



STUDY SESSION

DEVELOPMENT OF THE
2022-23 4CD BUDGET

MAY 11, 2022

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

**STUDY SESSION
DEVELOPMENT OF THE
2022-23 4CD BUDGET**

AGENDA

- I. Review of Fiscal Year 2021-22 Budget Status and Fiscal Year 2022-23 Budget Development Discussion
- II. Response from the Governing Board

PURPOSE

The Budget Study Session is conducted annually in May 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 Contra Costa Community College District's (4CD) policies and procedures established for development of the annual budget. In preparing the annual budget for 4CD, the goal is to develop a balanced budget that provides for programs and services that meet the needs of the community served by the 4CD, as delineated in 4CD's *Strategic Plan, 2020-2025*.

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

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

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

1.1 Criteria

The budget development process shall meet the criteria listed below.

- The annual budget shall support 4CD's strategic master plan and the colleges' educational and facilities master plans;
- assumptions, upon which the budget is based, are presented to the Governing Board for review;
- a schedule is provided to the Governing Board at the November Governing Board meeting each year that includes dates for presentation of the Tentative Budget, required public hearing(s), Governing Board study session(s), and approval of the adopted budget;
- 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 Governing Board in a timely manner; and
- budget projections address long-term goals and commitments.

1.2 Values

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

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

1.3 **Business Procedure 18.02, Parameters for Budget Development and Preparation**

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

- allow the resources sufficient for meeting the needs of the diverse student population of 4CD;
- be developed based on achievable full-time equivalent student (FTES) goals that provide for the highest possible level of student access;
- maintain a minimum emergency fund balance reserve of five percent of the unrestricted general fund budgeted expenditures for the FY: an additional five percent contingency Governing Board reserve will also be maintained;
- provide sufficient funding to ensure an appropriate number of faculty, classified professionals and management personnel to fulfill the mission of 4CD and its colleges;
- provide for contractual obligations and fixed costs;
- cover the current-year retiree health benefit expenses and increase restricted reserves for the retiree health benefit liability;
- include funding for new 4CD projects based on 4CD goals;
- adhere to formulae stipulated in business procedures;
- budget and restrict college year-end carryover balances for one-time expenditures only;
- maintain and improve colleges in a manner that attracts students and provides an environment that promotes education, including providing matching funds;
- include total compensation for all employees which will be in the top one-third of the Bay 10, excluding basic aid districts, only if 4CD can afford it; and
- reflect improvement in productivity at all levels; and
- be developed within a multi-year plan.

2. **4CD 2020-25 STRATEGIC PLAN**

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

Strategic Direction 1: Improve Student Learning and Completion across District Colleges

Support all college faculty, staff, and administrators in advancing student learning and completion. Strengthen college efforts to implement high-quality academic programs and champion the provision of proactive student support, including the adoption and scaling of effective practices.

Objectives:

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

Suggested Progress Measures and Actions:

1. Annually review 4CD progress toward the student success goals identified in the CCCCO's *Vision for Success* goals, specifically to achieve system wide improvement within five years.

- Student completion of degrees and certificates by 20 percent;
 - student transfers to the public universities (CSU and UC) by 35 percent; and
 - reduce time to degree by lowering units accumulated by associate degree recipients to an average of 79 units
2. Regularly assess progress of college implementation of Guided Pathways framework, identifying and providing support where appropriate.
 3. Annually review progress on the metrics identified in the 2017-2022 Districtwide Distance Education Strategic Plan.11
 4. Regularly assess the quality and effectiveness of 4CD efforts and convenings intended to share best practices, improve student outcomes, and increase institutional effectiveness.

Strategic Direction 2: Decrease Equity Gaps for All Students

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

Objectives:

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

Suggested Progress Measures and Actions:

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

Strategic Direction 3: Advance Existing Community Partnerships and Create New Collaborations to Strengthen Student Pathways

Support college efforts to align with key K-12, university, community, and workforce partners to facilitate students' movement into and through their institutions and transition to additional education and living-wage employment.

Objectives:

1. Align 4CD workforce goals with those identified in the California Community Colleges' *Vision for Success*.
2. Support college partnerships with K-12 institutions improving both collaboration and alignment to expand access to the District for students of all backgrounds and increase student readiness for college-level work.
3. Advance college collaborations with regional UC and CSU institutions to increase student completion of an Associate Degree for Transfer (ADT), transfer, and achievement of bachelor's degrees and beyond.
4. Support college implementation of the CCCCCO Strong Workforce Program to increase the number of students who enroll in programs leading to high-demand, high-wage jobs; secure employment; and improve their earnings.

5. Support 4CD implementation of the California Adult Education Block Grant (AEBG) to help further the career and talent development of Contra Costa County's adult workforce.
6. Support college partnerships with businesses, community organizations, and public agencies to meet community, economic, and workforce needs and serve as driver of both social justice and economic mobility.

Suggested Progress Measures and Actions:

1. Consistent with the state *Vision for Success* requirement, increase the percent of Career Education students employed in their field of study to 76 percent within five years.
2. Annually review the metrics captured in the Annual District Feeder High School Report, which tracks number of students enrolling in 4CD from feeder high schools and the success of those students once enrolled.
3. In alignment with the *Vision for Success* goals, increase the number of students receiving an ADT by 35 percent within five years. Make efforts to track the performance of transfer students at their destination institution, including the number and percent that successfully obtain a bachelor's degree.
4. Monitor 4CD progress on the metrics identified in the California Strong Workforce Program.¹²
5. Monitor 4CD progress on the metrics identified in the California Adult Education Block Grant.¹³
6. Assess the depth and quality of engagement of businesses, community organizations, and public agencies in career technical education (CTE) programs across 4CD colleges, such as involvement in advisory boards that provide regular, meaningful input into CTE curriculum; assessments of regional labor market needs; internship and work-based learning opportunities for students; and employment of 4CD graduates.

Strategic Direction 4: Cultivate a Culture of Engagement throughout the District

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

Objectives:

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

Suggested Progress Measures and Actions:

1. Assess faculty, staff, and administrator engagement in professional learning, including its quality and quantity; if new skills and knowledge are shared across departments and divisions; and/or the ways in which professional development has led to the introduction of effective approaches to proactive student support and improved learning and completion.
2. Assess 4CD employee satisfaction with communication between 4CD and the colleges and ways to improve these communication channels.

3. Assess 4CD employee engagement in participatory governance to identify who is engaged, in what ways they contribute to decision-making, and how to advance involvement.
4. Regularly review safety reports and monitor all incidents occurring throughout 4CD. Regularly evaluate safety protocols, processes and training practices.

Strategic Direction 5: Responsibly, Effectively, and Sustainably Steward District Resources

Prudently and judiciously steward Contra Costa County's investment in 4CD by leveraging all 4CD resources. Ensure fiscal responsibility and environmental sustainability are key considerations in all decision-making and understood as essential to a student-centered environment. In the new state funding paradigm, maintain financial stability. Maintain strong alignment and coordination among 4CD and its three colleges, leveraging the distinct assets of each institution as well as the unique power of their combined efforts to strategically tackle challenges, increase resource efficiency, and better serve our students.

Objectives:

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

Suggested Progress Measures and Actions:

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

3. FY 2022-23 BUDGET DEVELOPMENT CALENDAR

Below is a listing of the actions to be undertaken in the development of the budget for FY 2022-23. The budget calendar, noted in Business Procedure 18.06, Budget Preparation, adheres to the guidelines for preparation of the annual budget as set forth in the California Code of Regulations and Board Policy 5033, Budget Development.

November

- 4CD educational planning meeting is conducted

December

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

January/February/March

- Governor's Budget is released setting the preliminary revenue targets
- Cabinet reviews state revenue collections, apportionment reports and enrollment data
- Cabinet reaches agreement on any mid-year shifting of FTES between sites
- Cabinet reaches agreement on FTES targets for the Tentative Budget
- First Principal Apportionment and prior year Apportionment Recalculation reports are issued by the State System Office
- 4CD develops preliminary revenue projections based on tentative budget FTES targets, known and assumed changes in other revenue or cost variables, and provides colleges with their estimated budget allocation and personnel costs
- Tentative budget assumptions are updated and reviewed with location Business Officers Chancellor Advisory Team (CAT), Cabinet and District Governance Council (DGC)

April/May/June

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

July

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

August

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

September

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

October

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

Throughout the year

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

4. FY 2021-22 UPDATE

In September 2021, the Governing Board adopted the FY 2021-22 budget with an increase in year-over-year ongoing revenue predominantly related to the 5.07% COLA enacted in the State Budget. The increase in apportionment revenue was offset by the forecasted decline in nonresident revenue due to the decline in FTES. Utilizing the hold harmless provision of the SCFF, 4CD received the same level of funding compared to the prior year and adjusted for COLA. The fiscal year began with major budgeted increases year over year related to step and column, benefit costs, pension

contribution rates for STRS and PERS. In summary, 4CD's operating budget had a slight surplus of approximately \$ 245,949, within 0.1 percent of its total expenditure budget.

