DRAFT

Lane Community College

2017-2022 Long-Range Financial Plan

Contents

Message from Finance Council

Lane Community College's 2017-2022 Strategic Plan provides a significant step forward in strategic financial planning at the college. Much of the work accomplished over the past 18 months of planning involved development of baseline information on the college's financial environment and structures in a way that is accessible and understandable for the college community; assessment of current financial planning and resource allocation practices, issues and opportunities; and development of a five-year forecasting model to support longer-term scenario planning and strategic decision making.

It should be noted that some members of Finance Council had aspirations for a Long-Range Financial Plan that laid out new strategic priorities for the college. The majority of the council holds a more focused scope of our work, which we consider to be ***in service to*** the college's Strategic Directions, Learning Plan, Program Review, and other strategic planning efforts. At the same time, we unanimously consider the plan presented herewith a work in progress and something that will be assessed, updated, and improved on an annual basis.

This plan reflects input and contributions from throughout the college community, and we are deeply appreciative for the many contributors to this document.

Plan Highlights:

The ***Planning Framework***, pages 6-7 articulates the alignment and flow or department, program, and institutional planning efforts with resource allocation (budget development). Although significant progress has been made toward this alignment, much work is yet to be done and this is reflected as an implementation action item.

Operating Resources and Operating Expenditures, pages 21-33, present major resource and expenditure categories for the college's major operating funds, and the methodologies used to analyze and forecast each category.

Fiscal Performance Indicators presented on pages 40-41, represent high-level measures of effective fiscal stewardship, based on board policy, governmental accounting, and Oregon community college business officers established best practices.

The ***Five-Year Financial Forecast***, pages 42-49, presents a picture of our current economic environment, identifies fiscal issues and opportunities, and displays the college's new model for developing five-year resource and expenditure forecasts. Working with this model and forecast assumptions will be a focus of Finance Council this coming fall.

Highlights (continued):

Principles, Criteria and Data Elements, pages 60-62, simplify and align inputs to resource allocation, investments and budgetary reductions to established college planning practices, with an emphasis on planning at the local/department level through annual department planning and [longer-term] program review.

Next Steps, page 63, identifies initial action items priorities to pursue to support long-range and strategic financial planning at the college.

2017-2018 Finance Council:

Dawn DeWolf, Vice President of Academic and Student Affairs; Rose Ellis, Budget Director; Robin Geyer (chair), Administrative and Technology Specialist; Dennis Gilbert, Science Faculty; Greg Holmes, Chief Finance Officer; Brian Kelly, Vice President of College Services; Kena'dee Needham, Student; Russ Pierson, Florence Center Director; Cassandra Rhay, Financial Aid Advisor; Jennifer Steele, Director of Planning and Strategy

Planning Process

The 2017-2022 Long-Range Financial Plan was created by Finance Council during a two-year process of study, analysis, outreach and dialogue. After studying planning frameworks and best practices, the Council adopted a framework and the following planning principles:

Planning Principles

Input from the entire college community that is:
- Robust
- High level
- Supported through adequate infrastructure
- Comprehensive and strategic in scope

Transparency throughout the process; descriptions and data that are:
- Meaningful
- Accessible
- Searchable

Identification of financial and educational challenges, trends, and opportunities
- Structure for regular updates and iterations
- Bring all ideas to the table/conversation

Adequate analytical resources
- Supported and developed through an adequate organizational infrastructure
- Primary data and meaning-making indices
- Contingency and scenario analysis

Long-term financial planning document, including interfaces with
- The yearly and biennial local and State budget cycles, with accountability and tracking measures
- Department, division and college innovation constraints on initiatives, and unit responsibilities and guidelines

In Fall 2016, the council created a conversation kit and website and began outreach to the campus community. Forums and information sessions were held during winter and spring terms 2017 to review, discuss and develop key content areas of the plan. As drafts were developed they were posted on the website for review and feedback. Additionally, a blog was established to capture ideas and discussion threads.

As the plan is adopted and implementation moves forward, the council will update and improve elements of the plan as part of its annual assessment and reporting cycle.

Vision, Mission, Values

Vision

Transforming lives through learning

Mission

Lane is the community's college: we provide comprehensive, accessible, quality, learning-centered educational opportunities that promote student success

Values

Learning

- Working together to create a learning-centered environment
- Recognizing and respecting the unique needs and potential of each learner
- Fostering a culture of achievement in a caring community

Diversity

- Welcoming, valuing and promoting diversity among staff, students and our community
- Cultivating a respectful, inclusive, and accessible working and learning environment
- Working effectively in different cultural contexts to serve the educational and linguistic needs of a diverse community
- Developing capacity to understand issues of difference, power, and privilege

Innovation

- Supporting creativity, experimentation, and institutional transformation
- Responding to environmental, technological, and demographic changes
- Anticipating and responding to internal and external challenges in a timely manner
- Acting courageously, deliberately, and systematically in relation to change

Collaboration and Partnership

- Promoting meaningful participation in governance
- Encouraging and expanding partnerships with organizations and groups in our community

Integrity

- Fostering an environment of respect, fairness, honesty, and openness
- Promoting responsible stewardship of resources and public trust

Accessibility

- Strategically growing learning opportunities
- Minimizing financial, geographical, environmental, social, linguistic, and cultural barriers to learning

Sustainability

- Integrating practices that support and improve the health of systems that sustain life
- Providing an interdisciplinary learning environment that builds understanding of sustainable ecological, social, and economic systems, concern for environmental justice, and the competence to act on such knowledge
- Equipping and encouraging all students and staff to participate actively in building a socially diverse, just, and sustainable society, while cultivating connections to local, regional, and global communities

Core Themes

Lane's core themes represent the essential elements of our comprehensive mission. In accordance with our accrediting body, the Northwest Commission on Colleges and Universities, we have established objectives and indicators of achievement for each core theme to evaluate accomplishment of core theme objectives, and, ultimately, our mission.

Core Theme 1: Responsive Community Engagement
As an engaged member of our community, Lane's programs, services, and activities serve the community's needs.

Objective 1: Lane offers comprehensive programs that support individual and community needs
Objective 2: Lane serves the intellectual and social needs of the community through non-academic programs and services

Core Theme 2: Accessible and Equitable Learning Opportunities
Lane's policies, procedures, programs, and services facilitate open, fair and just educational experiences.

Objective 1: Lane minimizes barriers and maximizes opportunities for diverse student populations

Core Theme 3: Quality Educational Environment
Lane's quality educational environment embraces academic and instructional integrity, relevancy, rigor, innovation and transparency.

Objective 1: Lane employs high-impact practices
Objective 2: Lane faculty and staff regularly engage in professional development to promote currency and innovation focused on improving teaching, learning, and the educational environment.
Objective 3: Lane designs intentional curricula to support discipline-level, program-level and college-level outcomes.
Objective 4: Lane implements systematic planning, analysis, and coordination of efforts and initiatives that are teaching and learning-focused.

Core Theme 4: Individual Student Achievement
Lane's students advance on their academic paths and reach their educational goals.

Objective 1: Students progress toward their educational objectives
Objective 2: Students complete their educational goals

Planning Framework

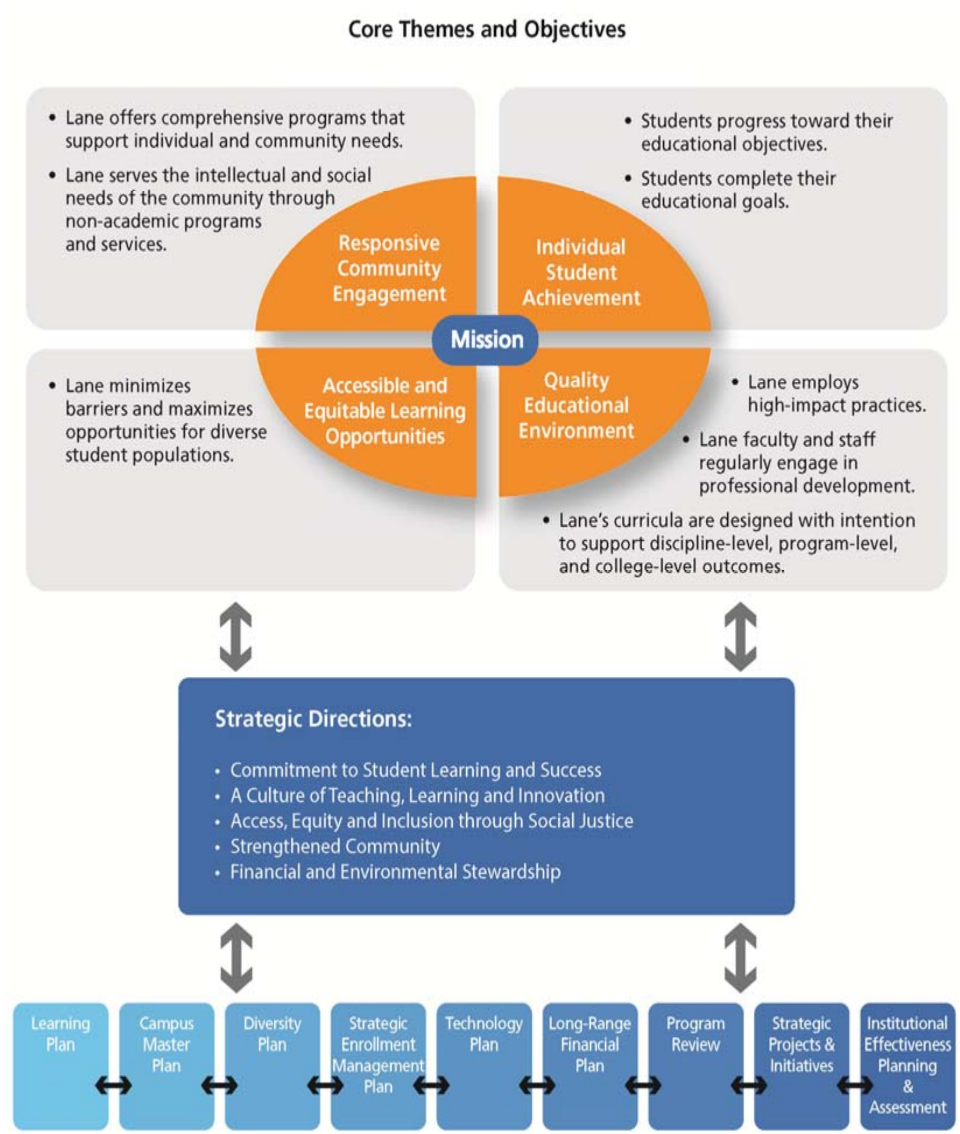
Lane Community College's 2017-2022 Long-Range Financial Plan is an essential component of the college's comprehensive planning framework and integrated planning model.

Planning efforts at Lane are organized around the college's mission and core themes, or essential elements of our mission. The strategic directions reflected in the college's [2016-2021 Strategic Plan] reflect priority actions needed to support and improve achievement of Lane's core theme objectives over the five year planning horizon. As illustrated in Graphic 1, strategic directions both inform and are informed by core themes and by other institutional planning efforts, to include the Long-Range Financial Plan.

The ***Learning Plan***, currently in development by the Learning Council, and the ***Campus Master Plan***, currently in development by the Facilities Council, have particular relevance and importance to the Long-Range Financial Plan.

The Learning Plan will outline the educational and service priorities for the college, which will have a direct impact on other strategic plans and on resource allocations and priorities. The Campus Master Plan will identify long-term capital investment, maintenance and repair priorities and principles, which are an essential element of long -range financial planning. Ideally, these plans would be completed prior to the development of the long-range financial plan. Due to the importance and urgency of a long-range financial planning construct for the college, the planning efforts are occurring concurrently, with frequent collaboration and connection between the planning bodies.

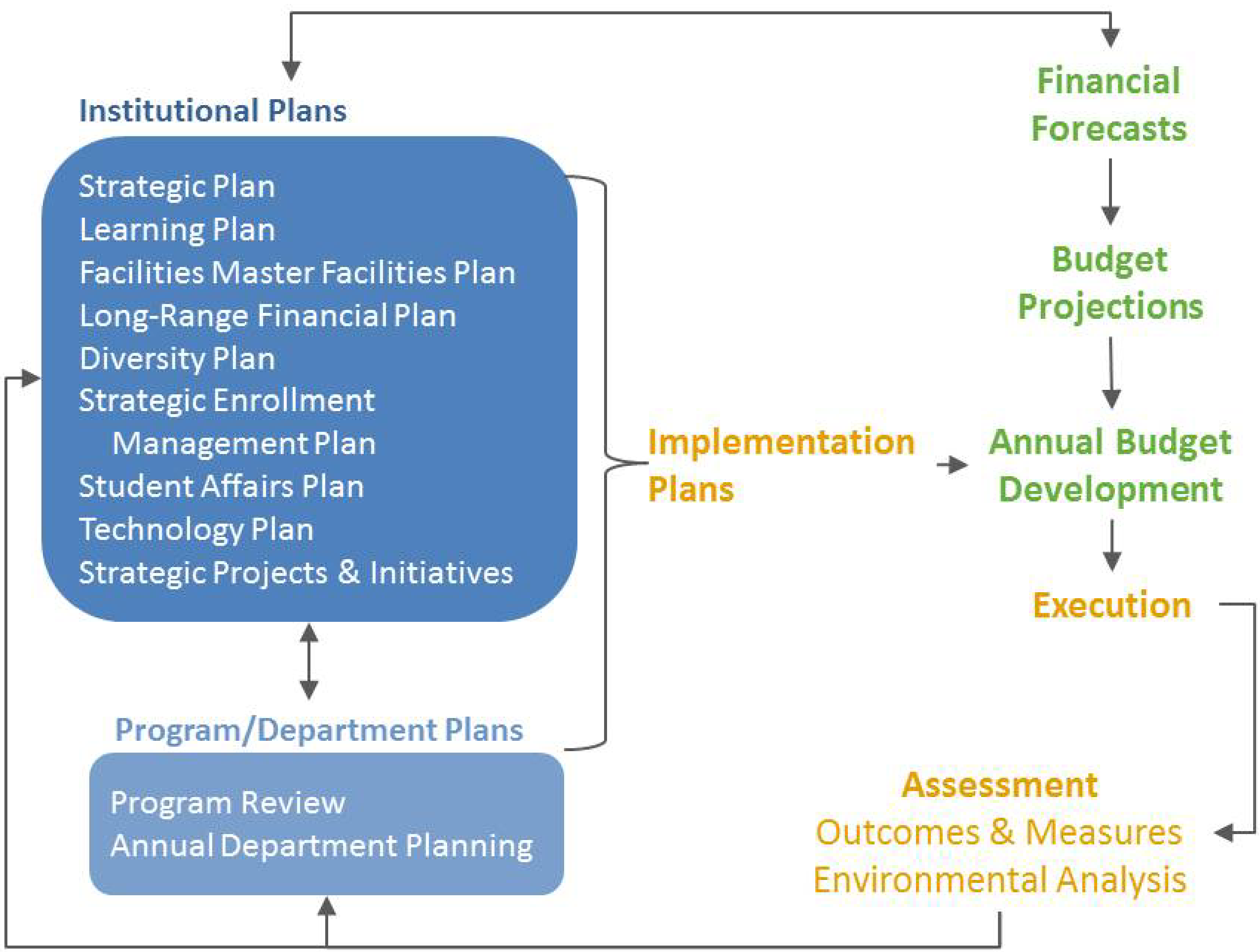
Graphic 1: Overarching Planning Framework at Lane Community College



The long-range financial plan will be reviewed and updated annually. Part of this review process will be to review institutional effectiveness and planning efforts at the college and update the long-range financial plan accordingly.

