STUDY SESSION

DEVELOPMENT OF THE 2023-24 4CD BUDGET

APRIL 12, 2023

Contra Costa Community College District
500 Court Street
Martinez, California 94553

STUDY SESSION
DEVELOPMENT OF THE
2023-24 4CD BUDGET

AGENDA

I. Review of Fiscal Year 2022-23 Budget Status and Fiscal Year 2023-24 Budget Development Discussion

II. Response from the Governing Board

PURPOSE

The Budget Study Session is conducted annually in April so that the Interim Chancellor and staff can (1) share the status of the budget for the current year; (2) share what is known regarding the upcoming year; and (3) give the Governing Board the opportunity to respond to the presentation and provide direction to the Interim Chancellor on the items to be included in the budget.

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1. INTRODUCTION

This budget study session document is prepared in adherence to the Contra Costa Community College District's (4CD) policies and procedures established for development of the annual budget. In preparing the annual budget for 4CD, the goal is to develop a balanced budget that provides for programs and services that meet the needs of the community served by 4CD, as delineated in 4CD's *Strategic Plan, 2020-2025*.

The budget development process also adheres to Education Code Section 70901 and Title 5 Section 58301. These sections mandate the Governing Board hold a public hearing on the proposed budget for the ensuing fiscal year (FY) on or before September 15, but at least three days following availability of the proposed budget for public inspection. At the public hearing, any resident may appear and object to the proposed budget or any item in the budget.

Notification of dates and location(s) at which the proposed budget may be inspected by the public and date, time, and location of the public hearing on the proposed budget shall be published by 4CD in a newspaper of general circulation at 4CD.

Board Policy 5033, Budget Development, establishes 4CD's budget development process. It requires the budget be prepared in accordance with Title 5 and the California Community Colleges Budget and Accounting Manual. In addition, it ensures the presentation and review of budget proposals comply with state laws and regulations and provide adequate time for Governing Board review. The policy delineates the budget development criteria and values.

1.1 Criteria

The budget development process shall meet the criteria listed below.

- The annual budget shall support 4CD's strategic master plan and the colleges' educational and facilities master plans;
- assumptions, upon which the budget is based, are presented to the Governing Board for review;
- a schedule is provided to the Governing Board at the November Governing Board meeting each year that includes dates for presentation of the Tentative Budget, required public hearing(s), Governing Board study session(s), and approval of the adopted budget;
- Business Policy 5033 states unrestricted general fund reserves shall be no less than two months of unrestricted general fund operating expenditures as specified in Business Procedure 18.01. Reserve levels shall be reviewed annually during the annual budget development process. If reserve levels fall below the minimum levels, 4CD shall develop a plan through the annual budget process to replenish the funds within three years;
- changes in the assumptions upon which the budget was based shall be reported to the Governing Board in a timely manner; and
- budget projections address long-term goals and commitments.

1.2 Values

The foundation of the budget development process is a belief in basic, shared values: honesty, integrity, transparency, and an overall sense of collegiality. Fiscal prudence is exercised in the development and management of the budget. These values are upheld by ensuring:

- discussions and actions are student-centered;
- communication of financial information is practiced ensuring dialogue among constituencies and honest portrayal of 4CD's financial condition;
- decisions on financial matters are data driven;
- 4CD budget practices are comparable to institutions of similar size and scope; and
- items included in the budget will be based on need.

1.3 Business Procedure 18.02, Parameters for Budget Development and Preparation

This procedure requires that, to the extent possible, the budget will:

- allow the resources sufficient for meeting the needs of the diverse student population of 4CD;
- be developed based on achievable full-time equivalent student (FTES) goals that provide for the highest possible level of student access;
- maintain unrestricted general fund reserves no less than two months of unrestricted general fund operating expenditures.
- provide sufficient funding to ensure an appropriate number of faculty, classified staff and management personnel to fulfill the mission of 4CD and its colleges;
- provide for contractual obligations and fixed costs.
- cover the current-year retiree health benefit expenses and increase restricted reserves for the retiree health benefit liability;
- include funding for new 4CD projects based on 4CD goals;
- adhere to formulae stipulated in business procedures.
- budget and restrict college year-end carryover balances for one-time expenditures only;
- maintain and improve colleges in a manner that attracts students and provides an environment that promotes education, including providing matching funds;
- include total compensation for all employees which will be in the top one-third of the Bay 10, excluding basic aid districts, only if 4CD can afford it; and
- reflect improvement in productivity at all levels; and
- be developed within a multi-year plan.

2. 4CD 2020-25 STRATEGIC PLAN

The 4CD Governing Board will respond to seven broad goals as it strives to realize its vision of excellence in learning and equitable student success and completes its five-year strategic plan. These goals are aligned with 4CD's mission and values. The goals of the Governing Board for this planning period are designed to contribute to the accomplishment of the goals in 4CD's *Strategic Plan, 2020-2025.*

Strategic Direction 1: Improve Student Learning and Completion across District Colleges
Support all college faculty, staff, and administrators in advancing student learning and completion. Strengthen college efforts to implement high-quality academic programs and champion the provision of proactive student support, including the adoption and scaling of effective practices.

Objectives:

1. Align 4CD student completion goals with those identified in the CCCCO's *Vision for Success*.
2. Support college implementation of the state's Guided Pathways framework.
3. Foster high-quality distance education across 4CD as a vehicle for achieving *Vision for Success* goals and promoting all forms of student success.
4. Convene venues that bring together faculty, staff, and administrators across 4CD to share effective practices and reflect on progress toward success targets.

Suggested Progress Measures and Actions:

1. Annually review 4CD progress toward the student success goals identified in the CCCCO's *Vision for Success* goals, specifically to achieve systemwide improvement within five years.
   - Student completion of degrees and certificates by 20 percent;
   - student transfers to the public universities (CSU and UC) by 35 percent; and
   - reduce time to degree by lowering units accumulated by associate degree recipients to an average of 79 units.

2. Regularly assess progress of college implementation of Guided Pathways framework, identifying and providing support where appropriate.
3. Annually review progress on the metrics identified in the 2022-2027 Districtwide Distance Education Strategic Plan.
4. Regularly assess the quality and effectiveness of 4CD efforts and convenings intended to share best practices, improve student outcomes, and increase institutional effectiveness.

Strategic Direction 2: Decrease Equity Gaps for All Students
Support college efforts to eliminate inequities in student access and outcomes. Help colleges identify which student groups are less likely to arrive prepared for college-level work and achieve their goals; understand the specific factors impacting the success of these learners; and explore what these student groups need to succeed and feel a sense of belonging. Promote the adoption of evidence-based strategies for rapidly improving their outcomes.

Objectives:

1. Align 4CD equity goals with those identified in the California Community Colleges *Vision for Success*.
2. Support colleges in the execution of their Student Equity and Achievement plans.
3. Help colleges regularly gather the perspectives of disproportionately impacted student groups to assess their sense of engagement and identify opportunities for strengthening their support and success.

Suggested Progress Measures and Actions:

1. Annually review progress toward *Vision for Success* equity goals, specifically closing equity gaps for disproportionately impacted student groups by 40 percent in five years.
2. Review progress toward goals identified in each college’s Student Equity and Achievement plan.
3. Regularly review results from student engagement surveys, including the Community College Survey of Student Engagement (CCSSE) and internally developed student surveys.

Strategic Direction 3: Advance Existing Community Partnerships and Create New Collaborations to Strengthen Student Pathways
Support college efforts to align with key K-12, university, community, and workforce partners to facilitate students’ movement into and through their institutions and transition to additional education and living-wage employment.

Objectives:

1. Align 4CD workforce goals with those identified in the California Community Colleges’ *Vision for Success*.
2. Support college partnerships with K-12 institutions improving both collaboration and alignment to expand access to 4CD for students of all backgrounds and increase student readiness for college-level work.
3. Advance college collaborations with regional UC and CSU institutions to increase student completion of an Associate Degree for Transfer (ADT), transfer, and achievement of bachelor’s degrees and beyond.
4. Support college implementation of the CCCCO Strong Workforce Program to increase the number of students who enroll in programs leading to high-demand, high-wage jobs; secure employment; and improve their earnings.
5. Support 4CD implementation of the California Adult Education Block Grant (AEBG) to help further the career and talent development of Contra Costa County’s adult workforce.
6. Support college partnerships with businesses, community organizations, and public agencies to meet community, economic, and workforce needs and serve as driver of both social justice and economic mobility.

Suggested Progress Measures and Actions:

1. Consistent with the state *Vision for Success* requirement, increase the percent of Career Education students employed in their field of study to 76 percent within five years.
2. Annually review the metrics captured in the Annual District Feeder High School Report, which tracks number of students enrolling in 4CD from feeder high schools and the success of those students once enrolled.
3. In alignment with the *Vision for Success* goals, increase the number of students receiving an ADT by 35 percent within five years. Make efforts to track the performance of transfer students at their destination institution, including the number and percent that successfully obtain a bachelor's degree.
4. Monitor 4CD progress on the metrics identified in the California Strong Workforce Program.
5. Monitor 4CD progress on the metrics identified in the California Adult Education Block Grant.
6. Assess the depth and quality of engagement of businesses, community organizations, and public agencies in career technical education (CTE) programs across 4CD colleges, such as involvement in advisory boards that provide regular, meaningful input into CTE curriculum; assessments of regional labor market needs; internship and work-based learning opportunities for students; and employment of 4CD graduates.

Strategic Direction 4: Cultivate a Culture of Engagement throughout the District
Ensure all members of the 4CD community feel safe, connected, engaged, and valued. Support the professional learning and continuous improvement of all 4CD faculty, staff, and administrators. Foster effective communication between 4CD and the colleges and encourage active participation in decision-making.

Objectives:

1. Encourage professional development for all 4CD employees—ensuring all faculty, staff, and administrators know their role in supporting student learning and completion, are equipped to strengthen student success inside and outside the classroom and are provided training and support to pursue opportunities for advancement.
2. Strengthen proactive communication channels between 4CD and the colleges.
3. Promote widespread engagement in 4CD participatory governance structures encouraging representation from a broad diversity of employee roles, responsibilities, backgrounds, perspectives, and experiences.
4. Provide a collegial and safe learning environment that promotes physical, emotional, intellectual safety of all members.

Suggested Progress Measures and Actions:

1. Assess faculty, staff, and administrator engagement in professional learning, including its quality and quantity; if new skills and knowledge are shared across departments and divisions; and/or the ways in which professional development has led to the introduction of effective approaches to proactive student support and improved learning and completion.
2. Assess 4CD employee satisfaction with communication between 4CD and the colleges and ways to improve these communication channels.
3. Assess 4CD employee engagement in participatory governance to identify who is engaged, in what ways they contribute to decision-making, and how to advance involvement.
4. Regularly review safety reports and monitor all incidents occurring throughout 4CD. Regularly evaluate safety protocols, processes and training practices.

Strategic Direction 5: Responsibly, Effectively, and Sustainably Steward District Resources
Prudently and judiciously steward Contra Costa County's investment in 4CD by leveraging all 4CD resources. Ensure fiscal responsibility and environmental sustainability are key considerations in all

decision-making and understood as essential to a student-centered environment. In the new state funding paradigm, maintain financial stability. Maintain strong alignment and coordination among 4CD and its three colleges, leveraging the distinct assets of each institution as well as the unique power of their combined efforts to strategically tackle challenges, increase resource efficiency, and better serve our students.

Objectives:

1. Maintain 4CD's financial stability by anticipating and planning for the adoption of the evolving California Community Colleges Student-Centered Funding Formula.14
2. Develop processes within 4CD to enable the colleges to work both autonomously and collaboratively to increase operational and administrative efficiency and provide students programs and services of the highest quality.
3. Diversify sources of revenue.
4. Practice scaled prudence to ensure financial integrity and stability.
5. Support a strong technology backbone to ensure workforce efficiency and excellent service to students.
6. Develop practices and procedures that promote sustainability in all areas of 4CD, including but not limited to instruction, operations, construction, facilities, land use, energy, water conservation, and environmental integrity.
7. Maintain positive and strong relationships with communities surrounding 4CD.

