SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
Cañada College • College of San Mateo • Skyline College

District Committee on Budget & Finance
October 16, 2018
District Board Room, 2 – 3 p.m.

Attendees: Kathy Blackwood, Laura Brugioni, Mary Chries Concha Thia, Nick Kapp, Barbara Lamson, and Steven Lehigh

Absent: Eloisa Briones, Tony Burrola, Judy Hutchison, Pearl Ibeanusi, Vincent Li, Martin Partlan, Ludmila Prisecar, Tamarik Rabb, Jan Roecks, Bernata Slater, and Gabriela Topete Eng Goon

Guests: Paul Cassidy, Karrie Mitchell, and Nettie Wong

1. Budget/District Strategic Plan

Kathy introduced Karrie Mitchell, Vice President, District PRIE office. A brief overview of the district's strategic plan was shared. Each September the Board of Trustees is provided an annual update on the district's strategic plan. The annual updates focus on the metrics and scorecard contained within the strategic plan. As a matter of background, the strategic plan covers 2015 through 2020. The strategic plan will be updated in 2019-2020 and the updated plan fully approved in 2020. The strategic plan is the districtwide plan and serves as the umbrella document that the colleges use to create their individual strategic plans, which feed up to the districtwide plan. The presentation to the Board of Trustees included representatives from the three colleges who talked about their metrics and how the metrics fed into the districtwide strategic plan; as well as the initiatives that the colleges were involved in and how these initiatives influence the strategic plan and the metrics contained within the plan.

The update provided to the Board of Trustee's was shared. Included in the update was a section on the innovation fund and how this resource relates to the strategic plan. Budget details at the college level were shared along with linkage to the district's strategic goals. This information is also available via the Board of Trustee's September Meeting's agenda packet. The district's strategic plan's over-arching goals are to support student success, equity, and social justice. The plan contains eight tenets which include developing a more robust and comprehensive research, planning, and institutional effectiveness infrastructure in order to use actionable data for decision making with linkage to the metrics including student goals and progress on meeting those goals.

There are four strategic goals contained within the district's strategic plan. Among these goals are to develop and strengthen educational offerings, interventions, and support programs that increase student access and success. Within this goal much of the innovation funds are designed to support both the strategic goals numbers 1 and 2, which speak to relationship building with school districts, four-year colleges, community organizations, etc. Strategic goal 3 speaks to program delivery options such as distance education while strategic goal revolves around fiscal planning and budget. The scorecard and metrics were provided which allows for annual updates and are meant to be interactive. Within each of the goals are strategies to meet the goals. The colleges within their own plans have embraced some of these strategies.

Although some of the data does lag from a timing perspective, an example was provided. The example provided was in relation to the cohort for fall, full-time, first-time students at the colleges. An enrollment breakdown per college was provided with Skyline College being highlighted because of the significant increase in the number of students falling within this cohort. There was a discussion that the promise scholars program was the impetus behind the increase. Given the interactive nature of the tool, the input control was modified to isolate part-time students at Skyline with an expectation that the enrollment for this cohort would have the inverse relationship, which was validated. There was a question between success and enrollment status (full-time versus part-time). The question pertained to "pushing" at-risk students to full-time status may not increase those students' success. The response from Karrie Mitchell highlighted that the design of the promise scholars program emphasizes wrap-around support services and has been replicated at the three colleges. The program uses a model originated at the City University of New York whereby there is a smaller student to counselor ratio with a focus on higher risk students needing more intervention. Given that this program has only been in existence at our colleges for a year, longitudinal data is not yet available; however, looking at University of New York data, their graduation rates have increased significantly. There was another question inquiring if the promise scholars program actually attracted additional enrollment (new students) to Skyline College. Currently there isn't data that can positively attribute any increase to the program specifically given the college's outreach activities and the dual enrollment initiatives without further data mining.

