

BUDGET COMMITTEE

MEETING AGENDA

September 2, 2015

3:00 p.m.



Location: Building 4, Conference Rm. #2460

Time: 3:00 p.m. – 4:30 p.m.

Committee Members:

Mike Gregoryk, Chair	Martin Ramey	Elizabeth Contreras (Student)	Bill Scroggins (Guest)
Dan Smith, Co-Chair	Rosa Royce	Vacant (Student)	
Irene Malmgren	Justin Ott		
Audrey Yamagata-Noji	Michael Sanetrick		Kerry Martinez (Notes)
Mark Fernandez	Lance Heard		
Gary Nellesen	Lisa Romo		

AGENDA ITEMS:

- 1. Agenda Check**
- 2. Review Budget Committee Meeting Summary of June 3, 2015**
- 3. Review the Proposed 2015-16 Adopted Budget**
- 4. Review Budget Committee Meeting Summary of May 6, 2015, to Identify Concerns and Find Solutions Regarding Ways to Improve Communication About Budget Issues to the Campus and Community**
- 5. Request Reports from Vice Presidents That Serve on the Budget Committee to Discuss the New Resources Allocation Process and How Effective it was for them**
- 6. Review AP6250 Budget Management, BP6250 Budget Management, and BP6200 Preparation (Revisions)**

**Mt. San Antonio College
Budget Committee
Summary of September 2, 2015**

Committee Members:

- Mike Gregoryk, Chair
- Dan Smith, Co-Chair
- Irene Malmgren
- Audrey Yamagata-Noji

- Martin Ramey
- Mark Fernandez
- Rosa Royce
- Lance Heard
- Lisa Romo

- Elizabeth Contreras (Student)
- Vacant (Student)
- Justin Ott
- Gary Nellesen

- Michael Sanetrick
- Bill Scroggins (Guest)
- Kerry Martinez (Notes)

ITEM	DISCUSSION/COMMENTS	ACTION/OUTCOME
<p>1. Agenda Check</p>	<p>Everyone introduced themselves; Mike Gregoryk welcomed the new student member, Elizabeth Contreras.</p>	<p>Approved, as presented.</p>
<p>2. Review Budget Committee Meeting Summary of June 3, 2105</p>	<p>The Budget Committee Meeting Summary of June 3, 2015, was approved, as presented.</p>	<p>Approved, as presented.</p>
<p>3. Review the Proposed 2015-16 Adopted Budget</p>	<p>Rosa Royce reviewed the proposed 2015-16 Adopted Budget with Budget Committee members. Mike stated this presentation will be heard today at Budget Committee, at tomorrow's Management Staff meeting, and at the Board of Trustees meeting on September 9, 2015. Rosa explained that the Adopted Budget hasn't really changed much from the Tentative Budget. Some of the revenues approved by the State are COLA at \$1,473,656 for Mt. SAC, growth is \$5,061,412 (based on the new formula model) which is 3.83% for Mt. SAC. The increase for new full-time faculty is \$110,000 for each faculty position which amounts to \$1,623,706 and equates to 14.73 faculty. The increase in the base allocation is \$6,226,920. Rosa explained they have very preliminary numbers in the restricted fund categorical programs; Student Success, Student Equity, and EOPS. The final numbers will probably not be received until late October or in November. The total Ongoing Revenue Budget is \$166,105,962. Rosa explained on the expenditure side the largest expense is in salaries and benefits. The majority of savings is in full-time positions. Rosa explained the 2015-16 New</p>	<p>Rosa Royce will bring the list of budget definitions to a future Budget Committee meeting for review.</p>

