San Bernardino Community College District

Recommendations By College Brain Trust

Resource Allocation and Utilization Report – January, 2014

Response of Chancellor's Cabinet – February, 2014

College Brain Trust Recommendations

A. FTES and Foundation Allocations

1. Make a conscious decision regarding the way in which CHC will be allowed to grow. Will it be proportional as occurs now or through a plan to increase its size and ratio within the district?

   Cabinet Response: The budget allocation model guiding principles state, "All FTES is funded as a base allocation" and "All revenue earned by the colleges shall be distributed to the colleges less "assessments" for the District Office costs, District-Wide costs, reserve funds and other assessments as necessary (SERP for example)". Furthermore, both colleges have indicated an interest in spending college ending balances based on college-level decisions, with minimal or no restrictions. Therefore, a college with a positive ending balance may choose to increase enrollment beyond the District-established annual FTES target.

   Cabinet supports the future growth of both Valley College and Crafton Hills College, provided that the growth is prudent and provides the necessary student services and administrative services necessary for effective college operations and student support. Cabinet recognizes that such growth may result in one college growing more rapidly than the other,and it is essential that growth for one college not harm the other college.

2. If the decision is to have a more structured plan then it is also necessary to evaluate how SBVC will be affected. We would suggest that care be taken to not materially harm SBVC. Further the district should work to maintain SBVC's qualification for the higher SB 361 base foundation allocation based on FTES size. For example if the goal was to increase CHC to 40% of total funded FTES over the next 5 years, this could be done through the State growth/restoration mechanism. This does not take away funds from the revenue base of SBVC.

3. *Cabinet Response:* In this fiscal year 2013-14, Valley College will almost attain the 10,000 FTES necessary to qualify for mid-sized college status per SB361 (2006), therefore, this is no longer of critical concern. Furthermore, as stated above, Cabinet supports the future growth of both Valley College and Crafton Hills College, provided that the growth is prudent and provides the necessary student services and administrative services necessary for effective college operations and student support. Cabinet recognizes that such growth may result in one college growing more rapidly than the other, and it is essential that growth for one college not harm the other college.

4. Until CHC grows under either approach (proportional or disproportional) some form of added subsidy may be needed. It could be considered transitional until the FTES level improves to a pre-determined level. Such a subsidy could be scaled downward as progress is made toward the higher level. Because the district has a strong fund balance it could set aside funds to provide a declining subsidy for a number of years as a way to not harm SBVC. If, because of the demographics of the district, CHC is likely to stay small into the foreseeable future, then a subsidy could be built into the RAM like the rural college state subsidy. If CHC was provided a subsidy to its foundation amount of $550,000 the net change could be only $385,000 if the subsidy was treated as an assessment in the current model. In other words through the application of the model, CHC would net only 70% of the $550,000 because it too would be assessed 30% due to the way the model works. The net impact on SBVC would be a loss of income in the amount of $385,000. If the goal was to yield $550,000 to CHC then the subsidy could be constructed differently. The size and length of time for a subsidy is something the district needs to establish. This is strictly a local decision. SB 361 does not speak to how a multi-college district allocates resources internally.

   Cabinet Response: Redevelopment Agency and other funding will add significantly to CHC's FY2012-13 ending balances, relieving some of the budgetary pressure for now. However, projections show that CHC will have deficits in the near future without increased funded FTES and/or expense reductions, and/or increased other revenues. We believe that CHC can potentially grow to a self-sustaining college within the next 2 to 5 years; however, the District should be prepared to provide one-time or short-term subsidies from the District's fund balance, as needed, provided that CHC presents a specific plan to become self-sustaining.

5. The district could consider a modification to the foundation allocation like LACCD, however the negative effect of that upon SBVC would be substantial and could make things worse not better.

   Cabinet Response: This requires additional study.

6. The district could choose to leave the model as is and look for other ways to enhance resources flowing to the colleges through additional revenues or lower assessments and/or reduced spending at the colleges. It should be noted that if CHC was provided a subsidy via the Resource Allocation Model (RAM) and at the same time assessments could be reduced, any negative fiscal impact upon SBVC could be greatly mitigated.

   Cabinet Response: The District should review all assessments and reduce where applicable. As previously noted, CHC may not require a subsidy in the near future.

B. College Brain Trust District Office Assessment

1. Consider a more structured approach to adjusting assessments for district office operations. It is important to provide a sufficient level of detail regarding budgetary changes and the need for the adjustments. How the changes are vetted is important to provide transparency and build trust.

