VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

District Administrative Center, Thomas Lakin Boardroom
Tuesday, February 14, 2017
NOTES

Attendees:
David El Fattal, Vice Chancellor, Business and Administrative Services
Emily Day, Director, Fiscal Services
Cathy Bojorquez, Budget Director
Mike Bush, Vice President, Business Services, Oxnard College
Silvia Barajas, Vice President, Business Services, Moorpark College
Nenagh Brown, Academic Senate President, Moorpark College
Alexander Kolesnik, Academic Senate President, Ventura College
Diane Eberhardy, Academic Senate President, Oxnard College
Jennifer Clark, Fiscal Services Supervisor, Oxnard College, via Skype
Dave Keebler, Vice President, Business Services, Ventura College
Julius Sokenu, Interim Executive Vice President, Moorpark College, via Skype
Alan Hayashi, AFT Representative

Recorder: Laura Galvan

The meeting was called to order at 9:06 a.m.

APPROVAL OF NOTES

The DCAS Meeting notes of February 2, 2017, were reviewed and approved by consensus with suggested changes/clarifications.

Mr. Hayashi asked on what FTES number will the District be funded? Is it the cap (26,548) or actual earned in FY17 or actual minus the shift? Ms. Bojorquez explained that the district will be funded at what we actually report for this year. This will come up later in the agenda. We will not be funded on the cap, unless we operationally achieve that number.

DISTRICT ADMINISTRATIVE CENTER BUDGET

Lease Income and Expenses

Ms. Day explained that the Daily Drive estimated expenses were the same as the Council has previously seen. She further explained that page 8 includes new line items, including revenue expected in FY17 and FY18 based on leases in place with four tenants. The annual estimated revenues are included on page 8. Ms. Day explained that trash disposal for the Stanley Avenue building is currently paid by Ventura Unified School District. This will become an additional expense for the Daily Drive Building. Additionally, there is an estimated $1,500 annual expense for HVAC maintenance. Ms. Day explained that the District has received invoices for some services and the spreadsheet has been updated to reflect actual expenses and they have been annualized. The electrical usage is estimated using charges from the three tenants' actual expenses as the credit union is separately metered. New estimated figures include a 5% rate escalation. The grand total $318,788. Ms. Day explained items not budgeted are unaccepted repairs. There are two scenarios that depict the following: A) utilities and insurance staying in Districtwide Services and, B) expenses for utilities and insurance would be the responsibility of Daily Drive (accounted for separately.)

Mr. Kolesnik questioned whether the previous estimate (data from 2014) of utility expenses included full occupation of the building. Vice Chancellor El Fattal indicated the information has been hard to obtain from the property manager, but believes the building was not fully occupied. It was also noted that gas and water is billed for the entire building's usage (not separately metered similar to electric).

Vice Chancellor El Fattal noted that Districtwide utility costs are approximately $4.1 million; $3.3 million is solely electrical ($1.2 million for Moorpark College; $950,000 for Moorpark College; $1.1 million for Ventura College). He expressed a desire to reduce electrical usage as this expenditure is substantial. This information is being shared for contextual purposes only. The current estimate for the Daily Drive building is $144,000.

Ms. Bojorquez explained page 9 of the packet, which is the Infrastructure Funding Model (IFM) Allocation as reported in the FY17 Adoption Budget. She further explained page 10 (Scenario A), which would have the $191,000 flow into revenue for the IFM. This Scenario also has the District Administrative Center participating in the IFM with the assignable square footage for Daily drive and computers. The total allocation would be $4.2 million based on formulas and funding rates. Ms. Bojorquez explained page 11, (Scenario B), where utilities would remain the responsibility of the DAC, and the revenue stays the same as Adoption budget.

Vice Chancellor El Fattal explained that DCAS members had previously asked for information on what it may look like with the DAC participating in the IFM. At least for FY18, he recommends that the DAC retains Daily Drive lease revenues. Vice Chancellor El Fattal stated it is not his interest in taking money from the colleges. It seems obvious to leave the Models as they are for now. Vice Chancellor El Fattal reiterated what Ms. Brown said at the February 1st meeting, "It is imperative that we begin these discussions for FY19 immediately."

Mr. Kolesnik explained the difference is an approximately $35,000 loss based on current estimates. He said that with a simple change in utilities, it could switch the tables and result in a $35,000 shift the opposite way. Vice Chancellor El Fattal commented there are currently four tenants. This may not always be the case.

Mr. Hayashi stated, based on timing, we look at this and do a one-year hold harmless to get us through the next year (FY18). He suggested it be reevaluated once a full year of data is available (December-ish) and then make a more educated recommendation for the subsequent year.

