

II. Approval of Minutes (A)

a. April 16, 2020

Motion: Dr. Kathleen Rose

2nd: Ms. Gerlinde Brady

Minutes approved unanimously

III. Public Comment

No public members present.

IV. Closed Session: Personnel Matter

V. Business

a. Closed Session Report – President’s Review & Contract (A)

Dr. Kathleen Rose thanked the Board for participating in the annual evaluation process for South Bay’s President, Ms. Linda Vaughn. The extensive review included; survey of faculty, review of the strategic plan and goals set by Ms. Vaughn. The Board echoed appreciation to Ms. Vaughn for all of her accomplishments and contributions to the Board and to the organization. The Board suggests that Ms. Vaughn adds the following goals to her 2021 plan:

- 1) Set a level of urgency and specificity to her goal of providing an overview of the funding model. The Board would like to see a full assessment of the funding model in about 6 months that is specific to a funding model that will optimize the work at South Bay.
- 2) Continue to work towards a high-quality instructional delivery. This can include a review of distance education, a review of relevant curriculum and/or additional curriculum that can be delivered online. Identify continuous quality improvement goals specifically to the delivery of curriculum.
- 3) Reviewing the “Call to Action” letter from the Chancellor’s Office. How is South Bay ensuring that there is equity, diversity and inclusion elements in their faculty training, curriculum alignment, program certificates, etc.
- 4) Dr. Rose also asked Ms. Vaughn to provide a professional development goal so that the Board can continue to support her towards her goals.

Mr. Jeff DeFranco wanted to express that the Board is supportive of Ms. Vaughn’s leadership, and they desire, and are willing, to work with her towards her goals. So much has changed in the last 6 months and the board wants to make sure that South Bay is doing their part to respond to the Chancellor’s Office “Call to Action” to provide better training. He would also like to see more input on the funding formula in regards to showing the Board different options along with their pros and cons.

The Board voted to support Ms. Vaughn’s Contract with its current terms and to extend her contract, for the next year, with an opportunity to review at mid-year.

Motion: Dr. Kathleen Rose

2nd: Mr. Jeff DeFranco

Motion approved unanimously

b. Financial Report (D)

Mr. Ernie Smedlund provided the board with a review of the Financial Report. Prior to the COVID-19 Health Crisis, the Consortium had courses scheduled to fulfill approximately 99% of the 2019-20 total allocations. The negative impact of the health crisis was compounded by the civil unrest, resulting in a more significant loss for the Consortium in FY2019-20

- Apportionment – South Bay has suspended invoicing to the colleges, as of April, with the exception of Gavilan.
- FTEs – We anticipate shortfalls with all College's, except Hartnell. The projected FTEs balance due at the end of this fiscal year is about \$550k, spread over the colleges. Final invoices will be sent out then. This results in about an \$800k shortfall in apportionment.
- POST Contract courses – anticipate about \$700k shortfall due to the suspension of courses. However, POST has extended our contracts for the next 6 months, through Dec. 31st. We hope to make up for what we lost this year in the next fiscal year.
- Agency reimbursements – estimate \$300k shortfall due to agencies cancelling outside training due to COVID-19.
- Rental Income – reflects over budget of \$46k. This includes fees we charge to other agencies for rental equipment (i.e., EVOC vehicles, equipment, etc.)
- Processing Fees – credit card transactions and agency fees, up by \$27k.
- Simulator Income – loss of \$153k due to equipment out of service
- Testing – affected due to COVID-19, testing was shut down. Reporting a loss of about \$100k.
- Refunds/Cancellations were increased, causing a loss of about \$27k to the budget.
- Overall income for the year was \$10,624,555. We budgeted for an income of \$13,425,486. Resulting in shortfall of about \$2.2 million for the year.
- Salary savings of \$317k, Instructor Pay savings of \$243k

Apportionment letters have been received by all colleges with the same commitments of FY19-20 with the exception of Hartnell, who reduced from 300 to 200, and for Gavilan and Lake Tahoe colleges for whom the agreements have not been returned.

