

Standard Nine: Financial Resources

A. Financial Planning

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

Descriptive Summary

LATTC is a comprehensive community college providing the public with a broad array of academic and vocational programs. The college's vocational programs place a strong emphasis on technical and trade education. This is not to the exclusion of traditional academic programs and services. LATTC's liberal arts program is currently re-directing its resources from low to high-demand subject areas.

The college recently contracted with a professional consulting firm to develop the Educational Master Plan (Doc. 9.1) for LATTC. The consultant will subcontract with a vocational education specialist to provide expert advice in this particular area. The Educational Master Plan will be used as a guide to direct the allocation of resources. When new funds become available, for program expansion and, or contraction, a plan will be put into place. The Operational Plan (Doc. 9.2) is the preliminary plan for administrators and all department chairs and activity supervisors to provide a "needs assessment" required for the final budget.

The Operational Plan was developed with input from all department chairs and activity supervisors, in conjunction with their respective Vice President. The Operational Plan then becomes what is recognized as the budget for the next fiscal year on July 1st. As the college accrues savings or receives additional funds, the first wave of funds received (designation of funds aside) is allocated to restore classroom offerings to support an acceptable growth rate.

Self Evaluation

LATTC closely monitors the college budget and expenditures and takes action to curtail spending when indicated on the Quarterly Report analysis. The Financial Information System possesses a limited ability to curtail spending. The college financial strategies are resilient and creative in sustaining such programs during times of a budget shortfall and will continue this practice.

Planning Agenda

It is recommended that the college must continue to closely monitor class size, class offerings, and expenditures in order to invoke saving measures as analysis indicates. The college needs to develop a policy to recover resources that are expended in support of Specially Funded Programs and use of facilities by non-college organizations.

It is recommended that in order for the college to supplement the projected loss in state and local funds, it continue to pursue grants and other outside sources of income.

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

Descriptive Summary

The Office of the Controller for LACCD projects income for each of the nine colleges and the district as a whole. Approximately 90 percent of the funding for the LACCD is provided by the state. Assumptions made in the process of projecting income are explained in the Tentative and Final Budget documents. LATTC projections of income have proven to be accurate. The college submits a Quarterly Report document and bases decisions on long-term faculty and staff hiring expenditures from these reports. A close evaluation of each position is conducted prior to college approval for hiring. The evaluation process considers factors such as number of students, need for the service or services, number of employees in the respective area, workload of such area, and projected strength of program.

Self Evaluation

The evaluation of each position results in the reduction of long term financial commitments. The analysis of the Quarterly Report (Doc. 9.3) coupled with the condition of the state's financial health for fiscal year 2002-2003 (Doc. 9.4), and the projected health of fiscal year 2003-2004, requires the college to reduce spending. In addition to the evaluation of each request, the college imposes early purchasing deadlines to prevent over expenditures. In addition, a constant evaluation of classes during registration and at the beginning of the semester are conducted to ensure that classes with low enrollment are cancelled and classes with large stand-by lists are split to create additional sections.

The college funds projects that directly support the mission and goals of LATTC.

Planning Agenda

It is recommended that until the state economy rebounds, the college must continue the rigorous evaluation of classes and class size to ensure maximum Weekly Student Contact Hours (WSCH) and Full-Time Equivalent Students (FTES). The college will need to grow smartly to capture the greatest amount of state funding for classes offered, while keeping the instructional program in balance.

It is recommended that the college implement and communicate a policy that limits or eliminates spending in specific areas.

It is recommended that LATTC will develop strategies to recover costs incurred in the support of Specially Funded Programs, and continue to apply for, and be awarded public or private grants to support existing programs and the mission of the college.

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

Descriptive Summary

In April of 2001, the college and the LACCD campaigned strongly to pass the voter-approved Proposition A, a \$1.3 billion local bond measure, overwhelmingly supported by the public to fund capital projects for each of the nine colleges in the district. Of this amount, LATTC received \$138 million for designated capital improvement projects. A list of projects funded by the bond measure is an all-inclusive needs list, prepared by combining the Capital Construction Plan projects, the Scheduled Maintenance projects and projects identified at a PAC retreat. LATTC contracted with a Facilities Master Plan firm, MDA Johnson Favaro to prepare the Facilities Master Plan (Doc. 9.5). The college is also in the process of preparing an Educational Master Plan. The Educational Master Plan, scheduled to be completed by January 2003, will serve as a guide for that program.

