



BUDGET COMMITTEE
MINUTES

March 11, 2008

The meeting of the Palomar College Budget Committee scheduled for March 11, 2008 was held in RS-5. Dr. Dowd called the meeting to order at 2:06 p.m.

Roll Call

Members Present: Cerda, Claypool, Dowd, Faulkner, Lienhart, Laughlin, McCluskey, Madrigal, Tortarolo, Vernoy (for Cuaron) and Wick

Members Absent: Cuaron, Dimmick, Gowen, Ivey, Kovrig, and Szames

Guests: P. Laderman

I. Approval of Minutes. The minutes of February 12, 2008 were approved as corrected (MSC: Faulkner/Claypool) and will be posted on the Palomar web page.

II. Action: None

III. Budgets

a. Status update on FY2008-09 Budget Information

Before being able to discuss the FY2008-09 Budget in detail, Dr. Dowd reported that there was a new development with regard to the current budget that will also directly affect next year's budget. Bonnie distributed an E-Mail from Erik Skinner, Vice Chancellor for Fiscal Policy, dated February 20, 2008, that provides an update on the \$40 million community colleges were required to cut from current year's budget. The Chancellor's office was able to identify \$31 million from an assortment of categorical funds that have not been spent. Because K-12 identified more reductions beyond its original requirement, the \$40 million dollars for community colleges was reduced to \$31 million. Therefore, no mid-year cuts at the local level were deemed necessary.

Bonnie then distributed another email dated February 28th from the Chancellor's Office which indicates that preliminary information indicates that property tax for two counties in California were over-reported, resulting in a \$76 million error on the P1 for the current budget year. Effectively, this overage results in an estimated \$1.1 million (1.2%) cut to Palomar's 2007-08 apportionment. As a result of this error, the System Office will be recalculating apportionment and distributing revised P1 reports in the next couple of weeks. Shannon Leinhart asked if the shortfall could be covered by funds in the designated projects or ending fund balance. Bonnie reported that those funds (less

the Governing Board's 5% reserve) are already earmarked to fund agreements currently being negotiated but that she was not at liberty to discuss the amount until agreements were reached and signed at the negotiations table.

Bonnie also reported that historically, any deficit in a current-year budget has been made-up by the state in the next year's apportionment; however, because this is not a property tax shortfall but an over-reporting it is not known whether or not the funds will be restored in the future.

Discussion ensued with several members expressing concern about possible layoffs. There was also discussion about whether or not hiring freeze was being considered. Bonnie reported that President Deegan is committed to not laying-off salaried staff, but that a hiring freeze is being considered and some reduced services are anticipated as a result of budget cuts that will be required to address this over-reporting. Chris Wick inquired if there might be some criteria developed for justifying filling certain positions during a hiring freeze, and Shannon suggested a possible committee to review whether a vacant position will be filled based on need. Joe Madrigal reminded the committee there are several positions funded through grant funds or other restricted funding sources and those positions must be filled in case of a vacancy.

Bonnie then explained that Fiscal is in the process of developing fixed salary and benefit costs for FY2008-09 based upon salary step increases as well as attempting to identify fixed costs such as liability/property insurance and utilities. In addition, Fiscal is developing a report to assist in analyzing the discretionary accounts District-wide to determine how much needs to be cut from these accounts. Shannon suggested that in years where the budget is strained, it might be prudent to have a committee approve whether requested items are actually needed in that budget year to better utilize available budget dollars. Discussion followed.

Addressing the FY2008-09 budget specifically, Bonnie stated that in determining the proposed new budget, she and Fiscal Services will be taking the average of the last three years of actual expenditures compared to the previous years budget by program and the lower of the two figures will be used to determine what other cuts are required to balance the budget based upon projected revenues.

Bonnie then informed the committee of some good financial news; if the District were to sell its first series of bonds this year it would be significantly more expensive to insure those bonds given the state of the market due to the sub-prime mortgage situation on Wall Street. The good news is that the District sold its first series of bonds in 2007 and paid a lower assurance rate than currently being charged. In addition, because the District will probably not sell the next series until 2010 the market should be in better condition, which will allow the college to continue leveraging Prop M funds to their greatest potential.

IV. Discussion/Informationa. Fiscal Plan Update:

Bonnie stated that everything discussed during today's meeting were all components and challenges that should be considered in the development of the next fiscal plan. She reminded everyone to read the handouts previously provided, including the mid-year (December 2004); ending report (April 2005) and final Two-Year Plan (April 2005) prior to the next meeting so that discussion can begin on the development of the update to the existing fiscal plan.

V. Other

The meeting adjourned at 3:29

Next Budget Committee Meeting
April 8, 2008
Room RS-5