

**PIMA COMMUNITY COLLEGE
MISSION KPIS**

**CORE THEME: INSTITUTIONAL
EFFECTIVENESS APRIL 2018**

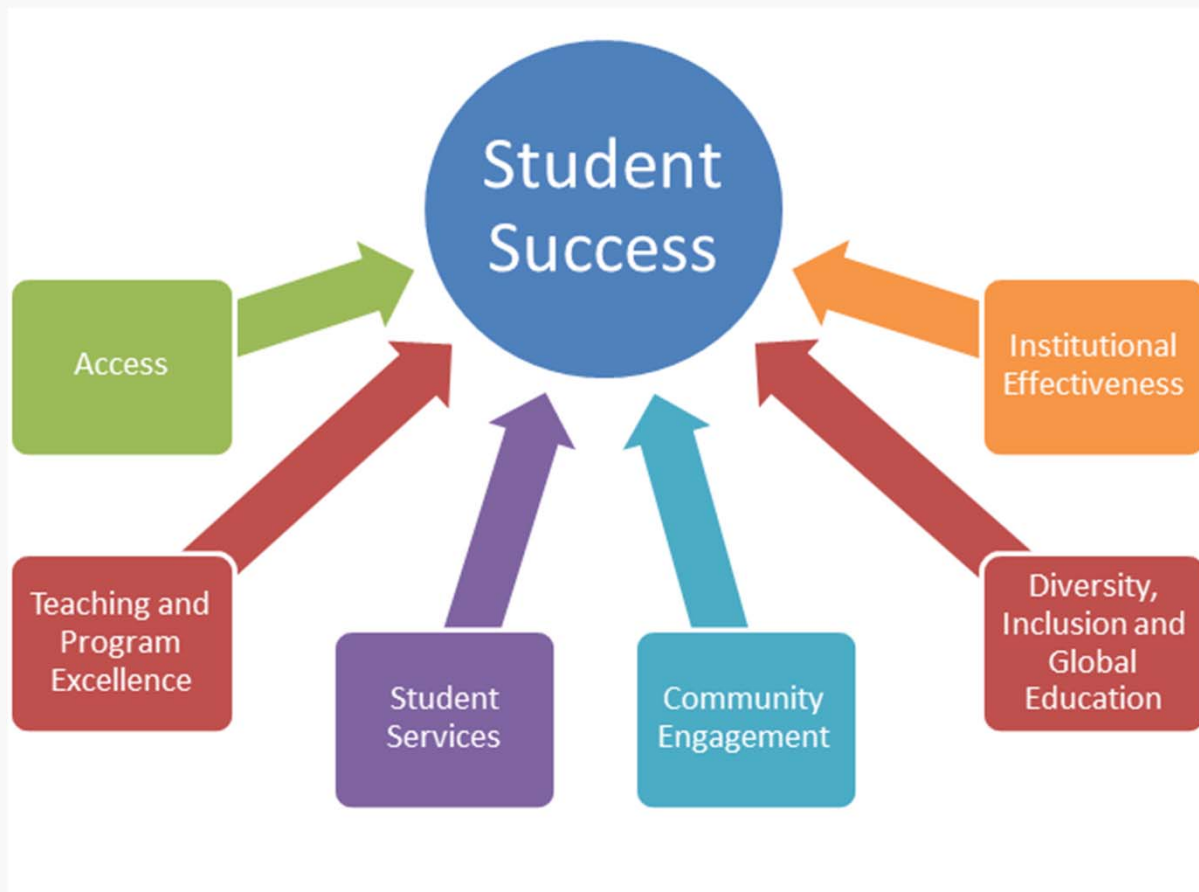
PRESENTATION AGENDA

- Background on Mission Key Performance Indicators (KPIs)
- Institutional Effectiveness KPIs
- Lean Six Sigma
- Questions and Discussion
- Audience input on PCC's Institutional Effectiveness KPIs

BACKGROUND ON MISSION KPIS

- April 2016: The Mission Fulfilment Framework as approved by the Board of Governors. This included the College's:
 - Vision
 - Mission
 - Values
 - Core Themes and Objectives
 - Key Performance Indicators (KPIs)

PCC'S CORE THEMES



RELEASE SCHEDULE OF THE MISSION KPIS

- September 2017: Student Success
- October 2017: Access
- November 2017: Teaching and Program Excellence
- December 2017: Student Services
- February 2018: Community Engagement
- March 2018: Diversity, Inclusion and Global Education
- April 2018: Institutional Effectiveness

