FOOTHILL-DE ANZA
Community College District

SOUND FISCAL MANAGEMENT
Self-Assessment Checklist

for Fiscal Year Ended June 30, 2015
(Completed January 2016)

1. **Deficit Spending:** Is this area acceptable? **Yes**

   Is the district spending within their revenue budget in the current year?
   The California Community Colleges System Office uses the financial reports from our unrestricted general fund that encompass both the General Purpose Fund (Fund 114) and the Self-Sustaining Fund (Fund 115) for its analysis. The district focuses on the General Purpose Fund because this fund captures most of the district's operating revenue and expenditures.

   This Sound Fiscal Management Self-Assessment Checklist summarizes activities in the General Purpose Fund for fiscal year 2014/15 and also projects balances for the fiscal year ending June 30, 2016.

   For fiscal year 2014/15, the district projected a $2 million deficit in revenue versus planned expenditures. This deficit increased to approximately $5.5 million after a 2.5% COLA and other salary compensation increases were approved for all employees by the Board of Trustees in April and May of 2015. However, the deficit was offset primarily by increased revenue generated from non-resident student tuition, a one-time mandated cost reimbursement, a prior year apportionment adjustment, and a reduction of $3.4 million in the salaries expense category due to a reclassification entry to recognize the short-term liability for compensated absences in accordance with GASB Statement No. 34.

   Due to the state's Senate Bill 361 (SB361) stabilization funding formula, the district received full FTES (Full-Time Equivalent Student) apportionment funding from the state even though the district was below its FTES target by 88 FTES at year-end. Additionally, productivity did not drop significantly during the FTES loss. In other words, we did not overspend in faculty costs to generate the lower level of FTES. Carefully managed one-time stability funds allow the district to comfortably delay implementing cuts to achieve a structurally balanced spending plan/budget while we continue to develop plans to either increase FTES production, decide where expenses will be cut on a permanent basis, or until base funding is increased by the state.

   As of June 30, 2015, the district ended the fiscal year with a positive net change in fund balance of $4.6 million.

   For fiscal year 2015/16, the district has projected a budget surplus of approximately $3.3 million due to an increase in base funding to all districts, a 1.02% COLA from the state, and additional new on-going funding for instructional support and full-time faculty positions. Compensation negotiations are in progress with all bargaining units. Any agreed-upon increases will reduce the projected surplus.

The projected balance, as of first quarter, for the stability fund at the end of fiscal year 2015/16 is approximately $26.3 million (including the $3.3 million structural surplus). This will decrease by whatever amount of COLA/compensation increases may be negotiated and approved by the Board before the end of the fiscal year. In addition, the district projects to have approximately $12.6 million in unrestricted college and Central Services carryover funds, $2 million in restricted district carryover funds, $2 million in the Enrollment Stimulus Fund, and the requisite 5% General Fund Catastrophic Reserve (approximately $8.9 million).

Has the district controlled deficit spending over multiple years?
Yes, deficit spending has been controlled over multiple years. The district experienced a spending deficit of $6.6 million in 2011/12. This was due to a workload reduction of 7.7%, which resulted in ongoing cuts as well as one-time mid-year cuts implemented as a deficit factor due to the student fee shortfall and property tax shortfall. The district anticipated these reductions and closed this $6.6 million deficit with one-time stability funds. In 2012/13, due to careful budget planning, reduced spending, and one-time stabilization (SB 361) funds received from the state, there was a positive net change in fund balance of $6.5 million. In 2013/14, the district experienced a small deficit of approximately $1 million due to planned expenditures over revenues for critical scheduled maintenance projects. This deficit was closed with one-time stability funds. In 2014/15, the district experienced a positive net change in fund balance of $4.6 million, primarily due to increased non-resident tuition, a one-time mandated cost reimbursement, and a prior year apportionment adjustment; additionally, in accordance with GASB Statement No. 34, an adjusting entry to recognize only the short-term liability of compensated absences resulted in a reduction of $3.4 million in the salaries expense category.

Is deficit spending addressed by fund balance, ongoing revenue increases, or expenditure reductions?
During difficult budget years, the district reduces ongoing expenditures and sets aside one-time funds (e.g., the stability fund) to bridge budgeted deficits. At the same time, the district revises ongoing revenue and expenditure estimates to reflect changes as anticipated. Budgets are revised accordingly as new economic information becomes available.

