



BUDGET COMMITTEE MEETING

March 15, 2017

Room 2149

2:00 p.m.

MINUTES

CALL TO ORDER: The meeting was called to order at 2:08 p.m. by Committee Chair, Joe Bissell.

Roll Call:

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

Guests:

None		

APPROVAL OF MINUTES: The March 1, 2017 Meeting Minutes were reviewed with minor corrections: **Cingrani/Schroth - M/S to accept the minutes with corrections. Motion carried**

PUBLIC COMMENTS: **None**

REPORTS: **None**

DISCUSSION/ACTION:

The discussion is a continuation from the last meeting so the committee can develop a budget that is realistic. Joe stated that it is worthwhile to review where the bulk of income comes from, how to look at, and how lately it has not been consistent. He explained that when apportionment was being deferred there were cash flow issues and many districts had to deal with revenue shortfalls. In the event of an economic downturn it is prudent districts carry a larger reserve to have the ability to continue to operate. At their March meeting, the SC Board of Trustees approved changes to AP6305 including the additional 5% reserve for emergencies, as recommended by the Budget Committee and College Council.

P2 & Recalculation of numbers (Handout)

Joe demonstrated where to find the apportionment reports on the Chancellor’s Office webpage following the path under Systems Operations:
<http://extranet.cccco.edu/Divisions/FinanceFacilities/FiscalServicesUnit/Reports/ApportionmentReports.aspx>).

The apportionment reports are listed by fiscal year each with the following options: Advance, P1, P2 (principal apportionment); R1 (recalculation). The handout “California Community

Colleges 2016-17 First Principal Apportionment - Exhibit C" is one of the reports available from the Chancellor's Office website. He said that the reports list all of the community colleges so you can see what the other schools are also getting. He explained how the FTES dollars are distributed to the districts and how larger schools have an advantage with base funding and increased efficiencies due to larger class sizes.

The Workload measures on the top portion of the handout shows the FTES. The Base Funding for credit, non-credit, and CDCP FTES is what we earned last year. "CDCP" means "Career Development College Prep". The basic formula for total funded FTES is base plus growth plus stability. Our total funded and actual FTES for P1 this year is 7270.76.

The middle portion of the report lists revenue and how Total Compensational Revenue (TCR) is calculated. The Total Base Revenue is the base FTES multiplied by the base funding rate for a revised Base FTES Revenue of \$30,277,361. This is added to the base allocation for the Total Base Revenue Less Decline amount of \$33,879,421. Sections III and IV show the calculations for restoration and growth. The other amounts highlighted are the TCR which equals \$40,214,996. Section VIII details other District revenue sources. Note that the total available revenue equals \$39,723,622 (TCR less the revenue shortfall). This is the amount the college will actually receive if the state shortfall holds.

Susan mentioned that when she was a K-8 school board member that her school district had partnered with a larger school district. She stated that it worked beautifully as there was one entity responsible for the mandated reporting, financial documents, etc. She asked if community colleges ever thought about contracting with other school districts. Joe stated that he had worked for a small school and this had been discussed with other small schools. Retention of local control always seemed to be an issue which prevented this from happening.

Page 2 of the handout shows Shasta College's Apportionment Reports History. Joe reviewed the report history comparatively for each fiscal year listed. He noted that the last column shows the Available Revenue (AR) from P1 to the Recalculation. In reviewing the numbers for 2013/14, he noted that it was an oddball year and the AR of \$1.4 million is high. The following two years are more consistent. The Chancellor's Office calculates the Advance assuming full growth and restoration of FTES. In 2015/16 the revenue shortfall is zero, but on the 2016/17 P1, which we receive in February, shows the calculated FTES at 7270.76 and a revenue shortfall of close to \$500K. An AP/AR is set up in September, based on P2 for what is thought we will have for the year. We won't know the actual (R1) until February the following year.

In conclusion, Joe stated that he wanted to share with the committee why revenue varies. The total dollars from apportionment listed under section VIII (taxes, state, & registration fees) is normally about 90% of our total unrestricted general fund income. There was additional discussion about basic aid districts which have more local tax revenue even if it exceeds the formula.

OPEB Numbers

After the discussion from the last meeting Joe stated that he wanted to review the OPEB actuarial study done in 2015 to clarify the numbers. Per the actuarial study completed in 2015, our accrued liability was \$42,931,364. The unfunded amount was \$32,113,071. The difference was the amount of funds we had deposited (plus interest earned) to the irrevocable Trust fund to cover the liability. Currently, at the end of February there is \$13.8 million in the trust. The increase is due to investments and additional contributions. Jill stated that we have to start

recording the total liability this year. We have already started recording PERS and STRS. There was additional discussion regarding the liabilities and how they are recorded.

Glossary of Fiscal Risk Analysis Document (handout)

Reviewing the glossary that was discussed at the last meeting, Joe stated that some of the terms were re-defined.

