



Los Angeles Valley College

Executive Summary of Current Status and Recommendation

Date of Last Follow-Up Visit: April 28, 2014

Current status: **Warning** (*reaffirmation is delayed, but institution remains accredited*)

1. LAVC satisfied all but one recommendation received during its last Comprehensive Visit (March 11-14, 2013) in its first Follow-Up Report in Spring 2014.
2. This Follow-Up Report is due to the ACCJC by March 15, 2015.
3. A Follow-Up visit by ACCJC Commission representatives will occur in late March/early April.

College Recommendation #8

To fully meet the Standards, the college should establish appropriate management and control mechanisms needed for sound financial decision-making. The Institution should ensure that it has sufficient cash flow and reserves to maintain stability with realistic plans to meet financial emergencies and unforeseen occurrences and to ensure long-term financial stability. The team recommends that the President effectively control budget and expenditures (Standards III.D, III.D.2.c, IV.B.2, IV.B.2.a, IV.B.2.d).

DRAFT



**Los Angeles Valley College
5800 Fulton Avenue
Valley Glen, CA 91401**

FOLLOW-UP REPORT

March 15, 2015

**Submitted to the Accrediting Commission for
Community and Junior Colleges**

**Western Association of
Schools and Colleges**

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Since the Follow-Up Report and Visit to Los Angeles Valley College in Spring 2014, significant progress has been made to resolve the college's financial issues. While LAVC ended the 2013-2014 year with a \$707,588 operating deficit, the steps taken to reduce the size of the deficit demonstrates that the college rose to the challenge to make difficult decisions and significant cuts. Those actions, which have been carried into the 2014-2015 fiscal year, are the reason the college is on track to grow in a fiscally-sound manner and to pay back its debt to the district on schedule.

Administrative Stability

In Spring 2014, the Visiting Team expressed concerns about the College's administrative "instability," especially in terms of budget oversight. At the time of their visit, the College was being led by an Interim President and the Vice President of Administrative Services (CBO) had recently left for another position outside of the district. The administrative staff of LAVC is now permanent. A new President was hired in late Spring and began on August 1st. The new Vice President of Administrative Services began on September 1st. The Vice President of Academic Affairs and the Vice President of Student Services were at the College for the Spring 2013 Comprehensive and Spring 2014 Follow-Up Visits; both provide invaluable continuity and perspective to the executive leadership team of the College that is now stable and focused on addressing both the fiscal and accreditation issues.

Appropriate Management and Control Mechanisms

The budget and accreditation concerns of the College are intertwined. Thus, resolving one is required to resolve the other to, among other things, gradually improve the college's cash flow as well as to build a reserve that will address long term stability and meet financial emergencies. As part of this process, the new President was acutely aware of the need for close oversight of the budget to avoid cost over-runs and to demonstrate that the college was meeting all accreditation standards related to fiscal integrity. Shortly after the Interim President started in October 2013, she instituted a process to ensure that all expenditures on items big and small had to be approved by the President and all three Vice Presidents. While this certainly provided significant scrutiny of expenditures, it also made conducting the business of the College unnecessarily slow and cumbersome. When the new Vice President of Administrative Services started, the new President instructed him to develop a process that empowered College personnel to manage their budgets properly without a lengthy approval process. The Vice President developed a monthly reporting process to keep supervisors apprised of their budget status and to alert them to any potential cost-overruns. (Sample Budget Reports) As well, the Vice President

required prior approval for over-time, and conducted a review of the A and B shift employees to ensure that employees being paid for working the B Shift, which includes a 6.9% differential, were actually needed at that time and working their shifts accordingly. Through this review, the college realized approximately \$10,000 in on-going savings starting in 2014-2015. Additionally, the College has identified approximately \$400,000 in savings through a combination of staff attrition and strategic use of Student Equity dollars, where appropriate, in 2014-2015 that will carry into future years.

