KPMG Engagement Team

- Tracy Hensley – Engagement Partner
- Spencer Endicott – Engagement Senior Manager, District Audit
- Kristen Olko – Engagement Manager, Bond Expenditures Audits

Scope of Audits:

- Financial Statements of the Los Angeles Community College District as of and for the years ended June 30, 2013 and 2012
- Statements of Bond Expenditures of Propositions A, AA and J Bond Funds for the year ended June 30, 2013

Areas of Audit Emphasis

<table>
<thead>
<tr>
<th>District Financial Statements</th>
<th>Statements of Bond Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Proper accounting and disclosure under U.S. Generally Accepted Accounting Principles of:</td>
<td>• Proper accounting and disclosure of expenditures of bond proceeds, in accordance with U.S. Generally Accepted Accounting Principles</td>
</tr>
<tr>
<td>• Cash and Investments</td>
<td>• Expenditures Included on approved project lists</td>
</tr>
<tr>
<td>• Capital Assets</td>
<td>• Expended in accordance with LACCD cost principles</td>
</tr>
</tbody>
</table>

- Revenue Recognition
- Debt

Required Communications:

- Our Responsibilities Under Generally Accepted Auditing Standards
- Accounting Practices, Alternative Treatments and non GAAP policies
- Management's Judgments and Estimates
- No Disagreements with Management or Difficulties Encountered During the Audits
- No Knowledge of Management's Consultation with Other Accountants
- No Significant Issues Discussed, or Subject to Correspondence, with Management, except for
  • Engagement Letter
  • Management Representation Letter
- Independence
- Uncorrected and Corrected Misstatements
### Audit Discussion - continued

<table>
<thead>
<tr>
<th>District Financial Statements</th>
<th>Statements of Bond Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corrected in the financial statements</strong></td>
<td><strong>Corrected in the financial statements</strong></td>
</tr>
<tr>
<td>• Change in fair market value for investment in county treasury pool</td>
<td>Non GAAP Policies:</td>
</tr>
<tr>
<td>• Cash flow statement reclassification for the purchase and sale of investments</td>
<td>• Accounting for prepaids on cash basis</td>
</tr>
<tr>
<td><strong>Uncorrected</strong></td>
<td><strong>Uncorrected</strong></td>
</tr>
</tbody>
</table>

**Non GAAP Policies:**
- Property tax accruals
- Bond cost amortization
- Federal Subsidy Revenue

**Results of Audits**

<table>
<thead>
<tr>
<th>District Financial Statements</th>
<th>Statements of Bond Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic Financial Statements:</strong></td>
<td><strong>Financial Statements:</strong></td>
</tr>
<tr>
<td>• Unmodified Opinion</td>
<td>• Unmodified Opinions</td>
</tr>
<tr>
<td><strong>Internal Control over Financial Reporting:</strong></td>
<td><strong>Internal Control over Financial Reporting:</strong></td>
</tr>
<tr>
<td>• Significant Deficiency – Access and segregation of duties over SAP applications</td>
<td>• No material weaknesses or significant deficiencies reported</td>
</tr>
</tbody>
</table>
Single Audit and State Compliance Results

- **Focus on Compliance and Internal Controls**
  - Compliance with Federal and State Regulations
  - Internal Controls to ensure compliance with Federal and State Regulations

- **Total Federal and State Expenditures**
  - Federal: $258 million
  - State: $18 million of State-funded programs audited plus the basis of State Apportionment amounting to $280 million.

- **Perspective**
  - Federal:
    - 2013 audit opinion was *unmodified* for all 8 federal awards audited. The 2012 audit opinion was unmodified for all 5 federal awards audited.
    - No material weaknesses noted in internal controls over the administration of Federal awards.
    - Both prior year findings were properly addressed this year.
    - 2 findings noted for this year and both were new. One finding related to a Federal program (PASSAGE Program) that was audited the first time this year.
  - State:
    - Of 8 prior year findings, 4 were implemented and 4 were not implemented.
    - 7 compliance findings noted for this year; 3 were new findings (S13-04, S-13-05 and 13-06).
  - **Notable Areas Of Improvement From Prior Year:**
    - Student Financial Aid (SFA) continues to have a low number of finding as compared to previous audits. There were also no findings on Return to Title IV which is an area where most findings have historically occurred.
    - With respect to the State compliance audits, recurring finding relating to missing census rosters no longer occurred this year because of the District's action to revise its attendance accounting policy.
Dollars Associated with Findings - $217,000 in questioned costs (total District-wide operating expenses for 2013 - $1 billion). 52% of questioned costs pertain to incomplete attendance records supporting TBA courses.

