

FY 2014-2015 Balancing Options

Updated April 28, 2014

	Non-Recurring	Recurring	Combined	
Revenue				
Differential Fees	-	30,000	30,000	
	-	30,000	30,000	
Administrative Recovery and Transfers				
Capital Outlay Allocation	500,000	-	500,000	
Financial Aid Transfer	503,100	-	503,100	
Major Maintenance Transfer	250,000	-	250,000	
International Program Admin Recovery	-	500,000	500,000	
Titan Store Admin Recovery	-	200,000	200,000	
	1,253,100	700,000	1,953,100	
Materials and Services				
General Materials and Services	-	100,000	100,000	
Siltcoos	10,000	16,000	26,000	
	10,000	116,000	126,000	
Vacancies, Reassignment and OPE Savings				
Vacancies	-	3,985,400	3,985,400	
Reassignment	-	399,600	399,600	
OPE Fund Balance	245,900	-	245,900	
	245,900	4,385,000	4,630,900	
Part-Time Reductions				
Part-Time Faculty	-	2,049,000	2,049,000	
Part-Time Classified	-	670,100	670,100	
Part-Time Classified - additional 10% in Fund I	-	229,100	229,100	
Total with OPE	-	2,948,200	2,948,200	
Enrollment Efficiency	-	1,500,000	1,500,000	
Efficiencies & Restructuring				
Flight Technology	-	100,000	100,000	
BDC & Continuing Ed	-	400,000	400,000	
Child Development Center	-	100,000	100,000	
Cooperative Education	-	68,500	68,500	
	-	668,500	668,500	
Subtotal	1,509,000	10,347,700	11,856,700	
Laundry Closure	-	257,300	257,300	Staff will be reassigned
Program Reductions with Retrenchment	-	528,100	528,100	
Total	1,509,000	11,133,100	12,642,100	

Deficit @ 7% decline: \$10,941,900
 Deficit @ 12% decline: \$12,642,100

FY 2014-15 Budget Balancing Option



Date: April 28, 2014

Option: Administrative Recovery and Transfers

Over the past several years, the college has looked to enterprise and auxiliary funds to provide financial relief to the general fund. Budget staff and the Executive Team have analyzed base administrative recovery and transfer levels and are proposing the following to support FY 2014-15 balancing:

Item and Narrative	Savings		
	Non-Recurring	Recurring	Total
<p>1. Capital Outlay Allocation</p> <p>Capital outlay funds items such as instructional equipment, computer servers and workstations, operational equipment, and vehicles. This option would withhold the capital outlay allocation to departments for a second consecutive year. Withholding funding for two years will create a backlog of requests and will require the use of contingency funding for any urgent capital needs that arise in FY2014-15. Note: Capital equipment for the CLASS building and other bond projects is funded through the bond equipment fund.</p>	\$ 500,000		\$ 500,000
<p>2. Financial Aid Transfer</p> <p>The college general fund provides an annual transfer to fund the institutional match for federal workstudy and student educational opportunity grant programs. The transfer was withheld in FY 2013-14 as a one-time balancing option. The financial aid director has reviewed the budget and has confirmed that we can get by one additional year withholding the transfer.</p>	\$ 503,100		\$ 503,100
<p>3. Major Maintenance Transfer</p> <p>The college general fund provides a \$1,000,000 annual transfer to the deferred maintenance, major maintenance and capital improvement fund. In 2003, the board approved a multi-year funding plan to support these activities, modified in 2009, which was designed to result in full funding of \$2,025,000 in fiscal year 2013 and forward. The funding has been limited to \$1,000,000 since fiscal year 2010 due to budget constraints. In FY 2013-14 the transfer was reduced by \$100,000 as a one-time balancing option. This option involves reducing the transfer in FY 2014-15 by up to \$250,000, again as a one-time balancing option. This will result in additional backlog of deferred maintenance and reduced capacity for major maintenance, capital improvement and summer project work.</p>	\$ 250,000		\$ 250,000

