



2011-2012

# Agenda

**Regular Meeting  
December 15, 2011**

**BOARD OF EDUCATION**

Portland Public Schools  
Regular Meeting  
**December 15, 2011**

**Board Auditorium**

Blanchard Education Service Center  
501 North Dixon Street  
Portland, Oregon 97227

***Note:** Those wishing to speak before the School Board should sign the citizen comment sheet prior to the start of the regular meeting. No additional speakers will be accepted after the sign-in sheet is removed, but citizens are welcome to sign up for the next meeting. While the School Board wants to hear from the public, comments must be limited to three minutes. All citizens must abide by the Board's Rules of Conduct for Board meetings.*

*Citizen comment related to an action item on the agenda will be heard immediately following staff presentation on that issue. Citizen comment on all other matters will be heard during the "Remaining Citizen Comment" time.*

*This meeting may be taped and televised by the media.*

*Background materials for this meeting may be found on the Board's website under "Public Notices".*

**AGENDA**

1. **BOARD REPORT** 5:30 pm
2. **SUPERINTENDENT'S REPORT** 5:35 pm
3. **STUDENT TESTIMONY** 5:55 pm
4. **STUDENT REPRESENTATIVE'S REPORT** 6:10 pm
5. **CITIZEN COMMENT** 6:15 pm
6. **COMPREHENSIVE ANNUAL FINANCIAL REPORT** (action item) 6:35 pm
7. **LE MONDE CHARTER SCHOOL APPLICATION** (action item) 6:45 pm
8. **BUSINESS AGENDA** 6:55 pm
9. **REMAINING CITIZEN COMMENT** 7:00 pm
10. **ADJOURN** 7:30 pm

The next meeting of the Board will be a Study Session held on **January 9, 2012**, at 5:00pm in the Windows Conference Room at the Blanchard Education Service Center.

**Portland Public Schools Nondiscrimination Statement**

Portland Public Schools recognizes the diversity and worth of all individuals and groups and their roles in society. All individuals and groups shall be treated with fairness in all activities, programs and operations, without regard to age, color, creed, disability, marital status, national origin, race, religion, sex, or sexual orientation.

Board of Education Policy 1.80.020-P



# PORTLAND PUBLIC SCHOOLS

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## WORK SESSION STAFF REPORT

### **2010-11 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND SINGLE AUDIT**

**Board Meeting Date:** December 15, 2011

**Executive Committee Lead:** Neil Sullivan,  
Chief Financial Officer

**Department:** Finance

**Staff Lead:** Sharie Lewis, Accounting &  
Payroll Director

**District Priority:** 5

#### **I. ISSUE STATEMENT**

Every year Portland Public School financial statements are audited by external CPAs. The Comprehensive Annual Financial Report (CAFR) and related documents are the financial statements of the district and the report of the CPAs. This is the formal report of PPS financial condition. We are proud to present these statements and reports to you and to the Board of Education.

The financial statements tell the story of the financial condition of the school district. The audit tells the story of how well we are doing in keeping track of our finances.

I am proud to report to you and to our community that this audit confirms that our finance and accounting staff are doing an outstanding job.

#### **II. BACKGROUND**

The District Auditor, Talbot, Korvola & Warwick, LLP, has issued an unqualified opinion on our financial reports for the year ended June 30, 2011 (see pages 1-2). An unqualified opinion is accountant-speak for a "clean audit" and the highest level of opinion. It is the outcome that we expect.

Here are additional highlights to this year's CAFR and Single Audit with additional information that provides a more detailed "roadmap" to the sections of this year's CAFR.

#### **CAFR AND SINGLE (A-133) AUDIT HIGHLIGHTS**

•PPS implemented GASB Statement No. 54 in 2010-11 and began reporting fund balances for its governmental-type funds in a new format (see pages 16-17, 33 and 48).

•The District-wide Statement of Activities, reports a \$25.7 million decrease in Net Assets this year (page 15).

- The General-Fund Fund Balance decreased \$22.2 million this year, from \$53.7 million to \$31.5 million (pages 20-21).

- The single most significant factor in both the \$22.2 million General Fund Balance decrease and the \$25.7 million District-wide Net Assets decrease (noted above) was the Board's decision early in the academic year to maintain school service levels when the State announced cuts in its state school funding programs.

- The District had one Financial Statement Material Weakness Finding and no Significant Deficiencies for the year ended June 30, 2011 (see Single Audit pages 16-17). The one finding has to do with the accounting for an early payment of insurance premiums. A management response to the material weakness finding is offered later in these transmittal documents. For context, while we take every finding seriously and strive for perfection, only one finding is indicative of sound financial management. In the audit of 2009-10 statements there were nine findings.

