

GRAYS HARBOR COLLEGE



Financial Resources Review

Submitted to the Northwest Commission on Colleges and Universities by:

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Introduction and Overview

This report addresses a follow-up requirement from Grays Harbor College's Year-Seven Mission Fulfillment and Sustainability Evaluation in April of 2019. In a letter from the Northwest Commission on Colleges and Universities (NWCCU) dated July 12, 2019, Grays Harbor College (GHC) was directed to submit a *Financial Resources Review Fall 2020* report by November 1, 2019. This report is intended to meet that requirement.

Background

Grays Harbor College (GHC) has experienced enrollments below its state allocation over the last several years including the time from 2016-17 forward, which is the subject of this report. During this same time period, the College spent more than it took in, including hiring additional full-time faculty, with the intention of growing specific programs and along with those programs, enrollment. While this spending did have an impact on enrollment, unfortunately downturns in other areas meant that revenue did not grow enough to compensate for the spending. In the spring of 2019, Grays Harbor College had to make cuts to its 2019-2020 Budget in order to maintain adequate reserves to meet the Board of Trustees Policy 530 regarding Emergency Fiscal Reserve, which states:

"The Emergency Fiscal Reserve is established to equal 10 percent of the college's annual General Operating budget. The amount of resources available in the Emergency Fiscal Reserve will be identified in the annual budget developed for the Board of Trustees (presented for approval per Operational Policy 530 Accounting and Budgeting). The Emergency Fiscal Reserve can only be used to stabilize college budgets in the event of unplanned and/or emergent operating conditions and with the authorization of the Board of Trustees."

Overview of Recent Budget Cuts

In cutting approximately \$1.3 million from the *Fiscal Year 2020 Budget*, college administrators reduced spending to better align with college revenue for 2019-2020 [Appendix 1]. At their May meeting, the Board of Trustees directed the college president to deliver a balanced budget for approval which demonstrated a realistic projection of revenues and expenditures and did not exceed that amount. The process initially started in April when the tuition revenue deficit was believed to be \$723,000 and involvement of the college community was sought. In May 2019, the President and Executive Team explained the budget situation and invited the campus to submit ideas for gaining budget efficiencies and generating revenue for fiscal year 2020. Two sessions, open to all employees, were held on May 15 to provide information about the budget deficit and solicit input [Appendix 2].

With the departure of the former Vice President of Administrative Services in early May came the arrival of an Interim Vice President of Administrative Services, Ms. Barbara McCullough. Ms. McCullough, who came out of a three-year long retirement to return to her previous job, discovered that the tuition revenue projections were actually over-projected, and had been for several years, in the range of \$1.3 – \$1.7 million. After a few weeks of closer scrutiny, Ms. McCullough identified that \$1.5 million from the 2019-2020 budget would need to be cut. College administrators had very little time left to cut spending to match expected college revenue for 2019-2020 before submitting the *Fiscal Year 2020 Budget* to the Board of Trustees for approval. Attempts were made to involve the college community for input and keep them updated. However, as these measures fell at the end of spring quarter during finals week and preparations for commencement, neither the timeline nor the extent of the cuts were conducive for broad

campus engagement. The guiding principles used to determine the cuts were the same as those established during the May budget meetings with the college community and included:

- serve students (maintain FTE/student completion);
- mitigate job loss; and
- stay true to GHC's values¹.

The College also had the draft recommendations from the NWCCU Peer Evaluation Team's visit to help guide the discussion.

A number of the budget reductions for 2019-2020 were made as part of the College's renewed emphasis on effective and efficient use of instructional resources and are detailed in the 'Enrollment Management' section of this report, under '*Goal 3 – Efficiently Allocate College Resources towards Recruitment, Retention and Program Offerings*'. These include work toward efficiencies on how and when course sections are added so that class fill rates are maximized. Some programs and positions have been identified to be changed or cut as cost saving measures. Not filling faculty and staff vacancies in some areas or for some period of time has also contributed to budget reductions.

In addition to these reductions to instruction, changes and cuts were made in other areas of the College. Vacancies in the positions of a budget analyst and the Director of Public Relations from the 2018 – 2019 year were left vacant, and five full-time classified positions were eliminated, one from instructional support, one from financial aid, one from custodial, one from grounds, and one from food services. Reorganization in Student Services, by combining some positions, will result in a savings of approximately \$94,000 over the next two years, while changes in advising will result in savings of \$11,500 per year. Instruction did a reorganization, eliminating a full-time Assistant Dean position and moving Transitions under another instructional dean, which will lead to salary and benefits savings in that area. Reductions were also made in one of the rural education centers in Ilwaco, Washington, with limiting summer hours to only one day per week, reducing a full-time staff position to 50%, and cutting a part-time staff position. Among the exempt group of employees, multiple positions have been cut, some of which were vacancies due to retirement that were not filled. Other cost saving measures were also employed, such as reducing HVAC in unused buildings over the summer, less frequent custodial services in lower-traffic areas, less grounds maintenance and suspension of catering services.

The College's Vice President of Administrative Services (VPAS), President, Executive Team and Board of Trustees are closely monitoring tuition revenue projections to make sure they are realistic and frequently updated. They are also tracking budget expenditures to ensure that anticipated reductions are realized. The Executive Team will meet with all constituency groups of the college community, starting in Fall Quarter 2019, to keep the college community apprised of the budget status, to invite their input regarding revenue generation, and if necessary, any further budget cuts to maintain and eventually grow the College's reserves.

Board of Trustees Involvement in Financial Planning

Board of Trustees meeting minutes for 2019 detail the Board's monitoring of college budget activity. The following is a short synopsis of the Board's role in Financial Planning since the College's Comprehensive

¹ Grays Harbor College Values: Access to Educational Opportunities; Success for Students, Faculty, and Staff; Excellence in Programs, Practices and Principles; Respect for Diversity of People, Ideas, Culture, and the Environment; and Effective and Efficient Use of Resources.

Evaluation in April of 2019. Additional information can be found in the meeting minutes in the Appendix of this document [Appendix 3 – Appendix 9].

Since Winter Quarter 2019, the Grays Harbor College President, Dr. Jim Minkler, and the College's senior administration have been in close contact with the Board of Trustees about the fiscal situation of the College. At the February 2019 Board Meeting, the Board of Trustees discussed the *Fiscal Year 2018 Financial Statement Audit* [Appendix 3]. At the March 2019 Meeting, Mr. Lutes (Vice President of Administrative Services at the time) provided the Board with a Budget Status report [Appendix 4]. In April of 2019, the Board conducted a study session on the Budget just prior to its April Board of Trustees Meeting, and noted this in their meeting minutes [Appendix 5]. At the May 2019 Meeting, Dr. Minkler presented a preliminary plan to address the Board of Trustees' request that the College eliminate deficit spending for the *Fiscal Year 2020 Budget*. Dr. Minkler explained that the college community had been engaged in developing this plan [Appendix 6]. At the June 2019 Board Meeting, the Board passed a continuing resolution after Dr. Minkler reported that the final operating budget plan for fiscal year 2020 would be submitted for Board approval at the July Meeting. Additionally, Ms. McCullough (Interim Vice President of Administrative Services, replacing Mr. Lutes) and Dr. Minkler explained that the deficit that was being addressed was thought to be between \$1.3 - \$1.7 million dollars [Appendix 7].

At the July 2019 Special Board Meeting, the Board of Trustees adopted the *Fiscal Year 2020 Budget* presented by Ms. McCullough. Ms. McCullough clarified that the deficit was approximately \$1.5 million dollars and she explained the expenditure changes from fiscal year 2019 to fiscal year 2020. The Executive Team proposed approximately \$1.6 million in budget reductions, enough to eliminate the gap between revenue and spending, but was only able to log \$1.3 Million, as some changes require the College to work through the labor-management process, which is occurring this fall. Ms. McCullough further reported that going forward there will be quarterly budget analysis reports and there will be a balanced budget by the end of the year [Appendix 8]. At the most recent Board Meeting in October 2019, Mr. Kwabena Boakye, the new Vice President of Administrative Services, distributed and reviewed an analysis comparing Fiscal Year 2019 to Fiscal Year 2020. He then led a discussion with the Board of Trustees regarding how to move forward in order to guarantee future revenue projections are realistic. He said that the November 2019 work session for the Board of Trustees will focus on the financial condition of the College. Mr. Boakye indicated that he will introduce new concepts regarding projecting revenue and cash projections [Appendix 9].

