STUDY SESSION ON THE 2012-13 DISTRICT BUDGET

APRIL 25, 2012

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

STUDY SESSION ON THE 2012-13 DISTRICT BUDGET

AGENDA

I. Review of District budget materials for FY 2011-12 and FY 2012-13

II. Response from the Governing Board

PURPOSE

The Budget Study Session is conducted annually in April so that the 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 chancellor on the items to be included in the budget.

STUDY SESSION ON THE 2012-13 DISTRICT BUDGET

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I. INTRODUCTION

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

Criteria

- The annual budget shall support the District's strategic master plan and the colleges' educational and facilities master plans.
- Assumptions, upon which the budget is based, are presented to the Board for review.
- A schedule is provided to the Board at the November Board meeting each year that includes dates for presentation of the tentative budget, required public hearing(s), Board study session(s), and approval of the adopted budget. At the public hearings, interested persons may appear and address the Board regarding the proposed budget or any item in the proposed budget.
- Unrestricted general reserves shall be no less than 5% to address significant opportunities that present themselves throughout the year.
- Changes in the assumptions upon which the budget was based shall be reported to the Board in a timely manner.
- Budget projections address long-term goals and commitments.

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 will be exercised in the development and management of the budget. These values will be upheld by ensuring:

- discussions and all actions are student-centered;
- communication of financial information is practiced to ensure dialogue among constituencies and honest portrayal of the District's financial condition;
- decisions on financial matt0ers are data driven;
- District budget practices are comparable to institutions of similar size and scope; and
- items included in the budget will be based on need.

Business Procedure 18.02, Guidelines for College Operating Budget Allocations

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 the District;
- be developed based on achievable full-time equivalent student (FTES) goals that provide for the highest possible level of student access;
- maintain a minimum emergency fund balance reserve of 5% of the unrestricted general fund budgeted expenditures for the fiscal year: an additional 5% contingency Board reserve will also be maintained;
- provide sufficient funding to ensure an appropriate number of faculty, classified staff and management personnel to fulfill the mission of the District 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 Districtwide projects based on District goals;
- adhere to formulae stipulated in business procedures;

- budget and restrict college year-end carryover balances for one-time expenditures only;
- maintain and improve our 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 the District can afford it;
- reflect improvement in productivity at all levels; and
- be developed within a multi-year plan.

This presentation is prepared in adherence to the policies and procedures set forth for budget development. In preparing the annual budget for the District, the goal is to develop a balanced budget that provides for programs and services that meet the needs of the community served by the Contra Costa Community College District.

II.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
STRATEGIC GOALS AND OBJECTIVES
2011-15

GOALS	OBJECTIVES
GOAL 1 **STUDENT LEARNING AND SUCCESS: Significantly improve the success of our diverse student body in pursuit of their educational and career goals with special emphasis on closing the student achievement gap.**	1.1 Increase the percentage of students who transfer to a variety of four-year institutions while narrowing the transfer gap across subgroups. 1.2 Increase the percentage of students who receive relevant and timely training for the workplace while narrowing the achievement gap across subgroups. 1.3 Increase the number of degrees by 50% (from 1,496 to 2,244) and the number of certificates by 100% (from 992 to 1,984) by 2015 1.4 Increase the percentage of Limited English Proficient (LEP) students who become proficient in the English language. 1.5 Increase the percentage of students who are proficient in Basic Skills while narrowing the proficiency gap across subgroups. 1.6 Improve the assessment and student achievement of learning outcomes
GOAL 2 **COLLEGE AWARENESS AND ACCESS: Increase awareness of and equitable access to Contra Costa Community College District for a changing and diverse population.**	2.1 Increase awareness of our Colleges as a source for higher education, and career preparation options for our diverse community. 2.2 Improve the participation and success rate gaps of racially and ethnically underrepresented students and of economically disadvantaged students.
GOAL 3 **PARTNERSHIPS FOR WORKFORCE AND ECONOMIC DEVELOPMENT: Support economic and workforce development through education and leadership in collaboration with government, community organizations, business, and industry.**	3.1 In collaboration with external partners, develop new and/or revised career pathways leading to improved opportunities for students to successfully enter the workplace. 3.2 Leverage current grants, and identify and acquire additional resources, from state, federal and private sources, to support effective workforce preparation. 3.3 Increase collaborative initiatives with educational partners from preschool through four-year institutions, business and industry, government, and community organizations to increase economic vitality and supply well-qualified workers for current and emerging industries in Contra Costa County.
GOAL 4 **ORGANIZATIONAL EFFECTIVENESS: Improve the effectiveness of Districtwide planning, operations, resource allocation, and decision-making.**	4.1 Prioritize who we plan to serve while balancing the need to maintain access for those most in need of our services. 4.2 Reduce or eliminate programs and services which are not viable. 4.3 Hire and retain employees who are sensitive to and knowledgeable of the needs of our continually changing student body. 4.4 Implement, align, evaluate, and improve strategic planning processes within the District on an ongoing basis. 4.5 Continue the creation and implementation of professional development programs to prepare employees for internal promotional opportunities and also enhance their knowledge, skills, and abilities. 4.6 Increase operational and administrative efficiency to deliver educational services utilizing the most cost effective methods.
GOAL 5 **RESOURCE MANAGEMENT: Provide sound stewardship of the District's physical and fiscal assets to ensure a sustainable economic future consistent with our values, vision, and mission.**	5.1 Manage enrollment to achieve productivity goals.. 5.2 Align District expenditures to available revenue while striving to provide high quality programs and services. 5.3 Diversify funding sources to increase the level of discretionary control over resources and increase the total funding received by the Colleges. 5.4 Allocate resources according to planning priorities. 5.5 Develop practices and procedures that promote sustainability in all areas of the District, including but not limited to, instruction, operations, construction, facilities, land use, energy, water conservation, and environmental integrity. 5.6 Continue to maintain financial integrity, fiscal prudence and stability for the District as a whole.

III. CONTRA COSTA COMMUNITY COLLEGE DISTRICT GOVERNING BOARD 2011-2012 BOARD OBJECTIVES

District Strategic Direction 1: Student Learning and Success
Significantly improve the success of our diverse student body in pursuit of their educational and career goals with special emphasis on closing the student achievement gap.

1.1 Improve Board cultural proficiency and understanding of student characteristics and dynamics that contribute to the achievement gap.
1.2 Track progress for 2009-10 against designated indicators of student learning and success, using 2008-09 data as the base year.
1.3 Monitor progress on all campuses in the District on establishing and assessing Student Learning Outcomes.
1.4 Receive updates on the District's progress toward developing transfer (SB 1440) degrees.
1.5 Receive reports on criteria used to make decisions regarding educational courses, programs and services offered or reduced/eliminated and their impact on students.

District Strategic Direction 2: College Awareness and Access
Increase awareness of and equitable access to Contra Costa Community College District for a changing and diverse population.

2.1 Better understand classes/services provided at off-site locations and consider access, need, cost and other factors relevant to evaluating these programs.
2.2 Receive results indicating student satisfaction with responsiveness to requests for information and ease of enrollment processes and student satisfaction surveys conducted on campuses.
2.3 Increase Board involvement in community awareness and outreach.

