VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

District Council on Administrative Services (DCAS)

District Administrative Center, Thomas Lakin Boardroom
Thursday, November 16, 2017
NOTES

Attendees:
David El Fattal, Vice Chancellor, Business and Administrative Services
Mike Bush, Vice President, Business Services, Oxnard College
Emily Day, Director, Fiscal Services
Chris Renbarger, Classified Senate Representative, Oxnard College
Silvia Barajas, Vice President, Business Services, Moorpark College
Julius Sokenu, Vice President, Academic Affairs, Moorpark College
Diane Eberhardy, Academic Senate President, Oxnard College
Nenagh Brown, Academic Senate President, Moorpark College
Cathy Bojorquez, Vice President, Business Services, Ventura College
Lydia Morales, Academic Senate President, Ventura College (via Skype)
Steve Hall, AFT Representative
Jennifer Clark, Interim Budget Director
Jeanine Day, Classified Senate Representative, Ventura College
Maria Urenda, SEIU Representative
Janice Endo, Human Resources Representative

Absent:
Linda Resendiz, Classified Senate Representative, Moorpark College

Recorder: Laura Galvan

Dr. Eberhardy called the meeting to order at 9:05 a.m.

APPROVAL OF MEETING NOTES

The meeting notes from October 19, 2017, were approved by consensus.

As a follow-up to a comment made by Vice Chancellor El Fattal at the October meeting, Ms. Brown asked for more information at a future meeting on the productivity factor of 565 for 16-week instructional calendars. Ms. Brown also requested that the DCAS agenda and handouts be distributed earlier; possibly the Monday before each Thursday DCAS meeting.

MEDIUM SIZED COLLEGE FTES THRESHOLD

Vice Chancellor El Fattal explained that the medium sized college threshold is 10,000 FTES. He explained that if Ventura College doesn’t reach that threshold for FY18, the funding of $600,000 will cease after FY 2019-2020.

CENTER DESIGNATION FUNDING

Vice Chancellor El Fattal explained that Center designation funding is $1 million per year at 500 FTES. He indicated that approval of Centers can be granted with less than 500 FTES, but it is a more cumbersome process. Currently, the Santa Paula site has 120 FTES; the $1 million is granted for 500 FTES. Ms. Bojorquez explained that at a recent Ventura College retreat it was stated that a center must have 500 FTES to be designated as a center; 1,000 FTES is a college designation. Vice Chancellor El Fattal stated that a Center could have 500 FTES for twenty or more years. The State Chancellor's Office issues warning letters to Centers who fall below 500 FTES. Vice Chancellor El Fattal explained that many feel it is best to grow to 500 FTES and then apply for center status as opposed to pursuing the option of petitioning the state for Center status with less than 500 FTES. Vice Chancellor El Fattal stated that President Keebler has indicated he would request additional funding to grow FTES should the goal become for Santa Paula to be designated as a Center. [Note: subsequent to the meeting, the above information was confirmed to be data for grandfathered centers prior to 2006. Under current Title 5, Section 58771, new center designation is 1,000 FTES. Designation of a new college involves additional variables, not just FTES.]

Dr. Bush questioned the amount of FTES the District is able grow before the cap is reached. Vice Chancellor El Fattal explained the FTES Base is 26,468 with growth of 180 for a total funded FTES of 26,647 for FY18. The budget for FY18 is based upon 26,100 while the growth target is 26,384. Ms. Barajas explained that Mr. Cooney's projections indicate the District could reach 26,400 FTES, which is based on actuals for fall 2017, actuals for spring 2018, and projections for the first session of summer. Dr. Hall explained his understanding was that the District is only projected to be up 50 FTES, according to Mr. Cooney's report. Vice Chancellor El Fattal reminded DCAS that the growth target is 26,384 FTES (includes some increase in FTES at all colleges), which is still below our potential growth cap. The District can grow up to 500 FTES to reach cap. Dr. Bush questioned how a center can grow in two small communities (Santa Paula and Fillmore) while the District as a whole is not projecting such a significant increase.

Ms. Bojorquez explained that the discussion on Ventura Campus is to grow a Center, while understanding some of those students may be shifted from the main campus to the Center in Santa Paula. She further explained that there are also discussions about specific programs that may grow the Center. Vice Chancellor El Fattal indicated that there are three levels of funding for Centers: $1 million, $750,000, and $500,000. [Note: these figures are for grandfathered centers. Current legislation provides $1 million funding for centers that are at or above the FTES threshold.] Ms. Bojorquez stated that projections indicate Ventura College is currently down 250 FTES below the middle sized college status.

Vice Chancellor El Fattal suggested that a comprehensive feasibility study be done before any decisions regarding a Center is made.

