

COAST COMMUNITY COLLEGE DISTRICT
District Budget Advisory Committee Meeting Summary
District Board of Trustees' Room

December 8, 2011

CALL TO ORDER

Chancellor Andrew Jones called the meeting to order at 3:04 p.m. in the District Board Room.

Committee members present were:

1. Paula Brady, Confidentials Representative
2. Wes Bryan, President, Golden West College, GWC
3. John Dunham, Academic Senate Representative, GWC, on behalf of Theresa Lavarini
4. Andrew Dunn, Vice Chancellor, Administrative Services, District
5. Elaine Hill, Classified Representative, CCC, on behalf of Ha Tran
6. Ann Holliday, CFE Representative, on behalf of Dean Mancina
7. Janet Houlihan, Vice President, Administrative Services, GWC
8. Andrew Jones, Chancellor, District
9. Judi Lagerlof, Classified Representative, OCC
10. Margaret Lovig, Academic Senate Representative, CCC
11. Vesna Marcina, Academic Senate Representative, OCC
12. Christine Nguyen, Vice President, Administrative Services, CCC
13. Ann Nicholson, CFCE Designee Representative
14. Robin O'Connor, Faculty Representative, OCC
15. Lucian Oprea, Student Representative, CCC
16. Richard Pagel, Vice President, Administrative Services, OCC
17. Joe Poshek, CDMA Representative
18. Cheryl Stewart, Faculty Representative, CCC

Committee Members Absent:

1. Lori Adrian, President, CCC
2. Susana Castellanos-Gaona, Classified Representative, GWC
3. Alex Ceballos, Student Representative, OCC
4. Dennis Harkins, President, OCC
5. Theresa Lavarini, Academic Senate Representative, GWC, represented by John Dunham
6. Dean Mancina, CFE Representative, represented by Ann Holliday
7. Jack Price, Coast CCA Representative
8. Anh (Bella) Tran, Student Representative, GWC
9. Ha Tran, Classified Representative, CCC, represented by Elaine Hill
10. Linda York, Faculty Representative, GWC
11. Vacant, Classified Representative, District

Vice Chancellor of Administrative Services and Finance Andy Dunn announced that **Governor Brown** is expected to release his 2012-2013 budget proposal on January 10, 2012. **Andy Dunn** will attend a statewide budget briefing and will share information with the DBAC Committee during the January 2012 DBAC meeting. In the fiscal outlook released last week by the Legislative Analyst's Office, budget imbalances were pointed out. The state Department of Finance will release their budget pronouncement next week. **Andy Dunn** reminded DBAC members that Coast built the 2011-2012 budget to accommodate potential one-time budget triggers for this year, but other solutions will need to be sought for 2012-2013.

GENERAL OBLIGATION BOND FINANCING

Discussion:

- **Andy Dunn** informed that the Board of Trustees directed staff to investigate the potential of seeking a general obligation bond in 2012. In response, staff will request the Board's consideration of a pollster and underwriting team at the December 14, 2011, Board of Trustees' meeting. Future considerations will include a financial advisor, counselor, and political strategist.

OVERVIEW OF INSTITUTIONAL PLANNING AND BUDGET DEVELOPMENT

Discussion:

- **Andy Dunn** reviewed and explained a PowerPoint presentation, which will be posted to the budget link on the District's website, that included:
 - Major considerations for Coast's planning and budget development process
 - The role of Program Review
 - Diagram of the budget allocation model
 - A budget development calendar
 - College planning and budget development.
- Below are factors in determining how Coast spends its money.
 - The Vision 2020 Master Plan Mission Statement, which states, "Coast Colleges offer inspiration, innovation, and meaningful learning experiences to their diverse and changing community and prepare students to achieve success in post-secondary, career and technical, and lifelong educational opportunities."
 - The Vision 2020 Vision Statement, which states, "Coast Colleges provide excellence, innovation, and success in education to inspire and transform lives in our local and global community."
 - Budget planning fundamentals, such as: transparency, broad participation, informed by Vision 2020, a conservative approach (such as matching ongoing spending with ongoing revenues), and completeness/comprehensiveness.
 - Budgetary guiding principles, as follows:
 - Allocation of one-time revenues to one-time expenditures, and covering on-going expenditures with on-going revenue
 - One-time year-end balance is not budgeted for on-going expenditures
 - Contractual obligations and fixed costs are budgeted first
 - Funds are budgeted where they are expected to be spent in order to minimize transfers and protect budget integrity
 - New positions must be fully funded, to include salary, benefits, and support expenses
 - Decisions on new positions must be made in the context of statutory and regulatory requirements (such as faculty obligation requirements and the 50% law)
 - Budget prioritization criteria, such as:
 - Health and safety
 - Mandates
 - Contractual obligations
 - Recommendations from DBAC
 - Implementation of objectives from Strategic Plan
 - Potential for long-term sustainable FTES growth
 - Correct an injustice
 - Program maintenance
 - High benefit/cost ratio
 - Title 5 of the California Code of Regulations requires that "[Community College] district financial planning will include both short-term and long-term goals and objectives, and broad-based input, and will be coordinated with the district educational planning." **Andy**

Dunn reported that the State Chancellor's Office (SCO) developed a fiscal health self-assessment tool for use on the previous fiscal year.

ACTION: **Andy Dunn** will include information about the SCO fiscal self-assessment tool on the DBAC spring agenda.

