STUDY SESSION

DEVELOPMENT OF THE 2015-16 DISTRICT BUDGET

APRIL 22, 2015

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

STUDY SESSION
DEVELOPMENT OF THE
2015-16 DISTRICT BUDGET

AGENDA

I. Review of FY 2014-15 budget status and FY 2015-16 budget development discussion

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
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1. INTRODUCTION

This budget study session document is prepared in adherence to the District's policies and procedures established for development of the annual budget. 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, as delineated in the District's strategic plan.

The budget development process also adheres to Education Code §70901 and Title 5 §58301. These sections mandate the Governing Board hold a public hearing on the proposed budget for the ensuing fiscal year 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 the District in a newspaper of general circulation in the District.

Board Policy 5033, Budget Development, establishes the District's budget development process. 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 laws and regulations and provide adequate time for Board review. The policy delineates the budget development criteria and values.

1.1 Criteria

The budget development process shall meet the following 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;
- unrestricted general reserves shall be no less than 5 percent to address significant opportunities that present themselves throughout the year;
- changes in the assumptions upon which the budget is based shall be reported to the 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 to ensure dialogue among constituencies and honest portrayal of the District's financial condition;
- decisions on financial matters 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.

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 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 percent of the unrestricted general fund budgeted expenditures for the fiscal year: an additional 5 percent 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 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.

2. CONTRA COSTA COMMUNITY COLLEGE DISTRICT
DISTRICTWIDE GOALS AND OBJECTIVES STRATEGIC PLAN 2014-19

GOALS	OBJECTIVES
GOAL 1 **ENHANCE STUDENT LEARNING AND SUCCESS: Create opportunities for thoughtful reflection and organizational learning that use meaningful quantitative and qualitative data, dialogue with diverse member of the community, student feedback, and other information in order to improve student outcomes.**	1.1 Conduct activities that improve student performance in areas included in the Student Success Scorecard over time. 1.2 Provide student support that focuses on student engagement and excellence in service. 1.3 Support high-quality distance education as an option for increasing access and promoting student success.
GOAL 2 **STRENGTHEN CURRENT AND CREATE NEW PARTNERSHIPS: Build pipelines that guide and prepare both K-12 students and the adult population for success in higher education and employment.**	2.1 Expand and deepen partnerships with educational institutions from preschool through four-year colleges, increasing both collaboration and alignment in order to expand access to the District for students of all backgrounds, ensure that enrolling students are prepared for success at the college level, and facilitate the achievement of bachelor's degrees and beyond. 2.2 Increase partnerships with business, community organizations and public agencies to meet community, economic and workforce needs and serve as a force for positive change.
GOAL 3 **CREATE A CULTURE OF CONTINOUS IMPROVEMENT AND TANGIBLE SUCCESS: Provide opportunities for employees at all levels to continually gain new skills and knowledge, seek out effective practices, and share ideas with one another in order to continually enhance learning and improve student success.**	3.1 Bring together administrators, faculty and staff within and across departments, divisions, and colleges to review relevant research and data, reflect on progress toward goals, and make course corrections as needed to ensure learning of the highest quality at all times. 3.2 Conduct focused recruitment efforts that result in the hiring of employees who are sensitive to and knowledgeable of the needs of our continually changing student body. 3.3 Create mechanisms to ensure employees have skills and knowledge to serve the needs of diverse students and implement practices that create equitable outcomes. 3.4 Expose employees at all levels to opportunities that enhance their knowledge, skills, and abilities to identify and develop emerging and promising practices.
GOAL 4 **BE GOOD STEWARDS OF THE DISTRICT'S RESOURCES: By word and deed, demonstrate sound judgment in the use of the District's current and potential physical and fiscal resources. Deepen alignment and coordination among the District and its three colleges, leveraging the District 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.**	4.1 Develop processes within the District 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. 4.2 Develop practices and procedures that promote sustainability in all areas of the District, including but no limited to instruction, operations, construction, facilities, land use, energy, water conservation, and environmental integrity. 4.3 Practice fiscal prudence in order to ensure financial integrity and stability. 4.4 Diversify sources of revenue. 4.5 Provide a safe physical environment that is conducive to learning.

3. CONTRA COSTA COMMUNITY COLLEGE DISTRICT 2014-15 GOVERNING BOARD PRIORITIES

District Strategic Direction – Goal 1: Enhance Student Learning and Success
Create opportunities for thoughtful reflection and organizational learning that use meaningful quantitative and qualitative data, dialogue with diverse members of the community, student feedback, and other information in order to improve student outcomes.

1.1 Continue to strengthen the Board's capacity to monitor improvement in student learning and success, including use of metrics and other information.
1.2 Support and monitor programs and activities designed to close the achievement gap.
1.3 Continue to monitor trends, participation, and success in online education.
1.4 Monitor enrollment to stay abreast of enrollment declines.
1.5 Strengthen Board capacity to set policy goals to ensure that the District is welcoming and supportive of all participants, regardless of age, race, ethnicity, gender, disability, sexual orientation or religion.

District Strategic Direction – Goal 2: Strengthen Current and Create New Partnerships
Build pipelines that guide and prepare both K-12 students and the adult population for success in higher education and employment.

2.1 Strengthen Board role in relations between the colleges and high schools.
2.2 Determine Board role in addressing needs related to the level of preparation of high school students.
2.3 Monitor college and District participation in workforce and economic development activities, including programs that address career pathways.
2.4 Monitor progress of establishment of District/college role in adult education under AB68.
2.5 Study and advocate for programs that address needs of foster youth and youth offenders.

District Strategic Direction – Goal 3: Create a Culture of Continuous Improvement and Tangible Success
Provide opportunities for employees at all levels to continually gain new skills and knowledge, seek out effective practice, and share ideas with one another in order to continually enhance learning and improve student success.

3.1 Continue to build capacity for effective Board governance by engaging in individual trustee and Board development activities and upholding principles of effective trusteeship.
3.2 Expect and support strategies that recognize the contributions of employees.

District Strategic Direction – Goal 4: Be Good Stewards of the District's Resources
By word and deed, demonstrate sound judgment in the use of the District's current and potential physical and fiscal resources. Deepen alignment and coordination among the District and its three colleges, leveraging the District assets of each institution as well as the unique power of combine efforts to stragi9cally tackle challenges, increase resource efficiency, and better serve our students.

4.1 Continue to ensure a sustainable economic future for the District through policy adoption and monitoring, ongoing review of short and long-range budgets and expenditures, and strategy to address underfunded liability.
4.2 Ensure systems are in place to monitor and provide oversight for Measure E projects.
4.3 Expect and monitor that the allocation of financial and human resources is integrated with Districtwide plans and best serves students.
4.4 Set expectations and parameters for the collective bargaining process that strive to both treat employees fairly and protect District financial resources.
4.5 Ensure long-range fiduciary stability.
4.6 Monitor human resources issues that have an impact on workforce diversity.

4. FISCAL YEAR 2015-16 BUDGET DEVELOPMENT CALENDAR

The following is a listing of the actions to be undertaken in the development of the budget for Fiscal Year 2015-16. 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
- Districtwide educational planning meeting
- College Business Directors, Chancellor's Advisory Team (CAT), Cabinet, and District Governance Council (DGC) review tentative budget assumptions

December
- DGC presented long-form budget development calendar
- 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 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 are conducted at all District locations
- Chancellor's Cabinet reviews FTES projections and revises as necessary all growth targets
- Board holds study session on Budget
- Colleges, District and Districtwide Services provide expenditures to the District to start development of Tentative Budget
- Chancellor's Cabinet, Faculty Senate Coordinating Council (FSCC) and 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

August
- Colleges, District and Districtwide Services provide expenditures to the District to start development of Adoption Budget
- Calculations are 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, FSCC and DGC

September
- Newspaper publications are notified of the availability of the Adoption Budget and Appropriations 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 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

Throughout the year
- The Governing Board approves budget transfers and budget adjustments per Board Policy 5031, Fiscal Management

5. FISCAL YEAR 2014–15 UPDATE

In September 2014, the Governing Board adopted the FY 2014-15 budget. Building upon the momentum of the economic recovery and enhanced revenues due to Proposition 30, the enacted state budget provided significant year-over-year funding increases. For the second straight year, a modest COLA (0.85 percent) was provided to the community college system, which resulted in $1.1 million in additional revenue to the District. Moreover, the state committed to funding the community college system with an additional $140 million for access/restoration, equivalent to 2.75 percent in system growth. With the District experiencing enrollment challenges that resulted in the decision to borrow FTES from summer 2014 (FY 2014-15) to report in FY 2013-14, no additional access/restoration dollars were budgeted or expected.