- For the year ended June 30, 2011 the District expended \$93.6 million of Federal Awards (see Single Audit pages 5-15).

#### WHERE THINGS ARE IN THIS YEAR'S CAFR

Here are some of the major sections of the CAFR where your assessment of the report would be greatly appreciated:

- Transmittal Letter, pages i-vii. This communication from the Superintendent, CFO and Accounting & Payroll Services Director explains the 4 major sections of the CAFR, the District's profile, PPS's Service Efforts and Achievements, the state and local economies, and the District's long-range planning.

- Management's Discussion and Analysis, pages 3-11. District management provides an overview narrative of balances and activities at the District-wide level, changes from the prior year, analysis of the District's major funds, budgetary highlights, capital and debt administration, and economic factors and next year's budget.

- Financial Reporting, pages 14-92. The District is required to use two different accounting methods in the CAFR; one method is used for government-wide and "business" type activities, and another is used for governmental "fund type" activities:

- Government-wide statements (found on pages 14-15), and proprietary fund statements (on pages 24-26, and page 83) must measure and report all assets, liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting (also known as full-accrual). The economic resources focus includes significant differences such as reporting historical capital asset costs and long-term debt.

- Governmental fund statements found on pages 16-21, and the budgetary fund schedules on pages 52-82, use the financial resources measurement focus and modified-accrual basis of accounting.

- The differences between these two methods of accounting are reported in the CAFR reconciliations on pages 19 and 23.

•Government-wide Net Assets, analyzed on pages 5-6 and shown on page 14. Government-wide net assets decreased \$25.7 million (or 11.2%) this year, from \$230.2 million to \$204.5 million. As explained on pages 5-6 of the CAFR, the three components of net assets fluctuated significantly.

•Government-wide Activities, analyzed on pages 6-7 and shown on page 15. As shown on the analysis on pages 6 and 7, total District revenues, when compared to the prior year, decreased \$8.1 million from \$536.0 million to \$527.9 million, while total District expenses increased \$14.2 million from \$539.4 million to \$553.6 million.

•Capital Assets, analyzed on page 9, and explained on page 37. As shown in the Notes to the Basic Financial Statements on page 37, capital assets of the District increased \$17.0 million from \$387.5 million to \$404.5 million during the year, and the District also recorded \$11.0 million in depreciation and amortization.

•Bonded and Other Debt, analyzed on page 9 and explained on pages 39-41. As shown in the Notes to the Basic Financial Statements on page 39, debt increased as \$36.75 million was borrowed to fund School Modernization (\$25.75 million) and Recovery Zone Energy and Water Conservation (\$11.0 million). These new borrowings and \$17.7 million in scheduled debt repayments resulted in the debt balance beginning at \$484.3 million and ending at \$503.3 million.

•Budget and Actual Variance schedules, pages 52-83. These schedules are summarized at the budgetary appropriation level, and report how each fund has complied with the Board's budgetary appropriations. The reports show both the original budget and final budget. Budgetary non-compliance is reported on page 47 in the Notes to the Financial Statements.

•Other Financial Schedules, pages 86-92. Activity for property taxes and capital assets is more fully presented in this section.

•The Statistical Section, pages 93-121. The four parts of the statistical section are intended to provide the reader with a more complete context for the financial information presented in the CAFR. The 16 schedules presented present financial trends, revenue and debt capacity analysis, demographic and economic information and District operations.

•The Audit Section, pages 123-126. This section is provided by the auditors and used to present audit comments and disclosures required by state regulations. Here the auditors explain the District's compliance in specific areas, and they explain their consideration of internal controls and any District control deficiencies they have found.

### **III. RELATED POLICIES/BEST PRACTICES**

This audit report is indicative of a high level of fiscal accountability by PPS finance and accounting staff. A clean audit, only one finding, and no issues to be raised in a management letter are evidence of excellent performance. Last year the Association of School Business Officials and the Government Finance Officers Association both awarded PPS their certificate of achievement for excellence in financial reporting.

We wish the financial story we had to tell was a rosier one, but it is being told well.

**IV. FISCAL IMPACT**

There is no direct fiscal impact as a result of this audit. If the outcome had been less positive, it could have had a negative impact on PPS fiscal outlook. The district's ability to secure grant funding might be compromised, and its ability to borrow funds and/or the cost of that debt would likely be impacted negatively. Additionally, in the case of adverse audit findings/issues, the State Office of the Department of Education has the authority to withhold State School Fund payments until audit findings and/or issues are resolved by the District.

