

Chancellor's Office

Maintaining Fiscal Health in Community Colleges

Presented to the Budget Committee
October, 1, 2019

Monitoring Fiscal Condition

Chancellor's Office's goal:

- Prevent cases where it would be necessary to appoint a special trustee or seek an emergency appropriation.
- Target the limited resources available for intervention.

Indicators of Risk or Potential Insolvency

- Unreliable Budget Development
- Insufficient Budget Monitoring or Updates
- Inadequate Cash Management
- Mismanaged Collective Bargaining Agreements
- Increasing and/or Unplanned Transfers, Intra and Inter fund
- Continuing Deficit Spending
- Mismanaged Employee Benefits
- Inattention to Enrollment and Attendance Reporting

Indicators of Risk or Potential Insolvency

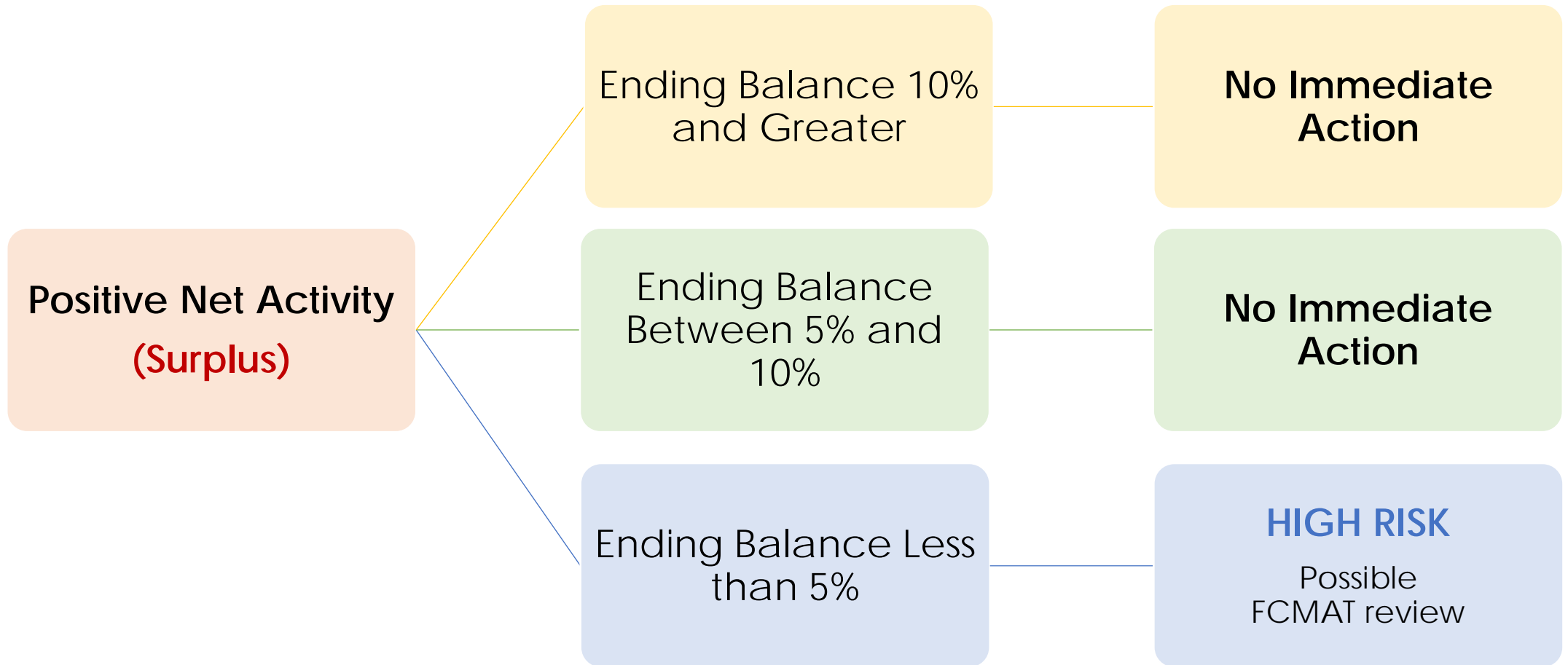
(cont.)

- Decreasing Fund Balance and Reserve for Economic Uncertainty
- Ineffective Internal Controls and Fraud Prevention
- Breakdown in Leadership and Communication
- Lack of Multiyear Planning
- Inattention to Non-Voter-Approved Debt and Risk Management
- Lack of Position Control
- Related Issues of Concern

Analysis

- FTES and financial data submitted by districts.
- Analysis presented to the BOG each year in January.
- The analysis uses two measures to understand a district's fiscal condition:
 - The ending fund balance ratio, and
 - The Net Activity (Revenue minus Expenditures).

