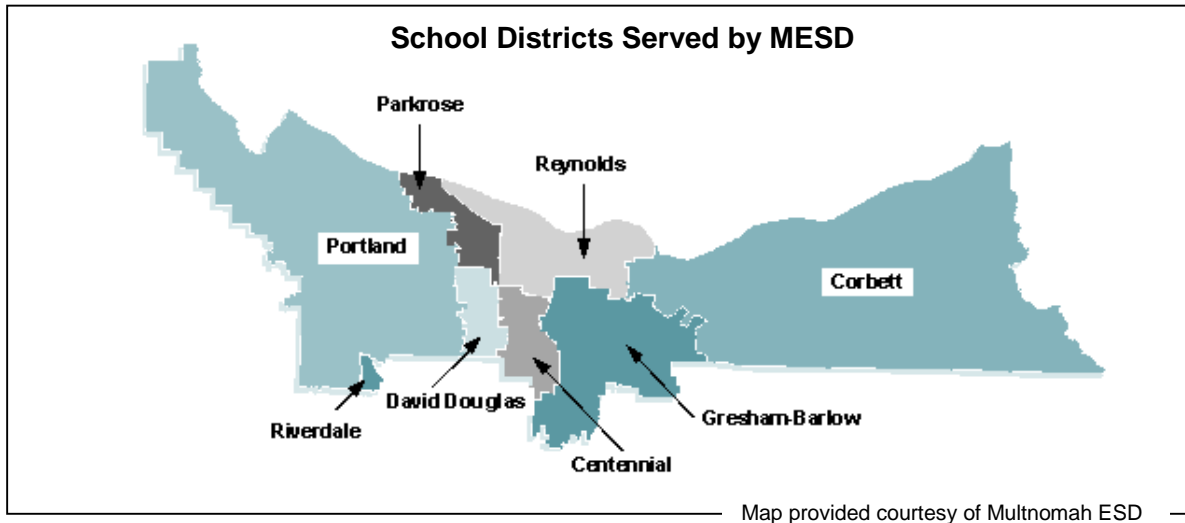


TSCC Budget Review 2016-17

Multnomah Education Service District

1. Introduction to the District

The Multnomah Education Service District serves the eight public school districts within Multnomah County. District boundaries extend into Clackamas and Washington counties along school district boundaries.



2. History

The Multnomah Education Service District (MESD) evolved from the county school superintendent's office, first established in 1854. Responsibilities of that office were transferred from county government to an independent district in 1957. The state legislature formally established the ESD in 1963. In 1978, the name of the district was changed from Intermediate Education District to Multnomah Education Service District. Today, MESD staff work in over 160 schools and 25 community sites.

The seven member Board of Directors that governs the district serves without compensation. All Directors are elected to four-year terms: five from zones, and two elected at large.

The Multnomah ESD assists the Oregon Department of Education by administering state-level services and minimum education standards. The district also provides specialized education services and facilities on a cooperative basis to its component school districts. Many of the specialized services are those with limited demand that can be provided more efficiently and cost effectively on a regional basis. Costs for support services for Multnomah ESD are more than twice the cost of instruction due to the special needs of students. This is a reversal of the instruction to support ratio of K-12 districts.

3. Strategic Plan / Performance Objectives

The district used the following strategies to develop this budget:

- Reflect the needs and wants of the district's customers in the Local Service Plan
- Provide transparency in cost estimates for Local Service Plan services

- Pursue reasonable grant and contract opportunities

4. The Budget in Total

The District’s budget is increasing from \$78.5 million to \$79.1 million, an increase of \$0.6 million (less than one percent).

Multnomah Education Service District				
Total Requirements - All Funds Combined				
(\$ Millions)				
	2013-14	2014-15	2015-16	2016-17
Personnel Services	\$ 31.5	\$ 32.3	\$ 33.6	\$ 36.2
Materials & Services	10.1	12.3	14.0	10.8
Transit Payments	13.3	13.3	14.0	14.5
Capital Outlay	0.3	0.1	0.0	0.0
Debt Service	2.9	3.1	3.2	3.3
Overhead Charges	1.1	1.0	1.4	1.1
Fund Transfers	4.9	4.6	4.6	4.7
Contingencies	-	-	6.0	2.8
Ending Fund Balance	12.8	11.2	1.7	5.7
TOTAL REQUIREMENTS	\$ 76.8	\$ 77.8	\$ 78.5	\$ 79.1

The 2016-17 Budget was developed using the two-year State School Fund (SSF) education funding level of \$7.4 billion.

