

## **Fiscal Resources Committee**

Via Zoom Video Conference Call

1:30 p.m. – 3:00 p.m.

### **Meeting Minutes for January 13, 2021**

**FRC Members Present:** Adam O’Connor, Morrie Barembaum, Steven Deeley, Noemi Guzman, Bart Hoffman, Cristina Morones, Thao Nguyen, William Nguyen, Enrique Perez, Craig Rutan, Arleen Satele, Roy Shahbazian, and Vanessa Urbina

**FRC Members Absent:** None

**Alternates/Guests Present:** Erika Almaraz, Jacob Bereskin, Jason Bui, Vaniethia Hubbard, Mark Reynoso, Syed Rizvi, George Walters (CWP) and Barbie Yniguez

1. Welcome: Adam O’Connor called the meeting to order at 1:35 p.m. via zoom
2. State/District Budget Update
  - 2021-22 Proposed State Budget report link
  - LAO 2021-22 Overview of Governor’s Budget link
  - DOF – November 2020 Finance Bulletin
  - DOF – December 2020 Finance Bulletin
  - SSC – Voters Reject the Split Roll Initiative but Approve Proposition 19
  - SSC – Ask SCC...what about the FON?
  - SSC – CalPERS System Funded Levels Increase
  - SSC – Congress Reaches Agreement on Stimulus and 2021 Spending Plan
  - SSC – Economy Faces Headwinds Despite Improvements
  - SSC – LAO Issues Rosy Fiscal Outlook for Education
  - SSC – New Contract Bid Threshold Effective 2021
  - SSC – LAO Makes Recommendations on Deferrals
  - CCCCCO COVID Stimulus Update
  - Budget Presentation to Board of Trustees January 11, 2021

Adam O’Connor referenced handouts noted above for further reading. He then reviewed the Budget presentation previously provided to the Board of Trustees on January 11, 2021 announcing budget updates and presentations are posted on the RSCCD Website. The presentation covers the following items: COVID Stimulus Update, Governor’s Proposed 2021-2022 Budget Highlights, Impacts to RSCCD Budget and State Budget Process.

O’Connor discussed the new Federal Stimulus whereby RSCCD could expect to receive \$21 million one-time funds (\$14.6 million for SAC and \$6.5 million for SCC) with a requirement of at least \$4.2 million be spent on direct student aid. Funds are to be allocated to students directly, be used on technology costs associated with distance education, faculty training, and loss revenue. Official amounts and details are yet to be confirmed.

O’Connor discussed the Governor’s proposed budget which is the starting point for the 2021-22 budget. The budget contains four main themes (economic growth, COVID relief, workforce development and enrollment/education) with some allocations to be acted upon this year called “early actions”. These “early actions” include \$600 checks to over 4 million people in California and small business assistance. Enrollment/education has been designated with \$2 billion to support K-12 schools opening and support for community colleges. Pension costs offsets continue with the Governor committed to buying down PERS/STRS costs. This will not be a reduction in the RSCCD budget but less of an increase to the previous rates. The Governor continues to caution that expenses are outpacing revenue and expect

deficits for the out years, thus the reason the majority of funds are one-time and not on-going. “Early actions” will be distributed this year if approved and includes financial assistance to students trying to get them back into the classroom. Of the \$1.5 billion in deferrals for community colleges, only \$1.1 billion is designated as buy down. It is anticipated that advocacy will encourage a complete buy down. The budget workshop is next week and more will be learned then. A 1.5% COLA (3.84% COLA for K-12) is proposed and growth at .5%; however, RSCCD will not be able to enjoy growth funds since enrollment has declined significantly. Other community college-specific allocations include: \$250 million for financial aid grants; \$100 million for basic needs/food/housing; \$30 million for mental health; \$23.1 million for enrollment growth; \$20 million for professional development and \$15 million for open-sourced textbooks.

The impacts to RSCCD include expense increases (which continue to outpace revenue) in 2021-2022 estimated at \$8 million plus \$2 million one-time budget solution for 2020-21, for a total \$10 million ongoing budget gap. If the 1.5% COLA holds, that will add \$2.6 million in revenue. P-1 FTES (full-time equivalent students) are posted and awaiting colleges’ confirmation but appears to put RSCCD further into enrollment decline. There is a \$7.4 million net gap that will need to be addressed. The first SRP (Supplemental Retirement Program) helped and there is consideration for a second SRP to create more savings. A discussion ensued about salaries, savings, SRP and right sizing as ways to create savings for the district. Some one-time revenue is expected based on recalculation for 2019-20 and 2020-21 of which some may not reach RSCCD because of the buying down of deferrals which helps with the cash flow (approximately \$18-\$25 million) but it is unclear at this time how much we may receive. The State budget development process was reviewed reminding everyone that the Governor’s Proposed Budget in January is the starting point. The legislative hearings and advocacy will continue to the May revise and final budget approved June 15. The initial \$500,000 carryover funds set aside for PPE purchases is now being distributed to the colleges with \$344,945 to SAC and \$155,055 to SCC by the end of the week. VPs were asked to provide fund 13 account numbers to Thao Nguyen for the transfer of funds.

