



BUDGET COMMITTEE MEETING

March 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	x	Joe Bissell		Student Rep.
x	Don Cingrani	x	Lynda Little	x	Kathy Royce		
x	Kendall Crenshaw	x	Tom Masulis	x	Susan Schroth		

APPROVAL OF MINUTES: Cingrani/Royce. Approved with two corrections.

PUBLIC COMMENTS: None

REPORTS: None

DISCUSSION/ACTION:

Budget to Actuals Analysis for Salaries and Benefits and Realistic Budget Discussion

Joe distributed the handout prepared by Jill which shows the yearly comparisons of the budget to actuals for the last four years. The highlighted amounts include transfers from those accounts. It was noted that at the end of the year money is transferred in and out of accounts to balance them. It was noted that for 2015/16 the amount of \$7.33 million includes transfers and there was an additional \$1.3 million transferred to the OPEB fund that was not originally in the budget.

Joe explained how the account codes are structured specifically the object codes.

Joe stated that when we look at the pure, actual turnover savings last year it suggests that we over-budgeted \$1.4 million. Although this does bounce around a bit. He stated that in his conversation with Jill, she thought that there were some things in 2014/15 that may have skewed the numbers however it may have been an odd year. Don stated that we need to verify what we are saying as we have traditionally significantly over-budgeted. Joe stated that we can say that we have historically budgeted conservatively.

Susan asked if we transfer funds into the OPEB trust every other year or every year. Don said that we have to recognize the unfunded liability. When the accounting rules changed we then needed to show the amount to commit to catch up. What has happened is that when we have available funds we use them to transfer to OPEB. The actuarial studies which are done every two years provides the projection that we will meet with maximum funding. In the beginning we funded on a regular basis and we got ahead of schedule and now when we have extra funds we transfer them. Lynda stated that we make payments regularly, and when we have extra we put them into the fund. When the LR Bond was refunded we used it to initially fund OPEB. We did a big payment to get it going, we've always been ahead of the game. An argument has been is if we put this large amount into the fund can we get it back or can we choose to pay some of our retirement benefits from this account. We can use it to fund our current costs. It was noted that this is an irrevocable trust. We are still trying to catch up to be fully funded and we budget annually

for current employees. When the rules first changed, the recommendation was 30 years to fund the liability - to catch up and in addition to fund for current employees.

Joe indicated that we do not need to make a decision today. He thought it would be more consistent to budget realistically. He stated that in looking at the bottom line - total salaries each year comparatively - the differences may be a dollar related percentage. It was asked why the variances are significant.

Don stated that budgeting conservatively isn't necessarily realistically. Joe said it is something to look at as we do the budget for this year. He will ask Jill to look at this to see if there are any other large line items that we could look at.

Don stated that something to consider is the concern that changing the approach may be confusing to constituents. He asked how this will impact how people look at the information. Tom said that if we lower amounts for expenditures the questions might be how come they are lower? There would need to be an explanation of the change of philosophy.

Don stated that it's a concern and we need to be out in front of this and help give an understanding. We need to be realistic, but it doesn't mean we have all this money now. Tom said that people don't always understand what it takes to do budgeting, but how we explain the process may be helpful for better understanding.

Joe indicated that we would budget for full salaries, expenditures and turnover savings. Lynda stated a consideration would be a line item that would show how PERS goes up and salaries are raised. She said this may be shown in the footnotes of the budget document.

Joe said that after the fact this would be an interesting exercise to do after audit is done - to go through the codes and look at the large differences in the actuals compared to the budgeted amounts. This could be done for the major categories only. Sara stated that this will help to build confidence in the college community, to show why we have budgeted the way we did. Don said that this will help build credibility.

Kathy asked if this is for unrestricted general funds only. She asked about grants and categorical funds. There was discussion about how some general funds may be off-set by categorical and grant funds. Don said that we want to be sure that negotiations are being done with understandable and realistic information and when we are funding ongoing expenses with one-time dollars and it's important to note and to be sure we are able to fund them. Joe stated that some categorical funds have an anti-supplanting clause. Another consideration is one time money and on-going money. It's a worthwhile exercise to go through the actuals comparatively to see if the use of one-time moneys for is for one-time expenses. We will bring the sheet back to next meeting.

Glossary

Joe distributed a page from the District Fiscal Risk Analysis form and a Glossary of Terms. He noted there is one change on form - item 7(e) is re-written to change the term affordability agreement to state "...verify the affordability of the agreements..." . The term Affordability Agreement is highlighted on the glossary and will be removed from the list.

