Committee Members: Jonathan Brusco, Kent Child, and Mark Dover
Committee Resources: Steve Kinsella and Joseph Keeler
Other Attendees: Nancy Bailey, Susan Cheu, Julian Kearns, Eric Ramones, Dr. Kathleen Rose, Diana Seelie

1) Call Meeting to Order – Trustee Child called the meeting to order at 5:00 p.m.

2) Approve Minutes – The minutes from May 8, 2012 were approved. MSC (Dover/Brusco)

3) Comments from the Public – No Comments

4) FY 2011-12 Gavilan “Actuals”

   • From Final Budget to Current Budget – Susan Cheu, Director of Business Services, reviewed the budget transfers and proposed adjustments moving from the FY 2011-12 Final Budget to the year-end budget as of August 12. The most recent transaction was the “trigger” cut reductions to state apportionment of $483,000. Ms. Cheu noted that the net change in the ending fund balance is estimated to be ($785,158). The calculation of the eligible instructional expenditures under the 50% law has not been finalized but a year end adjustment is anticipated.

   • State Revenue – Vice President Joe Keeler reviewed Gavilan’s FY 2011-12 State apportionment using Exhibit C from the Chancellor’s Office. Mr. Keeler highlighted the following 3 areas:

      1) Gavilan’s base FTES cap was reduced from 5,425 to a revised base of 5010 FTES for a decrease of 415 FTES. This reduction in FTES is referred to as a workload reduction.

      2) In dollars, the workload reduction cost the District approximately $1.4 million and this amount was contained in the FY 2011-12 Final Budget approved by the Board in September 2011. However, in February, the State implemented “trigger” cuts or a mid-year reduction of an additional $400,000. The consequence of these two reductions is that Gavilan’s base revenue limit was adjusted downward by $1.8 million to $25,600,000.

      3) In addition to the workload reduction and the “trigger” cuts, Gavilan also has to absorb a one-time deficit of $600,000.

   Trustee Dover asked how many sections equal the $600,000 deficit reduction and President Kinsella said an estimate would be 20 sections. President Kinsella pointed out that there are 3 levels of FTES funding.

   • Expenditures – Mr. Keeler provided a quick overview of the 1968 law that requires 50% of the general funds to be expended on direct instructional classroom contact with students. The law disallows counselors, librarians, coaches, and stipends. In addition, student, administrative, and instructional support services’ are also disallowed. Mr. Keeler added that it becomes difficult for the District to provide the necessary support services many of which are mandated. Dr. Rose said that faculty work on SLOs including assessment and implementation of outcomes does not count. Ms. Cheu noted that Gavilan has satisfied the law in the past but has come close to not making 50%.

   Solutions are being discussed and include a one-time payment (of an estimated $800,000) to the Retiree Health Benefit trust based on applicable instructional salaries. The District currently contributes to the trust at a rate of 1.5% of salaries. Mr. Keeler stated that the appropriateness of this transaction has been reviewed by our auditors and legal counsel. Not complying with the 50% law is
not an option. President Kinsella said additional options to review include keeping instructors in the classroom by eliminating release time, adding faculty, and reducing support services.

5) FY 2012-13 State Budget – Mr. Keeler reviewed the FY 2012-13 base revenue limit but cautioned that another mid-year work load reduction may occur. Mr. Keeler provided an August 27, 2012 memo released from the Community College League of California regarding the impact of Proposition 30 and 38 on community colleges. President Kinsella summarized that the passing of the propositions would have little effect on Gavilan. If Prop. 38 doesn’t pass, it may reduce our base FTES by 360 translating to an estimated $1.6 million mid-year reduction. President Kinsella felt the District would be able to absorb that for FY 2012-13. However, measures for expenditure reduction need to begin now. He said that Gavilan’s Expenditure Reduction Task Force (ERTF) would be meeting to recommend permanent reductions that would be in place for FY 2013-14.

Trustee Brusco acknowledged the District staff for providing such clear budget information when working with the ambiguity of available revenue information.

6) FY 2012-13 Gavilan Final Budget – Ms. Cheu reviewed the “Consolidated Summary of All Funds” for the Final Budget. She added that few changes had been made from the Tentative Budget approved in June, 2012. She added that the revenue numbers were left as tentative and will be adjusted in November. In addition, the adjustment was made for the Retiree Health Benefit trust transfers. The Final Budget will be presented at the September 11, 2012 Board of Trustees meeting. Trustee Dover asked about the ending fund balance for FY 2012-13. President Kinsella said it was at the required level of 5%.

7) Plans to Reduce FY 2012-13 Final Budget Expenditures – Mr. Keeler said that every dollar in expenditures will be reviewed. President Kinsella noted, for example, that the General Fund anticipates an Interfund transfer of $438,000 to the Child Development Center Fund. He acknowledged Dr. Rose, Sherrean Carr and CDC Director Susan Alonzo for reviewing and implementing all possible options for reducing that number. He added that, at this point, it is important the District strategizes to protect the reserve fund.

8) Status of FY 2011-12 Audit – Ms. Cheu reported that the audit involves two audit team site visits; each one with a specific focus. The July visit focused on compliance of programs such as EOP&S, DRC, and federal grants. This is a change from prior years as the audit has expanded from just a financial review. The expanded scope involves more people and more departments. In October, the audit team returns for the financial audit and follow up. A final report is expected by January 2013.

9) Other – The history of Gavilan’s Retiree Health Benefit Trust was reviewed. The District contributes 1.5% of current salaries in addition to directly paying current retiree benefits. In FY 2007-08 the Board directed administration to make a lump sum payment into the trust. The trust has an estimated at $7 million with a retiree benefit liability estimated at $5 million.

President Kinsella acknowledged the outstanding work that Director of Business Services Susan Cheu has done. Trustee Child, on behalf of the committee members, thanked Susan, Joe, and their staff for gathering and providing the information.

10) Adjournment - Meeting adjourned at 5:50 p.m.