



**TO: ALL STAFF**

**From: Fred Williams, Interim Chancellor**

**Date: April 28, 2016**

As you know, salaries and benefits are the hot topic at the North Orange County Community College District right now—and rightfully so. The results of the *2015 Total Compensation Comparability Study* indicated that our District is low in both salaries and benefits across the member units. Unfortunately, those results did not come with the corresponding funds to fix our problems. It's going to take time and mutual cooperation to increase our salaries and benefits. Everyone in this District—including the Board of Trustees—wants to see movement in this area. However, there are real, complex reasons why our salary and benefits are the way they are, and I think it's in all of our best interests to be informed about our District's challenges so that we can be united in our efforts to address them.

## **COMPARABILITY ISSUES:**

While the Comparability Study gave us a lot of good information, it did not take everything into account. There are several factors, some of which I'll go into here, which contribute to our salary structure and should also be considered when comparing us against neighboring districts.

- Basic Aid District: At the April 12 Board meeting we heard several public comments regarding the loss of talented faculty to Irvine Valley College. While I agree that this is unfortunate, NOCCCD cannot compete against a basic aid district in terms of salaries. South Orange County Community College District (SOCCCD) will always have an advantage because they get approximately 50% more in revenues than the rest of us. That is how the basic aid system is structured, and until it changes at the State level, everyone will lose talented employees to SOCCCD. They have \$73 million more a year to put toward salaries.
- Faculty Obligation Number (FON): There's a reason this keeps coming up and it's because of the radical inequity of the FON system and how our unusually high FON affects NOCCCD. For every full-time faculty member, the District pays approximately \$71,906 more than it would for those

classes taught by an adjunct. For example, compared against Coast Community College District—who actually have almost 3,500 more credit full-time equivalent students (FTES) than we do—we’re obligated to retain 136 more full-time faculty. Multiply that by the \$71,906 that we said it costs for full-time vs. adjunct, and we pay \$9,779,216 more than they do in staffing—BY LAW. In negotiation terms, that’s over 6.5% we could add to all of our salaries if we had the same FON as Coast. This analysis should in no way diminish our commitment to and appreciation of full-time faculty. It is simply offered as a fiscal fact that NOCCCD must deal with. (Other Orange County district FON information is provided below.)

<b>District</b>	<b>FON Obligation</b>	<b>Over/(under) State Average</b>	<b>Cost Difference</b>
NOCCCD	544.8	95.70	\$(6,881,719)
Coast	409.4	(94.87)	\$6,821,579
Rancho Santiago	348.8	(0.08)	\$5,842
SOCCCD	398.8	(3.12)	\$224,185

- Mix of CTE Courses: Another factor to consider is a college or district’s mix of Career Technical Education (CTE) courses compared to its regular programs. CTE courses are expensive to run, mainly because of mandated low teacher-to-student ratios and high equipment and maintenance costs, and the State does not give us any additional funds to offer them. Even though our two credit colleges have some of the highest percentages of CTE courses in the region, we offer these vocational classes because they allow us to provide our community with the most qualified workforce in high-demand career sectors. We know that successful CTE students get snapped up for jobs, and that is worth the extra investment.

<b>College</b>	<b>Percentage of CTE FTES</b>
Cypress College	49.4%
Fullerton College	39.3%
Saddleback College	27.8%
Orange Coast College	27.3%
Golden West College	24.8%
Coastline College	23.8%
Irvine Valley College	13.1%

\*source: CCCC Data Mart

**BENEFITS:**

The Board of Trustees knows that there is a need for the member groups to re-examine our benefits structure, and they are willing to do so. Remember, though, that benefits are negotiated just like salaries, and any changes must be done through the appropriate processes. Also, because there are not two separate pots of money for salaries and benefits, it is up to the negotiating teams where any increase would be allocated. So, for instance, if the District offered a 3% increase during any given year, the bargaining teams can decide where to put that 3%. It could all go to benefits if that's where the membership wants them to go. It is the Board's desire to be as flexible as possible within our financial constraints, and they will look to the bargaining teams to establish priorities.

To inform the conversation, my team has run some preliminary numbers, and estimate that the cost for us to offer dependent care to our existing full-time employees and their families would cost between \$1.9 million and \$18.2 million per year. The lower end would probably cover the dependents our current employees are paying for now. The number goes up as factors vary, including: plans chosen, number of new dependents switched to NOCCCD coverage, new employees with their dependents, new dependents born, etc.

**ENDING BALANCES:**

Many people have pointed to the \$47 million ending balance from last year as a source to fund salary increases. That sum is not a "reserve" and should cease being called such. It's an ending balance, and the great portion of it has been allocated or is legally restricted. To break it down further: of the \$47 million in last year's ending balance, \$5.4 million is restricted and can only be used for specific student support programs. Budget centers had \$15.9 million in carry-over funds that they set aside to purchase equipment, make repairs, pay overtime for staff, and help pay for adjunct faculty. The District had carry-over funds of about \$4.1 million which have been budgeted for things like staff development, the Innovation Fund, scheduled maintenance, and retiree health benefits. The remaining portion—over and above the prudent 5% minimum reserve recommended by the State—is around \$6.6 million and could only be spent once. We don't get that money every year—it's basically the same amount that's been carried in our "savings" for the past few years. As a fiscally-responsible District, we recognize that it would not make sense to use that money for on-going salary and benefits since it is only available on a one-time basis.

The North Orange County Community College District is proud of and values its employees. We are all frustrated with our current salary and benefit amounts. Together, we need to consider every possible, fiscally responsible solution to increasing our comparability with other area districts. We have already made some advancement toward comparability and we will continue to make progress as quickly as we

can. I invite you to attend one of our upcoming “Coffee with the Board of Trustees and Chancellor” events to discuss the issue of salaries and benefits in more detail. The Board and I are very eager to find mutually beneficial solutions to these challenges.

**Cypress College** Minds. Motivated.  
**School of Continuing Education** Change. Cultivated.  
**Fullerton College** Excellence. Elevated.  
*NOCCCD Greatness. Achieved.*

