

COUNCIL ON BUDGET AND FACILITIES
September 9, 2024

APPROVED SUMMARY

Members Present: Erika Almaraz, Terry Cox, Karla Frizler, Henry Hua, Cherry Li-Bugg, Elaine Loayza, Kathleen McAlister, Thu Nguyen, Michelle Patrick-Norng, Jeremy Peters, Jeanette Rodriguez, Marlo Smith, Leslie Tsubaki, Lourdes Valiente, and Fred Williams

Members Absent: Irma Ramos

Guests Present: Byron D. Clift Breland, Danielle Davy, Geoff Hurst, Bridget Kominek (alternate), Jaclyn Magginetti (alternate), Debbie Shandy, Scott Thayer, and Richard Williams

Call to Order: The meeting was called to order at 2:03 p.m.

1. **Summary:** The summary of the August 10, 2024, meeting notes were approved.
2. **Memberships:** Student representative seats remain vacant. Cypress' Associated Students will be hosting elections this week and hope to have a representative appointed thereafter.
3. **Budget Update** Fred Williams, Vice Chancellor of Finance & Facilities, and Erika Almaraz, Executive Director of Fiscal Affairs, presented the District's 2024-25 Proposed Budget which highlighted ending fund balances, the State budget, the California Community College System budget, the District budget, the structural deficit, six-year forecasts, and other considerations.

Ending Fund Balance (Carryovers)

Non-spendable	\$190,000
Restricted	\$10,590,000
Assigned By Campus Action	\$57,870,000
Assigned One Time Funds	\$17,370,000
Assigned – Other	\$396,000
Board Policy Reserve	\$46,500,000
Unallocated Districtwide	\$5,980,000
Unallocated Budget Centers	\$2,630,000
Total	<u>\$141,520,000</u>

Board Policy Reserves

The Board Policy on reserves changed from 5% of general fund unrestricted expenditures to two months of general fund expenditures. Two months of a \$279 million ongoing operating expense budget equals \$46.5 million.

Prior 5% Reserve	\$14,900,000
Committed Fund Balance	\$6,300,000
2022-23 Emergency Conditions	\$10,900,000
2023-24 Emergency Conditions	\$10,900,000
Unallocated Resources Transfer	\$1,200,000
Unallocated Resources Transfer	<u>\$2,300,000</u>
Board Policy Reserve for 2023-24	\$46,500,000

State Budget

- The State is taking a two-year budget approach with multi-year budget deficits of \$45 billion in 2024-25 and \$30 billion in 2025-26.
- Measures include cuts to government operations, reductions to programs, and a pause on new investments including a 7.95% reduction to operations and permanently eliminating 10,000 vacant positions beginning in 2025-26.
- There are no major reductions to core community college programs or services, but the State is utilizing deferrals and reserves to balance the budget

Community College System Budget

- COLA 1.07% for apportionment and select categoricals
- Enrollment growth funding 0.5% to address unfunded growth in the system
- Reallocation of unspent funds for 2020 Strong Workforce Programs and the 2022 Student Success Completion Grant

General Fund Summary

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Beg. Balance	\$ 130,930,000	\$ 10,590,000	\$ 141,520,000
Revenues	\$ 287,420,000	\$ 96,250,000	\$ 383,670,000
Expenditures	\$ 308,600,000	\$ 107,780,000	\$ 416,380,000
Other Sources	\$ (17,170,000)	\$ 1,990,000	\$ (15,180,000)
Net	<u>\$ (38,350,000)</u>	<u>\$ (9,540,000)</u>	<u>\$ (47,890,000)</u>
Ending Balance	\$ 92,580,000	\$ 1,050,000	\$ 93,630,000

Structural Deficit

	<u>23-24 Proposed Budget</u>	<u>24-25 Proposed Budget</u>
Earned Revenues	\$227,500,000	\$247,800,000
Other Revenue	\$22,600,000	\$21,300,000
Estimated Expenses	<u>\$272,100,000</u>	<u>\$278,800,000</u>
Deficit	(\$22,000,000)	(\$9,700,000)
Emergency Conditions	\$18,200,000	\$9,100,000
Stability Funding	<u>\$20,100,000</u>	<u>\$0</u>
Hold Harmless	<u>\$0</u>	<u>\$5,600,000</u>
Overall Surplus	\$38,300,000	\$14,700,000

FTES Trend

For 2024-25 the target is 31,230.95 based on the following FTES trends:

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
FTES	33,268.05	33,337.45	31,842.56	26,071.85	26,565.68	29,199.56

Why is the District in a Different Position?

