

**ADOPTED MINUTES
FOR THE SPECIAL MEETING (RETREAT/STUDY SESSION) OF THE
IMPERIAL COMMUNITY COLLEGE DISTRICT
BOARD OF TRUSTEES
Thursday, August 6, 2014
Location
Administration Board Room, Building 10
380 East Aten Road
Imperial, CA 92251**

1. INFORMATION TO THE PUBLIC

Information: 1.01 Information to the Public
There was no public comment.

2. CALL TO ORDER

Action: 2.1 Call to Order by Board President

Board President Sigmond called the meeting to order at 6:00 p.m.

Board Secretary Jaime announced roll call.

Present:

Area 1 Louis Wong
Area 2 Karla A. Sigmond
Area 3 Jerry D. Hart
Area 4 Rudy Cardenas, Jr.
Area 6 Romualdo J. Medina
Area 7 Steven M. Taylor

Academic Senate Representative – Michael Heumann
College Council Representative – Jeff Enz (arrived at 6:05 p.m.)

Absent

Area 5 Juanita Salas
Associated Student Government Representative – Priscila Ortiz

Procedural: 2.02 Pledge of Allegiance

Trustee Medina led the Pledge of Allegiance.

3. PUBLIC COMMENT

Information: 3.01 Instructions to the Public

There was no public comment.

4. SCHEDULE

Information: 4.01 Welcome

Board President Sigmond welcomed everyone to the Board Retreat/Study Session.

Discussion: 4.02 Discussion of ACCJC Recommendation 8

Board Secretary Jaime informed the Board that Vice President John Lau would be presenting a PowerPoint presentation.

VP Lau explained that in his presentation he would go over Recommendation 8 and including where the District is in the budget. He presented two options on which direction the District should go in balancing the budget for the Board's consideration.

VP Lau's PowerPoint included Accreditation Recommendation 8 in its entirety, and a summary of the key points in the recommendation, which he described as a report card for the college related to Recommendation 8.

ACCJC wants to see that the District:

- Has a balanced budget
- Ongoing revenues fund ongoing expenses (one-time expenses can either be funded by ongoing funds or by reserves depending on what the Board decides)
- Maintains a prudent reserve level
- Has a plan to address long-term commitments (primarily the OPEB which is retiree health insurance)

VP Lau stated that ACCJC is concerned the District is not meeting the last three requirements. He stated in its response to Recommendation 8, the District would have to show that these items have been addressed.

VP Lau presented a table showing where the budget stands today and the status of the budget last year. He stated revenues were up this year due to

an increase in FTES. He stated expenses have also gone up this year due to inflators such as employee labor contracts and other items.

VP Lau provided a brief summary of the expense items:

- salaries are up 3.3% (an expected increase due to inflators in labor contracts)
- benefits increased by 6% (primarily health insurance which will increase 7–9%; annual increases in health insurance premiums are anticipated)
- there is a minor increase in operational costs (3%) (VP Lau will revisit operational costs when he discusses the two options)
- debt retirement has gone up from \$839,000 to \$1.1 Million (a 24.2% increase and includes a one-time expense, which is a key item in the two options that will be presented)
- the interfund transfer represents funds allocated for the Day Care last year (the funds weren't needed after all)

He stated that overall, expenses have increased just below 3%. VP Lau stated this increase is not remarkable, however, ACCJC has mandated that the District have a balanced budget. He stated that with revenues at \$36,576,000 and expenses at \$37,432,000, the District has a deficit position in its budget.

Board President Sigmond asked what the annual percentage change should be. VP Lau explained that it depends on revenues. He stated the college has had slight growth, but the District has not had a balanced budget in eight years; it has used reserves to balance the budget. He stated the District started out with 27% reserves and reserves are now down to 6%. He stated that showing what the District is doing to stabilize itself will be the centerpiece in the District's response to Recommendation 8.

VP Lau explained that the Certificate of Participation (COP) final payment is a one-time expense by definition, and could be paid from reserves.