While 4CD's actual resident FTES continues to show decline, the extension of the hold harmless provision through 2024-25 continues to provide financial security to 4CD. Considering this fact, 4CD continues to budget for an unchanged resident FTES target. Maintaining the level of funding associated with this target allows 4CD to sustain its existing operations, invest in outreach and other FTES-generating activities, and be in a state of readiness for when the demand for services will inevitably rise.

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

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

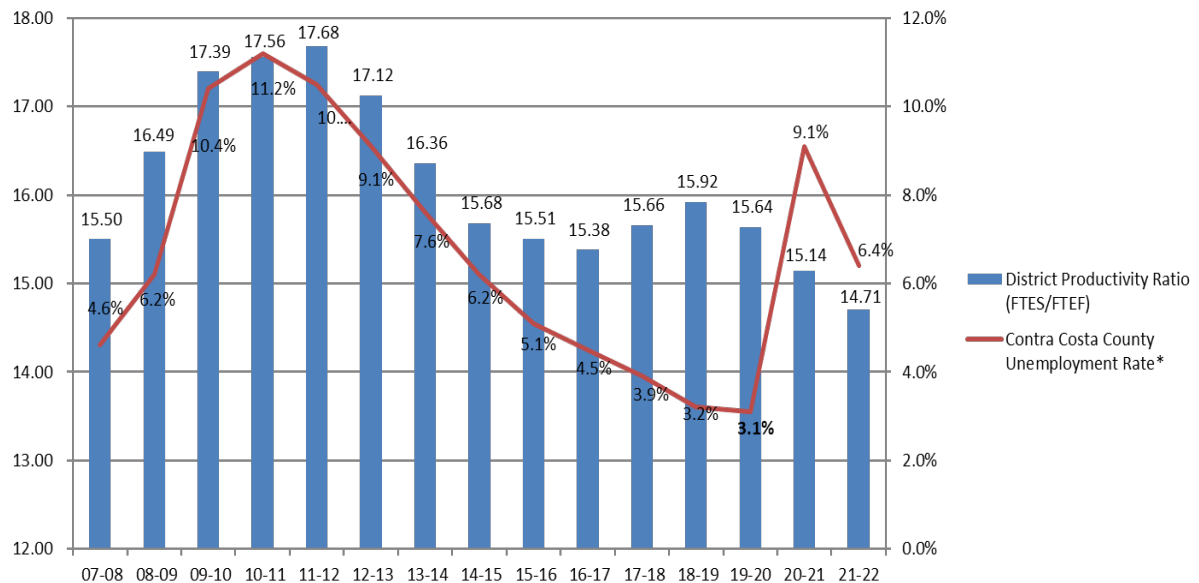


Chart 1

Another important funding source to report for FY 2021-22 is the federal funding provided to the schools and colleges in response to the COVID-19 pandemic and its impact on schools and colleges, Congress approved three separate rounds of Higher Education Emergency Relief Funds (HEERF) and Coronavirus Relief Funds (CRF) to help colleges quickly adapt to distance learning and alleviate pandemic related costs.

Under the combined HEERF grants, 4CD received \$98 million in federal funding, \$38.7 million of which must be used for direct student aid and the rest for institutional expenditures. Table 1 below reports total funding allocated to each college within 4CD and Table 2 reflects HEERF spending to date as of March 31, 2022. On the next page, Chart 2 reflects major types of HEERF expenditures and the largest category of spending through March 31, 2022, is emergency financial aid needs. The Department of Education extended spending on award funds through June 30, 2023.

HEERF Awards by College

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

Table 1

HEERF Year-to-Date Spending as of March 31, 2022

	Contra Costa College	Diablo Valley College	Los Medanos College	TOTAL	% Dist.
Total Allocations	\$21M	\$47M	\$30M	\$98.0M	100%
Total Expenditures	\$13.7M	\$37.3M	\$17.2M	\$68.2M	70%
Total Encumbrances	\$.6M	\$ 1.4M	\$.9M	\$ 2.9M	3%
Total Remaining Balance	\$ 6.7M	\$8.3M	\$11.9M	\$26.9M	27%

Table 2

HEERF Major Expenditures as of March 31, 2022

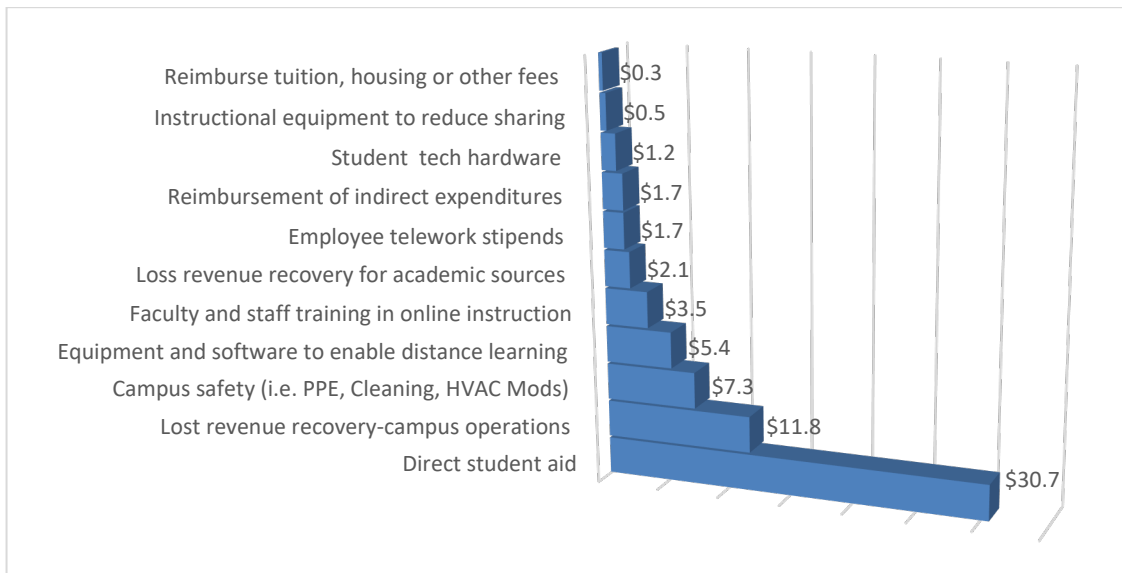


Chart 2

As a result of the pandemic and the federal funding available, to 4CD in 2021-22, the impact was supportive of 4CD's financial stability. Detailed below are notable changes in revenues and expenditures considering the available HEERF funds and additional narrative regarding how these funds continue to be utilized in FY 2021-22.

4.1 FY 2021-22 Changes in Revenues

Overall, 4CD's revenue is trending with the amended budget. 4CD is currently taking advantage of the SCFF hold harmless provision generating expected apportionment revenue of \$189 million (including 5.07% COLA enacted in the state budget) for fiscal year 2021-22. The SCFF provision allows 4CD to maintain its apportionment revenue levels, despite declining enrollment trends. Apportionment schedules released in March 2022 indicate an anticipated deficit factor of 3.3 percent. The deficit factor considers anticipated revenue reductions in local tax revenues and enrollment fees. If the deficit factor does indeed stay at 3.3 percent, this will result in a revenue reduction of \$6.3 million to 4CD. Based on experience, the anticipated deficit factor usually reduces to 0.5 percent or thereabouts by the end of the fiscal year. In addition, with HEERF funding available, 4CD is not highly concerned about the estimated apportionment deficit factor at this time.

