COLLEGE OF THE SEQUOIAS

BUDGET STANDING COMMITTEE
September 25, 2008
3:00 p.m.
President’s Conference Room

AGENDA

1. Approval of the minutes of the meeting held May 29, 2008.
2. Budget
3. Early Alert Initiative
4. Update – COS Child Development Center
5. Update – COS Bookstore
6. Update – Medi-Cal Administrative Initiative
7. Review 2007-2008 Year End Fiscal Reports
8. Projections for 2008-2009 (e.g., record enrollment)
9. Discuss Revision of Administrative Procedure 6300
10. Other
The Standing Budget Committee meeting was called to order by William Garcia at 3:05 pm.

1. The minutes of the May 8, 2008 Budget Committee were approved with no changes.

2. Dr. Frese reported that the change in growth from the state is now projected to be 1.68% and that the budget was built with 1.75% growth and the difference would only be approximately $20,000 less dollars than is in the budget. This correction will be made when the final budget is approved by the Board in September.

3. Dr. Frese addressed the $744,000 shortfall due to non-collection of taxes that is showing as a deficit on our P-2 report. With the Governor's recommended allocation of monies to compensate for the shortfall of taxes for the 2007-08 year, the District will have a deficit on its earned income of less than $50,000.

4. Dr. Frese presented the information on the May revise which will have very little effect on the growth projections in the preliminary budget.
   a. The largest impact on the 2008-09 budget is the currently projected 18.44% increase in health care. The discussion moved to insurance proposals that CSEA is looking at which would lower the cost of insurance and improve coverage for employees. Discussion included insurance options for confidential, management and faculty groups.
   b. Leangela Garcia reported on the May revise for the categorical programs. Possible reductions for categorical programs, EOPS 3.69%, CARE 3.68%, Matriculation 10%, CalWorks 20%, DRC 5%, Basic Skills no reduction, BFAP 14% split over 2 years. These possible reductions are not final yet.

5. Leangela also reported on the Child Development Center and showed losses of $260,000 in the current year. The State preschool also lost additional monies of $46,541. Dr Frese reported that custodial, grounds, maintenance and utilities were not included. Alternatives were discussed on what options could be implemented to reduce the revenue loss in the CDC.
The bookstore continues to lose money and a report was provided that estimated losses for this year at $146,000. Mediocre sales, on-line competition, two bookstores immediately off campus and high labor costs all contribute to Bookstore loses. The failure by many faculty to get their Fall semester book orders in to Bookstore end up increasing the cost of books to students because they don’t buy back books that have not been confirmed that they will be used again. So students loose the revenue from selling back the book. Also for the next semester students must buy a new book, instead of a used one. The discussion included the biggest contributor to high cost of books to students was failure to keep the same book for a three year period. The discussion also included that adjuncts are not responding to the request for books, which becomes a faculty chair responsibility for adjunct classes.

6. The impacts of collective bargaining: COSTA received a 1% on the salary schedule for next year, which will continue permanently if the rate for FTES reimbursement increases by more than 1%, or reserves is in excess of 8% in the general budget. CSEA has a similar raise, except the 1% is retroactive to January of 2008, but the same contingencies apply for the 1% to be a permanent salary schedule change.

7. The committee approved the meeting dates for 2008-09 on Thursdays from 3-4:30pm in the Presidents Conference Room. Dates are:

2008: September 25,
2009: February 19, April 23, May 21,

8. No other business was introduced and the meeting was adjourned at 4:25 pm.
College of the Sequoias  
Early Alert Proposal  
June 2008

Prepared by: William L. Garcia, EOPS/CARE Director

History

College of the Sequoias (COS) has attempted to create and implement an Early Alert system for at least the past five years. Past attempts have been met with resistance from various on-campus constituency groups, who have expressed legitimate concerns regarding access, user capabilities, efficiency and resources needed to make the system responsive to the needs of faculty and students alike.

With a greater amount of on-campus departments and programs requesting progress reports of their student participants each academic term, the need for an Early Alert system is vital. In the absence of a campus-wide Early Alert system, each individual department and program has had to develop its own progress report form with various measurements for success and deadlines.