	<p>Resources Allocation expenses, reclassification expenses, 2015-16 full-time faculty hiring costs, operating expenses, and class schedule increase expenses. The total Ongoing Expenditure Budget is \$166,839,534 which leaves an Ongoing Budget Deficit of \$733,572. This is a tremendous improvement from last year. The total One-Time Revenue Budget is \$22,842,778. The projected Total Fund Balance is \$23,704,069 (12.05%) which includes the Unassigned Fund Balance of \$19,664,030 – 10% Board Policy. Other Budget Issues were discussed such as beginning a STRS/PERS Trust to protect the future financial stability of the College when the “employer share” rates increase for STRS/PERS. Other issues are the Sales Tax Increase that terminates at the end of 2016, and the Income Tax Increase that terminates at the end of 2018. Mark Fernandez suggested a one page list of budget definitions be prepared for the different constituencies on campus to help them better understand the budget, i.e.; definitions of the Restricted and Unrestricted General Funds and the difference between the two funds. Mike stated that this was a good idea and asked Rosa to bring the definitions to Budget Committee.</p>
<p>4. Review Budget Committee Meeting Summary of May 6, 2015, to Identify Concerns and Find Solutions Regarding Ways to Improve Communication About Budget Issues to the Campus and Community</p>	<p>Mike asked Budget Committee members if they had any suggestions. It was noted that Uyen Mai attended this meeting and Mark stated he remembered her conclusion was that she was not sure what we were asking her to do. Mike stated improvements have been made on the Budget Committee web page. Mike met with Dan Smith and discussed how he used to do a brief budget presentation at Flex Day because this is well-attended and reaches a lot of staff. He stated this would have been very helpful this year because this is the first year that Mt. SAC has been well funded. Dan stated he will recommend that this be reinstated because there is value in this. It really helps people understand the budget process. Mike suggested Budget Committee members think of some other ideas and bring them back to the next meeting. Mark suggested taking the Budget Calendar and adding a short description at each dated event as they happen that will inform people (via e-mail) what the Budget Committee is doing and how it impacts the Budget.</p>
<p>5. Request Reports from Vice Presidents</p>	<p>Mike stated this subject is to request reports from him, Irene, and Audrey, to talk about what kind of format will be asked for. Irene stated she would like</p>

<p>That Serve on the Budget Committee to Discuss the New Resources Allocation Process and How Effective it was for them</p>	<p>to get a sense of what the committee wants to hear so that they can bring the right information. Mike stated there is no new resource allocation if it's not in your PIE. Mike explained the prioritization process they currently use. It was noted that the New Resources Allocations report for Phases I, II, and III are on pages 45 through 53 in the 2015-16 Adopted Budget. Irene asked the Budget Committee members what they want to hear the Vice Presidents talk about; the process or the outcome. Gary Nellesen stated he feels it is important to hear about the process. The outcome will be included in the PIE process. The Vice Presidents that serve on Budget Committee will report at the next Budget Committee meeting.</p>
<p>6. Review AP6250 Budget Management, BP6250 Budget Management, and BP 6200 Budget Preparation (Revisions)</p>	<p>Dan explained AP6250 and BPs 6250 and 6200 with noted proposed changes on BP6250 from the Academic Senate on May 7, 2015. It was noted that AP6250 still needs to go from the Budget Committee to President's Cabinet for approval. Irene asked about the accuracy of the language in the 4th bullet item on AP6250. Rosa will check the Ed Code on this subject. Rosa, Dan, and Martin agreed to meet and review all of these documents. They will bring them back to the next Budget Committee meeting with their findings.</p>

FUTURE AGENDA ITEMS

- Hear Reports from Vice Presidents that serve on the Budget Committee to discuss the New Resources Allocation Process and how effective it was for them
- Review findings on AP6250 Budget Management, BP6250 Budget Management, and BP6200 Budget Preparation

