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

Standard III.D.1. The institution relies upon its mission and goals as the foundation for financial planning.

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

Descriptive Summary
Financial and institutional planning occurs at two levels: the District and the College.

At the district level, the District’s mission and goals are central to the financial planning process. The District utilizes a number of strategies to ensure that financial planning is in alignment with the institutional goals and planning efforts of the colleges. The annual budget reflects the goals and objectives adopted in the District’s strategic plan as well as those prioritized by District leadership. The strategic plan is developed with input from all constituents and sets both long- and short-term direction for the District.

In 2001, the District implemented a districtwide Budget Committee whose purpose is to review and provide recommendations, where applicable, for the budgeting process. This committee meets on a monthly basis during the academic year and is made up of representatives from all employee groups. The committee also serves as an effective communication tool regarding state and legislative matters affecting the District’s budget.

The District annually completes both a Long-Range Capital Needs Plan (LRCNP) and a Five-Year Capital Construction Plan which identify needed facilities and necessary improvements. In March 2002, the District was successful in passing Measure A, a $265M general obligation bond which, when coupled with state bond sources, will allow the District to strategically meet facility needs and modernization efforts through approximately 2013. Additionally, each college has completed a facilities master plan component of a strategic master plan to meet the academic and programmatic needs of the colleges. In 2008, after evaluating both external factors and continuing enrollment and the projected impact on facilities, the District sought a second bond in the amount of $475M to continue capital improvements. The bond passed in November 2008. The College will be working with the District to develop a revised LRCNP based on expected local and state bond funding. This plan will be incorporated into a revised/updated Facilities Master Plan to document the initial plan objectives, timelines, and expenditure planning to meet projected enrollment needs into the future.
At the college level, the Strategic Master Plan integrates college planning and resource allocation processes on a number of levels. The College Strategic Planning Committee (CSPC) reviews data on a yearly basis on college outcomes, internal and external environment scans, and projected enrollment growth. This data is the basis for reviewing the College’s mission, vision, and values. Using both the data and the College’s mission statement, the CSPC modifies or affirms the College’s goals for the next academic year. The data is then presented to the college community to begin unit and program planning, the process through which departments and units develop objectives to meet those college goals. To determine how to meet the objectives, departments and units also complete resource plans in the areas of financial, information technology, and facilities resources. Requests for faculty and classified staff are also noted although the processes for obtaining those resources occur on a different schedule. Procedures for resource allocation of the five basic resources (Financial, Facilities, Information Technology, Classified Staff and Faculty) are outlined in their respective Resource Allocation Plans which are part of the Family of Plans described in the Strategic Master Plan for the College. As a final step in the planning process, departments and units develop outcome measures that assess whether objectives are met.

College discretionary funding that is available each year to fund information technology, facilities, and financial requests developed through the unit and program planning process is a function of the district allocation process known as the “bucket” process. This process takes into account the fact that funding personnel salaries and benefits is managed centrally by the District and consumes approximately 80 percent of available revenues. The remaining 20 percent of those dollars is allocated to the District and College through a series of formulas specific to each bargaining group and type of employee (faculty, classified staff, manager, confidential, or supervisor). These funds are outlined annually in the Program Development Fund (PDF) schedule and form the basis of fiscal planning for the College. The process of integrating the PDF schedule funding into the overall budget plan for the College is described in the Financial Resource Allocation Plan. A key component of this process is the President’s Annual Budget Memorandum. This document outlines available funding—continuing and One-Time-Only (OTO), based on COLA/growth, annual commitments, and resulting available funding that is allocated by the Budget Committee through the unit and program planning process. The Budget Committee is responsible for integrating funding requests for financial, facility, and information technology resources.

As part of the College’s annual budget process, the IT and Facilities Departments estimate the costs of the resource requests that are presented by the objectives in the unit plans. The constituency-based committees for information technology (IT Committee) and facilities (Campus Development Committee) further prioritize the resource requests in their areas and present their recommendations to the Budget Committee. The Budget Committee utilizes the information from the college planning process, establishes criteria to evaluate requests for budget allocations (including the extent to which college goals are addressed by the proposed objective), and recommends allocations of the discretionary funds available from the College’s unrestricted COLA/growth and OTO funds. The Budget Committee recommendations are sent to the President for final approval. The President either accepts or modifies the recommendations. The results of
the President’s actions are transmitted to the College through the Executive Council and memo sent to the college community.

At the program level, departments with institution-wide responsibilities (e.g., Information Technology and Staff Development) create program plans which describe objectives and activities that are planned on a collegewide basis to achieve college goals. Resource requirements needed to achieve college goals are also specified in these program plans. These activities take place on a yearly basis. Additionally, resource intensive areas, such as information technology, media services, and facilities, develop replacement cycles for equipment and facilities to ensure that college needs in these areas are met in a predictable manner consistent with resource availability and college goals. The College’s program review and facilities planning processes are conducted on a multi-year basis and reference long-term resource requirements.

Departments and units are asked, on an annual basis, to submit reports on outcome measures. Reports on outcomes of college goals are submitted annually to the College Strategic Planning Committee, District Office, and Board of Trustees. The Budget Committee also requests information on outcomes from objectives funded in prior years.

For categorically funded programs such as VTEA, Matriculation, or DSPS, plans are submitted to the funding sources on a yearly basis. In addition, unit plans include requests for resources from objectives that are funded from restricted sources as well as for resources that can only be funded from unrestricted funds.

**Self-Evaluation**

The district process for planning and budgeting closely aligns resource allocations to district strategic goals, which are in turn based on such data as internal and external environment scans and projected enrollment growth.

