FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
CSIS California School Information Services

Peralta Community College District

Financial Review and Fiscal Health Risk Analysis

June 28, 2019

Michael H. Fine
Chief Executive Officer

June 28, 2019

Christian Osmeña, Vice Chancellor
California Community Colleges Chancellor's Office
1102 Q Street
Sacramento, CA 95811

Vice Chancellor Osmeña:

In January 2019, the California Community Colleges Chancellor's Office and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to conduct a management assistance study and provide professional development training for the Peralta Community College District. Specifically, the agreement states that FCMAT will perform the following:

1. Prepare an analysis using FCMAT's Fiscal Health Risk Analysis (2019 version) and identify Peralta's specific risk rating for fiscal insolvency.
2. Provide training on financial health for the board of trustees, the district administration and others identified by the district chancellor. The training will focus on managing finances in a community college district, including efforts to improve fiscal accountability and competency.
3. Analyze the organization and staffing levels of the employees responsible for district finances at the Peralta district office and make recommendations, which may include changes in the organization and staffing, to allow the district to function effectively and efficiently.
4. Provide recommendations on best practices for communication between the district administration and the board of trustees on issues related to the district's financial health.
5. Develop a corrective action plan to address audit findings for Peralta for the most current (2017-18) and prior four years and conduct an internal control review of Peralta's reporting and monitoring of financial transactions, including an evaluation of policies, procedures, and transactions performed by the district.
6. Evaluate spending patterns, including other postemployment benefit (OPEB) liabilities.
7. Project funding for Peralta under the Student Centered Funding Formula and make recommendations for actions the district can take to maximize funding.

This final report will be presented to the district's governing board on September 10, 2019 as well as the California Community Colleges Board of Governors on September 16, 2019.

We appreciate the opportunity to serve you and we extend thanks to all the staff of the Peralta Community College District for their cooperation and assistance during fieldwork.

Sincerely,

Michael H. Fine

Chief Executive Officer

Contents

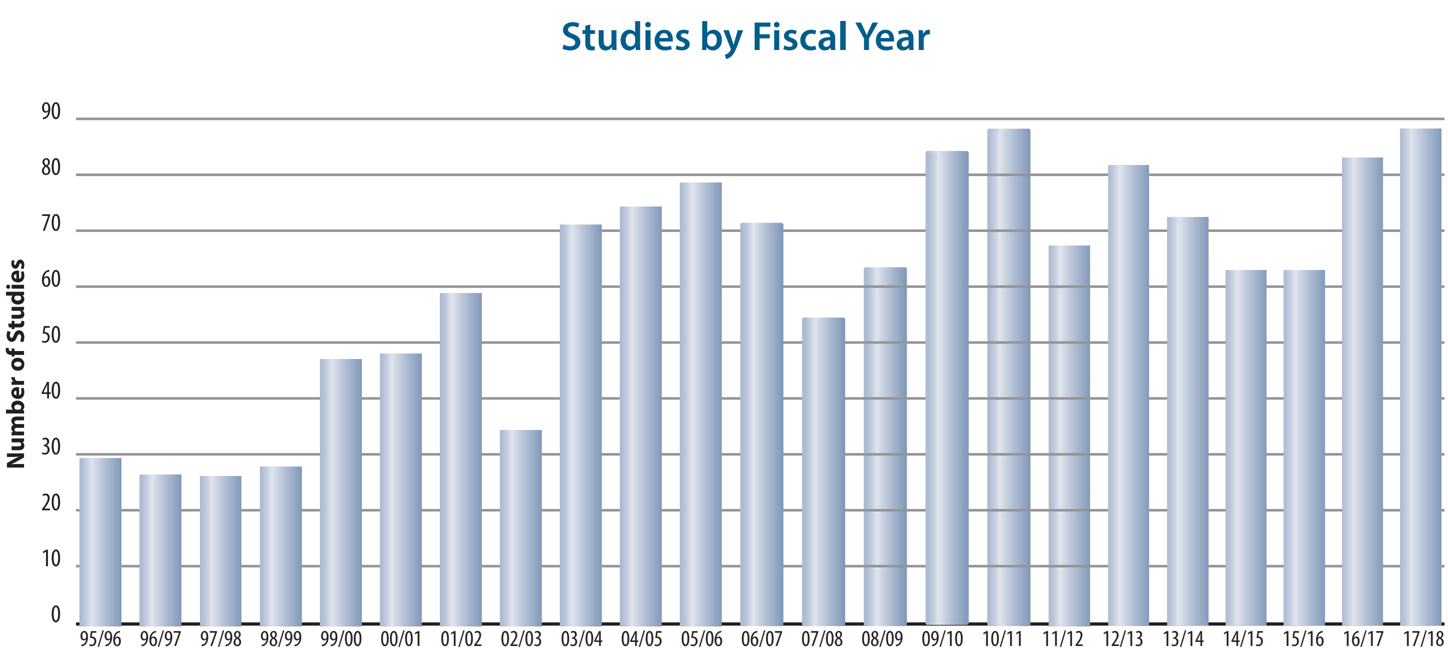
About FCMAT

FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state Superintendent of Public Instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms.



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

On September 17, 2018 AB 1840 became effective. This legislation changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control, and providing new responsibilities to FCMAT associated with the process.

Since 1992, FCMAT has been engaged to perform more than 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

The Peralta Community College District was formed on July 1, 1964. The district serves the residents of the cities of Oakland, Berkeley, Alameda, Piedmont, Emeryville, and Albany in northern Alameda County, California and is composed of four colleges: Berkeley City College, College of Alameda, Laney College and Merritt College. The Peralta Colleges offer various educational programs and services, including two-year degrees, certificates and university transfer programs, to more than 30,000 students.

In January 2019, the California Community Colleges Chancellor's Office requested that FCMAT assist the district by conducting a review of the finance department staffing and services, conduct a Fiscal Health Risk Analysis and provide professional development training to promote the district's financial health.

Study and Report Guidelines

FCMAT visited the district on several occasions between March 4 and April 17, 2019 to conduct interviews, collect data and review documents. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Fiscal Health Risk Analysis
- Internal Controls
- Comparative Staffing
- Student Centered Funding Formula
- Other Post-Employment Benefits Program
- Spending Pattern Analysis
- Appendices

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Study Team

The study team was composed of the following members:

Michelle Giacomini FCMAT Deputy Executive Officer	School Services of California, Inc. FCMAT Community College Consultant
Leonel Martínez FCMAT Technical Writer	Cambridge West Partnership, LLC FCMAT Community College Consultant

Executive Summary

Following a comprehensive review of the Peralta Community College District using FCMAT's Fiscal Health Risk Analysis, a study team identified serious concerns about the district's fiscal condition. Without fundamental changes, these concerns may result in a high risk that the district would become insolvent or require emergency appropriations from the state.

The district is searching for a permanent chancellor, and several of the vice chancellor positions are interim or new. While interim administration has been brought in, and much work has been done during their short tenure, the district has suffered from years of ineffective and inconsistent guidance, nonadherence to policies and procedures, and difficulties in receiving consistent information and communication. The leadership void has had a significant impact on the district's fiscal health risk score, which is excessively high at 69.9%.

The district has experienced sharp enrollment decline in recent years. Three of the four colleges have declined in full-time equivalent students (FTES) over a five-year period, and at the same time, two of those colleges have increased full time equivalent faculty (FTEF). The fourth college has added 140 FTES, but also increased by 37 FTEF, which equates to an additional 1 FTEF for every 3.78 FTES. In aggregate, the district has 2,261 less FTES and 48 more FTEF over the last five-year period. The combination of declining enrollment and increased staff creates a budget formula that is unsustainable.

The district lacks a coordinated and effective process for establishing mutually agreed upon annual FTES productivity targets. Instead, individual colleges decide what annual productivity will be achieved, and despite shrinking enrollments, the colleges continue to spend at previously established funding amounts. Productivity targets and the corresponding budgets must be evaluated, and revisions must be made to the practice used for establishing annual FTES productivity targets. The funding measurement metrics and opportunities to improve performance should be carefully considered in all future productivity target discussions since the district is not earning the revenue possible with the new funding formula.

Staff interviews repeatedly indicated the district has poor communication and operational practices, resulting in ineffective planning and a confrontational environment that undermines successful interactions in accounting and budgeting. The district's poor communication and feeling of mistrust is related to the lack of accountability of staff at all levels. Interviewees freely discussed their lack of trust and a culture of "favoritism," leading to poor morale and mistrust. In a public agency, employees are the custodians of public resources and should be expected to honor their public commitment by modelling the highest level of accountability at all levels of employment. Members of the leadership are the models for other employees and therefore cannot be allowed to ignore directives or policies. Lack of accountability and accusations of favoritism have left employees questioning the ethics of district leadership.

The district has had several transitions in the Fiscal Services Department staff and experiences regular conflicts between bargaining unit leadership, college leadership, and other district office departments. Communications between staff, among staff, and between colleges and the district office are severely impaired. Departments have a general lack of trust in the administration as a whole. Many staff throughout the district lack confidence in the district's fiscal reporting and projections. This appears to be largely because of a lack of clarity and documentation concerning assumptions and processes, insufficient participation in staff development, and inadequate communications.

Because employee compensation is the largest budgetary expense for the district, consistent multidisciplined oversight of position control and the hiring processes must be implemented to prevent unexpected, and unauthorized, budget expenses from occurring. The Human Resources and Budget departments must work together to maintain the integrity of position control. No position should have a budget number assigned or be approved for advertisement without the approval of both departments. Any hiring being considered outside of the normal budgeting process should be discussed openly in chancellor's cabinet, so the entire executive team is aware of decisions. Employment of all personnel (except those who work hourly) should require approval of the board of trustees before the individual begins working for the district.

The number of administrators in the district office should be decreased. The district has a chancellor and six vice chancellors. Similar-size districts in the community college system operate with a chancellor and two or three vice chancellors, culminating in a more efficient model of decision-making and assigned responsibilities to direct and provide guidance to colleges. The current structure is cost-prohibitive, inefficient, and adds to the ineffective and poor communication throughout the district.

The number of vacancies in the Finance and Accounting departments made it difficult to gain a full understanding of some processes. The staff available to answer questions often were not knowledgeable and could discuss their specific function, but not how their responsibilities assist in the overall organization. In a comparison of the number of positions in the department, staffing is comparable with other districts; however, this report contains numerous findings and recommendations for organizational changes to build capacity within departments. The district should immediately begin filling vacant positions, training staff for their positions, utilizing software appropriately, and implementing controls within practices to build capacity.

Technology systems and access must be a priority for the district, which appears to have a history of underusing purchased software. While a significant amount of resources have been spent on the PeopleSoft financial system software, it has never been fully implemented and therefore is not utilized to its full capability. This results in extra staff work and frustration, costs the district valuable resources and constitutes a significant risk to the district's financial security.

The internal control issues and the lack of awareness regarding the fraud potential have caused numerous audit findings and opened the district to considerable risk. Poor controls create an opportunity for fraud to be committed. The district should establish a fraud prevention program, including the appropriate board policy and administrative procedures. The internal auditor position should also be filled.

Unauthorized purchases should immediately be discontinued, and all employees should understand that purchasing without proper authorization may lead to disciplinary action. Training should be scheduled to review purchasing procedures, particularly the need to submit purchase requisitions before all purchases are considered.

Past leadership regularly overrode policies, leaving staff with little certainty in managing their roles. The lack of consistency in the implementation, monitoring, and ensuring accountability for policies and procedures leaves the district at high financial risk. The chancellor and other district leaders should hold themselves, as well as managers and administrators, accountable for implementing and monitoring adherence to policies and procedures and strengthening overall internal controls.

A widespread perception is that key district operational procedures are "simply broken." Staff expressed frustration over poorly performing procedures and processes within the district.

The district's departments seem to operate in isolation, focusing internally within functional areas instead of on the district as a whole. The origin of this isolation, and the culture itself, begins with the leadership. Expectations are unclear, and transparency, partnerships, and teamwork are not modeled. Administrators and staff seem to have lost sight of the district's mission and do not consider that what they do (or do not do) affects the rest of the district. During interviews and conversations, students were rarely mentioned as the purpose for the district's existence, and no one expressed that the district office exists to provide support and oversight to the colleges. Information is not shared, and communication appears stifled, which causes a lack of collaboration, inefficiency, lost opportunities for improvement, and decreasing morale. Changing culture is difficult, and the right leadership is required to make the change.

Fiscal Health Risk Analysis

FCMAT has developed the Fiscal Health Risk Analysis (FHRA) as a tool to help evaluate a community college district's fiscal health and risk of insolvency in the current and two subsequent fiscal years.

The FHRA includes 18 sections, each containing specific questions. Each section and specific question are included based on FCMAT's work since the inception of the agency; they are the common indicators of risk or potential insolvency for districts that have neared insolvency and needed assistance from outside agencies. Each section of this analysis is critical to an organization, and lack of attention to these critical areas could eventually lead to a district's financial insolvency and loss of local control.

The greater the number of "no" answers to the questions in the analysis, the higher the score, which points to a greater potential risk of insolvency or fiscal issues for the district. Not all sections in the analysis and not all questions within each section carry equal weight; some areas carry higher risk and thus count more heavily toward or against a district's fiscal stability percentage. For this tool, 100% is the highest total risk that can be scored. A "yes" or "n/a" answer is assigned score of 0, so the risk percentage increases only with a "no" answer.

Identifying issues early is the key to maintaining fiscal health. Diligent planning will enable a district to better understand its financial objectives and strategies to sustain a high level of fiscal efficiency and overall solvency. A district should consider completing the FHRA annually to assess its own fiscal health risk and progress over time.

Fieldwork for the FHRA was completed in March and April 2019 in the middle of significant changes. The chancellor suddenly resigned, and an acting chancellor was hired and began working to make significant operational changes to strengthen the district.

1. Annual Independent Audit Report

	Question	Yes	No	N/A
1.1	Has the independent audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline?	☐	✓	☐

California Code of Regulations (CCR), Title 5, Section 59106, states that all audit reports for the preceding fiscal year must be filed with the California Community College Chancellor's Office no later than December 31 following the end of the audited fiscal year. The district has adopted Board Policy (BP) and accompanying Administrative Procedure (AP) 6400, Financial Audits, that states audit reports for the preceding fiscal year must be presented to the board and submitted to the chancellor's office by December 31. The district 2017-18 audit was submitted to the chancellor's office and certified by the auditor on December 26, 2018 but was not presented to the board of trustees until the January 22, 2019 board meeting.

	Question	Yes	No	N/A
1.2	Was the district's most recent independent audit report free of material findings?	☐	✓	☐

The 2017-18 audit identifies five findings, including one material finding related to the closing process and three of significant deficiency. Two are repeat findings from the 2016-17 year, one of which is a material finding. The auditor's December 15, 2018 management letter identifies a dozen internal control concerns across the district. When interviewed, district staff members indicated that observations made in the management letter and audit findings regarding issues at the colleges were to be resolved at the colleges not the district. A sense of urgency, ownership, or overall coordination does not appear to exist to resolve audit findings prior to the new audit cycle. District staff acknowledged the 2018-2019 audit is expected to include repeat findings since not all have been corrected.

	Question	Yes	No	N/A
1.3	Has the district corrected all audit findings from the current and past two audits?	☐	✓	☐

The 2017-18 audit finding related to "Pell grants and return of Title IV funds" will be resolved too late to avoid a repeat finding in 2018-19. The district planned to hire a consultant to address the finding on capital asset reconciliations. As of March 2019, the consultant had not been hired. In addition, the auditor's management letter makes multiple observations and recommendations on internal controls. During fieldwork, FCMAT requested a progress update, but district staff did not know the current *status of finding resolution/correction. Unresolved issues include the ability of both information technology and payroll to change employee pay rates in the system, cash handling issues involving late (up to 47 days) cash deposits, deficit fund balances, bank reconciliations not done timely, credit card expenditures paid without receipts, and the Workers' Compensation fund paying unrelated claims.*

The lack of urgency and commitment among staff to resolve audit findings and subsequent lack of correction puts the district's fiscal well-being at risk. Some bank statements carry unresolved transactions going back eight years, deposits are not made to the bank in a timely manner, a significant number of clerical errors were discovered in adding amounts on timecards in payroll, payments are made without receipts or invoices, deficit fund balances exist in categorical funds, and reconciliations are completed in an untimely manner or not at all.

1.4 Can the district correct prior year audit findings without affecting its fiscal health (e.g., material apportionment or internal control findings)? . . . . ✓ ☐ ☐

1.5 Has the district had the same audit firm for at least the last three years? . . . . . . ✓ ☐ ☐

2. Budget Development and Adoption — Yes No N/A

2.1 Does the district develop and use written budget assumptions and multiyear projections that are reasonable, clearly articulated, and aligned with the signed state budget and the Student-Centered Funding Formula (SCFF)? . . . . ☐ ✓ ☐

The board does not approve the budget-projection assumptions, and a documented and board-approved set of parameters is not used in making budget projections. The result of any financial projection will depend on its assumptions, so all constituencies should have a clear understanding of these, and they should be documented and easily accessed.

2.2 Does the district use a budget development method other than a prior-year rollover budget, and if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses? . . . . . . ☐ ✓ ☐

The district's process is to use the prior-year rollover budget, download the information into Excel, and adjust the balances for known changes that will occur in the budget development year for compensation and removal of one-time revenues and expenses. The process does not include reviewing prior year estimated actuals by major object code or a thorough review of grants or restricted funding.

2.3 Does the district use position control data for budget development? . . . . ☐ ✓ ☐

Even though the district utilizes the PeopleSoft human resources (HR) module, that information is not integrated with the finance module or regularly updated. PeopleSoft HR has position control numbers with data attached; however, a finance staff member must download that data into a spreadsheet during budget development, and it must be manually updated for any new information that will occur in the budget year. An HR finance staff member cross-checks the work, and the colleges review the list to ensure all personnel are accounted for before the information is entered into the budget development module.

2.4 Are clear budget development processes codified in Board Policies and Administrative Procedures? . . . . ✓ ☐ ☐

2.5 Does the budget development process include input from faculty/staff, administrators, the governing board, and the budget advisory committee in accordance with the district's documented planning model? . . . . ✓ ☐ ☐

		Yes	No	N/A
2.6	Does the budget development process include a calculation of the SCFF with reasonable assumptions?	☐	✓	☐

While the district has calculated SCFF, they do not include written assumptions.

		Yes	No	N/A
2.7	Does the district budget and expend restricted funds as authorized by the funding source before expending unrestricted funds?	☐	✓	☐

FCMAT did not find evidence that the district expends restricted funds before unrestricted funds. Instead, categorically restricted funds are routinely returned to the granting agency because expenditure deadlines are not met. Evidence also indicated that expenditures are charged to unrestricted general funds rather than restricted funds, or to unrestricted funds because categorical budgets are not established timely. Communication should be established and ongoing between the district finance office and the campus grants personnel.

		Yes	No	N/A
2.8	Does the district have a documented policy and/or procedure for evaluating the proposed acceptance of grants and other types of restricted funds to assess their congruency with the institution's strategic plan and the potential multiyear impact on the district's unrestricted general fund?	☐	✓	☐

There is no evidence of a documented policy or procedure for evaluating potential grants and other types of restricted funds to assess whether the funds support the district's strategic plan, require matching funds, have maintenance-of-effort requirements, or affect the district's unrestricted general fund in any other way. Because there is no requirement and procedure to ensure that all funding requests are directed through a single entity such as the college business office, the risk of fraud and the potential to obligate the district's unrestricted resources without administrative approval exists.

		Yes	No	N/A
2.9	Are expected revenues more than or equal to expected expenditures in the district's adopted budget (budget is not dependent on carryover funds to be balanced)?	✓	☐	☐
2.10	Has the district refrained from using negative or contra expenditure accounts (excluding appropriate abatements in accordance with the Budget and Accounting Manual (BAM)) in its budget?	✓	☐	☐
2.11	Does the district adhere to a board-adopted budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff member/department responsible for completing them?	☐	✓	☐

Although the board approved a budget calendar in September 2018, the calendar did not identify budget development tasks or responsible staff. The calendar was missing many closing details (accounts receivable, accounts payable, closing of purchase orders, journal entries, etc.), and since the internal budget calendar did not identify which staff is responsible for budget development tasks, or the process to develop a tentative or final budget, staff does not have much direction.

3. Budget Monitoring and Updates

		Yes	No	N/A
3.1	Are actual revenues and expenses consistent with the most current budget?	✓	☐	☐
3.2	Are budget revisions posted at least quarterly in the financial system?	☐	✓	☐

Evidence on this subject was requested, but not provided. Two revisions were found in board agendas and minutes (May 8, 2018 and January 22, 2019), but no evidence was provided to FCMAT about when the revisions are posted to the financial system.

		Yes	No	N/A
3.3	Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at least quarterly?	☐	✓	☐

Budget presentations were made to the board for tentative (May 2018) and final (August 2018) budgets; however, no written narrative was included, and there is no written record of the presentations other than a PowerPoint with the basic assumptions and spreadsheets. Although there are a list of questions from board members recorded in the minutes, staff responses to the questions were not recorded. No minutes were posted for the September 18, 2018 presentation of the final budget. For that specific meeting, the PowerPoint presentation itself is posted.

No revised assumptions are included with the presentations on budget revisions. Last year's revisions were found to have been reported to the board only on May 8, 2018 and January 22, 2019. The meeting minutes are brief for the revision, just as they were for the budget presentations. There is no record of what was reported or discussed.

3.4	Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs before the next financial reporting period?	☐	✓	☐

There is no record that the board makes or confirms budget revisions when the collective bargaining agreement is ratified.

3.5	Does the district include the interim CCFS 311Q reports on board's agendas?	✓	☐	☐
3.6	Has the district addressed any budget-related deficiencies identified in the most recent ACCJC accreditation report?	☐	✓	☐

A committee was formed to work on the ACCJC deficiencies, but no decisive action had been taken at the time of FCMAT's fieldwork. On April 23, 2019, subsequent to FCMAT's fieldwork, the acting chancellor presented to the board a proposed five-year integrated fiscal plan to address the ACCJC identified budget deficiencies. The report was submitted to ACCJC and posted publicly on May 1, 2019. Some of the actions promised are highly ambitious and conflict with information and timelines staff discussed during interviews with FCMAT. FCMAT has not verified the report or the actions identified.

3.7	If a college in the district has been notified that it is on an enhanced monitoring or watch-list status based on the college's ACCJC Annual Fiscal Report, have the district and college(s) taken steps to address the issues of concern identified by the ACCJC?	☐	✓	☐

At the time of FCMAT's fieldwork, no decisive action had been taken although a committee was formed to work on the ACCJC deficiencies. On April 23, 2019, subsequent to FCMAT's fieldwork, the acting chancellor presented to the board a proposed five-year integrated fiscal plan to address the ACCJC identified budget deficiencies. The report was submitted to ACCJC and posted publicly on May 1, 2019. FCMAT has not verified the report or the actions identified.

3.8	Does the district's enterprise software system include hard budget blocks that prevent the processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?	✓	☐	☐
3.9	Does the district encumber and adjust encumbrances for salaries and benefits?	☐	✓	☐

Salaries and benefits are not encumbered in the financial system.

3.10	Are all balance sheet accounts in the general ledger reconciled each quarter, at a minimum?	☐	✓	☐

In many cases, reconciliations have not occurred for some general ledger accounts for more than 10 years. Many "due to" and "due from" accounts are annually written off.

4. Cash Management

	Question	Yes	No	N/A
4.1	Does the district balance all cash and investment accounts with bank statements monthly?	☐	✓	☐
	The district is in the process of consolidating checking accounts. The revolving account reconciled was identified in the 2018 audit as eight months behind, and this has not yet been remedied.			
4.2	Are outstanding amounts in the cash and investment account reconciliations less than one year old, or if older, have a resolution?	☐	✓	☐
	The independent auditor reports bank accounts are not reconciled on a timely basis, and some outstanding items up to eight years old.			
4.3	Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly?	☐	✓	☐
	Evidence of 2018-19 reconciliations were not provided to FCMAT. Only 2017-18 reconciliations were provided, and based on that information, reconciliations are not timely.			
4.4	Does the district comply with its county treasurer and/or county office of education's requirements for balancing accounts?	☐	✓	☐
	Only 2017-18 reconciliations were provided to FCMAT, and based on that information, reconciliations are not timely.			
4.5	Has the district had a positive cash balance at the end of the month during the most recent 12 months?	✓	☐	☐
4.6	Does the district forecast its cash receipts and disbursements at least 18 months out, updating the actuals and reconciling the remaining months to the budget monthly to ensure cash flow needs are known?	☐	✓	☐
	Cash flow is analyzed for a 12-month period.			
4.7	Does the district have a plan to address cash flow needs during the current fiscal year?	✓	☐	☐
4.8	Does the district have sufficient cash resources in its other funds to support its current and subsequent two fiscal years' projected obligations in those funds?	✓	☐	☐
4.9	If interfund borrowing is occurring, does the district comply with Object Code 7300 requirements in the BAM?	✓	☐	☐
4.10	If the district is managing cash in any funds through external borrowing, such as a TRANS, has the district set aside funds for repayment attributable to the same year the funds were borrowed?	☐	☐	✓

5. Collective Bargaining Agreements

	Question	Yes	No	N/A
5.1	Does the district quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	☐	✓	☐
	FCMAT was not provided with evidence of a presettlement analysis that identified related costs or savings, if any, for years to support collective bargaining agreements.			
5.2	If the district has conducted a pre-settlement analysis and identified related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and has it identified ongoing revenue sources or expenditure reductions to support the agreement?	☐	☐	✓
5.3	In the prior three years has the district settled the bargaining agreements at or under the funded cost of living adjustment (COLA)?	☐	✓	☐

All employee groups received salary increases of 3% in 2015-16 when COLA was 1.02%. All employee groups received salary increases of 2% in 2016-17 when a COLA was not provided through state funding. In 2017-18 COLA was 1.56% and all employees received a 1.5% salary increase based on projected enrollment growth of 1.5% occurring that same year. When the growth target was not achieved, the 1.5% salary increase was suspended effective July 1, 2018 per agreement. Evidence provided included employee contracts, salary schedules, and board approvals of salary settlements.

		Yes	No	N/A
5.4	If settlements have not been reached, has the district identified resources to cover the estimated costs of settlements?	☐	☐	✓
5.5	Has the district settled with all its bargaining units for at least the prior two year(s)?	✓	☐	☐
5.6	Has the district settled with all its bargaining units for the current year?	☐	✓	☐

Evidence was insufficient to determine whether all employee groups have settled in 2018-19. While some salary schedules are dated July 1, 2018, those reflect the 2017-18 agreement to suspend that year's 1.5% salary increase effective July 1, 2018.

6. Intrafund and Interfund Transfers

		Yes	No	N/A
6.1	Does the district have a board-approved plan to eliminate, reduce or control intrafund transfers from the general fund unrestricted subfund to the general fund restricted subfund?	☐	✓	☐

Requested evidence was not provided.

		Yes	No	N/A
6.2	Does the board approve any intrafund transfers (contributions/encroachments) from the unrestricted general fund prior to occurrence?	☐	✓	☐

Requested evidence was not provided.

		Yes	No	N/A
6.3	If the district has deficit spending in funds other than the unrestricted general fund that create instability, has it included in its multiyear projection any transfers from the unrestricted general fund to any resulting negative fund balance (e.g., interfund transfers)?	✓	☐	☐
6.4	If any interfund transfers were required for other funds in either of the prior two fiscal years, and the need is recurring in the current year, did the district budget for them at reasonable levels?	☐	✓	☐

Requested evidence was not provided.

7. Deficit Spending

		Yes	No	N/A
7.1	Is the district avoiding a structural deficit in the current and two subsequent fiscal years? (A structural deficit is when ongoing unrestricted expenditures and contributions exceed ongoing unrestricted revenues.)	☐	✓	☐

Based on updated projections prepared by the district, a 2018-19 deficit is not projected. The district is expecting a deficit of $319,373 for 2019-20 and no deficit for 2020-21.

		Yes	No	N/A
7.2	If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending?	☐	✓	☐

There is no evidence that the board has engaged in focused discussions about budget reductions. College staff have expressed some doubt about the urgency of addressing a shortfall, mainly due to the district sending out inconsistent messages regarding the size of the deficit and the need to address it.

