

Portland Community College

Public Hearing

\$185 million General Obligation Bond Measure No. 26-196

For the November 17, 2017 Special Election

“Bonds to construct job training space, improve classrooms, safety, technology”

TSCC Hearing Information:

Date: Thursday, September 21, 2017

Time: 3:00 PM

Place: Portland Community College, Rock Creek Campus

Room: Events Center- Building 9

The Public is invited and public testimony will be taken.

General Obligation Bond Issue Measures

The Oregon Constitution and statutes give municipal corporations authority to incur debt to finance government functions.

One form of debt is Unlimited Tax General Obligation Bonds (GO Bonds). When GO Bonds are issued, the municipality pledges to make payments on the bonds from any unrestricted resources. Few municipal corporations have enough unrestricted revenue available for this purpose, so they commonly ask the voters to authorize a dedicated property tax levy to generate revenue to pay the debt service.

The Oregon Constitution and statutes confine the use of GO Bonds to:

...costs of land and of other assets having a useful life of more than one year, including costs associated with acquisition, construction, improvement, remodeling, furnishing, equipping, maintenance or repair.

GO Bond levies have the advantage that they are not subject to property tax limitations. Passing a GO Bond measure does not reduce a jurisdiction's other property tax revenue, nor does it impinge upon overlapping districts' property tax revenues. GO Bond measures are not reduced by compression.

GO Bond levies are dollar-amount levies. A district with a GO Bond levy determines the amount of money it needs to pay debt service on the issue in the coming year and instructs the County Assessor to levy that dollar amount. The Assessor converts that dollar amount into a rate.

While the rate will not be reduced by compression, it may be reduced by an urban renewal levy if any portion of the district is in an urban renewal area. And all property tax revenues



are subject to a percentage lost to discounts taken by taxpayers and by non-payment. So the taxing district has to gauge its dollar amount request to incorporate these losses.

The project information in the bond measure is the taxing district's commitment on how the bond proceeds will be spent. Should the district spend the proceeds in ways contrary to the bond measure, then the tax levy loses its exemption to tax limitations.

Ultimately, the exact levy amount and rate cannot be known until the bonds are sold, so all the bond-specific information in the bond measure (except the maximum amount of the issue) is an estimate.

District Background

Geography and Governance

Portland Community College (PCC) is the largest higher education institution in the state. It spans portions of five counties: Multnomah, Washington, Clackamas, Columbia, and Yamhill; about 1,500 square miles and a population of about 1.3 million people. The Real Market Value of property within its boundaries is \$213 billion and the Assessed Value for tax purposes is \$121 billion. 51% of that value is in Multnomah County.

The College is governed by a seven member board that serves without compensation. Board members are elected by zones to four-year terms. The Board:

- Selects the President;
- Approves the hiring of other staff and faculty;
- Approves the College budget; and,
- Establishes policies which govern the operation of the College

PCC is one of two taxing districts in Multnomah County to operate on a biennial budget. The College's budget period is synchronized with the state's biennial budget calendar.

