Lassen Community College District

Multi-Year Fiscal and Academic Recovery Plan

February, 2008

Reviewed by the Lassen Community College Consultation Council February 14 & 21, 2008
Reviewed by the Lassen Community College Cabinet February 19, 2008
Adopted by the Lassen Community College Board of Trustees February 26, 2008

Table of Contents

I. EXECUTIVE SUMMARY

The Lassen Community College District's (LCCD) Multi-Year Fiscal and Academic Recovery Plan (Plan) adopted by the LCCD Board of Trustees on February 26th, 2008 describes the LCCD's commitment, resolve and support of fiscal and academic recovery. This Plan will continue to evolve over time to help guide the LCCD to fiscal/academic stability, recovery and sustainability. The recovery plan is based on factual data as well as current and anticipated assumptions. LCCD reserves the right to update current projections impacting this plan as the budget development process continues and assumptions are validated. This plan reflects the LCCD's historical perspective, current status, recovery elements and the key assumptions used in the development of the recovery plan. It is integrated with LCCD's planning process, including the Comprehensive Institutional Master Plan (attached as Appendix B). The Plan will require continuous monitoring, review, and updating in order for it to be viable and accurate. As such, LCCD intends to resubmit an updated Plan to the Chancellor's Office regularly. It is anticipated that LCCD will resubmit updates and revisions of this Plan to the Chancellor's office in June, 2008. The LCCD welcomes an ongoing and open discussion regarding the Plan by the members of the Lassen educational community, State's Chancellor's Office and the Accrediting Commission for Community and Junior Colleges (ACCJC).

In her effort to support and assist with recovery, the Chancellor of the California Community Colleges on behalf of the Office of the Chancellor for the California Community Colleges entered into a Revised 2007 Resolution Agreement (Agreement) between her office and the Lassen Community College District Board of Trustees. The Agreement acknowledges that compliance with minimum conditions and apportionment requirements will require the investment of LCCD time and resources. More importantly, the Agreement acknowledges and supports the premise that recovery takes time.

To assist with recovery, the Agreement provides for monitoring by the System Office, the designation of a Special Trustee, and specific plans accompanied with timelines.
Central to recovery over time, the Agreement allows for an offset toward apportionment repayment. Essentially, the fees and reimbursement expenses the LCCD pays to the Special Trustee and various consultants will offset overtime, the apportionment repayment.

An essential part of the Agreement calls for the development of Fiscal and Educational Plans by LCCD. These plans provide the blueprint for achieving fiscal stability and demonstrating the impact of the fiscal plan on the LCCD's educational program. LCCD is pleased to submit this multi-year fiscal and academic recovery plan to the Office of the Chancellor for the California Community Colleges.

Integral to this recovery plan is LCCD's Recovery Matrix. A well-designed Recovery Matrix is essential for monitoring corrective action and progress relative to sustained recovery. This Recovery Matrix is attached as Appendix A.

II. INTRODUCTION

The forerunner of Lassen Community College began on May 4, 1925, when the Junior College Department of the Lassen Union High School District was established and began conducting classes on the Lassen High School Campus. A separate facility was created in 1941. In 1945, because of increasing enrollment, a new building was built adjacent to the high school. The modern era of Lassen Community College began in March 1965 with the establishment of the Lassen Community College District and the separation from the high school district. A separate Board of Trustees was elected and planning began for a new campus. The new campus, located on Highway 139, today consists of 165 acres and 39 buildings. It began operations in September 1971. In addition to classrooms, laboratories, and offices, it has a dormitory with a capacity of 90, a library, college union, computer rooms, a large gymnasium and outdoor recreation facilities.

Seven elected trustees govern the District. A student trustee with an advisory vote sits on the Board and is elected by the students in the spring of each year. Regular Board meetings are held at 5:30 p.m., the second Tuesday of each month with the second meeting scheduled on the fourth Tuesday as needed. The Superintendent/President is the chief executive officer of the District and secretary to the Board.

The mission of Lassen Community College is to provide equal access to a comprehensive community college education. The college is committed to providing programs of excellence to all those seeking the opportunity to pursue their education goals.

In recent years, the college has struggled to maintain enrollment. As a result, state funding is expected to decline next year unless enrollments improve. Compounding and impacting enrollment, the Lassen Community College District has been the recipient of a number of independent oversight report findings relative to state minimum conditions, apportionment claims requiring adjustments, and accrediting standards concerns. These report findings are highlighted within the body of this Plan.

In an effort to assist and address the various compliance issues, the Chancellor's Office entered a Revised 2007 Resolution Agreement with the Lassen Community College District in August, 2007. This Agreement was approved by the Board of Trustees on August 28, 2007. This Agreement provided for the designation of a Special Trustee responsible for monitoring and oversight of the LCCD. Additionally, the Agreement provides for a repayment schedule regarding the state apportionment adjustment.

The mutually approved Agreement requires the College Board of Trustees to adopt a new fiscal and educational plan by no later than February 29, 2008. This document represents that plan.

III. HISTORICAL PERSPECTIVE

A. Personnel

The Lassen Community College District (LCCD) has experienced one or more changes in each senior leadership position since the last ACCJC comprehensive study in 2002. In spring 2002, the LCCD employed six administrators (five educational and one classified) none of whom currently retain their positions. The institution experienced seven deans and/or associate deans including an interim dean from 2002-2007. The current Dean of Instructional Services was hired July 10, 2007. There have been two administrative services deans and three student services deans or associate deans during the same five year period. The previous Dean of Administrative Services hired on July 11, 2006 was replaced by an interim Dean of Administrative Services on August 28, 2007. The Dean of Instructional Services was hired October 24, 2006. One instructional dean position was eliminated in 2005-2006 and two part-time educational administrator positions not present in 2002 were developed and filled in that same year.

The college has experienced declines in the numbers of classified employees and faculty consistent with declining enrollments and revenues. In 2002, the college employed seventy-two individuals as part of the classified unit. Sixteen classified positions were eliminated in spring 2003 to address an anticipated statewide revenue shortfall. The number of individuals within the classified unit employed fall 2007 was fifty-four. In fall 2002, the college employed forty-eight full-time faculty members, thirty-eight instructional faculty and ten non-instructional faculty. The number dropped to thirty-four full-time faculty, three faculty with partial loads, thirty-three instructional faculty and four non-instructional faculty in fall 2007.

The previous Superintendent/President remained at the college from his hire of July 2002 through July 2007. Dr. Douglas Houston was hired August 14, 2007 through June 30, 2008 as Interim Superintendent/President. At a regular scheduled LCCD Board meeting on November 13, 2007, the Board voted unanimously to authorize the Special Trustee to request from the Board of Governors (BOG) a waiver of Title 5, Section 53021 which requires the Governing Board to conduct an open comprehensive search for a Superintendent/President. At its January meeting, the BOG approved the requested one-time administrative appointment exception for the Lassen Community College District. This emergency regulation authorized the LCCD to contract for administrative services without open and full recruitment. The BOG ruled that an open and full recruitment at this time could jeopardize the fiscal stability of the district or its ability to satisfy the conditions for removal from the Accreditation Commission for Community and Junior Colleges (ACCJC) probation. On February 12, 2008, the LCCD Board of Trustees voted unanimously to ratify the three-year employment contract and approve the appointment of Dr. Houston as Superintendent/President.

B. Student and Instructional Services

At the time of the last self-study, the Student Services area had seven full-time employees working in counseling. There were three individuals being funded through categorical funds Disabled Student Programs & Services and Extended Opportunities Programs & Services (DSP&S and EOPS). There were also four individuals funded through districts funds, one general counselor assigned to careers counseling, one assigned to transfer center and articulation, one general counselor including Veterans Affairs and one general counselor unspecified. Effective fall 2007, there will be four individuals in counseling, one DSPS counselor, one EOPS counselor, one general counselor and one counselor split 50% EOPS and 50% matriculation. The availability of counseling to the general student population has significantly decreased. In 2005-2006 a 20% load for one full-time instructional faculty member with a counseling background handled articulation.

The current Dean of Instructional Services / Institutional Researcher was hired in October 2006. Student Services departments, which previously were located at a variety of sites on campus were combined into a single "One Stop Student Services Center" (OSSSC) effective September 2007. The OSSSC will allow all students to access services varying from assessment, orientation, counseling, financial aid, registration to bill payment, all within a single building.

