

To: Sandra Serrano

Date: April, 24th 2011

From: Tom Burke

Subject: BAM Evaluation II

Per your request at the last Consultation Council meeting the following are my personal thoughts and recommendations regarding the proposed model recommendations made by the BAM II Evaluation Committee:

1. District Office Discretionary Carryover:

This recommendation by the BAM II committee provides some additional flexibility for the District Operations to manage their budget allocation. However, the primary reason this is being considered is because in my opinion the District's stakeholders have not fully embraced the concept of the District "*budgeting to its needs*". In the years where there has been required reductions there has been public pressure for the District to match College reduction levels, despite the fact that the operations could not carryover unused funds from prior years. The Colleges in turn have used their carryover funding to meet some of their reduction targets while the District Operations were expected to meet the reduction targets without any carryover support. This paradigm will not work where one operation is mandated to budget to its needs while at the same time has to match the reduction targets of the Colleges.

Had the District Operations been able to carryover funding there would have been carryover of approximately \$605K through 2009-10 (excluding carryover of \$1.9 million caused by timing of OPEB bond issuance/payment and several incomplete projects crossing over fiscal years). However, even the \$605K level of carryover would have been adequate to offset most of the planned project and inflationary costs projected for District Operations in 2011-12.

I believe that the for the stakeholders to continue to have the District Operations budget to their needs there has to be a recognition that without the ability to use carryover funding to defer the effect of some reductions like the Colleges, meeting comparable reduction targets will not be sustainable. With that acknowledgement, by the District's stakeholders, I recommend that the current carryover policy for District operations be maintained with one exception. I recommend that the BAM II Evaluation team recommendation to allow District Operations to carryover funding for projects that are underway but incomplete and are crossing over fiscal years be incorporated into the budget allocation model.

2. Enhanced Stakeholder Communication, Understanding and Input into Model Components

I support this recommendation and believe that it could greatly enhance stakeholder understanding of the District Allocation model and budget process. Parts of this recommendation are already undertaken, but the recommended approach implemented in whole on a regular scheduled basis could be effective in broadening the

understanding of the District's finances. I recommend adoption of the BAM II evaluation team's recommendation.

3 & 6 Allocation of Chargebacks/Structural Cost Differences

This recommendation has merit. There are significant demographic/structural differences between the three Colleges. Those structural differences may not be fully recognized in the current allocation model, thus potentially creating less optimal allocations between the colleges. In addition, there may be a more equitable chargeback mechanisms that could be developed through undertaking an in depth study of cost causing factors/drivers from the services provided by District Operations. However, in light of the following factors I do not believe now is the time to undertake the investment in the recommended study outlined by the BAM II Evaluation Team. I therefore recommend that these studies should be deferred until the following issue come to some degree of improvement and/or clarity:

- 1. Cost of the study using independent consultants** would probably range from of \$100K to \$200K. (District spent \$216K for the KH study in 2000/2001). Current budget situation does not warrant this kind of investment at this time.
- 2. Cost of the study using internal resources** would consume significant amounts of manpower time across the District. As we enter a period of significant budgetary uncertainty, where significant changes in organizations and manpower levels could be occurring, dedicating those resources at this time to complete this study would in my opinion not be fruitful. It should be noted this would be a factor regardless if you use consultants or internal resources.
- 3. The shift from Access to Student Success oriented funding mechanism** is beginning. CBO's that created the SB 361 model are being reassembled in May 2011 to look at this and other issues regarding current State allocation model. Thus the potential for significant change in our current access funding model in the near term is very high. Thus making the investment (whether using external or internal resources) now would not be prudent since the future may change our model in ways that this information garnered from this study may not hold significant value.

4. Over Cap

I concur with the BAM Evaluation Teams recommended modifications to the model to ensure clarity regarding only "*funded FTES*" being used in the model and calculation additions to the "Budget Premises" supporting worksheet contained in the model. I recommend adoption of these changes.

5. Strategic Initiative Process

I concur with the BAM Evaluation Teams recommended modifications to the model to ensure clarity of this model process. I recommend changing the name of the process to "*Special Projects Initiatives*" and having Consultation Council re-review

the process prior to calling for 2012-13 or future projects in order to achieve greater clarity of this model process.

7. Clarification of the Charge backs between Regulatory, District wide and District Office

I concur with the BAM II Evaluation Teams recommended modifications to the model to ensure clarity of this model process. I recommend consolidating the current three cost categories in order to simplify and thus should enhance understanding of the current allocation model components.

8. Line Item for Minimum Reserve Levels

I concur with the BAM II Evaluation Teams recommended modifications to the model to enhance stakeholder budget information. I recommend adding the percentage of prior year carryover/reserve and for the current year projected budget for informational purposes.

9. Stabilization Mechanism

I concur with the BAM II Evaluation Teams recommended modifications to the model's FTES stabilization formula. I recommend this change be made in order to avoid the potential for double stabilization occurring within the model calculations in subsequent fiscal years.