

TSSC Budget Review 2019-21

Portland Community College

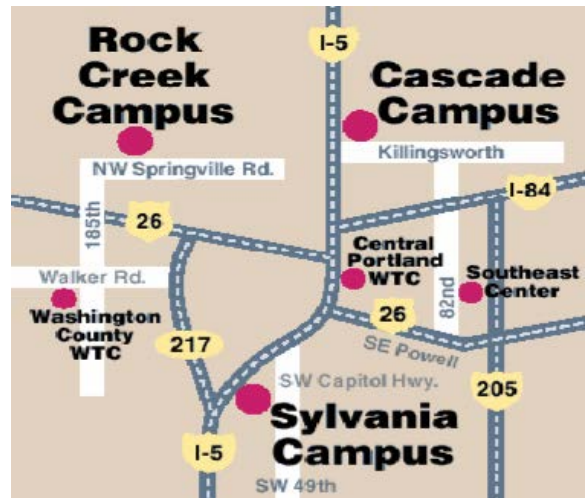


1. Introduction to the District

Based on student enrollment headcount Portland Community College (PCC) is one of the two the largest higher education institution in the state. The other is Portland State University. Both schools enrolled about 35,000 students in 2016-17. The PCC district covers 1,500 square miles and serves a population of about 1.4 million¹ 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 in Multnomah, Yamhill and Columbia counties.

The College is governed by an elected seven member board that serves without compensation. All are elected by zones to four-year terms.

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.

¹ 2016-17 Estimate, FY18 CAAFR page 100

2. History

PCC began life in 1961 as the adult education arm of Portland Public Schools. In 1968 voters approved the formation of the Metropolitan Area Education District and an associated property tax base. That transformed the school into a community college. 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 is developing a strategic plan that administrators anticipate will be effective with the 2021-23 budget. Meanwhile, the President's work plan, upon which this budget is based, is:

- To increase overall retention, transfer, and completion rates,
- To reduce the opportunity gap, and
- To shorten students' time to, and the successful completion of, academic credentials.

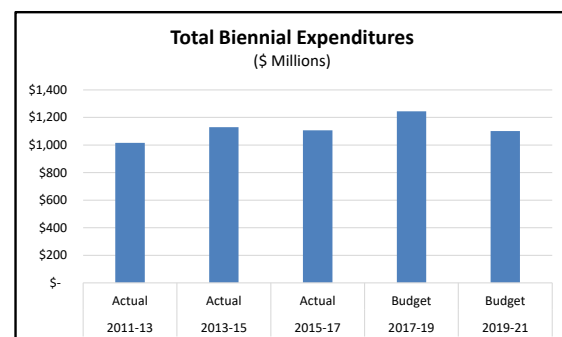
4. The Budget in Total

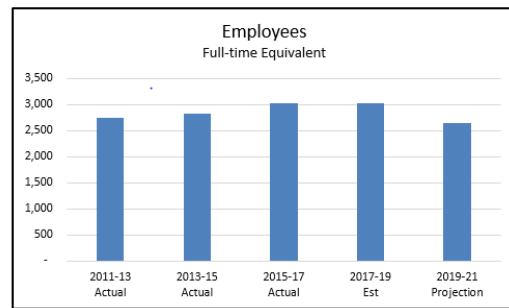
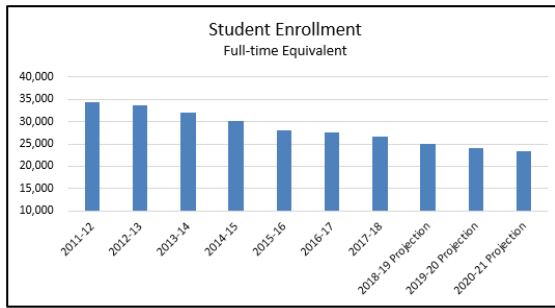
The College's 19-21 Approved Budget is \$1.3 billion, and decrease of 2%. The district is budgeting an ending fund balance/ontingency of just over twice the level of the current biennium (\$189 million versus \$84 million)

Portland Community College Total Requirements By Biennium						
	2011-13 Actual	2013-15 Actual	2015-17 Actual	2017-19 Budget	2019-21 Budget	Budget % Change
Personal Services	380	399	423	480	470	-2%
Materials & Services	460	460	379	404	323	-20%
Capital Outlay	92	125	67	270	160	-41%
Debt Service	83	146	238	91	150	65%
Fund Transfers	27	31	37	45	58	30%
Contingencies/EFB	337	210	138	84	189	125%
TOTAL REQUIREMENTS	1,380	1,372	1,281	1,374	1,349	-2%

Total expenditures are budgeted at \$1.1 billion, a 12% reduction.

