

Standard Seven

Finance

7.0 Introduction

The decade of the '90s can be described as one which altered the landscape of funding for Oregon community colleges. With the passage of Ballot Measure 5, funding of community colleges switched from a system predominately based upon local property taxes to one which placed a greater reliance on state appropriations and delivery through a funding formula which equalized payments based upon an average amount per FTE. The impact of this environment on Central Oregon Community College was to move it from one of the highest-funded community colleges per FTE in the state to one of the lowest-funded community colleges per FTE in the state. Needless to say, this environment has required tremendous fiscal discipline on the part of the College to continue its programmatic mission. However, through the collaborative efforts of the College Board, administration, staff, faculty, students and community, the College has adapted to the new fiscal realities and continues to deliver programs pursuant to the institution's overall goals.

7.A Finance

This section describes financial planning, resources, management and fund-raising activities at COCC.

Financial Planning

Financial planning at COCC is managed on two levels. First, COCC is a public entity and, as such, is governed by the applicable Oregon Revised Statutes (ORS) in the conduct of its annual budget process. These regulations provide legal guidance for the conduct of the overall budgeting, approval and adoption processes, as well as levying of taxes. This legal framework provides one level of guidance and control for the College. On another level, the College conducts planning and budgeting that reflects a multipronged approach to coordinate and align efforts that are congruent with institutional mission.

The initial step of the budget process is the preparation of a three-year projection of revenues and expenditures. This projection is done annually and shared with the Board of Directors and College staff. During the year, the projection is reviewed and updated as necessary on a quarterly basis. This projec-

tion is considered by the president and the managers as a major input into establishing budget parameters for the upcoming year. These parameters are communicated to all staff at the beginning of the budget process.

The president is required to establish the overall tone and tenor of the budgeting process through his annual budget message. The message is carefully crafted to merge the overall direction of the College with the fiscal realities of the current budget as well as future projections and plans. In this environment, the budget is prepared and, using the College governance structures, is reviewed throughout the College community. Next, the budget is presented as a proposal to the budget committee for review. The budget committee is composed of the seven members of the Board of Directors and seven members of the community at large who are appointed by the Board. The budget committee reviews the proposed budgets and, after due consideration and change if appropriate, approves the proposed budgets and forwards them on to the College Board for adoption.

The College's efforts on the second level recognize that the budgeting process is the financial quantification of its choices. First, the College Board continually reviews, refines and reaffirms its goals for the institution. Input is solicited from a variety of sources. Next, the various functional arms of the College, such as Academic Affairs or Student Affairs, craft institutional plans that reflect the College goals. Integration is achieved during the budgeting process when the various department plans are reviewed against the budget parameters issued by the president and the overall functional goals of the College. The College governance structure pyramids into a group called College Affairs. This is where all the various sub-budgets are integrated before presentation to the local budget committee.

The culmination of this process is the adoption of the budget by the College Board and publication and distribution of the budget document to appropriate constituencies. In addition to the relevant state guidelines for budget development and revision, the College has its own procedures for revising and making budget changes. The College has also implemented an integrated management information system, Systems and Computer Technology

Corporation's Banner system, for greater financial management and control. This system has allowed department managers greater access to their budgets and current status of expenditures, allowing for more timely and accurate decisions.

Debt at COCC has been managed in a very conservative manner. The College Board is involved in all debt decisions. The Board has a debt management policy (Exhibit 7.1) in addition to its overall fiscal policies. In order to preserve the institution's revenues for operations, debt is issued for capital construction only. Payments for debt are funded by either a direct tax levy, such as in the case of the College Library building, or by a dedicated income stream.

7.B Adequacy of Financial Resources

As indicated in the introduction, the decade of the '90s has challenged COCC to meet its primary instructional mission with its accompanying commitment to quality within the funding realities presented by various voter initiatives. In order to deal with this issue, the College has developed a multilevel strategy. First, the College Board formalized as policy (Exhibit 7.2) the commitment to a minimum ending fund balance of 10 percent of expenditures in order to ensure fiscal discipline and solvency. In addition, the College has embarked upon efforts to increase its entrepreneurial venture to not only operate programs in a more self-sufficient manner, but to produce profits in order to support other College efforts. The College also maintains a very active grant posture. There is a half-time grant officer who assists faculty and administrators in the pursuit of additional funds for their respective programs.

