

**Minutes of the Study Session of the Board of Trustees
San Mateo County Community College District
September 7, 2011, San Mateo, CA**

The meeting was called to order at 6:05 p.m.

Board Members Present: President Richard Holober, Trustees Helen Hausman, Patricia Miljanich and Karen Schwarz, Student Trustee Barry Jointer
Vice President Mandelkern was absent due to a scheduling conflict

Others Present: Chancellor Ron Galatolo, Executive Vice Chancellor Kathy Blackwood, Skyline College President Regina Stanback Stroud, College of San Mateo President Michael Claire, Cañada College President Jim Keller and District Academic Senate President Diana Bennett

Pledge of Allegiance

DISCUSSION OF THE ORDER OF THE AGENDA

None

MINUTES

It was moved by Trustee Hausman and seconded by Trustee Schwarz to approve the minutes of the August 18, 2011 special meeting of the Board. The motion carried, all members voting "Aye."

It was moved by Trustee Hausman and seconded by Trustee Schwarz to approve the minutes of the August 24, 2011 regular meeting of the Board. The motion carried, all members voting "Aye." Trustee Schwarz offered clarification on the following statement regarding the recommended classified and academic supervisory salary schedule: "To be consistent with the District's salary range review of employees represented by AFT and CSEA, staff determined that new salary ranges should rank within the top three or four of the comparison districts." Trustee Schwarz noted that there is no Board policy stating where any employee group should be placed.

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

None

NEW BUSINESS

APPROVAL OF PERSONNEL ACTIONS: CHANGES IN ASSIGNMENT, COMPENSATION, PLACEMENT, LEAVES, STAFF ALLOCATIONS AND CLASSIFICATION OF ACADEMIC AND CLASSIFIED PERSONNEL (11-9-1A)

It was moved by Trustee Miljanich and seconded by Trustee Hausman to approve the actions in Board Report No. 11-9-1A. The motion carried, all members voting "Aye."

Other Recommendations

ADOPTION OF RESOLUTION NO. 11-11 REGARDING INTENTION TO GRANT A GAS LINE EASEMENT TO PACIFIC GAS & ELECTRIC COMPANY; APPROVAL TO HOLD A PUBLIC HEARING ON THE RECOMMENDATION TO GRANT THE EASEMENT (11-9-100B)

President Holober announced that the date of the public hearing will be September 21 rather than September 28 as stated in the board report and resolution. It was moved by Trustee Hausman and seconded by Schwarz to approve the adoption of the amended Resolution 11-11. The motion carried, all members voting "Aye."

STUDY SESSION: BUDGET OVERVIEW AND FINANCIAL PROJECTIONS (11-9-1C)

Chancellor Galatolo said a State budget was passed earlier than in many years but was vetoed by the Governor. The subsequent budget that was passed contains many of the reductions that were in the initial budget. It also contains trigger mechanisms; cuts will be triggered if anticipated revenues do not materialize, including well over \$1 billion in cuts to K-12/14 and additional cuts to UC and CSU. In anticipation of what this might mean for the District, tonight's

presentation will address (1) the economics of the current budget cycle and what the District can do to manage it in the coming year and in future years, and (2) the potential for the District to become self-supporting.

Executive Vice Chancellor Blackwood made a PowerPoint presentation, a copy of which is attached to the minutes. She pointed out that the last “good” year was 2007-08 and that the budget situation has gotten steadily worse since then, with revenue and workload reductions, reductions in mandate reimbursements, unfunded COLA, larger deficit factors, and cash deferrals. Budget assumptions for the District for 2011-12 include an \$8 million operating deficit, but this can be backfilled using funds from the reserves. An overall 2% reduction in FTES is projected. The Measure G parcel tax reduces the severity of cuts, but did not achieve full workload restoration. It is expected that fees will increase from \$36 to \$46, effective in June of 2012. Midyear cuts will depend on whether the “triggers” are activated and, if so, at which of the three tiers.

Executive Vice Chancellor Blackwood said the District is likely to “back into” basic aid status in 2012-13. A district’s total base revenue is determined by the State based on State apportionment, student fees and regular property taxes. Normally, basic aid status is achieved when property taxes and student fees are sufficient to meet the base revenue and, therefore, no State apportionment is provided. However, the District will likely achieve basic aid status because of further State revenue cuts, shrinking the State apportionment and causing increasing reliance on property taxes. Executive Vice Chancellor Blackwood said that, while it is generally positive to no longer rely on the State for revenue, it is possible for a district to fall out of basic aid status or for the State to decide to raid local property taxes.

