



District Budget Committee (DBC)

4/20/2017, 2 p.m., District Board Room – Meeting Minutes

Members Present: Jose Torres, Mike Strong, Scott Stark, Diana Rodriguez, Jeremiah Gilbert (for Paula Ferri-Milligan), Gina Guererra (for Yendis Battle), Glen Kuck (for Jeremy Sims), Larry Strong, Kathy Bakhit (for Wei Zhou)

Member Absent: Jim Holbrook, Denise Allen-Hoyt, Celia Huston, Ginger Sutphin, Girija Raghavan, Jajuan Dotson, Steve Sarres, Richard Galope, Steve Sutorus, Sheri Lillard, Rosemarie Hansen, Angela Davis

Guests: Rebecca Warran-Marlatt, Angel Rodriguez

1. Call to Order

Jose Torres started at 2:08 p.m. No introductions were necessary.

2. Approval of Prior Meeting Minutes

- A. Scott Stark made a motion to approve the minutes of 2/16/2017 which Mike Strong seconded. The motion was approved.

3. Old Business

There was no old business to discuss.

4. 2017-18 Budget Calendar Tasks

- A. Review Preliminary Budget

Committee members reviewed the preliminary budget handout line by line. Jose pointed out the \$2.6 million deficit and advised that there is still work to do in order to balance the budget. Glen Kuck asked about the subsidies for KVCR and EDCT. Jose confirmed that this is one-time money, however the subsidies are likely to continue in 2017-18 and 2018-19. There were no further questions or comments.

- B. Develop Recommended Adjustments to Preliminary Budget (if any) for Chancellor's Cabinet

Jeremiah Gilbert asked if there have been discussions to address the budget shortfall. Mike commented that 84.7% of the increase at CHC is in salaries and benefits. He said that managers are reviewing their 4000 (Supplies), 5000 (Other), and 6000 (Capital Outlay) expenses, as well as some of the hourly payroll. Challenges faced by Crafton include increases in utilities and operating expenses, as well as the loss of \$225,000 annual solar farm initiative which ended this year.

Jose said that the district office staff will also review their budgets. Glen expressed concern about the drastic State cutback in block grant money (from \$2.1 million in 2016-17 to approximately \$700,000 for 2017-18). He advised that approximately \$800,000 of block grant money usually goes toward SBCCD's student information system, Ellucian.

Scott reminded the committee that this is only Version 1 and that the budget is likely to change several times before it is adopted. There were no formal recommendations made.

5. New Business

A. Districtwide Facilities Master Plan Prioritization

Committee members reviewed the Facilities Master Plan prioritized list. It was explained that this list was developed by both campuses working together with the District Facilities Department. The list has been submitted to District Assembly and the Board of Trustees Budget Committee (BBC). Jose advised that we were still working with consultants to develop the project budgets. Scott made a motion to accept the list as presented. Diana Rodriguez seconded the motion which passed unanimously.

B. District Assembly Grants Work Group Recommendation

The District Assembly Grants Work Group recommendation was reviewed. Jeremiah advised that District Assembly accepted the recommendation that the administrative fees received from grants pay for the resulting positions. At the present time, SBVC is the only entity that has funding for a grant director. It was proposed that the CHC and SBCCD grant director positions be funded out of one-time money for two years. After that, all three positions would be funded by grant administrative fees.

Jose pointed out that these actions would increase the budget deficit and cause the reserve fund to drop. Mike expressed his opinion against approving the recommendation at this time citing the need to work on the development budget. Jose asked the committee if this item should be tabled and Scott seconded that idea. Jose clarified that the SBVC grant director position will move forward because they already have the funding.

Glen mentioned there should be approximately \$115,000 from the 8% Alternate Text Production grant indirect fees. He commented that perhaps this money could be used to fund at least one position and that position could serve both SBCCD and CHC until further funding was developed. Larry Strong will research the accounting of these fees and report back to the DBC. Jeremiah added that the Work Group's number one recommendation was to fill the director positions at each campus. This item will be placed on the next agenda.

C. Human Resources Reorganization

The proposed Human Resources reorganization was discussed. Jose advised that the plan had been reviewed by District Assembly and sent to the Board of Trustees for a first read on April 13. It will be going back to the board for final approval April 27. The plan is a one-year pilot with a net breakeven cost.

D. FCC Auction Proceeds

Committee members discussed the Strategic Financial Plan being prepared by the BBC in anticipation of the \$157M that SBCCD will be receiving as license holder of KVCR. The BBC has requested via email input from DBC members on the development of guiding principles for the Strategic Financial Plan. Although Jim Holbrook was not in attendance, his response to this request was read aloud:

"It is my opinion that the board should follow the recognized consultation processes (BP 2510). I can hope that they realize that we (all groups combined) together should determine the direction for these funds."

Jose stated that the BBC's role is to recommend a plan that outlines what they want. It is staff's role to determine how to achieve the outcome. Jose distributed a list of sample guiding principles

and told the group these were merely a “conversation starter” for the process. He mentioned the importance of not getting weighed down in the details. Glen commented on the deficit CHC has been in over the past several years the colleges. He also mentioned that SBCCD has been sustaining KVCR and asked if the colleges would be paid back for this? Will the auction proceeds affect the ongoing SBCCD subsidy of KVCR? What is the anticipated return of investment?

Jose stated his preference of investing the entire \$157 million in order to help the SBCCD community in the long run. Things are going to get tough and the investment can be a source of revenue to help offset future challenges. He advised that SBCCD currently has a very strict investment policy with protection of principal as the first priority. The highest return of investment under this policy is estimated to be between 2-3%, or \$2-3 million per year.

Committee members discussed real estate investments as a safe alternative that usually have a rate of return between 10-15%. Diana commented that an investment in rental complexes could tie into the desire of both campuses to build their international programs. She would also like to see a conversation about the formation of an endowment to maintain student success programs as expenses increase and programs grow.

There was conversation about the ongoing effort of KVCR to establish financial stability. KVCR will be presenting a plan for that stability to the board of trustees on April 27. Jose predicted it will take another couple years. Jose reminded the group that this stage is only about the guiding principles of the plan.

Mike stated that the plan should have an investment goal of 5% as an initial rate of return. Committee members reviewed each proposed principle. Number 10 dealt with the collegial process and is reflective of current procedures for resource allocation.

At the end of the discussion, the DBC decided to add three principles: 1) exploration of investment in real estate, 2) investment in Student Success Valley Bound and CHC Promise Program, and 3) 5% rate of return. Diana made a motion which Kathy (representing Wei) seconded to approve a recommendation to the BBC on these proposed principles. The motion passed unanimously with the exception of Jeremiah (representing Paula Ferri-Milligan) who abstained.

6. Updates

Committee members received copies of recommendations 2017-05 and 2017-06 with chancellor's comments.

7. Future Business

Glen commented that the DBC should add district office program review spending to a future meeting.

8. Adjournment

A. Next Meeting Scheduled for 5/18/2017, 2 pm, in PDC 104