FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Fiscal Health Risk Analysis

April 5, 2022

Napa Community College District

Michael H. Fine
Chief Executive Officer

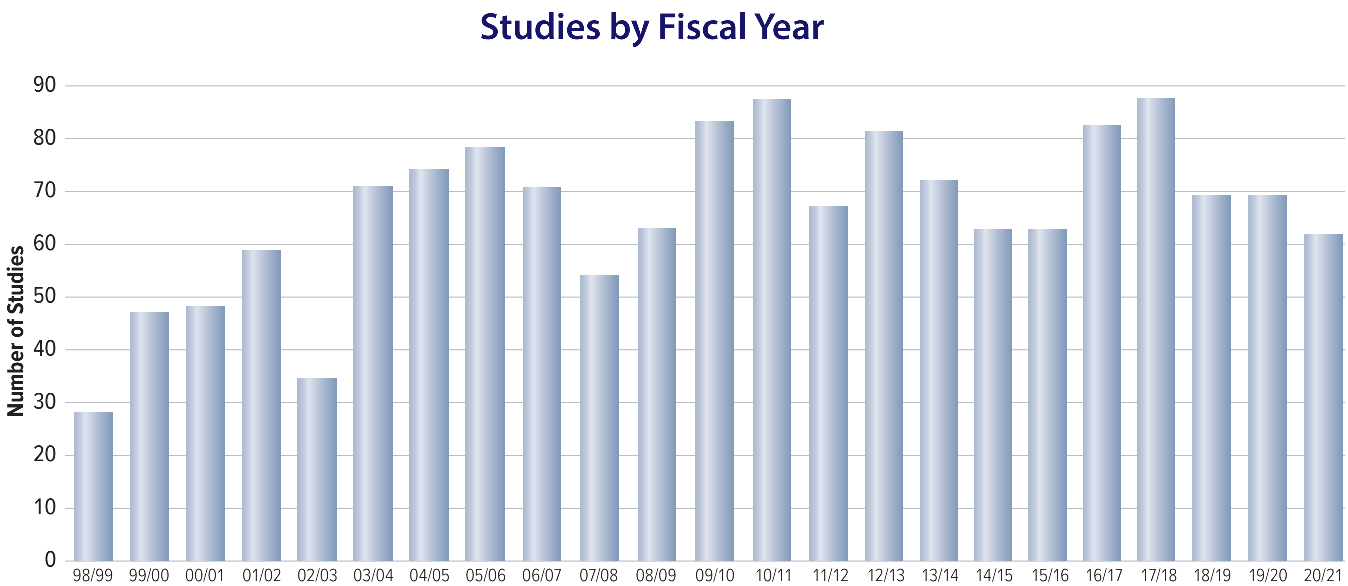
Contents

About FCMAT

FCMAT's primary mission is to assist California's local K-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.



FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-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

The citizens of Napa County passed a bond in 1941 to establish Napa Junior College as part of Napa Union High School District. In 1962 another bond was passed, which allowed the college to buy land and build a new college campus. At that time the college renamed itself Napa College. In 1982, Napa College changed its name to Napa Valley College. Napa Valley College opened its Upper Valley Campus in St. Helena in fall 1994. The district primarily serves the residents of Napa County but self-identifies as a destination college and serves students from surrounding counties, with most out-of-county students coming from neighboring Solano County. The district offers various educational programs and services, including two-year degrees, certificates, and university transfer programs, to approximately 4,000 students.

In October 2021, the California Community Colleges Chancellor's Office requested that FCMAT assist the district by conducting a Fiscal Health Risk Analysis, with additional focus on cash flow management, and identify whether appropriate and sufficient financial information is shared in a timely manner with trustees.

Study and Report Guidelines

FCMAT visited the district on November 29, 2021, to conduct interviews, collect data and review documents. Follow-up interviews were conducted on Zoom on January 10 and 11, 2022. This report is the result of those activities and is divided into the following sections:

- Fiscal Health Risk Analysis
- Summary

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:

Michelle Giacomini
FCMAT Deputy Executive Officer

Carolynne Beno
FCMAT Intervention Specialist

Cambridge West Partnership, Inc.
FCMAT Consultant

Laura Haywood
FCMAT Technical Writer

About the Analysis

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. This tool also is used 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 signing of 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 a 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 errors and are provided for information only.

1.	Annual Independent Audit Report	0.0%
2.	Budget Development and Adoption	4.9%
3.	Budget Monitoring and Updates	2.0%
4.	Cash Management	3.9%
5.	Collective Bargaining Agreements	1.0%
6.	Intrafund and Interfund Transfers	1.0%
7.	Deficit Spending	0.0%
8.	Employee Benefits	0.0%
9.	Enrollment and Attendance	1.8%
10.	Facilities	0.0%
11.	Fund Balance and Reserve for Economic Uncertainty	0.0%
12.	General Fund – Current Year	4.1%
13.	Information Systems and Data Management	2.9%
14.	Internal Controls and Fraud Prevention	3.9%

15.	Leadership and Stability	3.1%
16.	Multiyear Projections	2.0%
17.	Non-Voter-Approved Debt and Risk Management	0.0%
18.	Position Control	5.7%
Score		**36.4%**

Fiscal Health Risk Analysis

For Community College Districts

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Date(s) of fieldwork: 11/29/2021, 1/10/2022, 1/11/2022

District: Napa Valley 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?	✓	☐	☐
1.2	Was the district's most recent independent audit report free of material findings?	✓	☐	☐
1.3	Has the district corrected all audit findings from the current and past two audits?	☐	✓	☐
	The 2020-21 audit report contains a repeat finding regarding the lack of documentation on Student-Centered Funding Formula (SCFF) data.			
1.4	Can the district correct prior year audit findings without affecting its fiscal health (e.g., material apportionment or internal control findings)?	✓	☐	☐
1.5	Does the district issue a request for proposal for audit services every 3 - 5 years?	✓	☐	☐

