

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
District Budget Study Group
December 3, 2010

Minutes

Present

Jeff Baker	Guy Lease
Celia Barberena	Lorenzo Legaspi
Dave Fouquet	Pam Luster
Justin Garoupa	Tim Nelson
Mary Anne Gularte	Jacob Park
Judy Hutchinson	George Railey,
Kyle Judson	Pedro RuizDe Castilla
Kathy Kelley	Sarah Thompson
Joel Kinnamon	Heidi Ulrech
Bob Kratochvil	Barbara Yesnosky

Non-Members

Rita Brown
Dale Wagoner
Laura Weaver

Absent

Yvonne Wu-Craig
Bob D'Elena
Ming-Lun Ho
Howard Irvin
Natasha Lang
Keith Level
Yulian Ligioso
Gordon Watt
JoAnne Bishop-Wilbur

1. Approval of Minutes

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

II. Subgroup Progress Reports

Three-Year Budget Data Analysis

Bob D'Elena could not attend the December 3rd meeting and he requested Ms. Thompson to report on the Three Year Budget Analysis. Ms. Thompson reported that the subcommittee was formed to do a productivity analysis of where the financial resources were currently situated and how they were spent. But unfortunately the group really struggled with the magnitude of the project because of the difficulty in obtaining the necessary data.

The charge of the committee was:

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

Ms. Thompson did not believe that the work of the group had been completed. She asked the DBSG if they felt the work of this subcommittee was valuable and whether it would support the committee to continue their work. If not, then it could be dissolved and Mr. D'Elena's talents could be utilized elsewhere.

Mr. Kratochvil commented that the intent of the committee was to get the dollar amount spent per staff per FTES based on admissions and records, compared with the two colleges. However, the committee never got to that stage because the local data was not available to create those indicators that would show the ratios. He

believed that Ms. Thompson's point was (a) whether to go back to the original task or (b) are we satisfied with the current approach which is a different level of financial detail.

Mr. Legaspi felt that Mr. D'Elena had done a tremendous amount of work in looking at our budgets. He clarified that the data is available, but it is just difficult to get it into the format that is required by the committee. We were very supportive of the work the committee was doing, although it took us to different directions, we can still continue with the work. However, at this point the work of the committee needs to be assessed and identified so that we could respond to the accreditation recommendation.

Ms. Kelley commented that as with shared governance, decisions made as a group need to be followed through until completed unless there was compelling reason not to. Otherwise, the group needs to re-assess if a particular process is working. She suggested looking at the last three-year cycle combined with Mr. Fouquet's recommendation and work with various scenarios that would work with actual dollars and actual current circumstances.

Dr. Barberena asked that the subcommittee provide the charge of the committee and documentation of the status of work thus far. Then the group can assess the material that has been obtained and what is needed.

Ms. Thompson clarified that at the next meeting Mr. D'Elena would report on the charge of his committee and the status of the work completed to date. Based on the report, the group would decide the future of that subcommittee.

Ms. Ulrech supported the idea of an evaluation of the three- year budget analysis subgroup, but suggested that the process be put on hold until the completion of the accreditation response.

The group unanimously agreed with Ms. Ulrech's suggestion.

Allocation Model Nuts & Bolts

Mr. Fouquet shared the issues with the current model his subcommittee identified and the recommendations for the new model. Based on the current revenue allocation model, he did a breakdown of the 2010-11 adoption budget and presented it to the group.

The current computations are based on Program-Based funding (AB1725); it needs to be reconstructed to reflect SB 361.

The Model was developed before the advent of DEMC allocation of FTEF. It was tweaked to take fulltime salaries "off the top," but DEMC work affects FTEF costs only. A discussion has to happen to decide on the extent of the use of DEMC formula in the allocation.

Model is not only FTES driven, but percentages to the colleges are also affected by the sections for Instructional Services and Student Services. The purpose and application of such expenditures needs to be discussed.

DEMC allocation accounts for special productivity requirements in allocating FTEF. Currently, there is no comparable system to account for special program requirements that are not directly related to FTEF (e.g. Athletics, Child Care center, requirement to have a Director of Nursing, instructional and lab assistants, etc.). We need to have a discussion as to the extent this needs to be included in the model.

The allocation structure appears to short change the colleges. The model has been tweaked too heavily with many additional needs and taken "off the top" that only a small portion out of a total is "left over" for allocation

via the model. It is recommended that a study be done to evaluate the allocations in the other categories, mainly in the area of “Discretionary Allocation.”

“Off the top” allocations means the colleges absorb most of the cuts; therefore, college-level supplies, faculty re-assign time, and student services become the low-priority items. Cuts should be made in the order of priorities — needs to be discussed in conjunction with adjustments for college responsibilities.

The 14.2% set for district administration includes monies for the offices of college Presidents, Administrative V.P’s, and college-level IT, which are presently expensed from college budgets. It appears that District allocation needs re-assessment. We also need to discuss the extent to which allocations to SERP, RUMBL, etc., fall into this category.

M&O continues to get a recurring “reserve augmentation.” Reconfigure the allocation to M&O, and establish minimum allocation (and service levels) in bad budget times.

