

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Fiscal Health Risk Analysis and Budget Review

June 18, 2024



Coast Community College District

Michael H. Fine
Chief Executive Officer

FCMAT

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ASSISTANCE TEAM

June 18, 2024

Chancellor Whitney Yamamura, Ed.D.
Coast Community College District
1370 Adams Ave.
Costa Mesa, CA 92626

Dear Chancellor Yamamura:

In December 2023, the California Community College Chancellor's Office and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to conduct a review of Coast Community College District's financial operations, in accordance with Education Code 84041. The agreement stated that FCMAT would perform the following:

1. Fiscal Health Risk Analysis
 - Prepare an analysis using FCMAT's Fiscal Health Risk Analysis, identify the Coast Community College District's risk rating for fiscal solvency, and provide recommendations to the district for improving fiscal health and resiliency.
2. District Budget Review
 - Review the district's operating budget and budget adoption process to identify areas in which improvements could be made to increase transparency and understanding. Make recommendations if appropriate.
 - Review multi-year revenue and budget projections to identify and evaluate the reasonableness of major assumptions used to develop revenue and expenditure projections and make recommendations if appropriate.

This report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve the Coast Community College District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,



Michael H. Fine
Chief Executive Officer

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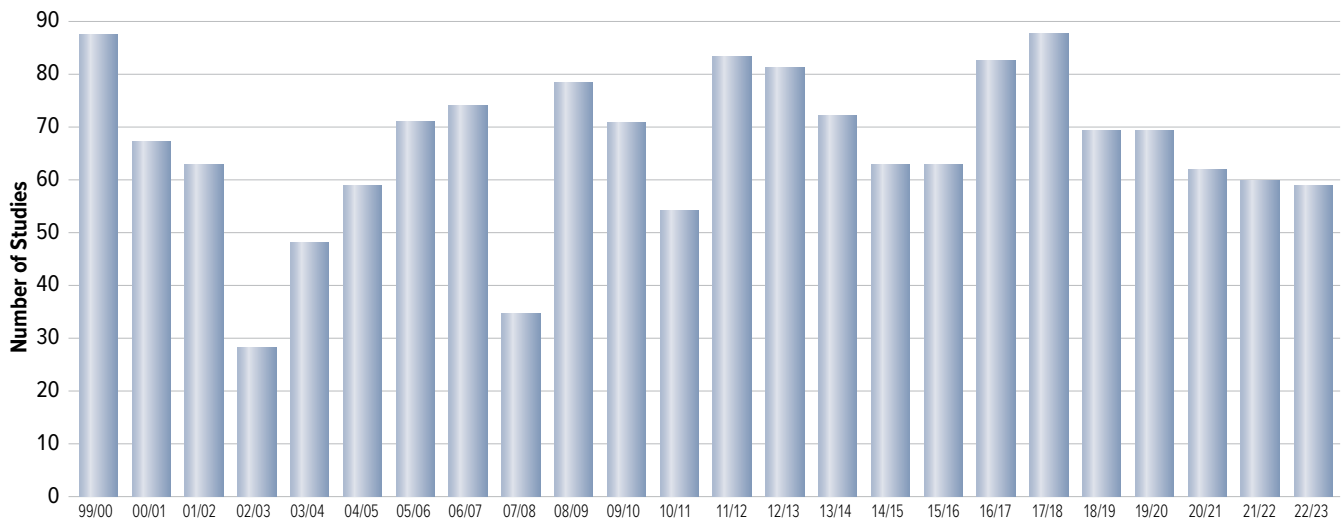
About FCMAT

FCMAT’s primary mission is to assist California’s local TK-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT’s fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT’s data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state superintendent of public instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

Studies by Fiscal Year



FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of TK-14 LEAs and the implementation of major educational reforms. FCMAT also develops and provides numerous publications, software tools, workshops and professional learning opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS’ mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT’s services to those types of LEAs.

On September 17, 2018 AB 1840 was signed into law. This legislation changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control, and providing new responsibilities to FCMAT associated with the process.

Since 1992, FCMAT has been engaged to perform more than 1,400 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

Founded in 1947, the Coast Community College District is composed of Coastline, Golden West, and Orange Coast colleges. According to the district's [website](#), the three colleges offer programs to assist in the transfer to a university, general education, occupational/technical education, community services, and student support services. Coastline, Golden West, and Orange Coast enroll more than 60,000 students each year in over 300 degree and certificate programs.

Study and Report Guidelines

In December 2023, the California Community College Chancellor's Office and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to conduct a review of Coast Community College District's financial operations and perform a Fiscal Health Risk Analysis (FHRA), in accordance with Education Code Section 84041.

FCMAT visited the district on February 26-27, 2024 to conduct interviews with district and school site staff, collect data and review documents. Following fieldwork, FCMAT continued to review and analyze documents. This report is the result of those activities.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Study Team

The study team was composed of the following members:

Marcus Wirówek, CFE
FCMAT Intervention Specialist

Cambridge West Partnership, LLC
FCMAT Consultant

Leonel Martínez
FCMAT Technical Writer

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.

Executive Summary

The District's Fiscal Health Risk Analysis (FHRA) score is 25.1%, which indicates a moderate risk of insolvency if operational changes are not made. This score is based on several factors outlined in the FHRA. The primary sections contributing to the score are Internal Controls, General Fund and Position Control. Some of these weaknesses are expanded on later in this report.

Budgeting in California community college districts is a multifaceted process that relies on historical information and assumptions, beginning with the district's revenue and expense projections and with information provided by the California Community College Chancellor's Office. These assumptions, rooted in historical data and potential expenditure shifts, serve as the foundation for a district's budget. For transparency, this information needs to be communicated with constituents and relevant partners within the district.

While budget plans strive for a positive ending balance, deficits can arise, especially in a volatile economy. It is important for the district to clearly communicate any deficits and provide potential solutions. Excessive deficit spending can deplete reserves and indicate structural issues. Due to the district's carryover of vacancies, it appears that the district is in a structural deficit. However, at the conclusion of the fiscal year, many of these positions remain unfilled, resulting in salary savings. It is important to analyze past revenue and expenditure patterns to distinguish shortfalls from structural deficits, ensuring proactive fiscal management.

A detailed budget calendar acts as a cornerstone for fiscal discipline, aligning spending with institutional goals and statutory requirements. Although the district has a budget calendar, it lacks detailed expectations and deadlines for departments to adhere to. Annual updates, endorsed by the board, would increase accountability and ensure timely budget adjustments.

The recent economic volatility has made it difficult to estimate revenues, which are influenced by the state's proposals and chancellor's office allocations. The district struggles to align revenue estimates with actual receipts, emphasizing the importance of a multiyear financial plan (MYFP) for navigating fiscal uncertainties. Proactive monitoring and contingency planning, alongside the engagement of educational partners, are vital for financial resilience.

Structurally balanced budgets hinge on aligning recurring revenues with expenditures and prudently managing one-time funds. The district's recurrent deficits highlight the need for strategic planning to eliminate reliance on temporary measures. Communication and collaboration between district and college staff are pivotal for refining expenditure projections and aligning budgets with historical data.

About the Analysis



FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FCMAT has developed the Fiscal Health Risk Analysis (FHRA) as a tool to help evaluate a community college district’s fiscal health and risk of insolvency in the current and two subsequent fiscal years.

FCMAT has developed the FHRA as a tool to assess a community college district’s ability to develop and execute a sustainable financial plan for the current and two subsequent fiscal years.

The scope of the FHRA is based on data captured within 90 days from the contract between FCMAT and the district.

The FHRA includes 18 sections, each containing specific questions. Each section and specific question are included based on FCMAT’s work since its inception; they are the common indicators of risk or potential insolvency for districts that have neared insolvency and needed assistance from outside agencies. Each section of this analysis is critical to an organization, and lack of attention to these critical areas will eventually lead to a district’s failure.

The greater the number of “no” answers to the questions in the analysis, the higher the score, which points to a greater potential risk of insolvency or fiscal issues for the district. Not all sections in the analysis, and not all questions within each section, carry equal weight; some areas carry higher risk and thus count more heavily toward or against a district’s fiscal stability percentage. For this tool, 100% is the highest total risk that can be scored. A “yes” or “n/a” answer is assigned score of 0, so the risk percentage increases only with a “no” answer or with an unanswered question.

Identifying five-year historical trends in the areas of enrollment, staffing, salary and benefits, and revenue, including information on how each contributes to obstacles and issues early on, is critical to maintaining fiscal health. Multiyear planning, risk assessment, and cash flow projections will enable a district to better understand financial objectives and strategies to sustain a high level of fiscal efficiency and overall solvency. A district should consider completing the FHRA annually to assess its own fiscal health risk and progress over time, especially if it is at risk or in fiscal distress.

Score Breakdown by Section

Because the score is not calculated by category, category values provided are subject to minor rounding error and are provided for information only.

1.	Annual Independent Audit Report	0.0%
2.	Budget Development and Adoption	1.8%
3.	Budget Monitoring and Updates	2.0%
4.	Cash Management	1.4%
5.	Collective Bargaining Agreements	2.0%
6.	Intrafund and Interfund Transfers	0.0%
7.	Deficit Spending	2.0%
8.	Employee Benefits	0.0%
9.	Enrollment and Attendance	1.0%
10.	Facilities	0.0%
11.	Fund Balance and Reserve for Economic Uncertainty	0.0%
12.	General Fund – Current Year	3.1%
13.	Information Systems and Data Management	1.0%
14.	Internal Controls and Fraud Prevention	7.1%
15.	Leadership and Stability	1.0%
16.	Multiyear Projections	0.0%
17.	Non-Voter-Approved Debt and Risk Management	0.0%
18.	Position Control	2.5%

Score **25.1%**

Fiscal Health Risk Analysis

For Community College Districts

Date: February 26-27

District: Coast Community College District

1. Annual Independent Audit Report		Yes	No	N/A
1.1	Has the independent audit report for the most recent fiscal year been completed and presented to the board by the statutory timeline of December 31? (Extensions of the timeline granted by the Chancellor’s Office should be explained.)	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.2	Were the district’s most recent and prior two independent audit reports free of material findings of weakness?	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.3	Has the district corrected all audit findings from the most recent and prior two audits?	✓	<input type="checkbox"/>	<input type="checkbox"/>
1.4	Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health (e.g., material apportionment or internal control findings)?	✓	<input type="checkbox"/>	<input type="checkbox"/>

2. Budget Development and Adoption		Yes	No	N/A
2.1	Does the district develop and use written budget assumptions and multiyear projections that are reasonable, clearly articulated, and aligned with the signed state budget and the Student-Centered Funding Formula (SCFF)?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.2	Does the district use a budget development method other than a prior-year rollover budget, and if so, is there a procedure to evaluate prior year and future expenses (nonfixed expenditures, supplies, adjunct and other hourly positions) and removal of one-time revenues and expenses?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.3	Does the district use position control data for budget development?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.4	Does the district coordinate program review as part of the budget development process and include input from faculty/staff, administrators, the governing board, and the budget committee in accordance with a documented planning model?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.5	Does the budget development process include an explanation of the calculation of the SCFF (base full time equivalent students [FTES], supplemental low income and student success portions of the funding) with reasonable assumptions?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.6	Does the district budget and expend restricted funds as authorized by the funding source before expending unrestricted funds?	✓	<input type="checkbox"/>	<input type="checkbox"/>
2.7	Does the district have a documented policy and/or procedure for evaluating the proposed acceptance of grants and other types of restricted funds to assess their congruence with the institution’s strategic plan and the potential multiyear impact on the district’s unrestricted general fund?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>The district does not have documented policies or procedures to appropriately evaluate the acceptance and management of grants.</i>			
2.8	Are expected revenues (not based on actuals) more than or equal to expected expenditures (not based on actuals) in the district’s adopted budget (budget is not dependent on carryover funds to be balanced)?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>As identified later within the report, the district’s 2023-24 adopted budget shows the district’s expenditures exceeding revenues by \$4,001,077.</i>			

- 2.9 Has the district refrained from using negative or contra expenditure accounts (excluding appropriate abatements in accordance with the Budget and Accounting Manual [BAM]) in its budget?
- 2.10 Does the district have a board-adopted budget calendar that includes statutory due/closing dates (accounts receivable, accounts payable, closing of purchase orders, journal entries, etc.), major budget development tasks and deadlines, and the staff member/department responsible for completing them?
Although the district has a general budget calendar that is presented during the budget study session, there is no detailed and comprehensive budget calendar approved by the board of trustees.
- 2.11 Did the district close its books with the county office of education on time?

