

Contra Costa Community College District

Contra Costa College • Diablo Valley College • Los Medanos College • Brentwood Center • San Ramon Campus • Walnut Creek Center

BOARDreport

The Governing Board Believes In Open Lines of Communication
with Employees and the Community

Contra Costa
Community
College District

pathways to success

BOARD MEMBERS

Jo Ann Cookman, President (Ward V) • Tomi Van de Brooke, Vice President (Ward II) • Sheila A. Grilli, Secretary (Ward III)
John T. Nejedly (Ward IV) • Dr. Anthony T. Gordon (Ward I) • Ivan Williams, Student Member

The Contra Costa Community College District Governing Board is comprised of five members elected from the individual wards. One student trustee, with an advisory vote, is selected on a rotating basis from the colleges. The Governing Board meets monthly. Study sessions and special meetings are scheduled as required. A meeting calendar and minutes are available online at http://www.ccd.net/governing_board/. To reach the Governing Board, please call (925) 229-1000, ext. 1204.

Governing Board Meeting of January 31, 2007

The Contra Costa Community College District (CCCCD) Governing Board met at the George R. Gordon Education Center in Martinez, California on January 31, 2007. The regular meeting began with a closed session at 5:00 p.m. followed by open session at 7:00 p.m. Highlights of the meeting follow:

Economic Impact Study Report

Kjell Christophersen of CCBenefits, Inc. presented a report on the economic impact of CCCCCD on Contra Costa County. A fact sheet highlighting the benefits the District makes toward Contra Costa County is attached.

New Classification Descriptions: Chief Facilities Planner, Vice Chancellor, Districtwide Administrative Services and Vice Chancellor, Educational Services

The Board approved the above classification descriptions (**Board Report No. 54-A**). Recruitment for these positions will begin immediately.

Restoration of Compensation for Governing Board Members

The Board approved restoration of its monthly compensation from \$630.00 per month to \$700.00 per month (**Board Report No. 55-A**). They authorized a 25% reduction in compensation at their February 2004 meeting and a 15% restoration in October 2005. The restoration to \$700.00 per month brings the compensation back to the level before the original reduction in 2004.

Improving Fiscal Stability – Internal Audit Recommendations for Fund Balance Reserves

Auditor Judy Vroman presented the attached report on increasing the District's reserve using the available one-time funds. The Board discussed the option of keeping a reserve higher than five percent (5%), similar to the practice of neighboring districts. Ms. Vroman suggested increasing the reserve to 10.2% (\$14M) for the following reasons: the 2007-08 state budget has a \$5.5 billion structural deficit gap into 2011 to 2012; neighboring districts have an average reserve of 12.6%; a high reserve increases the District's fiscal stability; and if funds are needed in an emergency, the state required 5% minimum could be maintained. Board members expressed support of the idea but indicated that increases to employee compensation and college operating budgets are also important to them.

2007 Board Topics

The attached list of 2007 Board topics was discussed at the January 10, 2007, Governing Board retreat. In the coming months, staff will give presentations on these topics.

Board Meeting Adjournment

The meeting was adjourned in memory of Jack Hartman, a retired LMC buildings and grounds staff member; Mae Cherry, a retired LMC nursing instructor; Lou Roseman, a retired DVC sociology, economics and psychology instructor and founder of the DVC Volunteer Center; Ruthie Wicht, a retired DVC library secretary; and Earl Gillham, a retired CCC auto mechanic instructor.

Upon approval at the next regular meeting, complete Governing Board minutes for this meeting will be posted at: http://www.4cd.net/governing_board/minutes06_07.asp.

