Los Angeles Valley College

Response to

"Executive Committee of the District Budget Committee" (ECDBC)

Recommendations:
Enrollment Management
Balanced Budget and Debt Reduction Plan

Submitted by:

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Introduction

Los Angeles Valley College (LAVC) has made significant progress over the last year by working with the college community to analyze the budget, to make difficult decisions to reduce expenditures, and to take the actions necessary to move the institution toward achieving fiscal stability. While the college ended the 2013-14 fiscal year with a $707,588 operating deficit, we are optimistic going forward. The corrective measures in this report will allow the college to be financially stable both in the short and long term.

LAVC has experienced a few administrative transitions during the last year. A new President and Vice President of Administrative Services started just as the 2014-15 school year began. Both understand the urgency and the work needed to address the college's finances, and it is a priority for the entire administrative team to work with key stakeholders to support and continue the college's progress.

The corrective action in the college's multi-year budget plan includes expenditure reductions, expanding revenue generation opportunities, enrollment management efficiencies, anticipated growth dollars, and proposed subsidies for full-time faculty hiring. As with any budget projection, assumptions were made and derived from analyzed data related to institutional trends, institutional capacity, prevailing exemplary practices, and district and state mandates. In the short term, the assumption that the college may request the deferral of its debt repayment during a Presidency transition was made as well as requesting the District to consider fully funding the 2% over cap. Additionally, based on a conversation with the Chancellor and Deputy Chancellor, LAVC is requesting a subsidy for all 2015 FON growth positions. In the long term, the college is striving to grow to achieve a WSCH/FTEF of 600 in five years based on the evidence that there will be classroom capacity to accommodate this growth.

These efforts, along with the prior and current year budget savings, will enable the college to end the 2014-15 fiscal year with a positive balance, and as noted later in this report, such efforts will help resolve the issues that resulted in the college being continued on Warning by the ACCJC this past June.

This report, which summarizes the College's methodologies and strategies for enhancing enrollment management and budget planning, was collectively prepared by the President, Dr. Erika Endrijonas, Vice President of Administrative Services, Mr. Mike Lee, Vice President of Academic Affairs, Ms. Karen Daar and Vice President of Student Services, Mr. Florentino Manzano.

ECDBC Recommendations

Recommendation #1: "The College must strengthen its existing enrollment management plan and re-examine its program mix and class scheduling to align them with its instructional budget/costs and enrollment targets…"

Enrollment management practices:

1. The narrative in the report submitted in December 2013 still applies, including review of the 14 items listed for determining annual FTEF allocation and the seven items listed to maximize efficiency.
2. The guiding principles for places to add or reduce FTEF are: Degree requirements, transfer requirements, balancing CSU GE offerings to be more proportional with requirements, maintaining FT faculty load, considering classroom laboratory supply costs, improving overall efficiency, using a wide range of data to make informed decisions, and ensuring contractual compliance.
3. Fall 2014 WSCH efficiency increased over the previous Fall, permitting greater FTES yields with 4% fewer sections and a higher average class size.
4. Winter currently is 99.5% filled with almost all sections capped at 45.
5. Since Nursing has the third highest FTEF allocation (tied with Biological Sciences), yet with extremely low class size, the Nursing cohort was decreased from 5 to 4 to further facilitate obtaining higher class size average for the college over the next few semesters.
6. Viability studies were completed for six programs. Four more are in progress. Viability studies were called for programs with multiple triggers (low average class size, low success rates, low retention rates, low number of program completers, and low WSCH/FTEF.) These studies were focused on program modification(s) and improvement where needed. The Program Effectiveness and Planning Committee (PEPC) will monitor program effectiveness and efficiency over the next year.
7. Comprehensive Program Review is currently being conducted with each department reviewing WSCH/FTE, fill rate, census enrollment, end-of-term enrollments, demographic data, completion rates, success rates, retentions rates, grade distribution, educational goals, external influences, job industry needs, and FTES generation.

