

Adopted

HARTNELL COMMUNITY COLLEGE DISTRICT

Board of Trustees
Special Meeting – Annual Budget Hearing
October 7, 2008

MINUTES

OPEN SESSION
CALL TO ORDER Trustee Patricia Donohue called the Special Meeting of the Board of Trustees to order at Hartnell College Board Room at 5:03 p.m.

CALL TO ORDER Board of Trustees:
Patricia Donohue, President
Bill Freeman, Trustee (arrived @ 5:17 p.m.)
Elia Gonzalez-Castro, Trustee (arrived @ 5:09 p.m.)
Kevin Healy, Trustee
John Martinez, Trustee
Brad Rice, Trustee
Armando Cortes, Student Trustee (Has advisory vote per Board Policy 1030)
Phoebe K. Helm, Superintendent/President

AGENDA Trustee Donohue announced the purpose of the meeting was to hold a public hearing on the budget, and the sole action was to adopt the 2008-2009 Annual Budget.

On a motion by Trustee Rice, seconded by Trustee Martinez, on a vote of 4-0, and on an advisory vote of Aye (Cortes), the Board adopted the agenda.

2008-2009
ANNUAL BUDGET
PUBLIC HEARING Trustee Donohue opened the public hearing, and asked for public comments. There was none.

On a motion by Trustee Rice, seconded by Trustee Healy, on a vote of 6-0, and on an advisory vote of Aye (Cortes), the Board moved to adopt the 2008-2009 Annual Budget.

Dr. Helm thanked Barbara Yesnosky, Phil Adams, Peter Calvert and the entire budget committee for their work on the budget. She stated that the budget was not as prepared at the level of detail that she preferred because the State was so late in passing a budget. The college is required to submit an adopted budget to the Chancellors Office by October 15; however, their meeting to finalize the distribution of the budget could not be scheduled until the 9th of October. Thus, the presentation this evening is the college's best estimate and updates will be provided throughout the year.

Unrestricted General Fund Revenue: Dr. Helm reported that the State approved 0.68% increase in COLA and a 2% increase for growth. The less than one percent increase in COLA for Hartnell will just about offset the increase in the cost of employee health insurance premiums. Growth dollars are distributed by the Chancellors Office such that if some colleges grow less than 2%, other colleges may be paid for growth above 2%. Growth is defined

as increase in Full Time Equivalent Students (FTES) in the current year (2008-2009) over the past year. A 2% growth in FTES this year would mean approximately \$600,000 to Hartnell College. Hartnell grew 1.1% last year, thus it was decided to be conservative and budget only one percent growth (\$300,000) in revenue for 2008-2009 at this time. Additionally, the decision was made to reduce the current revenue estimation by \$500,000 in anticipation of another mid-year cut in State revenue.

Interest income: Another unexpected impact on revenue, not known at the time of the publication of the budget, is a loss of \$1.9 million in interest income. This loss is due to the decision that Monterey County Office of Education to set aside all interest earnings from all funds to recoup the principle lost when two of the banks went under. MCOE had \$10 million in Lehman Brothers and \$20 million in Washington Mutual. It is likely that the combined value of those funds is now at \$10 to \$15 million at most and given the low interest rates, it will likely take a few years to recoup the principal. Thus, the college will likely be without interest income for a few years. The specific impact on the published budget for 2008-2009 is a reduction in revenue estimates as follows: 1) \$150,000 to the general fund; 2) \$1.5 million to the bond fund, and 3) \$250,000 to other funds. While this is a significant loss to the bond fund, it is not expected to impact current projects including the Alisal Campus. However it does mean that we will have fewer dollars for future projects such as the science building and other refresh projects.

Restoration Funds: Hartnell College has an additional challenge or opportunity this year in that this is the College's last opportunity to restore the \$1.7 million balance of the funds lost in 2004-2005. These funds are called "restoration funds" and function as a mechanism to help colleges balance variations in enrollment. That is, when a college loses enrollment the money is taken away in the following year and is given three years to restore that loss. If they grow sufficiently in enrollment to restore the FTES, the dollars are restored also. Failure to do so results in a permanent loss to the base funding for that college. Hartnell began losing enrollment in 2003-2004. Funding was reduced \$1.8 million in 2004-2005. Additionally, in an effort to stave off the loss, the college borrowed FTES from future enrollments. The borrowed FTES have now been repaid and one percent of the loss has been restored, leaving \$1.7 million in restoration funds that can be earned this year. To capture both the growth funds and the restoration funds the college needs to generate 7,186 FTES this year (8% over last year). This would mean a total increase in State revenue of \$2 million, even more importantly it will avoid a \$1.7 hit to the base funding. Faculty and staff have begun hosting conversations on ways to accomplish this goal. Some of the ideas include: increasing positive attendance and adding more late start sections this fall and adding intersession courses in January. Efforts to improve retention and student success are being discussed also. The faculty senate and the Enrollment Management Committee are taking the lead in these efforts.

Unrestricted General Fund Expense: Dr. Helm pointed out that the increase in Academic Salaries reflects the increase in part time, primarily. The increase

in benefits reflects the increase in employee health insurance premiums of approximately \$100 per month or \$1200 per year per full time employee. She indicated that her greatest concern is that the other expenses line item is unrealistically low and not sufficient to get us through the year. We already know some required costs are not included. For example we just learned that the trustee election in March will cost the district at least \$25,000. Other concerns include adequate classroom and lab supplies. The Board will be briefed quarterly, if not more frequently, on both the revenue and the expense portions of the budget.

Unrestricted General Fund Reserves: Dr. Helm reminded the Board that last year the budget was adopted with a \$1.3 million deficit. In January of 2008 we discovered a clearing account with MCOE, dating back to 2002, that had not been reconciled and was not reflected in the financial statement. This finding had a negative impact of almost \$1 million. This along with a reduction of \$500,000 in State revenue and an increase in expense of \$200,000 for Western Stage resulted in a funding gap of \$3 million. However, due to increased efficiency in class size, increased enrollment, and other cost cutting measures, the college closed this \$3 million funding gap. The current reserve is \$2.9 million and the 2008-2009 budget includes a deficit of 975,000.

Restricted Grant Funds: Dr. Helm pointed out that the college continues to grow its grant funds and commended a host of faculty, staff, and administrators who have written and managed grants successfully. The college just received notice of a new two year grant award of approximately \$900,000 per year to improve instruction and student success in Math and Science. Federal and State grants, along with our industry partnerships, especially those in agriculture, construction, and health care, enable the college to hire faculty, build and equip new programs and sustain existing ones. Without this support it would be very difficult for the college to fully deliver its mission to the community.

ADJOURNMENT

On a motion by Trustee Freeman, seconded by Trustee Healy, on a vote of 6-0, and on an advisory vote of Aye (Cortes), the Board adjourned the meeting at 5:51 p.m.

Patricia Donohue
Board of Trustees President

Phoebe K. Helm
Board Secretary