Facilities

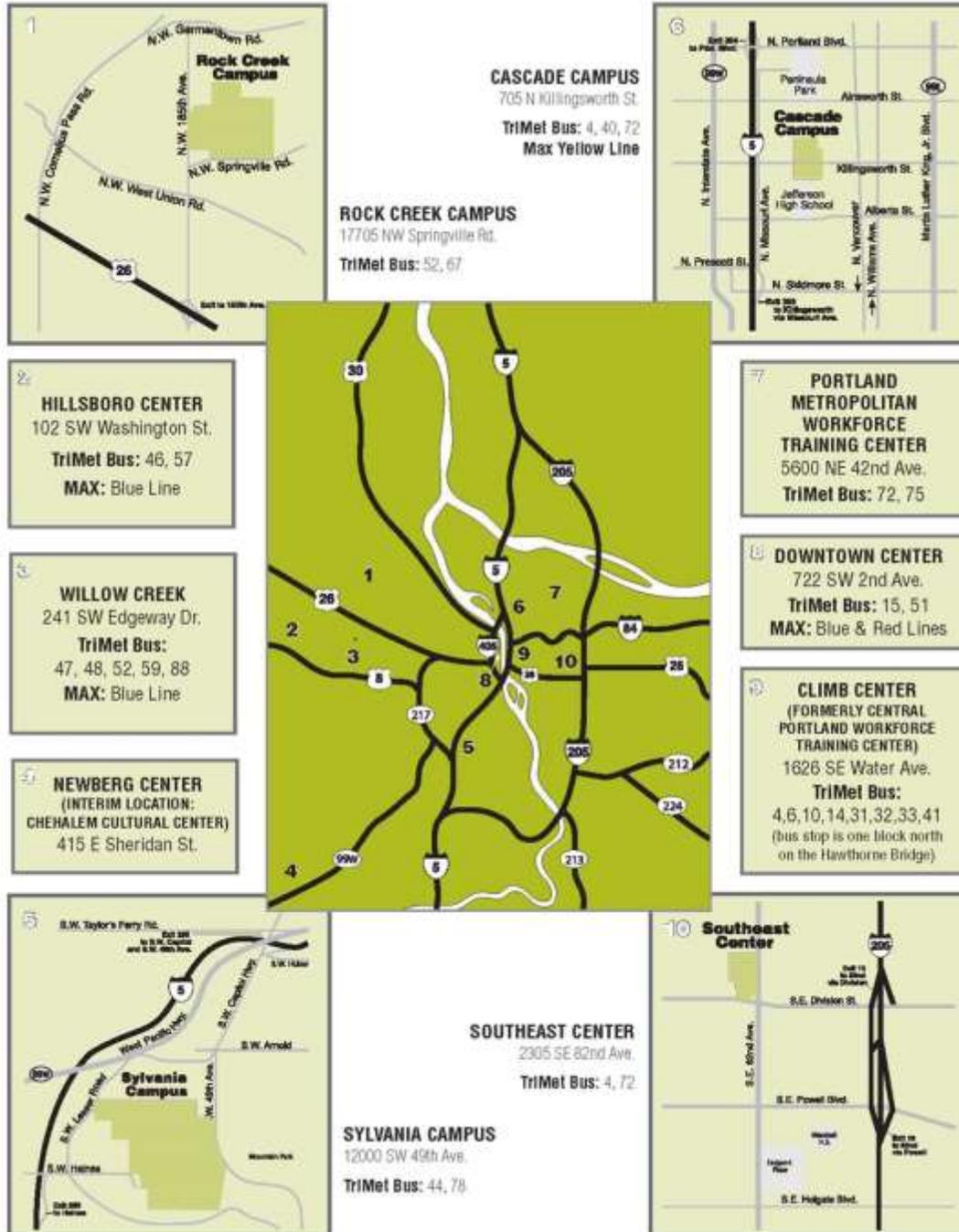
The College offers programs at four main campuses:

- **Sylvania:** located in suburban southwest Portland between Lake Oswego, Tigard and Portland. This campus is the largest of PCC's campuses, serving about 10,000 full-time equivalent students annually.
- **Rock Creek:** located approximately 15 miles west of downtown Portland serving the Beaverton-Hillsboro area of Washington County. This campus serves about 8,000 full-time equivalent students annually.
- **Cascade:** located in a North Portland urban setting with easy access to public transportation. Approximately 5,000 full-time equivalent students attend classes here.



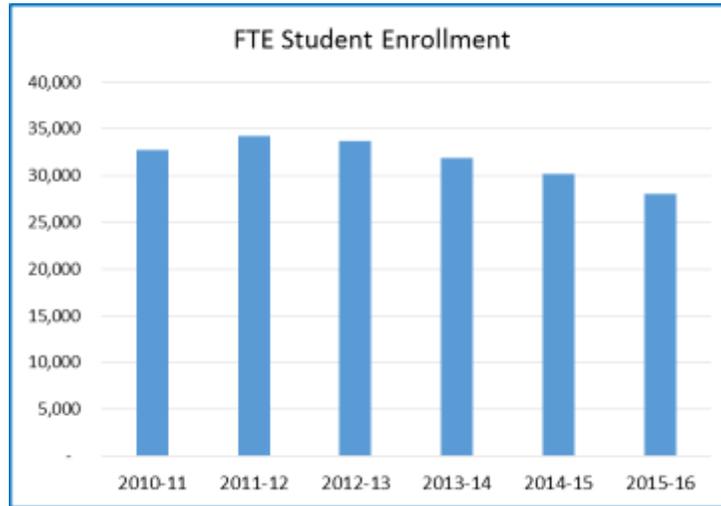
- Southeast:** located in southeast Portland at SE 82nd Avenue and Division Street. This campus serves about 4,000 full-time equivalent students each year.