The budget reductions are predicated on the trend of decreasing enrollment and corresponding decreased staffing needs as shown in the following charts. The college anticipates that enrollment will decrease by 6% in the current year, 4% in FY20, and 3% in FY21.

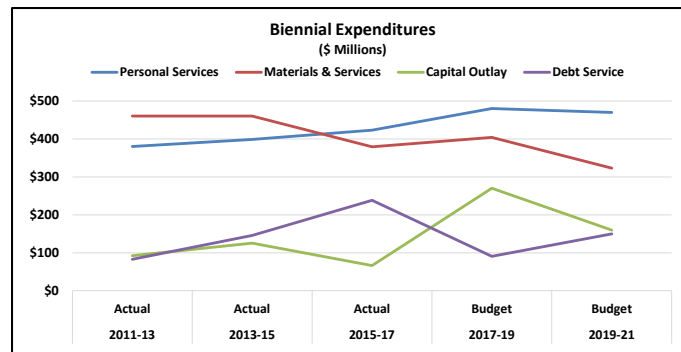




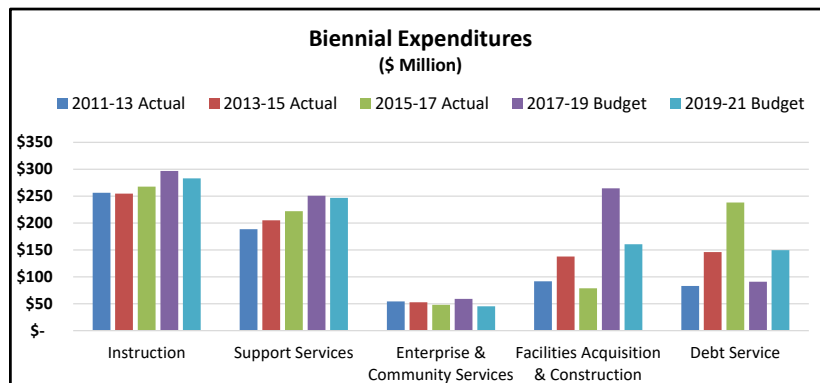
According to data from the State’s Higher Education Coordinating Commission, PCC enrolls more students than any other community college in Oregon and is on a par with the largest public four year college in the state. In the last six years however, PCC’s enrollment has dropped by over 20%.

Given the sustained decline in student enrollment, the college has cut costs. Expenditure reductions are primarily for staffing reductions. The District is phasing out three programs: dental hygiene, dance, and a computer applications/web technology program. Various other staffing reductions, primarily based on attrition are also planned for 2019-21.

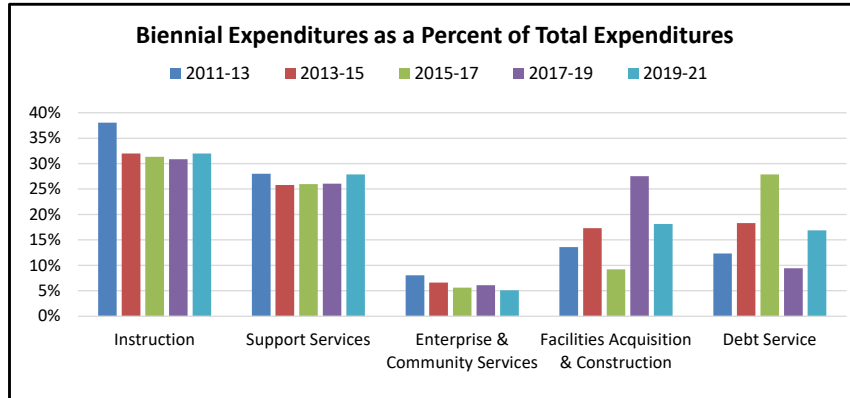
The following graph shows that personnel services costs will to be reduced next biennium and that materials and services costs continue trending lower. Capital outlay and debt service fluctuates with GO bond issues and the resulting capital projects and debt service.



