Pasadena Area Community College District & Pasadena Community College District Faculty Association (Case No LA-IM-3747-E) - Successor Agreement, June 2013

This is a complex Impasse concerning a successor agreement between the Pasadena Area Community College District and the Pasadena Community College District Faculty Association. The parties were unable to mutually agree to consolidate the matter with their dispute over a school calendar (Case No LA-IM-3741-E), so there are two separate Cases and Reports.

The District's panel member was Bruce Barsook with Liebert Cassidy Whitmore, and the Association's panel member was Michael D. Anderson with Anderson, Armenta & Associates. The Public Employment Relations Board (PERB) directly appointed Tony Butka as the neutral Chair of the Panel.

Two hearings were held at the District Offices; one on Friday May 24th, and the second on Thursday, May 30, 2013, where all parties were represented by counsel and afforded an opportunity to introduce evidence, testimony, and argument as to their respective positions. At the conclusion of the hearing, a post-hearing schedule was agreed upon where the Chair delivered a Draft Report to the parties on Monday June 3rd, and the parties had an opportunity to review the draft and respond by Tuesday June 4th. The matter was then deemed submitted and this final Report issued on June 5, the deadline for issuance of the recommendations per the Educational Employment Relations Act (EERA) absent a waiver of time.

Background

The Pasadena Area Community College District is comprised of a single college - Pasadena City College. The college serves some 26,000 students.

Total employment is slightly under 3000, with 370 full time faculty and almost 900 adjunct faculty in the bargaining unit. The collective bargaining agreement between the parties expired on June 30, 2012.

Negotiations for a successor agreement have proved contentious, as evidenced by a very large and somewhat amorphous list of issues in dispute between the two sides.

From the District's position, they constantly attempted to bargain with the Association from the time of their initial proposal on May 2, 2012, encountering only delays, voluminous requests for information, and very few proposals or counterproposals on any of the items under discussion, resulting in little movement from the Association and ultimately a declaration of impasse by the District on November 27, 2012.

From the Association's standpoint, meaningful bargaining was virtually impossible because the District set the stage for negotiations with a 'gloom and doom' letter from the President called "Budget Reality Check: We've Hit the Wall" dated February 13, 2012 and from that point on the budget numbers presented by the District kept shifting so that there was never mutual agreement on basic fiscal data.

In this context, mediation over a period of some three months proved unsuccessful, and the District issued a Last, Best & Final offer to the Association on March 18, 2013. When the Faculty Association declined to accept the offer, the District filed for fact finding on April 8^{th}.

Preliminary Matters

A fair reading of the EERA's purpose is that it is designed to provide an equitable playing field for K-12 and community college district labor relations, and that the negotiations system of the Act strives to produce agreement between the parties. In this case, unfortunately, there was little harmony, and it was necessary for the Chair to make rulings on a broad variety of procedural issues.

Since those procedural issues have little if anything to do with the purpose of a fact finding panel, or the criteria which the panel is instructed to take into account under the Act, this Report will not make mention of any of these procedural matters.

Criteria

Section 3548.2 of the Act provides the following guidance to a fact finding panel:

(b) In arriving at their findings and recommendations, the factfinders shall consider, weigh, and be guided by all the following criteria:
(1) State and federal laws that are applicable to the employer.
(2) Stipulations of the parties.
(3) The interests and welfare of the public and the financial ability of the public school employer.
(4) Comparison of the wages, hours, and conditions of employment of the employees involved in the factfinding proceeding with the wages, hours, and conditions of employment of other employees performing similar services and with other employees generally in public school employment in comparable communities.
(5) The consumer price index for goods and services, commonly known as the cost of living.

(6) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays, and other excused time, insurance and pensions, medical and hospitalization benefits; the continuity and stability of employment; and all other benefits received.

(7) Any other facts, not confined to those specified in paragraphs (1) to (6), inclusive, which are normally or traditionally taken into consideration in making the findings and recommendations.

For comparability purposes, the District chose a marketplace of 11 single college districts with student populations similar to that of Pasadena College (between about 11,000 - 30,000 Full Time Equivalent Students (FTES)):

Cerritos CCD	Citrus CCD	El Camino CCD
Glendale CCD	Long Beach CCD	Mt San Antonio CCD
Palomar CCD	Pasadena CCD	Santa Monica CCD
Sonoma CCD	Southwestern CCD	

The Faculty Association did not agree that these college districts were comparables. The Association submitted its' Exhibit, setting forth a smaller group of six local area community colleges which it believes is more comparable to that posed by the District and also where the adjunct faculty actually work:

Pasadena CCD	Citrus CCD	Glendale CCD
Los Angeles CCD	Mt Sac CCD	Santa Monica CCD

THE ISSUES

•**Term**: The District proposed a three year agreement, while the Association proposed a two year agreement (with some flexibility).

•**Salaries**: The District proposed a 2.4% salary schedule increase for all full and part time faculty effective the date of adoption for 2013/14, and a 2.4% salary schedule increase for all full and part time faculty effective July 2014. (*Note - there were other proposals made by the District for agreement only; they are ignored in this Report since there was no agreement, and the language of the Last Best & Final offer indicates that these items will only be included if agreement is reached by March 28, 2013*)

The Association's final counter comes from their last official offer made in negotiations to the District in a November 5, 2012 counteroffer, and was for two 2.25% raises on each July 1 of a two year agreement

•**Release Time**: The District proposes no change in release time to the current 1.20 FTE, while the Association proposes an increase in release time to 2.0 FTE.

The District provided information in support of their position that the current practice is in the range of comparable Districts, and that the bargaining unit is shrinking.

•**Class Size**: The District proposes to increase class size 20% over the 1982-83 baseline NCNs (an NCN being defined as Normal Closing Numbers). As background, it should be pointed out that Proposition 30 and the Governor's proposed budget require community college districts to increase their FTES's in order to be eligible for growth/workload restoration funding.

The Association proposal is to increase class size by 1 for 2013 and by 2 for 2014. That would bring the end point number up to 27.7 using the Districts data, and to 31.4 using the Association's Average Class Size data.

The Association also argued at the hearing that to take the District's position on class size would be contrary to allowing these issues to be based on the College's Curriculum and Instruction Committee's recommendations. Extrapolating from the Association's Exhibits, it appears that the District's proposal based on 1982-83 NCNs ran contrary to the work done by the Curriculum and Instruction Committee's Recommendations for newly established NCNs based on a shared governance process. *(Note - The District's position was based on fiscal considerations, and does not indicate that the work can't be used in the future.)*

In support of its position, the District provided data indicating that the comparable districts' average is 28.7 and the Statewide average is 28.5, while Pasadena is at 25.7. The District also argues that increasing class size enhances the opportunity for students to get the classes they want, and at the same time generates savings that are used to provide for wage increases.

Casting doubt on the District's assumptions, the Association presented an Exhibit titled *"Psychology Student Numbers - Plan for Increased Student Retention and Success,"* which argues for lower class size being correlated to greater success and retention by students. The study was presented to the Academic Senate and presented to Bob Miller for the District and was conducted by a member of the Association negotiations team, and no data was presented for any class other than Psychology.

•**Compensation for Large Group Instruction (LGI):** Here we see the relative positions of the parties through a side-by-side comparison:

District Proposal		Faculty Association Proposal	
101 - 119% NCN	$0		
120 - 132% NCN	$850	105 - 133% NCN	$750
133 - 166% NCN	$1500	134 -166% NCN	$1500
167 - 200% NCN	$2250	167 - 200% NCN	$2250
		Over 200%	$2500

In terms of the threshold number for additional compensation, the District believes that they need to be adjusted upward to allow for more students in a class with no added cost, to permit greater student access at lower costs to the District.

