

Long Range Financial Plan 2013–2017

The current tough economic times we are facing as a nation, state and college require strong fiscal leadership and fiscal stewardship. The goals of the Long Range Financial Plan encompass a set of strategies around sustainable growth rates in operating income and expense, reinvestment in physical plant to maintain its' value over time, further development of all of our assets to create revenue for the college as well as setting the context for annual budgeting. These financial concepts, however, must be grounded in and inextricably linked to the mission and values of the college.

The Lane Community College board of education has recently approved a new mission statement, affirmed our values and approved new strategic directions. The board has also clearly articulated financial policies that guide financial planning and budgeting. The Long Range Financial Plan developed in 2004 requires updating to reflect the new realities faced by the college as well as assure that it supports the college strategic directions.

The objective of this financial plan is ultimately to achieve the mission of the college through strategic, long term thinking so that, as required by Board Policy A.040, the annual budget is developed in the context of multi-year financial planning that is a reflection of the board's priorities and other finance and budget policies of the board.

Mission

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

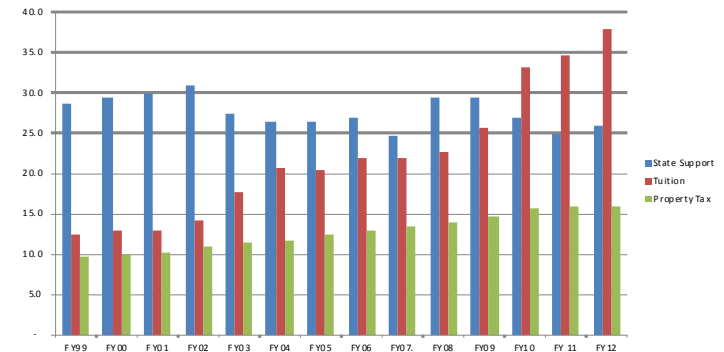
Issues Impacting Fiscal Sustainability

Lane Community College is clearly facing a challenging period in the next five years. Many issues impact the college's fiscal sustainability.

Tax Revenues

In 1990, 65% of our funding was provided by public resources - 24% from the state and 41% from local property tax. In FY12, 45% of our funding is from public sources. The State is providing \$22.6 million which is 28% of general fund revenue and local property taxes will add \$15.5 million or 17%. Today state and property tax revenues are allocated on the college's share of total FTE through the state distribution formula. In the future, performance measures of student success are expected to play a role in the distribution of public resources. The measures to be used and influence on funding are yet to be determined. However, future strategies will need to address student success and educational quality to maintain funding levels. State aid has remained relatively flat since 1997 in real terms and is on a declining trend in terms of purchasing power. These trends are a continuation of the last 10-15 years but the current and future economic environment is much more volatile than we have experienced in the past. State appropriations dropped 10% from the previous biennium in fiscal years 2009-2011. Support has been further reduced for the current

