Standard III.D: Resources:
Financial Resources:

Financial resources are sufficient to support student learning programs and services and to improve institutional effectiveness. The distribution of resources supports the development, maintenance, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability. The level of financial resources provides a reasonable expectation of both short-term and long-term financial solvency. Financial resources’ planning is integrated with institutional planning.

III.D.1. The institution relies upon its mission and goals as the foundation for financial planning.

III.D.1.a. Financial planning is integrated with and supports all institutional planning.

Descriptive Summary

The College’s unrestricted general fund has an annual operating budget of slightly less than $200 million for fiscal year 2010-11 [III D-1]. Lack of adequate state support during recent years has led to annual budgets that do not provide adequate resources to meet the needs of the College’s current enrollment. This situation is even more challenging due to the inadequate level of financial support the state provides for noncredit education [III D-2, III D-3]. To make informed and intelligent decisions related to the distribution of relatively scarce resources, the College has implemented a comprehensive budget planning system that integrates financial planning with institutional planning [III D-4]. There is a strong connection between the priorities contained in the 2011 Strategic Plan (which reflects the College’s Vision and Mission statements) and the Annual Plan that the College’s Planning and Budgeting Council (College’s PBC) recommends to the Board of Trustees each year (see I.A.3 for further explanation) [III D-5, III D-6]. The Annual Plan serves as an operational version of the College’s plans for a one-year period. The Annual Plan consists of a set of institutional objectives that are to be achieved by the College through the efforts of the College’s organizational units—departments, schools, and administrative operations [III D-6]. The College’s PBC continues to work to make the integration between the Annual Plan and the Annual Budget more transparent. All significant expenditures for each major cost center are tied to one of the College’s planning objectives during the development of the annual budget [III D-5, III D-7].

In addition, all College cost centers now participate in the Program Review process. Unit managers use the Program Review process to identify specific resource needs in both personnel and non-personnel areas [III D-8]. The results of the Program Review process are analyzed by the Program Review Committee and presented to the College’s PBC for possible funding. While limited resources have not allowed for budget enhancements during recent fiscal years, it is anticipated that this process will allow all cost centers to compete on an equitable basis for future resources, and help to ensure that resources are spent in ways that support planning objectives. Moreover, it is expected that the next iteration of the Program
Review template is likely to prompt more explicit references to collaborations, efficiencies, and reductions [III D-9].

The new Program Review System, as well as the budget crisis, has increased the focus on data. Previously it was acceptable to have roughly equivalent data. Now data are subject to detailed inspection, which has highlighted alignment concerns. For example, Program Review data is not always well aligned with analogous data from other offices due to differences in definitions or run dates. The primary reason for this is that different reports for different government agencies and grants are generated to comply with different data definitions and different purposes. The Chancellor has recommended that the institutional researchers work more closely with all relevant offices to ensure data alignment and clear data definitions. Similarly, the Office of Research and Planning coordinates an effort initiated by the Chancellor in August 2010, now chaired by the Vice Chancellor of Finance and Administration, whereby all data managers collectively review the MIS data submissions for accuracy. This ensures more serious review and greater inter-office understanding of the data.

The College’s finance team presents all budget related information it delivers to the College’s PBC at open public meetings chaired by the Chancellor [III D-7]. Any request to the College’s PBC for funding must make its way through either Program Review or another shared governance process such as the Faculty Position Allocation Committee, and must demonstrate a direct connection to one or more of the College’s plans. This system ensures that all of the institution’s major constituency groups have a say in how available resources are used to achieve the goals and objectives in the College’s Strategic Plan. The role of the College’s PBC has gained a great deal of acceptance across the College as a key part of a fair and open process for creating the annual budget, and for ensuring that longer-term efforts that require additional funding are phased into the budget over a series of years. During difficult years the College’s PBC has focused its attention on ideas to reduce spending that do not undermine the strategic directions of the College. Most recently the College’s PBC has played a critical role in maintaining unity across all College constituencies during a highly challenging period of time by allowing ideas for savings to be evaluated in a setting that facilitates consensus building [III D-7].

The College’s PBC's recommendations, reflecting a connection between planning and budget, are communicated to the Board of Trustees for both the tentative and final recommended budgets [III D-1, III D-7]. The Board’s Planning and Budgeting Committee now plays a very active role in the development of the annual budget and conducts multiple public hearings on revenue assumptions and spending decisions in the recommended budget prior to the full Board’s consideration of the budget. This is true for both the preliminary and final budgets [III D-10]. The budget resolutions the Board of Trustees voted on for fiscal year 2011-12 contained specific changes initiated by the Trustees during the Board’s Planning and Budgeting Committee hearings. This system has enabled the College to continue to make steady progress in its efforts to address the needs of its students. At different times, decisions related to the number of classes offered, the protection of student services budgets against state funding cuts, and the allocation of resources for basic skills education have all been accomplished using this approach [III D-11].

Self Evaluation
The College meets this standard.

The College has implemented a comprehensive budget planning system that integrates financial planning with institutional planning. There is a strong connection between the priorities contained in the 2011-16 Strategic Plan and the Annual Plan that the College’s Planning and Budgeting Council recommends to the Board of Trustees each year. The institution clearly defines, widely distributes, and follows its guidelines and processes for financial planning and budgeting on an annual basis. Financial information is provided throughout the institution, both on paper and electronically, to a variety of groups in a timely manner [III D-12]. The institution is committed to a budget planning process that relies on realistic assessments of available resources and strategic efforts for attracting additional resources. The College has been successful in its efforts to generate financial support from both grant agencies and private donors [III D-13]. When state revenues slumped, the institution managed its reserve funds in an intelligent manner to meet the goal of protecting direct spending for students.

