

SOLANO COMMUNITY COLLEGE DISTRICT  
GOVERNING BOARD

UNADOPTED MINUTES  
Special Board Meeting  
June 24, 2009

**APPENDIX A**

**Budget Questions/Comments as submitted by A. Marie Young and responded to by Susan Rinne**

**June 24, 2009: Board Agenda Item 8. (b)-Pages 13-36**

**PAGE 15:**

1. The 2008-09 FTES total of 9,368.72 is different from your response to my follow-up question (#2) of the June 3rd Board meeting where you stated the college had reported 9,455 FTES at P2. This is a difference of (82.28) FTES. When will this be adjusted?
  - Page 15 of the document reflects the funded FTES (9,368.72) for the 2008-09 fiscal year and estimated funded FTES (9,368.72) for the 2009-10 fiscal years. The district did report 9,455 FTES on the CCFS 320 P2 report; the difference of 82.28 reflects unfunded growth for the 2008/09 fiscal year and as such will not need to be adjusted.
2. Under heading **Deficit Factor**, 1<sup>st</sup> sentence, and the second paragraph 1<sup>st</sup> sentence, it appears the word “General Apportionment” is missing after the word State. Also, in the second sentence please take the s off the word “amounts.”
  - To add clarification; “General Apportionment” will be added to the sentences.
3. Second paragraph 3rd sentence, “This shortfall includes a current proposal to eliminate all Growth Funding and use the funds to partially backfill the shortfalls.” This sentence is confusing, please clarify.
  - The estimated Property Tax and State Apportionment shortfall is greater than 1.5%, however, there is a current proposal to eliminate all Growth Funding at the State level and redirect these funds to lessen the amount of the Property Tax and State shortfall total.

**PAGE 16:**

1. Under heading **Overall Expenditures**, please be specific with the items included in bullet #2: “Plan for co-curricular programs to reduce encroachment into the Unrestricted General Fund by 50% in 2009/10 and 50% in 2010-11.”
  - The co-curricular programs consist of Contract Education, Community Services, Small Business Development Program and Theater. All of these programs have budgeted to reduce the General Fund Contribution in 2009/10 by 50% and 50% in 2010/11.

2. Under heading **Overall Expenditures**, you still show an expense to the Unrestricted General Fund of \$900,000 for the CMF clean up. However, in your response to my additional questions of June 16, 2009, you stated the District could do some additional research on this matter and would get back to the Board. Please explain what additional research has been completed and what is the anticipated outcome?
  - The estimated expense for the CMF clean up is currently \$900,000. The District will continue to examine this expense and is hopeful that the \$900,000 amount will be reduced significantly. A budget revision will be made when known expenses are firm.
3. Under heading **Overall Expenditures**, please specify what the implementation/correction of Banner at a cost of \$261,000 includes?
  - The \$261,000 is the final part of the two year project. This amount budgeted for 2009/10 represents the remaining consultant contracts and backfill for staff to implement Banner.
4. Under heading **Overall Expenditures**, please clarify the future retiree benefits total of \$233,000? Is this the annual contribution for the unfunded liability for retirees?
  - Yes, this is the annual contribution for the unfunded liability for retirees.
5. Under heading **Additional Information**, please clarify the following statement. “2007/08 audit adjustments are included in the estimated actuals for 2008/09. The audit adjustment accounts for the results of the FTES special audit”. More specifically, what is the number of FTES involved and what is the dollar amount?
  - The FTES were overstated by 441.04 over a 3 year period. The dollar amount associated with this is a negative \$1,808,627. Dr. Jensen and Mr. Henry are attempting to mitigate this overstatement in discussions with the State Chancellor’s Office.

**PAGE 17:**

1. Under heading **What is not Included**, Please clarify the following:

**Categorical Reductions from State.**

- Is the comment in this paragraph pertaining to the 2008-09 year or the 2009-10 year or both? If the year is 2008-09, how will the current year-to-date expenses impact the program budgets involved? Will the Unrestricted General fund offset the liability? If so, has this been factored into the bottom- line?
  - The comment pertains to the 2009-10 fiscal year. In the 2009/10 fiscal year we have preliminary figures of the reductions to the categorical programs. Our plans for the categorical funds are to remain self balancing. At this time, based on the latest information from the State the unrestricted General Fund will incur no additional liability.
- How many staff positions may be involved with the anticipated categorical reductions and what is the plan? Also, specify the year.
  - The State has indicated that for fiscal year 2008-09 Federal funds may be utilized to cover categorical cuts. The State, at this time, anticipates no impact in 2008-09. However, in 2009-2010 the State may cut categorical programs from 0-62%. Other than a general discussion at E.C. there have been no specific plans relative to 2009-2010. However, if the State actually reduces categorical programs in 2009-2010 by 0-62% all options will be considered.

