

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

Thursday, February 17, 2011

NOTES

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

Absent: Trevor Zierhut

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

APPROVAL OF NOTES

The notes from the January 20, 2011 meeting were approved by consensus with additional language offered by Dominga Chavez regarding the use of reserves for possible reduction scenarios.

FY12 BUDGET

Sue distributed a memo from Scott Lay (Community College League of California) regarding PERS and STRS. Even in light of the tremendous unfunded liability, it is assumed that there will be no increase to STRS rates in FY12. STRS rates are set by the Legislature. PERS rates are set by an independent board, which is scheduled to meet in May. Last year the PERS board set the rate for this next year at 11.6%, but may review that decision in May.

Sue distributed a Budget Advocacy memo dated February 17th from the Legislative Analyst's Office. The legislature requested that the LAO provide suggestions for additional expenditure reductions in lieu of revenue increases. The LAO is recommending several remedies to close the budget gap, including a 90-unit funding cap for each student, increase fees to \$66/unit, and reduce funding for PE, athletics, fine arts and recreational classes.

Sue indicated that she receives information from various sources which she shares, but encouraged DCAS members to also share information from other sources as well.

In working towards building the FY12, it was the consensus of DCAS to continue using the current assumptions.

Reduction Scenarios

A schedule displaying various FY12 Reduction Scenarios was distributed. Sue explained that if the ballot measure extending the tax increases does not pass, or fails to become a ballot measure, this chart will need to be updated adding more drastic reduction scenarios. The 7% may not be the worst case. If the ballot measure passes and the increases are extended for an additional five years, the reduction will most likely be approximately 5% district-wide. Staff

will continue to work on the 7% reduction plan as well, until better budget information is available.

FY12 Budget Carryover

Sue explained that the current Allocation Model allows sites to carry over up to 1% of their budget each year. For FY11, DCAS recommended, and the Board approved, a one-time carryover amount not to exceed 2%. This one-time exception was approved as part of the Budget Assumptions. At the January DCAS meeting, there was a brief discussion about carryover for FY12. At that time, it was suggested that sites be allowed to carryover a larger percentage (2%, 3%, unlimited, etc.), realizing it is one-time money.

There was a discussion about the options discussed last month.

Dave Keebler expressed his concern about an “unlimited” carryover. He said that carryover funds are for one-time expenditures, not ongoing. Sue reiterated that an increase in carryover would, in essence, would require an additional cut the following year as it would be one-time only.

Alan Hayashi expressed concerns that if the carryover limit is increased, campuses might excessively cut in FY11 in order to generate the increased limit. He would only be in favor of an increased carryover limit, if there was a stipulation that in the subsequent year the limit would revert back to the 1% as stated in the Model.

Peter Sezzi reiterated that carryover is one-time money and is earmarked for one-time expenditures in the subsequent year. However, the district wasn't expecting the increased “restoration” revenue of \$4.5 million for FY11 that was placed in the adoption budget and that is what is contributing to much of the unexpended balances. By increasing the carryover for FY12, this gives sites an additional year to spend those one-time funds.

Sue recapped the situation that occurred between FY11 Tentative Budget and FY12 Adoption Budget where funds between Tentative projections and Adoption were put back into the budget to be used as one-time expenditures.

John al-Amin recommended a 2% or 1% carryover limit, not unlimited. Sue clarified that any amount that remained over the allowable carryover amount would go into Unallocated Reserves.

With John's suggestion of a 2% carryover for FY12, Sue conducted a vote. 8 were in favor of up to 2%, 2 voted for other amounts.

Based on majority vote, and a general consensus, the recommendation related to carryover amount for the FY12 Budget will be “up to 2%”. This will be presented to the Board as a one-time exception to the Model through the Budget Assumptions, which will be presented to the Board in April.

Alan posed a concern that these “one-time” exceptions to the Model may become a pattern. He believes that we need to get back to the Model and guarantee that carryovers actually get spent. Sue concurred with Alan's sentiments and said that language will be included in the Budget Assumptions that the plan is to return to 1% for FY13.

Use of Reserves

At the January DCAS meeting, several suggestions were offered on how the district should deal with the budget shortfall for FY12. The use of reserves to mitigate the shortfall was a part of that discussion. The suggestions from January were reviewed and discussed again as noted below:

- #1 Use Reserves to cover the anticipated shortfall between the \$4.5 million (FY11 restoration) and \$5.8 million (FY12 projected as of last meeting), which is approximately \$1.4 million.
- #2
 - 1) First 5% reduction to come from site budgets (including the elimination of the \$4.5 million,) which would be a net reduction of approximately 1.7% district-wide
 - 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%.
- #3
 - 1) First \$4.5 million of shortfall to come from carryover/restoration to defray shortfall.
 - 2) Use reserves up to the next \$3 million.

Alan expressed concern about the ballot measure not passing. Most have little faith in the passage and he feels the cut could be more like 8-10% or more. He further expressed concern about using scenario #3 above (taking the first \$4.5 million shortfall from the carryover/restoration and then using reserves up to \$3 million) would hurt the colleges more because the reduction is expected to be beyond that amount if the revenue increases fail.

