

Resource Allocation Model Taskforce

Meeting Minutes

March 30, 2017 // SJCC, T-415 // 12:30 p.m. to 3:00 p.m.

Members Present: Eric Narveson (Academic Senate – EVC), Fabio Gonzalez, (Academic Senate – District), Jesus Covarrubias (Academic Senate – SJCC), Guillermo Castilla (Academic Senate – SJCC), Barbara Hanfling (AFT 6157), Doug Smith (Administrator – District), Peter Fitzsimmons (Administrator – District), Keiko Kimura (Administrator – SJCC), Lauren McKee (Administrator – EVC), Dan Hawkins (CSEA – District), Yesenia Ramirez (CSEA – EVC)

Members Absent: Steven Graham (Academic Senate – EVC), Jorge Escobar (Administrator – SJCC), Andrea Alexander (Administrator – EVC)

Alternates Present: Chris Frazier (Academic Senate - SJCC), Eugenio Canoy (Administrator – EVC)

Also Present: Roy Stutzman (RAM Consultant), Sherri Brusseau (Recorder), Kathy Tran, Jonathan Camacho, Jennifer Le, Byron Breland

1) Call to Order – 12:34 p.m.

a) Mr. Smith noted the list at the bottom of the agenda and the Chancellor's request to be sure we are holding true to the original group, and that we recognize members, alternates, and guests. Mr. Smith adds that our office has gone through a reconciliation process of this list, and found it to be accurate.

i) Mr. Covarrubias requests clarification from Mr. Smith regarding membership.

(1) Mr. Smith responds that the request was to confirm who members, alternates, and guests are.

(2) Mr. Frazier notes that in the original academic senate agreement, there were six faculty members, and 6 non-faculty members. Mr. Frazier further notes that the membership listed at the bottom of the agenda is not consistent with what he remembers, and would like to ask that Mr. Smith and his staff review and clarify at the next meeting.

(3) Ms. Hanfling notes agreement with Mr. Frazier's comments and adds that we do have multiple people in the room that were not part of the original agreement, but that we as a group agreed to hear them out.

(4) Mr. Smith notes that we will add this item to the next meeting agenda to review the findings.

2) Approval of 03/30/17 Meeting Agenda – M/S/P; Ayes- 11, Opposed-0, Abstentions-0, Absent-3, a Motion to approve was made by Fabio Gonzalez; Seconded by Jesus Covarrubias. The agenda was approved as submitted.

a) Mr. Frazier requests to add an item to the April 7th meeting agenda: "Discussion of how to evaluate District Office, District-wide (WFI/Milpitas) cost at the College Level

- 3) Approval of 03/10/17 Meeting Minutes- M/S/P; Ayes- 9, Opposed-0, Abstentions-2, absent-3, A motion to approve was made by Lauren McKee; seconded by Yesenia Ramirez.
- a) Mr. Frazier notes that in section 4. a.2. of the 03/10/17 meeting minutes, it was his understanding that the Committee would like to have a rolling frame of reference (i.e. "a date stamp") of the changes to the Variables document.
- i) Mr. Smith further noted that, going forward, we will attach these version changes to the meeting minutes.
- ii) The 03/10/17 meeting minutes were approved as submitted.
- 4) Status Update:
- a) Variables Review by Campus:
1. Quantifiable
 2. Convertible to dollars
 3. Timely
- (1) Mr. Smith noted to the Committee that Ms. Alexander and Mr. Escobar are currently in a work-session reviewing the variables now, and should have a report out by our next meeting on Friday, April 7th.
- (2) Mr. Stutzman distributes State Chancellor's Office information regarding Student Equity, noting that this is meant to be an information piece for the committee to review as homework. (Document Link: <http://bit.ly/2o8HTwE>)
- (3) Mr. Frazier questions if Mr. Stutzman is suggesting that we remove the Student Equity item from the variables?
- (a) Mr. Stutzman responds that he is simply trying to provide direction with regard to whether or not this is a variable, and that the allocation could differ from college to college. There are criteria listed in these materials that the State uses to allocate to the Districts, thus this process may be implemented in our allocation model.
- 5) Simulation #7, #8, #9, and Comparison of Key Simulation Elements:
- a) Mr. Stutzman introduced the packet of simulations.
- b) Mr. Stutzman notes that he cannot deliver on his previous promise to create a simulation to allocate District Service cost based upon student success. Mr. Stutzman adds that he has not figured out how to do that. Mr. Stutzman further notes that if District Services works currently and provides the needed service, then it is not an impediment to the service the colleges provide. For example, payroll is a District Service that the Colleges do not need to process.
- i) Mr. Frazier notes that this is a general topic that is important to the Senates. Mr. Frazier further notes that by putting the District Office in a different physical location, an "us vs. them" mentality is created, with a wide-spread belief on the part of the faculty, that the DS has a different attitude about spending. For example, having lunch served at this type of meeting, while nice, gives the impression that the District Office is not working as hard as the Colleges to spend wisely. Additionally, there is an idea that the District is getting first dibs before the funds are allocated to the colleges. The Senates feel that there is a need for this to be addressed. Is there a way to evaluate District Services without having to request it via a Freedom of Information Act request? Mr. Frazier further explains that the Colleges think about each penny spent, and are extremely parsimonious. There is a wide-spread belief by Faculty, that the District does not operate parsimoniously ("the District hires consultants when they don't need to").

