



BUDGET COMMITTEE

MINUTES

July 16, 2020

A meeting of the Budget Committee was held July 16, 2020 via Zoom. The meeting was called to order at 1:05 p.m. by Yulian Ligioso, Acting Vice President of Finance and Administrative Services.

Roll Call

Members Present: Barbara Baer, Tricia Frady, Anel Gonzalez, Yulian Ligioso, Teresa Laughlin, Kendyl Magnuson, John Matson, Patrick O'Brien, Dayna Schwab, Shayla Sivert, Craig Thompson, Linda Beam, George Frederick, Erin Hiro, Rocco Versaci, Molly Faulkner, Joel Glassman, John Matson, Dr. Vikash Lakhani, Jenny Ferrero

Members Absent: Carmen Coniglio, Anastasia Zavodny

Recorder: Heather Sutton

Guests: Ken Stoppenbrink, Acting President Jack Kahn, Brandi Taveuveu, Pai Wang-Smith, Steven Carkey

I. Approval of Minutes:

The minutes from the May 13th, 2020 meeting were approved.

II. New Business –

- A. P3 320 – Member Kendyl Magnuson spoke about actual attendance hours and classes moving online. Per the Chancellors Office guidance memo, there was allowance to revert to some three-year averaging methodology. Included both non-resident and resident as both numbers are important. A decision was made to not pull the second summer into this year. For positive attendance classes summers are not flexible. They are reported in the year in which they end. Due to the change in reporting of not borrowing from the second summer, FTES are going down. Member Magnuson continued to go over the report and how there is a difference in FTES. Member Teresa Laughlin asked why the decision was made to change the reporting of the summer schedule. VP Ligioso explained that the recording was not aligned to how we were scheduling. This is an attempt to realign the recording to scheduling and also provide flexibility for future years. Additionally, trying to get out of Hold Harmless by 23/24. Member Magnuson continued to cover the data in the P3 320, and that changing the borrowing makes it challenging to see what the net impact is, even though it does seem to be better than anticipated. Member Baer inquired to the status of the fall semester and whether or not it was improving. Member Magnuson responded that there is slow improvement, but there is no way of knowing for sure at this point, as students are taking more time to make decisions. August may hold more improvements.

- B. P2 Apportionment and Chancellor's Office Update – VP Ligioso discussed the P2 Report, Second Principal Apportionment Schedule C. VP Ligioso covered the deficit percentage factor and how the Educational Protection Account (EPA) not being collected in a timely fashion. Because the record was produced prior to the budget enactment, it shows this huge deficit factor, which is expected. Spoke to a memo sent from the Chancellors Office on the P2 to notify colleges about the deficit at this time. Described the possibility of the deficit factor, and that we will be hoping with the CARES funding we might be able to offset more. New information is coming in weekly and changes and updates will occur. Member Baer asked how the deficit factor directly affects Palomar College. VP Ligioso explained that in prior years monies are found by the end of the year. Believes that a true deficit factor will materialize. VP Ligioso went on to explain that we have received some one-time prior year adjustments from the county as well as the state.
- C. Deferrals, Cash Flow and Borrowings – VP Ligioso discussed the favorability of the Budget Act for 20/21. Further discussed identifying deferrals from February through June. This inactive budget is relying on districts to tap into reserves as well as the use of significant deferrals to balance the budget. Possibly see workload reductions due to the state shortfall. Spoke to Steven Carkey, Accounting Manager, and his staff working diligently on cash flows and extending not only to the end of the fiscal year, but beyond. Steven Carkey went on to explain current capital for the current year, and that the numbers will still fluctuate. Additionally, spoke to being cash efficient, the months that we fluctuate due to property taxes, and burn rate, low rates occurring in October, November and March due to months without cash influx. Reminded the committee that for each month moving out, the numbers become less accurate due to assumptions and not data. Spoke to the cycle year to year and what the burn rate, low points, and assumptions for the upcoming year and forecasted out to FY 21/22. Additionally, that pending any huge influx for PCCD, that there is a possibility of a negative cash balance in November without changes occurring. Still waiting for the Chancellor's Office to nail down figures as it impacts us greater than expected. VP Ligioso explained that the state is not reducing our budgets and explained the computational revenue and deferrals. Went on to explain our property tax revenues and the monies being received between EPA and true apportionment. VP Ligioso went on to explain the options moving forward to begin a borrowing process with San Diego County and with TRANS. These were sent for approval to the Governing Board. Member Versaci asked if we could receive revenue from property taxes. VP Ligioso stated that we do receive revenue from property taxes through a specific funding formula. Member Baer asked for more details on the state making no arrangements to help with the borrowing for districts, and the competition will drive up the cost for borrowing. VP Ligioso explained that the chief business officers are discussing and sharing best practices. As a group they invited the Chancellor's Office to participate, and asked underwriting firms and bond councils to discuss the process. Reminded the committee that borrowing does cost in terms of interest and carrying costs. VP Ligioso discussed specifics of borrowing from the county and the repayment process.
- D. Adopted Budget Assumptions – VP Ligioso and Brandi Taveuveu, Payroll & Budget Manager presented information on assumptions that will be used for the adopted budget, and the similarity to what was used for the tentative budget. VP Ligioso stated that legislature should come up with junior budget bills possibly as early as August, but definitely by October. VP Ligioso spoke to revenue assumptions and that he believes the state is counting on receiving additional federal funding and this could trigger deferrals. Continuing to explain budget assumptions and working on all vacancies, with additional ones in June and July that will be reflected in the Adopted Budget. Scrubbing of the budget will continue, as well as work with

various managers. Brandi Taveuveu explained ending fund balances for 19/20 and those will be input for beginning balances for 20/21 for designated and restricted projects. Brandi went on to explain categorical funds, and the final board amounts. Budgets will be adjusted based upon workers compensation rates and benefits. Brandi additionally stated that she will gather information from budget development submissions and send it to management for review. VP Ligioso went on to talk about vacant positions and how they were tied to FCMAT issues. VP Ligioso stated that a contingency for positions will be built in depending on how the budget from the state comes in. Member Baer asked how much in total was being held off due to vacancies. VP Ligioso stated that the hiring of additional positions will not move forward if budget picture doesn't improve. Member Laughlin asked about the COVID Block Grant. VP Ligioso said that those monies will be need to be spent by December 2020, with pressure to the Chancellor's Office for directions. Member O'Brien asked about the planning factors for the FTES target and if it's reasonable. VP Ligioso explained the difference with what is recorded and what is planned. Reporting has changed as well and it's a reasonable goal to vet through the enrollment management task force. Additionally, spoke to recessionary times when demand goes up, but funding goes down.

- E. Refunding/RFQ/RFP – VP Ligioso spoke to the request for qualifications and request for proposals for underwriting firms. Palomar is looking to update the pool for our taxpayers later in the fall.

III. Adjourned

There being no further business, the meeting was adjourned at 3:00 pm.