Coordinated institutional recruitment/marketing activities, previously under the supervision of the office of instruction, were essentially eliminated in the spring 2003 layoffs. Limited specific area recruitment in physical education and vocational programs continued. Basic institutional recruitment/marketing activities are being brought back fall 2007 under the supervision of the Dean of Instructional Services / Institutional Researcher.

The hiring of an instructional dean in Fall 2005 and an associate instructional dean in Spring 2006, with the support of three clerical personnel, provided a fully staffed instructional office for the first time in years. The addition of faculty department chairs in 2005-2006 provided an opportunity for significant progress over the next two years in the instructional area. A three-year comprehensive scheduling plan including both day and night class offerings were developed. Two-year advising plans for all degrees and certificates were developed and are currently being used in Counseling. The development of student learning outcomes at the institutional, program and course levels was identified as a high priority and moved forward on an expedited timeline. The complete restructuring and updating of the college catalog occurred. Concurrent with the college restructuring action to inactivate and revise degrees and certificates consistent with instructional program review recommendations were initiated. In addition, the development of a new Fire Technology program and new Graphic Design Certificate of Completion moved forward. The instructional office provided leadership in the development of the Educational Master Plan, Faculty and Staff Development Plan and Student Equity Plan. Due to the decision not to renew the contracts of both instructional deans the position vacancies were advertised spring 2007. The current Dean of Instructional Services was hired July 10, 2007.

C. Chancellor's Office Minimum Conditions Review

Concerns by individuals expressed to the Chancellor's Office in summer 2004 initiated a series of investigations into a variety of minimum condition violations. The Chancellor's Office concerns centered around attendance accounting, human resources issues concerning certification of faculty meeting minimum qualification, legality of the existing hiring process, curriculum issues including course repetitions, enrollment overlaps, course stacking, course advertising, enrollment restrictions, contracts for instruction outside of the district and lack of separation between foundation and district funds.

The college has been addressing minimum condition concerns over the last three years. The minimum qualification certification for all full-time faculty was reviewed December 2004, and minimum qualifications for all part-time faculty were reviewed 2005-2006. A faculty database was established in the office of instruction to ensure that no faculty member was assigned to instruct a class for which their minimum qualifications had not been reviewed. The format for reporting equivalency to the Governing Board was modified. The hiring policy was rewritten, approved by the Governing Board on February 23, 2007, and a schedule for advertising positions was developed. Several training workshops were conducted to train faculty on attendance accounting requirements. Procedures for special admit students were revised. The Curriculum/Academic Standards Committee reviewed every credit and non-credit course for repeatability, established new criteria for stacking laboratory sections of courses and reviewed all stacked courses. Board policy and audit changes were initiated to clarify the financial arrangement between the LCCD and foundation.

Ultimately the series of reports and decertification of FTES led to development and approval of a Resolution Agreement between the Lassen Community College District Governing Board and the Chancellor of the California Community Colleges in March 2006. The resolution agreement includes a repayment plan whereby future apportionments will be reduced over the next twelve years to adjust for previous overpayment of apportionment. The repayment of approximately $1.7 million dollars could impact the financial planning of the college for the next decade. As an acknowledgement of that potential impact, a revised Resolution Agreement between Lassen Community College District Governing Board and the Chancellor of the California Community Colleges was approved in August 2007. Further recommended amendments will be considered in March 2008 by the LCCD Board. This revised Resolution Agreement and subsequent recommended amendments allows for reductions in the total apportionment repayment of fees and reimbursed expenses the LCCD pays to the Special Trustee and various consultants.

D. Accreditation

The Accreditation history of the college has been problematic and remains on a sanctioned status. The college was placed on probation status in June of 1996. The faculty, staff and administration mounted an effort to address the four recommendations presented by the ACCJC in their letter of June 24, 1996. Work groups with broad constituent representation were developed to address each of the recommendations. As a consequence of the significant progress made in a relatively short time, the ACCJC removed the probationary status and placed the college on warning status in June 1997. The college continued to make marked progress on each of the recommendations, and the warning status was lifted with reaffirmation of accreditation in June 1999. Between June 1999 and the comprehensive study site visit of spring 2002, the college replaced the chief executive officer and all senior administrators.

Following the comprehensive study site visit in 2002, the ACCJC reaffirmed the accreditation of Lassen Community College in June 2002, and identified three recommendations that the college needed to address and requested that the college complete a progress report in March 2004. The Commission accepted the progress report in June 2004, a focused midterm report in June 2005 and requested a progress report be submitted by March 2006, documenting progress on two of the original three recommendations identified in 2002. The Commission took action June 2006, placed the college on warning status and required a Special Visit, which occurred July 2006. The Commission letter identified a concern "that the institution appears to be pursuing a course of action that will place it in non-compliance with Eligibility Requirements." Subsequently in August 2006, the Commission forwarded twenty-one specific recommendations provided by the special visiting team and requested a progress report by November 15, 2006. In January 2007, the Commission took action to accept the progress report, placed the college on probation status and requested a progress report by March 15, 2007 addressing seventeen remaining recommendations. A special visit occurred on May 3, 2007.

In June 2007, the Commission accepted the progress report, special visit report and took action to continue the college on probation status and requested a progress report by October 15, 2007 addressing the remaining ten of the original twenty-one recommendations. The progress report submittal was followed by an ACCJC evaluation team visit in November, 2007. On January 31, 2008, the Lassen Community College District received a letter from the Accrediting Commission for Community and Junior Colleges stating that institution took action to accept the LCCD's progress report and identified seven remaining recommendations. The Commission also acted to continue Lassen College on Probation. In March 2008, the ACCJC will conduct a comprehensive assessment of the LCCD. Lassen College is required to complete a Progress Report by October 15, 2008. LCCD was informed that they must correct the stated deficiencies by January 2009.

E. FCMAT's Management Review

The college invited a management review by California's Fiscal Crisis and Management Assistance Team (FCMAT)) in 2005-2006. The report was published in January 2006. The report found that declining enrollments and correspondent declining revenues since 2002, along with the repayment plan agreement for overpaid apportionment with the Chancellor's Office, has resulted in significant financial challenges for the institution. The college's revenue in 2002-2003 was approximately 15.8 million dollars while the unaudited revenue for 2006-2007 is approximately 17.4 million dollars.

FCMAT concluded that the LCCD must have contingency plans to successfully manage its resources in times of financial crisis. FCMAT suggested that a multiyear financial plan be developed to address the apportionment repayment and to address bargaining unit proposals and negotiations. Central to one of FCMAT's findings was the lack of internal controls at LCCD in multiple areas. FCMAT recommended that the LCCD's potential fiscal shortfalls be addressed through an analysis of all college instructional and support program costs. They stressed that the multi year fiscal plan must include realistic revenue projections and accurate expenditure projections in order to assure that LCCD remains fiscally solvent.

LCCD has taken FCMAT's report findings/recommendations and have incorporated the key recommendations into the district's corrective action matrix. This matrix will, in part, help guide and track LCCD's recovery process.

IV. CONDITIONS FOR FISCAL AND ACADEMIC STABILITY

On August 28, 2007, the Lassen Community College District (LCCD) Board of Trustees approved the Revised 2007 Resolution Agreement between the California Community Colleges Chancellor's Office and the LCCD. This Agreement addresses both academic and fiscal noncompliance issues as determined through a State Minimum Conditions and Apportionment review of the System Office.

Additionally, the Accrediting Commission for Community and Junior Colleges issued a "Special Visit Report" to LCCD in July 2006, May 2007, and June 2007. The various findings and recommendations of ACCJC and the Chancellor's Office are the basis for fiscal/ academic recovery and stability.

The 2007 Resolution Agreement among other tasks requires the LCCD to develop a detailed fiscal stability plan and an educational plan that demonstrates the impact the fiscal plan has on the district's educational programs. This plan is required to be in compliance with the principles of sound fiscal management specified in Title 5 Section 58311. This plan must also include the conditions reflected in Title 5 Section 58310 including the regular reporting requirement to the Chancellor's Office and the Lassen Board of Trustees. Specific to those requirements is the authority of the Chancellor's Office to conduct on-site reviews of the LCCD's compliance of the Agreement.