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)?	☐	✓	☐
	Prior to the most recent budget developed by the interim chief business official (CBO), the district used only budgeted revenues and expenses and has not used historical actuals for budget projection. This compromises the accuracy of the multiyear projection and may have an adverse impact on financial decision-making. SCFF elements were not included in the budget assumptions or projections.			
2.2	Does the district use a budget development method other than a prior-year rollover budget, and if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?	☐	✓	☐
	Prior to the most recent budget, the district used a prior-year rollover budget for 4000's and 5000's expenditure categories. Historical actuals were not used for budget development. The budget development process should be improved to use budget values and assumptions that are relevant to the current external and internal conditions.			
2.3	Does the district use position control data for budget development?	☐	✓	☐
	Position control is not part of the budget development process. Prior year budgets are rolled over with percentage increases to salaries and benefits to develop the budget. Planning discussions with regard to adding new positions do not occur between human resources and the budget office, and extra assignments do not require board approval.			
2.4	Are clear budget development processes codified in Board Policies and Administrative Procedures?	✓	☐	☐

		Yes	No	N/A
2.5	Does the budget development process include input from faculty/staff, administrators, the governing board, and the budget advisory committee in accordance with the district's documented planning model?	✓	☐	☐
2.6	Does the budget development process include a calculation of the SCFF with reasonable assumptions?	☐	✓	☐
	There is no evidence that an SCFF calculation was used or presented as part of budget development.			
2.7	Does the district budget and expend restricted funds as authorized by the funding source before expending unrestricted funds?	✓	☐	☐
2.8	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 congruency with the institution's strategic plan and the potential multiyear impact on the district's unrestricted general fund?	☐	✓	☐
	The district is working on adopting and establishing procedures on evaluating the acceptance of grants, but nothing is adopted at this time.			
2.9	Are expected revenues more than or equal to expected expenditures in the district's adopted budget (budget is not dependent on carryover funds to be balanced)?	✓	☐	☐
2.10	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?	✓	☐	☐
2.11	Does the district adhere to a board-adopted budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff member/department responsible for completing them?	☐	✓	☐
	The board of trustees does not approve a comprehensive budget calendar.			

3. Budget Monitoring and Updates

		Yes	No	N/A
3.1	Are actual revenues and expenses consistent with the most current budget?	✓	☐	☐
3.2	Are budget revisions posted at least quarterly in the financial system?	✓	☐	☐
3.3	Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at least quarterly?	☐	✓	☐
	The interim CBO stated in the documentation provided that "The budget development values and assumptions for 2021-22 were not created or presented to the board of trustees."			
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	Does the district include the interim CCFS 311Q reports on board agendas?	✓	☐	☐
3.6	Has the district addressed any budget-related deficiencies identified in the most recent Accrediting Commission for Community and Junior Colleges (ACCJC) accreditation report?	✓	☐	☐
3.7	If a college in the district has been notified that it is on an enhanced monitoring or watch-list status based on the college's ACCJC Annual Fiscal Report, have the district and college(s) taken steps to address the issues of concern identified by the ACCJC?	✓	☐	☐

		Yes	No	N/A
3.8	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?	☐	✓	☐

The system is capable of hard budget blocks that prevent the processing of requisitions or purchase orders when the budget is insufficient to support the expenditure. The district reported it does not use the technology.

		Yes	No	N/A
3.9	Does the district encumber and adjust encumbrances for salaries and benefits?	✓	☐	☐
3.10	Are all balance sheet accounts in the general ledger reconciled each quarter, at a minimum?	✓	☐	☐

4. Cash Management

		Yes	No	N/A
4.1	Does the district balance all cash and investment accounts with bank statements monthly?	☐	✓	☐

Prior to the interim CBO arriving in late summer, the district was not balancing all cash accounts with monthly bank statements.

		Yes	No	N/A
4.2	Are outstanding amounts in the cash and investment account reconciliations less than one year old, or if older, have a resolution?	☐	✓	☐

There are outstanding warrants in the reconciliations that date back to 7-16-2014 and no evidence of a resolution to clear these warrants.

		Yes	No	N/A
4.3	Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly?	☐	✓	☐

Prior to the interim CBO arriving in late summer, the district did not reconcile accounts with the county office of education monthly.

		Yes	No	N/A
4.4	Does the district comply with its county treasurer and/or county office of education's requirements for balancing accounts?	☐	✓	☐

The district did not balance accounts monthly. With the assistance of the interim CBO, it is now meeting the requirements.

		Yes	No	N/A
4.5	Has the district had a positive cash balance at the end of the month during the most recent 12 months?	☐	✓	☐

Based on the information from the district that it did not have a positive cash balance at the end of each month, the county office of education intervened, and an emergency loan was issued to the district for payroll in October 2021. The newly hired interim CBO evaluated all accounts and decided the district could have swept all available fund balances (restricted and unrestricted) and would have made the October payroll without the loan from the County Treasurer.

		Yes	No	N/A
4.6	Does the district forecast its cash receipts and disbursements at least 18 months out, updating the actuals and reconciling the remaining months to the budget monthly to ensure cash flow needs are known?	✓	☐	☐
4.7	Does the district have a plan to address cash flow needs during the current fiscal year?	✓	☐	☐
4.8	Does the district have sufficient cash resources in its other funds to support its current and subsequent two fiscal years' projected obligations in those funds?	✓	☐	☐
4.9	If interfund borrowing is occurring, does the district comply with Object Code 7300 requirements in the BAM?	✓	☐	☐

4.10	If the district is managing cash in any funds through external borrowing, such as a TRANS, has the district set aside funds for repayment attributable to the same year the funds were borrowed?	✓	☐	☐

5. Collective Bargaining Agreements

		Yes	No	N/A
5.1	Does the district quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	✓	☐	☐
5.2	If the district has conducted a pre-settlement analysis and identified related costs or savings, if any (e.g., statutory benefits, and step and column salary increases), for the current and subsequent years, has it identified ongoing revenue sources or expenditure reductions to support the agreement? *The district did not conduct a presettlement analysis for the current and subsequent years.*	☐	✓	☐
5.3	In the prior three 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)?	✓	☐	☐
5.4	If settlements have not been reached, has the district identified resources to cover the estimated costs of settlements?	☐	☐	✓
5.5	Has the district settled with all its bargaining units for at least the prior two years?	✓	☐	☐
5.6	Has the district settled with all its bargaining units for the current year?	✓	☐	☐

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 transfers (contributions/encroachments) from the unrestricted general fund prior to occurrence? *No evidence exists of a process for the board to approve any intrafund transfers.*	☐	✓	☐
6.3	If the district has deficit spending in funds other than the unrestricted general fund that create instability, 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.)	✓	☐	☐
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?	☐	☐	✓
7.3	Has the district decreased deficit spending over the past two fiscal years?	✓	☐	☐