It needs to be studied whether Contract Ed revenue can be used to help run the District as a whole.

Study and evaluate the primary “off the top” expense group (Also consider other items such as the basic PG&E bill) and how such adjustments should affect allocation to District Services.

Mr. Fouquet concluded that the model has been tweaked so heavily, with many additional needs taken off the top, that only a small portion out of a total of \$112 million is actually left over for allocation via the model.

Mr. Legaspi clarified that the District allocation model only allocates the state apportionment. The site specific revenues do not come “off the top.” He felt that it was not accurate to say that the colleges appear to be short changed, the entire district has been short changed because of some of the “off the top” things such as RUMBL. So, the District office, which was once at 14.2%, is now at 9%.

Dr. Lease commented that if the district operates only at about 9% of the 14.2% revenue allocation based on the programmed allocation model, it seems that the subcommittee needs to use SB361 formula to generate real numbers. The pain for the deficit would then be spread equally.

Mr. Legaspi responded that this is one of the flaws of the District’s current model. We are using the program based budgeting from many years ago and then deficit it to the actual current year budget. He clarified that Mr. Fouquet would need to change the input variables on his worksheet to bring the numbers to current.

Mr. Fouquet acknowledged, but said that one of the positive things about the program based funding was that it accounted for student and instructional services. SB361 may not take that into account.

Mr. Legaspi clarified that under SB361 the state does not fund the District based on square footage anymore and that has also caused the squeeze to other areas of the budget.

Dr. Kinnamon commented that whenever abnormalities contribute to expenses, the District as a whole is impacted in the 4-6 thousand accounts. Some of those situations could be unexpected legal fees for collective bargaining. He said that until we get more money, or figure out how to spend less money, it would continue to get worse.

Mr. Wagoner commented that the District was already well over cap and that it was generating artificial numbers into the model. He suggested to use the funded FTES which he felt would actually close the gap significantly.

Mr. Fouquet commented that under AB1725 the discretionary allocation category of 14.2% included the offices of the college-level Presidents, VP's, Administrative Support, and the college-level IT, which are now paid by the colleges, and then the underfunding of M&O. In addition, district services receive a large piece of the unrestricted dollars from Contract Education. Some of those dollars could be used in the District as a whole.

Ms. Kelley commented that decisions made by the group should be done openly based on the facts rather than the mysterious arbitrary numbers. She asked the group whether program based funding was still a good idea, or do we want the budget model to be something simple and funded on per FTES basis, or do we want the expenses categorized by each area.

Mr. Legaspi said that at the last meeting a motion was made for the Allocation Model Subcommittee to identify what does and does not work and why in the current model.

Dr. Barberena said that a request was also made to provide a recommendation for improvement in the allocation model which she did not feel has been provided yet.

Mr. Fouquet asked if the group would want the subcommittee to continue to work on that issue.

Mr. Legaspi felt that enough information was available to answer those questions. The natural progression was to review and examine, then determine whether to revise the current model or create a new model. However, that would have to be done separately and would require a lot of work. In the near future the group would have to answer the accreditation recommendation. He offered to summarize the pros and cons from the minutes of this meeting to be used for the accreditation response. He then asked if the group has any objections.

Mr. Fouquet commented that a model is very abstract and he felt that sometimes it might be a useful exercise to work without the allocation model. One of the charges on the accreditation issue was to come up with something that would impact the 2011-12 budget. He did not believe that it meant to create a new abstract model for 2011-12 operation. He thought the Accreditation Commission was looking for a shared governance to have the budget allocation decisions made with open dialog with the colleges.

Mr. Legaspi said that the key words in the recommendation were evaluation, allocation and resource allocation process. He then read out the accreditations recommendations "to meet the standards the team recommends that the district and the college complete the evaluation of the resource allocation process, in time for budget development for 10-11 academic year. Ensuring transparency and assessing the effectiveness of resource allocations in supporting operations."

Dr. Barberena commented that the response to the description of the evaluation and the assessment and effectiveness of the resource allocation would be based on the minutes of this meeting which would have all the information discussed.

Ms. Kelley suggested that the people that truly understand the financial details of this budgeting process meet in a spirit of collaboration and deal with issues that have been determined to not work well. They could take the model and simulate it by substituting the real numbers and plugging in numbers from the past three years. Then look for the projected short falls for the coming years and see what works and maybe play out a couple of scenarios. She added that after the evaluation a decision could be made to adopt portions of the model that worked and adjust those areas that do not work.

Ms. Ulrech commented that the group needed to be focused on the fairness of the allocation model to make modifications.

Dr. Lease said that there was a sense that if the District was taking money “off the top;” the colleges must be getting less dollars per FTES. It does not seem that difficult to look at the total amount of dollars that both colleges received per FTES, and compare that with the other colleges around us.

Mr. Fouquet said that his committee first looked at how the current model functioned to offer historical perspective on how the original allocation model was created. In the second phase they did a comparison study with other districts. It seemed that the discussion in the last few meetings was that there were a lot of new people in the DBSG who did not understand how the model worked.

