



BUDGET COMMITTEE MEETING

April 7, 2021
 Location (Zoom)
 2:00-3:30 p.m.
MINUTES

CALL TO ORDER: The meeting was called to order at 2:07 p.m. by Committee Chair, Jill Ault.

ROLL CALL:

x	Jill Ault		Katie Littlepage	x	Casey Schurig		Student Rep.
		x	Elsa Gomez (sub)		Tom Martin (Sub)		
x	Heidi Dias	x	Sue Loring		Tom Masulis		
x	Andy Fields	x	Crystal Mair	x	Sam Osborne		

PAST MEETING MINTUES

Due to the cancellation of the 3/17/2021 meeting, the committee reviewed and voted on minutes via email.

RESULTS: 9/30/20, 10/7/2020 and 3/3/2021. Passed unanimously. Discussion- none. Tom Masulis abstaining on 3/3/2021- not present at meeting. Elsa Gomez abstaining on all- was not present at meetings.

APPROVAL OF MINUTES: None

PUBLIC COMMENTS: None

REPORTS: None

DISCUSSION/ACTION:

A) 2021-2022 Budget Review and Timeline

Jill shared her screen to highlight different areas of the proposed budget.

There are multiple streams of income that make up the Total Computational Revenue (TCR) with the majority coming from the state. Page 2 lists the components of the TCR.

Revenue Sources:

- Local property taxes
- Student Enrollment Fees (Base FTES)
- Education Protection Account (EPA)
- State apportionment
- Full-Time Faculty Hiring apportionment
- Timber Tax/Homeowners Exemption

All of the revenue numbers are currently estimates. The estimates are made based on trends at this point in time, budgeting conservatively, and we are not anticipating a lot of change in our regular revenue.

There could be a lot of variability in the total state revenue, such as the EPA, much like last year. It doesn't affect the total, but does change the lines that make up that number.

Lottery seems to be holding true. The last few years we have had a large trued up sum from lottery. This isn't a game changer but it is interesting to note, and we don't get the final number until July each year.

Sue asked where the stimulus payments are reflected. Jill said the stimulus money functions like grant dollars, which goes to funds 12, institutional expenses and 74 for student aid. We can only draw down the funds within a few days of spending, nothing in advance.

They are forecasting a 5% increase to Property Taxes. Nothing different in local income.

At the bottom of page 3, fund 11- Unrestricted, this is where we break down the funding formula for the TCR. For the Student Center Funding Formula, we only have state projections at this point.

This does include the proposed COLA. Based on the past few years and deferrals for this year we have currently projected a 2% deficit factor. It is not unheard of to have a COLA and a deficit factor in the same year.

Sue asked how this year's adopted budget compares to last years'. Jill said the monthly budget to actuals report that goes to the Board each month has this information, showing a comparison from month to month. We are anticipating 75% of the deferrals to be paid back in July and November. Jill said she is feeling confident about the 2021-22 budget because each month there is more news about the revenue being projected higher. Things are looking good, but we won't know until July.

Jill explained the columns on the budget spread sheet:

- 2019-20 Actuals – Historical perspective
- 2020-21-Adopted Budget
- Tentative Budget- Are the projections.

Expenditures

Salaries are based on 100% of all positions being filled. As a prudent budget practice we do it this way.

There was a previously negotiated off-schedule payment to faculty in fall 2019, this is the spike in instructional salary line for 19/20.

For Retiree Health Benefits (OPEB), we did not budget or plan for a deposit from any of the funds other than the dollars that are collected in funds 12, 34 and 43 in 21/22.

The normal operating lines are listed and departments have been instructed to budget as normal so that we can see a realistic number.

Casey pointed out that if no dollars were deposited to the OPEB for this year, then there would be a surplus of approximately \$200,000.

Software licenses and maintenance costs are increasing, there has been an upward adjustment each year. The District also had to purchase a lot of new software to get us through the pandemic and working remotely.

The Other Outgo line is where transfers to other funds are recorded. One of the things we had to do for 2020-21 because there was no activity and no income coming in from the Dorms and Food Services, was to cover that debt service for fund 34 from the lease revenue bond which has about 5-6 more years left.

Casey asked if we don't spend every dollar in the budget salary lines, what happens to the surplus dollars. Jill said it goes to net income loss, and when you look at the actuals, it reflects what happened.