The College profile for debt management is very conservative. Debt is never incurred without a payment stream having been identified and isolated from general operating revenues. Currently, the College has two types of debt. The first type is secured through a property tax levy. This debt was issued for capital construction to build the College Library. The other type of debt is a full faith and credit instrument. However, all of these issues have been secured with long-term lease agreements, or in-lieu-of lease agreements, to offset the debt service payments associated with the issue.

The overall financial stability of the College has been very good. The ending fund balance of the College has not dropped below the board policy minimum of 10 percent during the period of this

accreditation review. The board ending fund balance policy was implemented after a careful review of nationwide practices. The College has managed to adapt to the funding realities of a post-Ballot Measure 5 environment. This has been accomplished through stricter expense control, greater productivity, and in some cases, capped enrollment. In addition, all interfund transactions are guided by state budget law and are appropriately reflected in the College audits. Also, a careful review of COCC's audits (Exhibit 7.3) will reveal that the College has maintained the financial independence of each of its funds. The guiding operating premise of each fund is self-sufficiency.

COCC does not engage in tuition discounting as a form of financial aid, thus making financial aid more dependent upon external funding activities. The College has a very strong financial aid program, participating in the Federal Title IV programs as well as all forms of state aid. In addition, COCC has one of the strongest foundations in the state for a community college. It has consistently provided a level of financial aid for students equal to seven to 10 percent of overall tuition revenue for the College (see Figure 7-3, Table 4 - Sources of Financial Aid).

7.C Financial Management

Strong financial management has always been a characteristic of COCC. From the president of the College through the vice president and chief financial officer and down to the operating functions such as accounts payable or payroll, strong and capable people have formed the backbone of the College's financial management and control environment. The staff members bring deep experience and skill to their respective positions. The College has had three different audit firms over the last 10 years, and they all have remarked on the competency of the staff. The president communicates to the College Board through the budget process and regular financial projections. On a monthly basis, the Board receives financial and budget statements. In addition to the staffing component of a financial management environment, the College has recently completed the implementation of an integrated management information system—Banner by SCT. This change from an environment of unintegrated homegrown and purchased software to the integrated single vendor solution will greatly enhance our financial information planning and control environment and capabilities.

All financial functions of the College are centralized through the position of vice president and chief financial officer, who reports directly to the president.

The policies of the institution also demonstrate a commitment to a prudent and controlled fiscal environment. The board policy starts with holding the president accountable for sound fiscal actions. In addition, there is a complete set of Board-approved fiscal policies and procedures that deal with cash management and investing, along with all other pertinent operating details. The College has an annual audit of all funds conducted by an independent certified public accounting firm responsible to the College Board. If the auditors deliver a management letter, then the College staff follows up accordingly and reports back to the Board. The College is subject to the single audit act, thus all programs are scrutinized and appropriate federal programs are audited as indicated. All relevant agencies are sent copies of the annual audit along with any management letter, if issued. Copies are available for public inquiry upon request (see Exhibit 7.3).

While the College does not have a separate internal audit group, the independent auditors review a different area of the College each year looking at the control environment and transactions. This is at a level of detail beyond what would be required for an audit. Periodically, the College retains experts to perform independent reviews for internal control and programmatic purposes. A review of the controls, policies and procedures in the financial aid department is one such example.

7.D Fund Raising and Development

Fund raising and development are managed by the COCC Foundation, an independent 501(c)(3) corporation that exists “exclusively for the benefit of Central Oregon Community College, its faculty and students, in the furtherance of the educational and charitable activities of the College” (COCC Foundation Statement of Purpose; Policy and Procedures Manual, pg. 4). The Foundation is governed by a 23-member board of trustees who have set forth a comprehensive policies and procedures manual (Exhibit 7.4). This manual includes a code of ethics, planned giving policies and procedures, gift acceptance policies, spending policy and fund-raising policies and procedures. The Foundation board of trustees is supported by a broad committee structure including an Executive Committee, Investment Committee, Budget Committee, Nomination

Committee and Events Committee. Membership on the Investment and Events Committees is open to individuals beyond the board of trustees.

To ensure fund stability during uncertain economic periods, the Investment Committee reviews the Foundation’s investment policy quarterly, or more frequently if needed, making recommendations to the board. Working closely with the Investment Committee and sharing a number of common members, the Budget Committee annually identifies the anticipated funding goals and requirements, both operational and otherwise, submitting a recommended budget for Board consideration and final approval each spring.

