

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.*

Descriptive Summary:

The El Camino College budget reflects the goals identified in the El Camino College Educational Master Plan, adopted November, 1998 (9.1). These goals have been developed to encompass the mission of El Camino College, which is to offer quality, comprehensive educational opportunities to its diverse community.

The college allocates its expenditures in accordance with its goals to show the linkage of planning and budgeting. For example, goal eight is to increase student success, particularly in the areas of course completion, degrees, certificates, and transfers.

In 1998, the state enhanced the community college budgets with money through the Partnership for Excellence program. This money is part of the Unrestricted General Fund. Money allocated to this program is to be used to meet goals established for 2005-2006 in five areas. These goal areas are transfer, degrees/certificates, workforce development, basic skills improvement, and successful course completion. The college has developed a process to distribute this money to a variety of projects and programs to achieve Partnership for Excellence goals.

Partnership for Excellence money is linked to that plan, having \$2,055,483 in expenditures in

1999-2000 and \$5,325,887 in 2000-2001.

These expenditures are linked to the approved projects implemented to meet the specific target goals of Partnership for Excellence.

An example of the types of projects developed to address these goals is the Learning Resource Center Tutoring Project. Expenditures in this area support the hiring of people to assist students with understanding their subjects. This project has been supported by Partnership for Excellence funding each year since the funding has been available.

A Budget Development Committee (BDC) (9.2) meets twice each month to discuss issues affecting the college's finances. When requests are made throughout the year to augment or enhance the budget, the initiator makes a presentation to the committee. He/she must present a rationale, supported by documentation, for the position or program. Proposals that are cost neutral, through reorganization or reallocation of division resources, generally have the most support. Proposals that must be supported with new money must prove how they support the budget goals of the district.

The BDC has developed a set of criteria (9.1. p.30) it uses to review the request before offering a recommendation to the President. The criteria to allocate resources state that cost increases for the following will be budgeted and funded prior to identifying moneys for other augmentations: all operational necessities such as utilities, insurance, regular payroll, and negotiable items. Ongoing costs should be excluded from an augmentation list and funded as operational costs from either district or division

funds. These include ongoing personnel costs, including step, column, and other negotiated increases; maintenance/repair costs critical to operation; and items required to meet health and safety mandates.

The college scrutinizes new programs or positions that require continued financing to determine if there is adequate funding for those programs or positions. An augmentation request to the BDC should indicate planning based on needs assessment and/or program review. The BDC reviews the augmentation requests for funding, based on the following order:

1. Projects or activities which directly increase revenue or decrease expenditures for the district, which include areas researched and identified in program review.
2. Projects or activities that maintain the current level of revenue produced for the district.
3. Essential projects that increase services to students or the community, based upon a program review plan and/or accountability evaluation data, including those enhancing student access and success, retention, employee/student security, and safety and quality support programs.
4. The remaining items should be prioritized using the following guidelines. An item must fulfill at least one of these needs (in no particular order):
 - a) Help to maintain CAP/FTES;
 - b) Maintain the integrity of a program;
 - c) Fulfill legal mandate requirements, including but not limited to those relating to the needs of the physical plant and cultural diversity;
 - d) Recognize district employees as valued professionals.

The committee then gives recommendations to the Superintendent/President, who consults with the Cabinet prior to making a final decision for funding.

Each year the BDC publishes a budget calendar (9.3). Ample opportunity is provided for input and alignment with institutional planning efforts. The process currently in place for the

allocation of Partnership for Excellence funds is the model used for the development of unit action plans upon which the budget is developed.

Self Evaluation:

In February, 2001, the college began the process to ensure the linking of planning to budget. The college organized a retreat, and 41 people representing all aspects of the college's stakeholders attended. The participants reviewed the current Educational Master Plan to determine if it reflects the college's current situation and addresses areas not adequately covered (9.4).

Some retreat participants stated that the budget did not reflect the master plan. The participants also made a number of recommendations for linking planning to budgeting, asserting that the college's planning model needed to be directly linked to the institution's mission, that the master plan needed to become the driver for all other college plans, and that institutional priorities needed to be established annually.

A factor that has complicated the linking of budgeting to the institutional goals of the master plan has been the fact that the institutional goals do not play a key role in influencing recommendations made by the college's Budget Development Committee, which applies a different set of criteria to the funding requests that it reviews. These criteria, identified earlier in this section, are oriented toward the operational level and include revenue generation as a major consideration. In contrast, the college based the institutional goals on an analysis of trends, unit planning guides, and other research data. While the institutional goals of the master plan and the criteria of the BDC are not mutually exclusive, establishing a direct connection between institutional goals and grassroots budgeting will not be possible until the college reconciles institutional goals and BDC criteria. Furthermore, while the master plan features eight major institutional goals, no prioritization currently exists to focus budget development efforts.

