

Fiscal Resources Committee

Via Zoom Video Conference Call

1:30 p.m. – 3:00 p.m.

Meeting Minutes for September 16, 2020

FRC Members Present: 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: Peter Hardash

Alternates/Guests Present: Erika Almaraz, Jacob Bereskin, Vaniethia Hubbard, Enrique Perez, Narges Rabii, Mark Reynoso, Syed Rizvi, and Barbie Yniguez

1. Welcome: Mr. O'Connor called the meeting to order at 1:32 p.m. via zoom. Introductions were made for the benefit of new attendees Dr. Vaniethia Hubbard, Dr. Syed Rizvi, and SCC/ASG representative Mr. Jacob Bereskin.
2. State/District Budget Update
 - SSC – Legislative Analyst Examines State's Cash Position
 - SSC – DOF Releases August Finance Bulletin
 - SSC – Lottery Instructional Materials and BOG Changes in Trailer Bill
 - DOF – Finance Bulletin – August 2020

Mr. O'Connor referenced articles and briefly discussed the language changes made to lottery instructional materials funds that is very helpful. Proposition 20 Lottery funds are very restrictive. The new language allows the purchase of laptops and such devices for internet, used by teachers and students for learning resources. It is effective immediately and helps to get learning devices to students during Temporary Remote Instruction (TRI). There is no limit or restriction other than it must be for instructional learning. However, restrictions remain for other instructional materials. Mr. O'Connor explained lottery funds, the restrictions and purposes to help new members/guests gain understanding.

Mr. O'Connor briefly discussed the budget being in a holding pattern until the Governor makes his proposal in January and whether there will be mid-year cuts. The economy is devastating and fiscal adjustments may be necessary.

Further Mr. O'Connor reviewed the Personnel Cost as a Percentage of Total Expenses and explained the Chancellor asked for this information. The general rule is to maintain personnel costs at 85% range. In comparison many community colleges are at 88% range. In 2014-2015, RSCCD was at the 87% range, in 2018-19 district-wide it was at 88.53% and has slightly crept upward into the 90% range for 2019-20. The Chancellor also asked how it broke down by college. SAC is at 95% and SCC at 90%; however, SCC has large apprenticeship program that does not include personnel costs and by extracting such that put SCC at over 96%. This information was presented at the Chancellor's Cabinet. Mr. O'Connor reviewed each example removing all apprenticeship costs and adding back in the amount of adjunct faculty expenses that were in excess of budget last year with SAC at 95% and SCC is 97.5%. The final example removes all apprenticeship costs and reduces costs as related to retirees taking part in the SRP (Supplemental Retirement Program) and with none of the SRP vacancies district-wide filled and that puts SAC at 94.5% and SCC at 97.4%. It is important to get the percentage down to ensure there are enough funds for all other expenses in the District besides personnel. Getting to the 87-88% range is a reasonable goal.

When asked if layoffs, position elimination or separation from the District were part of the discussion, Mr. O'Connor noted no awareness of such discussion regarding layoffs at this time. It is anticipated the District will take other necessary measures before entertaining such drastic action. Mr. Perez noted that Chancellor's Cabinet has had no discussion about layoffs, but attempting to look at all other sources first including the SRP and benefit costs. Layoffs would be the last option. Right now it is time to scale back. If there are mid-year cuts there is nowhere to go. Mr. Shahbazian suggested a strategy be considered for filling faculty positions because FTES is needed to bring in more funds.

