

San Bernardino Community College District

Resource Allocation and Utilization

Review, Analysis and Recommendations

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SCOPE

The District engaged CBT to do a review of its internal resource allocation model. The purpose was to determine if there were inherent weaknesses in the model that had an adverse impact and if there were ways the model could be made better. Further the scope of the engagement included a review of how the resources were being utilized at the colleges, primarily Crafton Hills College, and to see if CBT might have recommendations to improve upon that.

To that end the following questions as listed in Exhibit A “Scope of Work” in the contract approved by the Board of Trustees were to be addressed:

- Is the allocation model reasonable or is there a disadvantage to one or the other college?
- Can the allocation model be adjusted to be more fair and what are the implications of doing so?
- Is the model causing the deficit spending being evidenced at Crafton Hills College?
- Is the college (CHC) inefficient in its spending?
- What operational changes might the colleges make to ensure a balanced budget?

APPROACH BY CBT

CBT requested and received a variety of documents necessary to respond to the charge noted above. This included historical financial performance by location, FTES history, Faculty Obligation Numbers (FON), classroom productivity data, recent audits, state reported fiscal data, internal comparative information, staffing for each college, resource allocation model guidelines and calculations, information regarding the SERP and the actuarial analysis of the district’s OPEB obligation. In addition CBT developed a list of operational questions which was submitted to District staff to gain a better understanding of operational structures and identify possible areas for further exploration.

CBT met on-site with college and district personnel to gain a greater understanding of the perceptions regarding the allocation model strengths and weaknesses, to hear operational concerns and follow up on questions based on data and input provided.

CBT sought out data from the state chancellor’s office in regards to any comparable data for small single college districts similar in size to CHC.

General Observations

- CHC is a small college and as such faces greater pressure from the impact of fixed costs upon its revenues
- The internal resources allocation model is patterned after the SB 361 funding mechanism
- Documentation and agreed upon procedures regarding the allocation model are limited
- Even though the district is one of the smallest multi-college district in the state, it has a strong fund balance position and manageable unrestricted general fund long term debt
- Expenditures at CHC appears to be disproportionately high in some cost categories when compared to SBVC and other small colleges
- The current allocation model maintains an FTES percentage split between the colleges of 70% for SBVC and 30% for CHC. Other factors such as growth demand, facilities utilization and additions in building square footage, master planning and financial sustainability of the smaller college are not a part of the resource allocation model.
- CHC, in its own multi-year modeling, projects a \$650,000 deficit this year increasing to an annual operating deficit of about \$1.6 million in FY 15 due in large part to the addition of new facilities.

Executive Summary

We commend the district and colleges for their willingness to engage an outside independent consulting firm to evaluate the scope of these fiscal issues and offer recommendations. Every community college district in the state has operational areas upon which they can improve and often seek assistance in so doing. In reading our report one should not view our findings, analysis and recommendations as criticism of SBCCD, because they are not, but rather represent a means by which the organization can be made healthier and stronger going forward.

Multi-year budget modeling prepared by CHC indicates a continuing and growing budget deficit. For the 2013-14 year this is estimated at \$648,000 and by 2016-17 will be \$1.6 million. We have been advised by college and district office administration that the current year deficit will be

offset in part due to one-time savings being experienced by CHC. After review and analysis of the CHC modeling we agree the deficit for the 2013-14 year may be reduced somewhat by one-time savings emerging as the fiscal year progresses. Further in examining the income projections we feel the revenues for subsequent years could be understated by about \$430,000 suggesting that the 2016-17 projected deficit could be lowered to \$1.2 million. This analysis is based on the assumptions developed by the college. We do have questions about the assumptions made by CHC for district assessments and to the degree those assumptions are inaccurate the outcome of the CHC projections will be affected. Please note the CHC projections do not include any of the recommendations contained in this report.

On a comparative basis CHC is spending more for certain services than SBVC. CHC is not large enough in terms of FTES to support these higher costs. CHC needs to review its administrative structure for possible reductions. The same is true for classified positions. Further CHC is carrying a higher proportionate level of full time faculty which leaves fewer resources for other operational needs.

Because the district is one of the smaller multi-college districts in the state, the costs of replicating positions at both colleges can be a significant draw on resources. The colleges and district working together may want to consider consolidating some positions making them district-wide, thereby saving money for both colleges. Further the district and colleges should consider setting standards for M & O staffing using available data from organizations such as the Association of Physical Plant Administrators (APPA).

The district and board can provide budgetary relief to the colleges through a number of actions under their control. The district could change the way in which the Other Post Employment Benefits (OPEB) obligation is being funded, limit the growth in district office costs and require KVCR and EDCT to be self-sustaining. The district should consider establishing an FTES growth plan that strengthens the entire district over time. Further it should take action to ensure that educational master plans, capital outlay master plans, staffing plans and technology master plans are integrated, current and driving budget decisions.

The resource allocation model functions as designed. While the mechanics are accurate, there are issues with the model that we feel require attention. One such issue is the size of Crafton Hills College (CHC). It is a small college and as such subject to diseconomies of scale. Providing additional resources to CHC in an on-going manner could require taking resources from Valley College. However, allowing CHC to increase their FTES over time at a faster rate than SBVC will benefit CHC, SBVC and the district. Given that the assignable square footage at CHC will increase 50% in the next several years, adding substantial operating expenses, it would seem

reasonable to assume that there should be some anticipation of a disproportionate increase in growth FTES for CHC.

There are no criteria regarding how district assessments are adjusted. It is important to communicate clearly the district office, district-wide and college initiative budgetary assessment changes. To the degree that such changes are not mandatory care should be taken to consider the impact upon the colleges. By passing this large increase on to the colleges, they have no choice but to reduce their student centered budgets to accommodate the added cost.

It is not clear how district office operational costs are increased or reduced.

District-wide assessments are for both regulatory costs and elective activities. Regulatory items include expenses like property and liability insurance, retiree health benefits (OPEB), and the SERP. Elective items are those for which the district chooses to support such as EDCT, KVCR and from time-to-time college initiatives established by the district. We have made recommendations regarding both regulatory and elective assessments.

The resource allocation model lacks documentation and clarity. We have identified basic principles that should guide the construction of the model and questions to be addressed in the implementation of the model.

CHC is deficit spending, adding new buildings and last year experienced a greater percentage loss of FTES than SBVC. For those reasons it was important for CHC to undertake a detailed evaluation of its projected operating budget. We have evaluated and commented on the multi-year budget planning of CHC in an effort to validate the results. This included testing of the assumptions and the calculations of revenues and expenditures.

The district has not traditionally prepared multi-year budgets for the entire district nor has Valley College prepared multi-year budget projections. We have been told by district administration that the resource allocation model is currently being revised to be more responsive to this circumstance.

We encourage the district to incorporate sufficient detailed assumptions in a multi-year model and share those so that all district budget entities are using the same basis for developing their own projections. Further the revenue and expenditure assumptions should be linked to objectives derived from the strategic planning process.

Our review included comparison of expenditures between the two colleges. We could not compare staffing allocations due to the lack of full time employee data by category, by site. This may be due in part to the County Office of Education Financial 2000 system. We have a number

of recommendations based on our assessment of this information and the organizational data we were able to obtain.

We also have noted certain operational issues affecting budget and fiscal controls for which we have made recommendations to the district in this report.

In an effort to illustrate the potential impact of some recommendations the table below is included. It is not the only set of actions possible but is intended to provide help in the understanding of what the various recommendations suggest. The colleges and district need to enhance and modify a list like this to illustrate the combination of decisions that will solve the short and long term deficits being forecasted.

The table of actions is not our recommendation to you. It is a list of “what if” possibilities. We could not present every possible combination of actions given the number of decisions the district needs to make regarding all of the various recommendations. These possibilities were based upon the 2013-14 Final Budget since that is the most current information. Further the values represented in the table are rough estimates and are not intended to be exact representations of results.

IMPACT OF RECOMMENDATIONS ON COLLEGE RESOURCES

Details of the recommendations are contained in the body of the report.

	<u>SBVC</u>	<u>CHC</u>
2013-14 Expected Operating Results per Budget	\$766,627	-\$648,788
Recommendation A. 3 shift in base	- 385,000	+ 385,000
Recommendation C.1 OPEB	+ 245,000	+ 105,000
Recommendation C.2 KVCR	+525,000	+ 225,000
Recommendation C.3 EDCT	+197,000	+ 85,000
Recommendation regarding FON	None made	+ 400,000
Recommendation regarding admin structure	None made	+ 250,000
Recommendation regarding classified	None made	+ 200,000
Recommendation regarding centralized positions	+100,000	+ 100,000
Recommendation regarding foundations	<u>+228,000</u>	<u>+ 125,000</u>
<u>Net Impact</u>	\$1,676,627	\$1, 226,212

Please note the amounts are not exact. Every recommendation that the district decides to pursue should be carefully calculated to measure the true values.

It is quite probable that there are recommendations with which individuals or groups agree and disagree. They are developed with the best overall interests of the district in mind. To achieve the greatest benefit from them will require that the various interest groups put aside any unique or special agendas. In the long run this will do more to improve the circumstance for all parties.

RESOURCE ALLOCATION MODEL

Introduction

In reviewing the resource allocation model we did so with the following questions in mind:

- Is the allocation model reasonable or is there a disadvantage to one or the other college?
- Can the allocation model be adjusted to be more fair and what are the implications of doing so?
- Is the model causing the deficit spending being evidenced at Crafton Hills College?

Based on our experience and review of multiple models it is clear that there is not the perfect model but most models are consistent with a handful of basic principles. Those principles are:

- Is the model perceived to be fair?
- Is it easily understood and transparent?
- Does it work in good and bad times?
- Does it provide the proper incentives?
- Is it flexible, responsive to changing dynamics?
- Is it linked to planning processes? (Board strategic goals, educational master plans, technology master plans, capital improvement plans, etc)

If the model is constructed with these principles in mind it has much stronger likelihood of success.

SBCCD has incorporated several of these same principles in its Draft Guiding Principles document dated 03/17/2010 for the present resource allocation model. (Attachment A)

With any resource allocation model (RAM) the development of the model and its components is only the first important step to successful implementation. The model needs to be made operational through the establishment of protocols for specific circumstances. It is difficult to capture every possible situation but there are a number of very common occurrences that warrant attention. The district has addressed a few of these in the Draft Guiding Principles document dated 03/17/2010 and on page 44 of the 2013-2014 Final Budget. There are others that we suggest be considered. Those will be outlined later in this report.

SBCCD's Resource Allocation Model (RAM)

The RAM follows the same construct as SB361 which is the funding mechanism for the district and all other community college districts in California. It recognizes the fixed foundation allocation and then captures the FTES revenues by college. The model identifies those revenues subject to allocation and those considered local, site specific revenues. Assessments are then applied for district office operations and district-wide costs such as property and liability insurances, OPEB, SERP, KVCR operations, EDCT costs and any college initiatives established and funded district-wide. The remainder is available to the colleges for building their own expenditure budgets. While it was not explicitly stated it appears that in the budget building process the colleges have, as a charge from the district, an obligation to minimally attain funded FTES levels and maintain certain numbers of full time faculty to meet the district FON.

The district's current model has been in place since the 2009-2010 fiscal year.

Analysis and Recommendations

The model mechanics appear to be sound. The 2013-14 distribution worksheet contained in the final district budget, page 43 on line 18 total college revenue, indicates CHC equals 31.85% of the total. After assessments on line 25 CHC represents 32.33% of the total. The slight increase in ratio for CHC after assessments is because the assessments are taken at 30% whereas the CHC ratio of college revenues is slightly higher due to local college revenue sources.

(Attachment B)

In an effort to test the model we reordered it taking total revenues subject to being distributed to the colleges, reduced that total sum for the assessments, then the foundation allocations for each college and finally the FTES distribution, in other words we inverted the model. The outcome was the same as the current model structure.

The allocation model has delineated those revenues subject to distribution in the model and those that are local. There are some revenues excluded from the model but those do not seem to be identified in the March 17, 2010 model guiding principles which states in point number 3 that all revenue is accounted for in the model. (Attachment A)

While the model functions as designed there are issues within the model that have an impact on the final distribution of resources to the colleges which will be addressed in this report.

The Final Budget for the 2013-14 year reflects a deficit for CHC of \$648,788 and a surplus for SBVC of \$766,627.

Small College Issue

CHC is a small college and as such will spend more of its resources addressing basic operational costs. As an example the cost of a college president, and the vice presidents, are borne by a college of 3,900 FTES or 15,000 FTES. In the larger college example there is more revenue over which to spread that cost. The model does not necessarily take into account the additional demand for administrative and operating costs of a small college. The model does follow the SB 361 outline so there is some recognition in the foundation allocation. When SB 361 was put in place on a statewide basis, the small rural single college districts made the case that the foundation allocation was not sufficient to allow them to operate due to higher fixed costs. A “rural” factor was added which now equals about \$550,000 additional income to those districts. It could be argued that CHC being a small college even in a multi-college district faces that same circumstance.

In the Los Angeles Community College District (LACCD) the same SB 361 approach was established but modified first to give the small colleges a \$500,000 augmentation and then starting with the 2012-13 fiscal year in an effort to further recognize the financial burden placed on smaller colleges in that district, the foundation amount was changed to represent the cost of a basic administrative structure (college president and a minimum executive staff) required to run a smaller college as well as additional M & O costs resulting in a much greater base allocation before the application of FTES revenues.

We mention these two examples because the size of CHC is an issue that can impact the ongoing ability of that college to maintain a balanced budget under the current allocation model. There are other college operational factors that contribute to deficit spending which will be addressed in another section of this report.

It is our understanding that there is not a specific district plan to grow CHC FTES apart from the 70/30 ratio. The only changes in size would come from state funding for growth/restoration based on the current ratio of 70/30 or if SBVC declined and did not restore FTES. This suggests that CHC will remain relatively small absent any structured plan to increase the FTES of the college and will not benefit from a better economy of scale. The current model does not take into account any factors that might warrant a change in approach such as demographic shifts, available space, inefficiencies due to size. CHC did drop below the 30% ratio in the prior year however the district has decided to maintain the 70/30 split in the 13-14 fiscal year and allow CHC to restore its FTES to the 30% level.

CHC has prepared a multi-year projection of operations which reflects an increasing annual deficit. We reviewed this model in terms of the assumptions made which affect the end results.

We have examined the college's modeling to see if the assumptions are reasonable. The revenue assumptions do appear to be so. The assumptions related to expenditures are subject in part to decisions yet to be made by the college. Later in this report we provide greater detail on the analysis and the operational implications of the CHC projections. It is mentioned here because there is a nexus between the allocation of resources and the resulting use of those resources.

The Issue of Assessments

The assessments for district office operations and district-wide costs do not appear to have established criteria for how they are applied other than actual costs. To the degree these assessments increase at a more rapid rate than college revenues there will be added budgetary pressure on the college budgets, most likely resulting in budget reductions to accommodate the increased district assessments. We understand this dynamic under the revenue based model but it is not clear how the assessments are managed to take into account the impact upon college resources and student programs.

The way the RAM is constructed the district office does not participate in a proportionate way to increases in revenue, decreases in revenue or changes in district-wide assessments. It is not clear how district office costs are impacted by these factors.

We are aware of two districts Kern and Los Angeles that use a method similar to SBCCD for determining assessments. Two other multi-college districts Contra Costa and Chabot/Las Positas in the San Francisco Bay Area handle district-wide assessments in a manner similar to SBCCD but fund district office operations through a formula.

At SBCCD those items considered district-wide assessments appear to be appropriately categorized as district-wide costs. Each district makes its own determination of what is to be included here. Some districts put all utilities in this category and then apply the ratios to the total, for SBCCD that would be the 70/30 split. Others have aggregated all M&O costs much the same way. There is not a right or wrong answer but rather what best serves the interests of your district. Going back to one of the principles we listed earlier in the report; "Does the action to include or exclude a particular cost create the proper incentives?" Using the utilities as an example, if these costs were treated as an assessment and split 70/30 would both colleges be as concerned about keeping costs down or more attentive when each is responsible for its own costs? One district of which we are aware treats utilities as an assessment because of a greater concern about the necessity to keep the doors of the colleges open. They wanted to take no chances on utility funding being shorted.

One category often included as a district-wide assessment is contractual costs related to the union agreements. Many faculty contracts include explicit provisions for sabbaticals or FTE release time for union activities. The release time could be true for other employee collective bargaining contracts as well. The cost element is for backfill of staff and most often is in the form of part time hourly dollars. The decisions about how many sabbaticals are approved and from which colleges the faculty come is not under college control. Additionally who receives union related release time is not controlled by the colleges and as such the impact can be disproportionate between the colleges year-by-year. By calculating the replacement costs for these activities, making it a district-wide assessment and then distributing the replacement dollars to the affected colleges it eliminates an unfair burden on one or the other college.

District administration indicated that in addition to the district-wide assessments for on-going activities there can be district sponsored college initiatives that would be funded either through assessments from revenues or use of fund balance.

In our review of assessment categories we asked about district office operations, how the SERP was paid for, the way in which other post employment benefits (OPEB) obligations are being funded and the nature of carryover items. Our goal was to see if there were ways to reduce the assessments and thereby see additional resources flow to the colleges. We do have some recommendations in this regard. After receiving comments during our site visit and asking additional questions regarding assessments in general we felt it necessary to identify district office operations as one issue and district-wide assessments as a separate issue.

District Office Operations

As we noted earlier in this report the district office operations assessment does not have any specific parameters for how it is established, increased or decreased. To the degree net costs increase, the impact is felt directly by the colleges and the programs they offer for the students. The current method of determining the district office assessment appears to be out of synch with the basic principles of fairness, transparency, and providing proper incentives.

There are ways to address the district office allocation to provide greater compatibility with those principles.

District-wide Assessments

Some district-wide assessments are not discretionary meaning that they have to be funded. This includes items such as property and liability insurances, audit costs, retiree health costs, etc. Other items included in the district-wide assessments are there as a matter of choice. In

other words SBCCD could choose to support them or not. The elective nature of such items distinguishes them from district office operations which have to be maintained at some level and statutory district-wide costs listed above.

While not explicitly stated there is an implication that when the elective items are funded at whatever level is selected they are a higher priority than all other program needs of the colleges. These items are taken from resources before the colleges receive their allocations and through that action made a higher priority.

We understand that some of the items included in the district-wide assessments are under review and at least one, KVCR has received a mandate from the district to be self supporting by the end of the 2013-14 fiscal year, thus eliminating that college assessment.

The district has a very solid reserve position, limited and manageable long term debt and a board of trustees committed to maintaining a stable operation as evidenced by the board action of March 2013 when the board directives for the 2013-14 budget were approved. (Attachment C) This circumstance provides a wider range of options as the district considers how best to manage the operating results of the colleges, evaluate and underwrite any changes to the allocation model it deems necessary.

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?
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. 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.
4. 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.
5. 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 RAM and at the same time assessments could be reduced, any negative fiscal impact upon SBVC could be greatly mitigated.

B. 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.
2. Revise the Resource Allocation Model to include a methodology to make the district office assessment more responsive to the changes in available resources.
3. Assessments in general should be reviewed through an established participatory governance and administrative process.

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

D. Making the Model Operational

1. Clarify the guidelines to identify if some types of revenues are excluded from the model.
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.
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.
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?
 - How will the district-wide reserve be used and replenished?
 - How much of a reserve will the colleges be allowed to carry or required to carry?
 - Since district office savings each year go to reduce college deficits what happens if the district office overspends?
 - How will funded FTES be allocated to the colleges including growth, decline and restoration? Who sets the annual FTES targets for the colleges?
 - How will state funding deficits be handled and prior year adjustments at P1?
 - How will summer FTES be treated in the event it is needed to make funded cap? Can the colleges choose to use summer FTES to make their internal FTES targets?
 - How will the collective bargaining process affect the model?
 - How often should the model be reviewed and adjusted if warranted?
 - How will new revenue not currently captured in the model be treated?
 - How do district operations costs get adjusted?
 - How are increases in normal operating costs addressed?
 - If changes are needed in the way funds are allocated is a transitional plan needed?
 - If the colleges are required to generate FTES above the funded level are those costs considered college expenses or district-wide?
 - 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?

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

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.

RESOURCE UTILIZATION

The scope of our assignment included analysis of how the resources allocated to the colleges are being used and any recommendations that we might have to improve upon that. Specifically our charge was to address the following questions:

- Is the college (CHC) inefficient in its spending?
- What operational changes might the college make to ensure a balanced budget?

To do this we compared the expenditures for various cost categories between the two colleges based on FTES, staffing numbers, productivity, and any operational issues specific to one college or another. Given the operating deficit expected in 2013-14 for CHC and the added costs related to new buildings coming on-line, the college realized it had to prepare a more comprehensive analysis of its financial picture going forward which resulted in the multi-year financial and operational projections of revenues and costs. We examined the multi-year modeling developed by CHC and the assumptions that drove the model. Further we asked about the impact on the unrestricted general fund of auxiliary operations, grants, and categorical programs.

We should note that the district has not utilized a multi-year budget model which limits our ability to fully assess the fiscal health of the total organization since we only get a limited view with the single fiscal year. This is not unique to SBCCD. Many of the districts with which we have worked have not instituted multi-year budget planning models. Based on our recommendations those districts have moved to implement that budget planning tool. SBCCD is preparing to revise the Resource Allocation Model to incorporate a multi-year analysis. It is not at the depth of the CHC report but does not have to be to accomplish what is needed.

Further we were not able to obtain accurate information of FTE staff by category, by site. This may be due in part to the County Office of Education's Financial 2000 system weaknesses. This too is something the district will have to assess further.

The San Bernardino Community College District is one of the smallest multi-college districts in the state. This suggests that the district will tend to operate on a thin margin. The district has done a good job of keeping long term debt down including its post retirement benefits and capital leases. It has built up a sizable unrestricted fund balance creating options for dealing with unforeseen circumstances and allowing opportunities to leverage one time funds for on-going benefit. The strong reserve position should be viewed as an important tool to help even out the rough financial bumps in the road and make the implementation of operational changes easier.

CHC Multi-Year Budget Modeling

The college administration developed a detailed budget model looking out through the 2016-2017 fiscal year. In so doing they made assumptions about revenue changes, cost increases and decreases. The results of that modeling indicated a growing annual operating deficit for the college. The budgeted deficit for the 2013-14 fiscal year is \$648,000. In the college modeling the deficit increases to \$1.62 million in 2014-2015, \$1.78 million in 2016-2017 and back down to \$1.61 million in 2016-2017. Clearly if this is in fact the trend line it poses significant issues for the college and district. In reviewing CHC's projections our goal was to examine the assumptions to see if they are reasonable. We examined the three component sections; revenues, assessments and expenditures.

Revenues

The assumptions used to determine revenues appear to be reasonable. They are neither aggressive nor ultra conservative. The college made assumptions primarily in regard to the state apportionment funding and FTES. Other local revenue components were modified only slightly. This is reasonable for two reasons. First the local revenue is not as big a factor as the apportionment income and secondly the more variables added, the more difficult it is to measure how different courses of action will impact the results of the model.

The following table is a comparison of our assessment of the change in state apportionment using the same assumptions made by CHC and then compared to the college's calculations. In comparing the changes in state apportionment our analysis comes close to the values determined by the college. There are some differences however in the total revenue estimates over time which we will identify. Please note that no one knows the true funding parameters for subsequent budget years but those made by CHC are within a reasonable range.

Crafton Hills College
Projections of Revenue Increase
For State Apportionment

CBT Calculations Using CHC Assumptions

	Baseline <u>2013-2014</u>	Growth COLA	2.26% 1.60%	1.75% 1.60%	1.75% 1.60%
			<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Funded FTES	4047		4138	4211	4285
Rate per FTES	\$4,636.49		\$4,710.67	\$4,786.04	\$4,862.62
FTES +Growth	\$18,763,875		\$19,494,946	\$20,153,485	\$20,834,270
Foundation	<u>\$3,376,351</u>		<u>\$3,430,373</u>	<u>\$3,485,259</u>	<u>\$3,541,023</u>
CBT Totals	\$22,140,226		\$22,925,318	\$23,638,743	\$24,375,292
Per District Budget	\$22,139,361				
Per CHC **	\$22,176,069	**	\$22,962,689	\$23,677,760	\$24,416,018
Remove non credit	<u>-\$55,971</u>		<u>-\$58,134</u>	<u>-\$60,098</u>	<u>-\$62,128</u>
Adj CHC Estimates	\$22,120,098		\$22,904,555	\$23,617,662	\$24,353,890

Comparison of Net Change

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Increase in Apportionment Revenue per CBT	\$785,957	\$713,425	\$736,549
Other Revenue Changes	<u>\$12,835</u>	<u>\$10,164</u>	<u>\$10,341</u>
Total CBT Calculation	\$798,792	\$723,589	\$746,890
CHC Calculated Change	<u>\$784,457</u>	<u>\$725,235</u>	<u>\$748,598</u>
Difference	\$14,335	-\$1,646	-\$1,708

** CHC includes non-credit FTES of \$55,971 which was absorbed into credit values.

These calculations are prior to any reductions for statewide deficits.

In terms of calculating the revenue changes the CHC calculations are done correctly. What the actual results will be are unknown but the CHC assumptions are credible. In its modeling CHC did have two items that we think are not quite correct.

CHC included non-resident FTES revenue but based on how the state funding model works we believe this has shifted to credit FTES and is included already in the state advanced funded FTES targets and as such should not be counted again. We have suggested that the district administration confirm this with the state chancellor’s office.

For the 2014-15 year the CHC model while calculating the increase in state apportionment properly the total revenues moving from the 2013-14 fiscal year to the 2014-15 fiscal year did not reflect the full amount of revenue gain. The CHC model recognized an increase in revenue of \$362,000 whereas our calculations suggested the revenues would increase by \$798,000. Please note these values are based on assumptions that may or may not prove to be correct. The CHC line item modeling for 2013-14 does not include all items of other revenue. This difference is then continued in 2014-15 and beyond. As a result the CHC projections for total revenue differ from those prepared by CBT.

The following compares the total income projections by CBT to that of CHC.

Fiscal Year	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
CBT Calculations			
Apportionment	\$22,925,318	\$23,638,743	\$24,375,292
Other Revenues*	<u>\$ 1,245,133</u>	<u>\$ 1,255,297</u>	<u>\$ 1,265,638</u>
CBT Totals	\$24,170,451	\$24,894,040	\$25,640,930
CHC Numbers Per Model			
	<u>\$23,733,968</u>	<u>\$24,459,203</u>	<u>\$25,207,801</u>
Difference	\$ 436,483	\$ 434,837	\$ 433,129

*The local revenues per the CHC model do not match the values used in the 2013-14 district budget. We started with the district budget values for other revenue which balance to the total college allocation for the 2013-14 fiscal year.

Note: The CHC totals by year include a state deficit factor of \$150,000 in each year.

Unless there is a circumstance of which we are not aware it would appear that the college’s revenue estimates are understated given the assumptions provided.

Assessments -CHC Projections

The CHC model assumes a decline in district office assessment starting in 2015-16 from \$12,645,000 to \$12,000,000 and remains at \$12,000,000 through 2016-17. We are not sure why this assumption was made. It does not appear to us to be a likely outcome. It is more probable that if the district assessment is for on-going costs the trend would be small increases not a large decrease.

One other smaller assumption made by CHC is that the KVCR subsidy would drop in 2014-15 from \$750,000 down to \$500,000. However, as mentioned earlier, the district has given KVCR a directive to be completely self sufficient by July 1, 2014.

Because these assessments are beyond the control of the colleges it would be up to the district to make the determination of costs. It would seem the CHC modeling has made assumptions regarding the assessments that are speculative and a bit soft.

Expenditures- CHC Projections

CHC has developed a fairly sophisticated multi-year budget forecast that projects revenue and COLA for the next several years. The model allows the college to prepare "what if" scenarios with variables tied to enrollment growth, state COLA, and normal increases to expenses. Additionally, and importantly, the model anticipates the cost effects of constructing new buildings in FY 15/16, adding more than 80,000 square feet of space and an estimated \$725,000 of operating expense.

There are not similar multi-year budget plans for the district or for SBVC. We would encourage the district to prepare a multi-year budget plan so that general assumptions regarding the variables for FTES growth, COLA, fixed cost changes, district assessments etc. can be used commonly for all three entities. The district guidelines should inform and provide the basis for the college forecasts, and in turn the college forecasts should be rolled up and integrated with the district forecasts. A district multi-year budget is a critical planning tool.

Other Operational Issues

Data Driven Analysis

Position Control: Position control means that each funded position within the district is tightly controlled by the assignment of a unique position number. That number is assigned to existing positions and to new positions when they are approved through the budget process. The number remains with the position and is used by payroll, the budgeting office and HR to track every position. We found that the current system being utilized by the district, a San Bernardino County Office of Education product called Financial 2000, does not contain a strong position control element. This is a serious problem on many levels, but the impact on this project meant that we could not obtain reliable position distribution for the entities to assist us in our expense analysis. This problem is complex to remedy but we urge SBCCD to give it proper attention so that portion of the budget is under tight control.

Timely Expenditure Data: At highly effective colleges, expenditure data is widely distributed and readily available online by users. We found that expenditure data, particularly related to salary accounts was cumbersome and not timely. This is a complex problem as well, as SBCCD relies on the County Office of Education for processing payroll information. It is our understanding that some district personnel are able to access information. College personnel should have the ability to view information to better manage their operations. It is difficult to hold managers accountable if they are not provided the necessary tools to do the job. We encourage SBCCD to make this a priority so there is timely information on salary and other expenditures available to college staff to track budget performance during the year. The district will have to determine if the Financial 2000 system can accommodate this or if some other remedy is required such as third party systems.

Integrated Planning: Our task within the contract scope was to review expenditure efficiency at CHC specifically. In the course of our review it came to our attention that there is no evidence of resource allocation being tied to integrated planning. This is a major issue in the accreditation standards, and we would encourage SBCCD to strengthen the linkage of the Educational Master Plans, Capital Outlay Master Plan, and Technology Master Plan to guide the annual resource allocation as well as to forecast cost for new buildings, coordinate enrollment management plans and forecast major technology costs for the district.

Analysis of Specific Operational Issues

1. **Faculty Obligation Number (FON):** The data for 2012 (the most recent provided to CBT) reflected about 14 faculty positions in excess of the minimum required to meet the FON.

5 Year Comparison of FON per District Reporting

	<u>FY 12</u>	<u>FY 11</u>	<u>FY 10</u>	<u>FY 09</u>	<u>FY 08</u>
Total Full Time Faculty (Line 1)	213.9	212.7	218.9	240.0	258.0
FON (Line 5)	199.8	213.8	213.8	213.8	213.8

<u>Total</u>	<u>Full time FTE/Ratio</u>		<u>Part time FTE/Ratio</u>	
CHC 100%	71.1	55.81%	56.3	44.19%
SBVC 100%	<u>142.8</u>	51.59%	<u>134.0</u>	48.41%
Total	213.9		190.3	

CHC full time ratio of total full time FTE is 33.24% (71.1 divided by 213.9)

We did not find any guidelines on what the district goal was for meeting or exceeding the FON. This is always a difficult issue in colleges, as most colleges would prefer to have more full time faculty for many different reasons. However, in light of the scarce resources allocated to community colleges, combined with increased costs, many colleges have adopted a practice to insure they meet the minimum FON, but stay very close to that minimum number. We see from the history that the district has reduced its full time count as a result of the two SERP offerings. Based on the data it appears that SBCCD has the potential to reduce full time faculty through attrition, replace with part time faculty and still be in compliance with the FON. This approach could save the district approximately \$400,000 per year in net costs. If these position reductions were assigned to CHC, they could apply this savings towards resolving their deficit.

There is a reasonable rationale for suggesting the lowering of the full time faculty number at CHC. In looking at the split of full time faculty between CHC and SBVC we see that of the 213.9 FTE faculty, CHC has 71.1 for a ratio of 33.24%. In terms of its own ratio of full time to part time CHC has a ratio of 55.81% (71.1 full-time FTE and 56.3 part-time FTE). SBVC has a 51.59% ratio of full time to part time FTE (142.8 full-time FTE and 134.0 part-time FTE). CHC is charged with maintaining 30% of the FTES but is carrying 33.24% of the FON obligation. Of the 213.9 full-time faculty this difference of 3.24% equates to 7 positions. If CHC was obligated for 30% of the 199 minimum FON it would only have to have 60 full time faculty. Further there could be a case made that because of its size CHC might be allowed to carry a percentage less than 30% regarding the FON.

2. **Management Organization Chart Comparison:** While we could not obtain precise FTE position distribution as noted above, we were able to use the Organization Charts posted on the college web sites to provide some level of analysis.

See Table on Next Page

ORGANIZATIONAL CHART COMPARISONS

Source: College websites

Crafton Hills College; 4,047 Budgeted FTES

President
 Director Marketing
 Dean, Institutional Effectiveness, Research & Planning
 Director, Resource Development & Grants
 Title V Grant

Vice President, Administration
 Director, Technology Services
 Director, Aquatics
 Director, Bookstore
 Director, Facilities M&O, Custodial, Construction

Vice President, Instruction
 Dean, Arts & Sciences
 Dean, Career Education & Human Development
 Dean, Math, English, Reading & Instructional Support
 Director, Child Care Center

Vice President, Student Services
 Dean, Student Services, Counseling & Matriculation
 Dean, Student Services & Student Development
 Dean, EOPS/CARE
 Director, Financial Aid
 Director, Student Life

21 Managers and Directors

San Bernardino Valley College; 9,442 Budgeted FTES

President
 Director, Community Relations & Resource Development/Foundation
 Director, Marketing & Public Relations
 Director, Technology Services
 Dean, Research & Planning
 Director, Police Academies

Vice President, Administration
 Cafeteria & Snack Bar Manager
 Director, Bookstore
 M&O Coordinator

Vice President, Instruction
 Dean, Arts & Humanities
 Dean, Applied Technology, Transportation & Culinary Arts
 Dean, Social Sciences, Human Development & PZE
 Dean, Math, Business & Computer Technology
 Dean, Science

Vice President, Student Services
 Dean, Counseling & Matriculation
 Director, Admissions & Records
 Director, Financial Aid
 Director, Library & Learning Support Services
 Director, EOPS/CARE
 Director, Student Life

23 Managers and Directors

As can be seen from the above tables, CHC reports 21 managers and directors for their college of 4,047 FTES, while SBVC reports 23 managers and directors for their college of 9,442 FTES. There are inefficiencies related to a small college as noted earlier in this report, however it does appear to us that CHC is heavy on administrative staff for their size. While we cannot prescribe a specific organizational structure for CHC, we believe that two positions should be eliminated to bring their staffing size into more balance. This could be done through attrition, program consolidation, or transfers to SBVC when vacancies occur. We encourage CHC to set a goal for reducing costs in this area, with the potential of approximately \$250,000 in savings.

3. **Productivity (Weekly Student Contact Hours/FTE Faculty):** Both colleges have done a good job tracking productivity numbers as displayed in the Final Budget. CHC has reported productivity in the neighborhood of 530 WSCH per FTE faculty. This is a solid efficiency number for a small college. It is critical to use this number to forecast instructional expenditures and to track performance against that goal. SBVC has some room to improve its productivity which will directly benefit SBVC through lower costs.

Productivity Comparison (Weekly Student Contact Hours Per FTES)

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>
Crafton Hills	527	534	552
San Bernardino Valley	490	504	513

It is interesting that CHC reports higher productivity numbers than SBVC (usually 30 points higher). We would normally expect the opposite trend, as it is more difficult at smaller colleges to have enough course sections to attain higher productivity. This difference in productivity between the colleges may be due to course/program mix, or more experienced management of course offerings. We did not see how the productivity goals for the budget year were developed or built into the cost forecasts. Normally, FTES goals and productivity goals go hand-in-hand for budget development, so the costs of part time faculty can be accurately forecasted. We encourage SBCCD to set productivity goals along with FTES goals for each of the colleges.

4. **Expense per FTES Comparison Between CHC and SBVC:** Using the data for the 13-14 Final Budget, a comparison was constructed to review expenses per FTES between the colleges in the following table.

Comparison of Expense (budgeted) per FTES

Expenses	2013-14 Proposed Budget				District Total
	SBVC		CHC		
	Cost/FTES				
Academic Salaries	\$18,948,429	\$2,007	\$9,277,945	\$2,293	\$1,072,989
Classified Salaries	\$7,099,084	\$752	\$4,366,822	\$1,079	\$4,806,119
Benefits	\$7,882,183	\$835	\$4,069,401	\$1,006	\$2,429,569
Supplies	\$577,522	\$61	\$220,610	\$55	\$209,704
Other Expenses and Services	\$3,804,391	\$403	\$1,501,508	\$371	\$4,302,680
Capital Outlay	\$276,041	\$29	\$59,466	\$15	\$107,065
Other Outgo	\$0	\$0	\$0	\$0	\$2,050,000
District Allocation	\$10,484,682	\$1,110	\$4,493,435	\$1,110	-
Total Expenditures	\$49,234,808	\$5,214	\$24,020,463	\$5,935	-\$1,102

We note that the total Academic Salaries per FTES are higher at CHC by about \$286 per FTES. We would have expected this to be lower because productivity at CHC is higher. There could be several reasons for this. Administrative costs for “academic” positions are included in this line item and judging from the organization chart comparisons, we concluded that CHC is relatively higher on this line item. This could also be the result of the higher proportion of full time faculty to part time faculty at CHC as compared to SBVC. This line item only becomes a concern because of the deficit budget CHC is experiencing. Since roughly half the CHC budget is in this line item (including benefits), reducing expenditures here is inevitable in order to solve a budget deficit of their magnitude. The other expenditure area that is high is classified salaries per FTES. This line reflects a cost of about \$327 per FTES more than SBVC and once again must be addressed as part of a solution to the CHC budget deficit. For classified staffing at CHC to be at the same per FTES level as SBVC (\$752/FTES), CHC would have to reduce classified expenditures by about \$1.3 million. We suggest the college set a goal of at least \$200,000 in reductions for this category as another component of solving their budget deficit.

We understand that SBCCD is a member of APPA, (Association of Physical Plant Administrators of Universities and Colleges). This organization has developed very useful staffing benchmarks for custodial cleaning standards. It is useful to apply this data in program review to know how CHC (and SBVC) compare to these standards, and to inform the college of what standards they should expect from custodial services.

5. **Benchmark Comparisons:** We identified five other single college districts in the state of similar size to CHC to compare actual expenditures by major object code. (Attachment D). While we found that this comparison was of limited value for line item analysis, it was useful for two reasons. The individual line items are not comparable because the single colleges’ district office expense is included in each line item. We were able to add in the district office assessment for CHC and do a rough comparison on total expense per FTES. As can be seen from this attachment, this does illustrate that the smaller the college is, the higher the cost per FTES. This is why the state SB361 model allocates more funds to the smaller colleges. This attachment also shows that CHC is not very far out of line on total expenditures when compared to Gavilan or West Hills who are the closest in size. The size of the current CHC budget deficit is in the 3-4% range, a difficult but manageable deficit. The real budget deficit problem for CHC is the projected additional operating costs

of \$725,000 expected in FY 15 with the opening of the new buildings and not the commensurate FTES growth to provide new revenues. If this cost were added in to the current CHC expenditure, it would put them out of line with these comparison colleges.

6. **District-wide Multi-year FTES Plan:** The district needs to determine if it will continue the 70/30 split of FTES. Beyond that the district as a whole needs to have a multi-year FTES strategy. We believe this needs attention for two reasons. First, the colleges (particularly CHC) are bringing on substantially more space for instructional programs. There needs to be an analysis of the impact this added space by using the “capacity load” formulas established by the state. Reducing the efficiency of instructional space by expanding facilities has a significant negative effect on operating budgets in a stagnant revenue environment. In the worst case, other programs would have to be reduced just to open the new facilities. The second reason for establishing coordinated long term FTES plans is to give the respective colleges their goals for the future, at least the 5 year future. We believe that one of the solutions to the projected budget deficit at CHC is to “grow out of the deficit”. The deficit cannot be solved simply by growth alone, but this is an important element in the solution. A rough model was constructed (Attachment E) to illustrate how future growth could be disproportionately assigned to CHC for the next several years to grow that college to 5,000 FTES. Given the assumptions in the model, CHC could grow to 5,000 FTES as early as 2016-17 if they received all the growth. At the other end of the spectrum, if CHC only received 30% of the growth, it would take them to 2025-26 to achieve 5,000 FTES. The district would have to review this, but in any case, the district needs to decide how new growth will be allocated and the commensurate implications for meeting student needs, facility utilization and small college inefficiencies. We should clarify that the 5,000 FTES level is used to illustrate the difference between the current 70/30 split in the Resource Allocation Model versus one that is more aggressive.
7. **Consolidation of Functions Between Colleges:** Another option that CHC and SBVC could explore is the consolidation of functions between the colleges. While the colleges have implemented this strategy with regards to the bookstore operations, there may be other functions that could be consolidated. In our experience, this consolidation often takes place regarding administration of grants, child care, research, financial aid, A & R as some examples. While a specific recommendation is

not within our scope, we suggest the colleges discuss possible consolidation of functions that could financially benefit both colleges.

8. **Auxiliary Operations (Bookstore and Cafeteria):** Almost all small colleges struggle with the operating costs of bookstores and cafeterias, as is the case at SBCCD. The district has already taken steps to consolidate the bookstore manager positions. In our meetings with CHC staff, we suggested a more detailed analysis of the role of the bookstore on campus. There are some colleges (mostly larger) that have recreated the bookstores as a campus store /coffee shop that might serve as a model for the district to re-inventing the college bookstores. There have been some creative solutions achieved in other districts as the role of the bookstore in providing hard copy books continues to fade paralleling industry wide trends. We suggested to CHC administration that they contact the San Mateo district which has done some very creative things for more insights on other possibilities.
9. **Foundations:** Just as the district has given direction to KVCR to become self sufficient this year, we also suggest that the college examine the support costs for the foundation. In many colleges, the foundations have also been given a timeline to become self sufficient as the scarcity of funds pits foundation support costs against support for student programs. In some cases the foundations had to become self sufficient as they were independent non profits and not auxiliary operations. We suggest that CHC examine these costs to determine if they could save \$125,000 per year in foundation support that could be used to help resolve their deficit.

Recommendations Related to Operational Issues

CBT Recommends:

1. That the district and SBVC prepare multi -year budget plans
2. The district strengthen and document its position control processes
3. That the district find a means by which it can provide timely access to expenditure data to the college administrative staff
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
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

6. If the actual full time faculty count is to be reduced it is recommended that CHC be allowed to lower its number
7. That CHC set a goal to reduce costs of administrators by about \$250,000
8. That SBCCD set productivity goals along with FTES goals for each of the colleges
9. That CHC set a goal to reduce costs of classified positions by about \$200,000
10. The district decide how FTES growth will be allocated to each college
11. That the colleges discuss possible consolidation of administrative functions that could financially benefit both colleges
12. The college review bookstore and cafeteria operations to determine feasibility of self sufficiency or if outsourcing is the appropriate solution
13. The colleges review the college foundations to ensure self sufficiency
14. To the degree that recommendations identified for CHC have applicability to SBVC we would encourage SBVC to consider them as well.

Summary

There are a number of substantial recommendations included in our report. Some are easier than others to implement if accepted by the district. They do not all have to be done at once. It would be in the district's best interests to develop an order in which the recommendations should be pursued. This keeps the task manageable. We would suggest that a table be created of those recommendations the district will be implementing and updated as progress is made. This information should be shared with the entire district so that it demonstrates the progress made and what is left to be done.

During our site visit and conversations with staff we were advised that previous creative, cost savings measures had met with resistance to the point of severely limiting any real change. We would encourage all groups to consider the actions in light of improving and strengthening the entire district for the benefit of employees, students and the community.

We want to thank the Chancellor, Vice Chancellor of Fiscal Services, College Presidents, Vice Presidents and staff for their cooperation, ready response to our inquiries and complete access to data and information.

ATTACHMENT A

Page 44 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 (<i>Determined by Chancellor's Cabinet</i>)	70.00%	30.00%	100%
4	Total College Credit FTES (<i>multiply line 2 x 3</i>) (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 (<i>multiply line 4 x 5</i>)	\$42,812,574	\$18,348,246	\$61,160,821
7	Total District Noncredit FTES	\$0	\$0	0.00
8	Total State Base Revenue (<i>add lines 1, 6, & 7</i>)	\$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 (<i>multiply line 5 x 9</i>)	\$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 (<i>add lines 8, 10-12</i>)	\$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 (<i>add lines 13, 14-17</i>)	\$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 (<i>add line 18, 19-24</i>)	\$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) (<i>line 25 minus line 34</i>)	\$766,635	-\$648,804	\$117,831

Attachment C

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

TO: Board of Trustees
FROM: Bruce Baron, Chancellor
REVIEWED BY: Charlie Ng, Vice Chancellor, Fiscal Services
REVIEWED BY: Charlie Ng, Vice Chancellor, Fiscal Services
PREPARED BY: Charlie Ng, Vice Chancellor, Fiscal Services
DATE: March 14, 2013
SUBJECT: Consideration of Approval of Board Directives for the 2013-14 Budget

RECOMMENDATION

It is recommended that the Board of Trustees approve the Board Directives for the 2013-14 Budget.

OVERVIEW

Our District's Administrative Procedure 6200, Budget Management, calls for the Board of Trustees to give initial direction concerning the distribution of resources. This includes setting the level of contingencies and other reserves, making any changes in the District's mission, and determining the amount of resources available in the District for allocation to the colleges.

ANALYSIS

Board Directives for the 2013-14 Budget are submitted for review and approval. These are initial directives which are based on early information and may change as we move forward in the budget development process.

BOARD IMPERATIVE

III. Resource Management for Efficiency, Effectiveness, and Excellence

FINANCIAL IMPLICATIONS

The financial implications of this item are to be determined.

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.

Attachment D

Benchmark Comparisons/Small Single College Districts

	11-12 Actual										13-14 budgeted	
	Gavilan		Mendocino		Sisqiyou		West Hills		West Kern		Crafton	
FTES	5,223	cost/FTES	2,751	cost/FTES	2,342	cost/FTES	5,325	cost/FTES	2,555	cost/FTES	4,047	cost/FTES
1000 Academic Salaries	\$11,906,543	\$2,280	\$8,069,687	\$2,933	\$6,440,035	\$2,750	\$12,588,872	\$2,364	\$6,557,558	\$2,567	\$9,277,945	\$2,293
2000 Classified Salaries	\$5,163,745	\$989	\$4,151,010	\$1,509	\$3,118,520	\$1,332	\$6,002,466	\$1,127	\$3,948,003	\$1,545	\$4,366,822	\$1,079
3000 Employee Benefits	\$6,428,712	\$1,231	\$5,010,016	\$1,821	\$3,860,683	\$1,648	\$5,716,908	\$1,074	\$3,827,968	\$1,498	\$4,069,401	\$1,006
4000 Supplies	\$534,109	\$102	\$408,827	\$149	\$330,991	\$141	\$592,380	\$111	\$453,371	\$177	\$220,610	\$55
5000 Other operating	\$3,461,691	\$663	\$1,692,159	\$615	\$1,986,669	\$848	\$3,401,002	\$639	\$3,031,245	\$1,186	\$1,501,508	\$371
6000 Capital outlay	\$590,711	\$113	\$199,279	\$72	\$115,560	\$49	\$441,651	\$83	\$114,489	\$45	\$59,466	\$15
7000 Other outgo	\$2,043,948	\$391	\$295,847	\$108	\$430,113	\$184	\$3,613,288	\$679	-\$2,519,727	-\$986	31276	
District office assessment											\$4,493,435	\$1,110
Total expenditure	\$30,129,459	\$5,769	\$19,826,825	\$7,207	\$16,282,571	\$6,952	\$32,356,567	\$6,076	\$15,412,907	\$6,032	\$24,020,463	\$5,935
Source: State Chancellor's Office: Analysis of Selected Data from 311											Source: District	

Attachment E Multi-year FTES Planning Options

The purpose of this is to illustrate how a plan could be developed to provide a disproportionate growth allocation for CHC to get them to a 5,000 FTES level

CHC model

FTES growth	Baseline	State growth rate; CHC at 30% share			
	2013-14	2014-15	2015-16	2016-17	
		2.26%	1.75%	1.75%	
Base	3,957	4,047	4,138	4,211	
Growth	89	91	72	74	
Total	4,047	4,138	4,211	4,284	

SBVC

FTES growth	Baseline	State growth rate; SBVC at 70% share			
	2013-14	2014-15	2015-16	2016-17	
		2.26%	1.75%	1.75%	
Base	9,234	9,443	9,656	9,825	
Growth	209	213	169	172	
Total	9,443	9,656	9,825	9,997	

District wide

FTES growth	Baseline	State growth rate; District wide			
	2013-14	2014-15	2015-16	2016-17	
		2.26%	1.75%	1.75%	
Base	13,191	13,489	13,794	14,036	
Growth	298	305	241	246	
Total	13,489	13,794	14,036	14,281	

WHAT IF CHC RECEIVED ALL OF DISTRICT GROWTH OVER THIS TIME PERIOD

CHC Base	3,957	4,256	4,560	4,802
CHC growth	298	305	241	246
CHC total	4,256	4,560	4,802	5,047

SBVC	9,234	9,234	9,234	9,234
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District Total	13,490	13,794	14,036	14,281
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(Source: District Final Budget)

WHAT IF CHC RECEIVED ALL OF DISTRICT GROWTH OVER THIS TIME PERIOD AND, CHC DID NOT INCREASE NON TEACHING EXPENDITURES

SB 361 funding per FTES	\$4,636.00
Growth FTES in 16-17	792
Gross total new funding	\$3,671,158
Gross estimate of teaching costs	50%
Net gain to CHC excluding base adjustmen	\$1,835,579