

PORTLAND COMMUNITY COLLEGE - BOARD OF DIRECTORS
12000 S.W. 49th Avenue - Portland, OR 97219

MINUTES

BOARD OF DIRECTORS BUSINESS SESSION
Sylvania Campus, Board Rooms A/B
October 18, 2012

BOARD ATTENDANCE

Board Members Present:

Jim Harper, Kali Thorne Ladd, Gene Pitts, David Squire

EXECUTIVE SESSION

The Board of Directors convened an executive session for Employment of a Public Officer, Labor Negotiations and Real Property Transactions in accordance with ORS 192.660 (2), (a), (d), and (e) at 6:45 PM, adjourning at 7:35 PM.

CALL TO ORDER

Director Harper called the business meeting to order at 7:40 PM and invited all present to introduce themselves.

APPROVAL OF THE MINUTES

The August 24, 2012 and September 20, 2012 minutes were approved as published. Squire/Ladd

APPROVAL OF THE AGENDA

The agenda was approved as published after Directors Pitts moved/Squire seconded.

INFORMATION SESSIONS

Dr. Pulliams stated that there will be an addition to the information session, we will hear from Andrea Henderson from OCCA and its activities. Also note that we will be adding Resolution 13-041 to the consent agenda regarding the Presidential profile.

OCCA Update

Andrea Henderson, Oregon Community College Association

Ms. Henderson will give the board a brief overview at the state level, particularly around the Oregon Education Investment Board and looking forward at some of the issues with the upcoming legislative sessions. As we look forward with the OEIB Board and the legislative session there are 3 areas of concern for

community colleges. The first is at the OEIB Board level: Achievement Compacts. The big question is what is next on the horizon, what it might look like as we look at what the work of the OEIB Board will be. At this point it is still fairly murky as to what the next steps will be. This reinforces the need for community colleges to be very vigilant and also pushing the message that in terms in education reform, we really are doing a good job. We are ahead of where the state needs to be and the work we are already doing as community colleges. That is a large part of the message right now. The other large issue coming from the OEIB is the structure of education at the state level. As you know, not only is the OEIB board, there is the Board of Education, the Education Investment Board, and the Higher Education Coordinating Commission. All of which are having conversations that impact community colleges. However, there is not a firm proposal on the table yet. It is expected that there will be a proposal on the table before the legislative session's start, which will change the state structure. It is very likely that there will be a proposal to perhaps give more power to the Higher Education Coordinating Commission, and perhaps move or consolidate some of the existing boards and commissions on the state level. To address this issue, OCCA has a governance committee that has been looking at the criteria that we need from the state so that we can be prepared for any type of conversation about changing the structure. Basically at the state level there seems to be an interest in putting community colleges in either the K-12 box or the higher education box, without understanding the unique mission of community colleges. Part of our message and work at the state level needs to be to reinforce that we do not fit in either box. There will be ample opportunity to weigh in as specific proposals come forward. The final, very large issue for community colleges is funding for the colleges and what will happen as we look into the 2013 legislative session. We do have a legislative ask that we will be pushing for \$510,000,000; it is \$100,000,000 above where we are right now. In 2007, community colleges were funded at \$500,000,000, so really it is just slightly above where we were several years ago. Secondly, this number was not pulled out of thin air. There was a model that was developed from a trajectory to accomplish the 40-40-20 by the year 2025, what would the funding be each year. With the achievement compact requirements this is what community colleges need to achieve this goal and what it will cost the state. This message will be pushed quite vigorously in the upcoming legislative session. The budget outlook is still somewhat murky at this point. The governor will come out with his budget on December 1 and we do know that the Governors education funding teams have released their recommendations. While there are no numbers associated with the recommendations they did indicate four areas of investments. The one that impacts community colleges is investments around the connection between community colleges and K-12. There is expectation of some funding coming in the Governors' budget to help enable those efforts. The other piece of the education funding team recommendations is a recommendation around the distribution of money for community colleges. Essentially that we move away from a distribution model that is based on enrollment to outcomes. Overall, as the proposal goes forward, the sense is that the Governors' office and OEIB will give wide latitude to the community colleges to bring back a recommendation as

