August 22, 2017

Dr. Debbie Budd, Chancellor  
Mr. Doug Smith, Vice Chancellor, Administrative Services  
Members of the SJCCCD Resource Allocation Model Task Force

Attached is my report to you regarding the Resource Allocation Model review process undertaken during the 2016/17 year. My task was to facilitate and provide technical leadership to the Resource Allocation Model Task Force. The recommendations contained in this report represent the opinion and judgment of the consultant and are not intended to reflect consensus opinion from the San Jose-Evergreen Community College District Resource Allocation Model Task Force. The Task Force was made up of Academic Senate representatives from each of the colleges and one appointed district wide, AFT and CSEA representatives and administrators from each college and the District. Thanks to Vice Chancellor, Doug Smith for his invaluable assistance in the process, Mr. Peter Fitzsimmons, Executive Director, Fiscal Services for his technical knowledge and support, Ms. Sherri Brusseau, Executive Administrative Assistant to VC Smith and Ms. Carol Anderson, Dept. Sr. Administrative Assistant, Administrative Services for their diligence in attending the meetings and providing detailed minutes of the proceedings. I certainly also wish to acknowledge and thank all of the Task Force members and their alternates for their time, cooperation, candid input and commitment to the process. It was truly my pleasure to work with such a dedicated and professional faculty and staff.

Thank you for the opportunity to work with the San Jose-Evergreen Community College District. It has been most enjoyable and a learning experience for me as well.

Sincerely,

Roy V. Stutzman
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PROJECT SCOPE AND OVERVIEW

Overview

This final report will summarize the Resource Allocation Model review process which began in April, 2016, will provide recommendations and identify unresolved issues surrounding District to College resource allocation in the San Jose-Evergreen Community College District.

The process began with the following letter of introduction (Exhibit I below) issued by Chancellor Debbie Budd on May 2, 2016.

Exhibit I

May 2, 2016

District Council and District Budget Committee Members:

The Chancellor's Cabinet met on Tuesday, April 26th and engaged in an extensive discussion about the current Resource Allocation Model. It is believed that this will be useful and of value, as we prepare our Accreditation Self Studies and Quality Focused Essays. Tuesday’s discussion focused on the importance of having a transparent, and published model and process, as supported by the Board Principles adopted on February 23, 2016. Many of the elements of responsible resource management are reflected in the adopted Budget Principles. One of those Principles is to "develop a new District Budget Allocation Model".

During that meeting, the Chancellor's Cabinet was introduced to Mr. Roy Stutzman, retired Vice Chancellor of Finance and Administrative Services, with the Chabot-Los Positas Community College District. Since his retirement from Chabot-Los Positas, Mr. Stutzman has done consulting work for a number of Districts in finance and facilities development. Mr. Stutzman has many years of experience as a Faculty member, Division Dean, Vice President, and Vice Chancellor for Finance in multi-college districts. He recently consulted with the Contra Costa Community College District and the Coast Community College District, in the development of their new allocation models.

Mr. Stutzman has given the District a proposal with the following work scope:

OBJECTIVE:
Understand how the current allocation model works, identify perceived issues with the current model and work with the district to identify alternatives or changes. Provide professional assistance and advice in modeling changes. Assist the district in identifying and creating an implementation schedule.
SCOPE OF SERVICES

a) Assist the District in identifying perceived issues with the current District financial resources allocation model.

b) Identify the criteria San Jose-Evergreen CCD believes should be used to judge the effectiveness of its allocation model.

c) Identify characteristics of a San Jose-Evergreen CCD financial Resource Allocation Model that better meets the needs of the District and its Colleges.

d) Meet with District and College Constituent and Leadership groups to receive input and test alternatives.

e) Identify allocation model "best practices" among California multi-college community college districts.

f) If appropriate, work with District and College Staff to model alternatives.

g) Develop Allocation Model finding and recommendation(s).

h) If required, and change is warranted, work with District Staff to develop an implementation plan and schedule.

i) Attend College and/or District meetings as requested.

I believe that Mr. Stutzman's experience and services proposed will greatly assist in the District discussion as we develop a more effective and transparent Resource Allocation Model. Engaging Mr. Stutzman as a consultant to assist in the process has been both supported and endorsed by San Jose City College President, Byron Breland, and Evergreen Valley College President, Henry Yong. We believe this process will be useful and of value not only as we prepare our Accreditation Self Studies and Quality Focused Essays but also for years to come.

Thank you for your dedication to our colleges and for transforming students' lives.

Debbie Budd
Chancellor
PROJECT SCOPE AND OVERVIEW (Continued)

A complete Resource Allocation Model analysis had not been done since the District became "Community Funded" in 2012/13. Community funding represents a significant change in funding methodology. A Community funded district's local property tax and enrollment fees exceed the revenue amount a district would have received through the state apportionment process. A Community Funded District is no longer funded based upon FTES (full-time equivalent student) but instead receives its share of local property tax irrespective of the number of students it serves. Community funded districts remain eligible to receive significant state funding, through certain categorical programs and other state funded allocations.

PROCESS AND CONTEXT: INITIAL MEETINGS

An interim report dated June 30, 2016 was prepared. Much of the work done prior to June 30, 2016 involved consultant’s meetings with constituent groups to introduce the review process, receive input concerning the existing model and to obtain preliminary thoughts about what might be done to create a more effective model moving forward. Due to the limited time between project inception and the end of the Spring Semester, 2016, the consultant was unable to meet with SJCC Academic Senate, CSEA, MSCC and AFT. Meetings were subsequently held and input was received from these groups as well. Met with MSCC on July 27; AFT representatives on August 3; SJCC Academic Senate on August 12 and CSEA on Sept. 8. All meetings with constituencies proved fruitful in providing background, perceptions, issues and direction for future discussion.

ACCREDITATION LEADERSHIP PRESENTATION – AUGUST 18, 2016

The Resource Allocation Model review process was designed to be inclusive to involve input from all college and district constituent groups. In anticipation of full participation by constituent groups beginning in the Fall 2016 semester, preliminary meetings were held with Chancellor and Chancellor's Cabinet during the months of July and August. Consultant had an opportunity to present resource allocation background and summary resource allocation comments from constituent groups at the Accreditation Leadership Retreat held on August 18, 2016. All management and constituent group leadership were represented at the retreat. The Power point presentation used at the Retreat is included as Attachment I (page 33)

In addition to the presentation and discussion, the following information was provided to the participants at the August 18, 2016 Accreditation Leadership Retreat. Exhibit II below provides a reasonable context for multi college district resource allocation and Exhibit III below provides resource allocation fundamentals.
Exhibit II

EXERPTS FROM "HARVEST FROM THE VINEYARD" - LESSONS LEARNED FROM THE VINEYARD SYMPOSIUMS. "ROCKY" YOUNG AND HELEN BENJAMIN

- In multi college districts there is the possibility of tension because the district is focused on the whole and the college is focused on its part. When this occurs, separate the areas so it is clear where the interests of the college and the district coincide and where they do not.

- There is the issue of how a multi college district should operate in terms of centralization and decentralization of authority. All districts/colleges need to find their optimum place on the centralization-decentralization continuum.

- The goal in multi college districts is to identify the areas where the benefits of centralization outweigh the negative impact from the loss of college autonomy. Ideally the delineation of functions between the colleges and the district have been agreed upon so that economies of scale and college autonomy are maximized (or at least agreed upon by all parties).

- Colleges may feel too much autonomy has been lost and district expense too large.

- Ideally a multi college district should be able to achieve optimum balance between centralization and decentralization to maximize economies of scale while leaving each college with maximum level of necessary autonomy.

- “The issues and tensions of a multi-college district are mostly issues related to funding and centralization versus decentralization of authority. All organizations should try to determine the lowest level possible in the organization for decision making while maintaining a necessary level of organizational control and economy of scale.”
Exhibit III

FUNDAMENTAL APPROACHES TO RESOURCE ALLOCATION

From a study done while with the Desert Community College District, Dr. John Randall identified six (6) fundamental approaches to the allocation of revenue in multi college districts. These general methods are described as:

Prior Year Base Model - Essentially, receive in the budget year what you received prior year-new $ will be allocated based upon recommendation by Budget Committee or CEO.

District First Model - District Office and Districtwide expenditures are identified first and taken off the top, balance of funds are distributed based upon FTES generated or % income earned by each College

Cover Uncontrolled Costs Model – Identify District Services cost, determine fixed costs such as permanent, full time personnel, utilities, etc.-subtract the “uncontrolled costs” from funds available and distribute the balance based upon FTES

College First Model – All available funds are distributed to the colleges based on portion of funds earned by them (now could use SB 361 methodology to determine revenue for each college), determine District Services cost, deduct these costs on a proportional basis from college allocations-essentially assess cost of district services on a proportional basis

Productivity Model-Determine District Services costs, full-time faculty salary and benefits, allocate adjunct faculty $ based upon WSCH/FTEF OR FTE/FTEF for each college –subtract total faculty costs from total unrestricted revenue, distribute the balance based on FTES generated or percentage of income earned

Base Allocation Model-Base block grant amount allocated to each college to cover minimum level of fixed costs, balance of funds allocated based upon FTES earned or income earned, District Services expenditures determined and subtracted proportionately from each College allocation based upon FTES earned

Each of the six approaches above assume that:

- The models include the allocation of unrestricted funds available to the District. This will include apportionment, lottery, etc.
- Each of the models require that District Services (District Office & Districtwide costs) be clearly defined
- Categorical funds are not included. Categorical funds that are not site specific must be determined and a fair distribution mechanism must be developed
• The Governing Board determines the reserve and contingency level for the District. Any additions needed to increase reserves are included in District Service expense, and any surplus is included in funds distributed
• FTES goals for the year are determined for each college

There is merit in each of these and perhaps there are other mutations or combinations that could be developed from these fundamentals. All of the fundamental elements appear to be identified in this work.

BOARD OF TRUSTEES PRESENTATION – AUGUST 30, 2016

A resource allocation presentation was made to the Board of Trustees on August 30, 2016. (Attachment II, Page 46)

DISTRICT BUDGET COMMITTEE PRESENTATION – SEPTEMBER 22, 2016

Beginning in September, 2016 a series of resource allocation meetings were held with the San Jose-Evergreen CCD management leadership and the District Budget Committee. It was thought originally that the District Budget Committee would act as a Resource Allocation Task Force since all constituent groups were represented. The power point (Attachment III, Page 53) was included as part of the presentation and discussion at the September 22nd District Budget Committee meeting.

ESTABLISHMENT OF THE RESOURCE ALLOCATION MODEL TASKFORCE

Subsequently, the Chancellor, College Presidents, and the Vice Chancellor, Administrative Services met with the Academic Senate Leadership on October 6, 2016 to discuss the format for the best process for the new Resource Allocation Model development. It was determined that the new working committee (Resource Allocation Model Task Force) would be made up of the following:

• 2 Faculty Evergreen Valley College Academic Senate Representatives
• 2 Faculty San Jose City College Academic Senate Representatives
• 1 Faculty SJECCD District Academic Senate Representative
• 1 Faculty AFT 6157 Representative
• 2 CSEA Representatives
• 2 Administrators from San Jose City College
• 2 Administrators from Evergreen Valley College
• 2 Administrators from the District

Per the process description, "the consultant, Roy Stutzman, will continue to facilitate and provide technical leadership to our group as we build upon the input of staff, data and analysis being provided, and previous work completed"
The newly constituted Resource Allocation Task Force held its first meeting on October 21, 2016. All meeting agendas, minutes and resource documents can be found on the District web site at: http:www.sjeccd.edu/district-services/administrative-services/resource-allocation-model

A chronology of Resource Allocation Model Task Force meetings can be found as Attachment IV (Page 61)

CURRENT SAN JOSE-EVERGREEN CCD RESOURCE ALLOCATION MODEL

A written description and flow chart depicting the current SJECCD Resource Allocation Model is shown as Attachment V (Page 62). The current model can be described as an "expenditure" based model. From the "Fundamental Approaches to Resource Allocation", the current model is a combination of a) prior year base b) District first and c) cover uncontrolled costs approaches. "The "Budget Allocation Model" description, shown in Attachment V, item III (Page 64), indicates that before determining resources available for allocation, DW (Districtwide) expenditures are evaluated based upon historical trends and needs for the new year budget. These DW costs are "taken off the top".