- Includes the original legislatively adopted SSF budget of \$7.255 billion plus additional revenue from the May 2015 forecast
- ESDs receive 4.5% of the total SSF distribution amount
- MESD’s share of the SSF allotment is \$38.5 million for 2016-17
 - Of this amount, an estimated \$31.1 million will be received from property taxes with the remaining \$7.4 million from the State School Fund.

Overall Expenditures:

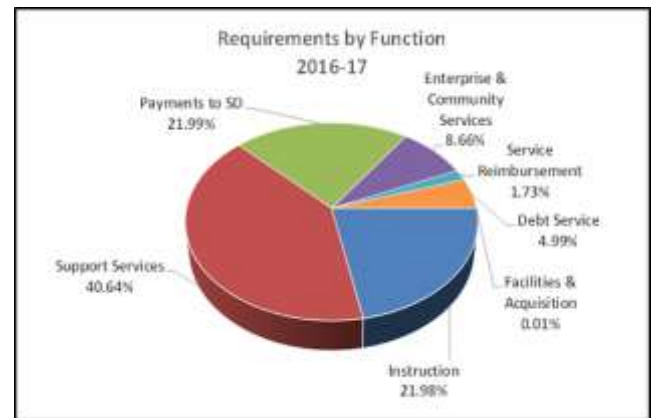
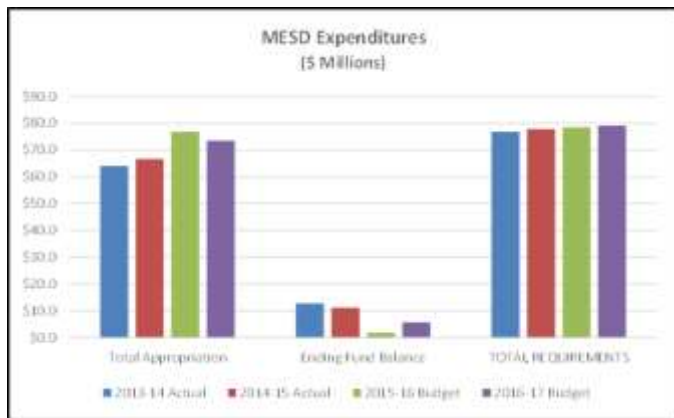
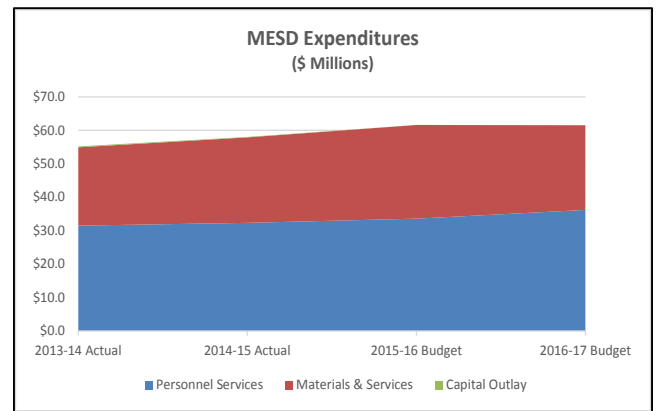
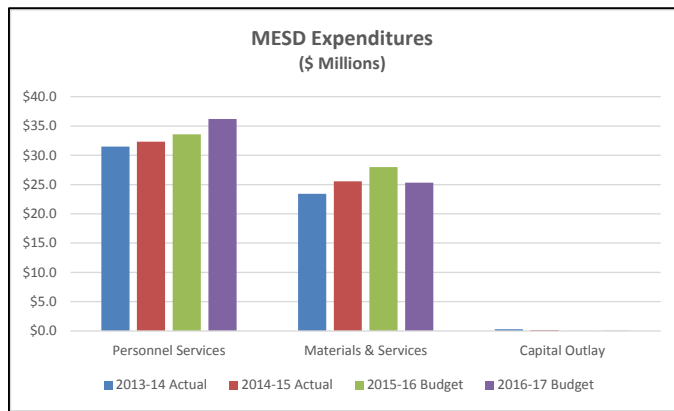
Overall operating expenses are roughly the same, increasing just under \$40,000 from 2015-16 levels. Expenses over all functional service areas are split with Instruction, Facilities & Acquisition, Transit Payments and Debt Service increasing, while Support Services, Enterprise & Community Services and Overhead Charges decrease.