CORE THEME: INSTITUTIONAL EFFECTIVENESS

- Objectives of Institutional Effectiveness
 - Ensure effective and ethical use of the College's financial resources, technology and infrastructure
 - Enhance an evidence-based approach to decision-making that is based on continuous improvement processes

INSTITUTIONAL EFFECTIVENESS KPIS

- Composite Financial Indicator Score
- Cost per Square Foot (by Category and Location)
- Number of processes that operate at all campuses and the number of those processes that vary by campus
- Proportion of units with approved effectiveness documents and the proportions of units utilizing effectiveness data to make evidence-based improvements
- Planned and Future Improvements

COMPOSITE INDICATOR SCORE

- What is a Composite Indicator Score?
- What does a Composite Indicator Score tell us about the effectiveness of the College?

Composite Indicator Score (Index)

The *composite indicator number score (or index)* is the means by which the College determines whether an *institution operates with integrity in its financial functions*. This index is outlined and reviewed by the College's accreditor, the Higher Learning Institution (HLC) and is based on Criterion Two, Core Component 2.A.:

Criterion Two. Integrity: Ethical and Responsible Conduct

Core Component 2.A. *The institution operates with integrity in its financial, academic, personnel, and auxiliary functions; it establishes and follows policies and processes for fair and ethical behavior on the part of its governing board, administration, faculty, and staff.*

PCC'S COMPOSITE FINANCIAL INDEX

- The College provides financial data to the HLC through the yearly HLC Institutional Update. The financial data submitted in the Institutional Update generate a Composite Financial Index (CFI). For public institutions like PCC, the HLC relies on the financial ratios and benchmarks recommended in the book: *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks (Seventh Edition)*, by KPMG LLP; Prager, Sealy & Co., LLC; Attain LLC.
 - The Composite Financial Index (CFI) provides a more complex picture of the financial health of the institution at a point in time than is possible by simply comparing multiple indicators.

PCC'S COMPOSITE FINANCIAL INDEX RATIOS

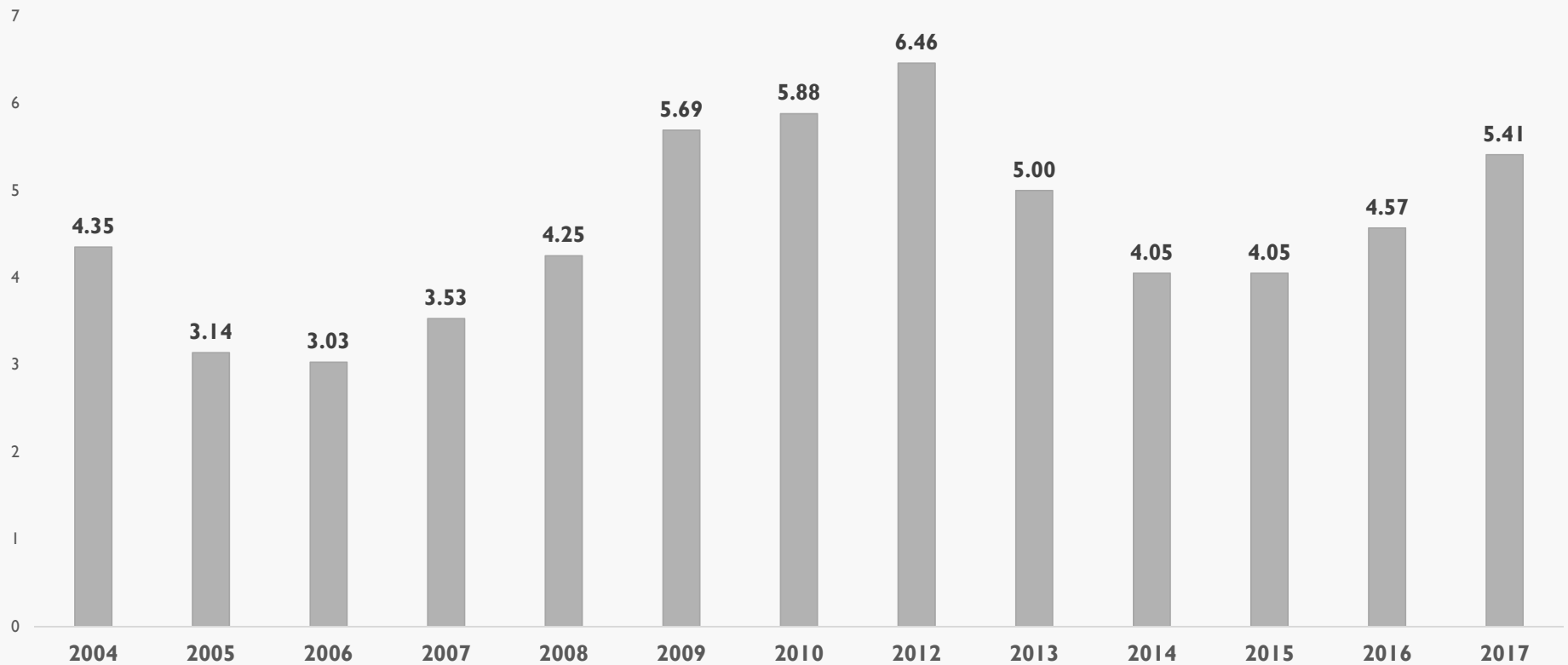
- Primary Reserve Ratio
- Return on Net Assets Ratio
- Net Operating Revenue Ratio
- Viability Ratio