The following COS departments and programs are currently using progress reports or plan to do so in the near future: (1) Extended Opportunity Programs and Services - EOPS; (2) Disability Resource Center - DRC; (3) Math, Engineering and Science Achievement - MESA; (4) First Year Experience - FYE; (5) California Work Opportunity and Responsibility Kids Act - CalWORKs; (6) Athletics; and (7) Puente Project.

In November and December 2007, a group of COS administrators, faculty and staff representing various on-campus departments and offices met to discuss creating a standardized progress report form and deadline for each academic term. All parties who participated in the discussion agreed that a standardized progress report form and deadline could be developed and implemented.

Initially, Laserfiche Client 7.2.1 and SARS Software Products, Incorporated, were researched to see if either of these two software programs could be used to implement an Early Alert system. It was determined that both two software programs would not be able to develop and sustain an effective and efficient Early Alert system. An earlier version of a COS Early Alert system was also considered but was determined to be non-user-friendly.

Proposal

COS should implement an Early Alert system to help improve retention and persistence rates for all students thus increasing the College District’s potential to generate additional Full Time Equivalent Student (FTES) funding. An Early Alert system would allow for faculty and adjunct faculty to effectively and efficiently communicate their concerns regarding student success and lack thereof to appropriate on-campus entities in a timely fashion each academic term in order for proactive solutions to be executed.
Technology

Banner, a product of SunGard Data Systems, Incorporated, and our current campus-wide software program, has the capability of executing an effective and efficient Early Alert system. With the help of external technology consultants, our COS Computer Services team should be able to develop and implement an Early Alert system.

With an Early Alert system within Banner, all faculty and adjunct faculty would be able to access and enter information wherever Internet access is found. And given that Banner is a fully integrated campus-wide software program, all information entered into Banner could be queried for statistical reporting. And with the development and implementation of an electronic mail account system for all COS students, Early Alert information can be transmitted electronically to students thus making the process paperless from the onset.

Faculty Buy-In

The most important element of developing and implementing an Early Alert system is the buy-in from faculty and adjunct faculty. No Early Alert system would be effective or efficient without the support of the faculty and adjunct faculty. It is recommended that faculty and adjunct faculty be invited to participate in the development and implementation of an Early Alert system from the onset. It is also recommended that participation in an Early Alert system be added to the list of “professional responsibilities” of all faculty and adjunct faculty during the next round of collective bargaining negotiations.

Measurements of Success

The group of COS administrators, faculty and staff that met in late 2007 concluded that the following measurements of success be included in the Early Alert system. The measurements of success include: (1) student’s complete name; (2) student’s COS student identification number; (3) letter grade to date; (4) attendance; (5) class participation; (6) assignments/homework; (7) tests/quizzes; (8) comprehension of course material; (9) tutor recommended; (10) drop course; (11) Disability Resource Center referral; and (12) comments.

Deadlines

The standardized deadline for progress report submission would be two to three weeks prior to the withdraw deadline each academic term. This would ensure sufficient time for each department and program to communicate with their student participants regarding their academic progress and provide academic counseling and referrals if necessary.

Funding

Since most COS students begin their college career at the basic skills or remedial level, it has been suggested that Basic Skills Initiative (known on-campus as the Essential Learning Initiative) funds be used to develop and implement an Early Alert system. A total of $40,000 would be sought from this funding source to help pay for the expenditures listed below.
Expenditures

According to Tim Hollabaugh, Dean of Technology Services, external technology consultants would be required to develop and implement an Early Alert system within Banner and he anticipates the cost for hiring external technology consultants to range from $10,000 to $15,000. Additional costs may include bringing in guest speakers to address the need and potential of an Early Alert system, faculty and adjunct faculty training, COS Computer Services personnel training and the periodic hiring of external technology consultants to modify and maintain the Early Alert system.

