



BUDGET COMMITTEE

Special Meeting Minutes
02/20/2014, 2 pm, PDC 104

Members Present – Cheryl Marshall, Denise Allen-Hoyt, Ed Millican, Girija Raghavan, Andy Chang (for Glen Kuck), Jose Torres, Karen Peterson, Matthew Isaac, Mike Strong, Rosemarie Hansen, Scott Stark, Algje Au, Walt Chatfield, Steve Sutorus, Tim Oliver

Members Absent – Amalia Perez, Ferny Arana, James Dulgeroff, Kathy Crow, Patrick Kirk Dorsey, Rhonda Prater, Yendis Battle

Guests Present – Celia Huston, David Bastedo, Keith Wurtz, Bryan Reece, Gloria Fisher, Debbie Bogh, Kirsten Colvey, Joe Cabrales, Haragewen Kinde, Cassandra Thomas

Welcome/Introductions

Tim Oliver opened the meeting. Self-introductions were made.

Approve January 16, 2014 Minutes

Denise Allen-Hoyt moved and Matthew Isaac seconded to approve the minutes. There was no discussion and the minutes were approved by consensus.

Board-Added Directive for 2015 Budget

Committee members were advised of the 2014-15 Budget Directive added by the Board of Trustees at its February 6, 2014 meeting: *“Continue toward the sustainability of KVCR.”* There was no further discussion.

Reconciliation from State (P3) & State Budget Update (Torres)

Jose Torres presented a handout on the District’s reconciliation with the state based on its P3 report.

Description	Budget Scenario 1 (Best Case)	Final Budget	Exhibit C - August Revision	Exhibit E - Final Reconciliation	Variance from Final Budget
Base Allocation	\$ 7,196,681	\$ 7,196,681	\$ 7,196,681	\$ 7,196,681	\$ -
Credit FTES	13,173.37	12,644.54	13,191.19	13,240.62	596.08
Credit FTES Funding	\$ 60,134,107	\$ 57,720,191	\$ 59,577,043	\$ 59,626,428	\$ 1,906,237
Non-Credit FTES	8.13	7.81	17.99	-	(7.81)
Non-Credit FTES Funding	\$ 22,321	\$ 21,425	\$ 49,385	\$ -	\$ (21,425)
Restoration FTES			175.92	171.30	
Restoration FTES Funding	\$ -	\$ -	\$ 737,423	\$ 814,686	\$ 814,686
Total Apportionment	\$ 67,353,109	\$ 64,938,297	\$ 67,560,532	\$ 67,637,795	\$ 2,699,498
Revenue Shortfall	0.00%	0.00%	3.73%	0.27%	
Adjusted Apportionment	\$ 67,353,109	\$ 64,938,297	\$ 65,039,549	\$ 67,456,249	\$ 2,517,952

College Brain Trust Report

Committee members agreed to review the Chancellor's Cabinet responses to the College Brain Trust recommendations one by one. Non-voting guests identified themselves and were asked not to participate in when the committee was voting.

Brain Trust Recommendation A.1.

Ed Millican moved and Cheryl Marshall seconded to approve Cabinet Response A.1. Ed noted for the record that he felt the response was very general. The committee voted and the Cabinet Response was unanimously approved.

A. FTES and Foundation Allocations

1. *Make a conscious decision regarding the way in which CHC will be allowed to grow. Will it be proportional as occurs now or through a plan to increase its size and ratio within the district?*

Cabinet Response: The budget allocation model guiding principles state, "All FTES is funded as a base allocation" and "All revenue earned by the colleges shall be distributed to the colleges less "assessments" for the District Office costs, District-Wide costs, reserve funds and other assessments as necessary (SERP for example)". Furthermore, both colleges have indicated an interest in spending college ending balances based on college-level decisions, with minimal or no restrictions. Therefore, a college with a positive ending balance may choose to increase enrollment beyond the District-established annual FTES target.

