Standard III: 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.

III.D. Financial Resources

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

The adopted budget for the Unrestricted General Fund for the 2013-14 fiscal year is $103.3 million in total expenditures and other outgo. The chart below shows the actual ending fund balances, revenues including other sources and expenditures including other outgo for the past six years.

![Unrestricted General Fund Chart]

The chart reflects the severe impacts of the global economic crisis, which resulted in a recession and drastically cut state funding. Revenue declined every year from 2008-09 to
2012-13 with the exception of 2010-11. Governor Brown entered office in the middle of that year and provided growth/restoration funding mid-year. The college quickly acted to offer additional sections and earned all of the available growth funding (over $2 million) that year. In each of the other 3 years total revenue decreased by $4.9 million (09-10), $7.6 million (11-12) and $2.0 million (12-13) for a four-year net decrease of $13.1 million or 11.6%.

Cuts of that magnitude require similarly significant reductions to expenditure budgets to ensure solvency. Early in the recession, the college took measures to try to make up for state funding cuts without negatively impacting existing employees. The Budget Advisory Committee brainstormed and developed a list of possible means to increase revenues, increase efficiencies and to reduce expenditures. Most discretionary budgets were cut in half including travel, conferences, supplies, advertising and equipment. Unfortunately since our discretionary budgets only range from 15% - 17% of the total expenditure budget there wasn't much room for drastic cuts in this area. (3.D.68, Adopted Budget presentation slide 19). Each year as the recession continued and state funding decreased, the college was forced to reduce spending. It became apparent very quickly that the college would not be able to continue operating the same way with all of the same programs and services with reduced funding enacted and forecasted. A committee (the Fixed Cost Reduction Team) was created to determine how to cut fixed costs beginning with the 2010-11 fiscal year. Strategic meetings were held in the spring of 2010 to help determine the best way to allocate limited resources. The team developed a Fixed Cost Reduction spreadsheet that listed potential cost saving ideas and estimated amount of savings. Brainstorming ideas of possible revenue enhancements and expense reductions were developed at BAC meetings including October 21, 2010 and November 18, 2010 meetings. For the 2010-11 fiscal year, difficult decisions were made to reduce, then close the Senior Center, eliminate interscholastic golf and tennis programs; and institute furloughs for all permanent employees.

Salary and benefits are usually 85% to 89% of the unrestricted general fund budget, so cuts to the non-payroll accounts, even significant cuts, only go so far compared to the cuts in revenue. So, the college was forced to take more drastic measures. No cost of living (COLA) increases were provided by the state over this period, consequently no salary raises were provided. Total pay of many employees was cut over this period due to reductions in overtime and summer school sessions. Salaries for faculty overload and summer school assignments decreased $2.0 million from 2009-10 to 2013-14. Salaries for part-time faculty decreased $1.0 million over the same period. Furloughs were implemented over a three-year period to provide additional savings, which totaled $3.2 million. For four consecutive years (2010-11 to 2013-14), classified and management reductions in force were implemented totaling $8.1 million. The net decrease to total permanent classified and management salaries was $4.6 million ($8.1 million RIF less $3.5 million other increases, mainly step and column increases). In January 2013, the Board of Trustees voted to discontinue 11 programs, which was the result of collaborative discussions and a yearlong (the entire campus community was involved beginning August 2012) study to investigate the actual numbers of degrees and demands from employers for college programs. This difficult decision included the reduction of fifteen faculty positions for a savings of $1.7 million in the 2013-14 budget. Program elimination was very painful and heavily debated, but it was intended to help the
college shift resources to areas of greatest student demand, align resources with the need for increased completion rates and strengthen Career Technical Education (CTE) offerings.

With such vigilance there are only 3 occasions in 2008-09, 2009-10 and 2011-12 (see above) where the college expenditures exceeded revenues and resulted in deficit spending. This has resulted in the college ending balance on June 30, 2013 of $17.2 million, which is 17.7% of expenditures (including other outgo) and an anticipated ending balance on June 30, 2014 of $18.7 million. The district will continue to respond quickly and aggressively to reduce its expenditures to balance its budget should additional cuts be warranted.

The most significant resource to an academic program is the faculty. Each academic department formulates a department plan every year. The plan includes requests for new full-time hires when appropriate. The request for hiring also includes data on enrollment trends and efficiency. The college hiring priorities committee then ranks the hiring priorities based on the requests from the department. This ranked list is utilized when and if the college decides to hire new full-time faculty which we provided budget for in 2012 (15 new hires), 2013 (4 new hires), and 2014 (17 new hires).

Laboratory and instructional equipment are critical resources to some academic programs. The academic departments also formulate & submit requests for funding of equipment & materials. Much of this funding is in the form of block grants, CTE, Technology & VTEA funding. Although the plans are initiated by the departments, funding decisions are made by the Vice President Academic Affairs in conjunction with the Deans after evaluating the program plans.

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

Descriptive Summary:

The college’s Educational Master Plan for 2011-2016 begins with the statement “Long Beach City College is committed to an integrated & ongoing process of planning and review to improve efficiency & effectiveness … to support evidence-based decision making for the allocation of resources…” It further states that planning is “…comprehensive, collaborative, informed by all levels of the institution and designed to support the effective advancement of its strategic priorities and fulfillment of its mission.” (3.D.4, page 1)

The planning cycle starts with the departmental plans and culminates with the College Planning Committee developing Institutional Goals. The Institutional Goals are presented to the Budget Advisory Committee for incorporation into the budget assumptions that they recommend for each budgeting cycle.

Financial planning primarily begins with the Governor’s Budget. Before we know the amount of expenditures to budget, we need to know the amount of revenues that we can expect from the State since our apportionment revenue represents over 90% of our total revenue in any given year. Once the Governor’s Budget comes out in January, we build the
community college revenue projections into our budgeting model and determine the amount of FTES to target both from a scheduling and revenue standpoint.

Both the FTES targets (scheduling and revenue) are then put into the budget assumptions along with any known changes to expenditures (e.g. health and welfare increases, software licensing increases, payroll related changes, etc.) for review and approval by the Budget Advisory Committee. If expenditure augmentations occur, they are included in the budget assumptions as well, such as the case with the $1 million technology refresh augmentation that was made during the 2013-14 budget cycle. These assumptions include supporting the mission of the college and goals for the upcoming year. (3.D.1, page 8). Once the Budget Advisory Committee adopts the budget assumptions, they then share them with the College Planning Committee and the Superintendent/President.

**Self-Evaluation:**

Financial planning is integrated with and supports institutional planning in several ways. First, the departmental plans are integrated into the School/Division Level plans which are then integrated into the VP Level Plans. By taking this bottom-up approach to planning, we enable our planning objectives to be guided by the individual departments. It is the VP Level plans that are presented and discussed at the College Planning Committee to enable them to develop the Institutional Goals which are then incorporated into the budget assumptions prepared by the Budget Advisory Committee. Second, depending upon the FTES targets used for scheduling and whether they include additional FTES above and beyond what was offered in the previous year, the departments have the opportunity to add/change course offerings to better meet the needs of the students based upon the program planning/review that they have done. Third, in both the case of technology and facilities improvements, the college utilizes the Technology Master Plan and the 5-Year Capital Outlay Plan to guide any expenditures that are allocated for each of these areas. Last, if any expenditure augmentation is made throughout the year, the VP for the area ensures that the approved expenditure appears on the departmental plan as an item that was identified by the department to help them obtain their objectives.

Each year goals are developed by each department, division, and VP area and used as a driving force for the budget and any expenditure augmentations. The goals are tied into the mission of the college and the Board of Trustees goals. These goals are reviewed at each level of the planning process. Any resource request that accompanies the goals are reviewed and either approved or not at each subsequent level of planning (i.e. School/Division or VP Level).

These goals and resource requests are used in every aspect throughout the college. For example, the Hiring Priorities Committee, that is established for ranking a list of potential faculty hires, will only consider new faculty positions if the position appears within a departmental plan. This committee will rank its recommendations for specific full-time faculty positions based on the priority needs of the departments (3.D.6, Admin Reg, Hiring). We then use this prioritized list for hiring new faculty up to the number that is built within the budget assumptions.
Once hiring priorities have been determined, budgets have been reviewed and decisions followed through, the process is not over. We will often review the process and evaluate our decisions to help with future decisions. The following minutes note the continuation of the topic of linking planning and resource allocation (3.D.7, page 2 item 5).

