

Report to the Board

December 13, 2004

SUBJECT: Advisory Committee for Finance and Budget – Topics for Review

RECOMMENDATION:

That the Board of Trustees hear a report from the Advisory Committee on Finance and Budget (ACFB) on topics under review.

RELATED BOARD POLICY OR PLANNING PRIORITY

This item is consistent with Board approved Policy B-7, Board Advisory Committees.

RATIONALE

The Citizens' Advisory Committee on Finance and Budget was established in October of 2002, and re-approved in October 2003 and October 2004. The Advisory Committee is composed of community members with financial expertise, and reviews College financial matters referred to it by the Board. The Advisory Committee reports to the Board and makes recommendations on the matters reviewed.

BUDGETARY CONSIDERATION

None

RESOURCE PERSONNEL

Ben Ferrell, Vice President, Business Services

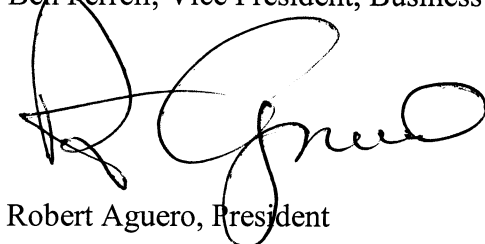
ATTACHMENTS

- A) Work Plan – Board Advisory Committee on Finance and Budget
- B) Agenda Item 7982 – Renewal of Resolution on Advisory Committee for Finance and Budget and Approval of Appointees for Fiscal Year 2005

Respectfully Submitted By:



Ben Ferrell, Vice President, Business Services



Robert Aguero, President

Work Plan – Board Advisory Committee on Finance and Budget
adopted by committee vote 9/16/03

A. Principles of ACFB Operation

[1] As an advisory committee to the Board of Trustees, the ACFB shall limit its attention to systemic and major issues that are appropriate for Board consideration under the ACC policy-governance model. Suggestions that do not meet this criterion will not be part of ACFB deliberations, although individual ACFB members may informally forward them to members of the administration and/or the internal budget committee.

[2] The primary focus of the committee will be providing recommendations to improve ACC's planning, budgeting, and reporting *systems*. When specific issues are considered, it will be with close attention to their connections to other issues and to college information processes. The committee will not recommend specific budget amounts.

[3] The committee will keep in mind that it is a component in a larger governance system, and that the issues it examines will be debated and decided by others. ACFB recommendations shall thus include a clear written rationale and an examination of plausible alternatives. When a consensus is not reached for a recommendation, each position with significant support shall be explained in the report to the Board.

B. Intended ACFB Work Products

[1] **A list of significant opportunities for improvement of the financial condition of ACC and/or its students consistent with the values declared in Board policy (such as student accessibility and fair compensation of employees).** The financial recommendations listed in the Texas Performance Review report will be examined for possible inclusion in this list.

[2] **Board-policy recommendations for financial and budget-related reports.** A central goal will be appropriate adaptation of operational financial reports to reflect the reporting approach of GASB34/35 (recently mandated for colleges by the Government Accounting Standards Board), in which current and capital costs are separated using methods similar to those of business accounting. Another goal is addition of reports that will indicate the net economic impact of different activities.

[3] **Board-policy recommendations for the budget process.** These may suggest refinement or replacement of the current system of policy-mandated budget set-asides. The policies for budgeting tuition and reserve levels will also be examined.

[4] **A report on places where ACC budget/planning processes fall short of standard good practice, of current Board policy (e.g., the mandate to budget on an objective basis), or of the recommended improvements in Board policy.** An examination of current processes will be an essential part of determination of appropriate Board policy language, and perceived weaknesses in current ACC methods will be identified. However, the ACFB will not recommend specific internal budget processes for the college, since this is not Board responsibility.

[5] **Guidelines for a coherent economic model of college operations.** The actual development of the model (in stages) will be the work of the college administration, but the committee will enumerate factors it thinks should be included, and may later critique each stage of the effort. Such a model is seen as necessary to provide a basis for coherent planning and for budgeting based on objective factors, both already mandated by Board policy.

Six-month work plan for the ACC Board of Trustees (note October 7 reference to ACFB)

Proposed ACFB meeting schedule:

ACFB – CONCLUSIONS & RECOMMENDATIONS FOR NEXT ACADEMIC YEAR — April 2004

[1] The ACFB expresses its appreciation to the ACC Board of Trustees for the opportunity provided by the committee to contribute to the strategic discussions within this very useful and important community institution. We hope that the results of our efforts will encourage further use by the Board of this approach to gathering knowledgeable community perspectives for use by the Board and administration. In keeping with the concept of specific-term trustee-initiated appointments, we are concluding this incarnation of the committee with this final set of reports and recommendations. Several of us will gladly serve further on request if the committee is reconstituted after the trustee elections, as we recommend.