Classes are also offered at multiple smaller facilities as far away as Myrtle Creek, Astoria, and Hood River.

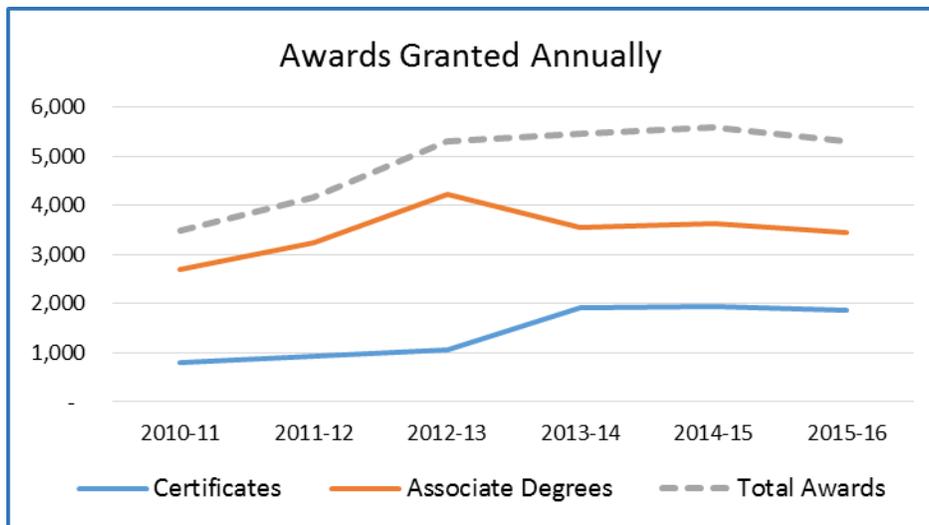


Students

PCC enrolled about 28,000 FTE students in 2015-16. College staff report that enrollment fluctuates inversely with the economy. The following graph illustrates falling enrollment during the current economic expansion.



The annual number of awards granted peaked at 5,600 in 2014-15.



GO Bond History

PCC has three outstanding GO Bond issues. All original issues funded facility and equipment capital improvements on college campuses. The most recent issue was a refunding issue in 2015 which will be paid in full in the current fiscal year (2017-18).

PCC’s tax base covers half of Multnomah County and extends into four surrounding counties. As shown in the following chart, 45% of the tax base is in Multnomah County. Multnomah County taxpayers paid \$39.57 per \$100,000 of Assessed Value in 2016-17 for PCC GO Bond taxes.

Portland Community College Registry of Long Term Indebtedness (Unaudited) 2016-17							
	Date of Issue	Amount of Original Issue	True Interest Cost %	Amount Outstanding 6/30/2016	2016-17 Principal	2016-17 Interest	Amount Outstanding 6/30/2017
General Obligation Bonds:							
	2009	\$ 200,000,000	4.28	\$ 151,925,000	\$ 8,575,000	\$ 7,596,250	\$ 143,350,000
	2013	174,000,000	1.12	158,615,000	6,235,000	7,030,988	152,380,000
	2015	34,945,000	0.69	24,555,000	11,750,000	1,227,750	12,805,000
	Total General Obligation Bonds	\$ 408,945,000		\$ 335,095,000	\$ 26,560,000	\$ 15,854,988	\$ 308,535,000
						Current Annual GO Bond Debt Service Payment:	\$ 42,414,988
						Multnomah County Portion of Debt Service	\$ 19,199,297
						Multnomah County as a Portion of Total Debt Service	45%
						Multnomah County Portion Tax Rate:	\$ 0.3957
						Multnomah County Tax Rate per \$100,000 AV:	\$ 39.57

The proposed bond measure has been sized to replicate the 2015 Refunding issue such that the total GO Bond tax rate does not increase.