Cabinet Response: The college administrations and the District Budget Committee should review proposed modifications to the District-wide and District Office budgets annually as part of the budget development process, with recommendations made to the Vice Chancellor, Fiscal Services and the Chancellor. We recommend that for the upcoming fiscal year, the budget be developed on a line item basis as opposed to a formula or percentage basis as the District provides a multitude of direct and indirect services; and, that this process should be reviewed annually thereafter. Any modifications should be fair and equitable to both colleges, and not harm either college.

2. Revise the Resource Allocation Model to include a methodology to make the district office assessment more responsive to the changes in available resources.

Cabinet Response: See response to B1 above.

3. Assessments in general should be reviewed through an established participatory governance and administrative process.

Cabinet Response: Agreed. See response to B1 above.

C. College Brain Trust Other District-wide Assessments

1. Fully fund or substantially fund OPEB to allow more resources to flow to the colleges. The district could allocate a portion of its fund balance to further fund the actuarial liability and relieve in part the annual assessment to the colleges. The district could implement an alternate strategy other than fully funding the annual required contribution (ARC) indefinitely. This last possibility was discussed briefly with district office personnel and could be elaborated if necessary. By using a portion of the district reserves and fully funding the OPEB liability, the annual OPEB assessment could be eliminated.*Cabinet Response:* This is an excellent suggestion. The current outstanding balance is approximately $3,000,000 and the colleges are being assessed a total of $750,000 per year. Fiscal Services is reviewing the impact of paying down the balance and the resultant impact on our Unrestricted General Fund balances.

2. The district has instructed KVCR to become self-sufficient by the end of the 2013-14 fiscal year. We suggest a monthly monitoring of KVCR this year to determine if that goal will be attained and to develop a backup plan if it is not attained. The colleges will need to know this information early in 2014 so they can construct their budgets for 14-15. Clearly to the degree that cost is reduced the colleges are directly benefited.

   Cabinet Response: We recommend that Cabinet analyze the impact of future KVCR subsidies, if any, and that such subsidies be paid from the Unrestricted General Fund balances rather than the college budget allocations. In addition, we recommend that KVCR maintenance and utilities costs currently paid by Valley College be the responsibility of KVCR and, if necessary, be paid from the District's General Fund balances.

3. We would suggest that the district consider implementing a strategy to eliminate or limit district subsidy of EDCT over some agreed upon time period.

Cabinet Response: We agree that EDCT should become fully self-sustaining over a reasonable period of time to the extent that its funding sources permit. Meanwhile, the colleges are willing to continue paying the annual cost of the salary of the Executive Director and Secretary for this valuable program. All other costs are paid directly from the various grants that fund the programs of the EDCT. The EDCT grants make substantial contributions by providing administrative fees from grants to the District and EDCT is continually seeking new grants and other financial resources.

4. We suggest placing union contract required costs in the district-wide assessment section of the Resource Allocation Model.

   Cabinet Response: This requires additional study.

D. College Brain Trust: Making the Model Operational

1. Clarify the guidelines to identify if some types of revenues are excluded from the model.

   Cabinet Response: Fiscal Services will clarify the types and amounts of excluded revenue, if any.

2. Consider incorporating the allocation model principles identified above as part of the resource allocation model guidelines so that over time the model will have a solid framework against which to validate and modify the plan elements.

   Cabinet Response: We agree.

3. Delineate the responsibilities of the colleges in use of the resources allocated. In other words what mandates are there that affect how the colleges choose to budget their allocations.

   Cabinet Response: We agree.

4. Make the model operational by developing responses to the following questions:

   - Will the district be treated the same as the colleges in years of decline and subsequent restoration periods?

Cabinet Response: We agree that the district be treated the same as the colleges in years of decline and subsequent restoration; however, we need to develop guidelines that are to be determined.

- How will the district-wide reserve be used and replenished?

  Cabinet Response: To be determined.

- How much of a reserve will the colleges be allowed to carry or required to carry?

  Cabinet Response: Currently, the colleges are allowed to carry all of their prior year ending balances. There are no guidelines for required college reserves. This should be discussed at the District Budget Committee.

- Since district office savings each year go to reduce college deficits what happens if the district office overspends?

  Cabinet Response: To be determined.

- How will funded FTES be allocated to the colleges including growth, decline and restoration? Who sets the annual FTES targets for the colleges?

  Cabinet Response: The annual FTES targets are established by Cabinet upon recommendations from Fiscal Services and the colleges. The budget guidelines state that all FTES is funded as a base allocation and all revenue earned by the colleges shall be distributed to the colleges less "assessments". This approach is consistent with SB361.

