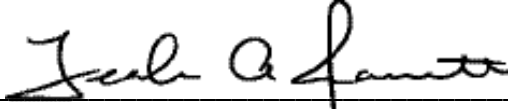




Monitoring Report
EL-04
August 10, 2023

I hereby present my monitoring report on the **Executive Limitations Policy EL-04: Planning** according to monitoring report schedule (BPD-04). I certify that the information contained in this report is true and represents compliance with a reasonable interpretation of all aspects of the policy unless specifically stated otherwise.

Signed 
Leah A. Barrett, President

Date 8 August 2023

The President shall not permit planning that allocates resources in a way that risks fiscal jeopardy or that is not aligned with achievement of the board's Ends.

INTERPRETATION

NOTE: This opening statement is similar to the opening statement of [EL-05 Financial Conditions and Activities](#), which states: "With respect to the actual, ongoing financial conditions and activities, the President shall not cause or allow the development of fiscal jeopardy or actual expenditures that are not aligned with achievement of the Board's Ends."

I interpret "not risking fiscal jeopardy" to mean compliance with policy items #1 to #7 below

EVIDENCE

Evidence of compliance for items #1 to #7 is provided below.

... the President shall not:

1. Operate without a documented, multi-year strategy that can be expected to achieve a reasonable interpretation of the Ends.

INTERPRETATION

A multi-year strategy includes a five-year budget plan that projects revenue and expenses with reasonable planning assumptions (further interpreted in item #1.1 and #3 below). A multi-year strategy that “can be expected to achieve a reasonable interpretation of the Ends” is one that includes specific budget items for each of the Ends.

