



# Budget Advisory Committee

## Minutes

September 7, 2016  
Meeting

*Approved*

**ATTENDANCE (A = absent):**

✓	Ann-Marie Gabel	✓	Chris Carter
✓	Eva Bagg	✓	Cindy Baker
✓	Wayne Bergman	A	Sara Blasetti
A	Lou Anne Bynum	✓	Sem Chao
A	Sheila Daniels	✓	Rose DelGaudio
A	Thomas Hamilton	A	James Henchey
✓	Karen Kane	A	Terri Long
✓	Greg Peterson	✓	Seth Ramchandran
✓	Mollie Smith	✓	John Thompson
	GUEST:		
✓	Miles Nevin		

**NOTE TAKER:** Janet Falcon

**Welcome (Chris)**

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

**Approval of Minutes (Chris)**

- The minutes of the June 20, 2016 meeting were approved as submitted.

**FTES Analysis – Annual 320 (Eva)**

*(Refer to “FTES Analysis” handouts for 2015-16 and 2016-17)*

- Eva discussed the 2015-16 FTES Analysis. The Total FTES for 2015-16 was 19,077.33.
  - A total of 1,124.85 FTES was used from Summer 2015 in order to bring up our total FTES for 2014-15. With this transfer, the annual FTES for 2015-16 was lower than 2014-15. Therefore, we moved into stabilization for 2015-16. We will not lose funding for 2015-16; however we will need to meet the base of 20,774.97 in 2016-17.
  - We moved all FTES from Summer 2016 to count towards 2016-17 and we anticipate moving approximately 630 FTES from Summer 2017 to the 2016-17 fiscal year as well. This will help us to reach our base of 20,775 for 2016-17. FTES for Fall 2016 is currently under our target by approximately 300. Late starting classes for Fall will help increase FTES. Summer 2017 schedule will need to be robust with approximately 2,500 FTES in order to have the cushion to allow borrowing FTES for the 2016-17 fiscal year, if needed. Ann-Marie stated several colleges in the area are down or flat in FTES.
  - Eva reminded the group it is important the District is looking at different populations of students. Increased marketing, reaching out to new populations, retention of students, and increased non-credit classes are just some of the areas we are focusing on.
  - Chris suggested we target and market to university students throughout the state for online/web classes.

**FTES Analysis – Annual 320 (continued)**

- Karen announced we may see an influx of students due to the implementation of CCCApply.
- Wayne asked about veterans. He promotes LBCC within the different veteran organizations he is involved with. He said there could be an increase in veteran students with some enhancements. Greg will review the agreements with Veterans Administration (VA) such as a Memorandum of Understanding (MOU) between the VA and LBCC as well as making sure we are on the list of recommended colleges for veterans.

**FTES Analysis**

	<b>Current Year</b>				<b>(14/15 to 15/16)</b>		<b>2016-17</b>
	<b>2015-16</b>		<b>Target to Annual</b>		<b>Change</b>	<b>% Change</b>	<b>Target</b>
	<b>Target</b>	<b>Annual</b>	<b>Variance</b>	<b>% Variance</b>			
Total FTES	20,754.20	19,077.33	(1,676.87)	-8.08%	(1,697.64)	-8.17%	20,775.58

**Apportionment Calculation (John)**

*(Refer to “Apportionment Calculation – Budget 2016-17 Adopted Budget Estimate (3-Year Comparison)” handout)*

- John reviewed the Apportionment Calculations for 2015-16 and 2016-17.

	<b>2014-15 Recal Amount</b>	<b>2015-16 Annual Amount</b>	<b>2016-17 Adopted Budget Amount</b>	<b>Change from 2015-16 Amount</b>
Total Base Revenue	98,675,514	103,656,853	110,872,717	7,215,864
COLA Adjustment	838,742	1,057,300	0	(1,057,300)
Restoration	3,770,924	(7,837,883)	293,098	8,130,981
Full-Time Faculty Hiring	0	1,139,486	(31,796)	(1,171,282)
Base Increase FON	0	5,006,978	14,050	(4,992,928)
Base Increase Non-FON	0	0	1,415,561	1,415,561
Stability Adjustment	0	7,837,882	0	(7,837,882)
Total Computational Revenue	103,285,180	110,860,616	112,563,630	1,703,014
Deficit Factor (0.0/0.0/0.5/0.5%)	0	0	(562,818)	(562,818)
Adjusted Computational Revenue	103,285,180	110,860,616	112,000,812	1,140,196

- Mollie questioned the amount stated for Enhanced Non-Credit. This amount is more than Credit FTES. John replied that was an error and would be corrected before the report went to the Board. The amounts should be equal.

