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

Thursday, January 20, 2011

NOTES

Attendees: John al-Amin (via teleconference), Blanca Barrios, Dominga Chavez, Riley Dwyer, Alan Hayashi, Iris Ingram, Sue Johnson, Dave Keebler, Deborah LaTeer, Darlene Melby, Mary Anne McNeil, Karen Osher, Peter Sezzi, Trevor Zierhut

Absent: Robert Cabral

The meeting began at approximately 8:38 a.m. in the Board Room at VCCCD.

Blanca Barrios was introduced as the new classified representative from Oxnard College.

APPROVAL OF NOTES

The notes from the December 16, 2010 meeting were approved by consensus.

FY12 Budget

Sue provided a brief recap of the Governor's Initial January Proposal for FY12. The Governor has proposed to balance the budget by a combination of expenditure reductions and increases in revenue (taxes), as well as a few other solutions. The proposal includes approximately $12 billion in reductions ($400 mill to CCC) and a 5-year extension of the income, sales, and vehicle tax increases, approximately another $12 billion per year, which would be determined in a special election in June. The proposal includes an additional $129 million in apportionment deferrals for CCC, $110 million in enrollment growth (which would reduce the reduction to CCC to $290 million net) and an increase in fees from $26/unit to $36/unit. There were no community college mid-year reductions in the proposal.

Included in the apportionment reduction are suggested changes in census date reporting and/or differential funding for specific classes, such as recreational, in order to increase "student success" as defined by "completion" and/or "transfer". Community college stakeholders are advocating for the cuts to come in the form of a workload reduction, which would also reduce the FTES cap as well as the FON (Faculty Obligation Number). Our FTES cap would be reduced by approximately 1,400 and the FON by approximately 20.

Sue explained that the Governor's proposal includes "trailer bills" which are likely to be passed in March, which would set the ground work for the budget itself.

Revenue/Cost Analysis

The Preliminary Revenue and Cost schedule (dated 1/20/11) was distributed and discussed. Sue explained the effects of the Governor's proposal as it relates to VCCCD. The proposal recommends a $400 million reduction to community colleges (systemwide) and a $110 million increase in enrollment growth, which equates to a net reduction of $290 million (systemwide). VCCCD makes up approximately 2.23% of the system, so the District's proportionate reduction in apportionment would be approximately $6.5 million, if the reduction comes in the form of workload reduction. If the cut comes from a change in census or type of classes, the impact on the District would be harder to project. **For purposes of building the budget, the workload reduction scenario will be assumed.** This will be modified if/when more concrete information is provided.

Because the District does not budget growth in the year it is earned, growth received in FY11 will be considered "new revenue" for FY12. The FY11 growth is approximately $2.8 million, which will be included as revenue for FY12, thus offsetting the reduction in revenue to a net of approximately $3.7 million. These figures assume the passage/continuance in June of the temporary tax increases. If the revenue proposals fail, all bets are off, and the District's reduction could increase by more than an additional $5 million.

<u>Costs - Salary Increase/Health & Welfare/Step Increases</u>

These numbers are still very general estimates. For now, staff is assuming there will be no salary increase and no additional cost for Retiree Liability. Retiree liability expense could change tremendously once the actuarial is completed. Health and Welfare figures provided are preliminary estimates, based on historical trends.

<u>Payroll Driven Expenses</u>

The STRS rate is still to be determined. This rate is set by the Legislature, and there has been no rumors of an FY12 increase in rates in spite of the growing unfunded liability. Last year PERS adopted a "smoothing" methodology of increases, to gradually spread the losses of the market over several years. PERS has said the rate will be 11.6% for FY12, but that could change in April/May when the PERS Board meets. Unemployment insurance rates are projected to increase from .72% to .94% (based on a 3-year average).

<u>FON</u>

Sue briefly recapped the previous decision to no longer rely on "free passes" to meet FON. For FY 12, if the revenue reduction occurs as a workload reduction, this will also reduce the FON. If we assume the revenue reduction, then the projected FON, once the freeze is lifted, will no longer be a problem. In other words, we will not have the catch-up of the free passes that we have been assuming. Very shortly, Cabinet will reevaluate the decision to mandate the hiring the 9 faculty (5 MC / 2 OC / 2 VC) over those that are lost this year. If the mandate is rescinded, it then becomes a college decision whether to continue with the recruitment/hiring process of additional faculty. Each college will still be required to replace any and all faculty that leave this year.

<u>Utilities</u>

There is no increase in utilities being projected for FY12 at this time. This is partially due to actual data for FY10, projected for FY11, as well as energy conservation projects currently underway.

Total

Total projected districtwide shortfall for the FY12 is projected to be approximately $5.9 million considering all assumptions above.

Reduction Scenarios

Based on the assumption of a $5.9 million budget shortfall or 4.27%, the VP's and budget staff met to discuss recommendations for DCAS to begin consideration for FY12. The reduction scenarios included 3%, 5% and 7% reductions, in addition to the 4.27% as well as the 7.91% that could occur should the revenue-increase ballot measure fail.

