

Budget Review 2023-25

Portland Community College



BUDGET HIGHLIGHTS

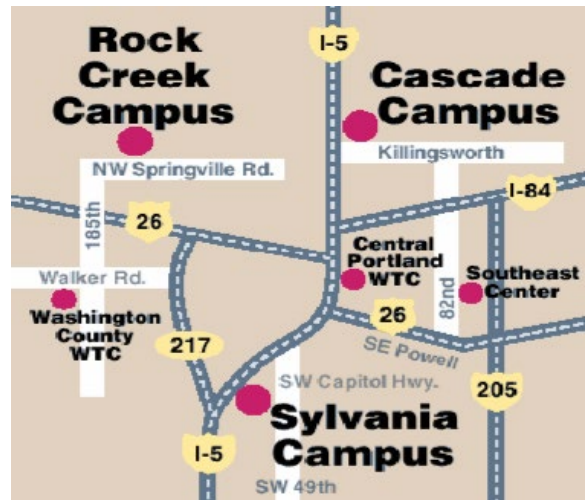
- Total FY 2023-25 budget is \$1.49 billion, an increase of 6% from the revised FY 2021-23 budget.
 - Beginning fund balance of \$436 million includes bond proceeds from a March 2023 issuance which accounts for the majority of the overall budget increase.
 - Budget assumes enrollment challenges will continue through FY 24.
 - Annual revenues will decrease by 4.8% due to enrollment declines and as covid relief dollars wind down.
 - Overall expenditures remain virtually unchanged from the revised budget, in spite of rising costs - a result of decreased enrollment is less need: personnel services decrease by \$6 million as FTE numbers decrease and materials and services decrease by \$18 million as less money is budgeted for enrollment related expenses. Losses in these categories are offset by an increase in capital outlay for bond projects.
- In November 2022, voters passed a \$450 million bond measure to fund capital projects.
 - The first half of the bond (\$225 million) was issued in March 2023.
 - Debt Service is budgeted at \$120 million, an increase of 5% from prior years.
 - Primary projects for the 2022 bond measure include technology updates, facilities updates for flexible learning, expanding technical education, deferred maintenance, increased access for those with disabilities, and campus planning for Cascade and Southeast campuses.
 - Capital outlay increases by 25% to a total of \$164 million for the biennium.
- The College's 2020-25 Strategic Plan is fully incorporated in this budget for the first time.
- The budget is reorganized to take a "whole college" approach, moving away from budgeting by campus to budgeting by function.
- Budget includes 4% tuition increase.
 - Last tuition increase was approved for the 2019-2021 biennium.
 - Planned tuition increase of \$5.00 per credit hour (4.0%) for each of the 2023-2024 and 2024-2025 academic years.

INTRODUCTION & BACKGROUND

Portland Community College (PCC) is one of the largest higher education institutions in the state, based on student enrollment headcount. The district has exchanged the top spot with Oregon State University over the years. The PCC district covers 1,500 square miles and serves a population of about 1.5 million people in 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.
- **Cascade:** located in North Portland in an urban setting with easy access to public transportation.
- **Sylvania:** located in suburban southwest Portland between Lake Oswego, Tigard and Portland.
- **Southeast:** located in southeast Portland at SE 82nd Avenue and Division Street.



Classes are also offered at multiple smaller facilities in Multnomah, Yamhill and Columbia counties.

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. 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 three 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.

Portland Community College	2019-20	2020-21	2021-22	2022-23
Assessed Value in Billions	\$137.187	\$143.317	\$150.448	\$157.450
Real Market Value (M-5) in Billions	\$269.765	\$282.679	\$300.683	\$338.121
Property Tax Rate Extended:				
Operations	\$0.2828	\$0.2828	\$0.2828	\$0.2828
Debt Service	\$0.4022	\$0.3970	\$0.3803	\$0.3867
Total Property Tax Rate	\$0.6850	\$0.6798	\$0.6631	\$0.6695

Measure 5 Loss	\$-235,437	\$-234,636	\$-333,971	\$-270,540
Number of Employees (FTE's)	2,986	2,986	2,676	2,676
Tuition per credit hour	\$111	\$116	\$123	\$123

