FOOTHILL-DE ANZA
Community College District

SOUND FISCAL MANAGEMENT
Self-Assessment Checklist

For Fiscal Year Ended June 30, 2018
(Completed February 2019)

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 2017-18 and also projects balances for the fiscal year ending June 30, 2019.

For fiscal year 2017-18, the district projected a \$10.4 million deficit between ongoing revenue versus planned expenditures. For the second consecutive year, this structural deficit was permitted based upon the plan to close the gap between projected revenues and expenditures with a board approved budget reduction plan and in the short term with one-time funds from the district's \$23.7 million Stability Fund.

The district ended fiscal year 2017-18 with a reduction of \$11.7 million net change to the fund balance due primarily to the projected \$10.4 million structural deficit and a transfer out of funds from the General Fund to the Capital Fund by the colleges.

For the second consecutive year the district benefited from the Senate Bill 361 (SB361) stabilization funding formula. After a surprisingly large decline of 1,175 FTES in 2016-17, the district endured an even larger decline of 1,484 FTES below its target for 2017-18. Due to the state's *safety net* provided through the stabilization funding formula, the district still received full FTES (Full-Time Equivalent Student) apportionment funding from the state supported by the 25,967 FTES base established in 2016-17.

In an effort to restore declining enrollment, one-time stability funds have allowed the district to offer robust class schedules with lower productivity targets (fewer students enrolled per class section offered). However, this strategy has not resulted in restoring enrollments over the past several years. Consequently, district leadership made the decision mid-year to increase productivity targets and spend within allocated part-time faculty (1320) budgets through the end of the year. While enrollments were still down overall, this change resulted in increased productivity and a reduction to the overspending in the 1320 budget accounts by year's end.

At the Board of Trustees August 2017 Study Session, the Vice Chancellor of Business Services presented a three-year budget model simulation and a plan to balance the projected structural budget deficit within that time frame. It involved cutting ongoing expenses by a total of $10 million; $2 million in 2017-18, $3 more million in 2018-19, and finally $5 million more in 2019-20. The simulation demonstrated that making these expenditure reductions while maintaining projected enrollments and associated apportionment the structural deficit would be balanced by 2019-20.

However, due to the additional decline of 1,484 FTES in 2017-18 (approximately $7 million in reduced ongoing state apportionment), the budget reduction target was increased to $17.6 million in order to achieve a structurally balanced budget by 2019-20.

For fiscal year 2018-19, the district has projected a structural budget deficit of approximately $9.4 million measured against ongoing revenues versus ongoing expenses. However, because a new systemwide funding formula that includes a "hold-harmless" revenue formula was included in the state Budget Act for 2018-19, the reduction in fund balance at year's end is only projected to be $1.9 million.

The SCFF includes a three-year phase-in component that guarantees all districts will receive the greater of the SCFF calculation against the newly established enrollment metrics or the fully funded level of apportionment received in the 2017-18 fiscal year. Because of the FTES decline in 2017-18, Foothill-De Anza Community College District (FHDA) will receive $7.5 million more in 2018-19 (using the hold-harmless clause) than we would be funded with the new formula metrics applied to our funding calculation. It is important to note that even without the hold-harmless provision applied to the districts 2018-19 revenue calculation, FHDA would have received approximately $4 million more in funding using the new formula metrics than if the former SB 361 FTES model were still in place.

Therefore, the short-term strategy is a planned spend down of the district Stability Fund reserves combined with a commitment to the aforementioned three-year plan to balance the structural deficit. Included in the planned spend down is an approval from the Board of Trustees for a 5% **one year only** increase to the salary schedule for all employee groups. This will reduce the Stability Fund balance to approximately $4.2 million by the end of the fiscal year.

The long-term strategy for the district will be to stabilize enrollments within approved productivity targets, avoid future structural budget deficits, and maintain a strong Stability Fund reserve to offset any unforeseen revenue decline or unexpected/sudden significant expenditure increases. The approximate $4.2 million Stability Fund will be restored to approximately $17.1 million in 2019-20 if the hold-harmless provision is retained in that year's budget allocation. Additionally, the FHDA general fund budget will be structurally balanced after implementation of the final $12.6 million in budget reduction included in the three-year plan. This assumes that

FTES will stabilize in 2018-19. If enrollments reflect another significant decline, the district will once again face a structural budget deficit. In the event a structurally balanced budget has not been secured when the hold-harmless provision sunsets no later than 2020-21, Stability Fund reserves will be utilized to close the gap if expenses exceed revenues. This is evaluated on a year-to-year basis and to the extent Stability Fund reserves are available.