District Strategic Direction 3: Partnerships for Workforce and Economic Development
Support partnerships for workforce and economic development through education and leadership in collaboration with government, community organizations, business, and industry.

3.1 Increase Board member understanding of all Career Technical Education programs, including funding and the organizations with which the District partners.
3.2 Increase Board member understanding of the workforce demands in Contra Costa County, how they are determined, and how the District supports those demands.
3.3 Ensure that District staff develops separate and freestanding Districtwide missions for CTE, Workforce Development, Economic Development, and Contract Education.
3.4 Receive annual updates on the District's effort to create and maintain a diverse workforce that reflects the communities in which the colleges and the District operate.

District Strategic Direction 4: Organizational Effectiveness
Improve the effectiveness of Districtwide planning, operations, resource allocation, and decision-making.

4.1 Increase Board member knowledge of the types of and participation rates for professional development classes offered to all employee groups by all employee groups. Ensure existing programs include offerings on:
    - the contribution all employees make to student success; and
    - training and education to prevent litigation and legal liability.
4.2 On a semester basis, receive a report that identifies classes conducted by colleges and that highlights the changes.
4.3 Ensure that a mechanism is established to ensure the Board is aware of the linkage between items approved in the monthly agenda and the District Strategic Plan.
4.4 Work together to maintain and strengthen a well-functioning Board unit by adhering to principles of effective trusteeship, with a particular focus on the Board's policy role.

District Strategic Direction 5: Resource Management
Provide sound stewardship of the District's physical and fiscal assets to ensure a sustainable economic future consistent with our values, vision, and mission.

5.1 When feasible, ensure that employment opportunities are provided for residents within the District service area and that opportunities are provided for local vendors to conduct business with the District.
5.2 Monitor that college sites are well maintained.
5.3 Ensure that the construction program is well-managed, assures efficiency, limits overspending, and complies with Measures A and AA.

Board Goal: Board Functioning

6.1 Work together to maintain and strengthen a well-functioning Board unit by adhering to principles of effective trusteeship, with a particular focus on the Board's policy role.

IV. BUDGET DEVELOPMENT CALENDAR
FY 2012-13

The following is a listing of the actions to be undertaken in the development of the budget for 2012-13. The Budget Calendar 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

Districtwide educational planning meeting

Box 2A meeting

College Business Directors, Chancellor's Advisory Team (CAT), Cabinet and District Governing Council (DGC) review tentative FY 2012-13 budget assumptions

December

State makes determination regarding 2011-12 budget triggers by December 15

DGC presented long-form budget development calendar

Cabinet reviews and discusses state revenue collections for FY 2011-12 and FTES targets for FY 2012-13

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 FTES targets for the FY 2012-13 tentative budget

First Principal Apportionment issued by the State System Office

District develops preliminary revenue projections based on FTES targets per First Period Attendance Report and First Principal Apportionment Report

District provides colleges with estimated revenue projections and personnel costs

Tentative budget assumptions updated and reviewed with College Business Directors, CAT, Cabinet and DGC

April/May/June

Budget Forums at all District locations

Chancellor's Cabinet reviews FTES projections and revises as necessary all growth targets

Board study session on Budget

Chancellor's Cabinet reviews Tentative Budget

DGC reviews Tentative Budget

Tentative Budget is submitted to Governing Board for approval

All locations develop preliminary operational Adoption Budgets

July

Adoption budget assumptions updated and reviewed with College Business Directors, CAT, Cabinet and DGC

District finalizes Adoption Budget assumptions

Colleges, District and Districtwide Services provide expenditures to the District to start development of Adoption Budget

August

Calculations completed for the prior year to determine fund balances and carryover funds

District compiles the Final Adoption Budget

Final Adoption Budget assumptions reviewed with College Business Directors, CAT, Cabinet and DGC

September

Newspaper publications notified of the availability of the Adoption Budget and Appropriations Limit

Adoption Budget and Appropriations Limit available for public inspection

Governing Board conducts a public hearing for the Adoption Budget and considers approval of the budget presented (Gann Limit)

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 for year-end FY 2011-12 and the budget projections for FY 2012-13

Throughout the year

The Governing Board approves budget transfers and budget adjustments per Board policy

V. STATUS OF FISCAL YEAR 2011–12

In September 2011, the Board adopted the FY 2011-12 budget. Since that time, several changes have occurred. A one-time deficit factor of 0.6% (Tier 1), identified and planned for in the adopted budget, was enacted based upon revenue projections falling short of what was passed in the legislature. This Tier 1 deficit resulted in a one-time revenue loss of $815,000. In addition, a workload reduction (Tier 2) occurred resulting in an ongoing loss of 430 FTES, equivalent to $2 million. This workload reduction will carry forward into subsequent years, but was planned for and anticipated during the budgeting process.

Other changes within FY 2011-12 include the restoration of furloughs to classified staff and the refunding of health care contributions made by the faculty. The financial impact of restoring the concessions is $1.8 million. Finally, the statewide shortfall in enrollment fee collections and property taxes is causing a much larger than anticipated deficit factor to emerge. As of the first apportionment report from the State Chancellor's Office, a 3.5% deficit factor is predicted. The District had anticipated and planned for a 1% shortfall based on historical trends and conservative budgeting; the remaining 2.5% that was unanticipated will, if ultimately realized, result in a one-time shortfall of $3.3 million.

Changes in Revenues

The current State budget has no growth money, no COLA and instituted a workload reduction of 1.43%. In addition, a one-time deficit factor of 3.5% is being predicted.

- Potential impact: The District benefited from a conservative budgeting approach by correctly anticipating the reductions associated with Tier 1 and Tier 2. These reductions were built into the adopted budget revenue assumptions. The shortfall in state property tax collections and, more importantly, enrollment fee collections has created a potential $3.3 million loss in apportionment revenue. This loss will decrease the District's fund balance, reducing available reserves for subsequent years.

	Deficit Reserve at Adopted (0.4%)	**Deficit greater than Reserve (2.5%)**
CCC	$126,682	$618.185
DVC	$289,479	$1,572,423
LMC	$148,955	$830,152
DO	$57,847	$364,886

- Explaining the deficit factor: During the adoption budget process, the District projected a $622,963 or 0.4% deficit factor and all sites prepared for that by designating reserves as shown in the table above. The State Chancellor's Office projected at First Principle Apportionment (P1) a $4,727,525, or a 3.5% deficit factor. The adopted budget's revenue assumption included a 0.6% deficit attached to Tier 1. Combining the 0.6% deficit from Tier 1 with the 0.4% reserve means the District was anticipating a 1% total deficit. With the deficit at P1 forecasted at 3.5%, the total unanticipated deficit is 2.5%.

Listed below are the resident FTES targets set by the colleges. It is important to note that these targets were what the colleges used to build their *expenditure* budget and not the numbers used to distribute revenue. Revenue was distributed on the assumption that Tier 1 and Tier 2 triggers would be pulled while the expenditure budget was built on the assumption that those triggers would not be pulled. The non-resident targets, which were used to forecast local revenue, are also listed below for reference.