Additional dollars from the state were realized in the form of substantial increases to restricted categoricals, specifically the Student Success and Support Program (SSSP) and the Student Equity Program. Within these two categoricals, the state provided an additional $170 million to the community college system, which resulted in a District allocation of greater than $5.5 million between the two programs. Providing additional restricted dollars by way of enhancing existing or creating new categorical programs, as opposed to adding unrestricted dollars through COLA or other means, has been a hallmark of the state since the economic recovery began. Overall, while the increase in total dollars provided to the community college system and the District has been significant, most of the increases are earmarked for specific services or populations.

Despite receiving the majority of its additional funding in restricted categoricals and budgeting for zero access/restoration dollars, the District's unrestricted operating budget for FY 2014-15 had only a very small structural deficit of approximately 1/10th of one percent, or $242,000. Included within the District's budget is a continuation of the 2 percent salary increase negotiated for FY 2013-14 and FY 2014-15 as well as the substantial 14 percent year-over-year increase in health benefit premiums.

Detailed below are notable changes in revenues, expenditures and other points of interest from FY 2014-15.

5.1 FY 2014-15 Changes in Revenues

Apportionment Recalculation from Borrowing Summer 2014 FTES: Due to borrowing summer 2014 FTES, which generated an increase in base funding, the District received an additional $4.3 million from the apportionment recalculation done by the State Chancellor's Office. At the direction of the Governing Board at the June 25, 2014, meeting, this additional revenue was subsequently placed in a restricted fund for eventual transfer to the irrevocable trust for retiree health benefits.

Mandated Cost Reimbursements: The FY 2014-15 enacted state budget included $49.5 million in one-time funds for the community college system to pay down existing mandated cost claims. The District's portion of these one-time dollars was approximately $1.2 million and, after discussion with the Board Finance committee and full Governing Board in March, was placed in a restricted fund for eventual transfer to the irrevocable trust for retiree health benefits.

Non-resident Tuition: The demand for courses, particularly at Diablo Valley College (DVC), from non-resident and international students continues to grow. In FY 2014-15, the District budgeted revenue for 2,750 non-resident FTES, equating to $13.5 million. Actual non-resident FTES is projected to be slightly greater than 2,800. The incremental revenue associated with this increase in non-resident FTES is approximately $300,000.

5.2 FY 2014-15 Changes in Expenditures

Legal Expenses: After a banner year in FY 2013-14 in which legal expenses came in at approximately $250,000 (the lowest amount since FY 2007-08), the District is experiencing increased legal expenses in FY 2014-15. With four months remaining in the fiscal year, District legal expenditures are approaching the budgeted amount of $400,000. In all likelihood, the District will expend approximately $500,000 in legal expenses for FY 2014-15, exceeding the original budget by $100,000. Consistent with Business Procedure 18.01, the increase in legal expenses will be deducted from distributable revenue within the District's allocation model.

Election Costs: With three local Governing Board elections, the District established a FY 2014-15 elections budget of $525,000. Fortunately, the election costs came in at historic lows, far below the average amount per election the District has typically experienced. With the three Governing Board elections costing only $210,000, the result is a savings of $315,000 over the budgeted amount. Consistent with Business Procedure 18.01, the decrease in election expenses will be added to distributable revenue within the District's allocation model.

5.3 FY 2014-15 Enrollment Challenges

FY 2014-15 Resident FTES Target: Based upon a District administrative recommendation, the Governing Board directed staff to utilize the "borrowing" option in FY 2013-14. By shifting resident FTES from summer 2014 (which traditionally would be reported in FY 2014-15), the District was able to achieve its FY 2013-14 resident FTES target of 28,367 and, as mentioned in Section 5.1 of this report, generate additional one-time apportionment revenue for eventual transfer into the irrevocable trust for retiree health benefits. This shifting of approximately 2,600 resident FTES from summer 2014 essentially guaranteed the District would go on stability[1] in FY 2014-15.

Through stability funding, the District is guaranteed to receive full apportionment dollars for its FY 2014-15 target, regardless of actual resident FTES achieved. This means that although all sites will be short of their respective resident FTES targets, the District will face no financial penalty in FY 2014-15 for that shortfall. The resident FTES targets by college are shown in Table 1.

FY 2014-15 Resident FTES Targets

CCC	DVC	LMC	Total
5,581	15,035	7,751	28,367

Table 1

1 Stability is an accounting and funding mechanism that allows districts that do not meet base resident FTES to still be funded, within the shortfall year, as if the FTES base had been achieved. In subsequent years, however, a district must regain its base funding or else it will only receive funding for the resident FTES achieved.

Actual Enrollment: With the District borrowing the entirety of FTES from summer 2014, two separate measures of actual resident FTES achieved are needed. First, Table 2 shows the estimated resident FTES should the District measure its resident FTES total within the traditional academic year; that is, count summer 2014 as if it had been reported in FY 2014-15 and the borrowing had not occurred. This allows for an accurate picture of the District's true resident FTES and provides a basis for analysis and discussion leading into FY 2015-16.

	Resident FTES Goal	Estimated Resident FTES Achieved (No Borrowing)	Shortfall	% Shortfall
CCC	5,581	4,793	(788)	-14.1%
DVC	15,035	14,627	(408)	-2.7%
LMC	7,751	7,573	(178)	-2.3%
Total	**28,367**	**26,993**	**(1,374)**	**-4.8%**

Table 2

While the figures in Table 2 are important from an internal planning, scheduling, and discussion perspective, they are not the FTES figures the District will be reporting to the State Chancellor's Office.

Table 3 shows the estimated *reportable* resident FTES for FY 2014-15, with the borrowed FTES from summer 2014 removed from the "Estimated Resident FTES Achieved (With Borrowing)" column. As the borrowed FTES from summer 2014 was shifted into FY 2013-14, the resident FTES reported to the State Chancellor's Office for FY 2014-15 is lower.

	Resident FTES Goal	Estimated Resident FTES Achieved (With Borrowing)	Shortfall	% Shortfall
CCC	5,581	4,313	(1,268)	-22.7%
DVC	15,035	13,047	(1,988)	-13.2%
LMC	7,751	6,933	(818)	-10.6%
Total	**28,367**	**24,293**	**(4,074)**	**-14.4%**

Table 3

Again, because of stability funding, the District will receive apportionment dollars for the entirety of its 28,367 resident FTES goal in FY 2014-15. Despite enrollment challenges beginning in FY 2012-13, the District has utilized stability and borrowing to not only stave off revenue declines associated with the loss of base funding, but also to generate additional one-time revenue in order to address long-term liabilities.

5.4 FY 2014-15 Adopted Budget and Projected Reserves

The District's expenses are currently trending very close to budget. Table 4 details the Adopted Budget reserves and the Projected Ending reserves for FY 2014-15. The projected ending balance for FY 2014-15 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.