The college and DO (district office) budgets are then rolled forward with adjustments made for personnel expenditures associated with transition of staff and adjustments for retirements, employee transitions, step and column movement and adjustments for changes in the cost of statutory benefits. The college and District Services budgets are also adjusted for health and welfare premium cost.

Following the above processes, the budgets are assessed to determine if projected revenue exceeds or is less than projected expenditures. If revenue exceeds projected expenditures or if expenditures exceed revenues, "guidelines and direction for new resource allocation or budget reduction are coalesced with direction from the Chancellor with participation from the Chancellor's Cabinet".

The colleges and District Services are charged with the responsibility for living within their expenditure allocations. The current allocation model results in what is perceived to be a highly centralized system. The colleges do have complete control over their "operating" or "discretionary" budgets and are allowed to carry over unspent dollars from the prior year. As is the case with all community colleges, personnel costs including salaries and benefits represent the major objects of expenditure. Carry over savings from personnel accounts is not allowed. On the other hand, there has not been a penalty for over expenditure either. Hourly teaching salary accounts are typically over expended or underfunded depending upon your view point and often there are savings from full time accounts to compensate. College representatives express that hourly accounts should accurately reflect projected expenditures. To fully fund hourly teaching and to fully fund full time positions as they are known at budget adoption time would likely create an adopted budget deficit.
ALLOCATION MODELS FROM OTHER 22 MULTI-COLLEGE DISTRICTS

A detailed review of each of the allocation models used by the other 22 multi college districts in the state was undertaken. The purpose of this exercise was to:

- Familiarize Task Force members with general allocation model concepts and terminology
- Familiarize the Task Force members with methods used by other districts to allocate resources to their individual colleges
- Determine advantages and disadvantages of various approaches
- Determine if there were concepts, methods and/or approaches to allocation that were of interest for use in the San Jose-Evergreen CCD.

Many of the apportionment districts use an SB 361 approach to allocation. Districts using this approach simply allocate dollars to their colleges using the same formula approach the state uses to allocate resources to each of the apportionment districts in the state. In concept the SB 361 approach allocates a specific flat dollar amount in the form of a "basic allocation" to partially fund certain fixed costs that each district or college may incur. (This fixed dollar amount varies within certain size ranges i.e., less than 10,000 FTES, 10,000 FTES to 20,000 FTES and greater than 20,000 FTES). The basic allocation amount in 2016/17 was $3.6M for colleges and districts with less than 10,000 FTES, $4.8M for colleges with FTES of between 10,000 and 20,000 and $6M for colleges and/or districts with FTES in excess of 20,000. The balance of revenue is distributed using equalized per FTES funding amounts for credit, non-credit, and enhanced non-credit funding rates. Although this methodology uses only one workload driver (FTES), the basic allocation serves as an adequate proxy for the workload measure of gross square footage and to partially address the increased fixed costs of districts with high headcount to FTES ratios.

Subsequent to review of all 23 multi college allocation models, including SJECCD, particular attention was paid to the four (4) multi college districts who are also Basic Aid or community funded. In 2016/17 there were seven (7) community funded districts. Four (4) of those are multi college districts and relevant to this discussion:

- Marin CCD  3,737 FTES
- Mira Costa CCD  10,669 FTES
- San Jose-Evergreen CCD*  11,844 FTES
- San Mateo CCD*  17,510 FTES
- Sierra CCD  14,007 FTES
- South Orange CCD*  25,577 FTES
- West Valley-Mission CCD*  14,138 FTES

*Multi College District
Each of the 72 community college districts receive all of their respective student enrollment fees and property taxes. Each district's revenue entitlement is calculated according to the SB 361 formula to determine the districts' revenue limit. A "basic aid" district is one whose property tax and student enrollment fees exceed the amount that is calculated through the SB 361 process. These districts exceed their "revenue limit" and retain all local revenue in the form of property tax and enrollment fees. San Jose-Evergreen CCD is in this category.

San Mateo, West Valley-Mission and South Orange community college district's allocation models were looked at in detail.

All allocation model summaries can be found on the District website at http://www.sjeccd.edu/district-services/administrative-services/resource-allocation-model

DEVELOPMENT OF MODEL SIMULATIONS

Concurrent with review of allocation models from the other twenty two (22) California multi college districts, simulations were developed which began to portray the important elements of a revenue based allocation model, beginning with projected district revenue and ending in the actual projected allocation to fund the San Jose City College, Evergreen Valley College, Milpitas Extension, Workforce Institute, District Services and Districtwide costs. 2016/17 budget data was used in the simulations beginning with projections of revenue and expenditures in the adopted budget and concluding with projected final 2016/17 revenue/expenditures found in the 2017/18 tentative budget. The purpose of the simulations was to identify the specific components of allocation models, apply assumptions and recognize and evaluate the impact under various scenarios.

Detailed minutes of the sixteen (16) Task Force meetings, summary descriptions of allocation models from other twenty two (22) multi college districts and copies of the simulations can be found on the District web site at:

http://www.sjeccd.edu/district-services/administrative-services/resource-allocation-model

Task Force meetings were very well attended and resulted in thoughtful and highly valuable discussion around many issues involved in the resource allocation process. All participants were engaged and interested to learn more about and express opinion on:

- The budgeting process in general
- Impacts and significance of assumptions made in the budget process
- Current Resource Allocation Model (review written description and creation of a flow chart depicting steps in the current process)
• Revenue limitations

• Collective bargaining implications

• Competing needs for resources

• Program cost implications i.e. Career Technical Education, Athletics, etc.

• Total cost of ownership and out year cost of equipment and facilities.

• Unit funding implications of various resource allocation approaches as seen in the simulations

• Organizational issues (authority/responsibility)

• Budgetary authority

• Cost of providing District Services

• Funding Districtwide costs

• District "reserve" levels

• Performance based funding

• Student equity/social justice-ensuring equal educational opportunities and to promote student success for all students
BUDGET AND ALLOCATION MODEL PRINCIPLES

Over the years, specifically in 2008 and 2011 the District developed what were termed Principles for budget development in 2008 and Principles for Budget Allocation Model developed in 2011. The 2016 Resource Allocation Task Force had significant discussion around the information contained in both previously developed documents. What appears below are elements of the 2008 and 2011 history agreed to by the Task Force and edits done by the consultant.

1. The policy and governance roles of the Chancellor and the Board of Trustees in approving the allocation and use of district funds as stated in board policy and procedure should be clearly defined and understandable to the district at large

2. The Board of Trustees understands, accepts, and acts on their responsibility to approve and monitor the annual budget while vesting the authority to the Chancellor (or designee) to implement the budget. The budget model must ensure funding of the board defined reserve as a priority and requires the board to take actions as necessary that support the short and long-term fiscal solvency of the District

3. Each entity is responsible for developing, implementing and monitoring its budget

4. The budgeting process promotes the accomplishment of institutional goals and objectives, utilizing clearly defined metrics to evaluate outcomes whenever possible. There shall be flexibility within clearly defined limits in this process to allow for changes and redeployment of funds

5. The budgeting process must be transparent in design and implementation to include the district’s compliance with the 50% law, the 75/25 ratio for full time and adjunct faculty, the District full time faculty obligation (FON), relevant Education Code provisions and any other required standards established by the state.

6. Resource allocation acknowledges the interdependence of each entity and the role of the District in supporting the operations of each entity,

7. Financial information must be transparent, easily accessible and clearly communicated to all constituencies. Respect will be shown for the District and Colleges' participatory governance committees and processes. Information will be shared using a variety of methods and will allow for input from all levels of the colleges, including students.

8. Resource allocation will be informed by planning and will require that the District and Colleges define, prioritize and fund their needs based on an integrated process tied to Strategic Planning, Educational and facilities Master Planning and other planning resources

9. The success of students is primary with emphasis given to programs and services to support all students and to close achievement gaps

10. Resource allocation must take into consideration the programs and services offered by each college. The budget must reflect the alignment of ongoing resources with ongoing expenditures. The allocation model will be adaptable and scalable to changing federal, state, and local fiscal/regulatory conditions
11. Scenarios will be based on the elements of the model given the best information available at that point in time and should include multiple year projections utilizing reasonable assumptions. The data elements of the model will be widely disseminated and explained. Data informed decisions shall also include District and College impacts.

12. The effectiveness of the model will be evaluated annually by the District Budget Committee.

13. Resource allocation will acknowledge and be responsive to annual Board of Trustees budgeting principles.

The consultant has added the following:

The Resource Allocation Model must:

- Be perceived as fair
- Be easily understood
- Provide the proper performance incentives
- Work in good times and bad
- Assure financial stability

**KEY ISSUES**

Early on in the Task Force discussion key issues thought to be related to resource allocation were identified. What resulted is the following list of 29 "Key Issue Statements”:

1. Position resets – Each time an employment position is vacated; the budget is reset.
2. Metrics don’t drive the budget.
3. There are no consequences for overspending on the budget.
   a. Not an incentivized based budget. There is no reward for saving money.
   b. How does it/should it work?
4. Fund 10 discretionary carryover – should it include personnel experience?
5. There is a lack of linkage between allocation and program review at District Office level.
   a. How should the college program review impact/affect the Resource Allocation Model?
   b. The current model is not informed by College Program Review.
6. Many decisions are made in a vacuum (i.e. – decisions are made in Cabinet) – for example categorical for scheduled maintenance, categorical for student equity, etc.
   a. 40/40/20
7. Inefficiencies create disincentives (internal process issues that affect an individual’s decision to request a change to their budget.)
8. There is a lack of an understanding around District Office / District-wide Allocations
a. What are the specific costs?

9. Competition between SJCC and EVC (more CTE, more FTES, more Custodial, etc.)

10. How is money guaranteed to pay for medical benefits and raises?

11. How do we allocate for Adjunct Faculty?

12. There is a constant discussion of differential cost of programs – how does efficiency play-in, or not for all of the cost centers.

13. Improvement is needed in terms of integrating across funds
   a. Total cost of ownership.
   b. Bonds, Categoricals, facility rentals.
      i. How do these funds interact?

14. Where do we draw the line for the reserves, and reserves for the reserves, in comparison to what is legally required or required by Board approved standards?

15. Unfunded mandates from the Board of Trustees create difficulty (i.e. soccer).

16. We fund the Workforce Institute and the Foundation – where do they fall into the model

17. How do we fund Milpitas?
   a. Will this be funded via SJCC’s allocation, or will it stand alone?

18. If Bond Measure X passes, how does total cost of ownership fit into the current model?

19. Do we adequately meet discretionary needs at the college?
   a. How do we meet basic operational needs (light bulbs, toilet paper, etc.) without using discretionary for those needs?
   b. Essentially, the Committee agrees that discretionary funds should not be used for basic needs.

20. Deficient construction services from outside contractors require the use of our District Maintenance staff too early after a building is completed.
   a. There is not enough accountability on the part of the contractor (related to total cost of ownership).
   b. How we bid and manage our construction contracts is key.

21. Where does the budget for new technology come from if Measure X does not pass?

22. There is a need to improve long range planning for operations.
   a. There are no incentives to be innovative.

23. How do we assess that we are serving student needs?
   Committee Guiding Principles.

24. Perception – the issue of supplementing or supplanting dollars – include consideration for offsetting cost of service – how does the profit get allocated?
   a. Spending guidelines.
   b. How do revenues get weaved in?

25. Where does the additional State funding go?
   a. Develop a clear understanding of EPA, AB104, Adult Ed, etc.

26. How do we ensure that the resource for full-time faculty money from the state gets to new FTF positions?

27. If we have allocated all of our money, how do we have funds for emergencies?
   a. Contingency funds.

   a. Approved by DBC
   b. Goes to District Council
   c. Then goes to the Board
   d. Academic Senate

29. Non-resident/international fees – revisit the allocation.

Responses to the Key Issue statements are found in Attachment VI (Page 69)
CONSULTANT RECOMMENDATION:

PROCESS AND PROCEDURES

Roy Stutzman
August 22, 2017
RECOMMENDATIONS FOR IMPLEMENTATION

The recommendations contained in this report represent the opinion and judgement of the consultant and are not intended to reflect consensus opinion from the San Jose-Evergreen Community College District Resource Allocation Model Task Force.