Graphic 2 illustrates how planning efforts are integrated into resource allocation and assessment cycles.

Graphic 2: Planning and Resource Allocation Cycle

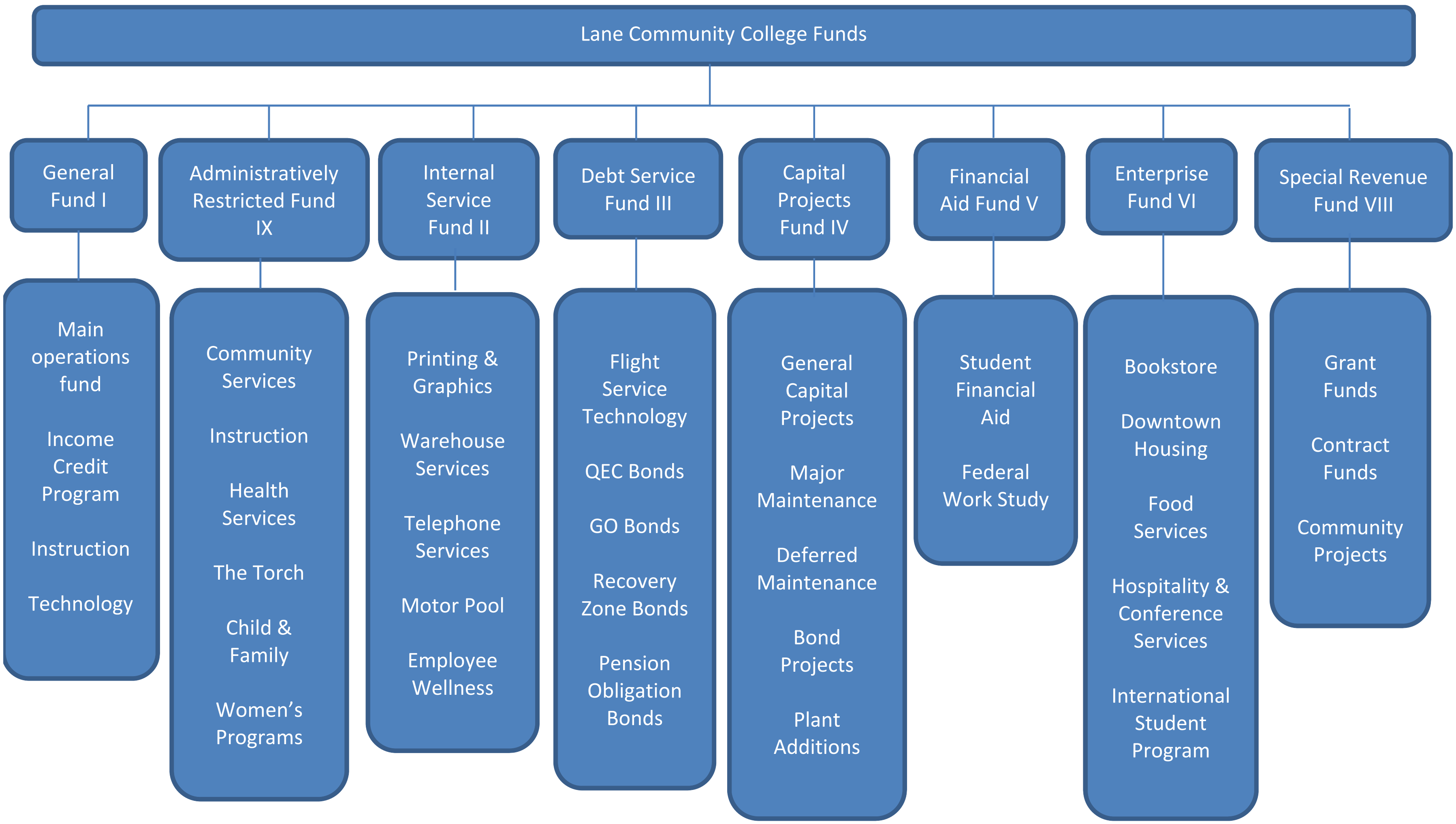


Financial Structure & Policies

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).

Graphic 3: 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[1].

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.

[1] Government Finance Officers Association, "Adopting Financial Policies"

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 BP250: Financial Integrity

Clear financial policies and procedures, regularly reviewed and revised as necessary, are critical to the effective management and operation of the College. The president shall oversee the responsible development and management of all College financial resources, such as financial planning, operating and capital budgets, reserves, investments, fundraising, cash management, debt management, and transfers and borrowings between funds.

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.

Policy	Method	Frequency
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 BP715: Mandatory Student Activity Fees

The board may approve an assessment of mandatory fees for programs or activities that it determines provide educational value to the students consistent with the college mission and goals. The board will approve the mandatory fee on an annual basis to ensure that the programs or activities maintain educational value to students.

Programs that use funds generated through the mandatory fee must further the following guiding principles:

1. Improve the overall quality of the campus experience from the students' perspective;
2. Increase opportunities for student involvement and leadership in the educational process through extra-curricular activities and support services;
3. Enhance the appropriate out-of-class services and programs at the campuses based on the unique needs of Lane students.
4. The mandatory fee enhances student life and the overall student experience by maximizing opportunities for out-of-class experiences that build on classroom education and connect to the larger world and improving the educational climate by offering programs and activities. The President will establish a Mandatory Fee Committee by October 30 of each year to advise the administration on ongoing and emerging student needs. The voting members of the mandatory student fee committee will be composed of both elected students and students appointed from student groups and organizations at the college. At the discretion of the president, administrative staff appointed to the committee will serve in a support role and as non-voting members. An annual report from the Mandatory Fee Committee will be submitted by the President to the Board before budget decisions are finalized for the next year. All appropriations in relation to this fee must be viewpoint neutral. All changes to the mandatory fee remain in the sole discretion of the Board.

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.

Operating Resources

This section presents the major operating resource categories for Lane's primary operating funds I and IX, and the methodologies used to analyze and forecast each category.

Graphic 4: Operating Resource Categories, Funds I & IX

State Funding

The college receives funding from the State of Oregon Department of Community Colleges and Workforce Development (CCWD) through a biennial allocation, paid quarterly to each of Oregon's 17 community colleges. The total amount funded to CCWD is allocated to each community college district based upon a formula that factors rolling three year full time equivalent (FTE) student enrollment and property tax revenue into a distribution formula. Enrollment gains relative to other colleges have a positive correlation to state funding allocations, while property tax increases have a negative correlation.

Figure X: State Funding Formula

$$€ = \frac{\text{(Next year's imposed property tax revenue(1) + General Fund appropriations by the Legislature)}}{\text{Total Weighted Reimbursable FTE(2)}}$$

(1) Imposed property tax revenues do not include (i) taxes levied or imposed by a community college district to provide a public library system established prior to January 1, 1995, (ii) property taxes raised by Local Option Levies and General Obligation Bond Levies, (iii) base payments of $720 per FTE up to 1,100 and $360 per FTE for unrealized enrollments between actual enrollment numbers and 1,100 FTE, as adjusted pursuant to OAR 589-002-0100(8)(a), (iv) COD payments, and (v) any other payments directed by the BOE or the Legislature.

(2) Reimbursable FTEs are calculated based on a three-year weighted average of reported reimbursable FTE submitted by the community college districts to CCWD. Residents of the State and the states of Idaho, Washington, Nevada, and California shall be counted as part of each community college district's reimbursable enrollment base, but only for those students who take part in coursework offered within Oregon's boundaries. The biennial growth management component is applied to each college's actual annual FTE and the result is weighted as follows: prior year enrollment weighted at 40 percent, second year prior enrollment weighted at 30 percent and third year prior enrollment weighted at 30 percent.

When forecasting Lane's state funding revenues, staff assess the economic, budgetary and political environment in the state to project total CCWD funding levels. They then estimate enrollment and property tax levels at Lane and the other 16 community colleges in the state. During the biennial funding cycle, budget and finance staff often model multiple total funding scenarios as it is not possible to predict the ultimate outcome of legislative budget sessions.

Property Taxes

Lane receives property taxes based upon assessed property values in Lane County and small portions of Linn, Benton, and Douglas Counties. A tax rate limitation was established in 1990 as the result of a constitutional amendment, Article XL Section 11b (often called "Measure 5".) This limits education taxes to $5 per 1,000 of the taxable real market value of property. If taxes on a property exceed this limit, tax rates are compressed, thereby reducing revenue received by the college[2]. Property tax revenues are incorporated into the state funding formula as illustrated in Figure X.

When forecasting property tax revenues, staff review county records for assessed value and collection rates, actual collections, and housing market trends and forecasts.

Tuition

Credit students at Lane pay a per-credit tuition rate based upon their residency status.

Tuition revenue is forecast through term by term enrollment trend analysis, review of external and environmental factors (such as economic and employment conditions, high school graduation rates, and financial aid regulatory changes), application of tuition rate changes, and offsets such as tuition waivers and discounts.

Student Fees

There are a variety of required student fees for credit and non-credit students at Lane that factor into revenue forecasts and projections:

- The ***Technology Fee*** is assessed to all credit students at a rate of $9 per credit. The fee helps cover the cost of technology used to run classes and serve students through "smart" classrooms, online courses, wi-fi, internet access, computer labs, and staff support.
- Students taking credit classes on main campus are assessed a ***Transportation Fee*** of $27 per term. This fee pays for expenses related to parking lot maintenance and security, as well as providing all credit students with a Lane Transit District (LTD) bus pass for the term. Credit students taking classes at locations other than main campus pay $5 per term for transportation fees. This pays for expenses related to parking lot maintenance and security at outreach sites.
- Main campus credit students also pay a $56.05 per term ***Student Activity Fee***. This fee is voted on by the student body in the Associated Students of Lane Community College (ASLCC) spring elections and is used to support student activities and services.

[2] In fiscal year 2016, there was $286,800 of compression of the college's permanent rate due to the tax rate limitation.

- The ***Student Health Fee*** of $45/term is paid by students taking credit courses on main campus and is used to fund the college's Health Clinic.
- Credit students enrolling in their first term at Lane are assessed a one-time, $30, ***One-Time Credit Enrollment Fee***. This fee helps cover the cost of placement testing and degree evaluation.
- Students taking online courses pay a $25/course ***Online Course Fee*** to support online course development, technological support and quality assessment.
- Students in high-cost health professions and advanced technology programs pay ***Differential Fees*** that vary by program and help offset cost differentials in these programs.
- Students pay class fees that go into an ***Income Credit Program (ICP)*** fund for a variety of consumable, class-specific materials, supplies and equipment. These vary by class and are usually expensed in the year in which they are received.
- Continuing Education students pay ***Continuing Education Course Fees***, which vary by course.

Staff forecast student fee revenue based upon credit enrollment and headcount projections, new credit student headcount projections, program-specific enrollment, fee rate changes, and trend analysis.

Other Fees & Charges

Other fees and charges include charges for bad debt provision (contra-revenue), facilities rental, late charges, admissions fees, and other miscellaneous user fees and charges. These are projected using trend analysis and analysis of program-specific plans and activities.

Administrative Recovery

The general fund receives administrative recovery from several sources:

- The International Students Program, which operates in the Enterprise Fund VI, contributes $600,000 to the general fund on an annual basis to offset overhead and administrative costs. Similarly, the Titan Store, also operating in the Enterprise Fund, contributes $500,000 annually to administrative recovery.
- The Lane Community College Foundation reimburses the general fund for staff salaries, based on actual payroll and benefit expenses.
- The college receives revenue from grant programs it administers based upon the chargeback or administrative rate, which varies by grant. This is forecast by reviewing the college's current grant portfolio and anticipated new grant activity.
- Finally, the college receives funding for administering student Pell grants at a rate of $5 per student per year. This is forecast through Pell enrollment projections.

Gifts & Donations

The primary source of gift and donation revenue in Funds I & IX is through the college's radio station, KLCC FM, membership contributions. This is forecast through trend analysis and radio station strategic planning metrics. Other sources of gifts and donations come from specific program-support donations and are de minimis within the context over overall revenues.

Sale of Goods & Services

This category includes revenue from Specialized Support Services (S3) contracts, KLCC FM underwriting, health and dental clinic insurance billing, and other miscellaneous sales revenue. Revenue is forecast by program-specific trend analysis and activity projections.

Other Revenue Sources

Other revenue sources include interest income, credits, rebates, and miscellaneous other revenue. Revenues in this category are forecast individually by activity. Interest income is forecast by analyzing the college's investment portfolio and return rates. Other revenues in this category are forecast using trend analysis and activity projections.

Operating Transfers In

This category includes interfund operating transfers for items such as program support and salary reimbursement. These transfers are forecast based on a standard budgetary transfer schedule and analysis of program or activity changes.

Table 1: Summary of Resource Categories, Data Sources and Key Forecasting Variables/Assumptions

Revenue Category	Data Sources	Key Forecasting Variables/Assumptions
Intergovernmental		
State Funding	• CCWD funding worksheet • State economic and political environmental scanning and analysis • Lane enrollment trends and projections • Enrollment trends and projections from other community colleges • Property tax revenues	• Biennial funding base • Lane enrollment • Other Oregon community colleges' enrollment • Lane property tax revenue • Other Oregon community colleges' property tax revenue
Property Taxes	• County assessed value and collection rates, actual collections, housing market trends and forecasts	• % increase/decrease
Tuition & Fees		
Tuition	• Credit enrollment trends • Environmental scanning and analysis • Actual receipts	• Tuition rate • Enrollment % change
Student Fees	• Credit enrollment and headcount trends • Program-specific plans and analysis • Actual receipts	• Fee rates • Enrollment % change
Other Fees & Charges	• Credit enrollment • Service and activity levels • Program-specific plans and analysis • Bad debt write offs, receivable and collections trends, balance sheet analysis	• Service and activity changes • Collection rates

(continued)

Revenue Category	Data Sources	Key Forecasting Variables/Assumptions
Other Revenue Sources		
Administrative Recovery	• Administrative recovery schedules • Pell credit enrollment • Grant activity • Foundation staff position list	• Standard schedule • Staffing and activity changes
Gifts & Donations	• KLCC FM membership trends and forecasts • Foundation program support activity	• KLCC FM membership % increase/decrease
Other Revenue	• Credit and continuing education enrollment • Actual receipts • Investment rates and portfolio • Department plans and forecasts	• Service and activity changes • Investment portfolio and return rates
Sale of Goods & Services	• Service and activity levels • Actual receipts • Department plans and forecasts	• Service and activity changes
Transfers In		
Operating Transfers In	• Budgeted transfers • Actual transfers • Scheduled updates	• Standard schedule

