

COUNCIL ON BUDGET AND FACILITIES
May 13, 2019
APPROVED SUMMARY

Members Present: Pete Christenson, Richard Fee, Rodrigo Garcia, Tina McClurkin, Melisa, McLellan, Kim Orlijan, Alex Porter, Irma Ramos, Bryan Seiling, Pamela Spence, Leslie Tsubaki, Kashu Vyas, Fred Williams & Marcus Wilson

Members Absent: Terry Cox, Craig Goralski & Cherry Li-Bugg

Guest: Doa Dang

Call to Order: Call to order at 2:08 p.m.

- I. **Summary:** The summary of the April 8, 2019, 2019 meeting was approved.
- II. **Budget Update - Budget Assumptions (May Revision)**

Major Changes from January Budget - Distribution of Community College Update

- COLA reduced from 3.46% to 3.26%
- There is a fourth year of Hold Harmless being proposed
- One-time funding of approximately \$40 million for deferred maintenance, instructional equipment and water conservation projects.
- In the proposed budget, there is a potential buy down of STRS rates for two years. State fiscal experts caution that the proposed budget reflects a temporary reduction and should be treated as one time savings.

Questions/Comments:

1. *If there is a buy down for two years and the rates continue to go up in the subsequent years, does it automatically jump to the high rate again? One interpretation is, after the temporary buy down the rates will return to the published rates, unless additional action is taken. Another interpretation, with a multi-year buy down, shows a 1% decrease for three years. Then there are permanent effects, the analysis shows from the proposal a .5% permanent reduction and ongoing rates.*
2. *Of the \$1.2 that the Campuses share for deferred maintenance/instructional materials, will the District consider these funds to be used for instructional equipment, deferred maintenance or will that be a local decision at the campus level? The decision on how to use the funds is usually left up to the campuses to decide. However, the budget will need to be broken down before the campuses are able to determine how the funds will be spent. There have been challenges trying and break it down between credit and non-credit, which does not have a scheduled maintenance component. Further discussion is needed.*

A handout on P2 updates was provided to the Committee. There is a comparison of actuals to targets, however, no further revisions have been made for the 2019-20 targets. While it is still beneficial to know our FTES, as a hold harmless district, we are not directly impacted for 2019-20.

Tentative Budget Assumptions – The numbers are currently being reviewed and updated. The current spreadsheet reflects no current changes from the April 8, 2019 meeting. An area to focus on will be the credit FTES numbers based on the P2 report which will be used for the FON calculation.

Questions/Comments:

1. *How accurate are the 2019-20 FTES targets?* They are fairly accurate, however, there could be a positive or negative difference when comparing them to actuals. The campuses are asked to base their projections on the current number of classes.

Use of One-time Funding – The \$10 million deficit that was projected for 2018-19 was removed. The goal is to allocate dollars to the campuses to begin their planning process for 2019-20 as soon as possible.

Questions/Comments:

1. *What Pathways support is the district providing?* Additional research is needed and information will be provided at the next meeting.
2. *Why do the expenditures for the Foundations stop after 21-22?* It is the Chancellor's goal to make investments and have the foundations be self-supporting in the future.
3. *How much has been collected district-wide for the foundations?* Cypress College has raised roughly half a million for the Memorial Bridge project. Anaheim Campus has raised roughly \$75,000. Fullerton has raised money, but the exact amount is not known at this time. The total amounts are significantly higher than previous years and we hope to continue to increase.
4. *Will there be an investment once the amounts grow? Could we emulate some of our successful surrounding districts?* We have taken a look at other districts that are very successful, and that would be the goal. Our District has the potential to grow and increase.
5. *What are the details for the 2018-19 amounts listed under Pathways, Workforce, and Professional Development? How is it broken down?* Professional Development includes the Leadership Program, mentorships, District-wide conferences and a portion of the Director and assistant's salaries. A detailed breakdown of the costs associated with Pathways, Workforce, and Professional Development will be provided at a future meeting.

A handout from the State Chancellor's Office regarding the 2018-19 First Principal Apportionment for NOCCCD was shared with the Committee.

Personnel Calculator Subcommittee – The state-wide 2017-18 fiscal data abstract information was not yet available, but the 2016-17 data was pulled. The data shows all 72 districts and how much each district is paying for salaries and benefits compared to their overall expenditures. State-wide, the average is about 80%. The subcommittee is looking to run, not only general restricted funds, but unrestricted, restricted and the combined total. Adjustments have been made since the previous meeting, such as: incorporating actual

non-resident tuition fees, on-going revenues, full time faculty dollars, and backing out on behalf payments and SERP payments to create different scenarios.

Resource Allocation Workgroup – The group has currently identified the four centers, Cypress College, Fullerton College, NOCE, and District Services, each of who would fund the District Services costs. This would be basis for the internal Allocation Model. Further discussions between the Budget Officers will take place to determine the best assessments for charge backs.

III. **Bond Update:**

At the May 28, 2019, Board meeting, a presentation will be made on all Bond projects. Each campus will have an opportunity to provide an update on their current construction projects. The second component to the presentation will be on the sustainability plans for each of the campuses. The third component will include information on PLAs (Project Labor Agreements) and what the pros and cons are. There is Legislation that is being worked on to require projects to have a PLA. The question is, will it require all projects to be covered or only State capital outlay projects. If the District does decide to go with a PLA, the focus should be large major projects, as it would not be affordable for smaller contractors. A PLA cannot be applied to projects that are currently in progress.

Questions/Comments:

1. *Will the tariff cost increases effect any of the current projects?* The current projects have already been bid, therefore, the prices will not be increased. Possible cost escalations were included in the estimates.
2. *What was wrong with the materials for the SEM building?* The capacity load for production of the materials needed, the piles, was too much for one vendor alone, therefore it needed to be split between two vendors to produce the materials in the time.

Fred Williams and Dr. Cheryl Marshall recently went to San Francisco to go out to market for a second series of bonds. The District is looking to sell \$150 million by June.

Adjournment: The meeting was adjourned at 3:15 p.m.

Next Meeting: June 10, 2019