

Fiscal Resources Committee

Via Zoom Video Conference Call

1:30 p.m. – 3:00 p.m.

Meeting Minutes for July 1, 2020

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

FRC Members Absent: None

Alternates/Guests Present: Erika Almaraz, Stephanie Clark, Mark Reynoso, Jose Vargas, and Barbie Yniguez

1. Welcome: Mr. Hardash called the meeting to order at 1:32 p.m. via zoom.
2. State/District Budget Update
 - 2019-20 Second Principal Apportionment Background Memo/Information posted June 26, 2020
 - 2019-20 Second Principal Apportionment Exhibit “C” posted June 26, 2020
 - Final State Budget 2020-21 report link: <http://www.ebudget.ca.gov>
 - SSC – Meeting Cash Flow Challenges in Light of the May Revision
 - SSC – Senate Rejects Governor’s Education Cuts
 - SSC – Legislature Reaches Agreement on 2020-21 State Budget
 - SSC – Additional Details of the 2020-21 Legislative Budget Plan
 - SSC – Legislature to Adopt Budget on Monday despite No Deal with the Governor
 - SSC – Legislature Approves 2020-21 State Budget Act Despite No Deal
 - SSC – By the Way...Governor Newsome and Legislative Leaders Reach Deal on 2020-21 State Budget
 - SSC – 2020-21 State Education Budget Details Emerge
 - SSC – CalPERS and CalSTRS Employer Contribution Rates

Mr. Hardash referenced handouts and discussed current updates of the State Budget. The legislature and the Governor cut a deal that allows budgets for K-12 and community colleges to be maintained at the same funding level as last year without COLA and growth. P2 was just released; this is funding period two for fiscal year ending June 30, 2020. It is not the final; the final budget will be determined by February 2021. P2 includes a system-wide apportionment deficit of 8.163% that is not applied to basic aid districts; it is a \$14 million shortfall.

Mr. Hardash referenced and thoroughly reviewed CCC 2019-20 PS SCFF Exhibit C for RSCCD as posted on the FRC website. Three components make up the Total Compensation Revenue (TCR) – *Base* (FTES + Basic Allocation) (70%) = \$127 million; *Supplemental* (20%) = just over \$25 million; and *Student Success Allocation* (10%) = \$16.7 million. RSCCD is shy of earning the full percentages for Supplemental and Student Success Allocations. Revenue sources were also reviewed noting the shortfall as a result of Covid-19 and collection of property taxes. Of the \$550 million, \$480 million is just the shortfall in the Educational Protection Act funds. It is anticipated to be backfilled in the fall. However, the State is broke and RSCCD may be waiting for that money. The 8.1% deficit is applied to the hold harmless base reducing RSCCD’s TCR by \$14 million.

Further Mr. Hardash referenced the Schools Services article on *Cash Deferrals and Budget Deferrals* that is also posted to the FRC website. \$1.5 billion is being deferred. This is not a budget issue but a cash flow issue. RSCCD will have to borrow from reserve, other funds of the District, or borrow on the open market which is quite expensive and a lot of work. It is better to have the deferrals (IOU) than cuts to the budget.

After today's State Budget Webinar, more information will be shared accordingly. Hardash addressed questions.

3. 2020-21 Proposed Adopted Budget Assumptions

Mr. O'Connor reviewed and discussed the proposed adopted budget assumptions and noted changes to apportionment to include no COLA, deficit factor at 2%, estimated reimbursement for part-time faculty compensation less than projected for prior year, non-resident tuition reduced by 50% for SAC and 30% for SCC, and then on plus side apprenticeship revenue estimation. Expenditures include the buy-down for PERS and STRS, eliminating funding for vacant fulltime faculty positions (14 for SAC and 5 for SCC) and offsetting those with additional part-time faculty funding to backfill. Other costs are necessary to comply with law effective August 14, 2020 and support Title IX follow-up investigations and claims including related training for current staff that have been given additional duties to support these legal requirements. Additionally, the Child Development Center is closing one of their centers and also eliminating the district's transfer to that fund. Through discussion it was mentioned that SAC will absorb the custodian position, but not the associated costs. However, the overall idea is to have no encroachment on the general fund. The details may still need to be worked out.

