the value of a vacant full-time faculty member by ascertaining the step/column where most full-time faculty are historically hired as the last time this analysis was done was two years ago and the step/column may have changed since then.

  iv) The District’s contribution to STRS will be 18.13% in FY2019-20, currently it is 12.58%. The District’s contribution to PERS is estimated to be 18.6% in FY2019-20, currently it is 13.89%.

  v) The Affordable Care Act Cadillac Tax was initially to begin in January 2018; however, the Federal government delayed the start to January 2020. The estimate for FY2019-20 is $1.6M. This assumption is only half of the estimated cost as the tax will start in the middle of the fiscal year.
• Fund 10 – Unrestricted General Fund (Projections)
  i) The Workforce Institute projects spending $120K in FY2016-17 partially due to the new Instructional Aid Subject Lead position. Mr. Camacho clarifies that this position will move to EVC along with the budget for the position.
  ii) Milpitas – San Jose-Evergreen Community College Extension projects to spend $578K in FY2016-17. The budget of $750K will likely be re-evaluated later in the year.
  iii) EVC projects spending $40.4M in FY2016-17.
  iv) SJCC projects spending $38.8M in FY2016-17.
    (a) Mr. Crawford notes that the assumption seems to project low growth over the next few years. If there is a demand for growth, will we be able to access the Rainy Day Fund? Mr. Fitzsimmons noted that the Resource Allocation Model will ultimately determine over-all allocations, but the Board specifies when the Rainy Day Fund is accessible via their Budget Principle #9. Mr. Smith added that this is the State’s growth assumption for this college district.
  v) District Services projects spending $15.2M in FY2016-17.
  vi) District-wide expenditures are projected to be $12.2M in FY2016-17. This number increases in FY2019-20 due to the Cadillac Tax.
• The Unrestricted General Fund 10 ending fund balance is projected to end FY2016-17 at $15.9M or 14.8%.
• Fund 10 – Unrestricted General Fund (Actuals)
  i) Workforce Institute YTD has spent 13% of budget.
  ii) Milpitas – San Jose-Evergreen Community College Extension YTD has spent 4.75% of budget.
  iii) EVC YTD has spent 22% of budget.
  iv) SJCC YTD has spent 21% of budget.
  v) District Services YTD has spent 23% of budget.
  vi) Districtwide YTD has spent 20% of budget.
• Enrollment Estimates – City College is currently declining in enrollment for Fall.
• Fund 11 - Parking Fund: The transportation fee numbers are not currently in Fund 11. The second quarter budget report will display this. The parking fund is running at a deficit. Revenues are currently at 36% of budget.
• Fund 12 - Financial Stabilization: There is a fund balance of $500k in the rainy day fund.
• Student Success Enhancement Fund (14): This fund is targeted for Student Success as led by the Board. The idea would be to use land development revenue to augment this fund, assuming the land development project comes to fruition.
  
  i) Mr. Newton questions if this is just a savings account, now as there is no current program under this fund. Mr. Smith notes that this was meant to be seed money for Student Enhancement. The anticipated growth is 25k per year from proceeds associated with the current shopping center land lease with all proceeds from the land development project going towards this fund. Mr. Covarrubias asked what was the criteria developed by the Board of Trustees to access this fund.

  (1) Mr. Smith will bring this to the Chancellor’s attention as this money was earmarked prior to her employment with the District.

• Fund 15 - Facility Rental
  
  i) District Services now has only two tenants in the District Office Building.
  
  ii) SJCC has recognized 29% of the revenue budget and spent 2% of the expenditure budget.
  
  iii) EVC has recognized 23% of the revenue budget and spent 5% of the expenditure budget.

• Fund 16 - Workforce Institute
  
  i) WFI has recognized 13% of the revenue budget and spent 16% of the expenditure budget. Mr. Fitzsimmons highlighted that WFI is projecting a positive ending fund balance with a small contribution to the Unrestricted General Fund 10 in keeping with the 15% Agreement.

• Fund 17 Restricted Grants and Categoricals
  
  i) FY2016-17 is projecting $378k from other funds to support certain categorical funds from the Unrestricted General Fund 10. Mr. Fitzsimmons noted that this has previously been upwards of $2M which has changed over the past few years with more money coming from the State.