The manner in which funds are solicited, accounted for and expended is governed by the Foundation’s policies and procedures manual. Financial and fund-raising activities are administered and reported in accordance with the law, and comply with the College Board of Directors’ stated policies on gifts, donor restrictions and ethical fund-raising and accounting practices. The Foundation undergoes a comprehensive annual audit conducted by independent auditors.

In 1998, the Foundation embarked upon its first public campaign, a \$6.2 million 50th Anniversary Campaign for the benefit of the College, its students and programs. At the close of the campaign in June 2001, \$6.6 million had been raised. All gifts and pledges are reported according to nationally recognized Council for the Advancement of Scholastics and Education regulations. Foundation staff has been professionally trained, both at the College and elsewhere, and is dedicated to the mission of the Foundation. Outside consultants have not been paid on a pro-rata basis for services rendered or funds raised.

As of September 2001, the COCC Foundation has a restricted endowment of \$1,974,497 and a quasi-endowment of \$583,403. In addition, it is the beneficiary of a testamentary trust of \$910,618. The Nancy R. Chandler Visiting Scholar Program, one of the Foundation’s cultural programs, was established in 1985 and is funded by an endowment with the Oregon Community Foundation which is anticipated to reach \$250,000 in 2004. This fund provides staffing and operational support. Total assets of the Foundation are \$4,915,689 as of September 2001. Over the life of the Foundation, in excess of \$3 million in scholarships have been awarded, with more than \$325,000 awarded for the 2001-2002 academic year.

Table 1
Current Funds Revenues

Source (IPEDS Report)	CURRENT FUNDS REVENUES - PUBLIC INSTITUTIONS ONLY												
	ACTUAL						PROJECTED						
	Year 1 (98)	Year 2 (99)	Year 3** (00)	Year 4*** (01)	Year 5 (02)	Year 6 (03)	Year 1 (98)	Year 2 (99)	Year 3** (00)	Year 4*** (01)	Year 5 (02)	Year 6 (03)	
Amount	%*	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Tuition and Fees	3,461,053	13.2	3,482,512	12.5	3,782,041	12.9	4,814,709	14.0	5,175,000	15.6	5,300,000	15.8	
Government Appropriations													
Federal	35,448	0.1	26,250	0.1	35,000	0.1	36,000	0.1	37,000	0.1	38,000	0.1	
State	5,826,204	22.3	6,514,788	23.3	6,606,779	22.5	7,189,448	20.9	8,495,000	25.6	8,036,000	24.0	
Local	6,927,401	26.5	6,984,802	25.0	7,302,437	24.9	7,836,840	22.8	8,237,856	24.8	8,400,000	25.1	
Government Grants & Contracts													
Unrestricted													
Federal	3,281,457	12.5	3,389,877	12.1	3,265,301	11.1	5,486,808	16.0	3,146,273	9.5	3,272,124	9.8	
Unrestricted	169,832	0.7											
Restricted	1,648,408	6.3	2,239,531	8.0	2,438,416	8.3	2,327,389	6.8	469,657	1.4	488,443	1.5	
Unrestricted													
Restricted	89,680	0.3	131,814	0.5	368,399	1.3	397,953	1.2	254,500	0.8	264,680	0.8	
Private Gifts, Unrestricted	187,397	0.7	233,481	0.8	115,231	0.4	440,310	1.3	407,500	1.2	423,800	1.3	
Unrestricted													
Restricted													
Endowment Income													
Sales and Services of													
Educational Activities	35,014	0.1	17,957	0.1	16,187	0.1	24,200	0.1	35,000	0.1	35,000	0.1	
Auxiliary Enterprises	4,050,317	15.5	4,552,226	16.3	4,570,312	15.6	4,906,385	14.3	6,249,311	18.8	6,499,283	19.4	
Hospitals													
Other Sources	454,124	1.7	370,931	1.3	852,039	2.9	875,095	2.6	700,750	2.1	728,780	2.2	
Independent Operations													
Total Current Funds Revenues	26,166,335	100.0	27,944,169	100.0	29,352,142	100.0	34,335,137	100.0	33,207,847	100.0	33,486,111	100.0	