Recommendation #2: "The College must develop a multi-year balanced budget plan based on the college's actual 2013-2014 budget allocation and realistic projected growth for the future years. This plan must consist of a specific "cut list" of expenditures, re-examine its reassigned/release time, athletic program and the Child Development Center Program…"

The college ended the 2013-14 fiscal year with an operating deficit of $707,588, down from the initial $3.5 million deficit that was projected. While the college remains in operational deficit, it should be commended for the fiscal progress that has materialized this past year. This was a combination of achieving enrollment efficiency and implementing the "cut list" that was previously outlined in the college's plan. Additional revenue dollars from the state and the District was also made available to the college prior to the closing of the 2013-14 fiscal year.

For the fiscal year 2014-15, the college continues to identify specific saving actions as well as continuing applicable items from the 2013-14 "cut list" as follows:

Table 1- Cuts and Savings Actions

2014 – 2015 Saving Actions		
Continuation from 13/14		
Admissions and Rec	2000 - Sub and Relief and OT	$11,174
All Departments	Discretionary Funding	$75,000
All Departments	5000 - Reduce Off Campus Printing 75%	$6,559
All Departments	2000 - Reduce Non-essential OT	$7,500
All Departments	5000 - Travel	$2,300
All Departments	2000 - Tutors	$10,000
Athletics	7% Reduction	$80,000
Business Office	2000 - Sub and Relief and OT	$14,900
Career/Transfer	2000 - Student Worker	$12,137
Community Services	4000 - Offset Pool Supplies	$20,000
Public Relations	Eliminate All Discretionary Funding	$3,000
Restricted Funds Transfer	1000 - Hourly Counseling	$49,162
Restricted Funds Transfer	5000 - Educational Software	$131,000
Restricted Funds Transfer	4000 - Instructional Supplies	$69,900
Student Services Admin	2000 - Student Worker	$9,568
Total 13/14 Saving Actions		**$502,200**
Current Year Saving Actions		
Bookstore Charge Back		$30,000
Bargaining Unit Representative		$105,000
Receiving Sub Relief		$3,000
Staff Attrition Including Benefits		$65,780
Personal Service Contract for Math		$5,003
Other Equity Offsets		$192,689
Total Current Year Saving Actions		**$401,472**
Total Cumulative Saving Actions		**$903,672**

As of the first quarter projection ending on 9/30/2014, the college is projecting an operational deficit of approximately $1.5 million for the 2014-15 fiscal year. The combination of implementing the saving actions in Table 1 and working with the District to defer 2014-15 debt repayment ($558,037) and fully fund the 2% over cap ($512,000), this would result in the college balancing its budget. Fully funding the 2% over-cap seems logical given the news from the Legislative Analyst's Office on December 1, 2014 that indicates that the state collected $2 billion more in tax revenue than expected. Based on the state funding formula, these additional dollars will be allocated to K-12 and the community colleges, which will further LAVC's efforts to balance its budget.

The College has formed a Budget Committee, which functions under the auspices of the Institutional Effectiveness Committee (IEC). This appointed workgroup has developed a Charter defining the scope of responsibility of the Budget Committee, which was approved by IEC on February 4, 2014, and additional refinements of the Budget Committee scope and functions will be part of the current effort to revise the Shared Governance structure and manual. In addition to annual budget planning, resource prioritization and allocation, and the development of policies and procedures, the budget committee is charged with addressing and fostering fiscal responsibility for the institution.

The Office of Academic Affairs continues to closely monitor reassigned and release time, and full-time non-teaching assignments. The campus restructured supervision over its Learning Resource Center resulting in the integration and coordination of the Writing Center, General Tutoring, and Math Laboratory services under one FTE instead of two. The resulting savings is being used to supplement the tutoring budget and relieve the impact of the college's decision last year to cut tutoring by $10,000. In regards to reassignments funded by Program 100, .6 FTE designated for Achieving the Dream coordination will end this spring. The college is also currently in discussion regarding the elimination of reassigned time for SLO coordination, currently totaling .6 FTE.

Although the college was able to experience some cost savings this year resulting from vacancies and existing reassigned positions, we have determined that, at minimum, 2.0 FTE for current educational programming, .4 FTE for accreditation, and 1.0 FTE for the Academic Senate must continue to maintain the integrity of the institution. Reassignments to shared governance committee chairs will decrease from 1.4 to 1.0 due the elimination of the Hiring Planning Committee and its .2 reassigned time for the faculty chair, and by having the Vice President of Academic Affairs chair the college's Institutional Effectiveness Council, thereby relieving the college of another .2 reassigned time for a faculty chair.