Since the new President and Vice President of Administrative Services arrived at the college, a great deal of effort has been made to share budget information with all college constituencies. At the request of the President, the Vice President of Administrative Services has shared the monthly and quarterly budget reports submitted to the District with the College's Budget Committee, the Institutional Effectiveness Committee, the Administrative Leadership Team, and the President has included budget information in campus-wide emails. (Agendas/Minutes) The College's Budget Committee worked throughout Fall 2014 to develop its committee charter, and after some feedback from the Institutional Effectiveness Committee, the charter should be fully approved in early Spring 2015. As well, a small, representative group has begun work on a refinement of the College's Shared Governance structure and handbook to further ensure appropriate channels for feedback on the budgeting process, program review and a clear link between program review and resource allocation. This has helped to solidify the need for, and role of, the College's Budget Committee in providing feedback and perspective to the administration on the budget as it is being developed and prior to implementation.

In the Los Angeles Community College District's efforts to exercise appropriate fiscal control over all 9 colleges, both monthly and quarterly fiscal reports must be submitted by each college throughout the year. While the district would like all of the colleges' budgets to be balanced in each monthly report, because funds are dispersed to the colleges throughout the year, in most cases, not all colleges are in positive territory each month. The quarterly reports are more significant and involve corresponding visits by the District Chief Business Officer and her staff. During these visits, each college is required to provide an update on both its fiscal health and its enrollments, in addition to offering any corrective action plans if the colleges' budgets are projected to be in deficit. At LAVC's first quarterly report and subsequent meeting with the district, the college reported a deficit of approximately \$1.5 million for 2014-2015, and explained its plan for achieving a balanced budget. (Quarterly Budget Report) It should be noted that LAVC was not the only college to report a deficit in the first quarter; three other colleges were also in deficit. (Board Budget and Finance Committee Report 12/3/14)

Achieving a Balanced Budget and Enrollment Management Efforts

As presented, the College's plan to balance its budget had three components, all of which the District CBO indicated had to be reviewed and approved by the Executive Committee of the District Budget Committee. (ECDBC) These requests were timely, as the College was already required to present its updated response to the recommendations made by ECDBC in January 2014 in time for the January 6, 2015 ECDBC meeting. (Response to ECDBC Report; ECDBC Agenda).

In its Response to the ECDBC Recommendations, the College addressed two recommendations. The first required that “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.” For the 2013-2014 year, the college planned on meeting the base FTES with 1.63% growth by scheduling classes for Summer, Fall, Winter and Spring sessions. In December 2013, the college submitted to the ECDBC its plans to implement a five-year enrollment plan to achieve growth targets increasing the average class size from 38.2 (actual enrollment per section) in spring 2014 to 40 in succeeding semesters (WSCH/FTEF from 575 in spring 2014 to 600.) The College Brain Trust consultants indicated that an average class size of 40 was an achievable goal for the College, although how quickly the College could reach that number was still an open question. In addition, the Office of Academic Affairs identified areas of low efficiency and high efficiency in the spring 2014 schedule, resulting in reducing the allocated Spring 2014 FTEF by seven. Data used to identify low efficiency areas were a 3-year class average by course and subject and the Fall 2012 Data Book published by the District Office.

In Spring 2014, the college confirmed that it reached its proposed target of an average class size of 38.2, and reassessed its five-year enrollment plan to reflect a more attainable average class size (actual enrollment per section) to be 39 (WSCH/FTEF 585) in succeeding years. Added to the calculation of whether the College could reach the original goal of 40 was the realization that the classroom capacity of the campus will not be sufficient to reach that number until the bond-funded building projects are completed in Spring 2018. In Spring 2014, after the district confirmed that it would offer full funding for 2% additional growth, the college decided to offer a larger summer session. As a result of its efforts, the college reached its 2013-2014 FTES targets while still pushing additional FTES into the 2014-2015 year.

Similar to the previous year, the college planned to offer a small Summer, in addition to Fall, Winter and Spring schedules designed to reach base and 2.75% plus an additional 2% growth for a total of 4.75% growth, or what the district’s growth target is for each college in 2014-2015. Fall 2014 showed strides in efficiency by yielding a higher average class size than previous Fall sessions due, in part, to fewer section offerings.