2017 General Obligation Bond Measure

The 2008 bond measure was designed to add and expand college facilities. This 2017 bond measure is intended to modernize existing facilities. In the fall issue of *PCC Communities Magazine*, the College describes the difference between the two measures like this:

Unlike the 2008 voter-approved bond measure, which earmarked \$374 million toward building renovation throughout the district and the addition of needed facilities—like a comprehensive campus in southeast Portland and the Swan Island Trades Center—the 2017 bond measure is geared more toward protecting and maintaining the life expectancy of its existing physical structures, in addition to upgrading technology needed to achieve this.

The bond measure’s Summary (Attachment 1) lists several projects “expected” to be funded by this bond. Other college documents list the following proposed projects and their costs.



1. Improve facilities for workforce program

- **Replace Portland Metropolitan Workforce Training Center: \$25M**
Demolish two buildings and replace them with one multi-story building of approximately 35,000 square-feet.

The Portland Metropolitan Workforce Training Center (PMWTC) is located in urban northeast Portland (5600 NE 42nd Ave.) and is part of PCC's Extended Learning Campus. Opened in 1998, PMWTC's primary program is called the Steps to Success, an employment and training program designed to help people receiving public assistance develop their skills and position them to be competitive for family wage jobs. Some PCC Community Education classes are also offered at PMWTC.



The Portland Metropolitan Workforce Training Center hosts job fairs almost every Friday (called "Employment Marketplace") that feature local companies as Fred Meyer, Providence, Columbia Sportswear, American Red Cross, Oregon State Police and Nationwide Insurance.

2. Invest in facilities for health professions, science, technology, engineering, and math educational

- **Renovate Health Technology Building on PCC's Sylvan Campus: \$30M**

The purpose of this project (and the following project) is to improve Health Professions Training and STEM Education. Funding is shared: \$22M from this proposed bond and \$8M in matching funds from State of Oregon. The project includes upgrading seismic, safety, and accessibility systems in the building and realigning spaces to better accommodate academic programs in nursing, radiography, science, fitness programs and Makerspaces.



- **Health Inter-professional Training: \$3M**
Development or redesign of space to be utilized for inter-professional training for PCC's current allied health programs. Creation of new simulation labs, done in conjunction with partner healthcare institutions.

- **Capital Equipment: \$2M**
 Invest in Capital equipment needed to support academic and training programs. This allows the College to stay current with the latest technology and offer students a quality academic experience.

3. Safety, Security and ADA

- **Extend Lifespan of PCC Facilities: \$36M**
 College-wide upgrades to improve sustainability, energy efficiency, accessibility, and safety.
- **Information Technology: \$20M**
 Improvements range from classroom technology upgrades to disaster recovery.
- **Programs for Children: \$23M**
 Upgrades and expansion of security systems College wide: mass notification, access control, cameras, distributed antennae systems, and more. Construct a new 8,000 square foot Child Development Center on Rock Creek Campus. The college will partner with a local provider to offer child development services to students and staff.
- **Facility improvements to meet safety, ADA, and transit needs: \$6M**
 Site improvements for ADA, campus access, and transit needs in partnership with TriMet and paving of a Rock Creek Campus gravel parking lot.
- **Cascade Public Safety Building: \$3M**
 Construct a new building on the Cascade Campus to provide offices for campus safety in partnership with City of Portland Police Bureau.
- **Facilities Planning Phase 2: \$2M**
 The college will use funds from this bond to develop a comprehensive approach to facilities planning for future capital expenditures.

Project List	
May 2017 Presentation to PCC Board of Directors (in \$ Millions)	
Replace Portland Metropolitan Workforce Training Center	\$ 25
Renovate Health Technology Building	22
Health Inter-professional Training	3
Capital Equipment	2
Extend Lifespan of PCC Facilities	36
Information Technology	20
Programs for Children	23
Facility improvements to meet safety, ADA, and transit needs	6
Cascade Public Safety Building	3
Facilities Planning Phase 2	2
Total	\$ 150

