

Budget Allocation, Budget Process, Awarding of Contracts

June 2, 2014

Prepared by:



College Brain Trust

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CONTRACT ASSIGNMENT

Review and revise, as appropriate, the college's budget allocation model in order to help the college effectively address current and future financial challenges

Help the college develop policies and procedures for appropriate Board involvement in the budget process, including regular monitoring and assessment.

Provide guidance and recommendations to the college and the Board regarding best practices for policies and procedures for the awarding of contracts”

I. EXECUTIVE SUMMARY

Operating under the guidance of George Boggs, the CBT team members who were on site for these tasks were Mike Brandy, Rocky Young, and Bob Jensen. The team prepared for this visit by analyzing district policies, Board of Trustees agenda items, internal budget documents and comparative budget models at other multi-college/multi-campus community college districts. Extensive meetings were held on site for the three days the CBT team was at OCC. Detailed analysis is contained in the body of this report; a summary of key issues follows:

- The current budget model is a centralized model that is undergoing realignment to reflect the new organizational structure.
- Significant progress has been made on development of the Educational Master Plan. OCC needs to follow through to integrate that planning with the development of the Technology Master Plan, a Staffing Plan, and the Capital Outlay Master Plan.
- All of the planning initiatives should be focused on achieving a broad understanding within the college on the direction of the college relative to student enrollment growth or shrinkage, instructional productivity standards, and student success. Programming should be relevant to community needs.
- The master plans noted above must be horizontally linked and not developed in “silos”.
- Board Policies or guidelines on the level and designation of reserves would enhance long-term planning.
- Structures for internal committees, composed of faculty, staff, and managers, need to be examined and reconstituted to provide advice to the Chancellor or appropriate Cabinet administrators on key issues facing the college.
- The authority for preparing the class schedule lies with the faculty per the contract, but the accountability rests with the Deans. Moving to a data-driven, student-oriented schedule will always be challenging in this type of structure and can limit student retention and completion.
- Many voices within the college asked for more transparency in the budget process to provide input on key decisions, to get feedback when budget requests are denied, to understand who makes decisions, and the overall budget picture to include how much money is in the reserves and what are the designated purposes for the reserves
- The college has an excellent research department that can provide data on resource distribution to construct the necessary matrix to examine how resources are

currently allocated and which “drivers” should be used to reallocate existing resources.

II. METHODOLOGY (for all three tasks)

A. Preparation/Research

Prior to arrival for the onsite visit, the team members developed a plan for key individuals and committees to meet with during their time on site, as noted above. This preparation also led to conversations about strategies to receive Board input resulting in the development of the Board meeting that was focused on integrated planning and the resource allocation model. Additional background information on resource allocation models was sought and obtained from several other large multi-college and multi-campus districts to compare their resource allocation principles and processes to OCC’s. These comparative models included Los Angeles Community College District, Pima Community College (Arizona), and a survey of seven of the large community college districts in California.

B. On site visit September 30 through October 2, 2013

Once on site, the team focused on what part of the current resource allocation model was working well and what needed improvement. The CBT team also shared alternative models with staff to determine if any of these alternative models might be a better fit for OCC.

The CBT team is very appreciative of the time staff took to meet during the September 30-October 3, 2013 site visit. During that time, the team was able to meet with: The Chancellor; Vice Chancellor, Academic & Student Affairs; Vice Chancellor, Administrative Services; Academic Leadership Team (ALT); Board of Trustees; Director, Office of Institutional Research, Quality and Planning; Director Purchasing & Auxiliary Services; Cabinet; Faculty and Staff during the College Assemblies at Auburn Hills, Orchard Ridge and Southfield; Budget Analyst/Business Manager; Directors of Student Services; College Academic Deans; Vice Chancellor for Human Resources; Vice Chancellor for Information Technologies; and the Director of Physical Facilities.

All of the OCC staff gave willingly of their time and were candid in their responses to the CBT team. We appreciated their cooperation.

III. OVERARCHING OBSERVATIONS AND COMMENDATIONS

A. Implementing the new organizational structure

There are continued adjustments taking place to the new organizational model. On a macro scale, the role of the College Presidents continues to evolve as both the Presidents and the campus staff adjust to the Presidents' new role. CBT found that the college presidents were committed to implementing this change in their roles.

