



BUDGET COMMITTEE MEETING

Wednesday, December 1, 2021

Zoom: <https://shastacollege-edu.zoom.us/j/98961668910>

2:00-3:30 p.m.

CALL TO ORDER: The meeting was called to order at 2:02 p.m. by Committee Chair, Jill Ault.

ROLL CALL:

X	Jill Ault	X	Andy Fields		Crystal Mair		Student Rep.(vacant)
X	Heidi Dias	X	Katie Littlepage	X	Tom Masulis		
	Darren Gurney		Sue Loring	X	Sam Osborne		

APPROVAL OF MINUTES:

November 17, 2021 – Heidi moved to approved, Tom seconded. Minutes approved.

May 5, 2021 – Not enough members were present from the May meeting to vote on the minutes.

October 20, 2021 – Sherry sent them yesterday but they are still pending review from Jill.

PUBLIC COMMENTS:

REPORTS:

DISCUSSION/ACTION:

A) Budget Development Calendar

We usually bring this to the committee later in the year, but it makes sense to bring it earlier. Jill shared the budget development calendar via screen share. The calendar was updated last year to include dates when information is received by the District as well as deadlines we need to meet.

Budget development starts in January when the governor presents a proposal by the 10th or 14th of the month. The Association of Chief Business Officials (ACBO) then does a joint analysis with the Chancellor’s office breaking that proposal down to provide information specific for community colleges. The initial proposal in January doesn’t usually match what is finally adopted in June, as more information and adjustments are made. The May Revise is typically a lot closer to what is adopted.

We have to take a tentative budget to the Board in June. College Council historically has made a recommendation to take the budget to the Board and their last meeting of the fiscal year is usually during the last week of the semester. So, we take that date and work backwards for deadlines. We usually try to keep this committee apprised of how the budget is looking during the development process and then this committee recommends a

budget to College Council. Jill said due to my availability this spring, we're hoping to have the first review by this committee on March 30.

Working through the timeline, we have to present a final budget to the Board by September 15th each year, and then submit to the Chancellor's Office by September 30 so it has to go to the Board at the September meeting. The timing makes it difficult for this committee to review, as agenda items for Board meetings are prepared and submitted almost two weeks before a meeting. It's proven very difficult to hold a budget committee meeting the first week of the semester.

Does anyone have any questions on this?

Heidi asked for the May 4 recommendation to College Council, what can we do to prepare so we're ready to recommend the tentative budget from a knowledgeable standpoint? Jill said that knowledgeable standpoint might be different for each member that comfort levels will differ between members. Katie said from her standpoint, it's a matter of having trust that it's been developed by those looking at all factors and any questions she does have, have been answered.

Tom said for him, it comes down to evaluating the strategy that's been used to develop the budget. We've typically tried to look to make sure it makes sense the way the numbers are presented to us.

Jill said from my perspective, the initial review I do is looking for variances from year to year, but not just from the prior year. We spend money so differently from year to year so I'm looking to see if we're within a 5% difference. Certain costs are expected to go up from year to year, PERS/STRS, Insurance, etc. I work on applying a logic to the trends.

B) Budget Update from the State

Jill said it's possible the LAO office has sent updates in the fall before, but I don't think the one we've received is typically what has been sent in the past. Jill shared the Community College Update via screen share, which is an update sent a couple times a month from School Services of California.

All the updates that have been sent indicate everything is coming in higher. They have rebalanced or recalculated what the state revenues are for the 2020-2021 and 2021-2022 years, and the Prop 98 guaranteed amount for K-14 for those two fiscal years is expected to be \$10.2 billion higher than original projections. We do not know exactly how this will be distributed between K-12 and Community Colleges

They could potentially lower STRS/PERS rates for employers, or more likely provide one time funding streams.

They're using a "one-time settle up" term. We'll learn more around the P1 reporting mark which is around February, which is also the re-calc timeline for the prior year. All the funding metrics are submitted in the fall and then adjustments for the prior year are made in the current fiscal year.