Executive Vice Chancellor Blackwood said that going forward, she projects a slight increase in State funded enrollment growth in 2013-14, along with a continued increase in property tax funding. The resource allocation model smoothes the funding for the sites, using a three year rolling average to avoid sudden swings in the money that the Colleges have to operate. It is anticipated that the Colleges will start getting positive enrollment growth funding in the resource allocation model in 2014-15. Current projections show cuts in 2012-13 of \$5.8 million and the sites would ordinarily be asked to reduce their budgets accordingly. However, current projections also show augmentations of \$2.8 million in 2013-14 and \$3 million in 2014-15. Therefore, Executive Vice Chancellor Blackwood recommends assuming that the District will use reserves in 2012-13 and 2013-14, as well as in 2011-12, and not make additional cuts or augmentations in the three years. She recommends that the sites prepare cuts for 2012-13 totaling \$5.8 million and prioritize these cuts, but said decisions on the cuts will not be made until the financial situation is clearer.

Executive Vice Chancellor Blackwood said other issues include:

- Cash flow – deferrals in 2011-12 total \$961 million, causing a cash flow problem. The District issues Tax and Revenue Anticipation Notes (TRANs) to deal with this issue. Becoming a basic aid district will not eliminate the problem because property tax revenue is received only twice a year, in December and April.
- Redevelopment Agencies – the State budget calls for the elimination of RDAs with the ability to reconstitute them if they give a certain percentage of their funds to K-12 education. Community colleges are not included; they asked to be left out because of the concern that this item would not go through. This budget provision is currently in litigation. If it survives the court challenge, community colleges could ask K-12 institutions to change the split but this is not likely to happen. Trustee Schwarz noted that community colleges have not gotten their allotted percentage of Proposition 98 funding and could go back and ask for what they are supposed to receive.
- Bond – if the bond which is on the November 8 ballot passes, it would have a significant effect on instructional equipment and other equipment which is currently funded from Fund 1 and could be funded legally with bond money. A new equipment fund would be created.
- Investment policy – a new investment fund policy is being developed which will allow the District to direct its investments. The proposed new policy will be brought to the Board, most likely at the November Board meeting.
- Measure G – the last year of the parcel tax measure is 2013-14. After that time, a decision must be made about whether to ask voters to extend the measure.

Regarding the District’s ability to direct its investments, Trustee Miljanich asked if the money would still be in the County Pool. Executive Vice Chancellor Blackwood said the money will still go through the County but would not

have to be put in the County Pool. Instead, the bond issuances would be written appropriately to tell the County where to put the money. The only stipulation is that it must be money that has not yet gone into the County Pool. President Holoher asked if reductions to site allocations have included the District Office. Executive Vice Chancellor Blackwood said they have included the three Colleges, the District Office, and Facilities.

Trustee Miljanich asked what kind of support community colleges have received from the State Chancellor's Office regarding the budget and allocations to community colleges. Chancellor Galatolo and Executive Vice Chancellor Blackwood said they would prefer that the State Chancellor's Office do more in the way of advocacy.

President Holoher said he agrees that it is not wise to make decisions too far ahead of time. He asked how far it is possible to forecast with accuracy. Executive Vice Chancellor Blackwood said projections have been quite accurate, noting that there have not been many changes between the tentative budget proposed in May and the final, adopted budget in September. She said School Services of California and the Community College League of California make projections and the State Chancellor's Office sends emails regarding what they think will occur. She said she believes the District should listen to everything, but then put it aside and consider what makes sense. Chancellor Galatolo added that districts should look realistically at economic indicators rather than at what others are telling them.

Dan Kaplan, Executive Secretary of AFT, Local 1493, asked how likely it is that the District would back out of basic aid status once it is achieved. Executive Vice Chancellor Blackwood said that if the State conducts additional raids on property taxes, it could happen at any time. Normally, it is caused by State revenues growing at a faster rate than property taxes and student fees. Mr. Kaplan asked how Executive Vice Chancellor Blackwood arrived at the projection that there will be a 1% COLA in 2014-15. Executive Vice Chancellor Blackwood said it is based on her professional judgment.

RECESS TO CLOSED SESSION

President Holoher said that during Closed Session, the Board will (1) consider the personnel items listed as 1A and 1B on the printed agenda, (2) hold a conference with labor negotiator Harry Joel; the employee organizations are AFT, AFSCME and CSEA, and (3) hold a conference with legal counsel regarding two cases of existing litigation as listed on the printed agenda.

The Board recessed to Closed Session at 7:25 p.m. and reconvened to Open Session at 8:42 p.m.

CLOSED SESSION ACTIONS TAKEN

President Holoher reported that at the Closed Session just concluded, the Board voted 4-0 to approve the items listed as 1A and 1B on the printed agenda.

