

COUNCIL ON BUDGET AND FACILITIES
July 13, 2020

APPROVED SUMMARY

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

Guests Present: Dawnmarie Neate, Greg Schulz, and Richard Williams

Members Absent: Jennifer Combs, Jennifer Oo, and Jason Thibodeau

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

1. **Summary:** The summary of the June 8, 2020 meeting was amended and approved.
2. **Budget Update** – A copy of the June 23, 2020 Tentative Budget Board presentation was shared with the Committee. Fred Williams provided a brief overview but also noted that the State Budget for Community Colleges is significantly different from the May Revise:

Governor's May Revise

- o SCFF Base Reduction of 8%, No COLA, no growth

Legislative Proposal

- o Provides COLA and growth
- o Block grant of \$75,000 for additional COVID-19 costs, cash deferrals – roughly \$1.072 billion
- o Calbright Colleges will continue to be maintained at a reduced level. Cut by \$5 million for on-going funds and \$40,000,000 of one-time funding
- o In addition, the 2019-20 cash deferrals is expected to be \$10 million for the District. There is also a shortfall at P-2, an additional \$17 million. The 2020-21 deferrals are the main concern, with \$43 million for the District.

Tentative Budget

- o Is a rollover placeholder budget
- o Provide allocations to start the new fiscal year
- o Resource Allocation Model (RAM) was used
- o No increases to salary schedules
- o Includes benefit increase rates
- o One-time 2020-21 hold harmless funds to cover the budget deficit

On-going Structural Deficit

- o Is expected at \$9.4 million

General Fund Ending Balance

- o \$90 million estimated balance

Fiscal Affairs is currently working on closing the books for 2019-20. Staff is closely monitoring information on the State Budget developments, particularly the outlooks on the recession and recovery. It has been noted by the Chancellor's Office that 2021/22 is expected to be grim. Staff continues to incorporate personnel adjustments and refine the new RAM.

A copy of the Joint Analysis on the Enacted 2020-21 Budget from the Chancellor's Office was also shared with the Committee. Fred Williams gave a brief overview of the information that was provided in the Analysis put together by Association of Chief Business Officials (ACBO), Association of California Community College Administrators (ACCCA), and Community College League of California.

- Based on FTES, the District is expected to receive \$3.5 million to mitigate the COVID-19 effects via a block grant. However, there is talk about an extensive documentation process. At this time there are no concrete details, but a major portion (federal funds) will need to be spent by December. Further discussion will need to take place once the details have been released
- Staff received confirmation that the District will be receiving a significant amount of PPE from the Governor's Office

Questions/Comments:

1. *We are assuming there will be no cuts to classes in the fall, but what about spring 2021?* There have been limited cuts for the fall and we do not foresee any major cuts for the spring. The campuses will be paying close attention to the fiscal situation and work within their resources to maximize seats for the students.

3. Resource Allocation Model

As previously requested at the June 8th meeting, a comparison of the two models, new and old, on the tentative budget was provided to the Committee, as well as a spreadsheet showing a detailed breakdown of site revenues and expenditures. Kashu Vyas provided an overview of the submitted documents.

Key points which led to differences between the two models:

- Revenues – the previous model only shows earned revenue
- Expenditures – the difference is equated to specific line items that the campuses would have been constrained to (previous model), reducing their numbers marginally.
 - The new model allows for the campuses to look at their revenues as a source to fund additional Operating Allocations as well as Extended Day.
- A concern with the previous model was the Extended Day budgets did not align with the expenditures and operating allocations were insufficient.

Questions/Comments:

1. *Why are the personnel costs assigned to each of the campuses and not a District-wide expense?* Personnel costs have always been budgeted at the campus level; nothing has changed.
2. *Regarding negotiations and salary increases, it seems that there could be a divide between the campuses. For example, one campus may be able to afford a full-time faculty salary increase, whereas, another may not.* For full-time faculty, there is still the Full-time Faculty Obligation Number (FON) that exists for the District. The difference is that the campuses will have all the dollars and will be responsible for setting aside for salary increases. This will be similar to how categorical programs are currently being managed. In the past, district services would anticipate the range of funding required during the negotiations process and set aside any dollars for the negotiations process.
3. *Last year and this year a few sabbaticals were approved. Is the \$300,000 what was expended or a maximum funding placeholder?* It is a placeholder and the

amount has rolled over from year to year. Since this is an agreed upon expense, once a total amount is identified, the budget centers will be charged accordingly.

4. *What are the benefits of rolling out the new model and having the money allocated to the budget centers?* A benefit is being able to explain the model. It is very similar to the State model, it incentivizes the budget centers to produce more and take responsibility for their budgets, rather than funneling it through the District and reallocating the funds.
5. *Would it be possible to have personnel costs tied to District-wide expenses and accept all other components of the new model?* The new model can be adjusted, nothing is finalized, however, a major complaint with the old model was not being able to explain why each budget center was allocated the amount that was given. Overall, over 90% of the District's budget is spent on salary and benefits, so it would not make much sense for the District not to include it in the new model.
6. *Who is overseeing District Services expenses?* *The campuses are tied to their revenues, but District Services' expenses are not.* District Services' expenses are tied to an agreed upon percentage. If the campuses do better, so does District Services. We are still looking into the specific amount District Services is accountable for, but overall, it will be up to the Chancellor to monitor these expenses.
7. *How long will the pilot last? Will we reassess after one year? Will CBF be reassessing the new model and kept abreast of the new developments?* There was no set time frame for the pilot. It is constantly being reviewed to see what components work and don't work. As we learn more, any member of CBF can request that the resource allocation workgroup reconvene and reassess after the proposed budget is presented (November). The workgroup would continue to bring back recommendations and/or additional information or changes being made.
8. *If/when the workgroup is directed by CBF to reconvene, we should discuss composition and not roll over, who has been on it in the past, since the rationale for who was on it in the past may not still be valid (e.g. people are not in the same roles as they were).*
9. *With this new model, if District Services overspends their budget, which is very possible or if a campus overspends their budget, will there be layoffs?* It is a possibility, but a layoff is a last resort. There are other measures that can help budget centers and District Services to mitigate the ups and downs of revenue cycles. For example, setting aside funds in a reserve, which is anticipated to continue at the campus level and District level. Or hiring slowdowns or hiring freezes. At this time, the District has a sufficient amount of one-time dollars to offset any deficits.