**THE NEXT REGULAR MEETING OF THE GOVERNING BOARD
WILL BE HELD ON FEBRUARY 28, 2007, AT 7:00 P.M.
IN THE GEORGE R. GORDON EDUCATION CENTER,
500 COURT STREET, MARTINEZ, CALIFORNIA**

FACT SHEET: ECONOMIC IMPACT OF CONTRA COSTA COMMUNITY COLLEGE DISTRICT

What role does Contra Costa Community College District (CCCCD) play in the local economy? The results of this study demonstrate that CCCCCD is a sound investment from multiple perspectives. Students benefit from improved lifestyles and increased earnings. Taxpayers benefit from an enlarged economy and lower social costs. And the community as a whole benefits from increased job and investment opportunities, higher business revenues, greater availability of public funds, and an eased tax burden.

CCCCD stimulates state and local economy

- The Contra Costa County economy receives roughly **\$112.9 million in regional income** annually due to CCCCCD operations and capital spending.
- About 14% of CCCCCD's students come from outside Contra Costa County, bringing with them monies that would not have otherwise entered the local economy. CCCCCD's out-of-region students spend a total of \$23.5 million while attending CCCCCD, generating roughly **\$14.9 million in regional income in Contra Costa County**.
- CCCCCD activities encourage new business, assist existing business, and create long-term economic growth. The district enhances worker skills and provides customized training to local business and industry. It is estimated that the present-day Contra Costa County workforce embodies around **12.7 million credit and non-credit hours** of past and present CCCCCD training.
- CCCCCD skills embodied in the workforce of Contra Costa County where former students are employed **increase regional income by \$3.1 billion**. Associated indirect effects increase income by **another \$363.5 million**.
- Altogether, the Contra Costa County economy annually receives roughly **\$3.5 billion in income** due to the past and present efforts of CCCCCD. Clearly it is accurate to describe CCCCCD as an engine of economic growth.

CCCCD leverages taxpayer dollars

- The state and local community will see **avoided social costs amounting to \$24 per year for every credit earned** by CCCCCD students, including savings associated with improved health, reduced crime, and fewer welfare and unemployment claims.
- This translates to **\$17.1 million worth of social savings** to the State of California each year as long as students are in the workforce.
- Students benefit from higher earnings, thereby expanding the tax base and reducing the tax burden on state and local taxpayers. When aggregated together, CCCCCD students generate about **\$143.3 million annually in higher earnings** due to their CCCCCD education.

CCCCD generates return on investment

- State and local government allocated around **\$202.4 million in support of CCCCCD** in fiscal year 2006.
- For every dollar appropriated by state and local government, taxpayers will see a **cumulative return of \$2.50** over the course of the students' working career (in the form of higher tax receipts and avoided social costs).

CCCCD returns \$2.50 for every dollar of taxpayer financial support.

- State and local government will see a **rate of return of 10%** on their support for CCCCCD, which compares very favorably with private sector rates of return on similar long-term investments.

CCCCD increases students' earning potential

- A total of **62,909 credit and non-credit students** attended the district in academic year 2005-2006. As many as **75% of these students stay in the region** initially after they leave college and contribute to the local economy.
- Studies demonstrate that education increases lifetime earnings. **The average annual earnings of a student with a one-year certificate at the midpoint of his or her career are \$47,300**, or 84% more than someone without a high school diploma or GED, and 16% more than a student with a high school diploma. **The average earnings of a student with an Associate Degree at the midpoint of his or her career are \$55,700**, or 117% more than someone without a high school diploma or GED, and 37% more than a student with a high school diploma or GED.
- CCCCCD students will see their annual income increase, on average, by about **\$198 per year for every credit completed** at CCCCCD during the analysis year.
- Throughout his or her working career, the average CCCCCD student's discounted lifetime earnings (i.e., future values expressed in present value terms) will increase **\$7.10 for every education dollar invested** (in the form of tuition, fees, books, and foregone earnings from employment).
- Students enjoy an attractive **21% annual rate of return** on their CCCCCD educational investment, and recover all costs (including wages foregone while attending) in **7 years**.

Students see their annual income increase by \$198 per year for every credit completed at CCCCCD.



