RIVERSIDE COMMUNITY COLLEGE DISTRICT
District Budget Advisory Council Meeting

February 27, 2015
RCC – DL 409
1:00 p.m. - 3:00 p.m.

MEETING MINUTES

PRESENT
Aaron Brown, Vice Chancellor, Business and Financial Services (District)
Norm Godin, Vice President Business Services (Moreno Valley)
Beth Gomez, Vice President, Business Services (Norco)
Michael McQuead, Associate Professor, CIS (Moreno Valley)
Diann Thursby, Classified Representative (Norco)
Jennifer Lawson, Classified Representative (Riverside)
Mary Legner, Professor, Mathematics (Riverside)
Rachelle Arispe, Executive Administrative Assistant to the Vice Chancellor (Recorder)

GUEST
Michael Reiner, Vice Chancellor, Educational Services (District)
Jeff Rhyne, Associate Professor, English (Moreno Valley)

ABSENT
Mazie L. Brewington, Vice President, Business Services (Riverside City College)
Nate Finney, Classified Representative (Moreno Valley)
Tim Ragusa, Classified Representative (District)
Tom Wagner, Associate Professor, Business Administration (Norco)
Mark Sellick, Associate Professor, Politics (Riverside)
Arturo Quiroz, Student Representative (Riverside)

I. MEETING WAS CALLED TO ORDER

A. By Aaron Brown

II. MINUTES

A. Brewington emailed Brown regarding the Minutes for January 23, 2015 and requested a change. Brown discussed the change with the members and members approved the update to the Minutes, however, the Minutes were not approved since there was not a quorum.

III. BAM REVISION – CONTINUATION

A. Entity Budget Alignment – Consensus by DBAC members that the College Vice Presidents of Business will share the Entity Budget Alignment (EBA) proposal (dated 01/23/15) with their shared governance groups and will then return to DBAC on March 27th to present their recommendations. Members will then discuss with the goal of approving and forwarding a recommendation to the DSPC for consideration at the April 10, 2015 meeting. Discussion ensued regarding the EBA proposal.

1. Brown indicated that the proposal only includes historical expenditures.

2. Gomez disagrees that the FTES model was implemented, as indicated in the second paragraph. Gomez would also like both "college and district" to be included in the fourth paragraph where it indicates realignment of programs and staff.

3. Godin would like to set aside the historical politics and the constraints that are outlined. As a group, the decision needs to be transparent and the components need to be equitable.

4. Brown noted that Reiner is tasked with leading the Enrollment Management Committee and deciding where to allocate FTES. The funding will follow the allocation of FTES.

5. Members were pleased that Reiner volunteered to attend the DBAC meeting and is interested in the linkage between enrollment management and budget.

6. Godin expressed his concerns regarding the current distribution of general fund resources to Moreno Valley College (MVC) and he provided examples of its inequity: lack of comprehensive Library/IMC Services/Learning Center; Full Time/Part Time Faculty Ratio; lack of equitable Science Facilities/International Ed Center; lack of a robust Fine Arts Program/Performing Arts programs; and lack of Athletic program. With these inequities they can affect Student Success.

7. Godin described how the current and proposed EBA model is not adequately linked to strategic planning, if at all. The resource allocation is based on the past, not the future. The EBA model also does not consider the likely implementation of the New Growth Model expected to be implemented by the State. Godin suggests the metrics of the New Growth Model be applied to each of the colleges as opposed to the traditional split. Gomez does not agree.

8. Godin clarified that he does not expect the colleges to be clones of one another. He feels that the students and community of Moreno Valley deserve the same type of educational experience and college life as the people of Riverside and Norco. The full array does not have to be at each college, but a couple of programs could be.

9. Reiner agreed with Godin's concerns, but there needs to be strategic planning and it needs to be addressed. After Reiner read Title 5 and a document from 2001 from the California Faculty Senates about budget and planning, there seems to be a lot of confusion about the Senate's role in strategic planning. The state model for funding is allocated by FTES and in multi-college~~s~~ districts the CA Academic Senate suggested it should be allocated by FTES to the colleges unless there are high cost instructional programs.

10. Godin continued with his concerns on the EBA model and feels that the historical cost is relevant information; however, it should not be the sole factor to drive future allocations. He suggests using a weighted average method that includes the current year expenditure budget and actual expenditures for two prior years.

11. Brown commented that he based the EBA model on historical costs because of the need to have a starting point to move forward and take incremental steps to align the model. Brown began with 6 years of historical data to coincide with where the District become a multi-college district.

12. Godin suggested that the Center for Social Justice and Civil Liberties (CSJ&CL) is a Board/District initiative and it should be incorporated into the DO/DSS budget, instead of being funded off the top. No other discretionary items should be funded off the top, including faculty positions. Additionally, positions of any kind, need to be determined at the entity level based upon the entity goals, objectives, and action plans.