- Summary principles of Title 5, Section 58311, are as follows:
 - Fiscal stability
 - Ability to safeguard and manage district assets
 - Effective personnel practices consistent with legal requirements
 - Auxiliary activities that comply with accounting and budgeting principles, public disclosure, and audit requirements
 - An organizational structure incorporating a clear delineation of fiscal responsibilities and staff accountability
 - Keep the Governing Board current on fiscal condition
 - Develop and communicate fiscal policies, objectives, procedures, and constraints
 - Maintain an adequate management information system
 - Adhere to appropriate fiscal policies and procedures and have adequate controls to ensure that established fiscal objectives are met
 - Fiscal environment evaluation
 - Financial planning to include short-term and long-term goals and objectives, broad-based input, and coordinated with district educational planning
 - Capital outlay budget consistent with five-year plan and reflective of regional planning and needs assessments.
- The District's Budget Allocation Model:
 - Includes unrestricted general funds, apportionment (base allocation and FTES revenue), lottery, part-time faculty parity, interest income, joint-use development, La Habra rentals (property owned by District), KOCE debt payment
 - Excludes categorical funds, grant funds, Enterprise funds, and other "dedicated" revenue.
- The District's planning framework is led by the Vision 2020 Master Plan, which consists of four sub-plans for Facilities, Finance, Human Resources, and Technology. Key aspirational elements include:
 - cooperation and collaboration
 - college master plans
 - partnerships
 - technology
 - sustainability (environment and budget)
 - cultivation of a culture of inquiry and accountability through evidence-based data

ACTION: **Andreea Serban** offered that Coast needs a tactical operational plan to move the Vision 2020 components forward, and suggested that DBAC take a role in developing the Finance operational plan in the spring. **Andy Dunn** added that we can develop the framework and update our multi-year projections, which will give us a timeline to implement the projections.

- Instructional/non-instructional Program Review was presented as an organizational unit's planning document. The purpose of Program Review is to integrate goals, objectives, recommendations and budget requests to achieve an outcome that integrates the major components of the Vision 2020 Master Plan (education, technology resources, physical resources, human resources, and financial resources). **Andreea Serban** shared that the district office may want to consider taking a program review approach, as is done by the colleges.
- There will be a strategic focus on student success through the following goals of the Vision 2020 five-year plan:
 1. Degree and certificate completion, and transfer with competence

2. Rework basic skills
 3. Science, Technology, Engineering, Mathematics, and Medicine (STEM2)
 4. Career and Technical Education (CTE), and creative arts skills and careers
 5. Global/international education
 6. Diversity
- The year-round ongoing budget process at Coast consists of:
 - April – initiate next year’s budget process
 - May – colleges and district Administrative Services continue input. Budget input for tentative budget due from colleges
 - June – Tentative Budget adopted by Board of Trustees
 - July – budget input for Adopted Budget due from colleges
 - August – Adopted Budget reviewed by Chancellor’s Cabinet
 - September – Adopted Budget available for public inspection and review in District Office lobby prior to public hearing and adoption; Adopted Budget presented for public hearing and adoption by Board of Trustees; Adopted Budget filed with the County Department of Education.
 - The three college budget planning/decision-making processes were presented.
 - Coastline College – **Christine Nguyen** explained a diagram linking the components that comprise Coastline’s Master Plan decision-making budget process. The Budget Committee, Program Review, shared governance groups, constituency groups, and the Planning, Institutional Effectiveness & Accreditation Committee (new this year) communicate and present their requests to College Council, which are reviewed and forwarded to the College President for consideration and subsequent presentation to the Budget Committee for implementation.
 - Golden West College – **Janet Houlihan** distributed a two-page handout that included a flowchart outlining the steps taken in the review process for requests that come in from Program Review through the final recommendations by Planning and Budget to the College President. The handout also included the overall Planning Process Model for the college.
 - Orange Coast College – **Richard Pagel** distributed a handout identifying Steps One through Six in their annual strategic planning process, from foundational review of accreditation and regulatory standards to the College Budget Committee/College Council’s recommendations to the College President. A chronological annual budget review and development process timeline was also presented.

Andreea Serban noted it will be key for accreditation purposes to note the percentage of funding that came out of the program review process. **Rich Pagel** stated that a significant amount went through the program review process, and that Orange Coast used a zero-based budget approach for the first time this year. **Christine Nguyen** informed that 50-60 percent of requests went through program review. **Janet Houlihan** offered that she will obtain that information and provide it to **Dr. Serban**.

G.O. BOND ISSUES
BASIC ALLOCATION THRESHOLDS
NON-STATE FUNDED FTES
ENHANCED NON-CREDIT
MID-YEAR TRIGGER CUTS

Discussion:

- **Andy Dunn** distributed a four-page handout that addressed five questions from the November 10, 2011, DBAC meeting.
 1. In response to a question concerning the 2002 Measure C general obligation bond funding, a financial summary of the three colleges and district site was provided.
 2. The question about basic allocation thresholds will be deferred to January 2012 when the workload adjusted thresholds are known. **Andy Dunn** reminded DBAC that this year

- began with an assumed 6.2 percent workload reduction. If the state's budget condition triggers more cuts, we could see an additional 2 percent workload reduction. Coast has built in an allocation for this year, but it will be a challenge for 2012-2013.
3. In response to an inquiry about counting non-state funded FTES toward basic allocation thresholds, **Andy Dunn** replied that unfunded FTES can count, but non-resident, out-of-state or out-of-country FTES cannot count.
 4. In response to a question about enhanced non-credit FTES, the handout provided a brief description of the Career Development and College Preparation (CDCP) Non-Credit FTES, as well as Ed Code statute 84760.5 on this subject. CDCP Non-Credit FTES courses are offered free to students and are funded at a lesser amount than the regular FTES. **Andreea Serban** informed that the courses must be in a series and are primarily short-term vocational courses. She added that if credit courses are the community colleges' primary mission, as stated in Ed Code, it can be difficult in this fiscal environment to offer a large number of enhanced, non-credit courses, and must be considered carefully if such offerings were to eliminate credit courses.
 5. In response to mid-year trigger cuts, a handout charted the revenue triggers and tiers that could impact California community colleges. **Andy Dunn** reiterated that Coast has one-time funding to cover mid-year triggers this year, but not in 2012-2013. He further noted that the Governor assumed \$12 billion in revenue would emerge when he signed the July 2011 budget and, according to the Legislative Analyst's Office, revenues are currently short by approximately \$3 billion. If state revenues fall short by \$4 billion, then everything is open in the state budget again.