to what that might look like, including a recommendation that it may not be the best way to go. As long as we have a strong process, they are amenable to what we have to say on the issue as long as there has been dialogue among all 17 colleges. As we move into the legislative session there needs to be a hard push on getting the budget number as high as possible. This may be a session that there will be an increase over our current budget level, the question is how much of an increase can be advocated for and get the legislature to agree to. Essentially, the outlook for the next year is education reform proposals coming from OEIB, potential governance at the state level changes that will be proposed in the legislative session, and an effort to push funding numbers up while at the same time having a policy conversation in terms of how the money should be distributed out to the colleges.

Director Harper asked about the P-20 pooled money, and what the governors total budget is and how it will relate to what it was last year, if it is combined will the number be higher this year? Ms. Henderson stated that the recommendations that were released from the Education Funding Team did not have any dollar amounts associated with them. There is no way to give an amount, although the belief is that it will be higher than last time, because there is more money in the budget. There is still a structural deficit in the budget in that there is not enough money to pay for the current level of services, but as far as actual dollars there is additional money in the state budget for the upcoming year. There is no answer as of yet, but as numbers come in they will be shared. Director Harper suggested it would be good for Board members to sit in on the OCCA board call on Mondays at 4:00. It is a good way to stay current on a weekly basis. Director Squire asked about the position of the community colleges and the governance structure, do the community colleges have a counter-proposal about what we would like to see. Ms. Henderson responded that the longstanding position of the OCCA board has been to leave the governance structure the way it is. We have had several reiterations around governance and that has been the standard position. From a strategic standpoint, a position of just leave us alone, is good enough for this upcoming year. There is a governance committee that will have a draft out soon to all the boards with a list of specific criteria that really tries to define what we need from the state as community colleges. This is seen as the first step to define the needs at the state level, and then the second part of the conversation can then be what structure it will take to fulfill those needs. This will also give us a tool that as proposals come forward we can measure these against those criteria and put this in a proactive position rather than a reactive. Director Ladd asked about how impactful the outcomes based agenda will be and how other states are dealing with this, also what percentage would be outcomes based? Ms. Henderson responded that at the state level there is no active engagement or specific proposals on how the distribution of money will work. As community colleges, the President's Council has put together a small group to look at this issue and bring back some proposals for discussion by all 17 colleges. In terms of process it is certainly an opportunity for the colleges to reach a consensus of what the recommendation is for the distribution model. The state and the Governors' office have as much as

possible stayed out of this conversation while we have it. The Presidents Council Subcommittee has met several time and they are looking at an outcomes based model to discuss from a policy prospective. It is different than a performance based funding model, which is what most states have done. Which is essentially a funding mechanism where a percentage of the money is either taken off the top or new money is put aside, with the rational on if you do better as a college you can access this pot of money. There is research out there that it really doesn't motivate a change in behavior. That is not the proposal that this group is looking at. They are looking at the current model which could be characterized as outcomes based model with the outcome is enrollment. The more FTE you get the more money you get from the state, essentially it is the outcome the state is paying for. Which from a policy prospective it is focused on access. As we look at communities colleges and move the policy from not just access but to student success and completion, whatever that student success means to that student or what that completion means to that student. If we are moving to that in a policy prospective, then are there changes that should be made in our distribution model so that it reflects not just access, but success and completion as well. Does the funding mechanism help support student success and completion; coming at it from that perspective is something to ask. This will be very rich conversation that will be had over the next several months, hopefully getting us to a place where we can make a recommendation collectively in what direction we would like to go. President Pulliams asked about the rumors circulating regarding the formula and the percentages, and it is great to hear from OCCA. One rumor is that 30% of funding will be marked for outcomes based, is there any truth to that number. Ms. Henderson responded that the Education Funding Team proposal was presented to the Education Investment Board last week, did call for the community colleges and the university system to have outcomes based funding model. In that there was a recommendation that 30% of the funding be outcomes based. That being said, as community colleges and the work being done collaboratively we have the opportunity to go back and say whether or not we should have an outcomes based model. It is really up to us to craft how we want it to be, if the state says we need one.