Suggested Progress Measures and Actions:

1. Regularly monitor and review 4CD performance on the metrics underlying the Student Centered Funding Formula (SCFF).
2. Regularly assess improvements in efficiency by reviewing costs within and across departments, divisions, and colleges.
3. Regularly review the diversity of revenue sources including grants.
4. Regularly assess the financial state of 4CD, using the Sound Fiscal Management Checklist.
5. Assess and address ongoing infrastructure improvement needs, including wireless services.
6. Track the adoption of practices and procedures that promote sustainability in all areas of 4CD.
7. Routinely survey the community to capture feedback from county residents and employers regarding their perceptions of 4CD and its impact on the community.

3. FISCAL YEAR (FY) 2023-24 BUDGET DEVELOPMENT CALENDAR

The following is a listing of the actions to be undertaken in the development of the budget for FY 2023-24. The budget calendar, noted in Business Procedure 18.06, Budget Preparation, adheres to the guidelines for preparation of the annual budget as set forth in the California Code of Regulations and Board Policy 5033, Budget Development.

November

- 4CD educational planning meeting is conducted

December

- Chancellor's Cabinet (Cabinet) reviews and discusses state revenue collections and FTES targets

January/February/March

- Governor's Budget is released setting the preliminary revenue targets
- Cabinet reviews state revenue collections, apportionment reports and enrollment data
- Cabinet reaches agreement on any mid-year shifting of FTES between sites
- Cabinet reaches agreement on FTES targets for the Tentative Budget
- First Principal Apportionment and prior year Apportionment Recalculation reports are issued by the State System Office

- 4CD develops preliminary revenue projections based on tentative budget FTES targets, known and assumed changes in other revenue or cost variables, and provides colleges with their estimated budget allocation and personnel costs
- Tentative budget assumptions are updated and reviewed with location Business Officers Chancellor Advisory Team (CAT), Cabinet and District Governance Council (DGC)

April/May/June

- Budget Forums are conducted at all 4CD locations
- Cabinet reviews FTES projections and revises, as necessary, all growth targets
- Governing Board holds public study session on Budget
- Colleges, District Office and Districtwide Administrative Services provide expenditures to 4CD to start development of Tentative Budget
- Colleges and District Office provide completed budget template to 4CD to start compilation of the Tentative Budget
- Cabinet, Faculty Senate Coordinating Council (FSCC) and DGC review the Tentative Budget
- The Tentative Budget is submitted to Governing Board for approval
- All locations develop preliminary operational adoption budgets

July

- Final adoption budget assumptions are updated and reviewed with location Business Officers, CAT, Cabinet and DGC
- 4CD finalizes adoption budget assumptions

August

- Colleges and District Office provide completed budget template to 4CD to start compilation of the Adoption Budget
- Calculations are completed for the prior year to determine fund balances and carryover funds
- 4CD compiles the Final Adoption Budget

September

- Newspaper publications are notified of the availability of the Adoption Budget and appropriations (Gann) Limit
- Adoption Budget and Appropriations Limit are made available for public inspection
- Governing Board conducts a public hearing for the Adoption Budget and considers approval of the budget and appropriations (Gann) limit presented

October

- The finalized Adoption Budget is filed with the County Superintendent of Schools (Office of Education) and with the California Community Colleges State Chancellor's Office
- Annual Financial and Budget Report (CCFS 311) is filed with the State System Office

Throughout the year

- The Governing Board approves budget transfers and budget adjustments per Board Policy 5031

4. FY 2022-23 UPDATE

In September 2022, the Governing Board adopted the FY 2022-23 budget with an increase in year-over-year ongoing revenue predominantly related to the 6.56% COLA enacted in the State Budget. 4CD adopted an annual budget base utilizing the hold harmless provision of the SCFF and which reflected the same level of funding compared to the prior year and adjusted for COLA. Also, during FY 2022-23 and after the budget was adopted, the District received one-time unrestricted general fund monies for an Economic Conditions Allowance (ECA). The ECA funding allowed 4CD to avoid the effects of significant enrollment declines due to the COVID-19 pandemic, which may have resulted in material decreases in 4CD's apportionments if the funding had not been provided. Under California Education Code Title 5 Section 58146, criteria are provided from the State Chancellor's Office for funding allowances due to emergency conditions, including pandemics. The intent behind this section of regulation is that districts should not lose FTES apportionment because of an emergency or extraordinary condition.

The fiscal year began with major actual expense increases year-over-year related to negotiated salary increases, step and column, benefit costs, pension contribution rates for STRS and PERS and utility expenses.

While 4CD's actual resident FTES continues to show decline, the extension of the hold harmless provision continues to provide financial security to 4CD. Considering this fact, 4CD continues to budget for an unchanged resident FTES target. Maintaining the level of funding associated with this target allows 4CD to sustain its existing operations, invest in outreach and other FTES-generating activities, and be in a state of readiness as the demand for services begins to increase.

In addition to the number of students served, 4CD also monitors costs to serve those students. One particularly useful ratio 4CD uses to measure efficiency in the delivery of services is the number of FTES generated by a full-time equivalent faculty (FTEF). This "productivity ratio" of FTES/FTEF has been steadily declining from its recession peak. Essentially, a lower FTES/FTEF productivity ratio means that class sizes overall are smaller, which raises the cost of instruction per FTES. A general rule of thumb is that for every 0.5 decrease in 4CD's productivity ratio, an additional $2 million in instructional costs must be spent to maintain the same annual FTES.

Historically, there has been a strong correlation between the FTES/FTEF productivity ratio and the unemployment rate in Contra Costa County. Chart 1 below shows that as the unemployment rate drops and jobs are available, the demand for 4CD services trends downward. Unlike historical trends, the increase in the unemployment rate during the pandemic did not correlate with an increase in FTES or productivity. The vast majority of California community colleges continue to experience similar difficulty in recovery of enrollment declines during the pandemic.

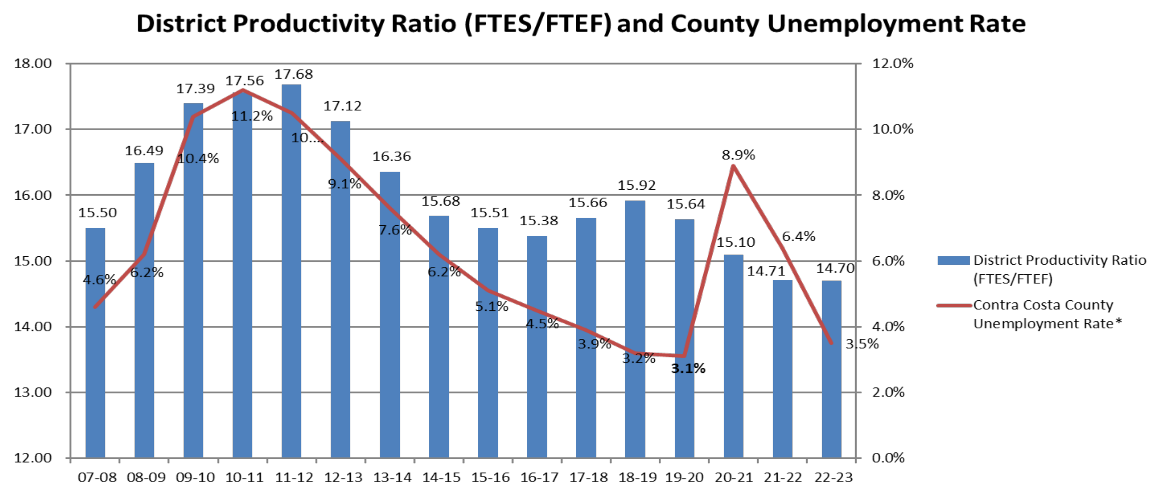


Chart 1

Another important funding source to report for FY 2022-23 is the federal funding provided to the schools and colleges in response to the COVID-19 pandemic and its impact on schools and colleges, Congress approved three separate rounds of Higher Education Emergency Relief Funds (HEERF) and Coronavirus Relief Funds (CRF) to help colleges quickly adapt to distance learning and alleviate pandemic related costs.

Under the combined HEERF grants, 4CD received $98 million in federal funding, $38.7 million of which must be used for direct student aid and the rest for institutional expenditures. Table 1 below reports total funding allocated to each college within the District and Table 2 reflects HEERF spending to date as of March 16, 2023. On the next page, Chart 2 reflects major types of HEERF expenditures and the largest category of spending through March 16, 2023, is emergency financial aid needs. The Department of Education extended spending on award funds through June 30, 2023.

HEERF Awards by College

	Contra Costa College	Diablo Valley College	Los Medanos College	TOTAL	% Dist.
HEERF - Institutional	$11.4M	$26.2M	$16.1M	$53.7M	55%
HEERF - Student Aid	$7.9M	$19.3M	$11.5M	$38.7M	39%
HEERF - HSI	$1.2M	$0	$1.7M	$2.9M	3%
CRF Block Grant	$.5M	$1.5M	$.7M	$2.7M	3%
Total	$21M	$47M	$30M	$98M	100%

Table 1

HEERF Year to Date Spending as of March 16, 2023

	Contra Costa College	Diablo Valley College	Los Medanos College	TOTAL	% Dist.
Total Allocations	$20.9M	$47M	$30.1M	$98.0M	100%
Total Expenditures	$20.1M	$46.8M	$29.3M	$96.2M	98%
Total Encumbrances	$ 1M	$ 0M	$.7M	$.8M	.1%
Total Remaining Balance	$.7M	$.2M	$.1M	$ 1M	1%

Table 2

HEERF Major Expenditures as of March 16, 2023

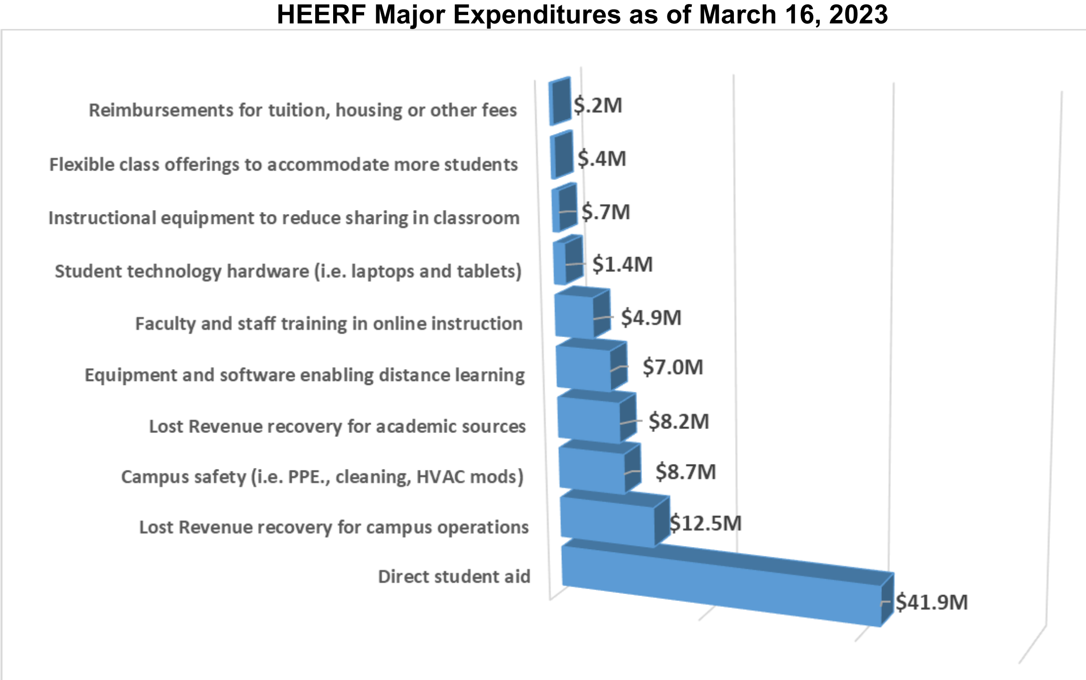


Chart 2

In addition, the 2022-23 enacted state budget included a Budget trailer bill, AB 182 (2022) providing a one-time $650 million block grant for districts to address issues related to the COVID-19 pandemic. The funds are intended to be used on activities that directly support community college students and mitigate learning losses related to the impacts of the COVID-19 pandemic. Community college districts are expected to prioritize the use of these one-time funds for purposes, including, but not limited to, professional development, technology infrastructure, developing open education resources and zero-textbook-cost degrees, and supporting the mental health and wellness needs of students and staff. 4CD was allocated $17.1 million and the funds shown in Table 3 below are restricted to spending which supports activities directly benefiting community college students and mitigating learning losses related to the impacts of the COVID-19 pandemic. The funds do not have an expiration date but require periodic reporting to the State Chancellor's Office.