Has the district controlled deficit spending over multiple years?
Because the district has endured a multi-year decline in FTES and the related apportionment funding, the district has had the flexibility to approve deficit spending over the past two years due to the strong Stability Fund balances attained through savings throughout the past several years.

However, as noted above, the district has approved a multi-year budget reduction plan to balance expenses to available revenues beginning with the 2019-20 Adopted Budget. As of the 2017-18 FHDA Adopted Budget, $5 million in ongoing expenses were permanently reduced from the budget. This brought the projected structural deficit down to $10.4 million and as outlined above ended, in an actual $11.7 net change to fund balance. And still retained a $14.2 million Stability Fund available to start the 2018-19 fiscal year.

Once the final phase of the three-year budget reduction plan is enacted for the 2019-20 Adopted Budget (a $12.6 million ongoing expense reduction), the district will be in a position to control future deficit spending in the foreseeable future. It is once again critical to note, this will be based on enrollments and the related revenue from the SCFF model metrics stabilizing. If the district experiences further enrollment decline, additional ongoing budgeted expense reductions may be required to avoid renewed deficit spending.

Is deficit spending addressed by fund balance, ongoing revenue increases, or expenditure reductions?
Yes. 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. The Board and the administration are keenly aware of the one-time nature of the stability fund as a short-term solution. They recognize the need to manage the size of the operating deficit to maximize the long-term availability of the stability fund backfill. The stability fund serves as a valuable one-time strategic resource, providing time for planning to restore ongoing revenue or make permanent reductions to ongoing expenditures while delaying the impact on district operations and student support. Budgets are revised accordingly as new economic information becomes available.

For 2017-18, the district utilized a planned spend down of the Stability Fund to close the structural budget deficit until full implementation of the three-year budget reduction plan was implemented in 2019-20; therefore, $11.7 million of Stability Funds were utilized in 2017-18 by year’s end leaving a $14.2 million Stability Fund balance available for the 2018-19 budget year.

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, any increases to base funding, the state funding formula (SB361), Student Success Funding Formula (SCFF), and lottery estimates, etc.

Does the district automatically build in growth revenue estimates?
No. The district builds the adopted budget's revenue based on the prior year's actual FTES earned. Growth or restoration funding is not included in the adopted budget until after it has been earned.

Additionally, when the district reports FTES below its base for a given year and receives stabilization funding (per SB 361), financial reports presented to the Board and district reflect the level of stabilization funding as one-time dollars for that year. In this way, commensurate with the lower level of FTES reported, it is clear for planning purposes that our true ongoing apportionment dollars will be reduced the following year in our base apportionment allocation from the state.

Due to the new Student Success Funding Formula (SCFF) funding formula being implemented by the state in the 2018-19 budget year, the district will receive approximately $7 million in funding beyond what the SCFF model metrics would have provided. In keeping with the philosophy outlined above for the treatment of stabilization funding from the state, the 2018-19 Adopted Budget approved by the Board reflects the hold harmless funding as temporary, one-time funding. It is not counted when calculating if the district has a structurally balanced budget.

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

Yes, the district maintains and monitors a reserve fund (the Stability Fund) in addition to the recommended 5% catastrophic contingency fund. The stability fund is reviewed and funded on an annual basis contingent based upon an external fiscal threat analysis and available data on future state funding allocations. In addition, the colleges and Central Services have consistently maintained carryover fund balances totaling approximately $12 million annually.

In July of 2018, the Board approved a one-time 5% salary increase for all employee groups that will cost approximately $8 million to fund for the year. This will reduce the Stability Fund balance down to approximately $4.2 million by year's end. Administration was able to make the recommendation for the one-time compensation increase and the Board was comfortable accepting the recommendation, based on the knowledge that the hold harmless provision in the 2018-19 Budget Act would allow the district's Stability Fund to increase back to approximately $17 million in the 2019-20 fiscal year.