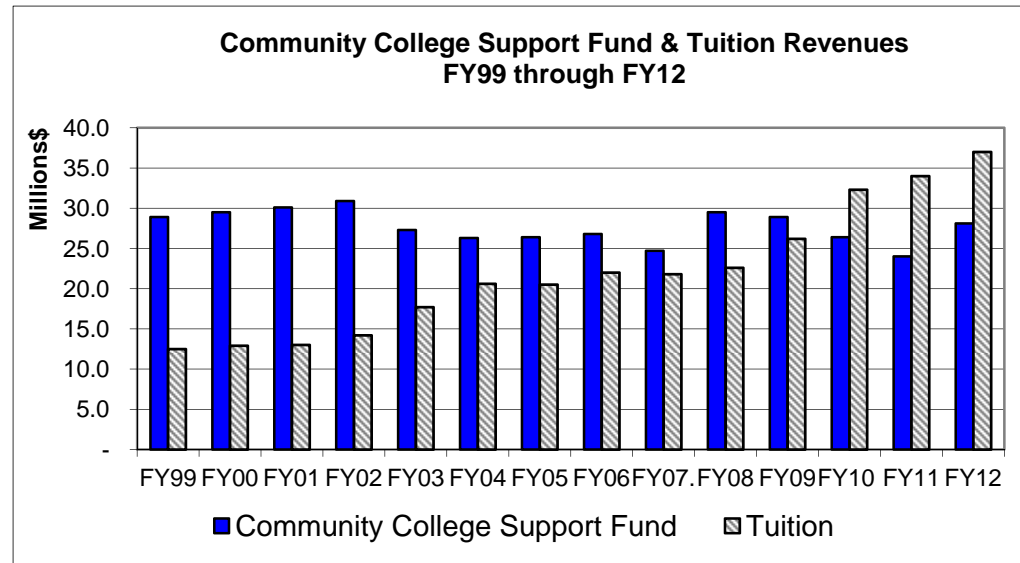
General Fund Revenue



State appropriations dropped 10% from the previous biennium in fiscal years 2009-2011. Support has been further reduced for the current

biennium (fiscal years 2012-2013) by another 9% as the State of Oregon’s largest revenue source, income tax, has been severely impacted by national and global economic conditions. This continues a long term trend of reduced public funding and increased reliance on tuition as represented in the graph to the right.

The college has no assurance that state aid will increase as much as inflation in the foreseeable future. State revenue for years after FY12 is uncertain and if the trend of past years continues, it will not rise as quickly as expenses. The upcoming state revenue forecasts for the current biennium are predicted to continue the decline. Therefore, Lane should not rely on substantial increases in state revenue to meet the needs of future budgets. Furthermore, the weakness of the housing market and the increase in foreclosures has the potential to affect property tax income as well. While we are able to increase property 1- 3% each year, market problems may impact collection rates which would cancel out that increase in revenue.



Tuition Rates – High Student Demand and Increasing Reliance on Tuition and Fees

The college’s highest priority is to enable our students to have successful learning experiences. The failure of state aid since 2000 to increase sufficiently to cover Lane’s increasing operating costs has resulted in rising tuition costs. In 2002 tuition was \$38 per credit, but for FY12 this has more than doubled to \$84.00 per credit. In past years Lane’s board has heard from students that maintaining current service levels is their highest priority and has acted accordingly by raising tuition. However, increases in tuition directly impact accessibility of education which is also a core value of the institution. On the other hand, long class “waiting lists,” state funding for credit classes declining rapidly, the “de-funding” of self-improvement classes, and the inherently high costs of professional/technical programs, all indicate that higher tuition rates may be warranted in the future. Board Policy D.110 states that “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.” It also states that other adjustments may be made “periodically and as needed.....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.

From 2004 to 2009 the board held tuition increases to the rise in inflation indexed to the Higher Education Price Index (HEPI) provided by the Common Fund Foundation. In 2009 a temporary surcharge became necessary to offset declines in state funding. Tuition now exceeds state support as the college’s largest revenue source.

Ending Fund Balances

Long term institutional viability requires that expenditures not exceed revenues and maintenance of an appropriate level of fund balance to accommodate unknown challenges. To accomplish this end, Board Policy E.030 requires that the college maintain an unrestricted General Fund Ending Fund Balance of approximately 5% of budgeted expenditures and Board Policy E.020 specifies that 3% of general fund expenditures be

budgeted as an unappropriated ending fund balance. While the college is currently meeting these requirements, this level is lower than recommended by professional associations and by comparison to peer institutions. The fact that the board has insisted on developing an adequate ending fund balance as well as setting aside money in the Financial Stabilization Fund allowed the college to move through additional state reductions in 2009-10 and avoid major reductions or increase tuition beyond inflation and the surcharge in the current year. Increasing uncertainty in the economic environment and the volatility of Oregon tax sources create a compelling need for a larger ending fund balance. Future financial planning should work toward that goal.

Investing in our people

The delivery of high quality learning services is, by its very nature, labor-intensive. For FY12 Lane projects spending \$68 million, out of a total general fund budget of over \$93 million, on personal services and related fringe benefits. Since three fourths of the college's financial resources are devoted to employee compensation, compensation levels are clearly a primary "driver" of expenses. Faculty and staff have worked collaboratively with the college to limit additional costs in the past and it is likely that there will continue to be pressure on the college and employees as public resources diminish. Our enrollment increase of over 35% has tested our faculty and staff capacity resulting in more part time faculty, increased workloads, fewer managers and faculty and staff that are stretched too thin. Lane has become a very "lean" organization with little or no capacity available. Attention will need to be paid to sustainable staffing patterns that align with the "new normal" in which we find ourselves.