The expenditures in the Unrestricted General Fund, referred to as Fund 11, are linked to the

master plan goals, as evidenced by the following tables:

1. Continue to build educational programs which will maintain optimal academic standards in addition to providing accessibility and opportunity for changing student needs.

| <u>Fund</u> | <u>Program/Activity</u> | <u>1999-2000</u> <u>Expenditures</u> | <u>2000-2001</u> <u>Expenditures</u> |
|-------------|---------------------------------------|---|---|
| 11 | Academic Affairs (1000) | 574,901 | 675,016 |
| 11 | Behavioral & Social Sciences (1500) | 3,298,294 | 3,390,867 |
| 11 | Business (1600) | 2,804,629 | 2,771,558 |
| 11 | Fine Arts (1700) | 6,819,422 | 6,903,692 |
| 11 | Health Sciences & Athletics (2200) | 4,682,992 | 5,069,673 |
| 11 | Humanities (1800) | 6,727,006 | 6,868,913 |
| 11 | Industry & Technology (1900) | 5,476,423 | 6,259,135 |
| 11 | Instructional Services (2700) | 244,932 | 255,094 |
| 11 | Instructional Television (2607) | 107,560 | 98,155 |
| 11 | Math Sciences (2100) | 3,915,073 | 3,906,791 |
| 11 | Natural Sciences (2000) | 3,723,232 | 3,907,503 |
| | Sub-Total - General Fund-Unrestricted | 38,374,464 | 40,106,397 |

2. Provide the technology, infrastructure, facilities, and information distribution systems that will enable El Camino College to support the tasks of educating, learning, and administrating in the 21st century.

| <u>Fund</u> | <u>Program/Activity</u> | <u>1999-2000</u> <u>Expenditures</u> | <u>2000-2001</u> <u>Expenditures</u> |
|-------------|--|---|---|
| 11 | Information Technology Services (8300) | 2,317,671 | 2,689,701 |
| 11 | Facilities Planning & Services (8800) | 2,391,274 | 2,470,483 |
| 11 | Interfund Transfer | 4,687,320 | 2,538,913 |
| | Sub-Total - General Fund-Unrestricted | 9,396,265 | 7,699,097 |
| 12 | Block Grant (3800) | 789,830 | 0 |
| 12 | TTIP (8350, 8351, 8353, 2616) | 159,900 | 184,670 |
| 41 | Capital Outlay Projects | 5,377,028 | 4,388,381 |

3. Increase the capacity of the support services to respond to projected student enrollment and changing student needs.

| <u>Fund</u> | <u>Program/Activity</u> | <u>1999-2000</u> <u>Expenditures</u> | <u>2000-200</u> <u>Expenditures</u> |
|-------------|---------------------------------------|---|--|
| 11 | Admissions & Records (6100) | 1,609,438 | 1,646,591 |
| 11 | Counseling (6200) | 1,069,176 | 1,262,539 |
| 11 | Library Svcs/Learning Resources(2600) | 3,542,546 | 2,830,761 |
| 11 | Financial Aid (7620) | 817,006 | 915,766 |
| 11 | Job Placement (7615, 6417) | 255,047 | 288,317 |
| 11 | Student Development (7670) | 342,947 | 339,011 |
| 11 | Transfer Center (6210) | 211,340 | 117,323 |
| 11 | Career Center (6215) | 105,453 | 110,184 |
| 11 | Matriculation Services (6225) | 32,107 | 90,649 |
| 11 | Articulation (6226) | 47,172 | 52,731 |
| 11 | Testing Center (6230) | 130,617 | 193,894 |
| | Sub-Total - General Fund-Unrestricted | 8,208,417 | 7,847,766 |

4. Provide an environment that improves faculty and staff recruitment and retention and that enhances opportunity and support for involvement in professional development activities.

| <u>Fund</u> | <u>Program/Activity</u> | <u>1999-2000</u> <u>Expenditures</u> | <u>2000-2001</u> <u>Expenditures</u> |
|-------------|---|---|---|
| 11 | Human Resources (8500) | 796,657 | 740,974 |
| 11 | Recruitment (8525) | 831 | 15,313 |
| 11 | Recruitment Expansion (8526) | 122,554 | 19,884 |
| 11 | Staff Development (8550) | 154,968 | 162,438 |
| | Sub-Total - General Fund-Unrestricted | 1,075,010 | 938,609 |
| 12 | Staff Development (Restricted) (8551,2) | 69,491 | 76,717 |
| 12 | TTIP HR Training (8560) | 75,847 | 95,147 |

5. Foster a campus climate that will maintain and enhance faculty, staff, and student confidence in El Camino College and its reputation.

