PLANNING AND BUDGET COMMITTEE (PBC)

RECOMMENDATION TO THE CHANCELLOR

October 2022

Committee Recommendation: In alignment with its charges, PBC recommends to the Chancellor the following:

1. Implement a Budget Allocation Model (BAM) that mirrors the SCFF revenue metrics so as to align the way we project revenue with the way the state distributes revenue;
2. Continue to rely on the District Enrollment Management Committee's (DEMC) recommendation for the FTES split between the colleges as the basis for distributing FTES revenue within the model, so long as that recommendation is supported by the Chancellor;
3. Use actual college-level SCFF supplemental data to determine the allocations by college within the SCFF supplemental allocation;
4. Utilize a college-level split of 60% Chabot College and 40% Las Positas College within the SCFF student success metric, to be revisited as needed;
5. Fund Maintenance and Operations with a total-cost-of-ownership model (COLA included) based upon gross square footage of buildings utilizing the FY 2022-23 allocation as a starting point for future adjustments;
6. Distribute college-specific allocations (basic funding, full-time faculty funding, office hours, etc.) directly to the colleges prior to funding the District Office;
7. Allocate future funding to the District Office at its FY 2022-23 allocation plus COLA (in year 1 of the model the amount needed to do so will be greater than COLA due to recommendation 6) and cap District Office funding at no greater than 10% of remaining revenue after paying for contractual, committed, and regulatory obligations;
8. Disburse a minimum of 90% of the hold harmless funds (now a permanent component of the District's apportionment revenue) through the model to support institutional enhancements/initiatives, position control, and part-time faculty backfill.
9. Add to the existing contractual, committed, and regulatory obligations an annual contribution to the retiree/self-insurance reserve, an annual amount towards election expenses, and the districtwide bank charges. This will provide a dedicated source of funding for the District's OPEB obligation, mitigate large year-over-year fluctuations in election costs, and centralize the payments of bank charges.
10. Continue to discuss funding of instructional service agreements within PBC in consult with DEMC.
11. Continually track within the BAM the amount of hold harmless funding the District is receiving based upon actual FTES figures reported as opposed to the emergency conditions allowance FTES figure; this will enable the District to accurately track its progression towards being funded on the SCFF.
12. Overspending at sites shall be governed by the following:
    a. Deficits are defined as a structural imbalance where revenue is insufficient to cover expenses within a specific fiscal year. In the event a structural deficit exists

at a district site (e.g. College, District Office, M&O), the following sequential steps will be implemented:

b. STEP 1 – College/District Office/M&O site reserves shall be used to cover any deficit generated by that location.
c. STEP 2 – If a district site does not have sufficient site reserves to cover the deficit, then that site shall pay back any shortfall within one year; Chancellor's approval may be requested to extend the payback over a period not to exceed three years if unforeseen hardships arise. To the degree District-level reserves are insufficient to cover this, an across the-board allocation reduction may be necessary.
d. STEP 3 – Circumstances may exist in which a district site will find itself in a significantly weakened financial position, making full repayment of one or more of the three scheduled payments extremely difficult. The Chancellor, along with the Chief Business Officer and college Presidents, may consider an application for an unforeseen hardship and evaluate whether one or more payments should be forgiven. When this occurs, the shortfall would come from District-level reserves. The draw down against the District-level reserves may require an across-the-board allocation reduction in subsequent years to replenish the District-level reserves to comply with Administrative Procedure 6305 "Reserves".

13. Reserves at the sites shall be subject to the following parameters:
    a. In order to maintain a sufficient levels of budget reserve, each College, the District Office, and M&O will be allowed to retain its current year beginning balance within certain limits. The combination of the beginning balance and the current year budgeted revenue represents the total resources available at each location. In using these resources to develop the operating expenditure budget, a minimum of 1% of the ongoing operating expenditure budget must be set aside as a contingency reserve. If unspent by year end, this reserve falls into the year-end balance at each location and is included in the beginning balance for the following year.
    b. Reserves may be accrued up to 5% of College, District Office, and M&O unrestricted operating expenditures. Any reserves over 5% at a single location will require a plan or explanation of the need to exceed 5%. Should the ending balance for a location exceed 7% of the subsequent year's budgeted expenditures, the amount in excess of 7% will be redirected towards District unfunded liabilities (OPEB, Compensated Absences, etc.), which benefits all District locations over the long-term.