For findings related to State Compliance, we are required this year to extrapolate our findings relating to apportionment and eligibility on State-funded programs. Extrapolation pertaining to findings S-13-02, S-13-03 and S-13-04 equated to 156.21 FTES. For State funded programs, the extrapolation of findings S-13-05 and S-13-07 equated to 653 ineligible students served.

Major Federal Programs Tested
- Student Financial Assistance Cluster
- State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Network for a Healthy California)
- H-1B Job Training Grants
- Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants
- Strengthening Minority-Serving Institutions
- Adult Education – State Grant Program
- Child Care Development Fund Cluster
- Americorps

Compliance Issues To Be Addressed

Federal:
- **Student Financial Aid Cluster** - Incorrect calculation of grant awards – New (F-13-01)
- **Strengthening Minority-Serving Institutions – Passage Program** - Incomplete documentation of hours charged to a federal program – New (F-13-02)

State:
- Missing records
  - Board agenda approval supporting credit courses – Recurring (S-13-01)
  - TBA Rosters – incomplete attendance forms – Recurring (S-13-02)
  - TBA Courses – missing course outlines of record – Recurring (S-13-03)
- Teacher not meeting minimum qualifications to teach a course – New (S-13-04)
- Inadequate documentation on file to support eligibility of CARE program participants – New (S-13-05)
- No evidence of compliance with the required number of Advisory Committee meetings for EOPS/CARE programs – New (S-13-06)
- Inadequate documentation on file to support eligibility of DSPS student participants – Recurring (S-13-07)
Concluding Comments

This year's audit showed the outcome of the District's and the campuses' efforts in a number of compliance areas such as: Addressing the issue of missing rosters for census-based courses by revising its attendance accounting policy; maintaining documentation of teacher qualifications; and, addressing eligibility and cost allowability issues in the CalWorks program.

However, it also showed continuing challenges relating to having adequate documentation supporting TBA course attendance, credit course approvals and eligibility for certain state-funded programs. The number of instances of non-compliance in these areas has declined from the prior audits but these are still important areas that need to be addressed. The District has listed a number of action plans to address these issues including changing current procedures, defining responsibilities for following up and reviewing attendance forms for TBA course and also, reprogramming the Protocol system and reauthorizing the credit courses until all course data are reloaded in the new student information system. If implemented, we believe that these procedures can be effective.

There were also new issues relating to the calculation of grant awards and maintaining adequate time and effort documentation. Based on our discussions with the District and the campuses, additional procedures are in place within and among the departments to ensure that these compliance issues are addressed.
With You Today

- Tracy Hensley, Partner
- Erika Alvord, Director
- Pamela Stowers, Manager

Scope of Engagement

- Performance Audit of the construction bond program for the year ended June 30, 2013, for projects covered by Proposition A, Proposition AA and Measure J bond proceeds.

Objectives of the Performance Audit

- Performance audits seek to assess the effectiveness, economy and efficiency of the bond program and provides an objective analysis for management and those charged with governance and oversight to use to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and to contribute to public accountability.

Procedures Performed

- Review and testing of transactions over project lifecycle:
  - General bond program policies and procedures
  - Budget and budget transfers
  - Procurement process
  - Change orders and field orders
  - Project scheduling
  - Closeout procedures and documentation
  - Allowability of bond expenditures.

- Procedures performed on following campuses and projects:
  - Pierce College:
    - Theater/Performing Arts Building
    - New Library/Learning Crossroads Building
  - Los Angeles Valley College
    - Library and Learning Resource Center
    - Monarch Center – Student Union
  - Close Out Procedures
    - Ten separate projects in close out phase across campuses
Results of Performance Audit

- Independent Performance Auditors' Report dated November 2013
- Observations and Recommendations:

High priority items:

1. Project budgets and budget transfers are not consistently supported by fully documented assumptions and justifications. (partial repeat observation)

2. The Project close-out process needs improvement in the maintenance of proper and complete documentation for closed projects, in the accurate maintenance of closed project reports and the timeliness of obtaining Division of the State Architect (DSA) certification for closed projects. (partial repeat observation)