Unique to LCCD's recovery plan and Agreement is the placement of and acceptance by the LCCD Board of Trustees of a Special Trustee. The parties have agreed that the Special Trustee will be assigned specific duties specified in Title 5 Regulations Section 58312 (d). A Special Trustee was assigned by the Chancellor's Office and accepted by the LCCD Board of Trustees in July 2007 and more fully defined and acknowledged in the August 2007 Revised Resolution Agreement.

V. RECOVERY MATRIX

A "Recovery Matrix" was developed to help guide and track LCCD's overall recovery. The various corrective action/recommendation items from the Chancellor's Office and ACCJC are listed chronologically. The Matrix provides clarity, focus and accountability for the institution. In a user friendly format, one can easily identify the following:

- Oversight Agency
- Corrective Action
- Accountable Staff
- Due Date
- Status of Completion
- Institutional Integration

This Matrix will continue to evolve as controlled and uncontrolled variables change during recovery. The document will be used to convey accurate and timely information to the LCCD Board of Trustees, students, faculty, staff, administration, the community of Lassen, and the Chancellor's Office. It will also be utilized as a self assessment gauge on the progress toward recovery. As a means of sharing information with the broader interested agencies such as the Chancellor's Office and ACCJC, the Matrix will be placed on the LCCD website and updated as needed. A Recovery Matrix is essential to corrective actions and progressively achieving recovery. Due dates coupled with institutional needs help drive the priority of the various tasks. Through this Recovery Matrix, the LCCD will focus its resources on achieving objectives that progress toward fulfilling the recommendations and established goals. The Recovery Matrix is very challenging, but worthy of the effort and dedication of the LCCD's students, faculty, staff and community (Appendix A).

VI. LCCD STRATEGY, STABILIZATION, RECOVERY, MAINTENANCE

A. LCCD Strategy/Philosophy

Lassen Community College has implemented an institutional planning and budget development process to integrate the strategic goals found in the Comprehensive Institutional Master Plan with budget development to support the college's mission and goals. This strategy will direct and make certain that financial resources are sufficient to support student learning programs and services and to improve institutional effectiveness. The distribution of resources through this process will support the development, maintenance, and enhancement of programs and services. The College's philosophy of budgeting is to best allocate financial resources based on institutional planning.

The Chancellor's Office Minimum Conditions Report (February 6, 2006) and the Settlement Agreement (August 24, 2007) requires among other tasks, the development of a Fiscal and Educational Plan. Though financial stabilization and academic recovery are essential to the college, it is understood that the recovery plan be articulated with the Standards of Accreditation and that clear evidence exist demonstrating progress. It is not sufficient that the college demonstrate that a standard is substantially met; the standard needs to be sustainable as well. LCCD is committed to, not only meeting, but sustaining our institutional values of honesty and integrity.

B. ADMINISTRATIVE STABILITY

Stabilization of administration began shortly after the issuance of a variety of reports including; FCMAT's Management Review (January 2006), Chancellor's Office Minimum Conditions / Apportionment Standards Findings (February 2006), ACCJC Findings (June 2007), and the Chancellor's Resolution Agreement. The previous Superintendent/President resigned on July 3, 2007. The Governing Board through a Chancellor's Office Resolution Agreement contracted with the Education Management and Assistance Corporation (EdMAC) to assist the LCCD with recovery. EdMAC assigned Thomas E. Henry, President/CEO of EdMAC to perform the services and product deliverables as Special Trustee. On August 14, 2007, the college employed an experienced California Community College administrator as its interim Superintendent/President for the 2007-08 academic year. On February 12, 2008, the LCCD Board of Trustees voted unanimously to ratify the three-year employment contract and approve the appointment of Dr. Houston as Superintendent /President. The new Dean of Instructional Services was hired July 10, 2007. The new interim Dean of Administrative Services was hired on August 28, 2007. LCCD has a functioning governing Board responsible for the quality, integrity and financial stability of the College and for ensuring that the mission of the institution is carried out. The current governing Board has embraced the LCCD leadership team, and understands the duties and responsibilities of the Special Trustee.

C. FISCAL AND ACADEMIC ASSESSMENT

Lassen Community College has incorporated the Chancellor's Sound Fiscal Management Self-Assessment Checklist as its form for "Fiscal and Academic Recovery". This document is being used to measure how fiscal recovery will impact the educational programs of the institution.

1. Deficit Spending - Is this area acceptable? Yes

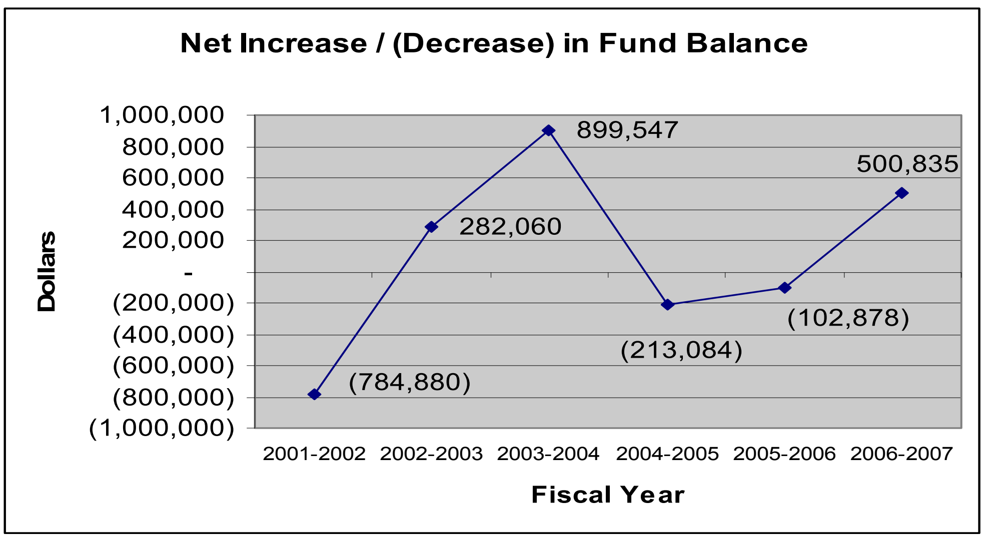
- **Is the district spending within their revenue budget in the current year?**

  District's Response: On October 9, 2007, the LCCD adopted a 2007-08 fiscal year final budget reflecting anticipated deficit spending in the amount of $583,420. The intentional deficit spending reflects LCCD's desire to maintain the existing levels of commitment to educational services while exploring the reallocation of resources to address unmet needs within the LCCD service area. On February12th, 2008 the LCCD Board adopted a revised budget reflecting an increase of expenditures in the amount of $179,991, increasing the anticipated budget deficit to $763,412.

  The LCCD has adequate reserves to accommodate the 2007-08 budgeted level of deficit spending. This revised budget deficit represents a 30.9% reduction to the June 30, 2007 ending unrestricted fund balance. This planned level of deficit spending allows the LCCD to strategically recover over time.

- **Has the district controlled deficit spending over multiple years?**

  District's Response: In addition to the anticipated 2007-08 fiscal year deficit spending, the LCCD has had deficit spending in three (3) of the past six (6) fiscal years.



Source: CCFS 311 Annual Financial and Budget Reports

In the 2006-07 fiscal year the LCCD received additional one-time apportionment funding in the amount of $1,000,000 under SB 361. Deficit spending in the amount of $499,165 would have occurred had the LCCD not received the additional funding to help with the equalization transition.

- **Is deficit spending addressed by fund balance, ongoing revenue increases, or expenditure reductions?**

  District's Response: The 2007-08 fiscal year deficit spending is being addressed primarily by reductions in fund balance. The intentional deficit spending reflects LCCD's desire to maintain the existing levels of commitment to educational services while exploring the reallocation of resources to address unmet needs within the LCCD service area.

- **Are district revenue estimates based upon past history?**

  District's Response: The LCCD has established a spreadsheet to track historical revenues by revenue source to more closely estimate the number of revenue sources available and the amount of each revenue source. The LCCD will be utilizing the spreadsheet during the 2008-09 budget development process and future years to more accurately project future LCCD revenues.