Looking at the budget on a functional level, the following chart shows the personnel services and enrollment decreases align with a decrease in the 2019-21 Instruction budget.



Lastly, looking at expenditures over time, Instruction expenditures are smaller portion of the budget, while facilities (and the attendant debt service expense) has become a larger portion of the budget.



Resources

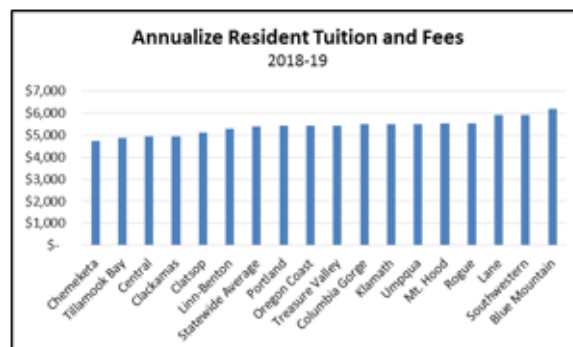
Total resources balance to total requirements. College revenues are decreasing from the current biennium budget of \$1.16 billion to \$0.93 billion in the 2019-21 biennium.

	\$ Millions			
	2013-15	2015-17	2017-19	2019-21
Beginning Fund Balance	\$ 337	\$ 210	\$ 138	\$ 316
Revenues	990	1,012	1,167	925
Transfers	44	59	69	108
Total Resources	\$ 1,372	\$ 1,281	\$ 1,374	\$ 1,349

	\$ Millions			
	2013-15	2013-15	2013-15	2013-15
Federal	\$ 358	\$ 274	\$ 318	\$ 244
State	159	189	208	229
Tuition and Fees	209	200	223	207
Property Taxes	153	146	139	183
All other Revenues	110	203	279	61
Total Revenues	\$ 990	\$ 1,012	\$ 1,167	\$ 925

Tuition and Fees: Tuition will increase by \$5 per hour in the first year of the biennium (to \$116) and \$7 in the second year (to \$123). Total tuition and fee revenue for the biennium is budgeted at \$207 million.

The College's current tuition and fee charges are equal to the state average as shown in the graph to the right.



State School Support: As of the preparation of this document, the legislature has not passed a community college funding bill. The current year funding is \$570 million. The Higher Education Coordinating Council's requested FY19-21 budget is \$787 million, the governor's community college budget is \$543 million, and the joint chairs budget is \$590 million. The district has based this budget on its best estimate of \$570 million.

Property Taxes: The district anticipates permanent rate property tax increases of 3.5% for both years of this biennial budget (a total of \$73 million for the biennium). The district does not have a local option levy. The district will levy \$113 million in GO Bond debt levies for the biennium.

Combined with other miscellaneous operating income, these three revenue sources are essentially the district's operating revenues. They have been increasing at \$40 million (6%) for the last two biennia as shown below.

Operating Revenues				
\$ Millions				
	2013-15	2015-17	2017-19	2019-21
State	\$ 159	\$ 189	\$ 208	\$ 229
Tuition and Fees	209	200	223	207
Property Taxes	153	146	139	183
All other Revenues	72	66	70	61
Total Revenues	\$ 593	\$ 601	\$ 640	\$ 681

Federal funding is almost entirely passed through to students as financial aid so it is excluded from the definition of operating revenue for the above table.

5. Analysis of the General Fund

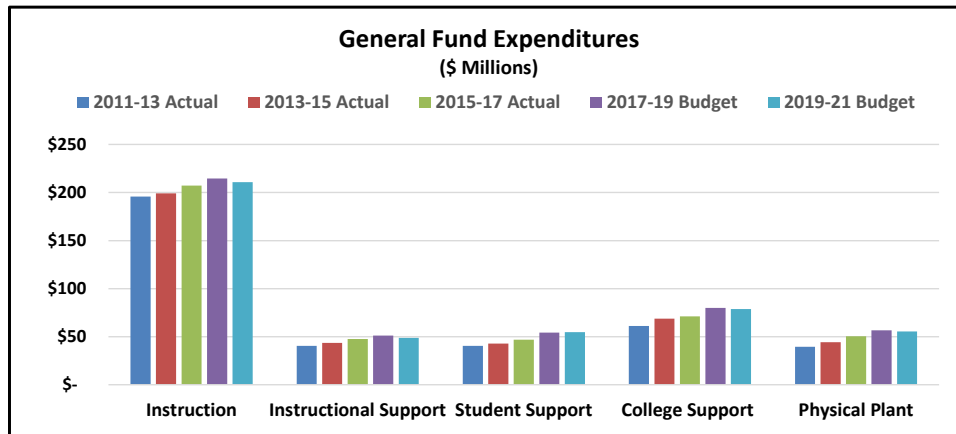
The General Fund budget is \$508 million, a 2% increase from current biennium. Instruction costs are the main expenditure in the fund, totaling \$211 million. Seventy-five percent of all district instruction costs are in the General Fund as are most administration cost, a portion of the student support services, and the physical plant operations and maintenance.

