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 resource planning is integrated with institutional planning.
Standard III D: Financial Resources

The institution effectively uses its human, physical, technology, and financial resources to achieve its broad educational purposes, including stated student learning outcomes, and to improve institutional effectiveness.

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 resource planning is integrated with institutional planning.

DESCRIPTIVE SUMMARY

Gavilan Community College’s Fiscal Year (FY) 2012/2013 Final Budget revenue and expenditures for its major fund categories are as follows (3D.1):

<table>
<thead>
<tr>
<th>Fund</th>
<th>Revenues</th>
<th>Expenditures</th>
<th>Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted General Fund</td>
<td>$27,498,030</td>
<td>$28,991,611</td>
<td></td>
</tr>
<tr>
<td>Parking Fund</td>
<td>126,000</td>
<td>163,836</td>
<td></td>
</tr>
<tr>
<td>Categorical Restricted Fund</td>
<td>5,680,523</td>
<td>7,373,340</td>
<td></td>
</tr>
<tr>
<td>Total General Fund:</td>
<td>33,304,553</td>
<td>36,528,787</td>
<td></td>
</tr>
<tr>
<td>Total Funds 720, 340, 210, 600, 920</td>
<td>6,222,194</td>
<td>7,808,317</td>
<td></td>
</tr>
<tr>
<td>Total Fiduciary Funds 470, 480, 660</td>
<td>9,708,591</td>
<td>9,807,999</td>
<td></td>
</tr>
<tr>
<td>Total All Funds (For memorandum only):</td>
<td>$49,235,338</td>
<td>$54,145,103</td>
<td></td>
</tr>
<tr>
<td>Net Change in Ending Fund Balance</td>
<td></td>
<td>(4,909,765)</td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td></td>
<td>40,843,131</td>
<td></td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td></td>
<td>$35,933,366</td>
<td></td>
</tr>
</tbody>
</table>

More detailed information on both revenues and expenditures can be found in the District’s annual budget and audit reports (3D.1).

Gavilan College has sufficient revenues to maintain current programs and to support improvements. As shown in the table below (3D.17, 3D.18, 3D.19, 3D.20, 3D.21, 3D.22, 3D.1), over the past six years the College has shown a trend of increasing the unrestricted general fund balance while still meeting current educational needs and in some cases (such as the new water resources program), growing educational programs: (see next page)
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Beginning Fund Balance</th>
<th>Revenue</th>
<th>Expenditures and Other Outgo</th>
<th>Ending Balance</th>
<th>Percent of Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12/13*</td>
<td>$3,131,578</td>
<td>$27,498,030</td>
<td>$28,991,611</td>
<td>$1,637,997</td>
<td>5.6%</td>
</tr>
<tr>
<td>FY11/12</td>
<td>3,915,619</td>
<td>28,916,121</td>
<td>30,667,869</td>
<td>2,163,871</td>
<td>7.1%</td>
</tr>
<tr>
<td>FY10/11</td>
<td>3,224,908</td>
<td>29,309,147</td>
<td>28,618,436</td>
<td>3,915,619</td>
<td>13.7%</td>
</tr>
<tr>
<td>FY09/10</td>
<td>2,676,883</td>
<td>29,141,865</td>
<td>28,593,840</td>
<td>2,163,871</td>
<td>8.8%</td>
</tr>
<tr>
<td>FY08/09</td>
<td>3,589,954</td>
<td>29,507,822</td>
<td>30,420,893</td>
<td>2,676,883</td>
<td>12.4%</td>
</tr>
<tr>
<td>FY07/08</td>
<td>3,050,473</td>
<td>29,470,878</td>
<td>28,931,397</td>
<td>3,589,954</td>
<td>11.0%</td>
</tr>
<tr>
<td>FY06/07</td>
<td>2,247,341</td>
<td>28,535,470</td>
<td>27,732,338</td>
<td>3,050,473</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

*FY12/13 Final Budget – deficit due to workload reduction as a result of state budget issues.

The weak economic climate has resulted in a significant reduction of funding to all community Colleges. As a result of the District’s conservative fiscal planning and its Board of Trustees’ commitment to keeping unrestricted reserves at a minimum of five percent, the District has been able to successfully weather the ongoing state budget crisis. In a proactive move at the beginning of the budget crisis, in FY08/09 the District reconvened the Expenditure Reduction Task Force (ERTF), which had first been established in January 2003 (3D.3) to identify savings that would allow the District to continue to meet essential educational goals. The ERTF identified $841,219 in savings (3D.4).

As a result of the state budget crises, the state allocation of some District revenue sources has declined (Deferred Maintenance, Instructional Equipment, Matriculation, CalWORKS, EOPS, CARE). Through a combination of seeking out other federal, state and local grants, general fund backfill and restriction of existing expenses, the areas covered by these grants are still functional, though sometimes at a reduced level.

The District’s total expenditures have fluctuated significantly across individual budget years. The major impact is from the implementation of the Measure E (Fund 600) projects; the District cashed out three bond series (3D.25, 3D.26, 3D.27) and completed multiple projects, including an infrastructure upgrade and renovations to the Social Science, Business, Cosmetology and Physical Sciences buildings. An integrated Enterprise Resource Planning (ERP) system was also implemented to consolidate and link campus-wide financial, student and scheduling transactions.

Gavilan College has also sought alternative funding, specifically through federal grants. In FY08/09 the College was awarded a $3.8 million Science, Technology, Engineering and Mathematics (STEM) grant. In FY10/11 the College was awarded a $1.2 million Title V grant. In FY11/12 Gavilan College was awarded another $2.4 million STEM grant. These grants have allowed the designated educational programs to grow, and improved classroom teaching tools. Instructors have been granted release time to upgrade existing educational plans and programs. These grants have also taken some pressure off the general fund by paying for permanent salaries that otherwise would have required the use of unrestricted funding sources. They have made it possible for the College to upgrade classrooms, an action that might have gone unfunded without these additional grants.
Gavilan College’s finances are managed with integrity in a manner that ensures financial stability to the District. Information related to the institution’s finances is discussed and reviewed by campus constituent groups in a number of different venues. For example, the Gavilan College Budget Committee, President’s Council and the Board Budget Committee review tentative budgets; Final approval is decided by the full Board of Trustees at their regular June meeting. The Board of Trustees approves the final budget at their September Board meeting. The director of business services prepares and presents a mid-year budget review to analyze the year-to-date expenses versus the annual budget. This information is presented to the budget committees and the Board of Trustees. The College has instituted internal controls to ensure that expenses are properly approved and are an appropriate use of the applicable funds. In addition, the books of the District are open to anyone who has a question regarding specific transactions.

Funding priorities for institutional improvements are determined by the Gavilan College Board of Trustees’ Goals (3D.29) and the Five-Year Strategic Plan (3D.28). The Five-Year Strategic Plan identifies the long-term direction and goals of the District. All funding requests must be linked to a specific Strategic Plan goal to ensure that the funds are being used to further the mission of the College. The fiscal standards (3D.1) of the budget building process set an operations baseline to maintain acceptable operating funding while still allowing pursuit of the Strategic Plan goals.