At the college level, planning and resource allocation processes have been under review and improvement over the past several years and are now clearly identified in the Strategic Master Plan and the Financial Resource Allocation Plan (part of the Family of Plans identified in the College’s Strategic Master Plan). The College’s planning and resource allocation processes have traditionally included the provision that unit plans develop objectives related to college goals and develop resource requests to support unit objectives. Previously, units prioritized resource requests and presented them to the Budget Committee. Now, unit objectives are prioritized, with priorities assigned at the department, division, and college service area level, and resource requests share the priority assigned to the objective. All budget requests to the Budget Committee are made with reference to objectives in the area’s unit plan that relate to a college goal. College goals are available to the entire campus. The involvement of college standing committees, such as the IT Committee, in evaluating and prioritizing resource requests in light of unit objectives and college goals has been part of the resource allocation process for a number of years but has been expanded in the Financial Resource Allocation Plan to include Campus Development’s review of facilities requests. In the area of collegewide initiatives, college program plans outline college goals, objectives, outcome measures,
and resource needs. Program plan resource allocation requests are developed by the College’s Offices of Primary Responsibility (OPRs) for the various plans and programs and are integrated into the budget plan by the VPA. All requests are reviewed and approved by the College President as part of the annual Budget Memorandum.

Expenditures are tracked throughout the year by a variety of metric tools designed to ensure that planned expenditures match actual expenditures. A series of metric assessments is formally done each quarter and presented to the management team. A “score” is kept on plan implementation, and adjustments are made, as appropriate, to ensure that the integrity of the planning process is maintained. This metric data provides additional outcome measures which are, in turn, evaluated as part of the annual planning cycle to help measure institutional effectiveness.

In the Fall 2008 Faculty-Staff Survey, 54.6 percent of respondents agree that the allocation of financial resources at SCC is tied to the unit plans of departments and units, while 5.9 percent disagree or disagree strongly. In that same survey, 53.5 percent of respondents indicated that their department’s or unit’s interests are fairly represented in decision-making regarding the use of financial resources while 32.6 percent did not know.

**Planning agenda**

None

**Standard III.D.1.b.**

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

**Descriptive Summary**

Determination of available financial resources is performed primarily at the District by staff with expertise in understanding, projecting, and monitoring revenues. The District’s budget is comprised of both restricted and unrestricted funds. The District’s primary operational revenue is comprised of base funds (the prior year’s funding amount), cost of living (COLA) adjustments awarded by the state, and growth funds for serving additional students. These revenue sources account for 79 percent of General Fund Revenues. Additional revenue sources include federal revenues, state revenues such as lottery funds, local revenues such as non-resident tuition, and other financing sources. Restricted revenue sources include a number of categorical programs such as Career Technical Education (CTE), Vocational Technical Education Act (VTEA), Disabled Student Programs and Services (DSPS), Extended Opportunity Program and Services (EOPS), and Matriculation as well as local revenues (such as local grants) and revenues whose use are defined by law (such as Pell grants). A reasonable certainty that projected revenues will be realized is used prior to releasing additional resources to the colleges. The District utilizes a budgeting process referred to as “X,Y, Z” in which three revenue scenarios are developed. The “X” budget is base plus COLA. The “Y” and “Z” budgets reflect growth and other revenue sources at the most likely and optimistic levels. The Board of Trustees adopts a “Z” budget at the beginning of the fiscal year which anticipates COLA and...
growth dollars as well as a higher level of lottery proceeds. However, spending is limited to the “X” level, which is based on obtaining COLA revenues but no growth. Adjustments of allocation of funds to the College occur mid-year once revenues are realized. At the end of the fiscal year, the Board of Trustees awards increases in compensation either as OTO (in the form of retroactive checks) or as adjustments to the base (with retroactive checks issued to cover differences caused by the timing in the change in compensation), in line with the actual revenues received from the state. This process ensures that the colleges can then proceed with their internal planning process without undue need for contingencies in the event that funds are reduced or eliminated.

The District funds the salaries and benefits of all district employees utilizing a formula that has been built into contract agreements with each constituent group. These funds are outlined annually in the Program Develop Fund (PDF) schedule and form the basis of fiscal planning for the College. This practice allows for a high degree of predictability of costs associated with compensation, which are negotiated to comprise 80 percent of new unrestricted funds received on a yearly basis. The remaining 20 percent of new monies received on a yearly basis are allocated based on priorities that are reviewed and approved by the District Budget Committee, comprised of members of constituency groups from each college and the District. The composition of the Budget Committee is defined in Board of Trustee policy. Each college in the district is allocated a College Discretionary Fund (CDF). This fund is the largest component of college-level funding identified on the PDF schedule. (however, the PDF schedule does not include categorical funding sources). The CDF budgets are allocated on the basis of base, Weekly Student Contact Hours (WSCH), Square Footage, and Full-Time Equivalents (FTE). This formula ensures that the College has the resources needed to support institutional planning. Budgets for the infrastructure and maintenance of buildings are managed on each campus and reported to the District through the Vice President of Administrative Services (VPA) offices. Details of the way this calculation works is contained in the Financial Resource Allocation Plan.

At the college level, the VPA works with the President and Executive Staff to define revenue sources available on a yearly basis and then to identify both expenditures that directly relate to restrictions placed on revenue sources and collegewide resource needs that include such contractual obligations as rents and program plan requirements. These expenditure requirements are then deducted from the available revenue. The President’s Budget Memorandum is produced each year and details both the revenues and proposed expenditures and is shared with the Budget Committee. The amount of unrestricted funds available after the deduction of proposed expenditure requirements represents the funds available for allocation by the Budget Committee. The Budget Committee reviews the budget memo developed by the VPA and presented by the President. The budget memo also details how much money is available on an ongoing basis and how much is available OTO. When the Budget Committee recommends funding, it allocates funds based on whether funding is continuing or OTO.

**Self-Evaluation**
The District has a very conservative approach to financial resources. The use of the “X,Y, Z” budget scenarios with actual expenditures occurring at the most restricted, or “X” level, until revenues are received reflects this conservative approach. The formula-driven allocation of funds for both compensation-based and discretionary funds ensures stability in the allocation process, and further, that fund allocation is tied directly to factors related to delivering instruction and providing services. At both the district and college levels, the practice of recognizing OTO funds on a yearly basis, regardless of the past persistence of particular sources, ensures that long-term obligations are not incurred without a stable funding source.

At the college level, the process of developing available discretionary spending resources is clearly identified in the Financial Resource Allocation plan. Objectives are developed at the unit and program level, that are designed to support goal and mission accomplishment and further institutional effectiveness. Based on the prioritized merit of these objectives, resource allocation proceeds as part of the overall planning and resource allocation cycle. This process ensures that resource allocation is data- and goal-driven and that there are measureable outcomes that can be associated with resource allocation so that the effectiveness of programs and services can be evaluated as part of the planning cycle.

