

# Standard 9

## Financial Resources



### **LISA HARRIS** Age 22

Prior to graduating from high school, Lisa enjoyed varsity softball and volleyball, and had been accepted at UC Davis, when her life took a little turn. She began experiencing numbness in her arms and legs, which led to a long path of various treatments prior to being diagnosed with CDIP, a rare neurological disease. Lisa came to GCC in order to continue her studies while being able to stay at home with the support of her family. However, fatigue remained her worst enemy.

At GCC, Lisa enjoyed Gordon Alexandre's history course, saying, "He gave me energy." Sid Kolpas heard about her and talked her into joining the AMP Program (Alliance for Minority Participation) for students interested in math, sciences, and engineering. She states that the group "opened her horizons with various experiences and opportunities." AMP led to volunteer hours which she did at Whittier Elementary School, where her brother teaches 3<sup>rd</sup> grade. She volunteered there for 2 years, tutoring kindergarten and 3<sup>rd</sup> graders in reading. Lisa was an SI leader for Alexandre, and also for math classes with Kolpas and Gary Massion, and economics with Mark Maier. It is little surprise that she was named SI Leader of the year for 2002. She also credits SI staff member Ann Reed for her amazing help and support.

Due to her own experiences, Lisa is determined to become a doctor and medical researcher. She remains goal oriented, yet realistic, about the limitations of her illness. In summer '03, she did an internship at Occidental College in science research, studying shrimp and bacteria. The experience reconfirmed her decision to continue on her path to either neurological or cancer research. With the help of GCC staff, Lisa is still evaluating her transfer options for fall '04.



## **Standard 9 Committee**

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## standard 9: Financial Resources

The institution has adequate financial resources to achieve, maintain, and enhance its programs and services. The level of financial resources provides a reasonable expectation of financial viability and institutional improvement. The institution manages its financial affairs with integrity, consistent with its educational objectives.

### 9A Financial Planning

- 9A.1 *Financial planning supports institutional goals and is linked to other institutional planning efforts.*
- 9A.2 *Annual and long-range planning reflects realistic assessments of resource availability and expenditure requirements.*
- 9A.3 *Annual and long-range capital plans support educational objectives and relate to the plan for physical facilities.*
- 9A.4 *Institutional guidelines and processes for financial planning and budget development are clearly defined and followed.*
- 9A.5 *Administrators, faculty, and support staff have appropriate opportunities to participate in the development of institutional financial plans and budgets.*

### Description

Glendale Community College uses the development of its annual budget as the main tool for annual financial planning. The college has institutionalized its budget development process through Board Policy 3110 (Ref. 9-1) which establishes the Superintendent/President as ultimately responsible for the preparation of the budget and its presentation to the Board of Trustees, and Administration Regulation 3110 (Ref. 9-2) which addresses the organization, development and management of the budget.

The budget development process begins with the updating of the college's position control system for all new year changes to permanent employees. These

changes can be new assignments, step and column salary increases, or changes in account distribution. Once the position control system is updated, the salary budgets are loaded into a budget preparation file. For non-personnel accounts, the current budgets are rolled over in order to create an initial working draft.

The budget preparation file is then updated for all augmentation or reductions into the accounts classified as college exempt costs. Exempt costs have been defined as those costs that benefit the college as a whole, but the manager has no control over its amount. Examples include utilities, employee benefits, workers compensation, and insurance. In addition, any new costs as a result of collective bargaining are also updated in the budget preparation file to create a preliminary budget.

A preliminary budget document (Ref. 9-3) is printed and distributed to the taxonomy of program (TOPS) managers that have budgetary responsibility. The TOPS managers are then permitted to adjust their initial budgets between hourly staff, supplies, and service items to meet the needs of their departments. Needs that cannot be funded by the current allocation are identified and explained by completing a "Request for Additional Funding" form (Ref. 9-4). These requests for additional funding are accumulated for further review and prioritization.

Expected revenues for the new budget year are estimated by the Executive Vice President of Administrative Services and the Controller. Glendale Community College, like all of the other 108 community colleges in the state, is dependent for the majority of its operating revenue on an apportionment from the state and property taxes. The college's revenue is linked closely to an allocated rate times

the number of full time equivalent (FTE) students in its credit and non-credit instructional programs. Additional revenues include: lottery, Partnership For Excellence (PFE), basic skills, and student fees.