On a more detailed level, there continues to be rough spots in some processes. OCC did not have the luxury of developing "process maps" of the old system and the new system ahead of the implementation of the change, so there is catch up work being done now. Much progress has been made in the last few months, and teams of staff are continuing to streamline and communicate new processes. One nice example of this is the College Administrative Financial Procedures booklet prepared under the leadership of the college and campus business managers. CBT suggested additional methods to communicate process changes and training materials for college staff.

There was positive feedback from faculty and deans that the new role of the college-wide Academic Deans provided welcome knowledge and expertise of the departments they now supervised.

The college-wide Deans are now starting to bring curriculum into alignment, a welcome accomplishment for the benefit of students.

The campus communities understand that the role of the presidents has been greatly affected. One of the key roles the college presidents now play is to provide communication links, in both directions, between the campuses and the district. The Chancellor will surely rely on the Presidents to provide this critical communication role between the campus and the district.

B. Participating in Governance. CBT had the opportunity to attend four of the inaugural "Community Assemblies". These were held in the District Office, Auburn Hills, Orchard Ridge and Southfield. It was a welcome sight to witness the vibrancy of life on the campuses and the nature of the discussion. CBT believes these college assemblies will be a good platform to share information and allow for some input from staff. However, the assemblies act more as a Town Hall forum rather than a representative committee with

regular membership. It does appear to CBT that some form of higher-level committee would be useful to allow faculty, staff and administrators to review key strategies and issues of the college in an advisory role to the Chancellor. CBT sees this need in many areas but particularly in guiding the master plans (Educational, Technology Staffing and Capital) and resource allocation discussions that would advise the Chancellor.

C. Planning: The overarching planning model is completed under the leadership of the Office of Institutional Research, Quality and Planning. The planning initiatives should be horizontally linked and data-driven. The planning structure makes sense and is modeled after best practices.

1. Educational Master Plan: Significant progress has been made on the Educational Master Plan. The college is ready to approve at least some of the high-level recommendations and move them into budget consideration. Additional executive level support will be needed to implement the recommendations of the Educational Master Plan.

Outside consultants are providing support and guidance to the Office of Institutional Research, Quality and Planning. The Director has assumed a new leadership role in implementing the Educational Master Plan and strategic goals and will need the cooperation and leadership of all Cabinet members to achieve the goals.

2. Technology Master Plan: Through the leadership of the Vice Chancellor for Information Technologies, the Technology Master Plan is under development and is being informed by and synchronized with the Educational Master Plan. Horizontal integration of this plan with other planning initiatives will be critical.

3. Capital Outlay Master Plan: Under the leadership of the former Vice Chancellor, Administrative Services, the building blocks of the Capital Outlay Master Plan are starting to be assembled. A major "Facility Condition Assessment" report was completed in March 2013 by the ISES Corporation. This project analyzed the condition of 78 buildings on 5 sites in the district to determine what improvements had to be made to the buildings, equipment and infrastructure to address safety, maintenance and life cycle costs. This report indicated that the district should be investing approximately \$15 million per year for each of the next 10 years to ensure the life and functionality of these buildings. The remaining components of the Capital Outlay Master Plan are usually composed of major remodeling projects, new buildings and equipment replacement. All of the information needed for these components should be outcomes of the Educational Master Plan.

4. Staffing Plan: it is recommended that OCC create a Staffing Plan to include at least these components:

- a. The plan for increasing, status quo, or decreasing staffing in the next two years
- b. Projected resignations and retirements for the next two years.

The purpose of gathering this information is to first inform the Vacancy Committee of the strategic staffing direction the college has adopted based on student growth or student success initiatives and secondly to understand when and how existing staffing resources might be re-allocated to achieve the objectives of the planning initiatives.

D. Budget Communication: The “Budget Overview” on InfoMart is a front-page link to the overview of the budget presented to the Board of Trustees. This provides broad accessibility to some of the major budget issues.

E. Early Separation Incentive Program (ESIP): There was considerable discussion about how many people may be taking advantage of these programs and the practical effects of this turnover. Some of the issues being discussed were: how many people might go, who would handle the workload of those who left, would this lead to another round of reorganization, how long would it take to get new personnel hired, etc. Clearly if only a few staff took advantage of this, there would be little strain on the institution, but if there was a significant number of participants, many other issues would be put on hold as the college moved into a hiring and training mode for the next year.

