

Resource Allocation Model Taskforce

Meeting Minutes

May 18, 2017 // SJCC, T-112 // 12:00 p.m. to 3:00 p.m.

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

Members Absent: Keiko Kimura (Administrator – SJCC), Steven Graham (Academic Senate – EVC),

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

Also Present: Roy Stutzman (RAM Consultant), Sherri Brusseau (Recorder), Jonathan Camacho (WFI), Byron Breland (SJCC-President), Kathy Tran (EVC-Admin Svcs.)

- 1) Call to Order – 12:12
- 2) Approval of 05/18/17 Meeting Agenda – M/S/P; Ayes- 11, Opposed-0, Abstentions-0, Absent-3 (Eric Narveson arrived at 2:00 PM), a Motion to approve was made by Jorge Escobar; seconded by Lauren McKee. The agenda was approved as presented.
- 3) Approval of 05/12/17 Meeting Minutes- The May 12, 2017 meeting minutes will be completed within the next week and sent to the taskforce. We will vote on the minutes when we reconvene in September.
- 4) Revisit District-wide costs in 16/17 Adopted Budget: Mr. Fitzsimmons reviewed with the group what costs were considered DW costs in the FY16/17 Adopted Budget. The question was asked how DW costs are defined. Mr. Fitzsimmons explained that when he first joined the District in 2010, there were only DO, EVC and SJCC costs and DW did not exist. There was always a concern that DO costs were bloated when in fact DO costs included all the DW costs reviewed in DW. An attempt was made at that time to tease out the DW costs from DO costs.

DW costs were identified as those that are fixed, i.e. utilities, insurance. These are costs that that we have control over from an experience perspective, and at the end of the day if PG&E send a bill, it has to be paid.

From the maintenance, HR and ITSS perspective, using maintenance as an example, if maintenance has to spend money to support the campuses, that's considered a DW cost. If they have to spend money for the District Office, then it's a DO expense.

DW is defined as non-people, other than interpreters, fixed costs or costs that directly support the colleges. Mr. Smith cautions that "fixed" implies that the costs are the same every year. Utilities, liability, etc. are not necessarily the same every year but we have to pay for those costs.

Mr. Frazier notes that SJCC has been struggling for the past 6 years to determine what is and what is not truly discretionary. Anything that was in their budget that was not for salaries and benefits was discretionary, but that the discretionary budget was being spent on paint, fume hoods, repairs, etc. and not on what the ACCJC requires, because they have to spend their money on soap, toilet paper, etc. The ACCJC does not see toilet paper as a strategic item. They want the faculty to run SLO's and look at how to improve SLO's, write those improvements into the program review and make spending decisions based on that.

Mr. Frazier claims there are two complaints from the faculty:

- 1) The faculty perceive the DO as being out of touch, many of the people at the DO who are making decisions haven't been in the classroom. Faculty trust those in the classroom
- 2) There are things that need to be tuned up with the DS/DW budget.

In short, Mr. Frazier is trying to describe what the issue is with DS costs and how they are perceived by SJCC. DS has a different culture of spending and isn't aware of what is needed in the classroom.

Mr. Stutzman notes that there should be a yearly review of DS/DW costs.

Mr. Covarrubias feels that historically the colleges function from a position of scarcity and the District functions from a position of abundance. Mr. Covarrubias believes that there needs to be a mechanism of accountability for how the District is spending money.

Ms. Hanfling notes that we are not dealing with the lack of feeling or understanding that the DO is following the same rules as the colleges. When enrollment goes down the colleges lose money but the DO doesn't seem to. The DO does wonderful work, but that is not the general perception. Until we deal with this issue, Ms. Hanfling believes there really isn't a whole lot to talk about.

Mr. Covarrubias believes the District needs to have accountability, open your books and go through an annual evaluation of the expenditures.

Mr. Stutzman notes that the answer is not to take 2.7M out of the DS budget. There needs to be a further evaluation of the expenditures and that can be done over time.

Mr. Covarrubias states that the purpose of establishing a Resource Allocation Model is to understand which model can be used to look at those things over time. We were dinged in the accreditation process because it is not clear how resources are allocated.

Ms. Hanfling questions why the allocation for DS/DW is fixed yet the colleges' allocation is variable. Mr. Stutzman reminds the group that he advised the group to arrive at a percentage that they thought was appropriate for District costs and the group agreed to that. That percentage can go up and down based on actual costs.

Mr. Fitzsimmons noted that the tentative and adopted budget details are available in the public folder and that an email goes out the entire district that those details are available. Mr. Covarrubias replied that that is not what he is looking for. He is asking what the formula is, what is the process being used for the allocation and what is the measure of accountability. That is what is mysterious.

Ms. McKee notes that if there is a process that the campuses have to adhere to, the District should have to adhere to the same process.

Mr. Escobar notes that we have an opportunity to understand the cost structure, there are limitations seen at the colleges. Using Reprographics as an example, the cost to run Reprographics is 1M. The cost to run Business Services is also 1M, which manages an 80M budget. It just doesn't seem equitable.

