PRESENT:
Kathy Bakhit, Karlyn Bradley (student representative), Rosalinda Buchwald, Carol Cone, Carol Horton – chair, Eric Magallon, Roseann Manfre-Campillo, Lan Hao, Dennis Korn, Jim McClain, Martha McDonald, Judy Rojas (recording secretary) and Steve Siegel  Absent: Toby Guebert, Jeanne Hamilton, Irene Malmgren, Dr. Geraldine Perri, Rocky Reynolds

NEW BUSINESS:

6.1 Tentative Budget – Carol Horton distributed a recap of the 2009-2010 Tentative Budget for the General Fund Unrestricted. The board agenda will be out by this Friday. The report only includes fund 01.0 today but all the other funds are included on the board agenda. Carol in most cases is speaking about the general fund unrestricted and the general fund restricted. The general fund restricted must work within their means. The report details revenue, expenses by cost center and expenses by object code. The website has an explanation of what the object codes and cost center numbers are if you are not familiar with them.

This committee looked at the Budget Assumptions at the June 3rd meeting, but one change has been made. Growth is being taken out of the assumptions because we will not receive it. Carol will bring this to the Board for information. The assumptions were approved by the board in April.

Carol has a report from School Services and Judy Rojas will email it to the committee. It is a report of the senate budget committee hearings regarding the Governor’s May Revise, with the Departement of Finance, the Legislative Analysts Office, the CCLC and Chancellor’s Office’s analysis of the budget and their recommendations and input. The CCLC and Chancellor’s Office are representing the community colleges position in the process. It is very confusing right now. If you read this you will see how up in the air things are. There is talk of changes to fees and the dollar amounts are all over the board. Carol stated that she has never seen such a bad budget situation. Carol Cone and Rosi Buchwald have done an excellent job with the information they have, which isn’t much.

In November when it was potential that we were going to loose about $3.5 million dollars we cut everything we possibly could to offset the loss of revenue. We could not deficit spend at that level. The net increase to the ending balance was $665,650 which is a $3.5 million dollar swing between adopted budget to the end of November. That was a combination of cuts and prior year revenue. Some of the revenue received in 08-09 was prior year revenue that was not received until 08-09. We close the books as of June 30th and it takes us until mid August to close, and we do not know what we receive for the prior year until February and this year it was not until the end March. We made good cuts in
November and Carol stated that she has never seen that amount of backfill in property taxes before and it will not happen again. We were lucky this year. When the reserves are at 5% or you are deficit spending, you usually have an indication that things will wash out. Not this time. On page 2, the beginning balance for July 1, 2009 is $7,442,412 based on revenue for 08-09 of $62,434,297 and expenditures of $60,823,192 and neither one of those is going to happen. Based on what we are hearing we could potentially lose about $1 million of current year revenue, including shortfall in enrollment fees, shortfall in taxes and categorical program salaries that will not be funded. The $60,823,192 in expenditures may not be as high as planned, but because we cut so much in November we may not get the potential fall out that we usually have. We are required to submit a tentative budget to the Board of Trustees by June 30th so this is what we have at this point and we do not know what the legislature is going to do. With that reduction our ending balance could be at about 5%. We can withstand this but not for long. We cannot go into a budget year with a 5% reserve. If we fall below 12% there will be another round of cuts. Everything that is in the budget assumptions are in the budget. We will have to look at expenditures at the end of the year, salaries and benefits are accurate and we do not have a lot of money in supplies. We have 2 board members up for election so the cost of the election is the 5700 object code increase of $160,000.

Dennis Korn asked if the cost centers included the most recent retirements. Carol responded that they have been included. We will have to wait and see how current year expenditures play out. A couple of cost centers had to ask for money back from their November cuts. Instruction has made two levels of cuts; one which the faculty has had an opportunity to look at.

We have reduced the way we earn money. We are currently being funded for 12,000 students and we have 12,900. We had to reduce the amount of students which means loss of adjunct faculty. The next step being proposed will be to take the cap away by 2 to 3% which would be about 360 FTES. At $22.00 per unit we are half of what the next lowest state community college charges for tuition. If you don’t raise fees there will not be any classes. If we raise the fees, the students may not be able to afford the classes. This proposal to raise fees will allow the money to come directly to the colleges.

The state treasurer is saying if they don’t get the budget solved by June 15th the state will run out of cash, which means potential IOU’s to state vendors and state employees. The May revise proposal is to defer another $115 million dollars until who knows when. We have still not received our apportionment from January, March, April, May or June. Those have been deferred until October. Jim McClain has asked how Los Angeles County Treasury is doing. Rosi responded that they are looking closely at the situation and concerned that everyones cash flows are depleting which depletes their ability to loan money to us and we need to look at alternative financing. We are looking at TRANS but we can only borrow about $5 million in cash and we loose our interest earnings. Carol stated that we have to have the money to make payroll. We are issuing $29 million in bond money and though we cannot use it we have an opinion that we can take a cash loan from it. Jim McClain said he is concerned about playing chicken with the schedule but even with planned levels of cuts, we don’t know what is really going on until November and then the
only thing left to cut is winter and spring. Jim stated that it is really hard to balance out the two semesters. Jim’s concern is that we don’t know what we are dealing with until half way through the year. Carol stated that is how we feel about trying to develop a budget without the information needed. Carol feels bad for the students that can’t get their classes that they need to finish their degrees because of the cancelled classes. Jim stated that this also compounds the problem because it causes a back up of students.

Carol stated that if this situation turns around in the next few years, our next problem will be how to you rebuild your program and how fast. Carol said there has not been such a big mess since 1978 when Prop 13 was passed and the schools lost their local revenue. We have done the best we could with the information that we currently have. Our objective is to keep everyone informed and keep a 5% working reserve throughout the year. We will end the year ok this year and potentially we will be able to budget a 5% reserve for next year. We have accreditation in October and we need to maintain the 5% reserve throughout the year. We still have $500,000 of vacancies for 09-10 that will have to be cut. We are cutting on call employees. Carol feels that everyone at Citrus will be willing to make the sacrifices and it can’t just be the responsibility of Instruction. We have to be a little more patient with services, such as custodial, maintenance and grounds. They will not have the extra employees that allow them to respond to us so quickly. Jim McClain stated that we are probably in a lot better shape than a lot of other colleges. Carol added that our ending balance according to the Chancellor’s website is about right in the middle of the pack. We may be better able to manage how we retain our ending balance. Our expenditures are better distributed. When a college starts getting over 85% of expenditures for payroll and benefits they are in trouble.

The Board of Trustees priority is that no full time employees are laid off. We will keep giving you information through the summer and if we need to we will call another Financial Resources Committee meeting.

Kathy Bakhit asked about the cuts to categorical funds. Carol stated that what we have here today is only general fund unrestricted. The categorical funds will be on the agenda. Kathy also asked on page 1 what the local revenue is. Carol responded that those are property taxes and those numbers are given to us by the county. A student asked if we could do was to get rid of all of the portable heaters, fans, refrigerators and microwaves. This would save a lot of money on our electric bill. We spend $1.5 million on electricity annually. Bob Iverson is looking at the use and waste of paper. We may have to cut printing volume. There was an over 700 page agenda for Steering this week. This was placed on the internet instead of printing it. Most of those items will be on the board agenda also.
The meeting was adjourned at 1:55pm.