- (1) Mr. Covarrubias follows Mr. Frazier's comments, summarizing that the principal by which the two types of entities operate, from the perspective of the campus, is that the District operates from a position of abundance and the colleges are made to operate from a position of scarcity. That becomes engrained in the way things are done, the way people are spoken to, and the way decisions get made. Whether this is perceived or real, these are things that we should try to address by finding transparent ways to either prove it wrong, or transform the way things are done.
 - (a) Mr. Stutzman responds that what this Committee is doing, includes those efforts of transparency and reforming ways of doing things by way of these simulations. Mr. Stutzman further notes that these simulations /models for allocating dollars are working the opposite of the widespread belief that Mr. Frazier has described in that the dollars are allocated to the colleges, with a chargeback for District Services, thus it does sunshine the District Services piece so each college has an understanding of exactly how much each college is being assessed.
 - (b) Mr. Stutzman notes the importance of reviewing District Services and District-wide cost as a regular business operation each year. This process would need to be a well-documented process. Many districts operate with a percentage, and this is a topic for conversation. Mr. Stutzman cautions that some district-wide costs can be unpredictable.
 - (i) Mr. Fitzsimmons adds that DW & DS costs are two separate conversations.
- c) Simulation #7 – Mr. Stutzman describes that in Simulation #7, \$20M is taken off the top and distributed evenly between each of the colleges. A line for College Program/Performance Allocation has been added with an equal distribution of \$5M to each college as a placeholder while the variables are reviewed and determined. Mr. Stutzman notes to the committee that under the State apportionment model, the basic allocation to each college would be \$3.6M, whereas in Simulation #7, the base allocation to each college is \$10M.
 - i) Ms. McKee questions, in this simulation, how is Milpitas is being funded?
 - (1) Mr. Stutzman responds that Milpitas is being funded as if it were a Center, not an entity of the District.
 - ii) Mr. Frazier notes that Simulation #7 is a very good model and sensitive to the needs of the district. Mr. Frazier adds that, going forward he would like to solve the question of creating a process of amending it each year. Additionally, moving forward, Mr. Frazier recommends using FTES as one of the variables when it comes to the distribution of the \$5M.
- d) Simulation #8 – A simulation that takes DW/DS off the top:
 - i) Mr. Stutzman notes that in this simulation each college shares DW/DS costs equally.
- e) Simulation #9 – Mr. Stutzman notes that this simulation identifies the fixed costs, noting the FT Salaries and Benefits have been taken off the top.
 - i) Mr. Hawkins makes a request to note that MSC/EM1/Chancellor.
 - (1) Mr. Fitzsimmons responds that we can break this out into line items.
 - ii) Ms. Hanfling questions if the Classified area includes all Classified?
 - (1) Mr. Fitzsimmons responds that all Permanent Classified are included in this area.
 - (2) Mr. Stutzman adds that the cost of Adjunct Faculty would need to come from the balance at the bottom of the simulation.
- f) Summary of #7, #8, & #9: Mr. Stutzman draws the committee's attention to the summary comparison document.
 - i) Ms. Hanfling notes that the shortages always seem to take place at the College level.
 - (1) Mr. Stutzman responds that if the District determined insufficient funds, all entities would share in that deficit, not just the colleges.