Planning Agenda

None

**III.D.1.b. Institutional planning reflects realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements.**

The College’s annual budget development process begins in January with an assessment of the expected resources for the budget year based on the Governor’s proposed budget for the upcoming fiscal year [III D-7]. This assessment is a collaborative effort by the Chancellor, the Vice Chancellor for Academic Affairs, the Vice Chancellor for Student Development, the Vice Chancellor for Finance and Administration, the Vice Chancellor for Campuses, the Vice Chancellor for Policy and Research, and the Chief Financial Officer. Information is gathered from a variety of sources including the State Chancellor’s Office, the Associate Vice Chancellor for Government Relations, and, for local revenues, the City Controller’s Office. This information is then incorporated into an overall resource projection and presented to the College’s Planning and Budgeting Council (College’s PBC) as a parameter for the tentative budget for the new fiscal year [III D-7].

During times characterized by stable or growing funding, the annual set of budget instructions issued by the Chief Financial Officer to cost center managers specifies that cost center budgets seeking additional funds must submit their requests to the appropriate Vice Chancellor for review and approval [III D-14]. After the Vice Chancellor concurs that the cost centers’ budgets are a realistic plan for continuing ongoing operations, the budgets are forwarded to the members of the College’s PBC. The documents the College’s PBC members review, which include the College’s Technology Plan, Education Master Plan, and Strategic Plan, directly connect budget requests with specific strategic goals and objectives [III D-7]. The College’s PBC then ensures that available resources are framed around the College’s efforts to support student-learning outcomes and the overall needs of the local community. As a further check on this process, the Chief Financial Officer runs multiple iterations of the operating budget using Banner to certify that the College’s budget will be
balanced [III D-15]. The development of the fiscal year 2011-12 budget is being based on the expectation of a severe reduction in state apportionment funding as shown in the California Community College League’s allocation model [III D-2].

The dramatic national economic downturn that began in late 2008 has had a major impact on the College. Severe reductions in state revenue have in turn led to reduced funding. As a result the College was forced to implement multiple strategic spending reductions including: no across-the-board wage increases for employees since July 2007, a freeze on all step increases during fiscal year 2009-10, wage reductions for administrators during 2009-10 expanding to almost all College employees during fiscal year 2010-11, reducing spending for supplies, maintenance, and equipment, reducing the number of classes offered during Fall 2009 and Spring 2010, and elimination of nearly all 2010 summer classes [III D-16, III D-7, III D-10, III D-17]. All reductions in spending caused by declining revenue were discussed in multiple venues such as collective bargaining sessions, College Council, the Department Chairpersons Council, the Chancellor’s Cabinet, the College’s Planning and Budgeting Council, and Board of Trustees public meetings. The collaborative decisions that allowed these actions to be implemented were absolutely critical for the College to navigate fiscal years 2009-10 and 2010-11. Reductions in spending were constructed in a manner that allowed the College to maintain its core educational offerings and protect essential student services. Following strategic reductions in the number of classes offered during fiscal year 2009-10, the College substantially rebuilt the number of class sections it offered during fiscal year 2010-11 to ensure that sufficient enrollment was generated to earn all of the base funding the College was entitled to as well as some growth funds [III D-3].

The College’s Board Designated Reserve was $6.65 million at the end of 2008-09. During fiscal year 2009-10, the College received authority from the Board of Trustees to use $2 million from the reserve to partially backfill the severe state cuts of 2009-10 [III D-18]. The College’s objective was to try to avoid spending the $2 million and this objective was successfully achieved. While it was even more challenging to replicate this during fiscal year 2010-11, the same authority was granted and the same objective was met [III D-11]. On a continuing basis the College’s total fund balance, which includes other items such as departmental accounts and a prepaid lease, has been substantially greater than the 5 percent guideline recommended by the State Chancellor’s Office [III D-19]. The College’s careful approach to budgeting is reflected in the College’s bond ratings for the Spring 2010 sale of $46 million in General Obligation Bonds. Both Moody’s (Aa3) and Standard & Poor’s (AA) rated the College as favorably as the City and County of San Francisco for that sale [III D-12]. In April 2011, Fitch Ratings provided a similar rating for existing bonds [III D-9, III D-20].

During the current recession, requests for additional funds have not been solicited by the College’s PBC. However, the Program Review Committee has continued to inform the College’s PBC about the specific items that are most needed by departments. The College’s senior managers, including the Chancellor, have presented to the College’s PBC detailed plans to reduce overall spending. The College’s PBC has reviewed these savings strategies to ensure that they do not counteract the College’s strategic, developmental, and operational plans [III D-7]. The College’s PBC does not play a role in savings that have been generated through the collective bargaining process. Senior management is responsible for ensuring
that these particular savings ideas do not counteract the College’s adopted plans. When this process is completed, both the proposed tentative budget and the proposed annual plan are submitted to the Board of Trustees for approval. During fiscal year 2011-12 the tentative budget included linkages to the draft strategic plan as the annual plan was not available in June. The final budget for 2011-12 contained linkages to the annual plan for that year [III D-1].

