SECTION I: Overview of the Co-Chair Report

Overall, the Standard III.D. committee members find that the College meets the standard for the eleven subsections listed under Standard III.D., Financial Resources, for the 2006 WASC Self-Study Report. In addition, for several sub-sections of this standard the committee found that the College exceeds the standard. This is particularly true with respect to implementation of a comprehensive budget planning process and the dissemination of information related to that process. Furthermore, the Committee reviewed and analyzed evidence that clearly reflected the College’s efforts to direct financial resources toward the support of student learning outcomes.

As the analysis contained in the following sub-sections shows, the College makes significant ongoing efforts to ensure that spending is tied to the institution’s core mission. The institution’s financial team led by the Vice Chancellor for Finance and Administration and the Chief Financial Officer provide realistic revenue estimates to the Chancellor to set the parameters for creating the annual operating budget. Through the shared governance budget planning process strategic decisions are made each year to ensure that sufficient budgetary focus is placed on areas that directly and indirectly support student learning. Cost Center Managers’ recommendations for resource allocation are tied directly to both the strategic and annual plans, and decisions on these recommendations are made in a shared governance setting in consultation with the members of the College’s Planning Budget Council. The results of this process are then forwarded to the Board of Trustees for consideration and approval.

SECTION II(a): Report on Standard III.D.—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.a. Financial planning is integrated with and supports all institutional planning.

The College’s unrestricted general fund has an annual operating budget of less than $170 million (III.D-1). The true cost of serving the current number of students in a near optimal manner would require a much larger budget. This situation is even more challenging due to the inadequate level of financial support the state provides for non-credit education (III D-2). 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-3). There is a strong
connection between the priorities contained in the 2003 Strategic Plan and the Annual Plan that the Planning Budget Council recommends to the Board of Trustees each year. All significant expenditures for each major cost center are tied directly to one of the College’s planning objectives during the development of the annual budget. Specifically, the Annual Plan serves as an operational version of the College’s plans for a one-year period; it 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-4). Thus, the unit plans are linked to the annual plan, just as the annual plan is linked to the College’s overall Strategic Plan (III.D-5). While this does not guarantee that all objectives are funded, it does help to ensure that resources are spent in ways that support planning objectives.

The Planning and Budget Council (PBC), a shared governance committee, reviews this information at a set of open meetings conducted each spring. Requests to the PBC for funding must demonstrate a direct connection to the College’s strategic plan. 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 PBC has gained a great deal of acceptance across the College as key part of a fair 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. These documented connections between planning and budget are shared with the Board of Trustees prior to their adoption of the final budget (III.D-3). This approach has enabled the College to continue to make steady progress in its efforts to address the needs of its students. At different times funding for increasing the class schedule, backfilling student services budgets in the face of state funding cuts, and improving basic skills education have all been accomplished using this approach.

A superior rating is given for this sub section. The institution is commended for its commitment to an open and comprehensive budget planning process that operates within a shared governance framework. This process has facilitated the College’s effort to focus resources on student learning.

**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 with an assessment of the expected resources for the new fiscal year. This assessment is done collectively by the College’s Vice Chancellor for Finance & Administration, Chief Financial Officer, and Director of Budget and Accounting. Information is gathered from a variety of sources including the State Chancellor’s Office, the College’s representative in Sacramento, legislative staff, 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 PBC as a parameter for the budget for the new fiscal year (III.D-6).
As detailed in the annual set of budget instructions, each cost center manager’s budget request is submitted to their respective Vice Chancellor for review (III.D-7). After the Vice Chancellor concurs that the cost center budgets are a realistic plan for continuing on-going operations the budgets are forwarded to the members of the PBC. The documents PBC members review directly connects budget requests with specific strategic goals and objectives. The PBC then ensures that available resources are squarely 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. When the Board of Trustees votes on the final budget it authorizes multiple levels of spending contingent on final state budget allocations (III.D-8).

The College’s Advancement Plan maps out a strategy for helping to “fill-in the gaps” and provide funding for those items that go beyond basic operations (III.D-9). For example, priority areas for increased funding in the Advancement Plan include basic skills, workforce training, access to student services, and improved technology for classrooms. In addition, both the College’s Grants Office, as well as its Workforce Development Office has been highly successful in attracting new sources of funding through the competitive grants process. The College currently receives more than $20 million per year in this area. Examples of this include $X million received from the National Science Foundation for Bio Technology, and $500,000 from the Koret Foundation for basic skills programs (III.D-1). Furthermore, the Chancellor has successfully forged new partnerships with groups such as the San Francisco Chamber of Commerce, and San Francisco State University thereby increasing the College’s ability to leverage resources in the grants arena.

