

**Fiscal Monitor Ken Stoppenbrink's Report to the Chancellor's Office  
Communications; Correspondence and Meetings from June 20, 2020 through July 17, 2020**

**1. NEGOTIATIONS:**

The classified union (CCE) ratified and the Board of Trustees approved an MOU to restructure health and dental insurance benefits; however, the district is still engaged in negotiations with the Faculty Association (PFF). PFF is seeking an increase of health insurance coverage for the adjunct faculty. As currently proposed, this would be result in an additional cost; while the district continues its efforts to cut expenses in order to reduce the deficit. Negotiations will continue with PFF. Meetings with management and confidential staff are scheduled to inform these unrepresented groups of the district's implementation of the same benefit plan restructure. The full scope of the benefit expenses/reductions will occur once the dependent audit of the health plan is completed.

**2. INTERNAL AUDIT & PROCESS EVALUATION:**

Assessment of Title IV Student Financial Aid requirements were completed. The level of compliance was determined, preliminary corrective actions noted and a workgroup has been established to provide ongoing communications regarding compliance to Title IV. The workgroup will be directed by and provide regular updates to the Vice President for Student Services. Chapter 6 Board Policies and Administrative Procedures continue, which cover purchasing and contracting activities.

**3. MANAGEMENT STRUCTURE:**

There were reassignments of the articulation function, police department and individual personnel that became effective on July 1, 2020. Additional analysis is ongoing, as there were many retirements that occurred in June and July that will affect proposed changes. A new VP of Student Services started on July 1, 2020 and will be developing recommendations in the division.

**4. BUDGET DEVELOPMENT:**

Superintendent-President Kahn and V.P. Ligioso provided a budget update to over 180 participants on July 2, 2020 that highlighted the enacted FY 20/21 State budget and its impact on Palomar College. The presentation also provided a chronology and details of the efforts undertaken to reduce the FY 19/20 deficit of \$6.7 million (after the \$5 million OPEB/Fund 69 borrowing) which lowered the deficit to \$0.7 million. Also highlighted was the growing compensation to total expenditure percentage from 84% to 89% over the last five years with a suggested goal to bring back that compensation percentage to the FY 16/17 levels. Ending the budget update, steps to lower the deficit, FY 20/21 deferrals and associated borrowings to smooth out cash flows were presented.

At the Board meeting on July 14, 2020, V.P. Ligioso provided the trustees the FY 20/21 tentative budget that showed an approximate \$1.9 million deficit and an estimated ending fund balance of \$18 million. Accompanying the tentative budget were FY 19/20 projected actuals with a significantly lower deficit of \$0.7 million, as compared to the \$6.7 million Adopted Budget deficit. The FY 20/21 tentative budget

benefitted from the many faculty and staff retirements that year which significantly helped keep the deficit at the approximate \$1.9 million. It was noted that the budget did not yet reflect the savings from the benefits plan changes, ratified by the CCE and unrepresented employee groups. While the FY 20/21 budget certainly showed improvement, caution was expressed that much further work is needed. The college expects state budget updates through budget trailer bills in August and October with an expectant eye to more state assistance.

Cash flows, deferrals, and external borrowings were also discussed at this meeting and the Board of Trustees approved resolutions for such external borrowings.

On July 16<sup>th</sup> Superintendent-President Kahn and VP Ligioso provided another budget update to the campus which elaborated on the structural deficit and steps to overcome it. Discussions shifted to the compensation to expenditure percentages, deemed a considerable contributor of the structural deficit, featuring examples from surrounding colleges (Region 10), and other institutions with sustainable compensation to expenditure ratios. Short-term, mid-range, and long-term strategies were noted to get the institution back to financial stability.

#### 5. ENROLLMENT MANAGEMENT:

The narrative for the Enrollment Management Plan is 40% complete, and the data update is 100% complete. Viable program discontinuance policy drafting is ongoing. The workgroup will meet one last time during the summer prior to bringing the draft, which is 85% complete, to the shared governance in Fall 2020. Existing technology is being integrated and showcased so that it can better serve and improve the student experience; the Technology Workgroup now includes the instruction manager as a part of that workgroup. The Vice President for Instruction and the Vice President for Student Services have agreed to Co-Chair the Enrollment Management Taskforce going forward.

#### 6. DATA INTEGRITY:

The information services team is scheduled to be completed with the first set of table views in the SEM Data Warehouse infrastructure by July 17, 2020. The SEM team also received priorities from instructional deans for those standard reports.

#### 7. POSITION CONTROL:

Human Resources and Fiscal Services have met to discuss budgeted positions that included information of listed budgeted positions with differentiation between filled positions and those that are vacant for the 2020-21 fiscal year budget. The executive cabinet has reviewed the vacated and inactive positions and have identified which of those positions will remain active and included in the budget proposal which was presented to the trustees on July 14, 2020.

The process for removing positions during the budget development during the fiscal year will be completed by the end of August so that budgets are looked at in a real time scenario. Initial reviews and planning activities will be worked on during the summer to clarify the project scope, plan activities, sequence and deliverables for the ERPA.

#### 8. PROFESSIONAL DEVELOPMENT:

Working on fiscal services professional development continues. Communication has been established in the MS Team to provide understanding of what training is currently offered and what needs to be developed. Training protocols are being used to further complete an annual training calendar so that continuous and updated training is being applied at all levels of the district.

#### 9. BOARD:

During the study session held on June 23, 2020, there were over 35 public comments of which 90% were related to the athletics buildings at the college. The study session was to discuss options of where to allocate the remaining \$151 million of prop. M bond measure. The discussion pointed out the reality of not considering the Total Cost of Ownership, (TCO), when building new structures. TCO is so critical to any successful building program. During the presentation of options for where to allocate these remaining funds, it was refreshing to see that there was included in the proposal a TCO budget expense of over \$ 650,000 that would be necessary to provide the required staffing and maintenance of these new buildings. The issue now is since these additional expenses will need to be budgeted out of the general fund is how do you cut expenses and at the same time add this expense to the budget. The challenge is going to be proceed with the building or wait until there are necessary resources in the GF to pay for the additional expenses.

The trustees discussed an evaluation tool that will be used for their evaluation and that will be done at a later meeting. Additionally, there was discussion on evaluation tool options to use for the Superintendent/President. This will also occur later.

At the July 14 Board of Trustees meeting, there was discussion about the recruitment process for announcing the Superintendent position and how the committee would be formed. Also discussed was whether to use a consulting firm or provide the service in-house. No decision at this time but recommendations will be forthcoming from V.P. of Human Resource Services.

#### 10. OTHER:

During the campus-wide meeting held on July 14, 2020, a question was asked about when the Chancellor's Office, through the Fiscal Monitor, would no longer be necessary. I responded to the question by stating that my hope is that I see progress toward their goals, so that my services are no longer necessary. What is important, is that if the goals identified by FCMAT, are not met, the Chancellor's Office could make a recommendation to the BOG to appoint a special trustee. This is what we are trying to avoid, so it is prudent that everyone does what is necessary to avoid this scenario. The district has changed course to accomplish the task; however, they need to remain focused and fine-tune the course settings to arrive at the desired location.