

Fiscal Monitor Ken Stoppenbrink's Report to the Chancellor's Office
Communications, Correspondence, and Meetings
March 18, 2021 through April 20, 2021

1. NEGOTIATIONS

NO ACTIVITY

2. INTERNAL AUDIT & PROCESS EVALUATION

NO ACTIVITY

3. MANAGEMENT STRUCTURE

NO ACTIVITY

4. BUDGET DEVELOPMENT

During the Budget Committee Meeting held on March 23, 2021, Assistant Superintendent/Vice President Borth provided an update on the budget that included a multi-year projection of revenues and expenses. Incorporated in the budget, was the repayment of the funds borrowed from OPEB, (Fund 69). Revenue from both the State and Federal HEERF was discussed and how each affect restricted and general fund categories.

Additionally, a review of one-time funding requests was presented, and the committee voted unanimously to forward those recommendations to the Interim Superintendent/President.

The multi-year budget for revenues and expenditures were presented to the District community at the State of the Budget meeting on March 24, 2021. One of the areas that had a significant change was the deficit factor. Previously the deficit factor indicated a reduction in revenue of about \$ 900,000; however, due to State revenue projections being lower than previously projected during the 2020-21 fiscal year, the chancellor's office increased that deficit Statewide. The impact to Palomar is an estimated reduction of \$2.7 million.

Superintendent/Vice President Borth has indicated this deficit factor will change with each State budget recalculation.

The funding for center status for the Fallbrook Education Center was also removed from previous revenue forecasts. While the Fallbrook Education Center will eventually obtain center status, it will not occur in the near future.

The loan received from the OPEB fund of \$5 million is budgeted to be repaid in the multi-year projections. The District is also able to charge an indirect rate for the HEERF and is budgeting that amount at 10% of HEERF II and HEERF III revenues.

Finally, Dr. Kahn provided a 10-step outline for obtaining fiscal solvency, which includes both 2019 and 2020 recommendations from FCMAT and the progress made thus far.

5. ENROLLMENT MANAGEMENT

Considerable progress has been made on developing a process to perform a five-year trend analysis that compares ongoing revenue, classroom efficiency, full-time equivalent personnel, and compensation year-to-year. A simplified version of the Student-Centered Funding Formula (SCFF) tool was implemented to help establish targets for the supplemental and outcomes metrics in the SCFF.

6. DATA INTEGRITY

The Data Integrity team has initiated a review of written procedures for Management Information Systems (MIS) data file submissions. MIS data files include an array of District data prescribed by the Chancellor's office for submission on a semester or annual basis. Included in this work will be a review of the current data procedures, and a description of an annual review plan for ensuring files are reviewed and submitted on time.

7. POSITION CONTROL

NO ACTIVITY

8. PROFESSIONAL DEVELOPMENT

NO ACTIVITY

9. BOARD

There was a special board meeting held on March 24, 2021, for evaluating the President in closed session. This was not open to the public.

The Board held their regular board meeting on April 6, 2021 at 4:00 p.m. The board received public comments before adjourning to closed session. The open session started at 5:15 p.m. There was no action taken during closed session. Assistant Superintendent/Vice President Borth presented budget assumptions thru the 2024-25 fiscal year that addressed both the revenue and expenditure sides of the budget.

One of the items included in the presentation was the repayment of the loan taken from the OPEB fund for \$5 million. Originally, this loan was scheduled to be paid during the 2021-22 fiscal year but now it has been determined that the loan will be paid off over a four-year budget

cycle. Information that was requested from previous board meetings was to show how much the expenditures for wages/benefits consumed the revenue and expenditure in the way of a percentage. During the 2024-25 fiscal year this percent amount was 94% and 86% respectively.

Reserves drop into the red during the 2023-24 fiscal year when the hold-harmless revenue is removed, which continues to demonstrate the need to reduce expenditures and/or add new revenue in some fashion.

There were several board policies that were on the agenda for first reading and action will be taken at the next regular board meeting.

Dr. Kahn provided the trustees with a presentation on the latest FCMAT recommendations which were provided to the board at the February board meeting. The recommendations presented by Dr. Kahn were adopted with the exception of a couple that were modified. Modifications to the most current FCMAT recommendations included the reporting structure for the internal auditor and plans toward efficiency that could have a negative impact on the SCFF, if they are in contrast with completion. The board provided direction to proceed with the recommended modifications presented by Dr. Kahn.

10. OTHER

NEW FCMAT RECOMMENDATIONS:

1. ESTABLISH A THREE-YEAR GOAL TO REDUCE TOTAL COMPENSATION TO LESS THAN 85% OF REVENUES.

The following is clarifying information from last month's report provided and requested by the District

Discussion has been initiated within the College, regarding the difference between tracking total compensation as a percentage of revenues versus tracking total compensation as a percentage of expenditures. The District is currently at 85% of total compensation as a percentage of revenues, with that number increasing to 96.2% when the hold harmless funding expires. When comparing total compensation as a percentage of expenditures, the District is currently at 89% compensation, with that number decreasing to ~~87.42~~ 86.57% when hold harmless funding expires. As referenced above, the College has initiated conversation in comparing total compensation as a percentage of revenues.

The Budget committee met on April 13, 2021, and was provided an update by Assistant Superintendent/Vice President Borth. The information included updates to both the revenue and expenditures going thru the fiscal year 2024-25. The budget is a living document and is adjusted based upon changes that are made in Sacramento as well as any Federal adjustments. COLA is included, based on the Governor's

proposal as well as School Services of California. The focus was on the GF revenues and did not include restricted funds. Property taxes were addressed with a forecast of about 3.36% to determine when the District may be eligible for basic aid. Currently the general fund receives about 80% from property taxes.

Questions about funding for center status of the Fallbrook Education Center was discussed and this will need to be addressed later but as for now, it will not be included in any revenue projections.

Questions about the OPEB funding, Fund 69, were asked. At a later budget committee meeting, Assistant Superintendent/Vice President Borth will provide an update as to what funds are in the irrevocable trust and the non-revocable account to pay for post-employment benefits. Additionally, the current un-funded liability of the OPEB will be provided so that staff can see what percentage amount and progress has been made to fulfill that liability.

2. ESTABLISH AND REVIEW ANNUAL REPORT DESCRIBING DISTRICTS FISCAL RESILIENCE.

NO REPORT

3. MAINTAIN FULL-TIME FACULTY OBLIGATION TO NO MORE THAN 2% ABOVE PUBLISHED MINIMUM BY THE CCCC.

NO REPORT

4. ESTABLISH THREE-YEAR GOAL TO ACHIEVE CLASSROOM EFFICIENCY STANDARD FOR CONDENSED CALENDAR.

NO REPORT

5. ESTABLISH PROCESS TO PERFORM A FIVE-YEAR TREND ANALYSIS COMPARING ONGOING REVENUE, CLASSROOM EFFICIENCY, F.T.E, AND COMPENSATION YEAR TO YEAR.

NO REPORT

6. REVIEW ANNUAL LIST OF INSTITUTIONAL PRIORITIES THAT BRING CREDIBILITY AND TRANSPARENCY TO BUDGET DEVELOPMENT.

NO REPORT

7. DEVELOP REALISTIC REVENUE AND EXPENDITURE ASSUMPTIONS THAT AREN'T RELIED UPON FROM FUNDING OF PROPOSED CENTERS.

NO REPORT