

September 11, 2017

Anthony E. Beebe, Ph.D., Ed.D., Superintendent/President
Santa Barbara City College
721 Cliff Drive
Santa Barbara, CA 93109

Dear Superintendent/President Beebe:

The purpose of this management letter is to present the analysis prepared by the Fiscal Crisis and Management Assistance Team (FCMAT) of Santa Barbara City College's operations, with the focus on identifying areas where the college may improve both operationally and fiscally. As indicated in the study agreement dated May 22, 2017, FCMAT was requested to analyze a list of specific categories of college operations focusing on budget, revenue and expenditures, and provide comparative data from community college districts of similar size and structure. Based on this analysis, FCMAT was also requested, if possible, to identify items where changes in college operations and/or policies may increase revenues, improve efficiency, and/or reduce costs. FCMAT worked with Ronald Gerhard, vice president of administrative services at Chabot College, on the analysis of this data.

As indicated in FCMAT's November 2016 report, as well as the college's own Five-Year Fiscal Projection dated August 12, 2017, the college's financial situation continues to be dire, with a significant structural deficit. This deficit remains despite considerable fiscal actions taken by the college over the last nine months. These actions include implementation of a supplemental early retirement plan (SERP) prompting 72 retirements, unprecedented cost saving reorganizations across the college, reduction in the class schedule, increased enrollment management strategies, improving efficiencies, the development of the School of Extended Learning to increase noncredit revenues, and most recently a Workforce Reduction Attrition Plan (WRAP). Unfortunately, the college continues to rely on reserves to cover overspending. Although reserves may seem sufficient to compensate for overspending, a permanent solution is needed since the district is not growing, so revenue options are limited. At the same time, salary and benefits continue to increase due to cost-of-living increases, CalPERS and CalSTRS pension rate increases, and other cost impacts.

The college's projections as of August 12, 2017, reflect the following:

	2016-17 Projected Actual	2017-18 Final Budget	2018-19 Projection	2019-20 Projection	2020-21 Projection	2021-22 Projection
Ending Fund Balance	\$27,380,650	\$24,162,221	\$17,066,990	\$11,645,148	\$9,193,024	\$8,848,632

FCMAT

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In this study FCMAT was not asked to provide the college an overview of its fiscal condition or a blueprint to help determine the next steps when developing an overall financial plan, nor did FCMAT complete a comprehensive audit or review of the district’s financial reports. Nevertheless, the current projections, as well as FCMAT’s review of the district in November 2016, do raise concerns regarding the district’s fiscal health.

Benchmarking and Data Analysis

FCMAT’s initial step in the current study was to determine the data sets for comparisons and perform a financial analysis based on the results.

FCMAT conducted a site visit during the week of June 12, 2017. Working with the college superintendent/president’s office, arrangements were made to meet with the college’s constituent groups and department representatives, including the board of trustees, business office, academic affairs office, human resources, information technology, administration (Advancing Leadership Association), academic senate, and classified staff. In addition to meeting with these leaders, various documents were reviewed including: board policies, administrative procedures, organization charts, board of trustee meeting minutes, previous comparable studies, updated multiyear financial plans, prior FCMAT study, fall 2016 student demographic data, and fall 2016 course and productivity data. Based on this data, comparable districts were identified.

Determining Comparable Peers

Each college in the California community college system is unique, as each serves a different population and particular community needs. Based on those needs, each college offers varying programs and services. Although uniqueness is acknowledged and valued, each of the 114 California community colleges is part of the same statewide system and therefore is subject to the same Government Code, Education Code, Title 5, and other relevant requirements. With this understanding, comparable colleges were selected based on similar size, programs, services, and student demographic characteristics. The colleges highlighted in blue indicate that similarities exist and they are suitable for peer comparisons.