2011-12 Resident FTES Targets/Projected/Funded				
	FTES	**% Of Total**	**Projected FTES**	**Funded FTES**
CCC	5,671.81	20.13%	5,865.11	5,600.77
DVC	14,861.63	52.74%	14,881.59	14,635.38
LMC	7,647.25	27.13%	7,862.43	7,550.85
Total	28,180.69	100.00%	28,609.13	27,784.00

2011-12 Non-Resident FTES Targets				
	CCC	DVC	LMC	Total
Target	192.69	1,800.00	100.00	2,092.69
Projected	216.94	1,943.60	101.36	2,261.90

- The District received an additional $180,000 from the apportionment recalculation done by the State Chancellor's Office for FY 2010-11. This additional revenue was generated by 38 FTES funded above the anticipated level computed during the fiscal year close, as well as a deficit factor coming in smaller than was on the FY 2010-11 P-2 report.

Changes in Expenditures

Changes in the expenditure assumptions developed for FY 2011-12 are listed below:

- The District restored classified employee furloughs and United Faculty health care contributions.
  - Restoration of furloughs resulted in $1.3 million in expenditure increases and the refunding of the faculty health care contributions increased expenditures by $500,000.

Adoption Budget and Projected Reserves

The following table details the Adoption Budget reserves and the projected reserves for FY 2011-2012. The colleges, faculty, staff and management of the District have exercised fiscal prudence this year, as they have for several years, as future levels of funding for the District are difficult to forecast.

	2011-12 Adoption Budget	2011-12 Projected Ending Balance
Designated College Reserves	$ 8,667,504	$ 7,512,423
Designated District Office Reserves	764,499	161,123
Subtotal, Designated Reserves	**$9,432,003**	**$7,673,546**
5% Contingency Reserve	7,745,437	7,745,437
5% Board Reserve	7,745,437	7,745,437
1% Minimum Location Reserves	2,821,244	1,450,000
Subtotal, Designated Reserves	**$18,312,118**	**$16,940,874**
Undesignated Districtwide Reserve	27,957	729,270
Undesignated College Reserves	2,519,970	6,098,711
Undesignated District Office Reserves	1,264,910	842,177
Subtotal, Undesignated Reserves	**$ 3,812,837**	**$ 7,670,158**
TOTAL RESERVES	**$31,556,958**	**$32,284,578**
Calls on Reserves:		
Load Bank Liability Reserve	1,012,670	0
Vacation Liability Reserve	466,723	0
Reserve for ISA Payback	2,009,392	2,009,392
Reserve for HBA/TBA Payback	2,605,718	0
Deficit Funding Reserve	622,963	0
TOTAL AVAILABLE RESERVES 6/30/12	**$24,839,492**	**$30,275,186**

Adoption and Projected Budget Status

The following table shows the difference between the FY 2011-12 adoption budget and the projected budget at year-end. Again, this shows both operating and one-time reserves within the unrestricted general fund.

	FY 2011-12 Adoption Budget	FY 2011-12 Projected Budget
Revenues	$154,182,541	$154,374,729
Expenditures	160,571,556	159,915,422
Increase/(Decrease)	(6,389,015)	(5,540,693)
Opening Fund Balance	37,945,973	37,825,272
Ending Fund Balance	$31,556,958	$32,284,578

VI. 2012-13 BUDGET DISCUSSION

Highlights

The budget development process for FY 2012-13 began immediately following the Governor's budget proposal in January. Governor Brown's proposal has a $9.2 billion deficit, of which $4 billion is carryover from prior years. The proposal is built on the assumption that the voters approve a tax package in November.

Tax Package Passing

- The tax package consists of a ¼ cent sales tax increase (sunset date of 2016) and a 1.5 to 2% income tax increase on millionaires (sunset date of 2018).
- Any "increases" the District would receive would be used to pay back the $961 million in deferrals owed to the community college system ($17 million for the District).
- Therefore, revenue generated from this tax proposal would be used to keep revenue at its current level with timelier disbursements. This is helpful for cash flow, as well as for shrinking the carry forward deficits in subsequent years.
- Taxes passing will not fund COLAs, growth or provide restoration to categorical programs; however, no further workload reductions would occur in FY 2012-13.
- Essentially, based upon the Governor's proposal, the best-case scenario for the District would allow for static revenue in FY 2012-13.

Taxes Not Passing

- Taxes not passing create a completely new set of circumstances for the District. In this scenario, automatic trigger reductions would take place in the form of workload reductions.
- The triggers would institute $5.4 billion in total state reductions, of which 90 percent or $4.8 billion would go against K-14.
- In addition, the deferral buyback would not occur and prior year deficits would continue to carry forward.
- Ultimately, in this scenario, the District would lose funding for 1,545 FTES, approximately 400 course sections. In dollars, these 1,545 FTES equate to more than $7 million in base funding loss.

Planning

The large level of uncertainty within the Governor's proposal puts the District in a difficult position. The magnitude of the triggers in the state FY 2012-13 proposal are four times greater than the triggers put in place for FY 2011-12. In addition, with the outcome of the tax proposal unknown until November, half the year is gone in which to compensate for the result. Based on the information available at this time and the assumptions listed below, the District has developed a scenario it feels puts it in the best position to continue to function at a high level of efficiency while minimizing course reductions so as to serve the greatest number of students. In the meantime, the District will continue to monitor the latest happenings in Sacramento and will revise its plans and assumptions as new information emerges, specifically from the Governor's May Revise.

Budget Assumptions for FY 2012-13

- Revenue Assumptions

  The following are the budget assumptions for revenues based on what is known at this point in the State budget process.

  - A student fee increase of $10 per unit, bringing the rate to $46 per unit. While this increase will generate more revenue statewide, it is unclear to what extent. In FY 2011-12, the fee increased from $26 to $36 and the expected revenue generated was well below expectations. This was mostly due to the large increases in BOG waivers awarded, with 70% of units statewide now qualifying. According to the State Chancellor's Office and the Community College League of California (CCLC), the $107 million shortfall in enrollment fees in FY 2011-12 has caused the state Legislative Analyst's Office (LAO) to adjust its model to a more realistic level of collection.
    - *Potential impact*: The State Chancellor's Office and CCLC have indicated pleasure at the new enrollment fee forecasts for FY 2012-13. This should mitigate the large statewide deficit we are seeing in FY 2011-12. In regards to enrollment, the demand is still high for courses, and the District will be contracting its offerings, which should more than compensate for any loss of FTES caused by this fee increase.

  - Non-resident FTES is projected to increase by 100 FTES, generating approximately $500,000 in incremental revenue for the District.
    - *Potential impact*: Non-resident FTES are primarily generated at DVC, yet all sites benefit from the monies that are brought in.

  - The Community College Funding Workgroup is recommending a change in the apportionment deferral calculation. This new methodology would adversely affect the District's cash flow, but is considered a fairer distribution of the deferrals and is consistent with how workload reductions are currently calculated by the State Chancellor's Office.
    - *Potential impact*: The District deferral will be approximately $26 million in FY 2012-13, up from $17 million in FY 2011-12, assuming taxes do not pass and the deferrals continue to be implemented.

  - The current State budget proposal has a zero Cost of Living Adjustment (COLA).
    - *Potential impact*: The District faces higher costs in staffing, health care and other goods and services. Without COLA, the District will continue to be stretched to find resources for ongoing and increased costs, and, therefore, will continue to reduce costs through budget reductions.

