



STUDY SESSION

DEVELOPMENT OF THE
2021-22 4CD BUDGET

APRIL 28, 2021

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

**STUDY SESSION
DEVELOPMENT OF THE
2021-22 4CD BUDGET**

AGENDA

- I. Review of Fiscal Year 2020-21 Budget Status and Fiscal Year 2021-22 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 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 to ensure 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 staff and management personnel to fulfill the mission of 4CD and its colleges;
- provide for contractual obligations and fixed costs;
- cover the current-year retiree health benefit expenses and increase restricted reserves for the retiree health benefit liability;
- include funding for new 4CD projects based on 4CD goals;
- adhere to formulae stipulated in business procedures;
- budget and restrict college year-end carryover balances for one-time expenditures only;
- maintain and improve colleges in a manner that attracts students and provides an environment that promotes education, including providing matching funds;
- include total compensation for all employees which will be in the top one-third of the Bay 10, excluding basic aid districts, only if 4CD can afford it; and
- reflect improvement in productivity at all levels; and
- be developed within a multi-year plan.

2. 4CD 2020-25 STRATEGIC PLAN AND 2020-21 GOVERNING BOARD GOALS

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's 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 in order 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 CCCCO Strong Workforce Program to increase the number of students who enroll in programs leading to high-demand, high-wage jobs; secure employment; and improve their earnings.

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

Suggested Progress Measures and Actions:

1. Consistent with the state *Vision for Success* requirement, increase the percent of Career Education students employed in their field of study to 76 percent within five years.
2. Annually review the metrics captured in the Annual District Feeder High School Report, which tracks number of students enrolling in 4CD from feeder high schools and the success of those students once enrolled.
3. In alignment with the *Vision for Success* goals, increase the number of students receiving an ADT by 35 percent within five years. Make efforts to track the performance of transfer students at their destination institution, including the number and percent that successfully obtain a bachelor's degree.
4. Monitor 4CD progress on the metrics identified in the California Strong Workforce Program.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 in order 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 the District, 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.

2020-21 Governing Board Goals:

Goal 1: Stabilize 4CD Personnel (Strategic Direction 4)

- Settle legal issues
- Fill vacancies
- Build Governing, Cabinet and Constituent Leader Teamwork
- Review investigation processes

Goal 2: Shore Up Budget for 2024-25 (Strategic Direction 5)

- Recover enrollment
- Develop Interagency Data Sharing Agreements and Partnerships
- Advocate for SCFF changes

- Goal 3: Communicate with Regional Civic Leaders (Strategic Direction 3)
 - Develop database
 - Use CRM-based tool for communications
- Goal 4: Develop and Implement Post-Pandemic Plan (Strategic Direction 5)
 - Partner with County on vaccinations
 - Reopen colleges and District Office
 - Define “New Normal”
- Goal 5: Narrow Academic Equity Gaps (Strategic Direction 2)
 - Diversify hiring
 - Implement Best Practices throughout 4CD (teaching, services, professional development, and so on)
- Goal 6: Focus on Strategic Plan (Strategic Directions 1-5)
 - Provide weekly updates from Chancellor to Governing Board
 - Organize GB Agenda around *District Strategic Plan*
 - Hold monthly one-on-one meetings with each Trustee
 - Communicate urgent information to Governing Board, as needed
- Goal 7: Address Accreditation (Strategic Direction 5)
 - Evaluate all Classified Professionals
 - Evaluate Chancellor according to Board Policy
 - Regularly assess and follow policies and Bylaws
 - Adhere to *Code of Ethics*
 - Delegate full responsibility and authority to the Chancellor to implement and administer Board Policies
 - Hold Chancellor accountable for 4CD and college operations

3. **FY 2021-22 BUDGET DEVELOPMENT CALENDAR**

The following is a listing of the actions to be undertaken in the development of the budget for FY 2021-22. 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 2020-21 UPDATE

In September 2020, the Governing Board adopted the FY 2020-21 budget with an almost flat year over year ongoing revenue for 4CD. Despite no additional ongoing funding available from the state, 4CD was fortunate to continue to receive the same level of funding as it did the year before, utilizing the hold harmless provision of the SCFF. With very small year-over-year increases in health care benefits, pension savings provided by the state budget, and reduced operating expenses due to COVID-19, 4CD's ongoing operating budget had a small structural deficit of approximately \$700,000.00, within 0.3 percent of its total expenditure budget. This close balance between revenue and expenses was achieved even after the three percent salary increase that was implemented as a result of prior year negotiations.

While 4CD's actual resident FTES continues to show decline, the extension of the hold harmless provision through 2023-24 continues to provide financial security to 4CD. In light of 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 experienced similar enrollment declines during the pandemic.