Student Demographic Analysis

Student Demographic (Fall 2016) as % - Enrollment Status

	Santa Barbara	Allan Hancock	Cabrillo	Chaffey	Citrus	Glendale	Mira Costa	Monterey	Palomar	Pasadena	Rio Hondo	San Joaquin	Santa Clarita	Santa Monica	Solano	Southwestern
First-Time Student	17.23 %	15.71 %	7.48 %	15.81 %	11.64 %	17.09 %	22.17 %	20.85 %	18.80 %	20.65 %	4.87 %	15.20 %	16.99 %	18.08 %	17.07 %	18.37 %
First-Time Transfer Student	13.12 %	5.74 %	6.51 %	1.05 %	6.03 %	6.99 %	5.11 %	7.42 %	6.54 %	8.81 %	1.67 %	6.26 %	11.57 %	11.88 %	9.97 %	5.99 %
Returning Student	7.54 %	7.04 %	14.44 %	10.15 %	11.77 %	9.96 %	12.10 %	16.24 %	11.52 %	7.39 %	4.70 %	12.25 %	12.59 %	9.94 %	13.47 %	12.37 %
Continuing Student	50.16 %	49.69 %	67.11 %	71.32 %	67.43 %	62.80 %	48.05 %	52.55 %	52.96 %	60.31 %	86.26 %	60.44 %	52.85 %	58.28 %	52.08 %	56.88 %
Uncollected/Unreported	2.48 %	11.38 %	0.14 %	0.45 %	2.41 %	0.37 %	10.13 %	0.66 %	6.62 %	0.02 %	0.01 %	0.00 %	1.29 %	0.00 %	0.00 %	5.12 %
Special Admit Student	9.48 %	10.44 %	4.32 %	1.23 %	0.72 %	2.79 %	2.44 %	2.28 %	3.56 %	2.82 %	2.49 %	5.85 %	4.71 %	1.81 %	7.40 %	1.28 %

Source: California Community College Chancellor’s Office

Definition of above categories:

- A first-time student is enrolled in college for the first time after high school.
- A first-time transfer student is enrolled for the first time and transferred from another institution of higher education.
- A returning student is enrolled after an absence of one or more primary terms (fall or spring).
- A continuing student is enrolled in the current session and was enrolled in the previous regular session (fall or spring).

Credit Course Section TOPS SAM Comparison (Fall 2016) - FTES/Section

	Santa Barbara	Allan Hancock	Cabrillo	Chaffey	Citrus	Glendale	Mira Costa	Monterey	Palomar	Pasadena	Rio Hondo	San Joaquin	Santa Clarita	Santa Monica	Solano	Southwestern
Advanced Occupational (not limited to apprentices)	3.558	4.853	2.468	2.782	2.577	2.731	3.215	2.023	1.967	4.356	0.863	4.873	1.298	2.778	2.410	2.353
Apprenticeship (offered to apprentices only)	5.818	1.335	0.000	0.000	0.000	0.000	0.000	0.000	2.371	0.000	1.186	1.497	0.000	0.000	0.000	0.000
Clearly Occupational (but not advanced)	3.068	3.043	2.234	2.832	3.438	1.872	2.284	2.533	2.178	3.387	3.252	2.703	3.900	2.986	2.487	2.603
Non-Occupational	3.690	3.860	2.936	3.836	4.146	2.686	2.772	2.546	3.032	3.750	3.948	3.630	3.715	3.992	3.411	2.984
Possibly Occupational	3.531	2.874	3.782	3.646	3.589	2.836	1.201	0.546	2.438	4.434	3.452	3.300	2.763	3.285	3.216	2.637

Legend:

Advanced Occupational - Courses are those taken by students in the advanced stages of their occupational programs.

Apprenticeship - The course is designed for an apprentice and must have the approval of the State of California, Department of Industrial Relations, Division of Apprenticeship Standards.

Clearly Occupational: Courses will generally be taken by students in the middle stages of their programs and should be of difficulty level sufficient to detract "drop-ins".

Non-Occupational: These courses are non-occupational.

Possibly Occupational: These courses are those taken by students in the beginning stages of their occupational programs.

Based on the above data and analysis, the following eight districts were selected as peers for this benchmark analysis:

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

Throughout the remainder of this analysis “peers” refers to this group of eight districts and “comparison group” refers to all nine districts, which includes Santa Barbara City College.

Financial Comparisons with Benchmark Districts

The following pages of this analysis identify cost areas where Santa Barbara City College tends to spend more than its peers, similar to its peers, and less than its peers. A great deal of data is included and, given the complexity of the funding environment, may not be intuitive. Because of that, FCMAT has summarized the findings and has included the tables and source data as support along with descriptions of what each line of the data represents.

Any statistical report must be evaluated in context. To assume that the numbers reveal absolutes could be misleading and a disservice to the district. Also, each cost area should not be expected to match exactly with other districts. Even though all districts provide similar services, for a variety of reasons each emphasizes a different set of services. The key to this analysis is to examine the degree and level of resources committed to each specific area, ensure that this level of commitment is the district’s intended direction and that there is a true understanding of where the district spends more or less than its counterparts.

