

Fiscal Resources Committee

Via Zoom Video Conference Call

1:35 p.m. – 2:21 p.m.

Meeting Minutes for February 16, 2022

FRC Members Present: Iris Ingram, Steven Deeley, Noemi Guzman, Safa Hamid, Bart Hoffman, Cristina Morones, Adam O'Connor, Craig Rutan, and Arleen Satele

FRC Members Absent: Morrie Barembaum, Yara Hernandez, Jim Isbell, William Nguyen, Enrique Perez, and Vanessa Urbina

Alternates/Guests Present: Erika Almaraz, Jason Bui, Melba Castro, Vaniethia Hubbard, Kelvin Leeds, Thao Nguyen, Mark Reynoso, Kennethia Vega and Barbie Yniguez

1. Welcome: Ingram called the meeting to order at 1:35 p.m. via zoom and welcome remarks were made with an introduction of Dr. Melba Castro, new Vice President of Student Services at SCC.
2. State/District Budget Update
 - SSC – LAO Analyzes Governor’s 2022-23 State Budget
 - SSC – Ask SSC... Does the Staffing Executive Order Help Colleges?
 - SSC – LAO Expects Higher COLA in May
 - SSC – Ask SSC... Historical Contribution Rates for CalSTRS and CalPERS
 - SSC – SCFF Hold Harmless Provision Language Released
 - SSC – CalPERS Rates Projected to Decrease
 - SSC – Dartboard 2022-23 Governor’s Budget
 - SSC – Governor Newsom Proposes Changes to Expand Dual Enrollment
 - CCC – Fiscal Forward Portfolio and Budget Architecture and Development Recommendations

Ingram referenced the above handouts. She briefly discussed the various updates, analysis, and information as it relates to the 2022/23 budget. She specifically pointed out the hold harmless provision language and the fiscal cliff scheduled to occur FY 2024/25 when all colleges are to return to pre-pandemic and 2017-18 enrollment numbers, otherwise be re-benched to a lower level of FTES that comes with a drastic impact to the base funding. The proposed language would cushion the fiscal cliff transition by setting FY 2024/25 as a new floor with funding that would not dip below, but could rise above; as a district with increasing enrollment that is good news for RSCCD. She also discussed PERS/STRS contributions and the projected slowdown of those rate increases. That will assist RSCCD managing costs which has threatened to outstrip the proposed COLA; PERS is proposed to increase by 3.1% and STRS by 2.1% which would wipeout the proposed COLA of 5.33%. More will be known at the May revise. In conclusion, Ingram referenced the proposed changes to expand dual enrollment which is a big help to RSCCD and our FTES numbers.

O'Connor noted the Joint Analysis – Governor’s January Budget Update & Trailer Bills that is posted on the FRC website for further reference and information. This analysis was released on February 10, 2022.

3. 2022/23 RSCCD Tentative Budget Assumptions - **Action**
O'Connor provided a detailed review of the tentative budget assumptions for 2022/23. He noted this is the starting point for the budget and these assumptions will change as the May revise or other actions require an adjustment in the numbers.

In reviewing the revenue section, O'Connor explained that RSCCD budgets under the SCFF at the hold harmless provision, meaning budgets are developed using the 2017/18 TCR (total computational revenue) plus COLA adjustments as RSCCD is not earning above the hold harmless number. In approximately 10 days, the 2020/21 Recal funding should be known to provide a clear picture of revenue. The Governor's proposed COLA of 5.33% is used, though there is talk the percentage may increase, at this time it produces approximately \$9.8 million for RSCCD. O'Connor also discussed and explained the deficit factor which is when the State is unable to pay 100% of the owed revenue and instead provides a portion. The State Chancellor's Office annually projects a percentage, say within 0-2% that may be deficit (potential reduced funding). Being conservative RSCCD projects 2% and that automatically reduces the amount of projected revenue budget. When the State does have enough funds, that revenue is booked at that time. At this time, the deficit factor is projected at \$3.9 million. EPA funding is estimated at \$36.6 million. This is not additional funding but a portion of the funds received for TCR. Lottery is projected at \$163 per FTES and restricted lottery at \$65/per FTES. This is a little bump and will change through the cycle. No changes to E, F, G, or H. Other revenue: non-resident tuition is being reduced by \$200,000; SCC has made their budget in the current year, SAC has not. If SAC has additional higher projections, that number can be updated. Interest earnings are estimated at \$800,000 a decrease of \$200,000 as a result of rates continuing to fall. No changes to other miscellaneous income or apprenticeship revenue. Scheduled maintenance/instructional equipment is projected at \$8.5 million. Full-time faculty hiring allocation is earning over \$2 million new revenue. Ingram explained that the \$2 million does not translate into the number of new faculty hired year-to-year.