ZERO-BASED BUDGETING MODELS

Activity/Discussion:

- **Andrew Jones** provided an interactive opportunity for DBAC members to create a budget using a zero-based budgeting approach. DBAC members broke into four groups; each was provided with their own unique hypothetical scenario and given time to develop a budget for presentation on flipcharts. Group scenarios included serving 2800 students with an \$8 million budget; a \$50 million base operating budget; a \$150 million budget with 20,000 FTES; and a \$180 million budget with 125,000 FTES.
- After presentation of the created budgets from all four DBAC teams, it was noted that all teams assumed current year funding would be funded again the following year. Teams acknowledged that it may be necessary to reconsider continuation of programs in their budget models that add little or no value to student success.
- This budget development activity assumed 85 percent of the budget was allocated for salary and benefits. In a true zero-based budget approach, the budget is constructed from zero.
- **Andrew Jones** summarized the activity by noting that the budgets were built based on what was comfortable and familiar. He offered that a budget framework should be built on what we need based on evidence and data and how it contributes to student success. He noted that we will examine some zero-based budget models as we move forward, and invited DBAC members to bring budget models to the January DBAC meeting.

NEXT MEETING DATE:

The next meeting will be held January 26, 2012, at 3:00 p.m. in the District Board Room.

The meeting adjourned at 5:00 p.m.

Recorded by Nancy Sprague



Presentation to the
District Budget Advisory Committee
December 8, 2011

Overview of Institutional Planning and Budget Development

Presented by:
Andy Dunn
Vice Chancellor
Finance & Administrative Services

Inspiration. Innovation. Graduation.

Areas of Discussion

- ✓ ***What Informs Coast's Institutional Planning and Budget Development Process?***
 - ▶ Vision 2020
 - Mission Statement
 - Vision Statement
 - Implementation Strategies
 - ▶ Budget Development
 - Principles
 - Guidelines
 - Priorities
- ✓ ***The Role of Program Review***
- ✓ ***Budget Allocation Model (Diagram)***
- ✓ ***Budget Development Calendar***
- ✓ ***College Planning and Budget Development***
 - Orange Coast
 - Golden West
 - Coastline

What Informs Coast's Institutional Planning and Budget Development Process?

- ***Vision 2020 Mission Statement***

- ▶ Coast Colleges offer inspiration, innovation, and meaningful learning experiences to their diverse and changing community and prepare students to achieve success in post-secondary, career and technical, and lifelong educational opportunities.

- *Adopted by the CCCD Board of Trustees, February 2010*

What Informs Coast's Institutional Planning and Budget Development Process?

- ***Vision 2020 Statement***

- ▶ Coast Colleges provide excellence, innovation, and success in education to inspire and transform lives in our local and global community.

- *Adopted by the CCCD Board of Trustees, February 2010*

What Informs Coast's Institutional Planning and Budget Development Process?

- ***Budget Planning Fundamentals***

- ▶ Transparency
- ▶ Broad participation
- ▶ Informed by Vision 2020
- ▶ Conservative
- ▶ Complete/comprehensive

What Informs Coast's Institutional Planning and Budget Development Process?

• **Budgetary Guiding Principles**

- ▶ One-time revenues will be allocated to one-time expenditures.
- ▶ On-going expenditures shall be covered from on-going revenues.
- ▶ Year-end balances are not budgeted for ongoing expenses.
- ▶ Contractual obligations and fixed costs are budgeted first.
- ▶ Funds are budgeted where they are expected to be spent so as to minimize transfers and protect budget integrity.
- ▶ New positions must be fully funded:
 - Salary
 - Benefits
 - Support Expenses
- ▶ Decisions on new positions must be made in the context of statutory and regulatory requirements.

What informs Coast's Institutional Planning and Budget Development Process?

- ***Budget Prioritization Criteria***

1. Health and Safety
2. Mandates
3. Contractual obligations
4. Recommendations from DBAC
5. Implementation of Objectives from Strategic Plan
6. Potential for Long-Term Sustainable FTE Growth
7. Correct an Injustice
8. Program Maintenance
9. High Benefit/Cost Ratio

What informs Coast's Institutional Planning and Budget Development Process?

- ***Planning and Budget Development Process***

- ▶ Title 5 of the California Code of Regulations requires that “[Community College] District financial planning will include both short-term and long-term goals and objectives, and broad-based-input, and will be coordinated with the district educational planning”
- ▶ Title 5 Section 58311
 - *Specific summary principles follow:*

What Informs Coast's Institutional Planning and Budget Development Process?

- ***§ 58311. Principles for Sound Fiscal Management***

- ▶ **Fiscal Stability**

- Through ongoing fiscal Stewardship.

- ▶ **Safeguard and Manage District Assets**

- Management will maintain adequate cash reserves,
- Implement and maintain effective internal controls,
- Determine sources of revenues prior to making short-term and long-term commitments, and
- Establish a plan for the repair and replacement of equipment and facilities.

- ▶ **Personnel Practices**

- Consistent with legal requirements,
- Make the most effective use of available human resources, and
- Ensure that staffing costs do not exceed estimates of available financial resources.

What Informs Coast's Institutional Planning and Budget Development Process?

• § 58311. Principles for Sound Fiscal Management

- ▶ Auxiliary activities
 - Comport with the educational objectives of the institution, and
 - Comply with sound accounting and budgeting principles, public disclosures, and annual independent audit requirements.
- ▶ Organizational structure
 - Incorporate a clear delineation of fiscal responsibilities, and
 - Establish staff accountability.
- ▶ Keep the governing board current on the fiscal condition
- ▶ Develop and communicate fiscal policies, objectives, procedures, and constraints
- ▶ Maintain an adequate management information system

What Informs Coast's Institutional Planning and Budget Development Process?

• **§ 58311. Principles for Sound Fiscal Management**

- ▶ Adhere to appropriate fiscal policies and procedures and have adequate controls to ensure that established fiscal objectives are met.
- ▶ Fiscal Environment Evaluation
 - Evaluate significant changes in the fiscal environment and
 - Make necessary, timely, financial and educational adjustments.
- ▶ Financial Planning will Include
 - short-term and long-term goals and objectives,
 - broad-based input, and
 - Coordinated with district educational planning.
- ▶ Capital Outlay Budget
 - Consistent with its five-year plan and
 - Reflect regional planning and needs assessments.

