



7th Annual City of Houston
Investor Conference

Jennifer Mott, CFA
Chief Financial Officer

April 25, 2019

Key Strengths

- **Strong Academic & Community Presence**
- **Debt Management**
- **Historical Achievements & High Ratings**
- **Fiscally Responsible and Conservative Financial Policy**
- **Strong Future Outlook**
- **Positive Economic Impact**
- **Experienced Leadership Team** (see Appendix)
- **Solid Mission and Culture of Accountability** (see Appendix)



“Education is improving the lives of others and for leaving your community and world better than you found it.”

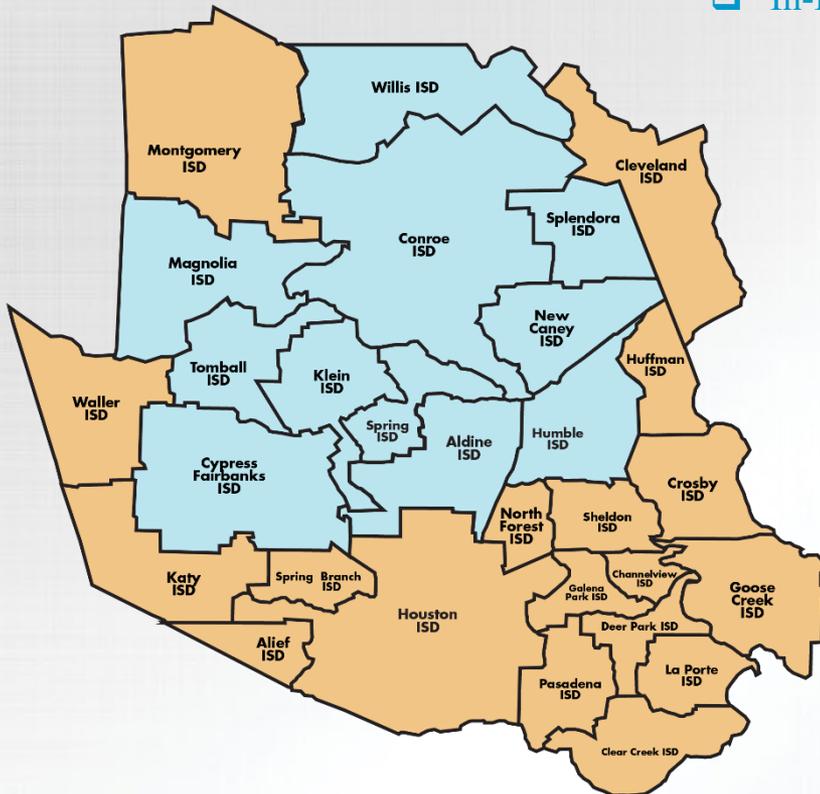
– Marian Wright Edelman

Strong Academic and Community Presence



LSC Service Area

- Service Area
- In-District Service Area



- 11 School Districts
- 89,150+ Students
- 2.4M Population
- 1,400 Square Miles
- \$530M Operating, Debt, and Construction Budget
- 7,500+ Employees



About LSC

- 73,499 credit students each semester, total enrollment of more than 95,446 (*credit and non-credit duplicated headcount*).
- Seven colleges, seven centers, two university centers. (*Map of locations available in Additional Information*)
- One of the top 3 largest community colleges in the nation.
- One of the fastest-growing college systems in U.S.
- Added 40,146 students Fall 2007 to Fall 2017, an 81% increase.
- Top 5 associate degree producer, ranked 4th among all community colleges in the U.S. (2014-15).
- Leads state-wide Texas Completes and Texas Reverse Transfer student success initiatives.
- A member of College Credit for Heroes program helping veterans transition to civilian life quicker.



About LSC – *Houston North*

Mission

LSC-Houston North is a unique educational experience dedicated to putting students first and serving the community by advocating for and providing opportunities that enrich lives.

College Locations

LSC-Houston North consists of three existing locations and a fourth that will be completed in the fall of 2020.

- LSC-Houston North Fairbanks, serving the Jersey Village and Fairbanks communities
- LSC-Houston North Greenspoint, serving the Northern Aldine and Greenspoint communities
- LSC-Houston North Victory, serving the Acres Homes and Inwood Forest communities
- LSC-Houston North Fallbrook, serving the communities immediately north of Beltway 8.



About LSC – *Houston North*

Highlights

- Students that attend Lone Star College-Houston North are supported through many research-driven best practices. Specific features are:
 - Most classes are 8 weeks long allowing for students to quickly accumulate college credits.
 - First-time-in-college (FTIC) students are provided with faculty/staff mentors to help acclimate them to college.
 - Classes are offered on cohorts to allow students to complete degrees in a structured and efficient manner.

Community Support

LSC-Houston North is committed to improving the lives of students and the communities in which they reside. Therefore, the College is committed to community service activities. A few of the services include:

- Faith-Based Literacy Initiative to support summer reading for elementary school students.
- School supply drives to support K-12 students attending local school districts.
- College Exploration Days to provide K-12 students with insights into college.
- LSC-Houston North Academy to provide local seniors with an entire semester of college and career preparation activities.



Headcount



89,150

Credit Students (Headcount total is duplicated)

Trend

8% student increase
in the last 5 years



Colleges	Headcount
LSC-CyFair	22,453
LSC-Kingwood	12,740
LSC-Montgomery	15,266
LSC-North Harris	15,660
LSC-Tomball	9,703
LSC-University Park	13,328

Centers	Headcount
LSC-Atascocita Center	2,105
LSC-Creekside Center	1,155
LSC-Conroe Center	1,591
LSC-Cypress Center	2,059
LSC-Fairbanks Center	2,293
LSC-Greenspoint Center	1,626
LSC-Process Technology Center	626
LSC-Victory Center	1,298

<p>New</p> <p>24,875</p> <p>First-time students at LSC</p>	<p>Continuing Fall to Fall</p> <p>43,861</p> <p>Current students who attended LSC last Fall at any LSC location</p>	<p>Continuing Spring to Fall</p> <p>47,538</p> <p>Those students who attended the previous Spring term at any LSC location</p>	<p>Returning</p> <p>7,114</p> <p>Current students who attended LSC more than one year prior</p>
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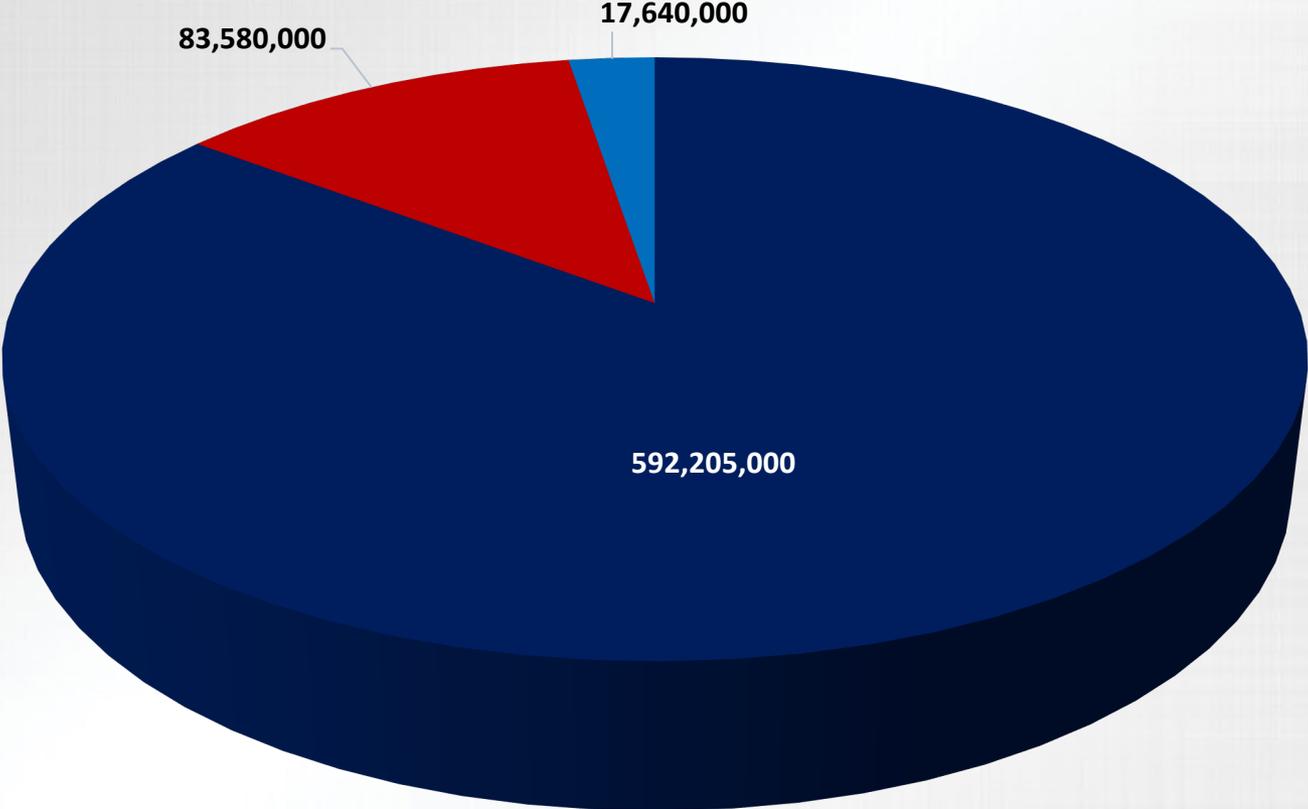
“An investment in knowledge pays the best interest.”