* Percentage of Total Current Fund Revenues ** Most recent fiscal year for which audited financial statements are available *** Budget for Current Year

Figure 7-1

Table 2
Current funds Expenditures and Mandatory Transfer

STANDARD SEVEN - FINANCE	CURRENT FUNDS EXPENDITURES AND MANDATORY TRANSFERS - PUBLIC INSTITUTIONS ONLY													
	ACTUAL							PROJECTED						
	Year 1 (98)	Year 2 (99)	Year 3** (00)	Year 4*** (01)	Year 5 (02)	Year 6 (03)	Year 1 (98)	Year 2 (99)	Year 3** (00)	Year 4*** (01)	Year 5 (02)	Year 6 (03)		
Amount	%*	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Functions (IPEDS Report)														
Education and General Expenditures														
Instruction	7,918,037	32	8,565,828	34	8,739,650	34	9,620,128	34	10,000,929	33	10,500,975	33		
Research														
Public Service	3,303,627	13	3,995,920	16	4,139,876	16	4,048,947	14	2,188,178	7	2,275,705	7		
Academic Support (Excluding Libraries)	986,858	4	939,955	4	1,003,789	4	1,160,330	4	1,025,277	3	1,066,288	3		
Library Expenditures	535,821	2	561,943	2	641,679	2	674,943	2	696,371	2	724,226	2		
Student Services	1,278,768	5	1,437,349	6	1,804,430	7	1,778,380	6	1,890,015	6	1,965,616	6		
Institutional Support	3,853,104	16	4,300,077	17	3,809,025	15	3,703,772	13	4,135,386	14	4,300,801	14		
Plant Operations & Maintenance	1,507,924	6	1,594,696	6	1,725,206	7	2,471,246	9	2,957,628	10	3,075,933	10		
Scholarships and Fellowships														
Awards from Unrestricted Funds	193,007	1	157,153	1	217,742	1	328,924	1	407,500	1	423,800	1		
Awards from Restricted Funds	3,656,658	15	2,192,563	9	2,013,389	8	2,364,721	8	4,065,456	13	4,228,074	13		
Educational and General														
Mandatory Transfer					324,440		313,641		317,081		329,764			
Total Educational and General Expenditures/Mandatory Transfers	23,233,804	94	23,745,484	94	24,419,226	94	26,465,032	93	27,683,821	91	28,891,183	91		
Auxiliary Enterprises														
(Including Transfers)	1,449,672	6	1,522,242	6	1,653,461	6	2,005,566	7	2,684,193	9	2,791,561	9		
Hospitals (Including Transfers)														
Independent Operations														
(Including Transfers)														
Total Current Funds Expenditures & Mandatory Transfers	24,683,476	100	25,267,726	100	26,072,687	100	28,470,598	100	30,368,014	100	31,682,744	100		

* Percentage of Total Current Fund Revenues ** Most recent fiscal year for which audited financial Statements are available *** Budget for Current Year

Figure 7-2

Table 4
Sources of Financial Aid

	TABLE 4 SOURCES OF FINANCIAL AID - PUBLIC AND PRIVATE INSTITUTIONS											
	ACTUAL						PROJECTED					
	Year 1 (98)	Year 2 (99)	Year 3** (00)	Year 4*** (01)	Year 5 (02)	Year 6 (03)	%*	Amount	%	Amount	%	Amount
Annual Private Contributions												
Government State Aid	216,836	258,960	294,735	285,000	350,000						364,000	
Federal Aid (PELL, SEOG, WS)	1,448,891	1,714,742	1,553,540	2,582,500	2,582,500						2,685,800	
Endowment Earnings (Non-Foundation)	27,436	24,220	58,852	40,000	42,000						43,680	
Institutional Unfunded Aid	232,049	256,258	248,592	280,000	462,000						480,480	
Federal Student Loans (if applicable)	1,779,854	2,054,330	2,088,788	3,000,000	3,000,000						3,120,000	
Nonfederal Workstudy Aid												
Total Financial Aid	3,705,066	4,308,510	4,244,507	6,187,500	6,436,500						6,693,960	

* Percentage of Total Financial Aid
 ** Most recent fiscal year for which audited financial statements are available
 *** Budget for Current Year

