

District Budget Study Group

Meeting Minutes March 5, 2010

Place: Las Positas College, 3000 Campus Hill Drive, Livermore, California

Attending: Barbara Yesnosky
Bob D'Elena
Bob Kratochvil
Dave Fouquet
DeRionne Pollard
George Railey
Heidi Ulrech
Jason Morris
Judy Hutchinson
Lorenzo Legaspi
Mike Absher
Patti Pizzi-Munoz
Pedro RuizDe Castilla
Rajeev Chopra
Sarah Thompson
Yulian Ligioso
Gary Carter – Non Member
Tram VoKumamoto – Non Member
Pushpa Swamy – Non Member

Not Attending: Cathy Gould
Celia Barberena
Joel Kinnamon
Judy Hutchinson
Kari McAllister
Laurel Jones
Mark Smythe
Natasha Lang
Pam Luster
Rachel Ugale
Tim Nelson
Dawn Girardelli – Non Member
Judy Young – Non Member

The meeting was called to order at 12:30 p.m. by Lorenzo Legaspi, Vice Chancellor, Business Services.

1. Approval of Minutes of the Meeting of February 5, 2010

The minutes of the meeting of February 5, 2010 meeting were approved as distributed

Projected Changes from 2009-2010 to 2010-11

Lorenzo Legaspi discussed the handout that showed the breakdown of major changes in revenue and expenditures in the General Fund from FY 2009-10 to FY 2010-11. The Governor released the 2010-11 budget in January. At the budget workshop the Governor proposed:

- a. that revenues for community colleges will stay the same as the prior years
- b. that community colleges are not getting the cut
- c. there is a negative COLA of .38%. For our district that is a reduction of approximately \$317,000
- d. the community colleges are provided with growth and the assumption is that it will be 1.08% growth

Revenue:

- COLA -.38% (\$317,000)
- Growth (from 16,860 FTES to 17,042 FTES – 1.08% increase) \$982,000
- Less additional FTEF due to growth (\$283,000)
- Net growth in revenue \$699,000

Total increase in revenue \$382,000

Expenditures:

- Premium increase for retiree health benefits (20%) \$795,000
- Premium increases for medical/dental/vision/life (20%) \$2,045,000
- Premium increase for property and liability insurance (5%) \$31,000
- Increase in custodial staffing due to new buildings (3.0 FTE) \$218,000
- Increase in utilities \$204,000

Total increase in expenditure \$3,293,000

Net increase/(decrease) in fund balance (\$2,911,000)

So, our projected deficit at this point is about \$2.9 million. Of the \$2.9 million the retiree health benefits and current employee benefits is \$2.8 million. Benefits are our biggest challenge this year. In recent news, Anthem/Blue Cross defended their rate increases. Even in the most difficult times they are including a 5-7% profit margin when everyone else is cutting. Lorenzo plans to write a letter to the CEO of Anthem/Blue Cross on behalf of the District urging them to contain their increases. The letter will voice our situation and request that something be done about it.

- Dave Fouquet asked the affect of the Proposed Health Care Reform that may be passed in Congress.
- Lorenzo Legaspi said that he has not done the detailed analysis on that yet.
- Dave Fouquet commented that the President has said that his Health Care plan would do away with medicare advantage. Dave said that our retiree HMO plans are Medicare advantage plans; he asked if the District knows what it would be doing if they do away with the Medicare plans.