Proposed Budget:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Initial External Technology Consultant</td>
<td>$15,000</td>
</tr>
<tr>
<td>Follow-Up External Technology Consultant</td>
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<tr>
<td>Guest Speaker (Early Alert Discussion/Presentation)</td>
<td>$5,000</td>
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<tr>
<td>Training Sessions for Faculty and Adjunct Faculty</td>
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<tr>
<td>Training for COS Computer Services Personnel</td>
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<tr>
<td>Pilot Program Training and Development</td>
<td>$5,000</td>
</tr>
<tr>
<td>Marketing Materials (Brochures, Flyers, Webpage, etc.)</td>
<td>$5,000</td>
</tr>
<tr>
<td><strong>Total Request</strong></td>
<td><strong>$40,000</strong></td>
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Marketing

In order for the Early Alert system to be well received by all constituency groups at COS, appropriate marketing of the initiative will need to be done campus-wide. A formal presentation to include a PowerPoint presentation would need to be created and presented to various on-campus groups including but not limited to Executive Cabinet, College Council, Instructional Council, Academic Senate, Management Council and the Academic Divisions.

Pilot Program

Given the complexities that may result by the development and implementation of the Early Alert system, a pilot program should be instituted. A group of twenty (20) faculty and adjunct faculty should be recruited to test and actually use the new Early Alert system for one academic term. The faculty and adjunct faculty chosen to participate in this initiative should consist of a cross section from the various academic divisions from throughout campus. A heavy emphasis will be placed on recruiting faculty and adjunct faculty who teach basic skills also known as developmental or remedial courses. The pilot program would help ensure faculty and adjunct faculty buy-in and would allow all on-campus entities to test the Early Alert system and make modifications as needed. The success of the Early Alert system will be measured with statistical analysis provided by Tim Garner, Director of Research and Planning, comparing retention and persistence rates of those students who were notified of their academic progress versus those that were not.
FISCAL MANAGEMENT

Fiscal Principles and Procedures for the College of the Sequoias

A. **Prime Directive:** The budget shall be developed so that at least a 6% reserve is maintained for the General Fund. In all cases proposed expenditures should not exceed revenues plus reserves in excess of the required 6% General Fund reserve.

B. **Program Review as a Mechanism in Budgeting:** Program Review documents will used as primary support in initiating all requests for staffing, monies or facility resources. Careful planning and prudent requests should be made by department after review of data in support of growth or change. Deans supervising the departments need to Review Annual Reports that support staffing, revenue or facility changes should also be provided when the requests are made to instructional council, college council, President’s cabinet or other shared governance entity.

C. **Fulltime Faculty Positions New and Replacements:** See College of the Sequoias Administrative Procedure ____________.

D. **Block Grant for Instructional Equipment, Library Materials, and Technology (One Time Expenditures):** The College receives an annual allocation of Block Grant funds for instructional equipment, library materials, and technology from the California Community College System Office. In order to utilize these funds matching funds from local one time or general fund monies are required. If a local match is not available, these funds might need to be returned to the state. The limitations on the use of these funds are explained in the appendix provided by the Chancellors Office annual budget workshop. The Vice President of Academic Services and the Instructional Council will make the first review of a spreadsheet detailing the Block Grant requests. The requests need to be supported by the division’s Program Review or Annual Review. Funding for additional requests should only occur after review of current Program Review, Annual Review, Carry Over amounts per discipline and a review of the current budget for the discipline to insure that discipline moneys are not adequate for the requested equipment. Block Grants funds can be carried over to the next fiscal year, but, by College policy, no longer than one year. The process and criteria used by Instructional Council will be documented and included in the appendix to these Fiscal Principles and Procedures.

E. **Classified, Confidential and Administrative Positions (New):** Requests for new classified positions will be reviewed for rationale of position, identified Program Review or Annual Review needs, along with total cost estimates and Dean and Vice President’s prioritization. A listing of requested classified positions will be forwarded to President’s
The Cabinet will review funding availability and alignment with College mission/goals/objectives in filling new position requests.

**F. Classified, Confidential and Administrative Positions (Replacements):** Vacant positions currently funded in the immediate fiscal year budget will be replaced only after being reviewed by President's Cabinet. Human Resources will maintain a Position Control Report on all new and replacement positions to facilitate this review. The Cabinet shall review this Report at least monthly. The Cabinet will review funding availability and alignment with College mission/goals/objectives in refilling vacant budgeted positions.