GASB STATEMENT NO. 68

- The College implemented the Governmental Accounting Standards Board (GASB), 'Statement No. 68, Accounting and Financial Reporting for Pensions' effective fiscal year 2015.
- This accounting change impacts the way the College accounts for its share of pension liability for the two defined benefit retirement plans that the College contributes to: the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS).

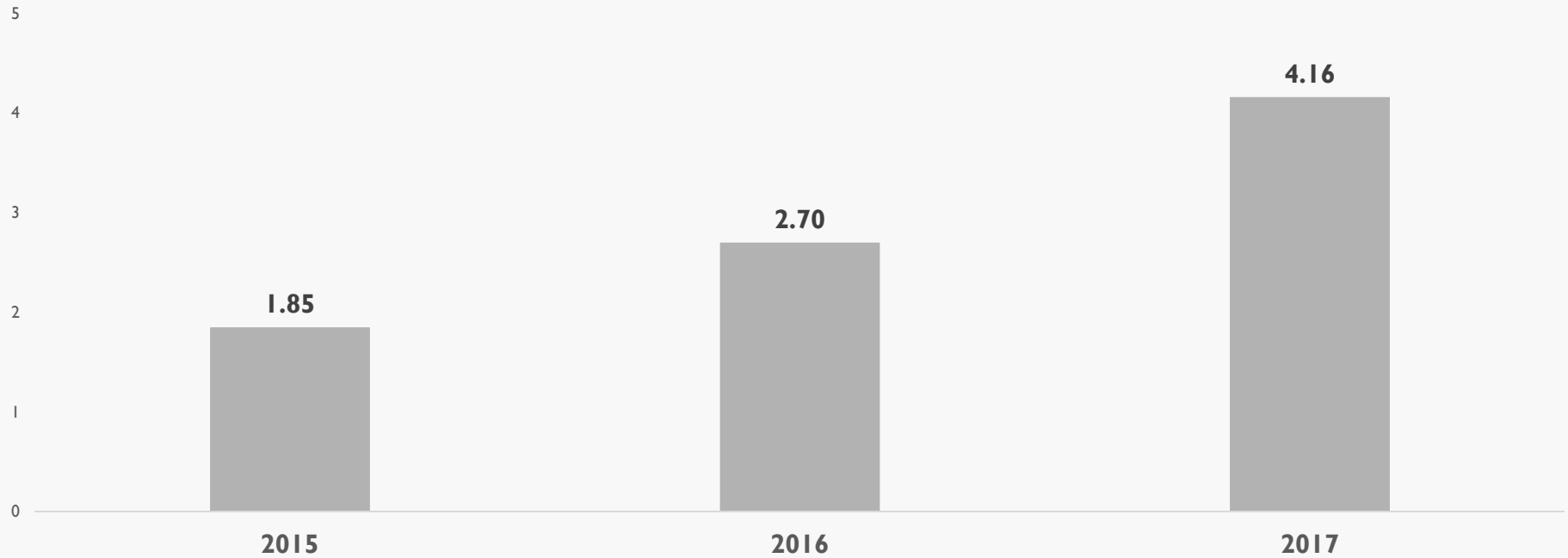
PCC'S COMPOSITE FINANCIAL INDEX

PCC's Total CFI 2004-2016 Excluding GASB 68



PCC'S COMPOSITE FINANCIAL INDEX: *EXCLUDING GASB 68*

PCC's Total CFI Score 2014-2017 Including GASB 68



WHAT DOES THE CFI TELL US ABOUT THE COLLEGE?

