

Resource Allocation Model Taskforce

Meeting Minutes

May 5, 2017 // SJCC, T-112 // 1:00 p.m. to 4:00 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), Steven Graham (Academic Senate – EVC), Jorge Escobar (Administrator – SJCC), Andrea Alexander (Administrator – EVC)

Members Absent: Yesenia Ramirez (CSEA – EVC),

Alternates Present: Chris Frazier (Academic Senate - SJCC), Mark Newton (Faculty-AFT), Eugenio Canoy (Administrator)

Also Present: Roy Stutzman (RAM Consultant, via phone), Carol Anderson (Recorder), Jonathan Camacho, Mark Gonzalez, Kathy Tran

- 1) Call to Order – 1:08 p.m.
- 2) Approval of 05/05/17 Meeting Agenda – M/S/P; Ayes- 14, Opposed-0, Abstentions-0, Absent-1, a Motion to approve was made by Fabio Gonzalez; Seconded by Eric Narveson. The amended agenda was approved with the following additions:
 - a) The following amendments were made to the agenda:
 - Mr. Escobar added an additional simulation under item #4a.
 - Mr. Frazier requested to add an update on John Morton under #4.
- 3) Approval of 04/28/17 Meeting Minutes- M/S/P; Ayes- 14, Opposed-0, Abstentions-0, absent-1, A motion to approve the amended minutes was made by Fabio Gonzalez; seconded by Dan Hawkins. The amended minutes were approved with the following changes:
 - a) The following amendments were made to the 04/28/17 minutes:
 - Page 1, number 4a, change “were shown in different slots” to read: “but different constituent groups are being represented.”
 - Page 3, number 9a, remove remarks and attach the letter from Dr. Breland to the minutes.
 - Page 2, number 6b following the sentence that ends with 12.16%, add the following line: Mr. Smith represented that the report had been corrected to properly reflect the decentralization of custodial and grounds staff, which represented a total of 44 positions.
 - Page 4, number 8, add the following line after the last sentence: They are separate cost centers.
- 4) RAM Status Overview Comments:

John Morton will be meeting with the RAM Taskforce and District Budget Committee on June 6th from 2:00-4:00. Mr. Smith sent a letter to Mr. Morton introducing our group asked if he would be able to provide a sample of his “Innovation and Performance Incentive.” Mr. Smith will follow up with an update at the next meeting.

Mr. Smith has been asked to give a RAM update to District Council and is hoping to address the Academic Senates at both colleges. He will review where we began, the process involved and where we are. We have been through a lot of models and there is a lot of great documentation, but that is very different than what is actually in practice. There is a big gap in what the ideal was and what the practice is.