IV. ANALYSIS

A. Role of Cabinet

Cabinet represents the senior management team of the college. It is this administrative committee that should be the best informed and most highly skilled decision-making body in the administration. Cabinet-level administrators should be modeling decision-making based on a “culture of evidence”. Participants should be free to discuss options as they work towards a solution. Each Cabinet member needs to take responsibility to insure that the planning of the institution is integrated and student-focused—and that implementation is well executed. Additionally, as the college adjusts to the changing nature of academic planning, now centered in the district office instead of at the campuses, there is a need for the presidents to be involved laterally with the academic planning taking place under the Vice Chancellor, Academic & Student Affairs. If this lateral planning does not take place, it will be a chaotic situation at the campuses among the college presidents.

B. Participating in governance

While there are many different models of governance within community colleges, it is the experience of CBT that all institutions have some form of high-level committee

comprised of faculty, staff and administrators that serve in an advisory role to the Chancellor. CBT sees this need in many areas but particularly in guiding the master plans (Educational, Technology and Capital) and resource allocation discussions that would advise the Chancellor.

C. Transparency

The CBT task related to budget models was the focus of this visit. One of the discussions that should happen in Cabinet is to debate the current practice of how reserves are identified. CBT believes that it would enhance transparency to have more disclosure on both the level of reserves and agreement on the designated uses. More discussion on the designation of reserves will follow in later sections.

D. Communication

The budget presentations to the Board are posted on the InfoMart website, but there is a need to enhance communication, particularly among Cabinet members so the budget message can be clearly communicated throughout the district once the strategies are adopted. Normally, the budget forecast for the subsequent year begins to be discussed in Cabinet in the fall semester, well ahead of the budget presentation with the Board in January. The main reason for this is to get a preliminary idea of how the budget will be balanced. The key strategies for balancing the budget in the subsequent fiscal year, including funding of potential new initiatives arising out of the planning processes, need to be agreed upon in Cabinet in the fall so there is sufficient time to prepare the January Board item for discussion. If there were a high-level participatory governance committee, it also would be involved in this timeframe.

Communication relative to budget strategies takes many forms, including email, InfoMart, and personal presentations. It appears the college could make much better use of the College Presidents and the Campus budget managers to carry an articulated budget message to the campuses. By educating this team on budget strategies, outlook, process and timeframe, it can present these critical budget issues to the campus communities. For example, if the college needed to reduce the budget, the Cabinet should surely play a strong role in brainstorming options and then implementing cuts within their areas of responsibility. This would require that the Cabinet is fully involved in the budget discussions as a priority on an ongoing basis.

E. Authority and Accountability

In the opinion of CBT, one of the most significant accountability challenges the college faces is the fact that the schedule of classes is by and large developed by the faculty. Since that is part of the collective bargaining agreement, the college has to determine how

it can hold individuals accountable to develop a student-centered schedule of classes and to deliver on enrollment and instructional productivity goals established in the college planning processes.

The current budget model, to be discussed in more detail later in this report, is highly centralized in terms of decisions and highly controlled in terms of flexibility. There are reasons the College got to this point, but CBT believes the nature of this control should be discussed. There are strong reasons to permit additional flexibility within departments, as long as there is corresponding accountability. For example, there are usually tight controls on not being able to move operating dollars to create regular full-time positions, without a high-level sign off, usually of the Vice Chancellor Administrative Services and/or Chancellor. This is the normal “position control” process. If an administrator created a position without the proper permission, there must be consequences in a disciplinary manner as part of the evaluation process. It would be dangerous to permit additional flexibility in the budget without strong agreement that managers would be held accountable.

F. Access to data

User-friendly budget query tools were not widely available. The lack of up-to-date budget information that can be rolled up into higher level departments or sorted college-wide, or the lack of ability to tie enrollment to cost data or quick access to FTE distribution of faculty and staff, (as examples) all inhibit access to good information to make decisions. If basing decisions on a “culture of evidence” is going to be the value of OCC, then wide access to data needs to be solved. The current discussion regarding how 35 of the 150 programs generate 90% of the Student Contact Hours is an example of how the data can be informing some significant discussions and decisions about program mix and reallocation of resources. Tying cost and productivity data into that program analysis would make this example even more meaningful. That is not easily done within the existing data system.