3. Budget Monitoring and Updates

Yes No N/A

- 3.1 Are actual revenues and expenses consistent with the most current budget projection of each major object code?
In comparing the district's budget to actual expenditures, FCMAT found large variances in major object codes. The two charts below show the variances by object for fiscal year 2022-23 and 2021-22.

Variances between district budget and actual expenditures in 2022-23 fiscal year

Fiscal Year 2022-23	Budget	Actual	Difference
Certificated Salaries	\$91,103,204	\$97,749,173	\$(6,645,969)
Classified Salaries	\$59,555,916	\$54,375,181	\$5,180,735
Staff Benefits	\$71,232,421	\$76,084,405	\$(4,851,984)
Books, Supplies & Materials	\$2,737,534	\$1,663,834	\$1,073,700
Operating Expenses & Services	\$39,418,690	\$20,374,324	\$19,044,366
Capital Outlay	\$1,087,761	\$756,999	\$330,762
Financial Aid & Other Outgo	\$(503,138)	\$2,510,308	\$(3,013,446)
	\$264,632,388	\$253,514,224	\$11,118,164

Fiscal Year 2021-22	Budget	Actual	Difference
Certificated Salaries	\$85,003,645	\$91,370,084	\$(6,366,439)
Classified Salaries	\$56,785,968	\$51,056,746	\$5,729,222
Staff Benefits	\$65,121,875	\$70,664,384	\$(5,542,509)
Books, Supplies & Materials	\$2,880,859	\$1,502,516	\$1,378,343
Operating Expenses & Services	\$28,690,221	\$18,427,881	\$10,262,340
Capital Outlay	\$1,231,761	\$1,077,807	\$153,954
Financial Aid & Other Outgo	\$25,961,681	\$2,666,138	\$23,295,543
	\$265,676,010	\$236,765,556	\$ 28,910,454

- 3.2 Are revenue and expenditure budget revisions posted at least quarterly in the financial system? . .
- 3.3 Are quarterly financial status reports, 311Q, submitted to the board quarterly with a clearly written summary of the report, budget assumptions and budget revisions?
- 3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs before the next financial reporting period?

- 3.5 Has the district addressed any budget-related deficiencies identified in the most recent Accrediting Commission for Community and Junior Colleges (ACCJC) Annual Fiscal Report? . . . ✓
- 3.6 If a college in the district has been notified that it is on enhanced monitoring or watch-list status based on the college’s ACCJC Annual Fiscal Report, have the district and college(s) created a written plan to address the issues of concern identified by the ACCJC? . . . ✓
- 3.7 Does the district’s enterprise software system include hard budget blocks that prevent the processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? ✓
- 3.8 Does the district encumber and adjust encumbrances for salaries and benefits? ✓
The district does not encumber salaries and benefits within its financial system. The best practice is for the district to encumber salaries and benefits, and at minimum, reconcile and revise these figures at interim reporting periods.
- 3.9 Are all balance sheet accounts in the general ledger reconciled each quarter, at a minimum, and at year-end close? ✓

4. Cash Management

Yes No N/A

- 4.1 Does the district balance all cash and investment accounts with bank statements monthly? ✓
- 4.2 Are outstanding amounts in the cash and investment account reconciliations less than one year old, or if older, have a resolution? ✓
- 4.3 Are accounts held by the county treasurer reconciled and balanced with the district’s and county office of education’s reports monthly? ✓
- 4.4 Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known? ✓
The district did not provide evidence that it developed ongoing cash flow projections for the current and subsequent years. The district is encouraged to develop an 18-24 month cash flow projection.
- 4.5 If the district’s cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year? ✓
- 4.6 Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds? ✓
- 4.7 If interfund borrowing is occurring, does the district comply with Object Code 7300 requirements in the BAM? ✓
- 4.8 If the district is managing cash in any funds through external borrowing, such as a TRANS, has the district provided a written plan for repayment attributable to the same year the funds were borrowed? ✓

5. Collective Bargaining Agreements

Yes No N/A

- 5.1 Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections by conducting a pre-settlement analysis and identifying ongoing revenue sources or expenditure reductions to support the agreement? ✓

- 5.2 In the current and prior two years has the district settled all new employee compensation costs (salary, benefits, load factoring, etc.) in the bargaining agreements at or under the funded cost of living adjustment (COLA)?

The faculty bargaining unit agreement has COLA pass-through language and an additional 1% added. Below are the COLAs for the past three fiscal years, and the impact of the additional 1%, as agreed to with the association.

Cost-of-living adjustments for the faculty bargaining unit for fiscal years 2021-22 through 2023-24.

Fiscal Year	COLA	Collective Bargaining Agreement (CBA)	Total
2021-22	5.07%	1.00%	6.07%
2022-23	6.56%	1.00%	7.56%
2023-24	8.22%	1.00%	9.22%

- 5.3 If settlements have not been reached in the past two years, has the district identified resources to cover the estimated costs of district proposals?
- 5.4 Has the district’s board of governors approved and certified collective bargaining agreements with all its bargaining units for the current and the prior two years?
- The district’s classified bargaining unit agreement expired on June 30, 2023, and there is no successor agreement.*
- 5.5 Has the district conducted a faculty release and reassign time analysis in the last two years and determined how it may impact the overall cost to the district as it relates to collective bargaining?

6. Intrafund and Interfund Transfers

Yes No N/A

- 6.1 Does the district have a board-approved plan to eliminate, reduce or control intrafund transfers from the general fund unrestricted subfund to the general fund restricted subfund?
- 6.2 Does the board approve any intrafund or interfund transfers (contributions/encroachments) from or to the unrestricted general fund prior to occurrence?
- 6.3 If the district has deficit spending in funds other than the unrestricted general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to any resulting negative fund balance (e.g., interfund transfers)?
- 6.4 If any interfund transfers were required for other funds in either of the prior two fiscal years, and the need is recurring in the current year, did the district budget for them at reasonable levels?

7. Deficit Spending		Yes	No	N/A
7.1	Is the district avoiding a structural deficit in the current and two subsequent fiscal years? (A structural deficit is when ongoing unrestricted expenditures and contributions exceed ongoing unrestricted revenues.) If no, has the board approved and implemented a plan to reduce and/or eliminate deficit spending?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>The multiyear projections indicate a structural deficit in fiscal years 2024-25 and 2025-26, and there is no board-approved plan to reduce or eliminate the projected deficit spending. Although the district projects a deficit, historically it has not ended up deficit spending by the close of the fiscal year, because of a high number of position vacancies. If the district were to fill all of its vacancies, it would have a structural deficit.</i>			
7.2	If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<i>For the current and previous fiscal years, the district has projected deficit spending at the time of budget adoption. The primary reason of the deficit spending was due to positions that had not been filled. At the conclusion of each fiscal year, these positions were often left unfilled, and therefore a deficit was averted. If these positions were to be filled, as budgeted, the district would find itself in a true structural deficit.</i>			
7.3	Has the district decreased deficit spending over the past two fiscal years?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. Employee Benefits		Yes	No	N/A
8.1	Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.2	Is the district funding a board-adopted plan to fund its projected liabilities for retiree health benefits?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.3	Is the district funding a board-adopted plan to fund its projected employer contributions to CalSTRS and CalPERS?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.4	Is the district following a board-adopted policy to limit faculty banked hours?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.5	Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.6	Does the district track, reconcile and report employees' compensated leave balances on the balance sheet?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. Enrollment and Attendance		Yes	No	N/A
9.1	Has the district's enrollment been increasing or remained stable for the current and two prior years?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.2	Does the district monitor and analyze enrollment, weekly student contact hours (WSCH) and full-time equivalent students (FTES) data at least monthly through the second reporting period (P2)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.3	Does the district track historical WSCH and FTES data to establish future trends?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.4	Do colleges within a multi-college district maintain a record of WSCH or FTES that is reconciled monthly at the college and district levels at least through the second reporting period?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9.5	Are the district's enrollment projections and assumptions based on historical data, demographic trend analysis, high school enrollments, community participation rates and other industry standards, in addition to any board policies that limit enrollment?	✓	<input type="checkbox"/>	<input type="checkbox"/>
9.6	Do the institutional research staff and business/fiscal staff work together to develop enrollment and FTES predictions?	<input type="checkbox"/>	✓	<input type="checkbox"/>
	<i>Interviews with staff indicated that institutional and fiscal staff do not collaborate to develop enrollment and full-time equivalent students (FTES) projections. The district needs to ensure that research and fiscal staff engage in discussions when creating and/or adjusting enrollment and FTES projections, which are included in the projections for budget adoption.</i>			
9.7	Do the colleges' comprehensive enrollment plans set goals for the funding elements in the SCFF?	✓	<input type="checkbox"/>	<input type="checkbox"/>
9.8	Does the comprehensive enrollment plan establish academic productivity goals?	✓	<input type="checkbox"/>	<input type="checkbox"/>

10. Facilities	Yes	No	N/A
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10.1	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.2	Does the district properly track and account for facility-related projects?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.3	Does the district use lecture classrooms for at least 48 or 53 hours per 70-hour week as defined by the Board of Governors (BOG) policy on Utilization and Space Standards? . . .	<input type="checkbox"/>	<input type="checkbox"/>	✓
10.4	Does the district use laboratory classrooms for at least 27.5 hours per 70-hour week as defined by the BOG policy on Utilization and Space Standards?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.5	Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.6	Has a quantitative Facilities Condition Index assessment been conducted sometime in the last three years through the Foundation for California Community Colleges?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.7	Does the district have a five-year scheduled maintenance plan?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.8	If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.9	If the district has passed a Proposition 39 general obligation bond or a parcel tax and it has received any legal challenges or program audit findings concerning the use of those funds, has it resolved those complaints and/or findings?	<input type="checkbox"/>	<input type="checkbox"/>	✓
10.10	Does the district have a long-range facilities master plan that reflects its current and projected facility needs and aligns with the five-year capital outlay plan?	✓	<input type="checkbox"/>	<input type="checkbox"/>
10.11	Is the district following an Americans with Disabilities Act (ADA) transition plan that was developed within the past 5 to 10 years?	✓	<input type="checkbox"/>	<input type="checkbox"/>

11. Fund Balance and Reserve for Economic Uncertainty	Yes	No	N/A
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In this section, all questions refer to the unrestricted general fund (URGF).

11.1	Has the district adopted policies to maintain sufficient unrestricted reserves with a suggested minimum of two months of general fund operating expenditures or revenues, consistent with Budgeting Best Practices published by the Government Finance Officers Association, which they have followed?	✓	<input type="checkbox"/>	<input type="checkbox"/>
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- 11.2 Did the district’s adopted budgets for the subsequent two years include at least two months of operating expenditures in the Reserve for Economic Uncertainty? ✓
- 11.3 Does the district have at least a minimum of two months of general fund operating expenditures or revenues in the Reserve for Economic Uncertainty in its budget projections for the two subsequent years? ✓
- 11.4 If the district’s budget projections for the subsequent two years do not include at least a minimum of two months of general fund operating expenditures or revenues in the Reserve for Economic Uncertainty, does the district’s multiyear fiscal plan include a board-approved plan to restore at least the Reserve for Economic Uncertainty to at least a minimum of general fund operating expenditures or revenues? ✓
- 11.5 Is the district’s projected unrestricted general fund ending balance stable or increasing in the two subsequent fiscal years? ✓
- 11.6 If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient reserves above the recommended minimum reserve level of two months of operating expenditures? ✓

12. Unrestricted General Fund – Current Year **Yes** **No** **N/A**

- 12.1 Does the district ensure that one-time revenues do not pay for ongoing expenditures? ✓

The district has an ongoing structural budget deficit and is using one-time funds to balance the adopted budget. In such situations, the best practice is to adopt a board policy that outlines a plan when one-time funds are used for ongoing costs. The plan needs to include other funding sources to cover expenditures when one-time funding is exhausted.

- 12.2 Is the percentage of the district’s general fund unrestricted budget that is allocated to salaries and benefits, instructional service agreement, backfill of categorical to employee compensation, and pay as you go retiree health benefit expenses at or below 85% for the three prior years as reported by the CCCCCO? ✓

According to FCMAT’s analysis, salaries and benefits are at or above 90% of the district’s general fund unrestricted budget. In accordance with the Accrediting Commission for Community and Junior Colleges (ACCJC), and the chancellor’s office, a plan needs to be established to bring the salaries and benefits, instructional service agreements, backfill of categorical to employee compensation, and pay-as-you go retiree health benefit expenses to 85% (or below) of the final budgeted expenditures. The three prior years’ salaries and benefits do not appear to be at or below 85%. Based on district-provided data, the percentage of the district’s general fund unrestricted budget is as follows: fiscal year 2021-2022 = 90%, 2022-2023 = 90.02%, 2023-24 = 87.62%.

