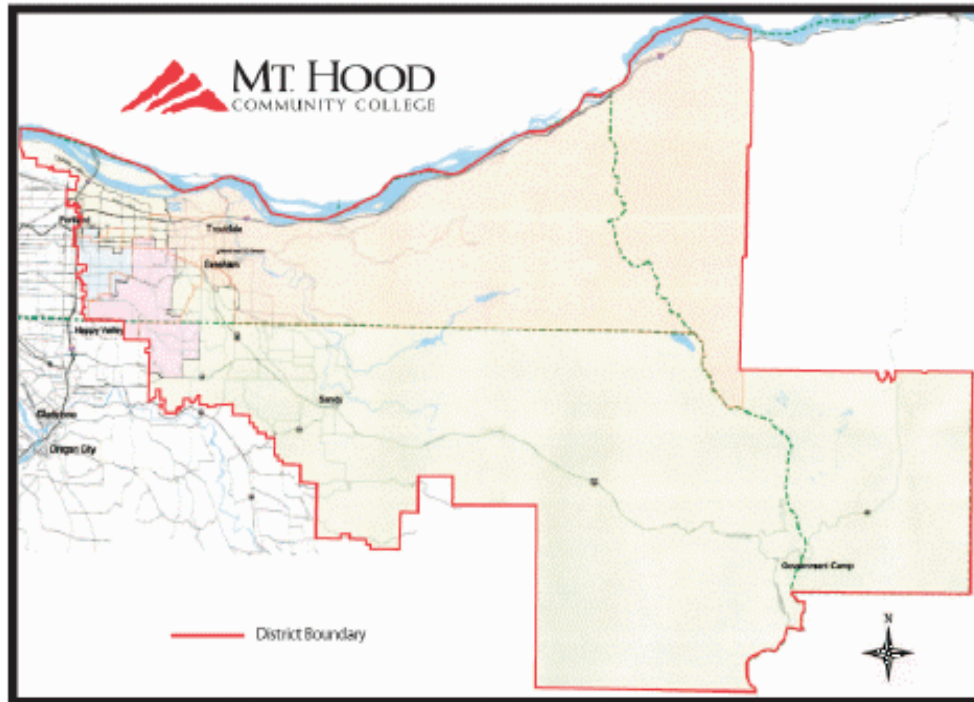


# TSCC Budget Review 2017-18

## Mt. Hood Community College

### 1. Introduction to the District

MHCC serves a population of over 270,000 within an area in excess of 950 square miles. Boundaries encompass all of Multnomah County east of the Portland School District, the northwest portion of Clackamas County, and a small portion of Hood River County (Cascade Locks). A 225-acre college campus is located in Gresham. The district also offers instructional programs at The Bruning Center for Allied Health Education, at its Maywood Campus in the City of Maywood Park, at various schools and other locations throughout the district.



### 2. History

A seven member board governs the College without compensation. All board members are elected to four-year terms: five are elected from zones and two are elected at large.

Community College curriculum is intended to provide broad, comprehensive programs in academic, professional and technical subjects. It is designed to provide two-year programs for some, serve a transitional purpose for others who will continue college work, and to aid others in determining future educational needs. Admission to the college is open to all high school graduates and non-graduates who can benefit from the instruction offered. The college is prohibited from becoming a four-year institution.

In recent years, Mt. Hood Community College has worked to form partnerships with local school districts, other community colleges, Eastern Oregon University and Portland State University to offer expanded educational programs for students.

### 3. Strategic Plan / Performance Objectives

The district is in the second year of utilizing its strategic plan. The college continued to focus on the following themes during budget development:

- Learner success
- Community pride
- Partner innovation

### 4. The Budget in Total

As during previous years, this budget was developed during a period of operational deficits: revenue from the state and tuition will not be enough to adequately fund expenditures. This budget is very purposeful in addressing the deficit through reallocating existing resources and reviewing for cost containment strategies. The 2017-18 Budget assumes:

- Community College Support Fund allocation of \$550.0 million to be distributed among the Oregon community colleges
  - MHCC's share estimated at \$26.0 million
  - Assumes state funding at 2015-17 levels
- No enrollment growth during the biennium
- Use of reserves to fund operations reduces fund balance below Board-policy levels
  - Additional revenue beyond what is anticipated will be dedicated to rebuilding fund balance