**Planning agenda**
None

**Standard 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 LRCCD Adopted Budget of 2008-2009 contains evidence of plans for payment for liabilities and future obligations. Formula-driven allocations are made for both compensation and other long-term liabilities such as utilities to ensure that long-term commitments can be met. The LRCCD began funding its other post-employment benefits (OPEB) in 1985 over twenty years before GASB 45 was required, and, as of July 2007, had funded $53.9M of its $58.6M Actuarial Accrued Liability (AAL) for current employees and retirees. It has continuing funds designated to meet the Actuarially Required Contribution (ARC). LRCCD’s liability for accrued vacation is also fully funded as is faculty leave-banking. The District issued a Certificate of Participation (COP) to support construction of the parking structure at SCC and has designated funding to support the principal and interest for the certificates. Additionally, the District sets guidelines with respect to the percentage of personnel expenses that can be charged to discretionary funding sources such as Matriculation (up to 60 percent) to ensure that ongoing compensation commitments can be met.

The College recognizes the base funding needs of each department and maintains that allocation on a yearly basis to the maximum extent possible as part of a “maintenance of
effort” strategy. In the memo prepared by the VPA and sent to the Budget Committee, institutional obligations are determined prior to identifying available discretionary funds to be recommended for allocation by the College’s Budget Committee. Additional College Discretionary Funds are designated as either OTO or ongoing. The Budget Committee identifies whether allocations are for OTO only or continuing funds when it makes its recommendations. Further, the President’s Budget Memorandum seeks to achieve a balance between meeting institutional needs (identified as “above-the-line” expenditures) and providing sufficient discretionary funding to support unit plans designed to achieve unit and department level objectives in support of college goals.

SCC has worked with the District to place bond measures on the ballot in counties in which LRCCD facilities are situated. Current bond money is now being used for facilities modernization. A bond oversight committee is in place to review expenditures of bond funds in relation to stated district projects and goals.

Self-Evaluation
The District demonstrates its commitment to planning for liabilities and future obligations through a series of practices including formula-driven allocation, conservative allocation of budgeted revenues, and adherence to conservative practices in recognizing and funding ongoing obligations.

At the college level, the process for identifying funds available to support contractual obligations and for identifying restricted revenue sources ensures that ongoing commitments are funded. The Budget Committee’s practice of allocating funds ensures that ongoing expenditures are not incurred with OTO funds. The guarantee of department base budgets ensures that departments can meet ongoing commitments.

Planning agenda
None

Standard 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
On the district level, the process for financial planning and budget development is described in the District budget book that is published annually and in Board policies and procedures related to budget, as described in Board of Trustee policy. In January 2009, the district was awarded the Meritorious Budget Award (MBA) by the Association of School Business Officials International (ASBO). The Los Rios Community College District is the first community college district (or college) in California to receive this prestigious award. Criteria for awarding the MBA include the following:
• provides clear budget presentation guidelines;
• defines state-of-the-art budget practices;
encourages both short and long term budget goals;
- promotes sound fiscal management practices;
- promotes effective use of educational resources;
- facilitates professional growth and development for the budget staff;
- helps build solid development, analytical, and presentation budget skills.

The districtwide Budget Committee has membership from all governance groups. Budget and planning information is shared with these groups and routinely disseminated through updates. In addition, each college has a budget committee with representation from all constituency groups.

The College defines and follows its guidelines and processes for financial planning and budgeting. The strategic planning process and forms, templates, and handbooks are available on InsideSCC, a website developed to support college processes. Presentations and distribution of materials defining and updating planning and financial resources are given at semi-annual convocations for all staff. Deans, department chairs, and unit supervisors are given training sessions on unit planning and resource allocation processes. Agendas and minutes from the Budget Committee are in Public Folders and available through the InsideSCC website, documenting how budget recommendations are made. Full college participation in planning and budgeting processes is ensured in a number of ways. The College Strategic Planning Committee (CSPC) is composed of members of all constituency groups, constituency group leaders, and the college vice presidents. This committee oversees the processes involved in data review, review of mission statement, vision statement and values, and goal-setting. The process is critical to ensure that the planning and resource allocation processes are integrated with data on college outcomes and college goals. Through the college planning process, all units are required to develop unit plans and/or program plans which specify objectives related to college goals. Financial requests, information technology needs, facilities requests, and requests for faculty and classified staff are aligned with unit or program plan objectives. Resource requests associated with finance, information technology, and facilities are processed through the annual budget cycle, which includes participation by the Budget, Information Technology, and Campus Development Committees; requests for faculty and classified staff are processed on a separate schedule and involve the Academic and Classified Senates. Through these processes, all constituency groups are represented on the campus committees directly concerned with planning and budget. Additionally, the President shares the results of the budget process with the College’s Executive Council prior to releasing the budget memo to the college community.

**Self-Evaluation**
The mechanisms for financial planning and budgeting are clearly identified at both the district and college levels. The college planning process is designed to be data-driven with a cycle that begins with the evaluation of the college mission and outcome data from the previous cycle. Goals are developed by the CSPC and are reviewed and approved by all constituency groups across the College. These goals then serve as the basis for planning and development of unit and program level objectives designed to support goal accomplishment. Resource allocations are prioritized and expected outcome measures determined. Budget processes are designed to include collegewide representation with
requests developed from departments and units and are also constituency-based, through evaluation at both the district and college levels. In the Fall 2008 Faculty-Staff Survey, 53.1 percent agreed or agreed strongly that resource allocation and financial management are handled with integrity at SCC; 39.7 percent did not know. To the question of whether planning and resource allocation processes for financial resources are clearly defined, 47 percent of respondents did not know while 36 percent agreed or agreed strongly that they were. In response to the question of whether their unit’s interests are fairly represented in the decision-making process regarding use of financial resources, 52.5 percent agreed or agreed strongly while 32.6 percent did not know.