The information used in this fiscal analysis comes from a variety of sources. Most is collected from the State Chancellor’s Office Fiscal Data Abstract, which is a compilation of reporting by every district. The most recent year available in the abstract is 2014-15 and is for the total unrestricted and restricted general fund. FCMAT compared the relative ratios of each district to verify how proportionate they are in terms of unrestricted expenditure ratios to total general fund expenditures.

Two key approaches were used with the comparison reports. First, FCMAT looked at what percentage each district spends of its budget for an activity, discipline or program. For instance, Santa Barbara spends .89% of its budget on admissions and records, whereas Cabrillo spends 1.56% of its budget

for the same function. Cabrillo's spending in this category represented the median for the comparison group. This comparison was performed for all the districts. FCMAT's focus was to measure Santa Barbara against each of the other districts to see how they compare for each function, which can provide insight to where each district places its fiscal resources. The added value of this approach is that SBCC can then better understand where resources are being directed, and if this is in line with institutional planning.

The second approach is to translate this same data into dollars per full time equivalent student (FTES), demonstrating in real dollars how SBCC compares. When a value for dollar difference is identified, the focus is on Santa Barbara. For instance, SBCC spends \$857 per FTES for TOP code 6700 - general services, whereas Allan Hancock spends \$863 for the same function. Allan Hancock's spending in this category represented the median for the comparison group. For SBCC to spend the same as Allan Hancock, spending would have to increase by \$6 per FTES times its FTES of 17,164 (or \$102,984). Similarly, Palomar spends \$554 per FTES for general services. For SBCC to spend the same as Palomar it would have to decrease spending by \$303 per FTES or \$5,200,692 (\$303 multiplied by 17,164 FTES). FCMAT is not suggesting that SBCC should increase or decrease what is being spent, but rather illustrating how to read the data. Using dollars per FTES allows for the measurement of a district's spending in functional areas relative to the number of students being served.

To further distinguish between the two approaches, data in the first half of the comparison through line 14 responds more slowly to changes in FTES. On lines 15 through 28 the measurements are by FTES so changes made there are immediate and will fluctuate as FTES levels change.

This type of information is a valuable indicator, but requires further validation by the district. For instance, unique circumstances may affect the results that the data won't reflect, or there could be errors in the posting of costs in a TOP code. The district must consider these other variables in deciding how to best use the information in this report. In some cases the district may conclude that the higher costs are warranted but, when doing so, must also recognize that means fewer resources for other activities.

As FTES levels fluctuate and expenditure patterns shift the data results will change and the analysis will need to be updated. FCMAT has provided the tools for the college to complete this type of analysis on its own in the future.

Summary of Results

FCMAT's first step was to examine costs by broad categories. For those TOP code activities that have higher costs for the college, further analysis was done reviewing TOP code subactivities.

A ranking of 1 indicates highest cost and 5 lowest. So, the below table reflects that for those activities where the college spends more than its peers, the highest costs are in the subcategories of academic salaries and instructional expenditures.

Major Category	Rank	Value to Reach Median / SBCC would need to spend
Academic Salaries (Line 15 of Analysis)	2	\$3,964,884 less
Classified Salaries (Line 16 of Analysis)	4	Median
Employee Expenditures Including Benefits	4	Median
Instructional Expenditures (Line 19 of Analysis)	2	\$2,162,664 less
Total Expenditures (Line 18 of the Analysis)	5	Median
Total Expenditures Just Through TOP Code 6700 (Line 28 of Analysis)	3	\$2,471,616 less

The data reflects that the college spends more per FTES than its peers in three of the six categories. There are two ways to improve on this outcome. One is to reduce costs (e.g., reduction in force, hiring freeze) and the other is to increase FTES (e.g., tighter enrollment management strategies, increasing class size, increasing efficiency/effectiveness) without adding costs. The above listed categories are broadly aggregated costs. To make better use of this information, FCMAT examined which activities (TOP codes) are experiencing higher costs. Santa Barbara spends more per FTES in direct instruction-related expenditures (including academic salaries) than the comparison group, which correlates to its total expenditures (salaries, stipends, overloads, etc.) per FTES and is also greater than the comparison group median.

The total expenditures represented on Line 18 of the analysis includes all general operations such as community education, student operations, capital projects, and direct student aid (TOP codes 6800 through 7300). The total expenditures on Line 28 of the analysis excludes these activities to obtain a clearer picture of general operations.