		Yes	No	N/A
7.3	Has the district decreased deficit spending over the past two fiscal years?	✓	☐	☐

8. Employee Benefits

		Yes	No	N/A
8.1	Has the district completed a recent actuarial valuation to determine its unfunded liability under Governmental Accounting Standards Board (GASB) other post-employment benefits (OPEB) requirements?	✓	☐	☐
8.2	Does the district have a plan to fund its liabilities for retiree health benefits?	✓	☐	☐
8.3	Does the district have a multiyear plan to fund its projected employer contributions to CalSTRS and CalPERS?	✓	☐	☐
8.4	Has the district followed a policy or negotiated a collectively bargained agreement to limit faculty banked hours?	☐	✓	☐
	The faculty contract does not identify a limit, and board policy does not address one. Therefore, no limit to faculty banked hours is followed.			
8.5	Within the last three years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents?	☐	✓	☐
	Evidence was not provided that a verification was done.			
8.6	Does the district track, reconcile and report employees' compensated leave balances on the balance sheet?	☐	✓	☐
	The district has no automated or formal system of accounting for employees' leave time. Since June 2005, the district has tracked and monitored employee leave time using Microsoft Excel Workbooks and hand-coding employee leave balances and activity into the PeopleSoft software. This process is used for management employees, confidential employees and employees in collective bargaining groups. The number of steps needed under this system makes it susceptible to errors, including omission of data, entering the information for the wrong employee and double entry. This system also does not allow managers to monitor an employee's leave balances in real time, nor does it provide the ability for the Human Resources Department to program specific leave limits into each employee's data file to prevent excess accumulation of leave balances.			

9. Enrollment and Attendance

		Yes	No	N/A
9.1	Has the district's enrollment been increasing or remained stable for the current and two prior years?	☐	✓	☐
	Enrollment declined by 20% between 2015-16 and 2017-18, and 2018-19 has also decreased by an additional 5% over the previous year. Leadership acknowledged more could be done to improve enrollment starting with the coordination of scheduling between the colleges, appropriate marketing, and the development of schedules for students' needs and demands. Laney College, the largest campus, has had the most dramatic decline of FTES compared to the other colleges. Both Berkeley and Merritt have been growing 1.5% per year, but this increase is too small to offset Laney's loss. In spite of significant enrollment decline, Laney has been allowed to fill all FTEF vacancies and overspend on adjunct instruction.			
9.2	Does the district monitor and analyze enrollment, weekly student contact hours (WSCH) and full-time equivalent students (FTES) data at least monthly through the second reporting period (P2)?	☐	✓	☐
	Managing and monitoring enrollment is a critical part of budget development and monitoring. Staff reported that FTES is analyzed weekly; however, no evidence was provided to verify this analysis despite a request. There is no robust districtwide			

coordination of enrollment issues or discussions on productivity. The colleges regularly make enrollment presentations at cabinet and board meetings, and enrollment updates are sometimes sent districtwide. The enrollment decline this year was 5% from the prior year; there was no evidence of a coordinated effort to address this issue.

9.3 Does the district track historical WSCH and FTES data to establish future trends? ☐ ✓ ☐

District leadership reported that WSCH and FTES are tracked, and the previous chancellor approved the target. For the last few years, this meant consistently holding to the same target even as FTES declined. The 2018-19 year is the first where the target was reduced to something more realistic and closer to what was generated; it was decreased to 17,500, with 10% established as the summer target. The summer target was achieved for 2018 but enrollment dropped considerably for fall 2018. The P1 reports FTES for 2018-19 are projected to be 16,148, far below even the reduced target.

9.4 Do colleges within the district maintain a record of WSCH or FTES that is reconciled monthly at the college and district levels at least through the second reporting period? ☐ ✓ ☐

Staff reported that the records are reviewed weekly and continuously, but there is no coordinated effort to reconcile.

9.5 Do the colleges within the district have and utilize an electronic enrollment management and class scheduling program? ✓ ☐ ☐

9.6 Are the district's enrollment projections and assumptions based on historical data, demographic trend analysis, high school enrollments, community participation rates and other industry standards, in addition to any board policies that limit enrollment? ☐ ✓ ☐

The district was unable to provide evidence of enrollment projections.

9.7 Do the institutional research staff and business/fiscal staff agree on enrollment and FTES predictions? ☐ ✓ ☐

Much disagreement in the district focuses on enrollment projections, FTES and who is at fault for the enrollment decline. Some are concerned that the disagreement over enrollment and FTES projections may prevent the decline from being addressed productively.

9.8 Has the district verified that the colleges' comprehensive enrollment plans address the funding elements of the SCFF? ☐ ✓ ☐

FCMAT was not provided evidence that the colleges' comprehensive enrollment plans address the SCFF funding elements.

9.9 Does the CEO annually approve academic productivity goals that correspond to the estimated SCFF resources? ☐ ✓ ☐

Evidence was requested, but not provided.

10. Facilities — Yes / No / N/A

10.1 Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects? ✓ ☐ ☐

10.2 Does the district properly track and account for facility-related projects? ☐ ✓ ☐

The district does not have construction management software to track facility-related projects. A project management software, PM Web, was purchased in the 2018 fiscal year and needs to be implemented despite limited availability of resources for the implementation.

10.3 Does the district use lecture classrooms for at least 48 or 53 hours per 70-hour week as defined by the Board of Governors (BOG) policy on Utilization and Space Standards? ☐ ✓ ☐

Evidence was insufficient to verify the lecture space inventory for lecture classrooms. The capacity-load ratio for lecture is 176%, which is 76% above the state standard.

10.4 Does the district use laboratory classrooms for at least 27.5 hours per 70-hour week as defined by the BOG policy on Utilization and Space Standards? . . . . ☐ ✓ ☐

Evidence was insufficient to address the current space utilization for lab classes. The capacity-load ratio for laboratory is 165%, which is 65% above the state standard.

10.5 Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget? . . . . ☐ ✓ ☐

During the time of this analysis, college elevators were not working, doors were missing locks, fire extinguishers were missing, fire alarms were malfunctioning, air conditioners did not function, and a critical power failure was pending. The pending power failure required an emergency special meeting of the board of trustees to address immediate funding and contracting for repair services. The district budget includes only a small amount for facility needs. Because of the volume of unauthorized purchases, which result in severely delayed payments to vendors, they reported declining work at the district.

10.6 Has a quantitative Facilities Condition Index assessment been conducted sometime in the last three years through the Foundation for California Community Colleges? . . . ✓ ☐ ☐

10.7 Does the district have a five-year scheduled maintenance plan? . . . . ✓ ☐ ☐

10.8 If the district's budget includes state Physical Plant and Instructional Support funds, is the district expending at least .005% of its current operating budget for ongoing maintenance? . ☐ ✓ ☐

The 2018-19 budget is reported to be $500,000, which is less than .005% and insufficient to address the significant facility maintenance needs. The majority of maintenance resources are scheduled maintenance funds received from the state. The 2017-18 allocation was $750,000. Any distribution of funds is determined and approved through the shared governance process.

10.9 If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee? . . . . ☐ ✓ ☐

Although corrections were made since the acting chancellor arrived, only four members were previously appointed to an eight-member committee, and not all meeting minutes were posted as required. A call recently went out for new members, and a new website has agendas and minutes available for all meetings that had a quorum.

10.10 If the district has passed a Proposition 39 general obligation bond or a parcel tax and it has received any legal challenges or program audit findings concerning the use of those funds, has it addressed those complaints and/or findings? . . . . ✓ ☐ ☐

10.11 Has the district submitted the required facilities master plan to the California Community Colleges Chancellor's Office (CCCCO) on schedule? . . . . ✓ ☐ ☐

10.12 Has the district submitted the required CCCCO Space Inventory on schedule? . . . . ✓ ☐ ☐

11. Fund Balance and Reserve for Economic Uncertainty — Yes No N/A

11.1 Does the district have at least a 5% Reserve for Economic Uncertainty in the current year? . ✓ ☐ ☐

11.2 Did the district's adopted budgets for the subsequent two years include at least a 5% Reserve for Economic Uncertainty? . . . . ✓ ☐ ☐

		Yes	No	N/A
11.3	Does the district have at least a 5% Reserve for Economic Uncertainty in its budget projections for the two subsequent years?	✓	☐	☐
11.4	If the district's budget projections for the subsequent two years do not include at least a 5% Reserve for Economic Uncertainty, does the district's multiyear fiscal plan include a board-approved plan to restore at least a 5% Reserve for Economic Uncertainty?	☐	☐	✓
11.5	Is the district's projected unrestricted general fund budget stable or increasing in the two subsequent fiscal years?	✓	☐	☐
11.6	If the district has unfunded or contingent liabilities or one-time costs, does the unrestricted general fund balance include any dedicated reserves above the recommended minimum 5% reserve level?	☐	☐	✓

Definitions:

Unrestricted General Fund (URGF)

URGF Ending Fund Balance, Object 9700: The amount equal to the sum of the beginning balance, total revenue and total incoming transfers less total expenditures and total outgo to Object 7000.

URGF Ending Fund Balance = (Beginning balance + total revenue + total incoming transfers - total expenditures -total outgo to object 7000)

URGF Ending Balance Percentage: The amount equal to the unrestricted ending fund balance divided by total expenditures.

URGF Ending Fund Balance Percentage = URGF ending fund balance - total expenditures

Reserve for Economic Uncertainty (REU), Object 9750: The amount designated in Object 9750 within the unrestricted general fund balance, Object 9700.

Reserve for Economic Uncertainty Percentage (REU%): The amount equal to the reserve for Economic uncertainty divided by total expenditures.

REU% = REU - Total expenditures

12. General Fund - Current Year

		Yes	No	N/A
12.1	Does the district ensure that one-time revenues do not pay for ongoing expenditures? *There is no process to ensure that one-time revenues do not pay for ongoing expenditures.*	☐	✓	☐
12.2	Is the percentage of the district's general fund unrestricted budget that is allocated to salaries and benefits at or below the statewide average for the three prior years as reported by the CCCCO?	✓	☐	☐
12.3	Is the district in compliance with the Fifty Percent Law (Education Code Section 84362)?	✓	☐	☐
12.4	Is the district at or above its Full-Time Faculty Obligation Number?	✓	☐	☐
12.5	Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds? *There is no process to ensure that restricted dollars do not pay for ongoing staff..*	☐	✓	☐
12.6	Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? *Various categorical funds are returned to the source every year.*	☐	✓	☐

		Yes	No	N/A
12.7	Does the district consistently account for all program costs, including maximum allowable indirect costs, for each restricted resource?	☐	✓	☐

The district does not monitor categorical funding. FCMAT was advised this is primarily a college level responsibility.

13. Information Systems and Data Management

		Yes	No	N/A
13.1	Does the district use a human resources system and position control system that is integrated with the financial reporting system?	☐	✓	☐

The human resource (People Soft) system is not integrated with the financial system.

		Yes	No	N/A
13.2	Does the district have emergency electrical back-up and data recovery systems?	☐	✓	☐

The district does not have a backup power source and relies on Microsoft Cloud to provide backup for data purposes. This decision was made because of the high cost of storage at a remote site.

		Yes	No	N/A
13.3	Are enrollment management and budget development systems integrated?	☐	✓	☐

Enrollment is managed through a separate software program called Power BI and is not integrated into the budget development system.

		Yes	No	N/A
13.4	If the district is using a separate financial system from its county office of education and is not fiscally independent, is there an automated interface with the financial system used by the county office of education?	☐	☐	✓
13.5	Does the district conduct regularly scheduled evaluations of the security measures that protect student and employee personal information?	☐	✓	☐

The auditors identified the security measures protecting student and employee personal information as an issue. There is no regularly scheduled security evaluation.

14. Internal Controls and Fraud Prevention

		Yes	No	N/A
14.1	Does the district have controls that limit access to and include multiple levels of authorizations within its financial system?	☐	✓	☐

Although documentation was requested, FCMAT was not provided with written evidence that controls are in place to limit access to the financial system, including multiple levels of authorization.

		Yes	No	N/A
14.2	Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions or demotions) and at least annually?	☐	✓	☐

Evidence was not provided that the district's financial system's access and authorization controls are reviewed and updated after employment actions.

14.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?

	Yes	No	N/A
Accounts payable	☐	✓	☐

People Soft security access is used as a control, but no evidence was provided to verify separation of duties.

	Yes	No	N/A
Accounts receivable	☐	✓	☐

People Soft security access is used as a control, but no evidence was provided to verify separation of duties.

Cash management	☐	✓	☐
People Soft security access is used as a control, but no evidence was provided to verify separation of duties. The cash controls at the colleges were mentioned as deficient in the 2018 management letter.			
Budget monitoring and review	☐	✓	☐
Several budgets are overspent, with limited staff resources working with colleges and departments to maintain accurate controls and oversight.			
Purchasing and contracts	☐	✓	☐
The number of verbal orders across the district and work ordered without board approval, bids, or contracts indicate that purchasing is lacking oversight and controls.			
Payroll	☐	✓	☐
The ability to change pay rates is not controlled. The auditors identified timecard miscalculations.			
Human resources	☐	✓	☐
Current practices allow for the hiring of permanent positions without budget approval from the vice chancellor, finance and administration, or board approval of the final candidate.			
Associated student body	☐	✓	☐
Evidence was not provided to verify separation of duties or appropriate oversight responsibilities.			
Warehouse and receiving	☐	✓	☐
Evidence was not provided to verify separation of duties or appropriate oversight.			
14.4 Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?	✓	☐	☐
14.5 Does the district review and clear prior year accruals by October 31?	☐	✓	☐
Prior year accruals have not been reviewed or cleared by October 31 in the past and were subject to comment by the external auditors.			
14.6 Does the district reconcile all suspense accounts, including salaries and benefits, at least each quarter and at the close of the fiscal year?	☐	✓	☐
Suspense accounts have not consistently been reviewed or reconciled quarterly or at year end.			
14.7 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?	☐	✓	☐
The district has historically been late closing the books.			
14.8 Does the district have processes and procedures to discourage and detect fraud?	☐	✓	☐
Nothing has been developed to encourage the reporting of fraud.			
14.9 Does the district maintain an independent fraud reporting hotline or other reporting service(s)?	☐	✓	☐
No hotline is available.			
14.10 Does the district have a process for collecting and following up on reports of possible fraud?	☐	✓	☐

While there is an approved BP 7700 and AP 7700 on Whistleblower Protection, no process is in place for collecting and following up on reports of possible fraud.

		Yes	No	N/A
14.11	Does the district have an internal audit department or dedicated staff?	☐	✓	☐

The internal auditor position is open with no plans of filling it.

15. Leadership and Stability

		Yes	No	N/A
15.1	Does the district have a chief business official who has been with the district more than two years?	☐	✓	☐

The vice chancellor, finance and administration, started in January 2018 and left April 2019. The budget director was appointed in November 2018.

		Yes	No	N/A
15.2	Does the district have a chief executive officer (CEO) who has been with the district more than two years?	☐	✓	☐

The chancellor resigned February 22, 2019, and an acting chancellor was appointed February 26, 2019.

		Yes	No	N/A
15.3	Does the CEO meet with all members of the administrative cabinet on a scheduled and regular basis?	☐	✓	☐

The recently resigned chancellor's practice was to meet weekly with the college presidents, but the six vice chancellors were rarely included. The vice chancellors, who all report directly to the chancellor, were to meet with the chancellor monthly, but they reported that meetings frequently did not occur. The separate meetings with the district's vice chancellors and college presidents meant the district leadership was not equally informed and unable to discuss issues as a team. The infrequent meetings with the vice chancellors resulted in miscommunication and lack of coordination in messaging. The chancellor would report one message to the presidents regarding the budget, but in another meeting the VC, finance and administration would use numbers that were different from those provided by the chancellor.

		Yes	No	N/A
15.4	Is training on financial management and budget provided to district, college and department administrators who are responsible for budget management?	☐	✓	☐

Budget management training is not provided.

		Yes	No	N/A
15.5	Does the governing board review and revise policies and administrative regulations at least annually?	✓	☐	☐
15.6	Are newly adopted or revised board policies and administrative regulations formally implemented, communicated and available to staff?	☐	✓	☐

Based on board agendas and dates on approved policies, the acting chancellor has started an internal review of policies, which has not occurred in years. New and revised policies were approved and distributed per the VC, finance and administration. However, staff do not use the BP or AR as a reference and often are not aware they exist.

		Yes	No	N/A
15.7	Is training on the budget and governance provided to board members at least every two years?	☐	✓	☐

Evidence was not provided that board training is provided on budget and governance.

		Yes	No	N/A
15.8	Is the CEO's evaluation performed according to the terms of the contract?	☐	✓	☐

The CEO's evaluation was not performed according to the terms of the contract. The board agenda includes a standing item for the evaluation of the chancellor, but it did not occur.

16. Multiyear Projections

		Yes	No	N/A
16.1	Has the district developed multiyear projections that include detailed assumptions aligned with industry standards, including CCCCO and ACCJC?	☐	✓	☐
	Multiyear projections were performed as evidenced by a spreadsheet produced in finance, but no corresponding budget assumptions were identified.			
16.2	Did the district use the SCFF with multiyear considerations to help calculate its multiyear projections?	✓	☐	☐
16.3	Does the district use its most current multiyear projection when making financial decisions?	☐	✓	☐
	No significant action was taken in response to the projected deficits in recent history. With the acting chancellor and new interim vice chancellors in place, discussions have begun on the reductions needed for 2019-20 and future years.			

17. Non-Voter-Approved Debt and Risk Management

		Yes	No	N/A
17.1	Are the sources of repayment for non-voter-approved debt (such as certificates of participation (COPs), bridge financing, and bond anticipation notes (BANS)) predictable and stable, and not from the unrestricted general fund?	☐	✓	☐
	The 2017-18 audited balance sheet shows a liability of $9,497,307 for the current portion of the postemployment benefit bonds; the unrestricted general fund is the main source of funding.			
17.2	If the district has issued non-voter-approved debt, has its credit rating remained stable or improved?	☐	✓	☐
	Citing "weak management practices" and financial risks driven by declining enrollment, the bond rating firm Moody's downgraded the financial status of the Peralta Community College District from positive to negative in July 2018.			
17.3	If the district is self-insured, does the district have a recent (every two years) actuarial study and a plan to pay for any unfunded liabilities?	☐	✓	☐
	While the district has an actuarial study every two years and post-employment benefits are funded at 153% of required funding level, the district is struggling to make payments on the bond.			
17.4	If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, TRANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues?	☐	✓	☐
	A review of the most recent audited balance sheet showed the debt service cost at $6 million - $8 million per year, which is greater than 2%.			

18. Position Control

		Yes	No	N/A
18.1	Does the district account for all positions and costs (position control)?	☐	✓	☐
	Not all positions and costs are accounted for and known in real time, and position control is reconciled manually for budget development. During the year, positions recruited or filled regularly bypass the finance office. The finance office expressed concern about a lack of control over budget approval as new positions are filled. The board also does not approve classified or faculty positions in advance of hiring.			
18.2	Does the district analyze and adjust staffing based on enrollment?	☐	✓	☐

In spite of a significant enrollment decline of 20% there has not been a comparable reduction of FTEF.

18.3	Does the district reconcile budget, payroll and position control regularly, meaning at least at budget adoption and quarterly reporting periods?	☐	✓	☐

The board does not receive a standard human resource report. Personnel are typically hired and working before the board retroactively approves the filling of a position. Manual reconciliation of the budget to position control is so labor intensive it is performed only once per year coinciding with budget development for the following year.

18.4	Does the district identify a budget source for each new position before the position is authorized by the governing board?	☐	✓	☐

Campuses appear to add often incorrect budget numbers to positions with the goal of expediting the filling of the position. Verifying budget availability is not the priority. Positions filled without the district fiscal staff's approval or funding are addressed when all positions are reconciled in preparation for the following year's budget development.

18.5	Does the governing board approve all new positions and extra assignments before positions are posted?	☐	✓	☐

The board typically ratifies the filling of positions for faculty and classified after hiring.

18.6	Is the approval of hiring staff using categorical or other restricted dollars subject to adequate program funding?	☐	✓	☐

There is no process to ensure that adequate program funding is in place prior to approval of staff; college leadership have often worked directly with the previous chancellor to get positions approved rather than following the appropriate process.

18.7	Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes?	☐	✓	☐

Joint meetings are not in place.

Total Risk Score, All Areas	**69.9%**

Key to Risk Score

High Risk: 40% or more

Moderate Risk: 25-39%

Low Risk: 24% and lower

This Fiscal Health Risk Analysis has identified that the majority of the categories are areas of concern, all contributing to the district's fiscal distress.

The annual independent audit report contains numerous new and ongoing findings. While this issue was not addressed above, the audit firm has served the district for more than 17 years, which far exceeds the prudent length of time for a firm to be engaged by the same client. The district should immediately seek another audit firm to examine financial statements, internal operations, and major transactions and provide advice. The new firm must validate recommendations from the previous three years to ensure they are fully implemented and address the internal control findings highlighted in the report. The internal auditor position has been left vacant for months. Given the number of outstanding financial and operational issues identified at the district, leaving this position unfilled brings considerable political and financial risk. An internal auditor typically works directly *with the external auditors by identifying and resolving organizational business problems before they damage the district's reputation. In this role, they examine any and all business functions including financial statements, compliance with board procedures, expense reports, inventories, and conduct risk assessments. Every effort should be made to fill this position as soon as possible.*

The district lacks a fraud prevention and reporting program. Given the numerous audit findings, number of internal control issues and the lack of awareness regarding the potential for fraud, this creates a severe risk for undetected fraud. Fraud generally occurs because of poor controls. The district should establish a fraud prevention and reporting program (including the appropriate board policy and administrative procedures).

The board does not approve budget assumptions, and the district has no board-approved set of assumptions and parameters to make budget projections. The adopted budget is a rollover version, and position control is not automated. The district's lack of proper position control presents a risk to its fiscal solvency. The district should immediately seek to activate position control in PeopleSoft and integrate it with the finance module. Staff hours could be better utilized instead of being spent on manually reconciling these two systems every year. PeopleSoft should be programmed to provide automated position control data with the ability to update and "roll" data from the prior year. Three to four months is required during annual budget development to refine an accurate position control report. The chancellor's cabinet should review and approve all new positions to be added at the college or district level.

Budget accuracy and access to timely budget information is also of concern. Budget revisions are not made timely; reconciliations have not occurred for some general ledger accounts for more than 10 years. Bank accounts are not reconciled on a timely basis, and some outstanding items as old as eight years are not reconciled.

As is common in California community colleges, a high percentage of classified and faculty employees have been with the college long term, but the same is not true for top administrators. The experience and expertise of the district's business office staff are limited, and the district's business team is not cohesive and is lacking in communication with other departments and colleges.

The district needs to tie enrollment management more closely and formally to budget development and management processes so that there is a clear connection. Strategic enrollment management planning must be informed by data and align with the institution's fiscal, academic, and delivery resources in a changing environment to fulfill the college's mission and ensure its long-term enrollment and fiscal health. All effects of enrollment decisions on revenue must be considered when making decisions about items such as course offerings and their timing.

The district lacks an automated system of accounting for employees' leave time. Leave is tracked and monitored manually, which increases the workload and makes the data susceptible to errors. The district should implement a fully integrated electronic leave reporting system and review leave accrual and carryover amounts.

Financial Review

Internal Controls

Internal controls provide the means by which an organization's assets and resources are directed, monitored and measured, and play an important role in protecting an organization from fraud, abuse or misappropriation of resources. Internal controls help ensure efficient operations, reliable financial information, and legal compliance; they also help an organization obtain timely feedback on its progress in meeting its goals. Internal control procedures are designed to prevent fraud and identify errors before they occur. The internal control review includes elements such as segregation of duties; periodic reconciliations; physical audits; and security access for technology, authorizing signatures, and others as necessary.

An internal control review of the district's financial functions was performed to obtain reasonable assurances based on the testing performed that adequate management and internal controls are in place for the reporting and monitoring of financial transactions. This report depicts the findings and recommendations based upon the interviews with staff, document review and analysis, and best practices for internal controls based on Generally Accepted Accounting Principles (GAAP).

The internal control review encompasses the financial functions for the district office Finance Department (excluding the college business offices). The study includes a review of various processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance as well as:

- A review of high-risk areas such as receipt of cash and/or cash transactions, payroll, purchasing and contracts, bank accounts, student fees and payments, accounts receivable, warehouse and receiving, and accounts payable
- Evaluation of policies, procedures, internal controls, and transactions performed by the district office

This review and analysis of the district's internal controls is based on information gathered during staff interviews, observed practices and examination of numerous documents that were provided by the district, such as organizational charts, job descriptions, policies, and procedures.

Fiscal Services Department

A well-functioning fiscal services department is critical to ensuring appropriate supervision over the district's assets. This involves establishing and maintaining proper controls over accounting transactions, including appropriate segregation of duties, management authorization of transactions, internal audits, financial reporting, checks and balances, and proper training and supervision of staff.

The number of vacancies in the accounting staff, including senior accountants and the controller, made it difficult to gain full understanding of some processes. The staff that were available to answer questions were not knowledgeable in the full process and were only able to speak to their specific function in the overall organization and did not seem aware of how their function affects other areas of the overall organization. This is a weakness in department oversight since staff assigned specific tasks should be knowledgeable of other roles and able to fill in when needed.

Organizational Structure and Staffing

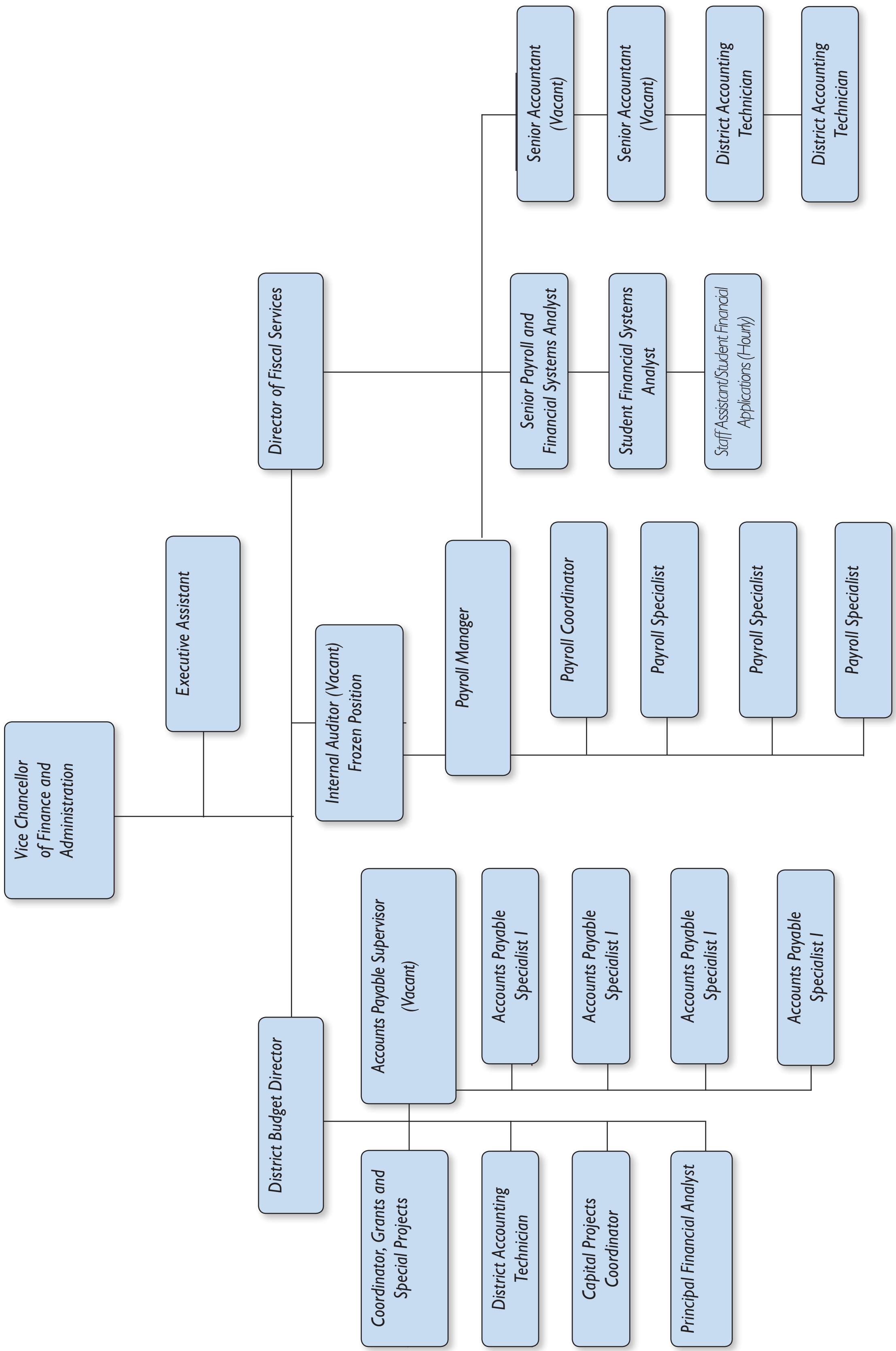
The Fiscal Services Department consists of the following staff members that operate under the direction of the vice chancellor, finance and administration as shown in Figure 1 below:

Fiscal Services

Title of Position	Full-Time Equivalent (FTE)
Executive Assistant	1.00
Controller	1.00 (1.0 vacant)
Director, Fiscal Services and Payroll	1.00
Payroll Manager	1.00
Payroll Coordinator	1.00
Payroll Specialist	3.00
Senior Accountant	2.00 (2.0 vacant)
Principal Accounting Technician	1.00
District Accounting Technician	3.00 (2.0 vacant)
Senior Payroll and Financial Systems Analyst	1.00
Student Financials System Analyst	1.00
Staff Assistant—Student Financial Applications	1.00
Director, Budgets	1.00
Supervisor, Accounts Payable	1.00 (1.0 vacant)
Coordinator, Grants and Special Programs	1.00
Coordinator, Capital Projects	1.00
Principal Financial Analyst	1.00
Accounts Payable Specialist II	1.00
Accounts Payable Specialist I	4.00 (1.0 vacant)
Total FTEs	27.00
Vacant FTEs during fieldwork	7.00
Source: District-provided data	

Figure 2 below is the most current organizational chart at the time of fieldwork:

Finance and Administration Organizational Chart



Source: District-provided document

Internal Control Standards

GAAP constitutes the highest industry, standard for preparing financial statements and reflects best practices to ensure internal controls are implemented to avoid and detect risks to the financial stability of the agency. GAAP standards for internal controls include the following:

- Segregation of Duties
- Access
- Authorization
- Record Keeping

The district has been assessed for identified risk based on the current practices observed, data analysis, and interviews with key staff members.