Andy said \$10.2 billion is pretty significant. Any idea on how or why the state was so off? Jill said corporate taxes, sales taxes, personal income taxes, etc. were higher than anticipated. The state expected more people to lose employment during the pandemic. They were applying the same metrics across the board, expecting lower revenues. Jill said we can only speculate at this point, but it is showing there will be a large increase.

They are also anticipating a 5.35% COLA for the 2022-2023 year, which would be unprecedented. The Dept. of Finance termed it a “spike” in inflation caused by consumer demand.

We would like to see the State stabilize the funding formula and base funding.

They will likely create one-time funding streams or categorical funding. It puts more money in the system but it won't put more in Fund 11. Jill will send both updates from the LAO office and Dept. of Finance to the committee.

Any questions?

C) Interfund Transfers

Jill shared the budget spreadsheet via screen share to discuss the “Other Outgo” columns.

Interfund transfers go to debt service, capital outlay, etc. There's also another energy loan that's from the 80s that was a benefit to Fund 11. I'm not completely sure what it was for but we are still paying it. If we have Lease Revenue Bonds (LRB) that other funds benefit from, those funds are responsible for the debt service fees.

When we refund or refinance bonds, it's like refinancing your mortgage.

We used some 2016 Measure H bond money to pay off older debt. Because we used bond funds to do this the board committed to continue paying that debt payment to ourselves for future capital outlay. The scheduled debt payments coming from Fund 11 for this refunded debt are now transferred to Capital Outlay fund for future capital projects.

I know this has been a little confusing the last couple of years.

It's difficult on Fund 11 if a big ticket maintenance item comes up (HVAC or boiler replacement), it's helpful if we can set aside funds in Capital Outlay so we won't have so many spikes or oddities from year to year that could potentially affect the 50% calc.

Fund 23 and 25 (Measure H) debt services payments are paid out of property tax bills.

Jill said it was mentioned at the last meeting to go over investments. What questions do you have? Heidi said if we can go over what they are, what goes into them, why they continue, etc. that would be helpful as questions have come up on funds that are transferred out.

Jill said the Public Agency Retirement Services (PARS) trust is not considered an investment, but rather a way to set aside funds to be used as needed. With the money that we've been able to set aside in the trust, and the favorable returns in the market, we're over 60% in market means. We don't want to overfund the trust because it's an irrevocable trust, so the District wouldn't have access to those funds other than for retiree benefits.

We need to ask at what point do we start taking that money out of the trust by running different scenarios. We were able to use the one-time funds last year from federal stimulus funds to put into the PARS trust. We had talked to them for years, thinking we would never have the funds to start that trust. When the funds were available last year,

we were able to relieve some funds in Fund 11. The target is \$10 million in that trust so we can plan on a return of approximately 5% or \$500,000.

Heidi asked if the anticipated revenue windfall would come into play here. Jill said she doesn't expect the state to give it to us in a way that we would be able to utilize it this way.

We want to maximize the federal stimulus funds. We need to benefit Shasta College the best way we know how.

Any other questions?

OTHER/ANNOUNCEMENTS:

Our next scheduled meeting is December 15. Also scheduled on that date is negotiations and a Board meeting. With Jill being out of town all next week, we will need to cancel the December 15 meeting. Looking to January, the 5th would be our first scheduled meeting, but most will be off contract. The 12th would still be difficult since it is before the semester starts. The 19th is first day of semester and on the 26th Jill is at the SWACC meeting. So, our next scheduled meeting will need to be February 2. As the Governor releases the budget proposal in January, Jill will send it out to the committee and then we can discuss it in February.

ADJOURNMENT: 2:58 p.m.

NEXT MEETING: February 2, 2022

Recorded by:

Keri Mathews

Keri Mathews
Executive Assistant
Administrative Services