

TSSC Budget Review 2017-19

Portland Community College

1. Introduction to the District

Portland Community College (PCC) is the largest higher education institution in the state. The district covers 1,500 square miles and a population of about 1.2 million people. The District covers all or portions of five counties: Multnomah, Washington, Clackamas, Columbia, and Yamhill.

The College offers programs at four main campuses:

- Rock Creek: located approximately 15 miles west of downtown Portland serving the Beaverton-Hillsboro area of Washington County. This campus serves about 7,210 full-time equivalent students annually.
- Cascade: located in North Portland in an urban setting with easy access to public transportation. Approximately 4,900 full-time equivalent students attend classes here.
- Sylvania: located in suburban southwest Portland between Lake Oswego, Tigard and Portland. This campus is the largest of PCC's campuses, serving about 9,007 full-time equivalent students annually.
- Southeast: located in southeast Portland at SE 82nd Avenue and Division Street. This campus serves 3,133 full-time equivalent students each year.

Classes are also offered at multiple smaller facilities, some as far away as Myrtle Creek, Astoria, and Hood River. An estimated 78,000 students are enrolled at the College. It serves more students than any other college in the state.

The College is governed by an elected seven member board that serves without compensation. All 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 of Oregon's biennial budget calendar.

2. History

PCC began life in 1961 as the adult education arm of Portland Public Schools. In 1968 area voters approved the formation of the Metropolitan Area Education District and an associated property tax base. That transformed the school into a fledgling community college and the name was official changed in 1971 to Portland Community College District.



The PCC logo from the 1970s

3. Strategic Plan / Performance Objectives

The College used the following strategic goals to develop its budget.

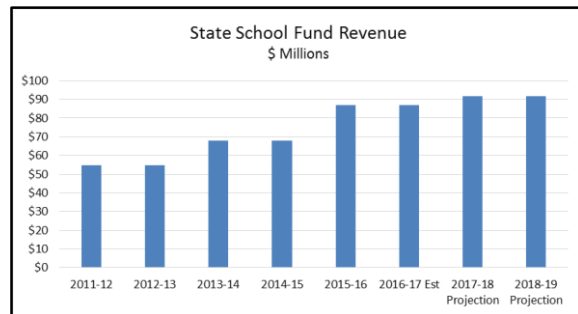
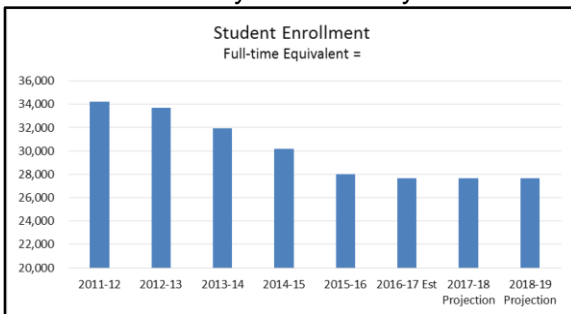
- Provide outstanding, affordable education
- Drive student success
- Ignite a culture of innovation
- Transform the community through opportunity
- Create a nationally renowned culture for diversity, equity and inclusion
- Achieve sustainable excellence in all operations

4. The Budget in Total

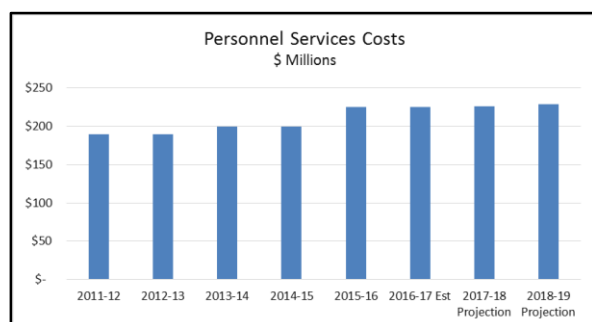
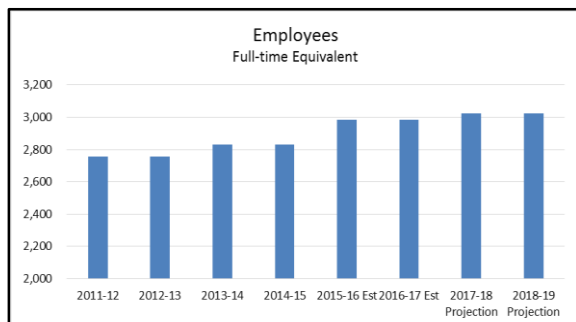
As during the previous biennia, the 2017-19 budget was developed during a period of declining enrollment and decreased state funding. The 2017-19 Budget assumes:

- Community College Support Fund allocation of \$550 million to be distributed among the Oregon community colleges (PCC's share estimated at \$183 million)
- No enrollment growth during the biennium
- Property tax revenue growth of 3.5% each year of the biennium
- Fully funded Board-required reserves and continued building to advisable reserves

The two most critical numbers for the College's financial situation are enrollment and state funding. The two charts below show those numbers for the last 3 biennia (6 years) and the next biennium. Enrollment has dropped an average of 4% annually and state school fund revenues have increased by 7% annually.

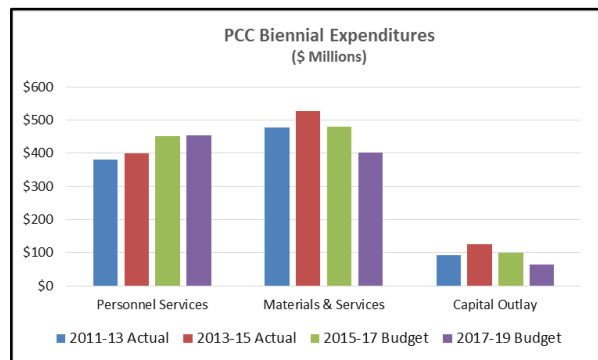
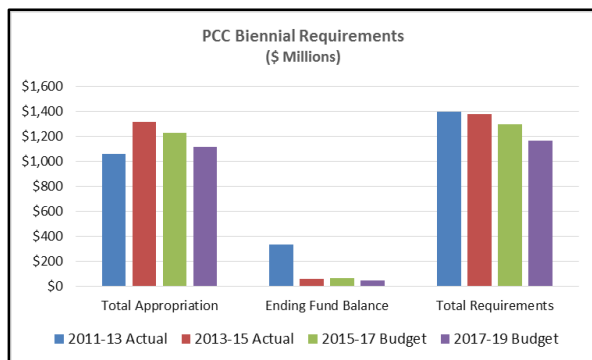


Two personnel services numbers (FTE and cost) play a role. Employee FTE has increased by 1.5% annually since 2011-12 and personal services cost have increased by 2.7% annually over the same period.



PCC Biennial Requirements				
Total Requirements - All Funds Combined (\$ Millions)				
	2011-13	2013-15	2015-17	2017-19
	Actual	Actual	Budget	Budget
Student Financial Aid	\$ 360.2	\$ 402.8	\$ 365.3	\$ 282.9
Instruction	256.1	253.4	270.2	279.6
Support Services	188.5	226.6	220.6	242.5
Enterprise Activities	54.3	60.4	62.9	58.0
Facility Acquisition & Construction	91.4	230.8	90.8	56.3
Debt Service	83.0	107.6	102.0	90.7
Transfers In	27.0	32.8	35.6	44.4
Contingency	-	-	80.6	61.3
Ending Fund Balance	337.4	63.8	68.2	50.2
TOTAL REQUIREMENTS	\$ 1,397.9	\$ 1,378.3	\$ 1,296.2	\$ 1,165.9

PCC's 2017-19 Budget is \$1.16 billion, down 10.1% from the current biennium budget of \$1.3 billion. The budget shows significant decreases in Facilities Acquisition and Construction and Debt Service as the College nears completion of capital construction projects funded through bonded debt and pays off old bonded debt. Decreased student loan and financial aid expense corresponds with federal funding decreases. Student financial aid is included in the chart below in the materials and services category.



Overall Expenditures:

As identified in the budget overview, the following twelve principles were applied during budget development:

- Strive to maintain and improve affordability, access and student success
- Develop the budget in a way that supports the mission of the College
- Strategically position our programs to meet future demand
- Apply an equity lens in making budget decisions
- Prepare a budget that provides a diverse curriculum that includes career and technical education, community education, continuing education, pre-college education, and lower collegiate transfer
- Foster the development of civic responsibility and engagement with our community
- Foster staff development for all employees
- Reserve resources for the implementation of the strategic plan
- Balance resources among instruction, instructional support, operations and administration
- Continue to explore alternative resources, including, but not limited to, foundation, grant opportunities, and partnerships

- Rebuild the General Fund balance
- Address known shortfalls in the budget

Funding for Instruction and Support Services increase in this budget (though FTE is stable), while all other programs decrease. The decline in Enterprise Services reflects decreased sales in the three enterprise activities that comprise the fund – the Bookstore, Food Services and Parking Operations. The declining sales reflect the decreasing enrollment.

