
AUDIT AND BUDGET COMMITTEE MINUTES

Coast Community College District
Special Meeting of the Audit and Budget Committee
August 23, 2018 at 10:00 a.m.
Board Conference Room
1370 Adams Avenue, Costa Mesa, CA 92626

Procedural Matters

1. Call to Order

The meeting was called to order at 10:00 a.m.

2. Roll Call

Trustees Present: Trustee Jim Moreno and Trustee Mary Hornbuckle
Trustees Absent: None

In Attendance – Dr. John Weispenning, Chancellor; Dr. Andrew Dunn, Vice Chancellor of Finance and Administrative Services; Dr. Andreea Serban, Vice Chancellor of Educational Services and Technology; Daniela Thompson, District Director of Fiscal Services; Janet Houlihan, GWC Vice President of Administrative Services; Christine Nguyen, CCC Vice President of Administrative Services; Kristi Even, District Budget and Grants Manager; Khanh Tran, Acting Executive Assistant to the Vice Chancellor of Finance and Administrative Services; Fahad Kazi, Internal Audit Coordinator; and Jane Burton, Board Secretary.

Also in attendance: Rachel Snell, District Director of Internal Audit, participated through teleconference.

3. Opportunity for Public Comment

There were no requests to address the Audit and Budget Committee during Public Comment.

4. Approval of Minutes: Meeting of May 31, 2018

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to approve the minutes of the Special Meeting of May 31, 2018.

Motion carried with the following vote:

Aye: Trustee Moreno and Trustee Hornbuckle
No: None
Absent: None

5. Review, Discuss, and Possible Action regarding Internal Audit Quarterly Update

Ms. Snell provided the following update regarding Internal Audit:

- Ethics training was completed.
- OCC Recycling Center employee handbook was updated to better reflect their new business and a PowerPoint related to the new employee handbook was in progress for new hires.

Dr. Dunn reported on the status of External Audit:

- The new project management approach taken for the development of this year's audit was going more smoothly than the prior year's process.
- CliftonLarsenAllen (CLA) pushed the District site visit to the end of September, but were confident in delivering the final report to the Board in November as planned.

6. Review, Discuss and Possible Action regarding External Audit Status

Dr. Dunn provided an update regarding External Audit Status in agenda item #5.

7. Review, Discuss, and Possible Action regarding Final Budget

Dr. Dunn provided the following overview on the Final Budget:

- Full-Time Faculty Funding: \$75 million ongoing funds were requested, however, \$50 million was signed into law; allocation framework would be available January/February 2019.
- Fiscal Year 2018-19 Budget Assumptions: the Three Year Transition was the most significant change and would equate to approximately \$15.3 million for the District.
- Student Centered Funding Formula (SCFF):
 - In January 2018, the Governor proposed three major components: FTES Revenue, Need Based Revenue, and Success Based Revenue; split 50% enrollment, 25% need, 25% success.
 - May Revise adjusted the framework from a 50/25/25 formula to a three-year transition with the first year's formula at 70/20/10; the second year would transition to 65/20/15 and the third year would transition to 60/20/20.
 - Basic Allocation (sum of money received from each district site) would remain as it was under the old funding formula and would be ongoing.
 - Base Allocation (consisted of Basic Allocation, Credit FTES, Non-Credit FTES and Special Admit Students) totaled \$131.7 million.
 - Supplemental Allocation totaled approximately \$40 million.
 - Success Allocation totaled approximately \$27 million.
 - Total Computational Revenue (TCR) totaled approximately \$200 million; an increase of \$15.3 million or 8.29% from Fiscal Year 2017-18.
 - 22 of 72 community districts fell into Hold Harmless this year.
- First SCFF Component: Base FTES
 - Credit Funding would reflect as follows:
 - 2018-19 at 70% = \$3,727