(a) Mr. Smith further notes that the discount factor is not described here, that is evaluated on a quarterly basis.

g) Simulation comments/discussion:

- i) Mr. Stutzman notes that a good thing about simulation #7 is that per FTES allocations are almost the same.
- ii) Mr. Gonzalez comments that he likes simulation #9 as it provides a better understanding of what DW & DS services are, providing an overall better picture of Total Cost of Ownership.
- iii) Mr. Gonzalez questions when the District needs to request for more allocation, how do they go about doing this? Would it be via a type of College Program Performance Allocation, and further how does the reallocation take place when we receive additional monies at 1st, 2nd, and 3rd quarter?
 - (1) Mr. Fitzsimmons reminds the committee that at the last meeting Mr. Stutzman noted to the committee that once we decide on the simulation model, there are rules that the committee will need to develop.
 - (2) Mr. Stutzman reminds the group that simulation #9 is essentially what we currently do.
 - (3) Mr. Hawkins notes that we have still not addressed the issue of where collective bargaining comes from.
 - (a) Mr. Stutzman responds that collective bargaining will be handled the same way it has been, and if additional revenue comes in, the District will need to determine how it is allocated.
 - (i) Mr. Hawkins agrees, and adds that this process needs to be written into the business procedures Mr. Stutzman previously noted.
 1. Mr. Fitzsimmons poses example questions that will need to be answered by the Business Procedures:
 - a. What do we do if we get more/less money?
 - b. What do we do if one entity under/over spends their budget?
 - (ii) Mr. Stutzman notes that these simulations provide a framework for allocating dollars. If at some point, the District knows there will be 2% more revenue than anticipated, and the district decides to distribute that 2%, then that will increase the total property tax revenue.
 - (iii) Mr. Frazier notes that, in his opinion, collective bargaining should not only be considered as "what's left over", rather it could be viewed as a strategic value and added to the list of variables if we are looking at simulation #7. Additionally, Mr. Frazier notes that FTES is not nearly as important as compensation for Faculty.
 - (4) Mr. Gonzalez comments that he really likes simulation #9 because it includes District Services and Workforce Institute. If variables were to be included to impact one of the entities, the impact will show across all the entities. Mr. Gonzalez adds that Workforce Institute generates revenues, and would like to know how their revenue generation will impact the district overall.
 - (a) Mr. Stutzman responds that simulation #9 carry's over history with full-time salaries. The FT salaries that we have today, may not be the FT salaries that one would anticipate moving forward if we were trying to create the most efficient organization. With this simulation, you are basing your allocation on cost, however Mr. Stutzman

notes his recommendation is to use a revenue based allocation. Simulation #9 is based on cost, rather than revenue.

(i) Ms. Hanfling questions whether or not simulation #9 creates a level playing field with district services. Meaning when we look at salaries equally across the board, then we are looking at everyone on an equal plane. Ms. Hanfling questions what is meant by "not the most efficient way".

1. Mr. Stutzman responds that it means costs will be funded no matter if needed or not.

a. Mr. Fitzsimmons comments that his preference is simulation #7. This simulation is a hybrid approach providing \$10M to each college, provides an area for variables, and it factors in the # of FTES that each college. As a group we should determine a fair percentage that district services should operate from. Mr. Fitzsimmons adds that the challenge with simulation #9 is that if the salaries and benefits are taken off the top and then those costs increase higher than the revenues, another area will be squeezed/cut, and conversely if those costs decrease areas will expand.

i. Mr. Gonzalez and Mr. Covarrubias note that those variables have not yet been set. Mr. Covarrubias adds that there could conceivably be a Business Rule established for this scenario.

ii. Mr. Fitzsimmons adds that with this simulation we may have to squeeze, but that would need to be determined at the campus level based upon their mission, vision, and values.

iii. Mr. Gonzalez agrees with Mr. Fitzsimmons's comments, but would like it reflected in the minutes that the reason he prefers simulation #9 is that because when we agreed to do this resource allocation model, we agreed to make sure to create a simulation that would create the least amount of transitional impact. Mr. Gonzalez further notes that under simulation #7, this will force the colleges to "really tighten up their belt", thus impacting the colleges in year-one. Mr. Gonzalez adds that whichever simulation is chosen, we need to test it for at least two years. If we choose simulation #7 at this point in time, Mr. Gonzalez is very concerned about the immediate constraints that will be placed on the colleges.

iv. Mr. Stutzman notes that whatever is chosen, is never fully implemented in year-one, as it is a long implementation process.

v. Mr. Gonzalez notes that a line should be added at the bottom of simulation #9 when additional monies are received in quarter 1, 2, & 3.

vi. Ms. Hanfling notes that there are aspects of simulation #7 and #9 that make sense, but we will not fully know which simulation will work until we establish the business rules.

vii. Mr. Stutzman notes that before the next meeting, he will provide a sampling of business rules to the committee.

viii. Mr. Covarrubias questions if these business rules include reference to a District's Mission, Vision, and Values?

ix. Mr. Stutzman responds that he believes they do include these items within the preamble.

