

Standard Nine: 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.

Standard 9A: Financial Planning

9A.1 Financial planning supports institutional goals and is linked to other institutional planning efforts.

9A.2 Annual and long-range financial planning reflects realistic assessments of resource availability and expenditure requirements. In those institutions which set tuition rates, and which receive a majority of funding from student fees and tuition, charges are reasonable in light of the operating costs, services to be rendered, equipment, and learning resources to be supplied.

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 financial plans and budgets.

Description

Financial planning at College of San Mateo incorporates college and district information and is linked to annual goals that are also published in the San Mateo County Community College District's annual budget books (Ref. 9.1). The *SMCCCD Compendium*, prepared by the district's assistant chancellor for research and technology, one source of district-wide data, was recently replaced by the Institutional Research Web site, <http://www.smccd.net/accounts/doresearch> (Ref. 9.2). College research conducted by the dean of articulation and research informs the college about accomplishments and deficiencies in student outcomes. The college/district mission statement is regularly reviewed, and the board of trustees develops annual overarching goals based on that statement. At the college

level, the college president and the College Council develop annual ambitions and goals published in a document titled *On-Going Institutional Ambitions and College Goals* (Ref. 9.3), in advance of receiving a budget allocation for the subsequent academic year.

Student fees, including tuition, are responsible for less than 7 percent of the general fund unrestricted income. The annual college budget plan allocates funds within resources that are expected at the beginning of the budget cycle. The estimated cost of accomplishing the established institutional goals may actually exceed the anticipated available general fund unrestricted and restricted allocation. To accomplish those goals that exceed initial available funding, the college seeks supplemental funding if the goals are determined to be of highest priority and if delayed financial support may lead to greater problems for the institution. Division deans, working with the faculty and staff of the departments within their division, advise the College Council Budget Subcommittee about additional specific one-time and ongoing division financial needs that support educational programs and services.

The district's *Educational/Facilities Master Plan* (Ref. 9.4) ties educational needs to facilities master planning. Some of the college's plans are annual or short-range and others are long-range. Long-range planning has been greatly enhanced by research such as the *Community Needs Assessment* (Ref. 9.5). That study provides the district and the college a much clearer picture of the college's current status and of the role the college needs to play in its communities in the future. Facilities capital improvement project proposals are submitted by administrators, who must explain how the proposal relates to the *Educational/Facilities Master Plan*. Capital outlay project proposals are part of a five-year construction plan which includes explanations of how the plan relates to the *Master Plan*. This report also provides the guidelines for prioritizing project proposals at the district level and states that "first priority will be given to projects so ranked by a President or by the Associate Chancellor as being critically important to SMCCCD's ongoing educational or service goals."

The 1998-1999 final budget book (Ref. 9.6) describes, in a comprehensive manner, how the budget is created and also describes district-wide budget processes, such as setting priorities and allocating funds. Once the board determines the available funds to be distributed to the three colleges and the district Chancellor's Office, an allocation model is followed. The formula allows for 86 percent to be allocated to the colleges and KCSM TV-FM and the remaining 14 percent allocated to the Chancellor's Office and facilities, maintenance, and operations. The allocation formula then takes into consideration each college by looking at its three-year FTES average. A factor of \$41 per three-year average is provided for any college that falls below a 5,000 three-year average FTES level. The allocation formula also allows for augmentations to reflect such things as changes in employee positions, step increases, and retirements.

Employees have opportunities to participate in both long-range and day-to-day financial decision making. When individual faculty or staff have concerns about financial plans or budgets, these may be brought to their immediate supervisor and pursued through appropriate channels. Special groups are formed to address a specific issue. For example, when a source of budget, like instructional equipment money, is available to a division, the dean will generally hold a division meeting. The faculty and staff, by departments within the divisions, create a list prioritizing their equipment requests. The division meets again to determine the final priority list, which is then approved by the dean and forwarded to the vice president for instruction. The budget is discussed by College Council, which can make recommendations or changes before the priority list is finalized.

