

**Additional Information**  
**August 14, 2018 Board Meeting**

The following additional information was provided regarding the August 14 Board meeting agenda:

**Item 3.a, Purchase Order Listing:**

1. P0126059: Is this a one-time fee for Keenan & Associates for setting up the SERP? **Yes, this the commission fees to Keenan & Associates for the retirees that retired prior to June 30. The \$205,605 is the total for five years. The annual payment for this P.O. will be \$41,721 for the SERP participants prior to June 30 for the next five years. There will be a second P.O. for the SERP participants after June 30, which will be for \$198,405 or \$39,681 per year, for the next five years.**
2. P0126178 and P0126452: This totals \$16,485 for Pacwest Security Services for Patrol. Was this for the NOCE graduation in Yorba Linda? **No, the requested amounts are for the annual contract to provide security services at two offsite high school labs, Gilbert South (AUHSD) and El Camino High (PYLUSD). Adult Education Program categorical funds are requested for both contracts.**
3. P0126208: Why is this annual fee assigned to Capital Outlay? Has it always been so assigned? **The fee is to pay the annual "FUSION" fee which is the system the State uses to assess and track facility conditions statewide. We are required to participate in order to receive state funding for facilities. It is a charge to the Capital Outlay fund due to the use for facilities planning. It is an annual fee that has always been charged to the Capital Outlay Fund.**

**Item 3.d, Quarterly Financial Status Report:**

1. Why does this quarterly report state there are no fiscal problems? Didn't we state there was one last quarter? **The question that was asked on the form is, "Does the District have a fiscal problem for either 2017-2018 or 2018-19?" With the approval of the new funding formula and the three-year "hold harmless" provision, the District will continue to receive significantly more apportionment revenue than we have earned (based on the funding formula). Therefore, staff answered the question with a, "No", answer. There is still concern that after the hold harmless provision expires, that the drop in revenue will leave the District with a deficit budget structure.**

**Yes, the District did report a fiscal issue on the last 311Q for the 3<sup>rd</sup> quarter of 2017-18 year related to the uncertainties of the new funding formula. Prior to the new funding formula being approved it was estimated that the revenue reduction from the loss of stability funds or hold harmless funds would leave the deficit budget structure in 2018-19.**

2. We've always had a standard letter since this is a report to the State Chancellor's Office, however it would be helpful to the Board to provide in this letter additional information to explain unusual high/low deviations, such as Ending Fund Balance. **The 311Q is a State report that is submitted electronically, and we are required to use the State template that is provided. In the future, we can provide additional information, if necessary, to the agenda item itself or on a separate page.**

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3. Is the \$81 million already allocated; what % of this balance is one-time funds? **No, the entire \$81 million is not allocated. Much of the amount has been allocated for budget center carry over at the campuses and required contingencies such as the Board Policy required 5%. The analysis of the ending balance has not yet been completed as of the Board meeting date. This information will be provided when the budget is presented to the Board in September. At that time, the unallocated portion is expected to be over \$30 million.**

**We look at all of the carryover funds as one-time resources, since we still believe that the District has more on-going expenses compared to on-going revenue.**

4. Does the decline for projected 2017-2018 reflect the "summer shift" we took? **No, the decline in revenue is related to a required audit entry for 2016-17 to account for the transfer of funds to the Irrevocable Trust. The amount in 2016-17 for both revenue and expenses was over \$60 million which makes comparison between years difficult.**
5. Why do we have increased additional end balances if we continue to have a "structural deficit"? How is this calculated? **The "structural deficit" is related to on-going revenue compared to on-going expenses. In simple terms, the on-going revenue is based on earned apportionment and several other revenue sources such as lottery and non-resident fees compared to on-going expenses, such as, salary and benefits for permanent positions, salary for the part-time faculty and overload pay, operating allocations, and District-wide expenses.**

**The ending balance increased mainly due to the \$8.7 million for PERS/STRS we received and the summer shift dollars of \$11.4 million that were considered one-time funding. On the expenditure side there were savings from position vacancies. The ending fund balance is a product of taking the beginning balance, adding revenue from the year end, and then subtracting the expenses.**

6. In general, when judging the financial health of the District, what key factors (vs. the one factor of structural deficit) should one look at? **The key items to look for are deficit spending, enrollment trends, staffing levels, and District liabilities. Attached is a checklist from the CCCC publication "Introduction to Fiscal Responsibilities" which lists 15 items for consideration.**
7. When the Board approved the tentative 2018-19 budget, one member voted no. What would have happened if NOCCCD did not have a tentative budget? How would bills, including payroll been made? **A tentative budget is required to be approved by June 30 of the preceding year for the new fiscal year. Several options are possible:**
- **Call a Special Board meeting and approve a revised tentative budget**
  - **Cease operation into the new year (not realistic)**
  - **Be out of compliance and operate without a budget**