<b>Mt. Hood Community College</b> (\$ Millions)	<b>2014-15</b> <b>Actual</b>	<b>2015-16</b> <b>Actual</b>	<b>2016-17</b> <b>Budget</b>	<b>2017-18</b> <b>Budget</b>
Total Budget All Funds	\$ 145.5	\$ 136.8	\$ 357.8	\$ 276.8
% Change	-3.9%	-6.0%	+161.6%	-22.6%
Total Beginning Fund Balance All Funds	\$ 11.1	\$ 14.7	\$ 8.0	\$ 8.5
% Change	-20.9%	+32.4%	-45.6%	+6.4%
Total Ending Fund Balance All Funds	\$ 14.7	\$ 16.2	\$ 1.3	\$ 1.3
% Change	+27.8%	+10.2%	-92.0%	-0.2%

The 2017-18 Budget decreases by \$81.0 million (22.6%). In both 2016-17 and 2017-18, the district budgeted for debt proceeds approved through general obligation (GO) bond measures. In 2016-17, the GO bond measure requested authority to issue \$125.0 million for capital improvements; the bond measure was rejected in May 2016. Due to the outstanding need for facility repairs and seismic upgrades at the 50-year-old campus, the MHCC board chose to scale back the original bond request amount to \$75.0 million and request voter-approval in May 2017; this bond measure was also rejected. If the debt proceed amounts are removed from both years, the budget for 2017-18 decreases \$31.0 million, or 13.3%.

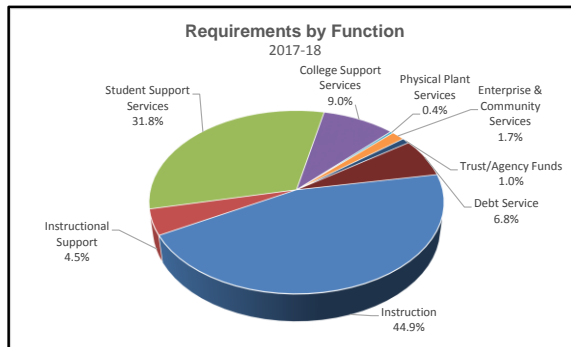
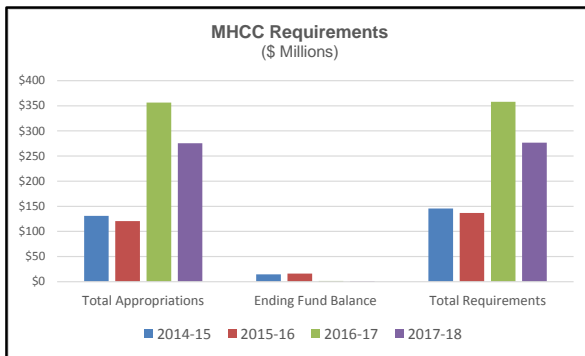
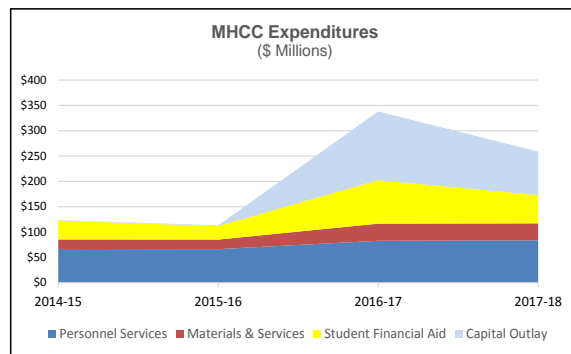
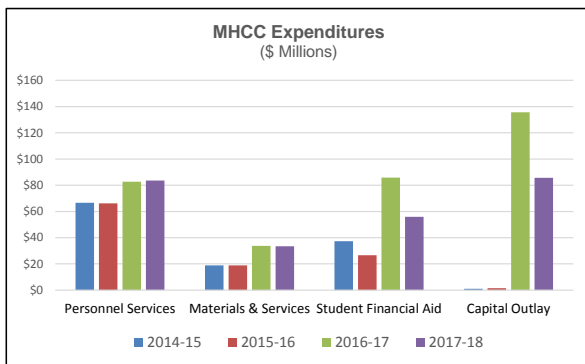
### Expenditures (All Funds)