At the district level, there is strong support for the conclusion that the institution clearly defines and follows its guidelines and processes for financial planning and budget. The Meritorious Budget Award given to the District by ASBO recognizes the transparency and integrity of the processes developed and followed by the District in the area of financial planning and budgeting.

Additionally, the work of the district budget committee, which is constituency based with representatives from the four colleges and district finance staff, helps to ensure that all constituencies have appropriate opportunities to participate in the development of institutional plans and budgets.

Planning agenda
None

Standard 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.

Standard 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. Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.

Descriptive Summary
The LRCCD 2008-2009 adopted budget details both the guidelines and the financial basis for allocating funds at the district and college levels. The District’s allocation meets both the statewide standard of at least 50 percent of expenditures dedicated directly to instruction and the contractual obligation of 80 percent of new unrestricted funds to support salaries and benefits, ensuring that instruction is delivered in accordance with college enrollment goals and scheduled classes. The college budget also reflects this commitment to instruction. To achieve the college goals for student learning, the majority of the college budget pays for instructional staffing, the levels of which are driven by WSCH. The application of the “Fifty Percent” law, requiring that at least 50
percent of the current expense of education be for salaries and benefits of classroom instructors, resulted in instructional salary and benefits costs of 53.66 percent in 2006-2007. College instructional expenditures for 2008 were 56 percent of total college expenditures.

The College’s annual and long-term capital plans also support student learning and relate to the plan for physical facilities. The District and College plan for capital facilities are based on growth projections and analysis of the condition of existing facilities. As a result of these planning efforts, a local bond measure was placed on the 2008 ballot for $475M and passed. This bond measure enables the District to qualify for additional state capital outlay funding. Local funds and state funds are combined to sustain capital project plans. The result of these long-range efforts is to support student learning.

The College is annually subject to an external audit of all funds. Historically, the College receives unqualified opinions with regard to its financial statements from independent auditors. Management’s Discussion and Analysis included in the report are not required but are supplemental information on which the auditors express no opinion.

Identified audit findings are included in the audit as well as the district’s responses to these findings. Historically the College has had minimal findings and has successfully corrected any issue prior to the next fiscal year.

An examination of college financial documents reveals that the College’s Resource Allocation Plan, in collaboration with the Budget Committee, is “designed to provide planning guidance for allocation of financial resources needed to implement the College’s strategic planning system.” The college strategic planning system incorporates college goals at the forefront of the planning process. College goals provide the basis for the College’s unit and program plans in support of student learning programs and services.

Unit plans are prepared annually within each college division. The unit plans specify objectives related to college goals. If the unit’s objectives require resources, the resource requests are defined and submitted to the College’s Budget Committee for review and prioritization. In areas with collegewide responsibilities, program plans are developed with objectives that are related to college goals. Resource requirements are also defined in this process.

Resource requests from unit plans are forwarded to the college Budget Committee for review and prioritization; resource requests that involve information technology and facilities are forwarded to the Information Technology and Campus Development Committees, both of which review and prioritize the requests and then forward their recommendations to the Budget Committee for their consideration. The Budget Committee holds hearings on budget requests, asking division administrators, faculty, and staff to relate their requests to college goals and unit objectives. The rubric for prioritizing budget decisions incorporates the extent to which a request enables the unit to
meet college goals. The Budget Committee’s priorities are submitted to the College President who makes the final decision on budget allocations.

In the case of program plans, resource requests are reviewed and allocated by the College President and President’s cabinet. These proposed “above the line” allocations are communicated to the Budget Committee as part of the President’s annual Budget Memo.

Self-Evaluation
The budget documents prepared at the District and College fully support the College’s goals for student learning. The District budget reflects the commitment to instruction with the allocation of funds that directly support student learning through funding the schedule. The District’s long-range capital plans reflect expectations of student growth. Independent audits are conducted on a yearly basis and its findings communicated to the appropriate areas and addressed immediately.

Decisions about allocation of funds that are made at the College involve dialogue and recommendations from administrators, faculty, and classified staff through participatory decision-making processes. Administrators, faculty, classified staff, and students provide recommendations through such standing committees as Campus Development, Information Technology, and Budget. Base funding and equipment purchases for college divisions are allocated through the Budget Committee process. The Budget Committee Budget Prioritization statement illustrates that “they are guided by the institution’s mission, vision, values and goals.”

Planning agenda
None

Standard III.D.2.b.
Appropriate financial information is provided throughout the institution.

Descriptive Summary
Appropriate financial information is available throughout the institution through a number of means. The District Office publishes an annual budget book. The District budget book contains information that delineates the basis for budget allocations throughout the District as well as funding level details for each college. Financial statements are published annually in the Financial Statements and Independent Auditors’ Reports. Current budget information, including appropriations, expenditures, and encumbrances, is viewable online using the “PeopleSoft Financial Information” website. Online budget information and financial data, including detailed transactions for all college budgets, remain current through the end of the previous business day and are available to all college employees. Real-time budget and financial data are available to a limited number of administrative employees using the native Peoplesoft Financials application. Budget reports and downloads by department are also available using “Crystal Reports” online.
The VPA prepares an annual Budget Memo that is approved by the President; it describes both revenue sources and expenditure categories and amounts. This document is given to the Budget Committee for review and consultation on expenditures and also informs the Budget Committee of the amount of general fund and instructionally related dollars that are available for allocation. The memo is generally prepared in January. Through interviews with deans and department chairs and the use of “pink sheets,” which detail department allocations and carryover over a multi-year period, the college Budget Committee compiles additional budget information for its use in developing the annual budget. This process is conducted from February through April. In May, the Budget Committee sends the President a memo outlining its recommendations for OTO and continuing-funds for general fund and instructionally-related dollars and its recommendations on issues to consider in the coming year. In June, the President sends the annual Budget Memo to the Budget Committee and Executive Council for distribution to the college community. This memo responds to the recommendations of the Budget Committee and is the basis for allocation of general fund and IR dollars. Detailed information about the College’s financial planning and resource allocation processes are available online at InsideSCC.