Segregation of Duties

Separating duties among different employees reduces the opportunity for any one person to commit fraud and creates verification procedures to reduce clerical errors. The employee who handles record keeping should not have physical custody of the asset. For example, the person responsible for bank reconciliations should not also receive payments from customers or prepare the bank deposits.

Access

Physical controls ensure that only authorized employees may access the district's assets. Some common controls include petty cash lockboxes, warehouse key cards, and unique passcodes for employees using cash registers. These controls may also be digital, such as requiring a password to access the district's computer system.

Authorization

Agencies should also develop specific written procedures for financial transactions, including a list of the people with authority to approve different types of transaction. A policy or list of standard transactions and acceptable approval amounts by job title should be provided. Manager approval to exceed these approved limits should be required. The vice chancellor, finance and administration, should periodically review management approvals to ensure managers do not permit fraudulent transactions. Major transactions may require approval from more than one person, and the level of seniority required should rise as the dollar amount increases.

Record Keeping

All financial statements should be backed up by general ledger reports or additional schedules. Fraud and accidental errors are reduced by using standardized forms for financial transactions such as purchase orders or personnel action forms whenever possible. These forms, or another document with a record-keeping identification number (such as position control numbers), should be sequentially numbered so missing forms in the sequence, or new forms used to backdate a previously undocumented transaction, can be identified.

Verification

A supervisor should periodically review all key general ledger accounts for accuracy. The supervisor must be an employee who was not involved in preparing the report. Some agencies also employ internal auditors to verify the supervisor's approval. The reviewing employee must sign and date the document as proof of approval. Supervisors should also review relevant financial metrics to find areas that have efficiency problems since variances may indicate fraud or improperly recorded transactions.

Based on interviews with staff and data analysis, the district has lenient processes that do not meet the standard for adequate internal controls. Each of the following sections details weaknesses in financial accounting procedures that increase the district's financial vulnerability.

Areas included in the analysis and review include the following:

- Accountability

- Accounts payable
- Budget and budget monitoring
- Communication
- Enrollment
- General ledger and monitoring
    - Reconciliations/clearing accounts/accounts receivable
    - Cash handling and bank accounts
- Inventory and asset management/record keeping
- Payroll
- Policies and procedures
- Position control
- Purchasing and warehouse
- Staff development
- Technology systems and access

Accountability

Employee accountability includes the responsibility of employees' to complete assigned tasks, perform assigned job duties, and be present for their assigned work schedules to fulfill or further the organization's goals. Accountability is based on both a vertical and horizontal organizational chart. All levels of supervisors must be held accountable to conduct their work, which includes completing timely staff evaluations, participating in meetings, and supporting staff. Accountability reciprocity means that supervisors cannot hold employees accountable for performance expectations or behaviors that have not been made explicit.

The district's poor communication and trust is directly related to the lack of accountability of staff at all levels. Interviewees freely discussed their lack of trust, a culture of "favoritism," and the chancellor soliciting negative information about employees that would lead to discipline (up to dismissal). These behaviors and past actions indicate no accountability for the actions or inaction of employees in the completion of their tasks. One example provided was a "friend" of the chancellor who was hired and allowed to start at a salary higher than the position should have been allowed according to the contract for these positions. Others in similar positions were not provided with similar compensation or starting salaries. This type of favoritism leads to poor morale and mistrust. Staff expressed their frustration of administrators who were favored and allowed to bypass rules while holding their assigned employees accountable for similar actions. In a public agency, employees are the custodians of public resources and should be expected to honor their public commitment by modelling the highest level of accountability at all levels of employment. If top-tier staff are allowed to ignore directives or policies, they model for all other employees that the procedures are unimportant. The lack of accountability erodes the trust and respect of an organization. Interviewees who have witnessed the lack of accountability communicated their concern "as a taxpayer." Lack of accountability and accusations of favoritism have left employees questioning the ethics of district leadership.

Recommendation

The district should:

1. Develop processes and procedures to ensure that accountability measures are well communicated, and processes adhered to by all levels of staff in the organization.

Accounts Payable

Fiscally responsible agencies manage accounts payable through a three-way match of the purchase order, receiving document, and vendor invoice before payment, as well as ensuring vendor payment are generated timely and accurately. Adequate supporting documentation should be compiled to ensure that all payments are properly approved, received, and recorded to the general ledger.

The district's accounts payable staff report to the budget director. Figure 3 below outlines district staffing for the accounts payable functions; it does not include the rest of the departmental staff who report to the budget director.

Accounts Payable Staff

Position	FTE
Accounts Payable Specialist I	4.0 (1.0 Vacant)
Accounts Payable Specialist II	1.0
Total FTEs of Accounts Payable Staff	5.0
Total FTEs vacant during fieldwork	1.0

Source: District-provided data

The accounts payable staff follow a set of legacy procedures based on the board policies and in-house training received from others who are or were in the positions. FCMAT was able to confirm through interviews that staff requires the appropriate documentation before processing payments to maintain proper internal controls, and appropriate procedures are followed. However, significant delays occur in issuing vendor payments. Staff in other departments complained about the length of time it takes for payments to reach vendors; those interviewed blamed department-imposed procedures and a lack of direct communication when missing paperwork or signatures occurs. Accounts payable staff stated that lack of proper paperwork, including requisitions reflecting preauthorization and appropriate funds to pay the invoice, necessitates extensive communication, which further delays processing. Although it appears that the reasons given for delayed processing differ depending on whether the interviewee was from the Business Department or outside it, the end result is the same. The district should consider utilizing the PeopleSoft system to fully automate the approvals and verifications of receipts. College and department staff depend on their relationships with vendors when materials and services are necessary. The delays in processing were reported as a reason some vendors decline to do business with the district although FCMAT was unable to access data to verify that this occurs.

Staff indicated that the accounts payable clearing account reconciliation was not incorporated into their regular and routine monitoring process. This reconciliation should be incorporated into the monthly or quarterly cycle, which would also assist staff in understanding the timing of vendor payments and detect procedures that are barriers to overall efficiency. If not reconciled, the accounts payable clearing accounts can falsely inflate the district's outstanding obligation. Accountants used the accounts payable accounts to offset borrowing between funds (due to/due from accounts) rather than clearing them to the proper account code.

Recommendations

The district should:

1. Implement standardized procedures to process vendor payments in a timely manner.
2. Utilize the PeopleSoft system for approvals of requisitions and verification of receipts to accommodate a timelier processing of vendor payments.
3. Ensure that accounts payable clearing accounts are reconciled regularly.

Budget Development/Monitoring

Budget development is a dynamic process that integrates the educational goals of a community college district with a finite revenue source. The budget allocates limited and valuable resources to best meet these goals. The budget drives the expenditure practices of the district and is a road map for management to follow during the course of the year. Once a sound budget has been developed, the document and the actions that follow should reflect the district's educational philosophy and its financial strengths and weaknesses.

To be a useful management document, the district's budget must be based on the following:

- Accurate data
- Budget guidelines that embody the educational goals of the district
- Assumptions based on the best available information
- A systematic method of realigning the budget during the year to match actual resources

Developing an accurate budget depends on the collaboration of all parties, which must ultimately be held responsible for the district's educational and financial outcomes. These individuals typically include governing board members, the chancellor, cabinet members, program directors, and business services personnel.

Ongoing fiscal stability is promoted through the use of multiyear financial planning. This planning should include the current-year budget, short- and long-range capital expenditure plans, and other long-term district goals. Multiyear financial projections are an important in long-range financial planning since they project the future impact of management decisions.

Monitoring the budget on a timely basis enables management to gauge financial performance in relation to educational goals. The budget document is not static, and many new financial decisions must be made during the year. Budget amendments that should be considered include whether to allocate new or unexpected income received during the year, capture budget savings and reallocate these dollars to other projects and programs, change expenditure patterns when headed toward fiscal insolvency, or redirect funding to higher-priority projects.

The cost of special programs and projects should not divert funds from core academic programs without the district management's knowledge. Each special program and project should be allocated its full share of direct and indirect costs. Carryover of excess funds should be discouraged unless specific long-range expenditure plans are approved. Program managers should be evaluated on their ability to operate both an educationally effective and cost-efficient program, special programs, funds, and project budgets should be evaluated for adequacy as rigorously as unrestricted general fund budgets.

The vice chancellor, finance and administration, leads the budget development and monitoring processes with support from the director, budget; district accounting technician; and principal financial analyst. The district is required to submit an adopted budget to the chancellor's office annually by October 10 via the Annual Financial and Budget Reports (CCFS-311), and four quarterly financial status reports via the Quarterly Financial Status Report (CCFS-311Q) by November 15, February 15, May 15, and August 15. The adopted budget is intended to be the roadmap for decision-making and should reflect the priorities of the board, and the consensus from the shared governance model. Shared governance in decision-making is a structure in which the staff, board, cabinet, and often students and other affected parties participate in making district decisions. A shared governance structure ideally recognizes the needs of all constituencies and fosters partnership and vested interest in the successful policy outcomes.

During interviews, staff agreed that budget building consists of a significant amount of rollover budgeting with a 5% increase for utilities. Figure 4 below is based on the 2018-19 district's Tentative Budget Book, which illustrates the notion of rollover budgeting as evidenced by the large fluctuations in expenditure categories. Budget transfers are not performed regularly, which means the budgets are not updated, causing a lack of understanding among departments and colleges about their financial status.

Fund 01 & 02 - General Fund Unrestricted Summary

	2016-17 Audited Actuals	2017-18 Adopted Budget	2017-18 Estimated Actuals	2018-19 Tentative Budget
Revenue				
Federal Revenue	-	-	-	-
State Revenue	69,246,277	81,795,277	67,294,266	61,088,469
Local Revenue	65,636,111	54,377,393	67,755,566	70,787,368
Trans Res Revenue	11,845,534	9,650,000	7,711,023	9,650,000
Revenue Total	**146,727,921**	**145,822,670**	**142,760,855**	**141,525,837**
Expenses				
Full Time Academic	23,009,475	26,651,722	17,204,047	26,229,365
Academic Admin	5,917,477	6,075,086	5,207,348	5,688,516
Other Faculty	1,887,052	5,347,444	2,724,256	4,552,755
Part Time Academic	19,719,784	10,791,279	23,187,243	11,719,730
Classified Salary	25,765,673	29,030,473	27,826,761	27,880,272
Fringe Benefits	51,928,694	43,416,987	41,536,186	43,762,844
Bad Debts	-	-	600,000	1,050,000
DGS	-	-	500,000	-
Books, Supplies, Svcs	19,620,549	19,628,403	19,628,403	18,465,304
Equipment Cap Outlay	431,334	270,571	192,905	274,071
Other Outgo	5,645,556	6,035,496	5,885,187	6,309,000
Total Expenditures	**153,925,593**	**147,247,461**	**144,492,336**	**145,931,857**

Source: District-provided document

The expenses in the 2018-19 tentative budget closely mirror the 2017-18 adopted budget, and the tentative budget does not appear to incorporate the analysis used for the 2017-18 estimated actuals. The reasons for the lack in updates include the following:

- Change in leadership—The Finance and Administration Department hired a new vice chancellor and director of budget, between the 2017-18 adopted budget and the 2018-19 tentative budget. Additionally, the turnover in leadership in this department has been ongoing and frequent.
- Lack of communication—Budget building and overall communication between the colleges and the Finance and Administration Department is lacking.
- Leadership directives—The district hierarchy progresses from the chancellor to the four college presidents, while the vice chancellors consistently find themselves excluded from many conversations and decisions. The required attendees for cabinet meetings often include the chancellor and the presidents, and the vice chancellors are called only as needed. In a well-functioning district, the vice chancellors' primary responsibility is to oversee and implement actions affecting day-to-day operations with shared goals. The absence of the vice chancellors from cabinet meetings and the explicit directive from the chancellor to ignore the vice chancellors has undermined the district's integrity and prevented standardized policies and procedures from being implemented.
- Lack of protocols and procedures—A budget calendar is available on the district's website, but no internal calendar was developed or followed in building the annual budget. As the hierarchy is restored, a budget calendar that is shared with the departments will be necessary to establish expectations and meet deadlines so that the Finance and Administration Department can appropriately update the budget each year. The district should consider developing and sharing a comprehensive budget calendar for the upcoming years.

- Colleges are allocated the same budget each year regardless of loss of FTES. Both the finance and administration and student services departments have highlighted the need to reduce FTEF to keep pace with the declining FTES. The primary challenge in implementing this reduction has been the current hierarchy. As the district changes its hierarchy, it should consider reducing FTEF commensurate with the FTES at each of the colleges.

The combination of these factors was the reason for rollover budgeting. The lack of protocols and procedures and rollover budgeting have significantly contributed to the district's financial uncertainty. As the district moves towards an improved shared governance model, and the vice chancellors move up the decision-making hierarchy, it should consider improving budget building by incorporating additional accountability to improve accuracy.

Recommendations

The district should:

1. Include vice chancellors in all cabinet meetings and communications.
2. Share the budget calendar with all departments, instead of only posting it on the website.
3. Develop an internal budget calendar.
4. Consider adjusting staffing based on the FTES.
5. Consider reducing FTEF commensurate with the FTES at each of the colleges.
6. Provide ongoing budget training for shared governance teams, college business offices and district office staff.
7. Consider implementing and adhering to prescribed budget timelines to support and enhance budget development.

Communication

The key to any organization's success is effective communication at all levels. Formal lines of communication typically follow the organizational chart, but some should also cross departmental and functional area lines. Communication can take place through face-to-face meetings, email messages, memorandums, telephone conversations, etc. A healthy organization uses all communication venues. If formal communication is strong, these messages will be accurately reflected in informal communication as well.

Strong communication helps ensure the interests of staff members at all levels are closely aligned with those of the organization, promoting continuous improvement.

The Public Information, Communications, and Media Department has a vacant position for an executive director. During FCMAT's fieldwork, department staff was not interviewed because this assessment was focused on the structure within the district instead of outside communication and marketing.

FCMAT found that the leadership in the Chancellor's Office has been based on that position's relationships with specific people he may have hired or placed in specific roles. As a result of those relationships, some staff are perceived as "untouchable" while others are perceived as ostracized. An example is the cabinet leadership meetings, where the college presidents have been regarded as the top-tier leadership while the vice chancellors were treated as second tier. Several interviewees reported that they were told that the vice chancellors "work for the college presidents," allowing the presidents to override decisions made in the finance and budget areas.

The district has had several transitions in the staff of the Fiscal Services Department as well as with regular conflicts between bargaining unit leadership, college leadership, and the district office. Interviews indicated that communications between staff, among staff, and between colleges and the district office are severely impaired. There is a general lack of trust between departments and of the administration as a whole.

The district lacks a communication plan, which should include the roles of governing board members and each leadership team member in ongoing communications between various groups including bargaining units, colleges, and departments. The plan should include the positions responsible for addressing concerns; developing protocols, procedures, and practices; and frequency as well as who should receive the communications.

In addition, meetings between departments and colleges should be scheduled, with department leads mandated to attend. The regular meeting schedule, agenda/topic areas, who should attend, and timelines should be incorporated into the communication plan.

Recommendations

The district should:

1. Develop a communication plan.
2. Schedule meetings between departments and colleges, with mandated attendance.
3. Ensure that department/college meetings include a regular meeting schedule, agenda/topic areas, who should attend, and timelines, all of which are incorporated into the communication plan.

Enrollment

Most of a district's discretionary revenues are driven by the number of FTES in its colleges and programs. In developing and updating a district budget, it is critical to have an accurate enrollment and FTES projection using a sound methodology that has been proven to provide reasonable results over time.

The vice chancellor, academics, provides the FTES projections for the budget office. The enrollment and FTES projections have a significant impact on the accuracy of the budget, availability of reserve funding, and fiscal position of the district. Figure 5 illustrates the district's full-time equivalent faculty (FTEF) and the FTES over the past five years.

Historical FTES to FTEF Comparison

	Alameda	Berkeley	Laney	Merritt
Fiscal Year	FTES/FTEF	FTES/FTEF	FTES/FTEF	FTES/FTEF
2018-19	3,283/227	3,711/259	6,558/473	4,081/264
2017-18	3,536/234	4,052/266	7,015/487	4,196/258
2016-17	3,565/231	4,347/264	7,287/503	4,150/248
2015-16	3,727/237	4,624/274	7,875/521	4,121/242
2014-15	3,656/227	4,541/262	7,880/512	4,188/242
2013-14	3,708/220	4,283/244	7,962/484	3,941/227
Change over five years	-425/7	-572/15	-1,404/-11	140/37

Source: District-provided data

Historical FTES to FTEF Ratios

	Alameda	Berkeley	Laney	Merritt
Fiscal Year	**Fiscal Year**	**FTES/FTEF**	**FTES/FTEF**	**FTES/FTEF**
2018-19	14.46	14.33	13.86	15.46
2017-18	15.11	15.23	14.40	16.26
2016-17	15.43	16.47	14.49	16.73
2015-16	15.73	16.88	15.12	17.03
2014-15	16.11	17.33	15.39	17.31
2013-14	16.85	17.55	16.45	17.36
Change over five years	**2.39**	**3.23**	**2.59**	**1.90**

Source: District-provided data

Three of the four colleges have declined in FTES over a five-year period and two have more FTEF over the same span. The fourth college, Merritt, has added 140 FTES, but added a significant amount of FTEF, 37, which equates to 1 FTEF for every 3.78 FTES. In aggregate, the district has 2,261 less FTES and 48 more FTEF over the last five-year period. The combination of declining enrollment and increased staff creates a budget formula of decreasing revenues and increasing costs that is unsustainable. Contributing to growth in FTEF is the culture that chancellors and presidents make decisions about expenditures, with the vice chancellors' input and recommendations considered non-essential and not followed. It is nearly impossible for any vice chancellor to hold standards for staffing, or other critical decisions, while this culture continues. District FTES targets are set at 19,500 and have been historically overstated. A more realistic estimate would be 17,500.

Staffing allocations are not tied to FTES; the FTEF may increase while FTES declines in the same year. The over projecting of FTES contributes to courses staying open when they are under enrolled, which has a direct negative impact on the financial position of the district. For 2018-19, the vice chancellor, finance and administration, imposed limits on the FTEF at each college. By December, Laney College sent an email that they were increasing FTEF. The chancellor allowed the increase, overriding the directive not to do so from the vice chancellor.

Recommendations

The district should:

1. Adopt a more realistic target for FTES based upon trend data.
2. Adopt a staffing process aligned to the FTES.

General Ledger Monitoring

While recording and monitoring budget activities is integral to district operations, the actual journal entry transactions and reconciliations are the foundation of financial reporting. To be useful to management, the district's general ledger must be based on the following:

- Accurate data
- Alignment with budget estimates
- Properly recorded entries
- Accounts being reconciled in a timely manner

The combination of these factors, along with the annual report and clear communication to those affected, allows a district to assess its financial situation and make timely decisions.

The general ledger component of the Finance and Administration Department functions were under the direction of an interim director of fiscal services at the time of the fieldwork. The director of fiscal services oversees two senior accountants, two accounting technicians and a principal accounting technician. These positions are responsible for recording deposits to the general ledger, reconciling clearing accounts, and requesting drawdowns/compiling reports for specific grants.

At the time of fieldwork, both of the senior accountant positions were unfilled, and the interim director of fiscal services had been in the position for less than a year. Conversely, the two accounting technicians and principal accounting technician had more than 50 years of collective experience with the district. The institutional knowledge allowed these positions to continue to operate daily, but no documented procedures or calendars listed how and when duties must be performed. The absence of procedures does not necessarily correlate to underperformance, but in this case, a significant number of duties were not completed in a timely and/or accurate manner.

Reconciliations/Clearing Accounts/Accounts Receivable

The account reconciliation should be supported by information from both sides of the reconciliation, which means that support for general ledger activity and period balances is reconciled, and related transactional, subledger or supporting systems, and internal/external data sources are used to evaluate the activity recorded. Clearing accounts are temporary "holding" accounts and should be used to hold funds until the agency clears them; for instance, a payroll clearing account might hold voluntary deductions to pay for services from a vendor. Standard accounting practices require closing out these temporary accounts at the end of the fiscal year or cycle. Fiscally healthy districts manage their cash flow by planning to balance an unequal revenue to expenditure stream. They manage accounts receivable through periodic reconciliations, timely collections and posting, and minimizing write-offs to fully understand the balance due.

The district's audit report for the year ended June 30, 2018, included five findings, four of which are related to general ledger activity and reconciliations. Figure 7 summarizes those four findings as follows:

Audit Findings for the Year Ended June 30, 2018

Finding	Type	Description
Financial Statement Reconciliation	Material Weakness	Errors were made in the closing process such that the financial statements provided to the auditors required material adjustment to conform with the Budget and Accounting Manual (BAM) and Generally Accepted Accounting Principles (GAAP).
Capital Asset Reconciliation	Significant Deficiency	The capital asset listing includes items which should not be capitalized and does not clearly identify capital assets by project.
Student Financial Aid	Significant Deficiency	The district did not comply with federal law as Title IV funds are required to be returned within 45 days.
Student Financial Aid	Significant Deficiency	The district did not report Pell grant disbursements within the required window of 15 days.

Source: District audit report for the year ended June 30, 2018

The financial statement reconciliation and student financial aid findings were repeated from either the 2017 or 2016 audits, which indicates that the problem is ongoing and persistent. The common themes across the findings in Figure 7 are lack of processes and procedures for monitoring compliance requirements and having the knowledge to implement solutions to prevent future findings. Although no financial penalty is associated with the findings in Figure 7, the risk increases that the district's financial position is significantly misstated. Given the district's current financial state, relevant and accurate financial information is critically important.

The most significant finding, as denoted by the material weakness designation, is the lack of reconciliation for financial statement accounts. Based on review of audit reports back to the 2013 audit, this material weakness has been present. The force of a material weakness signifies a significant lack of accounting knowledge and inaction in addition to untimely or incorrect entries into the financial system.

In addition to the findings which rose to a level significant enough to require reporting in the audit report, the auditors provided a separate management letter that included 11 areas of concern. These observations included a lack of timely revolving and food service bank account reconciliations, improper payments from the Workers' Compensation fund, and lack of segregation of payroll duties.

The district has a number of clearing accounts that are utilized through the year for the various grants and funding sources, but one of the most significant is student financial aid. Interviews indicated that the sites are responsible for reconciling financial aid receipts and payments, and staff at the district office provide support as needed. Figure 8 below shows a copy of the financial aid reconciliation for the 2018-19 school year that was requested by FCMAT in April 2019. The summary shows that nearly $380,000 in student financial aid activity is yet to be reconciled.

Student Financial Aid Reconciliation

Figure 8: Student Financial Aid Reconciliation

Month	Account	Alameda	Laney	Merritt	BCC	Grand Total
JUL	7511	$63,765.09	$65,548.68	$30,167.59	$59,602.76	$219,084.12
AUG	7511	$365,974.31	$858,985.15	$293,249.61	$407,035.09	$1,925,244.16
SEP	7511	$526,410.72	$1,177,413.00	$465,602.88	$562,944.26	$2,732,370.86
OCT	7511	$1,173,614.38	$2,544,414.14	$1,063,013.00	$1,198,904.21	$5,979,945.73
	8151	($951,501.93)	($2,133,616.00)	($826,476.88)	($1,021,234.43)	($4,932,829.24)
NOV	7511	$199,814.00	$357,163.30	$220,467.00	$140,198.13	$917,642.43
	8151	($1,173,614.38)	($2,544,414.14)	($1,062,864.00)	($1,199,186.76)	($5,980,079.28)
DEC	7511	$55,300.85	$146,380.00	$125,087.00	$48,137.05	$374,904.90
JAN	7511	$531,685.18	$1,009,619.94	$481,213.00	$529,964.00	$2,552,482.12
	8151	($713,953.64)	($1,265,825.24)	-	($556,171.09)	($2,535,949.97)
FEB	7511	$545,571.67	$1,157,736.52	$482,763.00	$626,735.00	$2,812,806.19
	8151	($25,695.18)	($107,381.00)	($718,206.00)	($78,373.00)	($929,655.18)
MAR	7511	$1,171,284.58	$2,660,891.70	$1,008,472.52	$1,209,352.63	$6,050,001.43
	8151	($1,651,981.85)	($3,507,047.94)	($437,941.02)	($1,754,562.16)	($7,351,532.97)
APR	7511	$73,953.00	$177,317.00	$80,986.82	$96,955.60	$429,212.42
Grand Total		190,626.80	$190,626.80	$597,185.11	$1,205,534.52	$270,301.29
April Drawdown not yet recorded						$1,456,505.55
April Disbursement not yet drawdown						$429,212.42
Difference to be determined						$377,929.75
Source: District-provided data						

Cash Handling and Bank Accounts

Public officers and employees whose duty it is to collect and receive payments should deposit receipts with the treasurer of the local government at least once every 24 hours. Deposits must be made intact, meaning all payments received must be deposited without substitution. Receipts should be prenumbered and include the payor, amount, method of payment, purpose, and name of the person preparing the receipt.

FCMAT attempted to determine the processes for the collection of cash and student fees through the district office. The study did not include the colleges' processes and therefore, there may be risks associated with cash management that FCMAT was unable to identify.

Based on interviews, the cash collections occur primarily at the colleges. Two of them, Laney and Berkeley City College, perform their own cash reconciliations for student fees, while College of Alameda and Merritt College rely on district office staff to perform the cash reconciliations. As part of the 2018 and 2017 audits, a portion of the financial statement material weakness was that accounts receivable was not properly reviewed or reconciled. This receivable balance incorporates unpaid student fees, which portrays that as student fees were collected, the account balance was not adjusted, or student fees are uncollectible.

A number of clearing, suspense, and balance sheet accounts should be monitored and reconciled throughout the year. Each month that passes without a reconciliation creates additional time and effort to reconcile multiple months at one time as well as the opportunity for fraud. The district should consider documenting the procedures for reconciling each of the necessary accounts monthly.

The district does not have the staff to reconcile all of the college-based activities, including student fees and financial aid. In the absence of additional staff, the district should develop a calendar that clearly communicates due dates for completed reconciliations as well as any necessary backup that must be submitted so that district office staff can review the reconciliation for accuracy and reasonableness. The site-level reconciliations should be done at the college-level and reviewed for accuracy at the district office.

The district office staff will accept cash or cashier's checks and post to the student accounts once per day. When personal checks are provided, they are deposited at the end of the week. The district staff do not have a means of knowing when or if a personal check was returned.

The tenets of internal control suggest that the person making deposits to bank accounts and the person accepting payments should not be the same individual, but if they are, the supervisor should oversee and verify the process. The district should review cash collections at the colleges that receive payments and the district office's practices to ensure they are aligned with best practices and internal control.

The vacancies or absence of leadership within the department make it difficult to provide support to lower level staff and the colleges. Training is critically important to ensure staff understand what is required by industry standards and law. The district should consider providing all staff with additional trainings in BAM and GAAP to reduce and eliminate the repetitive audit findings and clean up the financial statements.

The combination of the lack of authority given to the vice chancellors, constant turnover within the department, and lack of training, policies and procedures have contributed to a system that is not functioning efficiently or effectively.

Recommendations

The district should:

1. Develop standardized, monthly procedures for reconciliations.
2. Develop an internal calendar for college-based reconciliations.
3. Require each college to complete their own reconciliations and submit to the district office for review.
4. Provide training to all staff on BAM and GAAP.
5. Review cash management procedures across the district to ensure appropriate internal controls and oversight exist.

Inventory Asset Management/Record Keeping

An efficient inventory control and asset management system records timely receipt, value, location, and disposal of agency assets at the time of the activity involving the asset. Accurate depreciation and values are updated at least annually, and locations of items are correct. Governmental Accounting Standards Board No. 34 (GASB 34) defines asset management procedures for governmental agencies for fixed asset accounts (land, buildings, construction in progress, etc.).

The warehouse supervisor manages the inventory for consumable supplies and capital assets within the financial system up to its limitations and also maintains a spreadsheet of items received and disbursed through the warehouse. The fixed asset inventory is maintained through the Department of General Services. The vice chancellor, general services reported that he maintains the fixed asset inventory, and that it is updated regularly. The financial system can record the fixed assets and apply the depreciation annually on a simple depreciation schedule based on the useful life of the asset.

