

# Rancho Santiago Community College District

## Sound Fiscal Management Self-Assessment Checklist 2013/2014

### 1. Deficit Spending - Is this area acceptable? **YES**

Is the district spending within their revenue budget in the current year? **No**

**The district had budgeted deficit spending (current year expenditures exceeding current year revenue) of its Budget Stabilization Fund in 2011/12 of \$8.3 million (with an actual spend down of \$3 million) and has planned for deficit spending in the adopted budget for 2012/13 of \$7.2 million. The expected spend down is anticipated to be less than this amount and the tentative budget for 2013/14 again will utilize the Budget Stabilization Fund. Although the district at this time is not spending within the earned revenues, with a beginning reserve in 2011/12 and 2012/13 of over \$43 million, these were conscious decisions to utilize these funds for stabilization purposes.**

Has the district controlled deficit spending over multiple years? **Yes**

Is deficit spending addressed by fund balance, ongoing revenue increases, or expenditure reductions? **Currently addressed using one-time funding through the Budget Stabilization Fund.**

Are district revenue estimates based upon past history? **Reserve estimates are based on a number of factors including State Chancellor's Office and Department of Finance estimates and local revenue estimates which are evaluated each year.**

Does the district automatically build in growth revenue estimates? **No, FTES growth must be earned before the revenue is budgeted.**

### 2. Fund Balance – Is this area acceptable? **YES**

Is the district's fund balance stable or consistently increasing? **Yes, other than the planned deficit spending in 2011/12 through 2013/14.**

Is the fund balance increasing due to on-going revenue increases and/or expenditure reductions? **The fund balance had grown in the previous years mainly due to conservative revenue estimates and anticipated state budget reductions that did not materialize within that fiscal year.**

### 3. Enrollment - Is this area acceptable? **NO**

Has the district's enrollment been increasing or stable for multiple years? **Enrollment has been declining due to state cutbacks.**

Are the district's enrollment projections updated at least semiannually? **No.**

Are staffing adjustments consistent with the enrollment trends? **Campuses and centers manage enrollment trends and staffing.**

Does the district analyze enrollment and full time equivalent students (FTES) data? **The district only prepares 320 reports to the State Chancellor's Office. The campuses manage enrollement.**

Does the district track historical data to establish future trends between P-1 and annual for projection purposes? **The district prepares FTES information in spreadsheets for the colleges to utilize.**

Has the district avoided stabilization funding? **No, the district did not earn maximum funded FTES in 2011/12 and was in stabilization and therefore is in restoration in 2012/13. The district does not expect to fully restore the FTES in 2012/13 unless it borrows from summer 2013.**

### 4. Unrestricted General Fund Balance – Is this area acceptable? **YES**

Is the district's unrestricted general fund balance consistently maintained at or above the recommended minimum prudent level (5% of the total unrestricted general fund expenditures)? **Yes, the unrestricted ending fund balance has not been below 8% since 2006/07.**

Is the district's unrestricted fund balance maintained throughout the year? **Yes, although Budget Stabilization Funds are temporarily being used to offset the current year budgeted deficit spending.**

### 5. Cash Flow Borrowing - Is this area acceptable? **YES**

Can the district manage its cash flow without interfund borrowing? **Yes. Currently the district is managing its cash flow without the need for interfund borrowing.**

Is the district repaying TRANS and/or borrowed funds within the required statutory period? **N/A**

#### **6. Bargaining Agreements - Is this area acceptable? NO/YES**

Has the district settled bargaining agreements within new revenue sources during the past three years? **No, salary and benefit increases have been negotiated even though revenues are declining. The Faculty collective bargaining agreement includes a 9<sup>th</sup> place ranking formula. This formula requires salary increases even without additional sources of ongoing funds.**

Did the district conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement? **Fiscal Services prepared a total compensation cost analysis after the negotiated settlement; however no ongoing revenue source could be identified to cover the additional ongoing salary and benefits costs. One-time Budget Stabilization Funds are being utilized to offset this ongoing cost increase.**

Did the district correctly identify the related costs? **Both the salary and related benefits costs were identified after the settlement.**

Did the district address budget reductions necessary to sustain the total compensation increase? **One-time Budget Stabilization Funds are being utilized to offset this ongoing cost increase. Future reductions will be necessary without additional revenue sources.**

#### **7. Unrestricted General Fund Staffing - Is this area acceptable? NO**

Is the district ensuring it is not using one-time funds to pay for permanent staff or other ongoing expenses? **No, however the district continues to transition to a new budget model. In 2012/13 the district established a new fund (Fund 13) to account for one-time, and carryover unrestricted general funds separately from Fund 11. Fund 11 will account for ongoing unrestricted general funds to balance current year revenues with current year expenses. As the 2013/14 tentative budget calls for deficit spending at this time, one-time funds are being used for ongoing costs.**