- The Higher Learning Commission uses the Composite Financial Index Table to determine whether an institution *operates with integrity in its financial functions* with data collected through the HLC Institutional Update.
- The HLC takes the Total CFI numbers PCC provides them and uses a *Composite Financial Index Evaluation table* to determine if PCC needs to be flagged for review by the HLC.

COMPOSITE FINANCIAL INDEX EVALUATION TABLE

Zones	Composite Index Range	Financial Panel Review
Above the Zone	1.1-10.0	No Review
In the Zone	0-1.0	Review if flagged for two or more consecutive years; request additional financial documents
Below the Zone	-4.0 to -0.1	Review and request of additional financial documents

Notes:

1. The HLC's Financial Composite Index Evaluation Table illustrates the Composite Index Ratio zones that flag an institution for further review.
2. Composite Index Range – The range of ratios based on institution-type that may result in additional review.

COST PER SQUARE FOOT

- Facilities calculates Cost per square foot two ways:

A. Cost per square foot by location

- Cost per location is based only on the costs that contribute to that location, and *not all costs*. It gives an average of **TOTAL COST (from any location) divided by TOTAL SQUARE FEET** (of all locations) for the total.
- This means some costs, like operating costs, ultimately got spread out over more square footage than where they actually apply...but it's still a good, OVERALL average figure.

COST PER SQUARE FOOT

B. Cost per square foot by category

- Cost per square foot by category takes each of the components that add up to the total cost per square foot by **dividing the costs ONLY by the RELEVANT square footage for those costs/where those costs apply.**
 - Example 1, the square footage of Green Valley is NOT included when calculating the cost per square foot overall for PCC for **Natural Gas at \$0.49 per square foot (2016)**, for example since there are no PCC costs for Natural Gas at Green Valley.
 - Example 2, the **operating cost of \$1.10 per square foot (2016)** was calculated using total operating costs of YMCA & Clements center of \$96,604.56 divided by the YMCA & Clements total square footage (ONLY) of 88,137 sq. ft. to = \$1.10 per sq. ft. since those costs and square footage only apply to those two locations.

COST PER SQUARE FOOT BY LOCATION

FACILITIES OPERATING AND MAINTENANCE COSTS

CAMPUS	COSTS 2016	SQUARE FEET 2016	Cost Per SQ. FT 2016	COSTS 2017	SQUARE FEET 2017	Cost Per SQ. FT 2017	Difference 2016-2017
29th	\$273,280.95	47,431.00	\$5.76	\$243,151.15	47,431.00	\$5.13	-\$0.63
ASPC	\$2,301.94	1,954.00	\$1.18	\$9,940.49	1,954.00	\$5.09	\$3.91
AT	\$189,380.73	47,928.00	\$3.95	\$100,443.65	47,928.00	\$2.10	-\$1.85
CC	\$617,323.89	68,224.00	\$9.05	\$307,481.42	68,224.00	\$4.51	-\$4.54
DC	\$1,513,495.44	205,890.00	\$7.35	\$827,952.68	205,890.00	\$4.02	-\$3.33
DMAFB	\$4,049.00	4,161.00	\$0.97	\$42.12	4,161.00	\$0.01	-\$0.96
DO	\$664,387.78	88,746.00	\$7.49	\$407,708.23	88,746.00	\$4.59	-\$2.90
DV	\$1,161,834.77	147,237.00	\$7.89	\$782,393.69	147,237.00	\$5.31	-\$2.58
EC	\$1,335,679.32	156,944.00	\$8.51	\$948,782.07	156,944.00	\$6.05	-\$2.46
EPLC	\$127,738.64	14,120.00	\$9.05	\$863.28	14,120.00	\$0.06	-\$8.99
ERLC	\$10,426.56	13,627.00	\$0.77	\$609.71	13,627.00	\$0.04	-\$0.73
GVLC	\$89,231.26	17,664.00	\$5.05	\$18,335.29	17,664.00	\$1.04	-\$4.01
MS	\$425,082.84	67,898.00	\$6.26	\$378,205.22	67,898.00	\$5.57	-\$0.69
NW	\$1,223,237.39	185,341.00	\$6.60	\$770,889.99	185,341.00	\$4.16	-\$2.44
PCC (College Wide)	\$251,459.97			\$887,570.75			
PSESI (sq. ft. incl. 29th.)	\$42.12			\$42.12			
TD	\$14,875.94	2,980.00	\$4.99	\$6,033.77	2,980.00	\$2.02	-\$2.97
WC	\$4,014,056.56	533,604.00	\$7.52	\$2,464,401.95	533,604.00	\$4.62	-\$2.90
Grand Totals	\$11,917,885.10	1,603,749.00	\$7.43	\$8,154,847.58	1,603,749.00	\$5.08	-\$2.35

