2025 HECC FINANCIAL MONITORING REPORT

Board of Education Work Session – October 15, 2025

Purpose and Content

Background

- Requested by the HECC Commissioners to duplicate a similar report for the 4-year universities
- Preliminary report through June 30, 2024, released in August of 2025 after collaboration between the HECC and a task force containing college business officers and presidents

Complements Existing Financial Practices

- Adds to CCC's regular tools like monthly financials, annual audits, and budget development
- It is not a standalone tool
- Emphasizes trends over time, not one-year snapshots

Enhances Financial Visibility

- Introduces multi-year ratio analysis (e.g., CFI, operating margin) to support long-range planning
- Provides another lens for identifying trends, opportunities, and potential challenges

Adding a new lens to support strategic, sustainable decisions.

State Assessment Summary – HECC

Enrollment Growth

- -15% drop over last 10 years is lowest drop of peer colleges (avg of -27.5% between Lane CC, Linn Benton CC, Chemeketa CC & Mt Hood CC)
- +21% from Fall 2022 to Fall 2024 — highest among peer colleges (avg of +8%)

Composite Financial Index (CFI)

- Stable and consistently above 3.0 = financially sustainable

State Funding Reliance

- Remained stable, indicating a balanced revenue mix

Other Indicators

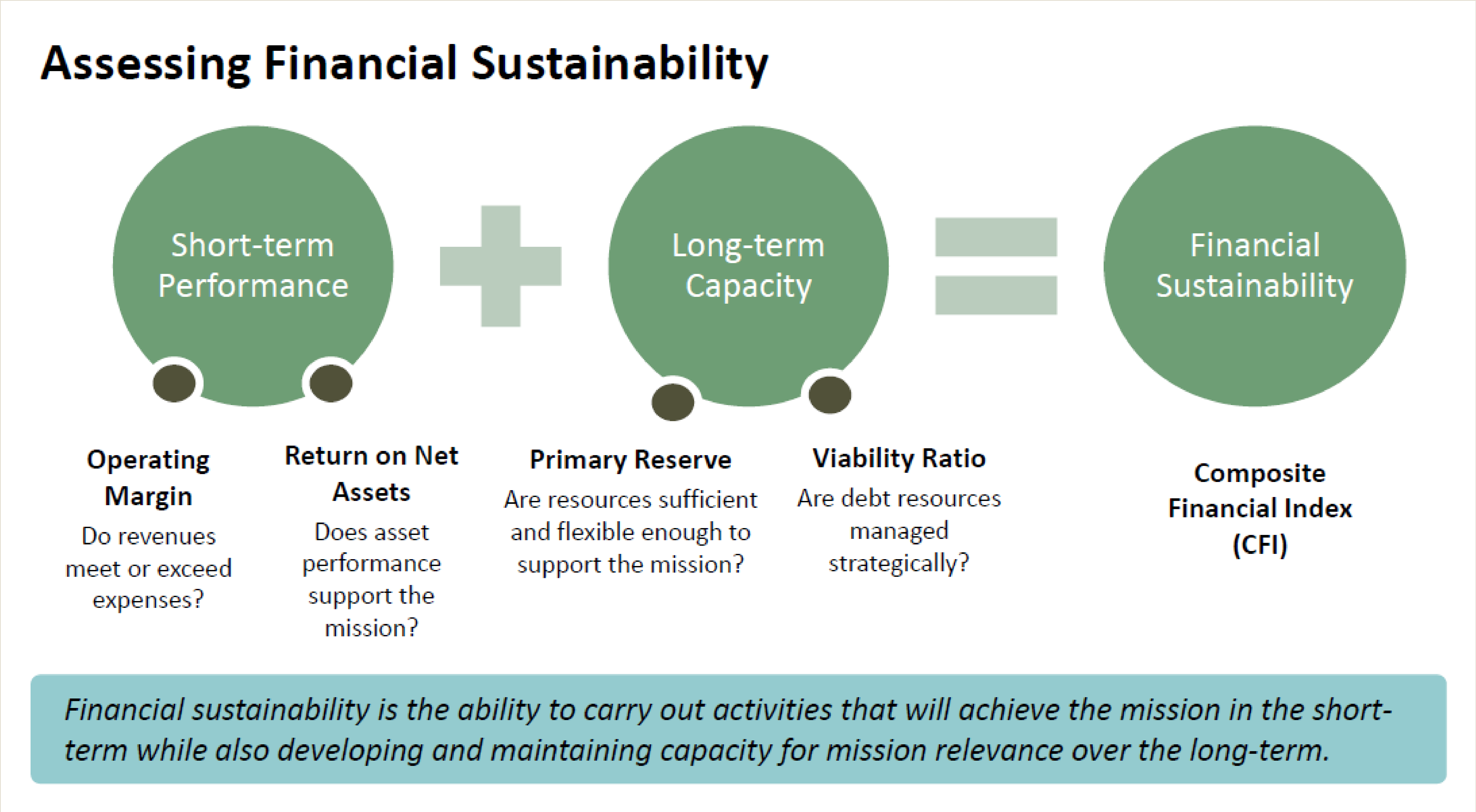
- No audit delays, sanctions, or leadership disruptions