Overall, SBCC spends more than the median on general operation expenditures but when community education and ancillary services are included, the level of spending drops to reflect the peer group median.

TOP Code Level Analysis

Categories in which Santa Barbara CCD Ranked Higher	Rank	Value to Reach Median / SBCC would need to spend
Instructional Expenditures, TOP Codes 0100-5999 (Line 19 of Analysis)	2	\$2,162,664 less
Instructional Administration, TOP Code 6000 (Line 20 of Analysis)	4	\$463,428 less
Counseling, TOP Code 6300 (Line 23 of Analysis)	2	\$411,936 less
Other Student Services, TOP Code 6400 (Line 24 of Analysis)	2	\$2,385,796 less

Several activities are contained within each major TOP code. To get a sense of which activities differ the most from the peer districts, FCMAT conducted a supplemental analysis using the Chancellor’s Office Annual Financial and Budget Report, CCFS 311, to find additional data on the major administrative TOP codes.

There were no categories in which Santa Barbara CCD ranked as the median.

Categories in which Santa Barbara CCD Ranked Lower	Value to Reach Median / SBCC would need to spend
Instructional Support, TOP Code 6100 (Line 21 of Analysis)	\$1,132,824 more
Admissions and Records, TOP Code 6200 (Line 22 of Analysis)	\$669,339 more
Operations/Maintenance, TOP Code 6500 (Line 25 of Analysis)	\$1,458,940 more
Planning/Policy-making, TOP Code 6600 (Line 27 of Analysis)	\$2,094,008 more
General Institutional Support Services, TOP Code 6700 (Line 26 of Analysis)	\$102,984 more

Subactivity TOP Code Analysis

For three major TOP codes having a sizable variance, 6100, 6300 and 6700, FCMAT conducted a supplemental analysis to review additional details. TOP Code 6000 (Instructional Administration) was also included because there is usually interest in seeing those details.

The actual dollars spent for each subactivity are reflected in this supplemental analysis. FCMAT's goal in providing this level of information is to provide tools to the district to do further analysis and make the decisions it feels best serve the students and community.

The major category differences are in academic salaries and benefits. Because TOP Codes 6100 and 6300 include a sizable number of academic staff, and since these same TOP codes have the greatest variance when reviewed against the comparison districts, FCMAT suggests closer scrutiny of these areas.

The third major activity with a sizable variance was TOP Code 6700 (general institutional support services), which often acts as a catchall for districtwide costs such as noninstructional retiree health benefits (TOP Code 6740). TOP Code 6790 (other) also contributes substantially to the variance, although FCMAT cannot verify from the report what costs are included.

***Comparative Financial Analysis Benchmark
Category and Classifications Descriptions Key
General Fund (Restricted and Unrestricted)***

Line # on Report		
	Relevant Ratios:	Includes:
Line 1	Academic Salaries as % of Total Expenditure	Object Codes 1XXX; all general fund funds
Line 2	50% Law Ratio	State Defined Formula
Line 3	Noninstructional Salaries Charged to Instruction	Objects 12XX, 14XX, 21XX, 23XX, 3X2X in Cost Centers 0100-5999
Line 4	Supplies/Operations Charged to Instruction	Objects 4XXX, 5XXX in Cost Centers 0100-5999
Line 5	Instructional Salaries as % of Total Instructional Expenditures	Objects 11XX, 13XX, 22XX, 24XX, 3X1X in Cost Centers 0100-5999
Line 6	Instruction Total as % of Operating Expenditures through 6700	Cost Centers 0100 -5999 / Cost Centers 0100-6799
Line 7	Instructional Admin. Total as % of Operating Expenditures through 6700	Cost Centers 60XX / Cost Centers 0100-6799
Line 8	Instructional Support Total as % of Operating Expenditures through 6700	Cost Centers 61XX / Cost Centers 0100-6799
Line 9	A & R Total as % of Operating Expenditures through 6700	Cost Centers 62XX / Cost Centers 0100-6799
Line 10	Counseling Total as % of Operating Expenditures through 6700	Cost Centers 63XX / Cost Centers 0100-6799
Line 11	Student Services Total % of Operating Expenditures through 6700	Cost Centers 64XX / Cost Centers 0100-6799
Line 12	Operations/Maintenance Total % of Operating Expenditures through 6700	Cost Centers 65XX / Cost Centers 0100-6799
Line 13	Plan/Policy Total % of Operating Expenditures through 6700	Cost Centers 66XX / Cost Centers 0100-6799
Line 14	General Services Total % of Operating Expenditures through 6700	Cost Centers 67XX / Cost Centers 0100-6799
General Fund Expenditures / FTES (Full Time Equivalent Students)		
Line 15	Academic Salaries / FTES	Object Codes 1XXX
Line 16	Classified Salaries / FTES	Object Codes 2XXX
Line 17	Employee Expenditures / FTES	Object Codes 1XXX + 2XXX = 3XXX
Line 18	Total Expenditures / FTES	Object Codes 1XXX through 6XXX
Line 19	Instructional Expenditures	Cost Centers 0100-5999
Line 20	Instructional Administration / FTES	Cost Centers 60XX
Line 21	Instructional Support / FTES	Cost Centers 61XX
Line 22	Admissions & Records / FTES	Cost Centers 62XX
Line 23	Counseling / FTES	Cost Centers 63XX
Line 24	Other Student Services / FTES	Cost Centers 64XX
Line 25	Operations/Maintenance / FTES	Cost Centers 65XX
Line 26	Planning/Polymaking / FTES	Cost Centers 66XX
Line 27	General Institutional Support Services / FTES	Cost Centers 67XX
Line 28	Total Expenditures / FTES	Cost Centers 0100-67XX / Object Codes 1XXX-6XXX

