RESPONSE TO RECOMMENDATION EIGHT

Recommendation 8: In order to meet the standard, the team recommends the College develop a financial strategy that will result in balanced budgets that have ongoing revenues to meet or exceed its ongoing expenditures without the use of reserves; maintain the minimum prudent reserve level; and address funding for its long term financial commitments and its retiree health benefits costs. (III.D.1.a, III.D.3.a, and III.D.4, IV.B.1.c., IV.B.2.d.)

Introduction

The College recognizes that one of its top priorities is developing a financial model that ensures financial stability for both the short and long term. The financial model needs to serve the dual purposes of financial stability and ensuring a resource allocation plan effectively meets the programmatic needs of the College.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Actual FTES	7,086	7,426	7,132	7,290	6,119	6,219
Funded FTES	6,800	7,206	6,929	7,102	6,559	6,219
Total Revenue	35,245,294	37,789,824	36,531,542	37,511,109	34,177,460	33,594,368

We take pride in the fact that during the past years of economic hardship, which included a significant state mandated cut in FTES, the College has met the board's required six percent reserve level on an annual basis, and minimized negative impacts on class offerings. However, we realize that some of the methods used to successfully operate during recent years were of a temporary nature and will need to be reviewed on an annual basis.

However, we also realize that we are in a changing environment and to be successful in the future we must move towards restructuring our financial model so that the temporary one-time measures used in the past such as furloughs, salary freezes and retirement incentives will not be repeated in the future. [Page 272-273 of the Self Study]

The first step in addressing a revised financial model was to determine where changes were needed. To assist in this evaluation, the College, working in conjunction with the Chancellor's Office, contracted with the Fiscal Crisis and Management Assistance Team (FCMAT) to evaluate the financial effectiveness of the College. In doing this, the College was pro-active because typically this approach was only performed after an institution was in a financial condition that might warrant sanction [Contract with FCMAT]. The final report was provided to the College in December 2012 [Final FCMAT Report].

Historically, the budget and planning calendar does not provide enough time for adequate review of the budget and proposed program enhancements by all stake-holders. The deficiencies in the budget and planning calendar necessitated a restructuring the calendar to accelerate our due dates, and accompanying milestones of deliverables. In order to achieve the efficiencies necessitated by the new budget and planning calendar, the College has begun using Strategic Planning Online (SPOL) software. The primary benefit of using SPOL is linking institutional goals, planning and assessment to resource allocation.

At its December 12, 2007, meeting, the Board of Trustees adopted resolution 14005 which created the Futuris Public Entity Investment Trust [Resolution 14005 GASB Trust]. The Trust was designed to be an irrevocable trust, which would manage the funds set aside to fund the College's OPEB obligation. However, due to on-going financial issues, the college has not activated the trust and currently is on a pay-as-you-go basis, which costs approximately $1,300,000 per year. The full accrual annual cost is approximately $2,565,000 (need to verify). [Actuarial Report]. The contribution plan for funding this obligation was introduced in the December Budget and Finance committee meeting. [Budget & Fiscal Planning 12/4/2013 Agenda and Minutes]

The College acknowledges that with its tight budgets and the projections of relatively flat revenues that it will need to improve efficiencies in its current operations. The College has already made steps in improving efficiency in classroom sizes, energy conservation, and employee compensation.

The body of this report provides further detail on the above mentioned topics, clearly showing that the College has created an environment that allows for the creation of a balanced budget that has ongoing revenues that meet or exceed ongoing expenditures, without the use of reserves.

FCMAT

Multiple constituencies on campus, including CTA, College Council, the Budget and Fiscal Planning Committee, and the Academic Senate, agreed to have the Fiscal Crisis and Management Assistance Team (FCMAT) perform a study of IVC's organizational planning and fiscal management [College Council, Academic Senate, and BFP Minutes showing agreement to FCMAT contract]. Implementation of the recommendations from FCMAT has necessitated revisions to the current fiscal planning of the college; as some practices used to successfully operate during recent years were temporary, one-time measures not in alignment with the ongoing expenditures funded by ongoing revenues.

