

## **District Budget Study Group**

### **Approved Meeting Minutes**

**May 14, 2010**

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

**Attending:** Barbara Yesnosky  
Bob D'Elena  
Bob Kratochvil  
Dave Fouquet  
George Railey  
Heidi Ulrech  
Jason Morris  
Judy Hutchinson  
Kyle Judson – Substitute for Mark Smythe  
Laurel Jones  
Lorenzo Legaspi  
Natasha Lang  
Pam Luster  
Patti Pizzi-Munoz  
Pedro RuizDe Castilla  
Rajeev Chopra  
Sarah Thompson  
Tim Nelson  
Yulian Ligioso  
Tram VoKumamoto– Non Member  
Pushpa Swamy – Non Member

**Not Attending:** Cathy Gould  
Celia Barberena  
DeRionne Pollard  
Joel Kinnamon  
Kari McAllister  
Mark Smythe  
Mike Absher  
Rachel Ugale

#### **Call to order**

The meeting was called to order at 12:45 p.m. by Lorenzo Legaspi, Vice Chancellor, Business Services.

#### **1. Approval of Minutes from the Last Meeting**

The minutes from the meeting on March 5, 2010 were approved as distributed.

## **2. Subcommittee Progress Reports**

### **Three Year Budget Analysis Subcommittee**

Bob D'Elena reported that he has encountered a number of hurdles to accomplish the task of analyzing the historical data and compare it to the current budget to look for outliers and find ways to improve our resource allocation. He has to rely on other people to obtain the data. Once the data is obtained, he may not attend to it immediately due to his busy work schedule, which has been a problem. The last two committee meetings were poorly attended. There were no representatives from Chabot College and the District office. Bob met with the Vice Presidents at Las Positas College and obtained some information, but again, due to their busy schedules they could not continue any further than a draft that was shared at the last DBSG meeting. At this point, a new approach is required because there is nothing of value to share with this group. He asked if the group has any suggestions. Bob himself suggested for someone to work on the project on a temporary basis; a person who is external to the district community. This person should have access to the data that the subcommittee requires.

- Barbara Yesnosky volunteered to pull the data for the subcommittee
- Natasha Lang commented that this is a large project and it will take someone who can not only capture the data, but can systematically analyze it too.
- Rajeev Chopra shared a report that he extracted from the allocation model survey. The survey was done by School Services of California and made available to the DBSG online at the last meeting. The report was for Kern Community College District which showed a detail breakdown of the fixed cost expenses. The report covered costs over two years and trends were analyzed to compare the increase/decrease from the prior year. Rajeev said that we may need someone who can do a similar set up for us which would create a monthly report that would correlate between the District and the Colleges.
- Lorenzo Legaspi acknowledged that this is a good project Bob has started and it is also part of the Accreditation response. The data is available, but it depends on how we want to analyze it to get a proper assessment. Lorenzo offered to collect the 3-year data as it is submitted to the State. Other districts also report their data similarly to the State, which we can use to do a comparison study. Most of the work can be done internally.
- Bob D'Elena asked for a consensus to continue with the project over the summer with help from the staff to get to the initial step before we hire someone.
- Yulian Ligioso commented that we can start with obtaining the statistical data as submitted to the State, and then make an assessment to determine if that is sufficient for our needs. He said that he understands the importance of responding to Accreditation, but we are also looking at this budget climate to further reducing expenses at the college level.
- Sarah Thompson expressed that Bob is on a 10 month pay cycle. If we use his expertise over the summer he should be compensated for release time as a consultant.

- Lorenzo Legaspi commented that people put in tremendous amount of hours towards DBSG and nobody gets compensated.
- The subcommittee agreed to meet at the District office on May 21' 2010 at 10:30 a.m., with the interested people. Bob D'Elena will meet with Barbara Yesnosky between now and the end of the school year to discuss the approach and then share it with Chabot College and the District. It was agreed that the Three Year Analysis group will move forward with gathering the data with the help of the staff.
- Sarah Thompson reported that she attended the February Council meeting and had a discussion with the Chancellor on the Accreditation response date of Oct. 1<sup>st</sup>. At this meeting Sarah requested that the October 1<sup>st</sup>. deadline for the Accreditation recommendation for the allocation review be pushed back. The October date would be infringing on the Colleges's ability to respond to the other two recommendations that they are working on. According to Sarah, the Chancellor agreed to push the deadline date from October to December, as long as the allocation review information is available at the start of the following year's budget cycle; although the Chancellor did not identify a date. It was discussed that essentially January is when the formulation of the budget is prepared, so December would be the logical time for the announcement to come.