Budget reductions are required in those years when the estimated revenues are not sufficient to support the total appropriations of the preliminary budget. Each functional division (President's Office, Instruction, College Services, Administrative Services, Human Resources, and Information Technology) is given a percentage amount to cut. The percent is calculated by dividing the deficit by the allocation base (total appropriations less district wide exempt costs). The senior manager of each functional division is then responsible for funding his/her operations and determining internal priorities within their budget allocation.

Cabinet reviews and prioritizes the Requests for Additional Funds in most years when the estimated revenues exceed the appropriations in the preliminary budget. Those requests that are critical are recommended for funding and presented to the Budget Review Committee (BRC) for approval. The BRC is a sub-committee of the Executive Committee that was created through the governance process to allow all constituents of the college to have representation into the budget process. The BRC consists of representatives from the Academic Senate, AFT Guild, Classified School Employees Association (CSEA), administration, and the Associated Students of Glendale Community College (ASGCC). The BRC reviews the preliminary budget including the recommended requests for additional funds and provides a recommendation to the Executive Committee. It should be noted that there is a great deal of argument, debate, and "give and take" that transpire during this process.

The BRC also discusses and votes upon alternate proposals before making a recommendation. The Executive Committee reviews and approves the budget (Ref. 9-5) and presents it to the Board of Trustees for adoption.

The Administration has recently taken the following steps to improve the dissemination of budget information:

- 1) Established campus meetings with the Controller and Executive Vice-President of Administrative

Services. These luncheon meetings are open to all interested staff members to discuss both the state budget crisis and the corresponding impact on the college budget.

- 2) Established the practice of sending email updates from the Executive Vice-President of Administrative Services. These emails report the latest statewide budget news.
- 3) Made budget presentations at faculty meetings. The college President and three Vice-Presidents have provided both budget news and impact analysis.
- 4) Expanded the Budget Review Committee. The BRC was expanded due to the current budget crisis to include Cabinet and additional representatives from the Senate, Guild, CSEA, and ASGCC. This expanded committee will recommend budget priorities.
- 5) The President and Cabinet send an email newsletter through the campus network to keep the college faculty and staff fully informed. This publication focuses on budgetary matters and other prime concerns on the campus. All issues are available at <http://www.glendale.edu/grapevine/archive.htm>

Primary staff input to the budget process comes from TOPS managers who are responsible for initiating and recommending changes in the preliminary budget to their senior supervisor and through the governance structure at BRC, Campus Development, and other committees. Many TOPS managers are elected division chairs who discuss various budget issues with the faculty and staff whom they supervise.

The college has made progress in developing a process that integrates our Institutional Master Plan with Program Review and is proposing a process (See Planning/Budget flow chart Ref. 9-6) that will link both of these processes with the allocation of human, physical (facilities) and fiscal resources. In the last six years, the college has improved the program review process and the document and they have gained institutional acceptance. In their program review documents, the various departments propose requests for additional staff or space. These requests are then reviewed and evaluated in terms of how they fit into the college's overall mission and

master plan goals by the Program Review Validating Committee. Such validation is to form the basis for consideration of requests to a new expanded Budget Review Committee.

This new expanded Budget Review Committee will have the same membership as the original Budget Review Committee with the addition of two faculty who will be voting members. The two faculty members will be the Program Review Coordinator and the Master Planning Coordinator. The duty of this newly revised committee will be to evaluate new initiatives in alignment with the master plan and mission of the college.

Little is done on the college's long-range financial planning because of its dependence on state revenues. The first indication of the state level of funding for the new year is not signaled until the Governor's budget is released in January. It is revised in May but often is not finalized until after spending has already begun in July. Because of the uncertain nature of annual state funding for higher education, any meaningful long-range financial planning is difficult. The college has included a multi-year budget projection that features a three-year budget cycle for long term planning in its Final Budget document.

In March 2002, the college was successful in passing a \$98 million general obligation bond (Measure G) for capital construction and renovation at the college. In developing plans for the Measure G ballot statement (Ref 9-7), an extensive series of meetings with campus and community constituents were held. As a result of these meetings, the Facilities Master Plan that was produced in 1997 was updated. This addendum (Ref. 9-8) identified the college's main capital construction projects for the next ten years.

Each year the college submits an update to the state in the form of a 5 Year Capital Plan (Ref. 9-9) that is based on the overall Master Plan. Ongoing capital planning decisions are made through the governance process, primarily by the Campus Development Committee.

