



Budget Committee Meeting
MINUTES

APPROVED 4/25/19

March 14, 2019

Student Services Building, Room 414, 3:00 PM

| Title/Role | Name | Present | Title/Role | Name | Present |
|---------------------------------|--------------------|---------|------------------------|-------------------|---------|
| VPAS, Co-chair | Iris Ingram | X | AFT Faculty | Tim Russell | |
| AFT Faculty President, Co-chair | Olga Shewfelt | X | ASO | Flor Rios | X |
| Academic Senate | Charles V. Daniel | X | SEIU 721 | Bruce Hicks | |
| Academic Senate | Sara Coppola | | Teamsters | Walter Jones | X |
| VPAA, Administration | Ara Aguiar | | Planning Cmte. Liaison | Patty Quinones | X |
| VPAS, Administration | Roberto Gonzalez | | Resource | Rasel Menendez | |
| AFT Classified | Dionne Morrissette | | Resource | Hansel Tsai | |
| AFT Classified | Ashanti Lyles | | Resource | Helen Lin | X |
| AFT Classified Alternate | Noelle MacDonald | X | Resource (Substitute) | Bill Gasper | |
| AFT Faculty | Vidya Swaminathan | | Resource | Tamara Washington | X |

1. Call to Order / Approval of Agenda

Action

Co-chair Iris Ingram called the meeting to order at 3:26 P.M. The agenda was approved as written.

2. Approval of Minutes

Action

a. February 28, 2019 – No corrections were noted but approval of the minutes was deferred due to lack of quorum.

3. Old Business:

a. District Budget Committee

Information

O. Shewfelt - The issue with Trade Tech has been in the news and though it's a non-budget issue it was discussed at the last meeting. The Chancellor refuted the LA Times article which reported that 120 Trade Tech employees signed a vote of no-confidence in President Larry Frank. The petition was one page of three to five signatures from different departments claiming to be the proxy for ten to twenty people each. O. Shewfelt spoke to the union president at Trade who also said the vote of no confidence was inaccurate. The Chancellor said we should be able to deal with our problems internally in a sincere, honest way and stressed the importance of shared governance.

The District will deliver a presentation on the internal allocation model on May 8. That is nearly the end of the second year of the three-year "hold harmless" provision. They distributed a handout on the Historical ESC and Centralized Final Budget Percentages. It shows that the allocation for the District i.e. ESC, has increased by about 5 million dollars since 2019. Their budget is essentially that of a small college. We don't yet know if other campuses have gotten the same increase in allocation but I've requested that data.



Page six of the handout shows different allocation scenarios based on the new Student Centered Funding Formula. The first scenario, which is the one recommended, District's allocation is based on FTES. For FY 2014-15 the District spent 5.4% of FTES. The centralized account's total expenditure was \$51 M. Combined, that's a total expenditure of 13.7%. The same budget items are reflected in the FY 18-19 budget. The last column to the right shows an increase to 15%. The new budget formula is divided into three packets, 70% FTES, 20% equity, 10% performance. They're proposing we fund the District only on FTES.

I. Ingram clarified the difference between the ESC and Centralized budgets. ESC (Educational Services Center) or what we call "the District", includes the accounting staff, human resources, procurement, the Vice Chancellors and their staff, the Deputy Chancellor and her staff, the Office of Diversity, facilities etc. It's specifically the staffing for the District office. Centralized services are all those costs that are spread across the nine campuses of the district e.g. legal counsel, workers comp, liability insurance and some of the other indirect costs that would be difficult to apportion to each individual campus. There is a listing in the budget book that shows what all those centralized costs are.

W. Jones asked why IT is separate from centralized costs. I. Ingram explained that IT has been undergoing changes for the last few years and will continue to do so for the next year or two. During this reorganization, the BOT would like to see IT costs as a distinct entity within the district. They're trying to routinize all the essential functions, stabilize the staff, clarify who is responsible for what, and increase efficiency.

H. Lin asked if centralized costs include retiree costs. I. Ingram answered, yes, that includes OPEB, CalSTRS, and CalPERS. Each campus contributes some of the cost as a chargeback. The last couple of years it has been taken out of reserve. She will send a copy of the centralized accounts list from the budget book so you can see each line item. O. Shewfelt asked that the page that includes a summary of the large accounts be included as well.