VP Lau stated that the District used Construction Bond funds previously to pay the COP, but the expense was returned to the General Fund where it should have been from the start. He stated that the District has been paying the COP out of the General Fund for the last seven years and stated the annual payments were \$400,000 but since this is the final year of the COP the payment is \$700,000.

VP Lau stated the options were as follows:

- Option 1 includes the \$700,000 COP final payment in the budgeted expenditures and reflects a deficit of (\$856,758) and a reserve balance of 4.12%.
- Option 2 reflects a revision of the budgeted expenditures to exclude \$600,000 of the \$700,000 COP final payment, resulting in a deficit of (\$256,758) and a reserve balance of 4.89%. Adding (\$50,000) to reach a 5% reserve brings the total deficit for Option 2 to (\$306,758).

In response to Trustee Hart's inquiry regarding the current reserve level, VP Lau stated current reserves are 6-7%. Trustee Hart informed the Board that he had spoken with ACCJC President Barbara Beno who indicated that a prudent reserve is 5%.

VP Lau presented ways to address the deficit identified in Option 2 (\$306,758), should the Board decide to pursue this option. In an attempt to preserve jobs, VP Lau suggested a reduction of 8% of General Fund operational costs (travel, consultants, among other items).

VP Lau presented the pros and cons as follows:

- The pros for Option 2 include differentiating between one-time and ongoing expenses (as recommended by FCMAT), and identifying \$600,000 of the COP final payment as a one-time expense; by doing so the amount needed to balance the operations budget would be less.
- The one item against implementing Option 2 is the impact on the district's reserve, which would be decreased to approximately 5.0%. If Option 2 is implemented, while justifiable, the district would have to include this fact in its Follow-Up Report.

VP Lau noted the caveat to Option 2: The 3-year projection must show that the District is improving financially and is stable.

As an introduction to the General Fund Expenditures for Non-General Fund Activities slide, VP Lau acknowledged that he has not looked at spending outside of the General Fund when addressing the deficit, specifically categorical costs and costs outside the domain of the General Fund. He stated these expenditures include almost all wages and benefits for the Foundation and Preschool; and a percentage of categorical program DSPS expenditures. He stated the expenditures total \$600,000 and are included in the 2014-2015 budget. VP Lau informed the Board that Dean of Counseling Ted Ceasar will speak to the categorical expenditures.

Board Secretary Jaime provided clarification on these expenditures, stating they are outside of the District's operational costs.

VP Lau wanted to make it clear that he is presenting this information for the purpose of clarity and transparency, and in response to inquiry from stakeholders. By presenting this information VP Lau is not implying that covering these expenses is good or bad; and whether it is right or wrong is the Board's decision. He has been asked what is being spent outside of the General Fund, and he is merely presenting the numbers.

At this point, the PowerPoint Presentation, "Student Success & Support Program, Formerly Matriculation, History and Funding Summary" was presented by Dean of Counseling Ted Ceasar.

Dean of Counseling Ted Ceasar presented a PowerPoint that addressed the history and funding, and requirements for matching funds, for two programs, the "Student Success & Support Program," which was formerly called the "Matriculation Program" and "Disabled Student Programs and Services (DSPS)."

Information on the Seymour-Campbell Matriculation Act of 1986 (Matriculation Program) and the Seymour-Campbell Student Success Act of 2012 (Student Success Support Program [SSSP]), which replaced the 1986 law, was presented. The legislation is intended to supplement institutional expenditures for student support services but not cover the full costs. Matching requirements reflect the expectation that colleges have primary responsibility for student success services and SSSP funds are supplemental to ongoing college expenditures. Under the SSSP, funds are intended for the following core services:

- Orientation
- Assessment
- Advising
- Other education planning services needed to assist a student in making an informed decision about his or her education goal and course of study and to develop an education plan.
- Follow up for at-risk students

The 3:1 in-kind match requirement is continued under the 2012 law. Districts may count as match expenditures, direct program costs including:

- Orientation
- Assessment for Placement
- Student Education Planning
- Counseling and Advising
- Follow-up Services
- Institutional research directly related to the provision and evaluation of SSSP services
- SSSP Technology related to the delivery of services, such as on-line orientation, advising, and student education planning.