Budget Allocation Model

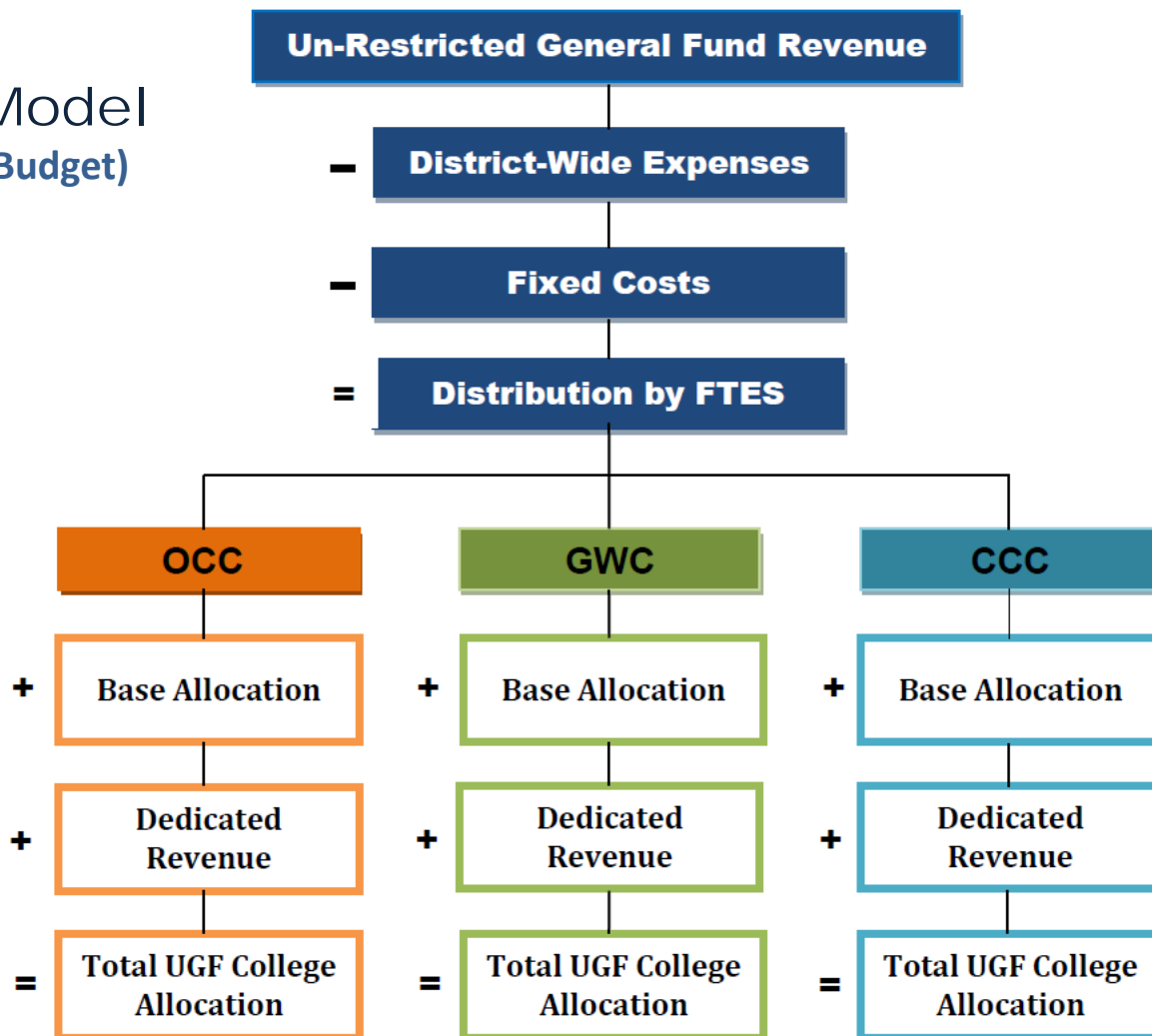
Included

- Unrestricted General Fund
- Apportionment
 - Base Allocation
 - FTES Revenue
- Lottery
- Part-Time Faculty Parity
- Interest Income
- Joint Use Development
- La Habra Rentals
- KOCE Debt Payment

Excluded

- Categorical Funds
- Grant Funds
- Enterprise Funds
- Other “Dedicated” Revenue

Budget Allocation Model (2011-12 Adopted Budget)



Planning Framework



- ***Instructional/Non-Instructional Program Review***

- ▶ What is it?

- Org. unit level planning document

- ▶ Program goals and objectives

- ▶ Purpose:

- Integrate Goals, Objectives, Recommendations and budget requests

- ▶ Outcome:

- Integrate major components of Vision 2020 Strategic Master:
 - Education
 - Technology Resources
 - Physical Resources
 - Human Resources
 - Financial Resources

