

Fiscal Resources Committee
Executive Conference Room – District Office
1:30 p.m. – 3:00 p.m.

Meeting Minutes for April 17, 2019

FRC Members Present: Peter Hardash, Bart Hoffman, Thao Nguyen, Monica Zarske, Arleen Satele, Steven Deeley, Michael Taylor, and Pilar Gutierrez-Lucero

Alternates/Guests Present: James Kennedy, Roy Shabazian, Tracie Green, George Walters (Cambridge West Partnership Consultants), Mark Reynoso and Brenda Furlong

1. Welcome: Mr. Hardash called the meeting to order at 1:32 p.m. Brief introductions were made.

2. State/District Budget Update - Hardash
Mr. Hardash provided brief comments on the ever changing SCFF and distributed a copy of the Advisory Workgroup on Fiscal Affairs document dated April 12, 2019. There is a huge shortfall with an apportionment deficit of 5.06% for RSCCD; a loss of \$8.9 million. RSCCD was expecting to receive above 17/18 TCR and COLA equal to \$7.4 million, but there is now a loss of \$8.9 million, which means RSCCD may not get full TCR plus COLA. The P1 April version was discussed and should be available on April 26. The \$7.4 million advancement is now proposed at \$2.4 million; a loss of \$5 million. When the P1 April version is distributed it will be incorrect because information submitted for 320 double counted special admits and incarcerated. That could be a difference of 500 FTES. RSCCD was wise to invest in 2017-18 which increased the base. P2 will be released June 30 which is the end of the fiscal year. The advancement of \$7.4 million that was not part of the adopted budget, original budget assumption, with \$5 million distributed to the campuses, should not now be spent. College Presidents have been asked to slow spending. The campuses will have to use their reserves first if reductions are necessary. It was noted the State Chancellor is not asking for more State money because there is no more funding available and to advocate for more would encroach upon K-12 funding.
 - SSC Article – Statewide Average Ending Fund Balance was briefly reviewed.
 - SSC Article – What Percentage of the Budget Is Dedicated to Personnel.
Mr. Hardash briefly discussed the article and noted the average percentage standard has always been at 85% or below of total budgets. All districts have progressively increased and RSCCD is at 87.83%. The two districts in trouble in the bay area are at 92% which is a major problem. There is a need to keep watch and be cautious about exceeding the 90% range for fiscal stability.
 - SSC Article – 2019/20 CalPERS Rate and Updated Out-Year Estimates was referenced.
 - RSCCD Budget Model Breakdown by Budget Center/Updated Tentative Budget Assumptions were referenced.

3. Proposed Legislation: AB-720 and SB-777
 - Mr. Hardash explained that if SB777 passes, it will mandate colleges meet the 75% requirement without providing any additional fiscal support. The opposition is not about hiring faculty, but the lack of funds to support the hiring of faculty. This bill will affect RSCCD. The goal of AB1725 has always been to reach 75% but improvement requires funding. SB777 mandates that a shortfall be addressed each year. RSCCD is currently at 58.6%, which means a 16.5% increase would be required. No district is at 75% and the costs for RSCCD would be \$1 million per year. Mr. Hardash distributed a copy of CCC Fall 2018 FT Faculty Obligation Compliance Report and discussed the FON penalty RSCCD will be invoiced to pay \$262,014. It is not a mistake or anyone's fault. He also discussed the Fall 2019 FON of 381 and credit of 11 from 2015-16 that was just

added to the calculations. It takes two and a half years to get caught up. A general discussion followed about the Fall FON and summer shift data.

- The perception is that AB720 (ISAs) is fixing a problem for credit ISAs and it does not. SAC has two large academies: Sheriff's Academy and Fire Training. Those two departments generate credit FTES through positive attendance; the new model cuts these programs out and SAC has taken a reduction of \$3 million per year. Mr. Hardash has been advocating very strongly to carve out non-credit and CDCP and ISAs. Most do not understand the technical dynamics of ISAs. Most think this bills fixes that, but it does not. While some say the intent is to include positive attendance, it doesn't say it and the language may be interpreted differently. RSCCD opposes this bill unless amended. Dr. Kennedy discussed guidance received from the State Chancellor's Office strongly opposing the ISAs for the academies (fire and safety). Without the funding, the colleges lose.

4. 50% Law Calculations

Mr. Hardash reviewed pages 10-13 of meeting packet addressing the 50% law and noted the colleges are in good shape; combined the district is at 54.62%. The campuses are the only ones that have instructional costs as part of the numerator.

