ANALYSIS OF PROPOSED BOARD POLICIES,  
VICTOR VALLEY COLLEGE

Prepared by:  
Cambridge West Partnership, LLC

Scope of Project

As requested, this analysis by Cambridge West Partnership, LLC (CW/P) addresses the following subjects related to three policies drafted by the Board of Victor Valley College (VVC):

- Whether or not the proposed policies appropriately address the college’s structural deficit
- Potential fiscal impact of the proposed policies on the VVC
- VVC’s capacity to maintain service to its community if the policies were to be adopted

Framing this analysis is CW/P’s understanding that the ultimate goal of the college’s Board of Trustees is to enable the college’s Superintendent/President to, “In cooperation with the Vice-Presidents and other constituent group leaders of the College, develop and implement a long-term strategic financial plan that does not rely on invasion of the District’s reserves.” (Source: Superintendent/President search materials and VVC web site)

The ultimate goal of this report is to help the college develop and implement a long-term plan that will ensure sustainable and adequate funding for the maximization of access to its services and the significant improvement of its student success scorecard. In other words, it’s all about the students and their success.

Methodology

In order to respond to the college’s request CW/P pursued the following strategy to create this report:

- Reviewed existing Board polices and administrative procedures related to budget development and fiscal management;
- Reviewed five years’ of the college’s published financial and budget reports to verify the actual trends, current fiscal condition and projected fiscal scenarios;
- Reviewed materials from the Accrediting Commission for Community and Junior Collages (AACJC), and a report from the Fiscal Crises and Management Advisement Team (FCMAT);
- Utilizing resources on the website of the California Community Colleges’ Chancellor’s Office (CCCCO.edu) identified a cohort group of single college community college districts with similar fiscal characteristics as VVC;
- Compared the fiscal performance of VVC to the cohort colleges using the CCCCO’s Fiscal Trend Analysis, Fiscal Data Abstract, and annual apportionment reports;
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- Without identifying the College’s identity, contacted cohort districts to determine if they had policies similar to the proposed policies and if the chief business officials (CBOs) knew of any other districts that had similar policies;
- Consulted with experienced educational legal counsel;
- Analyzed potential intended and unintended consequences of the proposed policies;
- Met with leaders from VVC’s constituencies including the Board, administration, faculty and staff.

**Executive Summary**

- The college’s administration’s assessment of the district’s current and projected fiscal situation is reasonable given current VCC policies, practices and collective bargaining agreements.
- No similar Board policies were found in any other California community college district.
- The proposed policies, as written, would not accomplish the Board’s goal to enable the college’s Superintendent/President to develop and implement a long-term strategic financial plan that does not rely on invasion of the District’s reserves to balance the on-going Unrestricted General Fund budget.
- Financially the proposed policies do not adequately address the core factors driving the structural deficit and may, in fact, exacerbate the fiscal situation.
- Implementing the proposed policies could seriously and negatively impact the college’s effort to comply with it Mission, Vision and Values, and to meet its Strategic Objectives, especially in terms of Fiscal Stability, Student Success and Accreditation.
- There are viable options for addressing the fiscal issues that would be congruent with the college’s Mission, Vision and Values and which would accomplish the Board’s long-term objectives.
- To truly address the structural deficit faced by the district, without severely reducing access and service to the students, the Board and the collective bargaining units must come together to address collective bargaining constraints on the fiscal viability of the college.
- If the Board decides to move forward with the three policies there are technical edits that must be made, and one administrative procedure should be added.
Assessment of the District’s Current and Projected Fiscal Situation

Assessment

CW/P concurs with the assessments of the district’s administration, the AACJC site team and FCMAT. Those assessments agree that the district has a structural budget deficit that forces the district to use one-time funds from a GIC (Guaranteed Investment Contract) fund annually to balance the Unrestricted General Fund operating budget. The structural deficit will continue and in fact will get larger if current policies and practices are not modified. Due to the extensive documentation of that fiscal assessment in the FCMAT report, accreditation materials, and district documentation, CW/P was not tasked with providing another comprehensive analysis of the fiscal data.

Although CW/P agrees with the assessments of the fiscal situation, it appears that constituencies within the district may not have congruent understandings of several key concepts involved in California community college budgeting and finance. In order to proceed with this report it is first necessary to define terms and concepts as they will be used in this report.

Assessment Terminology and Concepts

Operating Balance: In the district and state reports, such as the CCF311, the term “Operating Balance” is used to describe the comparison of revenues to expenses. If the Operating Balance is negative then it is in deficit.

Structural Deficit: As used in this report a structural deficit refers to the relationship of actual revenues to actual expenditures in the district’s Unrestricted General Fund. In the district and state reports, such as the CCF311, the term “Operating Balance” is used to describe the comparison of revenues to expenses.

