

Glendale Community College Sound Fiscal Management Assessment Checklist

1. **Deficit Spending** - Is this area acceptable? **Yes / No** **Yes**
- Is the college spending within its revenue budget in the current year? **Yes**
Based on the February 2007 mid year budget report, the budget reflects a budgetary surplus. However, the February report did not fully account for the final effect of labor negotiations concluded in April.
 - Has the college controlled deficit spending over multiple years? **Yes**
The college experienced unrestricted deficit spending in two of the previous five years, 2001-02 and 2002-03.
 - Is deficit spending addressed by fund balance, ongoing revenue increases, or expenditure reductions?
Analysis of the 2001-02 through 2005-06 fiscal years indicates that deficit spending was offset by fund balance and increased revenues.
 - Are college revenue estimates based upon past history? **In part**
Revenue estimates are based on current information with a conservative approach to income that is tied to future growth. As appropriate, the college uses prior year actual revenues as a budget target
 - Does the college automatically build in growth revenue estimates? **No**
The college does not include projected growth dollars in the adoption budget.
2. **Fund Balance** – Is this area acceptable? **Yes / No** **Yes**
- Is the college’s fund balance stable or consistently increasing? **Yes**
The unrestricted fund balance has increased in three of the past four years, and as of February 2007 was projected to increase although the budget did not fully account for the final effect of labor negotiations concluded in April.
 - Is the fund balance increasing due to ongoing revenue increases and/or expenditure reductions? **Both**
Revenues and expenditures have both increased during the past five years.

| | 2006-07* | 2005-06** | 2004-05** | 2003-04** | 2002-03** | 2001-02** |
|--------------------|--------------------|--------------|--------------|--------------|--------------|--------------|
| Revenues/Sources | | \$70,603,119 | \$64,140,809 | \$60,892,400 | \$58,828,250 | \$58,562,242 |
| Expenditures/Outgo | | \$70,521,694 | \$63,830,870 | \$60,313,392 | \$60,229,473 | \$59,725,933 |
| Fund Balance | Est. \$4.1 million | \$3,599,844 | \$3,518,419 | \$3,208,480 | \$2,629,472 | \$4,030,695 |

*Mid year budget report **Annual financial reports

3. **Enrollment** - Is this area acceptable? **Yes / No** **No**

- Has the college's enrollment been increasing or stable for multiple years? **No**
The FTES has fluctuated over the past seven years.

| Year | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 | 1999-00 |
|------------|---------|---------|---------|---------|---------|---------|---------|
| Total FTES | 15,972 | 16,142 | 16,116 | 16,562 | 17,186 | 15,121 | 13,295 |
| Inc/Dec | -170 | 26 | -446 | -624 | 2,065 | 1,826 | |

Source: Annual Independent audits

- Are the college's enrollment projections updated at least semiannually? **No**
Information provided to the review team indicates that the college does not prepare enrollment projections.
- Are staffing adjustments consistent with the enrollment trends? **Yes**
The college adjusts staffing according to FTES while remaining in compliance with the 50% Law.
- Does the college analyze enrollment and full time equivalent students (FTES) data? **Yes**
- Does the college track historical data to establish future trends between P-1 and annual for projection purposes? **No**
The college does not prepare enrollment projections.
- Has the college avoided stabilization funding? **No**
The college reported credit FTES from the 2006 summer session in the 2005-06 fiscal year. The college will not realize a loss in funding as long as the base is restored in 2006-07.

