BACKGROUND:
As required by Education Code Section 84040, the California Community College Chancellor’s Office has established standards for sound fiscal management and a process to monitor and evaluate the financial health of California’s community college districts. The purpose of these standards is to identify districts that may benefit from preventative management assistance and those that may require fiscal crisis intervention to prevent emergency loans. These standards are intended to be progressive, with the focus on prevention and assistance at the initial level and more direct intervention at the highest level.

The Chancellor’s Office uses information from several sources to perform the assessment:
- Quarterly Financial Status Reports (CCFS-311Q)
- Annual Financial and Budget Reports (CCFS-311)
- Annual District Audit Reports
- Apportionment Attendance Reports (CCFS-320)
- Chancellor’s Office Trend analysis- [link](http://extranet.cccco.edu/Divisions/FinanceFacilities/FiscalStandardsandAccountibilityUnit/FiscalAccountability/DistrictFiscalTrendAnalysis.aspx#12-13_Actual_to_16-17_Budget)

In addition, a “Sound Fiscal Management Self-Assessment Checklist” was developed.

The District conducted the self-assessment and the results are presented for CPC and Governing Board information.
Cabrillo Community College District
Sound Fiscal Management
Self-Assessment Checklist
January 2018

1. **Deficit Spending—Is this area acceptable?** No, although the 2017-18 Final Budget deficit was down to just over $64k.

   - **Is the district spending within their revenue budget in the current year?**
     No, the college’s medical expenses, CalPERS and CalSTRS employer contributions continue to increase. Increases in the college’s base apportionment revenue are not sufficient to cover increases in health, welfare and other operating expense increases.

     The college has employed the use of one-time reserves and made permanent reductions to the ongoing budget of the college to reduce the budget deficit in 2015-16 and 2016-17. Over $2 million in permanent reductions were implemented.

     The District utilizes a multi-year budget planning approach for ongoing revenue projections as well as one-time fund projections. This multi-year approach has allowed the college to take a longer perspective in budget planning.

     There is a need to identify funding for facilities and technology maintenance and infrastructure support. The college failed to pass a third bond in June 2016. As a result, the college will have to allocate one-time reserves to fund emergency projects until a local bond measure is approved by voters.

   - **Has the district controlled deficit spending over multiple years?**
     Yes, the district maintains 6 subfunds in the General Fund to track various activities; base budget (ongoing), restricted (grants and contracts), district match (required match for EOPS/DSPS programs), carryover (funds that are encumbered in the current year but unspent until the next), one-time, and community education. The 6 subfunds allow for tighter budget controls thus reducing unplanned deficit spending patterns.

     Careful budget planning and ongoing expenditure controls have resulted in an increase in the level of reserves above the 5% general reserve established statewide standard. In 2015-16 the Governing Board approved a permanent increase in the college’s general reserve from 5% to 7%. Unallocated One-time Operating reserves are maintained to track one-time funds available for use. The 7% general reserve is separate from the Unallocated One-time Operating Reserves.

   - **Is deficit spending addressed by fund balance, ongoing revenue increases, or expenditure reductions?**
     During difficult budget years the district has reduced on-going expenditure budgets and set aside one-time funds to bridge budget deficits. At the same time, the district revises ongoing revenue and expenditure estimates to reflect changes in the state and local economic environment. Budgets are revised accordingly as new economic information becomes available.

   - **Are district revenue estimates based upon past history?**
The district utilizes the state’s base revenue computation as the basis for the current year estimates. Base revenue is adjusted up or down based on actual fluctuations in FTES, enrollment fees, changes in the per-FTES funding rate, etc. Revenue estimates for non-apportionment related revenue are calculated and updated separately. A deficit factor is usually applied to the apportionment revenue projection to adjust for potential shortfalls in property tax, redevelopment, and student fee revenue. The district updates a multi-year planning document that tracks incremental increases and decreases in revenue and expenditure estimates.

All budget development steps for the Preliminary and Final Budgets along with ongoing adjustments are reviewed with the College Planning Committee and presented for review and approval at regularly scheduled Governing Board meetings per the Budget Development Calendar and BP 6200 and AP 6200 budget preparation.

- **Does the district automatically build in growth revenue estimates?**
  No. The district analyzes FTES on an ongoing basis to determine whether it is realistic to project the receipt of growth revenue.

2. **Fund Balance—Is this area acceptable?** Yes.
   - **Is the district’s fund balance stable or consistently increasing?**
     The district’s fund balance has been stable and within the required guidelines set by the State Chancellor’s Office. The college’s Institutional Effectiveness Committee established a goal of maintaining a 20% ending fund balance percentage for the general fund. Fluctuations in the ending fund balance are anticipated based on designations or commitments that cross fiscal years.