The COVID-19 pandemic resulted in lost revenues affecting various campus operations. Originally, HEERF funding for institutional expenditures did not allow recovering lost revenue, Congress now allows 4CD to recover lost revenues for impacted operations, including childcare centers, facility rentals, and auxiliary operations. This provides 4CD and its colleges the ability to keep local revenues in line with historical trends. There has been a demand on HEERF funds. Currently, 4CD and its colleges plan to use a portion of unencumbered institutional HEERF funds to address unpaid student debt accumulated since the onset of COVID19. 4CD believes this effort will remove a major barrier preventing students from re-enrolling because of personal financial challenges they may have experienced during the pandemic.

4.2 FY 2021-22 Changes in Expenditures

Decline in enrollment continues to result in the cancellation of select class sections and while maintaining some low enrolled classes to retain and recover student populations by offering more class times and options. In addition, the colleges engaged in prudent and conservative expense control by maintaining a number of vacancies which were not filled resulting in potential savings related to salary and benefits expenditures.

4.3 FY 2021-22 Adopted Budget and Projected Reserves

4CD's expenses are currently trending below the amended budget. Table 3 details the Adopted Budget reserves and the Projected Ending reserves for FY 2021-22. The projected ending balance for FY 2021-22 is inclusive of expected transfers for maintenance projects, long-term liabilities, and other one-time designations.

The reserves shown in Table 3 represent the operating, ongoing portion of the unrestricted general fund.

	2021-22 Adopted Budget	2021-22 Projected Ending Balance
Designated Districtwide Reserves	\$2,176,250	\$ 2,176,250
Designated College and DO Reserves	3,562,372	2,679,293
Subtotal, Designated Site Reserves	\$5,738,622	\$4,855,543
5% Governing Board Contingency Reserve	10,399,100	10,570,240
5% Governing Board Reserve	10,399,100	10,570,240
Subtotal, Designated Governing Board Reserves	\$ 20,798,200	\$21,140,480
Undesignated Districtwide Reserves	45,057	1,548,560
Undesignated College and DO Reserves	3,258,713	2,448,759
Subtotal, Undesignated Reserves	\$ 3,303,770	\$3,997,319
TOTAL RESERVES	\$ 29,840,592	\$29,993,342

Table 3

5. FY 2022-23 BUDGET DISCUSSION

5.1 FY 2022-23 Highlights

Governor's Budget Proposal

Governor Newsom's January budget proposal focuses on continuing efforts to support pandemic recovery. These major priorities include an emergency response package for COVID-19 support efforts, development of affordable housing, fighting, and preventing wildfires, drought response and rural workforce development programs. The budget outlook has improved since the 2021 Budget Act with growth in revenues from sales tax and income tax withholdings. The proposed state budget is larger than expected with the general fund spending increasing 1.5 percent to \$213 billion and reflects a surplus of \$45 billion. The budget also continues the fiscal prudence established under the prior administration through paying down liabilities and maintaining reserves, including the Public School Stabilization Account, commonly referred to as the "rainy day fund."

Of importance to the community college system, the projected total Proposition 98 system guarantee has increased to \$102 billion or an increased investment of \$8.2 billion in schools and community colleges. This level of funding is above the level of funding in the 2021 Budget Act and the highest level of state funding for K-14 schools. In addition, the budget

proposal includes estimates of the minimum guarantee for both 2020-21 and 2021-22 and which are higher than projected in June because of stronger than expected revenues.

For community colleges, total Proposition 98 funding augmentations include an additional \$1.8 billion split \$841.5 million (ongoing) and \$982.8 million (one-time) in support of programs and initiatives

The Governor's 2022-23 Budget proposes to extend the revenue protections [for SCFF] given in last year's enacted budget in a modified form to avoid creating sharp fiscal declines in 2025-26. Under the proposal, a district's 2024-25 funding would represent its new "floor," below which it could not drop. Funding rates would continue to increase to reflect the statutory COLA if provided in the budget act language, but this revised hold harmless provision would no longer automatically include adjustments to reflect cumulative COLAs over time, as is the case with the current provision in effect through 2024-25. 4CD has benefited from the hold harmless provision since the implementation of SCFF in 2018-19. The minimum floor provides protection to 4CD as it recovers from the downturn in enrollment trends. 4CD will continue planning to create revenue projections for 2025-26, and most importantly, to determine and begin implementing interventions to improve enrollment trends. 4CD staff recommends continued advocacy through the SCFF committee structure to ensure the interests of hold harmless districts are represented

Utilizing the increase in Proposition 98 funding, on Table 4 below are notable ongoing and one-time proposals within the Governor's budget, with the impact on the community college system and 4CD.

Categories	Governor's Proposal	Potential Impact to District
COLA (ongoing)	\$409.4 million to fund a COLA of 5.33%	Approximately \$10 million in additional apportionment revenue. As 4CD is in a hold harmless state under the SCFF, the 5.33% is applied to the total computational revenue 4CD received in FY 2021-22.
Growth Funding (ongoing)	\$25 million to fund FTES growth in the system 0.50%	0.5% growth would result in approximately \$600,000 additional ongoing funding to 4CD. This would require 4CD to generate additional FTES above its target. Due to enrollment projections, 4CD is unable to claim these dollars.
Part-time Faculty Health Insurance (one-time)	\$200 million	4CD is currently being funded based on a portion of actual expenses submitted to the CCCC. District's portion of annual expenses in 2020-21 was \$2.5 million.
Retention and Enrollment Support (one-time)	\$150.0 million	Approximately \$3.6 million in one-time funding for 4CD to support college efforts in increasing student retention rates and enrollment.
COLA for EOPS, DSPS, Apprenticeship, CalWORKs, and Block Grant programs (ongoing)	\$21.2 million	Approximately \$.5 million to support student categorial programs.
Emergency Student Financial Assistance (one-time)	\$20 million	Approximately \$.4M in one-time funding for 4CD to support grants to eligible AB 540 students

Financial Aid Administration (ongoing)	\$10 million	Approximately \$.2 million in ongoing funding to support 4CD financial aid staff resources at the college level.
EEO Program (ongoing)	\$10 million	Approximately \$.2 million in ongoing funding for 4CD to implement EEO programs using best practices to diversify faculty, staff and administrators.

Table 4

The Governor's 2022-23 budget proposal for community colleges reflects major policy decisions framed around "Road Map to California's Future" and includes a multi-year road map that enhances the system's ability to prepare students for California's future, a collaborative plan developed by the Administration and the Chancellor's Office. With a focus on equity and student success, the framework builds on existing efforts toward achieving the Vision for Success goals, while establishing some additional expectations for the system over the next several years. The proposal is made in the context of a goal of achieving 70% postsecondary degree and certificate attainment among working-age Californians by 2030. Key goals and expectations in the road map include increased collaboration across segments and sectors to enhance timely transfer, improved time-to-degree and certificate completion, closure of equity gap and better alignment of system with K-12 and workforce needs.

- **\$387.6 million (one-time) - Deferred Maintenance** — Funding to support deferred maintenance and energy efficiency projects at community colleges, of which \$108.7 million is from 2022-23, \$182.1 million is from 2021-22, and \$96.8 million is from 2020-2021.
- **\$105 million (one-time) - Common Course Numbering** - Funding to support the systemwide implementation pursuant to the provisions of Chapter 568, Statutes of 2021 (AB 1111).
- **\$100 million (ongoing) - Cal Grant** - Funding for students newly eligible for the Student Success Completion Grant due to expanded Cal Grant B and Cal Grant C eligibility.
- **\$100 million (ongoing and one-time) – Modernize IT Infrastructure** - Funding includes \$75 million (one-time) and \$25 million (ongoing) and to implement software that will help students choose their pathway, facilitate, streamline, and reduce excess units taken on the path to degree or program completion.
- **\$65 million (one-time) - Transfer Reforms** – Funding for community colleges to implement the transfer reform provisions required by Chapter 566, Statutes of 2021 (AB 928).
- **\$25 million (one-time) - Program Pathway Mapping** – Proposition 98 funds one-time resources to facilitate the procurement and implementation of software that maps intersegmental curricula pathways enabling students to select a pathway, facilitate streamlined transfer between segments and reduce excess unit accumulation.
- **\$10 million (ongoing) - Next Up** – Funding to expand availability of foster youth support services offered from 20 districts to 30 districts.
- **\$1.4 million (ongoing) - CCCCO Staff** – Funding to support 9 new positions at the State Chancellor's Office in 2022-23, and an additional \$1.4 million ongoing General Fund to support 10 additional new positions in 2023-24. These new resources will aid the State Chancellor's Office in supporting curriculum-related reforms.