BUDGET OVERVIEW

The total FY 2023-25 budget is \$1.49 billion, an increase of 6% from the revised 2021-23 budget. The budget increase is mainly attributable to beginning fund balance. Voters approved a \$450 million bond in November 2022, and bonds issued in March 2023 are carried over to FY 23-25. Bond proceeds are reflected in the Capital Construction Fund beginning fund balance, which increases by \$123 million (82%). The FY 2021-23 revised budget does not show the debt proceeds because they were not received until after the budget was drafted.

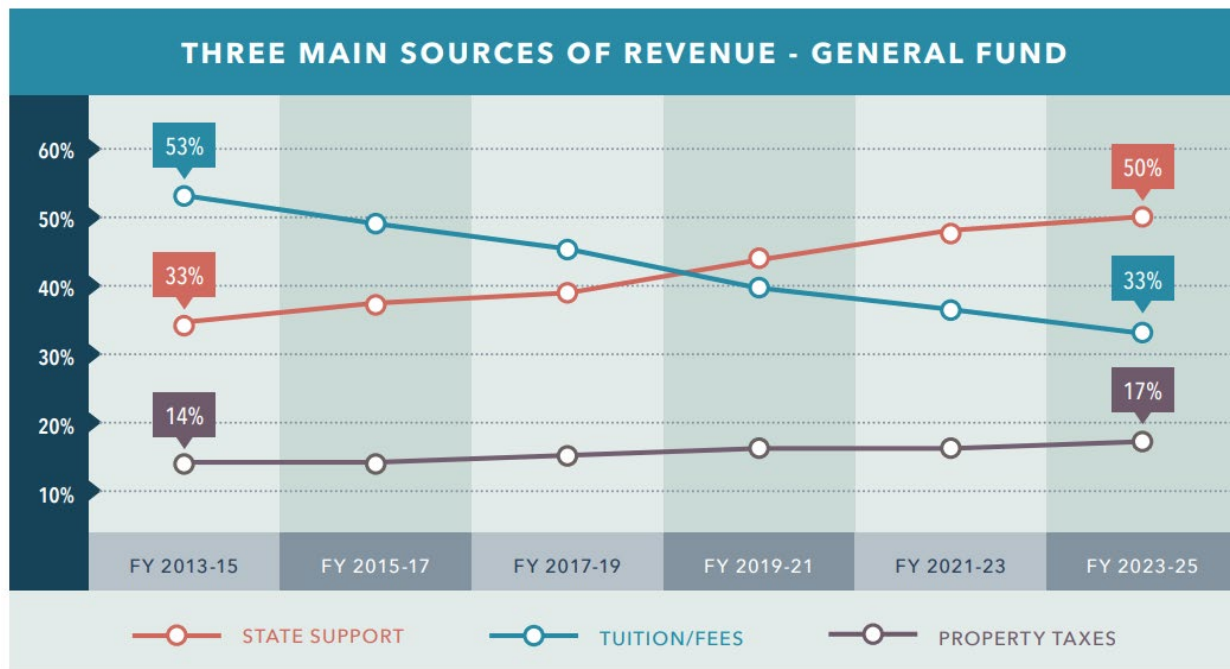
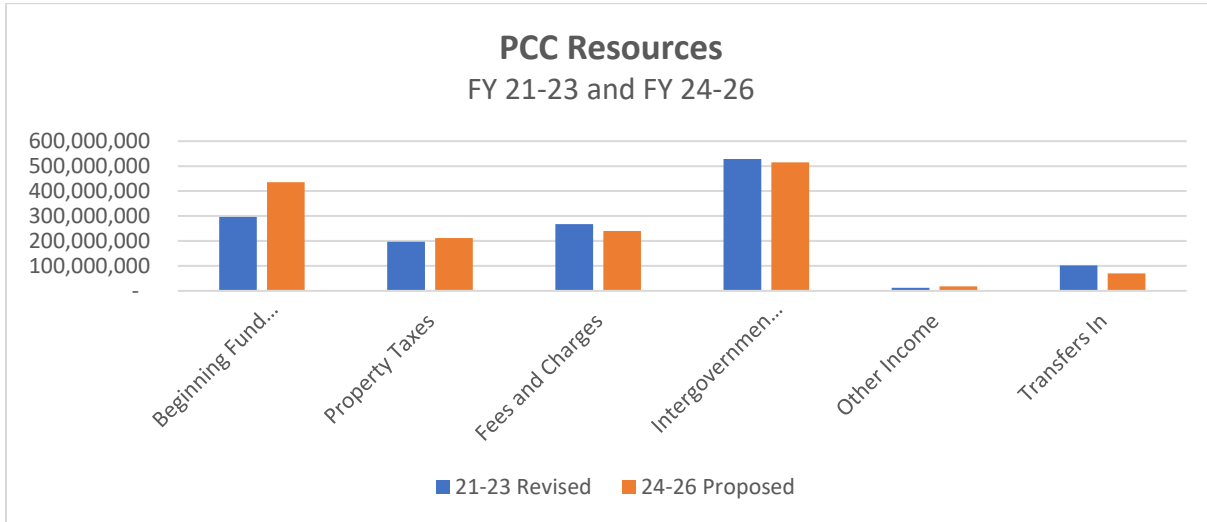
Revenues will decrease by 4.8%, due in part to reduced enrollment, as well as covid relief dollars winding down. Tuition and fees are a major source of the college’s revenue, roughly 33% of the FY 23-25 budgeted revenue. Tuition and fees decline by 12%, or \$22 million dollars, from the FY 2021-23 revised budget. FTE enrollment continues to decline, and is down roughly 25% from pre-pandemic numbers. The college anticipates enrollment decreases will end in FY 2024 and will begin increasing in FY 2025.

