



BUDGET COMMITTEE MEETING

Sept. 30, 2020

Zoom- <https://shastacollege-edu.zoom.us/j/93045697750>

3:00-4:00 p.m.

MINUTES

CALL TO ORDER: The meeting was called to order at 3:00 p.m. by Committee Chair, Greg Smith.

ROLL CALL:

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

APPROVAL OF MINUTES: 9/6, 9/16, 9/23, 2020. Approving all three sets.

Littlepage motioned to accept all sets of minutes, Ault seconded the motion. Discussion: None. Tom Masulis abstained, he had not read the minutes. Motioned carried unanimously.

PUBLIC COMMENTS: None

REPORTS:

DISCUSSION/ACTION:

Final Budget Review

Greg shared a spreadsheet that shows apportionment history, and the various stages of how the budget is developed.

The final budget is determined by various factors, but the one area we have some influence on is the number of FTES.

Last year, the VP of Administrative Services put in the assumed total revenue which was just over \$46 million.

There have been some revenue changes such as when payments to the district are received, but we thought there wouldn't be any significant dollar changes in SCFF or TCR. Then in late February, they revised the calculation under the SCFF and increased the projected TCR to \$47.7million, which is up on property taxes, and down in enrollment and down in EPA. We were told the state would not have enough revenue to be fully fund, and then the Pandemic started, and in late march there was a revise to P1, and then the May revise. We were told to expect an 8% budget reduction.

The legislators took action to backfill some of the losses, and became more creative. When P2 came in August 2020 funding came in closer to the \$47 million.

One of the big changes the state did was recalculate the prior year, and found over payments, so they reduced the EPA funding.

Tom Martin asked how the deficit factor is used. Greg said it is calculated on the amount of revenue that we will be short to fully fund the TCR. Typically, there are not huge adjustments at this point, but this is not a typical year due to the pandemic, and there is no way of knowing in advance what will happen at the state level.

Proposed Final Budget

Greg shared a PowerPoint with the estimated beginning balance, a discussion ensued on various items in the budget.

Fund 12 (All) has regulation attached to each funding stream account. These are grants and categorical funding, and we are expected to expended all funds. But this year they are saying we can use carryover funds. We have started reducing some of our discretionary spending in Fund 12 early on, to get as much security as possible to pay salaries. Jill is still adjusting some of the items in Fund 12.

Fund 21- A old paper bond that has been sitting on the books, and has never been found. At this point in time the County wants us to close that account. The funds will be moved to Fund 11.

Debt Services Funds

Fund 23, 24- Tracking of bonds

Fund 25- The new GO Bond

Special Revenue Funds

Fund 34- Food Service, Bookstore, Dorms, and in the future Starbucks

Fund 35- Repair and replace in fund 34

Fund 36- Auxiliary funds

Fund 37- Parking improvement fund, funded by parking fees

Capital Project Funds

Fund 41- Capital Outlay – this is the \$400,000 that was moved from Fund 11

Fund 43- Bond-Measure H

Trust Funds

Fund 71- Associated Students

Fund 72- Student Rep Fee

Fund 74- Student Financial Aid

Fund 75- scholarship and Loan

Fund 77- Shasta college Trustees Scholarship

Fund 78- Student Clubs

Agency Funds *

Fund 85- North State Together

Fund 89- Phi Theta Kappa

*The college acts as the fiscal agent. These are not funds available to the district.

Greg reviewed prior trends for Fund 11: 2018-19 actuals, the 2019-20 budget and 2020-21 proposed budget. In typical years we look at prior trends and state level activity and we might make adjustments. But things are so difficult to project this year.

Greg highlighted the areas for 2019-20, and said we always hope we will be fully funded, but there are a number of factors this year that could affect our local revenue income, and we are currently basing the budget on the Department of Finance projections. Sue asked about the deferrals listed.

Greg explained that when we are dealing with deferrals that we can do short term borrowing with low rates. Jill has reviewed and we expect that we can get through June without having to borrow. If we do need to do a TRANS, Jill said it will just depend on timing and when deferrals are repaid.

Casey said it is possible that the economy will improve and could be far better off than what we are projecting, especially if enrollment goes up.

Greg said anything is possible, but we are expecting there could be lower enrollment due to the pandemic. Jill said that we projected a 2% reduction, and what is assumed is a 2% revenue shortfall for funding the TCR. If they adjust the SCFF, it could go up or down.

Casey asked if the college has made a conservative effort to go to eight-week block schedules, and has that all been taken into account when calculating the fees. Greg said yes. Jill added that the enrollment fee income is also affected by the Promise Grant. It is difficult to change what happens in revenue.

Jill said after we close out a year and have been audited we can't go backwards. If they make a change to our revenue after we close out the year that is different than our projection, then we make the adjustment in the new year. The state trues up after the year is over.

Jill said a true up payment would be noted in the budget under JE's. Casey asked for the future where would find the true up listed. Jill said it could be built into the bottom box of the TCR.

Tom Martin asked if the true up is the part of the calculation between what we budget and what the actuals are. Jill said no, this would not have been a part of the surplus or deficit because we didn't expect it. We end the year and record what we think it will be, and then it is trued up in the following year.