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 between $16 million and $36 million in excess of the 5% contingency reserve for the past five years. Maintaining a prudent General Purpose Fund balance is intentional and a planned outcome of hard work and dedication by many departments, reductions 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 budget reductions on a one-time basis in future fiscal years.

For the 2017-18 fiscal year, the fund balance was projected to decrease by approximately $10.4 million based on the planned spend down to close the structural budget deficit. The final fund balance reduction was $11.7 million. As previously noted, due to the hold harmless clause in the SCFF model, the net change in fund balance for 2018-19 is only projected to be a $1.9 million decrease. And after the final budget reductions in the three-year plan are implemented in the 2019-20 Adopted Budget, the district is projected to have a structurally balanced adopted budget.

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

3. Enrollment: Is this area acceptable?

No. Enrollment has experienced a continued decline dating back to fiscal year 2009-10.

Has the district's enrollment been increasing or stable for multiple years?
For fiscal year 2016-17, the district experienced an unexpected FTES decline of 1,176 FTES for the year resulting in an approximate $6 million reduction to revenue. Productivity targets at both colleges were allowed to drop over the course of the year in an effort to restore lost FTES to our base. But increased efforts in recruitment, marketing, and extensive contact with currently enrolled students did not mitigate the decline.

Disappointingly, the district endured another drop of 1,484 FTES in the 2017-18 academic year. But thanks to stabilization funding provided by the Senate Bill 361 funding model, the district received full funding based on the 25,967 FTES base established the prior year. As noted earlier, the district tightened productivity targets mid-year to reduce the funds spent on the overall class schedules since demand for enrollment continued to wane.

Under the SB 361 funding formula, the district would have experienced an approximate $7 million decline in base apportionment revenue to start the 2018-19 fiscal year due to the enrollment loss. However, as previously explained, the SCFF model includes a hold-harmless provision that guarantees that at a minimum, FHDA would receive apportionment equal to the fully funded level received in 2017-18 plus a 2.71% Cost-of-Living-Adjustment (COLA). Therefore, instead of a decline in apportionment revenue for 2018-19 from approximately $147 million to $140 million, FHDA has received approximately $151 million in the 2018-19 Adopted Budget.

It is important to again communicate the caution that the hold-harmless level of revenue is temporary and will expire no later than the 2020-21 fiscal year. In the meantime, it will be critically important for the district to treat the added hold-harmless revenue as one-time funding and balance ongoing expenses to whatever level of enrollment is achieved with the corresponding new funding model revenue over the next two years. In this way, the district will not be facing an insurmountable structural budget deficit when the hold-harmless provision expires and FHDA is funded solely based on its performance in the SCFF model metrics.

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.

Conversely, the district demonstrated its commitment to adjusting staffing levels to available resources during the dramatic loss of FTES in 2011-12 and 2012-13, after workload reductions and repeatability restrictions were imposed by the state. Given the dramatic reduction in FTES in 2016-17 and in 2017-18, and as a function of **the three-year plan to eliminate the structural budget deficit**, the district is developing specific plans at both the two colleges and Central Services to reduce staffing levels commensurate with the reduced apportionment funding over the past two years. The original three-year budget reduction plan included a $10 million target projected to balance the existing structural deficit. But due to the drop in FTES experienced in 2017-18, the Board of Trustees approved increasing the three-year budget reduction target to a total of $17.6 million. If enrollments stabilize in the 2018-19 fiscal year and the final $12.6 million in budget reductions (which will include the elimination of numerous staffing positions), is implemented to begin the 2019-20 fiscal year as planned, the district will achieve a structural balanced adopted budget.

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. Over the past year, the Office of Institutional Research has developed new productivity reports that assist the Deans in class schedule decisions to maximize highly enrolled classes and for offering the most in-demand courses. These reports are generated beginning several weeks before each quarter in order to facilitate trends analysis and to display comparative data. District staff also have 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.

