



# Jackson College Board of Trustees

## Monitoring Report: EL – 03 Planning

Report Date: 06.13.22 & 08.08.22

**Note: Board Policy is indicated in bold typeface throughout the report.**

I present this monitoring report to the Jackson College Board of Trustees which addresses the Board's Executive Limitations Policy: "Planning". I certify that the information contained in herein is true and represents compliance, within a reasonable interpretation of the established policy, unless specifically stated otherwise below. Please note that all of my interpretations of the policy remain unchanged from the previous report, unless otherwise noted.

06.13.22 & 8.8.22

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Daniel J. Phelan, Ph.D.  
President and CEO

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Date

### **POLICY STATEMENT:**

**The President shall not permit planning that allocates resources in a way that risks fiscal jeopardy or that is not aligned with achievement of the Board's ENDs. Further, without limiting the scope of the above statement by the following list, the President shall not:**

### **INTERPETATION:**

I have fully interpreted "allocates resources in a way that risks fiscal jeopardy" in policy items #2, #3 (3.1, 3.2, 3.2.1, 3.2.1.2, 3.2.1.2), #4, #5, #6, #7, #8, and #9; and fully interpreted "allocates resources in a way that is not aligned with the achievement of the Board's ENDs" in policy items #1 (including 1.1) #9 (9.1) Compliance with these lower-level policy items constitute compliance with this policy.

**1. Operate without a documented, multi-year strategy that can be expected to achieve a reasonable interpretation of the ENDS.**

**INTERPETATION:**

Compliance will be demonstrated when the President's Strategic Agenda demonstrates a clear alignment from the ENDS policies through to operational priorities assigned to the Leadership Council which, in sum, is responsible for the total operational activity of the College.

**EVIDENCE:**

A review of the Strategic Agenda on 03.31.22 confirms the operational activity in each respective Leadership Council Member's area of responsibility is clearly aligned to each of the ENDS policies.

**2. Permit budgeting for any fiscal period, or the remaining part of any fiscal period, that is not derived from the multi-year plan during that year.**

**INTERPETATION:**

Compliance will be demonstrated when the budget aligns with the current year in the three-year (i.e., pro-forma) financial plan.

**EVIDENCE:**

This three-year pro-forma was provided to the Board for consideration, as evidenced in at the Regular Board Meeting budget documents of 06.13.22, as well as on the College's web page.

**3. Permit financial planning that omits credible projection of revenues and expenses, separation of capital expenditures and operational expenses, cash flow projections, prior year comparisons, and disclosure of planning assumptions.**

I have partially interpreted prior year comparisons in 3.1 and partially interpreted separation of capital expenditures in 3.2. Compliance will be demonstrated by compliance with the lower-level policy items, as well as the following:

- a) Projected revenues from tuition and fees are based on a regression analysis of historical enrollment, adjusted against current events and the President's initiatives.
- b) Housing revenues are derived from prior year application analysis adjusted following consideration of actual and/or potential impactful, societal events.
- c) Property tax revenue is derived from property valuations, less the Headlee rollback effects on our millage rate.
- d) State Appropriations revenue assumptions are derived from information provided by my analysis following a review of state projections and consideration of a likely state budget outcome, given that our College budget needs to be codified fully three months before the State budget is required to be completed.

- e) Contract training revenue, Potter Center Activity, miscellaneous revenue, and Transfers Revenues are derived from historical activity.
- f) Hospitality Services revenue is derived from housing occupancy assumptions, based on the sale of a mandatory meal plan.
- g) Wages, Retirement and Benefit expense are derived from the current staffing roster, adjusted for labor agreement requirements, changes in State and Federal requirements, as well as the addition of new staff to the budget.
- h) Services – Staffing Agency, Services, Materials, Rent, Utilities, Insurance and Other operating costs are derived from historical trends, adjusted for current revenue assumptions.
- i) Transfers-Debt Services is derived from our debt repayment schedule for the required payments on outstanding obligations that year (this is noted in the debt schedule shared with the Board each year).
- j) Capital Equipment & Transfers are derived by the residual income over expenses after all other expenses are planned.
- k) The budget book includes five-year facilities plan for capital expenditures.
- l) Cashflow projections are prepared and reviewed with the Leadership Council, while ensuring the satisfaction of the Board requirements of two-month's operating on hand.
- m) The budget book includes planning assumptions.

This is reasonable because all budget items are derived in a way which is comparable to budget planning in other colleges of comparable size.