Prop 39 – There are two Prop 39s. The first is the Schools Facilities Local Act of 2000, which reduces the threshold required to pass local California school district bond issues from two-thirds supermajority to 55 percent supermajority and requires a citizen's bond oversight committee. The second Prop 39 is the Clean Energy Act. For the purpose of our glossary, Prop 39 refers to the Schools Facilities Local Act of 2000.

Ed. Code Sections 85220 and 85223 – These are the sections of California Ed. Code that address the procedures for the county superintendent of schools to make a temporary transfer to a community college which does not have sufficient funds to meet current operating expenses.

Encroachment Trends – Encroachment is a term used in school finance to describe the situation in which the acceptance of restricted funds commits present and/or future use of unrestricted resources (funds, personnel, equipment, facilities).

There were no additional comments or questions. **Cingrani/Royce - M/S to approve the glossary with the terms as defined. Motion approved.**

Budget to Actuals Analysis for Salaries and Benefits

This is the spreadsheet that was reviewed at the last meeting. Joe asked if there were any additional questions for Jill regarding the spreadsheet. There was discussion regarding salary and benefits actual expenses being 1.5 – 2% less than budget because of position vacancies (mainly turnover). It was noted that we have been modeling with full employment assumptions.

OTHER / ANNOUNCEMENTS:

There was discussion and comments regarding the recommendation to College Council for the change in policy to increase the reserve. The policy change was recommended by the Budget Committee, went through the College Council review and approval process (2 readings at open public meetings) and the Board process (2 readings at open public meetings) before being adopted at their last meeting.

The importance of being transparent and understandable about how these things go through the approval process was stressed. Members of participatory committees are aware and involved but this doesn't make the campus informed. The shared governance process was also discussed; how communication is very important; and that our discussion and the process we use to come to our recommendations are made evident. It was stated that continuous improvement should always be part of our process. The following is a brief description of the suggestions discussed to facilitate communication regarding recommendations made by the committee:

- All committee members should report back to their constituents about the discussions and recommendations made by the committee
- A summary paragraph is submitted along with the recommendations recording the shared governance process that was followed and rationale
- A year in review document should be prepared which briefly outlines what was accomplished by participatory governance committees
- Include in the narratives for the Board agenda how the participatory governance process was used to make changes to policy

If our approach on how we budget (including turnover savings) is changed, we need to get out in front to communicate with the campus of how we arrived at the change in the process. We need to make it clear to everyone.

These are all viable solutions that we can incorporate.

ADJOURNMENT: 4:00

NEXT MEETING DATE: April 5, 2017

Recorded by:
Peggy Himbert
Executive Assistant
Administrative Services

**CALIFORNIA COMMUNITY COLLEGES
2016-17 FIRST PRINCIPAL APPORTIONMENT
SHASTA-TEHAMA-TRINITY COMMUNITY COLLEGE DISTRICT**

EXHIBIT C

Workload measures:	Base Funding	Marginal Funding	Base FTES	Growth FTES	Restored FTES	Stability FTES	Total Funded FTES	Unfunded FTES	Actual FTES
Credit FTES	5,005.683072	5,005.683057	5,907.720	52.141	1,110.639	0.000	7,070.500	0.000	7,070.500
Noncredit FTES	3,010.058097	3,010.058097	177.170	7.130	0.000	0.000	184.300	0.000	184.300
CDCP FTES	5,005.683057	5,005.683057	34.340	-18.380	0.000	0.000	15.960	0.000	15.960
Total FTES:			6,119.230	40.891	1,110.639	0.000	7,270.760	0.000	7,270.760

I Base Revenues +/- Restore or Decline

A Basic Allocation	\$3,602,060
B Revised Base FTES Revenue	\$30,277,381
1 Credit Base Revenue	\$29,572,174
2 Noncredit Base Revenue	\$533,292
3 Career Development College Prep	\$171,895
C Current Year Decline	\$0
Total Base Revenue Less Decline	\$33,879,421

II Inflation Adjustment

A Statewide Inflation Adjustment	0%
B Inflation Adjustment	\$0
Current Year Base Revenue + Inflation Adjustment	\$33,879,421

III Basic Allocation & Restoration

A Basic Allocation Adjustment	\$0
B Basic Allocation Adjustment COLA	\$0
C Stability Restoration	\$5,559,505
Total Basic Allocation & Restoration	\$5,559,505

IV Growth

A Target Growth Rate	1.01%	\$190,461
B Funded Growth Rate	1.01%	\$190,461
C Funded Credit Growth Revenue	\$261,003	
D Funded Noncredit Growth Revenue	\$21,462	
E Funded Noncredit CDCP Growth Revenue	\$-92,004	
Total Growth Revenue		\$190,461

V Other Revenue Adjustments

A Misc. Revenue Adjustments	\$0
B Full-Time Faculty Hiring Adjustments	\$62,931
C Base Increase FON	\$5,245
D Base Increase Non-FON	\$517,433
Total Revenue Adjustments	\$585,609

VI Stability Adjustment

\$0

VII Total Computational Revenue
(sum of II, III, IV, V, & VI)