Accountability Going Forward

New fiscal monitoring, projecting, and reporting practices, including more regular budget reports to the Board of Trustees, Executive Team and College Community are but one of the major accountability mechanisms the College Administration is implementing to help it address the Commission's Recommendation 1:

“Develop a realistic financial forecasting plan to include evaluation of financial resources to ensure short term solvency and anticipate long-term obligations. This process should include appropriate opportunities for participation by college constituencies (Standard 2.F.1, 2.F.2, 2.F.3).”

The major accountability mechanisms will be delineated in the following Enrollment Management and Financial Management sections. In short, they are: (1) a realistic and data-informed enrollment management plan; (2) a renewed emphasis on effective and efficient use of resources in enrollment management; (3) more detailed and frequent revenue projections and budget monitoring reports developed by the new Vice President of Administrative Services, Mr. Kwabena Boakye; and (4)

implementation of the new Strategic Financial Plan, which includes transparent and engaging budget development and monitoring processes.

Enrollment Management

Enrollment - Current Status

Since 2015-2016, although Grays Harbor College experienced its largest graduating class ever (spring 2019), like most of the community colleges in Washington State, GHC has experienced a decline in enrollments that corresponds with improvements in the local economy and a decline in the district's unemployment rate. In fact, Grays Harbor County, the larger county in the College's two-county district, is experiencing its lowest unemployment rate (6.7% in 2018) in over 15 years². During the same time period, in an attempt to remain relevant to the community and overcome declining enrollments, Grays Harbor College invested in several new career and technical education programs including Medical Assisting and three Bachelor of Applied Science Degree Programs (Organizational Management, Teacher Education, and Forestry Resource Management). With two, or in the case of the Organizational Management program, three years of offerings, these program additions are producing significant enrollments [Chart 1]. Also producing increased enrollment is the College's contract-funded Running Start (high-school students attending college courses) program, which went from 210 annual FTEs in 2015-16 to 248 annual FTES in 2018-2019 [Chart 2]. Additionally, sections were recently increased in Automotive Technology and an Associate of Applied Science degree was added to Early Childhood Education. Unfortunately, as the College has experienced these increases to its FTE, overall FTE have continued to decline in the areas of Academic Transfer and Transitions (Adult Basic Education) [Table 1A and Table 1B].

In 2016, President Minkler formed a Strategic Enrollment Management (SEM) Committee to develop strategies for recruiting and retaining students. The Committee was instrumental in the decision to hire a full-time recruiter and a strong advocate for increasing financial aid staffing/capacity. As a result of adding staff as well as support to Financial Aid, the percentage of completed files reviewed by August of each year went from 66% in fall 2017 to 93% in fall 2019. Additionally, the SEM Committee was supportive of the College's decision to offer additional I-BEST (Integrated Basic Education Skills and Training) education in several career technical programs, including Automotive, Carpentry and Welding, to help aid in student retention. Despite these concrete changes, new student enrollment has remained flat and retention efforts have not shown consistent returns [Table 2 and Table 3].

As of this fall, overall enrollment has continued to decline [Table 1A and Table 1B]. As discussed further below in the Financial Management Section, enrollment declines have had significant impact on revenue collection (tuition) at Grays Harbor College. The College's President, Executive Team, and Deans remain focused on identifying additional actions that can help combat low enrollment. President Minkler joined the Strategic Enrollment Management Committee in fall 2019 as a co-chair to help bring his state-level experience on the State-wide Enrollment Task Force to the College's SEM Committee.

² FRED – Federal Reserve Bank of St. Louis, Economic Data for Grays Harbor County:
<https://fred.stlouisfed.org/series/WAGRAY0URN>

Chart 1: New Program FTE Generation

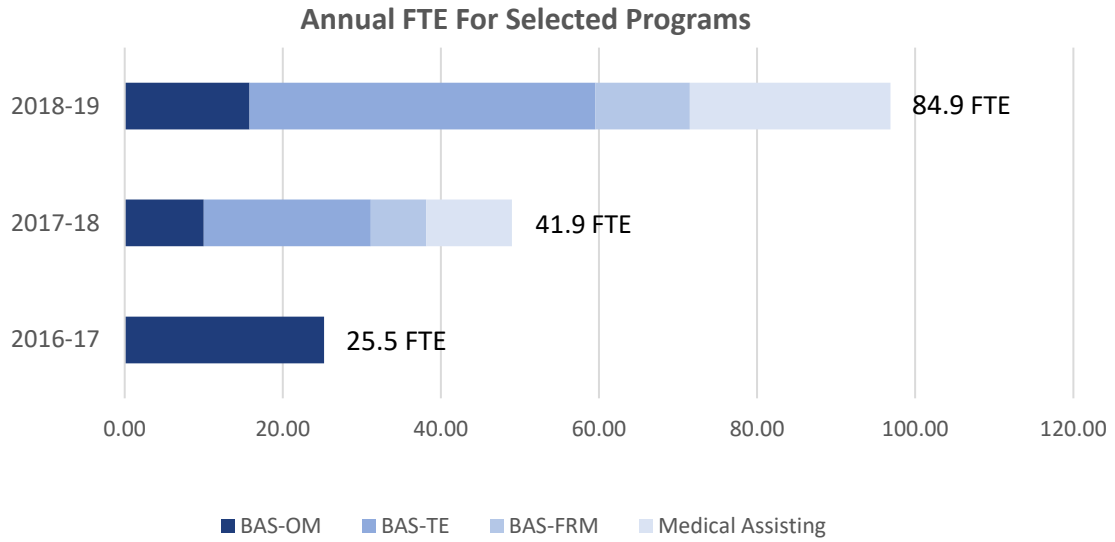
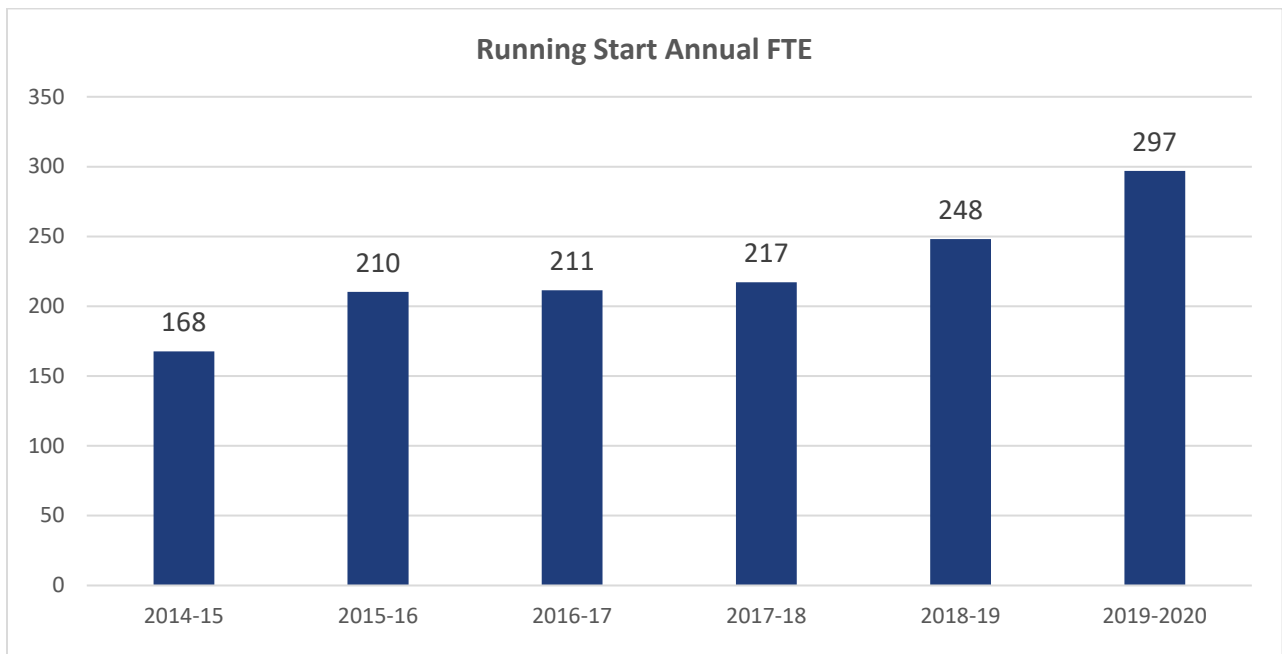


Chart 2: Running Start Annual FTE³



³ The 2019-2020 Annual Running Start FTE data point is projected FTE, not actuals. As of October 29th, actual Annualized Running Start FTE for Fall Quarter is 101, which is 41% of total annual Running Start FTE for 2018-19.

