Santa Barbara City College
College Planning Council
Tuesday, May 3, 2011
3:00 pm – 5:00 pm
A218C
Minutes

PRESENT:
A. Serban (Chair), Superintendent/President;
I. Alarcón, President, Academic Senate;
O. Arellano, VP, Continuing Education;
L. Auchincloss, President, CSEA;
S. Ehrlich, VP HR &LA
R. Else, Sr. Dir. Inst. Assessment, Research and Planning
J. Friedlander, Executive VP Ed Programs;
T. Garey, Academic Senate Representative;
M. Guillen, Classified Staff Representative;
R. Limon, President Student Senate
K. Monda, Academic Senate Representative, Chair Planning and Resources Committee;
C. Salazar, Classified Staff Representative;
J. Sullivan, VP Business Services

ABSENT:
P. Bishop, VP Information Technology;
K. Neufeld, VP, Academic Senate Rep;
D. Nevins, Academic Senate President-elect

GUESTS:
C. Alsheimer, Instructors' Association Chief Negotiator;
M. Croninger, Board of Trustee Member;
L. Griffin, SBCC Controller
J. Meyer, Member Planning and Resources Committee;
K. O'Connor, Vice Chair Curriculum Committee, Member Academic Senate;
L. Stark, President, Instructors' Association;
L. Vasquez, IT Committee Chair

Superintendent /President Serban called the meeting to order and passed around two reports. .

Information/Announcements

1. P2 CC320 Apportionment Report submitted to the state (Attachment 1) - Andreea Serban
   Dr. Serban stated that this copy of what we submitted for our annual apportionment report, P2 is still a projection. The numbers are the FTES from positive attendance for Spring 2011 credit and for Spring 2011 Continuing Education. The rest of the numbers are actual numbers. There was a 21% growth funded for the system that translates to a dollar amount which translates to $1.7M for SBCC.

   Dr. Serban continued to report that the college submitted 436 FTES Difference at P2; which is not funded by the State. Non-credit was down in both areas of enhanced and non-enhanced. Dr. Serban said that the various categories of FTES that we can no longer claim funding for and that is partially the reason for the decline. The Parent Education Courses totaled did not include the Parent Child Workshops because we thought they were not State approved. They were eventually state approved so this number will pick up in the non-enhanced FTES about 30 FTES for Spring 11 and then for 2011-12 obviously we will be able to claim the FTES for the three terms: Fall, Winter and Spring. But for 2010-11 we will capture Spring 2011. Spring 2011 is not in this number because when we did the report we did not know that these courses were approved.

Dr. Serban said that what matters is that given these numbers, the actual growth we produced is 2.5M. The funded growth is $1.7M, so we are left with about $850,000 of unfunded growth this year, which is better than last year when we had $5.2M of unfunded growth. We are getting there.

Discussion

2. Updated scenarios for implementing reductions in budgets and expenditures (Attachment 2)
    a. Supporting information (Attachments 3, 4, 5, 6)
    Controller Griffin reported from The Revenue and Expense - the unrestricted General Fund Draft handout. Ms. Griffin started out explaining the general way the report is divided up and then explained that there are two reference years of actuals from the audit and a projection for this year, where we think we will end up in June regarding our revenue and expenditures and then a tentative budget for next year and an increase and decrease column.

    She started with the revenue. For our projection, that is pretty firm. We have nine months of actuals and we are projecting three months to get us to June. We know how much the State revenue, our major source of revenue, is going to be. We expect to end up with $90M revenue.

    Ms. Griffin explained how the expenditures were captured stating that we looked at every individual account, at what we expended in the nine months that ended in March and for the projection of the last three months of our fiscal year, we looked back last year and added those in to get us 12 months of expenditures. For the benefits we went thru and analyzed what the benefit rates were and forecasted the benefits for the 12 months. So the expenditures we are expecting through June are totaling $81M. That leaves us with net revenue of $8M before we do any of our transfers.

    She stated that the transfers are set. The biggest transfer is going out to the equipment and construction funds. Over $8.5 M will be going out for transfers which would leave us closer to a break even budget than what we had budgeted and we are in the red $.5M. Added to our beginning fund balance of $22M we are going to end up with $22.4 in fund balance at the end of the year.