O. Shewfelt - If you look at the last page of the FY 2019-20 Preliminary Budget handout you see that the FY 2018-19 final budget for Southwest is \$31 M and the final budget for District is \$29 M. This is a perfect example of the debate or controversy about the District's budget. Their budget is akin to a small college. Many see that as a very top-heavy operation and the colleges don't always see the benefits of that expenditure. There are some things they do well - worker's comp, legal, HR (although there's some question about having a well-trained HR person at each college). We need to think about how to better allocate the money that we get so it's fair to all the colleges. In



Scenario 1, the District is funded with FTES and the colleges do all the work of having to comply with the new SCFF and its emphasis on performance and equity. Is there a better system where the colleges would get more money instead of the District?

H. Lin added that if you factor in IT costs incurred at District, their final allocation is even higher than \$29 M, that it's approaching West's budget. I. Ingram added that if you examine prior years, ESC's budget actually exceeded West's and for FY 2016-17 it was within a couple hundred thousand dollars but that the separation of IT costs was done for a valid reason.

P. Quinones asked if the expectation is that the centralized budget will increase because of all the retirements last year. We're really not receiving 70% FTES if the district is taking their cut off the top. I. Ingram answered that those costs were supposed to decrease after five years because the individual colleges are charged back over time for SRP. The District did do some soothing for colleges that had a disproportionate number of retirees. Some of the IT and Build LACCD costs are charged back as well but it's not always clear exactly what we pay for. We're also assessed for our portion of the sheriff's office contract. One of the advantages of centralization is that we can get discounted rates.

W. Jones asked does the District receive bond money. I. Ingram answered, not specifically, unless we're getting a new building or for some of the indirect costs like accounting and other types of oversight.

4. New Business

a. 2nd Qtr. Financial Report

Information

I. Ingram - We're the only campus that has documented and projected growth. We outperformed our growth targets and our efficiency has improved as well. W. Jones asked why the report didn't list the 3000 category which is benefits. I. Ingram answered that we fund the benefits separately and don't budget for them initially. When the District gives us our allocation, we don't receive the money for benefits up front, therefore our budgeted expenses always exceed our budgeted allocation by at least the amount of benefits. Benefits are partially funded later by the adopted budget but we still need to reduce individual line items to make sure we've covered expenses. We take a general percentage and add that to personnel costs. But a general percentage is not the most accurate method so we go back every month and adjust the cash out based on the actual costs for individual employees. One of the ways we stay out of deficit is that our accounting team - line by line - balances actual salary and actual benefits against the budgeted expense and then moves the difference to cash, or if we can and it's appropriate, to a particular SFP or categorical.



H. Lin added that other than a projected \$2 M deficit in certified salaries we're doing well. We have a \$2 M surplus in operational expenses. The District is planning to hire 84 fulltime faculty members for the next FY. Have we budgeted for that? I. Ingram responded, that's being decided now. That FON number was for the whole District not just West. We're due a little more money for the faculty we have hired, even though we didn't hire any for this year. The state is paying 75% of the faculty salaries for next year. Whatever faculty we do hire, they're going to give us a small stipend to cover some of the salary for next year. That amount is not reflected here yet because they haven't given us a figure yet. W. Jones added that our FON was 5 and last year we had nine failed searches.

b. FY 2019-20 Preliminary Budget

Information

I. Ingram - The preliminary allocations are usually received in January and presented at our March meeting however, this year the information wasn't sent until last night. I'll present the preliminary budget again in April. One of the reasons the allocation info is late is that the state overestimated its revenues by about \$330 M. LACCD is getting almost \$33 M less than what had been predicted in September. Another reason is the 72 districts did better with equity and performance metrics than the state anticipated. All the districts have had to adjust their budgets based on P1.

West is looking at a flat budget or a slight decrease, which is what I predicted. We will probably get what we received this year plus COLA but we've already overspent our COLA. The COLA starting July 1 was 3.46% and the COLA this year is 1.7%. Flat revenue essentially constitutes a budget cut because costs are not flat, everything costs more than it did last year and that feeds into the structural deficit. The only way to offset that difference is to use SFP and categoricals where it is appropriate. We also use college-dedicated revenue, though it's not millions of dollars and is difficult to raise. It comes from filming permits, Café West, vending machines, the bookstore, facilities rentals etc. The revenue from Café West and the bookstore depends on college faculty and staff using their services and products.

5. Next meeting: April 25, 2019

6. Adjournment - The meeting was adjourned at 4:37 P.M.