



San Francisco Community College District
CITY COLLEGE OF SAN FRANCISCO
50 FRIDA KAHLO WAY • SAN FRANCISCO, CA 94112 • PHONE: (415) 239-3000

December 9, 2022

Dr. Mac Powell
President
Accrediting Commission for Community and Junior Colleges
331 J Street, Suite 200
Sacramento, CA 95814

Dear Dr. Powell,

I am writing to formally acknowledge Dr. Webb's letter dated October 17, 2022, regarding the College's continuation on enhanced fiscal monitoring.

As requested, this letter contains an update regarding actions we are taking to resolve our financial issues by addressing the following fiscal factors you outlined in your letter:

- Audit had 7 findings, and the District was listed as a "going concern" (Audit finding #1: Fund balance and historical structural deficit raises substantial doubt about the District's ability to continue as a going concern)
- Fund Balance Reserve averaging 7.4% over the three-year reporting period (The median 3-year average Fund Balance Reserve reported by California community colleges in the 2022 Annual Fiscal Report was 24.8%)
- Average net operating revenue ratio was negative (-1.2%) for the three-year reporting period
- Deficits averaged -\$1.9M over the three-year reporting period
- Salaries and benefits averaged 92% of total expenditures for the three-year reporting period
- Full-time equivalent students (FTES) declined 38% over the three-year reporting period
- Other Post-Employment Benefits (OPEB) trust only 18.3% funded (The median OPEB funding reported by California community colleges in the 2022 Annual Fiscal Report was 54.9%)
- Number of turnovers and vacancies at the executive leadership level

I firmly believe that City College has taken substantial steps to align resources with expenditures in a manner that promotes stability and sustainability as I have outlined below.

As contained within the June 30, 2022, unaudited financial statements, City College is reporting approximately \$17.5M in unrestricted general fund cash reserves and a fund balance of approximately 15.5%. The District closed the year without deficit spending and reported a positive cash flow and net operating ratio. Furthermore, the District reduced its salary and benefit spending percentage in the unrestricted general fund to approximately 86.5% of total expenditures and transfers. Lastly, the District

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has eliminated all negative fund balances and made a \$4M OPEB contribution (OPEB service cost) to reduce the unfunded liability. Based on the College's financial position and the above actions, the District believes it has addressed the prior year's audit findings.

The Board-approved 2022-23 budget continues the College's momentum in becoming fiscally stable and sustainable. The current year budget is balanced with additional funding for unforeseen contingencies to reduce the risk of deficit spending. The budget also includes another \$4M OPEB contribution (OPEB service cost) to continue the reduction of the unfunded liability. The 2022-23 budget includes unrestricted general fund salaries and benefits at approximately 86% of total expenditures.

The College has made many difficult and painful decisions over the last 12 months in efforts to address the ongoing budget issues from the past. The District has not only implemented temporary salary concessions but has also removed over 150 full-time positions from the ongoing budget through retirements, resignations, and lay-offs. These actions have created a sustainable financial structure that directly supports ongoing fiscal solvency.

Finally, the executive cabinet team has remained consistent over the last year, which is promoting continuity and stability.

City College looks forward to the upcoming comprehensive review as an opportunity for the District to demonstrate the difficult but critical work to ensure sustainable financial solvency well into the future for the benefit of our students and communities.

Please let me know if there is any additional information you need at this time.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Martin", is positioned above the printed name.

David Martin Chancellor

cc: Dr. Catherine Webb, Vice President