



## Tri-Valley Regional Occupational Center/Program

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### Minutes of the Special Meeting/Budget Workshop of the TVROCP Joint Powers Governing Board

June 6, 2011 – 9:30 a.m.

TVROCP District Office

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#### 1. OPENING

##### 1.1 Call to Order

The special meeting/budget workshop of the TVROCP Joint Powers Governing Board was called to order at 9:38 a.m. on June 6, 2011, in the TVROCP District Office, 2600 Kitty Hawk Road, Suite 225, adjacent to the Board Room (Suite 117).

##### 1.2 Roll Call

###### Board Members Present

Stewart Gary, Chairperson  
Amy Miller, Vice Chairperson  
Jamie Hintzke, Member  
Neil Davies, Member  
Diane Centoni, Secretary/Superintendent

###### Participating Coordinating Council Members

Noreen Bastian  
Jorja Ivie  
Cindy Alba (LVJUSD)  
Bryce Custodio (DUSD)  
Cindy Galbo (PUSD)

###### Others in Attendance

Ginny McGaha  
Damon Smith (ACOE)  
Luz Cazares (PUSD)  
Beverly Heironimus (DUSD)  
Leah Cleveland (recorder)

##### 1.3 Pledge of Allegiance

#### 2. PUBLIC COMMENT on agenda items—*None heard*

#### 3. BUSINESS ACTION ITEM

##### 3.1 Approval of MOUs with Member Districts to Provide for a Temporary Bridge Loan to TVROCP

Noreen Bastian, TVROCP Business and Personnel Services Manager, explained that, due to State deferrals of apportionments, TVROCP's cash for June is insufficient to cover payables. In July 2010, the district borrowed \$400,000 from the Alameda County Treasurer to offset the FY10 deferrals, but county policy does not allow for a bridge loan spanning two fiscal years. TVROCP's three larger member districts have offered to loan TVROCP a total of \$500K. With Board approval, TVROCP will borrow \$93K from Dublin USD, \$162K from Livermore Valley Joint USD, and \$245K from Pleasanton USD to be repaid by September 30, 2011, with interest at the posted 3rd Quarter County Treasurer pool rate. The 1st Quarter 2011 rate was published at .35%. At that rate, TVROCP's interest payment would be approximately \$1,750 per month.

Superintendent Centoni said she understands that the Dublin USD Board will consider approval of their MOU during its meeting of June 14, and that they see no issues with it. Stu Gary asked how many months of cash flow the \$500K will provide, noting that it

seems like a large amount given our budget position. Noreen responded that it's due to the anomaly of the TVROCP June payroll where we have payrolls for June, July and August in one month, more than doubling the payroll in June. She added that we will start receiving the estimated apportionment deferral of \$900K in July and should receive all of it by September. We will pay off the loans sooner if the money is received. We will pay back the principal first, and in October we will know the interest rate and can pay the interest due. Stu Gary said the Board appreciates the willingness of the districts to loan the money, and assured them that TVROCP won't hold on to the money any longer than needed.

By the following vote, the Board **approved** the MOUs with Dublin USD, Livermore Valley Joint USD, and Pleasanton USD to provide temporary bridge loans to TVROCP, as presented.

<u>Moved</u>	<u>Seconded</u>	<u>Ayes</u>	<u>Noes</u>
Davies	Miller	4	0

#### **4. BUDGET WORKSHOP—*Informational session only; no action was taken***

The Board received and discussed information on the status of the state budget and the TVROCP proposed budget as it prepares to conduct a 2011-12 budget hearing and adoption of the budget during its regular meeting of June 16, 2011.

