FOR REVIEW AT FEBRUARY 13, 2012, DISTRICT COUNCIL MEETING DISTRICT-WIDE COST REDUCTION PLAN FOR THE 2012/13 FISCAL YEAR

BACKGROUND

The adopted 2011/12 Final Budget includes an estimated \$4.0 million deficit funded from expenditure of one-time funds. Any additional shortfall resulting from mid-year state apportionment cuts will be back-filled from Land Corporation income. The Land Corporation will withhold funding for the usual Special Project requests pending a more definitive statement on the state budget and effects on community college funding. The Board of Trustees has approved a staff recommendation that one-time funds and potential Land Corporation funds be used to sustain service and staffing levels in 2011/12. The Board has directed staff to prepare a balanced 2012/13 budget proposal for Board consideration not later than February, 2012.

PROJECTED DEFICIT FOR 2012/13

The 2012/13 deficit is projected to be \$6.0 million. This deficit is the sum of the \$4.0 million deficit carried from 2011/12 plus approximately \$1 million for currently contracted employee salary schedule movement, higher PERS employer rates and unavoidable supply cost inflation plus \$1.0 million on-going mid-year "trigger" reduction. For purposes of 2012/13 budget planning, we project that about \$1 million in one-time funds can be saved through existing program efficiencies resulting from budgeted and unfilled positions and under expenditure of authorized budgets. The remaining \$5.0 million deficit will require planned cost reductions across the District.

COST REDUCTION PLANS

- 1. A balanced budget may require \$3 million in district-wide expenditure reductions. This will be referred to as the "\$3.0 million cost reduction plan." A \$3 million cost reduction plan is likely to require elimination of some student programs and employee layoffs.
 - a. The expenditure reduction will be apportioned to the three locations as follows:
 - i. 18% District Services based on the 2011/12 share of total District expenditures after deduction district-wide fixed costs. This is a reduction of \$540,000.
 - ii. 53% (of the remainder) West Valley College based on FTES enrollment. This is a reduction of \$1,303,800.
 - iii. 47% (of the remainder) Mission College based on FTES enrollment. This is a reduction of \$1,156,200.
- 2. Budgeted positions as of July 1, 2011, are included in each location's current budget. Each location is encouraged to begin immediately on preparing a budget reduction plan to consider staff restructuring rather than filling current or future position vacancies to contribute to the respective location budget reduction plan.
- 3. The delta savings for any fulltime faculty replacement can be included in the college budget reduction plan. (i.e. If the person hired costs \$30,000 less than the current budget for a position currently filled position, that amount can be included).
- 4. The delta net savings for reorganization of administrative and classified positions can be included in the college or District Services budget reduction plan.
- 5. The part-time faculty savings for WSCH/FTEF efficiency above 570 that results from instructional program and staffing changes can be included in the college budget reduction plan. A permanent notation in the part-time faculty Resource Allocation Model calculation will be made in the amount of such budget reduction plan until revised at the request of the college and accepted by the Vice Chancellor.
- 6. Part time faculty savings associated with the hiring of full time faculty can be included in the college budget reduction plan. Courses must be identified to validate the savings.
- 7. Full time faculty obligation (FTFO). FY 11-12 budget will include funding for 309.5 FTEF. This minimum faculty position funding is required so that the District can comply with the FTFO. Current unfilled faculty positions and projected vacancies occurring prior to mid April 2012 must be filled. Net savings can be included in the college budget reduction plan.

- 8. Administrative Services Council has endorsed the following procedure for developing the District Services budget reduction proposal:
 - a. Managed Hiring Freeze

District Services shall only consider filling vacant positions after completion of a Needs Analysis by the appropriate hiring authority and demonstration of one of the following: (1) Reorganization that in whole reduces overall staffing levels; (2) Vulnerability control; or (3) Minimum operation of a critical function.

Positions that do not meet the above criteria will be eliminated. Any savings derived as a result of position elimination shall be accrued to the District's portion of required 2012-2013 budgetary reductions.

- b. Evaluation of All Open Positions
 All positions currently vacant at District Services that meet the test outlined in Section A shall be evaluated for permanent or temporary hiring.
- c. Potential Reorganization of College and District Departments District Services, in consultation with the Colleges, shall consider realignment or reorganization of existing departments in order to maximize available human potential, existing technology, and compatibility of services.
- d. Consider reducing costs through implementing opportunities for operation efficiencies and prioritizing services. A plan for reduction of District Services costs in line with overall District financial requirements will be completed by December 1, 2011.
- 9. Mission College and West Valley College have or will adopt procedures to guide plans for the college budget reduction proposal.
- 10. Each of the three locations will utilize participatory governance processes and committees to inform and involve employees in creating cost reduction proposals. Accountability for the timely completion and viability of the proposals rests with the appropriate President and Vice Chancellor. Employee and key stakeholder input will be solicited and considered. The final proposals are the recommendation of the executive manager responsible for each location.
- 11. The \$3 million Budget Reduction Plans are due to the Vice Chancellor by December 1, 2011. The District Finance Department will verify the accuracy of each proposal and report to the responsible executive manager by January 13, 2012.

2012/13 SUSTAINABLE BUDGET PROPOSAL

College and District Services Budget Reduction Plans totaling \$3 million are one component of a broad fiscal and program planning effort to maximize service and economize operations. A \$6 million budget deficit is forecast for the 2012/13 fiscal year. The Vice Chancellor will develop one or more District-wide balanced budget proposals for Board of Trustees consideration in advance of the Board Budget Workshop to be scheduled for February or March, 2012.

The general parameters of a sustainable budget are:

- Securing a year-end fund balance through operational efficiencies and stringent budget monitoring of \$ 1.0 million.
- Land Corporation funding of \$1.5 million per year for a three year period beginning July 1, 2012 to support college instructional and student support services.
- Budget Reduction Plans
- Collective bargaining concessions will be required. The need for service and staff reductions resulting from the Budget Reduction Plans will be mitigated through collective bargaining.