Costs of Health Care Insurance for Employees

The Consumer Price Index indicates that medical costs have increased dramatically in recent years, nearly double the rate of increase for all goods and services. National and state efforts to limit the cost of health insurance have had minimal impact to date. The college has taken steps to reduce its future rate increases: negotiating with employees to increase their share in the payment of the insurance premiums, reductions in benefits, establishing a Section 125 plan, instituting the LIFE employee wellness program; and implementing an on-site employee medical clinic. There are few signals that there will be relief from significant increases in the near future.

Retirement Liability – PERS and Early Retirement

Due to high investment losses and the benefit structure, the Oregon Public Employees Retirement system (PERS) accrued a substantial Unfunded Actuarial Liability (UAL). In December 2003 Lane was informed by PERS that our share of the UAL exceeded \$69 million - - more than the college's entire General Fund annual operating budget at the time. This amount was required to be paid (in addition to current employer contributions) to PERS at an 8% interest rate over 26 years. To minimize this annual obligation, Lane issued taxable pension bonds during April 2003 at an average interest rate of 5.8%. To the extent that PERS investment earnings average more than 8% through 2028, the college will have preserved financial resources for use in the General Fund. The payments on these pension bonds are funded annually by an increase in the college's fringe benefit (OPE) rates. Positive arbitrage on the bonds issued reduced the remaining (UAL) for a time but market declines in the past year have erased those gains and added to future liability. Increases in PERS costs are expected to meet those obligations going forward. This assessment is delayed due to a lag between actuarial analysis and implementation.

One of the areas of rapidly increasing cost to the college has been funding post retirement benefits for faculty and a few eligible managers. These benefits include a small post retirement stipend and medical benefits. The college must set aside funding for the actuarial value of those future benefits which has jumped dramatically in recent years. For example, the most recent actuarial report states that an additional \$300,000 must be added to the fund.

Capital and Deferred Maintenance Requirements

The physical condition of many of our facilities is badly in need of major renovation or repair. The situation dramatically improved with the approval of \$83 million in bonding authority for renovations in the November 2008 election and the appropriation early in the 2009 legislative session of an additional \$8 million for deferred maintenance projects. Not every need will be met but there has been huge improvement despite the declines in general fund revenues. This improvement is short term and does not replace the need for a more sustainable level of capital and major maintenance funding to protect the public investment in facilities. In addition, as the college develops its' master plan for the campus and surrounding land assets to generate revenue for the general fund, it is likely that investment will be required. The Board recognized the need to properly maintain our facilities by adopting Policy E.050, Capital Reserve Funds, which requires that Lane reserve funds to adequately maintain and repair college facilities. The policy states that "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." Recent budgets have not been able to make transfers to this fund and requirements continued to be deferred. Therefore, careful consideration needs to be given to creating adequate reserves for this purpose.

Underfunding of Equipment Replacement

Similarly, as a result of stagnation in public resources, instructional and support services equipment has not been replaced at the end of its economic life. We have been "making do" with outdated equipment in our efforts to commit the maximum financial resources to direct instruction. The result is that equipment needs continue to grow as replacement needs outstrip available funding for capital equipment. This shortfall as been mitigated in part by federal Carl Perkins grants and replacement related to bond projects. Both Board Policy E.050 and E.010 address this issue. Reserves ensure that funds are available for emergencies and for needs in years where capital expenditures are expected to be higher than average.

Policy Environment

The apparent intractability of these issues, and the fact that some of them are not within the college's control to solve, present unprecedented challenges for the college going forward. The board has had many policies in place for a number of years that should guide the future. Board Policy E.010: Definition of a Balanced Budget is already in place and must provide the backdrop for our long term financial plan and fiscal sustainability. It requires that the college "permanently stabilize its finances in their entirety (operating budget, reserves, contingencies and ending fund balance) when it perceives a long term change (increase or decrease) to its available recurring resources." Unfortunately, the most likely scenario for the college in terms of public funding is a decline in investment for the foreseeable future. This means that some of the strategies that the college has employed, anticipating shorter term decreases in public resources, may no longer be viable and more attention needs to be paid to longer term strategies and implementing the components of board policy E.010 as described below:

- 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)

Strategies to reduce cost or improve revenue

The college has responded to this turbulent economic environment by focusing institutional practices to enhance the long term fiscal sustainability while continuing to focus on the quality of student learning and success. The core values of *Sustainability, Collaboration and Partnership, and Innovation* as well as board policies form the scaffolding on which the principles and operational strategies are derived.

