

Fiscal Resources Committee
Executive Conference Room – District Office
1:30 p.m. – 3:00 p.m.

Meeting Minutes for November 16, 2016

FRC Members Present: Arleen Satele, Steven Deeley, Mary Mettler, Pilar Gutierrez-Lucero, Peter Hardash, Adam O'Connor, Lee Krichmar, Morrie Barembaum, Maria Gil and Elliot Jones

Alternates/Guests Present: Esmeralda Abejar, Jose Vargas and Richard Kudlik

1. Welcome: Mr. Hardash called the meeting at 1:36 p.m. Committee members introduced themselves.
2. State/District Budget Update – Hardash
LAO 2017-18 Fiscal Outlook Report – The Outlook added a few hours ago. No surprises in report. From legislative analysts, an independent office that advises the governor. The last few reports have been very good and objective. Reports signal direction governor may go with his proposed budget in January. General tone: State is in good condition. They do include prop 51 passing, high wealth taxes to continue through foreseeable future. Sale tax naturally come off as of December 31st. Projections indicate coming event of mild recession, as in previous reports. Doesn't include a lot of state revenue increases. Points out increase in PERS and STRS costs and that PERS may again employer raise rates, included in state costs. Costs would go up as a district, not the employee portion. STRS portion of state budget, contributing approx. 8% beyond what district and employees contribute.

Education and Prop 98, minimum guaranteed funding, is most important to us. Talks about test 1, 2, 3 condition. 15/16 year, which state has not yet closed out, has less money owed to prop 98. A loss of approx. \$1M for us. 16/17 signaled as a test 3 situation. Losing about \$27K. For 17/18, prop 98 doesn't grow much, about 2.7% or \$1.4B for all Prop 98. Community College share should be about \$308M, for RSCCD \$7M increase. We have BCP from Board for about \$800M of "wants". Have to wait for Governor's proposal in January to see how money will be divided. Indicated may be only 1-1.5% increase in growth funds due to districts not growing. This will mean our constrained growth rate at only .5% maximum. This year we were constrained to .6% growth despite 2% funding statewide. COLA is signaled at approx. 1% or \$75M systemwide. No indication on how it will be divided yet.

LAO points out increased pension costs, k-12 enrollment declining. No mention of college enrollment declining because each district is different. COLAs would likely remain low in the future.

3. Report from BAM language subcommittee:
As part of our annual review of our Budget Allocation Model and process, our subcommittee met multiple times since last FRC meeting for our review and are bringing forward a few recommended changes and updates to the BAM at this time which clarify and make improvements. The group consisted of Steven Deeley, Elliot Jones, Maria Gil, Mike Collins, Arleen Satele, Jim Kennedy, Jose Vargas and Adam O'Connor.

Only a few pages that needed changes. The first area is page 6 (page 5 of BAM) regarding how budget center reserves and deficits are handled. Language was tightened. Strong recommendation for colleges to maintain contingency changed to

requirement. At adopted budget, minimum 1% of fund 11 expenditures set aside as contingency. Clarified language. If deficit occurs, must immediately must create an expenditure reduction plan including amount of reduction plus plan to return to 1% contingency reserve level. If significant decline, also need to prepare a request for a payback with payback period for our review and recommendation. Discussion of caps left out and intended for future discussion.

Next section is page 9 (page 8 or BAM) discussing mandated block grant money. Previously had allocations for specific mandates where money would be granted, then audited and returned. That process no longer happens. We now have both one time and ongoing allocations based on FTES. Language was clarified. Ongoing portion of mandate money will go through model and one time payments will be discussed in committee to determine how they will be allocated. Ongoing FTES will continue through next year.

Next section is page 10 (page 9 in BAM) discussing indirect allocations, as requested by Enrique Perez. Some grants allow for indirect cost allocation. In grant, direct cost would be person working on grant. Some grants allow other expenses, such as overhead or payroll, to be taken as an indirect cost, usually at a percentage of the grant (1%, 5%, 10%, etc.). We charge that percentage and what is accumulated rolls into the next year. With college grants, it was agreed that the colleges would keep the indirect costs from the grants. For district grants, the money would roll over into the budget stabilization fund. It was requested that we look at this due to the larger grants. Request was for increasing support back to the college for other grants, and that they could also carryover a portion of the indirect costs. It was requested that they keep 100%, but committee recommends that 25% rolls into the budget stabilization fund, 25% offset in budget model to flow through to colleges, and 50% stays with the Educational Services Department to provide support services to the colleges for the following year. This applies to grants administered through educational services. Last year's grant was approximately \$100K, this year has two \$15M grants that have a large portion of indirect costs. Because we are a fiscal agent we have more responsibility related to it.

Pages 13/14 adds check marks that go along with indirect costs and acknowledges that the district services also has indirect cost opportunities there. Pages 15/16 adds definitions for college reserve, ending fund balance, institutional reserve.