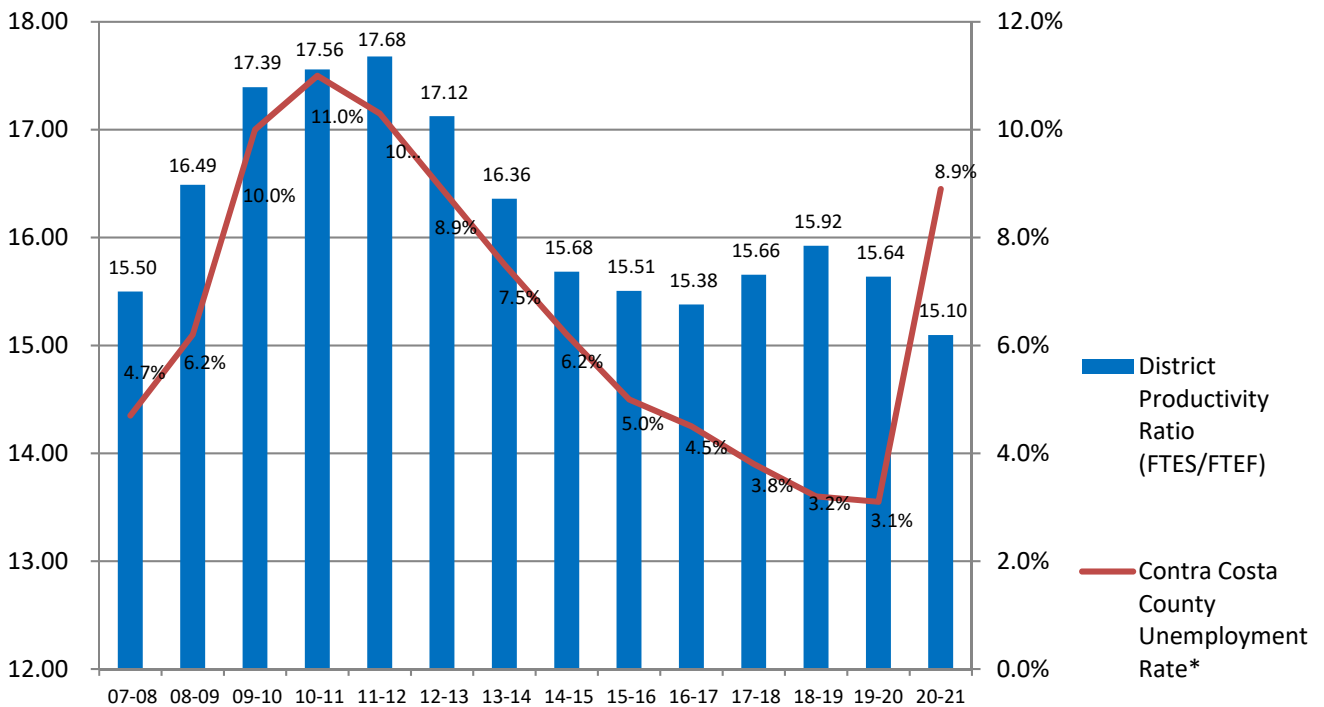


Chart 1

Another important funding source to report for FY 2020-21 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) to help colleges quickly adapt to distance learning and alleviate pandemic related costs.

Under the combined HEERF grants, 4CD is scheduled to receive approximately \$94 million in federal funding, \$38 million of which must be used for direct student aid and the rest for institutional expenditures. Table 1 below shows the breakdown of funding allocated to 4CD.

	<u>Direct Student Aid</u>	<u>Institutional Aid</u>	<u>HSI/MSI Aid</u>	<u>Total</u>
HEERF I	\$ 6,498,069	\$ 6,498,066	\$ 441,358	\$ 13,437,493
HEERF II	\$ 6,498,069	\$ 22,230,925	\$ 880,366	\$ 29,609,360
HEERF III	\$ 25,445,500	\$ 25,445,500	TBA	\$ 50,891,000
Total	\$ 38,441,638	\$ 54,174,491	\$ 1,321,724	\$ 93,937,853

Table 1

Due to the impacts of the pandemic and the federal funding that has been made available, 2020-21 projections are subject to change with multiple moving targets. Detailed below are notable changes in revenues and expenditures in light of the available HEERF funds. How these funds are utilized will have a significant effect on the 2020-21 ending fund balance.

4.1 FY 2020-21 Changes in Revenues

The COVID-19 pandemic resulted in lost revenues affecting various campus operations. Although original HEERF funding for institutional expenditures did not allow recovering lost revenue, recent changes approved by Congress now allow 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 is great demand on HEERF funds and 4CD and its colleges are currently assessing how much of these funds could be utilized for this purpose.

In addition, 4CD is currently taking advantage of the SCFF hold harmless provision. This allows 4CD to maintain its apportionment revenue levels despite declining enrollment trends. Apportionment schedules released in March 2021 indicate an anticipated deficit factor of 2.4 percent. The deficit factor takes into account anticipated revenue reductions in local tax revenues and enrollment fees. If the deficit factor does indeed stay at 2.4 percent, this will result in a revenue reduction of \$4.3 million to 4CD. Based on past experience, the anticipated deficit factor usually reduces to 0.5 percent or thereabouts by the end of the FY. In addition, with HEERF funding available, 4CD is not highly concerned about the estimated apportionment deficit factor at this time.

4.2 FY 2020-21 Changes in Expenditures

Decline in enrollment has resulted in cancellation of some class sections. In addition, due to the effects of the pandemic, a number of vacancies were not filled immediately, resulting in salary and benefits expenditure projections to be below budget.