The district office should have a master fixed asset inventory that encompasses fixed assets of each college and district properties. The fixed asset inventory should be updated annually along with the depreciation of assets to properly record the value of all the district's assets. FCMAT was unable to verify the accuracy of the financial system records of the fixed assets.

Recommendation

The district should:

1. Verify fixed asset inventory and depreciation schedule.

Payroll

The payroll process must ensure compliance with the various laws and regulations established and enforced by federal, state, and local governments. This includes federal and state labor laws, Internal Revenue Code, California Government and Education Code, minimum wage laws, the Health Insurance Portability and Accountability Act, and other statutes and regulations. Because of the complex nature of the legal framework for payroll, and the frequent changes in laws and regulations, professional development is critical for payroll staff to ensure compliance in payroll processing.

The payroll staff report to a payroll manager who reports to the director, payroll services, who reports directly to the vice chancellor, finance and administration. Figure 9 illustrates the positions and FTE for Payroll Services.

Payroll Services Staff

Position	FTE
Director, Payroll Services	1.0
Payroll Manager	1.0
Payroll and Financial Systems Analyst	1.0
Payroll Coordinator	1.0
Payroll Staff Assistant	3.0
Total FTEs	7.0
Total FTEs vacant during fieldwork	0.0
Source: District-provided data	

The payroll staff reported a lack of systems to ensure accuracy in the payroll. The most common concerns were regarding the timing of receipt of timesheets, substitute information, and working out of class. They also indicate that a number of payroll errors and corrections are made each year. The staff believe that the resulting penalties from the pension providers are insufficient to prompt management to make changes that would avoid the mistakes. Payroll staff reported that management overrides, last-minute changes, and other modifications occur after the fact, which bypasses timelines and processes, eventually leading to errors in payroll calculations. The calculations themselves are so cumbersome and time-consuming, errors are not surprising. Of particular issue are the times throughout the year when classes are scheduled and cancelled, or changes are made to faculty assignments, all of which conflict with payroll timelines. Staff repeatedly stated that they have no confidence that leave tracking and monitoring is accurate.

Supervisors and management need to implement payroll oversight. Department and site managers should ensure that absences and position changes within their departments are reported in a timely and efficient manner to avoid overpayments.

The December 21, 2018, audit report to the board of trustees included a finding on payroll errors. Specifically, it stated that "due to a clerical error, 1 of 49 timecards tested were not calculated correctly resulting in the underpayment of one employee." Several staff reported in interviews that underpayments and overpayments regularly occur.

Because of the cumbersome process and frequency of overpayments, the document attached as Appendix B to this report includes a methodology provided to faculty by the Payroll Department that explains how pay is calculated. In reading through the process and the monthlong payroll calendar of activity, it is evident that an integrated and more effective system is needed to accurately process payroll.

Figure 10: Sample March 2019 Payroll Schedule of Activity

For the Month of March 2019

REQUIRED ACTION	To Be Completed by	Due Date	Time
Run general ledger for February payroll	Finance	Mar. 01	
Student Timesheets	Business Office/Financial	Mar. 01	3:00 p.m.
Received by District Payroll Office	Aid Office		
Run Prelim Prorate/worksheet to schedulers (after general ledger posted for prior month)	District Payroll Office	Mar. 04	
Submit Prorate Mid-Month Laundry List	Campus schedulers	Mar. 06	
Submit to ACOE PERS/STRS "DB" Final File	District Payroll Office	Mar. 06	12:00 p.m.
Create pay sheets for EOM Payroll	District Payroll Office	Mar. 07	10:00 a.m.
Update, review, post sick leave for students	District Human Resources	Mar. 07	
No Personnel Update on Students File (15th payday)	District Human Resources	Mar. 07	
Submit Apple report and contribution	District Payroll Office	Mar. 08	
Run Final Prorate/worksheet to schedulers	District Payroll Office	Mar. 11	10:00 a.m.
Confirm Student & Off-cycle payrolls	District Payroll Office	Mar. 11	4:00 p.m.
Submit check requests to Accounts Payable (Tuesday)	District Payroll Office	Mar. 12	12:00 p.m.
Submit STRS CB report to STRS	District Payroll Office	Mar. 12	
Submit Personnel Actions to District Payroll	District Human Resources	Mar. 13	12:00 p.m.
Direct Deposit file to Cal Bank	District Payroll Office	Mar. 13	12:00 p.m.
Student Payrolls Routed to Campuses	District Payroll Office	Mar. 14	11:00 a.m.
Submit/update all benefit information	Benefits	Mar. 14	2:00 p.m.
No Personnel Update (EOM payday)	District Human Resources	Mar. 14	
Submit Prorate Laundry List for EOM Payroll	Campus Schedulers	Mar. 14	4:00 p.m.
Student Payday	District Payroll Office	Mar. 15	
Update leave for regular employees	District Human Resources	Mar. 15	3:00 p.m.
Certificated and Classified	College Business Office	Mar. 15	3:00 p.m.
Timesheets/OT reports received by District Payroll Office			
Confirm all non-Prorated payrolls	District Payroll Office	Mar. 18	4:00 p.m.
Create Prorate pay sheets (after extract)	District Payroll Office	Mar. 19	10:00 a.m.
Confirm Prorate Payroll	District Payroll Office	Mar. 25	4:00 p.m.
Submit check requests to Accounts Payable (Tuesday)	District Payroll Office	Mar. 26	12:00 p.m.
Direct Deposit file to Cal Bank	District Payroll Office	Mar. 27	12:00 p.m.
End of Month Payrolls to Campuses	District Payroll Office	Mar. 28	9:00 a.m.
Submit to ACOE PERS/STRS "DB" Estimates	District Payroll Office	Mar. 28	1:00 p.m.
End of Month Pay Day	District Payroll Office	Mar. 29	
Student Timesheets	Business Office/Financial	Mar. 29	3:00 p.m.
Received by District Payroll Office	Aid Office		

The schedule is established by the County of Alameda Controller Agency with any related funding constraints.

Recommendations

The district should:

1. Utilize and/or provide a more integrated payroll system.
2. Implement and reconcile payroll oversight by supervisors and management.
3. Ensure that management does not override processes or allow last-minute changes, so that timelines and processes are followed.

Policies and Procedures

Policies and procedures are the link between a local agency's core mission and its day-to-day operations and the answer "What?" and "How?" of an individual's or group's assigned work. Well written policies and procedures allow employees to understand their roles and responsibilities while allowing management to guide operations without constant management intervention. Additionally, well-written policies and procedures do the following:

- Ensure consistent implementation of effective practices
- Promote compliance with regulations, statutes, and accreditation requirements
- Reduce potential errors and mitigate risks
- Standardize practices across the district
- Serve as a resource and guide to staff when making decisions
- Increase efficiencies
- Allow managers to hold employees accountable to predetermined standards

For internal controls to be integrated into any financial framework, policies and procedures must be implemented uniformly and consistently, and staff should be held accountable for them.

Policies and procedures are the responsibility of the district's policy and procedures coordinator who reports to the chief of staff and special assistant to the chancellor (a single position that is vacant). FCMAT did not meet with the policy and procedures coordinator during fieldwork, but reviewed policies and talked with the Finance Department staff about the use and implementation of policies and procedures.

The staff interviewed indicated that, despite written policies and procedures in several areas, management regularly overrides policies, leaving staff with little certainty in managing their roles. Examples of placement on salary schedule for new or "favored" employees were discussed in several interviews, along with purchasing and bid overrides and student fee collections and arrears payments.

The feedback received by FCMAT indicated that written policies and procedures have little merit over the financial internal controls in the district. The lack of consistency in the implementation, monitoring, and ensuring accountability for policies and procedures leaves the district at high risk of financial insecurity.

The board of trustees and leadership team should review policies and procedures to ensure all statutory requirements are included and addressed. The policy review should include addressing areas where policies are not implemented, and an implementation plan should be developed for training and communication to ensure policies and procedures are followed.

Recommendations

The district should:

1. Ensure policies and procedures are reviewed by the board of trustees and leadership team to ensure all statutory requirements are included and addressed.

2. Hold managers and administrators accountable for implementing and monitoring adherence to policies and procedures.

3. Communicate accountability measures and remedies to district leaders.

4. Ensure new leaders have training regarding the implementation and monitoring of policies and procedures.

Position Control

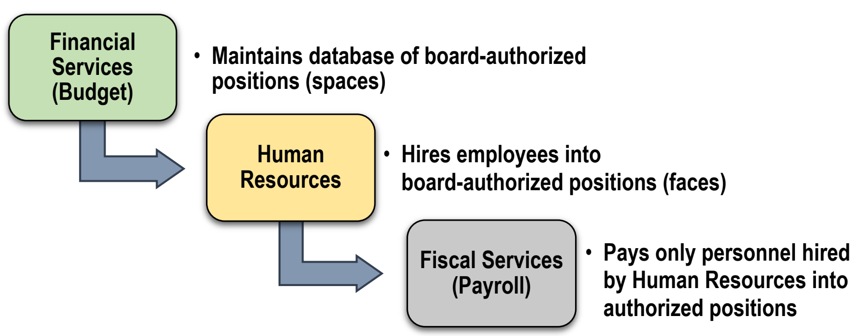
Cost controls over salaries and benefits are essential for ongoing fiscal stability since these expenditures make up the majority of a school agency's budget. Overstaffing, intentional or unintentional, quickly leads to budget problems. If an agency significantly underestimates its staffing costs, the rest of the budget usually has insufficient resources to compensate. For these reasons, the position control system is the most important internal control in a school agency. An agency uses a position control system to drive budget and control expenditures.

An effective position control system should ensure the following:

- Only positions that are funded and authorized by the governing board are advertised and filled.
- Written procedures exist requiring personnel requisitions to be approved only for funded board-authorized positions.
- Each funded board-authorized position is assigned a unique position control number after budget approval has been secured and the funds encumbered.
- The payroll, accounting, budget, and personnel systems are fully integrated ensuring that salary payments are limited to funded board-authorized positions.

The process is illustrated by Figure 11 below:

Segregation of Duties for Position Control



The district does not utilize an automated position control system. Interviewees reported that the last major upgrade of PeopleSoft, known as One Peralta, didn't include incorporating position control into the human resources or financial systems. The modules were purchased, but not implemented. Data analyzed showed that the human resources and financial offices have separate and disparate information that are considered position control data. The district should invest in the training to implement the modules needed to integrate the position control and payroll processes to eliminate mistakes and disparities between human resources, payroll, and the budget. The use of multiple systems and redundant data make it difficult to navigate data to determine what is useful and what is not. Staff need a reliable, automated mechanism for position control that will drive the budget for staffing costs and monitor any staffing changes. Staff also needs support through training and ongoing development of the processes to ensure the system has the proper internal controls.

As an example of what is utilized as position control, three different files were provided as "position control documents" when FCMAT requested the information. Two of the three spreadsheets were identical and from the same source, a printout from the financial system (provided by the accounting staff). The other document was a spreadsheet provided by the Human Resources Department. FCMAT isolated 22 positions to review, and of those, 10 (45%) have conflicts between the financial system and the spreadsheet involving either the range or step of the employee in the position. The payroll system utilizes the information in the financial system for employee payroll. With no regular reconciliation of the human resources and finance/budget position control, there are many opportunities for errors. The exposure to the district and number of overpayments or payroll errors that occur can be directly related to a lack of appropriate position control and internal control over the process. The department that is hiring the position utilizes an electronic personnel action form that is sent manually (on paper) to the Human Resources Department, which then forwards it to different departments to sign. Depending on the position and the funding source, the form may require up to eight different signers, which can take months to finally process. As a result of inadequate position control, the budget and personnel costs have no direct interaction. Staff reported that the position control electronic record (within the financial system) is updated only once per year.

Another issue is the assignment of staff to the proper salary range. Of the 22 positions reviewed, nine staff members were placed on a salary step that exceeded their years of service in the district. All three salary schedules (SEIU, confidential, and management) include five steps for employees. FCMAT reviewed individual placements for employees with less than one year at step 4 and employees with 1-3 years at step 5. A common complaint was that there are no consistent methodologies for determining salary placement and that this appears to be based on "favoritism" and not on experience or education.

Recommendations

The district should:

1. Implement the automated position control module in PeopleSoft that will drive the budget for staffing costs.

2. Provide ongoing staff development for position control system to human resources, payroll, and budget staff.

Purchasing and Warehouse

Fiscally healthy districts manage purchasing by following board policies, ensuring purchasing methods follow statutes and local policies while allowing options to meet the district's needs, and verifying that no requests for purchases are generated without proper supporting documentation.

Capital expenditures require careful long-range planning to identify future needs and financing alternatives to fund each project and/or purchase. The strategic planning process should drive the decisions as a district conducts its facilities program and determines and implements its goals. Once long-term capital assets are acquired, a system should be established to track and account for all district property.

Many technology systems exist to support the business operations of LEAs. Each district should manage its resources prudently by ensuring that the technology systems used are up to date and are augmented by appropriate procedures and controls.

The Purchasing and Warehouse Department functions are accomplished by the staff positions shown in Figure 12:

Purchasing and Warehouse Department Staff

Title of Position	FTE
Director, Purchasing	1.00 (Vacant)
Buyer	2.00
Buyer/Contract Specialist	1.00
Assistant Buyer	1.00
Warehouse Supervisor	1.00
Assistant Warehouse Supervisor	1.00
Warehouse Worker/Driver	2.00
Senior Duplication and Support Technician	1.00
Total FTEs	10.00
Vacant FTEs during fieldwork	1.00

Source: District-provided data

During the majority of fieldwork, the Purchasing Department reported to the vice chancellor, general services, who was also responsible for overseeing facilities and operations as well as the warehouse and districtwide security. Although the most current organization chart provided to FCMAT suggested that the Facilities and Operations Department reported directly to the chancellor, as did the Capital Projects Department, the day-to-day operations ran through the vice chancellor, general services. Interviews indicated that the Purchasing Department had recently been under the supervision of other departments, including finance and administration, as well as information technology. Having general services oversee the Purchasing and Facilities/Capital Projects departments is a conflict of interest and a significant weakness in internal controls. To provide proper segregation of duties, the district should align the Purchasing Department with the Finance and Administration Department. In doing so, purchasing and accounts payable should be under separate supervision to maintain a full segregation of duties. This will also improve communications and processing time between the purchasing and accounts payable functions.

The Purchasing Department's primary responsibility is to facilitate the execution of contracts and purchase orders on behalf of the four colleges and various departments. The department is also responsible for advertising and analyzing bids. The district uses PeopleSoft for its finances, including the purchasing module to facilitate the electronic vendor requisition process.

The colleges generate vendor requisitions, which are routed electronically for approval and eventually progress to the buyers. Each of the three buyers and the assistant buyer are responsible for supporting one college. Each position is responsible for ensuring that the requisition has adequate supporting documentation, including a contract for services or appropriate quotes. Although the current workload is separated by college, each college has a disparate number of faculty and students which drive the purchasing needs. The department should review the workload distribution to determine if an allocation by college is the most appropriate methodology for allocating duties.

The chancellor in BP 6330, Purchasing, and the board of trustees in AP 6330, Purchasing, are the only identified authorities to make purchases on behalf of the district.

BP 6330 specifically states the following:

> The Chancellor is delegated the authority to purchase supplies, materials, apparatus, equipment and services as necessary for the efficient operation of the District. No such purchase shall exceed the amounts specified by Section 20651 of the California Public Contract Code as amended from time to time. The Chancellor shall issue administrative procedures to detail the implementation of this policy to include a process for prequalification of vendors. The prequalification procedure is to include specific criteria in conformance with the public contract code. All District purchasing and relevant administrative procedures shall comply with applicable Board Policy 3910 on Environmental Sustainability. All such transactions shall be reviewed by the Board every 60 days.

AP 6330 states the following:

> The authority to contract for goods and/or services is vested in the Board of Trustees. Authority to purchase supplies, materials, apparatus, equipment and services is annually delegated by Board action to designated District officers. The purchase of goods and services shall be made through the Purchasing Department following authorized procedures in accordance with established policies and laws. Any purchase made by an employee without proper authorization will be considered an obligation and liability of the employee and not the Peralta Community College District.

> The district should consider authorizing an additional employee, such as the director of purchasing, to make purchases on its behalf upon board approval. Information about the approved positions should be widely circulated so district staff understand that they must have approval to make purchases on behalf of the district. Distribution of the board policy and administrative procedure should be distributed to all employees, advising them that unauthorized purchases may lead to disciplinary action. Training should be scheduled to review purchasing procedures, particularly the need to submit purchase requisitions to the district office before purchases are made.

AP 6330 states that any purchase of less than $10,000 must have at least one quote, but if the purchase is more than $2,500 the quote must be in writing. Purchases between $10,000 and the annually adjusted rate that is increased based on the Implicit Price Deflator ($92,600 for the 2019 calendar year) must be accompanied by three written bids/price quotations. The $92,600 is governed by Public Contract Code Section 20651 and is adjusted annually. Any public works projects of more than $15,000 and purchase of goods in excess of $92,600 must go through the formal bid process. In addition to AP 6330, BP 6340 requires board approval, not ratification, for any public works contract of more than $25,000 with a single vendor. This threshold increases to the annually adjusted $92,600 for public works projects.

Interviews with staff indicated that board policies and administrative procedures are regularly circumvented and even abused in an effort to expedite work and/or award contracts to specific vendors. The Purchasing Department frequently receives a vendor requisition after the goods or services have been delivered. This creates a dilemma for purchasing and accounts payable staff who receive phone calls from vendors who are angry because of a payment delay. However, the vendors never received written authorization to perform the work or provide the goods.

Interviews found that numerous independent service contractor contracts are submitted with a total of slightly less than $25,000 with the intent of avoiding the requirement to obtain board approval. Through April 2019, 14 open purchase orders had an authorized amount between $24,875 and $24,999. Evidence was also received showing that a contract for $89,600 was awarded to a company (bid threshold was $90,200) and a subsequent change order for $45,800 was approved, but the project never went out to bid. While this may occur in legitimate instances, the interviews suggested this was a calculated move to avoid the bid process. Interviews also suggested that if a bid was not awarded to a specific company, either the vice chancellor, general services, or the chancellor would issue a directive requiring the project to go back out for bid or to have the bids themselves reevaluated.

Contracts and purchase orders are often set up for an amount of slightly less than the $25,000 threshold that requires board approval. The district should consider reducing the threshold in an effort to halt these actions and instituting a process to review items that are just under the limit to ensure compliance with the policy intent. The district should also incorporate a practice to review a list of purchase orders and payments by vendor to prevent bid splitting, which is creating multiple purchase orders or entering into change orders to avoid going out to bid. By circumventing the bid process, work is potentially awarded to a less-than-qualified contractor or at a less-than-optimal price.

District practice, which has been in place since 2014-15, is to have contracted (outside) legal counsel review all contracts, greatly adding to the amount of time needed to process all paperwork. The district should reconsider this practice and hire one or two attorneys who are district employees, the cost offset by the amount paid to outside counsel. This would result in a cost savings and decreased turnaround time as the attorney(s) would concentrate specifically on district transactions.

The significant management override of controls is due in large part to the organizational structure of the district. Having the purchasing and facilities/capital projects departments report to the same administrator is a significant conflict of interest. Although most administrators would work to keep the divisions separate and operating as intended, the opportunity for misappropriation of assets and circumventing of the bid process is significantly higher when the two departments report to the same administrator.

Towards the conclusion of FCMAT's fieldwork, the interim chancellor revised the reporting structure so that purchasing and facilities/capital projects no longer report to the same vice chancellor.

Recommendations

The district should:

1. Ensure that purchasing reporting responsibilities continue to be separate from the facilities/capital projects responsibilities.
2. Separate supervision of purchasing and accounts payable to maintain a full segregation of duties.
3. Update board policy and administrative procedure to increase identified authorities to make purchases on behalf of the district.
4. Ensure staff understand, and are held accountable, for obtaining approval to make purchases on behalf of the district.
5. Discipline employees that make unauthorized purchases.
6. Schedule training to review purchasing procedures, particularly the need to submit purchase requisitions to the district office before purchases are made.
7. Consider reviewing a list of purchase orders and payment by vendor to avoid the practice of bid-splitting.
8. Consider reviewing workload distribution among the buyers and assistant buyer.
9. Employ legal counsel, rather than entering into a contract for outside services, as was the practice prior to 2014-15.

Staff Development

Staff development reflects the priorities and goals of an organization by providing staff with formal and informal opportunities to develop required skills and competencies necessary to accomplish district and personal goals. These opportunities help employees to grow personally and professionally and to prepare themselves for advancement and to better serve the district. Staff development policies should be directed toward the following objectives::

- Clarify expectations for the continued professional education of each staff member.
- Specify the options available for staff improvement.
- Make clear the connection between continuous professional development and institutional rewards.
- Ensure adequate funding for staff development activities.
- Purposefully determine staff development activities based on a careful assessment of staff member needs.
- Employ accepted methods of teaching and learning in staff development activities.

The district has not regularly or consistently provided training in areas that are job-related or related to district initiatives. Interviewees all indicated there is little opportunity for training and staff development, and one said the culture discourages employees from even asking about training expectations. The only exception was the initial investment in the One Peralta software conversion (to PeopleSoft), and when those funds were spent, further training was unavailable. Training is integral with the district's software upgrade and the expectation to ultimately have a fully-integrated financial and human resources software system. Employees in the financial and technology offices expressed frustration at the lack of training; contractors were brought in to assist in the transition, and a significant amount of funds were spent, but a lack of knowledge remained within the district. Staff interviewed from the business office were unanimous in stating the need for training in software as well as practices that will improve their overall efficiency. Employees reported that they sometimes developed internal processes to bypass the software because they lack awareness of its capacity. Funds invested to date on the conversion are basically wasted if employees cannot use the tools for their daily work.

Recommendations

The district should:

1. Invest in training for the PeopleSoft software.
2. Give employees resources to expand the use of the software.
3. Provide staff development opportunities for specific functions of each job to ensure well-trained employees are managing the district's finances.

Technology Systems and Access

Technology standards establish boundaries for technology usage and access by employees to programs and software. Technology use agreements will often cover accessibility of agency-owned programs or licenses as well as the ability to load or download programs and files from outside sources.

The Office of Information Technology is led by the vice chancellor, information technology, and employs staff directed to support educational and internal technology needs. The vice chancellor, information technology, also oversees the Office of Institutional Development and Research. Figure 13 illustrates the staff positions within the Office of Information Technology (excluding the staff of the Office of Institutional Development).

Staff Positions within the Office of Information Technology

Position	FTE
Director, Enterprise Services	1.0 (Interim)
Project Management Office Manager	1.0 (Interim)
Education Web Technology Analyst	1.0
Distance Education Faculty Coordinator	1.0 (Release)
Staff Specialist	1.0
Director of Technology Services	1.0
Staff Services Specialist/IT	1.0 (Hourly)
Help Desk Support Technician I	1.0
Help Desk Support Technician II	1.0
District Telecommunications System Administrator	1.0
Senior Network Coordinator	4.0
Senior Application Software Programmer Analyst—HR & FS	1.0
Senior Application Software Programmer Analyst—FA	1.0
Senior Application Software Programmer Analyst—SA	1.0
PeopleSoft Database Administrator	1.0
Application Software Analyst—SA	1.0
Application Software Analyst HR & FS	1.0
Senior Application Programmer	1.0 (Vacant)
Total FTEs	21.0
Total Vacant FTEs during fieldwork	1.0

Source: District-provided data

The district has a financial system software, PeopleSoft, that was recently upgraded through a transition termed "One Peralta." Staff reported that the project had dedicated funding, but it was insufficient to complete the project. Interviewees stated the district has a history of purchasing and underusing high-end software (25 Live was another example provided to FCMAT). The new technology is used within the financial services division for the general ledger and purchasing functions but was never implemented for position control and payroll. As a result, the district operates on a manual system for position control and redundant systems for absence tracking and payroll, which do not feed directly into the general ledger and budget modules. This is a significant risk to the district's financial security. The manual processes that have been implemented to track payroll and position control require considerable staff time, increase the margin for error, and operate without consideration of the budget for either. The December 21, 2018 audit report to the board of trustees confirms the risk with the following finding:

> It was noted that Payroll and IT personnel have the ability to change employee pay rates in the system. We noted several employees which had access to payroll and HR functions that were not applicable to their job duties. We also observed personnel that were no longer employed by the District still maintained access to the system.

The accessibility of modules within the financial system is not documented within the various functions of the business and financial office. Institutional knowledge was not evident concerning who has access to what software and the level of access. The technology, human resources and payroll staff each can make changes in their systems that can go unchecked by the other. Accessibility should be limited to the need based on the tasks required within each position; view-only rights should be assigned to those who need access to information, but do not need to override or make changes. Supervisors in the Payroll Department have full access and can make changes to any pay lines as needed. Human Resources creates the username and password for PeopleSoft and sends an email to the help desk to set up an email account, which requires two levels of approval. Access to various programs is based on user request. The business analyst, or the position designated as a “power user,” is key in controlling access. Shared interests in employee information is common between payroll and human resources, but to maintain a system of internal control, the limitations for access to make changes should be instilled in the process. This prevents any overrides of the system and appropriately segregates duties between the departments.

Information Technology indicated it is developing lists of users and their individual access. Those interviewed could not define or demonstrate knowledge of how employee access rights are decided since there was no knowledge of a formal practice. Therefore, procedures for adding and/or removing access rights to software and the financial system should be developed and should include notification of when to terminate employee access rights.

Recommendations

The district should:

1. Research the access rights of all district office and off-site staff having access to the financial system.
2. Develop procedures for adding and/or removing access rights to software and the financial system.
3. Assign view-only rights in place of full access to individuals who should not be able to change payroll, human resources, or benefits information of employees.

Comparative Staffing

The comparative staffing review was conducted to provide an objective analysis of the staffing levels in each department in comparison with community college districts with similar characteristics.

The analysis is divided to reflect the staffing for the divisions within the Fiscal Services Department. The information includes the most similar comparisons, and some positions in other districts may report to different departments; this has been noted where appropriate. Staffing is grouped to reflect the district's most current organizational structure at the time of FCMATs work and adjusted to ensure that the comparisons include staffing for similar major functions in each department. The focus of this comparison is on the core functions of the district office departments as identified by the reports and data provided by each district.

When comparing staffing, the most relevant comparisons are to community college districts similar in credit full-time equivalent students (FTES). Four of those college districts responded and provided data when requested. Two of the community college districts included in the comparison (San Mateo and South Orange) are "basic aid," which means that they receive more resources in property tax than they would in state funding and are allowed to keep the excess. This is shown in Figure 14.

Comparative District 2017-18 Credit FTES

District	County	Resident	Non-Resident	Total
Chabot-Las Positas	Alameda	18,667.36	437.72	19,105.08
Rancho Santiago	Orange	23,304.55	666.40	23,970.95
San Mateo	San Mateo	15,681.00	1,770.11	17,451.11
South Orange	Orange	23,956.44	1,660.67	25,617.11
Peralta	Alameda	18,684.53	1,847.10	20,531.63
Source: http://extranet.cccco.edu/Divisions/FinanceFacilities/FiscalServices/FTESReports.aspx				

The data contained in this comparison was collected by conducting a survey and is as complete and accurate as the data the districts provided. The primary sources of information for the districts were position control reports, employee rosters, and district organizational charts.

The district has historically addressed staffing through the needs or limitations of staff or supervision instead of basing it on workload management and departmental expertise. Most notably, the Payroll Department reports to the director, budget, and the Purchasing Department reports to the vice chancellor, general services, instead of the vice chancellor, finance and administration. For comparison, FCMAT combined all the positions within the different specialties by district. The average number of positions for the entire department, plus the Warehouse/Purchasing Department, is 35.36 FTE. Both Rancho Santiago and Peralta are slightly above that with 37 total FTE, and South Orange County is higher at 45.63 FTE while San Mateo is the lowest with an overall total of 32 FTE.

A review of the total number of positions found the district staffing is comparable. However, this report contains many recommendations for organizational changes to build capacity within the departments. The district should prioritize department needs and begin filling vacant positions, training staff for their positions, utilizing software appropriately, and inserting controls within current practices. This type of change may require temporary help to begin projects such as software utilization and training, but in the long run will provide more value.

Finance and Administration Department

The Finance and Administration Department is staffed similarly to the other districts in the comparison; only South Orange County has the same number of FTEs, but a much higher student per FTE ratio than the district. The district is at 6,844 credit FTES per FTE, and South Orange has 8,539 credit FTES per FTE. Figure 15 illustrates the specific positions in the department.

