

# CCATT Finance Presentation

ACC Finance & Administration

# The Role of the CFO

- The Chief Financial Officer
  - At most CCs the CFO is also responsible multiple administrative divisions (e.g. HR, Facilities and/or IT)
- The CFO supports many of the CEO's and Trustees' primary responsibilities.
- As such, the CEO-CFO relationship is critical to the institutions success.

**Transparency & Trust**

# What Drives your Budget?

- Strategic Plan
  - Usually 3-5 years
- Long-Term Facilities Plan
  - Usually 10-20 years
- Board Policies
  - Establishes Values and Priorities

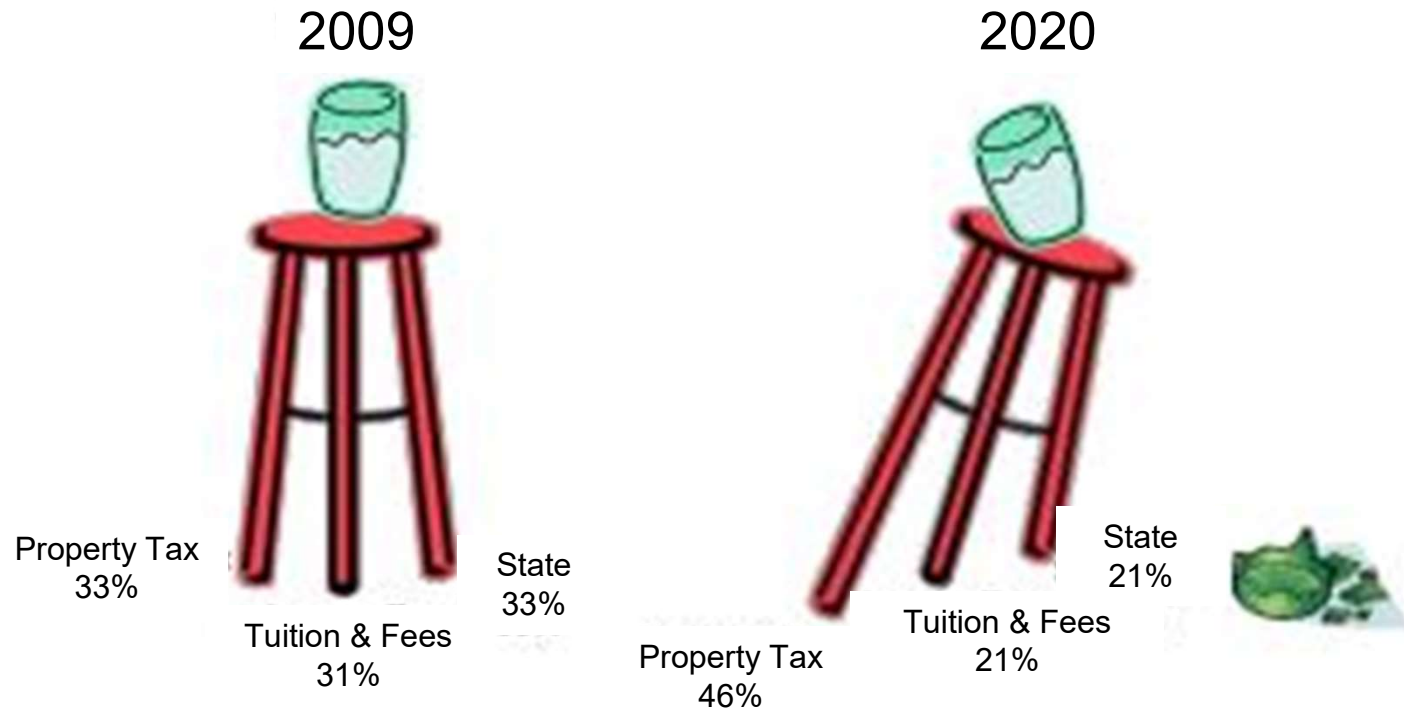
# Fiscal Policies

- Budget
- Tuition & Fees
- Property Taxes
- Compensation & Benefits
- Capital Outlay
- Cash Reserves
- Facilities Standards

Do your policies align with your institutional values and strategic plan?

