

## Section 2 – Planning Council Reports

### Introduction

#### Finance

The University and Community College System of Nevada (UCCSN) Board of Regents governs all publicly supported higher education institutions in Nevada. The Board receives two major sources of unrestricted revenue support. The first are funds appropriated by the Legislature for current operations and capital construction and improvements. The second source of funds is from Board approved fees assessed students and from the internal operations of the college such as residence/dining hall and auxiliary enterprises. In some sense, these two sources of funds drive the finance and budget process of Nevada higher education, and thus Truckee Meadows Community College.

#### State Funds

Funds from the State, or “State Funds”, are requested and allocated by a well defined biennial Legislative appropriation process. Every even year the college develops a biennial budget request for submittal to the Board. That budget request is prepared using guidelines and priorities established by the Board after consultation, negotiation and agreement with all of the system Presidents and Chancellor. Of course, the Board does included within their guidelines the preparation guidelines established by the State Department of Administration, Budget Division for all state agencies. Unlike other state agencies both higher education and K-12 education are funded for operations in part or whole by the use of a formula. The current funding formula (Appendix: \_\_\_\_\_) was developed from the work of the Committee to Study the Funding of Higher Education, commissioned by Senate Bill 443 of the 1999 Legislative Session. That study provided the foundation of the current formula implemented during the 2001 Legislative Session. The appropriated state operating biennial budget becomes the base for the Board’s annual state operating budget.

Funds for State capital construction, capital improvement and deferred maintenance funds are request during the legislative process. After much internal prioritization and consultation between all campuses, the Board approves the biennial budget capital request. This request is presented to the State Public Works Board for inclusion in the Public Works Board recommendation to the Governor for all state capital projects. The Governor’s capital recommendation is presented to the Legislature at the same time as the normal statewide operating budget recommendation.

State operating funds approved by the legislature are appropriated to the Board of Regents by institution. State capital projects are appropriated to the State Public Works Board. The Board is prohibited by law from reallocating state operating funds between campuses. The State Funds allocated to the campus becomes the basis for the annually published State Operating Budget document for public distribution.

### **Board Funds**

Under the constitution and laws of the State of Nevada the Board of Regents has the right to establish student tuition, fees and other charges. A portion of assessed student tuition and fees are allocated to the State Operating Budget and a portion remains outside of the state budget. That portion outside of the state budget and those other revenue generating activities, like residency halls, auxiliary enterprises, health services, etc., become the basis of the Boards' annual Self-supporting Budget document. A "self-supporting" account is any account with a projected \$25,000 in expected expenditures for the next fiscal year. Any account meeting that definition must be presented to the Board through the Self-Supporting Budget process and be approved by the Board. After approval the account must have a formal budget established within the accounting system and be controlled by the normal budget controls established within that system. Accounts under \$25,000 from similar activities are treated as cash accounts. Annually the Board publishes the Self-supporting Budget document for public distribution.

### **Accountability, Control & Financial Reporting**

As outlined above the Board prepares, approves and publishes an annual State Operating Budget and a Self-Supporting Budget documents. During the year, the Board receives two major management reports from each campus. The quarterly Exception Report provides a list of negative account balances which will not be cleared during the next operating cycle. The quarterly Accountability Report provides a history of how the Legislative appropriation was distributed internally by each campus to create the State Operating Budget. It also informs the Board of any major transfers of funds between functions and the creation and/or deletion of positions with in the State Operating Budget. Also, during the year, the Board of Regents Internal Audit department provides reports of audits scheduled by the Board of Regents Audit Committee.

The unrestricted funds and budgets are entered into a computerized accounting system which conforms to generally accepted accounting principles. UCCSN System Computing Services operates the accounting system software and related hardware in a central site. All of the campuses use this platform for their accounting and budget control.

At the end of the fiscal year the Board receives two major year end reports. The audited financial statement reports the financial results of operations for each campus. This report is audited by external auditors and is in compliance with general accepted accounting principals. The other report is a budget to actual report for both the State Operating Budget and the Self-supporting Budget. These reports provide assurance that the Board is maintaining accountability to the public and the legislature.

### **Cash Management & Investment Services**

The Board a number of years ago established a Board of Regents Investment Committee. The committee recommends investment policy to the full Board and oversees the regular operation of the investment portfolio. The System Administration Banking and Investments department is responsible for the day to day system wide banking and investment operations. The cash management system includes nightly sweeps of campus cash, automatic investment in the operating investment pool, controlled disbursements and positive pay. The system endowment is invested with outside investment managers in a well diversified portfolio. The investment advisory company (Cambridge Associates) has been with the endowment pool since it's inception during the mid-80's and is one of the top investment advisory companies in the nation for higher education. The Banking and Investment department is also charged with oversight and processing all system and campus long term debt. The department assures the Board that debt is issued within legal limits, that a due diligence process is followed, that funds will be available to pay debt service and that accountability will be maintained.

### **Truckee Meadows Community College - Financial**

Truckee Meadows Community College operates within the broad UCCSN financial structure outlined above and within the authority delegated to it by the Code, the Board of Regents Handbook and other authoritative regulations and laws. Given these parameters TMCC operates fairly independently, is responsible for its strategic planning, internal administrative operations, funding allocations within the resources available, facilities and academic planning, and reporting to the Board, internally and to the public.

This introduction provides a high level overview of the financial structural context within which TMCC as a member institution of UCCSN operates. The following sections of Standard Seven provide the details, strengths and weaknesses on how TMCC performs within the general Board financial system.

## Standard 7A - Financial Planning

Financial planning and budgeting are ongoing, realistic, and based upon the mission and goals of the institution.

**7A.1 Autonomy** - Governing boards and, where applicable, state agencies have given the institution appropriate autonomy in financial planning and budgeting matters within overall mandates and priorities.