#### EVIDENCE

Revenue:	Budget Book Location
Tuition & Fees	pg7-9
Housing	pg3-5
Property Taxes	Pg 11
State Appropriations	pg 3-5
Contract Training	pg 3-5
Hospitality Services	pg 3-5
Expenses:	
Wages, Retirement & Benefits	pg 3-5
Services - Staffing Agency, Services, Materials, Rent, Utilities, Insurance and Other Operating	pg 3-5
Transfer - Debt Service	pg 3-5
Capital Equipment and Transfers	pg 3-5
Facilities Plan for Capital Expenditures	pg 15
Planning Assumptions	pg 3-5

### **3.1 Omit prior year comparisons for departments.**

#### **INTERPETATION:**

Compliance will be demonstrated when there is a presentation of prior year activity and new year budget for operational departments as part of the College's general fund.

This is reasonable because year-end and the new budget are standard way of presenting prior year comparisons.

#### **EVIDENCE:**

A review of the current budget by the CFO and the President, on 03.31.22, demonstrates that pages 20-35 include a prior year comparison.

### **3.2 Omit in the annual operating budget adequate provision for plant and facilities maintenance, electronic and institutional equipment and program and course development, staff development and institutional research.**

I have interpreted this policy in policy items 3.2.1, 3.2.1.1, and 3.2.1.2 below. Compliance with these items will constitute compliance with this policy.

#### **3.2.1 Provide less than the amount required to address critical deferred maintenance.**

##### **INTERPETATION:**

I have interpreted the amount required to address critical deferred maintenance in policy items 3.2.1.1 and 3.2.1.2. Compliance will be demonstrated when there is compliance with 3.2.1.1 and 3.2.1.2.

##### **3.2.1.1 Less than 4.5% of the total operating budget allocated for plant and facilities maintenance.**

##### **INTERPETATION:**

Facilities maintenance is part of the capital budget. Compliance will be demonstrated when the total amount of plant transfers budgeted, debt, and transfers at year end, are at least 4.5% of the budgeted operating revenues.

##### **EVIDENCE:**

In the most recent budget, 0.16% of the beginning operating budget was budgeted for plant transfer. The current operating budget has a debt service requirement of 10.0% which would aid in compliance with the 4.5%. the debt service is derived from the building and renovation of college facilities.

**3.2.1.2 Less than 3.5% allocated for technology and institutional equipment.**

**INTERPETATION:**

Technology and institutional equipment are part of the capital budget. Compliance will be demonstrated when the total for technology and institutional equipment is included in the 3.5% of the operating budget planned for capital equipment, year-end transfers, and debt.

**EVIDENCE:**

In the most recent budget, 0.9% of the beginning operating budget was budgeted for capital equipment. The current operating budget has a debt service requirement of 10.0% which would aid in compliance with the 3.5%.

**4. Permit financial planning that omits credible three-year pro-forma trend of revenues and expenses.**

**INTERPETATION:**

Compliance will be demonstrated when the budget book presentation includes a rolling three-year proforma that has alignment with the current year budget adjusted as the year's activities proceed.

**EVIDENCE:**

This three-year pro-forma is provided to the Board, as evidenced in by the Regular Board Meeting budget documents of 06.14.21, as well as on the College's web page.

**5. Permit financial planning without a projected five-year facilities master plan.**

**INTERPETATION:**

The five-year facilities master plan is developed in support of ENDs achievement and financed through debt and transfers from the general operating activities of the College. Compliance will be demonstrated when the five-year facilities master plan is used as a basis for determining priorities in a current year along with changing conditions and available funding.

**EVIDENCE:**

A review of the prior year completed projects listing confirms the projects were in the five-year master plan, which appears in the 06.13.22 Board Pack.

**6. Permit planning that risks any situation or condition described as unacceptable in the “Financial Condition and Activities” policy.**

**INTERPRETATION:**

Compliance will be demonstrated when cash flow projections:

- a) Are based on timely payment of payroll (EL-04),
- b) Do not plan for the use of restricted or designated funds for other than purposes for which account was established.
- c) Project a year-end deficit.

**EVIDENCE**

- a) A review of the cashflow statement on 03.31.22 by the CFO and President confirms payroll is forecasted using the wages and benefits budgeted for the year.
- b) A review of board minutes for this reporting periods ending 06.30.21 show board approval for use of any restricted or designated funds planned for use in the budget.
- c) The board approved budget projects a balanced budget for the fiscal year.

**7. Permit financial planning that does not provide the amount of operating funds determined annually by the Board for its direct use during the year to ensure Board advancement and competent governance of the College, such as costs of fiscal audit, Board development, Board and committee meetings, Board legal fees, and ownership linkage**

**INTERPETATION:**

Compliance will be demonstrated when the budget for the Board's direct use is identified as a separate department in the budget and is approved by the Board as part of the adoption of the annual operating budget.