For the past few years, the college has been focused on creating a “Total Cost of Ownership” model for all new projects. For example, the Technology Master Plan was created to determine the optimal replacement schedule for technology across the school. Although some technology equipment has been purchased as part of the bond construction program, the plan to replace them and keep them current, will be the future responsibility of the college. (3.D.1, page 8, parts II c & d discuss Technology master plan & college priorities. Page 9 discusses total cost of ownership.) The college has done a good job in keeping technology current by means of leasing hardware and purchasing new items with each building that opens up after construction. Furthermore, the $1 million allocation in 2013-14 was specific to refreshing technology that was outdated or needed upgrading. Another example of the “Total Cost of Ownership” model was the recent hiring of three additional Custodians, one Locksmith, a Sr. Multimedia Specialist, and a Technical Support Specialist. Each of these positions appeared within the Division Plans and were identified as a need based upon the growth in square footage resulting from the new buildings that opened.

BAC agendas and budget timelines are prepared with all of the internal and external factors in mind, including institutional plans.

Actionable Improvement Plans:

None.

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

Descriptive Summary:

Institutional planning is overseen by the College Planning Committee which in turn has standing advisory committees for specific areas, such as the Budget Advisory Committee, Facilities Advisory Committee, and the Technology Oversight Taskforce. The Budget Advisory Committee is responsible for developing the budget assumptions each year and reviewing the detailed budget reports. The Planning Committee website (3.D.16) shows the structure of input which it receives and demonstrates the connection with the Budget Advisory Committee. Although lower levels of decision making often receive guidelines from above, they also have access to the same financial information as the Budget Advisory Committee members since it is all posted on our website and presented to our Board of Trustees.
The driving force behind the revenue budget assumptions is the Governor’s Budget that is published in January. The Governor’s Budget indicates the amount of funding allocated to the community college system. Based upon this information, the college determines the amount of funding that can be expected, primarily in the form of apportionment revenue based upon the amount of FTES that we generate. Once we have determined our FTES targets for both the revenue generation side and for scheduling purposes, we notify the Academic Affairs division so that they can prepare the class schedules for the subsequent fiscal year. When they develop the class schedules they know the number of full-time faculty that they currently have within their department, the number of full-time faculty that will be hired based upon the Hiring Priorities Committee prioritization listing and whether their position was funded, and the amount of FTES that they are expected to generate. The FTES targets by department are developed by the VP Academic Affairs utilizing the VP Level Plans and focusing on the areas with greatest need. Once the class schedules have been entered which meet our FTES targets, we cost out the class schedule in order to determine the amount of funding needed for the adjunct hourly budgets. By doing this, we know that the class schedules will meet our revenue targets and have identified exactly how much is needed in order to meet those revenue targets.

Our expenditure budget assumptions begin with a rollover budget and then we apply any known changes to the fixed costs, such as step/column increases, health and welfare benefit changes, statutory payroll changes, software licensing changes, etc. If after applying all of the fixed cost increases, we have any remaining funds available for augmentation; we look to the VP Level Plans for augmentation requests and prioritization. Even though our planning processes identify millions of dollars of resource requests each year, we only fund those that we can afford based upon the revenue that we can expect from apportionment, grants, or other means.

Self-Evaluation:

The budget development process has been very effective during this reporting period, especially in response to dramatic cuts imposed by the State during the last few years. Although our ending fund balance has fluctuated with deficit spending in three of the last six years, we have maintained it through our cost reduction efforts in response to the loss in revenue. Since 2009-10, the district lost $14.3 in State apportionment funding. During that same time period, our expenditures have decreased by $12.9 million in the unrestricted general fund even though we made cuts totaling $21.6 million (3.D.12 7-23-13 Board Retreat). What this tells us is that our normal cost increase rate is about $2 million each year.

Since 2009-10, the district has undergone major expenditure reductions in each year. This forced us to change our budgeting strategies from strictly a rollover budget and deciding which department gets augmentations to how are we going to reduce our expenditures due to the loss in revenue. The decisions on where the reductions should be made were informed by input from the Fixed Cost Reduction Team, the Budget Advisory Committee, the Academic Senate (in the case of program discontinuance only), and division area managers. A specific example of anticipated fiscal limitations occurred fall 2012. The Governor had a ballot measure for a tax plan to help supplement the education budget. Based on the outcome of the
elections and the unexpected deficit factor, we created trigger language for the next year’s budget to prepare for multiple scenarios (3.D.15, Trigger Language for 13/14 cuts based on deficit factor to help determine reduction in force).

Furthermore, the Board of Trustees recognizes the importance of maintaining a prudent reserve and has set a 5.5% reserve as the goal as well as establishing reserves for the technology master plan, economic uncertainties and vacation/load-banking. The district has been realistic in matching budget assumptions with financial resource availability. It has found new financial resources to draw upon, including governmental and private grants, and has identified ways to fund services it provides. It has also developed fruitful long-term partnerships through grant awards such as the Goldman Sachs 10,000 Small Businesses and SBDC grants. Standard 3C demonstrates that the district is in the process of ongoing major facilities renovation and construction and has effectively budgeted to meet requirements laid out in the 2020 Unified Master Plan in spite of budget challenges.

**Actionable Improvement Plans:**

None.

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

**Descriptive Summary:**

The district is addresses our short-range financial plans in several ways, through established committees (Budget Advisory Committee, College Planning Committee, and Facilities Advisory Committee), budget development practices, Board of Trustees presentations, and expenditure of budget. Although the budget is developed annually, the long-term commitments of the district are included and acknowledged during the discussions. The district utilizes the Five-Year Capital Outlay Plan and Scheduled Maintenance Plan to foresee up-coming costs associated with facilities. The Technology Master Plan guides the district in addressing its technology needs both for the current fiscal year and subsequent fiscal years.

The district recognizes that long-range financial priorities can be enhanced through cost-cutting and investment strategies as well as with local bonds and maximizing funding available from Federal, State, and local sources. For example, in 2008, when the opportunity arose to purchase the two buildings off Conant Street from Boeing, the District did so and then decided not to build out the Los Coyotes property for the Culinary Arts and College Advancement and Economic Development departments but rather to maintain the property with the existing tenants since it was generating lease revenue averaging around $400,000 annually. We knew that an economic downturn was looming and the District’s strategy was to maximize all the revenue that could be generated outside of apportionment to help the district. The college is currently in the “build-out” phases of the $440 million bond measure
that was passed in 2008 to support long-range priorities identified in the 2020 Unified Master Plan. The bond measure project list allowed the district to pay or pre-pay certain existing long term debt obligations of the District.

(http://www.lbcc.edu/BondProgram/documents/LBCCD%20Project%20List%20100907.pdf). Therefore the first priority of the bond proceeds from the Measure E 2008 bond was to absolve the district of its long-term debt related to the Certificates of Participation (COPs) issuance from 2001 that was used to build the Child Development Center and Industrial Technology building, purchase property, pay for computer systems, etc. and the long-term capital lease entered into for the Central Plants in order to save the unrestricted general fund annual obligations (3.D.56, Budget Advisory Committee discussion Sept. 18, 2008).

Liabilities and future obligations are well documented through district audits and budget presentations, including debt, health benefits, insurance costs, etc. The district has established an irrevocable retiree benefits trust with FUTURIS and annually contributes around $75,000 to the trust. In an effort to minimize the long-term impact of providing retiree health benefits coverage, the district offers the benefits to eligible retirees based upon the number of years of services provided to the district. Classified employees retiring with at least 12 years of service, receive one year of benefits for every three years of service. Faculty retiring with at least 15 years of service, receives one year of benefits for every five years of service. However, during the 2012-13 fiscal year, the district offered faculty a one-time retirement incentive whereby they would receive one year of benefits for every three years of service instead of the normal five years of service established. This is not expected to continue since it was strictly a retirement incentive for that fiscal year. The years of service required before receiving benefits and limiting the number of years that the benefits are provided substantially reduces the long-term impact and enables the district to fully fund its actuarially determined contribution (ARC) annually. The college updates its actuarial study every two years with the most recent one dated November 7, 2013 (3.D.31, Actuarial Study) which identifies our actuarial accrued liability at $28.3 million. The district has about $1.5 million in FUTURIS and has $13.9 million set aside in the Retiree Health Fund towards this liability. In terms of the continuing escalation in costs for employee health benefits, the district negotiated employee contributions with each of the bargaining units (3.D.57, Employee Health Benefit Agreement). By doing so, it incentivized the employees to partner with the district in keeping our health and welfare costs down as much as possible.

The college has effectively addressed its long-range priorities by assuming responsibility for its retiree medical benefits. It has also secured on-going revenues through its investment in real estate and through the passage of bonds in 2002 and 2008.