4. **Unrestricted General Fund Balance** – Is this area acceptable? **Yes / No** **Yes**

- Is the college's unrestricted general fund balance consistently maintained at or above the recommended minimum prudent level (5% of the total unrestricted general fund expenditures)? **Yes**
The unrestricted balance has remained above the 5% level in four of the five prior years. The February 2007 mid year budget report projects an overall percentage of 5.3%, although the report did not fully account for the final effect of labor negotiations concluded in April.

| Year | 2006-07* | 2005-06** | 2004-05** | 2003-04** | 2002-03** | 2001-02** |
|--------------|--------------------|-------------|-------------|-------------|-------------|-------------|
| Fund Balance | Est. \$4.1 million | \$3,599,844 | \$3,518,419 | \$3,208,480 | \$2,629,472 | \$4,030,695 |
| Overall % | 5.3% | 5.10% | 5.51% | 5.32% | 4.37% | 6.75% |

*Mid year budget report and includes the \$1 million temporary transfer from Professional Development

** Annual financial reports

- Is the college's unrestricted fund balance maintained throughout the year? Yes – but it is only met with the temporary transfer from the Professional Development Fund

5. **Cash Flow Borrowing** - Is this area acceptable? Yes / No Yes

- Can the college manage its cash flow without interfund borrowing? Yes

- Is the college repaying TRANS and/or borrowed funds within the required statutory period?

The college has issued tax revenue and anticipation notes in the current and previous five years and has consistently met the repayment requirements.

| | | | | | |
|-------------|-------------|-----------|-----------|-----------|-----------|
| 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
| \$2,615,000 | \$2,505,000 | 3,995,000 | 4,500,000 | 4,000,000 | 4,000,000 |

6. **Bargaining Agreements** - Is this area acceptable? Yes / No No

- Has the college settled bargaining agreements within new revenue sources during the past three years?

The COLA for community colleges was 5.92% in 2006-07, 2.41% for 2004-05 and 4.23% for 2005-06.

| Fiscal Year | Salary Increase | COLA | Difference |
|-------------|-----------------|-------|------------|
| 2004-05 | 4.00% | 2.41% | -1.59% |
| 2005-06 | 4.30% | 4.23% | -0.07% |
| 2006-07 | 7.50% | 5.92% | -1.58% |

In March 2007, the college and the California School Employees Association (CSEA), Chapter 76, agreed to a 7.3% salary adjustment retroactive to July 1, 2006. There is a "me too" clause that increased the salary adjustment to 7.5% for 2006-07. CSEA also received a portion of a Blue Shield rebate to be distributed as a one-time bonus to all active and retired CSEA members who worked during the 2005 calendar year.

In April 2007 the college and the Guild agreed to a 7.5% salary adjustment retroactive to July 1, 2006. The Guild agreed to have its proportional share of the Blue Shield rebate deposited into the Adjunct Health Benefits Account (AHBA), and agreed to a college contribution of \$85,000 to be credited each fiscal year to the AHBA.

- Did the college conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement? Yes

- Did the college correctly identify the related costs? Yes
- Did the college address budget reductions necessary to sustain the total compensation increase? No
The college was aware that budget flexibility and cost containment would be required to fully fund the negotiated settlement.

7. **Unrestricted General Fund Staffing** - Is this area acceptable? Yes / No Yes

- Does the college ensure it does not use one-time funds to pay for permanent staff or other ongoing expenses? Yes
- Is the percentage of college general fund budget allocated to salaries and benefits at or less than the statewide average (e.g., the statewide average for 2003-04 is 85%)? Yes
The percentage of the unrestricted budget allocated to salaries and benefits for the previous years is shown in the following table:

| Year | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
|----------------|--------------|--------------|--------------|--------------|--------------|
| Fund II S/B | \$61,907,860 | \$55,899,803 | \$52,996,361 | \$52,382,737 | \$50,520,279 |
| Total Expenses | \$70,521,694 | \$63,830,870 | \$60,313,392 | \$60,229,473 | \$59,725,933 |
| Percentage | 87.79% | 87.57% | 87.87% | 86.97% | 84.59% |

8. **Internal Controls** - Is this area acceptable? Yes / No No

- Does the college have adequate internal controls to ensure the integrity of the general ledger? Yes
- Does the college have adequate internal controls to safeguard the college's assets? No

9. **Management Information Systems** - Is this area acceptable? Yes / No Yes

- Is the college data accurate and timely? Yes
However, the college relies on an Oracle financial system and routinely uploads information to the Los Angeles County Office of Education PeopleSoft financial system. Dual input into both systems is required at a detailed level, resulting in duplication of effort to keep the two systems balanced. The college has initiated hard coding stops on purchase requests to ensure that budget lines include sufficient funds prior to purchase.

