Yosemite Community College District

District Fiscal Advisory Council (DFAC)

Thursday, February 6, 2020
11:30 a.m.
District Office Building, Conference Room A & Manzanita Building, President's Conference Room

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Agenda

11:30 a.m. to 11:40 a.m.	Roll call Approval of the minutes from the January 23, 2020 meeting
11:40 a.m. to 12:50 p.m.	Model Framework • Non-consensus Items a. Reserve/Fund Balance b. Savings c. Potential Revised Position Approval Process d. Total Cost of Ownership – Facilities & IT e. Salary and Benefits - Expenditures
12:50 p.m. to 1:20 p.m.	Resource Allocation Model Approval Process
1:20 p.m. to 1:30 p.m.	General discussion

Next Meeting: February 20, 2020

**Future meeting note: Review Policies & Procedures

UNAPPROVED MINUTES
Yosemite Community College District
District Fiscal Advisory Council (DFAC)
January 23, 2020

Present: Jenni Abbott, Shelley Akiona, Kevin Alavezos, Kathy Blackwood, Doralyn Foletti, Pam Guerra-Schmidt, Josh Hash, Judy Lanchester, Amy Lovett, Laura Maki, Crista Noakes (Recorder), Melissa Raby, Jeremy Salazar, Brian Sanders, Sarah Schrader, Nancy Sill, Trevor Stewart, Susan Yeager

Council Members Absent: Flerida Arias, Coni Chavez, Cecilia Hudelson, Joey Partridge, Kathren Pritchard, Henry Yong, Jennifer Zellet, ASCC Student Designee, ASMJC Student Designee

1. Roll Call

2. Acceptance of the Minutes of the December 19, 2019, District Fiscal Advisory Council
Consensus was met to approve the minutes. The minutes are approved.

3. Values for a Resource Allocation Model Sheet (RAM)
Dr. Susan Yeager, Vice Chancellor, Fiscal Services requested the DFAC take a moment to review the Values for a Resource Allocation Model to determine if any additional revisions are needed. The DFAC requested the language be modified on line B under "Characteristics." It was noted the "Suggestions" section would be removed from the document and placed on a separate sheet. The DFAC agreed, with the revisions discussed at today's meeting, the Values can be finalized.

Consensus was met to approve the Values for a Resource Allocation Model with the revisions noted above.

4. Model Framework
Dr. Yeager discussed the framework of the RAM. She explained, the structure of the RAM is as follows; Institutional Costs off the top and percentage based allocations to the colleges.

Non-Consensus Items
Dr. Yeager acknowledged non-consensus items below and opened the items up for conversation.

Institutional Costs
Dr. Brian Sanders, Vice President of Instruction, CC requested the definition of Institutional Costs be provided to the DFAC to help determine what qualifies as an Institutional Cost.

Dr. Yeager explained, majority of the legal fees are due to claims. Shelley Akiona, YFA Representative, suggested legal fees be removed from Institutional Costs. Dr. Yeager explained, legal fees must remain as part of Institutional Costs because the fees must be paid. Ms. Akiona expressed her concern for accountability in regards to legal fees and how they are managed. Dr. Yeager acknowledged Ms. Akiona's concerns but pointed out that Central Services does not drive legal costs. Legal costs are driven by several items including the number of claims, investigations, and legal options requested.

Staff Development (not including PEP funds) will be removed from Institutional Costs and will be moved to line seven of the proposed RAM. Elections, Insurance, Legal Fees and Utilities will be included moving forward.

Total Cost of Ownerships (TCO) for IT and Facilities
Dr. Yeager noted the IT and Facilities Total Cost of Ownerships (TCO) will be removed from Institutional Costs until further notice. The TCO's will be placed on a holding list.

Proposed RAM
It was determined by the DFAC to add a 7a (ongoing funding) and 7b (one-time funding) section to the proposed RAM.

