November 10, 2010

COLLEGE VIEW OF THE BOND BUDGET ISSUES*

West Los Angeles College faces a challenge in managing the Bond Budget. Bond funds were over committed through the past five years. The following summarizes the bond budget status as of August:

**ORIGINAL ALLOCATION** $413,997,105  
(Prop A $120,8M + Prop AA $69.5M + Measure J $215.2M + State $8.3M + Other $134,000)

<table>
<thead>
<tr>
<th>STATUS OF FUNDS NEEDED</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Committed/Spent</td>
<td>$300,926,121</td>
</tr>
<tr>
<td>Total Needed Projects</td>
<td>$236,570,720</td>
</tr>
<tr>
<td>Total Funds Needed</td>
<td>$537,496,841</td>
</tr>
</tbody>
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Original Allocation - Total Funds Needed  
$413,997,105 - $537,496,841 = ($123,499,736)

HISTORY

Spring 2010: The Building Program Management Committee (BPMC) and the College Council (CC) asked then president Dr. Mark Rocha for specific information related to the bond program total budget. While he had communicated to the committees that unbudgeted projects had been approved, the impact to overall budget adjustment was never presented. However, BPMC and CC did know what the necessary unbudgeted projects were: the purchase of the Jefferson Blvd. property and the road. They also asked for more details to understand how the unplanned expenses were going to be accommodated within the total bond budget. Dr. Rocha explained to them, in general, that the District would restore the $50M spent on the road and the purchase of the property. On several occasions the participatory committees pressed Dr. Rocha for the total bond budget status. He was specifically asked in June to communicate the bond budget status before he left. The college community believed that the last request prompted him to find out what the budget status was, and this resulted in the email sent to college leadership.

June: The college leadership became aware of the over commitment on June 29, 2010, when Dr. Rocha sent an email to the college’s AFT Guild president, Senate president, and College Council president. He advised them that he was recently made aware of a $75M over commitment of bond funds. While he was aware of the expenditures (property purchased for the Jefferson Blvd. entrance, construction of second college road, costs of mitigation measures, and up scoping of projects) that were not budgeted, he “was not aware of the magnitude” of the problem. In that same email, he proposed solutions that included the following: budget restoration by the District for the college entrance road and mitigations, selling of the 10100 Jefferson Blvd. property on the campus, down scoping projects, and transferring Measure J funds from the airport project to the West bond allocation. He believed this would yield more than sufficient funds to cover the over-
commitment. This was the first time that the participants became aware of the current Bond Program budget problem.

**July:** Dr. Rocha resigned in late June to accept a post at another college. The Acting President Betsy Regalado, working with the college leadership through the BPMC, began to get more facts about the over-commitment. As Build-LACCD continued to study the problem, it was discovered that the extent of the over-commitment was $123,499,736. Projects which had not begun but were ready to start construction, e.g. the Teaching Learning Center and the North Parking Structure, were put on hold while the bond budget problem was analyzed.

**August/September:** Ms. Regalado was replaced by Interim President Rose Marie Joyce. Dr. Joyce, with the assistance of the new CPM Jim Walker, continued the work of analyzing the bond budget. It was collegially determined that no projects would come forward until the available funds were known. This figure was a moving target since it depended on the costs from pulling out of contracts and an analysis of additional essential budget needs in the two buildings that were nearing the completion of their construction.

**October:** Projects that were planned were prioritized to determine if the projects that were ready to begin could be funded. The BPMC, through the College Council, recommended to President Joyce that the Teaching Learning Center be built. Not only was the investment already sizeable but the six-floor building would provide much needed classroom space. **The college is left with $21M for all the other projects** which included, but are not limited to, the Allied Health/Wellness, Athletic Fields, North Parking Structure, Signage, IT campus wide connectivity, the Student Union, and the Watson Center.

The college has made a recommendation to the Chancellor to sell the 10100 Jefferson Blvd. property that surrounds the college entrance to augment the college bond budget by an expected $40M.