O'Connor continued to review the expenditures noting the district's budget model is a revenue allocation model and revenues flow through the model to the colleges as earned. It is the responsibility of the colleges to budget all necessary expenditures. The proposed COLA of 5.33% is set aside for all bargaining units subject to negotiations; that is approximately \$8 million to provide that COLA. Step/column movement is budgeted at \$1.8 million and fluctuates from year-to-year. Health and Welfare benefits is budgeting a small increase for active employees estimated at 3.5% and no increases for retiree health benefits as they are moving to Medicare plans; though it is potential to see a reduction. State unemployment insurance has for many years been at .05% but due to the pandemic the current year increased to .50% and that is expected to go down to .20%. The current year differential was charged to HEERF allocation to offset that cost. It has been determined this will be an ongoing increased cost and affect the general fund. PERS/STRS are proposed to increase and those projected rates are used for this assumption. STRS projected increase is 19.10% at \$1.7 million and PERS is 26.10% at \$1.2 million. O'Connor further reviewed the Dartboard noting unemployment factor to remain at .50% (instead of .20% until 2023-24) and PERS increase to be 25.40% instead of the projected 26.10% which essentially offset each other and therefore no additional changes were made to budget assumptions. It is not anticipated that HEERF allocation will be used for unemployment insurance as it is not pandemic related but a lingering affect. Full-time faculty obligation includes 10 new faculty charged to unrestricted general funds with 7 at SAC and 3 at SCC. Each college is hiring one additional position through the restricted program as well, for a total of 12 faculty hires. Retiree benefits includes good news through the actuarial study with a calculated Employer Contribution Target (ECT formerly ADC and ARC before that) at \$6.4 million which is less than current pay as you go. As a result of the irrevocable trust, assets have increased, and therefore the district will decrease the employer payroll contribution from 2% to 0% of total salaries to the Retiree Health Benefits Fund. This provides a savings of just about \$2.4 million. Nothing changed to categories H, I, J, or K. Other additional DS/Institutional Cost expenses have been requested to support travel for trustees and the chancellor as conferences are initiated for in-person attendance once again, legal fees and two new positions in HR to deal with backlog of recruitments. Last assumption is the one-time allocation and this becomes the 6th allocation to the ADA settlement out of an estimated total of 10 years.

O'Connor completed the review of the budget assumptions with a recap of revenues and expenditures that includes a total of \$10.3 million in new ongoing revenue; deficit factor at (\$195,827); lottery increase at \$58,532; reduction in non-resident tuition and interest earnings, no change to apprenticeship or miscellaneous income, and full-time faculty allocation at nearly \$2 million (by matching ongoing revenue with the cost of hiring 10 new faculty minus the hourly faculty reduction). Expenditures include \$13 million in new expenditures consisting of \$8 million for 5.33% COLA, step/column at \$1.8 million, PERS/STRS increases, state unemployment increases, increase to health and welfare for active employees, reduction in retiree health benefits, ITS licensing escalation costs and the new DS/institutional costs as previously discussed. That would provide a \$2.7 million ongoing deficit added to current year structural deficit of \$2.3 million leaves at total deficit just over \$5 million. Ingram explained a structural deficit is when expenditures outpace income. O'Connor continued with the last recap of how the district will cover the structural deficit through SRP/Right Sizing reserve account with estimated ending balance in June 30, 2022 at just under \$9.6 million and estimated ending balance in June 2023 at \$9.4 million. The SRP/Right Sizing reserve should likely carry RSCCD through the next few years. Ingram suggested vacancies created by the SRP should not be filled in order to capture the savings as projected and accomplish goal of freeing up dollars through those retirements and allow campuses to restructure their areas.