## Evaluation

In the area of college management issues, the budget clearly ranks lowest in campus confidence (see Campus Views 2002, pages 25-28 Ref. 9-10). This

seems to be a real issue rather than simply a problem of perception.

Administrative Regulation 3110 concerning the development of an annual budget has been written and implemented with the BRC to guide the process. A flowchart of the budget development process was written to graphically display Administrative Regulation 3110.

TOPS managers, including chairs, generally feel comfortable with the process and their amount of input. Some chairs feel a greater sense of involvement, while others have commented that they still feel left out of the "larger picture" issues. There is also a desire by some department chairs for more participation in the budget process with their TOPS managers.

The administration has made a concerted effort for both the dissemination of budget information and increased staff input. However, there is a recurring perception that the committees only address what the administration offers for consideration. The lunchtime budget meetings, e-mails, presentations at faculty meetings, and the expansion of the BRC are favorably looked upon as a positive step in the right direction in addressing these issues.

The Senate feels that faculty have inadequate opportunities to participate in the development of financial plans and budgets. That concern led to the creation of both the Hiring Allocations Committee and the Budget Process Revision Task Force.

Program review has been modified and is continuously being improved each year. This year Student Service programs piloted a newly-developed program review protocol and Administrative Services departments are in the process of piloting their program review document. By all accounts, program review seems to have institutional buy-in and appears to be yielding useful data. The college is working to improve the process of data collection in the Non-Credit areas.

The recommendation from the Budget Process Review Task Force to create a new expanded Budget Review Committee is still in the development stage. When adopted and implemented, this newly revised committee will become the vital link to connect the planning, evaluation, and resource allocation processes.

## Plan

- 1) The college needs to move the new expanded Budget Review Committee through the governance process and authorize its role in the decision-making pathway between planning, evaluation, and resource allocation.
- 2) Continue to use the results of program review to identify needs of the college as a whole.
- 3) Continue the e-mails and luncheon meetings with the Executive Vice President of Administrative Services and the Controller for all campus constituencies.
- 4) Place budget information on the college website.
- 5) Institutionalize the Hiring Allocations Committee.
- 6) Expand participation at all levels of the budget process through representation at informative and decision-making meetings.
- 7) Find new and creative opportunities for the proactive participation of campus stakeholders who now feel estranged from the budget and resource allocation process. This institution must fully integrate various campus constituencies in the resource allocation process.



## 9B Financial Management

- 9B.1 The financial management system creates appropriate control mechanisms and provides dependable and timely information for sound financial decision making.*
- 9B.2 Financial documents, including the budget and independent audit, reflect appropriate allocation and use of financial resources to support institutional programs and services. Institutional responses to external audit findings are comprehensive and timely.*
- 9B.3 The institution practices effective oversight of finances, including management of financial aid, externally-funded programs, contractual relationships, auxiliary organizations or foundations, and institutional investments.*

*9B.4 Auxiliary activities and fund raising efforts support the programs and services of the institution, are consistent with the mission and goals of the institution, and are conducted with integrity.*

*9B.5 Contractual agreements with external entities are governed by institutional policies and contain appropriate provisions to maintain the integrity of the institution.*

*9B.6 Financial management is regularly evaluated, and the results are used to improve the financial management system.*

## Description

The college's accounting records are maintained on a comprehensive financial system programmed by American Management System. The Advantage system was implemented in 1999 as part of the college's upgrade for Y2K compliance. Advantage maintains eight years of account balances and five years of detailed budget, expense, encumbrance, and revenue transactions that are available to all users.

Access to the Advantage system is controlled through individual user IDs and passwords. Each user is assigned capabilities (inquiry or update) based on job responsibilities. Both batch and on-line input are provided in the system with real-time updating. As a result, managers have immediate up-to-date information on accounts through numerous inquiry screens.

The Advantage system has automatic controls to ensure accurate data. The system edits all input data to make sure that the information is valid prior to update. In addition, budgetary controls require a manual override when an account will be overdrawn. Only the Vice President of Administrative Services and the Controller have authorization to overdraw an account.

Manual and organizational controls have also been implemented to further improve the accuracy of the data. Prior to input, documents are checked for proper approval by managers and/or board approval and control totals are used and reconciled to ensure all updates are balanced. In addition, the assignment of duties within the Administrative Services Division provides proper separation of duties consistent with sound fiscal practices.