The beginning fund balance is \$36 million and the ending fund balance is \$23 million. The district will draw down the fund balance by \$6.5 million annually during the biennium.

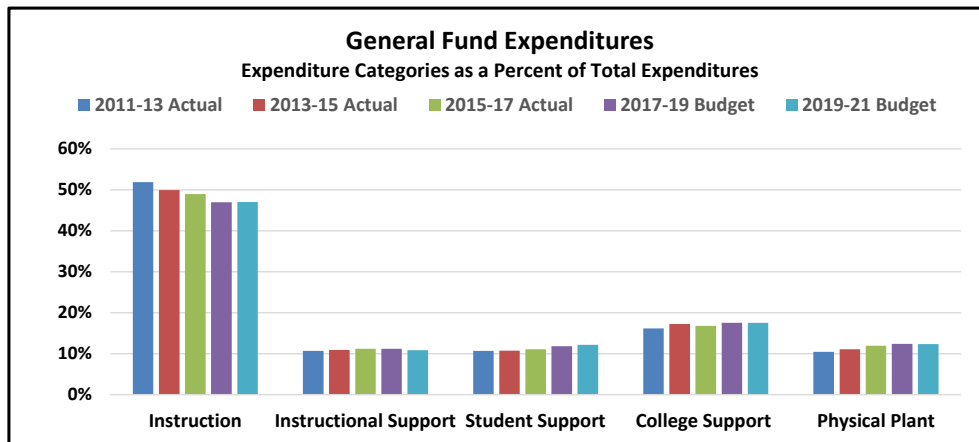
Portland Community College						
General Fund Requirements By Biennium in \$ Millions						
	2011-13	2013-15	2015-17	2017-19	2019-21	Budget %
	Actual	Actual	Actual	Budget	Budget	Change
Expenditures	\$ 378	\$ 399	\$ 423	\$ 457	\$ 449	
Transfers Out	5	5	9	8	7	
Contingency	-	-	-	12	30	
Ending Fund Balance	18	17	20	21	23	
Total Requirements	\$ 400	\$ 421	\$ 453	\$ 498	\$ 508	2%

General Fund expenditures are also decreasing in four of five object categories.

Portland Community College General Fund Expenditures By Biennium in \$ Million						
	2011-13 Actual	2013-15 Actual	2015-17 Actual	2017-19 Budget	2019-21 Budget	Budget % Change
Instruction	\$ 196	\$ 199	\$ 207	\$ 215	\$ 211	-2%
Instructional Support	40	44	48	51	49	-5%
Student Support	40	43	47	54	55	1%
College Support	61	69	71	80	79	-2%
Physical Plant	40	44	51	57	55	-2%
TOTAL REQUIREMENT	\$ 378	\$ 399	\$ 423	\$ 457	\$ 449	-2%



The following graph shows that Instructional expenditures as a percent of total expenditures have fallen over the last five years.



General Fund staffing (Full time Equivalent positions) will be 2,468 next biennium, a decrease of 17 positions (less than 1%).

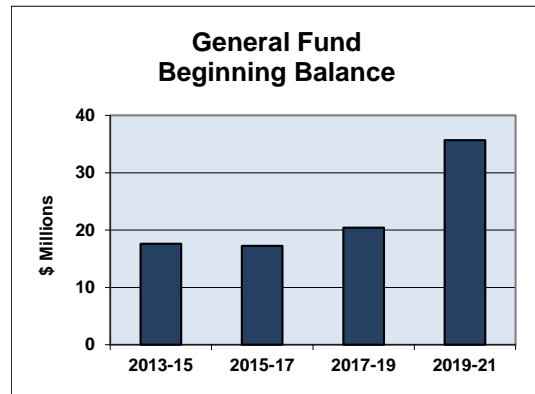
General Fund resources balance to General Fund requirements. The main categories of revenue are tuition and fees, state revenue and property taxes.

