

## **STUDY SESSION**

# **DEVELOPMENT OF THE 2019-20 DISTRICT BUDGET**

**APRIL 24, 2019**

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

**STUDY SESSION  
DEVELOPMENT OF THE  
2019-20 DISTRICT BUDGET**

**AGENDA**

- I. Review of FY 2018-19 budget status and FY 2019-20 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.

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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 Section 70901 and Title 5 Section 58301. These sections mandate the Governing Board hold a public hearing on the proposed budget for the ensuing fiscal year 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 five percent 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; 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 five percent of the unrestricted general fund budgeted expenditures for the fiscal year: an additional five 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; and
- reflect improvement in productivity at all levels; and
- be developed within a multi-year plan.

**2. CONTRA COSTA COMMUNITY COLLEGE DISTRICT  
 2018-2019 GOVERNING BOARD GOALS**

The Governing Board will respond to four broad goals as it strives to realize its vision of excellence in learning and equitable student success and completes the District's five-year strategic plan. These goals are fully aligned with the District's mission and values. The priorities of the Board for this planning period are designed to contribute to the accomplishment of the goals in the *2014-19 District Strategic Plan*.

DISTRICTWIDE GOAL	DISTRICTWIDE OBJECTIVE	BOARD GOAL	MEASURABLE OUTCOME
<b>GOAL 1</b>  <b>ENHANCE STUDENT LEARNING AND SUCCESS:</b> Create opportunities for thoughtful reflection and organizational learning that use meaningful quantitative and qualitative data, dialogue with diverse members of the	<b>1.1 Conduct activities that improve student performance in areas included in the Student Success Scorecard over time.</b>	<b>The Board will monitor the progress of the colleges toward improving their performance on the annual Student Success Scorecard.</b>	<b>The Board will receive a public presentation and discuss the performance of each college in the district on the annual Student Success Scorecard.</b>
	<b>1.2 Provide student support that focuses on student engagement and excellence in service.</b>	<b>The Board will work to ensure adequate resources for the colleges in support of student success.</b>	<b>The Board will receive a public presentation and discuss the District budget and specifically of items related to student success.</b>

DISTRICTWIDE GOAL	DISTRICTWIDE OBJECTIVE	BOARD GOAL	MEASURABLE OUTCOME
community, student feedback, and other information in order to improve student outcomes.	1.3 Support high-quality distance education as an option for increasing access and promoting student success.	A Board-level conversation regarding distance education and student success will be instituted.	The Board will receive a public presentation and discuss the distance education strategic plan.
<b>GOAL 2</b>  <b>STRENGTHEN CURRENT AND CREATE NEW PARTNERSHIPS:</b> 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.	The Board will secure a report from each college on their educational partnerships.	The Board will receive a public presentation and discuss college reports on educational partnerships.
	2.2 Increase partnerships with businesses, community organizations and public agencies to meet community, economic and workforce needs and serve as a force for positive change.	The Board will review the current business, industry and community partnerships and the spending plan for state workforce dollars as part of the annual budgeting process.	The Board will receive a public presentation and discuss the District's workforce development activities and partnerships with business, industry and the community.
<b>GOAL 3</b>  <b>CREATE A CULTURE OF CONTINUOUS IMPROVEMENT AND TANGIBLE SUCCESS:</b> 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 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.	The Board will undertake a facilitated annual evaluation process and seek outside support for continuous improvement of Board operation. Further, the Board will review and ultimately approve a process for the updating of the District's Strategic Plan in calendar 2018.	The Board will have completed the facilitated annual Board evaluation, and begun the process of revising the District's Strategic Plan.

DISTRICTWIDE GOAL	DISTRICTWIDE OBJECTIVE	BOARD GOAL	MEASURABLE OUTCOME
	<p>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.</p>	<p>The Board will monitor human resources issues that have an impact on workforce diversity.</p>	<p>The Board will receive a public presentation and discuss the current characteristics of the CCCCD workforce.</p>
	<p>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.</p>	<p>The Board will ensure the District has various plans for professional development of employees that include addressing the diverse needs of the district's students.</p>	<p>The Board will receive a public presentation and discuss the professional development plans and resources for faculty, staff and managers of the district.</p>
	<p>3.4 Expose employees at all levels to opportunities that enhance their knowledge, skills, and abilities to identify and develop emerging and promising practices.</p>	<p>The Board will ensure that professional development opportunities continue to be offered to employees.</p>	<p>The Board will receive a public presentation and discuss employee participation in professional development activities.</p>
<p><b>GOAL 4</b>   <b>BE GOOD STEWARDS OF THE DISTRICT'S RESOURCES:</b> 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 distinct assets of each institution as well as the unique power of their combined efforts to strategically tackle challenges, increase resource efficiency, and better serve our students.</p>	<p>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.</p>	<p>The Board will utilize the annual budget review process to assess the efficiency of the colleges and the district and to evaluate the appropriate expenditures related to providing students high quality instruction and services.</p>	<p>The Board will receive a public presentation and ultimately approve the annual district budget.</p>
	<p>4.2 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.</p>	<p>The Board will monitor District actions to improve resource sustainability.</p>	<p>The Board will receive a public presentation and discuss a report on sustainability in a public meeting.</p>

DISTRICTWIDE GOAL	DISTRICTWIDE OBJECTIVE	BOARD GOAL	MEASURABLE OUTCOME
	4.3 Practice fiscal prudence in order to ensure financial integrity and stability.	<p>The Board will monitor and provide guidance on the collective bargaining process to ensure both fair and equitable treatment of employees and fiscal stability for the district.</p> <p>The Board will receive regular reports on college and districtwide enrollment in order to monitor the fiscal stability of the district and ensure the delivery of educational programs and services to students.</p>	<p>The Board will receive a public presentation and approve collective bargaining agreements as required.</p> <p>The Board will receive a public presentation and discuss regular enrollment reports.</p>
	4.4 Diversify sources of revenue.	The Board will consider all revenue sources of the district as well as other potential opportunities.	The Board will receive a public presentation and review the District's revenue as part of the annual budgeting process, and at other times as appropriate.
	4.5 Provide a safe physical environment that is conducive to learning.	<p>The Board will monitor seismic upgrades to high risk district buildings continue through planning and construction.</p> <p>The Board will monitor the District's preparedness for emergency situations.</p>	<p>The Board will receive a public presentation and discuss facility upgrades related to seismic concerns.</p> <p>The Board will receive a public presentation and discuss Districtwide emergency preparedness.</p>

**3. FISCAL YEAR 2019-20 BUDGET DEVELOPMENT CALENDAR**

The following is a listing of the actions to be undertaken in the development of the budget for Fiscal Year 2019-20. 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 is conducted

**December**

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

**January/February/March**

- Governor's Budget is released setting the preliminary revenue targets
- Cabinet reviews state revenue collections, apportionment reports and enrollment data
- Cabinet reaches agreement on any mid-year shifting of FTES between sites
- Cabinet reaches agreement on FTES targets for the Tentative Budget
- First Principal Apportionment and prior year Apportionment Recalculation reports are issued by the State System Office
- District develops preliminary revenue projections based on tentative budget FTES targets, known and assumed changes in other revenue or cost variables, and provides colleges with their estimated budget allocation and personnel costs
- Tentative budget assumptions are updated and reviewed with location Business Officers Chancellor Advisory Team (CAT), Cabinet and District Governance Council (DGC)

**April/May/June**

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

**July**

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

**August**

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

**September**

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

**October**

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

**Throughout the year**

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

**4. FISCAL YEAR 2018-19 UPDATE**

In September 2018, the Governing Board adopted the FY 2018-19 budget, which included \$5.2 million in additional ongoing revenue for the District. A COLA of 2.71 percent (\$4.0 million) and increased funds to hire full-time faculty (\$1.2 million) accounted for these additional operating

dollars. Incorporating this revenue into the budget produced an operating surplus of \$0.4 million, approximately 0.2 percent of the total expenditure budget. Also of note, with the implementation of the Student Centered Funding Formula (SCFF), which has a substantial negative financial impact, the District is operating under a “hold harmless” provision in FY 2018-19. Essentially, the District is not currently subject to the SCFF metrics and its funding is based on revenues obtained under the SB-361 model.