Diane began by thanking Coordinating Council members Cindy Alba, Bryce Custodio, and Cindy Galbo, as well as Julie Duncan and Superintendents Parvin Ahmadi, Molly Barnes, Kelly Bowers, and Steve Hanke for working together to develop prioritized recommendations for 2011-12 to present to the JPGB. Diane presented the expected outcomes for today's workshop:

- Clarity and transparency through open discussion
- Clear understanding of the status of the budget
- Board direction on:
  - the budget for public inspection June 7 and adoption June 16 (includes Superintendent/Coordinating Council recommendations)
  - reserve designations (GASB designation review and direction)
  - level of risk tolerance related to budgeting local income (excess property tax) in the out years. We are budgeting 200K in local income in 2010-11 and 2011-12; uncertainty about going further out.
  - process, timelines, and equity related to flex

##### **4.1 State Budget Presentation: A Global Perspective**

Damon Smith, Associate Superintendent for Business Services, Alameda County Office of Education (ACOE), provided a quick overview of the state budget, acknowledging that Trustees likely have received the information from their own district CBOs.

- California State Controller John Chiang said he is going to withhold salaries beginning June 16 if the budget isn't passed.
- The Governor's budget includes an extension of tax revenues; still some downside risk due to revenue assumptions.

- It's very unlikely there will be a suspension of Prop 98 under current conditions. (Requires a two-thirds vote. Never been suspended without the consent of CTA; unlikely they will roll over without significant concessions.)
- With \$3 billion in Prop 98 increases since January's proposal, no real budget comes to school districts from the state. The upside is that revenue could improve with potentially \$3.35 billion in new revenues, possibly in the January 2012 budget.
- The budget is flat-funded with the 2010-11 base rolling forward and becoming 2011-12.

Stu Gary asked Damon Smith what the deferrals will do to the cash flow in an ROP, and whether or not he thinks the Board will have time to react with employee or section reductions in the second half of the year, or if it will hit us after we've spent out the budget. Damon said there is a downside risk that the economy could turn on us, but it's not probable. If it does, it determines if Prop 98 is funded. If we're at Prop 98 or below, it's hard for the state to do mid-year cuts. He added that the loans from the member districts is the best scenario since it's a simple accounting transaction. If we were to borrow on the market, TRANS is much more costly. He said that, as an ROP, we have the ability to adapt much quicker while the districts have much more to worry about regarding cash flow.

Diane said she has been working with the districts to determine what they are anticipating for furloughs and mid-year cuts as we develop our employee calendars, since a majority of our staff are on their campuses. She said we brought down the workdays on the TVROCP salary schedule to 175 instructional days, and will then pay TVROCP staff "per diem" for any additional work days on the district's calendar.

#### **4.2 ACOE Report on Review of TVROCP Budget and Expense Reporting and Tracking System**

At the request of TVROCP, Damon Smith examined the TVROCP budget and its expense reporting and tracking systems to determine where we stand with our cash position, expenditures, compliance in reporting to appropriate agencies, governance policies, etc., in order to provide clarity and transparency. At this meeting, Damon Smith presented his findings to the Board.

Damon said that his team (Pat Yamada as the Lead, Dina Stewart, and himself) conducted an in-debt AB 1200 review, as he would do for a district with a negative or qualified status. He said that a more in-depth review could be conducted by FCMAT or another firm if the Board desires.

Damon reviewed his findings in the following areas:

- Cash reconciliation
  - It's important to understand that we're on different financial systems so you have what Alameda County thinks your banking account is, what ACOE thinks it is, and what TVROCP thinks it is. ACOE is the official record, so if TVROCP's figures are different, it will appear as an audit finding. In the past, TVROCP could close its books with different numbers, but that's no longer the case. In the future, it will be a

requirement to match, so there won't be an audit finding. He added that we reconcile to check both systems, and that TVROCP found a mistake in the ACOE side this year.

- Reconciled cash flow projection
  - With the loans from the districts, TVROCP will have \$247,430 in ending cash on June 30, but will still have July and August to go. He is comfortable with Noreen's projection with the \$500K loans; we wouldn't want to have to go back to the districts with a second request if that were not enough.
  