District Office Expenditures
The DFAC discussed the handout showing historical costs for legal, insurance, elections and utilities.

Tabled for a future discussion.

Fund Balance/Reserves
Tabled for a future discussion.

Savings
Tabled for a future discussion.

5. Discussion of the March 5, 2020 Meeting
Dr. Yeager explained, she will be unavailable to attend the March 5, 2020 meeting and proposed moving the meeting to a later date. A Survey Monkey will be sent to the DFAC to determine the best date to reschedule.

6. Close/Next Meeting
The next District Fiscal Advisory Council meeting will be *tentatively* held on **Thursday, February 6, 2020, at 11:30 a.m.** in the YCCD District Office, Meeting Room A, located at 2201 Blue Gum Avenue, Modesto, CA and Columbia College Manzanita Building, President's Conference Room located at 11600 Columbia College Drive, Sonora, CA.

Definitions of Reserves and Fund Balances

1/13/2020

Reserves

Reserves are those funds set aside in the budget process for unanticipated needs as well as for working capital. For a college district, reserves are typically reviewed by external auditors, ACCJC and the State Chancellor's Office to determine that the district has sufficient reserves to be a "going concern." For a company to be a **going concern**, it must be able to continue operating long enough to carry out its commitments, obligations, objectives, and so on. In other words, the company will not have to liquidate or be forced out of business. For a college district, it needs to have sufficient resources to cover its obligations, etc., for at least the next 3-6 months. The state does not have a requirement for a minimum reserve, but will start asking questions, and possibly even taking over the district, should its reserves drop below 5% of its operating expenses in the unrestricted general fund (Fund 11). Operating expenses means everything spent or transferred out of Fund 11.

Fund Balance

The fund balance is the amount left in the fund at a specified point in time (inclusive of the reserve), usually calculated at fiscal yearend, which for community colleges is June 30. The fund balance may include funds that are committed, such as for a project that the Board has specifically authorized or a contract that has yet to be fulfilled; and funds that are unassigned that are available for any authorized use. These unassigned funds are usually the ones that make up a district's reserve.

A board usually sets a reserve percentage that must be set aside in the budgeting process. The calculation involves looking at the proposed budget, calculating that percentage of all expenditures and transfers and making sure that there are sufficient funds in the proposed ending balance to fund that amount.

For example

Proposed budget for 2020-2021		
Revenues	$	102,000,000
Expenses and transfers		100,000,000
Net change		2,000,000
Reserve balance 7/1/2020	$	10,000,000
Reserve balance 6/30/2021	$	12,000,000
Reserve percentage		12%

Reserves are to be used for unanticipated expenses or for an unanticipated loss in revenues. Permitted uses can include a change in the state formula resulting in a drop in revenue, either retroactively or in an amount too large to handle in one year, a natural disaster resulting in unforeseen expenses, a sudden failure in any infrastructure requiring immediate repair or replacement, and any other similar unforeseen difficulty. The board approval of the use of reserves should be accompanied by a plan to replenish the reserves over one or more years. The replenishment typically comes by either reducing spending in future year(s) or not spending new revenues received. The replenishment would be one of the highest priorities of the district, and the plan cannot be changed without board approval.

A sample board policy is:

Fund Balance Policy for the Unrestricted General Fund

Purpose:

To help the District weather unanticipated changes in revenues or expenses and provide for adequate cash flow. This policy establishes the appropriate level of reserves that the District will strive to maintain in its Unrestricted General Fund; how the fund balances will be funded and the conditions under which the fund balances can be used.

[This policy is a goal that the District will work toward; however, the priority is ensuring the colleges are funded appropriately.)

1. **Amounts Held in Reserve**

The District's unrestricted General Fund reserve shall be maintained at a prudent level, defined as a minimum of 12% on General Fund unrestricted expenditure budgets. The reserve funds are to be used to provide:

- Budget Stabilization Reserve for economic uncertainty as well as known or anticipated future obligations.
- Emergency Disaster Reserve for unforeseen events or catastrophic accidents.
- Working Capital to provide sufficient cash flow.