[2] We commend the supporting ACC staff, especially Ben Ferrell, Neil Vickers, and Phyllis Kalz, for their help and participation. They provided both needed information and useful insights, as well as the sincere interest in our perspectives and ideas that made the monthly discussions enjoyable for all of us and made us feel that our time was not being wasted.

[3] We feel that the method of committee-member selection used (nomination by particular trustees) is a good one (in spite of a significant dropout rate), and hope that the availability of this year's reports and discussion documents will aid trustees and potential nominees in deciding if sustained participation is feasible in certain cases. It might be beneficial to also designate a broader group of consultants on whom the monthly-meeting committee could call for specific topics or for less frequent reviews of its conclusions.

[4] As we wind up the first committee, we leave one major loose end (out-of-district Early College Start policy) and several important topics within our scope that we did not significantly address this year. The information needed for full examination of the early college start issue is described in our earlier preliminary report on that topic. Other topics seen as worthy of substantial ACFB attention next year are:

- [a] *Use of an objective rather than historical basis for budget allocations.* While some analytical work has been done in this area by the business-office staff, ACC budgeting does not at this time seem to be generally based on objective needs analysis or to reflect a budget model that would be open to examination and cumulative improvement.
- [b] Extension of the preliminary work done so far on *an economic model of college operations*. This is particularly important for assessing the expected impact of program expansions or limitations, but it should also become a major context for strategic discussion and planning.
- [c] *Unified planning for scholarship funding*, taking into account related effects such as the impact of education tax credits. This analysis should also include a model of the impact on enrollment and achievement if a substantially larger fraction of ACC resources were directed to needs-based scholarships.
- [d] *Review of ACC class-scheduling methodology*, and appropriate economic modeling of scheduling effects. This was the primary area of financial impact found by the Comptroller's audit, and the preliminary indications are that the methods used to control average class size may be counterproductive in some cases and ineffective in others.
- [e] *Review of financial impact of college provision of student textbooks.* Since textbook costs rival or exceed tuition costs in many cases, and since late acquisition of textbooks is a significant contributor to student underperformance, we think that the suggestion that ACC provide textbooks (perhaps in a way similar to that used in high school) should be investigated for academic and financial feasibility (the ACFB would examine the financial issues). This is of particular interest at Texas community colleges because the comparatively low tuition for in-district students means that many do not get to take full advantage of the generous Hope federal tax credit, from which student-purchased books are excluded. But the biggest prospective savings is in sharing book costs among many students and minimizing forced but immaterial changes in book editions.

[5] We request that the Board grant the current ACFB chair "interim" authority to delegate investigation tasks during the period between the Board elections and the reconvening of the ACFB (if the Board chooses to reconstitute it), subject to the normal discretion of the college staff in providing requested information or assistance.

Agenda Item 7982

Renewal of Resolution on Advisory Committee for Finance and Budget and Approval of Appointees for Fiscal Year 2005

Chair Mink introduced the item and Mr. Ben Ferrell provided information regarding renewal of Resolution 7598 supporting the continuance of the Citizens' Advisory Committee for Finance and Budget and proposed appointees to the Committee for Fiscal Year 2005.

Trustees Allen Kaplan moved and John Worley seconded that:

MOTION: The Board of Trustees renew Resolution 7598 supporting the continuance of the Citizens' Advisory Committee for Finance and Budget, and approve the appointees for FY 2005.

Trustee Rivera requested Friendly Amendments to the Motion:

FRIENDLY AMENDMENTS:

- ▪ **Include in the *Purpose* statement of the renewal Resolution: “(4) This Committee will provide a report of its work at least annually for discussion by the Board.”**
- ▪ **Include as a last sentence under *Membership and Chair*: “If a vacancy occurs, the Trustee that appointed the member will appoint another member to the Committee for the unexpired term within 30 calendar days after the vacancy occurs.”**
- ▪ **Insert a category in Resolution: “*Rules and Procedures*. The Committee shall adopt its own rules and procedures including but not limited to attendance, meeting format, conflict of interest provided that such do not conflict with Board of Trustees policies.”**
- ▪ **Change *Terms of Committee* to read: “And this is established by resolution, this Committee will dissolve in one year from the date this Resolution in adopted.”**

Trustee Rivera stated one of these rules could possibly deal with absenteeism and removal of a Committee member. Trustees discussed guidelines for College advisory committees and the attendance expectation of Committee members;

Trustees Kaplan and Worley accepted the Friendly Amendments.