5.2 FY 2022-23 Planning

Planning for the FY 2022-23 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

Enrollment trends for 2021-22 indicate an estimated year-over-year decline of 8.7 percent. However, due to the SCFF hold harmless provision, 4CD plans to budget its apportionment revenue at its resident FTES target. Maintaining the level of funding associated with this target allows 4CD to sustain its existing operations, invest in outreach and other FTES-generating activities, and be in a state of readiness for when the demand for services will inevitably rise.

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

	FY 2021-22 Resident FTES Target	FY 2022-23 Resident FTES Target	FTES Difference	\$ Difference
CCC	5,381	5,381	-	\$1,897,992
DVC	15,336	15,336	-	5,409,332
LMC	7,951	7,951	-	2,804,486
Total	28,668	28,668	-	\$10,111,810

Table 5

Non-resident FTES Targets

4CD reduced its non-resident FTES targets by 111 FTES in 2021-22 over the prior year. For the 2022-23 Tentative Budget, 4CD will plan a slight increase of 100 non-resident FTES. The targets and total tuition dollars associated with non-resident students are shown in Table 6.

	FY 2021-22 Non- Resident FTES Target	FY 2022-23 Non- Resident FTES Target	FTES Difference	Total Non- Resident \$
CCC	200	200	-	\$664,995
DVC	1,000	1,100	100	7,979,939
LMC	100	100	-	664,995
Total	1,300	1,400	100	\$ 9,309,929

Table 6

Health Benefit Increase

During the development of the budget assumptions, 4CD staff reviews historical increases and projects the coming increase based on an agreed upon formula: the average of the past seven years’ increases, excluding the high and the low. The outcome of this formula is a projected increase in health benefit premiums of 3.89 percent. A 3.89 percent premium hike translates to approximately \$1.3 million in additional annual cost to 4CD. 4CD should receive finalized rates by May and will incorporate the actual plan costs into the Adoption Budget.

Salary Increase

Any salary increases for FY 2022-23 (which are not included within the expenditure assumptions) will be determined through the ongoing collective bargaining process.

5.3 FY 2022-23 Major Budget Assumptions

Revenue Assumptions

Following are revenue assumptions from what is known at this point in the state budget process. These revenue assumptions total roughly \$9.7 million in incremental revenue over prior adoption budget.

- COLA of 5.33 percent
 - *Potential impact:* A COLA of 5.33% will generate \$10.1 million in incremental revenue for 4CD.
- State lottery revenue
 - *Potential impact:* \$0 change in lottery revenue received from the state.
- Interest income
 - *Potential impact:* \$400,000 decrease in interest earnings caused by reduced interest rates.

Expenditure Assumptions

Delineated below are major expenditure assumptions that total roughly \$4.9 million in increased expenses.

- Health benefits costs to increase by 3.89 percent
 - *Potential Impact:* A 3.89 percent increase in health benefits costs results in approximately \$1.3 million in additional expenses to 4CD. This increase includes retiree health benefits, which now comprise approximately 38 percent of the anticipated \$35.4 million annual health benefit expenses.
- Step and column salary increases at 1.2 percent of total salaries
 - *Potential Impact:* Step and column increases are projected to cost \$1.2 million and include all classes of employees.
- CalSTRS employer contribution rate increase from 16.92 to 19.10 percent resulting in an increase of costs by about \$1.2 million.
- CalPERS employer contribution rate to increase from 22.91 to 26.10 percent
 - *Potential impact:* An increase in the CalPERS employer contribution rate from 22.91 to 26.10 percent creates an additional \$1.2 million expense to 4CD.

Other Expenditure Assumptions

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

- the retiree health benefit contribution will remain at \$1 million;
- the self-insurance annual contribution will remain at \$50,000;
- the worker's compensation rate will remain at 1.212 percent; and
- the state unemployment insurance rate will remain at 0.05 percent

6. FY 2022-23 PROJECTED BUDGET

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

6.1 FY 2021-22 and FY 2022-23 Comparison

Table 7 shows a comparison between the adoption budget for FY 2021-22 and the projected Tentative Budget for FY 2022-23. As explained previously, the budget assumptions driving these figures may change after the May Revision.

	FY 2021-22 Adoption Budget	FY 2022-23 Projected Tentative Budget	Increase/ (Decrease)
Funded Resident FTES	28,668	28,668	0
Revenues	\$ 209,912,951	\$ 221,760,589	\$11,847,638
Expenditures	209,667,002	222,909,918	13,242,916
Opening Fund Balance	29,594,643	29,993,342	398,699
Change in Fund Balance	245,949	(1,149,329)	n/a
Ending Fund Balance	\$ 29,840,592	\$ 28,844,013	(\$ 996,579)

Table 7

6.2 FY 2022-23 Projected Reserves

The reserves shown in Table 8 comprise the operating portion of the unrestricted general fund and tentatively project a FY 2022-23 ending reserve balance of \$28,844,013. The table details the distribution of the projected FY 2022-23 ending reserve balance between designated and undesignated categories. College and District Office designations are continually updated and may change by Tentative Budget.

	2022-23 Projected Tentative Budget
Designated Districtwide Reserves	999,134
Designated College and DO Reserves	703,005
Subtotal, Site Designated Reserves¹	\$1,702,139
5% Contingency Reserve	11,096,969
5% Governing Board Reserve	11,096,969
1% Minimum Location Reserves	3,600,014
Subtotal, Governing Board Designated Reserves²	\$ 25,793,952
Undesignated Districtwide Reserve	
Undesignated College and DO Reserves	1,347,922
Subtotal, Undesignated Reserves³	\$ 1,347,922
TOTAL RESERVES 6/30/23	\$28,844,013

Table 8

¹ Designated College, District Office, and 4CD Reserves: Deficit funding reserves, contractual carryovers, and other long-term liabilities (load banking, vacation).
² Governing Board and Location Reserves: Governing Board Reserve at 10 percent; site reserves at a minimum of 1 percent.
³ Undesignated Reserves: *Estimated* reserves; largely determined by each site.

7. 4CD FISCAL TRENDS

4CD has a demonstrated history of fiscal prudence and conservative behavior. Even so, from FY 2011-12 through FY 2014-15, expenditures exceeded revenues; this resulted in a slow decline of 4CD’s fund balance. After an uptick in FY 2015-16, mostly due to unrestricted dollars frontloaded by the state for increasing the full-time faculty ratio, the fund balance stayed fairly flat. In FY 2021-22, due to continued prudent spending related to effects of COVID, absorbing salary increases awarded in 2021-22 and recovery of lost revenues from HEERF funds, the ending operating fund balance is anticipated to increase by roughly .1 percent. Chart 3 below illustrates the change in unrestricted, operating fund balance since FY 2013-14 with the budget for FY 2021-22.

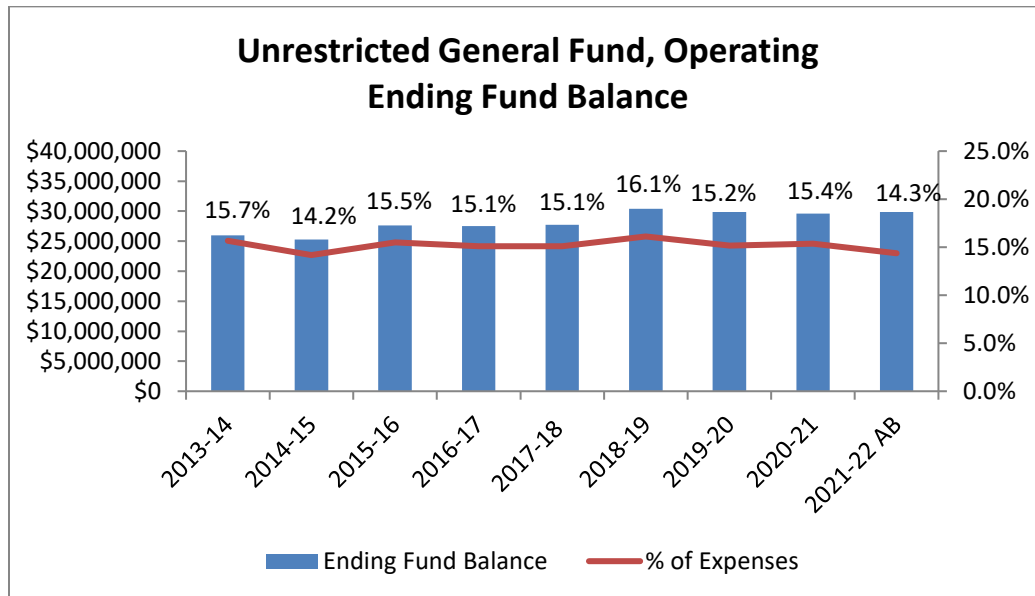


Chart 3

7.1 Salary and Benefit Trends

In FY 2021-22, 4CD negotiated a 5.07% ongoing salary increase for classified and management employees. For both full-time and part-time faculty, a 5.07% one-time bonus was paid for work assignments in the fiscal year. Beginning in fall 2022, part-time faculty will be paid 80% pay per load. Regarding benefits, 4CD 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, and so on. For retirees, the cost is entirely for health benefits. Chart 3 shows the past nine years of actual salary and benefit costs, along with a projection for FY 2021-22. Items of note are in Chart 4 on the next page:

- salary costs are projected to be over \$125.7 million in FY 2021-22;
- total benefit costs have increased from \$40.2 million in FY 2011-12 to an estimated \$60.6 million in FY 2021-22, a 50.6 percent increase; and
- in FY 2011-12, for every dollar spent on salaries, an additional 41 cents was spent on benefits; however, in FY 2021-22 for every dollar spent on salaries, an additional 48 cents is spent on benefits. This is an 18 percent increase between FY 2011-12 and FY 2021-22.

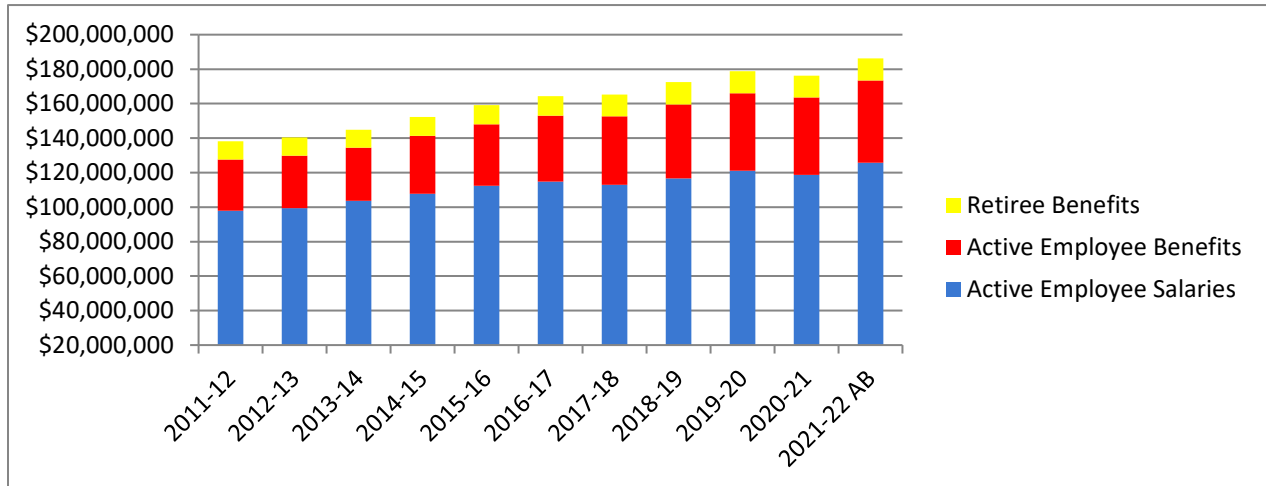


Chart 4

Cumulative Totals

2011-12	\$138.1 (total benefits at 41.1%)
2012-13	\$140.3 (total benefits at 41.2%)
2013-14	\$144.8 (total benefits at 39.7%)
2014-15	\$152.4 (total benefits at 41.4%)
2015-16	\$159.1 (total benefits at 41.6%)
2016-17	\$164.3 (total benefits at 43.1%)
2017-18	\$165.2 (total benefits at 46.2%)
2018-19	\$172.5 (total benefits at 47.8%)
2019-20	\$178.8 (total benefits at 47.6%)
2020-21	\$176.1 (total benefits at 48.5%)
2021-22	\$186.3 (total benefits at 48.2%)

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

7.2 Compensated Absences, Retiree Health and OPEB Liabilities

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

4CD dedicated substantial financial resources to buy down this liability. This dedication resulted in an increase in the fund balance from \$1.67 million in FY 2010-11 to \$15.8 million in FY 2020-21. More important is the ratio of funding in comparison to the total liability. In FY 2017-18, 4CD reached the 100 percent funding level and continues to maintain this level of funding. This history is illustrated in Chart 5 on the next page.

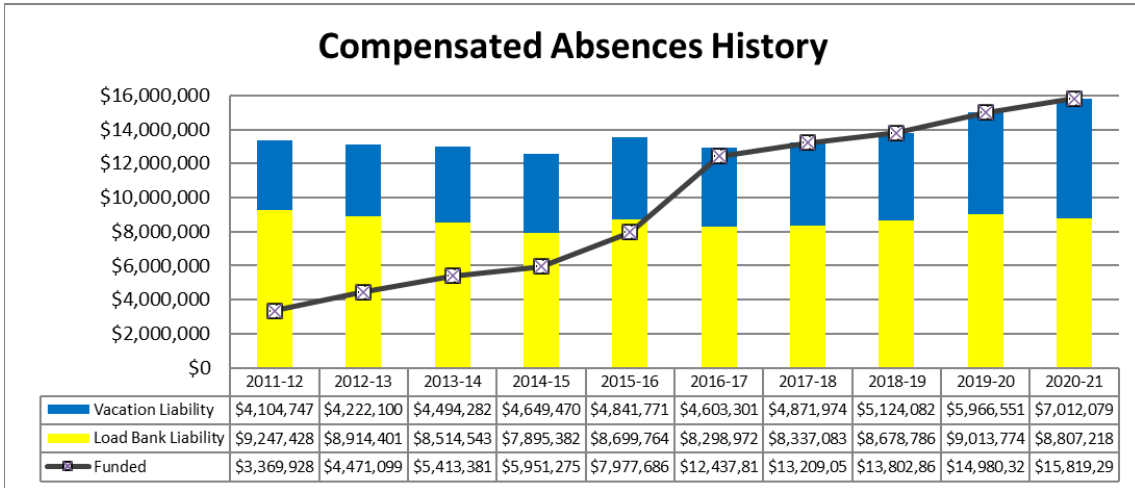


Chart 5

Further, the irrevocable trust in Chart 6 below and in place to fund retiree health benefits is also experiencing new heights. With a market value in the trust of \$161.0 million and an additional \$8.6 million earmarked for eventual transfer into the trust, 4CD is approximately 63 percent funded for its approximately \$257 million liability.

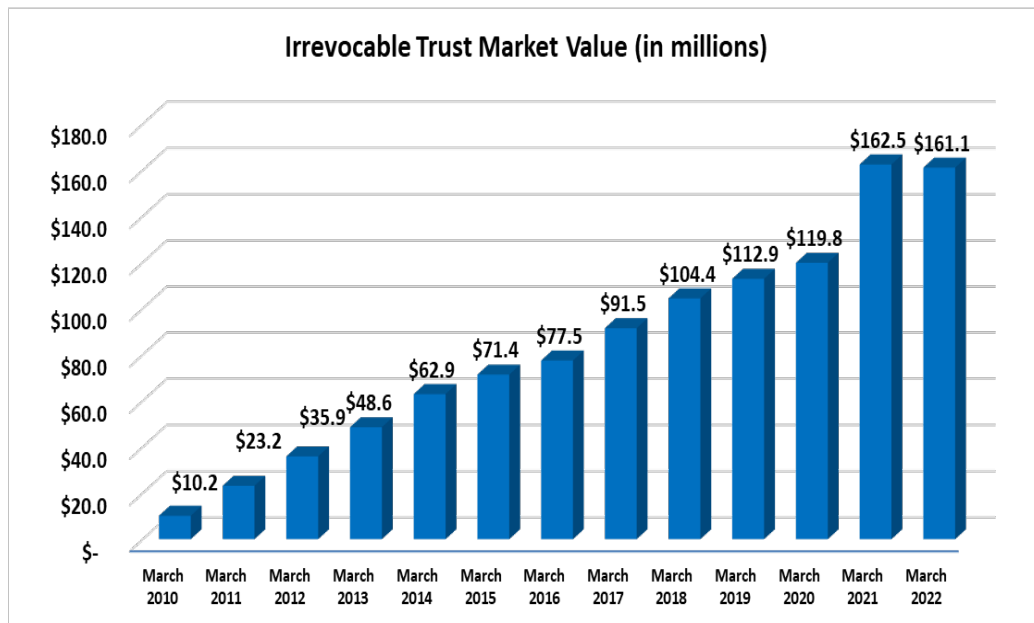


Chart 6

8. NEXT STEPS

The Governor’s revised budget will be released in mid-May 2022. 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, 2022, providing ample time for 4CD staff to prepare the final Adoption Budget to be presented to the Governing Board at its September 2022 meeting.

