



BUDGET Advisory Committee

Minutes

June 3, 2019

Meeting

ATTENDANCE (A = absent):

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

NOTE TAKER: Kimberly Casuga

1. Welcome (Chris)

Chris welcomed everyone to the meeting and introductions were made.

2. Approval of Minutes (Chris)

The minutes of the May 13, 2019, meeting were approved as presented.

3. State Budget Update (Marlene)

(no handout)

Marlene updated the Budget Advisory Committee with the following highlights:

- Colleges that have performed above the hold harmless, will cover the difference of those in deficit.
- Budget Trailer Bill will address the changes to the funding formula such as how we identify transfer students.
- We will take credit for the transfer students who completed the 12 units with us, not their residence.
- We will know more in the summer or fall.
- Deferred maintenance and instructional materials monies were added back into the budget.
- AB 302 is with Senate for approval and would have an impact on our expenditures because we would be required to divert resources using our human capital and not receive funding for it.
- Memo will go out once the Budget Act has passed.

4. Apportionment Calculation (John)

(Refer to "Apportionment Calculation" handout)

John highlighted the following changes on the Apportionment Calculation:

- \$133,100,317 is the amount projected for 2021-22 incorporating the Hold Harmless.
- 3.26% COLA is statutory but the governor does have discretion over it. The statutory COLA is what is calculated but what is actually funded could be different.
- The Chancellor's Office had a 5.03% deficit factor in the P-1 apportionment. We will continue to budget 0.50% deficit factor.
- Chris asked if they were to take the apportionment money shortage to affect us, would they do it via the deficit factor?
- Marlene explained the P-1 apportionment (data in from December, reported in February) is an estimate. The P-2 apportionment is calculated in June which is the 2nd time we provide FTES numbers and they have a better idea of property taxes. February, the following year is when the final amount

is provided based on the final FTES numbers and property taxes. It is an 18-month cycle which is why we maintain the 0.50% deficit factor.

- She added that we have \$4 million in COLA in 2019-20. We also have ongoing increases related to salaries and benefits that add to \$3.5 million.

5. Tentative Budget 2019-20 (John)

(Refer to "Draft Tentative Budget 2019-20" BOT PowerPoint Presentation)

John reviewed the PowerPoint presentation with the following highlights:

- State Budget Overview
 - Student Centered Funding Formula increase of \$265 million, including COLA below.
 - \$230 million (3.26%) COLA, or \$4 million for LBCC
 - Student Centered Funding Formula (SCFF)
 - Maintain same allocation in 2019-20
 - 70% Base Grant – FTES
 - 20% Supplemental Grant – low-income students served
 - 10% Student Success Grant – degrees, certificates, and other success measures
 - Phase in 60-20-20 split in subsequent years
 - Hold harmless provision for 3 years
 - May Revise proposed extending an additional year to 2021-22
 - Funding at least 2017-18 level plus COLAs
 - "Summer Shift" – continues
 - Stability funding – continues (Apportionment is equal to the greater of the current year or prior year apportionment.)
 - \$9 million (3.26%) COLA for categorical programs (DSPS, EOPS, CalWORKs & Child Care Tax Bailout)
 - \$4 million (3.26%) COLA for the Adult Education Program
 - \$0 million for Deferred Maintenance/Instructional Equipment
 - \$40 million in May Revise (about \$600,000 for LBCC)
 - \$40 million to continue the California College Promise (AB 19)
 - \$5.2 million augmentation in May Revise Budget for 2-year proposal
 - Heather and Sara added that it is for first-time and full-time students straight out of high school
 - Marlene added that the Budget Trailer Bill would contain changes/updates of which students would be eligible to receive the funding.
 - John contributed that there are different levels of the promise between the first and second year, as well as scenarios that includes making up units in a winter session.
 - Lee added that each institution can establish its own return of funds policy for students who become ineligible.
 - \$11 million for Student Success Completion Grant
 - \$18 million in May Revise Budget
 - 30 (12 continuing and 18 new) Proposition 51 facilities bond projects approved. Includes 2 LBCC projects approved in the prior budget year:
 - Building M&N, LAC
 - Marlene mentioned that we hope to get funding for this.
 - Construction Trades Phase I, Building MM, PCC
 - Student Equity and Achievement (SEA) Program – continues at same funding level (consolidation of 3 programs)
 - Funded at the same level as the previous year

- Strong Workforce Program - \$7 million decrease, mainly removing one-time sources
- Board of Trustees Goals and Institutional Priorities were tied to resource allocations
- Strategic Plan Goals
- BAC Planning Assumption Highlights
 - There will be potential budget redirections in response to both the State's budget impact and the priorities as identified by the College Planning Committee (CPC).
 - FTES total resident target is 19,204.
 - 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 - \$2.9 million
 - Benefit cost changes:
 - STRS increased by 0.820% - \$1,632,000
 - PERS increased by 2.671% - \$1,357,000
 - Percentage of unrestricted salaries and benefits caused by STRS and PERS increase 1.940%
 - Retiree Benefits – Annual Required Contribution (ARC) \$4.1 million
 - Health & Welfare Premiums:
 - Increased by 1.6% - \$340,000
 - John mentioned that the Worker's Comp numbers will be updated in the adopted budget because it arrives late for the tentative budget.
- FTES History and Projection
 - This slide shows the FTES for the last several years but also shows the difference between what we're reporting and what the FTES is without the summer shift. We still have the option of using the summer shift as districts see advantageous to their needs for funding.
 - Large college funding is part of our base apportionment and will be reduced if we fall below the 20,000.
 - Heather sought clarification on the 2013-14 year where numbers reflected 19,910, which is below large college status. Marlene will look to see what we were funded prior to 2014-15.
 - Presentation will change because SCFF will be a 3-year average, but FON is on the current year.
- List of Funds – Expenditures & Other Outgo (in millions)
 - Estimated Actual is generally less because some grants are multi-year.
 - The Measure E and Measure LB Bond funds are what the tax payers have approved.
 - Financial Aid is money that passes directly through us to students. The biggest are the Pell Grants.
 - Unrestricted General Fund is where most salaries and benefits comes from.
- Unrestricted General Fund Overall Summary
 - Slight surplus of \$0.2 million is being projected with the expectation that once purchase orders and contracts are closed which could give us a positive of about \$1 million.
 - Marlene added that we will have an additional increase of \$600,000 due to the 0.50% budgeted deficit factor.
- Major Revenue Changes in 2019-20
 - Apportionment - \$4.1 million increase is the net of:

- \$4.0 million 3.26% COLA
 - \$0.1 million increase due to prior year apportionment recalculation revenue
 - Local Revenue - \$0.3 million increase
 - Mainly due to non-resident tuition increases
 - State Principal Apportionment is over 90% of our Unrestricted General Fund budget.
 - Increase in Academic Salaries is due to hiring 15 new faculty, that is, 14 in the unrestricted fund, and 1 in the restricted fund. There are also step increases and negotiated salary increases.
- Major Expenditure Changes in 2019-20
 - Academic Salaries – the \$2.3 million increase is due mainly to hiring 14 new full-time faculty, step increases, negotiated salary increases, and offset by decrease in part-time salaries.
 - Classified Salaries - \$2.4 million increase due to 3.26% COLA negotiated salary increases, step and column increases, and budget for vacancies, offset by savings from reorganizations.
 - Total Benefits - \$3.1 million increase is due to the increase in positions, salaries, and increases to certain benefit rates, most notably the 0.82% for STRS, the 2.671% for PERS, and 1.6% increase to health and welfare benefits.
 - One-Time Funds – (\$0.7) million decrease based on fewer 2019-20 budgeted projects. Major 2018-19 one-time project expenses included professional services for student financial aid, ECS forms development for electronic invoice workflow and Admission and Records forms, and security software.
 - Salaries & Benefits as a % of Total Expenses and Other Outgo is 89.3%. Chris asked what would be a healthy percentage. Marlene responded below 85%. She added that we need to reexamine how we're staffing which is a challenge because we are trying to grow enrollment, grow programs that attract students, and complete students.
 - Historically, as an institution, we've had high salaries and benefits.
 - Ryan asked if this is reported to the public and Marlene confirmed it is.
- Unrestricted General Fund Multi-Year Projection (in \$millions)
 - (\$2.9) million is our budgeted deficit, followed by (\$3.3) million for 2020-21, and (\$1.7) million in 2021-22.
- Future Budget Challenges
 - Enrollment
 - 2019-20 resident FTES target is 19,204
 - Near-term goal is to reach 20,000 FTES.
 - However, declining enrollment is a challenge throughout the state.
 - The new funding formula includes other metrics, but FTES remain the single largest factor to our funding.
 - State Pension Obligations:
 - Governor's proposed STRS contributions help;
 - However, STRS and PERS obligations will continue to increase rapidly in the upcoming years.
 - John added the governor's \$3 billion proposed budget would help with STRS contributions.
 - STRS & PERS Future Employer Rates
 - 2014-15 was the first time the STRS rate had changed in a while because it had been 8.25% for a long period of time.
 - Deficit Spending:
 - The 2019-20 Tentative Budget includes \$2.9 million in deficit spending.
 - \$1.0 million of that is due to a one-time projects.

- We will continue deficit reduction measures to ensure that structural deficits do not become unmanageable on a long-term basis.
- Success Metrics:
 - Improvements have been made.
 - We will continue to work together to implement processes to help us improve results for our students including degree and certificate attainment and transfers.
- Sara wanted to add that the students who don't complete the 12 units would not get the 2nd semester of College Promise funding, but there are alternatives like the BOGG fee waiver. There are different guidelines for the different promises that include College Promise 2.0, etc. She recommended Sonia De La Torre and Elijah Sims as contacts for additional questions and clarifications regarding College Promise.

6. LBCC Multi-Year Budget Plan (John)

(Refer to "LBCC Multi-Year Budget Plan" handout)

John reviewed the LBCC Multi-Year Budget Plan with the following highlights:

- The first part contains our apportionment amounts match our budget books and includes projections. For all other revenue, estimated actual is \$13.1 million, and \$13.3 million for the outgoing budget year. \$13 million is estimated for future years with \$300,000 less in revenue due to the potential sale of the Los Coyotes property.
- Chris asked what happens to the money from the sale. John clarified it has to be used on capital projects, such as construction projects. Marlene confirmed it is currently valued at \$14 million. Bond proceeds were used to purchase the property which is why it will go towards construction projects. We are working with counsel to see if we can put some of it towards deferred maintenance.
- One change from prior estimates includes a calculation based on the Consumer Price Index (CPI) which helped contribute to the changes in Other Operating Expense Changes. Marlene added that the CPI is a little closer to the number to help calculate expenditures.
- 0/- means that there is no change from the prior year expense.
- Elections fluctuations occur because they happen every two years.
- The hiring of 14 faculty results in about \$454,090 in part-time faculty backfill savings.
- Health Benefit Increases is 1.60% for 2019-20.
- 2019-20 Tentative Budget deficit is estimated at (\$2.9) million, 2020-21 Projected Deficit is estimated at (\$3.2) million, and 2021-22 Project Deficit is estimated at (\$1.7) million.

The meeting adjourned at 4:30 p.m.

Next Meeting: Wednesday, September 4, 2019, at LAC – T-1046 at 3pm.