# CC Funding Sources

## The three legged stool



# State Appropriations

- Determined biannually via General Appropriations Act
  - No constitutional requirement to fund
  - “an amount sufficient to supplement local funds”
  - “used exclusively for the purpose of paying salaries of the instructional and administrative forces of the several institutions and the purchase of supplies and materials for instructional purposes”
    - Therefore, no funding for facilities or facilities maintenance
- Types of State Funding
  - Contact Hour Formula
  - Success Points
  - Core Operations
  - ERS Health Insurance
  - TRS Retirement

# Tuition & Fees

- Board sets tuition & fee rates
  - Board has almost complete discretion
- Different tuition rates based on residency (In-District, Out of District, Out of State)
  - Are rates formula driven by Board Policy?
- Tuition versus Fees
- Waivers/Exemptions
  - Mandated (Hazelwood, Blind/Deaf, etc)
  - Optional (Dual Credit, Seniors, etc)

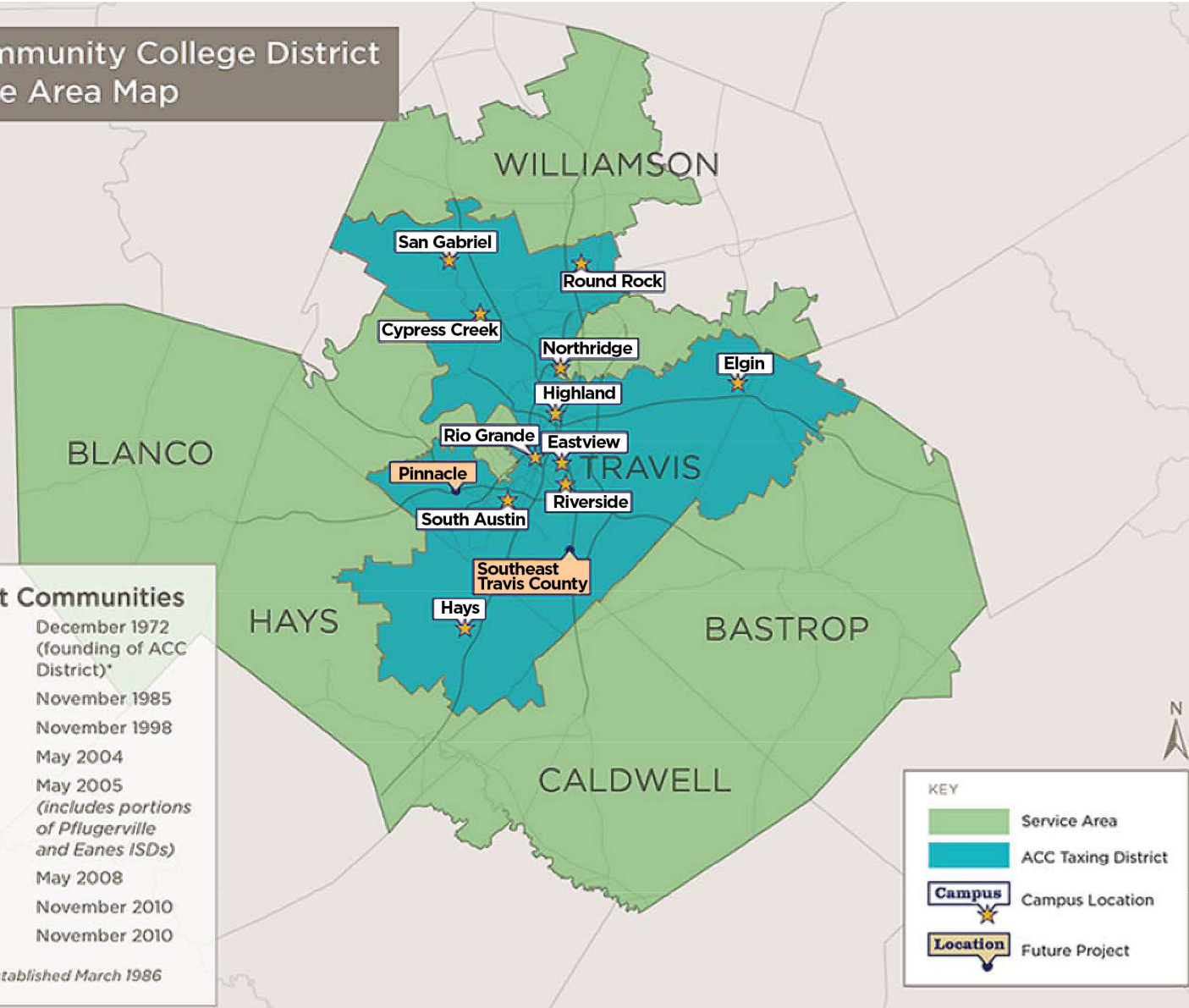
How much of our T&F is pledged to debt?  
How much is waived/exempted?

# Property Taxes

- Taxing District versus Service Area
- Two components:
  - Maintenance & Operations
    - Is your M&O Rate “capped”?
  - Debt Service
    - Supports voter approved bonds
      - Have we explored Maintenance Tax Notes?