- 12.3 Is the district in compliance with the Fifty Percent Law (Education Code Section 84362) for the last three years? ✓

- 12.4 Is the district at or above its Full-Time Obligation Number (FON)? If the district is over its FON, is it within 3% of the published FON? ✓

The district’s current year FON is 94.1, and total contract faculty is 120.6, which results in the district being over the FON by 12.83%. In addition, a plan needs to be established with a goal of reducing the FON to within 1% to 3% of the published FON.

12.5	Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds?	✓	☐	☐
12.6	Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?	✓	☐	☐
12.7	Does the district consistently account for all program costs, including maximum allowable indirect costs, for each restricted resource?	✓	☐	☐

13. Information Systems and Data Management **Yes** **No** **N/A**

13.1	Does the district use a human resources system and position control system that is integrated with the financial reporting system?	☐	✓	☐
	<i>The district's position control system is not integrated with the financial reporting system. The district needs to establish a comprehensive position control process that is integrated with the financial reporting system. This integration also needs to include coordination between fiscal and human resources staff.</i>			
13.2	Does the district have an emergency data recovery system?	✓	☐	☐
13.3	Are enrollment class schedule software and budget development systems integrated?	✓	☐	☐
13.4	Does the district conduct regularly scheduled evaluation tests of the security measures that protect student and employee personal information?	✓	☐	☐
13.5	Does the district use reports from its management information systems to validate the supplemental and success outcomes funded in the SCFF?.	✓	☐	☐

14. Internal Controls and Fraud Prevention **Yes** **No** **N/A**

14.1	Does the district have controls that limit access to and include multiple levels of authorizations within its financial system?	✓	☐	☐
14.2	Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions or demotions) and at least annually?	☐	✓	☐
	<i>According to interviews, there is no defined process in which authorization controls are reviewed and updated annually.</i>			
14.3	Is there a desk manual that segregates duties in the following areas, and are staff supervised and monitored accordingly?			
	• Accounts payable	☐	✓	☐
	<i>No evidence was provided to show that desk manuals are in place and are segregating the duties of staff in their respective department(s).</i>			
	• Accounts receivable.	☐	✓	☐
	<i>See comment from 14.3a</i>			
	• Cash management	☐	✓	☐
	<i>See comment from 14.3a</i>			
	• Budget monitoring and review.	☐	✓	☐
	<i>See comment from 14.3a</i>			

<ul style="list-style-type: none"> • Purchasing and contracts. <input type="checkbox"/> <li style="padding-left: 20px;"><i>See comment from 14.3a</i> • Payroll. <input type="checkbox"/> <li style="padding-left: 20px;"><i>See comment from 14.3a</i> • Human resources (i.e., duties relative to position control and payroll processes) <input type="checkbox"/> <li style="padding-left: 20px;"><i>See comment from 14.3a</i> • Associated student body. <input type="checkbox"/> <li style="padding-left: 20px;"><i>See comment from 14.3a</i> • Warehouse and receiving <input type="checkbox"/> <li style="padding-left: 20px;"><i>See comment from 14.3a</i> 	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓ ✓ 	<ul style="list-style-type: none"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 	
14.4 Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.5 Does the district review and work to clear prior year accruals by October 31?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.6 Does the district reconcile all suspense accounts, including salaries and benefits, at least each quarter and at the close of the fiscal year?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.7 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.8 Does the district have processes and procedures to discourage and detect fraud?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.9 Does the district maintain an independent fraud reporting hotline or other reporting service(s)?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.10 Does the district have a process for collecting and following up on reports of possible fraud (such as an anonymous fraud reporting hotline)?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.11 Does the district have an internal audit department or dedicated staff?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.12 Does the district limit the issuance of Cal-Cards (credit cards) and have procedures in place for appropriate use (e.g., allowable expenses, daily limit, etc.)?	✓	<input type="checkbox"/>	<input type="checkbox"/>

15. Leadership and Stability	Yes	No	N/A
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<ul style="list-style-type: none"> 15.1 Does the district have a chief business official (CBO) who has been with the district as CBO for more than two years? 15.2 Does the district have a chief executive officer (CEO) who has been with the district as CEO for more than two years? <li style="padding-left: 20px;"><i>The current chancellor has been at the district for less than two years.</i> 15.3 Does the CEO meet on a scheduled and regular basis with all members of their administrative cabinet? 15.4 Is training on the financial procedure manual, budget, and procurement development provided to district, college and department administrators who are responsible for budget management? 15.5 Does the governing board follow an approved schedule to review and revise policies and administrative regulations? 15.6 Are newly adopted or revised board policies and administrative regulations formally implemented, communicated and available to staff? 	<ul style="list-style-type: none"> ✓ <input type="checkbox"/> ✓ ✓ ✓ ✓ 	<ul style="list-style-type: none"> <input type="checkbox"/> ✓ <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 	<ul style="list-style-type: none"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
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15.7	Do all board members attend training on the budget and governance at least every two years?	✓	□	□
15.8	Is the CEO's evaluation performed according to the terms of the contract?	✓	□	□

16. Multiyear Projections **Yes** **No** **N/A**

16.1	Has the district developed multiyear projections that include detailed assumptions aligned with industry standards, including CCCCCO and ACCJC?	✓	□	□
16.2	Did the district include the calculation of SCFF breakdown (base FTES, supplemental low income, and student success portions) with multiyear considerations to help calculate its multiyear projections?	✓	□	□
16.3	Does the district use its most current multiyear projection when making financial decisions?	✓	□	□

17. Non-Voter-Approved Debt and Risk Management **Yes** **No** **N/A**

17.1	Are the sources of repayment for non-voter-approved debt (such as certificates of participation (COPs), bridge financing, bond anticipation notes [BANS] and tax revenue anticipation notes [TRANS]) predictable and stable, and not from the unrestricted general fund?	✓	□	□
17.2	If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years?	✓	□	□
17.3	If the district is self-insured, does the district have a recent (every two years) actuarial study and a plan to pay for any unfunded liabilities?	✓	□	□
17.4	If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, TRANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues?	✓	□	□

18. Position Control **Yes** **No** **N/A**

18.1	Does the district use a documented position control system that ties all positions and costs data to eliminate disparities between human resources, payroll, and budget?	□	✓	□
	<i>Interviews indicated that there is no documented position control system in place.</i>			
18.2	Does the district analyze and adjust permanent staffing based on enrollment?.	□	✓	□
	<i>The district provided no evidence that staffing levels are adjusted consistently with enrollment trends.</i>			
18.3	Does the district reconcile budget, payroll and position control regularly, meaning at least at budget adoption and quarterly reporting periods?	✓	□	□
18.4	Does the governing board approve all new positions and extra assignments with a budget source identified before positions are posted?	✓	□	□
18.5	Is the approval of hiring staff using categorical or other restricted dollars subject to adequate program funding?	✓	□	□
18.6	Are there standing meetings for managers and staff responsible for the district's human resources, payroll and budget functions to discuss and improve processes?	✓	□	□

Total Risk Score, All Areas

25.1%

Key to Risk Score

High Risk: 40% or more

Moderate Risk: 25-39%

Low Risk: 24% and lower

District Fiscal Solvency Risk Level, all FHRA factors:

Moderate

(The existence of any condition from the Budget and Fiscal Status section, and/or a material weakness, will supercede the score above because it elevates the district's risk level.)

Fiscal Health Risk Analysis

The FHRA score is 25.1%, which indicates a moderate risk of insolvency if operational changes are not made. This score is based on several factors outlined in the FHRA. The sections contributing to this score are Internal Controls, General Fund and Position Control. Some of the risks identified in the FHRA are discussed further later in this report.

Findings and Recommendations

District Operating Budget Review

Basic Budgeting Principles

The budget process starts with a plan that projects and contrasts revenue and expenses. Assumptions are needed to create projections. It is essential to develop assumptions based on the most up-to-date information, with communication and analysis coming from the chancellor's office.

Assumptions for expenditures are developed using historical information in addition to other information including changes to employee salaries and benefits and known or potential increases in operating expenditures such as utilities and contractual agreements.

To foster trust and confidence in the document, it is necessary to communicate the assumptions that will inform a budget plan to educational partners and constituents. Transparency needs to be maintained throughout this process.

A budget deficit occurs when projected expenditures are more than projected revenues. Assumptions are critically important to communicate the reason and method for a projected budget deficit. The budget plan should not demonstrate continued deficit spending because it affects reserve levels and can indicate that ongoing expenses are tied to one-time funding or reserves, resulting in structural deficit spending. Funding ongoing expenses with one-time funds, such as reserves, is not sustainable and can lead to fiscal insolvency. In such situations, the ongoing expense needs to be eliminated or tied to ongoing funding to be sustainable.

The previous year's revenues and expenditures have an impact on the current year budget plan. The plan is informed by the previous year's actuals; however, using these figures as the only basis for budgeting is risky because it is merely a backwards view. An analysis must be performed to determine if actual year-end expenses exceed actual year-end revenues and to assess whether this deficit is temporary or has become a structural deficit.

Taking into consideration future changes and priorities, in addition to the current year's budget plan, will help the district assess the effects of previous and upcoming operations. A fiscally healthy district can show how its activities and plans affect future projections by using multiyear financial projections (MYFPs) that incorporate past year actuals, the current budget plan, and project budgets between three and five years out. The better prepared the district is for potential loss in revenue and/or increases in expenditures, the better equipped it will be to face fiscal uncertainty.

Budget Calendar

California community colleges present to their boards a budget that is prepared in accordance with Title 5 of the California Code of Regulations (CCR) and the California Community Colleges Budget and Accounting Manual. When a detailed budget calendar is in place and adhered to, districts can more effectively manage their finances, match spending to their mission, vision, and goals, and follow state laws and industry best practices. A budget calendar lists the important dates (e.g., purchasing deadlines) and completion targets for creating, examining, and approving the budget. This calendar also shows the internal procedures and schedules that notify employees of due dates, assignments.

The district includes a general budget calendar included in the board of trustees budget study session each year. However, the calendar is incomplete and does not provide adequate details, expectations and deadlines

for constituents and relevant educational partners. A best practice is to have a detailed budget calendar that is publicly available and provided to all constituencies of the district and its colleges. In addition, budget calendars help the Fiscal Department ensure deadlines are met, and budget updates are appropriately made.

The district should annually update a comprehensive budget calendar that is presented and approved by the board of trustees each year as a separate agenda item. After the budget calendar is board-approved, it needs to be provided to constituents and relevant partners to ensure expectations and deadlines are met. A sample budget calendar is attached as [Appendix A](#) to this report.

Revenue

The governor usually presents the initial budget proposal for the subsequent fiscal years annually on or before January 10, which is followed by the May revision budget proposal by May 14. The legislature then reviews the governor's May proposal and passes a budget by June 15 each year. The governor subsequently reviews the legislative budget and may or may not exercise veto authority before signing it. However, trailer bills can be introduced after enactment of the budget, which can lead to budget revisions. Alongside the state's budget process is that of the chancellor's office, from which districts receive their allocations.

District budget development typically begins in January using the governor's January budget proposal as a guide for revenue estimation. The first major target date is for the development of the tentative budget. This document is presented at a board meeting in June, even though a final state budget for the succeeding fiscal year has yet to be enacted. The tentative budget's main purpose is to establish spending authority for the district at the start of the new fiscal year on July 1. District budget development continues throughout the summer, taking into account the information gained from the annual closing of the accounting books from the previous fiscal year. The board must approve a final budget proposal by September 15.