- **Does the district automatically build in growth revenue estimates?**

  District's Response: The LCCD has experienced continued declines in FTES that has resulted in several years of stabilization funding. Apportionment growth has been unavailable and, therefore, not included in revenue estimates. Under the circumstances, the LCCD is eligible for three years of past restoration monies as follows:

Year of Stabilization Funding	Restoration Available
2004-2005	$ 1,266,833
2005-2006	1,024,660
2006-2007	789,955
Total Potential Restoration Available	$ 3,081,448

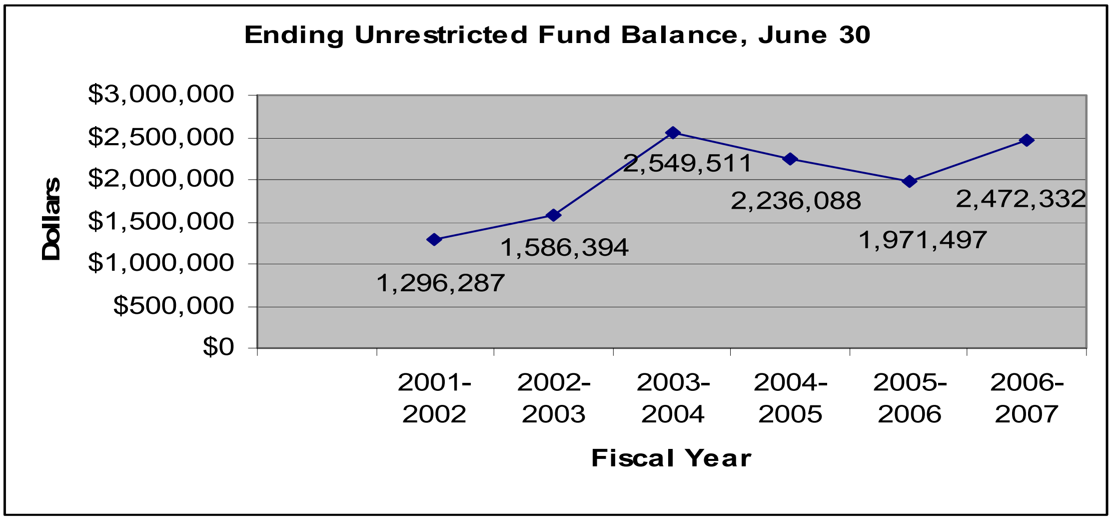
Source: 2007-2008 Statewide Budget Workshop

The LCCD has built into the 2007-08 budget a recapture of $326,890 in restoration monies associated with a projected increase of 68 credit and 6 non-credit FTES.

2. **Fund Balance – Is this area acceptable? Yes**

- **Is the district's fund balance stable or consistently increasing?**

  District's Response: Trending of the unrestricted general fund balance indicates a stable and prudent fund balance from the 2001-02 through the 2006-07 fiscal years.



Source: CCFS 311 Annual Financial and Budget Reports

- **Is the fund balance increasing due to on-going revenue increases and/or expenditures reductions?**

  District's Response: The LCCD's fund balance has been stable over the recent years due to expenditure reductions primarily in staffing and one-time equalization funding.

3. Enrollment – Is this area acceptable? No

- **Has the district's enrollment been increasing or stable for multiple years?**

  District's Response: LCCD total FTES have consistently declined since 2001-02. Over a six year period total FTES has been as high as 2,688 in the 2001-02 academic year and as low as 1,538 in the 2006-07 academic year. The FTES presented are post-decertification per Resolution Agreement.

Year	Resident Credit FTES	Non-Credit FTES	Resident Total FTES	Non-Resident Credit FTES	Total FTES
2006-2007	1,430	38	1,468	70	1,538
2005-2006	1,514	49	1,563	72	1,635
2004-2005	1,767	79	1,846	140	1,986
2003-2004	1,895	84	1,979	99	2,078
2002-2003	2,180	396	2,576	82	2,658
2001-2002	2,106	505	2,611	77	2,688

Source: CCFS 320 Apportionment Attendance Reports and CCFS 317 Adjustment Applications

- **Are the district's enrollment projections updated at least semiannually?**

  District's Response: The LCCD updates its enrollment projections on a regular basis and will continue to do so no less than semiannually.

- **Are staffing adjustments consistent with the enrollment trends?**

  District's Response: Staffing adjustment consideration and ultimate adjustments have been and will continue to be consistent with the LCCD's enrollment trends.

- **Does the district analyze enrollment and full time equivalent students (FTES) data?**

  District's Response: LCCD uses enrollment and FTES data to project semester and annual enrollment and FTES trends. This process compares past semesters with current semester data to determine growth or declines in both enrollment and FTES and to project future enrollment trends to better determine programs with high demand and programs that need review.

- **Does the district track historical data to establish future trends between P-1 and annual for projection purposes?**

  District's Response: LCCD builds annual FTES models to compare previous year FTES generated to current year figures starting with the summer period. These data allow the district to project with some certainty the annual FTES early in the fiscal year to make decisions on what changes may be needed to satisfy district goals and objectives.

- **Has the district avoided stabilization funding?**

  District's Response: LCCD has experienced decreasing FTES since the 2001/02 fiscal year and as a result, has been receiving stabilization funding.

4. Unrestricted General Fund Balance – Is this area acceptable? Yes

- **Is the district's unrestricted general fund balance consistently maintained at or above the recommended minimum prudent level (5% of the total unrestricted general fund expenditures)?**

  District Response: The LCCD has consistently maintained the recommended minimum prudent level of unrestricted fund balance in excess of the recognized minimum prudent level set by the Chancellor's Office. The LCCD's Governing Board considers the relatively higher ending balance of recent years to be a fortuitous hedge against the significant apportionment revenue declines resulting from the material FTES declines since 2002-03. Had the LCCD not received the $1,000,000 one-time apportionment allocation in 2006-07, the ending balance would have declined an additional $499,165. The 2007-08 unrestricted general fund operating deficit adopted February 12, 2008 will reduce the fund balance by approximately 30.9%.

Fiscal Year	Operational Expenditures	Other Outgo	Total Expenditures	Ending Fund Balance	Percentage of Fund Balance to Total Expenditures
2006-2007	12,061,161	85	12,061,246	2,472,332	20.50%
2005-2006	12,140,893	27,018	12,167,911	1,971,497	16.20%
2004-2005	12,768,887	162,179	12,931,066	2,236,088	17.29%
2003-2004	12,481,174	47,082	12,528,256	2,549,511	20.35%
2002-2003	13,151,287	160,265	13,311,552	1,586,394	11.92%
2001-2002	13,489,831	845,825	14,335,656	1,296,287	9.04%

Source: CCFS 311 Annual Financial and Budget Reports

- **Is the district's unrestricted fund balance maintained throughout the year?**

  District's Response: Currently the LCCD anticipates the unrestricted fund balance to decrease due to deficit spending in the 2007-08 fiscal year in the amount of $763,412.

5. Cash Flow Borrowing – Is this area acceptable? Yes

- **Can the district manage its cash flow without interfund borrowing?**

  District's Response: LCCD is currently managing its cash flow without interfund borrowing. LCCD is currently developing a cash flow projection worksheet in light of the 2008-09 Governor's budget recommendation to delay the expected apportionment payments from July 2008 to September 2008.

- **Is the district repaying TRANS and/or borrowed funds within the required statutory period?**

  District's Response: LCCD does not have and does not anticipate having a TRANS or any other borrowed funds to repay.

6. Bargaining Agreements – Is this area acceptable? Yes

- **Has the district settled bargaining agreements within new revenue sources during the past three years?**

  District's Response: Due to declining enrollment, the state's economic climate and in an attempt to stabilize fiscally, LCCD has not provided any COLAs to the Lassen College Faculty Association (LCFA) or the classified employees bargaining units (CSEA) for the last three years. Management and confidential received no COLAs during that three year period as well. Current negotiations has allowed the LCCD to reduce health and benefit package within the LCCD's new revenue sources.

- **Did the district conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement?**

District's Response: No analysis was required the last three years as no COLA agreements were reached.

