



BUDGET COMMITTEE MEETING

May 5, 2021

<https://shastacollege-edu.zoom.us/j/99937238234>

2:00-3:30 p.m.

MINUTES

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

ROLL CALL:

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

APPROVAL OF MINUTES: 4/21/2021- Fields made a motion to accept the minutes. Osborne seconded. Discussion: none. Motion passed unanimously.

COMMENTS: None

REPORTS: None

DISCUSSION/ACTION:

A) 2021-2022 Final (3rd) Budget Review

Jill said the accreditation self-evaluation process states that committees are to complete a survey. After this meeting or by the end of the week you will receive a short survey regarding the effectiveness of the committee, this is a new survey for all our committees. This is not an additional agenda item, just an information item for the committee.

Jill said the May Revise of the 2021-22 budget is expected mid-May. The May Revise will very likely be different than the budget we saw in January due to increased state revenues reported by the State and the IRS and Franchise Tax Board extending the income tax filing date to May 17th. People usually will wait until the very last minute to pay taxes if they owe, which means the state really won't have the information until later in May. COLA, as well other provisions in the January proposal could change up or down. As soon as we have that information it will be incorporated into the tentative budget and forwarded to College Council and the Board.

Jill reviewed the tentative budget with the committee and explained that all deadlines are state requirements, and we must have a budget so that on July 1, spending can happen. There were no changes to the Tentative Budget since the last meeting.

There is not a lot of information coming from the Chancellor's Office or ACBO. The 1.5% COLA was proposed in January, but it could change, or we could get some onetime dollars, it's hard to predict at this point.

Sue asked if the profit in income we are showing for next year's budget includes the money we would receive from the deferral for this year. Jill said no, we will still count it as revenue in the year we earned it, and then call it a receivable. The way we are required to account for expenses and revenue, is on an accrual basis, deferred apportionment from 2020-21 will be revenue in 2020-21. It gets challenging when it looks like they may pay back up to 75% of the deferrals, but the payback will have no impact on the 2021-22 revenue. Sue asked how much was actually deferred. Jill said our total deferral is around \$10.5 million. \$8.0 million in Fund 11 and \$2.5 million from SEAP in Fund 12.

Sue asked if did we did a TRANS. Jill said no because we've had a fund balance of around 20%, so it wasn't needed. Jill added that a fund balance doesn't always equal cash.

Jill explained that we have been able to spend the cash we have on hand, but if our fund balance was 10% or lower we would have done a TRANS. Sue asked how many districts, percentage wise, were able to cover their expenses without doing a TRANS?

Jill said she was not aware of any schools that did a TRANS, but some did do massive cuts. This time last year the state told us there would be 8-8.5% cuts, but it didn't happen. We didn't do cuts and were able to use our fund balance to survive the last year. Doing a TRANS costs money, its borrowing and there is a cost associated with it. The deferrals create a situation where we get the money back. Casey asked if it cost's several thousand dollars? Jill said it's not just the interest rate for short term borrowing, there are legal fees and closing costs that are the most expensive. TRANS are expensive and we try to avoid it if possible.

Jill said the bulk of money we receive is from property taxes, primarily from Shasta and Tehama counties, and we have a few smaller counties that we don't get for several months. There are monies in other funds that we can borrow from, except for Bond.

Casey asked if the state lowered the amount for STRS? Jill said STRS has been all over the place, it was projected at 16.15% then 15.92% and now it is 16.92%. We will know when the state adopts the budget in June if it changes again. PERS is currently 23% and unemployment was .15% and now it 1.23%, a significant increase even though we haven't experienced unemployment we are in pool where it affected us.

Casey asked if those adjustments were included at the last meeting. Jill said yes.

Casey said at the last meeting it was discussed that some of the line items would come in better and asked if that was updated in this document. Jill said there were not changes made to the 2020-21 Adopted budget in this document. We planned a 3.5% for 2020-21 discount factor but she believes it could be more. There have not been any assumed deductions for 2021-22 because for the fall we anticipate more students and employees on campus, more conferences, more supplies, training related travel, field trips and academic traveling, and it doesn't make sense to make reductions based on the COVID year. Schools receive an estimate for Lottery funds in July and at that same time receive the true up Lottery amount for the previous year. We must use the lottery dollars each year or we won't get them in the future.

Jill asked if there were any other questions. No other questions were noted.

Jill asked for a motion to move the 2021-22 budget on to College Council.

Fields made a motion to recommend the 2021-22 tentative budget forward to College Council.

Osborne seconded.

Roll Call Vote: 6 yeses, 2 nos. Motion carried.

Jill Ault	Y
Andy Fields	Y
Elsa Gomez	Y
Sue Loring	Y
Crystal Mair	Y
Tom Martin	N
Casey Schurig	N
Sam Osborne	Y

Jill shared a spreadsheet with detailed information about revenue and expenses for each year, starting 2014-15 to 2021-2022. She said this is going to be a lot of information but it can be broken down in various ways. There has been a lot of conversation about what makes up the discount factor, and we've always known that the biggest portion of the discount factor comes from vacancies in personnel.