TMCC functions as one of the eight autonomous institutions guided and governed through the University and Community College System of Nevada (UCCSN). As such, the institution is subject to the applicable laws of the State of Nevada and the legally binding statutes codified through the UCCSN Board of Regents. The President of Truckee Meadows Community College and the Presidents of the other system institutions are granted significant autonomy in decision making affecting the personnel and operations of the institutions. The Board of Regents Code provides a legal definition of presidential responsibility. (Appendix: Code Title ) Administrative autonomy for operation of the College is delegated to the president within the guidelines of the Board of Regents.

Administrative autonomy in managing the institution occurs within the framework of policies and procedures issuing from the state legislature and the Board of Regents. Autonomy in establishing the institution's biennial budget and managing fiscal issues is balanced through the constraints and principles guiding the allocation of state funds to the institution. The State of Nevada's biennial legislature establishes a minimum percentage of the Nevada general revenues as a base for the higher education funding formula. This revenue appropriation is intended to offer Nevada's higher education system a stable basis for planning and budgeting. Accountability for expense funding rests with the UCCSN Board of Regents. The legislature established UCCSN expense funding formulas to ensure funding equity among the institutions and levels of higher education in Nevada. (Appendix: UCCSN Funding Methodology) The UCCSN is charged with providing public access to higher education while the individual institutions are accountable for program outcomes including research, workforce development, and public services. The UCCSN Board of Regents with assistance from the Chancellor's Office allocates funds on a biennium basis to the state's institutions of higher education. The community colleges, the state college, and the universities are all governed by the Board of Regents and are funded from the same legislative biennial appropriation.

The budget appropriation and allocation process responds to the unique needs of each institution in accord with established roles and missions within the system. On September 1, each even year, the UCCSN Board of Regents presents the Governor with the Biennial Budget Request for Higher Education. The Governor presents the

Executive budget to the State Legislature during the following January. The Executive Budget includes the Governor's recommendations regarding the higher education system biennial budget. The UCCSN Board of Regents are permitted to make separate budget presentations to the Legislature. The Legislature usually adopts the Governor's recommendation without significant changes. The Legislature passes a biennial expenditure and appropriation act during the last days of the session. This budget request is developed through individual budget requests from each institution. Each institution in the system is responsible for planning and developing the state supported and self supporting budgets unique to the institution's mission and goals. (Appendix: ) The Board of Regents annually reviews and approves all state appropriated and self supporting budgets developed by each institution. The UCCSN Vice Chancellor for Finance and Administration coordinates the annual operating budget and approval process for the system.

TMCC's autonomous planning and budgeting activities balance the immediate and long-range needs and goals of the institution with the guidelines established through the Board of regents planning process. The UCCSN system is guided through the biennial plan submitted by the Board of Regents to the Legislature. State law requires the Board to submit annual financial reports and a biennial system plan to the legislature at defined intervals. The system plan outlines a set of general goals setting biennial priorities for the system institutions. (Appendix ) These goals guide TMCC's strategic planning process. TMCC's most recent Strategic Planning document was approved by the Board of Regents during the October, 2004, Board meeting. TMCC's Facilities Master Plan is subject to Board approval at the December, 2004, Board of Regents meeting. The planning process evidences the same balance of freedom within defined limits characteristic of the appropriation and budgeting process.

The UCCSN funding formulas developed by a legislative committee in 2001 allow the legislature and the Board of Regents to respond accurately and equitably to the unique patterns of growth and development at each institution in the system. The UCCSN funding formulas initiated for the 2001-2003 biennium established equitable funding appropriations across all institutions in the System. The instructional formulas by enrollment areas are based on projected full-time equivalent (SFTE) student enrollment. The formulas determine the number of faculty positions available each year of the biennium. A student/faculty ratio, for example, of 26:1 in a Low Cost program theoretically produces one full-time faculty FTE. The community college instructional formula, however, incorporates a full-time/part-time allocation percentage that dramatically affects the full-time faculty FTE. The calculated faculty FTE generated by the formula is funded at 60% for full-time faculty and 40% for part-time faculty. This means that 40% of the faculty allocation funds generated by the formula are dedicated to funding

part-time faculty positions at the community college. The legislature is funding approximately 85% of the formulas resulting in TMCC currently being funded at approx a 45/55% ratio. Funding formulas for academic programs and academic support areas are based on the calculated instruction cost linked to the number of full-time faculty. Other areas of institutional support— student services and operations and maintenance of plant, for example—are funded through another set of formulas. TMCC's strategic decisions regarding enrollment patterns and new program development influence the funding appropriations generated through the formulas.

TMCC's administrative team exercises significant autonomy in utilizing available funds. The TMCC accounting system conforms to the principles of fund accounting. TMCC's internal allocation and budgeting process combines flexibility in decision making with clear standards of accountability. TMCC is accountable to the board of Regents for sound fiscal management practices and is responsible to the State legislature for management of state allocated funds. The Legislature, for example, authorized TMCC to spend 38.2 million dollars during fiscal year 2005, but made 30.5 million dollars of the authorization available in actual dollars. TMCC must make up the differential through resident student registration fees and non-resident student tuition. Student registration fees for FY 2005 total \$53 per credit hour. This figure is distributed to the General Fund (7104) in support of the state approved budget (\$39); the remaining portion of the registration fees are distributed to several other funds over which the institution exercises a great deal of management autonomy. These funds are: Student Access (7271); General Improvement (7272); Capital Improvement (7882); Student Association (7276); Technology Fee (7273). (Appendix: )

This autonomy is reflected in the College's freedom, for example, to establish laboratory fees for certain courses requiring special materials or student support; to initiate workshop accounts to manage funds generated through special projects; and to budget and manage self-supporting educational and training activities. The College is granted a great deal of flexibility in managing fund accounts outside the state appropriated General Fund resources. The College is mandated to follow clearly defined accountability standards, submitting annual reconciliation reports detailing income and expenses related to all funds. Each year, for example, the College submits the Accountability Report to the Legislature, to the Governor's Budget Office, and to the Board of Regents. This report accounts for the expenditure of state appropriated funds within the institution during the fiscal year. (Appendix )

**7A.2 Strategic Financial Planning** - The institution demonstrates that financial planning for the future is a strategically guided process. This planning includes a minimum of a three-year projection of major categories of income, specific plans for major categories of expenditures, and plans for the management of capital revenue and expenditures. Short and long-range capital budgets reflect the institution's goals and objectives and relate to the plans for physical facilities and acquisition of equipment.