Cabinet supports the future growth of both Valley College and Crafton Hills College, provided that the growth is prudent and provides the necessary student services and administrative services necessary for effective college operations and student support. Cabinet recognizes that such growth may result in one college growing more rapidly than the other, and it is essential that growth for one college not harm the other college.

Brain Trust Recommendation A.2.

Denise moved and Scott Stark seconded to approve Cabinet Response A.2. Ed voiced concern over the statement, "In this fiscal year 2013-14, Valley College will almost attain the 10,000 FTES necessary to qualify for mid-sized college status per SB361 (2006), therefore, this is no longer of critical concern." He felt that even if SBVC achieved 10,000 FTES, it did not mean that the campus shouldn't continue to grow. Other committee members agreed. The committee unanimously recommended that the first statement of Cabinet's Response be rephrased or removed altogether.

2. *If the decision is to have a more structured plan then it is also necessary to evaluate how SBVC will be affected. We would suggest that care be taken to not materially harm SBVC. Further the district should work to maintain SBVC's qualification for the higher SB 361 base foundation allocation based on FTES size. For example if the goal was to increase CHC to 40% of total funded FTES over the next 5 years, this could be done through the State growth/restoration mechanism. This does not take away funds from the revenue base of SBVC.*

Cabinet Response: In this fiscal year 2013-14, Valley College will almost attain the 10,000 FTES necessary to qualify for mid-sized college status per SB361 (2006), therefore, this is no longer of critical concern. Furthermore, as stated above, Cabinet supports the future growth of both Valley College and Crafton Hills College, provided that the growth is prudent and provides the necessary student services and administrative services necessary for effective college operations and student support. Cabinet recognizes that such growth may result in one college growing more rapidly than the other, and it is essential that growth for one college not harm the other college.

Brain Trust Recommendation A.3.

Matthew moved and Rosemarie Hansen seconded to approve Cabinet Response A.3. Mike said that maybe the response should state what the ending balance amount should be.

Rosemarie asked that the CBT report be noted that “foundation allocation” means “base allocation”. Ed asked for clarification that the District reserves would be the source of the subsidy; Tim clarified that it would be. The committee unanimously agreed that the language should be altered to include SBVC. Therefore, whichever college needs a subsidy, that college should provide a specific plan to achieve self-sustainability.

3. *Until CHC grows under either approach (proportional or disproportional) some form of added subsidy may be needed. It could be considered transitional until the FTES level improves to a pre-determined level. Such a subsidy could be scaled downward as progress is made toward the higher level. Because the district has a strong fund balance it could set aside funds to provide a declining subsidy for a number of years as a way to not harm SBVC. If, because of the demographics of the district, CHC is likely to stay small into the foreseeable future, then a subsidy could be built into the RAM like the rural college state subsidy. If CHC was provided a subsidy to its foundation amount of \$550,000 the net change could be only \$385,000 if the subsidy was treated as an assessment in the current model. In other words through the application of the model, CHC would net only 70% of the \$550,000 because it too would be assessed 30% due to the way the model works. The net impact on SBVC would be a loss of income in the amount of \$385,000. If the goal was to yield \$550,000 to CHC then the subsidy could be constructed differently. The size and length of time for a subsidy is something the district needs to establish. This is strictly a local decision. SB 361 does not speak to how a multi-college district allocates resources internally.*

Cabinet Response: Redevelopment Agency and other funding will add significantly to CHC's FY2012-13 ending balances, relieving some of the budgetary pressure for now. However, projections show that CHC will have deficits in the near future without increased funded FTES and/or expense reductions, and/or increased other revenues. We believe that CHC can potentially grow to a self-sustaining college within the next 2 to 5 years; however, the District should be prepared to provide one-time or short-term subsidies from the District's fund balance, as needed, provided that CHC presents a specific plan to become self-sustaining.

Brain Trust Recommendation A.4.