Karrie Mitchell highlighted that the wonderful thing about looking at data and research is that it is infinite. There is a variety of other data available and a few were illustrated. Math and English enrollments, which has been a focus given the implementation of AB705 which requires looking at other ways of assessing students (i.e., multiple measures) for placement with the goal of getting students into transfer level courses. Karrie Mitchell provided data broke down by college, gender, and ethnicity with another segment of non-resident and residents students. Some of this information, for example, may be helpful for faculty to identify opportunity for better support structures and innovation funds. In the example provided, if a faculty member is looking to increase the numbers of African-American male students in STEM Math what programs are available and whether those programs as illustrated by the scorecards are making a difference with this particular cohort. Another example of data provided was on degree completion; however, this data is lagging due to prior graduating class data not being made until October. Three years from the implementation of the promise program, the organization should have enough data to correlate the impact of the promise scholars program on completion rates. Another example provided related to transfer rates to the CSU and UC systems; however, this too has lagging date. Currently known data shows an increase in transfers from our colleges to these systems. Finally,Karrie Mitchell highlighted capture rates (i.e., the number of students enrolling from local high schools). The data can be broke down by high school so that the colleges can tie their outreach efforts to these capture rates (which are defined as within five years of graduating from any particular high school). There was a comment with regard to there being a lot of data available. Kathy Blackwood encouraged the committee to visit the district's main webpage and drill down to the strategic plan link and play with the data as it is very interesting and useful. There was a final question regarding the degree completion data being available by discipline. Currently this data is not disaggregated in this format; however, efforts are underway.

In response to a question with regards the promise scholars program being only one year old, Kathy Blackwood advised the committee that the budget has not yet been built for 2019-20; however, direction from the Chancellor has been to identify funding for Year 2 of the promise scholars program. In essence, we would start a new cohort in Year 2 and continuing to fund the existing cohort from Year 1. It was noted that the district's strategic plan metrics are specifically designed to track students in the promise scholars program (i.e., first-time, full-time student). With regards to the funding model, if funding is provided for the second year, which is a priority, the organization should start to see some movement in many areas - particularly degree completion. Kathy Blackwood reminded the committee when a comment was made regarding comparing Skyline to City College of San Francisco that City College has a different program exclusive of wrap around services. Their model is basically "come here for free" while San Mateo's program has very intensive wrap-around services requiring the students to interact with counselors, etc. at least monthly with interventions conducted, as appropriate. The results of this intensity can be seen within Skyline College's data when looking at retention and completion rates, for example. Kathy Blackwood highlighted that the promise scholars program also focuses on providing resources to students for textbooks, transportations, food resources, etc. The program is trying to provide everything possible to ensure success of the participants. There was a question regarding the participants' eligibility for priority registration. Karrie Mitchell will research and advise. Kathy Blackwood stated that second year students should have access to priority registration regardless of participating in the program or not and reminded the committee that the window for priority registration is only three days. There are some sections that are earmarked for promise students such as English and math. Kathy Blackwood mentioned that the organization is continuing to work out the kinks by figuring out the best way to do things such as handling textbooks versus inclusive access fees. Overall it is working and folks are supportive. Karrie Mitchell mentioned that the three colleges are revisiting their selection process with regard to participants in the promise scholars program. In the past, it was primarily first-come first-serve; however, looking through an equity lens the college may be missing students. As a reminder, there was a cap on the number of participants due to funding. Many students likely didn't get in because they didn't know about the program in May 2018 and/or didn't know how to act upon it as they likely did not know how to navigate the college landscape. These students are likely those that are most under-represented which is the impetus for revisiting the selection process. This led to a multi-part question with regards to funding Year 2, if a cap would be imposed for the Year 2s cohort, and about any potential prioritization of the two cohorts (Year 1 and Year 2). Kathy Blackwood stated that a fundamental challenge is that the organization does not currently have the infrastructure to have an unlimited number of students participate in the program given its intensity (counselors, retention specialists, other personnel required, etc.) - it's much more than simply waiving fees. Most likely given the afore-mentioned the number of students in the Year 2 cohort will likely be fewer than the Year 1 cohort. The program will need to grow over time as resources are identified. There was a question as to if there is the ability to track the cost per participant. Kathy Blackwood stated that this would be very difficult because to the extent that new employees are hired (such as project directors supporting the program at each college) and tracked in Fund 3, which is relatively easy; there are many other personnel that do other things outside of the program as well and these costs would be difficult to quantify. Additionally efforts in the form of various meetings/efforts with/by cashiers, admissions & records staff, business offices, bookstores, etc. complicate the ability to truly track the cost per participant. Ideally the entire program is ultimately institutionalized.