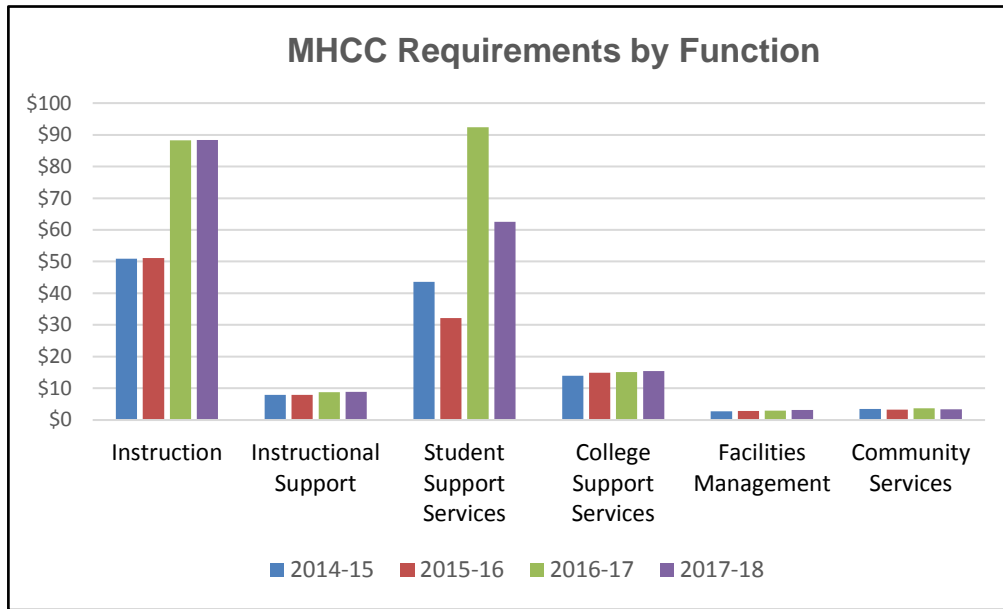
Expenditures (requirements less ending fund balances, contingency and transfers) are decreasing from \$352.2 million to \$272.0 million, a 22.8% reduction in 2017-18. Removing the \$75.0 million and \$125.0 million capital outlay associated with the debt issuance in 2017-18 and

2016-17, respectively, reduces the expenditure decrease to \$30.5 million, or 13.4%, from current levels.

The total budget - without GO debt - has increased by almost 58.2% since 2015-16. This is due almost exclusively to a large increase in Federal funding (student grants, aid, and loans) that began in 2016-17 and continues in the upcoming year, although at reduced levels. The district budgets liberally when anticipating federal funding. This means that the college assumes all students will be full-time and qualify for financial aid and budgets at levels higher than what the district will actually receive. In 2017-18, MHCC reduced the aspirational amount expected to more realistic levels, however, the budgeted amount is double what was actually received in 2015-16. Federal funding for projects at the campus remains unchanged from the current year.

Mt. Hood Community College				
Total Requirements - All Funds Combined (\$ Millions)				
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud	2017-18 Budget
Personnel Services	\$ 66.6	\$ 66.2	\$ 82.7	\$ 83.6
Materials & Services	18.8	18.9	33.8	33.5
Student Financial Aid	37.2	26.5	85.8	55.8
Capital Outlay	1.0	1.5	135.6	85.7
Debt Service	6.5	6.7	14.3	13.3
Total Expenditures	\$ 130.1	\$ 119.8	\$ 352.2	\$ 272.0
Fund Transfers	0.7	0.8	1.0	1.0
Contingencies	-	-	3.2	2.4
Ending Fund Balance	14.7	16.2	1.3	1.3
<b>TOTAL REQUIREMENTS</b>	<b>\$ 145.5</b>	<b>\$ 136.8</b>	<b>\$ 357.8</b>	<b>\$ 276.8</b>





- Services at the college are grouped into the following functional categories: Instruction, Instruction Support, Community Services, Student Services, College Support Services, and Facilities Management.
- Instruction: expenditures for all activities that are part of the College's instruction program
  - Credit and non-credit courses
  - Lower division transfer, professional technical, remedial, and tutorial instruction programs
  - \$88.5 million budgeted, increases 0.2%
- Instructional Support: expenditures to provide support services for instruction
  - Academic deans and office operations
  - Library services
  - Research and planning
  - \$8.9 million budgeted, increases 2.7%
- Student Services: expenditures for the primary purpose of contributing to students' emotional, physical, cultural and social development outside of formal instruction programs
  - Office of Admissions and Registrar
  - Student activities, cultural events, athletics (intramural and intercollegiate), student organizations, counseling and career guidance and student health services
  - \$62.6 million budgeted, decreases 32.3%
    - Decrease reflects more realistic funding levels for student grants, aid, and loans