The budget building process uses the following general guidelines for prioritizing budget requests (3D.5): First priority is identification of the level of ongoing expenditures necessary to sustain the District’s current operational services. Second priority is funding improvements to enhance the College mission; the Gavilan College budget committee and President’s Council establish these funding needs through a process of departmental review, program plan and budget requests, and ranking. All funding requests must directly support a goal listed in the Strategic Plan. Annual budget guidelines list the current year's objectives for instructional and other institutional enhancement (3D.5).

Institutional resources are sufficient to ensure financial solvency. Over the last decade the District has maintained more than the required amount of reserve in its unrestricted general fund. This has aided the District in weathering the recent economic downturn and maintaining its financial solvency. In 2006 the District took the proactive step of funding its retirement liability while continuing “pay-as-you go” for current retirement expenses. Currently the District is in excess of the actuarial amounts determined by the accounts receivable conversion (ARC) payment. The District has also pursued federal grants that supplement the general fund.
1. The institution relies upon its mission and goals as the foundation for financial planning.

   a. Financial planning is integrated with and supports all institutional planning.

DESCRIPTION:

The District's budget process is a comprehensive planning process that conforms to District policy. The specific goals and objectives of District plans are integrated into the budget guidelines and provide the primary guidance for new initiatives in the District's financial planning. Additions of new programs and expansion of existing programs are tied directly to the Gavilan College Five-Year Strategic Plan, which is the guiding force for the direction of Gavilan College. As District plans evolve, the new and revised goals and objectives, subject to available funding and Board of Trustees approval, are incorporated into the District's financial plans.

The District relies on its mission statement to drive the fiscal planning process (3D.8). The Educational Master Plan (3D.9), Facilities Master Plan (3D.10), Technology Plan (3D.11), and the Five-Year Full Time Faculty Hiring Plan (3D.12) set the long-term goals, which are fulfilled through the Five-Year Strategic Plan (3D.28). The Educational Master Plan, augmented by the Facilities Master Plan and the Technology Master Plan, provides the broad context for implementing the mission. The District also has a Five-Year Full-Time Faculty Hiring Plan. District plans are considered "living documents" which undergo periodic review and revision as detailed in the College Planning Matrix (3D.30).

The Five-Year Strategic Plan lists specific objectives directed at achievement of the District's mission. The Strategic Plan, updated annually by a representative, shared governance committee, is used to create the annual budget guidelines. Budget requests must be directly linked to an existing Strategic Plan goal when being submitted for funding consideration.

The Board of Trustees’ policy regarding budget development is as follows: Each year, the president of the College presents a budget to the Board of Trustees, prepared in accordance with Title 5 of the California Code of Regulations and the California Community Colleges Budget and Accounting Manual. The schedule for presentation and review of budget proposals complies with state law and regulations and provides adequate time for study by the Board of Trustees. Budget development must meet the following criteria: the annual budget supports the District's Educational Master Plan and Five-Year Strategic Plan, budget projections address long-term goals and commitments, and budget planning supports institutional goals and is linked to other institutional planning efforts (3D.13).

The preliminary initiation, development, prioritization and selection of the annual budget guidelines begin with their link to the Five-Year Strategic Plan. The Board of Trustees Budget Committee, in consultation with the president and the vice president of administrative services, refines the budget guidelines. These preliminary guidelines are submitted to the President's Cabinet, Board and College Budget Committees, and the President's Council for review and comment. Upon adoption by the Board of Trustees, these budget guidelines
govern the portion of the budget building process providing for new initiatives.

In addition to the annual review of Strategic Plan goals, individual departments submit annual program plans. Any requests for additional products, services or personnel that the department feels are integral to their continued success should be included in the program plan, with an associated budget request. Funding requests must be supported by one of the current fiscal year’s Strategic Plan goals, ensuring that individual department needs are in line with the institution’s goals.

The Program Plan budget requests are ranked by the dean of the division (if applicable), and the vice president of the area, and are then reviewed by the Gavilan College Budget Committee. The Gavilan College Budget Committee groups the items by funding source (for example, unrestricted, categorical restricted funding, Five-Year Faculty Hiring Plan) and then ranks them by importance to the District. The College Budget Committee members review each budget request and its link to the goals of the Five-Year Strategic Plan. After discussion, the committee ranks by consensus using an established rubric to maintain consistency in the rankings (3D.31). These rankings are then sent to the President’s Council for review and recommendation and then to the president for future budget allocation decisions.

Every January, a budget calendar is prepared and presented to the Board of Trustees for approval. The calendar is created in consultation with the representatives of the Academic Senate (and other members of the College Budget Committee) as required by AB 1725. The calendar documents the budget cycle for the next fiscal year. Included in this calendar are the deadlines for both District and state actions, including the Five-Year Strategic Plan goals, program plan updates and state budget timelines (3D.40).

Every three to five years, each District program or service completes a self-study for review by the Institutional Effectiveness Committee (IEC). The Dean’s Council may request that programs be reviewed out of sequence due to cost, falling enrollment or assessment needs. The IEC reviews each self-study report and follows up with a validation process. The primary objective of the process is to ensure that the quality of the educational programs at Gavilan College reflect student needs and encourage student success. One of the purposes of the review is to establish the basis for resource allocation requests in annual program plans and budget requests. In order for a program to expand or make a significant changes or improvements, the process requires the department identify their needs through the IEC process.

The annual College budget includes an update of the Board Goals and Five-Year Strategic Plan. It also includes an assessment of the prior year’s Strategic Plan goals and the College’s success in meeting those goals. The assessment includes the impact of all funding sources at the College including both general fund and categorical funds. The current status and assessment for each strategy/goal is included in the budget document. In addition, each year the departments submit a program review update on the status of their areas (3D.32).

The Tentative and Final Budgets are available on the District’s website (3D.41). Both of
these documents contain information about the current fiscal year’s Strategic Plan and an assessment of the College’s attainment of the prior year’s Strategic Plan goals. The Board Budget Committee and College Budget Committee are presented with detailed information regarding the revenues and expenses included in these budgets, in particular the unrestricted general fund. In years with sufficient levels of funding, the ranked program plan requests are considered for inclusion in the annual budgets. These program plans must be linked to the Gavilan College Five-Year Strategic Plan.

Minutes of shared governance committee meetings, such as President’s Council, and College Budget Committee, are published within a week of the meeting date. The student, support staff, faculty and manager/supervisor representatives are also expected to report on committee activities to their constituent groups and bring back any concerns to the committee. Individual meetings with Business Office staff are also available to any manager or staff members that need additional assistance with their budgets.

The Board of Trustees receives a monthly report that shows the progress of actual revenue and expenditures compared to the current budget. The Director of Business Services prepares a mid-year review that details any deviations from the projected budget and suggests mid-year adjustments to correct any inconsistencies. All District administration, managers and department chairs have access to the school’s financial information through the Enterprise Resource Planning (ERP) system and can access “real time” details as needed. All plans, including program plans, are available through the District’s intranet. The monthly budget to actual reports are included in the monthly Board of Trustees agendas, which are also published on the District’s website (3D.42). The College Budget Committee also reviews the tentative and final budget information, as well as any mid-year reviews.

