

Standard Seven

Finance

Historical Context:

Truckee Meadows Community College is a part of the broader University and Community College System of Nevada (UCCSN) financial structure and within the authority delegated to it by the State of Nevada, the UCCSN System Code, the *Board of Regents Handbook*, and other authoritative regulations and laws. Given these parameters, TMCC operates fairly independently. The College is responsible for its strategic planning, internal administrative operations, facilities, allocation of its available resources, academic planning, and reporting to the Board of Regents, College community, and the public at large.

The 1995 Accrediting Committee commended the College on many levels and noted that “the financial affairs of the college [were] well managed and its overall financial health [was] sound.” The Committee emphasized the College’s success in the following areas: excellent organization and administration of finances, absence of serious problems revealed through the auditing process, sustained adequate current fund balance, and increased faculty and staff involvement in the budgeting process. The 2004 Standard Seven Self-Study Subcommittee found that these observations continue to be accurate.

At the same time, the 1995 Accrediting Committee did note some weaknesses in the College's financial practices. In particular, the Accrediting Committee commented on the lack of a managerial accounting system providing user-friendly reports. The 2004 Subcommittee for Standard Seven does see that some progress has been made to address this concern. (See Analysis and Appraisal and Recommendations Sections of this standard for further consideration of TMCC's response to financial issues raised in the 1995 Accreditation Report).

Current Situation:

The 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 comes from Board approved fees assessed students combined with revenue generated through 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 the College.

TMCC's revenues are generated through the following state, federal, and private sources:

- State of Nevada General Appropriations Funds
- State of Nevada Capital Projects Funds
- Self-Supporting Accounts (inclusive of Gifts and Investment Income, Sales and Services of Education Departments, and Sales and Services of Auxiliaries)

- State, Federal, and Private Grants
- Student Registration Fees and Tuition
- TMCC Foundation *

As reflected in the Fiscal Year 2004 TMCC Budget, the majority of TMCC revenue comes through state appropriations (See Figure 7.1).

Insert TMCC Revenue Sources – FY04 Pie Chart here

Financial Planning (7.A.)

Financial Governance and Budgeting (7.A.1). Financial planning and budgeting at TMCC are ongoing, realistic, and based upon the Mission and Strategic Goals of the College. In the *TMCC Strategic Plan*, the College’s Strategic Goal for Finance and Institutional Effectiveness establishes and codifies TMCC’s commitment “to engage[e] in sound financial and institutional management practices required to operate efficiently and effectively” (SP 7). TMCC functions as one of eight autonomous institutions within the UCCSN, and thus the codes and bylaws of the UCCSN govern and inform the College’s financial planning and budgeting practices. As such, the College is subject to the fiscal laws of the State of Nevada and the legally binding statutes codified through the UCCSN Board of Regents.

* The TMCC Foundation is a distinct fundraising entity with its own system of governance, Board of Directors, and bylaws. Foundation funds, therefore, do not fall under the same restrictions as state appropriated funds.

The UCCSN Board of Regents, the body ultimately accountable for expenditure funding, with assistance from the Chancellor's Office allocates funds on a biennial basis to each of the universities and community colleges. The UCCSN Vice Chancellor for Finance and Administration coordinates the annual operating budget and approval process for the UCCSN. The State of Nevada's Legislature determines the amount of funds to be allocated to the UCCSN, monies which then serve as the base for the higher education funding formula. The College's state appropriated funding is a direct product of the UCCSN's funding formula and is designed to ensure funding equity among the institutions of higher education. The current funding formula 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 and was officially implemented during the 2001 Legislative Session.

Student enrollment primarily drives the funding formula, which is then used to determine funding support for all activities related to the institution's instructional programs. The funding formula establishes an estimated revenue stream, which provides a basis for planning and budgeting. The UCCSN calculates projected student full-time equivalents (SFTE) enrollment through a weighted three-year rolling average. Actual SFTE growth at the institution during the previous three years determines the projected rate of SFTE growth, which then determines the resource allocations for the coming biennium. Along with SFTE, the College's program emphasis and defined Mission are also significant factors determining the State of Nevada's allocation of funds to TMCC for instruction, academic support, student support, institutional support, and operation and maintenance

(See Figure 2 and Exhibit XX titled *UCCSN's Formula Funding Methodology* for greater detail of the history, legislative steps, and specific mechanisms of the funding formula).

Insert Figure 2 showing graphic of system funding formula

Once the Board of Regents and the Chancellor's Office determine TMCC's allocation for the biennium, the College has the authority and responsibility to manage its funds within the guidelines established by the UCCSN and the Legislature. President Ringle is afforded some autonomy with regards to making budgetary decisions connected to personnel and the institution's operational expenses. The *Board of Regents Handbook* (Title 1, Bylaws of the Board of Regents, Presidents-Section 4.e) provides a legal definition encompassing presidential fiscal responsibility. The President is charged with the following budgetary responsibilities: "to make recommendations concerning budgets in the member institutions and to administer approved budgets in accordance with UCCSN policies; to authorize the transmission of applications or requests for grants, contracts, or gifts to individuals, foundations, corporations and the Federal government" (BRH 12-13).

The College's relative fiscal autonomy in designating and prioritizing expenditures is reflected in the following recent fiscal decisions: the designation of laboratory fees for certain courses requiring special materials or student support, the initiation of workshop accounts to manage funds generated through special projects, and the formation of a budget line for self-supporting educational and training activities. As a direct result of

the College's relative fiscal autonomy, the President can engage in financial planning that balances both the immediate and long-range needs and goals of the College.