	2014-15 Adopted Budget	**2014-15 Projected Ending Balance**
Designated College Reserves	$ 5,412,691	$ 5,368,919
Designated District Office Reserves	239,147	186,500
Subtotal, Designated Site Reserves	**$ 5,651,838**	**$ 5,555,419**
5% Board Contingency Reserve	8,505,771	8,505,771
5% Board Reserve	8,505,771	8,505,771
Subtotal, Designated Board Reserves	**$17,011,542**	**$17,011,542**
Undesignated Districtwide Reserve	292,852	292,852
Undesignated College Reserves	2,217,300	2,169,529
Undesignated District Office Reserves	573,729	562,183
Subtotal, Undesignated Reserves	**$ 3,083,881**	**$ 3,024,564**
TOTAL RESERVES	**$25,747,261**	**$25,591,525**

Table 4

In addition to the unrestricted fund, the District accounts for restricted dollars, funds for capital projects, auxiliary services, bond redemption, retiree health benefits, etc. These funds, under the purview of the Governing Board, total greater than $700 million in resources. Table 5 illustrates these resources by fund type.

	Beginning Balance	**Total Revenues**	**Total Expenses**	**Ending Balance**
Unrestricted	$ 35,273,738	$ 174,523,528	$ 177,760,862	$ 32,036,404
Restricted	233,457	25,785,778	25,927,891	$ 91,344
Bond Redemption	18,318,786	30,123,025	27,970,484	$ 20,471,327
Long-Term Debt	5,413,381	514,427	100,000	$ 5,827,808
Special Revenue	184,287	128,271	135,447	$ 177,111
Capital	156,292,222	125,355,008	44,343,932	$ 237,303,298
Auxiliary	3,461,704	12,508,590	12,351,558	$ 3,618,736
Self-Insurance	580,366	101,350	-	$ 681,716
Retiree Benefits	8,733,364	1,613,558	6,959,510	$ 3,387,412
Student and Financial Aid	2,959,478	35,798,881	35,805,146	$ 2,953,213
OPEB Irrevocable Trust	66,858,559	12,778,860	245,029	$ 79,392,390
Total	**$ 298,309,342**	**$ 419,231,276**	**$ 331,599,859**	**$ 385,940,759**

$717 Million

Table 5

5.5 FY 2014-15 Adopted Budget Comparison to Projected Actuals

Table 6 shows the difference between the FY 2014-15 Adopted Budget and the projected actuals at year-end for the operating, ongoing portion of the unrestricted general fund. The projected ending fund balance for FY 2014-15 becomes the projected opening balance in FY 2015-16. Keep in mind that additional apportionment funds generated from borrowing are included in the revenue *and* expenditures in the projected actuals column for the receipt and subsequent transfer to the designated fund for the irrevocable trust.

	FY 2014-15 Adopted Budget	FY 2014-15 Projected Actuals
Revenues	$171,500,269	$176,813,887
Expenditures	171,742,824	177,213,742
Increase/(Decrease)	(242,555)	(399,855)
Opening Fund Balance	25,989,815	25,991,380
Ending Fund Balance	$ 25,747,261	$ 25,591,525

Table 6

6. Fiscal Year 2015-16 Budget Discussion

6.1 FY 2015-16 Highlights

Governor's Budget Proposal: At $113.3 billion, the Governor's proposed budget for FY 2015-16 would be the largest general fund budget in state history. Despite its size, Governor Brown is continuing to act on his commitment to address long-term liabilities and pay back existing debt. Also included in the budget proposal is $2.8 billion for the Rainy Day Fund, which voters established through the passage of Proposition 2 in November 2014.

Governor Brown's proposed budget anticipates $2.5 billion in growth to the Proposition 98 guarantee, bringing the total guarantee for K-14 to $65.7 billion. Additionally, recalculations done by the Department of Finance for the current and prior fiscal years show that Proposition 98 was underfunded, creating additional one-time resources. Based on the Governor's proposal, the monies resulting from this recalculation would completely retire system deferrals (once as high as $961 million) and significantly address the state's mandate reimbursement liability.

With the Proposition 98 guarantee for FY 2015-16 experiencing significant growth and with one-time revenue from prior-year recalculations, Table 7 illustrates how the Governor's proposed budget allocates these additional revenues to the community college system and their specific impact on the District.

Categories	Governor's Proposal	Impact to District
➢ Access/Restoration	$107 million to fund 2 percent in access/restoration for the community college system	None budgeted, but potential to earn 575 resident FTES valued at approximately $2.7 million
➢ COLA	$92.4 million to fund a COLA of 1.58 percent, raising the value of a resident FTES from $4,676 to $4,750	Approximately $2.1 million in additional apportionment revenue based on maintaining FTES targets
➢ Base Funding	$125 million to increase base allocation funding	Up to $3.1 million in additional revenue based on current statewide base allocations
➢ Student Success Support Program (SSSP) (formerly Matriculation)	$100 million in additional funds for the community college system	Distribution is currently unknown, but, assuming distribution on FTES, it would be $2.3 million
➢ Student Equity Program (Equity)	$100 million in additional funds for the community college system	Distribution is currently unknown, but, assuming distribution on FTES, it would be $2.3 million
➢ Proposition 39 - Energy Efficient Projects	$39 million for energy-efficient projects for the community college system	A likely distribution of approximately $610,000
➢ Mandate Claims	$353.3 million to pay-down system mandates	One-time funds of up to approximately $8.8 million

Table 7

The proposals put forth by the Governor create a strong budget for the community college system. Although a COLA of 1.58 percent is modest, when combined with the $125 million proposed increase to base funding, the District could receive additional funds equating to a COLA of 3.71 percent. With significant known and anticipated increases in the employer contribution for CalSTRS and CalPERS, as well as the assumed increase in health care premiums, the timing of these additional funds is fortuitous.

Policy Proposals: The Governor’s proposed budget also includes some policy matters. Additional information on these proposed policies will be forthcoming in the May Revision. Of note is the proposal to transition Adult Education from K-12 to regional consortia charged with developing regional adult education service plans. This proposal includes a $500 million block grant to fund courses in elementary and secondary basic skills, citizenship, ESL, programs for adults with disabilities, short-term CTE programs, and programs for apprentices.

6.2 FY 2015-16 Planning

Planning for the FY 2015-16 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 the District Governance Council (DGC). As delineated in Business Procedure 18.06, budget assumptions for the Tentative Budget go through the college Business Directors, Chancellor's Advisory Team, Chancellor's Cabinet, and DGC. Each of these groups provides guidance and input into the budget development process.

The Governor's proposed budget includes additional ongoing, unrestricted funds through COLA and base allocations. Further, access/restoration funds are available to districts capable of growing FTES. In addition to unrestricted funds, the Governor's proposal significantly enhances restricted dollars, notably in the Student Success and Support Program and the Student Equity Program. These proposals shape the landscape for the Tentative Budget and drive the early stages of the District planning process.

Resident FTES Targets: Due to the enrollment challenges the District is facing, current planning is for zero percent access/restoration funding. The District feels it is prudent to leave FTES targets at their current levels until evidence emerges that enrollment is improving. However, the District is budgeting for the 1.58 percent COLA included in the Governor's proposal. The effect of the COLA is shown in the "Additional Dollars" column in Table 8.

	FY 2014-15 Resident FTES Target	FY 2015-16 Resident FTES Target	Additional FTES	Additional $
CCC	5,581	5,581	-	$ 412,994
DVC	15,035	15,035	-	1,112,590
LMC	7,751	7,751	-	573,574
Total	**28,367**	**28,367**	-	**$2,099,158**

Table 8

Non-resident FTES Targets: The District is also planning for static non-resident FTES in FY 2015-16. The targets and total tuition dollars associated with these students, inclusive of the recent hike in the non-resident tuition fee, is included in Table 9.

	FY 2014-15 Non-Resident FTES Target	FY 2015-16 Non-Resident FTES Target	Additional FTES	Total Non-Resident $
CCC	250	250	-	$ 1,193,758
DVC	2,400	2,400	-	12,404,009
LMC	100	100	-	399,384
Total	**2,750**	**2,750**	**-**	**$13,997,151**

Table 9

Base Allocations: Base allocations are set dollar amounts given to colleges and state-approved centers dependent upon three factors: number of FTES served; location (rural districts get a higher base allocation) and; whether or not the district has one college or is a multi-college district. Table 10 shows the effect of base allocation increases by location for the District. These increases, $125 million systemwide as outlined in the Governor's proposed budget, constitute a 24 percent increase over current base allocation levels.