8. Employee Benefits

		Yes	No	N/A
8.1	Has the district completed a recent actuarial valuation to determine its unfunded liability under Governmental Accounting Standards Board (GASB) other post-employment benefits (OPEB) requirements?	✓	☐	☐
8.2	Does the district have a plan to fund its liabilities for retiree health benefits?	✓	☐	☐
8.3	Does the district have a multiyear plan to fund its projected employer contributions to CalSTRS and CalPERS?	✓	☐	☐
8.4	Has the district followed a policy or negotiated a collectively bargained agreement to limit faculty banked hours?	✓	☐	☐
8.5	Within the last three years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents?	✓	☐	☐
8.6	Does the district track, reconcile and report employees' compensated leave balances on the balance sheet?	✓	☐	☐

9. Enrollment and Attendance

		Yes	No	N/A
9.1	Has the district's enrollment been increasing or flat for the current and two prior years?	☐	✓	☐
	The district has experienced declining enrollment for the past seven fiscal years. In 2014-15 the college produced 5,669 full-time equivalent students (FTES). By 2019-20 the total was 4,638. In 2020-21, FTES dropped to 4,021.			
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)?	✓	☐	☐
9.3	Does the district track historical WSCH and FTES data to establish future trends?	✓	☐	☐
9.4	Do colleges within the 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?	✓	☐	☐
9.5	Do the colleges within the district have and utilize an electronic enrollment management and class scheduling program?	✓	☐	☐
9.6	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?	✓	☐	☐
9.7	Do the institutional research staff and business/fiscal staff agree on enrollment and FTES predictions?	✓	☐	☐
9.8	Has the district verified that the colleges' comprehensive enrollment plans address the funding elements of the SCFF?	☐	✓	☐
	The district reported it lacks a comprehensive enrollment plan.			
9.9	Does the CEO annually approve academic productivity goals that correspond to the estimated SCFF resources?	☐	✓	☐
	The district reported the CEO does not annually approve academic productivity goals that correspond to the estimated SCFF resources.			

10. Facilities

		Yes	No	N/A
10.1	Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	✓	☐	☐
10.2	Does the district properly track and account for facility-related projects?	✓	☐	☐
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?	✓	☐	☐
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?	✓	☐	☐
10.5	Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	✓	☐	☐
10.6	Has a quantitative Facilities Condition Index assessment been conducted sometime in the last three years through the Foundation for California Community Colleges?	✓	☐	☐
10.7	Does the district have a five-year scheduled maintenance plan?	✓	☐	☐
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?	☐	☐	✓
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 addressed those complaints and/or findings?.	☐	☐	✓
10.10	Is the district following a facilities master plan that was developed within the last 5 - 10 years?	✓	☐	☐
10.11	Has the district improved its capacity to load ratios from prior year on the required annual CCCCO Space Inventory Submission?	✓	☐	☐
10.12	Is the district following an Americans with Disabilities Act (ADA) transition plan that was developed within the past 5 - 10 years?	✓	☐	☐

11. Fund Balance and Reserve for Economic Uncertainty

In this section, all questions refer to the unrestricted general fund (URGF)..

		Yes	No	N/A
11.1	Does the district have at least a 5% Reserve for Economic Uncertainty in the current year?	✓	☐	☐
11.2	Did the district's adopted budgets for the subsequent two years include at least a 5% Reserve for Economic Uncertainty?	✓	☐	☐
11.3	Does the district have at least a 5% 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 5% Reserve for Economic Uncertainty, does the district's multiyear fiscal plan include a board-approved plan to restore at least a 5% Reserve for Economic Uncertainty?	☐	☐	✓
11.5	Is the district's projected unrestricted general fund budget stable or increasing in the two subsequent fiscal years?	✓	☐	☐
11.6	If the district has unfunded or contingent liabilities or one-time costs, does the unrestricted general fund balance include any dedicated reserves above the recommended minimum 5% reserve level?	☐	☐	✓

12. 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's budget development values and assumptions lack written procedures/processes addressing that one-time revenues do not pay for ongoing expenditures. Additionally, it appears that Higher Education Emergency Relief Fund (HEERF) dollars, which are one-time, are part of future revenue projections.			
12.2	Is the percentage of the district's general fund unrestricted budget that is allocated to salaries and benefits and instructional service agreement expenses at or below 85% for the three prior years as reported by the CCCCO?	☐	✓	☐
	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 (FY) 2017-18 = 87%, FY 2018-19 = 86%, FY 2019-20 = 87%.			
12.3	Is the district in compliance with the Fifty Percent Law (Education Code Section 84362)?	☐	✓	☐
	The district's 2020-21 fiscal year end closing reflected 41%, which does not comply with the Fifty Percent Law.			
12.4	Is the district at or above its Full-Time Faculty Obligation Number (FON)? If the district is over its FON, is the overage reasonable?	☐	✓	☐
	The district's fall 2021 FON is 72.4, and total contract faculty is 111.4, which resulted in the district being 39 over the FON as of fall 2021.			
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?	☐	✓	☐
	The district lacks an integrated human resources and position control system that is tied to the financial reporting system.			
13.2	Does the district have emergency electrical backup and data recovery systems?	✓	☐	☐
13.3	Are enrollment management and budget development systems integrated?	☐	✓	☐
	The district lacks an integrated enrollment and budget system.			
13.4	If the district is using a separate financial system from its county office of education and is not fiscally independent, is there an automated interface with the financial system used by the county office of education?	✓	☐	☐
13.5	Does the district conduct regularly scheduled evaluations of the security measures that protect student and employee personal information?	☐	✓	☐
	The district lacks a security plan for regularly scheduled evaluations that protect sensitive information.			

		Yes	No	N/A
13.6	Does the district use reports from its integrated systems to validate the supplemental and success outcomes funded in the SCFF?	☐	✓	☐

The district lacks a process to ensure annual supplemental and success awards are validated.