The San Jose-Evergreen Community College District Resource Allocation Model should:

- Recognize the unique characteristics of a "community funded" District
- Balance current revenue/current expense
- Incentivize colleges to maximize use of revenues and achieve efficiencies through effective program review and a comprehensive, data driven enrollment management program
- Provide for review of District Services and Districtwide costs to assure transparency
- Provide incentives for colleges to improve student access and service to the community
- Assure funding source and on-going revenue to support collectively bargained salary schedule and benefit increases
- Provide clear lines of responsibility, authority and accountability
- Define areas of District level oversight, describe the nature of that oversight and the degree to which it will be exercised, i.e., California Community Colleges Budget and Accounting Manual (BAM), Full Time faculty requirements, 50% law, etc.

Employ a revenue based allocation model as depicted in simulation #7Aa (Page 18) and in the Revenue Allocation flow chart (Page 19). The model begins with an estimate of unrestricted, Fund 10 revenue including property tax, other revenue largely received from state sources and finally, local revenue generated by each college.

This model employs selected and appropriate principles and concepts from the 2004 statewide Funding Formula Task Force that are relevant to the San Jose Evergreen CCD. The Funding Formula Task Force recommendations were ultimately codified in SB 361 and define the method by which funds are allocated to California Community Colleges (all except those six (6) which are "community funded"). The full report and recommendations from the Funding Formula Task Force can be found on the California Community College League web site.

The elements taken from the Funding Formula Task Force that are appropriate for use in the San Jose-Evergreen CCD Resource Allocation Model are 1) use of a fixed dollar amount "basic allocation" along with 2) use of FTES (full time equivalent student) as the workload measure. FTES drives most instructional costs. The concept is to provide a basic allocation amount plus workload-driven funding beyond the basic allocation for a portion of the revenue. It is difficult to
identify a multiplier to account for economies and diseconomies of scale college to college. Differences in square footage or headcount per FTES or other cost of service differences can be mitigated through the use of the fixed dollar Basic Allocation.

PROPERTY TAX ALLOCATION

**Basic Allocation.** The San Jose-Evergreen CCD is a "community funded" district and receives the bulk of its revenue through local property tax and student fees. The District, in 2016/17, will receive approximately $30M more in revenue that it would have if the state apportionment formula were applied. It will be seen that the basic allocation recommended for use in the San Jose-Evergreen CCD Resource Allocation model is significantly greater than that used in the statewide formula, i.e., more dollars are divided equally among the two colleges. The recommended basic allocation for each college is $10,000,000. This would be increased each year based upon the increase in projected (adjusted for actual) property tax revenue just as the COLA is provided for in the state funding formula. If the district were funded through the apportionment process the basic allocation per college in 2016/17 would have been $3,602,096.

In addition to the basic allocation, the resource allocation recommendation includes significant dollars and opportunity to acknowledge and fund college to college identified program or service cost differences, i.e., if there are structural cost differences due to higher program costs resulting from greater program mix of Career Technical Education or Athletic programs or requirement to accommodate higher student cost, there is opportunity to further refine the allocation model to accommodate that in the future. $4,500,000 has been allocated to each college in the recommended model. Data would have to be analyzed further to determine if there are these types of differences that should be recognized. If there are not, this element of the allocation shall remain equal and simply become part of the basic allocation to be allocated equally to each college. Be reminded that the purpose of the basic allocation in the first place is to account for structural cost differences and economies or diseconomies of scale. It is important to note that any identified structural difference in cost would move dollars from one college to the other since no separate revenue source has been identified.

The Resource Allocation Model also includes an element to recognize performance and/or innovation. This element is designed to create focus on strategic outcomes of student success and completion. The goal is to use a relatively small amount of money initially to focus attention of the institutions on results. Initially $1,000,000 is being identified. $500,000 is being allocated to each college. As performance measures are developed, quantified and dollars assigned to them, the allocation to each college may change depending upon performance. These are not new or found dollars at this point in Resource Allocation Model development. If a college is currently spending its full allocation, including this piece, it has already committed the dollars to current expenditures. Ideally the district would in the future be able to identify a funding source for this important element so that progress at one college would not impact funding, in this case at the other. It is a zero sum game as presently presented.
33% or $30M of property tax funding, based upon the latest estimates of revenue in 2016/17, is being distributed equally in the model. The balance is being distributed on an **FTES basis using a 3 year rolling average**. This FTES methodology mitigates any negative financial impact of one year changes in FTES and was determined by the San Jose-Evergreen CCD Resource Allocation Model Task Force to be more fair.

**Other Revenue**- such as lottery, mandated cost reimbursement, Education Protection Account and much of the other state revenue comes to the district on the basis of FTES. The recommended model allocates this revenue to the colleges using FTES as the workload measure as well. Colleges are receiving the revenue essentially in the same manner as it is received by the district.

**District Services-Districtwide Costs**- The recommended model assesses the colleges for their share of **District Service and Districtwide** costs based upon their three (3) year average FTES. The rationale being that there is a relationship between cost of services provided on behalf of a college based upon workload measured by FTES. In theory a smaller college should not pay the same amount for services as a larger college. If the cost of these services were "taken off the top" as is the case with the current district allocation model each college does in fact pay the same.

Steps should be taken to insure a greater degree of transparency and sensitivity to District Services expenditures as viewed by the colleges. Colleges perceive that they have funding limitations that the "District" does not have. Budget process should contain Cabinet and District Budget Committee review of District Services/Districtwide proposed expenditures as the budget development process proceeds. It is not possible to develop a single work load measure that serves as proxy for service costs that are centralized in a multi college system.

**College Generated Revenue**- The final major element in the allocation model identifies local college generated revenue:

- Instructional materials fees
- International and other non-resident student tuition
- Resident student enrollment fees
- B.O.G. 2% Administration Fee
- Federal MAA Program
- Other local financing sources

The model recommends that colleges retain their locally generated revenue. Any district level costs associated with collection, accounting or otherwise administering these funds are a part of the District Service or Districtwide cost and are included in the assessment to the colleges.
The concepts involved in the recommended revenue based approach to Resource Allocation in the San Jose-Evergreen CCD:

- Basic Allocation
- Equalized revenue per FTES
- Program/Performance
- Performance and Innovation
- Other revenue distributed
- Assessment for cost of District Services and Districtwide expense
- Retention by colleges of local revenue

The equal distribution of revenue is significant enough to serve as a methodology to partially address fixed costs associated with program and service delivery. Employing the FTES work load measure provides recognition of costs associated with larger number of full-time equivalent students. The distribution of approximately 30% of the property tax revenue equally, allowing the colleges to retain any locally generated revenue and to distribute the balance using FTES seems to yield the appropriate mix of revenue drivers. As time goes on and the Performance and Innovation funding approach becomes developed and refined and funding becomes available it may be possible to increase the funding for this element of the model. This may be separate or continue to be part of the Allocation Model. Attachment VII (Page 73) provides information about a number of issues that deserve further discussion. Implementation of the Allocation Model recommendation should not be delayed pending those discussions. The items portrayed can be viewed as refinements to the recommendation. The structure exists in the model recommendation to incorporate any identified financial impact.

**Implementation**

It is likely that a new allocation model cannot be implemented in a single year. It is customary to implement over a reasonable period of time so that appropriate revenue/expenditure adjustments can be made. There may be a need for "bridge funding" initially to help mitigate any revenue loss for an affected college. A procedure similar to the "budget stability" procedure used by the State Community College Chancellor's Office may be established to assist a college that may incur a revenue reduction as a result of allocation model implementation. Under this procedure the impact of revenue reduction is apportioned over a three (3) year period subsequent to year one hold harmless. The purpose is to mitigate the program or service impact of that revenue loss. Using an example where, under the new model, a revenue adjustment of $600,000 is called for. In the first year of implementation a college would be held harmless; year 2 of implementation revenue reduction would be $200,000; year 3 of implementation revenue reduction would be $200,000 and in year 4 revenue adjustment would be $200,000. Over the 4 year period the total revenue adjustment of $600,000 is accounted for. The source of "bridge funding" will have to be identified as part of the strategy moving forward.
CONSULTANT
RECOMMENDATION:

SIMULATION AND FLOW CHART

Roy Stutzman
August 22, 2017
### San Jose-Evergreen Community College District

#### Unrestricted General Fund 10 Resource Allocation

**Simulation #7Aa FY17-18 Adopted Budget (excluding unspent prior-year carryover)**

<table>
<thead>
<tr>
<th>REVENUE TO BE DISTRIBUTED</th>
<th>SJCC PY 3YR AVERAGE</th>
<th>SJECC PY 3YR AVERAGE</th>
<th>EVC PY 3YR AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR &amp; NC (RFTEs)</td>
<td>11,761.88</td>
<td>5,519.45</td>
<td>6,242.43</td>
</tr>
<tr>
<td>Non-Resident</td>
<td>604.04</td>
<td>335.52</td>
<td>268.53</td>
</tr>
<tr>
<td>Total FTES</td>
<td>12,365.92</td>
<td>5,854.97</td>
<td>6,510.96</td>
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</table>

#### Property Taxes

<table>
<thead>
<tr>
<th>Source</th>
<th>SJCC Allocation</th>
<th>EVC Allocation</th>
<th>SJECC Extension</th>
<th>WFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplemental Secured</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RDA Residual Payments</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>RDA Asset Liquidation</td>
<td></td>
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<tr>
<td>Secured Homeowners Exempt</td>
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<tr>
<td>Total Property Tax</td>
<td></td>
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</tr>
<tr>
<td>Basic Allocation</td>
<td>20,584,000</td>
<td>10,292,000</td>
<td>10,292,000</td>
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<tr>
<td>SJCC Extension (Milpitas)</td>
<td>750,000</td>
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<td>750,000</td>
<td>750,000</td>
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<tr>
<td>Workforce Institute</td>
<td></td>
<td></td>
<td></td>
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<td>College Program Allocation</td>
<td>9,000,000</td>
<td>4,500,000</td>
<td>4,500,000</td>
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<tr>
<td>College Performance and Innovation Allocation</td>
<td>1,000,000</td>
<td>500,000</td>
<td>500,000</td>
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</tr>
</tbody>
</table>

#### Total Property Tax

<table>
<thead>
<tr>
<th></th>
<th>SJCC Allocation</th>
<th>EVC Allocation</th>
<th>SJECC Extension</th>
<th>WFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Property Tax D</td>
<td>60,565,300</td>
<td>28,421,234</td>
<td>32,144,066</td>
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#### Other Revenues

<table>
<thead>
<tr>
<th>Source</th>
<th>SJCC Allocation</th>
<th>EVC Allocation</th>
<th>SJECC Extension</th>
<th>WFI</th>
</tr>
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<tbody>
<tr>
<td>Mandated Cost</td>
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<tr>
<td>EPA</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Lottery</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Interest</td>
<td>293,021</td>
<td></td>
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<tr>
<td>Other State Income</td>
<td>3,686,541</td>
<td></td>
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<tr>
<td>Other local income</td>
<td>651,643</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of facilities</td>
<td>4,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Financing Sources</td>
<td>272,301</td>
<td></td>
<td></td>
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<tr>
<td>TOTAL OTHER DISTRIBUTED PER FTES</td>
<td>8,321,770</td>
<td>707,52</td>
<td>4,305,123</td>
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</tr>
</tbody>
</table>

#### Total Non-Campus Generated Revenues Allocated

<table>
<thead>
<tr>
<th></th>
<th>SJCC Allocation</th>
<th>EVC Allocation</th>
<th>SJECC Extension</th>
<th>WFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Non-Campus Generated Revenues Allocated</td>
<td>100,221,670</td>
<td>47,618,358</td>
<td>51,852,712</td>
<td>750,000</td>
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#### Less:

<table>
<thead>
<tr>
<th>Source</th>
<th>SJCC Allocation</th>
<th>EVC Allocation</th>
<th>SJECC Extension</th>
<th>WFI</th>
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<tbody>
<tr>
<td>DW EXPENSE</td>
<td>13,420,908</td>
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<td>6,354,476</td>
<td>7,066,432</td>
</tr>
<tr>
<td>Assessment per FTES</td>
<td></td>
<td></td>
<td>1,085.31</td>
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</tr>
<tr>
<td>DISTRICT SERVICE EXPENSE *</td>
<td>16,022,710</td>
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<td>7,586,367</td>
<td>8,436,343</td>
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<tr>
<td>Assessment per FTES</td>
<td></td>
<td></td>
<td>1,295.71</td>
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#### Net Allocation

