



BUDGET COMMITTEE MEETING
 February 1, 2017
 Board Room - - 2:00 p.m.
MINUTES

CALL TO ORDER: The meeting was called to order at 2:00 p.m. by Committee Chair, Joe Bissell.

Roll Call:

| | | | | | | | |
|---|------------------|---|--------------|---|-----------------|---|--------------|
| | Jill Ault | x | Sara Holmes | | Morris Rodrigue | | Student Rep. |
| x | Don Cingrani | x | Lynda Little | x | Kathy Royce | x | Joe Bissell |
| x | Kendall Crenshaw | x | Tom Masulis | x | Susan Schroth | | |

APPROVAL OF MINUTES: 12/7/16 - Schroth/Little. Discussion- a couple of grammatical edits were noted. **Motion passed with 2 abstentions (Cingrani and Royce).**

Joe Bissell introduced himself and explained his temporary position at the college for the next few months.

REPORTS: None

DISCUSSION/ACTION:
Budget Projections- Joe Bissell

Joe shared the Governors January proposed budget, and a document he created of the proposed budget with the dollar amounts and an added column with estimated changes for the college. He explained there are usually significant changes made to the budget before a final budget is approved. The next change should be the May revise. The May revise goes to legislators, and then we will have a budget that should be approved and passed by June 30.

Our apportionment is determined by our FTES. As we develop the college budget it's difficult to project accurately upfront, because of the unknowns on the reporting of FTES.

The college has historically had conservative budgeting practices, which is good. The hardest area of the budget to project is salaries because there are always changes and we can't guess about who is going to be here and who isn't. Over 60% of the college budget is spent on salaries and benefits. Joe suggested adding in a budget line item, a projection of the turn-over savings of what we believe the numbers will be. Doing this is a more realistic way of budgeting and may serve the college better. Joe said he has discussed this idea with Morris and Morris asked him to bring it to the committee.

Joe suggested that the committee go back three (3) years and come up with a projection for the next year. The biggest expense to the college is salaries and benefits, and to be realistic we must look at what we budgeted for this, and what the actuals ended up being. Other items could be difficult to predict, such as apportionment income. Tom asked if that is what we call the deficit factor. Joe said yes.

Joe gave examples of how Monterey Peninsula put together a computer replacement budget, vehicle replacement budget, and GASB budget, using year-end balances. He said, like Shasta College, Monterey also budgeted conservatively.

Joe said basing budget numbers from year to year on the actuals from the previous year, is more of a real projection, easier to understand and easier to present to the Board of Trustees. Lynda said she agreed it would be more easily understood because the document that is presented to the Board is complete except for the estimated costs.

Don said it makes sense to do it this way, because we are still budgeting conservatively, budgeting honestly and working hard to stay at those numbers. Tom said we always come in under with the 5 year projections. Joe said what he is suggesting is that the committee looks at budgeting realistically. Don said he likes the idea, but there needs to be an understanding that we changed our practice to be more accurate and to do our best. Joe said there are always budget adjustments as the year goes on, and that P1 and P2 many times prompt an adjustment in the same year. The first step is to budget realistically, and the turn-over projection is an area to look at, and the second step is to make apportionment adjustments.

Joe asked the committee to think about this and bring their thoughts and ideas to the next meeting.

Handout #1- Governors proposed budget January 2017

| Factor | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--------------------------------------|-----------------------------|-------------------------------|-------------------------------------|----------------|----------------|
| Statutory COLA for Apportionments | 0.00% | 1.48% | 2.40% | 2.53% | 2.66% |
| Base Apportionment Increase | \$75 million | \$23.6 million | Ongoing | Ongoing | Ongoing |
| Growth/Restoration Funding | 2% (\$126.9 million) | 1.36% (\$79.3 million) | Ongoing | Ongoing | Ongoing |
| Increased CDCP Rate | Ongoing | Ongoing | Ongoing | Ongoing | Ongoing |
| State Categorical Programs | \$688.2 million | \$290.7 ¹ million | Ongoing (except for one-time funds) | | |
| California CPI | 2.37% | 2.72% | 2.92% | 2.60% | 2.73% |
| California Lottery ² | \$144 | \$144 | \$144 | \$144 | \$144 |
| Base Proposition 20 | \$45 | \$45 | \$45 | \$45 | \$45 |
| CalPERS Employer Rate | 13.888% | 15.80% | 18.70% | 21.60% | 24.90% |
| CalSTRS Employer Rate | 12.58% | 14.43% | 16.28% | 18.13% | 19.10% |
| Interest Rate for 10-Year Treasuries | 2.20% | 2.50% | 2.70% | 2.90% | 2.80% |