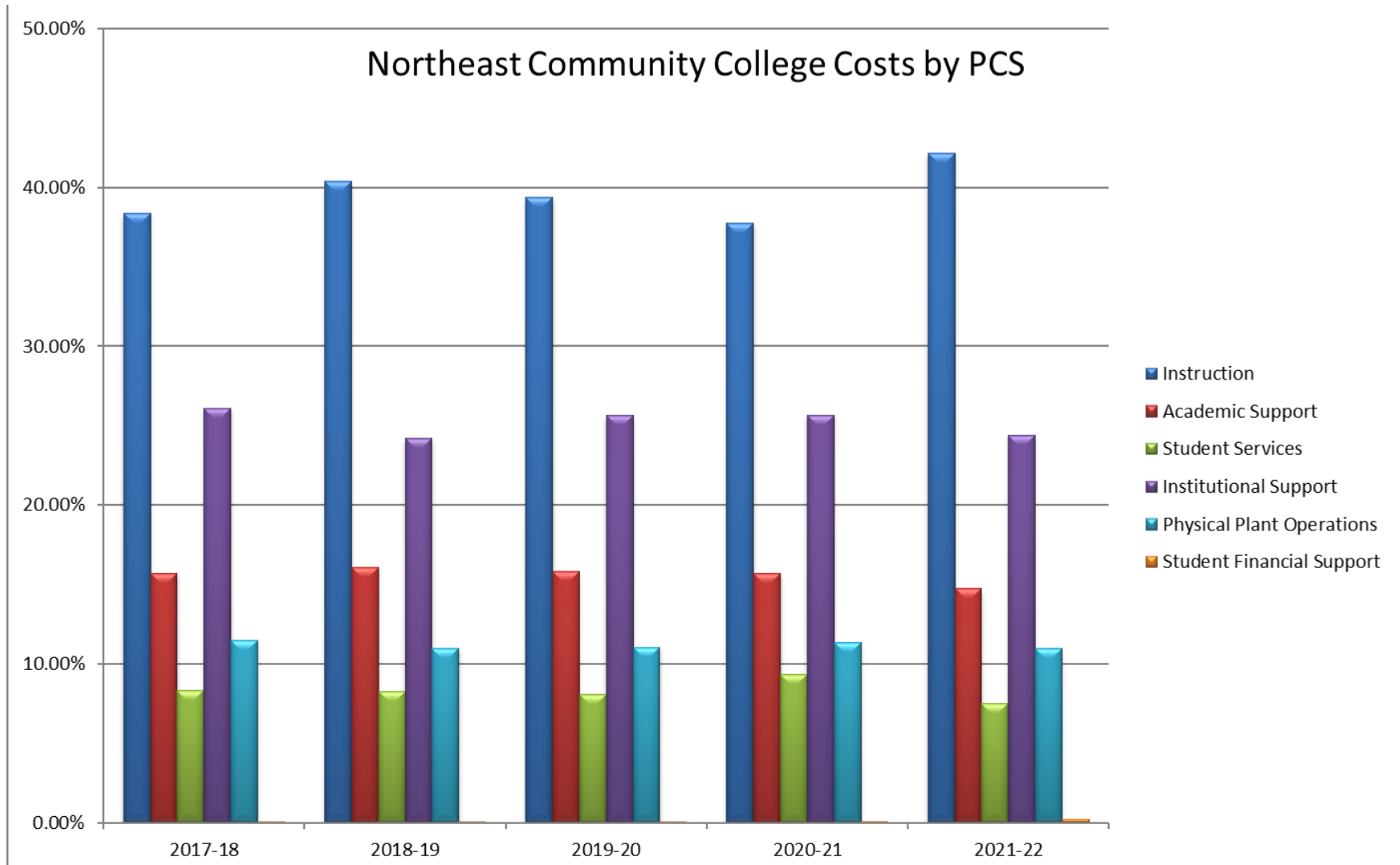
EVIDENCE

The [Five-Year Budget Plan](#) provides for the following specific budget items for each of the Ends:

END	EVIDENCE
1. Students have pathways to achieve academic and/or career goals	The five-year budget plan includes the average amount of \$650,000 per year in other revenue due to be paid from the Foundation from earnings on the Mackenzie Scott fund, which are earmarked for Guided Pathways initiatives. For FY24, these funds will be used for scholarships (\$235,000), additional student advisor personnel costs (\$185,000), strategic initiatives (\$130,000), mini-innovation grants (\$50,000), and professional development (\$50,000). Evidence for this End is further provided in 1.1-1.4 below.
1.1 Students can easily transfer credits to other education institutions	According to the current Biennium Budget Request submitted to the Nebraska Department of Administrative Services, the budget allocation to Instruction and Academic Support is projected to be over 54% of the total budget. See the PCS (Program) Allocation table below. Additional evidence, such as six-year graduation rates, will be presented as part of the seven-year CCPE program review process.
1.2 High School students can obtain dual credits	For the next three years, the budget plan includes a projected allocation of ARPA funds from the CCPE in the amount of \$500,000 to be allocated specifically for reducing dual credit tuition. For Northeast, the amount of dual credit tuition will be reduced to \$0.

<p>1.3 Students develop workforce skills necessary to meet demand of businesses in service area</p>	<p>The five-year budget plan includes a significant investment in technology and equipment to provide students with the latest advancements of the workforce. Additional evidence, such as three-year graduation rates and placement rates, will be presented as part of the seven-year CCPE program review process. The placement rate data, and employer satisfaction and evaluation data, is included in the annual graduate report.</p>
<p>1.4 Students are aware of the academic standards required to achieve college success</p>	<p>Retention and graduation rates are an indicator of college success. These rates are updated annually and are part of our institutional profile. Additional evidence will be presented as part of the seven-year CCPE program review process.</p>
<p>2. Diverse populations of students experience learning and academic success responsive to their needs</p>	<p>The enVision measurement metrics are used to track progress for upskilling non-traditional and incumbent students and those who have historically not been able to access an affordable education, especially in the areas of Adult Education and non-credit programs.</p>
<p>3. Students have access to affordable education and training</p>	<p>The five-year budget plan provides for reasonable increases in tuition and fee rates, which still allows students access to an affordable education.</p>
<p>4. Students have access to a college experience that includes campus living and student activities</p>	<p>The budgets for the Residence Life and Cafeteria auxiliary funds provide for no overall increase in room and board rates. Student Fee funds support student activities and Union 73. Additionally, general funds are used to support other activities and personnel to support student life, such as Division II athletics, Skills USA, FBLA and Ag competitions.</p>

Five-year pro-forma trend of costs by Program Code Structure: Due to the timing of fiscal year-end accounting entries, this data only includes actual amounts through FY22.



...the President shall not:

1.1. Permit planning that does not explain and justify assumptions and identify relevant environmental factors.

INTEPRETATION

“Planning Assumptions” are disclosed in the planning document and are the assumptions used to project revenue and expenses, including: the tuition/fee rate, credit hours, state aid increase, property valuations, property tax levy, and total compensation increases. The specific assumptions used in the 5-year plan are disclosed as evidence for compliance of item #3.

