

**College Budget Committee Meeting**  
**February 26, 2009**  
**Meeting Minutes**

Attendance: Co-Chairs Eloisa Briones and Ray Hernandez, Lori Adrian, Mike Fitzgerald, Fermin Irigoyen, Rob Johnstone, Barbara Lamson, Joe Morello, Vicki Morrow, Virginia Padron, Félix Pérez, Regina Stanback-Stroud, Rick Wallace, Jeff Westfall, Linda Whitten, George Wright, Soodi Zamani. Guest presenter: Kathy Blackwood. Other guests: Maria Escobar. Nina Floro. Recorder: Linda Ghio

Absent: Anyta Archer, Carla Campillo, Rick Escalambre, Tony Jackson, Rob Johnstone, Margery Meadows, Ekaterina Semonchuk,

**Review of minutes of January 29, 2009**

The minutes were approved as written.

**Kathy Blackwood presentation**

**a. State/District Budget update**

Despite the fact that the budget was passed, things are still in flux. In general, community colleges did very well in comparison to other entities and the Governor made sure at the last minute that community colleges were not drastically cut. Highlights of the 18-month budget include:

- In 2008-09 and 2009-10, there will be no COLA. This is 11% that community colleges are not getting.
- Statewide, there is 3% growth next year. The district's share is about 2.75%. Some is restoration and some of that is growth. All three colleges are growing more than that. There may be unfunded growth.
- While cuts to the community colleges look minimal, there is a huge impact on cash flow as college funding is deferred to the next year. Districts resort to borrowing which increases interest costs and decreases interest income.
- Cash flow is further aggravated by the property tax shortfall which results in state apportionments being deficated.
- The budget that was approved is predicated on an election on May 19 and if the initiatives on the ballot do not pass, the budget falls apart.
- The May Revise will be announced on May 25 so budget hearings continue in the spring.
- There is no increase in student fees, however issues could be raised and become part of the May revise.
- There is a change to Prop 98, and the outcome of that would be to add \$9.8 billion to Prop 98 over 10 years.
- There is also the securitization of the lottery and for community colleges it freezes the money they are getting for this year. A portion of that is restricted and some is unrestricted
- There is no property tax shift in this budget, except in Orange County.
- Locally, the sales tax hike goes into effect April 1, so that will add 1% to the SMCCCD expenditures.
- The federal income tax rate change on April 1 will be reflected in employees' pay checks. The SMCCCD does have a chance of getting at some of the federal stimulus money, and it may be targeted to the kinds of programs that are run.

Kathy presented three scenarios to the board on February 27 before the budget was passed. The numbers she ran shows a \$4 million deficit, equivalent to a 5% cut, but that will change. She is waiting for retirement incentives and management hiring results. She is also working with facilities to come up with a targeted facilities budget.

Fermin asked if it is too early to tell about layoffs in the district and Kathy said from what she has seen with the SMCCCD's budget, the district is going to make it within the cuts outlined, which would be at 5%. The district is not out of the woods, but should be okay in the next year. There are about 39 retirements as of now.

In Ron's December presentation he talked about the cap and Ray asked if that was a possibility. Kathy said she will allocate based on the FTES the district is funded, and if the colleges are over that these will be unfunded. So, it will be a college decision. Eloisa asked how soon the colleges can tell how much FTES can be generated before they are unfunded. Kathy said it won't be known until eight months have passed, however the first period report (P1) can be used to estimate the annual FTES.

#### **b. GASB 45**

Kathy's presentation is on the SharePoint site. Kathy brought this proposal to DCBF and the colleges last year with the plan of implementing it in 2009-10. (GASB stands for Government Accounting Standards Board and OPEB refers to other post-employment benefits).

Currently the district general unrestricted fund pays 100% of OPEB costs. The proposal is to charge OPEB costs to all funds. The current benefit rate is approximately 4% for all regular employees, not adjunct faculty or students. The rate will be updated by an actuary every two years. SMCCCD has an actuarial study this spring which will show the district's OPEB liability after all the retirements are considered.

