PRESENT:
Kathy Bakhit, Carol Cone, Mike Fehrs, Jeanne Hamilton, Carol Horton – chair, Dennis Korn, Eric Magallon, Irene Malmgren, James McClain, Martha McDonald, Peggy Olson, Judy Rojas (recording secretary) Absent: Rosalinda Buchwald, Toby Guebert, Lan Hao, Roseann Manfre-Campillo, Rocky Reynolds, Tasha Van Horn and Dr. Michael Viera
Guests: Mrs. Joanne Montgomery

OLD BUSINESS:

1.1 Approval of minutes of September 18 and November 20, 2007– Minutes approved as presented.

NEW BUSINESS:

1.2 Budget Update – Carol Horton provided several documents recapping the Governor’s proposed 2008-2009 Budget. The first document that Carol reviewed was the State Budget Update which is a publication produced by the Community College League of California sequentially as the budget process takes place. A lot of this information is repeated in the other documents provided. Eric Skinner, the Vice Chancellor of Finance for the Systems Office, provides more detail and also the Chancellor’s Office position on the Governor’s proposed budget. Carol recapped the State Budget Update #1. On Tuesday January 8th the Governor’s presented the state of the State address followed by his recommendation for the 2008-2009 budget. He has called for a special session of the legislature to reduce expenditures in the current year budget. The legislature has 45 days to enact legislation to reduce expenditures. If they do not act within 45 days then they cannot act on other legislation. They must come up with a budget remedy for the current year short fall in revenue. The Governor recommends an approximately $40 million reduction for community colleges. Eric Skinner stated at the budget conference that we should not get panicky yet. He feels that it will not come out of apportionment or general fund dollars. The systems office is looking around currently to come up with sources of revenue that are not designated for expenditures to try to ease the burden on apportionment dollars. How it will specifically impact us, we will not know until June.

Dan Walters who is renowned syndicated columnist from the Sacramento Bee was a keynote speaker at the budget conference. He stated that the state system of budgeting is broken and it has not worked since 1978 when Prop 13 went into effect. There is a cycle in the community college/education system that every five to seven years we take a large economic down turn and start panicking. The state has run out of ways to manipulate
revenue or expenditures and they do everything that they can to make the budget look like it is balanced when they adopt in the summer. Periodically everything collapses because there are more expenditures than expected or revenue does not come in as expected. The reason that the budget was not passed this year until September was that there were so many tricks that just did not work. The estimated revenues from the state are just not there. Other times the revenues will just shoot up higher than expected. The problem is the system of budgeting. Mr. Walters feels that Arnold Schwarzenegger is using his acting skills to scare and intensify the situation by threatening releasing prisoner, closing parks, suspending funding to education etc. He is making a point using examples that may or may not happen. From January until the time the budget is adopted in July it is not the same scenario. But we do have to be prepared for any eventuality; but this is only the first step of the budget process. The Governor is proposing suspending Prop 98 and is proposing COLA at 4.94% and growth of 3% which is about $480 million dollars. But in the next sentence he is taking it all away because he is not giving us any increases next year. He will lower growth to 1% and COLA at 0%, which is not even enough to meet the demands of the system. One of the hardest hit areas is categorical funds. There are big coalitions for EOP&S and DSPS. If he reduces funds and services for these groups there will be more press and coverage.

Carol then looked at the detail recap sheet. It lists the 2007-2008 Budget, The System Consultation Group Budget Request and the Governor’s Proposed Budget. The 4th and 5th columns are the dollar and percentage difference. The Governor is proposing no increase, no growth or COLA. All of the categoricals and the decreases in these areas are detailed on the form. Mrs. Montgomery asked what the dollar amount equates to for Citrus. Carol asked if she could respond to that later.