Table 2: History of Revenue Sources, Funds I & IX

Category	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Intergovernmental										
State Funding*	24,701,200	29,741,600	30,888,700	28,091,800	26,306,900	26,429,900	24,751,100	30,363,300	31,213,000	31,421,400
as % Total CCWD Funding Allocation				12.76%	13.03%	13.21%	13.35%	13.42%	12.84%	11.46%
Property Taxes	13,597,900	13,934,900	14,759,000	15,635,400	15,693,300	15,746,500	16,292,300	16,513,100	17,527,800	18,013,800
	38,299,100	**43,676,500**	**45,647,700**	**43,727,200**	**42,000,200**	**42,176,400**	**41,043,400**	**46,876,400**	**48,740,800**	**49,435,200**
as % Total	52.6%	54.0%	51.1%	45.4%	41.8%	41.1%	42.2%	48.6%	51.4%	52.9%
Tuition & Fees										
Tuition	21,217,900	22,613,500	27,470,400	33,582,200	38,216,100	37,729,000	35,951,600	31,818,900	27,904,500	23,956,600
Student Fees	5,056,100	5,473,900	6,328,500	7,656,500	8,441,800	8,449,800	8,354,900	7,597,400	7,041,300	6,472,300
Other Fees & Charges	1,207,900	1,611,100	1,753,200	1,528,700	1,660,200	1,550,200	1,492,400	1,468,300	1,431,300	1,411,200
	27,481,900	**29,698,500**	**35,552,100**	**42,767,400**	**48,318,100**	**47,729,000**	**45,798,800**	**40,884,600**	**36,377,100**	**31,840,100**
as % Total	37.7%	36.8%	39.8%	44.4%	48.1%	46.5%	47.0%	42.4%	38.4%	34.1%
Other Revenue Sources										
Administrative Recovery	670,500	473,300	857,900	471,400	1,357,900	557,600	1,128,400	571,100	1,293,700	1,889,700
Gifts & Donations	1,284,900	1,295,700	891,000	989,000	961,000	1,066,800	1,030,600	900,300	1,194,500	1,139,500
Other Revenue Sources	2,334,000	2,457,400	2,282,800	3,355,000	3,549,200	3,849,200	3,595,300	2,990,000	2,986,900	2,650,800
Sale of Goods & Services	1,592,800	1,439,900	1,445,200	1,449,400	1,886,700	2,383,200	2,297,900	2,298,800	2,619,000	3,158,500
	5,891,200	**5,666,300**	**5,476,800**	**6,264,900**	**7,754,800**	**7,856,700**	**8,052,200**	**6,760,000**	**8,093,600**	**8,838,400**
as % Total	8.1%	7.0%	6.1%	6.5%	7.7%	7.7%	8.3%	7.0%	8.5%	9.5%
Transfers In										
Operating Transfers In	**1,135,500**	**1,769,300**	**2,602,800**	**3,658,400**	**2,328,200**	**4,819,800**	**2,455,500**	**1,884,500**	**1,619,000**	**3,294,700**
as % Total	1.6%	2.2%	2.9%	3.8%	2.3%	4.7%	2.5%	2.0%	1.7%	3.5%
Total All	**72,807,600**	**80,810,600**	**89,279,400**	**96,417,900**	**100,401,238**	**102,581,900**	**97,349,900**	**96,405,400**	**94,830,600**	**93,408,400**

Source: Lane Community College Budget Office, Banner/CAFR

*Adjusted for 4th quarter payment

Operating Expenditures

This section presents the major operating expenditure categories for Lane's primary operating funds I and IX, and the methodologies used to analyze and forecast each category.

Graphic 5: Operating Expenditure Categories, Funds I & IX

Contracted Salaries & Wages

This expenditure category includes salaries and wages for contracted faculty, contracted classified staff with assignments of .5 to 1.0 full time equivalency (FTE), and contracted management employees.

Each contracted employee position is tracked in the college's position list database system, THOR. Contracted salaries and wages are forecast using this database system, which calculates position by position salary forecasts based upon level, step, vacancy status, FTE assignment, and salary schedule/cost of living adjustments. Staff also apply a "Swirl" factor to contracted personnel forecasts, which is the savings realized through contracted personnel attrition and hiring that occurs after the base projection position list is developed. This swirl factor is analyzed annually and averages 2.5% to 3.0%.

Part-Time Salaries & Wages

All non-contracted salaries and wages are classified as part-time. These include part-time and non-credit faculty (adjunct faculty), faculty overload, hourly classified staff, classified overtime, hourly management assignments, and student workers. Part-time expenditures are forecast using historical trend analysis, department-by-department enrollment trends and contracted employee levels, and application of step and salary schedule/cost of living adjustments.

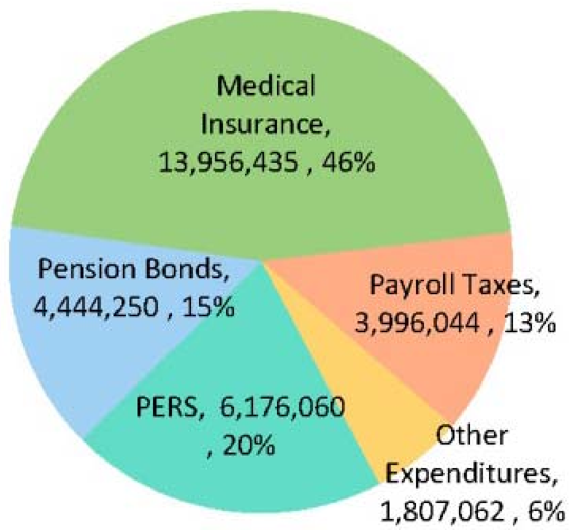
Other Payroll Expenses (OPE)

This category includes all personnel-related expenditures outside of salaries and wages to include medical insurance, pension obligation bonds, unemployment insurance, employee assistance and wellness programs, workers compensation, one-time payments and stipends, Medicare and social security payroll taxes, and Oregon Public Employees Retirement System (PERS) contributions. A breakdown of OPE expenditures is shown in Table 3 and Chart 1 below.

Table 3: Fiscal Year 2016 Actual OPE Expenditures
All College Funds

Category	Amount	% Total
Medical insurance	$ 13,956,453	45.9%
PERS	6,176,060	20.3%
Pension obligation bond payments	4,444,250	14.6%
FICA (social security & Medicare)	3,996,044	13.2%
Early retirement actuarial expense	155,653	0.5%
Employee assistance program	36,843	0.1%
Employee tuition waiver program	470,523	1.5%
Employee wellness program	142,847	0.5%
Classified benefit stipend	126,800	0.4%
Other miscellaneous expenses	581,931	1.9%
Unemployment insurance	145,940	0.5%
Workers compensation	146,525	0.5%
Total All	$ 30,379,869	100.0%

Chart 1: Fiscal Year 2016 Actual OPE Expenditures



The college allocates OPE by applying a blended rate to 1) contracted salaries and wages, 2) part-time faculty, classified staff, and managers, and 3) a flat 10% rate to student workers. Contracted and part-time rates are calculated by estimating total salary and wage bases, updating and applying payroll tax and PERS rates, then updating and allocating other costs. A history of OPE rates is presented in Table 4.

Table 4: 15-Year OPE Rate History

Fiscal Year	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17
Contracted Rate (%)	46.7	49.9	53	53.8	51.5	55.8	50.4	55.5	55.5	59	63	65	64	64	64
Part-Time Rate (%)	27	32.3	39.6	40.2	31.1	34.5	30.3	31.2	31.2	35	36	37	38	38	38
Student Rate (%)	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10

The college was been able to stem OPE rate escalation in recent years due to containment of medical insurance costs through plan design and choice, and mitigation of PERS rate increases through pension bond investment and PERS reserve funds.

<u>Direct OPE Rate</u>
When developing pro forma analyses for contract negotiations related to step and salary schedule increases, staff use a “Direct Rate” of 25%, which represents the variable additional costs (payroll taxes and PERS) applied to increased salary bases.

Materials & Services

This broad expenditure category includes instructional and office supplies, contract and professional services, travel, fees and dues, and maintenance. A subset of materials & services is mandatory expenditures, which are general fund expenses that are legally, contractually, or operationally required and serve the entire college. Staff forecast materials and services expenditures using historical trend analysis, analysis of changes in mandatory expenditures, and program-specific trend analysis and activity projections.

Capital Outlay

Capital outlay encompasses land, buildings, improvements, machinery and equipment with a depreciable value of $10,000 or more. It also includes library books with depreciable useful life exceeding two years.

A standard annual allocation of $700,000 is provided from the general fund to prioritized departmental capital needs through the department planning process.

Goods for Resale

Goods for resale are items purchased for resale and include parking and bus passes, food, and books. Staff forecast goods for resale using trend analysis, enrollment projections, and program-specific activity and sales projections.

Operating Transfers Out

This category includes interfund operating transfers for items such as program support, salary reimbursement, institutional financial aid match obligations, and capital maintenance and investments. These transfers are forecast based on a standard budgetary transfer schedule and analysis of program or activity changes.

Table 5: Summary of Expenditure Categories, Data Sources and Key Forecasting Variables/Assumptions

Revenue Category	Data Sources	Key Forecasting Variables/Assumptions
Personnel		
Contracted Salaries & Wages	• Position list • Salary schedules by employee group • Step and salary schedule adjustments or contract negotiation parameters • Swirl factor	• Staffing levels • Contract negotiations
Part-Time Salaries & Wages	• Enrollment and activity levels • Contracted staffing levels • Step and salary schedule adjustments or contract negotiation parameters	• Enrollment levels • Contracted staffing levels • Contract negotiations
Other Payroll Expenses (OPE)	• Actual collections and expenses • Base salary levels • PERS rates • Contract negotiation parameters, including medical insurance	• Staffing levels; total salaries and wages • Health insurance premiums • PERS rates
Other Expenditures		
Materials & Services	• Enrollment and activity levels • Actual expenditures • Mandatory requirements • Department plans and forecasts	• Enrollment and activity levels • Mandatory changes
Capital Outlay	• Capital outlay allocation • Department plans and forecasts	• Allocation funding
Goods for Resale	• Sales revenue • Actual expenditures • Department plans and forecasts	• Enrollment and activity levels • Sales forecasts
Transfers Out		
Operating Transfers Out	• Budgeted transfers • Actual transfers • Scheduled updates	• Standard schedule

Table 6: History of Expenditures, Funds I & IX

Category	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Personnel										
Contracted Salaries & Wages	31,916,200	31,017,900	31,505,800	32,139,500	33,962,200	35,414,900	36,142,700	37,152,900	36,913,200	35,014,800
Part-Time Salaries &Wages	8,679,800	8,769,600	11,077,100	14,320,500	16,400,000	17,790,500	17,775,400	16,082,100	12,623,100	12,873,800
Other Payroll Expenses (OPE)	17,941,600	18,020,600	19,277,600	19,144,000	21,739,000	26,712,300	28,637,300	27,609,900	26,823,700	26,862,600
	58,537,500	**57,808,100**	**61,860,100**	**65,604,000**	**72,101,200**	**79,917,700**	**82,555,400**	**80,844,900**	**76,360,000**	**74,751,300**
as % Total	78.5%	77.0%	74.2%	74.1%	78.3%	76.3%	80.2%	81.1%	82.5%	80.4%
Other Expenditures										
Materials & Services	10,640,700	11,039,100	13,036,300	13,952,400	13,982,300	13,465,900	15,007,200	13,902,000	12,007,200	12,305,700
Capital Outlay	516,300	824,400	647,600	610,100	767,500	639,900	398,000	320,200	304,300	557,100
Goods for Resale	601,900	934,100	614,900	1,193,600	1,081,700	1,049,400	1,006,200	994,200	773,100	715,900
	11,758,900	**12,497,500**	**14,298,800**	**15,756,100**	**15,831,500**	**15,155,200**	**16,411,400**	**15,216,400**	**13,084,600**	**13,578,700**
as % Total	15.8%	16.6%	17.2%	17.8%	17.2%	14.5%	15.9%	15.3%	14.1%	14.6%
Transfers Out										
Operating Transfers Out	**4,282,800**	**4,799,300**	**7,194,600**	**7,195,200**	**4,106,700**	**9,619,400**	**3,959,100**	**3,679,000**	**3,060,900**	**4,598,800**
as % Total	5.7%	6.4%	8.6%	8.1%	4.5%	9.2%	3.8%	3.7%	3.3%	4.9%
Total All	**74,579,300**	**75,104,900**	**83,354,000**	**88,555,400**	**92,039,400**	**104,692,300**	**102,925,900**	**99,740,400**	**92,505,500**	**92,928,800**

Source: Lane Community College Budget Office, Banner/CAFR

Capital Expenditures

Capital Projects

A Capital Project is defined as an activity that creates, improves, replaces, repairs, or maintains a capital asset and results in a permanent addition to the college's asset inventory. Capital Projects are generally large-scale endeavors in terms of cost, size and benefit to the community. They involve non-recurring expenditures or capital outlays from a variety of specifically identified funding sources and do not duplicate normal maintenance activities funded by the operating budget.

Capital Projects are accomplished through one or more of the following actions:
- Rehabilitation, reconstruction or renovation of an existing facility to a condition which extends its useful life or increases its usefulness or capacity
- Acquisition of property
- Construction of new facilities

Capital Projects are overseen by the college's Facilities Council, whose scope of work includes the development and renewal of:
- Facilities Campus Master Plan
- Annual construction/remodel/renovation plans
- Sustainability Plan
- Long-Range Transportation Plan
- Emergency Preparedness Plan

Capital Purchases

A Capital Purchase is equipment, books and publications, or software with a useful life exceeding two years and an individual cost equal to or above the thresholds defined below.

1. At the threshold set forth in applicable regulations or grantor requirements when the assets are acquired with grant or contract funds, but not at a higher threshold than 2, below.
2. At $10,000 when title/ownership of the assets belongs to Lane at the time of purchase or construction. (COPPS, Purchases: Capital Equipment.)

Expenditures for capital purchases are identified through department planning and program review processes.

Table 7: Lane Community College Capital Budget – All Funds

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 Budget	FY2018 Proposed Budget
General Fund I	$ 305,628	$ 326,727	$ 207,453	$ 178,588	$ 611,234	$ 885,782	$ 173,800
Administratively Restricted Fund IX	334,297	71,272	112,755	125,705	34,511	323,476	349,063
Internal Service Fund II	82,809	129,162	-	-	29,195	100,000	25,000
Capital Fund IV	50,250,992	17,793,321	9,949,725	23,979,817	15,673,586	9,661,608	7,491,369
Enterprise Fund VI	229,176	69,869	45,598	300,125	29,129	30,000	20,000
Special Revenue Fund VIII	555,635	815,524	76,924	154,351	256,915	250,000	250,000
Total All Funds	**$ 51,758,537**	**$ 19,205,875**	**$ 10,392,455**	**$ 24,738,586**	**$ 16,634,570**	**$ 11,250,866**	**$ 8,309,232**

Rehabilitation and Preservation of Existing Capital Assets

As an asset ages, it requires preservation to protect or extend its useful life. In addition, reconstruction costs are frequently four to five times the cost of preservation and maintenance. For that reason, major maintenance funding transfers from the General Fund to Capital Projects Fund reflect board policy BP205: Asset Protection, "Assure that plant and equipment are not subjected to improper wear and tear or insufficient maintenance."

<u>Deferred Maintenance</u>

Deferred maintenance is the postponement of buildings and equipment upkeep from an organizations normal operating budget cycle due to a lack of funds. The college's current deferred maintenance list contains $35 million in needed facilities infrastructure repairs and replacements. The Facilities Management and Planning Department will be overseeing a comprehensive facilities conditions assessment during summer 2017, which will result in updates to list items and cost estimates.

The leading professional association for facilities management in higher education, APPA, recommends that institutions of higher education budget 2% of the replacement cost of their building stock annually for maintenance. Lane has 1.4 million square feet of building stock. At a replacement value of $300 per square foot, the annual major maintenance allocation at Lane should be $8.4 million in addition to an additional allocation to complete projects on the deferred maintenance list. The current maintenance allocation is $3.1 million ($1 million major maintenance budget plus general fund trades and trades coordinator salaries plus materials and services expenditures in safety, electrical, carpentry, paining, mechanical, HVAC, and special maintenance.)

