PALO ALTO COLLEGE
COLLEGE PROCEDURE

Procedure Number:	B7.0
Procedure Title:	Utilization of Lease Agreement Revenue
Relevant Board/SACSCOC Policy:	C.1.1 Financial Ethics and Accountability C.1.3 Appropriations and Revenue Sources C.1.4 Budget C.1.5 Purchasing and Acquisitions D.2.4 Nepotism, Conflicts of Interest
Originating Unit:	PAC Budget Office
Maintenance Unit:	Office of the Vice President of College Services

I. **Purpose:** To provide general principles and guidelines to promote effective control over and proper use of revenues collected from long-term Facility Lease Agreements.

II. **Procedure Statement:** Palo Alto College (PAC) can extend its services to partners or the public on a long-term basis using Lease Agreements (>30 successive days), provided that such use does not interfere with PAC operations and is consistent with PAC's public purpose. Examples are included in **Table 1**. Revenue agreements, accounting, billing, and collection activities must comply with all federal, state, and Alamo Colleges District (ACD) requirements, as well as with the terms and conditions set forth in specific lease agreements.

III. **Financial Ethics, Accountability, and Conflict of Interest:** ACD requires that all ACD trustees, employees, vendors, contractors, consultants, and any other parties who are involved in ACD's financial transactions maintain the highest ethical standards.

   A. PAC employees shall perform their duties in accordance with ACD's finance policies, state and federal law, and act with integrity and diligence in all duties involving PAC's financial resources and contractual obligations.

   B. PAC employees are prohibited from having any personal financial or business interests that could cause a conflict with their assigned duties and responsibilities, or that could create a conflict with the best interest of ACD. This includes any outside employment that could create a substantial conflict of interest.

   C. Communication between the requisitioning department (Requisitioners) and Purchasing & Contract Administration is a mutual responsibility.

IV. **Revenue Requirements:** All departments that collect and process revenue agreements on behalf of PAC must ensure that:

   A. Expense budgets cover the cost of executing agreement(s). See College procedure

B3.0 Funding Request.

B. Revenue agreements are created and properly authorized before PAC commits to provide services, goods, or assets to external parties. See College procedure A20.0 Processing of Contracts and Grants.

C. Appropriate internal controls are adopted for Lease Agreements. See College procedure F12.0 Leasing of College Facilities (Long-Term). Department must:

1. Communicate lease agreement details with the unit(s) impacted and the organizational hierarchy,
2. Collect and timely record and deposit cash receipts (includes paper checks), and
3. Recognize dates for billing external parties,
   a. All bill requests must be submitted to Accounts Receivable (AR) with a copy of the approved agreement. In the event external parties do not pay, AR will initiate the collections process. PAC is not responsible for collecting past due invoices. Billing process is included in college procedure F12.0.
   b. Utilities must be included in the bill request each month at actual cost. At the tenants cost, submeters will be added to buildings.
   c. Revenue must be accurately recorded in Banner for the period in which it was earned. Submit a bill request to AR within five business days from the time services, goods, or assets are rendered, the last day of the billing cycle, or per other terms on the agreement, whichever comes first.

V. Expenditure Requirements: Expenditures considered for funding, utilizing realized lease agreement revenue, must focus on at least two of the three key objectives below. **Table 2** provides examples.

A. Increase campus-wide beautification efforts,

B. Upgrade movable parts such as decorative items, furniture, fixtures, and equipment (FFE) necessary to provide a suitable learning environment, and

1. The tenant shall be solely responsible for covering the expenses associated with customizing the premises as per their specific requirements, irrespective of whether such customization is applicable by law to the tenant.

C. Support and promote the mission of PAC.

VI. Considerations: Certain College programs, operations, and ACD-managed units are allocated a separate budget or revenue source to fund a specific function. Lease Agreement revenue enables PAC to strategically fund and link activity to the overall strategic plan, impacting a larger community.

A. Preventive Maintenance (PM) and Deferred Maintenance (DM) costs will not be considered for funding with lease agreement revenue.

B. Program- or department-specific equipment will not be considered for funding with lease agreement revenue.

   1. Special Program Tuition revenue is an additional funding source that enables high-cost programs to replace equipment or purchase other program-specific FFE.
   2. For all other program- or department-specific FFE purchases and deliveries on campus, see procedure F16.0 – Furniture, Fixtures, and Equipment Replacement.

C. Event-specific items which cannot be used across PAC will not be considered for funding with lease agreement revenue.

VII. Carryforward Gain or Loss: Lease Agreement revenue is recorded in a multi-year 17-fund. Gains or losses accumulate over time allowing PAC to cover future expenditures that may or may not be planned during the same year the revenue was collected. For instance, expenses related to replacing furniture and equipment for new or existing innovative areas ensure PAC continuously offers an array of modern designs and functional learning environments to support student engagement, enhance the instructional atmosphere, explore new technology opportunities, and provide open access to the entire community.

A. The carryforward amount will depend on the audited financial statements approved by the Board of Trustees in December. The District Budget Office will furnish a report with carryforward balances to the College Budget Office every January.

VIII. Standards and Evaluation: PAC has established consistent maintenance standards to properly evaluate furniture, fixtures, and equipment. See procedure F16.0 for more details.

A. The College's Operations and Safety teams and the Facilities and Building Management teams will conduct annual assessments of properties and facilities for this purpose.

Attachments:

Date Created: March 19, 2024

Date Approved: April 2, 2024

Approved:

(signed: Katherine Doss)
Vice President of College Services

(signed: Robert Garza)
Palo Alto College President

APPENDIX

Table 1

PAC Services Extended to External Parties Using Long-Term Lease Agreements

Description	Examples
PAC Miscellaneous Rentals	Individual classrooms, parking lots, or other spaces
PAC Food Truck Park	Food truck space (30-day lease minimum)
PAC Building Rentals	Early College High School and Dual Credit; multiple classrooms, partial or entire buildings, portable buildings, etc.

Table 2

Examples of Purchases Considered for Funding

Category	Examples
Campus-wide beautification efforts (unrelated to PM or DM)	• Building signage • Uplift of pathways and parking lots • Trees and plants in areas of high traffic • New floors and roofs • Built-in desks and shelving • Other immovable building parts like faucets and toilets
FFE (unrelated to PM or DM)	• If you were to turn the building upside down and shake it, FFE are everything that would fall out. • Furniture: desks, chairs, tables, sofas • Fixtures: lamps, artwork, shelving, and other decorative items • Equipment: computers, servers, monitors, and special equipment
Supporting and promoting the mission of PAC	• Purchases that add value to classroom instruction and curriculum • Expenditures that promote the educational development and morale of PAC students and employees