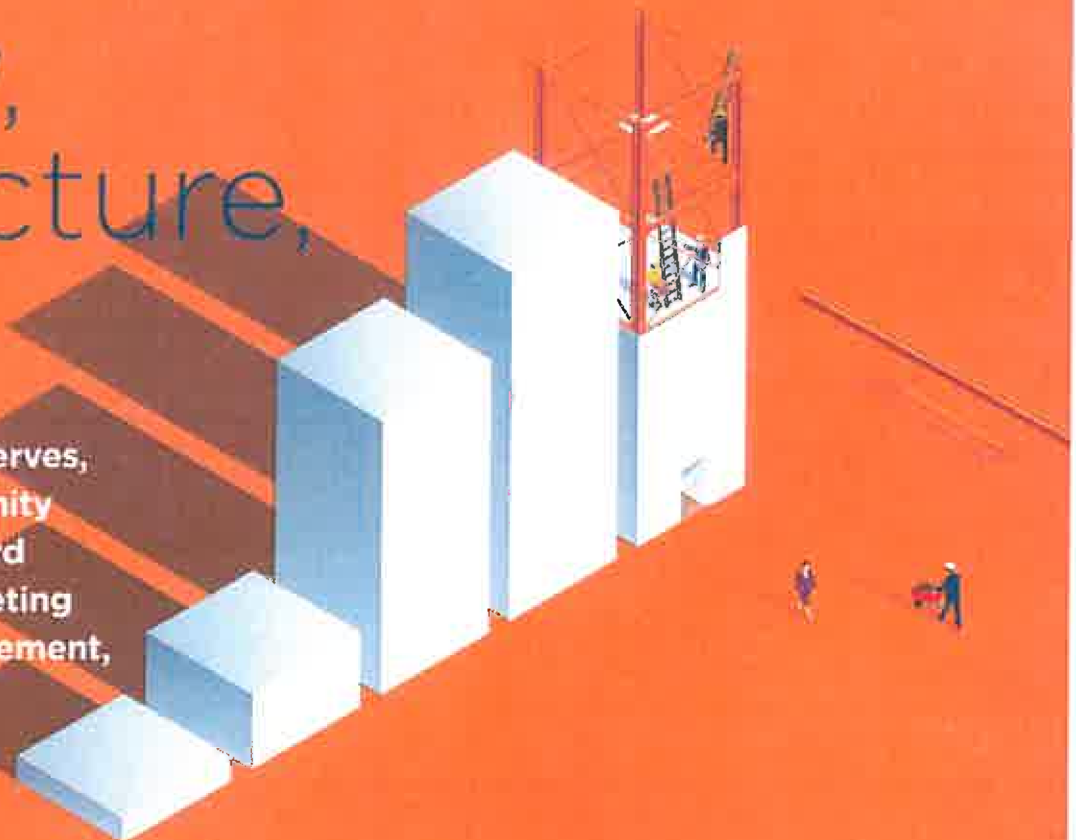
CC COMMUNITY COLLEGES

Review, Restructure, Renew



Faced with dwindling reserves, this multicampus community college undertook the hard work of change—in budgeting methods, benefits management, infrastructure, and more.

By Shelley Temple Kneuvean and Kathy Walter-Mack

When Mark James became chancellor of Metropolitan Community College (MCC) in 2010, the multicampus institution in Kansas City was in danger of exhausting its reserves within the next five years. State appropriations had declined 30 percent, while the cost of insurance, benefits, and utilities continued to rise. In addition, the enrollment burst that followed the 2008 economic crisis had dissipated, pulling down revenue from tuition, fees, and textbook sales.

The first difficult decision made was to end an early-retirement incentive plan that had remained in place, without interruption, since the 1970s. The program simply wasn't financially sustainable going forward, especially when changes in federal regulations required us to book all the money obligated for those retirement benefits.

Ending the program, a popular and highly valued benefit, was difficult for the college's culture to accept. To soften the blow, we kept the program open for 18 months so that people nearing retirement could still take advantage of it. In the end, 150 employees opted for early retirement, which helped us realign our human capital without doing any layoffs. For instance, a number of upper-level administrators accepted the buyout, and, rather than replacing them all, we collapsed some responsibilities under other positions.

