

**Fiscal Monitor Ken Stoppenbrink's Report to the Chancellor's Office
Communications; Correspondence and Meetings from May 13, 2020 through June 19, 2020**

1. NEGOTIATIONS:

The district withdrew their proposals for salary rollbacks and furloughs after finding unfilled positions that were budgeted in 19-20 FY, along with what was agreed to with the benefits committee recommendations regarding benefit changes. While this may be relevant for the 19-20 FY to obtain the desired ending fund balance, it may be shortsighted with the coming reductions in the state budget for the 20-21 FY. It may be better to place the proposed reductions on hold vs. withdrawing them from the table. The district will be examining all cost reduction strategies once the 20-21 FY state budget is settled.

Negotiations are scheduled to resume in the summer and address issues for the final budget, which may not be until October.

2. INTERNAL AUDIT & PROCESS EVALUATION:

Fiscal policies and internal audits are 100% completed. Specific audits are progressing and the financial aid audit is 95% complete; fixed assets audit will begin pending the financial aid audit.

Review of the Board Policies and Administrative Procedures is 60% complete.

3. MANAGEMENT STRUCTURE:

There have been some changes to the organization with two individuals retiring in the Reading Services Program, which is now contained in the English Department. Additional changes are in the notification phase, which include the Police Department, Tutoring and Articulation.

4. BUDGET DEVELOPMENT:

Strides were made for 19-20 FY budget through expenditure reductions, cutting back on hourly costs and offerings, achieving salary and benefits savings from unfilled vacancies, and general budget clean up. These efforts, supported by all faculty and staff who participated, reduced the overall structural deficit by about \$4.2 million, and the college now projects a \$2.5 million year-end deficit rather than the initial \$6.7 million deficit shown in the College's Adoption Budget.

During the district wide budget zoom meeting held on May 27, 2020, information was presented by V.P. Ligioso, on the May revise budget Governor Newsom provided. The State's budget deficit is over \$54 billion, and has zero percent for both growth and COLA. College apportionment revenues would be reduced by 8% or over \$9 million, Strong workforce by 57%, and the SEA grant down by 15%. As previously stated, the district has been able to reduce the structural deficit by about \$4 million and a \$2.5 million structural deficit remains. This deficit needs to be addressed and the State's structural deficit only exacerbates the College's structural deficit.

Specifically, while the budget for the 19-20 FY is looking like a \$20 million ending fund balance or 12.5%, the budget projection based on the May revise for the next fiscal year reduces that balance down to

about 6% due to the State's pending budget. The 19-20 FY Adoption Budget revenue in comparison to the projected 20-21 FY Tentative Budget is about \$17 million lower while expenses are forecasted to be reduced about \$11 million, thus again a deficit. Everyone is being called upon to work on this issue to identify areas for expenses to be further reduced in 20-21 FY. The college will benefit from over fifty faculty and staff retirements and will be able to bring over many of the savings from the 19-20 FY budget reduction efforts in to 20-21 FY. In addition, negotiations with the unions continue, additional cost reductions are being planned, and local revenue opportunities are being explored to lessen the estimated deficit. There is a positive attitude among all faculty and staff to participate in the solution in this unfortunate time that was caused by the COVID-19 crisis.

Given the impact of the potential May revise, the College's Board of Trustees passed a resolution at its May 26, 2020, meeting to temporarily suspend its mandated 7% reserve levels and authorize the Superintendent/President to spend down reserves to no less than 5% to respond to the pandemic.

In early June, the Legislature developed and voted on their budget proposal that rejected the Governor's cuts, instead relies on Federal aid, deferrals, and local reserves, with a trigger to cut should the sought - after Federal aid not be received. The Legislative proposal, compared to the May revise, was presented at the June 10, 2020, campus wide budget update, inclusive of its impact on College. As both budget proposals rely heavily on deferrals, the College has taken steps to put in place external borrowing arrangements.

The state budget is expected to be enacted in the next two weeks, revised in August, then finalized in October, and the Board of Trustees and the campus community will be kept apprised as this budget process unfolds.

