

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

District Administrative Center, Thomas Lakin Boardroom

Thursday, January 19, 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
Diane Eberhardy, Academic Senate President, Oxnard College
Dave Keebler, Vice President, Business Services, Ventura College, via Skype
Alexander Kolesnik, Academic Senate President, Ventura College
Julius Sokenu, Interim Executive Vice President, Moorpark College, via Skype
Alan Hayashi, AFT Representative

Absent:

Jennifer Clark, Fiscal Services Supervisor, Oxnard College

The meeting was called to order at 9:10 a.m.

APPROVAL OF NOTES

The DCAS Meeting notes of December 16, 2016 were approved by consensus.

GOVERNOR'S INITIAL FY18 BUDGET PROPOSAL

Ms. Day explained what's known about the Governor's proposed FY18 budget. She indicated there is a 1.48% COLA proposed, which equates to \$94.1 million system-wide. The COLA is set by statute. Ms. Day compared the COLA in the FY18 proposed budget to the FY16 and FY17 enacted budget. Mr. Kolesnik inquired about what is the statutory driver for COLA. Ms. Day explained it's the Implicit Price Deflator that is the driver for COLA. The prior year's COLA decreased because energy costs had gone down.

Ms. Day also stated that Growth/Access is proposed to be funded at 1.34%. The LAO opined this amount is higher than what the system can achieve. Growth funding is allocated using the new statewide funding formula, wherein VCCCD is constrained to .56%. The growth funding target percentage is based on the county's rates of unemployment, educational attainment, etc.

For FY18, the proposal increased the base allocation by \$23.6 million. This compares to the base allocation increase of \$75 million in FY17 and \$267 million in FY16.

Included in the FY18 budget is \$150 million of one-time dollars for implementation of guided pathways. There will be a trailer bill explaining more details about the funding. There is also a proposal for \$20 million for Innovation Awards Program funding. The State Chancellor's Office plans to utilize these funds to reward and incentivize individual colleges on an individual case basis rather than allocating

funds to every college based on a formula. Vice Chancellor El Fattal confirmed that State Chancellor Oakley indicated his philosophy is to reward colleges that are doing great things.

Ms. Day explained there is a proposed 1.48% COLA for some categoricals (EOPS, DSPS, CalWorks, Child Care Tax Bailout). Also, there is a proposed increase in the Full Time Student Success Grant (FTSSG) program of \$3.1 million system-wide.

Vice Chancellor El Fattal explained a few of the concerns with the proposed budget that were stated at the conference included maintaining our share of Prop 98 funding as well as increases in STRS/PERS. He indicated there is a substantial amount of one-time money, which is concerning. Vice Chancellor El Fattal stated an economist from UCLA spoke at the State Budget Workshop and indicated a recession does not seem imminent. The economist said it's hard to predict when the next recession will occur. Further, he stated this moderately paced economic expansion has continued for a longer period than had been communicated by many experts during the past few years; thus, the historical trend of a recession occurring approximately every 5 years has proven to be untrue for this cycle. The economist stated the present expansion won't last forever but, at this time, it is unclear when it will end. He further stated this expansion could come to a sudden conclusion due to a single untimely jolt to the economy.

DISTRICT ADMINISTRATIVE CENTER LEASE PAYMENTS/INCOME

Vice Chancellor El Fattal reminded the group that at the December meeting he committed to bringing more detailed information to DCAS regarding expenses for the new building. Property taxes are approximately \$70,000 but we are only obligated to pay taxes for the space occupied by private sector tenants. As a public agency, we are not liable to pay taxes. The District has filed an exemption of property taxes for the office space we occupy. This exemption request will be filed annually.

The other known expenses related to the Daily Drive building were reviewed by Vice Chancellor El Fattal. He explained the association dues and other expenses. Association dues cover parking lot maintenance, common area maintenance, security patrol services, landscaping, etc.

There was a discussion about the fluctuation of expenses and unanticipated maintenance related to the new building. On a separate matter, Vice Chancellor El Fattal reminded the committee that he had previously indicated the expenses/revenue seemed to be approximately net zero, based on his recollection of a spreadsheet provided by the previous owner of the building. An updated DRAFT District spreadsheet was provided. After discussion, Vice Chancellor El Fattal agreed with the committee that it would be reasonable to say the updated projections seem to indicate an annual surplus of approximately \$100,000, rather than a net zero condition. More analysis will be conducted regarding any surplus revenue stream from tenant rent, for further discussion at the next meeting.

There was also discussion about the Infrastructure Funding Model (IFM) and the possible inclusion of the District Administrative Center. It was noted that the bulk of the IFM distribution is based on FTES. The IFM model doesn't work flawlessly for DAC participation.

