

DRAFT
Los Angeles Community College District

District Budget Committee Meeting Minutes

July 18, 2012

1:30-3:30 p.m., Board Room, District Office

Roll Call

Committee members present as indicated (X).

Academic Senate

David Beaulieu
Dana Cohen X
Jeff Hernandez X
Lauren McKenzie X
Tom Rosdahl X

L.A. Faculty Guild

Paul Doose
Carl Friedlander* X
John McDowell X
Armida Ornelas X
Olga Shewfelt X
Joanne Waddell X

Unions/Association

Allison Jones or Bobbi Kimble X
Leila Menzies X
James Bradley
Velma Butler
Lubov Kuzmik
Richard A. Rosich

College Presidents

Farley Herzek X
Jack E. Daniels III X
Jamillah Moore X
Monte Perez X
Kathleen Burke-Kelly* X
Marvin Martinez X
Roland Chapdelaine
Sue Carleo X
Nabil Abu-Ghazaleh X

STUDENT REPRESENTATIVE

Brandon Batham

Also Present

Resource Persons

Daniel LaVista
Cathy Iyemura
Adriana Barrera
Vinh Nguyen
Jeanette Gordon
Yasmin Delahoussaye

Guests

Ann Tomlinson
Ken Takeda
Paul Carlson
Maureen O'Brien
Marry Gallagher
Allison Moore

District Office

Karen Martin
Perrin Reid
Michael Shanahan

*DBC Co-chairs

Call to Order

The meeting was called to order at 1:40 by Kathleen Burke-Kelly.

2. Approval of Agenda

The agenda was approved with the change of “policy” to “process” in Item #4.

3. Approval of minutes for June 20, 2012

The minutes were approved without changes.

4. 2011-12 Enrollment Update/Planning (Cathy Iyemura)

Cathy Iyemura reported the 2011-12 Annual FTES at 103,529 and noted that the funded FTES was at 97,415. The revised, reduced funded FTES at P2 was 95,953. Credit FTES were over by 6,500 and noncredit FTES were over 1,000. She also provided the 2012-13 best and worst case scenarios for planning. Members noted that best case scenario has not built in the additional growth funding (\$50 million statewide) if the tax initiative passes. She mentioned that several colleges feel that they have no choice but to plan for the worst case scenario and others have to do some creative planning to maintain momentum and stay at the best case scenario. Colleges that have FTES below their funded base may have an opportunity to shift their funded credit and noncredit funded FTES to protect their funded bases.

The chancellor commented on the worst case scenario and how it would impact students. It is important to have information regarding class reductions and projected students turned away for use with external groups. Joanne Waddell added that information should also include the number of potential faculty lost due to cuts in instruction.

5. Executive Committee Report & Recommendation

Kathleen Burke-Kelly indicated that this is a first reading of the ECDBC’s draft recommendation on the District Reserve and Balance. It is intended for discussion and DBC input. Comments will be taken back to the ECDBC for further review.

Jeanette Gordon reviewed with the committee the recommendation as stated below:

“To maintain fiscal stability, the district shall establish its reserve and use of balances as follows:

1. *Set aside a 5% General Reserve ;*
2. *Set aside a 5% Contingency reserve of the Unrestricted General Fund Revenue for emergency and unanticipated events during the fiscal year;*
3. *Colleges shall keep their year-end balance equal to 5% of their prior year Unrestricted General Fund budget , excluding prior year balance;*
4. *The procedure in #3 will only affect the carry forward balances of FY 2012-13 and future years, the accumulated balances as of FY 2012 or prior shall remain with the colleges;*
5. *Colleges are allowed to carry over their accumulated balances from FY 2012-13 and subsequent fiscal years up to 10% of their prior year Unrestricted General Fund budget; and*
6. *Each college and the district office shall retain their prior year ending balance including open orders in accordance with #3 and #5 above. The policy allows for a college to use \$5 million or 25% of their ending balance whichever is less. Additional access is allowed with the Chancellor's approval."*

Members discussed and requested the ECDBC to further address the following issues:

1. How excess balances will be distributed or allocated to the General Reserve, the Contingency Reserve, and to the colleges.
2. Effect of the recommendation on small colleges and large colleges use/retain of balances
3. Provide simulations for committee review.

