

APPROVED**MINUTES OF THE SPECIAL MEETING/BUDGET STUDY SESSION
OF THE BOARD OF TRUSTEES OF THE
NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

April 18, 2017

The Board of Trustees of the North Orange County Community College District met for its Special Meeting/Budget Study Session on Tuesday, April 18, 2017, at 5:30 p.m. in the Anaheim Campus Board Room.

Board President Molly McClanahan called the meeting to order at 5:31 p.m. and led the Pledge of Allegiance to the Flag.

TRUSTEE ROLL CALL: Present: Ryan Bent, Stephen T. Blount, Jeffrey P. Brown, Barbara Dunsheath, Ed Lopez, Molly McClanahan, Jacqueline Rodarte, and Student Trustee Scott Begneski. Absent: Student Trustee Tanya Washington.

RESOURCE PERSONNEL PRESENT: Cheryl Marshall, Chancellor; Fred Williams, Vice Chancellor, Finance & Facilities; Irma Ramos, Vice Chancellor, Human Resources; Greg Schulz, President, Fullerton College; Bob Simpson, President, Cypress College; Valentina Purtell, Provost, School of Continuing Education; Deborah Ludford, District Director, Information Services; Pete Snyder, representing the Fullerton College Faculty Senate; Tina Johannsen representing United Faculty; Kent Stevenson, representing ADFAC; and Alba Recinos, Recording Secretary.

OTHER ADMINISTRATORS AND EMPLOYEES PRESENT: Gilbert Contreras, Rod Garcia, Lisa McPheron, and Jose Ramon Nuñez from Fullerton College; and Ivy Hwee, Kai Stearns Moore, and Kashu Vyas from the District Office.

VISITORS: Melissa Castañeda and JoAnna Schilling.

COMMENTS: MEMBERS OF THE AUDIENCE: There were no public comments.

BUDGET STUDY SESSION: Chancellor Cheryl Marshall and Vice Chancellor Fred Williams conducted a fiscal study session for the Board of Trustees that included: 1) a brief overview of the State's funding model; 2) an overview of the District's budget; 3) updates on major strategies for moving forward including enrollment management and an analysis of an alternative resource allocation model; and 4) recommendations and next steps.

OVERVIEW OF THE STATE FUNDING MODEL

Base Allocation: The base allocation depends on single/multi college status and size. Fullerton College and Cypress College each receive \$8,404,806 (for FTES between 10,000 and 20,000), while SCE receives \$1,200,687 for their "Center" status.

Funding for FTES: Credit FTES at \$5,005.68; Enhanced Non-credit or CDCP at \$5,005.68; and Non-credit at \$3,010.06.

Additional Funding: Growth Funds; Lottery Funds at \$144 per FTES; and Mandated Cost Funding at \$28 per FTES.

Categorical and Special Funding: Examples include Student Success and Support Program (SSSP), Equity Funds, Strong Workforce Initiative (SWI), Instructional Equipment/Scheduled Maintenance Funds; and Capital Outlay Funding.

CURRENT BUDGET CONDITION/STATUS

Current Reserves: The District has \$49.8 million in reserves for 2016-17.

Funds Unavailable to Allocate: 5% Board Policy Contingency – per BP 6200 (\$10.7 million); Committed Fund Balance – formal action by the Board (\$8.7 million); and Reserve Funds – inventory, prepaid expenses, revolving cash (\$0.2 million).

Funds Available to Allocate: Board Discretionary Funds – unallocated one-time funds (\$4 million); Carryover Funds – one-time funds previously allocated (\$12.8 million); District-wide Carryovers – one-time funds previously allocated for District expenses (\$7 million); and Restricted Funds – external, legal restrictions (\$6.4 million).

Other Resources: Network Refresh Project Funds (\$14.9 million); Capital Outlay Redevelopment Funds (\$13 million); and Capital Outlay Sale of La Habra (\$2.1 million).

Major Revenue Changes for 2017-18

Additions: \$2,530,904 in Cost of Living Allowance (COLA), and a \$1,000,000 redevelopment transfer for \$3,530,904 in total additions.

Reductions: \$6,640,409 in apportionment due to the enrollment decline, and a loss of \$173, 631 in lottery revenue due to enrollment decline for \$6,814,040 in total reductions.

Major Expenditure Changes

- Addition of 12 New Faculty Positions – \$1,080,000
- Estimated Salary Increase at 4.48% – \$4,670,878
- Benefit Changes:
 - PERS increase of 1.91% – \$1,600,271
 - STRS increase of 1.85% – \$1,747,805
 - Health and Welfare increase at 5% – \$408,737
 - Workers' Compensation decrease of 1% – (\$1,087,880)
- Elimination of Insurance Contribution – (\$1,015,000)
- Elimination of Retiree Benefit Contribution – (\$1,011,436)
- Reduction of Extended Day Allocation – (\$1,035,425)
- Reduction of Operation Allocation – (\$468,773)

2017-18 Tentative Budget Summary (as of April 6, 2017)

Revenues	\$ 189,485,536
Expenditures	\$ 195,248,205
Projected Deficit	\$ (5,762,669)

MAJOR STRATEGIES MOVING FORWARD

Enrollment Management: Dr. Marshall reiterated the importance of enrollment management due to 1,500 FTES shortfall, declining enrollment for first-time freshman, students enrolling in fewer units, and general uncertainty.

