COUNCIL ON BUDGET AND FACILITIES
April 10, 2017

APPROVED SUMMARY

Members Present: Karen Cant, Terry Cox, Rodrigo Garcia, Adam Gottdank, Jolena Grande, Cherry Li-Bugg, Rod Lusch, Sandra Palmer, Irma Ramos, Tina Johannsen, Kashmira Vyas, and Fred Williams. **Members Absent**: Raine Hambly, Elaine Loayza, Justin Richardson, Pete Snyder, Tanya Washington.

Guests: Cheryl Marshall, Rick Williams.

Call to Order: The meeting was called to order at 2:05 p.m., by Chair Irma Ramos.

I. **Summary**: The summary of the March 13, 2017, meeting was accepted as submitted.

II. **Budget Update:** Mr. Fred Williams shared highlights from Handout Pages 3-20:

- Page 3: The FTES Target Overview outlines how the targets were established coming from the campus level up. We are down almost 1,500 FTES for 2016-17 which equates to $7.5 million. The campuses were asked to look at their targets for 2017-18 and believe they are down another 185 FTES. The summary page identifies what the numbers are for 2016-17, the campus projections, and the impact of that 1% flex factor that we are adding. We are projecting an additional 345 so for 2017-18 the revised targets are going to be almost 35,000 FTES.
- Page 4: identifies the 17-18 campus projections and the flex impact to the revised target. The target-to-target comparison of 16-17 to 17-18 is down 4.6%. We are projecting the 2017 estimated FON to be 577 and we may be 21 positions over if all hires go through and/or if there are no additional retirements.
- Page 5: this reflects the FTES we expect to generate for 16-17 as well as 17-18. We are anticipating taking out the target-to-target; the decline will be approximately 3.01% and when we add the flex back it is about 1/2% growth. COLA is about $2.5 million. $5.8 million is being added for the PERS & STRS increases. The deficit factor for 16-17 as of the P-1 report is about a $2.3 million; we believe the deficit factor will eventually go away.
- Page 6: Identifies the major assumptions on Expenditures. The estimated 4.48% salary increase is incorporated (3% plus COLA). The assumptions reflects that additional cost. Also included is the information on the Retiree Benefit the Annual Required Contribution.
- Page 7: These are some of the specific allocations and the one that is concerning is the operating allocation. The 4.61% decline in proposed Growth Beyond Extended Day has a half million dollar impact on the operating allocation; we also have the 1.48% COLA but also have increased operating costs. Because of the decline, the new Extended Day Model provides more funding than the old model. We backed out the Scheduled Maintenance because we're going to have to cover part of the deficit.
- Page 8: is the updated Extended Day model; Dr. Li-Bugg is having the discussion on the changes we want to see coming through the Vice President's Council. Any change to this has a direct reflection on the overall bottom line.
- Page 9: This is the most critical piece of information -- ongoing revenues compared to ongoing expenditures. There is a $5.7 million deficit at this point in time. Revenue Section Item M includes $1 million of redevelopment revenue. Expenditures Section, Item N (Contribution to Retiree Irrevocable Trust) has been removed. The insurance contribution of $1 million was also removed; we are not taking the dollars out of the general fund.
- Page 10: We are increasing hospitality expenditures from $100,000 to$140,000.

- Page 11: Exhibit C is from the first principal apportionment. The following was reported on Exhibit C from the 2016-17 First Principal Apportionment Report: the -420.61 FTES put us into stability funding; a Stability Adjustment of $-1,720,644 that we were scheduled to receive; we were eligible to receive about $4.6 million in growth; Item VIII. E. is the projected revenue shortfall of $2.3 million.
- Page 12: Dr. Cheryl Marshall explained that the Push Out Allocation Model mirrors the state model and you tend to get better understanding and transparency on how the budget is developed and what the revenues are. It encourages best uses of enrollment management strategies and allows more empowerment for the colleges because the colleges get more of what they have earned. The downside is that you do have to determine what costs you want to keep centralized and share among all the entities versus what do you want to push back out to the colleges. Mr. Fred Williams reviewed where the FTES is generated, the revenues, expenditures and chargebacks.
- Page 13: The bulk of the information and the details of the Push Out Allocation Model is presented on page 13 and was reviewed. It was noted that the gross square footage from the 2014 space inventory was used to calculate the chargebacks; Ms. Cant shared that at Cypress College they don't believe that the space inventory is a fair way to calculate chargebacks because the SCE student enrollment at CC is about 8,000 students to our 16,000 students and the consequence is that they are heavier users of the custodial supply budget, tradespeople, etc. than by the space they occupy.
- Pages 14-18: Identified and reviewed the calculations and the details for the chargeback methodology.
- Page 19: Ms. Karen Cant reviewed the five principles for budget model consideration at Cypress College and added one more: the ability to evaluate the district services and give feedback on what is needed.
- Page 20: Is an article from School Services of California regarding STRS rates. Employer Contribution Rate increases are set in statute through 2020-21. In 2018, Post-PEPRA employees (faculty hired after 2013) should expect an employee rate of 10.205%, an increase of 1%.
- Mr. Fred Williams provided/reviewed a handout on a Budget Reduction Plan to help us get through the $8 million on-going deficit.

III. **Bond Update:** Mr. Rick Williams shared the following information:

Anaheim Campus

- Waiting on DSA for final back-check of the 7th & 10th floor improvements; we anticipate DSA approval by the end of April.
- We are sending out an RFP for the 5th Floor CTE Lab.
- The Euclid AEBG project is grant funded and we are assisting with an RFP for architect design; hope to have more information at the next meeting.

Cypress College

- Karen said we have recently completed the exterior rendering of the SEM building and this was presented to the Board. We are now in interior design development and have been meeting with faculty and user groups.
- We have completed the schematic design of the VRC; the building is rounded and very different from the other square buildings on campus. We are moving into the design development on the inside and will present to the Board on May 9.
- Working with Foundation Board Members to identify potential donors for a fundraising campaign for the bridge and memorial portion of the VRC project; we are working with a consultant whose fee will also be absorbed from that fundraising campaign. The target we are aiming at is $3.4 million which will pay for the actual construction and maybe even pay for some of the maintenance.

Fullerton College

- Still working on the EIR and hope to have it completed by August.
- Working with the campus architect and doing some small projects such as geotechnical testing and surveying the parking lot where the instructional building will be built.
- Priorities have changed based on the January budget regarding the 300 and 500 renovation which we believe will be partially funded next year. Therefore, the parking structure and M&O building are being postponed and we are moving forward with the instructional building first which will consolidate Humanities and provides permanent swing space. Members raised concern regarding the postponement of the M&O building as it has been postponed at least three times. Mr. Fred Williams stated that some projects will most certainly be pushed out but we must live within the original timelines that we issued the bonds on; the M&O building is being postponed but not significantly and it remains in the EIR and it will be going forward.

IV. **Other Items**:

- Fred shared that the Retiree Benefits irrevocable trust has made a significant positive impact as our ARC numbers went from almost $12 million down to just a little over $8 million.
- On Tuesday, April 18, at 5:30 p.m. there will be a Board Study Session on the budget.

Adjournment: The meeting adjourned at 3:50 p.m.