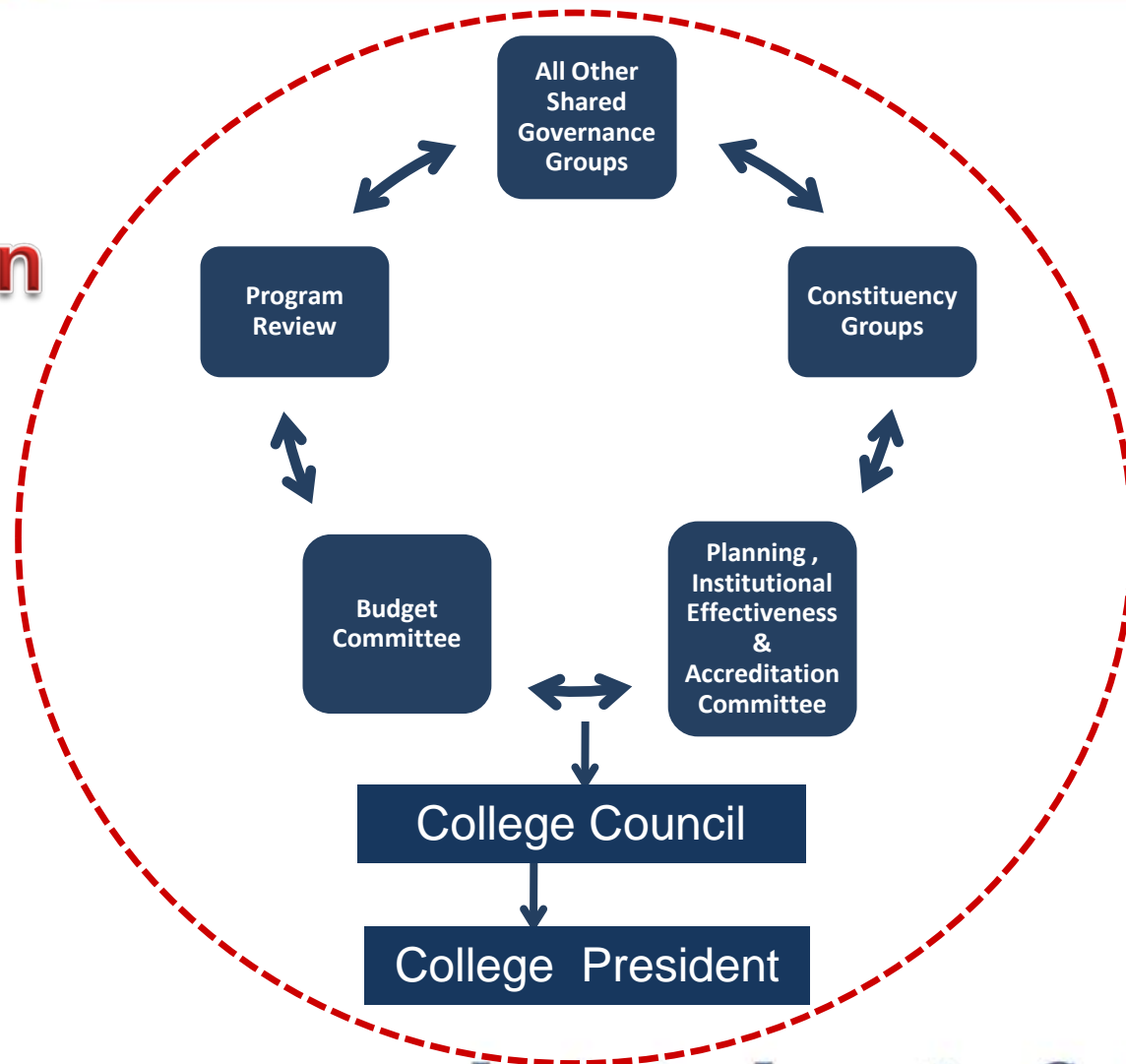
- ***Strategic Focus on Student Success through the following Vision 2020 Five Year Plan Goals***

1. Degree and Certificate Completion, and Transfer with Competence
2. Rework Basic Skills
3. Science, Technology, Engineering, Mathematics, and Medicine (STEM2)
4. Career and Technical Education (CTE), and Creative Arts Skills and Careers
5. Global / International Education
6. Diversity

COAST COMMUNITY COLLEGE DISTRICT BUDGET CALENDAR 2011-2012

APRIL	Initiate 2011-2012 Budget Process.
MAY	Colleges and District Administrative Services continue 2011-2012 input. Budget input for Tentative Budget due from colleges.
JUNE	2011-2012 Tentative Budget adopted by Board of Trustees.
JULY	Budget input for Adopted Budget due from colleges.
AUGUST	2011-2012 Adopted Budget reviewed by Chancellor's Cabinet.
SEPTEMBER	Adopted Budget available for public inspection and review prior to public hearing and adoption in the District Office Lobby. 2011-2012 Adopted Budget presented for public hearing and adoption by Board of Trustees. 2011-2012 Adopted Budget filed with the County Department of Education.

Coastline College's Master Plan Decision-Making Process





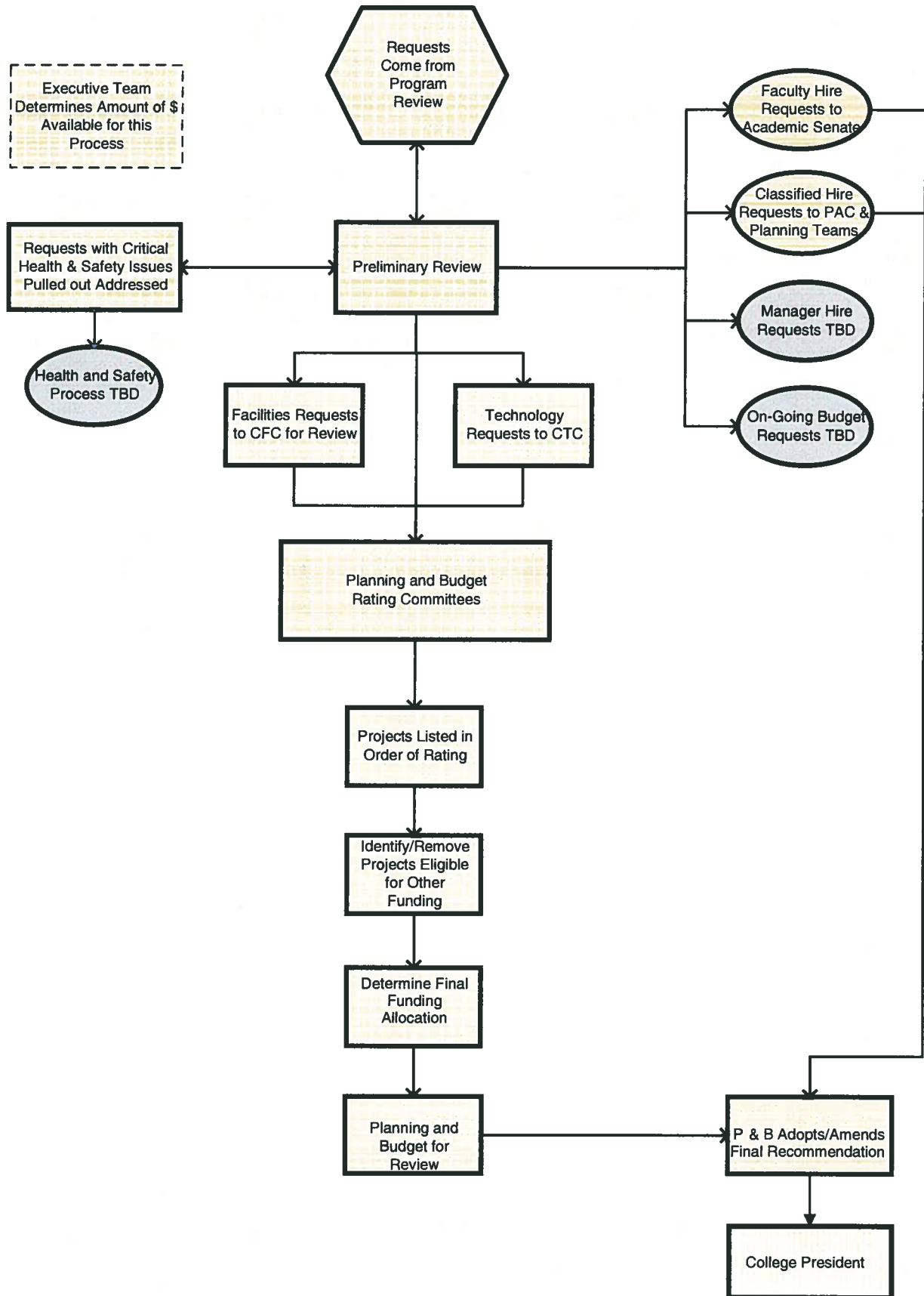
GWC Budget Model (Handout provided)