**V. COMMUNITY ENGAGEMENT**

The CAFR will be published on the district website and shared with the Citizens Budget Review Committee.

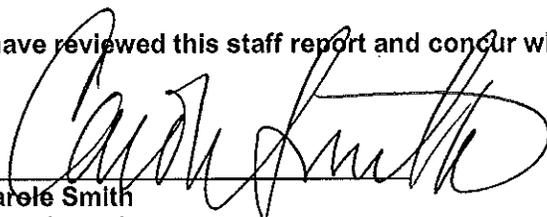
**VI. BOARD OPTIONS**

In order for PPS to meet the requirements of state and federal government the Board is asked to approve and accept these statements and reports. Finance staff will be happy to answer board members' questions; and any comments and suggestions for improvement are valuable to us.

**VII. STAFF RECOMMENDATION**

I recommend that the Board of Education accept and approve the Comprehensive Annual Financial Report, Reports to Management, and Report on Requirements of the Single Audit Act and OMB Circular A-133 of School District No. 1J, Multnomah County, Oregon for the fiscal year ended June 30, 2011

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

  
Carele Smith  
Superintendent  
Portland Public Schools

12.8.11  
Date

**Attachments:**

1. The Comprehensive Annual Financial Report (CAFR).
2. The SAS 114 – Required Communications Letter from TKW to the Board.
3. The Single Audit (A-133) Report, which summarizes the District's expenditures of federal funds.
4. The PPS Management Response to TKW for the Material Weaknesses and Significant Deficiencies found in the Single Audit.



## PORTLAND PUBLIC SCHOOLS

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### ACCOUNTING AND PAYROLL SERVICES

**Sharie Lewis, CPA**  
Director

DATE: December 9, 2011  
TO: Neil Sullivan, Chief Financial Officer  
FROM: Sharie Lewis, Director

RE: Management's Response to Single Audit Act (A-133) Finding for the year ended June 30, 2011

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In their evaluation of internal controls over compliance and financial reporting for the year ended June 30, 2011, the District's auditors, Talbot, Korvola & Warwick, LLP, have reported on pages 16-19 of the Single Audit a material weakness in the Financial Statement Findings Section.

Material weaknesses are defined as control deficiencies (or combinations thereof) that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

This year's audit produced one finding for financial statement material weakness, and there were no significant deficiency findings. The material weakness finding is explained below, with a corrective action that has been implemented.

## SECTION II – FINANCIAL STATEMENT FINDINGS

### Finding 2011-01

The auditor's finding was that, under generally accepted accounting principles (GAAP), the District should have recorded an insurance premium, which was an expense paid for a future period, as a prepaid expense, rather than an expense of the current period.

The effect of the finding was a \$945 thousand overstatement of expenses, and corresponding understatement of prepaid expenses.

The auditor's recommendation was that the District implement a checklist for invoices received close to year end to verify what year they are applicable to.

Management's response: We concur. Through an oversight the insurance premium was recorded as an expense in the wrong fiscal year. To prevent a re-occurrence the District has added the insurance premium payments as a checklist item to the year-end general ledger close check list, to ensure they are reported in the correct fiscal year.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

# **School District No. 1J, Multnomah County, Oregon**

## **Report to the Board of Education**

**December 9, 2011**



**TALBOT, KORVOLA & WARWICK, LLP**  
Certified Public Accountants

December 9, 2011

Board of Education  
School District No. 1J, Multnomah County  
Portland, Oregon

We are pleased to present this report related to our audit of the basic financial statements and compliance School District No. 1J, Multnomah County, Oregon, (the District) for the year ended June 30, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial and compliance reporting process.

This report is intended solely for the information and use of the Board of Education and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the District.

Certified Public Accountants

# Contents

Required Communications

    Summary of Accounting Estimates

Recently Issued Accounting Standards

Attachment A – Certain Written Communications Between Management and Our Firm

- Arrangement Letter
- Representation Letter

**REQUIRED COMMUNICATIONS**

**YEAR ENDED JUNE 30, 2011**

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

<b>Area</b>	<b>Comments</b>
<b>Auditor’s Responsibility Under Professional Standards</b>	Our responsibility under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, and the <i>Minimum Standards for Audits of Oregon Municipal Corporations</i> has been described to you in our arrangement letter dated February 22, 2011.
<b>Accounting Practices</b>	<p><b>Adoption of, or Change in, Accounting Policies</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. In the current year the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, <i>Fund Balance Reporting and Governmental Fund Type Definitions</i>. This Statement provides guidance to more clearly and consistently present fund balance classifications, and clarifies the existing governmental fund type definitions. The Standard establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.</p> <p><b>Significant or Unusual Transactions</b></p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>