The following are questions and discussion regarding specific term definitions on the Glossary of Terms:

Encroachment Trends - It was asked what this means. Reference was made to the form, item 9(b). Joe explained for instance when Title III Grant funds a certain position, the grant states you absorb this position into your general funds.

Should the definition be changed to a "future commitment of funds"? The definition needs to relate to the term encroachment which is defined as "to gradually use or take that usually belongs to someone else; intrusion"; "to intrude gradually, insidiously". What should it be changed to? It was suggested to look in the budget accounting manual. It was also noted to look at 9(a).

Proposition 39: It was asked if this referred to the Lease Revenue Bonds. What is Prop. 39 about? It was asked if this is a bond or if it is the clean energy act? Joe explained that he thought it was related to the change that a bond measure can be approved by 55% of the vote rather than two-thirds.

GASB – It was noted that this needs to be spelled out and explained further.

50% law - It was asked that definition be reworded.

Ed Code Sections – It was asked what this pertains to and to have a more detail definition.

Joe stated that he will go back through the definitions and make the changes as discussed. This will be brought back to the next meeting.

OTHER / ANNOUNCEMENTS: None

ADJOURNMENT: Meeting adjourned at 2:58 p.m.

NEXT MEETING DATE: Not announced.

Recorded by:
Peggy Himbert
Executive Assistant
Administrative Services

Object2	2015-2016 Adj. Budget	2015-2016 Actuals	% Actual/Budget	2014-2015 Adj. Budget	2014-2015 Actuals	% Actual/Budget	2013-2014 Adj. Budget	2013-2014 Actuals	% Actual/Budget	2012-2013 Adj. Budget	2012-2013 Actuals	% Actual/Budget	2011-2012 Adj. Budget
11 Total	9,367,830	9,303,729	99.32%	9,082,267	8,914,164	98.15%	8,710,901	8,671,256	99.54%	8,377,389	8,252,744	98.51%	8,363,530
12 Total	3,395,801	3,263,022	96.09%	3,244,545	3,084,019	95.05%	3,465,814	3,474,696	100.26%	3,251,794	3,248,936	99.91%	3,150,094
13 Total	4,317,204	4,444,927	102.96%	3,769,880	4,212,118	111.73%	4,347,602	4,116,143	94.68%	4,010,734	3,917,704	97.68%	4,053,305
14 Total	179,866	197,165	109.62%	221,404	235,929	106.56%	204,545	189,064	92.43%	207,478	164,448	79.26%	330,900
21 Total	7,275,717	6,400,326	87.97%	6,998,250	6,376,616	91.12%	6,789,936	6,380,117	93.96%	6,572,813	6,190,098	94.18%	6,471,442
22 Total	449,642	535,909	119.19%	571,851	564,293	98.68%	613,397	567,344	92.49%	615,945	587,051	95.31%	618,193
23 Total	617,907	755,664	122.29%	490,206	734,052	149.74%	520,010	672,689	129.36%	482,764	584,351	121.04%	411,995
24 Total	366,834	277,164	75.56%	322,799	297,241	92.08%	249,459	200,591	80.41%	224,379	176,948	78.86%	237,700
31 Total	1,884,545	1,594,815	84.63%	1,405,282	1,266,578	90.13%	1,336,575	1,172,761	87.74%	1,278,025	1,065,784	83.39%	1,277,611
32 Total	916,234	887,352	96.85%	933,211	834,143	89.38%	896,894	848,081	94.56%	849,986	810,152	95.31%	810,697
33 Total	820,984	922,124	112.32%	878,660	910,256	103.60%	877,340	901,538	102.76%	833,230	842,805	101.15%	829,136
34 Total	6,403,162	7,330,197	114.48%	6,008,774	5,570,007	92.70%	6,419,251	6,958,247	108.40%	5,664,007	5,594,280	98.77%	5,529,051
35 Total	25,468	25,148	98.74%	60,948	43,858	71.96%	85,933	37,136	43.22%	337,095	270,666	80.29%	456,737
36 Total	578,271	522,148	90.29%	671,151	671,040	99.98%	738,975	690,906	93.50%	745,885	698,193	93.61%	772,561
39 Total	40,900	39,342	96.19%	6,000	59,000	983.33%	-	-	#DIV/0!	113,014	114,193	101.04%	116,898
Grand Total	36,640,365	36,499,032		34,665,228	33,773,317		35,256,632	34,880,569		33,564,538	32,518,352		33,429,850
EOY OPEB transfer		1,300,000			-			934,000			-		
Total w/o OPEB transfer	36,640,365	35,199,032	96.07%	34,665,228	33,773,317	97.43%	35,256,632	33,946,569	96.28%	33,564,538	32,518,352	96.88%	33,429,850
\$\$ of budget/actual variance		1,441,333			891,911			1,310,063			1,046,186		

Budget Committee discussion

4/19/2017

Line item title

Discount Factor

Short description

Budgets at the college are created using conservative estimates which will tend to overestimate expenses. A discount factor using the past 4 year actual to budget is being used to provide a more realistic estimate for an ending fund balance.