COVID Block Grant Year to Date Spending as of March 16, 2023

	Contra Costa College	Diablo Valley College	Los Medanos College	TOTAL	% Dist.
Total Allocations	$2.8M	$9.7M	$4.6M	$17.1M	100%
Total Expenditures	$.2M	$.5M	$.1M	$.8M	5%
Total Encumbrances	$.2 M	$1.2M	$.2M	$1.6M	.9%
Total Remaining Balance	$2.4M	$8M	$ 4.3M	$14.7M	85.9%

Table 3

4.1 FY 2022-23 Changes in Revenues

Overall, 4CD's revenue is trending higher with the amended budget. 4CD is currently taking advantage of the SCFF Calculated revenue provision generating expected apportionment revenue of $211.3 million (including 6.56% COLA and one-time funding provided because of the approved ECA funding) for FY 2022-23. Apportionment schedules released in March 2023 indicate an anticipated deficit factor of 0.0 percent. The deficit factor considers anticipated revenue reductions in local tax revenues and enrollment fees. If the deficit factor does indeed stay at 0.0 percent, then 4CD will not experience any revenue reduction to apportionment revenue for FY 2022-23. In addition, with the Economic Conditions Allowance funding or one-time funding available, 4CD is not highly concerned about the estimated apportionment deficit factor currently.

In addition, 4CD and its colleges plan to use the remaining portion of unspent HEERF institutional and student financial aid funds to address any residual impacts of the pandemic and remove any barriers preventing students from re-enrolling because of personal financial challenges they may have experienced during the pandemic.

4.2 FY 2022-23 Changes in Expenditures

Decline in enrollment continued to result in the cancellation of select class sections, while maintaining some low enrolled classes to retain and recover student populations by offering more class times and options. In addition, the colleges continued prudent and conservative expense control consistent with enrollment levels.

4.3 FY 2022-23 Adopted Budget and Projected Reserves

4CD's expenses are currently trending below the amended budget. Table 4 details the Adopted Budget reserves and the Projected Ending reserves for FY 2022-23. The projected ending balance for FY 2022-23 is inclusive of expected transfers for maintenance projects, long-term liabilities, and other one-time designations.

The reserves shown in Table 4 represent the operating, ongoing portion of the unrestricted general fund.

	2022-23 Adopted Budget	2022-23 Projected Ending Balance
Designated Districtwide Reserves	$2,048,951	$1,493,128
Designated College and DO Reserves	3,655,698	3,655,698
Subtotal, Designated Site Reserves	**$5,704,649**	**$5,148,826**
5% Governing Board Contingency Reserve	$11,204,554	$11,204,554
5% Governing Board Reserve	$11,204,554	$11,204,554
Subtotal, Designated Governing Board Reserves	**$22,409,108**	**$22,409,108**
Undesignated Districtwide Reserves	11,394	500,864
Undesignated College and DO Reserves	3,473,681	6,323,529
Subtotal, Undesignated Reserves	**$ 3,485,075**	**$6,824,393**
TOTAL RESERVES	**$31,598,832**	**$ 34,382,327**

Table 4

5. FY 2022-23 BUDGET DISCUSSION

5.1 FY 2023-24 Highlights

Governor's Budget Proposal

Under the proposal, the overall 2023-24 state budget would be $297.7 billion or 3% lower than the current year, affected by a substantial decline in the share of personal income tax revenues from capital gains. General Fund spending would be $223.6 billion or 4.6% lower than the current year. The proposed 2023-24 budget reflects a projected deficit of $22.5 billion.

The budget outlook has declined since the 2022 Budget Act, with revenues falling behind budget act projections across 2021-22, 2022-23 and 2023-24 by over $40 billion according to the Legislative Analyst's Office (LAO). The 2022 Budget Act assumed that the state would end 2023-24 with a deficit of $3 billion, a problem that is compounded by revenue shortfalls related to a downturn in the stock market. The budget reflects $35.6 billion in reserves, including $22.4 billion in the state's Rainy-Day Fund.

The budget proposal for the California Community Colleges continues to be shaped by the Roadmap for the Future, introduced in 2022-23 and intended to advance equity, student success and the system's ability to prepare students for California's future. The Roadmap is part of the Administration's agenda to help the state reach a goal of having 70% of working-age Californians possess a degree or credential by 2030. Budget investments across higher education aim to support students to improve educational outcomes, close equity gaps, address basic needs, and increase affordability.

The proposed budget for 2023-24 provides about $778 million in Proposition 98 augmentations over the prior year, nearly all of it as ongoing spending. The proposal for additional ongoing spending includes $652.6 million for an 8.13% cost-of-living adjustment (COLA) for community college apportionments, about $90 million for COLAs and adjustments to certain categorical programs, and $28.8 million for systemwide enrollment growth of 0.5%.

The 2021 Budget Act extended the Student-Centered Funding Formula's (SCFF) hold harmless provision through 2024-25, under which districts will earn at least their 2017-18 total computational revenue (adjusted by COLA each year). The 2022 Budget Act extended the revenue protections in a modified form beginning in 2025-26, with a district's 2024-25 funding representing its new "floor." Starting in 2025-26, districts will be funded at their SCFF generated amount that year or their "floor" (2024-25 funding amount), whichever is higher. This revised hold harmless provision will no longer include adjustments to reflect cumulative COLAs over time, as is the case with the provision in effect through 2024-25, so a district's hold harmless amount would not grow.

Table 5 below highlights significant revenue categories specifically affecting the California community college system and their potential impact to 4CD included in the Governor's January Budget proposal:

Categories	Governor's Proposal	Potential Impact to District
ONGOING FUNDING		
COLA	$652.6 million	Approximately $17 million additional apportionment revenue based on SCFF calculated revenue and assuming ECA funding. As 4CD is now under SCFF calculated revenue, the COLA of 8.13 percent is applied to the total computational revenue received in FY 22-23.
SCFF growth	$28.8 million	0.5 percent for growth would result in additional $750,000 ongoing funding to 4CD. This would require 4CD to generate additional FTES above its target. Due to enrollment projections, 4CD is unable to claim these dollars.
COLA for EOPS, DSPS, CalWORKs, CARE, Apprenticeship, Mandates Block Grant and reimbursement, Childcare tax Bailout	$41.4 million$300	Approximately $1.1 million to support student categorical programs.
COLA for Adult Education Program	$48.5 million	District funding is dependent on 4CD's participation in this new category of Adult Education Programs.
FCMAT Professional Learning Opportunities	$0.2 million	No allocation of funding to the community college system. FCMAT receives funding to develop and maintain a community college district leadership and fiscal accountability program through the Fiscal Crisis and Management Assistance Team (FCMAT).
ONE-TIME FUNDING		
Support retention and enrollment strategies	$200 million	Approximately $5.2 million in one-time funding for 4CD to support college efforts in increasing student retention rates and enrollment.

Workforce Training Grants	$14 million	District funding depends on 4CD's participation in grant program with a focus on fire protection and fighting wildfires.
Prior year SCFF funding	$5.7 million	Funding indeterminant currently.
FCMAT Professional Learning Opportunities	$0.1 million	No allocation of funding to the system. FCMAT receives funding to develop and maintain a community college district leadership and fiscal accountability program through the Fiscal Crisis and Management Assistance Team (FCMAT).
Reduce prior year deferred maintenance funding	-$213.0 million	Approximately $5.5 million decreased funding previously awarded in FY 2022-23 budget and reallocated to fund student retention programs.

TABLE 5

The Governor's 2022-23 budget included a multi-year Roadmap and the 2023-24 proposed budget builds on existing efforts toward achieving the Vision for Success goals, with some additional expectations for the system over the next several years. The proposed budget provides funding for a COLA and enrollment growth, targets more one-time funds for enrollment and retention efforts, and allows districts more flexibility in the use of funds in pursuit of the roadmap's goals.

- **$250 million (extend on year) - *Affordable Student Housing Funding* -** As part of the Budget Act of 2021, the state created the Higher Education Student Housing Grant Program to support the construction of affordable student housing across the three public higher education segments. The program was to receive funding over three years for three rounds of grants, with an investment of $750 million one-time expected in FY 2023-24. The Governor's budget proposes to reduce that investment to $500 million one-time and extend the remaining $250 million to FY 2024-25, which will provide an opportunity for a fourth round of awards.

- **($213) million (one-time) - *Deferred Maintenance Funds* -** The 2022 Budget Act included approximately $840 million in one-time funds for 2022-23 to address deferred maintenance and energy efficiency projects across the system to support the additional investment for retention and enrollment efforts in the budget year. As of January 2023, $504 million has been distributed to districts. The budget proposal reduces the 2022 Budget Act amount by $213 million while redirecting $200 million to Student retention and enrollment.

- **$200 million (one-time) - *Retention and Enrollment* –** Building on prior investments of $120 million in 2021-22 and $150 million in 2022-23, the proposal includes one-time funding in FY 2023-24 to continue supporting community college efforts and focused strategies to increase student retention rates and overall given continuing concern about the significant loss of enrollment across the community colleges, which has declined by more than 16% since the beginning of the pandemic.

- **$14 million (one-time) - *Fire Protection* –** Funding workforce training grants focused on meeting workforce needs to fight wildfires, to be administered in collaboration with the California Department of Forestry and Fire Protection.

- **$.2 million (ongoing) and $.075 million (one-time) – *Fiscal Accountability*** with support to Fiscal Crisis and Management Assistance Team (FCMAT) to help local TK-14 educational agencies identify, prevent, and resolve financial, operational and data management challenges through management assistance and professional learning opportunities.

- ***District Flexibility Increases*** – The Administration plans to introduce a mechanism as part of the May Revision to provide additional flexibility in the spending of certain categorical dollars to community college districts that are making progress toward the roadmap goals. Under the proposal, districts would have the option to submit a streamlined report for the specified programs and to spend funds flexibly across them and to support the roadmap and provide districts with an opportunity to maximize use of their funds.

- ***Dual Enrollment and Service Learning*** - The Governor's budget proposal requests that community colleges establish dual enrollment agreements with all applicable local educational agencies (LEAs) within their community college districts' service area. It also requests that colleges develop and offer a one-unit service-learning course that all high school students can access through dual enrollment.

- ***Cal Grant Reforms*** **--** The FY 2022-23 State Budget enacted the Cal Grant Reform Act, a longstanding priority of the California Community Colleges system and our student-led organizations, overhauling and modernizing the state Cal Grant program for community college students. When it goes into effect in the 2024-25 academic year, the Cal Grant Reform Act would entitle *all* community college students with financial need to a revised "Cal Grant 2" financial aid award that would increase with inflation over time and continue to support students' total cost of attendance beyond tuition. The Cal Grant Reform Act depends on the Department of Finance determining, in the spring of 2024, that there will be sufficient revenues in the 2024-25 FY to support this expansion of financial aid.

5.2 FY 2023-24 Planning

Planning for the FY 2023-24 budget begins immediately following the January release of the Governor's proposal. The information contained in the proposal is shared with the Governing Board as well as employee constituency groups through DGC. As delineated in Business Procedure 18.06, budget assumptions for the Tentative Budget go through the location Business Officers, CAT, Cabinet, and DGC. Each of these groups provides guidance and input into the budget development process.