A superior rating is given for this sub section. The institution is commended for its commitment to a budget planning process that relies on realistic assessments of available resources, plans strategic efforts for attracting additional resources, has been successful in its efforts to generate financial support from both grant agencies and private donors.

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.

The College’s Strategic Plan contains eight strategic priorities one of which is to “identify and promote strategies to ensure stable funding”; an essential part of the college’s fiscal planning process (III.D-5). This process begins with the review and adoption of the Annual Plan which includes detailed operational and developmental objectives. These objectives are used by each Major Cost Center and its respective departments to develop annual budget requests for submittal to the Vice Chancellors. Requests that are supported at the Vice Chancellor level are then placed presented in the Management Plan (III.D-6).

The lagging state and local economy has yielded insufficient revenues for the College the past two fiscal years (2002-03 and 2003-04), requiring the college to implement strategic spending reductions including: negotiating a two year wage freeze for all employees; reductions in spending for supplies, maintenance & equipment; reducing the number of
classes offered during the summer semester by approximately fifty per cent; and reducing the number of classes offered during the Fall and Spring semesters class by approximately four per cent (III.D-1). All reductions in revenue and spending were discussed in multiple venues such as College Council, the Department Chairs Council, the Chancellor’s Cabinet, the Planning and Budget Council and Board of Trustees public meetings. The cooperative negotiations that allowed these decisions to be implemented were absolutely critical for ensuring the College’s financial stability. At the same time these reductions in both planned and actual spending were constructed in a manner that allowed the college to maintain its core educational offering and student services. Furthermore increased and sometimes heroic efforts by faculty and staff combined with the increased use of technology resulted in more students enrolled and served in 2003-04 than any prior year (III.D-10).

In anticipation of reductions in state funding for 2002-03, the College intentionally built its Board Designated Reserve up to a level of $5.5 million by the end of 2001-02. During the two succeeding fiscal years (2002-03 and 2003-04), the College, in a planned manner, used a portion of its board designated reserve to fill the gap between revenue and expenditures. As a result, the board designated reserve has been lowered from $5.5 million at June 30, 2002 to $3.775 million as of June 30, 2004 (III.D-11). The College’s objective is and has been to try to maintain a five per cent available unrestricted general fund balance as recommended by the State Chancellor’s Office. The College’s careful approach to budgeting is reflected in the College’s bond ratings for the September 2004 sale of $110 million in General Obligation Bonds. Both Moody’s and Standard & Poor’s rated the College more favorably than the City and County of San Francisco (III.D-12).

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 retains the first $25,000 of liability for each claim and is covered by SWACC for the balance of any claim. SWACC in turn is a member of the School Excess Liability Fund (SELF) a larger joint powers authority. SWACC also sells a portion of its risk to reinsurance firms. Through a combination of SELF membership and reinsurance the College has coverage for claims up to $16 million for liability and $150 million for property damage (III.D-13).

The College is self-funded on a “pay as you go” basis for Workers Compensation, with annual expenditures ranging between $600,000 and $800,000. The annual cost for this item has not generated substantial budgetary pressure and periodic reviews of the cost-effectiveness of switching to a fully insured program have consistently shown that such a change would be more expensive.

The College also funds the cost of retiree health benefits on a “pay as you go” basis, with estimated total expenditures of approximately $4.5 million in fiscal year 2004-05. The cost of this benefit has nearly quadrupled since 1992 while the College’s total operating budget has increased by approximately sixty per cent for the same time period (III.D-14). A combination of factors have led to this increase in costs, including the general increases in health care premiums since 2001, demographic factors, and an initiative passed by San Francisco voters that improved retiree health benefits. The College has not identified a
separate source of funding for the long term liability associated with the cost of retiree health benefits.

A satisfactory rating is given for this sub section. When state revenues slumped, the institution has managed its reserve funds in an intelligent manner to meet the goal of protecting direct spending for students. The area of funding retiree health benefits represents a significant financial challenge in the future.