# Austin Community College District and Service Area Map



### ACC District Communities

Austin ISD	December 1972 (founding of ACC District)*
Leander ISD	November 1985
Manor ISD	November 1998
Del Valle ISD	May 2004
City of Austin	May 2005 (includes portions of Pflugerville and Eanes ISDs)
Round Rock ISD	May 2008
Elgin ISD	November 2010
Hays CISD	November 2010

\*Taxing authority established March 1986

### Service Area

- 7,000 sq miles
- 6 counties

### Taxing District

- Lower tuition
- Annexation by local election
- 7 ISDs
- City of Austin

# But What about Grants?

- The vast majority of CC grants go to students (e.g. financial aid)
- Operating grants can be helpful to “pilot” to new programs or initiatives, but rarely help fund core operations.
- They can also be great for funding short-term or “one-time” expenses.
  - Perkins is very useful in this regard.
- Remember grants are restricted for specific purposes and most have a finite term.
- Be careful relying on grants to funds on-going operational costs.

# Compensation

- Does your policy establish a minimum wage?
- Does it establish compensation targets and define benchmarks?
  - How do you know if you are competitive?
- Does it define how you measure inflation/COLA?
- Are you sure your budget can support your Compensation Policy?

# Benefits - Health

Governed by State law and Board Policy

- Health Insurance is provided through the State's Employee Retirement System (ERS)
- State funds about 50% of the employer contribution with CC picking up the remainder.
- Generally, an employee must work at least 20 hours per week (half-time) to be eligible.
  - Adjuncts can participate (at their cost) if they teach at least one class each semester for more than 1 year.

Does your College pay for “optional” benefits (e.g. Dental, AD&D, Optional Life, etc)?

# Benefits - Retirement

- ACC participates in the Teachers Retirement System (TRS).
- State funds about 50% of the employer contribution with CC picking up the remainder.
- An employee must “regularly” work at least 20 hours per week to be eligible for TRS.
- Some CCs also participate in Social Security, while others opted out.

Does your College participate in Social Security?

# Other Expenses

- Debt Service
  - Annual payment for outstanding debt
- Capital Outlay
  - Technology and Equipment Plan
  - Facilities Maintenance/Renovations
- Institutional Expenses
  - Insurance, Tax Collections, Utilities, etc
- Departmental Expenses
  - Supplies, Travel, other departmental costs

# Cash Reserves

- Cash Reserves are important for fiscal stability. (The Rainy Day Fund)
- However, too much could imply we have under utilized resources.
- There is no statutory requirement
- Minimum reserves of 2-3 months of operating expenses is very common.

**Do we have a Cash Reserve Policy?**

# Procurement

- Regulated by state law and Board policy.
- Generally, CCs must follow the same laws as ISDs (Chapter 44 Education Code).
  - Requires an statutory procurement method for goods or services costing \$50k or more in a 12-month period.
  - There are special laws for certain types of professional services, like attorneys, accountants, engineers, etc.
- Board Policy should establish clear delegation limits for the CEO
  - Purchases above these limits should require Board approval

What are your delegation limits and does your policy have different limits or processes for different types of purchases (e.g. construction services)?



# Investments

- CC investments are governed by the Texas Public Funds Investment Act (PFIA).
  - The PFIA requires the Board to adopt an investment policy.
  - Additionally, PFIA requires the Board to appoint one or more Investment Officer(s).
  - The PFIA lists the allowable types of investments.
    - Board policy can be, and probably should be, more restrictive.
  - PFIA requires the Board receive investment reports at least quarterly.
- The Board must approve College depositories

**Do you know where the funds are and if they are safe?**

# Financial Reporting

- Annual Financial Report (AFR)
  - CCs are required by law to prepare an “audited” annual financial report.
  - The Board selects the financial auditor and the auditor reports to the Board.
- Budget to Actuals Report
  - Board should receive Budget to Actuals reports through out the year.
    - Could be monthly, quarterly or semester.

**Does your audited AFR reflects the budget performance that was reported in your Budget to Actuals reports?**

# Debt Financing Options

- All College debt requires Texas AG approval.
- General Obligation Debt
  - Supported by local ad valorem taxes
  - Voter approved (election required)
- Combined Fee Revenue Debt
  - Supported by tuition and fees
  - Board approval (no election required)
- Public Facilities Corporation Finance
  - Supported by lease payments by the District
  - Board approval (no election required)
- Maintenance Tax Notes
  - Supported by local ad valorem taxes
  - Issued for maintenance and renovation of existing capital improvements
  - Board approval (no election required)