| <u>Fund</u> | <u>Program/Activity</u> | <u>1999-2000</u> <u>Expenditures</u> | <u>2000-2001</u> <u>Expenditures</u> |
|-------------|---------------------------------------|---|---|
| 11 | Health & Safety (8570) | 155,327 | 173,184 |
| 11 | Lockout-Blockout (8571) | 20,520 | 28,242 |
| | Sub-Total - General Fund-Unrestricted | 175,847 | 201,426 |

6. Create the internal and external partnerships necessary to keep El Camino College responsive to its diverse community and moving forward as a leader in economic development.

| <u>Fund</u> | <u>Program/Activity</u> | <u>1999-2000</u> <u>Expenditures</u> | <u>2000-2001</u> <u>Expenditures</u> |
|-------------|---------------------------|---|---|
| 11 | Inglewood One Stop (6488) | 45,568 | 56,350 |

7. Create a progressive and prudent economic plan that will support growth and enable El Camino College to excel in community college achievement.

| <u>Fund</u> | <u>Program/Activity</u> | <u>1999-2000</u> <u>Expenditures</u> | <u>2000-2001</u> <u>Expenditures</u> |
|-------------|-------------------------|---|---|
|-------------|-------------------------|---|---|

8. Increase student success, particularly in the areas of course completion, degrees, certificates, and transfers.

| <u>Fund</u> | <u>Program/Activity</u> | <u>1999-2000</u> <u>Expenditures</u> | <u>2000-2001</u> <u>Expenditures</u> |
|-------------|----------------------------|---|---|
| 11 | Partnership for Excellence | 2,055,483 | 6,636,521 |

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.

Descriptive Summary:

The BDC receives information on a regular basis to assist with financial planning. It shares reports providing the basis for long-range assessments. The District Planning Council (DPC) also meets twice a month to review the current planning process in place and analyze the need for change; however, the BDC and DPC are committees that the college established to make recommendations and suggestions within a certain charge. A committee is not a decision-making body.

The budget calendar approved by the BDC pro-

vides for the submission of budgets three times during the year. In December, college personnel propose a preliminary budget for the upcoming year. This is usually very incomplete and does not reflect all the issues that the Governor will consider in his January presentation of proposals for the forthcoming year. In April, the Fiscal Services Office prepares a tentative budget, which the Board of Trustees then adopts. The district makes further modifications based on the Governor's May revision of the January budget and the legislature's adoption of the final state budget. These changes occur as the economics and politics of the state change. Other considerations affecting the budgeting process include notification of new grant awards. The Board of Trustees adopts the final budget in September. It includes the information from the adopted state budget and reflects final figures at the close of the district's budget year.

The district engages in a shared governance practice called collegial consultation to collect and disseminate information for decision

making. College personnel present studies and reports at a forum, the College Council, comprised of representatives of the college's stakeholders. Members even debate the costs of parking fees at this forum, after issues have already been presented in Student Government, Town Hall meetings, and other campus committees. After a presentation to the College Council, college personnel present approved items to the Board of Trustees.

Self Evaluation:

The economy of the state improved dramatically in the mid-1990s. This economic boom only mildly reflected itself in the Cost-of-Living Adjustment to community colleges. After four years of no Cost-of-Living Adjustment, the district allocated money to enhance salaries and operations that it cut or curtailed in the lean years.

COST-OF-LIVING ADJUSTMENT

| <u>Fiscal Year</u> | <u>Percent</u> |
|--------------------|----------------|
| 2000-2001 | 4.17% |
| 1999-2000 | 1.41% |
| 1998-1999 | 2.26% |
| 1997-1998 | 2.97% |
| 1996-1997 | 3.06% |
| 1995-1996 | 3.07% |

As reflected in the Cost-of-Living Adjustments table above, the state gave the community college's minimal cost-of-living adjustments. This meant the programs of the college had less financial support. The college gave salary increases to staff and faculty, but the cost-of-living adjustments did not fully cover all the increased costs faced by the district each year. As the consumer price index steadily increased, costs of health benefit premiums and utility services increased.

During the same years, the State of California sought to make college more accessible to students.

The Spring, 1996, the Chancellor's Office eliminated the charge of \$50 per unit for students with bachelor or higher degrees. The state set the fee for all students at \$13 per unit. This structure remained in effect until 1998-1999, when the rate was reduced to \$12 per unit. One year later, the state further reduced the fee to its current level of \$11 per unit.

Enrollment has increased slightly since 1996, but the college has not had a pattern of strong increased enrollment that can be used to justify increased expenditures which enhance programs or compensation.