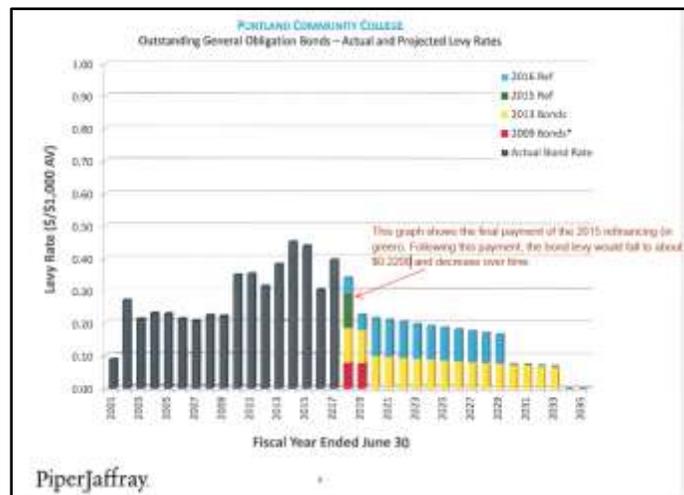


State Grant

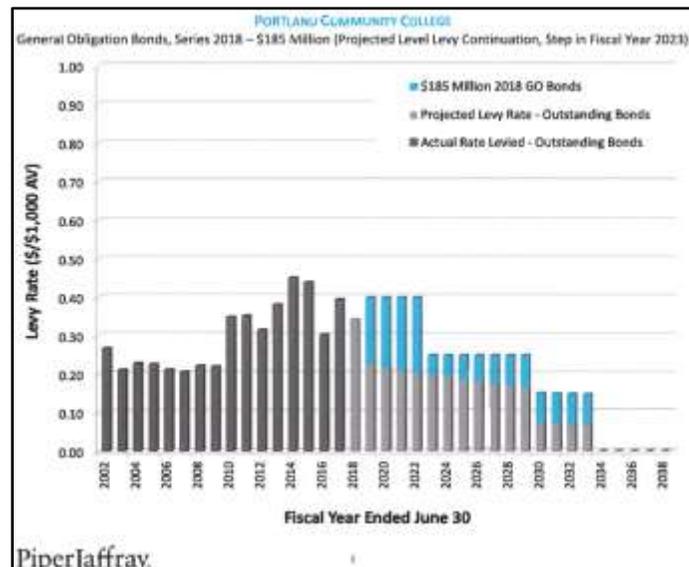
With this bond in hand, the College will receive an \$8 million state grant to help offset the costs of replace the Health Technology Building. The grant award is contingent on this measure.

Bond Financial Information

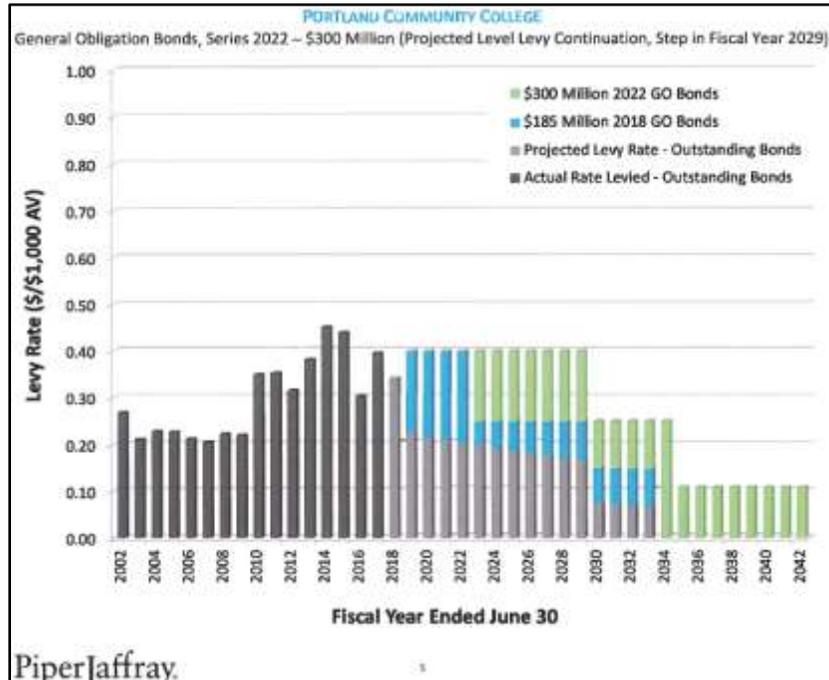
As shown above in the Debt History section, the College has three outstanding GO Bond levies. One, the 2015 refunding, will be paid in full in fiscal year 2017-18. The following chart shows the historic and projected bond rates, including the rate decrease when that issue is paid off.