Midway through the execution year, the VPA is charged, via the Financial Resource Allocation Plan, to conduct a mid-year review of the financial plan for that year. A cross check is made of available financial resources and compared to planned levels. In a similar way, expenditures are compared against planned levels, and consideration is given to any changes that have occurred that might influence the financial plan for that year. This review is conveyed to the Budget Committee and President’s Cabinet, and copies of the document are provided to the Executive Council for review. Needed adjustments are then made to ensure planned outcomes are optimized.

Information related to fiscal conditions is available in the LRCCD Adopted Budget 2008-2009, the Chancellor’s Report, and the CCLC League Budget Report updates, which are emailed to all college staff periodically by the College President.

Audit results by external auditors are published annually in the Financial Statements and Independent Auditors’ Reports. Copies of this report are distributed and available for review by faculty and staff on request.

Results from the Fall 2008 Faculty-Staff Survey indicate, however, a lack of knowledge of financial management processes and decisions. Fifty percent of respondents did not know whether planning and resource allocation processes are clearly defined. When asked if faculty and staff have the opportunity to participate effectively in financial planning and resource allocation processes, 33 percent replied, “Do not know.” When asked whether the allocation of financial resources is tied to unit plans, 39 percent responded, “Do not know.”

**Self-Evaluation**

Information needed to support ongoing financial management as well as financial planning is provided to the College through a number of means. The district budget book
provides both data and the assumptions on which financial allocations are made for both the District and College. College managers and staff are able to access reports which track expenditures, encumbrances, and balances for all college accounts within their areas of responsibility. These reports can be obtained on an as-needed basis. The budget process is data-driven, with information presented to the Budget Committee on available funds, ongoing expenditures, and department-level budget information. The VPA prepares analyses of expenditures and conducts a mid-year budget review that is given to both the college leadership and the Budget Committee.

Despite the availability of budget information through online reports and budget information available through InsideSCC, a significant percentage of the college community chose the option “do not know” when queried in the Fall 2008 Faculty-Staff Survey about whether they have the opportunity to participate in the financial planning process, about whether financial planning processes are clearly defined, and about knowing whether financial allocations are tied to unit plans.

Planning agenda
See Planning Agenda for I.A.3

Standard III.D.2.c.
The institution has sufficient cash flow and reserves to maintain stability, strategies for appropriate risk management, and realistic plans to meet financial emergencies and unforeseen occurrences.

Description
Physical and financial resources do not operate in a vacuum. Funding allocation decisions in the budget are evaluated and judged with a view of mission, goals and objectives, project and resource needs, and probable outcomes. The budget is not an isolated process but rather a vehicle used to support institutional goals and planning. This process requires that budget planning and actions are taken to ensure that the integration of short-term financial plans and cash-flow requirements does not interfere with long-term plans and obligations. There is a commitment to continuing the integration of institutional outcomes, fiscal resources, and achievement of student learning outcomes.

Budgeting requires making decisions on funding, revenues, and costs under uncertain conditions. In recommending approval of the annual budget, the District presents three different budget scenarios, known as the “X, Y, Z” budgets. The “X” budget is the most conservative budget projection; the “Y” Budget is conservative but mid-range; and the “Z” budget is the most optimistic. The differences among the “X, Y, Z” budgets center on the varying assumptions that relate to student enrollment growth and associated revenues, lottery proceeds, and growth funding. The District authorizes allocations at the “Z” budget level at the beginning of the fiscal year but allocates funds at the “X” budget levels. Mid-year updates occur as revenues are received from the state. The “X, Y, Z” budget format has served the District and College very well. While it requires additional budgeting oversight, this format provides a conservative approach and flexible tool to
adjust operations based upon actual activities in the District, many of which are largely unknown at the inception of the academic year.

Cash-flow statements are prepared monthly as the District issues, when necessary, Tax Revenue Anticipation Notes (TRANS); this type of preparation is used to ensure that obligations are met in periods of low-cash reserves due to the timing of property tax payments. All TRANS-fare borrowing is coordinated by the District Office Financial Administration and reviewed by legal counsel and financial advisors for regulatory compliance. While this short-term funding mechanism is an available option as a tool of cash-flow management for institutions across the state, LRCCD has not needed to exercise this option in the two prior years; however, it will do so in the current year.

Fund balances and reserves are desirable to fund future program commitments and for economic emergencies. The California Community College System Office has identified a desired reserve of at least five percent. The Los Rios Board of Trustees has adopted policies which identify an uncommitted reserve in the District’s General Fund to be at least three percent. The District’s General Fund beginning balance meets the state policy requirements with a projected total unrestricted fund balance of 5.3 percent and an uncommitted fund balance of 3.4 percent.

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The California community college system has undertaken numerous changes in the method of financing and distributing state and local funds for the support of its system. The current system of funding has been influenced most by two pieces of legislation enacted in 1988—Proposition 98 and AB 1725—and SB 361, adopted in 2006-2007. While there are small sources of funds unique to the College, essentially all funds are received by and allocated through the District.

The LRCCD, like all community college districts/colleges, is appropriated a base allocation for each college and center according to full-time equivalent students served from funding based on FTEs and the number of designated colleges and centers. Due to the historical method of funding of California’s community colleges, there has been disparity in the amount of revenues provided per FTE. However, equalization, as
required by SB 361, was achieved in the prior fiscal year. As a result, equalization funding increased the base funding for the district by over 7 percent from the prior year’s base. Under an allocation system, the increased funding to the District provides additional funding at the College.

In the area of risk management, the District utilizes both a self-insurance approach as well as indemnification. The rationale for the decision to self-insure lies in the statistical, economic, and insurance principles which state that the law of large numbers and the economies of scale in insurance that make it less expensive to write or underwrite one policy rather than to write ones for each College and one for the District. Further, the insurance principle which posits that problems with unique adverse claims, moral hazard, and adverse selection are all reduced by expanding the size of the insurance pool also supports the District’s decision to self-insure. Therefore, all risk management services are coordinated for the District by the General Services Department.

The District considered options of whether to secure policies, to self-insure, or to combine with re-insurance. The District utilized self-insurance funding systems to provide more local control and lower rates relative to fully indemnified programs. The decision for the LRCCD to self-insure and to use re-insurance policies reduces the risk of having liabilities outside the financial bounds for meeting the expected value of claims that might accrue.