The College submits to appropriate and systematic auditing of its fiscal practices. The UCCSN Office of Internal Audit conducts internal audits for the College (See Exhibit XX for a list of 2000-2004 audits). The Office of Internal Audit's Director reports to the Board of Regents Audit Committee and the results of these internal audits are submitted to the Board of Regents Audit Committee and to the full Board of Regents. Annual financial statements are prepared by external auditors.

TMCC's accounting system conforms to the principles of fund accounting and sound fiscal management. The College is mandated to follow clearly defined accountability standards, submitting annual reconciliation reports detailing income and expenses related to all funds. The Controller's Office staff and the Budget Department monitor the College's expenditures and revenues for accuracy and completeness. First and foremost, TMCC is accountable to the Board of Regents and the Nevada State Legislature for demonstrating appropriate management of all state allocated funds.

During the year, the Board receives financial reports from the College. Two significant reports are the quarterly Exception Report, which provides a list of negative account balances that will not clear during the next operating cycle, and the quarterly Accountability Report, which provides a history of how the legislative appropriation was distributed internally by the College. It also informs the Board of any major transfers of

funds between functions and the creation and/or deletion of positions within the State Operating Budget (See Exhibit XX for sample Accountability Reports).

The Board of Regents also reviews and approves annually all state appropriated and self supporting budgets developed by each institution. The College is granted a great deal of flexibility in managing fund accounts outside state appropriated resources.

Budget Planning (7A.2). TMCC engages in strategic and systematic financial planning and budgeting processes guided by the principles and vision articulated in the College's *Strategic Plan*. The Strategic Goal of Finance and Institutional Effectiveness sets forth the College's understanding of and commitment to the principle that "diligence to financial stability and institutional effectiveness demands...the most efficient use of ...human and fiscal resources." In anticipation of the College's fiscal needs in the future and with an awareness of the fact that "competition for resources externally and internally will continue to intensify," the Strategic Goal of Finance and Institutional Effectiveness underscores the need for the College to "raise increased levels of alternative funding" as it continues to "improve management practices" (SP 7). To this end, the Strategic Goal of Finance and Institutional Effectiveness establishes a set of selected objectives and activities designed to take the College in this direction and ensure continued fiscal health and sound planning:

Improve institutional management practices.

- Develop a comprehensive budget development system to ensure fiscal health of the institution.

- Develop a management system to facilitate decision-making.
- Ensure that workload policies are fiscally sound and effective.

Raise increased levels of alternative funding.

- Increase efforts to obtain alternative funding, e.g., federal, private, foundations, corporate, advisory boards, alumni, etc.
- Strengthen the TMCC Foundation to serve as the fund-raising arm of the institution.

(Source: *Strategic Plan 7*)

As noted in Standard 7A.1, TMCC relies on a unified, college-wide system to develop financial plans, allocate resources, and track expenditures. The President and his Cabinet function as the starting point from which the College's budget and financial planning decisions flow. Using such long-range planning documents as the *Strategic Plan*, the *Facilities Master Plan*, and documents developed in each division of the college to anticipate emerging needs for personnel, equipment, and support, President Ringle is able to design a long-term budgeting plan that addresses the development, conservation, and allocation of resources commensurate with the College's current Mission and projected institutional growth (See Exhibit XX for samples of divisional long-range budget planning documents).

TMCC's budget planning includes a minimum, and at times more than, 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. The

three year budget projection accommodates the biennial appropriation process of the State of Nevada and UCCSN fiscal planning schedules. As a result, the base budget for FY 2005 establishes revenue and expenditures for the 2005 fiscal year. This FY 2005 budget then serves as the base for budgeting revenue and expenditures for the two following years (FY 2006 and FY 2007) and for incorporating new planning initiatives.

In contrast, the College's request for future capital construction, a list submitted to the Board of Regents for inclusion in a system-wide discussion of capital expenditures, projects ten years into the future (See 2004 Exhibit XX for the 2004 TMCC List for Future Capital Construction). TMCC's short and long-range capital budgets reflect the institution's current Strategic Goals and Objectives while projecting the College's potential for growth and proposed initiatives to respond to the growth within the framework of the *Facilities Master Plan*. The Board of Regents utilizes a formula to determine UCCSN facility needs. The State Public Works board then reviews biennial capital construction requests and prioritizes them. The State of Nevada appropriates approximately \$100 million to the UCCSN per biennium to fund capital construction projects. TMCC has flexibility through the General Improvement Fund and the Capital Improvement Fund to prioritize and initiate small-scale projects in accord with the immediate needs of the institution.

As discussed in Standard 7A.1, the UCCSN's funding formula wields significant influence over the nature and focus of TMCC's financial planning strategies (See Figure 1, State Funding Formula p. XX and Exhibit XX titled *Board of Regents UCCSN's*

Formula Funding Methodology for explanation of the funding formula). TMCC's short and long-range planning for program development and emphasis areas occur with full awareness of the significance of the UCCSN funding formula and reflect a highly structured and strategic planning process. Planning priorities at TMCC emerge from data and information on future development and program growth generated at the department and division level, and all divisions follow a similar process. Departments submit to the appropriate Dean a prioritized request for new positions, backed by data justifying the request in terms of such variables as the ratio of part-time to full-time faculty within the department, student enrollment patterns, future growth projections, and the significance of the program in fulfilling the College's academic mission. In consultation with department chairs, the Dean makes the final decision as to the priority of future faculty positions in his or her area, and then meets with the Deans from the various academic areas to negotiate the final prioritized list of faculty positions for the College as a whole. This list is forwarded to the Vice President of Academic affairs for approval. The final decision as to the number of faculty positions the College will seek for the upcoming year is determined only after the Legislature's budget appropriation becomes official.

