

Oct. 17, 2022

Dr. David Martin
Chancellor
City College of San Francisco
50 Frida Kahlo Way
San Francisco, CA 94112

Dear Chancellor Martin,

Thank you for taking the time to discuss City College of San Francisco's 2022 annual fiscal report submission with Mac Powell, ACCJC President; Christine Statton, ACCJC Fiscal Review Associate; and me. We found the conversation with you and your team to be very productive. As we discussed, ACCJC has placed City College of San Francisco on enhanced monitoring for a third year based on the scoring of the college's 2022 annual fiscal report submission. ACCJC's fiscal advisory team noted improvements in the 2022 annual fiscal report over the prior year's report, and anticipates continued improvement for the 2023 annual fiscal report submission. We look forward to supporting your efforts as you and the college's board continue to work together, along with the appropriate constituency groups, to address the fiscal concerns outlined in our conversation.

Federal regulations and ACCJC policy require the Commission to monitor member institutions' fiscal stability throughout the accreditation cycle, in order to ensure that accredited institutions are able to continue to meet their missions and ensure ongoing viability for the students they serve. ACCJC's annual fiscal report is the primary data collection tool for this ongoing monitoring process; institutions self-report data related to key indicators of fiscal health for the most recent fiscal year and two prior fiscal years in each annual fiscal report submission. ACCJC uses its Composite Financial Index (CFI) to assess institutions' fiscal health based on data provided in the annual fiscal report. The factors considered in the CFI include the primary reserve ratio (i.e., unrestricted fund balance reserve), net operating revenue ratio, surpluses or deficits, salary and benefit percentages, enrollment declines, audit findings, and other financial assessments. Based upon the analysis of the data against the CFI, institutions are scored within one of three categories: fiscally healthy, moderate risk, or at-risk. Institutions that score within the at-risk category are placed on enhanced monitoring by ACCJC.

As we discussed, City College of San Francisco scored in the at-risk category based on the following factors and data provided in the Annual Fiscal Report:

- 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 period¹ (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 period¹
- Deficits averaged -\$1.9M over the three-year reporting period¹
- 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

¹ Please note that ACCJC does not include One-time Other Unrestricted Financing Sources [account 8900 transfers-in] as revenues in its fiscal health assessment, with the exception of HEERF funds.

- 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

As part of the enhanced monitoring process, institutions must update the Commission on plans and/or actions undertaken to address fiscal factors leading to an at-risk scoring. Your update can be in the form of an electronic letter that outlines plans, actions, or additional context related to the fiscal factors outlined above. Please address and email your letter to Dr. Mac Powell (mac@accjc.org), with a cc: to my email (cwebb@accjc.org), no later than close of business on Friday, December 9, 2022. Dr. Powell will provide an update on your progress to the Commission at the regular meeting in January, 2023. Please be aware that institutions that fail to address their fiscal issues after three consecutive years on enhanced monitoring may receive an adverse action by the Commission.

Please know that I am available to support you and your team should you have any questions or need assistance. You may reach me via email at cwebb@accjc.org, or via cell phone at 415-706-0268.

Sincerely,

A handwritten signature in black ink, appearing to read "Catherine Webb".

Catherine Webb, Ed.D.
Vice President