

COUNCIL ON BUDGET AND FACILITIES
June 8, 2020

APPROVED SUMMARY

Members Present: Pete Christianson, Jennifer Combs, Terry Cox, Christie Diep, Lisa Gaetje, Rodrigo Garcia, Craig Goralski, Cherry Li-Bugg, Melisa McLellan, Jennifer Oo, Kim Orlijan, Jeremy Peters, Alex Porter, Irma Ramos, Pamela Spence, Leslie Tsubaki, Kashu Vyas, and Fred Williams

Guests Present: Lisa McPheron, JoAnna Schilling, Greg Schulz, Kai Sterns-Moore

Members Absent: Jason Thibodeau

Call to Order: The meeting was called to order at 2:03.

1. **Summary:** The summary of the May 11, 2020 meeting was approved.
2. **Budget Update –** The California Community Colleges Chancellor's Office 2020-21 State Budget Update was provided to the Committee members for review and a one page May Revise Summary of the Legislative Action.

The major differences on the summary page is the Governor's proposal has a SCFF Base reduction of 8% \$(593,000,000), no COLA, no growth, and a significant reduction to Apprenticeship, Strong Workforce Local Program, Student Equity & Achievement Program, Elimination of Proposals/Technical Adjustment, Part-time Faculty Compensation, and Calbright College. The second largest portion of reductions were cash deferrals, \$(332,000,000) for 2019-20 and \$(662,000,000) for 2020-21. The Senate's version leans towards a different direction, assuming that the Federal government would be providing dollars to make up for the budget shortfall at the state level, there is no base reduction. The Senate proposes dollars for COLA, growth and Apprenticeship. The Senate also recommends eliminating Calbright online college. If dollars are not received by October, the proposal was to take the money from COLA and the growth areas and add it to the deferrals. We do expect to see the budget enacted and signed by June 15th.

Questions/Comments:

1. In the Senate column where there are no numbers (blank), Strong Workforce, Student Equity and Achievement Program, etc., does this mean they are proposing no reductions? Correct, no reductions proposed.
 2. What is part-time faculty compensation? Dollars that we receive for part-time office hours and medical reimbursements.
3. **Tentative Budget Assumptions –** Due to anticipated changes in the Governor's budget, and possibly a secondary budget in September, District staff is planning to revise the approved 2020-21 budget timeline to push back the proposed budget to the first or second meeting in October. Staff typically take the proposed budget to the Board at the first meeting in September.

A multi-page document was shared with the committee during the meeting and distributed via email on 6/10/20. The Governor's May Revise numbers were used to calculate the revenues and the New Resource Allocation Model (RAM) was used to distribute the dollars.

Revenues - The 2019-20 rates for FTES were reduced down to \$4,009, while all other rates appear to stay the same. The Chancellor's Office also directed districts to reduce all of the rates by 8% at this time for 2021. The estimated total funding for the Student Centered Funding Formula (SCFF) is \$197,153,735 including hold harmless funding.

- SCFF Data – Using the new RAM, each of the colleges are credited for the total amounts achieved or earned and any differences between what the colleges achieved on their own versus what the district is credited for is also accounted for in the model. The total SCFF 2020-21 State Apportionment earned revenue is \$187,668,812.
- Unrestricted Revenues – Accounts for all revenues outside of the SCFF that the District receives as a whole. For example, state revenue, local/dedicated revenue and additional funding needed to supplement programs that are not self-supporting. The total for other unrestricted revenues is \$18,711,876.
- Revenue to District Office for District Services – calculated at 9.25%
- Districtwide Expenses – Expenses that all campuses contribute to. A list of expenses was provided to the committee, totaling \$8,779,302 for 2020-21. For 2019-20, the utility expenses and cogent maintenance costs were removed. These expenses are now being budgeted at each of the sites.

Due to the reduced earned revenue (8%) from the decrease in FTES rates, a significant deficit is projected at each of the campuses prior to the chargebacks. To help cover the shortfalls, the \$9,484,923 hold harmless dollars were allocated back into the SCFF structure.

Chargebacks – Increases or decreases the campuses net revenues, depending on reimbursements. The Districtwide chargebacks are being budgeted out and will net to zero.

Expenditures – Are broken down by General Fund Expenses and Self Supporting Expenses.

- The largest component of expenditures is position control, which is a list of all permanent positions within the District. Human Resources and Fiscal Affairs maintains a list of all permanent positions within the District, by class, and determines whether the position is filled or vacant, what the cost is, and the funding source.

Overall, staff believes that the District has sufficient resources to cover the 8% reduction from the May Revise (\$21 to \$22 million), from the hold harmless that was not included in the on-going revenues (\$10 million), and the 2019-20 surplus.