A substantial increase in funding is expected for 2014-2015, along with the increased responsibility for providing services that directly lead to student success. Because the funding is dramatically increased under SSSP, Dean Ceasar stated that the Chancellor's Office has recognized that some colleges may have difficulty in meeting the match requirement because it has also increased. To help colleges, during the transition period costs allowable under the former Matriculation Program may also count as match expenditures under SSSP, which costs include:

- Admissions and Records
- Transfer and Articulation Services
- Career Services
- Institutional Research

Dean Ceasar shared information on the SSSP 2013-2014 allocation, including allocation amount (\$357,918) and in-kind match (\$1,033,918), which will be reported to the Chancellor's Office in the End of Year Report due October 3, 2014.

Dean Ceasar explained that in the past Student Services over reported in-kind match expenditures as a result of coding whole programs as matriculation matching funds. He explained this was done in 1986 to facilitate preparation of the report to the Chancellor's Office. Dean Ceasar stated this went on for years, but assured the Board this practice would be discontinued. Only the areas that are allowable under SSSP, and possibly the areas allowed during the transition period, which will eventually no longer be allowed, will be identified in the 3:1 match. The District will not have a problem meeting the match.

Trustee Hart stated it was his understanding that the 3:1 match is for this coming year only; that the Chancellor's Office has some discretion about moving forward the following year and thereafter. According to the legislation, the purpose is to give the Chancellor's Office discretion about establishing a match that could be fair and equitable moving forward. Next year the match would definitely be 3:1, but after that time the Chancellor would have some discretion as far as how much that match had to be in the future.

Dean Ceasar noted that since this funding was established in 1986 there's never been a position or anyone hired using General Funds in order to meet this match.

As further clarification and in response to Board President Sigmond's inquiry, Dean Ceasar explained that the District counts salaries for staff to provide the required services as match expenditures because they support the goals of this program.

Board President Sigmond asked about additional changes that would be implemented to promote SSSP. Dean Ceasar related the success of the expanded First Step Program orientations held in April and May and other services.

Dean Ceasar reviewed the "Disabled Student Programs and Services (DSPS) Funding Summary" portion of his presentation, which:

- includes an advisory issued by Chancellor Jack Scott on September 14, 2012, which provides that colleges are accountable to meet the needs of students with disabilities
- identifies the full-time certificated faculty and full-time classified staff that are partially district funded
- shows how IVC's DSPS program compares to the comparable colleges identified in the FCMAT report (College of the Desert, Hartnell, Monterey Peninsula, Shasta) in terms of Student Count, FTES Revenue, Deaf and Hard of Hearing Funds and Match, Adjusted College Effort, Amount for College Effort, Allocation, Total Program Cost, and Cost Per Student.

In addition to the advisory issued by Chancellor Scott, Dean Ceasar cited federal disability non-discrimination laws Section 504 of the Rehabilitation Act of 1976 and Government Code Section 11135 as the legal foundation for required DSPS services.

Dean Ceasar stated that last year DSPS program funding was based on a 55% district/45% DSPS split. He stated in 2014-2015, the funding split will be reversed, 45% district/55% DSPS. He reported that the total cost of the DSPS program in 2013-2014 was \$666,136. He explained that the allocation involves other factors and is based on a very complicated formula.

Board President Sigmond asked whether DSPS funding would be increased next year, and if there are trends in the number of DSPS students. Dean Ceasar responded that allocation will be made in late fall and there is no expectation of an increase.

Vice President for Academic Services Dr. Nicholas Akinkuoye attributes the increase to military veterans returning to school. Dean Ceasar noted that these students require a lot of services, not necessarily direct services such as language interpreters, but more staff and counseling time, and crisis intervention.