The College has sized this new bond measure to replace the expiring levy in order to maintain a levy debt levy as shown in the next chart.



The levy rate drop down in 2023 would allow the College to add another debt issue in 2022 in the amount of \$300 million and maintain the constant \$0.4000 GO Bond levy rate. Funding is included in the 2017 bond to plan for the projects to be included in the 2022 bond.



Assumptions

This analysis was based on the following assumptions, which seem reasonable to TSCC staff. The Net Assessed Value of \$121 billion is in five counties: the district’s area in Multnomah County is assessed at \$61.5 billion, just over half of the total value.

Bond Issue Data		2017 Property Tax Data (000s)	
Dated Date:	03/15/2018	Total Assessed Value:	\$ 127,057,705
First Coupon:	12/15/2018	Less Standard Rate Urban Renewal Value:	3,985,795
Final Maturity:	06/15/2033	Assessor Value (Benefits Approved After 2001)	\$ 123,671,910
Term (years):	15.25	Less Reduced Rate Urban Renewal Value:	2,772,506
Current Market Rates Plus:	1.00%	Net Assessed Value (Bonds Approved Before 2001)	\$ 123,899,404

SUMMARY		Structuring Assumptions			
Issue Amount:	\$ 185,000,000	AV Growth	Tax Collections**		
Current Interest Bonds	100% \$ 185,000,000	2018	3.00%	2018	96.5%
Deferred Interest Bonds	0% \$ -	2019	3.00%	2019	97.0%
Total Interest Cost:	\$ 50,137,577	2020	3.00%	2020	97.5%
Interest Cost as a Percent of Par:	27%	2021	3.00%	2021	97.5%
		Thereafter	3.00%	Thereafter	97.5%



Cost to Taxpayers

For the next ten years, the debt service on *existing* bonds will be about \$28.5 million annually and cost tax payers about \$19 per \$100,000 of Assessed Value. If approved, the new issue will increase the debt service to an average of \$53.5 million annually for the next four years, and double the cost to taxpayers to \$40 per \$100,000 of Assessed Value. This proposed issue is structured so that the levy drops significantly in 2023.

There are 58 levy code areas in PCC’s district in Multnomah County. The total 2016-17 tax rates for those levy code areas ranged from \$13.4510 (in a rural area) to \$23.8691 (in an urban area). The two outlier tax code areas are shown in the following chart.

Area Code 090 (Rural)			Area Code 090 (Urban)		
	Limited	Bonds		Limited	Bonds
Portland CC	\$ 0.2828	\$ 0.3957	Portland CC	\$ 0.2513	\$ 0.3547
NW Regional ESD	0.1538	-	Multnomah ESD	0.4102	-
Scappoose SD	4.9725	1.9277	Portland SD	6.6725	0.9510
Port of Portland	0.0701	-	Port of Portland	0.0633	-
West Mult S&WCD	0.0750	-	City of Portland	6.7319	0.2393
Multco	5.5734	-	Ramsey Waite Rd Dist	0.3166	-
	<u>\$ 11.1276</u>	<u>\$ 2.3234</u>	East Mult S&WCD	0.0640	-
			Metro	0.1831	0.1856
			Multco	4.9975	-
			Urban Renewal	2.4481	-
				<u>\$22.1385</u>	<u>\$ 1.7306</u>
Total		\$13.4510			\$23.8691

The total tax bill ranges from \$1,345 per \$100,000 AV in the rural area to \$2,387 per \$100,000 AV in the urban area.

