



**West Valley - Mission**  
Community College District

**Board of Trustees**  
**Audit and Budget Oversight Committee**

**January 8, 2018**

**Board Room**  
West Valley College  
14000 Fruitvale Avenue, Saratoga, CA 95070  
5:30 p.m. Public Session

Bob Owens, Chair  
Susan Fish, Member  
Randi Kinman, Member

**1.0 CALL TO ORDER – PUBLIC SESSION**

- 1.1 Roll Call
- 1.2 Approval of the Order of the Agenda
- 1.3 Oral Communication

**2.0 REGULAR ORDER OF THE AGENDA**

- 2.1 **Approval of November 6, 2017, meeting minutes (A) – Chair**
- 2.2 **FY 16/17 District Audit (A)**  
This item will include review, consideration and possible action to accept the FY 16/17 District Audit.
- 2.3 **FY 18/19 Non-Resident Tuition Fee – (A)**  
This item will include review, consideration and possible action to approve the FY 18/19 Non-Resident Tuition Fee.
- 2.4 **2018 Budget Calendar (I)**  
This item will include a review of the 2018 Budget Calendar.

**2.5 Review of PARS Pension Rate Stabilization Program (I)**

This item will include a review of the PARS Pension Rate Stabilization Program.

**3.0 STAFF MEMBERS COMMENTS**

This item offers staff members the opportunity to report on issues not listed in the agenda to which no debate or votes are to be taken.

**4.0 COMMITTEE MEMBERS COMMENTS**

This item offers committee members the opportunity to report on issues not listed in the agenda to which no debate or votes are to be taken.

**5.0 ADJOURNMENT**

WEST VALLEY/MISSION COMMUNITY COLLEGE DISTRICT  
BOARD OF TRUSTEES  
**AUDIT AND BUDGET OVERSIGHT COMMITTEE**

**Date of meeting: November 6, 2017**

UNAPPROVED MINUTES

Membership: Bob Owens, Chair; Susan Fish, Member; Randi Kinman, Member

**1.0 CALL TO ORDER – PUBLIC SESSION**

The meeting was called to order at 5:31pm by Mr. Owens.

**1.1 Roll Call**

	Present	Absent
Fish, Susan	X	
Kinman, Randi	X	
Owens, Bob	X	

Others Present: Rick Bennett, Ngoc Chim, Pat Fenton, Susan Hutton, Ed Maduli, Patrick Schmitt

**1.2 Approval of the Order of the Agenda**

The order of the agenda was approved as presented. (Kinman/Fish, 3/0/0)

**1.3 Oral Communication**

None.

**2.0 Regular Order of the Agenda**

**2.1 Approval of the August 28, 2017, meeting minutes (A)**

The August 28, 2017, meeting minutes were approved as presented. (Kinman/Owens, 3/0/0)

**2.2 1<sup>st</sup> Qtr. Budget Adjustments and Financials A)**

Mr. Maduli reported that the budget adjustments and financials were reviewed by the Fiscal Workgroup and District Council. Ms. Chim reviewed the report and highlighted the following funds:

- Fund 110 – Unrestricted General Fund. Revenue is below the 25% expected for the first quarter, but this is a normal occurrence as the majority of the revenue comes from property taxes, which will be

accounted for in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters. Most of the current revenues come for student fees.

- Fund 12X & 13X – Restricted General Fund (Grants). Revenues in these funds are high due to carry-overs from previous year's grants. Expenditures are low, which is normal for the 1<sup>st</sup> quarter.
- Fund 138 – Health Services Fund. Revenues for this fund are at more than 50%, which is normal since revenues come from student fees collected at the beginning of the semester. Expenditures are below normal due to a vacant position.
- Fund 139 – Parking Fund. This fund is being closely monitored due to expected deficit spending. The Budget Office is aware of the problem and will meet with the Chief to address outstanding issues. Ms. Kinman asked how the Police Department would be funded if parking fees were eliminated. Mr. Owens suggested that this topic be addressed at a future meeting.
- Fund 330 – Child Development Fund. This fund is always closely monitored. It is currently on target.
- Fund 711 – Associated Students Trust Fund. Even though revenues are less than 1%, it is a normal trend.
- Fund 791 – OPEB Trust Fund. The revenues in this fund fluctuate based on investments.