“Relevant Environmental Factors” include:

Inflation, measured by the Consumer Price Index (CPI) as reported by the U.S. Bureau of Labor Statistics

Cost of Labor, measured by the Employment Cost Index (ECI) as reported by the U.S. Bureau of Labor Statistics

Inflation and Cost of Labor are factors used to project the cost of personnel and operating expenses.

Census population data, as reported by the United States Census Bureau

Census population data is a factor used to project population increases or declines which affect enrollment and FTE projections.

EVIDENCE

The planning assumptions and relevant environmental factors are summarized and explained in the [Five-Year Budget Plan](#).

...the President shall not:

2. Permit budgeting for any fiscal period or the remaining part of any fiscal period that is not derived from the multi-year plan.

INTERPRETATION

The “fiscal period” will be the applicable fiscal year for which the budget is forecasted. The starting point for the next fiscal year’s budget will be the corresponding fiscal year of the multi-year plan. The current fiscal year’s budget is developed from a 1-year budget projections document. As the current fiscal year’s budget is developed and finalized, the 5-year plan is updated.

EVIDENCE

Further discussions of property valuations, property tax levy history, compliance with new the [Nebraska Property Tax Request Act](#)

and [legislative changes to community college funding](#) will take place at the Board of Governors meeting scheduled for August 10, 2023.

A preliminary FY2023 General Fund Budget Projection, along with the five-year [Building Fund Capital improvement Budget plan](#) will be presented to the Board in August 2023.

The final proposed FY2024 General Fund Budget and the Allowable Growth Calculations for compliance with the Nebraska Property Tax Request Act, will be presented at the Board of Governors meeting scheduled for September 14, 2023.

The final FY2024 Budget Hearing/Tax Request Presentation will be presented to the Board for approval on September, 2023.

...the President shall not:

3. Permit financial planning that omits credible projection of revenues and expenses, separation of capital expenditures and operational expenses, cash flow projections, and disclosure of planning assumptions.

INTERPRETATION:

A “credible projection of revenues” includes separate projections of the three statutory forms of funding for community colleges, including:

a) Tuition/Fees – which provides for the flexibility of planning a combined tuition/fee increase in a range from 0%-5% annually, by analyzing trends of actual credit hours in prior years and projections of credit hours based on enrollment goals, and considers a reasonable balance of fiscal responsibility between students and taxpayers, and the overall cost of attendance for a student to be provided with an affordable education, all consistent with EL-02, item #2.

b) State Aid – which provides for the flexibility of planning a standard increase in a range from 2-4% annually, based on historical state aid allocations by the Nebraska Legislature, which includes standard state aid calculated under the statutory formula for distribution of state aid to all Nebraska community colleges, tribal college funding, and additional state aid for dual enrollment.

c) Property Taxes – for FY24, projections of property tax revenue are based on a forecast of property valuation utilizing projections from the Nebraska Department of Revenue.

d) Community College Future Fund – for FY25, property tax revenue will be replaced by a state fund which allocates to each community college an amount of state aid equal to the property tax asking of each college for FY24, or the amount of property taxes that would have been generated from a 7.5 cent levy, whichever is greater, with such amount then increased 3.5% or the percentage

increase in student enrollment, whichever is greater. For FY26 and thereafter, the amount distributed to the College will be the amount distributed the prior year increased by 3.5%, or the percentage increase in student enrollment, whichever is greater.

A “credible projection of expenses” includes separate projections for the following:

- a) Personnel – which includes the cost of salary and benefits for all full-time and part-time employees, full-time faculty, adjuncts, and student workers
- b) “Operational Expenses” – which includes costs of books, printing, conference registration, photocopying, memberships, dues, periodicals, postage, software licenses, repair and maintenance of equipment and contractual services
- c) Supplies & Materials – which includes costs of office supplies, food, and minor equipment (cost below \$5,000)
- d) Travel – which includes lodging, meals, motor pool, commercial transportation, and personal mileage reimbursements
- e) Capital Equipment – which includes the purchase of all equipment items with a value of \$5,000 or over

A “credible projection of capital expenditures” includes a separate five-year budget plan for the purchasing, purchasing on contract, constructing, and improving of facilities, which is funded by \$.02 of the total property tax levy (See [Neb. Rev. Stat. §85-1515](#)).