Child Development Center (CDC): The College has reviewed the Operating statements for the Child Development center for the last four fiscal years. The CDC has maintained a positive year ending balance as follows:

- 2010-11 $89,817
- 2011-12 $22,669
- 2012-13 $29,993
- 2013-14 $64,418

More than 87% of the center's $1.1 million budget is funded by State and Federal grants and contracts with the state and federal agencies to provide subsidized early education and care for parents who meet income and service need guidelines. Recognizing the quality of the Child Development Center experience, a small but growing number of parents are enrolling their children on a private-pay basis. The balance of CDC's operating income comes from State Chancellor's Office in the form of Categorical Funding.

The college remains vigilant and disciplined to ensure that every dollar will directly impact the populations we serve and work within economic constraints while ending with a positive ending balance. The Child Development Center will continue to provide the tools and services needed by our children and families to fulfill our goal of making a difference academically, socially and emotionally in the lives of the children.

Multi-year Balanced Budget Plan

The College's multi-year balanced budget approach focuses on attrition, capturing growth funding, and increases in efficiencies. The College has developed a Five-Year Budget Plan prompted by the ECDBC recommendations.

1. **Enrollment Growth:** The college's five-year plan assumes the following enrollment growth assumptions:
    - **2014-2015:** 2.75% State Funded
    - **2015-2016:** 2% State Funded
    - **2016-2017:** 2% State Funded
    - **2017-2018:** 2% State Funded
    - **2018-2019:** 2% State Funded

The college continues to work diligently to strengthen its enrollment management planning through the shared governance process and by involving key stakeholders in the analysis of class size and/or WSCH/FTE assumptions impacting the expense side of the budget. The college is working towards meeting the 4.75% growth (13,384 FTES) for the fiscal year 2014-15. As part of this process, the college is evaluating program mix offerings along with maximizing faculty teaching load for Winter, Spring, and Summer to capture efficiency as it relates to FTES generation and the budget. Additionally, the college will be shifting to a "zero-based" schedule-building process starting in the fiscal year 2015-16 as it will further enhance enrollment management efforts with each department.

2. **Multi-year Balanced Budget Plan:** Ninety-six percent of the College budget is dedicated to non-discretionary expenditures including full-time employees, adjunct faculty required to meet FTES targets, benefits, utilities, and support to DSPS/SSD. The multi-year plan also reflects the 4% salary increase that will most likely be agreed to for all employee groups in 2014-15.

   In addition to the "zero-based" scheduling process, the college continues to evaluate vacant positions to capture savings through attrition. This will be an ongoing practice as we move through the budget development process. The remaining 4% of the budget are discretionary expenditures linked to operations and student learning and achievement. Thus far, the college has implemented $500,000 in saving actions from 2013-14 and will implement an additional $400,000 in saving actions for 2014-15. The cumulative saving actions of $900,000 will continue to future years as part of the multi-year budget projection. These savings impact services/supplies in M&O, permits and fees, maintenance contracts, and tutors. The college faces the growing challenge of providing basic resources for staff and students to support its mission of student success. It is apparent the college must explore revenue generation opportunities to offset some of its expenditures. The college recently formed a partnership with FilmLA to market the campus for filming; the new Community Services Center will provide additional programs for neighboring residents and businesses; and, the LAVC Foundation is working with the college to bring in non-traditional resources. Additionally, several of the college's new facilities will further revenue generation opportunities.

The College's five year balanced budget plan assumes:

- COLA funding at .85% for future years (2015-16 to 2018-19).
- P1 recalculation revenue of $250,000 that will move forward to future years.
- Utilities escalation of 5% that move forward to future years.
- Achieving a WSCH/FTEF of 575 (ACS 38.4) in Spring 15 and a WSCH/FTEF of 600 (40 ACS) in five years. This assumes that there will be classroom capacity to accommodate the growth.
- 2013-14 savings actions of $502,200 that moves forward into future years.
- 2014-15 savings actions of $401,472 that will move forward to future years.
- Based on the District's Fall 2015 FON projection, attrition of faculty and staff equal to approximately $114,000 for the year 14-15. This savings moves forward into future years.
- District Budget Allocation adjustments for square footage and loss of transitional funding has been included over the five year period.

- Benefit increases have been factored in, net of attrition.
- Increases in District Allocation have been included based on annual FTES growth.