**Adopted Budget FY 2016-2017 (John)**

*(Refer to “Adopted Budget Fiscal Year 2016-17” and “Adopted Budget 2016-17” PowerPoint presentation handouts)*

- John reviewed the Adopted Budget 2016-17 with a PowerPoint presentation. The Budget will be going to the Board on September 13, 2016 for approval. Following are highlights from the presentation:
  - **State Budget Overview**
    - \$114.7 million (2%) in growth funding:
      - \$0 budgeted for LBCC assuming that enrollment will grow back up to our base level.
    - \$0 (0%) COLA.
    - \$75 million base allocation increase.
      - Approximately \$1.2 million for LBCC.
    - \$200 million for Strong Workforce Program.
      - Approximately \$1.7 million for LBCC.
    - \$2.0 million for Equal Employment Opportunity Fund.
      - Approximately \$60,000 for LBCC.
    - \$5 million for Zero-Textbook Cost Degrees.
      - Competitive grants, unknown whether LBCC will apply.
    - \$184.6 million for deferred maintenance/instructional equipment with no match requirement.
      - Approximately \$3.3 million for LBCC (\$2.8 million for scheduled maintenance and \$0.5 million for instr. equipment).
    - No COLA for categorical programs (DSPS, EOPS, and CalWORKs).
    - \$41.9 million in Proposition 39 Energy Efficiency and Renewable Generation funding.
      - \$759,362 for LBCC.
    - \$105.5 million to pay down Mandated Cost reimbursements to be allocated based on FTES.
      - \$1.9 million in one-time funding for LBCC. (\$9.4) million decrease from 2015-16.
    - \$20 million for an Online Education Initiative.
      - LBCC estimate is unknown at this time.
  - Karen asked about the \$75 million in base allocation. John answered we are getting more from the State per FTES in the last couple of years. Ann-Marie said growth and COLA are not enough to cover ongoing costs. The Legislature provided funding for base allocation increases. This is to help offset for the lost COLA and lost purchasing power over the years.
  - **Strategic Plan Goals**
    1. Innovate to achieve equitable student success.
    2. Accelerate college readiness.
    3. Build community.
    4. Invest in people and support structures for transformation.  
(Included within Board Goals approved on August 23, 2016.)

**Adopted Budget FY 2016-2017 (continued)**

- **Institutional Priorities**

The top priority of the College is to enhance the infrastructure of the learning environment and support services to directly improve rates of course completion, progress through foundational skills sequences, and student attainment of academic credentials.

In order to accomplish this top priority, the College will:

- A. Focus resources to introduce or scale-up student success innovations that are supported by data showing promising preliminary results or demonstrated effectiveness.
- B. Maintain fiscal stability:
  - Acquire and manage funding to support student success initiatives.
  - Acquire and manage funding to support equitable outcomes to close achievement gaps.
- C. Analyze and dedicate resources that build effective organizational structures college-wide including:
  - Focus resources to implement Business Process Reviews and Design Thinking vetted recommendations.
  - Focus resources to continue analysis throughout other areas of the College.
- D. Support effective integrations of technology in the learning and work environment.

- **Resource Allocations towards Goals & Priorities**

- A grid summarized resource allocations toward Strategic Plan goals and Institutional Priorities.

- **BAC Budget Assumption Highlights**

- There will be potential budget redirections in response to both the State's budget impact and the priority as identified by the College Planning Committee (CPC).
- FTES funded and total target is 20,775.
- A 0.5% deficit factor will be included to offset possible shortfall from apportionment revenues.
- Total Cost of Ownership – principles shall be employed in department planning and budgeting processes.
- Maintain a 5.5% minimum unrestricted reserve.
  - Institutional Effectiveness Fund Balance goal set at 15% (short-term goal is 12.5%).
- Load Banking and Vacation Liability Reserves – \$2.7 million.
- Benefit costs changes:
  - STRS increased by 1.85%. \$933,000
  - PERS increased by 2.041%. \$663,000
  - Retiree Benefits – Annual Required Contribution (ARC) increased \$2.4 million.