ENROLLMENT STATISTICS	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Actual
Lower Division Transfer	15,596	15,878	15,126	14,137	13,672	11,888
Career Technical Ed	6,058	5,780	5,428	4,411	3,586	4,017
PreCollege	2,644	2,009	1,809	1,577	1,287	1,126
CEU	452	483	360	267	236	239
ESOL (non-credit)	672	714	645	555	383	538
Career Tech Apprentice	55	65	71	76	69	74
Community Ed	353	433	445	313	245	240
Other	1,848	1,769	1,716	1,373	1,084	1,059
TOTAL FULL-TIME EQUIVALENT STUDENTS	27,270	26,633	25,084	22,320	20,248	18,867
TOTAL UNDUPLICATED HEADCOUNT	73,881	70,664	67,858	60,037	50,576	50,533

Overall expenditures see a slight (1.5%) increase from the last biennium. Personnel services decrease by \$6 million as FTE totals change to align with enrollment levels. Projected expenditures threaten to outpace resources as enrollment declines and inflation impacts costs. College tuition increases in this budget by approximately 4%.

Notable for this year is a budget reorganization intended to convey the college’s aim to break down silos and approach work from a One College perspective. The General Fund, formerly broken out by campus, it is now rolled up into four categories that cover costs across all campuses: Academic Affairs, Student Affairs, Finance & Administration, and the Office of the President.

RESOURCES



Federal and State Support (Intergovernmental) - \$515 million: Now the largest share of annual revenue, state support increases by \$464 thousand to \$326 million and assumes a 10% state contribution (CCSF), higher than the Governor’s Recommend budget of 7.1% and lower than the HECC (Higher Education Coordinating Commission for State of Oregon) recommended 29.5%. Staff say the final number could be more or less but predict the CCSF will likely grow by 14%. PCC takes a conservative approach to estimating