Joe added that there will be a column inserted on the right which will show the difference.

Casey asked if we will be budgeting for inter-fund transfers. Jill said yes, we have interfund transfers in the Tentative Budget. Joe said if an inter-fund transfer needs to happen, it goes to the Board for approval. Tom Martin asked if the transfers come to the Budget Committee. Jill said any transfers not included in the Final budget happen in the summer as we are closing out the fiscal year, the committee typically does not meet in the summer. If expenditures are going over what was budgeted, it must be approved by the Board.

Sue asked in terms of 2021-22 how much is debt service and how much is Capital Outlay. Jill explained the amounts and the break out. Joe said the Board directed us to pay off the GO Bond with Capital Outlay funds, and then to build back Capital Outlay-fund 41. By doing this we saved on the overall interest. But looking ahead, if we still want to remodel building when needed, the Capital Outlay fund needs to be built back up.

Jill said it was an equal trade of debt and capital. Joe said we could have kept paying the debt service for the GO Bond, but it made sense to save on the interest.

Federal Stimulus Money

With the second round of funding we may be able to relieve the general fund of some expenses. We have had to make a lot of costly changes to business operations due to COVID, such as Campus Safety/Security and extra staffing needs for cleaning campuses. For the second round we are still not 100% clear on what we can relieve in Fund 11. But it may be close to \$500,000 that we can move off fund 11. It does look like we are spending less, such as for travel and instructional supplies. The 3.5% discount factor should meet or exceed our expectations. As a reminder, the federal stimulus money comes with many restrictions, and has a lot of strings attached to it.

Jill said this covers fund 11 and asked for any comments or questions.

Discussion

Casey asked if footnotes could be used for tracking the dollar amounts on inter-fund transfers, and transfers to Capital Outlay. Casey asked if debt service could be paid with bond dollars. Jill said on-going debt

service cannot be charged to the bond and is covered in various funds, 11,34,37. Casey said having footnotes could help. Jill said she can add footnotes.

Heidi asked about the Federal Stimulus regarding the American Rescue Bill that President signed on March 11th, and if it will impact the District budget.

Jill said yes, but the America Rescue Bill has not been made available yet. 50% of those funds will be in direct Student Aid - fund 74.

Higher Education Emergency Relief Funds –HEERF 3, the third stimulus has not been made available yet, but we will have until Dec. 2023 to expense it.

Casey said 2020-21 may come in better than we expected, and we may end up with more revenue than expenses, and it could be sizable. If that is the case this should be brought to the committee as something to discuss and for transparency. Jill said she has thought about that, but this committee historically has not met in the summer, maybe we could change that and at least meet once. Jill added that she believes the committee needs to spend time on the mechanics of the budget that happen at the end of the year.

Casey said we are overly conservative in our budget and we all too frequently have more revenue at the end of the year than not. Jill said in the past couple of years there has been bigger shifts in state revenue with the new funding formula, and they are still trying to dial the metrics in which has made it a constantly moving target. Tom Martin said we have talked about over budgeting and underspending, but he thinks what would help and to still budget conservatively is tagging the surpluses so the committee knows what was has not been spent or extra dollars that have come in, where they came from or what they are targeted for. He believes this way we can all easily identify if we have over budgeted. Tom Martin also said the committee should be making a plan for the surpluses. Jill said we find out a lot of that information in summer when there isn't a lot of faculty on campus. Tom Martin said and then faculty hear about it afterwards and make assumptions of how the administration elected to spend the surplus. But, if we have a plan ahead of time, that is agreed too, then it would be more transparent.

Joe said its an interesting idea, but ultimately it is the Board's decision, and added he really thinks it is good for more people to understand the budget process. Tom Martin said this committee could put forward a recommendation to College Council, Cabinet and the Board, and that its part of the Budget Committee scope to do this.

Sue ask with the market going crazy this year, how far are we from fully funding the OPEB. Jill said she is not sure, but we will have another actuarial study this year and then the committee can discuss it.

Joe said he believes it is around 55%, as long as the market holds. Jill said for 2020-21 we didn't budget for any funds to go to the OPEB, for 2021-22 the only budgeted deposit to OPEB trust is coming from the amounts accrued from other funds, not fund 11.

