



## Board of Trustees Finance Committee (BFC)

SBCCD Boardroom Extension, 550 E. Hospitality Lane, Suite 200, San Bernardino CA

### Meeting Minutes – January 9, 2020, 2:00 pm

**Members Present** – Gloria Macías Harrison, Chair; Anne Viricel, Stephanie Houston

**Members Absent** – Don Singer

**Additional Trustees Present** – Joseph Williams, Frank Reyes (*arrived 3:04*)

**Staff Present** – Jose Torres, Diana Rodriguez, Mike Strong, Larry Strong, Kevin Horan, Farrah Farzaneh

#### I. WELCOME & INTRODUCTIONS

Trustee Harrison called the meeting to order at 2:01 pm and announced that Trustee Houston would be joining as a member of the committee.

#### II. PUBLIC COMMENT

There were no comments from the public.

#### III. APPROVAL OF MINUTES FROM DECEMBER 12, 2019

Trustee Williams made a motion to approve the minutes of November 14, 2019, which Trustee Harrison seconded. The minutes were approved by the following vote.

|              |                            |
|--------------|----------------------------|
| Ayes:        | Harrison, Viricel, Houston |
| Noes:        | None                       |
| Abstentions: | None                       |
| Absent:      | Singer                     |

#### IV. CURRENT TOPICS

##### A. PARS Accounts – Fixed Income

Committee members reviewed the draft Board item on page 5 of the meeting materials while Interim Chancellor Torres went over the recommendation to establish mirror holding accounts for each PARS investment. He distributed a graph depicting the current status of unrealized gains for the existing accounts, and recapped the Board's previous allocation of FCC Auction Proceeds, including the established uses of projected income.

It is planned that once unrealized gains are identified by the Board for distribution, they would be transferred into the mirror accounts. These funds would then be managed with a fixed income strategy to preserve them and protect them from market fluctuations.

Trustee Houston clarified that any such distributions would be to reduce a deficit, and should not be considered 'new money'. Trustee Harrison noted that such distributions have to be approved year by year and not considered an ongoing policy.

The fixed income investment strategy, is very conservative, with an estimated return rate of approximately 1% vs. the 5% investment strategy maintained in the current accounts. Trustee Harrison commented that there did not seem to be any objection to the establishment of these accounts and it was decided that the item would appear on the February Board agenda indicating it was reviewed by the BFC.

## **B. Board of Trustees Directives for 2020-21 Budget**

The budget directives for 2020-21 were discussed. This item is on tonight's Board agenda for first read and will be discussed at the Board retreat. It is anticipated to go to the February agenda for final approval.

Trustee Harrison verified that the directives were basically unchanged from last year. Trustee Viricel asked if there was anything in the new language under directive 4 that prohibits Board action or causes extra steps. Interim Chancellor Torres advised that the language edits were suggested by the Academic Senate, and clarified that SBCCD already follows the collegial process.

Trustee Harrison questioned if a policy exists to allow the Board to take action in an emergency situation. CHC Vice President Strong cited AP 3505 on Emergency Response and commented that he believed it would speak to these situations. Trustee Harrison asked that staff research and confirm that the Board is able to use funds when necessary.

Trustee Williams asked if the Board budget directives were in line with the FCC Auction Proceeds Guiding Principles. Interim Chancellor Torres referenced the District's multi-year forecast (previously called the Resource Allocation Model). He pointed out that the budget directives impact the multi-year forecast, and that the FCC Auction Proceeds Guiding Principles affect one line of the multi-year forecast. A discussion ensued which uncovered a lack of clarity caused by an inconsistent use of various terms such as proceeds, revenue, interest income, unrealized gains, etc. It was determined that these terms need to be defined and standardized. Staff was tasked to do this.

## **V. UPDATES (as necessary)**

### **A. PARS Investment Report**

It was noted that the investments are doing very well.

### **B. Use of FCC Auction Proceeds**

Committee members reviewed the reference table provided on page 11 of the meeting materials and discussed it at length. The issue of unclear language was again commented upon. Interim Chancellor Torres confirmed that the table is static in nature. Trustee Viricel recalled that the BFC had requested this information be included as a

monthly update to allow for ongoing discussion of the allocation of FCC Auction proceeds. It was determined that a new report would be beneficial and staff was tasked to develop one, including:

- Standardized language for proceeds, interest, unrealized gains, etc.
- Origin and current status of various allocations, and
- Beginning dates for the various investments.

It was clarified that the amounts depicted as Earnings on the PARS update are referred to as unrealized gains. This is because funds that haven't been taken out of the account can still go up or down. Interim Chancellor Torres expressed his appreciation for the feedback and commented that these observations are helpful and necessary.

## **VI. FUTURE TOPICS**

### **B. Trustee Suggestions** (*out of sequence*)

- Trustee Harrison commented that KVCR needs to be discussed thoroughly at the upcoming retreat. Trustee Williams requested that the BFC review KVCR's financials each month. Trustee Harrison agreed and directed that the topic be added, listing all three components (KVCR TV, KVCR Radio, and FNX).
- BFC members also requested that a property inventory be added to the next agenda, including:
  - Properties purchased or being considered for purchase, including 8th Street, Highland and Del Rosa.
  - Financial status including cost to purchase, potential revenue projections, expense projections, etc.
  - Building condition.
  - Related educational programs.

## **V. UPDATES** (*as necessary*)

### **C. Enrollment**

President Rodriguez advised that SBVC is on target to exceed budgeted FTES. Her team is working together to ensure that the college does not incur unfunded FTES while still meeting the needs of their students. Productivity is now at 81% as a direct result of the new tools developed at SBVC to analyze class and discipline scheduling. Trustee Harrison questioned if the Promise Program has influenced the persistence rate from Fall to Spring. President Rodriguez replied that retention rate for the Promise cohort is at 91%, compared with the overall rate of 88%.

Vice President Strong commented that enrollment at CHC is similar to SBVC. They are on budget and managing unfunded FTES. Fall enrollment was so substantial that the college had to scale back slightly in the Spring. CHC productivity for Fall 2019 is 82%.

Trustee Viricel requested that the FTES and productivity calculation formulas be added to the existing report. It was clarified that under the new funding formula, enrollment counts for 70% of apportionment; 20% is based on underserved students and 10% on student success. Trustee Harrison asked for an update at a future meeting on the status of the new funding formula, the District's objection to the roll out, and what we can expect for SBCCD.

**D. Monthly Budget Expenditure Summary**

This report was not discussed.

**E. 2019-20 Board of Trustees Budget**

Trustee Viricel noted that *Travel & Conference Expenses* were showing at 101% year to date and questioned whether or not the upcoming retreat should be held offsite. The committee discussed this concern and it was decided that there was a benefit to meeting offsite. If necessary, funds from unspent categories could cover the cost.

**F. Measure CC Timeline**

This report was not discussed.

**VI. FUTURE TOPICS**

**A. Deferred Maintenance**

This topic was not discussed.

**VII. ADJOURNMENT**

The meeting adjourned at 3:25 pm. The next meeting is scheduled for February 13, 2020, at 2 pm in the Boardroom Extension.