The following chart (prepared for Mt. Hood Community College’s recent bond measure) compares the current tax rates for Oregon community colleges. It shows that PCC is in the middle of the pack with a rate of \$0.6785

Community College	Net Assessed Value	2017 Levy Rates			
		Permanent Rate	Local Option Rate	Bond Rate	Total District Rate
Treasure Valley	1,961,033,816	1.2235	-	-	1.2235
Clatsop	5,875,646,334	0.7785	-	0.1708	0.9493
Chemeketa	34,493,344,837	0.6259	-	0.2759	0.9018
Blue Mountain	12,015,288,337	0.6611	-	0.2093	0.8704
Lane	31,914,775,141	0.6191	-	0.2228	0.8419
Central Oregon	26,109,824,764	0.6204	-	0.1221	0.7425
Southwestern	8,398,487,825	0.7017	-	-	0.7017
Portland	61,549,785,748	0.2828	-	0.3957	0.6785
Linn-Benton	16,491,636,088	0.5019	-	0.1748	0.6767
Columbia Gorge	4,334,793,530	0.2703	-	0.3420	0.6123
Clackamas	34,442,335,779	0.5582	-	0.0374	0.5956
Rogue (Jackson Co Bonds)	26,445,076,491	0.5128	-	0.0567	0.5695
Mt. Hood	6,669,787,380	0.4917	-	-	0.4917
Umpqua	8,430,964,010	0.4551	-	-	0.4551
Tillamook Bay	4,643,768,539	0.2636	-	0.1639	0.4275
Klamath	5,117,910,145	0.4117	-	-	0.4117



Accounting

Oregon's Local Budget Law requires that revenue legally dedicated for specific purposes be budgeted in a separate fund to ensure that revenue is only spent for the purposes authorized. PCC already isolates its bond levy tax receipts in a GO Bond fund which is also used to pay bond debt service.

Monitoring

Unlike other districts, the college does not have a citizen bond oversight committee and this bond measure does not establish one.

TSCC monitors reviews bond levies a part of its annual budget review process. The taxes levied to cover General Obligation Debt, are reviewed and compared to the payment schedule. TSCC staff will question proposed levies in excess of revenue reasonably needed to pay current debt service.

Summary

Type of Levy: General Obligation Bonds for Facilities Capital Projects and Capital Equipment.

Funding Provided: \$185 Million, restricted to listed capital project types.

Period: Anticipated term of bonds is no more than 16 years.

Estimated Rate: \$0.1700 to 0.2000 per \$1,000 AV for the first four years. The debt service is structure so that the rate will decrease to \$0.0500 in the fifth year and continue at that lower level for the duration of 11 more years.

Forecast Revenue Generated: \$25 million initially, decreasing to \$7 million in year five.

Projects: This bond measure will allow the College to build, upgrade, or modernize four specific buildings. The Bond Summary is written very broadly to allow for other capital projects and capital equipment acquisition.

Attachment A: Ballot Title and Explanatory Statement

CAPTION: (10 WORD LIMIT)

Bonds to construct job training space, improve classrooms, safety, technology.

QUESTION: (20 WORD LIMIT)

Shall Portland Community College construct, expand, modernize facilities; estimated to maintain current tax rate by issuing \$185 million in bonds? If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

SUMMARY: (175 WORD LIMIT)

Projects expected to be financed with bond funds include:

- Construction and improvements to provide students with up-to-date job training spaces;
- Acquisition of modern technology and equipment;
- Improvements to transit and disability access;
- Projects to increase facility lifespan and efficiency through energy efficiency, heating, ventilation, air conditioning, electrical, plumbing, and sustainability improvements;
- Site improvements, demolition, furnishing, equipping, acquiring or purchasing land, bond issuance costs;
- Modernizing the Portland Metropolitan Workforce Training Center;
- Improving the Sylvania Campus Health Technology Building and Health Inter-Professional Training Facility;
- Constructing child care facility on Rock Creek campus;
- Upgrading Cascade Public Safety Building and enhancing safety and security district wide.

If bonds approved, matching state funds of \$8 million would be available to reduce overall cost to taxpayers.

PCC will conduct, issue annual audits to ensure funds used as intended.

Bonds would mature in not to exceed 16 years from issuance. Bond cost estimated to maintain fiscal year 2017 rate of 40 cents per \$1,000 of assessed value. Actual rates may differ and depend on interest rates incurred and assessed value growth.

The following authorized District Official hereby certifies the above ballot title is true and complete:

Signature of authorized District Official

Date signed

Printed name of authorized District Official

Title

