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

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 [illegible]

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

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 whethe17.775(t)52.6484(o) [illegible]