Dr. Rose wanted to know if the Contract Education courses that were cancelled were going to be rescheduled. Mr. Smedlund responded that if not all, most courses that were cancelled will be rescheduled for the new fiscal year.

Mr. David Martin asked a question regarding the financial statement, does it include all funds? Mr. Smedlund replied that it does not include capital projects.

Mr. Martin also had a question on some of the savings that were mentioned, to include salary and benefits. How could there be \$1 million of savings but still be within \$100k to \$200k of total expenses from last years audited financial statement? Is the \$13 million budget for expenses too high? Mr. Smedlund replied that this could be correct due to South Bay not filling a few positions that are still available and have not been filled since the beginning of this fiscal year that were originally budgeted for. Those positions still remain empty. Mr. Martin added that we are within a 1% variance based on last years expenditure report. It would be fair to report a \$12 million expense rather than the \$13 million that is being reported. Ms. Vaughn added that when the report was compiled the estimations made were in anticipation of finishing at a higher level of FTEs. We were also being conservative on the income levels, this may increase as well.

Mr. Ed Flores reviewed the FTEs summary report and the effect of COVID-19 on the numbers. Due to course and conference cancellations there was a considerable drop in the numbers. This leaves us at 88.36% projected FTEs. This number may go up as we begin hosting more courses. As mentioned earlier, POST allowed us to extend our contract courses and a majority of those courses have already been scheduled. Quarterly reports will continually go to the colleges so that we can continue to monitor those numbers. A list of the courses that were cancelled was also given to the board.

Dr. Cathryn Wilkinson wanted to clarify the number of allocations for Hartnell College. It should be 315 instead of 300. Ms. Vaughn explained that the supplemental allocation letter for an additional 15 was specific for the Paramedic Courses, unfortunately this did not happen.

Dr. Rose asked about Mr. Flores's report, "Individual course curriculum is not approved at all consortium member colleges across the board". How will this be remedied going forward? Ms. Vaughn advised the board that at one time South Bay had each of our course's curriculum approved at each member college. This became problematic due to the number of presentations for that course and sometimes due to the location of these courses. This also caused an issue for colleges that showed our courses in their catalogs but were not presenting them. Now we make a systematic decision on where each course will be articulated based on where we are delivering and presenting them on a regular basis.

c. Mission College Withdrawal (A)

Ms. Vaughn reported that on May 29th, South Bay received a formal notice from Mission College announcing their withdrawal from the Consortium effective the start of the 2020-21 fiscal year. Since the first year they joined the consortium, they have slowly reduced their number of FTE commitments until recently only at the minimum level. There had also been conversations of their removal. We don't anticipate this to have a negative impact on us and we will continue to maintain a positive relationship with them.

Motion: Mr. Jeff DeFranco

2nd: Cathryn Wilkinson

Motion approved unanimously

d. 2020-21 Preliminary Budget Report (A)

As required under Government Code, a Preliminary Budget was provided to the Board to review and offer their input and approval. Ms. Vaughn reiterated that Allocation letters have been received by all colleges, besides Gavilan and Lake Tahoe. Mr. DeFranco advised that their letter has been approved by their board and will follow -up. Dr. Rose also advised that their agreements have been reviewed and the letter should be sent out soon.

Ms. Vaughn shared a few slides that highlighted different areas of the budget:

- The budget is based on 2,433 FTEs, inclusive of the 60 FTEs in lieu of rent. The actual funding we receive is 2,373 FTEs.
- The extension of POST contracts is included. We will do our best to fulfill these contracts since it comes down to offering almost 60 weeks of instruction within 48 weeks throughout the year. This will be based on availability of instructors, equipment and facilities.

At the request of the Board, there were 2 different options provided; A Hold Harmless budget - based on the \$3090.55 per FTE's, and SCFF (Student Centered Funding Formula) – based on the February 2020 SCFF values that were published by the Chancellor's Office Exhibit C. The SCFF assumes that we will have a similar performance as FY 2019-20. We would be receiving 60% of the FTEs value as well as 60% of the values associated with the supplemental and success allocations.