Improving Fiscal Stability

Internal Audit Recommendation For Fund Balance Reserves

Prepared by Judy Vroman, CPA, CIA, CFE
January 31, 2007

The Issue: Higher Ending Fund Balance



- 2005-2006 Ending Fund Balance - \$22 million
- \$8 million is due to “borrowing” FTES and is reserved for funding Post Retirement Health Benefits
- \$14 million remains representing a 10.2% Ending Fund Balance

What Should Be Done?

Audit Services Mission

- Assist management and the board to improve operations and reduce risk
- Recommendation
- Rationale



Recommendation

- The District should consider building its reserves by keeping the remaining \$14 million in fund balance reserves
- This would increase our reserves from 7.6% to 10.2%



State of California Structural Budget Deficit

- The 2007-2008 State of California's budget still contains a \$5.5 billion structural budget gap
- The state's plan is only a one year solution
- A \$5 billion budget gap would still remain for 2008-2009 and is projected into 2011-2012
- History has proven budget deficits at the state eventually translate to budget cuts for our District



5% Reserve

- The 5% reserve requirements represent the minimum standards
 - primary criteria by which the District's financial condition is based
 - balances that fall below 5% trigger monitoring by the State Chancellors Office
- History proved that a 5% reserve was insufficient to cover a downturn in FTES, deficit funding from the state, and the loss of all concurrent enrollment FTES
- This resulted in taking drastic measures (layoffs and across the board salary cuts) in order to maintain fiscal solvency



District Strategic Objective

- To increase and maintain the fiscal stability of the District
 - Increasing our reserve will significantly improve the fiscal stability of the District by providing sufficient funds to help carry us through lean years



Benchmarks

- Other community college districts have established much higher fund balance reserves
- Higher reserves allow an organization to weather economic downturns with minimal cuts



Benchmarks – Bay 9 and Others

District	05/06 Expenditures and Other Outgo	05/06 Fund Balance	05/06 % of Exp & Other Outgo to Fund Balance	04/05 Expenditures and Other Outgo	04/05 Fund Balance	04/05 % of Exp & Other Outgo to Fund Balance
Bay Nine						
Chabot	81,748,266	11,074,170	13.5%	76,097,080	12,672,719	16.7%
Contra Costa	138,350,678	14,171,994	10.2%	139,823,387	10,691,623	7.6%
Foothill	169,680,941	26,352,983	15.5%	160,778,862	20,575,789	12.8%
West Valley	82,382,994	15,245,349	18.5%	78,165,269	12,450,316	15.9%
Ohlone	38,381,276	6,369,887	16.6%	36,307,595	4,245,970	11.7%
Peralta	94,486,365	7,921,414	8.4%	89,836,954	7,739,757	8.6%
San Francisco	169,957,741	20,192,985	11.9%	161,223,449	16,195,230	10.0%
San Jose	70,572,284	8,898,845	12.6%	67,357,379	7,157,069	10.6%
San Mateo	106,277,884	9,879,706	9.3%	90,796,904	9,927,386	10.9%
Mean - (Mathematical Average)			12.6%			11.3%
Median - (Middle value of range)			12.6%			10.9%
Other District's of Interest						
Marin	39,359,488	3,982,851	10.1%	35,890,929	2,934,452	8.2%
San Diego	185,935,196	13,891,927	7.5%	177,627,040	15,014,198	8.5%
Sonoma	90,765,266	6,368,867	7.0%	88,551,956	7,415,276	8.4%
Ventura	118,537,763	11,759,652	9.9%	113,211,919	8,484,127	7.5%



Fund Balance Should Not Be Used to Fund On-Going Expenses

Because these are one time funds, they should not be used to fund on-going expenses





Thank You!

Questions?



2007 Board Topics

Month	Topic(s)
January	Economic impact study
February	Measure A Oversight Committee report Hay Group study results
March	Fiscal management assessment study
April*	Budget 2007-2008
May	Accountability Reporting for the Community Colleges (ARCC) Districtwide strategic plan
June	Districtwide course articulation High demand course responses, especially nursing
July*	Accreditation training
August	Emergency preparedness plan
September	Distance education
October	
November*	
December	

* Study session