Mike made a motion and Denise seconded to approve Cabinet's decision to further study Cabinet Response A.4. before developing a response. Ed Millican wanted to go on record saying that he felt this Cabinet Response should be “studied to death”. There was no discussion and the motion carried unanimously.

4. *The district could consider a modification to the foundation allocation like LACCD, however the negative effect of that upon SBVC would be substantial and could make things worse not better.*

Cabinet Response: This requires additional study.

Brain Trust Recommendation A.5.

Scott motioned and Mike seconded to approve Cabinet Response A.5. Rosemarie mentioned that the response should be altered to specify that subsidies be from the general fund and not the allocation model. She also commented that the response did not address the entire CBT recommendation. The motions were withdrawn and the committee agreed to table discussion of Cabinet Response A.5 until it could be revised.

5. *The district could choose to leave the model as is and look for other ways to enhance resources flowing to the colleges through additional revenues or lower assessments and/or reduced spending at the colleges. It should be noted that if CHC was provided a subsidy via the Resource Allocation Model (RAM) and at the same time assessments could be reduced, any negative fiscal impact upon SBVC could be greatly mitigated.*

Cabinet Response: The District should review all assessments and reduce where applicable. As previously noted, CHC may not require a subsidy in the near future.

Brain Trust Recommendation B.1.

Rosemarie moved, and Karen Peterson seconded to approve Cabinet Response B.1. Scott asked for clarification that each year the District would do a line by line item budget, re-justifying the need for each expense every year. Tim confirmed that was accurate. The committee voted and the motion carried unanimously.

B. College Brain Trust District Office Assessment

1. *Consider a more structured approach to adjusting assessments for district office operations. It is important to provide a sufficient level of detail regarding budgetary changes and the need for the adjustments. How the changes are vetted is important to provide transparency and build trust.*

Cabinet Response: The college administrations and the District Budget Committee should review proposed modifications to the District-wide and District Office budgets annually as part of the budget development process, with recommendations made to the Vice Chancellor, Fiscal Services and the Chancellor. We recommend that for the upcoming fiscal year, the budget be developed on a line item basis as opposed to a formula or percentage basis as the District provides a multitude of direct and indirect services; and, that this process should be reviewed annually thereafter. Any modifications should be fair and equitable to both colleges, and not harm either college.

Brain Trust Recommendation B.2.

Scott made a motion and Rosemarie seconded to approve Cabinet Response B.2. There was no discussion and the motion carried unanimously.

2. *Revise the Resource Allocation Model to include a methodology to make the district office assessment more responsive to the changes in available resources.*

Cabinet Response: See response to B1 above.

Brain Trust Recommendation B.3.

Denise moved and Karen seconded to approve Cabinet Response B.3. There was no discussion and the motion carried unanimously.

3. *Assessments in general should be reviewed through an established participatory governance and administrative process.*

Cabinet Response: Agreed. See response to B1 above.

Brain Trust Recommendation C.1.

Tim advised the group that the current outstanding balance of the OPEB liability was actually \$5,000,000 according to the latest report, due to rising health care costs. He suggested tabling a decision on this response and the committee agreed.

C. College Brain Trust Other District-wide Assessments

1. *Fully fund or substantially fund OPEB to allow more resources to flow to the colleges. The district could allocate a portion of its fund balance to further fund the actuarial liability and relieve in part the annual assessment to the colleges. The district could implement an alternate strategy other than fully funding the annual required contribution (ARC) indefinitely. This last possibility was discussed briefly with district office personnel and could be elaborated if necessary. By using a portion of the district reserves and fully funding the OPEB liability, the annual OPEB assessment could be eliminated.*

Cabinet Response: This is an excellent suggestion. The current outstanding balance is approximately \$3,000,000 and the colleges are being assessed a total of \$750,000 per year. Fiscal Services is reviewing the impact of paying down the balance and the resultant impact on our Unrestricted General Fund balances.

