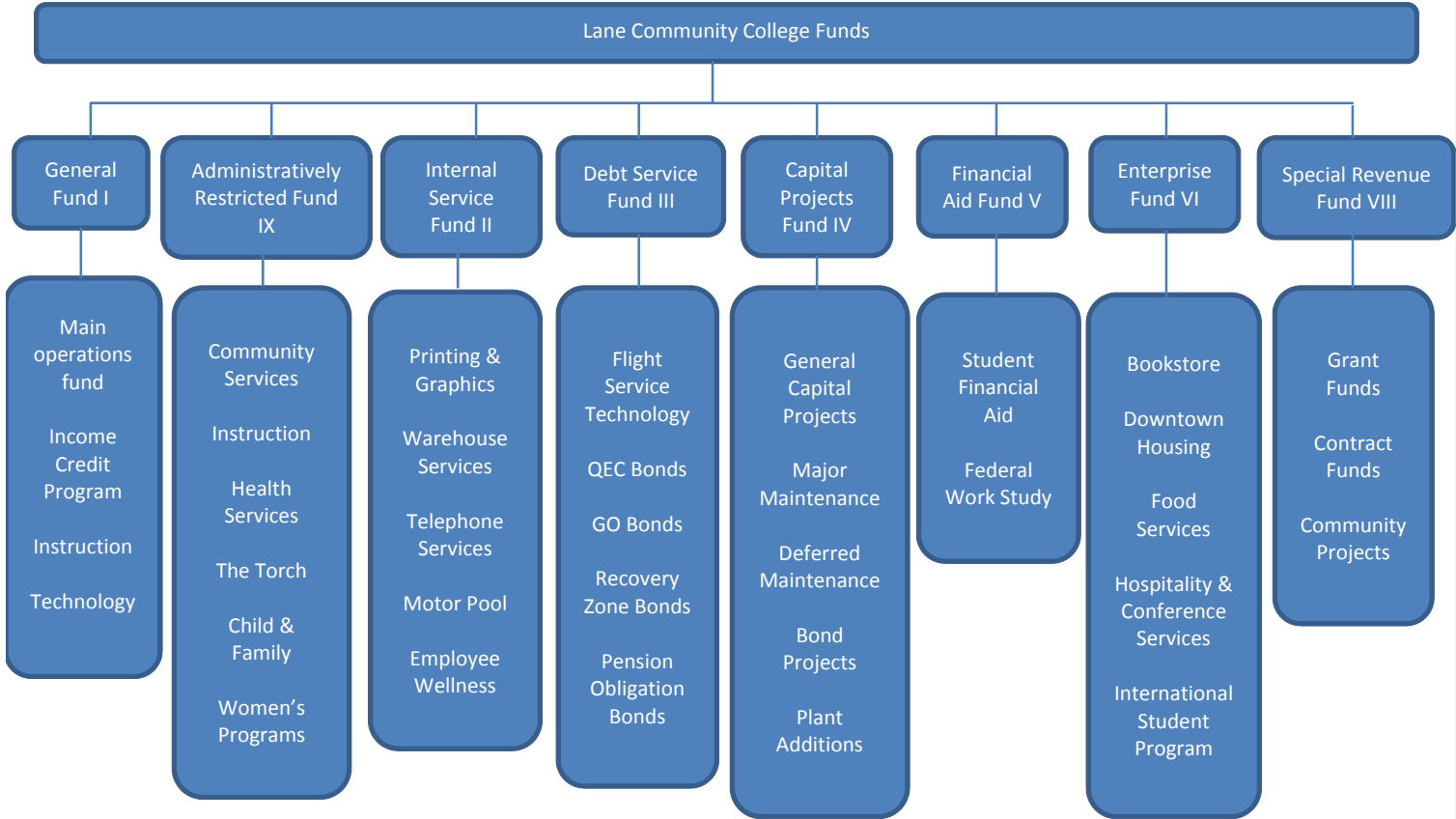


# Financial Structure & Policies

## Fund Structure

Lane Community College’s budget is separated into funds appropriated by the Board of Education. Each fund is independently budgeted, operated and accounted for. The college’s primary budgeting and operation funds, the focus of this Long-Range Financial Plan, are the General Fund (I) and the Administratively Restricted Fund (IX).

Figure 1: Lane Community College Fund Structure



## Budget Development Process

Lane’s annual budget presents revenue and expense plans for the forthcoming fiscal year and reflects short-term objectives budgets on an annual basis. The budget development process follows [Oregon Local Budget Law](#) and is outlined in the college’s annual [Budget Document](#).