4.3 FY 2020-21 Adopted Budget and Projected Reserves

4CD's expenses are currently trending below its amended budget. Table 2 details the Adopted Budget reserves and the Projected Ending reserves for FY 2020-21. The projected ending balance for FY 2020-21 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.

	2020-21 Adopted Budget	2020-21 Projected Ending Balance
Designated Districtwide Reserves	\$ 389,980	\$ 389,980
Designated College and DO Reserves	5,321,699	5,321,699
Subtotal, Designated Site Reserves	\$ 5,711,679	\$ 5,711,679
5% Governing Board Contingency Reserve	10,113,276	10,113,276
5% Governing Board Reserve	10,113,276	10,113,276
Subtotal, Designated Governing Board Reserves	\$ 20,226,552	\$ 20,226,552
Undesignated Districtwide Reserves	133,698	611,422
Undesignated College and DO Reserves	3,103,443	4,579,181
Subtotal, Undesignated Reserves	\$ 3,237,141	\$ 5,190,603
TOTAL RESERVES	\$ 29,175,372	\$ 31,128,834

Table 2

5. FY 2021-22 BUDGET DISCUSSION

5.1 FY 2021-22 Highlights

Governor’s Budget Proposal

Governor Newsom’s January budget proposal focuses on restoring programs, funding one-time initiatives and addressing urgent pandemic-related needs. With revenues exceeding original projections from early on in the pandemic, the proposed state budget is stronger than expected with the general fund spending increasing 5.5 percent to \$164.5 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 Proposition 98 system guarantee has increased from \$82.8 billion to \$85.8 billion. In addition, the budget includes a one-time non-Proposition 98 supplemental payment of \$2.3 billion in recognition of costs incurred as a result of COVID-19 and the transition to distance learning and remote operations. In exchange for this one-time lump sum payment, the Governor proposes to eliminate the required supplemental payments established under the 2020 Budget Act to bring the Proposition 98 guarantee to 40 percent of general fund revenues over a number of years.

To maintain funding levels negatively impacted by COVID-19, the 2020 Budget Act had deferred apportionment payments into the next FY to obtain one-time budgetary savings. With the improved revenue projections, the 2021-22 budget proposal pays down approximately 78 percent of these deferrals, which would significantly improve 4CD’s cash positions.

Utilizing the increase in Proposition 98 funding, bulleted below are notable ongoing funding and other proposals within the Governor’s budget, with the impact on the community college system and 4CD.

<u>Categories</u>	<u>Governor's Proposal</u>	<u>Potential Impact to District</u>
COLA (ongoing)	\$111.1 million to fund a COLA of 1.50%	Approximately \$2.7 million in additional apportionment revenue. As 4CD is in a hold harmless state under the SCFF, the 1.50% is applied to the total computational revenue 4CD received in FY 2020-21.
Growth Funding (ongoing)	\$23.1 million to fund FTES growth in the system 0.50%	0.5% growth would result in approximately \$560,000 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.
Retention and Enrollment Support (one-time)	\$20.0 million, \$2.0 million of which is allocated to the State Chancellor's Office	Approximately \$327,000 in one-time funding for 4CD to support college efforts in increasing student retention rates and enrollment.
Faculty Professional Development (one-time)	\$20.0 million	Approximately \$485,000 in one-time funding to support faculty professional development.
Online Education Support and Infrastructure (ongoing)	\$10.6 million	Approximately \$255,000 in ongoing funding to support a robust and equitable online education system and infrastructure.

Table 3

The Governor's budget proposal also includes various system-wide measures to increase college affordability and access to students, as outlined below.

- \$250 million in one-time funds for additional emergency financial assistance. Funds will be available to students that meet a certain criteria through self-certification or application.
- \$100 million in one-time funds to address students' basic needs in housing and food insecurity.
- \$30 million in ongoing funds to increase access to online technology as well as mental health services. If funded, based on 4CD's share of SCFF revenue, 4CD would receive approximately \$725,000 from this funding source. However, it is unclear how funds under this proposal would be distributed.
- \$15 million in one-time funds to expand zero cost textbook programs that provide open education resources and materials free of charge to students.

5.2 FY 2021-22 Planning

Planning for the FY 2021-22 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 2020-21 indicate a year over year decline of over 11 percent. However, due to the SCFF hold harmless provision, 4CD is able 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 4 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.

	FY 2020-21 Resident FTES Target	FY 2021-22 Resident FTES Target	FTES Difference	\$ Difference
CCC	5,381	5,381	-	\$ 508,369
DVC	15,336	15,336	-	1,448,869
LMC	7,951	7,951	-	751,171
Total	28,668	28,668	-	\$ 2,708,409

Table 4

Non-resident FTES Targets

4CD reduced its non-resident FTES targets by 300 FTES in 2020-21. For the 2021-22 Tentative Budget, 4CD will continue to budget its non-resident FTES revenue at the same FTES level. In addition, 4CD decided to keep its non-resident tuition fees flat for 2021-22 in recognition of the ongoing pandemic and its effects on students. The targets and total tuition dollars associated with non-resident students are shown in Table 5.

