



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

Meeting Minutes – May 10, 2018

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

Members Absent – None

Staff Present – Jose Torres, Larry Strong, Mike Strong, Scott Stark

I. Welcome & Introductions

Gloria called the meeting to order at 10:02 a.m. She introduced herself and the other trustees.

II. Public Comment

Gloria invited public comment but there was none.

III. Approval of Minutes

Donna made a motion to approve the minutes of February 8, 2018, which Gloria seconded. There was no discussion and the motion was approved by the following vote.

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

Joseph made a motion to approve the minutes of February 22, 2018, 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

IV. Current Topics

A. Investment Options for Set-Asides

- › **\$21 Million for KVCR**
- › **\$10 for the Colleges**
- › **Remaining \$80 million**
- › **Existing \$20 million in Retirement Stabilization Trust**

BBC members commented that the meeting materials had not been distributed early enough to allow for review prior to the meeting. Jose acknowledged this oversight on the part of staff and affirmed that materials will be delivered a week to prior to the meeting going forward. Committee members then conversed at length regarding investment options for FCC Auction Proceed set-asides. Discussion included the following.

- BBC had received an email from the chancellor with KVCR financial information. Gloria commented that her iPad would not open the attachment and requested that the information be forwarded to her again. Jose commented that Bruce has requested that KVCR financials now be prepared by SBCCD Fiscal Services staff; currently they are prepared by KVCR staff. Joseph voiced his concern that the documents sent over did not seem to be properly prepared or vetted.
- Jose reported to the BBC regarding the \$80 million set-aside by the Board of Trustees in December 2017 for investment in a Donor Sponsored Supporting Organization or DSSO. Unfortunately, after consulting with several attorneys since then, it appears that this type of investment is not a viable option for SBCCD.
- Jose restated the importance of moving the \$80 million into some other type of investment, because the County offers practically no earnings. He suggested increasing SBCCD's investment in the PERS/STRS fund. This would allow the principal to earn at a greater rate. Funds could be removed from this trust if and when necessary, in an amount equal to SBCCD's annual pension cost, which equates to approximately \$13 million. In addition, the trust does allow for two years' (or \$26 million) to be withdrawn the first year.
- Gloria asked for clarification on what keeps SBCCD from investing the money on its own. Jose explained that the District board policy on investment, which mirrors Ed Code, dictates its options. Security is the number one priority. Jose also mentioned that although FCC Auction Proceeds are enterprise funds, because they were derived from the General Fund through the initial startup of KVCR, they are subject to the same guidelines.
- Jose introduced Maureen Toal of PARS and Nick Piccarreta from Vanguard. They made a presentation on the Pension Rate Stabilization Program. Jose advised that slide 11 of the presentation contained the options upon which the Board of Trustees will need to provide direction to District staff.
- Jose stated his intention to make the PARS Trust a standing item on the BBC Agenda.
- Committee members talked about risk tolerance and the movement of the market over long periods of time. One year's gains can cover another year's loss but if it looks like the loss won't be covered, then SBCCD can decide not to make a withdrawal that year. This will support the FCC guideline of maintaining FCC Auction Proceed principal.
- Commitment to the investment was discussed. Donna commented that any time a board wants to change something, it can. Annual withdrawal amounts will be a conversation and a process by which campuses can ask for a portion of funds. Jose reiterated that the most that could be withdrawn from this trust in a given year is \$13 million. Jose suggested that the Board of Trustees review its FCC Auction Proceeds Guiding Principles on an annual basis.
- Investments made in the PARS trust can be tracked with their own subaccounts. For example, money invested for the purpose of a College Promise Program would have its own subaccount.
- Gloria summarized that the determination to be made now is whether or not SBCCD wants to keep in the proceeds in the County or move them into this type of investment. Although Jose is talking with one more attorney today, unless there is a different opinion, these are the only two options left.

- Jose was tasked with the following:
 - Develop investment scenarios for the various set-asides and bring them to the full Board for review on May 31, 2018.
 - Develop a timeline for what has occurred to date with the Proceeds.
 - Present a board agenda item declaring that KVCR financials will be handled by Fiscal Services staff.

V. Updates (as necessary)

A. Enrollment

An FTES report was reviewed for SBVC and CHC. Joseph brought up the Non-Credit Water Treatment Program. He was concerned about whether or not this was going to be provided to Rialto students free of cost. Gloria mentioned that Richard Galope had made this deal. Jose indicated he would find an answer to Joseph's inquiry.

Joseph asked about stabilization. Jose distributed a stabilization table based on SBCCD's P2 report. Gloria asked if the Non-Credit program was to be taken over by the campus. Scott confirmed that it is. Joseph commented on the need for clear communication for the Non-Credit Program. He cited the fact that CHC has shorter classes for than SBVC which could make students want to take courses at one college and not the other. Donna commented that the faculties need to get together on the 72-hour workforce readiness courses.

Jose distributed a Historical Credit FTES report to illustrate how successful the colleges have been in growing their FTES over the years. He wanted to make sure that the colleges get recognition for this.

B. 2017-18 Board of Trustees Budget

BBC members reviewed the update and had no concerns.

C. KVCR Transition Scope, Cost & Timeline

There were no comments.

D. Solar Electric Procurement Projects

There were no comments.

E. Bookstore

Jose advised that the Bookstore transition is complete and he thanked the BBC, the full board, and the Chancellor for their support during the process. This will be removed from the agenda.

VI. Future Topics

It was requested that Centralization of Services be moved from Future Topics to Current Topics. Joseph suggested that Jose could start the conversation by providing an initial list of pros and cons.

VII. Adjournment

The meeting adjourned at 12:07 p.m. The next meeting is scheduled for June 21, 2018 at 10:00 am.