•**Fringe Benefits:** Currently the District provides 100% coverage at no cost for all full-time employees. Currently, the annual cost for Anthem Blue Cross PPO with Dental, Vision, Life, Income Protection & Employee Assistance is $17,906 per year. This is for full-time faculty only.

The District proposes that eligible employees pick up $50/month towards the cost of fringe benefits, which represents $600/year.

The District presented a number of reasons why their offer is generous. However, a close examination of the backup data for comparison of Pasadena CC to the other marketplace districts does not necessarily buttress the District's position. Of the 11 Districts, three did not provide benefit information, and of the 8 that did provide data, Pasadena ranked 5th out of the 8.

The Association proposes establishing a committee as identified in the parties contract to research the plans, the implementation of Obama care and determine how best to proceed.

•**Overload and Adjunct Credit Semester Salary Schedules:** Currently there is a separate Contract Faculty Overload Salary Schedule in addition to the Adjunct Credit Semester Salary Schedule. The District proposes to eliminate the Contract Faculty Overload Salary Schedule, integrate everyone into the Adjunct Credit Semester Salary Schedule, and to compress the middle part of that Schedule by eliminating current Steps 7, 9 and 11.

The District believes that they would receive approximately a net savings of $250,000 per semester by this combination of changes, and that those changes would help offset salary increases. However, the backup data and spreadsheets are based on a series of 6 discrete assumptions

The Association proposes compressing the entire Adjunct Credit Semester Salary Schedule, by eliminating alternate Steps 1,3,5 etc. . This "offer" was presented for the first time at the final fact finding hearing. Prior to this the Association's proposal had been as follows: "The three Adjunct salary schedules will be compressed to allow part time faculty to approach parity more rapidly."

•**Full Time Priority and Increase in Summer Instruction Limit:**
Since it was 'for agreement only,' the District has withdrawn its proposal that full time faculty receive priority to teach up to 360 hours per summer intersession.

The Association's proposal that contract faculty have priority to teach up to 360 hours per intersession is still on the table. What is indeterminate is how all of this will play out with the new calendar, and that system has not been in effect long enough to have any data.

•**Part-Time Faculty Office Hours:** Currently the District pays adjunct faculty 6 office hours per semester. The Association proposes that adjunct faculty will receive ½ hour paid office time per week for each 3, 4 or 5 hour class. Their argument here is that paying for 6 hours per semester no matter how many classes a teacher teaches makes no logical sense.

•**Family/Maternity Leave:** The District currently complies with all provisions of the federal FMLA and California's CFRA. The Association proposes a new provision above and beyond the provisions of those statutes to grant up to 30 working days of paid leave.

•**Retired Faculty Rehire Rights:** The Faculty Association proposes that retirees working as part time faculty should be placed on the Adjunct Credit Salary Schedule based on experience and education, and further, they should be guaranteed priority of 3 classes per academic year.

The District believes that the Association dropped this proposal some time ago. The District also asserts that state law limits the ability of retirees to return to employment and that the District should retain the ability to select the best person for a particular assignment, regardless of whether that person is a retiree.

The difficulty here is that retirees are not part of any bargaining unit, and the Association has no right to bargain on their behalf.

•**Part Time Seniority/Rehire and Ancillary Duties:** The Association proposes that part time faculty be given limited rehire preference consisting of the first right of refusal for one class based on prior service. The Association also proposed to establish a $350,000 pot of money for staff development and 'above and beyond' recognition for part time employees.

The District asserts that the best person for the position should be selected for an available assignment, and as such, it should retain the discretion to make that selection irrespective of an adjunct faculty member's prior work history.

•**Academic Restructuring**: The District has proposed to work with the Academic Senate on the establishment of a plan for the academic administration of disciplines, which may or may not be handled by faculty chairs.

The Association supports shared governance and proposes as was past practice a compressed task force consisting of the Academic Senate, the Faculty, and Administration.

•**Online Course Enrollment Limits:** The record on this issue is insufficiently clear to capture. The District withdrew its proposal early on, and the Association's presentation lacked enough specificity to include here.

General Observations

Reviewing the relative position of the parties on most issues in dispute is *A Tale of Two Cities*. The District retained School Services of California to present their data, and as one would expect, it mirrors the criteria to be utilized by fact finding panels and has substantial backup attached to each point.

The Faculty Association's presentation was by bargaining committee members and counsel, and was significantly less focused on the criteria contained in the statute. Their presentation was heartfelt, and did contain a significant amount of data, but the data tended not to match the specific enumerated criteria and did not go issue by issue as did the District.

The panel considered all evidence and testimony presented to it during both hearings before making recommendations.

Recommendations

•**Term:** Year one of the proposed contract is essentially over, and the parties need some time to try and stabilize their relationship. Therefore the recommended term is 2 years, with a caveat that 3 years would be better unless the longer term precludes an agreement.

•**Salaries:** Since the District has clearly stated that there will be no retroactivity, and the first year of the proposed contract is functionally over, it makes sense to use the salary savings for year one elsewhere in these recommendations. So the recommendation for year 1 (2012-13) is $0%, and in year 2 (2013-14) a 2.4% increase on the salary schedule.

•**Release Time:** Increase the release time to 1.50 FTE. This is a relatively modest increase from 1.20 to 1.5, it was proposed at one time, and it is clear that the parties need to spend some time repairing their relationship.

It might be beneficial, for example, to have the Association attend some of the School Services events on the State budget and how it plays out for community college districts. Their May revise and post-budget workshops, for example, are excellent, and they administer the database that everyone on both sides of the table use in formulating positions.

•**Class Size:** Clearly the change in class size is the engine that guarantees Proposition 30 funds, and generates savings to stabilize the District's fiscal process. The District's articulated reasons at hearing are persuasive, and the Association's counters lacked sufficient specificity to rebut the District's position.

It is to be hoped that the District will revisit these issues with the Curriculum and Instruction Committee to monitor the impact these changes will have, and develop metrics to consider changes.

The recommendation is to increase class size to 20% over 1982-83 NCNs, and for courses not taught in the 1982 academic year, class size will be 20% over earliest used NCN for the course.

•**Compensation for Large Group Instruction:** The rationale for the District changing the threshold for LGI is inexorably linked to the 20% increase in permissible class size. Having determined that class size should be increased, it follows that the District's position on Compensation for Large Group Instruction should be followed. The recommendation is for the following schedule of compensation:

101 - 119% NCN	$0	120 - 132% NCN	$850
133 - 166% NCN	$1500	167 - 200% NCN	$2250

•**Fringe Benefits:** Having sustained the District's position on class size, LGI thresholds, and a 0% raise for year one of the proposed two year contract, the District's position on requiring an employee contribution for fringe benefits seems less necessary.

Since the Association raised the issue of Obama care, at this time no one knows the exact implications of the January 2014 requirement for all employees to carry health insurance.

Therefore the recommendation is that there be no employee contribution required for the life of the agreement.

•**Overload and Adjunct Credit Semester Salary Schedules:** It appears that the District's position is based on an Association proposal made during mediation. However, the Association's position was to compress the Adjunct Credit Semester Salary Schedule by every other step, while the District proposes to only eliminate 7,9, and 11.

This issue needs further discussion and consensus. Therefore the recommendation is for the status quo for the life of the agreement.

•**Full Time Priority and Increase in Summer Instruction Limit:** Based on the very limited data presented, there seems no clear reason to modify the current agreement, so no change to the current agreement is recommended.

•**Part-Time Faculty Office Hours:** While the Association's proposal may have some merit, under the criteria to be used by fact finding panels it falls short of being persuasive. The recommendation is to keep the status quo in this matter.