	Current Base Allocation	FY 2015-16 Proposed Base Allocation	Additional $
CCC	$ 3,402,370	$ 4,217,365	$ 814,995
DVC	3,969,431	4,920,260	950,829
DVC – San Ramon	1,134,124	1,405,789	271,665
LMC	3,402,370	4,217,365	814,995
LMC - Brentwood	1,134,124	1,405,789	271,665
Total	**$13,042,419**	**$16,166,568**	**$3,124,149**

Table 10

Health Benefit Increase: During the development of the budget assumptions, District staff reviewed historical increases in health benefits and spoke with the District's benefit consultant in order to formulate a reasonable projection. The outcome of this research is a projected increase in health benefit premiums of 10 percent. While not as drastic as the 14 percent year-over-year increase experienced in FY 2014-15, a 10 percent premium hike still equates to $3.1 million in additional annual cost to the District. The District should receive finalized rates by May and will incorporate the actual plan costs into the Adoption Budget and, if possible, into the Tentative Budget.

Salary Increase: Any salary increases for FY 2015-16 (which are not included within the expenditure assumptions) will be determined through the collective bargaining process.

6.3 FY 2015-16 Budget Assumptions

Revenue Assumptions: Following are major revenue assumptions based on what is known at this point in the state budget process. These revenue assumptions total $5.9 million in incremental revenue.

- Base Allocation Increase
  - *Potential impact*: A 24 percent increase in base allocations will provide the District $3.1 million in additional revenue.
- COLA of 1.58 percent
  - *Potential impact*: A COLA of 1.58 percent at the resident FTES target of 28,367 will generate $2.1 million in incremental revenue for the District.
- Non-resident FTES target unchanged but with a $7.00 per unit increase in tuition
  - *Potential impact*: $480,000 in incremental revenue to the District, primarily attributable to DVC.
- State lottery revenue
  - *Potential impact*: $216,000 increase in lottery revenue received from the state.
- No access/restoration funding will be earned
  - *Potential impact*: The District is not projecting access/restoration funding will be earned, but will update this assumption if needed.

Expenditure Assumptions: Delineated below are major expenditure assumptions totaling $6.0 million in increased expenses.

- Health benefits costs to increase by 10 percent
  - *Potential Impact*: A 10 percent increase in health benefits costs results in $3.1 million in additional expenses to the District. This increase includes retiree health benefits, which now comprise approximately 38 percent of the anticipated $34 million annual cost of health benefits expenditures.

- Step and column salary increases at 1.2 percent of total salaries
  - *Potential Impact*: Step and column increases are projected to cost $1.3 million and include all classes of employees.
- CalSTRS employer contribution rate to increase from 8.88 percent to 10.73 percent
  - *Potential Impact*: This is a finalized rate set in statute and not an assumption. The increase in the CalSTRS employer contribution results in $1.24 million in additional costs to the District.
- CalPERS employer contribution rate to increase from 11.771 percent to 12.600 percent
  - *Potential impact:* An increase in the CalPERS employer contribution rate from 11.771 percent to 12.600 percent creates an additional $400,000 expense to the District.
- IT Maintenance Agreements
  - *Potential impact:* Additional modules and contracts are expected to increase this line item by $300,000 in FY 2015-16.
- Utility costs expected to increase 5 percent year-over-year
  - *Potential impact:* A 5 percent increase in utility costs is projected to increase overall utility costs by $200,000.
- Election costs at zero
  - *Potential impact:* With no elections in FY 2015-16, the District's budget for this item will show *savings* of $525,000 over FY 2014-15.

<u>Other Expenditure Assumptions</u>: Listed below are additional expenditure assumptions that remain unchanged year-over-year.

- the retiree health benefit contribution will remain at $1 million;
- the self-insurance annual contribution will remain at $100,000;
- the worker's compensation rate will remain at 1.767 percent; and
- the state unemployment insurance rate will remain at 0.05 percent.

6.4 Program Emphases

The District, like all community colleges, faces significant challenges in improving economic times. As the student population becomes more economically, culturally, ethnically, and educationally diverse, the District must become more innovative and better prepared to meet the needs of its changing population. In addition, demand generally declines at the same time access/restoration funding becomes available. As the District prepares to face these challenges in FY 2015-16, it must be innovative in marketing the value it provides in order to combat the sluggish enrollment of the past three fiscal years and meet or exceed its FTES targets. To that end, the District has committed significant dollars to fund television-marketing campaigns at each of its campuses and enrollment management plans are currently in development at each location.

Although not part of the unrestricted general fund, significant programmatic funding will be available through SSSP and Equity allocations. Each college has prepared detailed plans for use of the funds, with emphasis on awareness and outreach, student success and retention, and closing the participation and achievement gap in underserved groups. All should help attract and retain students, important goals on their own, but also vital to the District's fiscal viability.

7. Fiscal Year 2015-16 Projected Budget

While college and District Office tentative budgets are not yet complete, it is possible to provide a high-level view of the District's Tentative Budget based upon historical actuals and current proposals by the Governor. As always, substantial changes may occur with the Governor's May Revision, and the District will adjust as necessary.

7.1 FY 2014-15 and FY 2015-16 Comparison

Table 11 shows a comparison between the projected actuals for FY 2014-15 and the projected Tentative Budget for FY 2015-16. As explained previously, the resident FTES target for FY 2015-16 is unchanged from FY 2014-15. Moreover, the budget assumptions will almost assuredly change after the May Revision. As was noted in Section 5.5, the projected actuals in revenue and expenses for FY 2014-15 include the receipt and subsequent transfer to the designated fund for the irrevocable trust of the one-time apportionment dollars generated from borrowing FTES.

	FY 2014-15 Projected Actuals	FY 2015-16 Projected Tentative Budget	Increase/ (Decrease)
Funded Resident FTES	28,367	28,367	-
Revenues	$176,813,887	$178,382,926	$1,569,039
Expenditures	177,213,742	177,569,912	356,170
Opening Fund Balance	25,991,380	25,591,525	(399,855)
Change in Fund Balance	(399,855)	813,014	n/a
Ending Fund Balance	25,591,525	$26,404,539	813,014

Table 11

7.2 FY 2015-16 Projected Reserves

The reserves shown in Table 12 comprise the operating portion of the unrestricted general fund and tentatively project a FY 2015-16 ending reserve balance of $26,404,539. The table details the distribution of the projected FY 2015-16 ending reserve balance between designated and undesignated categories. College and District Office designations continue to be updated and will change by Tentative Budget.

	2015-16 Projected Tentative Budget
Designated College Reserves	2,126,363
Designated District Office Reserves	80,253
Subtotal, Site Designated Reserves[2]	**$2,206,616**
5% Contingency Reserve	8,812,354
5% Board Reserve	8,812,354
1% Minimum Location Reserves	1,500,000
Subtotal, Board Designated Reserves[3]	**$19,124,708**
Undesignated Districtwide Reserve	182,829
Undesignated College Reserves	4,140,389
Undesignated District Office Reserves	749,997
Subtotal, Undesignated Reserves[4]	**$5,073,215**
TOTAL RESERVES 6/30/16	**$26,404,539**

Table 12

2 Designated College and District Office Reserves: Deficit funding reserves and other long-term liabilities (load banking, vacation).

3 Board and Location Reserves: Board Reserve at 10 percent; site reserves at 1 percent per Business Procedure 18.01.

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

8. DISTRICT FISCAL TRENDS

The District has a demonstrated history of fiscal prudence and conservative behavior. Even so, the past four fiscal years have seen expenditures exceed revenues, resulting in a slow decline of the District's fund balance. The change in fund balance year-over-year since FY 2009-10 within the unrestricted, operating fund is illustrated in Chart 1, with an estimate of FY 2014-15.

