

CALIFORNIA COMMUNITY COLLEGES CHANCELLOR'S OFFICE

Quarterly Financial Status Report, CCFS-311Q VIEW QUARTERLY DATA

CHANGE THE PERIOD

Fiscal Year: 2017-2018

Quarter Ended: (Q2) Dec 31, 2017

District: (060) PALOMAR

Line	Description	As of June 30 for the fiscal year specified			
		Actual 2014-15	Actual 2015-16	Actual 2016-17	Projected 2017-2018
I. Unrestricted General Fund Revenue, Expenditure and Fund Balance:					
A. Revenues:					
A.1	Unrestricted General Fund Revenues (Objects 8100, 8600, 8800)	106,669,421	118,065,699	114,347,862	114,631,736
A.2	Other Financing Sources (Object 8900)	1,248,415	763,000	10,367,225	4,250,445
A.3	Total Unrestricted Revenue (A.1 + A.2)	107,917,836	118,828,699	124,715,087	118,882,181
B. Expenditures:					
B.1	Unrestricted General Fund Expenditures (Objects 1000-8000)	102,928,444	104,961,269	117,119,476	117,935,623
B.2	Other Outgo (Objects 7100, 7200, 7300, 7400, 7500, 7600)	5,455,603	5,420,650	7,594,375	5,185,409
B.3	Total Unrestricted Expenditures (B.1 + B.2)	108,384,047	110,381,919	124,713,851	123,121,032
C.	Revenues Over(Under) Expenditures (A.3 - B.3)	-466,211	8,446,780	1,236	-4,238,851
D.	Fund Balance, Beginning	10,548,414	10,082,203	21,852,544	21,853,780
D.1	Prior Year Adjustments + (-)	0	3,323,561	0	0
D.2	Adjusted Fund Balance, Beginning (D + D.1)	10,548,414	13,405,764	21,852,544	21,853,780
E.	Fund Balance, Ending (C. + D.2)	10,082,203	21,852,544	21,853,780	17,614,929
F.1	Percentage of GF Fund Balance to GF Expenditures (E. / B.3)	9.3%	19.8%	17.5%	14.3%

II. Annualized Attendance FTES:

G.1	Annualized FTES (excluding apprentice and non-resident)	19,323	16,603	18,129	17,741
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		As of the specified quarter ended for each fiscal year			
		2014-15	2015-16	2016-17	2017-2018
H.1	Cash, excluding borrowed funds		35,233,635	25,409,227	26,343,900
H.2	Cash, borrowed funds only		0	0	0
H.3	Total Cash (H.1 + H.2)	19,928,428	35,233,635	25,409,227	26,343,900

IV. Unrestricted General Fund Revenue, Expenditure and Fund Balance:

Line	Description	Adopted Budget (Col. 1)	Annual Current Budget (Col. 2)	Year-to-Date Actuals (Col. 3)	Percentage (Col. 3/Col. 2)
I. Revenues:					
I.1	Unrestricted General Fund Revenues (Objects 8100, 8600, 8800)	118,213,791	114,631,736	53,990,896	47.1%
I.2	Other Financing Sources (Object 8900)	4,247,145	4,250,445	2,959,145	69.6%
I.3	Total Unrestricted Revenue (I.1 + I.2)	122,460,936	118,882,181	56,950,041	47.9%
J. Expenditures:					
J.1	Unrestricted General Fund Expenditures (Objects 1000-8000)	118,745,451	117,935,623	56,747,349	48.1%
J.2	Other Outgo (Objects 7100, 7200, 7300, 7400, 7500, 7600)	7,182,109	5,185,409	479,350	9.2%
J.3	Total Unrestricted Expenditures (J.1 + J.2)	125,927,560	123,121,032	57,226,699	46.5%
K.	Revenues Over(Under) Expenditures (I.3 - J.3)	-3,466,624	-4,238,851	-276,658	
L.	Adjusted Fund Balance, Beginning	21,853,780	21,853,780	21,853,780	
L.1	Fund Balance, Ending (C. + L.2)	18,387,156	17,614,929	21,577,122	
M.	Percentage of GF Fund Balance to GF Expenditures (L.1 / J.3)	14.6%	14.3%		

V. Has the district settled any employee contracts during this quarter?

YES

If yes, complete the following: (If multi-year settlement, provide information for all years covered.)

