BUDGET COMMITTEE

MINUTES

October 13, 2020

A meeting of the Budget Committee was held October 13, 2020 via Zoom. The meeting was called to order at 2:48 p.m. by Yulian Ligioso, Acting Vice President of Finance and Administrative Services.

<u>Roll Call</u>

Members Present:	Barbara Baer, Tricia Frady, Anel Gonzalez, Yulian Ligioso, Teresa Laughlin, Dr. Kendyl Magnuson, Craig Thompson, Linda Beam, Rocco Versaci, Molly Faulkner, Joel Glassman, John Matson, Carmelino Cruz, Jenny Fererro, Carmen Coniglio, Dr. Vikash Lakhani, Dayna Schwab
Members Absent:	Shayla Sivert, George Frederick, Cassandra Collier
Recorder:	Heather Sutton
Guests:	Ken Stoppenbrink, Brandi Taveuveu, Pai Wang-Smith, Steven Carkey

I. **Approval of Minutes:**
The minutes from the August 27, 2020 meeting and the September 8, 2020 meeting were approved.

II. **Moody's and S&P Credit Rating**

C.Coniglio walked the committee through the definition and impact of credit worthiness of the scores from both Moody's and S&P. These are independent evaluations analyzing the risk quality of Palomar's bonds, one factor in determining the interest that is paid to attract investors.

Moody's Investors have a series of rating factors and Palomar was rated Aa2 (negative outlook), which is considered a low credit risk. Palomar's negative outlook is pertaining to ongoing challenges in aligning revenues and expenditures. Failure to rectify governance issues identified in the report and possible inability to align revenues with ongoing expenditures could downgrade the rating.

S&P Global Ratings reaffirmed the rating assigned to Palomar in 2017. At that time Palomar was upgraded to AA, and is able to keep that upgraded rating for 2020. C.Coniglio stated that S&P looked at the large San Diego County tax base within the District jurisdiction, which has been increasing 4-5% over the past 4 years. Any decrease in fund balance levels and declining FTES could downgrade this rating. C.Thompson asked about the negative outlook and if that was similar to other districts. C.Coniglio explained that while Palomar is similar, other districts, specifically basic aid districts, are not as dependent on state revenues. Y.Ligioso commented on Palomar's rating and stated that that both ratings from Moody's and S&P are investment grade. Additionally, covered the current markets and the weakening of the bonds, and the increase in equities.

III. FY 2020-21 Adopted Budget

Y.Ligioso thanked colleagues and associates, along with C.Coniglio and B.Taveuveu and their respective teams for their work with the budget. Stated this is the first year in quite some time that expenditures are within the revenue stream. Spoke to retirements and benefit changes last year that affected the budget. The budget was focused on district finances, and was different than prior aware winning presentations. Regular positions were reported, excluding adjunct and hourlies. B.Baer asked questions about the decrease in benefits savings and Y.Ligioso expanded upon the gross savings to $1.6 million due to health care and $300k for retirees per Bright Path. Additionally, covered the Fund 11 proponents vs. other funds. Still looking to receive actual savings from Human Resources in order to report those out accurately. T.Laughlin asked about the designation of Palomar Faculty Federation instead of listing it as Palomar Faculty. Stated that not all faculty are part of the bargaining unit. Additionally, questioned the exclusion of part time instructors from the presentation. Y.Ligioso stated that only permanent and/or authorized funded positions were listed. J.Fererro noted that the column headed Fund 33 Child Development, should be ECLS, and stated that the lab school is self-funded and is not an expense for the district. Y.Ligioso stated it is an expense for the district, but it is self-funded. J.Fererro asked that it be explained to the board for clarification. C.Coniglio stated that the labeling is based on the statewide budget and the terminologies in the 311 report. Y.Ligioso continued on regarding the breakout percentages of budgeted staff of $70million - 46% faculty, 37% classified, and 17% CAST. Y.Ligioso continued to describe the presentation and how the breakouts displayed the $600mil, and the ending of the year with $350mil unaudited. Continuing with the work done as an institution with several one-time items that occurred, PY Property Tax Receipts, Photovoltaic credit, and CARES. T.Laughlin asked about Fund 69 and the amount that gets transferred into it. C.Coniglio addressed the question by explaining the details on Fund 69, how the contributions are calculated and changes that have been made. Both T.Laughlin and B.Baer expressed concern over the negative outlook and how it seems to be far more positive than usually stated. C.Coniglio expanded on why Fund 69 should be looked at differently moving forward. B.Baer continued to express concern on retirement and health benefit changes and what that does in the future. C.Cruz noted concern on savings based upon certain positions not being filled. Y.Ligioso explained these savings and how it assisted the college in getting into the black. Continued on addressing the Expenditures and Revenue Assumptions to include the FTES Target of 18,459, the local revenues, reduced commissions from the bookstore/Follett, and the decline in non-resident tuition which was impacted by the pandemic. B.Baer asked questions about step/column increases and Y.Ligioso expanded on current numbers and vacancies that have affected the budget and the changes that were made to reduce the overall dollar amount. Y.Ligioso spoke to closing in the black, with $142.5mil in revenues versus $142.3mil in expenditures. Continued through salaries and comparisons from 19/20 to 20/21. J.Fererro asked for clarification on academic salaries and whether it included non- instructional as well as deans and administrators. Y.Ligioso confirmed and moved to Multi-Year that starts at $131.8 and within four years is at approximately $136 assuming PCCD participates in COLA as well as in growth in 23/24 and 24/25. Continuing through salaries and benefits and Palomar is looking at compensation at approximately 89.3% of expenditures in 20/21. This is a significant improvement from when FCMAT reviewed the numbers. B.Baer commented on the difference and how Palomar over calculated the numbers and then recalculated and was significantly less.

T.Laughlin voiced concerns and multiple questions regarding Appendix A of the Adopted Budget pertaining to employees, titles, and salaries. Continued with examples of potential errors and issues with employee names and salaries listed. Y.Ligioso addressed the concerns by stating that the information is public record and that the intent was to practice position control per FCMAT recommendations. Suggestions were made by B.Baer and T.Laughlin to remove employee names and use employee IDs. A.Gonzalez made comment of errors in Appendix A. Y.Ligioso stated that the information was compiled from Human Resources and Payroll records. Any errors will need to be gathered and given to the respective departments for correction. Y.Ligioso advised the committee to send any errors to Heather Sutton for compilation.

Y.Ligioso moved through the Multi-Year Projections, SCFF Hold Harmless, and center status for both Fallbrook and Rancho Bernardo. Spoke to property taxes possibly being greater than the apportionment and a change in status resulting. Y.Ligioso expanded on the vacancies, replacements, increase in benefits and retirements in the multi-year projections - addressed concerns on future retirements and how they affect Palomar. PERS and STRS projections and how they are on the revenue and expenditure side, and are cost neutral. Possibly external borrowings will occur in the future. Briefly spoke to election costs and investing other accounts in order to continue to provide service at the current quality level.

VI. Other

No items were brought forward.

VII. Adjournment

There being no further business, the meeting was adjourned at 4:24 pm.