

COAST COMMUNITY COLLEGE DISTRICT
District Budget Advisory Committee Meeting Summary
District Board of Trustees' Room

February 6, 2014

CALL TO ORDER

Vice Chancellor Andy Dunn called the meeting to order at 1:07 p.m. in the District Board Room.

Committee Members Present:

1. Lori Adrian, President, CCC
2. Wes Bryan, President, Golden West College, GWC
3. Denise Cabanel-Bleuer, Academic Senate Representative, OCC
4. Gregg Carr, Academic Senate Representative, GWC
5. Andrew Dunn, Vice Chancellor, Finance & Administrative Services, District
6. Ann French, Classified Representative, CCC
7. Dennis Harkins, President, OCC
8. Andrew Jones, Chancellor, District
9. Minesh Lakhani, Classified Representative, District
10. Tung Lampham, representing Student Representative, OCC
11. Christine Nguyen, Vice President, Administrative Services, CCC
12. Thuy Nguyen, Confidentials Representative, DIST
13. Ann Nicholson, CFCE Designee Representative, OCC
14. Rich Pagel, Vice President, Administrative Services, OCC
15. Joe Poshek, CDMA Representative, OCC
16. Kevin Riley, Classified Representative, OCC
17. Beth Sullivan, Student Representative, CCC
18. Paul Wisner, representing Vice President, Administrative Services, GWC

Committee Members Absent:

1. Michael Carlucci, Coast CCA Representative
2. Susana Castellanos-Gaona, Classified Representative, GWC
3. Pedro Gutierrez, Academic Senate Representative, CCC
4. Jennifer LaBounty, Faculty Representative, OCC
5. Dean Mancina, CFE Representative
6. Kyle Murphy, Student Representative, GWC
7. Cheryl Stewart, Faculty Representative, CCC
8. Linda York, Faculty Representative, GWC

Guests

1. Suzie Payne, District
2. Helen Rothgeb, CCC
3. Daniela Thompson, District
4. Van Tran, OCC

State Budget Update

Discussion:

- **Vice Chancellor Dunn** reviewed and discussed a PowerPoint presentation entitled, "2014-15 Budget Development," informing that the presentation had been provided to the Board of Trustees' Audit and Budget Committee earlier in the week. The presentation addressed:

- The Governor's budget proposal
- FTES summary/simulated FTES growth
- Multi-year unrestricted general fund (UGF) projections
- Fund balance
- Faculty obligation number (FON)
- Health benefits' summary
- Budget development calendar
- Looking ahead
- Concluding thoughts
- Study of budget allocation model.
- **Vice Chancellor Dunn** explained that the Governor's 2014-15 budget proposal from January will be reviewed by legislative committees and the Legislative Analyst's Office. A May Revise will be released, and the final budget is expected to be signed by the Governor by June 1, as constitutionally declared.
- For community colleges system-wide, the Governor's 2014-15 budget proposal provides:
 - 3% restoration of access (formerly called growth). Due to system-wide demand, many think that 2% is more reasonable, and Coast's projections utilize a 2% growth factor.
 - Student Success (formerly called matriculation) at \$200 million with a 3:1 match, which for Coast would unrealistically require us to leverage \$16 million and it would fall on the wrong side of the 50% law. This was previously funded at \$100 million and had a 1:1 match.
 - One-time funds of \$175 million for deferred maintenance and instructional equipment
 - \$592 million to completely eliminate the system's inter-year deferrals
 - \$39 million Proposition 39 funds to address energy efficiency projects and workforce development
 - \$3.6 million to improve statewide performance
 - Flexibility to reallocate 25% of funds from select categorical programs to other federal, state, or local programs to meet needs of underrepresented student groups
 - \$35.6 million backfill funding to resolve shortfalls stemming from dissolution of Redevelopment Agencies
 - Apportionment stabilization to remove uncertainties in the budget process and mitigate structural deficits that have plagued the system in recent years
 - Develop regional adult education consortia; Coast has a leadership role in Orange County
 - \$50 million in one-time, non-Proposition 98 funds for innovative models of higher education
 - A plan to retire CalSTRS unfunded liability of \$80 billion over 30 years, commencing in 2015-16
 - Constitutional amendment to strengthen the state's Rainy Day fund that was established in 2004 by Proposition 98.
- A summary of Coast's FTES from 2011-13 to 2013-14 was provided, resulting in an artificially reduced number of FTES served in the 2012-13 fiscal year with no commensurate loss in funding. This phenomenon allowed Coast to avoid lay-offs in the 2012-13 fiscal year. Based on FTES as recorded during the first reporting period for 2013-14, Coast has fully recovered from stabilization and will earn *estimated* growth funding of \$1.9 million. Half of that would be designated for in-class expenses, in compliance with the 50% law. **Vice Chancellor Dunn** offered a *projected* growth target of 33,528 FTES for 2014-15.
- To continue to support growth institutionally, increases are needed in professional development and training, instructional and student services, instructional supplies and equipment, maintenance, public safety, and facilities. Also needed are marketing programs with specific delineated paths to bachelor's degrees at UCs and CSUs, and also to market Coast as a unit of colleges, not site specific. From a marketing perspective, it requires reaching out to ten students in order to enroll one student in a Coast College. Collaboration is needed between

campuses to assist students in completing their educational goals, and sharing of knowledge and specialties among faculty using on-line and video conferencing methods needs to be encouraged. A holistic approach to sustaining growth will best serve our students.