### **Allocation Model Nuts & Bolts Subcommittee**

Dave Fouquet reported that the group had meetings on 4/23/10 and 5/7/10. The group discussed the following allocation model questions from the 2/5/10 DBSG meeting and made recommendations:

#### ***1. What are the strengths and weaknesses of the current model?***

##### **Strengths:**

- a. Once budget was established, District could not take back funding from the Colleges in the calendar year; Colleges controlled their own budget
- b. The model makes an attempt to be predictable
- c. The model is intended to be fair and equitable.

##### **Weaknesses:**

- a. The model is designed around program-based funding superseded by SB361
- b. The model is out of date and expresses revenues in fantasy dollars which is difficult to comprehend
- c. It fails to account for work done by DEMC
- d. It does not distinguish instructional and non-instructional costs, which creates a disparate impact of non-instructional reductions at the site-levels
- e. It does not take program costs into account—not all expenditures are similar at the Colleges, but the Colleges still have to fund them out of their allocation – many such expenditures cannot be cut by the Colleges without political support from the District and Board of Trustees
- f. The model is too complicated to be understood by most
- g. The current model has been tweaked to an absurd level

- h. The model seems to work better allocating for personnel costs than it does for the supplies, services, capital outlay etc.

**2. *What are the best practices of allocation models at the other two college districts?***

The allocation models from three other colleges with comparable size to our district were looked reviewed.

- a. Kern Community College District (KCCD) was used for their clarity of lay-out with good delineation of changes in funding & spending from year to year. District total appears to be only 16% of the allocation
- b. Los Angeles Community College District (LACCD), revenue is shown as being generated by each College; then assessed to fund District services
- c. San Diego Community College District shows multiple planning opportunities, guiding principles and a possible angle to incorporate program needs

Most of the models allocate funds based on prior year FTES to the Colleges, then the Colleges allocate for District/Admin Services; whereas, we take District and M&O costs off the top. There is a discretionary fund for shortfall years; clear guidelines on how deficit spending is handled and repaid.

**3. *What are the measurements of effectiveness of the model?***

CLPCCD ignored the standards set in program based funding which was the basis of the model.

**4. *How will we evaluate an allocation model in the future?***

Evaluation measures should be based on the strategic goals of the District and Colleges. Measurements may include statutory and Ed-Code requirements, such as 50% Law, etc.

**5. *What do we want the model to account for in the future? (Question added by Dave)***

- a. Account for DEMC work
- b. Delineate between instructional and non-instructional costs
- c. Ensure colleges are adequately funded for adjunct FTEF costs
- d. AB1725 suggests that college Presidents, VP's of Administrative Services, and College IT should fall under the 14.2% allocated to College/District Administration
- e. Determination of proper allocation to District office and M&O
- f. Account for Athletics, IT
- g. Additional SB361 criteria, such as foundation revenue (higher for college over 10K FTES) and College Centers
- h. Stability/restoration adjustments

**6. *How does it address enrollment growth?***

FTES targets are determined at the DEMC level to take into account the enrollment growth. The group needs to discuss the extent to which allocation of non-instructional resources might occur in a similar way.

**7. *How does it address Cost of Living Adjustments?***

- a. Does not address Cost of Living Adjustments.

8. *How does it address salary adjustments; annual increases in step and column?*
  - a. Does not address salary adjustments
9. *How does it address medical and dental costs?*
  - a. Medical and dental costs are based on negotiation with carriers and insurance brokers

#### **Questions from other sources**

1. *From the District office perspective, what are the advantages and disadvantages to the allocation model? To be addressed by the Vice Chancellor, Business Services*
2. *What would the College Administrators say are the advantages and disadvantages to the current allocation model?*

Is this where we might address areas in which the Colleges are not being funded properly?

4. *Does this model support and link our mission/vision/policies?*

One comment made several times at DBSG is that the colleges are here to serve students and the community; students are not in the best position to appreciate our well-staffed HR department.

5. *Does this model work when budget reductions have to be made?*

The cost of full time equivalent faculty (FTEF) is a large portion of the total spending at the colleges. FTEF is allocated to the Colleges through District Enrollment Management Committee (DEMC). The model does not separate FTEF and non-instructional/discretionary spending, which includes student services. As a result, colleges have to cut much deeper into non-instructional spending.