The UCCSN Vice Chancellor for Finance and Administration coordinates allocating the legislative appropriation to the system institutions. TMCC administration initiates the internal budget allocation process designed to support the College's defined role and mission enacted through long range and short term strategic planning. (Appendix ) TMCC relies on a unified, collegial system to develop financial plans, allocate resources, and track expenditures. The President's Cabinet functions as the focal point for budget and financial decisions. These decisions are influenced by long range planning such as the Facilities Master Plan and the long range planning documents developed in each division of the college to anticipate emerging personnel, equipment, and support needs. (Appendix ) The College's budgeting and planning system responds to the academic divisions' budget needs and human resource priorities. This system establishes a base line budget and allows faculty and staff working through the division administration to formally request funds and express needs during the budget planning process.

Timelines for TMCC's fiscal planning correlate with UCCSN planning schedules and with the requirements of biennial legislative sessions. The College builds its budget on a three year projection to accommodate the biennial appropriation process of the state legislature. The base budget for FY 2005, for example, projects planning and expenditures for the 2005 fiscal year. This FY 2005 budget then serves as the base for planning priorities and budget projections for the two ensuing years. The Capital Construction planning document, on the other hand, projects ten years into the future; this document was completed in 2004 and submitted for approval to the Board of Regents. (Appendix ) The Board of Regents utilizes a formula to determine system facility needs. The State Public Works board then reviews biennial Capital Construction requests and prioritizes them. The State of Nevada guarantees \$100 million to the system per biennium to fund capital construction projects. TMCC has flexibility through the General Improvement fund (7272) and the Capital Improvement fund (7882) to prioritize and initiate small-scale projects in accord with the immediate needs of the institution.

The UCCSN's funding formula wields significant influence on the nature and focus of TMCC's financial planning strategies. Growth in student enrollment, for example, drives the funding formula used to determine funding support for all activities related to the institution's instructional programs. The funding formula generates

funds necessary to finance instructional faculty, classified employees, student wages, operating funds, and equipment purchases. Projected student full-time equivalents (SFTE) enrolled during each year of the biennium determine the institution's level of funding. Funds generated through the funding formula are allocated to finance an adequate number of instructional faculty and support staff to fulfill the educational needs of the projected student enrollment. The System calculates projected SFTE enrollment through a weighted three-year rolling average growth rate. Actual SFTE growth at the institution during the previous three years determines the projected rate of SFTE growth driving the formula calculations for the coming biennium. The institution's program emphasis and defined mission are significant factors in determining the State's allocation of instructional support funding. TMCC's short and long range planning for program development and emphasis areas linked to financial resources must occur with full awareness of the impact of these planning priorities on the System funding formulas.

Planning priorities at TMCC emerge from data and information on future development and program growth generated at the Department and Division level. Departments analyze instructional needs to meet growing student demand. Departments submit prioritized request for new positions to the appropriate Dean. Requests for new positions must include adequate data to justify the request. Justifications for new positions are supported by data showing the ratio of part to full-time faculty in a program area, the student enrollment patterns in that area, the future growth in student demand, and the significance of the program in fulfilling the College's academic mission. Decisions regarding the final prioritized list of faculty positions issuing from a division are made by the Dean after consultation with the department chairs who submit the position requests. The Deans from the various academic areas negotiate the final prioritized list of faculty position needs to be forwarded to the Vice President of Academic affairs for approval. The actual decision regarding the number of positions to be advertised and hired is forthcoming after the Legislature's budget appropriation becomes official.

Departments and programs have the opportunity to augment hardware and software necessary to strengthen teaching effectiveness through the annual Technology Fee Request process. The technology fees were added to the student registration fees by the Board of Regents to help instructional programs have access to emerging technical resources available to students. The funded requests for 2003-2004, for example, purchased essential equipment for the new Redfield performing Arts Center and enabled the Music program to purchase much needed electronic music equipment. The Technology Fee Request process has equipped many classrooms on the TMCC campus with "smart" equipment adding to the quality of instruction.

Departments and programs also apply for “non-restricted funds” to support a variety of purposes including new or innovative program concepts. These funds are not restricted by the limitations of state appropriated funds. Allocations for FY 2005, for example, offer additional support to the Art Galleries, the campus literary magazine, the Writing Center, Dental hygiene equipment, Department Chair training, and other requests difficult to fund through the allocated budget. A new system for allocating faculty travel funds in effect for 2004-2005 moved the process from the control of Faculty Senate’s Professional Development Committee to the control of individual departments.

**7A.3** The institution publishes an annual budget distributed to appropriate constituencies, and the policies, guidelines, and processes for developing the budget are clearly defined and followed. Budget revisions are made promptly, and, when necessary, a revised budget or schedule of budget changes is developed and distributed to appropriate constituencies.

Linking the financial planning and budgeting processes and decisions to the TMCC Strategic Plan has emerged as a powerful institutional commitment. The procedures for budget development and established budget policies are clearly defined. The TMCC administration has responded to the need for more open communication with the faculty and staff directly affected by budget decisions and allocations. (see climate survey appendix ) TMCC made open communication and interaction regarding the budgeting process and decision making a top priority in its management philosophy. The plan to accomplish this priority includes sharing budget information with College constituencies and ensuring shared understanding of the funding formula and its effect on individual program areas as well as communicating the amount of total funding available and detail regarding Current Operating Revenues. Faculty and staff will be empowered to provide input for the budgeting process and have the knowledge to understand how decisions to allocate new or additional funds are made. To accomplish this priority of shared information and open communication, the administration will formalize the budgeting process to include a wide range of constituencies, publish an annual budget calendar to make the process transparent, and will monitor the consistency of data throughout all College systems. Plans include establishing a Budget Advisory Committee, representing all areas of the College, to define user needs and design processes to meet those needs. Budget reporting and accountability will focus on the information needs of the TMCC community while continuing to fulfill the mandates for meeting state and system reporting requirements. A Web site will disseminate current data and information, tracking decision-making processes and involving faculty in resolving emerging issues. Regular workshops designed for College

constituents will clarify data, report relevant information, and feature full disclosure of revenue and budget data.

