

BUDGET COMMITTEE

September 12, 2022

4:00 p.m. to 5:00 p.m.

<https://committees.kccd.edu/bc/committee/budget>

MEETING MINUTES

Present

Mike Giacomini, Kailani Henry, Lora Larkin, LeAnn Riley, Steven Holmes, Cristal Rios, Yvonne Stallion, Khuram Zaman, Nick Strobel, Teresa McAllister, Kim Nickell, Ric Jimenez, Tania Escalante, Jo Ellen Barnes

Agenda

Teresa McAllister made a motion, Nick Strobel seconded the motion to accept the agenda. Motion passed.

Minutes

Teresa McAllister made a motion, Cristal Rios seconded the motion to accept the May 2022 minutes. Motion passed.

Welcome

This year's meetings will be held in person. Mike thanked everyone for attending today's meeting.

Proposed Budget Reserve Language

At the last Board Finance Subcommittee meeting, they reviewed adjustments from tentative to adopted budget and potential changes in reserve levels. There was discussion among three board members and they are not in favor of the current reserve policy. They would like the language to change to no less than 20% and not to exceed 25%. This would replace the 15% and 20% policy language respectively. The committee repeated that at open session was that the current levels of 15% and not to exceed 20% were insufficient to meet the needs of the district during a potential downturn. They are looking to go through consultation process to move to 20% – 25% and then they would bring it back to the Board to make the changes.

There was discussion as to why reserves must increase. The Board truly acts like a college reserves and for the most part, like BC's college reserves. The Board does not want to get into the college's reserves, however in the end, the reserves of the District are their reserves and we are one legal entity. One concern is state funds which effects all colleges. Some districts look at district reserves as one fund, other college districts do it as we do where each college has separate reserves. Several years back the College did not have adequate reserves, but there were explainable circumstances where accounting adjustments needed to be made to more accurately reflect the situation. We did to correct the situation.

The handling of one-time apportionment funds is being addressed by trying to adjust through the allocation model. The idea is that money gets put where the money is earned and gets redirected back out. The Board is hesitant to go that route and it may be the Board does not want to give the impression they are taking money from the colleges. If the money goes straight to KCCD it does not seem like the Board is taking money from the colleges. However, if the money goes to the District reserves then it is harder to determine which colleges are funding the reserves.

Board Policy 6200 was reviewed in regards to the language for reserves.

The KCCD District Wide Unrestricted Reserves Investment Proposals, & Cashflow Analysis document was reviewed with the understanding that these were not the final numbers. In the unrestricted reserves, BC started with 37 million and at the bottom of the column has 35 million. The District shows 22% in reserves which is a violation of the current policy.

There was continued discussion regarding the buildup of District wide reserves of \$950,000 combined with \$800,000 of expected unallocated funds (growth 21-22) which usually comes in the summer. This is about 1.75 million and we do not know how much of this was generated by BC. If we use a basic FTES model we produce about 75% from BC money and possibly more. If we had this money then we would not have had to dip into our College reserves for one-time expenses. This is the concern.

About seven years ago reserves went from 8 million to about 28 million with the schools not aware of this. The money was paid back in two payments. At that time, they looked at other districts policies and that is where the 15%, 20% at the District and 5% for the colleges became Board policy. Currently, the Board of Trustees wants to change the reserve limits.

The new allocation model, moves the money, as it is earned and goes to the colleges. If we need to build up the District reserves, each college would pay their share and we would know how much was being put into the District wide reserves.

The committee heard that BC's co-funding of the pre-expenses for the housing project came from the college reserves. The District paid the first part of the expenses and BC pays for the second part of the expenses. BC's share was over \$1.5 million to get the architectural drawings and other one-time expenses done by December to get the grant awarded. We cannot spend grant money before the grant is awarded.

We can go through this process regarding BP 6200 and the AP because we rely primarily upon them, therefore there must be consultation with academic senates and District Wide Budget Committee. If the language of BP 6200 regarding the 15% and 20% is adjusted then BP 6250 will need to be adjusted because it has similar language.

A former CFO pulled industry standards to come up with the current 15% and 20%. There does not seem that any research or data was presented to confirm the need for increasing the reserves to 20% and 25%.

At this point, each college needs to go through their consultation process and come back to the District Budget Wide Committee so the committee can put together the recommendation forward to the Board. Chancellor Christian would like this presented in October.

District Consultation Council did not discuss a timeline but did discuss the subject. Academic Senates does not report to the Board but does report to the District Consultation Council and it is the District Consultation Council that agendizes items for the Board. If senates approve or disapprove, then the District Consultation Council (DCC) should do the same and address it to the Board. If the Chancellor decides to go in a different direction, then we can address it at the Board meeting and if the Board denies the Academic Senate's not wanting to change, then the Senate can ask, in writing, for the rationale. This will not move in October because it has not gone through the District Consultation process. There is a District Wide Budget Committee meeting at the end of this month. That can inform what happens and DCC will then agendize this item. The Board of Trustees (BOT) needs two to three weeks to set up for a meeting.

We went through something similar about fourteen months ago and increased the College's minimum reserves to 5%. This was based on the previous CFO's research into basic standards, guiding practices, other community colleges and statewide averages.

It was decided to take this information to other constituents and bring the information to the next Budget Committee meeting on Monday 9/26/22.

The committee discussed the history of past recessions including how it affected the colleges from 1991-1994 wherein we relied on reserves. Vouchers were used to pay bills. In the 2000s, we did not layoff faculty but did downsize staff with the first right of refusal to return to work. During that time, the reserve level went under a couple hundred thousand dollars and KCCD floated reserves for payroll purposes. The reserves were not as strong as they are today.

The committee talked about how our current reserves are in a bank. There are accounts for each college. There is one bank account for all colleges. We have Financial Aid draw down accounts which works somewhat like a clearing account. There is a Food Service account because they collect their revenue through credit cards.

There are some items that impact the timing of our funds such as several state co-funded projects. This includes Delano Learning Resource Center, Allied Heath Building at Porterville College, BC housing and smaller moneys for studies for Cerro Coso and Porterville College housing. We pay up front and submit back for reimbursement which takes forty-five to sixty days after we report it. We could be out seventy-five to one hundred days before we receive the reimbursement from the date of the expenditure.

The committee discussed the \$21 million that is in a COP. The idea was to take money and back fill it for capital improvements for the College. This is due in 2025 and will be repaid at that time. We have had two COPs and one of them is paid off.

The next District Wide Budget Committee meeting is 9/30/22. The District Consultation Council meeting is Tuesday 9/27/22 and the next Budget Committee meeting is 9/26/22.

Adjourn

5:05 Teresa McAllister made a motion. Cristal Rios seconded the motion to adjourn. Motion passed.

Suggested Future Topics

FTES Loss from dual enrollment within our area of service.

Changes from tentative to adopted budget.