- College Support Services: funding for activities concerned with management and long-range planning for the entire institution
  - \$17.8 million budgeted, increases 3.0%
- Facilities Management: expenditures required in the maintenance, expansion, and acquisition of buildings, grounds and other facilities required to operate the College
  - Without GO Bond expenses for facility improvements: \$0.7 million budgeted, increases 6.0%
- Community Services: provides non-instructional services beneficial to groups outside of the College
  - Concerts, plays, lectures
  - Campus radio station
  - Contributions to transportation and childcare provided for non-student members of the community
  - \$3.3 million budgeted, decreases 10.8%

The College reallocated funding to support the following priorities.

- Increase safety and security
  - Adds public safety officer for summer months
  - Funds safety equipment and training
  - Provides for emergency notification system for students and staff
- Continue to invest in environmental sustainability
  - Adds sustainability specialist position
    - Funded through utility savings generated through centralization of class locations during low use periods
- Implement Mechatronics Program
  - Mechatronics combines multidisciplinary engineering fields and applies those skills to complex systems involved in the design and manufacture of products
- Fund improvements to system future efforts in Guided Pathways and student completion
- Provide support for students outside of the main campus
  - Increases advising and support staff at the Maywood Park Center and in programs that support high school students earning college credit
- Allocates staff for access, equity and inclusion efforts
- Implements Certified Medical Assistant instructional program
  - Provides for employments needs of health care providers
  - Planned spring 2018 cohort start date

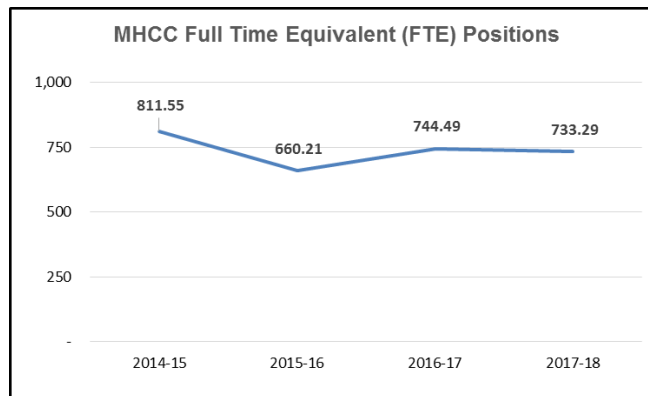
Mt. Hood Community College (\$ Millions)	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget
Personnel Services	\$ 66.6	\$ 66.2	\$ 82.7	\$ 83.6
Materials & Services	\$ 18.8	\$ 18.9	\$ 33.8	\$ 33.5
Student Financial Aid	\$ 37.2	\$ 26.5	\$ 85.8	\$ 55.8
Capital Outlay	\$ 1.0	\$ 1.5	\$ 135.6	\$ 85.7

**Personnel Services:**

Total spending for salaries, payroll taxes and benefits for employees is increasing 1.1% to a total of just over \$83.6 million for 2017-18. The College President’s budget message identifies areas where new legislation has affected expenditures. Most of the areas increase personnel services:

- Paid sick leave for part-time employees
- Increases to the minimum wage
- New definitions for full- and part-time work
- Increasing health care costs
- Increasing PERS costs

Funding to address these issues are included in this budget. The increased costs are offset by a reduction in number of employees.



MHCC Personnel Services Costs Per FTE				
	2014-15	2015-16	2016-17	2017-18
Personnel Services	\$ 66,554,156	\$ 66,223,992	\$ 82,703,764	\$ 83,646,519
Full Time Equivalent Positions	812	660	744	733
Cost Per FTE	\$ 82,009	\$ 100,307	\$ 111,088	\$ 114,070
Annual Percent Increase		22%	11%	3%

The 2017-18 Budget assumes:

- Cost of living adjustment (COLA) increases 2.0% for faculty and classified employees
  - No COLA budgeted for non-represented positions
- Merit/step increases for all employees, if eligible

- Equivalent to about 2.5%
- PERS employee contribution by MHCC is 6.0%

**Materials and Services:**

Expenditures for Materials and Services, excluding student financial aid payments, are decreasing by \$0.3 million, or 1.0%. Materials and Services includes \$1.6 million to purchase merchandise for sale in the Bookstore Fund. This amount is a reduction of just over \$0.3 million and reflects static enrollment numbers.