- 2019-20 at 65% = \$3,387
 - 2020-21 at 60% = \$3,046
- Second SCFF Component: Supplemental Allocation
 - The three elements included Pell student counts, recipients of Promise Grant or BOG Fee Waiver counts, and AB 540 student counts.
 - Counts were from Fiscal Year 2016-17 and would be \$919 per count for all three years of transition.
- Third SCFF Component: Student Success Allocation
 - Four out of the eight metrics would now be manipulated at the state level, rather than being generated locally.
 - Historically, these data sets were not subject to External Audit, however, they would now be required; the CDAM (Contract District Audit Manual) would be updated to include this additional scope of work.
 - Rate per count percentages were being calculated; current Fiscal Year would be on a 70/20/10 formula with the success factor moved from 10% to 15% the following year and to 20% in the third year reflecting the following rate per count:
 - 2018-19 = \$111 / count
 - 2019-20 = \$167 / count
 - 2020-21 = \$222 / count
- Three Year Revenue Estimate Under Student Centered Funding Formula (SCFF)
 - Fiscal Year 2018-19 total compensation revenue increased 8.29% from the prior year; Fiscal Year 2019-20 estimated figure would increase 3.21% to \$206.7 million; Fiscal Year 2020-21 estimated figure would increase another 1.49% to \$209.8 million.
- 2017-18 Fiscal Year-End Close
 - 50% Law Compliance closed at 50.72% and an increase to 51.60% was anticipated in the next year.
 - Coast Fair Share of \$50 million Full-time Faculty was approximately \$1.3 million.
 - Fund Balance: this was the third year of declining fund balance; \$36 million district wide, last year was approximately \$41 million and the year prior was approximately \$47 million.
- Multi-year Enrollment Projection
 - Borrowed 1,250 FTES Fiscal Year 2017-18 and would anticipate the same for Fiscal Year 2018-19.
 - CCCD Fill Rate: showed an uptick of one point.
 - CCCD WSCH/FTEF: continued to soften.
 - CCCD Section Count: similar number of FTES since Fiscal Year 2012-13 but approximately 2,000 sections were added.
- Major Cost Drivers
 - Health Benefits: would renew health benefit program with a modest increase; the last decade showed a steady trend upward in the cost of delivering health plans; prescription drug plan and self-insured program are the most volatile component in health plans.
 - Pension Costs: continued increases in pension costs; PERS increases would extend beyond 2021 and by 2024 pension costs would exceed

one fourth of actual salary base and similar increases would be expected for STRS.

- New Revenue and New Expenses for Fiscal Year 2018-19
 - New revenue totaled approximately \$15.3 million.
 - New expenses totaled approximately \$10.5 million.
 - Balance calculated approximately \$4.8 million.
 - Carry Forward Deficit of \$4.5 million from Fiscal Year 2017-18 with new estimated balance of \$4.8 million; this would close the Structural Imbalance Deficit budget with a projected balance of approximately \$284 thousand.
- Final Fiscal Year 2018-19 Budget Allocation Model
 - Apportionment Revenue reflected under the new model totaled approximately \$200.25 million.
 - State Determined, Lottery, Enrollment Fee, Part Time Faculty Parity Revenues totaled approximately \$206 million.
 - District Wide Local Revenue totaled to approximately \$1.5 million, which included Interest, Joint Use Development, La Habra Rentals, and KOCE Payments.
 - Total Revenue for Distribution through the model totaled just under \$208 million.
 - Net Revenue from Allocation Model Fiscal Year 2018-19 was approximately \$160 million and the prior Fiscal Year 2017-18 was approximately \$147 million, a difference of approximately \$13 million.
- Major Categorical Program Funding
 - Student Success and Support Program, Student Equity and the Basic Skills Program were combined into one program.
- Education Protection Account totaled approximately \$23.8 million.

8. Future Meeting Dates

- a) November 9, 2018

9. Future Agenda Items

The Committee added the following future agenda items:

- a) Internal Audit Quarterly Report
- b) External Audit Status
- c) Budget Update – Funding Formula
- d) Measure M Update

10. Adjourn

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to adjourn the meeting at 11:15 a.m.

Motion carried with the following vote:

Aye: Trustee Moreno and Trustee Hornbuckle

No: None
Absent: None

A handwritten signature in blue ink that reads "Jane Burton". The signature is written in a cursive style with a large initial "J".

Jane Burton
Secretary of the Board