<table>
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<tr>
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<th>SJCC Allocation</th>
<th>EVC Allocation</th>
<th>SJECC Extension</th>
<th>WFI</th>
</tr>
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<tbody>
<tr>
<td>Net Allocation</td>
<td>33,677,514</td>
<td>36,349,938</td>
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</tbody>
</table>

#### Revenue Per FTES (Net Allocation)

<table>
<thead>
<tr>
<th></th>
<th>SJCC Allocation</th>
<th>EVC Allocation</th>
<th>SJECC Extension</th>
<th>WFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Per FTES</td>
<td>5,751.96</td>
<td>5,582.89</td>
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</tbody>
</table>

#### Plus: College Generated Revenue

<table>
<thead>
<tr>
<th>Source</th>
<th>SJCC Allocation</th>
<th>EVC Allocation</th>
<th>SJECC Extension</th>
<th>WFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instructional material fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enrollment fees int'l students</td>
<td>1,128,825</td>
<td>915,629</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enrollment fees residents</td>
<td>2,578,786</td>
<td>2,974,837</td>
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<td></td>
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<tr>
<td>Int'l Health Insurance Fee</td>
<td>296,086</td>
<td>265,977</td>
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<tr>
<td>Other local income</td>
<td>129,541</td>
<td>80,883</td>
<td></td>
<td></td>
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<tr>
<td>B.O.G. (2% Admin Fee)</td>
<td>80,909</td>
<td>94,414</td>
<td></td>
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<tr>
<td>Other financing sources</td>
<td>400,000</td>
<td>98,500</td>
<td></td>
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</tr>
<tr>
<td>TOTAL COLLEGE GENERATED REVENUE</td>
<td>9,761,608</td>
<td></td>
<td>4,983,743</td>
<td>4,777,865</td>
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</table>

#### RAM Formula Allocation

<table>
<thead>
<tr>
<th></th>
<th>SJCC Allocation</th>
<th>EVC Allocation</th>
<th>SJECC Extension</th>
<th>WFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>RAM Formula Allocation*</td>
<td>38,661,257</td>
<td>41,127,803</td>
<td>750,000</td>
<td></td>
</tr>
<tr>
<td>Revenue Per FTES (RAM Formula)</td>
<td>6,603.16</td>
<td>6,316.71</td>
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<tr>
<td>LEGACY FORMULA ALLOCATION*</td>
<td>40,036,352</td>
<td>40,551,251</td>
<td>750,000</td>
<td></td>
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<tr>
<td>Difference</td>
<td>(1,375,095)</td>
<td>576,552</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bridge Funding</td>
<td>1,375,095</td>
<td></td>
<td>-</td>
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</tr>
</tbody>
</table>

#### Adjusted RAM Formula Allocation

<table>
<thead>
<tr>
<th></th>
<th>SJCC Allocation</th>
<th>EVC Allocation</th>
<th>SJECC Extension</th>
<th>WFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted RAM Formula Allocation</td>
<td>40,036,352</td>
<td>41,127,803</td>
<td>750,000</td>
<td></td>
</tr>
<tr>
<td>Revenue Per FTES (Adjusted RAM Formula)</td>
<td>6,838.02</td>
<td>6,316.71</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Does not include unspent prior-year carryover
Revenue Allocation Model Flow Chart

Total Property Tax Allocation
- Secured
- Supplemental Secured
- Unsecured Roll
- RDA Pass-thru
- RDA Residual Payments
- Secured Homeowners Exempt

Total Other Revenue Per Resident FTES Allocation
- Mandated Cost
- EPA
- Lottery
- Interest
- Other State Income
- Other Local Income
- Property Rental
- State Reimbursed Cost
- Use of Facilities
- Other Financing Sources

Basic Allocation

Program Performance Allocation

Per Resident FTES Allocation

District-wide and District Services Assessment

Total College Generated Revenue
- Instructional Materials Fees
- Enrollment Fees: International Students
- Enrollments Fees: Residents
- Parking Fees
- Other Local Income
- B.O.G. (2% Admin. Fee)
- Federal MAA Program
- Other Financing Sources

SJCC
EVC
MILPITAS
WFI

*Resident FTES = Rolling 3-year average
BUSINESS PROCEDURES

Implementation of the proposed model and consideration of local conditions will require continued refinement of the business procedures as experience dictates.

OVERVIEW: GENERAL FUND BUDGET

The San Jose-Evergreen Community College District (SJECCD) has a well-established history of effective financial planning, resulting in long-term fiscal stability. The Board of Trustees’ budget principles and financial practices call for careful management of all District financial resources. The overarching goal is to meet the commitments and requirements of the organization with the objective of maximizing the resources allocated to the colleges to achieve student success, and attainment of the Trustees, District, and college goals. (See Board Administrative Procedures AP 6200 Budget Preparation and AP 6300 Fiscal Management)

Each year at a February Board of Trustees meeting, a Budget Study Session is conducted. At this Study Session, the Vice Chancellor of Administrative Services provides an overview of the District’s financial state of affairs. This overview typically includes the economic forecast, an outlook for the Colleges and District, and a look at current local property tax projections. Each January, the Governor proposes the budget outlook for the following fiscal year, which is also included in this Study Session. Additionally, other local economic factors are evaluated, including local budget trends and needs, employment demographics, status of full-time faculty obligation numbers and the District fund balance in relation to comparable district fund balances throughout the region and the State. A review of District status in relation to the 50% law and other fiscal performance data is also provided. Based on the components of the Budget Study Session, the Chancellor and Vice Chancellor of Administrative Services will provide financial insight and guidance relative to fiscal analyses, trends, and budget issues or opportunities that may be forthcoming. Following this, the Board of Trustees’ current principles are discussed and reviewed. This discussion includes an interactive dialogue for consideration of updates, deletions, or additions to these guiding principles.

In a multi college community college district there is a need for formulae and procedures which clearly outline the method used to fairly and impartially allocate funds to the colleges. There must also be a means of funding centralized District Services and to provide for Districtwide costs such as utilities, property and liability insurance, etc. The district must assign appropriate levels of responsibility and grant commensurate authority for budget administration with the colleges and District level staff. The Chief Business Officer of the District (Vice Chancellor of Administrative Services) has a key role in preparing and managing the district budget. AP 6300 specifies delegation of authority from the District Chancellor to the Chief Business Officer the overall responsibility for stewardship of District resources. With regards to the external environment, the
Chief Business Officer's role is to scan financial, political, economic, and social horizons and advise the Chancellor and College Presidents of emerging situations with the potential to affect the District’s financial condition. (AP 6100)

Within the District’s internal environment, the function of the Chief Business Officer is one of support and service. This is consistent with the trend toward maximum decentralization of decision making authority and responsibility to the colleges. This position provides timely and accurate reports to District groups, develops accurate financial projections needed for future decision making, and communicates financial updates in a timely manner to faculty and classified staff at each college. The Chancellor and/or the Chief Business Officer meet with the District Governance Council and any participatory committee referred to by negotiated contract, or upon the request of an employee organization.

Ongoing communications between colleges and District Services is essential in maintaining a viable budgeting system. Recommendations on resource allocation guidelines and procedures are encouraged from staff groups, and information relative to finance procedures and estimates is reviewed with them. Full and open disclosure is essential to the District's budget process. Although California Community College finance is complicated, real understanding of the facts and inter-relationships involved in budget decisions is necessary for successful implementation of an effective budget allocation system.

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

**BUDGET DEVELOPMENT: UNRESTRICTED GENERAL FUND**

All funds discussed in this section are accounted for in the District’s Unrestricted General Fund (Fund 10)

**Beginning Balance**

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

1. Board designated reserves, including not less than a 7% General Fund Reserve per Board Policy 6250 and Administrative Procedure 6305.

2. College and District Services may carry over up to 1% total allocations from the prior year.

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

I. Overview of Resources

The next step in budget development is the computation of projected income by the Chief Business Officer.

Unrestricted Revenue to the District

Effective FY 12/13, SJECCD became the 5th community college district among the 72 California community college districts to be recognized as a “basic aid” or "community funded" district. Note: There are currently seven (7) “community funded” districts. Four of those are multi college districts. As such, the San Jose Evergreen Community College District is funded primarily by local property taxes and no longer receives State general apportionment revenue. The effects of becoming a basic aid district necessitate close monitoring and management of the property tax updates that are received throughout the fiscal year. Due to their reliance on local property tax for support, Basic aid districts face greater exposure to short term fluctuations in this revenue source.

For purposes of budget development and board adoption of the tentative budget prior to July 1, an initial projection of a 3.5% increase of property tax revenue will be made for the budget year as defined by the Board of Trustees adopted budget principles. By virtue of Board Policy and Administrative Procedure, the Vice Chancellor of Administrative services has overall responsibility for stewardship of District resources. The responsibility for determining how much of the initial property tax revenue will flow through the allocation model rests with the Vice Chancellor of Administrative Services.

This initial estimate will subsequently be adjusted based on County Tax Collector updates. Property tax data points usually come in August, November, February, May and June. The Adopted Budget is updated with the first property tax data point if received prior to the budget development deadline.
Separate projections are made for restricted funds. There are a number of state funded restricted or "categorical” programs that provide significant financial support for targeted programs. These funds are provided to community funded and apportionment districts.

**Enrollment Projections**

Even though funding for SJECCD is not based upon FTES as it would be under state apportionment, FTES is the generally accepted measure of service level and remains the primary work load measure used by the California Community College Chancellor's office. Lottery funding, some categorical funding and other state non-apportionment funding sources use this measure to allocate dollars to college districts.

Enrollment projections are based on an analysis of enrollment history, program plans, etc. The College Presidents provide information, oversight, and review of this process. Productivity ratios and class size goals are cornerstones to this segment of the budgeting system.

Non-resident tuition and resident enrollment fees are considered local revenue and each college is responsible for achieving its FTES target upon which fee revenue is based. Revenue will be monitored throughout the year and adjusted to actual at year end.

The colleges’ revenue allocations that are based upon FTES will be determined by using an average of prior three (3) years FTES enrollment. A portion of property tax and other non-apportionment state income will be allocated using FTES as the workload measure.

Income projections rely upon many assumptions about the future which guide the estimates of future income for the district. The possibility of changing economic and political conditions and the necessary tentativeness of the income total must be accepted and understood. Projected income should not be viewed as an absolute.

**II. Revenue Allocation Model: Allocation of Projected Revenue**

The District undertook a major review of its Resource Allocation Model (RAM) beginning in April of 2016. The procedure used to allocate funding to the colleges had not been reviewed and evaluated since the district became basic aid in 2012/13. What had evolved over time was an expenditure based allocation model that rolled existing and historical expenditures from year to year.

The allocation model review and recommendation process involved the leadership of all constituent groups in the District. The outcome of that review produced a "revenue" based allocation model whereby revenue is allocated to the colleges based upon clearly identified revenue driven elements. The two colleges develop their expenditure budgets within the funding provided. This approach encourages assignment of responsibility and decentralization
of authority for developing and managing college financial resources in an effective manner. Budget allocation decisions can be made at the local level in close proximity to where service is provided.

ADDITIONAL DESCRIPTION OF RECOMMENDATION: THE REVENUE ALLOCATION MODEL

1. Allocation of Property Tax Revenue to Colleges

Property tax revenue is the primary source of revenue used to fund general operating costs. Each college receives a "basic allocation" which is designed to provide partial funding for fixed costs associated with operating the colleges. The two colleges in the San Jose-Evergreen Community College District are similarly sized therefore the basic allocation is the same for each. This approach is similar in concept to the SB361 apportionment funding formula.

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

   a. **Annual Basic Allocation:** Each college shall receive an annual basic allocation of $10,000,000. The annual basic allocation may be adjusted each year by % increase in local property tax revenue using the data point at the time of adoption.

   b. **Program/Performance allocation:** To the extent that relative differences in program cost or performance can be identified, measured and converted to dollar value, when comparing one college to the other, there is $9M total to be apportioned to recognize these differences. If no difference exists each college would receive equal amount of $4.5M each.

   c. **Performance and Innovation Funding:** Initially $1,000,000 is being identified for this purpose. $500,000 is being allocated to each college until such time as performance measures are developed, quantified and assigned dollar value. Subsequent to the development of procedural elements of the program, the allocation to each college may change and the $1M may be apportioned differently.

   d. **FTES Based Revenue:** The balance of property tax funding for each college shall be allocated based upon resident credit and non-credit FTES. The measure is derived from the average resident credit and non-credit FTES served at each college over the past 3 years. It is a rolling average which will incorporate the most recent completed year and will drop off the oldest year.