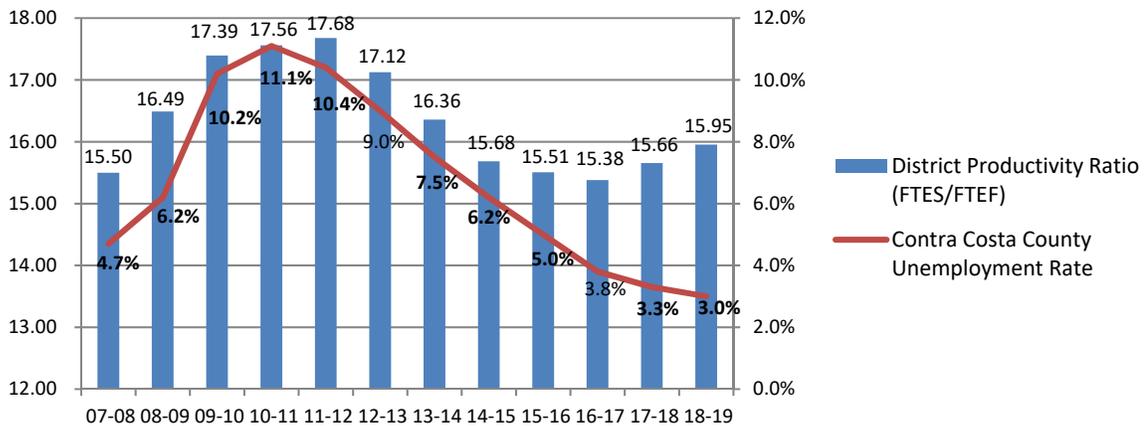
The \$5.2 million increase in ongoing revenue covered the escalating expenses the District absorbed with the CalSTRS rate rising from 14.43 percent to 16.28 percent (\$1.5 million year-over-year operating cost increase to the District) and CalPERS rising from 15.53 percent to 18.06 percent (\$1.1 million year-over-year operating cost increase to the District). In addition, the increase in ongoing revenue also covered the \$1.4 million rise in District-paid health benefit costs.

As was reported to the Governing Board during its December 2018 meeting, approximately \$12 million in the District’s Adoption Budget is reliant on the “hold harmless” provision within the SCFF. With the lack of adjustment to recognize the wide spectrum in the costs of living throughout the state, many districts in high cost of living areas come out as losers in the formula. Complicating the issue for the District is the fact that many of the districts in high cost of living areas are “Basic Aid” districts, meaning they do not rely on the state for apportionment funding. Essentially, the SCFF has no effect on these “Basic Aid” districts that, for the most part, leads them to remain silent on the issue. In the immediate area, the districts of Foothill-De Anza, Marin, San Jose Evergreen, San Mateo, and West-Valley Mission receive no state apportionment; this makes them immune to the negative effects the District is experiencing due to the SCFF.

Further complicating the issues surrounding the SCFF is the recently released apportionment figures by the State Chancellor’s Office (SCO). These figures show a large systemwide deficit resulting in, for the moment, decreased apportionment revenue for all districts. District staff is not surprised by this systemwide revenue shortfall. As was always the case, you cannot redistribute a fixed amount of Proposition 98 revenue amongst the system with no constraints on revenue gains for districts while at the same time promising no revenue losses for districts. This systemwide deficit is under intense scrutiny at the SCO and throughout the system. District staff will keep the Governing Board apprised of any notable developments.

On a more positive note, as was presented to the Governing Board at its February 2019 meeting, enrollment growth is occurring as well as efficiency gains as measured in FTES/FTEF. Chart 1 depicts the changing FTES/FTEF productivity ratios since FY 2007-08 and shows the strong correlation in the District’s FTES/FTEF productivity ratio and the county unemployment rate.

**District Productivity Ratio (FTES/FTEF) and County Unemployment Rate**



**Chart 1**

Overall, the District's operating budget was adopted with a structural surplus of \$0.4 million, approximately 0.2 percent of the expenditure budget. Table 1 shows the result of this surplus and its impact on the District's fund balance.

<b>Unrestricted General Fund, Operating</b>	
Income	\$ 199,326,118
Expenses	<u>198,958,196</u>
Net Income over Expenses	\$ 367,922
Beginning Fund Balance at July 1, 2018	\$ 27,788,588
Operating Surplus	<u>367,922</u>
<b>Projected Ending Balance at June 30, 2019</b>	<b>\$ 28,156,510</b>

**Table 1**

Detailed below are notable changes in revenues and expenditures since the FY 2018-19 Adopted Budget.

**4.1 FY 2018-19 Changes in Revenues**

Shifting FTES from summer 2018

Shifting FTES from summer 2018 will generate approximately \$3.5 million in additional apportionment revenue above the District's funded FTES target. As the Governing Board has previously directed, District staff will transfer these dollars into a restricted fund for eventual deposit into the District's irrevocable trust for retiree health benefits.

**4.2 FY 2018-19 Changes in Expenditures**

Property and Liability Insurance

The original budget for the District's property and liability insurance was \$1.3 million. Due to improving markets for community colleges and a proactive Joint Powers Authority that is constantly seeking ways to mitigate risk, the premium for the District's insurance coverage was reduced to \$900,000. This creates a savings of \$400,000. Consistent with Business Procedure 18.01, the decrease in premium expenses will be added to distributable revenue within the District's allocation model.

**4.3 FY 2018-19 Adopted Budget and Projected Reserves**

The District's expenses are currently trending very close to its amended budget. Table 2 details the Adopted Budget reserves and the Projected Ending reserves for FY 2018-19. The projected ending balance for FY 2018-19 is inclusive of expected transfers for maintenance projects, long-term liabilities, and other one-time designations.

The reserves shown in Table 2 represent the operating, ongoing portion of the unrestricted general fund.

	<b>2018-19 Adopted Budget</b>	<b>2018-19 Projected Ending Balance</b>
Designated Districtwide Reserves	\$ 496,446	\$ 615,341
Designated College Reserves	4,896,539	4,299,189
Designated District Office Reserves	338,766	327,922
<b>Subtotal, Designated Site Reserves</b>	<b>\$ 5,731,751</b>	<b>\$ 5,242,452</b>
5% Board Contingency Reserve	9,814,927	9,814,927
5% Board Reserve	9,814,927	9,814,927
<b>Subtotal, Designated Board Reserves</b>	<b>\$ 19,629,854</b>	<b>\$ 19,629,854</b>
Undesignated Districtwide Reserves	27,132	288,128
Undesignated College Reserves	2,392,032	3,360,007
Undesignated District Office Reserves	375,741	461,855
<b>Subtotal, Undesignated Reserves</b>	<b>\$ 2,794,905</b>	<b>\$ 4,109,990</b>
<b>TOTAL RESERVES</b>	<b>\$ 28,156,510</b>	<b>\$ 28,982,296</b>

Table 2

**4.4 FY 2018-19 Adopted Budget Comparison to Projected Actuals**

Table 3 shows the difference between the FY 2018-19 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 2018-19 becomes the projected opening balance in FY 2019-20. 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 a non-operating account.