— *Benjamin Franklin*

Debt Management



**Total Outstanding Debt
as of 3/15/19
\$693,425,000**

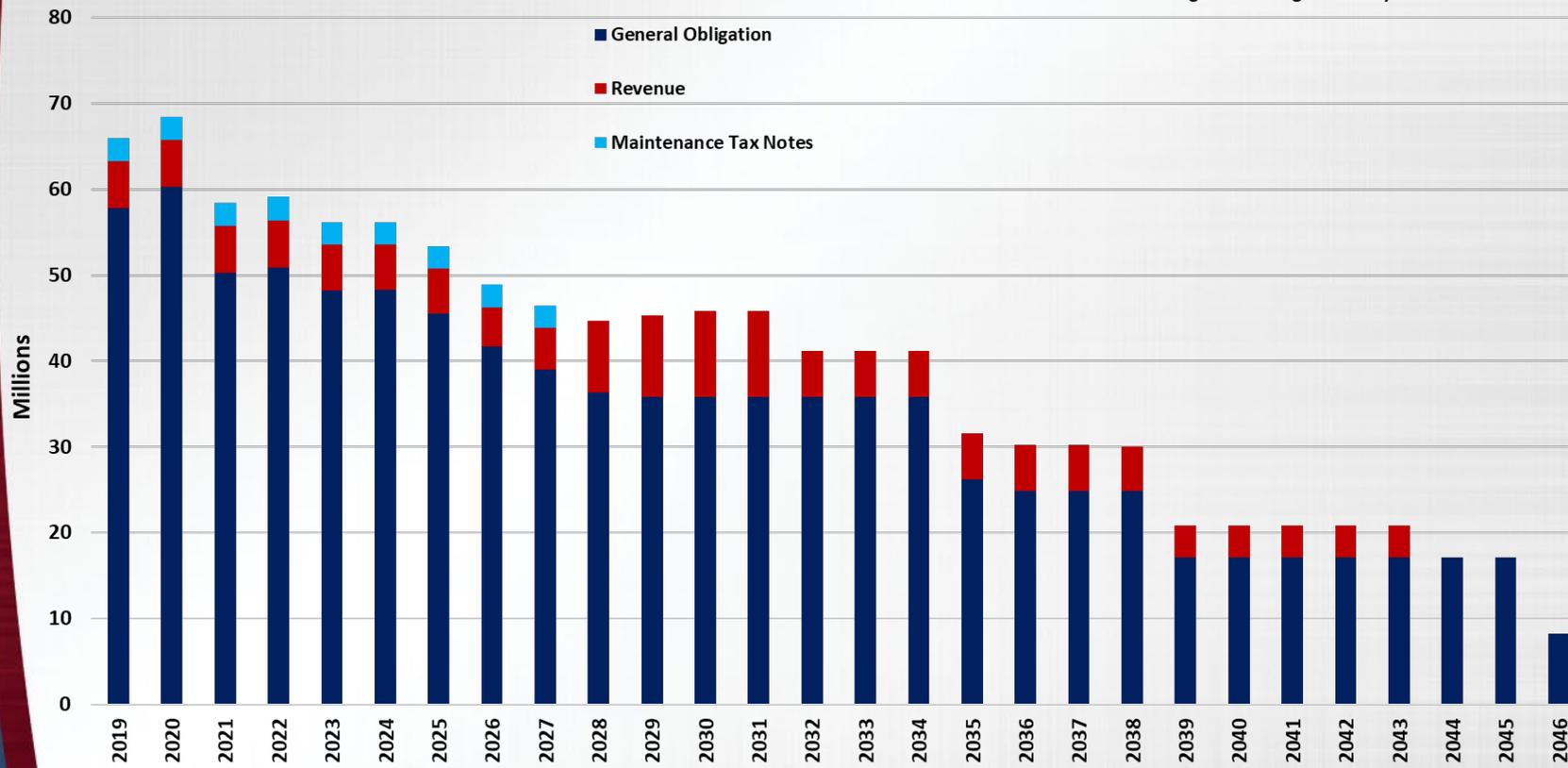


■ GO ■ Revenue ■ Maintenance Tax Notes

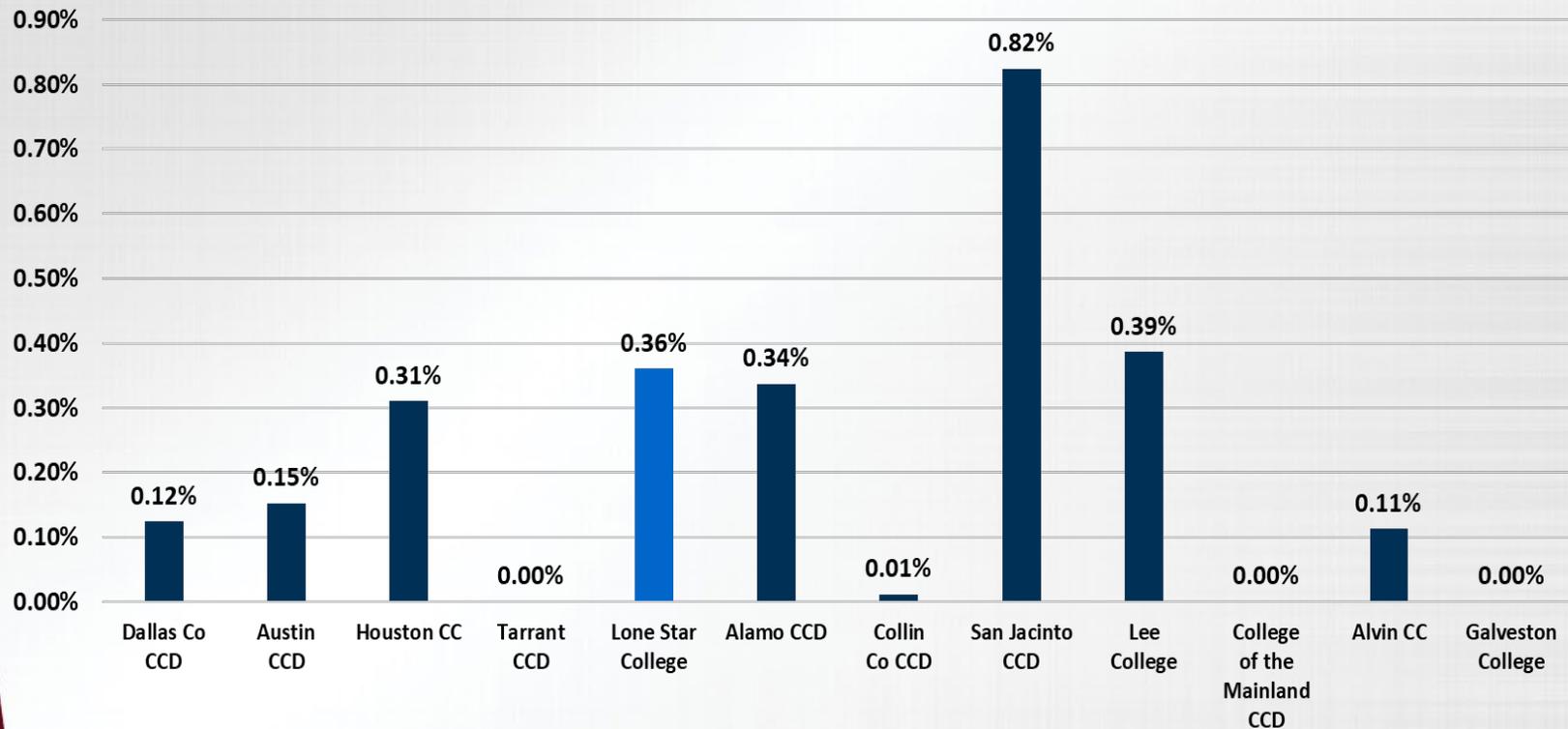
Debt Service



Maximum Annual Debt Service: \$68,478,406
 Weighted Average Maturity: 27.23 Yrs

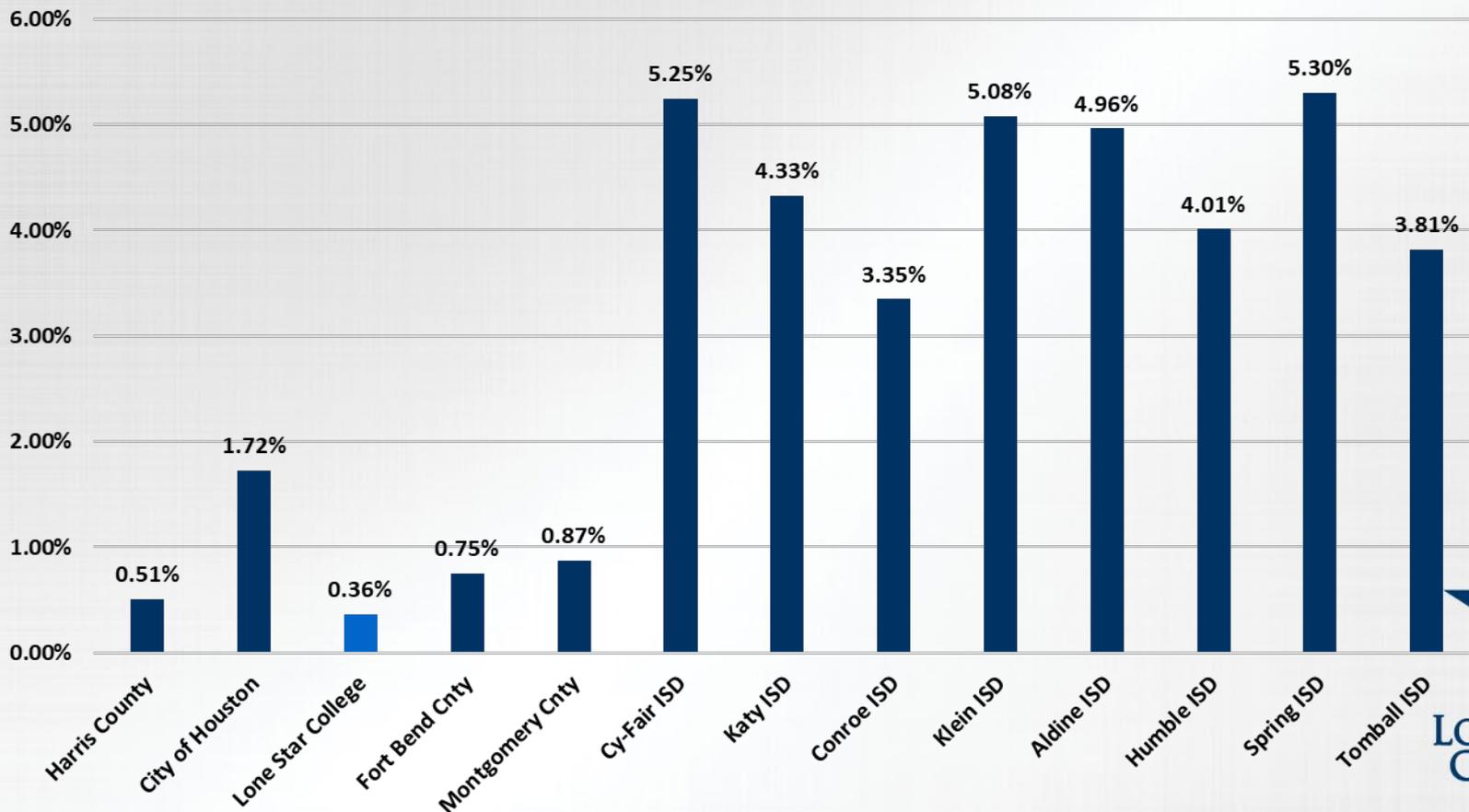


Outstanding GO Debt as Percent of Assessed Value (Comparison of Peer Colleges)



Outstanding GO Debt as Percent of Assessed Value

(Comparison of Other Taxing Entities)



“High achievement always takes place in the framework of high expectation.”

– Charles Kettering

Achievements and Credit Ratings



How We Rank

Top 5 Degree Producer

<u>Discipline</u>	<u>Ranking</u>
All Disciplines	4 th
All Disciplines-Hispanics	4 th
All Disciplines-Total Minority	6 th
All Disciplines-Total Non-Minority	6 th
All Disciplines-African American	16 th

<u>Discipline</u>	<u>Ranking</u>
Education	2 nd
Nursing, Registered Nursing, Administration, Nursing Research and Clinical Nursing Degrees	3 rd
Liberal Arts and Sciences, General Studies, & Humanities	3 rd
Health Professionals and Related Programs	5 th



Rankings based on fall 2014 to fall 2015 data published Sept. 20, 2016 by Community College Week



“AAA” S&P Rating

Texas Public Community and State Colleges	S&P Rating
Alamo Community College District	AAA
Alvin Community College*	AA
Austin Community College*	AA+
College of the Mainland Community College District	AA-
Collin County Community College District	AAA
Dallas County Community College District	AAA
Galveston College**	--
Houston Community College System	AA+
Lee College	AA
Lone Star College System District	AAA
San Jacinto College	AA
Tarrant County College District**	--

* Rated by Moody's and/or Fitch, comparable to S&P Ratings

** No Outstanding GO Debt

S&P Feedback

- Participation in the Houston-The Woodlands-Sugar Land metropolitan statistical area's (MSA) deep and diverse economy, resulting in strong income and wealth levels.
- Good financial position with a diverse revenue mix of state funding, local property taxes, and student tuition.
- Significant amount of revenue-raising flexibility that offsets potential pressures from enrollment-driven capital needs.
- Strong management with well-embedded and likely sustainable financial policies and practices.
- Largest institution of higher education in the greater Houston area.
- Resident median household effective buying income and per capita income levels are strong.
- The College's service area is in one of the fastest growing regions in the state with healthy tax base and future expansion.