Actual Revenues: It is important to be aware that “actual revenues” for a California community college district are never really actual during the fiscal year. For the fiscal year ending June 30th the state apportionment revenue will not actually be known until the following January. The ultimate apportionment revenue to the district will depend on many factors, some of which are completely out of the district’s control but others that are within the district’s control. Through effective enrollment management the district can plan its level of fundable FTES (Full-Time Equivalent Students), which is the work load used in the formula that calculates the “Computational Revenue” that a district can earn if the funds are available. However, the district cannot control the actual funding to the community college system or the actions of the other districts that can impact the funds available to VVC. It is very important to understand that no matter how good a district’s fiscal and budget staff is, the revenue numbers absolutely, positively will change during the course of the fiscal year and even up to more than a year beyond the end of the fiscal year. Despite that uncertainty, in this report “actual revenue” will refer to the district’s projection of apportionment Exhibit C unrestricted general revenue plus known local sources.
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Budget vs. Actual: In defining a “structural deficit” it is important to distinguish between a budgeted deficit and a deficit based upon actual revenue and expenditures. In the world of California community colleges it is common to see a budget that is structurally in deficit in terms of budgeted revenue and expenses, but which in reality will result in a positive operating balance at the end of the year. A positive operating balance means that the actual expenses were less than the actual revenues. Following is a comparison of budgeted to actual Operating Balances for the most recent four complete fiscal years. The source for this graph is Attachment A, Budget to Actual Expenditures.

In Attachment A, you will note that for the 2010-11, 2011-12 and 2012-13 fiscal years the actual expenditures were as much as 9% less than the budgeted expenditures, and the Operating Balance (the difference between expenses and revenues) improved by as much as 245% from budget to actual. In the 2009-10 fiscal year actual expenses were not less than budget, but the revenue was 16% more than budget which produced an improvement to the Operating Balance of over 100%.

The reason that there always appears to be an over-budgeting of expenses relates to how commitments or, “encumbrances,” are budgeted and accounted for. For example, an unfilled but approved position in the staffing plan is fully budgeted in the Final Budget and the amount is encumbered even if there is no intention of filling that position, or if the intention is to fill it for just a portion of the year. That practice can produce a significant amount of budget that will not actually be expended. A second major reason why expenditures are less than the Final Budget is that it is virtually impossible to actually expend every budgeted dollar in every account due to the constraining effects of the encumbrance process and other structural constraints. When the district commits to an expenditure, for example a purchase order, the
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amount of the purchase order is held as an encumbrance against the budget. Once the purchase is actually paid for the actual expenditure replaces the encumbered amount. That process tends to tie-up budgets so that not every dollar actually gets spent by the time the books are closed.

The variance of budgeted to actual revenues seen in Attachment A largely result from the uncertainties discussed in the previous section, Actual Revenues.

The bottom line is that the focus of the Operating Balance discussion must be on the actual results, not the budget.

Is a budgeted structural deficit necessarily bad and unsustainable? The answer is “no.” In fact, maintaining a structurally positive budget could actually cause a district to create a downward spiral of funding, and severely impact the funds available to promote access and student success. How can that be? The answer is in the role of the ending and beginning balances in producing the “Total Funds Available for Distribution” in the budget. As discussed in the previous section, the actual expenditures in the Unrestricted General Fund are normally less than the budgeted expenditures due to how commitments or, “encumbrances,” are budgeted and accounted for. For example, in 2011-12 actual expenses were $7.3 million less than budget.

That $7.3 million becomes a part of the 2011-12 Ending Balance, and, therefore part of the 2012-13 Beginning Balance. That 2012-13 Beginning Balance is added to the projected revenue for 2012-13 to produce the Total Funds Available for Distribution. If the $7.3 million is not considered and the district only considers the projected revenue to be available, the district will effectively reduce its budget from the prior year by the $7.3 million that had been budgeted but not spent in the prior year. So, it is entirely possible to have a fiscally sound budget that will produce actual expenditures less than actual revenues even with budgeted revenues less than budgeted expenses as long as the unspent balance from the prior year is greater than the difference between the revenue and expenses. Additionally, remember that the next year’s budget will again have built into it budget amounts that in reality will never be spent.

In summary, it is possible for VVC to have a sustainable fiscal plan in terms of actual results even if the Final Budget appears to have a structural deficit of budgeted expenses greater than budgeted revenues, but only if the amount built into the Total Funds Available for Distribution is less than the unspent carry forward from the prior year.

Use of the Unrestricted General Fund, not the General Fund: It is important that all constituencies focus their fiscal analysis on the Unrestricted General Fund not the bigger General Fund. The General Fund contains both Restricted and Unrestricted subfunds. By definition the funds in the restricted subfund are legally dedicated for specific purposes by the entity providing the funds, and the funds absolutely may not be used for the general operating expenses of the college. As stated in section 2.6 of the California Community College Budget and Accounting Manual (BAM):
Division of the General Fund into two subfunds reflects the need to differentiate truly discretionary revenue from restricted revenue, while preserving a complete accounting of the financial operation and support of educational programs.
Accordingly, restricted revenues (such as those for categorically-funded programs) are accounted separately from other general-purpose moneys, but classified as a component of the total fund that provides instructional and support services. Examples of programs within the Restricted General Fund are Disabled Students Programs and Services (DSP&S), Extended Opportunity Programs and Services (EOP&S), and CalWorks. Trying to include the restricted funds in an analysis of a California community college can result in some very misleading results and perceptions. So, when individuals pull information from the CCCCO.edu web site, for example CCFS311 information, it is very important that the information is only for the Unrestricted General Fund, not the General Fund.
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Analysis of the Proposed Three Policies

• Overview
The proposed policies as written would not accomplish the goal of the Board to enable the college’s Superintendent/President to develop and implement a long-term strategic financial plan that does not rely on invasion of the district’s reserves to balance the on-going Unrestricted General Fund budget. In fact, two of the proposed policies as written could seriously and negatively impact the college’s ability to pursue its objectives and serve it communities. The policies are neither congruent with, nor driven by the Mission, Vision, Values and Objectives of the district, nor do they reflect a long-term policy-driven budget strategy as required to satisfy ACCJC recommendations 2 and 6.