ENROLLMENT

| <u>Fiscal Year</u> | <u>Fall Enrollment</u> | <u>Spring Enrollment</u> | <u>Average Enrollment</u> |
|--------------------|------------------------|--------------------------|---------------------------|
| 1999-2000 | 23,486 | 21,039 | 22,263 |
| 1998-1999 | 22,985 | 23,798 | 23,392 |
| 1997-1998 | 23,029 | 23,283 | 23,156 |
| 1996-1997 | 22,675 | 22,029 | 22,352 |
| 1995-1996 | 21,640 | 22,429 | 22,035 |

The district responded to the concerns regarding enrollment declines by seeking new sources of revenue. Sources of revenue addressed in the long range planning include grants and active recruitment of foreign students. Enrollments in the International Students Program, for exam-

ple, have grown to approximately 750 students, three times the number enrolled during the last accreditation.

As illustrated in the Income General Fund table below, revenues to the district have increased in

the past five years. Part of this increase is due to the infusion of funds for the Partnership for Excellence program. There has also been a dra-

matic increase in restricted funds. This is consistent with the district's plan to seek out revenues in addition to the state apportionment.

INCOME-GENERAL FUND

| <u>Fiscal Year</u> | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|--------------|
| 1999-2000 | 69,122,039 | 11,987,068 | 81,109,107 |
| 1998-1999 | 68,124,653 | 11,391,259 | 79,515,912 |
| 1997-1998 | 62,893,933 | 10,897,474 | 73,791,407 |
| 1996-1997 | 56,319,262 | 8,264,849 | 64,584,111 |

9A.3 Annual and long-range capital plans support educational objectives and relate to the plan for physical facilities.

Descriptive Summary:

The district was established in 1946, and most of the buildings on the campus are more than 50 years old. The Board of Trustees has discouraged the incurring of long-term debt; therefore, the district has aggressively been seeking state funding for modernization, renovations, additions, and replacements of buildings and systems.

The college presented a Facilities Needs Report (9.5) to the Board of Trustees in November, 1999. That report indicated an estimated need for \$128,230,404 to address identified projects. The college updated it in April, 2001, to reflect \$210,568,000 in seven major categories of needs. These categories are new construction and renovation needs, existing building needs, infrastructure system needs, site needs, information technology and movable equipment needs, athletic facilities needs, and energy efficiency needs. The college makes annual revisions to the report. Some of these projects include maintenance and improvement needs to the Activities Center, such as replacing corroded window frames, replacing flooring, and providing an upgraded HVAC system to the building. Improvements to the Art and Behavioral Science building include the installation of an

additional elevator, humidity control for the Anthropology Museum, and installing exhaust fans systems in the art areas. For the athletic areas, the installation of lighting for night games is a priority. Site needs include the construction of a parking structure over Lot H and resurfacing existing lots.

Self Evaluation:

The college submits five-year capital construction plans to the Chancellor's Office. It identified the needs in 2001 as \$40,824,000. Capital plans accommodate the changes in the campus community's needs. The Capital Construction Plan for 2002-2003 through 2006-2007 includes projects such as remodeling of the science complex, Child Development Center, Learning Resource Center and Humanities complex. It also addresses architectural barrier removal.

In the past few years, the state has awarded the district funds for capital construction and scheduled maintenance needs. Some of the awards also require local district matching funds; therefore, it has been necessary to make interfund transfers of funds from the General Unrestricted Funds to accomplish these capital improvements. When an interfund transfer is made from the General Unrestricted Funds, it takes funds away from general educational program support. The district doesn't have funds available to meet all of the needs.

Detailed lists of completed projects are in the Administrative Services Annual Report (9.6) and in the budget book (9.1, pp. 40-49). Some of these include replacement of chilled water lines campuswide, roof replacements, fire alarm system upgrades, retrofitting lights, replacing concrete to remove hazards, remodeling classrooms, and upgrading electrical systems. These completed projects support the educational objectives of the institution.

9A.4 Institutional guidelines and processes for financial planning and budget development are clearly defined and followed.

Descriptive Summary:

The college's Budget Development Committee establishes a budget calendar and guidelines for the budget development process. By the middle of each fiscal year, the college attempts to have in place a preliminary budget for the following fiscal year. The mid-year target date provides time to evaluate the impact of the Governor's proposed budget, which is released in January, as well as revisions to the Governor's budget, which are released in May. This process lets the college assess its fiscal planning and makes it possible for the Board of Trustees to adopt a tentative budget in June in order to establish a plan for the next fiscal year. After a period allowing for adjustments, the Board adopts a final budget in September that reflects both the impact of the adopted state budget and the results of the closing of the college's books from the prior fiscal year. The college meets timelines for submitting reports to the Board of Trustees and the Chancellor's Office. To the extent possible, the Board of Trustees attempts to maintain a reserve for contingencies equal to five percent (5%) of total college expenditures. This goal has historically been a cornerstone of the budget development process and has contributed to the long-term stability of the college.