- **Did the district correctly identify the related costs?**

  District's Response: Non-Applicable

- **Did the district address budget reductions necessary to sustain the total compensation increase?**

  District's Response: Non-Applicable. In the future, budget reductions and/or revenue enhancements will be identified to sustain any total compensation increase recommended by the Governing Board.

7. **Unrestricted General Fund Staffing – Is this area acceptable? Yes**

- **Is the district ensuring it is not using one-time funds to pay for permanent staff or other ongoing expenses?**

  District's Response: The LCCD is careful not to use one-time funds for permanent staff or other ongoing expenses. The LCCD is analyzing regularly the use of one-time funds and their purpose relative to one-time needs.

- **Is the percentage of district general fund budget allocated to salaries and benefits at or less than the statewide average (i.e. the statewide average for 2006-07 is 85.1%)?**

  District's Response: LCCD anticipates expending 75.1% of the district unrestricted general fund to salaries and benefits in its revised budget adoption February 12th, 2008.

8. **Internal Controls – Is this area acceptable? No**

- **Does the district have adequate internal controls to insure the integrity of the general ledger?**

  District's Response: LCCD understands the importance of proper internal controls. LCCD emphasizes the importance of coordination between human resources, payroll and budget, but understands the expected separation of duties and functions. Findings and recommendations are expected to be generated as Administrative Services completes a Non-Instructional Program Review in February 2008. In addition, LCCD is currently updating the business office policy and procedure to reflect the changing processes of the new information technologies (Datatel) recently implemented. LCCD is expected to have completed documenting the new policies and procedures related to internal controls during the 2008-09 fiscal year.

- **Does the district have adequate internal controls to safeguard the district's assets?**

District's Response: LCCD's assets are safeguarded. Strong internal controls within the business office continue to be developed and emphasized. The LCCD is currently exploring training in a reliable position control system as a budgetary control.

9. Management Information Systems – Is this area acceptable? Yes

- **Is the district data accurate and timely?**

  District's Response: Historically, the LCCD's data have not been accurate or timely. The administration has placed emphasis on the imperative nature of accurate and timely data for decision making. With the implementation of a new administrative information system the college's data submissions are improving in accuracy and timeliness.

- **Are the county and state reports filed in a timely manner?**

  District's Response: Generally, county and state reports are filled in a timely manner. The LCCD's 2006/07 external audit report has been delayed. This was due to a delay on the part of the external auditor. All other local, state, and federal reports have been filed in a timely manner.

- **Are key fiscal reports readily available and understandable?**

  District's Response: The annual budget, annual financial and budget report (CCFS-311) and past annual audits are readily available and understandable.

10. Position Control – Is this area acceptable? Yes

- **Is position control integrated with payroll?**

  District's Response: LCCD has contracted with a consultant to assist the district with the integration of position control with payroll. Position control will be integrated with payroll upon completion of consultants work and the training of staff.

- **Does the district control unauthorized hiring?**

  District's Response: There is no unauthorized hiring. All positions are approved by area deans in addition to being approved by the Board and Superintendent/President. No one is placed on payroll until authorized by the Human Resources department.

- **Does the district have controls over part-time academic staff hiring?**

  District's Response: There is no unauthorized hiring of part-time academic staff. All positions are approved by the Dean of Instructional Services in addition to being approved by the Board and Superintendent/President.

11. Budget Monitoring – Is this area acceptable? Yes

- **Is there sufficient consideration to the budget, related to long-term bargaining agreements?**

  District's Response: The LCCD has not given any COLAs the last three years. The LCCD understands the importance of considering long range financial priorities and its importance to financial stability. Multi-year budgets will be developed that reflect any long term agreements or commitments.

- **Are budget revisions completed in a timely manner?**

  District's Responses: Any material changes in revenue and/or expenditures are being reflected in budget revisions. Financial reports reflecting the adopted budget, revisions, expenditures to date and the balances remaining are taken to the Board on a monthly basis.

- **Does the district openly discuss the impact of budget revisions at the Board level?**

  District's Response: All budget revisions are reviewed openly and timely at the Board level.

- **Are budget revisions made or confirmed by the Board in a timely manner after the collective bargaining agreements are ratified?**

  District's Response: The impact of any tentative collective bargaining agreement are reviewed with the LCCD Board prior to the agreement being ratified. After the agreement is ratified, a budget revision is made within two months of ratification.

- **Has the district's long-term debt decreased from the prior fiscal year?**

  District's Response: LCCD long-term debt has not decreased from the prior fiscal year. On August 23, 2007, the Chancellor's Office and the LCCD entered into a resolution agreement to, in part, rectify the districts noncompliance with unearned apportionment claims submitted in past years. The agreement reflected a need to remedy the overpayments by adjusting future state apportionment claims until the overpayments could be repaid. Accordingly, the agreement reflects both parties intent to make apportionment reductions over time so it does not jeopardize short-term solvency and the current obligations of the LCCD. In addition, the revised Resolution Agreement and subsequent recommended amendments allows for reductions in the total apportionment repayment of fees and reimbursed expenses the LCCD pays to the Special Trustee and various consultants. This amendment to the Resolution Agreement will allow LCCD to better manage its long-term debt while addressing recovery.

Fiscal Year	Future Apportionment Claim Reduction
2007-2008	100,000
2008-2009	150,000
2009-2010	162,047
2010-2011	162,047
2011-2012	162,047
2012-2013	162,047
2013-2014	162,047
2014-2015	162,047
2015-2016	162,047
2016-2017	162,047
2017-2018	162,047

Other material long-term obligations include retiree health benefits and early retirement health benefit incentives. The cost of retiree health benefits for current employees are projected to decline over the next ten years as a result of the LCCD's termination of post retirement health benefits coverage to age 65 for faculty and classified management / confidential employees. [See item 12 below]

- **Has the district identified the repayment sources for the long-term debt?**

  District's Response: LCCD will be satisfying the repayments of state apportionment with a combination of expenditure reductions, reserve reductions, and supportable future state apportionment increases. Additionally, the LCCD has agreed with the Chancellor's office to Amendment the 2007 Resolution Agreement allowing for "Offset Toward Apportionment Repayment". The LCCD has been funding retiree health benefits on a "pay-as-you-go" basis and has a projection of annual amounts needed to satisfy the LCCD's share of retiree health benefit premiums.

- **Does the district compile annualized revenue and expenditure projections throughout the year?**

  District's Response: Annualized revenue and expenditures are projected throughout the year in the development of the multi-year budget process.

12. Retiree Health Benefits – Is this area acceptable? Yes

- **Has the district completed an actuarial calculation to determine the unfunded liability?**

  District's Response: The LCCD has been funding retiree health benefits on a "pay-as-you-go" basis and has a projection of annual amounts needed to satisfy the LCCD's share of retiree health benefit premiums as follows:

Fiscal Year	Faculty	Management	Total
2006-2007	123,088	89,119	212,207
2007-2008	104,767	77,482	182,249
2008-2009	104,720	81,185	185,905
2009-2010	109,882	87,812	197,694
2010-2011	128,990	93,048	222,038
2011-2012	107,483	98,305	205,788
2012-2013	79,583	50,793	130,376
2013-2014	79,618	57,488	137,106
2014-2015	67,429	62,897	130,326
2015-2016	39,654	48,764	88,418

Source: TCS Actuarial Study of Retiree Health Liabilities, May 7, 2007

The LCCD engaged Total Compensation Systems, Inc. (TCS) to analyze the liabilities associated with its retiree health benefits plan and received an Actuarial Study of Retiree Health Liabilities study on May 7, 2007. The study estimated the actuarial accrued liability to be $1,493,604 as of July 1, 2006. The cost of benefits for current employees are projected to decline over the next ten years by 9.3% given the LCCD's termination of post retirement health benefits coverage to age 65 for Faculty hired past 2/1/89 and Classified Management/Confidential employees hired past 6/30/89. The LCCD had 14 eligible active participants and 15 eligible retired participants remaining as of June 30, 2006.

- **Does the district have a plan for addressing the retiree benefits liabilities?**

  District's Response: The LCCD will not have a continuing need to address future retirement benefit liabilities as the district terminated the inclusion of post-retirement health benefits to new Faculty and Classified Management/Confidential employees during the 1998 fiscal year. In a CalPERS circular letter 200-002-08 dated January 3, 2008, a new law took effect January 1, 2008 expanding the eligibility to join the California Employees Retirement Benefits Trust (CERBT) fund to include individual school districts. Participants who elect to participate in the CERBT can make contributions to the trust and use investment earning to pay for retiree health benefits similar to the CalPERS pension trust. The LCCD is currently considering the use of the pension trust.