Using its strategic goals, PCC identified five programs for additional funding:

- Advising: increases advising staff to support students
- Graduation Plan and University Transfer Enhancements: supports student planning and decision-making through development and enhancement of the Graduation Plan and University Transfer website
- Non-Credit Registration: implements a new non-credit registration system to improve the enrollment process
- Open Education Resources (OER) for Math: supports four math faculty to write a comprehensive OER textbook for Math
- Student Testing and Placement Process: replaces the current placement testing and assessment system

In addition to the above programs, the College also invested in new positions to help with diversity, career pathways and other key program areas.

The College operates within the following programmatic units.

Cascade Campus

- Operates the Swan Island Trade Center
- 376.0 FTE staff members
- 2017-19 Budget: \$53.0 million

Rock Creek Campus

- Operates the Hillsboro Center
- 466.4 FTE staff members
- 2017-19 Budget: \$70.9 million

Sylvania Campus

- Operates the Newberg Center
- 637.35 FTE staff members
- 2017-19 Budget: \$94.4 million

Southeast Campus

- Recently expanded to a full campus
- 159.87 FTE staff members
- 2017-19 Budget: \$26.3 million

Office of the Executive Vice President

- Oversees Grants, Workforce & Community Development, Human Resources, Bond Program, and Institutional Effectiveness
- Housed in various campus and center locations
- 55.59 FTE staff members
- 2017-19 Budget: \$14.3 million

Finance and Administration

- Consists of Auxiliary Services, Public Safety, Facilities Management, and Financial Services
- Housed in various campus and center locations
- 473.54 FTE staff members
- 2017-19 Budget: \$117.45 million

Academic and Student Affairs

- Consists of Student Affairs, Academic Affairs, Distance Education/Instructional Support, Libraries, and Accreditation and Perkins Title I coordination
- 274.31 FTE staff members
- 2017-19 Budget: \$47.0 million

Personnel Services:

Personnel Services costs increase 0.8% from \$451.3 million to \$454.7 million. Total FTE increases 38.7 FTE, primarily in the Contracts and Grants Fund reflecting the large grant awards the College has received in recent years.

The average personnel services cost per FTE is \$75,214, a decrease from current biennium.

Personnel Services Costs Per FTE				
(On annual basis)				
	2011-13	2013-15	2015-17	2017-19
Personnel Services	\$ 379,968,540	\$ 398,561,196	\$ 451,271,270	\$ 454,743,468
FTE	2,757	2,830	2,985	3,023
PS Costs per FTE	\$ 68,910	\$ 70,417	\$ 75,590	\$ 75,214

	2011-13	2013-15	2015-17	2017-19
	Actual	Actual	Budget	Budget
General Fund	2,165.64	2,353.98	2,485.04	2,480.20
CEU/CED Fund	99.66	81.49	96.27	93.13
Auxiliary Fund	5.58	6.50	5.39	5.39
Contracts and Grants Fund	248.71	156.48	167.64	212.01
Student Activities Fund	26.38	26.57	31.31	43.16
Student Financial Aid Fund	5.00	5.00	5.00	4.43
Capital Construction Fund	37.20	25.72	23.19	14.09
College Bookstore Fund	59.33	60.00	59.95	60.00
Food Services Fund	70.89	71.47	70.82	68.17
Parking Operations Fund	26.93	27.34	27.27	31.12
Risk Management Fund	3.36	6.45	4.44	4.44
Print Center Fund	8.15	9.15	8.22	7.10
Total FTE	2,756.83	2,830.15	2,984.54	3,023.24

The College is in negotiations with the Federation union on a new collective bargaining agreement. This budget does not anticipate impacts from that contract agreement.

PCC issued bonds in 2013 to offset its PERS unfunded actuarial liability and lower its employer rates. In the 2011-13 biennium, the reserve established by the Public Employees Retirement System (PERS) using those bond proceeds offset the College's employer rate to less than 1.0%. The reserve has been unable to offset the employer rates to the same extent since then and rates have steadily increased. In 2017-19, the increased cost due to PERS rates to the College will be more than \$8.5 million.