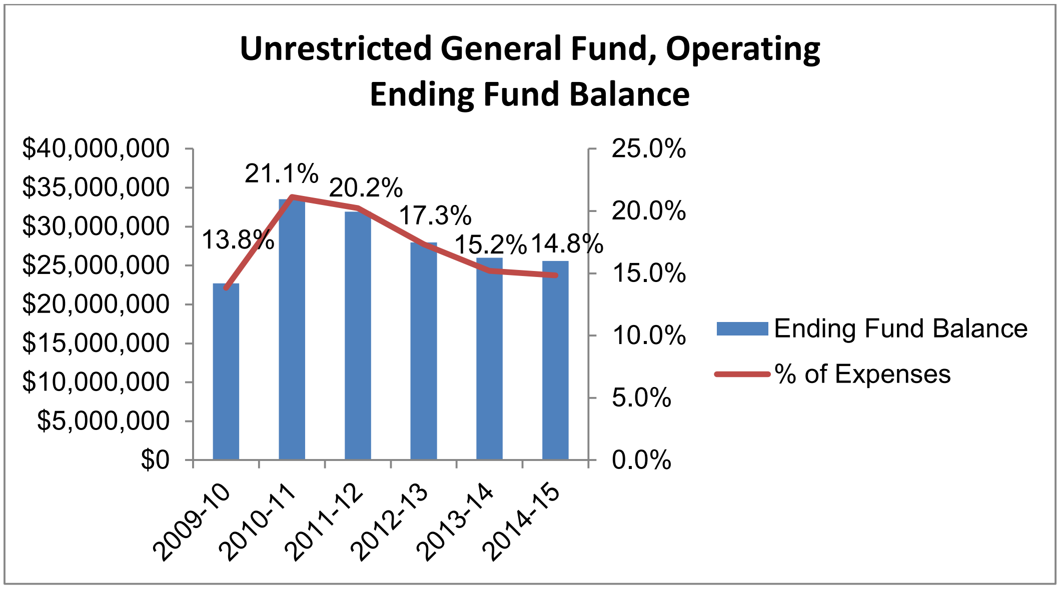
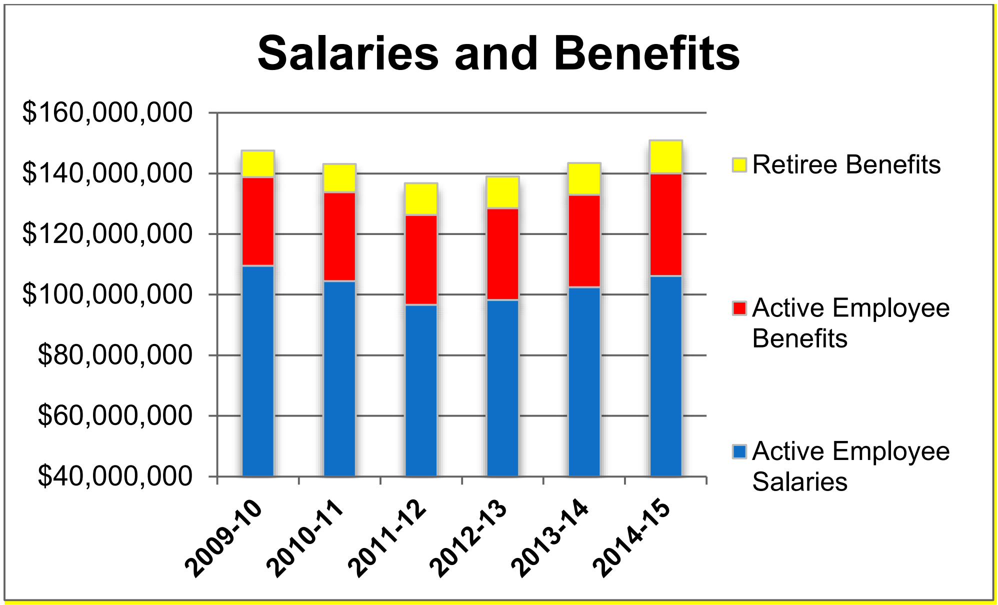


Chart 1

8.1 Salary and Benefit Trends

The District continues to see significant 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 PERS/STRS contributions, FICA, Medicare, etc. For retirees, the cost is entirely for health benefits. Chart 2 shows the past four years of actual salary and benefit costs along with a projection for FY 2014-15. Of note in Chart 2 is:

- salary costs have increased the past two years and are projected to be over $106 million in FY 2014-15, still below the FY 2009-10 peak of $109 million;
- despite salary costs being $3 million less in FY 2014-15 than in FY 2009-10, benefit costs have increased $6.8 million when comparing the two fiscal years; and
- in FY 2009-10, for every dollar spent on salaries, an additional 35 cents was spent on benefits; however, in FY 2014-15 for every dollar spent on salaries, an additional 42 cents is spent on benefits. This is a 20 percent increase between FY 2009-10 and FY 2013-14.



Cumulative Totals

2009-10:	$147.5 million (total benefits at 34.6% of salary)
2010-11:	$143.1 million (total benefits at 37.0% of salary)
2011-12:	$136.8 million (total benefits at 41.4% of salary)
2012-13:	$139.0 million (total benefits at 41.5% of salary)
2013-14:	$143.4 million (total benefits at 40.0% of salary)
2014-15:	$150.9 million (total benefits projected at 42.2% of salary)

Chart 2

By removing payroll taxes (PERS/STRS, FICA, Medicare, etc.) from active employees and comparing only health benefit costs, the picture changes dramatically. Chart 3 shows the health premiums paid by the District on behalf of active and retired employees. Currently, retiree benefit expenses are approximately 38 percent of the total District-paid health premiums.

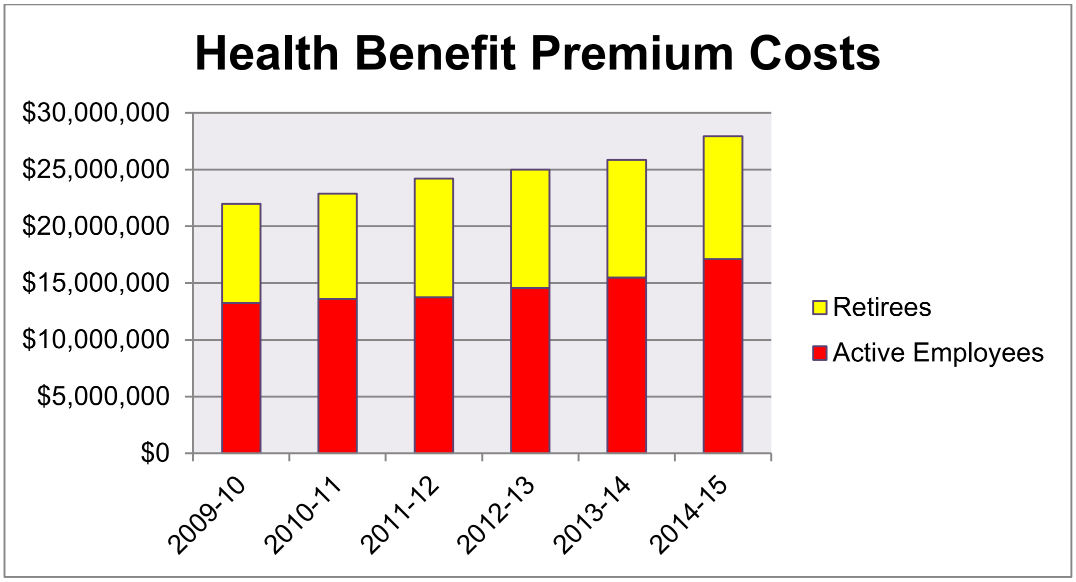


Chart 3

8.2 Compensated Absences Liability (Banked Load and Vacation Accrual)

Compensated absences within the District are comprised of two separate components: vacation accruals and load banking. Chart 4 shows a history of the District's compensated absences. Encouragingly, the unfunded liability at the end of FY 2013-14 is at a 7-year low.