Overall, the District is on target.

There was a motion by Fish, seconded by Kinman, to “accept the FY 17/18 1<sup>st</sup> Qtr. Budget Adjustments and Financials and recommend them to the Board for approval.” The motion was unanimously approved.

### **2.3 1<sup>st</sup> Qtr. 311 Report (A)**

Ms. Chim reviewed the 1<sup>st</sup> Qtr. 311 report and indicated that the District is in good shape with no significant fiscal problems to address.

There was a motion by Kinman, seconded by Fish, to “accept the FY 17/18 1<sup>st</sup> Qtr. 311 Report and recommend it to the Board for approval.” The motion was unanimously approved.

### **2.4 Review of the 2017 Actuarial Report (I)**

Mr. Maduli reviewed two drafts of the Actuarial report. Both reports show that the OPEB liability is overfunded. The first draft, Strategy 1, which the District is currently enrolled in, would require that the District continue to make transfers in to Fund 791 – OPEB Trust Fund, which would result in the district completely funding its liability sooner than necessary.

The second draft, Strategy 3, would halt payments to Fund 791 while protecting the principle amount and increasing the return on investment. The assumption of a 6% return was used in this draft.

Strategy 2 was not presented.

There was no action required for this item.

**2.5 Review investment strategy for OPEB Trust Fund and possible move from Strategy 1 to Strategy 3 (A)**

Following the review of the two draft Actuarial Reports, a discussion took place regarding the strategy that would most benefit the District. Strategy 3 is the most conservative of the choices presented. A change in strategy can take place at any time as it only requires that the District notify CalPERS, who is the OPEB account custodian, of its decision. The District currently uses Strategy 1.

There was a motion by Fish, seconded by Kinman, to “finalize and adopt the Actuarial Study using Strategy 3 and send the finalized report to CalPERS.” The motion was unanimously approved.

There was an additional motion made by Fish, seconded by Kinman, to “direct the Vice Chancellor to communicate to CalPERS the District’s intention to move from Strategy 1 to Strategy 3.” The motion was unanimously approved.

Based on the action taken above, the \$5 million transfer-in for Fund 791, which is reflected in the 1<sup>st</sup> Qtr. Financial statements, will not be needed. The adjustment will be reflected in the 2<sup>nd</sup> Qtr.

**3.0 Staff Members Comments**

None.

**4.0 Committee Members Comments**

None.

**5.0 Adjournment**

The meeting adjourned at 6:15 PM.

PREPARED BY: SANDY DINH  
AND NGOC CHIM

REVIEWED BY: ED MADULI

APPROVED BY: PATRICK SCHMITT

**SUBJECT: APPROVE THE 2018/2019 NON-RESIDENT TUITION RATE**

**CHANCELLOR'S RECOMMENDATION:**

That the Board of Trustees establish a non-resident tuition fee of \$258 per credit unit and no foreign citizen capital outlay fee for fiscal year 2018/19.

Funding Source/Fiscal Impact

In FY 2016/17, the District received \$2,455,593 in non-resident tuition revenue. For FY 2017/18, the Board approved a non-resident tuition rate of \$234 per unit with projected revenue of approximately \$2,704,156. The estimated revenue for non-resident tuition for FY 2017/18 increased from FY 2016/17 by \$248,563. This increase was primarily the result of an overall increase in enrollment and tuition rates. For FY 2018/19, the District is proposing to increase the non-resident tuition rate to \$258 per unit, which is the statewide cost. The estimated revenue for FY 2018/19 will be approximately \$2,889,116.

Reference(s)

Education Code Section (ECS) 76140 requires each governing board to establish the non-resident tuition fee for the succeeding year. Pursuant to ECS 76141, a district may also charge to any non-resident student a capital outlay fee.