Besides the on-line inquiry screens, managers with budgetary responsibility receive monthly appropriation ledger reports (Ref. 9-11) and use them to monitor their budgets. These reports show all budget, encumbrance, and expenditure activity and available balances for each account. In addition, the college's Accounting Office prepares projections of revenue and expenses. On a quarterly basis, financial statements (CCFS-311Q) are produced and presented to the board. These reports provide an early warning for financial problems. Finally, ad-hoc reports are available for financial analysis through a system report writer.

The college's implemented practices have enabled it to effectively monitor its externally-funded programs. The accounting records for grants and other externally-funded programs are maintained in separate accounts. The budgets for these programs are established based on award letters received and after board acceptance of funds. Only authorized college personnel are allowed to expend funds from these accounts and a grant accounting specialist or the controller is assigned to monitor each grant. Budgetary controls within the Advantage system ensure that grants and special programs are not overdrawn.

The Bookstore, the Associated Students of Glendale Community College (ASGCC), and the Foundation maintain their own accounting records on separate systems. The Bookstore and the ASGCC maintain records for bookstore operations, student club accounts, and various scholarship funds. The Foundation accounting records include donations, endowments, and fund raising activities.

The financial records and internal control processes of all of the college and auxiliary organizations (the Bookstore, the ASGCC, and the Foundation) are audited annually by the certified public accounting firm of Vavrinek, Trine, Day, & Co (Ref. 9-12). The college has consistently responded to any audit finding in a timely fashion.

Three years ago, the college completed a process redesign of its financial management system. Key financial personnel formed a task force to document the current processes within the financial system and to identify areas of improvement. The results of the task force were then used in the evaluation of new automated financial systems. The college has

purchased an Enterprise Resource Planning (ERP) system from Oracle Corporation that will integrate the financial, student services, human resources, and instructional division systems.

To maintain the integrity of the district and safeguard it from potential liabilities, the Board has implemented policies on contractual agreements through Board Policy and the associated Administrative Regulations (Ref. 9-13). The Board updates each Board Policy to comply with applicable changes in state law. Effective procedures are in place to ensure that the college staff follows these policies.

The district has instituted levels of contractual protections according to the scope of a project or purchase undertaken and the dollar value involved. The complexity and legal requirements increase proportionately to the scope of work required. In general, all contracts contain the following clauses in our written agreements with external vendors. These provisions include:

- 1) Work to be performed or product to be delivered
- 2) Dollar value involved
- 3) Terms of payment
- 4) Delivery/period of performance
- 5) Points of awareness
- 6) Indemnification or hold harmless
- 7) Insurance for all parties involved
- 8) Compliance with applicable laws including Section 508 of the Rehabilitation Act
- 9) Handling of change orders to the original contract
- 10) Acceptance terms of final payment and lien releases
- 11) Termination
- 12) Signatures of parties involved

In addition to the above general conditions, a contract may carry special conditions and supplemental conditions outlining specific times when work can be performed. In the case of software purchases, a special list of contract items is examined. A Code of Conduct has been incorporated outlining what is acceptable conduct of a contractor's employees and

the contractor's obligations should a violation of the Code of Conduct occur.

There are also various other clauses covering drug-free workplace, anti-discrimination, workers' compensation, minority, women and disabled veterans business enterprises, proper licensing, and bidder qualifications. In addition, the district has a full-time contracts analyst involved with reviewing all contracts where a possible liability can occur and has retained legal counsel to provide outside opinion as required.

The Glendale College Foundation provides a support system to raise funds for existing and new college programs and facilities. There have been twenty-three donors who have contributed in excess of \$10,000 earning them the right to have a lecture hall, lab, or classroom dedicated to them. During the past three years, the Foundation has focused all major fund raising efforts on the Science Center. Almost \$2 million has been raised in cash and pledges.

Fundraising activities are conducted with integrity. Processes within the Foundation Office are in place to ensure that there is a coordinated effort in fundraising. The Glendale College Foundation, Inc., is a non-profit corporation with its sole purpose to support Glendale Community College. The 35-member Board of Directors has the fiduciary responsibility for the Foundation. Funds are only used for the stated purpose and they are not commingled. Donor records are kept confidential and there is strict adherence to IRS guidelines per value of donation. In addition, the Foundation has printed policies on the handling of funds (Ref. 9-14) and the Associated Students and Athletic Department have published procedures and guidelines for fund raising (Ref. 9-15).