The budget does include \$200k for overhead costs for the Coyote Valley campus. However, it doesn't currently include the cost of rent since this is set as a separate agenda item to discuss. The Use Agreement has not been finalized yet.

Both budgets project a deficit spend. The Hold Harmless agreement shows a deficit of approximately \$97k and the SCFF shows a deficit of approximately \$1.2 million.

Some things that are unknown that may have effect the budget:

- Actual additional contract funds that we might receive.
- Actual enrollment and course delivery.
- Beginning All Funds Reserve balance

The Capital project fund is projected to have a positive balance through FY2022-23. This includes a \$50k place holder for EVOC facilities. We have engaged in a preliminary MOU for an EVOC site at the SCRWA facility for \$5k. We currently have a Surveyor at the property to help determine if this will be a viable site for us

to use. If we don't use the funds allocated for the EVOC site, this will keep us at a positive balance through FY2024-25.

Ms. Vaughn reported that over the last 3 years, we have been pretty accurate on projecting out our budgeted vs. actuals on the income side. We have been within a 2.7% variance, usually in the positive. On the expense side, we have had a variance of about 4.3%. Overall, we are reporting less spending than we are projecting. In the short term, the organization is sustainable through the reserve fund. Long term, will depend on which budget model is chosen and what the rent agreement will be with Gavilan College.

Mr. Martin had some questions regarding the budget in regards to expenditures with the agency revenue sharing and registration. Why are the projected registration fees and revenue sharing about \$250k higher than FY19-20 actual expenses? Ms. Vaughn responded; one reason is that we had to rollover quite a few courses from the current fiscal year to the next, the delivery of those courses will increase those costs. Mr. Martin also pointed out that expenditures have been budgeted consistently over the last few years, however, the actual expenditures have fallen short each time. Ms. Vaughn assured the board that those figures will be reviewed more closely.

Mr. Martin had a question regarding the SCFF budget model in regards to the supplemental budget of \$482k? In past information provided to the board, this number was estimated at \$750k, why is there an increase in this number? Mr. DeFranco added that he would also like to see how this is allocated across the board? Ms. Vaughn shared a revised exhibit C from the SCFF model. Due to the Pandemic and the course presentation restrictions, we were not able to service as many self-sponsored students as well as the quantity of students who would be completing certificates.

Mr. Martin wanted to know if South Bay is projecting a COVID-19 impact on our revenues, will this have the same impact on expenses? Ms. Vaughn replied that since we have already begun hosting some of those courses, that were set to be cancelled, we are already at those levels. The completion date of those courses will have an impact on the final numbers.

Dr. Kathryn Wilkinson asked how will the Budget be sustainable without exhausting the reserves? Will expenses be cut without having to rely on reserves? Ms. Vaughn shared that we had anticipated having a gain at the end of this fiscal year. Instead, we are anticipating a deficit spend of about \$1.2 million. 60% of our expenses are due to staff and instructional costs. In the past, RIFs and furloughs occurred and we are now having to face those conversations again. In the past, when there was a reduction in staff, there was also a reduction in workload. We currently have 2 open positions and the workload is being evaluated in those areas. However, with the extension of contracts to hold courses, we are not facing a reduction in the workload. Dr. Wilkinson suggested

to the Board that they consider requesting a preliminary budget that is more in line with contracts and expenses rather than reliance on the reserves.

Mr. DeFranco directed his question to the Board. What are your experiences right now with cutting funds in your budget? A few years ago the colleges were given \$100 million from the state of CA for instructional equipment allocation. The board passed on some of those funds to the Academy. Through the years, the fund has now been dried up and no longer existent. Mr. DeFranco reported that Lake Tahoe college is no longer making contributions to their capital fund and new equipment money is no longer being provided to their public safety programs. He asked the board for their thoughts on suspending the additional \$100 per FTEs to the Consortium since that money is no longer available. Mr. Martin added that Monterey Peninsula college is facing a similar situation and he supports the suspension of the additional \$100 to the Consortium. Ms. Gerlinde Brady shared that Cabrillo too is facing this situation and would like to encourage the board to further discuss this.