- Observations – Local income (excess property tax)
  - Damon explained where the excess property tax comes from. The state appropriates funds for ROPs; when basic aid county-operated programs have local taxes to cover their programs, the funds are reappropriated. The variables in the amount of the excess property tax are ADA (which is currently frozen), county office property tax (which is fairly stable), and the COE's revenue (an unknown factor). Since the biggest variable, ADA, is frozen, the state decided it didn't have to wait until the annual recalculation (usually in February) before deciding how much is left over and that they could do it at P-2 instead. So last year, for the first time, the local income came to TVROCP in June. It is CDE's intent, barring any change in law, to continue to appropriate in June; the question is how much. There are too many variables to assume 100%, so we projected 80% of the amount previously received. The Board will need to decide what percentage to project going forward, but it is ACOE's belief that it is stable enough to include in the out budget at 80% as long as the reserves cover that amount. There is some risk, but there is also risk of not budgeting money you're going to get. Ideally, these are not ongoing, permanent revenues that you would want to budget any ongoing programs against, but one-time expenditures would be fine.

Diane asked Damon to explain about the Department of Finance's (DoF's) view of these funds. Damon replied that the state didn't want to leave the funds available. If the DoF sees the money, and that there are issues related to being flexed, it could determine how the money will be handled. The CDE made administrative decisions and the DoF didn't object.

Diane said there was a one-time anomaly in 2009-10 when we received prior year local income in February 2010, then current year in June 2010, after we adopted the budget, but now it will continue to come in June for the current year. Damon noted that, with this timing, when flex goes away we will see one year without the local income. As of now, flex will continue until 2014-15, assuming a consistent playing field.

- Damon said his team also looked at timeliness of TVROCP reports and requirements that flow through ACOE. There was requested extension

for the audit report, and TVROCP followed all requirements for the extension. This is more of an auditor issue than the CBO.

- Damon said that Pat's notes state that TVROCP is a little over-budgeted for certificated salaries. Noreen has made an update of approximately \$65K to cover that, which is what would be expected of any district at this point. Diane said the overage is due, in part, to us having a program that we didn't run this year, plus there were changes to the number of instructional days due to changes in district furloughs. Damon said this is not out of the norm.
- Damon said there was some question regarding the reserve amount required for an ROP. Pat Yamada confirmed that it used to be based on ADA, but it's currently at 5%. Noreen added that, on the SACS report, it will error out if the reserve does not amount to 5%.
- When asked about projecting the local income going forward, Damon said there is a reasonable expectation of getting it year after year. He suggested the amount be brought down to \$160K next year, then we could adjust it ourselves accordingly.

Diane and Board members thanked Damon and his team for all their hard work.

#### **4.3 2011-12 TVROCP Budget Presentation**

Noreen Bastian presented an overview of the proposed budget for 2011-12 that included the budget recommendations developed with member district superintendents and Coordinating Council, a review of restricted and unrestricted programs, and a GASB designation review.

#### **4.4 Withholding of Funds - Budget Solutions and Impact Recommendations**

In February 2011, Pleasanton USD notified TVROCP of its proposal to secure \$150K of ROP funds on a one-time basis to support the PUSD General Fund as a possible budget solution for 2011-2012. Pursuant to the TVROCP Third Amended Joint Powers Agreement, TVROCP Superintendent Diane Centoni convened a meeting of the member district superintendents to identify the impact of that action and to develop a recommendation to the TVROCP Board on what action to take. TVROCP staff and member district superintendents met and directed the Coordinating Council to meet to establish program reduction priorities and recommendations that were brought back to the Superintendents on May 24, 2011, for concurrence/amendments. Those recommendations were presented to the Board for discussion at this meeting. The Board also received proposed FY12 multi-year estimates, and capital/investment/program expansion projections.

Diane introduced attending Coordinating Council members Bryce Custodio, Cindy Alba, and Cindy Galbo. She reported on the process that was taken to bring a recommendation to the Board. The Council reviewed the Board's original reductions, went back and forth to their site principals for recommendations, TVROP reported updated enrollment figures from the schools to the Council as they became known, and we feel really good about the process and the recommendations presented to the Board today.

