

Fiscal Resources Committee

Via Zoom Video Conference Call

1:39 p.m. – 2:33 p.m.

Meeting Minutes for May 19, 2022

FRC Members Present: Iris Ingram (arrived @ 2:16), Steven Deeley (arrived @1:42), Noemi Guzman, Bart Hoffman (departed @ 1:41), William Nguyen, Thao Nguyen (served as alternate until arrival of Ingram), Adam O'Connor, Enrique Perez (departed at 1:41), Craig Rutan, and Arleen Satele

FRC Members Absent: Morrie Barembaum, Safa Hamid, Yara Hernandez, Jim Isbell, and Vanessa Urbina

Alternates/Guests Present: Erika Almaraz (arrived at 2:11), Jason Bui (arrived at 2:04), Elvia Garcia, Gina Huegli, Kelvin Leeds, Cristina Morones, Mark Reynoso, Kennethia Vega and Barbie Yniguez

1. Welcome: O'Connor called the meeting to order at 1:39 p.m. via zoom once quorum requirement of eight (8) was accomplished. He suggested action items be taken out of order while quorum was present and before some had to leave for the SAC Excellence Awards Ceremony.
2. Approval of FRC Minutes – April 20, 2022
This item and required action were taken out of order with quorum present.
 A motion by Craig Rutan was seconded by Arleen Satele to approve the minutes of the April 20, 2022 meeting as presented. There were no questions, comments or corrections and the motion passed unanimously.
3. 2022-23 Proposed Tentative Budget – **Recommendation to District Council**
This item and required action were taken out of order with quorum present.
 A motion by Enrique Perez was seconded by Bart Hoffman to approve the 2022-23 proposed tentative budget as presented. The motion passed unanimously. Overview and discussion of the Tentative Budget occurred later in this meeting.
4. State/District Budget Update
 - [Governor's May Revise](#)
 - LAO – Strong Tax Collections Belie California's Challenging Fiscal Outlook
 - SSC – Top Legislatives issues-April 15, 2022
 - SSC – CalPERS Approves Employer Contribution Rates for 2022-23
 - SSC – Finance Bulletin Released for April
 - DOF – Finance Bulletin – April 2022
 - SSC – 2022-23 Statutory COLA is 6.56%
 - SSC – Top Legislatives issues-April 29, 2022
 - SSC – “Putting Wealth to Work” for California Community Colleges
 - SSC – State Tax Collections Continue Upward Trend
 - SSC – CalSTRS Contribution Rate Set at 19.1%
 - SSC – Top Legislative Issues-May 13, 2022
 - SSC – Initial Impressions of the 2022-23 May Revision
 - SSC – An Overview of the 2022-23 Governor's Budget Proposals
 - Joint Analysis Governor's 2022-23 May Revision
 - [LAO- Initial Comments on the Governor's May Revision](#)

O'Connor referenced the above handouts and commented on those items related to May Revise and the affects to RSCCD. The big news is COLA increase from 5.33% to 6.56%, along with proposed Base

and Basic allocation increases. That is an additional \$375 million added into the SCFF to the various rates for FTES, supplemental and student success components. That is a big win for community colleges. Also one-time allocations including additional \$1.1 billion for deferred maintenance (\$400 million at January Proposal) and RSCCD could now receive upward of \$33 million or more if that proposal holds. Discretionary Block Grant is proposed at \$750 million and RSCCD could receive \$17 million if that proposal holds; however, it is still unclear as to the descriptor for use of these funds. Other items that would affect the RSCCD budget assumptions are unknown without specific details at this time.

5. 2022-23 Proposed Tentative Budget

This item was reviewed and discussed at length and out of order, though required action was accomplished with quorum present at the beginning of the meeting.