**G. Non-Block Grant Eligible Requests (One Time Expenditures):** Budget requests not eligible for Block Grant funding will be reviewed and prioritized by each Vice President and then by an annual meeting of the Instructional Council at which Student Services, Administrative Services and a President's Office representative are in attendance. The resulting prioritized list of requests will be reviewed by College Council. The list must include a written rationale for each item, identified Program/Annual Review needs, and a cost estimate. A listing of reviewed equipment with College Council's input will be forwarded to President's Cabinet. The Cabinet will review funding availability and alignment with College mission/goals/objectives in one time non-instructional equipment purchases.

**H. Facilities: Minor Renovation and Capital Building Funds:** Requests for minor building renovations shall be reviewed and prioritized by the Facilities Committee. A fund of $50,000 will be set aside annually for such purposes. Requests beyond that amount may be forwarded by the Facilities Committee to the College Council for consideration if funding resources are identified. If the College Council so desires, requests may be recommended to the President's Cabinet for completion. Scheduled Maintenance projects will be identified annually by the Dean responsible for Facilities Planning and reported to the Facilities Committee and then the College Council. Requests for Capital Building Funds shall be reviewed by the Dean responsible for Facilities Planning who will discuss the requests with President's Cabinet before updating the Five-Year Facility Plan.

**I. Scheduled Maintenance:** Scheduled maintenance of District resources is important to the efficient operation of the College. The California State Community College system usually allocates monies to the College for scheduled maintenance, but the funding requires a one to one match from the District. The District has the option of using one time monies or general fund monies to provide the match.

**J. Safety Fund:** The District’s Joint Powers Agreement (JPA) for liability coverage for the District returns money to the District most years for the fixing of safety problems. The funding from the JPA will be placed annually into the safety fund for use and appropriation recommended by the Safety Committee and approved by the Vice President of Administrative Services. This money is reserved for safety items and is
expected to cover most safety issues. It is not within the scope of the Safety Committee to make expenditures for instructional programs, etc.

K. **One Time Savings (Cost Recovery):** Administrative Services will identify one time net savings from positions that were funded and occupied in the final annual budget approved in September. If the position was vacated for a period and refilled during the prior year, those net savings from that vacancy will be identified and reported to President’s Cabinet for allocation to meet one-time needs as prioritized through the Block Grant, Non-Instructional Equipment, or Facilities Renovation processes. Net savings consist of the total compensation budgeted but not expended minus any costs for temporary replacements or out-of-class assignments. Since these are one-time savings, the monies cannot be used for ongoing expenses or employee positions. Since all these monies are part of the District’s ending balance, only monies in excess of the 6% requirement can be approved for expenditure.

L. **Budget Development:** Revenues and contracted expenditures shall be identified by Administrative Services starting in the spring of each school year and reported to President’s Cabinet. After the preliminary development of new revenues and new expenditures for the upcoming year, the tentative budget will be reviewed by the College Budget Committee. Recommendations for expenditures and revenues, compliant with the 6% reserve Board Policy, are then sent to Cabinet for further review. After the May Revise, the revised tentative budget will be returned to the Budget Committee and forwarded to College Council for comment. The President’s Cabinet will then approve the Preliminary Budget to be sent to the Board of Trustees for its approval at the June meeting.

Following finalization of the state budget and reconciliation of funds following the close of the fiscal year, a Final Budget will be prepared by Administrative Services, approved by the President’s Cabinet, and sent to the Board of Trustees for its approval at the September meeting.

M. **Step and Column:** It is expected that, over multiple years, the funds saved by retirement/separated positions being hired at lower cost levels will cover the cost of step and column changes for continuing employees. The net gain/loss from replacements/separations compared with those hired will either be added to or subtracted from COLA available for ongoing costs such as employee compensation in the form of salary and benefits. This adjustment will be made in the Final Budget due to the necessity to identify actual costs for new hires. (Note that “Golden handshakes” reduce the funding source for these contracted changes. This forces step changes to come out of COLA reducing the District’s ability to offer competitive compensation.)