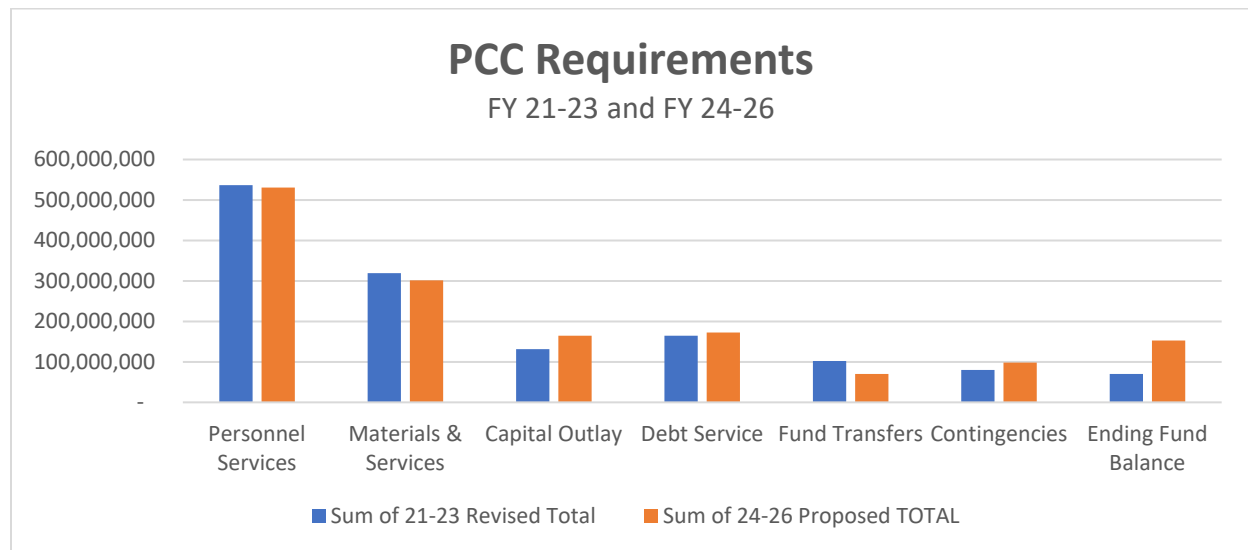
resources and so is assuming 10% growth. Federal revenue will decline by \$58 million dollars (25%) as no new covid relief dollars are expected.

Fees and Charges - \$240 million: Overall fees and charges decline, driven primarily by tuition and fees declining 11.7%. This is in spite of a fare increase of 4% in both academic years of the biennium. Prior to this increase, the college last increased tuition in the 2019-2021 biennium (4.5% in 2019-20 and 6% in 2020-21).

Property Taxes - \$212 million: Non-GO bond debt property taxes are budgeted to increase roughly 4% per year in the upcoming biennium, based on historical trends. Overall property tax revenue will increase by 7.6% from the previous budget and includes \$120.5 million budgeted to pay general obligation (GO) bond debt service on the new bonds.

Beginning Fund Balance - \$436 million: Increases by 47% (\$140 million), which includes debt proceeds from the voter approved GO bond received in late FY 23.

REQUIREMENTS



Personnel Services - \$537 million: Decreases by 1% to \$531 million for FY 23-25. Personnel Services are by far the largest expense category for the college. The past two years have seen a decrease in FTE positions at PCC as enrollment decline and instructional needs shifted. ([See p. 39 of Proposed Budget document](#) pdf for larger image):

OVERVIEW SNAPSHOT OF FTE CHANGES					
	Fiscal Year 2015-17 Actual FTE	Fiscal Year 2017-19 Actual FTE	Fiscal Year 2019-21 Actual FTE	Fiscal Year 2021-23 Revised FTE	Fiscal Year 2023-25 Proposed FTE
General Fund	2,485.05	2,512.63	2,481.86	2,279.49	2,254.50
CEU/CED-Fund	98.21	94.08	86.02	65.30	52.82
Auxiliary Fund	5.39	6.06	6.09	6.09	4.01
Contracts and Grants Fund	196.00	212.02	200.30	135.88	119.58
Student Activities Fund	36.55	39.43	37.18	31.85	36.18
Student Financial Aid Fund	5.00	4.43	4.93	4.22	4.22
Capital Construction Fund	23.19	13.09	29.72	32.90	30.75
College Bookstore Fund	60.00	60.00	40.24	31.19	31.19
Food Services Fund	70.82	68.02	55.39	45.79	38.94
Transportation & Parking Fund	30.34	32.94	31.64	32.02	27.60
Risk Management Fund	4.45	4.28	4.59	4.59	4.59
Print Center Fund	8.14	7.10	8.16	7.35	7.35
TOTAL	3,023.14	3,054.08	2,986.12	2,676.67	2,611.73