Contract Period Settled (Specify)	Management	Academic	Classified
	Permanent	Temporary	

YYYY-YY	Total Cost Increase	% *	Total Cost Increase	% *	Total Cost Increase	% *	Total Cost Increase	% *
a. SALARIES:								
Year 1: 2017-18	125,878	1.56%					277,036	1.56%
Year 2:								
Year 3:								
b. BENEFITS:								
Year 1: 2017-18	29,053	1.56%					68,596	1.56%
Year 2:								
Year 3:								

* As specified in Collective Bargaining Agreement or other Employment Contract

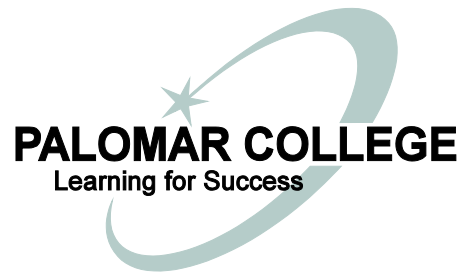
c. Provide an explanation on how the district intends to fund the salary and benefit increases, and also identify the revenue source/object code.
Increase in salary and benefits funded from COLA of 1.56%

VI. Did the district have significant events for the quarter (include incurrence of long-term debt, settlement of audit findings or legal suits, significant differences in budgeted revenues or expenditures, borrowing of funds (TRANs), issuance of COPs, etc.)? **NO**

If yes, list events and their financial ramifications. (Enter explanation below, include additional pages if needed.)

VII. Does the district have significant fiscal problems that must be addressed? **NO**
This year? **NO**
Next year? **NO**

If yes, what are the problems and what actions will be taken? (Enter explanation below, include additional pages if needed.)



FISCAL SERVICES BUDGET DEVELOPMENT TIMETABLE FOR FISCAL YEAR 2018-2019

January 5, 2018	Governor expected to roll out 2018-19 Proposed Budget.
February 13, 2018	Budget Committee (BC) begins budget review.
February 14, 2018	Divisional Planning Councils begin budget development process for Divisions.
March 9, 2018	Budget requirements, in accordance with the Resource Allocation Model (RAM) and Integrated Planning Model (IPM), are due to Fiscal Services for input into PeopleSoft Financials.
March 9, 2018	Designated and Restricted budget development forms due to Fiscal Services for input into PeopleSoft Financials. Proposed budgets are acceptable. Attach grant letter, if applicable.
March 9, 2018	Fiscal Services will project available resources in accordance with the RAM. Fiscal Services will project all salaries with grade/step impacts (including benefits) and fixed non-discretionary costs in accordance with the RAM based upon targeted FTES. All other discretionary budgets will be input from Divisional PRP's, Strategic, and Master planning documents.
April 10, 2018	BC finalizes budget review.
April 17, 2018	SPC begins budget review.
May 1, 2018	SPC finalizes budget review.
June 5, 2018	Tentative Budget finalized and printed for Governing Board approval.
June 12, 2018	Tentative Budget presented to Governing Board for approval.
July 6, 2018	Restricted (final) budgets submitted to Fiscal Services.
August 10, 2018	Fiscal Services finalizes revisions to Adopted Budget .
Sept.3-Sept.7, 2018	Proposed Adopted Budget available for Public Inspection.
Sept. 11, 2018	Proposed Adopted Budget presented to Governing Board. Governing Board holds public hearing on proposed Adopted Budget .

NOTE as of January 29, 2018: The CCC Funding Model Proposal recommendations by the Advisory Workgroup on Fiscal Affairs was provided to Chancellor Oakley prior to the release of the Governor's 2018-19 State Budget Proposal, which included the DOF's budget proposal for a new funding model.

California Community Colleges/Districts Funding Model Proposal Submitted to Chancellor Oakley December 20, 2017

I. State Chancellor's Advisory Workgroup on Fiscal Affairs Background

Workgroup Charge:

Provide ongoing advice and counsel to the CCC State Chancellor on community college/district finance and business operations impacting the California community colleges/districts to include, but not limited to: issues surrounding state budget proposals, statutory and/or regulatory funding provisions, any other matters relating to fiscal and business affairs or improvements to benefit the state's community colleges/districts.

Role:

Advisory to the CCC State Chancellor working in partnership with the Association of Chief Business Officials (ACBO) Board and the Community College League of California (CCLC).

Product:

Recommendations to the CCC State Chancellor on any potential actions; be they administrative, legislative or regulatory, or dissemination of best practices, that would help resolve or improve fiscal and business-related issues of importance to the colleges/districts.