9. CONCLUSION

As 4CD continues to face enrollment challenges, it must be innovative and market the value it provides to combat the decline in student numbers. As Table 9 and Chart 7 clearly demonstrate, the value of an education is undeniable, and the value community colleges provide is irrefutable. 4CD will work to capitalize on this competitive advantage while continuing to deliver a high-quality educational experience to the students in its service area.

Education attained	Unemployment rate in 2020	Median Weekly Earnings in 2020
Doctoral degree	2.5%	\$1,885
Professional degree	3.1%	\$1,893
Master's degree	4.1%	\$1,545
Bachelor's degree	5.5%	\$1,305
Associate's degree	7.1%	\$938
Some college, no degree	8.3%	\$877
High school diploma	9.0%	\$781
Less than a high school diploma	11.7%	\$619

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

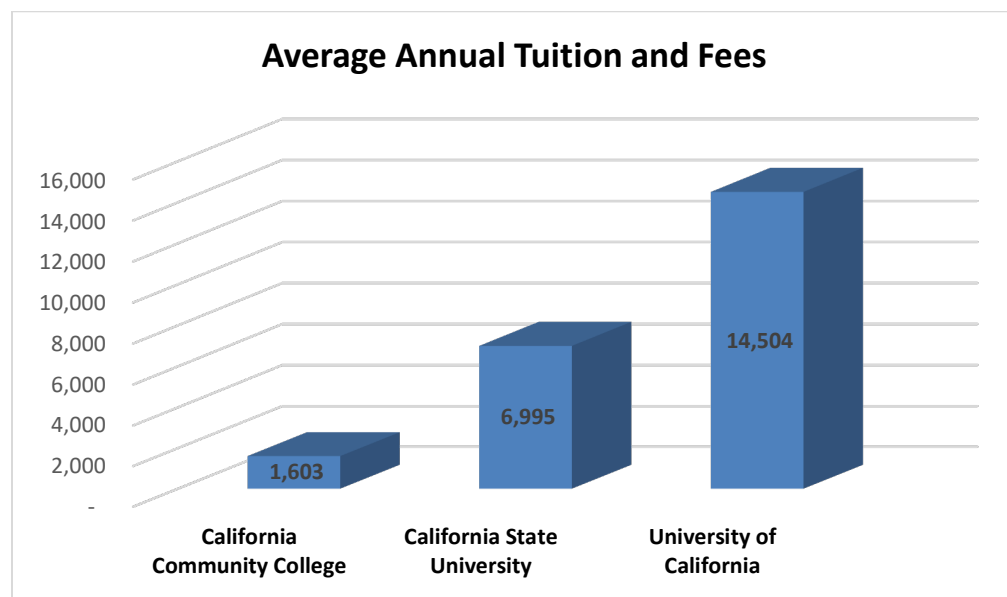
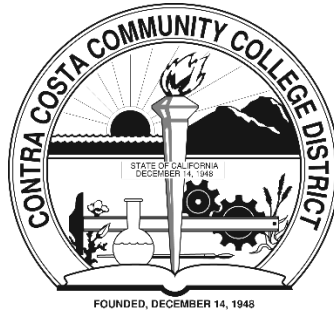


Chart 7



APPENDICES

- A. SOUND FISCAL MANAGEMENT CHECKLIST**
- B. AUDIT FINDINGS FOR FY 2019-20 AND AUDIT STATUS FOR FY 2020-21**
- C. FY 2022-23 BUDGET DEVELOPMENT ASSUMPTIONS**
- D. THREE-YEAR BUDGET FORECAST**
- E. GLOSSARY**

APPENDIX A

**SOUND FISCAL
MANAGEMENT CHECKLIST**

APPENDIX A

SOUND FISCAL MANAGEMENT CHECKLIST

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

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

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

Question	Answer	Explanation
1. Deficit Spending		
Is this Area Acceptable?	Yes	
Is the District spending within their revenue budget in the current year?	Yes	4CD is projected to increase its fund balance by \$.4 million, approximately .2% in an almost \$209 million annual operating budget.
Has the District controlled deficit spending over multiple years?	Yes	4CD has built up the ending fund balance since FY 03-04 primarily by identifying and setting aside one-time, unrestricted revenues and not budgeting them in an ongoing fashion. In FY 2021-22, 4CD anticipates its ending balance will increase.
Is deficit spending addressed by fund balance, on-going revenue increases, or expenditure reductions?	Yes	4CD makes a budgetary distinction between "on-going" and "one-time" revenues and expenditures. For FY 2021-22, 4CD's budgeted on-going expenses are projected to be \$.4 million less than ongoing revenues.
Are District revenue estimates based upon past history?	Yes	Non-apportionment revenues are based upon past history and adjusted for known changes. FTES-related revenues are based upon FTES projections for each college.
Does the District automatically build in "growth" in growth revenue estimates?	No	4CD bases its apportionment revenue on FTES targets that are set during budget development. FTES targets include either growth or decline as projected utilizing trend data and State funding availability.
2. Fund Balance		
Is this Area Acceptable?	Yes	
Is the District's fund balance stable or consistently increasing?	Yes	The ending fund balance has steadily increased since FY 2003-04 growing from \$8.6 million to greater than \$30 million estimated for the end of FY 2021-22. 4CD is very cognizant of its fund balance and recognizes the importance of maintaining it at a healthy level.

Is the fund balance increasing due to ongoing revenue increases and/or expenditure reductions?	Yes	The prior increase in fund balance occurred due to a combination of expenditure control in FY 2003-04, FY 2004-05, and FY 2005-06, and revenue increases in FY 2007-08, FY 2008-09 and FY 2010-11 due to restoration in FTES. More recent years have seen significant revenue increases from the state.
3. Enrollment		
Is this Area Acceptable?	Yes	
Has the District's enrollment been increasing or stable for multiple years?	No	4CD exceeded the funding cap in FY 2009-10, FY 2010-11 and FY 2011-12 due to statewide workload reductions. The past several fiscal years have seen FTES decline and including enrollment declines during the pandemic for the later part of FY 2020-21 and in FY 2021-22.
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?	No	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. However, since the start of the pandemic academic staffing supported the colleges in providing more flexibility in class times and course offerings resulting in retaining some low enrolled classes and to attract students back to the colleges.
Does the District analyze enrollment and full-time equivalent student (FTES) data?	Yes	The colleges and Cabinet review current trends and develop both college and District projections.
Does the District track historical data to establish future trends between P-1 and annual for projection purposes?	Yes	4CD produces periodic reports of enrollment trends and utilizes multi-year analyses in developing projections.
Has the District avoided stabilization funding?	No	4CD has received stabilization funding in FY 2004-05, FY 2008-09, FY 2012-13, FY 2014-15, and FY 2016-17. 4CD exceeded its funded FTES in FY 2009-10, earned all available growth in FY 2010-11 and FY 2015-16, and exceeded its cap in FY 2011-12 and FY 2013-14. 4CD is in hold harmless under the new SCFF.
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 eight years, 4CD has maintained at least a 5% fund balance and in FY 08-09 a 5% "Board Contingency Reserve" was established in addition to the on-going 5% contingency reserve.
Is the District's Unrestricted Fund Balance maintained throughout the year?	Yes	4CD's Unrestricted Fund Balance is maintained and monitored throughout the year.
5. Cash Flow and Borrowing		