As with any insurance product, it is important that adequate insurance and reserves are in place and that risks have been properly determined. The District utilizes an actuarial methodology and employs an actuarial study to identify long-term risk exposure determinations which includes claims incurred but not reported. Appropriate funding for current and future claims minimizes the District’s exposure to unfunded risk losses.

**Self-Evaluation**
The District has sufficient cash flow and reserves to maintain stability in delivering instruction and services to students according to state and federal requirements, to meet contractual obligations, to fund ongoing obligations, and to meet unforeseen occurrences. The fund balances achieved by the District approach 10 percent, far exceeding state requirements. The District has mechanisms in place for issuing short-term debt utilizing the TRANs process to cover expenses until state funding is realized. The District’s insurance strategy is fully funded and based on a realistic assessment of risk.

**Planning agenda**
None

**Standard III.D.2.d.**
The institution practices effective oversight of finances, including management of financial aid, grants, externally funded programs, contractual relationships, auxiliary organizations or foundations, and institutional investments and assets.
Descriptive Summary

The District and College have a number of controls in place to ensure the effective oversight of funds. At the district level, the Business Services area has a Grants and Contracts staff assigned to review and report on categorical and grant funding. The department has a supervisor and four staff who support program and college staff in determining compliance and reporting requirements. Financial Aid cash management and reporting occurs through the General Accounting Department which also prepares the monthly Foundation reports for the District. All expenditures are reviewed and authorized at multiple levels to ensure appropriate use of resources that are entrusted to the College/District. The categories of expenditures that are reviewed and authorized using the Authorized Signers list are specified in Board of Trustee policies. The categories of expenditures include the following:

- Requisitions & Limited Purchase Orders
- Journal Entries
- Payroll Worksheets
- Check Request Forms
- Tentative Class Schedules
- Employment Service Agreements
- Transfer Appropriation Requests
- New Account Requests
- Classified/Student Employment Intents
- Fee Refund Application Batch Approvals
- Travel Claims
- Absence Reports
- Budget Modifications
- Facility Use Permits for LRCCD Facilities
- Grant/Contracts/Memorandums of Understandings (MOU’s)

All grants, contracts and MOUs may only be executed by the Chancellor, Deputy Chancellor, Vice Chancellor of Education and Technology, Vice Chancellor of Resource Development and Planning, or Associate Vice Chancellor of Finance. Additional oversight is exercised at the college level by requiring that all proposed expenditures be made in budget categories with sufficient funds to cover the proposed expenditure. College staff review all proposed expenditures to make sure that they are assigned to the appropriate expenditure category. Transfers between fund types are prohibited.

In the area of grants, all grant applications are reviewed by the dean of the appropriate area to ensure that the grants address department and college goals. Grant applications are then sent to the campus PRIE Office for routing to the College President for review and sign-off on the District Grant Application Routing Form. The application packet with routing form is then sent to the District Office Grants and Contracts Office for review by the accounting department, and a review form is prepared. The application or plan packet is then reviewed by the Grants and Contracts Supervisor and Vice Chancellor of Finance, or their designees, prior to execution by the Chancellor.

The review form, when awarded, is sent to the VPA with a notification of award and
request for budget setup. The VPA Office then notifies the appropriate administrator and requests not only budget information on categories of proposed expenditures but also planned quarterly expenditure rates or “burn rates” to be used to monitor and report expenditures. Analyses of quarterly expected burn rates (rate of projected expenditures versus actual expenditure rate) are reviewed by the VPA and the program area and made available for review by the college community on InsideSCC. Limitations on use of grant funds are noted when grant budget categories are established to ensure that expenditures are appropriate. The eligibility of grant funds for carry-over is also noted at the time grants are established. If there is a question of whether specific expenditures are allowed under state funded categorical programs, such as Financial Aid or Matriculation, the program specialist at the California Community College Chancellor’s office is notified; expenditures take place once approval is given.

An external audit on the District is performed annually. Both identified findings and the District’s responses to the findings are included in the audit. Such a procedure is considered an effective tool for improvement of the management of the District’s/College’s finances.

The District also has two internal auditors whose roles are to ensure the effective and efficient use of district/college resources as well as evaluating that proper controls and processes are in place.

The Foundation, an auxiliary fund, has a separate audit report by the College’s external auditor. The audits for the Foundation have had no findings.

**Self-Evaluation**

The Authorized Signers list clearly states who can sign all documents and is readily available for referral by all areas of the college. Documents are reviewed prior to processing to ensure they have proper signatures. This process is an effective mechanism for ensuring that appropriate financial controls are exercised. In the area of grants, applications are thoroughly reviewed prior to application. Only authorized senior management may obligate the District/College by executing agreements. This process of review and oversight is functioning appropriately and provides effective management of these resources. An unqualified audit opinion has been issued for the past six years for the district. Recommendations by the internal auditors regarding internal controls are routinely incorporated into College business practices. The College has a number of controls in place under the supervision of the VPA to ensure that grants and other funds are expended prudently and in accordance with legal requirements.

**Planning agenda**

None

**Standard III.D.2.e.**

All financial resources, including those from auxiliary activities, fund-raising efforts, and grants are used with integrity in a manner consistent with the mission and goals of the institution.
**Descriptive Summary**

The District and the College share the responsibility for the leadership and oversight of auxiliary activities, fund-raising efforts, and grants. This leadership includes the design, development, implementation, assessment and communication of processes involved in these activities. The processes are reviewed and authorized on multiple levels to ensure appropriate use of resources entrusted to the District and College. Grant applications are evaluated at both the college and district levels to ensure consistency with the mission and goals of the College. All categorical, auxiliary fundraising, and grant expenditures require the program administrator to attest to the fact that the expenditure is in compliance with the goals and objectives of the program and the College. Limitations are placed on which expenditures categories can be used with auxiliary funds and with categorical funds. Processes exist to verify that proposed expenditures meet these criteria. In addition, the District’s external auditors select transactions to be reviewed for compliance with program and College objectives as well as legal and other constraints applicable to the use of funds.