Chancellor asked that the ECDBC discuss and reconstruct the recommendation to specify for the Board how the percentages set aside for General and Contingency Reserve will be determined.

6. State Enacted Budget and Impact on District Budget (Gordon)

Jeanette Gordon updated the committee on the enacted state budget and its impact on the District on both scenarios of the tax initiative passing or not passing in November. She indicated that if it passes, District will receive \$15 million to buy down deferrals and \$4.7 million growth fund. If it fails, the District has a workload reduction of \$31.27 million (or 7.27%), an additional \$7.3 million cut from Tentative Budget (which has a -\$23.9 million reduction already factored in).

She provided the revised financial forecasts for FY 2012-13 and FY 2013-14. With the best-case scenario, including a \$4.7 million growth and \$66.6 million in projected 2011-12 balances carried forward, it is projected to end FY 2012-13 with \$38.2 million positive balance. With the worse-case scenario (tax initiative fails), the 2012-13 projected ending balance would be \$2.2 million and FY 2013-14 would end with a negative balance of -\$72 million.

Members urged that the District should be prepared for the worse-case scenario. Chancellor emphasized that we are planning for the worst-case scenario and indicated that the Special Budget Task Force has met three times and is developing options to bring to the DBC for consultation and to the Board in time for Final Budget.

7. FON Update (Dr. Barrera)

Dr. Barrera reported that 72 NOI were received, 8 not processed because no formal announcement, 3 cancelled, and 1 on hold. 60 were processed, 8 of these have been completed and 5 of the 8 have been cleared. She reported that the District is on track with hiring.

8. Preliminary 2011-12 Ending Balance and Open Orders

Vinh Nguyen reported that the projected ending of \$72 million increased from the previous projected balance of \$66.6 million mainly due to an increase of about \$4 million in projected lottery income. Preliminary projection shows three colleges will end with deficits. Open orders are \$6.2 million and we are still waiting for summer accruals and for colleges to make final adjustments.

9. Proposed 2012-13 Final Budget

The Proposed Final Budget simulations were based on an 8.66% workload reduction (1.39% of 2011-12 midyear workload reduction plus a 7.27 % workload reduction) or \$31.27 million reduction. Revenue assumptions included the reduced funded base FTES of 88,973 (worst-case). Funds available include total projected income of \$470 million and \$66.6 million projected 2011-12 balance to be carried over. Compared to the Tentative Budget, the Final Budget incorporates a larger cut if the initiative fails (\$31 million compared to \$23 m). P. Carlson pointed out this meant a loss of \$1 m for City.

College allocations are based on the new adopted budget allocation, including \$5 million in transitional funds provided to colleges. The proposed Final Budget will include a 5% General Revenue, a 7.5% Contingency Reserve, and a Deferred Maintenance fund of \$2.3 million.

Members would like to have 2011-12 expenditures and a 2012-13 Final Budget comparison provided at the next meeting.

Jeanette Gordon stated that East LA and Pierce College's reserves and balances will be the sources of funds used to set aside the 5% General Reserve and 2.5% Contingency Reserve. Jeff Hernandez requested a detailed description of the General Reserve and Contingency Reserve. Bobbie Kimble inquired about the underlying assumptions (definitions) of General Reserve and Contingency Reserve.

Farley Herzek, interim president at ELAC, was introduced by Burke-Kelly.

10. DBC Recommendations to the Chancellor

Kathleen Burke-Kelly reported the chancellor's response to the DBC's recommendation on the General Reserve and Contingency Reserve, which was to honor the Board Finance and Audit Committee's decision on the 5% General Reserve and 7.5% Contingency Reserve.

Jeanette Gordon distributed the last five years of Contingency Reserve information as requested by the Committee at the last meeting.

11. Others

Carl Friedlander announced that he will miss the next DBC meeting on August 15, 2012 because he has to be in Sacramento for another meeting. He asked Kathleen Burke-Kelly to chair the next meeting.

The meeting was adjourned at 4:00pm

Next Meeting: August 15th