Is this Area Acceptable?	Yes	
Can the District manage its cash flow without interfund borrowing?	Yes	4CD has never used interfund borrowing due to the County Teeter plan, which advances local property taxes, if needed.
Is the District repaying Tax Revenue Anticipation Notes (TRANS) and/or borrowed funds within the required statutory period?	N/A	4CD has no TRANS.
6. Bargaining Agreements		
Is this Area Acceptable?	Yes	
Has the District settled bargaining agreements within new revenue sources during the past three years?	No	For FYs 2019-20 and 2020-21 a formula was negotiated that yielded a 5% and 3% salary schedule increase, respectively. However, the enacted state budget did not grant COLA in FY 2020-21. Also, for FYs 2021-22, the District negotiated a 5.07% increase and equal to the enacted state budget for COLA.
Did the District conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement?	Yes	Ongoing salary increases are determined based on an agreed upon formula taking into consideration ongoing restoration revenue, new resources and permanent expenditure reductions.
Did the District correctly identify the related costs?	Yes	4CD has seen the salary expenses increase commensurate with the analysis that was done prior to implementation.
Did the District address budget reductions necessary to sustain the total compensation increase?	Yes	It is the practice of 4CD to enact a salary increase after an analysis of available revenue in comparison to expected expenses.
7. Unrestricted Fund Staffing		
Is this Area Acceptable?	NO	
Is the District ensuring it is not using one-time funds to pay for permanent staff or other ongoing expenses?	No	In FY 2021-22, 4CD negotiated a 5.07% pay increase and the District implemented prudent and conservative spending to pay for salary increases in the current fiscal year. This one-year reduction in budgeted expenses was in anticipation of COLA being awarded in future years to pay for the ongoing costs for the pay increase implemented in FY 2021-22.
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 2021-22 was 85% according to the State Chancellor's office)?	No	For 2020-21 and 2021-22, the percentage of the General Fund that was expended for salaries and benefits was 89%. 4CD is not in line with the statewide average as reported by the State Chancellor's office, considering the pension cost increases.
8. Internal Controls		
Is this Area Acceptable?	Yes	

Does the District have adequate internal controls to ensure the integrity of the general ledger?	Yes	There were adequate controls to ensure the integrity of the 2021-22 general ledger and an unmodified opinion of the financial statements was issued by 4CD's independent auditors.
Does the District have adequate internal controls to safeguard the District's assets?	Yes	4CD has strong internal controls in place and always looks for improvement. 4CD recently developed and approved policies and procedures on the safeguarding of its assets. No findings were present during the external audit.
9. Management Information Systems		
Is this Area Acceptable?	Yes	
Is District data accurate and timely?	Yes	4CD has taken steps to ensure a timely and accurate close of the FY. The FY 2020-21 records were complete prior to the 4CD audit and the close of the FY 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 4CD's website as part of the agenda materials provided to the Governing Board. Commonly requested documents, such as budget and audits, are also available on the Administrative Services' web page.
10. Position Control		
Is this Area Acceptable?	Yes	
Is position control integrated with payroll?	No	4CD's human resources personnel and position system is fully integrated with the payroll system. 4CD does not utilize a position control system per se, but instead budgets operational allocations that can be used for positions only after multiple levels of review and approval.
Does the District control unauthorized hiring?	Yes	4CD's Human Resources Department oversees hiring. Regular positions are validated by the Finance Department for budget only.
Does the District have controls over part-time academic staff hiring?	Yes	Part-time academic staff hiring is overseen by the colleges and monitored through budget allocations.
11. Budget Monitoring		
Is this Area Acceptable?	Yes	
Is there sufficient consideration given to the budget, related to long-term bargaining agreements?	Yes	4CD prepares multi-year projections of the Unrestricted General Fund, including the effects of bargaining agreements.
Are budget revisions completed in a timely manner?	Yes	Budget revisions are made as requested, by either Governing Board action or campus decisions. The revised budgetary figures are taken to the Governing Board on a monthly basis for review purposes. The Governing Board approves budget revisions quarterly.

Does the District openly discuss the impact of budget revisions at the Governing Board level?	Yes	On a quarterly basis, at its public meeting, the Governing Board receives a report detailing the revisions made during the quarter.
Are budget revisions made or confirmed by the Governing Board in a timely manner after the collective bargaining agreements are ratified?	Yes	The Governing Board formally approves all budget revisions on a quarterly basis. Any changes made to the budget due to collective bargaining agreements are included in subsequent fiscal reports.
Has the District's long-term debt decreased from the prior FY?	No	Unfortunately, this has little meaning with the recent GASB pension and OPEB changes. Most long-term debt is held in the 2002, 2006, and 2014 bonds. However, the long-term debt associated with the bond programs is paid through tax levies and is not truly 4CD debt. In FY 2021-22, the District issued a Bond Anticipation Note which matures in nine months and to be repaid from the issuance of General Obligation (GO) bonds. The GO bonds under the bond program are paid through tax levies and also is not truly 4CD debt. Also, with the implementation of GASB 68 and 75, 4CD must now put its share of pension and OPEB liabilities on its balance sheet.
Has the District identified the repayment sources for the long-term debt?	Yes	Load banking and vacation liabilities are fully funded. The voter-approved bonds are repaid through tax levies. Per GASB 16, 4CD funds the current portion of its accrued compensated absences (4CD is not obligated to fund the long-term portion). 4CD compiles an actuarial study every year for GASB 75 post-employment health benefits debt and has established an irrevocable trust to meet GASB guidelines.
Does the District compile annualized revenue and expenditure projections throughout the year?	Yes	The Governing Board receives timely reports comparing the revenues and expenditures to budgeted amounts, and the percentage received/spent (to-date) to the percentage of the year completed.

12. Retiree Health Benefits

Is this Area Acceptable?	Yes	
Has the District completed an actuarial calculation to determine the unfunded liability?	Yes	The last actuarial calculation was performed in June 2021. 4CD's total OPEB liability is at \$257 million, with over \$161 million funded in an irrevocable trust.
Does the District have a plan for addressing the retiree benefits liabilities?	Yes	4CD selected a financial advisor, appointed a Retirement Board of Authority, prepared a substantive plan, and has funded between \$5.7 - \$14.6 million each year since FY 2008-09 into an irrevocable trust. There is a current market value of over \$161 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?	No	
Has the District experienced recent turnover in its management team (including Chief Executive Officer, Chief Business Officer, and Governing Board of Trustees)?	Yes	In February 2022, the former Chancellor hired in November 2020 resigned. The Executive Vice Chancellor, Education and Technology and with 30 years' experience with 4CD, was appointed Interim Chancellor under a two-year contract ending June 2024. 4CD's Executive Vice Chancellor, Administrative Services and Associate Vice Chancellor, Chief Human Resources Officer both settled outstanding

		litigation claims and submitted their resignations effective June 2022. In August 2021, 4CD hired a new Associate Vice Chancellor, Chief Financial Officer with 12 years' experience in higher education administration. The Governing Board has five members, one elected in November 2010; two elected in November 2018; and two elected in November 2020.
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APPENDIX B

**AUDIT FINDINGS FOR
FY 2018-19**

AND

**AUDIT STATUS FOR
FY 2019-20**

APPENDIX B
AUDIT FINDINGS FOR FY 2018-19 AND 2019-20

The annual financial audit for 4CD, conducted by the external audit firm, reported no findings in FY 2019-20 and reported below is the audit status for FY 2020-21.

Audit Findings for FY 2019-20

There were no audit findings in FY 2018-19

Audit Status for FY 2020-21

The audit for FY 2020-21 is planned for completion no later than June 2022.

