Budget and Fiscal Planning Committee

October 23, 2013

√Members present: Recorder: Mary Carter

_John Lau, VP for Business Services, Co-Chair
√Kathy Berry, Administrative Representative (2:15 p.m.)
√Dr. Martha Garcia, College Council Representative
√Eric Jacobson, Faculty Representative
_Dave Drury, Faculty Representative
√Carlos Fletes, Director of Fiscal Services

√Kevin White, Academic Senate Rep., Co-Chair
√Jeff Cantwell, CMCA representative
√Mike Nicholas, CSEA Representative
√Matthew Thale, CSEA Representative
√Alex Whalen, ASG Representative

I. CALL TO ORDER

The regular meeting of the Budget and Fiscal Planning Committee was called to order by co-chair Kevin White at 1:35 p.m. on Wednesday, October 23, 2013. The meeting was held in the board room.

II. APPROVAL OF MINUTES

M/S/C Thale/Fletes to approve the minutes of the September 25, 2013 meeting as presented.

III. ACTION

There were no action items.

IV. INFORMATION/DISCUSSION

Budget Training Session:
Carlos Fletes, Director of Fiscal Services, presented Budget Training Session #2, State Apportionment Funding. Handouts for the presentation included apportionment for fiscal years 2010-11 through 2012-13, Exhibit C for P-1 and P2, and Exhibit E for the Recalculation Apportionment.

The Advance Apportionment is the first look at funding for the year, and it is based on P-2 information from the previous year. This report is issued in July.

Director Fletes stated that he started with 2010-11 because that is the last time IVC received growth funding. The First Principal Apportionment (P-1) is the first look at funding for the year based on current year estimates on enrollment. This report is issued at the end of February.

Director Fletes reviewed Exhibit C, **2010-11** First Principal Apportionment :

- Basic Allocation (section A), is a flat amount given to colleges based on their size, for IVC in 2010-11 it was $3,321,545 *(see bottom of Exhibit C, Basic Allocation Calculation).*
- Credit Base Revenue (section B1): The base revenue amount of $31,184,344 is arrived at by multiplying the base funding amount $4,564.82 x base FTES 6,831.44 *(see top of Exhibit C under workload measures).*
- Workload reduction (section IV) of -$1,205,492 (this is based on the statewide shortfall)
- The apportionment was deficited -$292,739 in section VII.

If the state does workload reductions (cuts the number of FTES that are funded), colleges have to cut sections.

In February 2012, the state did the recalculation for 2010-11; funded FTES was 7101, down from 7124 at P-1. The funded FTES of 7101 became the base for the next year.

For 2011-12 on P-1 (First Principal Apportionment), the State did a workload reduction of 542 FTES, so the revised base FTES became 6559. The cost of the workload reduction was -$2,467,632 (542 FTES x $4,564.83). The State again deficited the apportionment (section VII), this time in the amount of -1,133,892.

Director Fletes emphasized that this is how State funding works, to the disadvantage of colleges, and that adjustments can be done at mid-year. The revised base of 6559 is the base for the next year. This is a permanent loss of funded FTES.

Actual FTES for 2011-12 was 6059, less than the base. This put the College into stability/restoration mode and the College received stability funding of 499 FTES, with two years to regain the lost FTES.

For 2012-13, at P-1, the College's actual FTES declined to 6119, which becomes the new base because the State uses the lesser FTES amount, actual or base. The State did provide restoration funding of 103.5 FTES, for a total funded FTES of 6300.

At P-2 (Second Principal Apportionment) for 2012-13, the College was paid for 6559 FTES because of restoration FTES; however, the College did not restore that many FTES.

Director cautioned that if property taxes are less than estimated, the State does not make up the difference, there is no backfill guarantee. Prop 30 (Education Protection Account) dollars are not new monies, it is just a different funding source.

Member Thale asked if he was correct in saying COLA (Cost of Living Adjustment) increases the value of FTES and growth increases the number of funded FTES. Director Fletes stated that was true, COLA applies until there is a deficit or workload reduction.

Budget Update:
Director Fletes stated that more information will be available at the next committee meeting, after the state budget workshop. The impact of the dissolution of redevelopment agencies is still pending and there will be updated information on cash deferrals. There is still a sizeable amount of money being withheld. Director Fletes will have more information on the impact of the new labor agreements on the salary and benefits budget.

Director Fletes noted that the College continues to need TRANs (Tax Revenue Anticipation Notes) to fund operations because of deferrals (delayed payments). Interest expense for TRANs has been about $130,000 per year (for 2013-14 it was $193,000). TRANs will still be needed for the foreseeable future. Deferrals have been reduced somewhat under Prop 30. Although Prop 30 improved the state's cash position, it expires in five to six years.

Budget timeline:
VP Berry reported that the new annual schedule will be in effect for 2013-14. Up until now, the schedule has been developed one semester at a time. Student Services is completing a report on the needs of students, which should be complete at the end of October. Instruction and Student Services will base the 2014-15 schedule on that data, and the schedule should be available by February 1. In February, instructors will select their courses for the Fall, and an estimate of personnel costs should be complete by March 1. Program Review will also be complete by March 1. March 1 will be the trigger to start the budget process, with a 30 day window for completion. April will be when the budget is compiled and is made available for review.

FCMAT recommendations:
The committee agreed that the main FCMAT recommendations are those noted in the Accreditation Report, mainly increasing the reserve, funding the OPEB liability and balancing the budget. Director Fletes stated that the Accreditation team will want to see what was done to follow the FCMAT roadmap (recommendations).

Funding plan for reserve:
Co-chair White stated that the committee has recommended a 16.6% reserve, and the Board has adopted that recommendation. The committee is tasked with coming up with suggestions on how to make an annual commitment to fund that increase. It will be a long term effort by the College, and may require some structural changes. Member Cantwell stated that Kern CCD puts it COLA into the reserve. Co-chair White suggested looking at models/options from other colleges. Director Fletes stated that the only way to increase the reserve is to cut costs or increase revenue. Currently any carryover already goes into the fund balance. Co-Chair White stated that the College is not adhering to the budget guidelines which call for a balanced budget when the fund balance is used to balance the budget. Member Nicholas noted that the College is spending more than it is bringing in. Director Fletes stated that any extra dollars received are already committed, which is contrary to the concept of growing the reserve. Although the College needs to grow its FTES, it can't increase expenses substantially in case funding is capped or cut.

Funding Plan for OPEB (Other Post Employment Benefits) liability:
Director Fletes noted that credit rating agencies are interested in how the College is addressing its OPEB liability especially as the College continues to be in the TRANS market. The college's bond rating will continue to deteriorate if the liability is not addressed. VP Berry stated that it could also affect the College's accreditation. Co-Chair White asked that all committee members be e-mailed a copy of the approach used by San Joaquin CCD.

V. NEXT MEETING: The committee agreed to meet on Wednesday November 20, 2013 at 3:00 p.m.
Agenda item: budget calendar (Dr. Martha Garcia)

VI. ADJOURNMENT: Meeting adjourned at 2:50 p.m.