A Strategic Transition Action Response Team (START) has been established with team members from Executive Council, administration, faculty, and classified to act as a recommending body to the Board of Trustees and the college president and to facilitate the transition from recommendations to implementation [START Charter];. [START Blackboard site] The Academic Senate also created a sub-committee to evaluate the recommendations, in an effort to provide their support to those that, they felt, need be completely or partially implemented. [Academic Senate 1/16/13 minutes]

Overall, the college has completed 65% of the 74 recommendations from the FCMAT report, and is in the process of completing the remaining recommendations. [START Recommendation Progress Chart]

Through review of these plans by START [Action Plans], The President of Imperial Valley College and the Board of Trustees are fully engaged in pursuing the many recommendations provided in the FCMAT Report. [Board Minutes where an action plan was presented for review][FCMAT Board Retreat Agenda]

Revised Budget and Planning Calendar

A crucial step in addressing financial stability is to evaluate the College's budget and planning processes. Past practices had not afforded the Budget and Fiscal Planning Committee, the President's Cabinet, and the Board of Trustees enough time for sufficient review of the programmatic budget requests proposed for the upcoming fiscal year. Sufficient review is necessary, as it not only permits a balanced budget; it also allows the College to ensure all budget expenditures support its mission to "foster excellence in education that challenges students of every background to develop their intellect, character, and abilities; to assist students in achieving their educational and career goals; and to be responsive to the greater community." [College Mission]

To improve on these practices, the Budget and Fiscal Planning Committee reviewed and adopted the IVC Budget Principles, Guidelines, and Priorities. [Budget Principles, Guidelines, and Priorities] The six budget principles that set the stage for this document are as follows:

Imperial Valley College's Budget Principles
Supports the mission and strategic goals Student success, excellence in education, develop resources and increase institutional effectiveness.
Transparency As evidence by college community access to policies related to budgeting process and budgets via website.
Broad Participation As evidenced by representation from all segments of the shared governance campus community.
Balanced As evidenced by draft and final budgets.
Conservative Projections are made for revenues, reserves, and expenses.
Complete and thorough As evidenced by a final budget that incorporates all departments and services areas.

IVC Budget Principles, Guidelines, and Priorities; Page 1

The revised budget and planning calendar is crucial as it ties financial resource allocation with institutional planning. The College laid the groundwork for a new budget and planning calendar to be initiated in the 2014-15 Academic Year [Budget and Planning Calendar Draft] [Educational Master Plan Meeting Minutes].The calendar will set the stage for improved program review and evaluation, by having a clear road map to follow and increased time to do so, which will directly impact the budget development process. Below is the first page of the calendar, the month of July 2014, as an example of the integration of planning of multiple major campus groups such as: the Educational Master Plan Committee, the Budget and Fiscal Planning Committee, Planning and Resources Council, the Board of Trustees, Academic Senate, and College Council.

INTEGRATED PLANNING/BUDGET CALENDAR: PLANNING YEAR 2014-2015]

Imperial Valley College

July 2014

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4 Independence Day-Holiday	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23 Summer Term Ends	24	25	26
27	28	29	30	31		

Process /Activity	Important Planning Information
• Integrated Planning Process (Ref. Educational Master Plan)/EMPC Meeting • Program Review Process (Ref. Program Review Handbook) • Budget and Fiscal Planning (B&FP) Committee and Meeting Date/Activity • Planning and Resources Council (PRC) (TBD) • Board Activity • Academic Senate (AS) and Meeting Date/Activity • College Council (CC) and Meeting Date/Activity	• CBO and Business office continue to modify the 2014-2015 tentative budget. • Institutional Researcher is preparing data that will be distributed for program review.

2014-15 Planning and Budget Calendar, Page 1

This calendar is in the process of being introduced to the multiple shared governance committees impacted as a discussion item [College Council Agenda, Academic Senate Agenda]. The College is committed to the successful implementation of these important changes, as it will ensure adequate time for review by cost centers, the Budget and Fiscal Planning Committee, the Planning and Resources Council, the President/Superintendent, and the Board of Trustees.