• Proposed Board policy BP2515, Use and Distribution of the Guaranteed Income Contract Fund ("GIC")
First, several technical observations: the correct name of the instrument is a Guaranteed Investment Contract; the BP should reference the Unrestricted General Fund, not the General Fund; the BP number should be in the 6300 series, for example BP6320 since it is an investment.

The intent of the proposed policy appears to be to define what the principle and interest of GIC can’t be used for, including balancing the college’s operating fund, but that does not get at the factors causing the structural deficit. Additionally, the policy as written could prevent the new Superintendent/President from achieving the stated goal of the Board in the Superintendent/President job announcement. This report will suggest a revised BP that addresses the technical issues and, more importantly, aligns the BP with the AACJC and FCMAT recommendations concerning long term fiscal planning processes.

• Proposed Board Policy BP2520, Percentage of Budget Committed to Salary and Benefits
First, several technical issues: if the proposed BP moves forward for consideration the BP should reference the Unrestricted General Fund budget, not just “the budget”; the BP number should be in the 6200 series, for example BP6220, since it concerns budget preparation; the policy should carefully distinguish between budget and actual expenditures. To put the college’s compensation percentage into perspective, Attachment B, Compensation as a Percent of Total Unrestricted General Fund – 2013 -14, is an analysis that compares a cohort group of similarly sized single college California community college districts. Here is a bar chart that summarizes the information in that attachment:
As with proposed BP2515, this proposed policy could prevent the new Superintendent/President from achieving the goal stated in the job announcement. As written the policy could seriously hinder the institution’s ability to address its Strategic Goals, maximize access to its instructional programs, and its commitments to the AACJC related to planning and student success. Additionally, it could inadvertently cause a downward spiral of revenue that would be devastating to the achievement of the college’s Mission, Vision and Objectives.

A downward spiral of funding and access for the college’s communities could result when there is a reduction in the college’s revenue. Besides the inevitable cyclical state-wide reductions, VVC is exceptionally vulnerable due to the demographics of its service area. As the college is experiencing now, when the economy improves significant numbers of its potential students return to the workforce, thus reducing the number of FTES that drive the revenue from the state. By capping the compensation percentage when state funding declines the college would be forced to reduce class sections taught by adjunct instructors; that in turn would reduce the number of income-generating FTES; that in turn would further reduce the revenue to the district by a net amount of approximately $3,000 per cut class; and so on down the rabbit hole. Also, the college is already perilously close to dropping from being funded as a mid-sized district to a small district, which would cause an on-going base funding
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reduction of over $1.1 million annually. You may ask, “Why resort to cutting classes when that turns away students and reduces income to the district?” The reason is that the only place in the VVC budget that carries enough funding to make major reductions without terminating permanent staff (which is a long and difficult process at best) is the adjunct faculty compensation area. Unfortunately, one strategy to reduce the compensation percentage while trying to minimize reductions to the class offerings would be to reduce the counselors and tutors who are critically important in addressing the college’s student success issues.

In conclusion, CW/P recommends that the proposed policy not be modified for further consideration. Rather, the Board should seriously consider the recommendations latter in this report to address the core issues behind the district’s fiscal situation. Instead of a new Board policy, total compensation performance indicators should be included in the annual review of the college’s Strategic Goals.

- **Proposed Board policy BP2525, Percentage of Budget Committed to Classroom Instructional Employee Salary and Benefits**
  
  First several technical issues: if the proposed BP moves forward for consideration the BP should reference the Unrestricted General Fund actual expenditures; the wording must be absolutely congruent with California Education Code section 84362; the BP number should be in the 6200 series, for example BP6250, since it concerns budget preparation; the policy should carefully distinguish between budget and actual expenditures.

  To understand why the Board is concerned about the district’s 50% Law over-compliance, please refer to Attachment “C,” Summary of Current Cost of Education, 50% Law, which compares the 50% Law status of a cohort group of districts. Here is a bar chart that summaries that spreadsheet:

![](chart.png)
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As you can see in the above bar chart VVC has a much higher percentage than any of the cohorts or the state average; what the chart does not show is that VVC also had the highest percentage in the state in 2012-13. When considering the impacts of the 50% Law it is important to understand that qualifying expenditures are only for classroom and on-line instructors, classified instructional aides, and sabbaticals; instructional supplies, infrastructure, technology, counseling, and tutoring are all considered “non-qualifying’ expenses.

