

## COUNCIL ON BUDGET AND FACILITIES

August 13, 2018

### APPROVED SUMMARY

**Members Present:** Josh Ashenmiller, Terry Cox, Richard Fee, Rodrigo Garcia, Craig Goralaski, Irma Ramos, Leslie Tsubaki, Kashu Vyas, Fred Williams & Marcus Wilson

**Members Absent:** Tonya Cobb, Raine Hambly, Cherry Li-Bugg, Elaine Loayza, Rod Lusch, Tina McClurkin & Bryan Seiling

**Guests:** Victor Manchik, Cheryl A. Marshall

**Call to Order:** Fred Williams called the meeting to order at 2:10 p.m.

- I. **Summary:** The summary of the June 11, 2018, meeting will be taken to the September 10, 2018, meeting for approval since there was not a quorum present.
- II. **Budget Update:** Fred Williams shared updates on several budget-related items.

**Budget Assumptions:** Fred Williams presented a PowerPoint presentation on the 2018-19 Fiscal Update.

Year Ending Closing 2017-2018 – The books were closed for the 2017-18 fiscal year on August 8, 2018. The District's General Fund ending balance is \$86,590,676. This is roughly 34% of the 2017-18 expenditures and other uses, which is an increase of \$21,546,171. The Summer Shift by itself equated to roughly \$11 million in 2017-18 with another \$8 million coming from the PERS/STRS dollars being set aside. Based on the State Budget that was approved in June, there is a three-year Hold Harmless in the new funding formula, which will guarantee our District money for next three years.

Our 2017-18 annual FTES was 34,632.78, however, the District reported 32,484.04 FTES, due to the Summer Shift. While the actual FTES number was 524.24 above the District's target, our FTES number is still 1,446.06 FTES below the 2014-15 actuals, which is a concern.

Two major items to the newly approved State Budget were the new Funding Formula and the Online College. The new funding formula includes a three-year phase in by providing 70% enrollment-based funding (Base Allocation), 20% funding based on enrollment of low-income students (Supplemental Allocation), and 10% funding based on performance outcomes (Student Success Incentive Allocation). Which will become a 60%-20%-20% funding split in two years.

Simulations from the Chancellor's office were received for the new funding formula, however, the simulations are based on the District's 2016-17 numbers, which included the Summer Shift. For the next year, the new funding formula will need to be studied extensively. First glance is that the District will receive the statutory COLA of 2.71% for apportionment for 18-19.

Questions:

1. *How much is the Hold Harmless getting the District over the next few years?* Based on the Chancellor's office simulations, it is roughly \$30 million, however, when calculating the District's actual numbers versus the inflated numbers, it is roughly \$60 million, plus \$18 million from the Summer Shift. Which could ultimately mean up to \$80 million in extra revenue for the District.
2. *Is there any real incentive to chase FTES at this point?* Technically, no. The District does not need to hit any particular numbers at this point, however, the ending funding formula focuses on 20% Student Success. After Wednesday's State Budget Workshop, we should have a better understanding of how certain categories are allocated.
3. *Do we know what the COLA will be in future years?* Based on information from School Services it looks like a 2+% COLA. In the original new funding proposal, there was a 2.7% one-time COLA, but with the approved formula, our stability numbers are increased by COLA for the next three years.

The 2018-19 State Budget also included other funding additions:

- \$50 million for increasing the number of full-time faculty
- \$50 million (one-time) for the Part-time faculty office hours program
- \$46 million for the California college promise program (elimination of enrollment fees for new students meeting certain criteria)
- \$40.6 million for the student success completion grant program
- Additional one-time funding in other areas

We can anticipate significant adjustments made throughout the year as more information is provided, and while estimated numbers may be used, a Proposed Budget will go to the Board on September 11, 2018. The 2018-19 Tentative Budget is based on the rollover budget and focuses on on-going resources, using the SB361 funding formula as the basis for apportionment. Staff is working on final analysis, assumptions, position control, and new budget developments, which will be incorporated into the Proposed Budget.

The 2018-19 FTES target was established at 34,552.02. In comparing 2017-18 targets with current targets, Cypress is up about 5.9%, Fullerton is down about 0.83% and NOCE is down about 0.89%. Overall, there is a 452.06 FTES increase from the prior year.

Based on initial information from the Chancellor's Office, the District's full-time Faculty Obligation Number (FON) Calculation appear to be short about 11 positions for fall 2018. There was a decision to hire six faculty for 2018-19; however, 10 additional faculty could have been hired. The number of SERP retirements for faculty exceeded initial estimates.

There is an estimated FON increase for 2019-20, and in order to prevent the District from paying any penalties and collect any new faculty dollars, roughly 60-70 faculty may be needed for next year. This includes the District portion of the \$50 million for new faculty that is contained in the 2018-19 State Budget.

Questions:

1. *Would it be possible to hire throughout the year to equal our FON number?* Unfortunately, no. There are reporting dates and deadline, so faculty hired in the spring would not count towards the 2018-19 FON number. While it is possible, the requirement is for the beginning of the fall semester.
2. *When will the faculty and staff be aware of the staffing need?* The process will be the same as if we were hiring one new staff member. The Presidents at the campuses are aware of the tentative staffing needs at this point.

Unrestricted General fund – There is an on-going structural deficit. Based on SB361, the sustainable FTES revenues were roughly \$190 million. There were \$200 million in expenditures that left the District with a \$10 million deficit. Extra faculty positions for 2019-20 were also included in this calculations as well as the cost for estimated salary and fringe settlements.