Another example of college-wide budget planning is demonstrated in the use of the College of San Mateo *Faculty Hiring: Criteria for Determining Which Faculty Positions to Fill* (Ref. 9.7) document. This document, which is given to divisions seeking to hire faculty, asks the faculty and/or dean to address the following criteria when requesting a new faculty position: the college mission; need/demand for the position; hiring history; budget funding; and equipment, and facilities needed to support the new position. After the form has been completed, the requests are discussed at deans' meetings, and which faculty position requests will be forwarded is decided by consensus of the deans. This document makes clear the guidelines for decision making, as well as serving as a tool for financial planning. All those who participate in the process follow the criteria and influence the recommendation as to how many faculty should be hired and in which disciplines.

Appraisal

The breadth and effectiveness of college financial planning can be evaluated by looking at the example of the development of the state-of-the-art digital media lab. A college goal was to link service to the community at large and address areas of high growth as an investment in the future. The monies necessary to convert the former machine shop to a lab, remove hazardous materials, and purchase furniture for the lab came from a district FTES enhancement grant and also from the instructional equipment fund. Furthermore, this project reflects institutional planning, in that the lab is used in a cross-disciplinary fashion; not only is the lab used for the multimedia program, but also for the technical art and graphic arts, digital imaging, broadcasting arts, and electronic music programs.

The machine shop function was relocated to a smaller area, and the digital media lab is being optimally used. Furthermore, according to the dean of the technology division, many of the computers now used in the digital media lab were formerly stored in a classroom, and moving them freed up classroom space for the computer information science department. Fulfilling the college's goal of increasing enrollment, new multimedia courses enroll 730 students.

Planning has taken on much greater significance for College of San Mateo since its 1995 accreditation. Planning is linked directly to resource availability, resource allocation, and the generation of substantial increases in successful fund-raising over this same period of time.

The district completed studies of the facilities needs of the colleges and available funding sources in 1995 and 1997 (Ref. 9.8). Although the district has been unsuccessful to date in getting voter approval for a general obligation bond to address major facilities improvements, the district's facilities assessment and planning studies have prepared it to move forward on priorities when the funding becomes available.

There are processes for budget development; however, the majority of the budget goes to salary commitments, leaving only a small portion for other areas. The remaining funds are budgeted using such things as the yearly budget goals and objectives and other shared forums of financial planning. The college has guidelines for financial planning and budget development, and, for the most part, the guidelines are comprehensive. However, there is not one single manual or location where all guidelines and procedures can be found, and it is often difficult for new and even long-term employees to be trained when a resource guide is not available to them. The lack of broader Banner training and written training materials has limited the college's ability to obtain accurate year-end salary savings information. This resulted in the college available ending balances being higher than expected in both 1998-1999 and 1999-2000. Better training of all those involved in budget reporting and management will lead to earlier identification and reallocation of available college budget resources.

Shared governance is apparent in the opportunities that administrators, faculty, staff, and students have to participate in budget development and financial planning. There are also many bodies which administrators, faculty, and staff can approach with budget-related issues. Some of the avenues available to voice concerns are College Council, Management Council, Academic Senate, Business and Fiscal Operations Group (BAFOG), District Shared Governance Council, and Chancellor's Council. Administrators, faculty, and staff form College Council, and the Budget Subcommittee is created annually from that group and augmented with additional members who have special budget expertise. Part of the purpose of the College Council Budget Subcommittee is to better inform faculty, staff, and students about the budget development process, as well as to provide representation from each employee category in budgetary decisions. Members of the Budget Subcommittee disseminate budget information to their constituent groups and bring forth recommendations made by their constituents. Faculty, staff, and students also have input at departmental levels through program review and yearly budget goal-setting. Findings from these activities result in recommendations for improving programs and services and are translated into budget requests that are submitted for approval.

