HARTNELL COMMUNITY COLLEGE DISTRICT

M I N U T E S
Board of Trustees – Annual Budget Workshop
CALL-208
411 Central Avenue
Salinas, California

August 28, 2012

OPEN SESSION
Workshop called to order at 5:00 p.m. by Trustee DePauw.

PLEDGE OF ALLEGIANCE
Trustee Pruneda led the Pledge of Allegiance.

ROLL CALL
Present were:

Demetrio Pruneda
Bill Freeman (arrived at 6:15 p.m)
Elia Gonzalez-Castro
Ray Montemayor
Candi DePauw
Elaine Duran Luchini, Student Trustee

Willard Lewallen, Superintendent/President

Absent:
Erica Padilla-Chavez, Patricia Donohue

PUBLIC COMMENTS
There were no public comments.

Trustee DePauw called the workshop to order at 5:00 p.m.

2012-13 BUDGET AND FACULTY OBLIGATION NUMBER
The board received a detail presentation on the proposed final budget for fiscal year 2012-13 by Al Muñoz, Vice President, Support Operations (Appendix A). During his presentation, the board asked several clarifying questions to which Mr. Muñoz and/or Dr. Lewallen responded.

Following the budget presentation, Terri Pyer, Associate Vice President, Human Resources, presented on the history of and use of the Faculty Obligation Number, a number that the college is required to report to the California Community College Chancellor's Office each fall. (Appendix B)
STRATEGIC GOALS FOR THE COLLEGE

The board continued their discussion on strategic priorities. On July 25th, the board conducted a workshop to begin their dialogue and based on that discussion, Dr. Lewallen distributed a summary of discussion and draft of strategic priorities. (Appendix C)

The board will consider the proposed strategic priorities at the October meeting.

ADJOURNMENT

The Board adjourned at 7:30 p.m.

__________________________________________
Erica Padilla Chavez
Board President

Dr. Willard Lewallen, Board Secretary
Superintendent/President
Hartnell Community College District

2012-13 Budget Update
August 28, 2012

Presented by Alfred Muñoz, CBO

Hartnell GF Draft Budget 2012-13

<table>
<thead>
<tr>
<th>Deficit Budget</th>
<th>Tentative</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apportionment</td>
<td>$31,002,598</td>
<td>$30,786,556</td>
</tr>
<tr>
<td>Other Income</td>
<td>$1,877,360</td>
<td>$2,138,900</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$32,879,958</td>
<td>$32,925,456</td>
</tr>
<tr>
<td>Academic Salaries</td>
<td>$13,286,444</td>
<td>$13,392,660</td>
</tr>
<tr>
<td>Classified Salaries</td>
<td>$7,511,263</td>
<td>$7,488,440</td>
</tr>
<tr>
<td>Benefits</td>
<td>$7,838,210</td>
<td>$7,518,374</td>
</tr>
<tr>
<td>Supplies/Materials</td>
<td>$474,455</td>
<td>$474,955</td>
</tr>
<tr>
<td>Other Operating</td>
<td>$5,548,505</td>
<td>$5,090,956</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>$184,100</td>
<td>$169,400</td>
</tr>
<tr>
<td>Transfer</td>
<td>$534,000</td>
<td>434,000</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$35,376,977</td>
<td>$34,568,785</td>
</tr>
<tr>
<td><strong>Deficit</strong></td>
<td><strong>($2,497,019)</strong></td>
<td><strong>($1,643,329)</strong></td>
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</table>
Change in FTES

<table>
<thead>
<tr>
<th>Tentative Budget</th>
<th>Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,100</td>
<td>6,700</td>
</tr>
</tbody>
</table>