The College has begun raising outside funding to support achievement of the goals and objectives established in its strategic, developmental, and operational goals and objectives. During 2010-11 the College included as part of its operating revenue $1.75 million in funds to be raised from private sources. The College succeeded in raising a total of more than $2 million during 2010-11, all of which either directly or indirectly supported College operations [III D-13]. The College’s Advancement Plan maps out a strategy for helping to provide funding for those items that go beyond basic operations [III D-10]. For example, priority areas for increased funding in the Advancement Plan include basic skills education, workforce training, access to student services, and improved technology for classrooms [III D-21]. In addition, the College’s Office of Grants and Resource Development, as well as its Workforce Development Office, have been highly successful in attracting new sources of funding through the competitive grants process. The College currently receives more than $10 million per year in grants. Examples of this include $2 million from the National Science Foundation for various Biotechnology training programs (including Bio-Link, the National Advanced Technological Education Center for Biotechnology Education), and grants totaling $434,000 from the Haas Foundation for professional development and training in the College’s Child Development Program [III D-22].

Furthermore, the College continues to successfully forge new partnerships with groups such as the Mayor’s Office, the San Francisco Unified School District, and San Francisco State University. These partnerships have increased the College’s ability to leverage resources in the grants arena. An example of this is the 2010 Gates Foundation funding the College received for the purpose of increasing the number of at-risk high school students who obtain a college degree [III D-23].

**Self Evaluation**

The College meets this standard.

The planning processes employed by the College realistically assess financial resources availability and expenditure requirements, using funding priorities directly connected to students learning and key student services. Accurate and timely information about available funds is widely communicated. The College’s senior managers, including the Chancellor, have presented to the College’s Planning and Budgeting Council detailed plans to reduce overall spending. The College’s PBC has reviewed these savings strategies to ensure that they do not undermine the College’s strategic, developmental, and operational plans. [III D-7] Additional savings have been generated through the collective bargaining process, which is not part of the shared governance system. [III D-24] Senior management is responsible for ensuring that these negotiated savings ideas do not conflict with the College’s adopted plans.

**Planning Agenda**
None

**III.D.1.c. When making short-range financial plans, the institution considers its long-range financial priorities to assure financial stability. The institution clearly identifies and plans for payment of liabilities and future obligations.**

**Descriptive Summary**

One of the six strategic priorities contained in the College’s 2011 Strategic Plan is focused on “Resources and Staffing.” A major objective under this priority is to “identify dependable funding streams for operational priorities and innovation while ensuring educational excellence and effective and efficient use of College resources.” This explicit objective in the longer-term Strategic Plan informs the annual planning process [III D-5]. The College’s annual fiscal planning process is the Annual Plan, which includes operational and developmental objectives that are tied to the Strategic Plan. During years characterized by stable or growing funding, these objectives are used by each major cost center and its respective departments to develop annual budget requests for submittal to the appropriate Vice Chancellor for approval [III D-14, III D-6].

Long-range financial liabilities and obligations that the College plans for include employee fringe benefits, property and liability insurance, workers compensation, and retiree health benefits. The cost of providing fringe benefits to the College’s workforce continues to increase substantially on a yearly basis, particularly for health insurance premiums and pension fund contributions [III D-1]. To ensure that these costs do not erode long-term fiscal stability, the options available are to seek additional revenue from local voters, modify the circumstances under which employees are eligible for benefits, or modify the sources of payment for these benefits. Any changes related to eligibility or the sources of payment are issues that must be bargained through formal negotiations. The College has already begun negotiating with its labor unions regarding these issues and expects to reach agreement on these issues during 2011 [III D-25]. It should also be noted that the Board of Trustees may place a ballot measure for a parcel tax before San Francisco voters in either November 2011 or November 2012. Such a measure may help the College in its effort to fund its long-term liabilities for post retirement healthcare and for classified pensions [III D-26].

The College covers its property and liability insurance needs through its membership in the Statewide Association of Community Colleges (SWACC), a joint powers authority. The College is responsible for the first $50,000 in costs for each liability claim and the first $25,000 for each property claim. SWACC covers the costs above those limits. SWACC in turn is a member of a larger joint powers authority, the Schools Association for Excess Risk (SAFER). SWACC also sells a portion of its risk to reinsurance firms. Through a combination of SWACC, SAFER membership, and reinsurance the College has coverage for claims up to $25 million for liability and $250 million for property damage [III D-27, III D-28].

The College is self-insured for workers compensation for the first $500,000 of any claim, and has excess workers compensation insurance coverage with a private insurer for claims greater than $500,000. This coverage has a limit of $50 million per claim [III D-29]. The College’s self-funded portion of the program generates annual expenditures ranging between $900,000
and $1.2 million [III D-1]. This cost has grown slowly over the years and has not generated substantial budgetary pressure. Periodic reviews of the cost-effectiveness of switching to a fully insured program have consistently shown that such a change would be more expensive than the College’s current structure. During 2010-11 the College strategically increased the amount it budgets for workers compensation expenses to fund the long-term liability for these costs [III D-30].

The College pays for the cost of retiree health benefits on a “pay as you go” basis, with estimated total expenditures of approximately $7.1 million in fiscal year 2011-12. The cost of this benefit is increasing by about $700,000 per year [III D-31]. A combination of factors has led to this increase in costs, including general increases in health care premiums, changes in life expectancy, and an initiative passed by San Francisco voters that improved retiree health benefits. The Government Accounting Standards Board requires an actuarial study of the unfunded liability in this area. The College has completed this study and has also complied with requirements related to its disclosure. [Ref X] The need for a long-term financial strategy to match this long-term liability is being addressed through labor negotiations. An agreement on a solution is expected during 2011 [III D-32].