## Policies

*Financial policies are central to a strategic, long-term approach to financial management<sup>1</sup>.*

Lane’s board of education has adopted the following series of financial policies that provide the guiding framework for the college’s financial practices and desired financial outcomes. These policies reflect recommended best practices as outlined by the Government Finance Officers Association in scope and content. In keeping with best practice, policies are reviewed by the finance council and the board of education on an ongoing basis.

### **Policy BP205: Asset Protection**

The president shall assure that assets are protected, adequately maintained, and not placed at risk.

Accordingly, the president shall:

1. Insure against theft and casualty losses and against liability losses to board members, staff, and the organization itself in an amount similar to the average for comparable organizations.
2. Prevent uninsured personnel from access to material amounts of funds.
3. Assure that plant and equipment are not subjected to improper wear and tear or insufficient maintenance.
4. Assure that the organization, its board, or staff, are not unnecessarily exposed to claims of liability.
5. Assure that every purchase:
  - a. Includes normally prudent protection against conflict of interest; and
  - b. Of over \$100,000 for goods and services contracts or \$150,000 for public improvements contracts includes a stringent method of assuring the balance of long-term quality and cost.
6. Protect intellectual property, information, and files from loss or significant damage.
7. Receive, process, or disburse funds under sufficient controls to meet the board-appointed auditor’s standards.
8. Invest or hold operating capital in excess of daily requirements in accordance with ORS 294.035.
9. Not endanger the organization’s public image or credibility, particularly in ways that would hinder the accomplishment of its mission.
10. Not name a building, substantial parts of buildings, or significant landscape features of Lane Community College without prior approval of the board; and, when a building has substantial support from a donor, without prior involvement of the Foundation.

<sup>1</sup> Government Finance Officers Association, “Adopting Financial Policies”

**Comment [JenS1]:** Need to check for updates e.g. tuition policy

**Comment [JenS2]:** Finance Council should review these over the course of the planning process and determine any recommended changes.

***Policy BP210: Board Duties and Responsibilities: Budget Making***

The board of education has the responsibility to:

1. Adopt the annual budget before July 1 of the budget year.
2. Act as the levying board in the budget process.
3. Assist in presenting the needs of the college to the public and assist in the adoption, through the formulated budget process, of a budget that will address these needs.
4. Appoint the seven members with whom they shall serve jointly as the budget committee.
5. Review student tuition rates annually.

***Policy BP215: Budget Officer***

The president or designee shall serve as budget officer. The budget officer shall be responsible for preparation and maintenance of the budget document in compliance with Local budget Law [ORS 294].

***Policy BP220: Budget Preparation and Adoption***

At the direction of the board of education, the president shall study budget needs and prepare recommendations on programs and services for budget committee consideration. The recommendation of advisory committees and interested citizens and organizations within the college district shall be considered by the president in developing the budget document. The college budget shall be prepared and adopted in compliance with Oregon Local Budget Law [ORS 294].

***Policy BP225: Budgeting of Non-Recurring Resources***

Non-recurring resources are resources that are not part of an annual revenue stream. Non-recurring resources include but are not limited to such categories as:

- Fund balances (i.e., “carryover”)
- Reserves
- One-time grants or awards of money
- Funds withheld from annual budget allocations e.g., funds held back from annual general fund transfer to capital repair & improvement)
- Special allocations from the state (e.g., allocations from the Emergency Board)
- Other special allocations (e.g., “seed money” for a project)

Non-recurring resources shall not be budgeted for ongoing recurring expenditures.

Non-recurring resources maybe allocated or one-time expenditures including but not limited to the following:

- Capital equipment
- Capital construction
- Investment in a new program or service that will move to recurring funding sources after a specified trial period
- Projects related to strategic directions of the college

However, the college shall not rely on non-recurring resources for funding ongoing needs such as major maintenance and equipment replacement.

***Policy BP230: Capital Reserve Funds***

The college shall establish and maintain separate reserve funds (as described in ORS 341.321 and ORS 294.525) in capital projects fund IV for the following purposes:

1. To replace capital equipment that is broken or beyond its useful life as determined by the capital assets replacement forecast;
2. To maintain and repair college facilities according to the major maintenance schedule;
3. To maintain and upgrade the college’s information/telecommunications system according to planning schedules maintained by information technology;
4. To build new instructional facilities and/or to purchase property that facilitate planned long-term growth of the college.