	FY 2020-21 Non- Resident FTES Target	FY 2021-22 Non- Resident FTES Target	FTES Difference	Total Non- Resident \$
CCC	200	200	-	\$ 1,116,436
DVC	1,500	1,500	-	9,712,249
LMC	100	100	-	507,359
Total	1,800	1,800	-	\$ 11,336,045

Table 5

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 5.30 percent. A 5.30 percent premium hike translates to approximately \$1.9 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 2021-22 (which are not included within the expenditure assumptions) will be determined through the ongoing collective bargaining process.

5.3 FY 2021-22 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 \$1.9 million in incremental revenue over prior adoption budget.

- COLA of 1.50 percent
 - *Potential impact:* A COLA of 1.50% will generate \$2.7 million in incremental revenue for 4CD.
- State lottery revenue
 - *Potential impact:* \$530,000 decrease in lottery revenue received from the state. This adjustment is due to the decline in reportable FTES to the state.
- Interest income
 - *Potential impact:* \$200,000 decrease in interest earnings caused by state deferrals and reduced interest rates.

Expenditure Assumptions

Delineated below are major expenditure assumptions that total roughly \$3.1 million in increased expenses.

- Health benefits costs to increase by 5.30 percent
 - *Potential Impact:* A 5.30 percent increase in health benefits costs results in approximately \$1.9 million in additional expenses to 4CD. This increase includes retiree health benefits, which now comprise approximately 37 percent of the anticipated \$36.2 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 \$1.1 million and include all classes of employees.
- CalSTRS employer contribution rate slightly declines from 16.15 to 15.92 percent resulting in a slight reduction of costs by about \$130,000.
- CalPERS employer contribution rate to increase from 20.70 to 23.00 percent
 - *Potential impact:* An increase in the CalPERS employer contribution rate from 20.70 to 23.00 percent creates an additional \$800,000 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 1.368 percent; and
- the state unemployment insurance rate will remain at 0.05 percent for tentative budget, but due to increased levels of unemployment and related claims, a rate increase is anticipated for adoption budget.

6. FY 2021-22 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 2020-21 and FY 2021-22 Comparison

Table 6 shows a comparison between the adoption budget for FY 2020-21 and the projected Tentative Budget for FY 2021-22. As explained previously, the budget assumptions driving these figures may change after the May Revision.

	FY 2020-21 Adoption Budget	FY 2021-22 Projected Tentative Budget	Increase/ (Decrease)
Funded Resident FTES	28,668	28,668	-
Revenues	\$ 203,021,536	\$ 204,927,334	\$ 1,905,798
Expenditures	203,720,820	206,817,185	3,096,365
Opening Fund Balance	29,874,656	31,128,834	1,254,178
Change in Fund Balance	(699,284)	(1,889,851)	n/a
Ending Fund Balance	\$ 29,175,372	\$ 29,238,983	\$ 63,611

Table 6

6.2 FY 2021-22 Projected Reserves

The reserves shown in Table 7 comprise the operating portion of the unrestricted general fund and tentatively project a FY 2021-22 ending reserve balance of \$29,217,566. The table details the distribution of the projected FY 2021-22 ending reserve balance between designated and undesignated categories. College and District Office designations are continually updated and will change by Tentative Budget.

	2021-22 Projected Tentative Budget
Designated Districtwide Reserves	98,050
Designated College and DO Reserves	1,299,949
Subtotal, Site Designated Reserves¹	\$ 1,397,999
5% Contingency Reserve	10,276,710
5% Governing Board Reserve	10,276,710
1% Minimum Location Reserves	3,562,372
Subtotal, Governing Board Designated Reserves²	\$ 24,115,792
Undesignated Districtwide Reserve	80,030
Undesignated College and DO Reserves	3,645,162
Subtotal, Undesignated Reserves³	\$ 3,725,192
TOTAL RESERVES 6/30/22	\$ 29,238,983

Table 7

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 2020-21, due to reduced expenditures and an opportunity to recover lost revenues from HEERF funds, the ending operating fund balance is anticipated to increase by roughly 16 percent. Chart 2 below illustrates the change in unrestricted, operating fund balance since FY 2013-14 with an estimate for FY 2020-21.