	<b>FY 2018-19 Adopted Budget</b>	<b>FY 2018-19 Projected Actuals</b>
<b>Revenues</b>	\$ 199,326,118	\$ 201,198,644
<b>Expenditures</b>	198,958,196	200,004,936
<b>Increase/(Decrease)</b>	367,922	1,193,708
<b>Opening Fund Balance</b>	27,788,588	27,788,588
<b>Ending Fund Balance</b>	<b>\$ 28,156,510</b>	<b>\$ 28,982,296</b>

Table 3

**5. FISCAL YEAR 2019-20 BUDGET DISCUSSION**

**5.1 FY 2019-20 Highlights**

Governor's Budget Proposal

Marking the first budget in his tenure, Governor Newsom's proposed operating budget for FY 2019-20 largely follows the path of fiscal prudence championed by Governor Brown during his final two terms. To that end, included in the proposed budget is an additional transfer of \$1.8 billion into the Rainy Day Fund as well as one-time payments into the state pension systems to alleviate a portion of their unfunded liabilities. As Governor Newsom takes the reins of a California economy that is now the fifth largest in the world, it is unsurprising that at over \$144 billion in anticipated expenditures this budget marks the largest in the history of California.

Of importance to the community college system, the Proposition 98 system guarantee has increased by \$2.8 billion, or 3.6 percent. In a welcome development, nearly the entirety of this increase is proposed to go into a 3.46 percent COLA. If enacted, this COLA would

bring an additional \$5.9 million in ongoing, operating dollars to the District. Table 4 shows the major proposals in the Governor’s budget by category and the potential impact to the District.

<b><u>Categories</u></b>	<b><u>Governor’s Proposal</u></b>	<b><u>Potential Impact to District</u></b>
COLA <b>(ongoing)</b>	\$248.3 million to fund a COLA of 3.46 percent	Approximately \$5.9 million in additional apportionment revenue. As the District is in a hold harmless state under the SCFF, the 3.46 percent is applied to the total computational revenue the District received in FY 2017-18.
College Promise – Second Year <b>(ongoing)</b>	\$40.0 million to support student success, achievement, and offer a second year of free tuition to eligible students	The District anticipates receiving \$1.1 million of these funds if enacted.
CalSTRS Pension Relief <b>(one-time)</b>	\$3.0 billion for all CalSTRS employers	A reduction in the escalation of state-mandated employer-paid pension contributions. If enacted, instead of rising to 18.13%, the STRS rate for employers would increase to 17.10%.
SCFF Formula Freeze <b>(one-time)</b>	Freeze the base allocation component of the SCFF formula at 70%	While not directly affecting the budget in FY 2019-20, this proposal by the Governor signaled a willingness to revisit the SCFF and not proceed as quickly as envisioned by the SCO.

**Table 4**

The proposals put forth by the Governor dedicate almost all new dollars to COLA, a welcome development. Further, the \$3 billion in one-time relief for the CalSTRS pension system is particularly desirable in that it comes from non-Proposition 98 funds. Historically, the Proposition 98 minimum funding guarantee is also treated as the maximum funding that will be provided so any dollars outside of that minimum guarantee that provide relief to the system is appreciated. Finally, the recognition of the Governor that additional analysis and study is needed before the system dives deeper into the SCFF’s performance based metrics is refreshing. While additional work on the SCFF remains, it appears as if the system is on a more positive path than it was just a year ago.

**5.2 FY 2019-20 Planning**

Planning for the FY 2019-20 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 DGC. As delineated in Business Procedure 18.06, budget assumptions for the Tentative Budget go through the location Business Officers, CAT, Chancellor’s Cabinet, and DGC. Each of these groups provide guidance and input into the budget development process.

Resident FTES Targets

While increased year-over-year enrollment is a positive sign, the District is still approximately 3 percent short of its resident FTES target. In light of that fact, the District is budgeting for an unchanged resident FTES target. Maintaining the level of funding associated with this target allows the District to sustain its existing operations, invest in outreach and other FTES-generating activities, and be in a state of readiness for when the demand for services will inevitably rise.

Table 5 illustrates the static resident FTES target and also shows the dollar value of the COLA and Funding Formula transition increases directly related to that target.

	<b>FY 2018-19 Resident FTES Target</b>	<b>FY 2019-20 Resident FTES Target</b>	<b>FTES Difference</b>	<b>\$ Difference</b>
<b>CCC</b>	5,381	5,381	-	\$ 1,111,589
<b>DVC</b>	15,336	15,336	-	3,168,061
<b>LMC</b>	7,951	7,951	-	1,642,492
<b>Total</b>	<b>28,668</b>	<b>28,668</b>	-	<b>\$ 5,922,142</b>

**Table 5**

Non-resident FTES Targets

For the Tentative Budget, the District is planning an unchanged non-resident FTES targets. However, in recognition of declining international student enrollment, DVC is likely to adjust its non-resident target downwards for the Adoption Budget. Additional enrollment information currently being gathered will inform that decision. The targets and total tuition dollars associated with these non-resident students, inclusive of the recent hike in the non-resident tuition fee, are included in Table 6.

	<b>FY 2018-19 Non- Resident FTES Target</b>	<b>FY 2019-20 Non- Resident FTES Target</b>	<b>FTES Difference</b>	<b>Total Non- Resident \$</b>
<b>CCC</b>	250	250	-	\$ 1,592,865
<b>DVC</b>	2,000	2,000	-	13,423,867
<b>LMC</b>	100	100	-	510,909
<b>Total</b>	<b>2,350</b>	<b>2,350</b>	-	<b>\$ 15,527,641</b>

**Table 6**

Health Benefit Increase

During the development of the budget assumptions, District staff reviews historical increases and projects the coming increase based on an agreed upon formula: the average of the past seven years' increases excluding the high and the low. The outcome of this formula is a projected increase in health benefit premiums of 5.96 percent. A 5.96 percent premium hike translates to \$2.1 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.

Pension Contribution Increase

In continuance of a trend that began in FY 2014-15, employer-paid pension contributions to CalSTRS and CalPERS continue to rise dramatically. For FY 2019-20, the anticipated increase in CalSTRS will cost the District an additional \$750,000 even after the CalSTRS buydown. For CalPERS, the estimated increase in FY 2019-20 is \$1.1 million. Combined, this \$1.9 million increase creates considerable strain on the District's ability to allocate its resources in other, more desirable ways.

Salary Increase

Any salary increases for FY 2019-20 (which are not included within the expenditure assumptions) will be determined through the ongoing collective bargaining process.

**5.3 FY 2019-20 Budget Assumptions**

Revenue Assumptions

Following are major revenue assumptions from what is known at this point in the state budget process. These revenue assumptions total \$7.1 million in incremental revenue.

- COLA of 3.46 percent
  - *Potential impact:* A COLA of 3.46 percent will generate \$5.9 million in incremental revenue for the District.
- Non-resident FTES target with a \$32.00 per unit increase in tuition
  - *Potential impact:* The increase in non-resident tuition results in a year-over-year decrease of \$1.9 in budgeted revenue. This will be revisited and likely adjusted downwards at the Adoption Budget.
- State lottery revenue
  - *Potential impact:* \$705,000 decrease in lottery revenue received from the state. This adjustment is due to the reportable FTES to the state being artificially low because of borrowing.

Expenditure Assumptions

Delineated below are major expenditure assumptions totaling \$5.5 million in increased expenses.