The ASGCC has also supported the college. In 2001, a new bookstore was built. The funding of this project came from the ASGCC. The ASGCC made a \$1.5 million payment to the college and committed to a \$150,000 annual payment for the next seventeen years.

## Evaluation

The Advantage system and manual procedures in place are adequate in ensuring dependable and accurate information for sound financial decision making. However, the system is very inefficient and

complex to the end users. Although, the system was upgraded in 1999, it was basically the same system as before except that it became Y2K compliant. In addition, this system does not provide modern reporting or data analysis functions.

The Advantage system is very paper dependent. All input with the exception of payroll, financial aid payments, and student fee collections are made based on paper documents (i.e. budget transfers, requisitions, travel requests, journal vouchers, etc.). These documents are manually prepared and routed through various offices for approval and processing. When a document is received by the central administrative office, it is reviewed for accuracy and completeness and returned if there are problems. If everything is correct, it is manually input into Advantage. This can be a very time consuming process that occasionally results in lost documents.

Although training was provided as part of the Advantage upgrade, most end users do not find the screens to be user-friendly. For example, a user must know the account numbers in order to access information. As a result, most users rely on paper reports for budget monitoring. As these reports are distributed ten days after month-end, the data is not always current. This has resulted in many departments maintaining "shadow systems" to monitor their budgets.

The Advantage report writer requires technical experience to produce ad hoc reports. As a result, this responsibility is placed in our Information Technology department. A higher-level report writer could move this responsibility to the user departments. This would make them more self-sufficient and enable them to get needed financial information quicker.

The college's annual audit has disclosed that the college has not maintained an inventory of fixed assets resulting in a "qualified" opinion. In May 2002, the college completed a physical inventory of fixed assets which should result in an "unqualified" opinion.

The process redesign was a valuable investment of time. It produced the desired requirements of our finance system and helped in evaluating new finance systems. Not only will it make sure that weaknesses in the current system are addressed in a new system, but it should reduce the time needed to implement the new ERP system.

The provisions implemented in the contractual agreements with external agencies are sufficient. During the last ten years, there have not been any losses resulting from a challenge to our contracts. The addition of a full-time contracts analyst has also further protected the college from potential losses by ensuring the evaluation of contracts early in the process.

The Board has updated the relevant Administrative Regulations as required to maintain compliance with state law. For example, Adm. Reg. 3380 updates Board policy so that it conforms with Section 508 of the Rehabilitation Act of 1973 (as amended) and to the Assistive Technology Act of 1998.

Over the past six years, the market value of our Foundation's endowment has grown over 57 percent (Ref. 9-16). This increase was achieved even after the severe decline in the stock market in 2001-2002.

## Plan

- 1) The college should move forward with the implementation of the Oracle Enterprise Resource Planning (ERP) system using the results of the process engineering task force.
- 2) The college should continue its current method of handling contractual agreements with external entities.



## 9C Financial Stability

- 9C.1 Future obligations are clearly identified and plans exist for payment.*
- 9C.2 The institution has policies for appropriate risk management.*
- 9C.3 Cash flow arrangements or reserves are sufficient to maintain stability.*
- 9C.4 The institution has a plan for responding to financial emergencies or unforeseen occurrences.*

## Description

The implementation of conservative fiscal policies and accounting practices has helped Glendale Community College meet all identified obligations and financial emergencies. Good accounting practices in developing the budget, establishing and maintaining appropriate levels of reserves, a clear rationale for issuing debt, and sound policies on risk management have historically provided a very stable financial environment for the college. However, even the most prudent policies and practices were insufficient to address the current fiscal crisis resulting from the state's budget problems in 2002-2003 and 2003-2004

Up to fiscal year 2001-02, the college was able to maintain an ending fund balance that has exceeded the State's recommended level of five percent of total expenditures. The healthy fund balance was the result of conservative fiscal policies in developing its budget. Accurate appropriation levels were budgeted and adequate contingency reserves were established which allowed the college to operate within the limits of the budget. On the revenue side, the college has made a practice of using conservative estimates and not budgeting anticipated enrollment growth dollars until the subsequent year. As a result, all current year growth revenue goes directly into the fund balance for the future year's operations.