The FY12 Reduction Scenarios schedule was distributed and discussed (dated 1/20/11). Sue reminded DCAS of their recommendation for the FY11 Adoption Budget wherein the District assumed a budget reduction that did not occur at Tentative and the additional revenue between FY11 Tentative Budget and FY11 Adoption Budget ($4.5 million) was put into one-time site expenses rather than restoring operational costs.

Under each of the scenarios, the $4.5 million would reduce the true impact of the actual FY 12 reduction. For example, under the assumed shortfall from the revenue/cost sheet of $5.9 million or 4.27%, the $4.5 million would be eliminated with a net result of a true $1.4 million reduction or 1%.

It was suggested that the sites carryover percentages be changed (e.g., unlimited or 3%), realizing it is one-time money. This would help ease the cuts and allow the colleges to make them more gradually. It was also recommended that, because last year's reduction was so difficult, we consider the use of a token amount of reserves to cover the first portion of the addition/true (FY12) reduction.

Sue reminded DCAS that although the District has significant reserves, the State continues to issue additional deferrals. In addition to all those of the prior year, the Governor has proposed an additional $129 million deferral for FY12, for a total of $1.3 billion. The District disburses approximately $20 million in payroll and vendor checks monthly. In spite of the state-issued deferrals, the District continues to make payroll and pay vendors because of the level of reserves. Recommending the use of reserves before any reductions at all might imply that no reductions can be made. In light of the assumed workload reduction, that may not be an easy sell. She also reminded the group of our recommendation last year regarding the use of reserves. The first 5% reduction would be absorbed by the sites. If the cut was greater than up to an additional 5% would come from reserves.

After further discussion, other suggestions were offered:

- Use Reserves to cover the anticipated shortfall between the $4.5 million (FY11 restoration) and $5.8 million (FY12 projected), which is approximately $1.4 million.

- 1) First 5% reduction to come from college budgets (including the elimination of the $4.5 million, that would be a net reduction of 1.7%)
  2) Use reserves up to the next 5%
  3) Then back to sites/reserves or a combination of reductions and reserves for a shortfall above 10%.

- 1) First $4.5 million of shortfall to come from carryover/restoration to defray shortfall.
  2) Use reserves up to the next $3 million.

Further discussion will continue at the February meeting regarding possible approaches.

LOCAL STRUCTURAL DEFICITS

Sue explained that despite the current budget projections, it is important to continue the discussion of local structural deficits and how we may fund them.

The categories for Local Structural Deficits were reviewed, and were again agreed to be:

- Scheduled Maintenance & Capital Furniture (including, admin, faculty & classroom)
- Library Materials & Databases (previously IELM/TTIP)
- Instructional and Non-Instructional Equipment
- Tech Refresh (hardware & software)
- Other (such as R&D, staff innovation, lab software, program transition costs, program specific accreditation, staff development (classified and faculty)

The discussion regarding the allocation of funds to these categories was refined as listed below. Peter provided input into the allocation of library materials and it was decided to use FTES as the basis for allocation. Additionally, since the "other" category has staff development as well as less-quantifiable items, it was agreed to use 1/3 split

Basis of Allocation

- Scheduled Maintenance & Capital Furniture (including admin, faculty & classroom)
  - Assignable Square Footage

- Library Materials & Databases (previously IELM/TTIP)
  - FTES

- Instructional and Non-Instructional Equipment
  - FTES

- Tech Refresh (hardware & software)
  - Number of Computers

- Other (such as R&D, staff innovation, lab software, program transition costs, program accreditation, staff development (classified and faculty)
  - 1/3, 1/3, 1/3

These structural deficit allocations will be placed in a separate fund for accounting purposes and the colleges can carry them over from year to year in order to meet fluctuating levels of need, more substantial costs, or earmarked specific projects.

It was suggested that the assignable square footage numbers be brought to the February meeting for information.

Triggers

There was a discussion about when might we begin to move the identified streams of revenue (interest, lottery, enrollment fee waiver-admin and local share) into the agreed upon-local structural deficit categories.

Suggestions include:

- If the District receives COLA
- Receipt of growth dollars in subsequent years
- If interest goes above **X** (a certain percentage or dollar amount)
- FY11 Revenue in excess budget (excluding growth) be put into structural deficits for seed money

A member reminded the group that the rationale behind identifying these specific revenue line items was because of their inconsistency or instability and that although the decision to remove these items from the general allocation model may not be popular, it must be done. We must develop a capacity to deal with the structural deficits.

Alan suggested that the funds be allocated similar to the allocation of growth. The revenue is distributed only in the year after it is earned, thus making it more definite.

Sue explained that, if we recommend the removal of FY12 revenue from the allocation model to fund structural deficits, whatever revenue streams we remove will further increase the operational reduction for FY12.

The funding of local structural deficits will be discussed again at the February meeting in the hopes of developing a recommendation to the Board along with the Budget Assumptions.

HEADCOUNT VS. FTES

Per a request at the January meeting, a chart (dated 1/20/11) showing FTES vs. Headcount was distributed.

NEXT MEETING

Thursday, February 17, 2011 – 8:30 a.m. This meeting is scheduled to last until about noon. Please plan accordingly.

Meeting was adjourned at approximately 12:09 p.m.