PRODUCTIVITY CALCULATION

Vice Chancellor El Fattal stated this item is returning based on questions from the October DCAS meeting. (Mr. John Cooney was invited to join DCAS to explain how the productivity factor is calculated.) Mr. Cooney stated that the aggregate WSCH number is divided by workload factor and that produces the productivity factor number. Dr. Hall received a question about whether productivity was calculated by using 0.2 workload or 0.3 workload for an XL class. If we don't divide by the adjusted XL class workload of 0.3 and leave it at 0.2, the productivity would go up. In the other calculation in which workload is considered XL at 0.3, the productivity goes down. Dr. Hall stated that a faculty member expressed concerns about which productivity number was being used during program review. Dr. Eberhardy said that she feels this issue needs to be discussed on each campus to clarify any misunderstandings.

DISTRICT ADMINISTRATIVE CENTER FACILITY

Vice Chancellor El Fattal explained that the handouts include reports from the District's integrated financial system (Banner), which represent actual expenses. He noted the rental income from the Daily Drive tenants is estimated at $265,200 for FY 2017-2018. Vice Chancellor El Fattal explained this number is a new baseline figure. He explained that he is in the process of discussing an offset of current tenant lease payments due to tax implications imposed on the tenants because VCCCD, a public agency, now owns the building they occupy. Dr. Sokenu inquired if the District will be able to charge market rate at the time when a current tenant vacates their space and a replacement tenant is sought. Vice Chancellor El Fattal explained any leases with prospective new tenants will be charged full market rate, if the District chooses to lease vacant space.

Vice Chancellor El Fattal explained that some of the expenses from November 2016 to April 2017 are based on non-occupancy by the District Office, even though the District owned the building during that time period. The District Office did not occupy the building until late-April 2017. Vice Chancellor El Fattal explained that current tenant lease rates are high compared to market value for tenants having to pay possessory interest tax bills. Ms. Day explained the total of possessory interest tax bills was $14,200. The estimated rental revenue has been offset by that amount. Vice Chancellor El Fattal indicated that the Credit Union has their own electrical meter as well as their own HVAC system, thus is not included in the utility costs. The utility amount shown is for the total building as the other three tenants have utilities included in their rental amounts. This item will return to the December DCAS meeting. Vice Chancellor El Fattal explained that a new HVAC system will need to be installed within the next few years. A new system is estimated to cost several tens of thousands dollars. Annual net proceeds for the Daily Drive building are expected to be approximately $85,600.

FUND 693 ACTIVITY/RETIREE HEALTH LIABILITIES (OPEB)

Dr. Hall presented his analysis of retiree health liabilities related to the District's irrevocable trust. Dr. Hall presented an Excel spreadsheet where he completed his analysis. He stressed the fact that his analysis is only an illustrative example. Dr. Hall explained that the most recent Actuarial Study shows that the rate of increase on health benefits decreases and levels off in 2028. Dr. Hall's analysis assumes a conservative growth performance of 3.5% per annum. According to his analysis and assumptions, by 2022, the Trust could pay for all increases in health benefit premium payments. In this example, the amount the District pays would be frozen in a designated year (2021 in Dr. Hall's example) and the increases in premium costs would be paid by the Trust. The increased amounts are compounded year over year. By 2034, the Trust balance would be just under $8 million. By 2040, the health benefit premium costs begin to decline (according to projections found in the actuarial study), and the Trust would still have a balance of approximately $1.2 million. Dr. Hall explained that the estimates in this scenario are very conservative. Vice Chancellor El Fattal stated that Dr. Hall's analysis contains several assumptions. Dr. El Fattal thanked Dr. Hall for his good work and research on this simulation.

Vice Chancellor El Fattal explained the projections contained in the current actuarial study are based on actual claims experience as opposed to premium amounts. Ms. Bojorquez also explained other considerations such as fluctuation in the amount of employees/positions being assessed the "self-tax." Ms. Barajas stated that another option would be for the District to use the interest earned by the Trust to offset the amount of increased benefit premium costs. Ms. Brown questioned the next steps in order to have a decision made. Vice Chancellor El Fattal explained he would like time to think about the proposal and have further discussion. He further stated he has never been interested in growing a fund simply for the sake of setting money aside. He reminded the committee of his fiduciary responsibility to the District to be prudent.

Ms. Barajas proposed that a decision (regarding the irrevocable trust) be made, whether or not there is consensus within the group. She said that time is of the essence, and a decision needs to be made before the Budget Assumptions are approved by the Board in March. Ms. Barajas stated that at a minimum this group could recommend that further contributions to the Trust be stopped.