Dr. Barberena reminded that in the last meeting a motion was made, seconded by Ms. Kelley, that the subcommittee was charged to find a description on what worked and did not work in the current model and why, and provide a recommendation for improvement.

Mr. Legaspi said that the answers to those questions could be and would be part of the response to the accreditation recommendation.

Board Policy

Dr. Gularte reported that the Board Policy subcommittee was eager to continue their work and is looking at the next part of the policy. A copy of the draft policy was distributed for consideration by the group and their feedback. The committee would look at the accreditation documents to determine the material that could be pulled into the draft policy. The policy would be wrapped around the purposes of planning and setting the policy from procedures. The remainder of their charge was to clean up the procedure portion of the policy documents involving DBSG principles governing allocation of revenues, etc. The allocation model would fold in behind the procedure and then have all the pieces flow together.

Dr. Gularte pointed out that the subcommittee would look at language regarding the assessment of the entire process. They used a checklist and compared the policy on budget and looked at the other districts to see how they were being covered. It needed to be short, easy to read, clear, easy to understand, and to provide the framework under which to help build the model. They also reviewed the mission and vision statements of the three sites and included them in the policy documents. Services to students would be placed at the foremost priority in the budget. There would be opportunities for input from the DBSG, the Chancellors Counsel etc. Dr. Gularte encouraged the group to provide her with feedback on anything that is too vague. The subcommittee would meet in two weeks.

Ms. Thompson added that the committee’s goal for the second part is to eventually operationalize the main points.

III. Recap of Where we Are

Mr. Legaspi summarized the following recap of the accomplishments to date.

December 2008 – August 2009

Organizational Meeting (Identified Members/Constituencies) Educational

- Board Policy, State’s Funding Model SB 361
- District’s Revenue Allocation Model
- District Enrollment Target and FTEF Allocation
- Budget Development (Tentative, Adoption)
- Position Control, Medical Costs, State Apportionments
- Actuarial Study , OPEB Liability

October 2009 – November 2010

Discussion on Process and Timeline

Board Policy, Allocation Model, Productivity Levels

Formed Sucommittees

- 3-Year Budget Data Analysis, (Bob D'Elena)
- Allocation Model Nuts & Bolts, (Dave Fouquet)
- Board Policy, (DeRionne Pollard)

Accreditation Comments related to DBSG and Evaluation of Resource Allocation Process

Subcommittee Work and Documents

3-Year Budget Data Analysis – Budget Trends/Productivity Analysis

Allocation Model Nuts & Bolts - Survey of campus Budget Allocation Models
Foothill-DeAnza Community College District
Kern Community College District
Los Angeles Community College District
Los Rios Community College District
Rancho Santiago Community College District
San Diego Community College District
San Mateo Community College District
Yuba Community College District

Health Benefits - Benefits Cost Comparison - 2009-10 Employee Benefits Survey by
Keenan & Associates

IV. Where Do We want to be

December 2010 - ???

- Board Policy – Draft Policy completed
- Three Year Budget Analysis
- Allocation Model Nuts & Bolts
- Health Benefits
- Response to Accreditation Recommendation

Mr. Legaspi stated that it has been two years now and the subcommittees' work needed to be examined and decisions made to put closure on the work so far and move forward.

Mr. RuizDe Castilla agreed that even though the allocation model is complex and difficult to understand, a decision needed to be made whether to keep the current allocation model or construct a new one. It is time to move forward.

Dr. Barberena was concerned about the timing of the colleges' response to the accreditation recommendation. She volunteered to begin the editing of the response to the recommendation. Dr. Railey has formed committees to respond to all the college recommendations beginning immediately because they have to do a midterm report. It would take a few months to get a draft to present to the District or to this group. She said that it was necessary to

begin documenting everything with the supporting materials. She has already received the draft of the Board policy from Dr. Gularte and appreciated the work done by that subcommittee.

Dr. Lease mentioned that the Accreditation Commission has a rule to correct something within two years of the callback or else the accreditation status is in danger. He said that it is imperative the subcommittee laid out whatever steps are left and get it done in the next couple of months so that the 2011-12 budget would start with the new process in place. Then, along with the work that the Board Policy committee completed, write up the accreditation response.

Mr. Fouquet added a footnote to the timeline in the area of the Health Benefits subgroup in which the faculty association defines who would participate in the subgroup. Their Legal Counsel strongly advised them not to include those things outside the framework of negotiations because it might lead to an improper level of pressure of the negotiation process, or might somehow corrupt the process.

Dr. Barberena commented that the faculty's input was important, and this was their opportunity to do so.

V. Budget Update

Mr. Legaspi updated that the state would have a structural deficit of \$26.4 billion in the next 18 months. Of that amount, \$6 billion belongs to the current year. In order to balance this year's budget it is likely that there would be a mid-year cut. For the District, the mid-year cut is anticipated to be about \$1.2 million. For next year, the deficit is anticipated to be \$19 billion at the state level.

VI. Other

None

VII. Adjourn

Meeting adjourned at 2:40 p.m.

VIII. Next Meeting

Next meeting is on December 3, 2010.