

COUNCIL ON BUDGET AND FACILITIES

August 14, 2017

APPROVED SUMMARY

Members Present: Adam Gottdank, Terry Cox, Elaine Loayza, Rod Lusch, Josh Ashenmiller, Marcus Wilson, Cherry Li-Bugg, Fred Williams, Vivian Gaytan, Kashu Vyas

Guests: Danielle Davy and Pete Snyder

Call to Order: Acting Chair Fred Williams called the meeting to order at 2:05 pm.

- I. **Summary:** The summary of the July 10, 2017, meeting was accepted as submitted. Round-table introductions followed.
- II. **Budget Update:** Vice Chancellor Fred Williams announced that year-end closing was completed on August 13, 2017 and staff was beginning analysis of the numbers. He provided and reviewed several summary reports.

2016-17 Fiscal Summary:

A draft ending balance summary was shared that estimated that our ending balance would be about \$60 million. The net surplus for FY 16-17 was estimated at \$10.7 million and was mostly attributable to receiving the PERS/STRS base increase above cost at \$7 million and the additional apportionment revenue received of \$3.6 million due to the District shifting summer FTES.

FTES Summary – 2015-16 to 2017-18:

This summary compares FY 15-16 actual FTES to our FY 17-18 targets. FTES have exhibited a steep decline since FY 15-16 (1,735), attributing to approximately \$9 million in revenue loss. Headcount is also down from FY 16-17, resulting in targets being down by approximately 6% over the two-year period. We need to keep an eye on our actual FTES this year; our ability to generate FTES this year will likely influence the level of reduction targets that we will need for FY 18-19.

FTES Targets – 2017-18 Proposed Budget Assumptions:

This handout compares targets from FY 16-17 to those in FY 17-18. The 2016-17 and 2017-18 FTES projections have not been adjusted for the shift of 2,140.16 Summer FTES for FC and CC. The effects of the drop in FTES targets will likely lead to the District not needing to hire very many new faculty in the next couple of years.

Unrestricted General Fund – 2017-18 Proposed Budget Assumptions:

FY 16-17 shows 3.09% growth, while FY 17-18 shows an estimated decline of 13.48% due to shifting 2,140 FTES from 2017-18 back to 2016-17. FY 17-18 base funding for on-going apportionment revenue is estimated at \$176,308,956; this is the number that we should be using for future revenue assumptions. Actual apportionment revenue for FY 17-18 is projected to be about \$25 million higher, around \$200 million, due to stability funding being received. The district has not had an apportionment deficit since 2012-13, but the State's apportionment reports for FY 17-18 shows a deficit for our District estimated at \$2,869,183. Fiscal staff believe that the FY 17-18 deficit will be eliminated by the end of the 17-18 year.

Vice Chancellor Williams addressed a question about whether or not the FY 18-19 is a good time to introduce an intersession, which will be a year after stabilization. Further discussion with the Enrollment Management Committee and the CBF is necessary before a decision is reached on this matter.

In comparing estimated base revenue increases versus the PERS & STRS estimated cost increases, projections lead staff to believe that sufficient dollars have been received to cover all the expected increases. This may lead to abandoning the plan to continue to bank those dollars and allow the District to begin discussing how \$22 million of one-time funds might be spent. Two items suggested were to cover the 2017-18 deficit and to provide transition dollars to the campuses during the reduction cycle. Further discussion at DCC and CBF will be necessary.

Questions about other districts in stability and magnitude of reductions were discussed. An informal survey indicated at the P-2 reporting period, 54/72 of the districts were in either stability or restoration.

- III. **Bond Update:** Project Management level positions are filled at both Fullerton and Cypress. These positions are heading up the bond program at each campus.

Anaheim Campus – Vice Chancellor Williams shared that the 7th and 10th floors at Anaheim have been cleared out of DSA, and documents are being prepared to solicit bids for the project. The architect has been hired (R²A) for the 5th floor addition/conversion to a lab; the architect (WLC) has been hired for the AEBG build-out at the Euclid location.

Cypress College – Vice Chancellor Williams announced that the Science, Engineering & Math (SEM) building has seen a significant cost increase (8% cost escalation), resulting in a \$10 million increase for projected cost. The Veteran’s Center build-out and memorial garden/bridge numbers are in line with budget, but due to the lack of fundraised dollars, the fundraised portion of the project may be delayed. It was also discussed that each campus has been allocated a share of the total voter-approved bond issuances and are expected to plan their projects within their own allocations. It is the responsibility of each campus to adjust for any increases in the costs of projects within their own allocation.

Fullerton College – Vice Chancellor Williams shared that Fullerton College is working on their Environmental Impact Report (EIR), with an expected completed date in November. Two main projects are moving forward at Fullerton, these are the 300/500 Building Renovation and the New Instructional Building. Architect selection for the 300/500 building will be completed in September so that preliminary plans can be produced by March 2018. Information on a new Progressive Design/Build Delivery Method that is being recommended for use on the New Instructional Building will be presented to the Board in October. This method will have the contractor and architect put forward a plan as a team. Additional discussion took place on the need to complete the New Instruction Building prior to the start of the renovation of the 300/500 Building to reduce swing space expenses.

- IV. **Other Items:**

Question: Why are we hiring new employees under categorical funds with the current budget forecast?

The group discussed a possible hard freeze on hiring and concerns about hiring permanent positions with categorical funds that could be reduced at the state’s discretion. History has shown that categorical funding is vulnerable when budgets are tight and that this could affect the General Fund. Concern was raised that shifting those dollars could lead to the General Fund being hit, resulting in the need to consider layoffs, which would be a different approach than our District has taken in the past. Also

discussed was hiring a management position with Workforce Development dollars. Comments were shared on the new priority that has been given to student success at the state-level and that dollars are being received for these programs with the expectation that some of these resources would be used to hire new staff.

Question: Have retirement incentives been discussed?

The group discussed the possibility of offering incentives for employees that are nearing retirement. The idea of a Golden Handshake was mentioned. District staff confirmed that data had been compiled to begin analysis on the feasibility of such a proposal.

Adjournment: The meeting adjourned at 3:15 p.m.

Next Meeting: September 11, 2017