Due to the implementation of the new SCFF in the 2018-19 fiscal year, the Office of Institutional Research began analyzing and dissecting the SCFF simulations provided by the State Chancellor's Office. This work has led to the development of a new research and data prediction tool that both colleges will employ to assist them in developing their strategies to maximize the credits and related apportionment funding from the newly established metrics in the formula.

Does the district track historical data to establish future trends between P-1 and Annual for projection purposes?
Yes, the Chief Instructional Officer (CIO) at each college is responsible for forecasting winter and spring enrollment at P-1. The CIO's then consult with the Chief Student Services Officers (CSSO) and the college registrars to validate the projections. Finally, the district enrollment management task force, convened by the Vice Chancellor for Business Services and which includes the CIO's, CSSO's, Registrars', and Institutional Research staff, meet to review and attain consensus on the data to be reported. 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. Dating back to 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 small decline of 88 FTES, again triggering stabilization funding.

In 2015-16, we experienced a modest decline of 210 FTES. The district was surprised by another FTES decline of 1,176 in 2016-17 resulting in stabilization funding for both years.

The 2017-18 fiscal year saw another steep decline of 1,484 FTES. Therefore, approximately $7 million in stabilization funding was provided to FHDA for that year.

For the 2018-19 fiscal year, the district has agreed to maximize productivity and contain part-time faculty (1320 budget) expenditures within the budgeted amounts established at the beginning of the year. In this way, the district is targeting increased fill rates in the courses offered in the class schedules and staying within the full-time-equivalent-faculty (FTEF) budgeted for each college.

Unrestricted General Fund Balance: Is this area acceptable? Yes
(See response above to #2. Fund Balance)

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 recommended 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
2013-14	28.7%
2014-15	30.0%
2015-16	31.3%
2016-17	27.4%
2017-18	22.5%

Is the district's unrestricted fund balance maintained throughout the year?
Yes, the district's unrestricted fund balance was maintained at or above 22% of the total unrestricted general fund expenditures in any given month throughout fiscal year 2017-18. 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 reductions while the district adjusts expenditures to revenues. Consistent with the stability fund's purpose, the $11.7 million operating deficit incurred in 2017-18 was absorbed by the stability fund which subsequently had a $14.2 million balance at June 30, 2018.

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

Can the district manage its cash flow without inter-fund borrowing?
Yes, during the past seven 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?
Not applicable. 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.

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

In fiscal year 2017-18, the state budget included a 1.56% cost-of-living (COLA) revenue adjustment. The major bargaining units for the district proposed and fully expected a pass-through of the COLA on the salary schedule. However, the base apportionment increase included in FHDA's base for 2017-18 was more than off-set by the revenue loss due to the enrollment decline in 2016-17. As negotiations continued through the 2017-18 academic year, it became clear that enrollments were again in decline for 2017-18 and that a further reduction to apportionment revenue was inevitable the following year. Therefore, staff recommended a 0% COLA salary schedule adjustment to the 2017-18 salary schedules for consideration by the Board of Trustees. Negotiations continued through the end of the year.

Staff recommended a 2018-19 compensation increase for all employee groups to be considered by the Board once the 2018-19 budget, including the hold-harmless funding component, was approved. The Faculty Association was not willing to wait for that funding confirmation and initiated a work-to-contract labor action in May 2018, in protest of the Board's decision to not award additional compensation for the 2017-18 fiscal year. While administration and the Board were highly concerned over what additional negative impact the labor action might have on 2018-19 enrollments, the Board's decision regarding 2017-18 and 2018-19 compensation remained firm and a settlement was reached after the state budget was finalized in June.

The Board agreed to a one-time 5% increase for all employee groups. This is reflected in the 2018-19 salary schedules, except part-time faculty, for the period of July 1, 2018 – June 30, 2019, and includes agreement to revert to the 2017-18 rates effective July 1, 2019, unless another agreement is reached. Part-time faculty received a 5% one-time payment based on their paid assignments in 2017-18, but no changes were made to their salary schedule. Any changes to compensation for 2019-20 will be subject to future negotiations for all employee groups.

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 has been predictably stable for the past several years.

6. **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.

As noted above, no ongoing compensation increases were granted by the Board in 2017-18 or 2018-19. The 5% one-time increase to the salary schedule for all employee groups (except P/T faculty who receive a one-time lump sum payment based on their 2017-18 earned compensation) expires as of June 30, 2019 and is being funded with district reserves. Any additional compensation will be subject to future negotiations.

