

Fiscal Resources Committee

Via Zoom Video Conference Call

1:34 p.m. – 2:27 p.m.

Meeting Minutes for January 25, 2023

FRC Members Present: Adam O’Connor, Morrie Barembaum, Susana Cardenas, Kajleb Demaniow, Bart Hoffman, Jim Isbell, Thao Nguyen (alternate), Craig Rutan, and Arleen Satele

FRC Members Absent: Steven Deeley, Iris Ingram, Jorge Lopez, Enrique Perez, Noemi Guzman, Safa Hamid, and Veronica Munoz

Alternates/Guests Present: Jason Bui, Melba Castro, Vaniethia Hubbard, Gina Huegli, Cristina Morones, Annebelle Nery, Mark Reynoso, Jose Vargas, Kennethia Vega, and Barbie Yniguez

1. Welcome: In the absence of Vice Chancellor Ingram, O’Connor called the meeting to order at 1:34 p.m. via zoom. Vice Chancellor Ingram is attending SWACC conference for the remainder of this week.

2. State/District Budget Update

- 2023-24 Proposed State Budget report link: <http://www.ebudget.ca.gov>
- LAO 2023-24 Overview of Governor's Budget link: <https://lao.ca.gov/Budget>
- LAO 2023-24 Budget: California’s Fiscal Outlook
- LAO Redesigning California’s Adult Education Funding Model
- LAO 2023-24 Budget: Fiscal Outlook for Schools and Community Colleges
- Joint Analysis – Governor’s January Budget
- DOF – November 2022 Finance Bulletin
- DOF – December 2022 Finance Bulletin
- SSC – Inflation Persists
- SSC – Proposition 28 and Two Other Statewide Ballot Measures Approved
- SSC – Payroll and Benefit Parameters Set by the IRS for 2023
- SSC – BOG Adopts 2023 FON and Elects New Leadership for 2023
- SSC – LAO Issues Forecast for Economy and Education Funding
- SSC – 2022 Local Election Results
- SSC – What Does Split Congress Mean for FY 2023 Budget and Debt Ceiling Negotiations?
- SSC – Inflation Decelerates While Downsides Continue
- SSC – UCLA Forecast: Too Cold or Just Right?
- SSC – Affordable Student Housing Second Round Grant Application Now Open
- SSC – Inflation: Taming the Beast
- SSC – 2020-21 Statewide Average Reserves
- SSC – FY 2023 Omnibus Bill Details Emerge
- SSC – Positive Trends Continue for Inflation, Unemployment, and Cash Receipts
- SSC – Initial Impressions from Governor Newsom’s 2023-24 State Budget Proposal
- SSC – An Overview of the 2023-24 Governor’s Budget Proposals
- SSC – CPI Indicates Inflation Is Slowing
- [Budget Presentation to Board of Trustees January 17, 2023](#)

O’Connor referenced the meeting packet stating there are a number of articles and links to the Governor’s proposed budget, the LAO and Schools Services’ overviews, the Chancellor’s office Joint Analysis which is also reviewed and supported by ACCCA, ACBO and the Community College League of California (CCLC), as well as, Vice Chancellor Ingram’s presentation to the Board last week. These resources provide a high-level review.

On January 10, Governor Newsom announced the State Budget proposal for 2023/24. It assumes a slowing but still growing economy at the national and state level. The proposal recognizes a budget shortfall of \$29.5 billion over the three-year budget window (2021-22, 2022-23, and 2023-24). Despite this somber picture, Governor Newsom managed to present a balanced budget proposal without dipping into reserves, much of which is due to the current year budget's use of one-time allocations that will not be continued. Of course, if even a mild recession materializes, that could significantly impact state revenues. Interestingly, the proposal includes an 8.13% COLA and a small amount for growth (0.5%). Another interesting twist is a proposal to reduce the current year deferred maintenance allocation by about 25% and divert those funds to student retention activities. This is complicated as all districts have already certified how they intend to spend the funds and the funds will have all been distributed by June 30. There will likely be advocacy to reverse this. The 8.13% COLA is also being applied to several categorical programs including Adult Ed, EOPS, DSPS, Apprenticeship and others. There is not much else included as one might expect in a slowing economy as the focus is on preserving programs rather than adding more.