A question was asked with regards to the innovation fund atthe colleges and the district office and were there any direct budgetary changes. Kathy Blackwood advised the committee that the colleges and the district office were provided resources from this fund for the past two years to fund a variety of things including the promise program and to advance other items contained within their strategic plans. This year the district allocated $2 million specifically towards the direct student costs (e.g., fee waivers, books, transportation, etc.) and not to the colleges or the district office as in the prior two years – essentially allocated to the students. Kathy Blackwood went on to say that half of the $2 million was not unrestricted general fund money: $400,000 came from auxiliary services, $300,000 came from the foundation, and another $300,000 came from the housing fund. The hope is to grow the foundation funding, which is their primary focus for donations per discussions with the college presidents. The colleges did receive this year $250,000 each in innovation funds because so much resource was provided to the promise program. Each college chose slightly different things to spend these resources on in support of their strategic priorities, which tied to the district's strategic plan.

Karrie Mitchell highlighted the specific information relative to the innovation fund contained within the update provided to the Board of Trustees at their September meeting. Kathy Blackwood advised that the tentative budget adopted in June indicated how the organization intended to spend these funds in FY 2018-19. She went on to remind the committee that two reports are provided annually with the final budget being adopted in September, which reflects how the funds were spent in the prior year. In essence, the tentative budget in June provides the spending plan for the following year and the adopted budget in September provides the actual spending for the prior year. Kathy Blackwood speculated that the current strategic priorities likely won't change dramatically as the organization continues to focus on the success, equity, and social justice of students.

Given that the Year 1 cohort of the scholars promise program was basically provided on a first-come first-serve basis, a question was posed to ascertain if there was a way to identifying those students who truly are most at-risk to mitigate selection biases. Karrie Mitchell responded by using Skyline College as an example. Looking at their cohort compared to the overall demographics at Skyline College, the cohort aligned; however, this was coincidental. The college recognizes the need to be more intentional and has started this conversation. In terms of controlling the data and determining the success for this particular cohort, it is difficult given that this new program was just implemented. There was a discussion from the aspect of population size. A challenge with some programs focused on at-risk populations is that the higher the number of participants may worsen the overall success rates; however, that doesn't mean the program isn't working. It means that the program is involving the most marginalized students. Kathy Blackwood advised that the organization should see changes in the gaps. Overall success rate may, in fact, go down but the gaps should close so there is still a way to measure success. Karrie Mitchell advised that this is where continuous improvement and institutional success comes into play and not just putting programs into play and hope that they work. Kathy Blackwood affirmed that the organization will continue to evaluate and make corresponding changes as better ways of running the program are determined.

2. Actuarial Study Update

Kathy Blackwood provided an update to the committee. The study pertains to retirees' health liabilities or other post-employment benefits. The (full blown) study is provided every other year; however, new GASB pronouncements require certain updates every year. These updates do not require new data on employee demographics but does update costs associated with healthcare. The actuary provided an update as of July 1, 2018. The total liability as of this date is just over $121 million, which is an increase from the year prior. The assets in the irrevocable trust fund as of this date is just under $115 million, which is a gap of approximately $6 million. That being said, the district has reserves (the "way station" before funds are transferred into the trust) of about $10 million. It was confirmed that this is in Fund 8. About $5 million of Fund 8 is invested in 2nd mortgages for employees so there is a portion of resource in Fund 8 that will never be transferred into the trust; however, the numbers are still look good. Kathy Blackwood went on to state that the liability is still fully funded.

Because the (full blown) study was done two years ago, the organization will do another one in Spring 2019 and this study will be updated with revised employee demographics, health costs, etc.

The district auditors will only recognize the money in the trust. However, given the reserve, the organization has enough money to fund the liability so it is very good shape. According to the trust administrator, Keenan, the district is one of only three or four other districts who have a fully funded liability. There was a discussion about which districts may have a fully funded liability and if they have life-time benefits. There was a question as to the timing of withdrawing funds from the trust. Kathy Blackwood stated that the FY18-19 budget charged about $3.5 million of the pay-as-you go from Fund 8 to balance the budget. The Chancellor would prefer not to earmark the $3.5 million in an ongoing basis as it is a good reserve to have should a natural disaster or recession happen. Kathy Blackwood reminded the committee that the organization charges itself 5% of salaries as an ongoing cost and that percentage may go down depending upon the cost of future medical benefit increases. If an employee has been employed for 20 years s/he is entitled to retiree benefits so the liability will never cease unless these benefits sunset through negotiations, which no one wants. The 5% charge gets moved to Fund 8 and then the district can charge the benefit premiums to Fund 8 or move resources from Fund 8 to the irrevocable trust. The original 5% charge hits other funds such as Fund 1, 3, etc. (where salaries are charged) as a benefit expense and shows up as revenues in Fund 8 (inter-fund transfer). The reason to charge this uniformly is that grants and categorical programs will bear a similar burden which otherwise would require Fund 1 (unrestricted general fund) to pay for all employees retiree benefits. The district does have employees who spend their entire career in categorical programs so this methodology is logical.