To address Board President Sigmond's concern regarding the availability of trained staff to provide services to these students, Board Secretary Jaime stated that DSPS staff is must meet unique requirements. In addition, students pay a health fee, and one of the areas of utilization that has increased is behavioral health services. Dean Ceasar stated that the college has a licensed therapist and she is booked solid.

Following Dean Ceasar's PowerPoint presentation, VP Lau directed the Board and audience his part of the PowerPoint presentation.

VP Lau reviewed the areas of significant variance identified by FCMAT (in the Management Review Report dated December 3, 2012):

He reported the concerns that some individuals have regarding whether the variance should exist. He stated that more detail is needed, and he proposed that the researcher be assigned to conduct a thorough analysis to ensure the comparisons are valid, and the details of those costs. Thereafter, the researcher's findings would be submitted to the Board for discussion and a decision.

VP Lau reviewed other pressure points that will impact funding:

- o Increase in pension contributions.
- o About a 9% increase in health insurance. VP Lau anticipates 5-8% annual increases. The district pays approximately \$14,000 (soft) per employee.
- o Funding of OPEB liability.
- o Loss of FTES due to the impact of AB 86. VP Lau stated that if the state decides that some ESL courses are no longer credit courses and will be considered noncredit or adult ed, the district could lose a lot of FTES. If this happens, the district will need to develop classes in high demand areas such as English and Math to replace the lost FTES.
- o Prop. 30 phases out in 2016.
- o Personal income tax increase expires in 2018.
- o Prop. 44 would cap reserve levels between 1-6% for K-12; the state would create a rainy day reserve that would aid school districts.

VP Lau stated that the work to address stability is just getting started, and there isn't a lot of money available to address these pressure points. He stated that in order to address them, it will be necessary to increase enrollment and revenue and it will be important to have discussions with the various employee groups regarding how to address these impacts.

VP Lau is awaiting Board direction before he begins working with the employee groups. In addition to a balanced budget, he pointed to the relevance of the three-year budget projection. If the projection, based on current ways of doing business, does not give the college the financial position needed going forward.

Student Support Services Program Director Dolores Diaz questioned whether all counselors are included in the \$2.8 Million. VP Lau again stated that the District will have the researcher conduct an analysis of FCMAT's findings in order to determine this.

Board Secretary Jaime stated it is his belief that when FCMAT conducted its review, TOP Code 6300 was used for both categorical and General Fund expenditures for counseling positions. The analysis will clarify these expenditures and should yield facts that support the findings one way or the other, so that decisions can be made based on accurate information. The study will be provided electronically to the Board for direction, without the need for another meeting since this item is part of today's retreat agenda.

Counselor Diaz and Lead Counselor Trini Arguelles urged that a differentiation between a counselor (advising) and a program director (coordinating) be made. Counselor Arguelles explained the difference between advising counselors and counselors that coordinate programs. He stated that while it seems that counselors are a large group, there are only seven district counselors that do general counseling; there aren't sufficient advising counselors. All other counselors are categorical counselors, and these counselors do not provide general advising.

Board Secretary Jaime noted Counselor Arguelles' concern is consistent with the number one concern raised by the visioning groups, that is, the lack of counselors to see students.

VP Lau sought Board direction to pursue Option 2, which he again reviewed with the Board. Board Secretary Jaime stated this item is not an action item; that VP Lau seeks the Board's blessing to propose a budget option. He recommended that the Board provide its blessing. The Board provided its blessing, and VP Lau stated the District would actively pursue Option 2.

District Counsel Frank Oswalt commented that if the Board chose not to take the actions outlined in Option 2, the only choice would be to lay off employees.

VP Lau reported to the Board that the district received FTES restoration funding that would give the college the opportunity to grow by 60 FTES, which could potentially generate an additional \$300,000 for the college. VP Lau will meet with VP Akinkuoye on Monday to determine how to accommodate the growth and the cost.