Cascade Bond Update

Dr. Algie Gatewood, Campus President, Cascade Campus; Kathy Kiaunis, Manager, Bond Finance; Will Dann, Architect, THA Architecture

Dr. Gatewood stated his excitement for the campus gearing up to start building. There is a lot of community engagement on the campus. The Cascade Campus will receive a new Student Center, Academic Building and new library and underground parking. This parking lot is a first for any community college in Oregon. The decision to go with an underground parking was supported by the community. This campus will also get on-campus childcare, which has been needed for a while. Kathy Kiaunis outlined the schedule and the budget for the board. Will Dann gave a more detailed overview of the work that will take place on the campus. The Paragon Building is being used by the contractors as a staging area instead of renting trailers. Then when the work is done the building can be used for other things.

District President Profile

Neal Naigus, Assistant to the District President

Dr. Pulliams noted that Resolution 13-041 is being added to the consent agenda. Mr. Naigus stated that at the August retreat the board developed a draft profile for the presidential profile and then held 24 forums and roundtables in September and October in order to get feedback from our communities the challenges and opportunities that are ahead for PCC. Also at the forums, staff collected characteristics for the new college president. He thanked Kristin Watkins and her staff for their efforts on organizing these forums. He thanked the board members who also supported the forums and got feedback that others appreciated the board was present at the forums. He also thanked Laura Massey and her staff for compiling and summarizing the hundreds of comments that were received. After considering these comments, a profile was developed, which will need to be finalized.

Michael Viera stated that folks around the country have been impressed with PCC and the forums. He complemented the committee on the work of the profile and the great wordsmithing. This profile does not include a lot of boiler-plate text and it gives every applicant an idea of what to expect from PCC. The word is starting to get out and prospective candidates are calling wanting to get the profile. National advertising campaign will take place in November and December, with the search ending on January 18, which will then begin the paper screening with the advisory search committee.

Budget Update

Jim Langstraat, Associate Vice President, Financial Services

The update on the budget consisted of a report on PERS, State Funding, Short-Term Interventions, 2013-15 Planning and Board Budget Calendar, and 2013-15 Key Assumptions. The PERS rates are out for 2013-15 biennium, the good news is that PERS did not increase as much as it could have. We were expecting 6.5% increase and it is actually 5.7% range. Two biennia ago, we were paying under 1% PERS rate contribution. In 2013-15 we are going to pay 11-12% range. This is just the required PERS contribution rate, it does not include 6% employee pickup which remains the same, and does not include the principal on interest payment on our PERS bonded indebtedness. With the general fund salary in the \$120 million range, we are going to be seeing an increase of about \$9 million in our PERS cost. The rates have increased so dramatically because of the losses in the PERS investment portfolio during the recession, slow growth since the recession has led to a decreased offset from the college's PERS side account. We will be able to offset some of that \$9 million increase with relief from our own internal PERS bond fund, but we are still going to have to dedicate additional recourses.

The Education Funding team has recommended in the 2013-15 biennium a 30% of our formula funding to be allocated on the basis of achieving outcomes. The recommendation of the governor also had a stop-loss provision to ensure that institutions did not experience dramatic changes in funding upon implementation

of the new formulas. It is possible that it could be rolled out over a period of several biennia. We really do not know exactly how this will play out until they come up with the governors' proposed budget in December. It was the first thing we have seen that would start to tie the achievement compacts to funding.

For the current fiscal year, to try and address some of our upcoming budgets challenges, as we mentioned earlier. We are to reduce expenditures by \$5.5 million, which will reserve some of the fund balance, to help through the next biennium. Some of the strategies developed in achieving this \$5.5 million would be to save some salaries, which means a delay in filling vacancies or temporary assignments. We are delaying implementation of some earlier planned initiatives, delaying some equipment purchases, reducing travel, and implementing other cost savings and PEAK Initiative recommendations.