Jill showed on the spreadsheet a percentage to total revenue for each year, and then looked at trends. Jill pointed out what makes up the TCR and showed the variances in revenue since the new funding formula, which could also be affected by lottery or mandated costs.

Jill had hoped we would start to see some stability in our funding formula, but due to COVID related financing and cash flow issues it's hard to tell and she anticipates the state will continue to make changes to the funding formula. She showed a by the line and by the total calculation. The trends show a lot of consistency in the percentage of the total, some change but not dramatically.

Salaries and benefits in schools K-14 used to be close to 75% of the budget, now its 80-85% total cost for employees. Shasta College has floated around 83% of the total budget for a while. When the PERS and STRS costs go up, the total cost of employment goes up.

Jill reviewed the supply lines and other operating lines, not a huge fluctuation, but we can see various lines of surpluses. Capital Outlay is only 1.2% -1.5% of budget. The items highlighted on the sheet are the transfers made that exceeded what the budget was in that area.

Jill said one way of looking at it is the percentage of the total expenses. Another way is the dollar amount of the variance, such as what the percentage is of the adopted budget or actual budget. There are many other ways to look at it, and it is a lot of information, but it helps us see where the bigger dollar chunks are coming from. The discount factor primarily is what we are looking at if there is a big surplus which typically comes from the classified personnel and benefits section from unfilled positions.

Jill said changes happen in each line item, not just one or two. Jill will track this and if there are consistent significant variances then budgets should be adjusted. If we see whole percentages that we are off, then maybe we look at reducing that expense or we increase the discount factor. This will give us a more realistic way of where we could end up.

Jill asked the committee if this type of information is helpful. Andy said it's great, and inquired if the discount factor was a rolling average. Jill said it is a rolling average to make it more reflective of what is really happening.

Casey asked if there a place where it shows non-instructional versus instructional salaries to show if we are spending more or less on certain line items. Non-instructional salaries are a separate line in the total academic salary section.

Jill said on the instructional hourly line, HR, payroll and accounting are working to separate the part-time instructors versus overload. This first year we anticipate having clean data is 2021-22.

Sue asked if this spreadsheet was going to be posted anywhere? Jill said we can post on the Budget Committee webpage and keep a running average. Jill reminded everyone that 2021 will always be an anomaly year, and we will need to determine how we want to use those percentages.

Tom Martin asked how will we define and identify overages and surpluses or overspent verses underspent.

Jill pointed to the spreadsheet and explained by looking at this we can see where those are coming from.

Tom Martin agreed that this tool/spreadsheet is good.

Jill added that she could break out the inter-fund transfer to have more granular detail as well.

Jill asked if there were any other questions about the spreadsheet.

Casey asked if it would be possible to capture five (5) years prior to 2014-15. Jill said 2014-15 was the year before she came to the district, but if the committee wants to go back that far she could add those years, it would take some time.

Jill showed the scenarios spreadsheets, which she described as a very good planning tool that has been around for a long time. It goes back to the beginning of when Joe Wyse was the VPAS. On this sheet you can put in variable situations to see what it looks like, it can go back 10 years and go forward 10 years. There are a lot of assumptions and formulas.

One example is STRS and how it went from 8.25% in 2013-14 to double that amount in 2021-22, and the same with PERS, there are very large jumps. The only reason they have not continued to grow as fast in the last year is the state has chosen to supplement those costs. This tool demonstrates a lot of averaging, and creates averages based on what we have seen in the last 10 years. We can look at the assumed projected COLA, at salary increases and at all employee groups together. This tool also incorporates changes to FTES. Currently our FTES are down 18%, but we are in a hold harmless state so this won't affect our funding for this year.

It used to be that this scenario spreadsheet (tool) would come to Budget Committee as a handout and the former VP would have done various scenarios and open up discussion. Casey said it seems useful because it captures a lot of information and assumes our income will continue to increase. Jill said the state seems confident in the economic recovery, but we need to wait to see and not make assumptions.

Sue asked if this document can be posted on the Budget Committee website. Jill said it is not a static document, there are too many variables, and it could become a tool of misinformation. The Budget Committee can put different scenarios in at meetings, and it could be used for five (5) year planning. Tom Martin asked if Jill could send the spreadsheet out to Budget Committee members. Jill said that it is a complicated document, and if you tweak one thing it goes sideways, so she would prefer not to do that.

Tom Martin said if it's not confidential he would suggest sending it to the members.

Jill said she wants to spend more time going over it with Budget Committee before sending it out. Tom Martin said if it's a tool then it should be available to everyone. Jill said in the past it was printed out for the committee and reviewed at the committee meetings. It was never emailed as an excel spreadsheet.