Materials & Services (M&S) - \$301 million: Sees a decrease of 6% from \$319 million to \$301 million, driven in large part by M&S in the Financial Aid fund declining by \$17 million as financial aid is reduced. The decline is also due to fewer students on campus resulting in less need from services like the bookstore, food services, etc.

Capital Outlay - \$165 million: Increases by \$33 million (25%). In 2022, the College completed its Facilities Plan, a comprehensive assessment of the College’s build assets. The College’s Capital Project program is derived from the plan, including projects paid for by bond funds. See p.7 for more on capital projects.

Contingency - \$98 million: Increases by \$18 million (23%) due to uncertainty in the coming years – inflation is still trending high, multiple labor contracts are open, and other such circumstances result in the college deciding to increase contingency. The largest contingency amounts are budgeted in the Capital Construction Fund (\$20 million) and the General Fund (\$60 million).

Ending Fund Balance - \$156 million: Overall EFB increases \$83 million from the year prior. Fund balance in the Construction Fund increases by \$76 million as 2023 bond proceeds are rolled over to be spent in future years.

SIGNIFICANT BUDGET AREAS

GENERAL FUND

General Fund total budget of \$613 million is a 0.3% increase from the previous biennium. General Fund revenues increased by 5%, while expenditures decreased by 1%. The largest category of budget expenditures, personnel services, stays flat. FTE decreases by 24.99 FTE with instructional support losing the most positions. Contingency increases 64% in response to the uncertain future outlook. Contingency is 12% of the General Fund operating expenditures.

IMPACTS OF ENROLLMENT DECLINE

Funds directly dependent on revenues related to student enrollment decline in this budget, with the exception of the **Student Activities Fund**, which has dedicated resources from student activities fees and fund-raising activities. While the student activity fee revenue is budgeted to decline, increased fund-raising dollars and carryover funds from the current biennium show the fund growing by 11%. For other funds, the decreases in fund expenditures track with decreased enrollment as each of them anticipate lower revenue from things like food sales (**Food Services Fund**), parking permits and fines (**Transportation Fund**), and sales (**Bookstore Fund**).

Fund Name	21-23 Revised	24-26 Proposed	Change	% Change
Student Activities Fund	6,628,119	7,376,994	748,875	11%
Food Services Fund	11,519,734	8,569,908	(2,949,826)	-26%
College Bookstore Fund	21,513,443	15,637,655	(5,875,788)	-27%
Transportation & Parking Svcs Fund	16,166,371	8,527,150	(7,639,221)	-47%

The **Financial Aid fund** sees a decline of \$10 million. This is not an enterprise fund like those listed above, but revenue for this fund is generated by student financial aid requests and is therefore impacted by enrollment.

CONTRACTS & GRANTS FUND

This fund accounts for various training programs using grant and contract revenues, including pandemic funds. This fund will decrease by \$17.8 million (22%) as pandemic relief funds wind down.

CAPITAL PROJECTS

The **Capital Projects Fund** (minor construction projects, remodeling, maintenance) and **Capital Construction Fund** (major construction projects) both increase due to bond spending. The funds increase by 40% and 75% respectively.

2017 Bond Program

Location	Project Highlights
Rock Creek Campus	Childcare center, Dealer Services Technology building, parking lot improvements, Welding space renovation

Sylvania Campus	Child Development Center, Automotive Technologies building upgrades, Biology program relocation and remodel
Cascade Campus	Medical Simulation Lab
Southeast Campus	Capital repairs and renewal projects
District-Wide	Oregon Manufacturing Innovation Center in Columbia County, HVAC in multiple buildings, tree survey

Still underway: Sylvania Health Technology Building East Side renovations.

