

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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Website: <http://rscgd.edu/Departments/Business-Operations/Pages/Fiscal-Resources-Committee.aspx>

Fiscal Resources Committee

Executive Conference Room – District Office

1:30 p.m. – 3:00 p.m.

Meeting Minutes for October 22, 2014

FRC Members Present: Michael Collins, Ray Hicks, John Zarske, Steve Kawa, Michael DeCarbo, Craig Rutan, Raul Gonzalez del Rio, Peter Hardash, Adam O'Connor and Diane Hill

Guests/Alternates Present: Jim Kennedy, Bonnie Jaros, Steve Eastmond, John Weispfenning and Esmeralda Abejar

The meeting was called to order by Mr. Hardash at 1:30 p.m.

1. Welcome

2. State/District Budget Update – Mr. Hardash reviewed the following:

- 1300 Budgets: Follow-up discussion from last meeting. Some transfers have been made by account sweeps to fill in the holes in 1300 accounts. SCC identified \$560,000 in one time funds. SAC identified \$1.44 million in one-time funds. Mr. Hardash reviewed the **Deterioration of the Adopted Budget** document as follows:
- 2014-15 Adopted Budget structural deficit – (\$5,087,253).
 - Within the 14/15 Adopted Budget: Full-time faculty hires appropriation shortfall (net) includes SAC 21 FTE funding not identified (\$2,379,661); SCC 1 FTE funding not identified (\$122,841) and the net additional structural costs in Adopted Budget (\$3,159,591)
 - Additional costs that were not included in the Adopted Budget:
 - Adjunct faculty accounts shortfall: SAC estimated at (\$3,416,121); SCC estimated at (\$2,589,247) = (\$6,005,368)
 - Growth increased costs of offering 1% more in class sections (\$405,030) was never included in the Adopted Budget
 - SCC additional one full-time faculty hired, funding not identified: (\$131,038)
 - SCC Campus Budget structural shortfall (SCC overspent 13/14 budget by \$1.3 million, begins 14/15 with a (\$332,000) funding reduction: (\$332,132)
 - Adjusted 14/15 deficit = \$11,960,821
 - Hiring freeze potential in savings: Hiring freeze has been implemented, if we are disciplined the best case scenario is \$3,000,000 in savings to help offset the deficit and bringing the total 14/15 deficit to (\$8,960,821). Each cost center would take credit for identified fund savings.
 - Additional budget concerns:
 - SAC: Are all instructional services agreements properly funded?
 - Are utility accounts properly funded?
 - One-time funds (Fund 13) used for ongoing costs including positions
 - Additional SSSP fund 11 match requirements in 14/15
 - SCC's budget reductions of \$1.3 million are mostly one-time funds, what is the permanent reduction strategy?

- Transfers to cover the 13xx's are also mostly one-time, need permanent reductions solution
- All vacant position savings that are being used to cover the 13xx deficit lowers the \$3,000,000 in savings of vacant positions
- The committee requested a presentation on scheduled maintenance allocations, can these funds be used now to cover deficits and borrow funds for the maintenance issues at a later time. Mr. Hardash will ask Ms. Matsumoto to present an analysis of maintenance funds to this committee.
- Additional potential revenues not included in the Adopted Budget in the best case scenario:
 - Growth revenue funding over-projection (\$2,344,962)
 - 2013/14 320 recalculation potential 52.9 additional FTES \$245,244
 - No apportionment deficit: \$2,300,000
 - Additional mandated cost: \$300,000
 - Additional 1% earned growth \$1,300,000 less cost to earn (\$405,030)
 - Best case scenario added revenues: \$1,395,252
- Reconciliation:
 - Best case scenario added revenues: \$1,395,252
 - Adjusted 14/15 deficit: (\$11,960,821)
 - Hiring freeze potential savings: \$3,000,000
 - Best case scenario deficit spending in 14/15: (\$7,565,569)
- Unless reductions are made or we find more revenue, we will spend down the stabilization fund, we cannot pass a balanced budget for 15/16 as it will dip into the 5% reserve, Chancellor's Office will not allow this to happen. A new updated multi-year project spreadsheet will be distributed to include all items just discussed. The Chancellor has informed the Board of Trustees that the District needs to cut \$8 million in the current year and will work on a plan.

3. Updates to BAM Language

- The Chancellor will make recommendations to this committee to include language in the BAM to properly budget basic items such as the 1300 accounts, use of vacant position savings and one-time savings for on-going positions and costs.
- Mr. O'Connor led discussion on changes suggested which the committee asked not to be incorporated until after the accreditation team visit. Outstanding items:
 - Augmentation process
 - Moving to a three year program cycle with a yearly review and update. District Council to provide FRC with feedback on the review they are charged with.
 - Institutional costs, clarification on what is included, what is district office, what is district-wide. Specifically what services are directly tied to the colleges that are budgets in economic development?
 - Discussion on a breakdown of district services and district-wide budgets, for example a review of grants. General fund or categorical, what services are provided, who is charged to these accounts, how do the colleges benefit? Mr. DeCarbo will begin work on the parameters for the data.

4. Committee Assignment and Workload Taskforce Survey

Faculty members are asked to complete and return the survey to Mr. DeCarbo.

5. Informational Handouts were distributed as information.

- District-wide expenditure report link: <https://intranet.rscgd.edu>
- Vacant Funded Position List as of October 14, 2014
- Measure "E" Project Cost Summary as of September 20, 2014
- Monthly Cash Flow Statement as of September 30, 2014

Mr. Hardash informed the committee that \$71 million of Measure Q bonds were sold this week, as the market crashed we got very good rates at 3.55%, we did very well on this sale. Simple interest, for every \$1 borrowed, taxpayers pay \$1.70, no capital appreciation bonds. Closing will happen on October 29th. There will be a Measure "Q" Project Cost Summary once funds have been received.

The Standard & Poor's credit rating document was distributed as information. This document includes the disclosure of the \$6 million deficit in the 1300's. Standard & Poor's kept us at the same credit level, however, the \$6 million plus the already \$5 million structural deficit pushed Moody's to downgrade our credit rating and put us on watch.

The committee requested a list, from Human Resources, detailing all new positions, general fund or categorical which has, in part, contributed to the deficit. Mr. Hardash will request the information for distribution to this committee at a future meeting.

6. Approval of FRC Minutes – August 13, 2014 and September 24, 2014
Meeting Minutes for the August 13, 2014 and September 24, 2014 meetings were distributed for review. Mr. Hardash asked for a motion to approve, it was motioned by Mr. DeCarbo, seconded by Mr. Rutan and passed unanimously by the committee.

Adjournment

Mr. Hardash adjourned the meeting at 3:10 p.m.

Meeting Schedule – Next Meeting:

Next regular meeting: Wednesday, December 10, 2014 – 1:30 p.m. – Executive Conference Room, DO. This meeting was originally scheduled for November 19, 2014, however, there was a conflict with a college function.