



# The Los Angeles Community College District

## Moratorium Update

### Agenda

1. Why the Moratorium
2. Moratorium Chronology and Releases
3. Amended District Budget Allocation and M&O
4. Current Moratorium Figures
5. Moratorium Cost Impact Analysis
6. Decommissioning or “Mothballing” Analysis
7. What the Moratorium has Accomplished

Board of Trustees  
Capital Construction Committee  
August 22, 2012

## Why the Moratorium?

### **State Controller's Office (SCO) Audit in August 2011:**

- Problems with decentralized bond management.
- Need for stronger District controls over college spending practices.
- Questions on ability to pay increasing M&O costs of facility expansion:
  - Operational deficits; and
  - State budget shortfalls.

### **Building Program Review Panel (BPRP) Report recommending:**

- New project moratorium to verify colleges' ability to assume capital and M&O cost assumption.
- Stronger centralized controls to address budget and performance standards.
- Review enrollment and space need relationship at colleges and satellites.
- Review reserve levels.
- Clarify the role of shared governance.

## Why the Moratorium?

- **State has significantly decreased District Operating Budget:**

2008-2009 cut = \$ 6.0 million

2009-2010 cut = \$ 47.0 million (categorical and general)

2011-2012 cut = \$ 46.6 million

**= \$99.6 million actual to date**

2012-2013 cut = \$ 31.3 million (if tax initiative fails)

**= \$130.9 million**

- **Reduced Operating Budget has significantly impacted Enrollment:**

→ Funding cut would translate into Districtwide enrollment decrease:

109,000 FTES high in FY9/10 to

88,000 FTES low in FY12/13

**21,000 FTES decrease in 3 years**

→ In FY 12/13 that equates to:

1,500 fewer class sections

15,000 fewer students served, and

60,000 fewer class seats available

→ FY 12/13 cuts are on top of 7,525 class section reductions since 2007.

## Moratorium Chronology and Releases

**October  
2011:**

- **Board resolutions** to strengthen oversight and control:
  1. **Master Budget Plan** to “lock-in” a baseline scope and budget at the project level for all remaining work at the colleges versus the previous total college allocation;
  2. **Budget Transfer Authority** requiring district or other increased approvals in addition to the CPM and college President approvals, for changes to project scope or amounts exceeding certain levels;
  3. **Fund Source Mapping** to identify and control the proper use of A/AA/J funds on college projects in accordance with ballot bond measure project lists; and
  4. **M&O funding analysis** to regularly report on costs and ability to fund maintenance of expanded facilities.
- **Board Ad Hoc Committee** formed to consider additional policies to further strengthen oversight and control.
- **Interim \$500 million Moratorium imposed** on projects that had not started, to study ability to fund M&O. \$2.4 billion of design and construction already underway continues.

## Moratorium Chronology and Releases

### December 2011:

- **District completes M&O study** and reports to Board concerns on ability to fund increasing M&O costs, and that facility construction may be outpacing enrollment.
- **Dashboard Report forecasts possible \$120 million shortfall** based on recently approved Master Budget Plan, and if action is not taken now.
- **Moratorium is Expanded to \$1.9B** for any projects not already in construction.
- **Colleges to continue moratorium projects** over 3-12 month period to appropriate “breakpoints.” Prior to reaching “breakpoints”, \$770M and 100 projects were released, as of June 30, 2012.

### January 2012:

- **Colleges to prepare and submit project data**, prioritization and written requests for those projects that may qualify for release from the moratorium.

## Moratorium Chronology and Releases

- Feb 2012:**
  - **Released** 56 projects totaling \$185M from the moratorium.
- April 2012:**
  - **Released** 39 projects totaling \$415M from the moratorium.
- May 2012:**
  - **Board passed resolutions** to further strengthen controls:
    1. **District Reserve** re-established to set aside \$160 million for the risks associated with contractor claims, defaults, unforeseen conditions, and other unbudgeted costs;
    2. **Deferred Maintenance Fund** established to set aside a fixed amount each year from the General Fund to address postponed and emergency facility repairs and maintenance work.
  - **Risk Assessment firm retained** to confirm appropriate level of District Reserve and when funds may be released.
  - **New Facility Database** created to correct discrepancies between the State's FUSION database and the current and projected facility SF growth and enrollment at the colleges. A number of campuses reported more favorable results resulting from previously unidentified demolition, changes in use and more accurate SF figures.

## Moratorium Chronology and Releases

**June 2012:**

- **Released** 5 projects totaling \$170M released from the moratorium.
- **Amendment to Operating Budget Allocation** approved by Board as recommended by DBC to fund minimum levels of administration staffing and maintenance and operations (M&O) costs.

### Minimum Administrative Staffing

- (1) President
- (3) Vice Presidents
- (1) Institutional Research Dean
- (1) Facilities Manager
- (4-12) Deans depending on FTES

**District-wide this is approximately \$8.3M a year**

### Maintenance and Operations (M&O)

- New allocation distributes M&O budget to colleges on a district-wide average cost standard.