Overall Assessment

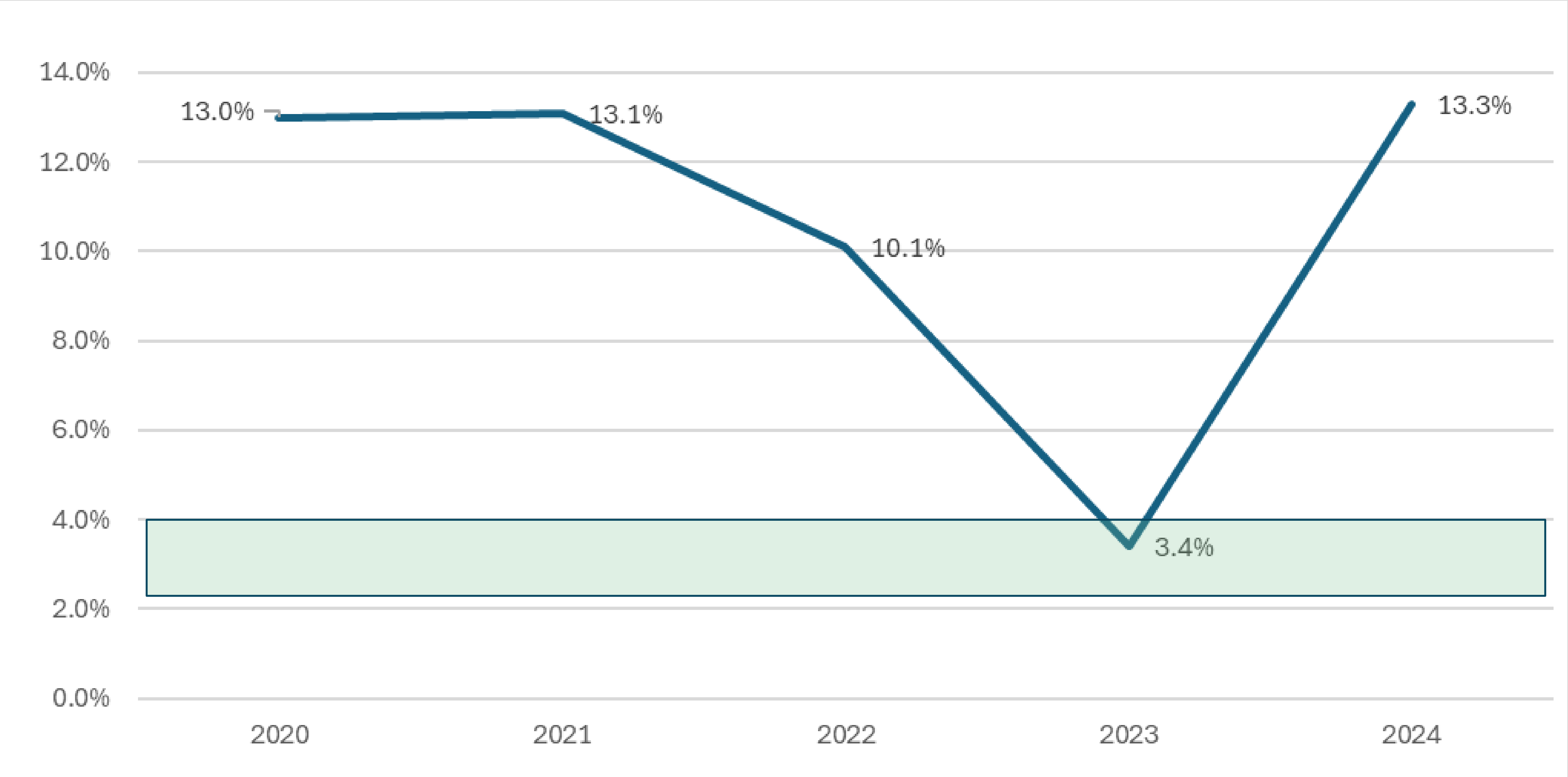
- CCC rated “Stable” across all metrics — no signs of financial distress