Table 1A: Schedule of Actual and Projected Enrollments – Total

Student Enrollment – Total	Actual Current Year -3 (2016-17)	Actual Current Year -2 (2017-18)	Actual Current Year -1 (2018-19)	Current Year (Actual/Project.) ⁴ (2019-20)	Projected Current Year +1 (2020-21)	Projected Current Year +2 (2021-22)
Undergraduate FTE	1,528	1,522	1,544	566/1,504	1,459	1,441
Graduate FTE ⁵	n/a	n/a	n/a	n/a	n/a	n/a
Other Programs FTE	614	573	505	193/427	401	377
Total FTE	2,142	2,095	2,049	749/1,931	1,860	1,818

Table 1B: Actual and Project Enrollments Using State Funding Categories

Student Enrollment – Total	Actual Current Year -3 (2016-17)	Actual Current Year -2 (2017-18)	Actual Current Year -1 (2018-19)	Current Year (Actual/Project.) ⁶ (2019-20)	Projected Current Year +1 (2020-21)	Projected Current Year +2 (2021-22)
State Funded FTE - Transfer	880	846	793	288/697	670	640
State Funded FTE – Transitions	230	209	175	60/152	137	122
State Funded FTE - Vocational	417	399	411	148/385	370	370
State Funded FTE – BAS	25	38	71	27/83	75	75
Other Grants & Contracts FTE	0	0	3	0	0	0
Stafford Creek FTE	351	356	318	112/289	275	275
Running Start FTE	210	216	248	106/308	315	323
Self-Funded	15	12	11	3/5	8	5
Sum Total FTES	2,142	2,095	2,049	749/1,931	1,860	1,818

⁴ *Current-Year Actual* is annual FTE up through October 2019. *Current-Year Projected* is an estimated annual FTE for the entire 2019-2020 Academic Year.

⁵ Grays Harbor College does not offer graduate-level credits/courses.

⁶ *Current-Year Actual* is annual FTE up through October 2019. *Current-Year Projected* is an estimated annual FTE for the entire 2019-2020 Academic Year.

Table 2: Schedule of Undergraduate Students by Headcount

Student Enrollment – Total	Actual Current Year -3 (2016-17)	Actual Current Year -2 (2017-18)	Actual Current Year -1 (2018-19)	Current Year (Actual/Project.) ⁷ (2019-20)	Projected Current Year +1 (2020-21)	Projected Current Year +2 (2021-22)
New First-time	673	683	676	502/635	598	563
Full-time	1,582	1,459	1,521	1,170/1,406	1,433	1,329
Part-time	1,123	1,202	932	657/1,038	921	972
Total Undergraduate	2,705	2,661	2,453	1,827/2,444	2,354	2,301

Table 3: Schedule of Actual and Projected Retention⁸

Student Retention (Cohort)	Actual Current Year -3 (2016-17)	Actual Current Year -2 (2017-18)	Actual Current Year -1 (2018-19)	Projected Current Year (2019-20)	Projected Current Year +1 (2020-21)	Projected Current Year +2 (2021-22)
Retention % Fr - Soph	55%	59%	55%	55%	55%	55%
Retention % Soph – Jr. ⁹	n/a	n/a	n/a	n/a	n/a	n/a
Retention % Jr. – Sr.	37% N= 27	100% N = 26	87% N = 39	85%	85%	85%

⁷ *Current-Year Actual* is annual headcount up through October 2019. *Current-Year Projected* is an estimated headcount for the entire 2019-2020 Academic Year.

⁸ Freshman retention is based on first fall quarter in a state-funded, college-level course and tracked to the following fall quarter.

⁹ Other than the three specific and relatively small Bachelor of Applied Science programs (Organizational Management, Teacher Education, and Forestry Management), Grays Harbor College does not offer sophomore to junior mobility opportunities for its students, so this data is not currently tracked.

Table 4: Number of Resident Students

Resident students	Actual Current Year -3	Actual Current Year -2	Actual Current Year -1	Actual Current Year	Projected Current Year +1	Projected Current Year +2
Resident Students	<i>This table is from the Financial Resource Review Template, but it is not applicable to Grays Harbor College as the College does not have any students who reside on campus.</i>					
Normal Capacity						
Resident Students/ Undergraduate FT Headcount						
Resident Students/ Undergraduate FT Headcount Goal						

Enrollment Projection Methodology

Enrollment projections are based on a combination of analyzing trends from prior years and considering data from outside sources. External data includes projected employment/unemployment rates from the Bureau of Labor Statistics¹⁰ (BLS), population projections from the Washington Office of Financial Management¹¹ (OFM), and grade-to-grade high school attrition/gain trends using data from the Washington Office of Superintendent of Public Instruction¹² (OSPI).

A high-level summary of trends includes:

- the population of 15-19 year-olds in Grays Harbor and Pacific Counties is predicted to increase by 8% between 2020 and 2025;
- the 20-24 year-old and 25-29 year-old age groups in Grays Harbor and Pacific Counties are predicted to decrease by 3% and 8% respectively;
- BLS projections have the number of employed individuals going up nationally, but the percent of persons employed going down;
- the labor force participation of younger students is expected to decline as older individuals stay in jobs longer; and
- using OSPI data to project out high school class-level headcount, Grays Harbor and Pacific Counties will have around 2,100 students between 11th & 12th grade in every year, which is reasonably consistent with prior years.

With slightly more potential students in the 18-24 age group, but not able to find employment, there is a chance Grays Harbor College will see an increase in headcount. However, new legislation has been passed in Washington State (The Workforce Education Investment Act), providing funding for the first two years of college for qualifying students, with the criteria based largely on income. The four-year institutions are also able to benefit from some of the same tuition programs as Grays Harbor College, so there will be increased competition for those students. For this reason, it is estimated that new students will steadily

¹⁰ <https://www.bls.gov/news.release/pdf/ecopro.pdf> (retrieved October 11, 2019)

¹¹ <https://www.ofm.wa.gov/washington-data-research/population-demographics/population-forecasts-and-projections/growth-management-act-county-projections> (retrieved September 23, 2019)

¹² <https://www.k12.wa.us/enrollment-reports> (retrieved September 23, 2019)

decline as the potential population stays stable or increases slightly but more students are lured away by larger four-year colleges and universities.

This external information was combined with year-to-year trends observed within Grays Harbor College's FTE Breakouts from prior years. Finals for 2019-20 were estimated first, using the data available through the 10th day of fall 2019. Then, the next two years were projected out one category at a time, using the year-to-year trend for that category [Table 1B]. The information in Table 1B was then used to fill in Table 1A, placing FTE into the categories requested in the NWCCU Report Template. Undergraduate FTE from Table 1A was related to undergraduate headcount for prior years, and the values in Table 2 were projected based off of the projected undergraduate FTE.

For Table 3, Retention, historical trends were again analyzed. Grays Harbor College's retention rate has a 2-year cycle that fluctuates between 54-55% and 58-59%. For a projection, the low end of this range was chosen for freshman-sophomore retention as a conservative estimate. For junior-senior retention, Grays Harbor College's three BAS programs have only been in place since 2016-17, only providing 3 years of data. While there was a large swing from the initial year, these programs are run with annual cohorts, and have a clearly defined application process. It is expected that the observed 87% retention rate from 2018-19 is close to the new normal, so a slightly lower 85% rate was projected as the rate going forward.

Enrollment Goals and Specific Action Plans to Achieve Goals

While adding new programs has helped the College limit declining enrollments, as discussed in the 'Enrollment – Current Status' section above [pages 7-8], the cost of new programs is too high for this to be the only or even primary strategy for the College going forward. This year, Grays Harbor College has identified three enrollment management goals to help combat declining enrollment.

Goal #1 – Focused Recruitment Efforts to grow Enrollment

Strategy 1.1 – Grow Guided Pathways to Support Student Recruitment

Action Item 1.1.1 – Continue to refine and standardize career exploration and counseling

Grays Harbor College is currently engaging with its K-12 educational partners and the Pacific Mountain Workforce Development Council¹³ (PacMtn) to identify employment clusters for its region. By working with K-12 partners on the implementation of Guided Pathways, high school and college leaders are working together to co-develop a framework that begins in the high school and transitions to college. The work of identifying gaps in the dual enrollment process and courses that transition to college will mean that students can place directly into credit bearing courses. Through collaboration with leaders in industry, including the Pacific Mountain Workforce Development Council, the College will identify marketable skills that are in demand to create career clusters that are relevant for our region. Grays Harbor College also has plans to reach out to its university partners to ensure academic programs are effectively mapped to transfer institution outcomes.