Item and Narrative	Savings		
	Non-Recurring	Recurring	Total
<p>4. International Program Administrative Recovery</p> <p>The International Program has contributed significantly to the general fund over the past three years, in the form of transfers to the general fund and financial support for the Honors Program, ESL positions and curriculum development. This option will establish an administrative recovery model for the International Program, where the International Program will contribute to the general fund \$500,000 or ½ of net operating income, whichever is greater, on an annual basis. The International Program will also continue to provide financial support for Honors, ESL and other programs and services. This administrative recovery model will enable both the general fund and international fund to plan and budget with foresight and consistency.</p>		\$ 500,000	\$ 500,000
<p>5. Titan Store Administrative Recovery</p> <p>Currently the Titan Store contributes \$300,000 or ½ of net operating income, whichever is greater, to the general fund on an annual basis. This option will increase the minimum annual contribution to \$500,000. The store will support this increase by carefully managing margins and expenditures while continuing to grow sales revenue.</p>		\$ 200,000	\$ 200,000
Total Administrative Recovery and Transfers Option	\$ 1,253,100	\$ 700,000	\$ 1,953,100

FY 2014-15 Budget Balancing Option



Date: April 28, 2014

Option: Materials and Services

The February 5, 2014 projection for FY 2014-15 materials and services (M&S) expenditures is \$13,933,700, nearly one million lower than the FY 2012-13 high of \$14,922,300, and \$300,000 lower than the current projection for FY 2013-14. These savings are being realized through careful management of spending at the department level and newly implemented controls for purchase card expenditures, including travel, over \$500. We will reduce materials and services by an additional \$100,000 in FY2014-15.

Over the past year, the Florence Center Advisory Committee studied information regarding the history of the property, the renovation process, the occupancy rates and revenue and expenses. As a result of their findings, the committee concluded that the time, money and effort spent managing the remote property does not support the college's educational mission in a significant way. On February 13, 2014 the committee unanimously passed a recommendation in support of college leadership seeking ways to divest itself of the Siltcoos Station Learning and Retreat Center. Closing the Siltcoos center will result in non-recurring savings of \$10,000 and recurring savings of \$16,000 annually.

Materials and Services Balancing Options	Savings		
	Non-Recurring	Recurring	Total
General Materials and Services		\$ 100,000	\$ 100,000
Siltcoos Station Learning and Retreat Center closure	\$ 10,000	\$ 16,000	\$ 26,000
Total Materials and Services Option	\$ 10,000	\$ 116,000	\$ 126,000

FY 2014-15 Budget Balancing Option



Date: April 28, 2014

Option: Vacancies, Reassignment and OPE Savings

The contracted personnel line item in the February 5, 2014 projection was based on the February 1, 2014 position list. It assumed maintaining current programs and services and planned filling of some vacant positions in 2014 and 2015. It also assumed that the faculty contract would be settled with the same step and cost of living adjustment provisions as the classified contract (FY14: 1.75% cola, full step. FY15: 1% COLA, full step staggered).

The Executive Team has subsequently reviewed vacancies and temporary assignments and plan to hold open additional positions in FY 2014-15 to support budget balancing. Based upon the April 9, 2014 position list, updated vacancy/temporary appointment fill plan, the contracted personnel cost for FY 2014-15 will be \$3,985,400.

Employee Group	Fund I & IX Vacancies	Vacancies funded in February 5, 2014 Projection	Vacancies funded in April 28, 2014 Projection
Classified	30	22	7
Faculty	32	16	7
Managers	8	7	2

Two classified positions and three management positions will be reassigned into funded vacancies and two management positions will be eliminated resulting in additional savings of \$399,600.

The college-wide impact of holding positions open and reassigning existing staff will reduce capacity across all employee groups. This reduced capacity, coupled with significant reductions in part time staffing, will cause departments to operate at maximum efficiency and may in some cases result in service reductions (e.g. reduced hours).

The college received a new two-year actuarial report in September 2013, after FY 2013-14 rates were established. The actuaries provided an option to include the value of the college's funds in the Local Government Investment Pool against our early retirement liabilities, resulting in a \$1.2 million reduction to our required annual contribution. OPE rates have been recalculated to factor in this savings.

FY 2014-15 OPE rates were recalculated on April 9, 2014, factoring in the early retirement savings and assuming post-balancing salary bases. The recalculated rates are 64% for full-time employees (a 1% decrease over current year and February projected rates) and 38% for part-time employees (a 1% increase over current year and February projected rates). The net savings of these new rates when applied to all Funds I and IX salaries is \$245,900.