The tentative budget assumptions are based on this proposal, which is in the packet for action. But the LAO has begun review of all the various proposals, not just education, and those reviews get released throughout the next couple of months. The LAO has indicated their belief that the legislature should plan for a larger budget problem requiring more reductions. The Department of Finance proposes any adjustments in the spring and the May Revise issued in mid-May is based on adjustments and new revenue estimates. Legislative review follows with both houses proposing a budget, and the Governor signs, vetoes or makes reductions to any appropriation in the budget bill by June 30.

3. Mid-Year Updates

- Unrestricted General Fund Expenditure Update

Nguyen screen shared (page 120 of meeting materials) and reviewed mid-year expenditure comparisons as of December 31, 2022, for fund 11 and 13 by site. Each site has spent a little more this year and therefore less expenditures available in comparison to this same time last year with SAC at 53.53% vs. 55.75%, SCC at 55.79% vs. 56.50% and DO at 52.89% vs. 53.99%. All sites, funds 11 and 13 combined, is at 54.03% vs. 55.63% for last year. No questions or comments were expressed.

- Preliminary FTES Update for (P1)

Nguyen screen shared (page 121 of meeting materials) and reviewed FTES update for P1. As of January 9, 2023, FTES report includes 17,780.50 (69.32%) for SAC and 7,667.87 (30.68%) for SCC. In comparison to last year with recal SAC was 68.44% and SCC 31.56% which means SAC gained the shift of FTES reporting at P1.

Discussion ensued noting adjustments will continue to be made with final numbers based on the annual report in July. If recal is necessary, that information will be updated as well. The adopted budget is always based on the annual numbers submitted in July. For further clarification, O'Connor confirmed that when funds are received for restoration, the monies will flow to the colleges as a direct pass through according to the BAM.

- SCFF Simulation FY 2022-23

Nguyen screen shared (page 122 of meeting materials) and reviewed the SCFF Simulation for fiscal year 2022-23 and projected growth for 2023-24 based on the 5.67% for SAC and 5.35% for SCC. These numbers were based on December 2022 data which was updated and decreased a bit on January 17, 2023, however, the worksheet has not yet been updated with the student success components with the California Promise numbers that went down. Discussion ensued noting verification of data with college research department and necessary updates will continue through March with final split between the two colleges to be determined after that. This will assist in addressing discrepancies earlier rather than later. The differences of calculated SCFF and TCR adjusted by COLA projected \$6,234,332 is actually \$59,000 less due to the changes discussed. This reflects the potential capture of

restoration at \$6.2 million for 2023-24. Total restoration is projected at \$16.2 million, with \$10 million to potentially capture through additional growth. It was confirmed that restoration is based on 2018-19 and 2020-21 reductions (lost FTES and ability to restore over a two year period). RSCCD already captured 2018-19 through borrow and the 2020-21 is still available to capture.

4. 2023/2024 RSCCD Tentative Budget Assumptions - ACTION
 O'Connor screen shared (pages 123-125 of meeting materials) and reviewed the 2023/24 RSCCD tentative budget assumptions. This is the first run and will get updated as the numbers change, and fine tunings occur along the way. All updates will be included in the tentative budget. He began with review of revenue and highlighted 2021/22 Recal and 2022/23 P1 FTES actuals at 26,202.98 and 25,648.46 respectively noting funding for 2021/22 Recal at 26,848.76. The funding for 2022/23 P1 is expected to be updated within the next month. The projected COLA is 8.13% which is almost \$16 million, plus the \$6.2 million in restoration, which is based on P1 this year and factors in the estimated growth by colleges at 5.67%(SAC) and 5.35%(SCC) for 2023/24. If growth projections are not reached, RSCCD would not be able to capture restoration. If RSCCD grows more than that, there is potential for another \$4 million of restoration. O'Connor explained the deficit factor and whether the State has the funds to pay the entire apportionment owed saying there is no bearing on meeting growth targets. If deficit factor is less than projected, those funds flow to the colleges through the BAM into fund 13.

All other revenue assumptions are based on 2022/23 information as updated data is not yet available. Non-resident tuition increased in the current year and both colleges appear to be on track to earn more than budgeted. The budget has been increased \$300,000 for SCC and \$200,000 for SAC. Apprenticeship for now is not changed but could increase with COLA. For Scheduled Maintenance allocation, the Governor has a proposal to take out this year's budget of \$18.9 million and divert those funds as needed.