Determining Fiscal Risk Scenario I.

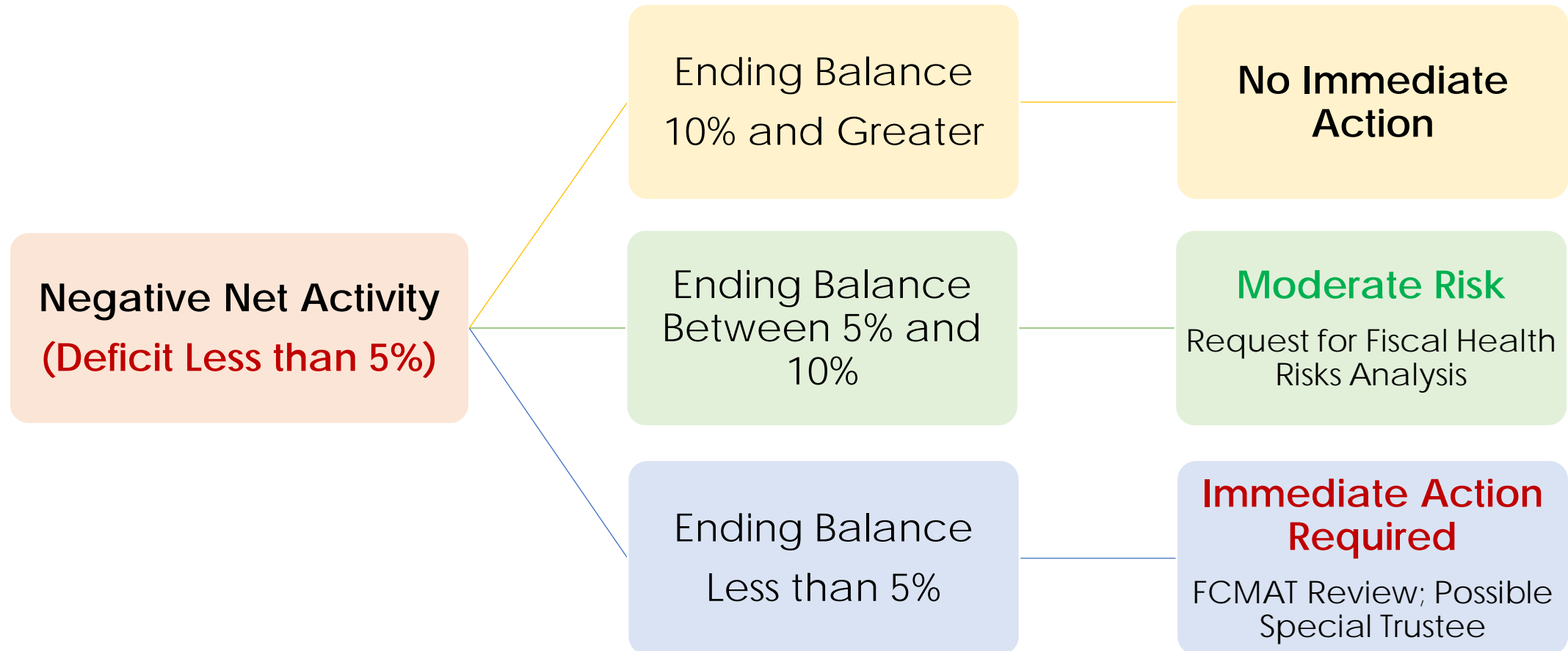


Scenario I Example

Positive Net Activity (Surplus)

	No Immediate Action	No Immediate Action	HIGH RISK
Total Revenue	\$57,402,798	\$57,402,798	\$57,402,798
Total Expenditures	\$57,040,920	\$57,040,920	\$57,040,920
Net Activity (Surplus)	\$361,878	\$361,878	\$361,878
Beginning Fund Balance	\$17,543,198	\$4,543,198	\$2,143,198
Ending Fund Balance	\$17,905,076	\$4,905,076	\$2,505,076
% Ending Balance of Ex.	31.39%	8.60%	4.39%

Determining Fiscal Risk Scenario II.