EVALUATION:

Gavilan College meets Standard III (D)(1)(a).

PLAN:

None.

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

DESCRIPTION:

Even under the best of circumstances, creating a budget is inherently fraught with uncertainty, since a budget is, by definition, an estimate of the unknowable future. To generate the best estimate of expenditures, budgeting looks to the past for guidance about the probable future. The budget process begins while the current year is still in progress and barely half complete. To generate best estimates of revenues, budgeting in part depends on
state funding. The process begins when the ink on the governor's budget proposal is barely dry, and that proposal can change significantly before a final state budget is passed. The budget process is collaborative, includes prioritized educational initiatives based upon planning objectives, and occurs within the context of retaining a healthy unrestricted reserve. The Board of Trustees target is ten percent or a minimum of $1.5 million (3D.15) for unanticipated emergencies.

The process is, however, inherently imperfect. Mistakes in budget building or budget management occur. Ongoing budget adjustments as well as the mid-year review assist in detecting and correcting variances while there is still time for the District to act. The District is usually able to respond with intra-year strategies to recoup or minimize the error(s). A more serious problem has been the underutilization of requested direct expense funds over the last two years, resulting in large, unanticipated surpluses. Surpluses are lost opportunities. They result from funds set aside to complete a specific purpose and not used; those funds could have been used to accomplish another project instead of rolling into the fund balance at the end of the year. A strong effort was made in FY10/11 to educate cost center managers about the importance of spending all their funds and providing early notification to senior management if the funds will not be used (3D.43).

In the 2008-2009 academic year, the District replaced the Santa Rosa Management Information System (MIS) with a fully integrated Enterprise Resource Planning system (ERP). The new system has an online, real time budget module (Finance Self Service) that allows cost center managers to directly access their budgets, including actuals and encumbrances, down to the transactional detail level.

The Board of Trustees receives a monthly report (posted along with the Board meeting agenda on the Gavilan website) (3D.41) that shows the progress of actual revenue and expenditures compared to the current budget for each of the funds. The Director of Business Services prepares a mid-year review that details any deviations from the projected budget and suggests mid-year adjustments to correct any (3D.32) inconsistencies. Periodic presentations are also made at the College and Board budget committees as well as the monthly Board meetings to give updates on any significant changes in the budget, especially the unrestricted budget. All plans, including program plans, are accessible to faculty and staff at the District’s intranet (3D.44). The annual budget is posted on the Gavilan College website (3D.41); as part of the shared governance process, the budget is reviewed with all constituent groups on campus prior to final publishing. Business Office staff is also available to meet individually as needed to help cost center managers and their staff effectively budget and manage their revenue and expense allocations.

As with all expenditures, consideration is given to the impact of budget decisions on educational needs. Budget requests are addressed through the program planning process and must directly support an existing strategic goal. Cost center managers submit annual program plans, linked to specific Strategic Plan goals. Division deans (where applicable), area vice presidents and ultimately the president review the program plans. All program plans requiring additional funding (both personnel and non-personnel) are linked to budget requests, and ranked by the College Budget Committee using a rubric. They are then
forwarded to the President's Council for additional review (3D.33). The College Budget Committee evaluates the requests, and considers the total amount of funding available. After review and any necessary amendments the budget requests are forwarded to the vice president of administrative services for incorporation into the tentative budget. The Board Budget Committee, the Gavilan College Budget Committee, and the President's Council all review the tentative budget before it is submitted to the full Board of Trustees for approval.

The Educational Master Plan, Facilities Master Plan, the Technology Plan, and the Five-Year Full-Time Faculty Hiring Plan provide the goals from which the District derives its multi-year Strategic Plan. The Strategic Plan lists specific objectives intended to achieve the Gavilan College mission. The Strategic Plan is updated annually by a representative, shared governance committee, including faculty, classified staff, supervisors/confidentials, and administrators. This plan in turn directs the budget guidelines.

The revenue projections and the budget guidelines are reviewed by the President's Cabinet, which then establishes budget assumptions that cost-center managers employ when building initial budget expenditure requests. Cost center managers receive the detail of permanent staff costs, detail of non-permanent costs such as overtime, stipends or part-time faculty and a list of direct expenses that includes two prior years and the current year budget and actuals to facilitate budget building. They review the data and return it with any changes for inclusion in the budget.

The process for developing budget expenditure requests depends upon the category of the expenditure. Large capital projects are incorporated into the budget once the external funding source(s) are available; these sources may be from restricted categorical funding or the general fund. The vice president of administrative services and the president are the lead developers of the capital budget in conjunction with the Board Facilities Committee, the President's Council, the Gavilan College Health, Safety, Facilities, and Grounds Committee, and the President's Cabinet.

Managers are also responsible for budgeting equipment and supplies. In the case of instructional supplies and services, the instructional area dean assesses the needs in consultation with department chairs and faculty. In the case of instructional equipment, the vice president of instruction meets with the area deans and department chairs to establish priorities for equipment funding. Non-instructional cost managers similarly consult with their employees to develop equipment and supply requests.

Attention is paid to keeping the budget as close to balanced as possible and maintaining a minimum five percent unrestricted fund balance. In cases where the budget significantly deviates from these goals, the budget may be further adjusted by not filling vacant positions, utilizing the refund of retiree benefit costs or seeking other funding sources.

The tentative budget is subsequently updated (usually, after the state budget is adopted) and reviewed by the President's Cabinet, the Board Budget Committee, the College Budget Committee, and the President's Council to generate a final budget that goes to the Board for review and adoption in September. Once adopted, the current year's budget may only be
amended by the Board of Trustees (3D.14). The Board of Trustees approves any budget changes as part of the agenda at regular monthly meetings.

EVALUATION:

Gavilan College meets Standard III (D)(1)(b).

PLAN:

None.

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.

DESCRIPTION:

Gavilan College plans for and has successfully discharged its past financial obligations. The District maintains a healthy reserve and has already created an irrevocable trust for its contingent retiree liabilities. The Gavilan College Joint Community College District is far ahead of other districts throughout the state in setting aside contingency funds for future retiree health benefits and is currently adding to the contingency fund for current employees when they retire.

In the normal course of business, District decisions have financial consequences that extend beyond the current budget year. Examples include multi-year capital projects, multi-year labor contracts, retiree health benefits, multi-year leases, long-term debt obligations, structures and grounds maintenance, liability exposure, multi-year grants, etc. Additionally, the institution must each year conform to existing, revised, and new federal, state, and local guidelines and laws which have multi-year expenditure consequences, e.g. Title IX, OSHA, Fire Marshal Regulations, the Field Act, etc. Moreover, District educational programs described in the Gavilan College Catalog imply a contractual obligation between the District and its currently enrolled students to continue to fund these programs beyond the current year.

Expenditure priorities are governed by the budget guidelines that derive from the District's Strategic Plan, Educational Master Plan, Technology Master Plan and Facilities Master Plan. These plans all address multiple planning issues. After the budget guidelines are adopted, the vice president of administrative services builds a preliminary (tentative) budget by estimating revenues and expenditures for the upcoming year.

