

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 September 24, 2014

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

Guests/Alternates Present: James Kennedy, Jose Vargas, Dolly Paguirigan, Richard Kudlik, John Weispfenning, Esmeralda Abejar and John Smith.

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:

- State Budget signed by Governor on June 20, 2014.
- Budget is based on fiscally conservative estimates
- Growth/Restoration/Access is 2.75%
- COLA at .85%
- Large infusion of categorical programs: SSSP, Student Equity and DSPPS
- Buys down more deferrals
- New revenues for RSCGD - \$4.6 million
- New expenditures for RSCGD - \$6.932
- Ongoing 14/15 structural deficit of \$5 million
- Proposed Adopted Budget includes Board approved Budget Assumptions
- FRC unanimously recommended Budget Assumptions, District Council reviewed
- This is the third fiscal year of the new SB361 BAM
- Multi-year projections included
- Board Policy Contingency Reserve of 5% - \$7.445 million
- Restricted programs reserves and revolving cash - \$1.011 million
- COLA - \$1.138 million; Restoration - \$3.684 million
- Budget carryover by center: SAC - \$2.5 million, SCC overspent by \$332,132 in 13/14, District Services - \$565,271
- Beginning Fund balance of stabilization fund - \$16,556, 830
- Projected ending balance of the stabilization fund - \$10,794,318
- Multi-year projection to be closely monitored
- Yearly cost increases are outpacing revenue increases
- Additional SSSP match will add to unrestricted expenditures
- Expiration of Prop 30 funds starting in 2016/17
- Budget stabilization fund projected to run out by 2015/16 fiscal year, then encroachments on the general fund
- Ongoing costs need to be in line with ongoing revenues
- Board is concerned about the structural deficit

- **Under the model, the** budget centers are responsible to properly allocate funds for expenditures. One item that stands out is the 1300. Documents were distributed for review. Page 9 of Adopted Budget, 1300 actual was \$22.5 million and for the new year, budgeted is \$16.5 million, a \$6 million swing. In 13/14, SAC budgeted \$14.4 million, actual was \$16.3 million, 14/15 Adopted Budget is \$12,959,698, a difference of \$3,416,121. In 13/14, SCC budgeted \$3.6 million, actual was \$6.194, 14/15 Adopted Budget is \$3,605,732. As a whole, a \$6,005,368 shortfall. This shortfall is in addition to the \$5 million shortfall the Board is aware of.

Dr. Collins stated that SAC has transferred \$1.5 million out of their contingency to get above the 13/14 Adopted Budget.

The Chancellor has requested a plan on how to make up for this shortfall and properly fund these accounts. Dr. Weispfenning stated that SCC has identified \$494,000 as a solution so far.

Mr. Hardash added that while meeting with the credit agencies for the selling of Measure Q Bonds, they caught onto the issue with the 1300's. It is recommended that the budgets in the account are tied to the schedule and class offerings as done at most of the 71 districts.

Mr. DeCarbo asked what the District Office is doing to cut costs. Mr. Hardash said there is a semi-hiring freeze, Business/Fiscal positions are on a frozen list, not sure what other areas are doing. The faculty expressed that it is impossible to offer more with less, the entire district needs to be evaluated to make the necessary cuts. Mr. Hardash added that when \$10 million dollars was cut a few years back, these accounts were properly funded, however, the old model allowed for these funds as discretionary and was supposed to go away with the new model but are not being properly funded.

- Year-end Carryover Balances: SAC at \$2.5 million, SCC at 0, overspent by a little over \$300,000 which needs to be rectified and the DO at \$565,000, all down from the prior year. Growth funding of \$3.7 million is questionable for not growing. Mr. O'Connor provided clarification on the carryover budgets, savings at each of the budget centers is to be kept at the local level as an incentive to monitor budgets and work toward savings, page 113 under budget center reserves, the two colleges and the District Operations Center.

3. Outstanding Items to Address:

- Workgroup on 50%
 - Analysis on actuals has been updated; some minor adjustments may come through as the auditors are finishing up their work. SCC will try to increase instructional expenditures by \$1 million and is making progress in the right direction. SCC was at 53.65% and now at 54.29%. SAC exceeded their target of 62% going from 61.35% to 62.9%. The group will continue to monitor to make sure the percentages are continuing to increase.
- What does DEMC do?
 - Still an outstanding question. It was discussed in Chancellor's Cabinet to convene a committee with representation from both campuses. This group needs to prepare written information to the Board of Trustees at their meetings at the request of Trustee Labrado. Mr. Weispfenning and Dr. Martinez are coordinating this work. Discussion ensued on what the process is for communication and moving information and recommendations forward, how and where does POE play a part? Does it flow from POE to District Council? Process is still not clear.

- **Update BAM including** language on growth
 - Will need to come back to this item based on discussion on the purpose of DEMC.
 - Augmentation process
 - This item will be included in discussions and analysis of the BAM
 - Benchmark for District Services – Task Force
 - It was discussed that a Task Force would convene to analyze what is being spent, how, and on what including a comparison to other districts, what is centralized, decentralized, etc. The following volunteered: Michael DeCarbo will chair the group, Raul Gonzalez del Rio, Esmeralda Abejar, John Zarske and Adam O'Connor.
4. Faculty Obligation Number
We were 11.8 FTE short; it is now calculated at 11 even = \$760,000. This amount will be taken out in February and has been accrued in this fiscal year. There will be more discussion on this item at HRC regarding more hires based on the growth we've had. Penalty amount has increased to \$73,000.
5. District Services and Institutional Costs Report
Mr. O'Connor reviewed documents as a good starting point for the Task Force to analyze the District Office and districtwide services.
6. Informational Handouts were distributed as information.
- District-wide expenditure report link: <https://intranet.rscgd.edu>
 - Vacant Funded Position List as of September 3, 2014
 - Measure "E" Project Cost Summary as of July 31, 2014
 - 99% complete
 - Will issue Measure Q bonds in October, Measure E will be reimbursed after issuance.
 - Measure E Citizens' Bond Oversight Committee to meet on September 25th
 - Measure Q Citizens' Bond Oversight Committee to meet on October 16th
 - Monthly Cash Flow Statement as of August 31, 2014
7. Committee Co-Chair Appointment
Historically the co-chair to the committee rotates between the colleges. Mr. Hicks volunteered to serve as the committee co-chair, a motion was made by Mr. DeCarbo, seconded by Mr. O'Connor and unanimously approved.
8. Approval of FRC Minutes – August 13, 2014
Meeting Minutes for the August 13, 2014 meeting will be distributed for approval at the next meeting on October 22, 2014.

Adjournment

Mr. Hardash adjourned the meeting at 2:55 p.m.

Meeting Schedule – Next Meeting:

Next regular meeting: Wednesday, October 22, 2014 – 1:30 p.m. – Executive Conference Room, DO