EVIDENCE

The [General Fund 5-year Budget Planning document](#) includes a credible projection of revenue and expenses for the General Fund, and the [Building Fund 5-year Budget Planning document](#) includes a credible projection of revenue available for capital expenditures, and a credible projection of capital expenditures.

...the President shall not:

3.1. Omit five-year pro-forma trend of revenues and expenses.

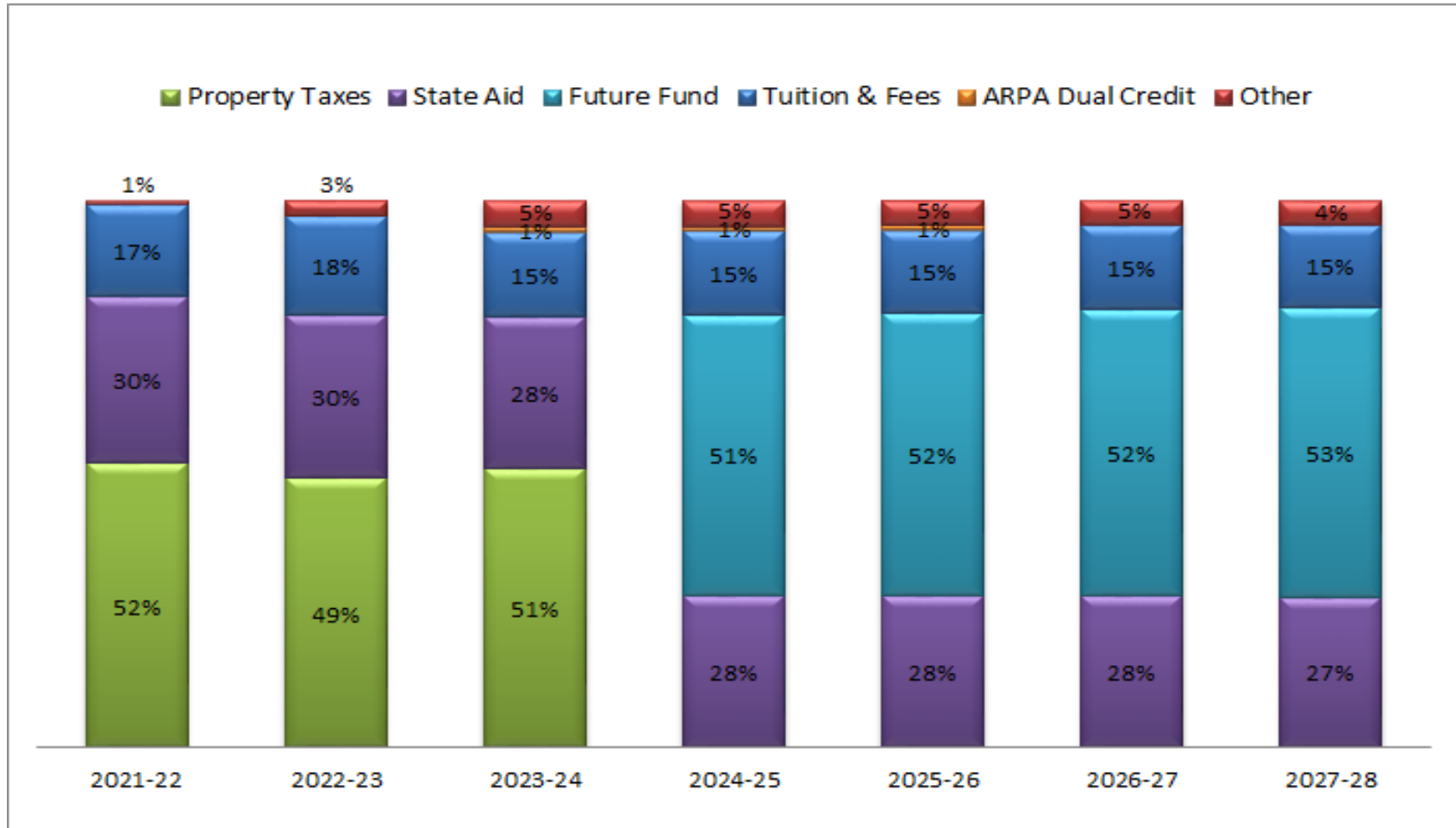
INTERPRETATION:

The five-year pro-forma trend of revenues and expenses has been fully interpreted in previously numbered policy items.