•**Family/Maternity Leave:** The Association's proposal goes significantly beyond the requirements of federal and state law on family leave. The Association failed to articulate any persuasive rationale for such a change. No change to the current agreement is recommended.

•**Retired Faculty Rehire Rights:** There was no substantive reason presented to the Panel to justify any rehire rights for retirees. The recommendation is that this proposal be denied.

•**Part Time Seniority/Rehire and Ancillary Duties:** The issue of some sort of retention rights for part time faculty is as old as the EERA, and the issue is both complicated and contentious. In this instance, no persuasive rationale was given for the Association's proposal; hence, the recommendation is for no change to the current agreement.

•**Academic Restructuring:** The Association's proposal in this area is really a 'go forward' proposal, in that there are no specific actions for the District to weigh in light of the proposal. For that reason the proposal is premature, and the recommendation is to reject the proposal.

•**Online Course Enrollment Limits:** There was simply no meaningful evidence or testimony regarding this proposal during the course of hearing. For that reason the proposal is deemed premature, and the recommendation is to allow the status quo to continue.

Respectfully submitted,

Tony Butka
Chair
Fact-finding Panel

Dated: June 5, 2013

PERB Case No. LA-IM-3747-E Successor Agreement

Concurrence of District Panel Member Bruce Barsook

I concur with the recommendations of the Chairperson. He has drafted a fair and reasonable set of recommendations which I hope the parties will utilize to resolve their negotiations impasse.

Dated: June 6, 2013

Bruce Barsook

Bruce Barsook

IN FACTFINDING PROCEEDINGS PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTIONS 3548.2 AND 3548.3

In the Matter of a Dispute between Pasadena Area Community College District	
And Pasadena City College Faculty Association	DISSENT BY ASSOCIATION PANEL MEMBER
	June 17, 2013 PERB Case Nos. LA-IM-3741-E & LA-IM-3747-E

INTRODUCTION

I believe that the fact-finding final report is not a true representation of the panel's findings in that the subject report failed to include any of the dissenting comments presented by the Association's panel member. It is this panel member's opinion that the process was flawed from the beginning in that the implied impasse was really a bad faith refusal by the District to continue negotiations. Therefore, I am submitting the following summary of issues relating to my dissention.

I. Declaration of Impasse by District. The report, by the chair, states that the District declared an impasse on November 27, 2012. Fact is there never was an impasse; there was only a bad faith refusal to negotiate on the part of the District. The District set the stage for negotiations with a 'gloom and doom' letter from the President **reference copy attached)** called "Budget Reality Check: We've Hit the Wall" dated February 13, 2012 (and from that point forward despite the actual fiscal realities for the District (when Mr. Miller was questioned as to what the year end fiscal situation would be he stated that there would be a surplus and that "the District is hording cash") all district proposals were premised on the District achieving cuts, in the existing budget, totaling $10.5 million pending a failure of Proposition 30. The District's position, from the start of the bargaining process, was that if Proposition 30 failed they needed to cut $10.5 Million out of the existing budget and could not enter into a new contract that did not reflect the Associations share of these cuts, but if Proposition 30 passed that they would have no problem with any of the Association's demands.

II. Bad Faith Negotiation. The District's best and final offer, presented to the Association, had a drop dead date of November 5, 2012, the eve of the vote on Proposition 30. While the District still contended that they needed to cut $10.5 Million out of the existing budget, their best and final proposal offered to the Association included changes that would increase the existing budget. The District was questioned about this by the Association and when asked whether the present year would end with a deficit or a surplus the District answered that it would end with a surplus, which defied logic since to date the District had insisted that they needed to cut the existing budget due to a lack of funds. The Association then countered with the offer to hold the acceptance of the best and final proposal until the results of Proposition 30 were in so that if Proposition 30 failed it might be necessary to make further cuts in the proposal to keep the District solvent. To this the District stated that their best and final proposal must be accepted prior to the voting on Proposition 30 or it was off the table. When the Association questioned this logic saying they failed to see how the District could implement an agreement that they could not afford prior to knowing whether they were going to have the additional funds to cover the increased costs, which at that time were not fully known, the District stated that even if Proposition 30 failed they would stand behind the commitments made in the proposal regardless of the costs. At this point it became apparent to the Association that the District's collective bargaining negotiations to date were based upon a fraudulent position of having a short fall in the existing budget necessitating concessions by the Association.

III. Refused to Negotiate. Once the results of Proposition 30 were in and it had passed the Association requested the District to continue negotiations to which the District refused, claiming there was an impasse. At this point it became apparent to the Association that the District, once they had lost the advantage of claiming they had no money, were no longer willing to continue the collective bargaining process.

IV. Misuse of Funds. In a report by the PACCD Board of Trustees Ad Hoc Subcommittee for Budget, Facilities and Technology dated July 9, 2012 **(reference copy attached)** the statement was made that "If the ballot initiative passes and the funds are restored, all of the $6.7M will be added to the Graduation Fund to add high demand classes for students beginning in Summer 2013." All of the $6.7M in budget cuts falls directly upon the Association and its member's; reference attached Ad Hoc report. In spite of all the rhetoric about needing to reduce the budget due to a lack of funds and statements about reinstating the salary and other cuts if Proposition 30 were to pass it would appear that the intent was never there to do so.

V. Unfair Practice Charge. As further indication of the District's bad faith collective bargaining methods, the District unilaterally imposed a trimester academic calendar, beginning with the Winter 2013 semester, following an unsuccessful attempt to coerce the Association into acceptance by a Memorandum of Understanding. This action is presently the subject of an Unfair Practice Charge (PERB No. LA-CE-5776-E). The Association, in light of its Unfair Practice Charge, ceased further discussions regarding the District's unlawful imposition of the Calendar and its effects pending outcome with PERB. The parties did however attend an informal mediation at PERB, and the matter is set for a formal hearing to be held on August 26-28, 2013 at the Public Employment Relations Board, 700 North Central Avenue, Suite 200, Glendale, California.

VI. Unilateral Imposition of Trimester Calendar. The immediate effects of the unlawful imposition of the trimester academic calendar were that only about 25% of the students actually enrolled in the Winter Intersession. This meant that many students sat out for long gaps of time during the winter period, which impaired achievement and progress, especially for at-risk students in the basic skills of English and Math. This was further born out by the State Chancellor's Office scorecard which indicated that the

District's conversion to the former (Winter Intersession) calendar had failed to result in increased student achievement; indeed, the opposite occurred, and the District lost FTES (evidence by the District's implementation of Spring II to make up FTES lost in cancelling winter). Additionally, for the local marketplace of six community colleges, the new calendar does not provide a good match, notwithstanding the District's position, and the summer semester is misaligned with the local high schools. By starting the Spring semester in the first week of January, some 4-6 weeks earlier than other community colleges in the same area, and its impact upon the Summer term, results in a negative impact on the student's ability to transition between colleges. There is also an adverse impact on part time faculty, many of whom make their living by teaching at multiple institutions in that they will not be able to blend their schedules to teach both at PCC and another college in the summer.

VII. Unrealistic Economic Base. The school districts selected for comparability purposes are unrealistic in that the requirement relates to a comparison of the wages of employees and therefore would dictate the selection of comparable economic communities but in this case the districts selected were of communities with like size schools. These are not comparable communities. A comparison of median home prices among the 11 community college districts utilized as comparison schools indicates that Pasadena is near the top of the scale for cost of living and is number 4 of 11 in median home price. Even given their inappropriate statistical economic comparison Pasadena City College faculty are among the lowest paid, Pasadena city college faculty are 10 of 11 and 11 of 11 in current salary, at the midpoint, step 10. This is true even when the proposed raises are factored in, and without any change to the salaries of other campuses. In a comparison among community college faculty statewide, Pasadena City College faculty salaries fall to 56th of 72 colleges by step 15, mid salary scale (AFA Salary Study, Santa Rosa, 2013). When compared with a master plan that aims for PCC to be the top in degrees, completion and transfer, this seems to be a critical disconnect in logic.

