Budget Advisory Committee
Minutes
February 14, 2018
Meeting

Approved

ATTENDANCE (A = absent):

X	Chris Carter	**X**	Betty Miller	**X**	Cindy Baker
X	Sara Blasetti	**X**	Ryan Carroll	**X**	Sem Chao
A	Rose DelGaudio	**X**	Lee Douglas	**A**	Janet Falcon
A	Thomas Hamilton	**A**	James Henchey	**A**	Kim McGinnis
A	Anthony Moguel, Jr.	**A**	Nash Nyra	**A**	Claudia Nguyen
A	Jorge Ochoa	**X**	Ali Raisdanai	**X**	Seth Ramchandran
A	Javier Salcedo	**X**	Kathy Scott	**X**	John Thompson
X	Heather Van Volkinburg				

NOTE TAKER: Erin Murphy

<u>Welcome</u> (Chris)

- ➢ Chris welcomed everyone to the meeting and introductions were made later in the meeting.

<u>Approval of Minutes</u> (Chris)

- ➢ The minutes of the January 22, 2018, meeting were approved as presented.

<u>2017-18 Mid-Year Budget Performance Report (General Fund Unrestricted and Restricted)</u> (John)
(Refer to "2017-18 Mid-Year Budget Performance Report General Fund Unrestricted and Restricted" handouts)

- ➢ John reviewed the 2017-18 Mid-Year Budget Performance Reports, with the following highlights:
- The report for the Restricted General Fund is provided twice a year and includes grant and other funds that are restricted. There are no changes from the budget at this time, although there will be variances at the end of the fiscal year.
    - John noted that grant periods vary; for example, the grant for the Los Angeles Regional Small Business Development Center Network (SBDC) is by calendar year, and the Goldman Sachs *10,000 Small Businesses* program grant begins in March.
    - He highlighted a few high-value grants and the corresponding use of those funds, including State-funded programs such as DSPS, Adult Education, and EOPS; California lottery funds dedicated to instructional supplies; and the Student Equity program, which is focused on closing performance gaps for underserved students. He added that parking meter revenues are applied toward parking projects, and Health fees support the student health centers.
    - John observed that the report also included carryovers in grant funding from the prior fiscal year from federal, state, and local funders. John mentioned that the funds for the SBDC support the operation of several service centers throughout Los Angeles, Santa Barbara, and Ventura counties. The report also includes State funding to be disbursed to students through Financial Aid.
        - Seth inquired whether the reports indicated any specific allocation for the cost of offering Winter and Summer sessions. John responded that the college is focused on increasing FTES and referred to the multiyear projection to be presented later in the meeting. John added that projections are at the same level as last year, although the FY2018-19 budget is difficult to project at this time given the

potential impact of the new funding formula in the Governor's proposed budget. He said that at this time, he had been advised to use current-year funding in preparing the projections, despite rising costs.

- In regard to the Unrestricted General Fund, John referred to the quarterly report (311Q) recently submitted to the State, and noted that projections for most revenue items were similar to the budget, with the exception of a few variances.
    - He highlighted the penalty for the full-time faculty obligation (FON). He added that the change in one-time mandated costs was not in the original State budget, but became available in Fall 2017 and was therefore indicated as a positive in the report.
    - For expense items, the Board approved faculty and classified agreements in Fall 2017, and the net variance for the additional costs of salaries was in the report. John also observed that the most recent biennial actuarial study was $1M less than budgeted, so total benefits appeared under budget despite higher benefit costs due to salary increases.
    - John added that some services rendered in December were not billed until January, which can result in a lag in posting expenses to the report. He added that professional services also can be unpredictable depending on the district's needs for legal and other services.
    - John noted that the report showed a savings in election expenses as a result of two Trustees running uncontested in the Spring 2018 elections. However, there was an additional expense for Los Angeles County to mail flyers to district residents to notify them of a modification of the election date in 2020 from March to November.
    - Additionally, John pointed out one-time expenditures for mandated costs and business process reviews (BPRs), which had been budgeted at $5M. An estimated carryover of $3.4M in unexpended funds was anticipated at FY2017-18 year-end.
    - John concluded by noting that the adopted budget had projected an $8.7M deficit, but that the midyear projections indicated the deficit is projected to be $6.9M.
        - Chris clarified with John that the operating deficit was projected to decrease by approximately $1.8M (the difference between $8.7M and $6.9M).
        - Ali asked whether the projections included the potential impact of the classified management reclassification. John responded that the potential impact is still unknown and that he will continue to follow up with Human Resources.

