Business and Fiscal Affairs
DRAFT as of 11/5/13

AP 6250 REVENUE ALLOCAION MODEL

References:
Title

NOTE: *A procedure on budget management* ***legally required****. Local practice may be inserted. The following language is from current CLPCCD Policy 3110 titled Budget Allocation Model due to the level of detail and prescriptive steps contained therein.*

Purpose of the CLPCCD Budget Allocation Model

To allocate all revenues received by the District to the centers: Chabot College, Las Positas College, Maintenance and Operations, and District Operations. This Model does not allocate additional funds to equalize the expenditure patterns of the four centers. Although it is recognized that all four centers have unique expenditure requirements, this model only allocates revenues to a center. It is the center's responsibility to determine its budget priorities within the revenues allocated.

Role of the District Budget Study Group

The District Budget Study Group (DBSG) shall consider and make recommendations to the Chancellor upon any matter that affects the District financially, specifically as related to this allocation model. If the DBSG and District management can reach agreement, procedures shall be administratively adopted and policy shall be presented to the Board of Trustees for approval. If the DBSG and District management cannot reach agreement on procedure or policy, then the two separate positions shall be presented to the Board of Trustees who shall decide the matter. The DBSG may collect information on financial matters pertaining to collective bargaining issues, but any decisions on such matters will be referred to the appropriate bargaining agents.

Principles Governing the Allocation of Revenues

1. To establish and maintain permanent and general District reserves and committed accounts/reserves.
2. To allocate all general apportionment revenues according to program-based funding criteria as adopted in the Title 5 Regulations, using the standard rate allocations for the four centers: Chabot College, Las Positas College, Maintenance and Operations, and the District Operations.
3. To allocate other revenue to the center which earned the revenue.
4. To allocate any other revenues based on consensus agreements.

5. To allocate categorical funds according to the requirements of the particular categorical regulations.

Rules Governing Budget Management

1. **District Reserves and Committed Accounts/Reserves**
   a. **Level of Permanent and General District Reserves:**
      i. The DBSG and District management will recommend to the Board the level of permanent and general reserve with which to start the year. If the DBSG and District management cannot reach agreement, then the two separate positions shall be presented to the Board of Trustees, who shall decide the matter.
      ii. The permanent and general reserves will serve as emergency backup funding for any "give-back" or emergency expenses not covered by committed accounts.
      iii. At the beginning of each year the permanent and general reserves will be brought to their agreed upon levels.

   b. **Committed Accounts/Reserves:**
      i. Establishment: The DBSG and District management will recommend to the Board the establishment, initial dollar amount, and termination date of committed accounts/reserves deemed necessary for protection against potential revenue give backs or other District contingencies. If the DBSG and District management cannot reach agreement, then the two separate positions shall be presented to the Board of Trustees, who shall decide the matter.
      ii. Review: The DBSG and District management will occasionally review the committed accounts/reserves and recommend any changes deemed necessary.
         1. Any committed account/reserve overages, by review or on its termination date, shall be allocated to the cost centers in the allocation proportion in use during the period the reserve was terminated, or as prescribed by law for categoricals.
         2. In the event there is additional revenue in excess of a committed account/reserve, this additional revenue may be added to the permanent or general reserve or allocated to the centers through the District allocation model.
         3. In the event any committed account/reserve is determined to have an underage, by review or on its termination date, the underage will be covered by removing the necessary funds from the permanent reserve.
   c. **Allocation of the General Apportionment Revenues (GAR)** received each year shall be made in the following order:
      i. Any adjustments necessary for the permanent or general reserves.
      ii. Any adjustments necessary for committed accounts/reserves.
      iii. Any other District contingency accounts agreed upon by the DBSG and District management, and adopted by the Board of Trustees.

iv. All remaining revenues are to be allocated through the District allocation model.

2. Each center is responsible for the budgets allocated to it. Each center must balance its own budget and must not deficit spend. Surplus monies remain with the center which saved them.
3. Each center will follow the priorities based on the District and college planning documents in developing its budget.
4. The budget allocated to each center must fund all of the activities of that center.
5. Any new staff, including benefits, shall be funded within the budget of the center without a special additional allocation.
6. The allocations to the centers will be adjusted for revenue increases and decreases using the model.
7. Capital outlay projects are not part of the Allocation Model. However, the center's use of the project's result (new or remodeled building, etc.) will be supported by that center (see above).
8. Other revenues or allocations not specifically outlined in the model will be allocated by consensus and reported to the DBSG.
9. FTES targets for each college will be established by the Enrollment Management Committee, in consultation with the District Budget Study Group.
10. The allocation model will be reviewed annually by the DBSG.

NOTE: *Title 5* ***legally requires*** *that budget management conforms to the following minimum standards (in red, underlined ink):*

Total amounts budgeted as the proposed expenditure for each major classification of expenditures shall be the maximum expended for that classification for the school year, except as specifically authorized by the Board.

Transfers may be made from the reserve for contingencies to any expenditure classification by written resolution of the Board, and must be approved by a two-thirds vote of the members of the Board.

Transfers may be made between expenditure classifications by written resolution of the Board, and may be approved by a majority of the members of the Board.

Excess funds must be added to the general reserve of the District, and are not available for appropriation except by resolution of the Board setting forth the need according to major classification.

NOTE: *The* ***red ink*** *signifies language that is* ***legally required*** *and recommended by the Policy and Procedure Service and their legal counsel. The language in* ***blue ink*** *is included for consideration.*

Date Approved:
(This is a new procedure recommended by the Policy and Procedure Service)

Legal Citations for AP 6250

Title 5 Sections 58305, 58307, and 58308

Cal. Admin. Code tit. 5, s 58305

TITLE 5. EDUCATION
DIVISION 6. CALIFORNIA COMMUNITY COLLEGES
CHAPTER 9. FISCAL SUPPORT
SUBCHAPTER 4. BUDGETS AND REPORTS

s 58305. Tentative Budget; Filing; Contents; Computation of Tax Levy; Adoption; Filing and Approval of Final Budget.

(a) On or before the first day of July in each year, each district shall adopt a tentative budget and forward an information copy to the appropriate county officer. To the extent that the budget is based on information provided by the county, the budget data should be validated by the appropriate county officer.

(1) The budget shall indicate the date, time, and location at which the governing board of the district will hold the public hearing required pursuant to Section 58301.

(2) If the governing board of the district does not want all or a portion of the property tax requirement levied for the purpose of making payments for the interest and principal on outstanding general obligation bonds or other indebtedness approved by the voters prior to July 1, 1978, the budget shall include a statement of the amount or portion for which a levy shall not be made.

(b) Each district shall provide all data needed by the county to compute the actual amounts to be levied on the property tax rolls of the district for purposes which exceed apportionments to the district pursuant to Sections 95 to100, inclusive, of the Revenue and Taxation Code.

(c) On or before the 15th day of September, the governing board of each district shall adopt a final budget.

(d) On or before the 30th day of September, each district shall complete the preparation of its adopted annual financial and budget report. Once completed, this report and its supporting documentation is considered a public record pursuant to Section 6250 et seq. of the Government Code. On or before the 10th day of October, each district shall submit a copy of its adopted annual financial and budget report to the Chancellor. The district shall also file copies of the report with the appropriate county officers for information and review.

Cal. Admin. Code tit. 5, s 58307

TITLE 5. EDUCATION
DIVISION 6. CALIFORNIA COMMUNITY COLLEGES
CHAPTER 9. FISCAL SUPPORT
SUBCHAPTER 4. BUDGETS AND REPORTS

s 58307. District Budget Limitation on Expenditure.

The total amount budgeted as the proposed expenditure of the district for each major classification of district expenditures listed in the district budget forms prescribed by the board shall be the maximum amount which may be expended for that classification of expenditures for the school year. Transfers may be made from the reserve for contingencies to any expenditure classification or between expenditure classifications at any time by written resolution of the board of trustees of a district. A resolution providing for the transfer from the reserve for contingencies to any expenditure classification must be approved by a two-thirds vote of the members of the governing board; a resolution providing for the transfer between expenditure classifications must be approved by a majority of the members of the governing board.

Cal. Admin. Code tit. 5, s 58308

TITLE 5. EDUCATION
DIVISION 6. CALIFORNIA COMMUNITY COLLEGES
CHAPTER 9. FISCAL SUPPORT
SUBCHAPTER 4. BUDGETS AND REPORTS

s 58308. Appropriation of Excess Funds and Limitations.

All income accruing to the district in excess of the amounts required to finance the total proposed expenditures, including transfers to other community college districts and funds, as shown in the budget of the district shall be added to the general reserve of the district, and shall not be available for appropriation by the district for the current fiscal year except by the following procedure. The governing board of the district shall, by formal action of the board, pass a resolution setting forth the need according to major classification of district expenditures to be met from any portion of the general reserve derived from assured income in excess of the total amount anticipated in the budget.

On the first day of July of each year, the general reserve together with unexpected balances of appropriations and income in excess of anticipated income for the preceding fiscal year shall be placed to the credit of the district, and the district shall include all money so credited in the balance as shown in the budget for the ensuing fiscal year.

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THE CHABOT LAS POSITAS COLLEGE DISTRICT GENERAL FUND BUDGET

I. OVERVIEW

Effective July 2013, the District adopted the Budget Allocation Model as the basis for its budgeting system. In this essentially decentralized budgeting environment, there is a need for formulae and procedures which clearly outline the method used to fairly and impartially allocate funds to the colleges, the District Office, and Maintenance and Operations divisions, and which fix appropriate level of responsibility for budget administration with the colleges and the District. The Vice Chancellor of Business Services has a key role in managing the District budget. With regards to the external environment, the Vice Chancellor of Business Services role is to scan financial, political, economic, and social horizons and advise the Chancellor and College Presidents of emerging situations with the potential to affect the District's financial condition.

Within the District's internal environment, the function of the Vice Chancellor of Business Services is one of support and service. This is consistent with the trend toward maximum decentralization of decision making authority and responsibility to the colleges of this District. This position provides timely and accurate reports to District groups, develops accurate financial projections needed for future decision making, and communicates financial updates in a timely manner to employees at each college. The Vice Chancellor of Business Services will chair the District Budget Study Group (DBSG). The role of DBSG is outlined in Administrative Procedures 6250 as follows:

The District Budget Study Group (DBSG) shall consider and make recommendations to the Chancellor upon any matter that affects the District financially, specifically as related to this allocation model. If the DBSG and District management can reach agreement, procedures shall be administratively adopted and policy shall be presented to the Board of Trustees for approval. If the DBSG and District management cannot reach agreement on procedure or policy, then the two separate positions shall be presented to the Board of Trustees who shall decide the matter. The DBSG may collect information on financial matters pertaining to collective bargaining issues, but any decisions on such matters will be referred to the appropriate bargaining agents.

The budgeting process includes both long-range and short-term planning and provides a linkage to the District's program planning and review efforts and accreditation. The District annually reviews budget decisions in terms of the multi-year budget consequences through the use of the Sound Fiscal Management Checklist. Short-term planning is reflected in the annual budget. Fundamental to both long-range and short range planning is extensive information on all significant phases of operations and costs. The data provide management information to achieve more effective utilization of personnel and financial resources.

Overall, the preparation of the annual budget is a collaborative effort involving all locations, the colleges, District Office and Maintenance and Operations. The District is committed to openness throughout the budgeting process and believes greater interaction and input from its stakeholders creates a budget reflective of the District's mission and ensures its students receive the services needed to be successful.

II. GUIDELINES

Education Code and Title V Code of Regulations provides parameters for developing and maintaining the annual budget. Below is a non-inclusive list of guidelines, best practices and controls to adhere to in the budgeting process.

A. The operating expenditure budget is a careful plan which anticipates needs and establishes patterns for disbursements.

B. Personnel needs and allocations are established by the budget. Part-time staff may be employed only within budgeted amounts.

C. Managers responsible for operating units or departments are expected to be especially diligent in improving methods and consolidating tasks whenever separations occur.

D. Colleges are expected to adhere to the budget as detailed by account number and line items. If the demand for materials and services exceeds the budget, a request for a budget transfer will be initiated and processed by the college. Colleges are expected to operate within their resource allocation and may only deficit spend with the approval of the Chancellor.

E. To facilitate control, budget reports are available online and may be generated at least quarterly or on an as-needed basis. These reports are to be reviewed carefully to assure operation within budget allocations.

F. Adjustments to effect transfers between major expenditure classifications shall be sent to the Governing Board for approval periodically during the year and at the end of each fiscal year according to Administrative Procedures AP 6250 as follows:

Total amounts budgeted as the proposed expenditure for each major classification of expenditures shall be the maximum expended for that classification for the school year, except as specifically authorized by the Board.

Transfers may be made from the reserve for contingencies to any expenditure classification by written resolution of the Board, and must be approved by a two-thirds vote of the members of the Board.

Transfers may be made between expenditure classifications by written resolution of the Board, and may be approved by a majority of the members of the Board.

Excess funds must be added to the general reserve of the District, and are not available for appropriation except by resolution of the Board setting forth the need according to major classification.

III. UNRESTRICTED GENERAL FUND

A. BUDGET DEVELOPMENT

<u>Beginning Balance</u>

A fund's current year beginning balance is defined as the ending fund balance from the prior year. The balance for the Unrestricted General Fund is delineated into the following three categories:

1. Board Designated Reserves, including a 5% General Reserve per Board Policy, and other funds upon which the Board has, by official action, designated a specific District-wide or location-specific purpose.

2. Colleges, District Office, and Maintenance and Operations discretionary reserves, which are unspent allocations from the prior year. The amount is calculated as the location's prior year beginning balance plus prior year actual revenue less prior year actual operating expenditures. These reserves are computed by sub-fund for each location.

3. Unreserved/undesignated fund balance.

Adjustments to Beginning Balance: Adjustments to the current year's beginning balance may occur throughout the budget cycle as the result of the prior year's closing activities. These may include, but are not limited to: audit adjustments, grant disallowances, bad debt write-offs, and accounts receivable and liability liquidations. Any increase or decrease in the beginning balance occurring after budget adoption will be identified by source and the adjustment will be applied to the appropriate reserve category listed above.

<u>Enrollment Projections</u>

The initial step in budget development is the projection of resident and non-resident full time equivalent student (FTES) enrollment. FTES projections are based on an analysis of enrollment history, plans to expand programs via program review, projected state funding, etc. The College Presidents provide information, oversight, and review of this process. Productivity ratios and class size goals are cornerstones to this segment of the budgeting system. The budget calendar and steps are detailed in XXXX.

The Faculty Association Contract outlines the Enrollment Management process in Article 26. Article 26C defines the District Enrollment Management Committee as

26C. District Enrollment Management Committee (DEMC)

The DEMC shall be composed of four (4) representatives appointed by the Faculty Association, including a minimum of one (1) faculty representative from each College Enrollment Management Committee (CEMC) described in Article 26E below, and four (4) representatives of the District appointed by the Chancellor, including each College President or their designee, and appropriate non-voting staff as necessary. The DEMC shall have appropriate support services and unimpeded access to all relevant data.

NOTE: For the District apportionment purposes outlined below, FTES refers to resident FTES only unless otherwise stated. Non-resident tuition is recorded as local revenue to each college.

FTES growth targets will be based on the ratio of base college-funded FTES to total District-funded FTES that each college is charged to maintain. If there are to be other considerations for determining FTES growth targets, those will be established by the Chancellor.

The colleges' apportionment revenue allocations will be determined by FTES Enrollment targets developed by the DEMC and approved by the Chancellor. The FTES enrollment targets are the basis for allocation of apportionment revenues to the Colleges, District Office and Maintenance and Operations.

If the college does not meet its FTES target, its allocation will be reduced in accordance with the Budget Allocation Model that allocates revenues as earned on a FTES basis.

In a year with no funded growth, if a college exceeds its FTES enrollment target, it will assume responsibility for absorbing expense incurred without receiving an additional revenue allocation.

If for any other reason(s) at the end of the fiscal year, the District as a whole does not meet its maximum funded FTES base, a District-wide strategy will be established by the Chancellor.

Operating Resource Allocation Process

The computation of projected operating revenue is prepared by the Director of Business Services. This is primarily the conversion of projected enrollments to dollar amounts derived from the state (the District's base revenue plus cost of living adjustments, plus growth or less deficit/workload reductions) and estimates of other operating revenue sources based on past experience and/or anticipated changes. The State Chancellor's Office determines the Total Computational Revenue (TCR) for each Community College District based on enrollment by providing (1) Base Revenue = Basic Allocation + Base Workload Measures (FTES) x Base Funding Rate; (2) Inflation Adjustment (Cost of Living Adjustment COLA) as determined by State Budget; (3) Basic Allocation & Restoration = if applicable, restoration of prior year workload adjustments, stability restoration and any basic allocation adjustments; (4) Growth = for each workload measure, a maximum rate is determined by Systems Office; as growth is achieved by the District, the FTES x Marginal Funding Rate is used to calculate growth dollars; (5)

Other Revenue Adjustments = as applicable; (6) Stability Adjustment = a District is considered in Stability status for up to 3 years if they fell below their base FTES, the District is eligible to maintain base FTES for 1st year, and has two years to reach the original base level FTES. The sum of item (1) thru (6) is the Total Computational Revenue. The funding sources for the TCR are Property Taxes, Student Enrollment Fees, State General Apportionment, and Education Protection Act (Proposition 30) while in effect. If the funding sources are not sufficient to meet all of the Community College Districts' calculated TCR, the State may apply a deficit factor across all districts.

Separate projections are made for restricted funds (which must be used for specific purposes) and the unrestricted operating fund. Major emphasis of the Budget Allocation Model is on the operating fund (sub-fund 11). Revenue projections rely upon many assumptions about the future which guide estimates of allocable revenue for the District. The possibility of changing economic and political conditions, such as a Systems Office deficit factor, mid-year cuts, and property tax shortfalls, etc., result in the necessary tentativeness of the revenue total which must be accepted and understood. Projected revenue should not be viewed as an absolute.

Allocation of Projected Revenue

The combination of state general fund revenue, local property taxes and enrollment fee revenue make up the majority of District revenue used to fund general operating costs. In addition to the state and local resources detailed below, each college receives a basic allocation based upon college size using state funded rates. Further, revenue from unrestricted state lottery and other specific state allocations are subject to distribution through the Budget Allocation model.

The District utilized the Budget Allocation Model to distribute state general apportionment and other FTES-driven revenue to the colleges. Total allocations for college operations are determined using the following six-step process:

STEP 1 Determine the projected target FTES by college and the corresponding percentage split.

STEP 2 Determine District-wide operating revenues (apportionment, unrestricted lottery, mandated cost block grant, part time faculty allocation, part time faculty office hours, and part time faculty insurance and miscellaneous District-wide revenue)

STEP 3 Deduct costs for contractual and regulatory expenses, committed obligations and other non-college based costs from the revenue in Step 1.

STEP 4 Deduct the allocation for the District Office (DO) and Maintenance and Operations (MO), computed as 10.48% and 8.53% respectively of the amount remaining after Step 3 and deduct the amount of Step 5 from the allocation.

STEP 5 Deduct and distribute the basic allocation as defined by the state to each site by allocating District Office 10.48%, Maintenance and Operations 8.53%, then allocating the balance to the college by the percentage their basic allocation is of the total basic allocation (Chabot College (CC) 53.85%, Las Positas College (LPC) 46.15% and subject to change based on basic allocation formula of Systems Office).

This two step calculation is created by decision by DBSG to allocate foundation revenue separate from the total revenue.

STEP 6 Distribute the remaining District-wide revenue to each college based on a proportionate share of projected FTES (resident).

STEP 7 Add other local operating revenues as projected by each location to determine each colleges/site total resource/revenue allocation.

Exhibit A to this procedure shows the implementation of this allocation model in summary form. The following information details each of the seven steps.

STEP 1 – Determine FTES target by college

STEP 2 – District-wide Operating Revenues

1. Computation of Apportionment Revenue

The base revenues for the District shall be the sum of the following allocations:

a. Annual Basic Allocation or Foundation Allocation: the annual basic allocation is prescribed by the State SB 361 funding formula and is based on each college's size using Resident FTES. An additional basic allocation is granted for state-approved centers. The annual basic allocation may be adjusted (+/-) each year by a state-funded cost of living adjustment (COLA) or by a workload reduction or other deficit factor.

b. FTES Base Revenue: FTES base revenues for credit, non-credit, and enhanced non-credit (Career Development and College Preparation CDCP) FTES are generally equal to the state-prescribed base rates multiplied by its number of funded FTES from the prior fiscal year in each category. These allocations may be adjusted each year by the State.

These annual allocation amounts for the current year are provided in the State Chancellor's Office First Principal Apportionment Report, Schedule C, released each February. To project basic allocation revenue for the new budget year during the budget development process, these amounts are adjusted for funding changes anticipated for the new budget year, including any state-funded cost of living (COLA) or anticipated deficit/workload adjustments.

2. Allocation of Growth/Decline Revenue

Growth: When growth is funded in the final state budget signed by the Governor, the District target growth will be funded prospectively by the District. Subject to District Growth cap and other funding limitations, growth dollars will be advanced to the colleges based on the Chancellor's approved annual FTES targets. The District Office shall receive 10.48% of growth funds, and Maintenance and Operations will receive 8.53% of growth funds.

Respectively, the Colleges, District Office and Maintenance and Operations will be funded for **actual growth achieved,** subject to the scenarios outlined below, not to exceed the District funded growth cap:

a. **Both colleges meet or exceed FTE targets:** All colleges will be funded up to the target subject to growth funding limitations imposed through the state funding formula (funded growth).
b. **One college meets or exceeds FTES growth target and the other does not:** The college not meeting the growth target will be paid for actual growth achieved. The unrealized growth from this college will be distributed to the other college up to the college's actual growth not to exceed the District funded growth cap.

In all cases, when District FTES growth is below the state-prescribed growth cap (FTES growth for which the District will be paid), actual growth, if any, will be funded where earned.

Enrollment Decline: If a college experiences enrollment decline below its funded targeted FTES, the budget shall be reduced by its proportionate amount of advanced growth funds in the year of the decline based on the Second Period CCFS 320 Report with final adjustment subsequent to filing of Annual CCFS 320 Report in July or as amended in October following fiscal year end. This reduction shall occur in a recalculation in STEP 5. In addition, the state general revenue base for the subsequent year will be adjusted according to the state allocation model if actual FTES falls below the funded based.

The budget for the District Office and Maintenance and Operations will include the percentage delineated in Step 3 of projected growth funds and will be adjusted at year-end for actual earned growth on a composite basis.

3. Apportionment Revenue Adjustments
As noted above, there is a First Period recalculation of apportionment revenue of prior year. Any increase or decrease to prior year revenues is treated as an addition or reduction to the colleges', the District Office's and Maintenance and Operations' current budget year.

If apportionment revenues reduced from the prior year base for any of the following reasons: (i) prospective revenue reduction anticipated in budget development; (ii) mid-year deficit resultin from insufficient tax revenue or enrollment fees; or (iii) as a result of year end adjustment, then the amount calculated in Step 1 will be reduced resulting in a proportionate reduction for the colleges, the District Office, and Maintenance and Operations. Potential mid-year adjustments shall be reviewed by the Chancellor's . Any re-shifting of FTES between sites shall be agreed upon by the Chancellor's in consultation with the District Enrollment Management Committee.

4. Strategic Shift of Summer FTES

There may be times where it is in the best financial interest of the District to shift summer FTES between fiscal years. When this occurs, the first goal will be to shift FTES from both colleges in the same proportions as the total funded FTES for both colleges. If this is not possible, then cares need to be exercised to ensure that any such shift does not create a manufactured disadvantage to any of the colleges. If a manufactured disadvantage is apparent, then steps to mitigate this occurrence will be developed by the Chancellor's in consultation with the District Enrollment Management Committee..

Restoring "borrowed" FTES should occur on the same basis as it was drawn up or down to the levels of FTES borrowed. If it cannot be restored in that fashion, care should be taken to evaluate if a disadvantage is created for any college.

Borrowing of summer FTES is not a college-level decision, but rather a District -level determination that is made in consultation and concurrence with the Chancellor's . It is not a mechanism available to individual colleges to sustain their internal FTES levels. In the event the District borrows summer FTES or goes on stability funding, any disproportionate advantages or disadvantages resulting from that decision shall be reviewed, and possibly rectified, by the Chancellor's .

5. Allocation of Other Step 1 Operating Revenue Sources

This category includes the following:

a. Unrestricted Portion of Lottery – Projected revenue shall be computed using state projections for the rate times the prior year FTES. Lottery funds are earned on resident and non-resident FTES.
b. Office Hours/Health Insurance/Compensation Funding for Part Time Faculty – Budgeted revenue will be based on state funding projections.
c. Mandated Block Grant – Projected revenue shall be computed using state projections for the rate times the projected FTES.

Additional funding received by the District after the budget is adopted, not directly attributable to an individual college, shall be distributed through the allocation model as delineated in the above revenue parameters.

In the event that actual revenues are less than the amounts projected and allocated to each site (CC, LPC, M&O, DO) for the fiscal year, each site budget will be recalculated and adjusted accordingly during a year-end "true-up".

STEP 3A – District-wide Operational Costs

Expenses deducted from computed operational revenue prior to determining each college, District Office and Maintenance and Operation allocations include those expenditures considered to be contractual, regulatory, or committed and of benefit to the entire District. Activities and related costs for these three categories include, but are not limited to the following:

1. Contractual Expenses

Included in this category are costs related to implementation of various employee contracts and are subject to revision of collective bargaining agreements.

a. Faculty Reassigned Time (Exhibit B sample calculation)
  - CLPFA Officers (Article 4l)
  - Senate President (Article 10C.4)
  - Committee Chairs (*Curriculum Committee, Student Learning Outcomes Coordinator, Program Review*) (Article 10C.4)

2. Regulatory Expenses

Included in this category are mandated or unavoidable/fixed costs such as (Exhibit C sample expenses):

a. District-wide independent audit
b. District-wide property and liability insurance
c. Board of Trustees compensation
d. Employee Assistance Program & Substance Abuse Program
e. Pre-Employment Costs – Fingerprinting and Tuberculosis Testing
f. Convocation
g. District-wide Utilities – Electricity, Natural Gas, Water & Sanitation
h. Fuel & Disposal Services (Maintenance & Operations)
i. Licenses & Permits (Maintenance & Operations)
j. Security System for Franklin Building (as needed)

3. Committed Obligations

Included in this category is funding for future events and current initiatives, such as:

a. Self Insurance Fund (RUMBL)
b. Supplemental Employee Retirement Plan (SERP)

c. Subsidized Program Units at Colleges – Nursing Program, Dental Hygiene – allocation amount determined via formula
d. Chancellor's contract for services for specific initiatives as needed.
e. Legal settlements as needed
f. Other post-employment benefits (OPEB) reserve fund as needed

District-wide operational costs are estimated for budget development utilizing the best known information at the time and are adjusted for actual expenditures at the end of the fiscal year during the "true-up" unless the allocation amounts are fixed via formulae – Reassigned Time, Subsidized Program Units.

STEP 3B – Subtotal of Remaining Balance

Calculate the remaining balance by subtracting the total costs in 3A from the total revenue in Step 2.

STEP 4 – Allocated Costs - District Office and Maintenance and Operations

The allocation for the District Office is established at 10.48% and Maintenance and Operations at 8.53% of the District-wide operational revenue less District-wide operational costs and distributed in two steps, Step 4 and Step 6A. The Fiscal Year 12-13 Adoption Budget is the baseline for determining these fixed percentages. In Step 4, calculate the allocation by applying the percentage on the balance between the operational revenue (Step 1) less the basic allocation/foundation revenue less the operational costs (Step 2).

The District Office allocation funds activities such as the Governing Board operational expenses, Chancellor, Educational Planning, Administrative Service, Human Resources, Finance, Facilities Planning, Logistics, Information Technology, Marketing/Public Relations. Maintenance & Operations allocation supports activities such as Scheduled Maintenance & Repairs, Custodial Services, Grounds-keeping/ Landscaping, Transportation.

STEP 5A – Foundation Allocation

Determine the portion for the District Office at 10.48% and Maintenance and Operations at 8.53% of the Foundation or Annual Basic Allocation. Subtract this amount from the Total Foundation Allocation to determine the remaining balance to distribute to the colleges. Each college portion is determined by using the percentage of their college foundation allocation to the total district foundation allocation. This percentage is applied to the remaining balance.

STEP 5B – Subtotal of Remaining Revenue

Calculate the remaining revenue to be distributed by subtracting the revenue allocated for Foundation in Step 6A from Step 5.

STEP 6 – Distribution of Remaining Revenue – College Allocations

The remaining District-wide operating revenues are distributed to the colleges proportionately based on the FTES targets by college. Allocations will be adjusted at year end based on actual resident FTES as described in the various scenarios in Step 1.

STEP 7 – Local Revenue

Local revenue is revenue earned specifically by location and directly under the control of each site – colleges, District Office, and Maintenance and Operations, including, but not limited to, the following examples:

1. Apprenticeship program funding – based on attendance reporting and available state funding (currently managed by Contract Education department)

2. Two percent of enrollment fees – computed on estimated enrollment fees at each college less Board of Governors (BOG) waivers

3. Student material fees – based on each college's estimated collection of allowable fees

4. Non-resident tuition – based on each college's non-resident student enrollment

5. Facility rentals – based on each location's estimate of revenues to be collected from external use of District facilities

6. Bookstore or other enterprise fund commissions – based on each location's estimate of revenues per contractual or other agreement

7. Other additional local revenues – as determined by location

STEP 9 – Transition Funding

Any adjustments to each site allocation to remedy a negative impact to a site during the conversion to the new allocation model from the prior model. The transition funding is designed to be temporary, over a 4 year period.

Expenditure Budgets

1. <u>Colleges</u>

Subsequent to allocation of revenue, each college will develop a balanced budget plan in accordance with the District Budget Calendar and agreed upon District-wide budget assumptions. The allocations may be stretched to meet as m any needs as possible in a process involving participation of faculty and other college staff to ensure (1) the resource requirements for educational and support programs are considered, and (2) priorities are developed.

Colleges are responsible for funding the following programs as part of their budget plans:

a. locally funded transfer centers
b. management sabbaticals
c. part-time faculty office hours
d. part-time faculty health insurance benefit
e. department chair re-assigned time.
f. faculty substitutes
g. faculty sabbaticals via the sabbatical reserve fund
h. intercollegiate athletics staffing; and
i. vacation pay offs.
j. personnel salary and benefits

Each college is independently responsible for developing an expenditure budget that utilizes the level of funding outlined in the revenue sections above. While budgeting decisions are at the discretion of the college, decision-making must consider the following budgetary constraints:

a. allocating resources to achieve the funded level of FTES is a primary objective of all colleges;
b. requirements of collective bargaining contracts apply to college level decisions
c. the state-required Faculty Obligation Number (FON) must be maintained. (Due to funding implications, care must be exercised to maintain equitable full-time/part-time balance at each college. Full-time faculty numbers, ratios, and staffing will be monitored on a District-wide basis.);
d. in making expenditure decisions, the impact upon the 50% law calculation must be considered and budgeted appropriately; (District-wide review? Other sites?)
e. care should be exercised in maintaining the public investment in the physical plant, facilities and grounds of the campuses;
f. in order to promote similar levels of support services at each of the colleges, appropriate levels of classified and management staffing need to be maintained.

2. <u>District Office and Maintenance and Operations</u>

Development of annual expenditure budgets for District-wide operational costs (Step 3), the District Office and Maintenance and Operations (Step 4) are the responsibility of the District Office. Based on the projected levels of expenditure for the current fiscal year and taking in into account unusual or one-time anomalies, the District Office and Maintenance and Operations are responsible for utilizing its allocation to provide centralized services to the colleges that are efficient, cost effective, and responsive to campus needs. Any change to the established percentage allocation for the District Office and Maintenance and Operations funding will require approval by the Chancellor's .

Long Term Plans

The District's budgeting process includes long-range planning and provides linkage to the District's program planning, review efforts and accreditation. Each location is responsible for developing its budget with a multi-year outlook.

1. Colleges

Each of the colleges shall maintain a long-term plan for facilities maintenance/improvement/expansion and new or expanded programs. The Chancellor, in consultation with the Presidents, will evaluate additional the availability and source of additional funding that may accrue to the colleges beyond what the model provides. Approved projects shall be included in the colleges' balanced budget proposals.

2. District Office and Maintenance and Operations

District Office, Maintenance and Operations, and District-wide operational costs may also require additional funding to implement new initiatives in support of the colleges and the District. The Chancellor will evaluate requests for such funds on a case-by-case basis. The source of this funding must be identified. Should the source be other than District Office and Maintenance and Operations revenue and/or District Office and Maintenance and Operations reserves respectively, the requests will also be evaluated by the Chancellor's . Approved projects shall be included in the District Office and Maintenance and Operations respective balanced budget proposals.

Reserves and Deficits

In the Budget Allocation Model, the colleges have greater autonomy but also greater responsibility and accountability. Colleges, District Office, and Maintenance and Operations will be required to maintain a minimum level contingency reserve of 1% of its ongoing operating expenditure budget (sub-fund 11). This requirement may be waived upon approval of the Chancellor.

In order to maintain a sufficient level of budget reserve, each site will be allowed to retain its current year beginning balance within certain limits. The combination of the beginning balance and the current year budgeted revenue represents the total resources available at each location. In using these resources to develop the operating expenditure budget, a minimum of 1% of the ongoing operating expenditure budget must be set aside as a contingency reserve. If unspent by year end, this reserve falls to the year-end balance at each location ans is included in the beginning balance for the following year.

Reserves may be accrued up to 5% of college, District Office, or Maintenance and Operations operating expenditures. Any reserves over 5% at a single location will require a plan or explanation of the need to exceed 5%.

Non-operating funds budgeted in sub-funds other than sub-fund 11 is excluded from this reserve limit due to the nature and purpose of these unrestricted funds.

Deficits are defined as a structural imbalance where revenue is insufficient to cover expenses within a specific fiscal year. In the event a structural deficit exists at a location, the following sequential steps will be implemented:

STEP 1: College/District Office/Maintenance & Operations reserves shall be used to cover any deficit generated by that location.

STEP 2: If the College/District Office/Maintenance and Operations does not have sufficient reserves to cover the deficit, the College/District Office/Maintenance and Operations shall pay back any shortfall within one year; Chancellor's approval may be requested to extend the payback over a period not to exceed three years. To the degree District-level reserves are insufficient to cover the shortfall, an across-the-board allocation reduction (Step 3 of resource allocation process) may be necessary.

STEP 3: There may be circumstances for which a college, District Office or Maintenance and Operations will find itself in a significantly weakened financial positions, making full repayment of one or more of the three scheduled payments extremely difficult. The Chancellor, along with the Vice Chancellor of Business Services, and college Presidents, may consider an application for hardship whereby one or more payments are forgiven. When this occurs, the shortfall would come from District-wide reserves. The draw down against the District-wide reserves may require an across the board allocation reduction in subsequent years to replenish the District-wide reserves.

District-wide reserves represent minimum reserve levels established by the Governing Board per Board Policy xxxx, budget guidelines and budget planning parameters.

B. BUDGET CONTROL, ADMINISTRATION, AND REPORTS

Budget Control

Budget control is an instrument for planning because a budget prescribes resources to carry out those plans. The budget makes it possible to set priorities and maintain control over resources to achieve those priorities. A budget must present current expenditures in balance with projected current-year resources.

The Vice President of Administrative Services at each location is responsible for accurate projections which are vital to budget control. The Vice Chancellor of Business Services is responsible for District-wide oversight and compliance. During the course of the fiscal year, the Director of Business Services must analyze revenue projections in the revenue allocation model. If updated revenue projections are less than budgeted amounts, recommendations must be developed for resolving the imbalance and communicated to each location.

The District's principal source of revenue is based upon enrollment and FTES data. Actual summer school and fall semester FTES estimates (based on student census data) will be made available. At this point, the Chancellor and College Presidents will be advised whether or not actual enrollment varies from that previously estimated.

In mid-January, the above process will be repeated based on First Period Attendance Reports which are due to the State Chancellor's Office (Systems Office) by January 15.

Another check point will occur in mid-April, when first census week spring semester enrollments are available. State apportionment revenue for the year will not become firm until the Second Principal Apportionment notice is received from the state in late June.

Once the revenue allocation is distributed to a college, the college will administer its expenditure budget consistent with the guidelines of this procedure and with a primary focus on reaching its FTES target. The allocation system at the college level fixes the budget responsibility at the organizational unit level (dean, administrator, etc).

Flexibility in making budget transfers within available budget balances is permissible as outlined in Business Procedure xxxx and Board Policy xxxx. Overspending is not permitted. All financial transactions, including certain budget transfers, require Board approval, either by ratification or approval in advance of larger items.

Budget Reports

Account balance reports and a detailed expenditure reports are available to all organizational units. Reports are also available at summary levels. Finance system information is readily available on-line for immediate inquiry as to budget account status and expenditure transaction detail.

This system ensures a non-deficit financial operation by establishing a reserve and allocating available money only. Budget balancing and constant monitoring at various levels throughout the year, at a minimum through each site's quarterly projections, provide proper protection.

The District shall also use a Financial Tool that provides a summary and detail level by account major object codes for Revenues and Expenditures of the Unrestricted General

Fund. The report will be separated for each location – the Colleges, District Office, and Maintenance & Operations. The tool will be updated and reviewed at least quarterly, and provide for full year projections at each quarter.

IV. RESTRICTED GENERAL FUND

The restricted general fund consists of state categorical programs (see Business Procedure xxxx), student parking and health fees, and other external funding sources such as private grants. All funds discussed in this section are accounted for in the District's Restricted General Fund (Fund 12).

A. BUDGET DEVELOPMENT AND CONTROL

In addition to the general principles and practices of budgeting outlined above, categorical funds require specialized budget development and control. These funds originate from a variety of state, federal, and private sources. They are allocated to the District and /or the colleges with a wide range of specific requirements and restrictions for program operations and budgeting, periods of expenditure, periodic reporting requirements, and financial/program auditing. Depending on the source of the allocation or grant, the budget may coincide with the District's fiscal year, or it may require accounting for revenue and expenditures in a different fiscal year period (e.g. federal grants typically use an October 1 to September 30 fiscal year). In some cases, allocations and grants may expend to multiple years and require special oversight. Because these requirement and restrictions are different for each allocation or grant, budget development for these funds is necessarily done on an individualized basis. Categorical Funds are expected to be self-supporting. Any augmentation to categorical programs must be clearly identified.

College Specific Allocations and Grants

In cases in which the funds come to the District as a specific college allocation or grant, that college will receive the funds directly and will assume responsibility for:

1. planning the program and developing a budget that meets the requirements of the grantor, including any matching requirements;
2. managing the program and associated budget for the lifetime of the allocation or grant;
3. identifying and working with the District Office to resolve any issue that might otherwise result in disallowed or questioned costs;
4. preparing accurate interim and final program and financial reports and submitting them to the grantor in a timely manner, as required; and
5. providing staff services to auditors for program and/or financial audits, as required.

District Office oversees and monitors the process described above and assumes responsibility for:

1. reviewing and certifying program plans and associated budgets prior to submission to the grantor for compatibility with District rules of operation; standards for purchasing; policies and practices for hiring, compensation and evaluation of grant funded positions;
2. ensuring ongoing compliance of all program and budget requirements during the life of the allocation or grant;
3. identifying and working with the college to resolve any issue that might otherwise result in disallowed or questioned costs, and
4. reviewing and certifying interim and final program and financial reports prior to submission to the grantor.

Non-College Specific Allocations and Grants

When funding is not college specific, allocation to the colleges will be in the same manner as provided to the District by the grantor, unless there are compelling educational reasons to do otherwise. Certain state allocations, such as EOPS, DSPS, BFAP, etc have restricted expenditure requirements that determine allocations to colleges. Federal, state, or private grants will be allocated and administered per the grant agreement.

In cases in which non-college specific funding is allocated to the colleges for management, the colleges and the District Office assume responsibilities as outlined in Section II.A, College Specific Allocations and Grants.

When funding remains at the District level, the District Office assumes full responsibility for management of the funds as outlines in Section II.A, College Specific Allocations and Grants.

V. SUMMARY

The Budget Allocation Model provides the colleges with autonomy and local decision-making ability while maintaining a consistent service level from the District Office and Maintenance and Operations. The principles upon which the model are founded are:

1. the model must be perceived as fair;
2. the model must be easily understood;
3. the model must provide proper performance incentives; and
4. the model must work in years of growth and contraction.

The model will be continually assessed in order to adhere to these principles and to provide the necessary adjustments over time.

<u>Background Information</u>

In November 2009, the Accrediting Commission for Community and Junior Colleges (ACCJC) conducted a comprehensive site visit at the two colleges in the Chabot-Las Positas Community College District (CLPCCD): Chabot College and Las Positas College.

The ACCJC made the following recommendation under Standard IIIB.

"To meet the standards, the team recommends that the district and the college complete the evaluation of the resource allocation process in time for budget development for the 2010-2011 academic year, ensuring transparency and assessing the effectiveness of resource allocations in supporting operations".

On September 4, 2012, the Accrediting Commission for Community and Junior Colleges notified the Chabot-Las Positas Community College District that after its review of the district's Annual Fiscal Report (AFR), the District had been identified as having a potential financial risk. The reasons for the review were negative ending balance and significant enrollment loss.

In October 2012, Chabot College and Las Positas College submitted the Midterm Reports outlining the Progress Made, Analysis of Results Achieved, and Evidence, as required for a Midterm Report. The ACCJC accepted the reports from both colleges.

Evidence:
Chabot College Evaluation Report - College/District Recommendation 1 and Recommendation 2
http://www.chabotcollege.edu/accreditation/documents/AccreditationEvaluation.pdf

ACCJC Letter of Acceptance of Mid-Term Report from Chabot College
http://www.chabotcollege.edu/accreditation/letter.asp

Las Positas College Mid-Term Report – College/District Recommendation 1 and Recommendation 2
http://www.laspositascollege.edu/accreditation/documents/01MidtermReportLPCFinal_10-15-12_withlinks.pdf

ACCJC Letter of Acceptance of Mid-Term Report from Las Positas College
http://www.laspositascollege.edu/accreditation/documents/AccredMidtermLetter2-12-13LPC.pdf

On December 18, 2012, the ACCJC notified the CLPCCD that the Financial Review Team had met and conducted an in-depth analysis of the institution's financial reports. The Team recommended that the District provide a Special Report to the Commission.

On February 5, 2013, the ACCJC requested that the Special Report be provided to the Commission by April 1, 2013. The purpose of the Special Report is to develop a long range budget plan to address deficit spending and low reserve.

Progress

Since the writing of the Midterm Reports there was a Joint Consortium and several DBSG meetings held. The Interim Chancellor held a Joint Consortium Special Meeting on September 11, 2012 with Chancellor's Cabinet, Chancellor's Council and the DBSG. The purpose of the Consortium meeting was to create values (how we are going to heal ourselves and each other) that will be used as we work together throughout the year on various issues including the crafting of a Budget Allocation Model, and of CLPCCD, given the changes being made to education. The values and compelling statements from this work were carried forward as the DBSG continued to meet.

Evidence
http://www.clpccd.org/board/Chancellor.php
The DBSG met on October 26, 2012; November 16, 2012; December 7, 2012; January 25, 2013, February 8, 2013; and March 15, 2013.

Evidence
http://www.clpccd.org/business/BusinessServicesDistrictBusinessBudgetStudyGroup.php

Response to Financial Review Team Recommendation

Long Range Budget Plan

At its meeting on March 15, 2013, the DBSG approved and adopted a Funding Allocation Model (Appendix B) to be utilized in the development of a 3-year budget cycle starting with fiscal year
2013-14. A vote was taken with 20 yes, 3 noes and 3 abstained.

This model was recommended to the Chancellor, who in turn recommended it to the Board of Trustees at its March 19, 2013 meeting.

> ***"Recommended Action:** That the Board of Trustees approves the Funding Allocation Model recommended by the District Budget Study Group (DBSG) and the Chancellor. This approval is a commitment to a three (3) year budget cycle from 2013-14 to 2015-16 and is to be reviewed annually.*
>
> ***By this recommendation, the Board authorizes the Chancellor to develop Board Policy and Administrative Procedures utilizing the appropriate shared governance processes to implement this model beginning FY 2013-14. The Board also authorizes the Chancellor to conduct an external study of District Operations (District Office and Maintenance & Operations) to determine the appropriate size of District operations to support the Colleges. This study is to be completed within the FY 2013-14."***

The Board of Trustees unanimously approved the Funding Allocation Model recommended by the District Budget Study Group (DBSG) and the Chancellor. Adoption of the new model provides the District with the financial tool for

long-range budget planning that addresses deficit spending and low reserves. This approval is a commitment to a three (3) year budget cycle from 2013-14 to 2015-16 and is to be reviewed annually.

Evidence:

Draft minutes of March 15, 2013 DBSG meeting
http://www.clpccd.org/business/BusinessServicesDistrictBusinessBudgetStudyGroup.php

Draft minutes of March 19, 2013 Board meeting
http://www.clpccd.org/board/BoardAgendaArchives.php

Deficit Spending

The District has reversed its deficit spending as shown in Appendix C. For the 2012-13 fiscal year, district revenues are more than expenditures by about $1.7 million. The two (2) main reasons for the reversal in deficit spending are: 1) expenditure reductions made by the district and 2) the passage of Proposition 30 and avoidance of mid-year trigger cuts.

Evidence:

Presentation to the Board - Budget Update for FY 2012-13 and New Allocation Model
http://www.clpccd.org/business/documents/AllocationModelUpdate3-5-13BoardMtng-BoardPosting- Revc.pdf

Reserves

The District Reserve is now projected at $7.6 million or about 8.37% of expenditures as shown in Appendix D. And with the district no longer deficit spending, the reserve is expected to increase above its current level. The new Funding Allocation Model also incorporates a process by which reserves can be increased district-wide and by location (College, District Office and Maintenance & Operations).

Evidence:

Presentation to the Board - Budget Update for FY 2012-13 and New Allocation Model
http://www.clpccd.org/business/documents/AllocationModelUpdate3-5-13BoardMtng-BoardPosting- Revc.pdf

March 15, 2013 Meeting Minutes
http://www.clpccd.org/business/BusinessServicesDistrictBusinessBudgetStudyGroup.php

March 19, 2013 Meeting Minutes
http://www.clpccd.org/board/BoardAgendaArchives.php

The new Funding Allocation Model provides the district with a financial tool that gives the following:

- Treats all employees fairly
- Simple to understand
- It is Revenue Based
- Puts money out to Colleges
- The College Budget Committees are empowered to make decisions
- We are all responsible to live within our means
- Promotes accountability and transparency district-wide
- Incorporates a process to build back our RUMBL and Reserve
- Addresses ACCJC Accreditation Recommendations

A step- by- step narrative and the accompanying calculations are shown in Appendix B.

The new model was created using the following guidelines:

- It is perceived to be fair
- It is easily understood
- It works in good and bad times
- It creates the right incentive for performance

With the new model, the Chabot-Las Positas Community College District's financial position is transparent. The District has the tool to assess the effectiveness of resource allocation in supporting operations and monitoring the financial stability and integrity of the institution.

Following is a list of DBSG members and the constituencies they represent:

Appendix A

<u>Chancellor's Executive Staff</u>

Judy E. Walters – Interim Chancellor
Jeffrey Kingston – Vice Chancellor, Education Planning
Lorenzo Legaspi – Vice Chancellor, Business Services
Wyman Fong – Vice Chancellor, Human Resources
Susan Sperling – President, Chabot College
Kevin Walthers – President, Las Positas College

<u>District Budget Study Group</u>

Judy Walters - Interim Chancellor-Ex Officio
Lorenzo Legaspi - V.C. Business Services
Barbara Yesnosky- Director - Business Services
Tim Nelson - Director - M&O
Judy Hutchinson - Budget Officer - Ex Officio
Joanne Bishop-Wilbur - Classified Senate

Pedro RuizDe Castilla - Classified
Linda Wilson – SEIU
Pushpa Swamy – Business Operations Coordinator
Kevin Walthers - Presidents- Ex Officio
Susan Sperling - Presidents- Ex Officio
Designee - Natasha Lang - V.P. Business Services
Connie Willis - V.P. Business Services
Janice Noble - V.P Academic Services
Dale Wagoner (Interim) - V.P Academic Services
Diana Rodriguez - V.P. Student Services
Gerald Shimada (Interim) - V.P. Student Services
Dave Fouquet - Faculty Association
Kathy Kelley - Faculty Senate
Charlotte Lofft - Faculty Senate
Ming-Lun Ho - Faculty Senate
Yvonne Wu-Craig - Classified Senate
Gordon Watt - Classified
Andrea Preciado- Student
LaVaughn Hart - Faculty Association
Sarah Thompson - Faculty Senate
Bob D'Elena - Faculty Senate
Justin Garoupa - Faculty Senate
Todd Steffan - Classified Senate
Heidi Ulrech - Classified
Sundeep Sidhu- Student