Vacancy Savings	\$ 3,985,400
Reassignment Savings	399,600
OPE Savings	<u>245,900</u>
Total Vacancy and OPE Savings Option	\$ 4,630,900

FY 2014-15 Budget Balancing Option



Date: April 28, 2014

Option: Part-Time Reductions

This balancing option is directly related to enrollment declines in each of the last two years and anticipated continued decreases as we move toward pre-recession enrollment levels.

These part-time balancing reductions continue the work that has been done in the current year to scale back enrollment-related part-time escalation from 2008 to 2012. Budget Office and ASA staff worked to review and reset all part-time faculty and classified budgets based upon department by department enrollment and activity. This work has been embraced by deans and directors, who were consulted in the process and now have clarity around their budget limits for FY 2014-15. Work also included reviewing faculty release, reassignment and overload, and scaling this back where possible.

Part-time reductions have impacted and will continue to impact hundreds of employees, including student employees, across campus. College-wide, academic departments will continue to work on maximizing class capacity and scheduling efficiency; student affairs and college services departments will continue to work on efficiencies, especially in the use of technology; and students will see less variety and fewer class offerings, yet enrollment demands will continue to be met. An additional 10% reduction in part-time classified staffing will result in reduced services or hours of operation in some areas.

Part-time reductions options over February 5, 2014 projection:

Part-Time Faculty	\$ 2,049,000
Part-Time Classified	670,100
Part-Time Classified – additional 10% reduction in Fund I	<u>229,100</u>
Total Part-Time Reductions Option	\$ 2,948,200

Enrollment Note: These reduction calculations are based upon a 7-12% enrollment decline in FY 2014-15.

FY 2014-15 Budget Balancing Option

Date: April 28, 2014

Option: Enrollment Efficiency (Attrition Adjustment Option)



This option involves ensuring maximum class fill rates by increasing *initial* maximum enrollment levels in credit, non-cohort class sections. Due to attrition after the first day of classes, class capacity rates can decline by up to 20% by the end of the term. Beginning summer 2014, the college and faculty leadership will implement a process for adjusting class maximums that will result in higher efficiency throughout the term. Based upon IRAP and ASA analysis, this attrition adjustment can result in section savings of approximately \$1,500,000 annually.

Writing 115 Example

(18 student per class maximum)

Enrollment	Spring 2013	Summer 2013	Fall 2013	Winter 2014
Start of Term	500	216	631	396
End of Term	449	171	580	360
Attrition #	51	45	51	36
Attrition %	10.2%	20.8%	8.1%	9.1%

Total Enrollment Efficiency Option

\$ 1,500,000

FY 2014-15 Budget Balancing Option



Date: April 28, 2014

Option: Efficiencies and Restructuring

As part of a year-long review, several departments have restructured their financial and operating models that will result in increased efficiency and improved financial performance.

Department	Fund I & IX Savings
<p>1. Flight Technology</p> <p>The Aviation Academy has developed a long-term plan for the Flight Technology program. This plan will be fully implemented in fiscal year 2014-15 and will result in a net recurring savings of \$100,000 annually. Revenues will increase by adjusting the fee structure to capture all student flight activities while expenses will be reduced by fuel efficient aircraft, holding a vacant position open (reflected in vacancy savings), strategic investment in fleet maintenance and repair, and renegotiating lease terms with the airport. Additionally, funding for the administrative personnel will be split between flight technology and aviation maintenance, reflecting the actual balance of work.</p>	\$ 100,000
<p>2. Business Development Center and Continuing Education</p> <p>The Business Development Center and Continuing Education departments are embracing new financial and operating models that are more entrepreneurially focused and support synergy and efficiencies between the two departments. Plans are in place to increase revenue through customized training contracts for businesses and seats in open enrollment courses. Expenses will be reduced by eliminating redundancies between the programs and scaling back non-revenue generating activities. The net recurring savings from this restructuring are estimated at \$400,000 annually.</p>	\$ 400,000
<p>3. Child Development Center</p> <p>The Child Development Center will reduce operations from four to three classrooms, in response to lower enrollment and reduced demand. Plans are in place to maintain full three-classroom enrollment by recruiting new families to fill vacant slots, including families who are eligible for CCAMPIS grant support. Expenses will be reduced by holding two vacant positions open (reflected in vacancy savings), additional reductions in part-time classified staffing, restructuring food service contracts, and adjusting subsidy payments to parents. The net recurring savings from these changes are estimated at \$100,000 annually.</p>	\$ 100,000
<p>4. Cooperative Education</p> <p>Cooperative education’s academic year activity is unique in terms of students and activities, with fall term being the quietest term and summer being one of the busiest. Currently, cooperative education faculty work a traditional academic year and earn overload during the summer. In fiscal year 2014-15 and forward, the college will work to reduce this overload expense by shifting some faculty schedules to better align with department activity. This shift is expected to recurrently reduce overload expenses by \$50,000 plus OPE.</p>	\$ 68,500
<p>Total Efficiencies and Restructuring Option</p>	\$ 668,500