Mr. Smith states that we could de-centralize reprographics and move those costs to the colleges as well as other costs, such as utilities.

Mr. Frazier states that the faculty is concerned that they are being given unfunded mandates from District Services (i.e. open new math classes for San Jose Promise). Colleges are being told to do things and given no money in which to do them. He feels that DS should be back on the campus.

Mr. Covarrubias questions whether DS ever gets their hands slapped for over-spending the way the campuses do? Mr. Smith does not believe so but reminds the group the DW is not for 40 S. Market, it is for EVC/SJCC and 40 S. Market. He again points out that some of the DW costs could be de-centralized.

Ms. Alexander is not for de-centralization as it is not realistic if you are not going to get additional personnel to handle the extra work.

Mr. Fitzsimmons warns the group that when discussing centralization vs. de-centralization that you need to keep in mind economies of scale. What is the cost, if you de-centralize you have to have two of everything. Very important to keep that in mind.

Mr. Newton wonders what the point of Mr. Fitzsimmons presentation is. Mr. Stutzman points out that it was strictly to show what is in DW and what costs would move to the colleges in the case of de-centralization, which Roy does not believe any of the costs should go to the colleges, with the exception of maybe interpreters. It doesn't make sense to move

expenditures to show less in DW expenses, however, the campuses should know how much their share of the utilities are and there should be some sort of incentive program to save on utilities, with the savings going back to the colleges. It was stated that the same should go for DS.

- 5) District Services-FTES to \$\$DS Graph: Mr. Frazier reviewed his graph that compares what costs should be based on other colleges. He noted that as other campuses grew, the percent of District costs was higher. The model that best fit curved upward. As things grew DS became less efficient. The graph shows a trend that puts SJECCD at 21-22%.
 - a) Mr. Frazier feels that we need to develop a way to examine if decentralization is a good idea or a bad idea. Mr. Gonzalez feels we need to look at DW costs, not necessarily DS costs. Mr. Frazier feels that both need to be looked at because the perception of DS is poor, it's important to understand the costs of both.

- 6) Review and Discuss Simulations:
 - a) Simulation #10: MISP Resource Allocation Model (Updated 05/17/17) – Mr. Escobar reviewed the 3rd version of his MISP allocation model and believes it is as clean, simple and equitable as can be. In this version, he took the different elements and made them 75% and 25% across the board. In element D, the Basic Aid Distribution, each campus is given 9M and DW/DS would get 5M, which would bring the impact to DW/DS to a couple of million.
 - i. Mr. Fitzsimmons, in looking at the updated simulation #10 and assuming DW costs are what they are, using the FY16/17 Adopted Budget, under Simulation #10 DS/Do would take a 2.7M hit, EVC would take a 1M hit, Milpitas would be neutral and SJCC would gain 500K. Mr. Escobar accounts for this gain because SJCC has achieved managing their programs. Ms. McKee states that while she appreciates the information in simulation #10, if we move away from FTES, there is not going to be general accountability. Ms. McKee finds it offensive that EVC currently has more FTES than SJCC but is getting 1M less.
 - ii. Mr. Gonzalez is trying to follow the content of the model and hold everyone accountable. What can we do with a model that works for everyone and holds everyone accountable regarding the variables? He does not understand how we can be pushing for simulation #7 when the variables only apply to the colleges and not the DW/DS.
 - iii. Ms. Alexander points out that the simulation that Mr. Stutzman is bringing forward is based on a 3-year average. Based on this 3-year average, SJCC is being given 5800 FTES when they only have 5300 and EVC is getting 6200 FTES but they have 6500.
 - iv. Mr. Gonzalez still questions how we are going to hold the District accountable. That is the discussion that needs to be had.
 - v. Mr. Stutzman questions how simulation #10 holds the DS/DW any more accountable than simulation #7? Any expense that is less than depicted in the Adopted Budget should go back to a centralized pot per simulation #10. This is no different than what is portrayed in simulation #7. Any unbudgeted balance/unspent monies goes back to the general fund. Mr.

Stutzman explains that in simulation #7, DS is being treated as an assessment against revenue that would be distributed to the colleges. Assessing the colleges back on an FTES basis.

b) Other Simulation Proposals

c) Simulation #7: 3-year average, Actual FTES – To get a better understanding of simulation #10, Mr. Stutzman tried to put simulation #7 in the same format as simulation #10 and was not able to so he put simulation #10 in simulation #7 format. The point of this exercise was for Mr. Stutzman to get a better understanding of simulation #10 by seeing it in a familiar format and also to show that many of the dollars are being allocated 50/50.

