

December 3, 2018

To: Deans and Directors

From: PRAC

RE: Budget Reduction Exercise

During last year's budget development process it became clear that the College must find ways to limit expenditures over the next three years in order to maintain a balanced budget in the face of rising benefits and other costs in the context of anticipated local property tax revenue softening. The College has mitigated pension and other increases by our prudent planning over the last few years. The Tentative Budget, passed by the Board of Trustees in June 2018, forecasts our shortfall due to pension costs and other factors over the next three years, with the bulk of this falling in year two and three (years 19/20 and 20/21).

Background

The College has been doing a good job in effectively forecasting and anticipating financial issues. We have designated trust funds to help mitigate the increases in pension costs, long term retirement liabilities (OPEB), and costs of operating the institution long-term. The District also has a standing reserve policy and procedure that has helped us achieve an AAA bond rating (we are one of only six in the state among community colleges) that allows us to enjoy extremely low interest rates when working with the financial markets. Each of these strategies has put us in as advantageous position as possible.

As you know, we also forecast the budget three years in advance, which has allowed the College to plan for and have pay increases for all bargaining units. All CBAs have been negotiated until FY19/20. This forecasting methodology has proven to be a valuable asset to the College over the last four years and has been improved with PRAC's input year after year.

Despite all of these efforts, we are not immune to the rising pension costs or a potential economic downturn in the economy over the next 12-18 months and need to take additional steps. Toward that end, PRAC recommended no additional institutional expenditures beyond equipment purchases (which come from designated funds solely for this purpose). Dr. Coon also met with PRAC and discussed how the 18/19 year will be a pivotal planning year in regards to forecasting the financial position of the District.

PRAC's Approach

Now comes the time when PRAC needs to consider how to develop and achieve a reduction plan of \$1.5 million per year for the next three fiscal years. This represents just under 7% of the overall budget for the District. This will allow us to mitigate shortfalls, institutionalize some programs, and allow for the increased cost of doing business.

PRAC cannot—and should not—make these types of recommendations in a vacuum. Over the past month we have discussed how to effectively and appropriately undertake this task. Our discussions have resulted in the following approach:

We began by establishing ground rules for our work—

We check our professional and personal biases. We serve as a high-functioning committee that transcends departmental responsibilities.

We solicit input from all campus constituents. We actively encourage people to stay informed and think creatively beyond the status quo.

All College activities and programs are subject to review. There are no sacred projects, programs or functions immune from discussion, examination, and recommendation for potential modification, reduction, or elimination.

We are critical yet fair. We use our creative and critical thinking skills and maintain an ‘all problems can be solved’ attitude.

We then developed the following guiding principles—

All recommendations must be *student centric*, meaning that they should not only impact the least number of students possible, but also consider how we can better help as many students as possible reach their educational goals, whether by changing what we do or how we do it.

All recommendations must be *equity-minded*, meaning that they should call attention to patterns of inequity in student outcomes by critically reassessing our practices, policies, and structures and recognizing stereotypes that harm student success.

All recommendations must focus on *protecting and improving teaching and learning* by illustrating efforts to employ cogent best practices and innovation.

All recommendations must acknowledge that as a community college we are *responsive to our diverse community*, but cannot be all things to all people all the time so we must find creative ways to stay true to our mission.

Your Role

Next, we agreed on a process of campus engagement—of which you are a central part. Between now and March 1st, 2019 we ask that you develop a set of recommendations outlining how your areas will contribute to the three-year budget reduction target of \$4.5 million. We ask that you consider all programs and activities and test all potential recommendations against the guiding principles outlined above. We expect that you will invite broad engagement by faculty, staff, and students in this exercise and ensure that all participants understand the context and guiding principles laid out in this memo. To aid you in this work we suggest the following questions—

1. How do the programs and activities in my area support the guiding principles?
2. Where are we falling short in relation to student success, equity-mindedness, effective teaching and/or learning, and community responsiveness?
3. In the context of the guiding principles, critically assess whether each program/activity is immediately necessary or can be postponed for a time when the District has more resources.

Next Steps

PRAC plans to host a Flex-week session early in Flex week to provide feedback and offer assistance as necessary and is protecting time later in Flex week for you to meet with anyone in your area interested in providing ideas or input to you as you formulate your recommendations. We will also make space within our meeting agenda at our January 29th and February 12th meetings for this purpose. We then anticipate hearing from each area of the College between late February and early April. We will then engage in consultative deliberations between April 9th and May 14th. We must have recommendations forwarded to the President no later than May 14th.

Thank you for your assistance in ensuring the College is able to maintain a balanced budget that leads with our values in the face of external revenue and expenditure forces.

PRAC Meeting Schedule, Spring 2019

DRAFT—January 7, 2019

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| January 17 | Flex Session: “ Planning for COM’s Future: A Look at Budgets, Resources & Opportunities ” 3-5p.m., AC 255 ; Q&A regarding PRAC memo on budget reduction exercise |
| January 29 | FY 20 Budget Assumptions, Part I |
| February 12 | Budget Assumptions, Part II—Draft Recommendations for Revenue/Expenses for FY20 |
| February 26 | Area Presentations |
| March 12 | Area Presentations |
| March 26 | Area Presentations |
| April 9 | Area Presentations |
| April 23 | FY20 Discussions & Initial Recommendations |
| May 14 | Final FY20 Budget Recommendations & Process Debrief |

Note: Additional and/or extended meetings may be necessary depending on area presentations