- **FTES History and Projection**

- 12-13 – 284 Disallowed FTES; 19,521 Funded
- 13-14 – 0 Unfunded FTES; 19,910 Funded
- 14-15 – 20,775 Funded FTES
- 15-16 – 19,077 Funded FTES
- 16-17 – 20,775 Total Budget FTES

**Adopted Budget FY 2016-2017 (continued)**

- **List of Funds – Expenditures & Other Outgo (in millions)**
  - We have a total of 11 funds

	<b>Adopted Budget <u>2015-16</u></b>	<b>Unaudited Actual <u>2015-16</u></b>	<b>Adopted Budget <u>2016-17</u></b>
Total	\$437.0	\$238.7	\$1,214.7

**Unrestricted General Fund**

- Unrestricted General Fund Overall Summary

	<b>Unaudited Actual <u>2015-16</u></b>	<b>Adopted Budget <u>2016-17</u></b>	<b>Change Increase <u>(Decrease)</u></b>
Total Revenue	\$135,170,998	\$123,961,291	(\$11,209,707)
Total Expenditures	132,482,606	134,390,829	1,908,223
Surplus/(Deficit)	2,688,392	(10,429,538)	(13,117,930)
Fund Balance	\$28,295,188	\$17,865,650	(\$10,429,538)

- Deficit Analysis
  - Of the (\$10.4) million budget deficit in the 2016-17 Adopted Budget, \$7.2 million is one-time expenditures including:

▪ Presidential Search	\$100,000
▪ Business Process Reviews and Design Thinking	5,480,000
▪ Mandated Cost Carryover from 2015-16	1,607,000
▪ Classification Study	<u>50,000</u>
▪ Total	\$7,237,000
  - The remaining \$3.2 million of the deficit is a structural deficit, related to ongoing expenditures.
- Major Revenue Changes in 2016-17
  - Apportionment – (\$1.1) million decrease is the net of:
    - (\$2.3) million decrease due to prior year apportionment recalc revenue.
    - \$1.2 million increase to base allocation.
  - Other State Revenue – (\$9.7) million decrease due to:
    - (\$9.4) million decrease in one-time allocation of Mandated Cost Revenue.
    - (\$0.3) million decrease in State Lottery revenue.
- Major Expenditure Changes in 2016-17
  - Academic Salaries – the (\$0.1) million decrease is the net of the savings due to the retirements of 32 full-time faculty, less increases from the hiring of 28 new full-time faculty, 2 new academic managers, and the effect of salary schedule restructuring.
  - Classified Salaries – \$2.5 million increase is due mainly to the restoration of certain previously reduced positions (0.74 FTE – 6 positions), the creation of new positions (18.26 FTE – 21 classified positions; 2 classified management positions), step & column increases, salary increases, and the assumption that vacancies will be filled.

**Adopted Budget FY 2016-2017 (continued)**

- Total Benefits – \$2.0 million increase due to the increase in positions and increases to certain benefit rates, most notably the 1.85% for STRS, the 2.041% for PERS, and early retirement incentives of \$0.5 million.
  - Contract Services and Operating Expenses – \$7.2 million increase is due mainly to the following items: \$5.5 million for business process review and design thinking implementation work; \$0.4 million increase to utility budgets; and \$1.3 million net increase in various other accounts including \$0.7 million carryover of Mandated Cost revenue for Strategic Plan, Communication Plan, professional development, and web design and implementation.
  - Capital Outlay – (\$2.0) million decrease is due mainly to the reduction in one-time expenditures for technology refresh and instructional equipment funded by the Mandated Cost revenue augmentation.
  - Other Outgo – (\$7.7) million decrease is due to the \$7.1 million one-time transfer in 2015-16 to the Capital Outlay Fund for Mandated Cost projects, which will not be repeated in 2016-17; and the \$0.6 million decrease in transfers to the Self-Insurance fund.
- Mollie asked about our mandated reserves. The Board policy requires us to keep 5.5% in Reserves which is \$7.4 million and is included in the \$17.9 million showing on the chart on slide 25. The remaining amount is \$10.5 million. Page 25 of budget book shows the breakdown.
  - Total Expenditures for 2016-17 are \$134.4 million. Salaries & Benefits represent 84.9% of the total.
  - Mandated Cost Allocations – In 2016-17 the District has budgeted \$10.2 million for one-time purposes utilizing Mandated Cost proceeds from both the prior year and current year. Expenditures without Mandated Cost equal \$124.2 million. The Mandated Cost funds will be allocated as follows:

	2015-16	2016-17*
Scheduled Maintenance Projects	\$2,265,000	\$2,200,111
Redevelopment Projects	48,000	48,000
Instructional Equipment	2,927,470	2,527,909
Technology Replacement and Refresh	4,462,913	2,286,203
Website Design & Implementation	200,000	200,000
Professional Development	150,000	51,754
Communication Plan Implementation	400,000	310,013
Title IX Compliance Implementation	50,000	50,000
Innovate So Cal	100,000	100,000
Strategic Plan Development	100,000	98,625
Discretionary Budget Augmentation	581,000	351,085
Schedule 25 Training	10,000	10,000
Business Process Reviews	-	1,913,157
Executive Coaching	-	41,500
<b>Total</b>	<b>\$11,294,383</b>	<b>\$10,188,357</b>

\*2016-17 Allocation includes \$8.3 million carried over from 2015-16.

**Adopted Budget FY 2016-2017 (continued)**

- Unrestricted General Fund Two-Year Projection
  - The 2017-18 Projections start by assuming everything remains the same as the prior year budget and then revisions are made for anticipated changes.

	<b>Projected 2017-18</b>	<b>Projected 2018-19</b>
Beginning Fund Balance	\$17,865,650	\$7,367,557
Prior Year Surplus/(Deficit)	(10,429,538)	(10,498,093)
Apportionment Changes	1,227,771	2,680,167
Other Revenue Changes	(1,913,157)	
New & Restored Positions	(2,428,369)	
Other Salary & Benefit Changes	(3,488,000)	(3,636,000)
Other Expense Changes	6,533,200	658,000
Net Surplus/(Deficit)	(10,498,093)	(10,795,926)
Ending Fund Balance	\$7,367,557	(\$3,428,369)
	5.51%	(2.51%)

- The Apportionment changes represent COLA increases of 1.11% for 2017-18 and 2.42% for 2018-19 as projected by School Services.
- The New & Restored Positions is to hire 31 full-time faculty and 1 new management position.
- Future Budget Challenges
  - Enrollment:
    - Declining enrollment reported for 2015-16.
    - Stabilization funding for 2015-16.
    - We will need to grow back at least to our base FTES level to avoid a decrease in apportionment in 2016-17.
    - Without growth funds we will need to start reducing expenditures in order to balance budget.
  - Retiree Benefits Obligations:
    - Other post-employment benefits (OPEB) liabilities for future retiree health benefits have increased sharply.
    - ARC is \$5.2 million (86% increase).
    - \$44.4 million Unfunded Actuarial Accrued Liability (UAAL).
  - Sunset of Proposition 30 Revenues:
    - We received \$17.2 million from Proposition 30 in 2015-16.
    - Approximately 21% from Sales Tax.
    - 79% from Income Tax.
    - Sales tax increase terminates at the end of 2016.
    - Income tax increase terminates at the end of 2018.
  - State Pension Obligations:
    - Employer Contributions scheduled to increase each year over the next five years.
    - STRS – 19.10% by 2020-21.
    - PERS – 19.80% by 2020-21.

**Adopted Budget FY 2016-2017 (continued)**

- STRS & PERS Future Employer Rates
  - A grid showing STRS and PERS rates from 2015-16 to 2020-21 shows the estimates for future expenditures.
- Chris asked for clarification on the contribution rates for PERS and STRS. John confirmed the calculation is a percentage of salaries. The rate for PERS is currently 7% for Classic and 6% for New. The rate for STRS is currently 10.25% for Classic and 9.205% for New.