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?	✓	☐	☐
14.3	Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?			
	a. Accounts payable	✓	☐	☐
	b. Accounts receivable	✓	☐	☐
	c. Cash management	✓	☐	☐
	d. Budget monitoring and review	✓	☐	☐
	e. Purchasing and contracts	✓	☐	☐
	f. Payroll	✓	☐	☐
	g. Human resources	✓	☐	☐
	h. Associated student body	✓	☐	☐
	i. Warehouse and receiving.	✓	☐	☐
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?	✓	☐	☐
14.5	Does the district review and clear prior year accruals by October 31?	✓	☐	☐
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?	☐	✓	☐

Only suspense account policy was submitted as evidence; no reconciliation report was provided to FCMAT.

		Yes	No	N/A
14.7	Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?	☐	✓	☐

The district's 2019-20 books were closed in the summer of 2020-21.

		Yes	No	N/A
14.8	Does the district have processes and procedures to discourage and detect fraud?	☐	✓	☐

No processes or procedures exist to discourage and detect fraud at the district.

		Yes	No	N/A
14.9	Does the district maintain an independent fraud reporting hotline or other reporting service(s)?	☐	✓	☐

The district lacks an independent fraud reporting hotline or other reporting services.

		Yes	No	N/A
14.10	Does the district have a process for collecting and following up on reports of possible fraud?	☐	✓	☐

The district lacks a process for collecting and following up on reports of possible fraud.

		Yes	No	N/A
14.11	Does the district have an internal audit department or dedicated staff?	✓	☐	☐

15. Leadership and Stability

		Yes	No	N/A
15.1	Does the district have a chief business official who has been with the district more than two years?.	☐	✓	☐
	The CBO left the district in June 2021 and a permanent replacement began work in February 2022.			
15.2	Does the district have a chief executive officer (CEO) who has been with the district more than two years?.	☐	✓	☐
	The CEO left the district in December 2021 and the position is currently unfilled.			
15.3	Does the CEO meet with all members of the administrative cabinet weekly?	✓	☐	☐
15.4	Is training on financial management and budget provided to district, college and department administrators who are responsible for budget management?	✓	☐	☐
15.5	Does the governing board review and revise policies and administrative regulations at least annually?	☐	✓	☐
	While the district works on a regular review cycle, no process exists to review and revise board policies and administrative regulations annually.			
15.6	Are newly adopted or revised board policies and administrative regulations formally implemented, communicated and available to staff?	✓	☐	☐
15.7	Is training on the budget and governance provided to board members at least every two years?	✓	☐	☐
15.8	Is the CEO's evaluation performed annually and 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 CCCCO and ACCJC?	✓	☐	☐
16.2	Did the district use the SCFF with multiyear considerations to help calculate its multiyear projections?	☐	✓	☐
	The multiyear projection does not consider the calculation of the SCFF.			
16.3	Does the district use its most current multiyear projection when making financial decisions?	☐	✓	☐
	No evidence was provided that a multiyear projection has been used to make 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, and bond anticipation notes (BANS)) 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?	✓	☐	☐
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?	✓	☐	☐

		Yes	No	N/A
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 account for all positions and costs (position control)?	☐	✓	☐
	The district does not account for all positions and costs.			
18.2	Does the district analyze and adjust staffing based on enrollment?	☐	✓	☐
	The district does not analyze and adjust permanent staffing based on enrollment.			
18.3	Does the district reconcile budget, payroll and position control regularly, meaning at least at budget adoption and quarterly reporting periods?	☐	✓	☐
	The district does not reconcile budget, payroll, and position control regularly.			
18.4	Does the district identify a budget source for each new position before the position is authorized by the governing board?	☐	✓	☐
	The district does not identify a budget source for each new position before the position is authorized by the governing board.			
18.5	Does the governing board approve all new positions and extra assignments before positions are posted?	☐	✓	☐
	New positions are included in the annual unit planning and budgeting process and are presented in the tentative and final budget. Extra assignments are handled at the management level, and the college does not seek governing board approval before the extra assignment is offered.			
18.6	Is the approval of hiring staff using categorical or other restricted dollars subject to adequate program funding?	✓	☐	☐
18.7	Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes?	☐	✓	☐
	Only human resources staff meet regularly within the department, but not with payroll or the budget staff.			

Total Risk Score, All Areas **36.4%**

Key to Risk Score

High Risk: 40% or more

Moderate Risk: 25-39%

Low Risk: 24% and lower

Summary

FCMAT was requested to identify the district's specific risk rating for fiscal insolvency, with additional focus on cash flow management and whether appropriate and sufficient financial information is shared in a timely manner with trustees. This report includes findings from the FHRA after observing policies and procedures, reviewing financially related data and documentation and holding interviews with key personnel. In addition to the findings described in the FHRA, FCMAT identified additional challenges facing the district. These are described below.

Fiscal Health Risk Analysis

The FHRA score is 36.4%, which indicates a moderate risk of fiscal insolvency if operational changes are not made. This score calculation is based on several factors as outlined in the FHRA. The score does not consider nuances related to a district such as Napa Valley CCD that is community supported, so several additional factors must be considered to understand the risks that are discussed below.

Community Supported (Basic Aid)

In the simplest terms, a district is community supported when the local property taxes collected for the community college district are larger than the college would receive if the district was funded under the Student-Centered Funding Formula (SCFF). Although districts may go into and out of community supported status from year to year, which is further explained below, the district is currently community supported.

Given this status, the district needs to better understand how operating revenue is captured, the need for increased minimum reserves and how a district such as Napa Valley CCD in the early stages of being community supported must plan for cash flow needs.

The first primary unrestricted general fund revenue is received at the district late in the fall semester. Therefore, the district must maintain a larger reserve (cash on hand) that will be adequate to pay all bills until revenue is received in late fall. It is common for districts to obtain a tax and revenue anticipation note (TRANs) loan during the first several years of becoming community supported to ease the transition until a larger reserve is established. The district did issue a TRANs in prior years due to cash flow needs, but due to turnover in key positions the TRANs was not requested in spring 2021. A cash flow analysis was not developed in summer 2021, resulting in the district obtaining an emergency loan for $3.7 million from the County Treasurer because it could not make payroll in October 2021. After a thorough analysis in January 2022, the interim CBO found that the district could have consolidated and transferred all available resources (districtwide) from all unrestricted and restricted funds to make the October payroll. The loan was paid back to the County Treasurer once tax revenues were received.