2. Other Revenue distributed through the model. Distributed to colleges on a per-FTES basis. This category includes the following:

   a. Unrestricted Portion of Lottery
   b. Education Protection Account
   c. Interest
   d. Other state income
3. Assessments to Colleges for District Services and Districtwide Costs

On the broadest level, a partnership should exist between the colleges and District Services with the goal of encouraging and supporting collaboration. The colleges have broad oversight of their institutional responsibilities while District Services has Districtwide oversight responsibility which includes ensuring compliance with applicable statutes and regulatory requirements.

Decentralized structures support and maintain the philosophy of college autonomy. Colleges have primary authority over educational programs and student services functions. Each college develops autonomous and individualized processes to meet state and accreditation programmatic standards. Colleges typically have more budgetary responsibility and commensurate authority. While the District allocates funds based on established criteria, the colleges have discretionary authority to distribute these funds, subject to certain District prescribed standards to assure accountability and contribution to Districtwide goals and compliance with law and regulation.

In both structures, the purpose and function of District Services is to maintain the integrity of the District budget and to facilitate college operations so that the needs of the colleges are met and stability of each system is assured. District Services has responsibility for providing certain centralized functions, both to provide efficient operations as well as to assist in coordination between District Services and the individual colleges. These services generally include human resources, fiscal and budgetary oversight, procurement, construction and capital outlay, compliance with legal and audit standards and technical support.

Each college will be assessed for its share of centralized District Service costs and Districtwide expense based on college FTES (resident and non-resident FTES-three year rolling average).

a. District Services operations: Costs incurred for the operation of centralized services provided by District Services staff including the Chancellor and Governing Board, planning and research, finance, facilities planning and maintenance, risk management, purchasing, information technology, human resources, marketing, and safety.

b. Districtwide expense: Costs to support those District functions which are most effectively managed on a centralized basis, including utilities, property and liability.
insurance, legal fees, audit services, board elections, athletic insurance for intercollegiate athletics, information technology hardware maintenance and software license fees.

As an integral part of the budget development process, assessments for District Services and Districtwide costs will be reviewed and evaluated annually. Any change in future funding beyond the application of the increase in property tax receipts will be reviewed and evaluated by the Chancellor’s Cabinet during the budget development process.

4. College generated revenue

Revenue generated by the college shall remain at the college

   a. Fees Nonresident and international student tuition
   b. Parking fees
   c. B.O.G. Administration Allowance
   d. All program fees (cosmetology, dental assisting, etc.)
   e. Federal MAA program
   f. Other college specific revenue (transcript fees, library, etc.)

5. Allocation of Growth Revenue to Colleges

San Jose-Evergreen Community College District is a "community Funded" District and as such, revenue is not driven by FTES. Growth funding is naturally provided through that portion of the RAM that uses a three year rolling average FTES as a basis for allocation.

FTES Growth Funding: Prospective Growth funding may be provided through a "Performance Allocation and Innovation Fund" which can be developed outside of the Revenue Allocation Model.

6. Revenue Increase/decrease after budget adoption

Property tax revenue updates are normally received in August, November, February, May and June. If Additional local property tax revenue is received by the District after the budget is adopted in September the Chancellor along with Chancellor's Cabinet shall determine the disposition of that revenue. It may be distributed through the allocation model as delineated in the revenue parameters above, used as collective bargaining reserve or used to fund special program initiatives proposed by the colleges or District Services. If less revenue, from any source, is received than anticipated, the Chancellor along with Chancellor's Cabinet will determine the appropriate budget strategies. All revenue will be monitored throughout the year and adjusted to actual at year end.
Expenditure Budgets

Colleges

Subsequent to allocation of revenue, each college and District Services shall finalize its budget plan. San Jose City College shall develop the budget for the Milpitas Extension and District Services will develop the Districtwide budget proposal. The location budget plans are then consolidated into the total District budget for Board approval. Thus, budgets submitted to the District do not encounter the typical cutting procedures because they are in balance when submitted. The allocations are stretched to meet as many needs as possible in a process involving participation of faculty and other college staff to ensure (1) the resource requirements for educational and support programs are considered, and (2) priorities are developed consistent with the ACCJC standards.

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

a. Allocating resources to achieve the prescribed level of FTES while striving to meet the needs of disproportionately impacted populations is a primary objective for all colleges;

b. Requirements of the collective bargaining contracts apply to college level decisions;

c. The State required full-time Faculty Obligation Number (FON) must be maintained. Due to funding implications, care must be exercised to maintain equitable full-time/part-time balance at each college. Full-time faculty numbers, ratios and staffing plans will be monitored on a Districtwide basis;

d. In making expenditure decisions, the impact upon the 50% law calculation must be considered and budgeted appropriately;

e. Care should be exercised in maintaining the public investment in the physical plant, facilities and grounds of the campuses;

f. In order to promote similar levels of support services at each of the colleges, appropriate levels of classified and management staffing need to be maintained.
District Services

Development of annual expenditure budgets for District Services and Districtwide costs is the responsibility of the Chancellor and District Services staff. Based on projected levels of expenditure for the current fiscal year and taking into account unusual or one-time anomalies. District Services is responsible for utilizing its assessments to provide centralized services to the colleges that are efficient, cost effective, and responsive to campus needs. The projected increase in local property tax revenue, per the adopted budget, will be incorporated into the development of the new year budget; however, any change beyond this level of funding will require approval by the Chancellor’s Cabinet.

Districtwide Costs

These costs such as utilities, bad debt allowance, legal fees, centralized reprographics, maintenance, inter fund transfers, etc. These are considered to be relatively fixed costs that must be paid by the District. There is generally less discretion with regard to payment of these obligations. The projected increase in local property tax revenue, per the adopted budget, will be incorporated into the development of the new year budget; however, any change beyond this level of funding will require approval by the Chancellor’s Cabinet.

Long Term Plans

Colleges

Each of the colleges shall maintain a long-term plan for facilities and programs. The Chancellor, in consultation with the Presidents, will evaluate additional funding that may accrue to the colleges beyond what the model provides. The source of this funding will also have to be identified.

District Services

District Services also may require additional funding to implement new initiatives in support of the colleges or to satisfy legal or mandated cost requirements. The Chancellor will evaluate requests for such funds on a case-by-case basis. The source of this funding will also have to be identified.

Contingencies, Carryovers and Deficits

In a Revenue based allocation model, the colleges have greater autonomy but also greater budgetary responsibility and accountability.

Each college and District Services will be responsible for annually setting aside .5% of their operating expenditures budget as a contingency reserve.
Carryover may be accrued up to 1% of college or District Services total allocations. Carryover is defined as the total unspent budgets in the 1000’s through 7000’s major object code accounts, which includes all personnel and discretionary accounts. Should carryover balances exceed 1%, the amount in excess will default to the General Fund Reserve.

If a deficit is incurred by a college or the District Services for any given year, the following sequential steps will be implemented:

- **Step 1** – College/District Services reserves shall be used to cover any deficit generated by that location.

- **Step 2** - If the college/District Services does not have sufficient reserves to cover the deficit, then the college/District Services shall pay back any shortfall over three years starting the second year immediately following the deficit year. To the degree District-level reserves are insufficient to cover the deficit, an additional per FTES assessment may be necessary.

- **Step 3** - There may be circumstances for which a college or the District Services will find itself in a significantly weakened financial position, making full repayment of one or more of the three scheduled payments extremely difficult. The District Chancellor, along with the Chief Business Officer and college Presidents, may consider an application for hardship whereby one or more payments are forgiven. When this occurs, the shortfall would come from the District’s unrestricted general fund reserves. The draw down against the District’s unrestricted general fund reserves may require higher assessments in subsequent years to replenish the Districtwide reserves.

The District’s unrestricted general fund reserves shall be no less than 7% as established by the Board of Trustees per Board Policy 6250.

**BUDGET CONTROL AND ADMINISTRATION**

**Budget Control**

Budget control is an instrument for planning because a budget prescribes resources to carry out those plans. This makes it possible to set priorities and maintain control over resources to achieve those priorities. A budget must balance, that is, revenues and other sources equal total expenditures and allocations.

The College Business Officer at each location is responsible for accurate projections which are vital to budget control. The Chief Business Officer is responsible for Districtwide oversight and compliance. During the course of the fiscal year, the Chief Business Officer must analyze revenue projections. If updated revenue projections are less than budgeted amounts, recommendations must be developed for resolving the imbalance.
The primary source of revenue is local property tax. Property tax data points usually come in August, November, February, May and June. The Board, Chancellor and College Presidents will be advised of the status of property tax collections as the year progresses. Other revenue sources will be monitored as well throughout the year.

**Budget Administration**

To preclude disruptive mid-year occurrences or errors in original projections, minimum reserves of .5% (contingency) of the operating fund expenditure budget for each college are required (see Contingencies, Carryover and Deficits section above).

Once the funds are allocated to a college, that college administers its expenditure budget for the year and is held responsible for so doing in accordance with business policy, procedure or practice. The allocation system at the college level fixes the budget responsibility at the organizational unit level (division dean, administrator, supervisor, etc.).

Flexibility in making budget transfers within available budget balances is permissible according to business policy, procedure or practice. All financial transactions, including budget transfers, require Board approval, either by ratification or approval in advance for larger items.

**Budget Reports**

An account balance report and a detailed expenditures report are available to all organizational units. Reports are available also at summary levels for use by the College Presidents. Finance system information is also available on-line for immediate inquiry as to budget account status and expenditure transactions detail. A detailed quarterly budget report is prepared by District Services Staff and does include detailed revenue and expenditure information.

This system ensures a non-deficit financial operation by establishing a reserve and allocating available money only. Budget balancing and constant monitoring at various levels throughout the year provide proper protection.

**RESTRICTED GENERAL FUND**

All funds discussed in this section are accounted for in the District’s Restricted General Fund (Fund 17).

**BUDGET DEVELOPMENT AND CONTROL**

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

College Specific Allocations and Grants

In cases in which the funds come to the district as a specific college allocation or grant, that
college will create the budget and receive the funds into their financial reports and will assume
responsibility for:

- Planning the program and developing a budget that meets the requirements of the
  grantor;
- Managing the program and associated budget for the lifetime of the allocation or
  grant;
- Identifying and working with the District Services to resolve any issue that might
  otherwise result in disallowed or questioned costs;
- Preparing accurate interim and final program and financial reports and submitting
  them to the grantor in a timely manner, as required; and
- Providing staff services to auditors for program and/or financial audits, as required.

In these cases, District Services oversees and monitors this process and assumes responsibility
for:

- Reviewing and certifying program plans and associated budgets prior to submission
  to the grantor for compatibility with district rules of operation; standards for
  purchasing; policies and practices for the hiring, compensation and evaluation of
  grant funded positions;
- Ensuring ongoing compliance of all program and budget requirements during the
  life of the allocation or grant;
- Identifying and working with the college to resolve any issue that might otherwise
  result in disallowed or questioned costs, and
- Reviewing and certifying interim and final program and financial reports prior to
  submission to the grantor.
Non-College Specific Allocations and Grants

When funding is not college specific, allocation to the colleges will be determined by the Chancellor’s Cabinet based upon data, funding restrictions and other relevant information. Federal, State, or private grants will be allocated and administered per the grant agreement.