Finance and Administration Department Staffing Comparison

	Peralta CCD	Chabot-Las Positas CCD	Rancho Santiago CCD	San Mateo CCD	South Orange County CCD
Administrative Staff					
	Vice Chancellor, Finance and Administration	Vice Chancellor, Business Services	Vice Chancellor, Business Operations and Fiscal Services	Executive Vice Chancellor or Deputy Vice Chancellor	Vice Chancellor, Business Services
	1.00	1.00	1.00	1.00	1.00
	Controller				
	1.00				
					Internal Auditor
					1.00
Clerical Staff					
	Executive Assistant	Executive Assistant	Assistant to the Vice Chancellor	Executive Assistant to the Vice Chancellor	Executive Assistant to the Vice Chancellor
	1.00	1.00	1.00	1.00	1.00
Total FTEs	3.00	2.00	2.00	2.00	3.00
2017-18 Credit FTES	20,532	19,105	23,971	17,451	25,617
Credit FTES/FTE	6,844	9,553	11,985	8,726	8,539
Source: District-provided data					

Fiscal Services Department

The Fiscal Services Department has a higher student to FTE ratio than the comparison districts in that the district has 1,466 students per FTE and the closest comparative to that ratio is San Mateo with 1,132 FTES per FTE. Figure 16 illustrates the specific positions in the department.

Fiscal Services Department Staffing Comparison

	Peralta CCD	Chabot-Las Positas CCD	Rancho Santiago CCD	San Mateo CCD	South Orange County CCD
Administrative Staff					
	Director, Fiscal Services and Payroll Services	Director, Business Services	Assistant Vice Chancellor, Fiscal Services	Chief Financial Officer	Executive Director, Fiscal Services/Comptroller
	1.00	1.00	1.00	1.00	1.00
		Assistant Director, Business Services	Manager, Fiscal Services	Controller	Assistant Director, Fiscal Services
		1.00	1.00	1.00	1.00
	Payroll Manager	Payroll Manger	Payroll Manager	Payroll Manager	Payroll and Benefits Processing Manager
	1.00	1.00	1.00	1.00	1.00
		Accounting Supervisor			
		1.00			
					District Accountant
					1.00
			Internal Audit Manager		

Fiscal Services Department Staffing Comparison

	Peralta CCD	Chabot-Las Positas CCD	Rancho Santiago CCD	San Mateo CCD	South Orange County CCD
			1.00		
Department Staff					
	Senior Accountant	Accountant II	Senior Accountant		
	2.00	1.00	4.00		
	Principal Accounting Technician	Accountant I	Accountant	Accountant	
	1.00	2.00	4.00	1.00	
	District Accounting Technician			Senior Accounting Coordinator	District Accounting Services Specialist
	2.00	3.00		2.00	1.00
	Senior Payroll and Financial Systems Analyst				
	1.00				
	Student Financials System Analyst				
	1.00				
			Senior Account Clerk	Accounting Analyst	Senior Accounting Specialist
			4.00	1.00	5.00
		Accounting Technician	Intermediate Account Clerk	Accounting Technician	Accounting Specialist
		3.00	1.00	3.00	3.00
		Accounting Assistant			
		1.00			
	Payroll Coordinator			Payroll Analyst	
	1.00			1.00	
			Senior Payroll Specialist	Senior Payroll Technician	District Payroll Systems Specialist
			2.00	2.00	1.00
	Payroll Specialist	Payroll Technician	Payroll Specialist	Payroll Specialist	Payroll Specialist
	3.00	2.00	3.00	1.00	5.00
					Payroll Assistant
					0.63
					Senior Benefits Specialist
					1.00
					Benefits Specialist
					1.00
			Audit Specialist	Compliance Officer	
			1.00	1.00	
				Grants Analyst	
				1.00	

Fiscal Services Department Staffing Comparison

	Peralta CCD	Chabot-Las Positas CCD	Rancho Santiago CCD	San Mateo CCD	South Orange County CCD
Clerical Staff					
	Staff Assistant—Student Financial Applications	Senior Administrative Assistant	Senior Clerk		Senior Administrative Assistant
	1.00	1.00	1.00		1.00
Total FTEs	14.00	17.00	24.00	16.00	22.63
2017-18 Credit FTES	20,532	19,105	23,971	17,451	25,617
Credit FTES/FTE	1,467	1,124	999	1,091	1,132
Source: District-provided data					

Budget Department

The district's Budget Department has a high number of FTEs comparatively because the payroll staff report through the Budget Department instead of the Fiscal Services Department like the comparative districts. Figure 17 illustrates the specific positions in the department.

Budget Department Staffing Comparison

	Peralta CCD	Chabot-Las Positas CCD	Rancho Santiago CCD	San Mateo CCD	South Orange County CCD
Administrative Staff					
	Budget Director	District Budget Officer	Manager, Budget, Forecasting, and Analysis	District Budget Officer	N/A
	1.00	1.00	1.00	1.00	
	Accounts Payable Supervisor				
	1.00				
Department Staff					
	Coordinator, Grants and Special Programs				
	1.00				
	Coordinator, Capital Projects				
	1.00				
	District Accounting Technician				
	1.00				
	Principal Financial Analyst		Budget Analyst		
	1.00		1.00		
	Accounts Payable Specialist II				
	1.00				
	Accounts Payable Specialist I				
	4.00				

Budget Department Staffing Comparison

	Peralta CCD	Chabot-Las Positas CCD	Rancho Santiago CCD	San Mateo CCD	South Orange County CCD
Total FTEs	11.00	1.00	2.00	1.00	0.00
2017-18 Credit FTES	20,532	19,105	23,971	17,451	25,617
Credit FTES/FTE	1,867	19,105	11,986	17,451	0
Source: District-provided data					

Purchasing Department

The Purchasing Department is comparable to the other districts. Figure 18 illustrates the specific positions in the department.

Purchasing, Warehouse, and Duplication Department Staffing Comparison

	Peralta CCD	Chabot-Las Positas CCD	Rancho Santiago CCD	San Mateo CCD	South Orange County CCD
Administrative Staff	These positions report to the Department of General Services		This department reports to the Vice Chancellor, Business Operations and Fiscal Services		
				Director, General Services	Executive Director, Procurement, Central Services, and Risk Management
				1.00	1.00
	Director, Purchasing	Manager, Purchasing, Warehouse Services, and Contracts	Director, Purchasing	Contracts Manager	Manager, Purchasing and Contracts
	1.00	1.00	1.00	1.00	1.00
					Manager, Central Services
					1.00
					Risk Manager
					1.00
					Manager, District Workers' Compensation and Safety
					1.00
Department Staff					
				Purchasing Supervisor	
				1.00	
				Senior Buyer	Senior Buyer
				1.00	2.00
	Buyer	Buyer	Buyer	Buyer	Buyer
	2.00	2.00	2.00	2.00	1.00
		Buyer (Capital Projects)			
		1.00			

Purchasing, Warehouse, and Duplication Department Staffing Comparison

	Peralta CCD	Chabot-Las Positas CCD	Rancho Santiago CCD	San Mateo CCD	South Orange County CCD
	Buyer/Contract Specialist				
	1.00				
	Assistant Buyer	Purchasing Services Specialist	Purchasing Assistant		
	1.00	3.00	1.00		
			Senior Purchasing Clerk		
			1.00		
		Accountant II			
		1.00			
		Accounting Technician			
		1.00			
	Warehouse Supervisor		Inventory, Delivery, and Storage Supervisor		
	1.00		1.00		
	Assistant Warehouse Supervisor				Central Services Specialist
	1.00				1.00
		Lead Warehouse Worker	Warehouse Storekeeper		Lead Warehouse Worker
		2.00	1.00		2.00
		Warehouse Worker			Warehouse Worker
		1.00			3.00
	Warehouse Worker/ Driver				Warehouse Worker/ Delivery Driver
	2.00				1.00
			Mail and Warehouse Assistant		
			1.00		
	Senior Duplication and Support Technician				
	1.00				
			Senior Mailroom Clerk	Mail Clerk	Mailroom Assistant
			1.00	1.00	1.00
					Program Technician
					1.00
					Contracts Specialist
					1.00
Clerical Staff					
					Senior Administrative Assistant
					1.00
				Administrative Assistant	Administrative Assistant (Purchasing)
				0.20	1.00

Purchasing, Warehouse, and Duplication Department Staffing Comparison

	Peralta CCD	Chabot-Las Positas CCD	Rancho Santiago CCD	San Mateo CCD	South Orange County CCD
					Administrative Assistant (Risk Management)
					1.00
Total FTEs	10.00	12.00	9.00	7.20	21.00
2017-18 Credit FTES	20,532	19,105	23,971	17,451	25,617
Credit FTES/FTE	2,053	1,592	2,663	2,424	1,220

Source: District-provided data

Recommendations

The district should:

1. Reorganize the work and the hierarchy of supervision to efficiently address the needs of each specialty area. This should assist in alleviating the redundancy, rework, or lack of communication that occurs throughout the department.
2. Prioritize the needs of the department and implement recommendations for organizational changes outlined in the internal controls section of this report to build capacity within the departments, including the following:
    - Fill vacant positions
    - Train staff for their positions
    - Utilize software appropriately
    - Insert controls within current practices
3. Ensure that the Fiscal Services Department reports to the vice chancellor, finance and administration.
4. Ensure that the Purchasing and Warehouse Department reports to the vice chancellor, finance and administration.
5. Ensure the Payroll Department is physically housed and supervised in the Fiscal Services Department.

Student Centered Funding Formula

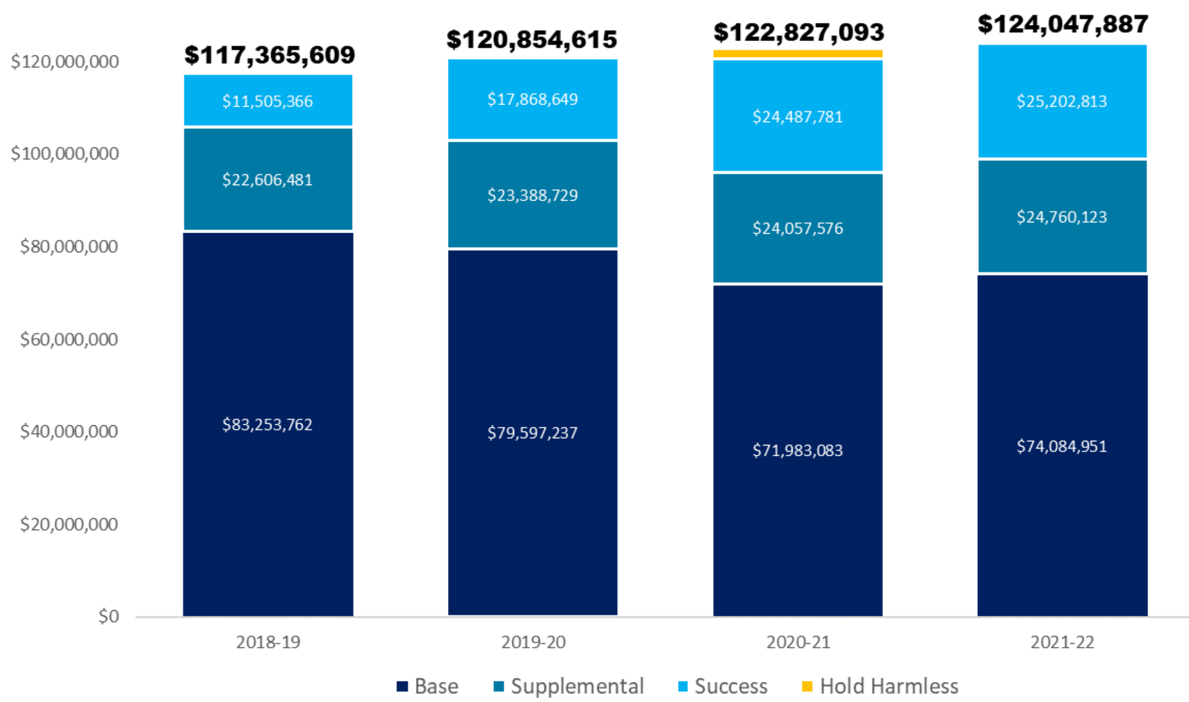
The Student Centered Funding Formula (SCFF), written into California state law on June 27, 2018, significantly changes the way California community college districts are funded. SCFF focuses on narrowing the access and achievement gap for disadvantaged students and improving community college student outcomes as a whole, as outlined in the state's "Vision for Success."

SCFF divides the state's community college budget into three allocations. The base allocation, which in 2018-19 comprises 70% of the statewide budget, targets access. It is distributed based on FTES enrollments. The supplemental allocation, which comprises 20% of the state budget in 2018-19, targets equity and is distributed based on head counts of Pell Grant recipients, AB540 students, and California College Promise Grant recipients. The student success allocation, which comprises 10% of the budget in 2018-19, targets successful outcomes and is distributed based on a variety of weighted metrics that represent various types of student success.

Under the SCFF, Peralta Community College District's projected 2018-19 total computational revenue (TCR) is $117,365,609. This represents a modest 4.4% increase from the 2017-18 revenue of $112 million at a time the average year-to-year change was +6.4% systemwide. The district underperforms in all three funding areas when compared to the rest of the California community college (CCC) system, in particular with success metrics. If Peralta raised its supplemental and success metrics to the system average, it would generate up to $10 million in additional revenue annually.

In 2020-21, the district is projected to be held harmless for $2.3 million, due to a drop in the 3-year average of traditional credit FTES, and low performance on success metrics. And in 2021-22, Peralta's projected TCR is $124 million, with no assumed growth in FTES or supplemental and equity measures, and with estimated COLA for all three years.

Figure 19 below is a summary of the district's funding:



Formula Structure, Elements and New Requirements of the Student Centered Funding Formula

Before the SCFF, apportionment funding for the state community college system was based entirely on FTES enrollment in each district, in addition to a basic allocation that considered the number of colleges and educational centers in the district. Therefore, district funding levels targeted access without regard for measures of equity or student success. The new SCFF instead has a three-part focus that still supports access through enrollment-based funding, but also improves equity and student success through allocations that target low-income students and successful student outcomes.

The SCFF has three major components. First, in the 2018-19 implementation year, the base allocation is comprised of 70% of total systemwide funding and focuses on overall access. A district's base allocation is determined by total enrollment and size. Second, 20% of the supplemental allocation of total systemwide funding and focuses on supporting equity. A district's supplemental allocation is determined by the head count of its low-income students. Third, the student success allocation is 10% of total systemwide funding and is focused on supporting success. Each district's success allocation is determined by a number of outcomes for various measures of student success in progress, transfer, completion and wage earning, with a funding bonus for successful outcomes of low-income students.

During the first three transition years of SCFF, districts will be held harmless and guaranteed their 2017-18 TCR, as well as any COLA through 2020-21. This hold-harmless provision will no longer apply after 2021-22.

After passage of the AB 1809 on June 27, 2018, Education Code Section 84750.4(m)(1) requires the following from all districts:

> The governing board of each community college district shall certify it will do all the following, no later than January 1, 2019:
> (i) Adopt goals for the community college district that meet the following requirements:
>
> > (I) Are aligned with the systemwide goals identified in the *Vision for Success*, which were adopted by the Board of Governors of the California Community Colleges in 2017.
> >
> > (II) Are measurable numerically.
> >
> > (III) Specify the specific timeline for achievement.
>
> (ii) For the meeting when the goals are considered for adoption, include in the written agenda an explanation of how the goals are consistent and aligned with the systemwide goals.
>
> (iii) Submit the written item and summary of action to the chancellor's office."

Education Code Section 84750.4(m)(2) requires the following:

> Each community college district shall align its comprehensive plan pursuant to paragraph (9) of subdivision (b) of Section 70901 with the adopted local plan goals and align its budget with the comprehensive plan. The funds apportioned to a community college district pursuant to this section, and for excess tax districts, the Student Equity and Achievement Program, shall be available to implement the activities required pursuant to this paragraph.

Additionally, the district's responsibility is to adjust to new instructions for the external audit report, per Education Code Section 84750.4 (m)(4)(C) as follows:

> The board of governors shall include instructions in the audit report required by Section 84040 related to the implementation of the funding formula pursuant to this section. The chancellor may require a community college district to repay any funding associated with an audit exception identified in a community college district's audit report pursuant to this subparagraph.

The Peralta Community College District will need to validate supplemental and student success outcome metrics at the district and college level to verify that data and outcomes are counted correctly. Supplemental and student success projection reports will need to be developed to assist with goal setting, audit requirements and budget development. The district will also need to understand the unduplicated student population at each college, such as full-time, part-time, special admit, etc. Understanding the unduplicated head counts of each population will assist the colleges in establishing their goals and improving student success. If colleges do not break down their head counts, they cannot understand who their students are, and what their goals are. Colleges are finally starting to identify degree/certificate-seeking students, which was not previously done.

Peralta Projections

Assuming no change in FTES, supplemental head counts or success outcomes from their most recent values in January 2019, the district's 2018-19 TCR is projected by the FCMAT SCFF Calculator, January 2019 version, to be $117,365.609, a 4.4% increase over 2017-18's TCR of $112 million.

The sections below will further detail the base, supplemental, and student success allocations for the district, and the district's performance in various metrics against the systemwide average. For the supplemental and success allocations, the district's total 2017-18 unduplicated head count will be used in analysis of its performance on individual funding metrics. The unduplicated head count includes all categories of students; credit, career development college preparation (CDCP) courses, noncredit, incarcerated, and special admit.

Base Allocation

Peralta is allocated $83,253,762 from the base allocation in the 2018-19 SCFF calculator projections. This represents 71% of its 2018-19 TCR before being held harmless, close to the systemwide average base proportion of 70%. This means the district has a low percentage of supplemental and student success outcome metrics relative to the rest of the state. Across the system, there is a moderate-to-strong negative relationship between a district's proportion of base funding and its year-to-year growth under the SCFF, indicating that the largest recipients under the new formula *tend to be* those whose base allocation is less prominent.

Highlights from Peralta's base allocation information (refer to Table 1, page 19, of the document attached as Appendix C to this report) include the following:

- 74% of the district's base allocation is from traditional credit FTES funding ($61 million). In 2018-19, credit FTES are funded at a rate that is roughly 32% less than the previous year's rate. This is based on the new SCFF funding model, as FTES rates were reduced to fund supplemental and success funding.
- Special admit FTES generate nearly $6 million in revenue for the district in 2018-19.

The district must better understand enrollment changes and why the steady decline at the colleges occurs. Unless an attempt is made to improve enrollment management, the decline will continue, affecting the base allocation.

Supplemental Allocation

Peralta is allocated $22,606,481 from the supplemental allocation in 2018-19 (projected by the SCFF Calculator). This represents 19% of the district's total TCR, near the system supplemental proportion of 20%. Systemwide, there is a moderate positive relationship between the proportion of a district's TCR that comes from the supplemental allocation and its year-to-year funding increase from 2017-18 to 2018-19 under the new formula. That is, districts whose portion of equity revenue is greater than the systemwide standard of 20% *tend to* fare better under the SCFF.

Highlights of Peralta's supplemental allocation include the following:

- In 2017-18 the district served 7,701 Pell Grant recipients, which generated $7.1 million in supplemental funding for 2018-19 as all supplemental and success outcome metrics are based on prior year data. Systemwide, 19% of community college students are Pell students. For Peralta, which had a 2017-18 unduplicated head count of 50,786, this proportion is 15%, slightly lower than the system average. If the district had the systemwide average percentage of Pell students, it would have generated an additional $1.8 million in supplemental revenue. It is imperative that financial aid offices' processes and procedures be reviewed and updated as necessary to ensure that all Pell students are counted.
- In 2017-18 the district served 16,269 California Promise Grant recipients, which generates $14,951,211 in supplemental funding for 2018-19. Systemwide, 42% of community college students receive the grant. For

Peralta, this proportion is 32%, again lower than the system average. If the district had the systemwide average percentage of Promise students, it would have generated an additional $4.7 million in supplemental revenue.

- Of all the new funding metrics added with the SCFF, the ones most associated with year-to-year funding increases from 2017-18 to 2018-19 are the head counts of Pell and Promise students. Systemwide, there is a strong positive relationship between a district's year-to-year funding growth and its proportion of Pell and Promise Grant student head counts. That is, districts with proportionally more Pell and Promise students are likely to receive significantly more total funding under the SCFF, not considering any other variables.

The district is in a long period of FTES decline. Although the new SCFF includes equity and success elements, it continues to rely on FTES for the majority of funding. The SCFF funding also relies heavily on the district's ability to serve low-income students. Peralta, as a district, serves fewer low-income students than the state average. In comparison to the rest of the state, its numbers are also lower in the area of student success. The primary reason for the low success comparison is in the areas of Associate of Arts (AA), Associate Degree for Transfer (ADT) and 9+ units of career technical education (CTE).

Because the district was able to shift FTES to the 2017-18 fiscal year, an inflated hold harmless funding figure was established, which should help revenues stabilize during the next three years.

To prepare the district as it exits the hold harmless status, it should develop a comprehensive enrollment management team that includes members that have a keen understanding in outreach, scheduling strategies, and program development and improvement with the goal of increasing FTES. In addition, the district should analyze supplemental and success metric revenues per college, as well as evaluate outreach efforts by the financial aid offices at each college. The district should also compare best practices across the district in outreach, student assistance and data entry procedures; fully implement all guided pathway principles and assess all course outlines of record for completion and accuracy.

Student Success Allocation

Peralta receives $11,505,366 from the student success allocation 2018-19 based on the SCFF Calculator, which is 10% of the district's total TCR and the same as the systemwide proportion of 10%. The $8,617,840 of student success revenue is from all students, with the remaining $2,887,526 from Pell and California Promise grant recipients.

Highlights of Peralta's student success allocation include the following:

- The outcome, from which the district earns the highest amount of success revenue, is transfer, followed by AAs, 9+ CTE units, and certificates.
- 25% of the district's success revenue is from the Pell and Promise student success bonus, which is equal to the systemwide average percentage.
- In student success categories, the district trails the system average of outcomes as a proportion of unduplicated head count in all outcome categories. The largest deficiencies are in AAs, 9+ CTE units, and living wage (Figure 21, below).
- If the district were instead at the system average proportion in AAs, 9+ CTE units and living wage, it would have generated an additional $3 million in success revenue for 2018-19, from all students in the student success allocation alone.

Cambridge West Partnership developed a "success score" that aggregates each district's performance across all success metrics, each weighted for its respective point values as ascribed by the SCFF, then scaled to 100.[1]

Using unduplicated head counts as basis for comparison, across the system, the success scores range from 25 to 100, and Peralta's score is 37, one of the lowest in the system. Systemwide, the average success score is 56.

Figure 21 below displays the methodology used to compute the success score.[2]

1 *Cambridge West Partnership developed the Success Score independently in order to approximate the relative performance of districts across student success measures*

2 *For each district, the number of total 2017-18 outcomes for each of the seven success metrics (all students only) was divided by the 2017-18 total unduplicated head count of the district. These percentages were then multiplied by a weighting factor, based on the point value attributed to each metric by the SCFF. This ensures the relative importance and funding level of each metric is accounted for in the success score. The sum of all of these weighted percentages was then scaled to be a maximum of 100 for the whole system. The resulting value is the success score.*

Peralta CCD Success Score Computation (using 2017-18 data)

Unduplicated Head count: 50,786	Total Outcomes	% of Total Unduplicated Head count	System Average	Funding Weight	Weighted Percentage	Scaled Sum (Success Score) = Weighted percentage sum* scaling factor of 0.97
AAs	1,345	2.65%	5.03%	3	7.95%	
AD-Ts	568	1.12%	2.12%	4	4.48%	
Certificates	1,220	2.40%	2.88%	2	4.80%	
9+ CTE Units	2,758	5.43%	8.27%	1	5.43%	
Transfer	3,254	6.41%	6.56%	1.5	9.62%	
Transfer M&E	241	0.47%	1.09%	2	0.94%	
Living Wage	2,718	5.35%	8.83%	1	5.35%	
SUM					38.03%	37

Figure 22 below visualizes the performance of Peralta in each of the seven success metrics, compared with the systemwide average.

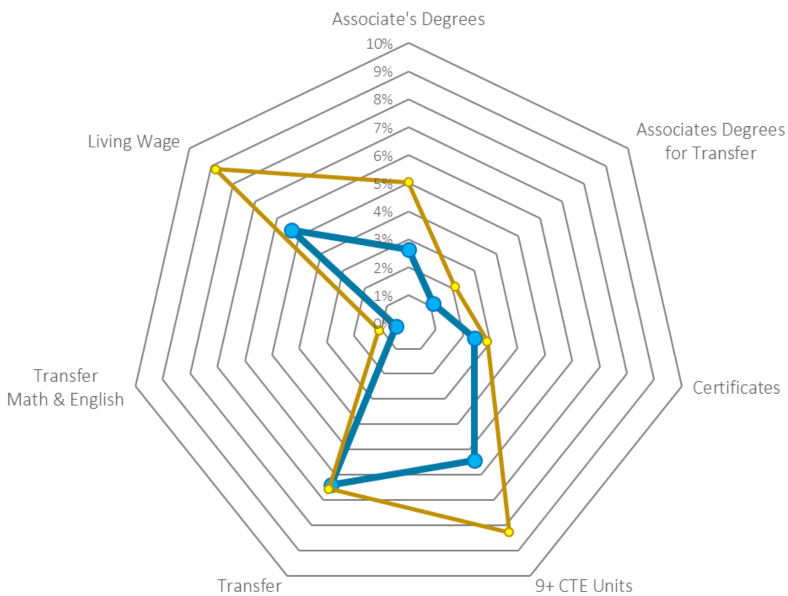


Figure 22: Peralta CCD vs. System: Success Metrics' Outcomes as % of Unduplicated Head Count

Future Years: 2019-20, 2020-21 and 2021-22

The SCFF Calculator has the capability to project state apportionment funding for years beyond 2018-19 if assumptions are used. For purposes of this report, projection assumptions included:

- Reported traditional credit FTES is projected to stay constant at 14,975.63.
- Supplemental head counts and success outcomes are assumed to stay the same as 2017-18 through the four years (2019-20 to 2022-23).
- Systemwide rates will shift as the overall allocation between base, supplemental and success allocations change from 70%/20%/10% in 2018-19 to 60%/20%/20% in 2020-21.

- The most recent COLA estimates are applied to all years.[3] COLA percentages are only estimates, and any projected funding increases resulting from changes in COLA are contingent on these estimates holding true in future years.

Based on these assumptions, Peralta's 2019-20 projected SCFF revenue is $120,854,615. This represents a 2.97% increase from the prior year after being held harmless.

The district's 2020-21 SCFF projected revenue is $122,827,093, a 1.63% increase from the prior year after being held harmless for $2.3 million. The district is held harmless because projections anticipate that three-year traditional credit FTES will drop, and performance on success metrics is not strong enough to generate adequate income compensation. All of this means revenues will drop when the district exits hold harmless in 2021-22.

The district's projected SCFF revenue is $124,047,887 in 2021-22, a 1% increase over 2020-21. Hold harmless funding does not exist after 2020-21. The SCFF revenue amount is made up of the following:

- Base allocation: $74,084,951 (60% of TCR)
- Supplemental allocation: $24,760,123 (20% of TCR)
- Student success allocation: $25,202,813 (20% of TCR)

The document attached as Appendix C to this report includes detailed information about Peralta's funding projections from 2018-19 through 2021-22.

Recommendations

The district should:

1. Validate supplemental and student success outcome metrics at the district and college level to verify all outcomes are counted correctly.
2. Develop supplemental and student success projection reports to assist with goal setting, audit requirements and budget development.
3. Understand the unduplicated student population at each college, such as full-time, part-time, special admit, etc. to assist the colleges in establishing their goals, improving student success, and increasing revenues.
4. Develop a comprehensive enrollment management team that includes members that have an understanding in outreach, scheduling strategies, and program development and improvement with the goal of increasing FTES.
5. Analyze supplemental and success metric revenues per college.
6. Evaluate outreach efforts by the financial aid offices at each college.
7. Ensure that financial aid offices' processes and procedures be reviewed and updated as necessary to ensure all appropriate students are part of the allocation/count.
8. Compare best practices across the district in outreach, student assistance and data entry procedures.
9. Fully implement all guided pathway principles.
10. Assess all course outlines of record for completion and accuracy.

3 *This shift is based on current Education Code. It may not occur in the years specified, per the updated Governor's Budget.)*

Other Post-Employment Benefits (OPEB) Program

Before 2004, Peralta offered lifetime retirement health benefits to new employees, their spouses/partners and children to age 26. In 2005, the Government Accounting Standards Board (GASB) adopted rules requiring public agencies to report in financial audit reports the value of Other Post-Employment Benefits (OPEB). In response to the new GASB rules and the considerable attention brought by the legislature and other state agencies about the ability of local governments to fund future retiree health costs, local governments began to limit retiree health benefits for new employees. In 2004, in anticipation of the new GASB rules, Peralta reacted to its large OPEB liability by ending the lifetime medical benefit and replacing it with a modified health benefit for new employees (not to spouses/partners and children) to the age of 65 (rather than lifetime). That benefit continues today for all new employees, continuing to increase the district's future liability with each employee hired. This change created two OPEB obligations, one for employees hired pre-2004 and one for employees hired post-2004.

