

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

Meeting Minutes for May 23, 2019

FRC Members Present: Adam O'Connor, Bart Hoffman, Monica Zarske, Arleen Satele, Steven Deeley, and Maria Gil

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

1. Welcome: Mr. O'Connor called the meeting to order at 1:33 p.m.

2. State/District Budget Update

Mr. O'Connor briefly referenced the various documents provided in the meeting materials, especially those related to the May Revise.

- 2018-19 P1 – April Revision
- Governor's May Revise
- LAO – Initial Comments on the Governor's May Revision
- LAO – Overview of the May Revision Proposition 98 Package
- LAO – Overview of the May Revision Proposition 98 Package-051319
- LAO – Analysis of the May Revision Education Proposals
- CCCCCO, ACCCA, ACBO and CCLC – May Revise Analysis
- SSC – Estimated SCFF Funding Rates for 2019-20
- SSC – Statutory COLA for 2019-20 is 3.26%
- SSC – 2019-20 CalPERS Rate and Updated Out-Year Estimates
- SSC – Initial Impressions From Governor Newsom's 2019-20 May Revision
- SSC – Estimate of Out-Year COLAs Available Now
- SSC – SCFF Trailer Bill Language Released
- SSC – LAO Recommendations on CalSTRS Rate Relief and SCFF Hold Harmless
- 5/13/2019 Budget Presentation to Board of Trustees

Mr. O'Connor reviewed (and distributed copies of) the presentation that Mr. Hardash shared with the Board of Trustees on May 13. Highlights include:

- May revision came out on May 9; however the revision isn't a final budget. Tentative budget is a placeholder. State revenue is projecting to be a little higher at \$3.2 billion over the two fiscal years. Proposition 98 funding was briefly discussed. Only \$746 million is available to K-14 with constraints and \$389 million to Prop 2 Reserve Account. Community College allocation is largely unchanged with the exception of COLA being slightly less at 3.26%. There was a decrease to the expected STRS increase and an increase to PERS of which will be reflected in the adopted budget. There are one time funds for scheduled maintenance projects based on FTES with RSCCD receiving approximately \$900,000. RSCCD is looking at being a "hold harmless" district; receiving 2017/18 TCR plus 2018/19 COLA, plus 2019/20 COLA. The deficit factor has been taken out of our budget at this time. Mr. O'Connor reiterated what Mr. Walters shared relative to proposed changes and keeping to 70/20/10 split for additional year and adding 4th year as hold harmless, but LAO is not supportive. Current year budget is worse off than previous budget. Briefly discussed \$5 million given to the campuses in 2018/19 that is no longer available and reduced from the 2019/20 budget. Ms. Satele noted that SCC is able to cover costs from 11 funds, but the 13 funds will be necessary to cover adjunct faculty costs.

3. 2019-20 Proposed Tentative Budget – **Recommendation to District Council**

- Mr. O'Connor briefly reviewed the tentative budget (pages 90-118 of meeting materials). Specifically referencing page 92 noted COLA will be 3.26% instead of 3.46% and will be adjusted in the adopted budget. \$1.1 million has been the apportionment deficit factor estimate for several years. For the tentative budget, the deficit factor has been taken out due to the new SCFF model. It is hoped RSCCD will receive all the funds estimated which leaves no extra cushion built in. Line "I" increased by \$200,000 because SCC is earning more than budget for international students while there is no change at SAC. Line "L" apprenticeship revenue is being budgeted at \$800,000 higher; however, there is no offsetting increase to cover expenses/costs. SCC will need to figure out how to fund the costs for that program for adopted budget. The expense items all remain the same. Collective bargaining settlements were larger than COLA. There are savings as the result of replacing employees being paid less than those that vacated the positions and how vacancies are budgeted. The \$7.5 million that was designated as new revenue in the SCFF, has now been removed. \$850,000 remaining in the stabilization fund and April P1 statement were discussed. There was a follow-up discussion regarding stabilization with a reference to page 103 of the meeting materials to clarify movement from 7950 (stabilization) to 7930 (Board Policy Contingency at 12.5%).

It was moved by Dr. Hoffman and seconded by Ms. Satele to approve the Tentative Budget as presented. The motion passed unanimously. Mr. O'Connor confirmed the recommendation will move forward to the June 3 District Council and then to the Board of Trustees on June 17.

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

Mr. Walters referenced and reviewed page 2 of the meeting materials, Exhibit C, which changed significantly since the last review in March.

The first change is the use of prior two years of 3-year average with special admits being recalculated and pulled out. RSCCD lost \$5 million from \$176 million to \$171 million. Credit was previously reported at 21,234 in the first version of P1, now it is 19,852 with a deduction of \$5.2 million. RSCCD was hit hard due to the change in the formula. \$35 million was re-distributed to hold harmless districts leaving RSCCD with \$345,000 instead of the \$8.9 million. There is \$45 million yet to be calculated and distributed system-wide. There is a major disconnect for the way things were done by the Chancellor's Office and how they are being done now. One thought is everybody takes a cut then there is no deficit. Basic Aid Districts, however, got more money - \$51 million system-wide went to six Basic Aid Districts. Next year's proposal as discussed at the spring ACBO conference will be smaller than the Governor's May Revise.

The metrics will be changing; however the original legislation is being re-examined (refer to page 120 of meeting materials for more details). Mr. Walters distributed a "simplified" version of the recommended changes to the SCFF and briefly discussed each element comparing current law and recommended changes. The total number of outcomes can make a 25-35% difference in dollars. Last year 140,000 AA/ADTs were earned system-wide, but only awarded credit for 85,000. There is a huge population that earns multiple degrees. ADTs currently earning \$2,300 could change to \$5,000. If ADT is worth \$5,000, there is a need to dig into data and track students. If Pell grant or BOG is worth \$8,000 per student, changes may need to be made. The 75-units degree may need to be changed to 60-units instead. A discussion followed about the workgroup and legislation discussing ISAs only applying to agencies that have employees in the program. This is very different for most of the students in those programs. When asked how probable it is to receive rates by

June 15, it was noted the “one” individual at the Chancellor’s Office is running the numbers now; a lot of people are very upset right now.

5. Standing Report from District Council

Ms. Zarske briefly discussed District Council activities specific to the three-day non-payment drop resolutions from SCC and SAC and direction provided by District Council for the College Presidents to review data and financial impact for a future discussion. There were no further questions.

6. Informational Handouts

- District-wide expenditures report link: <https://intranet.rscgd.edu>
- Vacant Funded Position List as of May 17, 2019
- Measure “Q” Project Cost Summary as of April 30, 2019
- Monthly Cash Flow Summary as of April 30, 2019
- SAC Planning and Budget Committee Agendas and Minutes
- SCC Budget Committee Agendas and Minutes

Additional handouts provided at the meeting included:

- Recommended Changes to SCFF

7. Approval of FRC Minutes – April 17, 2019

A motion made by Dr. Hoffman, seconded by Ms. Satele was approved unanimously. The motion passed to approve the minutes of April 17, 2019 as presented.

8. Other

A brief discussion was held about future meetings being on a different day other than Wednesday. This will be discussed again at the next meeting.

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

This meeting adjourned at 2:15 p.m.