Self-Evaluation:

There are several committees that work together to address the priorities and long term fiscal planning. These committees are the Budget Advisory Committee, Facilities Advisory Committee, and the College Planning Committee. To plan for future fiscal needs the college includes budgetary information in the long term planning process. Specific plans include: Five-year capital outlay plan, the scheduled maintenance plan, the Technology Master Plan, the Educational Master Plan and the Project Prioritization list.
In addition, the district established a FUTURIS retiree benefits irrevocable trust. The FUTURIS program provides professional investment management services for the irrevocable trust for Other Post Employment Retirement Benefit (OPEB) obligations. This trust is used for the purposes of investment and disbursement of funds irrevocably designated by the District for the payment of its obligations to eligible employees (and former employees) and their eligible dependents and beneficiaries for medical coverage in compliance with the Governmental Accounting Statements No. 43 and 45. A letter to employees and annual statements are posted on our website annually (3.D.19). Every two years the district contracts to have actuarial studies prepared in order to determine the total actuarially liability for current and future retirees related to our retiree health benefit coverage provided. These actuarial studies provide the district with the Annual Required Contribution (ARC) amount which is then incorporated into our annual budget assumptions. This is the amount the actuary has determined that the district should contribute to the Retiree Health Fund annually (3.D.1, Adopted Budget 2012 – 2013, Retiree Health Fund, pg. 55). The district has transferred the ARC into the Retiree Health Fund in each of the last six years.

In anticipation of long-term liabilities, the college has effectively addressed its long-range priorities by assuming responsibility for its retiree medical benefits. It has also secured long-range revenues through its investment in real estate and through the passage of bonds in both 2002 and 2008.

Actionable Improvement Plans:

None.

III.D.1.d. The institution clearly defines and follows its guidelines and processes for financial planning and budget with all constituencies having appropriate opportunities to participate in the development of institutional plans and budgets.

Descriptive Summary:

The VP of Administrative Services is responsible for fiscal oversight and the district’s budget development. The budget planning process also includes college wide committees, departments and divisions. Funding is allocated according to established priorities to meet the college’s goals and objectives. Minutes from the Budget Advisory Committee are made available on the college website (http://www.lbcc.edu/AdminServices/budget-advisory-comm.cfm).

The Budget Advisory Committee includes members of all constituent groups of the school including a student representative appointed by the ASB. The Budget Advisory Committee incorporates the Institutional Goals into the budget assumptions for each budgeting cycle. The practice of having the department plans as the starting point for planning allows for maximum participation in planning at all levels and provides a better understanding of
resource requests by all involved. At each level of planning (i.e. department, division, or VP) we require that input be gathered from various constituent groups. For example, for the VP Level Plans, the College Planning Committee has assigned a faculty member to each VP for participation on the VP Level Plan development. Furthermore, each VP is required to have a classified staff member on the team as well. The resulting VP Level Plans contain a prioritized listing of all resource requests that are approved by the VP Level planning group. As such if budget augmentations occur, the VP Level prioritized listing is to be utilized for determining what needs will be funded. Other college wide committees and departments participate in the financial planning and budget development. Budget analysts work closely with departments on budget details.

Department, school, and division plans are integrated through a series of meetings and culminate in VP Level Plans that inform the budget. The emphasis has been on cost reductions in recent years. Program review documents were used along with enrollment data to inform decisions on program discontinuance. Financial decisions are also informed by administrative initiatives such as Promise Pathways and Workforce Development Program Evaluations inform budget decisions. School plans include self-assessments in the section “summary of access, efficiency, and effectiveness.” Administrative evaluation of goal attainment informs budget allocations. Departments continually monitor budgets and submit augmentation requests for allocation of resources if budgets fall short (3.D.33, School plans).

Self-Evaluation:

The difficulty of cutting raised concerns of various groups, therefore, the President and Vice President of Administrative Services have scheduled live budget forums and question and answer sessions periodically. With the most recent economic downturn, President Oakley and Vice President Gabel set out to keep the district informed of current, and future budget obstacles the district will face. Many of these notices were sent as both emails and videos.

Example communications include:

- Budget Advisory Committee minutes
- Budget Forum held by Vice President Gabel on 3/22/10 & 3/23/10
- Budget Forum held by Vice President Gabel on 2/16/11
- Budget update video (3.D.34)
- Budget update video (3.D.35)
- Email Memorandum sent by Vice President Gabel on 8/31/12
- Email Memorandum sent by Vice President Gabel on 5/17/13

For the 2012-13 budget, the College Planning Committee (CPC) appointed a working group (Janice Tomson (faculty), Gaither Loewenstein (administrator), April Juarez (faculty), Tom Killian (faculty), Corinne Magdaleno (classified staff), Alta Costa (classified staff), Marshall Fulbright (faculty) and Ann-Marie Gabel (administrator)) charged with developing a draft set of criteria to guide the administration in making budget reduction decisions. This working group completed the drafting process and the criteria for budget reductions (3.D.24, Budget Reduction Criteria - attachment).
Through the planning process, collaboration occurs to set priorities for groups within divisions. For example, the deans meet with department heads to prioritize needs across the school before the deans meet to prioritize across the other schools of the college. Educational Master Plan (EMP) Goals and Board Goals are used to inform financial decisions. EMP goals are developed collaboratively. Feedback on effectiveness occurs through governance structures: CPC, Academic Council, President’s Leadership Council, Department Head meetings, and through leadership structures: Department Heads, Deans, Managers, and VPs (3.D.33, School plans).

Directors of the programs bring forward concerns regarding inadequate financial support. The College Planning Committee (CPC) has addressed the linkage between resource allocation and planning in the minutes listed (3.D.36, CPC minutes, discussions on integration of planning and resource allocation). Furthermore, when asked "I have the opportunity to provide input on resource allocation ... that affects my area of work", 63.5% of respondents were neutral to strongly agree. (3.D.67. Employee Survey results, page 57)

**Actionable Improvement Plans:**

None.

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

**III.D.2.a. Financial documents, including the budget and independent audit, reflect appropriate allocation and use of financial resources to support student learning programs and services.**

**Descriptive Summary:**

Budgets are developed utilizing information within the Governor’s budget and other funding sources. The district conservatively budgets revenues from all areas. Resource allocations are provided to each Vice President and it is their responsibility to ensure that each of their departments is adequately funded based upon the district’s goals, objectives and Educational Master Plan. Budget allocations are reviewed by the Executive Committee and reviewed and adopted by the Board of Trustees.

The 2011-2016 Educational Master Plan (3.D.58, plan document) was developed as a commitment to an integrated and ongoing process of planning and review to improve the efficiency and effectiveness, to support evidence-based decision making for the allocation of resources and to ultimately enhance student learning and to increase students successful completion of their educational outcomes and to engage the college and its broader community in a process that collectively identified college-wide strategic goals, documented
the measurable or observable outcomes associated with each goal and set forth the strategies it intends to implement in order to achieve those goals (3.D.30, Board of Trustee Goals, 2013-2014).

The district has allocated funds that support institutional goals by making significant investments in technology, facilities, and targeted faculty hires. Even though the district has undergone significant cutbacks during the past four years, we have continued to provide funding towards meeting our goals and objectives, including creating 36 new full-time faculty positions over a three year period, creating 15 new classified positions, and other augmentations for student success. Within each of the budget presentations provided to both the Budget Advisory Committee and Board of Trustees we have several slides showing specific allocations made towards meeting the district’s goals. Furthermore, as demonstrated in standard 3C, the college has created a special funding account for technology replacement and has adopted budget assumptions that recognize the importance of technology in considering competition for funding. As described in Standard 3B, the institution has set out a facilities plan designed to renovate and add new construction that will be critical in meeting the college’s instructional mission to and beyond 2020.

**Updates of how resources are allocated to achieve board goals:**

- **2013-14 Adopted Budget Presentation, slides 7-11,**

All budgets are based on fiscally conservative assumptions made using the State of California Governor’s budget, revenue made by the Budget Advisory Committee and prior year Financial Statement Audit. See the Adopted Budget: Presidents message and Budget Development Assumptions and Implications. (3.D.25)

Results of audit reports including institutional responses to external audit findings are promulgated throughout the college community via LBCC website, the Board of Trustees’ presentations and cable television, YouTube and LBCC, Fiscal Services website for Annual Audit and Financial Statement. Examples include:

- **Board of Trustee’s minutes showing approval of Audit of Financial Statements and Auditor presentation in open session,**
- **Board of Trustee’s meetings televised on local channels # 15, # 29 & FIOS # 45 the day after the meeting up through the next Board of Trustee’s meeting.**
- **Board of Trustee’s meetings televised on YouTube showing the approval of Audit of Financial Statements in open session,**
  [http://www.youtube.com/watch?v=sMJhnHiEs7I](http://www.youtube.com/watch?v=sMJhnHiEs7I) (Audit, 2012)

**Self-Evaluation:**
Long Beach City College has experienced one of the worst recessions in recent history. Many tough decisions have been made which include significant input from the Academic Senate, Department Heads, faculty union leadership, affected faculty members and the College Executive committee to discontinue 11 instructional programs and layoff both faculty and classified staff associated with these programs. This elimination of programs was critical to the long-term fiscal health of the college and will allow Long Beach City College to direct more resources to courses and programs which serve the majority of our students and that lead to career certificates, degrees and transfer in high demand fields in our local economy (3.D.37, program updates page)

The Board approves Tentative and Adopted Budgets annually. Throughout the fiscal year, the Board approves all appropriation transfers. Transfers between major objects over $25,000 are listed in detail in Board minutes.

