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OFFICE OF THE CHIEF FINANCIAL OFFICER

Date: June 10, 2015

To: Dr. Francisco C. Rodriguez, Chancellor

From: Jeanette L. Gordon
Chief Financial Officer/Treasurer

Subject: **ECDBC Recommendation**
RE: Harbor College's Request for Deferral of Debt Repayment in 2014-15

On June 02, 2015, the Executive Committee of the District Budget Committee (ECDBC) received the Harbor College presentation by President Dr. Otto Lee and his senior staff on Harbor College's request for deferral of the $923,010 debt repayment for fiscal year 2014-15. The president indicated that the college has put stringent budgetary controls in place to diligently manage its budget, expenditures, and is adjusting its enrollment to achieve its target of 4.75%. $923,010 is a partial installment of the remaining $6.1 million of accumulated outstanding debts over three years from 2007-08 through 2009-10. He also indicated that the debt repayment is a hardship on the college's efforts to balance its budget. Dr. Lee is requesting a deferral of the debt repayment for this year and if the college ends the year with a balance, would apply 50% of that college balance towards the debt repayment for this year.

The ECDBC was pleased to hear of the college's efforts to enhance alternative revenue (golf range), improving student services by establishing the Student Success Umbrella initiatives, and controlling expenditures in the Child Development Center, athletic program budget, and not filling vacant positions including the Bookstore Manager. Some members raised concerns and questions about the college's plan of not filling the bookstore manager position, its uses of M & O Budget, and the high cost programs such as athletic, nursing and culinary programs.

The Committee has reviewed the college's request and recommends that you grant the request contingent upon the college's submission, within 30 days, of a self-evaluation as required in the District Financial Accountability Measures when a college is projecting to end the year with more than a $500,000 deficit.

Enclosed are Dr. Lee's memorandum dated May 5, 2015 and his presentation document to the ECDBC on June 2, 2015 for your review and consideration.

If you have any questions or wish to discuss please call me.

Cc: ECDBC members
Dr. Otto Lee, President
Bob Suppelsa, Vice President
DBC Co-chairs

Los Angeles Harbor College

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Otto W. K. Lee, Ed.D.
President

Date: **May 5, 2015**

To: **Executive Committee of the District Budget Committee**

From: **Dr. Otto Lee, President, Los Angeles Harbor College**

Re: **Request for Deferral of Debt Repayment in 2014-2015 for Harbor College**

Los Angeles Harbor College has worked aggressively and rigorously to manage its budget and control its expenditures. The College has taken very seriously the recommendation from the Accrediting Commission for Community and Junior Colleges (ACCJC) based on their visit in 2012 (which contributed to the College being placed on Probation status). The recommendation indicated, in part, that in order to meet the standard, the college "adequately monitor salary and benefit expenditures and insure the institution practices effective oversight of finances ...". In response the college established mechanisms and controls to effectively and proactively manage its finances. These actions led to reaffirmation of the college's accreditation in 2013.

The budget is a standing item on the weekly Senior Staff meeting of the President with the Vice Presidents; the most up-to date budget data and projections are monitored and analyzed. Major budget decisions are vetted through the Budget Committee and the College Planning Council and discussed at President's Cabinet. The college has embraced a culture of fiscal accountability and transparency. Colleges are faced with the delicate balance of enrollment growth and management of expenditures. In the past, the college had a philosophy of "chasing" enrollment growth even if the budget could not support it. In 2012-2013, the college's unfunded FTES was 107 and in 2013-2014, the unfunded FTES was 496. The associated expenditures were nearly $1.8M. During this current year, the college leadership has adjusted our enrollment strategy and diligently assessed actual enrollments to achieve sustainable growth while minimizing unfunded FTES. No classes were offered during the winter intersession. The latest FTES projections indicate that Harbor College will be within 11 FTES of our 4.75% growth target of 6977.

Stringent budgetary controls are in place. Purchase requests, service agreements, travel approvals and other related requests require multiple signatures (including the President's). This constant oversight and conscientious decision-making based on critical needs and available resources have yielded cost savings. For example, the Child Development Center ended last year with a surplus balance and is projected to end this year with a positive balance of over $40,000. The college's athletics budget has been trending downward over the past few years, yielding annual savings of $60,000. There are no plans to fill a number of permanent staff positions including the Book Store Manager. At the same time the college will fulfill its Faculty Obligation Number (FON) and reduce its hourly faculty budget accordingly.

The $923,010 debt repayment is debilitating to the college. This is a severe handicap to the total college budget of $30.8M. It is the highest repayment among the 5 colleges which are subject to the repayment. For 2013-2014, the college would have had a negative ending balance if not for the deferral of the debt repayment.

With the endorsement of the LA Harbor College Academic Senate, the administration, and all the governance groups and bargaining units, I request a deferral of the debt repayment for this year, 2014-2015. If there is a positive ending balance at the end of the year, the college would apply 50% of that balance toward the debt repayment for this year.

The accreditation standards specify fiscal responsibility and stability, stating that "the institution has sufficient cash flow and reserves to maintain stability ...". Moving forward, the college will continue to be vigilant in its expenditures and ensure that these expenditures are within its budget. It will also continue to aggressively pursue alternative and sustainable funding sources.