3. Audit Status

The auditors concluded their two-week onsite visit. Crowe –Horwath is currently the district's auditors and has been the auditors for the past three years. Prior to Crowe-Horwath, the district's auditors were VTD and, although partners would change, VTD were the auditors for the prior twenty years. Six years ago only three firms bid, two of which had never conducted audits for a community college. Fortunately the last bid resulted in a larger pool resulting in three interviews and ultimately selecting Crowe-Horwath. There was a brief discussion about the difficulty of changing auditors but change every so often is good. Kathy Blackwood informed the committee that there were no federal compliance findings or audit adjustments. There will be one finding, which is the same finding as the year prior – the state compliance finding on the 50% Law. As long as the district continues to support programs like the promise program it is difficult to meet the 50% Law, because all that type of support is on the wrong-side of the equation. The BOG has indicated that this is not an issue for them. There was a discussion about adding counselors and other supplemental instruction to satisfy ourselves that the district would be over 50%. Kathy Blackwood responded that unfortunately the law is very clearly defined that only classroom instruction (faculty in the classroom and instructional aides) fall on the right-side of the equation. The district doesn't have the flexibility to modify the calculation. It is the district's opinion that this calculation is not a good measurement for the great work done throughout the district. The Board of Trustees is more interested in the metrics contained within the strategic plan than complying with the 50% Law. The district has a workload committee that is working on faculty workload. It is likely that there will be recommendations coming from that committee. These recommendations are more likely to address the changes in faculty assignments over the years with all the new initiatives such as multiple measures, guided pathways, etc. One item discovered was that instructional faculty spend a great deal of time advising students.

4. New Business

General Obligation Bond Update

Kathy Blackwood reminded the committee that the district had an election in 2014 for Measure H for an authorization of $388 million. $127 million of the authorization was issued in 2015. The district will likely spend the balance of the $127 million in the next couple months as there are four large projects currently driving expenditures. Accordingly the Board of Trustees has authorized the sale of the next series for the remaining $261 million. The district had meetings with the credit rating agencies and has no reason to believe that the rating will be downgraded from its current AAA rating. The ratings should be received this Friday. Kathy talked about the process including the due diligence call, the role of the underwriter, negotiated sale, bond pricing, market conditions, pre-orders, etc. At the end of the month, the Chancellor will be traveling to New York for the bond sale and to ultimately approve the price. Within a couple days from the sale, the district receives the money generated from the sale. There was a question regarding the tax exemption status of the bonds – is the exemption from both State and Federal taxes. Kathy Blackwood believes the exemption is from State taxes. A question was asked as to whether San Mateo County residents receive a preference in purchasing the bonds. Kathy Blackwood stated that there is not a preference offered; however, there the bonds are definitely marketed to San Mateo County residents. There are plenty of bonds to purchase. At the same time, the district may refinance some of the earlier bond ($25+ million) that are currently callable to pay them off which benefits the taxpayer in the form of savings depending on market conditions. None of the savings goes to the district. The upcoming sale of $261 million is estimated to cost the taxpayer $6.60 per $100,000 in assessed valuation. The legal limit is $25 per $100,000 and all the districts issuances combined will be lower than this limit. The district's assessment to the taxpayer is lower than any other school district in the county; however, the district does have an advantage as its assessment is countywide.

5. New Business and Agenda Building

Kathy Blackwood acknowledged the long list of pending items and asked if there were additional items to add to the request list. Bernata will be here for the next meeting, which is scheduled for Tuesday, November 20, 2018.

- **Agenda Building**

  Taken from Agenda Item #1: There was a question regarding the participants' (scholar's promise program) eligibility for priority registration. Karrie Mitchell will research and advise.

6. Public Comment(s)

None

7. **Next Meeting: November 20, 2018**