## REQUIRED COMMUNICATIONS (Continued)

YEAR ENDED JUNE 30, 2011

Area	Comments
<b>Accounting Practices (Continued)</b>	<b>Alternative Treatments Discussed with Management</b>  We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.
<b>Management's Judgments and Accounting Estimates</b>	Summary information about the process used by management in formulating particularly sensitive accounting estimates is in the attached Summary of Accounting Estimates.
<b>Audit Adjustments</b>	One audit adjustment recorded by the District is attached with the Representation Letter as Schedule A.
<b>Uncorrected Misstatements</b>	Uncorrected misstatements are summarized and attached with the Representation Letter as Schedule B.
<b>Disagreements with Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations with Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed with Management</b>	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
<b>Difficulties Encountered in Performing the Audit</b>	We did not encounter any difficulties in dealing with management during the audit.

REQUIRED COMMUNICATIONS (Continued)

YEAR ENDED JUNE 30, 2011

Area	Comments
<b>Letter Communicating Material Weaknesses</b>	We have separately communicated the material weaknesses identified during our audit of the financial statements and this communication is included in the separately issued Single Audit Report dated December 9, 2011.
<b>Certain Written Communications Between Management and Our Firm</b>	Copies of certain written communications between our Firm and management of the District are included in Attachment A.

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY

SUMMARY OF ACCOUNTING ESTIMATES

YEAR ENDED JUNE 30, 2011

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the District's basic financial statements:

Area	Accounting Policy	Estimation Process
<b>Investments</b>	Described in Note 1. D. in the Notes to Basic Financial Statements.	Investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Other investments are stated at amortized cost, which approximates fair value.
<b>Depreciation</b>	Described in Note 1. G. in the Notes to Basic Financial Statements.	Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.
<b>Self-insurance</b>	Described in Note 1. I. in the Notes to the Basic Financial Statements.	Liabilities for claims are recognized when claims are incurred.
<b>Other Postemployment Benefits</b>	Described in Note 1. N in the Notes to Basic Financial Statements.	The liability for other postemployment benefits is based on an actuarial valuation.

**SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY**  
**RECENTLY ISSUED ACCOUNTING STANDARDS**  
**YEAR ENDED JUNE 30, 2011**

The Governmental Accounting Standards Board (GASB) has issued Statements not yet implemented by the District. The District's management has not yet determined the effect these Statements will have on the District's financial statements. However, the District plans to implement these Standards by the required dates. The Statements which might impact the District are as follows:

<b>Statement</b>	<b>Description</b>
<b><i>Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.</i></b>	This Statement will be effective for the District beginning with its fiscal year ending June 30, 2013. Early implementation is encouraged. This Statement codifies all sources of accounting principles generally accepted in the United States of America for state and local governments so that they derive from a single source. For enterprise funds and business-type activities this Statement eliminates the reference in the footnotes related to application of post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.
<b><i>Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.</i></b>	This Statement will be effective for the District beginning with its fiscal year ending June 30, 2013. Early implementation is encouraged. This Statement replaces the current Statement of Net Assets with a Statement of Net Position, and provides guidance on the presentation of deferred outflows of resources and deferred inflows of resources, and their effects on a government's net position.

**ATTACHMENT A**

**CERTAIN WRITTEN COMMUNICATIONS  
BETWEEN MANAGEMENT AND OUR FIRM**

- Arrangement Letter
- Representation Letter



# PORTLAND PUBLIC SCHOOLS

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## **SUPERINTENDENT'S RECOMMENDATION TO THE BOARD AND STAFF REPORT**

**TITLE: LE MONDE IMMERSION PUBLIC CHARTER SCHOOL APPLICATION**

**Board Committee Meeting Date: N/A**      **District Priority: Equitable Access to a Rigorous Common Core Program**

**Board Meeting Date: 12/12/11**      **Executive Committee Lead: Sue Ann Higgins**

**Department: Education Options – Charter Schools**      **Staff Lead: Kristen Miles**

### **I. ISSUE STATEMENT**

Le Monde Immersion Public Charter School ("Le Monde") submitted a charter school application on July 15, 2011. The Portland Public School Board ("Board") must approve or deny each application that PPS receives.