ADJOURNMENT

It was moved by Trustee Schwarz and seconded by Trustee Hausman to adjourn the meeting. The motion carried, all members voting "Aye." The meeting was adjourned at 8:44 p.m.

Submitted by



Ron Galatolo, Secretary

Approved and entered into the proceedings of the September 21, 2011 meeting.



Dave Mandelkern, Vice President-Clerk

Budget Study Session

September 7, 2011

Agenda

- Recent funding history
- 11/12 budget
- Beyond
- Other issues

Recent Funding History

- Last “good” year was 2007/08
 - COLA funded at 4.53%
 - 2% growth
 - .38% deficit factor
 - State took away \$80M of unused restoration
- SMCCCD was below cap and still growing

Recent Funding History

- 2008/09 statutory COLA was 5.66%
 - Funded at .68% and that was removed in mid-year cuts along with \$26M of mandate reimbursements
 - Deficit factor was .51% after property tax backfill was provided in 2009/10
 - SMCCCD was only 116 FTES below funded cap

Recent Funding History

- 2009/10 saw major cuts from the state
 - 4.25% unfunded COLA
 - 3.34% workload and revenue reduction
 - Significant cuts to categoricals
 - \$703M cash deferral to next year
 - Fees raised from \$20 to \$26/unit
- SMCCCD had 1800 unfunded FTES
 - 10% cuts (\$7.3M) made to site allocations
 - 39% cuts (\$4.3M) to categoricals

Recent Funding History

- 2010/11 continued the slide
 - 0% COLA
 - .54% deficit factor at P-2
 - Additional \$200M deferrals to next year
 - Partial restoration of 2009/10 workload reduction of 2.2%
- SMCCCD passes the parcel tax (Measure G)
 - But doesn't achieve the full workload restoration
 - Additional 8.8% cuts (\$6.3M) to site allocations

2011/12 Budget

- 2011/12 gets worse
 - \$400M cuts equaling a 6.2% workload reduction
 - 1.67% unfunded COLA
 - Fees increase from \$26 to \$36/unit generating \$110M
 - \$129M in new deferrals (totaling \$961M)
- SMCCCD cuts \$4.9M in enrollment reductions
 - Assuming a \$8M operating deficit
 - But backfilled with 1X funds
 - Assuming an overall 2% reduction in FTES

2011/12 Budget Mid Year Cuts

- Mid-year cuts: Tier 1 is below \$1B revenue shortfall
 - No changes to state budgets
- Tier II is between \$1B and \$2B revenue shortfall
 - \$30 M cut to community colleges
 - Fees increase from \$36 to \$46/unit
 - \$23M cut to child care
 - \$548M cuts to UC, CSU and state agencies

2011/12 Budget Mid Year cuts

- Tier III is over \$2B revenue shortfall
 - All previous cuts PLUS
 - \$72M cuts to community colleges
 - Up to \$1.5B cuts to K-12
 - \$248M cut to K-12 transportation
 - Allows reduction of K-12 school year of up to 7 days in addition to the 5 day reduction already authorized

2011/12 Budget

- SMCCCD budget assumptions
 - 7.5% workload reduction (6.2% plus 1.3% for mid year cuts)
 - 1.5% deficit factor (covers \$30M mid year cut that isn't part of workload reduction plus \$25M fee shortfall)
 - Fees remain at \$36 until Summer 2012
 - Use of one time funds to hold off cuts for one more year
 - Measure G continues to support classes and student services and reduces the severity of cuts

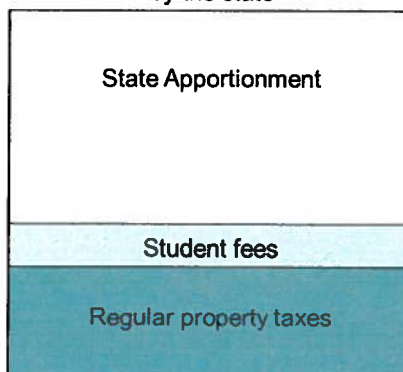
Beyond

- Further state revenue cuts in 2012/13
- District backs into Basic Aid in 2012/13
- Slight state funded enrollment growth starting in 2013/14
- Continued increase in property tax funding starting in 2013/14
- Colleges start getting positive enrollment growth funding in resource allocation model in 2014/15

Basic Aid

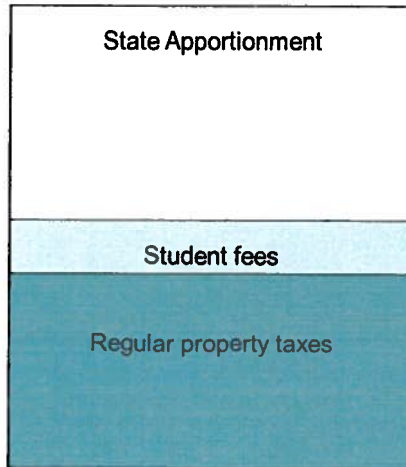
- Determine Basic Aid status of SMCCCD.