Similarly, TMCC's short and long-range budget planning is commensurate with and supportive of the College's need for state-of-the-art equipment and technology.

Departments and programs, through the annual Technology Fee Request process, have the opportunity to request technology to support their programs and strengthen overall teaching effectiveness. The Board of Regents affirmed the technology fee, an amount added to a student's registration fees, to help instructional programs and students to

maintain currency in and access to technology. The Technology Fee Request process allowed the College to equip many classrooms at its various sites with “smart” equipment, made it possible for the College to purchase essential equipment for the new Redfield Performing Arts Center, and enabled the Music program to purchase much needed electronic equipment.

Finally, short-term and long-term budget planning of non-state allocated funds—“non-restricted funds”—is equally systematic and strategic. Departments and programs apply for “non-restricted funds” to support a variety of purposes, including new or innovative program concepts. Non-restricted funds allocated for FY 2005, for example, will offer additional support to the Art Galleries, the *Meadow* (the College’s literary magazine), and the Writing Center. They will also be used for purchasing dental hygiene equipment, to defray the cost of Department Chair training, and as a source to fund other requests difficult to meet under the restrictions of the state allocated budget.

Budget Publication and Distribution (7A.3). TMCC publishes an annual budget, which it distributes or makes available to appropriate constituencies. The College presents annually a detailed report encompassing the two major parts of the budget—the State Operating Budget and the Self-Supporting Budget—to the Board of Regents. The College also provides hard copies of the annual budget to the State of Nevada Legislature and the Governor’s Office. During the budget development process, those individuals within the College responsible for budgetary oversight receive updated copies of relevant financial information for their area so that they can review and revise the material. In an

effort to keep faculty and staff informed about and involved in the budgetary process, the College keeps a copy of the budget on reserve in the library for easy access. The College has also recently posted the State of Nevada general operating, self-supporting, and special projects budgets for 2005, the first budget information to appear online.

TMCC has made a powerful institutional commitment to link financial planning and budgeting processes to the TMCC *Strategic Plan*. The procedures for budget development and established budget policies are currently followed, but are notably in the process of being better defined at this time. Budget requests should be consistent with and designed to meet one or more of the seven Strategic Goals of the College. Budget requests originate within departments and are processed through the Deans and Vice Presidents for presentation, review, and discussion by the President's Cabinet. Cabinet members are then responsible for communicating the essence of the President's Cabinet discussion, the resulting budget, and final decisions with their Deans, Directors, and Department Chairs. Additionally, the budget and accounting offices conduct workshops on budget and accounting procedures. The College is moving towards the goal of conducting open workshops for faculty and staff to learn more about the budget process, content, and status (See Figure 3 titled TMCC Budget Process).

(Insert graphic titled TMCC Budget Process, power point Dec. 6, 2004 Budget Information)

In March 2005 the Budget Advisory Committee, representing all areas of the College and charged with the task of defining more clearly the fiscal needs of various constituencies

across the College and of designing processes to better meet those needs, presented a report to the President's Cabinet that concluded priority should be given to expanding and clarifying written procedures to ensure consistency and accountability in budget processes. The Budget Office has made this a goal for FY2005.

The Campus Climate Survey indicated that a number of faculty and staff desired more public and consistent lines of communication regarding budgetary decisions, especially those faculty and staff directly affected by budget decisions and allocations (See *Campus Climate Survey*). TMCC's administration has made open communication and interaction regarding the budgeting process a fundamental principle of its management philosophy. To this end, the President has emphasized sharing budget information with faculty and staff at his semi-annual State of the College address. Moreover, the administration is working to ensure that individuals involved in budgetary activities at every level have a shared understanding of the UCCSN funding formula and its effect on individual program areas. Similarly, the administration is encouraging active and accurate communication regarding current operating revenues and the amount of total funding available to the College. The goal of this increase in college-wide fiscal discussion is to empower faculty and staff and to provide them with an opportunity to participate in the budgeting process.

On those occasions when the annual budget needs to be revised, budget revisions are made in a reasonable timeframe, and, when necessary, a revised budget or schedule of budget changes is developed and distributed to appropriate constituencies. For example,

in the event of salary savings, the President and his Cabinet traditionally review the new figures and revise expenditure budgets accordingly. This process would then initiate an official budget revision. In the event a budget revision between functional classifications exceeds \$25,000, then this revision must be reported to the Board of Regents.

Debt Oversight (7A.4). The State of Nevada has established a capital funding process separate from operational funds. As a result, funding for new buildings or major renovations is, for the most part, a separate fiscal concern, and do not create a drain on resources available for educational purposes.

TMCC's conservative debt management strategies are in accordance with guidelines established in the State of Nevada bylaws. The State of Nevada has instituted a \$10 million annual cap on debt. Nevada law dictates that an institution's debt obligations must not exceed one percent of the State of Nevada's tangible assets. TMCC's share of these assets is approximately \$44 million. Included in TMCC's long term debt are bonds, notes, capital leases, and operating leases. The State Legislators meet on a biennial basis and approve State of Nevada bonds based on priority levels. Payback of debt is tied to the revenues generated by student fees, tuition (tuition is only paid by out-of-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. (For an in-depth consideration of TMCC's debt structure, see Tables X, Y, and Z. Also, a complete capital allocation schedule for years XXX-XXX can be found in Standard 8B.1, p.xx).

