

COM-FSM Finance Committee--Self-Assessment Report Calendar Years 2012-2013

Introduction

During the above period the COM-FSM Finance Committee (FC) has met and addressed issues that surround the COM-FSM Fiscal Budgets. These meetings included the review and comments on 2012-2016 revenue and expense projections; FY 2013-2014 budget; FY 2014-2015 budget; and budget realignments as they occurred. In polling the committee those who regularly attended meeting responded and indicated they felt they had participated in review. Most indicated that simply reviewing prepared documents in an “ex post facto” manner did not provide the fuller inclusion in the process the members expected. These are addressed in the FC’s recommendations and we believe the recommendations should lead to a deeper appreciation for the Participatory Governance System.

The FC began this working period with long range revenues projected on what was termed a “best case scenario” that is optimistic assumptions that 1) JEMCO decrements would be replaced with like FSM Congressional funding; 2) Revenues from enrollment would slightly increase but certainly not decline; and 3) COM-FSM would hold or even reduce certain expenditures. These matters are discussed elsewhere in our college reports and are mentioned only as background of the environment in which the FC worked and is currently working. This little report keeps in mind

- 1) JEMCO decrements *to date* have been matched with FSM Congressional funds
- 2) Student enrollment has declined significantly and the corresponding revenues—present and projected have impinged upon the college and FC budget work
- 3) The increases in student tuitions and additional fees have only partially offset the projected expenses. This appears true even with all frozen positions extended through FY2014-2015.
- 4) Some positions previously frozen must be reinstated for student welfare and curriculum integrity.
- 5) Because of #2—COM-FSM has been forced to reduce expenses primarily by reducing personnel expenses to an overall level of 60% of budget and percentage that may be unrealistic.
- 6) The “cash budget” through September 30, 2014 will likely be balanced if 80% of summer enrollment is reached and most of the frozen positions remain so.

- 7) FC may look forward to major challenges for the FY2014-2015 and beyond. In this light FC is prepared to engage in what is now being termed “reengineering.

While the FC’s Terms of Reference (TORs) prescribes how the committee carries out its duties our primary function rests in the COM-FSM Budget Preparation Manual—Stage 8

There are twelve stages in the preparation of the budget:

Stage 1: VPAS prepares the budget guidelines.

Stage 2: VPAS, in coordination with other vice presidents (VPs), makes a list or statement of assumptions and revenue projections.

Stage 3: VPAS, in coordination with other VPs, develops the budget timeline based on the guidelines, assumptions and revenue projections in Stages 1 and 2.

Stage 4: VPs determine resource allocations for their respective departments.

Stage 5: IRPO (or other designated unit supervisor) conducts budget preparation training workshops, during which campus deans and office directors prepare their respective unit budgets.

Stage 6: VPs hold budget hearings within their respective departments.

Stage 7: VPAS consolidates the budget.

Stage 8: Planning & Resource Committee (PRC) and Finance Committee (FC) jointly review the resource allocations in the budget and submit recommendation to Executive Committee (EC).

Stage 9: EC reviews and endorses the budget to the president.

Stage 10: President approves and submits the budget to BOR, or rejects and returns the budget to EC.

Stage 11: BOR approves the budget, subject to any final revisions it deems necessary.

Stage 12: President transmits the BOR-approved budget to FSM government.

Comments and Recommendations-General

STAGE EIGHT

During the past two years the FC has been actively involved in the college budget review process

In February/March 2014 the FC membership was polled and asked to list and describes two things about the FC review process that worked. These were the near unanimous aggregate responses

- Made members aware of situations COM-FSM is going through.
- Feel that members are contributing to the college.

However when asked to list and describe two things about the FC process that needed to be improved there were several general and several specific comments that were offered.

- Communication with off island members continues to be a challenge during meetings. IT needs to address this ASAP, otherwise state members can't be effective officers.
- Attendance is also a challenge for the members, this might be due to the communication issues but some are on island and have never shown up. We need to ask their supervisors to nominate new ones.
- We need to somehow be involved earlier—what can be done if we see nothing but a finished budget as it is on its way to the BOR or FSM Government.
- The Budget Procedures Handbook even when adhered to still do not provide the FC time or opportunity to understand, monitor or input effectively into the overall Participatory Governance System.

With these general comments in mind the following general recommendations are offered.

Recommendations

1. Rather than mentioning FC in earlier stages of the Budget Preparation Manual incorporate both the Vice President of Administrative Services and the Comptroller as ex-officio members of the FC. This should adequately keep the FC updated as to Stages 1-7.
2. All officers to attend August training requested by Council of Chairs to be arranged through Secretariat
3. Request a review of year administrative activities and timeline by ex-officio members in August each year. This is in addition to officers' training
4. Request Campus—FC members be included early on in Campus Budget development—Stage 5 w/campus deans
5. Insert provisions for replacement of habitually absent FC members in Terms of Reference.
6. Together with the other COM-FSM Standing Committees urge and support the Information Technology in any improvements that can be made to facilitate meeting via electronic methods.
7. Review TORs section C. Membership to increase membership and broaden participation.

Comments and Recommendations-Specific

While the FC is charged in Stage 8 with the overall review and recommendations specific items involving revenues and expenditures were discussed and noted from the membership.