   - **Is the fund balance increasing due to on-going revenue increases and/or expenditure reductions?**
     The college receives a large percentage of its revenue from state apportionment. Fluctuations in the fund balance are based on variances between budgeted revenues/expenditures versus actual revenues/expenditures. Variances in state apportionment revenue projections occur based on unanticipated changes in the state’s economy. An example of an operational expenditure variance is “salary savings”. Salary savings occurs when there are unexpected changes in staffing either through retirement or attrition. In recent years the state has allocated more one-time funds rather than new ongoing allocations of funds. This has resulted in a higher ending fund balance because one-time funds are reserved and allocated as needed. One-time funds can only be utilized for one-time expenses not ongoing salary increases or staffing.

3. **Enrollment—Is this area acceptable?** No.
   - **Has the district’s enrollment been increasing or stable for multiple years?**
     Since 2015-16 enrollment has declined from a base of 10,887 to 10,392. The college has lost permanent, ongoing funding; been in and out of budget stability every other year. Enrollment is finally stable at a base of approximately 10,400 FTES.

Below is a table summarizing the district’s enrollment over a 10-year period:

<table>
<thead>
<tr>
<th>ANNUAL APPORTIONMENT ATTENDANCE</th>
<th>FULL-TIME EQUIVALENT STUDENTS (FTES)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

O:\Administrative Services\VP Administrative Services\2018-19 Budget Planning\010818FiscSelfAssess.doc.docx 3 of 9
<table>
<thead>
<tr>
<th>Year</th>
<th>FTES</th>
<th>Increase (Decrease)</th>
<th>Student Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-2007</td>
<td>10,981</td>
<td>(1.44%)</td>
<td>$20 per Unit</td>
</tr>
<tr>
<td></td>
<td>11,462</td>
<td>(funded)</td>
<td></td>
</tr>
<tr>
<td>2007-2008</td>
<td>11,467</td>
<td>(funded)</td>
<td>$20 per Unit</td>
</tr>
<tr>
<td></td>
<td>11,610</td>
<td>(.786%)</td>
<td></td>
</tr>
<tr>
<td>2008-2009</td>
<td>13,472</td>
<td>(reported)</td>
<td>$20 per Unit</td>
</tr>
<tr>
<td></td>
<td>11,847</td>
<td>(funded)</td>
<td></td>
</tr>
<tr>
<td>2009-2010</td>
<td>12,799</td>
<td>(5%)</td>
<td>$26 per Unit</td>
</tr>
<tr>
<td></td>
<td>11,357</td>
<td>(funded)</td>
<td></td>
</tr>
<tr>
<td>2010-2011</td>
<td>11,915</td>
<td>(7%)</td>
<td>$26 per Unit</td>
</tr>
<tr>
<td></td>
<td>11,651</td>
<td>(funded)</td>
<td></td>
</tr>
<tr>
<td>2011-2012</td>
<td>12,483</td>
<td>5%</td>
<td>$36 per Unit</td>
</tr>
<tr>
<td></td>
<td>10,683</td>
<td>(funded)</td>
<td></td>
</tr>
<tr>
<td>2012-2013</td>
<td>10,833</td>
<td>(13.22%)</td>
<td>$46 per Unit</td>
</tr>
<tr>
<td></td>
<td>10,833</td>
<td>(funded)</td>
<td></td>
</tr>
<tr>
<td>2013-2014</td>
<td>10,233</td>
<td>(5.5%)</td>
<td>$46 per Unit</td>
</tr>
<tr>
<td></td>
<td>10,887</td>
<td>(funded)</td>
<td></td>
</tr>
<tr>
<td>2014-2015</td>
<td>10,887</td>
<td>6.4%</td>
<td>$46 per Unit</td>
</tr>
<tr>
<td></td>
<td>10,887</td>
<td>(funded)</td>
<td></td>
</tr>
<tr>
<td>2015-2016</td>
<td>10,418</td>
<td>(4.3%)</td>
<td>$46 per Unit</td>
</tr>
<tr>
<td></td>
<td>10,887</td>
<td>(funded)</td>
<td></td>
</tr>
<tr>
<td>2016-2017</td>
<td>10,401</td>
<td>(0.163%)</td>
<td>$46 per Unit</td>
</tr>
<tr>
<td></td>
<td>10,401</td>
<td>(funded)</td>
<td></td>
</tr>
</tbody>
</table>

* Differential fee of $50 for holders of BA/BS degrees

- **Are the district’s enrollment projections updated at least semiannually?**
  Yes. Enrollment projections are available online and are provided to the district’s management team on a regular basis. The President’s Cabinet reviews actual enrollment and projections on a regular basis. The Vice President of Instruction sends e-mail updates to the college, makes presentations to the Faculty Senate, the College Planning Committee and the Governing Board regularly. FTES projections are utilized in budget planning to project apportionment revenue for Preliminary and Final Budgets. The College Planning Committee receives semi-annual updates on the status of the college’s enrollment and the anticipated impact on the budget.