FUTURE MEETING DATES

- September 16, 2015
- October 7, 2015
- October 21, 2015

**Mt. San Antonio College
Budget Committee
Summary of June 3, 2015**

Committee Members:		
<input checked="" type="checkbox"/> Mike Gregoryk, Chair <input checked="" type="checkbox"/> Dan Smith, Co-Chair <input type="checkbox"/> Irene Malmgren <input checked="" type="checkbox"/> Audrey Yamagata-Noji	<input type="checkbox"/> Martin Ramey <input checked="" type="checkbox"/> Mark Fernandez <input checked="" type="checkbox"/> Rosa Royce <input checked="" type="checkbox"/> Lance Heard <input type="checkbox"/> Lisa Romo	
<input checked="" type="checkbox"/> Gisela Carrillo Lopez (Student) <input checked="" type="checkbox"/> Fernando Aguayo (Student) <input type="checkbox"/> Justin Ott <input checked="" type="checkbox"/> Gary Nellesen	<input checked="" type="checkbox"/> Michael Sanetrick <input checked="" type="checkbox"/> Bill Scroggins (Guest) <input checked="" type="checkbox"/> Kerry Martinez (Notes)	
ITEM	DISCUSSION/COMMENTS	ACTION/OUTCOME
1. Agenda Check		Approved, as presented.
2. Review Budget Committee Meeting Summary of May 6, 2015	The Budget Committee Meeting Summary of May 6, 2015, was approved, as presented.	Approved, as presented.
3. May Revise – 2015-16 Tentative Budget	Rosa Royce updated the Budget Committee members about the May Revise and stated there is good news for the California community colleges. She reviewed the handout titled 2015-16 Governor’s May Revision Highlights May 27, 2015, with the Budget Committee. Some of the system-wide highlights include a \$61 million (1.02%) Cost-of-Living Adjustment (COLA), \$156.5 million (3%) Growth/Access, \$266.7 million to support College general operating expenses, \$75 million to support an increase in full-time faculty hiring, \$626 million in one-time funds to pay down prior mandated obligations, \$148 million for deferred maintenance and instructional equipment, \$115 million for Student Equity Plan, \$38.7 million for Proposition 39 Energy Efficiency, \$2.5 million to fund COLA for EOPS, DSPS, CalWORKs, and the Childcare Tax Bailout programs, \$60 million in one-time funds for the Basic Skills and Student Outcomes Transformation Program (Dr. Scroggins noted that this item may not make it through legislation), \$15 million for the Institutional Effectiveness Partnership Initiative, and \$2 million in one-time funds for a pilot program to foster collaboration between colleges	

and CSU campuses relating to basic skills instruction for incoming CSU students.

Mike Gregoryk said it is important to recognize that this May Revise comes from the Governor and then it goes to the legislature where they will make decisions. He stated this is the best budget he has seen since he's been in California. We may possibly receive extra money in the Prop 98 guarantee. It's important that Mt. SAC spends its money wisely. He gave the example of the \$266.7 million to support College general operating expenses and said the big issue there is the PERS and STRS increases which will grow to an approximate rate of 20%. The College will need to set up a trust with these ongoing funds because there's the possibility that these funds will go away. These funds are ongoing now but during hard times these can change, the College needs to prepare itself for hard times. Rosa noted that the Governor's budget message is that Colleges should keep in mind that Prop 30 is going away and that the funding comes primarily from State taxes that are the result of investments in the stock market which are highly volatile.

Mike explained, for the benefit of the new Budget Committee members, what the Tentative Budget is. The Tentative Budget is a tentative plan for the College to be allowed to spend money after July 1st. The important budget is the Adopted Budget which is approved by the Board of Trustees in September.

Rosa reviewed with Budget Committee members the handout titled Unrestricted General Fund Changes to the Fund Balance from the 2014-15 Adopted Budget to the 2015-16 Tentative Budget (May 15, 2015). This report shows a beginning fund balance of \$16,370,910 (10.28%). Estimated unbudgeted revenues are \$6,085,452, and changes in 2014-15 estimated expenditures of \$5,078,742 which total \$11,164,194 in net changes in estimated revenues and expenditures. This brought the estimated ending fund balance for the Unrestricted General Fund to \$27,535,104. The total 2014-15 commitments are \$6,560,875, leaving a positive variance in the