The SCC Foundation works directly with faculty and staff to determine funding needs based on department goals, administers the College’s scholarship program, and organizes the College’s capital campaign that raises funds to support college programs. In 2008, the SCC Foundation awarded $93,000, representing 170 donor scholarships, to students. Additionally the College Honors and Awards Committee, using funds contributed by faculty and staff, administers textbook scholarships to students who cannot afford books. The SCC Foundation also raises funds in a capital campaign to support the nursing program, which has been designated as a “Program of Distinction” by the District, and, as such, supports district and college goals relating to workforce development.

A number of positions are charged with the oversight of financial resources. The District has two financial analysts, two internal auditors, and strong supervisory staff in the Business Services Departments at the District Office and at the College. In addition to the VPA and Business Service supervisor at the College, an Administrative Services Analyst oversees budget and fiscal transactions. The roles of all of these personnel are to ensure the effective and efficient use of district resources, which include auxiliary activities, fund-raising, and grants and to make certain that proper controls and processes are in place. A district group titled the “Financial Users Group” chaired by the Director of Accounting Services meets regularly to discuss issues associated with financial management processes. In addition, the VPAs meet monthly with the Deputy Chancellor, and the administrators of Human Resources, Business Services, Facilities Management, and Police Services.

**Self-Evaluation**

Efforts are made on a regular basis to provide a checks-and-balances system to ensure that funds are both raised and allocated appropriately in the areas of auxiliary activities, fund-raising, and grants. The auditing component established by the District allows for continual evaluation and provides an avenue for changes to be made if required. The processes that are in place at both the district and college to review grant applications,
fund-raising efforts, and auxiliary activities help ensure both the integrity of the process and its tie to college mission and goals.

**Planning agenda**
None

**Standard III.D.2.f.**
Contractual agreements with external entities are consistent with the mission and goals of the institution, governed by institutional policies, and contain appropriate provisions to maintain the integrity of the institution.

**Descriptive Summary**
The College enters into a wide variety of contracts, e.g., personal services contracts, grant agreements, construction services, and rental agreements. To prevent obligating the District in areas inconsistent with its mission and goals, only the Vice Chancellors, Deputy Chancellor, and Chancellor are authorized to sign contracts and agreements. All contracts are reviewed before execution. Dependent upon the nature of the agreement and to provide a checks-and-balances system, District General Services, Grants and Contracts, Human Resources, and the District’s General Counsel may be involved in the review. Clauses exist in contracts that allow for termination and changes. These procedures are enumerated in Board policy. There is a “Contract Routing” form that lists all individuals who review and approve contracts. The process for overseeing contracts at the College is coordinated through the VPA. Ultimately, the initiating dean or manager is responsible for overseeing the contract. If a purchase order is set up to pay for goods and services covered by a contract, mechanisms within the purchasing and accounts payable systems are utilized to certify that contractors have fulfilled the agreement.

**Self-Evaluation**
The College enters into contracts appropriate to its mission and goals. A number of checks-and-balances have been instituted at both the college and district levels to ensure that contractual agreements are both financially prudent and legal. The basis for signatory authority for external agreements is found in Board policy. The processes associated with the review and approval of contractual agreements allows the college to maintain integrity in its involvement with external entities.
Planning agenda
None

Standard III.D.2.g.
The institution regularly evaluates its financial management processes, and the results of the evaluation are used to improve financial management systems.

Descriptive Summary
There are a number of processes in place to evaluate financial management systems. The District undergoes an annual external audit that is conducted currently by Matson & Isom, CPAs, to ascertain the validity and reliability of accounting information and to provide an assessment of the District’s internal controls. The audit also covers the various funds under District control. The results of the audit are shared in a management letter and any issues discovered are addressed. The District has two financial analysts and two internal auditors who are responsible for interim evaluations of financial and internal controls and who routinely test that processes and procedures are being followed. The Financial Users Group meets regularly to discuss issues associated with financial management processes.

At the campus level, the VPA, Business Services Supervisor, and Administrative Services Analyst are responsible for implementation of the financial processes and internal controls. Throughout the fiscal year, the VPA Office publishes “burn rates” to ensure that departments are using allocated funds. In addition to the regular annual audit, District records are reviewed by outside agencies which provide categorical funds to the District, e.g., federal audits of student financial aid and California Department of Education reviews of the Child Development Center records and operations.

Additionally, at the campus level, the Budget Committee continuously reviews its processes for allocation of funds. The Committee has implemented a process to evaluate the distribution of funds that ties budget requests to unit and program plan objectives. Decisions on disbursements are guided by the institution’s mission, vision, values, and goals. In preparation for the resource allocation process, the Budget Committee requests presentations and documentation from categorical programs that explain such items as sources of funds, purposes of funds, and restrictions on funds use. This information is used to evaluate requests for general funds from programs with access to categorical funds to ensure that all college dollars are used to maximum benefit. On a yearly basis, the Budget Committee reviews its procedures to ensure that its criteria for awarding funds reflect college goals. Review of the resource allocation process itself also takes place on a yearly basis with review of forms and timelines to ensure that the budget allocation process supports college goals and the program/unit planning cycle.

Self-Evaluation
Both the District and the College have processes in place for evaluating their financial management systems and for using the evaluation results to improve systems. The external audit process has produced no qualified audits. The internal auditors assess the
processes and internal controls, and the College implements improvements on a continuous basis.

Results from the internal evaluation of the College’s resource allocation process have been used to modify the process and to ensure that the results support college goals and the planning cycle.

**Planning agenda**
None

**Standard III.D.3.**
The institution systematically assesses the effective use of financial resources and uses the results of the evaluation as the basis for improvement.

**Descriptive Summary**
Both the District and the College have a number of mechanisms in place that systematically assess the use of financial resources and adjust processes and decisions in view of the results. In evaluating the effective use of financial resources at the district level, the focus is on monitoring enrollment growth relative to productivity. Since the single largest component of the budget is instructional salaries and benefits, the District devotes significant time to the development of class schedules, monitoring enrollments, and then evaluating the productivity or efficiency of the instructional resources used each term. Throughout the District, there is an awareness of the importance of productivity relative to the strategic goal of access. The more effectively that instructional resources are utilized, the more students are served. Productivity goals are set for the District, for each college, and for each department within each college. Each department is granted flexibility in determining how to achieve its goal of providing for balance across courses and disciplines. Adjustments in FTE and productivity goals are set every semester based on prior term results and changes in conditions.