In cases in which funding remains at the District level, District Services assumes full responsibility for management of the funds as outlined in the College Specific section above.
ATTACHMENT I
FEEDBACK

- From meetings with Chancellor’s Cabinet and constituent groups to date
## OBSERVATIONS

- Relationship between total revenue/total expenditures at the college level not acknowledged
- Current model does not allocate revenue-allocates expenditures
- No consequence attached to expenditures exceeding budget
- Colleges seem to have limited view of their budget responsibility
- Historical expenditures drive budgets
- Colleges appear to lack control over entire budget, have not been encouraged to accept full responsibility, not granted authority and have not been held fully accountable
- Lack of incentives to improve performance

## OBSERVATIONS (cont’d)

- “Fuzzy” Budgetary accountability
- Current model does not produce desired level of predictability
- Current model encourages budget decisions be made at the Chancellor’s Cabinet level that may be better made by the colleges
- Current model negatively impacts relationship between college and district staff
- Current model not well understood
- Current model lacks transparency
- Perception that cost of District Services is too high
“HOW”

- FINITE RESOURCES
- TIMING OF REVENUE

DISTRICT-WIDE BUDGET ALLOCATION MODEL PRINCIPLES July 14, 2011

- Student Focused
- Fiscal Stability and Solvency
- Integrated With Planning
- Entity Authority
- Structurally Balanced
- Communication and Collegiality
- Fiduciary Responsibility
- Data Driven Decision Making
- Evaluation
ALLOCATION FUNDAMENTALS

- SJECCD model needs to recognize unique characteristics of “community funded” district
- Balance Current Revenue/Current Expense
- Allocation model should incentivize colleges to maximize use of revenues and achieve efficiencies through a comprehensive, data driven enrollment management program.
- Provide incentives for colleges to improve student access and service to the community

ALLOCATION FUNDAMENTALS (cont’d)

- Assure funding source and on-going revenue to support collectively bargained salary schedule increases
- Provide clear lines of responsibility, authority and accountability
- Define areas of District level oversight, describe the nature of that oversight and the degree to which it will be exercised, i.e., California Community Colleges Budget and Accounting Manual (BAM) Full Time faculty requirements, 50% law, etc.
### CALIFORNIA COMMUNITY COLLEGE SYSTEM

- Seventy Two (72) Districts
- Twenty three (23) multi college districts
- Range in FTES from 5,314 FTES to 108,551 FTES
- Forty nine (49) single college districts
- Range in FTES from 1,432 FTES to 31,546 FTES
- Six (6) community funded (basic aid) Districts
- Four (4) of the six (6) are multi college districts

### CALIFORNIA COMMUNITY COLLEGE “COMMUNITY FUNDED” DISTRICTS

<table>
<thead>
<tr>
<th>District</th>
<th>FTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marin CCD</td>
<td>3,737</td>
</tr>
<tr>
<td>Mira Costa CCD</td>
<td>10,669</td>
</tr>
<tr>
<td>San Jose CCD*</td>
<td>11,844</td>
</tr>
<tr>
<td>San Mateo CCD*</td>
<td>17,510</td>
</tr>
<tr>
<td>South Orange CCD*</td>
<td>25,577</td>
</tr>
<tr>
<td>West Valley CCD*</td>
<td>14,138</td>
</tr>
</tbody>
</table>

*Multi College
RESOURCE ALLOCATION METHODOLOGIES

- Prior Year Base Model
- District First Model
- Cover Fixed Cost Model
- College First Model
- Productivity Model
- Base Allocation Model

WEST VALLEY-MISSION CCD

- Resource allocation model (RAM) adopted 2013
- Allocation of reserve (5%) and assigned/non-spendable fund balance
- Allocation of faculty costs (roll position control full time positions and allocate pt. time using the "Associate Faculty funding model") 32.41 annualized FTE/FTEF
- Allocation of District Wide costs
- Allocation of District Services costs (15%-16%)
- Baseline staffing allotment (SB 361 concept)
- Allocate remaining resources to colleges based upon prior year FTES
- Allocation for non-resident tuition
- Allocation of anticipated expenditures set-aside in fund balance
SAN MATEO CCD

- Roll prior year budgets for colleges, district office, and facilities
- Adjust for new costs, utilities, retiree benefits, legal consultants, and all district-wide costs
- “Small college” augmentation
- Non resident growth added to college budgets (80% to colleges-16% to District Services for recruitment and marketing-4% contingency)
- Add collective bargaining settlements, step & column, health & welfare, PERS, STRS, and all statutory benefits
- District strategic plan-Innovation Fund allocated by Chancellor’s Cabinet

SOUTH ORANGE CCD

- Simulates funding under SB 361 for purposes of allocation
- Remaining $ used for large capital projects and recommendations from BAARC (budget development guidelines)
- Model distributes to Saddleback College, Irvine Valley College, Contingency Reserve, General Expenditures and District Services
- Decentralized revenue based model-distributes available general fund unrestricted resources according to state funding formula (SB 361)
- Planning at the colleges and district services is the basis for expense decisions
- Prior year ending balances carried forward
- Allocation uses 3-yr FTES average
- 7.5% contingency
- District Services funded at 9.34%
SAN JOSE-EVERGREEN CCD

- Five funding groups (EVC, SJCC, Workforce Institute-WI, District Office-DO and District Wide-DW Expense)
- Provide for 7% Unrestricted GF Reserve
- Before allocation first evaluate DW expenditures based upon historical trends and projected needs for budget year
- Roll college and DO expenditure budgets with adjustments for staff transition, retirements, step and column, cost of statutory benefits and premium changes for health and welfare benefits
- Adjust expenditure budgets for cost of collectively bargained settlements that may occur throughout the year
- Budget reassessed; INCO additional resources or deficit, Chancellor, with participation from Chancellor's Cabinet will determine guidelines and direction
SB361 Example

- Basic Allocation
  - $5,670,617 > 19,880 FTES
  - $4,536,493 > 9,940 FTES
  - $3,402,370 < 9,940 FTES
  - $1,134,123 State Approved Center
  - + Credit FTES at state funded rate ($4,724/FTES)
  - + Non Credit FTES at state funded rate ($2,840/FTES)
  - + Enhanced Noncredit FTES at state funded rate ($4,676/FTES)

*2015/16 FUNDING RATES

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SB 361 Example (cont’d)

- BASE REVENUE CALCULATION
  - BASIC ALLOCATION = $3,402,370
  - BASE FUNDING:
    - CREDIT BASE
      - RATE ($4,724) x 7,000 FTES = $33,068,000
    - NON CREDIT BASE
      - RATE ($2,840) x 15 FTES = $42,600
    - CDCP N/C BASE
      - RATE ($4,724 x 0 FTES = 0
  - TOTAL BASE $36,512,970
SB 361 Example (cont’d)

- COLA 2.5% = $912,824
- GROWTH 0 = 0

TOTAL COLLEGE REVENUE = $37,425,794

COLLEGE BUDGET ALLOCATION example

- BASIC ALLOCATION (source: Property Tax)
- FTES BASED ALLOCATION (source: Property Tax)
- OTHER REVENUE ALLOCATED THRU THE MODEL
  (Distribution based upon FTES)
  Lottery, EPA, Interest, State Pt. Time faculty allocation,,
  Property rental, District wide use of facilities

= TOTAL COLLEGE REVENUE GENERATED THRU THE MODEL
COLLEGE BUDGET ALLOCATION
Example (cont’d)

**LESS:** Assessments based on $/FTES for District Wide expense and District services cost

= **College Net Revenue Allocation thru the model**

**PLUS:** COLLEGE GENERATED REVENUES

Enrollment fees, 2% Admin. Fee, non resident tuition, facilities usage, etc.

= **TOTAL COLLEGE REVENUE**

---

COLLEGE BUDGET ALLOCATION
Summary

**BASIC ALLOCATION**

PLUS: Proportional share of Property Tax and other revenue allocated thru the model

**LESS:** District Wide and District Service Cost

**PLUS:** Local college generated revenue

**EQUAL:** Net college revenue
PROCESS

- Schedule meetings with remaining constituent groups
- District Budget Committee
- District Council
- District Academic Senate
- Recommendation to Chancellor

ALLOCATION MODEL SURVEY

LINK----https://goo.gl/n4B8cP

DISTRICT WEB SITE:
DISTRICT SERVICES
   BUDGET PLANNING AND REPORTS
   ALLOCATION MODEL EVALUATION
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Rating</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is it simple and easy to understand?</td>
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<tr>
<td>Does it provide for financial stability?</td>
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<tr>
<td>Does it provide for an appropriate level of reserves consistent with board policy and direction?</td>
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<tr>
<td>Is it responsive to the District/College’s planning process and related goals and objectives?</td>
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<tr>
<td>Does it provide means to address any current or future emphasis directed by the Governing Board?</td>
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<tr>
<td>Does it provide efficient use of District resources?</td>
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<tr>
<td>Is it flexible and does it allow for appropriate decisions to be made at the local (college) level?</td>
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<tr>
<td>Does it allow colleges to initiate, implement and be responsible for new program initiatives?</td>
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<tr>
<td>Does it provide for transparency of District Office and District Wide costs?</td>
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<tr>
<td>Does it match resources with current levels using objective standards or measures to assure equity (is it fair and equitable)?</td>
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<tr>
<td>Does the current model provide a fair distribution of resources?</td>
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</tr>
<tr>
<td>Should the colleges have more responsibility and authority for managing their total budgets (yes or no and why)?</td>
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</tr>
<tr>
<td>What would you change in the way colleges receive resources?</td>
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</tbody>
</table>
ATTACHMENT II
SAN JOSE-EVERGREEN
COMMUNITY COLLEGE DISTRICT

RESOURCE ALLOCATION

FEEDBACK

☐ 4/26/16 – Present - Meetings with constituent groups
☐ 5/19/16-Joint meeting of District Council/District Budget Committee- Introduction and Allocation Fundamentals
☐ 8/18/16 - Presenter at Accreditation- Leadership Retreat
☐ Survey on District web site https://goo.gl/n4B8cP
OBSERVATIONS

- Current Model not well understood
- Current Model lacks transparency
- Current model does not allocate revenue-is expenditure based
- Historical expenditures drive budgets
- Colleges appear to have limited view of their budget responsibility
- Colleges have not been encouraged to accept full budgetary responsibility, not granted authority and have not been held fully accountable

OBSERVATIONS (cont’d)

- “Fuzzy” Budgetary accountability
- Current model does not produce desired level of predictability
- Current model encourages budget decisions be made at the Chancellor’s Cabinet level that may be better made by the colleges
- Current model negatively impacts relationship between college and district staff
- Perception that cost of District Services is too high
- Lack of incentives to improve performance
“HOW”

- FINITE RESOURCES
- TIMING OF REVENUE

DISTRICT-WIDE BUDGET ALLOCATION MODEL PRINCIPLES - July 14, 2011

- Student Focused
- Fiscal Stability and Solvency
- Integrated With Planning
- Entity Authority
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- Communication and Collegiality
- Fiduciary Responsibility
- Data Driven Decision Making
- Evaluation
ALLOCATION FUNDAMENTALS

- SJECCD model needs to recognize unique characteristics of “community funded” district
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*Multi College District

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- Budget reassessed; INCO additional resources or deficit, Chancellor, with participation from Chancellor's Cabinet will determine guidelines and direction
PROCESS

- Schedule meetings with remaining constituent groups
- District Budget Committee
- District Council
- District Academic Senate
- Recommendation to Chancellor
ATTACHMENT III
“HOW”

**SOURCES OF FUNDS**
- Finite Resources
- Timing of Revenue

**USES OF FUNDS (FUNDING GROUPS)**
- San Jose City College
- Evergreen Valley College
- Workforce Institute
- Milpitas Extension
- District Services
- District Wide
### California Community College “Community Funded” Districts

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    - + Enhanced Noncredit FTES at state funded rate ($4,676/FTES)

*2015/16 FUNDING RATES
### BASE REVENUE CALCULATION

**Basic Allocation:**

\[ \text{Basic Allocation} = $3,402,370 \]

**Base Funding:**

- **Credit Base**
  \[ \text{Rate} ($4,724) \times 7,000 \text{ FTES} = $33,068,000 \]
  \[ + \]
- **Non-Credit Base**
  \[ \text{Rate} ($2,840) \times 15 \text{ FTES} = $42,600 \]
  \[ + \]
- **CDCP N/C Base**
  \[ \text{Rate} ($4,724 \times 0 \text{ FTES} = 0 \]
  \[ \text{Total Base} = $36,512,970 \]

### PASS THRU Example (cont’d)

- **COLA 2.5%**
  \[ = $912,824 \]
- **Growth 0**
  \[ = 0 \]

**Total College Revenue:**

\[ \text{Total College Revenue} = $37,425,794 \]
COLLEGE BUDGET ALLOCATION

PASS THRU example

- **BASIC ALLOCATION** (source: Property Tax)
- **FTES BASED ALLOCATION** (source: Property Tax)
- **OTHER REVENUE ALLOCATED THRU THE MODEL**
  (Distribution based upon FTES)
  Lottery, EPA, Interest, State Pt. Time faculty allocation,,
  Property rental, District wide use of facilities

= TOTAL COLLEGE REVENUE GENERATED THRU
THE MODEL

---

COLLEGE BUDGET ALLOCATION

PASS THRU Example (cont’d)

**LESS:** Assessments based on $/FTES for District
Wide expense and District services cost

= **College Net Revenue Allocation thru the model**

**PLUS:** **COLLEGE GENERATED REVENUES**

Enrollment fees, 2% Admin. Fee, non resident tuition,
facilities usage, etc.