APPENDIX C

FY 2022-23 BUDGET DEVELOPMENT ASSUMPTIONS

APPENDIX C

FY 2022-23 BUDGET DEVELOPMENT ASSUMPTIONS

2022-23 OPERATING BUDGET DEVELOPMENT ASSUMPTIONS

Key Budget Assumptions: 5.33% COLA; 0% FTES Adjustment; 3.89% H/W Increase
Unrestricted General Fund

NOTE: FY 2021-22 Assumptions are based upon the District being in a hold harmless state under the new Student Centered Funding Formula

FTES	19/20 Adoption Budget Assumptions	20/21 Adoption Budget Assumptions	21/22 Adoption Budget Assumptions	22/23 Tentative Budget Assumptions
Resident Credit rate	\$ 5,463.31	\$ 5,463.31	\$ 5,740.30	\$ 6,046.26
Resident Non-Credit rate	3,285.24	3,285.24	3,451.80	3,635.78
Resident Credit target	28,589.97	28,589.97	28,589.97	28,589.97
Resident Non-Credit target	78.03	78.03	78.03	78.03
Resident Credit - funded	28,589.97	28,589.97	28,589.97	28,589.97
Resident Non-Credit - funded	78.03	78.03	78.03	78.03
Non-Resident Target	2,100.00	1,800.00	1,300.00	1,400.00
Resident Unit Fee	\$ 46.00	\$ 46.00	\$ 46.00	\$ 46.00
Non-Resident Unit Fee	265.00	290.00	290.00	290.00

Revenue Assumptions	19/20 Actuals	20/21 Actuals	21/22 Adoption Budget Assumptions	22/23 Tentative Budget Assumptions
1. FTES (Resident) Target	27,252.80	24,534.29	28,668.00	28,668.00
2. FTES (Non-Resident) Target	1,899.92	1,411.93	1,300.00	1,400.00
Revenue	\$ 10,949,720	\$ 9,604,191	\$ 8,854,781	\$ 9,523,041
3. COLA	3.26%	0.00%	5.07%	5.33%
Incremental Revenue	\$ 5,700,441	\$ -	\$ 9,154,422	\$ 10,111,810
4. Lottery, unrestricted	\$ 146	\$ 170	\$ 163	\$ 163
Total Revenue	\$ 3,401,350	\$ 5,580,096	\$ 4,229,198	\$ 4,229,198
5. Lottery, Prop 20 Restricted	\$ 48	\$ 74	\$ 65	\$ 65
Total Revenue	\$ 1,151,108	\$ 2,347,224	\$ 1,686,490	\$ 1,686,490
6. Deficit (property taxes/enrollment fees)	0.5%	0.5%	0.5%	0.5%
Reduction in Revenue	(\$846,415)	(\$846,415)	(\$948,575)	(\$999,134)
7. FTES Adjustment	0.00%	0.00%	0.00%	0.00%
Incremental Revenue	-	-	-	-

Expenditure Assumptions	19/20 Actuals	20/21 Actuals	21/22 Adoption Budget Assumptions	22/23 Tentative Budget Assumptions
1. Salary Increase	5%	3%	5.07%	0% ¹
2. Step/Column Annual Average Increase	1.2%	1.2%	1.2%	1.2%
3. Health and Welfare (H&W)	1.73%	1.87%	1.87%	3.89%
Active Employees	\$ 20,629,809	\$ 20,853,584	\$ 21,243,546	\$ 22,069,920
Retirees	\$ 12,793,049	\$ 12,552,709	\$ 12,787,445	\$ 13,284,876
	\$ 33,422,858	\$ 33,406,293	\$ 34,030,990	\$ 35,354,796
4. Payroll Taxes				
PERS Rate	19.721%	20.700%	22.910%	26.100%
PERS Safety Rate (Police)	25.610%	25.610%	25.610%	26.100%
STRS Rate	17.100%	16.150%	16.920%	19.100%
Worker's Compensation Rate	1.344%	1.368%	1.212%	1.212%
State Unemployment Insurance (SUI) Rate	0.050%	0.050%	0.500%	0.500%
5. Districtwide Assessments and Other Expenses				
Utilities (8% Increase over AB)	\$ 4,434,506	\$ 4,370,689	\$ 4,700,576	\$ 5,076,622
Property & Liability Insurance	1,128,564	1,119,581	1,350,000	1,350,000
Student Accident Insurance/Student Assist.Prg.	144,849	178,508	200,000	200,000
IT Maintenance Agreements	1,804,416	1,968,975	2,180,000	2,180,000
Retiree Health Benefit Annual Contribution	1,000,000	1,000,000	1,000,000	1,000,000
Faculty Sabbaticals	328,589	226,052	234,260	300,000
Legal Costs	1,208,882	1,329,524	1,000,000	1,000,000
Election Costs (Annual Reserve Contribution)	100,000	100,000	100,000	100,000
Audit	191,050	213,459	215,000	186,800
SUI Experience Charges	135,717	2,509	150,000	150,000
Self-Insurance Annual Contribution	50,000	50,000	50,000	50,000

¹ Any salary increase for FY 2022-23 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 2022-2023 Fiscal Year and Beyond

Unrestricted, Ongoing General Fund

	<i>SCFF Hold Harmless 5.33% COLA FY 2022-23</i>	<i>SCFF Hold Harmless 3.5% COLA FY 2023-24</i>	<i>SCFF Hold Harmless 3.0% COLA FY 2024-25</i>
Base Revenue	\$ 221,760,589	\$ 221,760,589	\$ 229,522,210
COLA and Other Ongoing Revenue	-	7,761,621	6,885,666
Growth Revenue	-	-	-
Revised Revenue	\$ 221,760,589	\$ 229,522,210	\$ 236,407,876
Budgeted Ongoing Expenses	\$ 222,909,918	\$ 222,909,918	\$ 225,922,570
Step/Column Increases	-	1,552,800	1,571,434
Health Benefits Cost Increases	-	1,803,105	1,893,260
STRS/PERS Increases	-	-	-
Revised expenditures	\$ 222,909,918	\$ 226,265,823	\$ 229,387,264
Revenue less Expense	\$ (1,149,329)	\$ 3,256,387	\$ 7,020,612
Potential Expenditure Reductions	-	343,253	228,836
Beginning fund balance	<u>\$ 29,993,342</u>	<u>\$ 28,844,013</u>	<u>\$ 32,443,653</u>
Estimated Ending Balance	28,844,013	32,443,653	39,693,101
Adjustment to Fund Balance	\$ (1,149,329)	\$ 3,599,640	\$ 7,249,448

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

Key Assumptions

3.5% COLA in FY 2023-24 and 3.0% COLA in FY 2024-25 referenced in LAO forecast in December 2021

Hold Harmless goes away in FY 2024-25

Step/Column increases at 1.2% each year

Health Benefit increases in FY 2022-23 and FY 2023-24 at 5% each year

Potential Expense decrease for lower forecasted CALPERS rates of 25.20% in FY 2023-24 and 24.60% in FY 2024-25

APPENDIX E

GLOSSARY

APPENDIX E

GLOSSARY

50 Percent Law

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

Accounts Payable

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

Accounts Receivable

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

Activity Code

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

Administrator

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

Allocation of Costs

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

Apportionments

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

Capital Outlay

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

Capital Projects Funds

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

Categorical Funds

Money from the state or federal government granted to qualifying districts for special programs, such as DSPP, 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 FY beginning October 1 and ending September 30, which is consistent with the federal government’s FY.

Fixed Assets

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

Full-time Equivalent (FTE) Employees

Ratio of the hours worked based upon the standard work hours of one full-time employee.

Full-time Equivalent Students (FTES)

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

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

Fund

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

Fund Balance

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

Gann Limitation

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

General Fund

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

Generally Accepted Accounting Principles (GAAP)

Uniform minimum standards and guidelines for financial accounting and reporting.

General Purpose Tax Rate

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

Grants

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

Interfund Transfers

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

Intrafund Transfer

The transfer of moneys within a fund of the district.

Irrevocable Trust

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

Nonresident Tuition

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

Objects of Expenditure

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

- **Certificated Salaries (object series 51000)**
Includes expenditures for full-time, part-time and prorated portions of salaries for all certificated personnel.
- **Classified Salaries (object series 52000)**
Includes expenditures for full-time, part-time and prorated portions of salaries for all classified personnel.
- **Employee Benefits (object series 53000)**
Includes all expenditures for employer's contributions to retirement plans, and for health and welfare benefits for employees or their dependents, retired employees and Governing Board members.
- **Supplies (object series 54000)**
Includes supplies and materials, typically with a limited lifespan.

- **Other Operating Expenses (object series 55000)**

Includes expenditures for consultants, travel, conferences, membership dues, insurance, utilities, rentals, leases, elections, audits, repair and maintenance contracts, and other contracted services.

- **Capital Outlay (object series 56000)**

Includes expenditures for sites, improvement of buildings, books and media for libraries and new equipment.

- **Other Outgo (object series 57000)**

Includes expenditures for retirement of debt, interfund transfers, other transfers, appropriations for contingencies, and student financial aid.

Other Post-Employment Benefits (OPEB)

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

Proposition 13 (1978)

An initiative amendment passed in June 1978 which added Article 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.

- **Governing Board 5% Reserve**

Per Board Policy 5033, a 5% Governing 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.

- **Governing 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 FY taxes.

Useful Life

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

Weekly Student Contact Hours (WSCH)

The number of class hours each course is regularly scheduled to meet during a week, inclusive of holidays, multiplied by the number of students actively enrolled in the course.