V. RESOURCE ALLOCATION MODEL (RAM)

Review and revise, as appropriate, the college's budget allocation model in order to help the college effectively address current and future financial challenges

A. Suggested Principles of an effective Resource Allocation Model (RAM)

1. The RAM is student-focused and ties into the integrated planning process within the college. These master plans include: Board strategic goals; the Educational Master Plan (EMP); the Technology Master Plan; and the Capital Outlay Master Plan.
2. The RAM is flexible to adapt to changing external and internal factors.
3. The RAM can be used to allocate new resources; reallocate existing resources; and guide reduction in resources.
4. The RAM is easy to understand.
5. The RAM is transparent.

B. Current practice

The current practice at OCC is described as a highly centralized line item controlled resource allocation model. Many of the key assumptions on the budget are made by the Vice Chancellor, Administrative Services. Budgets are allocated to the departments through a series of formulas based on historical averages. Approval to fill a vacancy vests with the Vacancy Committee (basically Cabinet). Travel dollars are highly centralized. Managers lack the ability to transfer funds except within a few tightly controlled accounts. Some key decisions on where to cut (if expenses exceed revenue) are made by the Vice Chancellor, Administrative Services according to the prevailing perception. Major decisions on where to transfer excess fund balances at the end of the year are also made by the Vice Chancellor, Administrative Services.

It should be noted that the final decision on many of these issues does in fact rest with the Vice Chancellor, Administrative Services as she or he is the one who will be held accountable for the fiscal health of the district. What is lacking in OCC at this moment is

any meaningful dialogue to advise the Vice Chancellor, Administrative Services on these important decisions.

C. Comparing current practice to Principles

Any resource allocation model should be tested against the principles. If the above mentioned principles were adopted by OCC, CBT thinks the analysis would be as follows:

1. *The RAM is student-focused and ties into the integrated planning process within the college. These master plans include: Board strategic goals; the Educational Master Plan (EMP); the Technology Master Plan; and the Capital Outlay Master Plan.* There is little evidence that the current practice of allocating resources is tied to any high-level planning process. As the Educational Master Plan is being completed just now, there has been no guiding light. Once the college decision-making process approves the master plans and ties budgeting to these master plans, it is very important that these ties are clearly articulated to the College community

2. *The RAM Is flexible to adapt to changing external and internal factors.* There did not seem to be clear decisions on how to reallocate existing resources within the college as the student enrollment patterns and program mix varied at each of the campuses

3. *The RAM can be used to allocate new resources; reallocate existing resources; or guide reduction in resources.* When the property tax revenues dropped at OCC several years ago, there was not a systematic method to reducing the budget. Normally a college would have agreed on key budget strategies during times like this that set clear targets for position reduction, operating costs reductions, and enrollment reductions at each of the campuses. Additionally, a multi year plan would be outlined to determine how much, if anything, would be used from reserves until the budget was brought into balance.

4. *The RAM is easy to understand.* There is not an understanding of the current budget decision-making process. This goes from not understanding the criteria for which positions might be approved through the vacancy committee, to broad strategies on how many classes will be offered, to how allocations are made for equipment replacement, supplemental additions to the budget during the year, and most other key budget decisions. While this may be very clear to some staff, it is not clear to many managers and some executive level staff.

5. *The RAM is transparent.* There is much work to do to make sure that whatever budget process is used, that the key components of it are transparent. For example, who is making the final decision on that item, what level of flexibility do managers have, where are the key budget strategies developed and approved, how is the budget adjusted during the year, what is the longer term outlook for the budget, and where are the reserves and how are they being designated etc.

Regardless of the principles underlying a resource allocation model, there is constant need for accountability at all levels of budget implementation. When the CBT team was on site, we heard comments like...“don’t worry about overspending, because there are no consequences” or....“ you can always go to so and so to get more money”. While these incidental comments may have been for isolated spending accounts, the system of checks and balances always needs to be in place to prevent overspending, and if overspending does occur in an intentional way, there needs to be consequences through the disciplinary process for that action.