November 2022 Bond Program

Primary projects include technology updates, facilities updates for flexible learning, expanding technical education, deferred maintenance, increased access for those with disabilities, and campus planning for Cascade and Southeast campuses. Early planning has started and the first construction is planned for Summer 2023. The college anticipates the complete bond program will be finished in 2033.

Bond Progress to Date

2017 BOND			
CAMPUS / CENTER	INITIATIVE BUDGET	ACTUALS PAID	% SPENT
Sylvania	\$85,719,429	\$69,520,384	81%
Rock Creek	37,555,379	31,207,154	83%
Cascade	7,045,155	3,324,324	47%
South East	3,526,432	2,429,173	69%
Columbia County (OMIC)	8,150,000	7,750,156	95%
Portland Metropolitan Workforce Training Center	37,434,425	24,344,338	65%
Muti-Site Initiatives	\$54,700,198	42,087,931	77%
Total	\$234,131,019	\$180,663,460	77%

2023 BOND			
CAMPUS / CENTER	INITIATIVE BUDGET	ACTUALS PAID	% SPENT
Sylvania	\$140,000,000	\$1,585,281	1%
Rock Creek	84,000,000	0	0%
Cascade	8,000,000	113,538	1%
Hillsboro	20,000,000	39,554	0%
Multi-site Initiatives	225,369,031	142,270	0%
Total	\$477,369,031	\$1,880,644	0%

Includes bond premium on first sale

DEBT STATUS

The district maintains two debt service funds, one for general obligation bonds and one for pension bonds. The district will pay a total of \$84.9 million in debt service in the first year of the biennium and \$87.7 million in the second year, a total of \$172.6 million for the biennium. Debt payments are scheduled to increase over the next few years and then begin to decline in FY 2027-28, when the 2003 pension bond is fully paid off.

GENERAL OBLIGATION BONDS	Date of Issue	Payment Dates	Date of Maturity	Bonds outstanding as of 3/20/2023
Series 2013	3/28/2013	Dec/June 15th	6/15/2023	\$8,355,000
Series 2016	12/15/2016	Dec/June 15th	6/15/2029	88,750,000
Series 2018	4/4/2018	Dec/June 15th	6/15/2033	117,675,000
Series 2020 Refunding 2013	12/17/2020	Dec/June 15th	6/15/2033	111,050,000
Series 2023	3/16/2023	Dec/June 15th	6/15/2038	225,000,000
Total				\$550,830,000

DEBT PAID SECURED BY THE GENERAL FUND	Date of Issue	Payment Dates	Date of Maturity	Bonds outstanding as of 3/20/2023
Series 2003 Limited Tax Pension Bonds	6/30/2003	Dec/June 1st	6/1/2027	\$54,390,000
Series 2018 Full Faith & Credit Pension Bonds	11/27/2018	Dec/June 1st	6/1/2038	159,900,000
Total				\$214,290,000
Grand Total				\$765,120,000

GO Bond Debt Service Fund: The district has five existing GO Bond debt issues. The oldest is a 2013 issue and the most recent is a 2023 issuance for the new voter approved GO bond.

PERS Pension Bond Fund: The district has two PERS pension bonds. One was issued in 2003 and the other in 2018.

BUDGET PROCESS & COMPLIANCE

Yes	No	Compliance Issue
X		Did the district meet publication requirements?
X		Do resources equal requirements in every fund?
X		Does the GO Debt Service Fund show only principal and interest payments?
X		Are contingencies shown only in operating funds?
X		Did the budget committee approve the budget?
X		Did the budget committee set the levy?
	X	Does the audit show the district was in compliance with budget law? – <i>see below</i>

LOCAL BUDGET LAW COMPLIANCE

The FY 2023-25 Budget is in substantial compliance with local budget law. Estimates were judged to be reasonable for the purposes shown.