N. **Total Cost of Compensation:** The budget impact of employee compensation levels includes step and column increases, salary, benefits and employer contributions. The funding sources for compensation of permanent employees must be ongoing in nature and include COLA, growth, and increases in the FTES funding rate provided by the state. Each year, during Budget Development, a projection of these revenues and
expenditures will be provided by Administrative Services and updated regularly as new information becomes available. The timelines and format for that analysis appears in the appendix.

O. **Full Time Equivalent Student – Growth:** The District's ability to hire additional faculty is based on FTES growth. If growth occurs, the monies must be set aside to hire growth faculty. Failure to budget growth monies for new faculty will result in COLA monies being used for new faculty—again compromising the District's ability to offer competitive compensation. Similarly, the District's ability to hire staff requires an ongoing source of funds—growth. In years when growth is not produced, new permanent positions cannot be anticipated.

P. **GASB 45 Obligations – Retiree Health Care:** The District has entered into contracts with employees for health care after retirement paid for by the District. The District updates the actuarial report every three years to reflect earnings, changes in employee numbers, and changes in health care costs. The overall obligation for these retiree benefits is about $21 million. The District has set aside over $4 million to meet this obligation. One million is held locally in the county treasurer's office and over $3 million is being held in the California Community College League Joint Powers Agreement for Retirees Health Care Investments fund. Monies in the Retiree JPA fund cannot be withdrawn, but they can be spent down by paying retiree's health care annual payments.

Based on the most recent actuarial study, the District must set aside $2,375 every year for every employee who might be eligible for retiree health care. This equates to a total of $514,049 annually. Categorically funded employees will be charged the $2,375 each year to their program.

The District plan for funding the retiree health care obligation is to use one time incidental funding rather than building the $514,049 into the annual budget. Usually the District receives some unexpected money each year that can be used to fund this obligation.

The Community College League of California (CCLC) Retiree Health Benefit JPA has 22 California Community Colleges as members. The League has developed four investment strategies. One is all fixed incomes such as government backed bonds and mortgages and the other three plans are a mix of equity and fixed investments. One of the primary benefits of the JPA Trust is its legal ability to invest in a long-term portfolio of diversified investments, therefore increasing the rate of return on those savings over local county treasury investments and, thereby reducing costs to fund retiree benefits for participating districts. The District has a Board appointed local retirement board composed of the President, Vice President and Dean of Human Resources who meet at least annually to review the investments of the JPA.

Q. **Categorical Grants:** Categorical funds are allocations that are given to the College that must be spent according to the rules of the granting agency. Budget managers of
categorical funds are expected to stay within their budgets and to follow all regulations and stipulations of the grant. Once approved, all grant documents/contracts/budgets should be forwarded to the Categorical Accounting Officer for review. Submit all fiscal reports to the Categorical Accounting Officer for review prior to submittal to the granting agency. The Categorical Accounting Officer will meet with each budget manager at least twice a year, once in February to do a preliminary review and once in May or June for a year end review.

The direct manager of the categorical grants/allocation/funds will be responsible to lay out a spending plan to accomplish the goals of the grant. The manager is responsible to his or her direct supervisor for success or failure to accomplish objectives. The failure to spend or overspending monies in the grant and how they were actually spent will be under the purview of the Categorical Accounting Officer and the Vice President of Administrative Services. The manager of the categorical program will be held responsible for goal accomplishment, for making expenditures within the parameters of the program, and for the correct reporting of the revenues and expenditures.

R. One-Time Monies – Incidental: The District regularly receives unanticipated monies, usually not ongoing monies. If the money is ongoing, it can be budgeted and is no longer incidental. These moneys can be used for one-time expenses, expenditures that will reduce operations expenses in the future, i.e., heating or air conditioning changes which will reduce energy consumption. These monies can be used to meet the annual GASB retiree contribution. A representative list of the sources of one-time funds is included below.

1. Mandated Cost Reimbursements: Currently the College of the Sequoias is owed almost $3 million dollars by the State of California for documented mandated costs.