The college does not have a separate funding resource for non-technology classroom and lab upgrades. As teaching and learning styles evolve, the college needs to be responsive to changing trends in education. The college currently funds a few such upgrades per year out of the $1M major maintenance budget.

Long Term Debt Obligations

Debt incurred by a community college district becomes the obligation of such community college district to pay. In the case that a community college district no longer has students and no longer provides educational services, it is still required to levy and collect property taxes, up to its operating tax rate limit. Article XI, Section 11b (often called "Measure 5) limits Educational Taxes to $5 per $1,000 of the Taxable Real Market Value of a property.

Debt Limitation

General Obligation Bonds. Oregon Revised Statute (ORS) 341.675 establishes a parameter of general obligation bonded indebtedness for community college districts. Community colleges may issue an aggregate principal amount up to 1.5 percent of Real Market Value (RMV) of all taxable properties within the district if the District's voters approve the general obligation bonds. General obligation bonds are secured by the power to levy an additional tax outside the limitations of Article XI, Sections 11 and 11b.

Lane Community College
General Obligation Debt Capacity

Measure 5 Real Market Value (Fiscal Year 2016)	$	41,869,053,720	(1)
Debt Capacity			
General Obligation Debt Capacity (1.5% of RMV)	$	628,035,806	
Less: Outstanding Debt Subject to Limit		(53,005,000)	(2)
Remaining General Obligation Debt Capacity	$	575,030,806	
Percent of Capacity Issued		8.44%	

(1) The District's fiscal Year commences July 1 and ends June 30 of the following year (the "Fiscal Year"). *Source: Lane, Linn, Benton and Douglas Counties Department of Assessment and Taxation.*

(2) Represents voter-approved, unlimited-tax general obligations of the District. *Source: Lane Community College Audited Financial Reports for the Fiscal Year Ended June, 30, 2015.*

Full Faith and Credit Obligations/Limited Tax Obligations. Community colleges may pledge their full faith and credit for "limited tax bonded indebtedness" or "full faith and credit obligations" in addition to pledging the full faith and credit for voter approved general obligation bonds. The Oregon Constitution and statutes do not limit the amount of limited tax bonded indebtedness that a community college may issue. Full faith and credit obligations an take the form of certificates of participation, notes or capital leases. Collection of property taxes to pay principal and interest on such limited-tax debt is subject to limitations of Article XI, Sections 11 and 11b.

Pension Bonds. ORS 238.694 authorizes community colleges to issue full faith and credit obligations to pay pension liabilities without limitations as to principal amount. Pension bonds are not general obligation as defined under State law and the District is not authorized to levy additional taxes to make pension bond payments.

Revenue Bonds. The district may issue revenue bonds for any public purpose, which are secured by revenues pursuant to ORS 287A.150. Subject to any applicable limitations imposed by the Oregon Constitution or laws of the state or resolution of an individual community college, ORS 287A.180 provides that the District may borrow money in anticipation of tax revenues or other monies and provide interim financing.

Outstanding Long-Term Debt

Flight Technology

In September 2013, Lane Community College financed two new airplanes for our Flight Technology Program. The benefits of these airplanes are lower fuel costs, high reliability, low down-time and industry standard equipment that better prepare students for the equipment they will be using after graduation. The debt service for this loan is to be paid by an interfund transfer from Fund IX so there is no impact on the General Fund. The loan will be fully paid September 15, 2023.

Flight Technology	Principal	Interest	Total
2017-2018	22,355	4,960	27,315
2018-2024	128,735	16,229	167,319
Total Flight Technology	151,090	21,189	194,634

Qualified Energy Conservation Bonds

On June 13, 2012 the Board of Education adopted resolution #577 approving Lane Community College to enter into a financing agreement with the State of Oregon in the amount of $1,500,000. The purpose of this loan is to finance a solar hot water system, a geothermal mechanical system, geothermal drilling, passive ventilation and related architectural permit and design costs for our new Downtown Center. This note will be fully paid in 2027.

Qualified Energy Conservation Bonds	Principal	Interest	Total
2017-2018	90,000	51,051	141,051
2018-2027	1,015,000	248,787	1,263,787
Total Qualified Energy Conservation Bonds	1,105,000	299,838	1,404,838

General Obligation Bonds

On November 4, 2008 voters approved authority for the College to issue $83 million in general obligation bonds to be used to renovate outdated infrastructure and instructional technology. In June 2009, the College issued Series 2009 General Obligation Bonds in the original amount of $45 million and in August 2012, the College issued $38 million in Series 2012 General Obligation Bonds.

	Series 2009 Bonds		Series 2012 Bonds		Series 2016 Bonds		
General Obligation Bonds	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017-2018	2,480,000	154,900	2,990,000	1,307,100	-	546,700	7,478,700
2018-2024	1,205,000	50,700	27,170,000	4,186,175	14,135,000	2,504,000	49,250,875
Total General Obligation Bonds	3,685,000	205,600	30,160,000	5,493,275	14,135,000	3,050,700	56,729,575

Recovery Zone Bonds

On December 2010, the college issued $19,355,000 of Full Faith and Credit Obligations, Series 2010. The college irrevocably elected to designate the obligations as "Recovery Zone Economic Development Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009. These bonds were issued to finance the costs of capital improvements for the college's student housing project, to pay capitalized interest and to pay the costs of issuance of the bonds. The sequestration reduction of the subsidy for Fiscal Year (FY) 2017 is 6.9%, for prior years it has been FY2015 7.3% and FY2016 6.8%.

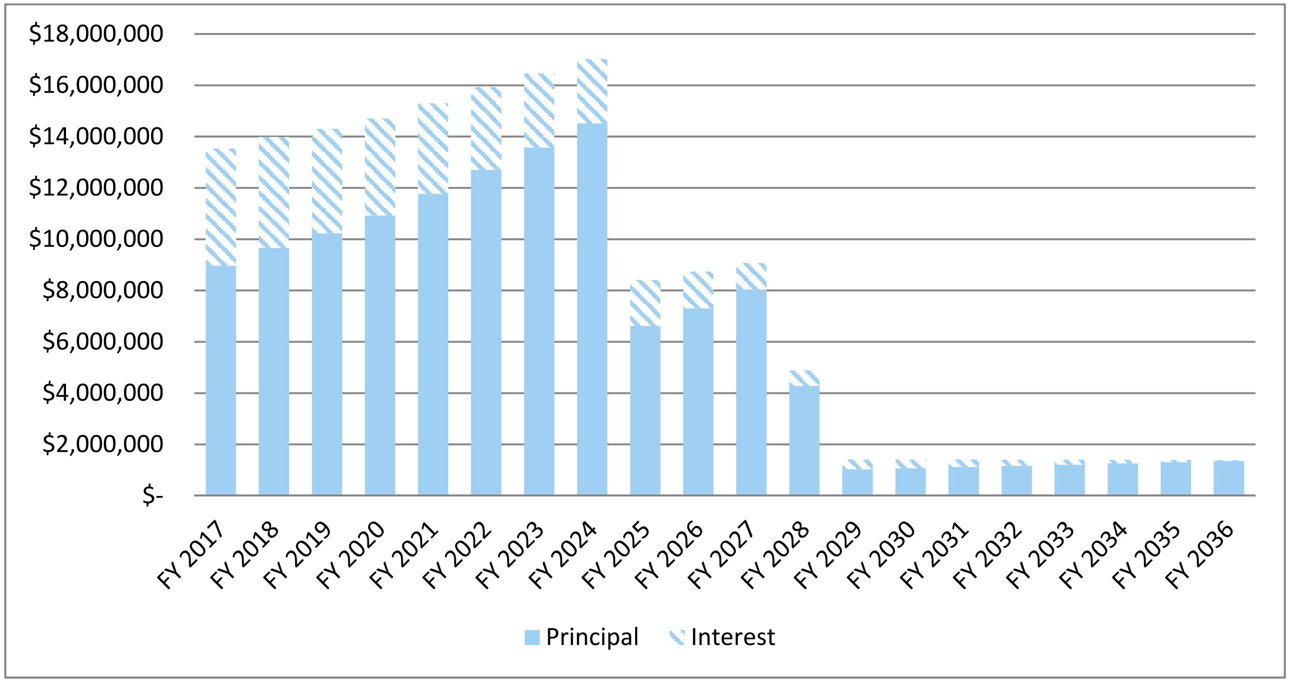
		Interest			
Recovery Zone Bonds	Principal	Total	Subsidy	Net	Debt Service
2017-2018	695,000	1,261,323	(526,161)	735,162	1,430,162
2018-2036	17,980,000	12,788,740	(5,334,822)	7,453,918	25,433,918
Total Recovery Zone Bonds	18,675,000	14,050,063	(5,860,983)	8,189,080	26,864,080

Pension Obligation Bonds

In April 2003, the college issued $51,803,948 of Limited Tax Pension Obligation Bonds and transferred the net proceeds to the State of Oregon Public Employees Retirement System to cover a portion of the college's share of the cost sharing plan's unfunded actuarial liability. The resulting pension asset is being used to pay a portion of the college's annual required contribution. PERS bonds sold at a discount of the face amount. The $7,446,257 represents the discounted amount to be recognized in future years. The total amount due each year matches the original debt schedule page E-6 of the Preliminary Offering Statement (POS), but the principal and interest breakdown is different because of the deferred interest bonds. Pension Obligation Bonds include the State of Oregon Public Employees Retirement System requirements, the college's single-employer defined benefit public employee early retirement supplement plan and the college's single-employer defined benefit postemployment health care benefits plan.

Pension Obligation Bonds	Principal	Interest	Total
2017-2018	3,375,000	1,529,250	4,904,250
2018-2028	47,855,000	12,105,904	59,960,904
Total Pension Obligation Bonds	51,230,000	13,635,154	64,865,154
Less Deferred Interest	(6,056,352)		
Carrying Amount 2016-2017	45,173,648		

Chart 2: Long-Term Debt Payment Schedule



Fiscal Performance Indicators *(in development)*

The following performance indicators are consistent with Government Finance Officers Association (GFOA) recommended best practices in governmental accounting and Lane Community College board policies, and have been developed in collaboration with other Oregon Community College Budget Officers.

<table>
<tr><th>Indicator</th><th>Current Value*</th><th>Objective</th><th>Rationale</th></tr>
<tr><td>Unrestricted General Fund Balance</td><td>8.37%</td><td>10% of total expenditures and transfers</td><td rowspan="5">Board Policy; ensure sufficient funds for unexpected expenses, investment, and cash flow
Board Policy</td></tr>
<tr><td>General Fund Balance in Excess of Minimum</td><td></td><td rowspan="4">Consistent with projections. If excess funds, plan for one-time uses, stabilization funds and/or reserves. If negative, plan for restoration within two years.
Stable trends</td></tr>
<tr><td>Change in General Fund balance in excess of minimum</td><td></td></tr>
<tr><td>Unrestricted Balance in Other Funds</td><td></td></tr>
<tr><td>Change in Unrestricted Fund Balance</td><td></td></tr>
<tr><td>General Fund Operating Surplus (Deficit) as % Revenue</td><td></td><td>Consistent with projections</td><td>Identifies net operating surplus or deficit relative to budget scope</td></tr>
<tr><td>Change in General Fund Major Revenue Sources</td><td></td><td>Positive trends</td><td>Declines in major revenue sources reflect the need for additional sources of revenue to maintain stability.</td></tr>
<tr><td>Change in General Fund Expenditures per Student FTE</td><td></td><td>Stable trends</td><td>Demonstrates the relationship between and responsiveness of operating costs relative to enrollment</td></tr>
<tr><td>Current Ratio (Current Assets/Current Liabilities)</td><td></td><td></td><td>Board Policy; indicates liquidity and ability to pay short- and long-term obligations</td></tr>
<tr><td>Accumulated Depreciation as % of Asset Cost</td><td></td><td></td><td></td></tr>
<tr><td>Debt Service Paid from Operations as % of General Fund Revenue</td><td></td><td>15% or lower</td><td>Indicates availability of resources for operations and asset replacement</td></tr>
<tr><td>Projection Variance</td><td>.5%</td><td>1% or lower</td><td>Indicates accuracy of budgetary projections used in budget development</td></tr>
</table>

*Estimate for year ending June 30, 2017

Fiscal Indicators Dashboard

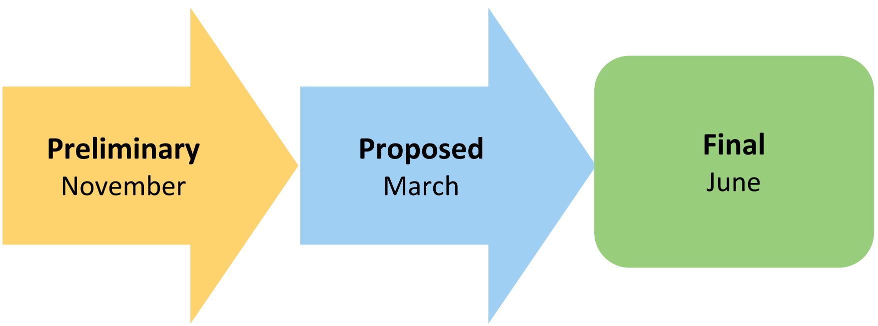
(in development)

Five-Year Financial Forecast

During the course of this planning process, Finance Council has developed a five-year financial forecasting model. The forecast model provides projections of base revenue and expenditure trends that will be occurring over the next five years with the objective of stimulating dialogue and discussion among students, faculty, staff, College Council, the Board of Education and citizens of the Lane Community College tax district and more sustainably informing appropriations. The forecast will be assessed and updated annually.

The forecast focuses on the college's General Fund I and Administratively Restricted Fund IX. While other funds make up a significant portion of the budget, in many cases policies are already in place that guide decision-making for the revenues and appropriations of those funds.

For the forecast to be useful in preparation of the annual budget, the five-year forecast will be updated in the three phases:



Economic Environment

State Community College Budget. Community college support funding is set biennially in the State budget adopted by the Legislative Assembly in odd-numbered years (the "Legislatively Adopted Budget"). The State budget covers two fiscal years (a biennium) beginning July 1 of an odd-numbered year to June 30 of the next odd-numbered year and sets funding for State agencies including Community College and Workforce Development (CCWD). The Legislative Assembly has the power to subsequently approve revisions to the Legislatively Adopted Budget. This revised State Budget is termed the "Legislatively Approved Budget".

The State Constitution requires the Legislative Assembly to balance the State's General Fund budget. The Department of Administrative Services' Office of Economic Analysis (the "OEA") produces a forecast of projected revenues ("Revenue Forecast") for the biennium, generally in March, June (May in odd-numbered years), September and December. The OEA also produces a "Close of Session Forecast" after the end of the legislative session in odd years that reflects the May economic forecast adjusted for any changes made by the legislature.

OEA's forecasts are based upon currently available information and upon a wide variety of assumptions. The actual results will be affected by future national and state economic activity and other events. If OEA's assumptions are not realized or if other events occur or fail to occur, the State's financial projections may not be achieved. Copies of the Revenue Forecasts are available from OEA at: www.oregon.gov/das/OEA.