The fund's Beginning Fund balance is budgeted at \$36 million, an 80% increase from last biennium.

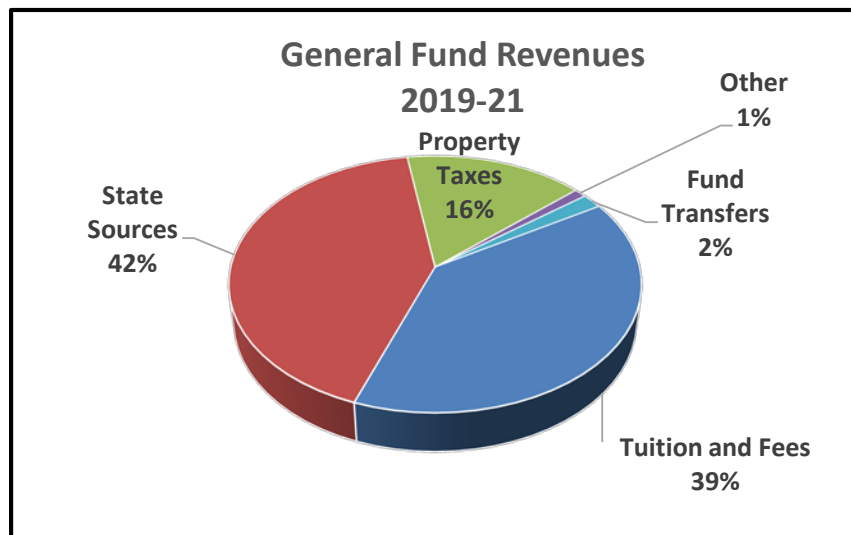
Tuition and Fee revenue is the product of number of students times the cost per credit hour. As mentioned above, enrollment is projected to decrease in the next biennium and tuition will be increasing. The net change in tuition and fee revenue will be a decrease of \$18 million, or 9%.

The district has budgeted an 8% increase in state funding. This is the first time in several biennia that state funding has exceeded tuition and fees.

Property taxes are budgeted to increase by 7%, or 3.5% annually.

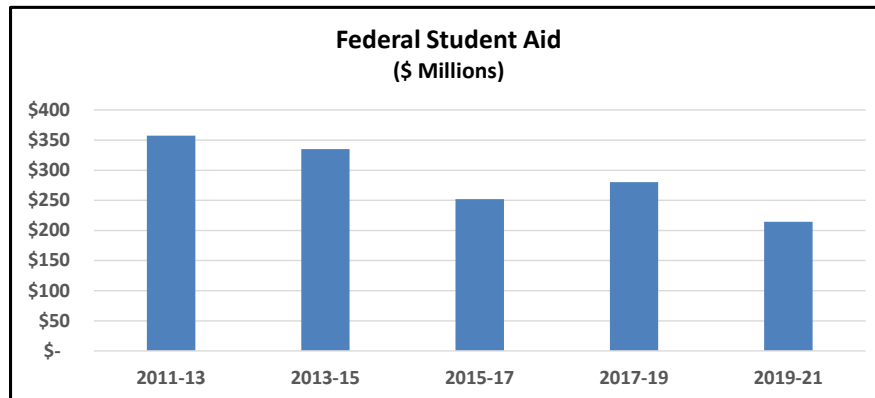


	2017-19	2019-21
Tuition and Fees	\$ 203	\$ 185
State Sources	\$ 184	\$ 198
Property Taxes	\$ 70	\$ 75
Other	\$ 5	\$ 5
Fund Transfers	\$ 16	\$ 9
Subtotal Revenues	\$ 478	\$ 473
Beginning Balance	\$ 20	\$ 36
Total Resources	\$ 498	\$ 508



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. Revenue for this fund is generated by student financial aid requests and the decrease in fund expenditures tracks with the decreased enrollment. Revenue from federal sources decreases by \$66 million, from \$280 million this biennium to \$214 million next biennium with a corresponding decrease on the expense side



Capital Projects

The district has been using the proceeds from two bond measures to complete facilities improvement projects at most campuses and learning centers.