Tom Martin asked what the surplus was for 2019-20 year, and he believes the committee should put together a plan on how to fund the OPEB and Capital Outlay. Jill said she can put something together for a future meeting, but for now the committee needs to use this time to discuss the 2021-22 budget before we can recommend taking it to College Council.

Heidi asked about the historical part of the wage increases in the last few years. Joe said we do not put in any projected dollars for wage increases in the budget until after they are negotiated. Jill said the budget is informed by negotiations and not unknowns. We budget for step increases or known changes to the salary schedule. Heidi said she understands how negotiations drives the budget, she is just curious about the overall process, and why does negotiations need to drive it, and could it become more of a general practice to budget for wage increases each year. Jill said there are knowns that are budgeted for, such as increases in health benefits, and this budget document is the tool that helps us to do that. Jill highlighted each field to explain the cost such as 1% of the total number. Heidi said there seems to be a lot of questions so could we possibly entertain a number in general terms for wage increases. Joe said it gets tricky because we can get into the realm of negotiations. But we could say if everyone was to get a 1% raise and do a projection, it could be looked at that way, but if we didn't have it in the budget where would it come from. Casey said that makes sense, because the budget is created by management, and then given to us. But if we don't budget in for it, then we don't have it in negotiations.

Tom Martin said we are not talking about setting aside money, we are saying let's be prudent and budget for competitive salaries and then in negotiations that conversation would happened. We would at least know that the money is set aside, and we don't have to worry about other areas of the budget suffering. Instead of always padding the budget wouldn't it be better to identify any surpluses for transparency, and plan for increases, then there wouldn't be so many questions.

Jill said we budget as if all positions are filled. That is the concept for the discount factor. Once the funding formula settles, we may have a clearer picture of what to expect from year to year, the discount factor is based on variance's in expenditures not variance's in revenue.

Joe added that the \$1.3 million we are showing that we think we may have as a surplus, and the \$500,000 we think we will receive from stimulus dollars, makes it look like an \$800,000 surplus. Joe said this is the first time in his 13 years with the District this has happened, and it could go even higher. Sue asked if those funds could go to pay the debt service, instead of going to Capital Outlay. Joe and Jill said yes, that could be a choice, this is just a proposed budget. Jill said these are all choices for management to recommend to the Board.

Joe said but the Board has directed us to pay back Capital Outlay. Tom Martin suggested if we project the surplus and then decide to put some in OPEB and Capital Outlay, then we could see the differences

between projected and actual. Joe said he would recommend googling San Francisco City College to see what happens when you don't budget conservatively. Joe said it looks like we may not get to remodel the theatre or gym or 900 building, and he is not sure yet how far the dollars are going to go. Tom Martin said if we tracked the surpluses and showed them in the budget each year it would be more transparent.

Kevin O'Rorke introduced himself as a guest, and said he is wondering if there is could be an opportunity where the Budget Committee could intersect with Enrollment Services Council. He believes this is important because we are down 20% in enrollment right now and we hope that it will go back to normal, but we have these two committees that could work together, and each one has a lot to offer the other. Not knowing what the state is going to do to colleges, Kevin said he feels lucky we are only down 20%.

Jill said that is a good point, because we are in unusual times. Andy said from his prospective, the budget does project increases in wages, with the step increases each year. Joe said the sad part is the pandemic has hit the lowest the hardest.

Casey said he expects enrollment to come back sooner than later. This is unique, but we should see an uptick in enrollment otherwise we will have a generation of undereducated.

Casey said he has done an analysis of the past nine (9) years, where the difference in the budgeted and actuals was negative for only one year, all the other years we had a surplus. Jill said this is where the discount factor was called out, it was based on those years you shared to give us a more realistic approach to budgeting.

Joe said it doesn't take into account where we received \$4 million one-time dollars for paying back the mandated costs for over 20 years. In the great recession of 2008, we did not replace \$5 million in salaries. Joe said he would much rather be in this boat of ending too well, than going in the hole.

Casey said he agrees as long as all employees are taken care of fairly. Jill pointed out the big drop in 2019-20 was due to the faculty getting a 1.5% payout paid in fall 2019. It was an off schedule payment. Casey said faculty was not given that information in negotiations. Joe said the average faculty pay state wide is step 6, and we go up to step 11. Sue said, but our step 11 salaries are still lower statewide. Jill said we are getting into the negotiations realm and that is not the Budget Committee's scope.

