



**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT  
BUDGET ALLOCATION AND PLANNING REVIEW COMMITTEE – WORKGROUP**



**Meeting Notes – November 2, 2011**

Members Present: Adam O’Connor, Morrie Barembaum, Paul Foster, Steve Kawa, Jeff McMillan, Nga Pham, Linda Rose, Jose Vargas, Thao Nguyen and Gina Huegli

Guests Present: John Didion, Steve Eastmond, Ray Hicks, and James Kennedy

Member Absent: Peter Hardash

Mr. O’Connor opened the meeting at 2:35 pm.

**Topics Discussed:**

**1. Budget Update**

Around November 10, 2011, the Legislative Analyst Office will give the governor information regarding the Triggers and the DOF is expected to give their information by December 15. The Legislative Analyst Office will be more conservative but will probably be very similar to the Department of Finance. We are likely to be in Trigger 2 range but will probably not affect midyear cuts but more likely mean more cuts for next fiscal year.

**2. Budget Reduction Recap**

A summary spreadsheet of the last 4 years reductions requested by Chancellor’s Cabinet shows by each fiscal year each round of reduction.

2008-2009 Actual Reduction - \$11,108,333  
 2009-2010 Actual Reduction - \$15,183,922  
 2010-2011 Actual Reduction - \$3,239,565  
 2011-2012 Actual Reduction - \$5,500,000  
 A total of \$35,031,820

A second handout shows reductions of actual dollar reductions and FTES reductions broken down by credit/non-credit and by colleges.

2008-2009 Actual Funded FTES at recalculation apportionment is 31,864.300  
 2009-2010 Actual Funded FTES at recalculation apportionment is 29,961.804  
 2010-2011 Actual Funded FTES at second principal apportionment (P2) is 30,478.730  
 2011-2012 Budget Workshop Funded FTES is 28,585.120

A third handout shows Reductions, Adopted Budget, and Actual Expenditure. It was shared at the BAPR Committee meeting and now shared at the workgroup to those that were not at the BAPR Committee.

The SAC Planning and Budget committee requested how much savings the District had recognize from vacant positions.

**3. Apportionment Deferrals**

Mr. O’Connor shared the projected deferrals for RSCCD of \$24,091,280. He shared the effect to RSCCD month by month of the inter-year deferrals (\$961 million statewide) (\$24,091,280 for RSCCD) and intra-year deferrals (\$200 million statewide) (\$7,520,691 for RSCCD).

Mr. Hicks pointed out that the deferrals simulation shows that we are completely paid by the state through October of the current year for previously owed deferrals and would not have a cash-flow issue for the month of November and December.

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Mr. O'Connor noted that not all income arrives at the same rate as expenditures reflected each month.

Mr. Barembaum noted that we used to get a cash-flow report on a monthly basis to see how we are doing on a monthly basis but have not seen one for a while. He would like to start receiving it again.

**4. Multiyear Projection**

Mr. O'Connor shared a sample of the RSCCD 5 year multi-year projection of the unrestricted general fund. There are a number of ways to project the future budget based on varying assumptions. In this example:

Revenue

- Assumes no growth, funded FTES will be at 28,585
- Assumes no deficit factor
- Assumes -6.2 negative growth
- Assumes 0% COLA
- Assumes Unrestricted Lottery to be at \$111.75 per FTES

Expense

- Assumes step and column movement of 1.5%
- Assumes PERS rate at 12%
- Assumes Health and Welfare Premium at 10%
- Assumes Utilities Cost Increase 3%

Net

Total revenue will be \$135,502,156 for each year and will stay constant.

- 2011-2012 projected expenditure = \$143,848,850, projected ending balance = \$38,163,936, that's 26.531% of total expenditures
- 2012-2013 projected expenditure = \$148,180,419, projected ending balance = \$25,485,673, that's 17.199% of total expenditures
- 2013-2014 projected expenditure = \$152,337,257, projected ending balance = \$8,650,572, that's 5.679% of total expenditures
- 2014-2015 projected expenditure = \$156,738,673, projected ending balance = (\$12,585,945), that's -8.030% of total expenditures
- 2015-2016 projected expenditure = \$161,383,057, projected ending balance = (\$38,466,846), that's -23.836% of total expenditures
- 2016-2017 projected expenditure = \$166,293,387, projected ending balance = (\$69,258,076), that's -41.648% of total expenditures

The budget and actual history seems to be inflated. The actual expenditures for the past two years show a surplus and not deficit spending as the budget shows. There needs to be a conversation to how realistic those projected budget are when you compared to the history of the actual.

**5. SB 361 Budget Allocation Model**

Mr. O'Connor shared what the simulation of the SB 361 model would look like based on Version #3 of the actual figures for FY 2009-10 and FY 2010-11.

FY 2009-10 actual:

- SAC shows a balance of \$8.2 million
- SCC shows a balance of \$2.6 million
- DO shows a balance of \$2.8 million

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FY 2010-11 actual:

- SAC shows a balance of \$8.3 million
- SCC shows a balance of \$1.5 million
- DO shows a balance of \$4.6 million

Mr. O'Connor then went through the simulation of the different versions of the FY 2011-12 Adopted Budget as a reminder.