Expenditures

The biggest expense is salaries, and the decision on staffing happens through the participatory process and what is mandated. What is reflected in this spreadsheet is the current staffing of the district with any vacancies that we anticipate to fill. In essence we always start by assuming all position will be fully staffed, but in most years there is are variances. Sue asked why in 2020-21 the budget showed \$2 million less in academic salaries. Greg said we have had resignations and they will not be filled this year.

Casey said it looks like the instructional salaries decrease and academic administrator's salaries increase.

Greg said we have a net reduction in the academic administrators, but the step increases eat some of it up.

Casey said it appears that faculty are bearing the brunt. Greg said he would leave that conclusion up to Casey.

Greg noted that in the benefit section list Work Comp charges are decreasing each year, on the supply side we have had increases, and also decreases in travel due to the pandemic. Casey asked about the retirees health benefits. Jill said for retiree health benefits it shows what it costs, less what is accrued in other funds that we plan to offset with. We accrue a liability to make a deposit in all those funds, and we charge it to all grants and programs in fund 12, fund 34 and fund 43.

Sue asked if these numbers are for just this year. Jill said yes, and it is a function of the payroll process. The accrual is just for that year. Jill said there is a different dollar amount for each group.

Greg said that number could change from year to year depending on the number of employees.

Tom Martin asked if we are not planning on making a deposit into OPEB this year. Greg said that is right.

And, as a cash management tool, we be using some of the OPEB funds to pay some of the costs of the OPEB for this year.

Sue asked if the the \$2.4 million assumes a transfer from the OPEB fund. Greg said yes, and it would be higher if we did pay as you go.

Casey said if he understands it correctly, for 2019-20 we did accruals and deposited around \$518,000. Jill said yes, but it was more around \$605,000. The \$2.7 million is an estimate as a budget number only.

Sue asked about the Capital Outlay last year. Greg said around \$466,000 was transferred to pay for the lease revenue bond, which saved the District interest payments on the amount owed. The Board then directed the Administration to transfer money back to the Capital Outlay fund. Jill said the lease revenue bonds are the District's responsibility to pay, and the GO Bond is the county's responsibility.

Tom Martin asked if the Capital Outlay or OPEB deposits are taken into account when calculating the discount factor. Jill said the discount factor is historical numbers, where we budget and where we end up, and the discount factor has been averaging around 3%.

Tom Martin said then if we made the assumption before it would be bigger, and the discount factor could be a higher percentage. Greg said no because those things operate independently. Tom Martin said but if we hadn't put dollars into the Capital Outlay and/or the OPEB then our surplus would have been greater, right? Greg said yes, but that is not how it's been handled in the past. Greg said moving the monies has been at the direction of the Board, but it is certainly something that could be discussed if the committee wanted to bring a proposal or plan to the Board in the future.

Greg said due to the current state of the economy and the unknowns due to the pandemic, the District is preparing for budget cuts, and discretionary spending is being watched.

The committee reviewed the fund balances and the TCR calculation on page 4 of the PowerPoint. Greg said the P1 and P2 reports will be important to watch. The Cares Act and COVID Block Grant are captured in Fund 12, and there will be a spending plan as to where these funds will need to go.

Greg asked if there were any other specific funding questions. None noted.

Greg called for a motion to move the final proposed budget to College Council.

Fields motioned to move the final proposed budget to College Council and Littlefield seconded the motion.

Discussion:

Casey said he would like to point out some discussion points because we may be 1) under estimating the state apportionment, 2) Capital Outlay deposits requiring Board authorization, 3) the Budget Committee seems to always underestimate fund balances, 4) faculty's step in class, 5) faculty salaries decreasing and administrative salaries increasing.

Greg said he appreciated Casey's points, but that Casey is not currently a member of the committee. Tom Martin said, that he had stepped down and Casey is his replacement on the committee. Greg said he wasn't aware of the change, and he will get this information from the Faculty Association and make the change to the membership.

Tom Martin added another point, that Title 5 and Ed code requires the budget be set by the Board, but in consultation with the staff and faculty unions, which should include plans for paying off debt service, saving in capital outlay, and what we do with our surplus.

Tom Martin said moving forward we should clearly outline for all of us what we are responsible for, and guidelines for the conversations we have so we are all clear what the purpose of this committee is, because he believes there have been some instances historically that consultation has not happened.

Sue said she has reviewed the bylaws, and there is something about approving or reviewing the underlying assumptions of the budget, but she doesn't believe the assumptions have been discussed. Tom Martin said Greg did a good job explaining it, but it's hard to absorb it all when we are not budget experts.

Casey said we should also discuss that we have about \$20 million in OPEB reserves and it would be prudent to use that towards salaries.

Greg asked if there was any further discussion. None noted. Greg called for a roll call vote.

1. Fields- Yes
2. Loring- No
3. Dias- Yes
4. Ault- Yes
5. Littlefield- Yes
6. Mair- Yes
7. Schurig- No
8. Masulis- Yes

Greg announced the final budget proposal passes with 6 Yes and 2 No.

The final proposed budget will go to College Council next week and then on to the Board of Trustees

OTHER/ANNOUNCEMENTS: Greg said even though they ran over in time today, that he appreciated the additional discussion, and he would like to have a meeting next week to continue the conversation around the committee's role. An invite will be sent out after the meeting.

ADJOURNMENT: 4:45 p.m.

NEXT MEETING: Tentatively - 10/7/2020

Recorded by:

Sherry Nicholas

Sherry Nicholas
Executive Assistant
Administrative Services