Integrating the budget planning process with strategic planning entails a college-wide commitment and requires understanding and acceptance of the institution's priorities in support of the established role and mission. Building a broad-based understanding of TMCC's allocation of resources in support of strategic planning goals and institutional priorities will unite the college community in a single vision focused on clear goals and defined purposes.

**7A.4 Debt.** Debt for capital outlay purposes is periodically reviewed, carefully controlled, and justified, so as not to create an unreasonable drain on resources available for educational purposes. The institution has a governing board policy guiding the use and limit of debt.

Truckee Meadows Community College's conservative debt management strategies accord with guidelines established in the State of Nevada bylaws. The State of Nevada has instituted a \$10 million annual cap on debt. Debt obligations must not exceed one percent of the state's tangible assets. TMCC's share of these assets is approximately \$44 million. The State Legislators meet on a biennial basis and approve state bonds based on priority levels. Payback of debt is tied to the revenues generated by student services fees, tuition (tuition is only paid by out of state students), and other discretionary funding; therefore, TMCC is limited in the amount of debt that it can accrue by the limitations and restrictions contained in the bond indentures. Included in TMCC's long term debt are bonds, notes, capital leases, and operating leases.

In FY 2001 TMCC had a balance of \$1,030,000 remaining on the 1998-1999 renovation of the Edison Facility financed through Student Fee Revenue Bonds. A balance of \$1,400,000 remained to cover a note encumbered to perform renovations on the main campus (new science lab), acquire land adjacent to the Edison campus, and further renovate the Edison facilities. This debt takes the form of a Notes Payable to Bank of America. A Capital Leases obligation of \$729,000 resulted from the lease/purchase of a new facilities wide PBX/Phone system.

In FY 2002 a balance of \$985,000 dollars remained on the Student Fee Revenue Bonds which funded the 1998-1999 renovation of the Edison facility. The Notes Payable to Bank of America for the renovations and land acquisition stood at \$1,364,000 dollars. The Capital Lease obligation (new PBX/Phone system) had diminished by a significant amount to \$552,000 dollars.

FY 2003 was an exciting time for the College. Over the years the College has been in a consistent enrollment growth pattern causing physical space to be at a premium. The college has been in search of capital to purchase a new remote site in order to better serve the College's South Reno constituents. Early in FY 2003 the State of Nevada issued a general obligations bond on behalf of TMCC in the amount of \$8,500,000 to purchase two office buildings and the adjacent land in south Reno; however, the total purchase price for the property of \$9,954,000 left \$1,454,000 still required for the purchase. TMCC compensated for the \$1,454,000 difference by issuing a note payable to the seller. During the course of FY 2003 the note for \$1,454,000 and the remainder of the line of credit with Bank of America for \$1,190,000 were retired through the issuance of an uncollateralized note payable to Wells Fargo Bank in the amount of \$2,644,000. This note is to be retired on April 1, 2013. The Capital Lease obligation for the new PBX/Phone system has substantially declined to the sum of \$271,000. TMCC at the end of FY 2003 had a total debt obligation of \$11,993,000. This is a conservative level of indebtedness when viewed in terms of \$84 million of total assets.

See tables summarizing debt service requirements ( ).

## Standard 7B - Adequacy of Financial Resources

The adequacy of financial resources is judged in relation to the mission and goals of the institution, the scope and diversity of its programs and services, and the number and kind of its students.

**7B.1** - The institution provides evidence that it seeks and utilizes different sources of funds adequate to support its programs and services. The commitment of those resources among programs and services reflects appropriately the mission and goals and priorities of the institution.

TMCC support comes from various sources including state appropriations, tuition and fees, federal grants and contracts, state grants and contracts, private gifts and grants, net increase in investments, endowment income, sales and services from educational departments, and auxiliary sales and services as depicted in Table 3.

State appropriations are based on a legislative funding formula and provide approximately 60% of the revenue used by the college. These funds support academic credit operations including transfer classes, vocational education and general education classes which are the main mission of the college. Since 2001 two major changes have been made in the calculation of this funding, one being that the state began funding non-instructional dollars. Prior to this, the state awarded only instructional dollars, so with this change the college gained more flexibility in the

use of state dollars. Most recently, the state has also changed the funding formula used by the legislature used to appropriate funds between the different colleges in the UCCSN system. This new system more equitably distributes funds between the institutions because all institutions use the same student to faculty teaching ratios. In the last biennium budget, growth (maintenance) dollars for TMCC increased from \$951,900 for FY 2004 to \$1,179,516 for FY 2005. However, when one examines the state funding over the last ten years (see table on summary for state appropriations for 1991-2 through 2004-5), state support has become a noticeably smaller percentage of a growing budget. To make up this difference, the college is making an effort to increase funding by obtaining extramural money from federal, state and private sources. A grants manager has been hired to direct this activity, keep the college aware of possible funding sources and help organize submissions. In addition, a new TMCC Foundation Executive Director with extensive national fund raising experience was hired.

Tuition and fees represent approximately 19% of the college budget and are used to support a variety of needs. These funds support the General Fund, Student Access, General Improvement, Capital Improvement, Student Association and a system wide technology fee.

Grant funding has remained steady with the exception of the last year when there was an increase. Specific grants for \$350,000 and 453,000 have been acquired to support legislative mandated increases in the number of students in the nursing program, increasing the number of nursing graduates from **A to B** with a long term projections of **???** graduates per year. The state awarded an operating budget of \$68,000 to support this mandate, but this proved to be inadequate as \$38,000 was designated for equipment and the remainder would not support a needed faculty position.