Dr. Bush explained the easiest way is to keep the revenues/expenses for Daily Drive in a Fund 114 for FY18. There isn't enough data known about expenses. Mr. Hayashi said the colleges have long lists and history of scheduled maintenance needs, as opposed to the Daily Drive building. He is hesitant about creating a new model or change now, and realizing next year it needs to be changed again.

Dr. Eberhardy mentioned the unknowns about being landlords. She questioned the terms of existing leases. Vice Chancellor El Fattal explained the lease terms vary, but recalls them to be three to five years with annual rental increases of 3%.

Dr. Bush explained he believes DAC should participate in IFM and should save for future needs. The District should wait until data is known and can be used, which will be FY19. He explained we can plan for situations, but things are always unknown. A new building at Oxnard College already has roof leaks. Colleges can attempt to recover expenses from the contractor, but it's unlikely. The DAC needs to be phased in to IFM and hold colleges harmless. The asset needs to be protected.

Vice Chancellor El Fattal dovetailed on Mr. Hayashi's comments about having utility usage available. There has been usage since January due to construction, but it is still not accurate until occupancy.

On behalf of the Fiscal Committee at Moorpark College, Ms. Barajas explained she is supportive of waiting a year to have the DAC participate in the IFM. This is separate from the $420,000 in Stanley Avenue lease payments. The picture should be looked at holistically. We are looking at the two issues independent of each other.

As a follow-up to comments made by Vice Chancellor El Fattal at a previous DCAS meeting, Mr. Kolesnik explained he looked at other multi-college districts and the percentages allotted to district offices. Other districts' percentages vary widely. Some are smaller, some are larger and it's hard to determine what is included in the Educational Service Center. Dr. Bush stated Mr. Keebler did an analysis on other districts' percentages. Mr. Keebler explained he used program codes. One "activity" code is institutional support. The average (12 years ago) of "activity" function nationally is 16%. The VCCCD DAC is 15%.

Vice Chancellor El Fattal explained his dissertation thesis focused on how certain expenses relate to success rates. (Mr. Kolesnik requested a copy of Vice Chancellor El Fattal's dissertation.) He explained that K-12 reports expenses in a uniform manner; community colleges do not. Vice Chancellor El Fattal previously stated that the LACCCD DAC receives approximately 24%. It is difficult to compare a 24% vs. a 6.98% vs. a 12% because it's hard to decipher what is centralized or decentralized. It's difficult to make an *apples to apples* comparison. VCCCD's Allocation Model is specific to VCCCD as it has evolved over time.

Ms. Bojorquez summarized the consensus of the group: for FY18 the lease revenue and expenses (including utilities) will be kept in 114 and the DAC will not participate in the IFM. The DAC will be held harmless. These discussions, specifically the $420,000 for Stanley Avenue lease payments, will begin immediately for changes in FY19.

Ms. Brown restated the group's agreement of holding the DAC harmless for FY18 for the Allocation Model. The percentage for the DAC will be 6.98% for FY18.

Mr. Kolesnik inquired about FY17 net revenue/expenses for the Daily Drive building. Ms. Day stated that Daily Drive revenue/expenses for FY17 is basically even or within $200.

Vice Chancellor El Fattal confirmed the recommendation is that the Allocation Model percentage for the DAC is being kept the same: 6.98%.

BUDGET ALLOCATION MODEL

Ms. Bojorquez explained a recommended language change regarding FTES shift in the Allocation Model. Mr. Hayashi suggested clarifying language to the last sentence regarding FTES (in black). Mr. Kolesnik questioned the use of the word "restricted." Ms. Day and Ms. Bojorquez explained this wording is in line with the state's verbiage. Ms. Brown suggested moving some of the red proposed language to the historical section. The last "red" sentence will be moved to history portion of the model narrative.

Ms. Brown recognized Vice Chancellor El Fattal's sentiments about not keeping money from the colleges regarding the DAC percentage. She further stated that the reality is if the DAC keeps the 6.98%, the funding levels for the colleges would be reduced. There is a trust issue considering the current climate of the District. We don't know what the next 12 months will bring.

Vice Chancellor El Fattal explained the DAC percentage is remaining the same. The percentage is not changing. Mr. Kolesnik also questioned about actual costs of the DAC. For example, the PIO is split four ways among the colleges and DAC (25% each, including DAC). It should be paid entirely by the DAC. It is an actual expense of the DAC, similar to marketing. Mr. Kolesnik also explained how the percentage has changed historically when costs shift from the colleges to DAC or vice versa.