**In Conclusion:** The college community was EXTREMELY disappointed when they found out that they were given insufficient budget information to make fully-informed recommendations regarding the bond projects. However, they have moved forward to maximize the dollars that are left. It has been a very difficult process of acceptance of the bond shortfall facts, but there is a strong commitment to work in the participatory manner. The projects prioritizing process has begun. Stakeholders who had expected the new buildings have come to the table with proposals that **drastically** reduce the scope of the projects. The current challenge is to detail the budgets of the proposed revised projects to determine which can go forward. A space utilization study is a part of the assessment.

West has been the driver in problem solving the bond budget crisis since July. While we are working with the CPM and Build-LACCD to validate figures and make projections related to plans, it is now the college community that is making the decisions, through a participatory process, to maximize the bond funds. Processes are now in place at West to assure that there is an appropriate procedure for project and budget decision-making. That being said, West's college community is to be commended for its problem-solving attitude, setting priorities that put students first, and responsibly managing the remaining balance of bond funds.

* This document was developed by Dr. Joyce with input from the college community.
Building Program Management Committee Meeting
MEETING SUMMARY
Thursday, November 4, 2010
1:00 p.m., HLRC, 4th Floor

Present: Aracely Aguiar, Karen Burzynski, Eloise Crippens (for Jeffrey Lee), Adrienne Foster, Allan Hansen, Rose Marie Joyce, Ahmed Mohsin, John Oester, Betsy Regalado, Abel Rodriguez, Olga Shewfelt, Robert Sprague, Alice Taylor, Jane Witucki

Resources: Steven Jacobson, Phillip Vogt, James Walker

Guests: Steve Aggers, Celena Alcala, Siraze Bawa, Judy Chow, Rachelly Escobar, Alexander Johnson, Fran Leonard, Olivia Limpid, Michelle Long-Coffee, Maureen O’Brien, Mister Searcy, Scott Stamler, Rebecca Tillberg, Helen Young

J. Oester called the meeting to order at 1:06 p.m. The meeting summary from October 14, 2010, meeting was approved as presented.

1. **Property – 10100 Jefferson Blvd.** Dr. Joyce updated the committee on the selling of Jefferson property. She put the request to sell the property to the District. The LACCD Board of Trustees’ will discuss and consider the request in their November meeting. Decision is expected to be made in December. Money will be put back into the college bond fund.

2. **Plan to identify proposed projects within $21M:**

   A. **Space Inventory:** See item B.

   B. **Next Steps:** J. Walker went over the next step processes for the building program and space inventory. Stakeholders and administrators will be solicited for their input in the space inventory study. The study will also explore programs that do not have permanent homes. Turner is hoping to complete the study and presents the recommendations to the BPMC in January 2011. Following the BPMC’s feedback and decisions on the recommendations, the plan design process will begin through June 2011.

Dr. Joyce proposed that the committee holds a meeting on the last Thursday (January 27, 2011) in January, followed by College Council meeting, for an extensive discussion on the recommendations sent forward by Turner.
3. **Building Program Management Committee:**
   
   A. **Schedule:** No change.

4. **Review draft College View of the Bond Budget Issues:** Dr. Joyce thanked the committee members for their input on the document. The revised draft was distributed and any comments can be sent to V. Nedia by no later than Wednesday, November 10, 2010.

5. **IT Infrastructure:** J. Oester and L. Rowell spoke about the email outages and the problems faced by IT. No money was allocated in the Prop A/AA bond for improving IT infrastructure which prevented IT from doing any equipment and system upgrades that are necessary to support the existing and new buildings. Several items that contributed to the IT problem are old and brittle cable, no redundancy, no back-up battery to protect the system from sudden power outage, no email back-up system, and insufficient back-up storage space.

   Recently, a decision was made by the interim president to allocate $2.5M for IT infrastructure improvement projects. The college had consulted with Metronome, a company assigned by District for West, about the IT current and future needs. Metronome’s preliminary report estimated the cost at $6-7M. With only $2.5M is currently available, prioritization on projects will need to be made; and the remaining projects will be done as money becomes available.

