

Minutes

District Committee on Budget & Finance

September 19, 2017

2 p.m.

District Board Room

Attendees:

Kathy Blackwood, Eloisa Briones, Tony Burrola, Mary Concha Thia, Doug Hirzel (absent), Judy Hutchinson, Barbara Lamson, Vincent Li, Steven Lehigh, Mark Helsel (ASCSM), Michelle Marquez (absent), Ludmila Prisecar, Jan Roecks, Bernata Slater (absent), Michelle Tam (Skyline ASSC), Linda Whitten, Bob Zhao (CAN ASCC)

Guest/s:

Jamillah Moore, Skyline students

Agenda topics

Introductions/Charge & Scope of DCBF

Blackwood

The meeting began with introductions. The 2017-18 Final Budget Report will be distributed at the end of the meeting.

Kathy went over the Charge and Scope of Duties for the committee. The DCBF is an advisory body of the District Participatory Governance Council (DPGC) that is mainly responsible for looking into the District's resources and charged with allocating the resources as well as to make recommendations. This includes reviewing budget assumptions wherein Kathy will bring in short and long term budget scenarios that also include integrating the District Strategic Plan into the budget.

Kathy emphasized the need for members of the committee to communicate with the groups represented by the committee member and more importantly, communicate to the community-at-large. Our job is to educate the District community regarding budget matters and engage in discussion about budget issues.

Budget Update--Board Presentation/OPEB update

Blackwood

Kathy shared the budget presentation that was delivered to the Board of Trustees on September 13. The 2017-18 budget revenue assumptions include a property tax increase of 7.89% which is much higher than the State COLA of 1.56%. Resident enrollment is down slightly (-0.84%) and international enrollment is up 13%. Although international enrollment continues to grow, it is increasing at a slower rate than in previous years. Other Colleges around us are losing enrollment. We continue to receive ongoing redevelopment monies; however, redevelopment agencies are winding down. Each of the thirteen RDA's in our county is selling off assets making it difficult to predict one-time monies from the proceeds. RDAs are beginning to do their final reports, showing that all that is left is paying off their bonds. Most of the District's RDA revenues are part of our property taxes now. We may expect some one time funds from property sales, but we don't know how much or when they will be disbursed.

The Education Protection Account (EPA) started as Proposition 30 when California voters approved it in 2012 as a budget stabilization measure (it consisted of temporary taxes on personal income taxes and sales taxes). The tax extension passed in November 2016 (renamed Proposition 55) and increases personal income taxes on individuals. With its passage, we continue to receive \$100 per FTES, but with our FTES declining, the EPA funds received from the State are less. Other revenues include Apprenticeship allocations for CSM and Skyline, Lottery, Mandated Costs, Interest and Other Miscellaneous income from facilities use, audit

fees, transcript fees, cosmetology fees, etc...

The bulk of District expenses are in salaries and benefits (81%). The increases are due to projected compensation increases and additional positions as well as increases to benefit costs including retirees. Materials and Operating expenses includes site carryovers and some of the one-time funds of \$9.9M from 2015-16. Transfers include transfers for public safety costs in Fund 3. Transfers in 2016-17 include transfers made to the Restricted General fund for public safety, the Self-Insurance Fund for insurance and Capital Outlay fund for projects.

The budgeted ending fund balance is up from 11% to 13% of expenditures. \$10M of the \$33M ending balance in 2016-17 was carried over to 2017-18, resulting in a deficit for 2017-18. However, the ongoing budget in 2017-18 is a balanced budget.

Being community-supported means that when the State calculates how much money we would get, less property taxes and enrollment fees, we do not receive any apportionment since the total property taxes plus enrollment fees exceeds the revenue they would have given us. The combined amount of San Mateo property taxes plus student fees is more than the revenue limit set for our District. For 2017-18, Kathy has calculated the difference to be around \$45+ million. In the past, this calculation was more (around \$60-\$65 million) but that has now been corrected to reflect the updated State funding formula with a higher revenue limit. This figure is directly out of the second period report (P2) from April 2017. Changes may occur yet again, resulting from the final recalculations in February 2018. The continued decrease in enrollment has resulted in a drop in the State revenue limit.

Note that if we were not community-supported, based on the revenue limit, we would be making budget cuts.

Kathy also mentioned increases in State categorical funding such as CC Completion (\$25M or up to \$2K per student), Full Time Success grant (\$25M or \$457,289 for SMCCCD), Guided Pathways (\$150 million split among the State community colleges, or \$1.9M for SMCCCD), Prop 39 is on its last year (\$567K for SMCCCD), Online Ed initiative (\$10M for Canvas), Innovation awards for colleges, California Promise funds, Scheduled maintenance reduced by money allocated for Deferred Action for Childhood Arrivals (DACA) students. SMCCCD's share is to be used to renovate computer labs.

Beginning 2015-16, internal District innovation funds continue to be allocated to the sites (\$1.5M, \$2M, now \$1.5M) to be used in addressing the District Strategic Plan. At the next Board meeting, there will be discussion on the metrics and the programs we are implementing will change completion, persistence and success rates for students. The 2017-18 budget document itemizes how the 2016-17 monies were spent.

There have been annual increases in the employer rates for the District's retirement systems CalPERS (non-academic) and CalSTRS (academic). The current rate for PERS is 15.53% (or 1.64% increase over 2016-17) and STRS is 14.43% (or 1.85% increase over 2016-17). Both rates have been steadily increasing in the last few years. The STRS rate will have doubled more than double by 2019-20 to 18.13% from a mere 8.25% in 2013-14. It is possible that the PERS rate will slow down depending on investment returns and decisions made by the PERS Board. Steven questioned the jump in the PERS total which had doubled and Kathy explained that this was caused primarily by an increase in staffing as well as healthy increases in compensation (both salaries and benefits) and therefore resulting in an increase in the total amount. The percentage increases in salaries are much higher than they were back in 2013-14. Slide #9 displays the cumulative increases in dollar amounts since 2014-15 through now. Total increase without an increase in staffing or COLAs was projected to be about \$9M. PERS is going up somewhat differently than originally projected while STRS is legislated and less likely to be changed.

