



# BUDGET Advisory Committee

## Minutes

September 5, 2018

Meeting

*Approved*

### ATTENDANCE (A = absent):

X	Chris Carter	X	Marlene Dunn	A	Cindy Baker
X	Sara Blasetti	X	Ryan Carroll	A	Sem Chao
X	Lee Douglas	X	Gene Durand	X	Anne Engel
A	James Henchey	X	Mike Muñoz	A	Anthony Moguel, Jr.
A	Nash Neyra	A	Jorge Ochoa	X	Seth Ramchandran
A	Karen Roberts	A	Kathy Scott	X	John Thompson
X	Susan Trask	X	Heather Van Volkinburg	A	Jeff Wood

**NOTE TAKER:** Erin Murphy

### 1. Welcome (Chris)

Chris welcomed everyone to the meeting and introductions were made.

### 2. Approval of Minutes (Chris)

The minutes of the June 4, 2018, meeting were approved as presented.

### 3. State Budget Update (Marlene)

Marlene updated the Budget Advisory Committee on the state budget with the following highlights:

- Since the May Revise, the state has adopted the budget, including the new Student Centered Funding Formula (SCFF) funding formula. The presentation on the SCFF given to the Board of Trustees on August 2, 2018, was provided to the committee.
- Marlene noted that LBCC will receive at minimum the same funding level plus COLA annually for the next three years under the “hold harmless” provision. The key factors in the SCFF are FTES, students in need, and completion rates.
- Marlene advised the committee that LBCC needs at least 20,000 FTES to retain “large-college” status and the additional funding associated with it. She added that LBCC’s goal is to achieve fiscal stability by the fourth year of the SCFF, when the “hold harmless” provision ends.
- Marlene reported that the final state budget had decreased the amount allocated to instructional equipment and scheduled maintenance from approximately \$2 million to approximately \$400,000, so the entire amount would be allocated to instructional equipment in FY2018-19.
- She added that the state is still considering the adoption of several trailer bills, which may affect the implementation of the budget at the local level.
  - Chris observed that the formula rewards districts most greatly for the number of Associate Degrees for Transfer (ADTs) and asked if LBCC would be increasing efforts to develop ADTs for all programs. Marlene responded that LBCC would be re-examining our current offerings to maximize opportunities for students as well as generate revenue. Ryan commented that some students want to transfer without a degree because they feel that completing all of the requirements to earn a degree can slow them down.

- Mike commented that existing policies and procedures may be adjusted to help students transfer with degrees if they are eligible, particularly if they are students who are eligible for Pell grants or fee waivers.
- Sara added that students may not understand the difference between an Associate's Degree and transferring and earning an ADT that aligns with four-year requirements.
- Ryan mentioned that in one of the prior iterations of the budget, institutions would receive greater funding for students who completed within three years, and Marlene responded that the time limit had been removed in the final version of the adopted state budget. Additionally, she noted that when students complete more quickly, there is a greater need to recruit new students. She also acknowledged Dr. Romali's advocacy efforts to secure three years of "hold harmless" to allow sufficient time to respond to the shift in the funding formula, as well as to ensure that LBCC received COLA.
- Marlene noted that slide nine of the SCFF presentation did not include a column showing the additional funding for BOG points. She added that funding would be provided as each metric is achieved in order to support disadvantaged students as they work toward completion.
- Susan inquired about students who study the trades and may not be pursuing an ADT. Marlene responded that the timelines are shorter depending on their goal. She also stated that LBCC will continue to offer programs that best serve trades students' needs, even if they are not the highest revenue generators in the new formula. Mike added that a metric of nine or more Career Technical Education (CTE) units was added to the formula to address the specific needs of trades students.
- Marlene informed the Budget Advisory Committee that a statewide committee had been created to study and evaluate the implementation of the new formula, and that the formula would continue to be revisited over the next three years. She noted that LBCC also must develop a plan by January 2019 that is in alignment with state goals and our budget.
- Anne inquired about how points are counted for students who transfer and for those who complete transfer-level math and English. Mike responded that LBCC would receive funding for each metric that is achieved over the course of a student's career. Heather added that the District would be compensated for our reported data, based on our MIS files.
- Mike noted that two variables—size and economic diversity—drive the SCFF, and LBCC has the potential to maximize the metrics, through such efforts as improving the identification of students eligible to receive Pell grants.
- Marlene commented that the District would also be assessing the success of the initiatives during this time of intense change and deficit reduction.
- Sara asked if encouraging students to complete transfer-level Math and English in the first year was a primary focus. Susan suggested educating students to be part of the process and clearly communicating how students will benefit from achieving those goals. Marlene added that improving student completion would allow LBCC to attract future students.
- Marlene concluded by noting that the Chancellor's office would be hosting webinars to provide additional information and discuss challenges.

