



Staff Analysis and Report to the Board

Date: September 25, 2018

To: Board of Directors

From: Claire Hertz, Deputy Superintendent Business & Operations

Subject: Resolution to Authorize Use of Construction Excise Tax

BACKGROUND

The Oregon Legislature passed the Senate Bill 1036 in 2007 authorizing school districts to impose construction excise taxes. In 2008, the PPS Board approved to utilize the construction excise tax fund for capital improvements for school facilities. On average PPS receives \$6.5M per year in construction excise taxes and was over projection in 2017-18 for a total of \$8.4M in collected CET revenue. The district's CET fund is currently allocated for unrestricted and restricted purposes as follows:

1. Unrestricted: This portion can be spent on capital improvements for school facilities.
2. Restricted: In 2012, the PPS Board established a 20-year Capital Asset Renewal Plan (CAR) through Board resolution No. 4539. The restricted portion of the CET Fund is used for the CAR Plan to fund life cycle renewal of major building components the District has invested in recent years. The goal of this strategy was to extend the useful life of district facilities, ensure public capital investments are properly preserved and minimize deferred maintenance costs.

RELATED POLICIES/BEST PRACTICES

Board policy [8.70.044 Capital Asset Renewal Funds and Plans](#) develops a Capital Asset Renewal Plan approved by the board in 2011-12 with funding updated at five year intervals. A funding update is included in this staff report. CET revenues shall set aside a minimum annual amount of \$1.5M for the CAR Plan. CAR projects are to be approved in the annual budget process approved by the Board of Education.

ANALYSIS OF SITUATION

At the September 11, 2018 Board Work Session, the Board discussed the possible use of \$11M in CET resources to support the Middle School Conversion, and offset the 2017 Bond Program shortfall. In addition, there is a need to respond to enrollment growth with \$2.05M for placing

portable classrooms in overcrowded schools. There were two questions that surfaced from the board discussion:

1. How much revenue is in the CAR fund?
2. What projects have we committed to with these funds?

In response to the first question, the following chart reports the revenues and expenditures of the CAR fund over the past seven years through 2016-17:

FY Ending	Capital Expense	CET Revenue Fund 404	Interest Earned	Lease Revenue	Athletic Field'	Surplus Sales	Total Revenue	Balance
2010/2011		\$2,476,972					\$2,476,972	\$2,476,972
2011/2012		\$1,500,000					\$1,500,000	\$3,976,972
2012/2013		\$1,500,000	\$9,195	\$157,309	\$49,587		\$1,716,091	\$5,693,063
2013/2014	(80,917)	\$1,500,000	\$1,579	\$485,890	\$74,956	\$1,993,185	\$4,055,610	\$9,667,756
2014/2015	(248,034)	\$1,500,000	\$1,650	\$349,094	\$158,417		\$2,009,160	\$11,428,883
2015/2016	(94,348)	\$1,500,000	\$2,076	\$457,826	\$137,484		\$2,097,386	\$13,431,920
2016/2017	(62,195)	\$1,500,000	\$24,466	\$539,929	\$136,202		\$2,200,597	\$15,570,322

In response to the second question, a very conservative revenue, expenditure and fund balance projection through 2020/21 are reflected below:

Total CET	Actuals 2017/2018	Budget 2018/19	Projection 2019/20	Projection 2020/21
Beginning Balance	19,405,419	15,743,260	12,017,522	16,556,218
Revenue	8,424,893	6,000,000	6,000,000	6,000,000
Total Resources	27,830,312	21,743,260	18,017,522	22,556,218
Total Expenditures	12,087,052	9,725,738	1,461,304	2,341,281
Ending Balance	15,743,260	12,017,522	16,556,218	20,214,937

The projection shows there is enough in current reserves to support the resolution to authorize spending of CET revenue.

FISCAL IMPACT

In aligning the district resources to original intent, this resolution would allow the district to use CET funds to meet current enrollment growth needs, lower the 2017 Bond Program shortfall and utilize the perpetual bond program for the major renovation and extending the life cycle of all school buildings. The district will maintain the \$2.50/\$1,000 of assessed value level levy rate to support future general obligation bonds.

COMMUNITY ENGAGEMENT

Parents and community members from Bridger Elementary have attended multiple board meetings expressing their concerns for placement of portable classrooms for 2018-19 and 2019-20.

TIMELINE FOR IMPLEMENTATION/EVALUATION

A supplemental budget will be needed to authorize appropriation for this resolution transfer. This could be made anytime during the 2018-19 fiscal year.

BOARD OPTIONS WITH ANALYSIS

The resolution will authorize spending of \$13.05M Construction Excise Tax to support the Middle School Conversion and portable classrooms for enrollment growth. If this is not authorized, the 2017 Bond Program shortfall will increase by \$11M, and \$2.05M of general fund revenue would need to be used to purchase portable classrooms. Possible boundary adjustments or program changes could be made to offset the need of for portable classrooms.

STAFF RECOMMENDATION

Staff recommends the board approve the resolution to authorize the use of CET resources to lower the 2017 Bond Program shortfall and purchase portable classrooms to support overcrowded schools.

I have reviewed this staff report and concur with the recommendation to the Board.



Guadalupe Guerrero
Superintendent
Portland Public Schools

September 26, 2018

Date

ATTACHMENTS

A. Resolution

PPS District Priorities FY 2018-19

1. *Set a clear Vision and Strategic Plan*
2. *Create equitable opportunities and outcomes for all students*
3. *Ensure systems and structures for performance*
4. *Allocate budget, funding and resources to achieve desired outcomes*