Figure 7-3

Table 10
Capital Investments

STANDARD SEVEN - FINANCE	CAPITAL INVESTMENTS - ALL INSTITUTIONS										
	ACTUAL						PROJECTED				
	Year 1 (98)	Year 2 (99)	Year 3** (00)	Year 4*** (01)	Year 5 (02)	Year 6 (03)	Year 4*** (01)	Year 5 (02)	Year 6 (03)	Year 6 (03)	
DO NOT INCLUDE DEPRECIATION EXPENSE	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Land											
Beginning Cost	482,540	482,540	482,540	625,845	653,421	653,421	625,845	653,421	653,421	653,421	653,421
Additions			143,305	27,576							
Deductions											
Ending Cost	482,540	482,540	625,845	653,421	653,421	653,421	653,421	653,421	653,421	653,421	653,421
Buildings											
Beginning Cost	14,562,133	26,123,061	29,382,226	29,688,837	29,820,272	33,768,652	29,688,837	29,820,272	29,820,272	33,768,652	33,768,652
Additions	11,560,928	3,259,165	306,611	131,435			131,435	3,948,380	3,948,380	7,200,000	7,200,000
Deductions											
Ending Cost	26,123,061	29,382,226	29,688,837	29,820,272	29,820,272	33,768,652	29,820,272	33,768,652	33,768,652	40,968,652	40,968,652
Furniture and Equipment											
Beginning Cost	7,884,139	9,810,063	11,088,440	11,305,004	11,488,576	11,888,576	11,305,004	11,488,576	11,488,576	11,888,576	11,888,576
Additions	1,925,924	1,278,377	216,564	183,572			183,572	200,000	200,000	200,000	200,000
Deductions											
Ending Cost	9,810,063	11,088,440	11,305,004	11,488,576	11,488,576	11,888,576	11,488,576	11,688,576	11,688,576	11,888,576	11,888,576
Construction in Progress											
Beginning Cost	5,306,460	936,483	-	1,309,861	4,192,435	7,000,000	1,309,861	4,192,435	4,192,435	7,000,000	7,000,000
Additions											
Deductions	4,369,977	936,483	1,309,861	2,882,574	6,755,945	200,000	2,882,574	6,755,945	6,755,945	200,000	200,000
Ending Cost	936,483	-	1,309,861	4,192,435	7,000,000	-	4,192,435	7,000,000	7,000,000	-	-
Debt Service											
Principal	681,072	769,240	883,111	950,000	1,005,000	1,105,000	950,000	1,005,000	1,005,000	1,105,000	1,105,000
Interest	798,065	899,897	813,534	771,744	720,716	667,252	771,744	720,716	720,716	667,252	667,252
Depreciation (Private Institutions Only)											

Figure 7-4

Finance: Analysis and Appraisal

COCC has consistently displayed very strong fiscal management throughout its history. This conservative approach to managing its finances has allowed COCC to weather the fiscal uncertainty surrounding funding that the past decade imposed upon the state's community colleges. The COCC Board adopted a policy that mandated an ending fund balance equal to 10 percent of its operating expenditures as one means of ensuring adequate reserves to deal with the uncertain fiscal environment. Another example of this fiscal conservatism can be seen in COCC's debt management practices. This fiscal tradition will be severely tested in the coming decade as the state's economy recovers from the current economic recession and demands outpace revenues. A challenge for COCC will be to integrate and factor these fiscal parameters and considerations into its instructional program development more directly than warranted by past practices, which focused more on academic cohesion and mission.

Standard 7 Figures, Appendices and Exhibits

In-Text

Figure 7-1: Table 1 - Current Funds Revenues

Figure 7-2: Table 2 - Finance

Figure 7-3: Table 4 - Sources of Financial Aid

Figure 7-4: Table 10 - Capital Investments

Exhibits

- 7.1 A debt service schedule for the past three years and five-year projection
- 7.2 Board Policies and Procedures Manual
- 7.3 Summary of the latest audited financial statement, copy of the auditor's management letter, and have available the latest complete audited financial report. Audits should include those for corps or foundations under institutional control
- 7.4 COCC Foundation Policies and Procedures Manual
- 7.5 A list and description of financial and management reports regularly provided to the governing board.
- 7.6 Copies of the financial section of the IPEDS report for the past three years
- 7.7 Detailed operating budget, including budget for off-campus programs, summer sessions and other special programs
- 7.8 Default rate for the two most recent years as provided by the U.S. Department of Education