Self Evaluation

The Facilities Master Plan was developed in support of the college mission, to provide a quality educational learning environment, a college atmosphere and to modernize and renovate new and existing buildings. The Facilities Master Plan was developed with input from the college community, and the community at-large through a shared governance structure at each phase. The final version of the Facilities Master Plan will serve as a blueprint for the redevelopment of the college for the next five years and provide a vision for the college over the next thirty years.

Planning Agenda

The college has already begun to implement the Facilities Master Plan in the areas where the Educational Master Plan will not adversely affect existing programs. Facilities development, renovation, or modernization of the other areas has proceeded at a slower pace, in order to incorporate the findings in the Educational Master Plan.

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

Descriptive Summary

The formal beginning of the budget process begins when the LACCD instructs the college to prepare the Operational Plan. The Operational Plan instructions clearly

define the priorities for the development of the Operational Plan. Those priorities include budgeting for all regular faculty, staff and administrators, utilities, and contractual agreements, and other fixed costs for the fall and spring semesters.

Funding for summer sessions and intersession, if the college decides to offer classes during these times, is also included as a priority in the Operational Plan. As the Operational Plan is prepared these instructions are followed: the college receives a Preliminary Planning Allocation, which is based on the District Allocation Model. The Model is detailed in both the Tentative (Doc. 9.6, 9.7) and Final Budgets (Doc. 9.8, 9.9) as well as in the Preliminary Planning Allocation memo. As a result, the Preliminary Planning Allocation the Operational Plan is adjusted to balance with the Allocation. Finally, the Operational Plan converts into the budget for the following fiscal year on July 1st.

Self Evaluation

The instructions and guidelines for the Operational Plan are clear and work well to support the basic needs of the college. This process functions considerably easier when there is sufficient funding in the Preliminary Planning Allocation. The Allocation Model, where funds originate from the State of California, first funds the LACCD office district wide accounts, the Contingency Reserve and the Board Election. The remaining amount is allocated district wide, such as the retirement fund, which is followed by an allocation to the LACCD Contingency Reserve and the LACCD Board Election. The remaining amount available is ultimately distributed to the nine community colleges of the LACCD. The state funding for the 2002-2003 fiscal year is insufficient to support the basic needs of the college and, or to sustain the existence of programs.

Planning Agenda

The Allocation Model is sound, however, attention must be focused on determining methods to make additional funding available for the colleges. The college must also examine its own budget to determine if each budget item is basic to the programs it supports. Such programs are evaluated to ensure each support the mission and goals of the college. The college must also decide the best way to handle unfunded Full-Time Equivalent Students (FTES), while remaining competitive with the other colleges in the district for its share of the available funds.

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

Descriptive Summary

Preparation of the Operational Plan budget begins with the college receiving a Preliminary Planning Allocation. The Preliminary Planning Allocation is based on the college's income, less a deduction for the district office, district wide functions, and Contingency Reserve and board election. Prior to the allocation being finalized, there

is a formula for determination of need. This Preliminary Planning Allocation Model is clearly defined in the published budgets (Tentative or Final). The college begins a series of meetings with each department chair or activity supervisor and the vice president of administration and the respective vice president for that area. These meetings help identify the needs of each department. After each department submits their information, it is compiled and the budget office prepares the budget. The budget is prepared with the following expenses considered: regular personnel; utilities; a pre-determined level of instructor hourly for fall, spring, summer (two sessions) and intersession; salary increase; employee benefit increase and the previous year's budget.

Initially the previous year's budget adjusted for the above factors is input into the Operational Plan. This is compared to the Preliminary Planning Allocation and then the Operational Plan is adjusted to balance to the allocation. For the 2002-2003 fiscal year the Preliminary Planning Allocation was approximately \$3.5 million short of the college's needs. The college's Third Quarter Report describes the college's plan to reduce the shortfall. A budget report is presented to the PAC that includes representatives from all constituents of the college community.

Self Evaluation

This system is much more inclusive of the college community than past systems. The problem is insufficient funding for all the college needs and there is a natural priority for funding fixed costs, such as regular employees, utilities, some level of instructor, and hourly and other essential items. The college is beginning the process of reviewing the entire budget. This process enables the college to fund only the levels of service that the allocation will allow. The basic foundation of the budget supports the college mission and goals.