Handout #2- Gives information on budget planning using the Governor's proposed budget:

Governor's Proposed Budget 2017-18

2/1/17

| Description | System | Est. \$ change for Shasta | Notes |
|--|---------------|---------------------------|-------|
| COLA | 1.48% | \$588,476 | |
| Growth | 1.34% | \$0 | 1 |
| Enrollment Fee adj. | \$3,800,000 | \$23,231 | 2 |
| Base adj. increase op costs | \$23,600,000 | \$144,275 | 2 |
| Mandated Claims | \$0 | -\$600,000 | 3 |
| Total Unrestricted General Fund | | \$155,982 | |
| COLA Categorical Programs | \$5,400,000 | | |
| Guided Pathways | \$150,000,000 | | 4 |
| Deferred Maint & Instr Equip | \$43,700,000 | \$267,153 | 2, 4 |
| Prop 39 energy efficiency | \$52,000,000 | | 4 |
| Inovation Awards | \$20,000,000 | | 4 |
| Online Education Initiative | \$10,000,000 | | 4 |
| Integrated Library System | \$6,000,000 | | 4 |
| Child Care | | \$0 | 5 |

Notes:

- 1) Assumes 7200 FTES i.e. no growth
- 2) Based on total State funds proposed and Shasta's % of System Total Computational Revenue:
 - 2016-17 Advance Apportionment:
 - Shasta Tot Comp Revenue \$40,299,038
 - System Tot Comp Revenue \$6,591,971,295
 - Shasta % of System 0.611%
- 3) loss to Shasta from \$820,000 for 2016-17
- 4) One-time funds
- 5) Maintain 2016-17 funding

Joe explained that for 2016-17 we budgeted for 7150 FTES, and our P1 reported 7270. Our cap this year is 7345. At this time, for 2017-18 the suggestion is 7200, which increases our base a little. The base next year will be our final numbers this year up to the 7345 cap. Joe said his recommendation is 7200 FTES, and then reassess after P2, and receiving the May revise. By this time we will know the real numbers for last year.

Categorical programs projections are based on number of students. We are anticipating some categorical cuts, and some changes in deferred maintenance and instructional equipment. Joe said in looking at the total unrestricted general fund dollars, he believes the college could have a tough time balancing the budget for next year. He said taking the current salaries and increasing them by 2.98%, along with increases in retirement contributions of 1.9% PERS and 1.85% STRS, will increase the budget significantly. Historically, the college has looked critically at vacancies and reorganizing work where necessary to balance the budget.

Kendall asked if categorical programs are really being reduced. Joe said yes, a lot of the onetime dollars are going away, however he doesn't anticipate major problems in the Student Services area. The hope is that the college will receive more money from the \$150M Guided Pathways funds.

Budget Calendar- (Handout)

Jill prepared the calendar, and it is ready to be shared.

Final Draft of Fiscal Health Risk Analysis-

Jill did a trial run with this document, and it was discussed at the last meeting. Joe said he liked this document and explained that it is an internal-living document, and changes will be made as needed. ACCJC and the Chancellor's Office also use this document.

Susan suggested adding a glossary of terms. Joe said this document should help demonstrate transparency in our budgeting process, and to ensure that we do not miss anything. Each year, after the Risk Analysis is completed, the information should be shared with the President, College Council, BOT, and others.

Joe will ask Jill to do an analysis of salaries budgeted for last year, and what was actually spent.

