Jackson College
Board of Trustees

Monitoring Report:
EL – 03 Planning

Report Date: 06.12.23

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.

	06.12.23
Daniel J. Phelan, Ph.D. President and CEO	Date

POLICY STATEMENT:

The CEO 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 CEO 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 I have 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:

I have interpreted that compliance with this policy statement will be demonstrated when the CEO's Strategic Agenda, an evergreen planning document, consisting of 18 months of goals, strategies, and tactics, 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. I further interpret this policy to be compliant when the proposed budget and debt schedule for each year include a pro-forma projection of not less than 3 years.

This interpretation is reasonable insofar as the use of a strategic planning document and proforma budget data are traditional tools used in the achievement of Board policy directives.

EVIDENCE:

Jackson College embarked on the creation of an inclusive Strategic Agenda process this year which included voices from across the campus including the Administrative Council, Coordinating Council, and Leadership Council. Feedback was gathered from across the campus through listening sessions and online surveys. The four goals identified, and their corresponding strategies and tactics align well with the Board's ENDS policy. The CFO confirmed on 06.09.23 that the Strategic Agenda is listed on the College's Intranet. Additionally, the CFO confirmed that a 3-year pro-forma is included in the FY '24 budget book.

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:

I have interpreted that compliance with this policy statement will be demonstrated when the proposed new budget aligns with the current budget year, both appearing in the three-year pro-forma financial plan presented each year to the Board.

This interpretation is reasonable insofar as, the Board will have previously seen the three-year pro-forma from the prior year's budgeting process, as well as monthly reporting on budget actuals, as it considers the budget and planning for the next academic year.

EVIDENCE:

The CFO confirmed on 06.09.23 that a three-year pro-forma was provided to the Board for consideration, as evidenced in the Regular Board Meeting budget documents of 06.12.23, as well as on the College's transparency webpage. Also confirmed on 06.09.23 are the placement of monthly budget actuals on the Board'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 interpreted that compliance with this policy statement will be demonstrated when, as noted in 3.1 (prior year comparisons) and in 3.2 (separation of capital expenditures), 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 CEO'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 approved by the Board fully three months before the State budget is required to be completed.

   e) Contract training revenue, performing arts 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 student residence mandatory meal plan, and catering services.

   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.

   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 interpretation is reasonable because all budget items are derived in a manner which is comparable to budget planning processes used in other community colleges of comparable size.

EVIDENCE

The CFO confirmed on 06.09.23 that all aspects described in 3 a) through m) were factored into the FY ‘24 budget proposal presented to the Board for consideration, as evidenced in the Regular Board Meeting budget documents of 06.12.23, as well as on the College’s transparency webpage.

3.1 Omit prior year comparisons for departments and the annual budget summary.

INTERPETATION:

I have interpreted that compliance with this policy statement will be demonstrated when there is budget documentation of prior year activity and new year budget for all operational departments as part of the College’s general fund.

This interpretation is reasonable because year-end reports, and the new budget are standard ways of presenting prior year comparisons.

EVIDENCE:

The CFO confirmed on 06.09.23 that the FY ‘24 budget book includes a prior-year comparison and new year budget for operational departments as part of the College’s general fund. This budget book is provided digitally to the Board and employees each year, once the budget has been approved by the Board.

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 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 Unless otherwise approved by the Board, provide less than the amount required to address critical deferred maintenance.

INTERPETATION:

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

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

INTERPETATION:

I have interpreted that compliance with this policy statement will be demonstrated when the total amount of plant transfers budgeted, debt, and/or transfers at year end, are at least 4.5% of the budgeted operating revenues.

This interpretation is reasonable insofar as the Board of Trustees review and approve the budget at the beginning of the year, as well as any year-end budget adjustments, by the end of the fiscal year.

EVIDENCE:

The CFO confirmed on 06.09.23 that 5.90% of the operating budget will support transfers to Plant, and another 6.45% of the operating budget will support Debt Service.

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.

This interpretation is reasonable insofar as the Board of Trustees review and approve the budget at the beginning of the year, as well as any year-end budget adjustments, by the end of the fiscal year.

EVIDENCE:

The CFO confirmed on 06.09.23 that 0.78% of the operating budget will support capital equipment. The balance needed to achieve 3.5% occurs at the conclusion of the year through institutional transfers.

4. **Permit financial planning that omits credible multi-year (no less than three years) pro-forma trend of revenues and expenses.**

   INTERPETATION:
   I have interpreted that compliance with this policy statement will be demonstrated when the budget presentation, and subsequent budget book, includes rolling three-year pro-forma that has alignment with the current year budget adjusted as the year's activities proceed.

   This interpretation is reasonable insofar as the approved budget is codified in distributed form for Board inspection.

   EVIDENCE:
   The CFO confirmed on 06.09.23 that a three-year pro-forma is provided to the Board, as evidenced in the Regular Board Meeting budget documents of 06.12.23, as well as on the College's transparency webpage.

5. **Permit financial planning without a projected multi-year (no less than five years) facilities master plan.**

   INTERPETATION:

   I have interpreted that compliance with this policy statement will be demonstrated when the College's five-year facilities master plan is included in the Budget preparation documents used as a basis for determining priorities in a current year, with the understanding of the potential for changing economic conditions, as well as available funding.