Despite these many forums, the majority of employees still feel that budget information needs to be communicated more effectively to faculty, staff, and students who are not members of these bodies. Employees also feel that information needs to be disseminated in more easily understood language. According to the faculty/administrator and classified staff surveys administered in the summer of 1999 to collect data for this accreditation self-study, only 44 percent of faculty and administrators and 20.4 percent of classified staff who responded agree or strongly agreed that they have appropriate opportunities to participate in budget development and financial planning for the college.

Plan

Research other capital facilities funding options, such as those described in the *Facilities Needs Fact Sheet* (Ref. 9.9), which include allocating additional general fund dollars to capital improvements and selling surplus land owned by the district and/or submitting more funding requests to the state and further increasing donor fundraising activity (Ref. 9.10).

Develop a centralized document available to anyone interested in financial planning, budget development, and fiscal procedures or create a master list of budget guidelines, stating where those guidelines can be found or from whom they can be requested.

Improve in-house communication of budget information through the shared governance representative process and through institutional reports.

Standard 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 financial management systems used by College of San Mateo include online computerized tools within the Banner finance system, as well as ongoing data reports that are produced by personnel in the Operations Office and provided to the College Council Budget Subcommittee. The Banner finance system is accessible to managers and support staff members who have been designated as “owners” of specific budget/expense accounts. This ownership designation builds controls into the use and review of these budget accounts. Online business activities against budget accounts, such as salary expenses and purchases of materials, are encumbered immediately and reflected via online query information. All business activities not created online, such as the hourly classified payroll timesheets, are reviewed by accounting staff in the initiating department/division and in the Operations Office before being processed by accounting staff in the district office.

The college budget process supports institutional programs and services by ensuring funding for its educational programs. A primary goal is to support enrollment management. By increasing FTES, the college can secure a predictable share of the district revenue and continue to develop and maintain the programs necessary to students. An independent certified accounting firm, currently Vavrinek, Trine, Day and Co., conducts year-end audits of the San Mateo County Community College District. Audits are conducted in accordance with generally accepted auditing standards, Governmental Auditing Standards issued by the Comptroller General of the United States, and the Contracted District Audit Manual issued by the California Community Colleges Chancellor’s Office. The audit includes a review of the previous year’s recommendations, all financial documents, expenditures, and internal control processes. This process ensures the appropriate allocation and use of financial resources to support institutional programs and services. The 1995-1996 audit (Ref. 9.11) revealed that the district did not have sufficient control over certain areas of internal accounting, specifically concerning tracking of fixed assets and federal and state categorical program reporting. The response to those findings and recommendations included the implementation of stricter internal controls in the recommended areas. The 1996-1997 (Ref. 9.12) and 1997-1998 (Ref. 9.13) audits yielded no audit exceptions. The 1998-1999 audit (Ref. 9.14) yielded

findings in three categories, mainly fixed assets inventory, that were responded to in Board Report 00-4-100B (Ref. 9.15).

The district uses the Banner computerized financial system that allows departmental staff to initiate expenditures and then, through a series of oversight opportunities, provides for checks and balances to ensure funds are available and being appropriately used. The tier of oversight includes the appropriate dean's office, college business office staff, and district office staff. Institutional procedures are in place for effective oversight of financial aid, externally funded programs, contractual relationships, auxiliary organizations and foundations, and institutional investments. Student financial aid operations, the development of student awards and disbursement of funds, are administered in accordance with state and federal regulations and codes. An annual financial aid Fiscal Operations Report and Application to Participate (FISAP) is submitted to the Department of Education to verify compliance. Each externally funded program is supervised by a budget manager who has experience with the funding agency and with local budget management. Budget management assistance is available from the college operations department staff.

Auxiliary activities and organizations—including the bookstore, cafeteria, Associated Students, and fund-raising efforts—support the programs and mission of the college and are effectively managed. The bookstore, food service operations, and Associated Students are self-supporting and are also available to offer financial support to college programs and to provide a sense of campus community. The college bookstore and cafeteria auxiliary organizations are overseen by the district director of budgets, with assistance from the College Auxiliary Services Advisory Committee. This committee helps to develop policies and establish guidelines. Quarterly board reports and an annual audit of accounts are conducted to ensure effective management.