Standard 7B - Adequacy of Financial Resources

Sources and Commitment of Funds (7B.1) As stated in Standards 7.A.1 and 7.A.2, TMCC pursues and utilizes different sources of funds adequate to support its programs and services. TMCC's 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 (See Figure 7.1, p. x, and Table 3, titled XXXXX).

The College receives two major sources of revenue support. The first are funds appropriated by the Legislature for current operations and capital construction and improvements. 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 become the basis for the annually published State Operating Budget document for public distribution.

The second source of funds comes from Board of Regent approved fees assessed students and from the internal operations of the College such as residence/dining hall and auxiliary enterprises. Tuition and fees represent approximately one-fifth of the college budget and are used to support a variety of needs. These funds support the General Fund, Student Access Fund, General Improvement Fund, Capital Improvement Fund, Student Association, and a system-wide technology fee.

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 of Nevada budget. That portion outside of this budget and those other revenue generating activities, like residency halls, auxiliary enterprises, and health services, become the basis of the Board's 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.

The commitment of TMCC's resources among programs and services reflects the College's Mission, Strategic Goals, and priorities. State appropriations are based on a legislative funding formula and provide approximately three-fifths of the revenue used by the College (See Figure 1, p.xx and Chart X, p. xx in this Standard). These funds support academic credit operations including transfer classes, vocational education, and general education classes, all of which are the core of the College's Mission. Since 2001 two major changes have been made in the calculation of this funding, one being that the State of Nevada began funding non-instructional dollars. Prior to this, the State of Nevada

awarded only instructional dollars; as a result of this change, the college gained more flexibility in the use of state dollars.

Most recently, the funding formula used to appropriate funds between the different colleges in the UCCSN was changed to use the same student to faculty teaching ratios. This new system more equitably distributes funds between the institutions. 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 trend of state funding over the last ten years (see Table X titled Summary for State Appropriations for 1991-2 through 2004-5), state support has become a smaller percentage of a growing budget.

To supplement state funding, the College's Institutional Advancement and Foundation Office is making an effort to increase funding by obtaining extramural money from federal, state, and private sources. The Foundation oversees a combination of programs that are both revenue producing and resource enhancing. The College hired a grants manager to direct this activity, to keep the College aware of possible funding sources, and to help organize submissions. In addition, the College hired a new TMCC Foundation Executive Director with extensive national fund raising experience.

TMCC is committed to using both its state appropriated and non-state funded resources to meet its Mission and Strategic Goals, the scope and range of its programs and services, and diversity of its students. Grant funding has remained steady with the exception of the last year when there was a significant increase in grant funds generated in response to a

legislative mandated to increase the number of students in the TMCC Nursing Program. The 2003-2005 biennium launched an initiative to nearly double the capacity of nursing programs system-wide. The nursing program at TMCC would need to add 24 students each year for 2003-04 and 2004-05 to its current 95 student enrollment. This was achieved in two ways: the addition of students to the program's traditional program so that the first and second year classes in the nursing program would each support 56 students, and the creation of our "Fast-Track" nontraditional nursing program.

The plan for meeting this initiative contained four main components. First, it established state funding for Summer Session nursing programs to include essential faculty and associated costs for a period of two years (summers 2004 and 2005). During this two year period the college was permitted to use 100% of the summer session registration fee revenues to support its nursing program. Second, formula funding was redirected to "carve out" essential faculty and associated costs to increase capacity of our nursing program. Third, equipment for new nursing laboratories, through an in-kind supplement, was provided by the Nevada Hospital Association. Also, funding was provided for conversion of space to provide increased laboratory facilities.

In addition to the funding cited above, the College received two additional grants to assist in meeting the need to increase the number of nursing students in the pipeline and the number of graduates. TMCC authored a grant which resulted in a congressional set aside of \$745,575 for the three community colleges in Northern Nevada. TMCC's share of the grant was \$372,355. The other grant of \$453,000, received from NevadaWorks, funded a 3-year pilot project that for two years recruited eligible incoming high school seniors into

a dual enrolled fast-track program (Pipeline Project). The goal of the project is to have students academically prepared for admission to the nursing program by the end of their freshman year of college and completing the Associate Degree Nursing Program by age 21.

Debt Service and Repayment (7B.2). TMCC maintains adequate resources to meet debt service requirements of both short-term and long-term indebtedness; moreover, the College does so without adversely affecting the quality of educational programs. As demonstrated in Tables X, Y, and Z, the College maintains both a three years' history of the amount borrowed for capital outlay and a five-year projection of future debt repayments. The College's debt service practices allow for exploration of private, bond markets, and state sources for short term and long term resources; the Board of Regents then allows the College to service these debts using student fees or other sources as appropriate. For example, policies affixed to the state budget dictate long term debt management practices regarding funds the College owes to the State of Nevada. Currently, the college is paying off a bond acquired in 1996 for purchase of the Edison facility and a note payable acquired in 2002 for the purchase of land and improvements with 50% of the capital improvement fee set aside from tuition and fees going toward that payment.