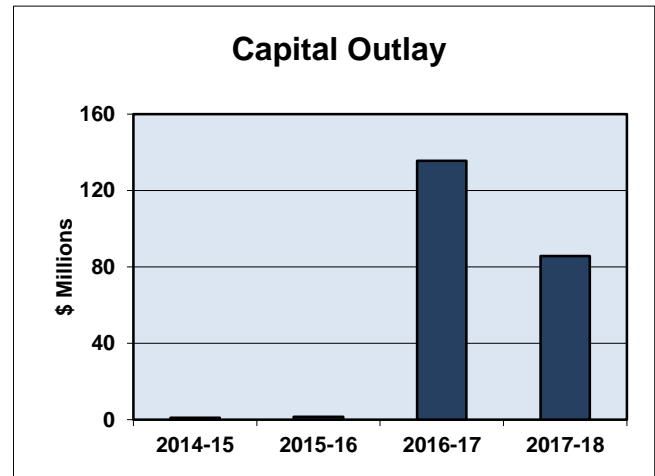
**Student Financial Aid:**

Expenditures for Grants-in-Aid and Student Loans are budgeted to decrease by 34.9%. Starting in 2012-13 the College began utilizing a new method of estimating financial aid whereby it assumes all students will be full-time and qualify for financial aid. In 2017-18, MHCC reduced the aspirational amount expected to more realistic levels, however, the budgeted amount is double what was actually received in 2015-16. The bulk of financial aid is in the form of direct student loans or Pell Grants.

**Capital Outlay:**

Capital outlay decreases exponentially, from \$135.6 million to \$85.7 million in this budget. Besides capital outlay budgeted in the General Fund, capital outlay expenditures are also budgeted in:

- Capital Projects Fund: \$75.0 million
- Associated Student Government Fund: \$250,000
- Physical Plant Maintenance Fund: \$58,000
- Aquatics Fund: \$44,611
- Clubs Fund: \$5,000
- Trusts Fund: \$5,000



The Federal, State and Special Projects Fund has \$10.0 million budgeted as Capital Outlay in both 2016-17 and 2017-18. The amounts are “placeholders” to be used in the event the college receives grants for capital projects. No specific grants/projects have yet been identified. Actual expenses for capital outlay in this fund total \$445,191 and \$753,627 in 2014-15 and 2015-16, respectively.

**Contingency and Ending Fund Balance:**

In 2011 the College Board adopted financial policies calling for 3% contingency and 2% in ending fund balances. Contingency across all funds totals just over \$2.4 million.

- \$1.3 million in the General Fund
- \$1.0 million in the Federal, State & Special Projects Fund
- \$0.1 million in the Associated Student Government Fund

- New in 2017-18

Ending fund balances across all funds total just over \$1.3 million, a 0.2% decrease.

The 2017-18 Budget funds reserves below Board policy. Presenting the board with a budget below the minimum 5% combined contingency and ending fund balance requires a plan to replenish reserves within two years. The plan to restore reserves includes:

- Review of Hospitality and Tourism Program curriculum
  - Vacant faculty position will not be filled in 2017-18
- Review of Intensive English for College and Careers (IECC) coursework
  - Reduce number of cohorts offered
  - Combine reading and writing courses for international and non-native English speakers
- Offer early retirement incentive for full time faculty
  - Creates vacancies and allows for select positions to be held
- Consolidate employee workload and create efficiencies for fewer or re-designed positions
  - Positions would be eliminated through attrition
- Review all program offerings

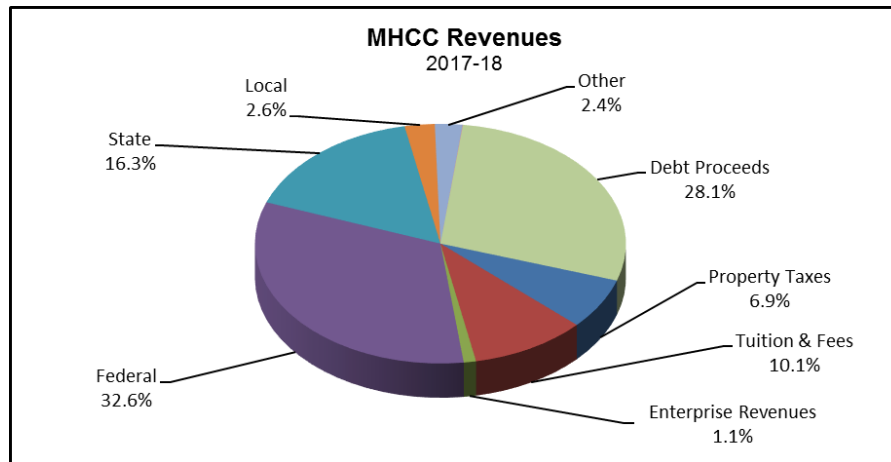
A report on the progress of the plan will be brought to the board in October 2017.