To assure a balanced budget in the face of declining tax revenue the college will adopt the following strategies:

Fiscal Sustainability

1. Enrollment Management

- a. Achieve modest growth through targeted initiatives
- b. Increase tuition only as necessary and appropriate to the needs of the district
- c. Examine the need/potential for online services and fees to enhance capacity, cost effectiveness and student choice
- d. Use differential fees to offset the cost of high cost programs to ensure equity in public support
- e. Pursue quality progression and completion initiatives to ensure stable enrollment levels and student success

2. Cost Control

- a. Review all positions for alignment with strategic priorities before filling
- b. Redesign to drive instruction and service efficiencies
- c. Implement innovations that are fiscally sustainable.
- d. Fund new recurring activities through reallocation of current resources or new revenues created by those activities

3. Ending Fund Balance and Reserve Management

Board policy E.030 defines a minimum ending fund balance of 5%. The practical minimum, however is an average quarterly state payment as the college is required to cash flow the last quarter of each biennium, when the state payment is deferred. Ending Fund Balances in excess of the minimum 5% may be allocated for one-time expenditures or reserves. Board policy E.040 provides for a Stabilization Reserve Fund which the board funded in the previous biennium to cushion anticipated contingencies in the FY12-13 biennium. Currently \$1.5 million of the \$3.5 million administratively reserved balance is anticipated to be used during FY12. Board policy E.050 provides for a Capital Reserve Fund which is essential for providing security for unanticipated capital emergencies and strategic opportunities. This fund has not yet been established.

4. Strategies for Extraordinary Reductions.

In the event of a significant reduction in budget resources that are beyond the capability of normal cost controls or enrollment management, the college will pursue the following strategies:

- a. Review all future commitments for elimination. Contracts or positions where a hiring commitment has not yet been extended should be considered for deferral when possible.

- b. Review opportunities to reduce existing commitments. Explore in partnership with bargaining units the possibility of deferring agreed to compensation increases or benefit adjustments. Explore opportunities to reduce level of service on existing contracts.
- c. If the shortfall is expected to be temporary review availability of reserves to close the gap. If the change is expected to be long term all reserves should be retained to for expected costs of transition to lower levels of service.
- d. Consider what the college could stop doing. Candidates for elimination will be evaluated according to objective criteria contained in Appendix B. Identity of academic disciplines, service functions, or names of individuals potentially affected will be strictly confidential. Access to such information will be limited to those with a requirement to know such as those conducting the evaluation

Educational Sustainability

As fiscal pressure from declining public revenue and increasing costs mount, there will be a need to both decrease costs and increase productivity. These are worthwhile objectives but both carry the risk of decreasing the quality of education. For example, the uncertainty surrounding enrollment increases requires that additional staffing be part time and temporary in order to avoid long term personnel commitments that may not be sustainable in the future if enrollment recedes to historical averages. Capital investments necessary to update technology are challenging when basic operating needs remain unmet. In addition, the need to reduce costs may cause students to fear that their desired courses may not always be available and inhibit their embarking on an educational path for fear of being unable to finish. With greater emphasis on student success outcomes the need for quality education is greater than ever and may have a fiscal impact as funding becomes linked to performance.