  - Lottery revenue in FY 2012-13 is projected to be the same rate as in 2011-12 - $112 per FTES. Lottery revenue is calculated based on the State-approved rate multiplied by the District's total FTES (resident and non-resident).
    - *Potential impact*: If the District's total FTES increases, revenue will increase and if the District's total FTES decreases, revenue will decrease. Based on the the hedge position of 29,720 resident FTES and the college-provided, non-resident targets, lottery revenue is estimated to decrease by $30,557 over the prior year's adopted budget.

  - In FY 2011-12, property tax revenue is projected to be short $41 million, and the fee revenue shortfall is estimated at $107 million. This has created an unprecedented shortfall and became a high priority to the State Chancellor's Office to address within the legislature in FY 2012-13. Representatives from both the State Chancellor's Office and the Community College League of California have indicated that revenue models being used in the State budget assumptions are updated to reflect a more realistic picture of the enrollment fee collections anticipated for FY 2012-13.

    - *Potential impact*: Based on the information above, the District is projecting a 0.4% deficit factor ($546,777). A reserve will be set aside by each college and the District Office for the deficit factor according to Business Procedure 18.01, The Contra Costa Community College District Budgeting System. It should be noted that this deficit factor is calculated at the hedge position of 27,200 FTES and will change up or down based upon the results of the November tax package.

  - The current State budget proposal includes zero growth funding and a possible workload reduction.
    - *Potential impact*: Revenue will stay static and the District will continue to be funded at 27,783 resident FTES if the taxes pass in November. Should taxes not pass, the workload reduction would be equal to 1,545 FTES or greater than $7 million in ongoing revenue. Our funded FTES would be at 26,238 in this scenario.

  - Apportionment Funding: The FY 2012-13 funding level will be determined after a tax package is voted upon in November. In the Governor's proposed budget, the District will not see new revenue if the taxes pass. The good news is more in what *won't* happen if the taxes pass; there will be no workload reduction or one-time deficit factor attached to triggers. In addition, the proposed tax package has a multi-year duration, meaning the revenue stream will be consistent until at least 2016. Should the voters reject the tax proposal, mid-year cuts would take effect and the District's ongoing funding will be reduced over $7 million through a base FTES loss of 1,545. In order to plan, budget and build a schedule, the District proposes funding the colleges at a hedge position of 27,200 FTES. Necessary changes will be implemented after the results of the tax proposal are known.

  - The interest revenues continue to decline due to the deferrals and low interest rates. Revenues from interest were $1M four years ago and are projected to be zero for FY 2012-13.

  - No further cuts to student support categoricals. Flexibility provisions will be extended for two additional years through 2014-15.

  - The Cal Grant program appears to remain intact.

- Expenditure Assumptions

  Delineated below are expenditure increases totaling $4,481,200.

  - The District projects the CalPERS rate to increase to 12.123%, estimated to be an additional expenditure of $400,000. The official rate will not be released until May 2012.

  - The workers' compensation rate decreased in FY 2011-12, and the Contra Costa County Schools Insurance Group (CCCSIG) is projecting the rates will only increase slightly in FY 2012-13 due to the strong financial position of CCCSIG. The projected rate increase is $115,000 in FY 2012-13.

  - Insurance costs for property and liability and student insurance and state unemployment insurance decreased by approximately $151,800.
    - Property and liability is projected to increase 8.4% or $97,000.
    - Student insurance is projected to increase 0.4% or $1,200.
    - State Unemployment Insurance (SUI) is projected to decrease from 1.61% to 1.10%, a decrease of approximately $250,000. This rate decrease is based on statewide schools and colleges unemployment utilization and is indicative of an improving economy and individual's benefits lapsing.

- Health and welfare costs are projected to increase by 10%, which is a $2.5 million increase. This includes the increase in retiree health benefits, which now comprises 43% of the $28 million cost of health and welfare expenditures.

- The long-term disability rate will remain unchanged in FY 2012-13 at 0.42%.

- Step and column costs are projected to be $1,105,000 and include all classes of employees.

- Audit costs are projected to decrease by $31,000 for a total of $175,000; this is due to our rebidding of audit firms.

- FY 2012-13 subsidies for CCC and LMC are $894,929 and $154,808, respectively, to be paid from undesignated reserves, and if necessary, the $1M retiree health benefit annual contribution.

- $100,000 per college will be set aside annually for deferred maintenance, total of $300,000.

- The District is anticipating a $154,000 increase in credit card fees due to the increased use of credit cards as a payment method as well as the enrollment fee per unit cost increasing 28%, from $36 per unit to $46 per unit. In FY 2010-11, the District paid more than $263,000 in credit card fees.

- It is projected the District will continue to experience large banked load and vacation accrual payouts. Accruals for 2012-13 will be paid from Fund 29 (debt service fund) and from college reserves. In October 2011, the Board approved a transfer from each site to Fund 29 to help offset future payouts.

VII. BUDGET RECOMMENDATIONS FOR FY 2012-13

FTES Strategies

Based upon our assumptions and the Governor's proposed budget, the scenario below is what the District is recommending for the Board's consideration. This scenario, presented to the Board during its February meeting, is built upon the following assumptions.

- Initial resident FTES target of 27,200. Recognizing that the funding gap existing between 26,238 and 27,783 FTES is too great to choose one extreme or another, the District recommends choosing an initial FTES target of 27,200.

- This FTES target represents 62% of the total FTES at stake from the tax measure. Put another way, the District is opting to fund an FTES goal at a level greater than just "splitting the difference" between taxes passing or failing.

- Why 27,200 FTES? This is due to wanting to maximize student access to courses, as well as protecting the base FTES funding should taxes pass and our target officially becomes 27,787.

FY 2012-13 resident FTES targets by location				
	CCC	**DVC**	**LMC**	**Totals**
Target	5,474	14,345	7,381	27,200
% of total	20.1%	52.7%	27.2%	100.0%

Board Reserves

Further, based upon the possible outcome of taxes not passing, the Chancellor is requesting the Board allow the use of approximately $3.1 million of its $15.5 million reserve. First presented and discussed during the February Board meeting, the $3.1 million would enable the District to mitigate the impact in FY 2012-13 as half the year would be gone, doubling the effect of the workload reduction by shortening our timeframe in which to respond. Should the Board authorize the use of $3.1 million and allow its 10% reserve to be lowered to 8%, the funds would only be used after the reserves at individual sites were exhausted and repayment of the funds would be subject to Business Procedure 18.01, The Contra Costa Community College District Budgeting System.

- Rationale: Within the Governor's proposed budget, the total exposure the District is susceptible to is approximately $7 million. With the hedge strategy of 27,200 FTES, the District's potential exposure on the unfunded FTES side is reduced to $4.4 million. This $4.4 million is comprised of the 962 unfunded FTES (27,200 less 26,238) we could potentially incur if the taxes do not pass. However, even if taxes do not pass, this $4.4 million could likely be further mitigated by reducing the Spring 2013 schedule. In the event taxes pass, the District sees minimal risk. The Spring 2013 schedule could be ratcheted up to make up ground on the FTES needed and, if necessary, summer borrowing could occur in order to make base. One risk with expanding the Spring 2013 schedule in an attempt to generate and make up FTES is that our productivity numbers could suffer.