**Actionable Improvement Plans:**

None.

**III.D.2.b. Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.**

**Descriptive Summary:**

Annually, the district undergoes an independent audit for the district as a whole, and two bond audits. The audits provide an opinion on the adequacy of the financial statements and internal controls. Auditors also audit several federal and state compliance areas and report on any issues found. Institutional responses to external audit findings are promulgated throughout the college community via the electronic communications network, Board of Trustees’ minutes, LBCC’s YouTube site, and three cable television providers.

The district has responded to problems with internal controls. In some cases, the district has responded to audit findings by quickly rectifying the identified problems. For example, in many cases auditors communicate potential concerns to the district and the district has made corrective actions to make sure formal report findings are not necessary. In other cases, audit findings have dealt with inherently challenging compliance issues that have required extensive follow up, multiple departments and extensive time to resolve. The district’s Internal Audit Manager works with all departments involved to write formal report responses and follow-up action plans to address findings.

Prior to 2010-11, there were no findings or only minor issues. Since that time we have had compliance related findings in each of the following three years. Despite the Internal Audit Manager working closely with the affected departments, two of the three 2013 findings were recurring: TBA (To Be Arranged) and DSGS. TBA attendance accounting is a challenging area for many colleges. Disabled student counseling documentation has been a problem for college staff due to staff turnover and processing changes.
Along with the district responses to findings documented in the audit report, the Internal Audit Manager is responding with the following actions to help ensure compliance: a calendar reminder has been set to ensure timely online reporting for the Transparency Act; the Internal Audit Manager has met with the DSPS Dean and the IT department (IITS) to discuss converting their filing/tracking system to an electronic format; and meetings are planned to address the major issues to help ensure TBA reporting compliance including:

- Changing the coding of non-traditionally scheduled classes that are not TBA in PeopleSoft so they no longer appear as TBA in the system.
- Ensure that remaining WSCH and DSCH TBA classes meet the criteria of WSCH and DSCH and are not Positive Attendance.
- Ensuring that Syllabi are created for and collected for every TBA class and that they contain the necessary, required information.
- Ensure that instructors track and turn in attendance records for all TBA classes.

Self-Evaluation:

Listed below we have identified the results of each external audit report for the past six years:

- 2012-2013. No findings to the basic financial statements but there were a few compliance issues noted specifically (3.D.26, Fiscal year 2013, pages 72-75):
  - Federal Programs: the Small Business Development Center (SBDC) failed to follow the transparency act reporting guidelines timely. This resulted in no cost implications.
  - State Programs: There were two issues identified related to:
    - To Be Arranged (TBA) Hours whereby we amended our CCFS-320 for 4.5 FTES that were incorrectly claimed. This entails no cost implication since we already had unfunded FTES well above this amount.
    - DSPS Finding related to files with no cost implications.

- 2011-2012. No findings to the basic financial statements and federal awards but there were two issues related to State compliance as follows (3.D.26, Fiscal year 2012, pages 67-73):
  - To Be Arranged (TBA) Hours whereby we amended our CCFS-320 for 12 FTES that were incorrectly claimed. This entailed no cost implication since we already had unfunded FTES well above this amount.
  - DSPS Finding related to files with no cost implications.

- 2010-2011. No findings to the basic financial statements and federal awards but there was one issue related to State compliance regarding To Be Arranged (TBA) Hours finding. (3.D.26, Fiscal year 2011, pages 64-67)

- 2009-2010. No findings to the basic financial statements, federal awards or State awards.

- 2008-2009. No findings to the basic financial statements, federal awards or State awards.
2007-2008. No findings to the basic financial statements, federal awards or State awards.

District responses are timely and documented in the audit reports. Suggestions and management letter recommendations regarding basic financial statements, internal controls, new pronouncements and accounting issues have been promptly addressed to avoid audit report findings. As noted above we have had recurring findings in the area of state compliance in recent years. The internal auditor has worked many hours with staff to resolve these issues. However, the decentralized nature of these areas and recent staffing cuts and reorganization have made it challenging to ensure proper documentation. The TBA finding has resulted in audit attendance adjustments of 4 and 12 FTES in the past two years respectively, but has not affected apportionment funding since the district’s FTES is over cap in those years. This finding is common for districts with TBA attendance. The internal auditor has now stepped up efforts to re-enforce the importance of state compliance and its potential effect on funding. Additional procedures are being considered to help eliminate TBA errors going forward.

The aforementioned annual financial audits also review the District’s internal controls. When internal control deficiencies are identified, the District responds in a timely manner to address such shortfalls. This is supported by the lack of internal control findings and positive internal control reports in each of the past six annual audits (3.D.26, Financial Audits).

**Actionable Improvement Plans:**

None.

**III.D.2.c. Appropriate financial information is provided throughout the institution, in a timely manner.**

**Descriptive Summary:**

Each year the Vice President, Administrative Services sends out a memo (3.D.59, Budget Memos) to all district staff discussing the January Governor’s Budget and the May Revise from the Governor with an explanation of how it impacts the LBCC budget. Furthermore, presentations are made at the Board of Trustees’ meetings describing the budget process and to present both the tentative and adopted budgets along with quarterly presentations related to the quarterly expenditure reports which include projections for where we’ll be at the end of the year and the CCFS-311Q Reports.

The Budget Advisory Committee is provided budget updates the district receives from the Chancellor’s Office, the Community College League of California, and Schools Services of California when they are received and are relevant to community colleges and/or LBCC. The membership of the Budget Advisory Committee includes representatives from all constituent groups. The Budget Advisory Committee members are charged to “review and share information on the state budget and state budgeting process as it relates to California
Community Colleges” and “to serve as a conduit for communicating the committee’s activities to its represented constituencies and to other college committees.”

LBCC websites provide budget, fiscal conditions, financial planning and audit results and are available to all members of the community, students and staff, including the CCFS-311 Annual Financial and Budget Reports, the Audit Reports, and the Adopted Budget for Fiscal Years (LBCC Administrative Services/Fiscal Operations). The Long Beach City College Budget home page provides regular updates about the college’s response to the changing condition of the state budget. Information on the current budget and current expenditures is available online via the college’s financial reporting system, PeopleSoft, for all employees responsible for departmental budgets.

Self-Evaluation:

Budget Advisory Committee (BAC) members regularly receive budget updates and articles from School Services of California, the Chancellor’s Office, the Community College League of California (CCLC) and other sources via emails from the Vice President, Administrative Services’ Office.

Budgets are developed each year using the revenue assumptions made by the Budget Advisory Committee. Fiscal Services provides draft budget information to Deans and Directors for their area of responsibility, along with training in how to build an annual budget.

All requested budget changes go through each department’s Vice President, to be discussed in the Executive Committee. The budget development process presentation is made at the Board of Trustees, end of June meeting, each year to describe the budget process and to present the tentative budget. As part of the planning process, the College Planning Committee has input into establishing the priorities and the Budget Advisory Committee has input into the preparation of the operating budget assumptions. The Budget Advisory Committee includes representatives from all constituent groups. The Budget Advisory Committee reviews and shares information on the state budget and state budgeting process as it relates to the Educational Master Plan.

Tentative and Adopted Budgets (3.D.1.) and PowerPoint presentations (3.D.2.) are available to all members of the community, students and staff through the college website. Fiscal conditions, LBCC webcast & memorandum budget updates (3.D.38.)

Revenue assumptions, Budget Advisory Committee (3.D.29)

Actionable Improvement Plans:

None.

III.D.2.d. All financial resources, including short-and long-term debt instruments (such as bonds and Certificates of Participation), auxiliary activities, fund-raising efforts,
and grants, are used with integrity in a manner consistent with the intended purpose of the funding source.

Descriptive Summary:

There are multiple players involved in the review of financial resources including, management staff responsible for the budget, the Fiscal Services staff, each area Vice President, the Bond Management Team (in the case of bond funds), the Board of Trustees, the Citizen’s Oversight Committee and our external auditors.

Every purchase requisition is entered within our PeopleSoft and requires online approval from the respective department’s assigned manager. The manager is responsible for reviewing the item to ensure that it meets district guidelines, is not a prohibited expenditure, and falls within the intended purpose of the department. For bond expenditures there are additional layers of oversight whereby the Bond Management Team is entering the purchase requisitions which are then approved by the Director, Facilities. Once the invoice comes in, the payment cover sheet must be signed off by the construction manager, the program manager, the bond accountant, the Director, Facilities, and ultimately the Vice President, Administrative Services. The Board of Trustees must approve all purchase orders and contracts in excess of $175,000 before contracts can be awarded and issued and they also must ratify all purchase orders and contracts under $175,000.