The next discussion was about scenario #1 above (first 5% from sites; next 5% from reserves). Sue explained that in this scenario, the 5% coming from reserves (up to approximately \$6.9) million would be one-time funding and would then have to be cut from FY13 and future budgets. However, it would allow sites to ease into the reduction and would serve as a transitional year for planning. A question was asked regarding which reserve the amount would come from. Sue said that any use of reserves would first come from Unallocated Reserves. Sue clarified the reserve categories, specifically Revenue Shortfall Contingency and its purpose.

Dave Keebler said he is an advocate for reserves. However, he feels we are in the “perfect storm” for reserves to be used.

Alan stated that he believes it is important to allow colleges the time to plan and brace for the full reduction, which won't be fully known until later in the year (August to October). We need to provide stability for planning purposes for this next year.

Scenario #1 was briefly discussed and taken off the table as a possibility. There were no other suggestions for alternatives.

All DCAS members were in agreement that the first 5% district-wide of any shortfall would be absorbed by the sites through operating budgets. DCAS Members further agreed that the next 5% of any shortfall would come from Unallocated Reserves.

There was a discussion about how to handle any reduction beyond 10%. Suggestions were:

- 50/50 – Anything over a 10% reduction would be split equally between college operating budgets and Unallocated reserves;
- For a reduction in excess of 10%, 2% would come from site budgets, and then anything above that would come from reserves.

Alan expressed concerns going back and forth from sites to reserves, sites/reserves for a shortfall over 10%. It was clarified that the next 2% (over 10%) come from sites and the balance be taken from reserves. Sue explained that if the reduction is over 10% and the next 2% comes from site budgets, it would result in an approximate total reduction of less than 4% district-wide to the site budgets after the one-time \$4.5 million was removed.

Peter explained that it is difficult to get people in the mode of thinking about drastic reductions and major cuts when they see the reserve balance so large. If the constituents are asking for reserves to be spent down, we should do it, but it could pose larger, unknown problems in our future, so caution and prudent behavior was appropriate.

A vote was taken for “step 3” related to the Use of Reserves.

- There were 3 in favor of 50/50 use of reserves and site budgets (50/50).
- There were 7 votes in favor of after the 10%, the 2% would come from site budgets, and then anything above that would come from reserves.

Based on majority vote, and general consensus, the recommendation in the Budget Assumptions for the balancing of the budget will be as follows:

- ***First 5% district-wide reduction to come from college budgets (including the elimination of the \$4.5 million)***
- ***Use reserves up to the next 5%***
- ***If shortfall exceeds 10%, the next 2% will come from site budgets. If shortfall exceeds 12%, the balance of the shortfall will come from reserves***

This will be an exception to the “No deficit budgeting” position of the Board.

LOCAL STRUCTURAL DEFICITS

Sue briefly recapped the District’s continuing need to address local structural deficits.

Structural Deficit (Revenue) Resources:

The list of resources to be removed from the General Fund Allocation over the long-term was agreed upon by consensus. They are as follows:

- Lottery Proceeds
- Interest Income
- Enrollment Fees (Waivers & Local Share)

Structural Deficit Resource Allocation:

The areas to fund and the method on which to allocate resources to the defined areas was discussed.

- Scheduled Maintenance & Capital Furniture (including admin, faculty & classroom)
 - o Assignable Square Footage
- Library Materials & Databases (previously IELM/TTIP)
 - o FTES
- Instructional and Non-Instructional Equipment
 - o FTES
- Tech Refresh (hardware & software)
 - o Number of Computers
- Other
(such as R&D, staff innovation, lab software, program transition costs, program accreditation, staff development (classified and faculty))
 - o 1/3, 1/3, 1/3

There was clarification regarding assignable square footage and how it is updated. The District uses a statewide software system called FUSION. Assignable square footage figures to be used will be as of a certain date (TBD). That date will remain constant from year to year to ensure consistency.

The above method and categories were approved by consensus.

Structural Deficit Resource Triggers

A list of possible triggers was distributed and briefly discussed. This list is intended to be used as a stimulus for ideas only. Triggers will be discussed in more detail at the March meeting. Some triggers that might be considered may be for interim funding as well until the triggers exist to move the primary funding categories over. We may wish to consider a series or combination of triggers. Sue asked that DCAS members begin thinking of other triggers and be prepared to discuss this fully at the next meeting. The plan is to present a long-term plan to the Board to address local structural deficit needs in May or June if we are ready.

OTHER

Peter asked about the Cirricunet software license fees and whether charging this expense to Districtwide Services was appropriate. Sue said that the vice presidents will be looking at DWS in detail and will evaluate this request.

NEXT MEETING

Thursday, March 10, 2011 – 8:30 a.m. This meeting is scheduled to last until about noon. Please plan accordingly.

Meeting was adjourned at approximately 11:15 a.m.