COST PER SQUARE FOOT: SUMMARY BY CATEGORY

Category	Cost 2016	Cost 2017	Difference 2016-2017
Electric	\$2.22	\$1.87	-\$0.35
Natural Gas	\$0.49	\$0.26	-\$0.23
Water	\$0.34	\$0.39	\$0.05
Custodial	\$1.21	\$1.12	-\$0.09
Solar	N/A	\$0.59	
Facilities Operating & Maintenance Costs	\$3.21	\$5.08	\$1.87
Operating Agreement Costs	\$1.10	\$0.56	-\$0.54
Grand Totals	\$8.57	\$9.87	\$1.30

CAMPUS PROCESSES

- Number of processes that operate at all campuses and the number of those processes that vary by campus
 - This KPI is currently under development:
 - Questions we are considering:
 - *How does the College define a campus process?*
 - *What are some of the processes at your campus?*
 - *Do you compare the alignment of your campus processes with other campuses?*
 - *How has the Academic Reorganization affected these process?*
 - Institutional Research, Planning and Effectiveness is continuing to discuss the process for defining these processes and collecting information on campus processes to fully develop this KPI.

UNIT OPERATIONAL EFFECTIVENESS

- Proportion of units with approved effectiveness documents and the proportions of units utilizing effectiveness data to make evidence-based improvements
- *...but some history of this evolution must come first.* In this area, the history helps us answer this question.

ITERATIONS OF OPERATIONAL EFFECTIVENESS

- First Iteration: The Operational Effectiveness Pilot
 - Began in June 2015
 - 24 units developed Operational Effectiveness (OE) Documents
 - Units were defined and each unit developed a Mission Statement, Operational Objectives and KPIs were chosen for each objective
 - Main focus was on establishing knowledge and developing OE processes
 - The first iteration grew into the second...

ITERATIONS OF OPERATIONAL EFFECTIVENESS

- **Second Iteration: Expansion of Operational Effectiveness (OE) across the College**
 - Began in late fall of 2015 and early spring of 2016
 - 58 units were defined and developed OE Documents (100% participation rate)
 - Units were defined and each unit developed a Mission Statement, Operational Objectives and KPIs were chosen for each objective
 - Focus was on collecting data for use in the Unit Operational Planning Process in addition to the initial focus of the OE process

ITERATIONS OF OPERATIONAL EFFECTIVENESS

- **Third Iteration: Operational Effectiveness (OE) and the College reorganization**
 - Began summer 2016...
 - As a result of the reorganization, new units were defined and each new unit developed a Mission Statement, Operational Objectives and KPIs were chosen for each objective .
 - 58 defined units grew into 73 defined units as a result of the reorganization of the College—81% of units currently have OE documents on file (58/73).
 - A number of units adjusted/edited their OE documents.
 - Working groups and Committees were to be brought into the OE process as part of this iteration.

ITERATIONS OF OPERATIONAL EFFECTIVENESS

- **Fourth Iteration: Continuation of Operational Effectiveness (OE) and the College Academic Reorganization**
 - All newly defined units developed a Mission Statement, Operational Objectives and KPIs were chosen for each objective.
 - 73 defined were identified as units as a result of the reorganization, but due to consolidation of some smaller units into larger ones, we have around 64 units as of now, depending on categorization.
 - A number of units adjusted/edited their OE documents after IRPE reviewed and provided all units with suggestions for revisions where necessary.
 - Only 4 units have not submitted up-to-date OE documents, so we have 94% of the OE Documents for the College as of this month...*this is still a bit of a moving target in terms of units using the OE process to make improvements-all units involved are required to do so through the planning process-but the number of units who have “closed-the-loop” is unknown since many of these efforts are still in progress.*
 - Work in this area is still ongoing and will continue to be an iterative process.