= TOTAL COLLEGE REVENUE
COLLEGE BUDGET ALLOCATION

Summary

BASIC ALLOCATION
PLUS: Proportional share of Property Tax and other revenue allocated thru the model
LESS: District Wide and District Service Cost
PLUS: Local college generated revenue
EQUAL: Net college revenue
ATTACHMENT IV
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<td>06/06/2017 RAM Taskforce with Guest Speaker, Dr. John Morton</td>
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ATTACHMENT V
District Resource Allocation Model

The San Jose-Evergreen Community College District (SJECCD) has a well-established history of effective financial planning, resulting in long-term fiscal stability. The Board of Trustees’ budget principles and financial practices call for careful management of all District financial resources. The following is a description of the Board of Trustees’ principles and SJECCD’s budget allocation methodology. The overarching goal is to meet the commitments and requirements of the organization with the objective of maximizing the resources allocated to the colleges to achieve student success, and attainment of the Trustees, District, and college goals.

I. Board of Trustees Annual Study Session
   a. Overview
      Each year at a February Board of Trustees meeting, a Budget Study Session is conducted. At this Study Session, the Vice Chancellor of Administrative Services provides an overview of the District’s financial state of affairs. This overview typically includes the economic forecast, an outlook for the Colleges and District, and a look at current local property tax projections. Each January, the Governor proposes the budget outlook for the following fiscal year, which is also included in this Study Session. Additionally, other local economic factors are evaluated, including local budget trends and needs, employment demographics, status of full-time faculty obligation numbers and the District fund balance in relation to comparable district fund balances throughout the region and the State. A review of our status in relation to the 50% law standards, and other fiscal performance data is also provided. Based on the components of the Budget Study Session, the Chancellor and Vice Chancellor of Administrative Services will provide financial insight and guidance relative to fiscal analyses, trends, and budget issues or opportunities that may be forthcoming. Following this, the Board of Trustees’ current principles are discussed and reviewed. This discussion includes an interactive dialogue for consideration of updates, deletions, or additions to these guiding principles. The following principles are current and were approved by the Board of Trustees on February 24, 2015.

   b. Board of Trustees’ Principles
      1. Trustees to provide the Chancellor & staff with policy framework for managing an “appropriate” fund balance & structural balance.
      2. Validate a “student centered” approach to ensure student success and equity.
      3. Compliance with accreditation standards.
      4. Distinguish between on-going vs. one-time savings & needs.
      5. Manage all resource allocations or funding reductions systematically to maximize student equity and success.
      6. Seek efficiencies and revenue opportunities.
      7. Establish and maintain an employee salary and compensation structure that is competitive among the Bay 10 Community College Districts.
      8. Maintain a minimum 7% Unrestricted General Fund reserve.
      9. District Stabilization Fund
         • Board authority required to access.

revised April 20, 2016
II. Overview of Resources

a. Unrestricted Revenue to the District
Effective FY 12/13, SJECCD became the 5th community college district among the 72 California community college districts to be recognized as a “basic aid” district. As such, the college District is funded primarily by local property taxes and no longer receives State general apportionment revenue. The effects of becoming a basic aid district necessitate close monitoring and management of the property tax updates that are received throughout the fiscal year.

As noted in Board Principle #10, property tax projections will be based on 3.5% growth and will be adjusted each period based on County Tax Collector updates. The Tentative Budget is based on the 3.5% projection. The Adopted Budget is updated with the first property tax data point if received prior to the 1st Quarter Report deadline.

College districts that are funded via traditional State apportionment receive their primary statement of funding each July with modest adjustments throughout the year for changes such as the deficit factor. Basic aid districts receive new financial data points on an approximate quarterly basis. The result is an initial budget allocation with periodic updates as new information is reported.

b. Restricted Revenue to the Colleges
While SJECCD is a basic aid district for general apportionment funding purposes, it does participate fully in State categorical programs for which it is eligible. These resources are allocated directly to the Colleges and District as appropriate based on student eligibility and
specific criteria relative to each of the categorical requirements. The programs that SJECCD participates in are listed below, with a total categorical value of $9.2M in FY 15/16.

- Apprenticeship
- Basic Skills
- CalWORKs
- CARE
- BOG Fee Waiver Administration
- DSP&S
- EOP&S
- Equal Employment Opportunity
- Physical Plant & Instructional Support
- Scheduled Maintenance & Repairs
- Student Equity
- Student Financial Aid Administration
- Student Success & Support Programs
- TANF
- Telecom & Technology
- FT Student Success Grant
- FT Faculty Allocation

**c. Other Resources for the Colleges**

Each year, the Colleges and District Office are reassigned eligible unspent operating dollars from the prior year for inclusion with their new year budget allocation. These are called discretionary budget carryovers. The Colleges are also assigned 75% of new international fee revenue that is generated over the base year (FY2013/14). The Colleges also participate in the energy management utility rebate program, whereby if they elect to participate in designated PG&E energy saving days, they receive a dollar-for-dollar benefit of any associated utility rebate. In addition to these funds, the colleges keep 100% of facilities use revenue that is generated throughout the year, net of actual costs. In each year, this can generate hundreds of thousands of dollars of program opportunity money.

**III. Budget Allocation Model**

There are five major funding groups within the General Fund, which are San Jose City College (SJCC), Evergreen Valley College (EVC), Workforce Institute (WI), District Office (DO), and Districtwide expenses (DW). Before determining resources available for allocation, or during an economic downturn, we first evaluate the DW expenditures based on historical trends and projected needs for the new year budget. Generally, the DW categories include, but are not limited to:

- Advertising
- Audit Expenses
- Bad Debt Allowance
- Bank Charges
- Benefit Broker Contracts
- Board Elections
- Contracts/Personal Services
- Electricity
- Enterprise Resource Planning
- External Collection Fees
- Fuel/Oil
- Garbage
- Gas
- Insurance
- Interpreters
- Lease Payments
- Legal Expenses
- License Renewals
- Maintenance
- Memberships
The College and DO budgets are then rolled forward with adjustments made for personnel expenditures associated with the transition of staff and adjustments for retirements, employee transitions, step and column movement, and adjustments for changes in the cost of statutory benefits such as STRS, PERS, Social Security, Medicare, Unemployment Insurance, and Workers’ Compensation. Additionally, the College and DO budgets are adjusted for the premium changes relative to health and welfare benefits.

Throughout the year, collective bargaining is underway with the employee groups and, upon settlement, any costs or benefits are recognized as adjustments to the College and DO budgets.

Following the above processes, the budget is reassessed for additional available resources or necessary organizational reductions. Guidelines and direction for new resource allocation or budget reduction are coalesced with direction from the Chancellor with participation from the Chancellor’s Cabinet. Prior to a recommendation being made, this group assesses the overall financial conditions relative to one-time dollars and ongoing resources within the context of the Board of Trustee’s established Budget Principles. Following this, resource assessment criteria are applied based on the resource allocation principles. These include program reviews, College and District planning, Board Ends Policies and directional institutional priorities, goals, and objectives.

The Colleges and the District Office participate in a program review in part to determine effectiveness of programs and in part to determine areas of growth and/or needed improvement. The results of these program reviews become part of the criteria for determining where resources are needed at the local level. The executive work plans, which are linked to the district strategic priorities, are used in a similar way. The planning and program review cycle is timed to be consistent with the resource allocation timeline. The Cabinet uses this criteria to make the case for resources needed as a part of their conversation with the Chancellor.

The District Budget Committee (DBC) meets on a monthly basis throughout the academic year. The Committee consists of 21 members with the Vice Chancellor of Administrative Services as the Chair and includes the following constituent group members:

- 6 Classified Staff
- 6 Faculty
- 2 MSC
- 4 Business Officers: one from each location

revised April 20, 2016
• 2 students: one from each campus

The DBC reviews all of the above activity and all major financial information, including available resources and DW financial requirements, as well as the Chancellor’s Cabinet budget recommendations for the upcoming fiscal year. Throughout the year, the DBC receives updates of new information as it becomes available and comprehensively reviews budget details as represented in each quarterly budget report. Each quarterly report includes all resources and spending commitments for all funds, with the exception of long-term debt and memo funds of the District. This body is the major vetting group for evaluation and feedback to the Chancellor and the Chancellor’s Cabinet, relative to budget assumptions and recommendations for the upcoming fiscal year and as updated throughout the year.

IV. Board of Trustee Reporting

As previously described, the Board of Trustees conducts an annual Study Session each February to update Board’s Principles and set standards and goals for the upcoming fiscal year.

The Vice Chancellor of Administrative Services provides regular budgetary and financial updates to the Board of Trustees throughout the year. These updates include new information such as property tax changes or announcements from the State Chancellor’s Office and is presented via oral report to the Trustees.

The Board of Trustees formally approves the Tentative Budget for the new year at the June Board meeting and adopts the Final Budget at the September Board meeting. At an October or November Board meeting, the Trustees receive and review the CCFS-311 Annual Financial Report which is submitted to the State Chancellor’s Office. For each of the first three quarters, the Vice Chancellor of Administrative Services provides a budget update to the Trustees that includes a comprehensive formal budget report. The Tentative Budget is presented in the fourth period in lieu of a quarterly report. Prior to all of the aforementioned presentations and reports, the District Budget Committee provides input and feedback on the detail within these documents before they are submitted to the Trustees for review.

V. Standards and Best Practices

a. Sound Fiscal Management Self-Assessment Checklist (Attachment A)

Incorporated as part of the State Chancellor’s Office Budget Accounting Manual is a Financial Management Checklist. Each year the Vice Chancellor of Administrative Services reviews the District’s position relative to the 15 measures provided in this checklist. Each of these areas includes an evaluation of our status relative to the Statewide guidelines and principles such as deficit spending, fund balance, cash flow borrowing, collective bargaining agreements, stability of leadership, budget monitoring practices, internal control, etc. SJECCD has a strong pattern of high performance in each of these standards.

revised April 20, 2016
b. **Budget Calendar (Attachment B)**

Each year, the DBC reviews the District’s Budget Calendar. This calendar includes key dates, including anticipated receipt dates of new budget information and a timeline of reports to be prepared and presented to the DBC. Dates in which the Board of Trustees receive their quarterly reports, Tentative Budget, and the Adopted Budget are included as other key budget timelines for the year.

c. **Board of Trustees Audit Committee**

Three members of the Board of Trustees meet twice annually as part of the standing Audit Committee process. This group functions as a Brown Act committee. The initial meeting is in the Spring before the Auditor arrives for interim field work and meets again in the Fall after the completion of all audit field work to review the draft Audit Reports.

At the Spring meeting, the Trustees give guidance directly to the Auditor regarding specific areas of interest or a specific audit focus that they desire. This meeting is designed to outline the audit planning and approach for the year, giving the Trustees an opportunity to give specific direction to the Auditor. In the ensuing months, the audit work is completed and is typically finalized toward the end of November. At this time, the Board Audit Committee reconvenes and discusses the Auditor’s draft report and reviews any findings, recommendations, or concerns that the Auditor may have identified. Note that in recent years, there have been very few audit findings and in fact, in FY 13/14 the Auditor’s report to the Board did not contain a single recommendation relative to fiscal areas needing improvement. Following extensive review by the Audit Committee with the Auditors of the draft report and the audit findings, the Auditor finalizes their formal Audit Reports which are submitted to the full Board of Trustees for acceptance annually at either the December or January meeting.

d. **OPEB Plan**

The Board of Trustees established an irrevocable trust in February 2008 to fully fund the District’s Other Post Retiree Benefits (OPEB). The trust is governed by the Retirement Board of Authority (RBOA) whose members are appointed by the Board of Trustees. Membership includes three administrators, three members of AFT6157, and three members of CSEA, Chapter 363. The RBOA meets twice a year with the meetings being subject to the Brown Act.

