

COUNCIL ON BUDGET AND FACILITIES

September 11, 2017

APPROVED SUMMARY

Members Present: Adam Gottdank, Terry Cox, Rod Lusch, Josh Ashenmiller, Marcus Wilson, Cherry Li-Bugg, Fred Williams, Danielle Davy, Kashu Vyas, Irma Ramos, Raine Hambly

Guests: Rick Williams

Call to Order: Chair Irma Ramos called the meeting to order at 2:06 pm.

- I. **Summary:** The summary of the August 14, 2017, meeting was accepted as submitted.
- II. **Budget Update:** Fred Williams shared that the 2017-18 Proposed Budget is complete and staff would provide the Board of Trustees with a snapshot of the highlights at it's next meeting. He and Kashu Vyas presented the proposed budget and emphasized the structural deficit for on-going operations. Also discussed were one-time funds, FTES trends, the Summer Shift, fiscal analysis and outstanding issues. An explanation of the General Fund was provided with focus on the Current Year Fund, which is where budgeting for on-going operations is based. For 2017-18, the District's budget for on-going operations shows a net deficit of \$5.8 million, due to a combination of unanticipated declining FTES reducing revenue (-\$4.4 million) as well as known increases in expenses from previously approved increases in salaries (4.56%).

The District will have additional, one-time funds of \$43.8 million primarily consisting of Stability Funding and PERS/STRS set-asides and additional base increases. After covering the deficit, we anticipate having a balance of \$37.9 million in one-time funds. Significant changes were made to expenses and \$3 million will be saved in on-going expenses by eliminating the insurance contribution for the General Fund; eliminating the on-going contribution to the Irrevocable Retiree Benefits Trust; and, by reducing the Workers' Compensation Rate. On the revenue side, Redevelopment Revenue of \$1 million was added to the operations budget. 2017-18 will be a planning year that will address several outstanding issues: effective enrollment management, right-sizing District/Campus staffing, bringing salaries and benefits into alignment with comparable districts, continuing to develop alternative resource allocation models, addressing hiring of permanent positions with categorical funds, new regulations for accruing entire unfunded retiree benefits liability (GASB), and compliance with the 50% Law.

Questions

1. *If we had not shifted, what would the actual drop be?*
The shift amounted to approximately \$15 million in additional revenue over a two-year period. We do expect revenue to drop by over \$14 million from 2017-18 to 2018-19.
2. *Can the one-time funds available carry us through at least few years?*
Yes, it could be enough to carry the District several years but other factors need to be accounted for, and determination needs to be made on how we want to spend the one-time funds. The structural deficit will likely increase due to the step increases, cost increases and other factors.

3. Increase in personnel benefits goes up \$6 million in 2018-19 and up another \$3 million the next year; does this assume we get back to more reasonable FON?

Part of it is correcting for the FON increases. \$600,000 was used as the step increase estimate based on prior year analysis. Also included are PERS/STRS increase and other benefit changes.

Mr. Williams reviewed the 2018-19 Budget & Legislative Proposal and noted the big system request is for another \$200 million of base increase. If approved, that will amount to approximately \$6 million of additional funds for the District, which could cover the structural deficit. Forecasting, the District will not do significant hiring of full-time faculty for 2018-19, but if the increased funds are distributed in 2018-19, hiring in 2019-20 is probable. The District will mirror the Board of Governor's positive message of exercising careful planning and fiscal restraint, and placing an emphasis on stabilizing expenditures.

III. **Bond Update:**

Anaheim Campus – Rick Williams shared that nine contractors were pre-qualified and are expected to submit proposals on October 10, 2017, for the 7th and 10th floor build-outs at the Anaheim Campus. Due to the immediacy of this project, cost escalations are not expected to be a major impact. This project should closeout the Measure X program in its entirety. Currently proposals are being accepted for inspectors and testers to establish a team for the campus. The next project that is moving forward is the CTE Technology Lab, for which R2A will be the architect.

Cypress College – Mr. Williams announced that the design drawings from LPA for the Science, Engineering & Math (SEM) project have been received. The current cost for this project is higher than original estimates, which is primarily due to an 8% cost escalation. Currently contingencies are being identified. With increased costs expected, there has been discussion on how comfortable the campus is with spending nearly half of their Measure J funds on one project. Information is being gathered to do a thorough assessment before this issue is taken to the Board of Trustees. The natural disaster on the East Coast, a possible recession and other factors all contribute to the total cost of the project either escalating or deescalating. Fred Williams also provided an update on the Veterans' Center, mentioning that the resources to be fundraised for the memorial bridge are currently being discussed and could impact the project.

Fullerton College – Rick Williams announced that the college is in a 45-day review period for the Program EIR, which includes adjustments made after listening to community input. New issues with the program EIR are not anticipated. To promote transparency, an advertisement notifying the public will be placed in the Fullerton Observer. There may be community interest when the District prepares the separate project-specific EIR on Sherbeck Field. The architecture approval (R2A) for the 300 & 500 buildings will be going to the September 12, 2017 Board meeting for approval. The New Instructional Building is expected be completed prior to the 300/500 buildings, and it's design delivery method will be presented at an October Board meeting. The concern for potential escalation, especially with the recent hurricanes, is being taken into account. All bids will depend on the current situation at that time.

Questions

1. Was the parking structure moved back in sequence of projects?

It may be, but this requires further research at the college related to the phasing of projects. In addition, access to the funds for all of the projects could push this project back. Currently, the District has access to approximately \$260 million over first 6 years, which will not be enough to do all of the projects at once (20-year bond).

2. If bids are high this year, can they be pulled back and put out the following year?

Possibly, but the DSA turnaround also needs to be accounted for; thus favoring project phasing.

- IV. **Other Items (Discussion):** At the next meeting, Fred Williams will discuss districtwide expenses for IT Maintenance and Human Resources fixed costs.

Adjournment: The meeting adjourned at 3:00 p.m.

Next Meeting: October 9, 2017