Appropriate levels of funding for reserves will be determined using existing college decision-making structures. The president will make recommendations to the Board of Education for approval to establish and fund these reserves.

Optimal funding levels will be determined using benchmarks, professional standards and best practices from other colleges and adapting these to Lane’s specific situation. It is expected that full funding of these reserves will take place over a number of years and that annual transfers to these reserves will be budgeted from the general fund and other sources as appropriate.

As required in ORS 294.525, the board shall periodically review the reserve fund “and determine whether the fund will be continued or abolished.” While ORS 294 allows review to take place every 10 years, reserve funds established under these policies shall be reviewed (a) annually by the president; and (b) at least every three years or more frequently as determined by the board.

As allowed in ORS 294.525, the board may determine at any time that a reserve fund is no longer necessary or that some or all of the reserves may be transferred to the general fund.

***Policy BP235: Debt Issuance and Management***

The president shall ensure that sufficient funds are available to meet current and future debt service requirements on all indebtedness, while adequately providing for recurring operating requirements. The issuance of debt limits the college's flexibility to respond to future learning priorities; consequently, the college shall issue and manage debt in a manner which maintains a sound fiscal position, protects its creditworthiness and complies with ORS 341.675 and ORS 341.715.

To meet the objectives of this policy the president shall ensure that the college incurs and services all debts in a manner that will:

- Maintain a balanced relationship between debt service requirements and current operating needs.
- Maintain and enhance the college's ability to obtain access to credit markets, at favorable interest rates, in amounts needed for capital improvements and to provide essential learning services.
- Prudently incur and manage debt to minimize costs to the taxpayers and ensure that current decisions do not adversely affect future generations.
- Preserve the college's flexibility in capital financing by maintaining an adequate margin of statutory debt capacity.

The board shall approve borrowing as described in Board Policy BP315. Long-term debt (due more than a year in the future) shall not be issued to fund normal operating needs.

***Policy BP240: Definition of a Balanced Budget***

The board directs the president to develop annual budget recommendations that are in accordance with the college's strategic plan and conform to the requirements of Local Budget Law [ORS 294.326]. The budget shall provide for:

- Annual operating expenditures not to exceed projected revenues (expenditures shall be budgeted according to the college's strategic priorities).
- Debt service, both current (due in less than 12 months) and long term.
- Reserves for maintenance and repairs to its existing facilities.
- Reserves for acquisition, maintenance and replacement of capital equipment.
- Reserves for strategic capital projects.
- Funding levels to fulfill future terms and conditions of employment, including early retirement benefits.
- Allocations for special projects related to the strategic directions of the college.
- Allocations for contingencies (unforeseen events requiring expenditures of current resources.)
- Ending fund balances (according to policies set specifically for that purpose.)

Lane has a further responsibility to:

- Plan how it will spend any “onetime” unanticipated revenue, allocating it strategically and prudently between:
  - The restoration of any shortfall to targeted ending fund balances,
  - Currently unfunded projects in the strategic plan, and/or
  - Holding some of all of it in reserve during financially volatile periods.
- Permanently stabilize its finances in their entirety (operating budget, reserves, contingencies and ending fund balances) when it perceives a long term change (increase or decrease) to its available future recurring resources.

***Policy BP245: Ending Fund Balance***

Lane Community College shall maintain an unrestricted general fund ending fund balance equal to or greater than 10% of total expenditures and transfers.

The ending fund balance target shall include the unappropriated ending fund balance (UEFB) as set by board policy BP295. When the ending fund balance falls to 9% or less, the college shall adopt a plan to replenish the ending fund balance to 10% within two years. When the ending fund balance exceeds 11%, balances in excess may be set aside for reserves or investment in one time expenditures.

If the total ending fund balance (including restricted) falls to levels that require short-term borrowing, the levels set by this policy shall be automatically reviewed and adjusted as necessary.

***Policy BP255: Financial Condition and Activities***

With respect to the actual, on-going financial condition and activities, the president shall avoid fiscal jeopardy and assure that actual expenditures reflect board priorities as established in ends policies.

Accordingly, the president shall:

1. Not expend more funds than have been received in the fiscal year to date, except as approved by the board.
2. Not use any long-term reserves that are not budgeted and appropriated for expenditure.
3. Settle payroll and debts in a timely manner.
4. Assure that tax payments or other government-ordered payments or filings be on time and accurately filed.
5. Make no single purchase or commitment of greater than \$100,000 for goods and services contracts, or \$150,000 for public improvements contracts, without board approval, except in extreme emergencies.
6. Acquire, encumber, or dispose of real property only with board approval, except in extreme emergencies.
7. Pursue receivables aggressively after a reasonable grace period.
8. Comply with budget and financial policies contained in Section E.
9. Not contract with the college’s independent auditors for non-audit services without prior approval of the Board.

