



District Committee on Budget & Finance

April 16, 2019

District Board Room, 2 – 4 p.m.

Attendees: Bernata Slater, Eloisa Briones, John Burreight, Mary Chries Concha Thia, Sam Haun, Judy Hutchison, Pearl Ibeanusi, Nick Kapp, Steven Lehigh, Vincent Li, Graciano Mendoza, Martin Partlan, Ludmila Prisecar, Tamarik Rabb, and Jan Roecks

Absent: Tony Burrola

Guests: Paul Cassidy, Peter Fitzsimmons, Jose Nunes, and Chris Strugar-Fritsch

Called to order at 2:02 p.m.

1. Capital Project Cost Escalations

VC Nunes referenced the presentation that was emailed prior to the committee members. The presentation included various projects including CAN B1N, CANB23N, SKYB12N, and SKYB1N. Nunes spoke about the cost escalations associated with SKYB1N which prohibited execution of the project as an example of the challenge the District is currently facing with regards to capital project cost escalations. There was an effort to value engineer the project to ascertain if the project could move forward with reductions to the scope. Unfortunately too much would have to be removed from the project to meet the college's needs and a decision was made between district and college leadership to shelf the project despite two years and \$8m of planning effort. Kapp asked if there were lessons learned. Strugar-Fritsch stated that it is really a regional dilemma as there is a more demand than supply. A report was made to the Board of Trustees on this topic. An inquiry was made by Lehigh as to cancelling versus postponing the project. Nunes stated that the remaining project funds have been redirected to other projects across the District. Nunes identified said projects. In order to move forward with the SKYB1N project, a new funding source would need to be identified. Kapp asked if this means a new bond authorization. Nunes responded that a list of facility needs has been developed to inform a new bond authorization; however, the Board of Trustees would need to support a new bond before moving forward to the voters. There was a discussion about instructional equipment needs. Nunes advised that there is over \$50 billion under construction in San Francisco alone. Strugar-Fritsch also highlighted the recent fires, State construction bond projects, local bond projects, and current new construction in general that exasperate the situation. Strugar-Fritsch presented a slide that illustrated a 40% increase in construction starts in 2017 and over a 350% increase since 2012. He went on to illustrate that specialty trade employment has increased 54% since 2011; however, this still doesn't meet the demand. Overall construction costs have increased 32.4% in the past few years. Nunes spoke to the price differential depending upon the competitive bidding process: the higher number of bids = the lower price differential. Strugar-Fritsch closed by stating that there is decreased competition because contractors have too much work so the District doesn't receive the number of bidders for its projects as it has in the past. Accordingly the bids come with a higher cost. There was a brief discussion on delivery methods. Nunes closed by stating that the current bond funds are fully committed and encouraged the committee to advocate for another bond measure. The current unfunded needs are \$900 million and Nunes highlighted several of those needs as contained within the organization's facilities master plans. Lehigh inquired as to how cost escalations are impacting the unrestricted general fund budget. Nunes stated that if the cost escalations impact assessed valuation there would be an impact on property tax receipts. Slater emphasized that the District's current needs exceed the resources available. Accordingly the organization does set-aside funds as possible (e.g., transfers into Fund 4 from Fund 1).

2. FY19-20 Resource Allocation Model Update

Fitzsimmons referenced the most recent version of the site allocations. He advised that the numbers continue to move and will likely move through July ultimately informing the adopted budget. The organization has agreed to use the model as of May 1, 2019, to inform the tentative budget and that this snapshot will be emailed to the committee members. Slater highlighted certain items that continue to move such as property taxes. She also reminded the committee that the tentative budget will be emailed to the committee.

3. College Contingencies

Data was emailed to the committee prior to the meeting. Slater explained to the committee as to why the District Office has set-aside \$3.3m (e.g., equipment, promise program, etc.). Mendoza explained that Canada College has \$7.1m which is a reflection of being fiscally prudent. In essence, the college has set aside these funds for instructional equipment, unfunded small capital projects, supplementing categorical and grant programs as needed, shortfalls to Fund 1 in an economic downturn, and other one-time expenditures. The college has a mechanism for prioritizing one-time expenditure needs. Briones echoed Mendoza with an emphasis on unfunded instructional equipment. Skyline also has projects such as the STEM Center (\$950k) that is not bond-funded that the college is funding. Fund 1 is insufficient for special initiatives so the college looks towards this resource when special initiatives are implemented (e.g., the scholar's promise program staffing needs). Roecks stated that CSM's situation is very similar to the other two colleges (equipment, small projects such as the cafeteria furniture, etc.). CSM recognizes that these are one-time funds and is cognizant to not allocate in an on-going way. Roecks also spoke to district-wide initiatives such as emergency preparedness. The college contingency is a resource for these types of activities. Prisecar highlighted the unknowns from year-to-year with regards to categorical funding and a high percentage of the college's Fund 1 budget being tied to on-going expenses such as personnel and it is important to have a contingency to address these items.

4. CCFS-320 P2 Report

The report was emailed to the committee prior to the meeting. Slater highlighted the total resident and non-resident FTES contained within the report. Fitzsimmons stated that the report is divided into four main parts (each of the three colleges and district-wide). He went on to state that in his opinion the first two pages of each of the four main parts is the most informative. The other pages illustrate different views of the data contained on the first two pages (e.g., census types). Slater reminded the committee of the State deadlines for the report (Jan 15, Apr 15, and July 15).

5. Scholar's Promise Program Cost Estimate Details

Slater reminded the committee that VC McVean provided the Board of Trustees with cost estimates. A separate document encompassed specific needs for various programs. The numbers regarding the Scholar's Promise Program were not identical between the two documents; hence the request. Slater advised that McVean was very specific with his numbers while the "specific needs" document took into consideration rounding and the fact that McVean's report was specific to a year while the "specific needs" document took into consideration unused prior year budgets and on-going needs (i.e., what additional dollars are needed). Roecks and Prisecar opined that it would be clearer if the on-going needs were better displayed to minimize the confusion. Partlan asked where the funding is coming from. Slater and Fitzsimmons reviewed the various funding sources (tuition abatement, bookstore, auxiliary, and housing). Roecks inquired about food insecurity. Ibeanusi asked how funds are being distributed to each college. Slater stated that there is an assumption as to how many students will be served at each college. There was a discussion about capacity

versus resources at the college level. Prisecar highlighted the need for an increase to the colleges' allocation for staffing needs to support the program. Lehigh expressed a concern about expanding the program when funds may not be available to support the expansion. Li echoed Lehigh's concern. Kapp expressed that there may be a loss in apportionment; however, Slater stated that this is true with respect to lottery funds but not general apportionment. Roecks reminded the committee that the program's funding is "last dollar" as most students receive the BOG Fee Waiver and/or some other type(s) of financial aid. Hutchinson spoke to the evolution of the program from a one-year full-time student fee waiver to the CUNY model, which is much more in-depth and costly. Slater stated that the Governor is proposing to fund the California Promise for a second year. If this comes to fruition, this will help with funding the program. Slater stated that she will invite McVean to make a presentation to the committee with regards to the needs and potential funding opportunities.

6. Future Agenda Items

None requested other than those noted above. Slater asked if the committee would consider rescheduling future meetings to begin at 1 p.m. instead of 2 p.m. The committee seemed amenable to this; however, no decision was made.

7. Public Comment

There were no public comments.

8. Next Meeting: September 17, 2019

Meeting adjourned at 3:58 p.m.