    We are significantly under spent. Our projection is under what we had budgeted and it is mainly because of vacancies that have not been filled or the gap between when you have a vacancy and when you get that person in and you start spending on salary and wages again. Also we are significantly under spent in some of our supply areas and operating budgets.

    Ms. Griffin explained how the tentative budget was devised.

    On the Revenue side to the best of our ability we forecasted the revenue. We have some significant assumptions about the revenue. First of all, in the State General apportionment, we know there will be a workload reduction and right now our assumption is at $6.8M revenue reduction from the state. We are netting that against a deficit factor that will not reoccur.

Ms. Griffin explained the deficit factor. This year there was not enough state revenue to pay out all of the Community Colleges exactly what they earned according to formula. When that happens, they spread the gap across everyone and our share of that gap was $.6M. We are not anticipating a deficit factor for next year, so when you net that against the work load reduction, we are looking at a $6.2M reduction in revenues for next year from our major state source.

The other significant decline is a onetime only mandate reimbursement we received this year that will not reoccur next year. Then in other revenue, some minor changes there. The other significant assumption we have is for our international and non-resident student fees. We had increased the rates, but we don't know what impact that might have on the students who come to us whether or not because the rates are higher and any other factor if we might have a decline in enrollment there it is hard to forecast that. We should have a better grip on that once we have a start on the enrollment for Fall. At this point, we have a status quo budget for that revenue source until we know better if we can rely on an increase on those two revenue categories.

Overall for revenues, we are looking at our tentative budget to be about $6.5M less than what we have this year in our projection.

Ms. Griffin explained the expenses. For the expenditures we took what the budget is for this current year and rolled it forward. We know we are not going to spend out the budgets this year, but we did not cut anyone back because they did not utilize the budget, so we rolled those forward and then according to our assumptions, we are going to target some specific reductions and expense. So I reduced the rolled forward budget by the amount of those reductions and those are defined in our budget assumptions. For example, for hourly staff, it will be reduced by a targeted $.5M and I have incorporated that into the tentative budget.

When you look at the tentative budget in relation to the projection and look at the increase, you are seeing that as an increase because again we are assuming that we are going to be spending out those budget line items that if we have budgeted a position it is going to be occupied for the full twelve months or 11 months. All of our supply budgets will be fully utilized and all of our operational will be fully utilized. On the benefit side, we do have significant increases in our benefit rates. The PERS rate is going up, unemployment rate is going up and we have negotiated increases in the health and welfare allowance for our employees. All of those things are built into next year's tentative budget.

Transfers. As you look at the transfers, those are the assumed transfers that we have in our budget assumptions, the amount that we want to transfer out to our equipment and construction funds and our Children's Center Fund. The Children's Center had to be up a bit to cover the increase in benefits for the people who work there.

When we look at the tentative budget, after we have the revenue less our expenses and less our transfers out; it is almost an $8M deficit budget which will then will be what is not covered by revenue will be covered by our fund balance in the cash reserves, reducing it from a $22M fund balance to a $14 M fund balance.

When you get down to that amount, it becomes a concern because of cash flow. The cash flow concerns are: 1) part of the way the State has been balancing their budget is to not pay us right away and they give them the next fiscal year. In this fiscal year it is an $11M deferral into next year and for next year it is a $13M deferral. We need to be able to handle the delay in getting money and 2) when the State legislature does not approve a budget by June 30; our state controller has no authority to pay us. We will get no money from the state until the legislature does approve a budget. If we look back to last year it was not until October that we had any cash flow coming from Sacramento. We have to be prepared to handle that kind of cash flow need as well.

There were points questioned that Ms. Griffin clarified. Ms. Griffin stated that the next step would be to incorporate a cash flow and our planning for how we will handle this. To make sure that if we have the opportunity to delay some purchasing until those months where we think we are going to have the cash, we will. Any cash out to our other funds, equipment and construction funds, which is at our discretion, so we would delay those until we are confident that we still are retaining enough cash in the general fund to make our monthly payroll and any other significant expenditure. Also wherever we can, we will try to get our money upfront from the restricted fund revenues. When you have a restricted fund you try to get money up front when you can, but so many of our restricted funds are what I call reimbursement and arrears, we spend the money and asked to be reimbursed.

