



SJECCD DISTRICT BUDGET COMMITTEE MEETING MINUTES

May 14, 2020
2:00-3:30 p.m.
Via Zoom

Committee Members Present:

Andrea Alexander
Jonathan Camacho
Eugenio Canoy
Jesus Covarrubias
Jorge Escobar
Paul Fong
Chris Frazier
Dan Hawkins
Philip Hu
Andrea Lopez
Bianca Lopez
Joe Lugo, Jr.
Anthony Oum
Jose Luis Pacheco
Carlos Marques
Marilyn Morikang
Randy Pratt
Lena Tran
Brandon Yanari

Committee Members Absent:

Alejandro Lopez
Breyana Parker

Other Attendees:

Deanna Herrera
Manuela Kolpin
Jennifer Le
Amber Machamer

Recorder:

Joy Pace

Call to Order

Mr. Jorge Escobar, Vice Chancellor, Administrative Services, called the meeting to order at 2:05 p.m. when a quorum of members was reached.

Approval of the May 14, 2020, Meeting Agenda

M/S/C (Chris Frazier/Andrea Lopez) to approve the agenda as submitted. VC Escobar added the committee evaluation as Item Number 6.

Approval of the April 23, 2020, Meeting Minutes

M/S/C (Brandon Yanari/Jonathan Camacho) to approve the meeting minutes as amended:

Mr. Frazier requested his sentence be changed: He inquired why the senate wasn't consulted on this originally.

Mr. Alex Lopez abstained from the vote.

Board Budget Principles

Mr. Escobar thanked everyone for providing their feedback. It was shared with the Board at Tuesday's meeting, and Alex, Jesus and Randy are now sharing that version with the Senates. Once we get their feedback, we'll bring back to the Board for approval.

Mr. Frazier inquired about the cost of the San Jose Promise. Mr. Escobar stated that it's about \$1 million per year, but because the grant is already exhausted we just provided the colleges with \$250K for Cohort 3. The Foundation and eBay will also provide support. Mr. Escobar stated the eBay funds are restricted because they are using the Promise in connection with San Jose State for students to complete their Bachelor's degree. The Foundation accounts are a little more flexible. Mr. Frazier also inquired if those students received BOG funds. Mr. Escobar stated they do go through all the funding that's available to them, and then they get the Promise funds at the end of that process. Based on the scope of the service area, we included Milpitas as part of Cohort 3.

Fiscal Reporting Deadlines Delayed by State Chancellor's Office

Mr. Escobar reported the State Chancellor's Office just released new deadlines for Tentative Budget and the state is changing the deadlines because of the impact of the May revise. The deadline for the Tentative Budget has been moved from July 1 to August 1. The annual statement, proposed budget hearings, and the audit report was moved from December to February 2021. We feel we should keep the original dates as planned. We don't want to mess up with our property taxes. If we are ahead of the deadlines, that will be good for us. We are in a good shape right now. Mr. Escobar shared these dates with the Chancellor to share with the Board and the Audit Committee. It just came out, but it's a moving target.

Mr. Jonathan Camacho, Business Services Supervisor, stated the doers of the budget are under a lot of stress. Understanding and flexibility are required in case we slip up. Everyone is trying hard but meeting the deadline for the tentative budget was stressful this time. Mr. Escobar stated everyone is working hard under abnormal circumstances. He asked everyone to try their best, but we do have some flexibility. Title V does move significantly some of the dates, but we really want to comply with our regular deadlines.

Mr. Frazier stated the structure and cost of an online college is very different than face-to-face instruction. This difference is pretty substantial in putting together a budget. He inquired if we have to deliver the budget to the County before we can get our tax revenues. VC Escobar stated that, yes, we have to submit our Tentative Budget to the County. They release money based on our allocations. There is a dependency we have that is not the case with other districts. Right now the County has requested the State not take the money they receive from them. Mr. Escobar will share as much as possible with the committee as these things seems to change every day.