He then reviewed the expenditure assumptions noting salary schedules have already been determined with a 5% increase for next year. Anticipating \$1.77 million for step and column and noting the 3.5% health and welfare cost increase is typical. Unemployment insurance is settling at .20%. However, CalPERS contributions will increase to 27% instead of decrease to 25% as expected and will continue to rise over the next few years. FON (faculty obligation number) was discussed with 26 new faculty hires projected with 18 at SAC and 8 at SCC. While the full-time faculty budget is increased, the adjunct faculty budget will not be reduced as is normally the case as the colleges continue to grow enrollment and are currently overspending this budget. Good news is the retiree health benefits requires no additional costs again this year. Capital outlay, utilities, ITS licensing, property and liability insurance, remains the same at this time. Additional costs for district services include the approved reorganizations for Business Services that were attached to the meeting materials as information. Additionally, an agreement between the college presidents and district for \$50,000 ongoing costs for P&C for recruitment is added. Lastly, is the seventh contribution to the ADA settlement.

The culmination includes \$23.4 million in new on-going revenue with \$16.7 in new on-going expenditures providing a positive budget of \$6.7 million and unallocated \$4.3 million for the colleges to share in additions to their budgets. SRP/Rightsizing recap was reviewed with a projected ending balance of \$13.9 million in this fund.

Discussion followed concerning the increased dollar amounts for Business Services approved by Chancellor's Cabinet, District Council and POE leaving the appearance of FRC blessing the fiscal impact instead of approving, sending back or rejecting potential negative budget implications. It was clarified that new District proposals with any new fiscal impact to campus budgets are discussed at POE and then approved at District Council. FRC is then authorized to find funding by adding and approving the budget assumptions. The planning process recognizes District Council as the final approval, which is then a recommendation to the Chancellor and direction to FRC to allocate the funds as necessary. FRC is not able to reject or send back these approved positions. The planning and design manual describes that position requests come from District Council to FRC to allocate the funds. Then the budget assumptions

go back again to District Council for their recommendation to the Chancellor. Review or potential change to the planning process would need to occur at POE, not FRC.

An inquiry was made about SRP savings to be used this year. O'Connor confirmed that a proposal was received by SAC but SCC has not yet presented their proposal and it may be delayed due to the transition of Interim President and new President Kim's arrival. Once received from SCC, a meeting to discuss the SRP savings will then be scheduled.

A motion by Rutan, was seconded by Satele to adopt the 2023/2024 RSCCD Tentative Budget Assumptions as presented. The motion passed with one abstention by Barembaum.

5. [Annual External Audit](#)

O'Connor referenced the annual external audit confirming no findings.

6. Standing Report from District Council – Isbell

Isbell briefly commented on the actions of District Council to include approval of BP-2725 - Board Member Compensation (also approved by Board of Trustees on January 17, 2023); AR 7120.1 Full-Time Faculty Recruitment and Selection which remains on hold until College Presidents and Academic Senate Presidents were able to meet. Additionally, District Council approved reorganizations for Business Services and Purchasing Services. A spring retreat of the joint academic senates is planned for February 1 at SAC. Further discussion transpired on CSU Baccalaureate requirements and SAC's proposed Baccalaureate in Law. Rutan added that District Council also discussed revisions to BP 6250 – Budget Management and AR 6305 – Reserves which were approved. The Board will now approve the revised BP 6250.

7. Informational Handouts

- District-wide expenditure report link: <https://intranet.rscgd.edu>
- Vacant Funded Position List as of January 13, 2023
- Monthly Cash Flow Summary as of December 31, 2022
- [SAC Planning and Budget Committee Agendas and Minutes](#)
- [SCC Budget Committee Agendas and Minutes](#)
- Districtwide Enrollment Management Workgroup Minutes

Informational handouts above were referenced for further review.

8. Approval of FRC Minutes – November 16, 2022

A motion by Satele was seconded by Hoffman to approve the minutes of the November 16, 2022, meeting as presented. There were no questions, comments or corrections and the motion passed unanimously.

9. Other - None

O'Connor mentioned that both Vice Chancellor Ingram and he will be out of the office on February 15, and proposed the meeting be cancelled. Following discussion, the February meeting is cancelled and instead an email notice with applicable updates will be distributed.

A motion by Isbell was seconded by Hoffman to adjourn the meeting. The motion passed unanimously.

Next FRC Committee Meeting:

The February FRC meeting is cancelled, and the next scheduled meeting is Wednesday, March 15, 2023, 1:30-3:00 p.m. This meeting adjourned at 2:27 p.m.