



District Committee on Budget & Finance
December 18, 2018
District Board Room, 2 – 4 p.m.

Attendees: Kathy Blackwood, Eloisa Briones, Mary Chries Concha Thia, Judy Hutchison, Barbara Lamson, Martin Partlan, Ludmila Prisecar, and Bernata Slater

Absent: Laura Brugioni, Tony Burrola, Pearl Ibeanusi, Nick Kapp, Steven Lehigh, Vincent Li, Jan Roecks, Tamarik Rabb, and John Burrigh

Guests: Paul Cassidy and Peter Fitzsimmons

Called to order at 2:10 p.m.

1. Scholar's Promise Program Priority Registration

In response to the question posed at the October meeting, Fitzsimmons advised the committee that participants in the program are eligible for priority registration. Blackwood stated that the reason is that we want them to be full-time and go get the classes that they need to get through.

2. Five-Year History of Inter-Fund Transfers

This item will be postponed per the requester, Lehigh.

3. COLA / Benefit Increase History

This was requested by Lehigh. The document was attached to the meeting materials. Blackwood spoke to the State COLA and reminded the committee of when SMCCCD became community-funded (basic aid).

4. FY2019-20 Budget Calendar Review

Blackwood advised the committee that the Board has a retreat in February which will likely have many initiatives. We won't have a sound estimate for FY 19-20 until the after the Board initiatives are known in February. The Board will likely want to fund many things such as food insecurity, housing, transportation, additional years for the promise program, etc. Once the initiatives are known, we will have a better estimate. Given the Governor's proposal in January and the fact that the State's Budget Workshop is the day after the current January meeting, there was a question as to postponing or canceling the January meeting. The State's budget does have large impact on community-funded districts; however, there is thought that the new governor will focus on free college. We should know much more in January. There was a decision to move the January meeting to January 22nd. Blackwood reminded the committee that we will be developing the tentative budget in the spring for adoption in June. We will then work to close the books and present the adopted budget at the first board meeting in September. The hope is that the changes between the tentative and adopted budgets are minimal. Briones asked when the site allocations will be available after the board retreat. Slater stated that immediately after the board retreat we will be working on the allocation model, which will include the FY18-19 FTES at P1. This will inform the model with regards to non-resident tuition. We will still be using assumption on property taxes and will likely use the same benefit assumptions. Not a lot will likely change until we have salary projections. It is anticipated that the budget will likely be similar with potential line item adjustments. Briones mentioned that the campuses usually has something right now.

Blackwood recommended for planning purposes to use the current year as basis for discussions at the campuses. Briones inquired as to the Innovation Fund for FY19-20 because the college committee is evaluating proposals. Blackwood replied that innovation funds availability is contingent upon board direction in February. If the college is looking to do new things, resource may be minimal. She went on to recommend shifting resources from existing programs. Blackwood stated that as of December 17th the County AV has increased 5.08%. Last year ended at 8%. Cassidy inquired if a lower number of property sales equated to a lower AV. Blackwood confirmed and reminded the Committee that the 5.08% includes the 2% automatic increase (depending upon CPI) per Proposition 13. Hutchinson asked if this included commercial and new construction. Blackwood responded in the affirmative. Blackwood informed the committee that the County hasn't been updating the AV as frequently so we may need to find another avenue for this information. Lastly Blackwood informed the committee that the budget calendar will go to the Board in January for approval.

