

**BUDGET ALLOCATION TASKFORCE**

**RECORD OF MEETING**

**Tuesday, April 17, 2007**

**2:00-3:30 p.m.**

**Phone conference with Columbia College Manzanita Conference Room and MJC**

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Present at Columbia: Deborah Campbell, Connie Mical, Teresa Scott (co-chair), Joan Smith (chair), Larry Steuben, Coni Chavez (recorder)

Present at MJC: Rosanne Faughn, Curtis Martin, Judith Lanning, Nancy Sill, Ken White

Absent:

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Dr. Smith called the meeting to order after considerable technical difficulties were addressed. By consensus it was agreed that these taskforce meetings should be held in person. Use of technology, in this case, does not allow for the dialogue necessary to complete the work of the taskforce. All were strongly urged to attend meetings in person rather than via video conference or phone conference.

**Allocation Model Considerations**

A memo dated October 25, 2005 from the California Community Colleges System Office regarding an *Accounting Advisory: Monitoring and Assessment of Fiscal Condition* was distributed. According to the memo, the information contained therein describes the monitoring and assessment process which allows for early detection of districts that are experiencing fiscal difficulties. In addition to outlining the process, the memo refers to the *California Community Colleges Sound Fiscal Management Self-Assessment Checklist*, which was also distributed to taskforce members. It was reported that the checklist provides a basis on which the District's financial condition is assessed. Taskforce members were asked to review the document in greater detail and come to the next meeting prepared to discuss the topics referenced.

It was also noted that all four allocation models looked at for comparison with the YCCD – Rancho Santiago, Ventura, North Orange and Sierra – used FTES generation as the basis for allocation of discretionary funding.

**YCCD General Fund Budget Expenditure 2005-2006**

Ms. Scott reviewed the YCCD general fund budget expenditures for the 2005-2006 fiscal year.

- YCCD Unrestricted Revenue totaled \$77,645,426 of which 53 % came from local sources and 47% came from state sources. The local sources include property taxes and enrollment fees.
- YCCD Unrestricted Budget totaled \$80,154,437 of which roughly 86% is committed to total compensation for employees. As outlined in the *California Community Colleges Sound Fiscal Management Self-Assessment Checklist*, the statewide average for districts in 2003-04 for total employee compensation was 85%. For the 2005-06 FY, MJC is reported to have expended 95% of its unrestricted budget in total employee compensation, while Columbia was at 89%. It was recommended that MJC's budget committee look into this matter. Additionally, discussion was held regarding the most accurate way to determine comparisons with other colleges as it relates to total employee compensation and efficiency in terms of staffing numbers – the taskforce believes that comparing faculty numbers using FTO reports to establish comparisons vs. FTES would give a more accurate reading. Ms. Scott agreed to investigate comparisons for leadership and classified groups.

It was reported that the Central Services unrestricted budget expenditures totaled \$24,454,748 and include all utilities, retiree benefits, Chancellor/Board of Trustees budgets, District Council budget, etc. A handout itemizing the *Yosemite Community College District Central Services Expenditure Budget* dated 2006 was distributed to taskforce members. Ms. Scott provided taskforce members with additional detail on the Central Services unrestricted budget other operating expenses which totaled \$5,104,295. Particular interest was expressed regarding the travel and activities/training portions of the budget which totaled 9% or approximately \$460,000. Ms. Scott offered to analyze the expenditures for those categories and report back at the next meeting.

### **YCCD Restricted Fund Budget Expenditure 2005-2006**

A brief review of the restricted budget expenditures for MJC, Columbia College and Central Services was provided. Handouts were distributed to taskforce members categorizing expenditures for each entity. The colleges were encouraged to review allocations for restricted budgets.

### **MJC Enrollment Decline**

Dr. White reported that he had information indicating MJC could experience a significant decline in enrollment for the fiscal year 2006-2007. The charge of the Budget Allocation Taskforce is to analyze the current budget allocation model and make recommendations, if necessary. The issue of an enrollment decline for the current fiscal year, while critical and urgent, is not a topic for this taskforce to undertake. Rather, a suggestion was made to work within the MJC budget process to bring forward the issue.

### **Q&A:**

The question and answer section of the record of the meeting was commended. It was agreed that this section is a valuable reference. Additions to the Q&A section made at the April 17, 2007 meeting are underlined.

*1. Does the real estate market affect our property tax income?*

Yes. The state does not back-fill community colleges for lost property tax income. K-12 does receive a back-fill for property tax shortfalls.

*2. Why is there always money in the Ending Balance? Shouldn't this money be spent on instruction?*

The Ending Balance (Line 38) is a carry over balance which is added to the next year's budget Beginning Balance (Line 1) to cover prior year encumbrances and to balance the subsequent year budget. Money is encumbered once a purchase order is initiated; however, the District cannot pay these purchase orders until after delivery of the items. For example, activities/items purchased (encumbered) in 2006-07 prior to June 30 using 2006-07 funds but received after June 30, must be paid for in the 2007-08 Budget.

*3. Why is there so much money in the Designated Reserve? Isn't 3% of the budget all that is required?*

The state mandates a reserve of at least 5%. If the reserve falls below 5%, the state will begin monitoring the district. The state will monitor all transactions and budget activity. If the district should fall to 3% or below, the state would send financial officers to run the district. Should our District go onto a Watch List, we will not be able to get a favorable bond rating, which means less Measure E money. Ms. Scott distributed a memo dated October 25, 2005 from the California Community Colleges System Office mandating a minimum prudent unrestricted general fund reserve of 5%.

*4. How will our unfunded retiree benefits liability affect our bond rating?*

It does affect our bond rating. Lending institutions question how this liability is being addressed. If we do not have a plan to address this liability, our bond rating will drop.

*5. What will happen to this Taskforce when the new Chancellor arrives?*

The Board does support this committee and will probably inform the new Chancellor of this. This Taskforce has been created in response to accreditation findings, and the Accreditation Review Team will be interested in the work of this committee.

6. *Do we see that foreclosures will have an impact on our [YCCD] revenue?*

Taxes will still need to be paid but re-valuing properties at a lower rate may have an impact and applied deficit.

7. *What is the most accurate way to determine comparisons with other colleges as it relates to total employee compensation and efficiency in terms of staffing numbers?*

The taskforce believes that comparing faculty numbers using FTO reports to establish comparisons vs. FTES would give a more accurate reading. Ms. Scott agreed to investigate comparisons for leadership and classified groups.

8. *Why does the travel and activities/training portions of the Central Services unrestricted budget other operating expenses total approximately \$460,000?*

Ms. Scott will analyze the expenditures for those categories and report back at the next meeting [5/21/07].

**Next Meeting/Agenda Items**

Discussion at the next meeting will include information regarding the SB 361 community college funding formula and a more detailed review of the *California Community Colleges Sound Fiscal Management Self-Assessment Checklist*.