- Health benefits costs to increase by 5.96 percent
  - *Potential Impact:* A 5.96 percent increase in health benefits costs results in \$2.1 million in additional expenses to the District. This increase includes retiree health benefits, which now comprise approximately 37 percent of the anticipated \$36.5 million annual health benefit expenses.
- Step and column salary increases at 1.2 percent of total salaries
  - *Potential Impact:* Step and column increases are projected to cost \$1.3 million and include all classes of employees.
- CalSTRS employer contribution rate to increase from 16.28 to 17.10 percent
  - *Potential Impact:* The anticipated increase in the CalSTRS employer contribution results in \$750,000 in additional costs to the District.
- CalPERS employer contribution rate to increase from 18.06 to 20.70 percent
  - *Potential impact:* An increase in the CalPERS employer contribution rate from 18.06 to 20.70 percent creates an additional \$1.1 million expense to the District.
- 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 \$225,000.

Other Expenditure Assumptions

Additional expenditure assumptions that remain unchanged year-over-year include:

- the retiree health benefit contribution will remain at \$1 million;
- the self-insurance annual contribution go down to \$50,000;
- the worker's compensation rate will remain at 1.243 percent; and
- the state unemployment insurance rate will remain at 0.05 percent.

**6. FISCAL YEAR 2019-20 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 assumptions. With the assumptions currently used, the District anticipates a small structural surplus of approximately \$1.2 million.

**6.1 FY 2018-19 and FY 2019-20 Comparison**

Table 7 shows a comparison between the projected actuals for FY 2018-19 and the projected Tentative Budget for FY 2019-20. As explained previously, the budget assumptions driving these figures may change after the May Revision.

	<b>FY 2018-19 Projected Actuals</b>	<b>FY 2019-20 Projected Tentative Budget</b>	<b>Increase/ (Decrease)</b>
<b>Funded Resident FTES</b>	28,668	28,668	-
<b>Revenues</b>	\$ 201,198,644	\$ 208,121,067	\$ 6,922,423
<b>Expenditures</b>	200,004,936	206,882,809	6,877,873
<b>Opening Fund Balance</b>	27,788,588	28,982,296	1,193,708
<b>Change in Fund Balance</b>	1,193,708	1,238,258	n/a
<b>Ending Fund Balance</b>	\$ 28,982,296	\$ 30,220,554	\$ 1,238,258

**Table 7**

**6.2 FY 2019-20 Projected Reserves**

The reserves shown in Table 8 comprise the operating portion of the unrestricted general fund and tentatively project a FY 2019-20 ending reserve balance of \$30,220,554. The table details the distribution of the projected FY 2019-20 ending reserve balance between designated and undesignated categories. College and District Office designations are continually updated and will change by Tentative Budget.

	<b>2019-20 Projected Tentative Budget</b>
Designated Districtwide Reserves	638,991
Designated College Reserves	3,258,238
Designated District Office Reserves	312,518
<b>Subtotal, Site Designated Reserves<sup>1</sup></b>	<b>\$ 4,209,747</b>
5% Contingency Reserve	10,344,141
5% Board Reserve	10,344,141
1% Minimum Location Reserves	2,984,239
<b>Subtotal, Board Designated Reserves<sup>2</sup></b>	<b>\$ 23,672,521</b>
Undesignated Districtwide Reserve	182,290
Undesignated College Reserves	1,901,189
Undesignated District Office Reserves	254,007
<b>Subtotal, Undesignated Reserves<sup>3</sup></b>	<b>\$ 2,338,286</b>
<b>TOTAL RESERVES 6/30/20</b>	<b>\$ 30,220,554</b>

**Table 8**

<sup>1</sup> Designated College, District Office, and Districtwide Reserves: Deficit funding reserves, contractual carryovers, and other long-term liabilities (load banking, vacation).  
<sup>2</sup> Board and Location Reserves: Board Reserve at 10 percent; site reserves at a minimum of 1 percent.  
<sup>3</sup> Undesignated Reserves: *Estimated* reserves; largely determined by each site.

## 7. DISTRICT FISCAL TRENDS

The District has a demonstrated history of fiscal prudence and conservative behavior. Even so, from FY 2011-12 through FY 2014-15, expenditures exceeded revenues; this resulted in a slow decline of the District's fund balance. After an uptick in FY 2015-16, mostly due to unrestricted dollars frontloaded by the state for increasing the full-time faculty ratio, the fund balance is anticipated to increase slightly in FY 2018-19. Ironically, this is, again, mostly due to increased funding for full-time faculty. The change in fund balance year-over-year since FY 2010-11 within the unrestricted, operating fund is illustrated in Chart 2, with an estimate for FY 2018-19.

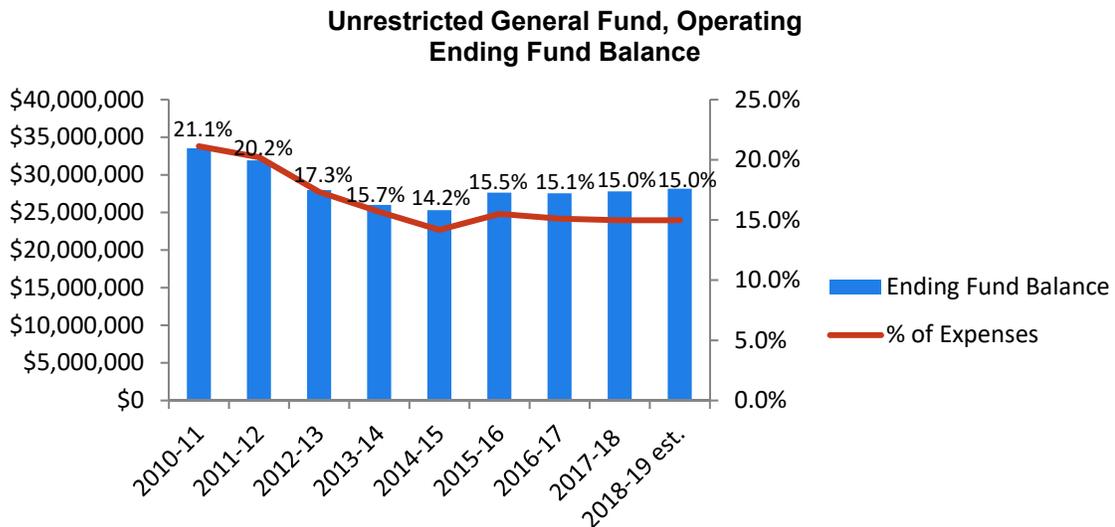
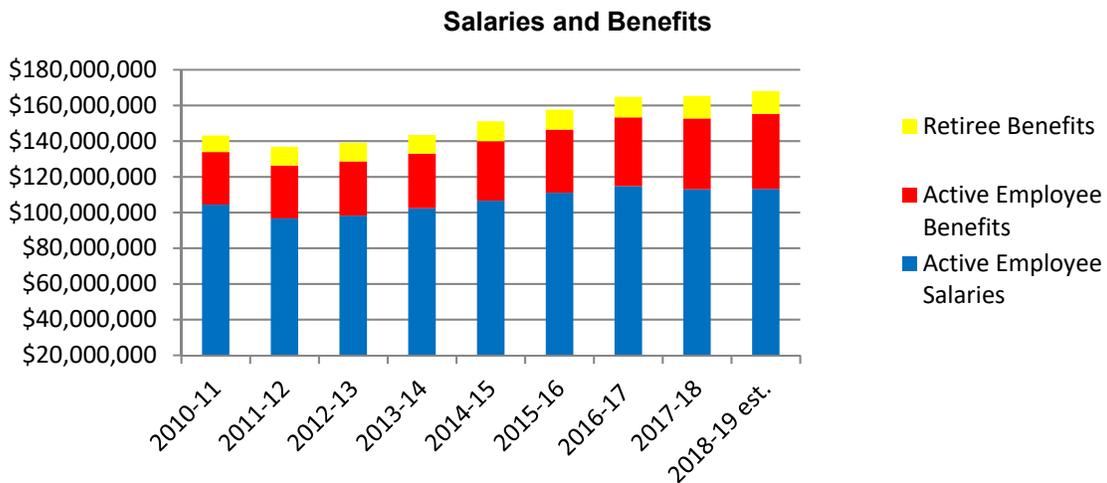


Chart 2

### 7.1 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 CalPERS and CalSTRS contributions, FICA, Medicare, etc. For retirees, the cost is entirely for health benefits. Chart 3 shows the past eight years of actual salary and benefit costs along with a projection for FY 2018-19. Items of note in Chart 3 follow.