Brain Trust Recommendation C.2.

Denise made a motion and Scott seconded to approve Cabinet Response C.2. Mike asked for clarification on how much of the funds above the 15% fund balance threshold belong to the colleges. Tim mentioned that the District needs to be careful in using its reserves. Currently, there is approximately \$17 million, but the District still has to forecast the cost of supporting KVCR. Cheryl said that a statement should be added that KVCR would need to submit a plan for self-sustainability, similar to the earlier responses. Denise and Scott amended their earlier motion to include this addition. The committee voted and the motion carried unanimously.

2. *The district has instructed KVCR to become self-sufficient by the end of the 2013-14 fiscal year. We suggest a monthly monitoring of KVCR this year to determine if that goal will be attained and to develop a backup plan if it is not attained. The colleges will need to know this information early in 2014 so they can construct their budgets for 14-15. Clearly to the degree that cost is reduced the colleges are directly benefited.*

Cabinet Response: We recommend that Cabinet analyze the impact of future KVCR subsidies, if any, and that such subsidies be paid from the Unrestricted General Fund balances rather than the college budget allocations. In addition, we recommend that KVCR maintenance and utilities costs currently paid by Valley College be the responsibility of KVCR and, if necessary, be paid from the District's General Fund balances.

Brain Trust Recommendation C.3.

Denise motioned and Cheryl seconded to approve Cabinet Response C.3. Matthew presented some figures regarding EDCT's reimbursement of their expenses in the form of administrative costs. The colleges are only charged the net cost. The committee asked that the same plan language be added to this Cabinet Response as in Cabinet Response C.2. The committee voted and the motion carried unanimously.

3. *We would suggest that the district consider implementing a strategy to eliminate or limit district subsidy of EDCT over some agreed upon time period.*

Cabinet Response: We agree that EDCT should become fully self-sustaining over a reasonable period of time to the extent that its funding sources permit. Meanwhile, the colleges are willing to continue paying the annual cost of the salary of the Executive Director and Secretary for this valuable program. All other costs are paid directly from the various grants that fund the programs of the EDCT. The EDCT grants make substantial contributions by providing administrative fees from grants to the District and EDCT is continually seeking new grants and other financial resources.

Brain Trust Recommendation C.4.

The committee tabled discussion of this Cabinet Response.

4. *We suggest placing union contract required costs in the district-wide assessment section of the Resource Allocation Model.*

Cabinet Response: This requires additional study.

Brain Trust Recommendation D.1.

Discussion of this Cabinet Response was tabled.

D. College Brain Trust: Making the Model Operational

1. *Clarify the guidelines to identify if some types of revenues are excluded from the model.*

Cabinet Response: Fiscal Services will clarify the types and amounts of excluded revenue, if any.

Brain Trust Recommendation D.2.

Denise moved and Mike seconded to approve Cabinet Response D.2. There was no discussion and the motion carried unanimously.

2. *Consider incorporating the allocation model principles identified above as part of the resource allocation model guidelines so that over time the model will have a solid framework against which to validate and modify the plan elements.*

Cabinet Response: We agree.

Brain Trust Recommendation D.3.

Rosemarie moved and Karen seconded to approve Cabinet Response D.3. There was no discussion and the motion carried unanimously.

3. *Delineate the responsibilities of the colleges in use of the resources allocated. In other words what mandates are there that affect how the colleges choose to budget their allocations.*

Cabinet Response: We agree.

In the interest of time, Tim halted discussion of the College Brain Trust report recommendations and Cabinet responses. He asked the committee to set another special meeting in order to finish this review so that the District can move forward with its budgeting process for Fiscal Year 2015. Another meeting was scheduled for 3/6/14.

It was decided that Tim would prepare a "consent agenda" of items he suggested were "no brainers" (for example, "establish long range planning").

Adjournment

The meeting was adjourned and a special meeting scheduled for March 6, 2014