



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

**Meeting Minutes – December 14, 2017**

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

**Members Absent** – None

**Staff Present** – Jose Torres, Larry Strong, Scott Stark, Diana Rodriguez

**I. Welcome & Introductions**

Gloria called the meeting to order at 10:00 a.m. No introductions were necessary.

**II. Public Comment**

There was no public comment.

**III. Approval of Minutes**

**Joseph made a motion to approve the minutes of November 3, 2017, which Donna seconded. There was no discussion and the motion was approved by the following vote.**

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

Joseph confirmed with Jose that the 2017 GO Refunding Bonds sold for only \$10 million rather than the previously estimated \$13 million. Jose advised this was due to many similar bonds being sold at the same time due to the pending tax reform and higher interest rates.

**IV. Current Topics**

**B. DBC Recommendation 2018-02 to Invest \$100 Million of FCC Auction Proceeds (*discussed out of sequence*)**

BBC members reviewed DBC Recommendation 2018-02. Jose recapped concerns that the FCC Auction Proceeds, which were originally deposited into the County Treasury (Option 1), have remained there earning only 0.33% since July 2017. When compared with the estimated 5% the funds could be earning in a DSSO or Donor Sponsored Supporting Organization (Option 4), SBCCD is losing out on an opportunity to earn approximately \$400,000 per month. In response to the BBC's directive last month, the DBC discussed the options and forwarded a recommendation to Chancellor's Cabinet regarding the investment of \$100,000,000 of the proceeds into a DSSO.

Committee members expressed reservations about depositing the entire \$100 million into a DSSO and felt there needed to be more research done before such an investment. Questions were raised regarding the process, the amount of control SBCCD would have, the liquidity of

the asset, and the nature of the investments made. Jose was tasked with doing further research and presenting it to the Board of Trustees.

It was mentioned that \$20 million of the investment could instead be put into the Pension Rate & Stabilization Trust (Option 2). Jose advised that SBCCD already has assets in this Trust. He handed out some performance information. Currently the District is spending \$8 million annually to pay STRS and PERS. By investing \$20 million in Option 2, it is estimated that proceeds can be used to alleviate \$1 million of this annual General Fund burden. If performance remains the same the principle will be maintained. The drawback is that the money can only be used to fund the STRS and PERS contribution amount. All BBC members were comfortable with the recommendation to invest \$20 million into Option 2.

The committee was in support of moving the money out of Option 1 in order to realize larger gains while the KVCR transition and media academy discussions were ongoing. Joseph mentioned that there still isn't a practical list for auction/transition costs. Gloria commented that setting aside \$100 million for investment will leave \$57 million in Option 1 while the costs are being identified. Based on their discussion, BBC members decided to suggest a modified recommendation to the December 14 board agenda item as follows:

It is recommended that the Board of Trustees set aside \$100 million of the FCC Auction Proceeds for investment purposes and authorize District staff to:

1. Immediately invest \$20 million of that amount into the Pension Rate Stabilization Trust (Option 2), and
2. Continue to investigate the process of investing the remaining \$80 million in a Donor Sponsored Supporting Organization (Option 4) and report back to the Board at its March 8, 2018 meeting.

#### A. Board Directives for 2018-19 Budget

Committee members discussed the draft directives for the 2018-19 budget in light of their Strategic Directions. SBCCD administrative procedure requires a February Board of Trustee approval of the budget directives. Several budget directives were modified as indicated below. No new directives were added.

- 1) Balance the ~~2017-18~~2018-19 budget without the use of the Fund Balance ~~with the exception of expenses related to the 2017 Early Retirement Incentive Plan and bargaining agreements.~~
- 2) As adopted in the District Strategic Plan, allocate funding through the resource allocation model to pursue improvement in ~~a) student success, by continuing funding for student success programs at both colleges; and b) student access, including growth at SBVC to maintain at least 10,500 FTES and continuing growth at CHC to reach 5,000 FTES.:~~
  - a) Student Success by continuing funding for student success programs at both colleges; and
  - b) Student Access by increasing funding for outreach.

- 3) Maintain a ~~minimum Fund Balance level~~fund balance range of 12%~~–15% in the Unrestricted General Fund~~ (state minimum is 5%), unless fund balance is utilized for specially identified “one-time”<sup>1</sup> needs as authorized by the Board of Trustees.-

~~Develop strategy to increase availability of funds to support the new facilities and student support services at both colleges.~~

- 4) Allocate funding through the resource allocation model to provide for safe, energy efficient, ~~clean~~, and well-maintained facilities that contribute to student success.

~~As funding becomes available, replenish the Fund Balance level to 15% within the next two years from one-time state funding.~~

- 5) Funding for any new positions must be approved through the process of program review or any other prioritization process as established at the colleges and district offices.

- 6) Replace all faculty retirements to meet Fifty Percent Law requirement.

- ~~7)~~ Honor collective bargaining agreements.

~~Continue toward the sustainability of KVCR.~~

## V. Updates

### **B. Solar Electric Procurement Project** (*discussed out of sequence*)

An update was provided. Jose advised it could take one-two months to get operational after completion in January.

### **C. BOT Budget**

A handout was provided. There was not discussion.

### **E. Enrollment** (*discussed out of sequence*)

A handout was provided. Gloria asked for statistical data regarding student enrollment and the number of units each is taking. A question was asked as to whether or not students that don't take 12 units will still be able to have their fees waived. Jose will request that Jeremiah Gilbert provide the following information.

- Number of our students by campus that are taking 3 units, 6 units, 9 units, or 12 or more units.
- How many of each of those students receive BOG waiver?

### **A. KVCR Transition Scope, Cost & Timeline**

BBC members received a handout. A discussion ensued regarding the cost and scope of this project and its impact on the FCC Auction Proceeds. Comments included the following:

---

<sup>1</sup> One-time is defined as an expenditure that has no ongoing commitment. While “one-time” needs may be repeated in future years, the nature of the expenditure must conform to the definition.

- › It is estimated that it will take approximately \$16 million to transition and modernize KVCR.
- › Joseph felt it would be beneficial to establish a scenario wherein \$57 million of the proceeds could be earmarked for use. For instance, \$25 million for transition and modernization, \$20 million for the development of an academy, \$10 for each campus, and \$2 million for general District use.
- › A sizable portion of the money set aside for KVCR and the possible development of an academy should be placed in an endowment.
- › Would it be beneficial if KVCR became a department of Valley College? As a standalone entity Joseph feels the station would, in the long run, remain unprofitable.
- › The development of KVCR into an academy is feasible, but would take a great deal of time.
- › The \$20 million KVCR/media academy endowment proceeds would be designated for a specific purpose, however the principle would remain as asset of SBCCD.
- › Donna calculated that a \$10 million endowment would suffice.
- › Jose commented that the transition/modernization investment in station equipment will be beneficial.
- › Current estimates indicate \$16 in conversion with an additional \$2 million for the tower.

Committee members were not yet ready to endorse a specific recommendation but added this discussion to their January agenda.

#### **B. Bookstore**

Jose gave a verbal report on the bookstore. SBCCD met with Follett to negotiate the specific contract. Once the contract is established, the District can respond to CSEA. CSEA has filed an unfair labor charge which SBCCD views as unsubstantiated since not one employee has been displaced.

#### **VI. Future Topics**

No future topics were discussed.

#### **VII. Adjournment**

The meeting adjourned at 12:28 p.m. The next meeting is scheduled for January 18, 2018 at 10:00 a.m.