The San Mateo County Community Colleges Foundation is a self-supporting organization. Fund-raising and prudent investments of a portfolio of stocks and bonds allow the foundation to support selected college activities based upon the recommendation of the college president. Additionally, the foundation provides scholarships to College of San Mateo students and works closely with college staff to ensure requirements are met.

College of San Mateo fund-raising includes in-kind gifts and donations, from both individuals and corporations, as well as grants. Since 1995, as outlined in the October 1999 College Resource Group newsletter (Ref. 9.16), an organized approach to fund-raising has been implemented that includes the 75th Anniversary Fund and the Fund for 21st Century Learning. Other aspects of this approach include program and grant proposal development, project monitoring, specialized account management, and donation tracking. As reported in the above mentioned newsletter, more than \$4.5 million has been raised in grant awards, cash gifts, and

in-kind donations since July 1995. Three and a half million dollars of this was raised in the Fund for 21st Century Learning through various grants.

Contractual relationships are negotiated and monitored to conform with established procedures in the district's *Rules and Regulations*. Through an approval mechanism initiated at the appropriate level, contracts are developed to ensure costs are within allowed limits and funds are available. Institutional policies and procedures are developed that include a system of checks and balances to ensure that the integrity of College of San Mateo is maintained. A formal bid procedure is used when purchasing materials or supplies over \$54,900 and for public construction contracts over \$15,000. The board of trustees awards these contracts. Purchases of materials or supplies from \$5,000 to \$54,899 must be on the open market. Purchases of \$10,000 or more require a minimum of three written quotations, and purchases of \$5,000 to \$10,000 require verbal quotations. Expenditures are submitted monthly to the board of trustees for ratification. For example, College of San Mateo Mary Meta Lazarus Child Development Center participates in the state child care food program so that the children enrolled can receive meals each day. Both the California Department of Education, Nutrition Services Division and the Public Contract Code require that a formal bid process be used to obtain a vendor for food service. Specifications for the contract are governed by the U.S. Department of Agriculture. The college's child development center specifications are also included.

Effective financial management within the college and the district requires use of the most current data. District administration regularly update the *SMCCCD Compendium*, which provides student demographic data from its three district colleges and gives breakdowns into various categories, such as gender, ethnicity, age, enrollment pattern, student status, units completed, highest educational level, residence, and citizenship. The *Compendium* also compares WSCHs, FTEs, Load, and ILCIs from several semesters to see if there are enrollment trends. The board of trustees regularly reviews the updated material that is in the *Compendium* in making budget decisions. Though many parties participate in the budget development process, ultimate responsibility for the financial integrity of the district rests with the publicly elected board. Faculty, staff, and students are represented throughout the budget process and provide a necessary means of checks and balances, but the board hold the district's managers accountable for creating a realistic budget and regularly evaluating its effectiveness.

Appraisal

Although there are adequate control mechanisms built into the college finance procedures and the Banner Finance System allows controlled access to timely information on a line item organization and departmental basis, college managers feel that better management tools are needed. New Banner 2000 software will provide managers and designated staff the ability to retrieve broader information in a more user-friendly manner. Many departments also keep "a second set of books"

to manage their financial resources in an even more timely manner, via locally developed spreadsheets in Excel. Better understanding of the new management system tools will improve financial decision making.

A system of checks and balances beginning with the initiator allows for effective oversight of proper management of funds. The budget and actual expenditures are monitored during the year and are audited annually. The findings and recommendations of the previous year's audit are responded to in a timely manner. College financial records and internal control processes are subject to a year-end audit, conducted by an independent certified public accounting firm. The audit is used as a tool to identify and remedy any discrepancies that may be revealed and to assist in planning and implementing future changes.