Tom Martin said we need to plan better because there is a lot of confusion about the budget. Jill said her plan is to use the meeting times for everyone to understand the budget process better. Tom said the more we understand the better we can represent our groups, and this conversation is directly related to the scope of what we do. Jill agreed that was a fair statement because she really wants the committee to work on understanding the budget, but we can't get into conversations about salary and negotiations. Tom Martin said he thinks it is important to openly talk about frustrations and confusions and areas where we disagree to expand our understanding, and we need to start addressing goals and plans.

Such as, how can we identify the revenue coming in, that would help us focus on what we should be doing as a committee. We haven't addressed this and this is why it keeps being brought up.

Jill said she has only been in the VPAS position for two months, give me a little bit of time as we will get there. Jill said we have talked about goals and things we want to do in this committee, and at each meeting we will learn more, and understand everyone's questions and concerns, but for now we need to keep moving through the 2021-22 budget.

Casey asked to add to the agenda for the next meeting – Budget Committee recommendations on reserve in Fund 11 and OPEB funding.

Tom Martin said he would like to see the committee generate a proposal to create a plan for OPEB so it we can make progress towards fully funding.

Mike Parisot suggested updating webpage for meeting schedule, agenda, minutes.

Jill said she will work with Sherry to update intranet page and add other resources to site that would be beneficial to the college community.

Heidi Dias appreciates the transparency, representing CSEA, learning about the budget, and navigating this role with her position on the CSEA negotiations team.

No other discussion noted.

Fund 12 Restricted / Categorical and Grants

All grants and categorical funds are restricted dollars, and are expended according to specific criteria associated with each one.

These budgets are always zeroed out at the end of the year. All costs associated with the grants are paid from the grant, and if dollars are left unspent the money must be returned.

Below are all other funds:

Debt Service (23, 24, 25)

Funds are associated with Bonds (2002 GO, LR Bonds 2008 and 2009 and GO Bond 2016). This is special property tax levies for general obligation bonds and operational income for Lease Revenue Bonds. These funds are used to pay general long-term principal and interest associated with the bonds.

Special Revenue (34, 35, 36, and 37)

Fund- 34: Bookstore, Campus Center, Dorms, Food Services, Starbucks and Bistro are self-supporting through generated income.

Fund 35: Revenue comes from Fund 34, these are self-supportive funds that are used as needed for repair and replacement.

Fund 36: Auxiliary Funds from activities such as the Celebrity Dinner Auction, general athletic fundraisers, and other types of activities related to district programs or employee groups.

Fund 37: Revenue comes from parking fees and is used for parking maintenance and improvements.

Capital Projects (41, 43)

Funds are used as a financial resource for facilities maintenance and projects typically over \$25,000.

Funds 41: Capital Outlay Projects – District funded capital projects; scheduled maintenance, infrastructure projects, remodels and energy projects.

Fund 43: Accounting for new Bond projects. GO Bond Capital Projects, sales and expenses associated with acquisition, construction and equipment.

Trust and Agency Funds are assets held by the District in a trustee or agency capacity.

Agency Funds: The District accountable for two agency funds.

- Fund 89- Phi Theta Kappa (PTK).
- North State Together

*The District has no control over how these agency funds are spent, the funds are held in custodial capacity only.

Trust Funds: The District has some control over these funds and how they are used.

- Fund 71-Associated Student Body
- Fund 72- Student Representation Fee
- Fund 74- Student Financial Aid
- Fund 75- Scholarship and Loans
- Fund 77- Trustee's Scholarship fund
- Fund 78- Student Clubs. Club funds are held in a District account, and the only way dollars can be spent is through approval in the form of club minutes. The funds are held in fund 77 and moved to fund 75 as expended.

B) Meeting Schedules Day and Time – Move to next meeting agenda

OTHER/ANNOUNCEMENTS: None

NEXT MEETING: April 21, 2021

Notes for next meeting: NA

ADJOURNMENT: 3:40 p.m.

Recorded by:

Sherry Nicholas

Sherry Nicholas
Executive Assistant
Administrative Services