It also is common for a district to transition in and out of community supported status or even fall out entirely. This is due to several factors such as enrollment, cost of living increases, property tax base shifts, and the funding formula for California community colleges. The district is in the early stages of being community supported and should focus on the areas below until it has less of a chance of returning to the system's funding formula.

Student-Centered Funding Formula (SCFF)

The SCFF is the formula used in the California Community Colleges system for districts that are not community supported. Although the district does not currently receive revenue based on the elements of the SCFF, that could change if enrollment increases or cost of living increases occur due to inflation. For example, current year and next year's proposed cost of living adjustment (COLA) equals more than 10%, exceeding property tax increases. If the new funding rates (based on COLAs) along with enrollment (FTES) returning to 2014 levels are achieved, the district may fall out of community supported status.

Enrollment Management

The college lacks an enrollment management plan. In general terms, enrollment management brings together activities related to recruiting, funding, retaining and replacing students as they move toward, within and away from the college. Each activity includes several processes and best practices. During interviews the general response to this topic was that the district's basic aid status means classroom efficiency and improved enrollment are not necessary. Regardless of this status, the purpose of the community college district is to serve the community and meet its educational needs. The enrollment management plan is the primary document used to drive conversations related to enrollment and student outcomes and achievement, and to ensure the college is serving the students within district boundaries.

A college strategic enrollment management plan should, at a minimum, articulate a goal to establish college and subunit targets for the following:

- FTES
- Efficiency — weekly student contact hours (WSCH) per full-time equivalent faculty (FTEF), or FTES per FTEF
- Economy (cost per FTES)
- Effectiveness (SCFF-funded successful student outcomes)

Fifty Percent Law

The Fifty Percent Law requires a district to spend at least 50% of the current expense of education (CEE) directly on classroom expenses. For every dollar saved in the numerator (classroom expenses) of the CEE, noninstructional expenses are supposed to be reduced accordingly. The district closed out the 2020-21 fiscal year and did not meet the requirements of the Fifty Percent Law. The district certified the CCFS-311 annual financial status report with only 41% of the CEE expended on the numerator. Since the district is community supported, the penalty for not expending 50% of the CEE on classroom expenses is in question. The Chancellor's Office is working with the district on the next steps to resolve the issue.

Findings

Fiscal Staffing

During the last two years the district has encountered higher than normal turnover in key administrative services positions. Turnover in the chief business officer (CBO), director of fiscal services, payroll and purchasing positions created several challenges. These challenges include the district recently being placed on enhanced fiscal monitoring by the Accreditation Commission for Community and Junior Colleges (ACCJC). During late summer 2021, the district retained the assistance of an experienced CBO. The interim CBO was able to provide insight to these challenges and training and guidance to the newly hired director of fiscal services. During the fall, the interim CBO was able to catch the district up on prior year reporting, close the 2020-21 books, and develop the 2021-22 annual budget. Although substantial progress was made, traditional participatory governance processes and institutional conversations did not take place according to statutory deadlines. At the time of this report, a permanent CBO has not been hired.

When the CBO position is filled and as the director of fiscal services gains experience, policies and procedures will need to be adopted for budget development. A more conservative approach to budget development should be considered until an experienced team is in place given the complexity of community supported funding. The Government Finance Officers Association has set up budget best practices that are a good starting point.

District Size and Scope

The district serves a small student population compared to most California community college districts. Funding is based primarily on total full-time equivalent students (FTES). The larger the district, the more it can take advantage of economies of scale and provide additional services, program offerings, etc. The smaller districts do not have this leeway and must decide what services and programs they can offer. Current enrollment in the district is below 4,000 FTES, which is in the bottom 10th percentile of the community college system.

The district implemented a hiring freeze in the summer of 2021, which is still in effect and should continue except for any essential position. The district should be cautious in determining the level of educational opportunities and support services it can provide to the community. Any comparisons of program offerings, compensation levels, community services and other factors should include only CCC districts of similar size that provide similar services. Any attempt to align salaries, benefits, programs of study or increased support services with larger districts will create fiscal stress.

Trend Data

The chart below compares a seven-year trend in enrollment, staffing, salary and benefits and revenue as it relates to the unrestricted general fund. The chart clearly identifies large drops in enrollment during the five-year period prior to the COVID-19 pandemic. Enrollment dropped again during the 2020-21 fiscal year.

During the same period, classroom efficiency also dropped from 13.94 FTES per each FTEF to 10.97 FTES per FTEF, which is far below the community college standard of 17.50 FTES per each FTEF. This calculation is a key metric for beginning the development of the annual budget. FTES/FTEF goals are also a key component of the enrollment management plan. The average class size increased slightly during the same period classroom efficiency dropped. This could be due to higher than normal release time. Classroom efficiency and average class size trends should run parallel.

In addition, according to the fall 2021 faculty obligation number (FON) report provided to the state Chancellor's Office, the district FON (the number of faculty the state expects a district to retain) was 72.4. The district, however, retained 111.4 full-time faculty. Exceeding the FON requirement costs the district approximately $82,000 for each position above the requirement ($82,000 is the 2020 California community college system average cost difference between delivering a teaching load with a permanent full-time faculty member versus utilizing adjunct instructors). These 39 positions equal approximately $3.2 million.

During the same period of time, enrollment dropped by 29%. Outside the classroom, management positions increased by 53%, professional staff increased by 13% and confidential positions increased by 61%. These increases while the number of students decreased and the Fifty Percent Law was missed by 9% in 2020-21 are evidence the district is not following CCC standards or best practices related to comprehensive fiscal planning. The expense data also suggest a larger than normal amount of time and effort from categorical management activities is being charged to the unrestricted general fund. Charging compensation to the unrestricted general fund for effort tied to categorical programs has impeded the district's ability to meet its financial obligations. This practice should be minimized to help the trustees understand how and why funds are spent districtwide.

The trend data related to the unrestricted general fund expenditures identifies a 28% increase in total compensation (salary and benefits). Pension reform continues to play a large role in increases in total compensation with increases in California Public Employees' Retirement System (CalPERS) at 141% and California State Teachers' Retirement System (CalSTRS) at 105% during this period.