Transit payments are “flow through” dollars from the state to component school districts.

- Transit payments total \$14.5 million in 2016-17. They are budgeted in the Resolution Services Fund.
- Not all school districts receive the same percentage of transit dollars. To provide consistency, the ESD established a policy to equalize allowable transit percentages across all eight districts

Significant changes from 2015-16 to 2016-17:

- Expansion of the Portland Public Schools' School Health Assistant program.
 - Increases Health Services Department expenses due to additional personnel
- Possible implementation of a new program for middle school students with significant behavior challenges
 - Limited start-up funding for staff and supplies is included in this budget
 - If this program is developed, additional funding would be approved through the supplemental budget process



Personnel Services:

Personnel costs comprise 56% of the district's total operating budget. The budget includes an increase of 37.3 FTE, most in Health Services, reflecting the expanded School Health Assistant Program with Portland Public Schools.

The district continues to review its FTE calculations. Because of the variety of types of employees – full-time employees can work 190, 240 or 260 days a year - what is an FTE for

one group is not an equal FTE to another. The result is that it is difficult to put an FTE to the number of positions budgeted.

By Department	2013-14 Actual	2014-15 Actual	2015-16 Budget	2016-17 Budget
Administration	4.85	6.12	4.90	4.50
Facilities	9.50	8.75	8.75	8.75
Business Services	8.00	8.00	8.00	8.00
Human Resources	6.67	6.26	6.60	6.00
Technology Services	34.05	33.75	35.75	35.75
Special Education	143.83	150.16	136.47	143.98
Health & Social Services	134.90	137.49	139.51	162.86
Instructional	64.29	65.01	67.91	75.35
Total FTE	406.09	415.54	407.89	445.19

This budget includes:

- Step increases for eligible employees
- Use of agreed upon salary schedules for all represented employees
- PERS defined rates of 5.55% for Tier I/II, 0.86% for OPSRP, and 4.97% for Fire and Police
- MESD contribution rate for PERS pickup is 6%
- Increased employer contribution for health insurance premiums capped at 6%

Materials and Services:

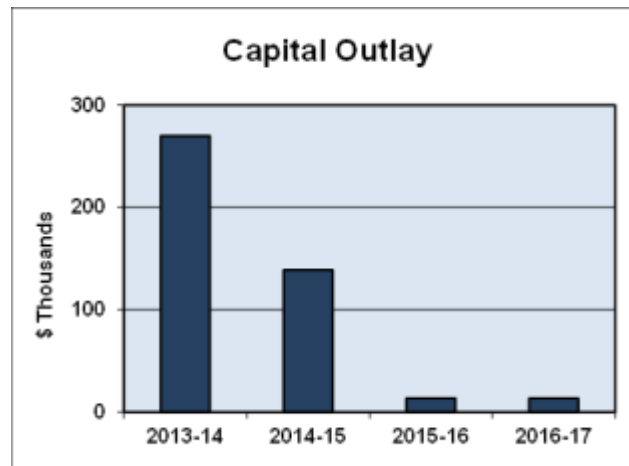
Overall Materials & Services are decreasing 22.7% in 2016-17.

Capital Outlay:

The Facilities and Equipment Reserve Fund budgets capital outlay for improvements to ESD facilities. In addition, it also accounts for the setting aside of resources for future acquisition of major software, equipment and furniture.

The District reviews the condition of its facilities regularly and evaluates future improvement needs. If an improvement is expected to occur:

- In the current year, 100% of the expense is budgeted
- In one to five years, 20% is budgeted



- In six to ten years, the district sets aside 10% of the expense

The district budgeted for minor capital outlay in 2016-17.

- Carpet replacement at the Ainsworth, Burlingame Creek (formerly Alpha High School), and Arata Creek facilities
- Fire panel replacement at the Burlingame Creek and Arata Creek buildings

Overall Revenues:

Like K-12 districts, the MESD receives a set amount of funding from the State of Oregon. If property taxes received are lower than projections, the state makes up the difference. Prior to budget development, the district receives an estimated amount of funding from the Department of Education; the district then backs into the property tax revenue amount.