- Funding received in 2024-25 creates the District’s new hold harmless “funding floor” and no future COLA will be applied to the new floor.
- Earned revenues will need to grow above the new funding floor to receive additional dollars.

- Growth in FTES shows that the District is moving in the right direction. 185 2024-2025 185

Six-Year Forecast

The following five different scenarios were provided, each illustrating the different impacts:

- Scenario 1: Uses the 2024-25 budget expenses and 2023-24 FTES and assumes that any COLA increases are passed through as salary increases and benefit costs increase by COLA as well. \$17,202,609 budget deficit by 2029-30.
- Scenario 2: Includes the Scenario 1 assumptions, less the \$5.395 million in retiree benefit contribution. \$7,443,303,000 budget surplus by 2029-30.
- Scenario 3: Includes Scenario 2 assumptions, uses the 2024-25 FTES targets. \$20,227,237 budget surplus by 2029-30.
- Scenario 4: Includes Scenario 3 assumptions but illustrates the impact of annual step and column increases in out years and the impact of the Consumer Price Index increases to non-personnel costs. \$4,355,542 budget deficit by 2029-30.
- Scenario 5: Includes the Scenario 4 assumptions but illustrates 1% annual growth in FTES. \$4,118,967 budget deficit by 2029-30.

Other Considerations

- Deficit Factor: 6.8538% deficit factor (\$18 million) used for 2024-25 Advance Revision (page 51) and a 1% deficit factor (\$2.6 million).
- Negotiations for all groups have not been settled.
- Job Family Studies are still in-progress. The IT family study is expected to increase the budget by approximately \$900,000.
- Change in Attendance Accounting Formula: A systemwide change to standardize calculations for credit FTES is estimating a 2% decline in calculated FTES based on existing class schedules and rosters.
- As federal COVID funds used to support student basic needs are exhausted, impact to enrollments is uncertain.
- Fullerton College Construction Program: The College started a lot of capital projects but is running out of funds to complete them due to continuing escalation of prices in the construction industry.

Questions/Comments:

1. *Why weren't one-time funds used to offset the parking fees instead of using the current budget?* Funding is allocated to the campuses, but no discussions were held about using it for parking. The parking deficit was highlighted to show that no contributions were made for this purpose. However, all expenses ultimately draw from the same pool of restricted funds.
2. *Where is the line item for District legal expenses?* Legal expenses are budgeted at different organizations such as HR, Finance and Facilities, etc. A budget for legal fees are set aside that haven't been allocated to a specific organization.
3. *When do we find out what the actual deficit is?* In February, we'll know the deficit for the previous year. Since we are about a year behind, we rely on predictions based on information from the State Chancellor's Office. Local districts are applying a deficit factor ranging from 0% to 3.5%.
4. *If the actual expenditures are dependent on the number of vacant positions filled, who is making the final decision on how and who fills those positions?* The campuses ultimately review and decide on the positions. While discussions at the Chancellor's Staff level focus on the number of full-time faculty positions to be filled, budget decisions are left to the individual campuses.

5. *At the campus level, faculty are being told not to add students, not to provide add codes, and blocking of adding forces to increase FTES. Are we trying to manage the extended day budget at this point?* While adding classes may increase costs, both increasing FTES and managing the extended day budget are important considerations. Dr. Breland emphasized that the District has not issued any directive to limit opportunities for growth. Although there may be unique circumstances regarding the extended day budget, the District remains focused on increasing FTES and is always open to new ideas for expanding course offerings and growth.
6. *What are the Job Family Studies? Can you tell me more about that?* Human Resources has contracted with McNight Associates to complete a detailed analysis of our current job classifications, compensation, and leveling structure. The study encompasses all classifications to ensure job descriptions and compensation are comparable to other California community colleges. The goal is to complete the study within a two-year span.

4. One-Time Funding

As part of the year-end closing process, District staff analyzed the final balances. After this year's close, the District has \$5.8 million in unallocated resources as of June 30, 2024.

At the June 10, 2024, CBF meeting, \$4,490,000 was approved for Phase II of the Network Refresh project, and this funding was later approved by DCC at their August 26 meeting.

Following the allocation for Phase II of the Network Refresh project, \$1,307,284 remains available for further allocation. Governance groups now have the opportunity to submit suggestions or requests for one-time funding.