• Fund 18 - Health Services Fund:
  
  i) SJCC is projecting to break even at the end of the year. EVC is projecting a small surplus of $51k at the end of the year.

  ii) Ms. Hanfling noted a concern with EVC’s projected savings as this is not the fund that should be concerned with having a surplus at the end of the year. Ms. Alexander notes that she will follow-up with Barbara and EVC’s Health Services Department offline.

• Fund 32 – Measure G 2004: 1st Quarter expenditures were $3M with a remaining $19.4M to spend to close out this bond program.

• Fund 36 – Capital Projects Fund: This is the non-bond fund for capital projects with projected revenues of $2.2M including State Clean Energy Efficiency Revenues. Expenses totaled $45k for the 1st Quarter.
• Fund 42 – Measure G 2010 Series B - Endowment Fund: This fund is earmarked for only bond-funded scheduled maintenance and technology projects. Spending is projected to begin in April 2017.

• Fund 43 – Measure G 2010 Series C – Expenditures in the 1st Quarter totaled $2.6M with anticipated total of $8.5M, which will close out this series.

• Fund 44 – Measure G 2010 Series D - This is the last bond series for Measure G 2010 with expenditures in the 1st Quarter totaling $1.8M

• Fund 70 Cafeteria
  i) Ms. McKee questioned how long the Fresh and Natural contract is with the District. Mr. Fitzsimmons responds that it is a 5-year contract that was just renewed this year. 2% of the revenue budget was recognized with 6% of the expenditure budget expensed in the 1st Quarter, which is okay given that the cafeteria is not overly active over the summer.

• Child Development (72): This serves as a pass through at City College for Child Development. There is currently no contractor in place.

• Fund 48 Financial Aid Fund
  i) SJCC disbursed $1.5M in the 1st Quarter while EVC disbursed $2.5M.

• Fund 96 Scholarship Fund
  i) SJCC disbursed $60k in the 1st Quarter while SJCC disbursed $57k

• Fund 75 OPEB
  i) The 1st Quarter saw returns of over $2M or 111% of expectations; however, this ebbs and flows based upon the stock market.

• Retiree Employee Benefits (81): YTD we have spent 32% of budget. These costs are going up. Mr. Fitzsimmons notes that this payment came out of the trust fund. We paid $806K in debt service, but we received a $1.3M benefit because of our OPEB, Bonds.

• Legal Expenses: $40k spent in the 1st Quarter

• SJCC ASB has a net position of $365k as of September 30, 2016.

• EVC ASB has a net position of $400k as of September 30, 2016.

• Foundation has a net position of $1.1M as of September 30, 2016

• Mr. Fitzsimmons advised the group that our next property tax update from the County will be on or about November 7, 2016.

• Apportionment worksheet: SJECCD is in basic aid this year (FY2016-17) by $19.6M.

5) Mr. Covarrubias questions what positions are charged to the bond, and how is bond work charged?
• Mr. Fitzsimmons clarifies that a certain portion of a position’s time is allocated to the bond which is reconciled via the position’s timesheet on a monthly basis.

The meeting was adjourned at 4:54 p.m.
1) **Call to Order:** – the meeting was called to order at 3:09 p.m.

2) **Approval of Agenda:** – M/S/P; Ayes – 11, Opposed – 0, Abstentions – 0, Absent – 6, Motion made by Eugenio Canoy; Seconded by Yesenia Ramirez. The agenda was approved as submitted.

3) **Approval of 10-27-16 Meeting Minutes:** M/S/P; Ayes – 11, Opposed – 0, Abstentions – 0, Absent – 6, Motion made by Eugenio Canoy; Seconded by Danny Hawkins. The October 27, 2016 Meeting Minutes were approved as submitted.

4) **Outstanding Business Follow-up:**
   a. Fund 18: In response to Ms. Hanfling’s question regarding EVC’s Fund 18 projected savings and end of the year surplus, Ms. Alexander and Mr. Fitzsimons note that EVC ended last FY2015-16 with an ending fund balance of $65,890.00, which was carried over into this year. At 1st quarter EVC projected to end this year at a little over $51k. Ms. Alexander responded that after further review, their first quarter budget was found to have been under projected. Those updated projections will be reflected in the 2nd Quarter Budget Report.