- MESD estimates the total amount to be received from the combination of property taxes and the State School Fund to be \$38,549,189
 - Increase of 1.7%
- Increase of just over \$1.0 million in ‘Other State Revenue’
- Decrease of about \$0.8 million in Federal Revenue
 - LAUNCH grant ended in September 2015

Multnomah Education Service District				
Total Resources - All Funds Combined				
(\$ Millions)				
	2013-14	2014-15	2015-16	2016-17
Property Taxes	\$ 27.0	\$ 28.4	\$ 30.2	\$ 31.1
Donations & Gifts	0.2	0.1	0.1	0.1
Federal	1.5	1.8	1.8	1.0
State	7.6	8.9	10.1	10.8
Local	15.7	15.2	15.1	16.3
Other	4.2	4.9	4.1	4.8
Interest	0.1	0.1	0.1	0.1
Overhead Revenues	1.1	1.0	1.4	1.1
Fund Transfers	4.9	4.6	4.6	4.7
Beginning Fund Balance	14.5	12.8	11.2	9.1
TOTAL RESOURCES	\$ 76.8	\$ 77.8	\$ 78.5	\$ 79.1

Service Provision:

Local programs and services are provided to school districts in two ways: through resolution programs and through contracts.

Resolution programs are programs that districts select to participate in and are funded by MESD using state and local revenues. These programs are those that are authorized by at

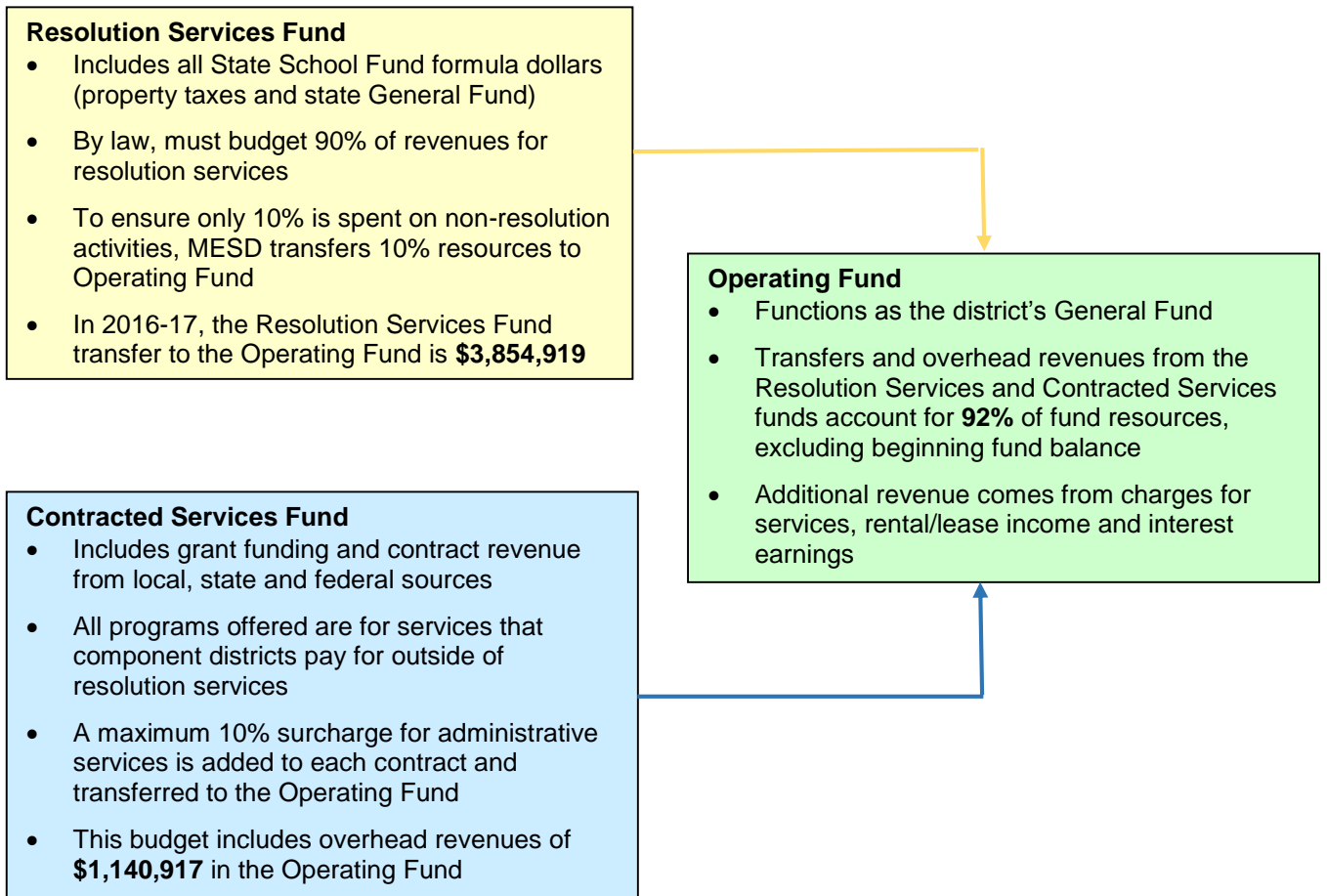
least two-thirds of the school boards representing a majority of total county students. With an enrollment of just over 50% of the total number of students served by MESD, Portland Public School District must be one of the authorizing districts. The following table shows the component school districts by number of students.