Are district revenue estimates based upon past history?
District revenue estimates are based on a combination of: 1) enrollment estimates generated from collaboration between the district Business Services office and the campuses' enrollment management teams, 2) historical data, 3) the campuses' input on locally generated income, and 4) state assumptions on COLA, growth, the state funding formula (SB361), and lottery estimates, etc.

Does the district automatically build in growth revenue estimates?
The district's growth revenue estimates are based on the colleges' FTES growth estimates that include both resident FTES apportionment funding and non-resident tuition income.

2. **Fund Balance:** Is this area acceptable? **Yes**

Is the district's fund balance stable or consistently increasing?
Yes, the district's undesignated fund balance in the General Purpose Fund is stable, varying from between $6.7 million and $23.2 million in excess of the 5% contingency reserve for the past five years (see attachment). This increase in the General Purpose Fund balance is intentional and a planned outcome of hard work and dedication by many departments, achieved through a drastic reduction in operating expenses, restricted spending on discretionary "B" budget, and savings from positions held vacant throughout the year. These funds are designated to close operating deficits on a one-time basis, to preserve our staffing levels as long as possible, and to be available to offset any cuts on a one-time basis in future fiscal years.

Is the fund balance increasing due to on-going revenue increases and/or expenditure reductions?
See question and answer above.

3. **Enrollment:** Is this area acceptable? **Yes**

Has the district's enrollment been increasing or stable for multiple years?
After two years (2009/10 and 2011/12) of state-imposed workload reductions to our FTES cap and a further decline of 300 FTES below the 2011/12 funded base, district enrollment declined further in 2012/13. We reported 1,683 FTES below what was budgeted at the beginning of the year. During this FTES decline, our productivity did not decline significantly, so additional money (approximately $7.5 million) fell to the district's ending balance for fiscal year 2012/13 due to state stabilization funding.

District enrollment declined further in 2013/14, down 330 FTES from 2012/13. Enrollment again declined in 2014/15, down 88 FTES from 2013/14. In 2015/16, as of P-1, which was filed with the state this month, enrollment is down an additional 247 FTES. Taking into account the challenges of enrollment management, we are cautiously optimistic that, as of this point, we have reached a point of enrollment stability. We are continuing to put our best efforts into recouping lost FTES during the rest of fiscal year 2015/16 and heading into fiscal year 2016/17.

Are the district's enrollment projections updated at least semiannually?
Yes, enrollment projections are reviewed and updated at the beginning of every academic quarter.

Are staffing adjustments consistent with the enrollment trends?
The Board has previously approved a "growth model" which funds additional positions, both teaching and support staff, in direct proportion to FTES growth. While the law requires an increase in full-time faculty consistent with FTES increases, the district's model uses the same rationale for growth and reduction of non-teaching positions.

Does the district analyze enrollment and Full-Time Equivalent Students (FTES) data?
Yes, every quarterly report includes an analysis of FTES and productivity. In addition to this report to the Board, the Office of Institutional Research generates frequent reports, which are shared with the enrollment management teams and senior staff at both campuses. These reports are generated beginning several weeks before each quarter in order to facilitate trends analysis and to display comparative data. District staff also has access to an FTES database. This database shows enrollment trends down to the individual class and instructor level and can be aggregated by department, division, and college.

Does the district track historical data to establish future trends between P-1 and annual for projection purposes?
Yes, the Chief Instructional Officer at each college is responsible for forecasting winter and spring enrollment at P-1. It is through this analysis that the "annualizer" is adjusted on the Apportionment Attendance Reports (CCFS-320) to ensure consistency with projections.

Has the district avoided stabilization funding?
No. The district experienced a decline in FTES in fiscal year 2010/11 of 4.4%, or 1,406 fewer FTES, resulting in stabilization funding of $6.5 million. In fiscal year 2012/13, we received stabilization funding of $7.5 million due to a decline of 1,683 FTES. In 2013/14, we experienced a decline of 330 FTES and, in 2014/15, a further decline of 88 FTES, triggering stabilization funding again. Both colleges are developing schedules to maintain enrollment at the budgeted level, and management efforts are focused on maximizing student access.

