Financial and Budget Planning Advisory Council (FABPAC)

Wednesday, January 18, 2012
2:00 p.m., Board Room
Adopted Meeting Minutes

FABPAC Members

Present

Peter Bostic	Executive Director, Institutional Advancement
Richard Crapuchettes	Local 39
Sabrina Drake	CSEA
Chris Guptill	Classified Manager
Mary Ann Haley	Academic Senate
Les Hubbard	SCFA
Betsy Julian	Dean, School of Sciences
Jeff Lehfeldt	Local 39
Deborah Mann	Classified Manager
Louis McDermott	Academic Senate
Arturo Reyes	Executive Vice-President
Cynthia Simon	CSEA
Charlene Snow	SCFA President
Galen Tom	CSEA
Thomas Watkins	Academic Senate

Invited Guests Present

Lily Espinoza	Dean, School of Performance
Maire Morinec	Dean, Health
Christy Speck	Director of Childhood Programs

Present

Yulian I. Ligioso	Vice President, Finance and Administration

When quorum was met at 2:17 p.m., the meeting was called to order by VP Ligioso.

I. Approve agenda of January 18, 2012:

Motion (Betsey Julian) seconded (Thom Watkins) to approve the agenda. The motion passed unanimously.

II. Approve December 7, 2011 Minutes:

Motion (Jeff Lehfeldt) seconded (Peter Bostic) to approve minutes. The motion passed unanimously.

III. FY 2012-13 Budget Update

VP Ligioso discussed the 2012/13 state budget noting that the picture continues to look bleak – the forecast is for over a half a billion dollar shortfall to higher education alone; to balance the state's budget gap the Governor proposed a tax measure on the November 2012 ballot. Implications of the tax measure are: if passed – no reductions; if the tax measure fails – an approximate $2.1 million revenue loss and 473 FTES workload reduction. The challenge is that we will not know until November the outcome of the tax measure but have to start developing the 2012/13 budget now.

VP Ligioso provided a financial summary spanning 10/11 through 12/13 expounding on thinking and decisions of adopting a 2011/12 budget with a $1.5 million deficit because of an expected larger reserve for 10/11. However, in completing the 10/11 annual audit, the audit adjustments included a $1 million reclassification entry related to the college's retiree unfunded medical liability account from unrestricted general fund to a restricted fund. This and other audit adjustments resulted in the Fund Balance ending at about $4.2 million or about 8% from the previous pre-audit estimate of about $5.7 million or about 11% reserve.

His projection for 2012/13 included four assumptions – the $2.1 million revenue loss offset by the Barnes & Noble commissions, and estimates of expenditure increases of step/columns and health benefits. Given 11/12 deficit and these assumptions, whether the tax package passes or not would still wipe out the fund balance. VP Ligioso spoke about fund balance requirements to maintain a 5% reserve, including: Board Policy, Chancellor's Office, impact on accreditation, cash flow as well as long-term financing.

Questions and ensuing discussions revolved around different budget scenarios and group representatives who went to state budget workshop advised the general feeling was to plan for scenario B. Additional clarifications were provided on the estimated 2011/12 fund balance, now estimated to be just under $2.4m.

Discussion began surrounding People and Things from the last meeting which was brought back from the December 7th meeting. VP Ligioso noted that for the 2011-12 projected budget items 1.5, 1.16 and 1.18 (noting that CSEA implemented furlough days) were actioned. Items 1.24 and 1.25 are still open. VP Ligioso noted several items scheduled for 2011-12 have not been actioned.

Action: VP Ligioso to work with Jan Nitschke to re-vamp and update the listing for the second half of 2011/12 and looking ahead for 2012-13. This revised version will be sent out to the group in order to collate further ideas.

Sabrina Drake raised question does this list include the suggestions that were raised from the sub-committee led by Chris Myers. VP Ligioso will try to bring these suggestions back and include in the list.