Total Base Revenue as determined by the state



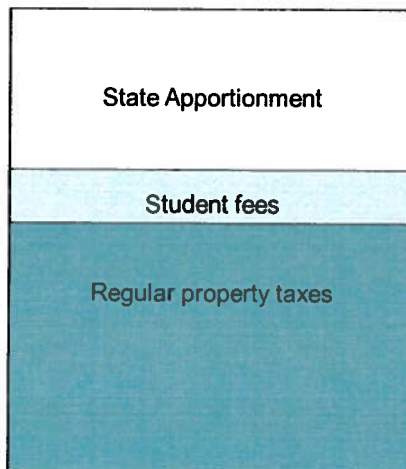
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State Apportionment
Student fees
Regular property taxes

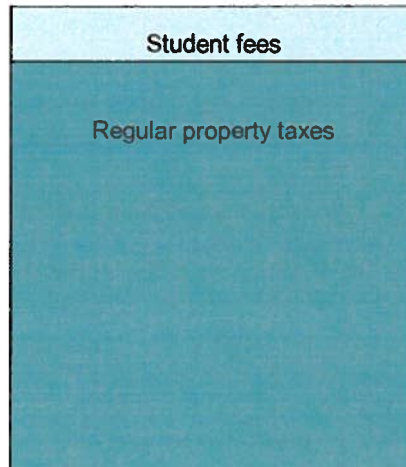
Basic Aid

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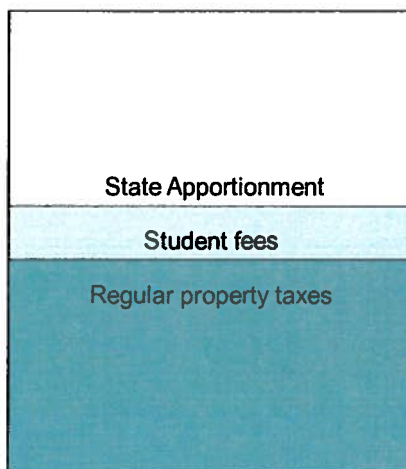
Basic Aid

- Determine Basic Aid status of SMCCD.



Basic Aid

- Backing into Basic Aid.



Basic Aid

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Student fees
Regular property taxes

Beyond

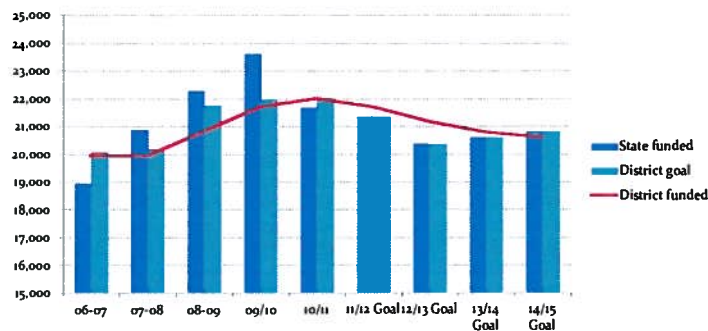
- Budget Assumptions

	12/13	13/14	14/15
FTES Growth	-2.5%	1%	1%
COLA	0%	0%	1%
Deficit Factor	3%	1%	1%
Other	Basic Aid	Last year of Measure G	

Beyond

- Resource Allocation Model smoothes the funding for the sites

FTES Funding Internally & Externally



Reserves

- Assumed mid-year cuts in 09/10 and 10/11 that didn't materialize
- Savings in utilities and other fixed costs
- Savings due to no election in 09/10
- Measure G effect on Fund 1

Reserves

- Using \$8M of reserves for 11/12
- Current projections show cuts in 12/13 of \$5.8M
- Current projections show augmentations in 13/14 and 14/15 of \$2.8M and \$3M – totaling \$5.8M
- Recommend assuming that we will use reserves in 12/13 and 13/14 and not make additional cuts or augmentations in the 3 years
- Don't need to decide yet, but will need to know in January after the governor's budget is released

Recommendations

- Sites should prepare cuts for 12/13 totaling \$5.8M
- These cuts should be prioritized
- Decisions on these cuts won't be made until the financial situation is clearer

Other Issues

- Cash flow
- RDAs
- Bond
- Investment policy
- Measure G

Questions?