D. Moving to a new Resource Allocation Model

a. Data: The first step OCC could take to analyze its current budget allocation model is to gather data. The college should first decide what are the key drivers on how the budget is allocated and then gather the data. Typical drivers are # of full-time faculty on each campus, student FTE, support FTE etc. Attached to this report is a table of Resource Allocation Metrics (Attachment 1), which provides a one-page sample of what “drivers” OCC might consider as it assembles an allocation matrix. These are common at other colleges, but OCC may have others and there may be some suggested here that are not relevant. Most of these data are readily available in various departments through the college including research, budget, M & O. Once the drivers are agreed upon, the matrix can be populated and the ratios easily calculated. This matrix should serve to educate budget strategies and resource allocation each fiscal year.

b. Flexibility: The next step that OCC would have to consider is who has flexibility to reallocate resources as identified in this matrix. For example, right now the Vacancy Committee has to approve any position that has to be refilled. An alternative would be to set the staffing objectives for the following fiscal year, then let executives make their own decisions on reallocating positions within their sphere of budget authority. Generally there are rules around even this broad authority such as you cannot move positions between classes like instructional support to faculty, etc. In this scenario of broader authority, there would still have to be a final sign off at the Vice Chancellor, Administrative Services level to insure that the position is funded and that position control is maintained.

c. Budget reduction or augmentation: If ongoing dollars need to be cut from the budget, or hopefully new dollars can be augmenting the budget, that authority can be more broadly distributed than is currently the practice. For example, if Cabinet recommends strategic funding for new master planning initiatives, or new positions, or augmentations to operating costs, those dollars can be allocated to the highest-level executives in charge of the budgets in those areas, and they in turn can determine internal allocations. Conversely,

if budget reduction strategies are agreed upon in Cabinet, then the highest level executives (for example the Vice Chancellor, Academic & Student Affairs) could make the determination on how best to allocate the cuts within their budget sphere, assuming the assumptions on enrollment (and student fees) would be achieved.

d. Multi-year budgeting: While it is always difficult to project revenues and expenses in future years, it is a necessary tool that almost always will influence current-year budget strategies. Simple models to construct multi-year budgets are available and should be used to create a number of “what if...” scenarios of revenue and expense to get some idea of what the 2-3 year forecast looks like.

e. Timing: As mentioned earlier, it is highly recommended that the budget discussion for the next fiscal year start in the fall semester so that major strategies for reallocation, reductions, or augmentations can begin to be crafted. By following this timeline, the management team can be in concert when the first review of the budget is presented to the board in January. At the same time, guidelines can accompany budget requests that normally are sent out in January. If the college is in a reduction mode, that should be clearly stated as a planning parameter for budget requests.

f. Reserves: The level and designation of reserves plays a crucial role in all of these major budget strategies. For example, how the reserves might be used to balance the budget in the short term, how the reserves would be funding the Capital Outlay Master Plan, and how the reserves are funding the unfunded pension and medical liability. OCC is fortunate to have meaningful reserves to consider for these purposes. It is not uncommon in other states and districts that reserves hover around 5% of the operating budget at the maximum!

g. Evaluate: Regardless of which changes OCC might consider for its resource allocation model, there should be a defined systematic way to examine its success by August 2015.

E. RECOMMENDATIONS RELATED TO BUDGET MODEL

1. The Director, Office of Institutional Research, Quality and Planning should outline the process, timeline, and methods of integration to develop a comprehensive Technology Master Plan, Capital Outlay Master Plan, and Staffing Plan
2. The Chancellor should act on the pending reorganization for the Office of Institutional Research, Quality and Planning so the College understands that reporting relationship and role of the department.
3. The planning calendar and budget calendar should be synchronized

- a. The Chancellor should, in consultation, prioritize the Educational Master Plan recommendations to determine what could and should be done in 2014-15.
 - b. Estimated costs of EMP (one time and ongoing) should be forecast over multiple years.
 - c. The priorities that emerge from this process should be folded into the strategic budget assumptions for 2014-15.
 - d. These strategic budget assumptions should be discussed with the Board at its meeting that is designated for the first review of the following year budget.
 - e. Once strategic initiatives are approved, the Chancellor should assign specific responsibility for each funded objective.
4. Some type of faculty/staff/management committee is needed at the highest level to advise the chancellor on major planning and budget assumptions.
 5. Identify the drivers (metrics) that will be used in the Resource Allocation Model, and then pull the data to see how resources are currently distributed. It is through this process that likely re-allocation of resources will take place. This matrix should be an annual report for the college and incorporated into the planning process
 6. Prepare budgeting and enrollment models that could be used to test what size enrollment OCC could and should target in the next 3-5 years. This would include an analysis of program mix as well as campus enrollment targets and trends.
 7. Build in a quick response method to determine how the current year budget should be adjusted to changing conditions. For example, if the fall semester is down 4% in enrollment, what is the budget impact, and how should this affect the Spring schedule.
 8. Build the capacity within Cabinet as a well-informed, data-driven decision-making body, that assists in the formulation of College-wide strategies on budget, enrollment, planning etc. Build the understanding that members of Cabinet have a role to participate in the decision-making process and to then communicate those decisions within their areas of organizational responsibility.
 9. Build in an annual evaluation cycle to assess the effectiveness of the newly implemented planning and decision-making processes.
 10. Build an instructional productivity (SCH/FTEF teaching) tool that assigns goals for Student Contact Hours (SCH) and productivity to college divisions, and tracks trends.
 11. Become more transparent—on a regular basis—regarding the level and designated uses of reserves and tie this into the annual audit disclosures.
 12. Build a schedule of classes that is based on student demand, and consistent programmatic offerings for degrees/certificates
 13. Upon completion of the new program review process, build those outputs into the budget cycle.
 14. Integrate the recommendations of the previous CBT reports into the planning processes.