Since PCC is on a biennial budget cycle TSCC staff reviewed two audits, FY 21 and FY 22 for this review. FY 21 had an audit finding for over expenditures in the contracts and grants fund and the student financial aid fund. The FY 22 audit had no findings. Since the FY 21 over expenditure was not a pattern, occurred two years ago, and has already been noted in the audit, TSCC staff are not suggesting a recommendation or objection in the certification letter on this topic.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff did not find any deficiencies in the district's FY 2023-2025 budget or budget process, and we recommend the Certification Letter contain no recommendations or objections.

Portland Community College Budget Summary

TSCC Dist. #32

	2017-19 Actual	2019-21 Actual	2021-23 Budget	2023-25 Budget	Budget % Change
SUMMARY OF ALL FUNDS					
Property Tax Breakdown:					
Permanent Rate	71,317,237	76,915,119	81,287,676	91,142,187	12.1%
GO Debt	93,235,265	110,422,747	115,530,212	120,567,248	4.4%
	164,552,502	187,337,866	196,817,888	211,709,435	7.6%
Resources:					
Property Taxes	164,552,502	187,337,866	196,817,888	211,709,435	7.6%
Tuition & Fees	202,832,336	188,216,124	188,610,810	166,502,857	-11.7%
Other Fees & Charges	35,896,873	16,402,742	27,280,848	18,927,719	-30.6%
Intergovernmental	449,930,652	487,045,284	528,748,514	515,039,053	-2.6%
Other	19,846,073	16,035,548	12,541,107	17,759,104	41.6%
Debt Proceeds	381,628,142	118,615,935	0	0	0.0%
Service Reimbursement	31,086,379	44,697,070	51,748,373	54,234,875	4.8%
Fund Transfers	46,359,256	113,916,943	102,315,615	70,262,361	-31.3%
Sub-Total Revenues	1,332,132,213	1,172,267,512	1,108,063,155	1,054,435,404	-4.8%
Beginning Fund Balance	137,747,678	317,947,553	296,218,104	435,720,602	47.1%
TOTAL RESOURCES	1,469,879,891	1,490,215,065	1,404,281,259	1,490,156,006	6.1%
	2017-19 Actual	2019-21 Actual	2021-23 Budget	2023-25 Budget	Budget % Change
Requirements by Object:					
Personal Services	445,405,950	446,424,911	536,544,459	530,621,437	-1.1%
Materials & Services	322,387,530	290,025,332	319,195,124	301,322,248	-5.6%
Capital Outlay	49,012,913	75,295,366	131,463,350	164,575,549	25.2%
Debt Service	118,063,856	268,334,412	164,621,455	172,651,046	4.9%
Fund Transfers	217,062,089	113,916,943	102,315,615	70,262,361	-31.3%
Contingencies	0	0	80,043,652	98,092,649	22.5%
Sub-Total Expenditures	1,151,932,338	1,193,996,964	1,334,183,655	1,337,525,290	0.3%
Ending Fund Balance	317,947,553	296,218,104	70,097,605	152,630,716	117.7%
TOTAL REQUIREMENTS	1,469,879,891	1,490,215,068	1,404,281,260	1,490,156,006	6.1%
SUMMARY OF BUDGET - BY FUND					
General Fund	493,343,393	566,356,852	611,395,724	612,928,477	0.3%
CEU/CED Fund	14,943,709	13,765,608	16,584,573	15,934,873	-3.9%

Capital Projects Fund	6,212,810	10,690,190	20,499,937	28,641,459	39.7%
Capital Construction Fund	268,884,284	236,207,076	149,554,728	261,757,446	75.0%
Auxiliary Fund	2,458,704	3,044,496	4,495,457	5,737,529	27.6%
Student Activities Fund	5,583,162	5,257,830	6,628,119	7,376,994	11.3%
Contracts & Grants Fund	51,051,010	71,770,109	79,325,871	61,514,250	-22.5%
Student Financial Aid Fnd	210,549,036	186,179,786	204,158,018	193,416,994	-5.3%
College Bookstore Fund	29,143,271	18,771,148	21,513,443	15,637,655	-27.3%
Food Services Fund	8,355,726	6,613,359	11,519,734	8,569,908	-25.6%
Parking Operations Fund	14,546,798	11,648,502	16,166,371	8,527,150	-47.3%
Risk Management Fund	13,874,896	17,237,945	22,355,180	23,786,445	6.4%
Print Center Fund	2,428,612	2,702,766	3,619,405	2,987,161	-17.5%
PERS Reserve Fund	222,613,944	60,996,262	64,410,766	63,568,791	-1.3%
Early Retirement Fund	1,940,310	1,547,031	2,148,560	3,119,828	45.2%
Debt Service Fund	99,765,571	235,485,840	124,647,000	127,818,055	2.5%
PERS DEBT Service Fund	24,184,655	41,940,268	45,258,373	48,832,991	7.9%