In conclusion, CW/P recommends that the proposed policy not be modified for further consideration. This proposed Board policy poses exactly the same challenges and could lead to exactly the same unintended consequences as BP2520, Percentage of the Budget Committed to Salary and Benefits. Additionally, this proposed policy really does not directly address the ultimate expenditure management goals of the district. If the Board determines that a Board policy is required related to the 50% Law CW/P recommends that is be simply worded to agree with the California Education Code, and that it not contain any maximum percentage amounts. The district’s 50% Law percentage will fall more in line with the rest of the state’s community colleges without any specific policy if the district addresses the core elements of the structure deficit as recommended by FCMAT and in this report.
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Addressing the Core Issues

The following recommendations are congruent with the FCMAT report recommendations and the AACJC findings and standards. Unfortunately, there is no silver bullet to resolve the structural deficit and comply with the accreditation standards, but it is the opinion of CW/P that the imbalance of actual revenues and expenses can be resolved within a two year window and the 2016–17 fiscal year can meet the Board and AACJC expectations. Following are the CW/P recommendations:

- The single most important step is to enter into focused negotiations with all of the collective bargaining units, but especially the CTA that represents the full-time faculty. As expressed in the financial panel review by the ACCJC:

  "The panel’s recommendation is: “…the college will need to alter their collective bargaining agreements to restore some flexibility in spending as well as reduce the rate of increases of benefits and other personnel spending.”"

As expressed in the FCMAT report (p. 10):

  "In the current economic and financial environment, the district needs to better manage its personnel costs to help reduce deficit spending and maintain reserves. Addressing areas of the bargaining unit agreements that hinder financial solvency or operations should be of high priority. This will help ensure that the result of collective bargaining is deliberate and financially prudent for the district and its students."

Without significant contract modifications it is probably not possible to achieve the Board’s fiscal goals and satisfy the AACJC standards. Although it would be inappropriate to discuss collective bargaining issues in public and away from the collective bargaining table, among the issues that have already been surfaced in the FCMAT report and public dialogues within the district are the following:

- Employee benefits, including a cap on the annual cost and possibly plan design modifications
- Retiree benefits
- Faculty work load
- Class size maximums
- Enrollment management, the scheduling of classes (see discussion below)
- Extra pay, especially for summer assignments (FCMAT estimates annual savings of approximately $900,000; FCMAT, p. 43)
- Implementation aspects of a SERP (see discussion below)
- A revenue sharing formula, including a trombone clause (employees share in increases in revenues and decreases in revenues - picture the slide of a trombone)

- Reconsider offering a SERP for the faculty only. The 2013 Keenan analysis projected a net savings for five years of over $500,000 if all positions are replaced. Unfortunately, as with the majority of California community colleges, a SERP for the classified employees would actually
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cost the district money rather than saving money. Offering a faculty only SERP would likely
generate significant opposition from the CSEA again, but if the Board is serious about
addressing the structural deficit this must be one of the strategies. There are potentially also
significant non-financial benefits of a successful faculty SERP. Those benefits could include
increasing the full-time to part-time ratio, re-invigorating the curriculum and creating a
faculty that is demographically more congruent with the district’s demographics. Besides the
expected opposition of the CSEA, there are significant academic planning issues related to
the potential retirement of so many older faculty members from the already thin pool of full-
time faculty, and the logistics of the assimilation of so many new faculty members. A
successful SERP will immediately reduce the total compensation percentage and the 50% Law
compliance percentage, thus helping to eliminate the need for two of the three proposed
Board policies.

- Investigate other forms of retirement incentive plans for the non-faculty employees.

- Implementation of a quantitative enrollment management system and protocol that is focused
  on the needs of the students and the most effective scheduling of classes to meet those needs.
  Currently it appears that the practice is essentially to roll over the prior year schedule of
classes with little or no regard for the funding implications or the needs of the students.
  Effective enrollment management is especially critical now for the college because of the
  very real specter of the FTES declining enough to drop the college from mid-sized base
  funding to small-college base funding, an on-going base reduction of $1.1 million annually.
  To learn more about an effective enrollment management system go to:
  the User Guide to the MiraCosta College EDDI – Enrollment Management Interface. Based on
  the CW/P review of the current scheduling practices it is clear that more student focused and
  quantitatively based class scheduling could offer significant cost savings to the district while
  at the same time furthering the institutions strategic goals. Implementing an enrollment
  management system such as EDDI would immediately lower both the total compensation
  percentage and the 50% Law percentage without reducing access for the students.

- Understand that the issue is the imbalance of actual revenues and expenses, not budgeted
  revenue and expenses. This means that it is possible for the Board to intentionally adopt a
  budget that appears to be somewhat structurally out of balance but the end result will be that
  it is not.

- Allow some portion of the GIC interest to be used to balance the Unrestricted General Fund
  for up to a maximum of two more academic years (FY15 and FY16) while the above measures
  are phased into place.
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Recommended Revisions to Draft Board Policy BP2515
Use and Distribution of the Guaranteed Income Contract Fund (“GIC”)

- Proposed revised title and number:
  - BP6322, Special Revenue Fund for Economic Security, Infrastructure and Special One-Time Projects
  - AP6322, Special Revenue Fund for Economic Security, Infrastructure and Special One-Time Projects

