



Peralta Community College District

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Office of Finance and Administration

Memorandum

TO: Peralta Presidents and Vice Chancellors
Cc: Dr. Wise Allen, Chancellor
FROM: Ronald Gerhard, Vice Chancellor
DATE: February 3, 2012
SUBJECT: 2012-13 Base Budget Development Guidance

For the second year in a row we find ourselves faced with great uncertainty with regard to the State budget. The Governor's proposed budget contains a status quo budget with the basic assumption that voters will approve certain tax measures at a November 2012 election, which occurs four months into our fiscal year. As such, we are again in a position where we must prepare for various budget scenarios.

Within the Governor's proposal, he is proposing:

- \$218 budget augmentation that would buy down the current \$961 million deferral
- No new funding for growth, COLA, or restoration of prior year's cuts
- Consolidation of all categorical programs into a single block grant and allow District's flexibility to allocate funding based upon local criteria and circumstances
- If the Governor's tax measures fail, then:
 - Loss of the \$218 previously used to buy down the deferrals
 - \$265 million in general fund cuts to all community colleges - Peralta's proportionate share of this cut is \$5,021,313.

As a starting point for the 2012-13 budget development we must prepare for the failure of the tax measures and the consequences to Peralta. Further, based upon current known information and best estimates, as a District we must prepare for budget cuts of approximately \$11.7 million. A breakdown of this is provided below.

General apportionment deficit factor 2.00% for 2012-13	\$ 1,795,298.00
Funded base credit FTES of 16,692.37	5,021,313.00
Funded base non-credit FTES of 102.35	15,734.00
Projected step and column salary increases	1,186,078.00
Projected Public Employee Retirement System contribution increase of 1.077% to 12%	154,618.00
Increase in medical benefit premiums by an average of 15%	3,038,300.00
Increase OPEB required contribution by 1.1% to 14% based on latest actuarial study	<u>513,048.00</u>
Total	\$ 11,724,389.00

Berkeley City College College of Alameda Laney College Merritt College

Again, this is a worst case scenario. Should the parcel tax pass in June 2012 and/or should the Governor's tax measures pass in November we would then be in a position to add funds back into the budget.

Given the wide range of reductions between the worst case and best case scenarios, it is in our interest to prepare contingency plans where we can quickly and efficiently change the budget based on circumstances.

Based upon the \$11.7 million target for reductions, we are again asking you to develop base budgets for scenarios that include 5%, 10% and 15% reductions. Attached are the budget printouts for your respective site. These budgets include only the Unrestricted General Fund base budgets. For purposes of budget development, the College's discretionary base budget only includes 14XX, 23XX, 24XX, 4XXX, 5XXX, and 6XXX. All other object codes will be budgeted for based upon existing positions and related benefits. District-wide the total discretionary budget from these object codes is \$17,002,659. Based upon these scenarios the total reductions would amount to \$850,133 (5%), \$ 1,700,266 (10%), and \$ 2,550,399 (15%).

The breakout of the District-wide discretionary budget of \$ 17,002,659 is as follows:

Central Services	\$ 9,106,406
College of Alameda	\$ 1,405,129
Laney College	\$ 3,216,244
Merritt College	\$ 1,676,474
Berkeley City College	\$ 1,598,406

You are encouraged to reallocate funds from your current budget to areas deemed of highest priority and of best use by your college's budgeting processes. It should be noted that the concept of base budget is only applied to the total funds allocated to each site and not to any particular department or cost center. It will probably be necessary to reallocate funds among cost centers if you are to achieve your college's objectives in this economic environment.

Categorical budgets will be distributed within the next week. We will be preparing the categorical budgets assuming each categorical budget remains separate in case the Governor's block grant proposal is defeated. As always, we must develop budgets for categorical programs and grants that balance expenditures with expected income.

I request that you submit your base budgets to my office on or before April 20, 2012. Should you have any questions or comments please do not hesitate to contact me. Your assistance is greatly appreciated.