The college offers remote access to the Oracle system for sites, and training is ongoing to facilitate learning. The sites are unable to process budget transfers online at this time.

- Are the county and state reports filed in a timely manner? Yes

- Are key fiscal reports readily available and understandable? Yes
Two board members indicated a preference to receive financial information in a more user-friendly format before the monthly board meetings.

10. **Position Control** – Is this area acceptable? Yes / No No

- Is position control integrated with payroll? No
Position control, as the term is used by the college, is developed through an extract of data from Oracle. The data is managed using Microsoft Excel and is compared with payroll registers for college employees. The college does not have an integrated system that feeds into budget, payroll, or human resources.
- Does the college control unauthorized hiring? No
The study team was informed that department heads have discretion in hiring adjunct staff without prior budgetary approval.
- Does the college have controls over part-time academic staff hiring? Yes
The college is implementing controls in 2006-07 for many areas in line with the Strategic Master Plan.

11. **Budget Monitoring** - Is this area acceptable? Yes / No Yes

- Is there sufficient consideration to the budget related to long-term bargaining agreements? Yes
Ongoing budget analysis is completed by Administrative Services and the Accounting Department.
- Are budget revisions completed in a timely manner? Yes
- Does the college openly discuss the impact of budget revisions at the board level? Yes
Information is presented in the public session for discussion. Two board members requested a more user-friendly format for information to be distributed before the board meeting.
- Are budget revisions made or confirmed by the board in a timely manner after the collective bargaining agreements are ratified? Yes
- Has the college's long-term debt decreased from the prior fiscal year? No
The college has managed multiple building projects over the past years to modernize and add new facilities to the campus. The college's long-term debt consists of three series of general obligation bonds (GOBs) – 2002 Series A, 2002 Series B&C, and 2005 Series A; Certificates of Participation (COPs), the liability for compensated absences, early retirement, and capital leases.

| Year | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
|-----------------------------|--------------|--------------|------------|------------|------------|
| Total Long Term Obligations | \$55,054,075 | \$52,192,778 | 53,674,299 | 36,752,912 | 14,472,264 |

Source: Independent Audits

- Has the college identified the repayment sources for the long-term debt? Yes
General Obligation Bond debt service is funded by local tax collections. Payments for the COPs are made by the debt service fund from sources that include revenues from the sale of parking permits. Compensated absences and early retirement amounts will be paid by the fund for which the employee worked. Capital lease payments are made from the unrestricted general fund. The college has utilized capitalized lease purchase agreements primarily for equipment.

2005-06 Ending Balances for Long Term Obligations

| | |
|------------------------------------|--------------|
| GOB, 2002 Series A | \$4,950,000 |
| GOB, 2002 Series B & C | \$19,694,580 |
| GOB refunding bonds, 2005 Series A | \$17,034,181 |
| Unamortized premium | \$2,515,163 |
| COP, 1997 | \$3,475,000 |
| Subtotal Bonds & Notes payable | \$47,668,924 |
| Compensated absences | \$3,829,941 |
| Early retirement | \$3,375,221 |
| Capital leases | \$179,989 |
| Subtotal other liabilities | \$7,385,151 |
| Total Long Term Obligations | \$55,054,075 |

- Does the college compile annualized revenue and expenditure projections throughout the year? Yes
The review team received sample building project reports for Measure G and general obligation bonds that clearly identified revenue, expenditure, and change order information, as well as the project status.