<i>Comparative Financial Analysis Benchmark State Classifications</i>
General Descriptions Key for Categories and Classifications
Employee Costs Types:
Academic Salaries
All faculty and certificated administrators
Classified Salaries
All unit and hourly classified and noncertificated supervisors and administrators
Instructional Salaries
Full-time and part-time instructors, instructional aides
Noninstructional Salaries
All employees other than full- and part-time instructors and instructional aides, such as counselors, librarians, administrators, classified support employees, etc.
Functional Areas: These are examples of what typically can be found in these categories.
Instructional Administration
Academic Administration (deans), Course and Curriculum Development, Academic Senate, Faculty Senate
Instructional Support
Library, Media Center, Campus Technical Support Center
Admissions & Records
Admissions & Records and Veterans Administration Support
Counseling
Counseling, Transfer & Articulation, Matriculation, Career Support, Outreach & Retention
Other Student Services
Financial Aid, Disabled Students, EOPS, CARE, Health Services
Operations/Maintenance
Maintenance, Grounds, Custodial, Utilities, Equipment Repairs
Planning/Polymaking
Board of Trustees, Chancellor, Vice Chancellor, College Presidents, Research & Planning
General Institutional Support Services
Human Resources, Marketing/Advertising, Information Technology, Web Support, Reprographics, Self Insurance, Business Services, Accounting, Budget, Payroll, Purchasing, Warehouse, Police, Telephone Technology & Support
Note: The areas identified above are meant to be examples and are not all-inclusive.

Strategic Enrollment Management

Strategic enrollment management is commonly thought to be a set of core principles that guide educational institutions toward establishing clear enrollment goals; promoting student success; determining, achieving and maintaining optimum enrollment; enabling the delivery of effective academic programs; enabling financial planning; increasing organizational efficiency; and improving student service levels. As it relates to the scope and purpose of this study, FCMAT focused on the principles of enabling financial planning and increasing organizational efficiency.

As an academic institution, the college plays a vital role in providing educational services to constituents in the Santa Barbara community. It is therefore not surprising that most of the operational budget is spent on salary and benefits for faculty, classified staff, and administrators. In 2014-15, SBCC spent approximately 83% of the total general fund on personnel, of which 43.62% was spent on academic salaries (excluding benefits).

In the course of institutional and budgetary planning, it is common for districts to set an enrollment target (usually in terms of FTES) and based on this target, establish a budget that supports this planning effort. One outcome of this method is the schedule of classes. In conducting this analysis, FCMAT reviewed what courses the college offers and how resources are budgeted and spent to enable the delivery of the academic programs.

The table below represents the college's percentage distribution of course offerings among academic disciplines. For consistency and comparability, FCMAT used the TOP codes as defined by the chancellor's office and as reported by each district for the fall 2016 term. For example, .57% of the district's total fall 2016 credit course offerings were in agriculture and natural resources.

