

## CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

May 21, 2019

Agenda Item: 5.11

**Subject:** Approval of Creation of New Funds to Account for Economic Development and Contract Education's Operations

Background: Economic Development and Contract Education's (EDCE) operations have grown to such an extent that: effective management of cash-flow, better fiscal oversight, and improved transparency of the District's funds would be greatly enhanced if EDCE were accounted for in its own fund at the County Treasury and in the District's books.

Currently, EDCE's operations are reported within the District's General Fund (GF). In 2012-13, EDCE's portfolio of business was \$4.6 M, and it represented 4% of the GF. In 2018-19, EDCE's operational budget is \$62.9 million, and it makes up 30% of the GF's expenses. Not only does inclusion of EDCE's operations skew the District's overall GF operations, when trying to compare ourselves to other districts in the state, but EDCE's expenditures increase the state's required minimum prudent GF reserve by over \$3M.

The intent of EDCE's operations is not only to recover the costs of providing goods and services, but it is also supposed to share its net revenue in accordance with the Chancellor-accepted, PBC recommendation, dated 3-2-18, whereby: 50% goes to fund OPEB, 30% goes to cover costs in Step 3A, and 20% is discretionary to the Chancellor and the EDCE program. At issue is the calculation of that annual net revenue.

Because the majority of EDCE's revenue is in the form of invoiced reimbursements for already paid-out, grant-related expenditures, timely receipt of payment from the granting agency is imperative. Although EDCE does receive a small indirect fee for providing service to the granting agency, the amount of net revenue that EDCE receives for any particular grant will be greatly impacted by the "negative interest" EDCE earns (at the County Treasury) for the period of time between when the money is spent, and when the reimbursement is received. Because EDCE's funds are co-mingled with General Fund monies, both in the general ledger, and at the County Treasury, it is nigh-on impossible to properly segregate and manage EDCE's accounts receivables, cash flows, and the amount of County Treasury interest (revenues/costs). Having EDCE accounted for in its own enterprise fund, within the District's ledgers, and its cash maintained in its own fund at the County Treasury, would alleviate all of the major impediments currently experienced regarding proper cash management, and the District's financial oversight of EDCE.

By having its own fund in the District's ledgers, EDCE's operations, and its fund balance, will be readily transparent to all interested parties.

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Recommended Action: That the Board of Trustees approve the establishment of a new enterprise fund to account for EDCE's fiscal activities within the District's ledgers, and that the Board request the creation of a new fund, at the County Treasury, for the purpose of holding/transacting EDCE's monies.

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Submitted: Doug Roberts/Date

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Approved: Ronald P. Gerhard/Date

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