- Based on the latest budget information released from the State Chancellor’s Office, what is the average reduction (expressed as a % and dollars) per program for both years?
  - Please see attached spreadsheet
- Are there any programs either in 2008-09 or 2009-10 that will not see reductions? If so, what are they and does the college currently fund staff out of those programs?
  - Please see attached spreadsheet

**Possible Increase in Enrollment Fees to students.**

- Please explain the relevance of this. As I understand it the more money we collect in student fees the less money we get from the state.
  - You are correct in your assumptions. For every \$1.00 that the State increases the fees the General Fund Unrestricted increases by \$.02.
- Provide more details about the **Center Status**. Has documentation been submitted to the Chancellor’s Office? If so, when?
  - Dr. Jensen and Mr. Henry met with the State Chancellor and his staff on June 4, 2009. The Center status was discussed orally and no written document at that meeting was submitted. Dr. Jensen is working with staff and a consultant to forward proper paperwork regarding this issue.

**Page 18-FTES Credit Chart.**

1. Who prepared this budget and all associated documents? The chart on this page states, “**Add Compton FTES.**” Please explain.
  - a. Regan Romali, a consultant referred to the SCCD by Mr. Henry and subsequently hired to assist the business office assisted with the preparation of the original budget document. Ms. Romali had previously worked for Compton Community College as their CBO. She utilized a Compton “template” and that phrase was inadvertently left in. It has since been removed. A number of staff have assisted with the development of the budget document, including our hired consultant and Mr. Henry our Special Trustee.
2. The second footnotes on the bottom states that the 2008-09 numbers are based on the P2 CCFS 320 (attendance report). However, your response to me on the follow-up question (#2) provided on June 16, 2009 you stated P2 was 9,455. Please clarify.
  - a. The CCFS 320 report was filed as 9,455. The District is only entitled to 2% growth over our base FTES for apportionment purposes, and therefore we can only claim the 2% growth on our funding documents.

**Page 20-General Apportionment Calculations.**

1. There is a column entitled property tax shortfall factor, but on page 15 you describe it both as property tax and state shortfall. Please explain. Should this be labeled deficit factor?

- a. To provide better clarity, these descriptions will be changed to “Deficit Factor”. It is a better description.
2. Please explain the cost related to growth column? Is that Solano or **Compton data**? Since it is apparent that **Compton’s** Budget template was used to prepare SCCD’s budget, how can the Board be assured that some of the other numbers submitted before us in the budget are not those of Compton College District?
  - a. Yes, as described in an earlier response, a Compton Community College template was utilized, but the numbers are SCCD’s.

**Page 21:**

1. The proposed 2009-10 Budget shows a beginning balance \$3,214,513. However, on page 20, the box entitled Revenue for Unrestricted General Fund shows a beginning balance of \$4,447,346. Also, there was a previous request that this box be labeled 2009-10. Please clarify beginning balance numbers.
  - The beginning balance on page 20 is reflecting the estimated beginning balance based on the working budget column on page 21. Page 20 has been changed to reflect \$3,214,513 as the beginning balance.
2. Under Other Variables, Topic: Property Tax Backfill Shortage and General Apportionment Shortage, there appears to be a discrepancy with 2009-10 as compared to page 15, which states the combined amount is \$706,513 and on this page it totals \$1,035,196. Please explain. If the larger number is correct then the 98.5% deficit factor is incorrect and the 2009-10 bottom- line is a negative number.
  - On page 21 the amount does not reflect the backfill from the elimination of the growth fund being applied to the Shortages, as page 15 does take this into consideration.
3. A statement at the top reads, “Changes from the June 3, 2009 Meeting are **BOLD and ITALICIZED**. Based on my comparisons, the entries in 2008-09 starting with the Audit adjustments down to the Undesignated Fund Balance should be **bold and italicized**. Note: Italicized is spelled incorrectly in several places in the budget document.
  - The heading has been changed to read, “Changes from the June 3, 2009 Meeting, in the Proposed 2009-2010 Budget column are Bold and Italicized.”
4. Based on the estimated actuals for 2008-09, are you saying that the anticipated deficit (revenue over expenditures) is \$1, 014,130? Dr. Jensen/Tom Henry, where is the college as it relates to a process to stop deficit spending. As you will recall, the EdMac report pointed out in the Fiscal Health Checklist that this was one of the college’s major deficiencies. It is also an accreditation issue as it relates to fiscal stability. The Board has not received any action to address this matter, Please explain.
  - Yes, in 2008-09 the district’s estimated actuals reflect a deficit by \$1,014,013. Dr. Jensen and/or Mr. Henry can further address these questions. Essentially the “people and things” reductions for 2008-09 and 2009-10 helped address this matter. This information had previously been provided to the board. Yes, the EdMAC reports and ACCJC points to this as a major concern. The SCCD will need to continue to focus on revenue enhancements and expenditure reductions.
5. You are showing an ending balance of \$7,350 for 2009-10. If the Board is living up to its fiduciary responsibility, this ending balance should be considered clearly unacceptable. What planning is taking place to improve these estimates? When will the Board see the final work (re-org plan)? Based on this