The College projects expenditures by identifying the ongoing costs necessary to sustain the current level of operations, and selecting additional new initiatives that enhance achievement
Of the College mission. Prioritizing and selecting among these potential initiatives is an annual process, with input from all constituent groups. The vice president of administrative services gleans initial conservative estimates of revenue projections from the governor's preliminary state budget, enrollment projections, Chancellor's Office guidelines, awarded grants, and projected federal funding. Funding for capital projects is based upon state funding and bond issues.

Long term liabilities and obligations for the College include the Measure E debt repayment, retiree health insurance liability, vacation accruals, ongoing maintenance costs and current insurance benefits. The District made a commitment to the voters that Measure E debt repayment would not exceed $25/$100,000 of property value. Recently the District was offered the opportunity to reduce the taxpayer debt by approximately $2,000,000 through refinancing part of the bond debt. This transaction was completed in April 2012 (3D.45).

The District has taken strong steps to ensure that its liability for current retirees is fully funded and continues to contribute one and one half percent of current salaries to its irrevocable trust for the cost of future retirees. The latest Governmental Accounting Standards Board (GASB) actuarial study shows that the College is adequately funded for its existing retirees’ cost (3D.6). Employee vacation and compensatory time accruals are capped to minimize the payout liability when an employee leaves the District.

Several large federal grants (STEM and Title V) have been awarded to Gavilan College, providing for the upgrade of many classrooms and laboratories. These new systems and products need to be maintained after the grants have been expended. As the grant budgets are also driven by the institutional planning documents (Educational Master Plan, Tech Plan, Facilities Plan and Strategic Plan), the long-term effects of short-term, grant-funded expenditures are identified prior to purchase.

The District allocates resources for the payment of its liabilities and long-term obligations. Currently the two largest liabilities of the District are its general obligation bond payments and post-retirement obligations. The bond payments are funded by property tax assessments and are managed by County of Santa Clara Controller’s Office. In 2006 the District took the proactive step of implementing funding of its retirement liability while continuing its “pay-as-you go” current retirement expenses. Currently the District is in excess of the actuarial amounts determined by the accounts receivable conversion (ARC) payment.

The District belongs to two Joint Powers of Attorney (JPAs) that assist the District with long-term planning for it workers’ compensation and insurance costs. The District maintains strong reserves with these entities to accommodate any unexpected costs. Resources are directed to actuarially developed plans for Other Post-Employment Retirement (OPEB) obligations. Every three years, the District has an actuarial assessment done to satisfy the GASB requirements regarding its OPEB obligations.
EVALUATION:

Gavilan College meets Standard III (D)(1)(c).

PLAN:

None.

d. The institution clearly defines and follows its guidelines and processes for financial planning and budget development with all constituencies having appropriate opportunities to participate in the development of institutional plans and budget.

DESCRIPTION:

The timing of budget development is governed by the budget calendar. All College constituents from the Board of Trustees to the students as well as the general public have the option to participate in budget development through the Board Budget Committee, the College Budget Committee, and through cost center managers, or by direct query to the Board of Trustees or District managers. Cost center managers consult with their constituents. The budget and financial reports, including the budget calendar are by law public documents. They are distributed, reviewed, and approved at open Board of Trustees meetings, at Board and College Budget Committee meetings, and at the President's Council.

All Gavilan College planning items, program plans and budget information are available on the intranet (3D.44). Meeting minutes and plan documents are easily accessible to all employees and (in most cases) the general public. Each Board of Trustees meeting agenda contains monthly financial reports and the Board of Trustees also participates in a mid-year review.

Periodic meetings are held among managers and administrators to review their budgets. Budget updates are typically presented to all staff on mandatory flex/staff development days twice per year. The District publishes its final budget and its audit report on its website and hard copies are available at the administrative services' office. In addition, a Citizens' Oversight Committee has been established to ensure that the District adheres to the requirements of the Measure E bond enacted by the voters in 2004.

The mechanisms and processes used to ensure constituent participation in financial planning and development start with the Strategic Plan. All budget requests must be tied to a goal in the Strategic Plan. Departments submit program plans outlining the needs of their department; any requests that require funding must have a budget request completed. These budget requests are reviewed and ranked by the area Deans, Vice President, College Budget Committee and President’s Council. Each department is reviewed through the IEC process on a five-year cycle. On an annual basis, the tentative budget development starts with input
from the department chairs or managers, with subsequent review and approval by the applicable dean or Vice President, with final review by the President. The College Budget Committee, the President’s Council, and the Board Budget Committee review the tentative budget. The Board of Trustees must give final approval to both the tentative and final budgets.

**EVALUATION:**

Gavilan College meets Standard III (D)(1)(d).

**PLAN:**

None.

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.

   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.

**DESCRIPTION:**

The budget is monitored for compliance with standard accounting practices. The vice president of administrative services and the director of business services direct this process. Financial records are audited and the audit report is published annually.

During the annual budget development process, the Business Office prepares a three-year report of each department’s normal operating expenses. The departments’ budget managers review the reports, make requested adjustments, and then submit requests to their vice president for review. The president reviews and approves the requests. After approval, they are included in the final budget. The human resources department distributes a report of ongoing salary information to all vice presidents and managers for review. Any changes are then incorporated into the final budget.

The process for filling vacant positions is currently under review. The College is implementing a Resource Allocation Committee (RAC) that will examine open positions and evaluate whether the funds may be needed elsewhere instead of automatically filling the vacant position. The College plans to put the process in place during Spring 2013.

The College has an Institutional Effectiveness Committee (IEC) that evaluates academic, student support and administrative programs on a three to five year cycle. This allows all
departments on campus to review their programs and assess their success in terms of the overall strategic goals of the College. Changes or improvements that are identified through this process are then used to request additional funding. These requests are made through annual program plans that are linked to a specific strategic goal of the College. The applicable administrators review these requests and those requiring a change in funding are evaluated by the College Budget Committee and the President’s Council and ranked according to a rubric for implementation as funding allows.

Gavilan College has received unqualified audit opinions every year since the last accreditation review. Internal controls are considered appropriate, and College management has immediately addressed any improvements or recommendations that have come about through the audit process. When in doubt, the College makes a practice of selecting the more conservative suggestion, a practice that has kept the internal controls strong throughout the College. When the College changed audit firms from Vavrinek, Trine and Day (VTD) to Crowe Horwath (formerly Perry Smith) in 2010, the new audit firm requested no significant changes to existing procedures.

For fiscal years ending 6/30/06 (3D.17), 6/30/07 (3D.18), 6/30/08 (3D.19), 6/30/09 (3D.20), and 6/30/10 (3D.21) there were no findings representing reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Governmental Auditing Standards. This was also the case in regards to federal award and state award findings. There were also no reportable findings in the 6/30/06 (3D.17), 6/30/07 (3D.18), 6/30/08 (3D.19), and 6/30/09 (3D.20), 6/30/10 (3D.21) and 6/30/11 (3D.22) Measure E bond audit reports.

For the fiscal year ending 6/30/11, the District had the following findings:

1) In the FY08/09 Audited Financial Statements, an asset for amounts in the irrevocable trust was recognized which had already been considered in the actuary’s calculation of the Unfunded Actuarial Accrued Liability.