NVCCD : Enrollment/Staffing/Salary & Benefits/Revenue Comparison - Unrestricted GF ONLY

NAPA VALLEY COLLEGE

			2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	7 Year
Produced FTES	Noncredit	Summer	48.61	100.77	64.02	97.84	69.90	62.08	13.24	
		Primary Terms Noncredit	426.03	438.84	389.44	320.91	336.56	215.69	53.71	-87%
		Primary Terms CDCP	18.94	13.89	11.99	5.77	6.24	0.00	0.00	
		Primary Terms ISA's								
		Subtotal	493.58	553.50	465.45	424.52	412.70	277.77	66.95	-86%
	Credit	Summer	508.04	540.64	473.28	484.25	461.42	507.27	392.89	
		Primary Terms Credit	4,584.87	4,405.69	4,287.08	4,161.17	3,790.99	3,728.26	3,453.12	-25%
		Primary Terms Special Admit	82.51	90.41	80.64	104.21	101.47	125.20	108.48	
		Primary Terms ISA's								
		Primary Terms Incarcerated								
		Subtotal	5,175.42	5,036.74	4,841.00	4,749.63	4,353.88	4,360.73	3,954.49	-24%
		Total	**5,669.00**	**5,590.24**	**5,306.45**	**5,174.15**	**4,766.58**	**4,638.50**	**4,021.44**	**-29%**
	Efficiency	Average Class Size (annual)	22.26	22.42	22.62	22.75	22.30	22.60	23.23	4%
		FTES/FTEF (semester)	13.94	13.28	13.43	13.80	11.80	12.01	10.97	-21%
	Section Count		1,906.00	1,802.00	1,755.00	1,692.00	1,592.00	1,587.00	1,328.00	-30%
Staffing	All Teaching FTEF	Contract (full-time)*	73.44	78.28	73.27	77.59	80.53	83.62	82.04	12%
		Overload	11.48	9.68	11.50	11.59	16.72	19.27	20.10	75%
		Non-Contract (part-time)	87.87	84.72	83.99	76.48	78.36	72.34	73.40	-16%
	Unrestricted Gen Fund FTE	Management	23.35	23.85	22.05	31.80	32.55	34.90	35.75	53%
		Staff	102.03	103.22	98.05	99.59	102.67	110.56	114.90	13%
		Confidential	7.75	7.75	5.75	7.75	12.75	12.75	12.50	61%
Unrestricted General Fund Salary & Benefits	Salaries	Subtotal	21,640,202	21,770,828	23,167,446	24,093,144	25,749,016	27,200,713	27,248,966	26%
	Benefits	CalPERS (w/o on-behalf)	917,434	1,140,317	1,398,724	1,604,132	2,069,317	2,354,341	2,214,377	141%
		CalSTRS (w/o on-behalf)	1,223,103	1,135,022	1,384,073	1,573,330	1,933,862	2,321,848	2,510,826	105%
		Health Insurance	3,446,916	3,461,761	3,283,964	3,754,746	2,668,234	4,002,798	2,943,383	-15%
		Other Benefits	1,719,880	1,363,162	1,454,170	1,506,313	1,559,144	1,613,122	1,686,641	-2%
		Subtotal	7,307,333	7,100,262	7,520,931	8,438,521	8,230,557	10,292,109	9,355,227	28%
Unrestricted General Fund Expenses	4000	Supplies	965,242	988,107	673,197	799,153	705,937	750,036	411,573	-57%
	5000	Other Operating	4,734,301	5,268,954	5,636,134	6,372,026	5,717,023	6,084,292	4,791,812	1%
	6000	Capital Outlay	275,252	279,399	595,769	590,094	551,155	620,410	398,988	45%
	7000	Other Outgo	1,093,597	1,135,810	904,769	1,258,049	-	18,029	2,052,713	88%
		Subtotal	7,068,392	7,672,270	7,809,869	9,019,322	6,974,115	7,472,767	7,655,086	8%
		Total	**36,015,927**	**36,543,360**	**38,498,246**	**41,550,987**	**40,953,688**	**44,965,589**	**44,259,279**	**23%**

*Full-time teaching faculty

Multiyear Budget Actuals/Projections (2019-20 to 2023-24)

The chart below shows five years of budget information for the district starting with actual (final) budget numbers from the 2019-20 fiscal year and includes a revision to the current year 2021-22 budget (as of December 5, 2021) and two years of budget projections. The more recent budget numbers (actuals and projections) show an improvement in the district's fiscal condition compared to the more dire fiscal picture of 2016-17 through 2018-19. However, FCMAT is concerned that the district relies on one-time COVID-19 relief funds in the current year and the two budget year projections.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT

	Audited FY 2019-2020	Pre-Audit Per CCFS-311 FY 2020-2021	Revised Adjusted Budget FY 2021-2022	Projected Budget FY 2022-23	Projected Budget FY 2023-24
Revenues					
Total Revenues	44,620,281	44,118,284	45,006,171	46,192,493	47,613,868
Expenditures					
Total Salaries	27,200,713	27,248,967	27,854,349	27,891,102	28,763,143
Total Employee Benefits	10,292,109	9,355,227	9,892,489	10,821,541	11,319,336
Total Books and Supplies	750,036	411,488	356,387	363,515	370,785
Total Other Operating Supplies	6,084,292	4,791,812	5,233,355	5,338,022	5,444,783
Capital Outlay	620,412	398,988	322,750	329,205	335,789
Total Other Outgo	18,029	2,052,712	1,236,897	1,285,119	1,335,221
Total Expenditures	44,965,591	44,259,194	44,896,228	46,028,503	47,569,057
Increase/(Decrease) in Fund Balance	(345,310)	(140,910)	109,943	163,990	44,811
Beginning Fund Balance	3,964,326	3,619,018	3,478,108	3,588,051	3,752,041
Ending Fund Balance	$ 3,619,016	$ 3,478,108	$ 3,588,051	$ 3,752,041	$ 3,796,852
Fund Balance Amount as a Percentage of Total Expenditures	8.05%	7.86%	7.99%	8.15%	7.98%

Revenue Concerns

Other Financing Sources (One-time COVID-19/HEERF III Funds)

The district has built into its current-year funding roughly $1.1 million in HEERF III (COVID-19 federal relief) funds. The district received HEERF III funds for institutional support totaling $3,740,511. The district plans to continue to use $1.1 million of these funds in the 2021-22 and 2022-23 fiscal years to support its unrestricted general fund budget. Using one-time funding for ongoing costs presents a challenge to the district in future years once these funds are gone because it has relied on one-time funds to support ongoing expenses. These ongoing expenses are projected to increase each year, but revenues to support these expenses regarding the COVID-19 relief funds are not.