“A penny saved is a penny earned.”

— Benjamin Franklin

Fiscally Responsible and Conservative Financial Policy



Financial Responsibility



Awarded Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for fourteen consecutive years (2004-2018).



Investment Policy



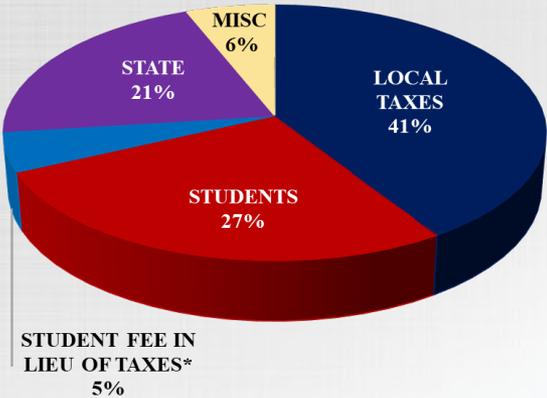
The Government Treasurers' Organization of Texas (GTOT) awarded Lone Star College the Certificate of Distinction for its Investment Policy in March 2019.



Sources of Funds

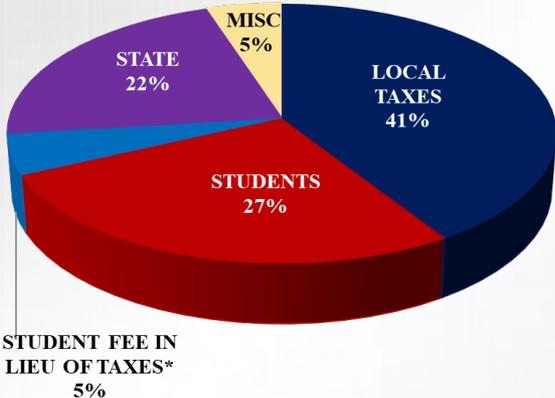
FY 2017

ACTUAL REVENUES



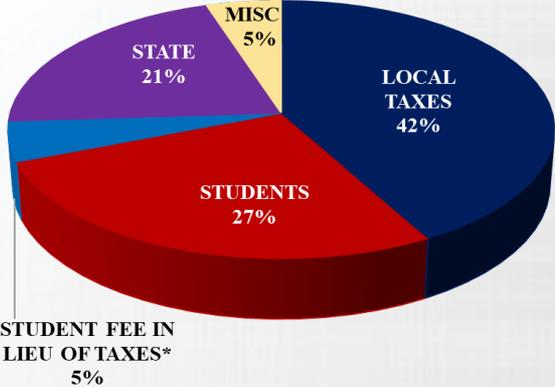
FY 2018

ACTUAL REVENUES



FY 2019

FORECASTED REVENUES

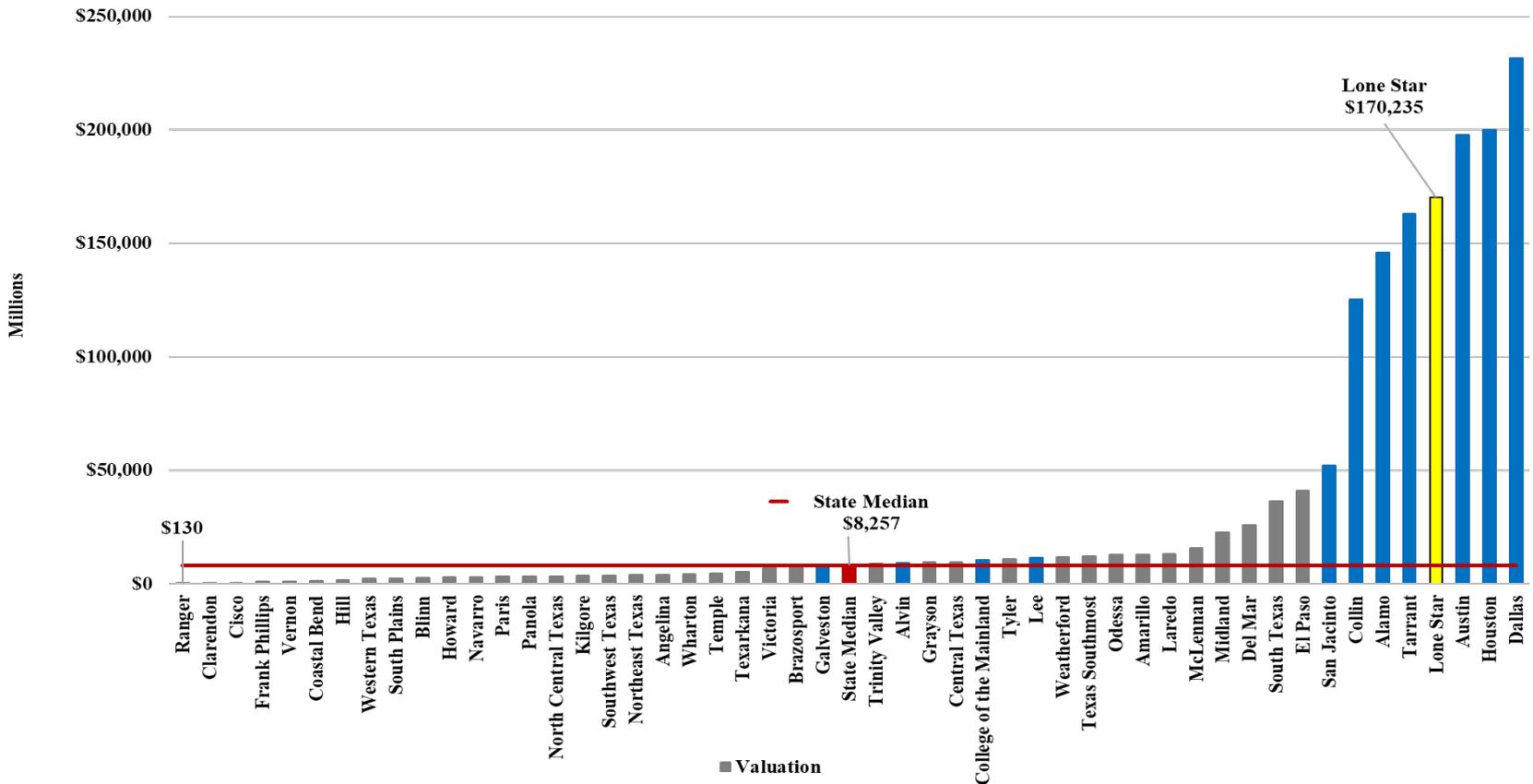


Budget 2018 – 2019

\$381,966,088

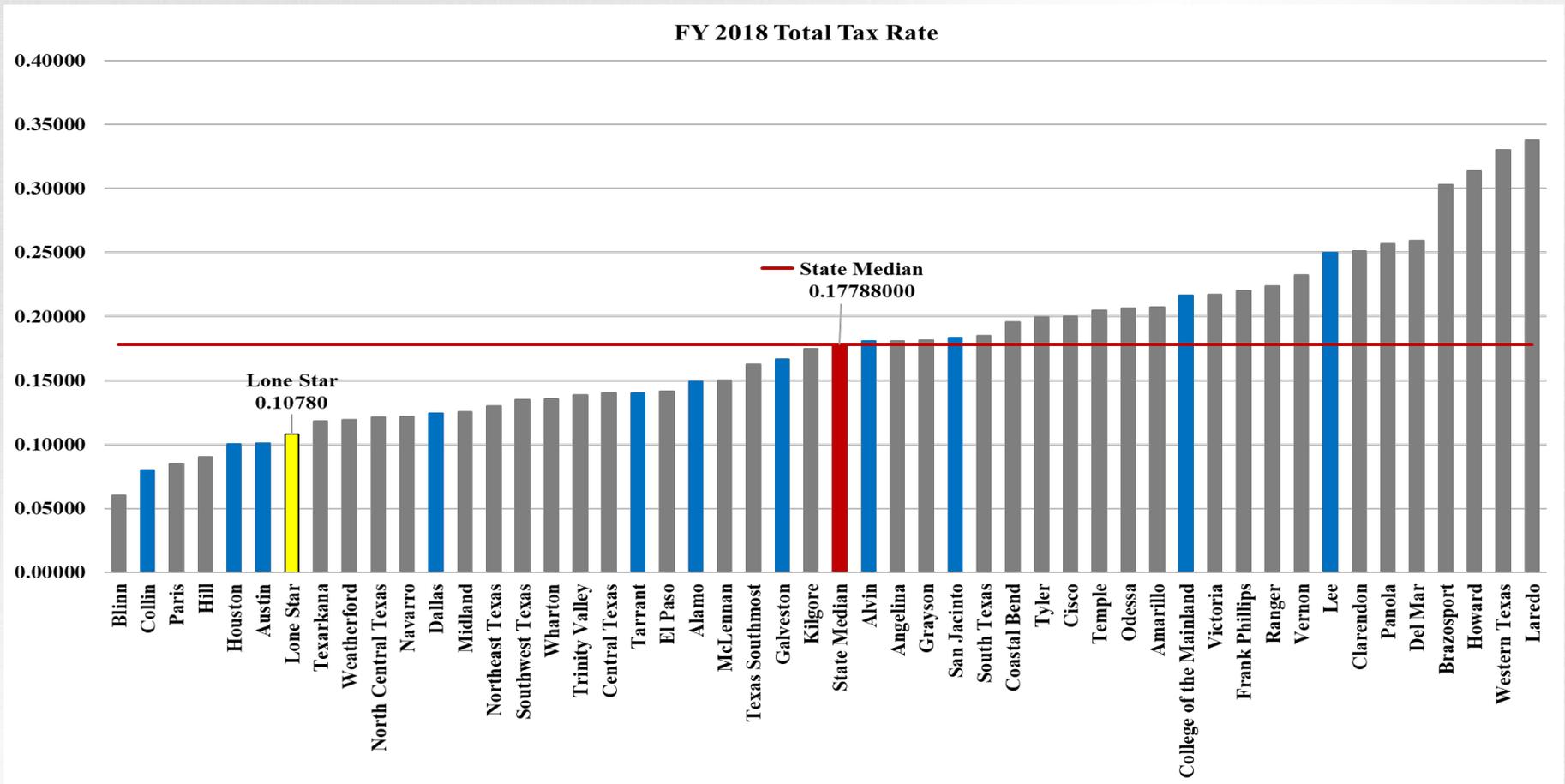


Estimated FY 18 Tax Valuations - 4th Highest



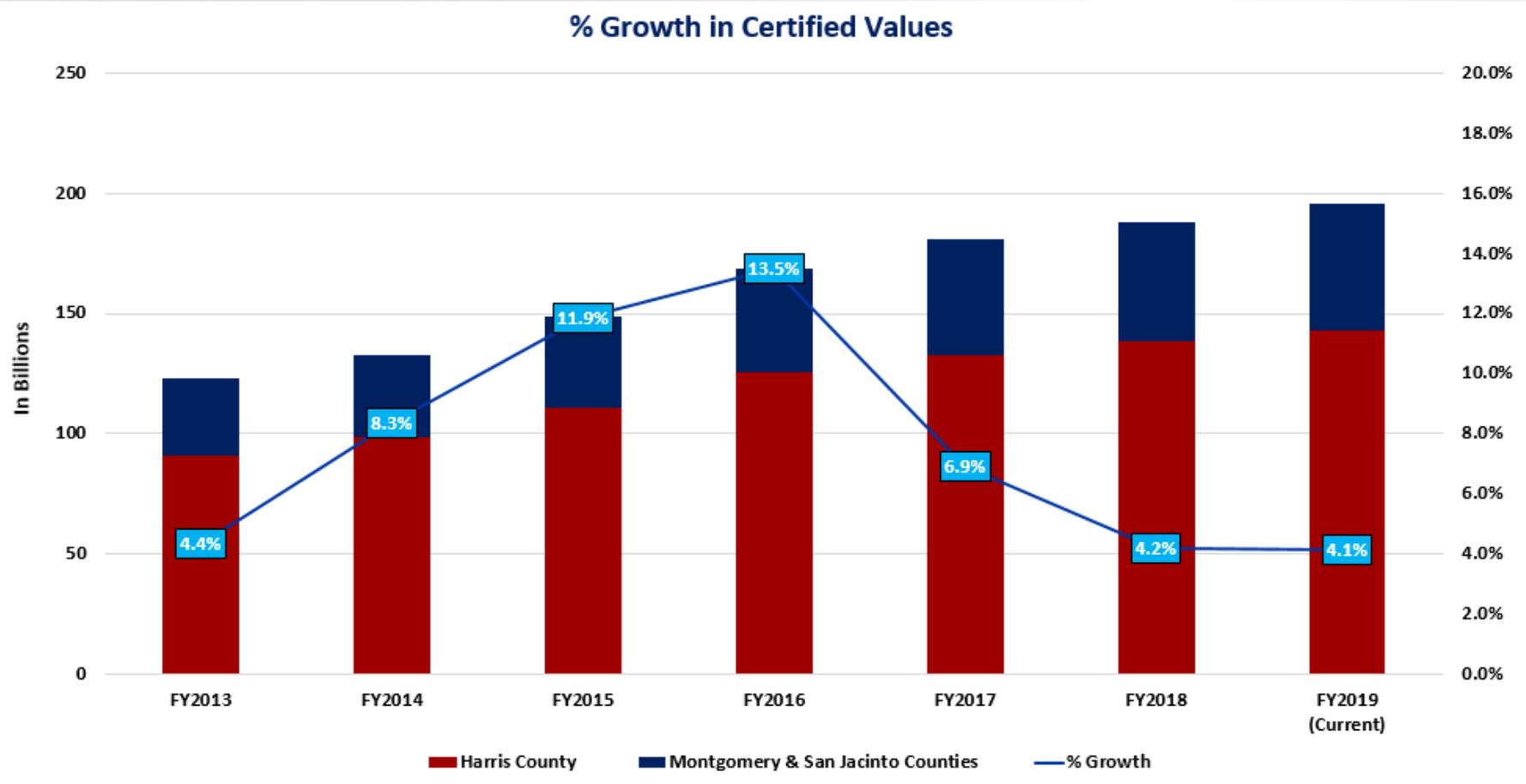
Source: TACC Survey

Tax Rate – 7th Lowest

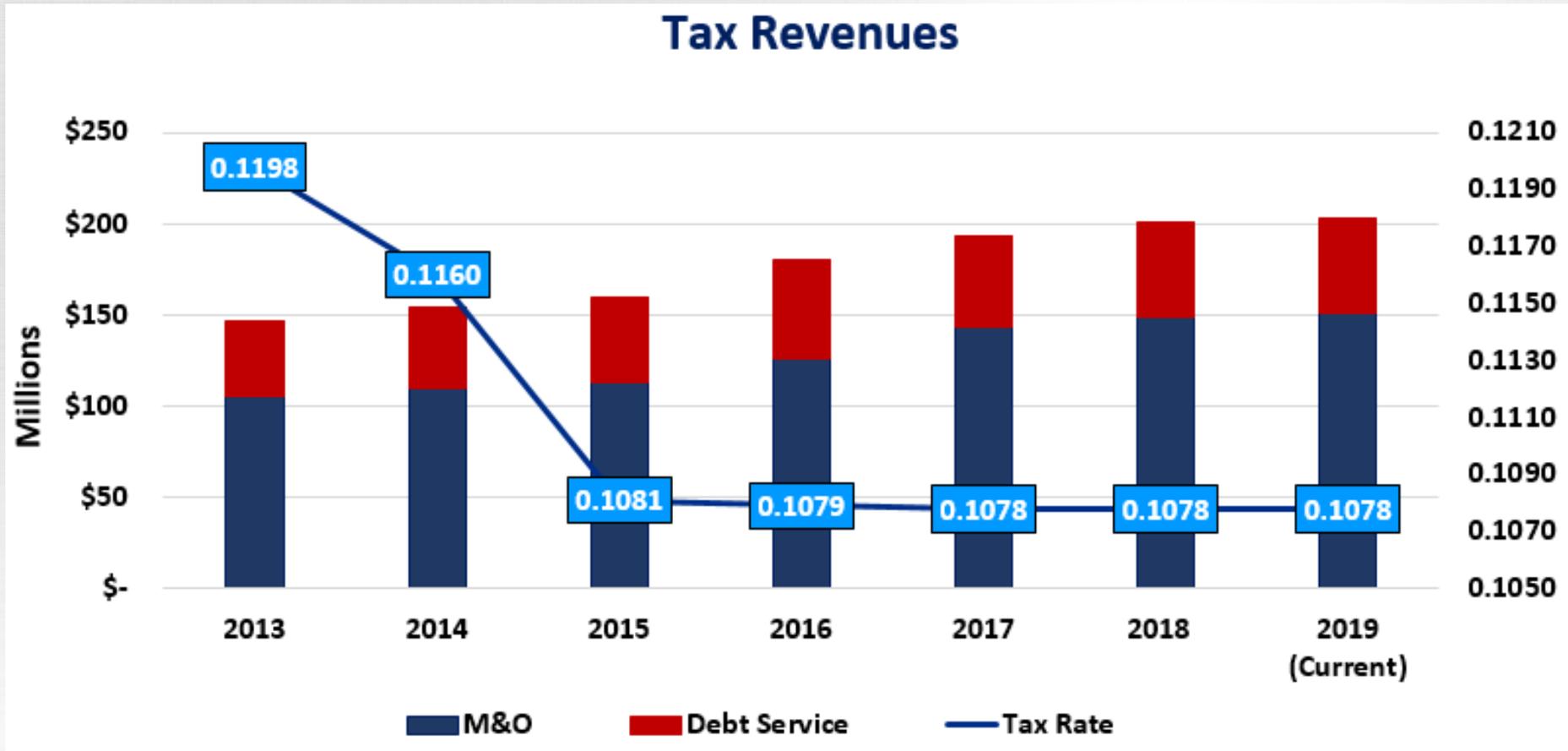


Source: TACC Survey

Certified Tax Values

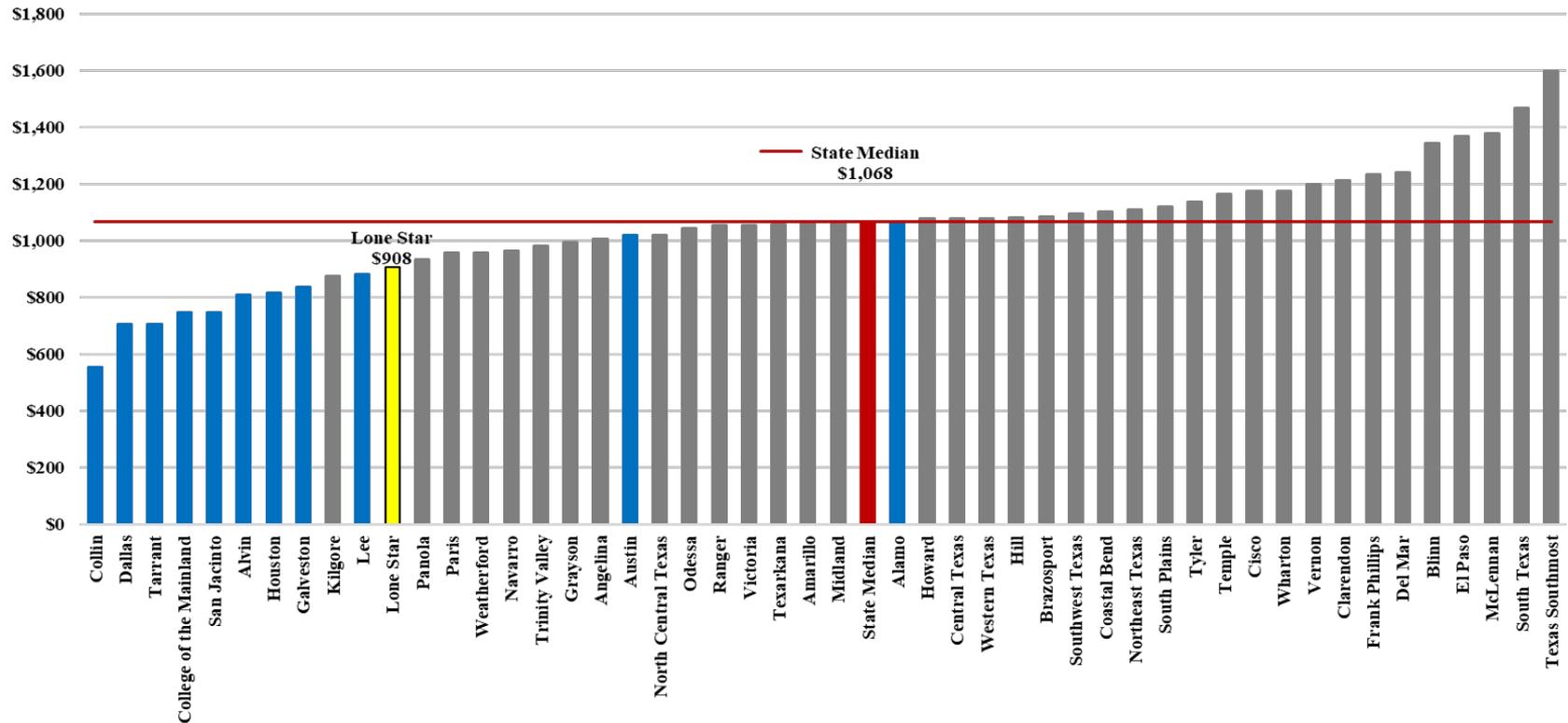


Property Tax Rates



Tuition and Fee Comparison – 11th Lowest In-District

Fall 2017 In-District Tuition Comparison



Source: TACC Survey 1/27/18
Based on 12 SCH

Cash Reserves

	FY18 Budget	FY18 Actual	FY19 Budget
Long-Term Cash	Fiscal Year Ending Balance:		Fiscal Year Beginning Balance:
	66.7	66.7	66.7
Total Expenditures	352.3	339.8	366.0
% Reserves	18.9%	19.6%	18.2%
FY19 Estimates			
Ending Cash Reserve %	16.0%	17.0%	18.0%
Target FY19 Ending Long-Term Cash Balance	58.6	62.2	65.9
Addition to FY19 Beginning Reserves Required	-7.3	-3.7	-782,000 (Budgeted)

(\$millions)

“Your input determines your outlook. Your outlook determines your output, and your output determines your future.”