Background/Alternatives

**1. Non-resident tuition rate**

In establishing a non-resident tuition rate, the Board of Trustees has seven options available. The options are as follows:

<u>Option</u>	<u>Tuition Rate</u>	<u>Per Credit Unit</u>
1. The Statewide cost of education per unit.		\$258
2. District cost of education per unit.		\$287

- |   |                |
|---|----------------|
| 3. District Average cost with 10% or more non-credit FTES.      | N/A            |
| 4. No more than contiguous district adopted fee.                | \$258          |
| 5. No more than district cost and not less than statewide cost. | \$258 to \$287 |
| 6. Highest Year's Statewide Average Tuition                     | \$258          |
| 7. No more than 12 Comparable States' Average Tuition           | \$424          |

Non-resident students served by the colleges are not supported with state apportionment funds. Districts are allowed and required to collect tuition fees from those students who do not meet the residency requirements for the State of California. The amount charged for non-resident tuition is determined using information provided by the state.

Districts are allowed to select from seven options in determining the amount to be charged for non-resident tuition. Revenue collected from non-resident students is retained by the District and does not affect the amount of state funding that is received. A discussion of the options is provided below.

***Option # 1. Statewide average cost of education.*** This option provides districts with the ability to charge a tuition rate equal to the aggregated cost of education for the California community college system. This rate serves as the minimum amount that may be charged for those districts that have high costs of education and do not choose to have non-residents pay for the actual cost of education. An advantage of this option is that high cost districts can offer a lower tuition rate than what is allowed when the district rate exceeds the state rate. Districts surrounded by low cost of education districts may find that this pricing methodology provides a comparative advantage with students concerned only about price.

The disadvantage of using this rate is that the District is not recovering the full cost of education from non-resident students if the state rate is less than the District's actual cost of education. In the past two years, non-resident FTES has been increasing. When a recurring condition such as continuous enrollment of non-resident students occurs, the services necessary to accommodate those students are incorporated into the operations of the college. Those costs then become fixed costs. Over a period of time, there is no recognizable marginal increase that can be directly associated with a selected group of students. Accordingly, it is appropriate from a cost recovery perspective to charge the full cost of operations to non-resident students.

Option # 1 is being recommended for West Valley-Mission Community College District.

***Option # 2. District average cost of education.*** This option allows the District to charge an amount equal to the cost of providing educational services to students. This is

the full cost method, which recognizes that the District is providing services on a long-term basis and that non-resident students are factored into each of the college's base operations. A disadvantage to this option is that some of the contiguous districts may charge less for tuition than West Valley - Mission's actual cost of education.

Option #2 is not recommended for the West Valley-Mission Community College District because it would significantly increase the fees for non-resident students.

*Option # 3. District average cost with 10% or more non-credit FTES.* This option is not applicable to the District.

*Option # 4. No more than contiguous district.* This option allows the District to adjust its rates to be aligned with surrounding districts. The advantage to this option is that the District may lower its tuition fee to mitigate concerns about students' sensitivity to prices. When comparing tuition fees with contiguous districts, it is important to consider the capital outlay fees that must also be paid in a manner similar to tuition fees so that price-sensitive students consider the full amount of fees that are assessed for non-resident tuition.

A review of the legislative history when this option was adopted confirms that this amount must be within the **fee** (not cost) **adopted** by a contiguous district (maximum amount for Option #4) and **cost** of the lesser of (1) our district's average **cost** or (2) the statewide average **cost** (minimum amount for Option #4).

*Option # 5. No more than the district cost and no less than the state cost.* This option allows the District to charge a rate that is within a range where the state rate is the minimum fee and the District cost is the maximum fee. The advantage of this option is that the District can choose any amount within the range of costs. West Valley-Mission may charge not less than \$258 and not more than \$287 for tuition. Additionally, through adjustment of the capital outlay fee, the District is able to match the fees of surrounding districts without creating a recognizable difference in tuition costs between the districts that are in direct competition with West Valley-Mission. Without state funding to compensate for the difference in the actual amount charged to non-resident students and the actual cost of education, funds are diverted from other programs and services to subsidize the cost of attendance by non-resident students.