a) Simulation #7, #7A, #7aa, #7B, #7C and #9

1. As a group, we have seen all the models from each multi-college district in California and have focused on the four that are basic aid districts. Mr. Stutzman's charge has been to facilitate and provide technical leadership to create a Resource Allocation Model that is built upon staff input and data analysis. The end result should be a draft agreement to present to the Academic Senates, District Budget Committee and District Council, that would include a description of the model, a draft model and the business procedures. Mr. Stutzman has provided all he knows at this point and wants to know how do we get to the finish line from here? There are a lot of competing interests on the taskforce but we need to be able to reach consensus on a model.
2. Mr. Frazier stated that the need for a RAM began as a need for deferred maintenance. The Senates have the authority to work with the Trustees to get a model passed. The Senates are trying to make sure the model we have is going to allow us to progress in the right manner. SJCC is very close to being capable of aligning a RAM with program review.
3. Mr. Stutzman explained that what Mr. Frazier is referring to is how the colleges allocate revenue locally, at the college level. The responsibility is assigned to the colleges and they dedicate their resources to what they feel is important.
4. In making a recommendation, Mr. Stutzman would like to see the colleges have the authority to do what they have to do in order to serve their students and reach their objectives at each college.
5. Mr. Smith clarified that the allocation to each entity isn't defined by where the money will go. It is basically "here is your bucket, manage your college.
6. Mr. Frazier feels that he has heard multiple times over the past weeks that if we do what Roy is suggesting that we would have to cut jobs. Mr. Hawkins clarified that what was stated was that if you take 5M from District Services that would mean jobs (people). Mr. Frazier feels that Mr. Stutzman is suggesting that programs should be eliminated, which Mr. Stutzman explained is not true and does not understand how Mr. Frazier came to this conclusion. Mr. Frazier states that more money is needed or programs would have to be cut in order for the school to keep the students safe.
7. Mr. Smith explained that in the old model, you could not cross the line between personnel and operations. With a new allocation model based on simulation #7, that line goes away and the college manages their own budget. It opens the bucket up for top to bottom local control. The amount doesn't change.
8. Mr. Stutzman stated that he is not going to recommend a 30% cut of District Services, it is unrealistic.
9. Ms. Hanfling feels that we go round and round and look at the same models. How do we move forward? How do we satisfy all groups in a way that is transparent and inclusive? She would like to see Roy choose a model and bring it to the group and let the group discuss it fully, make changes and come back in a few years and revisit the model.

10. Mr. Covarrubias agrees with Ms. Hanfling. We get bogged down at every meeting. He questions why we can't put a model up, explain it, narrow it down and get consensus.
11. Mr. Stutzman is recommending a model based on simulation 7 and that is what the business procedures that will be discussed later describe. They are in draft form and there may be more to add in terms of implementation. The intent of the business procedures is to put flesh on simulation 7. Simulations 7A, 7aa, 7B and 7C are all variations of 7. Simulation 9 takes full time staff costs off the top.

a-1) Mr. Escobar stated that he was disappointed in his work that was presented last week, it didn't provide a good solution. He reminded the group that we are one team and that we need to remove the notion that we are against each other. We need to do what is right for the District. Mr. Escobar introduced a new simulation titled: Mission, Innovation, Services and Performance (MISP), see attachment. This is a shell of a model that can be refined. In this simulation, Mr. Escobar is taking 75% of the base allocation and splitting it equally between the two colleges and District Services/District Wide (DS/DW) gets the remaining 25%. The colleges will keep 80% of their locally generated revenue with 20% going to DS/DW for accounting related costs. 80% of the basic aid distribution will be divided equally between the colleges and 20% will go to DS/DW. This leaves approximately 6M on the backend to manage incentives and innovation.

1. Mr. Fitzsimmons questioned the thinking behind combining DS/DW. DW costs are pretty much fixed. If we are short in DW, then the money would have to come from DS, which is not practical. This scenario puts a squeeze on DS if fixed costs go up. DS is not the main driver behind utilities.
2. The simulation presented by Mr. Escobar still cuts 5m from DS/DW. Mr. Frazier feels that the colleges are down at no fault of their own and that the District should feel the squeeze just like the colleges.
3. Mr. Covarrubias feels that the colleges run on scarcity and that DS runs on abundance.
4. Ms. Alexander points out that the reality is that there is still 5M cut from DS and that this simulation is not based on student need and how many students are served. It has nothing to do with the core of what we do. It is based on revenue which will not work for EVC. This simulation takes 1.2 from EVC
5. Mr. Narveson also points out that the base allocation is the same and is not based on the number of students. It presumes that the colleges are equal, but they aren't. Mr. Narveson does like Part D, in that basic aid gets awarded to the colleges. This simulation speaks to a model of allocating dollars.
6. Mr. Escobar said that SJCC has less net FTES because they graduate students two times faster than EVC and that we have systematic challenges.
7. Mr. Mark Gonzalez points out that although SJCC may graduate students faster, they should be getting new students on a yearly basis, and SJCC should be recruiting. All the models are based on what we have already. Mr. Gonzalez feels that FTES does matter, students matter and it is wrong to say that students do not matter.
8. Mr. Covarrubias would like to see how we could tweak this without the finger pointing. Need to offer suggestions on how to make it work.
9. Ms. Alexander pointed out that Roy has been offering suggestions and providing simulations but we keep asking him for alternate variables. Roy has

done this in a very transparent way so let's not act like we haven't been doing this.