OCC Budget Model (Handout provided)

GWC Budget Allocation Model

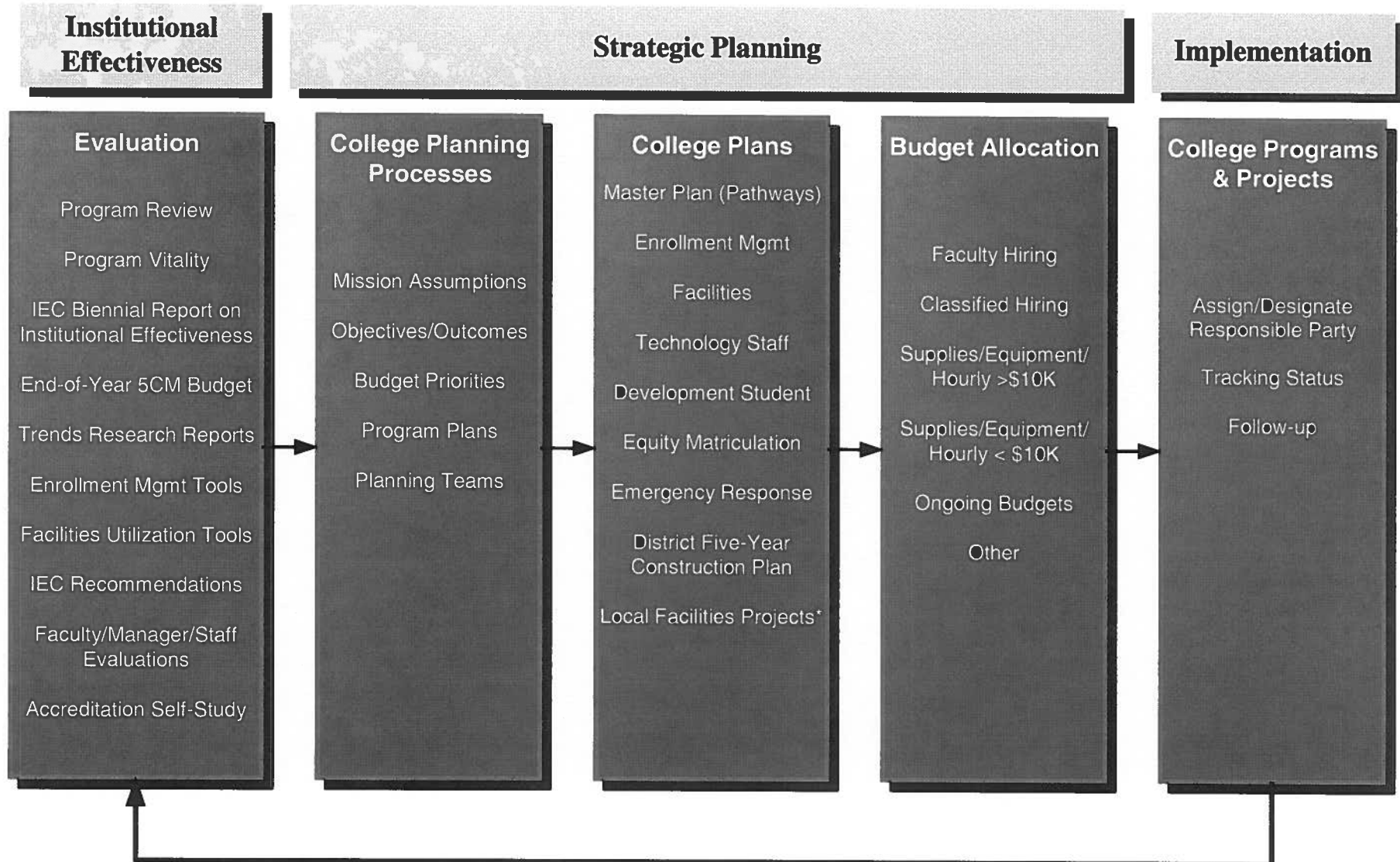
Resource Requests from Program Review





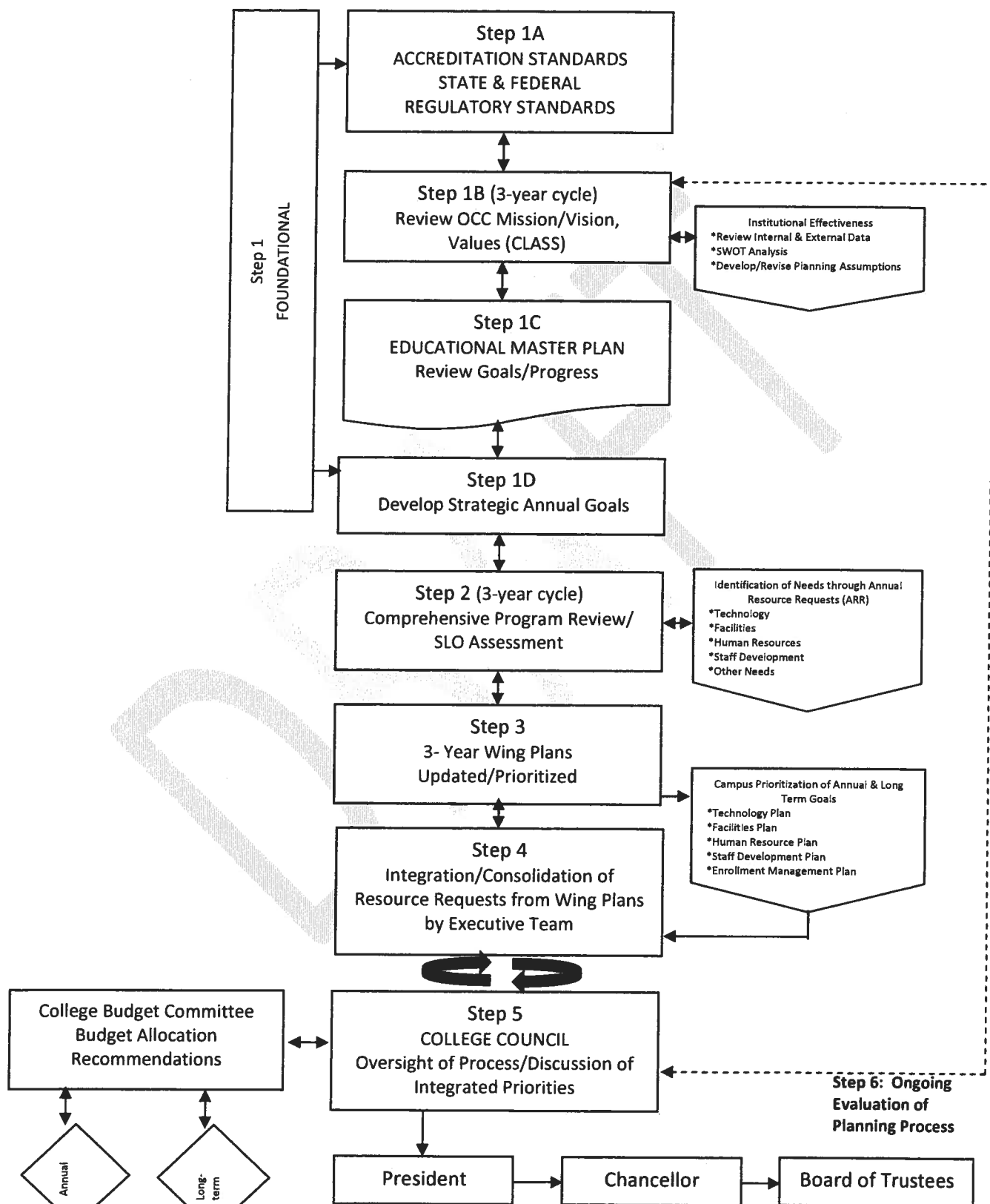
Overall Planning Process Model

Approved P&B
Spring 2008

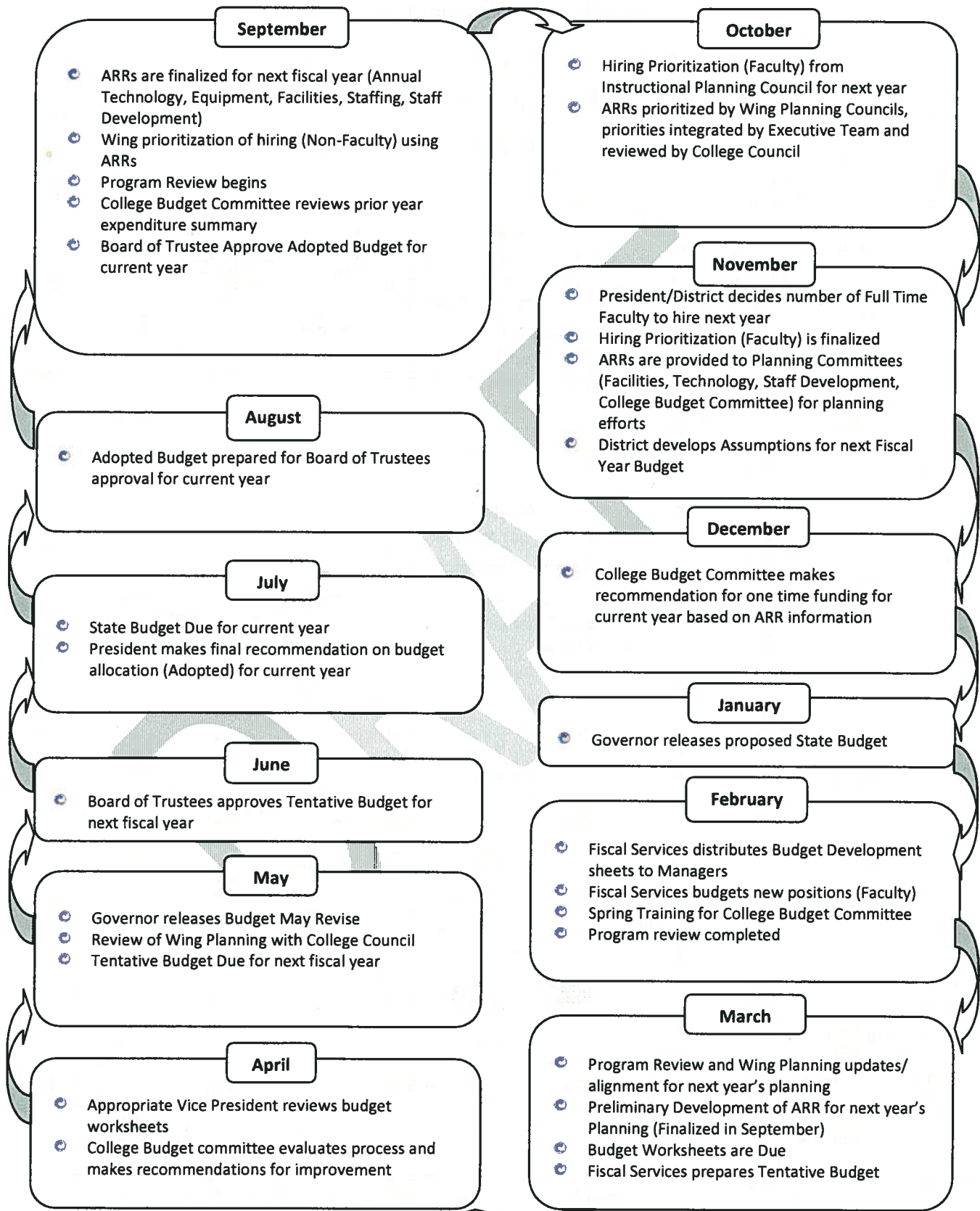


*Local development, Bond Issues, Ancillary Revenue from Unutilized Land

Orange Coast College Annual Strategic Planning Process



Annual Budget Review and Development Process Timeline (Chronological)



DBAC Meeting

December 8, 2011

Questions from November 10, 2011 DBAC Meeting

- 1) G.O. Bond Financing Summary (*Attachment #1*)
- 2) Basic Allocation Thresholds (*Defer to January meeting when workload adjusted thresholds are known.*)
- 3) Can non-state funded FTES count towards those thresholds? (*Unfunded FTES can. Non-resident, out-of state or out-of-country, does not.*)
- 4) Enhanced Non-Credit - Background (*Attachment #2*)
- 5) Mid-Year Trigger Cuts (*Attachment #3*)

G.O. Bond Funding Summary

	Original Allocation	Debt Repayment	Interest & Other Income	Refunding	Total Allocation	Estimated Interest 2012	Balance
District	\$8,600,000	\$23,000,000	\$25,276,992	\$9,991,058	\$66,868,050	\$200,000	\$67,068,050
OCC	\$199,210,000		(\$2,000,000)		\$197,210,000	\$0	\$197,210,000
GWC	\$95,953,000		\$5,300,000		\$101,253,000	\$0	\$101,253,000
CCC	\$66,237,000	(\$23,000,000)			\$43,237,000	\$0	\$43,237,000
	\$370,000,000	\$0	\$28,576,992	\$9,991,058	\$408,568,050	\$200,000	\$408,768,050

District Allocations