As previously noted, both college's and Central Services are finalizing plans to meet their full budget cut targets (total of $17.6 million districtwide) by the end of calendar year 2018. This is necessary to allow for position "bumping" analysis and lay-off notifications during the Spring of 2019. The full measure of the budget cuts will be included in the 2019-20 Adopted Budget. Further revenue loss due to continued declining enrollment notwithstanding, full implementation of the budget reductions will eliminate the structural budget deficit as of the 2019-20 fiscal year. If new ongoing revenues are identified going forward from that point, the board may once again consider ongoing compensation increases.

As a matter of practice for funding new positions that are not backed with new ongoing revenue, other operational budgets are reduced to fund the new ongoing contract salary positions and the one-time carryover or stability fund reserves are used to replenish the operational accounts on a one-time basis. Additionally, the colleges and Central Services have committed to cut expenses in other areas of the budget as required to balance the budget in the out years.

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 2018-19, the district is budgeting 82.6% for district salary and benefit costs. As a percentage of total expenditures for the unrestricted general fund, salary and benefit costs were 81.6% for fiscal year 2017-18.

7. **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 years to perform operational reviews 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. Recently, the district contracted for an operational review of payments related to independent contractors, student employment, awards, and scholarships to ensure aligning with IRS guidelines and compliance.

In fiscal year 2016-17 and 2017-18, the District performed an evaluation of the Measure C Bond accounting practices with assistance from an outside consultant to ensure continuous compliance, streamlining of processes and efficient use of resources as the bond program approached closeout. Recommendations for improved reporting with a new bond accounting system have been implemented.

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 operational reviews 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.

8. **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 and Payroll, Financial Aid, Student, Advancement, Document Management System, and Degree Planning and 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.

The ETS management team, along with management and stakeholders from throughout the district, have begun a major upgrade to the ERP system that is slated for completion in February of 2019. The ERP has been moved to the Ellucian "cloud" environment supported by Amazon Web Services. This move will result in a lowering of the total cost of ownership to maintain the ERP while improving reliability and increasing information and application security. This will ensure the district continues to have access to the most advanced data collection and reporting features available from Ellucian.

9. 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 refilled, 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 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 aligned with the agreed upon budget. Changes in FTES targets or productivity targets need to be agreed upon at the district level so budgets can be adjusted accordingly.

Due to the multi-year decline of enrollments (between 2011-12 and 2017-18), the district has established additional funds (one-time funds identified as Enrollment Stimulus funding) for use by the colleges to hire additional part-time faculty and offer more sections, even at the sacrifice of reaching established productivity targets. However, as of 2017-18, the district has determined that offering more class sections with the corresponding reduced productivity has not resulted in improved enrollments. To the contrary, 2016-17 and 2017-18 enrollments declined significantly.

Consequently, the district has now directed the colleges work to achieve their productivity targets and to stay within the established part-time faculty budgets while maximizing enrollments as much as possible.

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, Executive Director of Fiscal Services or the Director of Budget Operations responds to inquires 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?
No, it has remained stable. In November of 2016, the district issued certificates of participation (COPs) in the amount of $27.76 million. The additional new long-term debt is to refinance existing COP and lease debt and to finance an additional $22 million to pay for the cost of a major seismic renovation to the De Anza College Flint Center garage.

Due to the availability of lower interest rates, the annual debt service for the existing COP payments was lowered by $267,000 annually. The prior COP debt will still be retired on the same schedule within the 2021-22 fiscal year. The finance schedule for the new money extends to the 2041-42 fiscal year for full repayment at approximately $1.6 million annually.

Has the district identified the repayment sources for the long-term debt?
Yes, the long-term debt is financed through both special revenue sources and budgeted general fund monies. The parking structure debt is financed through parking fee revenue and general funds budgeted annually. Both the Foothill College and 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, included in each quarterly report for each fund, annualized projections are presented to measure budget performance and project ending fund balance for each fund. The District Budget Advisory 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.

