

# DISTRICT OFFICE BUDGET MARCH 31, 2010

Budget Reductions and the New  
Allocation Model Update  
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# MAJOR CHALLENGE OF THE CURRENT BUDGET CRISIS

**Downsize the operation while  
costs are rapidly increasing  
and there is no new money.**

# Downsizing Options

## Reduce

- ◉ course offerings; programs
- ◉ optional discretionary expenses
- ◉ operating expenses (things we can do without)
- ◉ payroll related costs
  - eliminate vacant positions
  - contain costs for benefits, utilities, etc.
  - shorten work days/weeks/months
  - implement layoffs

# BUDGET REDUCTION VALUES

- ◉ Provide access for students to meet the demand created by the current economic environment, as much as possible.
- ◉ Respect that we are one District that values the autonomous nature of our colleges and needs of our communities for equal access.
- ◉ Maintain as many services as possible to ensure student success.
- ◉ Purchase only essential supplies and services.
- ◉ Backfill classified hourly only when essential.
- ◉ Manage enrollment through productivity.
- ◉ To the extent possible, avoid layoffs.
- ◉ Follow established decision making policies and procedures.
- ◉ Communicate openly.

# BUDGET REDUCTIONS

- ◎ FY 2009-2010 Reductions are a Combination of:
  - 3.39% workload reduction = -\$4.7M in Revenues
  - Loss of interest due to State revenue deferrals
  - Increased costs
  - No additional funding

# AMOUNT OF BUDGET REDUCTIONS FY 09-10

- The increased costs and reductions in revenues resulted in \$11.5 million deficit.
- Developed a two year plan to reduce the \$11.5 M deficit through for FY 09-10:
  - Reducing \$7.9 M from expenditures
  - Backfilling with reserves = \$3.6M
  - Added additional reserve backfill of \$645k to assist colleges due to the \$6.9M categorical funding reduction.
  - Corrected \$700k in errors (\$500k/college and \$225k/DO).

# FY 09-10 REDUCTIONS

|                  | <b>Base Allocation</b> | <b>FY 09-10 Reduction</b> |
|------------------|------------------------|---------------------------|
|                  | <b>a</b>               | <b>b</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 | \$ -                   | \$ -                      |
| <b>Total</b>     | <b>\$ 175,143,315</b>  | <b>\$ (7,926,805)</b>     |

# DISTRICT OFFICE - DETAIL BY AREA

|                                 | FY 09-10<br>Budget   | %   | One-time         | Ongoing        |
|---------------------------------|----------------------|-----|------------------|----------------|
| Chancellor & GB                 | \$ 1,068,742         | 6%  | 211,633          | (13,700)       |
| Communications & Community Rela | \$ 550,654           | 3%  |                  | 45,000         |
| Finance                         | \$ -                 | 0%  |                  | 6,788          |
| Fiscal Services                 | \$ 1,710,842         | 10% | 4,000            | 44,479         |
| General Services                | \$ 604,054           | 4%  | 91,000           | 462,000        |
| Human Resources                 | \$ 2,421,704         | 14% | 86,585           | 3,000          |
| Information Technology          | \$ 3,248,849         | 19% | 453,774          |                |
| Internal Auditing               | \$ 144,174           | 1%  | 2,450            | 3,500          |
| International Education         | \$ 497,860           | 3%  | (12,047)         | 82,962         |
| Payroll                         | \$ 883,842           | 5%  | 10,813           | 79,370         |
| Planning & Educational Services | \$ 689,706           | 4%  | 67,500           |                |
| Police Services                 | \$ 3,233,146         | 19% | 239,388          |                |
| Purchasing                      | \$ 909,884           | 5%  |                  | 40,000         |
| Facilities                      | \$ 1,245,334         | 7%  |                  | 101,763        |
| <b>Subtotal DO/DW</b>           | <b>\$ 17,208,791</b> |     | <b>1,155,095</b> | <b>855,162</b> |



# BUDGET PROJECTIONS 2010-11

## ◎ Assumptions for Projected Increases

- .38% negative COLA
- 8.5% Increase in H&W
- 140% increase in unemployment insurance estimated at \$564,760
- 5% PERS increase estimated at \$526,761
- Step and column increases estimated at \$1.2 million