For the 2013-2015 biennium the cabinet has been fully engaged. The BPAC group has been updated on the budget planning discussion and will continue their involvement as we go through the process. We will continue to update the board over the next coming board meetings. We also have our budget calendar that will have some key date in it. As we look at some of the key ones for board action, on February 21, during that budget update we will probably need the resolution on what we want to set tuition fees for the upcoming year to be. March 21 will be the board meeting that also serves as a budget work session, ready to act as a budget committee to adopt a resolution for the 2013-15 budget. In April we meet again as the Budget Committee and hold the public hearing on the proposed 2013-15 biennium budget. In May we will present the approved budget to TSCC and have the public hearing and then at the June 20 board meeting, the board will approve the final resolution for the 2013-15 budget.

As we are working on the budget planning for the 2013-2015 biennium, you need to be aware some of the key assumptions we are using in the preliminary planning stage. First of all, we are planning a flat state funding at this point, which is set at \$395 million for community colleges across the state. We will eagerly be watching for the governor's recommendation in December, as well as Legislative action throughout the spring session to see where our funding will actually end up. WE are taking a conservative approach to start. We will also have our modest growth in property taxes, about the 2.75% range. We will be sticking with the \$3 per credit tuition rate increase that the board has approved in recent years. There are no other significant changes in other revenue sources that we foresee. On the expenditure side, we are planning on the increased operational costs due to the bond build out: additional square footage leads to additional operational costs. We are including estimates for salaries and benefits increases. We are also including the required PERS contribution increase. We are planning on 1% increase in materials, supplies, and services. The base budget will be built on 26,000 student FTE. Our current enrollment has been much higher. Under these assumptions, expenditures would exceed revenues by \$12 million in 2013-14 and by \$14 million in 2014-15. Our fund balance as we start this year is in the \$27.5 million range, so you can see that fund balance

alone will not be sufficient to absorb deficient's of this magnitude. The key assumptions are based on a number of variables, so are the models. These will change as key events unfold such as legislation actions, salary negotiations, etc. We have been working with cabinet on the planning process.

PUBLIC COMMENT ON AGENDA ITEMS

None

PUBLIC COMMENT ON NON-AGENDA ITEMS

None

BUSINESS MEETING

Director Harper proposed approval of Resolutions 13-036 through 13-041. The motion passed unanimously. Squire/Pitts

Other Reports:

Frank Goulard, Faculty Federation President

Mr. Goulard just testified at the OEIB hearing at Marshall High School tonight, along with Dr. Howard, two students and Deborah Hall. The event was very well attended. The first ten presenters were anti OEIB who testified very vehemently on behalf of teachers, parents and their students. He commended his colleagues and the students who were there.

Deborah Hall, Classified Federation President

The OEIB meeting did start with a pretty negative bend. What added to the fire was that Rudy Crew was not present and sent a video message that did not lend well to the evening being that this was the only chance for folks in the Portland area to ask him questions. Seeing how that played out, it is a testament that our board and are leaders do show up. Rob prepared the group well. She is impressed with the students and what they put back out in the community. Ms. Hall is appreciative of the new leaders at ELC and the Climb Center. They have not come in and tried to change things, but rather learn who they are and work within those confines. Classified is preparing the Get-Out-the-Vote and encourages everyone to vote.

Jonathan Mena, ASPCC Student Representative

Mr. Mena reported that student leadership continues to celebrate the traditional events, the Harvest Festival, International Education Week, and Breast Cancer Awareness Week, and currently celebrating Interpersonal Violence Awareness Week. Sylvania campus did welcome Senator Merkley at an event of 80+ students and Rock Creek welcomed Representative Bonamici. He wanted to take the opportunity to point the spotlight towards Leadership Legislative Affairs Branch. They have done a lot of work towards registering students to vote and as of earlier today Rock Creek had registered to vote 1,900 students, Sylvania

registered 400 students, Southeast registered almost 700 students, and Cascade registered 1,400 with a total of 4,305 voter registration cards, and this is out 29,129 students, which means that PCC registered to vote 14% of the total number of students between 21 schools.