Collaboration and Partnership:

Expand fiscal effectiveness through partnership

1. Partner with 2 and 4-year colleges and universities to implement quality progression and completion initiatives
2. Nurture connection with high schools through College Now, RTEC and other programs
3. Expand workforce development programs and activities such as the Small Business Development Center
Build capacity in Lane's foundation to increase partnerships, grants and external fundraising

Innovation:

Create revenue through entrepreneurial activities

1. Develop entrepreneurial activities such as the International Programs and Downtown Campus Housing and reinvest income in further revenue generation and mission fulfillment
2. Cultivate enterprise activities such as laundry, printing and graphics
3. Facility rental and programming
4. Long Range Facility Planning to generate revenue through real estate resources
5. Leverage Web 2.0 and other technologies to drive operational efficiencies and student success
6. Pursue grants and external resources to fund research and development

Annual Budget

The annual budget for the college is developed in the context of the Long Range Financial Plan. The annual budget starts from today's allocation of resources and projects forward making assumptions about the economy and Lane's plans and choices (Appendix A). The model relies upon information provided by many departments and programs that feed updated information on costs and priorities each year as well as information from the external environment. There are key principles (Appendix B) that translate mission into decisions about the allocation of resources. For example, we value retaining all of our employees (no lay-offs). There are also external factors such as state funding and capital market changes that impact the budget. It is the assessment and balancing of these factors that lead to the development of projections and ultimately the annual budget. The annual budget reflects college priorities and new initiatives and assesses the viability of these plans against the principle of long term fiscal sustainability and the constraints of the external environment. The annual budget is built on the following principles and using a board approved set of assumptions as described in the appendices. Also, it should be noted, that units use a set of criteria and data elements (Appendix B) in guiding their planning at the unit level.

Appendix A: Budget Assumptions and Projections

The following assumptions are being reviewed to determine budget requirements and available resources for the annual budget.

Revenue Assumptions

Total Public Resources:

Public resources budgets are obtained from a distribution model produced by the state Community College and Workforce Development Department (CCWD) which projects the college's share of the Community College Support Fund (CCSF) and an estimate of local property taxes. The largest variable in the distribution model is the amount of the state appropriation to the CCSF. For example, the amount appropriated for the FY12-13 biennium is \$395 million. FY12 disbursements will be based on funding at \$410 million and the FY13 projection will also assume that level but there is a risk in FY13 of not receiving the amount currently held back. Property taxes normally increase slightly each year; however due to rapidly declining tax collectability, property values, and loss of local business properties it is most likely that property tax revenues in the next biennium will continue at the current level of \$15.5 million a year.

Tuition:

The tuition assumption is based on prior year's collections plus growth assumptions and price increases. The enrollment growth factor is determined each year and tuition increases will be an estimated 2.3 % increase based on the Higher Education Price Index (HEPI) index for FY12.

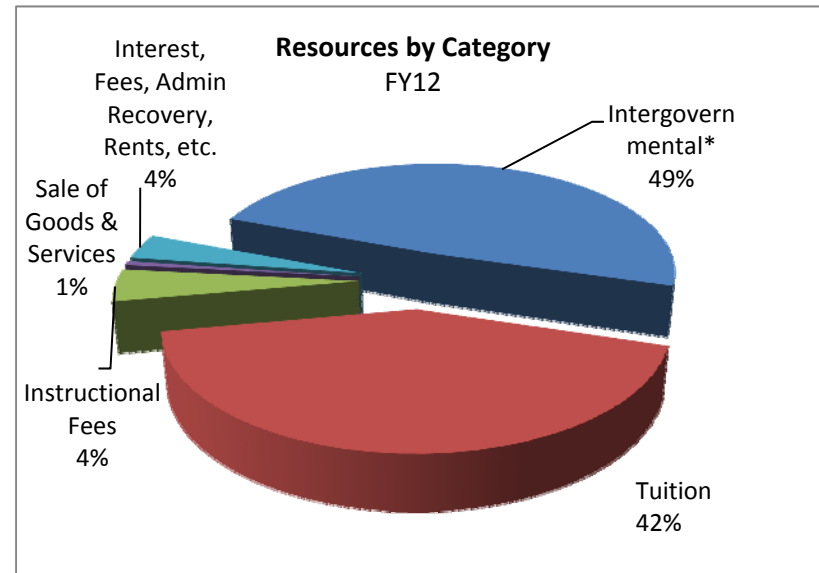
Student Fees:

These are mandatory curriculum related fees such as the student government fees, transportation and technology fees, student health clinic, athletics, and required fees for certain courses. Most fee revenue is offset by a direct expense such as the LTD pass. All instructional fees are treated as administratively restricted revenue.