Action Item 1.1.2 – Offer Career-Connected Learning Opportunities

With the support of the Career-Connected Learning Grant, on March 15, 2019, Grays Harbor College increased its outreach to local high school students. Grays Harbor College hosted 160+ high school juniors and seniors (aged 16-18) on campus for three hours. Before the on-campus event, high school students toured local businesses and learned more about necessary skills from industry leaders. Once on campus, the career learning was connected to training through presentations by faculty, testimonials by college students, and lab tours. A subsequent event was held on March 22, 2019, with an additional 100+

¹³ <https://pacmtn.org/about-us/>

students. Additionally, during the *Employer Networking & Career Exploration Fairs* earlier in 2018-19, Grays Harbor College collaborated with seven local high schools and various employers. At this event, the high school students prepared for the day by taking a “Career Clusters Quiz” and then self-selected pathways at the College. This connection to district high school students will continue this year under the strategy of Growing Guided Pathways to Support Student Recruitment.

Strategy 1.2 - Increase Marketing and Outreach Efforts to Support Increased Enrollment

Action Item 1.2.1 – Diversify College Marketing Activities

Grays Harbor College’s Marketing Committee recently produced new marketing materials for student recruitment, including an accordion-fold brochure highlighting the College’s areas of study, a new digital marketing campaign, a college Instagram page, movie theater advertising, and street sign flags for the College and surrounding community advertising Grays Harbor College and its programs. The College will continue with its marketing efforts this year by analyzing the effectiveness of the above strategies and identifying other opportunities for marketing. Suggestions from faculty and staff being considered include marketing materials that engage students on a personal level, such as video testimonials from prior students. These materials are expected to appeal to a wide audience and provide support for the College’s full-time recruiter.

Action Item 1.2.2 – Reach Out to Prospective Students

During the 2019-2020 Academic Year, Grays Harbor College will reach out to prospective students (those who applied to the College and those who listed Grays Harbor College on their Federal/State Financial Aid documents) who are not currently attending. For the year 2018-19, out of 2,911 Financial Aid applications received (FAFSA/WAFSA), 735 students did not complete an application for admission (did not attend Grays Harbor College). With this data, staff can target outreach to those who have expressed an interest in the College in the recent past.

Action Item 1.2.3 - Provide Opportunities for Middle School Career Exploration

Partnering with the Grays Harbor College Foundation and other Washington State entities, college staff will promote several early college awareness and readiness opportunities this year. Opportunities will include: an 8th Grade Exploration Event at the Main Campus; promoting College Bound Scholarships (CBS) to students in 6th to 8th grade; promoting GEAR Up Washington to middle school students to increase academic performance; and the Grays Harbor College Foundation’s World Class Scholars program which also engages this age group in committing to going to college

Intended Outcomes for Goal #1:

Growing college efforts in Guided Pathways will improve student outcomes for students transferring from high school to college, particularly with students from disadvantaged backgrounds where equity gaps show these students are less likely to graduate. “Students from educationally and economically disadvantaged backgrounds, who tend to be disproportionately represented at community colleges, are often poorly prepared to navigate the college experience, which exacerbates equity gaps”¹⁴.

By working with leaders in business, industry, and community organizations, the College can respond to the changing workforce with accuracy, flexibility, and consistency with their business cycle to provide skilled labor. Through such collaboration, the College will be considered the “go to” institution for educating future employees. And, through collaboration with university partners, the College will clarify students’ goals for transfer and beyond to increase their post college experience.

¹⁴ https://www.deltacollege.edu/sites/default/files/what_we_are_learning_about_guided_pathways-ccrc.pdf

Outreach to younger audiences provides them with opportunities to see firsthand what a career in a particular field, such as healthcare, might look like. By creating an affinity for postsecondary education at an early age, the College will help address the first-generation barrier for many students. For example, Grays Harbor County averages 51% for College Bound Scholarship (CBS) Sign-Up Rate, compared to the state average of 70%. There were 991 students eligible for CBS, but only half applied.¹⁵ Working with students to let them know about College Bound Scholarships and GHC's World Class Scholars Program will help them think about college and identify avenues of support. Additionally, through community engagement, College staff will promote the College as a major partner in this community and also engage individuals in conversations about higher education that might not think of it as an option. Ultimately, the idea is to increase the number of new students attending GHC each year, and the SEM Committee will be monitoring the data to determine which of the above strategies have an impact on this metric.

Goal #2 – Increase Retention

Strategy 2.1 – Grow Guided Pathways to Support Student Retention

Action Item 2.1.1 – Refine Onboarding process

Student orientation and onboarding sets the tone for the student's time at the College. In recent years, GHC moved from a full-day, in-person orientation to an online, "just in time" orientation that delivers information to students on a weekly basis in the first few weeks of class via Canvas, GHC's online learning management system. This year, an assessment of this change will be implemented and additional changes will be made to continuously improve GHC's onboarding process.

GHC plans to incorporate the Career Coach software into orientation to help students set academic goals. Guided Pathways is about helping students identify a goal and working continuously towards it. Guided Pathways research shows that having a goal and a clearly outlined path to their goal is a significant factor in student retention. Career Coach, which allows a student to explore potential job pathways, requirements for study, potential earnings, and to see real-time jobs available in that field or subject area, was recently acquired by the College and will be available for students this year. As GHC continues to grow its capacity around career exploration, it will become a critical piece of advising, orientation, and onboarding.

Additionally, many of the action items under Goal 1 around Guided Pathways are expected to have a positive impact on retention, as well as recruitment.

Strategy 2.2 – Continuously Improve Advising for Students

Action Item 2.2.1 – Connect Students with Academic Advisors

Advising plays an important role in a student's journey through college. With reduced time limits on financial aid, deviating too far from an education plan can have serious repercussions for a student who needs assistance paying for college. Intervention strategies can help by identifying students at risk of dropping out and matching them with the resources they need to stay enrolled. Once a student leaves, it can be difficult to reengage them with the College.

As part of this action item, GHC will identify and implement strategies to help students finalize their educational plan earlier in the advising process. One part of this will be to incorporate the importance of having an education plan into orientation. Another key piece will be to find ways to ensure students connect with their academic advisors early in the advising process. As part of this, the college is seeking

¹⁵ <https://wsac.wa.gov/college-bound>

a solution for easier communication with students, which has been a barrier to faculty who want to reach out to struggling students.

Action Item 2.2.2 – Connect Running Start Students with an Academic Advisor

Running Start is a program in Washington State that allows high school juniors and seniors to take college courses that count towards both their high school diploma and a college degree. While approximately one-quarter of Grays Harbor College's Running Start students graduate high school with an Associate's degree in hand, the other 75% do not. An additional 20% of Running Start students return to or continue at GHC to complete their associate degree. This means GHC captures about 27% of the students who don't complete both degrees simultaneously, while the rest transfer or leave GHC without completing. Transferring without an Associate's degree can have repercussions for the student long term. The direct transfer agreements GHC has in place with Washington 4-year colleges only apply if the student has completed the Associate's degree. If they have not, they may find they need to repeat credits once they are at a four-year college or university. The Running Start advisor oversees nearly 300 students. By also connecting those students with an academic advisor, they can receive additional information about programs GHC offers, and the benefits of finishing their Associate's degree with GHC, setting them up for greater success down the road.

Intended Outcomes for Goal #2

There are a variety of reasons why students are not retained. For students who drop out due to academic hardship or financial issues, it can be difficult to get them back. They can associate college with failure, and do not want to risk that again. By having strategies in place to keep them from leaving, the student can realize their goals of degree attainment or job placement, and be successful in the long term. For students who do not wish to transfer, research shows^{16,17} that even the attainment of an Associate's degree can have a significant impact on a student's earning potential over their lifetime.

For Running Start students who intend to transfer, being retained at GHC after they finish high school and until they finish their Associate's degree can save them money in the long run, by transferring more credits from GHC to their four-year college of choice and eliminating the need to pay for courses (and books) twice.

Increased capacity to communicate with students in ways they prefer increases engagement with the College, which can have a positive effect on retention. As the College moves forward, efforts will be made to frame GHC as a significant part of the journey to a Bachelor's Degree as opposed to the way some students currently see the College, as more of a stepping stone or pass-through to their four-year school.

Going forward, retention rates will be monitored at both the degree level and disaggregated for various student demographics with the goal of improving the overall freshman to sophomore retention of 55%, as noted in Table 3.