One challenge the revised planning and budget calendar will address is giving the institution time to react to budget changes and how they impact the 50% law. Establishing budget planning criteria for maintaining compliance with the 50% law was a recommendation made by FCMAT in their final report [FCMAT report]. Before a budget is given to the board for adoption, the Chief Business Officer (CB0) will direct an analysis of salaries to validate compliance with Ed. Code §84362. Once a budget is adopted, additional items must first be reviewed to determine its impact on the 50% law.

The revised planning model, along with the recently approved Enrollment Management Plan, requires that the President's Cabinet determine the FTES targets in November for each following year. [Enrollment Management AP] These targets are used to develop an annual schedule of courses to meet the desired targets. This differs from past practices, when only one semester was scheduled at a time. This process links to the College Mission, as it "assists students in achieving their educational and career goals" by clearing mapping out course offerings so a student can develop a plan that leads to completion in a timely manner. [College Mission] Annual planning of the schedule also permits the Business Office to better project the expenditures tied to course offerings, including faculty salaries.

The underlying principle of our budgetary process is that ongoing revenues will meet or exceed ongoing expenses without the use of reserves. The planning calendar will ensure that this principal is adhered to as the assessment will occur during the planning process.

Linking Institutional Goals, Planning, and Assessment to Resource Allocation

It was acknowledged in the College's 2012 self-evaluation report that the institution faced the challenge of integrating its financial planning with the other individual plans that are developed within the college. To address this, the College moved forward with the purchase of the Strategic Planning Online Software (SPOL) [Resolution 15784 on 7/10/13 Board Minutes], which is a strategic planning tool that will allow the college to clearly link its program review with its financial planning. SPOL takes into account the Educational Master Plan goals [Educational Master Plan Goals] of the college, delivering them in a collaborative way where everyone can participate in planning, budgeting, and measuring the results.

SPOL paves the way for the College to ensure that financial decisions are developed from program review results, institutional needs, and plans for improvement. A dedicated team is presently undergoing extensive training on SPOL, with implementation scheduled on the start of the 2014-15 fiscal year. SPOL consists of Planning Units [List of Planning Units in SPOL], which represent the various entities of the organizational structure. Each Planning Unit is then linked to the College's institutional goals, budget, assessment, and accreditation standards by defining a planning objective. The planning objective includes what they do, why they do it, how it can be measured for success, what it will cost, and if assistance is needed from other planning units [SPOL example of objective]. When Planning Units request additional funding, this will appear in an "enhanced" column for consideration [SPOL example of enhanced column]. SPOL will assist the College in identifying on-going expenditures, one-time expenditures, and new-ongoing expenditures; which will aid the College in developing a three-year budget projection. It will also illuminate how new or enhanced budget requests obligate the College to generate new revenue and/or increase efficiencies. It ultimately creates an environment of budget ownership among individuals who play a key role in the budget development process, as budget managers can now clearly view the status of approval each new request; along with its justification and/or detail.

The College recognizes that additional funding requests must be handled within the constraints of the underlying budget principle already established which includes the recently adopted trigger point of a three percent variance in the budget from previous year to initiate further analysis [Budget and Fiscal Planning 9/25/13 minutes]. The need to integrate new budget requests into our ongoing budget is especially challenging when faced with limited or no revenue growth. The College has established the Planning and Resources Council to conduct this evaluation. This committee, which is currently being formed, will review the prioritized list of resource requests from the enhancement column data extracted from SPOL. The 2014-15 Budget will be the inaugural budget that will include this review.

The Planning and Resources Council

To guarantee that final requests are compliant with the fiscal principle and college mission as defined by college goals, the College created a Planning and Resources Council in Spring 2014. [Planning and Resources Charter] The Planning and Resources Council consists of the President's Cabinet, the Academic Senate President, and the College Council Chair. This composition affords the involvement of all stake-holders on campus. This council builds in an evaluative step to finalizing the budget and resource requests in the enhanced budget column.

