

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

**June 13, 2013**

**CALL TO ORDER:**

**Vice Chancellor Andy Dunn** called the meeting to order at 1:08 p.m. in the District Board of Trustees' Conference Room. **Vice Chancellor Dunn** introduced and welcomed his new Executive Assistant, **Thuy Nguyen**, who replaced recently-retired **Paula Brady**. **Ms. Nguyen** will represent the Confidentials on the DBAC committee.

Committee Members Present:

1. Wes Bryan, President, GWC
2. Denise Cabanel-Bleuer, Academic Senate Representative, OCC
3. Gregg Carr, Academic Senate Representative, GWC
4. Andrew Dunn, Vice Chancellor, Finance & Administrative Services, District
5. Bob Fey, representing Dean Mancina, CFE
6. Ann French, Classified Representative, CCC
7. Dennis Harkins, President, OCC
8. Ann Holliday, representing Pedro Gutierrez, Academic Senate, CCC
9. Minesh Lakhani, Classified Representative, District
10. Kyle Murphy, representing Elizabeth Goldman, Student Representative, GWC
11. Christine Nguyen, Vice President, Administrative Services, CCC
12. Thuy Nguyen, Confidentials Representative, District
13. Ann Nicholson, CFCE Designee Representative, OCC
14. Richard Pagel, Vice President, Administrative Services, OCC
15. Joe Poshek, CDMA Representative, OCC
16. Cheryl Stewart, Faculty Representative, CCC

Committee Members Absent:

1. Lori Adrian, President, CCC
2. Michael Carlucci, Coast CCA Representative
3. Susana Castellanos-Gaona, Classified Representative, GWC
4. Elizabeth Goldman, Student Representative, GWC, represented by Kyle Murphy
5. Pedro Gutierrez, represented by Ann Holliday, Academic Senate Representative, CCC
6. Janet Houlihan, Vice President, Administrative Services
7. Andrew Jones, Chancellor, District
8. Dean Mancina, CFE, represented by Bob Fey
9. Robin O'Connor, Faculty Representative, OCC
10. Anuar Salazar, Student Representative, OCC
11. Ronald Watters, Student Representative, CCC
12. Linda York, Faculty Representative, GWC
13. Vacant, Classified Representative, OCC

Guests

1. James Andrews, DIST
2. Tanner Kelly, Student Trustee
3. Rachael Kubik, OCC
4. Helen Rothgeb, CCC
5. Daniela Thompson, DIST

## 2013-14 Budget Development

### Discussion:

- At the state-wide level, **Mr. Dunn** informed the committee that the State Senate and Assembly are fairly unified in terms of a state budget proposal, and the Governor has a constitutional obligation to sign the budget into law by July 1. That deadline had been disregarded in the recent past; however, voter-approved Proposition 25 now provides for a simple majority instead of a 2/3 vote for passage, and nonpayment of legislators' salaries if the July 1 deadline is not met, resulting in the more recent occurrence of an on-time budget.
- **Vice Chancellor Dunn** displayed a PowerPoint presentation entitled, "2013-14 Budget Development," and noted that a very similar presentation was provided to the District Board of Trustees' Audit and Budget Committee earlier in the week. The presentation will also be delivered to the entire Board of Trustees at the June 19, 2013, Study Session, in which the Board will be asked to adopt the District's 2013-14 Tentative Budget, which is required annually before July 1. The District's 2013-14 Final Budget will be presented to the Board of Trustees for action at the September 4 Board meeting, and will likely contain a number of changes from the tentative budget.
- Discussion points of the presentation included:
  - Contrast of the Governor's budget proposal in January and the May Revise
  - Budget development calendar
  - Multiyear budget & FTES
  - Health benefits
  - Fund balance
  - Recommended action (approve tentative budget)
  - Looking ahead
  - Follow-up item from the March 14, 2013 meeting regarding Coast's actual full-time equivalent faculty (FTEF) and state full-time obligation figures.
- Some of the changes in the Governor's January budget proposal and the May Revise included:

	January Budget Proposal	May Revise
Apportionment	\$196.9 million (3.6% increase); Board of Governors to determine mix of growth/COLA	Growth: \$89.4 million (1.5%) COLA: \$87.5 million (1.57%) <i>NOTE:</i> For Coast, this is a negotiated item to be determined at the collective bargaining table.
Student Success (formerly Matriculation)	\$48.1 million	\$99.1 million Some modest restoration of previously reduced categoricals
Deferral	\$179 million	\$341 million
Student Fees	No changes	No changes
Adult Education	\$300 million/transition from K-12 to community college	\$30 million for two-year planning grants; \$500 million available in 2015-16 for regional consortia with K-12 & community colleges
Proposition 39 (Energy funding)	\$49.5 million	\$51 million <i>NOTE:</i> For Coast, \$1.4 million each year for five years. Will help with Measure M projects
Census Date	Over five years, transition from census-based apportionment to output-based funding.	Not discussed. Rejected by state legislative committees.
Unit Cap	Limit state supported instruction to 90 units. <i>NOTE:</i> Coast has 1,100	Not discussed. Rejected by state legislative committees.

	unduplicated headcount over 90 units.	
Require FAFSA for BOG Waivers	Proposed	Implement requirement in 2014-15 to require students on BOG waivers to complete FAFSA after one term, and required Board of Governors to develop standards for documenting independent student status.

