BUDGET COMMITTEE MEETING
June 3, 2020 -- 1:00-2:00 p.m.
Zoom Meeting ID: 975 5126 0082
MINUTES

CALL TO ORDER: The meeting was called to order at 1:03 p.m. by Committee Chair, Greg Smith.

ROLL CALL:

x	Jill Ault		Katie Littlepage	x x*	Thomas Martin / *Casey Schurig		Student Rep.
x	Heidi Dias		Sue Loring	x	Tom Masulis		
x	Andy Fields	x	Crystal Mair	x	Greg Smith		

APPROVAL OF MINUTES: None

PUBLIC COMMENTS: None

REPORTS: None

DISCUSSION/ACTION:

A) Review Final Budget for 2018-2019 *(Attachment)*

Greg explained that the committee hasn't met since February, but he has been dealing with a lot of COVID 19 compliance. On February 28th we received the recalculation report. As expected there was a property tax shortfall (exhibit C. pg.1).

Greg summarized the report and said it was difficult to track and project because the numbers kept changing at the state level. Graphs were used to demonstrate the TCR ups and downs, such as we were expected to receive approximately $44.5 million, but Morris believed we would receive more than this projection, therefore we budgeted over the $45 million for this year because we are anticipating a higher revenue. On top of other changes made to the funding formula, they started applying a constraint based on projected available revenues. We did receive the P1 in February, and then we received a revised P1 in April, and P2 was received in July. The graph demonstrates the property tax shortfall that was discussed at the last meeting. The state tweaked the funding formula one last time and then finally we came out with $1.7 million more than expected because of the changes made with the Student Centered Funding Formula (SCFF) calculation.

B) Overview of May Revise and Financial Analyses – *(Attachment)*

Greg said we can live with the normal variances, but the COVID 19 situation has made it even more difficult.

When we do the evaluation for spring 2020, the first two lines are important. We assume no increases if things hold like they are, we are going to stay flat for 2019-2020, and 2020-2021 should be the same.

The Assembly in the California Legislature did an August revision. Greg pointed out that the first three lines are important. There will likely be more cuts coming in August. We have been told to prepare for three possibilities:

1) No COLA

2) Prepare for middle ground 5-7% reduction

3) Be prepared to manage a shortfall to the budget.

Graph 4 shows the Governor's May Revise:

- 8% Reduction to Apportionment Funding
- Unfunded 2.31% COLA.

The college's projected funding for 2020-21 TCR = $43,878,250.

The Governor said he would create a budget to accommodate the shortfall, but if we get stimulus funds they are not going to fund 2.31% Statutory COLA. Basically, it all boils down to 8% reduction and if we get federal stimulus dollars this might change. This means our funded TCR based on the $47.6 million SCFF would be largely reduced, and brings us to the $43,878,250.

The Senate Budget Committee proposal takes a different approach. They assume we get federal stimulus dollars, and then in June we will pass a budget that fully funds the 2.31% COLA, but if we don't get the federal stimulus we will be forced to initiate cuts.

C) <u>Overview of Tentative Budget 2020 – 2021 *(Attachment)*</u>

Greg explained if we have deferred payments it affects our cash flow, and then we must be prepared to manage cash flow issues. All managers have been directed to go back and look at what isn't essential in their budget for 2020-2021, Fund 11-unrestricted. We typically budget more than we end up spending every year, which we adjust for by applying a discount factor. The assumption for this year is $1.5 million, which changes our actual expenditures. One of the areas we know we can save in is our projected costs for employee salaries and related expense by not backfilling positions from retirements and resignations. Tom Masulis asked if there would be an additional deposit to the OPEB Trust. Greg said yes.

The May Revise proposed $2.3 Billion to be paid to STRS and PERS to cover the escalation costs. The net affect for the state to make the payment helped us by about $700,000.

For the Retiree Health Benefits this assumes we pull $1 million out of the OPEB Trust. One additional expense we have this year is for four (4) Board of Trustees seats. If any of these positions are not contested, we could save on costs associated with elections. We also assume we will save on travel and conference fees because we will continue to follow strict orders from the state, saving approximately $275,000 in the travel account.

Greg said a review of the District utilities costs has been done, and we are still working with PG&E on a timeline for the upgrade. The latest information is that it will be November 2021 before the upgrade is completed.

Software licensing is a major item of growth because of all the online transitioning, and we have done several things to make the District systems more secure, and in addition we have added a number of remote services, such as the Jabber App, which allows District phones to be rolled to employees' home numbers or cell numbers, and we are implementing a workflow software which will route documents for approvals/signatures, allowing us to be more automated.

Casey asked how much is being transferred to Capital Outlay. Greg said approximately $150,000, which is less than prior years. Typically, we budget a little over $400,000 per year for Capital Outlay which is used for upgrades and building repairs.

Tom Martin asked about the plan for the downtown building/ Block 7 project. Greg said inside the HSUC building they are proceeding with a project at the main entrance of the building where Campus Safety will be located (rotunda area). This is a safety Bond project. The Block 7 project is coming along, and we are hopeful that we could see a reduction in construction costs due to the pandemic, one silver lining in this unfortunate situation.

Casey asked if the bond budget covers Capital Outlay projects. Greg said no, the bond dollars must fit a criterion and there are bond guidelines we must follow. Capital Outlay can go to projects like the brush clearing that is currently underway for fire safety, and thing like old aging pipes, wiring and equipment, and is typically funded out of Fund 11-unrestricted. The state mandates that Capital Fund dollars must be used for project and maintenance and equipment. Such as a replacement bus for transportation or IT equipment.

Tom Masulis asked about the cost saving due to staff working from home. Greg said yes there will be some savings in utility costs, but a lot of those savings have been used by the Physical Plant Department and Campus Safety for employee overtime, and we had to purchase additional equipment for remote working.

Expenses for consultants are due to areas like the Affordable Care Act, where if we don't meet certain criteria for benefits there are penalties. There are different measurement periods and we average by year and by month to determine if employees are eligible. Tracking all of this data and running the analysis and preparing the tax reports are technical and requires a lot of time. We haven't been able to shift this work to District employees yet because we need an expert in tax code. We also have many consultants in the Physical Plant Department for looking into projects that go beyond what our employees can do, such as experts in wetlands and environmental impact. There are also Ellucian consultants to assist with our Colleague Software when it comes to student equity measurements and coding and tracking data.

Casey asked if consulting fees can be paid by another source or fund. Greg said only if the work happens to be tied to a grant, and there are times we do look for those other sources.

Casey said the payment to the OPEB Trust is less this year, and asked if it was overfunded last year.

Greg said the stock market has declined, and the OPEB Trust fluctuates with the market. The last actuarial study had our liability at $38 million, and we have funded over half that amount. When there is growth in the economy and a reduction in costs when retirees pass away, we get closer to being fully funded. Casey asked as the liability continues to drop, at some point will we be overfunded. Jill said yes, but it is over time and explained that every payroll period we accrue a portion from departments, and by the end of the year we have about $750,000 which is deposited into the OPEB Trust. We plan on continuing this method of accruing, but as we come closer to being fully funded, we will not deposit it all to the OPEB Trust.

Tom Masulis asked when our liability is reduced to retiree health coverage can we use that to pay current employee health benefits. Greg said unfortunately no, it has to be used for retiree health benefits.

The OPEB Trust topic will continue on future agendas.

OTHER/ ANNOUNCEMENTS: Budget Town Hall Zoom meeting is scheduled for today at 4 p.m.

ADJOURNMENT:

NEXT MEETING:

Recorded by:

Sherry Nicholas
Executive Assistant
Administrative Services