



EL CAMINO COMMUNITY COLLEGE DISTRICT

16007 Crenshaw Boulevard Torrance, California 90506-0001
Telephone (310)532-3670 or 1-877-ECAMINO

January 15, 2009

Board of Trustees
El Camino Community
College District

Dear Members of the Board:

Buon Anno Nuovo! What a difference an Italian vacation makes. I trust that your new year will be healthy and happy.

Our first Board meeting of the new year will be held on Tuesday, January 20th, at 4 p.m. The agenda is relatively brief and uncomplicated. Please note the following:

1. The Academic Affairs section is highlighted by proposed curriculum changes effective 2009-10 and Sabbatical Leaves for the 2009-10 academic year. Sabbatical Leave Reports from the previous year will be forwarded to you when available.
2. Student and Community Advancement provides recommendations on field trips and grant applications and acceptances and on page 4, item E, lists two expulsions. Board members will receive confidential correspondence on this item. If you have any questions, we have scheduled the ability to convene a closed session.
3. Administrative Services recommends Non-Resident Tuition Fee for fiscal year 2009-2010 and a number of other routine items. This section of the agenda is highlighted with item C on page 53, recommending acceptance of the Annual Financial Audit Report which is included with this letter and is available online as noted in the agenda item.

Please note that the report is on time and the audit opinion letter on page 2 of the report is unqualified. Additionally, the Management Discussion and Analysis beginning on page 4 gives an overview of the fiscal operations and activities of the District. The basic financial reports begin on page 15 and notes to the financial statements follow on page 22. Audit findings begin on page 63. The auditors are required to inform the Board of any opportunities for strengthening internal control and those recommendations are included in a separate letter with the audit and is dated December 24, 2008.

The Auditors also require El Camino College to recognize additional income for 2007-08 of about \$3.2 million to the Unrestricted General Fund ending balance. These funds enable El Camino College to lower some of the proposed adjustments to our fiscal response to the current budget crisis and we have eliminated half of the cuts associated with non-faculty positions as recommended on the December 17, 2008, Board agenda.

While these are the highlights of the Audit Report, if you have questions prior to the Board meeting, please send to us and we will research answers.

4. The Measure E section provides routine financial information and item B, the Humanities Plaza item, recommends an award to the lowest responsive bidder. At this time we do not believe there will be an appeal at the Board meeting. Concerns about licensing and subcontractor usage in lower non-responsive bids have been carefully reviewed by District counsel.
5. Measure E, item C, is an informational item that outlines the original project cost and estimated cost for the revised plan for the Mathematics, Business and Allied Health Building. This informational item outlines both the original project costs and the estimated cost for the larger sized building. "Soft costs" include architectural and engineering design fees, surveys, inspection and materials testing, project management, soils testing, permits and design review fees, costs estimates constructability review and furniture and equipment design services. The Board will note that the original cost per square foot calculated to \$372, while the revised construction cost per square foot calculates to \$417. The addition of the fourth floor increased the cost per square foot due to the fact that the design of an Allied Health floor is far more complex and expensive than the typical classroom/lab facility. A more specific cost estimate is currently being developed and will be available in February.
6. Human Resources presents routine items and the revised classification specifications for the Executive Director of the El Camino Community College District Foundation.
7. The Superintendent/President's section includes authorization for Trustees Jackson, Gen and Combs to attend the Community College League of California conference and legislative session and restatement of the Board's goals which includes item 7, mentioned at the last Board meeting to review the Board's Code of Ethics Policy and the Board's desire to develop a Presidential succession plan.

As you will note, we only have a conditional closed session so the Board meeting should be relatively brief.

Board President Jackson has designated a new seating arrangement which is enclosed as attachment A.

As you are aware, the State of California continues to struggle with a two-year projection of a significant budget shortfall. The Governor has presented his budget plan early and will deliver a State-of the State address soon. The highlights of his initial presentation are included in the attachments to this letter, attachment B.

Winter intersession enrollment is strong and steady at both El Camino College and the Compton Center. If you should have any questions, comments or concerns, please get them to us before the meeting so we can prepare responses. I look forward to greeting you in my office at 3 p.m. prior to the Board meeting.

Ciao,

A handwritten signature in cursive script that reads "K Oswald for Thomas M. Fallo".