   Committee members urged that the college quickly takes the necessary actions to ensure the proper functioning of IT. Responding to O. Shewfelt’s request for a clarification, Dr. Joyce assured that the $2.5M is not part of the $21M remaining balance.

   Explanation on the IT issue would be posted on WestWeek for the campus community. [Information is now posted at http://www.wlac.edu/events/westweek/flyers/10-email.pdf]

The meeting was adjourned at 2:45 p.m.

**Next meeting:** Thursday, December 2, 2010, at 1:00 PM in HLRC, 4th Floor
Memo

To: Larry Eisenberg
From: Lloyd Silberstein
Date: November 12, 2010
Copy: Chancellor LaVista, Deputy Chancellor Barrera, President Joyce, General Counsel Goulet, John Harmer

Subject: West LA College Bond Program Budget Management

After recent conversations with a number of individuals from the College, CPM and District following issuance of your memo of October 25, 2010 on this subject, it seemed appropriate to expand on two areas in particular:

I. Procedural and managerial steps taken to avoid this situation in the future
II. WLAC Budget Recovery Plan and Status

Before addressing the two items though, it is important for those who read your memo, mine and other reports on this subject that the WLAC budget problem was unique to WLAC. No other College or area of the Bond Program has experienced anything approaching that extent. Perhaps more importantly, it should be noted that the necessary corrective action was taken at WLAC before it became impossible to recover and as discussed below, is now well under control.

I. Procedural and managerial steps taken to avoid this situation in the future
A basic axiom of construction as in many other fields is that there are never enough funds to do all that is desired. Consequently, staying within budget is a constant challenge, particularly with as many diverse user requirements and unknowns as involved on a Program as massive as LACCD. The longer and larger the budget problem the more difficult it becomes to resolve and of course that became the case at WLAC. The level of frustration it caused understandably resulted in a desire to know what happened and how to avoid a similar situation in the future.

While many of the key WLAC individuals are no longer on the Program and none of those preparing memos or reports on this topic were directly involved with the day-to-day activities that resulted in the budget situation, the primary causes pointed out in your memo appear evident and are expanded upon below.

1. The path towards a budget overage began in mid 2006 with an initial $32.5 million land acquisition for construction of a second entrance that was required by the Environmental Impact Report (EIR) after the College had already allocated all of its $413 million funds to various projects. Three years later with the road construction complete and land acquisition settlement nearing completion, the total amount involved has grown to $68.6 million. Although the College was a long way from exceeding its total budget allocation in mid 2006, the fundamental issue of dealing with unplanned expenses and whether the funds would come from the sale of property, the reallocation of funds from other projects making up its total budget, or some combination of both should have been addressed then. That is the process in place Program-wide and practiced for the most part quite successfully. Further, while there will likely be significant funds from the sale of excess land, the timing of when those funds could possibly become available was not taken into account. In hindsight, it also seems that Measure J offered the perfect opportunity to address the originally unbudgeted new entrance for the College.
**Key actions taken:** A check and balance procedure has been introduced at the Program level to verify that sufficient funds exist to complete all work on the College Project List before individual construction or design/build contracts are processed for award. In addition, regular formal cost and schedule reviews are now being conducted between the Program Manager and CPMs in an effort to identify potential problems and assist in resolving long before they can become problems. This program-wide change was introduced in early 2010 and in fact served to identify the extent of the budget problem at WLAC and caused corrective action to be taken.

To put the situation in better perspective it may be helpful to understand that the Bond management went through a decentralization process that took place with the introduction of a new Program Management firm in mid 2007. That decentralization empowered the CPMs and Colleges in many ways and changed the reporting structure. From then on, the CPMs directly reported to the College Presidents instead of through the Program Manager and Executive Director of Facilities Planning and Development. The Colleges took on full responsibility for remaining within their total budget allocations and were given the choice of utilizing the Program Management office to help issue and evaluate bid results for each new construction contract. WLAC was the only College to decline that assistance.

