

## **Educational Planning Committee Academic Year 2015-2016**

1. EMP Recommendation and Objective (Include narrative from 2015-2018 strategic plan)

**EMP Recommendation College Systems 6:** Develop and implement a long-term sustainable financial plan for the district

**Objective CS6.2:** Maintain high credit ratings among Moody's and Standard & Poor's for the District to leverage buying power with financial institutions for borrowing and bonding capabilities. Baseline is AA+ S&P and AA1 Moody's

2. What actions have been taken toward achieving the objective? Please describe (reference action steps when relevant).

CS6.2 : The District is rated every two years by Moody's and Standards and Poor unless the District decides to sell, refinance or enter into new bond notes on the open market. The District, due to its location in Marin County, has a significant portion of its bonds purchased by local investors within the county.

When the District decides to enter into the market, as we did last spring, we are required to give a Positional Operating Summary (POS) to potential investors in advance of any transaction. In doing so, it allow the credit agencies to review the college, its budget, portfolio and history with bond proceeds to establish credit ratings. These ratings are used to establish what percentage interest the college will charged on the bonds and ultimately to the citizens of Marin County.

As an example Moody's rates agencies from C (lowest rating) – Aaa (highest rating), College of Marin is currently a AA+. The only thing keeping us from an Aaa is our current reserve levels based on comments from Moody's analysts.

As an example Standards & Poor rates agencies from D (agency in default) – AAA (highest rating), College of Marin is currently an AA. The only thing keeping us from an AAA is our current reserve levels based on comments from S&P analysts.

All three of the action steps are imperative to these ratings. The annual financial audit of the District will be approved at the December 8, 2015 Board of Trustees meeting, which will then be uploaded once approved.

**Action Step 2.1:** Maintain accounting standards for annual financial audit.

The reserve minimum set by the board of trustees was done in a board resolution in 2012 and set at 7.6% which is are current target. However, further gains need to be made to strengthen this reserve in the future so that we can meet emergency needs and unforeseen expenses in the future. This reserve can be seen on page 17 of the 2015-2016 Adopted Budget

**Action Step 2.2:** Maintain minimum reserve balance as set by the Board of Trustees.

The goal for 2015-2016 was to fund the UPM contract negotiations, which had an impact to the operating deficit for this year. However, go forward the goal, as you can see in the budget document, is to make sure our revenue equals our expenditures. This will require strict monitoring and adherence by all budget managers. We currently meet with budget managers quarterly to review their budgets.

**Action Step 2.3:** Reduce deficit spending each year and show positive growth in annual fund balance.

3. Are you on track to achieve this objective? What evidence supports your judgment of progress made toward this objective?

Yes we are currently on track to meet this objective. Prior to Spring 2015, COM was at a AA with a negative outlook and Moody's has us rated at a Aa with a negative outlook as well. Last Spring, COM was able to achieve an Aa+ and an AA, removing the negative outlook of both agencies and raising the credit worthiness of Moody's to a positive outlook.

The District also adopted its first 4 year budget projection in the history of the institution. Thus, giving the public and end users a snapshot of our budget moving forward over the next few years until 2018. This will be a rolling 4 years budget so each year we will continually project based on our revenue and expense budget assumptions that are located at the beginning of the adopted budget for 2015-2016. PRAC is involved with helping make these assumptions and validate them with the support of fiscal services.

Evidence:

Letter from Moody's

Letter from S&P

2015-2016 Adopted Budget

Various Bond Related reports that facilitate bond financing

4. Have you achieved this objective? Yes  No  If not, why not?

Rating by Educational Planning Committee

*Activity:*

Red= No Progress

Yellow= Progress Being Made

Green= Complete

*Objective Met:* Yes \_\_\_\_ No \_\_\_\_