Another example of the College's responsible servicing of debt can be seen in the management of the two buildings acquired to house the Meadowood site. One of the buildings has been leased, and the profit from that activity is being used to pay off a

portion of the debt on the property. The Board of Regents approved the purchase of the buildings in 1996 (Edison) and 2002 (Meadowood) and the assumption of the debt (Standard 7.A.4 discusses in greater detail capital project debts).

Financial Stability (7.B.3-5) The College's financial statements indicate a history of financial stability for the past five years. The State of Nevada's funding for higher education has remained stable and consistent, and neither the State of Nevada nor the College anticipates any deficits (See Table 1 – Current Funds Revenue). TMCC's financial statements are examined by external auditors; the results are discussed with the Board of Regents on an annual basis (See Table XX, History of Net Assets).

The State of Nevada does not allow transfers from state funds to non-state funds or between state funds. The College is allowed, with President's Cabinet approval, to transfer among non-state funds 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. The College is required to develop a deficit restoration plan, which must be approved by the Board of Regents.

TMCC demonstrates adequate 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, the VPAA reviews the offerings of all academic departments along with their enrollment patterns. Academic Deans 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. Table XX summarizes state appropriations for the last 14 year and shows the growth in funding by instructional area. Along with state funds, TMCC works through its Foundation to secure outside funding, particularly in support of occupational and technical programs. The College has also taken new initiatives to increase the amount of funding it receives from grants.

Financial Aid (7.B.6). TMCC 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. TMCC's students have a variety of financial aid sources available to them as they pursue their education. Federal Aid and grants, especially Pell Grants, provide the majority of financial aid awarded to students. State Aid, such as the Millennium Scholarship instituted in 1999, also provides a large portion of the total financial aid awarded to TMCC students. The Millennium Scholarship program, funded out of Nevada's share of the Federal Tobacco settlement, provides scholarships for Nevada high school graduates attending Nevada's universities and colleges, including TMCC. Originally, this scholarship program was due to expire in 2010, but state legislators are currently working to extend support past 2015. There is an equal chance that future funding for this program could be reduced. The Legislature intends to tighten eligibility requirements for the scholarship, which should result in fewer high school graduates qualifying for the program. **

** At the time of the final editing of this document, the Nevada Legislature was still in session actively debating the future requirements and projected long-term funding for the Millennium Scholarship.

Endowment earnings continue to supply a smaller, though significant, source of financial aid; and annual private sources also constitute a share of financial aid available to TMCC's students. Federal student loans, a larger percentage of funds in absolute numbers, but a smaller portion of student financial aid than in 2001-2002 fiscal year, comprises the remainder of the financial aid picture. Current trends have private annual contributions and State Aid increasing rapidly in the near future, 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, a trend illustrating not only TMCC's stability in providing financial aid to students, but its increasing ability to do so. As Table 4--Sources of Financial Aid--demonstrates, financial aid grew by more than 30% from 2001-02 to 2002-03, and by over 10% the following year. This increase mainly reflects the rapidly 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. Students' registration fee includes a \$1 per credit New Student Access fee; some of these funds provide scholarship sources for students. Overall, TMCC's is able to offer currently and in the immediate future a variety of financial aid options to its students.

TMCC has participated in the Federal Family Educational Loan Program for a number of years (See Exhibit XX showing the TMCC Default Rates of 9.1% in 2001 and 8.9% in 2002. Data for 2003 will be available in 2005). TMCC's default rates are higher than

both the Nevada default rate and the national 2 Year Public School Default Rate. TMCC saw a decline in its default rate between 2002 and 2001, and continues to consider new initiatives to reduce the default rate. One of the reasons for TMCC's higher default rate is the College's low numbers of student borrowers. As a result, when only a few borrowers default, the default percentage is greatly impacted. TMCC has an active default management plan that is evaluated each year. Also, the College works closely with our loan guarantor and lenders to better educate students regarding their loan responsibilities.

Financial Reserves (7.B.7). TMCC 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.

Auxiliary Operations (7.B.8). TMCC understands the financial relationship between its education and general operations and its auxiliary enterprises and their respective contributions to the overall operations. Revenue from auxiliary enterprises doubled in FY 2003, mainly due to the Meadowood site lease arrangement. One of the two Meadowood buildings, which will eventually be used for future expansion, is currently being leased out by the College, and the revenues from this arrangement are included in auxiliary income (See Table 1, titled xxx). Expenditures for auxiliary enterprises also increased dramatically from \$655,000 in 2002 to \$1.3 million in 2003 (See Table 3, titled xxx). 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.

Financial Management

Budget Administrative Control (7C.1-2). TMCC's financial organization and management, as well as its system of reporting, ensure the integrity of the College's finances and provide a basis for sound financial decision-making. The UCCSN Board of Regents meet ten or eleven times a year; President Ringle and the other UCCSN presidents attend these meetings and make frequent reports on the financial adequacy and stability of their institutions. The UCCSN Vice Chancellor for Finance presents summary financial information for all institutions. The Regents review and approve the Annual State Operating Budget and the Self-Supporting budgets for each institution at the start of each fiscal year. The Regents also review the Exception Report and the Accountability Report for each institution. The Exception Report provides the Board of Regents with early warning of any department budget or account with a current negative balance that will not be corrected within the fiscal year. The Accountability Report 1) reconciles the approved legislative budget with the Board of Regents' State Operating Budget, 2) provides an explanation of transfers between functions, and 3) records the history of positions created and/or deleted during budget preparation.