   This interpretation is reasonable insofar as the Board approved budget is codified in distributed form for Board inspection.

   EVIDENCE:

   The CFO confirmed on 06.09.23 that a five-year master plan is provided to the Board, as evidenced in the Regular Board meeting budget documents of 06.12.23, as well as on the College's transparency webpage.

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

   INTERPRETATION:

   I have interpreted that compliance with this policy statement 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.

This interpretation is reasonable insofar as, all budget planning is reviewed in advance of formal consideration, with the aforementioned items included. Further, the Board approves the annual budget, and receives monthly financial reports, as well as audited financial reports that present the budget plan, contemplating these items, as well as the Board receives audited financials annually that would also consider these items.

EVIDENCE

a) The CFO confirmed on 5.22.23 that payroll is paid timely, and all employees are paid based on the payroll calendar. Control totals are compared to payroll reports to ensure all employees are paid. Payroll withholding taxes are submitted on a biweekly basis that aligns with the payroll schedule.
b) The CFO confirmed on 05.22.23 that restricted and designated funds are only used for the purpose for which each was established.
c) The CFO confirmed on 06.09.23 that a balanced budget is provided to the Board, as evidenced in the Regular Board meeting budget documents of 06.12.23, as well as on the College's transparency webpage.

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 Careholdership linkage.

INTERPETATION:

I have interpreted that compliance with this policy statement will be demonstrated when the budget account for the Board's direct use is identified as a separate department within the overall College.

This interpretation is reasonable insofar as the Board reviews and approves the adoption of the annual operating budget.

EVIDENCE:

The CFO confirmed on 06.09.23 that the Board of Trustees has a dedicated budget, within the overall College budget, to support such costs as professional development, meeting expense, audit, and legal fees.

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

   INTERPETATION:

   I have interpreted that compliance with this policy statement will be demonstrated when the projected year-end income over (under) expenses is zero or greater.

   This interpretation is reasonable insofar as the Board of Trustees receives monthly financial reports on the College's financial activity, as well as audited financial reports.

   EVIDENCE:

   a) The CFO confirmed on 06.09.23 that a balanced budget is provided to the Board, as evidenced in the Regular Board meeting budget documents of 06.12.23, as well as on the College's transparency webpage.

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 that compliance with this policy statement will be demonstrated when budget plans for the board include future years projections that are fiscally viable, 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.

   This interpretation is reasonable insofar as the Board receives annual budget planning documents which include elements of fiscal soundness, debt services, and projected outcomes of negotiated contracts in those years when union contracts are expired.

   EVIDENCE:

   a) CFO confirmed on 06.09.23 that a review of the current three-year pro-forma includes the cost increase associated with the current labor agreements.
   b) CFO confirmed on 06.09.23 that a review of the three-year pro-forma confirms the cost of debt service is 9.8.% in FY '23, 6.45% in FY '24, 6.2% in FY '25, 6.02% in FY'26, and 4.15% in FY'27 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:
I have interpreted that compliance with this policy statement will be demonstrated when

a) Each Leadership Council Member has identified, to the College CEO, 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.

This interpretation is reasonable insofar as the Leadership Council Members' positions are key operational personnel and cover all areas of the operation of the College.

EVIDENCE:

a) The CFO confirmed that during the FY '23 Q3 Strategic Session on 03.02.23 succession plans were shared by each Leadership Council member.

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

INTERPETATION:
I have interpreted that compliance with this policy statement will be demonstrated when, (partially as noted in 10.2.1) as well as the following:

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.

c) Performance Management Interviews (PMIs) between the Leadership Council member and their direct reports reveal discussions of larger operations in the area under supervision, as well as discussion of leadership growth and a pathway for doing so.

The interpretation is reasonable because it covers the two areas critical to continuity of the CEOs role; Operations of the College and support of the

Board’s assessment of organization performance. Further, PMI meetings, with direct reports, are a mandated requirement of all Leadership Council Members.

EVIDENCE:

a) The CFO confirmed on 06.09.23 that the Leadership Council discusses operations of the organization especially during this year’s Strategic Planning and Agenda sessions.

b) The CFO confirmed on 06.09.23 that Leadership Council members are providing evidence in support of the monitoring reports.

c) CFO confirmed on 06.09.23 that PMIs continue to be an important and critical practice in the success of each employee, their supervisor, and the institution. The PMIs are required to be conducted quarterly for all College employees.

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 have interpreted that compliance with this policy statement will be demonstrated when (assuming that “*the assumption of the operation of the organization*” language includes the same authority and responsibility as the CEO):

a) There is a documented succession plan with two named Leadership Council members that delineate the respected authorities and responsibilities of the CEO, for which each person is accountable during a temporary absence of the CEO of less than 6 months.

b) When the two named successors, as determined by the CEO, 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 CEO Succession.

EVIDENCE:

a) The CFO confirmed that during the FY ‘23 Q3 Strategic Session on 03.02.23 succession plans were shared by each Leadership Council member.

The Jackson College Board of Trustees assessed this monitoring report and found that it demonstrated compliance with a reasonable interpretation of the policy at the regular Jackson College Board meeting on June 12, 2023.