In preparation for creating the 2015 Fall schedule, the Academic Affairs division is continuing to review low and high efficiency areas while confirming that the courses offered solidify pathways to degree, certificate and transfer completion. In addition to analyzing the efficiency of the schedule and the amount of revenue it can generate, as part of the Dean and department chairs’ review of a wide range of data through the college’s comprehensive program review process, they will complete a two-year scheduling program for each discipline (2015-2017). This “full-time faculty based scheduling” process will also ensure that course loads for full-time faculty will be designated first before adding increased section offerings, and cost, to the schedule.

Clearly, generating FTES in an efficient manner is the primary way that LAVC will ultimately emerge from debt and begin to accumulate a reserve. However, having a 5-year budget plan is the other half of fully addressing the college’s financial issues, which was the focus of the second ECDBC Recommendation: “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 re-assigned/release time, athletic program and the Child Development Center Program.”

As part of the College’s response to the ECDBC Recommendations, the college put forth a multi-year Balanced Budget Plan that assumed a minimum of 2% growth per year over the next five years. In addition, the College continues to evaluate vacant classified positions, very few of which have been filled over the past 9 months. The college has implemented \$500,000 in saving actions from the 2013-2014 and identified an additional \$400,000 of savings for 2014-2015; these savings will be continued going forward over the next five years.

Since the Brain Trust’s recommendation to specifically review faculty reassigned “by general fund dollars,” over the last two years, the college has decreased its general-funded reassigned time positions by 2.5 FTE. Currently, the general fund designates approximately 4.0 FTE for reassignments and non-teaching hourly. Department chair and vice-chair released time, which currently totals 11.7 FTE, is required by the faculty collective bargaining agreement. (Reassigned Time Chart) Careful analysis of the college’s reassigned time demonstrates that general-funded reassigned time is not excessive, and that it is imperative to distinguish between reassigned time that is contractually required, that which is in service to shared governance, and the reassigned time that supports specially-funded programs at no cost to the college.

The Office of Academic Affairs continues to closely monitor reassigned, released 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 in Spring 2015. The college is also currently evaluating the possible elimination of reassigned time for SLO coordination, currently totaling .6 FTE, but any decision about this position will not be made unless an alternative way of managing the College’s SLO process is identified. Such analysis is necessary to demonstrate that all efforts to reduce Program 100-funded reassigned time have been considered. Reassignments to shared governance committee chairs have decreased from 1.4 to 1.0 due the college’s decision to move the Hiring Planning Committee functions to the Academic Senate, and by having the Vice President of Academic Affairs chair the College’s Institutional Effectiveness Council.

The ECDBC Recommendations report also required the College to review the financial health of the Child Development Center (CDC) and to evaluate whether any additional cuts to Athletics should be considered. A careful analysis of the CDC budgets for the past four years demonstrates that the Center, whose \$1.1 million budget is funded largely by State and Federal grants, is healthy and has consistently ended each year with a positive fund balance. The CDC provides excellent early childhood education to over 150 children, in addition to providing a vital learning laboratory experience for the College’s ECE students. In terms of Athletics, the men’s and women’s Track and Field and Cross-Country teams were cut in Spring 2014, and additional cuts of approximately \$80,000 were made to save general fund dollars, including funding for the Sports Information Director and funds to support team travel; the reduction in the number of

sports also resulted in a reduction of .2 of reassigned time for the Athletic Director. While other cuts to Athletics are being considered, despite some ECDBC members' assumption that it was possible for the majority of Athletic programs to be cut, during the January 6th, 2015 ECDBC meeting, the LAVC President argued that cutting athletics entirely was imprudent given the current construction of a \$31.7 million dollar bond-funded Athletic Training Facility, not to mention other facilities already constructed with bond funds.

Executive Committee of the District Budget Committee Requests

In fact, the focus of the January 6th ECDBC meeting was both a review of the College's response to the prior year's ECDBC recommendations and, more importantly, consideration of the College's requests for three avenues to achieving a fully balance budget for 2014-2015 and beyond.

The first request was that the College's debt payment of \$558,037, which was already taken out of the College's 2014-2015 budget, be waived. The justification for this request came from the LACCD policy that allows for a waiver of the debt payment in any year that there is an Interim and/or a newly hired College President. (ECDBC/DBC Agendas, Minutes) The ECDBC noted that when this policy was approved by the Board, the assumption was that it would apply to an Interim or a new President, but that it was not necessarily intended to apply to the College in consecutive years. However, the ECDBC members understood the need to relieve the college of this large financial burden, and ultimately approved a deferral, rather than a waiver, adding the payment to the total outstanding debt repayment schedule.