For the following options, it is the responsibility of the District to ensure and document that the additional revenue generated by the increased non-resident tuition permitted shall be used to expand and enhance services **to resident students only** (ECS 76140 (e)(1)(E)).

*Option # 6. Highest Year's Statewide Average Tuition.* This option allows the District to use the greater of the succeeding year, the current year or any of the four prior



years' statewide average non-resident tuition fee calculation, which is \$258 per semester unit.

*Option # 7. No more than 12 comparable States' Average Tuition.* This option allows the District to charge no more than the 2016/17 average non-resident tuition fee of public community colleges in a minimum of 12 states comparable to California in cost of living, which is \$424 per semester unit.

## **2. Capital outlay fee**

In addition to the non-resident tuition rate required under Education Code Section 76140, the District may charge a capital outlay fee to those students who are both citizens and residents of a foreign country. The actual cost of capital outlay for FY 2016/17 was \$163.70 per unit and changes each year as a result of substantial construction activity that occurs on an irregular basis.

While the capital outlay fee increases the cost of tuition for foreign students, other non-resident students are not required to pay the capital outlay fee. Capital outlay fees are to be used only for the purchase of capital equipment, capital construction, or repair and maintenance of facilities. The amount of the fee is to be the lesser of the amount that was expended by the District for capital outlay in the preceding fiscal year divided by the total full-time equivalent students of the District in the preceding fiscal year or 50% of the 2017/18 non-resident tuition fee adopted pursuant to ECS 76140. In establishing the non-resident tuition fee, it is important to also consider the impact of a capital outlay fee.

It is not recommended that the District assess a capital outlay fee for FY 2018/19.

### Coordination

This item was coordinated with other community college districts.

### Follow-up/Outcome

Once the Board approves the rates, the Office of the Vice Chancellor must communicate the outcome to the State Chancellor's Office and to staff in charge of creating and publishing the class schedules at the colleges.

PREPARED BY: SUSIE MCDONNELL

REVIEWED BY: NGOC CHIM AND ED MADULI

APPROVED BY: PATRICK SCHMITT

**SUBJECT: BUDGET CALENDAR**

**CHANCELLOR'S RECOMMENDATION:**

That the Board of Trustees review and adopt the 2018 budget calendar (attached).

Funding Source/Fiscal Impact

There is no fiscal impact associated with this item.

Reference(s)

Adoption of the budget calendar complies with BP 6200 of Board Policy.

Background/Alternatives

The budget calendar is established to serve as a timeline to ensure that regulatory requirements regarding budget preparation and approvals are met.

The Tentative Budget is due by June 30 and the Final Budget is due September 15, 2018.

Coordination

The budget calendar has been reviewed by District Council.

Follow-up/Outcomes

The Executive Director of Financial Services will coordinate with the College Administrative Services Office at West Valley College and Mission College to ensure that all deadlines on the calendar are met.