13. Godin commented that Enrollment Management has a great impact in driving the budget and he looks forward to the assessment of the current practice.

14. Gomez remarked about the unknown FTES rate (last paragraph of first page). Although the FTES rate could be derived by a simple equation, she feels that other factors need to be considered such as all factors of FTES production: efficiency, faculty ratios, CTE, etc.

15. During Accreditation, Norco College received a comment on eligibility requirements, #13 (17 total). Gomez suggested that focus needs to also be on our eligibility requirements as they are separate from the recommendations but still have a profound effect on accreditation. The Norco College team members are concerned that they will not be able to sustain a planning and evaluation cycle for continuous quality improvement if the eligibility requirements are not met.

16. Gomez also commented on the cost of instruction and cost to produce FTES. Norco College relies heavily on grants since many deans and classified staff are funded through the grants. If grants are lost, the college will lose the ability to do their work. Although historical costs are great, we still have to look at the big picture and see what is driving it. The colleges cannot do without grants. We need to use the information on the EBA proposal as transitional but be cognizant of all the resources it takes to support each college.

17. Gomez does not have a problem moving forward but it has to be understood that the proposal is a transition. Godin stated that the transition cannot include a $500,000 budget reduction for MVC. There is no way MVC could absorb the budget reduction without an impact to instruction.

18. Reiner asked if there was a fixed retirement date for staff. If so, the District could plan for future available funds. In Florida, a state model was used called Deferred Retirement Option Plan (DROP). Brown explained that there has been periodic modeling to estimate the number of future retirees. The last three retirement offers (Golden Handshake) provided a significant savings which helped prevent layoffs.

19. Reiner asked if every college was within its FON and how it is calculated. Godin responded that the colleges were not within their FON and that the FON is a district wide metric. Reiner remarked that the FON probably isn’t going to be fixed with new money. It can only be fixed if faculty lines are reallocated after retirements or vacancies and changes are made to reflect emerging enrollment patterns. Brown suggested that a FON calculation by college be provided by Reiner’s office. Brown will email Reiner to request the FON calculation by college as well as the cost of instruction previously requested of Reiner’s predecessor.

20. Brown remarked that to fully achieve the entity budget alignment, if the proposal is approved, we will have to determine how to close the remaining budget gap.

21. FY 15-16, if the Governor's budget proposal is approved, we will allocate one-time funds for Scheduled Maintenance and Instructional Equipment for the one-time purposes; however, any remaining funds might need to be used to accommodate the results of bargaining. Budget adjustments may need to be made the following year to account for the reduction of one-time funds used to pay for ongoing expenditures.

22. We need to come up with a plan one way or another to get this fixed. After review, if changes are proposed to the proposals, then an example or proforma needs to be brought forward for vetting by DBAC.

23. McQuead commented on the additional $2.5 billion surplus of revenue that the State announced. Brown indicated that any surplus would be additional one-time money. It would be approximately $100-200 million dollars for the community colleges.

24. Godin suggests that the group return to look at the high cost program data for FY 16-17. Brown indicated that the high cost programs need to be looked at globally, as opposed to calculating the cost for each section.

B. <u>Indirect Cost</u> - Consensus at DSPC that the Indirect Cost Reimbursement proposal (approved at DBAC on January 23, 2015) be presented to the shared governance groups at each college for review and approval. The results from each college were as follows:

1. Gomez indicated that Norco College shared governance felt that the percentage was too low for the district and their proposal was not to confine it to a ceiling of 8%, but to give the district at least 17% of the total indirect cost. Example: If a college grant has a 37% indirect cost rate then the district would receive 17% of it.

2. Since Brewington was not in attendance, Brown shared a copy of Brewington's recommendation from Riverside City College, sent to him via email. The recommendation was as follows:

   – On the topic of the Indirect Cost Recovery (ICR), there was a very spirited discussion and many questions about how new and concurrent grants are administered by the College and the District. The committee felt they could not offer a counter mathematical equation because there is much more information that would be needed in order to arrive at a more informed decision of this nature. Some members of the committee manage grants and expressed that there are varying levels of responsibility assumed by the College and/or the District depending on the grant. However, the general consensus was that revenue sharing should occur. Therefore, in an effort to continue the dialogue and reach a resolution on this topic, the committee has developed and would like to offer 4 (four) principles to guide the conversation and assist with the formulation of a mutual recommendation. Principles: 1) Grant work is being done at both the District and the College, so indirect cost revenue sharing is necessary to support both functions; 2) Any grant that includes indirect above 8% should be privy to a review/audit before a final revenue sharing percentage breakdown is decided; 3) Need to build in an understanding from this point forward that we need to have an annual review process for indirect cost revenue sharing. Data collection needs to be a requirement; 4) Do not use grant funds to pay for grant writing.