Self Evaluation

The College meets this standard.

The College considers its long-range financial priorities to assure financial stability in making short-range financial plans. The College's Planning and Budgeting Council will be reviewing proposals for ongoing savings during the Spring 2011 semester in anticipation of the need to reduce spending during the 2011-12 fiscal year. The institution expects to reach agreement with the labor unions that represent the College’s workforce on measures to address the cost of retiree health benefits by the end of 2011. This item may also be affected by a local ballot measure during November 2011.

Planning Agenda

None

III.D.1.d. The institution clearly defines and follows its guidelines and processes for financial planning and budget.

Descriptive Summary

The College follows its previously described planning and budget processes. These processes are documented in an annual planning and budget guide that is distributed to all cost center managers. This guide for budget submittals contains instructions that are discussed and reviewed on an annual basis by the College’s PBC. The Chief Financial Officer incorporates feedback from both the College's PBC as well as individual cost center managers to modify and improve the annual guide [III D-14]. A final budget guide for fiscal year 2010-11 was not produced due to the sudden departure of a key staff member; however, remaining staff generated all budget tables needed for adoption. A budget guide for 2011-12 was produced and made available to the public on the College’s website. The College followed the
previously described process for developing the annual budget for fiscal year 2011-12 [III D-1].

The College’s annual audit reports, quarterly financial reports, and annual budget are all posted on the College’s website [III D-12]. In addition, the financial information, including the annual budget, is widely distributed via the College’s PBC and public meetings of the Board of Trustees [III D-1]. Each year, both the College’s PBC and the Board of Trustees’ Planning and Budget Committee conduct public hearings prior to the adoption of the budget. During recent years the Board of Trustees has played a larger role in the development of the annual budget. During 2011, the Board’s Planning and Budgeting Committee conducted a series of public hearings that reviewed both the College’s revenue assumptions and spending plans for the upcoming year [III D-10]. The College’s Budget and Accounting Office provides financial reports on a monthly basis to the Board of Trustees, the public, and the representatives of the College’s constituency groups [III D-33].

Self Evaluation

The College meets this standard.

The College publishes and makes available to all cost center managers its guidelines and processes for budget development and financial planning and follows these guidelines and processes. The annual budget guide is made available to the public on the College's website, as are other budget documents such as preliminary and final budgets.

Planning Agenda

None

III.D.2. To assure the financial integrity of the institution and responsible use of financial resources, the financial management system has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision making.

III.D.2.a. Financial documents, including the budget and independent audit, reflect appropriate allocation and use of financial resources to support student learning programs and services. Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.

Descriptive Summary

The College employs a variety of control mechanisms to ensure responsible use of financial resources. These include the use of detailed matrixes for designating signature authority for contract execution and invoice payments [III D-34], as well as separation of duties for all key components of the College’s business operations. Financial transactions are subject to review by both external auditors and the College’s internal auditor. Finally, the College makes extensive use of the control features that are a part of the Banner general ledger system that is used for processing all business transactions [III D-12, III D-32].
The annual budget, the annual audit report, and all quarterly financial reports are available on the College’s website. The annual budget document reflects the cost of carrying out the District’s annual operating objectives in support of student learning programs and services. The final budget incorporates the availability of state and local funding, and includes a summary of the activities the budget will support. This typically includes information related to the hiring of new and replacement full-time faculty, improvements in salary schedules, net increases for additional salary step movement, the cost of fringe benefits, and all budget requests approved for funding through the College’s PBC [III D-1].

During recent years, reductions in state funding have forced the College to focus on ways to reduce spending as a final budget is developed. The same open collaborative approach, led by the College’s senior managers and the College’s PBC, has been used to plan for reductions, as it was previously used to plan for increases. This approach has enabled the College to focus on the needs of its students in the face of shrinking resources. At different times, decisions related to the number of classes offered, backfilling student services budgets in the face of state funding cuts, and improving basic skills education have all been made using this approach [III D-7].

The annual 311 Report required by the state documents the College’s compliance with the “fifty percent rule” related to spending for instruction. Historically the College has compared favorably with other districts on this measure [III D-19]. For fiscal year 2009-10, the last year for which comparative data are available, the ratio of the College’s “percent of instructor’s salaries to current expense of education ratio” was 52.07 percent, which exceeded the statewide average of 51.75 percent [III D-19]. In addition the College’s level of compliance with its full-time faculty obligation, known as the “seventy-five percent rule” compares quite favorably with other districts. [Ref. 17] In fact for Fall 2009, the last semester for which comparative data are available, the College exceeded its full-time faculty obligation by 127 FTE, the largest margin in the state [III D-35]. These two items are evidence of the high priority the College places on supporting student learning. Furthermore, during the recent multi-year period of state fiscal distress, numerous concessions related to compensation have been agreed to by all College employees in an effort to save jobs and protect direct spending for student needs. This unprecedented level of cooperation has been critical to safeguarding student access to educational opportunities.