\$40,214,996

VIII District Revenue Source

A1 Property Taxes	\$14,699,438
A2 Less Property Taxes Excess	\$0
B Student Enrollment Fees	\$1,999,200
C1 State General Apportionment	\$16,861,878
C2 Full-Time Faculty Hiring	\$402,935
D Estimated EPA	\$5,960,171
Available Revenue	\$39,723,622
E Revenue Shortfall	0.9877813242
Total Revenue Plus Shortfall	\$40,214,996

IX Other Allowances and Total Apportionments

A State General Apportionment	\$17,064,813
B Statewide Average Replacement Cost	\$71,096
Number of Faculty Not Hired	0.00
Full-time Faculty Adjustment	\$0
Net State General Apportionment	\$17,064,813

X Unrestored Decline as of July 1st of Current Year

A 1st Year	\$4,038,685
B 2nd Year	\$0
C 3rd Year	\$1,520,820
Total	\$5,559,505

Basic Allocation Calculation Before Current Year COLA
College/Center Base Funding Rates (Current Year FTES Thresholds):

Single College District Funding Rates: Total FTES			Multi-College District Funding Rate: Total FTES				
> 20,000	> 10,000	<= 10,000	Rural	> 20,000	> 10,000	<= 10,000	Total Colleges
\$6,003,433	\$4,802,746	\$3,602,060	\$1,145,692	\$4,802,746	\$4,202,403	\$3,602,060	1
FTES:	0	1	0	0	0	0	1
Revenue:	\$0	\$3,602,060	\$0	\$0	\$0	\$0	\$3,602,060
State Approved Center: Funding Rates			Total State Approved Centers	Total State Approved Centers Revenue			
0	\$1,200,687	0	0	\$0			
Grandfathered or Previously Approved Center: Funding Rates @ FTES Levels							
> 1,000	> 750	> 500	> 250	<= 100			
\$1,200,687	\$900,515	\$600,343	\$300,172	\$150,086			
Number of Grandfathered or Previously Approved Centers: @ Total FTES					Total Grandfathered or Previously Approved Centers	Total Basic Allocation Revenue	
0	0	0	0	0	0	\$3,602,060	
Grandfathered or Previously Approved Center Revenue:					Total Grandfathered or Approved Center		
\$0	\$0	\$0	\$0	\$0	\$0		

Shasta College Apportionment Reports History

	Actual FTES	Total Comp Revenue (TCR)	Revenue Shortfall	Available Revenue (AR)	AR Change from P1 to recalc
2013-14					
Advance (Jul)					
P1 (Feb)	7004.39	\$36,717,344	\$1,601,053	\$35,116,291	
P2 (Jun)	6779.53	\$36,732,331	\$406,554	\$36,325,777	
Recalc (Feb)	6467.1	\$36,732,331	\$166,680	\$36,565,651	\$1,449,360
2014-15					
Advance (Jul)	7033.762	\$35,866,109	\$198,924	\$35,667,185	
P1 (Feb)	6975.09	\$35,518,537	\$580,471	\$34,938,066	
P2 (Jun)	6987.05	\$35,665,324	\$113,382	\$35,551,942	
Recalc (Feb)	6963.4	\$35,623,928	\$0	\$35,623,928	\$685,862
2015-16					
Advance (Jul)	7353.87	\$39,917,885	\$234,902	\$39,682,983	
P1 (Feb)	6774.8	\$38,079,302	\$465,194	\$37,614,108	
P2 (Jun)	6486.05	\$38,009,729	\$0	\$38,009,729	
Recalc (Feb)	6119.23	\$37,918,106	\$0	\$37,918,106	\$303,998
2016-17					
Advance (Jul)	7314.367	\$40,299,038	\$584,375	\$39,714,663	
P1 (Feb)	7270.76	\$40,214,996	\$491,374	\$39,723,622	
P2 (Jun)					
Recalc (Feb)					

3/15/17

GLOSSARY OF TERMS (2ND DRAFT)

311 Reports: Community College Chancellor's Office financial reports required to be completed and submitted to the Chancellor's Office quarterly and annually.

50% Law: California Ed Code Section 84362 requiring California community college districts to spend 50% of their current expense of education for payment of classroom instructors.

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: California Education Codes that address procedures for the county superintendent of schools to make a temporary transfer to a community college which does not have sufficient funds to meet current operating expenses.

Encroachment Trends: Encroachment is a term used in school finance to describe the situation in which the acceptance of restricted funds commits present and/or future use of unrestricted resources (funds, personnel, equipment, facilities).

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

Generally Accepted Accounting Principles (GAAP): These are the uniform minimum standards for financial accounting and reporting. The primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board (GASB).

Governmental Accounting Standards Board (GASB): The authoritative accounting and financial reporting standard-setting body for governmental entities.

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).

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.

GLOSSARY OF TERMS (2ND DRAFT)

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: School Facilities Local Vote Act of 2000, reduced the threshold required to pass local California school district bond issues from two-thirds supermajority to 55 percent supermajority. Also requires citizen's bond oversight committee and annual audits.

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.