VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
District Council of Administrative Services (DCAS)

Thursday, December 17, 2009

NOTES

Attendees: John al-Amin, Jeff Baker, Robert Cabral, Dominga Chavez, Iris Ingram, Sue Johnson, Steve Hall (for Connie Jenkins), Dave Keebler, Deborah LaTeer, Mary Anne McNeil, Darlene Melby, Karen Osher, Peter Sezzi

Absent: Debra Cronin and Connie Jenkins

The meeting began at approximately 8:32 a.m. in the Multi-purpose Room at VCCCD.

APPROVAL OF NOTES

The notes from the September 24, 2009 meeting were approved by consensus.

FY10-11 REVENUE/COST SCHEDULE

Ms. Johnson briefly explained the current state budget deficit. The state is facing a deficit of approximately $21 billion over the next 18 months. That figure equates to about 20% of the state expenditures, if resolved in a single year.

<u>Projected FY 10-11 Revenue</u>
There is no COLA and no growth projected for FY11.

Revenue projections include the loss of the one-time ARRA funds received in 2009-10.

There was an initial projection of a 2% cut in Proposition 98 funding for FY 11, but we are now projecting no decline due to the recent announcement that, because of the late budget maneuvers by the state, Prop 98 for the current year is underfunded. The underfunding for the current year is being estimated at approx $1 billion. The LAO has recommended that no action (distribution) be taken this year, and to use the underfunded amount in FY 10 to offset Prop 98 reductions in FY 11. This overfunding, if it holds, should protect us from any general mid-year reductions (that would not include property tax shortfalls.)

As for the overall general state deficit, it is unrealistic to assume the state can resolve the total $21 billion shortfall in one year. Therefore, we are projecting a gradual, phased reduction in revenue. The projected state general revenue reduction for FY11 is being estimated at 6% (allowing the shortfall to be resolved over 3 to 4 years) or $8 million for VCCCD. This reduction will undoubtedly include a large reduction in categoricals, but due to the impact in this current year we are projecting the full reduction in the General Fund Unrestricted until more specific information is received and local decisions are made.

Projected Costs/Expenditures
There will be full contract negotiations with SEIU and AFT this fiscal year. For now we are assuming the status quo (i.e., no salary increase, no change in benefits, etc.); speculating a 10% increase to faculty health insurance (Blue Cross) and negligible increase in district-paid health costs for all other employees due to the existing cap.

Payroll Driven Expenses
PERS has adopted a "smoothing" methodology of increases, to gradually spread the losses of the market over several years. The STRS rate is still to be determined. For employer rates, STRS requires legislative action to change rates. PERS employer rates, on the other hand, are set by the PERS Board.

Retiree Liability
The most recent Actuarial Study (December 2008) determined that our liability has significantly increased, as well as our required annual contribution cost. However, the funding increase has been deferred pending a decision regarding an Irrevocable Trust. The adoption of an irrevocable trust will significantly decrease both our liability and annual contribution cost.

Other
There was a discussion about FTO and the number of faculty the District is required to hire. The FTO figure is districtwide as opposed to college specific. We are currently using a projected "cushion" between the number of required faculty and the district's target. That is due, in part, to the significant penalty imposed for not meeting the required FTO, and our inability to control departures or loss of grants. The appropriateness and level of the "cushion", as well as the distribution of the required hires, was discussed. Further discussion will occur at cabinet in order to determine the distribution for budget preparation.

Net Shortfall
The resulting projection for the FY11 shortfall was approximately $10.5 million for the district (including possible impacts to categoricals).

Shortfall Mitigation
Looking forward to FY11 and the uncertainty of the state budget problem in future years, the potential use of reserves was discussed. The scenario presented would be to use reserves to mitigate 1/3 of the budget shortfall; not to exceed $3.5 million. If the revenue loss was less, the reserve funding would also be less, based on a 1/3 mitigation.

The current balance of reserves was presented, as well as possible scenarios of the next three years. It was projected that using the recommendation above, and an assumption of $2 - 3 million in property tax shortfalls each year, reserves could be reduced to the required minimum level by June 2012. Given that the statewide budget shortfalls are expected to last approximately 5 years, full utilization of available reserves prior to that could be problematic.

It was recommended that the cuts should be evenly distributed throughout all 4 sites (each college and DAC). Ms. Johnson stated that, under the current process, the deficit would flow through the model, off the top, and therefore be borne by all four sites based on the proportion of allocation, e.g. DO would be reduced by 6.4% of revenue loss, the 3 colleges would be impacted by the FTES proportion in the model. With appropriate consultation and Board approval, this could be changed, but would in fact be a change to the model.

The concept of mitigation as well as the level was discussed. It was suggested that using a base deficit, such as 5%, should be the driving factor, instead of the actual dollar and percentage of mitigation. DCAS members suggested that a 5% general fund impact/reduction is manageable, but cuts beyond that amount would require reserve mitigation. If we used such a methodology, we would start with the shortfall percentage and work backwards to get to the dollar figure. In essence, that would mean that if the deficit was only 5%, the recommendation would be to absorb that deficit without the use of reserves, thereby preserving reserves until later years, extending their availability beyond FY12. (Business Services staff will work to develop other scenario using this methodology.) Most members supported the recommendation of beginning with the concept of a 5% deficit prior to utilizing reserves. The AFT representative, Steve Hall, expressed a minority opinion that a 5% cut was not manageable and would have a severe impact on at least one of the colleges, Oxnard in particular.

The issue of sound enrollment management was discussed as being critical to budget development as well as the long-term stability of the district. There was a brief discussion regarding faculty and administrator counts throughout the district, by location. More information regarding this will be brought to DCAS in January.

New projections and scenarios will be developed based on the Governor's initial budget proposal in January.

NEXT MEETING

- January 21, 2010 – 8:30 a.m.

Meeting was adjourned at approximately 10:32 a.m.