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 district's unrestricted general fund balance has consistently been maintained above the minimum prudent level of 5%. The California Community Colleges System Office requires that we report the unrestricted general fund balance and other required financial information in the Annual Financial and Budget Report (CCFS-311). The unrestricted general fund balance includes the General Purpose Fund (Fund 114) and the Self-Sustaining Fund (Fund 115). The unrestricted general fund balances for the past five years are shown below:

Fiscal Year	Actual
2010/11	28.8%
2011/12	24.2%
2012/13	29.6%
2013/14	28.7%
2014/15	30.0%

Is the district's unrestricted fund balance maintained throughout the year?
Yes, the district's unrestricted fund balance was maintained at or above 30% of the total unrestricted general fund expenditures in any given month throughout fiscal year 2014/15. It is our ongoing strategic plan to retain a portion of the general fund balance as a stability fund to offset unforeseen operational expenses and to delay budget cuts while the district adjusts expenditures to revenues.

5. **Cash Flow Borrowing:** Is this area acceptable? **Yes**

Can the district manage its cash flow without inter-fund borrowing?
Yes, during the past five years, the district maintained a positive cash flow in the unrestricted general fund without inter-fund borrowing.

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

The district has not borrowed funds through a TRANS since fiscal year 1996/97 when it issued a TRAN in the amount of $4.4 million. The district did not issue a TRAN in fiscal year 2014/15.

6. **Bargaining Agreements:** Is this area acceptable? **Yes**

The fiscal year 2014/15 state budget included a .85% cost-of-living revenue adjustment; the Board agreed to a 2.5% salary COLA for all employee groups due to several years of zero COLA adjustments to the bargaining unit salary schedules, and because the district maintains a significant general fund balance to offset increased spending until revenues match expenses. Although this increased expense initially added to the structural budget deficit, the district ended the year with a positive net change to fund balance (see Question 1, above). The colleges and Central Services will plan to make necessary adjustments to match expenditures to revenues over the next one-to-two years depending on enrollment/apportionment, additional COLA from the state, and how long the stability fund can be used to close the deficit.

Since the new CalPERS administered health benefits plan was implemented in July 2012 (as recommended by the Joint Labor Management Benefits Committee (JLMBC) and approved by the bargaining units), plan rates are now assessed by CalPERS and are more stable/predictable than when the district was fully self-insured for the health benefits program. Consequently, our budgeted health benefits expense category for 2014/15 was reduced by approximately $3 million and proved to be an accurate projection by year's end.

7. **Unrestricted General Fund Staffing:** Is this area acceptable? **Yes**

Is the district ensuring it is not using one-time funds to pay for permanent staff or other ongoing expenses?
Permanent staffing is managed through position control and is budgeted from ongoing revenue. Any increases in staffing are funded using the district-developed growth model, which is based on FTES growth and corresponding ongoing revenue growth.

In the spring of 2015, the Board of Trustees approved salary COLA increases of 2.5% (equivalent to the state-provided .85% COLA plus 1.65%) for fiscal year 2014/15. The district was able to approve this additional 1.65% in salary COLA due to large reserves set aside that will cover the increase for several years and the commitment by the colleges and Central Services to cut expenses in other areas of the budget as required to balance the budget.

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. For fiscal year 2015/16, the district is budgeting 82%.

8. **Internal Controls:** Is this area acceptable? **Yes**

Does the district have adequate internal controls to ensure the integrity of the general ledger?
Yes, in addition to the annual financial audit report, which includes a report on internal control over financial reporting and tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, the district contracted with independent certified public accounting firms over the past eight years to perform performance audits on Measure E Overhead, De Anza College Cash Handling Procedures, District Procurement Card, Foothill College Cash Handling Procedures, Measure C Overhead, Police Parking Fees Cash Handling Procedures, De Anza College Facilities Rental Cash Handling Procedures, Foothill College Cashiering Services Petty Cash/Change Fund, ERP Security, and Foothill College Kinesiology, Facilities Rentals, and Cash Handling Procedures. In fiscal year 2014/15, the district contracted for a performance audit on payments related to independent contractors, student employment, awards, and scholarships.

