



**BUDGET COMMITTEE MEETING**

Wednesday, March 30, 2022

Location (Zoom)

<https://shastacollege-edu.zoom.us/j/98806127761>

2:00-3:30 p.m.

**CALL TO ORDER:** The meeting was called to order at 2:04 p.m. by Committee Chair, Jill Ault.

**ROLL CALL:**

X	Jill Ault	X	Andy Fields	X	Elsa Gomez		Student Rep.(vacant)
	Sandra Darling		Katie Littlepage	X	Scott Gordon	X	Taryn Roberts (Guest)
X	Darren Gurney	X	Sue Loring	X	Sam Osborne	X	Joe Wyse (Guest)

**APPROVAL OF MINUTES:**

February 2, 2022 – The date at the top of these minutes was incorrect. Sam moved to approve with the date corrected, Darren seconded.

December 1, 2021 – Sam moved to approve, Darren seconded

May 5, 2021 – Sam moved to approve, Darren seconded

Joe said that approval of minutes means the committee is accepting the minutes as they are presented, that attendance at the meeting is not necessary to vote on the approval. With this clarification, the committee approved minutes from February 2, 2022, December 1, 2021 and May 5, 2021.

**PUBLIC COMMENTS:** There were none.

**REPORTS:** There were none.

**DISCUSSION/ACTION:**

**A) Budget Update from the State**

Jill said that other than what was in the minutes from February 2, we do not have any new information. The Legislative Analyst Office (LAO) has provided some discussion on the Governor’s January proposal but there is nothing actionable. The COLA proposed in January was 5.33%. Inflation has obviously grown so we do expect to see some changes in the state’s final budget. We expect COLA to be different but we do not know if it will go higher or lower.

We have had more one-time funds than we have ever seen in the past. Some of the one-time funds that were listed last June we are just now finding out about.

Jill, Sam and Taryn participated in the Fiscal Forward Desk Session offered through the Chancellor's Office. This program is geared towards newer financial officers for Districts. They went through our audit and our funding formula. One of the main purposes of this program is to assist districts in budgeting so they have two months of expenses in reserves. For Shasta College that would be 16.6%, which is really close to what the Budget Committee set several years ago. Ed Code requires us to have 5% and District policy adds another 5% bringing the required minimum amount to 10%. Several years ago, this committee talked about fund balance and determined to target about 17.5%. The Chancellor's Office has now said District's need to have two months reserve that covers both Fund 11 and 12 expenses. We have a lot of activity in Fund 12 so we will start seeing what that actually looks like and if we have other reserves that could cover those expenses.

Sue asked about Fund 12, asking if some of the funds roll over to the next fiscal year or if they have to be expensed in the same fiscal year. Jill said we do have a few where we have to spend the money first and then get reimbursed, there are some where we receive a portion each month. Usually if we do not spend it we have to send it back. The last few years they have allowed for some carryover.

Sue asked if categorical funds can be set aside to help cover the fund balance. Jill said no, there are definite timelines to categorical funds. For those that are allowed for carryover, we would likely need to spend it within the following six to twelve months. There are some grants that pay the District ahead. We can look at those grants to see if they are able to cover some of the expenses that would be required in the fund balance. We have some of our long-term liabilities covered which gives the District a solid financial position.

Andy asked what prompted that change. Jill said she doesn't know specifically, but the Chancellor's Office has mentioned more accountability recently. They are going to start looking at some of the categorical funds more. With what the Chancellor's Office has said about accountability lately, it gives the impression that is the direction they will be going.

Sam said the Chancellor's Office may be trying to come more in line with other government entities. Sam said this process gives Districts a little latitude by indicating two months rather than setting a finite percentage for fund balance. If we lose funding for certain grants we need to have a fund balance that will cover employee salaries.

In 2020-2021 the Chancellor's Office deferred payments so if it was not for our roughly 20% fund balance, we would have been in a zero cash status at some point. The federal stimulus funds helped balance the pressure but the initial conversation indicated the District would not receive payments until July, which did not sound feasible at the time.

## **B) Budget Development, where we are in the process**

Jill said the topic of how we budget and plan has come up in the past in this committee. We have budgeted for the expenses we know, such as step increases, new positions, etc. Jill said in an effort to be more transparent and clearer in this process, we have budgeted for current offers to bargaining groups. The personnel budget may change as the negotiation processes continue or as we learn more about COLA. As of now, the state is indicating COLA to be at 5.33%.