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

The financial planning and budget process is documented in an annual planning and budget guide that is distributed to all cost center managers. This guide contains instructions for budget submittals that are discussed and reviewed on an annual basis by the College’s PBC. The Chief Financial Officer incorporates feedback from both the PBC as well as individual cost center managers to modify and improve the annual guide (III.D-3).

The College’s annual audit reports, quarterly financial reports, and annual budget are all posted on the College’s web site. In addition the financial information including the annual budget is widely distributed via the PBC, and public meetings of the Board of Trustees. The College’s Budget and Accounting Office distributes financial reports on an annual, quarterly and monthly basis to the Board of Trustees, the public, and the representatives of the College’s constituency groups who are members of the Planning Budget Council (III.D-15).

A superior rating is given for this sub section. The institution is commended for its substantial and consistent efforts to communicate clearly with cost center managers, the Board of Trustees, the PBC, and the local community on all financial matters.

**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.**

The Annual Budget document reflects the cost of carrying out the District’s annual operating objectives. The final budget incorporates the availability of state and local funding, and includes a summary of the activities the budget will support (III.D-1). 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 PBC. This approach has enabled the College to continue to make steady progress in its efforts to address the needs of its students. At different times funding for increasing the class schedule, backfilling student services budgets in the face of state funding cuts, and improving basic skills education have all been accomplished using this approach.
The annual 311 Report required by the state documents the College’s compliance with the “fifty per cent law” for direct instructional spending. Historically the College has compared quite favorably with other districts on this measure (III.D-16). In addition the College’s level of compliance with the “seventy-five per cent law” related to the number of full-time faculty compares quite favorably with other districts (III.D-17). 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 a two-year across-the-board wage freeze was agreed to by all College employees in an effort to save jobs and protect direct spending for student needs. This unprecedented level of cooperation was critical to safeguarding students’ access to educational opportunities.

All audit findings are presented directly to the Board of Trustees by the independent auditor in an open advertised public session. The District’s Business Office responds to all audit recommendations in as timely 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 one such recommendation involving accounting policies (III.D-11). The Business Office is moving forward with implementation and expects that changes needed in accounting policies (primarily documentation) will be completed by the end of 2005.

The annual budget, the annual audit report, and all quarterly financial reports are available on the College’s web site.

A superior rating is given for this sub section. The institution is commended for its efforts to focus spending on student learning as evidenced by its high historical numbers when measured by the “fifty per cent law” and the “seventy-five per cent law”.

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

The College’s annual budget is widely distributed via the PBC, the College’s web site, and public meetings of the Board of Trustees. Each year the 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. The College’s Business Office distributes financial reports on an annual, quarterly and monthly basis to the representatives of the College’s four major constituency groups via the PBC, and directly to the Board of Trustees and the public. The Board of Trustees holds an open public hearing on each quarterly financial report at the closest monthly work session. In addition the College’s Vice Chancellor for Finance and Administration and Chief Financial Officer present a monthly financial report at each regular open session meeting of the Board of Trustees. The College’s annual audit report for 2004-05 was completed in a timely manner, with wide distribution (III.D-8). Furthermore, all audit findings are presented directly to the Board of Trustees by the independent auditor in an open advertised public session.
A superior rating is given for this sub section. The institution is commended for its commitment to distribute financial information in several forms to a variety of groups in a timely manner.

**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.**

All of California’s community colleges have weathered a recent series of difficult financial years. The economic downturn that accompanied the burst of the “dot com bubble” had a major impact on state revenue that in turn affected funding for community colleges. This situation was even more challenging for City College due to the historically inadequate level of financial support the state provides for non-credit education.

In anticipation of the fiscal downturn that began in 2002, the College intentionally built its Board Designated Reserve up to a level of $5.5 million by the end of 2001-02. During the two succeeding fiscal years (2002-03 and 2003-04), the College, in a planned manner, used a portion of its board designated reserve to fill the gap between resources and expenditures. As a result, the board designated reserve has been lowered from $5.5 million at June 30, 2002 to $3.775 million as of June 30, 2004 (III.D-11). The College’s objective is and has been to try to maintain a five per cent available unrestricted general fund balance as recommended by the State Chancellor’s Office. During fiscal year 2002-03 the unrestricted general fund balance was slightly below the five per cent level for a short period of time. This situation was remedied by shifting available unrestricted funds into the unrestricted general fund. These funds which total approximately $2.4 million are likely to be spent on their intended purpose, costs associated with the development of the new Chinatown Campus, during fiscal year 2005-06 (III.D-15). The District will need to improve its unrestricted general fund balance at that time or it will not meet the State Chancellor’s Office guideline of five per cent.