Supporting college programs and services requires many resources. Because providing textbooks to all students on campus and on time supports the academic programs of the college, the bookstore works with Extended Opportunity Programs and Services to provide a book service to eligible students and the donation of books to the library. The Fund for 21st Century Learning is used for facility enhancement and new learning initiatives (Ref. 9.17). These include the accelerated business program; Project Success curriculum redesign; the student business center; alcohol, tobacco and drug education; instrumentation/ process control technology; workforce preparation; multimedia; discovering math with computers; and the networking technology lab. In addition, \$700,000 more was raised for the benefit of specific educational programs and student support services, including the child development center, business, nursing, horticulture, and computer information science. These programs and services are in line with the district/college mission statement, which states, in part, that the district will provide "occupational education and training programs directed toward career development" as well as "a range of student services to assist students in attaining their education and career goals." To expand college fundraising, a plan (Ref. 9.18) was developed that includes recommendations and strategic goals to extend fundraising activities. The vice president for student services, working with the student body president, also authorizes the allocation of food vending income to support educational services that include commencement, student orientation, the Priority Enrollment Program (PEP), the scholarship convocation, and Associated Students activities.

San Mateo County Community College District *Rules and Regulations* includes specific procedures for financial transactions such as purchasing. The department of general services, at the district office, oversees the judicious, timely, and ethical purchase of materials, equipment, supplies, and services. General services provides purchasing services to the divisions of the college, authorizes purchase agreements, effects cost-saving measures whenever possible, and develops the process for competitive bidding. While district and college policies and procedures that include a system of checks and balances are in place, faculty and staff not involved in the daily operation of business transactions may be unfamiliar with how the system operates.

Since college life is a dynamic process, financial planning requires constant updates as to how monies should be allocated. Changes in the political, social, and economic environment will cause necessary changes in the budget, and this re-evaluation could take place, potentially, at every board meeting. Financial management is regularly evaluated as parties involved consider important data, such as the information from the *SMCCCD Compendium*, about enrollment trends of programs that are on the rise or are on the decline.

Plan

Implement the infrastructure required to support external fund-raising.

Standard 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 college's financial stability is tied to that of the district. Financial obligations are clearly identified and segregated in the district's annual budget as carry over commitments and special appropriations. The largest of these obligations is for the post-retirement medical benefits. Other obligations are for long term contracts for major expenses such as technology infrastructure. The total cost of each future obligation is calculated and an annual budget is set aside. In terms of priority, these ongoing obligations are treated as a top priority and budgeted for "off-the-top" of the total district budget.

The district's associate chancellor is responsible for developing district risk management policies and procedures. The primary objective is to effectively manage and assess risk throughout the district to be prepared financially. The district facilities, maintenance, and operations department assists in overall risk management objectives by offering a variety of in-service safety training programs. The San Mateo County Community College District's general fund unrestricted budget includes a reserve for contingency of 4 percent of estimated income to address the occurrence of unexpected events of major proportion (Ref. 9.19). This

percentage is within the California Community College Chancellor's Office guidelines for what is considered to be a healthy, viable unrestricted reserve. In addition to unrestricted reserves, the annual budget process creates an operating contingency to address adjustments such as employee compensation increases through collective bargaining agreements. In the 1999-2000 budget, the general fund had over a \$2 million dollar contingency. This amount added to the unrestricted reserve provides a healthy cushion for salary adjustments and/or unanticipated fiscal needs. Additionally, since the district is heavily dependent on cyclical property tax receipts, it generally issues short-term Tax and Revenue Anticipation Notes to address potential funding shortfalls and/or unforeseen cash flow deficits. Due to the nature of this debt instrument, it typically generates legal arbitrage gains in excess of \$200,000 per year.

Appraisal

The district maintains a healthy cash flow and sustains adequate reserves to ensure fiscal stability. The district's current balance in the reserve for post-retirement medical benefits exceeds \$12 million. This amount satisfies the medical benefits payment plan established in 1994.