**Resources (All Funds)**

<b>Mt. Hood Community College</b>				
Total Resources - All Funds Combined				
(\$ Millions)				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
	<b>Actual</b>	<b>Actual</b>	<b>Rev. Bud</b>	<b>Budget</b>
Property Taxes	\$ 11.0	\$ 11.4	\$ 19.4	\$ 18.4
Tuition & Fees	29.1	25.8	25.2	26.9
Enterprise Revenues	3.6	3.0	3.3	2.9
Intergovernmental	82.2	75.3	169.3	137.7
Other/Interest	7.7	5.9	6.7	6.5
Debt Proceeds	-	-	125.0	75.0
Fund Transfers	0.8	0.8	1.0	1.0
Beginning Fund Balance	11.1	14.7	8.0	8.5
<b>TOTAL RESOURCES</b>	<b>\$ 145.5</b>	<b>\$ 136.8</b>	<b>\$ 357.8</b>	<b>\$ 276.8</b>

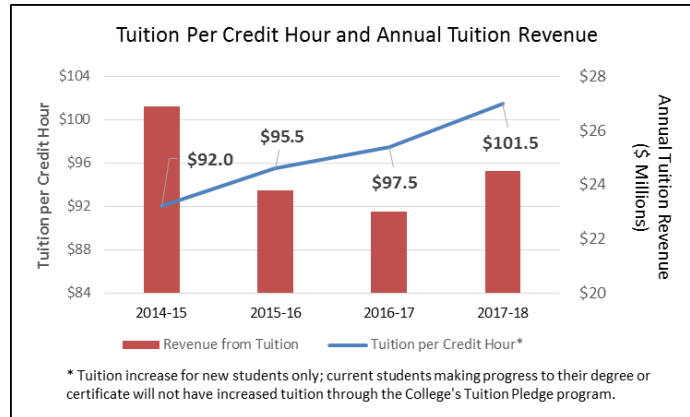
Federal and state support, tuition and fees, and property taxes represent the bulk of the revenues for the college. Total revenue (resources minus beginning fund balance and fund transfers) in all funds decreases to \$267.3 million (23.3%). If debt proceeds are removed, revenue decreases \$31.5 million, or 14.1%





- Property taxes are projected to decrease nearly \$1.0 million (5.1%)
  - Permanent tax rate of \$0.4917 per \$1,000 of assessed value
  - No outstanding general obligation bonds
    - This budget includes property tax revenue from proposed GO Bond levy passage in both May 2016 and May 2017; neither was approved
    - If property taxes from GO debt is removed, expected property tax revenue increases \$0.1 million, or 1.1%
- Funding from the state through the Community College Support Fund is expected to decrease \$1.6 million (5.6%)
  - State revenue from the Community College Support Fund accounts for 13.5% of all operating revenues (minus debt proceeds)
  - Assumes state support at 2015-17 funding level of \$550.0 million for community colleges
  - This budget also includes increased state funding in the Student Aid Fund as a placeholder for matching funds for facility improvements funded through GO bonds
    - Since GO bond measure did not pass, the college will not receive this funding from the state
- Revenue from Federal sources is decreases by \$33.0 million in 2017-18
  - Includes student grants, aid and loans
  - Funding expectations decreased to more realistic levels
  - Accounts for 45.3% of total operating revenues, excluding debt proceeds
- Tuition and fee revenue increases by 6.8% in this budget

- Tuition increase of \$4.00 per credit, based on Higher Education Price Index, for incoming students only. Current students progressing toward their degree or certificate will not pay increased tuition rates under the college’s Tuition Pledge program. Tuition revenue is the product of enrollment and tuition costs. The following chart shows that tuition increases have not offset the revenue losses from decreased enrollment.



