COLLEGE-WIDE FTES DEFICIT REPAYMENT RESOLUTION

March 12, 2013

WHEREAS, to defend to the Accreditation Commission and the Chancellor's Office that, in spite of facing another financial crisis, Palo Verde College is diligent in maintaining short and long-term financial integrity by addressing unanticipated but potential apportionment deficits; and

WHEREAS, the Accreditation Site Visitation Team recommended that the College develop financial scenarios to demonstrate preparedness in addressing a situation whereby FTES apportionment maybe reduced; and,

WHEREAS, to balance the 2012-13, 2013-14, and 2014-15 budgets while maintaining the College's ability for instructional, student support, and operational integrity should an FTES apportionment reduction occur;

THEREFORE BE IT RESOLVED, that if the minimum 1800 FTES base is not met in 2012-13, 2013-14, and/or 2014-15, to meet the resulting apportionment shortfalls, the PVCCD Board of Trustees hereby approves this resolution as a public acknowledgement that the Board of Trustees will implement the following measures to address an FTES apportionment deficit, if needed:

1. No less than 5% Board Reserve will be maintained.
2. Final known FTES apportionment shortfalls will be offset to balance the 2012-13, 2013-14, and 2014-15 budgets in the following priority order:
    a. Identify and use available unbudgeted, unanticipated income obtained.
    b. If sold, dedicate some or all of the income generated from the sale of the Spring Street property to offset the shortfall
    c. If needed to balance the 2012-13, 2013-14, or 2014-15 budgets use up to $580,839 from the 2011-12 ending balance which will reduce the Board's Reserve to 5%.
    d. If needed to balance the 2012-13 budget, complete an *expense transfer* to borrow some or all of the $855,000 General Fund dollars that were used for partial payment towards the annual COP debt for 2012-13, to the LAIF/COP capital fund per Board Resolution, freeing up General Fund dollars to balance the 2012-13 budget.
    e. If needed to balance the 2013-14 and 2014-15 budgets, reduce the $855,000 each year that is allocated for the COP payment from the General Fund by the amount of funds needed to balance the budget, funding the remainder of the COP payment from LAIF/COP Capital Fund .
    f. If needed to further balance the 2013-14 or 2014-15 budgets, borrow the remaining funds required to balance the budget from the LAIF/COP Capital Fund.

2. To demonstrate the College's commitment to fiscal solvency to the Accreditation Commission and to the Chancellor's Office, and to justify using the General Fund COP allocation and/or funds from the LAIF/COP Capital Fund, it is hereby understood that the Board of Trustees will commit 100% of any future undesignated or unrestricted new State funding (such as COLA, Growth, FTES Restoration, etc.), over multiple years if necessary, to

repaying the total borrowed amount that was used to balance the 2012-13, 2013-14, and/or 2014-15 budgets.

3. Except in the case of another documented and justified critical emergency and through Board Resolution, it is hereby understood that any current or future new undesignated or unrestricted allocation (such as COLA, Growth, FTES Restoration, etc.) will not be used for any other purpose until the full amount of the borrowed funds relevant to the FTES apportionment shortfall have been repaid.

4. Payments from new undesignated or unrestricted allocation (such as COLA, Growth, FTES Restoration, etc.) or other sources of income identified to retire the debt generated from the loss of FTES, will be transferred and held in the LAIF account.

5. An FTES Feasibility Study will commence to review data, make projections and recommendations regarding the short and long-term feasibility of Palo Verde College to maintain its 1800 base target by April 15, 2014.

THEREFORE BE IT FUTHER RESOLVED, that in the event that the FTES Feasibility Study determines that it is unlikely that the College will restore its 1800 FTES apportionment base by June 30, 2015:

1. Consistent with contract negotiations, government and education codes, a consultative process will commence to identify services, operations, and/or academic programs for consideration for suspension or elimination in anticipation of the reduced FTES base allocation that will occur July 1, 2015.