Resident FTES Targets
Enrollment trends for 2022-23 indicate a year-over-year decline of 6 percent. However, due to the SCFF hold harmless provision, 4CD plans to budget its apportionment revenue at its resident FTES target. Maintaining the level of funding associated with this target allows 4CD to sustain its existing operations, invest in outreach and other FTES-generating activities, and be in a state of readiness for when the demand for services will inevitably rise.

Table 6 illustrates the static resident FTES target and shows the dollar value of the COLA and Funding Formula transition increases directly related to that target.

	FY 2022-23 Resident FTES Target	FY 2023-24 Resident FTES Target	FTES Difference	$ Difference
CCC	5,381	5,381	-	$3,084,978
DVC	15,336	15,336	-	8,792,273
LMC	7,951	7,951	-	4,558,383
Total	**28,668**	**28,668**	**-**	**$16,435,634**

Table 6

Non-resident FTES Targets
4CD increased its non-resident FTES targets by 100 FTES in 2022-23 over the prior year. For the 2023-24 Tentative Budget, 4CD will remain flat to the prior year. The targets and total tuition dollars associated with non-resident students are shown in Table 7 on the next page.

	FY 2022-23 Non-Resident FTES Target	FY 2023-24 Non-Resident FTES Target	FTES Difference	Total Non-Resident $
CCC	200	200	-	$730,479
DVC	1,100	1,100	-	9,962,171
LMC	100	100	-	675,964
Total	**1,400**	**1,400**	-	**$ 11,368,614**

Table 7

Health Benefit Increase
During the development of the budget assumptions, 4CD staff reviews historical increases and projects the coming increase based on an agreed upon formula: the average of the past seven years' increases, excluding the high and the low. The outcome of this formula is a projected increase in health benefit premiums of 2.33 percent. A 2.33 percent premium hike translates to approximately $.8 million in additional annual cost to 4CD. 4CD should receive finalized rates by May and will incorporate the actual plan costs into the Adoption Budget.

Salary Increase
Any salary increases for FY 2023-24 (which are not included within the expenditure assumptions) will be determined through the ongoing collective bargaining process.

5.3 FY 2023-24 Major Budget Assumptions

Revenue Assumptions
Following are revenue assumptions from what is known at this point in the state budget process. These revenue assumptions total $16.2 million in incremental revenue over prior adoption budget.

- COLA of 8.13 percent
  - *Potential impact*: A COLA of 8.13% will generate $16.4 million in incremental revenue for 4CD based on hold harmless SCFF provision.
- State lottery revenue
  - *Potential impact*: $ 180,000 decrease in lottery revenue received from the state due and affected by enrollment declines.
- Interest income
  - *Potential impact*: $0 increase in interest earnings compared to last year's budget given uncertainty in regard to interest rates.

Expenditure Assumptions
Delineated below are major expenditure assumptions that total $2.0 million in increased expenses.

- Health benefits costs to increase by 2.33 percent
  - *Potential Impact*: A 2.33 percent increase in health benefits costs results in approximately $800,000 in additional expenses to 4CD. This increase includes retiree health benefits, which now comprise approximately 37 percent of the anticipated $34.8 million annual health benefit expenses.
- Step and column salary increases at 1.2 percent of total salaries
  - *Potential Impact*: Step and column increases are projected to cost $1.2 million and include all classes of employees.
- CalSTRS employer contribution is expected to remain flat at 19.10 percent resulting in no change in cost related only to the rate change.
- CalPERS employer contribution rate to decrease to 25.20 percent.
  - *Potential impact:* A decrease in the CalPERS employer contribution rate from 25.37 to 25.20 percent creates an estimated decrease of $70,000 to 4CD related only to the rate change.

Other Expenditure Assumptions
Additional expenditure assumptions that remain unchanged year-over-year include:

- the retiree health benefit contribution will remain at $1 million;
- the self-insurance annual contribution will remain at $50,000.
- the worker's compensation rate will remain at 1.212 percent; and
- the state unemployment insurance rate will increase to .2 percent.

6. FY 2023-24 PROJECTED BUDGET

While college and District Office tentative budgets are not yet complete, it is possible to provide a high-level view of 4CD's Tentative Budget based upon historical actuals and current assumptions.

6.1 FY 2022-23 and FY 2023-24 Comparison

Table 8 shows a comparison between the adoption budget for FY 2022-23 and the projected Tentative Budget for FY 2023-24. As explained previously, the budget assumptions driving these figures may change after the May Revision.

	FY 2022-23 Adoption Budget	FY 2023-24 Projected Tentative Budget	Increase/ (Decrease)
Funded Resident FTES	28,668	28,668	0
Revenues	$ 230,315,200	$246,373,974	$16,058,774
Expenditures	229,006,076	244,154,232	15,148,156
Opening Fund Balance	30,289,708	34,382,327	4,092,619
Change in Fund Balance	1,309,124	2,219,742	n/a
Ending Fund Balance	$ 31,598,832	$36,602,069	5,003,237

Table 8

6.2 FY 2023-24 Projected Reserves

The reserves shown in Table 9 comprise the operating portion of the unrestricted general fund and tentatively project a FY 2023-24 ending reserve balance of $36.6 million. The table details the distribution of the projected FY 2023-24 ending reserve balance between designated and undesignated categories. College and District Office designations are continually updated and may change by Tentative Budget.

	2023-24 Projected Tentative Budget
Designated Districtwide Reserves	$1,390,878
Designated College and DO Reserves	3,701,007
Subtotal, Site Designated Reserves[1]	**$5,091,885**
5% Contingency Reserve	$12,382,278
5% Governing Board Reserve	$12,382,278
Subtotal, Governing Board Designated Reserves[2]	**$24,764,556**
Undesignated Districtwide Reserve	1,763,617
Undesignated College and DO Reserves	4,982,011
Subtotal, Undesignated Reserves[3]	**$6,745,628**
TOTAL RESERVES 6/30/24	**$36,602,069**

Table 9

1 Designated College, District Office, and 4CD Reserves: Deficit funding reserves, contractual carryovers, and other long-term liabilities (load banking, vacation).

2 Governing Board and Location Reserves: Governing Board Reserve at 10 percent; site reserves at a minimum of 1 percent.

3 Undesignated Reserves: *Estimated* reserves; largely determined by each site.

7. 4CD FISCAL TRENDS

4CD has a demonstrated history of fiscal prudence and conservative behavior. Even so, from FY 2011-12 through FY 2014-15, expenditures exceeded revenues; this resulted in a slow decline of 4CD's fund balance. After an uptick in FY 2015-16, mostly due to unrestricted dollars frontloaded by the state for increasing the full-time faculty ratio, the fund balance stayed flat. In FY 2021-22, due to continued prudent spending related to effects of COVID, absorbing salary increases and awarded, increasing energy costs in 2021-22, recovery of lost revenues from HEERF funds, the ending operating fund balance ended with an increase of 2% percent. In FY 2022-23, 4CD estimates the one-time revenue from the economic conditions allowance funding will offset increases in expenses for salary costs awarded and budgeted increases in energy costs and resulting in an increase of 14% in FY 2022-23. For FY 2023-24, the preliminary forecast in the tentative budget and before any recognition of salary increase shows a 6% percent year-over-year increase in the operating fund balance to meet the new Board policy consistent with best practices of the Government Finance Officers Association (GFOA) of requiring two months of unrestricted general fund operating expenses to be set aside in the unrestricted general fund balance. Chart 3 below illustrates the change in unrestricted operating fund balance since FY 2013-14 with the projected tentative budget for FY 2023-24.

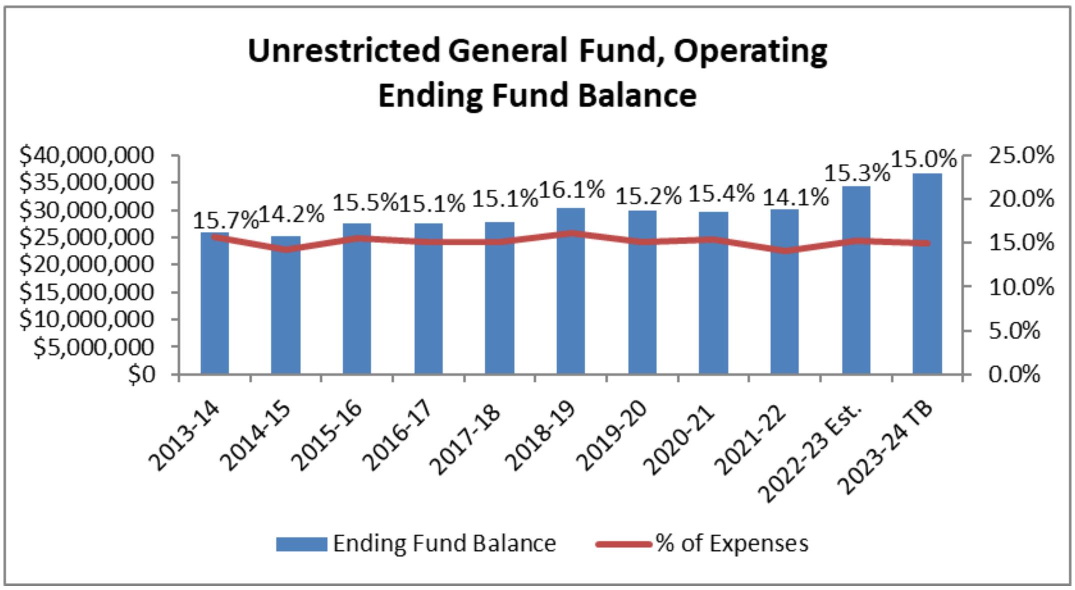


Chart 3

7.1 Salary and Benefit Trends

In FY 2022-23, 4CD negotiated a 6.0% ongoing salary increase for faculty, management, supervisors, and confidential employees and a 6.5% ongoing salary increase for classified professionals. Regarding benefits, 4CD continues to see increases in the cost of providing benefits for active and retired employees. For active (current) employees, benefits include health benefits as well as employer-paid payroll taxes, such as CalPERS and CalSTRS contributions, FICA, Medicare, and so on. For retirees, the cost is entirely for health benefits. Chart 3 shows the past nine years of actual salary and benefit costs along with a projection for FY 2022-23. Items of note are in Chart 4 and Table 10 on the next page:

- salary costs are projected to be over $130 million in FY 2022-23;
- total budgeted benefit costs have increased from $40.9 million in FY 2012-13 to an estimated $65.6 million in FY 2022-23, a 60 percent increase; and
- in FY 2012-13, for every dollar spent on salaries, an additional 41 cents was spent on benefits; however, in FY 2022-23 Adopted Budget for every dollar

spent on salaries, an additional 48 cents is spent on benefits. This is an 18 percent increase between FY 2011-12 and FY 2022-23.