Structure:

Workgroup to consist of districts identified by the California Community Colleges Chancellor's Office (CCCCO) with the District CBO appointed by the ACBO Board that are representative of the diversity of the California Community colleges system; to include, different regions of the state, single and multi-college districts, small and large, rural, basic and non-basic aid districts. Workgroup membership also to include: a CCCCCO and CCLC representative as voting members and the ACBO Board President as an ex-officio (non-voting) member. Total voting membership of the workgroup is 15 members (13 districts, 1 CCCCCO and 1 CCLC representative).

Fall 2017 Assignment:

Chancellor Oakley tasked the Workgroup on Fiscal Affairs with developing a new funding formula for the California community colleges/districts that reflects and supports the system's goals and priorities. The proposal should recognize factors beyond the number of full-time equivalent student (FTES) and include other elements such as: 1) measures of student success and equity, and 2) providing a reasonable level of funding stability to support sound financial planning. Chancellor

Oakley engaged Lumina Strategy Labs to assist the workgroup and provide a national context and best practices framework.

To assist and inform the workgroup, Lumina Strategy Labs arranged for five states to present information about the outcomes-based funding models currently used to allocate all, or a portion of, state appropriations in those states. Representatives from Florida, Ohio, Tennessee, Virginia, and Washington presented to the workgroup about each state's goal/policy priorities, funding model development, and implementation.

Lumina Strategy Labs also provided guidance as to the general components of outcomes-based funding formulas: student progression, completion, productivity, funding mission and priority populations. They shared best practices for design and implementation of outcomes-based funding models. These include:

- Link the model to a state goal and clear policy priorities,
- Use a stable and simple approach,
- Include only measurable metrics,
- Incentivize the success of typically underrepresented students,
- Reflect institutional mission,
- Seek broad stakeholder input,
- Use the model to distribute at least a portion of base-funding,
- Phase the model in, and
- Plan to continuously evaluate the model during and after implementation

II. Funding Formula Vision Statement and Principles

The workgroup developed its Vision Statement with regard to developing a blended funding model for California community colleges/districts that aligns a meaningful portion of state funding tied to accountability measures through an outcomes-based funding component in addition to base and FTES apportionment funding as follows:

Preamble to support the creation of the Vision Statement:

The California community colleges system is comprised of 72 diverse districts that operate independently yet are funded collectively. SB 361 was established over 10 years ago as a funding model to equalize a disparity in funding and expand access. However, the formula did not sufficiently address the fact that the California community colleges system funding is subject to volatility in State revenue, local demographics, and enrollment demand nor did it address increasing operational costs. In an effort to create more stability in community college/district funding and better address the needs of our students, the State Chancellor's Advisory Workgroup on Fiscal Affairs was charged with developing a new funding formula.

Vision Statement:

We strive to develop a funding formula that:

- Is stable and sustainable while supporting the goals articulated in the Vision for Success;
- Provides incentive funding for progress in serving disproportionately impacted populations; and
- Is responsive to the needs of the local and regional communities served.

Principles:

The workgroup agreed the new funding model's principles should:

- Align with system's goals and priorities related to student success, equity, and access. Funding should be linked with these factors in order to incentivize improved outcomes.
- Be fair, transparent, and easy to understand.
- Provide sufficient predictability and stability to support college/district operational costs and sound financial planning.
- Balance a focus on outcomes with the need for reasonable funding stability.
- Recognize the diversity of regional and local needs.
- Support historically under-represented students with more funding to close gaps and increase completion outcomes.
- Marry an increase in accountability for outcomes with increased flexibility, such as relief from regulatory requirements and categorical funding restrictions.
- Be phased-in over multiple years in order to allow for a smooth transition to the new model.

III. Funding Model Recommendations

Funding Model Elements:

The new funding model should reflect three "funding blocks" identified as:

- Performance Outcomes tied to Strategic Vision goals
- Base funding required for operating colleges/districts and centers
- Enrollment

Potential Metrics identified in support of the "funding blocks" are as follows:

- Performance Outcomes:
 - Transfer
 - Completion of degree/certificate
 - CTE employment and wage gains
 - Equity gap incentives
- Base Funding:

- Number and size of colleges/districts and/or centers
- Location (i.e. rural, urban, etc.)
- Facilities factor (gross square footage, acreage, etc.)
- Enrollment:
 - FTES
 - Headcount

Funding Model Components:

The workgroup considered a range of options related to which of the current funding streams should be included in the new funding model. The option recommended by the Workgroup on Fiscal Affairs is an entirely new funding model utilizing **Unrestricted Proposition 98 funds plus select categorical funds**.