- Tier I/II: increasing from 11.24% to 14.99%
- ORSRP: increasing from 5.68% to 8.41%

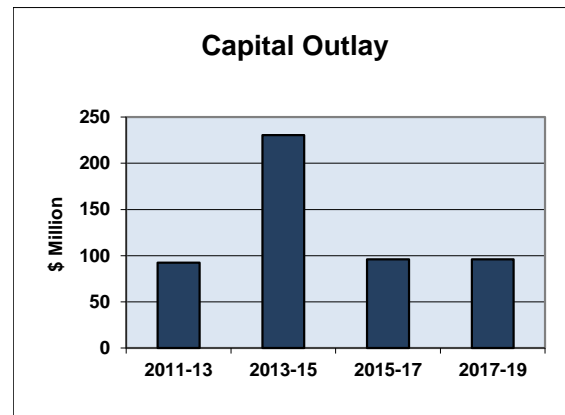
Material and Services:

Materials and Services are budgeted at \$118.4 million in 2017-19.

Capital Outlay:

In 2008, voters approved a \$374 million General Obligation bond measure to fund improvements at College facilities. This budget includes funding for \$51.6 million in capital construction expenses associated with the bond issue.

The College also has a ten-year plan to address deferred maintenance. The 2017-19 Budget includes \$4.7 million for 17 projects ranging in price from \$40,000 to \$1.0 million; funding is in the Capital Projects Fund. Projects include energy upgrades, systems replacements, landscaping, and structural remediation.



Overall Revenues:

Overall operating revenues are budgeted to decrease by 6.3% to \$956.4 million in 2017-19.

PCC Biennial Resources				
Total Resources - All Funds Combined				
(\$ Millions)				
	2011-13	2013-15	2015-17	2017-19
	Actual	Actual	Budget	Budget
Federal and State	\$ 509.4	\$ 585.8	\$ 582.6	\$ 524.9
Tuition & Fees	206.3	232.1	225.8	222.8
Property Taxes	123.3	148.6	140.0	139.1
Enterprise Revenues	53.8	53.8	47.5	42.8
Other	24.7	29.6	25.1	26.9
Subtotal Operating Revenues	\$ 917.5	\$ 1,050.0	\$ 1,021.0	\$ 956.4
Debt Proceeds	198.0	-	-	-
Transfers In	44.0	50.1	58.0	68.6
Beginning Fund Balance	238.4	337.4	217.2	140.9
TOTAL RESOURCES	\$ 1,397.9	\$ 1,437.5	\$ 1,296.2	\$ 1,165.9

Intergovernmental – Federal, State and Local – revenue is PCC’s single largest resource.

- Federal funding is 59.0% of the intergovernmental revenue and is primarily student aid. This area of funding shows the largest decrease, from \$396.7 million to \$317.9 million.
- State funding is 38.3% of the total. Most of this funding is from the state school support grant. This budget assumes state community college funding at \$550.0 million.
- Local funding provides the remaining 2.7% intergovernmental revenue.

The 2017-19 Budget is based on a tuition fee increase of \$7/credit hour in the first year and an additional \$7/credit hour in the second year; this increase raises the tuition rate to \$104/credit hour and \$111/credit hour in the first and second years, respectively. The non-resident tuition rate increases by \$10/credit hour each year to \$236/credit hour in 2017-18 and \$246/credit hour in 2018-19.

In addition to the tuition increases, the student activities fee will increase \$0.95/credit hour. The increase will fund the four initiatives below:

Minimum wage increase: \$0.15/credit hour

- Supports minimum wage for 100 student leadership positions with the College

Food and Housing Insecurity: \$0.20/credit hour

- Supports student food pantry coordinators, supplies and an emergency grant fund

Diversity Retention Center: \$0.20/credit hour

- Expands support for more programs, events and student positions

ASPCC: \$0.40/credit hour

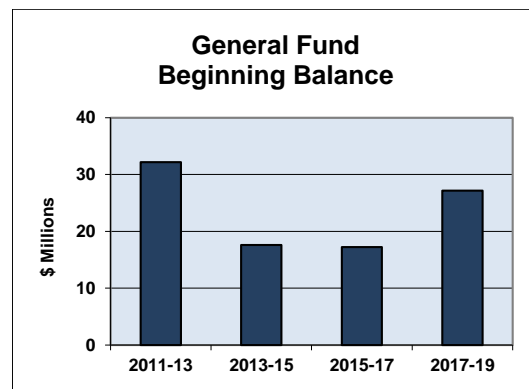
- Invests in core student leadership programs and supports clubs programming

5. Analysis of the General Fund

The General Fund budget is \$503 million, a 7% increase from current year.