**(Dean Sanders to provide additional data about these grants.)**

**7B.2 - Adequate resources are available to meet debt service requirements of short-term and long-term indebtedness without adversely affecting the quality of educational programs. A minimum of three years' history of the amount borrowed (whether internally or externally) for capital outlay and for operating funds is maintained. A five-year projection of future debt repayments is maintained.**

There are adequate resources to meet debt service requirements (See the debt service requirement tables). The state budget covers long term debt which is due to the State of Nevada. The college is currently paying off a bond acquired in 1996, with 50% of the capital improvement fee set aside from tuition and fees going toward that payment. In 2002, the college acquired two buildings to house the

Meadowood campus. One of the buildings was leased and the profit from that activity is being used to pay off the college's remaining balance on the property. The purchase of the buildings in 1996 and 2002 and the assumption of the debt were approved by the Board of Regents.

**7B.3 - Financial statements indicate a history of financial stability for the past five years. If an accumulated deficit has been recorded, a realistic plan to eliminate the deficit is approved by the governing board.**

The State of Nevada's funding for higher education has been stable (see table 1 – current funds revenue) and no deficits are likely. TMCC's financial statements are examined by external auditors and their results are discussed with the Board of Regents on an annual basis. See table 7B.3 for a history of net assets.

**7B.4 - Transfers among the major funds and interfund borrowing are legal and guided by clearly stated policies in accordance with prudent financial planning and control.**

The State of Nevada does not allow transfers from state funds. Transfers among non-state funds are allowed and approved by the President's Cabinet during the budget development process. Inter-fund borrowing is not permitted and deficit accounts are reported to the Board of Regents through the exception reporting process. To restore deficits a plan is developed which must be approved by the Board of Regents.

**7B.5 - The institution demonstrates the adequacy of financial resources for the support of all of its offerings including specialized occupational, technical, and professional programs.**

In the development of the instructional biennial budget, offerings of all academic departments are reviewed along with their enrollment patterns. Academic deans have the opportunity to present information on projected changes in enrollment, curriculum changes (initiated by the department or mandated by an outside entity), initiatives to address declining enrollments and other relevant topics. The table summarizing state appropriations for the last 14 year shows the growth in funding by instructional area. TMCC works with its advisory boards to seek outside funding, particularly in the occupational and technical areas. The college has also taken new initiatives to increase the amount of funding from grants. These outside sources supplement State funding.

**7B.6 - The institution identifies the sources of its student financial aid for current enrollments and provides evidence of planning for future financial aid in light of projected enrollments. It monitors and controls the relationship between unfunded student financial aid and tuition revenues.**

The students at TMCC have a wide variety of financial aid sources available to assist in their education. The major share of this is provided through Federal Aid and grants, especially Pell Grants. State Aid also provides a large portion of the total financial aid. The state of Nevada recently (1999) instituted the Millennium Scholarship program which provides scholarships for Nevada high school graduates attending Nevada colleges, including TMCC. This program has been funded by Nevada's share of the Federal Tobacco settlement. Originally, this scholarship program was due to expire in 2010, but state legislators are currently working to extend this support past 2015. There is some concern that future funding for this program will be reduced. Also, eligibility requirements are being tightened which will result in fewer high school graduates qualifying for the program.

Endowment earnings continue to supply a smaller, though significant source of financial aid for TMCC students. Annual private contributions also contribute a share to the financial aid available at TMCC. The remainder of the financial aid picture is comprised of federal student loans, which is larger in absolute numbers, but a smaller portion of student financial aid than in 2001-2002 fiscal year. Recent trends are that private annual contributions and State Aid have grown rapidly in recent years, both in absolute terms and relative to the total aid available.

Total financial aid has also been growing more rapidly than the student population has been growing, illustrating that TMCC is not only stable in providing financial aid to students, but is increasing in this ability. As table 4(sources of financial aid) shows, financial aid grew by more than 30% from 2001-02 to 2002-03, and by over 10% the following year. This reflects mainly the quickly growing number of students taking advantage of the Millennium Scholarship. During the same time periods, SFTE grew by approximately 5% per year. TMCC students also receive assistance in accessing the Stafford Student Loan Program. Also, the per credit fee which students pay includes a \$1 per credit New Student Access fee - some of these funds provide scholarships to students. Overall, TMCC is in increasingly good shape in its ability to provide financial aid to students in need, and will continue to be for at least the next five years.

TMCC has participated in the Federal Family Educational Loan Program for a number of years. In the Appendix are documents showing the TMCC Default Rate of 9.1% in 2001 and 8.9% in 2002. (Data for 2003 will be available in 2005.) The default rates for TMCC are higher than both the Nevada default rate and the

national 2 Year Public School Default Rate. TMCC is pleased to see the decline in 2002 from 2001 but continues to take initiatives to reduce the default rate.

One of the reasons for the higher default rate is TMCC's low numbers of student borrowers. The result of this low number is that when just a few borrowers default, the default percentage is greatly impacted. TMCC has an active default management plan that is evaluated each year. Also, we work closely with our loan guarantor and lenders to gather new ideas to educate students regarding their loan responsibilities. One critical piece that is needed is to involve faculty.

*(Standard refers to unfunded student financial aid - Per Jowel, this term refers to private, four-year schools. Do we need to insert anything?)*

**7B.7 - The institution maintains adequate financial reserves to meet fluctuations in operating revenue, expenses, and debt service.**

The unrestricted assets have increased from \$1.4 million in FY 2000 to \$6.1 million in FY 2004. See table 7B.7 for college net assets.

**7B.8 - The institution demonstrates an understanding of the financial relationship between its education and general operations and its auxiliary enterprises and their respective contributions to the overall operations of the institution. This includes the institution's recognition of whether it is dependent on auxiliary enterprise income to balance education and general operations or whether the institution has to use education and general operations income to balance auxiliary enterprises.**

Revenue from auxiliary enterprises doubled in FY 2003, mainly due to the arrangement at the newly purchased Meadowood site. One building which will be used for future expansion is currently being rented out by the college, and the revenues from this are now included in auxiliary income (see Table 1). Expenditures for Auxiliary enterprises also increased dramatically from \$655,000 in 2002 to \$1.3 million in 2003 (see Table 3). This is because income from leasing the Meadowood building is used to pay debt incurred by the purchase. However, the revenues from auxiliary enterprises exceed the related expenditures, yielding surplus funds. The excess revenue is used to fund activities not normally included in the state appropriations, including food and service costs for hosting special events, Board and College committee activities, special programs & activities advancing the primary goal of student success.