The Regents are heavily involved in development of the biennial budgets (Operating Budget and Capital Budget) for presentation to the Legislature. They review and approve the preparation parameters for the State Operating Budget request including the prioritization of new program initiatives, funding formula ratio changes, equipment requests, and cost-of-living salary adjustment requests. While Presidents are very active in creating the priority list for capital construction for their respective campuses, it is ultimately the Board of Regents who review, debate, and approve the final prioritized capital construction and deferred maintenance program request for the UCCSN and present it to the State Public Works Board. This twofold process allows for the Presidents to represent the financial and capital needs of their institutions while providing the Board of Regents with the ability to balance the needs of each institution within against the greater capital goals of the UCCSN as a whole.

TMCC's financial functions are centralized and under a single qualified financial officer, Vice President for Finance and Administrative Services, Delores Sanford, who reports directly to President Ringle. The Controller, Stephen Salaber, and the Budget Director, Cindy Rossetti, are responsible for institutional business functions and both report directly to Vice-President Sanford. Controller Salaber and Budget Director Rossetti work together effectively to monitor the budget, record financial activity, report to campus account managers, and work with those UCCSN departments that 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 well organized and functions effectively, resulting in lower personnel costs for the College.

TMCC's 2000 Interim Accreditation Report refers to the College's formation of the Operation Research Committee, an internal data-oriented group reflective of various constituencies involved in the College's finances. This committee reviewed the College's finances to determine budgetary efficiency and make recommendations for improved future practices. The committee's recommendations strengthened the relationship between the College's business offices, Admissions and Records Department, and the Institutional Research Department. Overall, TMCC's internal structure for monitoring and reporting financial activity at the College is conceptually sound and appropriately staffed to perform the services required of an increasingly complex organization.

Along with the above organizational structure within the College itself, TMCC's business functions are also inextricably intertwined with UCCSN support services. The UNR Business Center North provides business services to TMCC and other UCCSN institutions in Northern Nevada. Business Center North contains a large Purchasing Department that processes purchase orders (for purchases over \$2000.00) and contracts. Moreover, Business Center North maintains a Personnel Department that administers the personnel system for all State of Nevada classified employees and provides payroll services for all employees within its purview.

Located at the Chancellor's Office in Reno, the UCCSN Banking and Investments Department provides cash management services to all UCCSN institutions and also works with an outside investment advisory firm that oversees investment of the pooled endowment and operating funds for all UCCSN institutions (See Section 7C.4 for more information). The Department of Internal Audit, an entity overseen by the Office of the Vice Chancellor for Finance, provides internal audit services to all campuses.

Budget Control (7C.3-4). 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.1-2, some financial management functions are centralized at the UCCSN level. The College thus benefits both from the expertise of the managers of these system units and the higher investment return obtained from pooling and investing cash and endowment funds.

The Board of Regents established a sophisticated system for managing both investments and cash (See Chapter 10, Board of Regents *Handbook*, pp.xx). The UCCSN Banking and Investments Department, located at the Chancellor's Office in Reno, administers investment and cash policies. The UCCSN Banking and Investments Department manages all cash belonging to UCCSN institutions and invests these funds in a diversified investment portfolio. The UCCSN has a close working relationship with Wells Fargo Bank, maintaining a Consolidated UCCSN Bank Account into which excess funds are "swept" from each institution's bank account every evening. These funds are

then pooled and invested in the UCCSN's diversified investment portfolio. Interest income is allocated to each institution according to the UCCSN Investment Income Distribution Policy (*Board of Regents Handbook*, Title 4, Section 5, F, 2 and 2a). TMCC's share of the UCCSN's investment income gets distributed internally to specific accounts based upon their average daily balances.

The UCCSN Cash Management system has two important features: controlled disbursements and positive pay. Controlled disbursements reduce the cash float in the disbursements process and increase the College's opportunity to earn more on its cash reserves. Positive pay is a system that 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 (See Exhibit XX, Policies for Cash Management).

Furthermore, administrative computing for the budget and financial systems, including payroll and retirement plans, is done at the UCCSN Computing Center. (See 7C.5 for a fuller description of the administrative computing package). Most TMCC employees are covered by pension plans. 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.

Accounting Practices (7C.5). TMCC's accounting system follows generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board

("GASB"), including Statement Numbers 34, 35, 37, and 38. TMCC's financial statements are prepared on an accrual basis in accordance with these standards.

The UCCSN Computing Center, which provides administrative computing services to all UCCSN 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 multiple screen viewing are provided by both the character based screen system and Advantage Desktop, a Windows based view function of the mainframe Advantage system. Reports are prepared using Focus Report Writer and the SCS Data Warehouse.

The current accounting system for generating reports directly remedies and addresses one of the critiques of the 1995 Accreditation Self Study in which the evaluators noted a lack of a managerial accounting system providing user-friendly reports at TMCC at that time.

Moreover, the Controller's Office and the Budget Department currently provide extensive training for all account managers regarding how to read and use the reports generated by the administrative computing system and how to use the Data Warehouse System in general.

TMCC is neither an independent nor a proprietary institution. Standards 7C.6-8 do not apply.

Auditing Practices (7C.9-13). UCCSN institutions are not regularly audited by a state agency. At the end of the fiscal year, an independent certified public accountant audits

each institution within the UCCSN and the subsequent reports are presented to the presidents and to the Board of Regents. An independent certified public accountant also audits the foundations for each institution and generates reports, which are then presented to the presidents, the Foundation Boards, and the Board of Regents. The Regents act as corporate directors overseeing the Foundations, appointing the trustees for all UCCSN institutions.