Mr. DeFranco's proposal is "The standard revenue payments would remain the same from colleges to the consortium for the FY 20-21 budget. The instructional equipment, \$100 per FTEs fee, would be put on hold for this single fiscal year with the intent that we revisit the appropriate fee for FY21-22 and beyond." Dr. Rose added that Gavilan has also had a huge impact to their budget and agrees that the proposal is reasonable.

Ms. Vaughn asked the board for guidance as far as which budget model should South Bay work towards. Based on the conversations, it appears the board is favoring the SCFF model. What would be an acceptable variance in the budget? Mr. Martin suggested that South Bay identifies where in the budget are there consistent savings while reducing expenditures starting with the revenue sharing and registration. Another suggestion made was to eliminate the expenses of vacant positions that have not been filled. Mr. DeFranco added that based on past budgets, it wasn't until that last few years that you see expenses hit the budget and this has varied. Ms. Vaughn responded that the vacant positions have been vacant only since we have been in the shelter in place order. Workloads are currently being reevaluated to see if those positions do need to be filled especially once we are back on track.

Mr. DeFranco agrees that South Bay should reduce their reserves and tighten spending. South Bay is currently sitting at a very good reserve threshold and if there is time to use those reserves it would be now during this crisis.

Motion: Approve the SCFF tentative budget with elimination of revenue of \$100 Instructional Services equipment fee for FY20-21 with direction to staff to look to reduce reliance on reserves for FY20-21 in the proposed final budget with an emphasis on reducing typically underspent budget categories.

Motion: Mr. Jeff DeFranco

2nd: Mr. David Martin

Motion approved unanimously

Break 11:56 am, meeting resumed at 12:02 pm

e. Coyote Valley MOU (D)

The Consortium moved to the Gavilan College campus at Coyote Valley in February 2017. The original MOU included a review of the contract after the second year of occupancy. This included 40 FTEs to Gavilan in lieu of cash rent. Dr. Rose shared with the board that the Consortium is going on their third year at the Coyote Valley campus. Gavilan has also been assisting with payroll for South Bay faculty as well. The 40 FTEs that they have been receiving is equivalent to about \$214k a year. Overall the campus was built to better suit the needs of the academy and the presentations of Gavilan's courses on the campus have not been successful.

Mr. Michael Renzi advised the board that the Facilities Use Agreement would be non-exclusive and not considered a Lease. The agreement presented to the board includes these limitations and agreements of the usage of the property. The cost of the rent is being calculated based on the Fair Market Value of the square footage of the areas that will be utilized. The agreement also shows the cost of utilities to be paid directly by South Bay. The proposed cost of the rental can be reviewed in Exhibit C. The cost is based on \$2.00 per square foot @ 29,760 sq. ft. Mr. Renzi added that the basis of the value is ranging from \$1.95 per sq. ft. to \$2.25 per sq. ft. The terms are still being discussed and negotiated.

Ms. Vaughn advised the Board that, at this point, most of the language is set and agreed upon. The discussions being held now are about the fee schedule and the square footage. Mr. Renzi will be providing a revised square footage breakdown. He advised that the Director of facilities had discovered that the first document was incorrect. The actual calculation is slightly higher than what the plans show. Ms. Vaughn pointed out that there is a clause in the use agreement for a 3% increase to the cost annually.

Ms. Vaughn acknowledges that the property was built with the Academy in mind. However, use of the additional classrooms and office space, originally assigned to Gavilan, are not necessarily needed. The Gavilan College Motorcycle course currently is onsite about 15 days out of the month and has future courses scheduled as well. The usage fee calculations shown are based the total square footage as well as without the additional classrooms and office spaces.