VI. ROLE OF BOARD

Help the college develop policies and procedures for appropriate Board involvement in the budget process, including regular monitoring and assessment.

- A. Methodology:** To determine the proper scope of trustee involvement in the development of a budget, it is first useful to distinguish between policies and procedures. Policies are the prerogative of the Board and generally involve very broad statements that express the intent and direction of the Board, but are not overly prescriptive or detailed. In a sense, they provide principles, guidelines, goals and expectations that serve as guides for an action, and are generally developed in collaboration with staff. Responsibility for procedures, on the other hand, is delegated to the Chancellor and developed by the administration. Procedures specify in step-by-step detail how the complex action will be achieved. If the Board's policy on budget development is overly broad, the Board may not be clear on what constitutes "appropriate involvement" in budget development and, as a consequence, drift into micromanagement.

To fulfill this task, the team first examined existing OCC Board policies on budgeting, and on September 30, 2013, attended a special Board meeting to discuss different models of resource allocation and to receive input from the Board on the principles suggested in the agenda as well as the Board cycle of involvement outlined in the agenda.

- B. Existing Board Policies on Budget Development:** *DIVISION III Budget 3.2* of the Board Policy Manual contains only four brief policies, as follows:

3.2.1 POLICY- Fiscal Year

The College fiscal year shall begin on July 1 of a current year and shall end on June 30 of the succeeding calendar year.

3.2.2 POLICY- Budget Preparation

The Board of Trustees shall have prepared annually, through current administrative procedures, an estimate of the amount of taxes or appropriation deemed necessary for the ensuing fiscal year for the purposes of expenditures authorized by law as within the powers of the Board. The prepared budget shall include a General Fund, a Debt Retirement Fund, and such other funds as are deemed necessary by the Board of Trustees.

3.2.3 POLICY- Budget Approval

The Board of Trustees, by majority vote, shall adopt a budget prior to the start of each fiscal year. This estimated budget shall then be considered the operating budget for the forthcoming fiscal year and all sums set forth therein shall be deemed appropriated for the purposes stated.

3.2.4 POLICY- Budget Revision

The budget may be revised after adoption but only by a majority vote of the members

of the Board of Trustees.
Approved: 9-20-73
Revised: 7-26-90

Limiting budget policies to one or two sentences on items like budget adoption and revision are not unusual and work well in some districts, as they have in OCC for decades. But when an institution, like OCC, undergoes major organizational realignment and seeks greater budgetary control, it is imperative and well within the Board's role to adopt a set of specific guidelines that facilitate budget development.

C. Current Board Practices on Budget Development: Input from the special Board meeting on September 30 suggest needed Board oversight in two areas:

1. Cycle of involvement: The current practice of the Board to review the initial budget in January is common practice. CBT did not see evidence of a multi-year budget presented to the Board at this same time and would encourage the Board to review at least a 2-3 year multi year forecast. While the Board does receive monthly updates on expenditures, CBT would encourage the Board to move to a more robust quarterly reporting cycle that would include year-end forecasts for revenues and expenditures along with explanations of major variances and adjustments to the budget based if necessary.

2. Reserves: The practice at OCC is to discuss the reserves or fund balance only as a function of the annual audit. CBT would encourage the Board to incorporate discussions of the reserves along with budget discussions. The Board is encouraged to develop policies, or at least guidelines, on the intended level of reserves and the designation of those reserves. This is common practice amongst other institutions.