Credit Course Section TOP Comparison (Fall 2016) - Section Count as % of Total Term Offerings

	Santa Barbara	Average	Allan Hancock	Cabrillo	Monterey	Palomar	Pasadena	Santa Clarita	Santa Monica	Solano
Agriculture and Natural Resources	0.57%	0.43%	1.86%	0.86%	0.19%	0.00%	0.00%	0.21%	0.00%	0.18%
Architecture and Related Technologies	0.00%	0.13%	0.00%	0.00%	0.00%	0.49%	0.65%	0.00%	0.00%	0.00%
Environmental Sciences and Technologies	0.31%	0.18%	0.42%	0.13%	0.10%	0.00%	0.34%	0.21%	0.14%	0.00%
Biological Sciences	2.29%	3.66%	2.87%	4.34%	3.29%	4.05%	3.53%	3.65%	3.55%	5.34%
Business and Management	7.61%	5.24%	7.35%	3.75%	4.07%	3.53%	3.84%	3.91%	6.59%	6.53%
Media and Communications	3.81%	2.96%	3.04%	1.45%	0.58%	4.60%	2.02%	3.75%	5.79%	1.56%
Information Technology	2.92%	2.88%	1.44%	2.63%	4.84%	3.56%	1.82%	1.95%	3.69%	3.04%
Education	6.62%	6.67%	6.84%	5.46%	12.31%	2.84%	8.08%	7.03%	4.52%	6.35%
Engineering and Industrial Technologies	4.01%	4.24%	5.74%	2.70%	1.94%	12.83%	1.99%	3.70%	0.24%	4.97%
Fine and Applied Arts	11.84%	11.75%	11.57%	13.03%	14.53%	9.73%	13.05%	8.03%	14.24%	9.75%
Foreign Languages	3.49%	2.68%	1.35%	2.57%	2.03%	4.24%	4.14%	1.95%	2.59%	1.75%
Health	7.92%	5.48%	3.63%	9.28%	3.78%	9.27%	4.49%	3.33%	2.03%	5.61%
Family and Consumer Sciences	3.86%	3.98%	5.07%	5.00%	4.75%	3.43%	2.84%	3.65%	4.14%	3.13%
Law	0.00%	0.25%	0.34%	0.00%	0.00%	0.13%	1.13%	0.63%	0.00%	0.00%
Humanities	16.16%	14.98%	12.75%	15.80%	12.89%	11.56%	18.56%	14.42%	17.00%	15.64%
Library Sciences	0.36%	0.97%	0.00%	2.63%	1.07%	0.13%	0.27%	0.00%	0.10%	4.14%
Mathematics	6.57%	8.20%	8.19%	8.16%	6.78%	6.95%	9.73%	9.30%	8.62%	9.48%
Physical Sciences	5.27%	4.36%	3.13%	4.08%	5.43%	4.02%	3.90%	4.38%	4.31%	4.69%
Psychology	2.03%	2.44%	2.79%	1.51%	2.42%	2.45%	2.12%	3.54%	3.14%	1.93%
Public and Protective Services	1.67%	3.56%	7.43%	2.90%	5.33%	2.71%	0.65%	8.56%	0.03%	2.76%
Social Sciences	7.25%	9.55%	10.73%	7.18%	8.24%	9.70%	9.62%	14.47%	9.93%	8.83%
Commercial Services	0.63%	0.48%	0.68%	0.00%	0.00%	0.00%	0.21%	0.00%	2.45%	0.37%
Interdisciplinary Studies	4.80%	4.95%	2.79%	6.52%	5.43%	3.79%	7.02%	3.33%	6.90%	3.96%

The data shows that the three largest disciplines in terms of number of course offerings are humanities (16.16%), fine and applied arts (11.84%), and health (7.92%). The college offered more than 35.9 of its total credit course offerings in these three disciplines.

Employee Count and Compensation Analysis

FCMAT also reviewed staffing levels across the comparison group. The data below represents staffing both in terms of total positions by category (educational administrator, full time faculty, etc.) and in terms of staffing levels in proportion to enrollment (FTES).