Board Reports:

Director Ladd reported that a few board attended the ACCT Congress in Boston and the college presented a session on Future Connect and Middle College. They shared with national trustees the model that is unique to Portland.

Director Harper commented that Chair Frisbee and Director Palm were disappointed about not being at tonight's meeting, because of the work they have done with Neal Naigus on the profile. They were also involved in Boston and a lot of time was spent about student success and completion, along with the connection with K-12 and community colleges. If we are going to accomplishment what we are about in the community colleges, we have to have a more seamless entry between K-12 and community college.

District President Report:

Dr. Pulliams stated that Professor Teri Mills of our Nursing Department was named Outstanding Northwest Faculty Member of the Year by the Association of Community College Trustees. She will present at the November meeting and made a donation to the Future Connect program. He recognized her wonderful accomplishments.

He introduced Rhea Combs, the new Affirmative Action Officer. He welcomed her to PCC. She received her degrees from Howard University (Bachelors), Cornell University (Masters), and Emory University (PhD).

He thanked the trustees that attended the ACCT Conference. He thanked Jim Harper for representing PCC on the National Board of ACCT and thanked Director Ladd for doing the presentation on Future Connect. PCC had a great showing and demonstrated that we are on the cutting edge of what is happening nationally. The Southeast Center will be having their groundbreaking ceremony on Tuesday, October 30. Dr. Howard mentioned that there will be many elected officials present. Dr. Pulliams called Dr. Rule to give a few highlights regarding the formula for our funding efforts from OEIB. Dr. Rule has been working with four other college presidents Larry Galizio from Clatsop Community College, Patty Scott from Southwestern Community College, Greg Hamann from Linn-Benton Community College and Jim Middleton from Central Oregon Community College. They have been working over past summer into the fall, trying to arrive at some method in which the community colleges can move forward with a funding model that will satisfies Rudy Crew and OEIB while at the same time, not fundamentally reducing the funding allocations as it comes to the community colleges as a whole. They are using some of the metrics from the Achievement Compact for two reasons, one is the 17 community colleges did jointly approve of those metrics, but two they are also metrics that are collected by the state.

These metrics were often our key performance indicators and so were not disruptive in their collection. As we move forward we are presenting the rough draft of what that formula could look like to the Oregon Presidents Council next Thursday in Medford.

Dr. Pulliams stated that last month he was asked by the Board to pull together a process for handling complaints at PCC. He provided a graphic presentation as to what he is proposing. He called Wing-Kit forward to elaborate. Wing-Kit Chung mentioned that based on the conversation on the internal audit functions relating to complaints, the staff developed three sections of complaints. These are financial related, employee related, and other complaints. The financial related complaints are the focus of the discussion from the last board meeting. Dave Terry was involved in the discussion and he is on board with this approach.

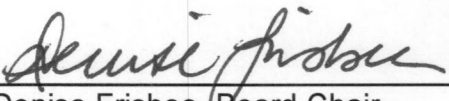
The idea is that most of the financial related complaints would come through ethicsPoint. If for any reason it goes to Dave Terry, then he will route it back through the ethicsPoint where the person who is leading the investigation at this point would be Jim Langstraat, the Vice President of Finance. If for any reason that position is implicated in any complaint then the Vice President of Administration Services would lead the investigation. If that position is also implicated, then it would be to the President to determine who is to lead the investigation. The other types of complaints will usually go through the respective departments as related.

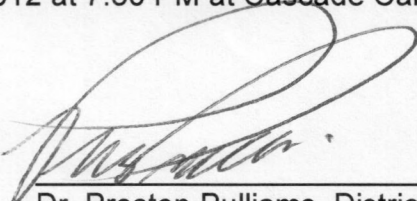
ADJOURNMENT

There being no further business, the meeting adjourned at 8:46 PM.

NEXT MEETING

The next business meeting of the Portland Community College Board of Directors will be held on November 15, 2012 at 7:30 PM at Cascade Campus.


Denise Frisbee, Board Chair


Dr. Preston Pulliams, District President

Prepared by:


Jeannie Moton
Assistant to Board of Directors

Minutes approved on November 15, 2012