The district provides oversight for all financial reports. These reports are prepared by the responsible manager and then reviewed by district fiscal services staff to ensure that they agree with the financial records. This review process is followed for grants, whereby each grant has assigned a program manager who is responsible for completing reports that include progress in meeting the grant objectives and documenting use of grant funds. These reports submitted to the granting agencies are verified against expenditures recorded in the district’s PeopleSoft system. The Director, Fiscal Services certifies the veracity of the financial information submitted.

Quarterly financial reports are provided to the Budget Advisory Committee and the Board of Trustees. Additionally, the Citizen’s Oversight Committee receives quarterly expenditure reports and has an opportunity to review these reports and ask any questions at their semi-annual meetings.

An annual independent audit of our financial statements, internal controls and compliance with federal and state guidelines is conducted for the district and incorporates the auxiliary. Any recommendations or findings from the audit report are discussed and distributed to the appropriate affected manager with the intention that it will be resolved before the end of the next fiscal year.

Self-Evaluation:

By utilizing the on-line approval process for all purchase requisitions the district is assuring that each expenditure is approved by the appropriate management personnel. Furthermore,
Fiscal Services provides oversight of all expenditures and grant reports to ensure that the expenditures meet district guidelines, are allowable, and meet grant purposes. Our external auditors are reviewing our expenditures for compliance with federal and state guidelines, including specific grant guidelines, and reviewing our internal controls. Our bond performance auditors are reviewing our bond expenditures to ensure that they fall within the Project List approved by the voters. In each of the last six years, the district has not received any findings from our external auditors that disallowed any of our expenditures.

**Actionable Improvement Plans:**

None.

**III.D.2.e. The institution’s internal control systems are evaluated and assessed for validity and effectiveness and the results of this assessment are used for improvement.**

**Descriptive Summary:**

Proposition 39 requires an annual, independent financial and performance audit be conducted to ensure proceeds from the sale of the school facilities bonds have been expended for specified school facilities projects and to ensure such proceeds are used only for these projects and not for teacher and administrator salaries and other school operating expenses. In addition, the district’s annual financial audit requires an annual review of internal controls and federally and state funded programs for compliance. The results of the audit and any potential deficiencies are reported to the appropriate federal and state agencies (3.D.27, Bond Audits and 3.D.26 Financial Audits).

The annual Report on Audit of Financial Statements performed by the district’s external auditors is completed in order to obtain an opinion on whether or not our financial statements are free of material misstatement. It also assesses the accounting principles used and the estimates made by management in preparing our financial statements. Finally, the audit provides an opinion on the statement of net position, changes of net position and cash flows for the fiscal year reviewed. For fiscal years 2008-09, 2009-10, 2010-11, 2011-12, and 2012-13, it was the opinion of the external auditors that the basic financial statements prepared by the District, presented fairly, in all material aspects, the financial position of the District (3.D.26, financial audits).

The official designation for the responsibility in our student financial aid Program Participation Agreement is the “chief financial aid director,” which is under the Dean of Enrollment Services. The FISAP (3.D.39) is the main student financial aid report that we file with the U.S. Department of Education (USDOE). It details our spending and disbursement of federal funds. We are audited during the year and are subject to program reviews by the USDOE. Most recently program reviewers from the Compliance Department (3.D.60, Department of Education Program Review Response Letter) visited us last summer (June 2012).
Self-Evaluation:

For fiscal years 2008-09, 2009-10, 2010-11, 2011-12, and 2012-13, it was the opinion of the external auditors that the basic financial statements prepared by the District, presented fairly, in all material aspects, the financial position of the District. This would support the integrity of our financial management practices (3.D.26, financial audits).

Special funds activities are monitored by program directors, CAED (Career Advancement and Economic Development) administrators and assistants, Fiscal Services staff and the Internal Audit Manager to make sure funds are spent in line with the intent of the funding source. Annual audits, internal audits, and periodic state and federal audits re-enforce these requirements. Positive results of these audits document district compliance.

For fiscal years 2008-09, 2009-10, 2010-11, 2011-12, and 2012-13, it was the opinion of our performance audit that all school facilities bond funds were expended on specified school facilities projects only and not on prohibited expenses. Bond financial audits for those years also received a positive (unmodified) audit opinion and no findings (3.D.27, bond audits).

Actionable Improvement Plans:

None.

III.D.3. The institution has policies and procedures to ensure sound financial practices and financial stability.

Financial policies and procedures are reviewed on an ongoing basis by management and staff. As an example, beginning in 2009, Administrative Services underwent a complete review and update of all the Board Policies and Administrative Regulations (3.D.61, Board Policies and Administrative Regulations Update Process – sample documents) within sections 6000-Administrative and 7000-Facilities. In the case of BP 6003, 6008, and 6009, we have updated them twice during that time period. The Internal Audit Manager reviews specific policies and procedures and provides feedback for improvements. External auditors provide feedback in the form of audit reports, findings, management letter recommendations, audit exit meeting recommendations and oral recommendations to staff.

III.D.3.a. The institution has sufficient cash flow and reserves to maintain stability, strategies for appropriate risk management, and develops contingency plans to meet financial emergencies and unforeseen occurrences.

Descriptive Summary:

Cash flow reports are prepared monthly for the unrestricted general fund (UGF). Cash flow has been an issue especially in the past four years due to the increasing use of apportionment deferrals by the State. As deferrals have increased, cash balances have decreased for LBCC
especially at the end of recent fiscal years. Recent year-end cash balances before borrowing have often been negative. The college has used two types of financing to cover cash deficiencies and to continue to pay obligations timely:

1. Interfund borrowing 
2. Tax Revenue & Anticipation Notes (TRAN)

Interfund borrowing is limited to funds that have funds available for short-term lending. Borrowing from the Bond Fund is not allowed by law. The unrestricted general fund has borrowed from the Capital Outlay Fund and the Retiree Health Fund in recent years as deferral amounts have increased.

Cash flow projections are prepared periodically to determine cash flow needs. If projected cash flow needs exceed cash flow projections and projected available interfund borrowing, the college finances projected deficiencies with TRAN borrowing. TRAN are forms of short-term financing. The college’s TRAN terms have been one year or less in recent years. Recent UGF cash balances, apportionment deferral amounts, interfund and TRAN borrowing is summarized below:

<table>
<thead>
<tr>
<th>FYE</th>
<th>UGF Cash Balance (w/o borrowing)</th>
<th>Apportionment Deferral</th>
<th>Interfund Borrowing</th>
<th>TRAN</th>
<th>Issuance Costs</th>
<th>TRAN Issue Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/30/11</td>
<td>$ (18,672,043)</td>
<td>$ 20,814,119</td>
<td>$ 10,500,000</td>
<td>$ 10,000,000</td>
<td>$ 142,222</td>
<td>10/20/10</td>
</tr>
<tr>
<td>06/30/12</td>
<td>$ (16,569,706)</td>
<td>$ 25,796,621</td>
<td>$ 8,000,000</td>
<td>$ 10,000,000</td>
<td>$ 198,889</td>
<td>07/01/11</td>
</tr>
<tr>
<td>06/30/12</td>
<td>$ (16,569,706)</td>
<td>$ 25,796,621</td>
<td>$ 8,000,000</td>
<td>$ 15,000,000</td>
<td>$ 275,000</td>
<td>03/01/12</td>
</tr>
<tr>
<td>06/30/13</td>
<td>$ 4,099,506</td>
<td>$ 22,375,025</td>
<td>$ -</td>
<td>$ 22,000,000</td>
<td>$ 407,000</td>
<td>02/28/13</td>
</tr>
</tbody>
</table>

Board Policy 6010 requires the district to maintain an unrestricted general fund reserve of at least 5.5% of expenditures and other outgo (3.D.62, Board Policy 6010).