4. One-time Funding Discussion

A one-page summary of One-time Funds was provided to the Committee. Fred Williams highlighted some of the changes made since the June 8th meeting.

- Ending balance is now \$86,356,325. The 2019-20 and 2020-21 adjustments were made, 2020-21 hold harmless was added back in, the deficit was calculated at 1% (\$2 million), and a surplus of \$10 million
- The MOU expenses were broken down by year
- Other expense category was adjusted (\$33 million), assuming the deficit stays at 1% (\$2 million)
- Specific line items to backfill to the campuses for loss revenues were listed

- Inconsistencies between the campuses for some of the areas such as: facilities rentals, vending machines, non-resident tuition, and swap meet dollars are scheduled to be discussed in further detail with the Chancellor on whether one-time dollars should be used to backfill these areas or whether campuses use the additional dollars they receive in other areas. Additional information will be brought back to CBF
- NOCE's requested amount was reduced for 2020-21 as Fullerton and Cypress would be contributing \$50,000 each of their CARES funding to NOCE for student aid, since NOCE was exempt from receiving CARES funding directly
- The \$365,600 request by NOCE was added to cover any additional expenditures related to PPE
- Staff foresee major budget shortages at the federal, state, and local governments and suggests discussing future budget plans

Questions/Comments:

1. *Is it loss revenue or loss profits for the campuses?* Fullerton requested the amounts to backfill operating revenues. For example, Fullerton's bookstore is self-supporting and without revenue, staff still need to be paid.
2. *Has there been any calculation on the savings for energy reductions at the campuses and District?* Cypress – There has not been a full-blown analysis at this time, however, with the number of staff coming on campus, there has not been an opportunity to fully shut down.
3. *Could some of the expenses or backfill amounts be covered by CARES dollars and block grant money instead of one-time monies?* Yes, it's a possibility. The monies from the CARES Act and block grant are being treated similar to categorical funds at the campus level. The campuses are determining where the monies are being spent, however, I believe a portion of those dollars have already been expended.
4. *Do we know how much each campus will be receiving?* There is a known amount for the CARES act, but it is unknown how much of the block grant money will be FTES based.
5. *What is the plan for the bookstores at the credit campuses for the Fall semester?* Fullerton has a self-supporting bookstore. The plan is to continue with curbside pick-up. Cypress – is run by a third-party company. The company is currently offering online purchase and rental opportunities and curbside pick-up. Overall, there has been a decline in campus textbook purchases due to outside sources providing better prices and the trend of electronic copies.
6. *Why is there such a large difference between the two campuses for parking backfills?* There are a few contributing factors: student head count, number of staff supported by the parking lot funds, and the anticipated loss revenues from permits and citations.

5. Facilities Update

Fullerton College – Rodrigo Garcia provided an update for Fullerton College.

- Instructional/Humanities Building - The finishing foundation for the pillars for have been poured. In addition, there was a delay and additional costs associated with soil issues found during construction.
- Central Plant - The foundation has also been poured and the sanitary sewer connection is being finalized, which is ahead of schedule.

- 300/500 Building – The historic preservation project is in order to go out for bid and staff are currently doing pre-qualifications for contractors.
- New STEM Vocational Center – Staff is currently working on an IPP and will be going to the Board at the end of July.

Cypress College – Alex Porter provided an update for Cypress College.

- SEM Building – About 75% complete. Finishing touches to the third-floor framing are being done and exterior façade mockups to make sure that the building is watertight are being completed.
- VRC – About 90-92% complete. The interiors are being finalized and furniture is expected to be installed sometime in October. The exterior continues to be worked on. Efforts for donations have been put into place as fundraising opportunities for the program.
- Pond/Tribute Garden – Looking to pull back the fence to have the pond visible from the walkways. Change orders for additional work done by the architects will be taken to the Board for approval at the July Board meeting. In addition, a request to extend the contract with the third-party consultant for construction management will be taken to the Board for approval.
- Network Infrastructure Project – Moving over to a voice over IP system.
- Baseball Clubhouse – Replacing the old building near left field and replacing it with a modular building, new clubhouse.
- Fine Arts Project – Ready to go out for the RFQ for architects to begin the planning process
- Tech I and Tech III Building – Will be doing an IPP to request state funding.

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

- Electrical System –Trane is currently looking at the control system and the project is expected to be completed in September.
- Electrical Charging Stations – The District has access to \$100,000 in grant money to install charging stations.
- Elevators – Possible replacement project at \$500,000
- Upper Deck – Submitting an IPP/FPP for state funding

6. Memberships – The Committee was provided a copy of the CBF Purpose, Function, and Guidelines to review. The roster was also shared for review of current memberships. Based on the feedback, memberships will be updated as follows:

- a. Add Jeremy Peters – UF Alternate
- b. Replace Jason Thibodeau with Damon De La Cruz – Academic Senate, CC Alternate

Next meeting: August 10, 2020

Meeting was adjourned at 4:15 p.m.