**Restricted General Fund**

- John briefly reviewed the Restricted General Fund Budget. The information can be found on pages 27-35 in the Adopted Budget book. A summary is provided below:

<b>Long Beach Community College District</b>		
<b>2016-2017 Adopted Budget</b>		
<b>Restricted General Fund</b>		
	<b>UNAUDITED</b>	<b>ADOPTED</b>
	<b>ACTUAL</b>	<b>BUDGET</b>
<b>Restricted General Fund</b>	<b>2015-2016</b>	<b>2016-2017</b>
Total Federal Revenue	7,420,082	7,911,846
Total State Revenue	18,527,240	36,428,924
Total Local Revenue	4,638,125	4,953,818
<b>TOTAL REVENUE</b>	<b>30,585,447</b>	<b>49,294,588</b>
<b>TOTAL EXPENDITURES &amp; OTHER OUTGO</b>	<b>29,894,653</b>	<b>49,244,431</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>690,794</b>	<b>50,157</b>
Plus Beginning Balance	3,347,541	4,038,335
<b>ENDING BALANCE</b>	<b>4,038,335</b>	<b>4,088,492</b>

- Karen asked about Full-Time Student Success Grant. Ann-Marie responded it is a grant for students that flows from the Restricted General Fund to the Financial Aid fund. The guidelines for processing the grant came from the Chancellor’s Office.

**2017-18 & 2018-19 Projections (Ann-Marie)**

*(Refer to “Projection Fiscal Years 2017-18 & 2018-19” handout)*

- Ann-Marie reviewed the Fund Balance Projections for Fiscal Years 2017-18 and 2018-19.
- Ann-Marie suggested we need to cut back on our discretionary spending in the next few years.
- Karen asked for suggestions on how we can grow and if we can grow past 20,775 FTES? Ann-Marie said we have an established growth rate of 1.77% that we can grow to in 2016-17.
- Greg reminded the group about discretionary funds. The budget has a certain amount that falls out because we don’t spend all of the funds. Ann-Marie said we have about \$1.5 – \$2.0 million that falls out of the budget with vacancies and those discretionary funds that are not spent in the year. It would be wise to discuss how we would want to cut back on our discretionary spending as a whole and not penalizing those that do not spend all of their funds.

**2017-18 & 2018-19 Projections (continued)**

- Wayne asked if we calculate our numbers by enrolled students or credits taken. Ann-Marie answered our calculations are based on FTES (full time equivalent students). The District gets paid assuming a student takes 30 units per fiscal year which equals 1 FTES.
- Seth asked how to be more proactive. Ann-Marie explained if we stay at the 19,077 FTES level for 2016-17, we would lose \$7.9 million. She stressed the need to come out of stabilization by getting back to our base of 20,775 in 2016-17.
- Chris inquired about the demographics from Long Beach Unified School District. Ann-Marie confirmed the enrollment from K-12 is projected to decrease in the future. Chris responded that we should focus more on adult education and workforce training.
- Wayne suggested having the college be more involved with the local schools to encourage going to college at LBCC.
- Mollie stated our focus needs to shift away from waiting for high school graduates to being ready to receive under prepared students. Under prepared students from low income, first generation, and English language learners students demographics are growing larger and should be the population we should focus on.

**Faculty Obligation Numbers (FON) (Ann-Marie)**

*(Refer to "Full-Time Faculty Obligation" handout)*

- Ann-Marie discussed the Faculty Obligation Numbers. We need to be at 353.5 for full-time faculty for Fall 2016. Fall 2017 is currently set at 359; however, it should be adjusted downward at P2. It is projected we will need to hire at least 31 full-time faculty for Fall 2017.

**State Budget Update (Ann-Marie)**

*(Refer to "Community College Update", "Community College League of California", and Chancellor's Office Updates handouts)*

- Ann-Marie noted the handouts that had been sent to the committee since the last meeting and encouraged members to contact her if they had any questions.

**Other (Chris) - None**

Meeting adjourned at 3:41 pm.

**Next Meeting:** Monday, October 31<sup>st</sup> at LAC T-1046 at 3:00 pm