¹⁶ Annual Earnings of Young Adults, https://nces.ed.gov/programs/coe/indicator_cba.asp (retrieved October 28, 2019)

¹⁷ Employment, wages, and projected change in employment by typical entry-level education (BLS), <https://www.bls.gov/emp/tables/education-summary.htm> (retrieved October 28, 2019)

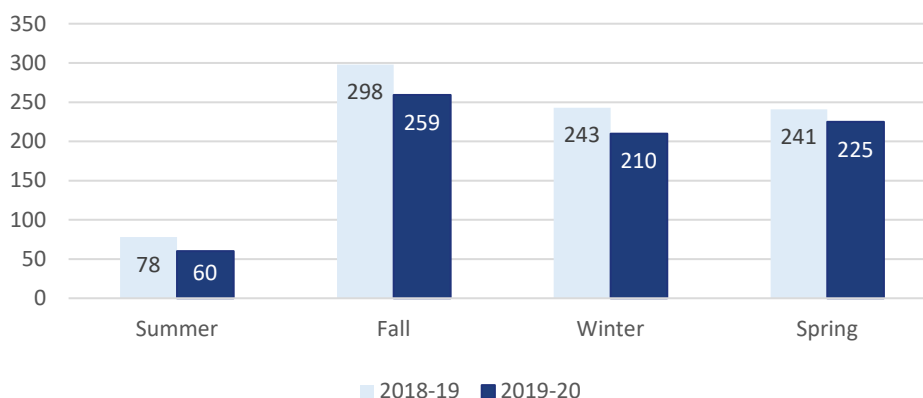
Goal #3 – Efficiently Allocate College Resources towards Recruitment, Retention, and Program Offerings

Strategy 3.1 – Revise Course and Program Offerings

Action 3.1.1 – Reduce Low-Enrolled Sections

For 2019-2020, Grays Harbor College has cut back significantly on running low-enrolled classes and along with that, its use of adjunct faculty and full-time faculty overloads [Chart 3]. The criteria used for these decisions included cutting classes from the schedule that were below 50% enrollment of class capacity, provided the course was not essential for program completion, and cutting classes with traditionally low fill rates. The College’s three instructional deans identified areas in academic transfer, workforce education, and transitions and together were able to make a number of reductions across the various divisions of the College [Appendix 10]. Altogether, the work by the instructional deans to make the academic schedule more efficient reduced the number of sections being offered for the 2019 – 2020 Academic Year by approximately 100, resulting in a savings of \$429,321. In some cases, upper division and high-demand classes which count towards enhanced FTE and/or higher tuition were actually increased as a revenue generating strategy (e.g. an increase of six sections in BAS programs in spring). The class section reductions, guided by a principle of avoiding negative impacts to FTE generation, led to an improvement in fill rates regarding class capacity in most of the instructional divisions, with the overall fill rates for summer and fall quarters (comparing 2018 to 2019) increasing from 43.7% to 49.6% and 62.1% to 67.4% respectively [Appendix 10].

Chart 3: Comparison of Total Number of Sections Offered by Quarter 2018-2019 to 2019-2020



Additionally, Grays Harbor College either delayed hiring, left vacancies unfilled or cut positions to reduce budget expenditures in the following areas: Math, English, Biology, English Language Acquisition, Native Pathways, Human Services, Auto Technology, and Criminal Justice. Many faculty volunteered to take additional students beyond the class capacity to help with the budget reduction while still meeting student demand.

Action 3.1.2 – Review Low-Enrolled/High-Cost Programs

In the spring of 2019, Grays Harbor College initiated the process of reviewing low-enrolled/high-cost programs for reduction as part of its overall budget planning process. Programs currently under review include the Commercial Driver’s License (CDL) program and the Culinary Arts program.

Action 3.1.3 – Engage in Data-Informed Program Review

A new, more data-informed program review process was initiated by the Office of Instruction in the fall of 2019. The Instructional Deans are working closely with the Director of Institutional Research and Reporting to identify and provide faculty with reliable and consistent program/discipline data including student demographics, success rates, and course/program completion data. It is anticipated that this process will help to inform future discussions about program health and viability.

Strategy 3.2 – Efficiently Allocate Resources toward Recruitment

Action 3.2.1 – Intentional Recruitment Efforts

GHC will engage in more intentional recruitment efforts for those programs it determines should not be eliminated for various reasons but where enrollments have been declining. The College will also target marketing efforts to the demographics who can most benefit from specific programs where there is enrollment capacity. In making these changes, resources will be channeled more effectively. In the past, certain programs that were not necessarily a high enrollment priority took advantage of marketing budget dollars, and some advertising included information about programs which were already enrolled to capacity and had waitlists. Part of the work of the Strategic Enrollment Management Committee will be to focus recruiting and marketing efforts in those areas which will have the greatest positive impact on enrollments. Part of the reorganization in student services which took place over the summer of 2019 created the position of Dean of Access and Student Success. Actions have already been taken to prioritize the time and efforts of the recruitment staff to more closely align with areas the strategic enrollment management committee targeted for recruitment, which were informed by enrollment reports, surveys, and other relevant data.

Intended Outcomes for Goal #3: Going forward, the commitment to be more efficient in the number of sections offered will reduce costs and still have the capacity to meet student demand. Further improvement can be made, but between fall 2018 and fall 2019 the fill rate went from 62.1% to 67.4%. This significantly reduced the budget expended on class section offerings and helped bring those expenses into balance with revenues generated from tuition, state support FTE allocation, and local fund revenue like Running Start.

Grays Harbor College is currently working on its Guided Pathways Work Plan, which will be submitted to the Washington State Board for Community and Technical Colleges by March 1, 2020. It is likely that in addition to other ideas brought forth by the Guided Pathways Steering Committee, part of this plan will involve continuing the career exploration work done in partnership with local schools to build earlier and better pipelines in specific program/career path areas. Ultimately, there would be pathways from middle school through high school (matching up with the high school plan), on into postsecondary certificates and Associate's degrees, and from there either into immediate employment in the career field or into further study towards a Bachelor's degree (i.e. to, through, and beyond GHC). The intended outcome is twofold: increasing recruitment numbers as well as improving retention by keeping students on track towards a career goal.

Summary - Enrollment Strengths and Concerns

Despite budget reductions, Grays Harbor College, following the goals set by the Board of Trustees at its summer retreat, is continuing to make enrollment a priority. Student access and success feature prominently in the College's values, as does the effective and efficient use of college resources. The Strategic Enrollment Management Committee's hard work to better understand the College's enrollment patterns and identify areas of opportunity have led to significant new enrollment strategies such as Guided Pathways and targeted outreach, and more deliberate retention efforts such as 'just in time'

orientation, career-exploration, and changes in advising. Additionally, gaining efficiencies in course and program offerings allows the college to control costs while continuing to provide relevant learning opportunities. The College anticipates that these efforts will have a positive impact on enrollment, hopefully in the short run, but more likely in a two to four year period and beyond. All of these efforts are strengths that the College will continue to build on going forward.

Instructional administrators will have access to discretionary budgets for part-time and moonlight instruction, which will inform them of adjustments that can be made to winter and spring quarters. This will enable them to: (1) make sure the fiscal capacity is sufficient to run the schedule without going over budget, (2) based on timely enrollment reporting, waitlist trends and program intent of the students, and identify what adjustments should be made in adding or deleting courses from the schedule.

However, despite enrollment management efforts, the College is aware that regional demographic, employment and other external factors along with prior year trends mean that the College must prepare for a continued declining enrollment, at least in the near future. If the above strategies are successful, the College may be able to revise enrollment projections, but for now GHC is taking a conservative approach to projecting enrollment. The impact of declining enrollment will be reduced revenue, which is discussed in the Financial Management section below.

Fundraising

Fundraising - Current Status

The Grays Harbor College Foundation (GHCF) manages fundraising efforts at Grays Harbor College (GHC). From Fiscal Year (FY) 2017 to FY 2019, the GHCF raised approximately \$2 million in gifts and donations. That amount is projected to increase to \$3.2 million between FY 2020 and FY 2022. Unrestricted donations peaked at \$129,963 in FY 2019 and projected to level at \$80,000 in FY 2020 through 2022 [Table 5]. As of September 30, 2019, the GHCF held \$11,965,279 in assets under management. Of that, \$5,775,941 was permanently restricted and \$5,873,806 was temporarily restricted for the benefit of students and the College as designated by donors or the board of directors. The GHCF also held \$305,386 in unrestricted funds [Appendix 11].

