Commission Recommendation 11: Financial Stability

The college should assign a high priority to attaining long-term financial stability.
11-11-08 JO

The college takes its fiscal health very seriously. It is planning to grow into one of the larger institutions within the Los Angeles Community College District, to remain fiscally sound every year, and to build a sizable reserve fund into its annual operating budget. The college has already commenced work on a seven-year Technology Master Plan to complement its three-year Educational Master Plan. It recently completed a three-year Student Services Master Plan. In early November of 2008, the District’s Measure J bond issue was passed by the electorate, thereby granting the college an additional $300 million in construction funds to complete the build-out of its Campus Master Plan. The college already had a plan to provide the necessary funding and staffing for the A and AA bond construction projects currently underway. It can now expand that plan to cover the new buildings called for in Measure J.

The convergence of these planning elements has made it possible for the college to display its determination to attain long-term financial stability by creating a Fiscal Master Plan. The initial effort covers the five-year period from fiscal 2009 through fiscal 2014. This fiscal master plan has required the college to make an extremely large number of assumptions based on tenuous economic data in light of the global, national, and state economies, but the effort has been made nonetheless. With each passing year, earlier projections can be refined and another year can be added.

This fiscal master plan incorporates assumptions which address the following major topics.

Enrollment Growth

Enrollment growth over the past three fiscal years has been as follows:

- Fiscal 2007 FTES enrollment increased by 13.4% over fiscal 2006.
- Fiscal 2008 FTES enrollment increased by 8.9% over fiscal 2007.
- Fiscal 2009 FTES enrollment is currently projected to increase by at least 12.7% over fiscal 2008.

While the college intends to continue a robust growth trend, the five-year plan assumes a leveling off of this growth pattern. Fiscal 2010 is therefore projected to produce an 8% increase in FTES with a gradual stabilization downward toward 6% over the ensuing four years.

Section Growth

The college intends to accomplish this robust enrollment growth pattern without a parallel growth in the number of sections. Therefore only a 2% per annum growth in the number of sections is projected. The combination of this section assumption with the enrollment assumption foresees a 22.6% increase in the FTES per section over the five-year period.

Salary Increases
The current state budget situation has led to a State Chancellor’s Office assumption that COLA will be non-existent in fiscal 2010 and that COLA will be 3.5%, 2.7%, and 2.9%, respectively, in the following three years. The college has temporarily adopted these same projections for its own five-year planning purposes.

**Benefit Increases**

Benefit costs have been increasing far beyond COLA for several years in a row. The college has assumed that this pattern will continue with 7% increases eventually giving way to 6% increases over the five-year period.

**District Office Assessments**

The college has assumed that the District Office will temper its assessments to bring them more in line with COLA and district colleges’ absorption capabilities. Therefore 3% and 4% projections have been used in the five-year plan.

**Sheriff’s Costs**

It has been assumed that Sheriff’s department charges, in recognition of statewide and District financial realities, will have to remain roughly in line with COLA over the next several years. Therefore, these projections roughly parallel those of the COLA.

**Utility Costs**

During fiscal 2010, the college’s photovoltaic array and central plant are both scheduled to come on line causing the college’s annual baseline utility costs to be permanently reduced by approximately one-third. Except for fiscal 2010, the plan projects annual 5% utility rate increases.

**Staffing Levels**

Projections of Full-Time Faculty, Office and Clerical, and Maintenance and Operations staffing levels have been incorporated in the five-year plan. Full-Time Faculty staffing is governed by the college’s Faculty Position Identification & Prioritization Plan (FPIP). For purposes of the five-year plan, the number of new positions is assumed to parallel the growth in FTES with the exception of the 2010 fiscal year during which the state’s financial problems will hamper this growth. The Office and Clerical staffing is assumed to parallel the growth in FTES throughout the years of the plan. Maintenance, Operations, and Groundskeeper staffing parallels the projected growth in building square footage and landscaped acreage rather than FTES.

**Dedicated Revenues**

Dedicated revenues are projected to decrease somewhat in fiscal 2010 as the land rental fees currently being collected from a city sewer project cease. However, revenues from two major new land development projects – 10100 Jefferson and Lots 6 & 7 – are projected to come to fruition over the succeeding four years. These two projects will ultimately produce approximately $4,000,000 in operating lease income per year for the college.
**Operating Reserves**

The college plans to increase its operating reserves by 1% or more each over the next several years until the annual set-aside reaches five times the current District requirement of 1%.

**Summary**

This five year Fiscal Master Plan may be reviewed in Appendix __. The college realizes that the plan makes numerous educated guesses regarding what the future holds. However, this plan demonstrates that, as the college achieves its enrollment growth projections while improving its average class size and controlling other operating cost factors, the resulting economies of scale will produce very impressive operating results over the five-year period.