# Monitoring Reports
# June 2005

## *POLICY TYPE: EXECUTIVE LIMITATIONS*

**POLICY TITLE: GENERAL EXECUTIVE CONSTRAINTS**

The President shall act at all times in an exemplary manner consistent with the responsibilities and expectations vested in that office. The President shall act in a manner consistent with Board policies and consistent with those practices, activities, decisions, and organizational circumstances, which are legal, prudent, and ethical.

Accordingly, the President may not:

**General Executive Constraint #5**
Permit conflict of interest in awarding purchases or other contracts or hiring of employees.

**Response:** To my knowledge, no conflict of interest regarding purchases, contracts or hiring has occurred. I believe institutionally, we continue to demonstrate that our purchasing processes provide fairness, preference to local business whenever possible and encourage competition so the taxpayers receive the most for their money. Additionally, we continue to use personnel screening and selection processes that encourage qualified and quality applicants and fairness in appointments. As it relates to this last item, we maintain processes that allow us to expeditiously make appointments when it is thought to be in the best interest of the College.

**General Executive Constraint #9**
Allow assets to be unprotected, inadequately maintained, or unnecessarily risked.

**Response:** To my knowledge, all assets are protected with no or minimal risk. The only possible exception, of which the Board is already aware, is the institution's fiscal position. In meeting our projected budget's expenditure plan, you can continue to expect difficult and frugal decisions. We are at a point that in order to maintain our comprehensive nature and services, we will have to regularly seek local and consistent tax support or eliminate services and programs. This has the potential to risk assets, human resources, etc.

## *POLICY TYPE: EXECUTIVE LIMITATIONS*

## POLICY TITLE: BUDGETING/FORECASTING

Budgeting for any fiscal year shall follow Board ENDS priorities, control College financial risk, and accurately reflect projections of income and expenses. The President shall propose a budget after first seeking broad input from all College constituencies. Budgets will become effective upon approval by the Board.

Accordingly, the President shall not:

**Budgeting/Forecasting Constraint #1**
Propose an unbalanced budget. Supporting information shall include: a reasonable projection of revenues and expenses, separation of capital and operational items, and planning assumptions.

**Response:** We are in the process of finalizing a budget for the approaching fiscal year. The budget will be balanced, but as the Board knows it will be another difficult year with many competing choices. To address this year's budget challenges tuition has been raised substantially for the third year in a row. Students now provide in excess of 30% of the College's operating budget, which is well beyond the state goal of 20%. Student tuition and fees are now at a point that they are nearing or have exceeded the local property revenue provided from Barton County. I do not believe that we will be able to complete an appropriate budget that protects the Board's ENDS without some sort of a local property tax increase, as well as use of reserve funds. These efforts will help us make it through this approaching fiscal year.

Throughout this entire year the College has refined the development of a process and templates to help us prepare for 2006-2007 budget decisions. The process helps us examine fiscal efficiencies, as well as revenues and expenses. This approach includes utilizing templates, which will permit the comparisons of fiscal data and efficiencies within Athletics and Instruction. A means of assessing Institutional Support efficiencies continues to be developed.

As the Board knows we are at the "bone" in regards to budget cuts. Further cuts will mean loss of programs and services. The work completed during these past few years will help the Board should these kinds of difficult decisions have to be made.

We have diligently monitored the expense side of the budget, and it is my impression that the fiscal concerns that the College faces are not due to expenses which are unwarranted. Our challenge remains as a revenue challenge, as I believe that our expenses are in "check."

**Budgeting/Forecasting Constraint #2**
Propose a budget that does not take into account Board ENDS priorities.

**Response:** The budget referenced above and that is being developed will take into consideration the Board's ENDS. However, the revenue required will have to come from agreed upon program or service cuts, increase in local tax support, use of reserve funds, or a combination of the above. The budget will provide reasonable support to the accomplishment of the approved strategic objectives.

**Budgeting/Forecasting Constraint #3**
Propose a budget which excludes adequate support for Board operations (fiscal audit, legal expenses, Board development and training, and Board membership fees), and non-compensation needs such as plant and facilities maintenance, instructional equipment, new program and course development, staff development, institutional research, etc.

**Response:** Each of the above elements will be included in the budget. However, because revenue is lean, in reviewing the budget, there is reason to closely monitor the amount of funding the College is able to devote to the above cost centers. Obviously, these are areas that many times are deferred and in some cases we will have deferred some requested items for a number of years in a row. The Board can expect that this year's budget will again defer capital expenses as a strategy to balance revenues and expenses.

**Budgeting/Forecasting Constraint #4**
Propose an operating budget, which allows the College cash reserve to drop below 8% of its annual budget, working toward a goal of 16%.

**Response:** A budget, which maintains the cash reserve above the 8% floor, will be developed.

**Budgeting/Forecasting Constraint #5**
Propose a budget, which does not include a recommendation for staff and faculty salary increases.

**Response:** A salary increase recommendation will ultimately be provided as part of the budget assumptions. This will be a difficult recommendation given the faculty and staff's general salary relationship to peer institutions. Sadly, I expect some of the College's turn over is because of our inability to remain competitive with our salaries. It is important to also recognize that many staff have assumed additional duties with no salary increases, further there have been staff positions cut or not replaced so there are many doing all they can to help find ways to maintain or increase revenues so that the College is able to maintain the services and programs that have made it a comprehensive community college. Our employees undoubtedly deserve increases. The administration recognizes that an increase, if provided, is at the discretion of the Board in regards to the pool of funds provided as well as whether those funds are applied to the employees' base or treated in some other fashion.

## *POLICY TYPE: EXECUTIVE LIMITATIONS*

## POLICY TITLE: FINANCIAL CONDITIONS

The President shall administer the Board approved budget without material deviation from Board priorities in ENDS policies, and shall protect the College from financial risk.

Accordingly, the President may not:

**Financial Condition #3**
Make any purchase: (a) without prudent protection against conflict of interest; (b) over $10,000 without Board approval; (c) over $10,000 without seeking at least three competitive quotes or sealed bids, submitted on prepared specifications. No purchase shall be made except on the basis of quality, cost, and service. Consideration shall be given to local vendors who can provide like quality products and services and who meet bid specifications.

**Response:** Following review of this constraint with the Dean of Business Services, I feel confident that the College is in compliance with the policy. We remain sensitive and judicious in balancing the need to support the local economy with making wise purchases in stretching limited tax dollars. We are discussing with the Board how it would like to handle routine expenditures that, when totaled at the end of the year, exceed $10,000.

**Financial Condition #6**
Fail to maintain adequate reserves which allow the College cash reserve to drop below 8% of its annual budget, working toward a goal of 16%.

**Response:** The Board has been apprised that additional progress toward this goal was made over the course of the past year. The cash reserve is much nearer its goal than it was in the mid to late 1990's. As you are aware, the reserve – though we had projected the need to use some of it this past year – has actually grown due to delayed spending and altered priorities. This is the sixth or seventh year in a row we have seen growth in the reserves, in spite of some extreme fiscal difficulties.

**Financial Condition #8**
Fail to provide a monthly report of the College's current financial condition.

**Response:** Each month, as part of the Board's agenda, "Claims" and "Financial Reports" are presented for the Board's review and action. The reports accurately reflect the fiscal condition of the institution. Further, information regarding the

Foundation's fiscal condition is provided to the Trustees from the Foundation Office each month. The clarifying questions asked by the Board are appreciated, as they help us to more fully discharge our accountability to the public.