3. Supplemental Retirement Plan (SRP)

Mr. Perez reported on action by the Board of Trustees at their regular meeting of September 14, 2020 to approve the Supplemental Retirement Plan (SRP). The plan provides 80% of final salary as an incentive and with 14 years of service with the district the employee is eligible for health benefits until the age of 70. It was projected that 81 would participate in the plan with a goal of \$12 million in savings over a 5-year period. A total of 76 submitted their letters of participation and the goal was reached. The savings are garnered by implementing a replacement plan with adjunct filling faculty positions for 18 months, and only 50% of the classified and management positions replaced. Other scenarios were reviewed and it was noted that discussion will continue as consideration of replacements will be strategic in addressing potential areas of growth along with the difficult challenges of the economy. Follow-up questions were asked and Mr. Perez described the need to hold off any hiring until the next fiscal year, July 1, 2021 to benefit from the savings of this fiscal year. A general discussion followed about how the positions become vacant, "belt tightening" while also recruiting for other certain positions, and the mixed messages during a hiring freeze. Mr. Perez will attempt to get ahead of the questions and provide some fiscal information in the future when positions become available.

4. Proposed Adopted General Fund Budget – ACTION

- Budget Assumptions Update

Mr. O'Connor shared his screen and reviewed proposed adopted general fund budget 2020/21. He explained the different views of the combined general fund 11 (ongoing-unrestricted), fund 12 (restricted), and fund 13 (one-time unrestricted). He noted changes from the last meeting including the deficit factor at 2%, unrestricted lottery, and apprenticeship revenue all went down for a total of \$519,000. Expenses that changed include the apprenticeship program costs and the savings for vacancies went up about \$12,000. That brings total deficit to \$2.2 million. While the hole has not been plugged, it is anticipated that some of the SRP savings of \$2.6 million from current year may be used. Mr. O'Connor will meet with Chancellor tomorrow to determine if the Board is willing to use some of those savings to balance the budget. The Board was very clear they did not want a budget that was out of balance.

Questions were asked and answers provided specific to line E, Full-Time Faculty Obligation Hires (FON) that removes \$2.9 million for the 19 faculty positions not being hired this year and does not include the 16 positions for those faculty that have selected to participate in the SRP this year. Some savings from SRP from full-time faculty positions will be transferred to the adjunct faculty budget. However, currently, it is unclear if all the savings from the SRP will be used to help out with this year's budget.

Mr. O'Connor shared his screen and continued to discuss the components of the unrestricted general fund beginning balance for 2020-21 and comparison to 2019-20. The largest portion being the board policy contingency requirement at 12.5%. The budget stabilization increase to \$1.5 million and carryover for SAC at \$6.3 million and SCC at \$835,000. There will be an update to this page as a result of an error on noncredit submission that included distance education courses rather than CDCP which affected both colleges and as result additional funding affected SCC more than SAC. The last component is other category that includes \$9.4 million with \$500,000 for PPE (to be funded by CARES Act and amount returned to the colleges) and \$518,000 for the Chancellor's Diversity Initiative on a one-time basis for this year. These were discussed at the last FRC meeting.

Bart Hoffman noted that a workgroup to assess the budget allocation to the colleges is being formed as a joint effort between SAC, SCC and DO and anticipates bringing forward a recommendation for consideration by FRC in the future. An invitation to join this collaborative workgroup will be sent out soon.

Mr. O'Connor continued to share his screen and discussed the Estimate 2020/21 Revenue Allocation Simulation for Unrestricted General Fund 11 based on SCFF (page 42) and the \$2.2 million deficit. He explained further how the colleges earn revenue. That \$2.2 million deficit will be shared with SAC at \$522,000 and SCC at \$1.7 million. The deficit will need to be addressed before it is presented to the Board at the October 12 meeting.

In his final review, Mr. O'Connor discussed the Adopted Budget 2020-21 (page 43-44) that addresses targets which will change in the budget book to reflect the colleges' submissions of actual FTES. Bereskin requested more information on the deficit and how it happened. Mr. O'Connor explained the increased expenses from year to year, while revenue decreases from year to year, and creates a deficit. Current expenses increase by approximately \$7-9 million a year for various reasons including personnel, utilities, health and welfare benefits, salaries, retirement costs and typical operating expenses. Revenue has not been increasing and with the decline in students, RSCCD is not able to generate that revenue. It is necessary to cut expenses to get back in line with revenue earned. Mr. O'Connor further explained how revenue is calculated by the number of students served in a variety of ways including credit, noncredit and CDCP with different funding rates along with student success and supplementary metrics in the SCFF and the only way to receive more money from the State is through the various metrics.

