



This item was brought before the Board of Trustees on 2/19/15. The motion to approve it died for lack of a second.

MEMO

To: Bruce Baron, Chancellor

Date: 12/18/2014

From: Jose Torres, District Budget Committee Chairperson

Re: District Budget Committee Recommendation #2015-03 to Revise Board Directives for the 2015-16 Budget Pertaining to the 15% Fund Balance Reserve

At its **December 18, 2014** meeting, the District Budget Committee (DBC) approved a recommendation to Chancellor's Cabinet to request a change in the 2015-16 board directives as they pertain to the 15% fund balance reserve. This recommendation is being made in light of the following factors.

- 1) Unfunded FTES is one of the primary factors in the new proposed growth formula developed under SB 860. Over the next three years, SBCCD must average at least 1% unfunded FTES per year in order to maximize the points under this factor.
- 2) The Government Finance Officers Association (GFOA) has recently developed a best practice in community college budgeting. In this new best practice, the GFOA recommends, at a minimum, that colleges maintain unrestricted fund balance in their general fund of no less than 10% of regular general fund operating revenues or regular general fund operating expenditures and operating transfers out (if applicable).
- 3) Implementation of the upcoming Districtwide Enrollment Management Plan may necessitate the District to commit to a certain number of unfunded FTES.
- 4) Pursuit of districtwide strategic plan goals of student success and access may require additional funded initiatives.
- 5) The campuses would like to see fulfillment of unmet needs based on program review.

The District Budget Committee is recommending that the Board of Trustees revise its 2015-16 budget directives as indicated below.

Board Directives for the 2015-16 Budget
Approved at the November 13, 2014 Board of Trustees Meeting

1. Balance the 2015-16 budget without the use of Fund Balance (Reserve).
2. Maintain a minimum Fund Balance goal level of 15% (state minimum is 5%).
3. Fund Balance may be utilized for specially identified, strategic "one-time" initiatives such as FTES growth and/or student success, if necessary, even if it causes the fund balance to go below 15%. However, the minimum fund balance should not fall below 10%. "one-time" needs as long as the 15% balance can be maintained. "One-time" is defined as an expenditure that has no ongoing commitment. While "one-time" needs may be repeated in future years, the nature of the expenditure must conform to the definition.

Chancellor Cabinet Response:

Chancellor's Cabinet has discussed this recommendation and concluded that it is an appropriate recommendation to make to the Board of Trustees with the addition of the sentence: "The Board of Trustees may take action to utilize the fund balance for other purposes as it deems necessary and appropriate for the benefit of the District."

An item will be submitted to the Board of Trustees at its February 12, 2015 meeting requesting approval to revise the Board Directives for the 2015-16 Budget as indicated below.

Board Directives for the 2015-16 Budget
Approved at the November 13, 2014 Board of Trustees Meeting

1. Balance the 2015-16 budget without the use of Fund Balance (Reserve).
2. Maintain a minimum Fund Balance goal level of 15% (state minimum is 5%).
3. Fund Balance may be utilized for specially identified, strategic "one-time" initiatives such as FTES growth and/or student success, if necessary, even if it causes the fund balance to go below 15%. However, the minimum fund balance should not fall below 10%. "one-time" needs as long as the 15% balance can be maintained. "One-time" is defined as an expenditure that has no ongoing commitment. While "one-time" needs may be repeated in future years, the nature of the expenditure must conform to the definition. The Board of Trustees may take action to utilize the fund balance for other purposes as it deems necessary and appropriate for the benefit of the District.

Chancellor's Cabinet would like to thank the District Budget Committee for its continuing efforts to improve the fiscal processes of the District.



JAN 13 2015

Chancellor

Date