

All Staff Email Sent April 9, 2008

Colleagues,

During in-service I let you know that we still had a difficult budget year ahead of us. At the all staff meeting in February I reviewed our projections that show a deficit for 2008-09 of about \$1.25 million plus the need to restore the ending fund balance to be in compliance with board policy. These projections were based on:

- inclusion of about \$3.3 million for salary and benefit increases for all groups
- holding many positions vacant
- reducing investment in facilities
- no increases in materials and services.

Clearly, inclusion of these assumptions results in a deficit that must be addressed. There are several unknowns, regarding these figures because we are bargaining with both LCCEF and LCCEA and talking with the Management Steering group; also, we do not know exactly how much our insurance increases will be.

For the past few months we have had two representative groups working on budget development. The Budget Planning group worked on closing the gap in the budget by discussing vacancies, facilities funding etc. and that work resulted in closing the gap to the \$1.25 million referenced above. At this time another representative group the Budget Balancing group is discussing ways to balance the budget. Last year we asked departments to submit reduction packages. While that got us part of the way there, the Executive Team had to develop additional reduction proposals to balance the budget. There was some concern expressed that a broader group should be involved in this process. As a result this year we have a representative group involved. This is no easy task because there are no obvious places for cuts and with 80% of our budget spent on personnel we have no good choices.

Given this context, I see three choices:

1. Fully restore the ending fund balance, provide COLA of 2-2.46%, steps and insurance increases of up to 10% and make reductions of about \$3 million (deficit and ending fund balance.).
2. Partially restore the ending fund balance, include \$1 million for salary and benefit increases and make minimal reductions.
3. Some combination of the above two choices.

Tonight I will be proposing a budget to the budget committee. By law we must propose a balanced budget. Since we have not yet finalized a plan for reductions, this budget is based on option #2 above - a budget that includes \$1 million for salary and benefit increases; does not fully comply with board policy on ending fund balance (in order to have some money to work with in bargaining.) Of course I fully understand that I cannot deliver this budget unilaterally as we are in bargaining. The last proposal from the LCCEF costs out at about \$763,177. I am not clear whether LCCEA has costed out the proposal we received last week but our preliminary figures cost out the faculty proposal at approximately \$3 million for next year alone. I certainly don't underestimate the challenge of closing these gaps. Therefore, depending on the direction I receive this evening I expect we will need to finalize a reduction plan. I am reluctant to develop a plan that includes lay-offs because it is a very tough economic environment but as I said there are no good choices. I will receive direction from the board and the budget committee.

There is not a lot of good news here except that last year at this time we were facing an \$8.8 million shortfall. We are closing the gap but we're not quite there. Had the legislature funded community colleges at the level we requested we would be very close to balancing this year but unfortunately that did not happen.

As we go forward information will be posted on the website and I will communicate frequently with you.

Thanks. Mary.