Jeffrey Richard requested a Friendly Amendment:

FRIENDLY AMENDMENT: That the Board of Trustees add a new section to the Resolution concerning the budget for the Committee to do its work.

Trustees discussed Mr. Richard's a proposed Friendly Amendment.

Mr. Richard withdrew his Proposed Friendly Amendment.

Trustees discussed the need for this item to be included on a future agenda for discussion of the items to be reviewed by the Committee and whether the committee to be increased by three members appointed by Board Officers, as earlier discussed.

VOTE: The motion, as amended, passed on a unanimous vote of 7-0.
FOR: Mr. John F. Hernandez; Mr. Allen H. Kaplan; Ms. Nan McRaven; Dr. Barbara P. Mink; Mr. Jeffrey K. Richard, Ms. Veronica Rivera; and Dr. John B. Worley.
AGAINST: None.
ABSENT: Trustees Lillian J. Davis and Rafael Quintanilla.

Resolution 7982
(Renewal of Resolution 7598)
Citizens' Advisory Committee on Finance and Budget

The Board hereby establishes a Citizens' Advisory Committee on Finance and Budget.

Purpose

This committee will (1) evaluate the quality and accuracy of the economic and financial analyses that the administration provides to the Board through the Master Plan, (2) examine the College budget for possible ways to reduce expenditures and increase revenue, taking into account the recommendations of the Internal Budget Committee and the State Comptroller's Office, (3) examine any additional economic or financial analyses of substantial financial impact that the administration provides to the Board if the Board votes to refer any such set assumptions to the committee for their review and (4) This Committee will provide a report of its work at least annually for discussion by the Board.

Membership and Chair

Each Trustee may appoint one person to the committee. The Board Chair will appoint the chair of the Committee. If a vacancy occurs, the Trustee that appointed the member will appoint another member to the Committee for the unexpired term within 30 calendar days after the vacancy occurs.

Rules and Procedures. The Committee shall adopt its own rules and procedures including but not limited to attendance, meeting format, conflict of interest provided that such do not conflict with Board of Trustees policies.

Procedure for referring an economic or financial analysis to the Committee:

- (1) If a Trustee submits a request for a Committee review of an economic or financial analysis to the Board Chair by the seventh day before a Board meeting, the request must be put on the Board agenda for discussion.
- (2) If a Trustee, either in a written message sent to the Board Chair (and copied to all Board members) before the meeting at which the request for review is posted or at that meeting, asks that the request for review of the financial or economic analysis be put to a Board vote, the issue will be put on the agenda of the next regular or specifically-called meeting for a vote. If no Trustee asks for a vote in this manner, the request for review of the economic or financial analysis will be referred to the Committee. If a Trustee asks for a vote in this

manner, five Board members must vote for referral to the Committee for a request for review to be referred.

(3) When a request for review has been referred to the Committee, the Board Chair will transmit the request for review to the Chair of the Committee. The Chair of the Committee will then convene the Committee to discuss how the request for review will be handled.

(4) If the Committee is of the opinion that its workload will not permit immediate review of all the economic or financial analyses referred to it by the Board, it may accordingly prioritize or decline Board referrals.

Term of Committee

And this is established by resolution, this Committee will dissolve in one year from the date this Resolution in adopted. (See Policy B-1[2].)

Adopted by the Austin Community College Board of Trustees on this _____ day of October, 2004.

Attest:

Barbara Mink, Board Chair

Jeffrey Richard, Board Secretary

FY05 Advisory Committee on Finance and Budget

Trustee:	Appointee:
Jeffrey Richard	Kimberly Edwards Executive Director TX Public Finance Authority
Lillian Davis	Pete Palazzari IBM Site Senior Location Mgr.
John Hernandez	Gilbert Zamora State Comptroller's Office Retired
Allen Kaplan	Antoinette (Toni) Hunter Attorney
Nan McRaven	Bob Rutishauser WorkSource
Barbara Mink	Kathryn Schwerdtfeger CPA
Rafael Quintanilla	Richard Borchard Judge
Veronica Rivera	Dolores Gonzalez

	Banker, Wells Fargo Bank
John Worley	Hunter Ellinger Former ACC Trustee

Trustee Jeffrey Richard introduced his Committee appointee, Ms. Kimberly Edwards, Executive Director, Texas Public Finance Authority.