



# Peralta Community College District

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## OFFICE OF FINANCE AND ADMINISTRATION

### **Memorandum**

To: Peralta Presidents and Vice Chancellors

From: Ronald Gerhard, Vice Chancellor 

Cc: Chancellor Allen

Date: February 3, 2011

Subject: **2011-12 Base Budget Development Guidance**

The Governor's Budget Proposal reflects significant cuts to community colleges in fiscal year 2011-12. The \$400 million reduction in base apportionment for Peralta equates to an approximate reduction of \$8 million in Unrestricted General Fund. If the \$110 million in growth money is redirected to offset the \$400 million, the net reduction to Peralta would be reduced to \$5.8 million. Additionally, we have known locally driven operational cost increases of approximately \$4.7 million related to step and column increases, projected medical cost increases, expiration of negotiated furloughs, and increase in the debt service payments for the OPEB bonds. Combined, we are looking at approximately \$10.5 million in reductions to the Unrestricted General Fund. This scenario is considered by many to be best case given the significant budget deficit faced by the state. The worst case scenario includes a reduction of \$899 million in base apportionment and for Peralta this equates to approximately \$17 million. Combined with the locally driven increases, the total net reductions would be approximately \$21.6 million.

Given the wide range of reductions between the two scenarios, it is prudent and in our best interest to prepare budgets for various scenarios. This will enable the District to respond quickly and continue operations, given those constraints, once the 2011-12 budget is signed and enacted.

Attached are the budget printouts for your respective site. Those budgets include only the Unrestricted General Fund base budgets. For purposes of budget development, the College's base budget only includes object codes 13XX (with the exception of 1351 which will be budgeted for centrally), 14XX, 23XX, 24XX, 4XXX, 5XXX, and 6XXX. All other object codes will be budgeted for based upon existing positions and related benefits. These printouts include the working 2010-11 budget and expenditures as of January 28, 2011. District-wide the total budgets from these object codes amount to \$18,547,944.

Based upon the parameters outlined above, you are asked to develop base budgets for scenarios that include 5%, 10%, and 15% reductions. For example, given the District-wide total base budget of \$18,547,944, the sum of the three scenarios requested would provide for reductions of \$927,397 (5%), \$1,854,794 (10%), and \$3,782,192 (15%).

The breakout of the \$18,547,944 is as follows:

Location 1 – Central Services	\$9,578,223
Location 2 – College of Alameda	\$1,669,687
Location 5 – Laney College	\$3,753,236
Location 6 – Merritt College	\$1,809,542
Location 8 – Berkley City College	\$1,737,256

You are not only encouraged, but I consider it essential, that you reallocate funds from their current budget to the highest priority identified by your campus budgeting process. It should also be noted that there is no requirement or implication from me that the base budgets of any single program is to remain the same. The concept of a base budget is only applied to the total funds allocated to each site and not to any particular program or department. It will probably be necessary to reallocate funds among cost centers if you are to achieve your college objectives in this environment of limited resources.

Categorical budgets will be distributed within the next two weeks. We will be preparing categorical budgets so that budgeted expenditures meet and do not exceed budget revenues. If information of a reliable nature, such as major changes in the May revision of the Governor's budget, provides for additional funds, then we will revise our budgets accordingly. We must, however, develop budgets for categorical programs and grants that balance expenditures with expected income. To do otherwise, would require further reductions elsewhere in the colleges' base budgets.

Lastly, I ask that you, Presidents and Vice Chancellors, submit your base budgets with signatures verifying understanding and compliance with the guidelines requested and established base budgets on or before April 1, 2011. As always, I am available at your request to attend any campus meeting or meet with any group to discuss this process and to provide background and/or insight. Your assistance is greatly appreciated as we work through this difficult fiscal environment together.