3. Legner also added that there was discussion about the funds being restricted and that it could not be used for grant writing. Brown responded that their information was incorrect and the funds are unrestricted. (An example of the transferring of funds was provided by Brown on the white board.)

4. Godin indicated that Moreno Valley College shared governance are very happy with the proposal, and they have no comments, concerns, or changes to the proposal.

5. Brown asked the VP's of Business to meet and come up with an agreed upon proposal that takes into consideration the concerns and comments from the college's shared governance groups and then bring it back to the next DBAC meeting.

C. <u>GASB 45-OPEB Liability Funding Plan</u> - Consensus at DSPC that the OPEB Liability Funding Plan proposal (approved at DBAC on January 23, 2015) be presented to the shared governance at each college for review and approval. The results from each college were as follows:

1. Gomez indicated that the information was presented to Norco College's Business and Facilities Planning Council. The rate and the $250,000 contribution to set aside was approved, and the majority of the group wanted the irrevocable trust.

2. Brown shared a copy of Brewington's recommendation from Riverside City College, sent to him via email. The recommendation was as follows:

   – By consensus, RD&AS LC agreed that the initial set aside of $250K to start funding the OPEB liability for future retiree health costs is acceptable and it should be placed in an irrevocable trust. The committee emphasized that an irrevocable trust should be used in order to address the authenticity and significance of this recommendation from ACCJC.

3. Godin indicated that Moreno Valley College shared governance and college community approved the proposal. In general, the people felt they would have to spend a lot more time in understanding the variables in irrevocable versus revocable or some other type of fund source that could be created, and they thought that the CFO for the district would know best, and since they have trust in the CFO they felt that he would make the right decision for the district. The Board has faithfully funded all these types of obligations in the past so there was not a concern that it would not happen in the future.

4. Since Brewington's recommendations were included in discussions, a consensus was made to move forward with a recommendation to DSPC.

   – MOTION by Gomez that the OPEB Liability Funding Plan be moved forward to DSPC and that the OPEB proposal that was presented at the last DBAC meeting (January 23, 2015) be approved, with a $250,000 contribution to fund the OPEB, in an irrevocable trust, per rate of payroll. Godin seconded, and Lawson abstained. (Proposal Attached)

5. Gomez commented that the rate of payroll was discussed at Norco College and Brown remarked that the rate of payroll is allowable.

6. Brown will have to estimate how much the pay as you go will be to figure out the rate of pay. Brown suggested that the VP's of Business should return to their categorical staff and explain that this rate will be charged to their programs, similar to how the worker's compensation rate is charged.

IV. BAM/DBAC SURVEY UPDATE

A. Survey Discussion – Brown indicated that the updated distribution lists were received from each college. Some emails were listed multiple times since the staff were on more than one committee, therefore, duplicate emails were deleted. The distribution list will be forwarded to David Torres and the survey will be distributed the week of March 16th.

V. OTHER ITEMS

A. McQuead wanted some clarification as to why the presidents were no longer attending the DBAC meetings and why they were only copied on meeting agendas. Brown responded that the presidents were not members of DBAC but were attending the DBAC meetings last year because of the BAM Revision project; however, they are still welcome to attend and are always copied on all meeting agendas.

VI. NEXT MEETING

A. Next meeting scheduled for Friday, March 27, 2015 at 1:00 p.m. in DL 409.

The Resource Development and Administrative Services Leadership Council (RD&AS LC) at Riverside City College met on February 19, 2015. As recommended by the District Strategic Planning Council (DSPC), we discussed the Indirect Cost Recovery (ICR) Proposal put forth by DBAC. In addition, we discussed the District response to the Accrediting Commission for Community and Junior Colleges (ACCJC) regarding funding the Other Postemployment Benefits (OPEB) liability for future retiree health costs, which was presented to DBAC on January 23, 2015. Riverside City College respectfully presents the following outcome of those discussions.

On the topic of the **Indirect Cost Recovery** (ICR), there was a very spirited discussion and many questions about how new and concurrent grants are administered by the College and the District. The committee felt they could not offer a counter mathematical equation because there is much more information that would be needed in order to arrive at a more informed decision of this nature. Some members of the committee manage grants and expressed that there are varying levels of responsibility assumed by the College and/or the District depending on the grant. However, the general consensus was that revenue sharing should occur. Therefore, in an effort to continue the dialogue and reach a resolution on this topic, the committee has developed and would like to offer 4 (four) principles to guide the conversation and assist with the formulation of a mutual recommendation.