**C) 2022-2023 Budget for Fund 11**

Jill shared her screen showing the current tentative budget totals, including the 2019-2020 actuals, 2020-2021 actuals, 2021-2022 proposed budget, 2021-2022 estimated actuals and 2022-2023 proposed budget. The 2020-2021 and 2021-2022 years are still somewhat skewed from the impact of federal stimulus funds, relieving some of the Fund 11 operation expenses. 2019-2020 was closer to normal so it is a better comparable than the past two years.

Jill spoke about the funding formula, showing the formula from prior years and the projected for the upcoming year. This year we are still in the emergency conditions allowance so we are funded at a significantly higher FTEs than our actual enrollment numbers.

For 2022-2023, it looks like we will benefit from this year's funding formula plus COLA. So even though we will not be funded at our actuals for 2022-2023, there are still some protection provisions going forward. The State is calling for a 3.3% deficit factor for 2021-2022, which means our District may be funded about \$1.6 million less than what we qualify for. We may not fully see the benefit of a full COLA in 2022-2023 because of the deficit factor.

Sue asked Jill if she will send out this attachment to the committee. Jill said yes, this is still a draft as it is a snapshot of a point in time during the budget development process.

Lottery is based on our actual FTEs from the previous year so it fluctuates every year. The \$1 million is typically a safe guess as to what we will receive in lottery. Last year we received almost \$1.4 million, which was higher than normal.

There are different variables through the revenue. If we have any large grants, we may see changes in the miscellaneous income. We are expecting total revenue to be higher next year from the current year.

The salaries and benefits portion will always stay up to date as the negotiation processes continue. We have approximately 80 vacant positions in the District. A few are new positions but the majority are retirement or resignations that are in recruitment. These are all budgeted at Step 1 and an average \$10,000 for benefits.

Scott asked if new employees are actually hired at Step 1. Jill said the faculty schedule is different than classified/administrators so we typically budget \$80,000 for new faculty positions.

Jill said we do know PERS/STRS rates will be increasing approximately 2% each. There is a big push from districts to have the state absorb some of those costs.

Unemployment insurance has not gone up as much as was originally anticipated. We will receive the 2022-2023 worker's compensation rates sometime in June so in the meantime, we budget the same amount as the current year. The 2022-2023 budget assumes a flat cost for retiree health benefits at \$2.5 million. That does not include any deposit to the OPEB trust from Fund 11. If we accrue any funds for retiree health from other funds, we do have to deposit those funds.

Scott asked about worker's compensation, that the three-year lag seems like it should take effect since we did not have as many employees on campus, which likely resulted in fewer claims. Jill said we will get our rates in June so it's possible they will go down. We

are in a self-funded pool so it impacts a little differently. Joe said that in 2009 the rates were around \$750,000 as compared to the projected \$455,000 for 2022-2023. Our total number of claims has dropped over the course of the past several years which has improved our Ex-Mod rating.

We are working with managers to budget for more normal operations next year. The mileage reimbursement rate will probably go up but meetings may still be occurring virtually rather than in person.

Software Licenses less than one year is in a separate line. The ongoing software license and maintenance has been moved to Fixed Assets, per the Chancellor's Office. There is an increase to the ongoing software license and maintenance lines. Our insurance has dictated several software upgrades and protections, especially as we had employees working remotely.

Interfund transfers are pretty much the same. These are covering debt services that are funded in Fund 24 and some from Capital Outlay that are funded by the Bond.

One of the things we did several years ago, with the assistance of the budget committee, was build in a discount factor formula to help acknowledge the fact that the District may not spend all funds each year. Pre-Covid, we were using about a 3.3% discount factor, but for 2022-2023 we have increased that to 6%.

Jill asked if anyone had any questions. Every month as we get closer to the end of semester, we will keep this updated. Due to supply chain issues, if we receive items after June 30, they are moved to next year's budget.

**D) HEERF (Federal Stimulus) Update**

Jill said the funds were set to expire by mid-May of this year. The Department of Education said we could request an extension if needed. They must have received several requests because they did a blanket extension to June 2023. We are limited on what we can spend the stimulus funds on but we are close to having that wrapped up.

**E) Documenting the Budget Process**

Jill said she would like to be clearer in documenting the process and the assumptions that are made during that process.

**OTHER/ANNOUNCEMENTS:**

**ADJOURNMENT:** 2:52 p.m.

**NEXT MEETING:** April 20, 2022 at 2:00 p.m.

Recorded by:

*Keri Mathews*

Keri Mathews  
Executive Assistant  
Administrative Services