Dr. Serban stressed that the $14M would be accrued and is not real cash. The real cash in hand at the end of the year is $1.2M. I think it is important to note that. Ms. Griffin stated that it will be critical to monitor our cash flow.

The money appropriated in a prior year we will definitely receive this July, except for $2M of it which is deferred until October.

There was further clarification of the ending fund balances.

b. Dr. Serban pointed everyone to Attachment 2, Scenario 5 – Reduction in revenue through cutting $6M in revenue from credit FTES and $800,000 from non-credit non-enhanced FTES. Dr. Serban explained from this attachment what she did. This Scenario is what was used to build the tentative budget and what was voted on by CPC at the last meeting.

   There was discussion about trying to refine and get more clarity on the Continuing Ed part of this report. In Scenario 5, the target FTES in non-credit non-enhance FTES to be reduced is 291.44. This was discussed before, but what we did not have an estimation of how this translates into sections and what this translates into the direct instructional expenditure reduction.

Dr. Serban stated that as we said last time for non-credit, it is not as precise as in credit for a variety of reasons. Assuming that for the purpose of coming up with an estimation, Dr. Serban explained that because the actual number of class sections will be different depending on the length in terms of hours, but assuming the same as credit, they used a 3 unit class as our average concept and we used on the non-credit side the 10 week long section that meets for 3 hours per week. It is 30 hour of instruction and assuming for each section about 20 students. Then the 291.44 non-credit non-enhanced FTES translates to converting two-hundred fifty-two class sections from free to fee based over a 3-year period.

Similar to credit, starting with the slower pace of conversion, 60 sections in 2011-12 about 13 winter and about 13 spring and then increasing to 96 sections in 2012-13 and then an additional 96 sections in 2013-14, I used an average pay per hour of $50 which is actually a little low; it is probably around 54, but in the end we will not have this conversion for 252 sections because there are not that many sections that will be possible from the 10 week three hour. Some will be one day classes; they vary. This is the best estimate that we can have at this time.

Then using that estimate, Dr. Serban directed the members to the page entitled Plan for ongoing reduction in expenditures 2011-12 which show just that. She walked the members through this pointing out the Continuing Education direct instructional expenditure reductions from transforming those sections: 16 sections in 2011-12, 96 in 2012-13 and about 96 in 2013-14, and that would be the estimated reduction in the instructional expenditures. Then we the subtotal (these are the expenditure reductions), I am going to be very deliberate using expenditure versus budget. These are real expenditure reductions versus budget reductions. Dr. Serban said that as you can see by using this model we are barely cutting $450,000 real expenditure reductions in 2011-12. The rest shown on this sheet for 2011-12 is really a reduction in operational budgets and the $500,000 for hourlies remain the same but because the amount for Continuing Education above is much smaller now; the reduction of 4000s- 5000s needs to go up ($1.053M). These reductions, everything you see here, is included in the tentative budget that the Controller just presented.

Dr. Serban explained the rest of the Plan for ongoing reduction in expenditures and budgets which bottom line is $2M for the year which is the target that was talked about before in Scenario 5.

c. Dr. Serban went to the spreadsheet 2011-12 Budget Reductions of $500,000 in Hourlies and $1,053,000 in 4000s and 5000s Accounts. Dr. Serban referred back to the tentative budget that SBCC Controller Griffin went through earlier saying that basically, what this page does, in terms of real expenditures, we are only cutting $450,000. Those 1.5M between hourlies and 4000s and 5000s are not expenditure reductions; they are budget adjustments because we know from 2010-11 that that is an amount that we would not have spent and that is an amount that would have fallen to ending balances. Come 2011-12, we have $1.5M less that is definitely not falling to the ending balances. Meaning that this is the wiggle room, this is the amount that would fall to ending balances. Important to remember because come 2012-13, that amount will not fall to ending balances anymore. Please remember that. We will have for the CPC and for Study Session on May 12, this tentative budget that you see here we will have a projection out for 2012-13 and 2013-14. Bottom line is that it is imperative to start these reductions. This is a very small reduction, but a necessary beginning reduction that needs to start in 2011-12.