District Building		25,700,000	
Transportation Building		2,900,000	
Banner		8,900,000	
Districtwide Planning		2,900,000	(Includes Master planning, Investment charges and Project management)
Debt Repayment			
Coastline Buildings (Admin and G		17,700,000	
Districtwide Energy Loan		3,900,000	
PNI Software		3,000,000	
Equipment Financing		1,700,000	
Contingency		300,000	
		\$67,000,000	
 May-03	Series A issued		 110,000,000
Aug-05	Series A refunded - net income		9,991,058
May-06	Series B&C issued		260,000,000
	Interest through June 30, 2012 (est)		28,776,992
	Total available funding		\$408,768,050

CDCP Non-Credit FTES

Brief description of the CDCP Non-Credit FTES.

SB 361 increased funding for all noncredit community college courses and created special categories of CDCP (career development and college preparation) courses. These special categories involved enhanced funding for specific noncredit courses that community colleges organize into sequences leading to specialized noncredit certificates.

The Ed Code states the following:

84760.5. (a) For purposes of this chapter, the following career development and college preparation courses and classes for which no credit is given, and that are offered in a sequence of courses leading to a certificate of completion, that lead to improved employability or job placement opportunities, or to a certificate of competency in a recognized career field by articulating with college-level coursework, completion of an associate of arts degree, or for transfer to a four-year degree program, shall be eligible for funding subject to subdivision (b):