In May 2009, the District sold bonds to fund the trust. As of June 30, 2015, the trust had market value assets of $48,049,215. According to the most recent actuarial valuation dated June 30, 2015, the actuarial liability is $41,005,934; the current service component (normal cost or current year accrual) is $78,426; and the future service component (not yet accrued liability) is $414,935. Accordingly, as of June 30, 2015, the trust has a surplus of $7,536,642 or is funded at a ratio of 119%.
In FY14/15, the District’s retiree medical benefit costs were $3,396,064 and are anticipated to be $3,615,148 in FY15/16. The debt service associated with the bonds is $2,478,541 annually. Accordingly, savings to the District’s Unrestricted General Fund were $917,523 in FY14/15 and are anticipated to be $1,136,607 in FY15/16.

e. Credit Rating
SJECCD is actively implementing local general obligation bond dollars through an extensive construction program. As part of this process, the District periodically finances new issuances of taxpayer-supported bonds as construction projects are completed. In addition, both in FY 2014 and FY 2015, through opportunities associated with reduced bond interest rates and a very strong credit rating, the college District took the initiative to refund higher interest rate bonds at lower rates thereby saving the local taxpayers a total of $30M in these two refundings.

In May 2015, Standard & Poor’s Rating Services assigned a rating of “AA” to SJECCD (Attachment C) and Moody’s Investor Service assigned a rating of “Aa1” (Attachment D).

VI. Summary
Each College and the District Office uses its local participatory processes to allocate its resources to best meet the goals and objectives as established by the Board of Trustees. The preparation of the annual district budget is a transparent, participatory process utilizing the principles established by the Board of Trustees, recommendations made by the Chancellor’s Cabinet, which includes the College Presidents and the Vice Chancellors, with review and feedback by the DBC, which includes broad-based representation from various constituent groups. We do have a strong feedback loop through the DBC whereas recommendations are made to the Chancellor for further consideration prior to presentation to the Trustees. These will result in updates to the documents or revisions to the formal presentation to the Trustees as directed by the Chancellor.
ATTACHMENT VI
KEY ISSUE STATEMENTS AND RESPONSES FROM EXISTING ALLOCATION MODEL

1. Position resets – Each time an employment position is vacated; the budget is reset.

   *Non issue since revenue/not positions is being allocated to the colleges. Colleges control how to handle resets but must assure that sufficient funds exist to fund positions when filled*

2. Metrics don’t drive the budget.

   *Basic allocation and FTES are work load measures used in the recommendation*

3. There are no consequences for overspending on the budget.
   a. Not an incentivized based budget. There is no reward for saving money.
   b. How does it/should it work?

   *Colleges will be allowed to carry over unspent dollars up to a defined limit*

4. Fund 10 discretionary carryover – should it include personnel experience?

   *Colleges will be allowed to carry over unspent dollars up to a defined limit*

5. There is a lack of linkage between allocation and program review at District Office level.
   a. How should the college program review impact/affect the Resource Allocation Model?
   b. The current model is not informed by College Program Review.

   *Subsequent to revenue allocation, colleges are responsible for local program and service appropriations based upon local planning*

6. Many decisions are made in a vacuum (i.e. – decisions are made in Cabinet)– for example categorical for scheduled maintenance, categorical for student equity, etc.
   a. 40/40/20

   *Authority for decision making and where decisions are made in the organization are outside the scope of the allocation model*

7. Inefficiencies create disincentives (internal process issues that affect an individual’s decision to request a change to their budget.)

   *District Services process issues should be addressed through the Finance Business Process Review Group (FBRG)*

8. There is a lack of understanding around District Office / District-wide Allocations
   a. What are the specific costs?

   *The Allocation Model recommendation clearly reflects the amount in total and per FTES that each of the colleges is being assessed for District Services and to fund District Wide costs. Recommendation also to provide for review of District Services/District Wide costs in the budget development process and for more sensitivity to perceptions of college personnel*
9. Competition between SJCC and EVC (more CTE, more FTES, more Custodial, etc.)

Always will be some of this because there is a limit on the resources to be distributed but fair, well understood allocation model should assist colleges in making local allocation decisions that best meet their needs.

10. How is money guaranteed to pay for medical benefits and raises?

As is the case now, District financial planning must assure funds exist to pay for negotiated salary increases and cost increases for benefits.

11. How do we allocation for Adjunct Faculty?

Colleges will budget expenditures based upon revenue received thru the model.

12. There is a constant discussion of differential cost of programs – how does efficiency play-in, or not for all of the cost centers.

Colleges receive revenue and are responsible for effective budgeting for all programs- colleges are responsible for managing their resources to serve student needs. Program cost differential is mitigated thru the "basic allocation"

13. Improvement is needed in terms of integrating across funds
   a. Total cost of ownership.
   b. Bonds, Categoricals, facility rentals.
      i. How do these funds interact?

This is a financial planning issue and should be addressed organizationally to assure that there is coordination of revenue/expenditure decisions locally at the colleges and centrally thru District Services to maximize effective utilization of resources. Goes well beyond the allocation model.

14. Where do we draw the line for the reserves, and reserves for the reserves, in comparison to what is legally required or required by Board approved standards?

Responsibility for assuring the integrity of the budget and maintaining the financial health of the district is provided for in District Policy

15. Unfunded mandates from the Board of Trustees create difficulty (i.e. soccer).

Clearly defined allocation model that shows the amount of revenue going to each of the funding entities should clarify revenue and expenditure commitments already made

16. We fund the Workforce Institute and the Foundation – where do they fall into the model?

Workforce Institute, as of 2017/18 no longer funded through the model. Foundation was not discussed nor is it included in the funding model

17. How do we fund Milpitas?
   a. Will this be funded via SJCC’s allocation, or will it stand alone?
18. If Bond Measure X passes, how does total cost of ownership fit into the current model?

Allocation model deals only with Fund 10 - unrestricted revenue. Future cost such as staffing and equipment repair and replacement and other implications of facilities improvement and build-out would have to be funded out of revenue allocation.

19. Do we adequately meet discretionary needs at the college?
   a. How do we meet basic operational needs (light bulbs, toilet paper, etc.) without using discretionary for those needs?
   b. Essentially, the Committee agrees that discretionary funds should not be used for basic needs.

College receives revenue under the allocation model recommendation and will have to assign expenditure priorities as seen fit

20. Deficient construction services from outside contractors require the use of our District Maintenance staff too early after a building is completed.
   a. There is not enough accountability on the part of the contractor (related to total cost of ownership).
   b. How we bid and manage our construction contracts is key

Cost impact on current operating budget is understandable-fundamental issue outside the scope of revenue allocation model when all available revenue is being allocated. May be organizational issues around responsibility (District or college staff) for repair that needs to be looked at

21. Where does the budget for new technology come from if Measure X does not pass?

Measure X did pass

22. There is a need to improve long range planning for operations.
   a. There are no incentives to be innovative.

Ending balance retention and Performance and Innovation funding may assist

23. How do we assess that we are serving student needs?
   a. Committee Guiding Principles.

Through development of performance metrics that will provide focus around student success and be required to implement the Performance Funding element of the allocation model

24. Perception – the issue of supplementing or supplanting dollars – include consideration for offsetting cost of service – how does the profit get allocated?
   a. Spending guidelines.
   b. How do revenues get weaved in?
Under the allocation model recommendation, more local authority is granted to the colleges thru revenue allocation. Revenue is allocated at college level priorities will determine how revenue is allocated and spent. Colleges, under a more decentralized approach to budgeting are being granted more authority and are responsible for expenditure decisions.

25. Where does the additional State funding go?
   a. Develop a clear understanding of EPA, AB104, Adult Ed, etc.

   All sources of Fund 10 revenue are identified in the recommended allocation model simulation. Revenue and impact on the model is updated throughout the year

26. How do we ensure that the resource for full-time faculty money from the state gets to new FTF positions?

     Regular reports to the Board and to constituent groups thru the District Budget Committee and Chancellor's Cabinet

27. If we have allocated all of our money, how do we have funds for emergencies?
   a. Contingency funds.

   Vice Chancellor, by virtue of District policy, is responsible for determining how much revenue will be distributed thru the model. District has reserves as will the colleges if able to retain ending balances up to specified level

   a. Approved by DBC
   b. Goes to District Council
   c. Then goes to the Board
   d. Academic Senate

     Consolidated Principles contained in recommendation

29. Non-resident international fees – revisit the allocation.

     These fees will be retained by the college generating them
ATTACHMENT VII
UNRESOLVED ISSUES

CAREER TECHNICAL EDUCATION: San Jose City College representatives on the Task Force expressed concern that the program mix at City College includes more (CTE) Career Technical Education programs. Therefore, they argue that the Allocation Model should provide more funding as a result. It can be agreed that typically CTE courses and programs are more expensive. Typically lower cost general education programs and courses are used to offset higher cost programs and courses. The question however is, since both colleges offer some measure of CTE programs and courses, is one college spending proportionally more on a per FTES basis than the other, and is that additional expenditure due to CTE cost or is it due to other factors such as overall FTES/FTE.

The consultant did an analysis using District provided CTE program cost and FTES. That analysis failed to support additional revenue based upon CTE cost. There was some concern about the data and assumptions that were made in the analysis. If this continues to be an issue, data should be refined and further analysis should take place. If it is determined that there is proportional difference in cost that should be reflected in the allocation model, there is opportunity to do that using the "college program/performance allocation" component.

ATHLETICS: San Jose City College has a more comprehensive intercollegiate athletic program than Evergreen Valley College. Similar to the CTE issue, there is concern from San Jose City College Task Force representatives that this cost is not being adequately addressed in the recommended allocation model. Based upon 2016/17 revenue and expenditure data and application of the "Basic Allocation" in the magnitude of $10,000,000, San Jose City College is receiving $224 per FTE more than Evergreen Valley College in the allocation model as recommended. One could also argue that those students participating in intercollegiate athletics are all full time, therefore the college is already being funded on the basis of the FTES generated. If this continues to be an issue the same recommendation as made for CTE would apply. Data would have to be developed and further analysis may take place. If it is determined that there is proportional difference in cost that should be reflected in the allocation model, there is opportunity to do that using the "college program/performance allocation" component.

DISTRICT SERVICE COST STANDARDS: There is concern from some Task Force members about cost/benefit of district services. District staff reviewed the nature of District Services/District Wide costs in detail for the Task Force. Some concern was quality of service and some was cost. Although quality of service was outside the scope of resource allocation methodology, identified issues were followed up on.

There is also concern about lack of generally accepted standards or work load measures for use with District Services similar to those used for the colleges. The consultant performed a review of District Services and District Wide costs using a sample of multi college districts. In the consultants opinion the cost of providing services in the San Jose-Evergreen district is not out of
line with the sample. Service quality and work processing is an issue that continues to be evaluated. The Finance Business Process Review Group (FBRG) was established in 2014 to engage in open and candid dialogue to resolve identified issues around policies and procedures, insurance and contract protocols, work flow process, budget transfers, etc.

**PERFORMANCE BASED FUNDING:** The Task Force expressed interest in performance based funding and to tie a portion of resource allocation to outcomes-for example number of degrees and certificates awarded. Performance based funding seeks to tie college resources to measureable goals and progress toward those goals. Historically, enrollment targets have been the primary criteria for the distribution of resources. Colleges have faced few direct fiscal incentives to focus on outcomes such as graduation rate, length of time it takes a student to complete a program and other goals. Experience in states which use some form of performance based funding generally focus on individual-level data such as whether students complete their programs of study, how long it takes them to graduate, and their progress relative to important milestones while pursuing their degrees. In addition, performance targets should include both progress toward a goal (a relative measure) and its achievement (an absolute measure). Using both absolute and relative measures offers incentives to low-performing colleges and guards against unfairly rewarding high-performing ones. Any performance based system should be easily understood, a set of performance based funding measures should be relatively simple, student based, include both absolute and relative measures and incorporate specific incentives for colleges to successfully serve at-risk students. Any performance based allocation system must be carefully crafted to avoid unintended consequences, i.e., limiting access, and should be easily understood. Much work needs to be done by the district to identify metrics that will be used to measure performance, assuring that reliable data is available and finally, developing a system whereby the measurement can be converted to dollars for allocation purposes.