Kathy wants to phase it in for multi-year grants. There would be an impact on grants and other funds. During the phase-in period, the district will subsidize the colleges for the OPEB costs for employees whose salaries are paid out of non-fund 1 accounts. The colleges can in turn subsidize the grants and categoricals. The proposed method gets the colleges in the habit of recognizing OPEB costs as part of their operational costs. Hopefully, after three to five years, the district would no longer need to subsidize Fund 3 since these costs would be built into the grants and be self-supporting. The district would start out transferring to the colleges exactly what is being taken out of Fund 3, but she would like to have it eventually run through the allocation model. She wants to establish the rate, start charging it out so the colleges build it up so there is money there when people retire. She is hoping to implement it July 1 before the colleges start the budget process. It will hit every employee's FOAP in the district. Any grants written after July 1 need to incorporate OPEB costs into the grant.

Maria Escobar expressed concern about how this would affect categoricals. Kathy is going to charge the program its legitimate cost and these funds will be set aside in the post-retirement fund which will be used to pay retirement benefits. This will be available for categorically-funded employees upon retirement. Regina said the concern is that it takes money away from the program, but it means that there may be shortages in categoricals, so the college needs to make a decision if it wants to continue the program, which is a valid concern. Kathy wants to be flexible

about the timeframe because she understands it may be a problem for some programs that are having a hard time, particularly in this economy. She would like to start with the grants that have not yet been written and see how it goes.

Lori asked about flexibility and a chance to review this process every year. Kathy agreed to reviewing it regularly as is done with the resource allocation model. If this is implemented on July 1, she thinks it needs to be looked at as the colleges are doing their budget process and annually thereafter.

### **Budget crisis – George Wright**

When discussing the economic crisis a few months ago, George got involved in an organization called United Public Workers for Action, a Bay Area-based group of union activists. On March 15, they are sponsoring a conference in Sacramento, which is the day before the student march. Public workers in the state will assess the effect of the budget crisis on them and come up with a political agenda. The SMCCCD's local AFT executive committee has endorsed this conference and will participate. There will also be a statewide day of action on May 1.

### **Enrollment update**

In Rob's absence, Regina Stanback-Stroud provided an update on productivity and enrollment. Some corrections were made around hours by arrangement which had a slight impact on enrollment levels. Skyline is still above its FTES goal and load is at 580 for spring 2009. The annual load is 583.

### **New grant awards**

Regina said people have been working hard to bring creative resources to the college. The CITED was awarded \$500,000 for a solar grant which allowed Mike Williamson and his team to conduct solar panel installation training. More recently, Skyline was awarded close to \$2 million grant by the Department of Labor. About one third of it will be specifically for Skyline and other partners will get the remainder. The State Chancellor's Office granted \$400,000 in Career Technical Education funding for the development of the English language institute. Leigh Anne Sippel developed the idea out of the Education Master Plan. Richard Soyombo has also submitted an economic development grant that would provide \$200,000 over a couple of years to develop the Center for Working Families and Regina feels that Skyline may have a good chance of getting it. Vicki commended Regina and everyone working on these grants and watching for grant opportunities that will benefit Skyline.

### **Next steps**

Eloisa distributed the mid-year report. She said it looks like the colleges will end up with the 5% reduction scenario. The college Business Officers will meet with Kathy to go over their early site allocation calculations. The Vice Presidents of Instruction will need to provide FTES goals for 2009-10. She hopes to have more definitive numbers before the next meeting. Ray acknowledged the concerns that Joe Morello and the other deans have as they begin their planning. Eloisa hopes the May election and May revise do not result in drastic changes to the current budget.

### **Next meeting: March 12**

The CBC will review possible budget scenarios if the numbers are made available and the results of the colleges' program reviews will be presented.