Unrestricted General Fund of \$4,603,319 and an estimated ending fund balance in the Unrestricted General Fund after commitments of \$20,974,229. Rosa then reviewed with committee members the 2015-16 Tentative Budget with ongoing revenues of \$161,713,316 and ongoing expenditures of \$162,650,297; leaving an ongoing deficit balance of (\$936,981). One-time revenues for 2015-16 are estimated at \$7,175,228 and one-time expenditures are estimated at \$8,716,560 leaving a net change of (\$1,541,332). Finally the ending fund balance is estimated at \$18,495,916 (10.06%). Rosa stated that the 10.06% is slightly over the required 10% by Board policy. Dr. Scroggins asked Rosa to explain how the 10.06% is calculated. Rosa explained that this total is 10% of the total expenditures in the Unrestricted General Fund.

Rosa reviewed a handout titled Mt. San Antonio College 2015-16 Budget Scenarios (June 3, 2015). This report has six columns titled Descriptions, Footnote, Tentative Budget, Conservative, Likely, and Optimistic. This report shows a **Beginning Balance** of \$31,339,852 in all four columns; (Tentative Budget, Conservative, Likely, and Optimistic), **Total Revenues** of \$171,037,756 in the Tentative Budget and Conservative columns, \$179,322,059 in the Likely column, and \$185,456,216 in the Optimistic column, **Total Expenditures** of (\$183,881,692) in the Tentative Budget and Conservative columns, (\$192,165,995) in the Likely column, and (\$193,858,962) in the Optimistic column, and the **Total Fund Balance** of \$18,495,916 in the Tentative Budget, Conservative, and Likely columns; and \$22,937,106 in the Optimistic column.

It was noted that the cost for the OPEB Trust (Other Post-employment Benefits) and Retirees Health Premiums for 2015-16 is \$4,516,364 which includes an estimated increase of \$113,245. This will be paid from the interest earned in the OPEB Trust. An annual ongoing \$2.5 million contribution has been included in Unrestricted General Fund expenditure budget and will be transferred to the OPEB Trust, as approved by Board action on May 27, 2015.

	<p>It was noted that a proposal will go to the Board of Trustees in June asking for authorization to have a portion of the \$6,203,028 increase in the base allocation for 2015-16 to be placed in a trust to help cover the STRS/PERS cost increases in the future.</p>
<p>4. Discussion with Bill Scroggins – Language from Budget Development Process Regarding Ongoing One-time Funding to Ongoing</p>	<p>Dr. Scroggins stated this subject has to do with how the College deals with New Resource Allocations. One of the things that everyone is probably aware of, after looking at the budgets for a while, is that a lot of these funds are not stable over a period of time. The College needs to be cautious when making commitments that are considered ongoing when new money comes through. Sometimes we make assumptions on how the College will earn the money, on the basis of performance, and it is unknown if the College will earn it. Another example is prior year deficits for mandated costs; there was one year where this deficit was 4% and it happened in the middle of the year.</p> <p>Dr. Scroggins stated that we are in a bubble right now; the “Prop 30 Bubble.” At the end of 2016, and also at the end of 2018, the bubble will collapse and this ongoing money will stop coming. This new budget looks really good because the State is paying the College back the deficits from prior years, and the economy is recovering with the Prop 98 formula giving Colleges and K12s over 80% of the new money. Dr. Scroggins stated these funds, along with the Prop 30 funds, will go away. The College needs to be cautious in the way it spends for new resources.</p> <p>In the Tentative Budget you can see ongoing and one-time new resources. The question is; can we count on the ongoing funds? Mt. SAC’s practice is to say “give it two years and then we will believe that it’s real.” The College treats the money received and labeled as one-time because it might go away. There are a lot of uncertainties.</p> <p>Dr. Scroggins asked: “when we have money where do we spend it?” He gave the example of being under-staffed. It’s known that staffing is needed to make the new money work. When looking for resources to hire staff, the College can use some of the things that are known for sure, such as growth</p>