When directed by the State of Nevada Legislature, the Legislative Counsel Bureau may conduct special audits of any institution in the UCCSN. In 2003, the Legislature passed legislation asking the Legislative Counsel Bureau Audit Department to conduct a number of UCCSN audits of areas such as Athletics, Statewide Programs, Student Full-Time Equivalent Reporting, Administrative Costs (including host and travel costs), Investment Operations, and Construction Planning/Project Control Costs. Certain of these areas, such as athletics and state-wide programs, fall outside of TMCC's offerings, and as a result, were not included as a part of the audit's findings. However, TMCC had audit findings related to areas such as host, travel, and construction costs. TMCC's administrative costs were found to be reasonable compared with peer institutions, and the auditors commended the College for the accuracy of its student full-time equivalent reporting.

In 1995, the Legislature asked the Legislative Counsel Bureau to review the management and accountability structure of the Board of Regents and UCCSN Administration. The 1995 audit did not directly involve the UCCSN campuses individually, but the audit's

major findings resulted in tighter management and accountability reporting and control at the system level. The Exception and Accountability reporting process was an outcome of that audit (See Standard 7C.1-2 for a discussion of these reporting processes).

TMCC's funds for financial aid and other programs not subject to State of Nevada oversight are audited annually by an independent certified public accountant. For example, federal financial aid funds, such as 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.

The UCCSN has a well-organized program for conducting internal audit of its institutions that complements TMCC's accounting system and its external auditing process. The UCCSN Office of Internal Audit conducts all internal audits for the College. The Director of the Office of Internal Audit, who conducts internal audits at all UCCSN institutions, first reports and submits completed internal audits to the Board of Regents Audit Committee and then to the full Board of Regents. In the four years prior to June 30, 2004, the Office of Internal Audit conducted 14 audits at TMCC. (See Exhibit XX for a complete list of internal audits). Recent TMCC audits have been conducted for the Plant and Facilities Department, Applications Development, and Information Technology

Operations. The TMCC Library was audited during spring 2004 as part of the system-wide audit of all libraries; the report had not been released as of this writing.

The Board of Regents Audit Committee establishes annually an audit plan for the UCCSN; administrators at the various institutions and the Regents provide input and assist the Audit Committee in determining critical and current issues that will be reflected in the internal audit plan for the UCCSN. For example, the Audit Committee established as policy that all host accounts and student FTE reporting from each institution would be audited annually. In addition, the 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 Legislature.

{Note: The Committee is currently updating auditing information for 7.C.12-13}

Fundraising and Development

Fundraising Activities and Policies (7D.1). The TMCC Foundation is a 501c3 organization that serves as the fundraising entity for Truckee Meadows Community College. In accordance with TMCC's academic planning and Mission and Strategic Goals, the College has set forth the goal of "strengthening the TMCC Foundation to serve as the fundraising arm of the institution" (SP 7). The TMCC Foundation's fundraising activities are governed by explicit policies established at the UCCSN level.

Administrative policies connected to fundraising practices for all member institutions of the UCCSN are contained in Title 4 Chapter 10 of the *Board of Regents Handbook*. UCCSN offices and financial managers oversee investment and endowment funds

generated through TMCC Foundation fundraising efforts. UCCSN policies regarding investment objectives, endowment distribution, and asset allocation can be found in Title 4, Chapter 10, Sections 4.1-4. Policies regarding gifts to any institution in the UCCSN are contained in Title 4, Chapter 10, Section 9.

TMCC's Chief Advancement Officer/Executive Director of the Foundation, BJ North, oversees fundraising activities for the College. Director North reports to the TMCC Foundation Board of Trustees and President Ringle. Moreover, the College provides financial support for the Foundation office; the Foundation itself has no employees. In terms of fundraising, the Foundation is fairly small with donations averaging between \$400,000 and \$500,000 combined with pledges averaging between \$300,000 and \$400,000 annually (See Figure X below for recent Foundation donation and pledge figures).

{insert figure titled: Donations and Pledges to the TMCC Foundation and TMCC July 1, 2004-March 25, 2005}

The TMCC Foundation Board of Trustees, via the fundraising committee, determines the nature of the College's annual fundraising activities and ensures that those activities are in accordance with Board of Regents policies. Typically, the Foundation's activities focus on the Annual Campaign to raise funds for scholarships, faculty grants, and academic planning funds, and the Capital Campaign. The Foundation also funds or sponsors such special events as plays or other artistic endeavors.

The Foundation's fundraising structure has been quite effective in generating revenue for TMCC (See Table XXX, which depicts the growth in Endowment and Income for the Foundation for the preceding 3 fiscal years). The College experienced an increase in endowment funds from \$5,417,890 in 2001-02 to \$6,367,703 in 2003-04, an increase of approximately 15%. Similarly, distributions in the form of scholarships and faculty grant bequests rose by approximately 12%.

Administration of Investment Funds (7D.2) TMCC Foundation investments are controlled and managed at the system level through the UCCSN Endowment Investment Fund. Administrative policies for the management of investments are contained in Title 4, Chapter 10, Section 4 of the *Board of Regents Handbook*. Per the policy listed in Section 4, the Regents have the authority to delegate management of the Endowment Investment Fund to the Investment Committee. The Chancellor, the Vice Chancellor for Finance, and the Director of Banking and Investments serve as ex-officio non-voting members of the Investment Committee. The Chairman of the Board of Regents appoints the Chair of the Investment Committee and may appoint one or more individuals with investment knowledge or expertise to serve as non-voting members. 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 the Board of Regents next meeting.