When polled for specific areas of participation during the time 2012-2013 years members were once again asked for the positive aspects of the discussion as well as offer ways of improving participation the following:

Facilities Fee Discussions

In past years the college did not adequately budget for maintenance of our facilities, asset management or utilities. While the college was aware of these difficulties there was no way to make proper projections without a Total Cost of Ownership Report. This requirement was duly noted in the recommendations of WASC as part of the college's need to address the 7/2/12 letter when the college was continued on Probation Status.

Recommendation 6: Physical Resources

Recommendation 8: Fiscal Resources

Both of these require a facilities master plan—integrated with our educational plans and supported by our fiscal plan.

In the WASC letter of 7/3/13 –COM-FSM's full accreditation was reaffirmed but Recommendation 6 was again cited. In May 2014 the college reported its work on the facilities master plan and the BECA study and believes we are now on solid ground in our planning efforts.

Nevertheless in 2012 the college prepared a Total Cost of Ownership report which showed that true facilities maintenance and accurate utilities projections would be far beyond our expected revenues as projected through FY 2016.

To this the college adopted a Facilities Maintenance Fee of \$150 per semester and \$50 summer.

Even though the FC had knowledge that the TCO called for needed revenues to support the findings, the comments reflect that FC had little input. In fact one member claimed the matter was not an FC agenda item until after the fees had been approved.

The FC did approve the tuition increases for students. When approved these together with fee increases appeared to the FC to balance the budgets through 2016. FC as the rest of the college did not anticipate the decline in student enrollment and corresponding revenues the major cause of our current concerns.

The FC does understand the necessity for such fees in light of both the TOC report and the BECA study. FC understands that many recommendations in the BECA will require other funding sources. The Finance Committee reviewed the BECA study and by memorandum endorsed the "energy savings" ideas and proposals geared for energy (self) sufficiency and overall savings on utilities—system wide.

As part of the FC's planning function the BECA report was presented to the committee in April 2014. The committee concurs this is the final piece to an overall COM-FSM Integrated Master Plan—which has to now lack the Facilities Master Plan. Committee members noted that that the plan was based upon stable new enrollment figure slightly higher even than 2012. Nevertheless FC agrees this is a final puzzle piece now in place and addresses one very important WASC concern.

Payroll Change Discussions

FC and PRC engaged in more than six hours of committee discussion as to biweekly paydays from

Wednesdays. The topic brought much interest and members brought their own opinions and those of their constituencies. Both committees voted upon this proposal and the votes were forwarded to the Executive Committee.

Some FC members wondered why an administrative decision was not made when an obvious saving in overtime and more efficient use of the business office staff resulted. A concern was also brought up that we once had one payday but split it to regular and contractual employees because the numbers were getting too big to handle. If the employee numbers were too high before to warrant two paydays, why are we going back to one payday when there is an obvious increase in employees. When a slight majority (of the two committees) voted to retain the Wednesday paydays—there was disappointment that the college went ahead with Friday paydays and it was perceived by some members that committee votes were not considered.

Budget Reduction Discussions

Throughout the period (2012-2013) the need for budget reductions were often before the FC. More often than not the information was in the form of needed reduction in expenditures. The FC understood this and always did its work with not knowing if the FSM Congress would fund \$700,000; then \$1,400,000; \$2,100,000 and finally the entire \$2,800,000 in 2016. The COM-FSM administration continues to assure the FC that the FSM Congress will indeed be funding the JEMCO decrement.

Nevertheless the adjusting the FY2014-2015 budget presents major challenges given the incline in enrollment. Minutes reflect that FC has offered a number of minor saving recommendations (use of vehicles) and minor revenues enhancement measures as paid parking.

Strategic Plan Input

During the April 22, 2013 meeting, the topic of the Strategic Plan Draft was brought up and members were to send comments and questions to the Wiki page on the college's website.

Fund Balance

Over the 2012-2013 year FC has reviewed several requests for use of the COM-FSM Fund Balance. When it appeared the first \$700,000 JEMCO decrement may not be forthcoming the 2012-2013 budgets came before both the FC and the PRC showing budget items being funded in this way. Both committees objected to this practice and were assured by VPAS that this was a one-time matter. Fortunately FSM Congress restored the decrement and the Fund Balance was NOT used to augment line items that should be budgeted for revenues.

However the FC has continued to act as "watchdog" for the fund balance. The FC has rejected requests for items as training and only after due diligence approved other "emergency" uses. The committee

understands the proper and permitted uses of the fund balance and the need for adequate reserves. Too the FC will continued to ask offices, division's and departments to budget all the items necessary for operation---and use of fund balance is not part of the budgeting process.

Reengineering

The FC understands that our present revenue picture may require radical expenditure adjustments and even program reduction. Realizing this FC is committed to the concept of "reengineering" COM-FSM. FC is ready to do its part in this and continues to ask the COM-FSM administration for guidance in small contributions and provide the committee with any "big picture" scenarios that may be on the horizon. To this the FC does have two members on the Program Priority Review Committee which may have recommendations as early as June 2014.

The topic may well be a proper one for a joint PRC/FC meeting in the near future.