### **II. BACKGROUND**

The Applicant proposes to open Le Monde Immersion Public Charter School in September, 2012, beginning with Kindergarten and first grade in its opening year, and adding one grade per year through 8<sup>th</sup> grade. The original application had a total projected enrollment of 396 students, which would be reached in the 2019-20 school year. The applicant has since amended its projected total enrollment to a maximum of 675 students in three tracks per grade by the 2019-20 school year.

### **III. RELATED POLICIES/BEST PRACTICES**

Charter school applications are reviewed and evaluated according to ORS 338.045 and 338.055, OAR 581-020-0301 and 581-020-0321, and Board policy 6.70.010. After the application is determined to be complete, a team of staff reviewers read and evaluate the application according to set criteria. The Board then holds a public hearing for the applicant. During Le Monde's review, staff requested additional information from the applicant, which was provided, and met with the applicant to discuss this supplemental information. After receiving the Superintendent's recommendation and considering the application, the Board will vote to approve or deny the application.

### **IV. FISCAL IMPACT**

Le Monde collected 115 community surveys, 110 parent surveys (representing 157 students), 79 Survey Monkey surveys, and 117 letters of intent to enroll. Of the parent surveys, 15 families (or 10%) reported living in North Portland, 34 (22%) in Northeast, 24 (15%) in Southeast, 20 (13%) in Southwest, and 28 (18%) in Northwest. Thirty-two families (20%) reported living in other districts. Fourteen PPS schools were represented in the parent survey, while 35 private and out-of-district K-8s and preschools were represented. In the Survey Monkey survey, 49 families (or 46%) reported having a preschool student in the 2010-11 school year, which would make them eligible for Kindergarten or first grade in 2012-13. According to this preliminary survey data, there does not appear to be a projected, concentrated impact on any one school or area in the district.

However, a student population of 675 students would make Le Monde the largest charter school in the district by over 200 students, and could potentially have an adverse impact on other district programs.

V. **COMMUNITY ENGAGEMENT**

Le Monde's development team consisted of a private preschool owner, teachers, a business manager for Portland Housing Bureau, a researcher, a non-profit attorney, a manager in workers' compensation, and a project manager. Le Monde also collected 115 letters of support from community members, and 15 letters of support from local educators in public schools, private schools, and universities.

VI. **BOARD OPTIONS**

The Board must vote to approve or deny the application based on the criteria specified below.

VII. **STAFF RECOMMENDATION**

According to ORS 338.055(2), the following criteria are to be used when evaluating a charter school application for approval or denial:

1. **The demonstrated, sustainable support for the public charter school by teachers, parents, students, and other community members, including comments received at the public hearing.** Criteria are met. However, reviewers noted that the original application did not reflect an inclusive process that would ensure diversity within the student population. Applicant has since submitted a two-tiered marketing plan to address attracting a student body reflective of the district's demographics.
2. **The demonstrated financial stability of the public charter school, including the demonstrated ability of the school to have a sound financial management system in place at the time the school begins operating.** Criteria are met; however, additional information should be required. The Director of Accounting has reviewed all original and revised financial information submitted by Le Monde. Based on the information provided, the applicant appears to have a sufficient financial plan and financial management system. However, should the Board approve this application, it is recommended that a pre-operational schedule of financial deliverables be part of the contract, and that these deliverables be subject to approval by Accounting staff.
3. **The capability of the applicant, in terms of support and planning, to provide comprehensive instructional programs to students pursuant to an approved proposal.** Criteria are met. Since the original application was submitted, Le Monde has revised its proposed curriculum alignment and has addressed staff concerns regarding alignment with Common Core, benchmarks in the arts, Essential Skills, and the use of technology in instruction.
4. **The capability of the applicant, in terms of support and planning, to specifically provide, pursuant to an approved proposal, comprehensive instructional programs to students identified by the applicant as academically low achieving.** Criteria are met. Most reviewers found that Le Monde is prepared to serve academically low-achieving students through differentiation of instruction and interventions. The applicant produced sufficient data to substantiate its claim that academically low-achieving students tend to do better in immersion settings.
5. **The extent to which the proposal addresses the information required in ORS 338.045.** The criteria are met. The application was reviewed for completeness consistent with ORS 338 and OAR 581-020-0301. The applicant responded to each section and subsection of the application.