- **Are staffing adjustments consistent with the enrollment trends?**
  Yes, enrollment trends are part of the criteria used in determining the number of full-time faculty and classified support positions needed to support the college operations.

- **Does the district analyze enrollment and full-time equivalent student (FTES) data?**
  Yes. The President, Vice President of Instruction, Vice President of Administrative Services, Vice President of Student Services, Instructional Deans and Dean of Research & Planning analyze enrollment and FTES as a function of developing schedules of classes on a daily basis during registration periods and prior to submitting enrollment reports to the state each January, April and July.

- **Does the district track historical data to establish future trends between P-1 and annual for projection purposes?**
  Yes. The Office of Planning and Research tracks enrollment trends and works very closely with the Vice President of Instruction to reconcile enrollment data. Enrollment data is reviewed by an ad hoc team that includes staff from enrollment services, research...
and planning, instruction, information technology, and the business office prior to each submission to the Chancellor’s Office.

- **Has the district avoided stabilization funding?** No.

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 General Fund reserve is 7% and the general fund ending balance consistently exceeds 20%.

- **Is the district’s unrestricted fund balance maintained throughout the year?** Yes.

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

<table>
<thead>
<tr>
<th>ENDING FUND BALANCE</th>
<th>CASH BALANCE</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ending Balance</strong></td>
<td>6/30/2015</td>
<td>6/30/2016</td>
</tr>
<tr>
<td>Unrestricted Funds</td>
<td>$13,321,112</td>
<td>$17,894,158</td>
</tr>
<tr>
<td>5% General Reserve - Fund 11</td>
<td>$4,407,000</td>
<td>$4,468,000</td>
</tr>
<tr>
<td>Carry Over - Fund 14</td>
<td>3,647,778</td>
<td>4,228,804</td>
</tr>
<tr>
<td>One-Time - Fund 17</td>
<td>4,106,646</td>
<td>8,019,206</td>
</tr>
<tr>
<td>FTES Reserve - Fund 17</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Community Ed - Fund 15</td>
<td>1,159,688</td>
<td>1,178,148</td>
</tr>
<tr>
<td>Total Unrestricted Funds</td>
<td>$13,321,112</td>
<td>$17,894,158</td>
</tr>
<tr>
<td>Restricted Funds</td>
<td>576,246</td>
<td>541,615</td>
</tr>
<tr>
<td><strong>Total General Fund Ending Balance</strong></td>
<td><strong>$13,897,358</strong></td>
<td><strong>$18,435,773</strong></td>
</tr>
<tr>
<td>Cash Balance</td>
<td>20,405,018</td>
<td>18,105,555</td>
</tr>
<tr>
<td>Apportionment Allocation Deferrals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014-15 @ zero</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015-16 @ zero</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016-17 @ zero</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017-18 @ zero</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• Can the district manage its cash flow without interfund borrowing?  
Yes.

• Is the district repaying TRANS and/or borrowed funds within the required statutory period?  
The college has not utilized TRANS and/or borrowed funds since the state eliminated apportionment deferrals.

• Has the district settled bargaining agreements within new revenue sources during the past three years?  
Yes. The Vice President of Administrative Services reviews budget planning assumptions and fiscal parameters with bargaining units and the Governing Board as a part of the negotiation process.

• Did the district conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement?  Yes.

• Did the district correctly identify the related costs?  Yes.

• Did the district address budget reductions necessary to sustain the total compensation increase?  Yes.

7. Unrestricted General Fund Staffing—Is this area acceptable?  No.  
State apportionment funding has not allowed the college to maintain adequate staffing levels of all employee groups college-wide, in all operations. As state revenue continues to fluctuate over the next few years the college will prioritize programs and services to support student success, guided pathways and continue to serve the community at large.

• Is the district ensuring it is not using one-time funds to pay for permanent staff or other ongoing expenses?  
Yes. Permanent staffing costs are not paid from the District’s one-time sub fund. There are a few examples of new positions that have been funded temporarily with one-time funds for the first year.

• 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. Cabrillo’s percentage for 2016-17 was 84.3% (see the Chancellor’s Office Fiscal Trend analysis).

8. Internal Controls—Is this area acceptable?  Yes.  
• Does the district have adequate internal controls to insure the integrity of the general ledger?  
Yes. To ensure the integrity of financial operations, external audits are routinely performed and those findings are presented to the Board.