Final budget reduced Adjunct cost to accommodate reduction in FTES

Change in Revenue

<table>
<thead>
<tr>
<th>Tentative Budget</th>
<th>$32,879,958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease:</td>
<td></td>
</tr>
<tr>
<td>Workload Reduction (65 FTES)</td>
<td>(302,640)</td>
</tr>
<tr>
<td>Increase:</td>
<td></td>
</tr>
<tr>
<td>Adjust Deficit Coefficient</td>
<td>168,250</td>
</tr>
<tr>
<td>Lottery funds adjustment</td>
<td>75,125</td>
</tr>
<tr>
<td>Revenue allocation Fund 12</td>
<td>71,908</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>32,855</td>
</tr>
</tbody>
</table>

| Final Budget Revenue | $32,925,456 |
Changes to Expenditures

Tentative Budget: $35,376,977

Increase/(Decreases):

- Academic Salaries: (447,600)
- Classified Salaries: 204,742
- Benefits: (448,943)
- Supplies & Materials: 129,107
- Other Expenditures: (14,100)
- Capital Outlay: (500,074)

Final Budget Expenditures: $34,568,785

FTES FUNDED VS. ACTUAL 2007-08 TO 2012-13

<table>
<thead>
<tr>
<th>Year</th>
<th>FUNDED FTES</th>
<th>ACTUAL FTES</th>
<th>UNFUNDED FTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>6586</td>
<td>6586</td>
<td>0</td>
</tr>
<tr>
<td>2008-09</td>
<td>7083</td>
<td>7624</td>
<td>541</td>
</tr>
<tr>
<td>2009-10</td>
<td>6819</td>
<td>7373</td>
<td>554</td>
</tr>
<tr>
<td>2010-11</td>
<td>7000</td>
<td>7000</td>
<td>0</td>
</tr>
<tr>
<td>2011-12</td>
<td>6462</td>
<td>7107</td>
<td>845</td>
</tr>
<tr>
<td>2012-13(1)</td>
<td>6526</td>
<td>6700</td>
<td>174</td>
</tr>
<tr>
<td>2012-13(2)</td>
<td>5995</td>
<td>6700</td>
<td>705</td>
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</table>
2011-12 Through 2015-16 Budget Outlook
Revenue, Expense, and Fund Balance

Graph Data Assumption
No change in staffing level 2012-13 through 2015-16
No mid-year trigger

Revenue
• 2012-13 Based on State approved budget
• No state funding for growth in 2013-14
• Growth funding 2.2% for 2014-15 through 2015-16
  (based on legislative analyst office)

Expenses
Continued step increase in wages
Continued increase in cost of health benefits
Inflationary cost of supplies, materials and services
General Fund - Restricted

- Federal Grants $8,092,802
- State Grants $2,597,242
- Local $1,383,818

Bookstore Fund

Revenue $139,000
Expense 110,000
Surplus $29,000

Reserve Balance $1,323,437
### Child Development Fund

- **Revenue**: $538,451
- **Expense**: $743,193
- **Deficit**: ($204,742)
- **Reserve Balance**: $57,420

### Capital Outlay Fund

- **Revenue**: $346,000
- **Expenses**: $1,244,000
- **Deficit**: ($898,000)
- **Reserve Balance**: $3,175,897
State Capital Match Fund

Revenue $100
Expenses -0-
Surplus $100

Reserve Balance $24,368

Property Acquisition Fund

Revenue $282,000
Expenses 57,600
Surplus $224,400

Reserve Balance $3,836,743
### Bond Projects Fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>$140,000</td>
</tr>
<tr>
<td>Expenses</td>
<td>18,034,292</td>
</tr>
<tr>
<td>Deficit</td>
<td>$17,894,292</td>
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<tr>
<td>Reserve Balance</td>
<td>$22,572,221</td>
</tr>
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</table>

### Cafeteria Fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>$377,600</td>
</tr>
<tr>
<td>Expenses</td>
<td>368,903</td>
</tr>
<tr>
<td>Surplus</td>
<td>$ 8,697</td>
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<tr>
<td>Reserve Balance</td>
<td>$264,285</td>
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</table>
Self Insurance Fund

Revenue $ 2,700
Expenses 112,000
Deficit ($109,300)

Reserve Balance $923,035

Funding for tail claims that are the result of withdrawing from the Monterey County Workers' Compensation JPA in 2002.