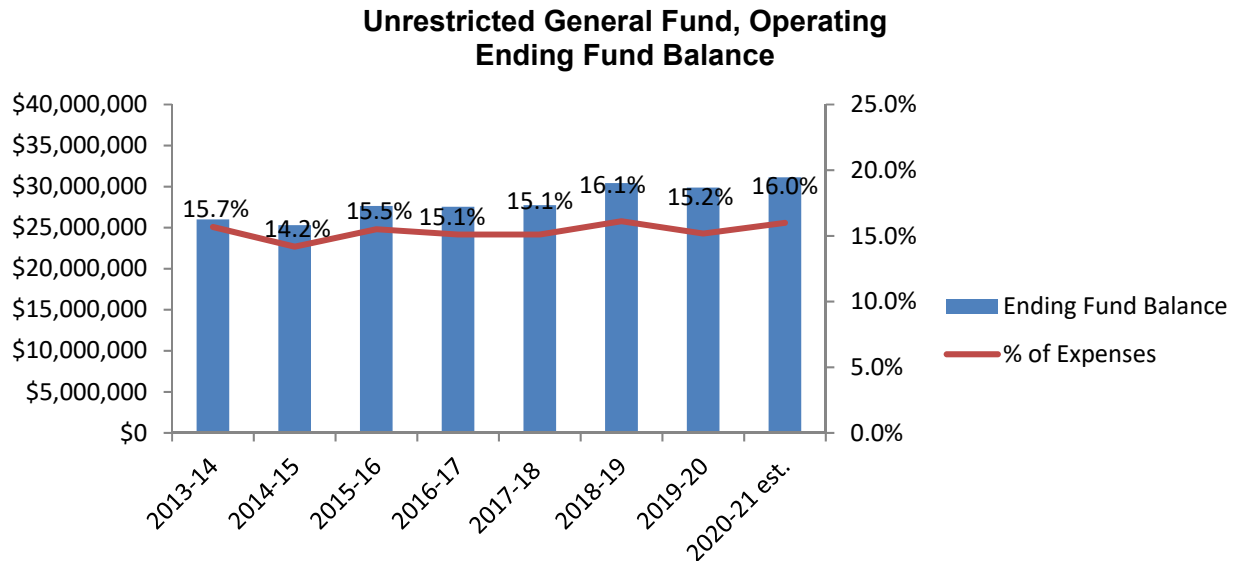


Chart 2

7.1 Salary and Benefit Trends

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, 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 2020-21. Items of note in Chart 3 are:

- salary costs are projected to be over \$119 million in FY 2020-21;
- total benefit costs have increased from \$40.2 million in FY 2011-12 to an estimated \$57.7 million in FY 2020-21, a 43.5 percent increase; and
- in FY 2011-12, for every dollar spent on salaries, an additional 41 cents was spent on benefits; however, in FY 2020-21 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 2020-21.

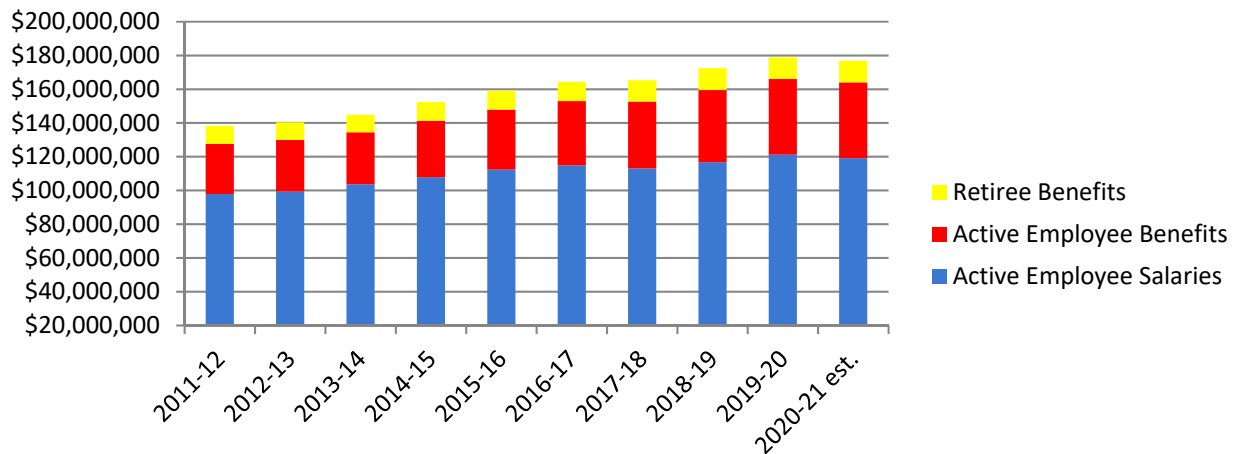


Chart 3

Cumulative Totals		
2011-12	\$ 138.1 million	(total benefits at 41.1%)
2012-13	\$ 140.3 million	(total benefits at 41.2%)
2013-14	\$ 144.8 million	(total benefits at 39.7%)
2014-15	\$ 152.4 million	(total benefits at 41.4%)
2015-16	\$ 159.1 million	(total benefits at 41.6%)
2016-17	\$ 164.3 million	(total benefits at 43.1%)
2017-18	\$ 165.2 million	(total benefits at 46.2%)
2018-19	\$ 172.5 million	(total benefits at 47.8%)
2019-20	\$ 178.8 million	(total benefits at 47.6%)
2020-21	\$ 176.8 million	(total benefits at 48.4%)

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

7.2 Compensated Absences and Retiree Health Liabilities

Compensated absences within 4CD are comprised of two separate components: vacation accruals and load banking. Chart 4 shows a history of 4CD's compensated absences. Encouragingly, for all practical purposes this liability is 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 \$14.9 million in FY 2019-20. 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 4.