- Goals of the Revised BP and AP:
  - Specify a limited time frame for further transfers to the Unrestricted General Fund to operationally balance that fund
  - Comply with AACJC findings 2 and 6 in terms of planning and not using reserves to cover operational deficits in the Unrestricted General Fund
  - Reflect the renaming of the fund to be a Special Revenue Fund to reflect its goal and purpose as recommended by FCMAT
  - Reference Government Code 53600
  - Specify uses of the funds that are consistent with the original source of funding of the COPs and the GIC, and which will be needed to maintain the facilities and technological infrastructure that has been built by Measure JJ and state matching funds
  - Address the lack of long term funded plans for the scheduled maintenance of the physical plant and technology infrastructure (based on Association of Physical Plant Administrators guidelines the college should be allocating 2% of replacement value, approximately $3 million annually, to fund such plans)
  - Establish a significant “rainy day” fund for the district, codify that neither the corpus nor the investment proceeds may be used for operational expenses in the Unrestricted General Fund, but
  - Specify a limited time frame for further transfers to the Unrestricted General Fund to operationally balance that fund

- Recommended BP6322 text:

  The sources of funds in this Special Revenue Fund are the corpus and investment proceeds from a Guaranteed Investment Contract (GIC) that expires on December 1, 2024, the corpus and investment proceeds from any successor investments, and any other funds the Board may approve to be added to the fund.

  The purpose of the corpus of this fund is to provide the district with a significant reserve as security against future unforeseen catastrophic events. The purpose of the investment proceeds is to enhance the corpus as deemed appropriate by the Board
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and to provide a source of funding for the scheduled maintenance and renewal of the
district’s physical and technological infrastructure.

Allocations from this fund are at the sole discretion of the Board of Trustees.
Allocations from the fund’s interest proceeds shall be based upon five-year
expenditure plans, be solely for the scheduled maintenance of the district’s physical
and technological infrastructure. The processes for developing the five-year plans
shall conform to BP6200 and AP6200.

The Board may determine that a portion of the investment proceeds may be
transferred to the Unrestricted General Fund in the 2014-15 and 2015 – 16 fiscal years
to help the district’s Unrestricted General Fund transition to an operationally
balanced status in the 2016-17 fiscal year.

Reference BP6320, Investments.

- Recommended AP6322 text:

  The contents for the Administrative Procedure are not being provided pending the
Board’s action on the content of Board Policy BP6322. When written the administrative
procedure should provide much more detail on the planning processes, evaluation
processes and criteria, and the relationship with the contents of AP6200.
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Recommended Revisions to Draft Board Policy BP2525
Percentage of Budget Committed to Classroom Instructional
Employee Salary and Benefits

- Proposed revised title and number:
  o BP6250, Compliance with The 50% Law
  o AP6250, Compliance with The 50% Law

- Goals of the Revised BP and AP:
  o CW/P does not see a reason to create this type of a Board policy. In terms of complying with the 50% Law, it is a law and there is no need for creating a policy that simply states that the district will comply with a law
  o In terms of limiting the qualifying expenses to some percentage over 50%, such a limitation is:
    ▪ Unnecessary because the percentage will come down only if the district deals with the core structure drivers of the deficit. If those issues are dealt with as recommended the 50% Law percentage will come down as a result.
    ▪ Imposing a ceiling in times of declining revenues could force the district into a downward funding spiral that would prevent the Superintendent/President from achieving the district’s strategic objectives and the goals set by the Board for her/him.

- Although CW/P recommends against a 50% Law Board policy, if one is to be considered, following is the CW/P recommended text:

  California Education Code Section 84362 and the corresponding sections of Title 5 require that:

  There shall be expended for each fiscal year for payment of classroom instructor salaries and benefits 50% of the current expense of education as defined in Education Code Section 84362(c).

  Congruent with the processes defined in BP6200 and AP6200, Budget Development, the policy of the Victor Valley Community College District is to fully comply with the 50% Law, while at the same time maximizing the fiscal resources available to achieve the district’s strategic goals and objectives. The Superintendent/President is directed to ensure that the annual budget preparation process results in a budget that will comply with the 50% Law.

- Recommended AP6250 text:

  The contents for the Administrative Procedure are not being provided pending the Board’s action on the content of Board Policy BP6250. When written the Administrative Procedure should provide much more detail on the planning processes, evaluation
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processes and criteria, and the relationship with the contents of AP6200. The administrative procedure should specify that the budget preparation and review process in AP6200 includes an evaluation of the 50% Law status and the funding of all the instructional needs identified in the planning and program review processes.
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Recommended Revisions to Draft Board Policy BP2520
Percentage of Budget Committed to Salary and Benefits

- Proposed revised title and number:
  o BP6220, Unrestricted General Fund Total Compensation
  o AP6220, Unrestricted General Fund Total Compensation

- Goals of the Revised BP and AP:
  o CW/P does not see a reason to create this type of Board policy
  o In terms of limiting the total compensation to some percentage under XX%, such a limitation is:
    ▪ Unnecessary because the percentage will come down only if the district deals with the core structure drivers of the deficit. If those issues are dealt with as recommended the total compensation percentage will come down as a result
    ▪ Imposing a percentage ceiling in times of declining revenues could force the district into a downward funding spiral that would prevent the Superintendent/President from achieving the district’s strategic objectives and the goals set by the Board for her/him
    ▪ Instead of a Board policy the Board should consider including relevant performance indicators in the yearly review of the college’s Strategic Goals. One of the college’s strategic goals is Fiscal Stability. Including performance indicators in that category for compensation percentages would make sense.