Dr. Bush explained that DCAS should have a conversation whether or not the District should continue contributing to the Trust. He explained that once DCAS has that conversation, a plan needs to be developed detailing how/when to exhaust the funds in the Trust. The conversation needs to be done sequentially, 1) when do you stop contributing? 2) When do you draw down the funds from the Trust?

Vice Chancellor El Fattal explained that DCAS at its December meeting will work to finalize whether or not to stop contributions. Further, DCAS will consider short term ideas and continue work on a long-term plan for the irrevocable trust at upcoming meetings. Dr. Hall explained that he feels the Board prefers to have $200 million in the Trust; he feels the Board would need information and time to consider any changes related to future recommendations. Vice Chancellor El Fattal reminded the group that there were no contributions to the irrevocable trust in FY17 because the fund had a shortfall. Further, in FY16, there were contributions that came from reserves. Ms. Brown suggested this analysis be presented at the Board's January Planning Session. She stated it could be an educational tool for the Board. Dr. Bush suggested the Board may be more comfortable knowing any residual funds in Fund 693 would remain in that fund and not be put into reserves.

BUDGET ALLOCATION MODEL REVIEW DISCUSSION

Vice Chancellor El Fattal explained that Los Rios Community College District contracted for an analysis of allocation models of districts in the California community college system. This analysis and summary is provided as a starting point; however, there are several details not included as part of the analysis. Ms. Brown stated she was looking for something specific and did not find what she had hoped for. She explained that she was looking for a model that equalizes FTES funding and also for a model that incentivizes growth. Separately, she found it interesting that several of the models address international students. She stated she found that many of the multi-college district models allow colleges hosting nonresident students to keep the revenue associated with those students. Dr. Bush suggested keeping the revenues for nonresident students at the college where it is earned. Those nonresident students would be subtracted from the class delivery schedule portion of the model. Ms. Day stated that the current tuition is $240/unit for nonresident student tuition, plus $20 capital outlay fee.

It was suggested that Moorpark and Ventura colleges meet to strategize possible outcomes for the handling of international students through the allocation model. Dr. Bush explained the same findings related to international students could be modeled for specific programs at individual colleges. Ms. Brown explained she feels the District's current model was developed for specific reasons and that the model was developed years ago by evaluating other models. She feels two specific questions need to be answered when evaluating the District's current model: 1) how is the District going to keep base FTES to maintain current funding? 2) should colleges that generate more or less FTES be rewarded or penalized appropriately? Ms. Barajas explained that when colleges are given a target, and that target is missed by an individual college, there is no penalty for not meeting target. Ms. Bojorquez explained that in the subsequent year the college that grows does benefit, but so does the college that doesn't grow. Ms. Barajas explained there is no penalty when a college doesn't achieve their FTES target.

Vice Chancellor El Fattal suggested a subgroup of DCAS meet and simulate proposed changes to the model. Dr. Hall suggested evaluating other three-college districts. The following district models will be reviewed:

Contra Costa (Cathy Bojorquez)
North Orange (Jennifer Clark)
State Center (Silvia Barajas)
San Mateo (Mike Bush)
Coast (Emily Day)

- When analyzing other models, the following questions should be considered:
- How is growth handled?
- What if a college doesn't meet target? Are they penalized? If so, how?
- How is DAC funded?
- How are international students handled?
- How is the retiree liability (OPEB) handled? (Our HR2/HRL)

HRL/HR2 FROM DISTRICTWIDE SERVICES

Dr. Clark explained an allocation model simulation where the District's self-tax for retiree health liabilities (HRL/HR2) is added to Districtwide Services and removed from the total revenue available for distribution. For this simulation, $21.259 million added to districtwide and subtracted from total amount available for allocation, while the District Administrative Center allocation percentage is reduced to 6.21%. Dr. Clark stated that Line 6 of the allocation model (actual full-time faculty salary amounts) is also reduced because the HRL/HR2 has already been subtracted from the total faculty cost. In essence, the colleges and DAC are receiving less money because HRL/HRL2 is taken out of allocation. Ms. Bojorquez explained that any salary savings at the individual colleges would not be realized. Further, the categorical funds are not assessed in this simulation. Ms. Day stated that the HRL expense for categorical funds was $277,000 in FY 2015-2016. Ms. Day explained that assessing positions with the self-tax (HR2/HRL) can be a hindrance to the District when applying for grants because the District's benefit costs appear higher than other organizations.

ALLOCATION MODEL TIMELINE

The proposed timeline for the allocation model was reviewed.

Meeting adjourned 11:56 a.m.

Next meeting – Thursday, December 7, 2017 – 10:00 a.m. (after ATAC)