Compensated Absences History

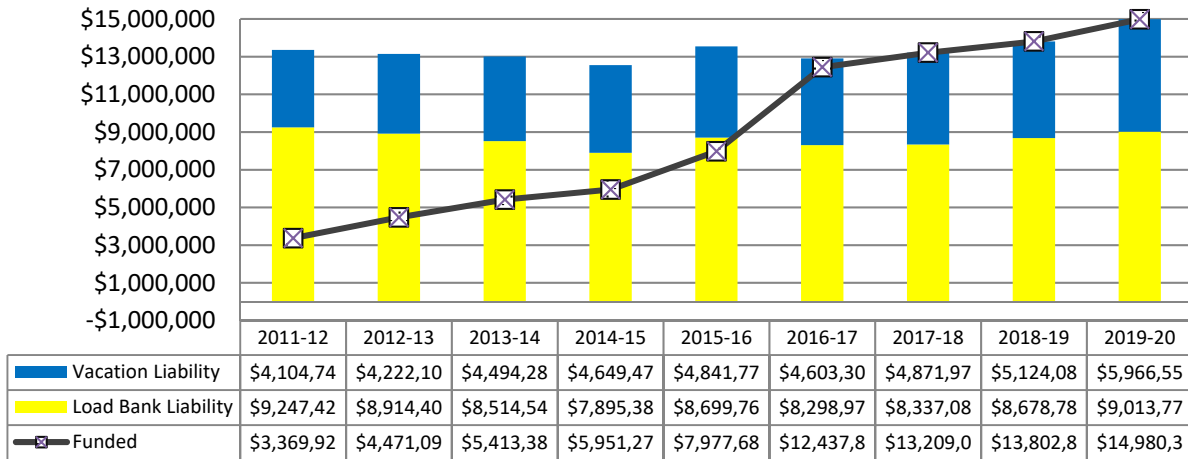


Chart 4

Further, the irrevocable trust in place for retiree health benefits is also experiencing new heights. With a market value in the trust of \$163.0 million and an additional \$4.6 million earmarked for eventual transfer into the trust, 4CD is approximately 64 percent funded for its approximately \$262.2 million liability.

8. NEXT STEPS

The Governor’s revised budget will be released in mid-May 2021. 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, 2021, providing ample time for 4CD staff to prepare the final Adoption Budget to be presented to the Governing Board at its September 2021 meeting.

9. CONCLUSION

As 4CD continues to face enrollment challenges, it must be innovative and market the value it provides in order to combat the decline in student numbers. As Table 8 and Chart 5 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 8

Average Annual Tuition and Fees

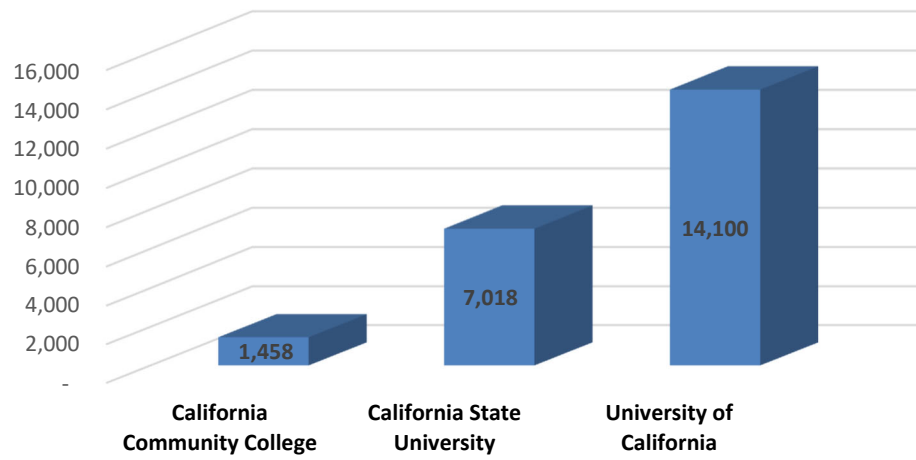


Chart 5



APPENDICES

- A. SOUND FISCAL MANAGEMENT CHECKLIST**
- B. AUDIT FINDINGS FOR FY 2018-19 AND 2019-20**
- C. FY 2021-22 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 \$1.3 million, approximately 0.6% in an almost \$200 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 2020-21, 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 2020-21, 4CD's budgeted on-going expenses are projected to be \$1.3 million less than ongoing revenues.
Are District revenue estimates based upon past history?	Yes	Non-apportionment revenues are based upon past history and adjusted for known changes. FTES-related revenues are based upon FTES projections for each college.
Does the District automatically build in "growth" in growth revenue estimates?	No	4CD bases its apportionment revenue on FTES targets that are set during budget development. FTES targets include either growth or decline as projected utilizing trend data and State funding availability.
2. Fund Balance		
Is this Area Acceptable?	Yes	
Is the District's fund balance stable or consistently increasing?	Yes	The ending fund balance has steadily increased since FY 2003-04 growing from \$8.6 million to greater than \$30 million at the end of FY 2020-21. 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 remain relatively stable, with the exception of the pandemic causing enrollment decline in later FY 2019-20 and in FY 2020-21.
Are the District's enrollment projections updated at least annually?	Yes	Enrollment projections are monitored throughout each semester and updated when the CCFS-320 is completed in January, April, July, and October.
Are staffing adjustments consistent with the enrollment trends?	Yes	The course schedule at each location determines the staffing levels per term. In addition, enrollment trends drive the level of managers, classified and other non-instructional personnel.
Does the District analyze enrollment and full-time equivalent student (FTES) data?	Yes	The colleges and Cabinet review current trends and develop both college and District projections.
Does the District track historical data to establish future trends between P-1 and annual for projection purposes?	Yes	4CD produces periodic reports of enrollment trends and utilizes multi-year analyses in developing projections.
Has the District avoided stabilization funding?	No	4CD has received stabilization funding in FY 2004-05, FY 2008-09, FY 2012-13, FY 2014-15, and FY 2016-17. 4CD exceeded its funded FTES in FY 2009-10, earned all available growth in FY 2010-11 and FY 2015-16, and exceeded its cap in FY 2011-12 and FY 2013-14. 4CD 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 seven years, 4CD has maintained at least a 5% fund balance and in FY 08-09 a 5% "Board Contingency Reserve" was established in addition to the on-going 5% contingency reserve.
Is the District's Unrestricted Fund Balance maintained throughout the year?	Yes	4CD's Unrestricted Fund Balance is maintained and monitored throughout the year.
5. Cash Flow and Borrowing		
Is this Area Acceptable?	Yes	
Can the District manage its cash flow without interfund borrowing?	Yes	4CD has never used interfund borrowing due to the County Teeter plan, which advances local property taxes, if needed.