## Standard 7.C – Financial Management

The financial organization and management, as well as the system of reporting, ensure the integrity of institutional finances, create appropriate control mechanisms, and provide a basis for sound financial decision-making.

**7C.1 - The president reports regularly to the governing board about the financial adequacy and stability of the institution.**

The UCCSN Board of Regents meets 10-11 times a year and President Ringle attends these meetings. He and the other UCCSN presidents make frequent reports on the financial adequacy and stability of their institutions and the UCCSN Vice Chancellor for Finance presents summary financial information for all institutions. The Board reviews and approves the Annual State Operating Budget and the Self-Supporting budgets for each institution at the start of each fiscal year. The Board also reviews the Exception Report and the Accountability Report for each institution. The Exception Report provides the Board an early warning of any department budget or account which has a current negative balance which will not be corrected within the fiscal year. The Accountability Report 1) reconciles the Legislative approved budget to the Board of Regents State Operating Budget, 2) a explanation of transfers between functions, and 3) history of positions created and/or deleted during budget preparation.

The Board is heavily involved in development of the biennial budgets (operating and capital budgets) for presentation to the legislature. The Board reviews and approves the preparation parameters for the State Operating Budget request including prioritization for new program initiatives, funding formula ratio changes, equipment requests and cost of living salary adjustment request. The Board reviews, debates, and approves the biennial prioritized capital construction and deferred maintenance program request to the State Public Works Board. The President is very active in this prioritization process. The process allows the President to represent the financial and capital needs of the college and provides the Board ability to balance the needs of each college within the system.

**7C.2 - Financial functions are centralized and are under a single qualified financial officer responsible to the president. Institutional business functions are under one or more qualified officers, are well organized, and function effectively. The complexity of the business organization reflects the size of the institution and the significance of its transactions.**

Financial functions at TMCC are under Vice President for Finance and Administrative Services, Delores Sanford. The Controller, Stephen Salaber, and

the Budget Director, Cindy Rossetti, both report to Vice-President Sanford. These two critical business functions work effectively together to monitor the budget, record financial activity, report to campus account managers and work with UCCSN departments which provide business services to the college. The Controller's Office has ten full-time employees and the Budget Director has three employees. The Department of Human Resources, with a staff of seven, works closely with both the Budget Director and the Controller's Office. This relationship is very important because personnel costs are a major cost at any college or university.

The UNR Business Center North is an entity providing business services to TMCC and other UCCSN institutions in Northern Nevada. There is a large Purchasing Department which processes purchase orders (for purchases over \$2000.00) and contracts. There is also a Personnel Department which administers the personnel system for all State of Nevada classified employees and provides payroll services for all employees in Business Center North.

Located at the Chancellor's Office in Reno, the UCCSN Banking and Investments Department provides cash management services to all UCCSN institutions (see Section 7C.4 for more information) and also works with an outside investment advisory firm which oversees investment of the pooled endowment and operating funds for all UCCSN institutions. There is also a Department of Internal Audit under the Vice Chancellor for Finance which has offices in Reno and Las Vegas and provides internal audit services to all campuses. There is a strong working relationship between TMCC and these business offices resulting in a high level of sophistication and efficiency.

The 2000 Interim Report referred to a data-oriented group called Operations Research which reviewed college functions for greater budgetary efficiency. A strengthened relationship between the business offices of the college, the Admissions and Records Department and the Institutional Research Department now meets that need.

**7C.3 - All expenditures and income from whatever source, and the administration of scholarships, grants in aid, loans, and student employment, are fully controlled by the institution and are included in its regular planning, budgeting, accounting, and auditing procedures.**

All expenditures and income are recorded in the TMCC financial accounting system and are monitored for accuracy and completeness by the staff in both the Controller's Office and the Budget Department. As outlined in 7C.2 above, some financial management functions are centralized at the System level. The College

thus benefits from the expertise of the managers of these units and the advantages of, for instance, the higher investment return that can be obtained from pooling and investing cash funds and endowment funds.

Cash management - all cash belonging to the UCCSN institutions is managed by the UCCSN Banking and Investments Department and invested in a diversified portfolio of investments (see 7C.4 below for more detail on this function). Interest income is allocated to the campuses according to a Board of Regents policy.

Administrative computing for the budget and financial systems in the UCCSN system, including payroll, is done at the UCCSN System Computing Center. Section 7C.5 has a fuller description of the administrative computing package.

Endowment funds for all institutions are pooled and investment is done by outside investing firms. An investment income distribution policy for pooled investments was established by the Board of Regents.

Pension plans cover most TMCC employees. Classified employees at all UCCSN institutions are covered by the State of Nevada Public Employees Retirement System (PERS) and professional employees are covered under either PERS or up to four Alternative Retirement Plans.

**7C.4 - The institution has clearly defined and implemented policies regarding cash management and investments which have been approved by the governing board.**

The UCCSN Board of Regents has established a sophisticated system for managing both cash and investments. Details of the Operating Funds Investments Policy are in Chapter 10 of the Board of Regents Handbook. The policies are administered by the UCCSN Banking and Investments Department located at the Chancellor's Office in Reno. They include a close working relationship with Wells Fargo Bank and a Consolidated UCCSN Bank Account into which excess funds are "swept" from each institution's bank account at Wells Fargo Bank every evening. These funds are then pooled and invested in a diversified investment portfolio. Interest income is allocated to each institution according to the UCCSN Investment Income Distribution Policy. The distributed investment income to TMCC is further distributed internally to specific state, grant, and unrestricted accounts based upon their average daily balance.

The UCCSN Cash Management system has two important features: Controlled Disbursements and Positive Pay. Controlled Disbursements reduces the cash float in the disbursements process and increases the opportunity to earn more on college cash reserves. Positive Pay is a system which assures a check won't be processed

and funds paid out unless both the check number and the check amount match a list of approved payments.