Is the percentage of district general fund budget allocated to salaries and benefits at or less than the statewide average (i.e. the statewide average for 2003-04 is 85%)? **Yes. The 2013/14 tentative budget shows 84.3%.**

#### **8. Internal Controls - Is this area acceptable? YES**

Does the district have adequate internal controls to insure the integrity of the general ledger? **Yes.**

Does the district have adequate internal controls to safeguard the district's assets? **Yes.**

**Both of these are evidenced by unqualified audit opinions with no material weaknesses or significant deficiencies noted recently, with only minor federal and state compliance issues noted.**

#### **9. Management Information Systems - Is this area acceptable? YES**

Is the district data accurate and timely? **Yes.**

Are the county and state reports filed in a timely manner? **Yes.**

Are key fiscal reports readily available and understandable? **Yes.**

#### **10. Position Control – Is this area acceptable? NO**

Is position control integrated with payroll? **No. The district is currently in process of creating and programming a position control system. Phase I went live in 2012/13 and includes only a salary encumbrance system for full- and part-time staff salaries.**

Does the district control unauthorized hiring? **Human Resources processes all hiring in accordance with board policies and procedures.**

Does the district have controls over part-time academic staff hiring? **Human Resources processes all hiring in accordance with board policies and procedures.**

#### **11. Budget Monitoring - Is this area acceptable? YES**

Is there sufficient consideration to the budget, related to long-term bargaining agreements? **The district is implementing Multi-Year Projection models (MYP) for use in collective bargaining and budget preparation.**

Are budget revisions completed in a timely manner? **Yes, monthly.**

Does the district openly discuss the impact of budget revisions at the board level? **Budget updates are presented to and discussed with the Board of Trustees at regularly scheduled public meetings.**

Are budget revisions made or confirmed by the board in a timely manner after the collective bargaining agreements are ratified? **Yes.**

Has the district's long-term debt decreased from the prior fiscal year? **Yes.**

Has the district identified the repayment sources for the long-term debt? **The district's budget assumptions include funding the OPEB liability at 1% of salaries plus \$500,000 each year. In 2011/12, the district contributed the full Annual Required Contribution (ARC).**

Does the district compile annualized revenue and expenditure projections throughout the year? **Yes, district Fiscal Services does make projections throughout the year. In the new revenue allocation budget model, it will be important for the colleges to do their own frequent projections as well.**

## **12. Retiree Health Benefits - Is this area acceptable? YES**

Has the district completed an actuarial calculation to determine the unfunded liability? **Yes, the district contracts for a new actuarial study every other year.**

Does the district have a plan for addressing the retiree benefits liabilities? **Although the district's budget assumptions call for funding the OPEB liability at 1% of salaries plus \$500,000 each year, this does not fund the full Annual Required Contribution (ARC). The district has taken significant steps toward funding this long-term liability by contributing additional funds to the Retiree Benefits Fund, although this still poses a large burden on future budgets, primarily the annual premium cost increases for lifetime health benefits.**

## **13. Leadership/Stability - Is this area acceptable? YES**

Has the district experienced recent turnover in its management team (including the Chief Executive Officer, Chief Business Officer, and Board of Trustees)? **No.**

## **14. District Liability – Is this area acceptable? YES**

Has the district performed the proper legal analysis regarding potential lawsuits that may require the district to maintain increased reserve levels? **Yes. The district belongs to Joint Powers Authority (JPA) for property and liability insurance, which helps analyze and monitor liability.**

Has the district set up contingent liabilities for anticipated settlements, legal fees, etc? **Yes.**

## **15. Reporting – Is this area acceptable? YES**

Has the district filed the annual audit report with the System Office on a timely basis? **Yes.**

Has the district taken appropriate actions to address material findings cited in their annual audit report? **Yes, the district takes audit findings seriously and promptly corrects any issues.**

Has the district met the requirements of the 50 percent law? **Yes, to date the district is slightly above 50%.**

Have the Quarterly Financial Status Reports (CCFS-311Q), Annual Financial and Budget Reports (CCFS-311), and Apportionment Attendance Reports (CCFS-320) been submitted to the System Office on or before the stated deadlines? **Yes.**

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**  
**2007-08 to 2013-14**  
**Proposition 98**