Those attending or who subsequently read the August 25, 2010 Bond Program Management Organization Roles & Responsibilities presentation to the Board of Trustees Committee of the Whole are familiar with the dramatic change that organizational change produced. To date, almost two and one-half times as much work has been completed in less than half the time at almost half the cost. While that decentralization has been an overwhelming success, refinements such as the Program level budget check will continue to be introduced as needed and as the Program moves into later stages.

2. **The potential to exceed total budget allocation continued to grow with design changes, increases in scope and selection of furniture and equipment well in excess of amounts budgeted for a number of projects.** The Technology Learning Center, Science and Math, General Classroom Building, and the Watson Center in particular experienced increases that should have resulted in corresponding decreases or elimination of other project budgets before those changes were allowed to proceed. Despite the fact that the design changes are adopted and approved by the College and the various building user groups, the CPM has responsibility for tracking and reporting on the effects those decisions have on cost and schedule. While it was understood that costs were continuing to grow beyond what the budget would permit, it does not appear that the CPM maintained sufficiently accurate forecasting and budget controls during much of this process and as a result, the College did not understand the full extent of the problem until the full picture was assembled by the Program Manager.

**Key actions taken:** The CPM performance issues were identified and written up in its formal evaluation that was subsequently reviewed with the Board of Trustees Infrastructure Committee. The report explained that an action plan had been agreed to by the District, College, Program Manager and CPM, implementing key staffing changes to Turner’s team including introduction of a new leader. The thinking being that maintaining continuity of management versus risking wholesale change particularly during a peak period of construction and start of a new academic year was the more prudent path. Further that if the staffing changes did not produce the necessary results that the decision to continue services with Turner would be revisited. After a series of interviews and screening by the Program Manager, several new CPM replacement candidates were presented to the College and the
new CPM Director, Jim Walker, was subsequently selected through a shared governance process. The Program Manager worked closely with Turner and its new staff through a transition period and reorganization of the team, which continues through full resolution of the budget situation, which is discussed in more detail below. All indications are that the CPM team is now in much better condition to address the budget challenge as well as carry out the remaining work successfully.

II. WLAC Budget Recovery Plan and Status
Once the extent of the problem was defined and communicated, steps were immediately implemented to bring the budget situation under control. New College and CPM leadership combined to put a plan in place that first placed a hold on any Projects that had not begun construction while a detailed path forward was established through a much more College-wide participatory process. The College took control of that later process with its Building Program Management Committee and College Council and after a series of meetings determined which projects would proceed, be cancelled or substantially downsized.

The Program Manager worked closely with the CPM to establish the $70.5 million figure that had already been contracted above the available budget and the $128.3 million amount if all remaining work and furniture and equipment had been contracted to complete the Projects. The CPM provided the cost estimates and figures associated with the cancelation or downsizing of Projects established by the College, which at present is anticipated to bring the full Project List back within the $413 million budget with approximately $21 million left to be allocated to other Projects.

The College has retained the services of a planning and design firm that is reviewing its existing Master Facilities Plan and how it may be affected as the result of the cancelation or downsizing of Projects. In addition, that firm is working with the College and various user groups to develop more detailed design programming information necessary to define the extent and scope of the selected or downsized Projects the College has decided to proceed with. In a few months, once that design programming is complete, the CPM will prepare a second construction cost estimate to serve as another check that those selected Projects will remain within the $413 million overall budget. At that point the College will be fully back on course and it remains a matter of following through with normal established practices to complete design and verify that bids are within budget prior to award of any future contracts. The CPM is also working with the environmental consultant to verify there is no adverse impact from the downsizing or cancelation of Projects.

In the meantime, the Program Manager is working closely with the CPM and outside counsel to address revising or terminating the three major design/build contracts affected by the selection of which Projects would be cancelled or substantially downsized. That process will contribute to the secondary check estimate since the final cost will not be established until negotiations are complete.

The Program Manager is also evaluating the possibility of contributions from other centrally managed Bond fund resources such as the ADA, storm water and renewable energy.