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2/16/2021

Gregory Smith

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SAN DIEGO
COMMUNITY COLLEGE
DISTRICT

RESOURCE ALLOCATION FORMULA (RAF)

Effective July 1, 2020 through June 30, 2023

Includes the following employee groups:

AFT Guild, Local 1931 Faculty
AFT Guild, Local 1931 Classified Professionals
AFT Guild, Local 1931 Non-Academic, Non-Classified Employees
ACE – Confidential
Management Association
Police Officers Association
Supervisory & Professional Administrators Association
Executive Management

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PURPOSE

The purpose of this Resource Allocation Formula (RAF) is to provide a clearly defined method for the allocation of resources to employee units hereafter referred to as "units," to cover districtwide operating costs, and to match available resources to financial commitments. The parties took into consideration priorities such as, but not limited to, the following:

- Providing a process for salary and benefit improvements for its employees.
- Basing economic improvements for units on actual revenue received from COLA, growth, and other continuous unrestricted State apportionment general fund revenues and providing a pre-determined mechanism to respond to reductions in continuous unrestricted revenue.
- Providing resources to maintain a competitive position in the local job market and support the recruitment and retention of employees.
- Providing resources to cover the inflationary costs and commitments made via employee agreements, legal mandates, and services and operating expenses.
- Ensuring a balanced budget while avoiding deficit spending and a reliance on one-time fund balances.
- Establishing and funding FTES per FTEF productivity ratios that protect base FTES funding and promote FTES growth to maximize continuous unrestricted revenue.
- Ensuring expenses are balanced between instructional and non-instructional categories to maintain compliance with the State's 50% law requirements.
- Ensuring fiscal stability by maintaining an ending fund balance that includes the State's recommended fund balance of at least five percent (5%) of expenses.
- Providing sufficient cash flow to cover self-insurance retentions, deficit factors applied to earned revenue, and emergencies.
- Allocating resources responsibly while balancing the annual budget in such a manner that budget reductions, hiring freezes, and/or reductions in programs or services may be avoided as much as possible as a result of the predictive nature of this RAF.

From the increase in qualified RAF apportionment funds made available to the employee units each year, which is provided through continuous unrestricted State apportionment revenues (COLA, and Growth, and other), each unit will have general discretion over how its portion of the funds are distributed, provided they are used for improving the compensation or benefit levels of existing programs and services. The funds may also be used to pay for reassigned time for the purpose of union business, at the discretion of the union following past practice, and this new agreement does not impact any contractually stipulated union related reassigned time in effect as of July 1, 2020. As in past practice, faculty reassigned time will be paid for at the contract rate where a contract replacement is made and at the adjunct or hourly rate when the release time is filled with one or more adjunct or hourly staff. It is the District's discretion as to how reassigned time replacements are filled. If a unit wants to implement a new program or service, modify workload, or make changes that negatively impact the percentage of instructional and non-instructional expenses (as defined in the State 50% law calculation) within the unit, the terms and conditions of such changes will have to be negotiated with the District.

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Basic Principles and Formulas

OVERVIEW

Community college funding can be categorized broadly as General Fund Unrestricted (general purpose) and General Fund Restricted. For Unrestricted general purpose funds, an important funding source distinction is between continuing (on-going) and one-time-only resources. Whereas with Restricted funds the nature/source of the revenue defines or limits the type of expenditures that can be funded.

Should other new State apportionment or local continuous unrestricted revenues become available during the period covered by this RAF agreement as a result of changes in State or local legislated funding regulations, these new revenue source(s) shall be subject to these RAF distribution rules and calculations.

These RAF calculations are only applicable to the Unrestricted General Fund; therefore, they will not address General Fund Restricted revenue other than to state that the District should exercise caution when making ongoing commitments against Restricted funds based upon the funding terms and conditions which will become permanent by application of the annual provisions of this RAF.

The parties will endeavor to finalize the calculations below prior to October 31 of each fiscal year.