HECC rates CCC as stable.

Assessing Financial Sustainability



Operating Margin Ratio



Net Revenues/Total Revenues

This ratio measures whether the institution is living within existing resources.

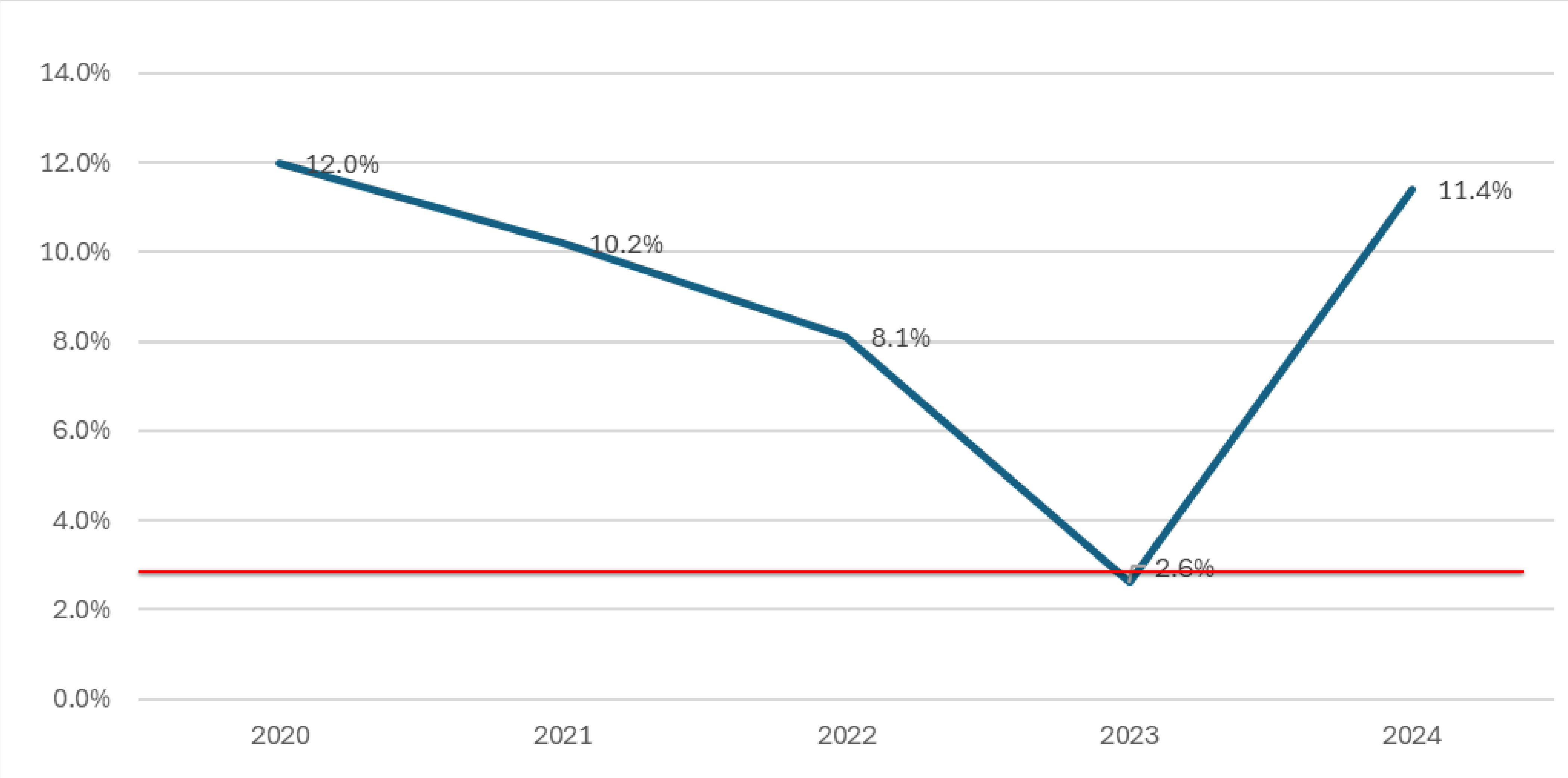
Ideal = 2% to 4%
CCC ave = 8.5%
17 college ave. = 9.5%