10. Retiree Health Benefits: Is this area acceptable? Yes

The most recent actuarial report, dated March 5, 2018, was prepared in accordance with the new GASB 74 and 75 accounting standard. The report had a valuation date of June 30, 2017 and calculated the district's Other Post-Employment Benefits (OPEB) liability at $107.7 million. The two main changes under the new accounting standard that financial reporting is recognizing are the net OPEB liability on the balance sheet of the audited financial statements and the elimination of the Annual Required Contribution (ARC) as a measurement of funding the liability. The new reporting standard was reflected in the June 30, 2018 audited financial statements.

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 fund the OPEB liability. The current OPEB funding plan was reviewed considering the new GASB 74 and 75 impacts. At this time there are no adjustments to the plan; any proposed adjustments would be recommended to the Board of Trustees to ensure the district meets the long-term funding objectives.

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), an irrevocable trust, as sponsored by the California Public Employees Retirement System (CalPERS). In January 2010, the district transferred all funds from the CCLC program to a newly established CERBT account. As of June 30, 2018, the District's CERBT account balance was $19,793,097 and for the last four years, the district has contributed $1.5 million annually toward its OPEB funding plan which reduces the liability as reflected in the detailed footnotes of the annual audited financial statements.

11. 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)?

No. Dr. Miner has been Chancellor of the Foothill-De Anza Community College District since August of 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 through 2015. All other members of the Chancellor's Staff have held their positions since at least 2012.

Thuy Nguyen was appointed by the Board as President of Foothill College in April 2016. President Nguyen served the Peralta Community College District as General Counsel from October 2003 to December 2014 and Interim President and Chief Executive Officer of the Community College League of California from January to June 2015. Prior to that Thuy Nguyen worked in the CCCCO as Interim General Counsel from July 2015 to June 2016. President Nguyen has brought a wealth of diversified experience to Foothill College and has firmly entrenched herself as the recognized leader of the institution.

The Board's two newest trustees, Landsberger and Wong, elected in November 2016 have now served for over two years. They have integrated well with the three senior trustees that have served on the Board for over ten years.

12. 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 reports directly to the Director of Purchasing. By maintaining regular communication with administrators throughout the district, the Director of Risk Management 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.

13. Reporting: Is this area acceptable? Yes

Has the district filed the annual audit report with the Systems Office on a timely basis?

Yes, and for fiscal years 2012-13 through 2017-18, the annual audit report is shared 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.

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 external auditor's report issued a clean, unmodified opinion for all accounting activity regarding financial and compliance reporting for fiscal years 2015-16, 2016-17 and 2017-18.

In fiscal year 2015-16, there was only one finding noted in the audit report for To Be Arranged

(TBA) courses and one management recommendation regarding Accounts Payable reporting. De Anza College provided a response to the finding and has implemented the appropriate procedures to address how TBA courses and their related hours are captured and reported. The district has also identified a corrective action plan to remedy the Accounts Payable reporting exception. In 2016-17, there was only one finding noted which was a repeat finding for TBA hours for which De Anza provided a response to outline how they will remedy the compliance exception in the future.

In 2017-18, there were two Federal audit findings noted in the audit report for Enrollment Reporting and Return of Title IV Funds. Both Foothill and De Anza Colleges provided a joint corrective action plan to outline how they will remedy the exception concerning enrollment reporting to the National Student Loan Data Systems to comply with Federal regulation. Foothill College has also submitted a corrective action plan to address the Return of Title IV Funds exception to meet Federal regulation. The corrective action plans are included in the audit report under the section referenced as Schedule of Findings and Questioned Costs.

Has the district met the requirements of the 50 percent law?
Yes, for fiscal years 2013-14 through 2016-17, the district has met the requirements of the 50% law. The 2017-18 percentage (52.19%) was slightly lower than 2016-17 because there was a net decrease in instructional salary and benefit costs as a result of optimizing the part-time faculty budget and changes in compliance requirements related to instructional service agreements.

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

Fiscal Year	Percentage
2013-14	52.78%
2014-15	54.16%
2015-16	55.52%
2016-17	53.82%
2017-18	52.19%

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 2013-14 through 2017-18, each of these quarterly and annual reports has been submitted to the System Office by the required deadlines.