Ms. Vaughn shared with the Board that South Bay also did their due diligence in regards to looking at comparable facilities in the Morgan Hill area. The average cost was \$1.35 per sq. ft. Dr. Browning had also asked the Consortium to come up with numbers if the rental fee was passed onto the Board. A spreadsheet was

shared with these figures. This was based upon the FTEs and the percentage of our total of FTEs each member college represents. This does not include the rental cost of FTEs to MPC or CSM.

Mr. Renzi asked if South Bay offers any Contract courses that are not registered with any of the colleges? Ms. Vaughn responded yes, but it's very limited.

While the Facilities Use Agreement is still being negotiated, Dr. Rose asked for input from the Board members. Is it clean, fair and equitable? What are your thoughts? If South Bay is not going to use the additional office space, Gavilan will rent it out. Gavilan would like some direction from the JPA Board so that they can present to their board as early as July and no later than August.

Mr. DeFranco provided input on allocating the cost to the JPA Board. His first thought is that he agrees with Gavilan charging rent rather than the agreement of trading FTEs in lieu of rent. He also asked if the JPA has a counsel for these sorts of agreements? Ms. Vaughn shared that our counsel is also Gavilan's and has recused himself. We will be reaching out to a secondary counsel to review the agreement. Mr. De Franco's final thought was in regards to how will the rent be paid by the JPA Board? Ms. Vaughn replied, since the numbers haven't been finalized on what the cost would be, they haven't been incorporated into the budget. Ms. Vaughn share with the historical and philosophical reason that rent was based on FTEs: the classroom space used to deliver courses for the program was generating the FTEs, the same as other programs at the colleges.

Mr. Gregg Giusiana asked the Board for input on how to incorporate the rent fee into the budget. Would they rather have the FTEs value increased by the amount that would justify the cost of the rent instead? This would be a "clean" way to do it, however, it would not match up with the SCFF number. Ms. Vaughn suggested that as the final budget is being completed, maybe this item can be brought back to the board in a special meeting before the budget is finalized? Dr. Browning agreed that this would be a good idea due to the fact that there are other Action items that need to be added to the budget. Mr. Martin supports Dr. Browning's suggestion.

Ms. Vaughn asked Dr. Rose if she took away what she needed from the discussion to move forward? Dr. Rose responded that Gavilan has already done their due diligence and analysis and are familiar with how these agreements work. What she is asking from the board is that they assist with some finality to the agreement. The Board will also need to decide if they will be absorbing any of the rental costs.

f. Election of New JPA Board Chair (A)

The current Board Chair, Dr. Browning has expressed that she will be retiring and will no longer be available to Chair the Board. A new Board Chair will need to be elected. Dr. Browning opened the discussion for nominations. Mr. Martin

nominated Dr. Kathleen Rose. Dr. Rose recognized Dr. Browning for her time and service as the Chair of this Board and is honored to take on the role of the JPA Board Chair.

Motion: Mr. David Martin 2nd: Mr. Jeff DeFranco

Motion approved unanimously

g. Election of New JPA Vice Chair (A)

Due to the Vice Chair promoting to Chair, in the prior agenda item, a new Vice Chair must be selected. Mr. DeFranco nominated Mr. David Martin. No other nominations were suggested. Mr. Martin accepted the role as the new JPA Board Chair

Motion: Mr. Jeff DeFranco 2nd: Dr. Kathleen Rose

Motion approved unanimously

h. Primary JPA Board Representative – Ohlone College (A)

Ohlone College requests Dr. Chris Dela Rosa, Vice President of Administrative and IT Services be approved as the primary representative for Ohlone College to the JPA Governing Board.

Motion: Dr. Cathryn Wilkinson 2nd: Dr. Kathleen Rose

i. Cultural Sensitivity Presentation (D)

President Vaughn was asked to present information on the Consortium/Academy's role in providing Cultural Awareness and Implicit Bias training and education to our students and agency partners. Due to time limitations, Ms. Vaughn provided the Board with a brief overview of the presentation. This item will be moved to the next JPA meeting.

VI. Announcements

No announcements were made

VII. Adjournment

Meeting was adjourned at 12:58 p.m.

Next regular JPA Board meeting is scheduled for July 16, 2020