Does the district have adequate internal controls to safeguard the district's assets?
Yes, the district has written cash handling procedures for De Anza College and Foothill College as well as for district petty cash to safeguard cash. In addition to the required annual audit, the district goes above that requirement and contracts for annual performance audits at its various cash collection points. The district also has a Board Policy and an Administrative Procedure on Capitalization of District Property and on Disposal of District Property.

9. **Management Information Systems:** Is this area acceptable? **Yes**

All modules of the Ellucian/Banner Enterprise Resource Planning (ERP) system have been fully implemented and are functioning satisfactorily, including: Web Portal, Finance, Human Resources & Payroll, Financial Aid, Student, Advancement, Document Management System, and Degree Audit. Custom reports for all modules are maintained and continue to be developed, providing the specialized data needed for our department functions. Management is confident the continued creation and refinement of custom reports from Ellucian and the district's Educational Technology Services (ETS) division are meeting all critical data reporting requirements. Management has a high degree of confidence in the integrity and accuracy of the data throughout the ERP. District administration, working closely with ETS and external consultants, continues to refine data collection and reporting processes to increase the return on investment from the ERP.

10. **Position Control:** Is this area acceptable? **Yes**

Is position control integrated with payroll?
Yes, there is a very strong position control system in place that requires the assignment of a unique position number and designated funding for each position hired.

Does the district control unauthorized hiring?
Yes, all positions to be re-filled, or newly created positions, are assigned a position control number. Each "staffing requisition," which is necessary to start the hiring process, must be approved by Chancellor's Staff and must have a valid position control number.

Does the district have controls over part-time academic staff hiring?
Yes. Each year, the district budgets the dollar amount to be allocated for part-time faculty (1320) based on total FTES, less the number of full-time faculty, and driven by the agreed-upon productivity numbers. The colleges are responsible for developing a schedule of classes synching with the agreed-upon budget. Changes in FTES targets or productivity budgets need to be agreed upon at the district level so budgets can be adjusted accordingly. While there has been no formal administrative procedure in recent years for penalties or incentives if the colleges varied from FTES or productivity targets, there has been continuous adherence to these budgets with very little variance.

11. **Budget Monitoring:** Is this area acceptable? **Yes**

Is there sufficient consideration given to the budget, related to long-term bargaining agreements?
Yes. (See Question 6, above.)

Are budget revisions completed in a timely manner?
Yes, budget revisions are processed within the fiscal month they are received and are subject to the board's review and approval with each quarterly report.

Does the district openly discuss the impact of budget revisions at the board level?
Yes, the board receives a complete reconciliation of all revisions and transfers processed in each quarter, and the Vice Chancellor of Business Services or the Director of Budget Operations answers all questions as requested.

Are budget revisions made or confirmed by the board in a timely manner after the collective bargaining agreements are ratified?
Yes, the board receives and approves a complete reconciliation of all revisions and transfers processed in each quarter, as well as the Quarterly Financial Status Reports (CCFS-311Q), which includes a summary of costs due to collective bargaining agreements.

Has the district's long-term debt decreased from the prior fiscal year?
The District did not issue any additional debt in fiscal year 2014/15. Therefore, yes, the long-term debt decreased in comparison to the prior fiscal year.

Has the district identified the repayment sources for the long-term debt?
Yes, the long-term debt is financed through special revenue sources. The parking structure debt is financed through parking fee revenue. The technical infrastructure debt is financed through the district general fund. The Foothill College Campus Center debt and the De Anza College Campus Center debt are financed through campus center use fees. The Foothill College Bookstore equipment acquisition is financed through the Foothill College Bookstore operations.

Does the district compile annualized revenue and expenditure projections throughout the year?
Yes, the District Budget Committee and the Audit and Finance Committee review revenue and expense projections at the end of each quarter before the Board of Trustees approves them in the quarterly reports.

12. **Retiree Health Benefits:** Is this area acceptable? **Yes**

The most recent actuarial report, dated August 29, 2013, represented a valuation of our retiree health program as of July 1, 2013. The actuarial report was in effect for fiscal years 2013/14 and 2014/15. We are required to update this report every two years. The next actuarial report to update our Actuarial Accrued Liability (AAL) and Annual Required Contribution (ARC) will be prepared in the winter of 2016 and will be effective for fiscal years 2015/16 and 2016/17. In order to contain ever-increasing costs, the district converted its health care plan from a *self-funded* model to participation in the CalPERS Health Care program as of July 1, 2012.