— Zig Ziglar

Future Outlook

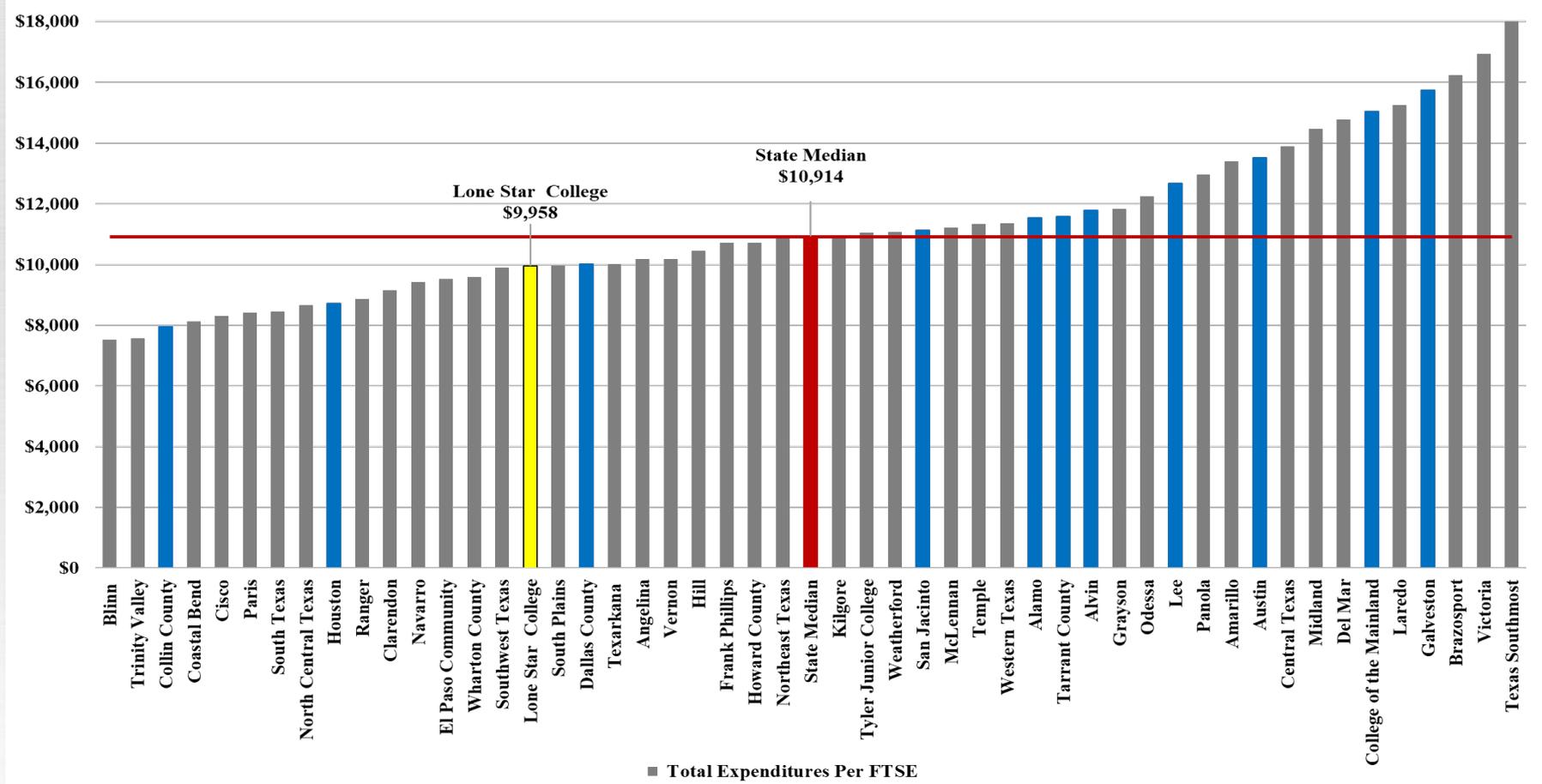


5-Year Financial Plan



- 5-Year Planning Tool
- Ensure sufficient resources to expend funds equal to the Expenditure Target.
- Equalize Property Tax Revenue and Student Revenue.
- If Property Tax Revenue is less than Student Revenue, include a proposed property tax rate that increases Property Tax Revenue, but this rate may not exceed the Rollback Tax Rate.
- If Student Revenue is less than Property Tax Revenue, include proposed tuition and fees that increase Student Revenue, but not by more than eight percent per credit hour above the tuition and fees charged during the most recent fiscal year.

Expenditures Per Full-Time Student Equivalent – 16th Lowest



Completed Construction Projects

CyFair Instructional Building – CASA

CyFair Cypress Center Workforce Expansion

Kingwood Student Services Expansion

Kingwood Process Technology Building

Montgomery Live Entertainment Technology Building

Montgomery Conroe Center Workforce Expansion

North Harris Construction and Skilled Trades Technology Center

Tomball Health Science Center Building Buildout

Tomball South Entrance

UP Science and Innovation Building

Westway Park Advanced Technology Building



Construction Projects Still to Come

Magnolia Satellite Center

East Aldine Satellite Center

North Harris Transportation and Logistics

Oil and Gas Training Center

Kingwood Healthcare Instructional Building

Montgomery Student Services Building

UP Instructional Arts Building

North Harris Victory Center Expansion

Tomball Student Services Building



APPENDIX



“The strength of the team is each individual member. The strength of each member is the team.”

— Phil Jackson

Experienced Leadership Team



Board of Trustees



Alton Smith, Ed.D.
Chair
Trustee, District 3



Myriam Saldivar
Vice Chair
Trustee, District 6



Art Murillo
Secretary
Trustee, District 4



Linda S. Good, JD
Assistant Secretary
Trustee, District 7



Michael Stoma
Trustee, District 1



Ernestine Pierce
Trustee, District 2



David A. Vogt
Trustee, District 5



Mike Sullivan
Trustee, District 8



Ken E. Lloyd
Trustee, District 9



Chancellor's Cabinet

(Administration)



Dr. Stephen C. Head, Ph.D.
Chancellor



Mario K. Castillo
COO & General Counsel



Link Alander
Vice Chancellor-College Services



Helen Clougherty
Vice Chancellor & Chief of Staff



Dwight L. Smith, III
Vice Chancellor Academic Success



Jennifer Mott
CFO



Quentin Wright
Special Assistant to the Chancellor



Chancellor's Cabinet

(College Presidents)



Shah Ardalan
President LSC-University Park



Seelpa Keshvala
President LSC-Cy Fair



Gerald F. Napoles
President LSC-North Harris



Lee Ann Nutt
President LSC-Tomball



Katherine Persson
President LSC-Kingwood



Rebecca L. Riley
President LSC-Montgomery



“A culture of accountability makes a good organization great and a great organization unstoppable.”

— Henry Evans

Mission and Accountability



Mission and Vision



Mission

Lone Star College provides comprehensive educational opportunities and programs to enrich lives.

Vision

Lone Star College is recognized globally as the premier community college for student success, innovation and partnerships.

Our Core Values:

- Affordable Access
- Building Communities & Partnerships
- Commitment to International Education
- Communication
- Diversity
- Economic and Workforce Development
- Ethics/Integrity
- Evaluation/Accountability
- Human Resources
- Leadership
- Learning Environment
- Stewardship
- Technology



Guiding Principles

- 1. Access and Equity:** Lone Star College is committed to access and equity for all, regardless of socioeconomic background, preparation for college, workforce, or disability.
- 2. Student Learning and Success:** Lone Star College is committed to transformational changes with the purpose of maximizing student learning and success.
- 3. Dignity and Respect:** Everyone – students, employees and the community – should be treated with dignity and respect.
- 4. Community Value:** Lone Star College recognizes the respect the college holds in the community and values that reputation.
- 5. Responsibility:** Lone Star College has an important fiduciary responsibility to taxpayers and all citizens.



Strategic Plan



Student Success

Promote student success by ensuring excellence in teaching, learning, and student-centered support services.

Academic & Workforce Program Quality

Provide high quality academic and workforce programs that enhance students' learning experience and prepare them for the 21st century workforce.

Financial Responsibility & Accountability

Ensure sound financial practices that are Accountable to stakeholders and fairly allocate budget and resources.

Culture

Nurture a culture that values and respects all Lone Star College members and encourages collaboration.

Partnerships

Build strong partnerships with local ISDs and civic, charitable, higher education, industry, and business organizations to promote student and community success.

Cultural Beliefs



LSCFocus is a leader-led cultural transformation process designed to create a culture of accountability and achieve Lone Star College's key organizational results.

Lone Star College first began our intentional culture work in September 2015. Culture helps us to identify and focus on the behaviors most needed to achieve our results.



One LSC

I develop meaningful relationships and collaborate for mutual success.



Advance Equity

I advance diversity and inclusion to create an equitable environment.



Student Focused

I support and prepare each student to succeed in college and in life.



Cultivate Community

I cultivate a community of trust and integrity through transparent dialogue and purposeful actions.



Own It

I bring my best, rise above challenges, and own my contributions.