#### **4. FTES Analysis – Annual 2017-18 (John)**

*(Refer to “FTES Analysis” handout)*

John reviewed the FTES Analysis with the following highlights:

- John noted that the FY2017-18 FTES goal was 19,572, and compared that to P-1, P-2, and annual reports to the state (January, April, and July). He stated that the variance shows the target FTES number vs. the actual FTES, and that LBCC was 656.96 FTES below the target goal. He added that LBCC reported approximately 2,000 fewer FTES in FY2017-18 than FY2016-17, and that in the old formula, the state would provide stabilization funding in the first year of decline (2017-18). He observed that FTES was almost 100 percent of the old funding formula, but would still account for 70% (60% in three years when the SCFF is fully implemented).

#### **5. Apportionment Calculation (John)**

*(Refer to “Apportionment Calculation” handout)*

John presented the Apportionment Calculation, with the following highlights.

- He noted that the calculation reflects LBCC’s “hold harmless” status for the next three years, as well as the projected COLA allocation, with a deficit factor of .5%. He added that if we achieve our goals, LBCC would receive approximately \$1.5 million more in the third year. Marlene clarified that the “hold harmless” is the minimum amount LBCC is guaranteed, but not the maximum if we meet or exceed our goals.

#### **6. Adopted Budget FY 2018-19 (John)**

*(Refer to “Adopted Budget 2018-19 PowerPoint” and “Adopted Budget Fiscal Year 2018-19” handouts)*

John presented the Adopted Budget 2018-19, with the following highlights.

- John began the presentation with an overview of the state budget. In regard to the “summer shift”—choosing in which fiscal year to count summer FTES, Marlene cautioned that although it was included in the SCFF, the shift would be less impactful because FTES funding would be calculated using a three-year rolling average, not simply the immediately prior year’s FTES.
  - Lee asked about LBCC’s allocation of the Full-time Student Success Grant and the Completion Grant, and Mike responded that students must receive a Cal Grant. Anne asked about the criteria, and Mike responded that students must be enrolled in 15 units a semester or complete 30 units per year.
- John highlighted that the PERS and STRS benefit costs changes were anticipated to be extremely significant. Marlene added that those increases would be unavoidable, as they are levied by the state, highlighting that salaries and benefits are the largest cost center of LBCC’s budget.
- Marlene commented on the FTES comparison shown on slide 19, explaining that the true loss of FTES was 275—from 20,133 to 19,858 (not counting summer shift). She also described larger statewide issues, such as the trend of declining enrollment, a negative birth rate, and a booming economy.
- Marlene commented that the Unrestricted General Fund Overall Summary shown on slide 21 reflected the impact of Phase I of the deficit reduction plan, enacted in August 2018, as well as reorganization resulting from the Supplemental Employee Retirement Program (SERP) offered in June 2018. She added that Budget Town Halls had been scheduled after the adopted budget presentation to the Board of Trustees in order to continue the collaborative process.

