

# BUDGET COMMITTEE

February 22, 2021

4:00 p.m. to 5:00 p.m. virtual meeting

<https://committees.kccd.edu/bc/committee/budget>

## MEETING MINUTES

### **Present**

Mike Giacomini, Teresa McAllister, Zav Dadabhoy, Billie Jo Rice, Steven Holmes, Nick Strobel, Angela Williams, Cristal Rios, Somaly Boles, Kimberly Nickell, Emmanuel Mourtzanos, John Gerhold, Tina Johnson, Emma McNellis, Jo Ellen Barnes

### **Agenda**

John Gerhold made a motion to accept the February 2021 meeting agenda. The motion was passed.

### **Minutes**

Zav Dadabhoy made a motion; Steven Holmes seconded the motion to accept the October 2020 meeting minutes. Manny Mourtzanos, Tina Johnson and Emma McNellis abstained. The motion was passed.

Zav Dadabhoy made a motion; Steven Holmes seconded the motion to accept the September 2020 meeting minutes. John Gerhold abstained. The motion was passed.

### **Group Picture**

A group picture was taken for the Budget Committee web page.

### **2020/21 Budget Lookback, 21/22 Outlook**

We want to continue our conversation of looking back as well as look forward. We are in the eighth month of the fiscal year. We continue to do well as far as community colleges are concerned but, in the future, we might not do as well. We may have to tap into the state reserves.

We have had some savings on campus due to COVID 19 changes. Most of our expenses are salary related (78%). We have had a hiring freeze of some management and classified positions during the COVID 19 pandemic. We are still over on FON, but we did hire faculty in critical areas. We are not spending a lot of GU001 money to come back to campus. We will spend money from a second wave of HEERF funds to help us come back. We can spend money for things such as HVAC, sanitizing supplies, Plexiglas barriers and other items to help us be more efficient with sanitizing processes.

Looking forward to 21/22 we have not put together a 21/22 budget yet. The Budget Office is helping our other two colleges with a new software program. We may get some different reports by the time we go to the Board for budget approval with the new software program. 21/22 does not look too bad.

Some notes regarding the Governor's budget are that it is not approved yet. There is .5% for growth, 1.5% funding for COLA and for certain categorical funds. There is a pay down of deferrals of 1.4 billion in a deferral schedule. It does not affect us as much because of our strong reserves. There is one-time expansion funds for California Apprenticeship Initiative of 15 million, 130 million for student housing, food insecurities and mental health. There is an increase in PERS from 20.7% to 23%. STRS has a decrease due to a buy down from 16.15% to 15.92%. All colleges are being held harmless through 23/24. We will not receive anything less than we have received in the past.

Deferred maintenance was reduced for this year which is a problem because we have a campus that is older and needs care so we can continue offering a great educational environment. Additionally, there is 250 million for emergency student assistance grants and one time 20 million retention plans for student enrollment. The Governor's outlook is positive for the upcoming year. He has put more funds in community colleges than he has in the past. The governor wants to have more graduates in California. At this point, we are waiting to see the May revised budget and what it looks like.

We are working to come back from the pandemic and come back on campus. Enrollments have decreased due, in part, to classes being online. We are going to open BCSW. We are taking possession of BCSW in June. At that point there is work we will complete and we hope to open in the fall semester all to students. Construction projects are coming through such as the Science and Engineering building which will offer more lab classes for students. A farther outlook includes Arvin will be up and Delano Resource Center serving the northern most area of our district. Much depends on if the state will support us and right now that looks like it is happening.

Discussion on State Chancellor's Office SCFF calculations that most colleges are going to do better than hold harmless and only seven districts will be held harmless. It showed that KCCD is coming in with substantial surplus. We need to distribute the one-time funds. Mike is waiting to see the R1 and the numbers are adjusted. It is noticeable that only seven districts will be held harmless when, previously, over half the districts were in that category. We need to watch when money will come in because last summer we received over 12 million. Bargaining agents are on hold because they were told there was going to be an economic downturn. The challenge is if only seven districts are held harmless it could mean that our District will get less money.

We are doing well in many areas such as with having more students qualify for the SCFF rate, student completions and outcomes and identifying BOG students. We will find out more when we receive R1 for 19/20 & P2 information which is expected at the end of this month.

Discussion regarding if BC prepared a 15% reduced budget for the District. Mike discussed that we did it collectively as a district. We took into consideration the uncertainty when we finalized our budgets. We budgeted lower than what we were guaranteed which took about 5% of that 15%. There was some other methodologies incorporated should we need it such as pause on raises and the potential for early retirement which would save in future years.