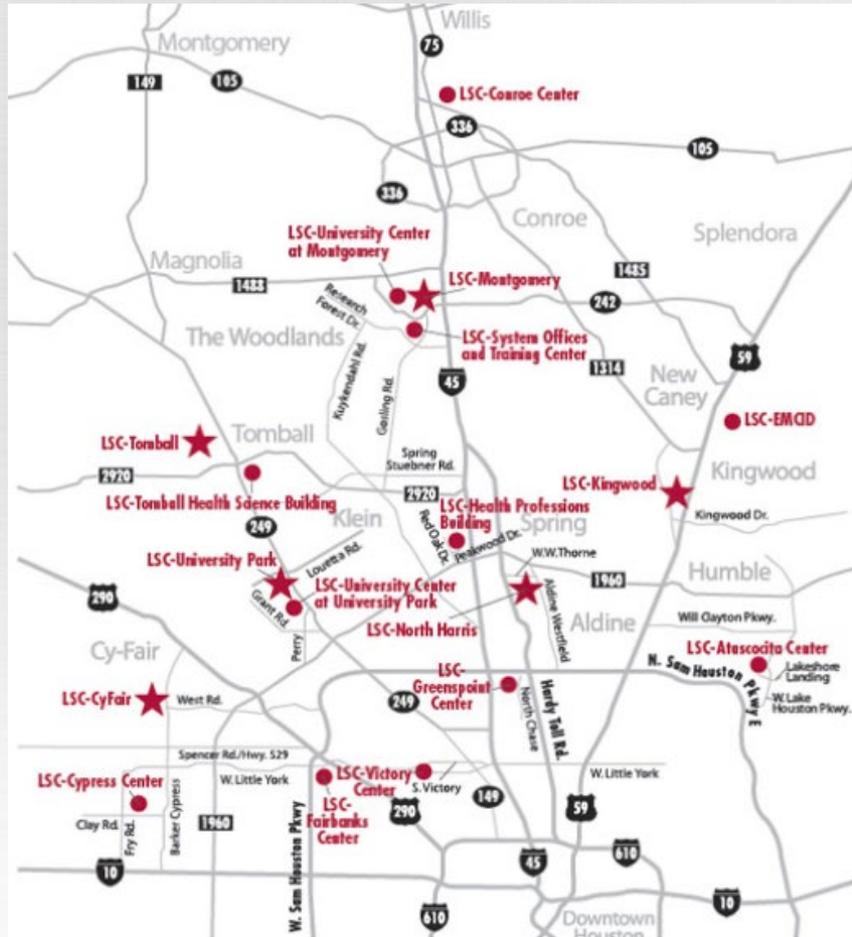
Choose Learning

I learn, grow, and create opportunities for others to do the same.