Fundraising contributes to the financial health of Grays Harbor College in various ways. Specifically, scholarship awards enable students with outstanding balances to pay up, thereby boosting GHC operational cash flow. Academic program support enables departments to utilize donated funds to acquire upgraded equipment and meet operational needs, freeing up space in the GHC general fund for other priority funding. Donor funding of performing arts and student athletics conserve GHC general funds for redirection to essential student support services. Through fundraising efforts, the Grays Harbor College Foundation maintains approximately \$11.7 million investments in endowments that provide about \$563,748 annually in scholarships to students. Also, annually, about \$150,200 in donor contributions is allocated to support academic programs. Additionally, annual donor sponsorship of performing arts and student athletic programs is approximately \$60,000 and \$54,000, respectively.

The Grays Harbor College Foundation has two full-time staff positions. The GHCF does not anticipate a change in staffing level through FY 2022. The Executive Director handles strategic planning, public relations, and marketing. The program coordinator maintains the donor database and financial records. The GHCF utilizes student assistants to perform mostly office clerical work. The current Executive Director assumed the position in May 2017. Since that time, the Executive Director has planned and executed the following initiatives to improve fundraising operations and prospecting for new donors:

- fully digitized all records, making annual audits more efficient;
- transitioned to a new donor management platform;
- transitioned to a new scholarship management platform;
- updated policies: Donor Bill of Rights, Investment Policy, Board Member Roles and Responsibilities;
- created new policies: Records and Retention, Whistleblower, Confidentiality, Conflict of Interest, and Credit Card;
- created realistic budgets based on historical data and conservative forecasting;
- implemented a process for accounts receivable that ensures follow up and collection of outstanding pledges;
- is in the process of developing a strategic plan that supports the College; and
- is currently undergoing a Request for Proposal (RFP) for Investment Management Services to exercise duty of care and fiduciary oversight of donor funds.

Table 5: Schedule of Fundraising

Fundraising	Actual Current Year -3	Actual Current Year -2	Actual Current Year -1	Actual Current Year	Projected Current Year +1	Projected Current Year +2
Number of Fundraising Staff	2	2	2	2	2	2
# Alumni Donors/ # Alumni ¹⁸	No Data/ 10,117	No Data/ 10,491	No Data/ 10,830	No Data/ 11,145	50/ 11,465	75/ 11,762
Unrestricted Gifts	\$30,852	\$47,164	\$129,963	\$80,000	\$80,228	\$80,461
Restricted Gifts	\$537,029	\$491,166	\$441,641	\$319,670	\$321,040	\$322,437
Endowed Gifts	\$251,176	\$9,676	\$0	\$0	\$0	\$0
Total Gifts	\$819,057	\$548,006	\$571,604	\$399,670	\$401,268	\$402,898

Fundraising Goals

The Grays Harbor College Foundation conducts annual drives to solicit contributions from donors for annual scholarships. The fundraising goal for such drives is typically dependent on the success of prior solicitations, considers current development efforts, and the state of the local economy. This annual solicitation occurs between January and April of each year. Another annual fundraiser is the Mystery Getaway event that started in 2009. The annual Mystery Getaway fundraising event was historically restricted to soliciting funds for GHC’s World Class Scholars program. Starting in 2019, the GHCF did not advertise the Mystery Getaway as a fundraiser for the World Class Scholars program, but as a general fundraiser to support the mission of the GHCF. This change provided the GHCF Board of Directors flexibility to designate the funds as unrestricted to priority areas.

The GHCF has not historically tracked and maintained data on alumni donors. Starting in FY 2021, the GHCF plans to implement new process for compiling and updating an alumni database. Upon implementation, 50 alumni are projected to become new donors by close of FY2021. New alumni donors are projected to increase to 75 by FY 2022 [Table 5].

¹⁸ Total alumni count includes certificate and degree earners since summer 1984.

Financial Management

Financial Management - Current Status

Synopsis

Grays Harbor College financial management metrics for FY 2016 through FY 2021, viewed together and trended over time, provide information regarding the overall financial health of the College [Appendix 12 – Appendix 13]. The metrics are industry standard and provide an overview of the strength of the College's resource sufficiency and flexibility, operating results, financial asset performance and debt management. Specifically, the metrics measure whether college resources are sufficient and flexible enough to support its mission; operating results indicate the College is operating within available resources; financial asset performance supports the College's strategic mission; and debt is managed strategically to advance the College's mission. The data utilized in the metrics for FY 2016 through FY 2018 are derived from the College's audited financial statements [Appendix 14 – Appendix 16]. The data utilized in the metrics for FY 2019 are from the unaudited annual financial report scheduled for audit by the Washington State Auditor on January 6, 2020. The metrics for FY 2020 and FY 2021 are projections based upon assumptions for revenues and expenditures for those fiscal years. Metric definitions, purpose and calculations are discussed in the following paragraphs. The accompanying narratives expound the factors with greatest impact on the College's financial health, initiatives implemented to improve the College's financial health, outcomes achieved or projected to be achieved in the next two years, and the qualifications and tenure of the College's financial management staff. Additional relevant information is presented in tables, graphs or included as appendices. Highlights of the metrics are presented in Table 6 below.

Financial Staff Changes and Qualifications

As mentioned in the 'Introduction and Overview' section above, Grays Harbor College has had a change in financial management staff since its April 2019 Comprehensive Evaluation. Mr. Kwabena Boakye took over in September as Grays Harbor College's Vice President of Administrative Services. Mr. Boakye serves as the College's Vice President of Administrative Services and is the chief financial officer for the College. While his lack of institutional memory may pose some concern, Mr. Boakye's qualifications have already made him an asset to the College. Mr. Boakye is a Certified Public Accountant and a Certified Internal Auditor. He holds Bachelor's and Master's degrees in Accounting from California State University in Northridge and Sacramento, respectively. He brings a wealth of college financial experience to Grays Harbor College, having served as the Chief Business Officer and Vice President for Fiscal Affairs at Atlanta Metropolitan State College and as the Special Projects Audit Manager for the University System of Georgia Board of Regents. Prior to those positions, Mr. Boakye was an internal auditor for both the Georgia Perimeter College and the California State University System [Appendix 17]. Mr. Boakye replaced Ms. Barbara McCullough, CPA (interim Vice President of Administrative Services) who stepped in, out of retirement, to resume her former duties after Mr. Nicholas Lutes left Grays Harbor College in May of 2019. Mr. Boakye recently hired a Dean for Financial Services/Controller, Ms. Nina Gyasi. Ms. Gyasi will start on December 2, 2019. Her experience includes progressively responsible financial positions with state government in both Georgia and California. Her most recent position is as the Accounting/Financial Services Manager for the Georgia Department of Human Services. [Appendix 18]. The Vice President of Administrative Services and the Dean for Financial Services/Controller will work closely with the Executive Team on the College's Budget.

Table 6: Schedule of Financial Management

Finances	Actual Current Year -3	Actual Current Year -2	Actual Current Year -1	Actual Current Year	Projected Current Year +1	Projected Current Year +2
Audited Financials Complete (Yes/No)	Yes	Yes	Yes	No	No	No
Increase/(Decrease) in Unrestricted Net Assets	\$ (1,056,684)/ \$ (399,894) ¹⁹	\$ (1,616,522)/ \$ 177,812 ¹⁹	\$(10,281,420)/ \$ (2,364,634) ¹⁹	\$ (2,103,566)/ \$ (3,071,334) ¹⁹	\$ (931,426)/ \$ (342,150) ¹⁹	\$ (903,277)/ \$ (263,674) ¹⁹
Increase/(Decrease) in Total Net Assets	\$ (1,045,937)	\$ (2,243,412)	\$ (4,242,280)	\$ (2,188,182)	\$ (1,670,311)	\$ (1,624,873)
Total Net Assets	\$81,455,518	\$77,891,994	\$64,355,960	\$62,167,778	\$60,497,467	\$58,872,593
Total Debt	\$0	\$0	\$0	\$942,500	\$912,500	\$882,500
Primary Reserve Ratio	0.20 0.31 ¹⁹	0.11 0.29 ¹⁹	(0.25) 0.15 ¹⁹	(0.29) 0.04 ¹⁹	(0.34) 0.03 ¹⁹	(0.39) 0.03 ¹⁹
Net Operating Revenue Ratio	(0.04)	(0.06)	(0.35)	(0.06)	(0.03)	(0.03)
Return on Net Assets Ratio	(0.01)	(0.03)	(0.06)	(0.03)	(0.03)	(0.03)
Viability Ratio	No Debt	No Debt	No Debt	(11.4) 1.6 ¹⁹	(12.8) 1.2 ¹⁹	(14.2) 1.0 ¹⁹