<u>Fund Balance Projection (2018-19 and 2019-20)</u> (John)
(Refer to "Fund Balance Projection 2018-19 and 2019-20" handout)

➢ John reviewed the Fund Balance Projection as follows:

- The report shows total revenues (over 80% of which are from apportionment), which estimate about a ½ percent deficit factor in base apportionment revenue and a total of $130M in unrestricted revenue. He noted a slight increase ($100,000) of first quarter in comparison to second quarter.
- John stated that estimates for the next two years were calculated using the same base apportionment revenue, with the expectation that the State would grant the district "hold harmless" status.
- In regard to projected expenditures, John stated that prior-year actuals were used, modified by known charges, one-time costs (such as BPRs), and other adjustments to operations (such as elections). John highlighted that major changes from the adopted budget to the second quarter are the salary schedule increases for faculty and classified staff, in addition to slight variances with estimated PERS and STRS based on rate increases and changes in salary. John noted that the post-employment benefit contribution showed a savings of $1M based on the actuarial

study, but that PERS and STRS costs were expected to increase as retirement systems are currently underfunded.

- John reported that projections indicate an increase in the deficit amount because total expenses are expected to increase while funding is projected to remain the same. The FY2018-19 estimated deficit is $11.7M, and the FY2019-20 estimated deficit is $16.9M.
    - Chris observed that approximately 85-90% of the budget is salary and benefits, which the district can predict fairly accurately, whereas revenues are less well known at this time. John added that the "hold harmless" amount does not include estimated COLA (which is in the Governor's proposed budget at 2.51%).
- Betty mentioned that expenses are growing faster than revenues and that last year's projections were in fact worse, and she cautioned against continued deficit spending. Betty noted that some reductions were made in FY2017-18, with continued reductions possible.
    - Kathy asked about the timeline. Betty responded that a July 1 start date is expected; the typical timeline of budget development is for the Governor to release the proposed budget in January 10 and receive reactions and discussions and reassessment of state's revenues/expenses, then to issue the May Revise in approximately the third week of May, followed by the process of getting the budget approved by the California State Legislature. John added that in the past, the Governor has signed the budget by June 30, and subsequently the Chancellor's Office has held a conference in August before LBCC presents the adopted budget in September for Board approval. John mentioned that good estimates may not be available until August or later.
    - In regard to "hold harmless" status, Kathy inquired about whether colleges that were on stability last year and again did not make base would get a second year of base apportionment. Kathy mentioned that "hold harmless" would give the District only a year to make adjustments to completion rates and other factors in preparation for the application of the new formula. Betty replied that at present, it is unknown how stability and "hold harmless" might function in FY2019-20.
    - Kathy asked about the Trailer Bill language provided in the Community College Update dated February 9, 2018, which states that the supplemental grant would include 25% of the per-FTES credit rate multiplied by the number of students receiving a College Promise Grant (formerly the BOG fee waiver) and 40% of the per-FTES credit rate multiplied by the number of students receiving Pell Grants. Kathy inquired about the proposed loss of flexibility for districts to declare to which fiscal year its Summer session FTES would be applied. Betty noted that many districts start Summer sessions in June and end in July or August. From a Payroll perspective, districts have to make payments for the payroll activity in June, so one-third of the expense falls in the prior fiscal year, and two-thirds in the current fiscal year. For a district to optimize its revenue and reinforce its base to the extent it legally can, allowing flexibility with Summer FTES optimizes operational ability. John added that it would make sense to apply Summer 2018 to FY2018-19 since the proposed budget would grant the district the same base apportionment.
    - Seth asked whether LBCC might perhaps receive additional funds for students who graduate/transfer and come from lower socioeconomic backgrounds.
    - Ryan observed that the FY2016-17 actuals indicated a budget surplus, and inquired whether a mid-year projection for FY2016-17 was available for comparison. John responded that the FY2016-17 surplus included growth revenue from decisions made at the end of the year.
    - Betty indicated that she may be returning to the Budget Advisory Committee with recommendations to reduce expenditures and enhance revenues. Kathy added that the Deans are likewise discussing ideas to address fiscal challenges.

Recommend Allocation of One-time Funding for Deferred Maintenance and Instructional Equipment (Betty)

- Betty reported to the Committee that she is gathering information. She stated that she had met with Academic Affairs and requested additional data from both Academic Affairs and Facilities regarding anticipated scheduled maintenance projects and funding needs. Betty recommended discussing the item at a future meeting. Kathy and the Committee expressed agreement with postponing discussion to allow more time to gather additional information.

State Budget Update (Betty)

- There was no additional discussion on this item, given its incorporation into prior agenda items.

Other (Chris)

- No other items.

The meeting adjourned at 4:33 p.m.

Next Meeting: Thursday, March 8, 2018, at LAC – T-1200 at 2:30 p.m.
(Joint meeting with the College Planning Committee)