3. Project schedule delays are not consistently supported by underlying documentation nor are they evaluated on a contemporaneous basis by the Program Manager. (repeat observation)

Medium priority item:

4. Project change order mark-ups and field orders do not consistently contain adequate supporting documentation and/or are not always executed in accordance with District requirements. (repeat observation)

Low priority items:

5. Certain invoiced amounts do not comply with the contractual terms and conditions, or do not contain adequate documentation to support the charges. (partial repeat observation)
Subject: 2013-2014 BUDGET ADJUSTMENTS

In the General Fund, transfer $576,477 from the Contingency Reserve to accounts 100000 and 200000 to provide funding for nine positions in the Educational Services Center. Funding for future years will be provided from an ongoing reduction to the General Reserve. (eBTA: D-0361).

The positions approved for funding are the following:

- Vice Chancellor of Human Resources
- Associate Vice Chancellor of Human Resources
- Administrator of Maintenance
- Energy Program Manager
- Facilities Project Managers (2 positions)
- Senior Research Analyst
- Auditor
- Data Communications Specialist

Background: As requested by the Chancellor, on November 13, 2013 the District Budget Committee (DBC) approved funding for an additional nine essential positions in the Educational Services Center. Funding for Fiscal Year 2013-2014 will be from the Contingency Reserve and prorated for the remainder of the fiscal year. (Attachment 1) For future years, funding for these positions will be provided from an ongoing reduction to the General Reserve.

FISCAL IMPLICATIONS: This action increases the Educational Services Center’s budget by $576,477 and reduces the Contingency Reserve by the same amount, leaving a balance in the Contingency Reserve of $17,447,330.

REQUIRES FIVE (5) AFFIRMATIVE VOTES

Recommended and Approved by: Adriana D. Barrera, Interim Chancellor

Chancellor and Secretary of the Board of Trustees

By ___________________________ Date ___________________________
# Educational Services Center
Positions approved for Funding by District Budget Committee on November 13, 2013

<table>
<thead>
<tr>
<th>Office/Position Title</th>
<th>Positions (Plan to be Filled)</th>
<th># FTE</th>
<th>Estimated Annual Salary</th>
<th>Approved (Y/N)</th>
<th>Funded Amount (6 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Financial Officer's Office</td>
<td></td>
<td>1.0</td>
<td>99,157</td>
<td>N</td>
<td>0</td>
</tr>
<tr>
<td>Capital Outlay Accounting Manager</td>
<td></td>
<td>1.0</td>
<td>99,157</td>
<td>N</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Institutional Effectiveness</strong></td>
<td></td>
<td>1.0</td>
<td>99,157</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Office of Educational Programs and Institutional Effectiveness</td>
<td></td>
<td>1.0</td>
<td>89,088</td>
<td>Y</td>
<td>44,544</td>
</tr>
<tr>
<td>Senior Research Analyst</td>
<td></td>
<td>1.0</td>
<td>89,088</td>
<td>Y</td>
<td>44,544</td>
</tr>
<tr>
<td><strong>Total Institutional Effectiveness</strong></td>
<td></td>
<td>1.0</td>
<td>89,088</td>
<td>1.0</td>
<td>44,544</td>
</tr>
<tr>
<td>Internal Audit</td>
<td></td>
<td>1.0</td>
<td>71,914</td>
<td>Y</td>
<td>35,957</td>
</tr>
<tr>
<td>Auditor</td>
<td></td>
<td>1.0</td>
<td>71,914</td>
<td>Y</td>
<td>35,957</td>
</tr>
<tr>
<td><strong>Total Internal Audit</strong></td>
<td></td>
<td>1.0</td>
<td>71,914</td>
<td>1.0</td>
<td>35,957</td>
</tr>
<tr>
<td>Facilities</td>
<td></td>
<td>4.0</td>
<td>387,536</td>
<td>4.0</td>
<td>193,818</td>
</tr>
<tr>
<td>Administrator of Maintenance</td>
<td></td>
<td>1.0</td>
<td>112,200</td>
<td>Y</td>
<td>56,100</td>
</tr>
<tr>
<td>Energy Program Manager</td>
<td></td>
<td>1.0</td>
<td>98,484</td>
<td>Y</td>
<td>49,242</td>
</tr>
<tr>
<td>Facilities Project Manager</td>
<td></td>
<td>2.0</td>
<td>176,952</td>
<td>Y</td>
<td>88,476</td>
</tr>
<tr>
<td><strong>Total Facilities</strong></td>
<td></td>
<td>4.0</td>
<td>387,536</td>
<td>4.0</td>
<td>193,818</td>
</tr>
<tr>
<td>Human Resources</td>
<td></td>
<td>2.0</td>
<td>194,218</td>
<td>2.0</td>
<td>101,827</td>
</tr>
<tr>
<td>Associate Vice Chancellor</td>
<td></td>
<td>1.0</td>
<td>140,000</td>
<td>Y</td>
<td>70,000</td>
</tr>
<tr>
<td>Vice Chancellor (reclassified from Sr. Associate Vice Chancellor) ($203k-$149k)*</td>
<td></td>
<td>1.0</td>
<td>54,218</td>
<td>Y</td>
<td>31,927</td>
</tr>
<tr>
<td><strong>Total Human Resources</strong></td>
<td></td>
<td>2.0</td>
<td>194,218</td>
<td>2.0</td>
<td>101,827</td>
</tr>
<tr>
<td>Information Technology</td>
<td></td>
<td>1.0</td>
<td>79,504</td>
<td>Y</td>
<td>39,752</td>
</tr>
<tr>
<td>Data Communications Specialist</td>
<td></td>
<td>1.0</td>
<td>79,504</td>
<td>Y</td>
<td>39,752</td>
</tr>
<tr>
<td><strong>Total Information Technology</strong></td>
<td></td>
<td>1.0</td>
<td>79,504</td>
<td>1.0</td>
<td>39,752</td>
</tr>
<tr>
<td><strong>TOTAL SALARIES</strong></td>
<td></td>
<td>10.0</td>
<td>921,517</td>
<td>9.0</td>
<td>415,698</td>
</tr>
<tr>
<td>Added Benefits</td>
<td></td>
<td>1.0</td>
<td>362,974</td>
<td></td>
<td>160,779</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>11.0</td>
<td>1,284,491</td>
<td></td>
<td>576,477</td>
</tr>
</tbody>
</table>