District	Total Schools	Total Enrollment*	Percent of Total
Centennial	10	6,234	6.7%
Corbett	3	1,239	1.3%
David Douglas	14	10,786	11.6%
Gresham-Barlow	23	11,997	12.9%
Parkrose	6	3,328	3.6%
Portland	95	47,393	50.9%
Reynolds	19	11,553	12.4%
Riverdale	2	601	0.6%

* Source: ODE October 1, 2015 Enrollment Data, www.ode.state.or.us

Contract Programs are education and administrative services that the component school districts - and districts outside of Multnomah County - choose to purchase.

This chart illustrates the relations between the Resolution Services Fund, the Contracted Services Fund, and the Operating Fund (which serves as the District's General Fund)



Senate Bill 250, adopted in the 2011 Legislative Session, substantially changed how ESD's operate. The bill:

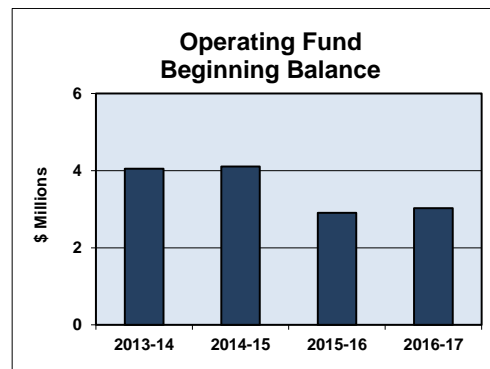
- Allows component school districts to opt out of ESD services and receive funding for ESD services directly from the state
 - In 2016-17, none of the MESD component districts have chosen to opt out of MESD services
- Provides for additional oversight on ESDs from the Office of Regional Education Services, operating under the direction of the State Board of Education

5. Analysis of the Operating (General) Fund

Multnomah ESD	2013-14 Actual	2014-15 Actual	2015-16 Budget	2016-17 Budget
Operating (General) Fund	9,653,079	8,891,372	8,406,601	8,457,324
Percent of Change from Prior Year	+22.8%	-7.9%	-5.5%	+0.6%

The Beginning Fund Balance in the Operating Fund:

- Decreases by just under \$750,000 in 2015-16
- Accounts for about 38% of total fund resources



Operating Fund revenue increased just over \$50,000, or 0.6%, from 2015-16. The fund has three primary resources:

- A transfer from the Resolution Services Fund reflecting 10% of property taxes and state school funding revenue
- Overhead charges for services provided in the Contract Services Fund
- Beginning fund balance

Overall expenses for support services are split in this budget: four departments decrease funding while four increase.

- Administration: +\$123,819
- Facilities Services: -\$161,653
- Business Services: +\$33,862
- Human Resources: -\$158,952
- Technology Services: -\$215,395

- Special Education Services: +\$72,184
- School Health Services: -\$159
- Instructional Education Services: +\$64,153

The Operating Fund includes transfers to the Debt Service and Facilities & Equipment Reserve funds.