10. Roy clarified that the concept in simulation #7 and the concept in Jorge's simulation are similar but in #7 the basic allocation is a total of \$30M which is distributed equally, over and above what we would receive if we were an apportionment district. Basic aid is a piece of revenue. Jorge's model does not use FTES to distribute revenue. Mr. Stutzman does not think that not recognizing FTES is right, it is the best level of service. FTES should be recognized for that level of service.
11. Mr. Frazier never meant to discount FTES but feels that other variables are equally, if not more important. Our funding is not based on FTES.
12. Mr. Narveson did feel that Mr. Frazier didn't believe that FTES matters. While there are other variables, they just are not quantifiable, they fluctuate. There are so many differences between the colleges, how can we compare? FTES matters to the state.
13. Mr. Covarrubias questions how we evaluate the efficiency of DS? FTES doesn't evaluate DS. He believes that FTES should be a variable but not the driving variable.
14. Mr. Hawkins points out that mission, vision and values applies to faculty, community and students – should apply to all.
15. Mr. Gonzalez wanted a model that was simple and easy to understand. One that makes sense. He doesn't like using FTES because we have expenditures at both colleges. How can we have least impact on the college? He isn't concerned about FTES or graduation rates. He cares about how well the colleges are going to do with this formula that takes 2M away from them. We aren't thinking about the consequences of taking money away from the colleges. Mr. Gonzalez likes Mr. Escobar's simulation.
16. The District can't live with a 5M dollar cut, neither can the colleges. Whatever we adopt we have to be able to live with for at least a year.
17. Mr. Stutzman's rationale was to split what is above and beyond what we would get as an apportionment District which is 30M.
18. Mr. Smith again asked the question of Do we want to move forward with simulation #7, focusing on the 30M. Mr. Gonzalez says yes.
19. Mr. Frazier would like to see a new model, dive in for a few years and see what happens.
20. Mr. Stutzman reiterates that once a model is agreed upon, it's not just done, it needs to be re-evaluated in several years. The colleges need time to adapt to the changes, either up or down. Mr. Smith says the idea is phasing in and Mr. Stutzman agrees.
21. Per Mr. Narveson FTES differentiates the colleges. We need a simple, straightforward model. Mr. Escobar feels like we are moving forward and having the right dialogue. Mr. Smith explained that there is a cap on FTES that the colleges can get.
22. Per Ms. Alexander, 95% of our funding is in personnel, it is what it is. The point of a RAM is a long term goal, not short term. You can't pivot every time the variables change, that is not the point of a RAM. The colleges have different goals. If we don't have money for innovation and Total Cost of Ownership then you need to take it off the table.

23. Mr. Gonzalez says that innovation doesn't go out the window, it just becomes a smaller percentage. We haven't even touched on the Educational Master Plan. We need to address the actual problem-the actual expenditures. How is the model connected to the Educational Master Plan and Program Review?
24. Mr. Frazier says that there are political considerations. The RAM being proposed is not much different than what we already have from 2011. AB3000 states that if there is no consensus then there is no agreement. If there is no agreement between the Trustees and the Senates then no change will take place. The Senates want to know how we get to a model that satisfies both. How do we guarantee that we are going to be in a different place at the end, that we are going forward?
25. Mr. Stutzman likes that Mr. Escobar's model is revenue based. What we currently have now is based on rolling expenditures. The 16/17 budget showed as a deficit budget, budget more in expenditures than in revenues. The concern for the district is that unless you limit allocations to revenues you run the risk of allocating more expenses than revenue. The model should be expenditures based on revenues. If we continue rolling expenses the problem becomes worse over time. Simulation #9 takes salaries and benefits off the top but still gives \$30M allocation. Bottom line is the allocation is similar.
26. Ms. Hanfling believes we are going round and round. She is concerned that if we don't know our property tax rate before the budget and we can't allocate, if there is excess that leaves millions for DS,
27. Mr. Fitzsimmons explained that if we just rolled 107M because it's what we had this year, that wouldn't work as we had one time money this year that we won't see next year and personnel costs go up.