    - Outcome #1 – District builds schedule and funds the colleges at 27,200 FTES and taxes do not pass.
        - ➢ *Impact to Apportionment Revenues*: District would lose $7 million in apportionment funding from a loss of 1,545 FTES. This loss would be carried forward into subsequent years. In FY 2012-13, the District could potentially serve 962 FTES greater than for which it is funded. The cost of these unfunded FTES, borne entirely by the District, would be approximately $4.4 million. The $3.1 million being requested

of the Board from its 10% reserve is to help offset the unfunded FTES the District would be serving if taxes do not pass.

- Outcome #2 – District builds schedule and funds the colleges at 27,200 FTES and taxes pass.
  - *Impact to Apportionment Revenues*: District would not incur a loss to its base funding and would receive apportionment dollars for 27,783 FTES. In order to make its FTES base in FY 2012-13, the District would need to offer a course-heavy Spring 2013 semester and potentially borrow FTES from Summer 2013.

Financial Solutions

In addition to the $3.1 million being asked of the Board, the District is seeking $6 million in financial solutions. The colleges and District Office are being given flexibility in how they arrive at their individual targets. These solutions can be in the form of one-time expense reductions, on-going expense reductions, revenue enhancements or use of one-time reserves. The $6 million is broken out by site in the following manner:

FY 2012-13 targets by location				
	CCC	**DVC**	**LMC**	**DO**
Target	1,039,133	2,955,838	1,372,449	632,580
% of total	17.3%	49.3%	22.9%	10.5%

Recommendations Analysis

- FY 2011-12 and 2012-13 Comparison

  Revenues and expenditures include local revenues/uses. The FTES target for FY 2012-13 is at 27,200 and will be adjusted after the November elections based upon the outcome of the tax proposal.

	FY 2011-12 Projected Actuals	FY 2012-13 Projected Tentative Budget	Increase/(Decrease)
FTES Targets	*28,181*	*27,200*	*(981)*
Revenues	$154,374,729	$150,674,729	$(3,700,000)
Expenditures	159,915,422	158,850,900	(1,064,522)
Opening Fund Balance	37,825,272	32,284,578	
Increase/(Decrease)	(5,540,693)	(8,176,171)	
Reserves	$32,284,578	$24,108,407	$(8,176,171)

- Projected 2012-13 Reserves

  The reserves shown in the table above comprise the entire unrestricted general fund and tentatively projects an adoption budget FY 2012-13 ending reserve balance of $24,108,407. The table on the following page attempts to breakdown how that projected reserve would be distributed amongst designated and undesignated categories.

	2012-13 Projected Tentative Budget
Designated College Reserves	8,253,407
Designated District Office Reserves	460,170
Subtotal, Designated Reserves	**$8,713,577**
5% Contingency Reserve	7,745,437
3% Board Reserve	4,654,563
1% Minimum Location Reserves ($0 in anticipation of use before the 2% Board reserve)	0
Subtotal, Designated Reserves	**$12,400,000**
Undesignated Districtwide Reserve	50,000
Undesignated College Reserves (comprised of a portion of the Board's 2%)	2,219,830
Undesignated District Office Reserves	725,000
Subtotal, Undesignated Reserves	**$2,994,830**
TOTAL RESERVES	**$24,108,407**
Calls on Reserves:	
Load Bank Liability Reserve	700,000
Vacation Liability Reserve	250,000
Reserve for ISA Payback	2,009,392
Deficit Funding Reserve	546,777
TOTAL AVAILABLE RESERVES 6/30/13	**$20,602,238**

Designated College and District Office Reserves: One-time, non-operating sub-funds (co-curricular, contract ed. etc.), special projects and college designated uses.
Board and Location Reserves: Board Reserve at 8%, site reserves at zero for use in balancing their budgets.
Undesignated Reserves: Districtwide Reserve used to pay subsidies; college reserves made up of the 2% from the Board reserve and will be used to offset revenue loss if taxes do not pass; District Office reserve made up of anticipated ending FY 2012-13 fund balance.

VIII. DISTRICT FISCAL TRENDS

From FY 2008-09 to FY 2011-12, the District has experienced a 10.5% percent decrease in revenues, from $172 million in FY 2008-09 to $154 million projected in FY 2011-12. To combat this loss in revenue, the District has offered buyouts, reduced hours, offered fewer courses, left vacant positions unfilled and performed layoffs. This has resulted in a substantial decrease in salaries (greater than $12 million) from 2008-09 to 2011-12. However, much of this decrease has been offset by greater costs in benefits, mostly in the form of health and welfare benefits for current and retired employees. Of note in specific areas:

- Capital Outlay budgeted in FY 2011-12 is less than half the actual expenditures from FY 2008-09
- Part-time instructional salaries has decreased greater than $4 million since 2008-09
- Total classified salaries has decreased $6 million since 2008-09

Revenue	Final Actuals 2008-2009	Final Actuals 2009-2010	Final Actuals 2010-11	Adoption Budget 2011-2012
Apportionment Revenues	151,326,107	146,955,163	148,081,750	137,285,781
Federal Revenues	28,465	43,024	41,080	0
Other State Revenues	5,412,798	4,846,239	5,431,276	3,688,093
Other Local Revenues	15,143,690	15,135,338	16,653,037	13,012,594
Other Financing Sources	458,752	139,972	1,308,676	196,073
Total Revenues & Other Financing Sources	**$172,369,812**	**$167,119,736**	**$171,515,819**	**$154,182,541**

Expenses				
Monthly Instructional Salary	32,549,980	33,240,977	31,904,288	31,791,905
Non-Instructional Salaries Full Time	13,508,082	13,808,984	13,185,464	12,615,569
Instructional Salaries Part Time	27,713,729	26,878,830	26,150,391	23,618,522
Non-Instructional Salaries Part Time	1,511,026	1,630,108	1,260,504	934,442
Total Academic Salaries	75,282,817	75,558,899	72,500,647	68,960,438
Non-Instructional Salaries Full Time	25,211,371	26,699,031	25,785,372	22,562,505
Instructional Aides Full Time	3,241,573	3,282,695	3,032,183	2,756,444
Variable Non-Instructional	4,603,843	4,040,607	3,173,180	2,237,119
Variable Classroom Aide	971,087	830,641	856,133	554,190
Variable Aide Other	324,648	230,973	224,974	195,679
Total Classified Salaries	34,352,522	35,083,947	33,071,842	28,305,937
Benefits	35,749,497	38,136,010	38,818,346	41,384,329
Total Salaries and Benefits	**$145,384,836**	**$148,778,856**	**$144,390,835**	**$138,650,704**
Operating Costs	19,983,401	16,038,970	15,419,693	19,681,917
Capital Outlay	2,412,700	1,184,446	953,022	1,134,838
Other Outgo	2,578,104	1,992,626	1,483,881	1,104,097
Total Expenses	**$170,359,041**	**$167,994,898**	**$162,247,431**	**$160,571,556**

Three-Year Budget Projection

In an effort to plan for the future, the District has begun development of budget assumptions for FY 2013-14, FY 2014-15, and FY 2015-16. These projections are largely based on the expenditure side, as the revenue portion will not be known until November 2012.

The revenue assumptions for FY 2013-14 and FY 2014-15 are:

- no Cost of Living Adjustment (COLA);
- no growth funding; and
- a 0.2% - 0.4% deficit factor based on historical norms.