Staffing Levels by Employee Category

	Santa Barbara	Allan Hancock	Cabrillo	Monterey	Palomar	Pasadena	Santa Clarita	Santa Monica	Solano	Average
FTES (Fiscal Year 2016-17)*	12,303.90	10,015.87	10,401.41	6,700.69	18,111.25	23,987.82	16,429.56	21,467.84	7,232.26	14,072.29
Staffing Levels in Full Time Equivalence - FTE (1)										
Educational Administrator	20.00	16.70	18.00	4.80	18.00	26.40	35.50	55.40	14.00	23.20
Full Time Faculty	235.00	198.90	205.00	124.20	317.10	347.10	256.40	354.00	157.50	243.91
Part Time Faculty	338.00	199.40	149.80	86.90	316.30	278.10	264.50	455.30	94.00	242.48
Classified Administrator	34.00	18.00	22.00	2.50	33.50	46.00	62.90	58.10	9.30	31.81
Classified Professional	30.20	28.10	0.00	9.60	63.10	9.00	9.20	0.00	5.00	17.13
Classified Support	276.70	211.20	211.70	92.70	304.70	348.40	290.70	448.00	139.00	258.12
Total FTE	933.90	672.30	606.50	320.70	1,052.70	1,055.00	919.20	1,370.80	418.80	816.66

Staffing Levels as % of Total FTE

Educational Administrator	2.14%	2.48%	2.97%	1.50%	1.71%	2.50%	3.86%	4.04%	3.34%	2.73%
Full Time Faculty	25.16%	29.59%	33.80%	38.73%	30.12%	32.90%	27.89%	25.82%	37.61%	31.29%
Part Time Faculty	36.19%	29.66%	24.70%	27.10%	30.05%	26.36%	28.78%	33.21%	22.45%	28.72%
Classified Administrator	3.64%	2.68%	3.63%	0.78%	3.18%	4.36%	6.84%	4.24%	2.22%	3.51%
Classified Professional	3.23%	4.18%	0.00%	2.99%	5.99%	0.85%	1.00%	0.00%	1.19%	2.16%
Classified Support	29.63%	31.41%	34.91%	28.91%	28.94%	33.02%	31.63%	32.68%	33.19%	31.59%
Total FTE	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Staffing Levels represented as FTE per 100 FTES

Educational Administrator	0.16	0.17	0.17	0.07	0.10	0.11	0.22	0.26	0.19	0.16
Full Time Faculty	1.91	1.99	1.97	1.85	1.75	1.45	1.56	1.65	2.18	1.73
Part Time Faculty	2.75	1.99	1.44	1.30	1.75	1.16	1.61	2.12	1.30	1.72
Classified Administrator	0.28	0.18	0.21	0.04	0.18	0.19	0.38	0.27	0.13	0.23
Classified Professional	0.25	0.28	0.00	0.14	0.35	0.04	0.06	0.00	0.07	0.12
Classified Support	2.25	2.11	2.04	1.38	1.68	1.45	1.77	2.09	1.92	1.83
Total FTE	7.59	6.71	5.83	4.79	5.81	4.40	5.59	6.39	5.79	5.80

* - Per 2016-17 Second Period Apportionment Report (Actual FTES)

(1) - Per California Community College Chancellor's Office Report on Staffing for Fall 2016 - Fall 2016 Full-time Equivalency (FTE) by District/College

In reviewing FTE data, the college appears to be relatively consistent within the peer group average except for part time faculty. When the FTE data is placed in context of the size of the student population (FTES) and further compared, there are stark contrasts. Reviewing staffing levels as FTE per 100 FTES, with the exception of educational administrators, the college employs significantly more positions than the comparison group average. For example, the college employed 235 FTE in the category of full time faculty in fall 2016, compared to the peer group average of 243.91. However, analyzing the staffing level in proportion to students, the college is significantly higher than the peer group average at 10.4%. If Santa Barbara were to equal the peer group average, it would have to reduce its full time faculty positions by 22 FTE, from 235 to 213. Using the average salary data (below) for full time faculty of \$88,786, which does not include salary or benefits, this equals approximately \$1,953,292. Additional savings would exist if total salaries and benefits amounts were used versus salary only. This level of evaluation can be performed for all employee categories where the college appears to be significantly higher than the comparison group. For example, classified support would need to be reduced by 23% to be in line with the average.