- Enrollment for 2017-18 assumed to remain at current year levels
  - The Oregon Promise initiative, a state program to provide tuition-free education at the community college level, are expected to hold enrollment steady
  - Enrollment numbers assume funding for the Oregon Promise program in the 2017-19 biennium
  - If it is not funded, enrollment would likely decline

## 5. Analysis of the General Fund

Mt. Hood Community College (\$ Millions)	2014-15 Budget	2015-16 Actual	2016-17 Budget	2017-18 Budget
General Fund	\$ 69.3	\$ 71.0	\$ 70.3	\$ 70.3
Percent of change from Prior Year	-0.8%	+2.5%	+1.0%	+0.01%
General Fund Beginning Balance	\$ 4.3	\$ 6.3	\$ 6.0	\$ 6.4
Percent of change from Prior Year	-8.8%	+46.5%	-4.8%	+5.5%
General Fund Ending Balance	\$ 6.3	\$ 8.7	\$ 1.3	\$ 1.3
Percent of change from Prior Year	+48.5%	+38.1%	-85.1%	-0.2%

The General Fund, where most of the instruction and administrative costs are budgeted, increases by 0.01%, from \$70.278 million to \$70.285 million.

One activity previously budgeted in the General Fund – the Aquatics Center – was moved to its own enterprise fund in 2015-16. Actual expenses for aquatics programs in 2014-15 still reside in the General Fund.

### General Fund Expenditures:

All functions are increasing in this budget, with the exception of debt service. Expenditures for Instruction and Instruction Support are increasing 0.5% and 2.7%, respectively.

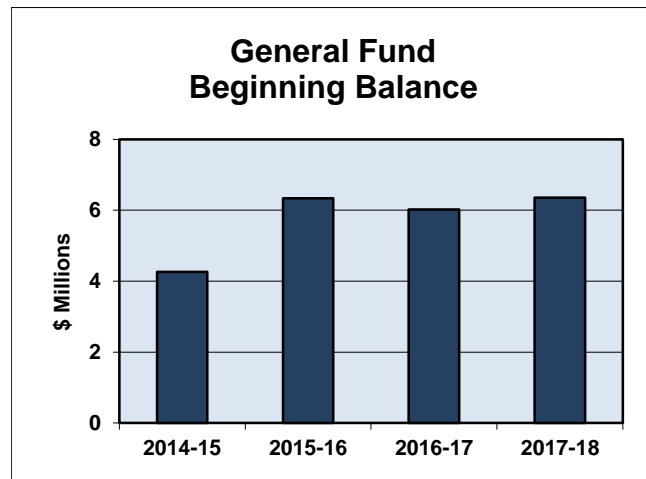
In 2017-18 reserves (ending fund balance plus general operating contingency) are budgeted at just under \$2.7 million, equal to 4.0% of total General Fund requirements. This compares to a reserve budgeted in 2016-1 of \$3.6 million, representing 5.4% of total requirements. Because the reserve levels are below the 5% minimum established by Board policy, the college must develop a plan to restore reserve levels.

### General Fund Revenues:

State revenue comprises the largest source of revenue for the General Fund, at 40.7% of total operating revenue. Revenue from the state is projected to decrease by 5.6%, from \$27.6 million to \$26.0 million. As part of the equalization formula for community colleges, state funding is based on a per student allocation and includes both state (income taxes) and local (property taxes) sources. A change to the formula starting in 2011-12 limits the growth in student FTEs used in the calculations in determining how much each community college is to receive from the total pot of money available. This will tend to benefit colleges that are growing more slowly than the state-wide average: typically smaller, rural community colleges.

Tuition & Fees make up the second largest source of revenue in the General Fund at 38.3% of operating revenue. Total tuition and fees are projected to bring in \$24.5 million in 2017-18, just over \$1.5 million more than the current fiscal year. This is the first year tuition is expected to increase although it is still budgeted \$2.4 million below the actual amount received in 2014-15.

The General Fund beginning fund balance increases 5.5%, from \$6.0 million to just under \$6.4 million for 2017-18. This balance is accrued primarily from underspending of budgeted amounts in prior years.



## 6. Analysis of Other Funds

### Aquatic Center Fund

One activity previously budgeted in the General Fund – the Aquatic Center – was moved to its own enterprise fund for 2015-16. This fund is used to account for the activities of the college's aquatic facility, allowing for greater transparency when budgeting and providing for more freedom in the generation of revenue at this facility. Revenue and expenses in the Aquatic Center Fund are similar to 2016-17 budget levels. The beginning fund balance is expected to grow each year; it is hoped that future profits from aquatics programming will fund all needed capital facility improvements.