- Although CW/P recommends against a total compensation percentage Board Policy, if one is to be considered, following is the CW/P recommended text:

  Victor Valley Community College District is committed to attracting and retaining the most qualified faculty and staff within the fiscal resources of the district. In order to achieve that goal the district will offer compensation that is competitive with the adjoining community college and K-12 districts.

  *Note that in conjunction with this Board Policy it is critical that there be an Administrative Procedure as recommended in the next section.*

- Recommended AP6220 text:
  o The specific contents for the Administrative Procedure are not being provided pending the Board’s action on the content of Board Policy BP6220, but
  o When written the administrative procedure should
    ▪ Establish the processes for identifying an appropriate cohort of K-12 and community college districts that compete with VVC for employees, and for annually tracking the total compensation percentages at those districts. It will be important to compare both the salary schedules and the benefit packages, not just one or the other.
Specify the performance indicators related to total compensation to be included in the annual evaluation of the college’s Strategic Goals.

Specify that the budget preparation and review process in AP6200 includes an evaluation of the total compensation status and the funding of all the instructional needs identified in the planning and program review processes.
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Recommended Additional Board Administrative Procedure
AP6320, Investments

- Proposed title and number:
  - AP6322, Investments

- Goal of the Administrative Procedure:
  - The district has Board policy BP6320 but not the related Administrative Procedure

- Recommended AP6322 text:

  The Vice President, Administrative Services is responsible for investing the funds of the district that are not required for the immediate needs of the district. Funds so invested shall follow the investment policies approved by the Board of Trustees in accordance with the Government Code §§53600, et seq. and the following investment priorities:

  A. The preservation of principal is of primary importance. Each transaction shall seek to ensure that capital losses are avoided, whether from securities or erosion of market value.

  B. The investment program should remain sufficiently flexible to enable the district to meet all operating requirements that may be reasonably anticipated in any fund. After preservation of principal, liquidity is the objective.

  C. Funds not required for the immediate needs of the district shall be prudently invested in order to earn a return on such investment.

In managing district investments, district officials should avoid any transaction that might impair public confidence.

District funds maintained by the County Treasurer that are not required for the immediate needs of the district may be invested as follows:

A. County Treasurer’s Investment Pool: Investment of district funds may be delegated to the County Treasurer. In accordance with county procedures, district funds may be pooled with other local agencies and invested by the County Treasurer in accordance with the investment guidelines specified by Government Code §53635 and investment policies adopted by the County Board of Supervisors.
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B. District funds not required for the immediate needs of the district may be remitted to the State Local Agency Investment Fund (LAIF) for the purpose of investment (Government Code §16429.1). District funds deposited with the LAIF shall be invested by the State Treasurer in securities prescribed by Government Code §16430 or the Surplus Money Investment Fund, and as determined by the Local Investment Advisory Board (Government Code §16429.2).

C. Other Investments: Other investments as permitted by Government Code §§53600, et seq., and in particular Government Code §§53601 and 53635, may be made by the Vice President, Business and Administrative Services, subject to prior approval of the Board of Trustees.
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Attachments
A. Budget to Actual Expenditures
B. Compensation as a Percent of Total Unrestricted General Fund – 2013-14
C. Summary of Current Cost of Education, 50% Law.
D. Consultant’s resume
E. Three Board policies proposed by VVC Board

Referenced Links

- FCMAT report: http://www.vvc.edu/offices/admin-services/budget-offices.shtml. For the FCMAT report, click on the link from this page.
- Student Success Scorecards, VVC: www.vvc.edu/offices/oie/scorecard/scorecards.shtml.
### 2009-10

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>9,293,779</td>
<td>9,293,779</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Revenues</td>
<td>52,567,164</td>
<td>60,719,314</td>
<td>8,152,150</td>
<td>16%</td>
</tr>
<tr>
<td>Expenses</td>
<td>58,769,046</td>
<td>58,957,096</td>
<td>188,050</td>
<td>0%</td>
</tr>
<tr>
<td>Operating Balance</td>
<td>(6,201,882)</td>
<td>1,762,218</td>
<td>7,964,100</td>
<td>-128%</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>3,091,897</td>
<td>11,055,997</td>
<td>7,964,100</td>
<td>258%</td>
</tr>
</tbody>
</table>

### 2010-11

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>11,055,997</td>
<td>12,303,031</td>
<td>1,247,034</td>
<td>11%</td>
</tr>
<tr>
<td>Revenues</td>
<td>49,845,544</td>
<td>51,027,727</td>
<td>1,182,183</td>
<td>2%</td>
</tr>
<tr>
<td>Expenses</td>
<td>51,578,444</td>
<td>48,522,030</td>
<td>(3,056,414)</td>
<td>-6%</td>
</tr>
<tr>
<td>Operating Balance</td>
<td>(1,732,900)</td>
<td>2,505,697</td>
<td>4,238,597</td>
<td>-245%</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>9,323,097</td>
<td>14,808,728</td>
<td>5,485,631</td>
<td>59%</td>
</tr>
</tbody>
</table>