Tom Martin said he wants his request and Jill's response to his request to be reflected in the minutes. Jill said Sherry is good at capturing the discussions at the meeting. Jill said we could have the May Revise in a couple of weeks, and could plan to have another meeting but normally this would be the last meeting of the spring semester. There is always an option to meet in the summer, but that has not been done in the past. Casey said he would like a couple of items put on the agenda. 1) vote as a committee on the

recommended reserve balance, 2) vote on the OPEB contributions going forward and, 3) vote on a recommendation on how we structure the budget to catch up on academic salaries. Jill said the third item cannot be discussed at the Budget Committee level.

Tom Martin said we can discuss it, it is not negotiations, this is allowed, and it may be uncomfortable, but we must talk about it. Jill said when negotiations are done and agreements are made on wages, that information is given to administration and that is when employee costs are incorporated into the budget.

Jill said we could have that conversation at a broader level, but not at the individual bargaining level. We can have conversations about how to make space in the budget, but we cannot discuss raises, that is not a conversation for this committee.

Casey said he found some fascinating information on our student persistence rate, it is about 62% which is low compared to the state average. If we could cut that in half, it could generate a lot of FTES for the district. We could set goals, and maybe understand why our persistence rate is so low.

Casey said motivation is another interesting factor, from a college-wide perspective. If people feel that they are not compensated well, it affects the service they provide to our students. Casey said he believes we are missing out on chance to generate more FTES for the district, which could really bring the dollars in if we look at persistence rates and improving them and how to motivate employees by compensating them fairly.

Sue said, in terms of what Jill said about possibly having a conversation about where money could open up, that she has asked before to look at the enrollment trends and staffing trends over the years. Such as the increase and decrease, and more specifically in various categories. Looking at trends could prove to be very interesting and could help with planning.

Jill agreed that enrollment trends could be helpful, and that she would like to invite the Enrollment Management Committee, to one of the Budget Committee meetings to see how they look at enrollment trends and plans to increase them. Kevin O'Rorke mentioned this a few meetings ago, and it could be very helpful to us because they look at it a little differently. Jill said she can get staffing levels from HR, or invite HR to a meeting as well.

Tom Martin said if we can understand that data, we can make recommendations, and set competitive wages for all employees and then make better decisions on what positions to fill and what the duties are, especially if enrollment is down, we could even flex employment.

Jill said we are getting away from the primary focus of the Budget Committee.

Tom Martin said absolutely not, these type of discussions are recommended at state-wide committees in Sacramento and other academic groups. Tom Martin said this committee should be developing the budget,

including salaries, benefits, and surpluses, that is why he voted no on moving the tentative budget forward today, because it is the responsibility of this committee to make recommendations, and that the recommendations of the committee should be primarily accepted, and if not, questioned, and this will allow the Budget Committee to be more informed, and a lot of other colleges are doing this.

Jill said as a committee we are at a good starting point, interested and engaged people, but when you bring up a specific group of people, it is wrong, and does not belong in Budget Committee.

Tom Martin said absolutely not! We are representing our groups. We bring our different perspectives to the table. It helps us make a better decision as a group. It's our job, and we will talk about wages, its uncomfortable, but important.

Jill said she thinks the committee has gotten Tom's point. Tom Martin said you always shut it down, we need to be clear, we need to look at our mandate from the state and what our scope and authority are, and it would be more clear if we could start there.

Casey said he supports Tom Martin's comments today, and faculty as a group. Casey said they are responsible for representing faculty and when the salaries for instruction are driving down they need to speak up. Casey said he'd like to look into trends because maybe the employees are not motivated because they are not compensated like they should be. Jill said she appreciates that faculty wants to stay in this conversation, but it's not appropriate at this committee.

Tom Martin said that is incorrect. Don't shut down faculty trying to participate on this committee, and what he doesn't want to hear is that we can't talk about salaries. Tom Martin said they are being shut down, and to please don't say it's not allowed, because it is. Tom Martin said we can have side discussions outside the meeting, we can do that. Please don't stop the shared governance. If we don't make solid recommendations how can we make decisions on hiring and participate. If all we do is look at the budget, and rubber stamp it, what is our responsibility on this committee? We all need to be involved in the development of the budget, and when we bring up things like salaries it's because it is important. We are not negotiating in the meeting. We can talk about the issues and the planning and making better decisions.

Jill said this is an appropriate time to adjourn the meeting. Crystal made a motion to adjourn, Andy seconded.

Jill thanked everyone on the committee and said to stay strong and we will meet in two weeks if needed.

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

OTHER/ANNOUNCEMENTS: None

NEXT MEETING: May19, 2021 (Tentative)

NOTES FOR NEXT MEETING: None

ADJOURNMENT: 3:26 p.m.

Recorded by:

Sherry Nicholas

Sherry Nicholas
Executive Assistant
Administrative Services