### Capital Project Fund and Bonded Debt Service Fund

These funds were established to record property taxes, debt proceeds/service and capital outlay expenditures for facility improvements associated with the GO Bonds, as well as the anticipated debt service on the new issue. In 2017-18:

- \$6.2 million in property taxes was anticipated
- Debt proceeds of \$75.0 million were budgeted
- Debt payment was projected to be \$2.8 million for principal and \$3.4 million for interest
- \$75.0 million capital improvement funding was expected to be utilized

With the rejection of the GO bond measure in May 2017, these funds will not accrue any activity.

### 7. Debt Status

The College issued pension bonds to pre-pay the College's unfunded actuarial liability (UAL) as part of the Public Employees Retirement System (PERS) in 2003. A debt service fund for the Pension Obligation Bonds, paid for by an internal assessment on payroll, accounts for principal and interest payments in 2017-18.

The district also has six outstanding Full Faith & Credit obligations for technology upgrades, facilities improvements and new construction, and energy improvements:

- \$6.0 million in 2001 for technology and plant maintenance
- \$6.2 million in 2004 for technology and plant maintenance
- \$5.6 million in 2008 to fund the College's \$.25 million share of the Early Childhood Center
- \$11.1 million in 2009 for energy infrastructure improvements
- \$6.0 million in 2010 for replacement of the roof on the Academic Center building, installation of a new electrical distribution system, and purchase of 80 new multi-function devices (copier/printer/scanner)
- \$4.3 million in 2013 for energy improvements

Principal and interest payments for the Full Faith & Credit Obligations are paid out of the General Fund; a total of \$2.3 million is budgeted to pay this debt in 2017-18.

Mt. Hood CC	6-30-2014	6-30-2015	6-30-2016	6-30-2017 est.
Pension Bonds	38,612,680	37,253,054	35,887,793	34,521,705
Full Faith & Credit	29,425,000	28,230,000	26,955,000	25,600,000
<b>Total Outstanding Debt</b>	<b>68,037,680</b>	<b>65,483,054</b>	<b>187,842,793</b>	<b>60,121,705</b>

**8. Is the Budget in Sync with Strategic Plan/Performance Objectives?**

Strategic Plan/Performance Objectives	Budget Component
<b>Learner Success</b>	Increases advising staff to support students at Maywood Park Center and high school students earning college credit  Other program increases to more efficiently support students, from electronic time entry to diversity staffing and training on Title IX
<b>Community Pride</b>	Adds public safety officer for summer coverage when the college is at greater risk of vandalism  Invests in Sustainability Specialist position to help with environmental and national sustainability efforts
<b>Partner Innovation</b>	Implementation of Mechatronics Program <ul style="list-style-type: none"> <li>• Program combines multidisciplinary engineering fields and applies those skills to the design and manufacture of products</li> </ul> Development of Certified Medical Assistant instructional program <ul style="list-style-type: none"> <li>• Responsive to employment needs of health care providers</li> <li>• Planned spring 2018 cohort start date</li> </ul>

**9. Budget Process & Budget Compliance**

Yes	No	Compliance Issue (If not in compliance, explain below)
X		1. Did the district meet publication requirements?
X		2. Do resources equal requirements in every fund?
N/A		3. Does the G.O. Debt Service Fund show only principal and interest payments?
X		4. Are contingencies shown only in operating funds?
X		5. Did the budget committee approve the budget?
X		6. Did the budget committee set the levy?
X		7. Does the audit show the district was in compliance with budget law?

**10. Highlights of the 2017-18 Budget to be published in TSCC Annual Report**

- The total budget decreases \$81.0 million, or 22.6%, primarily due to reduced debt proceeds/expenses of \$75.0 million. If this amount is removed, the total budget decreases \$31.0 million, or 13.3%.
- The General Fund increases slightly by 0.01%, from \$70.278 million to \$70.284 million.
- Tuition will increase by \$4.00 per credit to \$101.50/credit, consistent with the Higher Education Price Index, for new students only.
- The college reallocated existing resources to fund college improvement programs in the 2017-18 Budget.
- This budget includes the planned General Obligation bonded debt obligations for facility improvements, which will not be issued or used.

**Local Budget Law Compliance:**

The 2017-18 Budget is in substantial compliance with local budget law. Estimates were judged to be reasonable for the purpose shown.

The audit report for fiscal year 2015-16 does not note any expenditures in excess of budget.

**Certification Letter Recommendations and Objections:**

TSCC staff notes no deficiencies in the district's FY 2015-16 budget process.