Retiree Health Benefits Fund
(Other Post Employment Benefit - OPEB)

Revenue $112,000
Expenses -0-
Surplus $112,000

Reserve Balance $4,370,425

87% of Future Liability Funded
### Associated Students Trust Fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>$132,547</td>
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<tr>
<td>Expense</td>
<td>$145,384</td>
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<tr>
<td>Deficit</td>
<td>($12,837)</td>
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<td>Reserve Balance</td>
<td>$552,721</td>
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</table>

### Scholarships, Loan & Trust Fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>$300</td>
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<tr>
<td>Expenses</td>
<td>$1,000</td>
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<tr>
<td>Deficit</td>
<td>($700)</td>
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<td>Reserve Balance</td>
<td>$95,192</td>
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</table>
### Intercollegiate Athletics Trust Fund

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$16,500</td>
</tr>
<tr>
<td>Expenses</td>
<td>$34,000</td>
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<tr>
<td>Deficit</td>
<td>($17,500)</td>
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<tr>
<td>Reserve Balance</td>
<td>$80,946</td>
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</table>

### Student Financial Aid Trust Fund

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Grants</td>
<td>$12,828,000</td>
</tr>
<tr>
<td>Grants Expenditure</td>
<td>$12,828,000</td>
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<tr>
<td>Surplus</td>
<td>$0</td>
</tr>
<tr>
<td>Reserve Balance</td>
<td>$0</td>
</tr>
</tbody>
</table>
The Law, which dates back to 1959, was created presumably to ensure that non-instructional functions do not squeeze out course section offerings.

Education Code section 84362, commonly known as the Fifty Percent Law, requires each community college district to spend at least half of its “current expense of education” each fiscal year for salaries and benefits of classroom instructors.

Current Expense of Education is referred as the “DENOMINATOR” Salaries of Classroom Instructors is referred to as the “NUMBERATOR”
**Meets Requirement**
- Instructional Salaries $10\ M = 50$
- Current Exp. Of Ed. $20\ M$

**Does Not Meet Requirement**
- Instructional Salaries $10\ M = 47.6$
- Current Exp. Of Ed. $21\ M$

**Counts Toward 50\% Target**
Salaries and Benefit Costs of:
- Classroom faculty
- Instructional Aides
Does Not Count Toward 50% Target

- Salaries and Benefit Costs of:
  - Counselors (Faculty)
  - Librarians (Faculty)
  - Faculty coordinators
  - Faculty directors
  - Release time for faculty
  - Deans & other administrators
  - Board of Trustees
  - Admissions and Records staff
  - Business Services staff
  - Campus security
  - Facilities and maintenance staff
  - Human Resource staff
  - Computer technical support staff

Does Not Count Toward 50% Target

Operating Costs:
- Utilities
- Insurance
- Legal
- Audit Fees
- Travel and conference expenses
- Materials and supplies
- Replacement equipment
Outside the 50% Calculation

- Costs funded by categorical programs
- Building and equipment leases
- New equipment
- Community education
- Ancillary programs
- Costs funded by Lottery funds
- Student Transportation
- Student Health Services

How would the following impact the calculation?

- History instructor is hired
- Full time counselor is hired
- Biology lab supplies are purchased
- Instructional Aide is hired for a chemistry class
- Increase in PERS rate
- Increase in STRS rate
- Instructor is granted 50% release time
- Classified staff are provided a salary increase
Fiscal Year 2011-12 Unaudited 50% Calc

Instructional Salaries & Benefits $15,359,823 = 51.42%
Current Expense of Education $29,869,306

Excluded from Current Expense of Education $2,617,057

Questions?
Hartnell College
Faculty Obligation

Background

- In 1989, the legislature declared that community colleges should strive to have at least 75% of credit instruction taught by full-time faculty.