OTHER / ANNOUNCEMENTS: None

ADJOURNMENT: 2:55 p.m.

Recorded by:
Sherry Nicholas
Executive Assistant
Administrative Services

**Shasta - Tehama - Trinity Joint Community College District
Tentative Budget Development Calendar 2017-2018 ***

| | |
|----------------------------|--|
| January 25 | Distribute staffing worksheets to administrators |
| February 6 | Administrators turn staffing worksheets back in to Comptroller |
| February 8 | Administrators to receive budgeting instructions |
| February 9 & 10 | New Administrator and refresher training session on Colleague budget module |
| February 22 | Administrators submit budgets to appropriate VP or Pres. |
| March 10 | Vice President's and President to have completed reviews with administrators <i>notify Comptroller when divisions are completed</i> |
| April 5 | First review of Tentative budget by Budget Committee |
| April 11 | First review of Tentative budget by Cabinet |
| April 19 | Second review of Tentative budget by Budget Committee |
| May 3 | Budget Committee makes recommendation to College Council on Tentative Budget |
| May 16 | Summer School budget printout to Divisions |
| May 16 | College Council makes recommendation to President on Tentative Budget |
| June 14 | Tentative budget presented to Board of Trustees |
| September 13 | Final budget presented to Board of Trustees |

* pending approval at February Board of Trustees meeting

Note: Depending on the Governor's May revise of the state budget revisions may be made during the month of May before the tentative budget goes to the Board for approval.

Governor's Proposed Budget 2017-18

2/1/17

| Description | System | Est. \$ change for Shasta | Notes |
|--|---------------|------------------------------|-------|
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| Total Unrestricted General Fund | | \$155,982 | |
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|-------------------------|-----------------|
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| Shasta % of System | 0.611% |

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4) One-time funds

5) Maintain 2016-17 funding

SSC Community College Financial Projection Dashboard 2017-18 Governor's Proposed State Budget

This version of SSC's Financial Projection Dashboard is based on the 2017-18 Governor's Proposed State Budget. We have updated the cost-of-living adjustment (COLA), consumer price index (CPI), and ten-year T-bill planning factors to reflect the latest economic forecasts. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are, at best, general guidelines.

| Factor | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--------------------------------------|---------------------|---------------------------------|-----------------------------------|--|----------------|----------------|
| Statutory COLA for Apportionments | | 0.00% | 1.48% | 2.40% | 2.53% | 2.66% |
| Base Apportionment Increase | | \$75 million | \$23.6 million | Ongoing | Ongoing | Ongoing |
| Growth/Restoration Funding | | 2% (\$126.9 million) | 1.36% (\$79.3 million) | Ongoing | Ongoing | Ongoing |
| Increased CDCP Rate | | Ongoing | Ongoing | Ongoing | Ongoing | Ongoing |
| State Categorical Programs | | \$688.2 million | \$290.7 ¹ million | Ongoing (except for one-time funds) | | |
| California CPI | | 2.37% | 2.72% | 2.92% | 2.60% | 2.73% |
| California Lottery ² | Base Proposition 20 | \$144 \$45 | \$144 \$45 | \$144 \$45 | \$144 \$45 | \$144 \$45 |
| CalPERS Employer Rate | | 13.888% | 15.80% | 18.70% | 21.60% | 24.90% |
| CalSTRS Employer Rate | | 12.58% | 14.43% | 16.28% | 18.13% | 19.10% |
| Interest Rate for 10-Year Treasuries | | 2.20% | 2.50% | 2.70% | 2.90% | 2.80% |

¹ The 2017-18 Proposed State Budget includes the following additional programmatic funding sources:

- \$150 million for the Guided Pathways Program (one-time funds)
- \$43.7 million for deferred maintenance or instructional equipment, with no match requirement (one-time funds)
- \$52.3 million for Proposition 39 energy efficiency program grants (one-time funds)
- \$20 million for an Innovation Awards Program (one-time funds)
- \$10 million for the Online Education Initiative
- \$6 million for an Integrated Library System
- \$5.4 million to provide the 1.48% COLA for Disabled Student Programs and Services, Extended Opportunity Programs and Services, California Work Opportunity and Responsibility to Kids, and Child Care Tax Bailout programs
- \$3.1 million for Full-Time Student Success Grant Program

² The forecast for Lottery funding per FTES includes both base (unrestricted) funding and the amount restricted by Proposition 20 for instructional materials. Lottery funding is initially based on prior year actual annual FTES, and is ultimately based on current-year annual FTES.