Non Mandatory Fees:

These are fees that are associated with a course but not mandatory due to registration such as flight technology flying time, health professions equipment, and optional class supplies. These will be based on growth assumptions.

Other fees and charges: These are child care fees, collection fees, conference fees, facility rental, Library fees, traffic fines etc. typically projected at the current level.



Administrative Recovery:

Bookstore minimum contribution of \$250,000 a year and administrative fees from grant and financial aid support. Projected at current levels.

Gifts and Donations:

Most gifts and donations to the college go to the Foundation. This is mostly KLCC fundraising accounted for in fund 9. Projected at current levels.

Grants/Contracts:

Most grant revenue is accounted for in Fund 8. This category accounts for minor exceptions that may need to come directly to offset a general fund expense. Projected at current levels.

Interest Income:

This is primarily interest from general fund cash invested in the Local Government Investment Pool (LGIP). Projected at current levels, but will likely be lower due to low short term rates in the current market.

Other Revenue:

While the title implies a wide variety of revenue this comes almost entirely from two sources. These are the foundation reimbursement for Foundation payroll, and PeaceHealth contribution for nursing faculty. Projected at current levels.

Sales of Good and Services:

This is KLCC underwriting, sales of student materials by departments, culinary sales, and Business Development Center contracts. Projected at current levels.

Transfers In:

Transfers from the Center for Meeting and Learning and Food Services portion of the enterprise fund (Fund 6) to support general fund faculty expense in culinary arts. Projected at current levels.

Expense Assumptions

Personal Services:

This is tied to funded contracted positions budgeted for the prior year. Projection scenarios will vary with assumptions regarding unfunded vacancies, steps, or COLA depending on whether contracts are settled with employee groups. OPE rate is recalculated each year and is currently 59% for full time and 35% for part time

Personal Services-P/T:

Compensation for part time faculty based on the college enrollment model and historic requirements for part time staff expense.

Materials and Services:

Includes all operating costs such as interest expense, supplies, contracts, utilities, repairs etc. Projected but underfunded at current levels as there is annual erosion in purchasing power due to supply and utility increases.

Capital Outlay:

Funds capital investments such as library books and classroom equipment. Requirement tied to the Capital Asset Replacement schedule. Projected at current levels. Normally driven by the Capital Assets Replacement Forecast (CARF) but that has remained underfunded in recent years.

Goods for Resale:

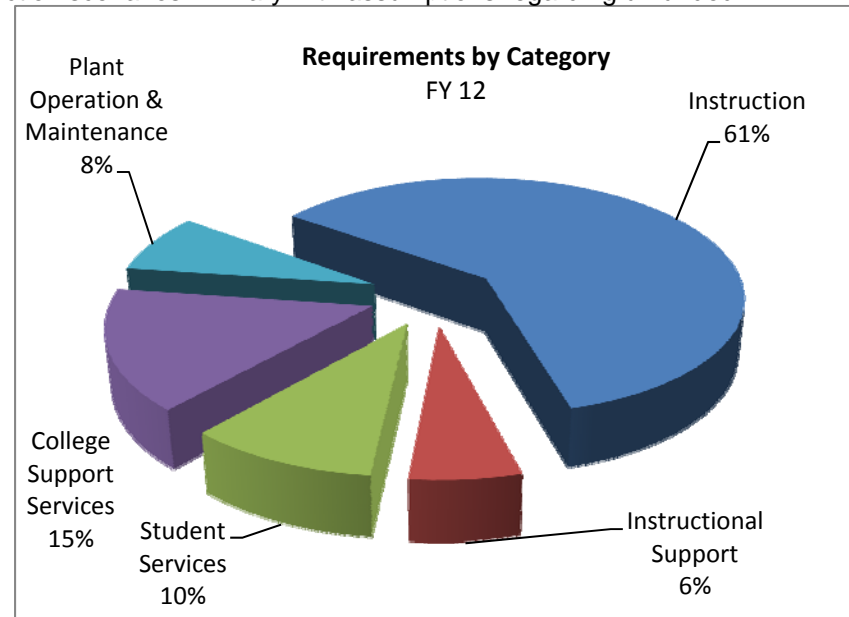
This is the cost of goods for the revenue recorded in the Sales of Goods and Services category.