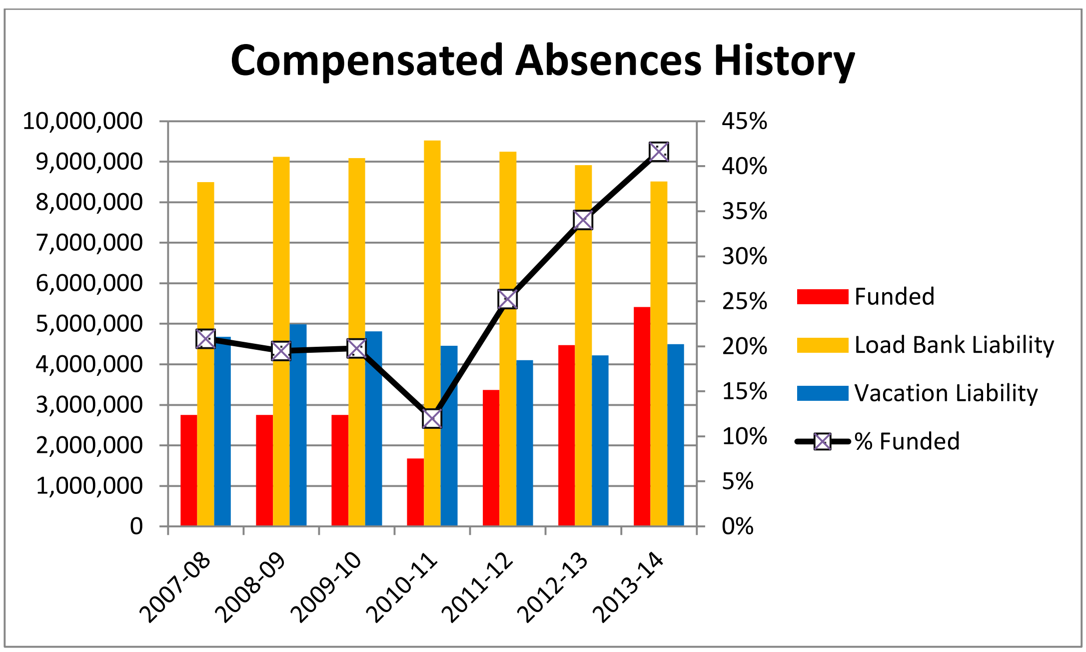


Chart 4

The District has dedicated substantial financial resources in recent years to buy this liability down. This dedication resulted in an increase in the fund balance from $1.67 million in FY 2010-11 to $5.41 million in FY 2013-14. More important is the ratio of funding in comparison to the total liability. In FY 2010-11, the District had $1.67 million to cover a liability of $13.98 million, a funding level of 11.7 percent. At the end of FY 2013-14, the District had $5.41 million to cover a liability of $13.00 million, a funding level of 41.6 percent.

9. Next Steps

The Governor's revised budget will be released in mid-May 2015. With the legislature still to weigh in and the potential for even more revenue to be available, significant changes are likely in the Governor's May Revision. Time permitting, those changes will be factored into the Tentative Budget presented to the Governing Board in June. The final state budget will almost certainly be enacted by June 30, 2015, providing ample time for District staff to prepare the final Adoption Budget to be presented to the Governing Board at its September 2015 meeting.

10. Conclusion

The state's continued economic recovery provides what is potentially the most new money for the community college system in years. Although a significant portion is earmarked for restricted, programmatic increases or to pay down one-time debt, there are still substantial anticipated increases in unrestricted funding. Achieving enrollment targets will be crucial and with initiatives such as the marketing campaign and enrollment management planning, the District is taking every effort to ensure the targets are reached.

Budget assumptions reflect cautious optimism and continue the somewhat conservative approach that has led the District to fiscal stability over the last decade. The District is responsive to the current economic situation and student demands with funds allocated for everything from outreach to student outcomes, while always keeping an eye on long-term liabilities and recommending one-time funds be used to offset future debt. In sum, the District recognizes the changing demographics and job markets within its service area and remains fully committed to meeting the needs of the residents of Contra Costa County. With over 65 years of history, the District is devoted to providing a high-quality education with access to the necessary support services to empower students to achieve their goals.

APPENDICES

A. SOUND FISCAL MANAGEMENT CHECKLIST
B. AUDIT FINDINGS FOR FY 2012-13 AND 2013-14
C. 2015-16 BUDGET DEVELOPMENT ASSUMPTIONS
D. THREE-YEAR BUDGET FORECAST
E. FIVE-YEAR EXPENDITURE TRENDS
F. OTHER POST-EMPLOYMENT BENEFITS (OPEB) IRREVOCABLE TRUST
G. GLOSSARY

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:

- 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 regularly complete 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?	No	The District is projected to decrease its fund balance by a very modest $242,000, approximately 1/10th of one percent of its expenditure budget.
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 and not budgeting them in an ongoing fashion.
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 2014-15, the District's budgeted on-going expenses are less than on-going revenues, resulting in very small anticipated decrease in the District's fund balance.
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 $27,962,576 in FY 13-14 $25,991,380. It is expected that the ending fund balance will remain stable over the next 2-3 years as state revenues are expected to grow.

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, & FY 05-06, and revenue increases in FY 07-08, FY 08-09 and FY 10-11 due to restoration in FTES. Passage of Proposition 30 also provides stability for the District.
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, FY 10-11 and FY 11-12 due to statewide workload reductions. The District went on stability in FY 12-13 as enrollment declined and borrowed FTES for FY 13-14. Enrollment challenges remain an issue.
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	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, FY 08-09 and FY 12-13. The District exceeded its funded FTES in FY 09-10, earned all available growth in FY 10-11, and exceeded its cap in FY 11-12 and FY 13-14.
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 if needed.

Is the District repaying Tax Revenue Anticipation Notes (TRANS) and/or borrowed funds within the required statutory period?	N/A	The District 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	The District gave a 2% salary increase in FY 13-14, the first salary increase since FY 08-09. Approved contracts are in place for United Faculty through FY 14-15 and for Local One (classified staff) through FY 15-16.
Did the District conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement?	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.
Did the District correctly identify the related costs?	Yes	The District 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	The District has made significant budget reduction since FY 2010-11, which was partially why the increase is sustainable.
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.
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 2013-14, the percentage of the General Fund that was expended for salaries and benefits was 88%. In 2014-15, the percentage of the General Fund budgeted for salaries and benefits is 88%.
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 2013-14 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?	Yes	The District has strong internal controls in place and always looks for improvement. The District recently developed and approved policies and procedures on the safeguarding of its assets. No findings were present during the external audit.

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 2013-14 records were complete prior to the District audit and the close of the fiscal year is being done timely.
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 Administrative Service'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. The District recently made the final issuance of $140.5 million for the 2006 bond; this will increase long-term debt. However, the long-term debt associated with the bond programs is paid through tax levies and not truly District debt. Load banking

		and vacation unfunded liabilities have decreased from $12.3 million to $7.6 million based upon aggressive District funding.
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 November 2013. The District's unfunded liability is at $178 million, down from $262 million at a prior study.
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 $6.9 - $9.1 million each year since FY 08-09 into an irrevocable trust. There is a current market value of over $71 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 (including Chief Executive Officer, Chief Business Officer, and Board of Trustees)?	Yes	The Chancellor is in her tenth year and has been with the District for over 20 years. Each of the District's two Executive Vice Chancellors has been with the District for over 10 years. The Governing Board has five members, one elected in January 2010; two elected in November 2012; one elected in November 2014, and one who has served for twenty years.
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.