Steve - can we get a copy of these policies for cash management?

**7C.5 - The institution's accounting system follows generally accepted principles of accounting.**

TMCC's accounting system follows the generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB") including Statement #34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*. The college has also adopted GASB Statements No. 37 and 38. The financial statements are prepared on the accrual basis in accordance with those standards.

The UCCSN System Computing Center, which provides administrative computing services to all institutions, uses the AMS Advantage 2.2 fund accounting computer package. The package includes a general ledger, accounts payable/ purchasing, accounts receivable, grant and contract accounting and budget preparation and control. Data entry and view are provided by both the character based screen system and the Advantage Desktop, a Windows based view of the mainframe Advantage system. Reports are prepared using Focus Report Writer and the SCS Data Warehouse.

A weakness noted in the 1995 Self Study was the lack of a managerial accounting system providing user-friendly reports. The Controller's Office and the Budget Department provide extensive training to account managers on reading and using the reports generated by the administrative computing system and will encourage use of the Data Warehouse System. Developing a management system to facilitate decision-making is a goal of the college for 2004/05.

**7C-6, 7C-8, 7C-9 can be omitted (for private schools only)**

**7C.9 - If public institutions are, by law, audited by a state agency, an independent audit is not required except for any funds not subject to governmental audit.**

UCCSN institutions are not regularly audited by a State agency. At the end of each fiscal year, each institution is audited by an independent certified public accountant and their report is presented to the President and to the Board of Regents. The foundations for each institution are also audited by an independent

certified public accountant and the reports are presented to the President, the Foundation Board and to the Board of Regents. The Board of Regents are corporate directors who oversee the foundations and appoint the foundation trustees for all UCCSN institutions.

At the direction of the State of Nevada Legislature, the Legislative Counsel Bureau may conduct special audits. In 2003, legislation was passed asking the Legislative Counsel Bureau audit department to conduct a number of UCCSN audits including Athletics, Statewide Programs, Student Full-Time Equivalent Reporting, Administrative Costs (including host and travel costs), Investment operations, and Construction Planning/Project Control Costs. TMCC does not have Athletics nor run a Statewide Program. All system institutions had audit findings in the host, travel and Construction areas. TMCC's administrative costs were found to be reasonable compared to our peers and the college student full-time equivalent reporting was complimented by the auditors.

The 1995 Legislature asked the Legislative Counsel Bureau to review the management and accountability structure of the UCCSN Board and System Administration. That audit did not directly involve the UCCSN campuses but the major findings led to tighter management and accountability reporting and control at the system level. The Exception and Accountability reporting process was an outcome of that audit.

**7C.10 - All funds for financial aid and other specific programs not subject to governmental audit are audited annually by an independent certified public accountant and include a management letter.**

Federal financial aid funds (Pell Grants) are audited through the A-133 audit performed in recent years by PricewaterhouseCoopers. All other funds for financial aid are included in the annual audit conducted by an independent auditor. The UCCSN Department of Internal Audit periodically audits the TMCC Student Financial Aid and Employment Department, the last such internal audit occurred during 2000 and covered the period July 1, 1998 through June 30, 1999.

**7C.11 - The institution demonstrates a well-organized program of internal audit (where appropriate) and control that complements the accounting system and the external audit.**

UCCSN has an Office of Internal Audit. The Director reports to the Board of Regents Audit Committee and submits completed internal audits to the Board of Regents Audit Committee and them to the full Board of Regents. The Director conducts internal audits at all institutions. In the four years ending June 30, 2004, the Office of Internal Audit has conducted 14 audits at TMCC. (See Appendix @@ for complete list.) Recent TMCC audits have included the Plant and Facilities

Department, Applications Development, and Information Technology Operations. As part of the system wide audit of all Libraries the TMCC Library was audited during the spring 2004, the report has not been released as of this writing.

The Board of Regents Audit Committee annually establishes an audit plan which is based on input from administrators at the various institutions and input from the Board of Regents on critical, current issues. Annual audits of host accounts and student FTE reporting are now policy of the Audit Committee.

In addition, a State agency, the Legislative Counsel Bureau, is conducting operational and enrollment audits of all UCCSN institutions during the 2003-5 biennium at the request of the State of Nevada Legislature.

The college has created a new position title "Senior Accountant/Auditor" and expects to fill this position in the spring of 2005. This position will strengthen and expand the internal audit work in the college.

(This section should be updated in Spring 2005 when audit results should be available to comment on.)

**7C.12 - The institution demonstrates that recommendations in the auditor's management letter accompanying the audit report have been adequately considered.**

The most recent management letter issued by the external auditor, PricewaterhouseCoopers, was for the year ended June 30, 2000.

This document will be available later. When this document arrives, we need to add something regarding the comments and steps taken.

**7C.13 - Federal, state, external, and internal audit reports are made available for examination as part of any evaluation conducted by the Northwest Commission on Colleges and Universities.**

Federal, state, external and internal audit reports will be made available for examination as part of any evaluation conducted by the Northwest Commission on Colleges and Universities.

## Standard 7D - Fundraising & Development

**Any organized development program to seek financial support from outside sources is closely coordinated with academic planning and reflects the mission and goals of the institution.**

**7D.1 - Fundraising Activities are governed by policies, requirements and professional/ethical manner.**

Administrative oversight of the administrative functions associated with fundraising and foundation administration for Truckee Meadows Community College (TMCC) are provided at the University and Community College System of Nevada (UCCSN) level. The administrative policies for the System are contained in Title 4 Chapter 10 of the Board of Regency Code (BRC). For example, many foundation investments (for all community colleges) are governed solely at the System level. Policies regarding investment objectives, endowment distribution, and asset allocation can be found in Section 4.1-4 of Chapter 10. Policies regarding gifts to any institution in the UCCSN system are contained in Section 9 of Chapter 10.