5/29/13 10:12 AM

| BUDGET ITEMS                               | 2007-08 REVISED<br>BUDGET ACT | 2013-2014<br>GOVERNOR MAY<br>REVISION | 2013-14 SENATE<br>ACTIONS | 2013-14<br>ASSEMBLY<br>ACTIONS |
|--|-------------------------------|---------------------------------------|---------------------------|--------------------------------|
| <b>General Apportionment</b>               |                               |                                       |                           |                                |
| General Fund Apportionments                | 3,079,349                     | 1,644,747                             | 1,761,410                 | 1,820,980                      |
| Growth for Apportionments                  | 106,373                       | 89,421                                | 89,421                    | 90,501                         |
|  |                               |                                       |                           |                                |
|  | 3,185,722                     | 1,734,168                             | 1,850,831                 | 1,911,481                      |
| <b>Categorical Programs</b>                |                               |                                       |                           |                                |
| Apprenticeship - CCC FLEXED                | 15,229                        | 7,174                                 | 7,174                     | 15,468                         |
| Apprenticeship - K-12 NON-FLEXED           |                               | 15,694                                | 15,694                    |                                |
| Basic Skills                               | 33,100                        | 20,037                                | 20,037                    | 33,620                         |
| Student Financial Aid Administration       | 51,640                        | 67,537                                | 67,537                    | 72,140                         |
| Extended Opportunity Programs and Services | 106,786                       | 64,273                                | 89,273                    | 117,195                        |
| CARE                                       | 15,505                        | 9,332                                 | 10,632                    | 17,016                         |
| Disabled Students                          | 115,011                       | 69,223                                | 94,223                    | 126,817                        |
| Special Services for CalWORKs Recipients   | 43,580                        | 26,695                                | 34,539                    | 44,264                         |
| Foster Care Education Program              | 5,242                         | 5,254                                 | 5,254                     | 5,336                          |
| Matriculation                              | 101,803                       | 99,183                                | 99,183                    | 113,401                        |
| Academic Senate for the Community Colleges | 467                           | 318                                   | 415                       | 474                            |
| Equal Employment Opportunity               | 1,747                         | 767                                   | 767                       | 779                            |
| Part-time Faculty Health Insurance         | 1,000                         | 490                                   | 823                       | 1,016                          |
| Part-time Faculty Compensation             | 50,828                        | 24,907                                | 24,907                    | 51,626                         |
| Part-time Faculty Office Hours             | 7,172                         | 3,514                                 | 5,932                     | 7,285                          |
| Telecommunications and Technology Services | 26,197                        | 15,290                                | 15,290                    | 15,530                         |
| Fund for Student Success                   | 6,158                         | 3,792                                 | 3,792                     | 6,255                          |
| Economic Development                       | 40,690                        | 22,929                                | 22,929                    | 23,289                         |
| Transfer Education and Articulation        | 1,424                         | 698                                   | 698                       | 1,446                          |
| Physical Plant and Instructional Support   | 27,345                        | -                                     | -                         | -                              |
| Career Technical Education                 | 10,000                        | -                                     | -                         | -                              |
| Childcare Tax Bail Out                     | 6,836                         | 3,350                                 | 3,350                     | 7,655                          |
| Nursing Support                            | 20,957                        | 13,378                                | 13,378                    | 22,447                         |
| Adult Education                            |                               | 30,000                                | 30,000                    | 7,200                          |
| Common Assessment                          |                               |                                       |                           | 10,000                         |
| Online Ed                                  |                               | 16,910                                | 16,910                    | 16,910                         |
|  |                               |                                       |                           |                                |
| Categorical Sub-total                      | 688,717                       | 520,745                               | 582,737                   | 717,169                        |
|  |                               |                                       |                           |                                |
| Total 6870-101 Item                        | 3,874,439                     | 2,254,913                             | 2,433,568                 | 2,628,650                      |
|  |                               |                                       |                           |                                |
| General Funds (Fed Funds backed out)       | 3,874,439                     | 2,254,913                             | 2,433,568                 | 2,628,650                      |
| Revenue Bond Debt Service                  | 63,111                        | 63,583                                | 63,583                    | 63,583                         |
| FCMAT                                      | 570                           | 570                                   | 570                       | 570                            |
| Mandates                                   | 4,000                         | 33,355                                | 33,355                    | 33,355                         |
| Energy Efficiency Projects (Prop 39)       |                               | 51,000                                | 51,000                    | 51,000                         |
| Deferral (SBX4 16 Sec XX )                 | 200,000                       | 621,233                               | 621,233                   | 401,134                        |
| Education Protection Act                   |                               | 688,710                               | 688,710                   | 688,710                        |
| TECH ADJ : NEW DEFERRAL & QEIA             |                               | 48,000                                | 48,000                    | 48,000                         |
| P-98 Over Appropriation Shift (SB 1133)    |                               |                                       |                           |                                |
| RDA Backfill/Offset                        |                               |                                       |                           |                                |
|  |                               |                                       |                           |                                |
| Subtotal General Fund                      | 4,142,120                     | 3,761,364                             | 3,940,019                 | 3,915,002                      |
|  |                               |                                       |                           |                                |
| Local Property Taxes                       | 1,970,767                     | 2,241,815                             | 2,241,815                 | 2,241,815                      |
|  |                               |                                       |                           |                                |
| <b>Total Proposition 98</b>                | <b>6,112,887</b>              | <b>6,003,179</b>                      | <b>6,181,834</b>          | <b>6,156,817</b>               |