money, sometimes this is not enough. In the last couple of years when the College has needed to do this, it has hired staff with money that Mt. SAC's budget policy says is one-time. It's one-time because Mt. SAC is cautious. The State labels this revenue as ongoing but we spend it as one-time until it is known that it is secure. Flexibility is needed. How can we still be cautious when we are hiring staff that are considered permanent? We can reduce our force. Classified and Managers are at a disadvantage compared to Full-time Faculty because there is a faculty obligation number where the State issues a penalty (\$55,000) for every faculty that the College does not hire below that obligation number. Mt. SAC has not had to do reductions in force; even through the recession. When one-time new resource funds are used for hiring ongoing staff, these positions are evaluated the following year. Some of these positions are not re-authorized. When there is a decision made to keep positions they will go into the ongoing budget. President's Cabinet will go through this process again this summer. They will look at the money that is labeled as ongoing new resource money, look at the requests for positions or other supplies and equipment, and make decisions. More permanent staff will be hired with these funds.

The committee discussed the classified positions that are funded by the Associated Students. Dan Smith asked if these costs can be institutionalized. Audrey Yamagata-Noji stated that this has always been an issue, and it varies from college to college. Audrey stated this falls in with all of the priorities that the College has. Mark Fernandez stated the issue with the Associated Students funding classified positions causes concern that someday the Associated Student leaders may decide that they don't want to fund these positions anymore and then what happens to that classified employee? Audrey stated they have the same rights as all other college classified employees. There are many opinions on whether or not those positions should be there. Mark stated he feels it's a disservice to the Associated Students in having to pay for these positions. Is it possible for the College to take back some of these positions? Mike suggested looking at a long-term plan of transition. These positions would have to fit in with all of the other new resource allocation requests. Audrey stated you could look

at it from the standpoint that there is the SSPS Student Equity infusion of dollars that would allow them to hire both faculty and classified positions, saving the General Fund budget to a certain extent, assuming that the categorical dollars continue. It's possible to develop a plan of one position per year to be moved over. There could potentially be a small decline in revenue every year if students continue to opt out of paying students fees. Associated Students have no way to increase their revenues as employee costs go up.

Gary Nellesen stated he has a concern regarding the one-time money issue; as a group we don't value or prioritize one-time needs over needs that happen to have an ongoing cost associated with them. The College needs to be very careful that it doesn't look at a list of needs and fund the top 20 one-time needs and then when all of those have been dealt with; start looking at the ongoing needs.

Dr. Scroggins stated the College has a number of initiatives that are being funded during this recovery bubble where the strategy is to reduce future ongoing operating costs. Some examples are with what the College is doing with the PERS/STRS Trust; putting that money aside where it can be invested. Other examples are the water wells, a solar farm, energy efficiency, preventive maintenance, security of the campus such as electronic door locks and emergency preparedness, and improvement in business practices. The issue with ongoing versus one-time is a big deal, a lot of colleges do not do this; they spend one-time money on ongoing expenses and they hit the wall. They end up having to lay people off, cut classes, and reduce or eliminate benefits.

Mark stated he understands the flexibility that is needed to hire classified staff with one-time money. The real concern that the bargaining unit has is that this is a disincentive to the College; when you hire with one-time dollars it makes it very easy to say that there are no more funds so let's lay people off. The bargaining units are trying to avoid this, especially now when there is a shortage of classified staff. There is no permanency and the classified

	staff takes the hit when there are cut-backs. Dr. Scroggins stated he understands and hopes everyone understands the reasoning the College is using. During the downturn everyone was working very hard and working together for common purposes. They knew that when the money comes back it would be shared; this is one of those years.	
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FUTURE AGENDA ITEMS

- Review Summary of Budget Committee Meeting of May 6, 2015, to Identify Concerns and Find Solutions Regarding Ways to Improve Communication About Budget Issues to the Campus and Community
- Interview Vice Presidents that serve on the Budget Committee to discuss the New Resources Allocation Process and how effective it was for them.

FUTURE MEETING DATES

September 2, 2015
September 16, 2015
October 7, 2015