CCC adheres to established financial controls and prudent expenditure practices.

Operating Margin Ratio (continued)

- Positive margin = financial stability & flexibility
- Consistently strong Operating Margin with a 6-year average of 8.5%
- Fluctuations tied to temporary funding & 5/3 CCSF payment schedule
- Healthy margin supports low-cost borrowing & sustainability
- Key to long-term financial resilience

Return on Net Assets Ratio



Change in Net Position/Beginning Total Net Position

This ratio measures whether asset performance supports the strategic direction or mission of the institution.

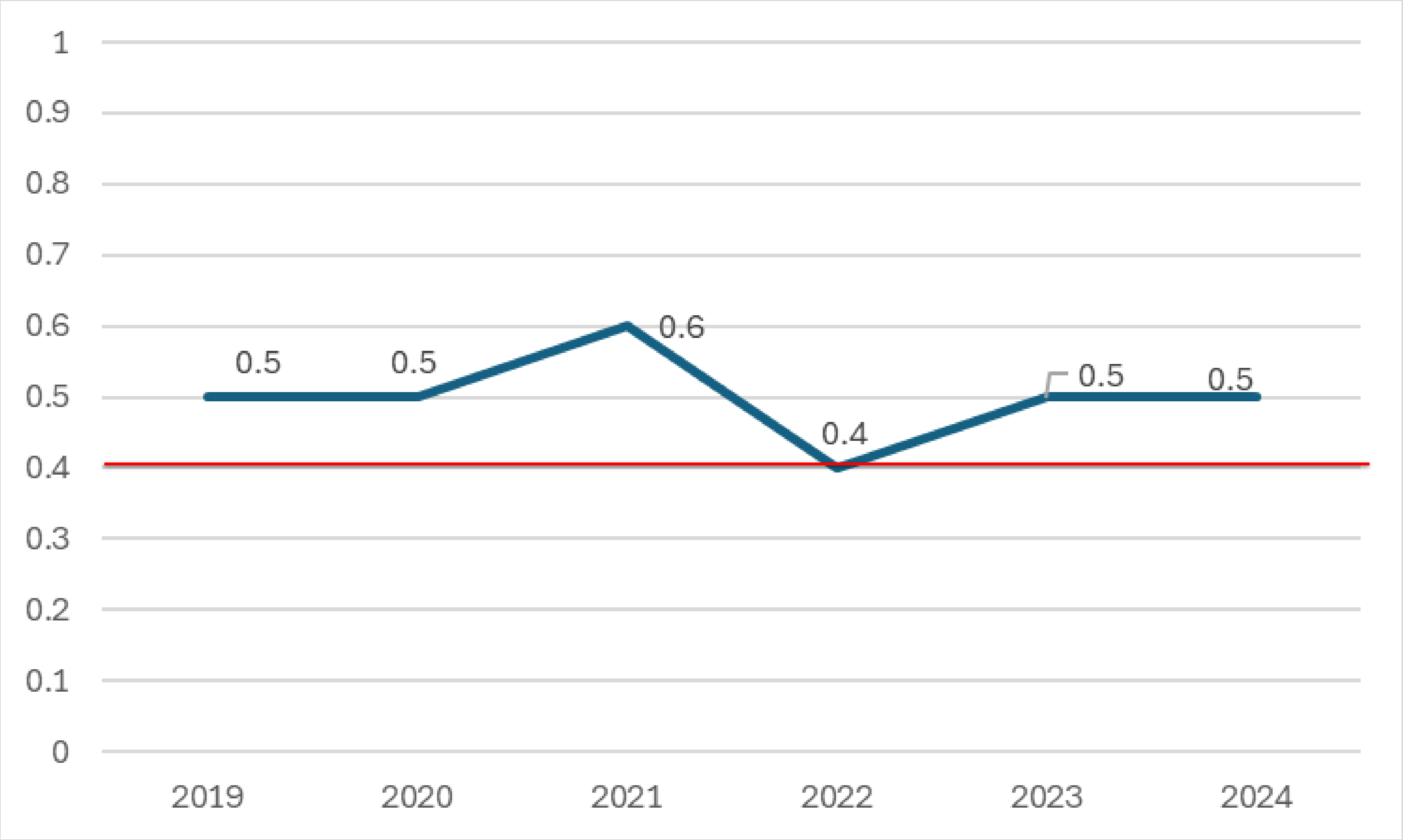
Ideal > 3%
CCC Ave = 7.1%
17 college ave. = 9.3%