The Investment Committee also has the responsibility of selecting external investment groups to manage the assets of the Endowment Investment Fund. Subject to the manager-

specific guidelines referenced in Title 4, Chapter 10, Section 4, Subsection 7.b and in accordance with the generally accepted standards of fiduciary prudence and responsibility, the managers will then have complete discretion over the investment of the UCCSN's funds in their respective accounts. The Endowment Investment Fund for the UCCSN is currently valued at approximately \$200 million. TMCC's portion of this fund totals over \$6 million. The UCCSN Banking and Investment Department provides administrative support for the Investment Committee.

Each fiscal year, distribution from the Endowment Investment Fund to each UCCSN institution is determined at a rate of 4.5% of the average market value for the 20 quarters ending December 31st of the immediately preceding fiscal year. For example, distributions for fiscal year 1996-97 would be based on the Endowment Investment Fund's average ending quarterly market values for the twenty consecutive quarters ended December 31, 1995. System policy prohibits making withdrawals from the Endowment Investment Fund other than to fund predetermined spending amounts without prior approval of the Board of Regents.

Relationship between TMCC and the TMCC Foundation (7D.3). The TMCC Foundation is a legally and financially separate entity from the College with its own Board and set of bylaws; thus, the relationship between the College and its Foundation is well defined, productive, and consistent with UCCSN policies. The legal relationship between TMCC and its Foundation is defined in the Amended and Restated Articles of Incorporation for the Foundation (January 7, 1993). These Articles, which serve as the

definitive source for policy and procedure for the Foundation, incorporate UCCSN policies into the Foundation's bylaws and define the institutional relationship between the Foundation and the College.

Article III, titled Objects and Purposes of the Articles of Incorporation, defines the roles, relationships, and purposes of the Foundation. According to this Article, the Foundation should provide the following types of support for TMCC: (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 and 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 income 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 and 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; (f) to do and engage in all lawful activities that further or are consistent with the preceding objects and purposes of the corporation.

Analysis and Appraisal

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.

TMCC's accounting system follows generally accepted accounting principles. The staff in the Controller's Office and the Budget Department monitor for accuracy and completeness the College's expenditures and income. Furthermore, the College's

procedures for budget development and its established budget policies are clearly defined by the state's fiscal appropriation process and the Board of Regents self-supporting budget process. TMCC's administration has responded to the need for more open communication with faculty and staff directly affected by budget decisions. TMCC's current administration has made open communication regarding budgeting and decision making processes a top priority in its management philosophy. 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.

The 2004 Standard Seven Self-Study Subcommittee notes the following strengths in TMCC's financial structure and practices:

- Experienced, well-qualified professionals lead the Budget Office and Controller's Office.
- The Board of Regents does not allow deficit spending, and all indebtedness must be guaranteed by adequate student fees revenues.
- TMCC has a strong and effective system of financial accounting and budgeting.
- The recently revised Instruction Formula adopted by the State of Nevada Legislature provides funding based on SFTE growth as estimated by a weighted

average of the past three years enrollment. The new formula benefits TMCC and provides stable funding.

- The College endowment funds have grown to approximately \$6 million, resulting in almost \$200,000 in annual income used mainly to fund scholarships.
- The College has seen a change in its net assets to indebtedness ratio with the purchase of the Meadowood facility. However, the ratio is still very strong, and income from leasing part of the new facility more than offsets the debt service.
- The College has an active Foundation and advisory TMCC Board of Trustees which bring in additional resources and connect the College to significant and various corporate and private entities in the community.
- The College has obtained several grants that fund a variety of special needs. Moreover, the College has strengthened its ability to be even more effective in this area by hiring a full-time grant coordinator.
- The College has made much progress in coordinating its strategic planning process with financial planning with the formation of the Planning Council, an inclusive body with representation from all areas of the College.
- The UCCSN established a financial data warehouse system last year that has allowed the College better access to and retention of financial data.

Next Steps:

- The College, though making progress in aligning financial planning with academic planning, still needs to improve in this area. Development of an Academic Master Plan is scheduled to be completed by June 2005.

- The College uses a financial accounting system which still lacks a user friendly management accounting feature. The UCCSN Data Warehouse System has improved access to financial information to the departments but additional work is needed.
- The internal budget process lacks definition and participation from departmental constituencies. Improvements for 2004/05 include creating a Budget Advisory Committee, development of a website to provide budget information to the campus and other steps to increase input and awareness of budget matters.
- The State of Nevada does not fund major programs of the College's mission such as work force development.
- The Board of Regents needs to continue bringing funding for part-time faculty up to the level of funding for full-time faculty. The target figure is \$800 per credit hour taught. In the fall of 2004, TMCC increased the salary by \$25 to \$650 per credit hour.
- While centralized control of foundation administration functions may be advantageous at the system level, there is an increasing trend by community colleges to choose their own investment strategies. The move to college-based control of investment increases the potential income that can be generated by gifts/donations to TMCC because local investment opportunities are often missed by the UCCSN. The current inflexibility often creates tension between individual institutions and UCCSN. Such tensions are exacerbated by a lack of communication between the UCCSN and its individual community college foundations. The Committee recommends that the College have the opportunity to

explore, if deemed useful by the Foundation Director and the TMCC Foundation Board of Trustees, greater autonomy in determining investment of foundation funds.