Budget Suggestions from School Services of CA

VC Escobar shared this information of what other districts are sharing to the School Services of CA. The first of the two files including staffing adjustments. We don't need to worry about that right now. We are looking at open jobs and prioritization with the Chancellor's Cabinet. The other recommendations are about expenses such as travel. The VPs of Administrative Services are already looking into these things. Next year, we might need to get rid of those extra "nice to have" items. The Finance Committees at the colleges can review these items. The Governor's Office has discussed zero based budgeting. In many ways we are advanced, but the numbers are so hard to hear. The student equity program is reduced by \$68M, \$125M Strong Workforce. EOP&S is not affected yet. We are looking into adjustments from the county. He stated his message at the Board meeting was to make everyone aware of the new normal. Because we have the bond to cover for many expenses, the rainy day fund, and the OPEB trust; it is through the leadership of many individuals that the entire district is protected from those liabilities. Our enrollment is going up, and that's not the case with other districts.

Mr. Covarrubias stated that our district is in a much better place than other districts. However, what happens about the cost savings from PG&E and travel and expenses? How do we proceed with moving those monies around? What happens with those monies? Mr. Escobar stated that he reported to the Board that we expect energy costs. We are monitoring and will be reporting on that soon. Conference, travel and food should be reflected in the carry over and surplus at the campuses. The finance committees at the colleges are defining how much will be carried over or moved to the general fund. The discussions of this group have always revolved around Fund 10, but if categoricals are reduced and we get a salary increase, we'll need to begin having those discussions.

Mr. Jose Luis Pacheco, CSEA representative, stated that zero-based budgeting is very difficult for community colleges to do. He inquired if VC Escobar was considering that option? Mr. Escobar answered that at this point, we don't see the need to do that. Based on our financial position, we can just roll over monies. We are thinking about COLAs and step and columns. Having said that, as part of the RAM, it may be a good idea to do that exercise. We need to list out our critical services. We've had conversations for a long time about the total cost of ownership. For now, there are no proposed changes to budgeting.

Ms. Andrea Lopez, discussed categoricals programs, especially EOP&S, which is very hard to sustain. She stated we need to be cautious. Mr. Escobar stated that EOP&S and DSPS have not been impacted in the May Revise. We need to learn from these models. But there may be other categoricals that will be impacted, and we need to account for that \$36 million. Mr. Escobar stated that Facebook and Google are not coming back to the office until 2021. All the infrastructure being built is not going to be used. The Westfield mall at Santana Row was heavily invested, and it's still empty. He suggested to the Chancellor that we need to start thinking about if our revenues are reduced by 3-5-7%. Next year we have to be ready for some serious adjustments. Mr. Escobar stated we have to be transparent about these issues.

Survey of the District Budget Committee

Mr. Escobar thanked Dr. Machamer for helping us do these surveys, which are required as part of the accreditation report.

Ms. Pace reported that at the last committee meeting in the year, we receive the results of the survey. There were a total of 13 respondents. The majority of the responses rate in the good category. We want to get to excellent. We have average the charge of the committee.

Dr. Machamer stated that one of the things we're hoping for is a greater response rate. One of the things that will happen, when people submit comments they will see the light of day. She wants people to submit them in ways for her to be able to use them. Her ethical responsibility is not to "out" people. She can't publish data where the individual is identified. Mr. Escobar thanked her for going through the extra effort. The comments and qualitative part of the survey is really important. He inquired if there was something he could do to improve the results. How can he help make this group more productive? Dr. Machamer stated there is a general wish for the meetings to be more informative rather than for presentations that are already done before being presented. She stated the requirement is for this survey to be on file; the actual reports don't go to the ACCJC. However, it will go to the District Council in the Fall. Mr. Escobar stated that he valued the work of this group a lot. It represents the various constituency groups, and the sharing of numbers and issues makes us better as an organization. We have \$3-4 million unspent right now. He is happy to provide that information with this group. Mr. Frazier stated that one of the issues for this committee is that as we index through these meetings and have better technologies, we'll be able to get this information to our constituency groups in a more effective manner.