If, over the course of a biennium, the forecasted revenues decline significantly from the Close of Session Forecast, the Legislative Assembly may meet in special session to rebalance the budget, the Governor may direct that expenditures be reduced, or the Legislative Assembly may adjust the budget when it meets in its regular session at the end of the biennium.

2015-2017 Biennial State Budget. The budget adopted by the Legislature for the 2015-17 biennium, as adjusted during the 2016 regular session (the "Legislatively Approved Budget"), included $70.892 billion in total funds, representing a 7.3 percent increase over the 2013-15 biennium's Legislatively Approved Budget of $66.047 billion. The Legislatively Approved Budget includes $18.075 billion in General Funds, $0.958 billion Lottery Funds, $22.917 billion Federal funds and $28.942 billion Other Funds.

2015-17 Biennium Revenue Forecast. On February 22, 2017, the OEA released the March 2017 Revenue Forecast. The March 2017 Revenue Forecast for gross General Fund revenues for the 2015-17 biennium was $18,110,600,000, up $112.6 million from Close of Session forecast, and up $102.9 million from December 2016 forecast. Personal income tax continues to reflect Oregon's strong underlying labor market. Corporate tax collections have posted healthy gains in recent months after falling sharply during most of 2016. The majority of the increases come from personal, corporate, estate and liquor revenues. The lottery sales outlook has also been raised due to a somewhat more robust outlook for personal income and consumer spending.

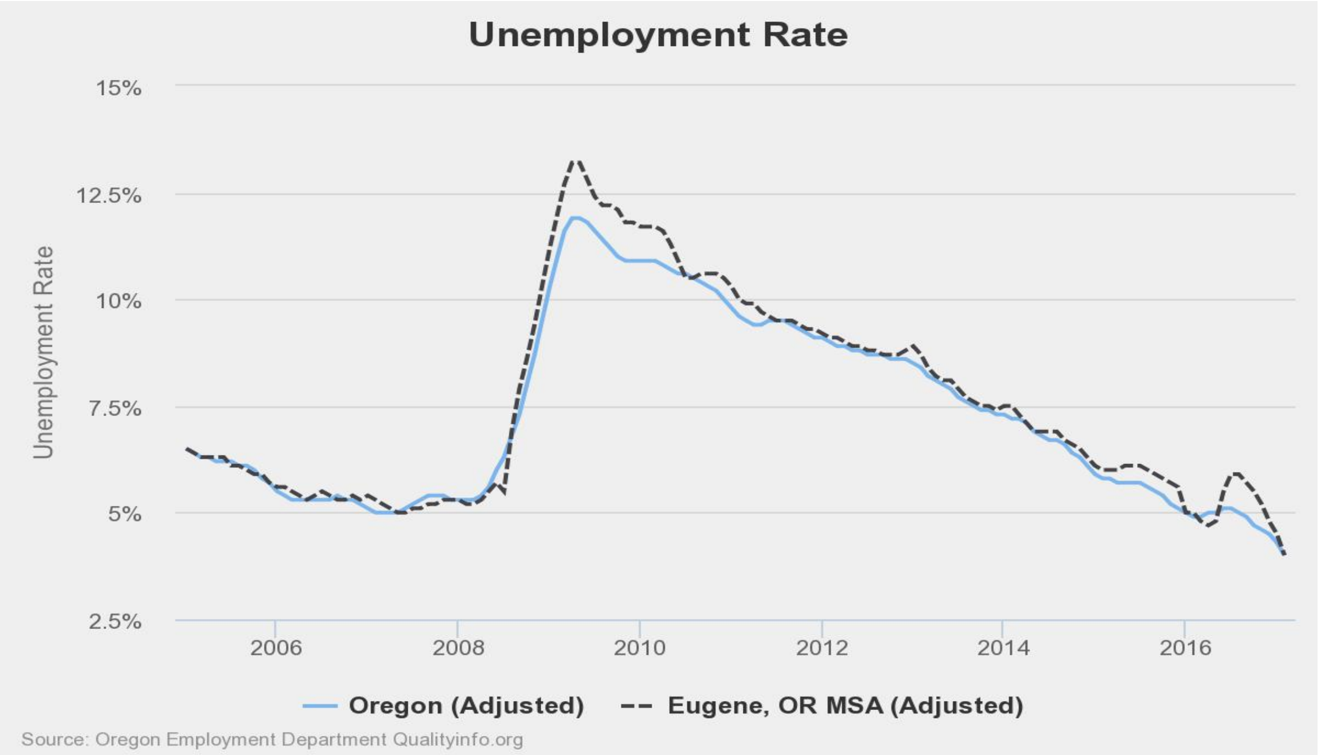
Table 8: State General Fund Forecast Summary ($ in Millions)

	2015-17 Biennium Revenue Forecast			**March 2017 Forecast – Change From**	
	Close of Session	December 2016	March 2017	December 2016	Close of Session
Structural Revenues					
Personal Income Tax	$ 15,713.5	$ 5,678.4	$ 15,709.8	$ 31.4	$ (3.6)
Corporate Income Tax	1,100.0	1,103.7	1,136.2	32.5	36.2
All Other Revenues	1,184.6	1,225.7	1,264.6	39.0	80.0
Gross General Fund Revenues	**17,998.1**	**18,007.8**	**18,110.6**	**102.9**	**112.6**
Beginning Fund Balance	532.9	528.8	528.8	-	(4.1)
Offsets and Transfers	(42.8)	(44.2)	(44.4)	(0.2)	(1.6)
Administrative Actions	(20.2)	(14.1)	(14.1)	-	6.2
Legislative Actions	(158.9)	(158.3)	(158.3)	-	0.6
Net Available Resources	**$ 18,309.1**	**$ 18,320.0**	**$ 18,422.6**	**$ 102.7**	**$ 113.6**

Source: Oregon Office of Economic Analysis, March 2017

Employment in Lane County. *Eugene Metropolitan Service Area: February 2017.* Lane County's seasonally adjusted unemployment rate dropped to 4.0 percent in February from 4.5 percent in January. This is the lowest rate since comparable local rates have been produced starting in 1990. In February 2016 the rate was 5.0 percent. Oregon's seasonally adjusted unemployment rate was 4.0 percent and the national rate was 4.7 percent in February.

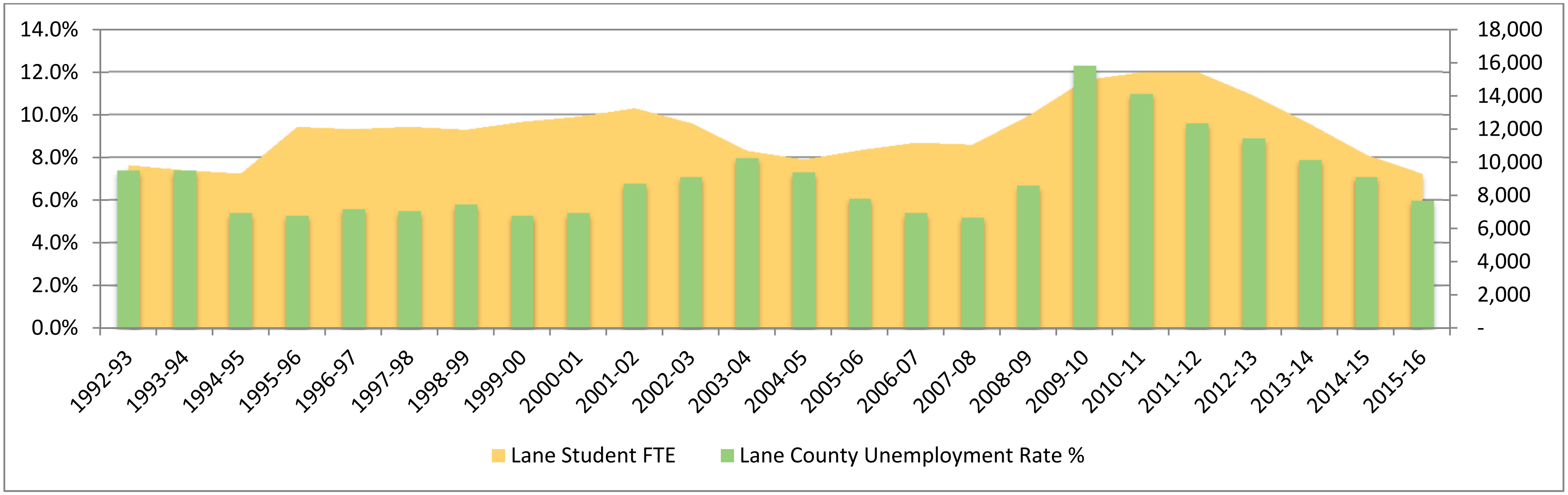
Chart 3: Lane County Unemployment



Two-year public college enrollment is positively correlated to unemployment, while four-year higher education institution enrollment is inversely related[3]. As shown in Chart 4, unemployment rates have a significant impact on Lane Community College's enrollment.

[3] DeLeeuw, J. (2012). Unemployment rate and tuition enrollment predictors. Monroe Community College.

Chart 4: Unemployment Comparison to Student Full Time Equivalent (FTE) Enrollment



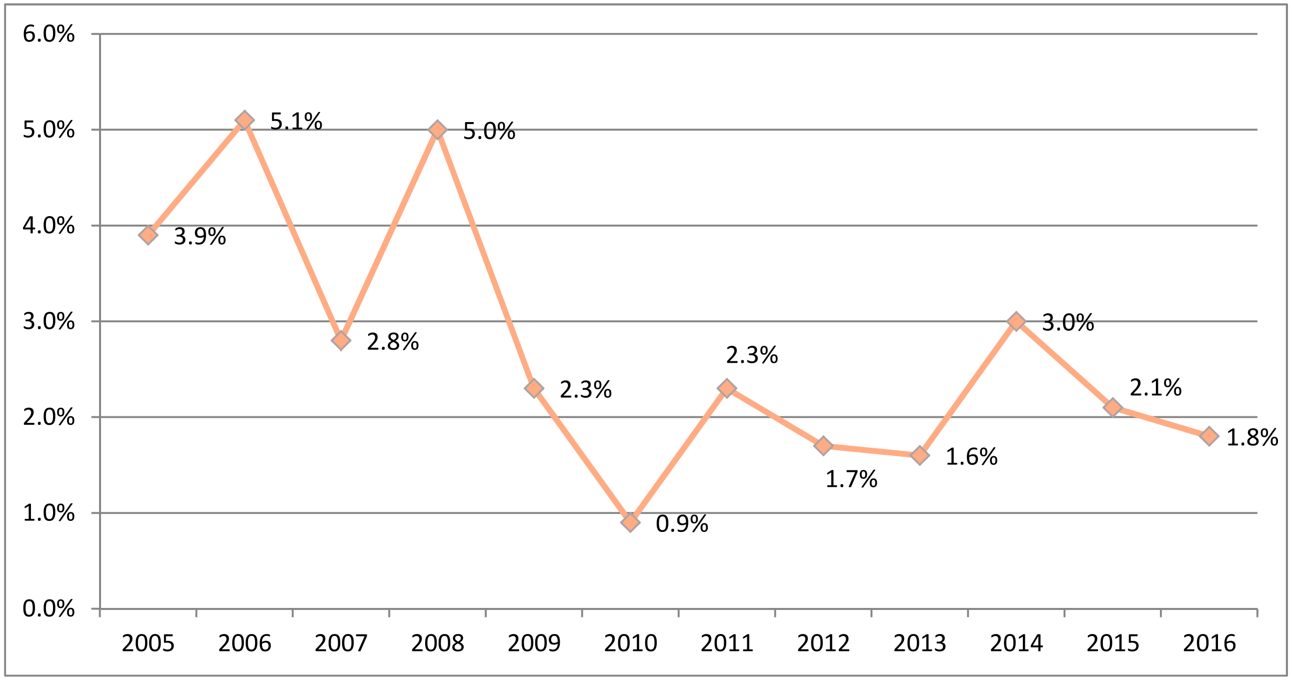
***Higher Education Price Index*[4].** The Commonfund Higher Education Price Index (HEPI) is an inflation index designed specifically to track the main cost drivers in higher education. It is an essential planning tool for educational managers, helping schools to understand the future budget and funding increases required to maintain real purchasing power. HEPI is issued annually by Commonfund Institute and is distributed free of charge to educational institutions.

HEPI is a more accurate indicator of changes in costs for colleges and universities than the more familiar Consumer Price Index. It measures the average relative level of prices in a fixed basket of goods and services purchased by colleges and universities each year through current fund educational and general expenditures, excluding research.

HEPI is compiled from data reported and published by government and economic agencies. The eight categories cover current operational costs of colleges and universities. These include salaries for faculty, administrative employees, clerical employees, and service employees, fringe benefits, utilities, supplies and materials, and miscellaneous services.

[4] www.commonfund.org/commonfund-institute/higher-education-price-index-hepi/

Chart 5: Higher Education Price Index, FY2005 to FY2016



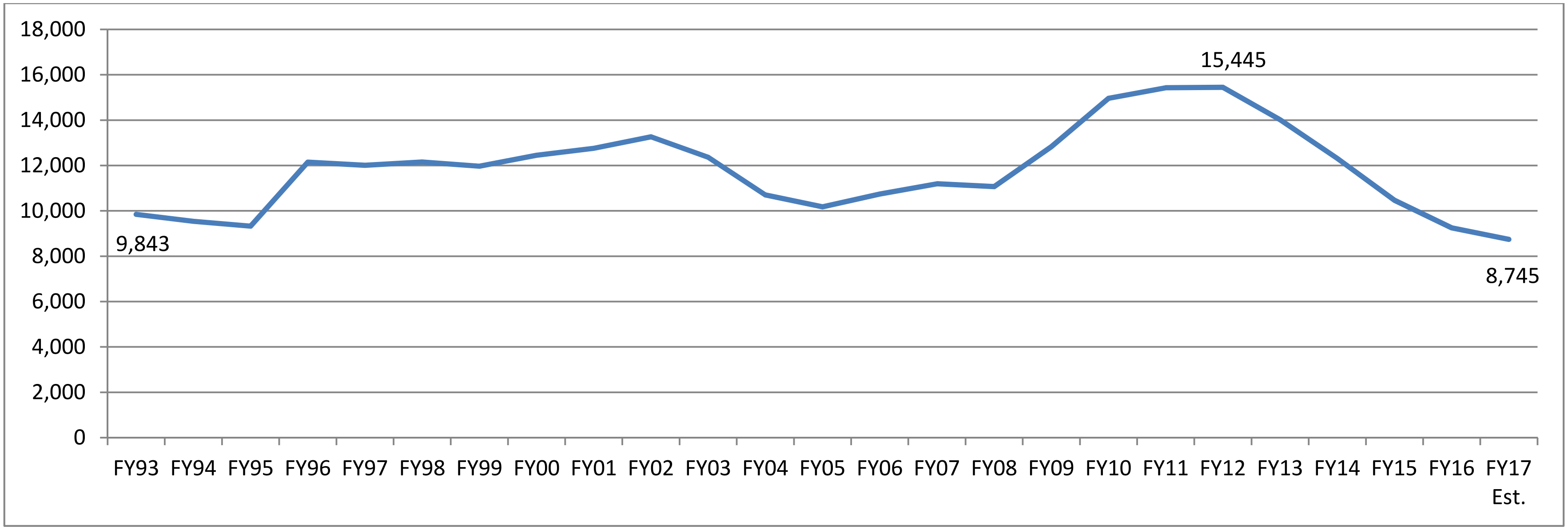
Public Employees Retirement System (PERS). Public employers in Oregon are bracing for significant increases to pension costs over the next three biennia due to the Oregon Supreme Court's rejection of lawmakers' 2013 pension reforms, low investment returns, and changes in the system's economic assumptions that have resulted in an unfunded liability of more than $20 billion. The college will likely face year-over-year increased up to 12% or $7.2 million over the three year period 2018-2021. The college prudently funded a PERS reserve account in 2004, and increased it in 2005 and again in 2010, in anticipation of rate increases. The college plans on using $860,000 of this $ 5.536 million fund in the 2018 fiscal year.