O'Connor screen shared (pages 72-74 of meeting materials) and reviewed the proposed tentative budget assumptions for 2022/23. He highlighted changes from the last review including the following:

- Updated COLA at 6.56% now equates to \$12 million as opposed to the \$9.8 million when the proposed COLA was at 5.33%.
- SCFF Basic Allocation (as of Monday) was included at \$2 million. This allocation funds colleges and centers and was also given an increase to acknowledge the rising technology costs experienced by community colleges during the pandemic. Base allocation increase although included in this review will now need to be removed from the budget assumptions due to concern for receiving it as our district is in hold harmless. Just yesterday confirmation was received that no new basic allocation funds will be distributed to colleges in hold harmless, but increases will assist in shrinking the amount of hold harmless and be beneficial over time. There was a question about how many districts are actually above hold harmless level. O'Connor suggested it would be very low and Vice Chancellor Ingram may have more accurate information as she just returned from the ACBO (Association of Chief Business Officers) conference last week. Discussion ensued with a focus on Base, Basic Allocation and increases to SCFF and concluded with confirmation that Base includes all FTES amounts paid on credit, noncredit, CDCP as well as student success and supplemental metrics. The combination of COLA and the base increase is approximately 9.8%.
- Deficit factor changed at approximately \$45,000 as a result of the increased COLA.
- Scheduled Maintenance allocation increased to \$33 million and go to capital outlay fund if the proposal holds.

O'Connor reviewed affects to the expenditure side that changed from last review and include:

- The unemployment insurance projected increase from .05 to .2% is actually increasing to .5%
- CalPERS rate went down a bit at 26.1% and is now 25.37%

O'Connor reviewed the recap and the affects:

- Revenue increased by projected COLA of 6.56% to \$12 million
- SCFF Basic Allocation of \$2 million to be removed as previously discussed.
- Deficit factor increased about \$45,000
- Mandates Block Grant and Apprenticeship may increase pending confirmation.
- CalPERS down \$282,000 since last review.
- State Unemployment Insurance up \$345,000 since last review.
- Bottom line is approximately \$2.9 million deficit based on known information at this time and the May Revise. That deficit compares to \$5.1 million previously reviewed and ending balance increase to \$11.5 and apply SRP/right sizing savings for future years' deficits.

O'Connor agreed to provide published rate increases information to share with the campus constituency when available.

O'Connor completed review of tentative budget for funding 11, 12 and 13 providing details as necessary. The bottom line zeros out given the negative (that will change). However, based on earned SCFF metrics for both colleges at P2 there could be a shift between SAC and SCC of \$1.2 million. That could change with an increase in enrollment at SAC. SAC in particular should consider this review and some belt tightening in case a large shift between the two colleges occurs.

O'Connor screen shared and reviewed additional handouts posted on the FRC webpage that reflect SCFF simulation with FY 2021-22 P2 FTES using 2020-21 supplemental and student success numbers with 5.33% COLA and a second document with 6.56% COLA. The charts demonstrate the model with each COLA scenario. With 5.33% COLA it calculates to \$178 million and the hold harmless increase with the COLA then adjusts to \$193.5 million (being \$15.4 million in the hole). With the 6.56% COLA, and increases to all metrics to the Base and Basic allocation, it calculates to \$187 million, then hold harmless adjusts to \$195 million (being \$8.5 million in hole instead of \$15.4 million). This affect helps districts to get out of hold harmless quicker. This is a much easier route to getting out of hold harmless and positive for RSCCD. While it isn't new money, it helps in the long run to reduce amount between calculated and hold harmless. Discussion ensued regarding the combination of 6.56% COLA and base and basic allocation amounts that essentially create a 9.8% increase; confirming it is really the difference between 5.33% and 9.89% that affects the overall calculation.

Discussion continued with a focus on enrollment calculations, shift between the colleges, SAC losing large college designation, and FTES calculations. Based on the combination of FTES, the drop from large college, and then whatever is earned based on supplemental and student success could provide the percentages to produce the shift from SAC to SCC at \$1.2 million. That is based on information at P2. Thao Nguyen clarified that the numbers are based on the budgeted amount and P2 based on this year's number. This will change and the net affect will not take place until the end of June 30, 2023 at recal, when the actual distributions of income and actual expenditures create the carryover budget. But the data being used is current year which is 2021-22 for budgeting purposes. The enrollment for SAC appears like it is improving not dropping as much, so using that data, would suggest a better percentage. It was understood the final calculation does not occur until the end of 2023. If SAC Administration or staff have questions, they can direct such to Thao Nguyen to provide the back-up for all the numbers.