Property Taxes

The 2021-22 property taxes are estimated to increase by 2.7% over the prior year, with district budget projections showing increases of 3.1% in the 2022-23 budget year and 3.4% in the 2023-24 budget year. These projections are reasonable. However, given that property tax revenues make up over 85% of the district's total unrestricted revenue, lowering the property tax revenue estimates to a more modest 2.5% annual increase would guard against the possibility of overprojecting this large revenue source.

Student Fees

Student fee revenues are estimated at $2,044,879, which equals the funding received in 2020-21. Given the district's continuing decline in credit FTES enrollments, the ability to collect fees at the same level as the prior year may not be realistic. In addition, the two years of budget projections (2022-23 and 2023-24) retain the same level of expected revenues for student fees, which again may be overstating this revenue source given past credit FTES enrollment declines.

Expenditure Concerns

The increase in personnel in management (nine positions added) and faculty (four positions added) during the 2017-18 fiscal year should be reviewed because enrollment had been declining for several years. Based on conversations, these personnel increases coincided with the transition to community supported status. The consensus was the district would receive additional revenue regardless of the student population served. In the simplest terms, these statements are correct. Unfortunately, these decisions played a large part in creating the cash flow issues the district now faces because of the way revenues are received.

Ongoing expenditures are estimated to increase at a rate higher than the ongoing revenue increases. As pointed out in the revenue section above, the district relies on one-time COVID-19 relief funds to support ongoing expenses in the unrestricted general fund. In the projected budget years, the district should look to reduce ongoing expenditures at least equal to the amount of the one-time funds.

Salary and Benefits Expenditures Underestimated

The two projected budget years' salaries are built on a simple increase from the prior year's base salaries and then increased by 3% for faculty and administrators and 4% for staff. This method of budgeting does not account for employees who may have their base salaries increased due to either step and column or longevity entitlements.

Salary costs for management and staff positions in the 2022-23 budget year have been reduced by 5%. This recognizes that the district will experience salary savings for these two employment classifications in the budget year. This same reduction does not occur in the budget projections for 2023-24.

The district will continue to struggle with an accurate forecast of its budgeted salaries and corresponding benefits until it dedicates resources to implement position control as part of budgeting. Understanding salary and benefit costs is critical to the budgeting process and implementing position control will allow the district to forecast them more accurately.

Other Post-Employment Benefits (OPEB)

The district provides certain current and past employees with medical benefits upon retirement. This benefit is provided to all staff assuming they meet certain service requirements (e.g., worked 15 years, retirement age). The number of employees eligible to receive OPEB is 548; 226 are retired employees currently receiving the benefit and 322 are active employees eligible for the benefit.

The district has set aside funds over the past several years in its OPEB trust fund to pay for future retiree health benefits. According to the latest actuarial report dated October 20, 2021, the district OPEB liability as of June 30, 2020, was $40,400,349. The district's OPEB trust contained $3,096,647 per the report. The report shows premiums rising (pay-as-you-go costs) from $1.3 million to $1.8 million per year over a 10-year period ending in 2028.

The district spends 4% of its annual budget on retiree medical costs. That cost is estimated to increase as more of the 322 active employees begin to retire. The district is one of the remaining few in the community college system that offers some form of retiree health benefits. As the district hires new employees and continues to provide this benefit, its future costs will continue to grow, consuming a larger share of the district's budget. This trend could impact the district's ability to recruit and retain needed talent.

District Governance and Communication

District governance practices have hindered the development of the standard policies and practices adopted in other California Community Colleges. Reported deliberations and delays from constituent groups and past administrators have resulted in an inability to complete policy and procedure review and development. This situation has inhibited progress in several administrative areas including the budget deliberation and development process.

Based on a review of board agendas, information packets, and interviews with board members, while minimum statutory financial reporting and adoption requirements were met, the governing board did not have sufficient information at meetings to make basic finance related decisions and overly relied on oral statements by the president and CBO. Trustees reported they felt they were being shielded from receiving negative fiscal information.

During the late summer 2021 the ACCJC issued a letter to the district placing it on enhanced fiscal monitoring. This is based on previously submitted annual fiscal reports to the ACCJC. The president did not forward the enhanced fiscal monitoring letter he received from the ACCJC as required. The trustees eventually received the letter through informal channels.

The district lacks an established presentation calendar for key reports and annual studies. Standardized reports that are delivered based on a predetermined calendar give all board members the opportunity to better understand the information presented. At a minimum, the board should review decisions made during budget committee meetings. In addition, oral reports do not give the trustees an opportunity to use multiyear trends for critical areas such as enrollment and staffing in their analysis. For example, in previous years the district had relied on TRANs loans to meet cash flow needs until the first tax revenues arrived. Best practice would be to present a cash flow analysis (which is required to receive a TRANs loan) to the board in a public meeting, using a standardized format, during the same month each year. This did not happen in the summer of 2021 and a TRANs loan was never considered.

Recommendations

The district should:

1. Ensure that it continues to monitor cash and present the analysis to the board regularly so that short term needs are met through allowable borrowing (e.g., TRANs, county office, county treasurer, other funds).
2. Continue to fill key fiscal positions (CBO, etc.) and provide training for the director of fiscal services.
3. Continue a hiring freeze of all other positions until revenues and expenses are balanced and a healthier reserve is established.
4. Increase the reserve to at least two months of operating expenses because of the district's status as community supported.
5. Adopt a more conservative approach to budget development until an experienced team is in place and a solid understanding of the nuances related to operating as a community supported district is gained by all constituent groups.
6. Establish comprehensive position control (preferably automated) that directly informs budget development.
7. Develop a strategic enrollment management plan where classroom efficiency standards and student outcomes are the main focus.
8. Trend revenue projections based on the district being funded though both the SCFF and community supported estimates. Include this analysis in every budget presentation so constituents can better understand how the district receives revenue.
9. Establish an annual presentation schedule on key reports (sample included in the appendix) and topics such as enrollment, student outcome trends, and fiscal information. Focus on creating standardized reports that include multiyear trends that all constituents will recognize and gain understanding of over time.
10. Ensure that board members receive required information that allows them to be responsible to all district residents and ensure that public funds are spent appropriately and legally.
11. Ensure that board members engage in monthly study sessions to facilitate their understanding of fiscal related reports and presentations. Include the participation of cabinet members in these study sessions.
12. Align faculty, management and professional staffing levels to the current student population served.
13. Conduct a time and effort study for categorical programs, and charge salaries and benefits appropriately.
14. Establish a procedure that one-time funds will only be used for one-time expenses.
15. Adopt a board policy that a plan must be brought to the board when one-time funds will be used for ongoing costs, with other funding sources identified to be used for expenditures when one-time funding ends.
16. Establish a plan to fund the district's OPEB liability.
17. Ensure that at least 50% of the current expense of education (CEE) is spent directly on classroom expenses to comply with the Fifty Percent Law.

