



Board of Trustees Budget Committee (BBC)
SBCCD Board Room, 114 S. Del Rosa Drive, San Bernardino CA 92408

Meeting Minutes – September 14, 2017

Members Present – Gloria Macías Harrison, Donna Ferracone, Joseph Williams

Members Absent – None

Staff Present – Jose Torres, Larry Strong, Scott Stark

Guests Present – Mark McAndrew, Luke Bartak, Robert Morris

I. Welcome & Introductions

Gloria called the meeting to order at 10:02 a.m. No introductions were necessary.

II. Public Comment

There was no public comment as no members.

III. Approval of Minutes

Donna made a motion to approve the minutes of August 24, 2017, which Joseph seconded. There was no discussion and the motion was approved by the following vote.

Ayes: Gloria, Donna, Joseph
Noes: None
Abstentions: None
Absent: None

IV. Current Topics

A. FCC Auction Proceeds Investment Options

BBC members reviewed and discussed a handout listing four investment options for the FCC Auction Proceeds. The conversation included input from Jose as well as staff from Morgan Stanley and MS Graystone.

Option 1: Current Investment Policy – This is the current policy which is highly restricted by Ed Code. Gloria asked about investment fees. Based on an investment of \$100 million, firms would typically charge 10-15 basis points or \$100-\$150 thousand annually. Given the estimated annual earnings rate of 1%, for each \$1 million earned, \$100-\$150 thousand would go to fees leaving only \$850-\$900 thousand for distribution. This option is the most conservative.

Option 2: Pension Rate Stabilization Trust (PRST) – This option utilizes the Pension Rate Stabilization Trust which is run by PARS (Public Agency Retirement Services). SBCCD currently uses this trust for its STRS/PERS set aside funds. Staff can meet with PARS as often as necessary regarding investments. The Board of Trustees will direct the risk tolerance. Investing FCC Auction Proceeds in this trust for retirement would free up general fund for other uses. Gloria clarified that the earnings for this would have to go back to the trust and only be used for retirement. One concern with this option is that it may nullify the guiding principles.

Option 3: Independent Foundation – Control of the investment is somewhat lost with this option because an independent foundation requires a particular type of leadership. SBCCD Trustees or staff can sit on the board of the foundation but the majority must be independent members. If SBCCD representatives made up the majority, the foundation could not be termed independent and the investments would be subject to the same restrictions as Option 1. This option would require that SBCCD be very specific in the endowment. For example it should direct that all proceeds be returned to SBCCD if the agency dissolves. This option has the highest costs including setup, operating and legal fees. This option also has the longest setup timeline.

Option 4: Donor Sponsored Supporting Organization (DSSO) – Jose asked Robert Morris from MS Graystone to talk about Option 4. It is similar to Option 3 except control is different. SBCCD Trustees or staff can form part of the board with the majority of members being appointed, investment counselors, rather than just members of the public. This option would require that SBCCD be very specific in the endowment. For example it should direct that all proceeds be returned to SBCCD if the agency dissolves. Donna clarified that the DBC would still play a role in the distribution of what gets distributed to SBCCD. Investment fees are based on a sliding scale; for \$100 million the fees would be about \$200,000 assuming earnings of 6%. The fees cover the custodial function and underlying investments managers.

10:40 Scott Stark joined the meeting.

Jose advised that SBCCD could choose a combination of options. BBC members would like to arrange an investment education study session for the Board of Trustees to review risk tolerance and investment options. Gloria advised this should happen as soon as possible. A study session on October 12 from 12:30-3:30 p.m. in a roundtable setting (possibly PDC 104) was recommended. Jose will coordinate with Stacey Nikac to arrange this.

B. Bond Feasibility Study

Jose advised that a poll has been developed by a vendor to determine the feasibility of asking the community to approve a bond measure in either 2018 or 2020. This action is in response to the BOT's 2017-18 strategic direction to address the Facilities Master Plan. The poll has been discussed with Chancellor's Cabinet. Questions are very specific and are aimed at measuring both positive and negative sentiment. It will be administered by phone, online, and in Spanish, and has a targeted error of margin of 4%.

C. Sabbatical Leaves

Every year the BOT determines whether or not to grant sabbatical leaves and is obligated by the CTA bargaining agreement to inform faculty of its decision. BBC members discussed the estimated \$180,000+ cost of a year-long sabbatical. Based on 2017-18 budget, SBCCD's current stability funding status, and forecasted future deficit spending, the BBC felt that 2018-19 would not be a good year for this expense. Donna made a motion, which Joseph seconded to recommend to the Board of Trustees that no sabbaticals be granted for 2018-19. This motion was approved with the following vote. Jose advised that he would prepare a board item to this effect for the September 21 BOT meeting.

Ayes: Gloria, Donna, Joseph
Noes: None
Abstentions: None
Absent: None

D. BBC Charge

Committee members discussed the BBC's purpose. Donna's understanding is that BBC members develop a deeper understanding of the budget process so they are able to contribute more during financial discussions with the BOT in its entirety. Gloria added that the BBC is not a monitoring body, rather it is a way to clarify fiscal matters and promote transparency. Committee members tasked Jose to draft a charge based on their conversation for consideration at the next meeting.

V. Updates

A. Guiding Principles for FCC

Jose and Scott recapped the Academic Senate's position that the guidelines incorporate the word colleges instead of SBCCD. This will likely be brought up by the Academic Senate presidents at tonight's BOT business meeting.

B. KVCR Transition Scope, Cost & Timeline

An update was provided. The current target for transition costs is \$2 million. It was mentioned that \$5 million was originally approved for transition costs.

C. BOT Budget

BBC members reviewed its monthly budget report. There was a brief discussion about the need for one piece of marketing that encompassed all the SBCCD entities.

D. Solar Electric Procurement Project

Committee members reviewed the handout.

E. Bookstore

Jose reported that SBCCD is hoping for approval of a bookstore vendor contract at the October Board meeting which will benefit the community and the students by reducing the cost of books.

F. Enrollment

No update was available for today's meeting, however, Jose advised he will have one sent to BBC members. Joseph would like to recommend a survey of students to see why they are taking less units.

VI. Future Topics

No future topics were discussed.

VII. Adjournment

The meeting adjourned at 12:12 p.m. The next meeting is scheduled for October 12, 2017 at 10:00 a.m.