A motion by Steven Deeley and seconded by Arleen Satele to recommend to District Council the changes to the BAM as presented. Motion passed unanimously.

4. College Comparisons:

The subcommittee also requested to go through various comparisons between the two colleges and reported on these comparisons. Page 19 is credit side. Compares dollars and percent by two colleges by type of expenditures. For Academic Salaries, SAC has \$35.9M/68.61%, SCC \$16.4M/31.39%. Credit FTES are credit expenditures earned by the colleges. For example, SAC is 69.67% vs total expenditures of 67.36%, SCC is earning 30.33% of FTES vs total expenditures of 32.64%. There were many anomalies discussed, for example Apprenticeship is only at SCC. Instructional Services at SAC is another anomaly, which also increases faculty hires. Others items could be taken out to skew differently.

Additional comparisons of full time Academic and Classified staff at each college, total amount spent by FTES earned, academic and classified salary and benefits per FTES, and FTES per number of full time faculty. Based on fund 11 and 13 only. Does not include part time faculty.

Next page includes same comparisons on non-credit side. Can request information from HR for further comparisons. Helps to show expenses on campuses and how to handle budgeting. Including part time faculty would be helpful.

Enrollment is down at SAC approx. 4%, SCC down 3.4 or 3.2% combined. Campuses are down about 3-4% overall. Discussion about going into stabilization. There may be a disconnect between the information at the committee and campus levels.

Concern over limited scheduling, classes canceled at 15 or 17 students citing Board policies. Campus decides whether to cancel classes based on enrollment levels. State level is 35 students per class, campus can run classes at lower efficiency level. Would need to make cuts elsewhere in expenses to offset. Discussion of whether running a lower enrollment class is beneficial to college growth or harmful to budget. Final decisions in enrollment management are at campus level. We are currently in stabilization. Growth funding is capped at .5% regardless of growth above cap. Request to discuss efforts to change statewide growth caps. Current efforts have been ineffective. Will discuss model and additional efforts at future meetings.

Question was raised about having an outside evaluation on model to give additional perspective on changes that can be made. Chancellor's office has initiated IEPI team to come in at Chancellor's level to visit and analyze model, look at operations, staffing, enrollment. Currently looking how to make that happen. SAC has submitted but will not get a visit until Spring. May be a year before visit to district.

5. District Council November 7, 2016 meeting:

POE Committee – Goals Progress Report/Status Report Forms - Mettler

Report from POE committee included goals progress report, status report forms. Tasked to summarize information to flow through district model and report back to committee with goals for this year, and progress as of this meeting, then reevaluate at end of year. Goals refer to committee goals, for example POE committee goals are align the planning and budget cycles between the colleges and the district, to serve as an oversight committee for the district mission and strategic plan, and six additional goals. No limit to number of goals.

FRC website lists committee responsibilities, including review and evaluate the model, monitor state budget development and make recommendations, develop assumptions for tentative adopted budgets. Total of seven responsibilities listed.

Question whether to include "reviews enrollment management and develop annual FTE targets" based on earlier discussion. Committee reviews outcome, 320 reports, and effects on budgets but committee does not develop targets. Decided not to include development section of that goal. First four responsibilities should be included.

Responsibility regarding FTES should be reviewed and possibly eliminated as DEMC is no longer in existence.

Status of goals:

1. Reviews and evaluates resource allocation model – reviewed and approved recommended changes
2. Monitor state budget developments and make mid-year adjustments – reviewed, no adjustments made at this time, waiting on January governor's proposal
3. Develops assumptions for tentative and adopted budgets – 16/17 Tentative and adoptive budget assumptions were developed and reviewed by FRC
4. Develops district budget process calendar – completed once a year. 16/17 Tentative and adoptive budget process calendar was developed and reviewed by FRC

The committee agreed this should be submitted to POE, and committee members to be provided a copy.

6. Informational Handouts - Hardash

- District-wide expenditure report link: <https://intranet.rscsd.edu>
- Vacant Funded Position List as of November 10, 2016
- Measure "E" Project Cost Summary as of October 31, 2016
- Measure "Q" Project Cost Summary as of October 31, 2016

Measure E and Q committees met and approved their annual reports. Board of Trustees received copies of reports, and copies are on the district website. Zeke Hernandez has been elected to the Board of Trustees. There is now an opening for the Measure E committee. Applications are online.

- Monthly Cash Flow Summary as of October 31, 2016

7. Approval of the FRC Minutes – October 19, 2016 – Hardash

Mr. Hardash called for a motion to approve the Fiscal Resources Committee Minutes of the October 19, 2016 meeting. A motion was made by Mike Collins, seconded by Jim Kennedy and approved unanimously.

Next meeting: Wednesday, January 22, 2017, 1:30 – 3:00 in the Executive Conference Room, District Office. Email only meeting with Governor's proposed budget will be emailed for January 25, 2017.

The meeting was adjourned at 2:41 p.m.