The impact on reserves is immediate and significant.

Dr. Serban said that she will also make a case that we need to transfer more to construction and equipment and that is in this tentative budget.

There were further questions and clarifications.

Dr. Serban pointed out that we are not going to see a significant decline in enrollment in 2011-12; therefore cutting for real significantly hourlies in 2011-12 when we have not affected a significant cut in sections is like putting the cart before the horse. If we cut hourlies in admissions and records right now, it will create chaos for the students. We know that Summer and Fall will be equal and Spring will be smaller, so we should have the real cuts in operational at the pace that matches to some degree the actual real reduction in enrollments because otherwise the students who are here. We need to parallel the pace of cuts as we decline in enrollments so that the decline in services will not be felt as badly for those students who are here.

Dr. Serban stated that she wants to clarify another thing because it was asked and it is important. These reductions, if indeed this tentative budget is the tentative budget, the 4000s 5000s, the hourlies and $1M in the budgets as is prorated by major areas, will be put as a minus place holder at the VP level. Then over the Summer and early August, the actual cost center reductions will be worked on. You will not see in the cost centers per se any reduction. It will be placed at each VP level as a big minus amount to be worked on; this is on the last page. The point is that when you come back August 20, if you went into your budgets, you will see no difference yet because that will be worked out with the VPs and the Deans and Dept. Mgrs and so on and so and by the time of the adopted budget they will actually be in the right places.

3. Updated assumptions for budget development 2011-12 (Attachment 7) – Joe Sullivan

   VP Sullivan stated that CPC had gone over these assumptions before and the only difference was the $1,053,000 in the 5000s fund that was allocated.

4. Draft tentative budget 2011-12 unrestricted general fund (handout)

5. Program review resource requests for 2011-12; and routine and non-routine equipment requests for 2011-12

   Superintendent/President Serban stated that the actual resource requests were a lot more than expected, so what you see on this handout, Program Review Resource Requests for 2011-12, are only the totals for those items ranked priority #1. Dr. Serban explained how this report was put together like what was eliminated and the fact that this is an estimate.

The P&R had the ranking, and then it was reviewed by the Deans who agreed with P&R and for items that were not the purview of P & R to rank is the rank of the originator which was reviewed by the VPs.

Dr. Serban stated that the bottom line is that the amount of these Priority 1 Equipment Requests total $4.5M and that is all we have in the equipment fund. A separate request that is not included in this is replacement of servers and computers and that we need about $1.4M in 2011-12, according to what we reviewed on March 18th (p21). These replacements are not up for debate because we have passed the five year cycle.

Assuming we transfer $1.5M which we have in our tentative budget, that $1.5M goes to do the replacement of computers etc. We need to cut the $4.5M. Further discussion took place on all the new equipment requests, starting with hardware. VP Friedlander said that we have to prioritize all of this to look at what is critical. Mr. Garey pointed out that there could be some duplication in these requests of replacements and new hardware. VP Business Services stated that any of these requests we approved will reduce our ending balances because that is exactly where it comes from. Dr. Serban said that we have to look at what the threshold amount is and we need to get a clear reconciliation as to what is really needed. Further discussion took place to clarify the program resource requests.

The discussion then took place regarding the Facilities requests for 2011-12 that were ranked priority #1. Dr. Serban stated that she took out all the projects that were to be funded by Measure V. The Grant total of $1,343,976 is minus the Measure V projects. The totals include brand new needs that areas want to have addressed. Office Space requests were also taken out. The process of looking at all the requests was discussed and how they were prioritized.

Dr. Serban said that realistically we may actually need to transfer more that goes to Facilities. Dr. Serban stated that the goal here is to get to the point of what it costs realistically to run our operations. It is important to recheck all items in the Equipment and Facilities requests. There was further discussion and questions regarding the details.

Dr. Serban adjourned the meeting.

Next CPC meetings:

Tuesday, May 17, 2011, 3:00-5:00 pm, A218C

Summer CPC meetings for development of college plan 2011-14: Friday, July 22, 2011, 9:30 am -12:30 pm, A218C and Monday, July 25, 2011, 9:30 am -12:30 pm