*Funding for the Vice Chancellor's position is increased from the existing funding level of $149,154 to $203,372. In the November 20, 2013 Board Report, Com. No. HR01, the Board approved the appointment of the Vice Chancellor of Human Resources, beginning December 2, 2013, with the starting salary at step B of the Presidents' Salary Schedule and a $500 per month car allowance.

Revised 11/21/2013
Summary Statement on Additional 9 Positions
(revised 11-5-13)

Senior Research Analyst, Office of Research and Institutional Effectiveness:

The position is a critical position in the Office of Research and Institutional Effectiveness. It is the primary position responsible for formulating methodologies to address complex educational and public policy issues, strategic planning, accreditation, institutional accountability and effectiveness, and student success, and make recommendations for policies and procedures based on the results.

The senior research analyst also develops, implements, and directs the maintenance of the specialized data systems used for institutional research and planning activities. These systems contain District-wide information on student demographic, assessment, enrollment, achievement, and financial aid and information on college section and course offerings, FTES, and weekly contact hours as well as staffing information and are utilized in research by both colleges and the District Office of Research and Institutional Effectiveness.

This position assists with data-driven decision making and District strategic planning by preparing external and internal scan data (both quantitative and qualitative), constructing data measures corresponding to objectives in the District Strategic Plan, determining methodology for measuring and evaluating progress towards the goals/objectives.

Auditor, Internal Audit: IAD approved annual audit plan for 2013/2014 was executed with a budgeted hour that engaged a total of four auditors, a senior auditor, and a director. At the current time, the department is staffed with three auditors and the director. The workload of the department has increased because of the implementation of the whistleblower hotlines and requests from the colleges.

The audit plan includes the completion of one audit area which is below the normal completion rate of an audit department. However, in consideration of the current budget constraints IAD has adjusted its goal to one audit area per year. With the current staff, IAD is unable to complete 39% of its required plan. Additionally, of the 71% completion, IAD is unable to complete 85% of these requests in a timely manner. Our turnaround time for an assignment has increased tremendously. For example, the
turnaround time for an investigation has increased from an average of 30 days to 90
days and an audit from an average of 90 days to 150 days.

