

**GAVILAN JOINT COMMUNITY COLLEGE DISTRICT  
BUDGET COMMITTEE  
COMMITTEE TO THE BOARD OF TRUSTEES**

Tuesday, April 17, 2018

5:30 p.m. – 6:30 p.m.

Room: Gavilan North/South Lounge

**Minutes**

Committee Members: Kent Child (Chair), Jonathan Brusco, and Mark Dover. ABSENT: Daniel Chavez

Resources: Dr. Kathleen Rose, Fred Harris, and Wade Ellis

Other Attendees: Eric Ramones, Peter Wruck, Rachel Perez, Ken Wagman, Kathleen Moberg, Marie Noriega, Diana Seelie, and Debbie Britt-Petty (recorder)

**1. Open Session – 5:30 p.m.**

- A. Call Meeting to Order at 5:34 p.m.: The meeting was called to order by Kent Child at 5:34 p.m.
  - B. Comments from the Public: No comments.
  - C. Approve Minutes from the August 30, 2017 Budget Committee Meeting: MSC (J. Brusco /M. Dover) 3 ayes, 0 nays to **approve**.
2. FY 2016-17, FY 2017-18, FY 2018-19 -- Agenda Items 2., 3. & 4. were summarized and discussed by Fred Harris using the presentation, "Maintaining Fiscal Stability in Uncertain Times." The main points of the presentation were as follows:
- We are in a transition time, as we are not quite Basic Aid yet. Basic Aid means that our local property taxes will meet or exceed our revenue limit or Total Computational Revenue (TCR). We estimate that Gavilan will be fully Basic Aid in 2-3 years.
  - On June 28, 2017, we received \$5.8 million in ERAF (Educational Revenue Augmentation Fund) which we were not expecting. This was the first time the college has received this money. This offset the state apportionment and caused an overpayment of \$3,052,258 for the 2016-17 fiscal year. Repayment of this money will not cause an adjustment to the base apportionment.
  - Unfortunately, ERAF is very unpredictable which makes it hard to plan and budget. Currently, interim financing is in place to make sure payroll needs are met. The state has already stopped funding the college in anticipation of upcoming ERAF.
  - In addition to the ERAF complication, our auditors found that numerous courses did not have proper census reports. This is important because our funding is based on our FTES. The auditors' findings resulted in a loss of \$723,827.72. Wade Ellis reported that the auditors allowed us to research and find census reports to present. Several staff members worked long hours to retrieve what was outstanding. After all that effort,

the loss was reduced to \$139,436.36. Wade stated that the auditor is going to come back to train staff and faculty. They really want to help us strengthen our census procedures. Kent Child stated that it is important to find out if there is anyone who is habitually not turning in their census reports, find out why and have individual conversations to train and enforce this policy.

- Fred and Wade have been negotiating with the Chancellor's Office to see if we can repay the \$3,290,183 that we owe for 2016-17 (\$3,052,258 due to ERAF offset, and \$237,925 due to audit adjustments) over 10 years. They requested an interest free repayment plan of \$329,020 per year. Any excess property taxes will go first to prepay. They are waiting to hear if the Chancellor's Office will accept this plan.
- Due to increased expenditures in the 2017-18 fiscal year, we were headed into a \$2.5 million deficit. We have since canceled 136 classes per the new Enrollment Management Process and have reduced expenditures.
- Because of the 2016-17 census and FTES audit findings, we have a reduced base of \$237,925. Dr. Rose explained that it was decided that we will proceed with one full time faculty position for the next fiscal year, but we will freeze hiring for 7 other positions which total approximately \$550,000. Wade reported that purchasing has been cut off early, and any new expenditures will need to be reviewed by Cabinet.
- It is projected that we will have a 13.7% ending fund balance in the General Fund. In fiscal year 2016-17, the average ending balance statewide was 21.3%, the lowest was 5.1%, and the highest was 51.5%. The state recommends at least 5%.
- Kent Child is concerned that the Board may need to take another look at the potential bond since we are deficit spending. Jonathan Brusco noted that bonds are a different type of funding. Kent Child stated that our older buildings need maintenance and staff to sustain the college for many years to come. It will need to be discussed and well-thought out.
- The State Chancellor's Office is proposing a new Student Focused Funding Formula which changes the state apportionment from being based solely on growth and enrollment to being more performance/outcome based. This could cause as many as 38 colleges to be harmed financially, including Gavilan.
- A CEO workgroup is proposing a 75% FTES based and 25% performance based funding, instead of the state's proposed 50% FTES, 25% equity, and 25% performance based funding. The CEOs are also asking for a 7 year implementation plan, and a 2 year hold harmless provision.
- We will have a tentative budget in June and a final budget in September.
- The good news is that our medical premiums will only raise slightly, which confirms that the Board made a good choice to transfer to SISC.
- There are challenges in the wind, but we do have options. We just have to be very conservative.
- Kent Child thanked Wade, Fred, and staff for all the hard work and time spent on this difficult process.

3. Adjournment: The Committee was adjourned at 6:33 p.m.