Planning Agenda

It is recommended that the college continue to evaluate every line item in the budget and give the greatest support to those that support the mission of the college. The college needs to respond the challenge of a reduced annual budget to provide salary increases, employee benefit increases and maintain adequate enrollment. This must occur to remain competitive with the other colleges in the district.

B. Financial Management

B.1 The financial management system creates appropriate control mechanisms and provides dependable and timely information for sound financial decision-making.

Descriptive Summary

The financial management system is maintained at the district using the DEC computer system. The level of control for all the non-salary accounts is at the object level through

an encumbrance system. This system ensures that these accounts cannot be over spent. The level of control for regular positions is at the position level. This allows for control of the number of people employed by the district. The level of control for all other accounts including hourly rate, student workers, etc., remains with the college, which maintains a manual system.

The computer allows expenditures if there is a budget line item. Controls for the student worker accounts rely on the department chair or activity supervisor for staying within the budget. Controls for the hourly rate instruction, including summer and winter intersession remain with the Office of Academic Affairs to manage the program within the allocated budget. Budget information is readily available on the DEC screens and with the QRP (Quick Report Program) system. In addition, the college receives monthly financial reports from the district.

The college is required to file Quarterly Reports with the district. The Quarterly Report identifies expenditures for the year, details plans for enrollment, and evaluates current enrollment. Additionally, it informs the district of any pending financial problems in the current or upcoming year, the college plans to eliminate any projected deficits and the current state of the facilities.

Self Evaluation

The controls that are in place for non-salary accounts are excellent. The controls for the remainder of the budget require the college to monitor expenditures to ensure that they are within the budget. The Quarterly Reports also provide the college with a fixed point in time to review, in detail, expenditures with relation to the budget.

Planning agenda

After in-depth college planning, the district is in the midst of implementing a new computer software program called SAP. The college financial, procurement and facilities systems began to use the SAP software on July 1, 2002. Planning has already begun and the next systems to change will be the Human Resources and Payroll systems. The last system to change will be the student database.

B.2 Financial documents, including the budget and independent audit, reflect appropriate allocation and use of financial resources to support institutional programs and services. Institutional responses to external audit findings are comprehensive and timely.

Descriptive Summary

The budget process begins with individual meetings with each department chair or activity supervisor, the Vice President of Administration and the respective vice president for that area. The Operational Plan budget for the next year, is based on funding regular employees, funding utilities, a predetermined level of hourly rate instruction, historical

data for some items, results of the meetings and a Preliminary Planning Allocation that the district office provides.

The district annually contracts with an independent auditor to do the required audit (Doc. 9.10). Exceptions to the audit are responded to by the district office. If an exception involves a college, the district requires input from that college.

Self Evaluation

This budget process was put in place for the preparation of the 2002-2003 budget. Individual department chair and activity supervisors had not previously participated in this type of process in prior years. Department chairs and activity supervisors indicated that they were supportive of the new process. The vice presidents were also supportive of the process, commenting that it allowed them a better understanding of the needs for each program.

The audit provides an accurate reflection of the allocation of resources and the expenditure of funds. External audits are taken very seriously and responses to these audits are comprehensive and timely.

Planning Agenda

It is recommended that department chairs and activity supervisors and the vice presidents continue to participate in the campus budget preparation process, in order to support a clearer understanding of the needs of each program and discipline.

B.3 The institution practices effective oversight of finances, including management of financial aid, externally funded programs, contractual relationships, auxiliary organizations or foundations, and institutional investments.

Descriptive Summary

The controls for financial and externally funded programs are the same as described. The controls possess an additional safeguard for Financial Aid, enabling them to receive additional program specific reports. This allows Financial Aid to review awards and expenditures every other week. When a request for contract is received from a department, it is approved by the Vice President of Administration and forwarded to either the Regional Procurement Specialist, or depending on the cost of the contract, forwarded to the District Office for processing.

Once the contract is negotiated, it is sent to the campus for approval and then forwarded to the Board of Trustees for approval. To eliminate long-term district obligations; no contract is valid until the Board of Trustees approves that contract.