Does the district have a plan for addressing the retiree benefits liabilities?
Yes, the Board of Trustees adopted a plan at the November 6, 2006, board meeting to fully fund the ARC as calculated in the August 2006 actuarial study. In 2009, after an exhaustive evaluation process, the district opted to leave the Community College League of California (CCLC) Retiree Joint Powers Authority and join the California Employers' Retiree Benefit Trust (CERBT) as sponsored by the California Public Employees Retirement System (CalPERS). As presented in the January 2010 report, the district transferred all funds from the CCLC program to the California Employers' Retiree Benefit Trust. As of June 30, 2015, the District's balance in CERBT was $12,380,005.

13. **Leadership/Stability:** Is this area acceptable? **Yes**

Has the District experienced recent turnover in its management team (including the Chief Executive, Chief Business Officer, and Board of Trustees)?
Yes, after serving five years of successful leadership as chancellor for the Foothill-De Anza Community College District, Dr. Linda Thor retired as of June 30, 2015. The district conducted a nationwide search for Dr. Thor's replacement in the winter and spring of fiscal year 2014/15.

The Board of Trustees at their June 2015 board meeting selected Dr. Judy C. Miner as the successful candidate. Dr. Miner became chancellor of the Foothill-De Anza Community College District on August 1, 2015. She has worked as a higher education administrator since 1977 and in the California Community Colleges since 1979. She has held numerous administrative positions in instruction, student services, and human resources at City College of San Francisco, the California Community Colleges Chancellor's Office, De Anza College, and most recently as president of Foothill College from 2007-2015. Early in her career, she worked as a senior management consultant for Peat, Marwick, Mitchell & Co. in San Francisco.

All other members of the Chancellor's Staff have held their positions since at least 2012.

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?
The Risk Management Department is the centralized location of risk management activity that is decentralized across the district. This office, by maintaining regular communication with administrators throughout the district, works to identify and mitigate potential liabilities and/or

litigation. For the most part, such situations are prevented from becoming legal actions by careful decision-making, foresight and proactive procedures. The number and cost of non-litigated claims against the district was small. External legal counsel is engaged when necessary. The district, in the areas of human resources issues and construction management, maintains relationships with specialized legal counsel.

15. **Reporting:** Is this area acceptable? **Yes**

Has the district filed the annual audit report with the Systems Office on a timely basis?
Yes, for fiscal years 2010/11 through 2013/14, the annual audit report has been brought first to the Audit and Finance Committee and then to the Board of Trustees in the month of December, following the end of the fiscal year. As a result of restatements of their financial statements by CalPERS and CalSTRS, resulting from the implementation of Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, the 2014/15 annual audit report was presented to the Board of Trustees at their regularly scheduled meeting in January 2016. This was still considered timely by the California Community Colleges Chancellor's Office in accordance with California Education Code Section 84040, and in accordance with the California Community Colleges Budget and Accounting Manual as issued by the College Finance and Facilities Planning Division of the California Community Colleges Chancellor's Office.

Has the district taken appropriate actions to address material findings cited in their annual audit report?
Yes, each year we discuss any audit findings and recommendations of the fiscal year just ended with the Audit and Finance Committee. Subsequently, in March of every year we provide the Audit and Finance Committee with the status of the management's response and action taken to correct these findings. The annual external audit reported no findings for fiscal years 2013/14 and 2014/15.

Has the district met the requirements of the 50 percent law?
Yes, for fiscal years 2010/11 through 2014/15, the district has met the requirements of the 50% law. The percentage (54.16%) is somewhat higher in fiscal year 2014/15 due primarily to a one-time reclassification of compensated absences in order to recognize only the portion of reimbursable unused compensated absences payable to employees within a period of one year and reported as a short-term liability in the fund financial statements, in accordance with GASB Statement No. 34.

The percentage of Instructional Salary Costs to Current Expense of Education for each of these years is:

Fiscal Year	Percentage
2010/11	51.19%
2011/12	51.57%
2012/13	51.45%
2013/14	52.78%
2014/15	54.16%

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, for the years 2010/11 through 2014/15, each of these quarterly and annual reports has been submitted to the System Office by the required deadlines.