LOS RIOS COMMUNITY COLLEGE DISTRICT

DISTRICT BUDGET COMMITTEE

May 11, 2016

DO – Main Conference Room

3:00 p.m.

(Approved 9/7/16)

Members Present

Greg Rose, Lorilie Roundtree, Julie Oliver, Ginni May, Carlos Lopez, Dean Murakami, Robert Heidt, Cory Wathen, Ray Di Guilio, Steve Meyer, Dave Clinchy, Taunya Wattier, Denise Booth, Ed Bartholome, Rose Ramos, Theresa Matista

I. INTRODUCTIONS

Greg called the meeting to order and welcomed everyone to the meeting.

II. REVIEW/APPROVAL OF MINUTES

The Committee approved the February 17, 2016 minutes by consensus.

III. DISTRICT BUDGET ITEMS

A. State Budget

Theresa went over the Community College Update (yellow sheet) and noted we are expecting the May Revise to have a zero cola. There is some speculation that there may be an increase in base funding, but we are not sure at this point. Growth will likely be 2%. We are not expecting any other changes from the January budget proposal. If the State funds an additional base allocation, they will likely take those funds from the SMSR money that the State was already planning on giving to us. We expect the May Revise on May 13.

B. IEPI and Indicator Framework

The District is required to adopt goals for fiscal viability indicators. Theresa explained that the green sheet recaps historical results for the indicators. One of the required goals is ending fund balance. Over the past five years, the District's ending fund balance has gone from 14.3% to 12.3%. The buff color handout contains the goals we need to take to the June Board of Trustees meeting for approval. This year we need to recommend a short term (one-year) and long term (six-year) ending fund balance goal. The short-term is projecting the ending fund balance for the 2016-17 fiscal year. Last year, we set a goal for the ending fund balance for 2015-16 and our audit results. She reminded the committee that we are asked to project our ending fund balance for the upcoming fiscal year before we have closed the records for the current fiscal year. In May 2015, we projected that we would be at 11.2% for June 30, 2016. Our current projection is that it is likely to come in around 12.6%. When we adopted the recommendation last year we did not include the one-time funds committed to support PERS/STRS costs. Theresa shared that the projection for ending fund balance for 2016-2017 is 14.1% and asked for that to be the recommendation for the IEPI goal for 2016-17, which includes the $5M set-aside in 2015-16 for PERS/STRS and a projected $2.5 million more to be designated in 2016-17.

Theresa shared information showing the statewide average as well as each district's ending fund balance as of 6/30/15. Our percentage is below the average but that is fairly common for a large district.

A question was raised regarding the college carryovers. The ending fund balance includes the college carryovers but that when we discuss available reserves we do not consider the college carryovers as a resource in the event there is a downturn in the economy. In that instance, the colleges would likely use some of their reserves to support college operational needs while the District would access its reserves to support overall programs as was the case with the last downturn. Further discussion was held on the nature and components of fund balance. One component is our budget planning policy which establishes the requirement that we keep 3% undistributed reserves. Theresa said we should probably evaluate this requirement in the coming year to determine if it needs to be higher which would then mean a change in our Board Policy.

As far as projecting the ending fund balance six years from now, the committee discussed this goal as more a matter of determining what is a reasonable balance for our District. It is difficult to project the balance six years out given that economic circumstances can cause fluctuations, high and low, in ending balance for a specific year. Dean Murakami said the District needs a reasonable reserve that will protect us in an unstable economy. It is important to maintain that fiscal standard. There are different opinions as far as the appropriate level of reserves. A common recommendation is two months expenditures which is the recommendation contained in a document that was distributed from the Government Finance Officers Association (GFOA). Theresa mentioned that we have reserves available in our capital projects fund that when combined with our general fund, meet this recommendation. Theresa asked if everyone is ok with 14.1% as our short term goal and 12.5% for the six-year goal. Ray moved to approve the ending fund balance at 14.1% for the one-year goal and 12.75% for the six-year goal. Steve Meyer seconded. The motion was approved unanimously. The committee also unanimously voted to continue its goal of an unmodified or unqualified audit opinion for both its short term and long term goals (this is reflected by a yes on the form). The committee opted not to set any of the optional goals at this time. Theresa asked the committee to look at the optional goals and if anyone would like to have discussions on those next year, to please bring them forward.

C. Recalculation/P1

Theresa went over the 2014-2015 Recalculation and 2015-2016 P1. The State has revised the final calculations twice. There is a slight reduction to growth from the 2015-16 P2 of $16,565. Despite the CCCCO forecasting a deficit, districts were fully funded which for Los Rios was $838K. In addition, the State had to revise the recalculation because it had overpaid for growth. The end result was that the CCCCO distributed $15M on a one-time basis to all Districts and Los Rios received $700K. This will flow through the compensation calculation this year. For 2015-16, there is more than $16M of new funds net of the deficit. This includes a base allocation increase of $12.7M. We are receiving funding for the Elk Grove Center and hopefully will receive funding for Rancho Center in 2016-17.

D. Access Report/Stabilization

Theresa shared three graphs regarding our FTES displaying our reported, funded and achieved FTES. One important note is that our achieved FTES has been essentially flat for the last three years. A second graph was shared to portray how we would report FTES dependent upon whether we make our base in 2015-16 or 2016-17.

There was a discussion about productivity which centered on the achieved FTES graph. While the FTES is flat, we have been adding faculty which means our productivity is declining. Greg asked when the determination will be made as far as stability for 2016-17. Theresa said that most likely we are going to be in stability in 2015-16 based upon the initial enrollment information for summer 2016. We were planning on 20% growth. We have increased summer classes, but it does not appear that we will achieve that. We file the annual 320 report on July 15th, and will know by then whether we are in stability. Either way, we will not pull back the 20% increase in funding for summer, because it will help us either year.

The committee briefly discussed that with the new strategic plan, we will have a discussion regarding the resource allocations related to the goals and indicators in the plan. These will flow into PDF schedule as well. Given the work we need to do on this, we may likely have more meetings next year.

IV. MEMBER COMMENTS
There were no member comments.

V. FUTURE MEETINGS
Our next meeting will likely be in August.

The meeting adjourned at 4:15 pm