**District-wide this is approximately:**  
**\$54.0M FY12/13 Current (\$8.36/SF)**  
**\$61.5M FY 15/16 End of Program**  
**\$ 7.5M or 14% increase**

### Remaining Revenue

- Priority is given to minimum Admin Staff and M&O before distributing the balance of the College's budget, which is based on FTES.

### M&O Transitional Funding

- Provides \$10M over 3 years for 3 colleges to adjust to reduced M&O budgets from the new allocation model.
- Six colleges get increased funding from new model.



# Board of Trustees

Los Angeles Community College District

**ACTION**

Com No. BF4

Division: BUSINESS AND FINANCE

Date: June 13, 2012

**Subject: AMENDMENT TO BUDGET ALLOCATION MECHANISM**

Approve the District Budget Committee (DBC) recommendations to amend the Budget Allocation Mechanism, adopted by the Board of Trustees on February 07, 2007 (Board Communication BF2, dated 02/07/2007), to increase the College Basic Allocation to include minimum administrative staffing and maintenance and operations (M&O) costs as delineated in Phase I, as follows:

**PHASE I - Increase the College Basic Allocation to include minimum administration staffing and maintenance and operations (M&O) costs (Attachment I)**

A. Each college shall receive an annual base allocation to fully fund the following:

1. **Minimum Administrative Staffing:**

- a. (1) President,
- b. (3) Vice Presidents,
- c. (1) Institutional Research Dean,
- d. (1) Facilities Manager,
- e. Deans
  - i. (4) Deans => small colleges (FTES < 10,000),
  - ii. (8) Deans => medium colleges (FTES >= 10,000 and < 20,000),
  - iii. (12) Deans => large colleges (FTES >= 20,000);

2. **Maintenance and Operations costs** based on average cost per gross square foot

After allocating the minimum base allocation in items 1 and 2 above, all remaining revenue (except non-resident tuition, dedicated revenue, and apprenticeship revenue) shall be distributed to colleges based on their proportion of the District's funded FTES.

**B. Transition Funding:** The Committee recommends that the District set aside necessary funds from the District's reserve (or new revenue) in order to mitigate the adverse effect on any college that experiences a reduction in its allocation as a result of the implementation of this change. The reduction will be implemented as follows:

- 1. No reduction in the first year (2012-13) to any college
- 2. One-third of the allocation reduction in the second year
- 3. Two-thirds of the allocation reduction in the third year
- 4. The full allocation reduction in the fourth year

C. The Committee also committed to addressing the remaining allocation issues in PHASE II for implementation in the 2013-14 fiscal year.

D. There will be an annual assessment of the allocation model

Recommended by: Adriana D. Barrera  
Adriana D. Barrera, Deputy Chancellor

Approved by: Daniel J. LaVisa  
Daniel J. LaVisa, Chancellor

Chancellor and Secretary of the Board of Trustees

By: \_\_\_\_\_ Date: \_\_\_\_\_

Candaele _____	Santiago _____
Field _____	Svonkin _____
Park _____	Veros _____
Pearlman _____	Campos _____
Student Trustee Advisory Vote	



# Current Moratorium Figures

---

## **\$1,900,000,000 Expanded Moratorium in December 2011**

---

- 770,000,000 Released from Moratorium thru June 2012
  - 160,000,000 District Reserve established June 2012
  - 65,000,000 Dashboard Forecasted Shortfall
  - 180,000,000 Releases in process or expected shortly
- 

## **\$ 725,000,000 Currently in Moratorium**

---

**\$490M**  
Awaiting college  
and satellite  
actions that are  
not subject to  
the moratorium

- 170,000,000 College Hold (best use remaining funds) / Scope Definition
  - 110,000,000 Colleges Resolving Budget or Cash Flow
  - 140,000,000 Southgate Final Definition and Master Plan
  - 85,000,000 Remaining Satellites
  - + 65,000,000 If portion of Satellites used to offset Dashboard
- 

## **\$ 285,000,000 Amount Remaining in Moratorium**

---

**\$285M Remaining in the Moratorium due to Capacity Load Ratio issues**

# Cost Impact Analysis

**Various cost models were prepared to analyze the possible increase in costs if construction was delayed due to the moratorium. Key findings and results:**

1. No cost escalation has been experienced during the period of moratorium in bid results or pricing.
2. No cost escalation predicted by construction economists.
3. More than \$575M design work continued during moratorium unless stopped or canceled by Colleges.
  - \$400M was for design/build contracts that progressed to DSA approval while moratorium analysis underway. Legal review was obtained upfront to mitigate possible delay cost impacts.
4. Management staffing was right-sized at the colleges during the moratorium.
5. Projects were released faster than anticipated and the majority of projects await College or Satellite action:
  - \$490M on hold at college request, until college defines the scope of the project or resolves budget issues. \$85M involves remaining satellite projects; and
  - \$225M is in District Reserve and Dashboard shortfall.
6. Much of \$285M remaining in moratorium due to enrollment or the possibility of building excess capacity, is expected to be resolved and released before escalation is projected to grow significantly.