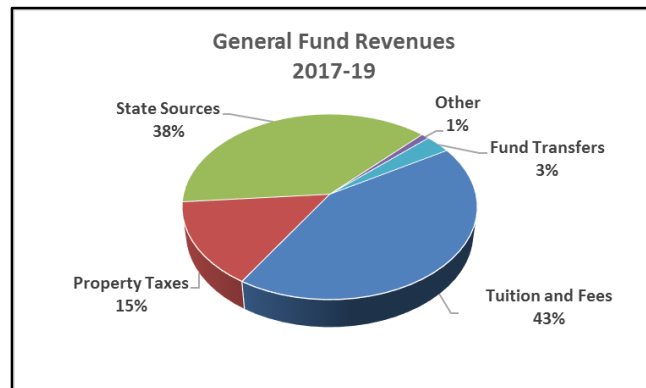
Resources: The General Fund is the College’s main operating fund. About 83.1% of direct classroom instruction and support expenses are in this fund. The Fund is increasing from \$469.7 million in 2015-17 to \$502.7 in 2017-19, a 7.0% increase. The beginning fund balance is budgeted at \$27.2 million, 5.4% of total fund resources.

Tuition and Fees are the single largest revenue category in the General Fund. Total Tuition and Fee revenue is the product of number of students times the cost per credit hour. As mentioned above, enrollment is projected to remain flat in the



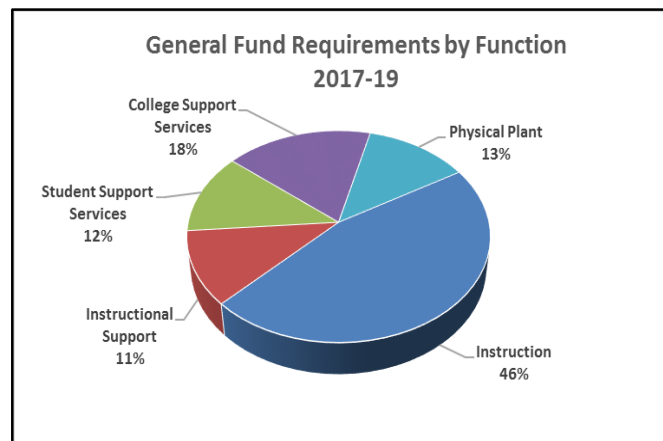
next biennium and tuition will be increasing. The net change will be a decrease of \$5.9 million, or 2.9%¹.

PCC General Fund Resources			
\$ Millions			
	2015-17	2017-19	
Tuition and Fees	\$ 208.1	\$ 202.2	
State Sources	173.9	183.1	
Property Taxes	60.5	70.3	
Other	3.5	4.7	
Fund Transfers	6.5	15.2	
Subtotal Revenues	\$ 452.5	\$ 475.5	
Beginning Balance	17.2	27.2	
Total Resources	\$ 469.7	\$ 502.7	



Requirements: General Fund operating expenses are \$434.1 million, slightly lower than the \$435.2 million budgeted in 2015-17.

PCC General Fund Requirements			
\$ Millions			
	2015-17	2017-19	
Instruction	\$ 202.1	\$ 199.9	
Instructional Support	49.4	49.0	
Student Support Services	51.7	53.6	
College Support Services	84.1	77.1	
Physical Plant	47.9	54.5	
Operating Expenses	\$ 435.2	\$ 434.1	
Transfers	9.9	8.6	
Contingency	7.5	38.6	
Ending Fund Balance	17.2	21.4	
	\$ 469.7	\$ 502.7	



Expenditure increases are in the classroom (Instruction and Support Services) and in facilities maintenance. College support services decrease. The College has prepared for the increased uncertainty this year in state and federal funding and in student enrollment by increasing its contingency from \$7.5 million to \$38.6 million.