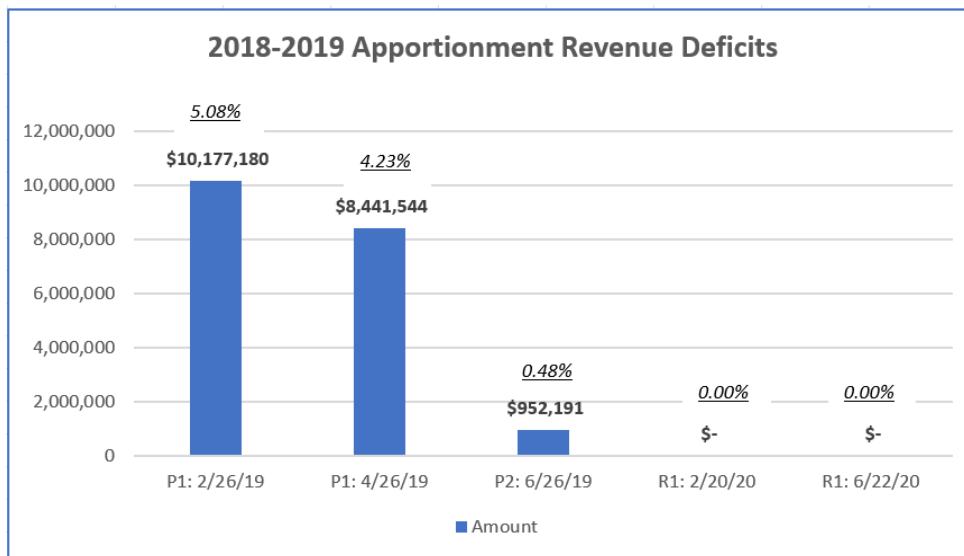
The district relies on prior budget data and estimates to project its total computational revenue (TCR), which is provided by the chancellor's office. The TCR is an estimate of the total revenue a district receives from state apportionments, Education Protection Act funds, local property taxes and local enrollment fees. The chancellor's office refines its estimates during several reporting periods using data from the colleges as well as information on revenue collections from the state. These reporting periods are in July for the advance apportionment (ADV), February for the first principal apportionment (P-1), June for the second principal apportionment (P-2), and a recalculation of apportionment (R-1) that takes place after the year end is closed in February of the following fiscal year.

Historically, due to the volatility of the state's economy, the chancellor's office projections fluctuated throughout the five previous fiscal years, making it difficult for districts to prepare concise revenue estimates that are accurate based on the actual revenue received for any given year. This is initially a budget issue, but could turn into a cash problem for districts because of the estimate of the deficit factor that will be applied to a district's TCR. A deficit factor can be applied for various reasons, including property tax and student enrollment shortfalls as well as tax receipts coming in under projection.

To illustrate the magnitude of these deficit factors, including the changes occurring within a fiscal year, the tables and graphs below outline the difficulty the district has had in budgeting a revenue estimate that closely aligns with the actual revenue that will be received over the last six years (2018-19 through 2023-24).

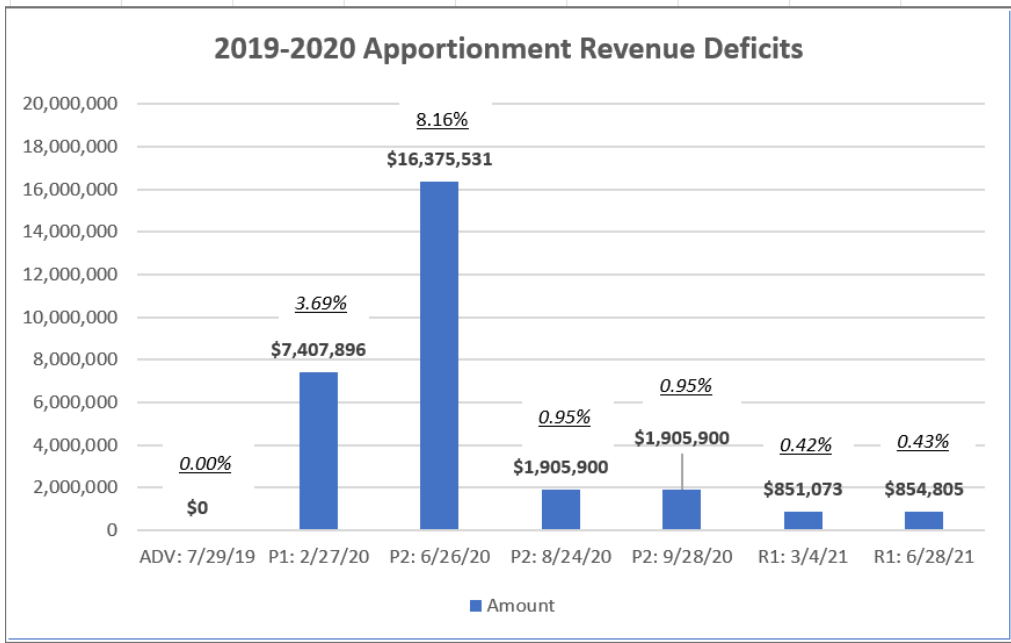
Below is CCCCCO's 2018-19 data:

Date	Reporting Period	Deficit Factor %	Revenue Reduction
2/26/19	P-1	5.08%	\$10,177,180
4/26/19	Revised P-1	4.23%	\$8,441,544
6/26/19	P-2	0.48%	\$952,191
2/20/20	R-1	0.00%	\$-0-
6/22/20	Revised R1	0.00%	\$-0-



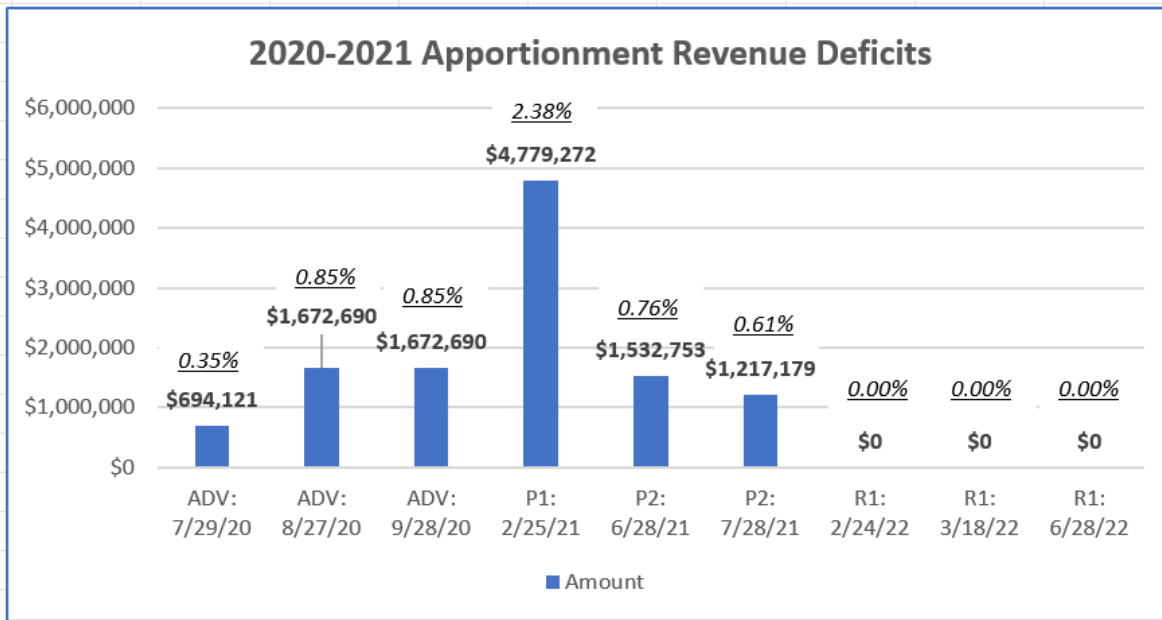
Below is CCCCCO's 2019-20 data:

Date	Reporting Period	Deficit Factor %	Revenue reduction
7/29/19	ADV	0.00%	\$-0-
2/27/20	P-1	3.69%	\$7,407,896
6/26/20	P-2	8.16%	\$16,375,531
8/24/20	Revised P-2	0.95%	\$1,905,900
9/28/20	Revised P-2	0.95%	\$1,905,900
3/4/21	R-1	0.42%	\$851,073
6/28/21	Revised R-1	0.43%	\$854,805



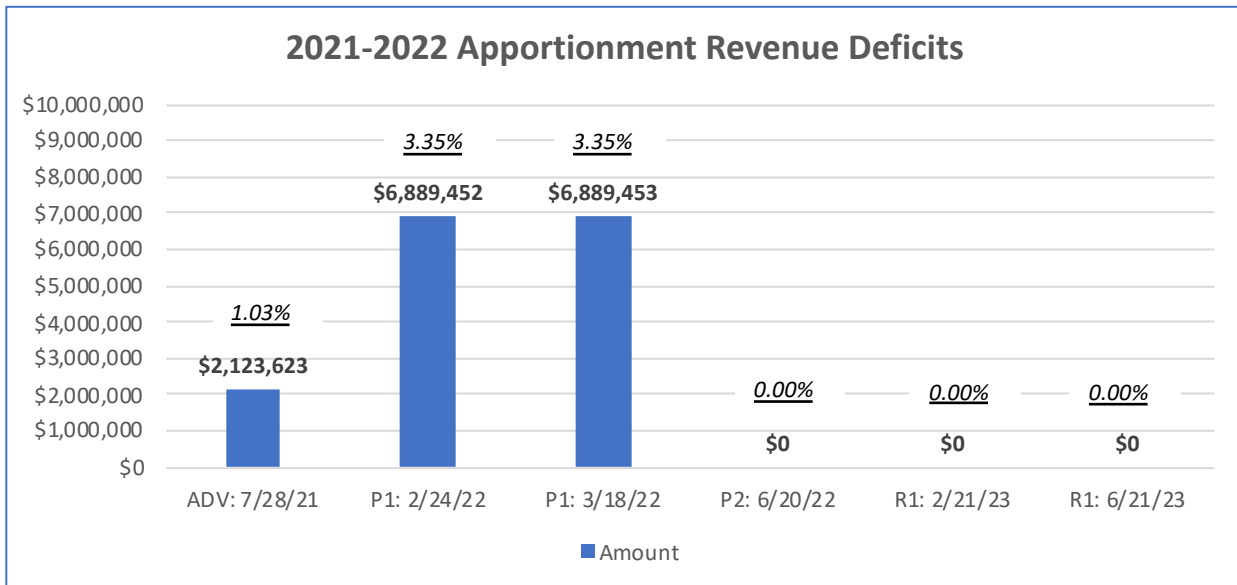
Below is CCCC's 2020-21 data:

Date	Reporting Period	Deficit Factor %	Revenue reduction
7/29/20	ADV	0.35%	\$694,121
8/27/20	Revised ADV	0.85%	\$1,672,690
9/28/20	Revised ADV	0.85%	\$1,672,690
2/25/21	P-1	2.38%	\$4,779,272
6/28/21	P-2	0.76%	\$1,532,753
7/28/21	Revised P-2	0.61%	\$1,217,179
2/24/22	R-1	0.00%	\$-0-
3/18/22	Revised R-1	0.00%	\$-0-
6/28/22	Revised R-1	0.00%	\$-0-



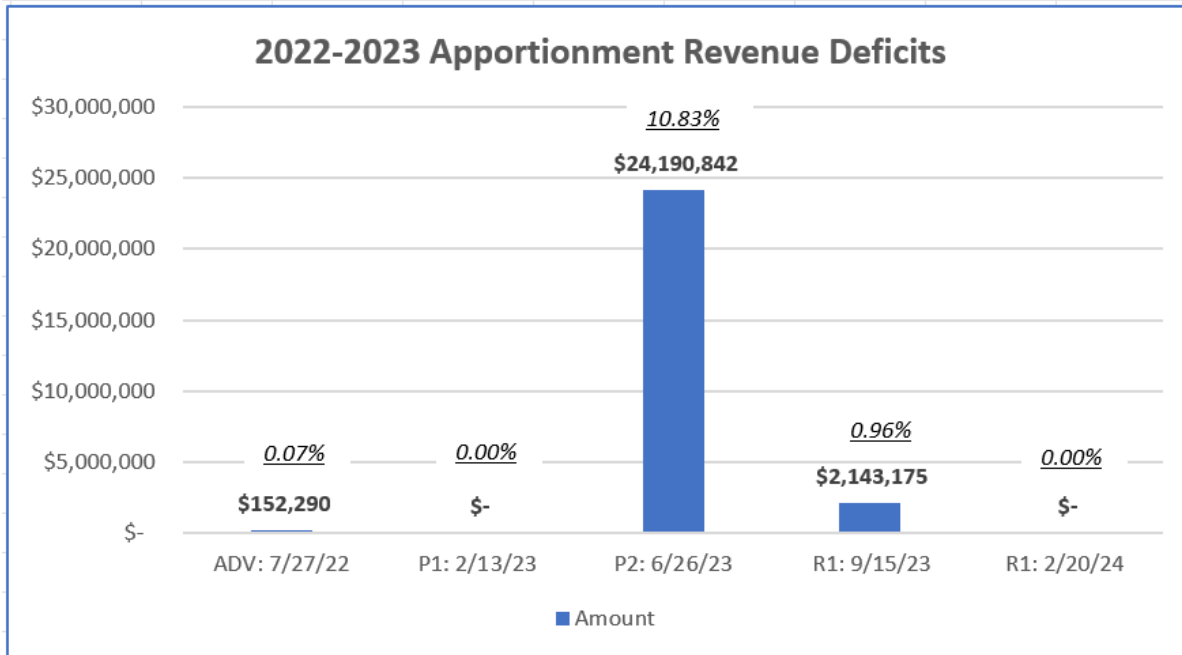
Below is CCCCCO's 2021-22 data:

Date	Reporting Period	Deficit Factor %	Revenue reduction
7/28/21	ADV	1.03%	\$2,123,623
2/24/22	P-1	3.35%	\$6,889,452
3/18/22	Revised P-1	3.35%	\$6,889,453
6/20/22	P-2	0.00%	\$-0-
2/21/23	R-1	0.00%	\$-0-
6/21/23	Revised R-1	0.00%	\$-0-



Below is the CCCCCO's 2022-23 data:

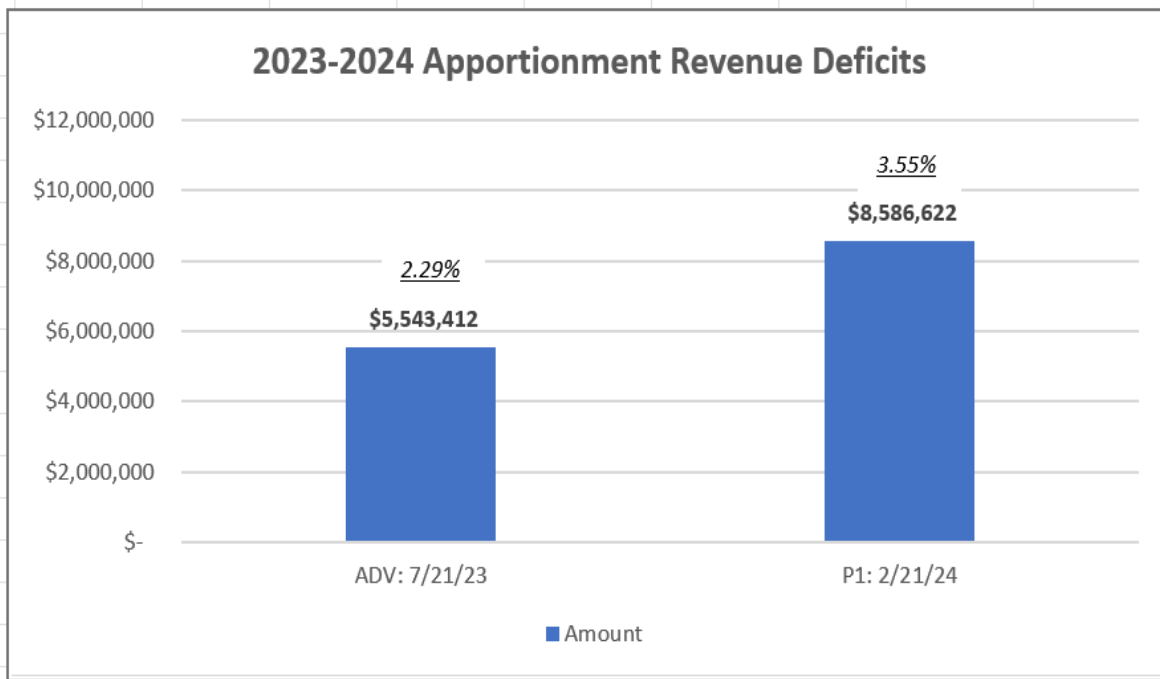
Date	Reporting Period	Deficit Factor %	Revenue reduction
7/27/22	ADV	0.07%	\$152,290
2/13/23	P-1	0.00%	\$-0-
6/26/23	P-2	10.83%	\$24,190,842
9/15/23	Revised R-1	0.96%	\$2,143,175
2/20/24	R-1	0.00%	\$-0-



Below is the CCCCCO's 2023-24 data:

Date	Reporting Period	Deficit Factor %	Revenue reduction
7/21/23	ADV	2.29%	\$5,543,412
2/21/24	P1	3.55%	\$8,586,622

No additional reports have been released to date.



In addition to fluctuations in projected revenue, the charts above show the difficulty the district experienced in budgeting for revenue compared to actual revenue received. The revenue estimate fluctuates significantly between periods, and MYFPs become imperative to present a solution that manages these substantial changes. These MYFPs assist the district in following its estimates and being better prepared to make adjustments as needed.

In simple terms, revenues affect the ending fund balance regardless of whether they are higher or lower than projected. The fund balance will increase with higher than expected revenues and decrease with lower than expected revenues. If additional funds are received, they would be for one-time use only and not used for ongoing expenditures.

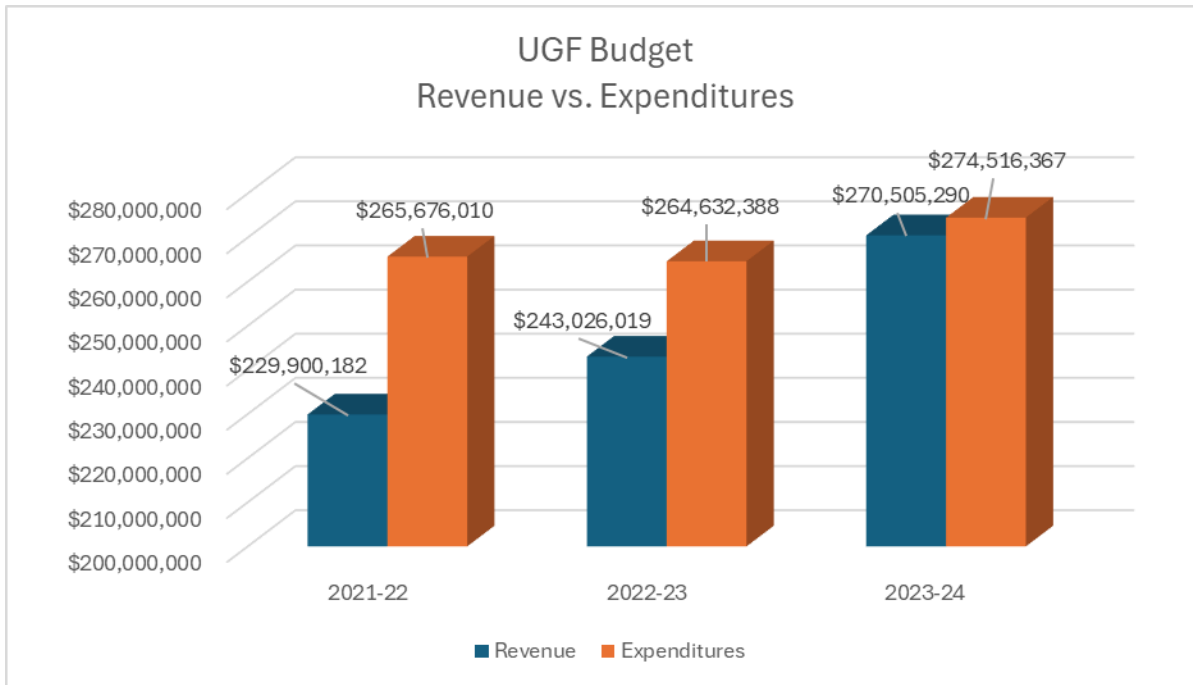
The district needs to constantly monitor its budget with MYFPs. Outside of reserves, the district also needs to develop future year contingency plans in case of a steep revenue decline. In addition, it would benefit the district to continue to communicate these significant changes to the board and relevant partners.

Budget Assumptions

To achieve a structurally balanced budget, districts need to implement strict policies regarding the matching of recurring revenues and recurring expenditures as well as the use of one-time revenue to fund nonrecurring or temporary expenditures. Districts should also create well-defined budget presentations that demonstrate to the board of trustees and other partners how revenues and expenses align as well as develop budget projections for the next three to five years.

The chart below illustrates the district’s budget deficit from 2021-22 through 2023-24. This data is from the district’s current and two previous year’s adopted budgets for the unrestricted general fund. Each year, the district budgeted more expenditures than revenue. This multiyear financial budget deficit represents a structural budget deficit resulting from the district’s previously adopted budgets.

Year	Revenue	Expenditures	Deficit
2021-22	\$229,900,182	\$265,676,010	(\$35,775,828)
2022-23	\$243,026,019	\$264,632,388	(\$21,606,369)
2023-24	\$270,515,290	\$274,516,367	(\$4,001,077)



FCMAT found that the district has experienced a structural budget deficit for the past three years. The projected expenditures exceed the projected revenues, with the district relying on one-time funds from vacant positions to balance the adopted budget. Continuing this practice can increase the district’s risk for insolvency. The district needs to develop a plan to eliminate and/or reduce its adopted budget deficits. This plan may include reducing the number of positions. Once this plan has been developed in conjunction with relevant partners, it needs to be adopted by the board.

Multiyear Financial Plan (MYFP)

As part of their planning and budgeting process, fiscally sound community colleges prioritize spending and resource allocation, check performance periodically, define goals and identify gaps, develop strategies to close gaps, and improve budgeting practices.

Budget projections for the community college are crucial for planning, forecasting, allocating resources, and maintaining accountability. Projections support community colleges in improving student outcomes and budgetary alignment with their mission, strategic plan, and priorities. Reliable projections also help community colleges adapt to shifting financial conditions.

Personnel costs typically account for the majority of a budget in districts. Over the past three years, the district has budgeted a large number of vacant positions, many of which have remained unfilled throughout the fiscal year. This practice adds to the structural budget deficit reflected in the adopted budget. In addition, this can erode the public's trust and reduce transparency, as the district is aware of vacant positions that mostly likely will remain unfilled. Below for the number of vacant positions that have been included in the adopted budget for the past three years.

<u>Fiscal Year</u>	<u>Number of vacant positions (included in adopted budget)</u>
2021-22	68
2022-23	144
2023-24	128

The district's budgeting practice is to roll over the prior year's adopted budget, including all vacant positions, many of which have remained unfilled for three years. The Fiscal Department needs to work with Human Resources, colleges, constituents and relevant partners to determine which positions will feasibly be filled and align with the district's and college's educational goals. The best budgeting practice is to include only positions that are filled or expected to be filled within the fiscal year; otherwise, the budget does not accurately reflect the district's projected financial position.

Structural Deficit

A structural deficit at budget adoption results when a district's projected expenditures surpass its projected revenues, independent of the fluctuating economic conditions. Even if a budget meets the legal requirements for being balanced, it may not be financially feasible. Several factors can contribute to a structural adopted budget deficit, including long-term spending commitments that do not adjust to the cyclical nature of the economy; demographic shifts, such as aging populations that affect the cost of health care, pensions, and the likelihood of student enrollment; changes in the economy that permanently affect revenue or expenditure levels, or expenses that are included in the adopted budget that will not be realized.

Distinguishing between a cyclical deficit, which is caused by economic downturns, and a structural deficit requires an analysis of the district's fiscal position over multiple years. While some components of the adopted budget may fluctuate with the economy's performance, the structural components remain consistent regardless of economic conditions. Understanding and addressing the structural adopted budget deficit is crucial to ensure the district's long-term fiscal health. The district's goal should be prudent fiscal management and proactive policy decisions aimed at achieving a balanced adopted budget over multiple years.

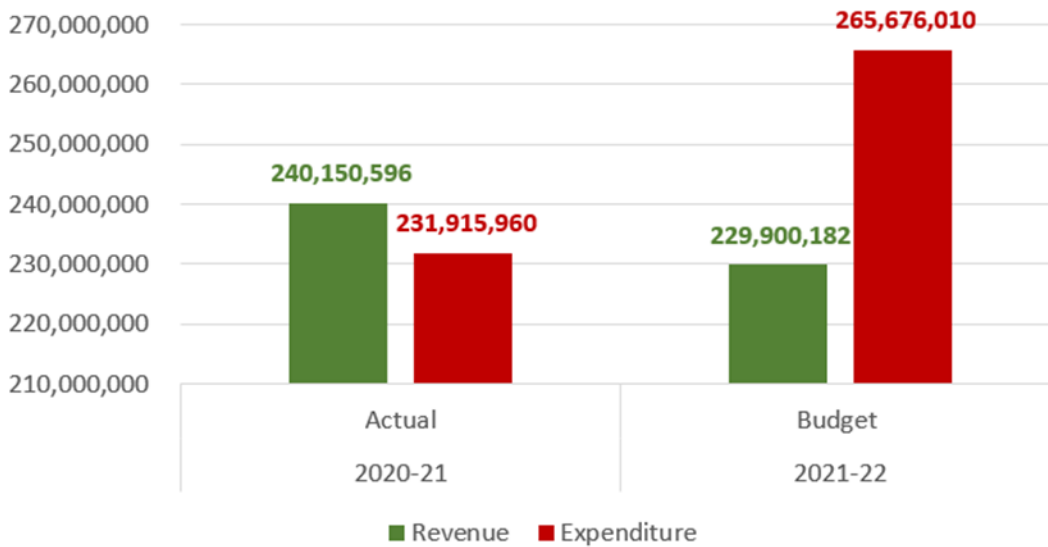
The charts below compare prior year actuals to the following year's adopted budget and demonstrate that the district has a history of budgeting structural deficits.