6. *What would the collective bargaining representatives say about the formula?*

The District Office gets off way too easily when cuts need to be made. The 14.2% share of total revenues for District Administration seems higher than in many other districts; given the level of administrative costs that are passed on to the Colleges. Also, when it comes to making cuts that are strictly on the *non-instructional* side of the ledger, the 14.2% comes out too low.

7. *How effective was the allocation model for 2008-09, 2007-08, and 2006-07?*

Question number 3 has to be addressed first

#### **Other questions**

- a. What are the goals for reserve levels?
- b. How do we plan for increases/decreases of reserves flow through the model?
- c. Is there a hold-harmless provision in the year of implementation?
- d. How is mid-year funding revisions addressed?
- e. How is mid-year funding increases rolled out?
- f. How are year-end balances accounted for in next budget cycle?
- g. Allocation of direct/indirect support services costs

#### **Other comments**

1. Reserve levels of 5% or a similar number is in the Board policy. RUMBL was a District expense that was moved to off the top in the allocation model. Other reserves were discussed and approved by the DBSG in the old days. There is a need to have a Reserves Committee.

2. If there are midyear cuts and increases by the District, there is the potential for the Colleges to lose all autonomy and have the District dictate as it did prior to the model's adoption. The College Presidents were more middle managers.
3. During stability restoration funding adjustments, how would the Colleges be funded?
4. If you go to a cost model, the devil is in the details. What is approved cost and what happens to overage or underage either in macro (college) or micro (divisional)

### **Recommendations to DBSG**

1. Model needs to accurately reflect SB361.
2. Have a clear link to DEMC work to ensure equitable funding and impact on non-instructional costs.
3. A better understanding and control of District Reserves.
4. Three Districts were identified (Kern CCD, LA CCD, San Diego CCD) as having elements worthy of further exploration
5. Formulate a set of guiding principles and procedures
6. Model to provide for a strategic review of current College plans and cost requirements; such planning and funding needs should be integrated into District planning, and used to evaluate District services and outcomes.
7. Cost of Living Adjustments, salary adjustments, medical and dental costs are all negotiable expenses.

Lorenzo corrected Dave that Kern's 16% fixed costs does not include their Maintenance and Operations expenses. At Kern, the Colleges are responsible for the cost of M&O.

- Bob D'Elena asked if the next step is to work on the current model or build a brand new model.
- Dave Fouquet suggested that it might be easier to construct a new model using the old model as a guide, but start with a blank spreadsheet.

The group agreed that the next step is to further explore other districts' models. Each of those models has a piece that is really effective and can be applied to the current model.

- Sarah Thompson commented that the recommendations made by the allocation model committee suggest formulating the guideline principles and not the procedures for everything. She said that the guiding principles for the allocation model might be slightly more specific to the allocation model than the broader guiding principles for the DBSG or for the entirety of the budget. Sarah then asked for a consensus from the group for the guiding principles to be incorporated into Board policy.
- Lorenzo Legaspi commented that the document presented by the Allocation Model subcommittee today, May 14, 2010, can become part of the Accreditation response. He asked if the document needs more work with further objectives and maybe reconstruct some of the statements.

- Pam Luster said that the documentation is not the final product, but it can be refined and used as the backup.

The consensus of the DBSG was to start with the guiding principles and then decide whether to create a new model or use the existing model with the identified changes.

### **Board Policy Subcommittee**

DeRionne Pollard, the group leader was not present at this meeting. Lorenzo presented the report from the last meeting. The group met last Tuesday, May 11, 2010 and discussed the existing Board Policy.

- The DBSG and district management will recommend to the Board the level of permanent and general reserve with which to start the year. If the DBSG and district management cannot reach an agreement, then the two separate positions shall be presented to the Board of Trustees, who shall decide the matter.
- Each center is responsible for the budgets allocated to it. Each center must balance its own budget and must not deficit spend. Surplus monies remain with the center which saved them.
- FTES targets for each college will be established by the Enrollment Management Committee, in consultation with the District Budget Study Group.
- The District Budget Study Group (DBSG) shall consider and make recommendations to the Chancellor upon any matter that affects the district financially, specifically as related to this allocation model.
- Lorenzo said that the DBSG may collect information on financial matters pertaining to collective bargaining issues, but any decisions on such matters will be referred to the appropriate bargaining agents.
- Sarah Thompson followed up on Lorenzo's report and said that basically, the subcommittee identified the DBSG's responsibilities in the current Board Policy 3110. The group then discussed the responsibilities that are currently being exercised and whether it should be continued in the same manner or reincorporate it. This has to be decided. Some of the responsibilities identified were; the recommendation of the reserves, the expansion of the deficit, and the formalization of the relationship between DEMC and DBSG. Also discussed in the meeting was the terminology in the current policy. She said that a decision needs to be made and somehow integrate it into the DBSG calendar. Sarah said that it is outlined in the current Board Policy 3110 that if District Management and DBSG do not agree, then there is a process to go to the Board for their decision.
- Lorenzo Legaspi added that the current policy needs some changes, for example, health and welfare benefits relates to finance yet faculty members on the DBSG does not wish to participate.