The College’s careful approach to budgeting is reflected in the College’s bond ratings for the September 2004 sale of $110 million in General Obligation Bonds. Both Moody’s and Standard & Poor’s rated the College more favorably than the City and County of San Francisco (III.D-12).

The College has generally been able to maintain an ending balance of at least five per cent in the unrestricted general fund as suggested by the State Chancellor’s Office. The chart below shows the actual unrestricted general fund ending balance as a percentage of relevant expenditures for each of the past five fiscal years (III.D-16):
NEW PARAGRAPH NEEDS TO BE WRITTEN & PLACED HERE AFTER JUNE 30, 2005

Because property tax payments comprise about one-third of the College’s unrestricted revenue but are received in two biannual payments, annual planning for cash needs is quite important. 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 $10 and $13 million in the TRANS pool to deal with all cash needs during the upcoming fiscal year (III D-18). Finally, in an emergency, such as very late passage of the state budget, the College has access to short term borrowing for cash via the City and County Treasury. This emergency procedure is convenient and helpful but it does come at a price equal to the rate the County Treasury is earning on deposits at the time.

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 retains the first $25,000 of liability for each claim and is covered by SWACC for the balance of any claim (III D-13). SWACC in turn is a member of the School Excess Liability Fund (SELF) a larger joint powers authority and also sells a portion of its risk to reinsurance firms. Through a combination of SELF membership and reinsurance the College has coverage for claims up to $16 million for liability and $150 million for property damage.

A ______ rating is given for this sub section.

(SENTENCE NEEDS TO BE WRITTEN & PLACED HERE AFTER JUNE 30, 2005)
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.

The Vice Chancellor of Finance and Administration (VCFA) is responsible for financial oversight for all monies held by the college, including its auxiliary bookstore. To accomplish effective oversight the VCFA is supported by the College’s Chief Financial Officer, the Director of Budget and Accounting, and their staff. The College uses SCT’s BANNER integrated management information system to track and process all financial transactions, including financial aid and grants. All financial transactions are subject to formalized approval queues. The College’s Director of Budget and Accounting and his staff employ several different “approval queues” to ensure that financial transactions are legitimate and within any particular departmental budget. All of the College’s revenues are invested by the San Francisco County Treasurer. These investments are overseen by an independent review committee.

The Chief Administrative Services Officer has lead responsibility for overseeing the college’s entry into contractual relationships for a wide variety of services and for clinical placements of students. The Associate Vice Chancellor for Facilities has lead responsibility for overseeing the college’s entry into contractual relationships with architects and builders. Both of these individuals have access to attorneys whenever they are needed.

The college’s bookstore is run by a full time on-site manager who reports directly to the college’s Chief Administrative Services Officer who has primary responsibility for overseeing its operations. The financial activities of the Foundation of City College of San Francisco are overseen by its Board of Directors, which includes the College’s Chancellor and Vice Chancellor of Finance and Administration as members (III D-20 and III D-21).

The district received an unqualified audit opinion for fiscal years 2002, 2003 and 2004 in its Annual Financial and Single Audit report. Furthermore, the most recent report, issued for fiscal year 2004, did not identify any material weaknesses. The district tracks progress towards resolution for all annual audit findings and works directly with its auditors to resolve such findings.

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 (III D-19. There have been no significant audit findings for either of these two entities (III D-11).

A superior rating is given for this sub section. The institution is commended for its efforts to monitor finances for not just the College itself but for the auxiliary bookstore and separate foundation as well.
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.

The College uses its financial resources with integrity and in a manner consistent with the missions and goals of the institution, including all financial resources from auxiliary activities, fund raising efforts and grants.

The grants application process is administered by the District’s Office of Research Planning and Grants. This office works closely with the Vice Chancellor of Finance and Administration, the Chief Financial Officer, and the Chief Administrative Services Officer during post award grant administration on both the development of contracts as well as accounting issues related to grant-funded expenditures.