2. Excess Insurance Reserves: In 2004-2005, COS had lower than expected health insurance claims, and the excess was held in a Blue Shield reserve. The excess amount was returned to the District and was approximately $500,000.

3. Excess Energy Cost Reimbursement: The College recovered almost $500,000 from excess cost energy claims that were reimbursed to the college at the end of 2005-2006.


5. Existing Debt: Shifting of facilities expense or conversion of existing debt could free one-time monies for retiree health obligation.

6. Technology Investments: Investments that have a reasonable return on investment (ROI) can be used to pay off the technology capital investment and after the loan is paid off the savings over several additional years are put into the retiree fund.

7. One Time Grants: One time grants from the state government given without strings to the district.

S. Cash Flow: The College frequently has demands for cash for payroll and accounts payable that exceed monies available. This is due to when taxes are paid and the
method used by the state to pay the apportionment. The College uses three means of accommodating calls for cash. The most frequent is moving cash between funds. The board authorizes an annual blanket authorization to borrow from any of the College's funds. For example, the retiree benefit fund which has cash might contribute to the general fund to make payroll. When the local tax monies come in, the temporary cash flow loan is paid off. The College currently uses the procedure that oldest loans are paid off first. Any cash flow loans open on June 30th are reported in the final budget documents presented to the board in September.

The College also uses TRANs (Tax Revenue Anticipation Notes). This financial vehicle was developed to cover cash needs of schools when taxes were paid only twice a year. COS uses a TRANs for cash flow for its building and general funds. The TRANs is entered into in May of the previous year, and Board must take roll call action to initiate the TRANs. The money is available in July and is repaid in two installments, one in February and the other in May. The money is available at a very good rate and usually the District can earn some arbitrage from the TRANs. The TRANs must be fully paid and does not cross fiscal years.

The other vehicle is a short term loan from a local bank. The bank uses a lien on District property as surety for the loan. Moneys are used for cash flow for construction and general fund operations. Bank loans are more expensive than a TRANs, but they provide monies over the fiscal year end. The TRANs is the usual instrument for external cash flow.

T. **Community College State System Funding:** The California Community College System provides monies to the District based primarily on the number of full time equivalent students (FTES). The College also gets an annual “foundational” allotment; this is $3 million for the Visalia campus and $1 million for the Tulare campus. A Cost of Living Adjustment (COLA) is usually given on these funds. The foundational money is part of our state allocation funds. The College reports FTES four times during the year, P-1 in February, P-2 in April, Annual by July 15th and adjustments in November. These reports affect the flow of State cash into the District. The Annual report projects FTES for the subsequent year and is used as the basis for paying August through January. The P-1 is used for making payments in February, March, and April. If the P-1 shows a larger number than the prior years annual FTES report, the State does a “catch up” so that by the end of April the monies owed to the District based on the P-1 will have been paid. The P-2 works in a similar fashion and if the numbers increase we get additional monies, and if they decrease we get less.

The Annual FTES report usually finalizes FTES for the year, but adjustments can be made in November. In November all the colleges will have closed their accounting books for the year. They will have reported all the final local taxes that have been received. The Chancellor's Office calculates the total FTES that were earned up to each district’s authorized FTES cap. Using the FTES dollar rate, they calculate the total dollar demand against monies allocated by the legislature for the prior year. They then look at all the colleges' demands for tax shortfall. The actual local taxes received by
COS can differ from the estimated taxes calculated by the Chancellor's Office at the beginning of the prior year. These shortfalls and overages throughout the system are calculated. If the funding is adequate to pay all FTES and tax shortfalls for the entire CCC system, the districts that are over cap get an additional prorated allocation. If the legislative allocation is inadequate to fund the earned FTES and tax shortfall, the colleges are deficit funded. For example, COS might get funded at 99.5 percent, so actually funding from the prior year is one half a percent less than was budgeted. So, not until February after the close of the books for the previous year will the District know how much money it actually received from the state for the prior year.