CCC is positioning itself for sustained growth by reinvesting in core priorities.

Return on Net Assets Ratio (continued)

- 6-year average: 7.1% (benchmark: 3%)
- Positive ratio = strong financial growth & stewardship
- Supports sustainability, campus upgrades, student investment
- Influenced by external factors (e.g., funding, asset shifts)
- Continued focus needed on balancing investment & stability

Primary Reserve Ratio



Expendable Net Assets / Total Expenses

This ratio measures the sufficiency and flexibility of financial resources for long-term mission attainment.

Ideal = >0.40

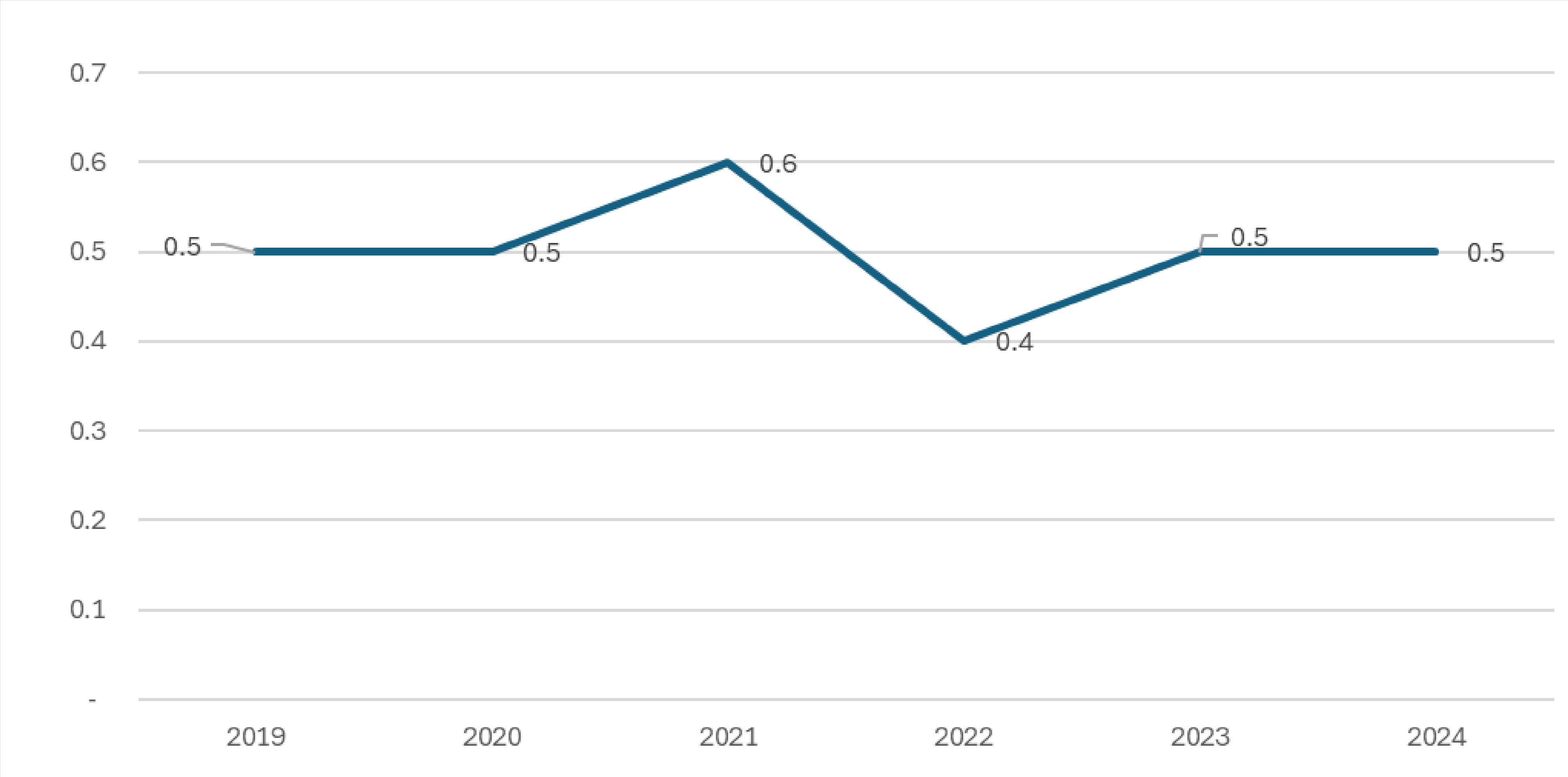
17 college avg = 0.50

CCC maintains sufficient reserves to support operations and manage short-term financial needs.

Primary Reserve Ratio (continued)

- 6-year average: 0.5
- As of 6/30/23, CCC could cover ~6 months of expenses
- Includes Stability, PERS, and Reinvestment Reserves
- Planned reinvestments will lower the ratio starting FY25/26
- Target: Maintain ratio above 0.4