The District received an unqualified audit opinion for fiscal years 2007, 2008, and 2009 in its Annual Financial and Single Audit report. This means that the independent auditor determined that the College’s financial statements were a fair presentation of the College’s financial position at the end of each of those fiscal years [III D-32]. The independent auditor presents all audit findings directly to the Board of Trustees or the Board’s Audit Committee in open public session [III D-36]. In addition, the College hired a full-time Internal Auditor during 2008, who also presents findings directly to the Board of Trustees or its Audit Committee [III D-37]. The District’s Business Office responds to all audit recommendations in as timely a manner as feasible. Those recommendations that can be effectively implemented within the next audit cycle are identified and changes are implemented. Typically, audit findings are brought to the College’s attention in December; therefore some recommendations require a longer time horizon for completion than the next audit year. The District is currently working on implementing changes needed as identified in the fiscal year
2009-10 audit report. [Ref. 11] While the audit report was unqualified, it included three material weaknesses. Two of these weaknesses involve long-term liabilities for workers compensation and retiree health benefits. See III.D.1.c for more information on the retiree benefits issue. As previously noted, the workers compensation issue was addressed in the 2011-12 budget. The third material weakness was related to the need to revise the 2009-10 311 report. The Board of Trustees Audit Committee monitors the administration’s progress in addressing audit findings on a regular basis including the material weaknesses [III D-32].

Self Evaluation

The College meets this standard.

Financial integrity is ensured by control mechanisms, independent external and internal review, transparency of processes, and timely dissemination of information. Financial documents, including the budget and the independent audit, reflect appropriate allocation and use of financial resources to support student learning programs and services. The College focuses spending on student learning as evidenced by its history of high numbers related to the “fifty percent law” and the “seventy-five percent rule.” While resources for the support of student-learning programs and services are not adequate, the institution has made informed and intelligent decisions in a Shared Governance setting related to the distribution of these relatively scarce resources.

Planning Agenda

None

III.D.2.b. Appropriate financial information is provided throughout the institution.

Descriptive Summary

The institution distributes financial information in a timely manner in several forms to a variety of groups. The College’s annual budget is widely distributed via the College’s PBC, the College’s website, and public meetings of the Board of Trustees [III D-1, III D-12]. Each year the College’s PBC conducts an open hearing on the proposed annual budget, which includes presentations from the Vice Chancellors and some of the College’s cost center managers. In addition, the Board of Trustees conducts at least one public hearing on the proposed budget prior to adoption. The College’s finance team provides monthly financial reports to the Board of Trustees at public meetings, and during the academic year the finance team provides financial reports to the College’s PBC (which includes representatives from all four College constituencies) on a biweekly basis. All key financial documents are posted to the College’s website. The College’s annual audit report for 2009-10 was completed in a timely manner, with wide distribution. Furthermore, the independent auditor presents all audit findings directly to the Board of Trustees in an open advertised public session [III D-7, III D-12, III D-33].

Self Evaluation

The College meets this standard.
Information about the budget, fiscal conditions, financial planning and audit results is provided in a timely fashion and throughout the College. The information provided is sufficient in content and timing to support institutional and financial planning and management.

**Planning Agenda**

None

**III.D.2.c. The institution has sufficient cash flow and reserves to maintain stability, strategies for appropriate risk management, and realistic plans to meet financial emergencies and unforeseen occurrences.**

**Descriptive Summary**

The most severe economic downturn since the Great Depression and the slow recovery that has ensued have created significant financial challenges for the College. This situation was even more challenging for the College due to the historically inadequate level of financial support the state provides for noncredit education [III D-3]. In addition to budget shortfalls, the extreme tardiness with which state budgets have been adopted has resulted in serious cash strains for the College. As of June 30, 2011, the College’s Board Designated Reserve totaled $6.65 million, the largest it had ever been [III D-1]. As noted in the response to II.D.1.c, during fiscal year 2009-10 and 2010-11, the College received authority from the Board of Trustees to use $2 million from the reserve to partially backfill the severe state cuts of 2009-10. The College’s objective was to try to avoid spending the $2 million and this objective was successfully achieved during both of these fiscal years. A similar goal may be set for 2011-12 depending on the size of the state cut in apportionment funding for that year [III D-1].

The College’s objective is and has been to maintain a five percent available unrestricted general fund balance as recommended by the State Chancellor’s Office. During fiscal year 2010-11 the unrestricted general fund balance exceeded the recommended five percent level. This is partly attributable to the remaining value on a long-term prepaid lease [III D-1].

The chart below shows the actual fund balance as a percentage of relevant expenditures for each of the past five fiscal years [III D-19, III D-32]:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Ending Unrestricted General Fund Balance*</th>
<th>% of Unrestricted General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>$21.2 million</td>
<td>10.94%</td>
</tr>
<tr>
<td>2008-09</td>
<td>$20.3 million</td>
<td>10.18%</td>
</tr>
<tr>
<td>2009-10</td>
<td>$23.1 million</td>
<td>11.96%</td>
</tr>
<tr>
<td>2010-11 est.</td>
<td>$20.9 million</td>
<td>10.62%</td>
</tr>
</tbody>
</table>

*includes long-term prepaid ground lease for the site of the new Mission Campus valued at $10.42 million as of June 30, 2010.
As previously cited, the College’s careful approach to budgeting is reflected in the College’s bond ratings for the Spring 2010 sale of $46 million in General Obligation Bonds. Both Moody’s (Aa3) and Standard & Poor’s (AA) rated the College as favorably as the City and County of San Francisco for that sale. In April 2011, Fitch Ratings provided a similar “AA” rating with a stable outlook for existing bonds [III D-20].