Paragraph long description

Past budgets at the college have been created using conservative estimates including budgeting for salaries and employee benefits (83% of total Unrestricted General Fund expense) assuming all positions will be filled 100% of the time and there will be no temporary gaps for recruiting, hiring for midyear retirements, resignations, etc., and in reality such temporary gaps do occur. To account for these temporary gaps when projecting the year end Fund Balance, a Discount Factor is being used to estimate actual expenses and allow for a more realistic projection for the ending fund balance. The past four years' actual vs budget is being used to determine the Discount Factor percentage.

GLOSSARY OF TERMS

311 Reports: Financial Status Report

50% Law: “there shall be expended each fiscal year for payment of salaries of classroom instructors by a community college district, 50 percent of the district’s current expense of education.”

Accruals: Accruals are adjustments 1) Revenues that have been earned but are not yet recorded in the accounts, and 2) Expenses that have been incurred but are not yet recorded in the accounts.

Actuarial Study: A process that applies mathematical and statistical methods to assess risk in finance.

Actuarial Valuations: A type of appraisal which requires making economic and demographic assumptions in order to estimate future liabilities.

Bridge Financing: An interim financing option used to solidify a short-term position until a long-term financing option can be arranged

Capital Leases: A type of lease in which the lessor only finances the leased asset, and all other rights of ownership transfer to the lessee. This results in the recordation of the asset as the lessee’s property in its general ledger, as a fixed asset.

Certificate of Participation (COPs): A financial instrument, a form of financing, used by municipal or government entities, which allows an individual to buy a share of the lease revenue of an agreement made by these entities.

COLA: Cost of Living Adjustment: Generally equal to the percentage increase in the consumer price index for urban wage earners and clerical workers for specific period of time.

Collective Bargaining: Is a process of negotiation between employers and a group of employees aimed at agreements to regulate working salaries, working conditions, benefits, and other aspects of workers’ compensation and rights.

Ed Code Sections 85220 and 85223: Temporary Transfer, County to District, Excess Balances (<http://codes.findlaw.com/ca/education-code/edc-sect-85220.html>)

Encroachment Trends: Acts or instances of a popular occurrence

Encumber Funds: Monies that are intentionally set aside to pay for future obligated or planned expenses.

FTES: Full Time Equivalent Student

Fund Balance: The net worth of a fund that is measured by total assets minus total liabilities

GAAP: Generally Accepted Accounting Principles

GASB 45: An accounting and financial reporting provision requiring government employers to measure and report the liabilities associated with other (than pension) postemployment benefits (or OPEB).

GLOSSARY OF TERMS

GASB 68: Accounting and financial reporting for pensions, revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits.

Inter-fund Borrowing: Transactions occurring between two funds within the same government institution that are generally not included in its annual financial statements. Transactions include internal revenue, expense reimbursement, inter-fund loans, fund additions and deductions

Mandated Reports: Reports that must be filed

Position Control System: Position control is the creation, maintenance, and monitoring of positions and their associated budgets

Proposition 39: The California Clean Energy Jobs Act changed the corporate income tax code and allocates projected revenue to California's General Fund and the Clean Energy Job Creation Fund for five fiscal years, beginning with fiscal year 2013-14

Restricted Funds: Money that can only be used for specific purposes

Rollover Budget: Left over balance of unexpended funds

Statutory Benefits: Something "fixed, authorized, or established by statute", therefore the benefit packages are designed to enhance the well-being of their employee base.

Statutory Options: Legal options (Ed Code, Public Contract Code, etc.)

Surplus Property: Tangible property or equipment that is no longer usable by the District

Suspense Accounts: Is an account in the general ledger in which amounts are temporarily recorded. The suspense account is used because the proper account could not be determined at the time that the transaction was recorded. When the proper account is determined, the amount will be moved from the suspense account to the proper account.

TRANS: Tax and Revenue Anticipation Note

Unfunded Liabilities: The amount, at any given time, by which future payment obligations exceed the present value of funds available to pay them.

Unrestricted Funds: Money that can be used for the general purpose or work of an organization, rather than for a specific purpose or project.

Zero-based method: A method of budgeting in which all expenses must be justified for each new period. Zero-based budgeting starts from a "zero base" and every function within an organization is analyzed for its needs and costs.