

COUNCIL ON BUDGET AND FACILITIES
February 14, 2022

APPROVED SUMMARY

Members Present: Jenifer Combs, Terry Cox, Damon de la Cruz, Rodrigo Garcia, Monica Hagmaier, Raine Hambly, Cherry Li-Bugg, Elaine S. Loayza, Jennifer Merchant, Fola Odebunmi, Irma Ramos, Marlo Smith, Leslie Tsubaki, Kashu Vyas, Fred Williams

Members Absent: Jennifer Oo and Alex Porter

Guests Present: Craig Goralski, Jeremy Peters and Valentina Purtell

Call to Order: The meeting was called to order at 2:01 p.m.

1. **Summary:** The summary of the November 8, 2021, meeting were approved.

Summary notes, including questions and answers reflect discussions during Council on Budget and Facilities.

2. **Budget Assumptions** – Kashu Vyas and Fred Williams provided an overview of the Governor’s proposed budget that was released in January.

While there is a significant amount of hold harmless dollars, the District has seen an overall decline in enrollments, almost 14%. Long-term funding will be dependent on increasing enrollment numbers.

A detailed breakdown of the budget assumptions was shared with the Council. Some of the highlights included:

Revenue

A 5.33% estimated COLA (may increase to 6%) was applied to the rates in the funding formula for a \$193,409,338 earned allocation. The total SCFF revenue, including the hold harmless allocation, was estimated at \$237,163,560. Additional components to the District revenue were broken down into State Revenue – enrollment fee waiver, part-time/full-time, lottery funds, mandated costs, and Local Revenue/Self Supporting Revenue – Interest and investments, miscellaneous income, budget center revenues, interfund transfers, additional contributions from the OPEB Trust.

Appropriations and Expenditures

Position Control Budgets (Permanent positions) – Current positions and settled agreements were incorporated into the expenditures and any salary increases that had not been settled at the end of the fiscal year were increased based on COLA. Other components included in the calculations were health care costs, dependent care coverage, other operating expenses, and Districtwide expenses. Prior year numbers and trends were used to estimate expenditures.

Tentative Budget – A 2022-23 Resource Allocation Model Budget Summary was provided to the Council indicating a structural deficit of \$25,550,625.

Questions/Comments

1. *A 68% utilization rate was used for the prior year estimates based upon the information received from some benefit providers. What is the current utilization rate?* Staff will need more time to provide this information. Details will be available at the next meeting.
2. *How is the deficit related to the hold harmless dollars? What is the correlation between the two?* Based on the earned revenue and expenditures, there is an overall deficit, however there is \$43,754,242 in hold harmless funds that may be used to offset the deficit. This is a short-term solution while the District is still receiving hold harmless dollars.
3. *Dependent care – Have we credited the charge backs from faculty members we have reduced their fringe?* Yes. The reduction in fringe has been incorporated into the position control budget and the dependent care coverage was included separately based on the number of individuals participating.

Hold Harmless Recap – The total revenue for the Student Centered Funding Formula (SCFF) is \$237,163,580. Each year COLA is applied to the total revenue and the funding formula rates such as student success, pell grants, etc. In the Governor’s budget proposal, the intent is to discontinue the hold harmless and require districts to earn their revenue. In order to support the districts that are receiving hold harmless, the proposal states that districts will receive a set (“floor”) 2024-25 computational revenue but will no longer apply COLA. Districts would not receive anything less but would only receive additional dollars if it is earned through the FTES calculation.

4. *Hold Harmless has been extended multiple times and the \$43M has already been allocated to our District. Instead of showing a structural deficit, is it possible to add it to the total revenue and noted that the decline in FTES is covered by the hold harmless funds?* The current formula reflects the hold harmless as a separate revenue line but is included in the total revenue. From an operational standpoint, staff felt that it was necessary to identify the District’s earnings separately from the hold harmless funding, which is not guaranteed.
5. *Will the new proposal withhold COLA from being applied to the hold harmless amount or to the total revenue?* The total computational revenue includes the District’s hold harmless. Once the “floor” is set in 2024-25, SCFF calculations would need to be compared to the “floor” to determine if the District is above or below the in order to receive additional funding.
6. Several Council members addressed their concern on how the deficit was being presented/emphasized and how wording and language could have a negative impact on those receiving the information. Staff reassured members that the intent was to identify the District structure and to base future decisions off of the results. While there is no immediate emergency, enrollments are a large portion of the Districts funding and will need to be observed closely.