SHASTA COLLEGE – FISCAL HEALTH RISK ANALYSIS

| Is the District's fiscal health acceptable in the following areas? | Yes | No | N/A | COMMENTS |
|---|-----|----|-----|----------|
| | | | | |
| 1. Deficit Spending | | | | |
| a) Is the District avoiding deficit spending this year? | | | | |
| b) Is the District planning to avoid deficit spending in the two subsequent years? | | | | |
| c) Has the District decreased or eliminated deficit spending over the last two fiscal years? | | | | |
| d) Can a budgeted deficit be covered by fund balance, ongoing revenues, or expenditure reductions? | | | | |
| | | | | |
| 2. Fund Balance | | | | |
| a) Is the District's fund balance at or consistently above the recommended reserve for economic uncertainty? | | | | |
| b) Does the fund balance include any designated reserves for unfunded liabilities or one-time costs above the recommended reserve level? | | | | |
| | | | | |
| 3. Designated Fund Balance for Economic Uncertainty | | | | |
| a) Does the District have additional reserves in other funds? | | | | |
| b) Does the District's multiyear financial projection include a plan to maintain a fund balance sufficient to cope with economic uncertainty? | | | | |
| | | | | |
| 4. Enrollment and FTES | | | | |
| a) Has the District's funded FTES been increasing or stable for 4 (four) years? | | | | |
| b) Is the District's enrollment projection updated at least semiannually? | | | | |
| c) Are staffing adjustments consistent with the enrollment trends? | | | | |

SHASTA COLLEGE – FISCAL HEALTH RISK ANALYSIS

| | | | | |
|---|--|--|--|--|
| | | | | |
| d) Does the District analyze enrollment and full time equivalent students (FTES) data? | | | | |
| e) Does the District maintain a current enrollment management plan? | | | | |
| | | | | |
| 5. Debt | | | | |
| a) Does the District have a recent actuarial study and a plan to set funds aside for unfunded liabilities? | | | | |
| b) Does the District maintain low levels of non-voter-approved debt? (Such as COPs, bridge financing, TRANS) | | | | |
| c) Is the District conforming to GASB 68 requirements by recognizing and reporting its proportionate share of net liability for pension programs? | | | | |
| | | | | |
| 6. Cash Monitoring | | | | |
| a) Can the District manage its cash in all funds without interfund borrowing? | | | | |
| b) If interfund borrowing is occurring, does the District repay the funds within the statutory period in accordance with Education Code Sections 85220-85223 | | | | |
| c) Does the District forecast its cash receipts and disbursements and verify them at least monthly to ensure cash flow needs are known with plenty of notice? | | | | |
| d) Does the District have a plan to address short-term cash flow needs? | | | | |
| e) Are cash balances reconciled to bank statements monthly? | | | | |

SHASTA COLLEGE – FISCAL HEALTH RISK ANALYSIS

| 7. Bargaining Agreements | | | | |
|---|--|--|--|--|
| a) Has the District settled the total cost of the bargaining agreements at or under COLA during the past three years? | | | | |
| b) Did the District conduct a pre-settlement analysis, including multiyear projections, identifying ongoing revenue sources or expenditure reductions to support the agreement, as well as the long-term effects on the District? | | | | |
| c) Did the District correctly identify the related costs above the COLA? (i.e. Statutory benefits, step and column) | | | | |
| d) Did the District address budget adjustments necessary to sustain the total compensation increase, including a board-adopted plan? | | | | |
| e) Did the Superintendent/President and CBO verify the affordability agreement prior to ratification? | | | | |
| f) Is the Governing Board's action consistent with the Superintendent's/President's/CBO's recommendation after verification of affordability? | | | | |
| g) Did the District disclose the costs associated with a tentative collective bargaining agreement before it became binding on the District? | | | | |
| 8. General Fund | | | | |
| a) Is the percentage of the District's general fund unrestricted budget allocated to salaries and benefits within 1% of the District's three (3) year average? | | | | |
| b) Is the District making sure that only ongoing dollars pay for permanent staff? | | | | |
| c) Does the budget identify future reductions in expenditures proportionate to one-time funding sources that will terminate in the current or two subsequent fiscal years? | | | | |
| d) Does the District ensure that one-time funding sources are not paying for ongoing expenditures? | | | | |
| e) Is the District taking action to ensure that litigation and/or settlements are minimized? | | | | |