Please note that Budgeted hours are more than available hours with three auditors and
a Director. The addition of an auditor will help the Department meets 99% of the
scheduled audit plan (a completion of only one audit area “Procurement” for the fiscal
year 2013-14).

**Administrator of Maintenance, Facilities:** The District is implementing the
Computerized Maintenance Management System (CMMS) module of the SAP software.
The District has owned this module since the purchase of the SAP software but has not
implemented this module yet. There has been a concentrated effort through the Bond
Program to capture all the information about the District’s fixed assets. The information
about these assets is housed in the CMMS module and includes things such as warranty
information, ongoing maintenance requirements, and records of work performed. This
position is responsible for the continued management of the CMMS database.

In addition, this position is responsible for coordinating and tracking of specialized
facilities training. The need for specialized facilities training has increased as a result of
new and different facility systems being added through the construction and renovation
of buildings and infrastructure improvements.

The impact to the District if this position is not filled are:

1. Increased expected maintenance costs
2. Increased equipment downtime
3. Increased level of outsourcing of repairs
4. Inadequate trained facilities staff
5. Increased safety risks

**Energy of Program Manager, Facilities:** In June of 2013 the Personnel Commission
changed the title of this position to Utility Program Manager.

The District through the Bond Program has engaged in several energy initiatives which
include the development of solar arrays, the building of energy storage systems, the
installation of metering and monitoring systems, and the construction of central plants,
as well as, several other energy savings retrofits. In addition, the District has entered
into several solar purchase and lease agreements, energy savings company (ESCOs)
agreements, and applied for many energy incentives and grants. This position is
instrumental in the review and follow up to ensure the District is receiving what was
promised. This position will also review utility usages throughout the district looking for
abnormalities and investigate any discrepancies while making operational recommendations for improvements. The goal is to maintain a comfortable learning environment while achieving a reduction in utility consumption and expenditures.

The risks to the District if this position is not filled are:

1. Utilities are not managed and the District spends considerably more than necessary
2. Energy agreements are not monitored and the District spends considerably more than necessary
3. Energy incentives are not managed and the District does not receive eligible funds
4. Excessive downtime in energy production and load shifting increasing the amount the District will spend in utilities
5. Harder to maintain a comfortable learning environment

Facilities Project Manager, Facilities: The District has over 500 buildings and the Bond Program is only touching about 200 of these buildings. The District’s Facilities Planning and Development department has the responsibility of managing all of the district projects over $125,000. LACCD employs project managers that handle all projects above $125,000 that are non-bond fundable.

Five years ago the District had six project managers. Since then four of these project managers have retired. The Facilities Planning and Development department had chosen not to fill the four open project manager positions because of a lack of non-bond construction funding. The current need is to increase the level of LACCD project managers by two.

This need is a result of the Board making the decision to set aside funding to address deferred maintenance issues throughout the district. In addition, the State has indicated there will be additional funding coming to the Districts to help address scheduled maintenance projects. Filling these two existing positions will allow the Facilities Planning and Development department to manage these additional projects.

The risk to the District if these positions are not filled is:

1. A majority of the projects that fall within the price range in which these projects will fall are labor intensive. External company overheads usually charged on projects this size are usually very high. Outsourcing this work would be very costly to the district and considerably more than doing the work using internal staff.
Without augmenting the Facilities Planning and Development department with the addition of the project managers, the deferred maintenance and scheduled maintenance projects will not be accomplished within this fiscal year.

**Vice Chancellor, Human Resources:** Head of the Human Resources division for the District, encompassing HR Operations, Employer-Employee Relations, Employee Benefits, and Health and Safety. Position recognizes additional responsibilities added to HR and replaces the Sr. Associate Vice Chancellor position that was being filled on an interim basis by the former Associate Vice Chancellor of Employer-Employee Relations. Interim assignments are limited in duration by law. The Vice Chancellor of Human Resources has been hired and the appointment was approved by the Board of Trustees at the November 20, 2013 meeting.

**Associate Vice Chancellor, Employer-Employee Relations:** Position is currently vacant. The former Associate Vice Chancellor of Employer-Employee Relations recently served on an interim basis as the Sr. Associate Vice Chancellor of Human Resources until his departure from the District in October 2013.

The Associate Vice Chancellor of Employer-Employee Relations leads the District's employee and labor relations activities, including management coaching and consulting, discipline, appeal hearings, arbitrations, negotiations, and union relations. If position is not replaced and left vacant, there will be only one non-management employee remaining in the unit and services to the District will be severely curtailed.