   **Corrective Action:** None was needed. The audit misstatement was a presentation error made by the auditors during the preparation of the financial statements.

2) The District did not obtain up-to-date signed Student Educational Contracts (SEC) for nine students served by DSPS.

   **Corrective Action:** The DRC department conducted a file review on 100 percent of the DRC student files for the FY10/11 fiscal year to ensure that the SEC was signed by the student and DRC faculty or coordinator. The student file processes were re-evaluated and steps were taken to ensure each student and DRC faculty or coordinator signed the SEC. Financial planning allows for input from all College constituents, and financial information is readily available to all who are interested. Additionally an “Application for DSPS Services” and case note reporting protocol were redesigned. All faculty and staff received procedural training on SEC’s on 11/3/11 and 12/1/11. Annual trainings will continue to be provided.
3) The District did not obtain agreements or contracts with individual instructors conducting instruction under two of the District’s instructional service agreements.

**Corrective Action:** There was no fiscal impact since the District resubmitted the 2010-2011 CCFS-320 on November 30, 2011. The District will implement policies and procedures to obtain instructor agreements or contracts with the appropriate language.

The District provides timely corrections to audit exceptions and management advice based upon the availability of staff and financial resources. Usually, the District can correct the problem immediately.

The institutional budget is an accurate reflection of institutional spending and has credibility with constituents. Employees with budget responsibilities have access to their financial information in the Banner Self Service system. Monthly budget reports are presented to the Board of Trustees at the monthly meeting. A mid-year update is prepared by the Director of Business Services and presented to the budget committees and Board of Trustees.

Audit findings are communicated to appropriate District leadership and constituents. FY10/11 was the first year in over a decade that the District had any audit findings noted in its annual report. Those were reviewed at the regular Board of Trustees meeting, and College management quickly mitigated the concerns raised in the report.

**EVALUATION:**

Gavilan College meets Standard III (D)(2)(a).

**PLAN:**

None.

b. **Appropriate financial information is provided throughout the institution.**

**DESCRIPTION:**

Financial information is readily available to all constituents at the Gavilan College on the College’s website, both on a page dedicated to budget information (3D.41) and in the materials presented to the Board of Trustees at their meetings (3D.42). Annual District budget information is published in the Report to the Community (3D.46). Staff can access their departmental budget information through the Enterprise Resource Planning (ERP) system. In addition, the College president sends out periodic e-mail updates of the financial status of the College (3D.34) as well as addressing the issue during the bi-annual staff development day meetings (3D.47).
In fiscal year 2008-2009 the District replaced the Santa Rosa Management Information System (MIS) with a fully integrated and comprehensive ERP. The new system has an online, real-time budget module (Finance Self Service) that allows cost center managers to directly access their budgets, including actuals and encumbrances, down to the transactional detail level.

Financial information, including Tentative and Final budgets, is presented to both the College and Board of Trustees budget committees. These committees report this information to their constituents, and bring feedback to the committees. The minutes from committee meetings are generally distributed to the College staff within a week of the meeting, and are permanently posted on the intranet (3D.48). The tentative and final budgets are also approved by the full Board of Trustees and posted for the public on the internet (3D.41).

The supporting materials for the Board of Trustees agendas on the Gavilan College website (3D.42) show the progress of actual revenue and expenditures compared to the current budget for each fund. The director of business services prepares a mid-year review that details any deviations from the projected budget and suggests mid-year adjustments to correct any inconsistencies. Periodic presentations are also made at College and Board budget committees as well as the monthly Board of Trustees meetings to give updates on any significant changes in the budget, especially the unrestricted budget.

All plans, including program plans, are posted on the District’s intranet. Through the shared governance process, the budget is reviewed with various constituent groups on campus prior to final publishing. Business Office staff is also available to meet individually as needed to help cost center managers and their staff effectively budget and manage their revenue and expense allocations.

An independent audit firm reviews Gavilan College’s financial information annually. The results of the audit are presented to the Board of Trustees in January or February following the close of the fiscal year. The full audit statements are also available on the District’s website (3D.49).

**EVALUATION:**

Gavilan College meets Standard III (D)(2)(b).

**PLAN:**

None.

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.
DESCRIPTION:

Gavilan College has sufficient cash flow and reserves to continue to provide a high level of service to its student population, and manage any financial emergencies that may arise. Cash flow issues caused by state deferrals have been addressed through the use of TRANs or short-term loans from the Santa Clara County Treasury. The College has funded its retirement liability and as a result can use those funds to pay for retiree costs. The College continues to maintain a five percent fund balance in spite of continued funding challenges at the state level. Risk management needs are handled through the Joint Powers Authority (JPA) agreements.

The ending balances of unrestricted funds for the past three years are as follows:

<table>
<thead>
<tr>
<th>Year Ending 6/30/10</th>
<th>$3,204,906</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Ending 6/30/11</td>
<td>$3,895,619</td>
</tr>
<tr>
<td>Year Ending 6/30/12</td>
<td>$3,111,578</td>
</tr>
</tbody>
</table>

The Board of Trustees tries to keep a reserve of ten percent or $1,500,000, and is committed to maintaining at minimum, a five percent reserve during times when additional expenditures are necessary due to financial issues at the state level.

The District has access to cash in the Santa Clara County Treasury and to Tax Revenue Anticipation Notes (TRANS) should the need arise. Property tax payments are generally paid in two main installments; however, expenses occur continuously throughout the year. As a result, there is often a timing mismatch between the receipt of cash and payment of expenditures. TRANS are short-term loans that allow the District to borrow funds in anticipation of future property tax payments. In FY09/10 and FY10/11, the District participated in the TRANS process to alleviate cash flow issues caused by increased state deferrals. The District intends to do so again in FY12/13. The District is also able to obtain short-term loans from the Santa Clara County Treasurer to help cover gaps in the timing of revenues versus expenses.

The District monitors cash flow daily and “excess funds” are invested for the short term by the county treasurer. Specific reserves exist for several contingencies, including self-funded insurance, facility repairs, and emergencies.

California Community Colleges are allocated a maximum state apportionment revenue amount by the Chancellor’s Office. The revenue is provided to the colleges through a combination of local county property taxes, enrollment fees and state apportionment revenue. Local property tax estimates provided by local county auditors are subtracted from the maximum state apportionment revenue. Enrollment fees expected to be collected from students are also subtracted from the maximum state apportionment revenue.

The State Chancellor’s Office pays the College the difference between the maximum state revenue and the amount paid to the College in the form of local property taxes and enrollment fees. However, if the state does not have resources to make up this difference or
“backfill,” college districts must make up the difference themselves. In recent years the state has instituted the practice of deferring part of the current fiscal year’s apportionment income to the next fiscal year, on the theory that the colleges’ receipt of enrollment and property tax income will allow them to weather the shortfall. As these deferrals have become larger, cash flow issues have resulted. The District has had to participate in the TRANS program in order to mitigate some of the cash flow issues caused by this practice.