SHASTA COLLEGE – FISCAL HEALTH RISK ANALYSIS

| 9. Encroachment | | | | |
|--|--|--|--|--|
| a) Is the District aware of the contributions to restricted programs in the current year? (Identify cost, programs and funds) | | | | |
| b) Does the District have a reasonable plan to address increased encroachment trends? | | | | |
| c) Does the District manage encroachment in all funds? | | | | |
| 10. Management Information Systems | | | | |
| a) Is the District's financial data accurate and timely? | | | | |
| b) Are the mandated reports filed in a timely manner? | | | | |
| c) Are key fiscal reports – including those on personnel, payroll and budget – accessible, timely and understandable? | | | | |
| 11. Position Control and Human Resources | | | | |
| a) Does the District maintain and use an effective and reliable position control system that tracks personnel allocations and expenditures and is integrated with payroll and financial systems? | | | | |
| b) Does the District control unauthorized hiring? | | | | |
| c) Is the District able to control overstaffing? | | | | |
| d) Are the appropriate levels of internal controls (i.e., checks and balances) in place between the business and personnel departments to prevent fraudulent activity? | | | | |
| e) Are positions reconciled annually to the budget? | | | | |

SHASTA COLLEGE – FISCAL HEALTH RISK ANALYSIS

| | | | | |
|--|--|--|--|--|
| f) Does the District offer budget managers and above training regarding financial management and budgeting? | | | | |
| | | | | |
| 12. Budget Development and Adoption | | | | |
| a) Is a budget calendar used that contains statutory due dates and the major budget development milestones? | | | | |
| b) Are there clear processes and policies in place to analyze resources and allocations to ensure that they align with strategic planning objectives and that the budget reflects the District priorities? | | | | |
| c) Is the 50% Law correctly calculated and understood? | | | | |
| d) Are projections for FTES, enrollment, and revenue accurate and reasonable? | | | | |
| e) Is the budget developed using a zero-based method rather than being a rollover budget? | | | | |
| f) Does the District use position control data for budget development? | | | | |
| g) Does the budget development process include input from staff, administrators, board and community, as well as the Budget Committee? | | | | |
| h) Is the tentative budget adopted by the Governing Board no later than June 30? | | | | |
| i) Is the final budget adopted by the Governing Board no later than September 15, and is it based on standards and criteria for fiscal stability? | | | | |
| | | | | |
| 13. Multiyear Projections | | | | |
| a) Has the District developed multiyear projections that have reasonable assumptions? | | | | |
| b) Are projected fund balance reserves disclosed and based on the most reasonable and accurate information available? | | | | |
| c) At a minimum, are the multiyear projections completed two times per year? | | | | |