To facilitate feedback from the college's constituent groups, the Budget Development Committee also serves as a forum from which

members receive financial information for dissemination to their constituencies. The BDC serves in an advisory role and may make recommendations to the Superintendent/President regarding staffing and unit augmentations.

Self Evaluation:

Although the college delineates and follows the guidelines for developing the budget each year, a characteristic of budget development in recent years has been the frequent lack of major funding adjustments in response to new trends or reallocations of dollars resulting from identified needs and priorities. This pattern is the result of the college's practice to roll over the previous year's budget and its accompanying allocations to various departments and units, making adjustments on an as-needed basis.

The college's renewed emphasis on linking planning to budgeting, however, has provided the impetus to produce a working model that aligns the budget with the plans and goals of the institution, which all units of the college support, including El Camino's top leaders. The resulting structure should create guidelines that require annual assessments of what the college wishes to accomplish and how its budget can make those objectives possible.

9A.5 Administrators, faculty, and support staff have appropriate opportunities to participate in the development of financial plans and budgets.

Descriptive Summary:

Budget development follows an established budget calendar (9.3) and begins with funding requests from the district's organizational units and a projection of available monies by the Business Manager.

In September, 1991, the Superintendent/President established the Budget Development Committee. An administrator, currently the Chief of Police, chairs the committee and is a

non-voting member. The committee consists of eight members, including one each from the College Area Councils, which represent Academic Affairs, Administrative Services, and Student and Community Advancement. Committee membership gives each group on campus a voice. Any interested member of the campus community is free to participate at the meetings.

The purpose of the Budget Development Committee is to receive current information regarding all aspects of district finances and to share that information with constituent groups; to develop proposed budget priorities, including those for one-time monies and ongoing spending commitments, as these relate to long-range institutional planning and multi-year spending obligations; to recommend new programs, policies, and procedures to increase the income/expenditure ratio; to identify concerns and budget trends that should be reviewed by the committee; and to review recommendations and reports from other college committees, such as those concerned with safety and health benefits. The BDC also reviews the use of proposed restricted funds, insofar as any of these affect the General Fund budget.

The BDC schedules meetings twice a month, where personnel share information with the BDC and other interested parties. This includes staffing requests, information about enrollment and FTES, and grant and one-time funding proposals. Through this forum, the group has a means of receiving information about factors that affect the district's finances.

Self Evaluation:

The structure of the BDC is designed to maximize involvement and input from all college constituencies. Members of the BDC maintain regular attendance at the twice-monthly meetings. The college e-mails or delivers to committee members and regular attendees agendas and minutes of the meetings. The college also posts minutes on the Infonet for all campus constituents. Everyone on campus has access to

the committee actions and presentations.

This process has provided discussion of budgetary issues in a public forum to which all segments of the campus have access and input. The college publicizes all decisions and information. The BDC conducted a self-evaluation to be sure it is still meeting the original goals for the group.

Committee members contribute items to the agenda for discussion and receive information. They request employees to make presentations that explain programs fully. Individuals seeking funding augmentations or approvals of positions make presentations to the BDC to address the budgetary impact and the effect on the campus programs.

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.

Descriptive Summary:

Sound financial management requires a continuation of the district's efforts to promote greater participation at all levels of management in developing budget priorities and strict accountability for controlling budgets.

In 1998, the college introduced a new integrated software system. This system, developed by Datatel, permits managers to have immediate access to budget information. The college posts financial information on its internal web page, Infonet. Managers and staff have access to detailed online reports. It places restrictions to prevent unauthorized access to information.

The Los Angeles County Office of Education also supports the district's operations. Payroll operations and warrants are all processed through the county's system.

Self Evaluation:

Although the Datatel system is in place for managers to review and amend their budgets, the full range of the system's abilities to monitor expenditures and provide data for decision-making has not been fully utilized. The transition to the system took a lot of effort by district staff. Reconciliations still need to be completed to division ledgers before managers will be able to completely utilize the system.

Because of the difficulty in transitioning to a new system, the comfort level of users on campus has been tested. However, this system provides more information than users have had access to in the past. Purchasing and fiscal service units offer training in the use of the system. The college encourages managers and users to attend refresher courses.

Accounting technicians assigned to Fiscal Services have specified division budgets to monitor throughout the year. They assist the managers in assessing the availability of funds, making expenditure transfers, and accessing the data needed by the divisions.

The college asks the managers to review all accounts over which they have control. They are to ensure the proper funding of these accounts, determine what accounts have been underfunded, and determine what accounts have unexpended balances during this same time. This review continues the effort to link budgets with the planning process. The college requires that the service level expected of each area will be clearly defined by the funding level provided.

Some division managers and staff are more proficient than others with this system. They are able to complete their own quarterly reports online for transmission to reporting agencies.

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.