As laid out in the 2014-15 Planning and Budget Calendar, the Planning and Resources Council will start meeting in November 2014, to begin the review of the enhanced budget requests for the 2015-16 budget. Hearings will be held as needed for budget managers to justify the need for additional funding, and how it ties to the College's mission. Once the Planning and Resources Council has prioritized the list of enhancement requests, they will be reflected in the preliminary budget submitted to the Budget and Fiscal Planning Committee to review at the March-May committee meetings. The Board of Trustees will then approve the Tentative 2015-16 Budget in June. [2014-15 Planning and Budget Calendar]

Efficiencies through Raising Class Sizes

One of the boundaries in reviewing the enhancement requests is the College's ability to generate revenue efficiently. The College is working to improve efficiency in our revenue generation through class size analysis. Our recently passed faculty contract included a requirement to increase the minimum class size from 25 to 28 unless safety and/or legal reasons require a smaller class.

During our fall semester, we had 142 sections with class caps of 25 that also had fill rates approaching 100%. We are projecting that there is sufficient demand for these sections, and that in the Spring Semester, the increase in class cap will allow us to add approximately 425 additional students, and will generate approximately 65 to 75 FTES (approximately $300,000 to $344,000) in additional revenue each semester without incurring any additional costs. [Memo to President's Cabinet on Projected Cost Savings with Class Size Increase]

In the longer term, at the recommendation of the FCMAT report [FCMAT report], the College plans to work towards increasing the average class size from 29.06 to an average of 35. [Curriculum Ad hoc Committee on factors to modifying class sizes] [START tracking document on this topic]. Due to the limits of state funding for growth, we do not anticipate that this increase in average size will result in a large increase in funding. Instead, increasing the average class size will allow us to reduce the number of sections that we offer while maintaining or slightly increasing our student headcount/FTES. The savings will be a result of offering fewer sections. We anticipate that by increasing efficiency in our class offerings that we will be able to reduce our individual class offerings by approximately 180 class sections without reducing services to students. This will result in savings of approximately $350,000 per semester; as illustrated in the chart below.

	Avg FTES for Select Courses Prior to Cap Increase	Projected FTES with Cap Increase for Spring 2014	Difference in FTES
Arts, Letters, and Learning Services Div.	555.67	606.18	50.51
Economic & Workforce Development Div.	20.27	22.7	2.43
Health & Sciences Div.	191.18	213.74	22.56
		Total FTES	**75.5**
		Total in Dollars	**$344,643.91**

Energy Efficiency Improvements

In the foreseeable future, it has been determined that our anticipated revenues are going to be relatively flat. This means efficiencies will be gained from cost containment. The College has determined that energy efficiency is one area where we can potentially contain cost. Examples of the steps taken towards this include: Adding more efficient lighting (converting from T-12 to T-8 light bulbs), occupancy sensors in the classrooms, converting from metal halide lamps to T-5 florescent lamps in the gym, and switching lights in the parking lot to a more efficient voltage. Furthermore, we are reducing the cost of lighting through the use of dual pane windows and solar tubes. All of the new construction and remodeling projects are being designed to meet Leadership in Energy and Environment Design (LEAD) standards [LEAD certification].

In addition to the above actions, the College will be taking advantage of proposition 39 funds over the next five years by submitting qualifying projects to the state for funding. This allows us to continue to replace existing equipment with more energy efficient equipment. [Prop 39 documents][Prop 39 discussed in minutes of a committee, guessing facilities?]

Efficiencies in Compensation

The College adopted a compensation philosophy as a measure to help control labor and benefit costs. [Compensation Philosophy as approved by the Board 12/12/12] The philosophy defines "total compensation" to include all of the costs associated with employment that is paid by the District; and designates compensation shall match the market median for similar work, and provide compensation levels that are externally competitive among peers within our industry. The Board approved this resolution, agreeing with the need to strategically strike a balance between a competitive total compensation packages for employees, while ensuring the fiscal stability of the entire District.