Average Employee Compensation by Category

	Santa Barbara	Allan Hancock	Cabrillo	Monterey	Palomar	Pasadena	Santa Clarita	Santa Monica	Solano	Average
Average Salary by Employee Category										
Educational Administrator	136,952	129,303	129,233	129,024	144,326	154,130	141,233	152,426	127,462	138,232
Full Time Faculty (Tenured/Tenure Track)	88,786	83,193	85,417	86,878	99,197	93,257	99,250	105,583	82,279	91,538
Part Time Faculty (Average hourly rate)	56.41	60.29	32.22	60.18	64.34	43.36	64.90	105.84	73.85	62.38
Classified Administrator	95,446	107,823	100,363	103,708	109,508	113,144	101,662	96,812	95,520	102,665
Classified Professional	66,535	52,526	0	56,398	77,833	80,818	94,162	0	63,887	54,684
Classified Support	55,865	43,526	48,704	42,924	59,273	61,307	63,814	55,183	50,996	53,510

Based on the data and analysis, the college appears to have staffing levels that exceed/significantly exceed the comparison group districts. The college is encouraged to evaluate its staffing levels using program review and the budget development process to ensure institutional sustainability, solvency, and structural stability. Maintaining the current levels places a tremendous fiscal weight on the college that could negatively impact its ability to serve its students.

Cost of Living and County Demographics

During FCMAT’s site visit, various groups expressed concern regarding the cost of living in Santa Barbara and economic conditions that may negatively impact enrollment. So that the district can further discuss these concerns, FCMAT used data from the California Employment Development Department, the United States Census Bureau, and the California Association of Realtors.

County Demographics									
	Santa Barbara	Allan Hancock Santa Barbara	Cabrillo Santa Cruz	Monterey Monterey	Palomar San Diego	Pasadena Los Angeles	Santa Clarita Los Angeles	Santa Monica Los Angeles	Solano Solano
County	Santa Barbara	Santa Barbara	Santa Cruz	Monterey	San Diego	Los Angeles	Los Angeles	Los Angeles	Solano
County Demographics									
Unemployment Rate*	4.30%	4.30%	5.30%	5.50%	4.30%	4.40%	4.40%	4.40%	5.10%
Population (1)	431,555	431,555	267,203	424,927	3,183,143	9,974,203	9,974,203	9,974,203	421,624
Median Household Income (2)	\$63,409	\$63,409	\$66,923	\$58,580	\$63,996	\$55,870	\$55,870	\$55,870	\$67,341
Median Sales Price for Single Family Homes (3)	\$611,000	\$611,000	\$815,000	\$629,000	\$613,000	\$566,240	\$566,240	\$566,240	\$420,000

Based on this data, Santa Barbara County’s unemployment rate of 4.30% is lower than the counties of six of the peer colleges and is lower than both the state’s unemployment rate of 4.9% and the national rate of 4.5%. This is significant because California community college enrollments tend to directly correlate to the unemployment rate, so during times of relatively low unemployment, college enrollments are at their weakest levels, as is currently the case.

The district’s median household income and median sales price for a single-family home represents the median for the comparison group. This suggests that colleges within the peer group may also struggle with cost of living and the lack of affordability in their respective communities. Santa Barbara’s geographical location and relative isolation may exacerbate the effects.

Conclusion

When deficit spending exists, even districts with large fund balances and significant reserves face fiscal uncertainty if a plan to eliminate the deficit spending is not in place. Without a sound plan to stop using the fund balance to offset excessive ongoing spending, reserves can decline to unhealthy levels, especially when the many uncontrollable economic factors that local educational agencies face are considered. The economy and state revenues are robust, but based on historical trends, a downturn in the economy is inevitable. In the past, economic downturns have had major impacts on California community college districts. When state revenues decrease, enrollments increase as the unemployment rate increases. The net result has been less overall funding and a greater demand for services.

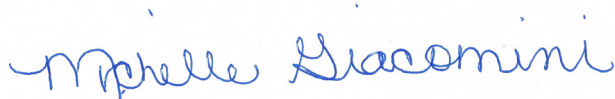
Santa Barbara City College’s fiscal health continues to depend on developing a robust multiyear plan to eliminate deficit spending. The board must make additional decisions to address this issue. Even large reserves do not replenish on their own and therefore will become depleted, endangering fiscal solvency, unless the district implements and maintains prudent fiscal strategies over and above the work that has already been done. 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 initial decision to request FCMAT to prepare a fiscal health risk analysis approximately one year ago and this additional request to compile the current benchmark study reflects the seriousness of the district's existing fiscal challenges, as well as the dedication and willingness to find solutions. The college should evaluate all possible options to maintain the academic and fiscal integrity of the programs and services offered to its students.

FCMAT would like to thank the college and administration for their cooperation and assistance during the fieldwork. If you have any questions or require additional information, please contact me at (415) 987-3104.

Sincerely,



Michelle Giacomini
Chief Management Analyst