Figure 23 is a comparison of Peralta's OPEB programs:

Comparison: Pre-2004 and Post-2004 OPEB Programs

	Pre-2004	Post-2004
Benefit Duration	Lifetime	Retirement up to age 65
Who	Employee, spouse, children to 26 years of age	Employee Only
Starting Age of Benefit	STRS – 55; PERS – 50	STRS – 55; PERS – 50
Eligible Employees	907	588
Trusts Funded Level	$218 million	$6 million
Actuarial Liability	$139 million	$12 million

Funding OPEB with Bonds

In 2005, the district's actuarial study calculated the district's OPEB liability at $133 million. As part of a long-term strategy to finance its future OPEB obligations, the district sold taxable OPEB bonds in December 2005 equaling $153 million. At the time of the 2005 bond sale, the actuarial study estimated the annual cost of providing retiree health benefits in 2018 to be $10.8 million, compared to $5.7 million in 2005. While not a normal practice employed by California community college districts, the bonds were a legal, viable approach to pay for a growing annual liability. Selling the bonds allowed the district to do the following:

1. Fully fund its actuarial liability.
2. Invest the $153 million in bond proceeds in a revocable trust with investment returns sufficient to cover the repayment of the bonds and provide funding to assist in covering the district's rising annual OPEB cost.

The 2005 bond issuance was structured as two series, one of current interest bonds (CIB) worth $20 million and the second of six portions of convertible capital appreciation bonds (CAB) worth $133 million. These six portions of term bonds convert from CABs at different dates into variable rate securities called Auction Rate Securities (ARS). CABs have much higher cost ratios, longer maturities (45 years for Peralta) and lack a call feature prior to their conversion date.

In 2006, the district entered into six interest rate swap agreements to help mitigate future interest rate risk associated with the underlying bond program. In 2006, 2009, and 2011 the district modified and restructured its bond portfolio (deferring approximately $53 million in principal payments from 2006 to 2015), further complicating this structure. To fully appreciate the history and better understand the complex OPEB bond program, FCMAT has included a report written by the district's financial adviser – KNN - called, "Final Report: Other Post-Employment Benefits Program" dated June 28, 2011, which is available online at http://web.peralta.edu/accreditation/files/2012/01/3.-OPEB-Final-Report-June-28-2011-KNN.pdf

In 2013, the California legislature recognized the financial risks posed by CABs to local governments and restricted their use with passage of AB 182. This statutory change put the district in a position of holding bonds with a high financial risk that was outlawed by the state. These CABs convert at different future dates into ARSs. This poses an even greater financial risk since the auction rate bond market went out of business in 2008 when the financial markets crashed, causing much more difficulty to find buyers for the CABs. For these reasons and because of the highly complex nature of the district's OPEB bond program, FCMAT agrees with the recommendation of the district's financial advisor, KNN, to continue to closely monitor the program and take steps to terminate and restructure the remaining outstanding CABs held in the district's portfolio, as appropriate. The bonds, with all their modifications and amendments over the past 14 years, are multifaceted financial instruments and the district should rely on expertise to help understand and navigate these complex bond financing mechanisms. An addendum should be developed to KNN's 2011 OPEB report that would include an update of actions taken by the district so that the full history is documented.

The district's 2018 actuarial study shows a $50 million increase in its liability for pre-2004 employees compared to 2016, increasing from $139 million to $189 million. The main reason for the increase is a GASB 75 rule change that required the actuary to use a lower estimated investment return than in prior studies, with the rate decreasing from 6.7% to 3.8%. Prior to GASB 74 (for irrevocable trusts) and GASB 75 (for revocable trusts), GASB 44 and 45 allowed the actuary to use the estimated rate expected on the investment regardless of whether the trust was revocable or irrevocable. Under the new GASB 74 and 75 rules, actuaries cannot use the estimated return on the trust fund unless the trust is irrevocable. Since Peralta's trust is revocable, the actuary is required to use a return rate assumed on "long-term return on employee assets," which usually equates to a similar return rate in a county holding account and offers a substantially lower rate of return. Because of this change in reporting, the district's actuarial reflects a smaller return on its investment in the trust fund, increasing the liability. The district will actually receive a higher return from the funds whether or not the trust is revocable, so the higher liability included in the actuarial report is purely driven by a GASB rule change. For better forecasting of the true liability, the district should request the actuary to perform a separate funding valuation at the estimated rate rather than the long-term return on employee assets, so it has a more realistic liability number to plan on.

While fully funding the OPEB liability is laudable and desirable if resources are available, it has never been a GASB requirement. Many districts statewide use the "pay-as-you-go" method, instead of fully funding the liability because they lack the funds to do otherwise. At present, the OPEB trust funds are adequately funded based on the latest reports from the district. The pre-2004 Trust (Trust I) holds $218 million, which is made up $153 million of OPEB bonds and $65 million of large annual contributions from its general fund the past several years. Trust II (post-2004) holds $6 million. Because the combined trust balances are higher than the estimated liability, the district could discontinue making transfers. Instead of aiming to fully fund the obligation, the district should consider focusing on understanding the amount of funds it will need to meet its annual obligations for the next 30 years so it can better estimate future OPEB expenses for both the pre- and post-2004 OPEB programs and plan accordingly. Ten years' worth of this information is already known since it is included on page 13 of the 2018 actuarial report. The study shows the pay-as-you-go costs in 2018-19 at $10.1 million, rising to $11.6 million in 2027-28. The actuary should be requested to extend this for another 20 years so the district can understand what specific fiscal year OPEB expenses will be the highest, and a plan can be developed to fund the annual liability.

While some community college districts continue to offer some retiree health benefits to new employees, many have ended the practice. The district should consider discontinuing its offer of retiree health benefits for new employees pending negotiation with the appropriate collective bargaining groups. If agreed upon, new hires would receive health benefits while active district employees but would no longer be entitled to health benefits upon retirement or termination. This would create a closed-ended liability for the post-2004 OPEB program. The last two post-2004 actuarial studies reflect the number of eligible employees growing by 89 employees as of December 2018, increasing from 499 at March 2017 to 588 as of December 2018. At the same time, these reports show the district's OPEB liability growing from $6.3 million to $12 million over the two reporting periods. Terminating retiree health benefits for new employees will greatly slow the increases to the liability, and the district will be able to fully realize the liability for both the pre-2004 and the post-2004 program.

The district should annually audit enrollment in the OPEB program, ensuring that only eligible enrollees are included in the benefits available under the terms of the pre- (Trust I) and post- (Trust II) 2004 OPEB programs. The audit should include questionnaires mailed to OPEB enrollees asking for verification of their eligibility and that of their dependents (if applicable to pre-2004 hires). Annual audits are an effective business practice and ensure the district pays benefits only to those who are entitled.

The district should conduct actuarial studies of the OPEB annually rather than every two years, which is the current practice. Annual actuarial studies will help the district stay focused on the true cost of the OPEB, what annual obligations are, and allow the district to stay informed on the total liability of the OPEB due to changes in enrollment and overall assumptions used in the forecast. To stay informed of the district liability, the governing board should annually approve the OPEB actuarial report.

Recommendations

The district should:

1. Audit annual enrollment eligibility in the OPEB program.
2. Conduct an annual OPEB actuarial study.
3. Ensure that the governing board approves the annual OPEB actuarial study.
4. Request the actuarial to perform a separate OPEB funding valuation at the estimated rate rather than the long-term return on employee assets, so it has a more realistic liability number for the pre-2004 amount.
5. Reconsider the current goal of fully funding the OPEB liability.
6. Consider eliminating annual general fund payments to the OPEB trust funds since they are fully funded at this time.
7. Consider renegotiating (i.e. ending) retiree health benefits for new employees.
8. Terminate and restructure some of the more volatile bonds.
9. Contract for an addendum to KNN's 2011 report that would include an update of actions taken by the district to date related to its OPEB bond program since the 2011 report was published.

Spending Pattern Analysis

FCMAT conducted a review of the last five years' expenses for Peralta Community College District using 2013-14 through 2017-18 annual financial and budget reports (CCFS-311). During this timeframe, overall total district expenditures increased by 27.81%.

Between 2013-14 and 2017-18, academic salaries increased by 31.72%, classified salaries by 15.33% and employee benefits by 27.09%, while FTES increased at a much lower amount, 3.2%. In addition, supplies and materials increased by 14.45%, and other operating expenses rose by 33.42%. Increased expenditures did not keep pace with the slight increase in FTES, resulting in the district deficit spending.

The analysis shows negative cash balances in the general fund at the end of each fiscal year during this same time period. Also of concern is that the district uses the due to and due from accounts at a high level, which reflects the payment of expenditures out of the general fund instead of the fund that the expense actually "belongs" to. This practice means that the district is not aware of its true available cash balance in any of their funds throughout the year since expenditures are not initially recorded against the appropriate fund. In addition, ending fund balances are affected if the due to/due from accounts are not appropriately cleared at year end as shown in Figures 24 and 25 below.

Peralta CCD Year End Balance Sheet Data

Description	Code	2017-18	2016-17	2015-16	2014-15	2013-14
Cash In County Treasury	9112	(30,754,866)	(40,285,313)	(31,888,498)	(24,028,318)	(38,538,264)
Due from Other Funds	9140	74,787,855	58,668,992	35,694,374	31,356,565	38,826,391
Due to Other Funds	9540	36,985,127	2,709,688	8,824,403	7,376,800	4,820,759

Another concern noted by reviewing general ledger data are prior year adjustments.

Peralta CCD Prior Year Adjustment

Description	2017-18	2016-17	2015-16	2014-15	2013-14
Prior Year Adjustment	9,191,755	(5,642,130)	50	-	(779,070)

While prior-year adjustments are difficult to explain without much more detailed information, they indicate poor district practices that are not remedied during year-end closing since they occur annually. Most districts do not regularly record prior-year adjustments. Prior-year adjustments reflect an issue that was not considered by the district when closing the annual financial records, so the independent auditors have requested an adjustment. The reasons for prior-year adjustments could indicate that reconciliations are not done or are done incorrectly, activity between funds is not recorded, or all revenues are not captured during the current year. While prior-year adjustments are sometimes necessary, they should be kept to a minimum. During the past two years, negative and positive prior-year adjustments have had a significant impact on the district's year-end general fund ending balances, reflecting poor accounting practices. As evidenced throughout the FCMAT report, this is a crucial issue for the district.

Figure 26 below reflects actual FTES production in the district.

Peralta CCD Prior Year End FTES

Description	2017-18	2016-17	2015-16	2014-15	2013-14
Year End FTES	20,655	17,394	21,251	21,042	20,000

The year-to-year change indicates enrollment has fluctuated for the past five years. The significant decrease in 2016-17 indicates summer enrollments were held back and used to inflate the 2017-18 FTES. While legal, this practice has artificially inflated apportionment for the next few years due to the SCFF's hold-harmless mechanism. The 2018-19 FTES will most likely show a reduction down to the 2016-17 FTES level, which will significantly affect district revenues. More effort is needed to develop an enrollment management plan, which includes provisions to reduce expenses to the level that FTES has decreased.

Also important are the district's faculty obligation number (FON) and the reported actual full-time faculty for each year as shown below in Figure 27:

Peralta CCD Faculty Obligation Number

Description	2018 Fall	2017 Fall	2016 Fall	2015 Fall	2014 Fall
FON Compliance	322.9	301.9	336.9	313.2	304.2
Actual FON	350.5	334.9	351.6	335.1	310.2
Difference	27.6	33	14.7	21.9	6

FON is directly correlated to credit FTES production using districtwide FTES for each fiscal year. The information indicates that the district has more faculty than is required to meet its FON obligation. The actual number of faculty has increased over the years at a higher rate than enrollment. Since the FON is higher than the district obligation, the district should develop a plan to remain in alignment with their obligation to reduce costs and control deficit spending.

More information is attached to this report as Appendix E, "Fiscal Trend Analysis and Balance Sheets,"

The district must provide staff training so employees understand the importance of processes necessary to properly complete year-end closing, which will assist in ensuring accurate year-end balances. All apportionment related reconciliation must be performed, and all related entries must be posted prior to closing the books.

Recommendations

The district should:

1. Create and follow a plan to proportionately reduce expenses as it related to FTES production.
2. Align full-time faculty with student enrollment.
3. Provide training to staff to properly complete year-end closing practices.
4. Refrain from using cash from other funds to pay invoices.
5. Ensure that due to and due from accounts are used for limited purposes.

Appendices

Appendix A

Study Agreement

Appendix A

Study Agreement

FCMAT
FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM
CSIS California School Information Services

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
January 9, 2019

The Fiscal Crisis Management and Assistance Team (FCMAT), hereinafter referred to as the team, and the California Community Colleges Chancellor's Office on behalf of the California Community College Board of Governors, hereinafter referred to as the Chancellor's Office, mutually agree as follows:

1. <u>BASIS OF AGREEMENT</u>

The team provides a variety of services to local educational agencies (LEAs). The Chancellor's Office has requested that the team conduct a management assistance study and provide professional development training for Peralta Community College District (Peralta CCD). All work shall be performed in accordance with the terms and conditions of this Agreement.

2. <u>SCOPE OF THE WORK</u>

A. <u>Scope and Objectives of the Study</u>:

1. Prepare an analysis using FCMAT's Fiscal Health Risk Analysis (2019 version) and identify Peralta CCD's specific risk rating for fiscal insolvency.
2. Provide training on financial health for the Peralta CCD board, the district administration and others identified by the district chancellor. The training will focus on managing finances in a community college district, including efforts to improve fiscal accountability and competency.
3. Analyze the organization and staffing levels of the employees responsible for district finances at the Peralta CCD district office and make recommendations, which may include changes in the organization and staffing, to allow the district to function effectively and efficiently.
4. Provide recommendations on best practices for communication between the district administration and the board of trustees on issues related to the district's financial health.
5. Develop a corrective action plan to address audit findings for Peralta CCD for the most current (2017-18) and prior four years, and conduct an internal control review of Peralta CCD's reporting and monitoring of financial transactions, including an evaluation of policies, procedures, and transactions performed by the district.

6. Evaluate spending patterns, including other postemployment benefit (OPEB) liabilities.
7. Project funding for Peralta CCD under the Student Centered Funding Formula and make recommendations for actions the District can take to maximize funding.

B. <u>Services and Products to be Provided</u>

1. Orientation Meeting – The team will conduct an orientation session at Peralta CCD to brief district management and supervisory personnel on the team's procedures and purpose and schedule of the study.
2. On-site Review – The team will conduct an on-site review at the district office and at the colleges, if necessary.
3. Exit Meeting – The team will hold an exit meeting at the conclusion of the on-site review to inform Peralta CCD of significant findings and recommendations to that point.
4. Draft Report – Electronic copies of a preliminary draft report will be delivered to the Chancellor's Office for review and comment.
5. Final Report – Electronic copies of the final study report will be delivered to the Chancellor's Office following completion of the review. The final report will be published on the FCMAT website.

3. **<u>PROJECT PERSONNEL</u>**

The FCMAT team may include:

1.	Michelle Giacomini	FCMAT Deputy Executive Officer
2.	School Services of California, Inc.	FCMAT Community College Consultant
3.	Cambridge West Partnership	FCMAT Community College Consultant

Other equally qualified FCMAT staff or consultants will be substituted in the event the above individual is unable to participate. Project personnel are subject to change.

4. **<u>PROJECT COSTS</u>**

The cost of this agreement pursuant to 2016 through 2018 Budget Act 6870-107-0001, Schedule 1, shall not exceed $270,000. The total costs shall include the following:

A. $1,100 per day for each FCMAT staff member while on site, conducting fieldwork at other locations, presenting reports, or participating in meetings. The cost of independent consultants will be billed at the actual daily rate for all work performed.

B. All out-of-pocket expenses for FCMAT staff members and consultant while traveling for the purposes of this agreement, including travel, meals, lodging, etc. The Chancellor's Office will be invoiced at actual costs.

C. The Chancellor's Office will be invoiced at actual costs, with 50% of the estimate cost due following the completion of the on-site review and the remaining amount due upon the Chancellor's Office acceptance of the final report.

Based on the elements noted in section 2, the total not-to-exceed cost of the study is $270,000.

Any change to the scope, as well as specific requests to change the study agreement or any trainings of such, will affect the estimate of total cost. All changes must be approved by both parties.

Payments for FCMAT services are payable to Kern County Superintendent of Schools - Administrative Agent, located at 1300 17th Street, Bakersfield, CA 93301.

5. RESPONSIBILITIES OF THE CHANCELLOR'S OFFICE

A. The Chancellor's Office will distribute the final report to Peralta CCD and other interested parties.

B. The Chancellor's Office will communicate to Peralta CCD the following:

1. The district will provide office and conference room space while on-site reviews are in progress.
2. The college will provide the following:

   a. Policies, regulations and prior reports addressing the study request.
   b. Current or proposed organizational charts.
   c. Current and four years' prior audit reports.
   d. Any documents requested on a supplemental listing.

Any documents requested should be provided to FCMAT in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.

All requested documents must be provided in advance of fieldwork. Any delay in the receipt of requested documentation may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's SharePoint document repository and all requested documents shall by uploaded by Peralta CCD.

6. PROJECT SCHEDULE

The scope of work will commence in January, 2019 and end December 31, 2019. The project schedule outlines the key study milestones and will be established upon the receipt of a signed study agreement.

Orientation:	To be determined
Staff Interviews:	To be determined
Exit Meeting:	To be determined
Status Report:	Spring 2019
Draft Report:	To be determined
Final Report:	To be determined
Training/Board Presentation:	To be determined

7. **COMMENCEMENT, TERMINATION AND COMPLETION OF WORK**

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the Chancellor's Office and Peralta CCD and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a preliminary draft report and a final report. Prior to completion of fieldwork, the Chancellor's Office may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the Chancellor's Office does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its report and the Chancellor's Office will be responsible for the full costs. The Chancellor's Office understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the Chancellor's Office shall not request that it do so.

8. **INDEPENDENT CONTRACTOR**

FCMAT is an independent contractor and is not an employee or engaged in any manner with the Chancellor's Office. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the Chancellor's Office in any manner without prior express written authorization from an officer of the Chancellor's Office.

9. **INSURANCE**

During the term of this agreement, FCMAT shall maintain liability insurance of not less than $1 million unless otherwise agreed upon in writing by the Chancellor's Office, automobile liability insurance in the amount required under California state law, and workers compensation as required under California state law. FCMAT shall provide certificates of insurance, with the Chancellor's Office named as additional insured, indicating applicable insurance coverages upon request.

10. HOLD HARMLESS

FCMAT shall hold the Chancellor's Office, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the Chancellor's Office shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

11. CONTACT PERSON

Name: Christian Osmeña, Vice Chancellor
College Finance and Facilities Planning Division
Telephone: (916) 247-3252
E-mail: cosmena@CCCCO.edu

Daisy Gonzales 1/10/19

Dr. Daisy Gonzales Date
Deputy Chancellor
California Community Colleges Chancellor's Office

Michael H. Fine January 9, 2019

Michael H. Fine Date
Chief Executive Officer
Fiscal Crisis and Management Assistance Team

Appendix B

How the Pay is Calculated

Weekly Workload Hours: The calculation starts with the ‘weekly workload hours’ entered on your campus in the Schedule of Classes. This generally indicates the number of hours per week your class meets or your assigned activity requires.

Load Factor: This is a constant value that has been agreed by your union. The values are Lecture = 1, Lab=.8, and Non instructional = .5. The payroll system reads this from the assignment type code also from the Schedule of Classes.

Equated Workload Hours: This is the number of hours per week for which you are actually paid. Calculate this by multiplying ‘weekly workload hour’ times the ‘load factor’. (e.g. If a lab meeting 3 hours per week then, 3 ‘weekly workload hrs’ X .8 load factor = 2.4 “equated workload hours”.)

Paid Hours Per Term or Intercession: The standard term length for all terms and intercessions (for the purpose of this calculation only) is 17.5 weeks. Multiply ‘equated workload hours’ (which is a weekly value) times 17.5 to see the total number of hours to be paid in the term or intercession. We know there aren’t really 17.5 weeks in an intercession or even in all terms. Your campus takes this into account when entering the ‘weekly workload hours’ for summers and intercessions in the Schedule of Classes.

Total Term Payment: Your hourly rate of pay is read from the PeopleSoft payroll system and multiplied by the ‘paid hours per term or intercession’ to determine how much you should be paid for the full term.

Normal Monthly Payment: The amount you would ordinarily expect to be paid each month of the term is the ‘total term payment’ divided by the number of payments. The number of payments is determined by the start and end date of your assignment. It’s not prorated by the number of days in each month so even if you are teaching only one day in a month, the entire month is counted for the purpose of determining the number of payments for the term. The rules for the maximum number of payments are:
* Fall: Maximum 4 payments (Sept, Oct, Nov, Dec) – the actual number depends on your assignment start and stop dates.
* Winter Intercession: 1 payment (Jan).
* Spring: Maximum 5 payments (Jan, Feb, Mar, Apr, May) – the actual number depends on your assignment start and stop dates.
* Spring Intercession: 1 payment (June)
* Summer: 1 or 2 payments. Most summer assignments are fully paid in July however, if your assignment end date is later than the end of the first week in August, you will receive 2/3rd in July and 1/3rd in August.
* Part Time Office Hours are paid monthly for both the Fall and Spring term.

Under Payments: If for any reason you have been under paid in prior months or even from a prior term, that amount will be paid lump sum in the month it is recognized in payroll and added to your normal monthly payment.

Over Payments: Over payments (for example when your class cancels but it doesn’t get entered in payroll until after you are paid) are collected back using the following rules:
* If there is enough pay due from the overpaid assignment or other assignments from this term in this month, we will net out the amount due in the current month.
* If there is still an amount due after netting out available pay in this month, and there are other assignments that will continue to be paid, then we will net out the balance against the future month’s pay.
* If there is no more pay due for this term and there is still an overpaid amount, we will contact you directly about having you repay the amount by check or netting it out against your regular pay.
Note that all amounts over paid and due as of December 31 must be settled as of December 31 so that we can accurately report how much you have earned for taxes.

Earning Codes “A3M” and “A3L”: The earning codes impact how much is deducted from pay for union dues and fees. A3M means that all you active assignments in this month total more than 3 equated hours (weekly workload hours X load factor). A3L means that your active assignments are equal to or less than 3 equated hours.

Appendix C

SCFF White Paper

Peralta Community College District

Student Centered Funding Formula

White Paper

March 2019

CW/P

PERALTA COMMUNITY COLLEGE DISTRICT

Table of Contents

Executive Summary

The Student Centered Funding Formula, written into California State Law on June 27, 2018, significantly changes the way California Community College Districts are funded. With new goals—identified by the State's initiative *Vision for Success*—of narrowing the access and achievement gap for disadvantaged students and improving community college student outcomes as a whole, the Student Centered Funding Formula (SCFF) targets not only educational access, but also equity and success.

The new formula divides the State's Community College Budget into three Allocations. The Base Allocation, which in 2018-19 comprises 70% of the statewide budget, targets Access. It is distributed based on Full Time Equivalent Student enrollments. The Supplemental Allocation, which comprises 20% of the state budget, targets Equity. It is distributed based on headcounts of Pell Grant Recipients, AB540 Students, and California College Promise Grant Recipients. The Student Success Allocation, which comprises 10% of the budget, targets Successful Outcomes. It is distributed based on a variety of weighted metrics that represent various types of student success.

Under the Student Centered Funding Formula, Peralta Community College District's projected 2018-19 TCR is $117,365,609 when modeled by the SCFF Calculator. This represents a modest 4.4% increase from the 2017-18 revenue of $112 million, under the system average year-to-year change of +6.4%. While it is impossible to pinpoint the specific reason for the slight increase in revenue, the District underperforms in all three funding areas, in particular Success metrics, relative to the rest of the CCC System. If Peralta CCD raised its Supplemental and Success metrics up to the System average, it could generate up to $10 million in additional revenue.

In 2020-21, the District is projected to be held harmless for $2.3 million, due to a drop in the 3-year average of Traditional Credit FTES, and lackluster performance on Success metrics.

In the final year of the simulation, 2021-22, Peralta CCD's TCR is projected to be $124M, with no assumed growth in FTES or Supplemental and Equity measures, and with estimated COLA for all three years.

In the near future, Peralta CCD will be required by the State to align its goals with the *Vision for Success* and by extension the Student Centered Funding Formula. These goals must be measurable, have a clear timeline, and be consolidated in a report to be submitted to the State Chancellor's Office.

Purpose of the Student Centered Funding Formula

The California Community College (CCC) System, which serves a diverse body of 2.2 million students and is the largest system of higher education in the nation, has a mission that includes providing full and open access to higher education, reducing equity gaps, and strengthening the state's economy. Historically, the System has experienced successes in some areas, including maintaining universal access for California residents and functioning as the largest workforce provider in California. It has, however, also continued to face challenges in pursuing its mission: too few students reach their educational goals, and others take far too long to do so; access and achievement gaps exist for low-income and students of color; older and working adults are often left behind.

Recognizing these persistent challenges, in 2017 the California Community Colleges Chancellor's Office adopted the *Vision for Success* initiative, which outlines the institutional goals that will guide the system over the next five years. The *Vision for Success* establishes the following six broad goals for the system to achieve by 2022:

- "Increase by at least 20 percent the number of CCC students annually who acquire associate's degrees, credentials, certificates, or specific skill sets that prepare them for an in-demand job.
- Increase by 35 percent the number of CCC students transferring annually to a UC or CSU.
- Decrease the average number of units accumulated by CCC students earning associate's degrees, from approximately 87 total units (the most recent system-wide average) to 79 total units—the average among the quintile of colleges showing the strongest performance on this measure.
- Increase the percent of exiting CTE students who report being employed in their field of study, from the most recent statewide average of 60 percent to an improved rate of 69 percent—the average among the quintile of colleges showing the strongest performance on this measure.
- Reduce equity gaps across all of the above measures through faster improvements among traditionally underrepresented student groups, with the goal of cutting achievement gaps by 40 percent within 5 years and fully closing those achievement gaps within 10 years.
- Reduce regional achievement gaps across all of the above measures through faster improvements among colleges located in regions with the lowest educational attainment of adults, with the ultimate goal of fully closing regional achievement gaps within 10 years."

The purpose of the Student Centered Funding Formula (SCFF) is to help the CCC System realize the new *Vision for Success* and mitigate these challenges that it has long struggled to address institutionally. Following the example of many other states that have implemented innovative equity- and performance-based funding models, the CCC System is adopting a new funding framework that specifically targets the goals of the *Vision for Success.* Namely, the SCFF promotes the access and opportunity of all students while prioritizing that of underrepresented and economically disadvantaged students, improves overall equity, and rewards community college districts for improving student success metrics in areas of awards, transfer, and skill development.

The SCFF was in development for over one year. After the adoption of the *Vison for Success*, the CCC Chancellor entrusted the Advisory Workgroup on Fiscal Affairs, consisting of Chief Business Officials of community college districts, with developing a new funding formula that reflects the new vision of the State. The workgroup considered the ideas of a variety of stakeholders in the system, as well as officials from community college systems in other states. The recommendations of this workgroup were later incorporated into a budget proposal by Governor Brown in January 2018 that proposed a new CCC System funding formula, and over the course of the year the Chancellor's Office, Fiscal Advisory Workgroup, and a separate CCC CEO workgroup deliberated in order to design the foundation of the new funding formula. Community leaders, college faculty and students, and the public all had their voices heard throughout the process. After this long process of collaboration and deliberation, on June 27, 2018 the Student Centered Funding Formula was signed into law as California Education Code Section 84750.4, a significant and progressive achievement for the State and its Community College System.

Formula Structure and Elements

Prior to the SCFF, apportionment funding for the CCC System was based entirely on Full-Time Equivalent Student (FTES) Enrollment in each district, in addition to a Basic Allocation that considered the number of colleges and educational centers in the district. As such, district funding levels were only targeting access, without regard for measures of equity or student success. This singularly-focused, basic formula was not sufficient to guide the CCC System toward achieving its long-term goals. **The new SCFF instead has a three-pronged focus, which still supports access through enrollment-based funding, but also bolsters equity and student success through allocations that target low-income students and successful student outcomes**.

There are three major components of the SCFF. First, in the implementation year of 2018-19 the **Base Allocation** comprises 70% of total systemwide funding and focuses on overall access. A district's base allocation is determined by overall district enrollments and district size. Second, the **Supplemental Allocation** comprises 20% of total systemwide funding and focuses on supporting equity. A district's supplemental allocation is determined by the headcount of low-income students served by the district. Third, the **Student Success Allocation** comprises 10% of total systemwide funding and focuses on supporting Success. Each district's success allocation is determined by the number of outcomes for various measures of student success in progress, transfer, completion and wage earning, with a funding bonus for successful outcomes of low-income students.

