

Memo

To: Board of Trustees
From: Bakersfield College Budget Committee
Date: September 28, 2015
Re: Evaluation Rebuttal

Bakersfield College's (BC) Budget Committee has reviewed the "continued" unsatisfactory behaviors cited in President Christian's evaluation conducted by Chancellor Serrano. These behaviors included:

1. Entering into Special Compensation Agreements (SCA) with full-time faculty;
2. Untimely preparation of the 2014-15 BC Tentative Budget due to a deficit;
3. The BC 2015-16 Tentative Budget being incomplete because it missed its assigned 50% Law ratio;
4. A plan to reclassify a management position.

BC's Budget Committee recognizes that each of these items fall under the purview of the Academic Senate 10+1 Title V Responsibilities, included in KCCD Board Policy Manual Section 5. Since the information cited conflicts with the facts known by the BC Budget Committee, we believe it is important for our participatory governance voice be heard on this matter. The facts are as follows:

1. All reassignment time must be approved by both the DO personnel including the HR Manager and Vice Chancellor, Educational Services, and other district office employees. Multiple signatures on the approval forms attest to multiple levels of approval at the DO. The SCA forms also require Board of Trustee approval. These processes were followed during President Christian's evaluation period, July 1, 2014 to June 30, 2015.

Concerns have also been raised about how the faculty reassignment affected the 50% law since faculty reassignment removes money from the numerator in the 50% law calculation. BC's budget planning process ensured that BC would still meet its 50% law target by trimming administrative costs and excluding co-curricular costs from the denominator and using categorical money for some of the reassignments, so the reassignment expenditures would not be any part of the 50% law calculation. In short, any adverse effect on the district's numerator was going to be more than balanced by a greater positive effect on the denominator. BC's 50% law target was 64.9% and we're at 65.4%, so the district has been helped. The KCCD Chief Financial Officer (CFO) was kept apprised of all of this during the budget development process and he even confirmed that BC would

meet its 50% law target. BC's budget planning process ensured that the faculty reassignments would not adversely affect the other colleges. President Christian and faculty completed their part in the process. If the Chancellor considered this unsatisfactory behavior, then the district office personnel should have been instructed by the Chancellor to deny the SCAs by not authorizing approval with their signatures.

2. The development of the *tentative* budget is an iterative process. Adjustments are made to the *tentative* budget until the board adopts the budget in September of the relevant fiscal year. The 2014-15 *tentative* budget was no different. All college & district leaders are well aware that budget figures are constantly in flux as more information is received and events happen outside of the college or district's control. The *tentative* budget is a college's best guess at the particular point in time the tentative budget is submitted as to what will be the budget for the coming year. In the time leading up to the deadline of the *tentative* budget submission to the district office, a worst case scenario of a possible deficit was identified.

The President's commitment to accurate disclosure and transparency was demonstrated by her engagement of the support of an experienced consultant to develop the 2014-15 budget and future forecasts. The BC all-campus budget meeting on April 8, 2014, called by the President, included discussion of the potential disclosure of a deficit projection of \$1.2M - 2M in the budget. Further, subsequent meetings with various committees were conducted to ensure there was a broad disclosure and visibility of BC's potential deficit position and the need to review the department budgets for opportunities to reduce costs. This transparency shows that there was never any attempt to conceal a potential deficit. In fact, the beginning adopted budget carryover from 2014-15 is \$4.5M and the beginning budget carryover for 2015-16 is \$4.5M. This indicates that the worst case scenario did not happen—no deficit incurred in 2014-15. The submission of the *tentative* budget after the proper controls and balances were reviewed proved to be the best decision by the President given the financial stability that is currently being experienced by the college. Therefore, "continued unsatisfactory behavior" is certainly not the case. This year's 2015-16 budget was submitted before the due date and balanced.

3. The 2015-16 tentative budget was submitted on time, balanced, and complete based on conversations that began in February 2015. The District Office 2015-16 budget premises went through three iterations; the first version did not include the 50% targets since these were still in discussion from 2/6 – 3/31 – 5/28. In emails, dating back to early February 2015, BC's Vice President of Finance and Administration (VP FA) engaged in correspondence discussions with the district office Vice Chancellor of Human Resources and CFO concerning his preliminary estimates of BC's 50% Law ratio of 61-62%. As chair of BC's Budget Committee, BC's VP FA kept the Budget Committee well-apprised of these discussions.

Starting this fiscal year, the individual colleges were given individual "50% law ratio" targets of direct instruction expenses to total expenses to meet in the budgets they submit to the Board of Trustees. Note that when the state checks for compliance with the 50% law, the state actually uses ACTUAL expenditures, not budget estimates. BC's target is significantly higher than those of the other colleges: 64.92%, while Cerro Coso's target is 52.12%, and Porterville's target is 56.54%. BC understood that the 50% law targets would be based on actual expenditures, not budget estimates. BC VP FA engaged in various conversations with the KCCCD CFO, who was supportive and cooperative, concerning the need for BC to be able to track the co-curricular activities being done by the Facilities, Maintenance and Operation department. Co-curricular expenses are excluded from the

50% law calculation. Tracking of co-curricular activities had never been done in KCCD before. At the time the 2015-16 *tentative* budget was due, estimates of co-curricular costs in the 50% law denominator calculation were still being figured out, so they were left in the denominator. After further conversations with the KCCD CFO, co-curricular estimates were made ensuring that the costs would be tracked throughout the academic year so that BC would meet the 64.92% suggested target. Through careful accounting of the expenses and trimming administrative expenses at the local level, BC will be able to more than meet that target with an actual value of 65.4%. Presumably, that higher percentage will make it possible for the other colleges to take care of needed administrative tasks. Furthermore, BC's 2015-16 adopted *final* budget approved by the Board of Trustees in September shows a local college reserve of 9.5% (6.5% higher than the minimum set in Board Policy).

4. Board Policy 6C2.IX.C allows for the position of VP FA to be classified as an Educational Administrator. The *request* to reclassify the VP FA is within the purview of the President of the college. BC's VP FA possesses the education and background to be classified as an Educational Administrator. Further, this has been the classification of this position once before. Thus, having this position classified as an Educational Administrator has precedence.

In 2014-15, BC initiated a campus wide task force to review the organizational structure and scope of positions. Three teams in the task force each developed their own proposal and shared with the BC College Council the various stages of their proposals. From this, each team learned from the others—a true competing of ideas in the best way. Each of the three final proposals had new positions and reorganization. It should be noted that the Budget Analyst, who is a member of the Budget Committee, was directly involved in determining the costs and the impact of each of the positions on the budget. This shows the President's continual awareness and focus of the impact of certain changes in the organizational structure of the college. President Christian then combined the best features of the three proposals. The new org chart for 2014-15 has a *lower* budget than any of the three proposals from the Reorg Taskforce and a number of full-time administrative employees equivalent to the *lowest* of the three proposals, so President Christian was as conservative as she could be.

New positions and reclassification of the VP FA were *proposed* to the Chancellor. The Chancellor denied the reclassification, as well as holding off the hiring of a few of the positions. Collegial processes were followed, no further request for reclassification has occurred and BC is hopeful for the remaining positions.

Thank you for considering the BC Budget Committee's view of the facts of these four issues.