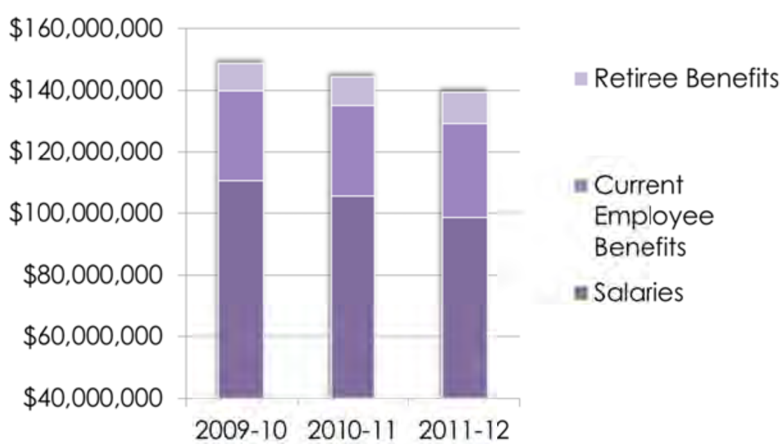
The expenditure assumptions for FY 2013-14 and FY 2014-15 are:

- PERS will increase to 12.123%;
- STRS will increase to 9.25%; and
- health and welfare expenses are projected to increase 10% each year.

Because of the drastic revenue swing that will occur based on the outcome of the tax proposal in November, a typical three-year budget projection is difficult to produce. The outcome of the tax proposal will drive our revenue assumptions; however, our revenue assumptions largely dictate our overall expenditure and staffing levels. Until the results of the tax proposal are known, producing a three-year forecast is problematic and not very useful.

Salary and Benefit Trends

The District continues to see significant increases in the cost of providing health benefits for active and retired employees. The chart below shows the past three years of salary and benefit costs. Of note is the increase in the retiree benefit portion of the whole, as well as the overall increase in benefits as a ratio to salary. This is largely driven by the large annual percentage increases in health and welfare benefits. The result of this is that while salaries have decreased $12 million over three years, overall benefit costs have risen.



Cumulative Totals:

2009-10: ***$148.8 million (Total benefits at 34.4% of salary)***
2010-11: ***$144.4 million (Total benefits at 36.7% of salary)***
2011-12: ***$139.6 million (Projected total benefits at 41.4% of salary)***

Banked Load and Vacation Accrual

The banked load liability has significantly increased over the past six years. It dropped slightly in FY 2009-10 due to large payouts to faculty who retired and then bounced up 4.7% in FY 2010-11. Vacation accrual has increased by approximately $660,000 over the past six years. In October 2011, the Board approved a transfer of $1,902,450 from the colleges and District Office to Fund 29 (debt service fund) to help offset some of the unfunded liabilities. The following table shows a six-year history of the load banking and vacation accrual liability:

		CCCCD Banked Load and Accrued Vacation Liability					
	June 30th Balances	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
A	Fund 29, Long-Term Debt Fund (Reserve)	2,013,089	2,739,043	2,750,000	2,750,000	2,750,000	3,577,430
B	Faculty Load Banking Liability	7,010,503	7,300,015	8,500,649	9,124,113	9,088,324	9,521,011
C	Accrued Vacation	3,810,167	4,219,545	4,593,800	4,988,710	4,815,679	4,474,414
D	Unfunded Liability D = A -B -C	(8,807,581)	(8,780,517)	(10,344,449)	(11,362,823)	(11,154,003)	(10,417,995)
1	Changes in Reserve	-	725,954	10,957	-	-	827,430
2	Changes in Load Banking Liability	1,816,974	289,512	1,200,634	623,464	(35,789)	432,687
3	Changes in Accrued Vacation	313,040	409,378	374,255	394,910	(173,031)	(341,265)
4	Percentage Change in Liability	32%	0%	18%	10%	-2%	-7%

IX. NEXT STEPS

Currently, the colleges and District Office are identifying areas in which reductions could occur in order to reach their targets. Each site will be given flexibility in how it reaches its target. This flexibility includes expenditure reductions, revenue enhancers and use of one-time reserves. The Governor's revised budget is expected to be released in mid-May 2012. Depending on the significance of the Governor's May revise, changes may be made to the Tentative Budget presented to the Board in June for adoption. Prior to the Board's approval in June, the Tentative Budget will be taken though the participatory governance process.

The Adoption Budget must be approved at the September 2012 Board meeting. The hope is that the State budget will be approved by that time and significant polling will have been done on the tax measure. No matter the outcome, because of our hedge strategy, significant changes in the Adoption Budget will be necessary.

X. CONCLUSION

Austerity will continue in FY 2012-13 and, unfortunately, course sections will be fewer than in FY 2011-12. At the time of this presentation, it is clear that financial resources and future-year revenue stability for the State's community colleges largely depend on the November tax measure. The impact on the Contra Costa Community College District will be felt for the next few years and will determine the size and level of service our institution can provide. No matter the outcome, the District will continue to offer high quality services to a vast number of students and provide educational opportunities critical to the long-term success of California.

Appendices

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 community college districts. The System Office monitors and assesses a district's financial condition through:

- 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 the fiscal health of the district and encourages districts regularly complete the checklist with the 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?	No	Due to the State workload reductions, increased costs, and an unprecedented deficit factor, the District is projected to utilize $5.54 million of reserves in FY 2011-12.
Has the District controlled deficit spending over multiple years?	Yes	The District has built up the ending fund balance since FY 03-04 primarily by identifying and setting aside one-time, unrestricted revenues. Frugality in FY 2010-11 also played a large role in the increase of the District's fund balance.
Is deficit spending addressed by fund balance, on-going revenue increases, or expenditure reductions?	Yes	The District makes a budgetary distinction between "on-going" and "one-time" revenues and expenditures. For FY 2011-12, the District's on-going expenses are budgeted in excess of on-going 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	The District 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 03-04 growing from $8,642,592 to $37,825,271 in FY 10-11. It is expected that the ending fund balance will decrease over the next 2-3 years as reserves are used to partially backfill State revenue reductions.
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 03-04, FY 04-05, & 05-06, and revenue increases in FY 07-08, FY 08-09 and FY 10-11 due to restoration in FTES. A State-imposed "workload reduction" (reduction in funded FTES) in FY 11-12 and future years will cause the fund balance to shrink.

3. Enrollment		
Is this Area Acceptable?	**Yes**	
Has the District's enrollment been increasing or stable for multiple years?	No	The District's enrollment peaked in 2002-03 and declined until FY 06-07. The District exceeded the funding cap in FY 09-10 and FY 10-11 due to Statewide workload reductions. The District expects it will handily exceed its cap in FY 11-12.
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, and July.
Are staffing adjustments consistent with the enrollment trends?	Yes	The course schedule at each location determines the staffing levels per term. Increases or decreases to course offerings are heavily influenced by budgetary considerations such as State-imposed workload reductions.
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	The District produces periodic reports of enrollment trends and utilizes multi-year analyses in developing projections.
Has the District avoided stabilization funding?	No	The District has received stabilization funding in FY 04-05 and FY 08-09. The District exceeded its funded FTES in FY 09-10, earned all available growth in FY 10-11, and expects to exceed its cap in FY 11-12.