# West Valley-Mission Community College District 2018 Budget Calendar

DEADLINE	EVENTS
<b><u>JANUARY</u></b>	
January 8, 2018	District Council review Budget Calendar
January 8, 2018	Board of Trustees Audit & Budget Oversight Committee Meeting (ABOC)
January 15, 2018	320 Report (P-1 Enrollment Data) Due to State Chancellor's Office
January 17, 2018	Governor's Proposed Budget ACCCA/ACBO Workshop
January 23, 2018	Board of Trustees approve Budget Calendar
<b>January 23, 2018</b>	<b>Board of Trustees Budget Workshop</b>
<b><u>FEBRUARY</u></b>	
February 12, 2018	District Council review Second Quarter Financials and Budget Adjustments
February 12, 2018	Board of Trustees Audit & Budget Oversight Committee Meeting (ABOC)
February 15, 2018	311 Second Quarter Report Due to State Chancellor's Office
<b><u>MARCH</u></b>	
<b>March 6, 2018</b>	<b>Board of Trustees approve the Second Quarter Financials and Budget Adjustments</b>
March 12, 2018	Board of Trustees Audit & Budget Oversight Committee Meeting (ABOC)
March 23, 2018	Freeze Position Control File and provide college with working version of detail line items for Tentative Budget
March 26, 2018	District Council review <u>Fixed Cost</u> Schedule and Associate Faculty Funding Model for Tentative Budget
<b><u>APRIL</u></b>	
April 2, 2018	Provide preliminary simulation of RAM Model to College
<b>April 3, 2018</b>	<b>Board of Trustees provide budget guidelines for next fiscal year</b>
April 9, 2018	Board of Trustees Audit & Budget Oversight Committee Meeting (ABOC)
April 13, 2018	College submits budget detail line items for Tentative Budget
April 20, 2018	320 Report (P-2 Enrollment Data) Due to State Chancellor's Office
April 23, 2018	Provide College with worksheet for June 30th estimated actuals - Tentative Budget
April 23, 2018	District Council review revenue projections and Resource Allocation Model for Tentative Budget
April 27, 2018	College submits <u>June 30th estimated actuals</u> to District for Tentative Budget
<b><u>MAY</u></b>	
May 2018	Governor's May Revise
May 7, 2018	District Council review Third Quarter Financials and Budget Adjustments
May 7, 2018	District Enrollment Management Committee recommends FTES Goals for Final Budget
May 14, 2018	Board of Trustees Audit & Budget Oversight Committee Meeting (ABOC)
May 15, 2018	311 Third Quarter Report Due to State Chancellor's Office
<b>May 25, 2018</b>	<b>Complete Tentative Budget</b>
<b><u>JUNE</u></b>	
June 4, 2018	District Council review Draft Tentative Budget Documents
June 11, 2018	Board of Trustees Audit Budget & Oversight Committee Meeting (ABOC)
<b>June 12, 2018</b>	<b>Board of Trustees approve the Third Quarter Financials and Budget Adjustments</b>
<b>June 12, 2018</b>	<b>Board of Trustees approve the Tentative Budget</b>
June 25, 2018	District Council review <u>Fixed Cost</u> Schedule and Associate Faculty Funding Model for Final Budget
June 29, 2018	Load Tentative Budget in financial system
June 30, 2018	Approval of State Final Budget
<b><u>JULY</u></b>	
July 9, 2018	Board of Trustees Audit & Budget Oversight Committee Meeting (ABOC)
July 13, 2018	Freeze Position Control File and provide college with working version of detail line items for Final Budget
July 15, 2018	320 Report (Annual Enrollment Data P-3) Due to State Chancellor's Office
July 20, 2018	Provide college with Resource Allocation Model for Final Budget
<b><u>AUGUST</u></b>	
August 2018	State Budget Workshop
August 3, 2018	Fiscal Year End Close
August 10, 2018	College submits budget detail line items for Final Budget
August 13, 2018	Board of Trustees Audit & Budget Oversight Committee Meeting (ABOC)
August 15, 2018	311 Fourth Quarter Report Due to State Chancellor's Office
August 17, 2018	<b>Complete Final Budget</b>
August 27, 2018	District Council review Final Budget, Fourth Quarter Financials and Budget Adjustments
<b><u>SEPTEMBER</u></b>	
<b>September 4, 2018</b>	<b>Board of Trustees approve the Final Budget, Fourth Quarter Financials and Budget Adjustments</b>
September 7, 2018	Load Final Budget in financial system
September 10, 2018	Board of Trustees Audit & Budget Oversight Committee Meeting (ABOC)
<b><u>OCTOBER</u></b>	
October 8, 2018	Board of Trustees Audit & Budget Oversight Committee Meeting (ABOC)
October 10, 2018	311 Annual Financial and Budget Report due to State Chancellor's Office
<b><u>NOVEMBER</u></b>	
November 2018	District Enrollment Management Committee recommends FTES Goals for Tentative Budget
November 2018	Performance Goals Committee recommends efficiency (WSCH) target for Tentative Budget
November 1, 2018	320 Report (Recalc Enrollment Data) due to State Chancellor's office
November 5, 2018	District Council review First Quarter Financials and Budget Adjustments
November 12, 2018	Board of Trustees Audit & Budget Oversight Committee Meeting (ABOC)
<b>November 13, 2018</b>	<b>Board of Trustees approve the First Quarter Financials and Budget Adjustments</b>
November 15, 2018	311 First Quarter Report Due to State Chancellor's Office
<b><u>DECEMBER</u></b>	
December 10, 2018	Board of Trustees Audit & Budget Oversight Committee Meeting (ABOC)