Viability Ratio



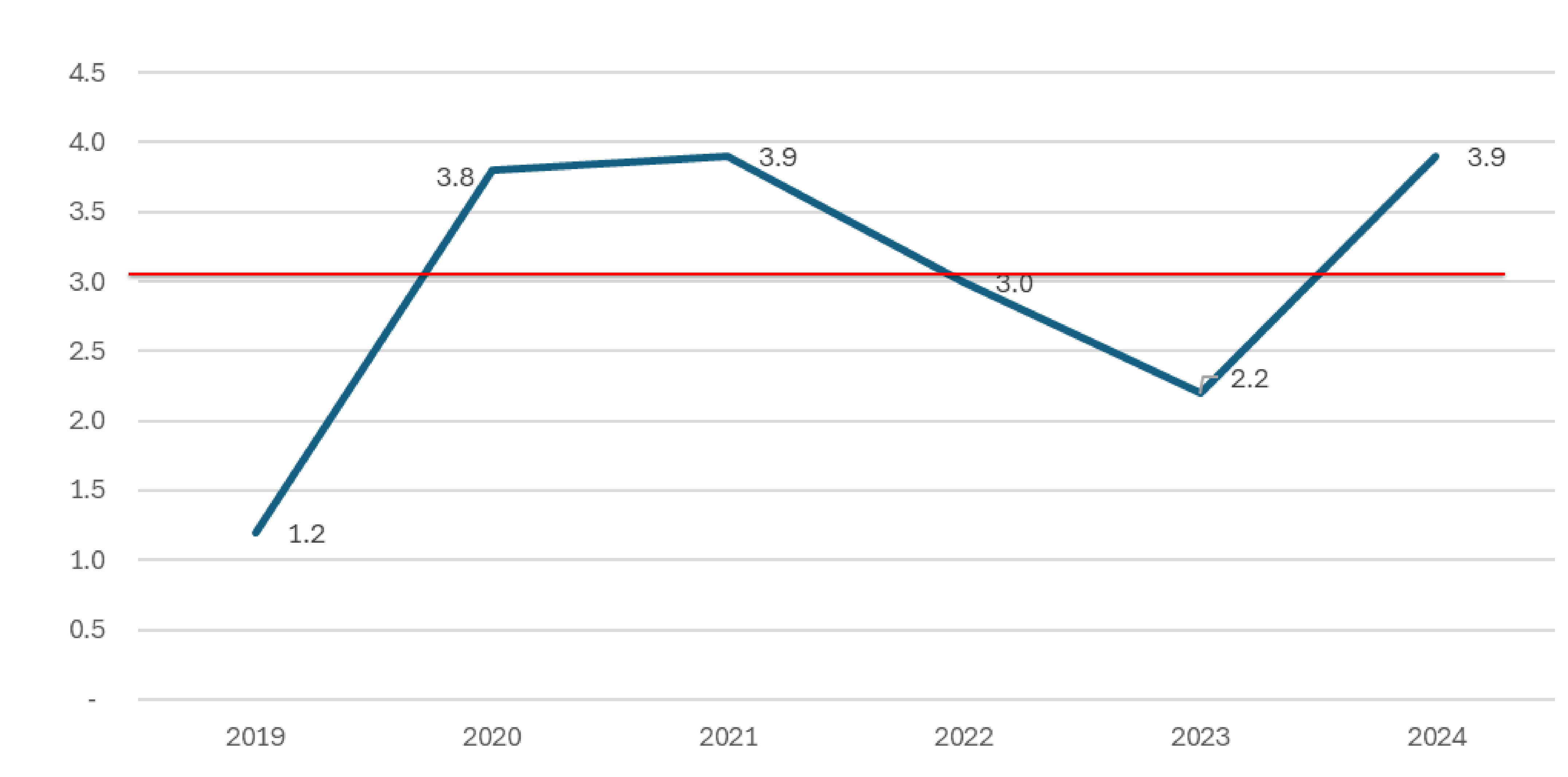
Expendable Net Assets / Plant Related Debt

This ratio measures whether debt resources are managed strategically for long-term mission attainment. Expresses how much could be paid back with available resources.

Ideal = 1.25 - 2.0

CCC can meet long-term debt obligations due to property tax levy, without straining its operating budget.

Composite Financial Index (CFI)



A combination of the four core ratios; Primary Reserve, Viability, Net Operating Revenue, and Return on Net Position

Ideal = >3.0
CCC Ave = 3.0

CCC is financially stable.