- How will state funding deficits be handled and prior year adjustments at P1?

  Cabinet Response: All prior year adjustments, both positive and negative, are entered as adjustments to each college's ending balances.

- How will summer FTES be treated in the event it is needed to make funded cap?

Cabinet Response: Summer FTES is calculated, by college, for either the current or following fiscal year based on State eligibility.

Can the colleges choose to use summer FTES to make their internal FTES targets?

Cabinet Response: Yes.

- How will the collective bargaining process affect the model?

  Cabinet Response: Each college will be responsible for salary, benefits and other costs related to the college's faculty and staff; and for its proportionate share of District-wide and District Office assessments.

- How often should the model be reviewed and adjusted if warranted?

  Cabinet Response: Annually.

- How will new revenue not currently captured in the model be treated?

  Cabinet Response: The budget guidelines state that all revenue is accounted for and is part of the allocation model. Fiscal Services will clarify the types and amounts of excluded revenue, if any.

- How do district operations costs get adjusted?

  Cabinet Response: Via the annual budget development process and, if necessary, budget amendments and transfers.

- How are increases in normal operating costs addressed?

  Cabinet Response: College administrators and the District Budget Committee should review the District-wide and District Office budget annually as part of the budget development process.

- If changes are needed in the way funds are allocated is a transitional plan needed?

Cabinet Response: Yes.

- If the colleges are required to generate FTES above the funded level are those costs considered college expenses or district-wide?

  Cabinet Response: Either, based on Cabinet recommendations. In FY 2013-14, the District allocated $540,000 from Unrestricted General Reserves to pay for additional growth in excess of Advance Apportionment. Colleges will be asked to utilize their General Reserves before District wide General Reserves, unless Cabinet recommends otherwise.

- If functions are transferred from one college to another, from colleges to the district or from the district to the colleges how will that be addressed in the RAM?

  Cabinet Response: They will be addressed on a case-by-case basis and adjusted accordingly.

5. Once recommendations 1 through 4 are completed, formally approve the documents so there is clarity regarding their application.

   Cabinet Response: We agree.

It is important to address operational elements of the model not fully addressed in current guidelines or not included at all. Document them so that the colleges can better plan their budgets, manage FTES and develop strategies based on the expectations of the district and board.

By incorporating a clear process for dealing with these types of issues the model will function more efficiently and have a greater chance of long term success.

The narrative in the set of recommendations above is a bit lengthy but intended to help the district understand better the points being made. Further the district could consider a combination of actions to achieve the goal. For instance if the district was able to lower assessments and the colleges were able to achieve some efficiencies then maybe a net revenue shift of $385,000 to CHC would be sufficient. Again the point being made is that the district is not limited to one or another action but should consider a combination of actions that achieve the objective with the least negative impact.

College Brain Trust Recommendations Related to Operational Issues

CBT Recommends:

1. That the district and SBVC prepare multi -year budget plans

   Cabinet Response: We agree. District Fiscal Services has a multi-year budget allocation model that is currently being updated. Valley College is in the process of developing a multi-year budget plan similar to CHC's. Furthermore, Fiscal Services is currently exploring software solutions that include multi-year budget plans. It is critical that such systems interface seamlessly with payroll, HR and accounting systems.

2. The district strengthens and document its position control processes

   Cabinet Response: This is a critical need, especially considering that the largest portion of the budgets are for salaries and benefits. Human Resources, Fiscal Services and TESS are currently exploring software solutions that include position control. It is critical that such systems interface seamlessly with payroll, budget and accounting systems.

3. That the district find a means by which it can provide timely access to expenditure data to the college administrative staff

   Cabinet Response: We agree. Fiscal Services and TESS are currently reviewing various software applications that can supplement or replace the San Bernardino County Schools systems that SBCCD now uses.

4. That SBCCD ensure the integration of the Educational Master Plans, Capital Outlay Master Plan, and Technology Master Plan to inform and guide the annual resource allocation process

   Cabinet Response: We agree and this is also critical for accreditation purposes.

5. That SBCCD review its strategy for FON compliance to determine the level of full time faculty positions over the minimum FON it should fund

   Cabinet Response: FON statistics and compliance are reviewed by the colleges, the District and Cabinet. Business Services works closely with the colleges to monitor current and projected FON levels, and to predict faculty levels necessary to meet future FON requirements.

6. If the actual full time faculty count is to be reduced it is recommended that CHC be allowed to lower its number

   Cabinet Response: CHC and Valley College are currently in growth mode (5.9% this year), therefore we do not recommend reducing faculty at either campus at this time. In addition, CHC has several departments with only on fulltime faculty member and it would not be possible to reduce fulltime faculty in those departments. Valley College should assess the fulltime faculty required to accommodate its current and projected growth. Both colleges do not recommend transferring faculty from CHC to Valley College.

7. That CHC set a goal to reduce costs of administrators by about $250,000

   Cabinet Response: CHC and Valley College are currently in growth mode; therefore we do not recommend reducing administrators at this time. Cabinet does recommend that CHC conduct a comprehensive review of its administrator and classified staff requirements, and make such adjustments as necessary over a reasonable period of time to help ensure that its staffing productivity is improved. CHC is committed to making staffing adjustments by critically reviewing vacancies, eliminating unnecessary positions, and moving vacancies to match critical work needs.

8. That SBCCD set productivity goals along with FTES goals for each of the colleges

   Cabinet Response: We agree.

9. That CHC set a goal to reduce costs of classified positions by about $200,000

   Cabinet Response: See 7 above.

10. The district decide how FTES growth will be allocated to each college

    Cabinet Response: Since 2010, the District has allocated growth targets to each college based on the prior year FTES split. Either P-2 or Advance Apportionment has been used as the base for FTES projections, plus or minus any target adjustments. As previously stated, the colleges may use their funds and ending balances to pay for additional FTES, and be funded accordingly based on actual State funding per the SB361 model. Cabinet will continue to review FTES production annually and establish annual FTES “targets”. Allocations will be based on actual performance.

11. That the colleges discuss possible consolidation of administrative functions that could financially benefit both colleges

Cabinet Response: This is currently under review and recommendations will be discussed in Chancellor’s Cabinet in the near future.

12. The college review bookstore and cafeteria operations to determine feasibility of self-sufficiency or if outsourcing is the appropriate solution

Cabinet Response: We agree.

13. The colleges review the college foundations to ensure self-sufficiency

Cabinet Response: We agree. The Colleges will review the level of general fund support given to the Foundations and will reduce where possible over time.

14. To the degree that recommendations identified for CHC have applicability to SBVC we would encourage SBVC to consider them as well.

Cabinet Response: We agree.

ATTACHMENT A

Page 44 of 2013-14 Annual Budget

And

Draft Guiding Principles 03/17/2010

Page 44 of 2013-14 Annual Budget

San Bernardino Community College District Final Budget – Fiscal Year 2013-14

NOTES AND ASSUMPTIONS

- FTES Based Computational Revenue Includes State Apportionment, Student Enrollment Fees, and Property Taxes
- FTES funding rate from State Chancellor's Office
- Lines 1 -7. Per 2012-13 Second Principal Apportionment (P2)
- Lines 9 & 10. Per 2013-14 Advance Apportionment.
- Lines 14 & 15. Per State allocations.
- Line 17. College projections for transcripts, library fees, etc.
- Lines 19. District Office Operations Costs include HR, Fiscal Services, Police, and Distributed Education & Technology Services (DETS).
- Line 21. Use of District funds to offset operating deficit.
- Line 24. Use of District funds to offset operating deficit.
- Line 33. 9999 Prior Year Carry Overs appear in Sites 15 and 25 financial reports.

RULES

- District Office savings realized during the year result in a budget reduction to match actual expenditures, in effect reducing the colleges' assessments.
- College and district sites incurring deficit fund balances are required to balance the deficit within three years of the year of the deficit.
- Account Codes Included in the Resource Allocation Model
- Fund: 01; Site: 01,02,03; Subprogram: 0000; Life Span, Program, Object and Type:
  All Available

San Bernardino Community College District

Budget Allocation Model

Guiding Principles

REVISED DRAFT 3/17/2010

1. The budget model will be transparent, easily understood and easy to apply.
2. All FTES is funded as a base allocation.
3. All revenue is accounted for and is part of the allocation model.
4. All revenue earned by the colleges shall be distributed to the colleges less "assessments" for the District Office costs, District-Wide costs, reserve funds and other assessments as necessary (SERP for example).
5. The campus administration is responsible for maintaining a balanced budget.
6. Budgetary savings will be retained at the site level.
7. Campuses that run a deficit will be required to repay that deficit over the next three fiscal years.
8. The allocation model will be reviewed annually by the District-Wide Budget Committee and changes recommended as needed.
9. Each site will be responsible for establishing a line-item budget based on the allocation model, using the established budget development processes for each site.
10. Each site will provide a Program Review Fund annually to make funding available for the highest priority needs based on Program Review. The Program Review Fund may be created from new funds or a reallocation of existing funds.

Attachment B

San Bernardino Community College District FYE 2013 - 2014 Resource Allocation Model		2013-14 Budget SBVC	CHC	Total
State Base Revenue				
1	Base Allocation Revenue per SB361 for Medium and Small Colleges	$3,939,076	$3,376,351	$7,315,427
2	Total District Credit FTES per State Allocation (Funded)			13,191.19
3	Credit and Noncredit FTES Split *(Determined by Chancellor's Cabinet)*	70.00%	30.00%	100%
4	Total College Credit FTES *(multiply line 2 x 3) (Funded)*	9,233.83	3,957.36	13,191.19
5	District Funded Rate Credit FTES per State Allocation			$4,636.49
6	Credit Funding per State Allocation *(mulitply line 4 x 5)*	$42,812,574	$18,348,246	$61,160,821
7	Total District Noncredit FTES	$0	$0	0.00
8	**Total State Base Revenue** *(add lines 1, 6, & 7)*	**$46,751,650**	**$21,724,597**	**$68,476,248**
State Revenue With Growth & COLA Adjustments				
9	District ACCESS FTES per State Allocation	208.73	89.46	298.19
10	ACCESS Funding *(multiply line 5 x 9)*	$967,782	$414,764	1,382,546.14
11	Other Revenue Adjustment per State Allocation	$0	$0	$0
12	Deficit Coefficient per State Allocation	$0	$0	$0
13	**Total State Revenue** *(add lines 8, 10-12)*	**$47,719,433**	**$22,139,361**	**$69,858,794**
Other Revenue				
14	Part-time Faculty & Faculty Office Allocations	$216,841	$92,932	$309,773
15	Unrestricted State Lottery Funds Allocation	$1,163,463	$498,627	$1,662,090
16	District-wide Interest Income	$53,060	$22,740	$75,800
17	Other Campus Revenue Projections (per Campuses)	$848,646	$617,999	$1,466,645
18	**Total College Revenue** *(add lines 13, 14-17)*	**$50,001,443**	**$23,371,659**	**$73,373,102**
Assessments				
19	District Office Operations Expenditure	-$8,851,882	-$3,793,664	$12,645,545
20	Property & Liability Insurance	-$420,000	-$180,000	$600,000
21	KVCR Operations Expenditure Budget	-$490,000	-$210,000	$700,000
22	Supplemental Employee Retirement Plan	$0	$0	$0
23	Projected GASB 45 Compliance Retiree Obligation	-$525,000	-$225,000	$750,000
24	Economic Development & Corporate Training (EDCT) Expenditure Budget	-$197,800	-$84,772	$282,572
Individual Site Budgets				
25	**Total Site Budget Allocation for Colleges** *(add line 18, 19-24)*	$39,516,761	$18,878,224	$58,394,985
26	1000 Academic Salaries	$18,948,429	$9,277,945	$28,226,374
27	2000 Classified Salaries	$7,099,084	$4,366,822	$11,465,906
28	3000 Benefits	$7,882,183	$4,069,401	$11,951,584
29	4000 Supplies	$577,522	$220,610	$798,132
30	5000 Other Expenses	$3,804,391	$1,501,508	$5,305,899
31	6000 Capital Outlay	$276,041	$59,466	$335,507
32	7000 Other Outgo	$0	$0	$0
33	9999 Prior Year Carry Overs	$162,476	$31,276	$193,752
34	**Forecasted Site Budgets**	$38,750,126	$19,527,028	$58,277,154
35	Excess/(Deficit) *(line 25 minus line 34)*	$766,635	-$648,804	$117,831

Attachment C

Board Directives for the 2013-14 Budget

- Balance the 2013-14 budget without the use of Fund Balance (Reserve) while maintaining a minimum Fund Balance level of 15%. (State minimum is 5 %.)
- Allocate funding through the district resource allocation model to support SBVC and CHC as comprehensive community colleges.
- Increase student success and access.
- Identify new or reallocated funds for strategic initiatives.
- Maintain “selective hiring freeze” to provide strategic funding of priority needs.
- Reorganize and reallocate resources where possible to increase efficiency and improve services.
- Reduce expenditures that are not mission-critical.
- Invest in projects that enhance the efficiency of district and college operations.
- Continue the Measure M bond program based on facilities master plans.
- Continue to develop external funding streams including grants, scholarships, and fundraising.
- Maintain full funding for step and column increases.
- Maintain 50% law ratios in staffing plans.
- Honor collective bargaining agreements.