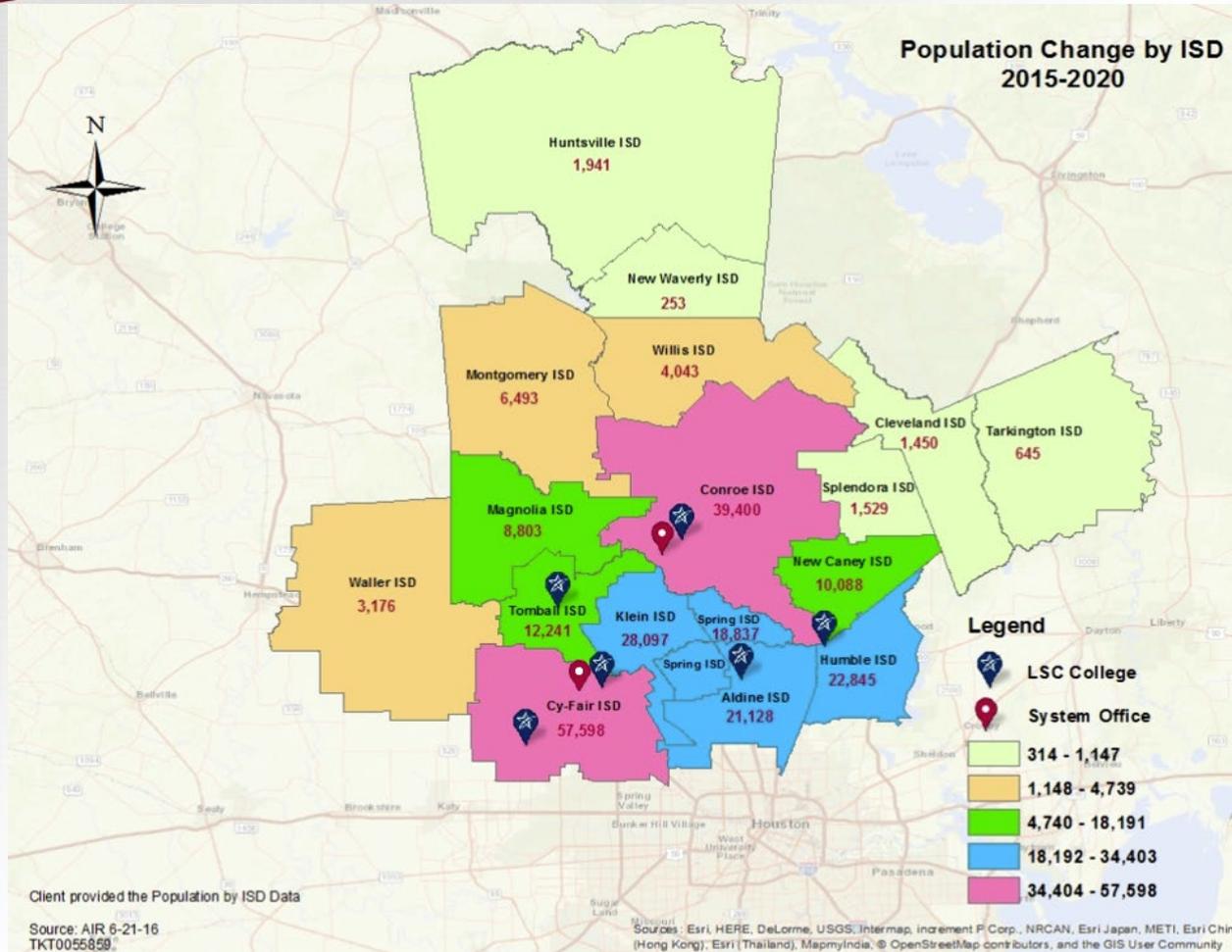
ADDITIONAL INFORMATION



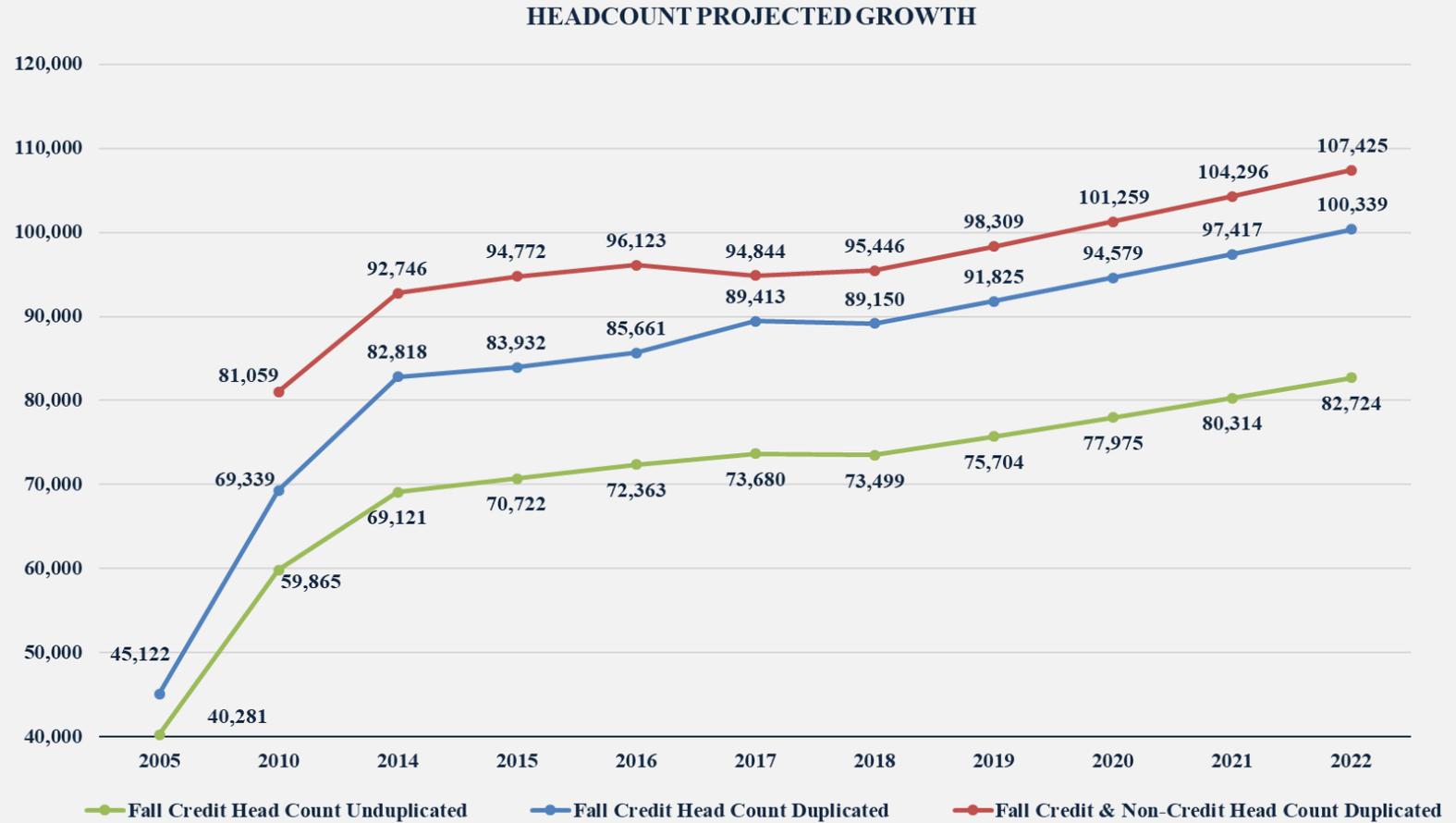
Locations



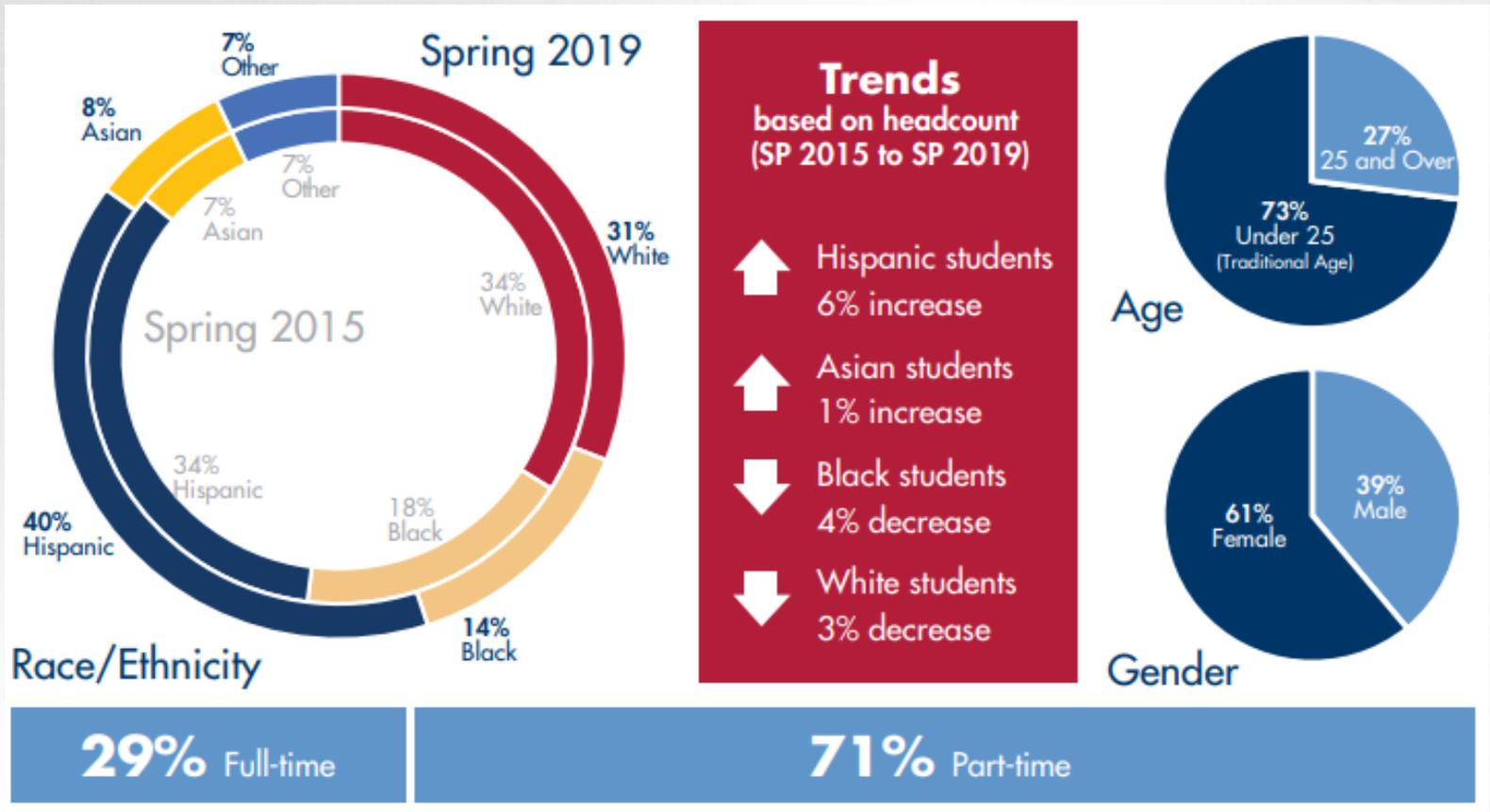
Estimated Population Growth



Head Count Growth

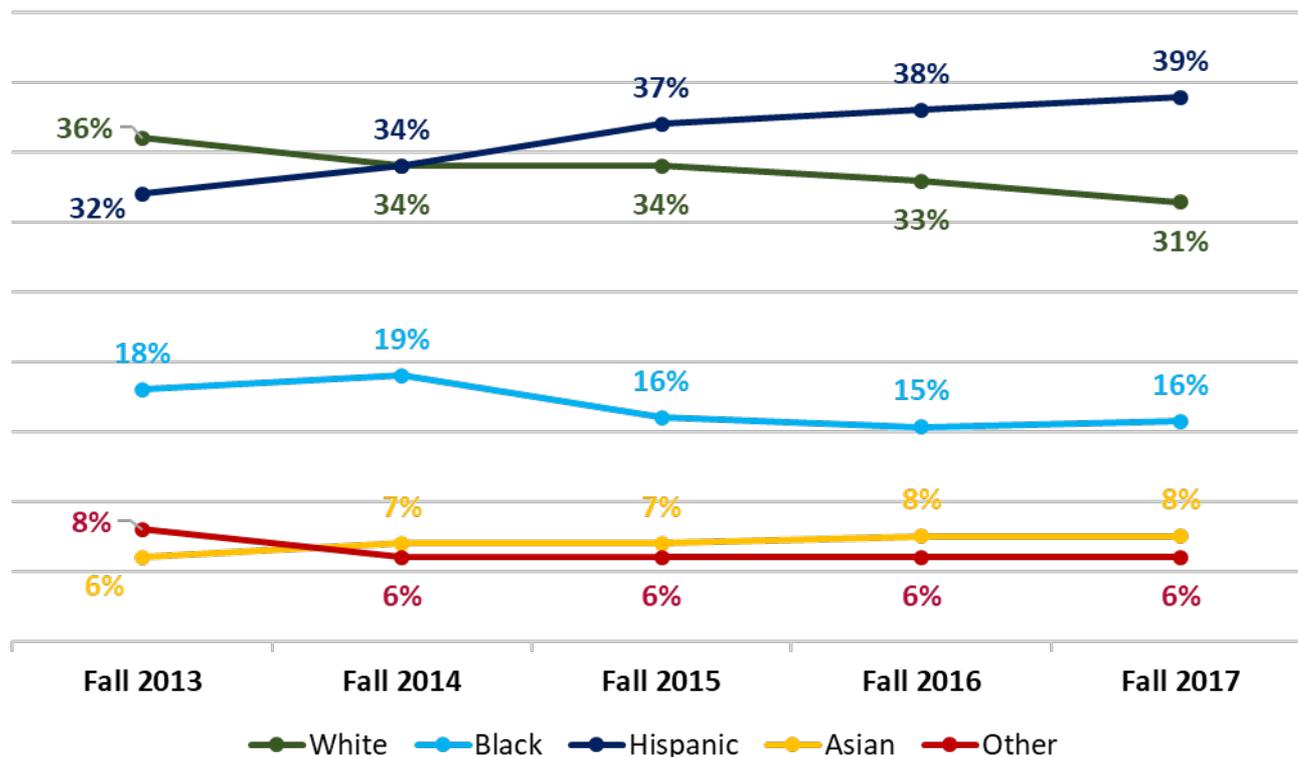


Demographics



Student Demographics Fall 2012 - Fall 2017

Credit Students-Race



Race	Headcount
	Fall 2013
White	36%
Black	18%
Hispanic	32%
Asian	6%
	Fall 2014
White	34%
Black	19%
Hispanic	34%
Asian	7%
	Fall 2015
White	34%
Black	16%
Hispanic	37%
Asian	7%
	Fall 2016
White	33%
Black	15%
Hispanic	38%
Asian	8%
	Fall 2017
White	31%
Black	16%
Hispanic	39%
Asian	8%

Service Area High School Graduates

Percentage of Spring 2016 High School Graduates Enrolled in Lone Star College in Fall 2016

Aldine ISD.....	21.0%	New Caney ISD.....	24.6%
Cleveland ISD*	17.6%	New Waverly ISD*	17.7%
Conroe ISD.....	17.5%	Splendora ISD.....	12.3%
Cy-Fair ISD.....	23.7%	Spring ISD.....	20.6%
Humble ISD.....	18.8%	Tarkington ISD*	13.2%
Huntsville ISD*	5.6%	Tomball ISD.....	18.4%
Klein ISD.....	22.8%	Waller ISD*	10.7%
Magnolia ISD.....	15.1%	Willis ISD.....	15.8%
Montgomery ISD*	11.4%		

**ISDs within the LSC service area but not in the taxing district.*

Degrees

Top Ten Degrees Awarded

AY 2017-2018

Associate of Arts	
Associate of Science	
Nursing Assistant (Integrated Curriculum)	
Nursing (Integrated Curriculum)	
Associate of Arts in Teaching	
Accounting	
Field of Study in Criminal Justice	
Shielded Metal Arc Welding (SMAW) Level 1	
Business Operations	
Transition to Professional Nursing for Articulating Students	

Number of Degrees Awarded

AY 2017-2018

Associate of Arts	4,082
Associate of Science	1,952
Associate of Applied Science	1,333
Associate of Arts in Teaching	183
Area of Concentration	7
Level 1 Certificate	1,861
Level 2 Certificate	359
Advanced Technical Certificate	113
Marketable Skills Award	6
Occupational Skills Certificate	13
Enhanced Skills Certificate	3
Total	9,912

Source: Graduates Power BI as of 9/21/18



In addition, Lone Star College plans to offer bachelor's degrees in Nursing and Applied Technology due to the signing of SB 2118.

Veteran Affairs

LSC is a member of the College Credit for Heroes program which seeks to maximize college Credit awarded to veterans for their military experience, helping veterans and service members obtain their degrees and certifications more quickly and expedite their entry into the workforce.



LSC – VA *services* manage 6,000 LSC student case files annually for students utilizing GI Bill and/or Hazlewood education benefits. Each campus provides full complement of resources: academic advisors, disability counseling, and financial aid services in support of veterans and the larger military-affiliated community.



International Students

LSC has 3,229 international students enrolled from 100 countries including:

Mexico
Japan
Singapore
Vietnam
Liberia
South Africa
Brazil
Lebanon
Switzerland
Colombia
Nepal
Taiwan
Cambodia



Norway
Thailand
Canada
Nigeria
Turkey
Chile
Pakistan
Uruguay
Honduras
Peru
Venezuela
Italy
Philippines



Transfers to 4-Year Institutions

Top Ten 4-year Institutions to which Our Students Transferred

 3,133	 2,311	 2,168	 1,120	 575
 457	 386	 372	 336	 324

Sources

- Lone Star College Office of Analytics & Institutional Reporting <http://www.lonestar.edu/official-day-reports.htm>