The data below compares 2020-21 Prior Year (PY) actual to 2021-22 Current Year (CY) adopted budget:

Fiscal Year	Revenue	Expenditure	Variation
2020-21 (Actual)	\$240,150,596	\$231,915,960	
2021-22 (Adopted budget)	<u>\$229,900,182</u>	<u>\$265,676,010</u>	
<i>Difference</i>	<i>(\$10,250,414)</i>	<i>\$33,760,050</i>	<i>\$23,509,636</i>

The overall change in revenue and expenditures results in an overall variation of \$23,509,636. This variation is in excess of 8.85% of the total budgeted expenditures.

PY Actual vs. CY Adopted Budget

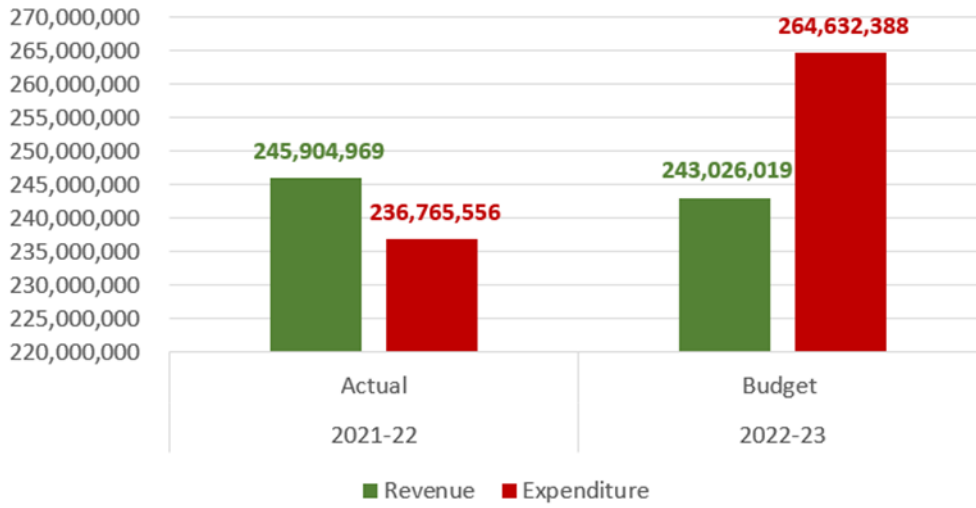


The data below compares 2021-22 PY Actual to 2022-23 CY Adopted budget:

Fiscal Year	Revenue	Expenditure	Variation
2021-22 (Actual)	\$245,904,969	\$236,765,556	
2022-23 (Adopted budget)	<u>\$243,026,019</u>	<u>\$264,632,388</u>	
<i>Difference</i>	<i>(\$2,878,950)</i>	<i>\$27,866,832</i>	<i>\$24,987,882</i>

The overall change in revenue and expenditures results in a variation of \$24,987,882. This variation is in excess of 9.44% of the total budgeted expenditures.

PY Actual vs. CY Adopted Budget

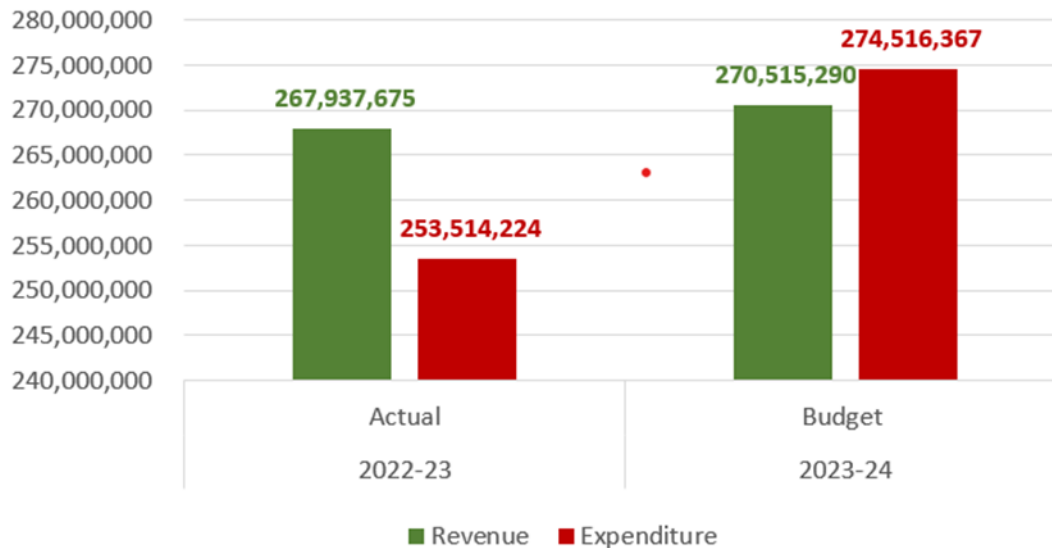


The data below compares 2022-23 Actual to 2023-24 Adopted budget:

Fiscal Year	Revenue	Expenditure	Variation
2022-23 (Actual)	\$267,937,675	\$253,514,224	
2023-24 (Adopted budget)	\$270,515,290	\$274,516,367	
<i>Difference</i>	\$2,577,615	\$21,002,143	\$23,579,758

The overall change in revenue and expenditures results in an overall variation of \$23,579,758. This variation is in excess of 8.59% of the total budgeted expenditures.

PY Actual vs. CY Adopted Budget



In developing assumptions for the adopted budget, it is important to consider the results of operations. The charts above demonstrate how revenue estimates are improving annually and are aligning closer to actual revenue. Every year, the budgeted expenses are also adjusted. While there have been some minor changes, further

adjustments are needed to align budgeted expenditures more closely with actual expenditures. During interviews, FCMAT noted a lack of communication and coordination between the college business staff and district fiscal staff regarding expenditure projections in budget development.

The district has had a structural adopted budget deficit for the past three years. However, due to a high number of unfilled positions, it has been able to end the fiscal year without deficit spending. Properly aligning its positions could enable the district to eliminate the structural deficit. It is important for the district to adjust its adopted budget more closely with actual revenue and expenditures. Communication between the college business office and district fiscal staff needs to be improved regarding projections for the adopted budget. This will help ensure that the budget is developed using both historical data and projected revenue and expenditures.

Recommendations

The district should:

1. Update the budget development policy to incorporate the adoption of a comprehensive budget development calendar that includes statutory and closing dates for processes that affect budget development.
2. Annually provide the board of trustees and relevant partners with the updated budget calendar.
3. Continue to develop MYFPs in accordance with guidance from the chancellor's office.
4. Develop future-year contingency plans in case of a steep revenue decline.
5. Continue to ensure that any potential or expected changes in revenue are appropriately communicated to the board and relevant partners in a timely manner.
6. In conjunction with educational partners, develop a board-approved written plan to eliminate and/or reduce structural deficits in the adopted budget.
7. Review all vacant positions and include only those that are filled or expected to be filled during the fiscal year in the adopted budget.
8. Improve communication and coordination for budget development between the college business offices and district fiscal services staff.

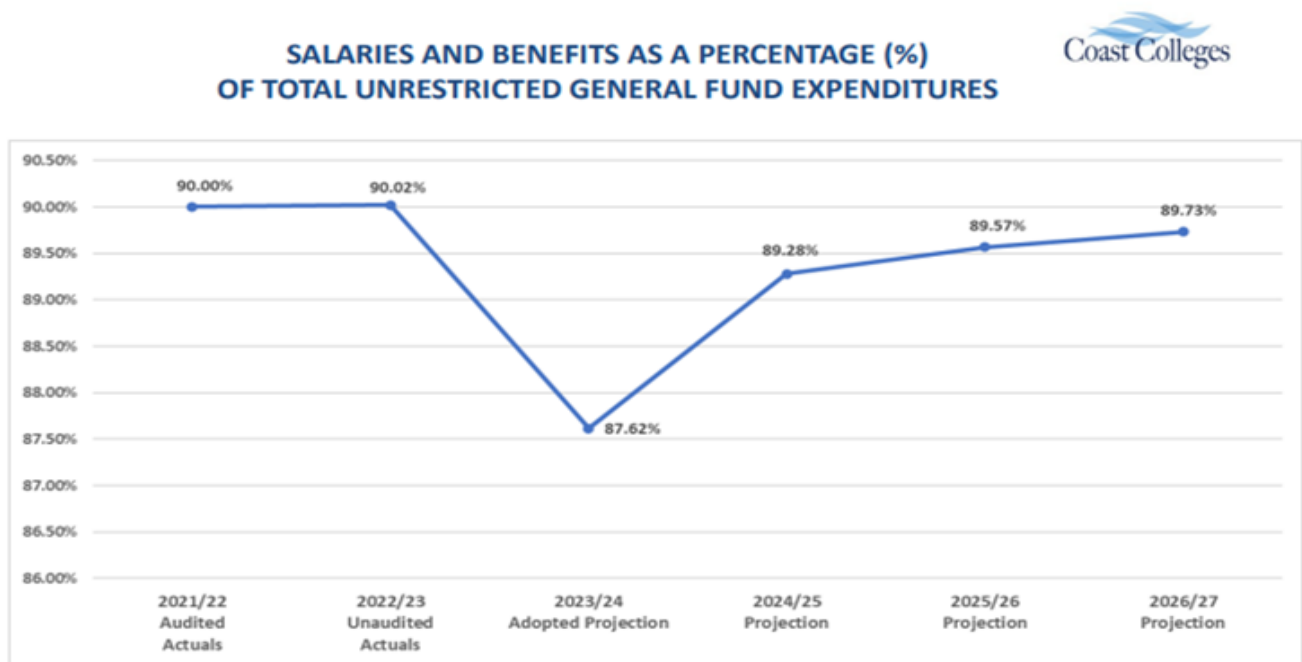
Salaries and Benefits

Encumbering is the practice of committing to pay for future expenses. The best practice is for salaries and benefits to be continuously encumbered in the financial system and then reconciled and revised throughout the fiscal year. This practice is essential for budgeting and forecasting a district’s future financial requirements as well as managing cash flow. Continuously encumbering salary and benefits is an important element of managing expenditures, including grants and grant funding, throughout the fiscal year.

At the time of FCMAT’s interviews, the district did not adhere to the best practice of encumbering salaries and benefits and reconciling them in the district’s financial system.

Total Compensation Compared to Ongoing Expenditures

A key element of budget development is calculating how much the district expends for personnel-related compensation in relation to the total expenditures. Districts typically allocate up to 85% of their operating budget to salary and benefit (compensation) expenses. Salaries and wages can make up as much as 70% of total compensation costs, though the precise distribution varies from district to district. The remaining 10% to 15% of the total compensation budgeted is typically comprised of benefits, such as pensions and health insurance (including OPEB-Other Post-Employment Benefits).



Source: Coast CCD 2023-24 FY Adopted Budget Presentation to the Board of Trustees September 6, 2023 (p. 37)

In each of the past two years, and moving forward in the multiyear financial plan, the district expends and budgets more than 87.5% (90% actual) in salaries and benefits to total expenditures. According to FCMAT’s [Indicators of Risk or Potential Insolvency for California Community Colleges](#), a best practice is to ensure that the percentage of the district’s general fund unrestricted budget that is allocated to salaries and benefits, instructional service agreements, backfill of categorical to employee compensation, and pay-as-you-go retiree health benefit expenses is not at or below 85% for the three prior years to have allocated salaries and benefits.

Cash Flow

A cash flow projection estimates future income and expenses along with the total amount of cash on hand in the upcoming months. Projections of cash flow are essential for monitoring and optimizing financial resources and help prevent fiscal insolvency. State apportionment funding is not evenly paid to districts each month, with distributions made at the following times:

- July 8%.
- August 8%.
- September 12%.
- October 10%.
- November 9%.
- December 5%.
- January – June 8% each month for the remaining months of the fiscal year.