- Rajeev Chopra suggested that the Board Policy should also include a requirement for a periodical district-wide semester financial report, along with the annual financial report. The semester report would give the Colleges a status of the finances by semester.
- Lorenzo Legaspi acknowledged that it is a good idea but, should happen at the College level. The College finances are driven at the College level, based on its operation.
- Sarah Thompson finalized that the three recommendations identified at the subcommittee meeting which were the reserves, the expansion of the deficit, and the formalization of the relationship between DEMC and DBSG. She asked if the consensus of the DBSG committee was to keep working on the current policy or start with the guiding principles.
- Dave Fouquet requested that the Board Policy Subcommittee incorporate in their guiding principles a set of tenets from other colleges that the Allocation Subcommittee had identified.
- Pam Luster asked if there is an action from the DBSG to accept the recommendations of the subcommittees as they are presented to this group.
- Jason Morris made a motion that the DBSG accept the subcommittee recommendations.
- Pam Luster seconded
- Heidi Ulrech suggested that the group accept the report as a preliminary and continue to review it.

There was a consensus from the group to accept the preliminary report and continue the work.

- Sarah suggested that the Board Policy Subcommittee continue to work on the guiding principles and present it at the August meeting. The Allocation Model Subcommittee can then review the draft of the guiding principles for any duplicate recommendations and then decide on moving forward. By then, the Budget Data Analysis Subcommittee should also have some information available.

### **Health Benefits Subcommittee**

Lorenzo Legaspi reviewed the handout on the Districts benefits cost comparison for 2009-10 and 2010-2011. Based on the numbers, the weighted average increase for the entire District is about 10.5%, or about \$1 million, that our budget is absorbing. He said that if benefits cost is increasing the budget by \$1 million, then other areas of the budget have to be adjusted. He mentioned that according to the employee benefits survey available on our website, conducted by Keenan & Associates, insurance broker our district provides the highest benefit cap compared to all other Districts.

### **1. Other Business Models**

Bob D'Elena talked about other business models. He said that when revenue was plentiful, we served our students with a full range of classes, undertook new projects, built reserves and did other growth activities. The District has been very successful in doing those kinds of things in times of economic prosperity.

At a prior meeting Bob talked about spreading the hurt and described how some businesses do that. He said that at the Colleges we are cutting classes, lacking Counselors and have insufficient library hours. He asked how the District backstage is being cut in order to support the efforts of the students. He said that the Colleges are feeling a lot of pain and they do not see that there is an equitable amount of hurt being shared.

Rajeev followed up with Bob's report and shared a visual of a three tier pyramid. The pinnacle of the pyramid depicted our smiling students at the front end during good times, next was the direct student support services such as, Counseling, DSPS, Admissions and Records; at the bottom was the back end. He said that the cuts are always made at the front end to the customers who generate revenue; the back end has yet to be seen.

- Jason Morris commented that the class cutbacks happen because of state not funding FTES for overages.
- Lorenzo Legaspi added to Jason's comments and said that the District is not getting the appropriate funding from the State. At P2 the District served 18,800 students, the highest in its history. The District did this at the most difficult time since the great depression, and we should be proud of that. Lorenzo commented that we have done a tremendous job as a District, again serving the highest number of students we have ever served in our history. He begged of the group not to beat up on each other, but work together and work smart. He said that we will get through these difficult times.

## **2. Future Meeting Dates**

Lorenzo opened it to the group for a voluntary meeting in June. The group agreed to meet on June 11, 2010 as scheduled, but change the time to begin the meeting at 10:30 a.m. instead of 12:30 p.m.

### **Adjournment**

Meeting adjourned at 2:40 p.m.

Next meeting June 11, 2010 at 10:30 a.m.

*Meeting minutes submitted for approval by Pushpa Swamy*