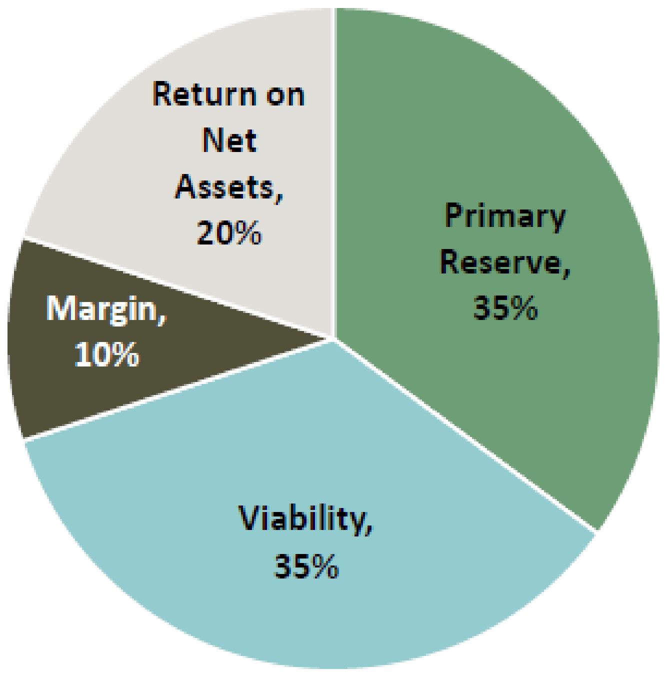
CFI Score	Strategy	Interpretation	CCC's Recommended Action
2.5 to 4.5	Direct resources to allow transformation	Stable	Maintain financial stability while preparing for growth

Interpreting the CFI Score

CFI Range and Suggested Board Strategy	
Range	**Strategy**
7.5 to 10.0	Deploy resources to achieve robust mission
6.5 to 7.5	Allow experimentation with new initiatives
4.5 to 6.5	Focus resources to compete in future state
2.5 to 4.5	Direct resources to allow transformation
1.0 to 2.5	Re-engineer the institution
1.0 and less	Consider substantive programmatic adjustments

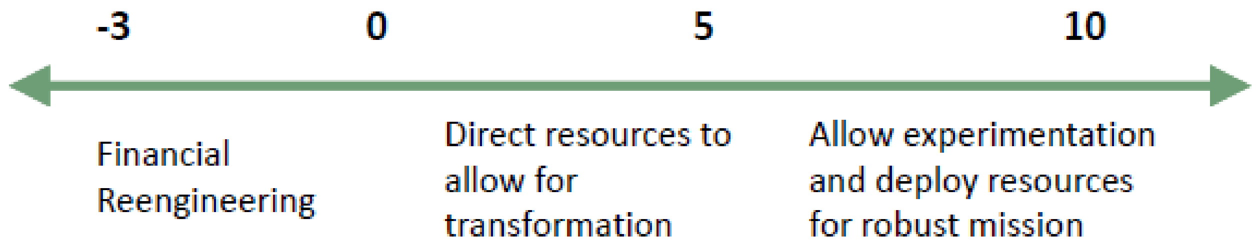
Source: Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC. *Strategic financial analysis for higher education: identifying, measuring & reporting financial risks.* 7th edition.

Composite Financial Index (CFI)



The calculations include all funds, the foundation, and are adjusted for certain liabilities, assets, and expenses.

Scale for CFI Performance:



Combines the four core ratios into a single score

Attempts to quantify the overall financial well being of the institution

Score does not have absolute precision; most useful if measured over time and in context

Key Issues to Highlight for Financial Ratio

- **Biennial funding distribution**
  - The 5/3 payment cycle community colleges do create large ups and downs in the ratios. They are best done as biennial, 2-year averages

- **PERS Rates**
  - Control of these rates lie outside of the control of the colleges, but various changes in PERS rates create impacts to the various ratios.

- **One Time COVID funds**
  - The temporary revenues received from COVID relief funds create various a fluctuations in revenue-based ratios that reflect earlier years of these charts.

- **Long-term Debt**
  - Many colleges take on debt that is backed by property tax revenue guaranteed by a voter approved measure. Which impacts debt ratios but isn't a risk.

Navigating Emerging Financial Pressures

Resource growth is limited

- Tuition and fee rates are constrained by affordability
- State revenue is constrained by the growth and competing priorities
- Federal grant funding is uncertain (TRIO, student financial aid, and Title II)

Costs are rising

- Inflation
- Unfunded mandates
- Much of the college’s growth is in high-cost programs

Response: diversified funding strategy

- Balanced use of reserves, grants, operating funds, and philanthropy

Questions?