The district participates in several joint powers agreements to mitigate our risk and provide coverage for the district. These joint powers agreements pool risk amongst member institutions. Our workers’ compensation is covered through Protected Insurance Program for Schools (PIPS) and provides $1 coverage for every worker’s compensation claim. Our property and liability is covered through Statewide Association of Community Colleges (SWACC) with deductibles of $10,000 per occurrence for liability claims and $5,000 per occurrence for property claims. The college plans to continue its participation in the insurance consortiums and has several individuals sitting on the Joint Powers Agency (JPA) boards to look out for the district’s best interest. The Vice President, Administrative Services, the Risk Services Coordinator, and the Director, Business Support Services all sit on JPA boards or committees (3.D.63, SWACC)
Self-Evaluation:

The Director, Fiscal Services and the Deputy Director, Accounting & Finance monitor cash flow on an ongoing basis. Projections for cash flow going forward appear to be significantly improved due to the following:

- Deferral amount in total has decreased in the 2013-14 state budget. We are hopeful that this trend will continue based on the improving economy and the governor’s stated commitment to reduce the state’s wall of debt.
- Deferral amount for LBCC has decreased in 2013-14 and going forward due to the change by the Chancellor’s Office to a more equitable deferral allocation. This change was made due to a suggestion by the college through the Chancellor’s Office’s Fiscal Advisory Workgroup.
- EPA (Education Protection Account) revenue – the increase in revenue due to the passage of Proposition 30 improves overall funding and the quarterly allocation of these funds that begins in 2013-14 will help smooth out cash flow.

The institution has built into its budget at least the minimum 5% reserve (ending balance) requirement for all years of this examination, in many cases more. The board has a reserve policy of 5.5% but has elected to use the minimum (5%) in some years due to budgeting constraints.

Ending fund balance reserves for the unrestricted general fund for past years and the budgeted reserve for the current year are listed below with related surplus/deficit and percentage fund balance figures for comparison:

<table>
<thead>
<tr>
<th></th>
<th>07-08 Actual</th>
<th>08-09 Actual</th>
<th>09-10 Actual</th>
<th>10-11 Actual</th>
<th>11-12 Actual</th>
<th>12-13 Unaudited Actual</th>
<th>13-14 Adopted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus / (Deficit)</td>
<td>$1.3</td>
<td>($0.1)</td>
<td>($1.2)</td>
<td>$4.6</td>
<td>($3.3)</td>
<td>$2.4</td>
<td>$1.5</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$14.9</td>
<td>$14.7</td>
<td>$13.5</td>
<td>$18.1</td>
<td>$14.8</td>
<td>$17.2</td>
<td>$18.7</td>
</tr>
<tr>
<td>Ending Balance as a % of Total Expenses &amp; Other Outgo</td>
<td>13.3%</td>
<td>13.1%</td>
<td>12.4%</td>
<td>17.4%</td>
<td>14.2%</td>
<td>17.7%</td>
<td>18.1%</td>
</tr>
</tbody>
</table>

(3.D.2, 2013-14 Adopted Budget Presentation)

Actionable Improvement Plans:
III.D.3.b. The institution practices effective oversight of finances, including management of financial aid, grants, externally funded programs, contractual relationships, auxiliary organizations or foundations, and institutional investments and assets.

Descriptive Summary:

All finances are monitored centrally by Administrative Services and locally by department deans, grant and project managers. Financial resources are assessed for adequacy on a college-wide level as well as by departments and individual grants. The CAED (College Advancement and Economic Development) division ensures that grant applications are reviewed centrally to assess the overall impacts on the college as well as the matching requirements and the ability of the college to operate the grant including how well it fits in to the overall college plan on a long-term and short-term basis.

The district provides oversight for all financial reports. These reports are prepared by the responsible manager and then reviewed by district fiscal services staff to ensure that they agree with the financial records. This review process is followed for grants, whereby each grant has assigned a program manager who is responsible for completing reports that include progress in meeting the grant objectives and documenting use of grant funds. These reports submitted to the granting agencies are verified against expenditures recorded in the district’s PeopleSoft system. The Director, Fiscal Services certifies the veracity of the financial information submitted.

Quarterly financial reports (3.D.64. BAC meeting handouts) are provided to the Budget Advisory Committee and the Board of Trustees. Additionally, the Citizen’s Oversight Committee receives quarterly expenditure reports and has an opportunity to review these reports and ask any questions at their semi-annual meetings.

An annual independent audit of our financial statements, internal controls and compliance with federal and state guidelines is conducted for the district and incorporates the auxiliary. Any recommendations or findings from the audit report are discussed and distributed to the appropriate affected manager with the intention that it will be resolved before the end of the next fiscal year.

To meet state budget reporting requirements, the Budget office prepares the CCFS-311, annual financial and budget report (3.D.65. CCFS 311 reports), which is submitted to the California Community Colleges Chancellors Office. The Budget Office also maintains the college’s system of position control. The position control system involves budgeting for permanent employees. A supplemental practice has been developed in which organizational charts are used to help managers understand where budgeting existed to fill vacancies.
The district also relies on the annual independent audit of finances, budgets, procedures and documentation of the auxiliary groups for improvement recommendations. The results of the external audit are reviewed and approved by the Board of Trustees. Accounts for restricted funds originating from the state or federal government are continuously monitored for compliance with applicable regulations. Reports are submitted periodically (generally quarterly) to the state for categorical programs. State and federal grantors periodically audit individual programs. An annual internal audit report is prepared for the SBDC (Small Business Development Center).

The majority of the district’s cash is maintained in the Los Angeles County Treasury, which abides by all government code requirements. The district does have some investments in Futuris as part of its irrevocable trust for retiree benefits. The district monitors the investments made in Futuris on a quarterly basis and re-evaluates the fund annually to determine if it continues to meet our needs.

Self-Evaluation:

The district practices effective oversight of its finances through regular review and reporting. The college’s position control system along with the development of organizational charts enables managers to understand better where approved positions are funded. The institution has internal controls in place to assess the use of financial resources. The audit summary in all years has given the institution an unqualified (unmodified, as of 2012-13) opinion in all years under review. The unqualified opinion includes compliance and state and federal awards for categorical funding (3.D.26, audit reports, p. 60-67 Audit Summary FY 11-12).

The institution maintains a Budget Advisory Committee. The Co-Chair presents a budget presentation with the results and assesses all financial resources coming in and out of the institution (3.D.2, Budget Presentations), (3.D.40, Budget Advisory Committee Minutes).

Financial resources are assessed from high levels including the Board of Trustees and Executive level committees. Resource data is prepared by departments, grants and Fiscal Services staff (3.D.66. New Faculty Presentation – budget, purchasing cycles & reporting processes) to help provide accurate information to make well-informed decisions. The Budget Advisory Committee is charged with reviewing the performance and making changes to their budget recommendations as changes occur.

Actionable Improvement Plans:

None.

III.D.3.c. The institution plans for and allocates appropriate resources for the payment of liabilities and future obligations, including Other Post-Employment Benefits (OPEB), compensated absences, and other employee related obligations.
Descriptive Summary:

The college’s **long-term liabilities** as of June 30, 2013 are:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensated absences</td>
<td>$5,036</td>
<td>$5,175</td>
<td>-2.7%</td>
</tr>
<tr>
<td>General obligation bonds, net</td>
<td>476,861</td>
<td>215,921</td>
<td>120.8%</td>
</tr>
<tr>
<td>Bond anticipation notes, net</td>
<td>155,080</td>
<td>155,080</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Other postemployment benefits other than pensions (OPEB)</td>
<td>4,640</td>
<td>3,657</td>
<td>26.9%</td>
</tr>
<tr>
<td>Supplemental employee retirement plan</td>
<td>193</td>
<td>386</td>
<td>-50.0%</td>
</tr>
<tr>
<td>Total long term debt</td>
<td>486,730</td>
<td>380,219</td>
<td>28.0%</td>
</tr>
<tr>
<td>Total short term portion</td>
<td>(15,241)</td>
<td>(165,437)</td>
<td>-90.8%</td>
</tr>
<tr>
<td>Total long term portion</td>
<td>$471,489</td>
<td>$214,782</td>
<td>119.5%</td>
</tr>
</tbody>
</table>

(The Annual Financial Audit Report 2012-13)

The district has plans in place and allocates resources for all of these long-term obligations. Compensated absence liabilities (accrued vacations and faculty load-banking) are increased as vacations and banked hours are earned and reduced as they are taken by employees. Dollar payments are made when balances remain when an employee leaves the college. Annual budget and cash flow monitoring allow for sufficient resources to pay ongoing vacation pay-outs. This activity is monitored so that resources are available for unusually high pay-outs such as from recent layoffs.

Self-Evaluation:

General obligation bond liabilities are paid from property tax revenue through the county. The college monitors assessed valuations of property in our district area to indicate future property tax revenue. We work with our bond underwriters to monitor and try to mitigate the tax burden on district property tax payers. The college has done bond refundings most recently in July 2012 to save tax payers’ bond repayment costs.

In recent years the college has been transferring the full amount of the Annual Required Contribution (ARC) calculated by the actuarial study. In the past two years that has been $3.1 million. In addition, the college has been contributing annually to its OPEB irrevocable trust (Futuris Investment) adding to the initial $1 million contribution. According to the college’s actuary, the ARC payment is the amount that the college should contribute to be fully funded in 30 years. The ARC calculation begins with the full OPEB liability calculated by the actuarial study. Then, the actuary calculates the amount needed to fund that liability over a 30 year period like a 30-year loan amortization. So, a college is considered fully
funding the ARC by setting aside the annual ARC amount in the same manner that a 30-year home mortgage is considered to be properly repaid if scheduled amortized payments are being made timely. In both instances, there is an ongoing liability, but both are being properly funded.