Kathy commented that slide #10 should be everyone's favorite slide from the presentation. It shows the District's total portfolio value of \$97M ending on June 30, 2017 (at that point in time). The total liability from the latest actuarial study is \$116.9M. Between the Retirement Trust fund and the reserves of \$16M, we

have funded 97% of the liability. This is good news for our District as this shows that we have been doing well transferring funds to the Reserve fund and our investment earnings have been paying off as well. This implies that possibly next year; we can charge the premiums of the current retirees out of the Trust fund rather than paying it out of the Unrestricted General Fund. This is remarkable accomplishment as there are very few Districts in the State close to being fully funded.

Another issue on the horizon is Accreditation which is a never-ending exercise. College self-studies are commencing all three Colleges this year and are due Spring 2019. The next visits are scheduled for Fall 2019. Committees for the self-studies have already been formed and are actively meeting.

The District Strategic Plan serves as a guide for the programs and initiatives at the Colleges. A review is taking place at the next Board study session. Kathy will continue to update the DCBF on Board decisions.

	College Promise Programs/BOG/Public Safety	Blackwood/VPAs
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Cañada President Jamillah Moore updated the committee on the College's Promise Scholarship program that includes a total of 44 students. Cañada has a Guided Pathway to SF State as required by a \$3 million HSI grant the College received from the federal government. 14 students have been identified and the partnership with SF State guarantees support for these students to transfer provided they meet the requirements of having "high need, high potential, limited/low resource."

Eloisa discussed a summary result of the Skyline Promise Program that began in Fall 2016. The Summer Scholars were funded through the President's Breakfast proceeds. There is also a lending library program as well as a shuttle service that started in 2016-17. Skyline is planning to roll out Meta Majors in Fall 2018.

Eloisa pointed out that noticeable from the handout is the persistence rate of 86.3% for the cohort of students compared to 62.3%. The program also includes a dedicated counselor who makes sure that the students are on track with their plans. In Fall 2017, there are 249 students in the program and \$130K was given out in scholarships. The College is also looking to scaling up services such as the lending library along with support services.

Jan Roecks mentioned that CSM is just beginning the Promise program with initial funding from the partnership with the San Mateo Athletic Club (SMAC). There are currently 243 students enrolled in the program. The College provides \$300 per semester for Fall and Spring and \$150 for Summer. The students use vouchers for books and supplies at the Bookstore. The books are returned at the end of the semester to sustain the program. Looking ahead, CSM is envisioning student transportation, a food program, and other possible ways to help students.

At CSM each student who signed up for the Promise program was asked to attend an hour orientation for students whereby offering the students multiple opportunities to meet with counselors. Of the 243 students that signed up, around 90+ or so did not take the orientation. Ludmila added that one of the purposes of these programs is to provide students a "place" to belong and make connections. Steve questioned whether there were redundancies in the current process as it appears to be quite fragmented with all the offerings and similarities in programs. Jan responded that there is a need for better reporting tools to keep track of the data. Eloisa added that there is a Districtwide Task Force that involves the use of technology. A good software system may be able to provide better tracking and outcomes.

All three Colleges are currently collaborating on the Guided Pathways initiative.

Replacement of Board of Governors (BOG)

Kathy will be presenting a proposal to the Board of Trustees about replacing the Statewide BOG grant which is based on income qualifications, etc... The State has now changed its title to California Promise Grant. As a community-supported District, the State is not providing any of this money to us and we are funding this as a District. We are currently waiving about \$10M in fees. It makes sense that we call it something like “Board of Trustees” grant. The idea would be to make it similar to the State version providing A/B/C conditions and also add some provision for books, transportation or food.

This is something we are aiming to do and perhaps use some of the local Innovation allocations to fund it. The goal is to have this in place in time for Fall 2018 registration.

Public Safety Status:

The draft of the Public Safety study will be reviewed by the Board of Trustees. After reviewing the draft report from Margolis Healy, there was a need to consider. This was the option of contracting out rather than just looking at the District’s current operations. Apparently, our local enforcement agencies were interested and expressed a strong desire to the Board of Trustees. The three agencies namely; the City of San Bruno, City of San Mateo and the County Sheriff’s department have been asked for proposals to provide public safety services to the District. So far, only one has submitted a proposal and that is the County Sheriff.

After proposals are submitted and reviewed, there will be management recommendations formulated that would go through shared governance (DPGC) before presentation to the Board. Kathy will be providing any updates to DCBF.

Other Issues:

Steve was curious about the analysis of how compensation is dispensed and how dollars are spent. Steve also wanted clarification on what the “transfers” are rather than what and where they went to (i.e. To-From what fund). Kathy explained that transfers from the Unrestricted General Fund are done routinely at year-end to the Restricted General Fund to subsidize Public Safety as the Parking proceeds are not sufficient to cover their salaries and benefits. Parking fees (currently \$94 for 2 semesters or \$52 per semester and \$30 for summer) we charge students are capped by the State and the limited amount assessed from citations issued fall short to cover public safety operational expenses.

Kathy replied that it is difficult to do any programmatic decisions since those are done at the College level and not at the District level. Perhaps the College program reviews may provide some answers. Kathy added that the Colleges have autonomy and they each make decisions on what positions to hire.

	Next Meeting	Committee
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Next meeting Tuesday, October 17th at 2pm.