- Salary costs are projected to be over \$113 million in FY 2018-19;
- total benefit costs have increased from \$38.7 million in FY 2010-11 to an estimated \$54.7 million in FY 2018-19, a 41.3 percent increase; and
- in FY 2010-11, for every dollar spent on salaries, an additional 37 cents was spent on benefits; however, in FY 2018-19 for every dollar spent on salaries, an additional 48 cents is spent on benefits. This is a 31 percent increase between FY 2010-11 and FY 2018-19.



**Cumulative Totals**

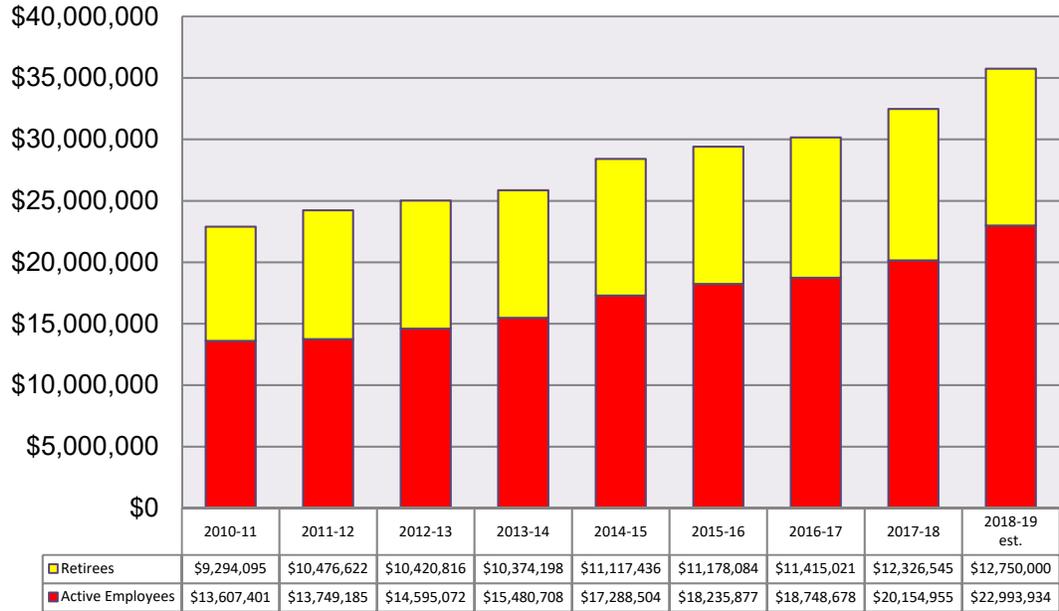
- 2010-11: \$143.1 million (total benefits at 37.0% of salary)
- 2011-12: \$136.8 million (total benefits at 41.4% of salary)
- 2012-13: \$139.0 million (total benefits at 41.5% of salary)
- 2013-14: \$143.4 million (total benefits at 40.0% of salary)
- 2014-15: \$151.0 million (total benefits at 41.7% of salary)
- 2015-16: \$157.6 million (total benefits at 42.0% of salary)
- 2016-17: \$164.7 million (total benefits at 43.5% of salary)
- 2017-18: \$165.2 million (total benefits at 46.2% of salary)
- 2018-19: \$168.0 million (total projected benefits at 48.4% of salary)

**Chart 3**

By removing payroll taxes (CalPERS, CalSTRS, FICA, Medicare, etc.) from active employees and comparing only health benefit costs, the picture changes dramatically. Chart 4 shows the health premiums paid by the District on behalf of active and retired employees. Currently, retiree benefit expenses are approximately 36 percent of the total District-paid health premiums and 6.4 percent of total operating expenditures for the District.

District staff continues to work with its benefit consultant, Alliant Employee Benefits (Alliant), to explore cost containment measures. Beyond interfacing directly and negotiating with the insurance providers, Alliant is looking at other avenues in pursuit of cost reductions, some of which were recently provided to the Districtwide Benefits Committee.

**Health Benefit Premium Costs**



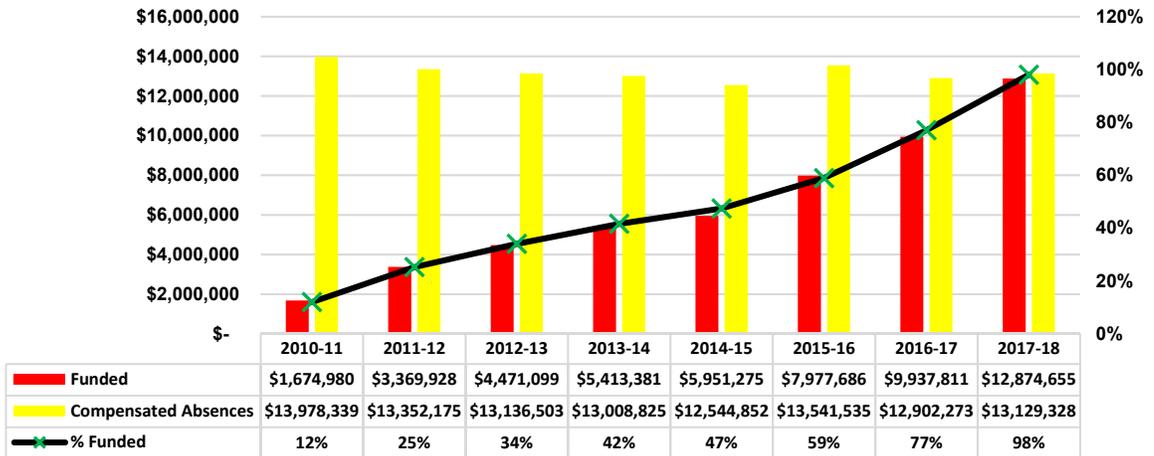
**Chart 4**

**7.2 Compensated Absences and Retiree Health Liabilities**

Compensated absences within the District are comprised of two separate components: vacation accruals and load banking. Chart 5 shows a history of the District’s compensated absences. Encouragingly, for all practical purposes this liability is now completely funded.

The District dedicated substantial financial resources to buy down this liability. This dedication resulted in an increase in the fund balance from \$1.67 million in FY 2010-11 to \$12.87 million in FY 2017-18. 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 2017-18, the District had \$12.87 million to cover a liability of \$13.12 million, a funding level of 98.1 percent. This history is illustrated in Chart 5.

**Compensated Absences History**



**Chart 5**

Further, the irrevocable trust in place for retiree health benefits is also experiencing new heights. With a market value in the trust of \$112.9 million and an additional \$14.9 million earmarked for eventual transfer into the trust, the District is over 50 percent funded for its approximately \$245 million liability.