- Texas Higher Education Data http://www.txhighereddata.org/Interactive/Accountability/CC_Success.cfm and <http://www.txhighereddata.org/index.cfm?objectId=2783AAA6-ADCB-E35A-5BFC8F501DC1D65A>
- National Student Clearinghouse <http://www.studentclearinghouse.org/>

Top Bond Holders



CAPITAL RESEARCH AND MANAGEMENT COMPANY



Bond Investor Concentration



Lone Star College Top 15 Publicly Reported Tax-Exempt Bond Holders				
	Investor	Investor Type	Par Held (000's)	% Par Held
1.	State Farm Inv Mgmt	Insurance	\$86,865	30%
2.	The Travelers Indemity Co	Insurance	76,355	26%
3.	Black Rock	MF / SMA	38,800	13%
4.	The Vanguard Group	Mutual Fund	14,360	5%
5.	Capital Research & Mgmt	Mutual Fund	10,940	4%
6.	General Re-New England	Insurance	10,275	3%
7.	Northern Trust Investments	MF / SMA	10,000	3%
8.	C.W. Henderson & Assoc	Mutual Fund	6,240	2%
9.	MFS Investment Mgmt	Mutual Fund	4,250	1%
10.	Explorer Insurance Co	Insurance	4,000	1%
11.	Chubb Corp	Insurance	3,600	1%
12.	Genworth Financial Inv Mgmt	MF / SMA	2,605	<1%
13.	Motorist Mutual Insurance	Insurance	2,500	<1%
14.	SNW Asset Mgmt	SMA	2,225	<1%
15.	Allstate Investment Mgmt	Insurance	2,065	<1%
Total of Top 15 Investors			\$275,080	93.5%
Total of All Investors			\$294,139	100.0%

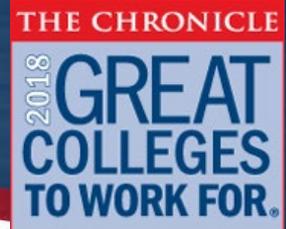
Community College Debt Comparison

Texas Public Community and State Colleges							
	GO Debt	GO % of Total Debt	Revenue Debt	Rev % of Total Debt	MTN Debt	MTN % of Total Debt	Total Debt
Alamo Community College District	324,745	66.0%	105,045	21.4%	61,940	12.6%	491,730
Austin Community College	323,682	65.2%	172,806	34.8%	-	0.0%	496,488
Collin County Community College District	14,844	93.1%	1,095	6.9%	-	0.0%	15,939
Dallas County Community College District	263,140	100.0%	-	0.0%	-	0.0%	263,140
Del Mar College District	134,695	89.2%	16,345	10.8%	-	0.0%	151,040
Houston Community College System	524,979	65.6%	240,547	30.1%	34,717	4.3%	800,243
Laredo Community College District	114,060	55.6%	55,645	27.1%	35,280	17.2%	204,985
Lee College	44,355	84.6%	8,100	15.4%	-	0.0%	52,455
Lone Star College System District	620,695	85.2%	86,305	11.9%	21,215	2.9%	728,215
Odessa College	64,320	83.9%	12,325	16.1%	-	0.0%	76,645
San Jacinto College	428,268	89.1%	50,033	10.4%	2,434	0.5%	480,735
South Texas College	152,495	100.0%	-	0.0%	-	0.0%	152,495

Debt amounts presented in thousands

Source: 2017 Comprehensive Annual Financial Report (CAFR)

Recognitions



- Named a “Great College to Work For” (Chronicle of Higher Education, 2018).
- U.S. Department of Education has designated LSC as an Hispanic Serving Institution (Houston Newcomer Guide, 2018).
- Top 25 Community Colleges for Hispanics (Hispanic Outlook in Higher Education, 2018).
- Ranked 1st in the nation for the number of undergraduate Hispanic students for 2016 and 2nd for granting the most associate degrees to Hispanic students (Houston Newcomer Guide and Hispanic Outlook in Higher Education, 2018).
- Grade “A” on safety (American School Search, US Department of Education 2016 Data).
- Recognized in Top 15% as a Military Friendly School (Victory Media, January 13, 2016).
- Rated #1 as Top Community College System in Texas (RateMyProfessors.com, November 14, 2014).
- Ranked nationally for degrees awarded (Community College Week, June 24, 2013).
- Ranked #3 in nation for the number of international students (The Chronicle of Higher Education, October 08, 2012).