Other Funding model options considered by the workgroup are:

- All Proposition 98 funds (unrestricted and categorical)
- Only unrestricted Proposition 98 funds
- Only new appropriations designated for outcomes-based funding

Allocating a significant share of state funding to the new funding model will provide strong incentives to achieve the desired outcomes. However, for the recommended approach to work, it will require significant modifications to regulations and perhaps state laws to provide community college districts with greater flexibility.

IV. Development and Implementation

Operational and Implementation Elements:

No modeling or technical analysis has been conducted at this time. It is acknowledged that any proposed change to the funding model be done so after extensive modeling and technical analysis occurs. Furthermore, it is recommended that the following factors be considered during the development of the key elements to the new funding model:

- Base funding should reflect a variation in costs based on specific factors, such as college/district size, centers, multi versus single college/district, etc.
- The funding model should recognize the higher costs of Career Education courses in its calculation.
- The funding model should recognize the significant and increasing operating costs related to technology and campus security.
- Moving from the current funding model to a new funding model should be based upon a three-year rolling average in the development of the metrics used to support outcomes-based funding.
- The funding model should incorporate some categorical programs, such as, Strong Workforce, Student Success and Support Program, Student Equity and Basic Skills

Transformation Grants in the formula.

- The funding model should provide stability funding during enrollment declines, based upon a multi-year step-down model.
- The funding model should be evaluated periodically and modified as needed.
- The model should have an initial hold-harmless to ensure colleges/districts are not negatively impacted in the first year of implementation.
- Outcome metrics should measure a college/district's improvement over time against itself.

Next Steps:

To develop and implement a new funding model with an outcomes based funding component, the workgroup recommends the following next steps be undertaken:

- Technical Development – Task the workgroup and the CCCCCO's Finance and Facilities Division with designing specific factors to be considered in the development of a funding formula that has a meaningful funding component tied to the recommendations previously stated by spring 2018. Dedicated resources for research and analysis will be needed to conduct data based modeling and technical analysis support and expertise.
- Process – Convene a taskforce with broad system-wide constituency representation (CEOs, CBOs, Administrators, Faculty, Classified Staff, Trustees, and Students) as well as other stakeholders (business community, public policy/research groups, and social justice organizations) to review, discuss and modify the new funding model as appropriate.
- Timeline – To ensure the new funding model has been vetted to allow for broad stakeholder input in advance of its implementation, it is recommended that the taskforce submit a plan for the Board of Governors consideration by March of 2019. The Board of Governors would then have the authority to implement and, as necessary, modify the funding model. Year 1 (FY 2019-20) would be an information sharing year (new allocations would be shared, but not drive funding). The model would then be phased in over the next couple of years.

Key Budget Reduction
DISTRICT GOAL \$7M



Fund 11 General Fund Unrestricted

• 2000 CLASSIFIED HOURLY (25%)	288,903
• 4000 SUPPLIES (10%)	53,784
• 5000 TRAVEL (25%)	54,479
• 5000 INDEPENDENT CONTRACTOR (25%)	204,857
• 5000 LAWYERS FEES (10%)	42,744
• 6000 EQUIPMENT (100%)	427,664
SUBTOTAL – FUND 11	\$1,072,431

Reassignment of Expenditures to Alternative Funding Sources

• FUND 41 CAPITAL OUTLAY	850,046
• FUND 43 ENERGY CONSERVATION	695,619
• FUND 69 OTHER POST-EMPLOYMENT BENEFITS	2,000,000
• FUND 12 PROP 20 LOTTERY	527,415
• COMBINATION OF OTHER RESTRICTED FUNDS	599,924
SUBTOTAL – ALTERNATIVE SOURCES	\$ 4,673,004
TOTAL – ALL SOURCES	\$ 5,745,435



Palomar Community College District

Financial Recovery Plan Outline and Timeline Spring 2018

Section	Person(s) Responsible	Comments
Section 1 – Deficit Spending	VPFAS	
Section 2 – College’s Overall Instructional Measures	VPI	
Section 3 – FT Faculty Hiring Obligation	President/VPI/Barton	
Section 4 – College Expenditures/Staff trends over the last 5 years	VPFAS/VPHR	
Section 5 – Enrollment Management	Exec Team	
Section 6 – College’s Overall Educational Program Evaluation	VPI	
Section 7 – PCCD’s Action Steps for Achieving Fiscal Stability	VPFAS/VPI	
Section 8- District OPEB Strategy	VPFAS	
Section 9 – Risks and Contingency Plans	Exec Team	
Appendix A – Strategic Enrollment Management Plan/Outline	VPI	
Appendix B – OPEB Timeline	VPFAS	