In fiscal year 2002-03, the college's fund balance fell below the five percent level. The decline began in 2001-02 when over \$.5 million dollars of growth revenues were lost because of insufficient funds available in the state's budget. In developing the 2002-03 budget, close to \$2 million in budget cuts were required. Only \$2.1 million of new operating revenues (COLA \$.9 million and \$1.2 million growth) were expected with over \$4 million of new expenses. At the same time, the state made major cuts in several categorical programs that were absorbed by the college: CalWORKS \$644,000, Matriculation \$310,000, Telecommunications and Technology \$215,000, and Staff Development \$70,000. The college reduced its course offerings, left positions vacant, and moved expenses to other sources to balance the budget.

At midyear in 2002-03, the state made further cuts to the budget in Scheduled Maintenance, Instructional Equipment, and Partnership for Excellence funds. In addition, the state projected a shortfall in property

taxes and enrollment fees which resulted in a loss of \$930,000 in operating revenues. As a result, the college cut fifty additional sections from its spring semester, eliminated its second summer session, cut its Scheduled Maintenance and Instructional Equipment budgets, and made a 25 percent across-the-board cut to supplies, printing, travel, and equipment line items. During the budget prep cycle, 105 class sections were cut to eliminate unfunded FTES.

The budget crisis continued in the development of the 2003-04 budget. Reductions in state operating revenues and over \$4 million of new expenses were projected resulting in over \$5 million in cuts to the operating budget. The college offered a retirement incentive, laid off employees, cut non-personnel line items to a minimum level, and proposed pay reductions for all employees in order to achieve a balanced budget.

Sufficient levels in both the fund balance and the contingency reserve have been the primary sources of funds for financial emergencies and unforeseen obligations. In addition, they have provided sufficient cash to pay all obligations on time.

The college has implemented several practices to ensure that sufficient cash is available for operations. The college has the ability to move money between funds with board approval and temporary interfund borrowing has been used for cash flow purposes. Approximately \$3 million of interfund transfers are transferred from the Unrestricted General Fund each year for self-insurance (workers compensation, dental, vision, property and liability), capital projects, and support of programs (cafeteria, child development center). The timing of these transfers is critical in ensuring that sufficient cash balances are maintained in all funds. As a result, the Accounting Office monitors and projects cash requirements on a daily basis not only to schedule vendor payments but also to process interfund transfers.

As a public agency, the college has also been issuing Tax Revenue Anticipation Notes (TRANS). A TRANS is a short-term note (matures in one year) issued specifically for cash flow needs. Proceeds from the issue are invested in guaranteed investment contracts and can be withdrawn and deposited into the college's account when cash is needed. In addition to being a source of cash to the college, the TRANS can also be

a source of additional revenue through arbitrage. Arbitrage results when the interest income earned on the TRANS exceeds the interest paid to the bondholders. This opportunity occurs because the TRANS are tax-exempt instruments that are issued at low rates to investors. The college has participated in the Los Angeles County Pooled Tax and Revenue Anticipation Note program since 1994-95.

The college has been very conservative in the assumption of long-term debt. It currently has one Certificate of Participation outstanding (\$4,235,000 at 6/30/03). In March 2002, the college was successful in passing a \$98 million general obligation bond through an election in the district. This bond should provide the funding for all major construction projects for the next ten years. As a result, additional long-term debt should be minimized.

The college had the following long-term liabilities as of June 30, 2003:

Accumulated Unpaid Employee Compensation:  
\$3,356,029

Post-Employment Benefits:  
\$980,445

Early Retirement Incentive:  
\$2,000,075

These obligations are identified in the annual budget process and funds are allocated on a year-by-year basis. At this time, load banking is fully reserved and there is a reserve set up for unused vacation which has been augmented by \$50,000 each year. The college made a change in its vacation policy in 1997 which placed a limit on the amount of vacation hours an employee could accrue (basically two years' earnings). This limit is applied to all vacation earned after July 1, 1996 and should keep the accumulated unpaid vacation liability to a reasonable level.

The college has an established policy on Risk Management through Board Policy 3551. This policy requires the following types of coverage:

- 1) Comprehensive liability insurance indemnifying the Board of Trustees, officials, employees, district agents, and members of the student body, on account of injury to persons or property with a limit of \$5,000,000.
- 2) Extended fire coverage on the basis of 90 percent co-insurance to cover buildings and contents that

may be damaged by fire, windstorm, hail, explosion, riot, aircraft, vehicles, smoke, etc.