Thomas M. Fallo
Superintendent/President

TMF/kao

Cc: Vice Presidents, Provost, Director of Community Relations

Attachment A

EL CAMINO COLLEGE
Office of the President
Board Seating Chart

| | | | | | | | | | | | |
|-----|------|-------|-------|-----|---------|-----------|---------|---------|---------|--------|-------------------|
| Cox | Arce | Fallo | Combs | Gen | Jackson | O'Donnell | Beverly | Student | Nishime | Higdon | Perez Audience |
|-----|------|-------|-------|-----|---------|-----------|---------|---------|---------|--------|-------------------|

Fallo, Thomas

From: Skinner, Erik [eskinner@CCCCO.EDU]
Sent: Friday, January 09, 2009 6:54 PM
To: SO2CEO@LISTSERV.CCCNEXT.NET
Subject: Budget Update--January 9, 2009

Dear Colleagues:

Today, the Department of Finance released the detailed documentation behind the 2009-10 Governor's Budget. A general preview of the Governor's budget plan was provided earlier at a New Year's Eve press conference.

The details presented today are consistent with what we reported earlier:

- The Governor identifies a budget shortfall of \$41.6 billion over the next 18 months. Of this amount, \$14.8 billion is from the current year (2008-09 fiscal year).
- The Governor proposes a "balanced approach" to solving the budget problem. His plan contains \$17.4 billion in spending reductions, \$14.3 billion in new revenues, \$5 billion from securitizing State Lottery revenues, and \$5 billion in borrowing.
- The budget proposal would reduce Proposition 98 funding by \$6.6 billion, or 11.4 percent, in the current year. This reduction would be accomplished through a number of actions: \$2.08 billion in program reductions; \$1.7 billion by replacing Proposition 98 funds with Proposition 98 "settle-up funds" and public transportation funds; and \$2.8 billion by deferring payments from this fiscal year until the beginning of the next fiscal year.
- This approach to funding Proposition 98 results in a lesser amount of midyear cuts compared to the previous special session proposals—\$2.08 billion compared to \$2.5 billion.
- For the California Community Colleges, the midyear cut would be limited to elimination of the 0.68 percent COLA which totaled \$39.8 million. (Under the Governor's plan, K-12 schools and county offices of education would similarly lose the current year COLA, but also take a \$1.6 billion cut to current year general purpose funds. K-12 would then be given a "deficit factor"—a statutory mechanism used to ensure that the spending power associated with the lost COLA and the \$1.6 billion cut is restored in future budgets. The Governor does not propose such deficit factor for the colleges' lost COLA.)
- The Governor proposes a new deferral of community college funds, pushing \$230 million in apportionment payments from January and February until July. This deferral is proposed as an ongoing change and would assist the state in meeting its cash flow needs.
- The administration also proposes another deferral that would take effect in the budget year, deferring \$200 million from July until October.

- For 2009-10, the Governor proposes funding Proposition 98 at a level that would essentially maintain program spending at 2008-09 levels. For the community colleges, this translates into:

- An augmentation of \$185.2 million to support 3 percent enrollment growth (36,000 FTES)

- No COLA—the administration estimates the COLA at 5.2 percent which would take \$322.9 million to fund

- Suspension of all mandate payments (\$4 million)

- In addition, the Governor proposes statutory changes to “reduce or eliminate the uncertainty districts face with regard to property tax revenue.” While no detail is yet available as to the specific approach the administration proposes to take, it is welcome news that the Governor seeks a permanent solution to address this perennial threat to colleges’ fiscal planning.

- The Governor’s proposal relies on \$14.3 billion in new revenues. These include:

- Temporary 1.5 percent sales and use tax increase

- Broadening sales and use tax to cover some services

- Increasing taxes on alcoholic drinks

- Instituting a 9.9 percent oil severance tax

- Reducing the dependent exemption credit

- Increasing vehicle registration fees

- The Governor’s new proposal would also tap into funds set aside by the voters for mental health services and early child development. These proposals, along with the lottery securitization proposal, would require ratification by the voters.

It is too soon to know how the Legislature will react to this new proposal. The Legislative Analyst’s Office (LAO) issued an initial assessment of the Governor’s plan and found it to be a “good faith effort to close a colossal budget gap.” The LAO generally concurred with the administration’s fiscal estimates. LAO endorsed many of the Governor’s proposals, but in regards to Proposition 98 funding, they recommended targeting cuts to categorical programs rather than relying on deferrals or cuts to general purpose funds. The LAO urged the Legislature to act quickly and to set a special election for as early as March in order to gain voter approval for those budget solutions that require it.

For the moment, legislative leaders seem to have toned down the public rhetoric and appear to

be focusing on negotiations with the Governor. At an afternoon briefing, a representative of the Governor's Office stated that the Big 5 appear to be making significant progress—but he also acknowledged that it would not be the first time in this budget standoff that signs of progress failed to yield results.

More updates to follow.

Regards,

Erik Skinner

Vice Chancellor for Fiscal Policy

Chancellor's Office

California Community Colleges

1102 Q Street, Sacramento, CA 95814-6511

www.cccco.edu

phone: 916-323-7007

fax: 916-322-4783