### 2011-12

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>14,808,728</td>
<td>18,016,776</td>
<td>3,208,048</td>
<td>22%</td>
</tr>
<tr>
<td>Revenues</td>
<td>49,845,024</td>
<td>47,426,878</td>
<td>(2,418,146)</td>
<td>-5%</td>
</tr>
<tr>
<td>Expenses</td>
<td>52,861,335</td>
<td>49,864,830</td>
<td>(2,996,505)</td>
<td>-6%</td>
</tr>
<tr>
<td>Operating Balance</td>
<td>(3,016,311)</td>
<td>(2,437,952)</td>
<td>578,359</td>
<td>-19%</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>11,792,417</td>
<td>15,578,824</td>
<td>3,786,407</td>
<td>32%</td>
</tr>
</tbody>
</table>

### 2012-13

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>15,578,824</td>
<td>15,946,160</td>
<td>367,336</td>
<td>2%</td>
</tr>
<tr>
<td>Revenues</td>
<td>45,995,984</td>
<td>45,762,097</td>
<td>(233,887)</td>
<td>-1%</td>
</tr>
<tr>
<td>Expenses</td>
<td>57,133,936</td>
<td>51,928,049</td>
<td>(5,205,887)</td>
<td>-9%</td>
</tr>
<tr>
<td>Operating Balance</td>
<td>(11,137,952)</td>
<td>(6,165,952)</td>
<td>4,972,000</td>
<td>-45%</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>4,440,872</td>
<td>9,780,208</td>
<td>5,339,336</td>
<td>120%</td>
</tr>
</tbody>
</table>

Data for Fiscal Year 2013-14 obtained from CCFS-311
Budget for FY 2013-14 from Board Adopted Budget, 9/10/13
### Expenditures

<table>
<thead>
<tr>
<th>District</th>
<th>Academic Salaries Object 1000</th>
<th>Non Academic Salaries Object 2000</th>
<th>Employee Benefits Object 3000</th>
<th>Total Compensation B+C+D</th>
<th>Total Expenses Objects 1 - 7</th>
<th>Compensation Percentage E/F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citrus</td>
<td>24,203,607</td>
<td>14,362,796</td>
<td>13,466,626</td>
<td>52,033,029</td>
<td>60,699,083</td>
<td>85.7%</td>
</tr>
<tr>
<td>Victor Valley</td>
<td>22,930,881</td>
<td>12,136,176</td>
<td>10,895,386</td>
<td>45,962,443</td>
<td>54,872,323</td>
<td>83.8%</td>
</tr>
<tr>
<td>Merced</td>
<td>19,451,858</td>
<td>9,643,514</td>
<td>15,368,882</td>
<td>44,464,254</td>
<td>53,115,722</td>
<td>83.7%</td>
</tr>
<tr>
<td>Allan Hancock</td>
<td>20,188,722</td>
<td>11,235,866</td>
<td>9,152,035</td>
<td>40,576,623</td>
<td>49,159,224</td>
<td>82.5%</td>
</tr>
<tr>
<td>Antelope Valley</td>
<td>26,454,367</td>
<td>11,599,087</td>
<td>10,542,067</td>
<td>48,595,521</td>
<td>59,194,859</td>
<td>82.1%</td>
</tr>
<tr>
<td>Sequoias</td>
<td>20,263,358</td>
<td>9,059,536</td>
<td>10,207,759</td>
<td>39,530,653</td>
<td>48,197,566</td>
<td>82.0%</td>
</tr>
<tr>
<td>San Luis Obispo</td>
<td>21,205,425</td>
<td>10,459,919</td>
<td>7,790,691</td>
<td>39,456,035</td>
<td>50,170,407</td>
<td>78.6%</td>
</tr>
<tr>
<td>Mt. San Jacinto</td>
<td>21,060,866</td>
<td>13,507,650</td>
<td>9,513,650</td>
<td>44,082,166</td>
<td>57,421,184</td>
<td>76.8%</td>
</tr>
</tbody>
</table>

Source: [http://extranet.cccco.edu/Divisions/FinanceFacilities/FiscalAccountability/DistrictFiscalTrendAnalysis.aspx#09-10_Actual_to_13-14_Budget](http://extranet.cccco.edu/Divisions/FinanceFacilities/FiscalAccountability/DistrictFiscalTrendAnalysis.aspx#09-10_Actual_to_13-14_Budget)

### Percent of Total

<table>
<thead>
<tr>
<th>District</th>
<th>Academic Salaries Object 1000</th>
<th>Non Academic Salaries Object 2000</th>
<th>Employee Benefits Object 3000</th>
<th>Total Compensation B+C+D</th>
<th>Total Expenses Objects 1 - 7</th>
<th>Compensation Percentage E/F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citrus</td>
<td>39.9%</td>
<td>23.7%</td>
<td>22.2%</td>
<td>85.7%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Victor Valley</td>
<td>41.8%</td>
<td>22.1%</td>
<td>19.9%</td>
<td>83.8%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Merced</td>
<td>36.6%</td>
<td>18.2%</td>
<td>28.9%</td>
<td>83.7%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Allan Hancock</td>
<td>41.1%</td>
<td>22.9%</td>
<td>18.6%</td>
<td>82.5%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Antelope Valley</td>
<td>44.7%</td>
<td>19.6%</td>
<td>17.8%</td>
<td>82.1%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Sequoias</td>
<td>42.0%</td>
<td>18.8%</td>
<td>21.2%</td>
<td>82.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>San Luis Obispo</td>
<td>42.3%</td>
<td>20.8%</td>
<td>15.5%</td>
<td>78.6%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Mt. San Jacinto</td>
<td>36.7%</td>
<td>23.5%</td>
<td>16.6%</td>
<td>76.8%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>40.63%</strong></td>
<td><strong>21.19%</strong></td>
<td><strong>20.08%</strong></td>
<td><strong>81.91%</strong></td>
<td><strong>100.0%</strong></td>
<td>**                             **</td>
</tr>
</tbody>
</table>
**Summary of Current Expense of Education**