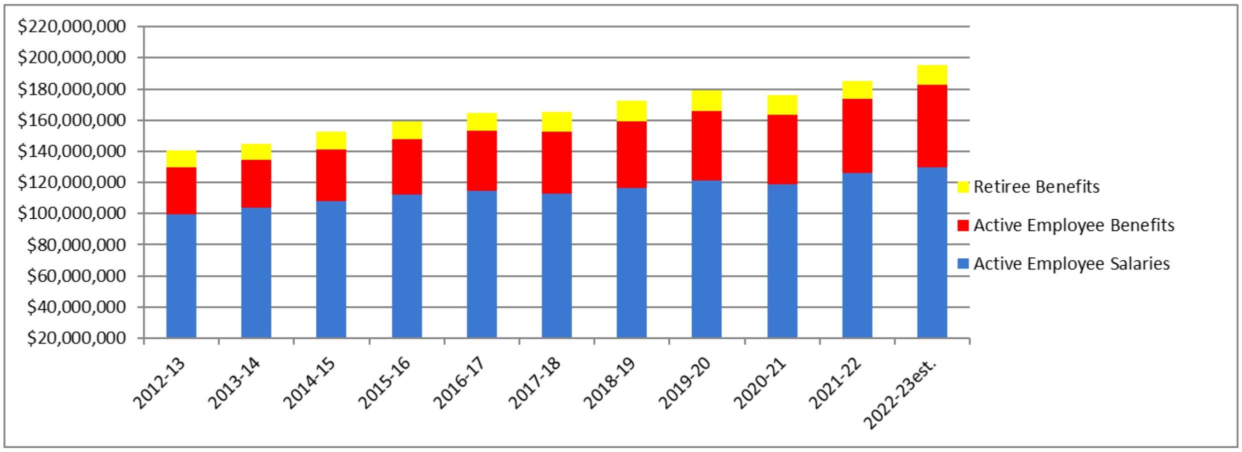


Chart 4

Cumulative Totals		
2012-13	$ 140.3	(total benefits at 41.2%)
2013-14	$ 144.8	(total benefits at 39.7%)
2014-15	$ 152.4	(total benefits at 41.4%)
2015-16	$ 159.1	(total benefits at 41.6%)
2016-17	$ 164.3	(total benefits at 43.1%)
2017-18	$ 165.2	(total benefits at 46.2%)
2018-19	$ 172.5	(total benefits at 47.8%)
2019-20	$ 178.8	(total benefits at 47.6%)
2020-21	$ 176.1	(total benefits at 48.5%)
2021-22	$ 185.3	(total benefits at 46.7%)
2022-23Est.	$ 195.5	(total benefits at 50.5%)

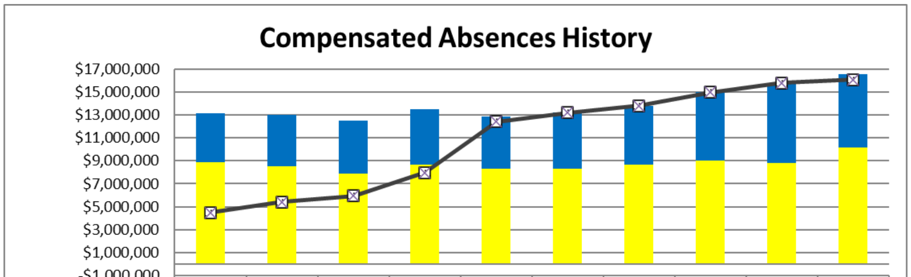
Table 10

4CD staff continues to work with its benefit consultant, Alliant Employee Benefits (Alliant), to explore cost containment measures. Beyond interfacing directly and negotiating with the insurance providers, Alliant is looking at other avenues in pursuit of cost reductions.

7.2 Compensated Absences and Retiree Health Liabilities

Compensated absences within 4CD are comprised of two separate components: vacation accruals and load banking. Chart 4 shows a history of 4CD's compensated absences. Encouragingly, for all practical purposes, this liability is predominantly funded.

4CD dedicated substantial financial resources to buy down this liability. This dedication resulted in an increase in the fund balance from $1.67 million in FY 2010-11 to $16.1 million in FY 2021-22. More important is the ratio of funding in comparison to the total liability. In FY 2017-18, 4CD reached the 100 percent funding level until FY 2021-22 when the District experienced a 97% funding level. This history is illustrated in Chart 5 on the next page.



	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Vacation Liability	$4,222,10	$4,494,28	$4,649,47	$4,841,77	$4,603,30	$4,871,97	$5,124,08	$5,966,55	$7,012,07	$6,407,65
Load Bank Liability	$8,914,40	$8,514,54	$7,895,38	$8,699,76	$8,298,97	$8,337,08	$8,678,78	$9,013,77	$8,807,21	$10,138,3
Funded	$4,471,09	$5,413,38	$5,951,27	$7,977,68	$12,437,8	$13,209,0	$13,802,8	$14,980,3	$15,819,2	16,072,57

Chart 5

Further, the irrevocable trust in Chart 6 below and in place to fund retiree health benefits is recovering from recent market declines. With a market value in the trust of $148.8.0 million and an additional $7.4 million earmarked for eventual transfer into the trust, 4CD is approximately 60 percent funded for its approximately $249.5 million liability as of June 30, 2022 and for other post employment benefits(OPEBs).

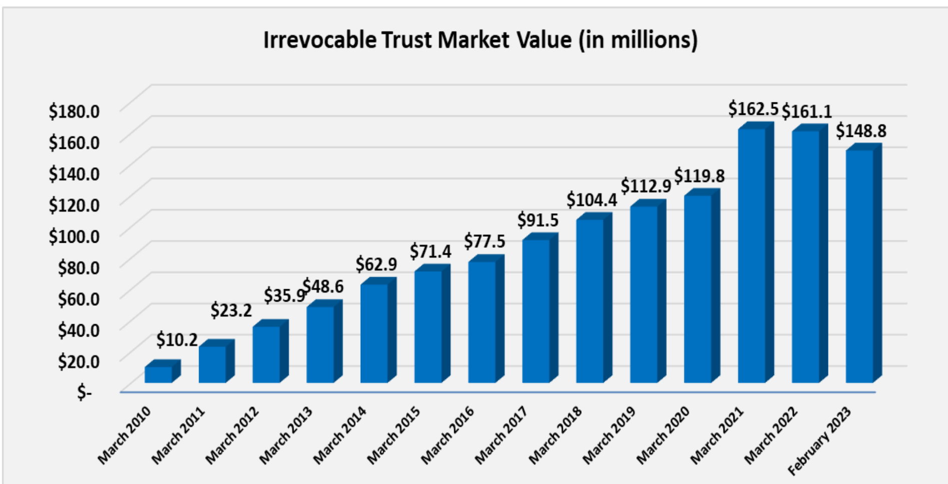


Chart 6

8. NEXT STEPS

The Governor's revised budget will be released in mid-May 2023. Although the legislature is still to weigh in, major changes from the January proposal are uncertain. The final state budget will almost certainly be enacted by June 30, 2023, providing ample time for 4CD staff to prepare the final Adoption Budget to be presented to the Governing Board at its September 2023 meeting.

9. CONCLUSION

As 4CD continues to face enrollment challenges, it must be innovative and market the value it provides to combat the decline in student numbers. As Chart 7 and Chart 8 clearly demonstrate, the value of an education is undeniable, and the value community colleges provide is irrefutable. 4CD will work to capitalize on this competitive advantage while continuing to deliver a high-quality educational experience to the students in its service area.

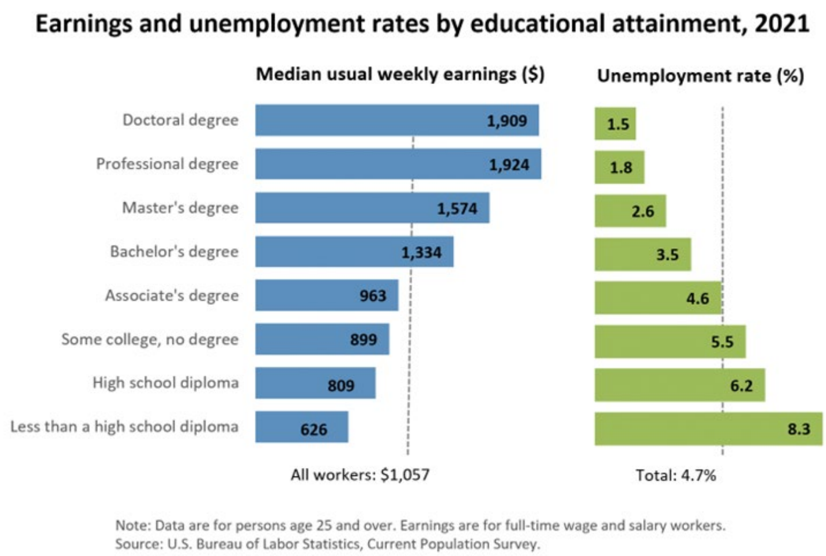


Chart 7

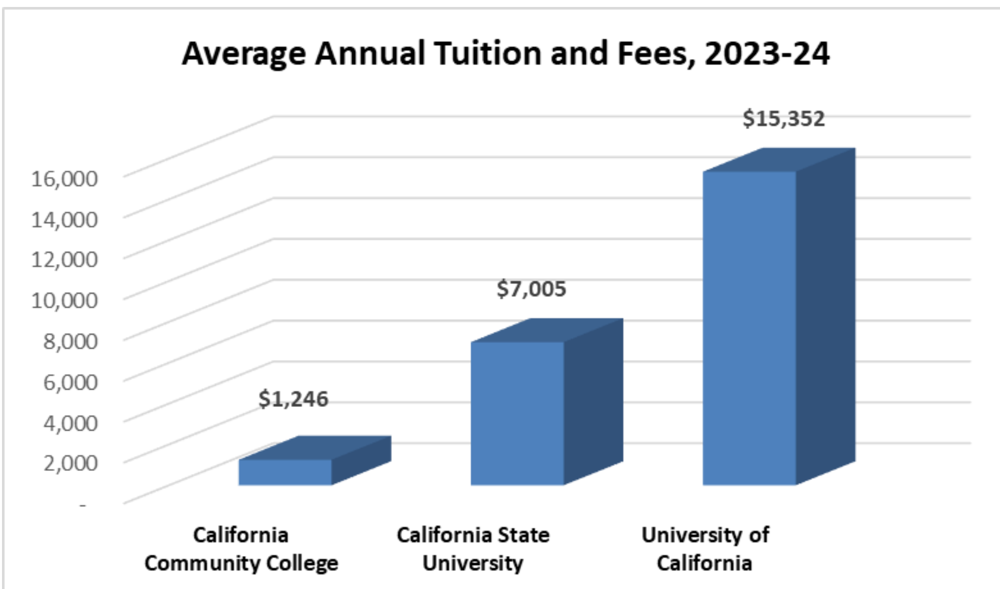


Chart 8

APPENDICES

A. SOUND FISCAL MANAGEMENT CHECKLIST
B. AUDIT FINDINGS FOR FY 2020-21 AND AUDIT STATUS FOR FY 2021-22
C. FY 2023-24 BUDGET DEVELOPMENT ASSUMPTIONS
D. THREE-YEAR BUDGET FORECAST
E. GLOSSARY

APPENDIX A

SOUND FISCAL MANAGEMENT CHECKLIST

APPENDIX A
SOUND FISCAL MANAGEMENT CHECKLIST

Pursuant to Education Code Section 84040, the Board of Governors for the California Community College Systems is required to adopt criteria and standards for the periodic assessment of the fiscal condition of California community college districts. Based on these requirements, the System Office established standards for sound fiscal management and a process to monitor and evaluate the financial health of community college districts. The System Office monitors and assesses a district's financial condition through review of the items listed below.

- Quarterly Financial Status Reports (CCFS-311Q)
- Annual Financial and Budget Reports (CCFS-311)
- Annual District Audit Reports
- Apportionment Attendance Reports (CCFS-320)
- District responses to inquiries
- Other available information (Accounting Advisory 05-05)

The System Office has developed the Sound Fiscal Management Checklist as a tool to assist districts in monitoring their fiscal health. The System Office encourages districts to complete regularly the checklist with the Governing Board and executive staff.