- A range of instructional expenses broken down by cost per Lecture Hour Equivalent (LHE) was presented. At the top of the salary range for a full-time instructor with a doctorate degree, the cost is \$4,722; at the low end of the salary range for a part-time instructor (less than 50%), the cost is \$1,510.
- **Vice Chancellor Dunn** explained that growth is not an entitlement and must be earned. He provided a simulated comparison of costs to earn our targeted FTES. It reflected a full-time instructional cost of \$3 million and a part-time instructional cost of \$1 million for all three colleges.
- Multi-year unrestricted general fund projections and ending fund balances were reflected through 2018-19. A chart of fund balances with comparable districts reflected Coast nearer the top than in recent years, due in part to unspent reserves and one-time redevelopment agency funds. In a state-wide comparison of net ending balances as a percentage of unrestricted general fund expenditures, Coast was higher than average.
- The 2013-14 budgeted cost for health benefits per employee per year is \$14,400. Costs have held steady for the last several years, due in part to excellent renewal rates garnered by our third party administrator and good experience with the PPO plan. The expectation is for costs to raise \$400-\$500 per employee for the next few years. Various fees associated with the Affordable Care Act will account for some of the increase. The benefit year begins on October 1; renewal data is not yet available.
- Looking ahead from a budgetary perspective, **Vice Chancellor Dunn** informed of the following considerations:
 - Revisit baseline assumptions following release of 2012-13 final recalculation and 2013-14 P1 apportionment report
 - Revenue and cost containment opportunities, such as collective bargaining, reorganization, photovoltaic installation, and real estate asset development
 - Firm up FTES target for 2014-15 in the next month or two
 - Track budgetary developments in legislature
 - Hiring considerations – faculty and disposition of short-term employees
 - Proposition 30 sales tax increase sunsets in 2016 and personal income tax increase sunsets in 2019.
- **Vice Chancellor Dunn** presented two budget allocation models for consideration.
 - The current budget allocation model we've used for years is one in which District-wide expenses and fixed costs are subtracted from the unrestricted general fund revenue and then distributed by FTES to the colleges. The colleges are given a specific FTES target from the District in this model, and funding from any gains over target FTES are kept by the District and do not stay at the college.
 - A SB 361 simulated schematic budget model was presented that essentially treats each college as a stand-alone, single-college district. This eliminates the fixed costs element, is more transparent and more easily understood, and follows the state budget model. Additional parameters will be required to ensure intra-district collaboration and to avoid competition among the colleges.
 - **Vice Chancellor Dunn** offered that this is a step toward moving to a clearer budget model. Since revenues come to the District and not the college in both models, in response to the concern about FTES competition among the three colleges, **Vice Chancellor Dunn** offered a possible solution in that the District could distribute funds at year end based on the college's current FTES percentage.

Budget & Planning Approach

Discussion:

- **Chancellor Jones** discussed the concept of budget and planning, noting that it is frequently thought that budget drives planning, although the preferred approach is for planning to drive the budget. He asked members to consider what type of model is needed for a two-year institution, and what type of program could help successfully move students through the academic process to completion of their goals.
- **Chancellor Jones** informed that only ten percent of students nationally complete a developmental sequence, with Coast's completion rate slightly better. Increasing full-time faculty is one way to help students succeed. Additional considerations might be implementation of more diagnostic tools to help assess students' skill gaps that would allow them to focus on mastering the missing skill, rather than enrolling in a 16-week course if it isn't needed.
- As a District-wide full-time faculty hiring process is introduced and next practices to impact student success are being determined, **Chancellor Jones** asked that we all be open minded about different models and approaches, and their implications.

Update on Establishment of Sub-committee to Explore Full-time Faculty Funding Models

Discussion:

- **Chancellor Jones** informed that a District-wide Full-time Faculty Hiring Task Force is currently being formed.
- A Board of Trustees' Study Session will be held on February 12 at 4:00 p.m. to focus on full-time faculty hiring. **Chancellor Jones** invited DBAC members to attend and to inform fellow constituents. The meeting will include presentations by the Vice Chancellors and College Presidents, followed by discussion and recommendations that include costs and implications. A storybook illustrator will capture the deliverables into a pictorial chronicle of the conversation.

NEXT MEETING DATE:

The next meeting will be held April 10, 2014, at 1:00 p.m. in the District Board Room.

The meeting adjourned at 2:15 p.m.

Recorded by Nancy Sprague