Unrestricted General Fund – One-time adjustments were presented to go from the on-going deficit to an overall surplus of \$11 million. Adjustments included, faculty vacancies, FON penalty, and hold-harmless allocation. Staff will need to monitor the sustainable revenue calculations and build the budget around this figure. (Graph was shared that showed SSFC funding against the SB361 model) The graph shows a steep decline in revenue in year four of the new funding formula when the hold harmless provision expires. The next year will be spent understanding the new funding formula and developing a plan to maximize our on-going revenue.

Expected Changes for the Proposed Budget – There will be significant changes from the information presented on the Tentative Budget compared to the Proposed Budget that will be presented to the Board in September. Expected changes will be the inclusion of changes from the SERP, salary negotiations, revenue from the new funding formula, and position control adjustments. We also expect a large change from the estimated schedule maintenance funds that were contained in the original state budget proposal. Staff will also include carryover funds and categorical program budgets.

Outstanding Issues – One of the outstanding issues we need to focus on are the FTES challenges. At this point, there is an unknown impact of the new student focused funding formula and how it is calculated in with the point system. Also, the number of faculty hires will be key for next year.

Question:

1. *There is a structural deficit that is a significant issue and needs to be addressed. The 311Q report does not show or indicate that there are any concerns for the current year or next year. The report asks, "Do you have significant fiscal problems that need to be addressed? The answer was no, for the current year and no, for next year. Why is that?"* The report asked if there was a fiscal problem for the next two years, with the hold-harmless provision contained in the new funding formula, staff believes that there are no issues for the next two years. Staff does expect that there will be

discussion on the very topic since the 311Q is on the agenda for tomorrow's Board Meeting.

- III. **Use of Categorical Funds for Salaries and Benefits:** Fred Williams shared a draft write-up on the background and mutual understanding of the Use of Categorical Funds for Salaries and Benefits. Last year CBF discussed the trends of funding coming out of apportionment and into categorical funds. Fred Williams touched on the different types of categorical funding and discussed the need for additional personnel. Staff expressed a need to establish standards for each category so everyone has the same understanding. Representatives from various groups requested that the item be returned for the next meeting for additional discussion.

Questions:

1. *How many positions do we lose to attrition? Could we use those particular positions or retiree positions to absorb any natural attrition to lessen any threat of potential layoffs?*  
More information is needed, unfortunately it is more complex than simply using the retirements. Other solutions such as one-time dollars was discussed.
2. *Could money be set aside as a contingency in the event that categorical funds decrease?*  
It's a possibility, but not a final solution. The purpose of the document is to promote dialog and get other's perspectives, therefore, a workgroup would be beneficial to explore ways to minimizing the gaps and develop a more comprehensive plan.

Fred Williams discussed an idea he heard from the Chancellor. As a part of staff development, could we use release time for faculty so that they can development skills and lead different initiatives?

- IV. **Bond Update:** A facilities update for each campus was provided:

**Anaheim Campus** – Fred Williams provided an update for Anaheim Campus.

The seventh floor is on time with the expected move prior to the next term for NOCE. The 10<sup>th</sup> floor demolition is done and the framing is being brought in. The crew is working a night shift to mitigate the noise levels. The new electrical lab on the 5<sup>th</sup> floor will be open for the new NOCE term. There was a six-week closure to the Anaheim Campus upper-deck parking lot for destructive testing and repairs. Currently waiting for report from engineer reviewing the loads to possibly support solar panels. The report is estimated to be in by next month.

**Fullerton Campus** - Rodrigo Garcia provided a facilities update for Fullerton Campus.

Instructional Building/Chiller Plant: The schematic design phase is almost complete and floor plans have been finalized. Potential start date for construction is January 2020.

300 & 500 Buildings: Drawing were submitted in March and in July, Fullerton received a letter from the State for funds to be released for the working drawings. The next step is

to submit the working drawings to DSA early next year. Prior to the 300/500 construction project, there will be a sewage line/drainage system project. Estimated construction date is June 2021.

Fullerton recently signed a seven year lease agreement for the use of an off-site parking lot to provide up to 130 additional parking stalls and will be ready for use prior to the fall term. A shuttle service will also run from 7:00 a.m. to 6:00 p.m. Monday – Thursday for the first 6 weeks of semester.

Sherbeck Field – A draft EIR study will be taken to board in either February or March. Additional traffic studies are needed to answer questions.

A waiver for sale of vacant lots surrounding the campus will be taken to the Board of Governors in September.

*Question: Will the new 300 & 500 building be the same size as before?* Yes. The original plans were submitted and approved about 10 years ago and must be followed through with.

**Cypress College** – Fred Williams provided a facilities update for Cypress College.

Science, Engineering & Math Building – The plans that were submitted to DSA are expected to be approved mid-month and cost issues on the buildings are back on budget. The Veteran Center and new swing space are on budget and plans are on schedule with no current issues or concerns.

Richard Fee expanded on SEM building, that there is currently no value engineering taking place, but that there is a commitment to keeping plans on track. He also shared that faculty will be getting about 90% of what they had requested in terms of the SEM building.

There have been recent staff change overs, however, the campus currently has a consultant helping with some of the workload on construction projects.

- V. 2018-2019 Meeting Calendar:** Proposed future dates for CBF were presented to the committee members. The November 12, 2018 meeting will not take place or be rescheduled at this time. By majority vote, the proposed dates were approved.

**Adjournment:** The meeting was adjourned at 3:44 p.m.

**Next Meeting:** September 10, 2018