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 (5% of the total Unrestricted General Fund expenditures)?	Yes	Over the previous five years, the District 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.
Is the District's Unrestricted Fund Balance maintained throughout the year?	Yes	The District's Unrestricted Fund Balance is maintained and monitored throughout the year.

5. Cash Flow & Borrowing		
Is this Area Acceptable?	**Yes**	
Can the District manage its cash flow without interfund borrowing?	Yes	The District has never used Interfund borrowing due to the County Teeter plan, which advances local property taxes.
Is the District repaying Tax Revenue Anticipation Notes (TRANS) and/or borrowed funds within the required statutory period?	N/A	

6. Bargaining Agreements		
Is this Area Acceptable?	**Yes**	
Has the District settled bargaining agreements within new revenue sources during the past three years?	Yes	On-going salary increases are determined based on an agreed upon formula taking into consideration on-going restoration revenue, new resources and permanent expenditure reductions. The District has not given salary increases since FY 08-09, but has an approved contract in place for United Faculty through FY 13-14 and for Local One (classified staff) through FY 12-13.
Did the District conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement?	N/A	
Did the District correctly identify the related costs?	N/A	
Did the District address budget reductions necessary to sustain the total compensation increase?	N/A	

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	The District differentiates ongoing and one-time funding to ensure that one-time monies are not being used for ongoing expenditures. The District has been accruing an unfunded liability for faculty load banking.
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 2009-10 was 85%).	No	For 2010-11, the percentage of the general Fund that was expended for salaries and benefits was 86.5%. In 2011-12, the percentage of the General Fund budgeted for salaries and benefits is 86.3%.

8. Internal Controls		
Is this Area Acceptable?	**Yes**	
Does the District have adequate internal controls to insure the integrity of the general ledger?	Yes	For the majority of the District's transactions, there were adequate controls to insure the integrity of the 2010-11 general ledger and an unqualified opinion of the financial statements was issued by the District's independent auditors.
Does the District have adequate internal controls to safeguard the District's assets?	No	While the District has made significant progress in this area, work is ongoing to ensure appropriate internal controls are in place throughout the District. Notably, an inventory of District assets is scheduled to be performed in Summer 2012.

9. Management Information Systems		
Is this Area Acceptable?	**Yes**	
Is District data accurate and timely?	Yes	The District has taken steps to ensure a timely and accurate close of the fiscal year. The FY 2010-11 records were complete prior to the District audit and no prior year adjustments were necessary.
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 the District's web site as part of the agenda materials provided to the governing Board. Commonly requested documents, such as budget and audits, are also available on the Vice Chancellor's web page.

10. Position Control		
Is this Area Acceptable?	**Yes**	
Is position control integrated with payroll?	No	The District's human resources personnel and position system is fully integrated with the payroll system. The District 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	The District'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 to the budget, related to long-term bargaining agreements?	Yes	The District prepares multi-year projections of the Unrestricted General Fund, including the effects of bargaining agreements.
Are budget revisions completed in a timely manner?	Yes	Budget revisions are made as requested, by either Board action or campus decisions. The revised budgetary figures are taken to the Board on a monthly basis for review purposes. The Board approves budget revisions quarterly.
Does the District openly discuss the impact of budget revisions at the Board level?	Yes	On a quarterly basis, at its public meeting, the Board receives a report detailing the revisions that have been made during the quarter.
Are budget revisions made or confirmed by the Board in a timely manner after the collective bargaining agreements are ratified?	Yes	The 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 fiscal year?	Yes	Most long term debt is held in the 2002 and 2006 bonds. As they have been spent and no new issuances have been done recently, long-term debt decreased by $5 million. This will increase in subsequent years as more 2006 issuances are sold. Long-term debt from vacation and banked load are also considerations.
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, the District funds the current portion of its accrued compensated absences (the District is not obligated to fund the long-term portion). The District compiles an actuarial every two years for GASB 45 post employment health benefits debt and has established an irrevocable trust to meet GASB 45 guidelines.

Does the District compile annualized revenue and expenditure projections throughout the year?	Yes	The Board receives monthly 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 February 2011. The District's unfunded liability is at $182 M, down from $262 M at the prior study. By the end of FY 11-12, the District will have set aside over $60 M toward funding this liability.
Does the District have a plan for addressing the retiree benefits liabilities?	Yes	The District selected a financial advisor, appointed a Retirement Board of Authority, prepared a substantive plan, and has funded between $8.8 - $9.1M each year since FY 08-09 into an irrevocable trust.
13. Stable Leadership		
Is this Area Acceptable?	**Yes**	
Has the District experienced recent turnover in its management team (including Chief Executive Officer, Chief Business Officer, and Board of Trustees)?	Yes	The Chancellor is in her seventh year and has been with the District for over 20 years. The Governing Board has five members, one elected in November 2010; one appointed in March 2011 to complete the remainder of a vacancy due to the death of a board member; one who has served for seven years; and two who have served for more than ten years. There was turnover in the leadership of the financial area in FY 11-12 but was filled recently.
Does the District compile annualized revenue and expenditure projections throughout the year?	Yes	The Board receives quarterly financial statements on all funds of the district and periodic "Fiscal Trends" reports comparing the revenues and expenditures to budgeted amounts, and the percentage received/spent (to-date) to the percentage of the year completed.

AUDIT FINDINGS FOR FY 2009-10 AND FY 2010-11

The annual financial audit for the District conducted by Vavrinek, Trine, Day & Co., LLP for FY 2010-11 reported three findings. In order to keep the Board updated on the progress of implementing policies, procedures and processes to address the audit, the following matrix details the main issues of the audit, the District's response, the managers in charge and the expected completion date. Of note, all the findings from the prior year's audit were found to be implemented by the auditors.

Audit Findings for FY 2009-10

2009-10 Audit Findings	Description of Recommendation	District Action	Responsible Managers	Target Date of Completion	Results
2010-1 Significant Deficiency	Develop and implement a timely process to comply with return of Title IV.	The District will work with the colleges to develop standardized procedures for processing the return of Title IV financial aid funds.	Director of Fiscal Services Financial Aid Directors	June 2011	Implemented
2010-2 Significant Deficiency	Los Medanos College was unable to demonstrate they spent all of the instructional material fees required for one of its courses selected.	The District will work with the colleges to develop a method to keep track of instructional materials costs and compare charges to fees that are charged students.	Associate Vice Chancellor and College Business Officers	June 2011	Implemented
2010-3 Significant Deficiency	Contra Costa College should maintain documentation to support the eligibility of all individuals receiving services through the CalWorks and TANF programs. Student files should be checked to determine that all for required documents are included.	The District will work with Contra Costa College to implement procedures to ensure all student files are complete to include eligibility documentation.	Associate Vice Chancellor and College Business Officers	June 2011	Implemented
2010-4 Significant Deficiency	Contra Costa College was out of compliance with State requirements regarding maintaining evidence of approvals from the principal for the special full time and part-time students and Los Medanos and Contra Costa College exceeded the 10% limit placed on concurrent enrollment on P.E. courses and therefore overstated apportionment by the amount of concurrent students.	The District will work with the colleges to develop procedures to review and maintain the necessary approvals for concurrently enrolled students and limits on enrollment used for FTES reporting in order to be in compliance with the State requirements.	Associate Vice Chancellor and College Business Officers	June 2011	Implemented