As noted above, the ARC is being fully funded with annual contributions to the Retiree Health Fund. The summary of the irrevocable trust (Futuris) contributions and current balances are as follows:

<table>
<thead>
<tr>
<th>Irrevocable Trust Futuris Summary Since Inception</th>
<th>Cost</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial investment 8/17/2006</td>
<td>1,000,000.00</td>
<td>1,000,000.00</td>
</tr>
<tr>
<td>Cash deposits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept. 2011</td>
<td>79,443.74</td>
<td>79,443.74</td>
</tr>
<tr>
<td>Sept. 2012</td>
<td>73,420.00</td>
<td>73,420.00</td>
</tr>
<tr>
<td>Aug. 2013</td>
<td>56,031.68</td>
<td>56,031.68</td>
</tr>
<tr>
<td>Subtotal cash deposits</td>
<td>1,305,043.55</td>
<td>1,305,043.55</td>
</tr>
<tr>
<td>Earnings reinvested</td>
<td>295,829.31</td>
<td>295,829.31</td>
</tr>
<tr>
<td>Expenses</td>
<td>(81,720.92)</td>
<td>(81,720.92)</td>
</tr>
<tr>
<td>Change in market value</td>
<td>-</td>
<td>164,336.14</td>
</tr>
<tr>
<td>Balance 9/30/2013</td>
<td>1,519,151.94</td>
<td>1,683,488.08</td>
</tr>
</tbody>
</table>

(3.D.55, Futuris irrevocable trust statement, 9/30/13)

Actionable Improvement Plans:

None.

III.D.3.d. The actual plan to determine Other Post - Employment Benefits (OPEB) is prepared, as required by appropriate accounting standards.

Descriptive Summary:

It is prudent and recommended to have actuarial studies prepared periodically for up to date, reliable estimates of OPEB obligations. All California Community Colleges are required to have actuarial studies prepared every two years.

Self-Evaluation:
Actuarial Studies have been prepared every two years as required by applicable accounting standards by Total Compensation Systems, Inc. We have received our most recent Actuarial Study dated November 7, 2013 (3.D.31)

Actionable Improvement Plans:

None.

III.D.3.e. On an annual basis, the institution assesses and allocates resources for the repayment of any locally incurred debt instruments that can affect the financial condition of the institution.

Descriptive Summary:

Total long-term debt is $486.7 million of which $15.2 million is short-term per the long-term debt schedule above. Current portions of compensated absences and SERP (supplemental employee retirement plan) debt payable in 2013-14 is $2.7 million (2.6% of unrestricted general fund budget). Current portions of bond payments are $12.5 million (56.9% of BIRF fund balance). The county collects taxes for ongoing bond payments.

Self-Evaluation:

The district assesses and allocates resources for the repayment of local debt through budget processes. Committees are notified of impacts of decisions that affect future debt. In 2008, our bond issuance was used to pay off local debt including $33.5 million in COPs debt, $16.3 million in equipment leases and a $0.8 million Honeywell lease. Since that time, local long-term debt has consisted of GO (General Obligation) bonds, BAN (bond anticipation notes), compensated absences (accrued vacation and faculty load banking), OPEB and SERP debt. The BAN was paid off as scheduled in January 2013. The final installment of the SERP will be paid in 2013-14. So, as of June 30, 2014 the only remaining local long-term debt will be GO bonds, compensated absences and OPEB debt. The district has not had long-term capital leases in recent years.

Local debt repayment is one factor taken into consideration in annual budgeting. Efforts have been made in recent years to reduce and manage local debt so that it does not have a negative impact on institutional financial stability. As noted above going forward local long-term debt is limited to employee benefits and construction related debt. The OPEB annual required contribution (ARC) obligation has declined in recent years:

<table>
<thead>
<tr>
<th>Actuarial Study Date</th>
<th>ARC Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1, 2009</td>
<td>$3,460,567</td>
</tr>
<tr>
<td>September 1, 2011</td>
<td>3,116,486</td>
</tr>
<tr>
<td>September 1, 2013</td>
<td>2,761,417</td>
</tr>
</tbody>
</table>

Per district actuarial study reports.
Within this reporting period, the district has continued to fund the ARC in the Retiree Health Fund each year.

Actionable Improvement Plans:

None.

III.D.3.f. Institutions monitor and manage student loan default rates, revenue streams, and assets to ensure compliance with federal requirements.

Descriptive Summary:

The college’s Direct Loan Policy & Procedures state that, “It is the philosophy of the Financial Aid Programs at LBCC that loans should be taken out as the last alternative for financing a student’s education”. A statement is included on the Financial Aid Award notification letter indicating that the student may be eligible for a student loan. First-year students, who have unmet need after all other financial aid has been awarded, may borrow a subsidized Direct Loan up to the amount of their unmet need or $3,500 whichever is less.” (3.D.42, student financial aid website).

U. S. Education Secretary Duncan announced that the FY 2009 3-year national cohort default rate is 13.4 percent and the FY 2010 rate is 14.7 percent (3.D.43, federal financial aid website)

Self-Evaluation:

LBCC financial aid default rates are:

<table>
<thead>
<tr>
<th>Cohort Year</th>
<th>Loan default rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>12.3%</td>
</tr>
<tr>
<td>2009-10</td>
<td>15.8%</td>
</tr>
<tr>
<td>2010-11</td>
<td>20.6%</td>
</tr>
</tbody>
</table>


LBCC financial aid default rates per a third party web site are:
The college has recommended borrowing limits and aggregate loan limits (3.D.45, page 2) to minimize excess borrowing and to help minimize default rates. The financial aid office conducts entrance and exit counseling for loan recipients annually. Students are given information on the consolidation of previous educational loans into an individual education account and explicit information on the options for repayment. Students who have previously defaulted are not eligible for financial aid until they have paid their previous loan in full. (3.D.45, Direct Loan Policy & Procedures 2013/2014, SFAO website)

**Actionable Improvement Plans:**

None.

**III.D.3.g.** Contractual agreements with external entities are consistent with the mission and goals of the institution, governed by institutional policies, and contain appropriate provisions to maintain the integrity of the institution.
Descriptive Summary:

The district follows the Board policies and administrative regulations regarding all contracts as evidenced in Administrative Regulation on Risk Management 6005.3 (3.D.41). These policies specify bidding and contractual limits. All contracts are reviewed and approved by the executive committee and the Board of Trustees. This ensures that contracts are consistent with the mission and goals of the institution. Appropriate provisions such as insurance requirements to maintain the integrity of the institution are uniformly embedded into the “boiler plate” standard language of each contract.

The Committed Construction Projects listing provided to auditors annually provides a list of construction projects at the end of the fiscal year, the vendors, amounts spent and remaining amounts to be spent. (3.D.23, Committed Construction Projects through 6/30/13 attachment) These projects and related contractual agreements are based on the bond project lists and the district’s construction plan.

All contracts and agreements must be reviewed by the Contracts Department to ensure necessary components are included and that district standards and policies are maintained. Contracts are maintained on file with the Contracts Department for review and updates. Contracts include a termination clause within reasonable limits for each party to terminate the contract if needed.

Self-Evaluation:

To ensure consistency with the mission and goals of the institution, all contracts are analyzed by the executive committee before they are submitted to the Board of Trustees. The Board of Trustees regularly approves contracts at their Board meetings (3.D.46, board meeting, 6/26/12, page 6 - 10). The Contracts Management Department provides support to staff, faculty, vendors and contractors in understanding and applying the policies and procedures related to contracting for construction and professional services. The Business Support Services office will competitively bid public works projects, a variety of equipment and services as well as review, negotiate, and process all contractual agreements (3.D.47, Business Support Services Program Review Goals, page 1). The facilities department and the Bond Management Team maintain a Gantt chart that summarizes the schedule and timelines of bond construction projects (3.D.48, Bond program master schedule chart).

The district ensures that all contracts contain indemnification, termination, and hold-harmless clauses as well as requiring a minimum of $1 million in general liability insurance in order to protect the interests of the district. Contract templates are utilized for the various types of contracts that have been developed in conjunction with legal counsel. The contracts department ensures that all federal grant agreements include all of the required clauses including employment, lobbying certification, Davis Bacon Act and non-discrimination requirements. The job description of the Deputy Director, Purchasing and Contracts includes the requirement that all contracts comply with federal guidelines (3.D.50, CLASS SPECIFICATION - Deputy Director, Purchasing and Contracts, page 1)
The Citizen’s Oversight Committee helps ensure that bond proceeds are spent on approved bond projects according to the district's construction plan (3.D.49, Citizen’s Oversight Committee Bylaws).