Question/Comments:

1. Is it at all possible to show us a side-by-side summary overview of what the allocations would have been under the old RAM so that we can compare? The amounts and numbers remain the same for the revenues, regardless of the model. Staff will try and prepare a document that can be shared with CBF members at the next meeting.
2. Is there an expectation that some classes will be cut in the fall, given the hold harmless and unallocated funds? Both campuses are planning to use the same FTES targets. Greg Schulz shared additional information for Fullerton College – Fullerton is not planning on cutting classes as a direct result of the budget. There is a large demand for

summer classes and Fullerton is anticipating the same for fall, however the FTES target will remain the same. Fullerton recently adopted a class schedule working with the departments and divisions and plans to finalize the schedule soon. For now, Fullerton will maintain the same schedule, but will be mindful and stay within budget while attempting to address the highest demand waitlist areas in order to help as many students as possible. JoAnna Schilling shared additional information for Cypress College – Cypress is also not planning on cutting any classes at this time and also sees a higher demand for summer classes, but will also continue with the same FTES targets. There may be some restructuring of the classes based on demand, but cutting classes is not the solution to the budget cuts.

3. Will there will be expectations that faculty take on more students? Christie Diep stated that the Faculty Union Contract does not require faculty to take on extra students. Both campus presidents shared that faculty will never be pressured or forced to take on additional students. It will be up to the individual faculty members to decide whether or not they would like to, when feasible.
4. Would this mean more doubles, etc. (A class with twice as many seat counts as stated in the curriculum and faculty gets paid for 2 classes). It is an option, as long as faculty feel comfortable doing so.

4. Resource Allocation Model Communication

A trifold pamphlet was share with the members. The pamphlet was created by a workgroup from the Leadership Academy and provides an overview of the RAM.

Questions/Comments

1. On the first page of the pamphlet, it states that the proposed structure was agreed to at CBF and DCC, what does that mean? Was there ever a “vote” that the new RAM would be implemented? Or was the assumption that we were always going to move forward with the new RAM? In 2018-19 the group started rolling out the side by side models. Based on the accreditation at Cypress College, the Chancellor suggested implementing a new model. While it was discussed at CBF of having a hold harmless in the event that there were any significant impacts, there was no vote taken. The new model was worked through the subcommittee as a directive to produce a new model and the information was taken to CBF, DCC and the Board. The idea of moving forward with the new RAM was to eventually implement it. The new model was developed to helps answer the questions on where the funding came from, and a side by side comparison was done to help identify any issues with implementing the new model.
2. It would be very informative to see a side by side, to see the benefit, or how the new model is an improvement. Staff will try and prepare a document to share.
3. Can someone explain what the accreditation issues were? This was not an accreditation finding, but it was part of the Cypress College Quality Focus Essay (QFE) (self-evaluation) in 2017, Cypress requested a more transparent budgeting model for the extended day funding that would shift to a better way of allocating funding for instruction. The new model was not a direct result of the QFE, but over the years, the new model began to develop.
4. How would it cost \$8 million to implement the Resource allocation model? So we would save \$8 million by not switching over. The \$8 million is a cushion for the campuses so they would not need to make any immediate reductions.

5. Greg Schulz commented that the with the state budget, it is very dynamic with many moving pieces, yet if there was going to be a year where we piloted a new model, one of the good things, perhaps, is that we have a hold harmless in place and there is a way we can calculate and track where the monies are being generated. If we were in a period where we didn't have the hold harmless and we were shifting from a previous budget model to a new one, it could have more dramatic effects. Thank you for willing to put together information and sharing it with us. It will be helpful to have a side-by-side comparison, not just for our own understanding, but for the constituents each of the members work with in campus planning.
6. Did the BOT already vote to approve the new model? The Board was previously informed of the new model, but no formal action was taken for approval. When the tentative budget is presented to the Board, the new RAM will be implemented. The budget numbers will remain the same, but the way it is presented will be different. The Board approves the overall budget, not the format.
7. Is there a specific area that anyone is looking at in particular for clarification? It's more of the process. What are the pros and cons, what are the differences, what are the benefits, are there cost implications, etc. Was under the assumption that the RAW group was only laying down the base for the new model. It was a directive from the Board and Chancellor in 2016-17 and discussions took place at CBF about what the advantages and disadvantages would be and whether or not this would give the campuses more control over what decisions are made at the campus level. At the time, the overall goal was to see the revenues line up with the expenditures. The new model shows more details by campus, it does not change the faculty obligation, personnel costs, or operations.
8. Kim Orlijan commented - I think it is important to roll this out as a pilot since my understanding is that a full analysis has not been done of the pros and cons of the new RAM. Personally, I would like to see this analysis and a discussion had and a vote taken for approval of the new RAM (at least after the pilot and before the "permanent" adoption). I understand that this conversation has been taking place for a while, and I appreciate that. I also understand the theoretical appeal of the new model and the rationale for it. But, seeing how the actuals play out—if the theoreticals come to pass—it seems important. I don't mean to derail this model; I am just trying to get clarity on the decision-making process that brought us to implementing this new model.

A side-by-side comparison of the old and new RAM will be provided at the next CBF meeting on July 13th. In addition to an overview of the two models, a series of forums will be scheduled to provide opportunities for people ask questions specific to their campus budget as well as general information to the District budget.

Rod Garcia shared that Fullerton has been discussing the concept of the new RAM over the past few years. Within the past few months, after reviewing the two side by side, the campus has discussed the implementation of the new model. The new model accounts for more accountability at the campuses and budget centers.