Ms. Pace reported that once the District Council provides their schedule, we will schedule the DBC meetings 1 ½ hours before that meeting. We'll need to have a meeting in late August or early September to meet on the Adopted Budget. We also won't meet in November as this was agreed last year with this group.

FY2020-21 Tentative Budget

Mr. Escobar stated we'll be seeing some numbers for ¾ of the year. It's like business as usual. You don't see the COVID impact in this report. Next year, we'll have a lot more to be considered.

Mr. Oum reported the COLA approved on Tuesday for MSC and CSEA is not included in the Tentative Budget. Unlike the quarterly report, this is more defined as to where things are being expensed. He reported on the summary Tentative Budget page. Salaries and benefits make up 85% of our budget, which is normal. We have 15% that is used for discretionary expenses; contracts, goods & services, etc. From Page 7 onward are three-year projections and where we intend to end at fiscal year-end. It's just a consolidation of all locations. He reported on the FY2020-21 revenue only pages; what is federal, state, local and other sources and a comparative analysis of last FY, mid-year and what we anticipate ending for the FY. This is done for both revenue and expenses.

Mr. Frazier stated that last year they asked for the report to include last year's budget for Adjuncts. Mr. Oum stated that the budget for Adjuncts is managed at the campuses. Mr. Frazier stated the way it's presented, it looks as if we're cutting the budget for Adjuncts by 20%. Mr. Oum stated the Tentative Budget is a working budget; you want it to compare with the Adopted Budget. That will be the working budget for the FY. Deanna stated that when we do the Tentative Budget, we make the assumption that full-time faculty are going to be in the classroom full-time. The Adjunct budget gets increased as we have to backload the full-time faculty positions. When we get close to the Adopted budget that changes, and we then increase the Adjunct faculty budget accordingly. Mr. Escobar stated we have to magnify the truth, and that's why we need your help with the constituency groups.

Mr. Oum reviewed the graph on Page 6, 85% of our expenditures is salary, and it also shows the fund balance at Tentative. The projection at Tentative is still the same as 3Q budget. We are not far off from our 3Q projections.

Mr. Escobar stated that one thing we need to be careful of is long-term liabilities. In 2025 our OPEB contributions jump significantly. It's projected to be \$11.6 million for Fund 10.

Mr. Oum reviewed the parking fund, financial stabilization fund and Fund 17, which is broken down by each categorical. The colleges reported that they haven't heard anything yet regarding categorical programs. Deanna stated this report is pretty standard. Kathy reported that similar to SJCC, we put down assumptions based on the carry-over from last year. The Adopted Budget will be where we'll find some changes.

Mr. Camacho stated revenue was affected for Fund 16. Next year, salaries are 80-90% of budget. That assumes we'll fill all the vacant positions, which amounts to approximately \$700K. We'll firm up the budget at the time of the Adopted Budget. CEM is working with adult education, which is meeting every week. Mr. Escobar stated there is an interest and value of CEM as part of our institution. We are having conversations on how to look at this division and find a different purpose. The SVP grant has ended last year. The overhead over the last three years is not sustainable. We're not passive on looking at CEM at this point.

Mr. Escobar stated that the forecasted numbers are the source. Mr. Oum thanked Jennifer Le for helping him put this budget together. Mr. Camacho stated that all the economic indicators for the next two years will be zero and negative, and we know it's not going up. We should be more conservative about our assumptions in growth or revenue. We might also be seeing double digit growth for health care. Kathy Tran thanked Jennifer Le, Anthony Oum and the colleges for putting the report together. This is a draft version and the college staff are still working on it. There will be minor changes to be made to this report.

Adjournment

Mr. Escobar thanked everyone for their hard work on the respective teams. Jennifer thanked Anthony for his hard work and stated that he will be missed.

The meeting adjourned at 3:30 p.m.