Property tax and student enrollment fee revenues are each allocated in two large increments annually. Given that expenditures occur relatively evenly throughout the year, the district needs to continually monitor cash flow to ensure that payrolls are met, and obligations are paid in a timely manner.

The district does not prepare cash flow projections. The best practice is to develop a 18- to 24-month cash flow projection. With cash receipts that fluctuate and expenditures that are relatively level, the district may find itself lacking the cash to meet its current needs and obligations.

Collective Bargaining

Collective bargaining agreements have a major fiscal impact on a district's budget. Districts must bargain in good faith and understand an agreement's impacts on both current and future expenditures. The statutory cost-of-living adjustment (COLA) is proposed to be applied to other community college programs funded outside of the Student Centered Funding Formula (SCFF), including the Adult Education Program, Extended Opportunity Programs and Services, Disabled Students Programs and Services, Apprenticeship, CalWORKs student services, the Mandate Block Grant, Cooperative Agencies Resources for Education, and the Childcare Tax Bailout. It is important to consider that the COLA is used to fund all expenditure increases, salary and benefits being a part of that amount. It is also important to assess the SCFF elements and available funding. The COLA is applied to the funding rates; however, a decline in the full-time equivalent students (FTES), supplemental, or success counts will affect the amount of COLA revenue that the district receives. Based on enrollment trends, the district's MYFP of the SCFF reflects no COLA in 2025-26, with a slight restoration beginning in 2026-27.

The current faculty agreement has a provision for a pass-through COLA. This negatively affects the adopted budget and can increase the structural deficit.

Employee Benefits

Other Post-Employment Benefits (OPEB) are available to retired employees. These represent liabilities to the districts that are measured in terms of future values. Actuarial valuations are completed to determine the amounts that will be needed to fund these liabilities. It is important for districts to plan for these benefits as part of their budget and financial planning.

At the time of FCMAT’s fieldwork, the district did not have a board-approved plan to fund its projected liabilities for OPEB. Additionally, the best practice of the Government Finance Officers Association (GFOA) is to establish a retirement board of authority to oversee and manage the district’s OPEB liability.

Student Centered Funding Formula

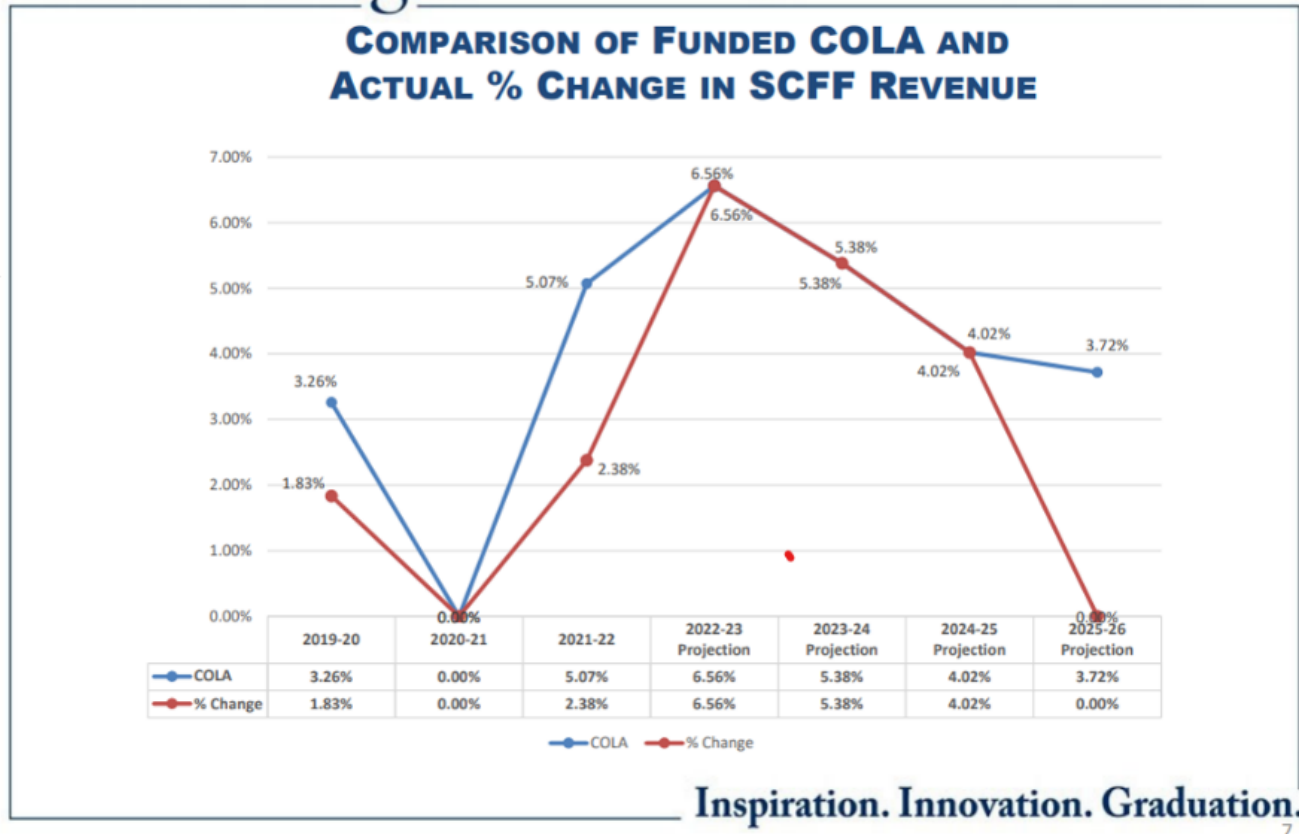
The SCFF, written into California state law on June 27, 2018, significantly changes the way California community college districts are funded. SCFF focuses on narrowing the access and achievement gap for disadvantaged students and improving community college student outcomes, as outlined in the chancellor’s office’s [“Vision for Success.”](#)

SCFF divides the state’s community college budget into three allocations:

1. The base allocation, which is focused on access. It is distributed based on FTES enrollments along with the basic allocation for college size and centers.
2. The supplemental allocation, which targets equity and is distributed based on the number of Pell Grant recipients, AB 540 students, and California College Promise Grant recipients.
3. The student success allocation, which targets successful outcomes and is distributed based on a variety of weighted metrics that represent various types of student success.

Before the SCFF, apportionment funding for the state community college system was based entirely on FTES enrollment in each district, in addition to a basic allocation that considered the number of colleges and educational centers. The 2022 Budget Act extended the hold harmless protection in a modified form. Effective 2025-26, if a district is not at prior pandemic revenue levels and in a hold harmless position, the new funding floor will be the district’s 2024-25 maximum total computational revenue (TCR) and represents the new floor below which the district’s revenue cannot fall. While a district is still in hold harmless, COLAs will not be applied to the TCR. District research staff and fiscal staff need to work together to understand these trends and translate how they relate to the fiscal projections of the institution.

Based on enrollment trends, the district’s multiyear projection of the SCFF, as shown below, indicates no COLA in 2025-26 and a slight restoration beginning in 2026-27. As noted above, the current faculty agreement includes a provision for a pass-through COLA. If COLA is passed through but COLA is not applied to SCFF revenue, the district will need to plan how to fund this obligation. This illustrates the need for research and fiscal staff to work together to understand how enrollment projections will affect expenditure budgets.



Source: Coast CCD Fiscal Year 22-23 Final Budget Presentation to the Board of Trustees September 7, 2022 (p. 7)

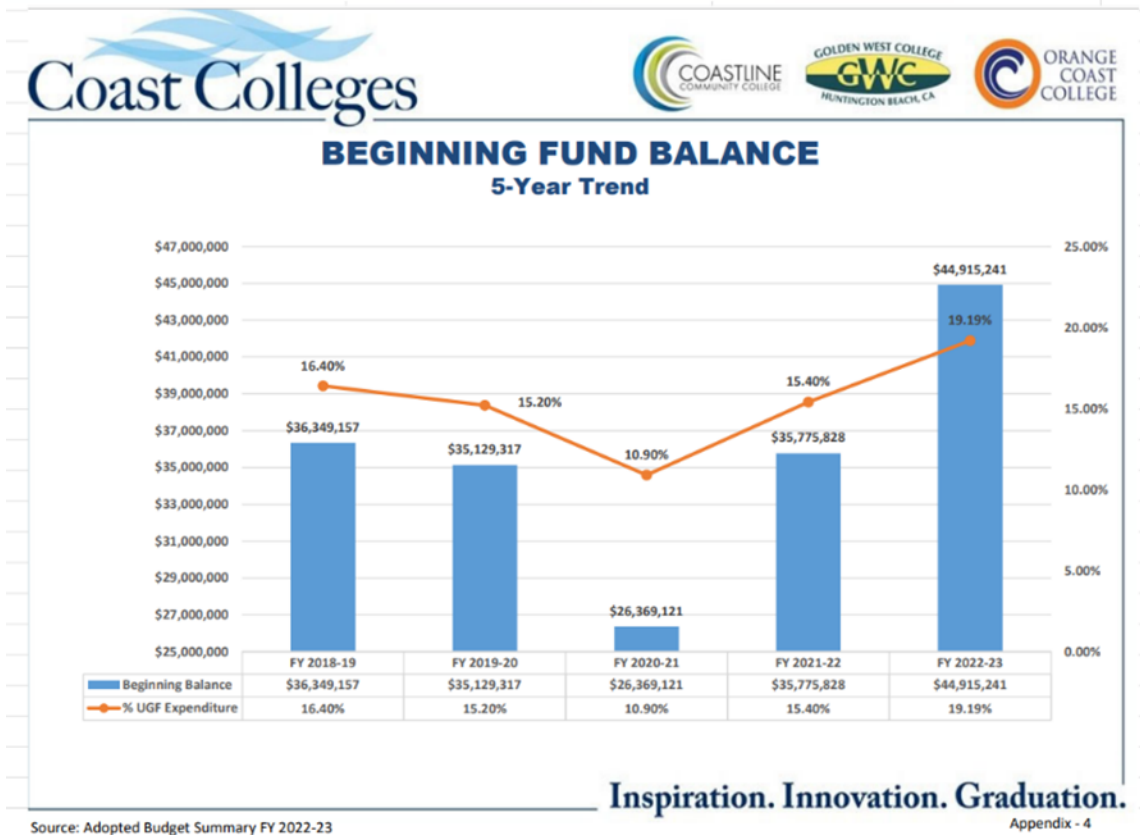
Interviews indicated that district research and fiscal staff do not work together to develop enrollment trends and FTES projections. These projections come directly from college staff and are vital for revenue projection.

Reserves

A reserve is an amount of money set aside in a fund for specific designations or to provide for an unanticipated decline in revenues or an increase in expenditures to protect the district in both the current and future fiscal years. Reserve funds are available for one-time use since they are not the result of a recurring revenue stream. It is important for district constituents and partners to understand that covering ongoing expenses with one-time or reserve funds will place the district in an unstable financial position for the succeeding fiscal year(s). The chancellor’s office recommends that districts adopt policies and practices consistent with the Budgeting Best Practices published by GFOA to maintain sufficient unrestricted reserves with a suggested minimum amount of two months (16.67%) of total general fund operating expenditures. In 2022-23, the chancellor’s office mandated that in order for a district to receive an Emergency Conditions Allowance (ECA), it must adopt a board policy aligning reserve balances to be maintained at a minimum of 16.67%.

The district amended the board policy on reserves to be eligible to receive ECA funding. Prior to this, the district’s reserves were below 16.67%.

The chart below illustrates the district’s beginning reserve fund balance as a percentage of unrestricted general fund expenditures. In 2022-23, the district was in compliance with the board-adopted policy of 16.67%, with a 19.19% reserve.



Source: Coast CCD Fiscal Year 22-23 Final Budget Presentation to the Board of Trustees September 7, 2022 (Appendix - 4)

Although the district complied in 2022-23, its MYFP indicates deficit spending in years 2023-24 through 2026-27, resulting in noncompliance by 2026-27, due to the spending down of the reserves to cover those anticipated deficits. Until expenditure assumptions are more closely aligned with actual expenditures, the MYFP indicates reserve noncompliance in 2026-27 with an ending balance reserve percentage of 11.75%.

Position Control

Position control is a process used to manage and track staff positions as opposed to individual employees. The focus is on the positions themselves, such as functions, requirements, and budgets. A position control system assigns a unique identifier to each position within an institution, allowing for nuanced management of staffing requirements and budgetary considerations. This position indicator includes information about the position, including its role within the organization, the department it is assigned to, the allotted budget, the necessary qualifications for candidates, and the full-time or part-time status. Districts using position control gain useful information about their workforce structure and can more efficiently and effectively plan. This approach is particularly central to maintaining clear visibility over the allocation of human resources.

