

# Budget Committee Meeting

April 26, 2012

Minutes

## Present:

Ken Takeda	VPAS, Chair
Adrienne Foster	Academic Senate
Betsy Regalado	VPSS
Ashanti Lyles	AFT Classified
Dionne Morrissette	AFT Classified
Olga Shewfelt	AFT Faculty Guild
Vidya Swaminathan	AFT Faculty Guild
Eric Ichon	Teamsters
Rebecca Tillberg	Planning Committee Liaison
Nabil Abu-Ghazaleh	President/Guest
Casey Hunter	Counseling/Guest
Maureen O'Brien	Admin Services/Resource

1. **Call to Order/Approval of Agenda.** Meeting called to order by the Chair at 2:43 PM. Agenda approved as written.
2. **Approval of Minutes.** Minutes approved by consensus.
3. **Old Business** (none).
4. **New Business:**
  - a. **District Budget Committee**, April 18, Chair reviewed selective items:
    - i. **DBC Agenda item 4**, handout provided, "State Budget Update."
      1. \$149M revenue shortfall projected for 11/12 is due to under collection of student fees and property taxes.
      2. Use of BOG fee waivers is growing beyond expectation.
      3. The LAO recommends swapping out \$147M savings from the elimination of Community Redevelopment Agencies for the \$149M revenue shortfall. However, this number, \$147M, which is meant to represent the Community College share, is not verifiable.
      4. The State Controllers property tax collections have come in less than the Governor's budget estimates.

5. If the November tax initiative passes, \$218M would be available statewide for community colleges. There is discussion to use these funds not, as currently proposed, to make good on past due cash transfers to community colleges, but to use as new revenue. The consequences of the State not transferring the cash it owed to colleges is that colleges have to arrange bank loans and pay interest in order to meet their cash needs.
  6. With regard to FON obligations, the District is waiting for word from the CCC Board. The Board can suspend increases, but cannot eliminate the obligation. The Board can also suspend penalties.
  7. For 12/13, community colleges are waiting for confirmation that budget cuts will be workload reductions (preferred) rather than a reduction in the per student FTE reimbursement rate.
- ii. **DBC Agenda item 5**, handout provided, "Enrollment Update." Ken commented that the reported FTES projection for west of 6,777 is only 13 FTES over the funded base enrollment of 6,764 FTES, which is uncomfortably close. Typically the overbase enrollment is 2% or about 135 FTES. The consequence of not meeting base enrollment for two years in a row is a recalculation by the State to lower the funded base. Since the State allocates to the District as a whole, and the District as a whole is OK, individual colleges won't be penalized.
- iii. **DBC Agenda item 8**, handout provided, "2012-13 Budget Development Update."
1. The information under the heading "Financial Projection" refers to the projected LACCD balance at the end of 12/13. The ending balance will be uncomfortably low if the Governor's tax initiatives fail. The consequence of a low ending balance is an impaired ability of the District to procure bond funding.
  2. Ken commented on the 4th bullet under the heading "State Level Budget Concerns and Questions". Sales tax, personal income tax and corporate tax revenue go to the State general fund, a portion of which comes in turn to K-14 education.
  3. Ken commented on the 3rd bullet under the heading "LACCD Concerns." District deficit paybacks have been deferred to 13-14 and can be paid back over 5 years. West has only one year's deficit to payback, for 08/09 in the amount of \$596K.
  4. The next handout, "Budget Forecast Scenarios" is 4 pages long. On page 3 of 4, Ken commented that the schedule shows the degradation of revenue from the state to LACCD from \$598M to \$567M to \$544M under different budget scenarios. Adrienne asked if the District costs were cut at the same rate as the colleges. Ken responded that the same rate is probably not possible for the district because the district has fewer variable costs available for cuts: primarily consultant and sub & relief

costs. The colleges are able to drastically reduce part-time faculty as well. On page 4 of 4, Ken commented first that the shortfall by college is not quite as bad as it looks because the amounts do not include the use of positive ending balances. Second, one of the biggest deficits occurs under the heading “centralized services” the biggest portion of which is retiree health benefits. Third, the budget gaps listed for each college are not based on the same assumptions so are not truly comparable. We should have comparable numbers by 5/16/12 when the tentative budget is finalized. Fourth, the amount listed as “College Reserve” represents portions of East’s and Pierce’s reserves that have been placed on deposit with the County.

5. The next handout titled “LACCD Unrestricted General Fund, 2011-12 Projected Ending Balance” breaks out the components of the Districts anticipated fund balance at the end of the current year. This handout indicates that there are more uses being hoped for from the District’s fund balance than can be funded. The anticipated fund balance is \$61.5M and the hoped for funding amounts to \$75.3M. The most controversial item is the FON obligation which sometimes includes a District subsidy. West has a low ratio of full to part-time faculty, about 52%. The Chancellor expects feedback from the DBC at the next meeting on May 16.

b. **2012-13 Budget.** As a prelude to discussing West’s budget difficulties for 12-13, a document titled “West Revenue & Expenditure History & Projections” was reviewed. This handout was presented by the President to the Audit and Finance Committee of the Board of Trustees and illustrates that the 2012-13 preliminary allocation to West under the worst case tax scenario will not cover our fixed costs.

- i. **Summary of Preliminary Budget.** The Monthly Projection for February, 2012 was distributed and the Chair commented on certain items. Cuts were made throughout the budget. Utility expense is expected to be reduced by the elimination of winter and summer sessions and the institution of a 4-day workweek from the second week of June until the second week of August. Where possible during the summer, whole buildings will be closed. The transfers section of the Budget reflects reduced general fund subsidy to categorical programs. Districtwide, fringe benefits costs are up, primarily due to the rise in health insurance premiums. More changes will be made before May 16.
- ii. **Contingency Reduction Plan.** This schedule is in a format developed by the District budget office and is designed to show the extent of the gap between revenue and expense for each college, the extent to which the college has made cuts to reduce the gap and the extent of the remaining gap which will require District-wide action sanctioned by the Board of Trustees. Furloughs and salary reductions have been discussed any action may not occur until after the November election so additional cuts will have to be absorbed in the last

half of the fiscal year. Committee members expressed concern about the effect of compressing any salary adjustments into a short period of time. Ken commented that he thinks the Board and District administration are very aware of the hardship such action would bring and are looking for all possible ways to avoid it.

- c. **College Town Hall Meeting.** Ken suggested that May 17, the day after the next DBC meeting and after the Governor's May revise which should occur on May 14, might be a good date for a college-wide meeting so we could have the latest budget information. We don't want to delay a meeting such that it interferes with the faculty need to grade final exams. Suggested times were 12:30, 1:00 or 2:00pm. The location would be HLRC 4<sup>th</sup> floor. The president would like the meeting to be interactive and hopes to solicit suggestions as well as impart information.

5. **Adjournment.** The meeting was adjourned at 4:40 PM.