Mr. Hayashi questioned the revenue source and how it might be allocated. Dr. Bush indicated the campuses have leases as well and that revenue stays at the campus. Likewise, expenses related to those leases are the burden of the campus. Mr. Hayashi explained the difference is the Daily Drive expenses are not 100% to the District since there are tenants. As listed, the colleges would pay the utility

expenses of the tenants. Ms. Day indicated that Fund 114 holds lease revenue for the campuses. The DAC is recording revenue and expenses related to the Daily Drive building in the same manner the colleges do – in Fund 114.

Ms. Barajas said it would be helpful to separate tenant expenses from District expenses. Ms. Barajas indicated that the IFM will be brought to Moorpark College's Fiscal Planning Committee. Many agreed there are several ways of thinking about the figures and there isn't enough information available today to make a fully informed decision. Vice Chancellor El Fattal explained his primary goal is to compile strong data and present the information in the cleanest, most straightforward manner possible. The goal is to present the data in an easy-to-understand way that is fully transparent for all stakeholders.

Ms. Brown explained the expectation from the Moorpark Academic Senate's point of view is that there would be a savings districtwide and the savings would be redistributed to the colleges through the allocation model. She also questioned the two building improvement items related to Daily Drive that went to the Board on January 17. In particular, the original estimate was for \$1 million for improvements yet the board items totaled an amount over this estimate. Vice Chancellor El Fattal expressed that he has publicly stated \$7 million for the purchase and a projected \$1 million approximately for renovation. The \$1 million renovation estimate was inherited and based on conducting limited renovation. Vice Chancellor El Fattal explained the two bids for interior renovation and a new roof actually came in lower than expected. Nevertheless, the increased costs above the original \$1 million estimate were primarily due to the following factors: (a) construction costs are difficult to project, especially on modernization projects such as Daily Drive; (b) because of the condition of the existing roof, it was important to install a new roof now prior to employees moving into the building rather than delaying the much needed replacement for two or three years simply to delay the expenditure; (c) the building needed particular renovations implemented to better serve the District's needs. For example, multiple existing offices with private balconies are being converted to conference rooms having balconies, more appropriate for a public agency; large existing executive offices that were suitable for the former owner are being downsized; the carpet is being replaced throughout the space we will occupy, as opposed to fragmented, mismatched repairs by section. There was a general consensus to complete necessary renovations now as opposed to after the move, which would result in displacing employees and disrupting services to the colleges.

A full accountability of costs related to the new DAC will be provided to DCAS and stakeholders. Vice Chancellor El Fattal responded to concerns about unexpected/unbudgeted expenses that may be on the horizon. Also, Vice Chancellor El Fattal inquired whether an informational email to employees and constituents about Daily Drive would be appropriate. The general consensus is that more information provides transparency. Vice Chancellor El Fattal said an email would be sent this week.

Vice Chancellor El Fattal discussed the \$420,000 annual lease payments the DAC is paying to Ventura Unified School District. He stated the DAC currently receives 6.98% of the general fund allocation and the \$420,000 lease payments come from within this percentage. Vice Chancellor El Fattal made the recommendation that the DAC allocation percentage should remain the same, with any lease payment savings from the Stanley Avenue property remaining with the DAC. Further, the lease revenues and related expenditures from Daily Drive should also remain with the DAC.

Ms. Brown reiterated the Moorpark Academic Senate's point of view and requested the annual \$420,000 Stanley Avenue rental payments go back into the Allocation Model. Vice Chancellor El Fattal explained it is not his interest or philosophy to take monies from the colleges and keeping the funds

used to pay the VUSD lease for DAC utilization would not do so as it would keep the existing allocation model percentages intact. Upon further committee discussion related to the Daily Drive monthly expenditures, Vice Chancellor El Fattal stated that if utility expenses are confirmed to be represented in the current tenant lease payments, he agreed to have the Daily Drive utility expenses remain the responsibility of the DAC and will not come off the top as part of districtwide services.

There was concern about savings from rental expense and lease income being spent on personnel at the DAC, specifically the Chancellor's office. Vice Chancellor El Fattal explained he hears the concerns of the group and understands the apprehensions.

Vice Chancellor El Fattal further explained the FY18 budget includes Board approved increased costs (salary increase for the Chancellor, full cost of Vice Chancellor Educational Services) plus a wish list of other positions including an Internal Auditor. The consensus of the group was that those increased costs are not the concern of DCAS. Moreover, those decisions were made and now the DAC must absorb the costs similar to how the campuses must operate. Mr. Kolesnik requested a breakdown of the DAC's FY17 budget and expenses.

**Note: The Budget Allocation Model Review and Infrastructure Funding Model Review discussions did not take place. They will be discussed at a subsequent DCAS meeting.*

Meeting adjourned 11:00 a.m.

Next meeting: Thursday, February 2, 2017 – 9:00 a.m.