About 46 percent of Gavilan College’s total apportionment revenue is received through state payments with the remaining portions being received in the form of local county property taxes and student enrollment fees. Like other community Colleges, the largest amount of revenue received by Gavilan College is from state appropriations. Colleges are authorized to receive funds from sources other than state appropriations. At Gavilan College those other revenues are primarily:

- **Other State Revenue**: Gavilan College receives additional revenue for part-time faculty compensation, employee fee waivers and office hours. In fiscal year 2011-2012 this amount was $154,552.

- **Lottery Revenue**: received from the Lottery Commission and based on Average Daily Attendance (ADA). Total revenue from the lottery in Fiscal Year 2011-2012 was $941,706.

- **Interest Income** is received from funds on deposit in the County Treasury and also includes interest income from Tax Revenue Anticipation Note investment proceeds. Total revenue from Interest Income in Fiscal Year 2011-2012 was $44,629.

- **Non-Resident Tuition** is received from non-resident students who pay the out-of-state student tuition rate. The State of California does not provide apportionment revenue for these students. These students are charged the non-resident tuition rate of $198 per unit. In Fiscal Year 2011-2012 $153,603 was received.

- Although defined as revenue, **mandated cost reimbursements** are based on actual expenditures for state mandated activities. Gavilan College receives reimbursement for costs associated with holding open public meetings and for costs associated with the collective bargaining process. This amount was $0 in FY 2011-2012.

- **Other Local Revenue** is received in the unrestricted fund for revenue such as cosmetology kits and services, use of College facilities, bookstore and cafeteria lease income, transcripts, course fees and for indirect costs. Indirect costs are the fees the general fund is able to charge to various grants and other programs for such services as board of trustees, institutional administration, business, human resources, facilities, and security. Other local revenue received in Fiscal Year 2011-2012 was $880,047.

The District is self-funded through two (2) Joint Powers Agreements (JPA’s) covering workers compensation, liability, and property insurance. The JPA’s are as follows:
Northern California Community College Pool (NCCP)
The NCCCP is a JPA that was formed for the purpose of combining the workers’ compensation claims. The NCCCP JPA provides coverage for all workers’ compensation claims filed at each of the participating College Districts. The JPA administers all claims and works directly with the injured employee and the member College District. The JPA administrator is required to comply with all State of California laws that govern workers’ compensation and works closely with each member District to ensure compliance with the law.

A Board of Directors composed of the chief business officer of each community College District governs the NCCCP JPA. Participating Districts include Cabrillo Community College District, Gavilan Joint Community College District, Monterey Peninsula Community College District, San Jose-Evergreen Community College District, and West Valley Mission Community College District. The Board of Directors approves claim payments, settlements and the contribution rates to be levied against each District. Since all workers’ compensation injuries are related to workplace safety, the JPA hired a safety officer who is responsible for ensuring each District has an ongoing safety program and for providing technical expertise in hazard mitigation. As a condition of membership in the JPA each College District has agreed to maintain a safety program.

Bay Area Community College (BACC)
The BACC JPA provides coverage for a wide variety of liability claims including general liability, discrimination, wrongful termination, and property damage. Coverage for claims is defined by a Memorandum of Coverage that is approved by the Bay Area Community College JPA and may change as claim events at the Colleges' change. In accordance with the Memorandum of Coverage, a claim made against Gavilan College is first reviewed by the District’s Board of Trustees and if denied is forwarded to the JPA for defense as appropriate.

A Board of Directors composed of the chief business officer of each community College District governs the Bay Area Community College JPA. Participating Districts include Allan Hancock Joint Community College District, Contra Costa Community College District, Gavilan Joint Community College District, Hartnell Community College District, Monterey Peninsula Community College District, Ohlone Community College District, San Jose-Evergreen Community College District, San Luis Obispo County Community College District, and West Valley Mission Community College District. The Board of Directors approves claim payments, settlements and the contribution rates to be levied against each District.

Both JPA’s provide sufficient insurance and reserves based on annual actuarial reports (3D.50). In addition, both JPA’s have annual financial audits completed by an external Certified Public Accounting firm.
EVALUATION:

Gavilan College meets Standard III (D)(2)(c).

PLAN:

None.

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.

DESCRIPTION:

Gavilan College has implemented strong internal controls that allow it to maintain effective oversight of its finances and procedures. Three audit exceptions noted in FY10/11 did not have an effect on the financial reporting and were corrected as soon as the auditors noted them. Prior to that, the District had 10 years of comment-free reports. The College has taken extensive steps to ensure that planning, and specifically the goals of the Strategic Plan, is the driving force behind financial decision making. In an effort to strengthen this connection, the College is creating a Resource Allocation Committee to review all open positions to determine if the position should be filled or the funds reallocated for a different use.

Managers responsible for grants, financial aid, and other categorical funding are required to keep expenditures within the amounts allocated. As an internal control, the director of business services is responsible for drawdown funds for the Federal Work Study Program, Supplemental Education Opportunity Grants (SEOG), PELL, TRIO, Title V, and STEM to ensure that expenses have been incurred before the funds are received.

Most managers of restricted programs monitor their expenses very closely. The director of business services will alert the manager if there is a potential problem, but it is up to the managers to watch their programs on an ongoing basis. If the director of business services cannot get the problem resolved with the manager, then contact with the dean or vice president with authority over that program may be necessary.

Designated administrators are responsible for their area budgets and for following proper program guidelines. Under the supervision of the vice president of administrative services and the director of business services, the business office personnel oversee the disposition of all District funds including financial aid, externally funded programs, contractual relationships, grants and other categorical programs. The Gavilan College Educational Foundation (GCEF) is a separate accounting entity, but is audited as part of the annual District audit.

All funds, including grants, are reviewed for compliance with federal, state, and local laws and regulations. District funds are invested with the Santa Clara County Investment Pool.
The GCEF Board of Directors governs foundation investments.

The Gavilan College Education Foundation (GCEF) is an independent nonprofit organization whose financial activities are overseen by a Board of Directors, which includes the College’s Superintendent/President. A separate audit report is issued for GCEF by an external Certified Public Accounting firm hired by the District on behalf of GCEF. Both the foundation’s Board of Directors and the District’s Board of Trustees review and accept the independent audit of GCEF (3D.35).

The Gavilan College Education Foundation operates under a Master Agreement with the College, has a separate Board of Directors, and maintains a separate accounting system. The Foundation has generated support for student scholarships and other student-centered programs. All funds raised by GCEF have been spent in a manner that is consistent with the District’s mission and goals.

For fiscal years ending 6/30/06 (3D.17), 6/30/07 (3D.18), 6/30/08 (3D.19), 6/30/09 (3D.20), and 6/30/10 (3D.21) there were no findings representing reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Governmental Auditing Standards. This was also true for federal award and state award findings. There were also no reportable findings in the 6/30/06 (3D.17), 6/30/07 (3D.18), 6/30/08 (3D.19), and 6/30/09 (3D.20), 6/30/10 (3D.21), and 6/30/11 (3D.22) Measure E bond audit reports.

For the fiscal year ending 6/30/11, the District had the following findings:

1) In the FY08/09 Audited Financial Statements, an asset for amounts in the irrevocable trust was recognized which had already been considered in the actuary’s calculation of the Unfunded Actuarial Accrued Liability.

   **Corrective Action:** None was needed. The audit misstatement was a presentation error made by the auditors during the preparation of the financial statements.