13. Leadership/Stability – Is this area acceptable? Yes

- **Has the district experienced recent turnover in its management team (including the Chief Executive Officer, Chief Business Officer, and Board of Trustees)?**

  District's Response: The College has experienced frequent changes in senior leadership positions in recent years. In spring 2002 the institution employed six administrators (five educational and one classified) none of who currently retain their positions. The previous Superintendent/President remained at the college from July 2002-July 2007. The interim

Superintendent/President was hired August 14, 2007 and served as interim until February 29, 2008. On February 12, 2008, the LCCD Board of Trustees voted unanimously to ratify the three-year employment contract and approve the appointment of Dr. Houston as Superintendent/President.

The instructional office saw seven deans and/or associate deans including one interim dean from 2002-2007. The current Dean of Instructional Services was hired July 10, 2007. There have been two administrative services deans and three student services deans or associate deans during the same five year period. The previous Dean of Administrative Services hired on July 11, 2006 was replaced by an interim Dean of Administrative Services on August 28, 2007. The current Dean of Student Services/Institutional Research/ was hired October 24, 2006.

14. District Liability – Is this area acceptable? Yes

- **Has the district performed the proper legal analysis regarding potential lawsuits that may require the district to maintain increased reserve levels?**

  District's Response: The LCCD's external auditor (Nystrom and Company LLP) reviews litigation directed toward the district. The audit report ending June 30, 2006 expressed an opinion on these matters. The audit report ending June 30, 2007 has not been received yet by the LCCD. The LCCD is a member of the Northern California Community Colleges Self Insurance Authority (NCCC). NCCC is a member of the State Wide Association of Community Colleges Joint Powers Authority (SWACC). Settled claims resulting from these programs have not exceeded insurance coverage in each of the past three fiscal years. A legal review and analysis of four pending cases was conducted by the LCCD's legal counsel and LCCD's JPA insurance group on January 28, 2008. All four cases are in the pleading stages; a reasonable degree of exposure could not be ascertained.

- **Has the district set up contingent liabilities for anticipated settlements, legal fees, etc?**

  District's Response: Settled claims have not exceeded insurance coverage in each of the past three fiscal years and the LCCD does not anticipate exceeding insurance coverage for the current fiscal year.

15. Reporting – Is this area acceptable? No

- **Has the district filed the annual audit report with the Systems Office on a timely basis?**

  District's Response: No. The June 30, 2007 annual financial audit report was not filed to the Systems Office on a timely basis. The LCCD's auditors Nystrom and Company (LLP) requested an extension to January 2008. Fieldwork on the audit had been completed by the auditors. The auditors were not delayed by the LCCD. This delay is not acceptable and the LCCD is taking steps to ensure that the annual audit report is filed in a timely manner with the Systems Office.

- **Has the district taken appropriate actions to address material findings cited in their annual audit report?**

  District's Response: The audit report ending June, 2006 by Nystrom and Company (LLP), reported a material weakness in Internal Control over Financial Reporting. When the new Dean of Administrative Services arrived on August 1, 2006, he performed a review of all of the journal entries which had not been approved by his predecessor. Currently, all journal entries are processed through the Datatel system and require the review and approval by the Dean of Administrative Services. The draft audit report ending June, 2007, by Nystrom and Company (LLP), reported a material weakness related to the audit of the financial statements. A significant deficiency in internal controls over financial reporting was noted. The LCCD will take the necessary steps to address this deficiency.

- **Has the district met the requirements of the 50 percent law?**

  District's Response: During the 2006-07 fiscal year the LCCD did not meet the 50% law requirements and had the following deficiency:

2006-07 Current Expense of Education	$9,522,940
Required Education Code Section 84362 Expenditures	4,761,470
Amount actually expended in 2006-07 fiscal year	4,660,317
Amount designated as deficiency	$ 101,153

The LCCD has filed for an exemption pursuant to the *California Code of Regulations (CCR)*, Title 5 sections 59204 and 59208 for fiscal year 2006-07 under the following conditions:

a. Increasing the expenditures for salaries of classroom instructors would result in the LCCD being unable to discharge financial liabilities. Were the LCCD to have shifted funds from other operating budgets to salaries and benefits for classroom instructors, serious adverse consequences would have resulted.

b. The LCCD experienced significant unanticipated legal expenses in 2006/07. During that fiscal year the LCCD expended $477,724 for legal costs, representing 4.0% of total unrestricted General Fund expenditures. Of that amount, $377,724 was expended for unanticipated, unbudgeted and necessary expenditures described above. Had this amount not been expended, the LCCD would have been in compliance with EC 84362, since more than 50.0% of CEE would have been expended on salary and benefits of classroom instructors.

c. In addition, unusual and unbudgeted expenditures related to the improvement of the LCCD's financial condition were incurred in the amount of $66,661. These costs included expenditures for Fiscal Crisis and Management Assistance Team (FCMAT) intervention, consulting fees to review instructional services, and faculty reassignment time to assist in the LCCD response to the Accrediting Commission.

d. During the 2005-06 fiscal year, the LCCD had experienced a ratio of instructors salaries to actual FTES reported for apportionment funding in the amount of $2,985. In a ranking of the 72 California Community College Districts in 2005-06, the LCCD had the 66th highest cost of instructors' salaries per FTES generation. The ratio increased for the LCCD in the 2006-07 fiscal year to approximately $3,175 as enrollment FTES declines continued.

e. The LCCD has a reasonable basis to believe that the ratio is higher in comparison to cohort in the 2006/07 fiscal year. This is likely to make the LCCD eligible for a partial, if not full, exemption as defined under Section 59204. The diseconomies of scale associated the LCCD actual FTES reported apportionment being fewer than 3,001 FTES has been cause for material increases in current levels of deficit spending and further declines in the General Fund balance.

To remedy future deficiencies associated with the 50% law, LCCD will build into the planning and budget development process an analysis of the requirement in the tentative budget draft (to be adopted by the Board at the first meeting in June). The institution will have the opportunity to correct any deficiencies found with the requirement before the final adoption in October.

- **Have the Quarterly Financial Status Reports (CCFS-311Q), Annual Financial and Budget Reports (CCFS-311), and Apportionment Attendance Reports (CCFS-320) been submitted to the System Office on or before the stated deadlines?**

  District's Response: The past history of LCCD's submittals of the CCFS-311Q's, CCFS-311's, and CCFS 20's indicate they have generally been submitted to the System Office on or before the stated deadlines with few exceptions. Most notably, the new 4th quarter CCFS-311Q had been filed after the August 31st deadline due a transition in the Dean of Administrative Services position. The previous Dean of Administrative Services left on August 24, 2007, he had been acting as interim Superintendent/President for the last two months of his employment. The current Dean of Administrative Services began on September 4, 2007.

D. Multi-Year Fiscal Projections

The 2008-09 Governor's Tentative Budget released January 10, 2008 proposed a suspension of Proposition 98 thus eliminating minimum funding levels to all California Community Colleges. The suspension is estimated to produce an approximate $483 million dollar reduction in funding levels in projected program costs, growth, and cost of living adjustments (COLA). Accordingly, the shortfall is projected to result in no COLA adjustment for the 2008-09 fiscal year. The COLA is currently estimated to be 4.94% by the Department of Finance (DOF).

Estimated growth funding for the 2008-09 fiscal year is projected to be 1%, less than the projected 3% by the DOF. This funding is not expected to have any material impact on state apportionment funding to LCCD due to its stability funding position and restoration potential. The District estimates 2007-08 apportionment funding levels of $4,415 per Credit FTES and $2,626 per Non-credit FTES and uses this as a basis for projecting all state apportionment funding in subsequent years.

