BUDGET COMMITTEE MEETING
April 18, 2018
Board Room
2:00-3:30 p.m.
MINUTES

CALL TO ORDER: The meeting was called to order at 2:05 p.m. by Committee Chair, Morris Rodrigue.

Roll Call:

x	Jill Ault	x	Sara Holmes	x	Morris Rodrigue		Student Rep.
x	Don Cingrani		Tom Simpson	x	Kathy Royce		
x	Sue Loring	x	Tom Martin	x	Susan Schroth		

APPROVAL OF MINUTES: None

PUBLIC COMMENTS: None

REPORTS: None

DISCUSSION/ACTION

A. **State Budget Updates**
Morris said building the budget is based on projections, and there has been continuing conversations about the proposed change to the current funding formula. No decisions have been made yet, but several proposals are being looked at. There is a good chance that one of the proposals will pass, and there is still a lot of concern across the state. If a new formula is passed, it may have three (3) categories: Base Funding/Apportionment, Student Success, and Supplemental Funding based on the number of low income students (Pell, BOGG, College Promise). There are still a lot of unknowns, and groups at the state level are working hard for others to understand how these changes could impact the smaller schools.

Don asked if the small schools are well represented. Morris said yes, and ironically if the formula passes with a hold harmless in place, then for the next couple of years it would have a positive impact for Shasta College, meaning we could have a couple of years to make adjustments as needed. If our apportionment is calculated accurately, the college will weather the change. The May revise should include a new funding formula. Legislation goes back and forth until June, and in June we should have the final budget.

Susan asked if the District reserves would be used if we are impacted in a negative way with the new funding formula. Morris said we maintain the fund balance for just this kind of reason, and the Budget Committee could make a decision to recommend increasing the fund balance. Don explained that the reserve is not a pot of money, the reserve is nothing more than our fund balance. It's not a savings account, or a pot full of cash, it is simply made up of all the Colleges' assets that shows up as a 'fund balance'. Jill agreed, and said many think that a fund balance means cash, it doesn't, it equates to assets.

B. <u>2018-19 Preliminary Budget Review *(3 Handouts)*</u>

<u>Fund 11- Unrestricted</u>

Morris started the discussion with the 2017-18 final budget and estimated income. Jill said keeping in mind there is adjusting as we go, we are still confirming numbers. The tentative budget for 2018-19 is around $43.7 million, which is approximately $1.8 million less than 2017-18.

There are multiple streams of income with the vast majority coming from the state. Total Computational Revenue (TCR), which is made up of the items on page 3 of the Tentative Budget handout; Base Allocation, State EPA, Base FTES, COLA, Base Increase, Property Taxes, Enrollment Fees and General Apportionment. These equate to ~ $40 million. Comparatively, we budgeted $41.8 million last year. Morris explained that the TCR is like a pie, and the pie always stays balanced, and it is based on what we are allocated in apportionment. All of the numbers at this point in time are estimates. The estimates are made based on what we believe is trending at the time and budgeting conservatively.

Morris said under the current formula we would not be in stability next year. The 'deficit factor' can keep adjusting and we are still trying to guess what the 'deficit factor' should be. Sue asked if we will use this summer's FTES for 2018-19. Morris said if the current budgeting formula stays in place then we will absolutely use the summer FTES for this year. If the new formula passes, the summer shift will go away.

Morris said they look at enrollment reports weekly, and we are currently down 4-5% in FTES. This is where we calculate our best guess estimates, along with using a historical look back. The 2.15% for COLA will probably hold. The marginal rates are the rate we get funded for FTES. Regardless of our FTES, we still have expenses that continue to go up, such as STRS and PERS. Morris asked if the committee understood how he and Jill arrived at the tentative numbers presented today. An affirmative response was received with no further discussion noted.

<u>Expenditures</u>

Morris said when negotiated salary increases took place, there were 2% onetime payments for faculty and management. The 2% component was pulled out because they were onetime expenses. Jill said the 2% salary increases were not budgeted last year, because they were not known. The overall net is less because the academic administrators were moved from Fund 11 into grant/categorical expenses.

Don said the salary lines assume all positions are filled for the entire year, but they usually are not, so we get turnover savings. Jill said yes, but the thing that changes a lot in the estimated actual lines is the employee benefits, with changes to STRS and PERS, and she bases her projections on historical data and where we are at that time of year.

Retiree health benefits last year were $2.6 million, this year we are estimating $2.4 million, and making the assumption that we will take dollars out of the OPEB Trust. These funds are not irrevocable, so we could use them if we need to. The current balance in the OPEB Trust is ~$15 million. At one point our liability was $40 million, now it's ~$38 million, and at one point we changed the level of benefits for each group. An actuarially report was completed in the fall, and if we start to draw down the balance, it will push out the date to be fully funded. It could change from 7-8 years, up to 10-12 years.
Morris said from an accreditation and audit perspective it doesn't look good if we are not actively funding the OPEB Trust, because it's our financial responsibility. We have put dollars in the clearing account with the assumption that we will put dollars toward OPEB. If we don't put it in OPEB, the dollars go back into the general fund. Sue asked how much is currently in the clearing account. Jill said ~$600,000.

Morris pointed to the last page of the handout, 'Total Expenditures' for 2018-19, and said we are budgeting more than last year, and are at a potential loss of about $3.3 million even with the discount factor. Morris explained the discount factor, and how it is calculate based on historical factors and trends. Using a discount factor is considered budgeting more realistically, instead of just budgeting conservatively. Don said he is much more comfortable with realistic budgeting than how it had been done in the past. Jill said there are turnover dollars each year that add to the income adjustment or prior year correction. This amount can run between - $100,000-$200,000.

Morris said what we have done in the past when things look negative, is to hold on hiring, because salaries and benefits are the largest part of the college's expenses.

The budget discussion will continue at the next meeting on April 25, and then again on May 2. The Tentative Budget will then go to College Council for review.

OTHER / ANNOUNCEMENTS:
Sue said she understands that the college will be closed on Fridays in the summer, and this year we are closing earlier than in years past, and also she has heard concerns that we will be closed the day before summer school starts. Is this a good idea? Morris said he'll look into Sue's questions and concerns.

The group welcomed Tom Martin as a one semester replacement for Tom Masulis who had a scheduling conflict this semester.

ADJOURNMENT: 3:20 p.m.
NEXT MEETING DATE: April 25, 2018.

Recorder,
Sherry Nicholas
Executive Assistant, Administrative Services