5. Resource Allocation Model Review

Blackwood walked the committee through the budget workbook. She spoke to the FY18-19 budget scenario assumptions and reminded the committee that to the best of our ability the two out-years must also be balanced. She also spoke to the prior year's adopted budgets in relation to the current year adopted and the two out years' preliminary budgets. Briones inquired if it is easy to split the waivers from the student fees. Blackwood responded in the affirmative because waivers are booked separately as contra revenues. We have been working on separating out waived tuition from other waived fees. Briones stated that at one point in time we had to do mandated cost reports in relation to enrollment and partnered with a company called Six/Ten. There was an incentive provided to the colleges to do this, in that, if the college submitted a lot of claims the money would come back to the colleges. Blackwood spoke to the \$28 per FTES opt-in program that was developed a few years ago by Governor Brown whereby claims are no longer submitted. Briones confirmed that for planning purposes the colleges should use the FY19-20 preliminary budget for budget for discussions. Blackwood responded in the affirmative. Cassidy inquired if the estimates were broad or granule in nature. Blackwood opined that they are granule and stated that if the college wanted to change an assumption that the site allocation will change and this may help with the discussions. Prisecar inquired if the FY18-19 site allocation is determined based upon a formula. Blackwood stated to hold that question that she would get to that page in the model. Prisecar inquired as to the salary commitments not allocated to site. Blackwood replied that the budget is transferred to the site when the collective bargaining agreements are settled. Partlan asked about the salary commitment assumption in the out years. Blackwood reminded the committee that per the collective bargaining agreements 80% of property tax increases are allocated to salary commitments. Briones asked why the miscellaneous line item is lower in FY18-19 than in the out years. Blackwood stated that she would need to research the details and bring the answer back to the committee. Briones would like to visit the FTES portion of the allocation which has been suspended due to lower enrollment. Blackwood cautioned Briones because all college enrollments are declining so the college allocation may decrease. Cassidy confirmed that if enrollments decline that the college allocation declines and asked why the allocation wouldn't simply redistribute the allocation among the colleges based upon FTES. Blackwood replied that it is really both. Partlan inquired as to the square foot allocation: Will Canada get more money given the new construction. Blackwood responded in the affirmative. Hutchinson asked why the District Office received a growth allocation but colleges did not. Blackwood replied that this allocation is really a reduction in Central Services and an increase to the District Office to cover the International Program. Prisecar asked how the international "surplus" gets to the colleges. Blackwood responded that Prisecar could find that in the international allocation. Concha Thia asked why the colleges' international allocation decreased. Blackwood answered that it was due to the fact that the prior year revenue goals were not met so a change is made in the current year based upon prior year results. Prisecar noted to Briones that if she were to remove the international allocation that CSM's site allocation would be below Skyline's and that CSM's international allocation is why CSM's allocation is close to Skyline's allocation. Blackwood reminded the colleges that the international "profit" of \$7m goes to the colleges. Hutchinson asked if there was any thought to revising the methodology to support all students and not necessarily a particular college. Blackwood stated that there are differences in colleges and that we could change the methodology posed by

Hutchinson; however, an unintended consequence would likely give more "control" to the District Office. Hutchinson stated that puts one college against another. Prisecar stated that CSM has a large population and requires additional resources to support a larger population. Hutchinson supported a district-level approach such as assigning which college the student attends while Prisecar supported allowing the student to make that decision. Blackwood interjected that normally colleges don't want districts telling colleges how to run their program. Hutchinson stated that economies of scale may be lost. Briones inquired as to the reason behind the international allocation. It is her understanding that resident student fees funnel into district revenues and then are allocated through the model. Why are we treating international fees differently? Blackwood responded that when we started growing the program the methodology was developed to encourage growth at the college level. The first several years the District subsidized site allocations to seed growth. Now the program is a profit center benefiting the colleges. Briones asked that since we now have the promise program could this be something that could be funded by international fees if the fees weren't allocated to the colleges. Blackwood stated that result would be that the college site allocations would decline and questioned what the advantage would be to the colleges. Slater provided some additional detail for the FY19-20 and FY20-21 innovation funds. Blackwood stated that when we provide the FY 19-20 site allocation, we will be revising FY20-21 and introducing FY21-22. Briones asked how much the promise program is going to cost. Blackwood replied that the preliminary estimate to sustain 2100 students will cost an additional \$2.25 million (on top of current \$2m). Slater stated that this is based upon 700 new students annually. Eloisa asked if this is all costs. Blackwood stated that the current infrastructure supports 700 per cohort districtwide and that the larger the program, the larger the infrastructure required, the more costly the program will become. Briones stated that the current goal is 950 students. Blackwood cautioned that the colleges likely could not continue at this level with the current infrastructure. Hutchinson asked what changed in her understanding that the program would be three years and not two years. Blackwood stated that the ASAP Program is three years and many programs take three years and not two. Hutchinson's expectation is that the student completes in two or 2.5 years. Cassidy stated that we may find that Year 3 will cost less due to drop off. Hutchinson opined that maybe the program needs to be redesigned to be more efficient. Blackwood stated that 12 units is considered full-time and community college students may not be able to take 15 units for four consecutive semesters to complete in two years. Partlan stated that scheduling issues and prerequisites oftentimes prevent students from completing in two years. Blackwood suggested that we invite Karrie Mitchell to provide an update on the promise program and the Customer Relation Software (CRM) Initiative. Slater reiterated that for FY19-20 the existing model will be used and that the numbers may adjust after the February Board study session. The District Office will be communicating to the colleges to build the tentative budget, which will be brought forward to the Committee as soon as possible. We all understand the importance of this exercise. Concha Thia stated that Canada will use FY19-20 allocation as known at the FY18-19 adopted budget for planning purposes.

6. Budget Development Process

This discussion was woven into Item #5. Blackwood stated that the CRM Initiative has significant on-going costs which still needs to be identified and much more information will be known in the coming months.

7. Budget Strategy Discussion

Blackwood stated that we are currently using a "home-grown" budget software and that hopefully by FY20-21 budget development season we will be using a different software.

8. Public Comment

Briones expressed her appreciation of Blackwood and how much she will be missed due to her retirement. Slater stated that Blackwood will be missed and how difficult it will be to fill the void.

9. Next Meeting: January 22, 2019

Meeting adjourned at 3:50