VIII. Release Time. The District provided information in support of their position that the current practice is in the range of comparable Districts and that the bargaining unit is shrinking. The Association disputes the allegation that the bargaining unit is shrinking and the District failed to produce any evidence to that fact, further, the Association believes that in fact a release time of 2.0 FTE is reasonable. The Association is committed to shared governance and positive student outcomes.

IX. Class Size. It has been stated that class size is the issue which guarantees Proposition 30 funds, however, the Association's position is that class size is not linked to proposition 30 funds but that additional FTES are linked with proposition 30 funds. Further the Association believes that implementation of a strict 20% increase in class size will mean a small percentage of the faculty will be bearing the brunt of these larger classes, as not all classes can be increased by 20%. The Association beleives that it would be appropriate to revisit a load mechanism in which faculty with larger classes are given appropriate loads such that students will have equal access to faculty. Additionally it would appear that Class size is an empirically validated student success and retention issue. Students must have access to faculty in order to succeed. On the Pasadena City

College campus, the main difference between a class of 35 and one of 55 is in the failure rate of students. The larger course has a failure rate that is 170% of the failure rate in the smaller course.

X. Large Group Instruction (LGI). In terms of the threshold number for additional compensation, the NCN, the District believes that they need to be adjusted upward to allow for more students in a class with no added cost, to permit greater student access at lower costs to the District. However, the District fails to account for the increased income generated by each additional student enrolled in the class. At the proposed numbers the cost to the District, in additional faculty salaries, for each additional student is less than 20% of the additional income generated and therefore the District is retaining 80% of the increased revenue generated by each additional student enrolled under LGI. Based upon the Districts statement that they be allowed to enroll more students at no cost, this could be accomplished even if all of the increased revenue was paid to the faculty member teaching the class.

XI. Adjunct Salaries. In their arguments against increasing the compensation for adjunct faculty at Pasadena City College the District has failed to provide any comparisons of the Pasadena City College adjunct pay scale relative to adjunct pay for other Community College Districts. In the Santa Rosa Study, Pasenda city college adjuncts are 60^{th} out of a total of 68 schools in the state for step one pay. Pasenda city college is not competitive in adjunct salaries.

XII. Retired Faculty Rehire. While there are some state law restrictions to the rehiring of retired faculty members, qualified retired faculty members may be hired as adjunct faculty. Therefore, when there are senior faculty members who can serve as Adjunct Faculty, and who wish to continue to contribute to the college, some consideration should be given to their superior qualifications by providing some priority to their rehire status. If the intent of the District is to retain the most qualified person as an adjunct, then it would appear to be logical to give them some priority in rehire.

XIII. Part Time Faculty Office Hours. Most would agree that the reason for our school system and the faculty therein is to teach the student, to pass on knowledge to the student. It is also understood that a part of that exchange of knowledge is the association between the student and the faculty member, which sometimes requires the individual consultation of the student by that faculty member. This individual consultation time is usually dependent upon the availability of the faculty member outside of class usually in the form of available office hours when the student can visit with the faculty member in an informal atmosphere. The existing problem is that a student who, by the luck of the draw, has a part time faculty member teaching his class rather than a full time faculty member has less time available for individual consultation because the part time faculty member has less office hours available. If the intent of the District is to treat students evenly in providing their education then the part time faculty members office hours should be increased.

XIV. Shared Governance. The Association supports shared governance and proposes as was past practice a compressed task force consisting of the Academic Senate, the Faculty, and Administration.

Signed,

Michael D. Anderson, Esq.
Panel Member for the Association

June 17, 2013

PASADENA CITY COLLEGE

Office of the President

Part II
BUDGET REALITY CHECK:
WE'VE HIT THE WALL

February 13, 2012
Pasadena, California

"I'm living so far beyond my income that we may almost be said to be living apart."
— E.E. Cummings, American poet (1894-1962)

"One day everything will be well, that is our hope. Everything's fine today, that is our illusion"
— Voltaire, French philosopher (1694-1778)

Are you sitting down?

Fair warning and full disclosure: if you are hoping against hope that PCC can solve its current budget crisis and yet preserve the status quo, this is going to be a difficult message for you.

This is a difficult message for me to write and I have tried to avoid writing it, hoping myself that the state budget would turn around and we could get through. But on this day, leadership demands the courage of honesty. Just straight talk today, no mincing of words, no flinching.

I am asking for your help today. I am asking you to face up to the facts of our situation with me. I trust in you and your intelligence. As grim as our situation is, and it is indeed grim, we can yet respond in a way that is true to our mission and our cause of social justice.

Can we end our budget crisis without making difficult choices, and soon? No.

Can we end our budget crisis without the end of business as usual? No.

Can we end our budget crisis with innovative and comprehensive change that creates a brighter future for all faculty, staff and students?

Yes.

BOARD OF TRUSTEES MEETING, FEBRUARY 1, 2012
"We have hit the wall."

I'm an English teacher by trade, so I am going to dispense with charts, graphs and spreadsheets and just get right to what I recently reported to the Board of Trustees—in straight talk and plain English. In short, I reported to the Board of Trustees that we have hit the wall on the budget and we are out of devices such as retirement incentives and borrowing from other funds, two "card tricks" we used last year. Such actions did not solve our budget crisis, they only delayed the day of reckoning. We had hoped last year that if we delayed structural change for a year that the state budget situation would improve. As well you know from news accounts, the state's budget situation, far from improving, has worsened:

- In the current FY2011-2012, the state just ordered an *additional* mid-year budget cut to community colleges, on top of the $2M trigger cut to PCC that was already made this year. This means an immediate extra cut of $2M to PCC, because student fees and property tax revenues are beneath the state's original projections. This means we will have to reduce the class schedule in the spring and summer, among other actions.

- State Controller John Chiang reported today that due to declining state tax revenues that the state could run out of cash by the end of March to pay its bills. Click here for the Controller's complete report: http://sco.ca.gov/Files-EO/02-12summary.pdf

- In Governor Brown's proposed FY2012-2013 budget, PCC is scheduled for *another* trigger budget cut of $5M—unless the voters approve a tax increase in November. This means we will have to budget the $5M cut into our FY2012-2013 budget and reduce the class schedule still more next year.

I wish this were all the bad news I reported to the Trustees. PCC's actual cash flow situation is now so dire that we are preparing to borrow money temporarily to make payroll this summer. It is this cash flow situation that caused me to report we had 'hit the wall.' If we compare PCC to your family household, we are nearing zero in the checking account.

Let me explain this cash flow problem. Our annual operating budget this year is about \$116M, *before* the December "trigger cut" just ordered by the state. Almost 90% of this operating budget are salaries and benefits for employees. To pay all of our planned bills for the rest of this fiscal year until June 30, 2012, we are scheduled to receive from the state another \$54M. The only problem is that because of the state's budget deficit, the state will not pay us the full \$54M, but will defer \$22M of this amount until after July and as late as October. This means that we could drop our current operating balance to about \$10M on June 30 and we will still have to get to October to get paid the full \$22M due us!

Given current planned deferrals from the state, we have estimated our month-end cash balances for the rest of this fiscal year:

February 2012	\$23.9M
March	\$15.3
April	\$13.1
May	\$10.2
June	\$ 4.0

The official accounting term for this condition is, *Yikes!* This for the first time would put us under the 5% reserve "watch list" requirement by our accreditor, the ACCJC.