Next we addressed medical insurance, another high-value benefit because the college covered nearly all the costs. We introduced more cost-sharing for family and dependents—a decision many employees had difficulty dealing with until they became more educated about costs, utilization, and providers. Even with the changes, MCC still offers a top-tier health plan and covers most of the cost for its employees.

In addition to reducing the expenses associated with the early-retirement and health insurance programs, the chancellor put a moratorium on IT purchases, allowing time to review the current IT infrastructure and needs going forward.

These efforts were only the beginning of the college's close examination and analysis of many other areas.

The Bases for Changes

The college began the difficult work of analyzing the many components that affect operational and financial outcomes.

Collegewide, zero-based budgeting analysis. Every group with a budget was required to participate in the exercise, which examined how money was spent and how those expenditures related to each group's goals and accomplishments. They had to consider, for instance, which programs needed to stay in place for the community—and how to close the gap if those programs weren't functioning at the ideal revenue level.

We published all the results, giving employees the opportunity to look at other programs' revenue and expenses, staffing levels, outcomes, and so forth. Because it identified potential reductions, this exercise received a lukewarm reception at best; in fact, we did sunset one academic program following the analysis. On the other hand, it encouraged people to look at programs through a different lens, introduced a common language to the budgeting process, and provided valuable data for formulating budgets in following years.

IT audit. This looked at our existing situation, the type of equipment that we were purchasing, and the forecast for future needs. Our consultant developed a strategic and refresh plan specifically for IT.

Facilities review. Conducted by professional engineers, this review revealed the need for dedicated funding to address deferred maintenance of the physical plant.

The results of these efforts set the stage for numerous changes to MCC's administrative and finance areas.

■ Rather than continuing to have an IT group on each of MCC's five campuses, we centralized IT and moved to a "help desk" model. We also instituted volume purchasing; this has enabled us to standardize IT equipment, making maintenance much easier and less expensive.

■ While the base of IT operations remains in-house, we outsourced several functions. For example, we contracted with a third party to do PeopleSoft development, eliminating one IT unit, and outsourced hosting of our e-mail system. We no longer host our enterprise applications locally but use outside companies that have server fields and can bring more resources to bear at peak times.

■ We completely reworked our network and wireless coverage for students and instruction, using a lease-purchase financing model through Dell. That provided us the infrastructure upfront and the cost-out over the next five years.

■ Recognizing that MCC had IT needs as well as deferred maintenance issues requiring attention, the board of trustees approved a bond refunding that didn't change the bond's term. The cost savings from the lower payment frees up cash, which is set aside in two reserves earmarked for IT and physical plant. This summer some of those dollars are being deployed to update more than 400 classrooms with new projectors, screens, and document cameras, plus provide 260 faculty members with a Lenovo combination laptop/tablet in place of a stationary desktop computer.

■ Financially, it was in MCC's best interest to outsource its bookstore. We negotiated not only a $50,000 annual scholarship to help students pay for books but also the remodel of five locations and an expanded inventory of rentals and e-books. Student services improved as well. In the past, online students had to obtain their books at one particular campus; now all

Changes Spark Conversations

Five straight years of significant change—in budgeting methods, benefits, staffing, infrastructure, and more—took their toll on Metropolitan Community College (MCC). Survey results and campus encounters pointed to a growing displeasure among some constituencies, including the faculty senate, with how decisions had been made. In response, MCC's chancellor initiated a dialogue to clarify the decision-making process: Who has a voice? Who ultimately makes decisions about what? How are those decisions communicated?

It quickly became clear that the term *shared governance* meant different things to different constituencies. This agreed-upon definition emerged after nearly a year of conversations among MCC constituencies and will continue to be vetted throughout the college in the coming year: *Shared governance is the formal process of delegating, recommending, collaborating, and making decisions related to the issues affecting the institution while identifying the roles of trustees, faculty, staff, administrators, officers, and students.*

MCC's leaders also agreed upon guiding principles for the college's shared governance process. In part, the principles assert that shared governance at MCC:

■ Attempts to give voice and respectful consideration to the values, opinions, and ideas of all MCC constituencies, especially those primarily affected by the decisions at stake.