6. **Whether the value of the public charter school is outweighed by any directly identifiable, significant, and adverse impact on the quality of the public education of students residing in the school district in which the public charter school will be located.** More information is required to make this determination. The applicant proposes to locate in Southwest Portland, but has not indicated a priority of sites. It is difficult to determine whether there is a significant and adverse impact on the quality of education of students residing in the district that would be caused by the opening of this school, but as per the information cited above in "Fiscal Impact", it does not appear as though the applicant has targeted any one area of the district or PPS school from which to draw its student population. However, staff is concerned that Le Monde's most recently proposed enrollment capacity of 675 students would have an adverse impact on the quality of education in the district that would not be outweighed by the value of the school. Should the Board vote to approve this application, it is recommended that the original proposed capacity of 396 students be accepted. Staff recognizes that immersion programs usually do not replace students when there is attrition in the upper grades; therefore we also recommend that, should the application be approved, the applicant work with staff to determine how to best structure the number of students per grade so that each grade will have enough students to offer a comprehensive education, even with attrition. Additionally, Le Monde's nonprofit organization is currently operating a private, fee-for-service Kindergarten, also named "Le Monde". This private Kindergarten is slated to close as Le Monde Immersion Charter School opens. In order to avoid confusion and any possibility that the private Kindergarten would function as a de facto "conversion" from a private school to a public charter school, we recommend that Le Monde's name be changed, and that the applicant demonstrate evidence that the two organizations are separate entities.
7. **Whether there are arrangements for any necessary special education and related services for children with disabilities.** The criteria are met. The applicant has proposed to make accommodations for students with disabilities, and to work closely with the district to serve these students.
8. **Whether there are alternative arrangements for students and for teachers and other school employees who choose not to attend or who choose not to be employed by the public charter school.** The criteria do not apply.
9. **The school district board may require any additional information the board considers relevant to the formation or operation of a public charter school.** Applicant has responded to all requests to date. At the public hearing, at an additional meeting with staff, and in writing, the applicant has responded to additional questions and requests for information. A charter contract will provide further clarifications if the Board approves this proposal. The main concerns regarding this proposal are discussed above.

**Final Recommendation:** Based on all available information, the Le Monde Public Charter School application meets the requirements set forth in ORS 338.055(2) and ORS 338.043(3) as noted above. Approval of this application is recommended at the original proposed enrollment capacity of 396 students, and we strongly recommend that a timeline of pre-operational deliverables (programmatic, financial, personnel, etc.) be included in the charter contract.

#### **VIII. TIMELINE FOR IMPLEMENTATION/EVALUATION**

If the Board approves the application, district staff will enter into contract negotiations with Le Monde. Pending delivery and approval of all deliverables, Le Monde would open in September, 2012. If the Board does not approve the application, Le Monde could resubmit a revised application within 30 days of the Board vote, or it could appeal directly to the State Board of Education for sponsorship.

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



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**Carole Smith**  
**Superintendent**  
**Portland Public Schools**

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**Date**

**ATTACHMENTS**

- A. Staff Review and Report of Le Monde Immersion Public Charter School
- B. Draft Resolution to Approve the Charter School Application for Le Monde Immersion Public Charter School
- C. Draft Resolution to Deny the Charter School Application for Le Monde Immersion Public Charter School

**PPS District Priorities FY 2011-12**

- 1. Improve milestone outcomes
- 2. Successful implementation of High School System Design
- 3. Improve English Language Learners and Special Education Services
- 4. Increase cultural competence and diversity of staff
- 5. Build shared leadership and accountability for results
- 6. Measure and report on effectiveness of schools and programs
- 7. Design and implement Capital Improvement Plan
- 8. Deepen community and student engagement



## PORTLAND PUBLIC SCHOOLS

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### Superintendent's Recommendation to the Board and Staff Report

**Title: PERS Bond Debt Refinance**

**Board Meeting Date:**  
**December 15, 2011**

**District Priority: Stable Operating Model**

**Department: Finance**

**Executive Committee Lead: Neil Sullivan**  
**Staff Lead: David Wynde, Deputy CFO**

#### Issue Statement

PPS has an opportunity to refinance a portion of its limited tax pension bonds, more commonly known as the PERS Debt. The interest rate on new debt is lower than the rate on the existing debt and so there is a cost savings opportunity of more than \$250,000 per year. Board authorization is required for the transaction.

#### Background

In October 2002 Portland Public Schools, participated as one of forty-one Oregon school districts and ESDs in issuing limited tax obligation bonds. The proceeds were used to finance a portion of the estimated unfunded actuarial liability of each participating school district under the state retirement system ("PERS"). PPS issued two series of bonds in 2002 and 2003. The proceeds of the debt were invested in a side account with PERS and are used to fund a portion of PPS PERS expense. PPS funds debt service on the bonds from the General Fund. The rationale for this strategy was that PPS expected that the total costs of this financing would result in significant savings to PPS when compared to paying for such costs as direct contribution rates to PERS. To date, this underlying assumption has proven to be true for PPS. In the most recent fiscal year, PPS saved \$18 million because of this financing.