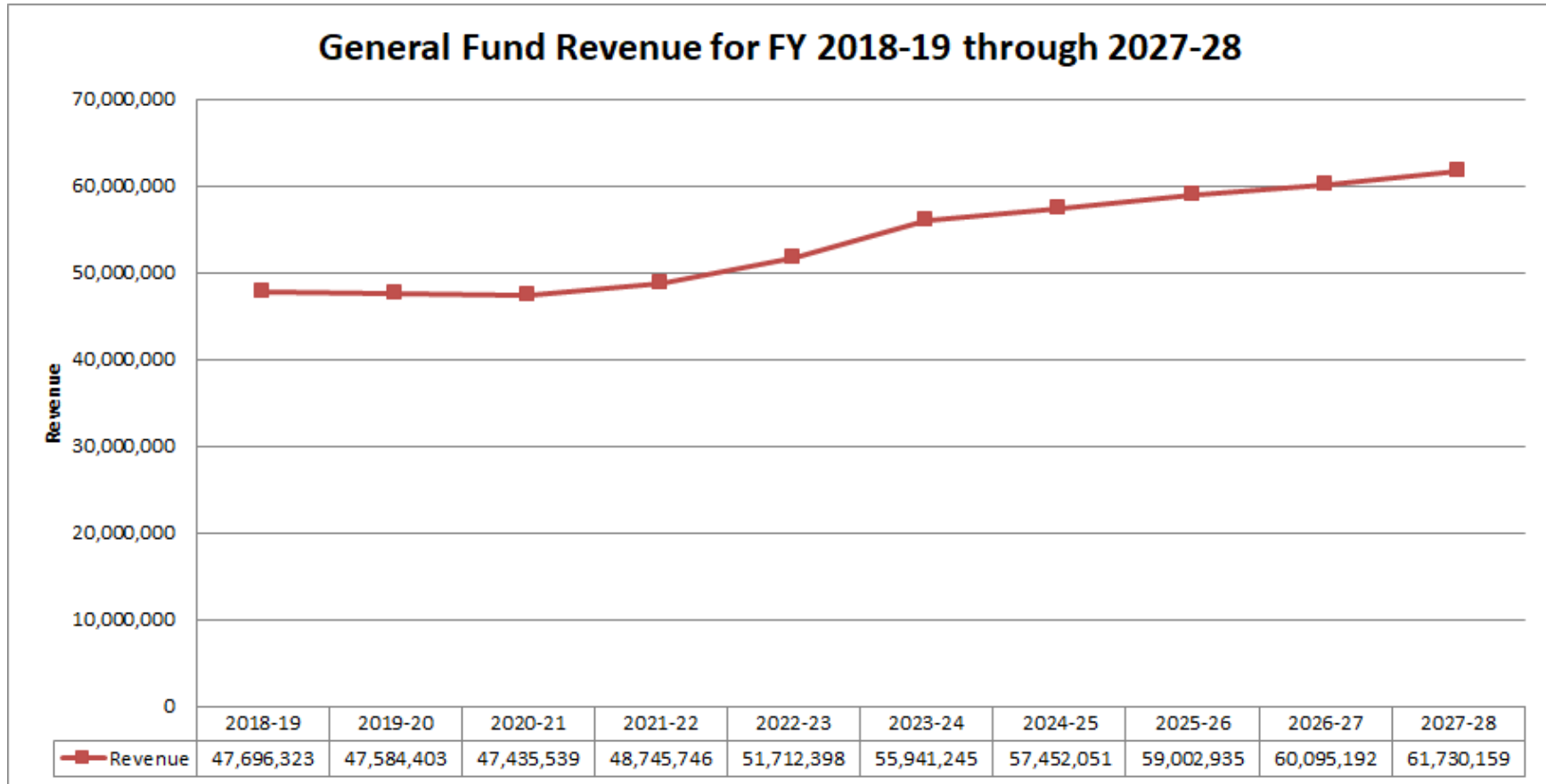
EVIDENCE

Both five and ten-year pro-forma trends of revenues and expenses, does not reveal any irregularities, as shown in the following graphs:

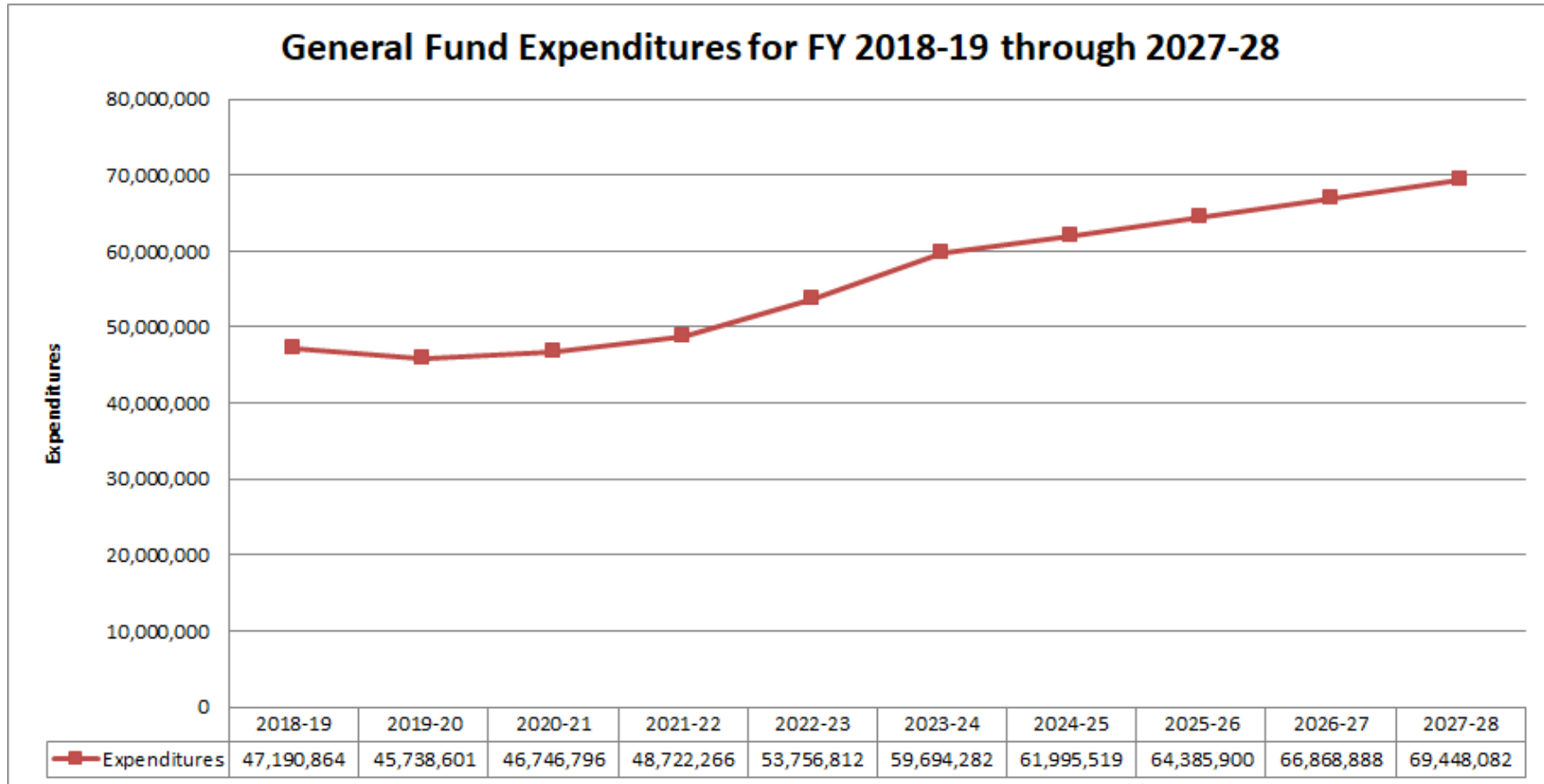
Five-year pro-forma trend of revenues by source:



Ten-year pro-forma trend of total revenues:



Ten-year pro-forma trend of total expenditures:



The President shall not:

4. Permit financial planning without a projected five-year facilities master plan.

INTERPRETATION

A “facilities master plan” is a current facility plan that sets forth the timeline of the College’s proposed capital construction projects. These capital construction projects should be tied to, and an extension of, the Northeast [Master Site and Facilities Plan \(MSFP\)](#), which was completed in 2017. The College is in the process of planning for an update to the MSFP.