Terry Cox shared that more details will be shared with NOCE's budget committee as a result of rolling out the new model.

Alex Porter shared that Cypress has shared the new model at PBC group, the President's Advisory Committee (PAC) Level II and Cypress' management team in terms of the concept and what the output would be. It has allowed Cypress to look at new budgeting techniques. Additional discussions are scheduled to take place on Thursday, during the PAC meeting.

5. One-time Funding – a one page document was shared with the committee showing the current allocations.

Fred Williams provided a brief overview of the current allocations and any changes made to the spreadsheet in response to COVID-19. Each of the campus CBOs provided an overview of some of the additional needs and funding for items related to COVID-19 as well as lost revenues related to COVID-19.

Cypress College – Alex Porter shared a one-page spreadsheet of Cypress' revenue analysis for 2019-20 and 2020-21. The spreadsheet broke down the revenue sources, independent of the apportionment and enrollment fee activity, and local revenues. Each year was broken down by budget, projected actuals, and projected gains/losses. While the swap meet has been over performing in revenue for Cypress, the bookstore and food services have been declining. However, the expectations for the swap meet have been lowered due to revenue generation going into next year. For 2019-20 Cypress has a projected \$1,051,684 loss in revenue.

NOCE – Terry Cox shared a one-page spreadsheet of NOCE expenses to date and six (6) months out. The list shows 2020-21 estimated expenses and loss of revenue. It was noted that NOCE does not have financial aid and may not receive CARES funding based on students receiving financial aid. At this time, NOCE is projecting a \$700,000 to \$800,000 request.

Fullerton College – Rodrigo Garcia shared with the group that Fullerton does not have an estimate for COVID-19 expenses at this time. Fullerton feels comfortable with the CARES act funds to cover these expenses. To date, \$800,000 in expenses have been incurred in response to COVID-19. Additional cost are expected once staff begin to return to work, for example, plexiglass shields. Non-resident tuition was not included in Fullerton's numbers, which is typically a significant amount of revenue, but it is anticipated that numbers may drop, which is a concern. Other concerns are with Fullerton's self-run bookstore, child development center, parking and food services. Fullerton estimates a \$1.8 million shortfall for 2019-20 and 2020-21. A large portion of Fullerton's shortfall is in conjunction with salaries and benefits for the child development center and bookstore, costs that Cypress and NOCE do not incur.

In total, for all three campuses, it is estimated to be about \$3.5 million for each year (2019-20 and 2020-21) in lost revenues. Between the committed PERS/STRS (\$6.3 million), the other COVID-19 (\$3.9 million), and the possible \$18 million from the reduced hold harmless deficit and carry over funds, there is about \$27 million of one-time dollars that could be allocated. This amount does not take into consideration any MOUs or negotiated settlements, it accounts for all of the dollars uncommitted at this point.

Questions/Comments:

1. Do we believe there will be additional MOUs related to Salary and Benefits? If so, should we set aside additional money for them? Yes, we can anticipate additional MOUs and those dollars could be taken out of the \$27 million.
2. What is the plan for the CARES monies? Fullerton – received a little over \$5 million and has identified over \$800,000 of expenses that will be charge to the institutional portion of the CARES funding. Any additional costs incurred to prepare for a fully operational campus will also be covered by the CARES dollars. Any remaining dollar would be used to cover any campus shortfalls. Cypress has a two (2) semester approach to providing aid to the students, which was about \$3.5 million dollars. Cypress also received \$3.5 million for the institution portion, as well as an additional \$480,000 for being a minority serving institution. Currently, Cypress is collecting information from the academic deans about what the implementation needs are going to be to continue remote instruction through the fall. The preliminary numbers are in the \$400,000 to \$500,000 range. Monies will also be used for any additional measures needed to protect staff, faculty and students through the fall.

A recommendation was made to allocate \$3.2 million to the campuses for 2019-20 lost revenues. A consensus was made by the committee to allocate the funds. The allocation will be added to the one-time funding sheet and shared at the next meeting.

6. Bond Update

Fred Williams reported that overall, the projects are going well. The safety records have been good, one change order was taken to the Board for the Cypress Veterans' Center (non-bond portion) and the Network Refresh project is moving along.

Alex Porter provided an update for Cypress College on the facilities one-time funding activity. Currently, Cypress is focusing on the Tech Ed. 3 project, improvements to infrastructure, and ADA sidewalk repairs. Cypress should have a more detailed update by the end of summer.

Rodrigo Garcia provided an update for Fullerton on the facilities one-time funding activity. The summer projects include the protective netting around the fields, the storm drain project around the 300/500 projects, demolition bids for the Chapman and Newell area and classroom upgrades across campus.

Questions/Comments:

1. Is the SEM still on schedule? No, the project is a little over 20 days over. However, contractors are still trying to make those days back as they work on the interior, portion of the project.

7. Revised Calendar

The revised calendar was shared with group.

Next meeting: July 13, 2020

Meeting was adjourned at 4:24 p.m.