MEMORANDUM

To: Chris Carter
From: Ann-Marie Gabel
Date: May 4, 2012
Re: BAC committee/TA comments
cc: Eloy Oakley

I wanted to provide you a response to the e-mail questions you sent on May 2, 2012. In that e-mail you asked for:

1. A clear explanation to the faculty as to why we have a budget reserve. What is its purpose and why is it larger than the state mandated requirement?
2. A strong and truthful defense of our administrative structure. If we do indeed have more VPs (or other administrative positions) than other colleges, why is this?

In regards to your first question, the following chart shows what our Unrestricted General Fund Balance, our Surplus/(Deficit) and Percentage of Ending Fund Balance has been over the last 5 years:

![Graph showing fund balance and surplus/deficit over 5 years with projected data]
As you mentioned, the State required minimum reserve level is 5%. Over the past few years, we have made a conscious effort to reduce our deficit spending thus keeping our reserve level intact due to the uncertainty of the State budget and with the intention that our reserve needed to get us through the next several years. Prior to last year, we had deficit spent for two years in a row and were fully anticipating to deficit spend last year as well. When we adopted our budget in September 2010, the Governor still had not signed the State budget. Therefore, we were faced with expecting mid-year cuts, a negative COLA, and a large deficit. When the State budget was finally signed in October 2010, there was no negative COLA, mandated cost revenue was provided, and the deficit was reduced. These three factors alone accounted for over $2.2 million in unanticipated revenues. Later in that same year, he provided growth funding to all community college districts in January 2011. All in all, our revenues were $5 million more than we had anticipated when we adopted our budget and led to the surplus shown above for the 2010-11 fiscal year. After learning that our revenues were going to be more than what we anticipated, I asked BAC if they wanted to allocate some of the revenue on a one-time basis since we knew we would have additional funds. BAC recommended that we forgo providing any one-time funds for expenditure and rather requested that we increase our ending fund balance knowing that it would be needed in the future.

As you may know, a reserve is considered one-time funds. Once you spend the reserve, it is gone until you build it back up. Additionally, our reserve does not equal our cash balance. At June 30, 2011, our reserves were $18,145,681 but yet our cash balance was only $936,495. The State owed us over $20 million which is reflected in our reserve balance. So just because our reserve balance may appear high, it does not mean that we have extra cash sitting around available for expenditures.

We fully expect to deficit spend this year. The Projected 2011-12 numbers in the above chart reflect our most recent projections as of March 31, 2012 and were the ones provided to BAC on April 30, 2012. Therefore, at this point in time, we are anticipating that our reserves will be down to 9.65% at June 30, 2012 and we must further reduce our expenditures in 2012-13 in order to maintain a 5% reserve level at June 30, 2013.

In regards to your second question about the number of Vice Presidents, we currently have 5 Vice Presidents. In 2006-07, we had the equivalent of 6 Vice Presidents (one of them was the Provost at PCC). When the Provost retired on June 30, 2007, we chose not to fill the position with a permanent hire for a year but rather filled it on a temporary basis so that we could analyze the position better. After that, we decided to downgrade the position from a Vice President level to the current Associate Vice President, PCC. The other two Associate Vice President positions were basically title changes when we updated the job descriptions to fill the vacancies created by the Executive Director, ACIT and the Administrative Dean, HR.

In the last three years, we have reduced the overall number of management positions by 22 positions, including the elimination of three dean positions. The chart below provides a perspective on the salary and position concessions taken by management over the last three years and planned for the upcoming year as compared to other employee groups.
As you can see, management has taken salary concessions and reductions in force commensurate with our classified staff.

It is extremely difficult to compare the number of management positions that we have as compared to other surrounding districts without gaining a complete knowledge of their entire organization chart. It is important to remember that unlike Cerritos or El Camino, we have two large, full-service campuses that we operate whereas each of them only has one. Furthermore, although we may have the title of Associate Vice President, these positions are not Vice Presidents and are not paid at the Vice President level. I realize that many people like to omit the “Associate” part of the title and lump them in with Vice Presidents, but that is not the case. The functions covered by our Associate Vice Presidents are positions that many other colleges possess but they merely have given them different titles. The titles used by other colleges are more similar to the titles that we used prior to updating the job descriptions as I mentioned above.

I hope this helps explain things and answers your questions. If you have any further questions or would like additional clarification, please let me know.