Appendices

Appendix A

Sample Presentation Calendar

January

- FUSION Energy Use
- Program Review
- Institutional Learning Outcomes (ILO's)

February

- Nonresident Tuition Fee/Capital Outlay Fee
- Approval of Quarterly Financial Status Report District/Auxiliary Quarterly Financial Reports
- Governor's Proposed Budget

March

- First Principal Apportionment (P-1)
  - Base, Outcomes, Supplemental (SCFF)
- ACCJC Annual and Fiscal Reports
- Enrollment Update
- Annual Distance Education Update

April

- Resolution of Encumbrance of Funds for the Following Fiscal Year
- Actuarial Study of Retiree Health Liabilities Under GASB 74/75

May

- Quarterly Financial Status Report
- Resolution for Year End Budget Adjustments
- Resolution for Year End Balancing Transfers

June

- Adoption of the Gann Appropriations Limit
- Adoption of the Tentative Budget
- Approval of the Five-Year Construction Plan

    - Final Project Proposals (FPPs)
    - Initial Project Proposals (IPPs)
- Governor's May Revise Budget
- Cash Flow Analysis

August

- Chancellor's Office Tax Offset Program (COTOP)

September

- Public Hearing - Education Protection Account
- Adoption of Education Protection Account Funding and Expenditures
- Public Hearing – Final Budget
- Adoption of the Final Budget
- Equal Employment Opportunity (EEO) Certification

October

- Annual Financial and Budget Report (311)
- Student-Centered Funding Formula metrics
- FUSION Space Inventory
- Enrollment Update

November

- Approval of Budget Development Calendar
- Quarterly Financial Status Report
- District and Foundation Independent Audits
- Prop 39 Bond Independent Audit

December

- Election of Board Officers
- Approval of Authorized Signatures and Authority
- Appointment of Authorized Agents
- Approval of Board Meeting Dates and Times
- Sub-Delegation Authority for Holiday Break

Other Items Requiring Board Approval:

Board Minutes
Employee appointments and separations
Employment contracts
Faculty tenure approval
New faculty and staff positions
Bargaining unit agreements
Approval of payroll, purchase orders, contracts and commercial warrants
Transfers of appropriations (budget transfers)
Budget modifications
Formal bid approvals
Disposal of surplus property
Bond contract agreements
Construction change orders
Notice of completions
Piggybacks and surplus property (including CMAS)
Other post employee benefits) – actuarial
Instructional program revisions
New instructional programs
Approval of academic calendar
Increase/decrease in student fees
Board policy revisions and additions

Appendix B

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
November 2, 2021

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

1. BASIS OF AGREEMENT

The team provides a variety of services to local educational agencies. The Chancellor's Office has requested the team to provide for the assignment of professionals to study specific aspects of Napa Community College District's operations, based on the provisions of Education Code Section 84041. These professionals 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 will 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 Education Code Section 84041, FCMAT will prepare an analysis for the Napa Community College District using the 18 factors in FCMAT's Fiscal Health Risk Analysis (2019 version) and identify the district's specific risk rating for fiscal insolvency, with additional focus on cash flow management and whether appropriate and sufficient financial information is shared in a timely manner with trustees.

B. Services and Products to be Provided

1) Orientation Meeting –The team will conduct an orientation session at the Napa Community College 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 Napa Community College 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.

1

4) Draft Report – Electronic copies of a preliminary draft report will be delivered to the Chancellor's Office administration for review and comment.

5) Final Report – Electronic copies of the final study report will be delivered to the Chancellor's Office and the Napa Community College 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:

A.	Michelle Giacomini	Deputy Executive Officer, FCMAT
B.	Cambridge West Partnership, LLC	FCMAT Community College Consultant

4. PROJECT COSTS

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

A. $1,100 per day for each FCMAT staff member while on site, conducting fieldwork at other locations, presenting reports, or participating in meetings. The cost of independent consultants will be billed at the 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 $105,200.

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

Payments for FCMAT services are payable to Kern County Superintendent of Schools – Administrative Agent, located at 1300 17th Street, Bakersfield, CA 93301.

5. RESPONSIBILITIES OF THE DISTRICT, CHANCELLOR'S OFFICE

A. The Napa Community College District will provide office and conference room space while on-site reviews are in progress.

B. The Napa Community College 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 (2) prior years' audit reports
4) Any documents requested on a supplemental list
5) Any documents requested on the supplemental list should be provided to FCMAT in electronic format; if only hard copies are available, they should be scanned by the Napa Community College 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 date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's SharePoint document repository, and all requested documents shall be uploaded by the Napa Community College District.

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

3

fieldwork, the Chancellor's Office may terminate its request for service 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 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. FCMAT shall provide certificates of insurance, with California Community Colleges Chancellor's Office named as additional insured, indicating applicable insurance coverages upon request.

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 its 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 from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

11. **COVID-19 PANDEMIC**

Because of the existence of COVID-19 and the resulting shelter-in-place recommendations, local educational agency closures and other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of District (Sections 1, 4 and 5 herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited by, the following:

4

A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, video conferencing, etc. References to site work and fieldwork shall be interpreted appropriately given the circumstances.

B. Activities performed remotely that are normally performed in the field shall be billed hourly 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: Wrenna Finche, Assistant Vice Chancellor
Telephone: (916) 445-8026
E-mail: wfinche@cccco.edu

Lizette Navarette (Nov 2, 2021 10:07 PDT)

Nov 2, 2021

Lizette Navarette Date
Vice Chancellor for Finance and Facilities Planning
California Community Colleges Chancellor's Office

Nov. 2, 2021

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

5