Summary of April 28, 2014 Budget Balancing Options

	Non-Recurring Savings Estimate	Recurring Saving Estimate	Total
Differential Fees	-	30,000	30,000
Administrative Recovery and Transfers	1,253,100	700,000	1,953,100
Materials and Services	10,000	116,000	126,000
Vacancies, Reassignment and OPE Savings	245,900	4,385,000	4,630,900
Part-Time Reductions	-	2,948,200	2,948,200
Enrollment Efficiency	-	1,500,000	1,500,000
Efficiencies and Restructuring	-	668,500	668,500
Subtotal	1,509,000	10,347,700	11,856,700
Laundry Closure	-	257,300	257,300
Program Reductions with Retrenchment	-	528,100	528,100
Total	1,509,000	11,133,100	12,642,100

FY 2014-15 Budget Balancing Option



Date: April 28, 2014

Proposal: Laundry Closure

I. Budget Criteria and Data Elements

A. Service is Essential

1. Consequences of not having service

Laundry services are required for the operations of several college departments including physical education, athletics, health professions, food services, and conference and culinary services. In some cases, services may be discontinued if the laundry closes (e.g. clothing issue for PE students); in other cases, departments will need to work with an external laundry service.

2. Legal Requirements

There are no legal requirements for maintaining a laundry service on campus outside any collective bargaining issues related to closure.

B. Cost of Service

1. General Fund Support

The laundry receives an annual general fund transfer based on contracted laundry personnel costs. It receives additional direct support from Specialized Support Services in the form of a contract waiver and from Facilities Management and Planning, which picks up utilities and maintenance costs. Capital outlay, general overhead and administrative costs are not factored.

Annual transfer: \$ 233,000, indexed for inflation¹

S3 contract waiver: \$ 50,000

Direct utilities and maintenance costs: \$ 58,000

Total Support: \$ 341,000

2. Revenue and Other Offsets

Unsubsidized laundry operating expenditures exceed revenues by approximately \$240,000 annually, as shown in Table 1 on the following page. Revenue has declined significantly in 2014 due to decreased business from the University of Oregon and the termination of small contracts with Riverbend Resort and and Springfield School District. Please see Table 3 on page L-4 for a list of external customers.

¹ FY13 transfer was reduced \$50,000, FY14 transfer was withheld, and FY15 reduced \$100,000 as part of budget balancing options adopted in June 2012 and 2013.

Table 1: Laundry Revenue and Expenditures							
	2009	2010	2011	2012	2013	2014 Proj.	2015 Proj.
Revenue from Sales	142,229	155,927	130,882	146,523	124,993	89,500	92,500
Personnel	230,290	227,390	205,222	262,648	291,987	293,338	299,204
M&S	44,522	28,341	26,504	38,759	41,453	40,000	40,000
Income from Operations	(132,583)	(99,804)	(100,844)	(154,884)	(208,447)	(243,838)	(246,704)
Non-Operating Items							
General Fund Transfer ²	161,095	163,254	162,282	167,457	164,396	-	129,400
Capital Outlay	-	-	-	(47,562)	-	-	-
Net Income	28,512	63,450	61,438	(34,988)	(44,051)	(243,838)	(121,804)

3. Cost to College

Factoring in direct subsidies from the general fund and fund IX, the net cost of the college's laundry operation, based on FY 2014 projections, is calculated as follows:

Operating Loss	\$ 243,800
General Fund Transfer	-
S3 Contract Waiver	50,000
Direct Utilities and Maintenance	<u>30,000</u>
Total	\$ 323,800

C. Service is Cost Effective

1. Comparison to industry standards/outside services

Rates for commercial laundry typically range from \$.60 to \$.95 per pound, depending upon the type of items being laundered, frequency, and volume of service. The college's cost per pound, not including general administrative and overhead costs, is \$2.13³.