3. Continued Discussion of SCFF and Review of BAM – Cambridge West Partnership Consultants  
George Walters referenced page 25 of the meeting materials and discussed the various scenarios of the proposed BAM language related to how the colleges are held harmless and what happens if the district grows out of hold harmless due to one college’s growth. Walters reviewed current law and current RSCCD procedures noting the language of the law speaks to district not colleges. There is no new money if one college grows quicker than the other college.

Further review of version 1 (using SB361 production/revenue split remaining the same) and version 2 (SCFF adjust revenues annually-actually following now) of hold harmless were shared and discussion ensued. It was noted the SAC workgroup supports version 1 as does Satele from SCC. O’Connor shared preliminary P-1 numbers with SAC enrollment down by 12.7% and SCC down less than .5% and the potential shift of approximately \$1.6 million from SAC to SCC using version 1. If version 1 is selected, should previous years be trued up for 2018-19, 2019-20 rather than how it was allocated now? Hoffman and Satele agreed and confirmed this is what committee/workgroup discussed for months due to the pandemic, uncontrolled affects and massive swings that could be devastating to the colleges and district. It was suggested this be reviewed annually along with the BAM. Version 1 is safer, more predictable but has potential for bigger cliff in 2024-2025 when hold harmless ends. It is necessary to track production by each college even if there is a switch to version 1 so that each college is aware of how far out they are upon the conclusion of hold harmless and the potential for swings and dips due to enrollment fluctuations. At this point, it is necessary to get past COVID and plan with the best estimate because it is going to be a big cliff once hold harmless ends if the colleges don’t increase enrollment.

Walters will prepare final language with table as examples to be reviewed for action at next meeting.

4. FRC Accomplishments and Goals/Planning Design Review - ACTION

O'Connor reviewed FRC accomplishments for 2019-20 and goals for 2020-21. He confirmed committee responsibilities, membership and action requested by POE (Planning and Organizational Effectiveness committee).

Craig Rutan made a motion to forward accomplishments, goals and affirmation of committee responsibilities and membership to POE as presented. The motion was seconded by Arleen Satele. With no further discussion, questions, comments or opposition the motion passed unanimously.

5. Mid-Year Updates

O'Connor provided review of mid-year budget expenditures for 2020-21 in comparison to 2019-20 noting most were relatively consistent. Approximately 54% is available (SAC at 55.49%, SCC at 53.33% and DO at 52.04%) and on track to have little carryover at year end. This is information for planning purposes. Additionally, mid-year updates for fund 12 projects were sent to the colleges providing a mid-year check for all grants. P-1 FTES information will be available for next meeting after colleges review and confirm the numbers are accurate.

6. Standing Report from District Council - Rutan

Craig Rutan provided a brief report on the actions of District Council including approval of the changes to the BAM and creation of Administrative Regulation for Credit for Prior Learning as required by the Chancellor's Office. Additionally, District Council approved the reorganization of ITS which created a net savings.

7. Informational/Additional Handouts

- District-wide expenditure report link: <https://intranet.rscsd.edu>
- Vacant Funded Position List as of January 7, 2021
- Measure "Q" Project Cost Summary December 31, 2020
- Monthly Cash Flow Summary as of December 31, 2020
- [SAC Planning and Budget Committee Agendas and Minutes](#)
- [SCC Budget Committee Agendas and Minutes](#)
- Districtwide Enrollment Management Workgroup Minutes
- [Joint Analysis-Governor's January Budget, 01-08-2021 & SSC Updates](#)
- [State of California Budget 2021-2022](#)
- [Overview of the Governor's 2021-2022 Budget, 01-11-2021](#)

Additional handouts were referenced for information purposes.

8. Approval of FRC Minutes – November 18, 2020

A motion was made by Enrique Perez and seconded by Noemi Guzman to approve the minutes of November 18, 2020 meeting. With no questions, comments, corrections, or opposition, the motion passed unanimously.

9. Other

William Nguyen suggested a future discussion item regarding the \$10 million gap, potential savings from second SRP and possible recommendation from FRC to access those savings for the 2020-21 or 2021-22 budgets. O'Connor agreed it could be a future topic of discussion. He shared the Board's concern is for a potential financial cliff when hold harmless ends and utilizing those savings for that while making reductions now. Therefore they have sequestered those savings for now. Hold harmless as written in law concludes in 2023-24 fiscal cycle.

Roy Shahbazian requested item for next meeting to include the potential SRP tentative budget assumption scenarios. O'Connor expects action by the Board of Trustees regarding the SRP at the next regular board meeting and if that is the case, estimates for tentative budget assumptions would be made. Further Shahbazian requested a variety of scenarios with adjunct faculty, with limited full-time faculty replacements, to get a better delta of the costs.

The next FRC meeting is scheduled for February 17, 2021 with a focus on tentative budget assumptions. This meeting adjourned at 2:50 p.m.