- Lorenzo Legaspi said that if plans change, he thinks that the District will honor the benefits that were promised to the retirees.
- Rajeev Chopra asked how the medical benefits for current employees and the retirees rank with other college districts.
- Lorenzo Legaspi commented that our District has a very good benefits program and the programs really vary with other districts. In Lorenzo's estimation the District cannot sustain the increases in medical benefits for the next years to come. The District needs to contain costs and he feels that it is something that this group could assist with. Lorenzo said that he would like to form a health benefits subgroup. The subgroup would gather information. He said that the work of this subgroup would be to strictly to look at what is out there. Whatever the outcome maybe needs to be negotiated. Lorenzo reminded the group that he wanted to be clear that this group may or may not make recommendations to the Chancellor, but it will need to be negotiated.
- Dave Fouquet expressed that as a member of the FA leadership board, and the bargaining team, this kind of work is done at the negotiations level. He said that it is a negotiable matter and the FA is going to be talking about this. As a general operating parameter, anything that goes on at the DBSG is negotiable. He said that this group would not even have the power to engage faculty without FA consent. Any change in benefits has to be agreed to, not only at the bargaining table, but ratified by the membership. Both unions will be very protective of those rights at that table.
- Lorenzo Legaspi acknowledged that the unions should be protective of their rights under the contract.
- Sarah Thompson said that the insurance broker from Keenan & Associates recommended the District to do some cost containment, such as wellness program, health risk appraisals, health screenings, smoking cessation classes, weight loss classes, rewards incentives, health club memberships, incentives for weight loss, soft outreach on disease management offerings. She said that she is not sure if the FA would negotiate that. It is essentially looking to make healthier lifestyle changes for employees before tackling the premium costs.
- Dave Fouquet responded that the FA probably would negotiate that because it would be an essential element of the healthcare benefit, but it would have to be carefully evaluated.
- Rajeev Chopra commented that he understands it is a negotiable matter thus FA has to be involved. However, he said that Lorenzo's point is that DBSG subgroup is just to do an exploration and we are all in this together. In the end the numbers will be presented and voted on and, it will be bargained upon.
- Bob D'Elena said that he recalled there was an email from the PE Health faculty at Las Positas College offering to assist in this area. So, again it is not an FA issue, but more of what can our current employees do to facilitate a healthier lifestyle for the rest of us.
- Mike Absher said that the subgroup should not be any broader than just as an independent entity to collect the data that both sides would agree upon as valid. The collected data would be useful in the negotiation. He said that he is in favor of the group only for data

collection and not as part of the negotiation.

- Dave Fouquet said that in the last round of contract negotiation in 2005-06, the FA hired a consultant. They discussed various kinds of savings ideas including offering HMO coverage for out of state retirees which would save money on the PPO plans. Dave told the group that it is important to know that the current retirement benefits have a two tier system. Those hired before 1986 get their full premium paid for by the District for life, including the PPO. Those hired after 1986 is based on the matrix. If that cost goes up over time the retiree is going to pay whatever the active member pays. So, if active members are having to share a larger cost of the health benefit, that means the post '86 retirees are going to pay exactly the same.
- DeRionne Pollard commented that it is also important that all employees are considered in this issue and not just those who are represented in collective bargaining. There are at least two sets of employees on campus who are not represented by collective bargaining. So, any dialogue about these types of benefits needs to be done in a place that allows for all those folks to contribute to the dialogue.
- Heidi Ulrech said that there are some union representatives on the DBSG, but they do not always attend the meetings. So, if there is any subcommittee formed, it should be extended to everyone that is a member of this group. Those DBSG members may even open it up to their board for participation.
- Lorenzo Legaspi clarified with the group that:
 1. the sub group would be formed
 2. collect the information from Blue Cross and Kaiser
 3. union representatives would be invited to the sub group meeting
 4. both parties would hear the same information that was collected
- Rajeev Chopra agreed and said that not only the union hear all the work the subcommittee did but add to it.
- Lorenzo Legaspi said that he was hoping to get this sub group started.
- Sarah Thompson concurred it should start now.
- Volunteers for the subgroup were:
 - Bob Kratochvil
 - Heidi Ulrech
 - Lorenzo Legaspi
 - Mike Absher
 - Rajeev Chopra
 - Yulian Ligioso
 - Sarah Thompson

- Dave Fouquet said that he was abstaining from it for the moment because he would take to the union that there is an interest amongst the faculty members in the DBSG.
- Lorenzo Legaspi volunteered to chair the benefits subgroup because he has access to the resources needed for the data collection such as contacting Keenan, Kaiser etc.
- The formation of the subgroup was seconded by Rajeev Chopra.
- Dave Fouquet then asked Lorenzo about the savings in electricity costs as a result of the solar panels and if any of the PG&E rebates will be received in FY 2010-11.
- Lorenzo Legaspi said that there is about 20-25% savings in the utilities from the solar panels at the point in time. But those savings have been absorbed by the additional buildings.

Subcommittee Progress Reports

Three Year Budget Analysis Subcommittee

Bob D'Elena reported that his group has established a purpose statement:

1. to get in writing the charge of the subcommittee
2. to accumulate financial data for the colleges and the district getting actual results for the three previous budget years and the current year's actual adoption budget
3. to display the data in a usable and agreed upon format
4. to look for year over year trends in the data and then draw some relationships and some inferences from that
5. to also provide analysis factors to develop productivity relationships
6. to analyze the productivity relationships looking to improve the allocation of resources in future years
7. we will analyze our data openly and honestly so there will be complete transparency
8. we will agree to utilize data from like sources and common reports. We will use the agreed upon format and the analysis to ensure that the results are representative of the colleges and the District
9. we will be open and honest when discussing the results of the analysis
10. we will use the analysis to redistribute funds where practical and appropriate

Bob made his first attempt to do the trend analysis. He used the data for Las Positas College FY 2008-09. The reports were for various accounts by departments which he obtained with the help of Bob Kratochvil and Natasha Lang.