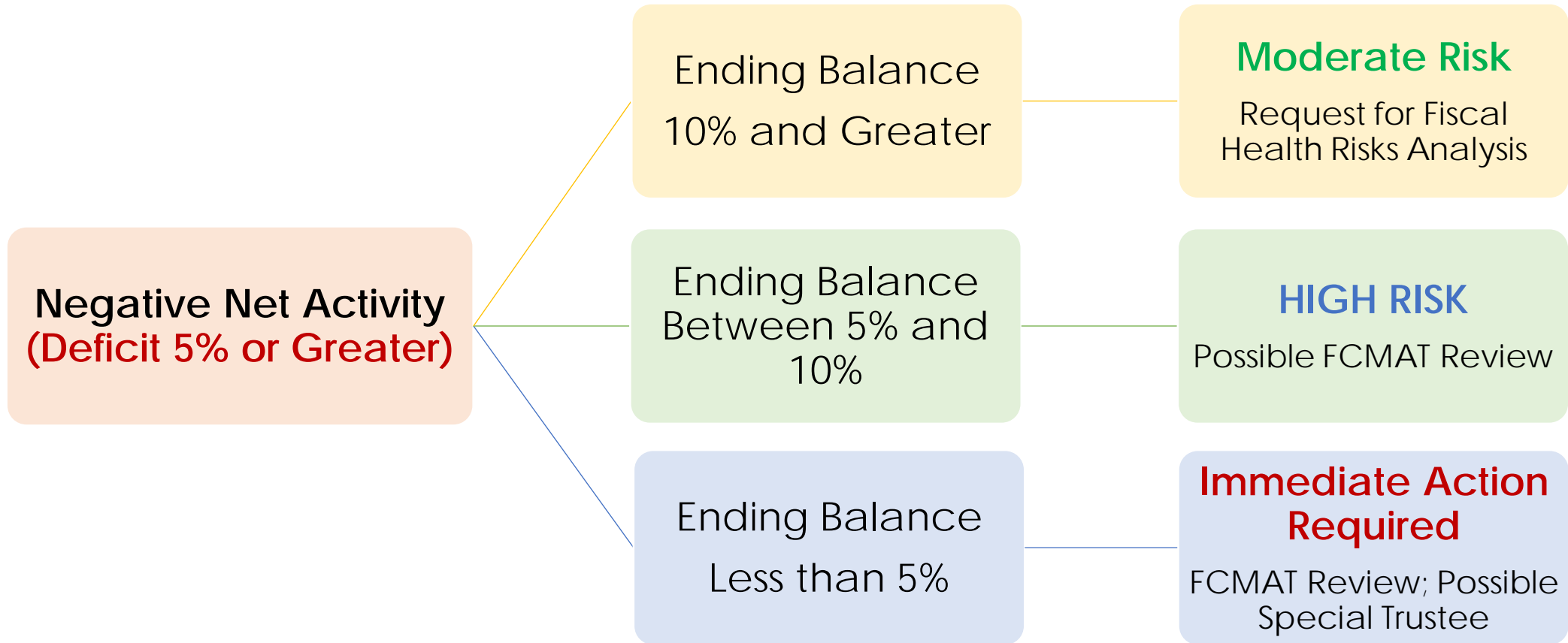


Scenario II Example

Negative Net Activity (Deficit Less than 5%)

	No Immediate Action	Moderate Risk	Immediate Action Required
Total Revenue	\$62,839,859	\$62,839,859	\$62,839,859
Total Expenditures	\$63,228,020	\$63,228,020	\$63,228,020
Net Activity (Deficit -0.614%)	(\$388,160)	(\$388,160)	(\$388,160)
Beginning Fund Balance	\$13,331,935	\$6,331,935	\$3,143,774
Ending Fund Balance	\$12,943,774	\$5,943,774	\$2,755,614
% Ending Balance of Ex.	20.47%	9.40%	4.36%

Determining Fiscal Risk Scenario III.



Scenario III Example

Negative Net Activity (Deficit 5% or Greater)

	Moderate Risk	HIGH RISK	Immediate Action Required
Total Revenue	\$58,401,905	\$58,401,905	\$58,401,905
Total Expenditures	\$63,228,020	\$63,228,020	\$63,228,020
Net Activity (Deficit -7.633%)	(\$4,826,115)	(\$4,826,115)	(\$4,826,115)
Beginning Fund Balance	\$13,331,935	\$9,338,276	\$7,338,276
Ending Fund Balance	\$8,505,819	\$4,512,161	\$2,512,161
% Ending Balance of Ex.	13.45%	7.14%	3.97%

Summary

Net Activity	Ending Balance Ratio		
	<i>10% and Greater</i>	<i>Between 5% and 10%</i>	<i>Less than 5%</i>
Positive Net Activity	No Immediate Action	No Immediate Action	High Risk Possible FCMAT Review
Negative Net Activity <i>(Deficit less than 5%)</i>	No Immediate Action	Moderate Risk Request for Fiscal Health Risks Analysis	Immediate Action Required FCMAT Review; Possible Special Trustee
Negative Net Activity <i>(Deficit 5% or Greater)</i>	Moderate Risk Request for Fiscal Health Risks Analysis	High Risk Possible FCMAT Review	Immediate Action Required FCMAT Review; Possible Special Trustee

Take Away

Possible Triggers for Chancellor's Office action:

- Deficit greater than 5%
- Ending Fund Balance less than 10%

Q&A