Changes to the Phase 1 Budget Solutions approved by the Board on March 9, 2011:

- Removed Counselor position from reduction list
- Added -0.166 Teacher on Assignment to reduction list
- Removed Developmental Psychology of Children from reduction list
- Added Do-It-Yourself Auto, Entrepreneurship, and Auto Collision to reduction list
- Changed STAR stipends from 50% reduction to 100% reduction

Phase 2 (Budget B) – *To be considered if further reductions become necessary*

- Reduction of management mileage and phone stipends
- Counselor position

Then, as of this morning, the recommendation to the Board is to:

- add two trimester sections of Auto Specialist at Livermore High School, and a Sports Medicine section for 2011-12

Stu Gary said it appears things are not as desperate as they once were, and he thanked staff, Coordinating Council, Superintendents, and CBOs for everyone's work on this partnership approach. He said that, since the Board has to adopt a budget, he supports all of the recommendations and suggests to his fellow board members that the Board have a compensation study at its next board meeting. He said he doesn't believe five management furlough days will be necessary, and he'd like to know what the member districts are doing regarding furloughs. He said that, with one-time money in the budget for capital and computer needs, he'd like to see a technology plan that someone has vetted to show a cost-effective technology model for ROP. Then we can look at start-up costs, assuming our peers support the additions in Phase 1 (Budget A). Instead of budgeting \$200K below the line, he suggests we designate the \$144K in one-time start-up fees, stating that if we don't dream and plan, there won't be any new programs. It doesn't mean we have to spend it all, but it indicates the Board's commitment to Coordinating Council's recommendations. On the revenue side, he suggests we book the local tax now, 80% in year 2, and 80% of that in year 3. Then, during the first Board meeting in the fall, we can reflect on where the state has settled on the tax extension, adjust or not the furloughs and compensation, and maybe retract the start-up costs. He said he's advocating strongly for the start-ups because the focus is on pathways. If we're going to exist, we have to keep adapting our course offerings.

Noreen said she will make the adjustments to the budget. Over three years, there will be a \$58K expense to add back in the Sports Medicine class. She asked if the Board wants to do a 2011-12 resolution for any committed monies, or just put them in assigned categories for program expansion. Stu said to assign \$144K of one-time money to fund start-ups; \$250K to capital is fine for now, but it's probably a bit on the high side. He said that resolutions are not necessary.

(Amy Miller departed the meeting at 11:35 a.m.)

Stu said he had an accidental meeting with the top three executives from Safeway and everyone agrees we are past time for a pathway that will take non-college kids into community jobs. Safeway is committed to being part of a work group with two of the

Tri-Valley mayors agreeing to act as the largest nonpublic sectors to come to a summit meeting to talk with real-world employers about their entry level jobs (warehouse, stock clerks, distribution pipeline, etc.) and to get employers to commit to jobs for our students. Diane added that there is similar exciting news about a possibility for our Arts and Media program. A teacher has a connection with a person who has seen what we're doing in Dublin and wants to get kids working in entry level to tech level jobs with game design. They have 400 jobs right now in this area that they can't fill.

He said that the start-up list is long and may not be feasible in a year. We'll probably get to a "go" or "no go" point after about \$20K of investment, and staff could bring it back to the Board incrementally.

Jamie Hintzke said that Pleasanton USD's forecast is not rosy for 2012-13, and that they are planning on being in "negative" status. When asked if that means PUSD will be flexing again, Jamie said, "probably," and added that she would personally want TVROCP to be a little more conservative. Stu said that if we put it in one-time money, we are encouraging one district to take and take. At some point, we have to have a conversation about fair budgeting and about reducing PUSD sections.

(Neil Davies needed to depart the meeting at 11:43 a.m., which would leave less than a quorum of members present. Stu Gary proceeded with adjournment of the meeting.)

**5. ADJOURNMENT**

It was announced that the next meeting of the Board will be held June 16, 2011, 7:00 p.m., at which time there will be a budget hearing and Board adoption of the proposed 2011-12 budget.

The special meeting was adjourned at 11:43 a.m.

Sincerely,

Original Signed

Diane Centoni  
Secretary to the Board

*Approved and entered into the proceedings  
of the Board this 14th day of September, 2011.*

Stewart Gary  
Board Chairperson