- DeRionne Pollard asked if these factors will be weighted.

- Bob D'Elena responded that he was not looking to weigh anything, although that is certainly a possibility.
- DeRionne Pollard said that Bob's analysis is based on the FTES factor but everyone needs access to services. So, should services be a different weight than what an FTES generates. It is something for everyone to think about.
- Dave Fouquet quoted that the community college this week produced similar data statewide on how many administrators there are in the system. The trend was that the number of administrators in the system statewide since 2001 is down rather significantly. So, that means that the administrators are being asked to do more. Dave also commented that in order to achieve the answers to the questions being asked, Bob would need to get the three year data on the hundred (100) level of the account number.
- Bob D'Elena responded that as a first step in the process for the analysis using 100 levels is almost an unattainable task. Therefore, it needs to be started at the thousand level, obtain the outliers then go into the hundred level.
- Dave Fouquet sees that as a problem because the 1000 accounts under academic salaries do not break it down between faculty and administrators. The difference is shown only at the 100 levels.
- Bob D'Elena said that the intent of this committee was not to dig down and pull apart the entire financial data. It is to look for trends and outliers and then examine the subgroups within the 1000 levels. Bob said that he is planning to meet next month with his sub-committee and decide as a team on how to approach this. Bob asked that if anybody else has any feedback to send him an email.
- Lorenzo Legaspi volunteered Judy Hutchinson to provide Bob with the data, headcount, FTES etc.

Allocation Model Nuts & Bolts

Dave Fouquet reported that his group has not met since the last DBSG meeting. One of the reasons for that is at the last meeting it was suggested that we do the comparative study of the best practices at other districts. The comparative study has been provided with this agenda. Dave added that an allocation model is a formula that basically tries to anticipate the changes or potential types of changes in revenue and produce a set distribution of either the good or the bad news to the sites. He suggested that the DBSG, as a group go through an exercise of allocating revenues without a model for a couple of years.

- Heidi Ulrech said that at the last DBSG meeting she had the impression that the evaluation of the current model was to be continued.

Board Policy

DeRionne Pollard gave a brief report. The subgroup is to:

1. review the charge of the committee
2. identify the task
3. develop a timeline and a meeting schedule

4. identify the responsibilities and next steps

Judy Hutchinson will be the support staff to the group and she has already reserved a room for the meeting.

6. Response to Accreditation Recommendation #2

Lorenzo Legaspi discussed the memo that the Chancellor directed to him on the district and college accreditation recommendation #2. Additionally, he referenced the PowerPoint that the Chancellor presented to the Board of Trustees. The district-wide recommendation is that the district and college complete the evaluation of the resource allocation process in time for budget development in the 2010-11 academic year, ensuring transparency and assessing the effectiveness of resources, allocations, and supporting operations, complete the evaluation of the resource allocation process in time for the budget development for the 2010-11 academic year.

The Chancellor's response included that the DBSG will assess the effectiveness of the allocation model to determine transparency and its operations, to evaluate and include a comprehensive fiscal analysis, including a minimum of three years of historical and comparative data. DBSG will develop a report with any recommendations to the Chancellor by October 1 to meet the accreditation team requirements. Any adopted recommendations will be considered prior to the budget development process in the 2010-11 year which will be for the 11-12 fiscal year. Lorenzo said that the DBSG will have to complete their report in the 2010-11 year. The accreditation team is looking for us to implement the recommendations for the 2011-12 year.