The College’s primary source of funding is apportionment, which is comprised of three major sources: state general fund monies, property tax payments, and student fees. Because property tax payments comprise about one-third of the College’s unrestricted revenue but are received in two semiannual payments, annual planning for cash needs has been quite important for several years. The primary method the College uses to deal with cash needs is its participation in the annual Tax Revenue Anticipation Notes (TRANs) pool sponsored by the California Community College League. The College typically borrows between $20 and $30 million in the TRANS pool to deal with cash needs during the upcoming fiscal year. Due to mounting deferrals in cash payments by the state, this amount will increase substantially in 2011-12 [III D-38].

Additionally, the College has had ongoing access to short-term borrowing for cash via the City and County of San Francisco Treasury. This emergency procedure is convenient and helpful but it does come at a price equal to the rate the City and County Treasury is earning on deposits at the time. [III D-39] Recent passage of Proposition 25 which lowered the required vote for passage of a state budget from two-thirds to a majority plus one may result in state budgets being approved sooner, thereby reducing some of the College’s need to borrow short-term cash.

As noted in the response to III.D.1.c, the College covers its property and liability insurance needs through its membership in the Statewide Association of Community Colleges (SWACC), a joint powers authority. The College is responsible for the first $50,000 in costs for each liability claim and the first $25,000 for each property claim. SWACC covers the costs above those self-covered limits [III D-27].

**Self Evaluation**

The College meets this standard.

The College has sufficient cash flow and reserves to maintain stability, strategies for appropriate risk management, and realistic plans to meet financial emergencies and unforeseen occurrences. The institution has made concerted efforts to meet the State Chancellor’s guidelines for a five percent fund balance even during under-funded years. The cash flow needs of the District have been supported through the issuance of TRANS and short term borrowing from the County Treasury. Risk management needs are handled through SWACC.

**Planning Agenda**

None

**III.D.2.d. The institution practices effective oversight of finances, including management of financial aid, grants, externally funded programs, contractual**
relationships, auxiliary organizations or foundations, and institutional investments and assets.

Descriptive Summary

The Vice Chancellor of Finance and Administration (VCFA) is responsible for financial oversight for all monies held by the College, including its auxiliary bookstore [III D-37]. The Office of Grants and Resource Development in the Division of Policy and Research provides overall management of grant funded activities. To accomplish effective oversight of finances, including grants, the College’s Chief Financial Officer, the Controller, and their staff support the VCFA. The College uses SCT Banner integrated management information system to track and process all financial transactions, including financial aid and grants. All financial transactions are subject to formal approval queues. The College’s accounting staff employs several different approval queues to ensure that financial transactions are legitimate and within budget [III D-32]. All of the College’s revenues are invested by the San Francisco County Treasurer. An oversight committee, whose members include the College’s Chancellor and various City and County officials, meets on a regular basis to monitor these investments [III D-40].

After the retirement of the Chief Administrative Services Officer, responsibility for overseeing the College’s entry into contractual relationships for a wide variety of services and for clinical placements of students in health-related fields has been shifted to the administrator serving as Acting General Counsel. The institution emphasizes extensive front-end efforts to ensure that contract language is in the best interest of the institution, and goes beyond statutory requirements for competitive processes for contractual services [III D-41]. In addition, the Board of Trustees has enacted many new policies designed to strengthen controls on finances and contracts and to prevent the misuse of any College funds [III D-42].

After the retirement of the Associate Vice Chancellor for Facilities Planning and Construction, the College entered into a contract with Swinerton Inc for direct project management of the College’s capital construction program [III D-43]. The manager of the College’s Facilities Planning and Construction Office, who reports directly to the VCFA, oversees the Swinerton contract. Both of these individuals have access to attorneys with construction law expertise as needed [III D-44].

The College’s bookstore is an auxiliary organization run by a full-time on-site manager who reports directly to the College’s Chief Financial Officer who has primary responsibility for overseeing its operations [III D-37]. The Foundation of City College of San Francisco is an independent nonprofit organization, whose financial activities are overseen by a Board of Directors, which includes the College’s Chancellor [III D-45].

The District received an unqualified audit opinion for fiscal years 2007, 2008, and 2009 in its Annual Financial and Single Audit report. While the most recent report, issued for fiscal year 2010, did identify three material weaknesses, the report was unqualified and the College is taking steps to address these weaknesses. The material weaknesses were not related to effective oversight of the College’s finances. Two of these weaknesses involve long-term liabilities for workers compensation and retiree health benefits. The third was related to the need to revise the 2009-10 311 report. These items are detailed in III.D-2.a. The District’s Internal Auditor tracks progress towards resolution for all annual audit findings, and the
Chief Financial Officer and his staff work directly with the independent auditors to resolve all findings [III D-32].

The annual audit report for the College includes an audit of the auxiliary bookstore. The City College of San Francisco Foundation has become more independent of the College as a result of a new master agreement signed in 2010. A separate audit report is issued for the CCSF Foundation by a firm hired directly by the Foundation’s Board of Directors. There have been no significant audit findings for the auxiliary bookstore. The Foundation’s Board of Directors reviews the independent audit of the Foundation and forwards a copy of all audits to the Board of Trustees for review [III D-46].

Self Evaluation

The College meets this standard.

The College practices effective oversight of finances and maintains procedures, including SCT Banner integrated management information system to track and process all financial transactions. Its most recent audit report, issued for fiscal year 2010, was unqualified. While the audit did identify three material weaknesses, the College is taking actions to address these weaknesses. The institution monitors finances not only for the College itself but also for the auxiliary bookstore and separate foundation as well. The institution makes extensive efforts to connect spending with planning, and has consistently done so with the highest level of integrity. Financial resources, including those from auxiliary activities, fund-raising efforts, and grants are used in a manner consistent with the mission and goals of the institution. Contractual agreements with external entities are consistent with the mission and goals of the institution, governed by institutional policies, and contain appropriate provisions to maintain the integrity of the institution. The institution emphasizes extensive front-end efforts to ensure that contract language is in the best interest of the institution, and goes beyond statutory requirements for competitive processes.