b) Review Draft Business Procedures

Mr. Stutzman prepared a draft version of the Business Procedures, based on simulation #7. The purpose of the procedures is to add substance to the simulation. Mr. Stutzman reviewed the Business Procedures (See Attachment). Mr. Stutzman highlighted the following:

- Page 1, last paragraph – states that the Chief Business Officer (Vice Chancellor of Administrative Services) has a key role in preparing and managing the district budget. He has the overall responsibility for stewardship of District resources. This is a heavy responsibility for Mr. Smith in terms of mechanics, how much to allocate. The responsibility is not shared, it is fixed in that position.
 1. Mr. Frazier wants to know who is responsible for assessments. Is it the CBO's function to oversee centralized services or is there possibly oversight from other sources? Mr. Stutzman explained that the BP's and AP's define this answer.
- Page 3, number 2, the last line should say "page 11 & 12", cross out page 10.
- Page 3, last paragraph states that for purposes of budget development an initial projection of a 3.5% increase of property tax will be made for the budget year as defined by the BOT's adopted budget principle.
- Page 4, Enrollment Projections – Reinforces that there are significant allocations based on FTES, FTES should not be disregarded.
- Page 4, Enrollment Projections-paragraph 3 states that non-resident tuition is local revenue and is retained by the colleges.

- Page 5, paragraph 3-the principles listed are from the 2008 and 2011 principles that were agreed upon to create the 2016 principles.
- Page 8, numbers 1 and 2 essentially explains how simulation #7A works.
- Page 9, number 4 shows that if one college grows more than the other, it will eventually be reflected in the 3-year rolling average.
- Page 9, number 4, second paragraph relates to FTES Growth Funding. There is no Growth Funding mechanism. It relates to the Chancellor's interest in this type of fund. This is simply a placeholder, not necessarily part of a RAM. Mr. Graham feels that we need to define Innovation.
- Page 9, Revenue increase after budget adoption. Mr. Frazier feels that the Senates would probably like a review of cabinet. He feels the colleges could easily be voted out.

5) Check-Out

- Mr. Newton feels like we are spinning, he would like to see a student centered budget. Questions how we use future dollars to fill holes.
- Ms. Hanfling is not going to agree to a model that cuts 5M. She is ready to look at an actual model.
- Mr. Hawkins states that we have general consensus on a model, let's put numbers to it and take a look at it.
- Mr. Camacho is leaning towards a phase-in process.
- Mr. Canoy likes simulation #7.
- Mr. Frazier won't recommend approval by the Senate that doesn't allow them to fix things that are broken.
- Mr. Castilla feels that simulation #7 doesn't reflect our values. It does not provide the right incentives and doesn't make sense.
- Ms. Alexander feels we are getting close, would like to see some version of simulation #7, a hybrid version. At this point we are talking about implementation for FY18/19. She is also concerned about 95% of the current model. It doesn't leave room for innovation.
- Mr. Narveson hopes that we can come to a final model next week. He also notes that the Senate would resent some of what has been said. Mr. Narveson has class on the 18th and will be late. If there is a vote on a potential model, he needs to be present.
- Mr. Fitzsimmons states that simulation #7 achieves most of what we are seeking. He would like to discuss what is in DW and the costs and what is an appropriate percent of the pie for DS to have.
- Mr. Stutzman has no comment.

Meeting adjourned at 4:14 PM