Question	Answer	Explanation
1. Deficit Spending		
Is this Area Acceptable?	**Yes**	
Is the District spending within their revenue budget in the current year?	Yes	4CD is projected to increase its fund balance by $ 4.1 million, approximately 15% in an almost $230 million annual operating budget projected for FY 2022-23.
Has the District controlled deficit spending over multiple years?	Yes	4CD has built up the ending fund balance since FY 03-04 primarily by identifying and setting aside one-time, unrestricted revenues and not budgeting them in an ongoing fashion. In FY 2022-23, 4CD anticipates its ending balance will increase.
Is deficit spending addressed by fund balance, on-going revenue increases, or expenditure reductions?	Yes	4CD makes a budgetary distinction between "ongoing" and "one-time" revenues and expenditures. For FY 2022-23, 4CD's budgeted on-going expenses are projected to be $1.3 million less than ongoing revenues.
Are District revenue estimates based upon past history?	Yes	Non-apportionment revenues are based upon past history and adjusted for known changes. FTES-related revenues are based upon FTES projections for each college.
Does the District automatically build in "growth" in growth revenue estimates?	No	4CD bases its apportionment revenue on FTES targets that are set during budget development. FTES targets include either growth or decline as projected utilizing trend data and State funding availability.
2. Fund Balance		
Is this Area Acceptable?	**Yes**	
Is the District's fund balance stable or consistently increasing?	Yes	The ending fund balance has steadily increased since FY 2003-04 growing from $8.6 million to greater than $30.2 million at the end of FY 2021-22. 4CD is very cognizant of its fund balance and recognizes the importance of maintaining it at a healthy level.

Is the fund balance increasing due to ongoing revenue increases and/or expenditure reductions?	Yes	The prior increase in fund balance occurred due to a combination of expenditure control in FY 2003-04, FY 2004-05, and FY 2005-06, and revenue increases in FY 2007-08, FY 2008-09 and FY 2010-11 due to restoration in FTES. More recent years have seen significant revenue increases from the state.
3. Enrollment		
Is this Area Acceptable?	**Yes**	
Has the District's enrollment been increasing or stable for multiple years?	No	4CD exceeded the funding cap in FY 2009-10, FY 2010-11 and FY 2011-12 due to statewide workload reductions. For several years prior to the pandemic, FTES remained relatively stable, with the exception of the pandemic causing enrollment declines in FY 2020-21 to FY 2022-23.
Are the District's enrollment projections updated at least annually?	Yes	Enrollment projections are monitored throughout each semester and updated when the CCFS-320 is completed in January, April, July, and October.
Are staffing adjustments consistent with the enrollment trends?	Yes	The course schedule at each location determines the staffing levels per term. In addition, enrollment trends drive the level of managers, classified and other non-instructional personnel.
Does the District analyze enrollment and full-time equivalent student (FTES) data?	Yes	The colleges and Cabinet review current trends and develop both college and District projections.
Does the District track historical data to establish future trends between P-1 and annual for projection purposes?	Yes	4CD produces periodic reports of enrollment trends and utilizes multi-year analyses in developing projections.
Has the District avoided stabilization funding?	No	4CD has received stabilization funding in FY 2004-05, FY 2008-09, FY 2012-13, FY 2014-15, and FY 2016-17. 4CD exceeded its funded FTES in FY 2009-10, earned all available growth in FY 2010-11 and FY 2015-16, and exceeded its cap in FY 2011-12 and FY 2013-14. 4CD funded under Hold Harmless from 2018-19 to 2021-22. 4CD is now funded under the SCFF Calculated revenue beginning in FY 2022-23 and in FY 202-23, 4CD will receive a one-time Economic Condition Allowance funding to avoid the effects of significant enrollment declines due to the COVID-19 pandemic. As a result, 4CD will avoid material decreases in apportionments if the funding had not been provided.
4. Unrestricted General Fund Balance		
Is this Area Acceptable?	**Yes**	
Is the District's Unrestricted General Fund Balance consistently maintained at or above the recommended minimum prudent level? In FY 2022-23, 4CD was awarded Economic Conditions Allowance (ECA) funding and is now required to maintain a minimum of two months of total unrestricted general fund operating expenditures. The requirement is consistent with best practices of the Government Finance Officers Association (GFOA) and has the District met this requirement?	Yes	Over the previous seven years, 4CD has maintained at least a 5% fund balance and in FY 08-09 a 5% "Board Contingency Reserve" was established in addition to the on-going 5% contingency reserve. Beginning in FY 2023-24, the District maintains a minimum fund balance of two months of total unrestricted general fund operating expenditures in accordance with Board Policy 5033.

Is the District's Unrestricted Fund Balance maintained throughout the year?	Yes	4CD's Unrestricted Fund Balance is maintained and monitored throughout the year.
5. Cash Flow and Borrowing		
Is this Area Acceptable?	**Yes**	
Can the District manage its cash flow without interfund borrowing?	Yes	4CD has never used interfund borrowing due to the County Teeter plan, which advances local property taxes, if needed.
Is the District repaying Tax Revenue Anticipation Notes (TRANS) and/or borrowed funds within the required statutory period?	N/A	4CD has no TRANS.
6. Bargaining Agreements		
Is this Area Acceptable?	**Yes**	
Has the District settled bargaining agreements within new revenue sources during the past three years?	Yes	For FYs 2020-21 and 2021-22 a formula was negotiated that yielded a 3% and 5.07% salary schedule increase, respectively. In FY 2022-23, the District negotiated a 6% salary increase for faculty, management, supervisors, and confidential employees and a 6.5% salary increase for classified employees.
Did the District conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement?	Yes	Ongoing salary increases are determined based on an agreed upon formula taking into consideration ongoing restoration revenue, new resources and permanent expenditure reductions.
Did the District correctly identify the related costs?	Yes	4CD has seen the salary expenses increase commensurate with the analysis that was done prior to implementation.
Did the District address budget reductions necessary to sustain the total compensation increase?	Yes	4CD enacted the salary increase after an analysis of available revenue in comparison to expected expenses.
7. Unrestricted Fund Staffing		
Is this Area Acceptable?	**Yes**	
Is the District ensuring it is not using one-time funds to pay for permanent staff or other ongoing expenses?	Yes	4CD differentiates ongoing and one-time funding to ensure that one-time monies are not being used for ongoing expenditures.
Is the percentage of District General Fund allocated to salaries and benefits at or less than the statewide average (i.e., the statewide average for community colleges is for 2020-21 was 85%).	No	For 2019-20 and FY 2021-22, the percentage of the General Fund that was expended for salaries and benefits was approximately 89%. 4CD believes this is in line with the statewide average, considering the pension cost increases.

8. Internal Controls		
Is this Area Acceptable?	**Yes**	
Does the District have adequate internal controls to ensure the integrity of the general ledger?	Yes	There were adequate controls to ensure the integrity of the 2022-23 general ledger and the District's independent auditors plan to complete and issue the financial statement audit report on or before December 31, 2023.
Does the District have adequate internal controls to safeguard the District's assets?	Yes	4CD has strong internal controls in place and always looks for improvement. 4CD recently developed and approved policies and procedures on the safeguarding of its assets. No findings in this area during the external audit for recent past years.

9. Management Information Systems		
Is this Area Acceptable?	**Yes**	
Is District data accurate and timely?	No	4CD has taken steps to ensure a timely and accurate close of the FY. The FY 2021-22 records were completed prior to the start of the 4CD audit.
Are the county and state reports filed in a timely manner?	Yes	All reports are submitted to reporting agencies by their appropriate deadlines.
Are key fiscal reports readily available and understandable?	Yes	Many reports are available on 4CD's website as part of the agenda materials provided to the Governing Board. Commonly requested documents, such as budget and audits, are also available on the Administrative Services' web page.

10. Position Control		
Is this Area Acceptable?	**Yes**	
Is position control integrated with payroll?	No	4CD's human resources personnel and position system are fully integrated with the payroll system. 4CD does not utilize a position control system per se, but instead budgets operational allocations that can be used for positions only after multiple levels of review and approval.
Does the District control unauthorized hiring?	Yes	4CD's Human Resources Department oversees hiring. Regular positions are validated by the Finance Department for budget only.
Does the District have controls over part-time academic staff hiring?	Yes	Part-time academic staff hiring is overseen by the colleges and monitored through budget allocations.

11. Budget Monitoring		
Is this Area Acceptable?	**Yes**	
Is there sufficient consideration given to the budget, related to long-term bargaining agreements?	Yes	4CD prepares multi-year projections of the Unrestricted General Fund, including the effects of bargaining agreements.
	Yes	Budget revisions are made as requested, by either Governing Board action or campus decisions. The revised budgetary

Are budget revisions completed in a timely manner?		figures are taken to the Governing Board on a monthly basis for review purposes. The Governing Board approves budget revisions quarterly.
Does the District openly discuss the impact of budget revisions at the Governing Board level?	Yes	On a quarterly basis, at its public meeting, the Governing Board receives a report detailing the revisions made during the quarter.
Are budget revisions made or confirmed by the Governing Board in a timely manner after the collective bargaining agreements are ratified?	Yes	The Governing Board formally approves all budget revisions on a quarterly basis. Any changes made to the budget due to collective bargaining agreements are included in subsequent fiscal reports.
Has the District's long-term debt decreased from the prior FY?	No	Unfortunately, this has little meaning with the recent GASB pension and OPEB changes. Most long-term debt is held in the 2002, 2006, and 2014 bonds. However, the long-term debt associated with the bond programs is paid through tax levies and is not truly 4CD debt. Also with the implementation of GASB 68 and 75, 4CD must now put its share of pension and OPEB liabilities on its balance sheet. Since 2017-18, load banking and vacation liabilities were funded at 100% and for FY 2021-22, funding was at the 97% level.
Has the District identified the repayment sources for the long-term debt?	Yes	The voter-approved bonds are repaid through tax levies. Per GASB 16, 4CD funds the current portion of its accrued compensated absences (4CD is not obligated to fund the long-term portion). 4CD compiles an actuarial study every year for GASB 75 post-employment health benefits debt and has established an irrevocable trust to meet GASB guidelines.
Does the District compile annualized revenue and expenditure projections throughout the year?	Yes	The Governing Board receives timely reports comparing the revenues and expenditures to budgeted amounts, and the percentage received/spent (to-date) to the percentage of the year completed.
12. Retiree Health Benefits		
Is this Area Acceptable?	**Yes**	
Has the District completed an actuarial calculation to determine the unfunded liability?	Yes	The last actuarial calculation was performed in June 2022. 4CD's total OPEB liability is $249 million, with over $148 million funded in an irrevocable trust.
Does the District have a plan for addressing the retiree benefits liabilities?	Yes	4CD selected a financial advisor, appointed a Retirement Board of Authority, prepared a substantive plan, and has funded between $5.7 - $14.6 million each year since FY 2008-09 into an irrevocable trust. There is a current market value of over $148 million within the irrevocable trust and further funds have been identified and set aside to continue funding the trust.
13. Stable Leadership		
Is this Area Acceptable?	**Yes**	

Has the District experienced recent turnover in its management team?	Yes	During FY 2022-23, 4CD filled a vacancy and hired Dr. Jeffrey Michaels as the Associate Vice Chancellor/HR. The Governing Board has five members and three were re-elected in November 2022.

APPENDIX B

AUDIT FINDINGS FOR FY 2020-21 AND AUDIT STATUS FOR FY 2021-22

APPENDIX B

AUDIT FINDINGS FOR FY 2020-21 AND 2021-22

The annual financial audit for 4CD, conducted by the external audit firm, reported two findings in FY 2020-21 and two findings in FY 2021-22.

Audit Findings for FY 2020-21

Internal Controls over Procurement

The District's audit firm in 2020-21 assessed an internal control deficiency when the Board of Trustees did not fully address all internal concerns prior to approving one significant professional services contract in the amount of $10 million, which included both the amount of the contract, and the dual role of the Vendor in connection with the RFP. Management asserts the events surrounding the RFP for the enrollment recovery plan was an isolated single event with no other occurrence of non-compliance with District procurement policies in the fiscal year. Notwithstanding, management implemented a corrective action plan including securing the services of FCMAT to review internal control procedures and provide recommendations for improvements. In addition, the District's subsequent audit firm in 2021-22, reviewed internal control processes related to vendor selection and did not identify any irregularities during their testing. Therefore, and in their opinion, the deficiency in controls during the 2021 audit had been corrected and they listed this finding as implemented in the 2022 audit report.