Primary Reserve Ratio = Expendable Net Assets/Total Expenses; Net Operating Revenue Ratio = Change in Unrestricted Net Assets/Total Unrestricted Income; Return on Net Assets Ratio = Change in Net Assets/Total Net Assets; Viability Ratio = Expendable Net Assets/Long-term Debt (Source: Strategic Financial Analysis for Higher Education, by Prager, Sealy & Co, LLC with KPMG)

Audited Financial Statements Discussion

Audit results provide a measure of Grays Harbor College’s financial health. When a financial statement audit is performed by independent external auditors, it provides reasonable assurance regarding the College’s ability to continue as a going concern. The College is subject to an annual audit by the Washington State Auditor in which external independent audit professionals perform analytical techniques to assess whether there is a substantial doubt about the College’s ability to continue as a going concern for at least one year beyond the audited fiscal year. The external independent audit professionals are required by audit standards to disclose any reservations about the College’s going-concern in their audit report. The College has gone through annual financial statement audits from FY 2016 through FY 2018 [Appendices 14 – 16]. The Washington State Auditor has scheduled January 6, 2020 to commence the FY 2019 financial statements audit. The absence of a disclosure in the auditor opinions rendered over the past three years indicates that the independent external auditors do not have substantial doubts about the College’s ability to continue as a going concern. Specifically, the College’s unmodified audit report for the audited periods is evidence the College’s financial health is sound for it to continue as a going concern.

¹⁹ Includes add back of liabilities related to Other Post-Employment Benefits and/or Related Pension Assets and/or Pension.

Increase/(Decrease) in Unrestricted Net Assets

Unrestricted Net Position is Grays Harbor College's remaining resources that can most readily be used in the event of a rapid and unplanned event and that can be used for any purpose because it is neither capital assets nor restricted by external parties for specific use. As presented in Table 6, unrestricted net assets decreased approximately -\$1 million, -\$1.6 million, -\$10.2 million, and -\$2.1 million respectively in FY 2016, 2017, 2018 and 2019. Projection for FY 2020 and 2021 are flat at -\$900,000. The decreases are primarily due to the twin effects of declining enrollment and implementation of Government Accounting Standards Board (GASB) 68, 73 and 75, respectively, for accounting and reporting for Pensions, Pensions Related Assets and Other Postemployment Benefits. Implementation of GASB 68, 73 and 75 required the inclusion of future pension liabilities in net position. Thus, the College's future pension liabilities were accrued in current net position rather than the periods the liabilities come due. In effect, liabilities grow each year as future pensions are accrued, but assets do not grow in turn, thereby negatively impacting the College's unrestricted net assets. Excluding the effect of GASB 68, 73 and 75, unrestricted net assets changes were approximately -\$400,000, \$178,000, -\$2.3 million, -\$3 million, -\$340,000 and -\$263,000, respectively, for FY 2016, 2017, 2018, 2019, 2020 and 2021. FY 2020 and FY 2021 are projected. Strategies to address enrollment are discussed in the 'Enrollment Management' section above [pages 11-18].

Increase/ (Decrease) in Total Net Assets

Increase/ (decrease) in Total Net Assets is the surplus/deficit after subtracting operating and non-operating expenses from operating and non-operating revenues. As presented in Table 6, decrease in total net assets was approximately -\$1 million, -\$2.2 million, -\$4.2 million and -\$2.1 million, respectively, in FY 2016, 2017, 2018 and 2019. The decrease is projected to decline slightly to -\$1.67 million in FY 2020 and be flat at -\$1.62 million in FY 2021. The negative trend resulted from inaccurate projection over the last several years, which in turn spurred over expenditures. Specifically, the revenue projection model was not data driven as it did not consider historical actual revenues and enrollment. In effect, the revenue projection was based on judgment. The resulting over expenditures were difficult to quickly remediate due to labor union restrictions. As discussed in the Budget Cuts section [pages 4-5], the Board of Trustees, Executive Management and the College community worked collaboratively in the month of May on austerity measures which helped to inform the budget reductions that were a part of the administration's FY 2020 Budget passed in July by the Board of Trustees. In addition, a new data driven revenue projection model has been developed by the new financial management staff. The new revenue projection model identifies the tuition rate per enrollment full time equivalent (FTE) and credit hour, and then looks back five years at actual tuition revenues relative to actual enrollment FTE and credit hours to determine a tuition revenue performance factor. To predict future tuition revenue, tuition rate is multiplied by projected FTE and credit hours and the performance factor. For fees, the new model identifies the fee type and rate and determines net fee payers based upon historical actual fee collections, actual enrollment headcount and credit hours. To predict future fee revenue, the fee rate is multiplied by the projected net fee payers. The new revenue projection model incorporates a monitoring process to compare predicted tuition and fees revenues to actual tuition and fees revenues soon after the enrollment census date. In that case, tuition and fees underperformance should be quickly known and communicated to executive management for immediate remediation by controlling budgeted expenditures to align with actual revenues.

Total Net Assets

Total Net Assets is the remaining resources of Grays Harbor College after paying off its obligations. As presented in Table 2, total net assets was approximately \$81.4 million, \$77.9 million, \$64.3 million and \$62.2 million, representing a decline of -1.3%, -4.4%, -17.4% and -3.4% for FY 2016, 2017, 2018 and 2019,

respectively. Total net assets is projected to decline by 2.7% to \$60.4 million and \$58.9 million, respectively, for FY 2020 and FY 2021. While prior revenue projections and new GASB implementation contributed to declines in total net assets, the significant -17.4% decline in FY 2018 was due to multiple years (fiscal year 2017 and fiscal year 2018) of strategic investment in new academic degree programs which resulted in the hiring of new full-time faculty members in Medical Assisting, Early Childhood Education, Nursing, Psychology/Sociology, Bachelor of Applied Science Organizational Management, History, Bachelor of Applied Science Forest Resources Management, English Composition, and Writing Center. During that same period, classified staff positions were added in Enrollment Services, Financial Aid, and Campus Operations and an exempt position was upgraded from Associate Dean to Dean in Instruction. The former staff inaccurately projected sufficient revenues to cover the additional costs. Expenditure authorizations exceeded budgeted expenditure amounts in both fiscal year 2017 and fiscal year 2018 and the excesses could not be speedily remediated due to budgetary control lapses. Available data in fall 2019 [Chart 1, page 8] indicates an uptick trend for the new degree programs, signaling the potential of the new programs to grow and contribute to tuition revenue as envisioned. In addition, the new financial management staff has implemented new budgetary controls requiring strict budget checks for all position requisitions prior to job postings by the human resources department.

Total Debt

Total debt is the financial obligations of Grays Harbor College. As presented in Table 6, the College has outstanding total debt obligation of \$942,500 in FY 2019. The debt obligation is projected at \$912,500 and \$882,500, respectively, for FY 2020 and FY 2021. In February 2019, the College rebuilt the upper parking lot to update lighting, drainage, and to comply with Americans with Disability Act standards. Through the Washington State Treasury system, a certificate of participation of \$955,000 was extended to the College at a rate of 3.35% over 20 years. The yearly principal payment is \$30,000 and average annual interest payment is approximately \$45,000 for a total yearly debt obligation payment of \$75,000. The College charges students an \$8.00 per credit hour Comprehensive Fee utilized to service the debt obligation. The projected annual FTE enrollment needed to raise sufficient building fee revenue to break even on the yearly debt obligation is 625. As presented in the enrollment table [Table 1B, page 9] estimated state-supported FTE for 2019-20 is 1,317 and FTE is not expected to drop below 625 over the 20-year debt obligation period. Therefore, the College is currently able, and is projected to be able in the future, to meet this debt obligation as it comes due.

Primary Reserve Ratio

The Primary Reserve Ratio measures the financial strength of the College by comparing expendable net assets to total expenses. Expendable net assets represent assets the College can quickly access to pay debt obligations. It provides a snapshot of the College's financial strength and flexibility, showing how long it will take the College to operate on its expendable reserves without additional net assets from operations. As presented in Table 6, Primary Reserve Ratio for the College was 0.20, 0.11, (0.25) and (0.29) for FY 2016, 2017, 2018 and 2019, respectively, and projected at (0.34) and (0.39), respectively for FY 2020 and FY 2021. Adjusting for the effect of GASB 68, 73 and 75, the ratio is 0.31, 0.29, 0.15 and 0.04 for FY 2016, 2017, 2018 and 2019, respectively, and projected to be flat at 0.03 for FY 2020 and FY 2021. The declining primary reserve ratio trend reveals the depletion of reserves due to inaccurate revenue projections that resulted in expenditures exceeding authorization levels as aforementioned. Upon implementation of a new revenue projection model, budget control, transparency and accountability measures to control expenditures at projected revenue levels, the College anticipates to build back reserves over time to achieve a positive trend toward the recommended industry primary reserve ratio threshold of 0.4.