**8. NEXT STEPS**

The Governor’s revised budget will be released in mid-May 2019. Although the legislature is still to weigh in, major changes from the January proposal seem unlikely. The final state budget will almost certainly be enacted by June 30, 2019, providing ample time for District staff to prepare the final Adoption Budget to be presented to the Governing Board at its September 2019 meeting.

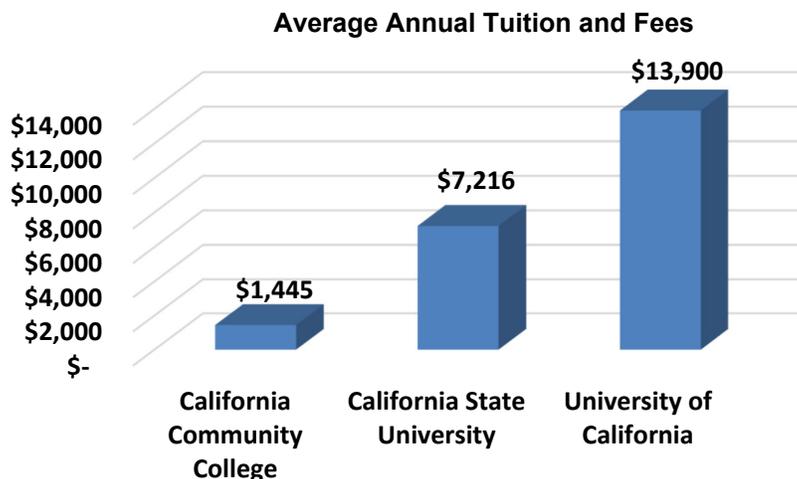
**9. CONCLUSION**

Community colleges face significant challenges in improving economic times. The demand for services goes down at the same time incremental funding is available to increase those same services. As the District prepares to face this challenge in FY 2019-20 it must be innovative and market the value it provides in order to combat the sluggish enrollment it has seen the past several fiscal years. As Table 9 and Chart 5 clearly demonstrate, the value of an education is undeniable and the bargain that community colleges provide is irrefutable. The District will work to capitalize on this competitive advantage while continuing to deliver a high quality educational experience to the students in its service area.

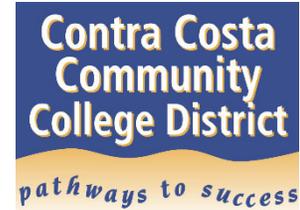
Education attained	Unemployment rate in 2017	Median Weekly Earnings in 2017
Doctoral degree	1.5%	\$1,743
Professional degree	1.5%	\$1,836
Master's degree	2.2%	\$1,401
Bachelor's degree	2.5%	\$1,173
Associate's degree	3.4%	\$836
Some college, no degree	4.0%	\$774
High school diploma	4.6%	\$712
Less than a high school diploma	6.5%	\$520

*Note: Data are for persons age 25 and over and earnings are for full-time wage and salary workers.  
 Source: Current Population Survey, U.S. Department of Labor, U.S. Bureau of Labor Statistics.*

**Table 9**



**Chart 6**



## **APPENDICES**

- A. SOUND FISCAL MANAGEMENT CHECKLIST**
- B. AUDIT FINDINGS FOR FY 2016-17 AND 2017-18**
- C. FY 2019-20 BUDGET DEVELOPMENT ASSUMPTIONS**
- D. THREE-YEAR BUDGET FORECAST**
- E. FIVE-YEAR EXPENDITURE TRENDS**
- F. GLOSSARY**

# **APPENDIX A**

## **SOUND FISCAL MANAGEMENT CHECKLIST**

## APPENDIX A

### SOUND FISCAL MANAGEMENT CHECKLIST

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

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

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

Question	Answer	Explanation
<b>1. Deficit Spending</b>		
Is this Area Acceptable?	<b>Yes</b>	
Is the District spending within their revenue budget in the current year?	Yes	The District is projected to increase its fund balance by \$1.2 million, approximately 0.5% in an almost \$200 million annual operating 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. In FY 2018-19, the District anticipates its ending balance will increase.
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 2018-19, the District's budgeted on-going expenses are projected to be \$1.2 million less than ongoing revenues.
Are District revenue estimates based upon past history?	Yes	Non-apportionment revenues are based upon past history and adjusted for known changes. FTES-related revenues are based upon FTES projections for each college.
Does the District automatically build in "growth" in growth revenue estimates?	No	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.
<b>2. Fund Balance</b>		
Is this Area Acceptable?	<b>Yes</b>	
Is the District's fund balance stable or consistently increasing?	Yes	The ending fund balance has steadily increased since FY 03-04 growing from \$8.6 million to greater than \$28 million at the end of FY 2018-19. The District is very cognizant of its fund balance and recognizes the importance of maintaining it at a healthy level.

Is the fund balance increasing due to ongoing revenue increases and/or expenditure reductions?	Yes	The prior increase in fund balance occurred due to a combination of expenditure control in FY 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. More recent years have seen significant revenue increases from the state.
<b>3. Enrollment</b>		
Is this Area Acceptable?	Yes	
Has the District's enrollment been increasing or stable for multiple years?	Yes	The District exceeded the funding cap in FY 09-10, FY 10-11 and FY 11-12 due to statewide workload reductions. The past several fiscal years have seen FTES remain stable, with nearly 4% growth in FY 2018-19.
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, FY 12-13, FY 14-15, and FY 16-17. The District exceeded its funded FTES in FY 09-10, earned all available growth in FY 10-11 and FY 15-16, and exceeded its cap in FY 11-12 and FY 13-14. The District is in hold harmless under the new SCFF.
<b>4. Unrestricted General Fund Balance</b>		
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 ongoing 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.
<b>5. Cash Flow &amp; Borrowing</b>		
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.
<b>6. Bargaining Agreements</b>		
Is this Area Acceptable?	<b>Yes</b>	
Has the District settled bargaining agreements within new revenue sources during the past three years?	Yes	The District gave a 5% salary increase to all employee groups in FY 15-16, only the second salary increase since FY 08-09. Approved contracts with an additional 2.5% salary increase are in place for United Faculty and management through FY 18-19.
Did the District conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement?	Yes	Ongoing salary increases are determined based on an agreed upon formula taking into consideration ongoing restoration revenue, new resources and permanent expenditure reductions.
Did the District correctly identify the related costs?	Yes	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 enacted the salary increase after an analysis of available revenue in comparison to expected expenses.
<b>7. Unrestricted Fund Staffing</b>		
Is this Area Acceptable?	<b>Yes</b>	
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 2016-17 and 2017-18, the percentage of the General Fund that was expended for salaries and benefits was 88%. The District believes this is in line with the statewide average, considering the pension cost increases.
<b>8. Internal Controls</b>		
Is this Area Acceptable?	<b>Yes</b>	
Does the District have adequate internal controls to insure the integrity of the general ledger?	Yes	There were adequate controls to insure the integrity of the 2017-18 general ledger and an unmodified 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.