According to the initial legislation that established the SCFF, systemwide allocation percentages are intended to shift in future years:[1] in 2019-20, they will be 65%/20%/15%, and in 2020-21 they will be 60%/20%/20%. In subsequent years they will remain unchanged. The allocation percentages change in order to gradually increase the priority of low-income students and student success. The steady shift over three years will allow districts to adjust strategies, programs and practices in order to align with the SCFF and CCC System's *Vision for Success* Goals. **Over the course of these three years districts will be held harmless and guaranteed their 2017-18 TCR, accounting for any Cost of Living Adjustments (COLA) in subsequent years. This hold harmless provision no longer applies from 2021-22 onward:**

Approximate Percent of Total Systemwide Budget

	Target	2018-19	2019-20	2020-21	2021-22[2]
Base Allocation	Access	70%	65%	60%	60%
Supplemental Allocation	Equity	20%	20%	20%	20%
Student Success Allocation	Success	10%	15%	20%	20%

[1] **While the Education Code established funding rates to facilitate this shift, the Governor's Updated Budget proposal limits the Success Allocation to 10% of total systemwide funding for 2019-20. It also establishes a 10% year-to-year growth cap on Success dollars.**

[2] In 2021-22 and years that follow, districts are no longer held harmless to their 2017-18 TCR plus subsequent years' COLA. In that year going forward, districts are held harmless to the prior year's TCR, or the 17-18 FTES rates with 20-21 FTES counts (no COLA or Supplemental/Success funding).
http://extranet.cccco.edu/Portals/1/CFFP/Fiscal_Services/SCFF/ADA/SummarySCFFandHoldHarmlessProvisions_ADA.pdf

Base Allocation

The **Base Allocation** is the enrollment-based component that is most similar to the current funding formula. A district's Base Allocation is the sum of its **Basic Allocation** funding, and its funding for **Credit**, **Non-Credit**, **CDCP**, **Incarcerated** and **Special Admit FTES**. Across all districts, in 2018-19 this sum comprises ~70% of the total systemwide available funds in the budget.

For each unit of FTES, districts are funded the following amounts in 2018-19: Traditional Credit ($3,727), Non-Credit ($3,347), CDCP ($5,457), Special Admit ($5,457), Incarcerated Credit ($5,457), and Incarcerated Non-Credit ($3,347). For all FTES categories besides Traditional Credit, the data used to establish funding are the actual FTES from the most recent year.

For Traditional Credit FTES, a three-year average of the FTES of the current year, funded FTES of the prior year, and the funded FTES of the second prior year is the benchmark for current year funding. This three-year rolling average of funded Credit FTES is used instead of the most recent year's Credit FTES in order to financially protect districts from large enrollment swings and unexpected economic downturns. It is also used in order to increase district predictability for planning, program implementation, and budgeting.

Funding rates are the same for all districts, save for the 10 districts with higher Credit FTES rates as established in the previous funding formula. The base Credit FTES funding rate will decrease in 2019-2020 ($3,387) and 2020-21 ($3,046), to facilitate the shift from a systemwide 70% Base Allocation to 60%[3].

The following table demonstrates how **a hypothetical district** would be funded for its **Base Allocation**:

	Rate ($/FTES)	FTES	Total ($)
Basic Allocation			5,000,000
3-Year Average Credit [4]	3,727	3,000	11,181,000
Non-Credit [5]	3,347	500	1,673,500
CDCP	5,457	300	1,637,100
Special Admit	5,457	100	545,700
Incarcerated Credit	5,457	25	136,425
Incarcerated Non-Credit	3,347	0	0
			20,173,725

The Base Allocation funding for this hypothetical district would be **$20,173,725.**

While systemwide the Base Allocation comprises 70% of total revenue, it is not guaranteed and indeed unlikely that at the district level, exactly 70% of districtwide funds come from the Base Allocation, as the balance of individual districts' funding allocations will differ based on each district's own unique conditions and composition relative to the field. For example, one district may receive a Base Allocation equaling 68.5% while another may receive 70.8%. This percentage may change annually and is interrelated with a district's allocations for Student Success and Equity.

[3] Refer to question B8 in the Technical FAQ, and Education Code Section 84750.4(c) added per Bill AB 1809, linked at the end of the report.

[4] With Special Admit and Incarcerated Credit FTES removed

[5] With Incarcerated Non-Credit removed.

Supplemental Allocation

The **Supplemental Allocation** is the component of the SCFF that targets equity of access and opportunity for low-income students. It is calculated by distributing 20% of total systemwide revenue to districts based on their most recent year's unduplicated headcounts of **Pell Grant Recipients**, **AB540 Students**, and **College Promise Grant Recipients**. For 2018-19, all equity student categories are funded at a rate of $919 per student. If a student is both a Pell Grant and California College Grant recipient, they are funded twice. For 2019-20 and 2020-21, this $919 rate persists, adjusted for changes in COLA and other base adjustments, since the Supplemental Allocation will continue to comprise ~20% of total systemwide funding. All districts are funded at the same rate for the Supplemental Allocation.

The $919 rate was established by dividing the total Supplemental Allocation funds available (20% of Total System Revenue) by the total number of Pell, AB540 and College Promise Grant students in the CCC System, to establish dollars funded per student systemwide.

Unduplicated headcounts are used instead of FTES because some of the data is only available on a headcount basis (e.g., AB540 data). Headcounts are also preferred because, although some of these students may generate low individual FTES, each individual still requires specialized services, e.g. counseling. Using headcounts in the funding calculation ensures such services can stay funded.

The following table demonstrates how **a hypothetical district** would be funded for its **Supplemental Allocation**:

	Rate ($/Student)	Headcount	Total ($)
Pell Grant Recipients	919	2,500	2,297,500
AB540 Students	919	500	459,500
California Promise Grant Recipients	919	4,500	4,135,500
			6,892,500

The Supplemental Allocation funding for this hypothetical district would be **$6,892,500.**

Student Success Allocation

The **Student Success Allocation** is the component of the SCFF that targets and incentivizes successful outcomes of CCC students. The Success Allocation is calculated by distributing the remaining 10% of the total systemwide revenue to districts based on their performance in various outcome metrics. This may increase to 15% in 2019-20 and 20% in 2020-21.[6] There are eight outcome metrics that can generate success funding for a district: **Associate's Degrees**, **Bachelor's Degrees, Associate's Degrees for Transfer**, **Credit Certificates**, **Completion of 9+ CTE Units**, **Transfer**, **Completion of Transfer Level Math & English**, and **Achievement of Regional Living Wage**.

In formulating the SCFF, some metrics were weighted more than others by ascribing different point values to each metric. A single student outcome with more points will have a higher rate and thus generate more funding. Outcome metrics for Pell and College Promise students receive additional funding, in addition to the "All Students" rate.[7]

The tables on the following page show how the Student Success Allocation is calculated for **a single hypothetical district** on a per-outcome basis. While the outcome counts in the example are arbitrary, the rates ($/outcome) used are those that apply to all districts in 2018-19. Notably, a student who achieves multiple outcomes will have all of his or her outcomes count toward a district's funding.

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[6] As established by Ed. Code section 84750.4. This, however, may be amended this year according to the most recent update to the State Budget from the Governor.

[7] Each metric has a precise definition used when gathering data for districts; refer to Section D in the Technical FAQ (linked at the end of the report) for further definitions of the metrics, an explanation on how their funding rates were formed, and how they will increase in 2019 -20 and 2020 - 21.

Associate's Degree

	Rate	Outcomes	Total ($)
All Students	1,320	300	396,000
Pell	500	200	100,000
Promise	333	250	83,250
			579,250

The district receives **$579,250** in funding from Associate's Degrees awarded in the most recent year

Associate's Degree for Transfer (AD-T)

	Rate	Outcomes	Total ($)
All Students	1,760	25	44,000
Pell	666	5	3,330
Promise	444	10	4,440
			51,770

The district receives **$51,770** in funding from Associate's Degrees for Transfer

Credit Certificates

	Rate	Outcomes	Total ($)
All Students	880	50	44,000
Pell	333	15	4,995
Promise	222	30	6,660
			55,655

The district receives **$55,655** in funding from Credit Certificates awarded in the most recent year

Completion of 9+ CTE Units

	Rate	Outcomes	Total ($)
All Students	440	500	220,000
Pell	167	300	50,100
Promise	111	400	44,400
			314,500

The district receives **$314,500** in funding from students who completed at least 9 CTE units in the most recent year.

Transfer

	Rate	Outcomes	Total ($)
All Students	660	500	330,000
Pell	250	100	25,000
Promise	167	200	33,400
			388,400

The district receives **$388,400** in funding from students who were enrolled in their districts the year prior to successfully transferring to a 4-year higher education institution in the most recent year.

Transfer Level Math and English

	Rate	Outcomes	Total ($)
All Students	880	40	35,200
Pell	333	20	6,660
Promise	222	30	6,660
			48,520

The district receives **$48,520** in funding from students who successfully completed transfer level math and English in their first year, the most recent year.

Achieved Regional Living Wage

	Rate	Outcomes	Total ($)
All Students	440	500	220,000
Pell	167	150	25,050
Promise	111	200	22,200
			267,250

The district receives **$267,250** from students who were enrolled the prior year and achieved the regional living wage in the most recent year.

In total, the Student Success Allocation funding for this this **hypothetical district** would be **$1,705,345.**

Peralta CCD Projections

Assuming no change in FTES, Supplemental headcounts or Success outcomes from their most recent values, Peralta Community College District's **2018-19 Total Computational Revenue (TCR) is projected by the January 2019 SCFF Calculator to be $117,365.609, a 4.4% increase over the previous year's TCR of $112M.**[8]

Figure 1 below ranks the projected year-to-year funding changes between 2017-18 and 2018-19 for all districts in the system, with the switch to the SCFF before being held harmless. Each column represents one of the seventy-two CCC Districts. Systemwide these values range between -8% and +20%. Peralta CCD is highlighted at +4%. Systemwide the average year-to-year funding change in switching to the SCFF is +6.4%.

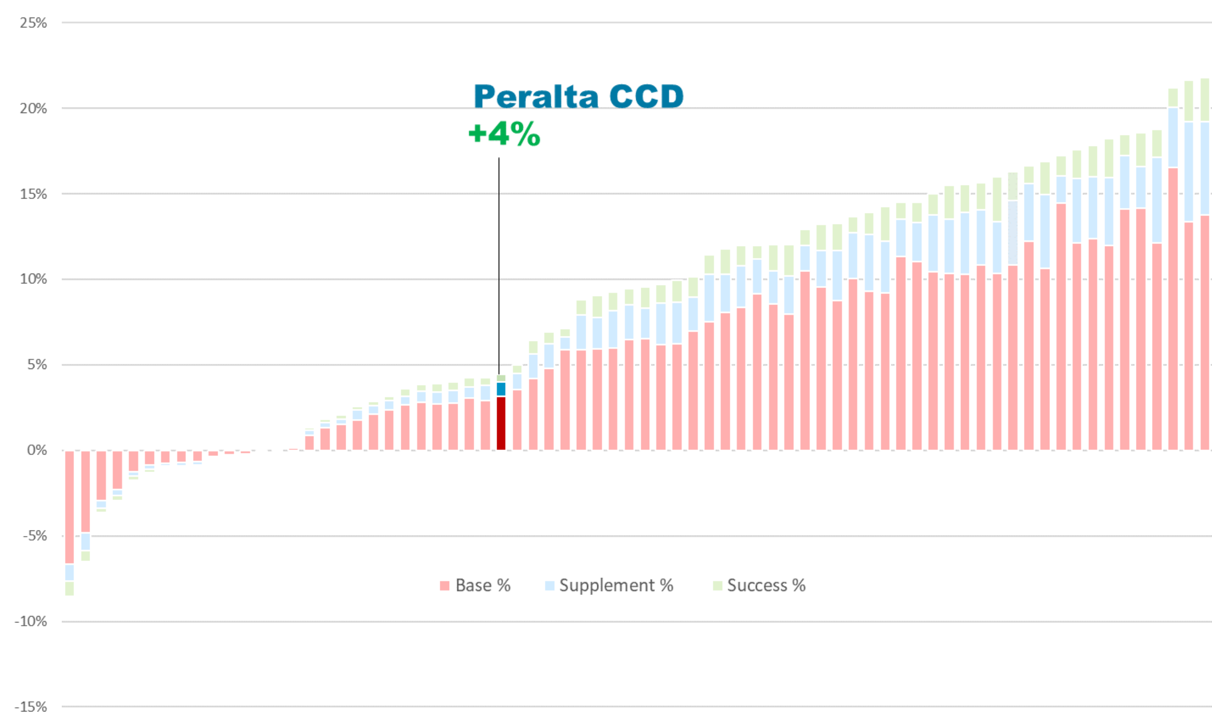

Figure 1: CCC System – All 72 Districts' Projected Year-to-Year % Change, 2017-18 to 2018-19

The reason for this moderate increase in funding with the switch to the SCFF is likely that the District is performing adequately in some of the funding metrics that have been added or modified with the new formula, while underperforming in others. The sections below will examine in detail each of the Base, Supplemental, and Student Success Allocations for the District, and the District's performance in various metrics against the systemwide average. For the Supplemental and Success allocations, the District's total 2017-18 unduplicated headcount will be used in analysis of its performance on individual funding metrics.

[8] The $117M revenue is based upon the computation from the most recent **January 2019 SCFF Calculator** and the most recent available data from the District.

Peralta CCD's **2016-17 Unduplicated Headcount was 50,786.** This headcount includes all categories of students—Credit, CDCP, Non-Credit, Incarcerated, and Special Admit.

Base Allocation

Peralta CCD is allocated **$83,253,762 from the Base Allocation** in the 2018-19 SCFF Calculator projections. This represents 71% of its 2018-19 TCR before being held harmless, close to the systemwide average Base proportion of 70%. Across the system, there is a moderate-to-strong negative relationship[9] between a district's proportion of Base funding and its year-to-year growth under the SCFF, indicating that the largest winners under the new formula *tend to be* those whose Base Allocation is less prominent.

Figure 2 on the next page visualizes the systemwide distribution of each district's allocation between Base, Supplemental and Student Success funding sources. Each column represents one of the seventy-two CCC districts. For each district, red represents the percentage of its revenue that is from the Base Allocation (with blue and green representing Supplemental and Success Allocations, respectively). Peralta CCD is highlighted. From left to right, the districts are ranked in order of the percent of their total 2018-19 revenue that is sourced from the Base Allocation. Across the system, this amount ranges from 62% to 82%. **Districts farther to the left are less dependent on FTES funding than districts to the right.** The average year-to-year funding increase of the bottom half of the districts—those on the left side of the chart with a Base Allocation proportion of less than 70%—is 9.5%, compared with only 3.3% for the other half of districts. This further emphasizes that districts with less funding from the Base Allocation *tend to* receive more funding under the SCFF.

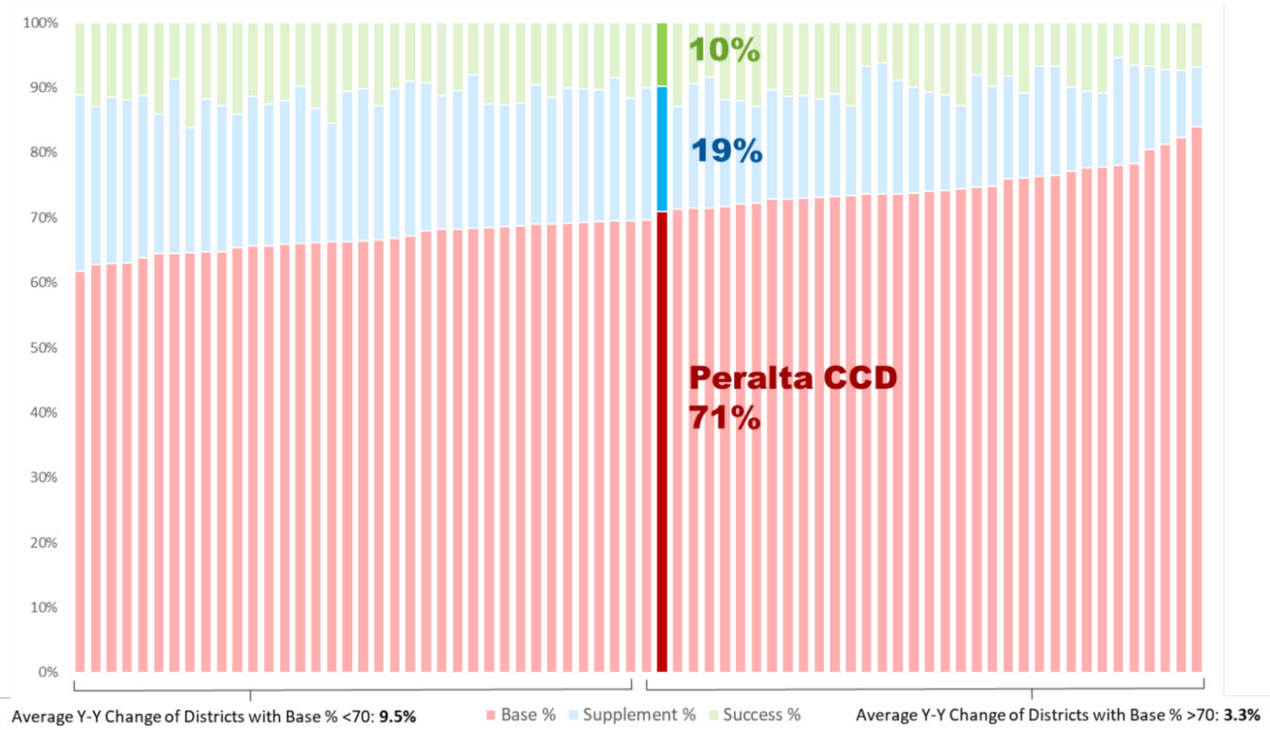

Figure 2: CCC System – All 72 Districts' Individual Allocation Proportions in 2018-19

Highlights from Peralta CCD's Base Allocation (refer to Table 1, page 19):

- **74% of the District's Base Allocation is from Traditional Credit FTES funding** ($61M). In 2018-19, Credit FTES are funded at a rate that is roughly 32% less than the previous year's rate.
- Special Admit FTES also generates nearly $6M in revenue for the District in 2018-19.

Supplemental Allocation

Peralta CCD is allocated **$22,606,481** from the Supplemental Allocation in 2018-19, as computed by the SCFF Calculator. This represents 19% of the District's total TCR, near the system Supplemental proportion of 20%. Systemwide there is a moderate positive relationship between the proportion of a district's TCR that comes from the Supplemental Allocation and its year-to-year funding increase from 2017-18 to 2018-19 under the new formula. [10] That is, districts whose portion of equity revenue is greater than the systemwide standard of 20% *tend to* fare better under the SCFF.

Highlights of Peralta CCD's Supplemental Allocation:

- **In 2017-18 the District served 7,701 Pell Grant Recipients, which generates $7.1M in supplemental funding for 2018-19**. Systemwide, 19% of California Community College students are Pell students. **For Peralta CCD,** which had a 2017-18 unduplicated headcount of 50,786,[11] **this proportion is 15%, slightly lower than the system average.** If the District had the systemwide average percentage of Pell students, it would have generated an additional $1.8M in supplemental revenue.
- **In 2017-18 the District served 16,269 California Promise Grant Recipients, which generates $14,951,211 in supplemental funding for 2018-19**. Systemwide, 42% of California Community College students are Promise students**. For Peralta CCD, this proportion is 32%, again lower than the system average.** If the District had the systemwide average percentage of Promise students, it would have generated an additional $4.7M in supplemental revenue.

[10] Correlation coefficient = 0.48

[11] As mentioned before, this headcount includes all groups of students—Credit, CDCP, Non-Credit, Incarcerated, and Special Admit.

- **Of all of the new funding metrics added with the SCFF, the ones most associated with year-to-year funding increases from 2017-18 to 2018-19 are the headcounts of Pell and Promise students.** Systemwide, there is a strong positive relationship between a district's year-to-year funding growth and its proportion of Pell and Promise Grant student headcounts.[12] That is, **districts with proportionally more Pell and Promise students *are very likely* to receive significantly more total funding under the SCFF**, not considering any other variables**.**

  Figure 3 below presents this trend for Promise headcounts. On the plot, each point represents one community college district. Districts are placed according to their year-to-year funding % change from 2017-18 to 2018-19 (y-axis) against their proportion of Promise students to overall unduplicated headcount (x-axis). Peralta CCD is highlighted in red (32% Promise headcount proportion, +4% Y-to-Y funding change). **The District's position on the trendline signifies that its actual year-to-year growth is at its expected level given its proportion of Promise students.**

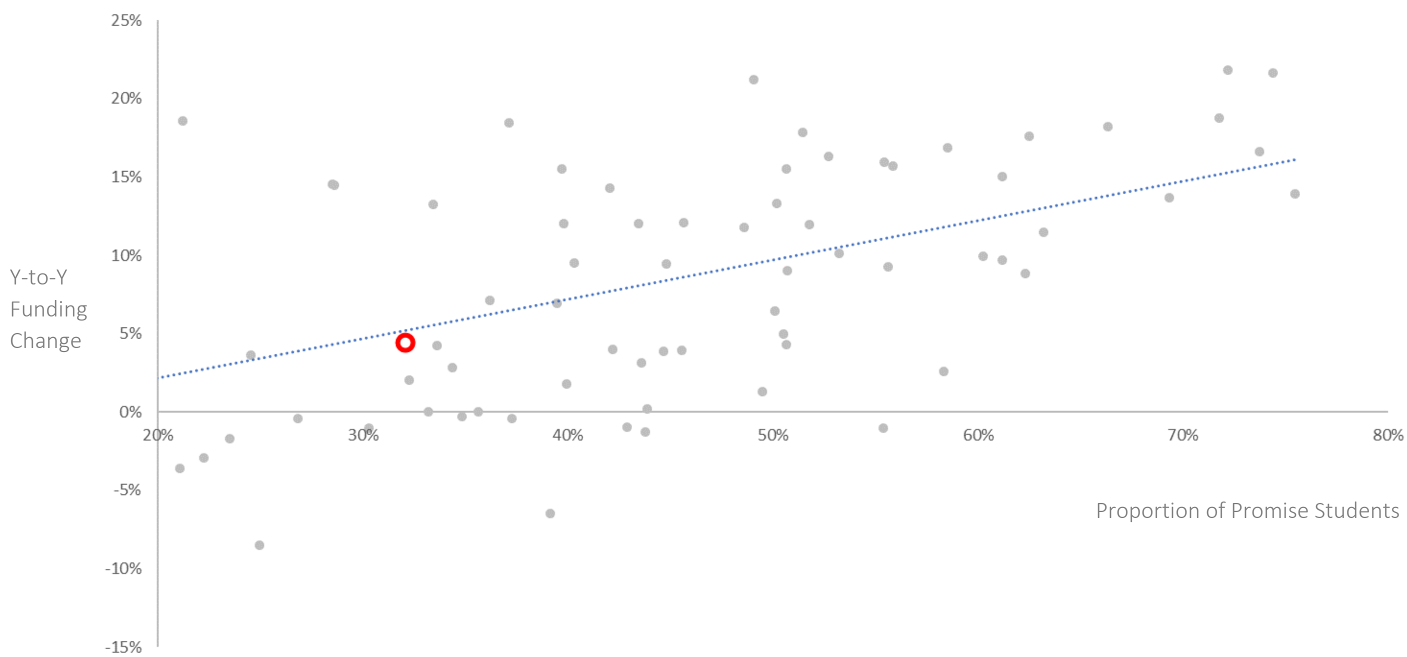

Figure 3: Year-to-Year Growth versus Proportion of Promise Grant Recipients, All Districts[13]

[12] Pell correlation coefficient = 0.58. Promise correlation coefficient = 0.68

[13] Based on July 2017 SCFF Simulation, using 16-17 data

Student Success Allocation

Peralta CCD is allocated **$11,505,366** from the Student Success Allocation 2018-19 as computed by the SCFF Calculator. This is **10% of the District's total TCR,** the same as the systemwide proportion of 10%. $8,617,840 of Success revenue is from all students, and successful outcomes of Pell Grant and California Promise Grant recipients generate an additional bonus of $2,887,527.

Highlights of Peralta CCD's Student Success Allocation:

- The outcome from which the District earns the highest amount of success revenue is **Transfer**, followed by **AAs, 9+CTE Units,** and **Certificates**.
- **25% of the District's success revenue is from the Pell and Promise student success bonus**, equal to the systemwide average.
- **In Student Success categories, the District trails the System average of outcomes as a proportion of unduplicated headcount in all outcome categories.** The largest deficiencies are in **AAs, 9+ CTE Units,** and **Living Wage** (Figure 5, next page).
- If the District were instead at the system average proportion in AAs, 9+ CTE Units and Living Wage, **it would have generated an additional $3M in success revenue for 2018-19, from all students alone**.

A "**Success Score**" was developed that aggregates each district's performance across all success metrics, each weighted for its respective point values as ascribed by the SCFF, then scaled to 100.[14]

Using unduplicated headcounts as basis for comparison, across the system the success scores range from 25 to 100. **Peralta CCD's Success Score is 37,** one of the lowest in the system. Systemwide, the average Success Score is 56. The distribution of scores are in Figure 4 below (Peralta CCD in blue, with regional neighbors identified):

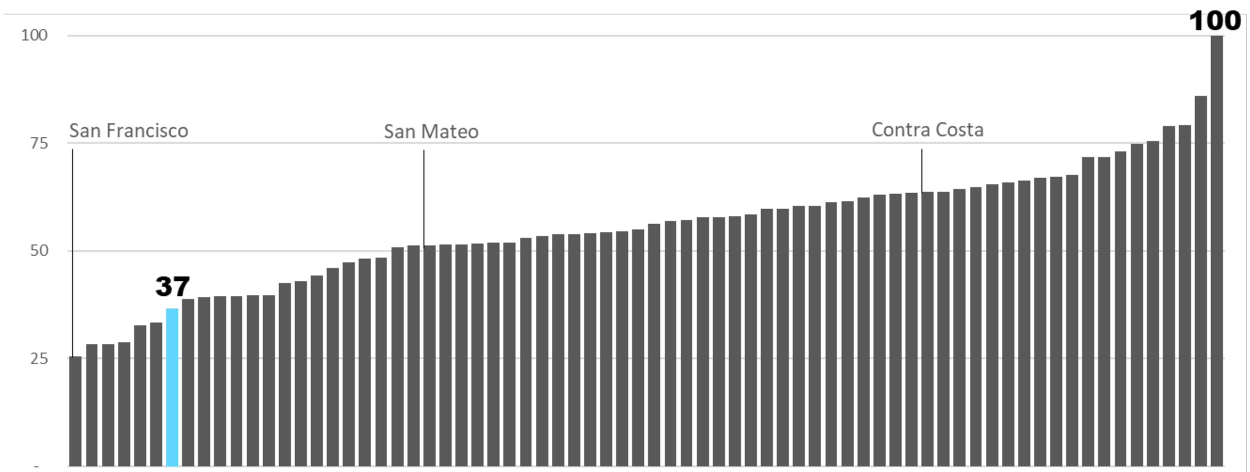

Figure 4: Success Score Distribution for CCC System, Unduplicated Headcount as Standardizing Base

[14] Cambridge West Partnership developed the Success Score independently in order to approximate the relative performance of districts across student success measures.

The table below displays the methodology used to compute the Success Score.[15]

Peralta CCD Success Score Computation (using '17-18 data)

Unduplicated Headcount: 50,786	Total Outcomes	% of Total Unduplicated Headcount	System Average	Funding Weight	Weighted Percentage	Scaled Sum (Success Score) = Weighted percentage sum*scaling factor of 0.97
AAs	1,345	2.65%	5.03%	3	7.95%	
AD-Ts	568	1.12%	2.12%	4	4.48%	
Certificates	1,220	2.40%	2.88%	2	4.80%	
9+ CTE Units	2,758	5.43%	8.27%	1	5.43%	
Transfer	3,254	6.41%	6.56%	1.5	9.62%	
Xfer M&E	241	0.47%	1.09%	2	0.94%	
Living Wage	2,718	5.35%	8.83%	1	5.35%	
SUM					**38.03%**	**37**

The Figure below visualizes the performance of Peralta CCD in each of the seven Success Metrics, compared with the Systemwide average.

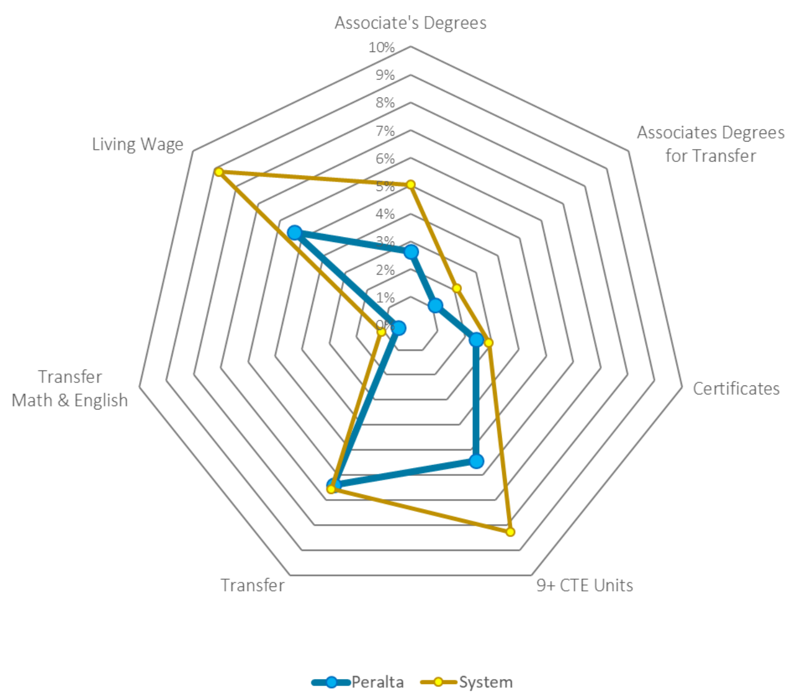

Figure 5: Peralta CCD vs. System: Success Metrics' Outcomes as % of Unduplicated Headcount

[15] For each district, the number of total '17-18 outcomes for each of the seven Success metrics (All Students only) was divided by the '17-18 total unduplicated headcount of the district. These percentages were then multiplied by a weighting factor, based on the point value attributed to each metric by the SCFF. This ensures the relative importance and funding level of each metric is accounted for in the Success Score. The sum of all of these weighted percentages was then scaled to be a maximum of 100 for the whole system. The resulting value is the Success Score.