Institutional investments are located in the area of the Associated Students Organization. All investments are in insured accounts. Auxiliary organizations such as the Bookstore utilize the same centralized computer system as other campus entities and the controls are the same. The Los Angeles Trade-Technical Foundation is a separate organization; the role of the college is to ensure that the foundation operates on sound financial principles and meets the required annual audit.

Self Evaluation

The control systems are in place and working. The district is well protected from long term contractual obligations. The Financial Aid Office is satisfied with the biweekly program specific reports and serves their control function well. Internal systems need to be instituted in order to prevent departments from over-spending their student worker budgets.

Planning Agenda

As the district completes the control systems conversion to the SAP software, the LATTC Vice President of Administration will review and evaluate the campus conversion.

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

Descriptive Summary

Fund-raising activities are conducted under the Los Angeles Trade-Technical Foundation or trust accounts, (department fundraising accounts established for this purpose). The Foundation is governed by a Board of Directors, which approves all fund-raising activities. The Board is conscious of and adheres to all governing rules. All raised funds are used to support the educational and professional goals of the students, and the mission statement of the Los Angeles Trade-Technical College.

Self Evaluation

Although fund-raising efforts generate a minimal amount of funds, these funds are put to good use in support of the college. Fundraisers by the Associated Students Organization (ASO) and the trust accounts benefit the students and support college programs. There are appropriate levels of checks and balances to ensure integrity and appropriateness of the events. The funds raised by the ASO and the Foundation are used for projects that are difficult for the basic program to support or for emergencies. Both support the college mission and goals.

Planning Agenda

It is recommended that the campus continue collaborating with the Los Angeles Trade-

Technical Foundation as it continues reorganizing to provide greater support to the college.

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

Descriptive Summary

Contractual agreements are negotiated and submitted by the program director, department chair or activity supervisor. The Office of Budget and Purchasing processes the request in three different ways depending on the amount of money requested.

If the amount is under \$2,500 the Office of Budget and Purchasing converts the request into a “short form” contract, the contractor, and the Vice President of Administration sign the document and the contractor is then able to provide the service. The contract is finally submitted to the Board of Trustees for ratification.

For contracts \$2,501 and above, the request is submitted to the Regional Procurement Specialist for processing. The Regional Procurement Specialist contacts the contractor, converts the request to a district form where the districts terms and conditions, scope of work, invoice requirements and costs are negotiated. The completed contract is sent to the contractor and the Vice President of Administration for signature, and submitted to the Board of Trustees for approval.

Self Evaluation

There are a series of controls that are in place provide safeguards to insure the district is protected when entering into long term agreements. The current system, although sometimes lengthy and time-consuming, minimizes long-term risk to the district. Over the past year and a half, the responsibility for procurement has shifted from central control to college control. Prior to the shift extensive training was required and detailed manuals were prepared. The college has accepted this responsibility and the accountability that this opportunity has presented.

Planning Agenda

The shift to new computer software will present new challenges and the college must continue to be aware of the responsibility and possible risks that contracts with external agencies present.

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

Descriptive Summary

The college submits a Quarterly Report to the district projecting year-end expenditures. Preparation of this report requires that the district financial management system provide data on expenditures. That data is compared with data from the salary distribution. If there is a variation in data from these two sources the problem is identified and used to improve the system. The Quarterly Report also requires the college to project enrollment and identify any shortfalls, for both the current year and the upcoming year with a plan to eliminate the shortfall.

On July 1, 2002 the district will transfer the financial and procurement system to new computer (SAP) software. Preparation for this change has required that current procedures be modified or changed. Participation in the modification or changes in current procedures involved the software consultants, district office personnel and college personnel working together through a committee structure model to recommend new procedures. All the college requested changes have been either considered or implemented into the new procedures.

Self Evaluation

The Quarterly Report is a useful tool for projecting ending balances. Problems exist when the first full certificated payroll comes after the first quarter and is difficult to project using hard data. The second quarter report provides a very accurate record of ending balances. The inherent problem is that half of the year is completed by this time, and the spring and summer schedules have been printed.

The process used to prepare for the new computer software has been a very inclusive and time-consuming process. It has been worth the effort for the input into both the new procedures and new computer software.

Planning Agenda

It is recommended that within the next few years the Human Resources and Payroll system be converted, followed by the Student Record system. This will be a tremendous challenge and college personnel will need to be prepared to devote the time and effort on the next two systems as they have with the Procurement, Financial and Facilities systems.

