



September 18, 2017

President's Waypoint: The FCMAT Report and SBCC WRAP

Last Friday, California's Fiscal Crisis and Management Assistant Team (FCMAT) presented the results of a "benchmark study" to the SBCC Board of Trustees at its annual retreat. I have attached the 13 page report for your convenience. As you will see, the report is data rich and offers a unique fiscal perspective and analysis of the college not previously available. While FCMAT states that, "the college's financial situation continues to be dire," the report validates that our Workforce Reduction Attrition Plan (WRAP) is appropriately focused. The WRAP is exactly the right solution to getting the college back on track. Let me briefly discuss both the FCMAT Report and SBCC WRAP.

FCMAT Report

The essence of the FCMAT benchmark study was to compare SBCC fiscal metrics with comparable metrics from eight other community colleges. The study is based on the fact that California community colleges are required to report financial information to the Chancellor's office in a consistent manner, according to the [Budget and Accounting Manual](#) (BAM). This uniform and consistent reporting and the accessibility of the data through the Chancellor's office enabled a direct comparison, when indexed against standardized enrollment data (e.g., full-time equivalent students).

Because of the importance of the comparison group, the report describes an extensive selection process. In the end, the following eight colleges were identified as the benchmark comparison group for the study:

- Allan Hancock College
- Cabrillo College
- Monterey Peninsula College
- Palomar College
- Pasadena City College
- Santa Clarita College
- Santa Monica College
- Solano Community College

With the peer colleges selected, the study move on to compare all SBCC cost centers to those in the comparison cohort. The objective was not to highlight areas where SBCC is doing well against the cohort, but rather to underscore areas where opportunities exist and college spending was considerably more than our peers.

From this analysis, the report indicated that the college is spending at the higher end of the peer group range and significantly above the median for academic salaries and instructional expenditures for total compensation, including salaries, stipends, overloads, etc. The report goes on to indicate the spending reduction needed to bring spending down to the median of the peer cohort. The FCMAT team was clear in stating it is not recommending that we reduce expenditures to the median. Rather, it is providing the information to us to inform better our strategies and efforts. We do not want FCMAT to make recommendations that we are bound to follow now or in the future, as we will likely not like what they are recommending. The report goes on to talk about SBCC's Taxonomy of

Program subactivity spending, enrollment management aspects, the number of employee counts, and cost of living factors all related to peer costs.

The report concludes by stating that, “Based on the benchmark analysis in this report, FCMAT strongly encourages the college to explore reducing employee costs, which could include a reduction in force, a hiring freeze, or other cost reducing measures, as well as examining how it could increase FTES through tighter enrollment management strategies, increased class size, and increased efficiency/effectiveness.”

The Workforce Reduction Attrition Plan (WRAP)

Given 87% of the college’s budget represents people, it is not difficult to see why FCMAT’s conclusion “strongly encourages” the college to reduce employee costs. As FCMAT points out, this could be accomplished through a continuum of methods from formal Reduction in Force action (layoffs) to some form of hiring freeze.

Through the College Planning Council (CPC), I have charged a sub-committee to develop a Workforce Reduction Attrition Plan (WRAP). The idea of the WRAP is straightforward: Through employee attrition, the college will reduce its workforce enough to eliminate the structural deficit by 2020. Clearly, this is a purposeful action that will take a great deal of discipline, commitment, integrity, and innovation on all our parts to accomplish. The members of CPC have presented a compelling case that the college has the experience and motivation to make the WRAP work. I completely agree with them and trust their recommendation to move forward with the WRAP.

In general, here’s how the WRAP works. Each year, for a variety of reasons, between 10 and 15 people make the personal decision to leave the college. Under the WRAP, twice a year, all of the vacated positions will be strategically reviewed by the WRAP Committee. This WRAP Committee is comprised of a broad-based group of knowledgeable representatives from across the college. This strategic review will examine several things, including but not limited to whether areas might be reorganized to accomplish the related work, whether the college can stop doing the related work altogether, or (as a very last resort) if it is absolutely necessary to replace a position. The WRAP Committee will then make recommendations to the CPC and to me for review and consideration.

Vice President of Business Services, Lyndsay Maas, has put together the five-year fiscal projections related to the WRAP. As you can see below, the “Net Adjustments to Ending Balance” continues to be negative under the WRAP through the years 2016-17, 2017-18, and 2018-19, then turning slightly positive in 2019-20 and in subsequent years.

WRAP Projections

While the WRAP Committee will be sending out related, detailed information, I wanted to provide the college with an overview of the FCMAT report and the essence of the WRAP idea. Overall, having considered in detail all other approaches to reducing our workforce, I believe the WRAP will be the best approach, mitigating our structural deficit going forward. Certainly we did not get into this situation overnight, nor will we get out of it overnight, but we now have a solid plan and approach to deal with the structural deficit. Thank you to the members of the WRAP Committee and to the College Planning Council for its recommendation to proceed with the WRAP and their willingness to find a workable solution. We can do this!

Together forward,

A handwritten signature in blue ink, appearing to be "Anthony", written in a cursive style.