# REDUCTIONS FOR FY 10-11

- ◎ \$4.9 million as second phase of budget reductions. (\$3.6M, \$645k, \$700k)
- ◎ \$3.5 million in increased costs
- ◎ Total FY 10-11 reduction of \$8.4 M
- ◎ Total reduction of \$16.3 million over FY 09-10 and FY 10-11 to the unrestricted general fund
  - Does not include categorical reductions
  - Categoricals reduced approximately \$6.9 M (42%) at colleges

# FY 10-11 REDUCTIONS

|                  | Total FY 10-11<br>Budget<br>Reductions |
|------------------|--|
| CCC              | \$ (1,909,837)                         |
| DVC              | \$ (2,698,147)                         |
| LMC              | \$ (2,297,270)                         |
| DO               | \$ (637,311)                           |
| DW               | \$ (875,645)                           |
| Regulatory       | \$ -                                   |
| Utilities        | \$ -                                   |
| International Ed | \$ -                                   |
| <b>Total</b>     | <b>\$ (8,418,210)</b>                  |

# TOTAL TWO YEAR REDUCTIONS

|                                      | FY 09-10<br>Reduction       |  | FY 10-11<br>Reductions -<br>Backfill from<br>Reserves and | Additional<br>Budget<br>Reductions for<br>FY 10-11 |  | Total<br>Reductions for<br>FY 09-10 & 10-11 |
|--------------------------------------|-----------------------------|--|---|--|--|---|
|                                      | b                           |  | d   | f  |  | g=b+d+f                                     |
| CCC                                  | \$ (1,409,609)              |  | \$ (873,922)  | \$ (1,035,915)                                     |  | \$ (3,319,446)                              |
| DVC                                  | \$ (3,230,120)              |  | \$ (2,002,594)  | \$ (695,553) <sup>2</sup>                          |  | \$ (5,928,267)                              |
| LMC                                  | \$ (1,726,059)              |  | \$ (1,070,114)  | \$ (1,227,156)                                     |  | \$ (4,023,329)                              |
| DO                                   | \$ (372,754) <sup>1</sup>   |  | \$ (220,257)  | \$ (417,054)                                       |  | \$ (1,010,065)                              |
| DW                                   | \$ (1,188,263) <sup>7</sup> |  | \$ (747,535)  | \$ (128,110) <sup>6</sup>                          |  | \$ (2,063,908)                              |
| Regulatory                           | \$ -                        |  |   | \$ - <sup>4</sup>                                  |  | \$ -  |
| Utilities                            | \$ -                        |  |   | \$ - <sup>5</sup>                                  |  | \$ -  |
| International<br>Ed                  | \$ -                        |  |   | \$ -   |  | \$ -  |
| <b>Total</b>                         | <b>\$ (7,926,805)</b>       |  | <b>\$ (4,914,422)</b>                                     | <b>\$ (3,503,788)<sup>3</sup></b>                  |  | <b>\$ (16,345,015)</b>                      |
| <b>Total FY 10-11<br/>Reductions</b> |                             |  |   |  |  | <b>\$ (8,418,210)<sup>8</sup></b>           |

# DISTRICT OFFICE/DISTRICTWIDE SERVICES

## ◎ Goal for Reductions

- FY 09-10 - \$1.5 M - exceeded by \$400k
  - \$6.3 M and \$400k of buildings and grounds reductions moved to colleges.
- FY 10-11 - \$1.5 M
- Total of \$3M over two years.

# WHY ARE WE MOVING TO A NEW ALLOCATION MODEL?

- ❑ Allocation formulas not aligned to revenues
  - FTE for faculty, management - historical FTE
  - Classified formula = per FTES - historical
  - C-hourly formula = FTES, productivity,
  - Operating formula = FTES - historical
  - Buildings & Grounds historical - rolls over
- ❑ Need to provide linkage between revenues and expenditures
- ❑ Fiscal stability and accountability
- ❑ Accreditation recommendation

# NEW ALLOCATION MODEL

## ◎ **Impacts of New Allocation Model**

- CCC will have to reduce down \$1.7 M over 5 years
- LMC will have to reduce down over \$400k over two years
- DVC will receive \$1.7 M in additional revenues
- District Office and Districtwide Services will be charged to the colleges as assessments.
  - Requires more accountability for expenditures for DO/DW and colleges.

# IF THE DOWNSIZING GOAL IS ACHIEVED, OUR DISTRICT WILL

- serve fewer students,
- have fewer employees,
- offer a streamlined set of course offerings,
- offer fewer services for students, and
- maintain fiscal stability.