Mr. Hayashi reiterated the perception or understanding of constituents on how the Stanley Avenue lease savings would benefit the District (intent was districtwide). He also reiterated his statements last year about a potential reorganization, etc. Vice Chancellor El Fattal explained the colleges are being held harmless in the IFM and the DAC is being held harmless in the Allocation Model. For FY18, there isn't a more palatable recommendation, unfortunately.

Ms. Brown explained Moorpark College's process about college budget priorities, which is a 3-month process. There is a list of 50 classified positions, of which 30 are identified as high demand. The college will not hire those classified positions because they will be the first ones cut. The reality is the colleges need every single penny available.

Mr. Kolesnik mentioned the use of reserves for college expenses, specifically 4-week summer schedule. There was hope the colleges would receive a little extra funding with the distribution of the Stanley avenue lease payments and, in reality, the colleges have received less because they've had to pay for the summer session.

Mr. Hayashi explained the DAC has already experienced increased costs for 10 months and has not had to experience layoffs. The question is whether or not the full $420,000 is needed or is it really 2/12ths of the $420,000 because that lease money isn't going to be part of the DAC budget. Vice Chancellor El Fattal explained there is $70,000 for not paying rent at Stanley Avenue, thus a $36,000 shortfall. There is one-time expense savings of $70,000 to cover that. From Vice Chancellor El Fattal's perspective, the District needs to get through a year. There was a lengthy discussion about the expenses at the DAC and increased expenses.

A lengthy discussion ensued about a possible hold harmless clause regarding the $420,000 as opposed to having it allocated through the IFM. It was concluded that more data is needed. The rationale for increased costs is the same at the colleges as it is for the DAC. Each site has to figure out how to mitigate those shortfalls. Vice Chancellor El Fattal explained a new Chancellor will have his/her own opinion about new positions, reduced positions, etc. His commitment is to look at everything district-wide. Vice Chancellor El Fattal's commitment on the $420,000 issue is to work towards an agreement. There isn't a roadmap for getting there today.

There was a suggestion to include language in the document stating that during FY17-18 the committee will be analyzing the percentage for the DAC and will make recommendations as they feel warranted.

Mr. Kolesnik suggested a phase-in/out process for a potential reduction for the DAC percentage. A rough estimate is reducing the DAC percentage from 6.98% to 6.7%. The phase down could be done over three years: .009% each year. Ms. Brown stated she would be supportive of such a phase down reduction in the DAC's percentage. Vice Chancellor El Fattal is not in support of that suggestion. Dr. Bush explained the proposal sounds reasonable. He also stated the language can move forward without consensus. Dr. Bush suggested an aspirational sentence and stating the desires of the group.

Vice Chancellor El Fattal and Ms. Bojorquez will draft language and send to DCAS members via email. It was suggested that an additional DCAS meeting be held via teleconference next week after language would be drafted. There was also a discussion about where the language would be memorialized (i.e., budget book, Allocation Model Narrative, etc.)

FY18 INFRASTRUCTURE FUINDING MODEL

Ms. Bojorquez stated there have been no changes to this Model since its last review.

FY18 BUDGET ASSUMPTIONS

Ms. Bojorquez briefly explained the proposed FY18 Budget Assumptions. She explained the Assumption format is very similar to prior years. There is language regarding the proposed 1.34% COLA, as presented in the Governor's Initial Budget Proposal. Ms. Day stated that any increase in Educational Services funding will be brought forward to the Board as a budget augmentation if funding has not been granted by the budget development timeline. The Assumptions note that due to enrollment decline, no growth is expected for FY18; however, if the District does grow, funding will be received. Also included in the Assumptions is language regarding increases in PERS and STRS.

There was a discussion about Reserve balances and anticipated uses.

FTES DISCUSSION

Ms. Bojorquez explained the two handouts related to FTES (dated 2/14/17). The document is provided for discussion purposes only. Ms. Bojorquez explained the effects of the FTES shift and any potential future shifts. Ms. Bojorquez reminded the group that the District is funded based on prior year state reported amount. If there is growth, in accordance with Board Policy, any growth funds will flow into reserves. Because of shift in FY17, it was agreed the operational FTES number would be used for budgeting in FY18.

There was a discussion about sections that may be eligible to be counted in FY17. Schedule changes may need to be done, but the colleges must act quickly. There was also a discussion about ramifications and benefits of shifting year after year. The decision regarding shifting, or not, must be made by the state reporting timeline as opposed to budget development. Also, for strategic purposes, the shift shouldn't be reported on P2 as it affects categorical apportionments.

OTHER BUSINESS

None

Meeting adjourned 11:25 a.m.