While centralized control of foundation administration functions may advantageous at the System level, there is an increasing trend by community colleges to choose their own investment strategies. Correspondingly, it also increases the potential income that can be generated by gifts/donations to TMCC. Local investment opportunities are often missed by the System. This inflexibility often creates tension between individual institutions and UCCSN. Such tensions are exacerbated by a lack of communication between the System and its individual community college foundations.

For Truckee Meadows Community College (TMCC), fundraising activities are under the purview of the Chief Advancement Officer/Executive Director of the Foundation. The position reports to the President of the College. In similar fashion, the College provides financial support for the Foundation administration. The Foundation itself has no employees. In terms of revenue, the Foundation is fairly small, with average revenue of approximately \$400,000 per year.

The Board of Trustees for the TMCC Foundation, via the fundraising committee, determines the fundraising activities in which the Board will engage. Typically, these activities center on the annual campaign and the capital campaign. The Foundation also engages in special event such as sponsorship of plays or other artistic endeavors.

In recent history, this fundraising structure has been quite effective in raising funds for TMCC. Table 7.D.2 depicts the growth in Endowment and Income for the Foundation in the preceding 3 fiscal years (2001-02, 2002-03, 2003-04). Note the increase from \$5,417,890 in 2001-02 to \$6,367,703 in 2003-04. This represents an increase of approximately 15%. Similarly, distributions (in the form of scholarships and faculty grant bequests) rose by about 12%.

#### **7D.2 - Investments are administered by the appropriate institutional officer**

Investments of any institutional foundation in the UCCSN system are controlled at the System level via the Endowment Investment Fund ("Fund"). Administrative policies for the management of investments are contained in Section 4 of Chapter 10, Title 4 of the Board of Regents Code (BRC). The Regents have delegated to the Investment Committee ("Committee") the management of the Fund within the guidelines of Section 4. The Chancellor, the Vice Chancellor for Finance, and the Director of Banking & Investments shall serve as ex officio nonvoting members of the Committee. The Chairman of the Board of Regents appoints a Chair of the committee and may appoint one or more individuals with investment knowledge or expertise to serve as nonvoting members of the Committee. The Investment Committee meets at least quarterly, or more often as needed. Minutes of each meeting of the Investment Committee are provided to the Regents for acceptance at their next succeeding meeting. The Committee also has the responsibility to select external investment managers to manage the assets of the Fund. Subject to the manager-specific guidelines referenced in subsection 7.b and the usual standards of fiduciary prudence and responsibility, the managers will then have complete discretion over the investment of the funds in their respective accounts. The Endowment Fund is currently valued at approximately \$200 million. The respective proportion from TMCC totals over \$6 million. The UCCSN Banking and Investment Department provides administrative support for the Investment Committee.

Distributions from the Fund to UCCSN institutions in each fiscal year will be 4.5% of the average market value for the 20 quarters ending the December 31 immediately preceding such fiscal year. (For example, distributions for fiscal year 1996-97 will be based on the Fund's average ending quarterly market values for the twenty consecutive quarters ended December 31, 1995. No withdrawals from the Endowment Fund other than to fund the spending amount is permitted without the prior approval of the Regents.

### 7D.3 - Clearly defined relationship with foundation

Legal relationships between Truckee Meadows Community College (TMCC) and the TMCC Foundation ("Foundation") are defined in the Amended and Restated Articles of Incorporation for the Foundation dated January 7, 1993. These Articles serve as the definitive source for policy and procedure of the Foundation.

Article III - Objects and Purposes- of the Articles of Incorporation define roles, relationships and purposes of the Foundation. According to Article III, the nature of business to be carried on by the Foundation are: (a) to aid, support, and assist the maintenance, promotion, growth, and improvement of Truckee Meadows Community College, its faculty, staff, students, and facilities, and to enhance the stimulate the quality of education throughout and the standards and potentials of TMCC as an institution of higher learning; (b) to receive, maintain and administer a fund of real and personal property derived from all sources whatsoever, and subject to the terms of any specific gift, grant, bequest, or devise and to the restriction set forth below, to use, apply, and distribute the in come from and the principal of such a fund exclusively to, for the benefit of, or to carry out the purposes of TMCC or any organizations affiliated with TMCC and are exempt from federal taxation; (c) to serve as an innovative, flexible and efficient vehicle to facilitate the solicitation and management of gifts, grants, bequests, and devises for the benefit of TMCC; (d) to provide or make available for expenditure by the administration of TMCC for the general or specific academic purposes, including without limitation defraying in capital and ordinary expenses, financing fellowships, sponsoring lectures, conferences, institutes, and symposia, assisting with authors, artists, scholars, scientists, and other persons whose knowledge, talent, and skill contribute importantly to the welfare of humanity, and securing for TMCC the benefit of wisdom, experience, and abilities of distinguished persons who have excelled in their respective fields; (e) to grant or provide for scholarships, loans, or other assistance to individuals who have demonstrated academic promise or achievement, to encourage an furnish funds for research, public service, and teaching, and otherwise assist in the development of enhanced and expanded educational opportunities for and service to the citizens of the State of Nevada by TMCC, and (f) to do and engage in all lawful activities that further or are consistent with the preceding objects and purposes of the corporation.

Article VII defines the members of the Board of Regents as constituent members of the Foundation Corporation during their term in office. In a similar fashion, Article VIII lists the particulars of the Board of Trustees of the Foundation.

### **Section 3 – Closing Statement**

The policies and procedures guiding financial management at Truckee Meadows Community College link clearly defined system controls with internal flexibility in managing the institution's fiscal responsibilities.

Fiscal autonomy is balanced with strict accountability and reporting procedures. This balance results in a healthy fiscal environment conducive to meeting immediate and short-range financial obligations and enabling creative and visionary long-range planning.

Although the college debt has increased, it has remained at a reasonable level; the physical plant is well maintained and attractive; support services are adequate to fulfill the college's mission and role; for the most part, new full-time faculty hiring has kept pace with enrollment growth.

Teaching faculty has access to state-of-the-art instructional technical support.

New initiatives which are underway will increase the involvement of faculty and staff at all levels in budget planning and assure that budget planning continues to cohere with strategic planning for academic growth and quality.