Peter Bostic enquired if there was a scenario C. VP Ligioso explained this would involve a more extreme conservative – living within our means. If the tax package is successful there will be no cuts; however, VP Ligioso explained we should error on the side of conservatism, use the estimated revenue reduction target and get our expenditures in line and if the tax measure is implemented we would see the differential back in. EVP Reyes stated we need to start working on this now as we are quickly approaching the next year.

Motion: to adopt scenario B and expenditure target of $44.6m (Betsey Julian), For: 15, Opposed: 0. Motion carried.

Action: VP Ligioso to bring expense update for Jul 1 – Dec 31 to next Feb 1st meeting. Both institutional and by services and as need arises we can drill down further.
Action: VP Ligioso to bring current financial reports to allow group to have better idea of how SCCD is doing throughout the year.

IV. Childhood Programs:

Christy Speck introduced the Childhood Programs budget and outline providing information concerning the budget crisis currently facing the program. The crisis came to light in Dec 2012 as wages and benefits for categorical, classified employees became apparent. Childhood programs is funded by CA State Dept. of Ed and USDA for the food program. There are a total of twelve employees (11 CSEA and 1 Local 39). The program also has up to thirty student workers at any one time. There are also a number of students who teach within the program as part of their education requirement. The program serves 150 children and majority of care is subsidized by the State. The wait list is 528 children long. Childhood Programs is the only center-based program in this area. The infant/toddler program is not protected under Prop 98; however, the pre-school program is.

The programs have lost 13% of its funding. Furlough days have been implemented; however, they do not provide a cost saving as the program then needs to hire substitute teachers and the effects the quality of the program. The program is also part of a national recognized program called WestEd where the children are photographed for educational text books.

Benefit increases were 16% higher for health and welfare therefore, together with the cut from the state this has created a budget deficit. The program is being strategic in that it is trying to generate revenue by serving full paying families. The program has also entered into a partnership with HeadStart which is bringing in another $42k. There is a reserve account holding $20k which could be accessed.

Christy is looking to the General Fund to support Childhood Programs for this year 2011/12 for the next six months. Christy is also working with administration to forgive the 8% in directs costs charged against the program grants. Looking ahead to 2012/13, the programs will be funded being flat funded or an additional 10% will be taken from the programs which will result in a loss of services and layoffs. The programs are in a difficult dilemma where they want to serve the children, in particular the infant/toddler program and be able to keep the grants they are receiving. The potential 4% trigger cuts will not now affect the Childhood Programs. Parent Advisory Club is fund raising to help with supplies.

VP Ligioso advised that when looking at the 2012/13 People and Things listing for reductions, there should be also consideration given to strategic investments and how we position SCCD for when there is a turnaround to provide increased services.

V. Potential 2012 Facilities - Bond steering committee

VP Ligioso advised the group he is looking to expand the initial steering group to work on the 2012 prospective bond for facilities funding and free up operational funds. If the bond is successful, SCCD could use this money to input into areas such as IT, deferred maintenance, infrastructure etc.

Jeff Lehfeldt raised the issue of moving away from the PGE grid. VP Ligioso advised this is something to look at; however, it will involve considerable investment to achieve i.e. moving towards solar for example. SCCD could look to bond money to achieve a 3 megawatt install potentially. A parking structure install would be the most expensive which would also provide shading for staff and students. Next to salaries and benefits, utilities are SCCD's largest expense and the college is also looking to a competing spur alternative. In addition, SCCD also needs to continue to replace IT equipment/software. VP Ligioso advised SCCD needs to look at how we can identify cost savings to free up funds that could be allocated to areas where the college needs to invest.

The initial polling results indicate 2/3 voters would support a local facilities bond. A strategic group will be set up to share information relating to the bond efforts between now and the summer before the bond is potentially adopted by the board in August. If the bond is adopted then SCCD will move to the advocacy phase. Galen Tom would like to participate in the 2012 Bond Steering Group.

VI. Adjournment:

Motion to adjourn (Yulian Ligioso), seconded (Charlene Snow) to adjourn the meeting. The motion passed unanimously, and the meeting adjourned at 3:42 p.m.