And note that even this assumes that our apportionment funding comes in as was originally promised. We have already been told that the state may not have enough cash in March to meet its commitments, and may therefore defer its planned deferrals even further. This means that the July 1 payroll will be a problem, because we will not receive enough money from the state to meet the July 1 payroll. That will take at least a couple of weeks thereafter and perhaps longer.

I want to be absolutely clear here:

In order to make payroll in July we are now making plans to borrow money.

Now I am not a finance major, but I know this much about budgeting:
When you're in a hole, stop digging.

Therefore, I am today instructing all executives and managers to reduce spending immediately in the current year to match available state funding. I am further instructing the Budget Resource and Allocation Committee to begin developing a FY2012-2013 budget that will reduce next year's annual spending to match next year's annual funding.

In stating these facts and taking this action, I am not in any way, shape or form implying blame or fault for anyone. Quite the contrary, I want to commend our colleagues on the Budget Resource and Allocation Committee for the hard work they did last year to make significant expense reductions, without which our current situation would be still worse.

A year ago, we had hoped for the best, but the worst has happened and it has now come to all of us to deal with it.

So, as I reported to the Board on February 1, we have hit the wall. For the public record, here is the unvarnished version of my report to the Board. Please click on the link below, then click on the meeting of February 1, then click on item III.F, titled:

"SECOND QUARTERLY FINANCIAL STATUS REPORT with UPDATE ON STATE BUDGET AND DEVELOPMENT OF FY 2012-2013 COLLEGE BUDGET: DISCUSSION WITH POSSIBLE ACTION"

The following clip from the meeting includes my comments in addition to comments from Trustee Mann, Trustee Martin and President Baum:

http://www.pasadena.edu/board/granicus.cfm

If I were reading this and coming to terms with this for the first time, my first human response might be, "typical scare tactics of the administration." So before I move on to describe our next steps, I think it in order for me to explain how we dug the ditch we're all now in.

WHY THIS CRISIS ALL OF A SUDDEN?

The Prop 98 model for funding K-14 was discarded in 2008 —and it's gone for good.

If my message today comes as a surprise to you, then I ask you to re-read my budget message of January 11, 2011, thirteen months ago:

http://www.pasadena.edu/budget/PresidentsMessage.cfm

In this message I stated clearly, "The News Is Not Good". I said then exactly what I am saying now. It's not that we ignored my warning. The Budget Resource and Allocation Committee did do difficult work and recommended cuts that included reducing the class schedule for this year. But last year BRAC factored into the current year's operating budget the large one-time savings created by the many retirements under the SERP program. Because these savings were significant and because both BRAC and I hoped that last year would be the final year of the devastating state cuts, I did accept the recommendation to make fewer cuts in the class schedule and I accepted the recommendation to transfer excess funds from such accounts as the dental insurance fund.

So the budget crisis I describe again today in this year's message was well upon us and clearly reported over a year ago. But a year ago, we still had a couple of escape hatches to defer the hardest choices.

This year I will not accept a budget recommendation that factors in SERP savings or borrows from internal or external funds. The FY2012-2013 budget expenses must match anticipated FY2012-13 revenue from the state, exclusive of our normal operating balance for safety, emergencies and cash flow.

Now I know that most of us go about our daily work and do not pull the minutes of the BRAC meetings nor review the videos of the Board meetings. Yet last December in open public session our independent auditor warned the Trustees in writing for the second consecutive year that our cash flow situation was a serious problem. Our independent auditing firm is Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants. This independent annual audit is required by law and identifies and reports every dollar of every college fund. On December 14, 2011, the accountants appeared before the Board of Trustees and delivered this Note to the Financial Statement that I quote here unedited in its entirety:

> *The State of California economy is continuing through a recessionary period. The California Community College system is reliant on the State of California to appropriate the funding necessary for the educational services and student support programs that are mandated for the colleges. Current year appropriations have now been deferred to a subsequent period, creating serious cash flow management issues for California community colleges in addition to requiring substantial budget reductions.*
>
> *The District has implemented budget reductions to counter the reductions in apportionment and program funding. However, continued reductions and deferral of cash payments will ultimately impact the District's ability to meet the goals for educational services.* (Annual Financial Report)

This is accounting-speak for 'we are running out of money and will need to reduce operating expenses—or borrow'.

Let us now deepen our understanding of how we got into this situation over time. This is a prerequisite for figuring out together how we are going to get out of this situation over time.

As our independent auditor notes, we are entirely dependent on the state for our funding. Our Board does not set fees or local taxes; all of the funding cuts come from the state. All community colleges have known this for quite some time since the first year of cuts in 2007-2008.

But to make matters worse, this is now the fifth consecutive year that our annual operating expenses and enrollment have significantly exceeded our annual funding from the state. We have not balanced our expenses on current revenue since Dr. Kossler retired in 2007. At that time, we did have some savings. Today, we have spent almost all of it.

All of our state funding is based on per-capita enrollment. We are paid $4,652 from the state for every Full Time Equivalent Student. What exactly is a full time equivalent student? FTES is the total student headcount multiplied by the average units our students take, divided by 12 units (since 12 units is considered a full time course load for financial aid purposes.) Here is a real example, give or take, of what our FTES and annual apportionment funding was five years ago in 2007:

PCC Student Headcount	28,000
Average Student Unit Load	× 9 units
Total Number of Units Taken	255,000 units
Divided by 12 unit FT load	÷ 12
FTES	21,000
State Funding per FTES	×$4,652
Total Enrollment Funding	$97,692,000

The budget cuts have come not because the state has cut our FTES *rate* of $4,652, but because the state has capped our student enrollment each year. Before 2007, the state would usually pay us for every FTES student we could enroll. Our state-ordered enrollment cap for next year is 18,370—not 21,000 as in 2007. This means our apportionment funding next year will be $85,457,240, a huge decline of over $12 million dollars or -12.4%. To give you some sense of the order of magnitude, $12M is more than the total we currently spend on the CEC, the Library and all of our CTE programs *combined.*

In addition to losing $12M from our base annual funding, we have continued to ignore the state enrollment cap and have kept on spending on additional sections, taking the funds for this directly out of our own operating reserve balance. Take a look:

Academic Year	Sections Offered	Students Enrolled	Students Funded	Deficit (Overspending)
2006-07	5813	20,909	20,909	-0-
2007-08	5963	21,556	21,077	-$1.37M
2008-09	6006	22,686	21,284	-$3.69M
2009-10	5611	22,031	20,552	-$3.79M
2010-11	5523	21,723	21,135	-$1.50M
2011-2012	5346	20,641	19,520	-$2.90M
Total Cash Draw on Operating Balance Over Last Five Years				-$12.95M
2012-2013 Governor Brown's Proposed Funding			18,370	

I'd therefore like to correct what I observe as a common misconception in our approach to budget at PCC: *the state does not fund us per section; it funds us per FTES student.* Our budget is not given to us in sections, but in dollars. The state has downsized us over the last five years by nearly 3,000 FTES students, but we are still spending as if the college is the size it was in 2007.

This is not a temporary situation. PCC has been permanently downsized by the state. No one—not the Governor or Legislature, not the Legislative Analyst's Office, not even our own advocate, the Community College League of California predicts that our lost funding will ever be restored. This is because almost all of our funding depends not on PCC student fees nor on local District property taxes but on our share of Prop 98 funds that "guarantees" K-14 education at least 39% of the state General Fund. When Prop 98 was passed in 1988, this seemed like a good deal. Today, with the state General Fund declining rapidly over the last five years, a "guaranteed" portion of an ever-smaller General Fund has been almost disastrous for K-14. Indeed, our guaranteed funding under Prop 98 would actually be *less* than what we are now receiving. For all intents and purposes Prop 98 has been suspended as a sustainable revenue model. It is quite accurate to say that there is no longer any identifiable revenue model for K-14.