**Data Communications Specialist, IT:** This position is responsible for network infrastructure changes and support. If this position is not filled, there will be an increased risk to all of our technology services. Also technology projects will take longer to complete. This position was already in the existing organizational chart.
Subject: AMENDMENT TO COLLEGE DEBT REPAYMENT POLICY AND AUTHORIZE BUDGET AUGMENTATION TO COLLEGES THAT RECEIVE ONE-YEAR SUSPENSION OF DEBT REPAYMENTS

A. Approve the District Budget Committee (DBC) recommendation to amend the College Debt Repayment Policy to include in the District’s adopted Budget Allocation, as follows:

College deficits are cumulative loans to be paid back beginning one year after incurring the deficit. All accumulated debt repayments are scheduled to begin in 2013-14 with a five-year installation plan:

1. Limit annual college debt repayment obligation to 3% of the college’s Final Budget allocation;

2. Colleges that have outstanding debt repayments that exceed 3% of their Final Budget allocation shall receive relief from debt repayments under the following conditions:
   • College must balance its budget for at least three consecutive years while meeting its FTES obligation;
   • College has submitted a reasonable, multi-year plan for maintaining a balanced budget and meeting its enrollment target for the duration of its repayment period;
   • College has paid its annual debt according to its repayment plan;
   • College has paid off 50% or more of its total debt; thereafter college may petition to the District Budget Committee to review and make a recommendation to the Chancellor to waive the remaining debt.

   • One-year suspension of the college debt repayment will be given to interim or new college presidents to allow them time to plan and address the college fiscal issues.*

* Only one year suspension of the college debt repayment is granted to the college

Recommended by: Adriana D. Barrera, Interim Chancellor

Chancellor and Secretary of the Board of Trustees

By: ____________________________
Date __________________________

Eng / Field / Moreno / Pearlman

Santiago / Svonkin / Veres / Griggs

Student Trustee Advisory Vote

Page 1 of 1 Pages Com. No. BF3 Div. BUSINESS AND FINANCE Date 12-11-13
B. Authorize the following budget adjustments to restore debt repayments taken from the following colleges, contingent upon Board approval of the College Debt Repayment Policy in Section A above:

<table>
<thead>
<tr>
<th>College</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles City College</td>
<td>$463,220</td>
</tr>
<tr>
<td>Los Angeles Harbor College</td>
<td>$1,236,134</td>
</tr>
<tr>
<td>Los Angeles Southwest College</td>
<td>$1,171,664</td>
</tr>
<tr>
<td>Los Angeles Valley College</td>
<td>$558,037</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,429,055</strong></td>
</tr>
</tbody>
</table>

Under the new College Debt Repayment Policy, these four (4) colleges, which had new or interim presidents in fiscal year 2013-14, are given a one-year suspension of the college debt repayment to allow them time to plan and address college fiscal issues.

**Background:** Over the last two years, the District has conducted an extensive review of the budget allocation model through consultation with the Executive Committee of the District Budget Committee (ECDBC) and the District Budget Committee (DBC). On September 18, 2013, the District Budget Committee passed a motion to “limit annual college debt repayment obligation to 3% of the college’s Final Budget allocation”. The DBC also revised and approved the remaining ECDBC proposed college debt repayment policy as delineated in Section A above. The revised debt repayment policy will provide a one-year suspension of college debt repayment to new presidents or interim presidents.

The revised policy is necessary to ensure that college budgets are not reduced excessively in any given year beyond a funding level that would negatively impact college operations. It also provides incentives for colleges to maintain balanced budgets and achieve long-term financial stability.

On November 6, 2013, the Chancellor recommended the proposed College Debt Repayment Policy to the Board Budget and Finance Committee for review. The Committee reviewed and made additional revisions to the College Debt Repayment Policy.

For your information, the Schedule of College Deficit Repayments is attached (ATTACHMENT A).

**FISCAL IMPLICATION:** This action reduces the Contingency Reserve by $3,429,055, leaving a balance in the Contingency Reserve of $14,018,275.