As a direct result of decreasing state funding, declining enrollment, and low tolerance for tuition increases, the College has spent down General Fund reserves from \$37.5 million in 2009-10 to \$17.2 million in 2015-16. The Board policy is to maintain fund balances equivalent to 8% on a biennial basis, with an advised fund balance level of 15%. For 2017-19, the General Fund Ending Fund Balance is budgeted at \$21.4 million. Combined with budgeted contingency of \$38.6 million, the College is setting aside 13.8% of its operating costs in fund balance or for unanticipated expenses.

6. Analysis of Other Funds

Student Financial Aid Fund: this fund provides for separate accounting of student financial assistance. Federal and state student aid programs provide the majority of revenue in this fund.

¹ Note to commissioners, we are checking on the contradiction.

- Revenue from federal sources decreases by \$80.6 million, from \$361.1 million to \$280.5 million with a corresponding decrease on the expense side

Capital Projects Fund: provides funding for minor construction projects, remodeling, major maintenance of facilities and replacement of major equipment.

- \$4.7 million budgeted for repairs, down from \$5.6 million in 2015-17
- Identified repairs are part of the 10-year deferred maintenance plan
- \$1.7 budgeted in contingency for unexpected repairs

Capital Construction Fund: this fund accounts for all activities relating to major construction projects.

- Capital construction expenses decrease from \$86.8 million to \$51.3 million
- Beginning fund balance decreases \$66.9 million as the College spends down bond proceeds for school and program improvements

General Obligation Debt Service Fund: this fund was established to account for the payment of principal and interest on general obligation bonds.

- Debt payments decrease reflecting the final payment on the 2015 General Obligation Refunding bonds in 2018

7. Debt Status

In November 2008, voters approved a \$374 million General Obligation bond measure to expand, modernize and construct facilities for additional students and programs, and to upgrade technology. The College issued \$200 million bonds in 2009 with the remaining \$174 million bonds issued in 2013. In December 2016, the College refunded the 2009 General Obligation bonds to take advantage of decreased interest rates. The debt service for the 2016 refunding is included in this budget.

Also included in this budget is the final payment for the 2015 General Obligation Refunding bonds, originally issued in 2000. This payment represents 45% of the scheduled payments for General Obligation bonds in 2018.

The College issued Limited Tax Pension bonds in 2003 to prepay the College's unfunded actuarial liability through the Public Employees Retirement System (PERS).

Portland Community College	6-30-2014	6-30-2015	6-30-2016	6-30-2017 est.
General Obligation	\$ 386,915,000	\$ 359,590,000	\$ 335,095,000	\$ 308,535,000
PERS Bonds	99,385,000	95,820,000	91,760,000	87,170,000
Total	\$ 486,300,000	\$ 455,410,000	\$ 426,855,000	\$ 395,705,000

8. Budget Alignment with Strategic Plan / Performance Objectives

Using its strategic goals, PCC identified five programs for additional funding:

- Advising: increases advising staff to support students
- Graduation Plan and University Transfer Enhancements: supports student planning and decision-making through development and enhancement of the Graduation Plan and University Transfer website
- Non-Credit Registration: implements a new non-credit registration system to improve the enrollment process
- Open Education Resources (OER) for Math: supports four math faculty to write a comprehensive OER textbook for Math
- Student Testing and Placement Process: replaces the current placement testing and assessment system

9. Budget Process & Compliance

Yes	No	Compliance Issue
X		1. Did the District meet publication requirements?
X		2. Do resources equal requirements in every fund?
X		3. Does the G.O. Debt Service Fund show only principle 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 audit show the District was in compliance with budget law?

10. Highlights of the 2017-19 Budget to be published in TSCC Annual Report:

- The total budget for the two year period is \$1.2 billion, a 10.1% decrease from 2015-17.
- The General Fund budget is \$502.7 million, a 7.0% increase over the current biennium.
- Tuition will increase \$7/credit hour each year of the biennium, from \$97/credit hour to \$104/credit hour the first year and \$111/credit hour the second year.
- Enrollment is expected to remain flat in 2017-18 and 2018-19.
- Total number Full Time Equivalent positions increases by 38.7 FTE.

Local Budget Law Compliance:

The 2017-19 Budget is in substantial compliance with local budget law. Estimates were judged to be reasonable for the purpose shown.

The audit reports for the years ended June 30, 2016 and June 30, 2015 do not note any expenditures in excess of budget.

Certification Letter Recommendations and Objections:

TSCC staff notes no deficiencies in the district's FY 2017-19 budget process.