The LCCD is heavily reliant on state funded apportionments related to FTES generation. In the 2006-07 fiscal year, state general apportionments accounted for an approximate 90% of total unrestricted general fund revenues when local property tax and enrollment revenues are factored into the apportionment formula. As such, LCCD's fiscal recovery is largely dependent on its ability to align its programs and services offerings to meet the anticipated demands of the communities the LCCD serves. LCCD is in the process of finalizing the Comprehensive Institutional Master Plan which contains, in part, strategically derived educational initiatives to address those anticipated demands for educational programs and services that lay the foundation for FTES growth. Selected educational initiatives that will strategically provide growth to LCCD (accompanied by recommendations from ACCJC and LCCD internal instructional program reviews) for the 2008-09 fiscal year are as follows:

1. Reassign PE instructor to English [2006 ACCJC Recommendation #15; 2007-2008 Strategic Goal # 4]
2. Reduce Chemistry instructor [2006 ACCJC Recommendation #10; 2007-2008 Strategic Goal # 4]
3. Hire Director of Nursing [2006 ACCJC Recommendation #10; 2007-2008 Strategic Goal # 3; 2004- Nursing IPR Priority #11]
4. Hire new Business instructor (emphasis in Small Business & Government Sector Management [2006 ACCJC Recommendation #15; 2007-2008 Strategic Goal #1, 2, 3; 2008-2009- Board Directive – Vision & Economic Development; 2008- Business IPR Priority #1]
5. Pilot Basic Correction Officer Academy [2007-2008 Strategic Goal #1, 2, 3, 5; 2008-2009- Board Directive – Vision & Economic Development; 2008- AJ/CORS IPR Priority #4]
6. Hire permanent Dean of Administrative Services [2006 ACCJC Recommendation #10; 2007-2008 Strategic Goal # 4; Board Directive – College Leadership]
7. Hire permanent Human Resource Director (in budget) [2006 ACCJC Recommendation #10; 2007-2008 Strategic Goal # 4 & 6; Board Directive – College Leadership]

8. Hire Learning Resource Specialist (faculty) to restore Learning Center [2006 ACCJC Recommendation #15; 2007-2008 Strategic Goals # 2, 4; 2002-Learning Resource NIPR Priority #4]
9. Hire Instructional Technology Specialist [2006 ACCJC Recommendation #21; 2007-2008 Strategic Goal # 4; Board Directive – Access throughout the Region; Information Technology NIPR Priority #1]
10. Recruit additional Fire Technology part-time instructors –[2007-2008 Strategic Goals #1, 3, 4; Board Directive – Vision & Quality]
11. Increase POST Level II & III course offerings - Spring 08 [2007-2008 Strategic Goal # 1, 3, 4; Board Directive – Vision & Quality]
12. Increase Community Service camps - Summer 08 [2007-2008 Strategic Goal # 5; Board Directive – Vision & Quality]
13. Increase World of Work (CORS WE) - Summer 08 [2007-2008 Strategic Goal # 1; Board Directive – Vision & Economic Development]
14. Increase Gunsmithing offerings - Summer 08 [2007-2008 Strategic Goal # 1]
15. Distance Education [2007-2008 Strategic Goal # 1,4,5; Board Directive – Vision, Quality and Access throughout the Region]
16. ITV & Correspondence (increase support; market courses to 4-yr partners)
17. Pilot online/ITV/correspondence/hybrids
18. Hire Automotive Technology instructor (mid-year) [2007-2008 Strategic Goal # 1, 2, 3, 5; Board Directive – Vision, Quality & Economic Development]
19. Hire part-time (50%) Music instructor/director [2007-2008 Strategic Goal # 1, 3, 5; Board Directive – Vision, Quality & Cultural Center; 2006 Music Advisory Group Proposal]
20. Restore alliances with Palau/Island territories [Board Directive – Vision, Quality & Cultural Center]

The following matrix quantifies the relative estimates of FTES generation and cost increases/decreases associated with each of the educational initiatives presented for the 2008-09 fiscal year.

Institutional Master Plan 2008-09 Educational Initiatives	FTES Incr (Decr)	NC FTES Incr (Decr)	Certificated Cost (Savings)	Benefits Cost (Savings)	Other Exp Cost (Savings)
PE Instructor to (budgeted) English Position	-	-	(72,593)	(27,267)	-
Reduce PT Coach Positions (Fill with FT Faculty)	-	-	-	-	(42,000)
Reduce Chemistry Instructor Position	-	-	(23,956)	-	-
Hire Automotive Tech Instructor (mid-yr)	4.00	-	27,370	1,879	-
Hire Director of Nursing (budgeted)	-	-	-	-	-
Hire PT Music Instructor (50%)	5.00		27,370	3,757	-
Hire Business Instructor	10.00	-	54,739	24,816	-
Hire Dean of Admin (budgeted)	-	-	-	-	-
Hire HR Director (budgeted)	-	-	-	-	-
Hire Learning Resource Specialist (part Basic Skills)	-	10.00	14,460	1,985	-
Hire Instr. Tech. Specialist (budgeted)	-	-	-	-	-
Hire PT Fire Science Faculty (budgeted)	15.00	-	-	-	-
Increase POST Level II & III Courses	3.00	-	5,792	795	-

Restore Alliance with Palau Islands	5.00	-	-	-	7,500
Increase World of Work Initiative	6.00	-	-	-	-
Increase Community Service Camps	-	-	-	-	-
Expand Distance Education (ITV/Hybrids)	8.00	-	-	-	-
Pilot Corrections Officer Academy	10.00	-	17,375	2,385	-
Increase Gunsmithing Offerings (contract)	8.00	-	-	-	7,000
Totals	74.00	10.00	50,556	8,350	(27,500)

The educational initiatives that will strategically provide growth to LCCD for the 2009-10 fiscal year are as follows:

- Hire Fire Technology instructor
- Fire Technology (inc CCC)
- Restore Apportionment Supported Learning Center
- Expand Cosmetology
- Restore Small Business Management Curriculum
- Expand POST Level II and III
- Expand Rodeo
- Expand Adult Education Partnership with Lassen HS

The following matrix quantifies the relative estimates of FTES generation and cost increases/decreases associated with each of the educational initiatives presented for the 2009-10 fiscal year.

Institutional Master Plan 2009-10 Educational Initiatives	FTES Incr (Decr)	NC FTES Incr (Decr)	Certificated Cost (Savings)	Benefits Cost (Savings)	Other Exp Cost (Savings)
Hire Fire Technology Instructor	10.00	-	54,739	24,816	-
Increase Fire Tech Courses to CCC	10.00	-	-	-	-
Restore Learning Center/Tutoring/Skills Lab	-	20.00	54,739	24,816	-
Expand Cosmetology (contract ed.)	4.00	-	-	-	14,560
Restore Small Bus. Mngmnt Curriculum	13.00	-	-	-	-
Expand POST Level II & III Courses	3.00	-	5,792	795	-
Expand Rodeo Team Program	10.00	-	-	-	21,000
Expand Adult Education Partnership	-	-	-	-	-
Totals	50.00	20.00	115,270	50,428	35,560

In addition to the 2009-10 Educational Initiative FTES generation described above, prior year 2008-09 Educational Initiatives are expected to continue to grow and have estimated continued FTES generation as follows:

Institutional Master Plan Prior Year Educational Initiatives in 2009-10	FTES Incr (Decr)	NC FTES Incr (Decr)	Certificated Cost (Savings)	Benefits Cost (Savings)	Other Exp Cost (Savings)
08-09 English Program Growth	5.00	-	-	-	-
08-09 Music Program Growth	5.00	-	-	-	-
08-09 Automotive Program Growth	5.00	-	-	-	-
08-09 Nursing Program Growth	5.00	-	-	-	-
08-09 Alliance with Palau Islands Growth	15.00	-	-	-	-
08-09 Distance Education (ITV/Hybrid) Growth	8.00	-	-	-	-
08-09 Corrections Officer Academy Growth	15.00	-	-	-	-
08-09 Gunsmithing Program Growth	4.00	-	-	-	-
Totals	62.00	-	-	-	-

Other Revenue and Expenditure Projections

Cost increases of the certificated and classified staff will be reflected in step and column salary schedule movements over the next two years. Other salary schedule movements are being contemplated for management and administrative positions but are not included in this report due to the uncertainty of funding. The net effects of all individual movements are as follows:

Projected Step and Column Increases For Fiscal Years 2008-09 and 2009-10	Fiscal Year 2008-09	Fiscal Year 2009-10
Certificated Salaries	19,298	24,373
Classified Salaries	27,829	33,850
Management / Confidential Salaries	-	-
Administrative Salaries	-	-
Totals	47,127	58,223

Labor contract negotiations over the 2007-08 fiscal year have recently resulted in Board action to increase ongoing costs to LCCD (approved February 12th, 2008). The certificated costs under the Lassen Community College Faculty Association's (LCFA) Memorandum of Understanding (MOU) include an approximate $17,000 per year increased cost in new stipend and PT faculty 'replacement' assignments and an approximate $9,000 per year increased cost for a special Athletic Director assignment. The classified costs under the California School Employees Association's (CSEA) MOU include approximate $7,500 per year in on-going vision/dental/life payments and an approximate $20,000 per year increase in on-going medical cap increases. The effects of ongoing costs are reflected as follows:

New Labor Contract Expenditures For Fiscal Years 2008-09 and beyond	Certificated Cost (Savings)	Class / Mgmt Cost (Savings)	Benefits Cost (Savings)
New Stipend and PT Faculty Increase	17,000		
Athletic Director Assignment	9,000		
Classified Benefits Increase			27,500
Totals	26,000	-	27,500

In the 2007-08 fiscal year, LCCD expenditures include one-time costs that will not materialize in future years as follows:

One-Time Expenditures in Fiscal Year 2008-09	Certificated Cost (Savings)	Benefits Cost (Savings)	Other Exp Cost (Savings)
Instructor Contractual Back Pay	(29,037)	(3,986)	
Student Transportation (06-07 paid in 07-08)			(20,000)
Former President's 07-08 Salary	(145,080)	(37,218)	
Temporary HR Consulting			(12,000)
Temporary HR Director			(41,250)
Fiscal Consultant / Unfunded Payer Source			(30,000)
Institutional Research Consultant			(30,000)
Change in Legal Counsel			(75,000)
Totals	(174,117)	(41,204)	(208,250)

Long-term leases associated with the purchase of long lived assets including a backhoe, student transportation vans, and a snow cat were entirely satisfied during the 2007-08 fiscal year. The costs associated with the leases will release future demands on cash flows as follows:

Long-Term Lease Expirations For Fiscal Years 2008-09 and Beyond	Capital Outlay Cost (Savings)
Student Van Transportation	(29,459)
Main Campus and Agriculture Backhoe	(18,780)
Coppervail Snowcat	(5,339)
Totals	(53,578)

LCCD has been making installment payments for consulting work on the implementation of the Strengthening Institutions Title III Grant (Datatel). In October 2008, LCCD Title III Grant will end and payments for consultation work from the unrestricted general fund will cease in the 2009-10 fiscal year.

Strengthening Institutions Title III Grant For Fiscal Years 2008-09 and 2009-10	Fiscal Year 2008-09	Fiscal Year 2009-10
Payments to Consultants	-	(32,100)
Totals	-	(32,100)

The repayments of the 2007 Resolution Agreement with CCCCO continue through the 2017-2018 fiscal years. The 2008-2009 apportionment repayment of $150,000 and the 2008-2010 apportionment repayment of $162,047 are incorporated into the analysis and will materialize as either apportionment reductions or payments for services provided by the Special Trustee and various consultants. The marginal increases in the apportionment reductions for the 2008-09 and 2009-10 years are as follows:

Resolution Agreement Repayments For Fiscal Years 2008-09 and 2009-10	Fiscal Year 2008-09	Fiscal Year 2009-10
Marginal Increase from Prior Years Base	50,000	12,047
Totals	50,000	12,047

Other material LCCD unrestricted general fund revenues include California State Lottery Revenues and federal revenues associated with Forest Reserves. Lottery revenues are expected to approximate $125 per FTES while Forest Reserves funding is uncertain and will potentially sunset in the 2008-2009 Fiscal year. Effects on the unrestricted general fund include a reduction in Forest Reserves in both the 2008-09 and 2009-10 fiscal years. Lottery revenues will remain unchanged and reflect the 2007-08 budget estimations for this revenue source.

Projected Changes in Selected Revenues For Fiscal Years 2008-09 and 2009-10	Federal Revenues	State Revenues	Local Revenues
Federal Forest Reserve Revenues	(143,500)	-	-
Totals	(143,500)	-	-

LCCD maintains an approximate $140,000 in the Capital Outlay Fund to meet the match requirements of on-going and one-time block grants. LCCD has planned matches of approximately $85,000 in Physical Plant expenditures and $55,000 in Instructional Equipment expenditures during the 2008-09 fiscal year the Capital Outlay Fund. The District will be obligated to match an approximate $4,000 from the unrestricted general fund.

Block Grant Matching Requirements For Fiscal Year 2008-09	Supplies and Materials 2008-09
Library Materials	4,000
Totals	4,000

Consumer Price Index (CPI) increases from the Department of Labor's December 2007 release indicate overall increases in goods (CPI-U) for the 12 month period ending December 31, 2007 rose 4.1% (unadjusted). Medical care cost increased by 5.2% while energy costs increased at 17.4%. Most of the increase in energy stemmed from large cost increases related to petroleum products. Electric and gas accounted for a small increase in energy costs at 3.4%. LCCD administration has requested all budget managers to identify 5% reductions in their respective budget areas during the 2008-09 budget development process occurring during the 2007-08 year. The reduction identifications are expected to derive material savings to object codes associated with materials, supplies, travel and other outgo. These savings are expected to offset general cost increases in the near future and are not quantified until the effects of such cuts have been through the budget development and prioritization process.

The 2008-09 Governor's Tentative Budget released January 10, 2008 included representations that categorical program funding will be reduced an approximate $80 million with specific program percentage reductions ranging from 4 to 11 percent. The LCCD plans to conduct analysis of categorical program encroachments on the unrestricted general fund. LCCD anticipates negotiations will change the specifics needed to produce accurate estimations in the near future.

Cumulative increases in each of the projections / assumptions above as they relate to the 2008-09 and 2009-10 fiscal years indicate a fiscal recovery and solvency by the year beginning 2010-11. The effects of the projections on the income statement are summarized below.

Lassen Community College District Fiscal Recovery Financial Projections For Fiscal Years 2008- 09 through 2009-10						
Description	(Unaudited) 2006-07	Budget 2007-08	Net Increases (Decreases)	Fiscal Year 2008-09	Net Increases (Decreases)	Fiscal Year 2009-10
Revenues:						
Revenues	145,952	143,500	(143,500)	-	-	-
State	10,346,155	9,061,845	357,385	9,419,230	547,000	9,966,230
Local	2,059,430	2,240,350	-	2,240,350	-	2,240,350
Total Revenues	12,551,537	11,445,695	213,885	11,659,580	547,000	12,206,580
Expenditures:						
Academic Salaries	4,414,202	4,044,888	(78,263)	3,966,625	139,643	4,106,268
Classified Salaries	2,314,260	2,418,748	27,829	2,446,577	33,850	2,480,427
Employee Benefits	2,544,086	2,512,639	(5,354)	2,507,285	50,428	2,557,713
Supplies and Materials	341,522	379,660	4,000	383,660	-	383,660
Operating Expenses and Services	2,279,867	2,580,772	(185,750)	2,395,022	15,507	2,410,529
Capital outlay	167,224	232,231	(53,578)	178,653	-	178,653
Total Expenditures	12,061,161	12,168,938	(291,116)	11,877,822	239,428	12,117,250
Revenues Over Expenditures	490,376	(723,243)	505,001	(218,242)	307,572	89,330
Other Financing Sources	10,544		-		-	
Other Outgo	85	(40,168)	-		-	
Net increase/ (Decrease) in Fund Balance	500,835	(763,411)	505,001	(218,242)	307,572	89,330
Beg Unrestricted Fund Balance, July 1	1,971,497	2,472,332		1,708,921		1,490,679
Prior Period Adjustments	-	-		-		-
Adjusted Beginning Balance, July 1	1,971,497	2,472,332		1,708,921		1,490,679
End Unrestricted Fund Balance, June 30	2,472,332	1,708,921		1,490,679		1,580,009

VIII. Appendices

(Appendix A)

[Insert Recovery Matrix]

(Appendix B)

Insert Comprehensive Institutional Master Plan]