Carol reviewed a slide presentation created by Mike Brandy who was the CBO of Foothill DeAnza College. Carol feels that it represents the method that Citrus should handle this budget situation. Carol stated that this group has to disseminate the information to your constituent groups. We must communicate in a voice of calm and reason and communicates that the campus needs to hold together and work together in this difficult budget situation. The systems office is not going to take over and the institution is not going to go under. The most we have ever done is have a slush list and prioritize any new classified positions. Faculty must be hired because it is statutory. We have never had layoffs and our Board of Trustees has never proposed it. There are going to be some tough decisions that have to be made and the Board of Trustees will listen to the recommendations of management. All of the recommendations lead to the fact that we do not want a call from the Chancellor’s Office stating that the Board can no longer manage our affairs. The students need to be reassured that we are not going to cut class offerings. We are back in a growth mode and we cannot at this point determine that we are going to cut program. We need to keep building with less or without any new funds. Whoever can needs to speak to the community and assure them that we are here to stay to service the community. We have a strategic plan and goals and objectives and we need to make sure that our financial decisions are based on those criteria. Just because the money is turned off doesn’t mean that moving toward our goals can be turned off. The managers need to stay involved in the budget process and communicating the information to your departments. Budget prep and planning process is beginning much earlier this year.
Carol emphasized the communication and the vehicles for communication including this meeting, staff meetings, ASCC meetings, CSEA meetings, faculty meetings etc.. Carol stated that she does not like to give exact figures because she does not know what they are yet and they are only good for the moment she gives them. This is the answer to Mrs. Montgomery’s earlier question. Carol does not have any idea how this will impact us in dollars because if the funds will be in General Fund or Categorical Funds. She has no figure at this time. The systems office will go to the Governor with their proposal of how to take back the $40 million. The operating budget is up to date and we are comfortable with what we are spending this year. We will roll that over by the end of February. The step and column adjustments will be added and we will provide those runs to cost center managers. Planning will be how to provide the same services with the increased costs. If the good news comes in that we do not have to drop revenue as low as we thought, we have planned for the worst and we are prepared. We cannot do this by cutting travel or supply money. Our costs are 85%-89% personnel driven and that is what has to be adjusted to contain costs. Our Adjunct faculty costs are our ability to be flexible. Carol asked instruction how without cutting program we can cut costs. Irene stated classes must be full. Carol stated that we have to be efficient and productive. Carol stated again that we cannot hurt the program but we do not have the money to support it at the level we have. We must maintain our FTES. 97% of income generally comes from FTES. If Prop 92 passes and they reduce fees the Governor may suspend Prop 98. Carol also stated that we need to generate new revenue. The Foundation needs to generate new money and we need to determine whether are grants are helping us or costing us money. There have never been layoffs at Citrus. We run efficiently now and do not anticipate any problems in this area. The benefit programs always are looked at in cutting costs. Our contracts are up in one year. If push comes to shove we may have to look at employee contributions for health care plans. Check with others you know to get ideas. Talk to your peers in other districts to see how they are handling the situation. Carol stated that we will protect our ending balance. Eric Magallon stated that far too long community colleges have not been involved in Sacramento and we need to band together to make sure that we are not left out and get our share.

Carol distribute a memo that Fred Harris of the Chancellor’s Office wrote in 2005 regarding Compton’s bankruptcy. Carol reviewed the attached self-assessment checklist. 1.) Deficit Spending- Carol always reviews deficit spending at the Board of Trustees budget presentation. We have only had 1 year of deficit spending in the last 10 years and we do not have a pattern of it. If it continues you erode the ending balance. 2.) Fund Balance – We like to maintain a 10% reserve. We are required to maintain 5% but the Board likes to stay about at 10%. Mrs. Montgomery agreed. 3.) Enrollment – It is scary when you come in to a declining enrollment situation and you are told to get enrollment up. We have only been on stability once and we may not be growing at leaps and bounds but we are close to meeting our growth and are not in huge declines. 4.) Unrestricted General Fund Balance – The reserves is always based on unrestricted general funds. Carol does not see restricted funds as reserves. 5.) Cash Flow Borrowing – We have not had to borrow any funds in the last 3 years. Due to an IRS ruling we cannot because we have so much bond money out. Last year when the budget did not pass and we did not get apportionment dollars we were okay due to our cash flow. The budget may pass in October this year. Cash flow is watched carefully by Rosalinda Buchwald. 6.) Bargaining Agreements – This is the last year of the existing
contracts. Negotiations will begin in the fall for all employee groups. 7.) Unrestricted General Fund Staffing - Statewide average is about 85%. This is data that is provided to the Board with the budget presentation. Carol is comfortable between 85% and 87%. She needs 85% to make the 50% law. If you have close to 90% the district is in trouble. In a declining financial situation your expenditures for staffing tends to go up. Our business is personnel driven. 8.) Internal Controls – We have been going to each of our constituent groups talking about the WE-Tip Program and our fraud program. We are making sure that we are spending our money correctly and have checks in balances in place to prevent any fraud or theft so that we can run the cleanest business that we can, including the business of instruction. 9.) Management Information System – Carol feels that we have a long way to go in that area. Our data needs to be straightened out so that Instruction can plan classes and program and so that our data going to the state is accurate. Categorical programs that our run off of MIS data may be getting short changed because of bad reporting. Carol feels that this should be an area to focus on to preserve and maintain our revenue. 10.) Position Control – We have good position control in our budget but we do not have good position control in our on call salaries. 11.) Budget Monitoring – Carol reported that we have a good budget monitoring system in Carol Cone. She signs all purchase requisitions, all position control and personnel changes. If there is something that she doesn’t like she brings it to the cost center managers or to Carol Horton. Our budgetary variances have been outstanding. 12.) Retiree Health Benefits – We are not paying as we go and we have set up a trust. We are not required to fund it until 2009 but we have pre-funded it. 13.) Leadership/Stability – We have had long term board members and presidents in our district. Our last president was here 18 years and Dr. Viera has been here 5 years and leaving due to retirement. 14.) District Liability – We have no long term debt other than the retiree health benefits which is being funded at a very acceptable level. Another liability is vacation which is controlled by board policy. The auditor has made note that we need to reduce our vacation liability especially in the classified employees. 15.) Reporting – We have never received a call from the Chancellor’s Office regarding late financial reporting. Grant reporting, CDC reports, 311 Q reports etc. are approved and submitted in a timely manner.

Carol reiterated that we need to communicate the situation to our constituent groups and communicate in a positive manner. Carol believes that the Board of Trustees and the Administration always recommends what is equitable for everybody. Mrs. Montgomery agreed. We just need to be positive and run our programs more efficiently.

The meeting was adjourned at 3:50pm