

COAST COMMUNITY COLLEGE DISTRICT
District Budget Advisory Committee Meeting Summary
District Board of Trustees' Room

January 24, 2013

CALL TO ORDER

Chancellor Jones called the meeting to order at 1:00 p.m. in the District Board Room.

Committee Members Present:

1. Paula Brady, Confidentials Representative, DIST
2. Gregg Carr, Academic Senate Representative, GWC
3. Andrew Dunn, Vice Chancellor, Finance & Administrative Services, District
4. Dennis Harkins, President, OCC
5. Ann Holliday, representing Dean Mancina, CFE
6. Janet Houlihan, Vice President, Administrative Services
7. Andrew Jones, Chancellor, District
8. Judi Lagerlof, Classified Representative, OCC
9. Minesh Lakhani, Classified Representative, District
10. Kyle Murphy, representing Elizabeth Goldman, GWC Student
11. Christine Nguyen, Vice President, Administrative Services, CCC
12. Ann Nicholson, CFCE Designee Representative, OCC
13. Robin O'Connor, Faculty Representative, OCC
14. Richard Pagel, Vice President, Administrative Services, OCC
15. Thomas Selzer, representing Joe Poshek, CDMA Representative
16. Anuar Salazar, Student Representative, OCC
17. Cheryl Stewart, Faculty Representative, CCC

Committee Members Absent:

1. Lori Adrian, President, CCC
2. Wes Bryan, President, Golden West College, GWC
3. Michael Carlucci, Coast CCA Representative
4. Susana Castellanos-Gaona, Classified Representative, GWC
5. Ann French, Classified Representative, CCC
6. Elizabeth Goldman, represented by Kyle Murphy, GWC Student
7. Pedro Gutierrez, Academic Senate Representative, CCC
8. Dean Mancina, CFE, represented by Ann Holliday
9. Vesna Marcina, Academic Senate Representative, OCC
10. Ronald Watters, Student Representative, CCC
11. Linda York, Faculty Representative, GWC

Guests

1. Helen Rothgeb, CCC
2. Joshua Stone, OCC student
3. Daniela Thompson, District
4. Paul Wisner, GWC

2013-14 Budget Development

Discussion:

Governor's Budget Proposal

- **Vice Chancellor Andy Dunn** delivered a 2013-14 budget development presentation that included a summary of **Governor Brown's** budget proposal, a district budget development calendar, guiding principles for budget recovery, budget goals, a multi-year look at FTES, and a fiscal look at what is ahead.
- **Vice Chancellor Dunn** informed that **Governor Brown** released the state's 2013-14 budget proposal on January 10 and gave the annual State of the Union address on January 24.
- The Governor's budget proposal includes:
 - Almost \$200 million in new apportionment funding. This year, the proposal suggests that the Board of Governors will have authority to determine the breakdown of growth and Cost of Living Adjustment (COLA).
 - \$179 million in buy-down deferrals, to be eliminated by 2016-17. Based on changes in how deferrals are computed, Coast's cash shortage may increase by \$10 million.
 - No changes to student fees
 - \$133 million to backfill the loss of redevelopment agency (RDA) funds that were eliminated a few years ago
 - \$300 million to transition Adult Education to community colleges from K-12
 - \$15.7 million to transition Apprenticeship Program to community colleges
 - Almost \$50 million from Proposition 39 (Clean Energy Jobs Act) funds
 - \$17 million increase for technology courses
 - Funding transition from census-based (student access) to performance-based (student completion), as supported by Senator Liu's 2009 legislation
 - Limitation of state-supported instruction to 90 units; Coast has 1,100 unduplicated headcount over 90 units.
- **Chancellor Jones** noted that **Governor Brown** is interested in Massive Open Online Courses (MOOCs) and wants to implement MOOCs to increase access and capacity to students.

Discussion:

2013-14 Budget Development Calendar

- January 31 is the closing date for the Voluntary Separation Program (VSP)
- The Governor's May Revise is due May 15
- The 2013-14 tentative budget needs to be developed by early May, in order to present to the Board of Trustees in June for their consideration to adopt.

Discussion:

2013-14 Budget Recovery

- The approval of Proposition 30 in November 2012 will result in a deferral "buy-down" and restoration of funding.
- Enrollment priorities for the restored funding will focus on student transfers to four-year institutions, vocational education, and basic skill courses.
- Organizational re-engineering opportunities will be implemented to become more efficient. An example is the financial aid reorganization scheduled to be implemented in spring 2013, as indicated in **Chancellor Jones'** recent communication to all staff. Similar exploration of centralization vs. decentralization functions will occur with Information Technology, Administrative Service, and Human Resources.
- Resources allocation processes will reflect core institutional values of transparency, accuracy and key stakeholder engagement.
- With implementation of Measure M projects on the horizon, priorities will be itemized with a business analysis first, then reorganization, and then the allocation model.