2. Cost savings for college compared to cost of service

If the college laundry closes, some departments will need to work with an external laundry service for continuing needs. Departments in enterprise and ICP funds will cover the cost of laundry within their existing budget structure while general fund departments will require additional budget authority of approximately \$66,500⁴. Therefore college will save an estimated \$257,300 (\$323,800 less \$66,500) by closing the laundry.

D. Service is Utilized

The laundry processes 151,700 pounds of laundry annually for college departments. The volume of external laundry processed has declined and is estimated to be approximately 120,000 to 150,000 pounds in current and future years.

² FY13 transfer was reduced \$50,000, FY14 transfer was withheld, and FY15 reduced \$100,000 as part of budget balancing options adopted in June 2012 and 2013.

³ \$323,800 total cost of operations divided by 151,700 pounds of college laundry.

⁴ 70,000 pounds at \$.95 per pound.

II. Mission Fulfillment and Strategic Alignment

The primary way in which the laundry supports the college's mission is by providing vocational training opportunities for S3 students. The impact of this training on student progression and completion is mitigated by the lack of laundry employment opportunities in the area. There is no record of any S3 laundry student gaining competitive employment⁵ in the community.

The laundry works *against* the college's Core Value and Strategic Direction of Sustainability, as it adds significantly to the college's carbon footprint and is not financially self-sufficient. A Systems West Engineering Study conducted in 2012 found significant issues with energy efficiency and with the stability and reliability of the boiler hot water system. The study resulted in a recommended \$300,000 investment in systems upgrades to improve energy efficiency and reduce maintenance and operating costs.

III. Impacts

Closing the laundry will impact 5 contracted classified employees totaling 4.25 FTE and approximately 15 part-time (hourly) classified employees. Contracted classified staff will be reassigned to funded vacant positions. The 14 S3 student workers assigned to the laundry will be reassigned to alternate S3 worksites, be transitioned to other service providers, be placed in competitive employment or retire.

⁵ Competitive employment is the stated goal of students in the program and the ultimate indicator of S3 student success.

IV. Internal and External Customers

The laundry provides washing, folding, ironing and pickup and delivery services to college departments and a limited number of external customers as indicated in Tables 2 and 3 below.

Table 2: College Departments Served

Department	Items	FY13 Volume (lbs.)
Physical Education & Athletics	PE clothing, yoga mats, athletics uniforms	30,400
Fitness Center	Towels	56,700
Dental Clinic	Towels, gowns, jackets	2,900
Food Services	Towels, aprons, shirts	31,000
Center for Meeting and Learning (CML)*	Towels, napkins, tablecloths	21,600
Culinary Arts	Towels	2,000
Other (Custodial, Health Professions, Continuing Education, Long House, Printing & Graphics, Advanced Technology, Grounds)	Towels, gowns, coats, blankets, misc.	7,100
Total		151,700
* The CML pays the Laundry \$1.25/pound; all other departments do not pay for laundry service		

Table 3: External Customers

Organization	Items	FY13 Volume (lbs.)	FY13 Revenue
University of Oregon	Kitchen items, dorm linens	198,700	\$ 89,418
Springfield School District*	Kitchen items	1,000	5,984
McKenzie Willamette Hospital*	Privacy Curtains	Piece rate	5,564
Riverbend Resort*	Linens	Piece rate	2,478
Total			\$ 103,443

Contracts with Springfield School District and Riverbend Resort were terminated on January 31, 2014 and March 31, 2014 respectively due to declining volume. The contract with McKenzie Willamette will be terminated on July 31, 2014, also due to declining volume. Volume with the University of Oregon has also declined; it is estimated to be approximately 150,000 pounds in FY14 and FY15. This contract requires 60 days termination notice.