The Vice Chancellor of Finance with the assistance of the accounting and administrative services departments ensures that grant related financial reporting and contract terms are in full compliance with all the terms required by the granting agency. All financial transactions for grant funded activities are processed through the College’s BANNER management information system, and are subject to annual audits by awarding agencies.

The Foundation of the City College of San Francisco has a separate Board of Directors and maintains a separate general ledger system. Policy is implemented through the Executive Director of the foundation. Fiscal management is currently handled by College staff. During the next few years, as the foundation’s assets and returns increase, the accounting functions for the foundation will be shifted to foundation-funded staff. The foundation has been quite successful in its fund raising efforts the past few years, primarily in generating support for student scholarships, basic skills programs, and the child development program. All funds raised by the foundation have been spent in a manner that is consistent with the College’s mission and goals (III D-19 and III D-20).

A superior rating is given for this sub section. The institution is commended for its extensive efforts to connect spending with planning, and has consistently done so with the highest level of integrity.

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.

The College enters into a wide variety of contractual agreements including but not limited to the following:

1. Personal services contracts under $10,000, referred to as limited services contracts which are reported to the Board of Trustees as “Information Only”;
2. Professional services contracts for more than $10,000 which require higher levels of insurance, complete descriptions of deliverables/timetables, and Board of Trustees approval before being awarded;
3. Grant and sub-recipient contractual agreements;
4. Informal construction contracts under $15,000 which are informally bid and go to the Board of Trustees as “Information Only”;
5. 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;
6. Construction related professional services, such as architecture and engineering, which are awarded through a fair and competitive process and are approved by the Board of Trustees before being awarded;
7. Rental agreements for classroom space which are approved by the Board of Trustees;
8. Vendor agreements which produce revenue for the College and the Associated Students, which are subject to approval by the Board of Trustees;
9. Master Agreements with the Foundation and Bookstore Auxiliary approved by the Board of Trustees; and
10. Clinical Agreements for placement of students in clinical settings. (See III D-22)

The integrity of District contracts is maintained by adherence to a number of 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 District’s ongoing control over contracts is administered by the Chief Administrative Services Officer. Contracts may be terminated by the College for convenience or cause. It should be noted that College policy requires any services contract in excess of $54,000, an annually indexed amount tied to inflation, to be awarded only after a competitive process has been conducted. This policy acknowledges that factors other than price may be included as selection criteria (III D-22).

A superior rating is given for this sub section. The institution is commended for its extensive front end efforts to ensure that contract language is in the best interest of the institution, and for going beyond statutory requirements for competitive processes.

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.

On the operating level the College uses both the annual external audit report as well as feedback from key user 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. At the Chancellor’s direction, the College Business Office has started a reengineering review of all major business processes. This review will involve both College staff and external consultants and will be completed in 2006.
The College’s management team treats all external audit findings seriously. Such findings are addressed in both a short and long term manner, depending on the nature of the appropriate remedy. The District’s Business Office responds to all audit recommendations in as timely 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 one such recommendation involving accounting policies. The Business Office is moving forward with implementation and expects that changes needed in these areas will be completed by the end of 2005.

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, both the PBC and the Board of Trustees are updated regularly by the College’s lead financial administrators regarding how well the annual financial plan is or is not tracking (III D-23). Information regarding revenue can change during the course of a fiscal year leading to necessary adjustment to budgets and spending. During the past few years such adjustments to spending have been necessary concerning both personnel and non-personnel items as more information becomes available regarding how much revenue the College will receive from both state and local sources.

A satisfactory rating is given for this sub section. While, financial safeguards appear to be adequate, the reengineering review of all major business processes is needed to ensure that both internal and external customer service is given they deserve.

SECTION II(b): Commendations and Plans for Improvement

The committee reviewed the level of adequacy of the financial resources the institution provides for the support of student learning programs and services and for improving institutional effectiveness. The committee found that while resources are not optimal, the institution should be commended for making informed and intelligent decisions in a shared governance setting related to the distribution of these relatively scarce resources.

The committee reviewed whether financial planning is integrated with and supports all institutional planning. The committee found that the College has implemented a comprehensive budget planning system that integrates financial planning with institutional planning. The institution should be commended for the strong connection between the priorities contained in the 2003 Strategic Plan and the Annual Plan that the Planning Budget Council recommends to the Board of Trustees each year.