information, the District has no lead way when it comes to emergencies or cost over runs, such as legal expenses. Also, as I understand it, the recent salary increases approved by the Board for CSEA, CTA and ALG are included in the total expenditures. Was the June 3<sup>rd</sup> budget by design understated so the Board would approve these items? Can the district still afford this?

- The SCCD is projecting a 5% reserve for 2009-10 of \$2,565,508 and maintained that 5% reserve for 2008-09. In terms of the state’s fiscal crises this is a very prudent budget. Better than many in the State. No, the budget was not designed to understate its status. Yes, the district can afford the raises it provided. However, along with every other public agency, SCCD will need to be diligent with revenue enhancements and expenditure reductions in the 2009-10 fiscal year.

6. Please explain in more detail under the category, “Other Variables”, what does Offsets to Recovery Costs entail?

- Recovery costs include the expense of the Special Trustee, recovery consultants, and the FTES audit. The offsets to the recovery costs relate to the repayment of the FTES special audit to the chancellor’s office. Dr. Jensen and Mr. Henry are working with the Chancellors office to develop the repayment; one of the possibilities is to offset the amount due by the amount the district has spent on the recovery costs incurred by the District.

7. Please explain in more detail under the category, “Other Variables”, why is the Vallejo Center revenue unknown?

- We are not sure if or when this revenue will come to the District and therefore the revenue is not budgeted. We know the amount for Center Status is approximately at \$1,000,000. However, we do not know in what fiscal year we would receive the funds or whether we ultimately will gain approval.

**PAGE 22:**

**(Revenue.** There is still some confusion as to why the May 20<sup>th</sup> working budget is still showing. In my follow-up budget questions to you based on the June 3<sup>rd</sup> board meeting you stated that the column **did contain** the spending plan through June 30<sup>th</sup>. It appears that the more realistic plan is included in the 2008-09 estimated actual column. That being the case, this should all be ***bold and italicized***. Additionally, based on this concept please explain the following in the table:

| TITLE                                      | WORKING BUDGET | ESTIMATED 2008-09 ACTUALS THRU 6/30/09 | QUESTION         |
|--|----------------|--|------------------|
| Apportionment                              | \$31,476,737   | \$32,874,960                           | Explain Increase |
| Taxes                                      | \$12,343,216   | 10,728,701                             | Explain Decrease |
| Advertising Revenue                        | \$2,000        | \$4,500                                | Explain Increase |
| Rentals and Leases                         | \$15,000       | \$59,957                               | Explain Increase |
| Child Development Services                 | \$121,080      | \$95,000                               | Explain Decrease |
| Instructional Materials Fees & Sales       | \$15,000       | \$33,994                               | Explain Increase |
| Student Records                            | \$22,000       | \$48,628                               | Explain Increase |
| Nonresident Tuition                        | \$302,468      | \$439,284                              | Explain Increase |
| Other Student Fees                         | \$65,000       | \$5,000                                | Explain Decrease |
| Other Local Revenue                        | \$326,006      | \$527,079                              | Explain Increase |
| Intrafund Transfer from Community Services | \$97,000       | \$25,000                               | Explain Decrease |

- Apportionment/Taxes – the increase reflects the additional apportionment funding from the 2% growth that the district has earned based on the P2 CCFS 311 report. The decrease in taxes is based on the information received from the County Tax collector office for the amount of taxes that is estimated to be received. The information from the County Tax collector changed and therefore we have reflected that change in our estimated actual.
- Advertising Revenues, Rentals and Leases, Child Development Services, Instructional Materials Fees & Sales, Student Records, Non-resident Tuition, Other Student Fees and Other Local Revenue reflect the actual amount received to date by the District in the Estimated Actuals column.
- Intrafund Transfer from Community Services was reduced in the estimated actual to reflect the actual amount that will be transferred to the General Fund Unrestricted.