A motion by Bart Hoffman and seconded by Noemi Guzman to adopt the tentative budget assumptions for fiscal year 2022-23 passed with no opposition or abstentions.

4. Projected 2021-22 Year-end Balances – Satele, Hoffman and O'Connor

Satele reported the projected ending balance for SCC will be conservatively in the black especially with the assistance of HEERF allocation. Fund 11 is projected to have savings of \$826,000 and Fund 13 \$1.8 million. Because of HEERF, SCC is able to survive. Previous years, SCC barely makes it, but this year is going to be really strong for next year.

Hoffman reported the projected ending balance for SAC Fund 11 is approximately \$2.2 million and combined with Fund 13 for a total of approximately \$6.1 million.

O'Connor reported the projected unspent expenditure budget for district services is about \$750,000 that doesn't carryover, but flows back through the model to the two colleges. The income is unknown at this time.

Ingram explained the projected ending balances will be visited every month through the end of the fiscal year as it is folded into the tentative budget. As a reminder, a tentative budget is required to be presented to the Board of Trustees before June 30 and gives legal authority to spend funds after July 1. By law a balanced budget is required as of June 30 to begin the fiscal year on July 1. The final adopted budget doesn't occur until after July when the Governor signs the budget; the adopted budget is required by September.

5. BAM Review Taskforce

O'Connor suggested a small number of members volunteer to serve on the review taskforce to bring forth changes to the BAM for FRC consideration. The work would be conducted over the next couple of months. The following members volunteered to serve on the taskforce: Bart Hoffman, Arleen Satele, Craig Rutan, Steven Deeley, and Cristina Morones. It was thought that William Nguyen and Jim Isbell may also want to serve as volunteers on the taskforce. O'Connor will follow-up with details for a future meeting schedule of the taskforce and outreach to those not in attendance of today's meeting.

6. Standing Report from District Council - Craig Rutan

Craig Rutan provided a brief report on the actions of District Council including primary action to approve two new positions in HR to assist with the backlog of activities and the massive reorganization

in that department. An emergency meeting was conducted last Friday, February 11 to consider and approve these two new positions that are now in the budget assumptions. It is hoped these positions will assist with the backlog and hiring of adjunct faculty. The next District Council meeting is in March.

7. Informational Handouts

- District-wide expenditure report link: <https://intranet.rsccd.edu>
- Vacant Funded Position List as of February 8, 2022
- Measure “Q” Project Cost Summary as of January 31, 2022
- Monthly Cash Flow Summary as of January 31, 2022
- [SAC Planning and Budget Committee Agendas and Minutes](#)
- [SCC Budget Committee Agendas and Minutes](#)
- Districtwide Enrollment Management Workgroup Minutes

Information handouts above were referenced for further review. Ingram reported the Board is considering a new bond measure for the general election in November 2022. At the Board meeting on Monday, the Board heard a fairly in-depth presentation on enrollment, including comparison data for surrounding area and state-wide. SAC is taking the lead and also the district as a whole is fourth in terms of size and growth. Virtually all other community colleges have lost significant enrollment where RSCCD has increased. Hopefully the trend will continue and RSCCD will grow more and out of hold harmless by 2024-25.

8. Approval of FRC Minutes – January 19, 2022

A motion by Arleen Satele was seconded by Bart Hoffman to approve the minutes of the January 19, 2022 meeting as presented. There were no questions, comments or corrections and the motion passed with one abstention by Cristina Morones.

9. Other

Next FRC Committee Meeting:

The next FRC meeting is scheduled for Wednesday, March 16, 2022, 1:30-3:00 p.m.

It was moved by Cristina Morones and seconded by Adam O’Connor to adjourn the meeting at 2:21 p.m. The motion passed unanimously.