Version #1 - Assumptions were:

- Original Simulation based on Contra Costa CCD Model
- Allocates apportionment revenue based on SB361 for base allocation, approved centers and FTES generation
- Then includes all other revenue and deducts district-wide expenditures
- Allocates 16.31% of revenue to district operations based on the percentage in the 11/12 Adopted Budget (down from 16.48%)
- Remaining revenues are allocated pro rata based on the total remaining actual revenues
- Subtracts total expenditures from allocated revenues and produces a net amount of expenses under or (over) revenue by location

The estimated expense over revenue was \$3.90 million for SAC, \$3.08 million for SCC and \$1.37 million for the District.

Version #2 – Assumptions were:

- Starts with Version #1
- But extracts local revenues from the SB361 model to keep 100% of local revenue with the site that generates it
- Assumes all local revenue will be spent at the college that generates it and therefore subtracts a like amount of expense from the SB361 section and offsets the local revenue

The estimated expense over revenue was \$3.23 million for SAC, \$3.90 million for SCC and \$1.22 million for the District.

Version #3 – Assumptions were:

- Starts with Version #2
- But also extracts some other state revenue that is either district-wide in nature (like 2% enrollment fees) or similar to local revenues (like apprenticeship)

The estimated expense over revenue was \$4.09 million for SAC, \$2.89 million for SCC and \$1.37 million for the District.

Version #4 – Assumptions were:

- Starts with Version #3
- But leaves all expenses in SB361 section to show all expenses first and a bottom line prior to adding in local and other revenue

Mr. Kawa asked where does banked leave fall into the budget/actual? If an instructor does not want to get paid and bank the LHE for future use, how is it recorded?

Mr. Didion said the banked leave budget should go to pay for the adjunct faculty who are taking over the classes when the instructor decides to take the banked leave. We keep a record of the banked LHE, but do not show the cost to the current year.

Mr. O'Connor shared that it should be set up as a payable for the banked leave. Mr. O'Connor will follow up with what happens exactly and may need to make some changes.

Mr. Kawa is looking at the Summer Beyond Contract which it is fairly down and was wondering if the faculty had banked the LHE instead of getting pay? If they do that, where does that money go?

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Mr. Kawa likes to see that breakdown of the actual cost of the district and their percentage. How the 16.48% relates to the actual cost. Mr. Kawa would like to see how the district discretionary was able to see a savings of almost \$1.4 million in FY 2010-11? Mr. O'Connor will get the details.

Mr. Didion questioned whether anyone had done a simulation of the district to see if in fact it is 16.48%. He believes that it was only discretionary cost percentage. Mr. Kawa noted that we had agreed at one of the meetings to keep it at 16.48% and then change when necessary. During the FY 2009-10 the district spent 14.89% and the FY 2010-11 the district spent 13.52%.

Mr. Didion pointed out this is only a piece of information for the unrestricted portion. You have to look at the competitive restricted dollars and entitlement restricted dollars to see the effects of the college as a whole.

Mr. O'Connor asked the group what the expectations are related to developing this model. Mr. Kawa would like to see it implemented in the next fiscal year 2012-2013. Mr. Kawa, Mr. Foster and the VP of Continuing Ed will work on wrapping the document and get back with the recommendations sometimes in January or February to move forward in time to build FY 2012-13 budgets. Mr. O'Connor expressed interest in participating with the subgroup.

Dr. McMillan stated that looking at the past two years reflects we have a surplus. Dr. McMillan noted that we probably under estimated the revenue and over estimate the expense and have been over budget in many accounts to show a deficit. Mr. O'Connor noted that we have been conservative in the way we budget, to some extent we have been under budget on revenue and over budget in expense. The district has also had hiring freezes and has been trying to save money. The document shows we have a structural deficit of \$8 million but likely is something less, maybe \$4-5 million.

Mr. Barembaum pointed out that we don't want to be under budget, but to what extent will we over budget? Our ending balance has been growing for the past several years and will likely go over \$50 million, but have turned students away and told the faculty and staff that there will be no step/column pay or any increase in pay.

Mr. O'Connor noted revenue has changed considerably but expense has not reduced much. We will want to look at the board approved budget assumptions for the last two years and what actually occurred.

A report from the subgroup will be shared on December 7, 2011 to move forward with the recommendation to move to SB361 model in FY 2012-2013.

**6. Other**

Mr. Didion pointed out that at the BAPRC Committee the recommendation to have planning coordination into with the workgroup and request that anyone would like to join the group to let him know.

The meeting was adjourned at 3:52 pm.

**Upcoming BAPRC Meeting:** District Office Board Room, November 30, 2011, 1:30 – 3:30 p.m.

**Upcoming Work Group Meeting:** SCC-E-107, December 7, 2011, 2:30 – 4:00 p.m.