■ Requires investments of time, energy, and social capital in the processes that seek input and attempt to achieve consensus.

■ Seeks consensus, even unanimity, through thoughtful deliberation that respects differences of opinion and attempts to find common ground among differences.

■ Depends upon open and respectful communication, including the open sharing of pertinent information related to decision making and closing the feedback loop by an explanation of the decision by the decision-making authority.

■ Works most effectively when participants acknowledge and agree upon the areas of expertise and authority for which groups of individuals have principal influence or responsibility.

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students can order online and pick up their purchases at the most convenient location. Although Follett offered to hire our bookstore employees, all elected to stay with MCC and were placed in other positions at the same level.

- The group that provided customized training was reorganized into a more entrepreneurial Institute for Workforce Innovation. This helped raise the college's profile and increase partnerships with the largest employers in the area. Revenue from the institute, now one of the largest local providers of training to employers, has significantly increased.
- In 2015, capitalizing on MCC's 100th anniversary, we initiated a capital and gift campaign to raise additional revenue.
- To preserve assets, an enterprise risk management system was introduced to the college. It includes a compliance calendar and a mandatory training program for all managers with any compliance responsibilities.
- MCC's officers, as well as the human resources and budget departments, now review every open position before it can be filled. We consider, for example, whether the position is duplicated on another campus, could be combined with another position, or includes tasks that technology might handle. For faculty positions, a group of deans and faculty representatives plus the college presidents review enrollment data and staffing needs to identify annual priorities. Before an open position is backfilled or restructured, we pool the one-time savings rather than using it to subsidize our operating fund. Better management of such underspending has provided us with the funds to address some strategic initiatives, such as providing collaborative workspaces for students and replacing aging HVAC units.

MCC is now in the process of developing a new strategic plan that includes the entire college community. Planning kicked off with a facilitated review of relevant data on each campus and an all-employee SWOT analysis exercise. The planning effort is currently underway, as is the rollout of new software that will enable the entire college to prepare a zero-based budget, aligned with strategic goals, for 2017–18.

Back on Solid Ground

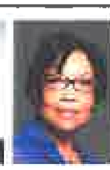
For several years, the two prevailing questions on campus were: How big of a deficit are we trying to close? What can we not do for the rest of the year to save money? One year, for example, the college did not provide any raises—a move unprecedented in any employee's memory.

We're now in the position of restoring items that had been cut from the budget, including annual salary increases for MCC's nearly 900 full-time employees. Sabbaticals returned last year, and this year we reinstated a $40,000 professional development fund for faculty. Those reinstated items are primarily due to ongoing cost containment: We don't have an overabundance of new revenue, and property taxes remain fairly flat.

MCC's general fund—currently at $110 million—has been experiencing about 1 percent annual growth. Thanks to lobbying efforts, the state has increased its contribution to MCC by $1.3 million this year. On the other hand, we project a 1.5 percent decline in tuition and fees, especially from the traditional students who represent 60 percent of enrollment. To better serve them and the remaining 40 percent—who are unemployed, underemployed, or seeking midcareer retraining—we have revamped our enrollment processes and installed new client relations management systems.

Reserves, which had been in a precarious place a few years ago, now stand at a healthy $42 million. Initially, we drew down reserves significantly when phasing out the early-retirement plan, but we replenished them through underspending and cost savings. Having been in the habit of sweeping that money into the reserve, we plan to continue doing so to meet the college's ongoing infrastructure needs.

During the past six years, MCC's employees and leaders have experienced a lot of change. Much of it was difficult work. Despite some disagreements and disgruntlement along the way, everyone has pulled together to rethink how we do business and return to financial stability. In fact, the team that completed our recent re-accreditation not only applauded MCC's high financial ratio, but also commented on the passion exhibited by all employees. We may not always agree, but we're all passionate about wanting to serve our students.

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