Risk management policies are appropriate and insurance coverage is adequate. The district has been a member of the Bay Area Community College District Joint Powers Agency (JPA) since 1982. This JPA provides the district comprehensive general liability and property damage coverage in the amount of \$100,000 and \$250,000, respectively. The agreement (Ref. 9.20) incorporates coverage for comprehensive crime, boiler/machinery, fine arts, and computer system claims. Under the JPA agreement, the district has a self-insured retention of \$10,000 per incident and maintains adequate reserves to cover such claims. In 2000, recommendations on ergonomic enhancements to workstations were developed, and budget was dedicated to this expense (Ref. 9.21). Safety training and ergonomically improved workstation furniture are expected to help the college reduce expenses that result from industrial injury and illness.

The financial planning process includes proactive measures in order to avoid potential problems related to risk management, cash flow, and emergency expenses. In case of major financial emergency, the college, as part of the district, is protected by the district's 4 percent reserve. Although the majority of college revenue is allocated to cover permanent labor costs, there are plans in place for responding to small financial emergencies or unexpected occurrences. A contingency fund available to both of the college vice presidents was established four years ago. In 1999-2000, the vice president for instruction received \$7,000, and the vice president for student services received \$2,000. Instruction's funding is higher because more faculty employees and programs in that area result in greater demands on funding. Instruction also has less categorical funding. The contingency funds are used to address unmet needs, such as the purchase of emergency equipment, overtime

salaries for staff, funding for faculty projects, and substitutes for faculty who attend workshops. At the end of each year, the vice presidents submit a list of expenditures to the Budget Subcommittee for review (Ref. 9.22). In a case where a vice president's contingency is depleted and additional needs surface, division deans may participate in providing financial support through fund-raising. If a more costly financial emergency were to occur, discretionary funds can be generated through salary savings by delaying the hiring of replacements when employees retire or resign. College of San Mateo has a multi-faceted approach for responding to financial emergencies or unexpected events.

Plan

None

Standard Nine Document References

- 9.1 San Mateo County Community College district (SMCCCD) 1999-2000 Tentative Budget and SMCCCD 1999-2000 Final Budget
- 9.2 SMCCCD Compendium, on the SMCCCD Institutional Research Web Site, <http://www.smccd.net/accounts/doresearch>
- 9.3 College of San Mateo On-Going Institutional Ambitions and 2000-01 College Goals
- 9.4 SMCCCD Education/Facilities Master Plan Reports
- 9.5 SMCCCD Community Needs Assessment, September 1996; SMCCCD Final Report: Community Needs Assessment, October 4, 1996
- 9.6 SMCCCD 1998-99 Final Budget
- 9.7 Faculty Hiring: Criteria for Determining Which Positions to Fill, 8/31/98
- 9.8 SMCCCD Board Report 97-1-1C, Report on District Facilities Maintenance and Improvements, January 8, 1997
- 9.9 SMCCCD Facilities Needs Fact Sheet, March 1999
- 9.10 11/5/99 Chancellor's Letter Following Defeat of Capital Facilities Bond Measure
- 9.11 SMCCCD Audit Letter and Findings for Fiscal Year 1995-96

- 9.12 SMCCCD Audit Letter and Findings for Fiscal Year 1996-97
- 9.13 SMCCCD Audit Letter and Findings for Fiscal Year 1997-98
- 9.14 SMCCCD Annual Financial Report, June 30, 1999 (Audit Report for 1998-99)
- 9.15 SMCCCD Board Report 00-4-100B, District Response to 1998-99 Audit Report
- 9.16 Fund for 21st Century Learning, College of San Mateo (CSM) College Resource Group Newsletter, October 1999
- 9.17 Fund for 21st Century Learning Initiatives and Facilities Enhancement Projects
- 9.18 Plan for Institutional Advancement, CSM, March 1999 through December 2001
- 9.19 SMCCCD Board Report 98-2-107B, Report on Reserves
- 9.20 SMCCCD District Insurance Coverages, June 25, 1998
- 9.21 CSM Operations Department: Ergonomic Office Furniture, March 1, 2000
- 9.22 Vice Presidents' Contingency Fund Expense Reports