(1) Classes and courses in elementary and secondary basic skills.

(2) Classes and courses for students, eligible for educational services in workforce preparation classes, in the basic skills of speaking, listening, reading, writing, mathematics, decision-making, and problem solving skills that are necessary to participate in job-specific technical training.

(3) Short-term vocational programs with high-employment potential, as determined by the chancellor in consultation with the Employment Development Department utilizing job demand data provided by that department.

(4) Classes and courses in English as a second language and vocational English as a second language.

Mid Year Cuts - Triggers

	Tier 0*	Tier 1 (alt.)	Tier 2	Tier 2 (alt.)
Revenue Trigger	At least \$3 Billion	\$2 Billion > \$3 Billion	Less than \$2 Billion	
Assumptions	1) Mid Year Cuts - No	1) Mid Year Cuts - Yes	1) Mid Year Cuts - Yes	1) Mid Year Cuts - Yes
		2) Fees increase to \$46/unit	2) Fees increase to \$46/unit	2) Fees increase to \$46/unit
		3) \$30M additional cut offset by additional fees	3) \$72M additional cut	3) \$72M additional cut
		Note: Assumes additional \$30M cut in lieu of mid-year fee change		Note: Assumes additional \$30M cut in lieu of mid-year fee change
Apportionment Reduction	-5.80% (\$9,826,000)	-6.28% (\$10,729,000)	-7.10% (\$12,072,000)	-7.65% (\$13,007,814)
Workload Reduction	-6.15%	-6.6%	-7.56%	-8.15%