The majority of the debt is non-callable, which means that it cannot be pre-paid prior to scheduled maturity. However, one portion of this debt, the \$14,000,000 principal installment of the District's Series 2002 Bond due June 30, 2021, can be refinanced prior to maturity.

Finance staff has worked with the District's financial advisors, Seattle-Northwest Securities on this transaction.

This is a pooled debt issuance with several other school districts and so the authorizing resolution, drafted by bond counsel, is required to be the same for each district and so the recommendations outlined below are submitted for approval.

**Related Policies/Fiscal Impact**

This tranche of the debt is currently paying a 5.5% interest rate and we are hopeful that the new debt can be placed at a rate closer to 3.5%. This would represent a cost savings of more than \$250,000 each year. This is a net present value savings of almost \$2 million over the remaining life of this portion of the debt, or 13.9% as a percentage of refunding proceeds. Our internal guidance is that we require a threshold of at least 5% to proceed. Clearly, this transaction is well above that criterion. Issuance costs mean that the cost-benefit in the current year is a break-even, but the savings will accrue to the General Fund starting FY 2012-13. It is anticipated that the transaction will close on or around January 31, 2012.

**Board Options**

The Board has the option to decline to take advantage of this opportunity. The underlying debt is in place, however, and this is simply an option to reduce the cost to PPS. As an alternative, the Board could determine that this is not the right time to refinance and hold out for a more advantageous time when the cost of the new debt might be even lower. Of course, it is also possible that interest rates might rise. It is the considered opinion of the district's financial advisor and its finance staff that this is the right time to make this move and that delaying action is more likely to result in higher costs in the future.

**Staff Recommendation**

It is recommended that the Board authorize this financing and approve the related resolution(s), see attached.

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

  
\_\_\_\_\_  
Carole Smith  
Superintendent  
Portland Public Schools

} 12.6.11  
\_\_\_\_\_  
Date

**ATTACHMENTS**

1. PPS format Resolution – Authorizing Participation in the Oregon School Boards Association Pension Bond Program: Authorizing the Issuance and Sale of Limited Tax Pension Refunding Bonds to be Issued in one or more Series.
2. Bond Counsel prepared Resolution – A Resolution of the Board of Education of Portland Public Schools, Multnomah County, Oregon, Authorizing Participation in the Oregon School Boards Association Pension Bond Program; Authorizing the issuance and sale of Limited Tax Pension Refunding Bonds to be issued in one of more Series.

# Report – December 5, 2011

## Expenditure Contracts Exceeding \$25,000 and through \$150,000

Portland Public Schools (“District”) Public Contracting Rules PPS-45-0200(6) (Authority to Approve District Contracts; Delegation of Authority to Superintendent) requires the Superintendent to submit to the Board of Education (“Board”) at the “Board's monthly business meeting a list of all contracts in amounts over \$25,000 and up to \$150,000 approved by the Superintendent or designees within the preceding 30-day period under the Superintendent's delegated authority.” Contracts meeting this criterion are listed below.

### NEW CONTRACTS

No New Contracts

### AMENDMENTS TO EXISTING CONTRACTS

Contractor	Contract Term	Contract Type	Description of Services	Amendment Amount, Contract Total	Responsible Administrator, Funding Source
Performance Abatement Services, Inc.	11/20/11 through 11/19/12 Year 5 of Contract	Service Requirements SR 55621 Amendment 5	District-wide: One-year extension of contract for continued hazmat abatement services, as needed; RFP 08-1052.	\$37,000 \$187,000	T. Magliano Fund 191 Dept. 5597 Project F0231

### INTERGOVERNMENTAL AGREEMENTS (“IGAs”)

Contractor	Contract Term	Contract Type	Description of Services	Contract Amount	Responsible Administrator, Funding Source
Portland State University	09/01/11 through 06/30/12	IGA 58818	Jefferson HS: PSU to provide senior, college-level course entitled, “Race and Social Justice.”	\$63,774	M. Goff Fund 205 Dept. 3118 Grant G0882

*N. Sullivan*

## Report – December 15, 2011

### Expenditure Contracts Exceeding \$25,000 and through \$150,000

Portland Public Schools (“District”) Public Contracting Rules PPS-45-0200(6) (Authority to Approve District Contracts; Delegation of Authority to Superintendent) requires the Superintendent to submit to the Board of Education (“Board”) at the “Board’s monthly business meeting a list of all contracts in amounts over \$25,000 and up to \$150,000 approved by the Superintendent or designees within the preceding 30-day period under the Superintendent’s delegated authority.” Contracts meeting this criterion are listed below.