Issues and Opportunities

Enrollment

As shown in Chart 6 below, Lane's enrollment is projected to fall to a record low 8,745 full-time equivalent (FTE) in FY2017, representing a 43% decline from its peak in FY2012, and 11% lower than the closest comparator year of FY1993.

Chart 6: Lane Community College Student FTE, FY1993 to FY2017 Estimate



Source: Institutional Research, Assessment and Planning

Enrollment is critical to the educational mission of the college and is essential to its financial health. The primary revenue streams of state funding and tuition and fees are directly dependent upon enrollment. Tuition and fee income depends on the number of students and their credits and time in class counted in terms of student FTE. State funding from the Community College Support Fund (as well as property tax revenue) is generally distributed in proportion to each college's percentage of the total student FTE throughout community colleges in the State (or in proportion to each college's slice of the FTE pie.)

Lane's portion of FTE has dropped precipitously in the last five years since the enrollment peak in 2011. The bar graph below shows the changes of the shares of state reimbursement and property tax revenue of each of the top eight community colleges from 2011 to 2016. Lane dropped from having the second largest student FTE to the third largest and has lost approximately 25% of its share of the total FTE in the state. Since the total state FTE has also dropped, the absolute decline in student FTE at Lane is more than 25%, a decline of approximately 40%.

In Development –

Insert Charts:

% FTE

Funding/FTE

In addition to unemployment drivers, changes in federal financial aid policies, impacts of the K-12 educational system and environment, and increased competition from online and for-profit educational institutions impact enrollment at Lane. The college is working on several efforts to increase recruitment and retention [success] of students, most notably the Strategic Enrollment Management Plan, Student Affairs Transformation, investments in academic technology (online courses and open educational resources), Academic Program Review, and development of a comprehensive Learning Plan. After studying myriad enrollment drivers and trends, the Budget Development Subcommittee of College Council is projecting flat enrollment (no further decline) for the coming 2017-2018 academic year.

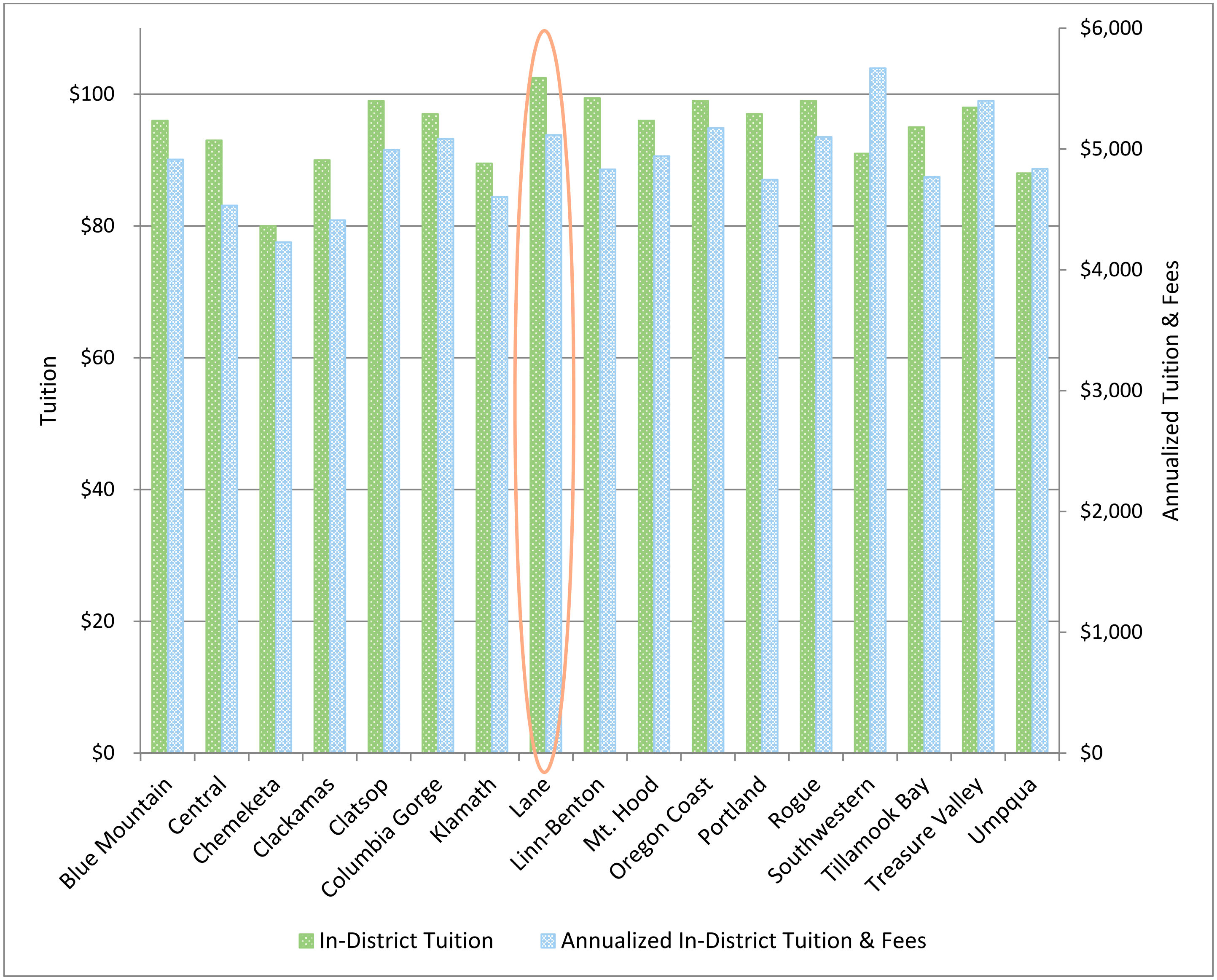
Tuition

Research in community colleges broadly and experience at Lane has shown that implementing a single large increase in tuition in one year because tuition has not kept pace with inflation has a significant adverse effect on student enrollment in the next academic year. Accordingly, the college has adopted board policy BP725, which states:

> *In order to maintain a constant tuition rate relative to inflation, each November the board will select an appropriate index for two-year public colleges on which to base tuition increase. In December of each year, the board will adjust the per credit tuition rate to reflect changes in the index since the last tuition adjustment. The rate will be rounded to the nearest half-dollar and become effective the following academic year (Summer Term).*
>
> *Should the board conclude that increases above the selected index are required; the board will assure that there are college-wide opportunities, particularly with students, to engage in discussion about the impact of tuition increases on access, affordability and course offerings. Should the board conclude that tuition should be reduced; the board will similarly assure that there are opportunities to engage in college-wide discussions about the impact on course offerings, access and affordability.*

Lane's tuition and fees are among the highest in the State, as shown in Chart 7 on the following page. With continued disinvestment by the state, exacerbated by enrollment-driven declines in Lane's share of community college support funds, the college increasingly relies on tuition and fee revenue to support its expenditure base.

Chart 7: Oregon Community Colleges In-District Tuition and Fees, 2016-2017 Academic Year



Source: Oregon Department of Community Colleges and Workforce Development

Personnel Costs

Even as enrollment at the college dips to historical lows, personnel costs in operating funds I & IX are $17.2 million or 30% higher than FY2008, prior to the enrollment surge of FY2009 to FY2013. Staffing to student FTE ratios have increased 30% over that same time period as reflected in Table 9 below.

Table 9: Student and Personnel Trends

FY2008-FY2017 Estimate

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY17 Est.
Enrolled Student FTE	11,069	12,817	14,958	15,417	15,375	14,015	12,312	10,466	9,250	8,745
Personnel FTE	787.7	847.8	935.6	1,004.3	1,045.9	1,040.3	992.2	863.1	829.5	814.5
Student/Personnel FTE	14.1	15.1	16.0	15.4	14.7	13.5	12.4	12.1	11.2	10.7
Salary, Wages & OPE	$ 59,425,188	$ 61,615,365	$ 68,752,113	$ 73,589,894	$ 80,123,192	$ 82,905,849	$ 83,242,937	$ 78,187,058	$ 75,414,672	$ 76,620,172

Funds I & IX. Source: Lane Community College Budget Office

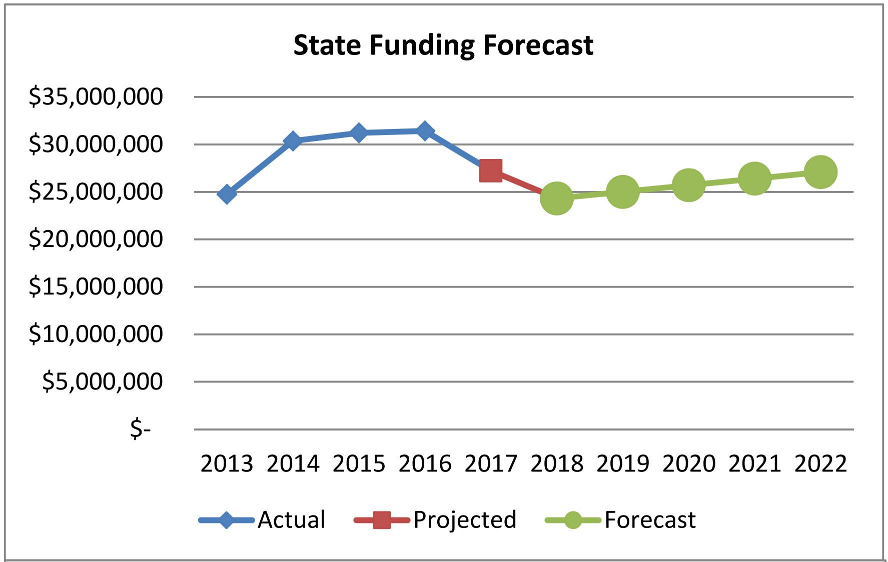
Major Revenue Forecast, Funds I & IX

Note: This section flows from the college's new five-year financial forecast model. Assumptions for future years are presented for modeling and discussion purposes only. Finance Council will begin the work for analyzing and establishing assumptions in fall term 2017 as part of implementation of the Long-Range Financial Plan.

State Funding

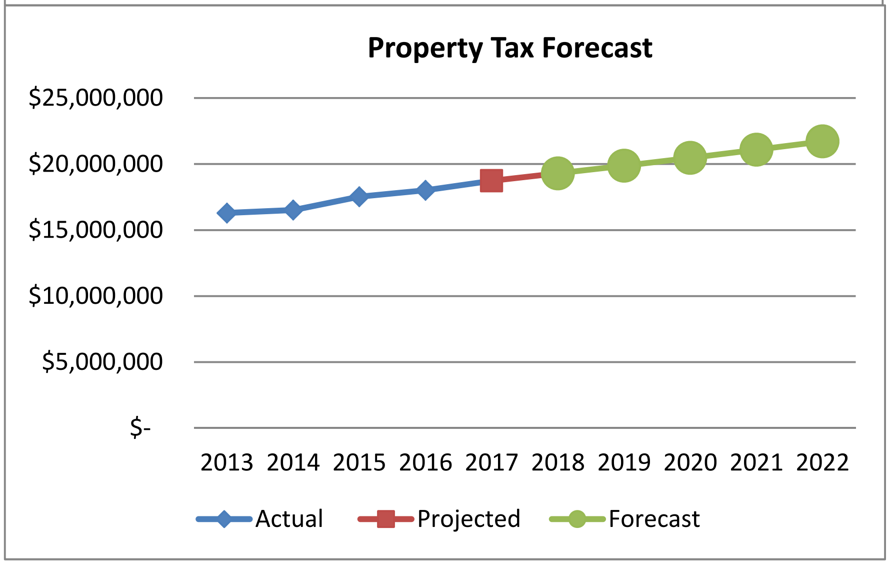
State funding and property taxes comprise over 50% of total operating revenue. The Governor's 2017-2019 biennial budget for community colleges is $550 million, the same funding level as the 2015-2017 budget. The Oregon Community College Association (OCCA) is lobbying for $634 million. The college's five year forecast model is conservatively built on the co-chairs budget of $556 million over 2017-2019. For years 2020 – 2022 the initial forecast assumes no change to the total funding level but a 1/4 percent increase to Lane's allocation in FY2019 to FY2022 based on planned enrollment growth.

Enrollment at Lane has impacted the college more than the State's budget. The State distributes the community college budget based on enrollment and Lane's enrollment decreased more than the other 16 community colleges. At the highest point Lane's share of the State's budget was over 13% but current projections have Lane at less than 9%.



Property Taxes

Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and ordinarily is less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called "Measure 50") assigned each property a value and limited increases in that assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption. The average over time is approximately 3% and the model assumes a three percent annual growth rate.

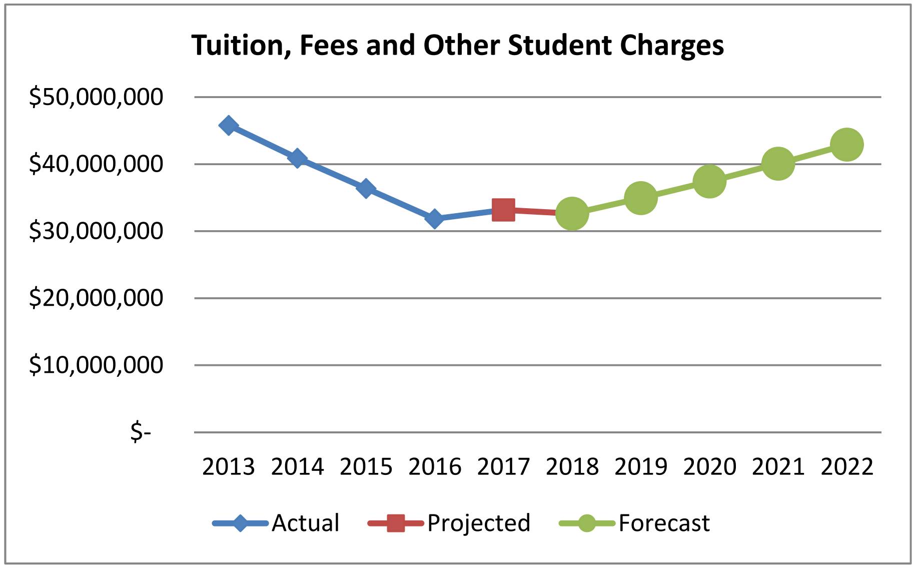


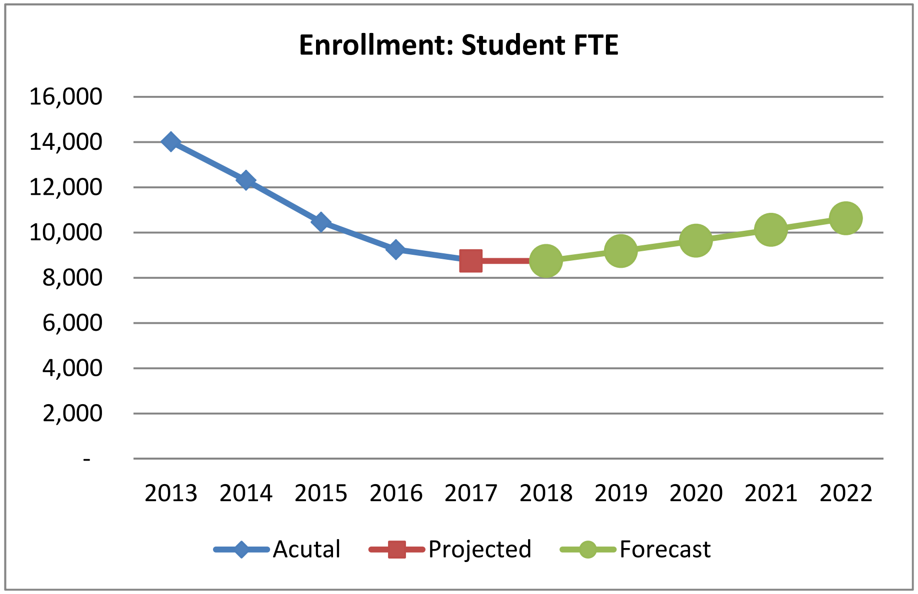
Tuition, Fees and Other Student Charges

Student tuition, fees and other student charges make up over 30% of total operating revenue.