**EVIDENCE:**

A review of the current budget, approved by the Board on 06.21.21 confirms that \$278,500 have been allocated for Board professional development and advancement activities.

**8. Allow an annual operating budget in which more funds are to be dispersed than are conservatively projected to be received.**

**INTERPETATION:**

Compliance will be demonstrated when the projected year-end income over (under) expenses is zero or greater.

**EVIDENCE:**

A review of the current budget confirms the projected year end income is \$719.

**9. Permit planning that endangers the fiscal soundness of future years or ignores the building of organizational capability sufficient to achieve ENDS in future years.**

**INTERPRETATION:** I have interpreted the building of organizational capacity sufficient to achieve ENDS in future years in policy items. Compliance will be demonstrated with compliance with those items, as well as the following.

- a) Labor contracts do not incur long-term future financial commitments that are not provided for in our three-year pro-forma; and
- b) Borrowing (i.e., debt service) does not exceed 10% of the annual operating expenses, which is consistent with the historical threshold previously used by the Board.

**EVIDENCE:**

- a) A review of the current three-year pro-forma includes the cost increase associated with the current labor agreements.
- b) A review of the three-year pro-forma confirms the cost of debt service is 9.9% in FY '22, 9.8.% in FY '23, 7.4% in FY '24, 7.1% in FY '25 and 7.0% in FY'26 of each years projected expenses.

**9.1 Operate without succession plans to facilitate smooth operations during key personnel transitions and ensure competent operation of the organization over the long-term.**

**INTERPETATION:**

- a) I interpret the 8 Leadership Council Members positions as key personnel which is reasonable because, in total, they cover all areas of the operation of the College. Compliance will be demonstrated when: Each Leadership Council Member has identified, to the College President, an interim successor.
- b) Each Council Member Successor is provided current operational information and has the opportunity to fill the responsibilities of the position from time to time.

- c) Each Council Member Successor is aware of their responsibility to the operations of the College and the Leadership council.

**EVIDENCE:**

- a) Each Leadership Council Member confirmed on 02.24.22 that they have an identified interim Successor to the President.
- b) Each Leadership Council Member confirmed on 02.24.22 that they provide information to named successor about the current college operations and provide opportunity for them to fill positional responsibilities from time to time.
- c) Each named Successor confirmed on 02.24.22 that they are aware of their opportunity and how to access current operations of the College.

**9.2 Permit the College to be without sufficient organizational capacity and current information about President and Board issues and processes for the competent operation of the organization to continue in the event of sudden loss of President services.**

**INTERPETATION:**

I have partially interpreted sufficient organizational capacity in 10.2.1. Compliance with that policy as well as the following will demonstrate compliance with this policy.

- a) Minutes of the Leadership Council confirm that it regularly discusses current operations of the organization.
- b) The Leadership Council understands how the organization is evaluated under Policy Governance and is involved in the development of Board Monitoring Reports.

The interpretation is reasonable because it covers the two areas critical to continuity of the Presidents role; Operations of the College and support of the Board's assessment of organization performance

**EVIDENCE:**

- a) A random sampling of the Leadership Council Meeting Minutes for the past year confirms there is a discussion of current operations in every meeting.
- b) Over the past year contributions to the monitoring reports has been made by 4 of 9 members.



**9.2.1 Prepare no fewer than two College executive staff to assume operation of the organization for a Board determined interim period.**

**INTERPETATION:**

I interpret as that “the assumption of the operation of the organization” includes the same authority and responsibility as the President. Compliance will be demonstrated when:

- a) There is a documented succession plan with two named Leadership Council members that delineate the respected authorities and responsibilities of the President, for which each person is accountable during a temporary absence of the President of less than 6 months.
- b) When the two named successors, as determined by the President, are shared, in order, with the Board of Trustees.
- c) When the two named successors confirm their knowledge of their role as successor, and their responsibilities and accountabilities in the event of an absence.
- d) When the two named successors are required to attend monthly Board Meetings, Planning Sessions, and appropriate Board communications.

The interpretation is reasonable because it supports the Board’s ability to apply policy BMD-5 President Succession.

**EVIDENCE:**

- a) A review of administrative policies on 02.24.22 confirmed that there is a documented succession plan.
- b) The President confirms that he has shared the two named successors with the Board of Trustees at their Fall 2021 Planning Session.
- c) The Chief Legal, Talent, Equity & Administrative Officer and Chief Academic & Student Services Officer confirmed on 02.24.22 that they are aware they are named successors in respective order.
- d) A review of minutes confirmed the named successors present at board meetings.

The Jackson College Board of Trustees accepted this monitoring report as fully compliant at the regular Jackson College Board Meeting on August 8, 2022.