Descriptive Summary:

College personnel have continuously met deadlines for submission of the budget for adoption, as well as the required quarterly reports. The institution's financial records and internal control processes receive an annual audit by an independent auditor. In the past two years, the firm of Vicenti, Lloyd & Stutzman completed the annual audit of the financial statements of the district.

The audit includes an analysis of revenue sources and expenditures for the General Fund and special revenue funds, as well as fiduciary funds and funds used by the Associated Students and by El Camino's Auxiliary Services Board, to finance various student activities. The firm submitted the latest report, which was for the 1999-2000 fiscal year, to the district's Trustees at the January, 2001, Board meeting (9.7).

As stated in the master plan (see charts in section 9A.1), the district budget reflects the allocation of financial resources to support the institutional programs and services.

Self Evaluation:

The college presents the annual audit report to the Board of Trustees, who review it in accordance with the budget adopted for the year. The primary audit objective is to determine the fairness of presentation of the district's financial statements. In connection with that objective, and to the extent that they materially impact the financial statements of the district, there are additional audit objectives to assess the adequacy of the systems and procedures for financial accounting, compliance with rules and regula-

tions, and internal controls; to determine the accountability for revenues, the propriety of expenditures, and the extent to which funds have been expended in accordance with prescribed state and federal laws and regulations; to determine whether financial and financially-related reports to state and federal agencies are presented fairly; and to recommend appropriate action to correct any deficiencies.

The staff understands and supports information reported in the audit, and implements audit recommendations as needed.

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.*

Descriptive Summary:

The institution practices effective oversight of financial aid, all of the campus auxiliary organizations, and the El Camino Foundation. In addition to management by the district staff, the independent firm of Vicenti, Lloyd & Stutzman has conducted an annual audit since 1999. In 2001, Windes & McClaughry audited the El Camino Foundation. This audit goes directly to the Board of Directors of the Foundation but is also reviewed with district staff. The annual external audit provides the district with effective oversight of all district finances.

The Financial Aid director requested an independent review of the operation by the National Association of Student Financial Aid Administrators (NASFAA). The report focused on the areas of program strengths, recommendations, and compliance exceptions. The district requested the audit, so the results could be used to give better oversight to the program.

Self Evaluation:

The Foundation and all student organizations conform to institutional principles of operation and support institutional goals. The managers of the divisions and the accounting staff carefully monitor their activities. Regular reviews by independent auditors of the financial records indicate that the institution retains appropriate responsibility and control over its organizations.

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.*

Descriptive Summary:

The El Camino College Foundation (9.8) and the Associated Students Organization (9.9) support the programs and goals of the college. Their operations conform to the institution's operating principles. The Associated Students (A.S.), with the assistance of the district's Fiscal Services Office and the Auxiliary Services Board, prepares a yearly budget and a yearly income and expense statement, which is independently audited. The A.S. fund balance as of June 30, 2000, was \$180,065. These funds are effectively managed, according to procedures established by the Board of Trustees.

The students support programs that are consistent with the district's master plan. The Associated Students fund has produced funding that enables many programs to achieve success. Some of these include the award-winning forensics team and student newspaper. Students primarily raise funds through on-campus sales. The student newspaper has traditionally raised income through the sale of ads in its newspaper.

Other organizations on campus doing fund-raising include the athletic teams. Donations to various programs on campus totaled \$167,172 in 2000-2001.

The El Camino College Bookstore supports the Auxiliary Services with donations in each of the past three years budgeted at \$276,000.

The El Camino College Foundation operations are monitored by the Superintendent/President and members of the Board of Trustees, who sit on the Foundation's Board of Directors. A one-day meeting of the Foundation Board was held with the President and Vice Presidents of the district to reinforce the need to coordinate the Foundation activities with the mission and goals of the college.

Self Evaluation:

The Associated Students fund has been a major source of funding for various student projects, campus club activities, and extracurricular programs.

The Foundation has been actively seeking new board members who want to be involved in raising money and actively supporting the district. The Executive Director communicates with the Superintendent/President to be sure that fund-raising efforts reflect the needs of the district.

The Foundation offers one of the few sources capable of providing additional funds for valuable programs such as scholarships, faculty projects, and special district events. The overall goal of the Foundation is to raise funds for district-determined needs. The Foundation hired an assistant director of fund raising to increase these efforts and work closely with the college Cabinet.

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

Descriptive Summary:

According to institutional policies, the Director of Purchasing and Business Services maintains agreements with external entities. Purchasing staff prepare the Board agenda for those contracts requiring advance approval by the Board of Trustees, in accordance with Board Policy 3538 (9.10) and general purchasing practices under Board Policy 3320 (9.11). These policies and procedures define the limits for purchases and bidding requirements. All other contracts are ratified through means of the purchase order list, approved at the regular monthly Board meetings. Designated representatives sign and distribute contracts.