Mr. O'Connor continued his recap of revenue and expenditures (page 23 of meeting materials) and concluded with an approximate deficit of \$1.8 million in the budget assumptions. The colleges were further reminded of responsibility to properly fund adjunct faculty accounts. RSCCD assumes FON will be suspended but that has not been confirmed. The savings from not filling the vacant faculty positions will backfill part-time accounts. Additionally, the Chancellor is presenting a Supplemental Early Retirement Program (SRP) to the Board for consideration of additional savings. The Board of Trustees will consider SRP at July 13, 2020 meeting. It is anticipated the savings will be sequestered and about half of the management and classified positions will be filled, but faculty will be filled within a one year to 18-month period. The savings were previously listed as Board Designated Reserve at approximately \$3 million but has been removed until the Board takes action. Colleges were cautioned about the \$3 million one-time fund reductions that will resurface and to watch budgets carefully in this current year. The Chancellor's Cabinet approved the proposed adopted budget assumptions for consideration of recommendation by FRC today, which will then go to the Chancellor, District Council and then ultimately the Board of Trustees.

Discussion ensued regarding potential savings from SRP, refilling of those vacant positions, FON, 50% law, and 75/25 calculations. It was also noted the colleges will realize the savings for the faculty positions not filled to meet FON requirements this year but such will be offset by the adjunct faculty backfill. Some of the positions are unique and will need to be filled. Covid-19 has impacted the District and PPE costs are not part of the budget. Further it was explained that custodians, transportation (though not applicable to RSCCD) and nutrition employees cannot be laid-off during this budget year.

It was moved by Mr. Shahbazian to approve and recommend the tentative budget assumptions to District Council, with notation that reflects a request for more clarification about SRP when available and that faculty hires that received offers before the freeze in the spring be continued. Ms. Satele seconded the motion. Mr. Hardash addressed questions regarding growth and hold harmless dollars as well as custodial staff needed if SRP proceeds and new science center at SAC. With no abstentions and opposition the motion passed unanimously.

4. Revised 2020-21 Adopted budget Calendar

Mr. O'Connor shared the changes to the budget calendar as a result of Covid-19 with most of July dates remaining the same and everything else skewed by a month after that.

It was moved by Dr. Hoffman to approve the adopted budget calendar as presented and seconded by Ms. Satele. Without abstentions and opposition, the motion passed unanimously.

5. Continued Discussion of SCFF and Review of BAM –
- BAM Simulation Review Based on SCC Proposed Language Change – The workgroup discussed the proposed language change at length, considered various scenarios and requested the item be brought before the entire FRC for a final vote. Speakers for and against the proposed language spoke at length and following the discussion, it was moved by Mr. Rutan to approved the language as presented. The motion was seconded by Mr. Deeley. The motion failed with the following roll call votes:
- | | | |
|--------------------------------------|--|------------------|
| Yes - 4 | No - 5 | Abstention - 2 |
| Satele, Deeley, Rutan and
Morones | Hoffman, Nguyen,
Shahbazian, Urbina, and
Hardash | O'Connor, Guzman |
6. Standing Report from District Council - Shahbazian
Mr. Shahbazian briefly reported on the actions of District Council, specific to discussions related to the Data Integrity Specialist position and not moving it forward at this time.
7. Informational/Additional Handouts
- District-wide expenditure report link: <https://intranet.rscsd.edu>
 - Vacant Funded Position List as of June 25, 2020
 - Measure “Q” Project Cost Summary May 31, 2020
 - Monthly Cash Flow Summary as of May 31, 2020
 - SAC Planning and Budget Committee Agendas and Minutes
 - SCC Budget Committee Agendas and Minutes
 - 2020-21 Adopted Budget Assumptions, 06-29-20
 - 2019-20 Second Principal Apportionment and Prior Year Revisions
 - SCC Cash Deferrals and Budget Deferrals
 - CCC 2019-20 P2 SCFF Exhibit C – RSCCD, 06-24-2020
 - CCC 2918029 PS SCFF Exhibit C – Statewide, 06-24-2020

Additional informational handouts were referenced and posted on the FRC website for further review.

8. Approval of FRC Minutes – May 21, 2020
A motion was made by Dr. Hoffman and seconded by Mr. O'Connor, to approve the minutes of May 21, 2020 meeting as presented. With no questions, comments, corrections, abstentions, or opposition, the motion passed unanimously.
9. Other
Mr. Nguyen inquired about enrollment management planning and being part of the bigger discussion. Mr. Hardash noted he would ask Vice Chancellor Perez to attend a future meeting to discuss enrollment management planning as well as marketing efforts.

Next meeting reminder: Wednesday, August 19, 2020, 1:30 – 3:00 p.m. in the Executive Conference Room #114, District Office or via zoom as necessary.

This meeting adjourned at 3:04 p.m.