5. ENROLLMENT MANAGEMENT:

The Enrollment Management Task Force has reviewed the 2017-2020 strategic Enrollment Management (SEM0 plan) and is waiting for comments. There have been three programs discontinued this past spring and the College is currently redesigning the program discontinuation policy.

6. DATA INTEGRITY:

Table views are being constructed that were developed by the SEM data integrity team and are housed in a SEM Data Warehouse infrastructure within PeopleSoft. Upon completion, the table views will represent a set of standard data for institutional use in reporting end of term enrolment, FTES, and FTEF data. A second standard data set is focused on applicant data and is being prototyped in Institutional Research and Planning (IRP) as a part of the AB705 evaluation project. Upon completion, the IRP will work with enrollment services to finalize data elements and definitions to arrive at a common set of data for the SEM Data Warehouse.

Data processes have been developed and implemented to validate verify Student-Centered Funding Formula data elements. In addition, the Palomar SCFF calculator has been refined to accommodate scenario development and support goals setting across years.

7. POSITION CONTROL:

The information services department is working with a consultant on this project and will be providing access to the Virtual Machine for the consultants to test the product. Additionally, there is work occurring on integrating processes and collaboration across departments. Using PeopleSoft, the process to inactivate positions not included in the budget is now complete.

8. PROFESSIONAL DEVELOPMENT:

During the Board meeting held on May 26, 2020, additional information was provided to the trustees with respect to institutional effectiveness. Michelle Barton, Senior Director, Institutional Research and Planning, provided the trustees an update on the ACCJC requirements for the self-evaluation of the trustees.

The trustees were provided a number of topics that they would like to have included in their self-evaluation. Rating scales were identified as well as constituents who would be participating in the 360-degree evaluation. The trustees will continue to review these options and finalize their decision over the next month.

Information was presented on student progress including retention; degree and certificates completion and the student center funding formula metrics.

The trustees were notified of additional online training that would be forthcoming, once per month for a total of three that covers education code; Title V and budgets.

The annual training calendar is now 60% completed. Fiscal training and manuals are 10% complete and fiscal training for trustees is 50% complete.

9. BOARD:

The trustees reported out of closed session that they would be considering the appointment of Dr. Kahn as the interim superintendent/president during their June meeting. The term of the appointment will run from July 1, 2020 through June 30, 2021.

The trustees discussed a resolution that would provide authority to the superintendent/president to use general fund reserves without obtaining board approval due to the current COVID-19 emergency. This will be reviewed, and action taken at the next board meeting.

The trustees at their June 9, 2020, board meeting acted to appoint Dr. Kahn as the interim superintendent/president for Palomar. This move continues to provide stability to the district and continues to move in the direction of transparency and trust between faculty, staff and administration.

10. OTHER:

The Strategic Planning Council, (SPC), met on May 19, 2020, and had several items on their agenda; however, due to time constraints many of the items could not be discussed.

Action items taken on 12 policies, which will be forwarded to the trustees for consideration. The policies and procedures approved were Instructional Planning; Computer and Network Use; Claims against the District; Grading and Academic Record Symbols; Pass-No Pass Grading Option; Residence Determination; Debt Issuance; Management of Real Property; Insurance Board.

Student Accident Insurance; Citizens Bond Oversight Committee and Occupational Safety which was tabled.

Marketing provided an update on their efforts for outreach to students.

Faculty prioritization hiring for the 21-22 FY was discussed. Instructional planning council identified these priorities with input from faculty then sent forward to the SPC for discussion.

The May revise from the Governor was discussed and at this time until the final budget is approved by the legislature no final direction has been taken. There are many moving parts on this and the ultimate impact could be a major issue for the district.

Naming facilities for two areas were approved; EME classroom and the Ernest J. Allen Library.

Attended the State of the Budget meeting on June 10, 2020, with over 200 participants, where VP Ligioso provided a view of the May revise contrasted and compared to the legislature proposal that included funding from the federal level and without federal funding. It primarily relies upon federal funding, but if not then there will be deferrals over the next couple of years.

The State has until June 15 to pass a budget and will likely amend that budget in August and have a final budget in October.

Visual charts were presented that show a clear and concise picture of the deficit spending that Palomar will be in if additional action is not taken on reducing expenditures.