## Decommissioning or Mothballing

Decommissioning or “Mothballing” facilities was investigated at the request of the Board due to concerns that construction costs could escalate significantly during the period it takes for State funding to return and allow enrollment to increase to a level that justifies adding more lecture, lab, office or other educational space than has already been constructed.

1. The concept is to construct new buildings now while pricing is favorable but not open the facilities until enrollment needs merit activating the space.
2. A number of cost scenarios were evaluated. However, since project releases from the moratorium have progressed faster than most anticipated and after evaluating the possibility, no projects appear to be appropriate for decommissioning or “mothballing” at this time.
3. Bond Counsel has indicated that bond funds cannot be utilized for decommissioning or “mothballing.” As a result, any mothballing costs must be paid by the colleges’ or district out of operating funds.

## What the Moratorium has accomplished

1. Best use of remaining funds.
2. Operating Budget Allocation Amendment.
3. District Reserve was established.
4. Budget shortfalls for remaining college projects were identified and addressed.
5. Possible overbuilding is being evaluated prior to moving forward.
6. Bungalow and modular facility removal.
7. Stronger controls were put in place through Board Resolutions, District and BuildLACCD actions.
8. New Facility Database created.
9. Deferred Maintenance Fund established.

**LACCD Building Program**  
**Status of Remaining Moratorium Projects**  
11/30/12

College	Project ID	Project Name	Current Unexpended Budget (11/19/2012)	Released Date	Conditional	Budget Issue	CLR Issue	Completion of Programming Required	Satellite - Awaiting Direction
City	01C-173.02	RWGPL - Landscaping/Hardscape Improvements	\$16,499,996	4/20/12	√			■	
	01C-149	Demolition of Men's Gym, Pool, Maint & Misc Bungalows	\$364,386			■			
East	02E-232	Health Careers Center	\$3,711,976			■			
Harbor	03H-329	Old Administration Modernization	\$12,453,837	10/27/12	√				
	03H-350.01	Student Union	\$47,226,529	10/27/12	√				
	03H-350.07	SPS / Health Center	-\$14,082			■			
Mission	04M-419	Campus Modernization Phase 1	\$2,664,515	4/20/12	√	■			
	04M-420	Campus Modernization Phase 2	\$3,454,294	4/20/12	√	■			
	04M-406	Student Services/Admin Swing Space	\$28,217,579				■		
	04M-409	Learning Assistance Center	\$563,448			■			
	04M-423	Athletic Complex	\$20,675,912			■			
	04M-485	Master Planning (Traffic Mitigation)	\$0			■			
	04M-473.15	RWGPL (Pedestrian Access & Street Improvements)	\$426,712			■			
	04M-474	East Campus Entrance and Grounds	\$0			■			
		Contribution to Program Reserve (\$14,760,179)				■			
Pierce	05P-521	Horticulture Facilities	\$16,717,633					■	
	05P-532	Green Technologies Building	\$4,165,331					■	
	05P-533	Digital Arts and Media Building	\$46,320,593					■	
	05P-534	Agricultural Education Center	\$5,029,095					■	
	05P-536	Expanded Automotive and New Technical Education Facilities	\$29,771,111					■	
	05P-543.01	Parking Lots and Roadways Phase III (Lot 5 & 6 East)	\$2,905,739					■	
	05P-543.02	Parking Lots and Roadways Phase IV (Anthropology/Geography)	\$2,014,525					■	
05P-546	West Central Plant	\$5,394,501					■		
Southwest	06S-618	School of Math & Sciences Phase I and II	\$18,080,263	2/20/12	√				
	06S-632	School of Arts and Humanities	\$26,338,695				■		
Trade	07T-709	Art and Culinary Arts Building	\$33,376,888	6/25/12	√			■	
	07T-715.04	Fashion and Fine Arts Building - Phase II	\$13,475,410			■			
	07T-727	Wellness Center	\$213,082			■			
Valley	08V-801	Media and Performing Arts Center	\$79,181,873				■		
West	09W-907	Career Education	\$563,764					■	
	09W-941	Physical Education & Dance	\$7,471,836					■	
	09W-951	Technology Learning Center	\$25,471,296					■	
	09W-950	Watson Center	\$3,994,161					■	
Energy	40J-701.03	Trade - Building "F" PV	\$8,986,296					■	
	40J-901.03	West - Parking Lot 7 PV	\$4,790,268					■	
Satellite	10D-108	Health Careers Academy at County General	\$13,017,275						■
	22G-261	Firestone Factory Building	\$126,567,089						■
	40J-404	Satellite - Mission	\$24,975,263						■
	40J-804	Satellite - Valley	\$5,000,000						■
	40J-904	Satellite - West	\$39,890,698						■
Stormwater	40J-J09	Campus Wide Storm Water Implementation	\$13,817,753					■	
Technology	40J-J05.03	Connect LACCD Network	\$27,441,113	10/1/12	√				
	40J-J05.22	Servers & Support Equipment	\$19,425,851					■	