Is the District repaying Tax Revenue Anticipation Notes (TRANS) and/or borrowed funds within the required statutory period?	N/A	4CD has no TRANS.
6. Bargaining Agreements		
Is this Area Acceptable?	Yes	
Has the District settled bargaining agreements within new revenue sources during the past three years?	Yes	4CD negotiated a 2.5% salary increase in FY 2018-19. For FYs 2019-20 and 2020-21 a formula was negotiated that yielded a 5% and 3% salary schedule increase, respectively.
Did the District conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement?	Yes	Ongoing salary increases are determined based on an agreed upon formula taking into consideration ongoing restoration revenue, new resources and permanent expenditure reductions.
Did the District correctly identify the related costs?	Yes	4CD has seen the salary expenses increase commensurate with the analysis that was done prior to implementation.
Did the District address budget reductions necessary to sustain the total compensation increase?	Yes	4CD enacted the salary increase after an analysis of available revenue in comparison to expected expenses.
7. Unrestricted Fund Staffing		
Is this Area Acceptable?	Yes	
Is the District ensuring it is not using one-time funds to pay for permanent staff or other ongoing expenses?	Yes	4CD differentiates ongoing and one-time funding to ensure that one-time monies are not being used for ongoing expenditures.
Is the percentage of District General Fund allocated to salaries and benefits at or less than the statewide average (i.e., the statewide average for 2009-10 was 85%)?	No	For 2018-19 and 2019-20, the percentage of the General Fund that was expended for salaries and benefits was 89%. 4CD believes this is in line with the statewide average, considering the pension cost increases.
8. Internal Controls		
Is this Area Acceptable?	Yes	
Does the District have adequate internal controls to insure the integrity of the general ledger?	Yes	There were adequate controls to insure the integrity of the 2020-21 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 2019-20 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. Also with the implementation

<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>of GASB 68 and 75, 4CD 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, 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.</p> <p>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.</p>
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12. Retiree Health Benefits

<p>Is this Area Acceptable?</p>	<p>Yes</p>	
<p>Has the District completed an actuarial calculation to determine the unfunded liability?</p>	<p>Yes</p>	<p>The last actuarial calculation was performed in June 2020. 4CD's total OPEB liability is at \$262 million, with over \$163 million funded in an irrevocable trust. .</p>
<p>Does the District have a plan for addressing the retiree benefits liabilities?</p>	<p>Yes</p>	<p>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 \$163 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>Yes</p>	
<p>Has the District experienced recent turnover in its management team (including Chief Executive Officer, Chief Business Officer, and Governing Board of Trustees)?</p>	<p>Yes</p>	<p>4CD hired a new Chancellor in November 2020, an individual with over 30 years of experience in California higher education. 4CD's two Executive Vice Chancellors have been with 4CD for 19 and 27 years, respectively. The Governing Board has five members, one elected in November 2010; two elected in November 2018; and two elected in November 2020.</p>

APPENDIX B

AUDIT FINDINGS FOR FY 2018-19 AND 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 2018-19 or FY 2019-20.

Audit Findings for FY 2018-19

There were no audit findings in FY 2018-19

Audit Findings for FY 2019-20

There were no audit findings in FY 2019-20

APPENDIX C

FY 2021-22 BUDGET DEVELOPMENT ASSUMPTIONS

APPENDIX C

FY 2021-22 BUDGET DEVELOPMENT ASSUMPTIONS

2021-22 OPERATING BUDGET DEVELOPMENT ASSUMPTIONS
Key Budget Assumptions: 1.5% COLA; 0% FTES Adjustment; 5.3% 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

2/8/2020

FTES	19/20 Adoption Budget Assumptions	20/21 Adoption Budget Assumptions	21/22 Tentative Budget Assumptions
Resident Credit rate	\$ 5,463.31	\$ 5,463.31	\$ 5,545.26
Resident Non-Credit rate	3,285.24	3,285.24	3,334.52
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	2,100.00	1,800.00	1,800.00
Resident Unit Fee	\$ 46.00	\$ 46.00	\$ 46.00
Non-Resident Unit Fee	265.00	290.00	290.00