Following multiple recommendations from FCMAT, and acting in accordance with its own Compensation Philosophy, the College negotiated a modification to the Collective Bargaining Agreement between the District and the IVC Chapter of CCA/CTA/NEA for 2013-2014. [Board Minutes 9/12/13] This modification included: a reduction of faculty release time, replacing some release time with stipends; a reduction of work days for faculty with 199-day contracts to 194-days; and a revision of the faculty salary schedule. The Administrators, Classified Managers, Classified Confidentials employees, and the IVC Chapter of PTFA Collective Bargaining groups followed suit with similar salary schedule modifications. The District is still negotiating with Chapter 472 of the CSEA. [Resolution 15884: Agreement between the District and Administrators, 9/12/13 Board Minutes] [Resolution 15885: Agreement between the District and the Classified Managers, 9/12/13 Board Minutes] [Resolution 15886: Agreement between the District and Classified Confidential Employees, 9/12/13 Board Minutes] [Resolution 15887: Approval of Modification to the Collective Bargaining Agreement between the District and IVC Chapter of PTFA, 9/12/13 Board Minutes]

Additional efficiencies in compensation were achieved by reduction of personnel costs. A savings of $697,800 in personnel costs was realized in 2012-13 with the layoff of multiple classified employees. The offering of retirement incentives in the 2010-11, 2011-12, and 2012-13 fiscal years was another action taken to reduce said costs. [Board Resolutions approving retirement incentive programs the past 3 years] In the 2012-2013 year alone, the College realized a savings of $486,500 with the retirement of personnel.

General Fund Reserve Level

The college has maintained at least a 6% reserve, which has helped maintain financial stability, and has aided in acquiring Tax Revenue Anticipation Notes (TRANS), which ensured adequate cash flow for annual operations. The need for TRANS is the result of the state's deferring payment on a significant portion of the college's annual apportionment. As of August 1, 2012, the amount of deferred payments for 2011-2012 was $9,670,837. [2011-2012 Deferral Repayment Schedule 8/1/12] This represents approximately 28.26% of the general funds budgeted revenue for the 2011-2012 fiscal year, or 28.60% of the general funds budgeted expenses. [Resolution 15378 2012- 2013 TRANS]

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Ending Reserves	6,877,855	5,038,578	2,776,963	3,296,700	2,781,761	2,488,710
% of Budget	18.68%	13.0%	7.2%	8.9%	8.02%	7.45%

A significant step in changing the financial structure of the College was to review what an appropriate reserve level is for the General Fund. The Budget and Fiscal Planning Committee reviewed the following criteria for establishing an appropriate unrestricted reserve: The amount needed to fund existing operations, any high value equipment that could fail in the near future, and any other reasons for reserve use.

Based on a review of the above criteria, the Budget and Fiscal Planning Committee recommended to the Superintendent/President and to the Board of Trustees a reserve level of two months, or 16.6%. The Board of Trustees adopted this recommendation at their [April 27th Special Board Minutes] board meeting. This action was the first step needed to reverse the past six-year's trend of declining reserves as illustrated in the above table.

All stakeholders have been notified of the importance of reversing the trend of declining reserves [Academic Senate and 10/14/13 College Council Minutes]. The Budget and Fiscal Planning Committee determined that it was necessary to increase the reserve to approximately two months of operating expenses. This will result in an increase of the reserve level from 6.18% to 16.6%, which is an increase of approximately $3.1 million dollars. This committee adopted a plan to achieve this goal within 10 years [Budget and Fiscal Planning Minutes 12/4/13]. This goal will be reached by taking the favorable year-end, actual-to-budget variance while contributing those funds to the unrestricted general fund reserve. In this Reserve Funding Plan, the dollar amount cannot be disruptive to the annual operational budget. It is estimated that this approach would generate approximately $350,000 per year. [Reserve Funding Plan]

Retiree Health Benefit Costs (OPEB)