The committee reviewed whether institutional planning reflects a realistic assessment of financial resource availability, the development of financial resources, partnerships, and expenditure requirements. The committee commends the institution for its commitment to a budget planning process that relies on realistic assessments of available resources, and strategic efforts for attracting additional resources. The committee further commends the
institution for its successful efforts to generate financial support from both grant agencies and private donors.

The committee reviewed whether the institution in making short-range financial plans, considers its long-range financial priorities to assure financial stability. The committee found that when state revenues slumped, the institution managed its reserve funds in an intelligent manner to meet the goal of protecting direct spending for students. However, the committee recommends that the institution address the cost of retiree health benefits which represents a significant financial challenge in the future.

The committee reviewed whether the institution clearly defines and follows its guidelines and processes for financial planning and budget. The committee commends the institution for doing so on an annual basis in widely distributed documents.

The committee reviewed whether the institution’s financial documents, including the budget and the independent audit, reflect appropriate allocation and use of financial resources to support student learning programs and services, and whether institutional responses to external audit findings are comprehensive, timely, and communicated appropriately. The committee commends the college for its efforts to focus spending on student learning as evidenced by its high historical numbers when measured by the “fifty per cent law” and the “seventy-five per cent law”. The committee further commends the institution for its ability to address external audit findings promptly during fiscal year 2004-05.

The committee reviewed whether appropriate financial information is provided throughout the institution. The committee commends the institution for its commitment to distribute financial information both on paper and electronically to a variety of groups in a timely manner.

The Committee reviewed whether 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. The committee commends the institution for its efforts to meet the State Chancellor’s guidelines for a five per cent fund balance, and acknowledges how difficult that is during under-funded years. The committee further commends the institution for dealing with cash flow needs through the issuance of TRANs and for handling risk management needs through SWACC.

The Committee reviewed whether the institution practices effective oversight of all of its finances. The committee commends the institution for its most recent audit report, issued for fiscal year 2004, which was unqualified and did not identify any material weaknesses. The institution is further commended for its efforts to monitor finances for not just the College itself but for the auxiliary bookstore and separate foundation as well.

The Committee reviewed whether 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. The institution is commended for its extensive efforts to connect spending with planning, and has consistently done so with the highest level of integrity.
The Committee reviewed whether 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 is commended for its extensive front end efforts to ensure that contract language is in the best interest of the institution, and for going beyond statutory requirements for competitive processes.

The Committee reviewed whether the institution regularly evaluates its financial management processes, and whether the results of the evaluation are used to improve financial management systems. While, the committee found that financial safeguards appear to be adequate, the committee recommends that the reengineering review of all major business processes be completed to ensure that both internal and external customer service receive the attention they deserve.

SECTION III: Key Findings and Relation to Themes

Theme 1: Institutional Commitment to High Quality Education

The College uses its financial resources to fulfill its institutional commitment to high quality education. The College makes significant ongoing efforts to ensure that spending is tied to the institution’s core mission of creating opportunities for student learning. The annual budget planning process is tied to the strategic plan, thus ensuring that sufficient budgetary focus is placed on areas that directly and indirectly support student learning. While this does not guarantee that all objectives are funded, it does help to ensure that resources are spent in ways that support planning objectives. This approach has enabled the College to continue to make steady progress in its efforts to address the needs of its students. At different times funding for increasing the class schedule, backfilling student services budgets in the face of state funding cuts, and improving basic skills education have all been accomplished using this approach. During the painful reductions in state support in the early part of this decade, the guiding principles for balancing the institution’s budget were twofold, protect the core instructional offering and protect employees’ jobs. To a large extent this was accomplished. Furthermore, in spite of shrinking resources, increased and sometimes heroic efforts by faculty and staff combined with the increased use of technology resulted in more students enrolled and served in 2003-04 than any prior year.