• Does the district have adequate internal controls to safeguard the district’s assets?  
Yes.
   • Is the district data accurate and timely?
     Financial reports, documents, and updates such as monthly college financial updates, investment reports, foundation updates, and bond reports reflect actual financial conditions of the college. The Governing Board receives a variety of financial updates at every board meeting.

     The Business Office makes information readily available in a variety of forms from a variety of sources. The Business Office maintains a web page that contains information about the current budget. The Business Office also maintains space on one of the college’s file servers where it posts reports, updates, and other important information. The Business Office e-mails updates to the college community on changes that affect the budget or financial conditions, including state budget changes. The Business Office also regularly prepares informational items and status reports for the Governing Board to keep them informed of current budget and financial conditions. These items are made public and are easily obtained through the Internet, file servers, or e-mails. The Business Office also routinely sends e-mail reminders of forthcoming financial deadlines, such as deadlines for submission of purchase orders. The Business Office provides budgetary information for use in the college-wide Program Planning process.

     Through the college’s information systems and programs, timely financial information is readily available to appropriate administrators and their support staff.

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

   • Are key fiscal reports readily available and understandable? Yes. Key fiscal reports are readily available. The Business Office actively reviews how it presents financial and budget information and seeks input on improving the transmission of that information. The college is always looking for ways to improve the dissemination of fiscal information. The college community has ongoing discussions of better ways to educate staff and faculty about budget issues. Packets of budget education materials are now created and disseminated. The Business Office also tracks budget issues as they develop or change at the state level.

10. Position Control—Is this area acceptable? Yes.
    • Is position control integrated with payroll? Yes.
      The college has a position control system, and Board approved personnel actions are used to update changes in positions and compensation estimates used for budget planning. The college processes its own payroll utilizing the integrated ERP system.

      • Does the district control unauthorized hiring? Yes. The District has formal processes in place for hiring faculty, staff and student workers.

      • Does the district have controls over part-time academic staff hiring? Yes. The District has formal processes in place for hiring part-time academic employees.
11. **Budget Monitoring—Is this area acceptable?** Yes.

- **Is there sufficient consideration to the budget, related to long-term bargaining agreements?** Yes.

- **Are budget revisions completed in a timely manner?** Yes, and submitted monthly to the Governing Board.

- **Does the district openly discuss the impact of budget revisions at the board level?** Yes. Summaries of budget revisions are presented to the Board of Trustees on a monthly basis.

- **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. The college re-paid debt service associated with the 1997-1998 Certificates of Participation (COP).

- **Has the district identified the repayment sources for the long-term debt?** Yes. Long-term debt obligations are repaid from the unrestricted general fund.

- **Does the district compile annualized revenue and expenditure projections throughout the year?** Yes. The District compiles annual updates revenue and expenditure estimates mid-year and throughout the budget development process.

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

The college maintains a Retiree Benefit Board designated fund. Funds are utilized to pay current retiree medical benefits and accumulate funds to pay for future benefits. In 2015-16, the state allocated significant one-time funds to community colleges to assist in paying for long-term liabilities for benefits. The college was able to utilize funds that accumulated over the years and the 2015-16 one-time payments to establish an Irrevocable Trust account with the CalPERS California Employer's Retiree Benefit Trust Fund.

- **Has the district completed an actuarial calculation to determine the unfunded liability?** Yes. The most recent actuarial report was prepared in 2017 as required by GASB 76.

- **Does the district have a plan for addressing the retiree benefits liabilities?** Yes. The District has implemented a plan for addressing the retiree benefits liability. The college’s total OPEB liability is $15,959,205. Cabrillo has set aside funds to cover retiree health liabilities in a GASB 75 qualifying trust. The Fiduciary Net Position of this trust at June 30, 2017 was $6,000,000. This leaves a Net OPEB Liability (NOL) of $9,959,205. Approximately 37.5% of the total liability is funded.

- **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)?**
Yes. The college’s CEO retired on January 2, 2018. The college hired a new CEO who will begin work on February 1, 2018.

13. 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 Director of Human Resources works with the District’s CEO and legal counsel to analyze the fiscal impact of pending lawsuits.
   • Has the district set up contingent liabilities for anticipated settlements, legal fees, etc.?
     Yes. The Vice President of Administrative Services maintains a contingency reserve for anticipated settlements and/or penalties.

14. 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 drafts formal responses to all audit findings. The District’s responses to findings are included in the final audit report. Subsequent actions taken by the District to address findings are discussed with the auditors during the entrance interview of the following audit cycle.
   • Has the district met the requirements of the 50 percent law?
     Yes. Cabrillo reported 51.10% for fiscal year 2016-17. The District is expected to report a similar result for the 2017-18 fiscal year.
   • 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.

Revised 1/8/18