C. Financial Stability

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

Description

The majority of future obligations, including retiree benefits, COPS, Workers Compensation, and legal expense, are placed in the district-wide accounts. The current Budget Allocation Model taxes the college's income for the district-wide account, district

office, board election and Contingency Reserve. Future obligations are budgeted for, prior to the colleges receiving their Preliminary Planning Allocation.

Self Evaluation

This allocation model provides funding for future obligations prior to funding other needs.

Planning Agenda

It is recommended that future obligations be carefully monitored, as when they are over budgeted, other items do not receive adequate funding.

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

Descriptive Summary

The college has a College Safety Officer whose responsibility it is to prepare disaster plans, monitor disaster supplies, the workplace for safety violations and hazards. Additionally, they are responsible to take accident reports and investigate the circumstances of injuries, initiate safety training and manuals, keep the Building Supervisor lists current and the personnel trained and provide safety statistics.

Self Evaluation

LATTC is one of the few colleges in the district that has invested in a College Safety Officer. That has provided the college with a valuable resource and a trained individual that sees safety first and works to eliminate safety hazards and implement good safety habits

Planning Agenda

It is recommended that the college reviews the disaster plans and simulates an exercise that activates the command post and evacuates buildings.

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

Description

The LACCD Contingency Reserve is budgeted at 4 percent of the district income. This strategy places the district well above the 5 percent of expenditures that is required. The bookstore fund has a balance; the Special Reserve Fund has a large balance; and six of the nine colleges ended the fiscal year 2001-2002 with a positive ending balance.

Self Evaluation

The college does not have a cash flow or reserves problem that would cause concern about maintaining stability.

Planning Agenda

There are no planning activities required at this time.

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

Description

The college manages expenditures and enrollment, which are the two main elements in the allocation of funds for budget. The college is conservative with expenditures and evaluates each request to fill positions, thereby incurring a long-term employee commitment only when the position supports the college mission and goals. The college has begun to end the fiscal year with a surplus, which carries over into the next fiscal year's budget. Once this becomes a pattern, the college will address the issue of creating its own contingency reserve, in addition to the district contingency reserve.

Self Evaluation

The District Allocation Model does not provide adequate funds to the college for LATTC to create a College Contingency Reserve that would provide funding in an emergency. Currently, for emergencies the college must rely on the district to provide funding.

Planning Agenda

The district needs to find ways to increase the amount of funding available to the colleges to provide programs in support of the its mission and goals, to create a Contingency Reserve, and to have a positive yearly ending balance.

Standard Nine: Financial Resources Documents List

- 9.1 Educational Master Plan: Affiliated documents and description of the consultants hired by Los Angeles Trade-Technical College to produce the EMP.
- 9.2 Operational Plan: Fiscal year 2001-2002 for Los Angeles Trade-Technical College. Fiscal Year 2002-2003 will be available after the third week of June 2002.
- 9.3 Third Quarter Report: Quarterly Financial Status Report for the Fiscal Year of 2001-02 for Los Angeles Trade-Technical College. This report contains a comparison of fiscal year 2000-2001 and 2001-2002.
- 9.4 State of California Budget Fiscal Year 2002-2003: Document of the May 14th, 2002 State Budget Revise provided by the Community College League of California.
- 9.5 Facilities Master Plan (FMP) of Los Angeles Trade-Technical College: Campus Plan 2002 FMP created by Master Designer Architect M.D.A. Johnson Favaro.
- 9.6 Tentative Budget: Fiscal Year 2000-2001 Tentative Budget. Created by the Operations Division, June 2000 for the Los Angeles Community College District.
- 9.7 Tentative Budget: Fiscal Year 2001-2002 Tentative Budget. Created by the Operations Division, June 2001 for the Los Angeles Community College District.
- 9.8 Final Budget: Fiscal Year 2000-2001 Final Budget. Created by the Office of the Chancellor, August 2000 for the Los Angeles Community College District.
- 9.9 Final Budget: Fiscal Year 2001-2002 Final Budget. Created by the Office of the Chancellor, August 2001 for the Los Angeles Community College District.
- 9.10 Report on Audited Financial Statements: Created by the Los Angeles Community College District, June 30, 2001.