For fiscal year 2018 the forecast is for flat growth with a $2.00 HEPI increase to tuition plus $5 additional increase. For years 2019-2022 the model assumes a 2% inflationary increase.

For FY2018, the Budget Development Subcommittee of College Council has recommended enrollment flat growth. The model assumes a 5% increase each year for years 2019-2022, consistent with the college's Strategic Enrollment Management plan.





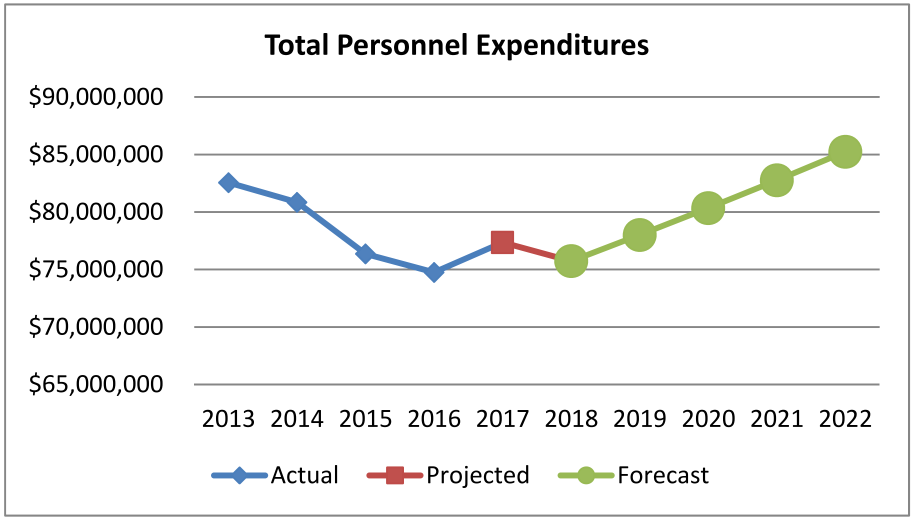
Major Expenditure Trends

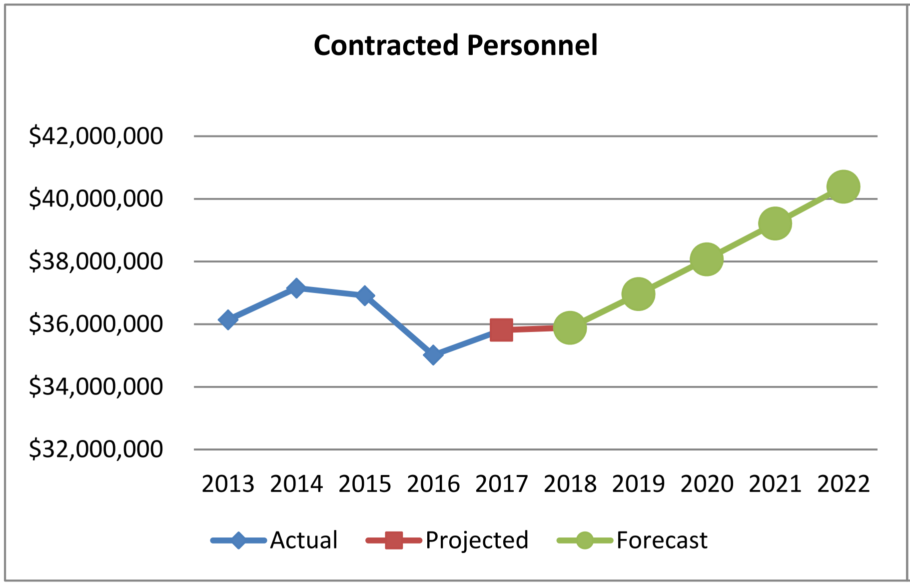
Personnel Expenditures

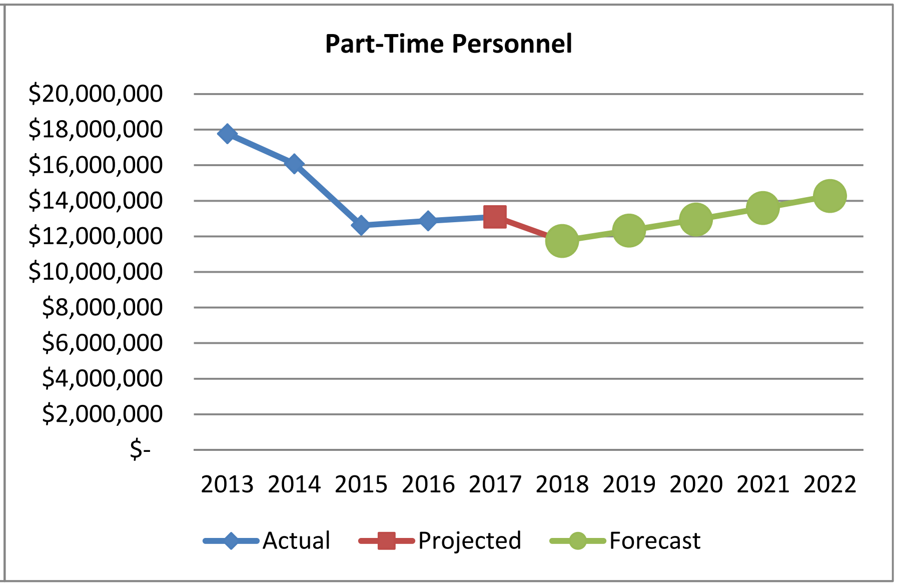
Personnel expenditures account for 80% of the operating expenditures of the college. The components are:

- Contracted Employees (>= .5 FTE),
- Part-Time Employees (< .5 FTE) and
- Other Payroll Expenditures (OPE)

FY2018 is forecast using the proposed budget position list and a bargaining parameter of $1.951 million for salary and benefit increases. For FY2019-2022 the model assumes a 3% increase in contracted personnel costs and a 5% increase in part-time personnel costs for salary increases and to support enrollment projections.



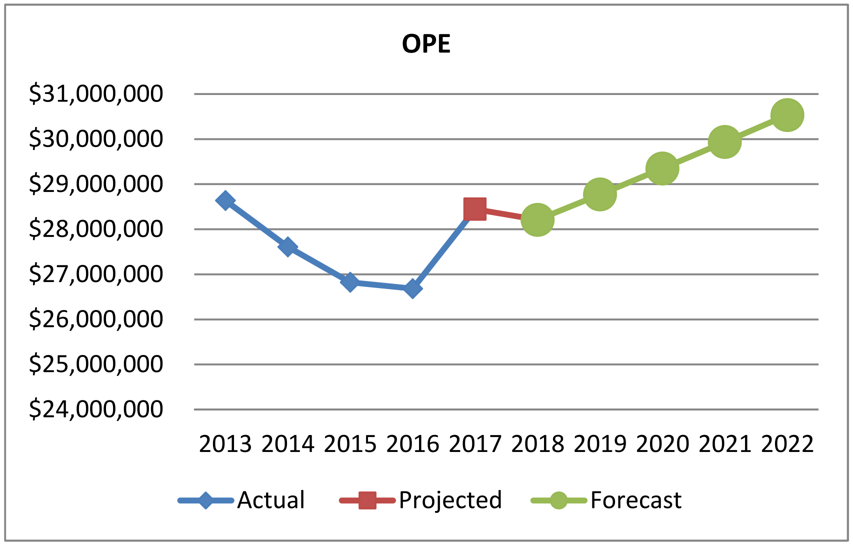




Other payroll expenditures (OPE) are comprised of:

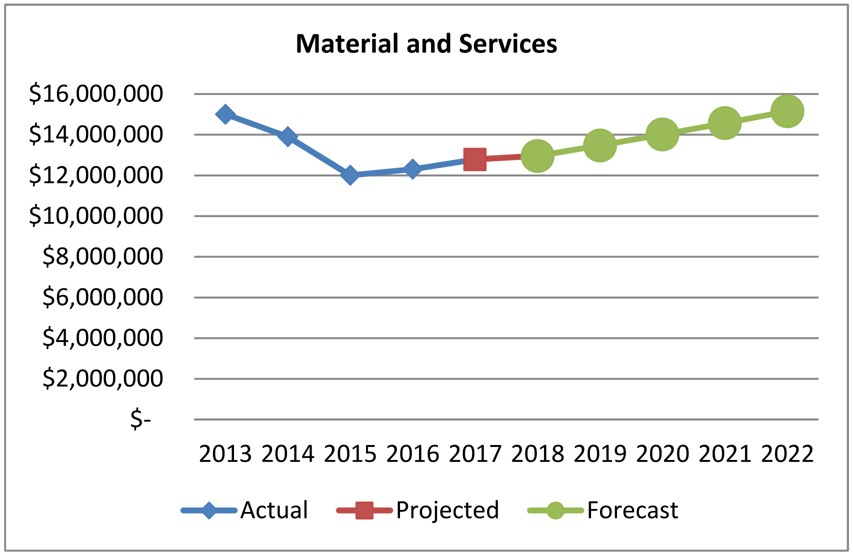
- Medical 46%
- Pension-PERS 20%
- Pension debt service 15%
- Payroll taxes 13%
- Other 6%

OPE rates and expenditures increased 1% in FY2018. For the years 2019-2020 the model assumes continued 1% growth.



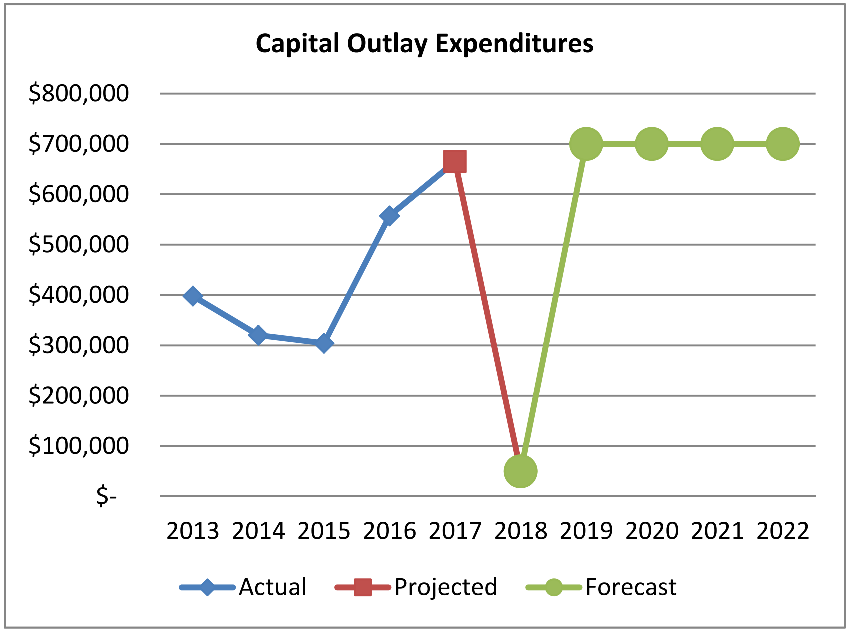
Material & Services Expenditures

FY2018 materials and services are based upon the March 2017 planning projection and approved budget balancing measures. For years 2019-2022 the model assumes a 4% annual increase for inflationary factors and to support enrollment growth projections.



Capital Outlay Expenditures

$650,000 of the $700,000 general fund capital outlay allocation was withheld in FY2018 as part of the approved budget balancing measures. In future years, the model assumes the allocation will be reinstated with annual expenditures of $700,000.