**PAGE 23:**

1. Please explain why the estimated 2008/09 actuals thru 6/30/09 show a designated balance of \$553,889? On page 21, this total is \$637,489. I realize it has to do with the designated debt service expense of \$83,600 as mentioned. This amount is now showing in 2009-10 under **Other Outgo**. Please explain what this expense is for and why does it keep moving?
  - On page 21 this item should be reflected as a designation of funds. This will be changed for the presentation. 2009/10 is the final year for the payment and therefore we will no longer need to designate this amount in the 2009/10 fiscal year.

**PAGE 24:**

1. Comment at the bottom. What is the plan for budget reductions for 2008-09? And does the college have approval to defer restricted revenues from 2008-09 to 2009-10?
  - The reductions are now accounted for as part of the Deficit, as the latest proposal from the State has moved the categorical reductions to a general fund unallocated reduction. The Deferrals into the 2009/10 fiscal year are allowed by the categorical programs in which the deferrals are proposed.

**Pages 27-28 - Child Development Fund. - No comments.**

**Pages 29& 30 – Bookstore Fund.**

1. Please explain the audit adjustment of -\$273,918 in the estimated 2008/09 actuals through 6/30/09 column?
  - The audit adjustment was reflected in the June 20, 2008 audit as an overstatement to the revenue sales at the bookstore.
2. Please explain how the revenues and expenses are conveniently the same? Has the Bookstore participated in a budget development process or are these numbers plugged?
  - The bookstore is planning to have a balanced budget in the 2009/10 fiscal year. The Bookstore manager has been involved in the budget development process.

**Pages 31 & 32-Revenue Bond Fund.**

1. Do these totals match the other agenda item coming before the Board?

- The other agenda item coming to the board reflects the overall bond project; this document reflects the 2008/09 estimated expenditures and the proposed tentative budget for 2009/10. The expenditures from this report are included in the costs to date on the other agenda item.
2. Has the 2008-09 Bond audit been completed and do these numbers match those financial statements?
    - The Bond audit has been completed and we anticipate these numbers will match those in the financial statements. However, the District has not received the final copy of the audit report.

### **Pages 33 & 34 – Capital Outlay Fund**

1. The paragraph at the top needs to be corrected top say “in” instead of N.
  - This has been corrected.
2. Does the Capital Outlay Fund contain restricted scheduled maintenance dollars? If so, how much and what is the current intent to use these funds?
  - This fund contains the redevelopment property tax revenues; the restricted scheduled maintenance dollars are not included in this fund.
3. Has the college considered the CMF clean-up cost of \$900,000 as an expense to this budget instead of the Unrestricted General Fund?
  - The District has considered this, however, these funds can only be used for educational facilities, and we are uncertain if the CMF clean-up qualifies as such.

### **Observation:**

1. Over the last several days, I reviewed a proposal to participate in the TRANS drawdown program which was approved by the Board this year. I noticed that was no mention of possible interest income from Tax Revenue Anticipation Notes (TRANS) in the tentative budget before us for approval. Has the District drawn down any funds to assist with cash flow shortage due to the deferral of state apportionment payments? If the funds are in the budget, please indicate what revenue line item contains the funds. Also, indicate the amount that was drawn down.
  - The District has drawn down \$2,200,000 in June to assist with the Cash Flow. The interest is not included in the General Fund Unrestricted due to the draw down. These funds are accounted for in the general ledger as short term debt and therefore are not recorded/budgeted in the revenues and expenditures of the district.

### **Overall Comment:**

There are inconsistent layout and presentation errors in the budget document as follows:

- a. The FTES-Credit chart (Page 18) makes reference to **Compton Community College**.
- b. The 2009-10 General Fund Unrestricted Tentative Budget does not have a line going across under the headings, Object Code, Description, and Explanation.
- c. The 2009-10 Restricted Tentative Budget (page 24) is a different format, for example, it contains the word ACCT instead of Object, the adopted budget does not contain 2008-09, the next column is revised budget instead of working budget, the estimated actuals column is not stated as all other charts, and the final budget column contains only the words budget and other charts show proposed

2009-2010 budget. Across the top it shows FY 2009 and FY 2010-not sure what it means?

Differences are too numerous to point out.

- d. Throughout the budget the charts are different sizes and shapes and the presentation is not first class – second to none.
- e. Throughout the budget charts there is an inconsistency in how the fiscal year is shown, for example 2008/09 and 2009-2010.

If I had more time, I probably would submit additional questions/comments; however, although I have three events to attend and I am dealing with the possibility that my spouse might not be released from the hospital today, I am fulfilling my promise that I would email you my questions/comments no later than 9 a.m. today.