State Compliance Finding - Section 427 Dual Enrollment

The District's audit firm in 2020-21 conducted compliance testing for Dual Enrollment identified and assessed that the District claimed 4.21 FTES of special admit students for physical education courses in excess of the allowable 10 percent threshold. Management identified the compliance issue and reported it to the auditors. In second quarter 2020-21, management implemented internal control and audit processes as well as technological safeguards, to ensure that physical education courses with special admit students do not claim for apportionment reporting in excess of the thresholds prescribed by State Chancellor's office for community colleges.

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Audit Status for FY 2021-22

State Compliance Findings - Questioned Costs:

The District's calculation of the salaries of classroom instructors for the 50% Law was calculated at 48.03%, a shortfall of $3.8 million. The District filed an exemption request with the California Community Colleges Chancellor's Office, as approved by the District's Governing Board on September 14, 2022. The Board of Governors for California Community Colleges approved the exemption request as of January 13, 2023. In addition, management has implemented a correction action plan to implement process improvements in the monitoring, reporting and cost control impacting the calculated ratio.

APPENDIX C

FY 2023-24 BUDGET DEVELOPMENT ASSUMPTIONS

Appendix C
FY 2023-24 Budget Development Assumptions

2023-24 TENTATIVE BUDGET DEVELOPMENT ASSUMPTIONS

Key Budget Assumptions: 8.13% COLA; 0% FTES Adjustment; 2.33 H/W Increase
Unrestricted General Fund

NOTE: FY 2023-24 AB Assumptions are based upon the District being in a hold harmless state under the new Student Centered Funding Formula

UPDATED: 2-24-23

FTES	20/21 Actuals	% Chg	21/22 Forecast Actuals	% Chg	22/23 AB Assumptions[5]	% Chg.	23/24 TB Assumptions	% Chg.	24/25 Projected	% Chg.	25/26 Projected	% Chg.
Resident Credit rate	$ 5,463	0%	$ 5,740	5%	$ 6,117	7%	$ 6,614	8%	$ 6,812	3%	$ 6,812	0%
Resident Non-Credit rate	$ 3,285	0%	$ 3,452	5%	$ 3,678	7%	$ 3,977	8%	$ 4,096	3%	$ 4,096	0%
Resident Credit target	$ 28,590	0%	$ 28,590	0%	$ 28,590	0%	$ 28,590	0%	$ 28,590	0%	$ 28,590	0%
Resident Non-Credit target	$ 78	0%	$ 78	0%	$ 78	0%	$ 78	0%	$ 78	0%	$ 78	0%
Resident Credit - funded	$ 28,590	0%	$ 28,590	0%	$ 28,590	0%	$ 28,590	0%	$ 28,590	0%	$ 28,590	0%
Resident Non-Credit - funded	$ 78	0%	$ 78	0%	$ 78	0%	$ 78	0%	$ 78	0%	$ 78	0%
Non-Resident Target	$ 1,800	-14%	$ 1,300	-28%	$ 1,400	8%	$ 1,400	0%	$ 1,400	0%	$ 1,400	0%
Resident Unit Fee	$ 46	0%	$ 46	0%	$ 46	0%	$ 46	0%	$ 46	0%	$ 46	0%
Non-Resident Unit Fee	$ 290	9%	$ 290	0%	$ 290	0%	$ 358	23%	$ 358	0%	$ 358	0%
Revenue Assumptions	20/21 Actuals		21/22 Forecast Actuals		22/23 AB Assumptions[5]		23/24 TB Assumptions		24/25 Projected		25/26 Projected	
1. FTES (Resident) Target	$ 24,534	-10%	$ 28,668	17%	$ 28,668	0%	$ 28,668	0%	$ 28,668	0%	$ 28,668	0%
2. FTES (Non-Resident) Target	$ 1,412	-26%	$ 1,300	-8%	$ 1,400	8%	$ 1,400	0%	$ 1,400	0%	$ 1,400	0%
Revenue	$ 9,604,191	-12%	$ 8,854,781	-8%	$ 9,309,929	5%	$ 11,368,615	22%	$ 11,368,615	0%	$ 11,368,615	0%
3. COLA	0.00%		5.07%		6.56%		8.13%		3.00%		0.00%	
Incremental Revenue	$ -	-100%	$ 9,154,422		$ 12,445,305	36%	$ 16,435,634	32%	$ 6,376,906	-61%	$ -	-100%
4. Lottery, unrestricted	$ 170	16%	$ 163	-4%	$ 170	4%	$ 170	0%	$ 170	0%	$ 170	0%
Total Revenue[7]	$ 5,580,096	64%	$ 4,525,444	-19%	$ 4,410,820	-3%	$ 4,231,130	-4%	$ 4,231,130	0%	$ 4,231,130	0%
5. Lottery, Prop 20 Restricted	$ 74	52%	$ 65	-12%	$ 67	3%	$ 67	0%	$ 67	0%	$ 67	0%
Total Revenue[7]	$ 2,347,224	104%	$ 2,643,999	13%	$ 1,738,382	-34%	$ 1,667,563	-4%	$ 1,667,563	0%	$ 1,667,563	0%
6. Deficit (property taxes/enrollment fees)	0.0%		0.0%		0.07%		0.2%		0.2%		0.2%	
Reduction in Revenue	-	-100%	-		($135,447)		($437,192)	223%	($450,308)	3%	($450,308)	0%
7. FTES Adjustment	0%		0%		0%		0%		0%		0%	
Incremental Revenue	-	N/A	-	N/A	-	N/A		N/A		N/A		N/A
8. Base Allocation Increase	-		-		-							
8 Apportionment Revenue Reduction (workload)												
Expenditure Assumptions	20/21 Actuals		21/22 Actuals[6]		22/23 AB Assumptions[5]		23/24 TB Assumptions		24/25 Projected		25/26 Projected	
1. Salary Increase	3%		5.07%[3]		6%[4]		0%[4]		0%[4]		0%[4]	
2. Step/Column Annual Average Increase	1.2%		1.2%		1.2%		1.2%		1.2%		1.2%	
3. Health and Welfare (H&W)	1.87%		1.87%		2.63%		2.33%		4.00%		4.00%	
Active Employees	$ 20,798,173	1%	$ 20,758,371	0%	$ 21,377,132	3%	$ 21,875,219	2%	$ 22,750,228	4%	$ 23,660,237	4%
Retirees	$ 12,552,709	-2%	$ 11,587,231	-8%	$ 12,630,911	9%	$ 12,925,211	2%	$ 13,442,220	4%	$ 13,979,908	4%
	$ 33,350,881	0%	$ 32,345,602	-3%	$ 34,008,043	5%	$ 34,800,430	2%	$ 36,192,448	4%	$ 37,640,146	4%
4. Payroll Taxes												
PERS Rate	20.70%		22.910%		25.370%		25.200%		24.600%		24.600%	
PERS Employer Contribution	$ 7,570,950	8%	$ 8,629,122	14%	$ 9,803,105	14%	$12,169,623	24%	$ 12,315,659	1%	$ 12,166,698	-1%
PERS Safety Rate (Police)	25.6%		25.61%		25.61%		25.61%		25.61%		25.61%	
PERS Safety Employers Contribution (Police)		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
STRS Rate	16.2%		16.92%		19.10%		19.10%		19.10%		19.10%	
STRS Employer Contribution	$ 10,591,398	-5%	$ 11,291,141	7%	$ 11,063,663	-2%	$ 11,885,897	7%	$ 12,028,528	1%	$ 12,172,870	1%
Worker's Compensation Rate	1.37%		1.21%		1.21%		1.21%		1.21%		1.21%	
State Unemployment Insurance (SUI) Rate	0.05%		0.50%		0.50%		0.20%		0.20%		0.20%	
5. Districtwide Assessments and Other Expenses												
Utilities (8% Increase over AB)	$ 4,370,689	-1%	$ 5,433,674	24%	$ 6,629,082	22%	$ 7,424,572	12%	$ 8,018,538	8%	$ 8,660,021	8%
Property & Liability Insurance	$ 1,119,581	-1%	$ 1,206,842	8%	$ 1,430,000	18%	1,430,000	0%	$ 1,430,000	0%	$ 1,430,000	0%
Student Accident Insurance/Student Assist.Prg.	$ 178,508	23%	$ 181,382	2%	$ 200,000	10%	200,000	0%	$ 200,000	0%	$ 200,000	0%
IT Maintenance Agreements[8]	$ 1,968,975	9%	$ 2,466,243	25%	$ 2,180,000	-12%	3,300,000	51%	$ 3,850,000	17%	$ 2,900,000	-25%
Retiree Health Benefit Annual Contribution	$ 1,000,000	0%	$ 1,000,000	0%	$ 1,000,000	0%	1,000,000	0%	$ 1,000,000	0%	$ 1,000,000	0%
Faculty Sabbaticals	$ 226,052	-31%	$ 234,260	4%	$ 499,802	113%	300,000	-40%	$ 300,000	0%	$ 300,000	0%
Legal Costs	$ 1,329,524	10%	$ 2,431,878	83%	$ 2,000,000	-18%	1,750,000	-13%	$ 1,000,000	-43%	$ 1,000,000	0%
Settlement Costs[9]	n/a	n/a	$ 1,833,199		$ -		-		$ -		$ -	
Election Costs (Annual Reserve Contribution)	$ 100,000	0%	$ 100,000	0%	$ 100,000	0%	100,000	0%	$ 100,000	0%	$ 100,000	0%
Audit	$ 211,459	11%	$ 234,723	11%	$ 226,920	-3%	232,440	2%	$ 237,960	2%	$ 237,960	0%
SUI Experience Charges	$ 2,509	-98%	$ -	-100%	$ 150,000		150,000	0%	$ 150,000	0%	$ 150,000	0%
Self-Insurance Annual Contribution	$ 50,000	0%	$ 50,000	0%	$ 50,000	0%	50,000	0%	$ 50,000	0%	$ 50,000	0%

Notes:

[1] Board ratified salary increase of 2.5% for faculty, confidential and managers. Classified salary increase was 0%.

[2] Board ratified salary increase of .5% for faculty, confidential and managers. Classified salary increase was 3%.

[3] Board ratified a 5.07% increase for faculty, classified and unrepresented employee groups after AB2022 was finalized. Faculty 5.07% was paid as one-time bonus. Ongoing salary costs to be reflected in Pay Per Load at 80% parity for PT faculty beginning Fall 2022.

[4] Board ratified a 6.0% ongoing salary increase for faculty and unrepresented employee group. However, a 6.5% ongoing salary increase for Classified.

[5] The District's assumption that 23/24 apportionment funding continues under hold harmless to be confirmed upon receipt of the 23/24 Advance Apportionment Report to be issued in July 2022.

[6] The year-end close for 22/23 has not yet begun and actual expenditures are final in August.

[7] The forecast for Lottery Revenue for 23/24 and beyond will be adjusted once the FY 22/23 Report 320 is filed by the District with the CCCCO.

[8] IT Assesments in future years is expected to increase and could impact Fund 11 ongoing. However, the District is researching alternative funding sources such as the COVID Block Grant.

[9] Prior to 2021-22, legal expenditures and settlement agreements were provided under Legal Costs. However, starting in 2021-22, the expenditures will be separated.

[10] For 22-23 fiscal, year to date (7 months) dollar amount of expenses compared % of total annual budget for utilities, legal fees and settlements: $3.5 million (53%), $.9 million (45%) and $.04 ($0 budget), respectively.