I HEALTHCARE COVERAGE

New revenues available to the employee units shall be first applied to cover the full cost of the composite rates for the Kaiser, Delta Dental, and Vision Service Plans effective January 1 of each fiscal year. If new revenues are insufficient to fully cover an increase to composite rates in any year during the term of this agreement, the District shall cover the full cost of the increase. If the cost to the District decreases at any time during this agreement, the District shall retain the cost savings and the savings shall not be considered new revenue for distribution to the units.

This provision shall expire on June 30, 2023. If a new RAF Agreement has not been reached as of June 30, 2023, any increase in the composite rates effective January 1, 2023 or after will be paid by bargaining unit members through payroll deductions until a successor RAF or other bargaining agreement is reached by the parties.

II CASH RESERVES TRIGGER

Sections III through VI will not become operative until the District has a general fund unrestricted ending fund balance equal to or greater than 15% (fifteen percent) of the total General Fund Unrestricted operating actual expenses as of June 30 of the previous fiscal year. This amount will be determined by dividing the "Ending Fund Balance, June 30" by the "Total Expenditures" based on the Actual figures reported to the State on the District's Annual Financial and Budget Report, commonly known as the "Annual 311 Report," for Unrestricted Subfund 11.

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III Distribution of New Continuing Resources

New continuous revenue is defined as revenue which exceeds the apportionment received for the preceding year. Currently, as per the State Principal Apportionment Reports published by the State Chancellor's Office, the primary sources of new continuing unrestricted funds are COLA, base allocation increases, and growth.

New continuous resources shall be distributed effective January 1 of each fiscal year.

New continuing revenues as defined in this RAF are split 85% to the employee units and 15% to the District. The proportionate share calculation takes the 85% of new continuous unrestricted State apportionment revenues, deducts ongoing financial commitments, and then distributes a proportionate share to each individual bargaining or meet and confer unit.

A Revenues

New continuing revenues for distribution on January 1st of each fiscal year will consist of two components:

1) The COLA in the enacted State budget and reflected in the "advance" apportionment report for the current fiscal year;
2) Any difference between the total revenue from two years prior, as calculated from #1 above, and the revenue as reflected for that fiscal year two years prior on the "Apportionment Recalc" report which is normally published in February or March.

Example: January 1, 2022 distribution would be based on revenue from:

1) COLA in the enacted State budget for fiscal year 2021-2022 and reflected in the "Advance" apportionment report for the 2021-2022 fiscal year.
2) Any difference in revenue as reported on the "Apportionment Recalc" report published in February or March 2021 for fiscal year 2019-2020 and the COLA revenue from #1 above which was recognized as of January 1st for fiscal year 2019-2020.

B Expenses

Expenses to be charged against these revenues for distribution on January 1st of each fiscal year will consist of the following components:

1) The difference in actual inflationary costs included in the 1000, 2000, and 3000 object codes from the prior fiscal year compared to the previous fiscal year.

The Actual (unaudited) Expenditures of the previous fiscal year, as of the annual closing of the books, will be used to verify actual compensation expenses for that year. Any significant changes to the actual audited expenditures will be considered in the next year's RAF calculations. For the year prior, the audited report shall be used. If a dispute arises, the final independent audit report shall be utilized as a source document.

2) The cost of the added expense to offer additional sections to earn State funded growth FTES per the growth percentage allocation included in the enacted State budget. This cost will be determined based on a productivity ratio of 17.5 FTES/FTEF per semester for sections at City, Mesa, and Miramar Colleges. The cost will be determined based on a productivity ratio of 25 FTES/FTEF per semester for sections at Continuing Education. The average cost per FTEF will be based on the most recent adjunct/overload faculty actual salary plus mandated benefits cost. Costs to achieve growth in excess of the

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statewide growth allocation will be funded from the District's 15% share of the RAF or from one-time District resources.

3) The net cost to convert an adjunct position to a full-time faculty position in order for the District to meet any increase in the required "Full-time Faculty Obligation (FON)," as mandated by the State Chancellor's office.

C Reconciliations

A Credit will need to be applied to re-cover the costs from:

1) Any RAF distributions made during the prior fiscal year.
2) Any newly created and funded positions not listed above in sections B 2 or B 3.
3) Resources received from the State to offset any mandated cost the District had to absorb in the 1000, 2000, 3000 object codes.
4) FTEF expenses that exceed the funded State growth percentage based on the formula in B 2 above.