Barembaum inquired about specific expenses and changes in the adopted budget as detailed in object codes 5700, 5800, and 5900 (page 13). Mr. O'Connor explained those reflect all fund 11, 12 and 13 accounts and it is really fund 12 that throws us from year to year because of large grants and a lot of the expenses are passing through the 5800 object accounts. It makes the revenue and expenditures look large from year to year. A general discussion ensued that included page 19, referencing 5800 and 5900 object codes. Mr. O'Connor explained when looking at the adopted budget from year to year, it isn't much different whereas the actual expenditures is low which is the result of the expenditures being transferred to other accounts as needed. Mr. O'Connor offered to follow-up and address any other specific questions to line items, just send him an email. Rutan expressed his appreciation of the follow-up and suggested potential further discussion for reallocation of such funds.

- 2019/20 Recap of Unrestricted General Fund – Major Changes Comparing Adopted Budget to Actuals

Mr. O'Connor discussed and reviewed the details of the major changes in revenue and expenditures as noted on the 2019/20 Recap of Unrestricted General Fund (page 55).

It was moved by Arleen Satele to approve the adopted budget with the caveat of the CDCP change as discussed. The motion was seconded by Bart Hoffman. With no further discussion, questions or opposition, the motion passed unanimously.

Mr. O'Connor reviewed additional handout titled RSCCD College Level SCFF Data that produced a shift between SAC and SCC due to reporting changes to noncredit and noncredit CDCP. This is positive as an increase, but RSCCD is in Hold Harmless and therefore no increase in funds. These errors are caught by review of the data and in consultation with Cambridge West Partnership where it was confirmed as a way to correct the error. It was also verified by the State and how distance education course are counted. A general discussion ensued relative to which colleges would get credit for a student that attends both colleges and having a district-wide focus on capturing the 20% portion of the student success metrics to bring more revenue to the District rather than worrying about who gets the money. Mr. Perez briefly shared efforts for data integrity processes, and developing enrollment strategy with the

District providing reports to the colleges to make informed decisions for efficiency and ability to earn more revenue.

5. Closeout of 2019/20 Budget

- Recap of 2019/20 SCFF Metrics
- Final Budget Allocation Model Distribution of Carryover
- 50% Law Compliance Update

Mr. O'Connor reviewed and discussed the close out of 2019-20 and the updated shift and carryover for each college through fund 13.

6. 2020-21 Draft Budget Calendar

Mr. O'Connor presented the draft budget calendar for review noting a few modifications. It is not necessary to take action on this item today, but it is anticipated that feedback will be provided to Adam within the next couple of weeks for the next meeting. It is hopeful members will be able to attend the meetings.

7. Standing Report from District Council - Rutan

Mr. Rutan briefly reported on the actions of District Council including a reorganization related to District Safety and Security Services.

8. Informational/Additional Handouts

- District-wide expenditure report link: <https://intranet.rscd.edu>
- Vacant Funded Position List as of September 08, 2020
- Measure "Q" Project Cost Summary August 31, 2020
- Monthly Cash Flow Summary as of August 31, 2020
- [SAC Planning and Budget Committee Agendas and Minutes](#)
- [SCC Budget Committee Agendas and Minutes](#)

9. Approval of FRC Minutes – August 19, 2020

A motion was made by Craig Rutan and seconded by Arleen Satele, to approve the minutes of August 19, 2020 meeting as presented. With no questions, comments, corrections, abstentions, or opposition, the motion passed unanimously.

10. Other

A general discussion ensued that focused on what other districts are experiencing and how they are handling the Total Compensation Revenue (TCR). Mr. O'Connor confirmed that more and more are going into and deep into Hold Harmless. It was further suggested that when looking into percentage costs for personnel that different views be provided for non-instructional and instructional.

This meeting adjourned at 2:55 p.m.