- Lee asked how much the District had saved as a result of the SERP, and Marlene responded that it was difficult to calculate an exact number; however, she estimated a five-year net savings of approximately \$1.8 million, calculated based on the difference between top-tier and starting-tier salaries and assuming that all vacancies would be filled. She added that additional savings from the SERP were realized by backfilling retired full-time faculty with adjunct faculty in FY2018-19. She also explained that the District had used the SERP to consider strategic reorganization in coordination with the implementation of Business Process Reviews (BPRs), in an effort to employ human resources more efficiently and effectively. She concluded by noting that the projected savings from the SERP in the first year (FY2018-19) was approximately \$2.3 million.
- Seth asked if the budget had accounted for adjunct faculty student contact hours, which Marlene believed had been included in the budget.
- Marlene advised that although in general the district was “hold harmless,” a reduction in FTES would affect other revenue calculations.
- In regard to the Major Expenditure Changes in 2018-19 on slide 26, Marlene noted that Phase II of the deficit reduction plan would include evaluating whether contracted services were still needed and if they were cost effective. She added that in most comparisons between a prior year’s unaudited actuals and the subsequent year’s budget, the actuals often were less than budgeted.
  - Susan asked what was included in contracted services, and Marlene responded that they could include software licenses, attorneys, the hourly cost of consultants, and a variety of other types of services. John added that they also included utilities, audit costs, and building maintenance.
  - Seth asked if Amazon might provide text books in a more cost-effective manner than District bookstore vendor Barnes & Noble. Marlene responded that Amazon would sell books, but would not operate an on-site book store. Susan asked if the book store was part of ASB, and Marlene responded that the book store was part of the auxiliary entity, which also included the cafeteria. John added that when a request for proposals to operate the book store was last issued, LBCC had not received very many responses. Marlene added that it was usually more expensive to self-operate a book store (in comparison to contracting with a vendor such as Barnes & Noble), and that colleges typically did not have the same wide-ranging access to inventory.
- In regard to the Unrestricted General Fund 7-Year Trend Summary on slide 29, John drew attention to the cost of salary and benefits as a percentage of the overall budget. Marlene explained that the difference between the deficit reduction plan goal of allocating 87.1% to salaries and benefits and the 89.8% currently reflected in the adopted budget was due to a delay in implementing the plan in such a way as to affect only positions, rather than people.
- Regarding the Unrestricted General Fund Multi-Year Projection on slide 31, John reported that the adopted budget projected deficit of \$3.6 million was based on current knowledge, with a \$6 million deficit projected in the subsequent two years—an improvement over previous budget projections.
  - John identified challenges with enrollment growth and pension costs. Susan noted that an additional societal challenge was the increasing cost of living in Southern California. Marlene responded that efforts were underway to approach legislators and the new governor collectively. She added that the COLA would not be sufficient to

fund STRS/PERS and step-and-column increases. Sara asked for clarification regarding employee and employer contributions to STRS and PERS. Marlene responded that the employee contribution rate was not projected to increase, even though it was insufficient to fund a lifetime of guaranteed benefits, regardless of how well funds were invested. As a result, the employer contribution paid by the District was over and above what might be considered a reasonable share. Chris commented that continued benefits funding was important to ensure that retirees received their promised amounts, and Sara observed that the benefits increases incurred by the District would impact employees personally because the overall budget would not be available for other expenses such as salary increases.

- Susan, Marlene, and Anne commented on the importance of sharing information about benefits cost increases with the campus community.

### **7. Multi-Year Projection (Marlene)**

*(Refer to “LBCC Multi-year Budget Plan” handout)*

Marlene presented the Multi-Year Projection.

- Marlene spoke of the need to increase savings, noting that payroll alone was an ongoing monthly expense of approximately \$8 million. She shared that the state had a rainy day fund that would provide a one-year reprieve, but cautioned that the economy would have an inevitable downturn for which the District would need to prepare, adding that a healthy ending fund balance would provide a necessary cushion during economic uncertainties.
  - Anne asked about the state’s institution of an enrollment cap during the prior recession, and John commented that there were times when LBCC did not receive funding for FTES in excess of the cap.
  - Marlene added that the state’s actions during a recession could be completely unpredictable, but might include changes to Proposition 98.
  - Chris also remembered that LBCC had borrowed funds during the last recession, and John explained that due to deferred payments from the state, LBCC had proceeded with short-term borrowing to cover expenses, plus the additional associated fees.
  - Marlene shared that the goal was to allocate 15% of the budget to reserves, but also to establish a separate “rainy day” fund for economic uncertainties so that the District would be best positioned to continue to serve students and preserve faculty and staff.

### **8. 2018-19 Salary Changes (Marlene)**

There was no discussion on 2018-19 Salary Changes in addition to issues already discussed under prior agenda topics.

### **9. Other (Chris)**

No other items.

The meeting adjourned at 4:30 p.m.

**Next Meeting:** Monday, November 5, 2018, at LAC – T-1046 at 3:00 p.m.