IV Distribution of One-Time Resources

A one-time payment shall be made equivalent to the final percentage as calculated above in Section III applied to each employee's gross earnings from the period July 1st through December 31st and will be paid as part of the February/March 10th payroll cycle.

V Salary Equity

Any resource identified by a bargaining or meet and confer unit subject to this RAF used to increase the salary schedule of its contract employees must be administered in an equal percentage to every range and step on the salary schedule. Differential percentage increases applied to particular salary steps shall not be allowed. Elimination of salary steps in their entirety shall be allowed.

Additional steps may be added to the adjunct faculty salary schedule until the schedule reaches pro-rata parity with the contract faculty salary schedule.

Additional steps may be added to the NANCE salary schedule until the schedule reaches pro-rata parity with the classified staff salary schedule.

If an exclusive representative represents more than one bargaining unit, that representative may transfer funds among the units under its jurisdiction, provided that transfer does not impact the District's ability to meet its 50% law obligation.

VI Reduction to Continuous Revenue

This Section VI will not become operative until there have been two successive fiscal years where the net distribution to each unit from Section III above has averaged 0.75% or greater. Once this condition is met, this provision shall expire immediately and Section VI shall resume in operation as stated below.

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If the State imposes permanent reductions to continuous revenue, such as a negative COLA, a workload reduction, or other continuous revenue reduction, the loss in revenue will result in a reduction of compensation or revenue provided to each employee unit if the parties are not able to reach agreement on other means to mitigate the shortfall. The reduction will take place in the fiscal year the reduction is implemented, if known and if there is sufficient time to implement the change prior to January 1, or the following year if the change is communicated too late in the fiscal year. The level of reduction for each unit will be based on the same 85/15% formula share as is used to allocate the revenue under this RAF agreement.

If the total of the unit's share of 85% of continuous unrestricted revenues does not cover the increase in inflationary costs as defined in "Distribution of New Continuing Resources," section III of this RAF, then reductions will take place in the fiscal year the reduction is implemented, and the level of reduction for each unit will be based on the same 85/15% formula share as used to allocate the revenue under this RAF agreement.

Once such a reduction in continuous revenue is confirmed, and/or if the revenue from continuous unrestricted revenue does not cover the increased inflationary costs, the District will formally notify each unit, in writing, about the cause of the reduction, and provide each unit their pro-rata share to be applied. The District will negotiate with each unit represented by an exclusive representative, and will meet and confer with each unrepresented unit, regarding how the reduction will impact the unit and be implemented.

If an agreement as to how the reduction goal is to be met is not finalized and approved within 90 days of the notification by the District to the employee unit, the District may implement the required reductions at its discretion.

If the State restores a prior reduction to continuous revenue, or any portion thereof, and that previous reduction had resulted in a reduction to an employee unit, any funding lost by the unit will be restored on a pro-rata basis to each unit prospectively. For example, if 50% of the funding loss is restored, 50% of each unit's share of the reductions will be restored to the unit to be utilized at each unit's discretion.

VII Changes in Funding Formulas for Community Colleges

Should the funding formulas for community colleges change substantially, which negatively effects the GFU revenue of the District and the application of the provisions of this RAF, the District reserves the right to immediately suspend provisions of this RAF agreement during the year the change is effective and re-open negotiations with the units represented by an exclusive representative and meet and confer with the unrepresented units to modify this RAF accordingly to conform with the new State funding formula.

VIII Term of Agreement

Absent a written mutual agreement between the parties, this RAF Agreement shall expire and sunset effective June 30, 2023. The parties mutually agree that upon expiration compensation levels then in effect shall become the status quo, exclusive of any remaining distributions or reductions from this current agreement which had not yet been applied to compensation. Any increases in revenues that were not distributed from the 2022-2023 fiscal year will be distributed to the employee units within 90 days of the publication of the 2022-2023 recalculation report in early spring, 2024.