GRAND TOTAL ALL FUNDS	1,469,879,891	1,490,215,068	1,404,281,259	1,490,156,006	6.1%
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<u>DETAIL OF GENERAL FUND</u>	2017-19 Actual	2019-21 Actual	2021-23 Budget	2023-25 Budget	Budget % Change
Resources:					
Property Taxes Current Yr	69,688,833	76,017,124	79,273,369	88,874,142	12.1%
Property Taxes Prior Year	1,628,404	897,995	2,014,307	2,268,045	12.6%
Tuition & Fees	187,256,491	176,959,908	175,545,530	153,774,954	-12.4%
Interest	2,214,729	2,151,882	2,601,210	1,700,000	-34.6%
Other	4,227,151	2,577,538	4,274,956	3,619,000	-15.3%
Debt Proceeds	755,069	7,821	0	0	0.0%
State	192,853,540	216,060,028	224,435,452	262,577,150	17.0%
Federal	0	6,186,143	0	0	0.0%
Fund Transfers	14,285,079	43,415,481	22,041,819	4,619,130	-79.0%

Sub-Total Fund Revenues	472,909,296	524,273,920	510,186,643	517,432,421	1.4%
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Beginning Fund Balance	20,434,097	42,082,929	101,209,081	95,496,056	-5.6%
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TOTAL FUND RESOURCES	493,343,393	566,356,849	611,395,724	612,928,477	0.3%
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Requirements:					
Instruction	213,801,384	202,022,842	220,218,442	223,832,673	1.6%
Instructional Support	46,651,170	74,405,247	66,736,502	59,680,400	-10.6%
Student Support	51,537,332	25,156,294	70,605,445	72,618,350	2.9%
College Support	76,563,092	81,500,118	95,986,395	91,253,873	-4.9%

Physical Plant	55,317,964	53,534,633	62,981,728	65,943,085	4.7%
Sub-Total Support Services	443,870,942	436,619,135	516,528,513	513,328,381	-0.6%
Fund Transfers	7,389,522	28,528,636	35,015,423	16,078,931	-54.1%
Contingency	0	0	36,562,938	59,971,029	64.0%
Sub-Total Requirements	451,260,464	465,147,771	588,106,874	589,378,341	
Ending Fund Balance	42,082,929	101,209,081	23,288,850	23,550,136	1.1%
TOTAL FUND REQUIREMENTS	493,343,393	566,356,852	611,395,724	612,928,477	0.3%

DETAIL OF GENERAL OBLIGATION DEBT SERVICE FUND

	2017-19	2019-21	2021-23	2023-25	Budget %
Resources:	Actual	Actual	Budget	Budget	Change
Property Taxes Current Yr	91,069,126	109,182,444	115,230,212	120,267,248	
Property Taxes Prior Year	2,166,139	1,240,303	300,000	300,000	
Debt Proceeds	0		0	0	
Interest	549,988	568,609	25,092	150,000	
Beginning Fund Balance	5,980,318	5,886,370	9,091,696	7,100,807	
TOTAL FUND RESOURCES	99,765,571	116,877,726	124,647,000	127,818,055	6.6%
Requirements:					
Debt Service	93,879,201	107,786,030	119,363,082	123,818,055	
Bond Issuance Costs	0		0	0	
Ending Fund Balance	5,886,370	9,091,696	5,283,918	4,000,000	
TOTAL FUND REQUIREMENTS	99,765,571	116,877,726	124,647,000	127,818,055	6.6%