5) **Property Tax Update:**
   a. Mr. Smith reviewed the Historical Review and Basis for Future Budgeting document and the 2016-2017 Property Taxes document showing a comparison between the 1st and 2nd data point. Mr. Smith notes to the Committee that we just received our 2nd data point placing our current property tax data point at 6.4%.
      i. District staff clarifies to the Committee that this increase from 6.02% to 6.40% is due to a recently liquidated asset from RDA. The county is currently reviewing appeals (home owner/corporation appeals) which review the County Assessor’s Office estimated worth, versus the homeowner/corporation owners appeal.
      ii. A question was raised as to what happens with the one-time property tax income the District receives? 1. Mr. Fitzsimons clarifies that one-time funds are recognized as property taxes; however, it is not factored into the base from which we make our projections.
      iii. A second question was raised as to how much the 3.2% growth would be?
1. Staff responds that each percent is approximately equal to $800k of opportunity money.

b. Mr. Smith calls the Committee’s attention to the 2016-2017 First Quarter Budget Summary document (provided in the front of each Budget Report Booklet), specifically to line “Net Change in Fund Balance” that displays an overall balanced budget. Mr. Smith notes that this number may change, as next week Mr. Smith plans to advance a backfill request for approximately $800k at next week’s Cabinet meeting. As such, expenses displayed in column 2016-17 will go up approximately $400k-$500k (on-going).

6) Resource Allocation Model Update:
   a. Mr. Smith reviewed some of the recent documents worked on by the RAM Taskforce including: 1) 10/2/2016 Meeting Agenda, 2) Key Issues Statements document, 3) and the 2016 Principles for Budget Development document.
      i. Mr. Smith notes a request to add “Adjunct/Sabbatical Budgets” to the Key Issue Statements document.
   b. Mr. Escobar notes to the Committee that as District Budget Committee Members, it would be helpful for us to report back to our constituency groups on campus and obtain any additional feedback that might be helpful to the Taskforce.
   c. A question was raised as to when the RAM Taskforce thinks it will have a completed new model, knowing that we start the process of planning next year’s budget in February.
      i. Mr. Smith responds that he is hopeful that the pace picks up, but that FY2017-18 will likely be built on the old model with the possibility of changes made mid-year, if the new model is completed.

7) Proposition 55:
   a. Mr. Fitzsimmons reports to the Committee that with the passing of Proposition 55, SJECCD will receive $1.2M in additional funds over the next 12 years, with $600k being added to FY2018-19 and $1.2M to the following years.

8) Fund 14 – Student Success Enhancement Fund:
   a. In response to a question around the Student Success Enhancement Funds asked at the previous meeting, Mr. Smith reported that the Board directed $25k per year be directed to this fund from the San Felipe shopping center lease.
      i. Mr. Fitzsimmons added that since the last DBC meeting, the District has been asked to redirect those funds to the Foundation for the San Jose Promise; A program that works towards making Community College affordable for students who may otherwise encounter barriers to accessing college. Additionally, the Board recently directed $150k of Follett Bookstore’s commission be used for textbook scholarships issued via gift cards through the Foundation.

9) Over/Under Account Spending:
   a. In an effort to increase transparency of the budget, a suggestion was made to create a list of accounts displaying any over/under spent accounts.
      i. Mr. Smith responded that this list can be included as part of the 2nd Quarter Budget Report, and that he will have staff create this report to be shared with the District Budget Committee.
         1. Mr. Fitzsimmons notes that the report will be run by location and object code.
10) **Adjournment:** The meeting was adjourned at 4:32 p.m.
DISTRICT BUDGET COMMITTEE
Meeting Minutes
December 8, 2016 – EVC – Library, Mishra

Present: Doug Smith, Peter Fitzsimmons, Kathy Tran, Andrea Alexander, Jorge Escobar, Barbara Hanfling, Mark Newton, Jesus Covarrubias, Fabio Gonzalez, Dan Hawkins, Carlos Marques, Arthur Azevedo, Lauren McKee, Eugenio Canoy, John Ives,

Absent: Jonathan Camacho, Linda Wilczewski, Eric Narveson, Phil Crawford, Yesenia Ramirez, Faustino Villa

Also Present: Sherri Brusseau, Kim Garcia

1) Call to Order: – the meeting was called to order at 3:08 p.m.

2) Approval of Agenda: – M/S/P; Ayes – 14, Opposed – 0, Abstentions – 1, Absent – 6, Motion made by Jesus Covarrubias; Seconded by Eugenio Canoy.
   a. Vice Chancellor Smith requested that the topic of Membership be added to the agenda and noted that Phil Crawford should be added to the membership list under SJCC Faculty.
   b. The December 8, 2016 meeting agenda was approved as amended.