Besides addressing the issue of increasing the level of unrestricted reserve, the College is also developing a strategy to fund the College's OPEB (Other Post Employment Benefits) liability. Currently the College pays health premiums on a "pay as you go" basis for current retirees. This is not a sound strategy as it is not sustainable in the long-term. The Budget and Fiscal Planning Committee, using the information contained in the actuarial study, is developing a strategy to fund the long-term debt created by this benefit [Actuary Study], [Budget and Fiscal Planning Agenda/Minutes]. In addition to the actuarial study, the College had already begun taking steps towards decreasing its exposure to this liability when it eliminated retiree health benefits for new hires effective July 1, 2004 for Classified Staff and non-bargaining groups, and July 1, 2013 for full-time faculty. [CSEA Contract page 25][CTA Contract page 113].

The primary action was introduced with The Funding of the OPEB Obligation Plan on 12/04/13 by setting an annual contribution amount with annual increases so that the OPEB liability can be controlled. The strategy underlying this plan is to continue the "pay-as-you-go" approach while making additional contributions to the retiree health benefit fund. Successful implementation of this strategy would flatten out the annual District cost. [The Funding of the OPEB Obligation Plan]

According to the plan that is being considered by the Budget and Fiscal Planning Committee, the District will initially contribute $350,000, and will contribute $50,000 annually. It is estimated that these payments will continue through 2050.

The end goal of this above mentioned plan is to address the debt associated with the OPEB liability and have it covered within a reasonable time. This plan will also have the added benefit of relieving pressure on the General Fund budget in the future.

Conclusion

The College has met the recommendation of developing a financial strategy that will result in balanced budgets that have ongoing revenues to meet or exceed its ongoing expenditures without the the use of reserves by the adoption of the revised Budget Principles, Guidelines, and Priorities, the Budget and Planning Calendar, the Enrollment Management Plan; and through the creation of the Planning and Resources Council. The President and the Board of Trustees are committed to improving the financial stability of the Institution through the adoption of Resolution 15692. [Resolution 15692 at the board retreat April 27, 2013 Board Minutes]

The College has met the recommendation of maintaining the minimum prudent reserve level by the adoption of Resolution No. 15732: Board Reserves Requirement [Resolution 15732], coupled with the Reserve Funding Plan plan to reach that goal.

The College has met the recommendation of addressing funding for its long-term financial commitments and its retiree health benefits costs with the introduction of the District approach to The Funding of the OPEB Obligation Plan. [The Funding of the OPEB Obligation Plan]

After calling for the FCMAT study, the College has accelerated its efforts to reform and redesign all process related to increasing revenue and lowering expenses. While this work and the development of monitoring tools will continue, the strategies implemented to date are as follows:

Date	Strategy	Status
Dec. 4, 2013	The introduction of the revised Budget Principles, Guidelines, and Priorities	Complete
Nov. 20, 2013	The adoption of the revised Planning and Budget Calendar	Complete
Jul. 10, 2013	The procurement of Strategic Planning Online (SPOL)	Complete
Jul. 1, 2014	The implementation of Strategic Planning Online (SPOL)	Ongoing
Nov. 20, 2013	The creation of the Planning and Resources Council	Complete
Jul. 1, 2013	The efficiencies gained through classroom size modification	Ongoing
TBD	The efficiencies gained through energy conservation	Ongoing
Dec. 12, 2012	The adoption of resolution 15554: Compensation Philosophy	Complete
Jun. 19, 2013	The adoption of resolution 15732: Board Reserves Requirement	Complete
Dec. 4, 2013	The adoption of the Reserve Funding Plan to reach the new board reserve requirement	Ongoing
Dec. 4, 2013	The introduction of The Funding of the OPEB Obligation Plan to address other post employee benefits (OPEB).	Ongoing

The above mentioned topics clearly reflects that the College has laid the groundwork that allows for: the creation of a balanced budget that has ongoing revenues that meet or exceed ongoing expenditures, without the use of reserves; the maintenance of an adequate reserve level, and a plan to fund the College's long term financial commitments.