**50% Law**

<table>
<thead>
<tr>
<th>District</th>
<th>Current Expense of Education</th>
<th>Qualifying Salaries &amp; Benefits</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allan Hancock</td>
<td>38,278,586</td>
<td>19,249,226</td>
<td>50.3%</td>
</tr>
<tr>
<td>Antelope Valley</td>
<td>52,298,585</td>
<td>27,114,912</td>
<td>51.9%</td>
</tr>
<tr>
<td>Citrus</td>
<td>48,908,859</td>
<td>24,616,465</td>
<td>50.3%</td>
</tr>
<tr>
<td>Merced</td>
<td>42,808,772</td>
<td>21,504,257</td>
<td>50.2%</td>
</tr>
<tr>
<td>Mt. San Jacinto</td>
<td>42,971,292</td>
<td>21,499,780</td>
<td>50.0%</td>
</tr>
<tr>
<td>San Luis Obispo</td>
<td>41,182,882</td>
<td>20,599,950</td>
<td>50.0%</td>
</tr>
<tr>
<td>Sequoias</td>
<td>39,196,385</td>
<td>20,190,396</td>
<td>51.5%</td>
</tr>
<tr>
<td><strong>Victor Valley</strong></td>
<td>48,473,744</td>
<td>27,099,521</td>
<td>55.9%</td>
</tr>
</tbody>
</table>

**Source:** CCCCO Fiscal Data Abstract, 2012-13, Table VI

**Sorted by Percentage**

<table>
<thead>
<tr>
<th>District</th>
<th>Current Expense of Education</th>
<th>Qualifying Salaries &amp; Benefits</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victor Valley</td>
<td>48,473,744</td>
<td>27,099,521</td>
<td>55.9%</td>
</tr>
<tr>
<td>Antelope Valley</td>
<td>52,298,585</td>
<td>27,114,912</td>
<td>51.9%</td>
</tr>
<tr>
<td><strong>Statewide Average</strong></td>
<td></td>
<td></td>
<td>51.5%</td>
</tr>
<tr>
<td>Sequoias</td>
<td>39,196,385</td>
<td>20,190,396</td>
<td>51.5%</td>
</tr>
<tr>
<td>Citrus</td>
<td>48,908,859</td>
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<td>50.3%</td>
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<tr>
<td>San Luis Obispo</td>
<td>41,182,882</td>
<td>20,599,950</td>
<td>50.0%</td>
</tr>
</tbody>
</table>
RESUME

Current Status

Retired community college administrator with over twenty years of vice president and vice chancellor level experience; consultant for Cambridge West Partnership, LLC; lecturer, Community College Law and Finance and Resource Allocation and Budget for the San Diego State University’s doctoral program in Educational Leadership; On-line instructor of Community College Finance and Facilities for Claremont Graduate University; approved consultant for FCMAT (Fiscal Crises & Management Assistance Team); world traveler.

Community College Leadership Experience

MiraCosta Community College District
Vice President – Business and Administrative Services; 2/07 to 4/13

California Community Colleges Chancellor’s Office
Interim Vice Chancellor of Fiscal Policy and Facilities; 9/1/06 to 1/31/07
At the request of system chancellor Mark Drummond and with the permission of the GCCCD board of trustees, loaned to the system office.

Grossmont – Cuyamaca Community College District
8800 Grossmont College Drive, El Cajon, CA 92020-1799
Vice Chancellor – Business Services; 11/94 to 2/07

Los Angeles Community College District, L.A. Southwest College
Vice President of Administration; 2/93 to 10/94

Los Angeles Community College District, L.A. Mission College
College Business Manager; 2/88 to 1/93
Higher Education

Leadership and Ethics (4 upper division credits), CSUSM. Fall Term, 2007

Organizational Behavior and Human Resources Management (4 upper division credits), CSUSM, Spring Term, 2008

M.B.A. – Finance, University of Utah, Salt Lake City, Utah

B.S. – Political Science & Economics, University of Utah

Other Notables

Selected as the 2011 Walter Star Robie Honoree, a prestigious award given each year to an outstanding professional within the California Community College system. The award is given to a Chief Business Official (CBO) who has demonstrated achievement and exemplary service within a college district and the state of California.

Instructor for the Community College Finance components of the Administration 101 and 201 programs offered by the Association of California Community College Administrators at UCLA. I designed the curriculum for both classes.

Board member and finance committee member for the Coastal Community Foundation.

Former board member, SELF (Schools Excess Liability Fund).

Previously served three terms on the Consultation Council for the California Community Colleges representing the Association of Chief Business Officers (ACBO).

Past president and six year elected member of the board for ACBO.

Appointed member of numerous system-wide budget, finance and governance committees, and task forces for the California Community College system.