### **FON**

1.5 years ago, new information came out with a new FON number which was high. We hired above the FON to stay in compliance. By the time we hired, we had received a new FON number that was lower. Our plan was that we would adjust through normal attrition and retirements with replacing certain faculty that have high student enrollment or if we do not have enough faculty in certain areas. We are still twenty over based on KCCD Faculty Obligation Number Analysis dated 11/4/2020. The Recruitment portion is also over. There are some anticipated separations. We received information from Human Resources that our numbers are steady. We have not received notice of as many faculty retirements which may be due to pending early retirements that may be offered. The best way to close the gap is with higher enrollment.

### **Standing Item: District Budget Committee Report**

We will meet this Thursday 3/25/21. There is not a lot going on right now.

It appears that after sixteen months, the Cambria West consultant is creating a model instead of the group doing it because we were not making progress. He has multi-college district experience. He's helping us by developing basic procedures in developing reserves and new BAM. The district Budget Committee has three sub-groups looking at various components for a funding formula. Nick's group was looking at different ways other than the Student Centered Funding Formula such as the Weill Center, Forestry reserves, Pot Ash reserves and other revenue items. Another sub-group was looking at how to allocate, when to allocate, the processes of allocating reserves when they go over. We have a floor of 15% for the District and the College has 5%. Current Board policy states when reserves ceiling of 20% "should" - the language says "should"; it does not say "shall". The District has a lot of flexibility. The reserves have been above 20% and there has been talk.

The consultant may be bringing in a model similar to the SCFF formula model. We were identifying non SCFF revenues and where they would sit. What we should divide out is a district office expense and district wide expenses. The larger picture is how to fund the reserve. Most of the colleges have consensus that the money hit the colleges before it goes to the District, so the colleges get their fair share of what is earned. In general, there is a conservative view on how to handle financial decisions. By having the money go to colleges first, it improves the transparency of the process. Steven is the only one who has done the historical work tracking how much money of the reserves belongs to BC and we need a more open process. It is a slow process.

Currently, the members of the District Wide Budget Committee include Billie Jo Rice, Mike Giacomini, Zav Dadabhoy, Tina Johnson, Angela Williams, Nick Strobel and Steven Holmes.

### **Cost per FTES efficiency metric**

A look at the cost per FTES metric is that we are doing well across the state.

### **ROI – Return of Investments**

The return on investments is how we look at the future. We are investing money that will generate and increase FTES. We are not spending money just to spend money. We want something longer lasting like Wi-Fi for students, parking lots, green spaces and long-term investments into infrastructure such as HVAC.

### **Fiscal Resilience**

We continue to look and building a model that is resilient to turns such as a down turn in the economy and enrollment trends. We are doing a good job and can always get stronger. We are looking at ways to mitigate future expenses such as solar projects.

### **How Reserves are Generated**

How reserves are generated were discussed earlier in this meeting. It is still sitting in the District Budget Committee for another referral of how to do it and then the Board's Finance Committee will review the findings.

### **Revenue Generation**

Looking at other ways to generate revenue. Once we get going again, we will look at opportunities such as opening up a campus at Arvin. We have over 30 acres there and we might be able to lease some space out.

There was discussion regarding if we should hire our own consultant. It could be in the college's best interest to have someone track historical information. It was reiterated that if we create a process that is

clear, flows and remains transparent then we will not need a consultant. Our Vice Presidents watch the money more than they have in the past. Because they are on campus twelve months a year, they see more than faculty.

A question was asked regarding how much of the HEERF second round money went to the District and how much goes to students. Mike said that about seven million has been earmarked for students. BC share ranges from 25-27 million. We will probably put more in for the students because that is the biggest need. We do have some big needs too. An example is that we have to replace all the laptops that came from BC to meet the needs during the pandemic which will need to be replaced. We may need one million to replace these laptops. We are trying put on scrubbers to the HVAC system which costs several million dollars. Wi-Fi for the parking lots costs several million dollars. These are good investments that will have a long lasting impact.

Zav and Jennifer Achan will work out details of how to get money to students. More students groups will be included because the parameters are different than the first round of HEERF funds. Additionally, we will get to use some money in lost revenues such as Food Services and College Safety which are funded by their own sales of food and purchasing parking passes.

Mike does not think the bookstore has lost a lot of money. Their sales have dropped in merchandise, snacks and impulse buys. The selling and leasing of books is really strong.

There was discussion regarding trying to ramp up noncredit courses, however they do not fund at the \$5,000 rate. CDCP courses that lead to a certificate do fund at that rate. There are about 3,700 FTES WSPH and it is adjusted every year but is supposed to only be adjusted for COLA. In the past, CDCP income has been income was low. We are working at getting our noncredit courses put under CDCP to get full funding for those types of courses.