D. Recommendations

1. Develop a Board policy that establishes a set of guidelines for overall budget development. Below is a model in current use in the Peralta Community College District in Oakland, California that can be modified to fit OCC expectations. The guidelines not only set the framework and timelines for budget development, they greatly enhance the Board's ability to fulfill its responsibility for oversight, including monitoring and assessment.

Each year, the Chancellor shall present to the Board a budget. The schedule for presentation and review of budget proposals shall comply with state law and regulations, and provide adequate time for Board study.

Budget development shall meet the following criteria:

- *The annual budget shall support the District's master and educational plans.*

- *Assumptions upon which the budget is based are presented to the Board for review.*
 - *A schedule is provided to the Board by January of each year that includes dates for presentation of the tentative budget, required public hearing(s), Board study session(s), and approval of the final budget. At the public hearings, interested persons may appear and address the Board regarding the proposed budget or any item in the proposed budget.*
 - *Unrestricted general reserves shall be no less than XX%.*
 - *Changes in the assumptions upon which the budget was based shall be reported to the Board in a timely manner.*
 - *The Budget projections shall address the district's long-term mission, goals and commitments.*
 - *The Chancellor shall issue an administrative procedure that provides for equity among the colleges and details the process to implement this policy.*
- 2.** Establish additional policy guidelines on:
- a. unfunded pension and medical liability reserves,
 - b. the level of operating reserves for midyear changes in revenue or expenses,
 - c. long-term reserves for fiscal stability, and
 - d. reserves for capital outlay tied to the Capital Outlay Master Plan.
- 3.** Establish a quarterly review of the budget instead of a monthly reporting of revenues and expenses. This report should include forecasts for year-end revenues and expenses as well as explanations of variances, and the projected impact on reserves.
- 4.** Review the draft report issued by Michael Brandy to OCC in November 2012 for a more extensive discussion of Fund Balance and Multi Year budgeting, including sample board policies and sample multi year budgeting model.

VII. BOARD POLICIES ON AWARDING CONTRACTS

Provide guidance and recommendations to the college and the Board regarding best practices for policies and procedures for the awarding of contracts

Methodology: The current Board Policies (Section 3.4) were reviewed. These policies were examined in light of best practices for purchasing policies in other community college districts, as well as for clarity of language and purpose. On-site meetings were held to review these policies with the Vice Chancellor, Administrative Services; the Director, Purchasing; and the Director, Physical Facilities.

Recommendations: Based on the analysis of these policies and the meetings with the staff of the college, certain changes are recommended. These changes are noted in the attachment “Purchasing Policies V.1” (Attachment 2) for Section 3.4. Recommended changes are highlighted. The rationale for these changes follows:

Policy Change Rationale

Policy 3.4. 2. III. D. 3 Aggregate purchases exceeding \$100,000

Change the reporting requirement for purchases aggregating over \$50,000 to \$100,000 on a fiscal year basis, eliminating the need for a January report for the calendar year. The fiscal data systems are based on a fiscal year. Similarly, annual reporting of contract education programs that are less than \$100,000 should be instituted in the place of Board approval of each program. Annual reporting for these types of purchases and contracts is common practice based on fiscal year periods

Policy 3.4.2 III. F. Supplemental Labor

Change the word “purchases” to “proposals”. These types of supplemental labor proposals do not fit into the competitive bid structure since there are no defined hours to be bid upon. Remaining language seeks to clarify awarding limits.

Policy 3.4.2. III. K. Non-competitive Purchases

Language clarifies limits of purchases between \$10,000 and \$50,000 to be consistent with previous purchasing limits in Policy III. D. Clarify that purchases over \$50,000 need to have prior approval of Board of Trustees.

Move policy 3.4.3 to this section as it addresses exemptions to the noncompetitive purchase policy. Adds food service items and advertising as exemptions to the policy.

Policy 3.4.2 III. M. Professional Services

Adds language that states that audit is a year-to-year contract for up to 5 years. Require the auditor to state the price for each of the five years at the beginning of the contract. Clarify that the Board of Trustees is solely responsible for approving the audit each year during that five-year period. State that current auditor may submit new proposal for audit services at the end of the five-year period.

Policy 3.5.2 Leases and Rentals

Eliminate the last three paragraphs as the language is repetitive of earlier sections.

Policy 3.5.3 Contracts for Educational Services

Eliminate repetitive language.

Policy 3.6.3 Contracts reduced to writing

This language is not necessary in light of all previous purchasing policies.