2. **Funding Target Fund Balance**

The target total fund balance for the District is a minimum of 15%, inclusive of the 12% reserve. Funding of these targets will generally come from excess revenues over expenditures or one-time revenues. The reserves will be funded in the following priority order:

- Budget Stabilization
- Emergency Disaster
- Working Capital

Additionally, the fund balance will include savings amounts for all three sites. These savings amounts are exclusive of the 15% fund balance target. These funds are to be used by the colleges and Central Services at their discretion; however, all three sites may be required to use their savings to offset impacts from unforeseen situations that affect the District and colleges' budgets. The goal is that Central Services and each college would use their savings at their site to defer the impact of budget reductions, followed by other fund balances, and finally the reserve funds.

3. Conditions for Use of Reserves

The use of reserves shall be limited to unanticipated, non-recurring needs, or anticipated future obligations. Fund balances shall not be used for normal or recurring annual operating expenditures without a plan to balance the budget and restore the reserves to 12% and the fund balance to a minimum of 15% of budget expenditures in future years. Per Board Policy 6305, the Chancellor and the Vice Chancellor of Fiscal Services shall recommend a plan to the Board of Trustees to restore the District's unrestricted General Fund reserve to at least 12% of the total budgeted annual expenditures, less funds allocated for Total Cost of Ownership Plans and pass thru expenditures, in all unrestricted General Funds.

Resource Allocation Model for 20/21

1. Start with the budget from 19/20 less any one-time allocations.

	Columbia	MJC	Central Serv	Institutional	Total
19/20	$ 14,610,717	$ 61,673,474	$ 24,468,163	$ 8,694,703	$ 109,447,057
Less 1X	(230,666)	(742,922)	(222,461)		(1,196,049)
20/21 Base	$ 14,380,051	$ 60,930,552	$ 24,245,702	$ 8,694,703	$ 108,251,008
Percentage of total	13.3%	56.3%	22.4%	8.0%	
Percentage without Institutional Costs	14.4%	61.2%	24.4%		
Columbia/MJC split	19.1%	80.9%			

2. Add adjustments for SCFF split. No college loses money, but an additional allocation may be made.

	Columbia	MJC	Central Serv	Institutional	Total
SCFF split using 3 yr average	14.6%	85.4%			
Dollars split according to SCFF	$ 10,979,952	$ 64,330,651			
Adjustment	$ -	$ 3,400,099			$ 3,400,099
	$ 14,380,051	$ 64,330,651	$ 24,245,702	$ 8,694,703	$ 111,651,107

3. Add changes to institutional costs.

	Columbia	MJC	Central Serv	Institutional	Total
				$ 181,954	$ 181,954
	$ 14,380,051	$ 64,330,651	$ 24,245,702	$ 8,876,657	$ 111,833,061

4. Add prior year growth using the 3-year average excluding Basic Allocation

	Columbia	MJC	Central Serv	Institutional	Total
19/20 Growth					$ 20,000
19/20 3 year average	11.8%	88.2%	24%		
	$ 1,781	$ 13,348	$ 4,871		$ 20,000
	$ 14,381,832	$ 64,343,999	$ 24,250,573	$ 8,876,657	$ 111,853,061

5. Add allocations based on budgeted revenues:

	Columbia	MJC	Central Serv	Institutional	Total
International Student Tuition	$ 110,000	$ 610,000			$ 720,000
Baccalaureate Tuition		$ 40,000			$ 40,000
Full time faculty					$ -
	$ 14,491,832	$ 64,993,999	$ 24,250,573	$ 8,876,657	$ 112,613,061