The second request the College made of ECDBC was that the district fully fund the 2% over-cap at the full FTES rate, rather than at the \$2000 per FTES the DBC had approved in August 2014 (DBC Agenda/Minutes). The justification for this request was the district-wide goal of achieving 4.75% FTES growth, and since the district funds growth in the current year to achieve the target, it was imperative that the college earn the maximum possible in order to both achieve the growth and to do so within budget. As the budget plan submitted indicates, being funded at the full rate for FTES would, in conjunction with all of the other actions taken by the College, result in a balanced budget at the conclusion of the 2014-2015 fiscal year and beyond. ECDBC found this request to be sound and recommended the College be paid \$4000 per FTES for the 2% over-cap to the Chancellor and District Budget Committee.

The third and final request made by the College to the ECDBC was to provide a subsidy to the College for the 11 growth positions required as part of the district's Faculty Obligation Number. (FON) In Fall 2014, the Board of Governors "unfroze" the FON for California Community Colleges thanks to sufficient funding through the passage of Proposition 30 in 2012 for enrollment growth across the state. The result for the LACCD was an increase of 86 positions for Fall 2015, and LAVC's share of those positions is 11. (FON Chart). LAVC is currently at 58% Full-Time to Part-Time Ratio. Discussion in the district in recent years had set the target goal for each college is to be as high as a minimum of 65% FT/PT. (Garber Chart) Although the Spring 2014 Visiting Team was concerned about the expectation that LAVC contribute to meeting the FON, which is a district obligation, the sheer number of growth positions for the district made transferring any of LAVC's obligation to another college impossible. In addition

to the 11 Growth positions, LAVC also anticipates having to fill 10 replacement positions. Of these 10 replacement positions, 2 are carry-over positions from the 2013-2014 College FON obligation, because during that year, the College chose to only fill 50% of its replacement positions. In terms of saving the college money, not filling those positions was prudent. However, that decision was made in the context of the FON being frozen statewide. Now that the FON reflects the current workload and FTES growth for all colleges, this strategy isn't possible for the coming year.

That is not to say that the College could easily meet its part of the obligation, however. To this end, the College requested that the District provide a three-year subsidy for each of the 11 Growth positions. In year 1, the College would receive an additional \$35,000 in funding per position; in year 2, the College would receive an additional \$25,000 per position; and, in year 3, the College would receive an additional \$15,000 per position. These subsidies, in conjunction with a class-by-class swap of adjuncts for full-time faculty by Academic Affairs, will result in class schedules that fully replace part-time faculty with the full-time faculty being hired so as to avoid unintentionally expanding the cost of the schedule. Remaining vigilant in efficient scheduling will also help to manage the cost of meeting the FON.

Lastly, while some might argue that LAVC shouldn't be expected to contribute to meeting the District's FON based on its financial issues, the reality is that LAVC is not the only College in the district currently paying down a debt to the district; therefore, it is unclear as to which colleges should be required to pick up LAVC's burden. Equally important is that if the College were to avoid hiring faculty this year, and even over the next three years, by citing budget concerns, at the end of that time, the College's FT/PT ratio will have plummeted, possibly even below the state-mandated 50%, and because the other colleges in the district will have had to hire in LAVC's place, their FT/PT ratio will be so high that the district might look to LAVC to hire a significant number of faculty to get back on track. In other words, to avoid meeting the College's FON in Fall 2015 would only "kick the can down the road."

Conclusion

Los Angeles Valley College currently meets the Standards and has fully addressed the concerns articulated by the 2014 Visiting Team. The College has worked diligently to create a balanced budget, and while part of the effort to balance the budget does involve some help from the district, such help is appropriate and necessary given the ways in which the College wound up in debt after successive years of deficit spending. Fixing these conditions requires a long-term, multi-faceted process, and the efforts described in this Follow-Up Report will ultimately return the College to solid financial ground.