Enrollment Management Infrastructure/Process

- Outreach and Recruitment
- Intake & On-boarding
- Success & Retention
- Completions
- Scheduling
- Reporting

Principles and Strategies

- The Principles – everyone plays a part; collaboration; data, and evidence-based decision making
- The Strategies – attracting high school students; workforce development; and student success

Districtwide Enrollment Management Advisory Committee (DEMAC)

- DEMAC began meeting in February 2017 in order to “...improve the overall institutional effectiveness in student achievement and fiscal stability...inform the development of enrollment strategies...” and develop an infrastructure for the enrollment management process
- Subcommittees were formed
- The committee participated in enrollment management training
- Upcoming training for use of SPMS software for data and reports

Lessons Learned

- The State funding model targets 35 students per class and “productivity” of 565
- The District class size average is in the high 20s, and 450 – 515 for productivity
- “Balancing” the schedule – offsetting classes that require low caps with those that have high caps
- Using data reports, and evidence to analyze and evaluate trends and needs, then plan for offerings

Future Plans

- Short-term Plans
 - Continue and expand training on the use of data
 - Develop and/or make reports broadly available
 - Begin to balance the schedule
- Long-term Plans
 - Improve fill rates and productivity
 - Establish a strong connection between budget and scheduling
 - Tie scheduling to student educational goals
 - Ensure outreach and recruiting are targeting all desired markets

Effective Resource Allocation Model: Chancellor Marshall stated the importance of an effective resource allocation model that: 1) supports integrated planning – where the vision and goals are connected to resources, and allows all sites to plan for their future; and 2) accurately reflects needs and expenditures.

Current District Model

- Major Revenues are reported at the District level
- Instructional Costs
 - Full-time Faculty
 - Overload and Adjunct Faculty (Extended Day Funding Model)
- Other Personnel
- Benefits
- Operating Allocation
- Districtwide Expenses
- Other Expenses

“Push Out” Resource Allocation Model Analysis

- Mirrors how the State provides general funds and growth
- The Colleges receive base funding
- The Colleges earn general fund revenues based on FTES
- Determination made in multi-college districts on level of centralization verses decentralization
 - Currently more centralized at NOCCCD
- Expenses are determined at the campus level – based on revenues
- Districtwide and District Service expenses are allocated to the campuses

Advantages of a Push Out Model

- Mirrors the State model for general funds and categorical programs
- Enhanced transparency and understanding of how revenues are earned
- Empowers campuses to plan and manage their budgets
- Creates a partnership for shared decision-making between the campuses and District Services
- Majority of other revenues kept at the campus
- Eliminates the need for a separate allocation for the extended day funding model for overload and part-time faculty salaries

Challenges of a Push Out Model

- Smaller institutions struggle to cover expenses – including base operational and personnel costs; small decreases in enrollment can result in deficits; and differences in program costs
- Disparity of impact on the budget centers
- Need to gain agreement on centralized costs, range for the percentage of expenses for District Services, and chargebacks
- Campuses must determine how to use categorical or special funds and other revenues to cover expenses
- Responsibility for the controls over the budget are pushed down to the campus level
- Different paradigm for NOCCCD

Current Dialogue

- District Services is approximately 7% of overall expenses (the target range is 8-12%)
- Centralized Expenses – including districtwide memberships, legal fees, and audit related expenses
- Use of categorical and special funds for staffing – due to increased pressure on general funds, support integrated planning, and address “Special Projects Managers”
- Appropriate charge backs for SCE (space vs. headcount), Information Services, etc.
- Impact of the paradigm shift

RECOMMENDATIONS AND PLANS

Next Steps

- Continue to refine the “Push Out” Model as an exercise
 - The model needs to accurately and fairly reflect revenues and costs
 - Run both models simultaneously for a year – continuous improvement and learning
- Apply learning to develop a model that fits the District
- The desired outcome is a clear, transparent model that:
 - Supports enrollment management work and best practices
 - Is reasonable and fair
 - Addresses areas of concern

Recommendations for Covering the Deficit Through 2018

Not Included in the Model

- \$2 million for vacancies
 - Use of the Staff Justification Template
- \$2.5 million in PERS/STRS one-time funding
- \$1.5 million in finding TBD

Already Included in the Model

- \$1.1 million reduction in Workers Compensation rate
- \$1.0 million due to the insurance contribution elimination
- \$1.0 million due to the retiree benefits contribution elimination

Short-term and Long-term Recommendations

Short-term Recommendations

- Consider broader use of special funds for staffing
 - Assess level of risk
 - Address “temporary managers” issue
- Refine the “position control” database and eliminate vacant positions
- Continued work on the Extended Day Funding Model; continuous quality improvement
- Continue enrollment management work
- Discuss and determine short-term solutions for covering the deficit
 - One-time funding solutions
 - Re-prioritize work

Long-term Recommendations

- Explore and develop a Resource Allocation Model that fits our new reality
- Determine longer term priorities
 - Salaries and benefits
 - Staffing gaps?
 - Retirement incentives?
 - PERS/STRS?

(See Supplemental Minutes #1191 for a copy of the presentation.)

Board President thanked Chancellor Marshall and Vice Chancellor Williams for the time and effort necessary to create their informative, and necessary, presentation.

ADJOURNMENT: At 8:05 p.m. Board President Molly McClanahan adjourned the meeting.

Prepared By Recording Secretary for
Jeffrey P. Brown, Secretary, Board of Trustees