5. Update on Creation of Irrevocable Trust for Retiree Health Benefits (OPEB)

Mr. Hardash discussed and distributed a copy of the timeline for the establishment of the irrevocable trust for retiree health benefits information that will transfer approximately \$40 million from Self-Insurance fund to the OPEB. A Request for Proposal (RFP) is out and closes on April 26. Mr. Hardash will ask for volunteers to assist with the evaluation of the proposals to select the Trust company. He will also ask employee representatives to assist in the selection process.

6. Continued Discussion of SCFF and Review of BAM – Cambridge West Partnership Consultants

Mr. Walters discussed the summer shift conceptually and distributed respective handouts.

- Summer Shift Comparison – using the SB361 vs. SCFF scenarios, Mr. Walters reviewed the differences. Summer shift fabricates growth to maintain base budget. The concept of base is now thrown out the window through SCFF. There are now multiple bases using the 3-year average. Everything was included in SB361, now special admit and incarcerated categories have been removed. Previously all FTES were paid 100%, now FTES are paid 1/3 in first year (it is now diluted with possibly no ability to potentially earn back the remaining 2/3). In the old model, one shifted FTES from year to year to ensure the base. That is now gone away for credit FTES. The new model has no stability, so without restoring, the other 2/3 are never recovered; it is gone. Mr. Walters reviewed examples of simulated comparisons. He focused on "actual" section knowing the numbers are now irrelevant but demonstrated the process. The exercise revealed that shifting the numbers in 2017-18 was a very good strategy, but in future years it is not a benefit. It is best to focus on students and get schedules built. It was determined that RSCCD not borrow from summer and do what is best for students by developing the schedule for their needs and not what may be developed based on available funds. At the end of the day it is about the students. Mr. Hardash explained the importance of the discussion with the P2 report due to the State this week. SAC will continue to focus on maintaining a large college designation. The concurrence is not to borrow. P2 becomes the base for the advance apportionment for next year; which funds RSCCD from July 1 through February 28. RSCCD does not have a cash flow problem. This model will continue to change and P2 is not the end all. Even what is presented as final in July can be changed up until November 1. Dr. Kennedy shared that non-credit does not shift FTES, but last year shifted the schedule and will not be doing such this year. SAC non-credit will be lower than last year, but with stabilization, it will put them in a

better position for next year due to the scheduling of classes; creating a nice bump from summer to be fully restored next year. At some point in time, the ability to shift will go away, Department of Finance (DOF) doesn't like it. Mr. Walters agreed taking advantage of stability in non-credit is wise.

- Mr. Walters shared copies of the estimate 2018-19 revenue allocation simulation and also the formula in the college level format, but unfortunately the numbers are not accurate because of the latest changes. Newer versions will be distributed at the next meeting. Because the Chancellor's Office did not send out the necessary information for the 320, it caused much confusion. A brief discussion followed. If the same occurs with the P2, the advance will be off and everyone will be back in the same mess in February. It is hoped a message goes out to all districts that exact information is critical.

7. Standing Report from District Council

Ms. Zarske briefly discussed District Council recommendation regarding AR6305 to increase reserves from 5% to 12.5% and to move it forward. Mr. Hardash discussed the Board Policy and the corresponding administrative regulation.

8. Informational Handouts

- District-Wide Expenditure Report via link
- Vacant Funded Position List as of April 10, 2019
- Measure "Q" Project Cost Summary as of March 31, 2019
- Monthly Cash Flow Summary as of March 31, 2019
- SAC Planning and Budget Committee Agendas and Minutes
- SCC Budget Committee Agendas and Minutes

Additional handouts provided at the meeting included:

- Advisory Workgroup on Fiscal Affairs - Student Centered Funding Formula Considerations dated April 12, 2019
- Fall 2018 FON Compliance Report and Penalty Letter
- CCC Fall 2018 F/T FON Compliance
- Summer Shift Comparison
- 3-Year Average Scenarios-Comparisons
- RSCCD Estimate 2018-19 Revenue Allocation Simulation Based on SCFF
- College Level SCFF Data

9. Approval of FRC Minutes – March 20, 2019

A motion made by Ms. Satele, seconded by Ms. Gutierrez-Lucero was approved unanimously. The motion passed to approve the minutes of March 20, 2019 as presented.

10. Other

Brief announcements about SCC Earth Day on Thursday, April 18 and SAC Sustain-A-Palooza on Thursday, April 25 were made.

Next meeting reminder: Wednesday, May 23, 2019, 1:30 – 3:00 in the Executive Conference Room #114, District Office

This meeting adjourned at 2:57 p.m.