**REQUIRES FIVE (5) AFFIRMATIVE VOTES**
# SCHEDULE OF COLLEGE DEBT REPAYMENT

## ORIGINAL 5-YEAR DEBT REPAYMENT PLAN

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>36,629,001</td>
<td>(2,316,097)</td>
<td>(463,220)</td>
<td>(463,220)</td>
<td>(463,219)</td>
<td>(463,219)</td>
</tr>
<tr>
<td>East</td>
<td>98,237,371</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Harbor</td>
<td>29,374,216</td>
<td>(6,180,673)</td>
<td>(1,236,134)</td>
<td>(1,236,134)</td>
<td>(1,236,135)</td>
<td>(1,236,135)</td>
</tr>
<tr>
<td>Mission</td>
<td>26,502,050</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pierce</td>
<td>64,487,168</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Southwest</td>
<td>23,242,509</td>
<td>(5,858,312)</td>
<td>(1,171,664)</td>
<td>(1,171,662)</td>
<td>(1,171,662)</td>
<td>(1,171,662)</td>
</tr>
<tr>
<td>Trade-Tech</td>
<td>49,799,778</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Valley</td>
<td>50,105,912</td>
<td>(2,790,193)</td>
<td>(558,037)</td>
<td>(558,039)</td>
<td>(558,039)</td>
<td>(558,039)</td>
</tr>
<tr>
<td>West</td>
<td>32,804,118</td>
<td>(596,118)</td>
<td>(119,223)</td>
<td>(119,223)</td>
<td>(119,224)</td>
<td>(119,224)</td>
</tr>
<tr>
<td>ITV</td>
<td>1,565,466</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>432,746,649</td>
<td>(17,741,393)</td>
<td>(3,548,278)</td>
<td>(3,548,278)</td>
<td>(3,548,279)</td>
<td>(3,548,279)</td>
</tr>
</tbody>
</table>

*2013-14 Final Budget Allocation excluding debt repayments

## CALCULATION OF COLLEGE DEBT REPAYMENT BASED ON NEW DEBT REPAYMENT POLICY

<table>
<thead>
<tr>
<th>-3% Limit of Final Budget Allocation</th>
<th>Total Debt Repayment</th>
<th>Debt To Repay in 2013-14</th>
<th>Debt To Repay in 2014-15</th>
<th>Debt To Repay in 2015-16</th>
<th>Debt To Repay in 2016-17</th>
<th>Debt To Repay in 2017-18</th>
<th>Debt To Repay in 2018-19</th>
<th>Debt To Repay in 2019-20</th>
<th>Debt To Repay in 2020-21</th>
<th>Debt To Repay in 2021-22</th>
<th>Debt To Repay in 2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>(1,698,870)</td>
<td>(2,316,097)</td>
<td>suspended</td>
<td>(463,220)</td>
<td>(463,220)</td>
<td>(463,219)</td>
<td>(463,219)</td>
<td>(463,219)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>East</td>
<td>(2,947,121)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Harbor</td>
<td>(881,226)</td>
<td>(6,180,673)</td>
<td>suspended</td>
<td>(881,226)</td>
<td>(881,226)</td>
<td>(881,226)</td>
<td>(881,226)</td>
<td>(881,226)</td>
<td>(881,226)</td>
<td>(12,091)</td>
<td>0</td>
</tr>
<tr>
<td>Mission</td>
<td>(795,062)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pierce</td>
<td>(1,934,615)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Southwest</td>
<td>(697,275)</td>
<td>(5,858,312)</td>
<td>suspended</td>
<td>(697,275)</td>
<td>(697,275)</td>
<td>(697,275)</td>
<td>(697,275)</td>
<td>(697,275)</td>
<td>(697,275)</td>
<td>(697,275)</td>
<td>(280,112)</td>
</tr>
<tr>
<td>Trade-Tech</td>
<td>(1,493,993)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Valley</td>
<td>(1,503,177)</td>
<td>(2,790,193)</td>
<td>suspended</td>
<td>(558,037)</td>
<td>(558,039)</td>
<td>(558,039)</td>
<td>(558,039)</td>
<td>(558,039)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>West**</td>
<td>(984,095)</td>
<td>(596,118)</td>
<td>(119,223)</td>
<td>(238,447)</td>
<td>(238,448)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ITV</td>
<td>(46,964)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**West LA College’s debt repayment is less than its limit of 3% of Final Budget Allocation. The total debt is scheduled to be paid off in three years with 1/5th in 2013-14 and the remainder in 2014-15 and 2015-16.**