EVIDENCE

The [Northeast Community College Construction Project Schedule](#) includes a schedule of projects for the next five years.

...the President shall not:

4.1. Omit provision for cybersecurity and technology.

INTERPRETATION

I interpret “not omitting a provision for cybersecurity,” as the Information Security Plan implemented by the College Technology Services division.

I interpret “not omitting a provision for technology” as the implementation of the Technology Services strategic plan.

EVIDENCE

The [Technology Services Information Security Plan](#) and [Technology Services Strategic Plan](#) are updated annually and provide information regarding the status of current technology projects and new technology projects being implemented.

...the President shall not:

5. Permit financial planning that risks any situation or condition described as unacceptable in the “Financial Condition and Activities” policy.

INTERPRETATION

Interpretation of this item #5 has been fully interpreted in the Monitoring Report for EL-05.

EVIDENCE

There is no item in this Monitoring Report which conflicts or is inconsistent with the interpretation and evidence contained in the Monitoring Report for [EL-05, Financial Condition and Activities](#).

...the President shall not:

6. Permit financial planning that does not provide the amount determined annually by the Board for the Board's direct use during the year, such as costs of fiscal audit, Board development, Board and committee meetings, Board legal fees, and ownership linkage.

INTERPRETATION

I interpret item #6 to mean the Board of Governors budget, which is provided in the financial report to the Board at each Board of Governors meeting.

EVIDENCE

The Board of Governors budget and year-to-date activity is provided in the monthly financial report materials.

[Five-year Budget v. Actual expenses for Board of Governors](#) data.

...the President shall not:

7. Permit planning that endangers the fiscal soundness of future years or ignores the building of organizational capability sufficient to achieve Ends in future years.

INTERPRETATION:

The Primary Reserve Ratio (as set forth in the evidence for the Global Statement above) is a measure of whether there are resources sufficient and flexible enough to support the College's mission. It compares the institution's expendable net assets to total expenses. Expendable net assets represent those assets the institution can access quickly and spend to meet its operating and capital requirements. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function

using its expendable reserves without relying on additional net assets generated by operations. *See Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks (Seventh Edition)*, by KPMG LLP; Prager, Sealy & Co., LLC; Attain LLC, pp. 120-121. A Primary Reserve Ratio of .40 or better is advisable, which implies that the institution has the ability to cover about five months (146 days) of expenses (40% of 365 days) from reserves. (p. 122) Therefore, I interpret “fiscal soundness” to mean the College five-year budget plan continues to provide for an amount in general fund reserves on hand sufficient to provide for 180 days of operating expenses.

“Organizational capability sufficient to achieve Ends in future years” was interpreted in the Global Statement above.

EVIDENCE

Analysis of Northeast’s Primary Reserve Ratio indicates that for 2022, the College had the ability to cover 468 days. On average over the last 5 years, the College has 404 days of annualized expenses retained in expendable resources:

<u>2022</u>	<u># Days</u>	<u>5yr Average</u>	<u># Days</u>
1.283	468	1.169	426

...the President shall not:

7.1. Operate without succession plans to facilitate smooth operations during key personnel transitions and ensure competent operation of the organization over the long term.

INTERPRETATION:

I interpret #7.1 to mean that each Vice President has built the capacity for one or more direct reports to take leadership in a planned or unplanned personnel transition, and that the President is aware of the plans of each Vice President.

EVIDENCE

The Vice Presidents are developing formal succession plans in the event of their absences.

...the President shall not:

7.2. Permit the College to be without sufficient organizational capacity and current information about President and Board issues and processes for the competent operation of the organization to continue in the event of sudden loss of President services.

INTEPRETATION: **NOTE: this section #7.2 is referenced in BPD-05, #2 which states as follows:

“Should an absence of the President arise, the Board will meet as soon as feasible at a special or regular meeting. The Board will review the President’s most recent reasonable interpretation for Executive Limitation EL-4 #7.2 (“Permit the College to be without sufficient organizational capacity and current information about President and Board issues and processes for the competent operation of the organization to continue in the event of sudden loss of President services.”)

I interpret #7.2 to mean that the President has built the capacity with the Cabinet to take leadership in a planned or unplanned loss of President services, and that the Board is aware of the President’s succession plan.

EVIDENCE

As of the date of this report, the President has verbalized the proposed succession plan to the Board Chair and the Board Recording Secretary, which includes the person identified to assume an interim role.