2) The District did not obtain up-to-date signed Student Educational Contracts (SEC) for nine students served by DSPS.

   **Corrective Action:** The DRC department conducted a file review on 100 percent of the DRC student files for the FY10/11 fiscal year to ensure that the SEC was signed by the student and DRC faculty or coordinator. The student file processes were re-evaluated and steps were taken to ensure that an SEC is signed by each student and also by the DRC faculty or coordinator. Additionally an “Application for DSPS Services” and case note reporting protocol were redesigned. All faculty and staff received procedural training on SEC’s on 11/3/11 and 12/1/11. Annual trainings will continue to be provided.

3) The District did not obtain agreements or contracts with individual instructors
conducting instruction under two of the District’s instructional service agreements.

**Corrective Action:** There was no fiscal impact since the District resubmitted the 2010-2011 CCFS-320 on November 30, 2011. The District will implement policies and procedures to obtain instructor agreements or contracts with the appropriate language.

The Gavilan College Educational Foundation received an unqualified audit opinion for fiscal years 2008 and 2009. However, for the year ended June 30, 2010 the audit report contained the following:

“Management has not provided written representations as to its responsibility for the fair presentation of the classification of net assets, which could materially affect the amounts and classification of items included in the financial statements. Such representations are required under generally accepted auditing standards.

Since the management of the Foundation has not provided written representations as noted in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to above.”

The GCEF Board of Directors and the District’s Board of Trustees took immediate action to correct this problem. The opinion in the GCEF audit report for the year ended June 30, 2011 was unqualified with no reportable findings or recommendations.

Additionally, in 2010 there was a controversy over the administration of the Gavilan College Educational Foundation (GCEF). Accounting discrepancies required the Gavilan College general fund to “bail out” the GCEF by returning donated money to cover the GCEF’s operating expenses. The executive director stepped down and since this time the GCEF Board has been working to both rebuild the finances of the Gavilan College Educational Foundation and repair its trust with the community.

The District reviews its internal control systems on a regular basis through assessment of external auditors. Any deficiencies identified in the annual audit are immediately addressed and solutions put in place as soon as possible.

The District assesses its debt repayment obligations and allocates resources for the payment of its liabilities and long-term obligations. Currently the two largest liabilities of the District are its general obligation bond payments and post-retirement obligations. The bond payments are funded by property tax assessments and are managed by County of Santa Clara Controller’s Office. In 2006 the District took the proactive step of implementing funding of its retirement liability while continuing its “pay-as-you go” current retirement expenses. Currently the District is in excess of the actuarial amounts determined by the accounts receivable conversion (ARC) payment.

The institution monitors student financial aid obligations such as student loan default rates
and compliance with all federal regulations that impact the institution. For the loan default rates, the District uses the Default Prevention Plan (3D.40) to monitor loan default rates and federal regulations which impact the institution. The Financial Aid Office is informed of policy and policy changes by the Department of Education. Procedures and local policy are created locally and are communicated to students via email notifications.

EVALUATION:

Gavilan College meets Standard III (D)(2)(d).

PLAN:

None.

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.

DESCRIPTION:

The District practices effective oversight of its financial resources and has procedures in place to ensure that these resources are used in a manner consistent with the mission and goals of the District. Regular independent audits ensure that the College is maintaining high standards of internal controls and using restricted funds in an appropriate manner.

Special funds are reviewed for compliance requirements by independent auditors. The addition of three federal grants has increased the scope of these audits. Generally, the outside agency that distributes the grant also requires periodic reports and may conduct specific audits of the individual programs.

Categorical funds related to grants are reviewed annually. At the end of every fiscal year, grant managers meet with business office personnel to review the fund budget. A statement of progress and disposition of funds is sent to the specific granting agency each year that the grant is in effect.

Auxiliary activities, such as student clubs and athletic booster clubs, support the programs and services of the District. Funds from these activities are kept separate from the general fund and processed through the Associated Study Body Fund (ASB). The Gavilan College Educational Foundation (GCEF) is an auxiliary of the District with its own Board of Directors. Its fund-raising efforts provide scholarships and general support for students and District programs.

The cafeteria is contracted to an outside vendor, Pacific Dining Services; the District receives twelve equal monthly installments from this contract; the current amount is $1,615.00, with a two percent increase at the beginning of each fiscal year. In addition, the vendor makes an
annual payment of six percent of any revenue (less tax) in excess of the $384,000 for the fiscal year. An annual contribution of $1,200 is made to the Associated Student Body (ASB) and another $1,200 to the Gavilan College Scholarship Fund (3D.36).

The bookstore is contracted with Follett Stores under an agreement based upon a percentage of sales. Payments are received on a quarterly basis. In addition to the quarterly payments, the vendor makes an annual payment of four percent of the gross revenue up to $1,000,000 and six percent of gross revenue over $1,000,000. An annual contribution of $15,000 is made to the ASB. The bookstore also provides a $10,000 Bookstore Voucher Scholarship (3D.37).

Gavilan College has received a “clean” audit opinion every year since the last accreditation review. Internal controls are considered appropriate; any improvements or recommendations that identified through the audit process are immediately addressed by College management. When more than one option is available, the College makes a practice of selecting the more conservative route. This practice has kept internal controls strong throughout the College. When the College changed audit firms from Vavrinek, Trine and Day (VTD) to Crowe Horwath (formerly Perry Smith) in 2010, no significant changes to existing procedures were requested by the new audit firm.

Expenditures from special funds and bonds are consistent with the intent and requirements of the funding source. This is evidenced by the results of the College’s annual audit and by the individual program audits and reports.

**EVALUATION:**

Gavilan College meets Standard III (D)(2)(e).

**PLAN:**

None.

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.

**DESCRIPTION:**

Gavilan College enters into a wide variety of contractual agreements, including grant and sub-grantee contractual agreements, construction grants under $15,000 that require Board of Trustees approval, construction grants greater than $15,000 that are subject to a formal bid process, rental agreements, vendor agreements, and outsourcing agreements with the bookstore and cafeteria operator. In particular, the bookstore and cafeteria agreements not only provide a revenue source for the College, but also provide funds to both Associated Student Body (ASB) and scholarships to aid in the mission of student learning.
The golf course contract does not bring funds into the College. The District pays a vendor $12,000 per year to manage the golf course (3D.38). The Gavilan Golf Course is used not only by College staff, but also the local community and is one of the few nine-hole courses in the area.

As with other expenses, requests for funds for contractual agreements are driven by the institutional Five-Year Strategic Plan and are used to enhance the mission and goals of the College. Decisions to contract with external vendors are made based on the availability of current College resources and the potential benefit to the District, either financially, or in order to provide a better service to students and the community.

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 District’s vice president of administrative services reviews all contracts prior to execution and implementation. The controlling policy and procedures are Board Policy 6340, Contracts, and Administrative Procedures (AP) 6340, Bids and Contracts (3D.24), AP 6350, Contracts – Construction (3D.51), AP 6360 (3D.52), Contracts – Computers, and AP 6370, Contracts – Personal Services (3D.53).