2. Services, operations, and/or academic programs identified for suspension or elimination will be notified by June 30, 2014, providing for a one-year transitional close-out process.

BACKGROUND & JUSTIFICATION FOR RESOLUTION

- The State's apportionment is tied directly to FTES acquisition.

- The data presented demonstrates that although Palo Verde College has a consistent pattern of decreasing enrollment since Fall 2009, its FTES has remained consistent, representing that students are enrolling in fewer units.

- To maintain its base level of apportionment, the College must maintain no less than the base FTES to obtain base funding.

FALL ENROLLMENT TREND DATA		SPRING ENROLLMENT TREND DATA	
Fall 2009	5057	Spring 2010	4032
Fall 2010	4500	Spring 2011	3964
Fall 2011	3713	Spring 2012	2998
Fall 2012	3209	Spring 2013	1902

FTES TREND DATA	
YEAR	TOTAL FTES
2009-2010	1916.11
2010-2011	1791.17
2011-2012	1367.93
2012-2013	EST.1500-1600

- In the summer of 2011, the College community was informed that it had (unknowingly) been deficit spending and balancing the budget with COP income, which created a false picture as to the stability of the College's finances.

- To address the deficit and balance the 2011-12 budget without using COP monies any longer, the decision was made to reduce course offerings to save some of the costs associated with hiring adjunct faculty, thereby reducing FTES generation and intentionally placing the College in "stabilization" for 2011-12.

- Because the College has a recent history of consistently generating at least 1800 FTES, and because the 2012-13 class schedule was built using the year in which the highest FTES was generated, a good faith effort was made to balance the 2012-13 budget on the expectation that its 1800 FTES base target was realistic and attainable.

- The Accreditation Commission, recognizing that Palo Verde College was facing severe financial challenges, placed the College on *probationary* sanction in February.

- The State allows for a "grace" period whereby the College's apportionment is not adjusted downward for the year in which the enrollment dip occurs, which means that for 2011-12, the College received its full apportionment as if it generated 1800 FTES even though it only generated 1367.93 FTES.

- After the 2011-12 grace period, the apportionment is based on actual FTES generated, although the State gives a College 3 years (or through June 30, 2015) to make up its FTES losses, at which point the original FTES apportionment is either re-established or a new base recalculated July 1, 2015 if the FTES has not been restored.

- The college community united and is to be commended for identifying nearly $2 million in additional cuts, including salary, health benefits, and faculty load increases to balance the 2012-13 budget based on the acquisition of 1800 FTES; and,

- The College has been diligent in balancing the budget through bargaining unit contract negotiations and through creative personnel resignation and other incentive plans to reduce expenses, ensuring its ability to meet Accreditation Standards.

- A dynamic COP Debt Mitigation Plan has been approved for long-term financial stability.

- The number of classified staff, managers, and administration has been significantly reduced over time and through the personnel incentive programs and cannot be reduced any further without impacting the ability to maintain programs and services at their current levels, therefore, layoffs (to reduce personnel expenses), is not an option.

- It is not recommended to eliminate any academic personnel or programs at this time as there is a need to generate additional FTES to maintain the financial stability of the College and therefore, March 15 Notices will not be given.

- The College has been diligent in meeting the 50% Law compliance and no less than two (2) additional new full time faculty are required to maintain academic program integrity.

- Palo Verde College service area is unstable as it applies to enrollment management and that a diligent effort needs to be put forth to identify the PVC "niche" to secure its higher education presence in the desert valley.

- Palo Verde College serves a very high-poverty student population where over 75% of its students receive some form of financial aid support.

- The increase in student enrollment fees to $46/unit, the Accreditation Commission's *probationary* sanction, and future BOGG unit limitations, may have a negative impact on current and future enrollments.

- Full FTES restoration often requires more than one academic year and that the College is diligently addressing its FTES shortfalls anticipating full restoration within the time allowed.