U. **Local Operational Funding for the College:** The District's revenue is calculated from FTES and the foundational allocation as explained above under State System Funding. This formula constitutes the Revenue Limit; it is the authorized funding limit of the State Community College System. Example: If the Revenue Limit from the state comes to $40 million, and if local taxes are $8 million and student fees are $2 million, the state apportionment will be $30 million. While local revenue makes a contribution to COS' operation, the state subtracts the local taxes and student fees from the Revenue Limit. The amount that they pay to COS is called apportionment and does not include taxes or collected student fees. The only local taxes that COS does not count under the Revenue Limit are Urban Renewal Taxes.

V. **College Debt:** The District incurs some long term debt in the operation of the District. Current debt is associated with parking lot purchases, building remodeling, and additional funding to supplement state funding for facilities. A reasonable debt level corresponds to the total of payments for principal and interest being at a level which is not more than 10% of general fund expenditures.

The College incurs internal debt when it borrows money from one fund to provide cash flow for another fund. If the construction fund needs to pay a contractor and will be filing with the state for a reimbursement for this expenses, cash flow will be necessary to write the checks to the contractor. Borrowing from the Farm Fund would be a temporary loan so that the Construction Fund can make payments, until the state reimburses the Construction Fund. When that occurs, the Construction Fund would reimburse the Farm Fund for the temporary cash flow loan. The District requests blanket authority from the Board to make these temporary transfers. All temporary cash flow fund transfers unpaid at the end of the fiscal year are reported in the final budget report completed in September.

W. **Lease Borrowing:** The District can also initiate borrowing in the form of a Lease, which is different from a Certificate of Participation (COP) or Bond. Let's say that the District has an old warehouse which is physically sound but is not suitable for offering instruction. The District with a Board resolution can enter into a lease that will remodel the facility and the District in affect leases their own building from a lender until the remodeling and interest costs are paid off. The funding for lease payments comes from the general fund revenues and reduces monies available for usual instructional expenditures.
X. **Bonded Debt:** The District has several options for entering into boned debt. All require going to the voters to approve a bond that increases property tax for residential and business property. The standard general obligation bond requires a two-thirds positive vote from voters in the District. A Proposition 39 bond only requires a 55% approval vote, but the maximum rate is $25 per $100,000 of assessed evaluation of taxable properties, and elections must coincide with regularly scheduled elections. In addition, the Proposition 39 bonds must have a citizen’s oversight group to review expenditures, and it must also list all the items that will be purchased with the bond proceeds.

Districts also have the option of creating an SFID (Specials Facilities Improvement Districts). The SFID allows the District to build a facility that is of interest only to a specific community in the District that might not be of interest to the rest of the District. In this process a part of the District is identified that might want to support a local facility, and the question is put to the voters in this area. If they approve, the District has the right to sell the bonds and to use the approved taxes to build or buy the identified project.

Y. **Certificates of Participation:** Certificates of Participation, commonly known as COP, are a form of borrowing by K-12 and Community College Districts that is permitted by law. The loans are done by the Board passing a resolution to issue a COP. The COP is sold through the commercial financial market as a tax free investment, meaning the college gets very low tax rates. The loans are sold to investors and financial institutions and the money comes to the College. The College uses the money to build buildings or buy land. The COP is paid out of District operating funds. This is usually not a recommended way to finance building or land acquisition, but when funding from state construction bonds is not available and a local bond will not pass, it is an alternative. The negative side of a COP is that it must be paid back with general fund revenues that are needed for operating the College, such as salaries for staff and faculty and service to students.

Z. **Repayment of Debt:** Debt is usually paid through three sources: local taxes to make payments on bonds, SFID and Proposition 39 General Obligation bonds, and general apportionment funds. General apportionment (operating funds) can be used to make payments on COPs or facility leases. The District can also sell off existing assets to pay off debt. The District can also shift COP or lease debt to bonded debt. There might be times when it the District can save significant monies by entering into a COP to buy land or some other real estate. Later the District can pass a bond which will pay off the remaining debt and reimburse to the District expenses, interest and principal that have been paid against the COP used to buy the real estate.

Reference: Educ. Code Section 84040(c); Title 5 Section 58311; Accreditation Standard III.D.2
September 23, 2008