Self Evaluation:

The Director of Purchasing and Business Services monitors all procedures with strict adherence for contracting and payment. Since contract dates do not necessarily have the same cycle as the fiscal year, the documents must be monitored throughout the year for adherence to contract terms, necessary amendments, dollar value changes, and requested renewal or extension, as well as any further approval required by the Board of Trustees.

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

through monthly meetings with the Business Manager, Director of Accounting, and officers in the Fiscal Services Office.

Descriptive Summary:

The financial management of El Camino College includes responsibility for payroll calculation and distribution, revenue collection, and financial reporting and monitoring. The college regularly evaluates this procedure

Responsibility for budget oversight has been delegated to the various division managers. This has been possible due to the implementation of the integrated financial system, Datatel. Accounting technicians also monitor the budgets to assure resources are allocated appropriately.

| <u>Frequency</u> | <u>NAME OF REPORT/DESCRIPTION</u> | <u>Prepared by</u> |
|------------------|---|---------------------------|
| Annual | Financial Statements — Mandatory audited financial statements of El Camino College | Vicenti, Lloyd & Stutzman |
| Annual | Final Budget — Financial Report and Analysis — Unaudited Report for Board of Trustees | Fiscal Services |
| Monthly | Trial Balances for Funds | Fiscal Services |
| Weekly | Salary Distribution Detail — Shows amount charged against the budget by each employee | Fiscal Services |
| Weekly | Datatel Financial Reports — Detailed transaction and summary reports by location | Fiscal Services |

The college holds regular meetings with Fiscal Services staff members and staff from other divisions with whom they have interactions. The procedure for these meetings assure open communication and understanding of the interaction of the roles in the various divisions. The result is an improvement of services and better understanding of the impact one division has on another in the district.

auditors to improve accounting controls or financial record keeping.

Computer services for the preparation and evaluation of records have expanded to meet a growing need. The district has fully met the legal requirements of making its financial reports available.

Selected members from Human Resources and from payroll meet twice a month. Through these meetings they have developed written guidelines to assist managers in initiating payments to employees and in managing grants.

Standard 9C Financial Stability

9C.1 Future obligations are clearly identified and plans exist for payment.

Descriptive Summary:

Self Evaluation:

El Camino College uses accepted professional guidelines for the implementation of its accounting procedures. The college expeditiously implements recommendations of the

The Board of Trustees has discouraged the incurring of long-term debt. The district has not entered into any agreements for Certificates of Participation or other long-term borrowing. Tax Revenue and Anticipation Notes (TRANS) have

been issued annually to assist with cash flow problems that could occur due to the transmittal dates of apportionments to the district.

Financial Accounting Standard 106 recommends that employers establish a fund to pay for the future costs of retiree medical premiums (9.1, p. 81). Funding from the state to the Unrestricted General Fund is intended for the annual operation of the district. In order to pay for a future obligation, such as medical premiums for employees who have retired, current income must be set aside in a specific fund for this purpose.

An actuarial valuation was developed in July, 1994, which estimated that El Camino's obligation at January 1, 1994, was \$7,438,000. Funds are set aside annually, within current year budgetary constraints, to meet this obligation. In 2001, this fund had a balance of \$1,794,982. Continued contributions to this fund remain necessary to meet the obligation.

Self Evaluation:

The current practice of setting aside funds is satisfactory to meet the full obligations of the district.

9C.2 The institution has policies for appropriate risk management.

Descriptive Summary:

The district participates in self-insurance programs in order to keep the cost of insurance as low as possible. For example, the district is self-insured for workers compensation claims. The district maintains membership in the Joint Powers Agency and its insurance program. It annually appropriates about \$600,000 for workers compensation insurance and the administration of the program through a joint-powers agreement with seven other community colleges.

The district has sufficient coverage to protect

against fire and theft loss and liability for personal injury and property damage (9.1, p. 62).

The schedule of insurance coverage is provided in the appendix of the final budget document. The size of the deductible in several categories represents a partial self-insurance program. Insurance reserves for self-insurance are included in the district's self-insured funds.

Self Evaluation:

The district has been successful in managing its workers compensation claims. The liability for workers compensation claims was \$96,990 as of June 30, 1999, down from \$170,749 a year earlier (9.12). That liability includes estimates of known future claim payments. The Director of Safety and Risk Management holds training sessions for managers and supervisors to emphasize the importance of providing safe working conditions for employees and reporting unsafe conditions and practices.

The district currently funds workers compensation claims each year using the annual appropriation from the Unrestricted General Fund. Since there is also a reserve (of approximately \$800,000) for these claims, the district does not appear to face any emergency resulting from such payments.

9C.3 Cash flow arrangements or reserves are sufficient to maintain stability.