APPENDIX D

THREE-YEAR BUDGET FORECAST

APPENDIX D
THREE-YEAR BUDGET FORECAST

Contra Costa Community College District
Three Year Budget Forecast
2023-2024 Fiscal Year and Beyond

Unrestricted, Ongoing General Fund

	SCFF Hold Harmless *8.13% COLA* **FY 2023-24**	*SCFF Hold Harmless* *3.0% COLA* **FY 2024-25**	*SCFF Hold Harmless* *0.0% COLA* **FY 2025-26**
Base Revenue	$ 246,373,974	$ 246,373,974	$ 253,765,193
COLA and Other Ongoing Revenue	-	7,391,219	-
Growth Revenue	-	-	-
Revised Revenue	**$ 246,373,974**	**$ 253,765,193**	**$ 253,765,193**
Budgeted Ongoing Expenses	$ 240,228,732	$ 240,228,732	$ 243,038,281
Step/Column Increases	-	1,679,444	1,699,597
Health Benefits Cost Increases	-	1,419,858	1,476,652
STRS/PERS Increases	-	-	-
Revised expenditures	**$ 240,228,732**	**$ 243,328,034**	**$ 246,214,530**
Revenue less Expense	**$ 6,145,242**	**$ 10,437,160**	**$ 7,550,664**
Potential Expenditure Reductions	-	289,753	-
Beginning fund balance	$ 28,693,210	$ 34,838,452	$ 45,565,365
Estimated Ending Balance	**34,838,452**	**45,565,365**	**53,116,028**
Adjustment to Fund Balance	**$ 6,145,242**	**$ 10,726,913**	**$ 7,550,664**

These figures are estimates based on assumptions and *will* change, particularly as the SCFF evolves

Key Assumptions

3.0% COLA in FY 2024-25 and 0% COLA in FY 2025-26. Recognizes Hold Harmless SCFF Revenue will not earn COLA beginning FY 2025-26.

Step/Column increases at 1.2% each year

Health Benefit increases in FY 2024-25 and FY 2025-26 at 4% each year

Potential Expense decrease for lower forecasted CALPERS rates of 24.60% in FY 2024-25 and same rate for FY 2025-26

APPENDIX E

GLOSSARY

APPENDIX E
GLOSSARY

50 Percent Law
Section 84362 of the *Education Code*, commonly known as the Fifty Percent Law, requires that a minimum of 50% of the District's current expense of education be expended during each FY for "salaries of classroom instructors." Salaries include benefits and the salaries of instructional aides.

Accounts Payable
A short-term liability account reflecting amounts due to others for goods and services received prior to the end of an accounting period (includes amounts billed, but not paid).

Accounts Receivable
An asset account reflecting amounts due from others for goods and services provided prior to the end of an accounting period (includes amounts advanced but not repaid).

Activity Code
A set of institutional functions or operations related to an academic discipline or a grouping of services.

Administrator
For the purpose of *Education Code* Section 84362, "Administrator" means any employee in a position having significant responsibilities for formulating district policies or administering district programs.

Allocation of Costs
Districts regularly incur costs that are not exclusively for one program. These costs generally must be assigned to the programs incurring such costs, using an acceptable allocation method.

Apportionments
Allocation of state or federal aid, local taxes or other moneys among school districts or other governmental units.

Capital Outlay
Capital outlay expenditures are those which result in the acquisition of or addition to fixed assets. They are expenditures for land or existing buildings, additions to buildings, remodeling of buildings, or initial or additional equipment. Construction-related salaries and expenses are included.

Capital Projects Funds
The fund accounts for financial resources to be used for the acquisition or construction of capital outlay items.

Categorical Funds
Money from the state or federal government granted to qualifying districts for special programs, such as DSPS, EOPS or Vocational Education. Expenditure of categorical funds is restricted to the fund's particular purpose. The funds are granted to districts in addition to their general apportionment.

Certificates of Participation (COPs)
COPs are used to finance the lease/purchase of capital projects. They are the issuance of shares in the lease for a specified term.

Chart of Accounts
A systematic list of accounts applicable to a specific entity. The Chart of Accounts consists of funds, subfunds, cost centers, activities, and object codes.

Collective Bargaining - SB 160 (1975)
A law passed by the California legislature which sets the manner and scope of negotiations between school districts and employee organizations. The law also mandates a regulations board. (See PERB)

Compensated Absences
Absences, such as vacation and load banking, for which employees must be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation, or other long-term fringe

benefits, such as group insurance and long-term disability pay.

Current Assets
Assets that are available to meet the cost of operations or to pay current liabilities.

Debt Service Funds
Funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Disabled Student Programs and Services (DSP&S)
The purpose of these special programs and services is to integrate the disabled student into the general college program; to provide educational intervention leading to vocational preparation, transfer, or general education; and to increase independence or to refer students to the community resources most appropriate to his or her needs.

Educational Administrator
Education Code Section 87002 and *California Code of Regulations* Section 53402(c) define "educational administrator" as an administrator who is employed in an academic position designated by the governing board of the district as having direct responsibility for supervising the operation of or formulating policy regarding the instructional or student services program of the college district. Educational administrators include, but are not limited to, chancellors, presidents, and other supervisory management employees designated by the governing board as educational administrators.

Enterprise Funds
A subgroup of the proprietary Funds Group used account for operations when the governing board has decided either that the total cost of providing goods and services on a continuing basis (expenses including depreciation) be financed or recovered primarily through user charges; or that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Extended Opportunity Programs and Services (EOPS)
Amounts apportioned for the purpose of providing allowable supplemental services through EOPS to encourage enrollment of students handicapped by language, social and/or economic disadvantages.

Fiscal Year
Twelve calendar months; in California, it is the period beginning July 1 and ending June 30. Some special projects use a FY beginning October 1 and ending September 30, which is consistent with the federal government's FY.

Fixed Assets
Property of a permanent nature having continuing value such as land, buildings, machinery, furniture, and equipment with a $5,000 threshold.

Full-time Equivalent (FTE) Employees
Ratio of the hours worked based upon the standard work hours of one full-time employee.

Full-time Equivalent Students (FTES)
An FTES represents 525 class (contact) hours of student instruction/activity in credit and noncredit courses. The number 525 is derived from the fact that 175 days of instruction are required each year, and students attending classes 3 hours per day for 175 days will be in attendance 525 hours. An FTES is currently worth $4,636 in apportionment funding.

Districts complete Apportionment Attendance Reports (CCFS-320) and Apprenticeship Attendance Reports (CCFS-321) to report attendance. These are carefully reviewed by external auditors. The importance of these reports lies in the fact that they serve as the basis for State General Apportionment allocation to community college districts.

Fund
An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein.

Fund Balance
The difference between fund assets and fund liabilities of governmental and similar trust funds.

Gann Limitation
A ceiling on each year's appropriations supported by tax dollars. The limit applies to all governmental entities, including school districts. The base year was 1978-79. The amount is adjusted each year, based on a price index and the growth of the student population.

General Fund
The fund used to account for the ordinary operations of the district. It is available for any legally authorized purpose not specified for payment by other funds.

Generally Accepted Accounting Principles (GAAP)
Uniform minimum standards and guidelines for financial accounting and reporting.

General Purpose Tax Rate
The District's tax rate, determined by statute as interpreted by the County Controller. The base rate was established in 1978, after the passage of Proposition 13, and changes have occurred based on a complex formula using tax rate areas.

Grants
Contributions or gifts of cash or other assets from another government or private organization to be used or expended for a specific purpose, activity or facility.

Interfund Transfers
Money that is taken from one fund and added to another fund without an expectation of repayment.

Intrafund Transfer
The transfer of moneys within a fund of the district.

Irrevocable Trust
A trust that cannot be modified or terminated without the permission of the beneficiary. The grantor, having transferred assets into the trust, effectively removes all his or her rights of ownership to the assets and the trust. The District currently has an irrevocable trust to fund retiree health benefits.

Nonresident Tuition
A student who is not a resident of California is required, under the uniform student residency requirements, to pay a tuition fee as prescribed by ECS 76140. The fee shall not be less than the average statewide cost per student.

Objects of Expenditure
Objects of expenditure are articles purchased or services obtained by a district, such as:

- **Certificated Salaries (object series 51000)**
  Includes expenditures for full-time, part-time, and prorated portions of salaries for all certificated personnel.

- **Classified Salaries (object series 52000)**
  Includes expenditures for full-time, part-time and prorated portions of salaries for all classified personnel.

- **Employee Benefits (object series 53000)**
  Includes all expenditures for employer's contributions to retirement plans, and for health and welfare benefits for employees or their dependents, retired employees, and Governing Board members.

- **Supplies (object series 54000)**
  Includes supplies and materials, typically with a limited lifespan.

- **Other Operating Expenses (object series 55000)**
  Includes expenditures for consultants, travel, conferences, membership dues, insurance, utilities, rentals, leases, elections, audits, repair and maintenance contracts, and other contracted services.

- **Capital Outlay (object series 56000)**
  Includes expenditures for sites, improvement of buildings, books and media for libraries and new equipment.

- **Other Outgo (object series 57000)**
  Includes expenditures for retirement of debt, interfund transfers, other transfers, appropriations for contingencies, and student financial aid.

Other Post-Employment Benefits (OPEB)
Other post-employment benefits (OPEB) are employee benefits other than pensions that are received after employment ends, typically medical benefits.

Proposition 13 (1978)
An initiative amendment passed in June 1978 which added Article XIIIA to the California Constitution. Tax rates on secured property are restricted to no more than 1% of full cash value. The measure also defines assessed value and the voting requirements to levy new taxes.

Proposition 98 (1988)
An amendment to the California Constitution establishing minimum funding levels for K-14 education and changing some of the provisions of Proposition 4 (Gann limit).

Proposition 111 (1990)
A Senate Constitutional Amendment which modified Proposition 98 and made numerous changes to the way the appropriations limit is calculated and how the minimum funding guarantee for public schools and community colleges is determined; this includes the appropriations limit formula, the K-14 education funding guarantee and the allocation of excess revenues.

Public Employees' Retirement System (PERS)
State law requires school district classified employees, school districts and the State to contribute to the fund for full-time classified employees.

Public Employment Relations Board (PERB)
Established to regulate collective bargaining between school districts and employees. Formerly called EERB.

Reserves
Funds set aside to provide for estimated future expenditures or deficits, for working capital or other purposes. Designated reserves are funds set aside for a specific purpose while undesignated reserves are available for appropriation. All reserves are one-time in nature.

- **Governing Board Reserve**
  Per Board Policy 5033,
  Unrestricted general fund reserves shall be no less than two months of unrestricted general fund operating expenditures as specified in Business Procedure 18.01. Reserve levels shall be reviewed annually during the annual budget development process. If reserve levels fall below the minimum levels, the District shall develop a plan through the annual budget process to replenish the funds within three years.

- **Governing Board Reserve**
  Per Business Procedure 18.01
  Unrestricted general fund reserves, including no less than two months unrestricted general fund operating expenditures per Board Policy 5033, Reserve for Encumbrances for all locations, and other funds upon which the Board has, by official action, designated a specific Districtwide or location-specific purpose. The reserves for two months of unrestricted fund operating expenditures represented budget stabilization reserves for

economic uncertainties and should not be used to cover recurring expenses.

State Teachers' Retirement System (STRS)
State law requires that school district employees, school districts, and the State, contribute to the fund for full-time certificated employees.

Student Financial Aid Funds
Funds designated to account for the deposit and direct payment of government-funded student financial aid. The following are the various types of financial aid:

Federal Aid:
- Pell Grants
- Supplemental Educational Opportunity Grant (SEOG)
- Perkins

State Aid:
- EOPS (Extended Opportunity Programs and Services)
- CAL Grant

Taxonomy of Programs (TOP)
This was formerly called Classification of Instructional Disciplines. Districts are required for State purposes to report the expenditures by categories identified in the CCFS-311. The major categories are:

- Instructional
- Instructional Administration
- Instructional Support Services
- Admissions and Records
- Counseling and Guidance
- Other Student Services
- Operations and Maintenance
- Planning and Policy Making
- General Institutional Support
- Community Services
- Ancillary Services
- Property Acquisitions
- Long-term Debt
- Transfers
- Appropriations for Contingencies

Tax and Revenue Anticipation Notes (TRANs)
These are issued to finance short-term cash flow needs. The notes are paid off within a 13-month period using the proceeds of current FY taxes.

Useful Life
The period of time that an asset is of physical useful value. It is established primarily for depreciation and insurance purposes.

Weekly Student Contact Hours (WSCH)
The number of class hours each course is regularly scheduled to meet during a week, inclusive of holidays, multiplied by the number of students actively enrolled in the course.