- x. Mr. Frazier notes his concern with the state of the current Program Reviews and their lack of robust quality to allow for a whole new simulation structure. However, in the long term, simulation #7 has the potential for recognizing up front what the goals and plans of each of the colleges are, and creates a very fertile way of making a better set of colleges. Further, as we go into the rules, we may find a way to start at simulation #9 and move into simulation #7.
- xi. Mr. Fitzsimmons reminds the group that as Mr. Stutzman notes, this is a phased process and not a flip of the switch.
- xii. Mr. Newton questions how long the transition time period would be?
- xiii. Mr. Stutzman notes that this could be done within 2-3 years.
- xiv. Mr. Fitzsimmons notes to the group that we need to keep in mind that both colleges have very small variances in terms of their budgets. Thus the timeline to implement a new model would be shorter than that of a district that has, for example, one very large college and one very small college.
- xv. Mr. Gonzalez notes that he would like it reflected in the minutes that one of the rules should be, if a particular college is greatly affected, a formula or business rule is in place to assist with this transition.
- xvi. Mr. Fitzsimmons notes that this was addressed in one of our 29 key issue statements.
- xvii. Ms. Kimura comments that she likes simulation #7 & simulation #9, with a preference towards simulation #7. However, from the perspective of SJCC's Finance Committee, Ms. Kimura notes that neither of these simulations resolve the bigger issue of the college going through the vetting process to ensure that the costs make sense, and costs are in line with program review and the plans of the programs and divisions, and yet at the end, the total request for the last two years has come up as double of what we anticipate receiving. Ms. Kimura notes that this may not be a dilemma that can be resolved here, but it does represent a very large issue for SJCC as they attempt to represent the full needs of each department.
- xviii. Mr. Stutzman notes that one remedy would be to take \$1M off to top for innovation. However, the committee needs to remember that there will be many people at the table to compete for the \$1M.
- xix. Mr. Frazier reiterates that what the SJCC Finance Committee has determined "to keep the lights on" will include a recommendation to cut programs.
- xx. Mr. Gonzalez reiterates that simulation #9 allows for the position funding to stay with the colleges when you have a Faculty member leave/retire.
- xxi. Ms. Hanfling questions if we have the ability to look at the costs between all entities over the last ten-years.
- xxii. Mr. Fitzsimmons responds that a document was previously provided to this group which illustrates this cost comparison.
- xxiii. In closing, Mr. Stutzman reiterates to the group that the allocation does not dictate how the funds are spent.

- 6) Differences between revenue model vs. cost based model:
 - a) Total Cost of Ownership
 - i) The group agreed to move this item to the next meeting agenda.
- 7) Review Article: "Program Costs and Student Completion":
 - a) Mr. Castilla distributed an additional document outlining the reasons why he would like to propose that this group use program costs and student completion as part of the budget allocation model. Mr. Castilla notes that we still do not know how much is really spent per student, as well as we cannot say that CTE students are equal to GE students. This is important to ensure our modeling of social justice and finding efficiencies to serve our students.
 - i) In terms of efficiency, Mr. Castilla provides an example of a Physics course he previously taught where each set up cost \$2500, of which he needed 7 setups to teach all the students in the class, versus teaching a general ed. mathematics classes of approximately 50 students. Thus we cannot state that all students are created equal.
 - ii) Mr. Castilla further notes that using an FTES metric is, in his opinion, illogical.
- 8) Revisit District-wide Adopted Budget:
 - i) The group agreed to move this item to the next meeting agenda.
- 9) FTES to \$\$\$DS:
 - i) The group agreed to move this item to the next meeting agenda.
- 10) Build Next Agenda:
 - a) Variables status update
 - b) Simulation #7, #9, and review of business rules
 - c) Differences between revenue model vs. cost based model
 - i) Total Cost of Ownership
 - d) Revisit District-wide Adopted Budget
 - e) Evaluation of shared District Services at the College/DW/WFI/Milpitas Levels
 - f) FTES to \$\$\$DS
- 11) Adjournment

The meeting was adjourned at 3:07 PM