# **PARS PLANS AND PROGRAMS**

## **1. Pension Rate Stabilization Program**

A pension prefunding trust designed in partnership with CCLC to prudently manage future STRS/PERS contribution rates increase and long term obligations.

### **Overview**

The PARS Investment Partnership relates to a relationship between Vanguard and PARS where Vanguard manages four trusts (Conservative, Balanced, Growth, and Fixed Income) in which individual clients can invest their assets according to their appropriate investment objective.

### **Investment objective**

The Conservative Portfolio seeks to provide current income and low to moderate capital appreciation consistent with its current allocation.

### **Investment strategy**

The Conservative Portfolio invests in Vanguard mutual funds using an asset allocation strategy designed for investors seeking both current income and low to moderate capital appreciation. The underlying funds are: Vanguard Total Stock Market Index Fund, Vanguard Total International Stock Index Fund, Vanguard Total Bond Market Index Fund, Vanguard Intermediate-Term Investment-Grade Fund, Vanguard Short-Term Investment-Grade Fund, Vanguard Inflation-Protected Securities Fund, and Vanguard REIT Index Fund.

The Portfolio's indirect stock holdings are a diversified mix of U.S. and foreign large-, mid-, and small-capitalization stocks. The Portfolio's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; mortgage backed and asset-backed securities; and government, agency, and corporate bonds.

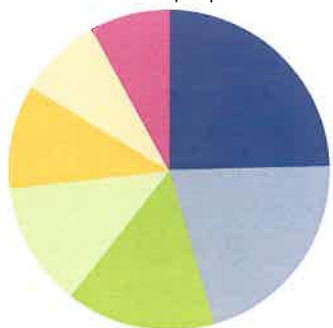
### **Fees**

The fees for managing the portfolio consists of the expense ratios of the individual funds and the advisor fee. Both of these fees are dependent on the assets under management. Currently the average expense ratio is **0.09%** which consists of averaging the expense ratio of the individual funds which are outlined above. The average advisory fee is **0.07%** based on the current assets under management.

# PARS Investment Partnership - Conservative Portfolio

## Portfolio holdings

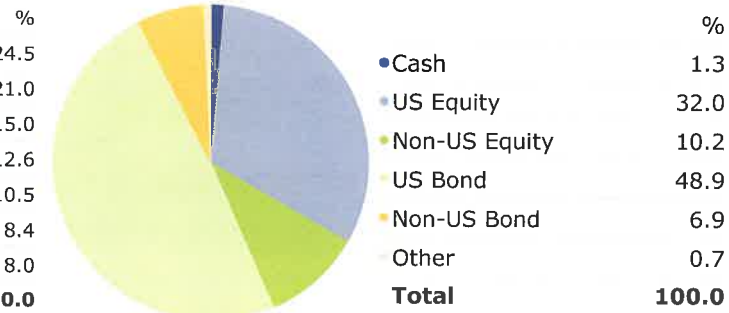
Portfolio Date: 6/30/2017



● Vanguard Total Stock Mkt Idx Adm	24.5
● Vanguard Total Bond Market Index Adm	21.0
● Vanguard Inflation-Protected Secs Adm	15.0
● Vanguard Interm-Term Investment-Grde Adm	12.6
● Vanguard Total Intl Stock Index Inv	10.5
● Vanguard Short-Term Investment-Grade Adm	8.4
● Vanguard REIT Index Admiral	8.0
<b>Total</b>	<b>100.0</b>