Descriptive Summary:

The Board of Trustees has directed the district to adopt a budget with a five percent reserve for contingencies. The college has determined that this is a reasonable amount given an Unrestricted General Fund budget over \$80 million and economic uncertainties based on state funding. The Board of Trustees of the district has always stressed the desire for a fiscally prudent operation.

Self Evaluation:

The Board of Trustees makes an annual attempt to adopt a budget with the required five percent reserve. Sometimes the revenue coming into the district does not arrive in time for that reserve to be maintained throughout the year. To protect the district from a fiscal emergency, the district has issued Tax Revenue and Anticipation Notes (TRANS) sufficient to meet its projected cash-flow shortages at any given time of the year. This allows for the uninterrupted payment of obligations when waiting for anticipated income to be received.

When a year ends without having to use the money (generally five percent) in the unrestricted reserve for contingencies, this money is carried forward to the next year. However, due to increasing revenues and expenditures from year to year, the amount needed to meet the five percent reserve also increases.

In 1995-1996, 1996-1997, and 1997-1998, the reserve at the end of the year was enough to maintain the five percent. Beginning in 1998-1999, the district received Partnership for Excellence (PFE) funds. The college received and allocated the funds late in the year. This caused the district to set up a special line in the budget to account for unallocated PFE money. Although the college deposited the money in the Unrestricted General Fund, it did have restrictions placed on its use.

Because of this, the ending balance in 1998-1999 of \$9,716,053 against \$64,539,593 is artificially inflated. The truly unrestricted reserve for contingencies was only \$1,686,373. The college did not expend all PFE money in 1999-2000, so again the ending balance of \$6,380,512 against expenditures of \$72,457,580 is misleading. The unrestricted reserve for contingencies, minus the PFE funds, was \$2,242,884. Together, this not only provided a reserve sufficient to maintain stability, but also recognized an unspent future commitment for part of the money.

Annually, the cash-flow projections must be analyzed to determine if the college needs to issue Tax Revenue and Anticipation Notes to cover expenses while waiting for state revenues.

9C.4 *The institution has a plan for responding to financial emergencies or unforeseen occurrences.*

Descriptive Summary:

The Board of Trustees has directed the district to adopt a budget with a five percent reserve for contingencies to be used only in the event of an unforeseen occurrence.

The reserve for contingencies would be used in the case of a financial emergency. The emergency would be shared with the Budget Development Committee and the College Council, so these parties would be aware of the repercussions.

Recent economic uncertainties facing the state and their impact on the district have been shared with these groups as information is available. One of the greatest uncertainties in the 2001-2002 budget was the unexpected cut by the Governor of approximately \$98,000,000 statewide from the community college budget for scheduled maintenance projects and for instructional materials. This last minute cut was addressed in the El Camino budget by eliminating the income and expenditures associated with these anticipated funds. With only part of the money restored through legislation, the district must now make a decision regarding how to reallocate other funds in order to provide the required match of funds associated with the acceptance of scheduled maintenance and instructional materials funds.

Self Evaluation:

It has been necessary to make changes in operations, but not make any appropriations from the reserve fund.

The energy shortage in California led to a major change in district operations in 2000-2001. The district opted out of the interruptible service contract that had existed for a number of years once the program was determined to be having a negative effect on students and the budget.

Planning Agenda:

¥ Develop institutional priorities based on the goals of the master plan in order to guide the general budget development process each year. (9A.1)

¥ Reconcile the criteria used by the Budget Development Committee with the institutional goals of the master plan. (9A.1)

¥ Expand efforts to increase revenues from sources other than State appropriations. (9A.2)

¥ Begin feasibility studies for alternate sources of revenue to fund projects such as the Facilities Needs Report. (9A.3)

¥ Review the structure and function of the Budget Development Committee taking into account the recommendations of the Linking Planning to Budget Retreat. (9A.4 & 9A.5)

References:

- 9.1 El Camino Community College District Final Budget (2000-02). See all pages inclusive.
- 9.2 Budget Development Committee, represented by Academic Senate, American Federation of Teachers (AFT), Classified, Management/Supervisors, Students, Academic Affairs, Administrative Services, Student & Community Advancement
- 9.3 El Camino College Budget Development Committee 2000-01 Budget Calendar
- 9.4 Linking Planning to Budgeting (February 2001)
- 9.5 Facilities Needs Report (November 1999)
- 9.6 El Camino College Administrative Services Annual Report (2000-01)
- 9.7 Vicenti, Lloyd & Stutzman Report on Audit of Financial Statements (1999-2000), see all pages inclusive
- 9.8 El Camino College Foundation — Minutes, Budget, Administrators
- 9.9 El Camino College Associated Students Organization — Minutes, Budget, Members
- 9.10 El Camino Community College Board Policy 3538
- 9.11 El Camino Community College Board Policy 3320