

**Fiscal Monitor Ken Stoppenbrink's Report to the Chancellor's Office**  
**Communications, Correspondence, and Meetings**  
**September 17, 2020 through October 21, 2020**

**1. NEGOTIATIONS**

The District has essentially concluded their negotiations; however, additional work is needed in the areas of savings to the wages and benefits, as those areas consume 89% of the expenditure base, which is unsustainable.

The District was able to restructure the benefits plans and realize about \$1 million in savings. Also identified in the budget over the next 5 years is a \$8 plus million issue, discussed further in the Budget Development section below.

**2. INTERNAL AUDIT & PROCESS EVALUATION**

Fraud hotline improvements, specifically automated reporting tools and a process outline added to the webpage, have been implemented. Work continues to refine these tools. The internal audit plan is being prepared for the 2020-21 fiscal year.

**3. MANAGEMENT STRUCTURE**

Structural changes have been made in eight departments. This work continues. Each position that is vacated is reviewed to determine the necessity of replacing.

**4. BUDGET DEVELOPMENT**

VP Ligioso provided the trustees a budget at the October 13, 2020 board meeting that provides for a balanced budget without any deficit spending. This is a great achievement and a tremendous amount of hard work to get to this point. The District is still in need of additional work in order to keep ahead of deficit spending in the coming years.

If it were not for the borrowing of \$5 million from Fund 69, the deficit for the FY2019-20 fiscal year would have been in serious condition. The borrowing allowed the District to maintain a positive ending fund balance. The FY2020-21 budget provides for an ending fund balance of 16.1% and maintains a budget that is not deficit spending.

The multi-year budget forecast through FY2024-25 demonstrates that there is a cumulative amount of about \$8 million (over a 3-year period of FY2022-23 through FY2024-25) that will need to be cut from expenses in order to keep the District from deficit spending. The multi-year budget does include funding that will come from the planned center status for the Education Centers in Fallbrook and Rancho Bernardo in FY2022-23. Additionally, the payments back to Fund 69 for the \$5 million borrowed will begin in FY2023-24.

The District seems to be on track to become a basic aid district within the next four years. If this does occur, it takes pressure off the budget to some degree but is not a panacea for the overall fiscal health of the District. Regardless of income, the ratio of expenses consumed by wages and benefits needs to be addressed.

One major area that is still putting the District at risk for fiscal stability is the ratio of wages/benefits as they relate to expenses within the budget. The District is running a ratio of 89% of wages/benefits to expenses. This amount is very high and not sustainable. The ratio needs to be around 84% to maintain fiscal stability.

The District has obtained refinancing for \$210 million of outstanding bonds that were carrying an interest rate of 5%. The refinanced rate is now 2.72%, which provides the taxpayers a savings of \$ 21.2 million, translating to a net present value of \$ 15.5 million. While this does not impact the general fund, it does demonstrate that the District does not just sell bonds and walk away, forgetting about the taxpayers but rather looks at ways to save the interest expense for those taxpayers who voted for these bonds.

## **5. ENROLLMENT MANAGEMENT**

The Strategic Enrollment Management Plan (SEM Plan) has been established for FY2020-23 with new data and an updated action plan, which itself will continue to be revised and updated. The narrative of the SEM plan, reviewed throughout the participatory governance process, will go to the Strategic Planning Council for approval in October.

The College has also revised its BP/AP 4021 for Program Development, Revitalization, and Discontinuance, identifying procedures to discontinue programs that are not vital or unsustainable. That policy is currently at the College's Policies and Procedures Committee for approval.

## **6. DATA INTEGRITY**

This process has been implemented, with the data now existing in the SEM Data Warehouse. Standardized reports that will help guide the decision-making process in the District have been developed.

## **7. POSITION CONTROL**

The initial review and planning for position control has been completed. Construction is currently underway, and configuration design guide will go live in June 2021.

## **8. PROFESSIONAL DEVELOPMENT**

During the Board Meeting on October 13, 2020, Dr. Helen Benjamin provided feedback to the trustees, providing recommendation on the ways they interact with each other; she made recommendations as well for the onboarding process for new trustees elected next month.

## **9. BOARD**

There will be at least two new board members after the elections conclude in November. With the help of Dr. Helen Benjamin, the trustees will agree to an onboarding process and orientation with those new members.