- The “Rainy Day” fund contribution from the colleges will be rolled back for restoration. The balance will be held for future uncertainties.

Discussion:

2013-14 Budget Goals

- **Andy Dunn** noted that the Governor has balanced the state budget structurally; Coast has yet to do that.
- Tactical, short-term goals include:
 - Earning available restoration funding
 - Resolving the structural budget imbalance
 - Reorganization
 - Advancing leadership growth.
- Strategic, far-reaching goals include:
 - Foundation grant opportunities to
 - Grow Orange Coast College to a “large” college status of 20,000 FTES (while maintaining Golden West College’s “middle” college status of 10,000 FTES)
 - Secure state approval for Coastline’s Newport Beach Learning Center
 - Secure state approval for Coastline’s Le Jao Center
 - Real estate asset development opportunities
 - Consultant hired last year exploring revenue-producing prospects at Golden West, Orange Coast, and the District site
 - Restoration of non-resident FTES, which is currently 1200 FTES and was 1800 FTES a year ago

Discussion:

Future Trends

- **Andy Dunn** provided a preliminary multi-year FTES projection through 2016-17, assuming Proposition 30 funding is applied to growth and not to cost of living adjustments (COLA). Including restoration funding, projections were 31,265 in 2012-13; 32,389 in 2013-14; 33,686 in 2014-15; 35,034 in 2015-16; and 36,434 in 2016-17. A final recalculation from the state will come in February, which can change the FTES projections.
- Health benefit cost increases between now and 2016-17 are trending at \$500/year per employee/retiree, which equates to \$6 million. Coast’s third party administrator did a great job in negotiating rates for 2012-13 and our claim exposure was fortunately low, but increases are expected in future years.
- Emerging issues from the Affordable Care Act (ACA)
 - An area of immediate risk for Coast may be the additional cost associated with providing benefits to short-term hourly employees, if they are defined as full-time status.
 - Cadillac Tax – this is a 40% excise tax on “excess benefits” or “rich plans,” defined as \$10,200 for individual coverage and \$27,500 on family coverage, to take effect in 2018. This may have a significant impact on the cost of delivering benefits at Coast.
 - Fees (patient-centered outcomes research fees; annual fees; reinsurance fees to insurance carriers and third party administrators), many of which are undetermined as of yet, but to take effect in 2014, will be a cost factor to Coast.

Discussion:

Fund Balance Comparison

- A fund balance trend among eleven comparable college districts as of June 30, 2012, was provided. Coast had an approximate 13% ending balance; North Orange County and Rancho Santiago Community College Districts had an ending balance of approximately 31%.

Discussion:

Looking Ahead

- Coast faces a \$6.2 million internal operating deficit for 2013-14
 - \$3.8 million structural imbalance rolls forward from 2012-13
 - \$1 million cost increase for benefits
 - \$500,000 step/column increase
 - \$800,000 annual required contribution, or ARC, based on the 2012 actuarial study, toward our unfunded liability for retiree benefits
 - \$100,000 PERS increase
- Revenue and cost containment opportunities for 2013-14
 - Collective bargaining efforts
 - Savings resulting from the Voluntary Separation Plan (VSP)
 - Reorganization
- Revenue and cost containment opportunities for 2014-15 and beyond
 - Installation of photo voltaic systems to generate electricity, as identified in Measure M projects
 - Development of real estate assets as an ongoing revenue stream
 - Staffing reorganizations
 - Collective bargaining efforts

Discussion:

Other

- In response to an inquiry about what we are doing for veterans and whether Measure M funds will help veterans, **Dr. Jones** informed that we have 18,000 active military students and veterans are a significant consideration in what we do. Each college has taken steps to assist veterans, from embellishing a veterans' center to providing more on-line opportunities, to mainstreaming veterans. There is also great support at the state and federal levels in the form of legislation and regulation, some initiated by the State Chancellor's office.
- As the economy improves, enrollment dynamics will change. Some students may leave for jobs. Another enrollment consideration is that the K-12 population in Orange County is on the decline, and we may be in a situation where we struggle to meet base apportionment funding. Development of college-owned real estate in the form of housing may provide an edge to welcome international and out-of-state students, as well as veterans.
- In response to an inquiry about whether an in-state student is displaced if an out-of-state student enrolls, **Dr. Jones** informed that the income generated by the additional fees paid by out-of-state students creates an opportunity for four or five in-state students to enroll. Additionally, all students benefit from an increased cultural exposure.

2012-2013 Meeting Dates

March 14, 2013

May 16, 2013 (May Revise)

June 13, 2013 (Tentative Budget)

August 15, 2013 (Final Budget)

NEXT MEETING DATE:

The next meeting will be held March 14, 2013, at 1:00 p.m. in the District Board Room.

The meeting adjourned at 2:20 p.m.

Recorded by Nancy Sprague