The sum of these assumptions results in the following: *(See Table 2 for Details)*

- **2014-2015:** The College is projecting an ending balance of $81,246.
- **2015-2016:** The College is projecting an ending balance of $438,716, which includes a debt repayment of $558,037.
- **2016-2017:** The College is projecting an ending balance of $164,527, which includes a debt repayment of $558,037.
- **2017-2018:** The College is projecting an ending balance of $211,039, which includes a debt repayment of $558,037.
- **2018-2019:** The College is projecting an ending balance of $540,361, which includes a debt repayment of $279,019.

Table 2

Multi-Year Budget Plan

Los Angeles Valley College

5 Year Financial Stability Plan

	Projection	Projection	Projection	Projection	Projection
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
TOTAL REVENUES/SOURCES	51,970,391	51,970,391	51,970,391	51,970,391	51,970,391
TOTAL EXPENDITURES / USES	53,901,900	53,901,900	53,901,900	53,901,900	53,901,900
Staff Savings		8,207	8,207	8,207	8,207
Accreditation	100,000				
Foundation Donation	19,500				
Excess Dedicated Revenue	150,000	150,000	150,000	150,000	150,000
P1 Recalculation Revenue	250,000	250,000	250,000	250,000	250,000
Revenue for Salary Increase	571,645				
Certificated 4% Salary Increase	(898,022)	(898,022)	(898,022)	(898,022)	(898,022)
Classified 4% Salary Increase	(282,935)	(282,935)	(282,935)	(282,935)	(282,935)
Benefit costs due to Salary Increase	(231,727)	(231,727)	(231,727)	(231,727)	(231,727)
Utilities Adjustment to 5%	120,566				
Growth Supplement 4.75%	593,875				
Base Increase Revenue		1,248,019	945,490	963,465	981,440
Additional Revenue from Growth 2%		945,490	963,465	981,440	1,003,011
COLA .85%		517,377	527,742	538,303	549,062
Attrition (3 x 90,000)		270,000	270,000	270,000	270,000
Part-time faculty to meet Attrition (30 classes x $5,200)		(156,000)	(156,000)	(156,000)	(156,000)
Reinstate 13/14 Saving Actions	148,344	148,344	148,344	148,344	148,344
Current Year Saving Actions	401,472	401,472	401,472	401,472	401,472
Deferral of 2014-15 Debt Repayment	558,037				
Fully Fund 4.75% Growth (2,000 x 256)	512,000				
Savings from 50% Debt Repayment					279,018
Current Year Impact	2,012,755	2,490,791	2,216,602	2,263,114	2,592,436
		-		-	
FUND BALANCE	$ 81,246	$ 438,716	$ 164,527	$ 211,039	$540,361

Conclusion:

It has taken a number of years for LAVC to accumulate its debt and routinely end the fiscal year with negative balances. The implementation of "zero-based" scheduling, savings through attrition, and leveraging revenue generation opportunities will gradually bring the college's future ending balances to the positive. As it is with any plan, there are many assumptions built into the scenarios presented above, over which the College has little to no control. The college community has come together to articulate and implement planning strategies for:

1. Enrollment management
2. Fiscal review and oversight of the college's budget
3. Containing expenditures within the limits of the college's budget allocation
4. Generating revenue beyond FTES enrollment
5. Fostering an environment for student learning and achievement
6. Debt waiver for 2014-2015 based on the fact that the college has a new President
7. Fully funding the 2% over-cap
8. A subsidy for the 11 FON Growth positions

The last item, the FON subsidy, is needed to help the district meet its FON while also helping the college address its Accreditation Recommendation #8 regarding fiscal stability. The college is currently working on its Follow Up Report, which is due to the ACCJC by March 15th; a Follow Up Visit will be scheduled for late March/early April. The FON is very real for the district, and it's imperative for LAVC to not fall behind in terms of meeting the 75/25 goal; however, the ACCJC does not concern itself with the FON. Rather, the ACCJC is focused on adequate resources to support the business of the college. A subsidy for the Growth FON positions would address both of these issues.

The next two or three years may be the most difficult in the history of Los Angeles Valley College. However, the college community is committed to achieving fiscal stability and strengthening the legacy of an institution referred to as "the gem of the Valley."