6. Add compensation costs:					
Meet and confer					$ -
Classification review					$ -
Long/Step/Column					$ -
PERS/STRS Rate Increase					$ -
Fringe Benefit Increase					$ -
Compensation settlement					$ -
	$ 14,491,832	$ 64,993,999	$ 24,250,573	$ 8,876,657	$ 112,613,061
7a. Add new agreed upon ongoing items:					
Academic technology					$ -
Professional development					$ -
Strategic initiatives					$ -
Staff development					$ -
7b. Add new and deduct old agreed-upon one time items:					$ -
TCO facilities					$ -
TCO IT					$ -
					$ -
					$ -
	$ 14,491,832	$ 64,993,999	$ 24,250,573	$ 8,876,657	$ 112,613,061
8. Balance the budget					
Total Revenue	$ 111,648,451				
Less Allocations	$ (112,613,061)				
Remaining (Over)	$ (964,610)				
Allocate the difference	$ (139,330)	$ (590,362)	$ (234,919)		$ (964,610)
20/21 Ongoing Budget	**$ 14,352,503**	**$ 64,403,638**	**$ 24,015,654**	**$ 8,876,657**	**$ 111,648,451**

9. Add any one-time allocations
Encumbrance carryforwards
Ending balance carryforwards
Negotiations meet & confer

Operational costs					
Augmentations to fund balance					
20/21 Ongoing & One time budget	**$ 14,352,503**	**$ 64,403,638**	**$ 24,015,654**	**$ 8,876,657**	**$ 111,648,451**

Procedures for Resource Allocation Model

Step 1: Establish the base funding for each of the four entities (Columbia, Modesto, Central Services and Institutional Costs). This is the prior year allocation less any one-time allocations included in the prior year.

Step 2: Compare the percentage split between the two colleges to the funding split based on 3-year averages of the metrics and the SCFF values for those metrics. Allocate an amount equal to the difference between the Step 1 amount and the amount the college would receive if the percentage derived were used (positive amounts only). Depending on the total difference, this allocation may have to bring the funding to parity over a period of several years. Note that the college that is "over funded" does not lose any funding.

Step 3: Get budget estimates from the Fiscal Office for each institutional cost. Add any changes (increases or decreases) to the institutional costs for the upcoming budget year. Savings from institutional costs revert to fund balance at the end of the year, or if substantial, may be allocated out by the same process described in Step 8.

Step 4: Look at the SCFF and determine any growth achieved in the prior year. Allocate that to the two colleges and to Central Services based on the SCFF percentages for the colleges and percentage that Central Services is in Step 1.

Step 5: Allocate the amount budgeted for non-resident tuition, baccalaureate tuition and full-time faculty state funding to the colleges based on their revenue budgets.

Step 6: Allocate compensation costs that have changed from the previous year. This includes movement on column and step, longevity increases, changes to employer rates for PERS/STRS/Workers Comp, changes to medical benefits and any negotiated increases to total compensation. An estimate will be made for the increases to PT faculty and overload costs, which will be trued up at the end of the year. If negotiations are not complete, allocated an estimate based on the negotiations formula to institutional costs (to be spread to the sites once negotiations are completed.)

Step 7: Add any amounts that have been approved by Cabinet. This includes the amounts to be transferred for TCOs, augmentations for new positions, and any new initiatives from the Chancellor of the Chancellor's cabinet.

Step 8: Compare the totals of Steps 1 through 7 to the ongoing revenue available. If there is budget remaining, divide it between the sites according to their percentages identified in Step 1. If there is a shortfall, first revisit the one-time allocations in Step 7 and consider possible reductions. If a shortfall still exists, that is also divided between the sites according to their percentages identified in Step 1.

Step 9: Add the one-time allocations for prior year carryforwards, encumbrances and any one-time funds received that are passed on to the sites. Ending balances from institutional needs shall not carryforward, but will be used first to address the need to augment the Fund 11 ending balance. Individual site ending balances shall not be counted as part of the Fund 11 ending balance when calculating the percentage of expenses specified in Board Policy 6305.