Revenue Assumptions		19/20 Actuals	20/21 Adoption Budget Assumptions	21/22 Tentative Budget Assumptions
1.	FTES (Resident) Target	27,252.80	28,668.00	28,668.00
2.	FTES (Non-Resident) Target	1,899.92	1,800.00	1,800.00
	Revenue	\$ 10,949,720	\$ 11,336,045	\$ 11,336,045
3.	COLA	3.26%	0.00%	1.50%
	Incremental Revenue	\$ 5,700,441	\$ -	\$ 2,708,409
4.	Lottery, unrestricted	\$ 149	\$ 155	\$ 150
	Total Revenue	\$ 3,401,350	\$ 4,510,184	\$ 3,979,248
5.	Lottery, Prop 20 Restricted	\$ 48	\$ 55	\$ 49
	Total Revenue	\$ 1,151,108	\$ 1,567,500	\$ 1,299,888
6.	Deficit (property taxes/enrollment fees)	0.5%	0.5%	0.5%
	Reduction in Revenue	(\$846,415)	(\$846,415)	(\$902,803)
7.	FTES Adjustment	0.00%	0.00%	0.00%
	Incremental Revenue	-	-	-
8.	Base Allocation Increase	-	-	-

Expenditure Assumptions		19/20 Actuals	20/21 Adoption Budget Assumptions	21/22 Tentative Budget Assumptions
1.	Salary Increase	5%	3%	0% ¹
2.	Step/Column Annual Average Increase	1.2%	1.2%	1.2%
3.	Health and Welfare (H&W)	1.73%	5.65%	5.30%
	Active Employees	\$ 20,629,809	\$ 22,824,856	\$ 22,950,549
	Retirees	\$ 12,793,049	\$ 12,584,904	\$ 13,251,904
		\$ 33,422,858	\$ 35,409,760	\$ 36,202,453
4.	Payroll Taxes			
	PERS Rate	19.721%	20.700%	23.000%
	PERS Safety Rate (Police)	25.610%	25.610%	25.610%
	STRS Rate	17.100%	16.150%	15.920%
	Worker's Compensation Rate	1.344%	1.368%	1.368%
	State Unemployment Insurance (SUI) Rate	0.050%	0.050%	0.050%
5.	Districtwide Assessments and Other Expenses			
	Utilities (5% Increase over CY projections)	\$ 4,434,506	\$ 4,755,962	\$ 4,993,760
	Property & Liability Insurance	1,128,564	1,350,000	1,350,000
	Student Accident Insurance/Student Assistance Program	144,849	200,000	200,000
	IT Maintenance Agreements	1,804,416	1,500,000	2,500,000
	Retiree Health Benefit Annual Contribution	1,000,000	1,000,000	1,000,000
	Faculty Sabbaticals	328,589	310,589	500,779
	Legal Costs	1,208,882	800,000	800,000
	Election Costs (Annual Reserve Contribution)	100,000	100,000	100,000
	Audit	191,050	185,000	185,000
	SUI Experience Charges	135,717	150,000	150,000
	Self-Insurance Annual Contribution	50,000	50,000	50,000

¹ Any salary increases for FY 2021-22 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 2021-2022 Fiscal Year and Beyond

Unrestricted, Ongoing General Fund

	<i>SCFF Hold Harmless 1.5% COLA FY 2021-22</i>	<i>SCFF Hold Harmless 2.5% COLA FY 2022-23</i>	<i>SCFF Hold Harmless 2.5% COLA FY 2023-24</i>
Base Revenue	\$ 204,927,334	\$ 204,927,334	\$ 210,050,517
COLA and Other Ongoing Revenue	-	5,123,183	5,251,263
Growth Revenue	-	-	-
Revised Revenue	\$ 204,927,334	\$ 210,050,517	\$ 215,301,780
Budgeted Ongoing Expenses	\$ 206,817,185	\$ 206,817,185	\$ 212,524,613
Step/Column Increases	-	1,413,780	1,430,745
Health Benefits Cost Increases	-	1,805,910	1,896,206
STRS/PERS Increases	-	2,487,738	-
Revised expenditures	\$ 206,817,185	\$ 212,524,613	\$ 215,851,564
Revenue less Expense	\$ (1,889,851)	\$ (2,474,096)	\$ (549,784)
Potential Expenditure Reductions	-	-	-
Beginning fund balance	<u>\$ 31,128,834</u>	<u>\$ 29,238,983</u>	<u>\$ 26,764,887</u>
Estimated Ending Balance	29,238,983	26,764,887	26,215,103
Adjustment to Fund Balance	\$ (1,889,851)	\$ (2,474,096)	\$ (549,784)

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

Key Assumptions

2.5% COLA in FY 2022-23 and FY 2023-24

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

APPENDIX E

GLOSSARY

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50 Percent Law

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

Accounts Payable

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

Accounts Receivable

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

Activity Code

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

Administrator

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

Allocation of Costs

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

Apportionments

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

Capital Outlay

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

Capital Projects Funds

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

Categorical Funds

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

Certificates of Participation (COPs)

COPs are used to finance the lease/purchase of capital projects. 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 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.

- **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.