Large contracts (in excess of $81,000 or $15,000 for construction contracts) must go through a formal bid process. The work is advertised, bids are submitted and the College accepts the lowest reasonable bid. The contract is then submitted as an action item to the Board of Trustees for approval. Contracts include terms to ensure that the work meets the standards of quality required by the District. The primary Measure E contractual agreements have been with the architects, BFGC Architectural Services. The contract with project manager, Gilbane was terminated in December 2011.

There are also various small contracts that are under the oversight of the vice president of administrative services. Small contracts require three estimates, but do not go through a formal bid process. All contracts specify that they can be terminated when Gavilan College’s required standards of quality have not been met. All contracts are reviewed by legal counsel. Institutional policies and procedures govern all contractual agreements with external entities. The vice president of administrative services monitors agreements to ensure that the integrity of the contracts is maintained.

EVALUATION:

Gavilan College meets Standard III (D)(2)(f).

PLAN:

None.
g. The institution regularly evaluates its financial management processes, and the results of the evaluation are used to improve financial management systems.

DESCRIPTION:

Every department, including the Business Office has student or program learning outcomes (PLO’s) that are assessed annually. This allows each area to assess the effectiveness of their processes and make changes in a timely manner. It also aids in identifying funding needs that have occurred between IEC reviews, which can then be addressed through the program planning process.

The Business Office and Administrative Services also participate in a self-study review through the Institutional Effectiveness Committee every three to five years, using data and feedback from surveys to determine operational effectiveness and identify any needed improvements.

The District’s financial information and processes are reviewed by an independent external auditor once a year. The auditor’s feedback and any recommendations are presented to management and quickly addressed to ensure the highest level of security and efficiency in College processes.

The Gavilan College annual budget includes an update of the Board Goals and the Five-Year Strategic Plan (3D.1). It also includes an assessment of the prior year’s Strategic Plan goals and the College’s success in meeting these goals. The assessment includes the effect of all funding sources at the College including both general fund and categorical funds. The current status and assessment for each strategy/goal is included in the budget document.

The Strategic Planning committee and Integrated Planning Task Force and College Budget Committees also review the planning-budgeting-allocation cycle and recommend process improvements on an ongoing basis.

EVALUATION:

Gavilan College meets Standard III (D)(2)(g).

PLAN:

None.
3. The institution systematically assesses the effective use of financial resources and uses the results of the evaluation as the basis for improvement.

DESCRIPTION:

Gavilan College has processes in place that systematically assess the effective use of its financial resources, as well as processes to evaluate potential needs for improvement. The Board of Trustees has access to financial information, both at a detailed level in the Board Budget Committee and as part of the regular Board of Trustees meetings. This knowledge aids in the Board’s self-review process wherein the trustees assess the attainment of their goals for the prior year and set goals for the current year. The tentative and final budgets contain an analysis of the College’s expenditures, including those for categorical programs, as well as assessment of the current status Strategic Plan goals. Additional funding needs are reviewed through a process that ensures the strategic goals of the College are being met.

The District regularly evaluates the effectiveness of its financial resources, including restricted and unrestricted sources. External reports as well as periodic surveys provide valuable information to allow the College to ensure strong internal controls while providing maximum customer service (3D.54).

Gavilan College uses a number of different processes to assess its use of financial resources. The College has an Institutional Effectiveness Committee (IEC) that evaluates academic, student support and administrative programs on a three to five year cycle. This allows all departments on campus to review their programs and assess their success in terms of the overall strategic goals of the College. Changes or improvements that are identified through this process are then used to request additional funding. These requests are made through annual program plans that are linked to a specific strategic goal of the College. Management and/or administrative supervisors review and evaluate the requests for their areas of responsibility. Requests requiring a change in funding are then reviewed by the College Budget Committee and the President’s Council, ranked according to a rubric, and implemented to the extent provided by available funds.

Every department has student or program learning outcomes (PLO’s) that are assessed annually. This allows each area to assess the effectiveness of their processes and make changes in a timely manner. It also aids in identifying funding needs that have occurred between IEC reviews, which can then be addressed through the program planning process.

During the annual budget development process, the business office prepares a three-year report of each department’s normal operating expenses. These reports are reviewed by the applicable budget manager and then submitted to the respective vice presidents for review. The College president then reviews and may approve the requests. After approval, they are included in the Final Budget. The human resources department provides an annual report of ongoing salary information to all vice presidents and managers for review. Any needed changes are then incorporated into the final budget.
The process for filling vacant positions is currently changing. Gavilan College is creating a Resource Allocation Committee that will examine open positions and evaluate whether the funds may be needed elsewhere instead of automatically filling the vacant position. The College plans to begin the process in Spring 2013.

Categorical programs such as Vocational and Technical Education Act (VTEA), Greater Avenues for Independence (GAIN) and Regional Occupational Program (ROP) submit quarterly reports to ensure that the restricted funds are being used in an effective and appropriate manner. Federal grants, such as Science, Technology, Engineering and Mathematics (STEM) and Title V also require periodic reports to update the applicable federal agency on the effective use of the funds.

Financial information is readily available for review throughout the year. The annual 311 and quarterly 311Q reports are published in the applicable Board agendas. The audited financial statements and annual budget are published on the College’s website. At least once per year, the director of business services presents a mid-year report to both the Board Budget Committee (3D.38) and the Board of Trustees (3D.39) to update the trustees on any changes to the current year’s fiscal status; if there is a significant change to the financial status these reports may be presented more often.

**EVALUATION:**

Gavilan College meets Standard III (D)(3).

**PLAN:**

None.
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Standard III (D) Evidence

3D.1 Final Budget Fiscal Year 11/12
3D.2 Accreditation Self Study Report, 2007
3D.3 March 11, 2003 - Board of Trustees Agenda Item 11 (b) Expenditure Reduction Task Force
3D.4 January 13, 2009 Board minutes, IV 2(g)
3D.5 FY11/12 Final Budget, p.12, and attachment B, p.1
3D.6 GASB Actuarial Valuation, 2008
3D.7 Board Policy 1200, Board Policy and Procedures Manual
3D.8 Mission Statement
3D.9 Education Master Plan
3D.10 Facilities Master Plan
3D.11 Technology Master Plan
3D.12 Full-Time Faculty Hiring Plan
3D.13 Board Policy 6200
3D.14 Board Policy 6250 and Administrative Procedure 6250
3D.15 Administrative Procedure 6305
3D.16 Administrative Procedure 6300 and Board Policy 6330,
3D.23 Budget Committee Minutes
3D.24 Board Policy 6340 and Administrative Procedure 6340
3D.25 General Obligation Bond Issue Series 2004A and 2004B
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3D.28 FY11/12 Strategic Plan
3D.29 FY11/12 Board Goals
3D.30 College Planning Matrix
3D.31 College Budget Committee Ranking Rubrik
3D.32 Link to Program Plans on College Intranet
3D.33 Link to existing program plan with budget request
3D.34 9/14/11 E-mail from President Kinsella
3D.35 FY10/11 Gavilan Foundation Audit Report
3D.36 Cafeteria Contract
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3D.38 Board Budget Committee meeting minutes
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3D.40 Budget Calendar
3D.41 Budget webpage
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