2008 Bond Measure: Voters authorized a \$374 million bond measure. It has been augmented by other state and local funding, interest, bond premiums, and a land sale. The total funding package was \$454 million and it included facilitates improvements at all four of the main campuses and six other locations. As of March of this year, \$431 million (94%) of the funding had been spent. According to the district's budget document (page 77), all of the projects came in at or below budget.

Outstanding principal on the debt issued under this bond measure was \$274 million as of March of this year. Annual debt service is about \$28.5 million

2017 Bond Measure: Voters authorized a \$185 million General Obligation bond measure in November, 2017. The district issued those bonds in April 2018. As of March of this year, \$8.5 million had been spent on health and safety issues at multiple district locations.

Principal is all outstanding and annual debt service payments will be about \$24 million annually.

The district recognizes that the new facilities financed by these bond measures will require additional funding for operating and maintain the new square footage. The district has built these costs into its base budget assumptions (Budget Document, Page 79).

Capital Projects Fund: The 2019-21 budget is \$4.3 million. This budget has been steadily decreasing from a high of \$15 million in 2011-13

Capital Construction Fund: this fund accounts for all activities relating to major construction projects. The 2019-21 budget is \$247 million and includes construction projects at all four campuses and multiple district wide projects.

General Obligation Debt Service Fund: this fund was established to account for the payment of principal and interest on general obligation bonds. The fund’s budget will increase from \$74 million to \$112 million in 2019-21 due to the new debt service requirements of the 2017 Bond Measure.

7. Debt Status

In addition to the GO Bonds listed in the previous section, the district has issued two pension bonds in an effort to decrease the annual costs of the pension system.

The College issued Limited Tax Pension bonds in 2003 to prepay the College’s unfunded actuarial liability through the Public Employees Retirement System (PERS). It issued a second Pension Bond in November of 2018 in the amount of \$172 million. Estimated outstanding debt on June 30 of 2019 is \$678.8 million.

Portland Community College Outstanding Debt				
	6-30-2016	6-30-2017	6-30-2018	6-30-19 est.
General Obligation	\$ 335,095,000	\$ 302,090,000	\$ 458,735,000	\$ 430,600,000
PERS Bonds	91,760,000	87,170,000	82,005,000	248,195,000
Total	\$ 426,855,000	\$ 389,260,000	\$ 540,740,000	\$ 678,795,000

Total biennium debt service will increase from \$90 million in the current biennium to \$150 million in 2019-21. Of that amount, \$108 million will be paid for with GO bond property tax revenue, and the remainder will be generated through personal services charges to all funds.

8. Budget Alignment with Strategic Plan / Performance Objectives

The College is in the final stages of the creation of a new strategic plan. That plan will integrate four foundational plans (facilities, academics, marketing, and technology) into a strategic plan to be published during 2020. Meanwhile, the President’s Work Plan for 2019-21 includes three objectives.

- To increase overall retention, transfer, and completion rates,
- To reduce the opportunity gap, and
- To shorten students’ time to, and the successful completion of, academic credentials.

These work plan objectives will carry over into the new strategic plan and a major emphasis of the emerging strategic plan will be the development of metrics to measure the school’s progress in each of these areas.

9. Budget Process & Compliance

Yes	No	Compliance Issue
✓		1. Did the District meet publication requirements?
✓		2. Do resources equal requirements in every fund?
✓		3. Does the G.O. Debt Service Fund show only principle and interest payments?
✓		4. Are contingencies shown only in operating funds?
✓		5. Did the Budget Committee approve the budget?
✓		6. Did the Budget Committee set the levy?
✓		7. Does audit show the District was in compliance with budget law?

10. Highlights of the 2019-21 Budget to be published in TSCC Annual Report:

- The total budget for the two year period is \$1.35 billion, a 1.8% decrease from 2017-19.
- The General Fund budget is \$508 million, a 2.0% increase over the current biennium.
- Tuition will increase \$5/credit hour in the first year of the biennium and \$7/credit hour the second year.
- The college anticipates that enrollment will decrease by 6% in the current year, 4% in FY20, and 3% in FY21.
- Decreased enrollment and program cuts result in the total number of positions decreasing by 71 FTE to 2,955, the lowest level since the 2013-15 biennium.