Donations & Volunteering

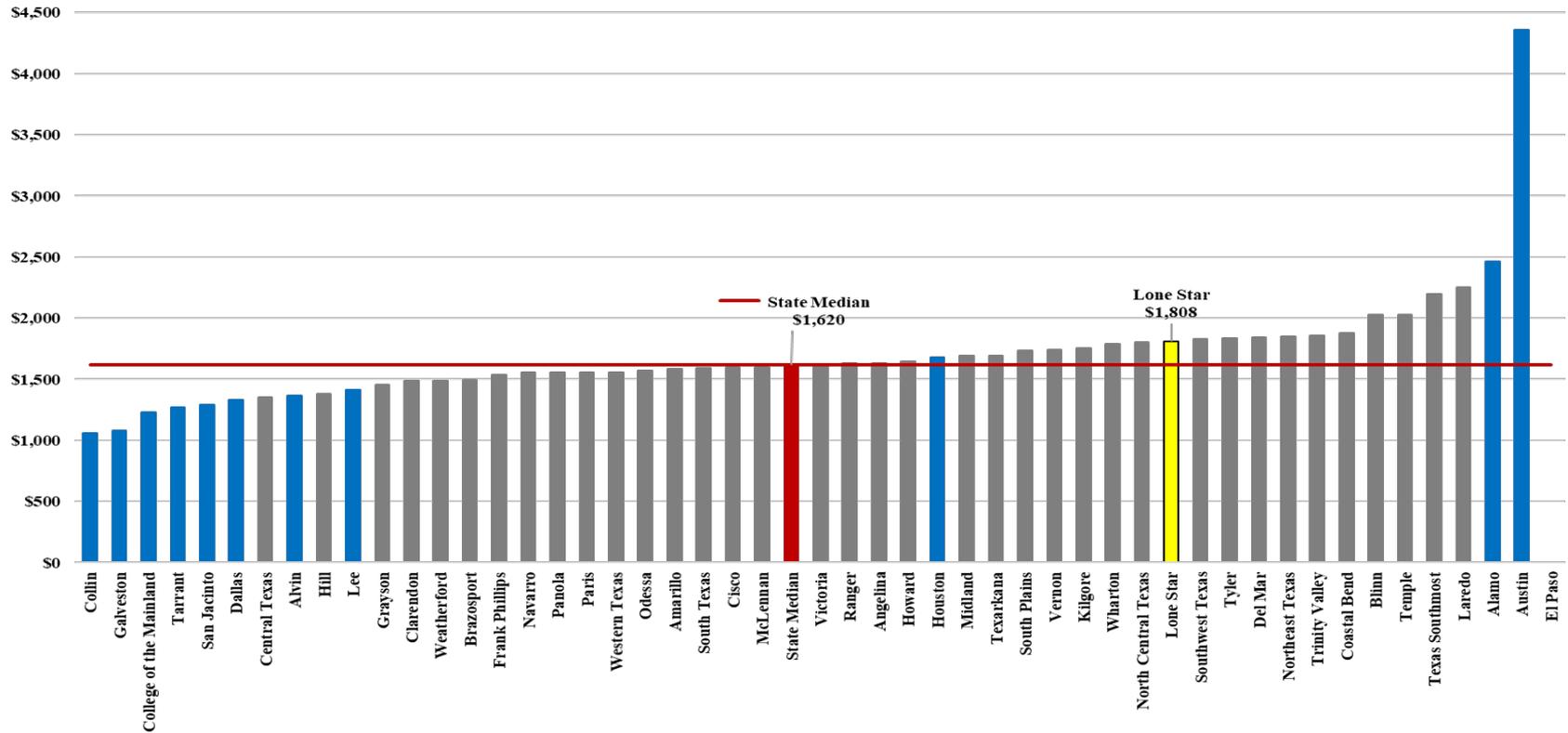
Despite the heavy toll on our Lone Star College community, many of our campus' employees and administration were out helping others.

- Three of our campuses served as a shelter or staging area for the National Guard.
- LSC-Montgomery nursing students volunteered at the Lone Star Convention Center shelter in Montgomery County.
- LSC-Conroe Center opened a new food pantry early amidst needs of Hurricane Harvey.
- LSC-Tomball manager's Facebook post inspired Missouri Community to send hurricane relief supplies.
- LSC-Kingwood held a community food fair despite the chaos this campus faced from Hurricane Harvey.
- CHI LSC-North Harris School of Cosmetology hosted a Cut-A-Thon benefiting those affected by Hurricane Harvey.
- LSC employees donated clothes, blankets, food and supplies in an effort to help those in their community and the Houston area.



Tuition and Fee Comparison – 13th Highest Out-of-District

Fall 2017 Out-of-District Tuition Comparison



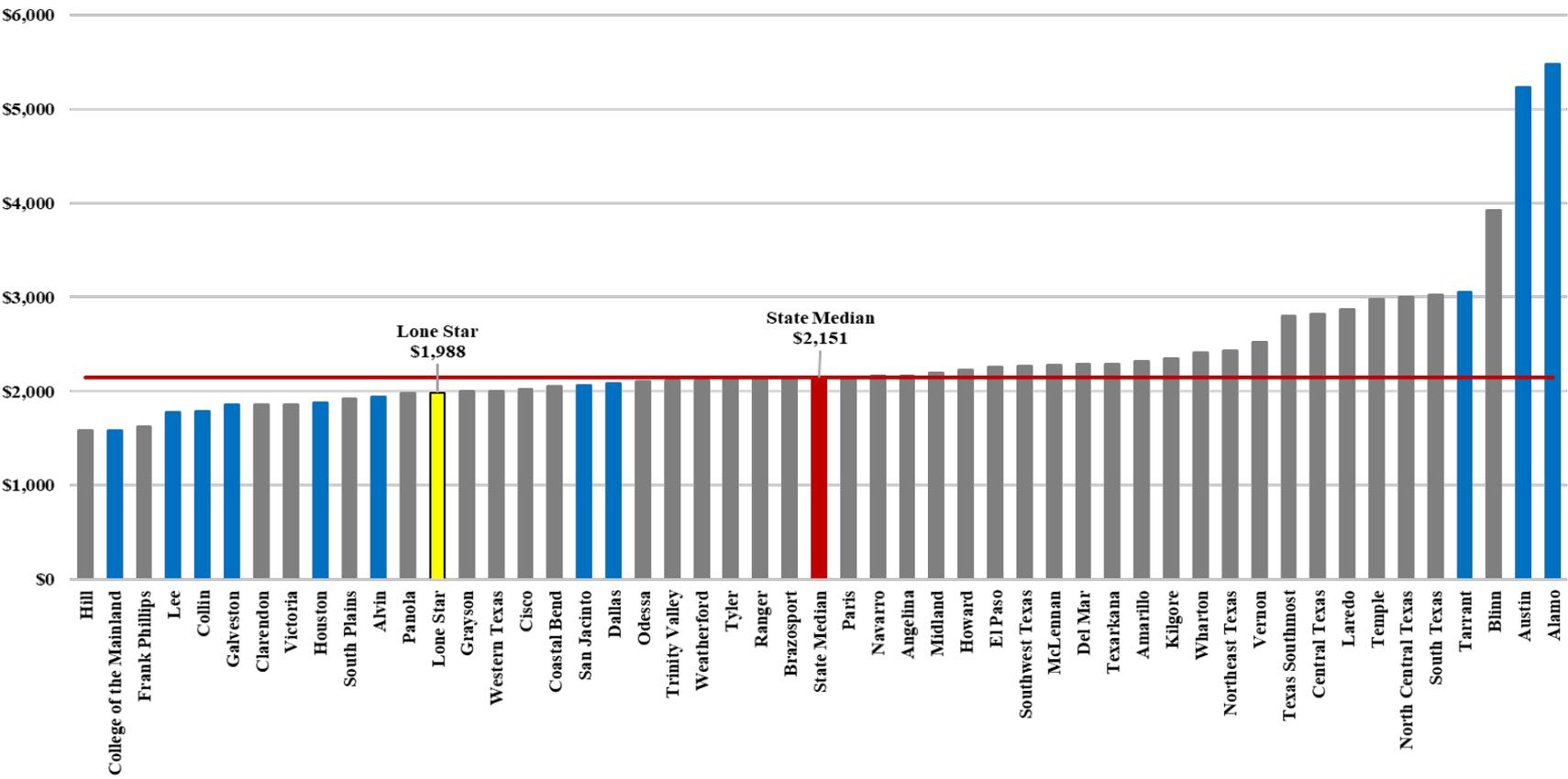
Source: TACC Survey 1/27/18

Based on 12 SCH

El Paso College Out-of-District Fee not available

Tuition and Fee Comparison – 13th Lowest Out-of-State

Fall 2017 Out-of-State Tuition Comparison



Source: TACC Survey 1/27/18
Based on 12 SCH

Enrollment and Population

Texas Public Community and State Colleges	Fall 2017 Enrollment	Population 2017	% Population
Alamo Community College District	60,999	1,988,364	3.07%
Alvin Community College	5,824	346,312	1.68%
Austin Community College	38,049	1,943,299	1.96%
College of the Mainland Community College District	4,333	144,928	2.99%
Collin County Community College District	31,696	914,127	3.47%
Dallas County Community College District	72,089	2,606,067	2.77%
Galveston College	2,210	329,431*	0.67%
Houston Community College System	46,513	2,426,057	1.92%
Lee College	7,725	99,528	7.76%
Lone Star College System District	73,680	2,447,494	3.01%
San Jacinto College	35,416	572,500	6.19%
Tarrant County College District	57,389	1,780,150	3.22%

*2016 Galveston County Population