



District Budget Committee (DBC)

Members Present: *Rosemarie Hansen, Denise Allen-Hoyt, Mike Strong, Diana Rodriguez, Girija Raghavan, Jeremy Sims, Jose Torres, Celia Huston, Yendis Battle, Naomi Lara, Mark McConnell*

Members Absent: *Rania Hamdy, Steve Sutorus, Meridyth McLaren, Kristina Hannon, Shari Blackwell, Scott Stark, Audre Levy (Interim), Frank Sclafani, Richard Galope, Larry Strong*

Guests: *Keith Wurtz, Tenille Alexander*

Meeting Minutes –10/18/2018, 2 pm, Board Room

1. Welcome & Introductions

Jose called the meeting to order at 2:16 pm. Jose welcomed everyone back.

2. Approval of Minutes

Mike made a motion, which Jeremy seconded, to approve the minutes. Committee members advised that the minutes should be corrected to show that Naomi had actually been present. The minutes were approved with this change.

3. Current Business

DBC members went over the handout entitled *\$157 Million in FCC Proceeds – Approved Allotment*, reviewing each line. An in-depth discussion took place, including the following.

- Jose reminded committee members of the previously considered vehicle for investment of \$80 million in FCC Auction Proceeds, which had been referred to as Investment Option 4 – Donor Sponsored Support Organization (DSSO). After much research, this option had ultimately been abandoned based on legal opinion.
- Celia asked about the various Pension Rate Stabilization Trust (PRST) investments totaling \$70 million. It was clarified that these are investments and not expenditures for payment to retirees. Jose advised that the funds are targeted to earn about 5%. There are four allowable investment levels; SBCCD's funds are in the conservative portfolio. It was confirmed that earnings are being reinvested.
- Committee members asked about the \$45 million investment in commercial buildings. How were the buildings chosen? Jose advised that SBCCD worked with a consulting team from CBRE and attorney firm Atkinson, Andelson, Loya, Rudd & Romo. Different buildings were identified and three were chosen that best fit SBCCD's investment purposes. Property management will be outsourced and an RFP conducted to identify an operations company as well as an asset management company. The first will handle day to day aspects such as collecting rent; the second will report on the assets and handle re-leasing as necessary. District Office operations will occupy one floor of one building and SBCCD custodians will be handling that floor only.
- Denise questioned whether the Board's decision to invest in commercial properties was in line with SBCCD processes. She further wondered if there had been sufficient disclosure of the intent of the acquisition. It was recalled that the DBC has been involved in conversations and made recommendations about investment in commercial properties.
- In light of possible future distribution of interest earnings, the need to develop a new Resource Allocation Model (RAM) was brought up. Jose advised that discussion of the new RAM can commence once SBCCD is able to develop the necessary data. Fiscal Services and Institutional Effectiveness staff have been meeting to discuss this. Accounting Manager Tenille Alexander advised that, with the exception of Living Wage, they have been able to map to all the funding

formula numbers. However, there are still discrepancies between SBCCD's numbers and those of the state.

- › Jose advised that SBCCD is currently in deficit spending mode and, therefore, the lack of RAM guidelines for distribution has not come into play. Committee members decided it would be beneficial to issue a recommendation memorializing its decision regarding the RAM and 2018-19 budget. This will be drafted for DBC review in November.
- › Any distribution of interest on the FCC Auction Investments would be reviewed with the District Budget Committee.
- › Denise suggested adding an explanatory comment to the \$157 Million Approved Allotment table indicating that interest earned will be available for expenditures of each unit of money.
- › Diana mentioned a certain negative perception that may exist surrounding SBCCD's investment into commercial property; specifically, that this is good for the District Office [only] because they are getting new offices. Jose tasked DBC members to communicate with their constituents the investment aspect of the purchase. The committee requested Fiscal Services provide projections for commercial property income and include how the income would be used. Diana commented that a white sheet would be helpful.
- › Mike expressed concern over the perception that this purchase of real estate and 'getting into the real estate business' had not gone through the collegial consultation process. Jose confirmed that the DBC had discussed this issue and submitted recommendations that included a property purchase. Denise commented that there are three buildings now instead of one and that becoming a landlord is different from anything done in the past.
- › Celia agreed that real estate was discussed with the senates and vetted, but she believes people did not envision the District getting a suite in the new office building. Jose promised to share a profit and loss analysis with the DBC next month including the plan for the proceeds and the benefits of moving the District Office into the new space.
- › Diana suggested that someone from Fiscal Services could make a presentations on the SBVC campus.

4. Updates

The topic of SCFF and Data Gathering was addressed during the discussion of the \$157 Million Approved Allotment.

5. Future Business

- A. Development of SCFF Data
- B. Establishment of Revised RAM Guidelines

6. Adjournment

The next meeting of the DBC is scheduled for Thursday, November 15, 2018 at 2 pm in the board room.