Local Budget Law Compliance:

The 2019-21 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, 2017 and June 30, 2018 do not note any expenditures in excess of budget.

Certification Letter Recommendations and Objections:

TSCC staff notes no deficiencies in the district's FY 2019-21 budget process.

PORTLAND COMMUNITY COLLEGE
Financial Summary

	2013-15 Actual	2015-17 Actual	2017-19 Revised Budget	2019-21 Budget	Budget % Change
SUMMARY OF ALL FUNDS					
Property Tax Breakdown:					
Permanent Rate	58,991,344	64,769,186	70,296,637	75,303,516	
GO Debt	93,914,659	81,429,319	68,852,399	108,128,626	
Resources:					
Property Taxes	152,906,003	146,198,505	139,149,036	183,432,142	
Tuition & Fees	208,791,278	199,987,391	223,188,640	207,008,080	
Enterprise Revenues	47,280,127	40,408,837	42,795,382	32,314,492	
Other Service Charges & Fees	2,642,920	2,799,195	2,928,100	3,851,535	
Student Loan Repayments & Private	395,309	17,720	2,188,891	1,667,683	
Federal	358,150,358	274,199,231	317,676,507	243,956,787	
State	159,351,269	188,703,649	207,988,777	229,052,403	
Local	10,967,156	14,923,317	14,452,981	14,256,648	
Other	8,106,722	5,300,619	6,277,117	5,590,742	
Interest	2,848,593	2,790,645	1,357,177	3,673,295	
Debt Proceeds	38,200,000	136,811,890	209,198,823	0	
Service Reimbursement	13,576,749	22,022,379	24,153,285	50,363,268	
Fund Transfers	30,908,726	36,597,487	44,503,168	57,751,022	
Sub-Total Resources	1,034,125,210	1,070,760,865	1,235,857,884	1,032,918,097	
Beginning Fund Balance	337,421,676	210,475,620	137,747,578	315,631,188	
TOTAL RESOURCES	1,371,546,886	1,281,236,485	1,373,605,462	1,348,549,285	-1.8%
Requirements by Function:					
Instruction	208,811,971	219,948,611	232,809,872	228,102,608	
Grant & Contract Programs	45,815,765	47,899,551	63,987,917	55,196,131	
Sub-Total Instruction	254,627,736	267,848,162	296,797,789	283,298,739	
Support Services	205,194,186	221,993,017	250,816,227	246,996,830	
Student Loans & Financial Aid	334,203,018	252,437,236	283,101,556	215,905,184	
Enterprise & Community Services	52,560,476	47,881,258	58,875,850	45,192,093	
Facilities Acquisition & Construction	137,748,123	78,616,798	264,754,120	160,610,817	
Debt Service	145,829,165	238,114,849	90,669,044	149,728,894	
Fund Transfers	30,908,726	36,597,487	44,503,168	57,751,022	
Contingencies	0	0	32,739,416	59,737,949	
Sub-Total Requirements	1,161,071,430	1,143,488,807	1,322,257,170	1,219,221,528	
Ending Fund Balance	210,475,456	137,747,678	51,348,292	129,327,757	
TOTAL REQUIREMENTS	1,371,546,886	1,281,236,485	1,373,605,462	1,348,549,285	-1.8%
Requirements by Object:					
Personal Services	398,561,196	423,214,731	480,198,835	469,529,403	-2.2%
Materials & Services	460,388,196	379,057,676	404,004,519	322,812,281	-20.1%
Capital Outlay	125,384,147	66,504,064	270,142,187	159,661,979	-40.9%
Debt Service	145,829,165	238,114,849	90,669,044	149,728,894	65.1%
Fund Transfers	30,908,726	36,597,487	44,503,169	57,751,022	29.8%
Contingencies	0	0	32,739,416	59,737,949	82.5%
Sub-Total Requirements	1,161,071,430	1,143,488,807	1,322,257,170	1,219,221,528	-7.8%
Ending Fund Balance	210,475,456	137,747,678	51,348,292	129,327,757	151.9%
TOTAL REQUIREMENTS	1,371,546,886	1,281,236,485	1,373,605,462	1,348,549,285	-1.8%