My purpose here is not to discuss the theory of state finance but to face up to the reality that the situation we now have on our hands will be with us for years to come. Yes, student success is our top priority and will remain so. But in order to help any of our students succeed we must first exercise our responsibility to make sure the District is financially stable. I cannot report to you today that the District is financially stable.

FIVE PRINCIPLES FOR MOVING FORWARD

Together we will consult and act decisively this spring.

A family's personal saving account or a college's reserve balance is meant to get us through a "rainy day" not a dust bowl storm of five years. Over the last five years, the college has considered a number of cost-saving measures that most other community colleges have long since implemented. We can be forgiven for wanting to stave off the day of reckoning for as long as possible because we did have some reserves five years ago and because all of us would do anything to avoid the human costs of laying off adjunct faculty and turning students away. So let's forgive ourselves and move forward and resist starting the blame game. We should be proud of ourselves for holding out as long as we have and using every trick in the book for this long. PCC's mission is well worth defending and we should make no apology for defending it. This has not been an act of denial, this has been staunch advocacy for what is right. However, in light of the facts, we can no longer keep to our current path of spending what little money there is left and hoping in vain.

Today with no options left to address the budget crisis our commitment to PCC's long-standing mission of student success and the maintenance of our proud heritage of excellence depend on action. Such action will mean significant change for each one of us.

The common human response to significant change is opposition. This will surely come. The uncommon PCC response to fundamental change must be adaptation. If we adapt, we can survive and grow and get better in the service of our students.

I imagine it will not make any of us feel better to note that almost every other community college is worse off. Most neighboring districts have long since cut their winter and summer sessions; some have negotiated actual salary cuts and furloughs. Almost no other community colleges still offer health benefits for employee and family at zero employee contribution. The city of Pasadena itself is borrowing money to pay old police and fire pensions and is in layoff of current employees. None of this makes us feel better about the task we now face, but I am hopeful that we can move quickly to acceptance and adaptation. It is past our time to do so.

Our first step moving forward must be to commit ourselves to 100% transparency and an open budget consultation process. We know how to do this because we did it successfully last year. Therefore:

- I am asking the Budget Resource and Allocation Committee, co-chaired by Professor Keith Oberlander and Vice President Rick van Pelt to convene BRAC on Friday, February 24, at 12:00 noon in Creveling to begin its consultation and development of the recommendations for the actions to be taken to develop a 2012-2013 budget. This meeting will be open to all. I am further requesting that BRAC meet weekly on Friday to do its important work. Each meeting should include a period for open comment from any member of the college community.
- I am also asking Vice President Bell and Vice President Miller to attend all BRAC meetings so that enrollment management and the College Planning and Priorities Committee are directly connected to the BRAC consultation. I am further asking Vice President Cable and Vice President Lastimado to join BRAC as resources to the consultation.
- By law, our Board of Trustees is required to adopt a 2012-2013 budget by July 1, 2012. I will ask BRAC to set and publish a timeline with an appropriate deadline for its consultation and recommendation so that the Board of Trustees has sufficient time to review the recommendation and act.

I have already stated my instruction that all executives and managers reduce spending <u>immediately</u> in the current FY2011-2012 to sustain the new additional $2M mid-year budget cut and FTES workload reduction recently ordered by the state. In addition, the Budget Resource and Allocation Committee will begin developing a FY2012-2013 budget that will reduce next year's annual spending to match next year's annual funding. Let me now state the **<u>five primary principles</u>** for developing these budget actions and recommendations:

1. Overall the college's FTES enrollment will exactly match our state FTES apportionment funding, beginning in spring 2012.
2. Potential savings from past or future SERP cannot be considered in developing the budget. The SERP retirement incentive has a cost of its own and any SERP savings must be used to replenish some faculty and classified staff positions.
3. The beginning operating balance of FY2011-2012 cannot be reduced, as all of it is needed to cover cash flow emergencies from state payment

deferrals.

4. The $2M mid-year cut must be taken in this FY2011-2012 and the proposed $5M trigger cut for FY2012-13 must also be budgeted.
5. No transfers to the operating budget from any other established internal funds such as health insurance, retiree benefits, technology and capital outlay.

WHY CAN'T WE TRANSFER FUNDS FROM TECHNOLOGY AND FACILITIES?

With respect to principle #5 above, the question has been posed many times, *Why can't we take money set aside for technology and facilities to pay for extra classes?* Given my message today this question will surely be posed again and it deserves a thoughtful answer.

The start of an answer is that it is a matter of formal and settled policy of the Board of Trustees to retain the funds in the technology and facilities funds for their intended purposes in the Educational Master Plan. But even if the Board formally changed this policy and decided that a new computer system and proper facilities were no longer a college priority, it would do nothing to bring our current annual expenses within our current annual income. I described above our current rate of overspending. At our current rate, even if the Board agreed to drain every available account, we would still only be buying time of a year or two before we would not be able to keep our current financial commitments and literally become insolvent. As it is, we will certainly have to borrow some money from these funds *this summer* to make payroll.

In our Educational Master Plan approved by the Board of Trustees in December 2010, technology, sustainability and facilities were identified as "mission critical priorities". Our Educational Master Plan is not just a nice thing to do but is a requirement of our accreditor, the ACCJC. In 2008, the ACCJC put PCC on accreditation warning in part because we had no EMP and could not demonstrate a link between our budgeting and our planning. So not only do we have an EMP today, we are bound to follow it as a matter of policy by our Board of Trustees and a matter of accreditation by the ACCJC. Here is the link to our EMP. It's well worth your reading since we have been following this plan and its priorities and will continue to do so:

http://pccproject90.org/wp-content/uploads/2010/12/PCC_EMP_Summary.pdf

As of last June 30, 2011, the college had approximately $26.5M in its Capital Outlay fund, of which about $10M has been set aside by the Board for the required installation of a new computer system. Our current computer system was installed in 1982. The major use of the technology funds will be for a new Administrative Information System, the type of which has long since been installed at most other community colleges. This will mean that every faculty and staff member will require a refreshed computer that meets the requirements of the new AIS.

That leaves about $16M for numerous small facilities projects. A good deal of this has already been spent on moving science and health out of the U-Building, since the U-Building does not meet current earthquake standards. Again, the decision to make employee and student safety our top priority was made by the Board of Trustees last year. The science and health programs have already been moved out of the U-Building. Since a new U-Building will cost about $50M, we do not have the money to build a new U-Building. This will have to wait until we raise the money through private donors or through other means, such as a future bond. The wait for a new U-Building will be a long one. In the meantime, what relatively little money we have left in the capital outlay account must remain there for the many small facilities projects that are urgently needed and for future emergencies, such as windstorms and earthquakes.

EVERYTHING ON THE TABLE

***This semester BRAC will have to consider everything—
and many things never before considered.***

Given the five principles I stated above that include no further transferring or borrowing from dedicated accounts, everything else must be on the table, so to speak. Again, I want to commend BRAC because last year it did deal with the budget realistically but we were not yet at the point that we were forced to invoke these principles. Over a year ago on January 28, 2011, BRAC met and included most of the items listed below for review and consideration. Among the possible measures that executives and managers and BRAC have examined previously and will have to examine this semester are:

- Reduce the class schedule for spring 2012, summer 2012 and winter 2013. Please note that there is a difference between reducing the number of class <u>sections</u> in the schedule and reducing the number of <u>students</u> we serve. We do not have to do the latter if we have a more cost-effective class schedule that serves the same number of FTES students on lower cost. This can be done.
- Determination and immediate establishment of enrollment registration priorities according to the Educational Master Plan.
- Determination of which courses and programs are most in demand and immediate establishment of a class schedule according to this data.
- Eliminate faculty release time from teaching that is not contractual or externally funded.
- Reduce the administration through attrition and restructuring.
- Reduce temporary and part-time staff.
- Reduce overload for retirees and faculty and overtime for staff.
- Delay scheduled pay raises for all employees.
- Delay for one year the previous approval of new fulltime tenure track faculty for September 2012.
- Negotiate as partners with the Faculty Association, ISSU, CSEA and the POA to realize other cost savings. We truly are all in this together.