Detailed Spending Allocations of One-time Funds

Over the previous years, allocations have been made through CBF and DCC. As of June 30, 2024, \$17,369,143 was remaining. It is recommended that the budget centers create and share a spending plan for the remaining balances at the December 9, 2024, meeting.

5. Calendar for the 2025-26 Budget

Erikas Almaraz provided a copy of the 2025-26 budget calendar. The calendar will be taken to the October 22 Board of Trustees meeting.

Questions/Comments:

1. *April – Budget Centers are requested to start Faculty Position Clean up. What does this mean? Does this happen every April?* The campuses are asked to review their positions, along with any unfilled positions, and remove the unused budget allocations. This helps obtain a better cost estimate. This is part of the position control process.

6. Facilities Updates

Fullerton College – VPAS, Henry Hua provided an update on behalf of the campus.

- 300 Building Renovation – Project completion is anticipated in October 2025.
- M&O Building – Internal infrastructure frames are being put in. Safety inspections are complete. Fire line installations are running into some minor issues and staff are working to fix those. Anticipated completion date in early January/mid-February.
- Chapman Chapman/Newell Instructional Building – Elevator will be installed next week. Staff continue to try and preserve the campus oak tree. HVAC was installed. Inspection of the electric conduits and piping is scheduled to take place within the next three weeks.

- Wilshire Chiller Plant Relocation – The new location is an old high school and underground utility line issues have surfaced with this project and staff are running into a lot of cost escalations and unforeseen issues.
- Performing Arts Complex – The bidding process is expected to begin shortly.
- Softball field – Currently in the last phase of design. Architects have come out to view facilities.

Vice Chancellor Williams notes that Fullerton is \$9 million short for facilities projects and \$30 million short on construction needs, in total about ~\$42M short on resources that have not yet been identified. Decisions will need to be made on welcome center, STEM building (state approval of match funding).

Questions/Comments:

1. *What programs are moving into Chapman Newell center?* Veterans, CalWorks, Health Center, etc. There are 18 programs that will be moving into the center. *Concluding the meeting, Vice President Henry Hua shared a list of programs with CBF.*

Anaheim Campus – Richard Williams provided an update on behalf of the campus.

- Upper Deck Renovation – State is funding 80% of the project. Waterproofing and seismic joints are still being installed. The project will also include fixes to the existing water damage that has affected 15-18 rooms. There was a foundation set back, but at no cost to the District.
- Board Room Renovation – Currently working on color selections for the interior. Minor comments from DSA were received. Architects are still working with the city for the sprinkler system (water flow) requirements. Expected completion in mid-spring. Approval of the fire line, no need for additional lines. DSA backcheck
- Outdoor Patio Remodel – A good turnout of 15 contractors walked the site and 8-10 submitted their bids.
- Interior and Exterior Signage – Currently resolving some coloring issues and hoping to hear back from DSA for the marquee sign within a week.
- East Parking Lot Restoration – Portable usage is expected to be extended due to the Board Room Renovation noise interruptions.
- 9th Floor Renovation – Will be finishing up in the next few weeks.
- Community Green Space/Lower-level circle – Ramps and parking lot will be reconfigured to comply with the new ADA requirements/codes. The project will also include a gathering space for campus events. Project will start after the upper deck renovation is finished, end of September.

Cypress College – *Dr. Thayer and Fred Williams provided an update on behalf of the campus.*

- Fine Arts Renovation – Occupancy is expected in fall 2026. The exterior caissons and interior micropyles are being installed. This is a CM multi-prime project, which includes several contractors and where the campus acts as the PM. Each change order is taken to the Board for approval.
- Auto Yard – The auto lifts were installed, and the project is nearing completion.
- Electrical Vehicle Charging Stations – Stations are anticipated to be up and running at the end of September. Looking to add additional staff parking due to spaces lost from the project.
- Health and Wellness Center – The expansion is targeted to begin summer 2025.

Questions/Comments:

1. In the Budget Book, why aren't the constituency groups included with the organizational charts? The formats are followed by the campus and District's current organizational charts. If this is something the groups wish to do, further discussion can be made for next year's publication.

4. **Future Meeting** – During the Anaheim Campus construction, meetings will be held in the Chancellor's Conference Room. Videoconferencing options are also available on the campuses.

November 11 (holiday)
December 9

Meeting was adjourned at 3:24 p.m.