Audit Findings for FY 2010-11

2010-11 Audit Findings	Description of Recommendation	District Action	Responsible Managers	Target Date of Completion	Progress
2011-1 Significant Deficiency	Federal Direct Loans administered at DVC did not notify students or parents of their right to modify or cancel loans. Reconciling the loans was not done at all colleges.	Modify the DVC loan letter to accommodate the requirement. All colleges are now reconciling loans through the COD system.	Vice Chancellor College Financial Aid Directors	In progress	Implemented
2011-2 Significant Deficiency	Contact hours for Positive Attendance courses overstated by 2.58 FTES	District will communicate with faculty the importance of retaining documentation.	Vice Chancellor A/R Directors	June 2011	In progress
2011-3 Significant Deficiency	To Be Arranged Hours on weekly courses did not have adequate documentation either in official course outlines or syllabi. 14.65 FTES were removed from the 320 report.	Checklists to verify compliance will be developed. Internal auditor will spot check to verify compliance.	Vice Chancellor A/R Directors	June 2011	Implemented

2012-13 BUDGET DEVELOPMENT ASSUMPTIONS

Unrestricted General Fund

FTES	11/12 Adoption Budget	12/13 Preliminary Budget
Credit rate	$ 4,564.83	$ 4,564.83
Non-Credit rate	$ 2,744.96	$ 2,744.96
Credit target (for expenditures/schedule)*	28,065.74	27,086.80
Non-Credit target (for expenditures/schedule)*	114.95	113.20
Credit - funded*	27,460.16	27,086.80
Non-Credit - funded*	112.71	113.20
Non-Resident Target	2,092.69	2,192.69

**Will be adjusted up or down based upon the results of the November tax passage*

		11/12 Adoption Budget	12/13 Preliminary Budget
Estimated Ending Balance @ Adoption		**$31,556,859**	**$32,284,578**
Revenue Assumptions			
1a.	**FTES (Resident)**	30,047	27,200
1b.	**Brentwood center status ($1,107,182)**		$1,107,182
2.	**FTES (Non-Resident)**	2,093	2,193
	Revenue (2012-13 assumes 3% incr. to rate)	$9,814,803	$10,561,177
3.	**Student Fee Revenue**	$36	$46
4.	**Deferrals (systemwide)**	$961M	$961M
5.	**COLA**	0.00%	0.00%
6a.	**Lottery, unrestricted**	$112	$112
	Revenue Generated	$3,322,543	$3,357,726
6b.	**Lottery, Prop 20 Restricted**	$17	$17
	Revenue Generated	$499,351	$509,655
7.	**Deficit (property taxes/enrollment fees)**	0.4%	0.4%
	Reduction in Revenue	($622,963)	($546,777)
Expense Increase/Decreases			
Expenditure Assumptions			
1a.	**PERS**	10.923%	12.123%
1b.	**PERS Safety (rate final for 12-13)**	24.825%	25.013%
2.	**Workers Comp**	1.6985%	1.80%
3a.	**Property and Liability Insurance**	1,152,940.00	1,250,000.00
	Expenditure Increases		
3b.	**Student Accident Insurance**	273,881.00	275,000.00
	Expenditure Increases		
4.	**State Unemployment Insurance**	1.61%	1.10%
	net of experience charges		
5.	**Health and Welfare (H&W)***	12.00%	10.00%
	Active Employees	$14,577,268	$16,034,995
	Retirees	$10,864,490	$11,950,939
		$25,441,758	$27,985,934
6.	**Long Term Disability (salary continuance)**	0.42%	0.42%
7.	**STRS**	8.25%	8.25%
	Expenditures		
8.	**Step & Column (Annual Average)**	1.2%	1.2%
9.	**Audit**	$226,160	$175,000
10.	**Subsidies for CCC, DVC and LMC**	$1,852,008	$1,049,737
11.	**Retiree Health Benefit (Annual Contribution)**	$1,000,000	$1,000,000
12.	**Facility scheduled maintenance**		$300,000
13.	**Utilities**	$3,808,116	$3,808,116
14.	**Credit card fees for web registration/bank fees**	$200,000	$354,000

THREE-YEAR BUDGET ASSUMPTIONS

		FY 2013-14	FY 2014-15	FY 2015-16
Revenue Increases/(Decreases)				
Revenue Assumptions				
1a.	FTES (Resident)	26,238 - 27,783	26,238 - 27,783	26,238 - 27,783
1b.	Workload (reduction)/growth	-	-	-
	Revised Resident Base FTES	26,238 - 27,783	26,238 - 27,783	26,238 - 27,783
2.	FTES (Non-Resident)	2,193	2,193	2,193
	Additional Revenue Generated	-	-	-
3.	Student Fee Revenue (per unit)	$46	$46	$46
4.	Deferrals (systemwide)	$0 - $961M	$0 - $961M	$0 - $961M
5.	COLA	0.00%	0.00%	0.00%
6.	Lottery, unrestricted	$112	$112	$112
	Additional Revenue Generated	-	-	-
7.	Deficit (property taxes/enrollment fees)	0.4%	0.4%	0.4%
	Reduction in Revenue	($546,777)	($546,777)	($546,777)
8.	Growth Revenue	-	-	-
9.	Apportionment Revenue Reduction	$0 - $7.1M	$0 - $7.1M	$0 - $7.1M
	Revenue Reductions	**($548K) - ($7.1M)**	**($548K) - ($7.1M)**	**($548K) - ($7.1M)**
Expense Increase/Decreases				
Expenditure Assumptions				
1a.	PERS	12.123%	12.250%	12.350%
	Expenditure Increases	-	$42,000	$33,000
1b.	PERS Safety	25.250%	25.350%	25.450%
	Expenditure Increases	$10,000	$10,000	$10,000
2.	Workers Comp	1.10%	1.10%	1.10%
	Expenditure Increases	-	-	-
3a.	Property and Liability Insurance	3.50%	3.50%	3.50%
	Expenditure Increases	$37,500	$38,625	39,784
3b.	Student Accident Insurance	3%	3%	3%
	Expenditure Increases	$8,250	$8,498	$8,752
3c.	State Unemployment Insurance	1.10%	1.10%	1.10%
	net of experience charges	-	-	-
4.	Health and Welfare (H&W)	10.00%	10.00%	10.00%
	Active Employees	$1,603,499	$1,763,849	$1,940,234
	Retirees	$1,195,094	$1,314,603	$1,446,064
	Total Increase	$2,798,593	$3,078,453	$3,386,298
5.	Long Term Disability (salary continuance)	0.42%	0.42%	0.42%
	Expenditure Increases	-	-	-
6.	STRS	9.25%	9.25%	9.25%
	Expenditure Increases	$660,000	-	-
7.	Step & Column (Annual Average)	$1,200,000	$1,200,000	$1,200,000
8.	Audit	$5,000	$5,000	$5,000
9.	Subsidies for CCC and LMC	($602,272)	($447,485)	-
	Expenditure Increases	**$4,112,071**	**$3,888,090**	**$4,644,834**

Five-Year Expenditure Trends