The other items that do not appear on this list are a reduction in the workforce through furlough and layoff for regular full time staff, administrators and faculty; a reduction in earnings for all employees; and a reduction in health benefits or an increase in the contribution to health benefit premiums. These items also belong on the table.

Since almost 90% of our budget goes to pay the salaries and benefits of faculty, staff and administrators, there is no other "fat" in the budget. Our other discretionary costs are minimal. For the record, the total cost for executives and managers is down significantly this year and will go down still more next year.

OUR HUMANITY IS OUR HOPE

It is a difficult challenge to end business as usual.
It is an extraordinary opportunity to show our best selves.

On Monday, January 9, 2012, I travelled to Sacramento to testify at the Board of Governors hearing for the Student Success Task Force Recommendations. I told the Board of Governors that the SSTF recommendations represented a fundamental shift in our access mission that was breaking all of our hearts. In our very DNA as a community college is our dedication to the principle that social justice depends on access to free quality higher education. PCC was founded on this stated principle in 1924. I vowed on that day and I vow today to lead the fight, arm and arm with you, to preserve PCC for all time as an institution for social justice. I see no contradiction between our dual mission of student access and student success. To pose one against the other is a false choice. As I described in my first message last week on PCC's Global Future, many of you already understand that for access to be meaningful it must lead to demonstrable student learning and the completion of a degree or certificate. Many of you are working hard on the SSTF recommendations before they were even thought of up there in Sacramento.

Let us express our humanity because in our humanity is our best hope.

First, let us express gratitude for our privilege and let us be kind to each other as we deal with this budget situation. It's nobody's fault. Whether it is fair or not, it has now come to us to fix things and set a new course.

Second, let us express our humanity through our intelligence and innovation. If ever there was a time to 'think outside the box', this is it. In the days ahead I will engage you not only on budget cuts but budget solutions. It is yet possible for us to come up with solutions and ideas that haven't been tried elsewhere. Later this week, I will send the third and last in my series of special messages. It will be devoted to how we can revise our labor-management relationships in healthy new ways for the good of all.

Not only is it possible to choose a path to a bright future, I believe it is PCC's destiny. For ultimately, we are accountable to our own history. Eighty years ago, President John Harbeson and the faculty and staff steered PCC safely through the Depression, the Long Beach Earthquake and World War II. I have searched in vain for a discouraging word from Harbeson and his colleagues in our library's archives. Harbeson and the good people of PCC never complained but moved steadfast ahead with their work and delivered PCC to us better than ever. I know we will keep faith.

In hope and heart.

Mark

PASADENA AREA COMMUNITY COLLEGE DISTRICT
REGULAR MEETING (NO. 14)
BUDGET & RESOURCE ALLOCATION COMMITTEE
PASADENA CITY COLLEGE
CREVELING LOUNGE
1570 East Colorado Boulevard, Pasadena, CA 91106
THURSDAY, JULY 12, 2012
2:00 – 5:00 P.M.

To see the video or listen to the full deliberation of the Budget & Resource Allocation Committee (BRAC), please go to the PCC website:
http://www.pasadena.edu/sharedgov/brac/

The Budget & Resource Allocation Committee met for Regular Meeting No. 14 on Thursday, July 12, 2012 in Creveling Lounge at Pasadena City College, 1570 E. Colorado Boulevard, Pasadena, California 91106.

Committee Members Present
Robert Miller, Co-Chair, VP, Administrative Services
A.C. Panella, Faculty
Gary Potts, Classified
Alexander Soto, Student rep.
John Woods, Management Assn.
Danny Hamman, Faculty
Kevin Clinton, Associated Students
David Krause, Classified Union rep.

Committee Members Unable to Attend
Keith Oberlander, Co-Chair, Faculty
Tom Berg, Faculty
Kent Yamauchi, Management Assn

Resource Representatives Present
Anthony Brown, Fiscal Services
Maria Descalzo, Fiscal Services
Robert Bell, VP, Instruction/Student & Learning
Dwayne Cable, VP, Information Technology Services

I. **CALL TO ORDER AND INTRODUCTIONS**
Mr. Miller, co-chair, called the meeting to order at 1:34 p.m.

II. **APPROVAL OF MINUTES**
Regular Meeting No. 13 – June 28, 2012
Krause requested that expense accounts for Dr. Rocha, the board of trustees and the vice presidents be added under future agenda items.
Motion made by Krause, second by Woods, to approve Minutes of June 28, 2012, as amended. Passed unanimously. Soto abstained.

III. **PUBLIC COMMENT**
There was no public comment.

IV. **BUDGET UPDATE**
Mr. Miller gave a budget update for FY2011-2012.

V. **DISCUSSION WITH POSSIBLE ACTION: EDUCATIONAL MASTER PLAN & GUIDING PRINCIPLES**
This item was not discussed.

VI. **DISCUSSION WITH POSSIBLE ACTION: BUDGET DEVELOPMENT**
Dr. Rocha presented information on the development of the budget FY2012-2013 and the actions that are proposed.
There was a handout regarding FY2012-2013 Budget Development, with a total reduction of $10.5M.

Motion made by Panella, second by Soto, to approve voting on the FY2012-2013 Budget Development in seven parts. Ayes: 6. Nays: 0. Clinton abstained. Motion passed.

Motion made by Panella, second by Soto, to approve the repayment of the dental fund loan in the amount of $1.3M. Ayes: 0. Nays: 5. Soto and Clinton abstained. Motion failed.

Motion made by Krause, second by Panella, to approve the repayment of a portion of the dental fund loan in the amount of $500,000. Ayes: 3. Nays: 2. Soto and Clinton abstained. Motion passed.

Motion made by Panella, second by Soto, to approve the tabling of the reduction in force of hourly and temporary unclassified workers of 50% ($3.0M). Ayes: 2. Nays: 2. Panella, Clinton, Soto abstained. To break the tie, Miller as Chair voted not to table the motion. Motion passed.

Motion made by Panella, second by Soto, to approve the reduction in force of hourly and temporary unclassified workers up to a maximum of $2.2M. Amendment made by Woods that offset from the dental fund to go to hourly and temporary unclassified workers. Amendment accepted by Panella and Soto. Ayes: 1. Nays: 6. Motion failed.

Motion made by Hamman, second by Krause, to approve the reduction in force of hourly and temporary unclassified workers of 50% ($3.0M). Ayes: 1. Nays: 5. Motion failed.

Motion made by Panella, second by Potts, to approve the state mandated workload reduction ($3.0M) (apportionment enrollment revenue reduced by 1,487 FTES; equivalent to a reduction of 578 sections (4,777 sections in 2012-2103). Ayes: 4. Nays: 2. Hamman abstained. Motion passed.

Motion made by Panella, second by Soto, to approve the GASB OPEB one year deferral of payment ($1.0M). Ayes: 6. Nays: 0. Clinton abstained. Motion passed.

Motion made by Panella, second by Soto, to approve the ten day furlough for all non-faculty ($1.0M) (scheduled for after January 1, 2013. No furlough if November ballot initiative passes. Furlough must be negotiated with non-faculty unions. No classes in winter session 2013. Administrators, staff take one week furlough at start of winter and one week furlough at spring break. Pay reduction in six installments January-June). Ayes: 1. Nays: 3. Panella, Clinton, Soto abstained. Motion failed.