7. *After the hold harmless dollars are applied to offset the deficit, the District still has \$18M. Would the \$18M be considered on-going funds if the \$237M became our "floor"?* No, it would continue to be considered one-time funding until enrollments increase. As COLA increases each year, the small difference remaining will be depleted very quickly.

3. One-time Funding – A spreadsheet was shared with the Council identifying one-time funding allocations.

Fraudulent student investigation – no additional information has been received at this point. Additional measures have been implemented to avoid additional cases. A total of \$11M remains unallocated.

Questions/Comments

1. *The fraudulent student repayment was not approved at CBF. The agreement was that it would not be placed on the one-time funding allocation until additional information was received. We have not received any additional information.* The consensus was to approve the use of the funds towards the repayment and that additional information would be brought forth when received. The amount shown is a placeholder. Additional information has been sent to the Inspector General, but the investigation is still on-going. Staff are hoping the repayment will not be needed but would like to be transparent with the possibility.
2. *After the cyber-attack at Cypress, additional work is needed by classified staff and faculty to restore data and reconstruct work environments. Whether the funding for additional work comes from the unions, through an MOU, or using one-time funds, it is important to ensure compensation is provided and anticipated.* The use of one-time funds is a potential source of funding. There are specific measures for implementing MOUs through negotiations, however, it is important to note that funding for future potential exposures could be covered with one-time funds.

4. Facilities Updates

Fullerton College – Rod Garcia provided an update.

- Humanities Building – The space is currently being utilized for the spring semester. The ribbon cutting ceremony was scheduled for January, but due to the spike in COVID cases, it has been rescheduled to sometime in April. DSA certification is expected by mid-February.
- Central Plant Chiller Expansion – a Board agenda item will be submitted shortly for the financial closeout of this project.
- 300/500 Renovation Project – Project has been decoupled to renovate only the 300 building. A new FPP is being submitted to the State to fast track the project in order to receive State funding. The new estimated cost for a full seismic upgrade is \$36M.
- Performing Arts Building – After the proposals were received, the project was under budgeted by 20-30%, like many projects due to inflation. The Department of Finance

approved Fullerton to continue with the project and increase the budget, but no additional state funding was approved.

- Sherbeck Field – Phase one, replacing the synthetic turf has been completed. Currently going through the bidding process for phase two of the project, seating and footings.
- Chapman M&O Project – After the schematic design was completed, the project was also under budgeted. The architect and contractor are working to see how Fullerton can come in closer to budget. Until the costs issues are resolved, the design-development is currently on hold.

Cypress College – Fred Williams provided an update.

- SEM/SAC/VRC – The space is currently being utilized for the spring semester and staff continue to work on small punch list items.
- Fine Arts Project Swing Space – The old SEM building will be used as swing space for the Fine Art department during construction.
- Culinary Arts Project – Staff are looking into temporary modulars at Cypress to house the Culinary Arts program during the Anaheim Campus upper deck renovation.

Anaheim Campus – Fred Williams provided an update.

- Upper Deck Renovation – project will include the 1st and second floors of the Anaheim building. Staff are still working with DSA to allow parking on 2nd floor. Swing space for NOCE classes will also be included in the overall project.
- Charging Stations – An agenda item will be going to the Board on February 22.
- ADA Renovations – are underway along with other projects approved for funding by CBF.

Questions/Comments:

1. *Faculty is concerned about the FTES decline and would like to look at the return on investment for these projects. Will these new projects bring in new students? Will this increase our FTES? When comparing NOCCCD to other out of state Districts, NOCCCD seems to fall behind with innovation.* The District rolled out a relatively new Master Plan. While plans typically do not deviate far from the Master Plan, it may be beneficial to reassess the current plans and align them with the Districts vision and future goals. The needs of the District three to four years ago, may not be the same now. This is something that should be looked at.

5. Future Meeting Dates

- April 11, 2022
- May 9, 2022
- June 13, 2022

Meeting adjourned at 3:15 p.m.