Planning Agenda

None

III.D.2.e. All financial resources, including those from auxiliary activities, fund-raising efforts, and grants are used with integrity in a manner consistent with the mission and goals of the institution.

Descriptive Summary

The College uses its financial resources, including all financial resources from auxiliary activities, fundraising efforts, and grants with integrity and in a manner consistent with the missions and goals of the institution. Oversight processes are in place and independent audits are conducted to ensure this integrity.

The Office of Grants and Resource Development administers the grants application process. The Interim Vice Chancellor for Policy and Research works closely during post-award grant administration with the Chief Financial Officer on both the development of contracts as well as accounting issues related to grant-funded expenditures.
The Vice Chancellor of Finance and Administration, with the assistance of the Acting General Counsel and the accounting department, ensures that grant-related financial reporting and contract terms are in full compliance with all terms required by the granting agency. All financial transactions for grant-funded activities are processed through the College’s SCT Banner management information system, and are subject to annual audits by awarding agencies [III D-47]. In addition, all grant-funded contracts are publicly noticed on the monthly agendas of the Board of Trustees [III D-33].

The Foundation of the City College of San Francisco, which operates under a Master Agreement with the College, has a separate Board of Directors and maintains a separate general ledger system. Policy is implemented through the Executive Director of the Foundation. During 2010, the Foundation assumed responsibility for its own accounting functions [III D-45]. The Foundation has been successful in its fundraising efforts the past few years, primarily in generating support for student scholarships for basic skills programs. Under the Master Agreement, funds raised by the Foundation must be spent in a manner that benefits the College. All funds raised by the Foundation have been spent in a manner that is consistent with the College’s mission and goals, as evidenced by annual audit reports and their bylaws [III D-46].

The annual audit report for the College includes an audit of the auxiliary bookstore. A separate audit report is issued for the College’s Foundation [Ref. 19]. There have been no significant audit findings for either of these two entities [III D-32, III D-46].

Self Evaluation

The College meets this standard.

The College practices effective oversight of finances and maintains procedures, including SCT Banner integrated management information system to track and process all financial transactions. The institution monitors finances not only for the College itself but also for the auxiliary bookstore as well. Financial resources, including those from auxiliary activities, fund-raising efforts, and grants are used in a manner consistent with the mission and goals of the institution. There have been no significant audit findings for the auxiliary bookstore. The Foundation’s Board of Directors reviews the independent audit of the Foundation and forwards a copy to the Board of Trustees.

Planning Agenda

None

III.D.2.f: Contractual agreements with external entities are consistent with the mission and goals of the institution, governed by institutional policies, and contain appropriate provisions to maintain the integrity of the institution.

Descriptive Summary

The College enters into a wide variety of contractual agreements including but not limited to the following:
Personal services contracts under $2,000, referred to as limited services contracts, which are reported to the Board of Trustees as “Information Only;”

Professional services contracts for more than $10,000, which require higher levels of insurance, complete descriptions of deliverables and timetables, and Board of Trustees approval before being awarded;

- Grant and sub-recipient contractual agreements;
- Informal construction contracts under $15,000, which go to the Board of Trustees for approval;
- Formal construction contracts greater than $15,000 which are subject to public bid requirements and must be approved by the Board of Trustees before being awarded;
- Construction-related professional services, such as architecture and engineering, awarded through a fair and competitive process and approved by the Board of Trustees before being awarded;
- Rental agreements for classroom space which are approved by the Board of Trustees;
- Vendor agreements that produce revenue for the College and the Associated Students and are subject to approval by the Board of Trustees;
- Master Agreement with the Foundation;
- Master Agreement with the Bookstore Auxiliary approved by the Board of Trustees; and
- Clinical Agreements for placement of students in clinical settings [III D-33].

The integrity of District contracts is maintained by adherence to regulatory codes including the Public Contract Code, the Education Code, the Business and Professions Code, the Labor Code, and the Government Code as they relate to specific types of contracts. The College’s Acting General Counsel reviews all contracts prior to signing and implementation [III D-41]. The College for convenience or cause may terminate contracts. It should be noted that College policy adopted in 2003 requires any services contract in excess of $50,000 to be awarded only after a competitive process has been conducted. This amount moves in accord with Public Contracts Code Section 20651 and is currently $78,900. This policy acknowledges that factors other than price, such as particular research skills, may be included as selection criteria [III D-48].

An independent performance audit of the District’s bond funded capital projects program conducted during 2008 documented several problems related to construction contracts. More specifically the audit report noted that many contract modifications were enacted without receiving prior approval from the Board of Trustees. A subsequent audit confirmed that this problem as well as all other findings from the 2008 audit report have been addressed [III D-32].

During the 2009 and 2010 calendar years the Board of Trustees adopted many new policies and policy changes related to contracts to correct previous deficiencies. These policies created requirements for greater oversight and standardization of the contracting process. They also established personal liability for employees as a penalty to ensure that contracts are not implemented without the prior approval of the Trustees [III D-42]. In addition, the
administration has worked cooperatively with the Board to develop a process in which all construction-related contracts are reviewed by the Board’s Facilities, Infrastructure and Technology Committee prior to consideration by the full Board of Trustees [III D-49].