6. HEER Funding update

O'Connor confirmed the HEERF update was included in the meeting materials (page 102) as of April 30, 2022. There is roughly \$12 million remaining at SAC for the institutional portion; and small amount for student aid that will all expire June 30, 2023. SCC has about \$4 million for institutional purposes and small amount for student aid that will also expire June 30, 2023. Additionally, there are early action, retention and outreach funds that remains at both colleges.

50% law Calculation

O'Connor reviewed calculations for meeting 50% law requirements: SAC is a bit over 64% which is up from last year; SCC is just also over 60% and an improvement over last year; and entire district combined is at 52.5% and also improvement over last year. RSCCD is in good shape. Questions were asked and O'Connor explained how faculty that retired through SRP are no longer here and therefore not part of the calculation; the assumption is that part-time faculty backfilled those positions. Without those instructors filling the full-time positions, RSCCD is no longer paying those costs and even with extracting the cost of those faculty, improvements were made overall. The 50% calculations ended last year at 54.16% however, at this same time last year, RSCCD was less than 52.5% (April 2021 vs. April 2022). RSCCD may not reach 54.16% by year end, but should be well above 50%.

7. Standing Report from District Council - Craig Rutan

Craig Rutan provided a brief report on the actions of District Council including approval of the BAM changes at the May meeting. Additionally, a task force to revise the district's mission statement was

created. The proposed job description revisions for the division administrative assistant were pulled and will be considered at a future meeting.

Informational Handouts

- 50% Law Calculation
- District-wide expenditure report link: <https://intranet.rscdd.edu>
- Vacant Funded Position List as of May 11, 2022
- Measure “Q” Project Cost Summary as of April 30, 2022
- Monthly Cash Flow Summary as of April 30, 2022
- [SAC Planning and Budget Committee Agendas and Minutes](#)
- [SCC Budget Committee Agendas and Minutes](#)
- Districtwide Enrollment Management Workgroup Minutes

Information handouts above were referenced for further review.

8. Other

Vice Chancellor Ingram provided a brief overview of the May Revision and affects to RSCCD. A large portion of the budget surplus is projected for community colleges, higher education and education in general. COLA was adjusted to 6.56% and another .05% for growth through SCFF. These revisions still have to be agreed to by the legislature. Hearings are occurring now with a legal deadline of June 15 to submit a completed budget. Ingram explained the hold harmless proposal that creates a new funding floor for the SCFF (TCR at 2024-25 based on three-year average of FTES). There is also an increase to the base but those on hold harmless are constrained to the higher level of revenue whether FTES earning or hold harmless. She noted the one time block grant of \$750 million with five years to utilize the funds. Another \$150 million for technology support (recognizing expenses for technology during pandemic). However, there is no specific support for STRS and PERS relief but CBOs were urged to lobby respective representatives. There is a number of large one-time allocations for student equity, and \$1.5 billion for deferred maintenance, which will help the backlog of maintenance projects. Apprenticeship should have increase, but specifics are unknown. Also increase to part-time health benefits that is almost negligible. Trailer bill language is prepared in July and will provide the necessary guidance. The tentative budget is based on estimates. Budget Town Halls are scheduled at each campus and will provide a little more in-depth information as the process continues. A presentation to the Board of Trustees is scheduled for June.

Ingram provided additional information regarding the number of districts above hold harmless earning growth dollars to a potential count on two hands with extra fingers left over. Virtually every district is on hold harmless because of enrollment prior to COVID or because of the emergency conditions. Enrollment hasn't returned and a dire concern remains for what will happen after 2025-26 (fiscal cliff, once stability ends). Hold harmless is the new floor and if RSCCD falls below that, it will be a significant loss of funds and that is only a few years away. Essentially, it is kicking the can down the road and really isn't giving anyone significant funds or protection. The majority of growth at RSCCD is in noncredit and doesn't earn the dollars received in SCFF. It is credit that draws the most revenue. Ingram explained that COLA increases the value of all FTES whether credit or noncredit. But the SCFF metrics is for credit FTES and that makes a difference in TCR (total computational revenue).

Next FRC Committee Meeting:

The next FRC meeting is scheduled for Wednesday, July 6, 2022, 1:30-3:00 p.m.

It was moved by Arleen Satele and seconded by Noemi Guzman to adjourn the meeting at 2:33 p.m. The motion passed unanimously.