Actionable Improvement Plans:

None.

III.D.3.h. The institution regularly evaluates its financial management practices and the results of the evaluation are used to improve internal control structures.

Descriptive Summary:

Both the aforementioned annual financial and performance audits provide feedback on the District’s financial and bond related processes. If deficiencies are found in internal controls or in bond processes, such deficiencies are noted in the respective audits, which are posted publicly, and are subsequently addressed by management.

Self-Evaluation:

The district receives continual feedback on fiscal planning through the Budget Advisory Committee (BAC). The BAC includes members from all constituent groups on campus including bargaining units. Concerns are brought forward regarding budgeting and decisions made. Feedback is also given to the vice presidents. The program review process involves meetings at several levels resulting in discussions regarding priorities. The Board of Trustees audit committee meets with district independent auditors annually for entrance and exit conferences to discuss findings and recommendations and how to use lessons from past fiscal planning to inform current reviews. The Citizens Oversight Committee (COC) receives annual bond audit reports including findings and recommendations. Evaluation and feedback examples include:

- Example COC meeting minutes, http://www.lbcc.edu/BondProgram/documents/Minutes%20-20\%20January%202013\%20COC\%20Meeting.pdf
- Example of one-time allocations/outside of our usual processes; also mention of the Deficit Factor, http://www.lbcc.edu/AdminServices/documents/BAC%20Minutes%20%204-24-2013.pdf
Discussions on allocations from reserves, salaries as a percentage of the budget, total cost of ownership - showing past planning being used to adjust future planning, http://www.lbcc.edu/AdminServices/documents/BAC%20Minutes%20%205-29-2013.pdf

Actionable Improvement Plans:

None.

III.D.4. Financial resource planning is integrated with institutional planning. The institution systematically assesses the effective use of financial resources and uses the results of the evaluation as the basis for improvement of the institution.

Descriptive Summary:

With the change in the district’s Program Planning/Review process that was instituted in 2009, the district has focused on tying in our planning and budgeting processes. Each year every department updates their Program Plans and submits them to their area Dean. Within the Department Program Plans, budget/resource requests are included when they are deemed pertinent to helping the department accomplish its goals. We have developed guidelines for what resource requests to include within a Department Program Plan (3.D.51). These budget/resource requests are then summarized and included in a report for each School/Division Level’s consideration and prioritization. The budget/resource requests from each School/Division are then sent to the VP Level Groups for their consideration and then prioritization if the VP Level Group deems the budget/resource request appropriate for that fiscal year. It is incumbent upon each School/Division Level and VP Level group to assure that any budget/resource request approved within the plans meet departmental, school/division, and/or Board goals. Once all of the VP Level Plans have been developed, including a prioritized list of budget/resource requests, they are submitted to the College Planning Committee (CPC). The CPC then develops institutional priorities based upon review and compilation of each of the VP Level Plans. The institutional priorities are then given to the Budget Advisory Committee for incorporation into the Budget Assumptions and Implications that are developed for each year’s budget cycle. When, and if, additional funding becomes available, the Vice Presidents are responsible for assuring that any item funded appears on the ranked priority lists. This way the Vice Presidents are evaluating the output of the planning process of each department when they approve expenditures that go beyond a department’s normal allocation of funds.

Revenue projections are based on the Governor’s Budget. If growth/access/restoration funds are provided within the Governor’s Budget, we budget the additional revenue and corresponding additional adjunct hours in order to generate sufficient number of FTES to earn the additional revenue. The Budget Advisory Committee agrees upon both the FTES for revenue generation and the FTES for additional sections. We typically try to budget and provide funding in the adjunct hourly budgets to generate 1-2% FTES over the amount that we think we will be funded (3.D.52, 2013-14 Adopted Budget FTES projections). This
allows the departments to offer the classes that are needed and to assure that we’ll meet our revenue targets.

Self-Evaluation:

The relatively new Program Planning/Review processes allow for planning to drive budgeting. The district is continuing to improve this process with each year’s iteration. There are several areas where this has occurred such as the Hiring Priorities Committee criteria, recent classified staff hires that were part of our reorganization, funding for the Technology Master Plan, instructional equipment purchases, and funding needed for new and/or renovated buildings that are scheduled to come on-line during the next fiscal year. The Hiring Priorities Committee requires that any new faculty position being considered for funding must appear in the Department Plan (3.D.53, Hiring Priorities Packet). When the district completed a major reorganization for the 2013-14 budget cycle, classified staff positions were added to help divisions meet their goals which directly supported Board Goals and Institutional Priorities. Each year when the Adopted Budget is presented to both the Budget Advisory Committee and the Board of Trustees, the presentation includes information detailing how allocations work toward meeting the Board Goals and Institutional Priorities (3.D.54, Adopted Budget Presentations for fiscal years 2007-08 (slides 5-7), 2008-09 (slides 4-8), 2009-10 (slides 8-10), 2010-11 (slides 6-8), 2011-12 (slides 5-6), 2012-13 (slide 5), and 2013-14 (slides 7-11).

When the district plans to open buildings at the completion of construction projects, it assesses whether there will be increased costs associated with operating those buildings. If an increased cost is identified, it is built into the budget for the year that the building will open. For example, in 2013-14, we included the increased costs related to elevator and fire sprinkler inspections for the new buildings; the central plant maintenance costs for the quarterly and annual inspections required; and increased software licensing costs.

Actionable Improvement Plans:

None.
Standard III-D. Financial Resources - Evidence List

<table>
<thead>
<tr>
<th>Evidence</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.D.5</td>
<td>College Planning Committee webpage, <a href="http://www.lbcc.edu/Planning/CommitteesTaskForces.cfm">link</a></td>
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<tr>
<td>3.D.6</td>
<td>Administrative Regulations, Hiring priorities, <a href="http://www.lbcc.edu/policymanual/regulations/3012reg.pdf">link</a></td>
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<tr>
<td>3.D.8</td>
<td>Institutional Effectiveness website, <a href="http://www.lbcc.edu/IE/index.cfm">link</a></td>
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<tr>
<td>3.D.10</td>
<td>Budget Assumptions edits, <a href="http://www.lbcc.edu/AdminServices/documents/05_Assumptions_Implications_TB-13-14.pdf">link</a></td>
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<td>3.D.11</td>
<td>Board of Trustees meeting minutes, <a href="http://agendas.lbcc.edu/Agenda_Minutesdocs/department_10/Agendas/2012_2013/supportdocs/supplemental.pdf">link</a></td>
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<td>3.D.15</td>
<td>Trigger Cuts, <a href="http://www.lbcc.edu/AdminServices/documents/Trigger%20Language.pdf">link</a></td>
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<td>3.D.16</td>
<td>Planning Committee, <a href="http://www.lbcc.edu/Planning/index.cfm">link</a></td>
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<td>3.D.17</td>
<td>CCFS 311 Quarterly Reports, <a href="http://www.lbcc.edu/Fiscal/ccfs-311-quarter-rpt.cfm">link</a></td>
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<tr>
<td>3.D.18</td>
<td>Mid-Year Budget Performance Report, <a href="http://www.lbcc.edu/AdminServices/documents/1-30-13_2012-13_Mid-Year_Budget_Performance_Rpt_Fd01.pdf">link</a></td>
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<td>3.D.19</td>
<td>Futuris-Trust for Retiree Health Benefits, <a href="http://www.lbcc.edu/Fiscal/futuris-trust-prior.cfm">link</a></td>
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3.D.23 Construction Projects as of 6/30/13 – attachment B.
3.D.28 Citizen’s Oversight Committee (COC) meeting minutes
3.D.31 Actuarial Study – attachment D.
3.D.33 School plans: http://www.lbcc.edu/ProgramReview/InterLevel.cfm


3.D.54 Adopted Budget Presentations for fiscal years 2007-08 (slides 5-7), 2008-09 (slides 4-8), 2009-10 (slides 8-10), 2010-11 (slides 6-8), 2011-12 (slides 5-6), 2012-13 (slide 5), and 2013-14 (slides 7-11), board goals & institutional priorities, http://www.lbcc.edu/OAS/hiring-priorities/

3.D.55 Futuris irrevocable trust statement, 9/30/13 – attachment E.


3.D.57 Employee Health Benefit Agreement – employee contribution increased from 3%, 5% and 7% to 4%, 6% and 8%, http://www.lbcc.edu/HumanResources/documents/051712TAreArticleX-HealthandWelfare.pdf


3.D.60 Department of Education Program Review Response Letter, attachment F.

3.D.66 New Faculty Presentation – budget, purchasing cycles & reporting processes, attachment K.
3.D.67 Employee Survey results, page 57, attachment L.