Future Years: 2019-20, 2020-21 and 2021-22

The SCFF Calculator can project State apportionment funding for years beyond 2018-19. Later years will be projected according to the following scenario.[16] Reported Traditional Credit FTES is projected to stay constant at 14,975.63, and all supplemental headcounts and success outcomes are assumed to stay the same through the four years. Systemwide rates will shift as the overall allocation between Base, Supplemental and Success Allocations change from approximately 70%/20%/10% to 60%/20%/20% and the most recent COLA estimates are applied to all years.[17] It is important to note that these COLA percentages are only estimates, and any projected funding increases resulting from changes in COLA are contingent on these estimates holding true in future years. All projections are presented in Figure 6 on the following page, and in Table 1 (p. 19).

In 2019-20, Peralta CCD's Revenue as calculated by the SCFF is projected to be $120,854,615. This represents a 2.97% increase from the prior year after being held harmless

In 2020-21, Peralta CCD's Revenue as calculated by the SCFF is projected to be $122,827,093. This represents a 1.63% increase from the prior year after being held harmless. **The District is projected to be held harmless for $2.3M in this year.** The reason for this is twofold: the 3-year Traditional Credit FTES is projected to drop in this year, and performance on Success metrics is not strong enough to generate significant revenue.

In 2021-22, **Peralta CCD's Revenue as calculated by the SCFF is $124,047,887**, a 1% increase from the prior year after losing hold harmless funding, with the following composition:

- Base Allocation: $74,084,951 (60% of TCR)
- Supplemental Allocation: $24,760,123 (20% of TCR)
- Student Success Allocation: $25,202,813 (20% of TCR)

Hold Harmless calculations are displayed below on Table 2 (p. 20). A Summary of projected SCFF revenue is on Table 3 (p. 21).

[16] Scenarios were chosen in consultation with District administration.

[17] This shift is based on current Ed. Code. It may not occur in the years specified, per the most recent updated to the Governor's Budget. A table with projected revenues under the Governor's Proposed budget is on page 22 (Table 4)

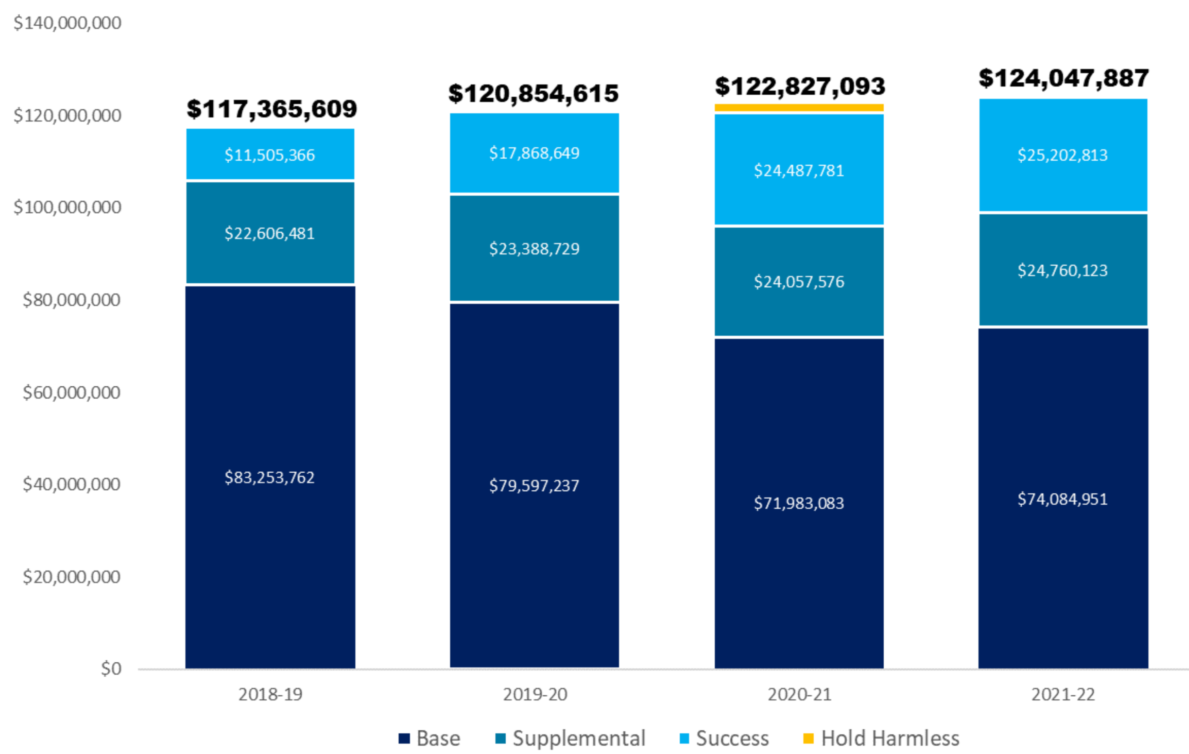

Figure 6: Peralta CCD's Projected Revenue, 2018-19 to 2021-22

PERALTA COMMUNITY COLLEGE DISTRICT

SCFF Calculation

Peralta Community College District

		Estimated State COLA	2018-19	2.71%		% change	2019-20	3.46%		% change	2020-21	2.86%		% change	2021-22	2.92%		% change
			FTES	Rate	Total		FTES	Rate	Total		FTES	Rate	Total		FTES	Rate	Total	
Base Allocation		Basic Allocation			$ 15,671,044				$ 16,213,262	3.46%			$ 16,676,962	2.86%			$ 17,163,929	2.92%
	Credit FTES	3-Year Average Credit	16,428.30	$3,727	$ 61,228,287		16,211.93	$ 3,504	$ 56,809,683	-7.22%	14,975.63	$ 3,242	$ 48,543,804	-14.55%	14,975.63	$ 3,336	$ 49,961,248	2.92%
		Special Admit	1,093.24	$5,457	$ 5,965,811		1,093.24	$ 5,646	$ 6,172,225		1,093.24	$ 5,807	$ 6,348,751		1,093.24	$ 5,977	$ 6,534,131	
		Incarcerated Credit	-	$5,457	$ -		-	$ 5,646	$ -		-	$ 5,807	$ -		-	$ 5,977	$ -	
		Subtotal	17,521.54		$ 67,194,097		17,305.17		$ 62,981,908	-6.27%	16,068.87		$ 54,892,555	-12.84%	16,068.87		$ 56,495,379	2.92%
	Non-Credit FTES	Traditional Non Credit	116.11	$3,347	$ 388,620		116.11	$ 3,463	$ 402,067		116.11	$ 3,562	$ 413,566		116.11	$ 3,666	$ 425,643	
		CDCP	-	$5,457	$ -		-	$ 5,646	$ -		-	$ 5,807	$ -		-	$ 5,977	$ -	
		Incarcerated Non-Credit	-	$3,347	$ -		-	$ 3,463	$ -		-	$ 3,562	$ -		-	$ 3,666	$ -	
		Subtotal	116.11		$ 388,620		116.11		$ 402,067	3.46%	116.11		$ 413,566	2.86%	116.11		$ 425,643	2.92%
		Total	**17,637.65**		**$ 83,253,762**		**17,421.28**		**$ 79,597,237**	-4.39%	**16,184.98**		**$ 71,983,083**	-9.57%	**16,184.98**		**$ 74,084,951**	2.92%
			Headcount	Rate			Headcount	Rate			Headcount	Rate			Headcount	Rate		
Supplemental Allocation		Pell Grant Recipients	7,701	$ 919	$ 7,077,219		7,701	$ 951	$ 7,322,111		7,701	$ 978	$ 7,531,501		7,701	$ 1,007	$ 7,751,442	
		State Nonresident Fee Waiver	629	$ 919	$ 578,051		629	$ 951	$ 598,053		629	$ 978	$ 615,156		629	$ 1,007	$ 633,120	
		California Promise Grant Recipients	16,269	$ 919	$ 14,951,211		16,269	$ 951	$ 15,468,565		16,269	$ 978	$ 15,910,919		16,269	$ 1,007	$ 16,375,562	
		Total	**24,599**		**$ 22,606,481**		**24,599**		**$ 23,388,729**	3.46%	**24,599**		**$ 24,057,576**	2.86%	**24,599**		**$ 24,760,123**	2.92%
			Outcomes	Rate			Outcomes	Rate			Outcomes	Rate			Outcomes	Rate		
Student Success Allocation	All Students	Associate Degrees	1,345	$1,320	$ 1,775,400		1,345	$ 2,049	$ 2,755,246		1,345	$ 2,809	$ 3,778,724		1,345	$ 2,892	$ 3,889,068	
		Baccalaureate Degrees	-	$1,320	$ -		-	$ 2,049	$ -		-	$ 2,809	$ -		-	$ 2,892	$ -	
		Associate Degrees for Transfer	568	$1,760	$ 999,680		568	$ 2,731	$ 1,551,401		568	$ 3,746	$ 2,127,698		568	$ 3,855	$ 2,189,827	
		Credit Certificates	1,220	$ 880	$ 1,073,600		1,220	$ 1,366	$ 1,666,117		1,220	$ 1,873	$ 2,285,028		1,220	$ 1,928	$ 2,351,745	
		Nine or More CTE Units	2,758	$ 440	$ 1,213,520		2,758	$ 683	$ 1,883,273		2,758	$ 936	$ 2,582,831		2,758	$ 964	$ 2,658,243	
		Transfer	3,254	$ 660	$ 2,147,640		3,254	$ 1,024	$ 3,332,910		3,254	$ 1,405	$ 4,570,992		3,254	$ 1,446	$ 4,704,471	
		Transfer Level Math and English	241	$ 880	$ 212,080		241	$ 1,366	$ 329,126		241	$ 1,873	$ 451,387		241	$ 1,928	$ 464,566	
		Achieved Regional Living Wage	2,718	$ 440	$ 1,195,920		2,718	$ 683	$ 1,855,959		2,718	$ 936	$ 2,545,371		2,718	$ 964	$ 2,619,690	
		Subtotal	12,104		$ 8,617,840		12,104		$ 13,374,032	55.19%	12,104		$ 18,342,031	37.15%	12,104		$ 18,877,610	2.92%
	Equity: Pell Grant Recipients	Associate Degrees	796	$ 500	$ 397,602		796	$ 778	$ 618,890		796	$ 1,063	$ 846,248		796	$ 1,094	$ 870,959	
		Baccalaureate Degrees	-	$ 500	$ -		-	$ 778	$ -		-	$ 1,063	$ -		-	$ 1,094	$ -	
		Associate Degrees for Transfer	331	$ 666	$ 220,446		331	$ 1,037	$ 343,138		331	$ 1,418	$ 469,193		331	$ 1,459	$ 482,893	
		Credit Certificates	642	$ 333	$ 213,786		642	$ 518	$ 332,768		642	$ 709	$ 455,018		642	$ 729	$ 468,307	
		Nine or More CTE Units	1,246	$ 167	$ 207,459		1,246	$ 259	$ 322,926		1,246	$ 354	$ 441,551		1,246	$ 365	$ 454,441	
		Transfer	1,271	$ 250	$ 317,432		1,271	$ 389	$ 494,101		1,271	$ 532	$ 675,616		1,271	$ 547	$ 695,339	
		Transfer Level Math and English	96	$ 333	$ 31,968		96	$ 518	$ 49,760		96	$ 709	$ 68,040		96	$ 729	$ 70,027	
		Achieved Regional Living Wage	595	$ 167	$ 99,068		595	$ 259	$ 154,206		595	$ 354	$ 210,853		595	$ 365	$ 217,008	
		Subtotal	4,977		$ 1,487,761		4,977		$ 2,315,789	55.66%	4,977		$ 3,166,519	36.74%	4,977		$ 3,258,974	2.92%
	Equity: California Promise Grant Recipients	Associate Degrees	1,016	$ 333	$ 338,328		1,016	$ 518	$ 526,623		1,016	$ 709	$ 720,090		1,016	$ 729	$ 741,121	
		Baccalaureate Degrees	-	$ 333	$ -		-	$ 518	$ -		-	$ 709	$ -		-	$ 729	$ -	
		Associate Degrees for Transfer	429	$ 444	$ 190,476		429	$ 691	$ 296,486		429	$ 945	$ 405,405		429	$ 973	$ 417,241	
		Credit Certificates	868	$ 222	$ 192,696		868	$ 346	$ 299,946		868	$ 473	$ 410,130		868	$ 486	$ 422,108	
		Nine or More CTE Units	1,829	$ 111	$ 203,019		1,829	$ 173	$ 316,015		1,829	$ 236	$ 432,101		1,829	$ 243	$ 444,721	
		Transfer	1,937	$ 167	$ 322,511		1,937	$ 259	$ 502,012		1,937	$ 354	$ 686,425		1,937	$ 365	$ 706,463	
		Transfer Level Math and English	123	$ 222	$ 27,306		123	$ 346	$ 42,504		123	$ 473	$ 58,118		123	$ 486	$ 59,815	
		Achieved Regional Living Wage	1,130	$ 111	$ 125,430		1,130	$ 173	$ 195,241		1,130	$ 236	$ 266,963		1,130	$ 243	$ 274,760	
		Subtotal	7,332		$ 1,399,766		7,332		$ 2,178,828	55.66%	7,332		$ 2,979,232	36.74%	7,332		$ 3,066,229	2.92%
		Preliminary Total	24,413		$ 11,505,366		24,413		$ 17,868,649	55.31%	24,413		$ 24,487,781	37.04%	24,413		$ 25,202,813	2.92%
	Success Growth	Available Growth						55.31%	$ 6,363,282			37.04%	$ 6,619,133			2.92%	$ 715,032	
		Maximum Growth		no limit				no limit				no limit				no limit		
		Funded Growth						55.31%	$ 6,363,282			37.04%	$ 6,619,133			2.92%	$ 715,032	
		Total			**$ 11,505,366**				**$ 17,868,649**	55.31%			**$ 24,487,781**	37.04%			**$ 25,202,813**	2.92%
		Total SCFF before Hold Harmless			**$ 117,365,609**	**4.44%**			**$ 120,854,615**	2.97%			**$ 120,528,440**	-0.27%			**$ 124,047,887**	2.92%
		Hold Harmless Funding			**$ -**				**$ -**				**$ 2,298,653**				**$ -**	
		Total SCFF			**$ 117,365,609**	**4.44%**			**$ 120,854,615**	**2.97%**			**$ 122,827,093**	**1.63%**			**$ 124,047,887**	**0.99%**

Table 1: Peralta CCD Simulated SCFF Revenue, per Current Ed. Code, 2018-19 through 2021-22

CW/P

19

Hold Harmless Calculation

Line 1	Total SCFF before Hold Harmless	$ 117,365,609	$ 120,854,615			$ 120,528,440			$ 124,047,887
Line 2	2017-18 Total Computational Revenue (TCR)	$ 112,373,122 *	112,373,122 *						
Line 3	2017-18 TCR Rates x Current Year Workload								
	Basic Allocation					15,257,564			15,257,564
	Credit FTES rate			16,068.87	$ 5,301	$ 85,177,399 **	16,068.87	$ 5,301	$ 85,177,399 **
	Noncredit FTES rate			116.11	$ 3,188	$ 370,101	116.11	$ 3,188	$ 370,101
	CDCP Noncredit FTES rate			-	$ 5,301	$ -	-	$ 5,301	$ -
	Subtotal					100,805,064 *			100,805,064 *
Line 4	Greater of prior year or current year SCFF calculation		$ 120,854,615			$ 120,854,615			$ 124,047,887
Line 5	2017-18 TCR adjusted by COLA	$ 115,418,434	$ 119,411,912			$ 122,827,093			
	Maximum Hold Harmless Value	$ 117,365,609	$ 120,854,615			$ 122,827,093			$ 124,047,887
	Additional Funding due to Hold Harmless	**$ -**	**$ -**			**$ 2,298,653**			**$ -**

Table 2: Peralta CCD Hold Harmless Calculations, 2018-19 through 2021-22

CW/P

20

District SCFF Summary

340	Peralta

Student Centered Funding Formula Results

	2017-18	2018-19	2019-20	2020-21	2021-22
Base Allocation		$ 83,253,762	$ 79,597,237	$ 71,983,083	$ 74,084,951
Supplemental Allocation		$ 22,606,481	$ 23,388,729	$ 24,057,576	$ 24,760,123
Student Success Allocation		$ 11,505,366	$ 17,868,649	$ 24,487,781	$ 25,202,813
Subtotal		$ 117,365,609	$ 120,854,615	$ 120,528,440	$ 124,047,887
Hold Harmless		$ -	$ -	$ 2,298,653	$ -
Total	**$ 112,373,122**	**$ 117,365,609**	**$ 120,854,615**	**$ 122,827,093**	**$ 124,047,887**
% Change from Prior Yr.		4.44%	2.97%	1.63%	0.99%

Districtwide Distribution of Funding Sources

	2018-19	2019-20	2020-21	2021-22
Base Allocation	71%	66%	59%	60%
Supplemental Allocation	19%	19%	20%	20%
Student Success Allocation	10%	15%	20%	20%
Hold Harmless	0%	0%	2%	0%

FTES

	2018-19	2019-20	2020-21	2021-22
Traditional Credit FTES				
Reported FTES	14,975.63	14,975.63	14,975.63	14,975.63
3-year Average	16,428.30	16,211.93	14,975.63	14,975.63
Available for Growth	-	-	-	-
Achieved Growth	-	-	-	-
Paid FTES	**16,428.30**	**16,211.93**	**14,975.63**	**14,975.63**
Excess FTES	-	-	-	-
Other FTES				
Credit				
Reported FTES	1,093.24	1,093.24	1,093.24	1,093.24
Achieved Growth	-	-	-	-
Paid FTES	**1,093.24**	**1,093.24**	**1,093.24**	**1,093.24**
Excess FTES	-	-	-	-
Non-Credit				
Reported FTES	116.11	116.11	116.11	116.11
Achieved Growth	60.63	-	-	-
Paid FTES	**116.11**	**116.11**	**116.11**	**116.11**
Excess FTES	-	-	-	-

Table 3: Peralta CCD Funding Projections, 2018-19 through 2021-22

Future Obligations of District

After passage of the Higher Education Trailer Bill AB-1809, on June 27,2018, Section 84750.4(m)(1) of the California State Education Code requires the following from all districts:

> "The governing board of each community college district shall certify it will do all the following, no later than January 1, 2019: [18]
>
> (i) Adopt goals for the community college district that meet the following requirements:
>
> (I) Are aligned with the systemwide goals identified in the Vision for Success, which were adopted by the Board of Governors of the California Community Colleges in 2017.
>
> (II) Are measurable numerically.
>
> (III) Specify the specific timeline for achievement.
>
> (ii) For the meeting when the goals are considered for adoption, include in the written agenda an explanation of how the goals are consistent and aligned with the systemwide goals.
>
> (iii) Submit the written item and summary of action to the chancellor's office."

Section 84750.4(m)(2) requires:

> "Each community college district shall align its comprehensive plan pursuant to paragraph (9) of subdivision (b) of Section 70901 with the adopted local plan goals and align its budget with the comprehensive plan. The funds apportioned to a community college district pursuant to this section, and for excess tax districts, the Student Equity and Achievement Program, shall be available to implement the activities required pursuant to this paragraph."

Additionally, it is the responsibility of the district to adjust to new instructions for the external audit report, per section 84750.4 (m)(4)(C):

> "The board of governors shall include instructions in the audit report required by Section 84040 related to the implementation of the funding formula pursuant to this section. The chancellor may require a community college district to repay any funding associated with an audit exception identified in a community college district's audit report pursuant to this subparagraph."

Resources

Technical FAQ

http://extranet.cccco.edu/Portals/1/CFFP/Fiscal_Services/SCFF/TechnicalFAQsAugust17version.pdf

Education Code Section 84750.4

http://extranet.cccco.edu/Portals/1/CFFP/Fiscal_Services/SCFF/Statutory%20Language%20Student%20Centered%20Funding%20Formula%20Language%20-%20AB%201809.pdf

SCFF 2018-19 Simulation (w/ Data Dictionary)

http://extranet.cccco.edu/Portals/1/CFFP/Fiscal_Services/SCFF/2018-19%20Student%20Centered%20Funding%20Formula%20Simulations%20July%2017,%202018.xlsx

FCMAT SCFF Calculator

Appendix D

Fiscal Trend Analysis Sheets

Analysis of Selected Data from the Annual Fin. and Budget Report (CCFS-311), Qtrly. Fin. Status Report (CCFS-311Q), and Fiscal Data Abstract
For the period FY 2013-14 to 2017-18

340		Unrestricted GF-Col 2	Unrestricted GF - Fund 11, Col 1			
PERALTA		Budgeted	Actual	Actual	Actual	Actual
EDP No.	Acct Description	2017-18	2016-17	2015-16	2014-15	2013-14
8100	Federal Revenues	0	1,332	4,722	10,080	18,916
8600	State Revenues	82,976,431	69,263,865	87,062,135	69,028,615	70,397,373
8800	Local Revenues	60,221,882	68,880,267	57,572,856	55,874,852	45,289,037
8900	Other Financing Soures	9,650,000	11,845,534	8,400,897	10,484,708	11,188,145
801	Total Revenues	152,848,313	149,990,998	153,040,610	135,398,255	126,893,471
1000	Academic Salaries	49,183,112	50,954,779	53,647,945	45,723,680	39,636,396
2000	Classified Salaries	29,907,240	26,628,837	23,193,299	22,694,792	23,165,417
3000	Employee Benefits	43,597,126	52,120,082	39,905,529	37,741,848	37,061,495
4000	Supplies and Materials	1,590,318	1,668,002	1,889,755	1,686,465	1,490,690
5000	Other Operating Expenses and Services	21,833,331	19,387,830	19,903,594	17,499,547	14,957,742
6000	Capital Outlay	328,317	671,861	1,067,814	583,705	469,621
7000	Other Outgo	6,059,821	5,648,524	11,756,639	8,205,140	7,080,296
501	Total Expenditures	152,499,265	157,079,915	151,364,575	134,135,177	123,861,657
201	Excess/(Deficiency) of Rev. over Expenditures	349,048	(7,088,917)	1,676,035	1,263,078	3,031,814
901	Net Increase/(Decrease) in Fund Balance	349,048	(7,088,917)	1,676,035	1,263,078	3,031,814
902	Net Beginning Balance, July 1	7,794,604	20,525,651	18,849,566	17,586,488	15,333,744
903	Prior Year Adjustment	0	(5,642,130)	50	0	(779,070)
904	Adjusted Beginning Balance	7,794,604	14,883,521	18,849,616	17,586,488	14,554,674
905	Ending Balance, June 30	8,143,652	7,794,604	20,525,651	18,849,566	17,586,488
		2017-18	2016-17	2015-16	2014-15	2013-14
	Fund Balance % [905/501]	5.3%	5.0%	13.6%	14.1%	14.2%
	Required Fund Balance to meet 5% threshhold	7,624,963	7,853,996	7,568,229	6,706,759	6,193,083
	Over/(Under) 5%threshold	518,689	(59,392)	12,957,422	12,142,807	11,393,405

Year-to-Year Change								
	From 16/17 to 17/18		From 15/16 to 16/17		From 14/15 to 15/16		From 13/14 to 14/15	
EDP No.	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
8100	(1,332)	-100.0%	(3,390)	-71.8%	(5,358)	-53.2%	(8,836)	-46.7%
8600	13,712,566	19.8%	(17,798,270)	-20.4%	18,033,520	26.1%	(1,368,758)	-1.9%
8800	(8,658,385)	-12.6%	11,307,411	19.6%	1,698,004	3.0%	10,585,815	23.4%
8900	(2,195,534)	-18.5%	3,444,637	41.0%	(2,083,811)	-19.9%	(703,437)	-6.3%
801	2,857,315	1.9%	(3,049,612)	-2.0%	17,642,355	13.0%	8,504,784	6.7%
1000	(1,771,667)	-3.5%	(2,693,166)	-5.0%	7,924,265	17.3%	6,087,284	15.4%
2000	3,278,403	12.3%	3,435,538	14.8%	498,507	2.2%	(470,625)	-2.0%
3000	(8,522,956)	-16.4%	12,214,553	30.6%	2,163,681	5.7%	680,353	1.8%
4000	(77,684)	-4.7%	(221,753)	-11.7%	203,290	12.1%	195,775	13.1%
5000	2,445,501	12.6%	(515,764)	-2.6%	2,404,047	13.7%	2,541,805	17.0%
6000	(343,544)	-51.1%	(395,953)	-37.1%	484,109	82.9%	114,084	24.3%
7000	411,297	7.3%	(6,108,115)	-52.0%	3,551,499	43.3%	1,124,844	15.9%
501	(4,580,650)	-2.9%	5,715,340	3.8%	17,229,398	12.8%	10,273,520	8.3%
201	7,437,965	104.9%	(8,764,952)	-523.0%	412,957	32.7%	(1,768,736)	-58.3%
901	7,437,965	104.9%	(8,764,952)	-523.0%	412,957	32.7%	(1,768,736)	-58.3%
902	(12,731,047)	-62.0%	1,676,085	8.9%	1,263,078	7.2%	2,252,744	14.7%
903	5,642,130	100.0%	(5,642,180)	#########	50	n/a	779,070	100.0%
904	(7,088,917)	-47.6%	(3,966,095)	-21.0%	1,263,128	7.2%	3,031,814	20.8%
905	349,048	4.5%	(12,731,047)	-62.0%	1,676,085	8.9%	1,263,078	7.2%
		% Change		% Change		% Change		% Change
Fund Balance %		0.4%		-8.6%		-0.5%		-0.1%

FTES:			2016-17	2015-16	2014-15	2013-14
	FTES-Resident	19,507	15,768	19,528	19,502	18,642
	FTES-Nonresident		1,626	1,722	1,539	1,358
	Total FTES		17,394	21,251	21,042	20,000

	From 16/17 to 17/18		From 15/16 to 16/17		From 14/15 to 15/16		From 13/14 to 14/15	
FTES:	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
FTES-Resident	3,739	23.7%	(3,760)	-19.3%	26	0.1%	860	4.6%
FTES-Nonresident			(97)	-5.6%	183	11.9%	181	13.3%
Total FTES			(3,857)	-18.1%	209	1.0%	1,042	5.2%

50 % Law:		2017-18	2017-18	2016-17	2015-16	2014-15
	Instruction Salary Costs		67,034,618	62,807,277	54,754,563	47,932,353
	Current Expense of Education		133,362,742	122,885,922	109,223,165	95,834,243
	% of Instructional Salary Costs to CEE		50.26%	51.11%	50.13%	50.02%
	50% Requirement		66,681,371	61,442,961	54,611,583	47,917,122
	Over/(Under) 50% Requirement		353,247	1,364,316	142,981	15,232
	Salaries and Benefits as a % of Total Expenditures	80.5%	82.6%	77.1%	79.1%	80.6%

50 % Law:			$ Change	% Change	$ Change	% Change	$ Change	% Change
Instruction Salary Costs			4,227,341	6.7%	8,052,714	14.7%	6,822,210	14.2%
Current Expense of Education			10,476,820	8.5%	13,662,757	12.5%	13,388,922	14.0%
% of Instructional Salary Costs to CEE				-0.8%		1.0%		0.1%
		% Change		% Change		% Change		% Change
Salaries and Benefits as a % of Total Expenditures		-2.1%		5.4%		-2.0%		-1.5%

GF Cash balance (unrestricted and restricted:	2017-18 1st Qtr 311Q Report	2016-17 4th Qtr 311Q Report	2015-16 4th Qtr 311Q Report	2014-15 4th Qtr 311Q Report	2013-14 4th Qtr 311Q Report
Cash Balance per 311Q (excluding investments)	15,543,187	15,147,573	15,035,375	0	0

	From 16/17 to 17/18		From 15/16 to 16/17		From 14/15 to 15/16		From 13/14 to 14/15	
	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
Cash Balance per 311Q (excluding investments)	395,614	2.6%	112,198	0.7%	15,035,375	n/a	0	n/a