APPENDIX B

AUDIT FINDINGS FOR FY 2012-13 AND 2013-14

The annual financial audit for the District conducted by James Marta & Co. for FY 2013-14 reported no 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, there have been no audit findings the past two fiscal years.

Audit Findings for FY 2012-13
There were no audit findings in FY 2012-13

Audit Findings for FY 2013-14
There were no audit findings in FY 2013-14

APPENDIX C

2015-16 BUDGET DEVELOPMENT ASSUMPTIONS
Key Budget Assumptions - 1.58% COLA, 0% Growth FTES, 10% increase in H/W
Unrestricted General Fund

FTES	13/14 Actuals	14/15 Budget	15/16 Preliminary Budget Assumptions
Resident Credit rate	$ 4,636.49	$ 4,675.90	$ 4,749.78
Resident Non-Credit rate	$ 2,788.05	$ 2,811.75	$ 2,856.18
Resident Credit target	28,288.84	28,288.84	28,288.84
Resident Non-Credit target	77.33	77.33	77.33
Resident Credit - funded	28,288.84	28,288.84	28,288.84
Resident Non-Credit - funded	77.33	77.33	77.33
Non-Resident Target	2,675.52	2,750.00	2,750.00
Resident Unit Fee	$ 46.00	$ 46.00	$ 46.00
Non-Resident Unit Fee	$ 198.00	$ 198.00	$ 205.00

Revenue Assumptions		13/14 Actuals	14/15 Budget	15/16 Preliminary Budget Assumptions
1.	**FTES (Resident)**	28,366.17	28,366.17	28,366.17
2.	**FTES (Non-Resident)**	2,675.52	2,750.00	2,750.00
	Revenue (3.5% rate increase in 2015-16)	$13,032,844	$13,519,199	$13,997,151
3.	**COLA**	1.57%	0.85%	1.58%
4.	**Base Allocations**	1.57%	0.85%	23.95%
				$3,124,151
5.	**Lottery, unrestricted**	$125	$128	$128
	Revenue Generated	$3,697,736	$3,982,870	$4,199,424
6.	**Lottery, Prop 20 Restricted**	$31	$34	$34
	Revenue Generated	$917,039	$1,019,474	$1,115,472
7.	**Deficit (property taxes/enrollment fees)**	0.5%	0.5%	0.5%
	Reduction in Revenue	($721,546)	($727,679)	($753,766)
8.	**Growth**	2.14%	0.00%	0.00%
	Growth Revenue		-	-

Expenditure Assumptions		13/14 Actuals	14/15 Budget	15/16 Preliminary Budget Assumptions
1.	**Salary Increase**	2%	0%	0% [1]
2.	**Step/Column Annual Average Increase**	1.2%	1.2%	1.2%
3.	**Health and Welfare (H&W)**	7.00%	14.00%	10.00%
	Active Employees	$16,451,588	$19,639,653	$ 21,603,618
	Retirees	$10,374,198	$11,826,588	13,009,247
		$ 26,825,786	$ 31,466,241	$ 34,612,865
4.	**Payroll Taxes**			
	PERS Rate	11.442%	11.771%	12.600%
	PERS Safety Rate (Police)	25.994%	26.150%	26.650%
	STRS Rate	8.250%	8.880%	10.730%
	Worker's Compensation Rate	2.066%	1.767%	1.767%
	State Unemployment Insurance (SUI) Rate	0.050%	0.050%	0.050%
5.	**Districtwide Assessments and Other Expenses**			
	Utilities *(5% Increase over 2014-15 Budget)*	$ 3,829,334	$ 3,913,382	$ 4,109,051
	Property & Liability Insurance	1,269,395	1,300,000	1,350,000
	Student Accident Insurance/Student Assistance Program	309,097	320,000	330,000
	IT Maintenance Agreements	1,134,472	1,000,000	1,300,000
	Retiree Health Benefit Annual Contribution	1,000,000	1,000,000	1,000,000
	Legal Costs	255,135	400,000	400,000
	Election Costs (Three local and one countywide election)	-	525,000	-
	Audit	159,200	192,000	192,000
	SUI Experience Charges	115,831	150,000	150,000
	Self-Insurance Annual Contribution	100,000	100,000	100,000

[1] Any salary increases for FY 2015-16 will be determined through the collective bargaining process

APPENDIX D
THREE-YEAR BUDGET FORECAST

Contra Costa Community College District
Three Year Budget Forecast*
2015-2016 Fiscal Year and Beyond

Unrestricted, Ongoing General Fund

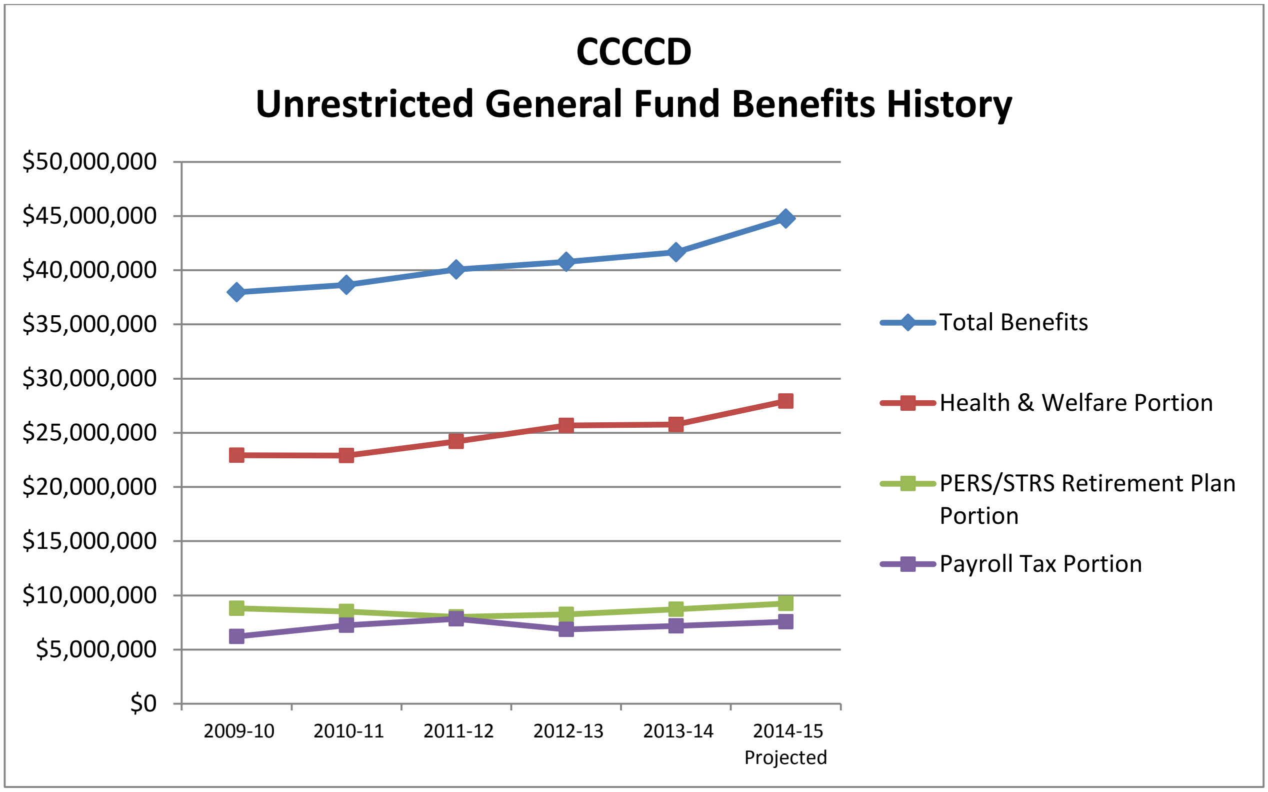
	0% Growth, 1.58% COLA + Base Allocation Increase 28,367 FTES **FY 2015-16**	*1% Growth, 1% COLA 28,651 FTES* **FY 2016-17**	*2% Growth, 2% COLA 29,224 FTES* **FY 2017-18**
Base Revenue	$ 173,159,619	$ 178,382,926	$ 181,106,339
COLA and Base Allocation Revenue	5,223,307	1,360,923	2,804,043
Growth Revenue	-	1,362,490	2,803,947
Revised Revenue	**$ 178,382,926**	**$ 181,106,339**	**$ 186,714,328**
Budgeted Ongoing Expenses	$ 173,123,288	$ 177,569,912	$ 181,060,915
Step/Column Increases	1,300,000	1,315,600	1,331,387
Health Benefits Cost Increases	3,146,624	2,175,403	2,327,681
Revised expenditures	**$ 177,569,912**	**$ 181,060,915**	**$ 184,719,984**
Revenue less Expense	**$ 813,014**	**$ 45,423**	**$ 1,994,344**
Potential Expenditure Reductions	-	-	-
Beginning fund balance	$ 25,591,525	$ 26,404,539	$ 26,449,962
Estimated Ending Balance	**26,404,539**	**26,449,962**	**28,444,307**
Adjustment to Fund Balance	**$ 813,014**	**$ 45,423**	**$ 1,994,344**