Net Operating Revenue Ratio

The Net Operating Revenue Ratio of the College primarily indicates how surpluses and deficits from operating activities affect the other metrics over time. While surpluses from operating activities add to net assets, deficits subtract from net assets, directly impacting the primary reserve ratio, return on net assets ratio and viability ratio. As presented in Table 6, Net Operating Revenue Ratio for the College was (0.04), (0.06), (0.35) and (0.06) for FY 2016, 2017, 2018 and 2019, respectively, and projected at (0.03) for FY 2020 and FY 2021. The negative trend provided a bellwether warning regarding the aforementioned inaccurate revenue projection that resulted in expenditures exceeding authorization levels. This helped to spur the campus budget conversations in May and the eventual budget reductions that were part of the FY 2020 Budget. Upon implementation of the new strategic financial plan [Table 7] including new revenue projection model, budget control, transparency and accountability measures to control expenditures at realistic projected revenue levels, the College anticipates to achieve a positive trend over time toward the recommended industry net operating revenue ratio target of between 2% - 4%.

Return on Net Assets Ratio

The Return on Net Assets Ratio measures total economic return, determining whether the College is financially better off than in previous years. It provides comprehensive measure of the growth or decline in total net assets of the College over a specific period of time. As presented in Table 6, Return on Net Assets Ratio was (0.01), (0.03), (0.06) and (0.03) for FY 2016, 2017, 2018 and 2019, respectively, and is projected at (0.03) for FY 2020 and FY 2021. The negative ratio trend was impacted by lower tuition collection revenue resulting from declining enrollment. The probable loss of tuition revenue resulting from declining enrollment was not properly identified in the revenue projections during the period. Because proposed budgets were underspent, the appearance that there were carry-over savings were inaccurate. Therefore, tuition revenue was over-projected and the corresponding expenditures led to increased operating costs unsupported by available revenue, especially in FY's 2017 and 2018 when new full time faculty and staff were hired as a strategic investment measure to implement new academic degree programs and improve enrollment overall. As mentioned previously, currently available data in fall 2019 [Chart 1] indicates an uptick trend for the new degree programs, signaling the potential of the new programs to grow and contribute to tuition revenue as envisioned. In addition, upon implementation of new revenue projection model, budget control, transparency and accountability measures to control expenditures at realistic projected revenue levels, the College anticipates to achieve a positive trend over time toward the recommended industry return on net assets ratio target of between 3% - 4% above the rate of inflation.

Viability Ratio

The Viability Ratio measures the availability of expendable net assets to cover the College's debt as of the fiscal year end date. As presented in Table 6, the College did not have debt obligations until FY 2019 when the Viability Ratio was (11.4). The viability ratio is projected at (12.8) and (14.2), respectively, for FY 2020 and FY 2021. Adjusting for GASB 68, 73 and 75 effect, the ratio is 1.6 for FY 2019 and projected at 1.2 and 1.0 for FY 2020 and FY 2021, respectively. As aforementioned, the entire debt obligation of the College resulted from a \$955,000 Certificate of Participation (COP) from the Washington State Treasury system underwritten by dedicated building fee revenue currently sufficient and projected to be sufficient in the future to pay the debt obligation as it comes due. Despite the dedicated source of revenue to pay back the debts, the College's plan to implement the new revenue projection model, budget control, transparency and accountability measures to control expenditures at projected revenue levels, should build back reserves over time to achieve a positive trend toward the recommended industry viability ratio of greater than 1.

Financial Goals and Specific Action Plans to Achieve Goals

Grays Harbor College has developed a new strategic financial plan to enhance and strengthen resources. As presented in Table 7, the plan incorporates initiatives to support improved financial health in order to turn around the College’s negative financial metrics. Positive turnaround should ensure resources are sufficient and flexible to support college mission, the College is living within available resources, asset performance supports the College mission, and debt is managed to advance the College mission.

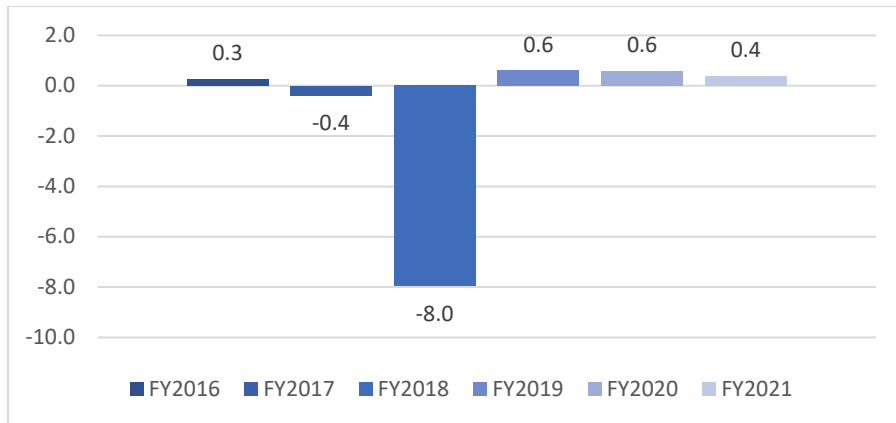
Table 7: Strategic Financial Plan

Goals	Action Plans/Initiatives	Time Frame
Goal 1: Sustainability of Grays Harbor College financial resources.	<ol style="list-style-type: none"> 1. Financial planning and budget modeling 2. Realistic projection of future revenue 3. Realistic estimates of future expenditures 4. Utilization of fiscal year end actual final budget numbers as base year estimates for subsequent fiscal year budget development 5. Capital planning interface with State Board and Department of Enterprise Services 6. Pursue grant funding 	Annually and Ongoing
Goal 2: Innovative processes, policies and procedures	<ol style="list-style-type: none"> 1. Documentation of budget manager profile and authority 2. Documentation of criteria for resources allocation 3. Documentation of process for cash management 4. Documentation of position management interface with Human Resources 5. Review and update of existing fiscal processes, policies and procedures 	Annually and Ongoing
Goal 3: Budget resource accountability, transparency and control	<ol style="list-style-type: none"> 1. Budget manager training and responsibilities 2. Collaboration with campus constituents on budget development 3. Enforcement of expenditure authorization for budget discipline, and efficient and effective use of resources 4. Monthly budget status reporting to budget managers and Executive Management 5. Quarterly and annual financial reporting to Board of Trustees 	Ongoing: Monthly, Quarterly and Annually

Conclusion

In conclusion, many steps have been taken to improve the fiscal stability of the college since the NWCCU Peer-Evaluation Team visit in April of 2019. Grays Harbor College currently has capable staff for sound financial management. The College’s Composite Financial Index (CFI) presented in the graph below is a single indicator of overall financial condition based on performance in FY 2016, 2017, 2018, 2019 and projected performance for FY 2020 and FY 2021. The CFI Scoring Sheet in Appendix 13 presents the CFI calculation for the financial management metrics for primary reserve, net operating revenue, return on net assets and viability ratios.

Chart 4: Grays Harbor College Composite Financial Index (Excluding Pension Liabilities)



Excluding pension liabilities, the College maintained minimal financial health as revealed by the positive 0.3 CFI in FY 2016, but experienced financial health setback revealed by the negative -0.4 and -0.8 CFIs in FY 2017 and FY 2018 respectively [Chart 4]. The College has slightly better financial health in FY 2019 revealed by the positive 0.6 CFI. This rebound in financial health is projected to continue in FY 2020 and be flat in FY 2021. Additionally, the College avoided excessive borrowing, and received no audit findings from FY 2016 through FY 2018. While the financial health of the College is projected to be slightly better in the foreseeable future, it is contingent on increasing state funding [Appendix 19].

There will be ongoing collaborative efforts involving the Board of Trustees, College Administration and the College Community to: make substantive programmatic adjustments; to target expenditure cuts; to pursue grant funding; and to grow enrollment in order to boost tuition and fees revenue and diversify revenue sources. Grays Harbor College will continue to implement both revenue increasing and budget reduction strategies to maintain fiscal stability, and GHC's continued financial stability will enable fulfillment of its mission.

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²⁰ Appendix documents can be found in a separate Adobe PDF file.