Imperial Valley College
Financial Resource Allocation Model
General Fund – Unrestricted Budget
4-20-09 draft

The purpose of the resource allocation model is to provide basic guidelines for the allocation of financial resources for the college to preserve fiscal integrity while upholding its core principles and educational objectives.

The value of a resource allocation model is that it provides consistency, equity, and transparency of the budgeting process to account for the normal and expected budgetary ups and downs of education and public institutions. Resource allocation is intended to be an inclusive and collaborative process based on informed decisions and projections. It also establishes the budgeting principles and revenue/cost distribution between cost centers but will maintain certain levels of discretion within specific budget allocations. Any language related to compensation shall be negotiated with the respective bargaining units. Additionally, the allocation of the remaining General Fund revenues for operations will be determined through the shared governance process.

The College shall operate within a budget where expenses do not exceed revenue including Board stipulated reserves. The Cost Center managers are held responsible and accountable for developing and managing the Cost Center budget and ensure that the expenditures of the Cost Center do not exceed the total budget allocation to that Cost Center. Overspending is not permitted. On-going expenditures shall only be funded by on-going revenue; one-time expenses shall only be funded by one-time revenue.

The resource allocation model is only for the distribution of general fund unrestricted revenue. Other sources of funding shall be allocated through a separate resource allocation model and shall be consistent with the specific regulations of such funds.

DEFINITIONS

Unrestricted Revenue: on-going or one-time revenue that may be used at the discretion of the district for expenditures.

On-going Revenues: existing and/or new revenue received annually.

On-going Expenses: recurring expenses over a period of more than one year.

Board Mandated Reserve: a minimum reserve level established by the Board of Trustees via a Board resolution to assure the long-term fiscal health and stability of the district.

Board Designated Reserve: a non-legal binding reserve amount set aside by the Board of Trustees for the district contingencies (i.e. GASB 45 implementation, vacation accrual, increased costs in retiree benefits).

District Discretionary Reserve: unused allocated funds from the prior year minus the amount needed to maintain the Board Mandated Reserve and Board Designated Reserve levels. The amount is set after the state has done its final recalculation in February for the preceding year. These reserves are set aside for unanticipated operational needs (i.e. water main break, loss of power or any other emergency that could shut down the campus).

Superintendent/President Office Area: the Human Resources Department, Institutional Research, Information Technology Department, and any other areas that report directly to the President.

Academic Services: all areas that contribute directly to the academic success of the students, including all Instructional Divisions, all Applied Sciences areas, all Extended Campuses, all Athletics, Library operations, Reprographics, and any other areas that report directly to the Vice President of Academic Services.

Student Services: all areas that provide direct support to students, including Admissions and Records, Counseling, Financial Aid, DSPS, Associated Student Government, EOPS, CalWorks, Student Health Services, Trio Programs, and any other areas that report directly to the Vice President of Student Services.

Business Services: all areas that provide direct non-instructional support to the areas of the Academic Services, Student Services, and Superintendent/President Office. The Business Services areas include the Business Office, Purchasing, Parking, Facilities, Maintenance, Grounds, Custodial Services, and any other areas that report directly to the Vice President of Business Services.

Cost Center: any department/division that generates cost while providing services to students.

Labor Costs: all costs associated with salaries and benefits of all faculty, staff, administration, and students.

Fixed Operation Cost: all labor, utilities, contracted services, and any other activity for which funds have already been committed.

GUIDELINES FOR BUDGET MODELS

The college will develop three budget models which will address the uncertainty of enrollment growth and will assist the college in developing a balanced budget depending upon the actual enrollment growth achieved. These models are known as A, B and C budgets.

The A Budget will be the most conservative. It will contain the statutory COLA and no student enrollment growth, but appropriations will be made for increased labor and operating costs.

The B Budget will be a mid-range budget projection. This budget will assume that the college will achieve a reasonable growth rate that is equal to or less than cap.

The C Budget is the most optimistic projection for enrollment attainment. The C budget for the college will anticipate full funded growth.

The college will recommend to the board the approval of the C Budget but spending will be limited to the A level, which is the most conservative.

GUIDELINES FOR DISTRIBITION OF NEW REVENUES

A key element of the allocation methodology is the "bucket" concept. The purpose of the "bucket" concept is to equitably allocate available revenues to employees and the operational elements of the College. The following is a brief summary of the "bucket" concept for compensation.

1. Identify new sources of annual (ongoing) revenue and revenue reduction, which includes:
   - Growth funds
   - Cost of living adjustments
   - Apportionment reductions

2. A percentage of the new funds, known as the **Compensation Bucket Fund**, are allocated to the respective collective bargaining units and other staff unrepresented groups based upon a proportionate share of the overall compensation costs of the College, excluding administration.

3. To ensure that the College does not over expend its available revenues (on-going revenues), the following adjustments are made prior to the distribution of the Compensation Bucket Fund.
   a. The costs of additional positions to achieve and maintain student growth are deducted. These include instructional, counseling and classified staff. Then, the total available for distribution is computed and allocated to the various bargaining units and other staff unrepresented groups.

   b. After computing the amount to be distributed to each bargaining unit and other staff unrepresented groups and prior to distribution, increased costs specific to each unit or group are deducted from its share. For example, all related increased compensation costs, including step and increment increases, health and welfare costs, and any other related compensation costs are deducted from the available revenue for each unit.

4. Once these on-going compensation expenditures are deducted from the allocated compensation revenue, the remaining revenues are distributed to units or groups in the form of a final compensation adjustment for the fiscal year. In order to ensure that compensation monies are not committed before realized, the College makes the compensation adjustments retroactive to the beginning of the contract year in which the monies are realized.

As noted earlier, this methodology ensures that the College does not over expend its available revenues or the agreed upon percentage for total compensation costs. Additionally, this method provides the following benefits to the College and its employees.

1. Provides equity between the various bargaining units and other staff unrepresented groups.

2. Allows each individual bargaining unit and other staff unrepresented groups to have some degree of flexibility in the way funds are expended. An example would be faculty working to adjust their salary schedule in a different manner than classified.

The following is a brief summary of the "bucket" concept for college **Operation Bucket Fund** expenses other than the compensation related costs discussed above.

1. The new revenue funds for operational use are the remainder of new revenues after distribution of the Compensation Bucket Fund. These funds would be used to fund increased operational costs. For example, operational costs would include increases in the existing administrator's salaries and benefits, utilities, supplies and materials, scheduled maintenance and other special repairs, travel, and new administrative positions.

2. Program reviews will serve as the basis for creating priorities which will be included in the budget. The Budget and Fiscal Planning Committee will review and make recommendations to the College Council and President.

It should be noted that this approach to budget, while ensuring financial stability, does limit the District revenue for operations. Additionally, it limits the College's ending reserve, which a minimum threshold is established by law and board policy, from growing significantly above the minimum threshold.

EVALUATION

The Budget and Fiscal Planning Committee will evaluate and make recommendations regarding the Financial Resource Allocation Model annually in the spirit of continuous quality management as required by accreditation Standard 3.d.3.