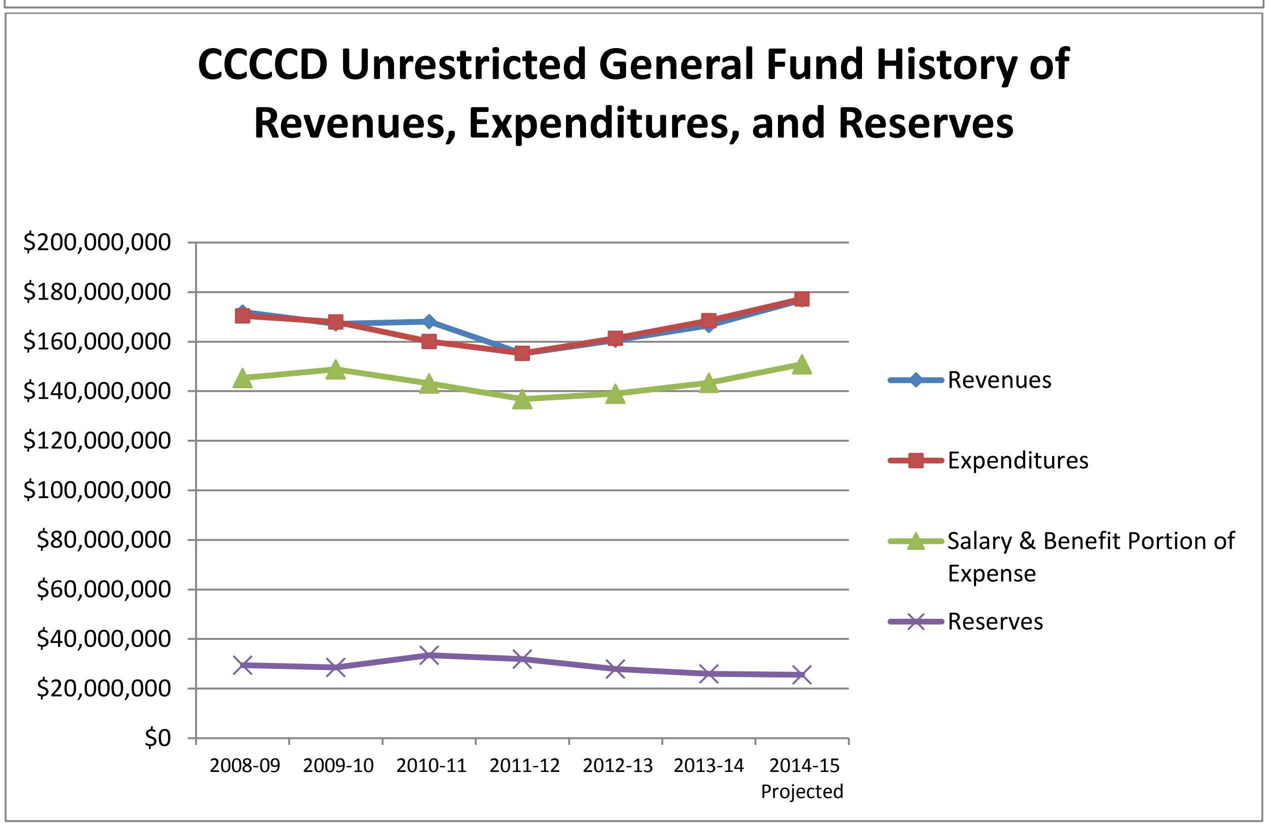
*Will change as better data obtained
Please note the figures are estimates based on assumptions and *will* change

Key Assumptions

1% Growth in FY 2016-17 and 2% Growth in FY 2017-18
1% COLA in FY 2016-17 and 2% COLA in FY 2017-18
Step/Column increases at 1.2% each year
Health Benefit increases in FY 2016-17 and FY 2017-18 at 7% each year

Appendix E
Five-Year Expenditure Trends





APPENDIX F
OTHER POST-EMPLOYMENT BENEFITS (OPEB) IRREVOCABLE TRUST

Actuarial Study on Retiree Health Benefits: Biennially, the District is required to conduct an actuarial study to evaluate its retiree health benefit liability. The District contracts with Total Compensation Systems for this actuarial study, and a presentation on the latest study was given to the Governing Board in January 2014. Listed below are the highlights of that study, indicating:

- a small decrease of 1.9 percent in the actuarial accrued liability (AAL)[1]; and
- a decrease in the annual required contribution (ARC) for the District from $18.1 million to $16.6 million.

The District is currently working with Total Compensation Systems on a new actuarial study. The findings of that study will be presented to the Governing Board in January 2016.

Irrevocable Trust for Retiree Health Benefits: The District has fully funded its ARC for retiree health benefits since FY 2009-10. This fiduciary commitment has yielded unquestionable results, with the market value of the irrevocable trust at $71.8 million as of February 28, 2015. Fortunately, the revenue generated from the summer borrowing strategy provided an additional $4.3 million. As shown in Table 1, the District has over $10.1 million in designated funds identified for future funding of the irrevocable trust.

	FY 2015-16 Funds Available
Adjusted Budget Ending Balance	$ 3,493,372
Borrowing Strategy	4,296,158
Mandates Reimbursement	1,194,331
$1M Annual Contribution	1,000,000
Estimated Investment Income	150,000
Total Funds Available	**$ 10,133,861**
Current ARC	**$ 6,860,000**

Table 1

Additional Funding Option: The Governor has proposed an additional $353 million in mandate reimbursements for FY 2015-16 for the community college system. If enacted, that could equate to an additional $8.8 million in one-time revenue for the District. District staff recommends that any such revenue be designated to fund future ARC contributions to the irrevocable trust.

[1] The District's AAL is stable at this point and should not have significant swings.

APPENDIX G
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 fiscal year 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. Essentially, 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 fiscal year beginning October 1 and ending September 30, which is consistent with the federal government's fiscal year.

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 can't be modified or terminated without the permission of the beneficiary. The grantor, having transferred assets into the trust, effectively removes all of 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.

- **Board 5% Reserve**
  Per Board Policy 5033, a 5% Board reserve shall be set aside to address significant opportunities that present themselves through the year and covers the minimum prudent standard set by the State Chancellor's Office. This is calculated on the ongoing, operating expenditure budget of the District, not including interfund or intrafund transfers out.

- **Board 5% Contingency Reserve**
  Per Business Procedure 18.01, a 5% contingency reserve shall be set aside to address significant opportunities that present themselves throughout the year and covers the minimum prudent standard set by the State Chancellor's Office. This is calculated on the ongoing, operating expenditure budget of the District, not including interfund or intrafund transfers out.

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 fiscal year 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.