10. Provide the following annual certifications, by the president and by the vice president for college operations, to the Board upon receipt of the audited financial statements:
  - a. He/she has reviewed the annual audit report;
  - b. Based on his/her knowledge, the report does not contain any untrue statement of a material fact or omission of a material fact that makes the financial statements misleading;
  - c. Based on his/her knowledge, the financial statements present in all material respects the financial condition and results of operations.
11. Establish and maintain an adequate internal control structure and procedures for financial operations and reporting.

***Policy BP260: Financial Planning and Budgeting***

Financial planning for any fiscal year or the remaining part of any fiscal year shall reflect the board's end priorities, avoid fiscal jeopardy, and shall be derived from a multi-year plan.

Accordingly, the president shall assure budgeting that:

1. Complies with Oregon Local Budget Law.
2. Contains sufficient information to enable credible projections of resources and expenditures as presented in the budget document in accordance with Oregon Local Budget Law.
3. Discloses planning assumptions.
4. Limits expenditures in any fiscal year to conservatively projected resources for that period.
5. Maintains current assets at any time to at least twice current liabilities.
6. Complies with budget and financial policies contained in Section E.

***Policy BP265: Financial Reporting***

Lane's annual audited financial statements shall conform to generally accepted accounting principles. Applicable professional accounting standards and guidance shall be incorporated into Lane's financial statements.

***Policy BP270: General Fund Contingency***

Board Contingency:

The annual budget shall set aside approximately one-half percent (0.5%) of the budgeted revenues each year for board contingency. Use of board contingency shall be at the discretion of the Board of Education and shall be allocated by formal approval of the board according to its policies.

Administrative Contingency:

Administrative contingency shall be approximately one percent (1%) of the budgeted revenues each year. Administrative contingency shall be allocated by approval of the president.

***Policy BP275: Interfund Loans***

Loans from one fund to another shall conform to the requirements of ORS 294.460 and be authorized by the Board of Education. Interfund loans may not be from: a debt service fund, a financial aid fund, employee/retiree benefit funds, or funds legally restricted to specific uses. Repayment of the loan must be budgeted according to an approved schedule and at a stated rate of interest.

The full repayment of interfund loans shall occur no later than:

- Five years from the date of the loan, if the funds are to be used to acquire or improve real or personal property, or
- June 30 of the fiscal year following the year in which the loan was authorized, if the funds are to be used for operating purposes.

***Policy BP280: Interfund Transfers***

All transfers between funds shall be in conformance with ORS 294.361. The budget document shall clearly show for each fund the amounts, origin and destination of each transfer. Accompanying documentation shall list the specific purposes for each transfer and will be submitted to the board for approval in initial budget or subsequent resolution.

Transfers from the general fund to other funds shall be for the following purposes:

- Debt service on an obligation incurred as a part of normal operations of the college;
- Goods and services provided to general fund units by units in other funds;
- Construction, maintenance and acquisition of facilities and/or real property used by the college in support of its mission;
- Acquisition of capital equipment for use by the college in support of its mission;
- Matching funds for grants and contracts;
- Operation of certain financial aid functions and matching funds required for financial aid grants;
- Contractual and legal obligations to employees and retirees for compensation and benefits;
- Other needs as deemed appropriate and necessary to the board for fulfilling the obligations of the college.



***Policy BP285: Purchasing Procedure***

All procurement on behalf of the college shall be executed in accordance with the requirements of Oregon Revised Statute Chapters 279A, 279B and 279C, the Oregon Community College Rules of Procurement (“CCRP”), and Oregon Administrative Rules 125 (OAR 125) and Lane Community College on-line Policies and Procedures.

Where federal procurement regulations apply and are more restrictive than the state regulations, the federal regulations shall prevail.

Pursuant to ORS 279A.065(5), the Oregon Attorney General’s Model Rules (OAR 137) do not apply to Lane Community College except those portions of the Oregon Attorney General’s Model Rules that have been expressly identified in Section 300 , Appendix A, of the CCRP.

The CCRP shall prevail over the provisions in OAR 125 where topics are not addressed in the CCRP, the rules OAR 125 shall remain in force.