- i. Mr. Stutzman noted that the impact of using the 3-year rolling average is to level any fluctuations in FTES, which could benefit either college in any given year.
- ii. Mr. Gonzalez is still to look at the variables that impact the campuses and still questions why DW/DS are not being held to any standard. Mr. Stutzman questions how you can set a % for DW/DS. The DW/DS percentage needs to be attached to a means to assess DW/DS. The percentage correlates to people which is why it is difficult to just give a percentage.
- iii. Mr. Stutzman points out that the District Budget Committee and the District Council have the opportunity to review the proposed DW/DS budget and make comments every year, yet Mr. Gonzalez points out that when asked how much is spent on consultants, the question could not be answered.
- iv. It was clarified that no one is saying that District Services is not providing valuable services but it seems they have pots of money to dip into, if they want to hire consultants, they do. Mr. Stutzman notes that that could go away if the colleges keep their ending balances.
- v. Mr. Smith clarifies that what the group is saying is that there needs to be transparency in the vetting process via DBC and District Council before a decision is made at the cabinet level.
- vi. Other variables that could be used to measure the DW/DS service level include: number of payroll checks cut, number of AP checks cut, how many different transactions are made, number of new hires, compliance issues, etc.
- vii. Mr. Escobar states that one thing we can all agree on after meeting for a year is that we have a lot of great people working for SJECCD, that is not being questioned. What needs to happen however is that we need to be more efficient, we need to clean up our processes (ex. Petty cash reimbursement for \$5.00 requires 4 signatures).

- viii. Mr. Stutzman reminds the group that there has to be some acknowledgement of service level and the best way the system (state college system) knows how to do that is through FTES.
- ix. Mr. Stutzman reviewed Simulation #7, which is based on the 3-year actual rolling average based on the 320 report. This simulation allocates 30M in an equal basis to the campuses. Over 30% of the property tax is split equally. The balance of the property tax (59M) is distributed per FTES. The assessment for DW/DS is based on FTES, so if a one campus has less FTES than the other, their assessment would be less than the other college. The difference between simulation #7 and simulation #10 is that simulation #10 splits property tax equally among the colleges rather than based on FTES as in simulation #7.
- x. Ms. Hanfling notes that DW/DS receives approximately 26% of the budget and proposes that maybe the goal should be to look forward and perhaps lower that percentage over a five year period, allowing the colleges to gain more funding over that period. She is trying to move the model along without cutting people. She can't support simulation #10, which takes 2.7M from DW/DS.
- xi. Mr. Fitzsimmons notes that we need to de-couple DW from DS. If utilities go up, it's not right that it should impact the DS budget.
- xii. Mr. Gonzalez feels that neither simulation 7 or 10 outline accountability. Until we clarify accountability we can't move forward.
- xiii. Mr. Fitzsimmons stated that the DBC reviewed 3rd quarter projections and SJCC is projecting to come in 1M in the black.
- xiv. Attached to simulation #10 in RSV format are Mr. Stutzman's comments on the two simulations. Mr. Stutzman reviewed the comments. Mr. Frazier wanted to clarify that based on Simulation #10, DW/DS would have a reduction of 2.7M from what they currently have but the 1m reduction for EVC is based on what they would have, not a reduction from what they currently have.
- a) Flow Chart – Mr. Escobar points out that in his opinion there is a flaw with the flow chart as it does not take in to account adjunct faculty, which has never been budgeted correctly, it never takes into account overload.
- b) Business Procedures – The Business Procedures are in draft form, they are a work in progress. Mr. Stutzman made the following changes to the procedures:
- Changed the carry-over limit on reserve from 5% to 3%
 - Changed the wording under DW in terms of costs being fixed, not all costs are fixed, i.e. utilities can go up year to year.

1. Mr. Frazier voiced his concern that the Chancellor's Cabinet is a sticking point and seems to be very top-down and wants to know if that is still in the Business Procedures. Mr. Stutzman confirms that it is still in the procedures and that the Business Procedures will be in his final report in draft form and that the procedures need to be locally driven.
2. Mr. Stutzman told the group that when he has heard all the final comments today, he will be creating a final report that will include his observations, comments, recommendations. It will be a comprehensive report and will also include the principles that were agreed upon as well as the Key Issue Statements. Each one of the Key Issue Statements will be addressed in his final report in a comprehensive way and how his recommendation relates to each one.
3. Mr. Frazier believes that many in the room feel that simulation #10 is just as good as simulation #7. Mr. Stutzman points out that the group may decide to go that route, but it is not his recommendation. Mr. Stutzman believes that 30% of the property tax split 50/50 is the right thing, it's the sweet spot. If we were an apportionment district each college would get 3.6M, as opposed to the 15M they get being a basic aid district. The remaining 10M, split 50/50 can be revisited, if further analysis of CTE programs show a difference in structural costs, then maybe that 10M gets split 6 and 4.
4. Mr. Escobar states that whatever the budget is, whether it be 500K more or less, 1M more, whatever it is let the colleges manage their own budgets.

c) 2017 Principles for Resource Allocation and Budget Development. The principles are the guiding principles of what a Resource Allocation Model should be. The principles should:

- Be perceived as fair
- Be easily understood
- Provide the proper performance incentives
- Work in good times and bad
- Assure financial stability

A Resource Allocation Model change cannot be done overnight, it needs to be phased in over time and strategies need to be developed for the implementation. It's a zero sum game.

Meeting adjourned: 2:58 PM