Utilities in the budget are also scrutinized in an effort to identify cost savings. The District has been rigorously tracking utility costs since FY2001. All electricity, natural gas, propane, water, sewer, garbage, and recycling costs are tracked by campus. Reports on campus utilities are available to support strategic planning and prioritization as well as operational requirements.

Open positions are evaluated prior to being filled to ensure FTE is well-utilized. Position control is assigned to the District Office’s Fiscal Services unit which closely monitors position transactions.

District staff review college and district budgets on a monthly, quarterly, and annual basis. Twice per month, hard copies of financial reports are printed and distributed within the District Business Services unit and to each college. These reports include the percentage of budget remaining for each account as well as summarized allocations to assist reviewers in identifying areas that may need analysis. On a quarterly basis, the District prepares a state-required report analyzing revenues and expenditures. Lastly, the
District provides an annual report of financial information to the California Community College State System office. The report is audited by external auditors.

Appropriations, which are largely formula driven, undergo review and authorization prior to any adjustments. There are mid-year adjustments to funds allocated to the District and colleges based on revenues that are realized from the state (as compared with revenues that are estimated as part of the “X,Y, Z” budget preparation process). All budget transfers are reviewed by Fiscal Services prior to posting. All revisions at the major-object level must be reviewed and approved by the District Financial Administration. All long-term financial and contractual commitments must be reviewed and authorized at the district level. The General Services Department and District General Counsel are responsible for reviewing all contracts before approval or recommendation to the governing board. The District’s Authorized Signers list specifically identifies those given the authority to sign various documents, e.g., payroll authorizations, purchase orders, and contracts. This procedure ensures proper oversight of commitments and provides an accountability tool for these obligations.

Investment policies provide specific direction and authorization for the investment of all district and foundation funds. Revenue collections are deposited on a timely basis and subject to identified internal control procedures.

The District is subject to an annual external audit of all funds. This audit is completed prior to December 31. Identified audit findings are included in the audit as well as the District’s responses to these findings. Historically, the District has had minimal findings and has successfully corrected any issues prior to the next fiscal year. The annual audit is considered an effective tool for improvement of the management of the District’s finances.

The College has a number of processes for systemically tracking use of resources and using the results from evaluations to improve processes. Similar to the District’s procedures, the College analyzes productivity figures to ensure that enrollment goals are met and makes adjustments each semester. SCC also uses several measures of merit and financial summaries throughout the year to track the College’s financial position. Examples follow:

- On a quarterly basis, the “CDF Burn Rate” tracks College Discretionary Fund allocations made to all units using the unit’s pre-determined estimate of how funds will be spent throughout the year. A unit historically forecasts its quarterly “burn rate” based upon the previous fiscal year’s needs. This data is used to help units budget more effectively.
- On a quarterly basis, the “IR Burn Rate” tracks expenditures from Instructionally Related budget accounts by the units who are allocated funds from this source.
- Year-end summaries and an analysis of the ending balances, carry-over values, over-runs, and status of continuing and OTO funds are completed in preparation for the next planning cycle. This data helps units prepare resource allocation requests for the coming year.
• On a quarterly basis, the “Categorical/Grant Burn Rates” track the categorical and grant allocations for expenditure against planned expenditure rate which provide tracking information to program managers to ensure a timely and efficient year-end closing.

The monitoring of financial resources also takes place through the College’s resource allocation process. As part of the resource allocation process, departments and units create resource requests for financials, information technology, and facilities to support department and unit objectives as appropriate. These plans are given to the Budget Committee for review and funding recommendations. As part of this process, the Budget Committee holds hearings at which department chairs and deans present resource requests. The Budget Committee makes available “pink sheets” with financial information about each unit in preparation for the presentation. These sheets contain such information as department base budgets and carry-overs from prior fiscal years. During the hearings, departments explain how carry-over is being utilized; their responses are then used to prioritize resource requests. At the end of the fiscal year, department general fund and IR carry-overs are calculated; and 50 percent of funds are returned to the Budget Committee for re-allocation. In 2006, the College President asked the Budget Committee to analyze the need for individual departments to maintain carry-over funds. That review found that many departments are saving for contingencies, such as broken equipment, that could not be anticipated nor paid for in a single year. As a result, a reserve fund was created that to pay for unanticipated expenses. A Budget subcommittee reviews requests for reserve funds based on criteria developed by the committee and makes recommendations to the Budget Committee. In 2008-2009, the reserve fund was approximately $200,000.

As part of the strategic planning process, departments and units are required to develop outcome measures for the objectives listed in the unit and program plans. These measures give the basis on which the unit evaluates whether its objectives are met. In addition to outcome measures, information on whether resources were allocated to meet objectives is posted. This information is available to the college community in InsideSCC.

Self-Evaluation
Both the District and the College systematically assess the effective use of financial resources and use the basis of evaluation for improvement. At the district level, the focus is on productivity, which measures the cost effectiveness of delivering instruction at the college and department level. Adjustments to FTE are made on a semester basis to ensure that the highest degree of access to instruction is available to students. Other reviews analyze budget processes, appropriations, and investments.

On the college level, there are a number of mechanisms for ensuring that financial resources are used effectively, that evaluation mechanisms are in place, and that improvements are made as a result of evaluations. Assessment of burn rates, analysis of use of carry-over funds, implementation of reserve funds so that individual departments do not have to dedicate funds to repair and replace major items, and evaluation of how
well objectives are met, all are mechanisms that have been put in place to ensure that financial resources are utilized effectively. Two items on the Fall 2008 Faculty-Staff Survey address this issue. In response to the question of whether resource allocation and financial management are handled with integrity, 53 percent agreed or agreed strongly with that statement, and only 7.3 percent disagreed or disagreed strongly. When asked whether decision making processes regarding use of financial resources at SCC supports innovation/expansion of programs, 47.6 percent agreed or agreed strongly while only 14.8 percent disagreed or disagreed strongly.

**Planning agenda**
None