- This budget includes a transfer of \$519,500 for the final debt payment on certificates of participation that paid for the Burlingame Creek and Arata Creek buildings' construction.
- \$40,000 is transferred the Facilities & Equipment Reserve Fund for repairs, replacement and improvements to facilities and equipment

6. Analysis of Other Funds

Resolution Programs/Services Fund:

Resolution programs are funded from property taxes and state school fund revenue. The state allocates support by granting ESDs a percentage of the total amount available for K-12 school funding.

- Budget assumes 50% of original biennial state funding for ESDs, plus additional revenue from the May 2015 forecast
- Each ESD receives a fixed share of that total based on the local revenues and SSF of our component districts (ORS 327.019).
 - Funding is distributed to the component districts based on a district's proportion of total ADMw, with small districts, Corbett and Riverdale, receiving additional funding.

Component school districts select resolution program services within an allocated dollar amount. Basically, each district is given a menu of services from which to choose. This is called the Local Service Plan. The plan must:

- Include services from the following categories: special education, technology, school improvement and administrative support
- Include any "entrepreneurial services" that the ESD offers to entities that are not component school districts
- Services offered may be purchased as "all or nothing," per student or on an FTE basis

Like the overall budget, appropriations for the Resolution Services Fund are very similar to 2015-16.

- Total budget is \$40.5 million, a 0.9% increase
- Transit dollars increase by just under \$0.5 million in this budget
- Instruction expenses decrease by just over \$1.0 million; Support Services increases by \$1.2 million
- Funding includes additional 22.06 FTE in the School Health Services Department

Contracted Programs/Services Fund:

In addition to resolution programs, component school districts may also contract with MESD for services such as cooperative purchasing, elementary science projects and vocational education. These services are accounted for in the Contracted Services Fund.

- The amount spent on contracted services can be seen as an indicator of the quality of services provided by MESD since purchase of these services is optional
- Also reflects the inability of districts to accurately predict the need for services when “purchasing” MESD services

The total budget in the Contracted Services Fund is \$24.4 million.

- 2.2% increase from 2015-16
- District contract revenue increases \$1.4 million
 - Amount consistent with 2013-14 and 2014-15 actual levels
- Federal revenue decreases by just over \$0.8 million due to end of LAUNCH grant
- State revenues increase by \$0.6 million driven by increased Oregon Department of Education and Medicaid revenue

Risk Management Fund:

The Risk Management Reserve Fund was established to set aside funding for costs associated with risk management activities. In 2011-12, the Board set aside \$450,000 for future PERS rate increases within this fund, to be transferred to the Operating Fund for use over a five year period. This budget reflects the first year a transfer does not occur after repayment.

7. Debt Status

The district has two areas of outstanding debt:

- Certificate of Participation (original issue amount of \$7,000,000) issued in 1997 and refunded in 2004, to finance the acquisition of land and for constructing, furnishing, equipping and making site improvements for district facilities. This budget includes the final debt payment (\$519,500) for this obligation.
- PERS Bonds (\$33,140,000) issued in 2004 to fund the unfunded actuarial liability (UAL) of the district.

Multnomah ESD	6-30-2013	6-30-2014	6-30-2015	6-30-2016 est.
Debt Outstanding	33,780,000	32,655,000	31,355,000	29,870,000

8. Budget Alignment with Strategic Plan / Performance Objectives

The district’s budget process aligned with its performance objectives.

- Reflect the needs and wants of the district’s customers in the Local Service Plan
- Provide transparency in cost estimates for Local Service Plan services
- Pursue reasonable grant and contract opportunities

It conducted a year-long process with the districts to develop its Local Service Plan. Through this collaboration the District has increased the transparency of the Plan’s development. The resulting content and pricing models are viewed more favorably by the component districts. .

9. Budget Process & 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 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 (no over-expenditures or budget violations)?

10. Highlights of the 2016-17 Budget to be published in TSCC Annual Report

- The total budget increased just under \$0.6 million, or 0.7%.
- The Operating Fund increased by 0.6%, from \$8.4 million to \$8.5 million.
- The expenditure budget reflects two adjustments to the current services provided by MESD: expansion of the Portland Public Schools’ School Health Assistants Program and limited start-up funding for possible implementation of a program for middle school students with significant behavior challenges.
- This budget shows a net increase of 37.3 FTE, most in Health Services, reflecting the expanded School Health Assistant Program.