

COUNCIL ON BUDGET AND FACILITIES
March 9, 2020

APPROVED SUMMARY

Members Present: Josh Ashenmiller, Terry Cox, Christie Diep, Richard Fee, Lisa Gaetje, Craig Goralski, Cherry Li-Bugg, Kim Orlijan, Jeremy Peters, Alex Porter, Irma Ramos, Pamela Spence, Jason Thibodeau, Leslie Tsubaki, Kashu Vyas, and Fred Williams

Members Absent: Pete Christianson, Rodrigo Garcia, Melisa McLellan, Tina McClurkin

Guests Present: Chelsea Salisbury

Call to Order: The meeting was called to order at 2:05.

1. **Summary:** The summary of the February 10, 2020 meeting was amended and approved. As previously requested at the last CBF meeting, Fred Williams provided a handout showing the breakdown of the revenues and expenditures by employee classification for a ten-year period.

Questions/Comments:

1. *Were we able to identify full-time employees on contract vs. employees on a one-year contract?* No, these are purely by account number. If there was a full-time faculty member, it would have been shown under the full-time category.
2. **P-1 Report** - The District's P-1 report was provided to the committee. Overall, there was a positive shift to earned revenue. A portion of the hold harmless dollars shifted from one-time monies to on-going. The downside of the P-1 report was that the hold harmless districts, starting in 2019-20 will be participating in the statewide deficit. This was a major change. Our portion of the statewide deficit for the 2019-20 year is estimated at \$7,907,027, although it is expected to be decrease as property tax revenues and enrollment fees are collected statewide.
3. **Budget Assumptions** – A multiple page handout dated March 9, 2020 was provided by Kashu Vyas.

FTES and FON – The 2020-21 FTES targets have been updated using 2019-20 numbers as a starting point. Overall, we are looking at a 1% decrease. Based upon the FTES numbers, and considering the faculty recruits, it appears that we will be three positions over.

Questions/Comments:

1. *The amount listed at the bottom of the page (per CCCCCO), is that the number we are expected to have from the State Chancellor's Office?* Yes. The State Chancellor's Office provides us with the number as we start to approach summer. We calculate our own numbers based upon our FTES targets in order to hire faculty for the following fiscal year.

On-going Budget –

- i. State Revenue – Shows the projected apportionment revenue on an on-going basis for 2020-21. Also, due to the change in the new funding formula, a side-by-side comparison of the current and previous formula was provided. There were many

shifts due to the rate changes, the bottom line effect is an increase in on-going revenues of \$2.9 million, which reduces our hold harmless amount by the same amount.

Based on the data used in the apportionment calculator for the three-year projections, the assumption is that our numbers will continue to stay the same for our Supplemental Allocation and Student Success Incentive Allocation.

Questions/Comments:

1. *Credit vs CTE credits – are the certificate credits set at 16 units or 18 units?* The State has set it at 16 units.
- ii. Local Revenues – Estimates are based on prior year numbers and are placeholders until the District receives the actuals.
- iii. Appropriations and Expenditures – largest category was salaries, no salary increases were assumed for 2021. Faculty – no salary assumptions were incorporated, but will be incorporated if any changes are made. Estimated increases for step increases were included based on last year's budget. A 6% increase to medical benefits was incorporated as well as a 3.8% increase to the PERS rate and a 1.3% increase to the STRS rates.

Item D – Retirement benefit costs, the actuarial estimate for next year's costs was used.

Item E – Is a recap of the Fulltime Faculty Obligation Number (FON) information

Questions/Comments:

1. *At what point are districts penalized and required to pay?* If the actual number of full-time faculty, plus late retirements is below the required FON, then a penalty is imposed on a district. The penalty amount, plus backfill for part-time faculty, is equal to, or close to, the amount that would be spent if we were to hire a new full-time faculty member. So there is no real loss or gain if we were to be penalized. Retirements, successful recruitments, and P-2 numbers all play a large role in the FON. It is possible that we may need to pay a penalty for the 2020-21 fiscal year.

Item F - Extended Day budget – No additional information has been changed at this time.

Item K – the Sabbatical amount is estimated and related activity are budgeted together.

Item N – OPEB trust – The amounts fluctuate based on the stock market. Overall the trust is doing well, almost fully-funded. After the recent market drop, \$10 million was lost over the last several weeks. This is a long-term investment, so there will be losses and gains.

Questions/Comments:

1. *What is amount that the District is contributing?* In the actuarial evaluation, the District has a \$9 million obligation based upon pay-as-you-go for retirees, and the service costs for active employees. However, we are contributing about \$6.5 to \$7 million of on-going funds. It is a very complex formula.