**Item 3.e, Quarterly Investment Report:**

1. Page 8 for the Irrevocable Retiree Benefits Trust: are the portfolio fees an ongoing fee for each quarter to pay for investment management? **Yes, this is a quarter fee amount. The**

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**fee is calculated on a monthly basis and the three months show up as a quarterly amount on the quarterly statement.**

2. Is this a % of starting or ending value? **The fee is calculated on a monthly basis using the beginning balance.**

**Item 4.a, AUHSD Dual Enrollment Partnership Agreement:** Pages 4.a.4 and 4.a.5, Sections 3.7 and 3.8: Please explain the difference between these two sections: 3.7 – “Students...may enroll in up to a maximum of 15 units per term...” and 3.8 – “Students will only be able to enroll into one Dual Enrollment class under this agreement.” **Section 3.7 of this agreement responds to the limitations established by AB 288, Sec 2 (p)(1)(2)(3): students may enroll in up to 15 units per term in no more than four community college courses. Section 3.8 provides the school district the ability to limit enrollment to one course per term but allows the high school the opportunity to determine whether a student would be able to successfully complete additional courses.**

**Item 5.b, Classified Personnel:** When will Fred present the overall SERP report? **The SERP report will be discussed as part of the August 28 Study Session Board meeting.**

**Item 5.c, Professional Experts:** Page 5.c.4: What does CCMA stand for? **CCMA stands for Certified Clinical Medical Assistant.**

# CCC Sound Fiscal Management Self-Assessment Checklist

- 1. Deficit Spending – Is this area acceptable? Yes / No**

  - Is the district spending within its budget in the current year?
  - Has the district controlled deficit spending over multiple years?
  - Is deficit spending addressed by fund balance, ongoing revenue increases, or expenditure reductions?
  - Are district revenue estimates based upon past history?
  - Does the district automatically build in growth revenue estimates?
- 2. Fund Balance – Is this area acceptable? Yes / No**

  - Is the district's fund balance stable or consistently increasing?
  - Is the fund balance increasing due to on-going revenue increases and/or expenditure reductions?
- 3. Enrollment – Is this area acceptable? Yes / No**

  - Has the district's enrollment been increasing or stable for multiple years?
  - Are the district's enrollment projections updated at least semiannually?
  - Are staffing adjustments consistent with the enrollment trends?
  - Does the district analyze enrollment and full-time equivalent students (FTES) data?
  - Does the district track historical data to establish future trends between P-1 and annual enrollment for projection purposes?
  - Has the district avoided stabilization funding?
- 4. Unrestricted General Fund Balance – Is this area acceptable? Yes / No**

  - 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)?
  - Is the district's unrestricted fund balance maintained throughout the year?
- 5. Cash Flow Borrowing – Is this area acceptable? Yes / No**

  - Can the district manage its cash flow without interfund borrowing?
  - Is the district repaying TRANS and/or borrowed funds within the required statutory period?
- 6. Bargaining Agreement – Is this area acceptable? Yes / No**

  - Has the district settled bargaining agreements within new revenue sources during the past three years?
  - Did the district conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement?
  - Did the district correctly identify the related costs?
  - Did the district address budget reductions necessary to sustain the total compensation increase?
- 7. Unrestricted General Fund Staffing – Is this area acceptable? Yes / No**

  - Is the district ensuring it is not using one-time funds to pay for permanent staff or other ongoing expenses?
  - 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%)?

**8. Internal Controls – Is this area acceptable? Yes / No**

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

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

**9. Management Information Systems – Is this area acceptable? Yes / No**

Is the district data accurate and timely?

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

Are key fiscal reports readily available and understandable?

**10. Position Control – Is this area acceptable? Yes / No**

Is position control integrated with payroll?

Does the district control unauthorized hiring?

Does the district have controls over part-time academic staff hiring?

**11. Budget Monitoring – Is this area acceptable? Yes / No**

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

Are budget revisions completed in a timely manner?

Does the district openly discuss the impact of budget revisions at the board level?

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

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

Has the district identified the repayment sources for the long-term debt?

Does the district compile annualized revenue and expenditure projections throughout the year?

**12. Retiree Health Benefits – Is this area acceptable? Yes / No**

Has the district completed an actuarial calculation to determine the unfunded liability?

Does the district have a plan for addressing the retiree benefits liabilities?

**13. Leadership/Stability – Is this area acceptable? Yes / No**

Has the district experienced recent turnover in its management team (including the Chief Executive Officer, Chief Business Officer, and Board of Trustees)?

**14. District Liability – Is this area acceptable? Yes / No**

Has the district performed the proper legal analysis regarding potential lawsuits that may require the district to maintain increased reserve levels?

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

**15. Reporting – Is this area acceptable? Yes / No**

Has the district filed the annual audit report with the Chancellor's Office on a timely basis?

Has the district taken appropriate actions to address material findings cited in their annual audit report?

Has the district met the requirements of the 50 percent law?

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 Chancellor's Office on or before the stated deadlines?