***Policy BP290: Stabilization Reserve Fund***

The board may require the president to establish a separate reserve fund (as described in ORS 341.321 and ORS 294.525) for the purpose of providing short-term stabilization in anticipation of possible shortfalls in revenue.

A stabilization reserve fund may be established under one or more of the following circumstances:

- State budget appropriations for community colleges are not approved by the time the college budget is approved and adopted.
- A situation exists where significant changes in enrollment are possible but not reasonably predictable.
- When any major revenue source has a reasonable possibility of decreasing after the college budget is approved and adopted.
- When any operating expenditure that is beyond the control of the college could reasonably be expected to increase after the college budget is approved and adopted.
- Any other situation in which the board determines that there is a reasonable expectation that major shifts in revenue or expenditures could occur during the budget year.

Stabilization reserve levels:

- Minimum reserve levels shall be at the discretion of the board under advice from the president.
- Maximum reserve levels shall be no more than the maximum reasonably estimated shortfall at the time of the adoption of the budget.

Stabilization reserves will be reviewed annually as part of the budget development process. The stabilization reserve fund shall be closed out when the board determines that the precipitating threat to revenues and/or expenditures no longer exists. As long as the conditions exist that caused the fund to be established, the funds shall be kept in reserve for the purpose intended. If and when the fund is closed out, any remaining balance shall be released for use as a resource in the general fund.

***Policy BP295: Unappropriated Ending Fund Balance***

The president shall assure budgeting that maintains the estimate of unappropriated ending fund balance at no less than three percent of the general fund operational expenditure budget.

***Policy BP315: Borrowing***

The board may authorize borrowing for the college, in compliance with state laws, by resolution stating the upper limit to be obligated at any one time. The president or designee may initiate emergency borrowing prior to board approval should a quorum of the board not be available to authorize borrowing.

***Policy BP340: Contractual Authority***

Only the president, or formally designated representatives, may commit the college to financial obligations or contractual agreements. No obligation may be incurred unless it first has been authorized by the budget or by the budget change process. Any contract entered into in violation of this policy is void as to the college.

All contracts of \$100,000 for goods and services contracts or \$150,000 for public improvements contracts or greater shall be approved for award by the board of education. The president is authorized by the board to enter into contractual agreements on behalf of the college up to a total dollar value not exceeding \$100,000 for goods and services contracts, or \$150,000 for public improvements contracts. The president may delegate this authority to college staff.

The Lane Community College Board of Education shall be the college's Local Contract Review Board as defined in ORS 279A.060.

***Policy BP540: Monitoring President's Performance***

Any evaluation of the president's performance, formal or informal, may be derived only from the criteria established within board Ends and Executive Directions.

Accordingly,

1. The purpose of monitoring is to determine the degree to which board policies are being fulfilled. Information which does not do this will not be considered to be monitoring.
2. The board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the president discloses compliance information to the board, (b) by external report, in which an external, disinterested third party selected by the board Assesses compliance with board policies, and (c) by direct board inspection, in which a designated member or members of the board assess compliance with the appropriate policy criteria.
3. The standard for compliance shall be any reasonable presidential interpretation of the board policy being monitored.

4. All policies that instruct the president will be monitored at a frequency and by a method chosen by the board. The board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule.

<b><u>Policy</u></b>	<b><u>Method</u></b>	<b><u>Frequency</u></b>
Treatment of Learners, BP720	Internal	Annually
Treatment of Staff, BP555	Internal/External	Annually
Financial Planning and Budgeting, BP260	Internal	Semi-annual
Financial Condition and Activities, BP255	Internal	Quarterly
	External	Annually
Emergency President Succession, BP350	Internal	Annually
Asset Protection, BP205	Internal	Annually
Compensation and Benefits, BP515	Internal	Annually
Communication and Support to the Board, BP330	Internal/Direct Inspection	Annually
Community Outreach, BP335	Internal	Annually
Governance Process Policies, Bp305-BP385	Direct Inspection	Annually

***Policy BP725: Tuition***

In order to maintain a constant tuition rate relative to inflation, each December, the board will adjust the per credit tuition rate to reflect changes in an appropriate index for two-year public colleges since the last tuition adjustment. The rate will be rounded to the nearest half-dollar and become effective the following academic year (summer term).

Periodically and as needed, the board will review Lane’s tuition rates to ensure: a) that tuition revenues are appropriate for the needs of the district and, b) that Lane’s tuition is comparable with other Oregon community colleges that are similar to Lane in terms of student FTE and instructional programs. Prior to approval of the tuition increase, the board will review the index options, affordability and access for students, and the revenue requirements of the college.