- Dave Fouquet said that the first paragraph of Joel's memo says that the accreditation team states, the district and college complete the evaluation of the resource allocation process in time for budget development for the 2010-11 academic year. So, the budget that is being developed for 2010-11 goes into effect in 11-12 budget. Dave asked if we are impacting the 2010-11 budget at all.
- Lorenzo Legaspi said that the district needs to meet the accreditation team's recommendations. To respond to that, they are saying that we complete the evaluation in the 2010-11 fiscal year.
- Dave Fouquet said that it seems like they are asking us to do it in time to do our budget for 2010-11 and that means that they are saying we need to get it done with the evaluation done yesterday.
- Lorenzo Legaspi said that the interpretation was that we need to do an evaluation to be completed in the 2010-11 year. At the last meeting it was decided that completing the evaluation in time was close to impossible.
- Heidi Ulrech commented that she did not think that the evaluation can be completed in this fiscal year.
- Dave Fouquet commented that obviously there is not enough time to construct a new model to have it in place in time for 2010-11 budget. He suggested that it might be worthwhile to go without a model for a short period of time. If we are not getting new revenues, the biggest impact that we have to face is cuts. If we go through another round of cuts I would

not want to be using the existing model, as it was done in the current year, when we know the existing model has problems. Dave said that if we do not have the ability to construct a model, it is a good idea to go through the exercise of using the current allocation numbers and lay it all out in a spreadsheet and make it free for all.

- Heidi Ulrech commented that in these tough economic times that would concern her. She felt the need to have some structure with the position we are in right now.
- Dave Fouquet commented that he knows it is tough fiscal times, but when cuts are instituted, the colleges get over squeezed and the district gets under squeezed in the non-instructional side.
- Sarah Thompson said that she has concerns about the due date of October 1st. She said that both colleges also have to write their responses to the recommendations by October 15th. A lot of people would be actively involved in this and would be sidetracked. She asked if a later date is possible.
- Lorenzo Legaspi responded that the Chancellor's memo to him and the group asked for a report by no later than October 1.
- Bob D'Elena asked if we can request the Chancellor to differ on the date since there are other things due in October.

Update on Spreading the Hurt

Bob D'Elena wished the Chancellor was at the meeting today because he was not at the meeting when Bob spoke about the financial crisis the colleges are facing today. He said that at the past meeting he spoke about how corporations deal during tough financial times. One of the basic things is try not to make cuts where it affects the customer. For us our customer is student and so cuts should be made from support functions where the customer is not directly impacted i.e. Human Resources, Payroll, M&O. However, in the weekend paper the district had advertised for two jobs, a Payroll Technician and an Accounting Assistant. Bob said that neither of those jobs face and deal with students. Also, in the past meetings he talked about hiring freeze in a time of economic crisis and other measures such as leaving open position unfilled in certain support areas and reallocating those dollars to the colleges. The two positions together will be costing the district somewhere around \$110,000 dollars. That amount could teach 21 additional classes, with 35 students per class. It is a conservative number because there are not any classes with 35 students but up in the 40's this semester. That equates to another 745 students or an additional 50 FTES. So, are we as a district making decisions on how to allocate dollars? It seems like we view a Payroll Technician and an Accounting Assistant as having more value than 50 FTES'.

- Lorenzo Legaspi acknowledged Bob's analysis. He said that the district had two payroll people, one retired and this is a replacement. There are over 1400 employees which includes full time faculty, staff, and adjunct. The Accounting Assistant is in accounts payable. The District deals with \$100 million budget and another \$500 million in measure B funds. Invoices have to be paid and to cut accounts payable by 30% is not reasonable. It is not a direct impact to the students but it will be an indirect impact to students.

- Bob D'Elena responded that in tough economic times the resources need to be reallocated and utilized differently to do business.
- Rajeev Chopra commented that from accounting point of view he understands that more bodies are needed to account for millions of dollars and replacing a person is fine. But, the sentiment at the colleges is that when there is a budget cut, the open positions are not filled, and existing ones are being cut. When the Diversity Manager was hired at \$130,000, the colleges did not see a need to fill a position that did not exist. The salary amount of \$130,000 could have taught a total of 1440 students at both colleges. So, when colleges see this, it is an element of saying "is district spending the money wisely at this point"?
- Jason Morris commented that the district target has been lowered by the state because the funds are not there to pay for the students that we are serving. So, if you are reallocating or redistributing funds, it should not go into FTES because we are already over our target. If anything, it should be directed towards Counseling.
- Lorenzo Legaspi acknowledged the sentiments expressed which gives a greater sense of urgency for us to do our work and to answer these questions. The DBSG should work as a group to gather the data and determine whether things are fair or unreasonable and not to beat up on each other. Lorenzo encouraged the group to continue with the open and honest discussions.

The meeting was adjourned at 2:10 p.m.

Next meeting is on May 14, 2010.

Meeting minutes prepared by Pushpa Swamy