VP Lau and Board Secretary Jaime cautioned the Board of the risk involved in adding the 60 FTES. The district must be certain it can accommodate the growth and receive the funds in this year; otherwise, the District may have to pay back the funds. In the past, if the state overestimated property tax, the state backfilled the difference. There is a legal mandate for the state to do this for K-12, but there is no legal mandate for community colleges. He reminded the Board that the last time the state was in crisis, the state overestimated property tax and retrieved the funds and did not backfill. This action was taken by the state at the last minute. The loss to the district budget was almost a million dollars, which the district had six months to recover.

If the \$300,000 growth is realized, VP Lau stated he would still like to recover the \$306,000 deficit identified in Option 2 and apply the extra funding to the OPEB liability.

Trustee Hart reminded the Board that in 2009 the funding of the OPEB at \$300,000 per year was on the table, but then the bottom fell out and the District could not do it.

Board Secretary Jaime noted the three components of Recommendation 8 as another important piece to consider:

1. Ongoing expenditures are equal to or less than ongoing revenue (the district is clear with ACCJC on the definition of a one-time expense and an ongoing expense)
2. Maintain a prudent reserve (ACCJC considers 5% a prudent reserve; IVC's recommended reserve level is 16.7% but it is not required)
3. Develop a plan to fund OPEB and other long-term expenses (if the additional funding is realized it would satisfy this component; if the district is confident that components 1 and 2 are met, this would demonstrate the district's plan to pay back OPEB, and it would be significant difference in how the district operates)

Following VP Lau's PowerPoint presentation, the Board revisited some of the items presented earlier:

Trustee Cardenas asked whether there is a chance that the insurance increase would be less, in the range of 5-6%. VP Lau explained that the increase could have been 14%. Board Secretary Jaime confirmed that the insurance increase is actually 10.55% and will go into effect October 1. Trustee Hart confirmed that IVEBA used reserves to lower the increase to 10.55%.

VP Lau and Board Secretary Jaime provided clarification to Trustee Medina regarding the \$600,000 portion of the COP final payment. VP Lau stated that the COP final payment is still an expense in the budget, but it will be paid with reserves. He explained that the district makes the determination that the COP meets the definition of a one-time expense. VP Lau informed Trustee Medina that the district still has a COP in the next three years, but it doesn't have a balloon payment. There is another COP in the General Fund that will be treated as an ongoing expense. There is no opportunity to extend the COP final payment. If the district follows this strategy, it is important to show that the three-year projection is solid. The three-year projection will validate that the district is moving to stability. To drive this point, Board Secretary Jaime noted the specific language in Recommendation 8, "ongoing reserves...meet or exceed...ongoing expenditures." This strategy must be explained in the district's response to Recommendation 8, to show ACCJC how the district is meeting the recommendation.

Trustee Medina recommended that the growth funds be added to reserves since the district expended General Funds and reserves to cover the loss in 2010-2011 and 2011-2012. The district should not utilize or anticipate using these funds. VP Lau concurred, but explained that the district needs to spend money to earn the growth funds. He stated that the district wants to recover \$306,000 deficit, and if growth funds are realized the funds should be put back in reserves and applied to OPEB.

Discussion: 4.03 Set Next Board Retreat Date(s)

Board Secretary Jaime stated that he originally discussed having three special retreats: this as the first and it was held at this time in order to meet the September 15 deadline to adopt the final 2014-2015 budget. The second retreat will deal with Recommendation 1 (Planning), and its purpose is to engage the Board in a study session to discuss what the District is doing to respond to the recommendation. The third retreat will deal with the potential implications of AB 86. Board Secretary Jaime pointed to the possible loss of a significant number of credit FTES which VP Lau mentioned.

Trustee Hart stated it is critical to have all Trustees attend the retreats.

5. ADJOURNMENT

Discussion, Information: 5.01 Next Meeting Date

Meeting ADJOURNED at 7:22 p.m.

Motion by Trustee Steve Taylor, second by Trustee Louis Wong.

Final Resolution: Motion Carries

Yes: Rudy Cardenas, Jerry Hart, Romualdo Medina, Karla Sigmond, Steve Taylor, Louis Wong

Absent: Juanita Salas