2. *Is there any way to earmark the funds that are not used in the Sabbatical category to possibly be used for Professional Development?* CBF could be used to vet a way to request those funds for Professional Development. Each year varies dramatically, however, at year-end any leftover funds could be distributed to Professional Development, however, we have been budgeting for Sabbatical and Related Activities together so this would be considered.
3. *What does OPEB Stand for?* Other Post Employment Benefits.
4. *How are the District Service amounts determined (\$2.7 million)?* These are the starting amounts from the prior year and adjustments are made as needed.
5. *Where are soft monies (grant monies) allocated?* The categoricals are budgeted separately. *Are the categorical salaries and benefits included in the overall calculation?* All of the categorical funds have balanced budgets. When the calculation of the 1% of salary and benefits is completed, only permanent employees are charged to the general fund are included, not categorical funds.

Operating Allocations – Includes proposed COLA at 2.29%, and FTES differences.

Extended Day Funding Model – Based on last year's calculations and estimates.

The summary page has changes to reflect the new funding formula, a comparison from 2018-19 to 2019-20.

4. **Resource allocation model** – With the new model, revenues and expenditure amounts do not change, its how the information is presented. State apportionment revenues is what the District will be receiving. What is not shown in the current model is the revenue sources, extended day overages, and salary increases. The new model shows the funding breakdown by campus, all monies are allocated to the campuses with the exception of the hold harmless dollars. One-time dollars are also not part of this model. Charge backs are still being discussed before rolling out the new model. The new model will continue to be refined as additional information is provided. The May Revise will also be a large component.
5. **One-Time Funding** – A one-page handout was provided to the committee. The hand out shows the previous \$74.5 million and what is now available. The adjustment for 2019-20 shift from one-time monies to on-going monies was incorporated. The deficit for 2019-20 numbers are also identified, although the actual amount is still unknown at this time. Based on the current calculations, \$60.5 million is available, but may be readjusted when additional information is received. The information on the sheet reflects the adjustments that were shared at CBF and DCC, two line-items Student Basic Needs or Educational Facilities Master Plan (EFMP) were removed. DCC agreed to grant the original amount requested by Cypress College and Fullerton College for their Facilities Upgrades. Monies will also be allocated to NOCE based on their current request.

Question/Comment:

1. *When CBF agreed to add funds to the campuses Facilities Upgrades, wasn't it discussed to take out Student Basic Needs and the EFMP?* Yes, it was discussed to remove these two items, but the amounts were not discussed.
2. *Where did the \$23.6 million come from?* It's a combination of things, the hold harmless decrease, and the additional monies that were allocated to the campuses for Facilities Upgrades.
3. *If everything was hypothetically approved at the last CBF meeting and the Board approved the suggestions, would we still be revising the one-time monies at this point?*

Most likely. The major change was the fact that the hold harmless districts are now participating in the deficit of \$7.9 million, which has made a large change that was not anticipated.

Terry Cox provided the committee with NOCE's request for additional money – District Facilities was also included in the process, as it oversees the building maintenance. Specific facilities items are listed, Wilshire needs, and classroom maintenance items for all centers are listed. The request that is reflected on the one-time funding sheet includes receiving sustainability funds, which is less than what is reflected on the one-time funding sheet. The total request for NOCE is \$4.1 million.

Discussion took place on where the additional monies for the campus Facilities Upgrades should be taken from and how the \$23 million deficit should be accounted for.

Continued concern was voiced on how allocating monies back to Student Basic Needs and EFMP would not be ideal, as these areas have not been vetted on how the monies would be spent, therefore the \$23 million should be taken from these larger pots of money. Faculty members addressed that it would be ideal to see what the money would be used for in the larger categories, similar to what was provided for the Facilities Upgrades. There was also discussion that the smaller categories were not vetted either and that all categories should be cut.

If the Student Basic Needs, EFMP, Resource Allocation Model were to be cut by 48% it would make up the \$23 million deficit. The concern with taking a portion from the Resource Allocation Model would be additional dollars would be needed for the campuses to backfill, as many of the budgets are estimates.

Questions/Comments:

1. *How do we address certain things on the budget, for example the bottom line of NOCEs budget, \$20 thousand? Faculty are concerned with this budgeted amount. The \$20 thousand was adjusted to \$1.4 million, but the numbers for personnel, position reductions and reclassifications have not been run yet. The chargebacks are still being worked on.*
2. *NOCE and Fullerton upgraded their security cameras, why did Cypress not list this under Facility Upgrades? Where did the funding come from? Yes, Measure J funds. While a list would be ideal for proposed expenditures, it may be time consuming to provide details, there will always be an on-going list of items that need to be addressed.*

A motion was made for approval of NOCE's one-time funding. Consensus was made. Another motion was made to approve the amounts for the facilities upgrades, consensus was made.

After discussion, the committee felt that a decision on the one-time funding could not be made after one meeting and further discussions would be made at the next CBF meeting. Campus representatives will bring back proposals, suggestions, and ideas after meeting with their constituents. CEOs and the Chancellor will be invited to attend the next meeting to provide the committee with an idea of how the monies for the Student Basic Needs and EFMP are going to be used.

Quorum was lost. The meeting was adjourned at 4:10 p.m.