Self Evaluation

The College meets this standard.

Contractual agreements with external entities are in accordance with the College's mission and goals and are governed by institutional policies to ensure maintenance of institutional integrity. Weaknesses identified by the 2008 audit report have been addressed and the Board of Trustees has adopted several new policies and policy modifications to correct previous deficiencies.

Planning Agenda

None

III.D.2.g. The institution regularly evaluates its financial management processes, and the results of the evaluation are used to improve financial management systems.

Descriptive Summary

The College uses both the annual external audit report as well as feedback from key user functional groups to assess the effectiveness of its financial management systems. While service to internal and external customers is a priority, so are safeguards against fraud and abuse. Internal requirements for processing transactions are streamlined whenever such changes do not reduce important checks and balances. The Business Office is continually seeking new ways to use technology to improve business processes. Examples of such changes in recent years include processing student hires and applicant tracking [III D-50].

The College’s management team treats seriously all external audit findings. The District’s Business Office responds to all audit recommendations in as timely a manner as feasible. Audit findings are addressed in both a short- and long-term manner, depending on the nature of the appropriate remedy. Recommendations that can be effectively implemented within the next audit cycle are identified and changes are implemented. Typically audit findings are brought to the College’s attention in December; therefore, some recommendations require a longer time horizon for completion than the next audit year. The College’s Internal Auditor tracks all audit findings and the Board of Trustees Audit Committee reviews progress [III D-51].

On the macro level, the relative scarcity of resources requires the College to continually examine how well it is planning for both current and future needs. While the preliminary annual budget is adopted in June and the final budget is adopted in September (or in October when the State Chancellor’s Office extends the deadline), both the College's Planning and Budgeting Council and the Board of Trustees are updated regularly by the College’s finance team regarding how well the annual financial plan is or is not tracking. Expenditures are now tracked every pay period via an ongoing forecast model. When revenue information changes during the course of a fiscal year adjustments are made to budgets and spending. During the
past few years, such adjustments to spending have been necessary for both personnel and non-personnel items as mid-year changes in state funding are unfortunately now common [III D-15, III D-33].

Self Evaluation

The College meets this standard. The College regularly evaluates its financial management processes by means of the review of external audit reports and from ongoing feedback coming from the College's management team. Moreover expenditures are tracked every pay period via an ongoing forecast model.

Planning Agenda

None

III.D.3. The institution systematically assesses the effective use of financial resources and uses the results of the evaluation as the basis for improvement.

Descriptive Summary

The College assesses the use of its financial resources on an annual basis. The methods employed include an annual assessment for all divisions, Program Review analyses for all departments, as well as an annual publication of the College’s Core Performance Indicators Report. The results of these processes are shared with the College’s PBC and the Board of Trustees, and some are posted on the College’s website [III D-12].

The College anticipates modifying the Program Review process to augment the way efficiencies are addressed. During the first three years of the annual Program Review process, the Program Review Committee and College’s PBC members identified many possibilities for sharing resources between discrete units. Some of these possibilities were mentioned explicitly by the units, but more were noted by those reading across Program Review reports from various areas of the College. This resulted in the decision to make explicit within the Program Review template and overall process the goal of promoting and leveraging shared resources in order to create greater efficiencies. The synergy created by an “all units” Program Review cycle, where all units undergo Program Review simultaneously, further allows these types of discussions and resource planning to occur [III D-9].

Self Evaluation

The College frequently and systematically assesses the effectiveness of its use of financial resources.

Planning Agenda

None

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<td>California Community College League Budget Charts</td>
<td>Yes</td>
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<td>College PBC minutes (multiple mtgs)</td>
<td>Yes</td>
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<td>List of Departments Completing Program Reviews</td>
<td>Yes</td>
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<td>III D-9</td>
<td>Program Review Committee Minutes</td>
<td>Yes</td>
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<td>Board of Trustees Planning &amp; Budget Committee Agendas</td>
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<td>2011-12 Board Trustees Annual Budget Resolutions</td>
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<td>List of Donors Fiscal Year 2011-12</td>
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<td>III D-14</td>
<td>Budget Instructions for Cost Center Managers</td>
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<td>Expenditure Forecast Model</td>
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<td>Employee Pay Scales (multiple years)</td>
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<td>III D-17</td>
<td>Various Shared Governance Meeting Minutes</td>
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<td>III D-18</td>
<td>2009-10 Annual Budget Resolution</td>
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<td>III D-19</td>
<td>Fiscal Year 2010-11 Annual 311 Report</td>
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<td>III D-20</td>
<td>Letters from Bond Rating Agencies</td>
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<td>College Advancement Plan</td>
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<td>III D-23</td>
<td>Award Letter from Gates Foundation</td>
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<td>Annual SAFER Coverage Summary</td>
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<td>Excess Workers Compensation Insurance Coverage</td>
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<td>III D-30</td>
<td>Board of Trustees Resolution re:Workers Comp Funding Rate</td>
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<td>III D-34</td>
<td>Contract Approval Signature Matrix</td>
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<td>III D-35</td>
<td>Full Time Faculty Obligation Report and Statewide</td>
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<td>III D-39</td>
<td>Letter from City/County Controller</td>
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<td>III D-41</td>
<td>General Counsel Review Sheet</td>
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<td>District Policy Manual Sections 1 and 7</td>
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