<b>9. Management Information Systems</b>		
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 2017-18 records were complete prior to the District audit and the close of the fiscal year was 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 website as part of the agenda materials provided to the Governing Board. Commonly requested documents, such as budget and audits, are also available on the Administrative Services' web page.
<b>10. Position Control</b>		
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.
<b>11. Budget Monitoring</b>		
Is this Area Acceptable?	Yes	
Is there sufficient consideration given 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?	No	Unfortunately, this has little meaning with the recent GASB pension and OPEB changes. Most long-term debt is held in the 2002, 2006, and 2014 bonds. However, the long-term debt associated with the bond programs is paid through tax levies and is not truly District debt. Also with the

<p>Has the District identified the repayment sources for the long-term debt?</p> <p>Does the District compile annualized revenue and expenditure projections throughout the year?</p>	<p>Yes</p> <p>Yes</p>	<p>implementation of GASB 68 and 75, the District must now put its share of pension and OPEB liabilities on its balance sheet.</p> <p>Load banking and vacation liabilities are fully funded.</p> <p>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 study every year for GASB 75 post-employment health benefits debt and has established an irrevocable trust to meet GASB guidelines.</p> <p>The Board receives timely reports comparing the revenues and expenditures to budgeted amounts, and the percentage received/spent (to-date) to the percentage of the year completed.</p>
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**12. Retiree Health Benefits**

<p>Is this Area Acceptable?</p>	<p><b>Yes</b></p>	
<p>Has the District completed an actuarial calculation to determine the unfunded liability?</p> <p>Does the District have a plan for addressing the retiree benefits liabilities?</p>	<p>Yes</p> <p>Yes</p>	<p>The last actuarial calculation was performed in June 2018. The District's total OPEB liability is at \$245 million, with over \$112 million funded in an irrevocable trust. .</p> <p>The District selected a financial advisor, appointed a Retirement Board of Authority, prepared a substantive plan, and has funded between \$5.7 - \$9.1 million each year since FY 08-09 into an irrevocable trust. There is a current market value of over \$112 million within the irrevocable trust and further funds have been identified and set aside to continue funding the trust.</p>

**13. Stable Leadership**

<p>Is this Area Acceptable?</p>	<p><b>Yes</b></p>	
<p>Has the District experienced recent turnover in its management team (including Chief Executive Officer, Chief Business Officer, and Board of Trustees)?</p>	<p>Yes</p>	<p>The District hired a new Chancellor in January 2017, an individual with over 25 years of experience in California higher education. The District's two Executive Vice Chancellors have been with the District for 17 and 25 years, respectively. The Governing Board has five members, one elected in January 2010; two elected in November 2012; and two elected in November 2018.</p>

# **APPENDIX B**

## **AUDIT FINDINGS FOR FY 2016-17 AND FY 2017-18**

**APPENDIX B**  
**AUDIT FINDINGS FOR FY 2016-17 AND 2017-18**

The annual financial audit for the District conducted by the external audit firm reported no findings in FY 2016-17 and FY 2017-18.

**Audit Findings for FY 2016-17**

**There were no audit findings in FY 2016-17**

**Audit Findings for FY 2017-18**

**There were no audit findings in FY 2017-18**

# **APPENDIX C**

## **FY 2019-20 BUDGET DEVELOPMENT ASSUMPTIONS**

# APPENDIX C

## FY 2019-20 BUDGET DEVELOPMENT ASSUMPTIONS

### 2019-20 OPERATING BUDGET DEVELOPMENT ASSUMPTIONS

Key Budget Assumptions: 3.46% COLA; 0% FTES Adjustment; 5.96% H/W Increase  
Unrestricted General Fund

NOTE: FY 2019-20 Assumptions are based upon the District being in a hold harmless state under the new Student Centered Funding Formula

2/20/2019

FTES	17/18 Actuals	18/19 Budget	19/20 Tentative Budget Assumptions
Resident Credit rate	\$ 5,150.93	\$ 5,290.83	\$ 5,473.89
Resident Non-Credit rate	\$ 3,097.40	\$ 3,181.52	\$ 3,291.61
Resident Credit target	28,589.97	28,589.97	28,589.97
Resident Non-Credit target	78.03	78.03	78.03
Resident Credit - funded	28,589.97	28,589.97	28,589.97
Resident Non-Credit - funded	78.03	78.03	78.03
Non-Resident Target	2,750.00	2,350.00	2,350.00
Resident Unit Fee	\$ 46.00	\$ 46.00	\$ 46.00
Non-Resident Unit Fee	\$ 228.00	\$ 233.00	\$ 265.00

Revenue Assumptions	17/18 Actuals	18/19 Adoption Budget Assumptions	19/20 Tentative Budget Assumptions
1. FTES (Resident) Target	28,668.00	28,668.00	28,668.00
2. FTES (Non-Resident) Target	2,750.00	2,350.00	2,350.00
Revenue	\$12,624,624	\$13,652,606	\$15,527,641
3. COLA	1.56%	2.71%	3.46%
Incremental Revenue	\$2,424,263	\$3,997,662	\$5,922,142
4. Lottery, unrestricted	\$153	\$150	\$150
Total Revenue	\$4,131,499	\$4,774,049	\$4,069,049
5. Lottery, Prop 20 Restricted	\$55	\$55	\$55
Total Revenue	\$1,634,695	\$1,750,540	\$1,492,040
6. Deficit (property taxes/enrollment fees)	0.0%	0.5%	0.5%
Reduction in Revenue	-	(\$819,431)	(\$847,784)
7. FTES Adjustment	0.00%	0.00%	0.00%
Incremental Revenue	-	-	-
8. Base Allocation Increase	4,710,212	-	-

Expenditure Assumptions	17/18 Actuals	18/19 Adoption Budget Assumptions	19/20 Tentative Budget Assumptions
1. Salary Increase	0 - 2.5%	0 - 3%	0% <sup>1</sup>
2. Step/Column Annual Average Increase	1.2%	1.2%	1.2%
3. Health and Welfare (H&W)	4.00%	6.73%	5.96%
Active Employees	\$20,455,584	\$22,993,934	\$ 23,134,320
Retirees	\$12,590,093	\$13,219,598	13,437,408
	\$ 33,045,677	\$ 36,213,532	\$ 36,571,728
4. Payroll Taxes			
PERS Rate	15.531%	18.062%	20.700%
PERS Safety Rate (Police)	25.610%	25.610%	25.610%
STRS Rate	14.430%	16.280%	17.100%
Worker's Compensation Rate	1.123%	1.243%	1.243%
State Unemployment Insurance (SUI) Rate	0.050%	0.050%	0.050%
5. Districtwide Assessments and Other Expenses			
Utilities (5% Increase over CY projections)	\$ 4,337,521	\$ 4,549,247	\$ 4,782,117
Property & Liability Insurance	1,121,422	1,350,000	1,350,000
Student Accident Insurance/Student Assistance Program	279,427	330,000	330,000
IT Maintenance Agreements	1,570,246	1,450,000	1,500,000
Retiree Health Benefit Annual Contribution	1,000,000	1,000,000	1,000,000
Faculty Sabbaticals	480,960	490,579	500,390
Legal Costs	1,113,951	800,000	800,000
Election Costs	100,000	245,000	100,000
Audit	181,050	175,000	181,850
SUI Experience Charges	143,490	150,000	150,000
Self-Insurance Annual Contribution	100,000	100,000	50,000

<sup>1</sup> Any salary increases for FY 2019-20 will be determined through the collective bargaining process