In Development = This is a placeholder only

Five Year Financial Forecast - Operating Funds I & IX

	%	FY2018	%	FY2019	%	FY2020	%	FY2021	%	FY2022
Recurring Revenues		$ 86,608,000		$ 83,502,700		$ 85,915,590		$ 89,457,189		$ 93,161,334
New Revenues		$ (3,105,300)		$ 2,412,890		$ 3,541,599		$ 3,704,145		$ 3,929,416
Total Revenues		$ 83,502,700		$ 85,915,590		$ 89,457,189		$ 93,161,334		$ 97,090,750
Recurring Expenditures		$ 91,554,400		$ 91,682,200		$ 93,502,544		$ 95,359,295		$ 97,253,181
Increase to Expenditures		$ 127,800		$ 1,820,344		$ 1,856,751		$ 1,893,886		$ 1,931,764
Total Expenditures		$ 91,682,200		$ 93,502,544		$ 95,359,295		$ 97,253,181		$ 99,184,944
Net Revenues Over/(Under) Expenditures		**$ (8,179,500)**		**$ (7,586,954)**		**$ (5,902,106)**		**$ (4,091,847)**		**$ (2,094,194)**
Net Transfers In / (Out)		$ (1,778,300)		$ (1,778,300)		$ (1,778,300)		$ (1,778,300)		$ (1,778,300)
Total Change in Fund Balance		**$ (9,957,800)**		**$ (9,365,254)**		**$ (7,680,406)**		**$ (5,870,147)**		**$ (3,872,494)**
Ending Fund Balance (EFB)		**$ 3,976,066**		**$ (5,389,188)**		**$ (13,069,593)**		**$ (18,939,740)**		**$ (22,812,234)**
% of EFB to Total Expenditures	10.0%	4.3%	10.0%	-5.7%	10.0%	-13.5%	10.0%	-19.1%	10.0%	-22.6%
EFB (Short) / Over		$ (5,192,154)		$ (14,739,442)		$ (22,605,523)		$ (28,665,058)		$ (32,730,729)
BUDGET LEVERS										
REVENUES										
State Funding	-11.7%	$ (3,184,400)	-2.0%	$ (480,980)	2.0%	$ 471,360	2.0%	$ 480,788	2.0%	$ 490,403
Property Taxes	3.1%	$ 562,000	3.0%	$ 578,892	3.0%	$ 596,259	3.0%	$ 614,147	3.0%	$ 632,571
Credit Tuition	0.1%	$ 15,400	2.0%	$ 471,496	2.0%	$ 504,972	2.0%	$ 490,544	2.0%	$ 500,355
Student Fees	2.2%	$ 164,100	2.0%	$ 155,850	2.0%	$ 166,915	2.0%	$ 162,146	2.0%	$ 165,389
Enrollment (Credit) Growth	0.0%	$ -	5.0%	$ 1,599,732	5.0%	$ 1,713,313	5.0%	$ 1,834,959	5.0%	$ 1,965,241
Other Fees	-36.6%	$ (722,400)	1.0%	$ 12,516	1.0%	$ 12,641	2.0%	$ 25,535	3.0%	$ 39,069
Administrative Recovery	0.0%	$ -	1.0%	$ 18,750	1.0%	$ 18,938	2.0%	$ 38,254	4.0%	$ 78,038
Misc. / Auxiliary Revenue	0.8%	$ 60,000	1.0%	$ 56,634	1.0%	$ 57,200	1.0%	$ 57,772	1.0%	$ 58,350
Total New Revenues		**$ (3,105,300)**		**$ 2,412,890**		**$ 3,541,599**		**$ 3,704,145**		**$ 3,929,416**
EXPENDITURES										
Personnel	-0.45%	$ (347,300)	2.0%	$ 1,540,072	2.00%	$ 1,570,873	2.00%	$ 1,602,291	2.00%	$ 1,634,337
Materials & Services	3.51%	$ 475,100	2.0%	$ 280,272	2.00%	$ 285,877	2.00%	$ 291,595	2.00%	$ 297,427
Capital Increase (Decrease)		$ -		$ -		$ -		$ -		$ -
Total Increase In Expenditures		**$ 127,800**		**$ 1,820,344**		**$ 1,856,751**		**$ 1,893,886**		**$ 1,931,764**
TRANSFERS IN/(OUT)										
Fund 1 PERS reserve IN		$ 860,000		$ 860,000		$ 860,000		$ 860,000		$ 860,000
Fund 1 Other fund transfers IN		$ 67,500		$ 67,500		$ 67,500		$ 67,500		$ 67,500
Fund 9 from Fund 1 in		$ 1,375,100		$ 1,375,100		$ 1,375,100		$ 1,375,100		$ 1,375,100
Fund 1 Major Maintenance (Out)		$ (1,000,000)		$ (1,000,000)		$ (1,000,000)		$ (1,000,000)		$ (1,000,000)
Fund 1 to Fund 9		$ (1,375,100)		$ (1,375,100)		$ (1,375,100)		$ (1,375,100)		$ (1,375,100)
Fund 1 to Internal Service funds		$ (396,000)		$ (396,000)		$ (396,000)		$ (396,000)		$ (396,000)
Fund 1 to Debt service		$ (139,978)		$ (139,978)		$ (139,978)		$ (139,978)		$ (139,978)
Fund 9 to other funds		$ (253,979)		$ (253,979)		$ (253,979)		$ (253,979)		$ (253,979)
Missing transfers		$ (915,843)		$ (915,843)		$ (915,843)		$ (915,843)		$ (915,843)
Total Net Transfers		**$ (1,778,300)**		**$ (1,778,300)**		**$ (1,778,300)**		**$ (1,778,300)**		**$ (1,778,300)**

In Development: This is a placeholder only

Lane Community College

Five Year Financial Forecast - Operating Funds I & IX

	%	FY2018	%	FY2019	%	FY2020	%	FY2021	%	FY2022
Recurring Revenues		$ 86,608,000		$ 83,502,700		$ 85,915,590		$ 89,457,189		$ 93,161,334
New Revenues		$ (3,105,300)		$ 2,412,890		$ 3,541,599		$ 3,704,145		$ 3,929,416
Total Revenues		$ 83,502,700		$ 85,915,590		$ 89,457,189		$ 93,161,334		$ 97,090,750
Recurring Expenditures		$ 91,554,400		$ 91,682,200		$ 93,502,544		$ 95,359,295		$ 97,253,181
Increase to Expenditures		$ 127,800		$ 1,820,344		$ 1,856,751		$ 1,893,886		$ 1,931,764
Total Expenditures		$ 91,682,200		$ 93,502,544		$ 95,359,295		$ 97,253,181		$ 99,184,944
Net Revenues Over/(Under) Expenditures		**$ (8,179,500)**		**$ (7,586,954)**		**$ (5,902,106)**		**$ (4,091,847)**		**$ (2,094,194)**
Net Transfers In / (Out)		$ (1,778,300)		$ (1,778,300)		$ (1,778,300)		$ (1,778,300)		$ (1,778,300)
Total Change in Fund Balance		**$ (9,957,800)**		**$ (9,365,254)**		**$ (7,680,406)**		**$ (5,870,147)**		**$ (3,872,494)**
Ending Fund Balance (EFB)		**$ 3,976,066**		**$ (5,389,188)**		**$ (13,069,593)**		**$ (18,939,740)**		**$ (22,812,234)**
% of EFB to Total Expenditures	10.0%	4.3%	10.0%	-5.7%	10.0%	-13.5%	10.0%	-19.1%	10.0%	-22.6%
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Fund 1 Major Maintenance (Out)		$ (1,000,000)		$ (1,000,000)		$ (1,000,000)		$ (1,000,000)		$ (1,000,000)
Fund 1 to Fund 9		$ (1,375,100)		$ (1,375,100)		$ (1,375,100)		$ (1,375,100)		$ (1,375,100)
Fund 1 to Internal Service funds		$ (396,000)		$ (396,000)		$ (396,000)		$ (396,000)		$ (396,000)
Fund 1 to Debt service		$ (139,978)		$ (139,978)		$ (139,978)		$ (139,978)		$ (139,978)
Fund 9 to other funds		$ (253,979)		$ (253,979)		$ (253,979)		$ (253,979)		$ (253,979)
Missing transfers		$ (915,843)		$ (915,843)		$ (915,843)		$ (915,843)		$ (915,843)
Total Net Transfers		**$ (1,778,300)**		**$ (1,778,300)**		**$ (1,778,300)**		**$ (1,778,300)**		**$ (1,778,300)**

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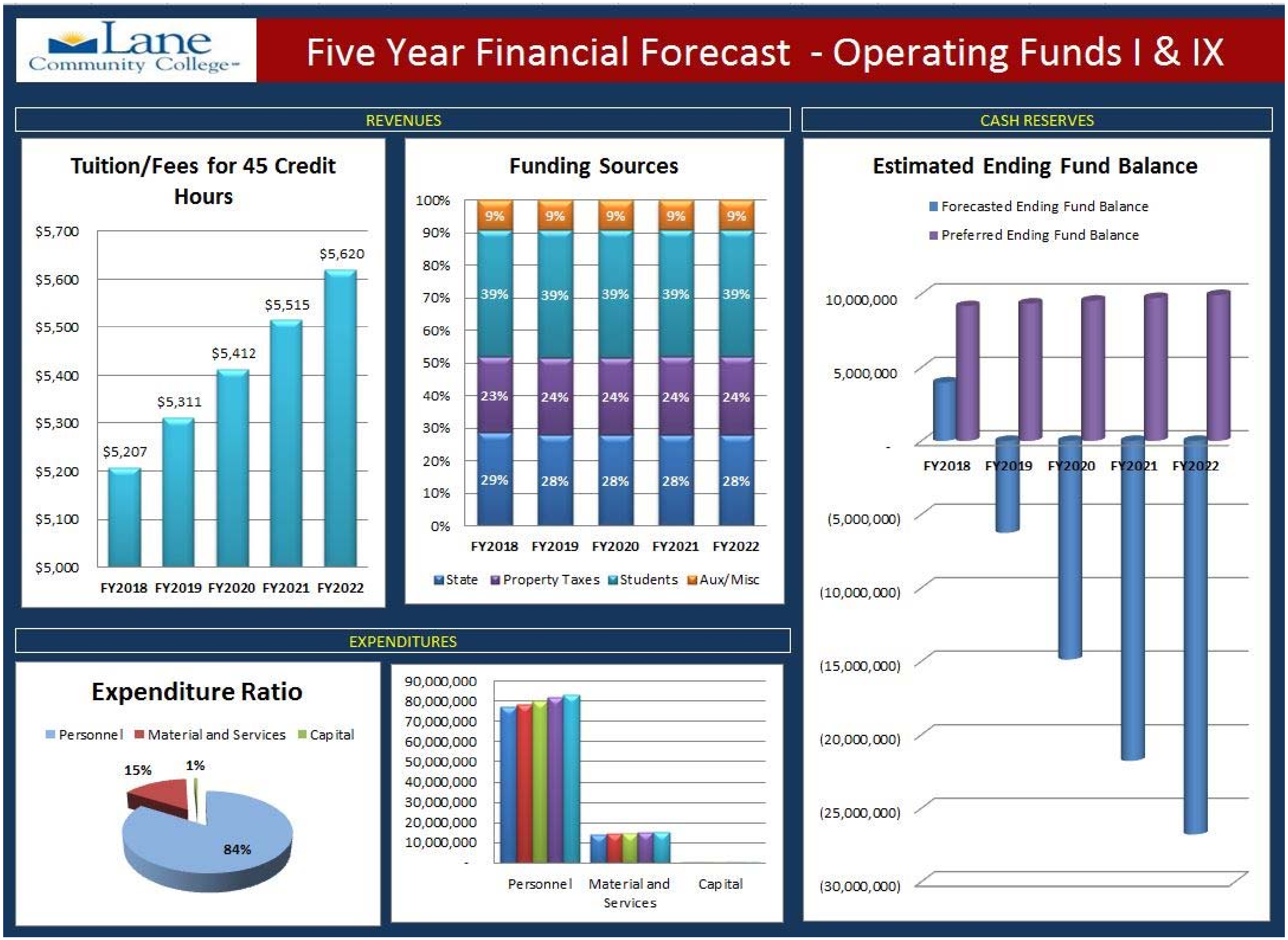

Financial Planning Principles, Criteria and Data Elements

General Principles

1. Budget development at Lane Community College is guided by ***institutional plans***, ***program review***, ***annual department plans***, and other planning efforts. All plans support the college's Core Themes and Strategic Plan to further mission fulfillment.

2. Faculty, staff, and managers regularly review, analyze and engage with both standard data elements and department-specific performance measures through annual department planning and five-year program review processes. This process results in a cycle of continuous improvement planning and assessment.

3. Implementation plans from both the department/program and institutional level include measurable outcomes, timelines, assessment plans, and resource needs/implications.

Investment and Reduction Criteria

In times of investment (surplus resources), resources are prioritized as follows:

a. Approved program review implementation plans
b. Addressing current institutional priorities and Strategic Directions
c. Support of essential services and physical infrastructure
d. Support of critical/demonstrated local or regional workforce need
e. Support of innovation in the learning, co-curricular and operational environment
f. Demonstrated, measurable, sustained return on investment; college-wide impact

In times of reduction (budget deficit), reductions are considered using the following criteria:

- Impact to students
- Avoidance of involuntary layoffs of permanent employees
- Program performance relative to established goals, college standards, and benchmarks
- Centrality to college mission
- Program or service demand
- Local and regional workforce needs and post-graduation outcomes
- Transfer articulation to four-year universities

Data Elements

Data Elements Used in Program Review, Annual Department Planning, and Budget Development			
May 2017			
	Arts & Sciences Academic Departments	**Professional & Technical Academic Departments**	**Student Affairs & College Services Departments**
1	**Ten** Year Enrollment and Activity Trends		
	Student FTE	Program Headcount	College Headcount
	-By SUBJ	Program Waitlists	-new students
	- w/ College Now, w/o College Now		-returning students
	-By Program/Department/Discipline	Student FTE	
	- w/ College Now, w/o College Now	-By SUBJ	Student FTE
	-Collegewide	- w/ College Now, w/o College Now	- w/ College Now, w/o College Now
	- w/ College Now, w/o College Now	-By Program/Department/Discipline	
		- w/ College Now, w/o College Now	Program/Department Specific Activity
		-Collegewide	e.g. Participation, Financial Aid applications processed, advising sessions, square footage, listenership
		- w/ College Now, w/o College Now	
	Capacity	Capacity	Capacity
	Student Demographics	Student Demographics	Participant Demographics
2	Five Year Student Success Indicators		
	Course completion rates	Course completion rates	Course completion rates
	-By SUBJ	-By SUBJ	-Collegewide
	-By Program/Department	-By Program/Department	
	-Collegewide	-Collegewide	

Data Elements

	Credential attainment	Credential attainment	Credential attainment
	program and collegewide	*program and collegewide*	*collegewide*
	-Credit degree	-Credit degree	-Credit degree
	-Credit certificates	-Credit certificates	-Credit certificates
	-Non-Credit certificates	-Non-Credit certificates	-Non-Credit certificates
3	Five Year Staffing Levels		
	FTE	FTE	FTE
	-Faculty FTE	-Faculty FTE	-Faculty FTE
	-Classified Staff FTE	-Classified Staff FTE	-Classified Staff FTE
	-Manager FTE	-Manager FTE	-Manager FTE
	-Student Worker FTE	-Student Worker FTE	-Student Worker FTE
	Ratios	Ratios	Program/Department Specific Ratios
	-Faculty/Student	-Faculty/Student	-e.g. Staff FTE to FA awards, Staff FTE to program participants
	-All department/Student	-All department/Student	
4	Five Year Financial Data		
	-Cost	-Cost	-Cost
	personnel, M&S, other	*personnel, M&S, other*	*personnel, M&S, other*
	Direct Costs by SUBJ	Direct Costs by SUBJ	Direct Costs
	Direct Costs by Program/Department	Direct Costs by Program/Department	
	-Revenue	-Revenue	-Revenue
	Direct Revenue by SUBJ	Direct Revenue by SUBJ	Fees
	Direct Revenue by Program	Direct Revenue by Program	Grants & Contracts
	State Revenue by SUBJ	State Revenue by SUBJ	Transfers
	State Revenue by Program	State Revenue by Program	Other
5	Transfer & Employment Data		

Next Steps

Finance Council has identified the following action items and priorities to pursue to support long-range and strategic financial planning at the college. The council will assess implementation efforts and fiscal indicators annually; updating and amending forecasts, action items, strategies and plan documents and resources accordingly.

1. **Develop Systems and Resources to Support Financial Literacy, Access, Transparency and Decision-Making**
    - Continue development and refinement of five-year financial forecasting tool
    - Create data and reporting dictionary of common financial and related data and reports to further understanding and analysis and a common language and understanding
    - Develop systems, tools and training resources to promote access to financial data to support analysis and decision making at the local level
    - Establish yearlong communication plan for and with all stakeholder groups (outside the annual budget development cycle) to encourage dialogue, shared problem-solving, and shared understanding of financial issues and opportunities
    - Provide an annual report on fiscal indicators and progress toward Long-Range Financial Plan goals

2. **Planning and Resource Allocation Integration**
    - Create an integrated department planning process that flows into budget development and resource allocation and includes analysis of implementation/goal attainment
    - Ensure the Long-Range Financial Plan and college planning structures and systems support the Learning Plan, Facilities Master Plan, and other planning processes currently in development

3. **Comprehensive Review of Enterprise and Auxiliary Funds**
    - Conduct a comprehensive review of Enterprise and Auxiliary Funds to identify issues and develop specific plans as needed for long-term fiscal health. Fund II: Internal Service Fund, Fund IV: Capital Projects Fund, Fund VI: Enterprise Fund.

4. **OPE Rate Assessment**
    - Explore the feasibility and benefits of disaggregating OPE rates to better allocate benefit costs for reporting, cost allocation, and decision making

5. **Budget Cycle Review**
    - Explore the feasibility and benefits moving to a two-year budget cycle to support longer-term planning cycles and operational efficiencies.