Theme 2: Student Learning Outcomes and Student Achievement

The College uses its financial resources to address student access to classes, and to support the variety of needs students bring with them to the institution. There will fewer learning outcomes if financial resources are not used in a manner that maximizes the number of class sections the college can offer. Furthermore, leaning outcomes are below student potential if student services are not adequately supported. Through both the annual budget development process as well as highly successful efforts to raise funds to support the institution’s basic skills initiative, much has been accomplished in this area.
Theme 3: College Dialogues Promote Institutional Improvements

The use of financial resources is openly discussed during the annual budget development process. This process occurs in a shared governance environment with all of the institution’s key constituencies afforded the opportunity to help shape the outcome. The financial crosstalk that occurs in the official venue for this discussion, the Planning and Budget Council, is an important part of the decision making process that leads to the adoption of the annual budget. This approach has enabled the College to maintain focus on its efforts to address the needs of its students even during difficult times.

Theme 4: College Planning and Budget System Promotes Continuous Improvement

The annual budget planning process is tied to the strategic plan, thus ensuring that sufficient budgetary focus is placed on areas that directly and indirectly support student learning. While this does not guarantee that all objectives are funded, it does help to ensure that resources are spent in ways that support planning objectives. When funds are not available to provide a major increase in support of a particular area, this approach has enabled the College to continue to make steady progress over a series of years in its efforts to address the needs of its students. At different times funding for increasing the class schedule, backfilling student services budgets in the face of state funding cuts, and improving basic skills education have all been accomplished using this approach.

Theme 5: Institutional Resources Support Learning and Student Success

The College makes significant ongoing efforts to ensure that spending is tied to the institution’s core mission of creating opportunities for student learning. The institution is commended for its efforts to focus spending on student learning as evidenced by its high historical numbers when measured by the “fifty per cent law” and the “seventy-five per cent law”. The annual budget planning process is tied to the strategic plan, thus ensuring that sufficient budgetary focus is placed on areas that directly and indirectly support student learning. While this does not guarantee that all objectives are funded, it does help to ensure that resources are spent in ways that support planning objectives. This approach has enabled the College to continue to make steady progress in its efforts to address the needs of its students. At different times funding for increasing the class schedule, backfilling student services budgets in the face of state funding cuts, and improving basic skills education have all been accomplished using this approach. During the painful reductions in state support in the early part of this decade, the guiding principles for balancing the institution’s budget were twofold, protect the core instructional offering and protect employees’ jobs. To a large extent this was accomplished. Furthermore, in spite of shrinking resources, increased and sometimes heroic efforts by faculty and staff combined with the increased use of technology resulted in more students enrolled and served in 2003-04 than any prior year.

Theme 6: Institutional Integrity and Honesty to All Stakeholders

The College’s Budget and Accounting Office distributes financial reports on an annual, quarterly and monthly basis to the Board of Trustees, the public, and the representatives of the College’s constituency groups who are members of the Planning and
Budget Council. The College’s annual audit reports, quarterly financial reports, and annual budget are all posted on the College’s web site. In addition this financial information including the annual budget is widely distributed via the PBC, and at public meetings of the Board of Trustees. The use of financial resources is openly discussed during the annual budget development process. This process occurs in a shared governance environment with all of the institution’s key constituencies afforded the opportunity to help shape the outcome.
SECTION IV: References

IIID-1  Annual Budget 2004-05 Final Recommendation 9/30/04
IIID-2  Report of The Workgroup on Community College Finance 2004
IIID-3  Unit Budget Plan/ Major Cost Center Plan
IIID-4  Institutional Annual Plan 2004-05
IIID-5  Strategic Plan 2003-08
IIID-6  Management Plan 2004-05
IIID-7  Annual Budget Letter of Instructions
IIID-8  Annual Board Resolution for Adopting the Final Budget
IIID-9  Institutional Advancement Plan 2004
IIID-10 Revised Calculation for 2003-04 Apportionment Exhibit E
IIID-11 Annual Audit Reports
IIID-12 Letters from Rating Agencies
IIID-13 SWACC 2004-05 Property & Casualty Binder
IIID-14 Extracts from Budget Documents
IIID-15 Quarterly Financial Reports
IIID-16 CCFS – 311 Reports
IIID-17 California Community colleges FT Faculty Obligation Report Fall 2004
IIID-18 Annual Resolution for Participation in Pooled TRANs
IIID-19 Annual Audit Report for 2003-04 for the City College of SF Foundation

IIID-20 Bylaws of the City College of SF Foundation
IIID-21 Bylaws of the City College of SF Bookstore
IIID-22 Summary of College Policies Related to Contracts with Outside Entities
IIID-23 Agenda for Regular Monthly Board of Trustees Meeting