- While reviewing the 2011-12 final FTES recalculations, **Mr. Dunn** explained that the structure of the community college system is such that it does not provide earnings in a fiscal year until many months after fiscal year end. For 2011-12, the final recalculated FTES was 32,449, and the P-2 figure (second reporting period) for 2012-13 was 29,884, resulting in 2,565 FTES below base apportionment, which is lower FTES than expected. Part of the District's budget strategy for 2011-12 had been to go into stabilization, which meant that we would receive funding for FTES in which we did not incur instructional costs. This was in an effort to avoid staff layoffs. However, in year two of stabilization, it is required that we regain our base apportionment. If we do not, we stand to lose \$11.7 million. The budget strategy for 2013-14 will be to increase FTES to 33,617 (2,565 FTES to return to base and an additional 1,168 FTES to make target). In an effort to do that, the marketing budget will be increased to encourage students back into our colleges.
- **Mr. Dunn** summarized the effect of workload reduction on the state-wide system and on Coast, as follows:

Year	System	Coast \$ Impact	Coast FTES
2009-10 Reduction	\$190 million	\$5.8 million	34, 121
2010-11 Access (growth)	\$126 million	\$3.8 million	34, 121
2011-12 Reduction	\$385 million	\$11 million	32,848
2012-13 Access (growth)	\$50 million	\$1.5 million	32,358
2013-14 Access			

- Tactical budget goals for Coast include:
  - Earn available restoration funding
  - Resolve structural budget imbalance
  - Reorganization
  - Grow leadership (increase professional development)
- Strategic budget goals for Coast include:
  - Foundation grant opportunities (grow OCC to a large-college status of 20,000 FTES, which increases apportionment)
  - Real estate asset development opportunities
  - Increase non-resident FTES
- Coast's tentative budget assumptions include:
  - Enrollment targets are met (restoration of 2,565 FTES to return to base and the addition of 1,168 FTES to make target)
  - COLA proposed at 0% (COLA is a bargaining unit discussion)
  - Access (growth) proposed at 3.6%
  - No change to PERS or STRS employer contribution rate
  - Dedicated revenue decline of approximately \$700,000 (this represents revenue that goes directly to the colleges without going in/out of the District general fund, such as Enterprise funds, bookstore funds, etc.)
  - New emerging expenses, as follows:
    - \$250,000 election cost (\$500,000 every other year used to be taken from fund balance and will now be budgeted annually)
    - \$180,000 legal reserve

- \$250,000 marketing cost to earn FTES to recover base
  - \$800,000 toward ARC (annual required contribution) to fund retiree health benefits
  - \$550,000 health benefits renewal
  - \$550,000 step/column increases (discussion ensued regarding offsets; it was noted that historically growth monies funded step/column increases. Since there hasn't been growth for five years, funds had to be found in budget to pay this contractual obligation.)
  - (\$350,000) decrease in statutory taxes (unemployment taxes were reduced)
  - Total - \$2,320,000 new expenses for 2013-14
- **Mr. Dunn** explained a summary of Coast's revenue/expense/balance for years 2012-13 (adopted); 2012-13 (revised); 2013-14 (tentative); 2013-14 (May Revise); and 2014-15 (preliminary).
    - In 2012-13 (adopted), total revenue was \$176.6 million and the expense base was \$180.4 million, resulting in a deficit of \$3.8 million. The ending fund balance was \$19.6 million, or 10.91% of operating expenses.
    - In 2012-13 (revised), total revenue was \$173.6 million and the expense base was \$171.7 million, resulting in a balance of \$1.9 million. The ending fund balance was \$25.3 million, or 14.75% of operating expenses.
    - In 2013-14 (tentative), projections include total revenue of \$173.5 million and an expense base of \$171.7 million. Total expense changes of \$4.1 million (includes emerging expenses of \$2.3 million) project a deficit of \$2.3 million. The ending fund balance is expected to be \$22.9 million, or 13.06% of operating expenses.
    - In 2013-14 (May Revise), projections include total revenue of \$175.9 million and an expense base of \$171.7 million. Total expense changes of \$4.7 million project a deficit of \$484,375. The ending fund balance is expected to be \$24.8 million, or 14.08% of operating expenses.
    - In 2014-15 (preliminary), projections include total revenue of \$179.2 million and an expense base of \$175.8 million. Total expense changes of \$2 million project a balance of \$1.3 million. The ending fund balance is expected to be \$24.2 million, or 13.66% of operating expenses.
  - In terms of categorical funding, **Mr. Dunn** reviewed statewide changes from the 2007-08 Revised Budget Act; 2012-13 spending levels; 2013-14 May Revise; 2013-14 Senate Actions; and 2013-14 Assembly Actions. He noted that we could see meaningful statewide re-invigoration of categorical funding in 2013-14.
  - The cost increase in health benefits per employee per year is not currently as severe as in years past, and is anticipated to be 1.5% on 2,128 employees. For the 2013-14 tentative budget, \$14,900 per person is budgeted for health benefits. Because the benefits' year does not align with the fiscal year, some assumptions are made.
  - California Education Code states that 50% of its expenses must be spent on classroom instructors' salaries, commonly referred to as the 50% law. **Mr. Dunn** reviewed compliance of comparable districts, with Coast at 50.14%. He noted that 2012-13 may be the most challenging compliance year for us. With growth expected in the next few years, compliance may be more easily attained.
  - In response to a request from the March 14, 2013, DBAC meeting about Coast's full-time faculty trend per college, **Mr. Dunn** explained a graph displaying trend data for years 2007-2012, as reported district-wide; FTEF is not tracked by college. Coast's FTEF has decreased since 2008. The Faculty Obligation Number, or FON, is part of California's Code of Regulations, which states at least 75% of credit instructions hours should be taught by full-time faculty.

### Future Meeting Dates

The next meeting will be held on **August 22** (not August 15, as previously scheduled), at 1:00 p.m. in the District Board Room.

Proposed 2013 dates are: November 14; December 12.

Proposed 2014 dates are: January 23; April 10; May 22; June 12; August 14

The meeting adjourned at 2:45 p.m.

Recorded by Nancy Sprague