- AB1725 recognized that "the quality, quantity and composition of full-time faculty have the most immediate and direct impact on the quality of instruction."
Background, cont.

- Two years later, funding for this hiring program disappeared.
- Faculty Obligation Number (FON) has become the mechanism for achieving this goal.
- In 2012, only one of the 112 community colleges has more than 75% of teaching done by full-time faculty.

Our Faculty Obligation

- Each year the Chancellor’s Office announces what each college’s FON is, based on change in funded FTES over the previous year
  - The base full-time faculty obligation (FON) is calculated using the change in funded FTES at P2.
  - The FON was “frozen” from Fall 2009 through Fall 2012, due to inadequate funding from the state.
  - Alternative Compliance—match previous year’s percentage of teaching done by full-time faculty.
Fall 2012 Faculty Obligation

- Our “Frozen” FON is 96.9, measured in the fall

We can include:
- # regular faculty (probationary and tenured)
- # temporary (grant, one-year, one-semester)
- # late, unreplaced retirees/resignations

Alternative full-time percentage is 48.68%
2012 Full-time Faculty

- 97 Full-time Faculty*
  - 88 regular faculty from last year (includes the return of two interim administrators to faculty)
  - 1 temporary (DSPS Counselor-late retiree)
  - 4 regular hires (Agricultural & Industrial Technology, Computer Science, Librarian, Music)
  - 2 grant-funded (Sustainable Design, RCP*)
  - 2 temporary hires (English, Nursing)

*One faculty member (in RCP) is in the recruitment process

Questions?
HARTNELL CCD BOARD OF TRUSTEES
SUMMARY OF DISCUSSION FOR STRATEGIC PRIORITIES

STUDENTS
Student success [5]
- In a timely way
- Complete AA or certificate or transfer to 4 year college/university

Serve the community (including those requiring financial aid, ESL learners, high school prep) [4]

Better meet the educational needs of students based on assessment [1]
- In place but not utilized?
- Full spectrum of needs in the community (Vision 2020)
- Vocational training through to 4 year transfers
- Respect community needs

Focus on the accountability required by law (e.g. academic success of students)

FACULTY, STAFF, BOARD and ADMINISTRATION
Increase diversity of staff and faculty, to better mirror the community [6]

Grow talent within the college
- Includes faculty, staff, and students
- College needs to be ready to face retirement of baby boomers
- Include investment and retraining
- Succession planning

FISCAL
Generate additional revenue [4]
- Beyond state funding (which is uncertain)
- Link to specific populations where viable (veterans, Hispanic students)

Maintain financial strength [1]
PROGRAMS, SERVICES and CURRICULUM
Continue to improve the physical pant and infrastructure [1]
- Buildings, technology
- Develop a more methodical approach
- Utilization of 140 acres

State of the art technology for students, staff and board

Focus on delivery methods that best meets the needs of Hartnell students
- Where does distance learning fit?

Capitalize on national trends related to health care
- Curriculum changes
- Put plan in place to attract associated funds

Enhance and enrich the classroom experience

PARTNERSHIPS
Revitalize stakeholder involvement in the planning process [1]
- AA and/or certification
- Example: auto collision course, airport mechanics

Leverage partnerships so that they translate into work opportunities [1]

Expand on relationships with community members and business community
- Source of resources, support and partnership

Continue innovative partnerships, especially as they relate the economic prospects of students

Work with high schools to ensure college readiness

Extend programs, such as STEM, to younger students
- Outreach into elementary schools
- Plant seeds of college attendance
HARTNELL CCD BOARD OF TRUSTEES
STRATEGIC PRIORITIES

STUDENT SUCCESS

STUDENT ACCESS

EMPLOYEE DIVERSITY AND DEVELOPMENT

EFFECTIVE UTILIZATION OF RESOURCES

INNOVATION AND RELEVANCE FOR EDUCATIONAL PROGRAMS AND SERVICES

PARTNERSHIPS WITH INDUSTRY, BUSINESS, AGENCIES, AND EDUCATION