Transfers out:

These are transfers from the general fund to fund requirements in other funds for capital improvements and major maintenance projects.

Transfers out-Financial Aid:

This is a transfer from the general fund to the Financial Aid fund (fund 5) to provide matching funds for Federal Work Study and funds the college Learn and Earn program for student workers. It also funds athletic scholarships. It is projected to increase at the HEPI rate.



Fund IX – Administratively Restricted

Fund IX was created in the FY03 budget to separate from the General Fund those units that rely entirely or primarily on resources other than state revenues, local property taxes and other general use revenues. For the purposes of maintaining historical trends and in order to properly monitor these units, Fund IX revenues and expenditures are included in budget projections.

Appendix B: Principles, Criteria and Data Elements for Unit Planning

These budget principles, criteria and data elements are used regularly by units to inform planning and budgeting at the unit level. In addition they are used by committees allocating sources such as student tech fee and Perkins Grants. In the event of budget or program reductions these elements will inform those decisions.

Budget planning at Lane will be guided by the following principles:

1. Budget planning will be guided by the college strategic plan, unit plans, council plans, and other planning efforts.
2. Budgets will focus on furthering the college mission.
3. Budgets must meet legal, contractual, accreditation obligations.
4. Budgets must meet board policies and involve as much input from the college community as possible.
5. Maximize revenue generation balanced with accessibility and affordability.
6. Invest in new activities that maximize future revenue.
7. Support student enrollment, retention, success, and learning, while minimizing negative impact of budget constraints on quality of student services, instruction and college infrastructure.
8. Maximize investment in technology or streamlined work processes that will save resources.
9. Maintain ability to respond to community needs.
10. Avoid involuntary layoffs of permanent employees.
11. Maintain existing facilities and equipment well and upgrade as needed.
12. Benchmark to best practices while recognizing intentional variations between Lane and national norms.
13. Using data and objective criteria in planning and resource allocation.

INSTRUCTIONAL PROGRAMS

Criteria	Data Element
Enrollment – demand	5-year Enrollment History; future trends
Program – Discipline cost	Cost per FTE; revenue; comparisons with selected Oregon colleges
Retention	Student Persistence at the institutional level; course completion
Capacity – Utilization	Capacity Analysis - class fill rate; student:faculty FTE
Essential courses required for degree/certificate	Student enrollment in required courses
Availability of jobs (for CT programs)	Employment Department data
Wages (for CT programs)	Employment Department data
Job Placement (for CT programs)	Employment Department data

STUDENT SERVICES

Criteria	Data Element
Enhances Student Engagement	Number of service contacts Number of unduplicated participants Demographics of individuals served Other evidence of enhancing engagement
Enhances Student Learning	Enhanced student persistence Enhances one of five benchmarks from the Community College Survey of Student Engagement (Active & Collaborative Learning, Student Effort, Faculty/Staff and student interactions, Academic Challenge, Support for Learners) Other evidence of enhancing learning
Enhances Student Satisfaction	ACT Satisfaction data CCSSE satisfaction data Other evidence of enhancing satisfaction

STUDENT SERVICES (continued)

Criteria	Data Element
Requirement for Service	Essential to completing a business process with students Essential to an effective educational experience Legally mandated
Uses resources efficiently	Comparison of faculty/Staff to student ratios to national association standards and best practices. Develop appropriate institutional benchmarks, Demand/capacity analysis (i.e., waitlists, complaints about access, etc.) Total general fund budget Budget from other sources (i.e., student fees, grants, etc.) Other evidence of efficient use of resources
Note: Because Student Services are so diverse, it is difficult or impossible to use a standard set of data elements for every service.	

COLLEGE SERVICES

Criteria	Data Element
Service is essential to operation of the institution	Consequences of not having service Citation(s) for legal requirements (e.g. governing ORS, federal code, IRS, and audit requirements)
Cost of service	Total General Fund support for service (offset by service charges) Service charges and other revenue that offset GF support Revenue directly provided to GF by service
Service is cost effective	Comparison to industry standards (e.g. housekeeping sq. ft./staff FTE, # desktops/IT technician). Develop appropriate institutional benchmarks, Cost comparisons with similar outside services Cost savings for college compared to cost of service
Service is utilized	Customer counts Service logs Number of transactions