***SOME UNIT OPERATIONAL
EFFECTIVENESS EXAMPLES..***

UNIT OPERATIONAL EFFECTIVENESS EXAMPLE 1

- **Unit: Developmental Education**

- *Unit Strategy:* Provide mandatory interventions for students who have struggled to be successful
- *Core Theme and Objective:* Student Success: Support student progress toward goals
- *Unit KPI:* Interventions Planned and Implemented
- *Mission KPI:* Voluntary Framework of Accountability (VFA) two-year and six-year outcomes for the Main Cohort. Particular focus on: Percent of students who became college ready in developmental education subject

UNIT OPERATIONAL EFFECTIVENESS EXAMPLE 2

- **Unit: Institutional Research, Planning and Effectiveness**
 - *Unit Strategy*: Develop a consistent process for assessing unit effectiveness and train units college-wide. This will include the identification of cross-campus units that have like functions across the college.
 - *Core Theme and Objective*: Institutional Effectiveness: Enhance an evidence-based approach to decision-making that is based on continuous improvement processes
 - *Unit KPI*: Proportion of College units with approved effectiveness documents
 - *Mission KPI*: Proportion of units with approved effectiveness documents and the proportion of units utilizing effectiveness data to make evidence-based improvements

UNIT OPERATIONAL EFFECTIVENESS SUMMARY

- So going back to our KPI: *The proportion of units with approved effectiveness documents and the proportions of units utilizing effectiveness data to make evidence-based improvements*
- Unit effectiveness is still an evolving process at the College. Currently, the indicator reports on the number of units with effectiveness documents on file. This is expanding to include the number of units making improvements based on their effectiveness data over the next year and our ability to connect what information has been collected in the Operational Effectiveness documents and how that information has been used in the Operational Planning process to close the loop in areas of continuous improvement.

PLANNED FUTURE IMPROVEMENTS

- Several groups at the 2016 Futures Conference mentioned the cost of doing business as a key area. Research in this area is underway, in addition to determining a method to calculate return on investment by program area. Measures will be added in the future in these areas.
- Develop a KPI to report on the number of audits and the findings of those audits.
- IRPE is continuing to improve the processes for Institutional Effectiveness at the College through feedback from the unit Operational Effectiveness and Planning participants and gaining experience through the implementation of the processes put into place.

QUESTIONS AND DISCUSSION..



THANK YOU!!!

**IF YOU HAVE ANY QUESTIONS ABOUT THIS PRESENTATION OR THE
INFORMATION CONTAINED IN IT, PLEASE CONTACT DAVID PURKISS AT
DPURKISS@PIMA.EDU**

DETAILED SLIDES (OMITTED) BELOW..

PRIMARY RESERVE RATIO

- Measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net assets not be available. A positive ratio and an increase amount over time denote strength. The numerator for this ratio is net assets and the denominator is expenses. This ratio is intended to answer the question: “Are resources sufficient and flexible enough to support the mission?” For fiscal year 2015, this ratio continues to fall within the benchmarks when the impact of GASB 68 is eliminated.

RETURN ON NET ASSETS RATIO

- Measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission. The numerator for this ratio is change in net assets and the denominator is total net assets. This ratio is intended to answer the question: “Does asset performance and management support the strategic direction?” For fiscal years 2012-2015, this ratio fell below the benchmarks due to the deliberate financial decision to use fund balance to help pay for some capital projects.

NET OPERATING REVENUE RATIO

- Measures whether the institution is living within available resources. A positive ratio and an increasing amount over time, generally reflects strength. The numerator for this ratio is operating income (loss) + net non-operating revenues and the denominator is operating revenue + non-operating revenue. This ratio is intended to answer the question: “Do operating results indicate the institution is living within available resources?” For fiscal years 2012-2015, this ratio fell below the benchmark due to falling revenue as a result of decreases in enrollment revenue, decreases and the elimination of state appropriations, and the College’s deliberate financial decision to use fund balance to help pay for some capital projects.

VIABILITY RATIO

- Measures the ability of the institution to cover its debt as of the statement of net position date, should the institution need to do so. A positive ratio of greater than 1:1 generally denotes strength. The Viability Ratio is capped at 10. The numerator for this ratio is expendable net assets and the denominator is long-term debt. However, when an institution is debt free the denominator becomes zero and the Viability Ratio also becomes zero. This can adversely impact both the Viability Ratio and the CFI of the institution. This ratio is intended to answer the question: “Are debt resources managed strategically to advance the mission?” For fiscal years 2014-2015, this ratio fell below the benchmark due to the College not having any long term debt. Excluding the impact of GASB 68, and if PCC had just \$1.00 of long term debt, the denominator of this ratio would change from zero to one and the viability ratio would change from zero to 10.00 for fiscal years 2014 and 2015.