SHASTA COLLEGE – FISCAL HEALTH RISK ANALYSIS

| 14. Budget Monitoring and Updates | | | | |
|--|--|--|--|--|
| a) Are budget assumptions updated throughout the year as updated information becomes available? | | | | |
| b) Are actual revenue and expenses in line with the most current budget? | | | | |
| c) Are budget revisions completed in a timely manner? | | | | |
| d) Does the District openly discuss the impact of budget revisions at the Board level? | | | | |
| e) Is a disclosure statement provided to the Board at the same time the Collective Bargaining Agreement is ratified? | | | | |
| f) Has the District's long-term debt decreased from the prior fiscal year? | | | | |
| g) Are restricted program funds controlled and monitored? | | | | |
| h) Has the District identified the repayment sources for long-term debt or non-voter-approved debt? (e.g. certificates of participation, capital leases) | | | | |
| i) Does the District's financial system have a hard-coded warning regarding insufficient funds for requisitions and purchase orders? | | | | |
| j) Does the District encumber salaries and benefits? | | | | |
| k) Are the balance sheet accounts in the general ledger reconciled regularly? | | | | |
| l) Does the District complete and file its quarterly fiscal status reports within the statutory deadlines and ensure that they are based on standards and criteria for fiscal stability? | | | | |
| | | | | |
| 15. Retiree Health Benefits | | | | |
| a) Has the District completed an actuarial valuation in the last two years to determine the unfunded liability under GASB 45 requirements? | | | | |
| b) Does the District have a plan for addressing the retiree benefits liabilities? | | | | |

SHASTA COLLEGE – FISCAL HEALTH RISK ANALYSIS

| 16. Leadership/Stability | | | | |
|--|--|--|--|--|
| a) Does the District have a Superintendent/President and/or Chief Business Official who have been with the District more than two years? | | | | |
| b) Does the Governing Board adopt and revise understandable and current policies and support the administration to ensure implementation? | | | | |
| c) Does the Superintendent/President adopt and revise understandable and current administrative regulations and ensure that adopted board polices and approved administrative regulations are accessible to staff, and followed? | | | | |
| d) Does the Governing Board refrain from micromanaging District administration and staff? | | | | |
| 17. Internal Controls and Annual Independent Audit Report | | | | |
| a) Does the District implement appropriate measures to discourage and detect fraud? | | | | |
| b) Did the District receive an independent audit report without material findings? | | | | |
| c) Were prior audit findings resolved? | | | | |
| d) Has the independent audit report been completed and presented within the statutory timeline? | | | | |
| e) Are audit findings and recommendations reviewed with the Board? | | | | |
| f) Did the audit report meet both GAAP and GASB standards? | | | | |
| 18. Facilities | | | | |
| a) Does the District have the resources to maintain facilities appropriately? | | | | |
| b) Has the District met the audit and reporting requirements of Proposition 39? | | | | |

SHASTA COLLEGE – FISCAL HEALTH RISK ANALYSIS

| | | | | |
|---|--|--|--|--|
| c) Has the District met IRS spending timeline compliance requirements for bond monies issued to the District? | | | | |
| d) Does the District have sufficient personnel to properly track and account for facility-related projects? | | | | |
| e) Does the District prioritize facility issues when adopting a budget? | | | | |
| f) If needed, does the District have surplus property that may be sold or used for lease revenues? | | | | |
| g) If needed, are there other potential statutory options the District can use rather than declaring the property as surplus, such as entering into agreements with some entities for joint use or joint occupancy, per the Education Code? | | | | |
| | | | | |
| 19. General Ledger | | | | |
| a) Does the District record all financial activity for all programs accurately and in a timely manner, ensuring that work is properly supervised and reviewed? | | | | |
| b) Has the District closed the general ledger (books) in time to complete the annual 311 report? | | | | |
| c) Does the District follow a year-end closing schedule? | | | | |
| d) Have beginning balances in the new fiscal year been recorded correctly for each fund from the prior fiscal year? | | | | |
| e) Does the District adjust prior year accruals if the amounts actually received (A/R) or paid (A/P) are greater or less than the amounts accrued? | | | | |
| f) Does the District reconcile all suspense accounts, including payroll, at the close of the fiscal year? | | | | |
| | | | | |

RISK ANALYSIS

1. Total the number of categories in which the District’s fiscal health is not acceptable (“No” responses).

2. Use the key below to determine the level of risk to the District’s fiscal health.

| | | | |
|------------|-----------------|--------------|-----------------------|
| 0-5 | 6-10 | 11-16 | 17-19 |
| Low | Moderate | High | Extremely High |

| |
|-------------------|
| Total “No” |
| Responses |
| |