- 3) Employees' blanket bond governing losses which would be sustained by the district through any fraudulent or dishonest act or acts committed by an employee or employees.
- 4) Boiler and Machinery Insurance policy covering boilers, water heaters, generators, other pressure vessels, and air conditioning systems against the loss or damage of the objects insured.
- 5) Workers compensation insurance covering on the job injuries to employees and volunteers.

The college is self-insured for property, liability, and workers compensation and participates in two joint ventures under joint powers agreements (JPAs) for insurance purposes. These agreements are: Schools Linked for Insurance Management ("SLIM") and the Alliance for Cooperative Insurance Programs (ASCIP). SLIM provides workers compensation coverage for its members and ASCIP provides property and liability insurance and risk management services for its members. All members of the JPAs are educational institutions and pay an annual premium commensurate with the level of coverage requested. Currently, the limits of coverage are \$15 million for liability, replacement cost for property, and \$3.25 million for the employee blanket bond.

The college has contracted with ASCIP for risk management services. Two days a week, a risk manager is on-site to insure compliance with major safety and environmental rules and regulations pertaining to public schools. The risk manager identifies the types and magnitude of losses and exposures inherent in the operations and recommends improvements to reduce costs and exposures. Specific areas that have been reviewed are the underground storage tank project, air quality monitoring, compliance with federal and state posting requirements, hazardous material survey, and safety inspections to numerous departments. The risk manager also coordinated staff training in the areas of trams and forklift operations, "back" training, and the handling of asbestos.

Other actions the college has taken to address the risk management program are the following:

- 1) The college has been budgeting funds for handicap/safety repairs (\$75,000) and

ergonomic furniture (\$50,000) each year from the Self Insurance Fund. These funds have been used to make sure workstations are properly equipped and the campus is safe. These programs are dependent on available funds.

- 2) The Safety Governance Committee meets to address the safety of facilities, unsafe working conditions, and student accident prevention.

## Evaluation

The fiscal policies and accounting practices used in developing the budget have been sufficient in providing for all identified obligations. The conservative approach in estimating revenue and the amount of the contingency reserve have provided an adequate ending fund balance. This balance has provided sufficient cash balances to meet all identified obligations (payroll and vendor payments) and financial emergencies.

The current fiscal crisis has stressed the college's finances and has reduced the non-personnel operating line items to minimum levels. The operating budget is almost entirely salary and employee benefits. The college is at risk as the budget crisis continues.

The TRANS has not only provided the college with a source of cash for operations but has also provided additional discretionary operating revenues since 1996-97.

The college has implemented policies for appropriate levels of risk management. The choice to be self-insured for liability, property, employees' blanket bond, and workers compensation has so far been a prudent and cost-effective decision. Based upon prior claims experience, the amount of insurance coverage from the JPAs is adequate.

## Plan

- 1) The college should continue its conservative fiscal policies and practices to ensure an adequate ending fund balance.
- 2) The college should develop a plan to respond to an extended budget crisis.
- 3) The college should continue its practice of issuing a TRANS each year as a potential source of cash for operations, participation in the JPAs for

insurance coverage, and strive to continue its investment in risk manager services, ergonomic furniture, and safety training.

- 4) The college should investigate other non-traditional sources of revenue.
- 5) In fall 2003, the three functional units of the college will begin a mini-review to consider program elimination, thereby preserving funds for core programs and services.

## References

- 9-1 Board Policy 3110 (Planning, Developing and Adopting Budget)
- 9-2 Administrative Regulation 3110 (The District's Budget)
- 9-3 Sample Budget Turn-around document
- 9-4 Request for Additional Funding
- 9-5 Final Budget
- 9-6 Planning/Program Review/Budget Flowchart
- 9-7 Measure G Ballot Statement
- 9-8 Facilities Master Plan Addendum for General Obligation Bond
- 9-9 Five-Year Capital Plan
- 9-10 Campus Views 2002
- 9-11 Monthly Appropriation Report Sample
- 9-12 CPA Audit Report
- 9-13 Board Policy 2200 (Conflict of Interest), 3320 (Bids), 3322 (Joint Group Purchasing), 3332 (Books and Magazines), and 3380 (Implementation of Rehabilitation Act) and Administrative Regulations 2200 (Conflict of Interest), 3310 (Requisitions), and 3332 (Books and Magazines)
- 9-14 Foundation Policy on Handling Funds
- 9-15 Athletic Department Fund Raising Policy
- 9-16 Foundation Endowment Chart