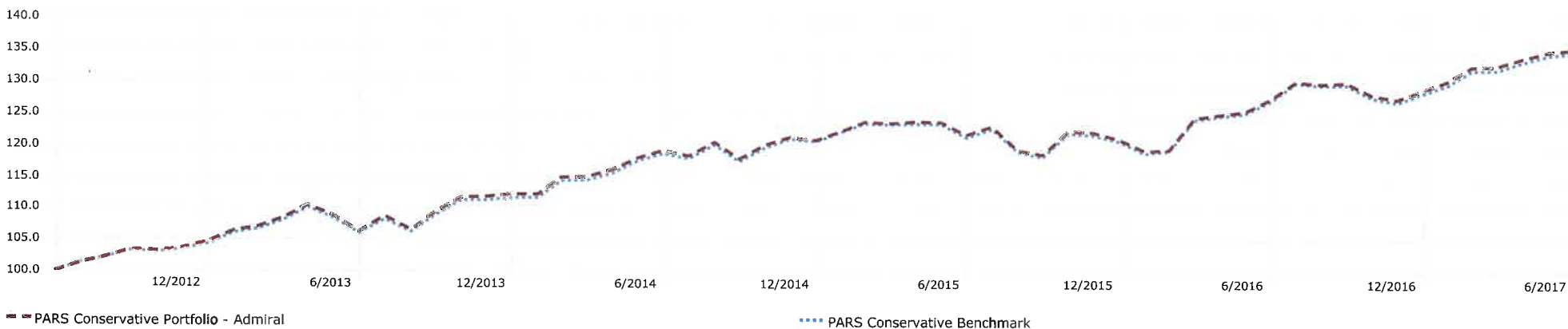
## Asset allocation

Portfolio Date: 6/30/2017



## Investment growth

Time Period: 7/1/2012 to 6/30/2017

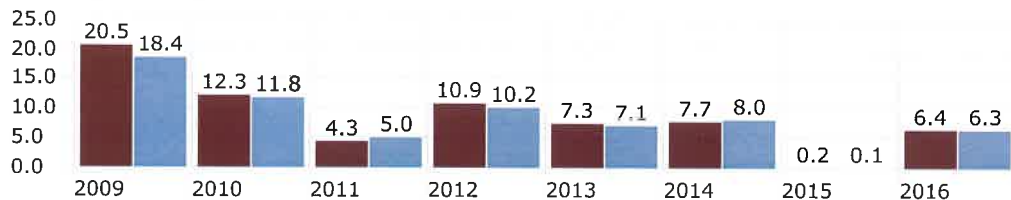


## Trailing Returns - Annualized after one year

As of Date: 6/30/2017

	YTD One Year	Three Years	Five Years	Eight Years	Ten Years
PARS Conservative Portfolio - Admiral	5.04	6.21	4.33	6.26	8.55
PARS Conservative Benchmark	4.96	6.02	4.33	6.17	8.39

## Annual returns



### Benchmark

24.5% Spliced Total Stock Mkt Index (equal to CRSP US Total Market Index as of 6/2/13, MSCI US Broad Market Index through 4/22/05, prior DJ Wilshire 5000 Index)/ 10.5% Spliced Total International Composite Index (Consists of the Total International Composite Index through August 31, 2006; the MSCI EAFE + Emerging Markets Index through December 15, 2010; the MSCI ACWI ex USA IMI Index through 6/2/13; and the FTSE Global All Cap ex US Index thereafter) / 42% Spliced Barclays US Aggregate Float-Adjusted Bond Index/ 15% Barclays US Treasury Inflation-Protected Securities Index / 8% US REIT Spliced Index (equal to MSCI US REIT Index adjusted for a 2% cash position through 4/30/2009; MSCI US REIT Index thereafter).

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited.