



# 4CD 5<sup>TH</sup> ANNUAL BUDGET FORUM APRIL 2010

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# NEW ALLOCATION MODEL

# WHY ARE WE IMPLEMENTING A NEW ALLOCATION MODEL?

The 2008 accreditation visiting teams validated the District's self-identified need to improve the District's resource allocation process.

In the old model,

- budget allocations were not aligned with revenues;
- there were at least five different formulas for distributing funds;
- there were more than a dozen exceptions, provisions and adjustments; and
- accountability and decision-making were primarily at the District Office.



# HOW DOES THE NEW ALLOCATION MODEL WORK?

- It is based upon principles inherent in the State funding formula prescribed by SB 361 which allocates funds based on the size of colleges.
- Basic allocation - college size
  - \$3,321,545 - LMC and CCC
  - \$3,875,136 - DVC
  - \$1,107,182 - San Ramon Center
- Per FTES allocation
  - \$4,565 per credit FTES
  - \$2,745 per non credit FTES
  - \$3,232 per Enhanced Non Credit FTES

# HOW DOES THE NEW ALLOCATION MODEL WORK? (CON'T)

- Allocates resources to the colleges in the same manner as earned and received by the District
- Utilizes system of assessments to fund centralized services, Districtwide services which include regulatory and fixed costs
- Locally generated income remains with the colleges
- Allows colleges to retain ending balances within established limits

# BUSINESS IMPACT OF NEW MODEL

- Gives more local decision-making to colleges
- Provides new and more transparent framework on how dollars are allocated and spent
- Works equitably in good and bad economic times
- Requires more accountability by stakeholders
- Links budget allocations directly to revenue

# FIVE YEAR TRANSITION PLAN

**Shift 182 FTES from DVC to CCC  
providing \$830k to CCC base allocation**

**Assuming current conditions (no  
growth, no COLA) remain unchanged:**

- **CCC must reduce its budget by \$1.7M  
over five years**
- **LMC must reduce its budget by \$454k  
over two years**
- **DVC will receive \$1.7M in additional  
revenue**

# WHY DOES CCC NEED TO REDUCE \$1.7 M?

- ◉ New Allocation Model allocates funding as the State allocates funding which takes into account the economies of scale
  - Base funding of \$3.3 M is based on size <10,000 FTES
    - Allows for the economies of scale
      - DVC does not get as twice as much base funding as CCC and LMC (\$3.8 M)
- ◉ CCC needs to bring its expenditures into alignment with revenues
- ◉ Salaries and Benefits - 94% (FY 08-09 expenditures) of unrestricted expenditures (should be closer to 90%)

# HOW COMMUNITY COLLEGES ARE FUNDED

## ◉ State Apportionment Funding

- PROVIDES BASIC FUNDING FOR THE MISSION OF COMMUNITY COLLEGES
  - ◉ Underfunded to accomplish multiple missions
    - Transfer
    - Career and Technical Training
    - Lifelong learning
    - Basic skills

## ◉ Grants and Categorical Funding (entitlements)

- Meant to supplement colleges to provide additional and support services for our students



# FY 08-09 EXPENDITURES -GENERAL FUND

- ◎ CCC - \$4,839.28 per FTES
- ◎ DVC - \$4,125.99 per FTES
- ◎ LMC - \$4,402.00 per FTES

# FY 08-09 COLLEGE UNRESTRICTED EXPENDITURE COMPARISON

	CONTRA COSTA COLLEGE			DIABLO VALLEY COLLEGE			LOS MEDANOS COLLEGE		
			PER FTES			PER FTES			PER FTES
Academic Salaries	\$ 15,738,081	52.91%	\$2,474.54	\$ 39,787,225	56.96%	\$2,273.82	\$ 18,583,185	51.19%	\$ 2,172.20
Classified Salaries	\$ 6,616,625	22.25%	\$1,040.35	\$ 12,748,017	18.25%	\$728.54	\$ 7,411,000	20.42%	\$ 866.28
Benefits	\$ 5,704,700	19.18%	\$896.97	\$ 12,541,517	17.96%	\$716.82	\$ 6,360,471	17.52%	\$ 743.48
Supplies & Materials	\$ 562,561	1.89%	\$88.45	\$ 1,581,112	2.26%	\$90.36	\$ 840,830	2.32%	\$ 98.29
Other Operating Exp.	\$ 831,281	2.79%	\$130.70	\$ 1,738,778	2.49%	\$99.37	\$ 2,298,043	6.33%	\$ 268.62
Capital Outlay	\$ 249,718	0.84%	\$39.26	\$ 349,923	0.50%	\$20.00	\$ 745,968	2.05%	\$ 87.20
Transfers	\$ 39,565	0.13%	\$6.22	\$ 1,100,598	1.58%	\$62.90	\$ 60,974	0.17%	\$ 7.13
Total	\$ 29,742,531	100.00%	<u>\$4,676.50</u>	\$ 69,847,170	100.00%	<u>\$3,991.80</u>	\$ 36,300,471	100.00%	<u>\$ 4,243.19</u>
UTILITIES	\$1,035,272.0		\$162.78	\$ 2,347,996		\$ 134.19	\$ 1,358,653		\$ 158.81
			\$ 162.78			\$ 134.19			\$ 158.81
TOTAL			\$4,839.28			\$4,125.99			\$ 4,402.00
% Salaries and Benefits			94%			93%			89%

# ANALYSIS OF UNRESTRICTED AND RESTRICTED EXPENDITURES FY 08-09

## ◎ CCC

- Served 19.67% of the students
- Received 23.87% of the total unrestricted and restricted resources

## ◎ DVC

- Served 53.98% of the students
- Received 50.17% of the total unrestricted and restricted resources

## ◎ LMC

- Served 26.39% of the students
- Received 26.41% of the total unrestricted and restricted resources

# BREAKDOWN OF UNRESTRICTED AND RESTRICTED EXPENDITURES

		CONTRA COSTA COLLEGE			DIABLO VALLEY COLLEGE			LOS MEDANOS COLLEGE		
<b>FTES</b>			6,360.00	19.62%		17,498.00	53.98%		8,555.00	26.39%
<b>Expenditures</b>			\$ 29,742,531	21.89%		\$ 69,847,170	51.40%		\$ 36,300,471	26.71%
Competitive Grants			\$ 3,066,999	37.96%		\$ 3,230,454	39.98%		\$ 1,781,763	22.05%
Categorical			\$ 3,856,507	30.54%		\$ 5,494,695	43.51%		\$ 3,277,200	25.95%
			\$ 36,666,037	23.87%		\$ 78,572,319	50.17%		\$ 41,359,434	26.41%

# CHANGING HOW WE THINK ABOUT FUNDING

- ⦿ Entire District - Align expenditures to revenues for long-term fiscal stability
- ⦿ Accountability for balanced budgets is increasing nationally
- ⦿ Prioritize expenditures
- ⦿ Equalize unrestricted revenues between colleges
- ⦿ Applying for and seeking other funding opportunities to provide specific support services and programs that serve our unique communities

# SIMULATION OF SB 361 ALLOCATION MODEL BEFORE BUDGET REDUCTIONS - TENTATIVE BUDGET

SB 361 New Allocation Model				
	CCC	DVC	LMC	Total
Revenues	\$ 33,139,239	\$ 86,191,858	\$ 42,504,345	\$ 161,835,442
District Office/District wide Services	\$ 6,482,844	\$ 17,527,121	\$ 8,447,432	\$ 32,457,397
Total Expense	\$ 28,446,252	\$ 66,884,991	\$ 34,521,335	\$ 129,852,578
				\$ -
Expenses Over/Under Revenue	\$ (1,789,857)	\$ 1,779,746	\$ (464,422)	
REV/FTES	\$ 5,210	\$ 5,101	\$ 5,106	
% FTES	20.14%	53.50%	26.36%	
% Revenue	20.48%	53.26%	26.26%	



# ROLE OF DISTRICT OFFICE

District will...

- ensure compliance with state and federal requirements
- lead negotiations for all collective bargaining agreements to which the colleges are bound
- provide oversight
  - bond program
  - districtwide accounting and financial management
- take the lead when economies of scale or when seamless coordination of activities is required
  - long-term financial planning
  - Information technology

**District Office and Districtwide services will be charged to the colleges as assessments.**

**The District is not divorcing the colleges**

# ASSESSMENT OF MODEL

The model will be reviewed  
at the end of the first year  
to determine its  
effectiveness.

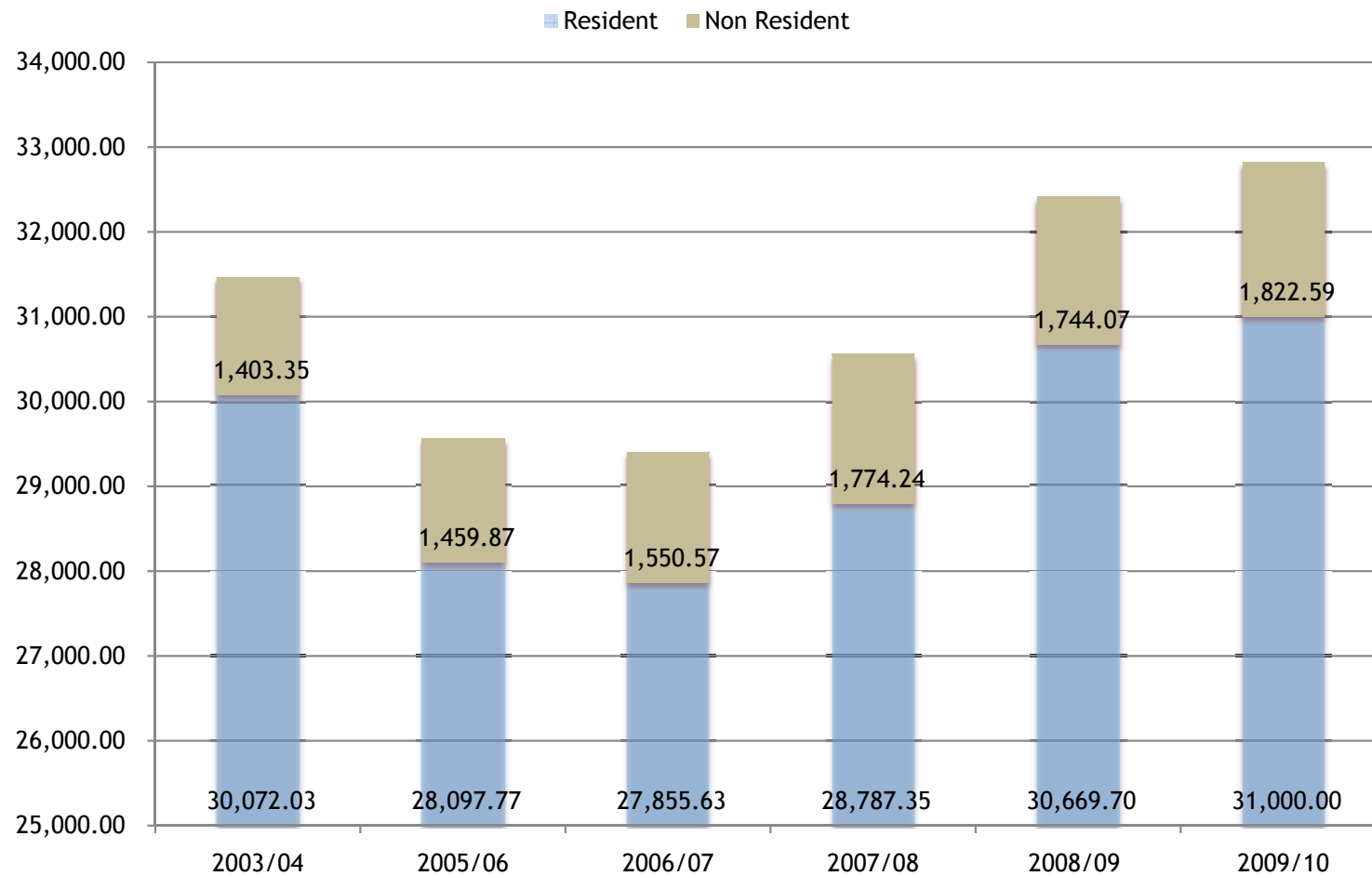


# WHERE ARE WE TODAY?

# WHAT WE ACCOMPLISHED IN 2009-10

- In Fall 2009 provided services for 3,937 sections compared to 3,809 in Fall 2008
- In Fall 2009 increased productivity of 17.1 compared to 16.5 in Fall 2008
- Reduced District budget by \$7.9M without layoffs or salary reductions
- Used undesignated reserves to partially backfill reductions in categorical programs

# FULL TIME EQUIVALENT STUDENTS



# FY 09-10 REDUCTIONS

	Base Allocation	FY 09-10 Reduction
	a	b
CCC	\$ 30,729,783	\$ (1,409,609)
DVC	\$ 72,117,704	\$ (3,230,120)
LMC	\$ 37,317,508	\$ (1,726,059)
DO	\$ 7,978,026	\$ (372,754)
DW	\$ 14,006,487	\$ (1,188,263)
Regulatory	\$ 8,748,285	\$ -
Utilities	\$ 4,245,522	\$ -
International Ed	\$ -	\$ -
Total	\$ 175,143,315	\$ (7,926,805)



# FY 09-10 PROJECTION

	FY 09-10 ADOPTION BUDGET	BY 09-10 PROJECTED BUDGET	CHANGES
BEGINNING FUND BALANCE	\$ 29,376,269	29,432,047	\$ 55,778
REVENUES	161,732,873	165,263,231	3,530,358
EXPENDITURES	165,378,578	171,368,400	5,989,822
RESERVES (ENDING FUND BALANCE)	\$ 25,730,564	23,326,878	-2,403,686

# WHAT WE NEED TO ACCOMPLISH TO MEET 2010-11 TARGETS

- Reduce schedule to serve 29,837 resident FTES
- Reduce general fund budget by \$9.6M
- Cover the following projected expenditure increases with no increases in funding:
  - .38% negative funding COLA - \$560K
  - 8.5% health and welfare rate increase - \$1.86M
  - 140% unemployment insurance rate increase - \$527K
  - Step and column - \$1.9M
  - PERS rate increase - \$169K

# WHAT WE NEED TO ACCOMPLISH IN 2010-11 (CON'T)

- Plan for ongoing reductions to categoricals
- Fund transition costs for new allocation model
- Identify \$4.9M in ongoing savings for second phase of permanent budget reductions carried over from 2009-10

# FTES TARGETS FOR 2009-10 AND 10-11

2009-10 FTES Targets			
	Resident	Non-Resident	Total
CCC	6,118	161	6,279
DVC	15,836	1,503	17,339
LMC	8,384	79	8,463
<b>Total</b>	<b>30,338</b>	<b>1,744</b>	<b>32,082</b>
2010-11 FTES Targets			
	Resident	Non-Resident	Total
CCC	6,199	167	6,366
DVC	15,393	1,572	16,965
LMC	8,245	83	8,328
<b>Total</b>	<b>29,837</b>	<b>1,823</b>	<b>31,660</b>

# FY 10-11 REDUCTION TARGETS

Total FY 10-11 Budget Reductions		
CCC	\$	(2,052,063)
DVC		(2,820,746)
LMC		(2,499,371)
DO		(574,059)
DW		(788,855)
Regulatory		-
Utilities		-
Total	\$	(8,735,094)

# TOTAL TWO-YEAR REDUCTIONS

		FY 10-11 Reductions - Backfill from Reserves and Corrections in 09- 10	Additional Budget Reductions for FY 10-11	Total Reductions for FY 09-10 & 10- 11
	FY 09-10 Reduction			
	a	b	c	a+b+c
CCC	\$ (1,409,609)	\$ (873,922)	\$ (1,178,141)	\$ (3,461,672)
DVC	(3,230,120)	(2,002,594)	(818,152)	(6,050,866)
LMC	(1,726,059)	(1,070,114)	(1,429,257)	(4,225,430)
DO	(372,754)	(220,257)	(353,802)	(946,813)
DW	(1,188,263)	(747,535)	(41,320)	(1,977,118)
Regulatory	-	-	-	-
Utilities	-	-	-	-
Total	\$ (7,926,805)	\$ (4,914,422)	\$ (3,820,672)	\$ (16,661,899)
Total FY 10-11 Reductions	\$ (8,735,094)			



# PROJECTED BUDGETS FY 10-11

Name	Revised Base
CCC	\$ 28,011,078
DVC	\$ 67,790,588
LMC	\$ 33,944,843
DO	\$ 7,359,370
DW	\$ 11,027,763
Regulatory	\$ 11,696,232
Utilities	\$ 4,008,116
<b>Total</b>	<b>\$ 163,837,990</b>

# WHAT IS ON THE HORIZON?



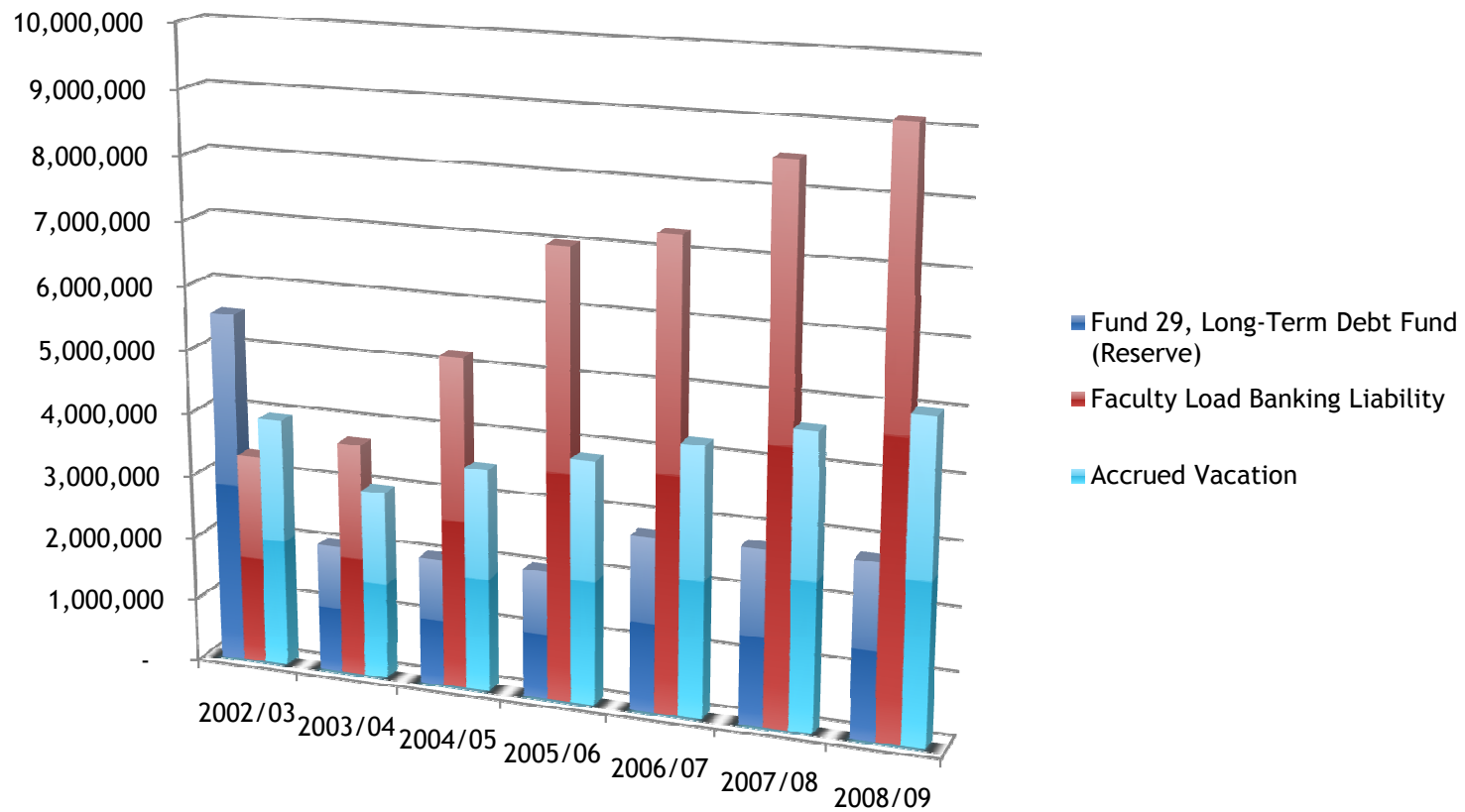
# UNFUNDED LONG TERM LIABILITIES

- Retiree Health Benefits
  - \$262M liability
  - \$9.4M projected pay as you go FY 10-11
  - \$25M projected pay as you go in the next 15 yrs

# UNFUNDED LONG TERM LIABILITIES (CON'T)

- Vacation Accrual and Load Banking Liability
  - In 2002-2003
    - banked load liability was \$3.3M
    - accrued vacation was \$3.9M
      - total \$7.2M
    - Reserves to cover these liabilities were \$5.5M which equates to 76% funded.
  - In 2008-2009
    - banked load liability was \$9.1M
    - accrued vacation was \$5M
      - total \$14.1M
    - Reserves to cover these liabilities were \$2.7M which equates to 19% funded.

# ACCRUED BANKED LOAD AND VACATION LIABILITY



# PLANNING ONGOING OPERATING, REGULATORY AND FIXED COSTS

- Retiree health benefits
- Employee health benefits
- Technology
- Facilities
- Instructional and student services
- Property & Liability Insurance
- Utilities

# OUR FUTURE

- We are working in a changing environment that will continue to challenge our ability to serve our students.
- We have to work together to serve students, solve problems and view options with new eyes.



# QUESTIONS