Motion made by Panella, second by Clinton, to approve the elimination of all non-contractual faculty release time ($500,000). Ayes: 0. Nays: 1. Woods, Hamman, Soto, Clinton, Panella, Potts abstained. Motion failed.

Motion made by Panella, second by Soto, to approve the TRAN ($2.0M) (Tax and Revenue Anticipation Note from Los Angeles County. Collateralized by receivable of state deferred payments. Must be repaid within one year). Ayes: 7. Nays: 0. Motion passed.

Motion made by Woods, second by Panella, to approve the reduction in force of hourly and temporary unclassified workers in the amount of $1.5M. Ayes: 1. Nays: 5. Clinton abstained. Motion failed.

VII. FUTURE AGENDA ITEMS

Panella – hourly and temporary unclassified workers; release time; capital outlay
Hamman – non-resident tuition (international and out-of-state) for 2009-2012
Krause – contracts
Miller – budget for 2013-14

VIII. ADJOURNMENT

Motion made by Clinton, second by Woods, to adjourn. Passed unanimously.

Mr. Miller adjourned the meeting at 4:48 p.m.

PACCD Board of Trustees Ad Hoc Subcommittee for Budget, Facilities and Technology

July 9, 2012

FY2012-2013 Budget Development

Path to $10.5M Reduction and Board Adopted Budget at Meeting of September 5, 2012

Budget Reduction Math

2011-2012 trigger cut	$2.5M	Now a permanent reduction of base in 2012-2013
2012-2013 base cut	$6.7M	Per signed state budget, June 30, 2012
Repay dental fund loan	$1.3M	One time loan to balance 2011-12 budget
Total Reduction 2012-2013	**$10.5M**	

ACTIONS WE ARE ABLE TO TAKE NOW

1. Reduction in force of hourly and temporary unclassified workers of 50%	$3.0M
2. State mandated workload reduction. Apportionment enrollment revenue reduced by 1,487 FTES; equivalent to a reduction of 578 sections. (4777 sections in 2012-2013)	$3.0M
3. GASB-OPEB (Other Post Employment Benefits) one year deferral of payment.	$1.0M
4. Ten day furlough for all non-faculty. Scheduled for after January 1, 2013. No furlough if November ballot initiative passes. (Furlough must be negotiated with non-faculty unions.) No classes in winter session 2013. Administrators, staff take one week furlough at start of winter and one week furlough at spring break. Pay reduction in six installments January-June.	$1.0M
5. Eliminate all non-contractual faculty release time.	$500,000
SUBTOTAL	$8.5M
6. TRAN (External Loan) Taxpayer Revenue Anticipation Note from Los Angeles County. Collateralized by receivable of state deferred payments. Must be repaid within one year.	**$2M**
TOTAL	**$10.5**

Note: If the November tax initiative passes, the 2012-2013 budget cut of $6.7M will be restored but the cash payment will be deferred until June of 2013. Therefore, the state chancellor's office advises districts to budget the cuts in their 2012-2013 adopted budgets. If the ballot initiative passes and the funds are restored, all of the $6.7M will be added to the Graduation Fund to add high demand classes for students beginning in Summer 2013.

FURTHER ACTIONS WE MUST NEGOTIATE WITH PCC FACULTY ASSOCIATION

1. Freeze step/column pay raises for faculty. — $740,000 savings (includes staff)
2. Eliminate Winter Session 2013/Recalendar — $1M savings (If FA accepts district proposal, savings used to add 200 sections to Summer 2013.)
    a. Trimester Calendar and convert to Carnegie Hour
3. Eliminate Faculty Overload Entitlement — $4M total expense; $2M in savings.

ACTIONS WE MUST ARRIVE AT MUTUAL AGREEMENT WITH ACADEMIC SENATE

1. Increase average class size by 20% from 29 to 35. — $2.75M savings
2. Norm PCC course unit value for English, math, science and all disciplines to CSU/IGETC course values. — $1M
3. Increase SB1440 associate degree programs. — TBA
4. Continue FYE development so that basic skills courses are competency based rather than credit based. — TBA

ACTIONS FOR INSTITUTIONAL EFFECTIVENESS AND ACCREDITATION COMPLAINCE:

Outcomes-based program review of all instructional programs: Transfer, CTE, CEC and noncredit, Extended Education. Outcomes-based program review of all business services: bookstore.

NOTE ON OTHER HIRING COSTS

- In 2012-2013, the District will approve **new faculty positions** to comply with our FFON obligation.
- There are **no SERP "savings"**. The SERP costs the District an additional $1.75M per year to fund the annuities for retirees. All of the dollars of vacated positions have flowed to the bottom line of the District budget. These dollars have been applied to the previous state budget reductions in each of the last two fiscal years. This has lessened and delayed the worst of the impact of the state budget cuts and cash deferrals, now clearly upon us.
- In 2012-2013, the District intends to **hire and replace** approximately forty essential administrators and staff in essential areas such as business and fiscal services, facilities, instruction and student services. Source of funds will be additional cost reductions in discretionary spending and contributions from grants.

REVENUE POSSIBILITIES

- Add international students. An additional 1,000 international students adds $5M in revenue at the top line and increases the number of seats available for District resident students.
- Foundation fundraising and contributions from assets.
- Expand successful grants program.
- Expand contract education.

Note on Review by College Budget Resources and Allocation Committee (BRAC)

On July 12, 2012, the Superintendent-President presented and reviewed this document with BRAC. BRAC's response:

- Support for recommendation #2, Workload Reduction (FTES/Section Reductions)
- Support for recommendation #3, GASB Loan
- Support for recommendation #6, TRAN loan
- Can repayment of last year's dental fund loan be delayed, all or in part?
- Do not support reduction in force for unclassified staff nor furloughs for non-faculty (#1, #4)

Off the Table for Now

1. General Salary Reduction

A general salary reduction for all employees of 7% would meet most of the required budget reduction and would have the significant benefit of permanently restructuring the salary base, nearly 90% of our operating budget. It would have the further benefit of saving jobs and being the fairest to all so that all employees participated and higher paid employees would contribute more.

However, such a reduction would have to be negotiated with all unions. Moreover, a salary reduction would have the effect of permanently reducing the base salary calculated for retirement benefits. Thus a furlough, if needed, would temporarily reduce the salary expense without long term effects on employees' retirement benefits.

2. Health Care Cost Containment

The District is virtually the last remaining district with 100% paid PPO health benefits for employee, spouse *and* family, with no deductibles, even for prescriptions. The District's per employee premium is $16,000 per year, regardless of salary.

This <u>does not include</u> additional costs for dental and eye insurance benefits; nor does it include the rapidly increasing cost of funding health benefits for retirees age 55-65; nor does it include the annual $1500 per year payment to all retirees after age 65.

These health care costs, with their rapid uncontrolled increase, are financially unsustainable for the District.

Since these benefits also are a matter of negotiation with our unions, the administration has previously proposed beginning a minor curtailment of costs by continuing to cover the employee 100% but require a small contribution for spouse and family; or to designate a base benefit HMO plan and then to require an employee contribution if one opts for the PPO plan. The Board correctly decided last January—before the February surprise and the additional budget cuts--to defer such negotiation for this year in the hope that this would foster a climate for agreements on other budget reduction measures.

The administration continues to call for health care cost containment and therefore the immediate establishment of a permanent Joint Benefits Committee comprised of trustees, administrators and union representatives to review this issue and to make recommendations for health care cost containment by December 31, 2012, for implementation in FY2013-14.