Some important elements of position control include:

- Enhanced budgeting accuracy due to tying budgets to positions rather than to people, allowing for more accurate forecasting of personnel costs.

- Streamlined hiring processes because position control simplifies recruitment by specifying the needs and parameters of each open position.
- Improved compliance by ensuring that staffing levels meet regulatory or grant funding requirements, due to the fact that each position has a defined set of guidelines and funding.

Position control requires a robust human resources information system and the capacity to handle a potentially complicated matrix of positions. However, as districts seek to optimize their workforce management, position control is essential for maintaining organizational structure and efficiency.

According to FCMAT's Indicators of Risk or Potential Insolvency for Community Colleges, the district is severely lacking in the following areas:

- Incomplete accounting of all positions and costs.
- Failure to analyze and/or adjust staffing based on staffing ratios and enrollment.
- Failure to identify budget sources for new positions before board approval.
- Failure to regularly reconcile budget, payroll and position control.
- Failure to obtain board approval before posting new positions and extra assignments.
- Lack of regular meetings among human resources, payroll and budget staff to discuss issues and improve processes.

Interviews indicated that the district is using the position control module in Banner, the district's financial system. However, this does not tie to the district's financial system. With that said, the district does not use a documented position control system that ties all positions and cost data, reflecting accuracy among human resources, payroll and budget.

Internal Controls

Internal controls guide how an organization's assets and resources are directed, monitored, and measured, to help protect a district from fraud, abuse, or misappropriation of resources. They also help to ensure efficient operations, reliable financial information, and legal compliance. This leads to assisting an organization obtain timely feedback on its progress in meeting its financial goals. The internal control review includes elements such as segregation of duties, periodic reconciliations, physical audits, security access for technology, and authorizing signatures.

Separating duties among different employees reduces the opportunity for any one person to commit fraud and creates verification procedures to reduce clerical errors. The employee who handles recordkeeping should not have physical custody of the asset. For example, the person responsible for bank reconciliations should not receive payments from customers and prepare the bank deposits. This helps safeguard the district's assets as well as its employees against allegations.

Adequate and comprehensive desk manuals that address internal controls and segregation of duties can minimize potential fraud, abuse, and misappropriation of funds. During fieldwork, the district did not provide any evidence of desk manuals for fiscal staff.

Access

As mentioned in FCMAT's FHRA, the district lacked an appropriate review of staff's access to financial systems and authorization control. Districts need to develop specific written procedures for financial transactions, including a list of the people who are authorized to approve different types of transactions. Manager approval to exceed these approved limits needs to be required.

Furthermore, these controls should be reviewed and updated on an annual basis to ensure only the appropriate and approved staff have the correct access. Periodic reviews can ensure that managers do not permit fraudulent transactions.

Based on data analysis and interviews with staff, the district does not have formal processes for control of access. Current processes do not meet the standard for adequate internal controls. These procedural weaknesses may increase the district's financial vulnerability.

Grants

Policies and processes for accepting and managing grants ensure compliance with regulations, grant management and minimization of financial risks associated with grants.

A lack of policies and procedures on grants can result in mismanagement, noncompliance, failure to accurately or timely report and encroachment on the unrestricted general fund.

The district could not provide a policy and procedure for the acceptance of grants, and needs to develop a policy specifically for grant acceptance and management. The best practice is to have an evaluation at the time of grant proposal application prior to award.

Recommendations

The district should:

1. Develop a process to continuously encumber salaries and benefits, and reconcile and revise it on a periodic basis.
2. Prepare an 18- to 24-month cash flow projection to monitor cash flow needs.
3. Create a process used during budget development to ensure that all increases (salaries, benefits, and operating costs) can be funded through the district-funded COLA, which is tied to available SCFF revenues.
4. Continue to ensure the retirement board of authority oversees and manages the district's OPEB liability in accordance with GFOA.
5. Ensure that research and fiscal staff engage in discussions when creating and/or adjusting enrollment and FTES projections that are included in the projections for the annual adopted budget.
6. Ensure that the percentage of the district's general fund unrestricted budget that is allocated to salaries and benefits, instructional service agreements, backfill of categorical to employee compensation, and pay-as-you-go retiree health benefit expenses is not at or below 85% for the three prior years.
7. Ensure that adopted budget projections comply with the board policy on reserves.

8. Establish a comprehensive position control process that is integrated with the financial reporting system and informs budget development with coordination between fiscal, human resources, the colleges and relevant educational partners.
9. Develop desk manuals that outline procedures to segregate duties for fiscal staff that are monitored by the supervisor.
10. Establish a written process for authorization controls with the district's financial system, which are reviewed and updated on a periodic basis.
11. Develop a policy and procedure for considering the acceptance of grants and identify the potential fiscal impact on the unrestricted general fund.

Appendices

A. Sample Budget Calendar

B. Study Agreement

Appendix A – Sample Budget Calendar

Date	Task	Facilitator
September through January	Review processes & parameters for budget development	Participatory governance committee for budget
December	Board adoption of Budget Development Calendar	Board of Trustees
December	Resource Allocation Requests Due	Fiscal Services
January	Governor's Proposed Budget	
February	Cut-off for purchases that exceed bid limit and equipment & furniture requisitions	Purchasing
February	First Principal Apportionment (P-1)	
February through March	Budget Development discussion	Administrators
March	Budget Study Session	Board of Trustees
March	Cut-off date for tangible purchase requisitions	Purchasing
March	Distribute Budget Development instructions	Fiscal
April	Return budget worksheets	Administrators
May	Cut-off date for purchases on open purchase orders	Purchasing
June	Second Principal Apportionment (P-2)	
June	Board adoption of Tentative Budget	Board of Trustees
July	Beginning of new Fiscal Year	
September	Public Hearing for Board adoption of Final Budget	Board of Trustees

Appendix B – Study Agreement



FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT December 11, 2023

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the California Community Colleges Chancellor’s Office, hereinafter referred to as the Chancellor’s Office, on behalf of the Coast Community College District, hereinafter referred to as the district, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local educational agencies (LEAs). The Chancellor’s Office has requested that the team provide for the assignment of professionals to study specific aspects of the district’s operations, based on the provisions of Education Code (EC) 84041. Professionals involved in the study may include staff of the team, county offices of education, the California Department of Education, school districts, charter schools, community colleges, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

At the request of the Chancellor’s Office, and in accordance with EC 84041, FCMAT shall perform the following for the district:

- 1) Fiscal Health Risk Analysis
 - Prepare an analysis using FCMAT’s Fiscal Health Risk Analysis, identify the Coast Community College District’s risk rating for fiscal solvency, and provide recommendations to the district for improving fiscal health and resiliency.
- 2) District Budget Review
 - Review the district’s operating budget and budget adoption process to identify areas in which improvements could be made to increase transparency and understanding. Make recommendations if appropriate.
 - Review multi-year revenue and budget projections to identify and evaluate the reasonableness of major assumptions used to develop revenue and expenditure projections and make recommendations if appropriate.

B. Services and Products to be Provided

- 1) Orientation Meeting – The team will conduct an orientation session at the district to

brief management and supervisory personnel on the procedures of the team and on the purpose and schedule of the study.

- 2) On-site Review – The team will conduct an on-site review at the district and at district sites if necessary.
- 3) Exit Meeting – The team will hold an exit meeting at the conclusion of the on-site review to inform the Chancellor’s Office of significant findings and recommendations to that point.
- 4) Exit Letter – The team will issue an exit letter approximately 10 days after the exit meeting memorializing the topics discussed in the exit meeting.
- 5) Draft Report – Electronic copies of a preliminary draft report will be sent to the Chancellor’s Office administration for review and comment.
- 6) Final Report – Electronic copies of the final study report will be sent to the Chancellor’s Office and the district following completion of the review. The final report will be published on the FCMAT website.

3. PROJECT PERSONNEL

The FCMAT study team may include:

- | | |
|----------------------------|---|
| <i>A. To be Determined</i> | <i>FCMAT Intervention Specialist</i> |
| <i>B. To be Determined</i> | <i>FCMAT Community College Consultant</i> |
| <i>C. To be Determined</i> | <i>FCMAT Community College Consultant</i> |

4. PROJECT COSTS

The cost for studies requested pursuant to EC 42127.8(d)(1) shall be:

- A. \$1,400 per day for each FCMAT staff member while on site, conducting fieldwork at other locations, preparing or presenting reports, or participating in meetings. The cost of independent consultants will be billed at their actual daily rate for all work performed based on the provisions of EC 84041.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. The Chancellor’s Office will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the Chancellor’s Office.

Based on the elements noted in section 2A, the total not-to-exceed cost of the study is \$80,000.

- C. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT services should be remitted to the Kern County Superintendent of Schools – Administrative Agent, at 1300 17th Street, Bakersfield, CA 93301.

5. RESPONSIBILITIES OF THE DISTRICT, CHANCELLOR’S OFFICE

- A. The district will provide office and conference room space while on-site reviews are in progress.
- B. The district will provide the following (if requested):
 - 1) Policies, regulations and prior reports addressing the study request.
 - 2) Current or proposed organizational charts.
 - 3) Current and two prior years’ audit reports.
 - 4) Any documents requested on a supplemental list.
 - 5) Any documents requested on the supplemental list must be provided to FCMAT in an electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in an electronic format.
 - 6) All documents should be provided in advance of fieldwork; any delay in the receipt of the requested documentation may affect the start and/or completion dates of the project. Upon approval of the signed study agreement, FCMAT will provide access its SharePoint document repository, where the district will upload all requested documents.
- C. The Chancellor’s Office administration will review a draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report. The final report will be published on the FCMAT website.

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for key study milestones and will be established upon the receipt of a signed study agreement:

Orientation:	To be determined
Staff Interviews:	To be determined
Exit Meeting:	To be determined
Draft Report Submitted:	To be determined
Final Report Submitted:	To be determined
Board Presentation:	To be determined

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of

the Chancellor's Office and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a draft report and a final report. Prior to completion of fieldwork, the Chancellor's Office may terminate its request for services and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the Chancellor's Office does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its report and the Chancellor's Office will be responsible for the full costs. The Chancellor's Office understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold the preparation, publication and distribution of a report once fieldwork has been completed, and the Chancellor's Office shall not request that it do so.

8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the Chancellor's Office. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the Chancellor's Office in any manner without prior express written authorization from an officer of the Chancellor's Office.

9. INSURANCE

During the term of this agreement, FCMAT shall maintain liability insurance of not less than \$1 million unless otherwise agreed upon in writing by the Chancellor's Office, automobile liability insurance in the amount required under California state law, and workers' compensation as required under California state law. Upon the request of the Chancellor's Office and receipt of the signed study agreement, FCMAT shall provide certificates of insurance, with the California Community Colleges Chancellor's Office named as additional insured, indicating applicable insurance coverages.

10. HOLD HARMLESS

FCMAT shall hold the Chancellor's Office, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of FCMAT's board, officers, agents and employees undertaken under this agreement. Conversely, the Chancellor's Office shall hold FCMAT, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting solely from negligent acts or omissions of the Chancellor's, board, officers, agents and employees undertaken under this agreement.

11. COVID-19 PANDEMIC

Because of the existence of COVID-19 and the resulting shelter-at-place recommendations, LEA closures and other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the District (Sections 1, 4 and 5 herein) and other

provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

- A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, etc. References to on-site work or fieldwork shall be interpreted appropriately given the circumstances.
- B. Activities performed remotely that are normally performed in the field shall be billed hourly as provided as if performed in the field (excluding out-of-pocket costs).
- C. The district may be relieved of its duty to provide conference and other work area facilities for the team.

12. FORCE MAJEURE

Neither party will be liable for any failure of or delay in the performance of this study agreement due to causes beyond the reasonable control of the party, except for payment obligations by the Chancellor’s Office.

13. CONTACT PERSON

Name: Marlene Drinkwine, Vice Chancellor, Finance and Administration
Telephone: (714) 438-4611
E-mail: mdrinkwine@ccd.edu

14. SIGNATORIES

Finche, Wrenna Digitally signed by Finche, Wrenna Date: 2023.12.11 10:58:53 -08'00' Dec 11, 2023

Wrenna Finche Date
Vice Chancellor of Fiscal Health and Accounting
California Community Colleges Chancellor’s Office



12/11/23

Michael H. Fine Date
Chief Executive Officer
Fiscal Crisis and Management Assistance Team