# **APPENDIX D**

## **THREE-YEAR BUDGET FORECAST**

**APPENDIX D**  
**THREE-YEAR BUDGET FORECAST**

**Contra Costa Community College District**  
**Three Year Budget Forecast**  
**2019-2020 Fiscal Year and Beyond**

**Unrestricted, Ongoing General Fund**

	<i>SCFF Hold Harmless</i> 3.46% COLA <b>FY 2019-20</b>	<i>SCFF Hold Harmless</i> 2.50% COLA <b>FY 2020-21</b>	<i>SCFF</i> <i>No Hold Harmless</i> <b>FY 2021-22</b>
Base Revenue	\$ 208,121,067	\$ 208,121,067	\$ 201,824,094
COLA and Other Ongoing Revenue	-	5,203,027	-
Growth Revenue	-	-	-
<b>Revised Revenue</b>	<b>\$ 208,121,067</b>	<b>\$ 213,324,094</b>	<b>\$ 201,824,094</b>
Budgeted Ongoing Expenses	\$ 206,882,809	\$ 206,882,809	\$ 212,790,645
Step/Column Increases	-	1,375,200	1,391,702
Health Benefits Cost Increases	-	1,828,586	1,920,016
STRS/PERS Increases	-	2,704,050	1,150,029
<b>Revised expenditures</b>	<b>\$ 206,882,809</b>	<b>\$ 212,790,645</b>	<b>\$ 217,252,393</b>
Revenue less Expense	<b>\$ 1,238,258</b>	<b>\$ 533,448</b>	<b>\$ (15,428,299)</b>
<b>Potential Expenditure Reductions</b>	-	-	-
Beginning fund balance	<u>\$ 28,982,296</u>	<u>\$ 30,220,554</u>	<u>\$ 30,754,002</u>
<b>Estimated Ending Balance</b>	<b>30,220,554</b>	<b>30,754,002</b>	<b>15,325,703</b>
Adjustment to Fund Balance	<b>\$ 1,238,258</b>	<b>\$ 533,448</b>	<b>\$ (15,428,299)</b>

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

**Key Assumptions**

2.5% COLA in FY 2020-21

Hold Harmless goes away in FY 2021-22

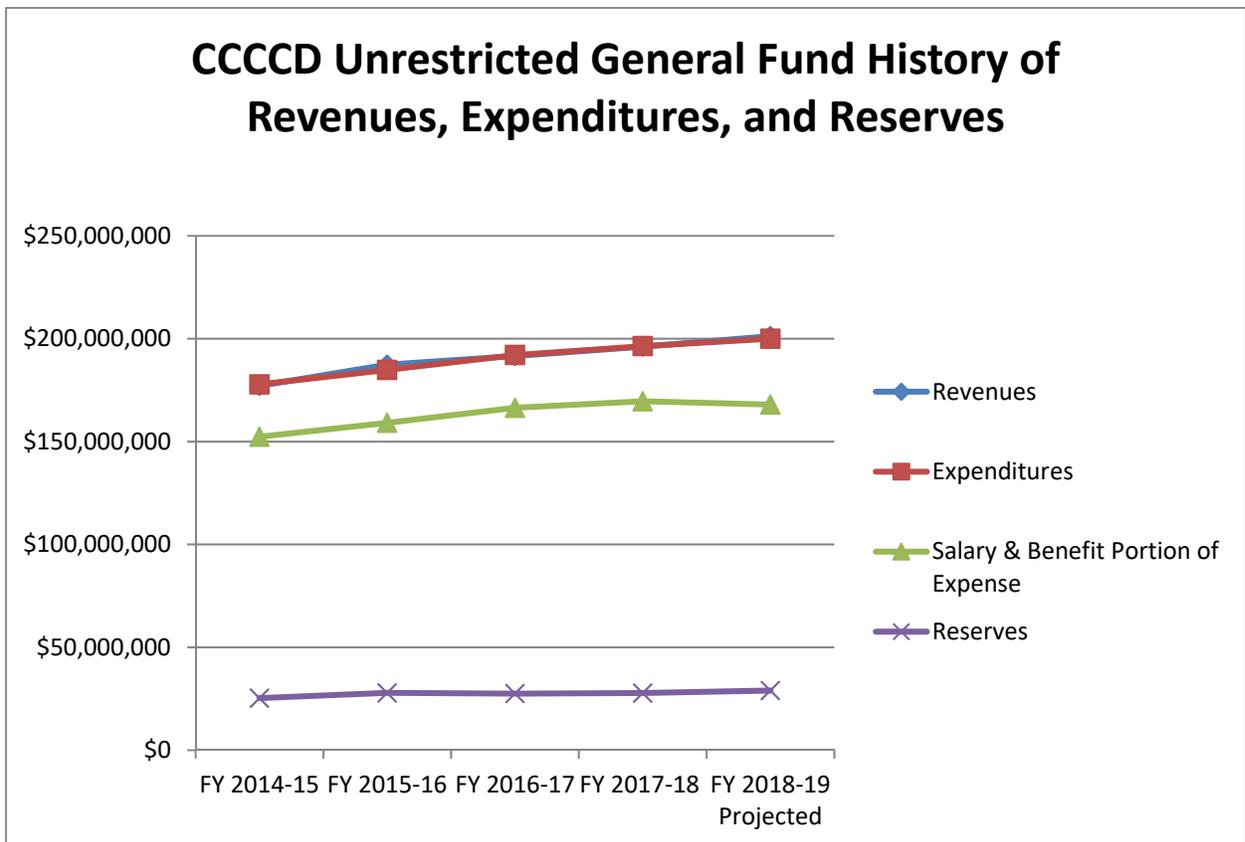
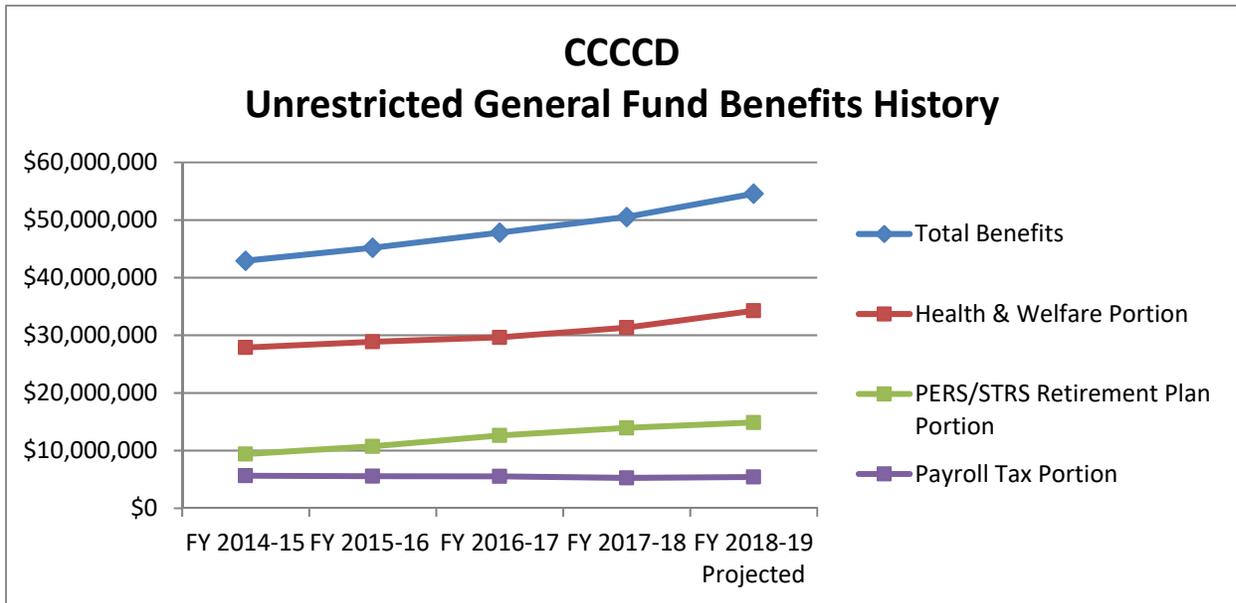
Step/Column increases at 1.2% each year

Health Benefit increases in FY 2020-21 and FY 2021-22 at 5% each year

**APPENDIX E**

**FIVE-YEAR  
EXPENDITURE TRENDS**

**APPENDIX E**  
**FIVE-YEAR EXPENDITURE TRENDS**



# **APPENDIX F**

## **GLOSSARY**

## APPENDIX F

### 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 XIII A 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.