



**SPECIAL MEETING  
BUDGET COMMITTEE  
MINUTES**

April 15, 2008

A special joint meeting of the Palomar College Budget Committee and Palomar College Strategic Planning Council scheduled for April 15, 2008, was held in RS-5.

President Robert Deegan called the meeting to order at 2:05 p.m. and thanked the Budget Committee members for attending today's special meeting of SPC. President Deegan indicated that the primary agenda item for SPC was to provide an update of FY2007-08 Budgets based upon information currently available from the State and to begin the review of FY2008-09 Budgets by SPC and the Budget Committee prior to the Board approving a FY2008-09 Tentative Budget.

Roll Call

Budget Committee Members Present at the joint meeting: Cerda, Dimmick, Dowd, Gowen, Kovrig, McCluskey, Madrigal, Szames, Tortarolo, and Wick

Members Absent: Claypool, Faulkner, Ivey, Laughlin, and Leinhart

Guests: Phyllis Laderman, Brandy Taveuveu

- I. **Approval of Minutes.** As this was a special joint meeting with the Strategic Planning Council, there was no regular Budget Committee business conducted. Approval of minutes from the March 11, 2008, meeting will be conducted at the April 22, 2008, meeting.
- II. **Action:** SPC Business (see April 15<sup>th</sup> Approved SPC minutes)
- III. **Discussion/Information:** 2007/08 and 2008/09 Fiscal Year Budgets

President Deegan began the discussion by providing an overview of the significant revenue cuts in the current year's budget and the anticipated challenges with next year's budget. He explained that the College is "running on fumes" heading into the end of the 07/08 budget year, but he is pleased how everyone has come together to help address the situation.

President Deegan turned the floor over to Dr. Bonnie Dowd, who gave a brief overview of the items to be discussed today. Dr. Dowd began by explaining several State cuts impacting the current year's budget. Over-reporting of property taxes by two counties led the State to revise the P-1, which is how the apportionment (or revenue) the College receives is calculated. Effectively, this over-reporting resulted in the State issuing revised P-1s to all Districts (with three months remaining in the current fiscal year) that will result in a minimum revenue reduction to Palomar of \$1.4 million. In addition, anticipated labor agreements required that approximately \$3.8 million for negotiated

retroactive adjustments, which were not included in the FY2006-07 and FY2007-08 Adopted Budgets beyond the COLA (cost-of-living allocation) be identified.

Responding to these impacts, a review of all of the District's designated projects was conducted which resulted in the identification of \$2.8 million in funds; a modified hiring freeze was implemented effective March 19<sup>th</sup>; and a statement was issued by President Deegan on April 8<sup>th</sup> requesting that expenditures be limited only to those critically needed. All of these actions were taken to address the FY2007-08 Budget situation.

With regard to budget development for FY2008-09, Dr. Dowd reported that the state budget situation is anticipated to be worse than the current year. She further reported that the Governor's proposed budget includes a minimum of 10% reductions across the board for all State agencies, no COLA, and growth cap for community colleges significantly reduced. Discussion followed regarding the challenges this creates for community colleges because effectively, as enrollment goes up, additional growth revenue is not available to fund the growth for colleges and COLA is needed to support increasing step, benefits, utilities and other operating costs.

Dr. Dowd then reported on how projected revenues are arrived at for the upcoming budget year. She reported that the lion's share of revenue for the College comes from State apportionment and is based on FTES (full time student equivalent). The P-1 is the mechanism by which apportionment is determined; however, that number is subject to revision in the P-2 and Recal distributed by the Chancellor's Office.

In calculating projected expenditures, Fiscal Services inputs fixed salary and benefit costs based upon salary step increases. Normally units would develop the discretionary account budgets e.g. Supplies and Materials; however, given the anticipated constraints for the upcoming budget year and lack of available funds, Fiscal Services has identified fixed costs that include liability/property insurance, utilities, lease and rental agreements, licensing agreements for hardware and software, audit and bank fees, the Apprenticeship Program and negotiated items such as sabbaticals, stipends and paid holidays and input them into PeopleSoft. With those expenditures included and remaining discretionary accounts budgets as they were in FY200708, (i.e., no action taken to reduce expenditures), the projected expenditures would result in a budget deficit of \$6,674,924. When factored with the projected Ending Fund Balance for the current year, the projected expenses would create a negative Ending Fund Balance of approximately \$1.5 million, which is unacceptable and does not align with Governing Board Policy, which requires a 5% reserve of the total budget - approximately \$5 million for FY 2008-09 in the Ending Fund Balance.

Dr. Dowd reported that in order to bridge the gap in revenue shortfall, cuts have to be made and the following recommendations included:

1. Apply for a State waiver for District's match for scheduled maintenance and instructional equipment.

2. Limit scheduled sections budget to \$15 million (1300 accounts) and reduce non-instructional hourly costs by 15% (1400 accounts).
3. Cut 2300 and 2400 accounts (non-academic salaries) by 25% of FY2007-08 budgets.
4. Reduce 4000 accounts (supplies & materials) by 25% of FY2007-08 budgets.
5. Reduce 5000 accounts (other operating expenses) by 25% (not applicable to fixed costs) of FY2007-08 budgets.
6. All 6000 accounts (capital outlay) will be zeroed-out, with the exception of the Library budget, which will be paid from non-restricted Lottery funds.
7. No additional transfer to Fund 69 for FY2008-09.

With the recommended cuts implemented, this still leaves a deficit (revenue versus expenditures) of \$1,830,163, with a projected Ending fund balance of approximately \$3.3 million; however, this amount still falls short of the required \$5 million to meet the 5% required ending fund balance. Dr. Dowd reported that anything that can be done in the current year to decrease budgeted expenditures will strengthen the College's financial position going into the next budget year. Specifically, she referred back to President Deegan's memo of April 8<sup>th</sup> requesting expenditures be limited to critical need only and she stressed the importance of adhering to the request. She also provided suggestions for addressing budget cuts including reviewing discretionary budgets such as publications, supplies, water delivery, travel, food for meetings, printing costs, etc. Collectively, reductions in expenditures will positively impact the beginning fund balance for FY2008-09 and help to offset deficit budgeting. President Deegan expressed to the groups that the goal is to reduce expenditures while having minimal impact on students. He acknowledged that while these cuts will definitely hurt, if we all tighten our belts we can get through these tough budget times together.

Concluding the presentation, Dr. Dowd reported that the FY2008-09 Tentative Budget must be approved by the Governing Board at their June 10<sup>th</sup> Board Meeting and that the reported recommendations will be included in the tentative budget and adjusted accordingly after the Governor's May Revise is released in mid-May. She also reiterated the District's commitment to retaining all full-time employees and avoids layoffs. Finally, Dr. Dowd reported that the Governing Board is legislatively required to approve an Adopted Budget by mid-September unless a state impasse occurs at which time the State notifies District's of the revised date for adoption. Dr. Dowd closed by reiterating that as actual revenues and expenses are realized, adjustments may be made as appropriate with reinstatement of cuts to various expenditure accounts should the State situation improve; however, she acknowledged this was an unlikely scenario in the near future based on everything being reported out of Sacramento.

## V. Other

The meeting adjourned at 3:57

Next Budget Committee Meeting  
April 22, 2008  
Room RS-5

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