12. Retiree Health Benefits - Is this area acceptable? Yes / No Yes

- Has the college completed an actuarial calculation to determine the unfunded liability? Yes
The review team received a copy of the July 19, 2006 actuarial report for retiree health liabilities. The actuarial present value of total projected benefits as of March 1, 2006 for pre- and post-65 benefits is \$16,296,017.

- Does the college have a plan for addressing the retiree benefits liabilities? No
The college uses the "pay as you go" method to fund the liability but is considering participation in a community college consortium planning to provide funding options to colleges. During the 2005-06 fiscal year, approximately \$146,632 was paid for retiree benefits.

13. **Leadership/Stability** - Is this area acceptable? Yes / No Yes

- Has the college experienced recent turnover in its management team (including the Chief Executive Officer, Chief Business Officer, and Board of Trustees)? Yes
The college welcomed a new President in July 2006, following the retirement of a longtime incumbent in the position. The college board has had three changes over the past five years; and three of the five members have been in office for all five years. The Vice President of Instruction is new.

14. **College Liability** – Is this area acceptable? Yes / No Yes

- Has the college performed the proper legal analysis regarding potential lawsuits that may require the college to increase its reserve levels? Yes
- Has the college set up contingent liabilities for anticipated settlements, legal fees, etc? No
The 2005-06 independent audit includes an opinion on pending litigation as follows: "in the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the district at June 30, 2006."

15. **Reporting** – Is this area acceptable? Yes / No Yes

- Has the college filed the annual audit report with the System Office on a timely basis? Yes
- Has the college taken appropriate actions to address material findings cited in its annual audit report? Yes
The 2005-06 Independent Audit identifies findings 2006-03 and 2006-07 that had not been resolved as of June 30, 2006. Finding 2006-03 on Instructional Materials Fees recommends that the college ensure that fees charged to students "comply with the State regulations and the Student Fee handbook set for by the Chancellor's Office." The college response indicates that previous practices among its divisions will be changed and material fee purchases will be charged to the appropriate accounts.

Finding 2006-07 recommends that the college establish a separate restricted sub fund account "for lottery funds restricted for instructional materials revenue and expenditure." The college indicates that expenditures paid from the unrestricted lottery funds will be accounted for in the college's accounting ledgers.

- Has the college met the requirements of the 50 percent law? Yes
Confirmed by Form 311 information included in the five years covered in this review.
- Have the quarterly financial status reports (CCFS-311Q), annual financial and budget reports (CCFS311), and apportionment attendance reports (CCFS-320) been submitted to the System Office on or before the stated deadlines? Yes

Risk Analysis

Total the number of areas that were not acceptable (Primary level “No” responses)
Use the key below to determine the level of risk to the college’s fiscal health.

| | | | |
|-----|----------|------|----------------|
| 0-3 | 4-6 | 7-10 | 11-15 |
| Low | Moderate | High | Extremely High |

Total “No” Responses: 4

Based on the above analysis, the Glendale Community College District has a moderate level of risk. In certain cases, a “no” rating may occur for reasons outside the college’s control. The four “no” ratings for Glendale CC were applied in the categories of Enrollment, Bargaining Agreements, Internal Controls and Position Control. The college should consider the following recommendations as means to improve the negative ratings:

1. The college should continue to increase its marketing efforts to attract new students for the upcoming year. A wide area campaign in print and the electronic media showcasing the college’s opportunities for students may be beneficial. In addition, completion of the parking structure may encourage former students to return to the campus.
2. At all times, the college should ensure that negotiated labor settlements for salaries and benefits can be funded with ongoing revenue sources and adjust staffing as necessary during declining enrollment while maintaining compliance with the 50% law.
3. The college should focus efforts on implementing an integrated position control system so that the divisions of Administrative and Instructional Services will be working with consistent information for hiring, budgeting, and payroll.
4. Review staffing and identify other staff members that possess sufficient experience and knowledge to assist the director in these functions and to implement the internal controls necessary to safeguard college assets and protect employees.