<u>Indirect Cost Principles</u>:

1. Grant work is being done at both the District and the College, so indirect cost revenue sharing is necessary to support both functions.
2. Any grant that includes indirect above 8% should be privy to a review/audit before a final revenue sharing percentage breakdown is decided.
3. Need to build in an understanding from this point forward that we need to have an annual review process for indirect cost revenue sharing. Data collection needs to be a requirement.
4. Do not use grant funds to pay for grant writing.

<u>OPEB Recommendation</u>:

By consensus, RD&AS LC agreed that the initial set aside of $250K to start funding the OPEB liability for future retiree health costs is acceptable and it should be placed in an Irrevocable Trust. The committee emphasized that an Irrevocable Trust should be used in order to address the authenticity and significance of this recommendation from ACCJC.

District Recommendation #2

In order to meet Standards, implement a plan to fund contributions to the District's other post-employment benefits (OPEB) obligation. (Standard III.D.3.c)

Response

The District's plan is a single-employer defined benefit healthcare plan which is administered by the District. The plan provides a paid medical insurance benefit for an eligible retired academic, classified, confidential and management employee and one dependent until age 65. (BP/AP 7380) Eligibility is available to all retirees who have a minimum of 10 years of service with the District and who have reached the age of 55.

On July 1, 2014, an actuarial valuation was performed to determine the District's liability for its post-employment benefits. Currently, the District utilizes the pay-as-you-go method to finance its OPEB contributions. The net OPEB obligations for each of the fiscal years 2010 through 2014, ending June 30, are as follows:

Year	Annual OPEB Cost	Actual Contributions	Percentage Contributed	Net OPEB Obligation
2010	$1,462,715	$ 766,350	52%	$1,653,090
2011	$2,262,462	$ 577,224	26%	$3,338,328
2012	$2,242,316	$1,199,115	53%	$4,381,529
2013	$2,872,832	$1,209,729	42%	$6,044,632
2014	$2,960,168	$1,159,902	39%	$7,844,898

To date, the District has partially allocated resources to support future liabilities related to post-employment benefits, leave time, and other related obligations. Leave balances are paid when used through existing resources, and the District finances its current post-employment benefit obligations annually. The District's annual required contribution is $3,041,672 and annual OPEB cost is $2,960,168 based on the FY 2013-14 Annual Audit. (III.D.3.c, III.D.3).

In addressing the Commission's district recommendation, a number of options were considered to address the OPEB liability. These included the formation of an irrevocable trust, the establishment of a restricted fund, the issuance of OPEB bonds, or the initiation of a self-assessment. The District has historically maintained a "pay-as-you-go" methodology and, since the inception of GASB 45, has not funded the future cost of the Annual Required Contribution (ARC). Annual "pay-as-you-go" costs of the ARC approximate $1.2 million. The most recent actuarial valuation puts the annual funding of the future cost of the ARC at approximately $1.2 million. Therefore, to fully fund the GASB 45 liability an additional annual contributions of between $.80 million and $1.0 million (the remaining portion would presumably be from investment earnings) would be necessary. To address the recommendation, a funding plan proposal has been developed. The plan consists of the following:

1. Effective July 1, 2015, establish a new, restricted Resource OR an irrevocable trust to pay current retiree health costs and to accumulate funds for future costs to offset the OPEB liability;

2. Develop a rate to apply to every dollar of payroll, in all Resources that have payroll, to cover the annual current cost ("pay-as-you-go") plus a minimum of $250,000 annually to begin providing for future retiree health costs;

3. Investment earnings over time will contribute to the reduction of the outstanding OPEB liability so the total amount of funds set-aside by the District and accumulated to pay for future retiree health costs will be limited to a maximum of 50% of the outstanding OPEB liability.

4. Transfer all funds provided by the retiree healthcare rate to the new, restricted Resource OR to the irrevocable trust;

5. Pay all retiree healthcare costs out of the new, restricted Resource OR the irrevocable trust;

6. Periodically assess the feasibility of transferring accumulated funds in the new, restricted Resource to an Irrevocable Retiree Healthcare Trust Account, IF one is not established from the onset;

7. IF an irrevocable trust is not established, restrict use of the funds in the new, restricted Resource to payment of retiree healthcare costs, with the exception that accumulated funds may be used for cash flow or other purposes, if necessary, but only with the express approval of the Board of Trustees.

This proposal was discussed with the District Budget Advisory Council (DBAC) on January 23, 2015. Additionally, the proposal has gone through the colleges' shared governance process and has been reviewed by both the District Strategic Planning Committee (January 30, 2015) and the Chancellor's Cabinet (March ___2015).

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[1] BP/AP 7380 Retiree Health Benefits
[2] Audit Reports, 2010-2014
[3] Actuarial Study 2014
[4] DBAC Minutes January 23, 2015
[5] DSPC Minutes January 30, 2015
[6] Chancellor's Cabinet Notes March ___2015