3) Approval of 11-10-16 Meeting Minutes: M/S/P; Ayes – 13, Opposed – 0, Abstentions – 2, Absent – 6, Motion made by Barbara Hanfling; Seconded by Arthur Azevedo.
   a. For clarification, Vice Chancellor Smith requested that meeting minutes’ item #5.iii. be amended to state “Vice Chancellor Smith reported that the 5-year property tax increase average typically shows a growth of 3.2%. Staff further remarked that each 1% equates to about $800k.”
   b. The November 10, 2016 Meeting Minutes were approved as amended.

4) Fund 10 Discretionary Activity:
   a. Per the Committee’s request at their 11-10-16 meeting, Ms. Tran presented a report detailing all general fund account spending as of September 30th 2016. Per Ms. Tran, assuming there is no seasonality, all accounts should display expenditures at 25% of budget, with 75% remaining available.
   b. A question was raised regarding the large sums in accounts referencing undistributed costs.
      i. Mr. Fitzsimmons responded that these accounts serve as placeholders for the budget while planning is taking place. Mr. Fitzsimmons cautions that no funds should be spent directly from these accounts, rather, once decisions are made, a budget transfer to the appropriate account should take place.
   c. A question was raised in terms of the recent distribution of $500k in one-time money: How does the one-time money get distributed? How are these decisions made?
i. Mr. Smith responds that these decisions are made at the Chancellor’s Cabinet level with the Chancellor, Vice Chancellor, and Presidents or their designees, to which the Vice Chancellor is then directed to make those budget changes.

d. A question was raised regarding the use of San Jose City College’s one-time distribution of $500k.
   i. Mr. Escobar responded that due to the funding being distributed after the College Budget Committee had completed their planning and allocations, these funds have gone to other programs such as the Coding Academy, Busing for Athletics, Milpitas, etc.

e. The Committee requested that this report be refined with a few changes to the sorting and filtering parameters, and presented to the Committee during those meetings that do not include a Quarterly Budget Report presentation.

f. A question was asked as to the location of the District’s “pots” of money.
   i. Mr. Fitzsimmons noted to the committee that for a snapshot, members can look for Object Code: 55820 which are undistributed costs. Mr. Fitzsimmons further reminds the committee that these undistributed costs are distributed to the appropriate funds via a budget transfer, once the College/Departments make a decision as to where to allocate those funds.
   ii. The Committee questions, with the recent State Governor’s Office changes (i.e. textbook funds), will these types of undistributed/discretionary funds continue to be budgeted in the future?
      1. Mr. Smith responds that a decision would likely be determined by the result of the Resource Allocation Model, however in his experience it will continue as we are a Basic-Aid District, so we need to be mindful of the fact that there are certain State funding allocations we receive (i.e. Property Tax) and those that we do not receive (i.e. COLA).

g. A question was raised as to what types of work is included in accounts referencing “Personal Contract Services”.
   i. Mr. Fitzsimmons responds that these consist of contracts like, Consultant-Roy Stutzman, Plante Moran- Technology Plan Project, etc. Mr. Fitzsimmons adds that there is not currently a unique accounting identifier for Consultants.

h. The Committee requests to have an active role in influencing the decisions for those additional one-time funds prior to those funding discussion/decisions go to the Chancellor’s Cabinet for final review and decision.
   i. Mr. Smith responds that he understands the request of the Committee and will carry their request forward at a future Chancellor’s Cabinet meeting for discussion.

i. A question was raised as to why the utilities (gas, water, sewer) accounts are almost all expensed as of the 1st Quarter.
   i. Mr. Fitzsimmons reminds the group that these are annual costs to the District, so to ensure those funds are not spent elsewhere, the District has encumbered those funds on a Blanket Purchase Order, which is expensed on a monthly basis for those annual costs.

j. A question was raised in regards to processes: Is there something in our fiscal management process that prevents us from distributing the money, encumbering it, and expensing it sooner?
   i. Mr. Escobar responds that one of the challenges in financial management is that we treat the year as a 12-month year, however it is really operating on a 9-month business cycle. Mr. Escobar adds that we have many manual business processes that slow us down.
   ii. Ms. Alexander notes that these slow processes may be due to SJECCD still being a fairly new Basic Aid District, as well as the fact that during the first quarter, departments may be waiting to encumber funds until the budget is fully adopted by the Board.
   iii. Mr. Hawkins adds that staff turnover also plays a key role in a departments ability to plan appropriately.

5) **Adjournment:** The meeting was adjourned at 4:34 p.m.