The meeting was called to order by Doug Roberts (Co-Chair).

**Members present:** Inez Barragan, Jackie De Lap, Elijah Egger, Joe Fassler, Deirdre Frontczak, Michael Henry, Hilleary Izard, Kat Lewis, Doug Roberts, Warren Ruud, Terry Shell, Ganesan Srinivasan

**Also present:** Linda Close, Mark Ferguson, Susan St. Clair, Ed Sorensen

1. **Approval of Minutes**

   After a motion by Terry Shell, that was seconded by Inez Barragan, the committee unanimously approved the minutes of November 25, 2014, as presented.

2. **Presentation on the Educational Protection Act (EPA)**

   Doug Roberts reviewed a handout regarding the EPA Annual Financial and Budget, explaining that one of the conditions of Prop 30 is that when that funding is received, it is spent in specific areas. And that needs to be reported annually. The handout shows the areas where the money was spent, as well as the dollar amounts.

3. **Review of State Chancellor’s Sound Fiscal Management Self-Assessment Checklist**

   Doug Roberts said the monitoring and self-assessment of a district’s financial condition was an accounting advisory in 2005 and it replaces the “watch list.” Based on a district’s overall assessment and severity of the problems identified, the Chancellor’s Office will take one of four possible follow-up action plans: 1) No further follow-up is necessary. 2) Periodic monitoring is necessary. 3) Management assistance and close monitoring is required. 4) Immediate intervention is required.
Doug continued by saying the sources for assessment information include items such as quarterly financial status reports, annual financial and budget reports, annual district audit reports, and apportionment attendance reports.

The primary assessment measure is the projected Unrestricted General Fund balance, and if a district falls below the minimum prudent level of 5%, further review will be performed to determine if any fiscal problem exists.

The secondary assessment criteria include spending patterns (is there a pattern of deficit spending?), reported FTES (how district trends compare to the State, whether district is on stability, etc.), staffing expenditures (are salary and benefit increases expected to exceed revenue increases?), and other factors such as audit findings, late report findings, as well as material pending legal actions.

Doug reviewed the 15 categories that comprise the Sound Fiscal Management Self-Assessment Checklist. Categories where the District does not have an acceptable rating include deficit spending, fund balance, enrollment, bargaining agreements, and Unrestricted Fund staffing. The Unrestricted General Fund balance category received a “yes and no” rating with a note that in the last 15 years, from 1999/00 through 2013/14, the District has maintained an average fund balance of just under 11%, fluctuating between a high of 14.5% in 1999/00 and a low of 7.1% in 2008/09. The ending fund balance for 2014/15 is budgeted to be a little above 5%. The trend of the budgeted reduction in the fund balance would indicate potential problems in 2015/16.

During a discussion about borrowing summer FTES for reporting purposes, Doug Roberts said that because the District borrowed Summer 2014 FTES, it will not be able to borrow this time. He said enrollment growth is important, otherwise the District stays on stability, but the District needs to report at least 19,700 FTES in 2015/16, otherwise apportionment revenue will be lost.

4. **Budget Update**

Doug Roberts reviewed the Governor’s January proposal for the 2015/16 budget saying that the budget proposes a funding increase to the community college system of approximately $1.1 billion.

The $373.3 million in ongoing unrestricted funds consists of a $125 million increase in base allocation, a $106.9 million increase access (2% growth), $92.4 million (1.58%) COLA, and a $49 million Career Development & College Prep rate equalization.

The $353.1 million in one-time unrestricted funds is ostensibly a pay down towards the systems’ outstanding mandated cost claims. The funds will be distributed to districts on an FTES basis.

The $316.7 million in restricted funds is comprised of $200 million for student success programs, $48 million for Career Tech Ed, $29.1 million for apprenticeship programs, and $39.6 million for Prop 39 energy sustainability.

There is also $94.5 million to retire deferred revenues, although that will not bring additional funding to the District. Doug Roberts explained that instead of receiving state funding after the fiscal year is over, districts will now receive their state funding during the fiscal year.
During a discussion about the Unrestricted General Fund, Doug Roberts said the increase to base allocation will provide the District with about $2 million on-going funding. The Governor’s budget stated that these funds are being received in recognition of increased community college operating expenses in the areas of facilities, retirement benefits, professional development, converting part-time to full-time faculty, and other general expenses. Doug noted that in 2015-16, the State is substantially raising STRS and PERS rates which will increase the cost to the District by about $1.2 million.

Doug Roberts said the 1.58% COLA increase will provide the District with $1.6 million in on-going funding. Although the State-wide 2% growth funding could provide the District with up to $2 million, the 2015/16 “Access Allocation” limits the District to no more than 1%. Also, the District would need to grow to earn that money, and the District’s growth is flat.

During a discussion about stability, Doug said the District is on stability for 2014/15 because the District will not be able to report enough FTES to meet the FTES base funding of about 19,700 FTES. The base was established in 2013/14 when the District borrowed nearly 1,100 FTES from Summer 2014. This borrowing was done to report sufficient FTES to receive the apportionment funding that the District had budgeted for 2013/14 and not lose approximately $5 million. He continued by saying that when a district is on stability, it does not lose any revenue when not meeting its base FTES funding level the first year. However, in order to not lose any funding the second year, the base level has to be regained. 2015/16 is going to be the second year and in order not to lose funding, the District will need to report approximately 19,700 FTES. To help reach this goal, the District would have the ability to borrow from Summer 2016 (about 1,100 FTES), but the District would need to be able to earn roughly 18,600 FTES during the 2015/16 academic year. For 2014/5, enrollment is at about 18,350 FTES. With this in mind, without at least 1.3% growth over current year enrollments, the District could actually lose apportionment revenue in 2015/16.

When asked how many other districts are on the stability cycle, Doug Roberts replied that about 30% of the districts were on stability last year.

Doug Roberts said there will be a lot of adjustments to the budget, and what the Governor has proposed may change with the May revise. We will know more at that time.

During a discussion about ending fund balance and the statewide average, Doug said this District’s balance is lower than average. Doug said there are different interpretations, but when Unrestricted General Fund is viewed on an FTES basis, there are 10 districts that get more funding per FTES; there are 6 basic aid districts that do not need apportionment; there are small rural districts that receive more in apportionment and have smaller budgets; and there are a few districts that generate millions in international student fees. Doug also said there are some districts that have different values with higher FTES to FTEF. He said it depends on each district and the factors involved.

The meeting adjourned at 4:04 p.m.