#### NEW CONTRACTS

Contractor	Contract Term	Contract Type	Description of Services	Contract Amount	Responsible Administrator, Funding Source
DePaul Treatment Centers, Inc.	07/01/11 through 06/30/12	Personal / Professional Services PS 58838	District-wide: Alternative education services.	\$31,500	S. Higgins Fund 101 Dept. 5485
Northwest Textbook Depository Co.	12/06/11	Purchase Order PO 105757	District-wide: Purchase of 455 <i>Calle de la Lectura</i> textbook and notebook sets (and associated teacher materials) for sixth grade Spanish reading and language arts instruction.	\$37,944	T. Hunter Fund 205 Dept. 5454 Grant G0938
Mahlum Architects, Inc.	11/17/11 through 06/30/12	Personal / Professional Services PS 58825	District-wide: Meeting facilitation and services related to the Long-Range Facilities Plan development.	\$74,155	T. Magliano Fund 191 Dept. 5597 Project F0248
Guest Communication Corp.	12/06/11	Purchase Order PO 105750	District-wide: Purchase of 2,750 laminated “Guide to Emergency Preparedness” flipcharts.	\$57,448	T. Magliano Fund 205 Dept. 5595 Grant G1111

#### AMENDMENTS TO EXISTING CONTRACTS

No Amendments to Existing Contracts

#### INTERGOVERNMENTAL AGREEMENTS (“IGAs”)

No IGAs

N. Sullivan

BOARD OF EDUCATION  
SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON

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December 15, 2011

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Purchases, Bids, Contracts

The Superintendent RECOMMENDS adoption of the following items:

Number 4526 and 4527

**RESOLUTION No. 4526**

Revenue Contracts that Exceed \$25,000 Limit for Delegation of Authority

**RECITAL**

Portland Public Schools (“District”) Public Contracting Rules PPS-45-0200 (“Authority to Approve District Contracts; Delegation of Authority to Superintendent”) requires the Board of Education (“Board”) to enter into and approve all contracts, except as otherwise expressly authorized. Contracts for \$25,000 or more per contractor are listed below.

**RESOLUTION**

The Superintendent recommends that the Board approve these contracts. The Board accepts this recommendation and by this resolution authorizes the Deputy Clerk to enter into agreements in a form approved by General Counsel for the District.

**NEW CONTRACTS**

<b>Contractor</b>	<b>Contract Term</b>	<b>Contract Type</b>	<b>Description of Services</b>	<b>Contract Amount</b>	<b>Responsible Administrator, Funding Source</b>
Neighborhood House, Inc.	09/01/11 through 06/30/12	R 58852	Funds for pre-kindergarten early childhood development services for 10 Head Start families at the Ramona Early Learning Center.	\$50,000	H. Adair  Fund 299 Dept. 9999 Grant S0197

**AMENDMENTS TO EXISTING CONTRACTS**

No Amendments to Existing Contracts

**INTERGOVERNMENTAL AGREEMENTS / REVENUE (“IGA/Rs”)**

No IGA/Rs

**LIMITED SCOPE REAL PROPERTY AGREEMENTS**

No Limited Scope Real Property Agreements

*N. Sullivan*

**RESOLUTION No. 4527**

Personal / Professional Services, Goods, and Services Expenditure Contracts  
Exceeding \$150,000 for Delegation of Authority

**RECITAL**

Portland Public Schools (“District”) Public Contracting Rules PPS-45-0200 (“Authority to Approve District Contracts; Delegation of Authority to Superintendent”) requires the Board of Education (“Board”) enter into contracts and approve payment for products, materials, supplies, capital outlay, equipment, and services whenever the total amount reaches \$150,000 or more per contract, excepting settlement or real property agreements. Contracts meeting this criterion are listed below.

**RESOLUTION**

The Superintendent recommends that the Board approve these contracts. The Board accepts this recommendation and by this resolution authorizes the Deputy Clerk to enter into agreements in a form approved by General Counsel for the District.

**NEW CONTRACTS**

<b>Contractor</b>	<b>Contract Term</b>	<b>Contract Type</b>	<b>Description of Services</b>	<b>Contract Amount</b>	<b>Responsible Administrator, Funding Source</b>
Office Depot Inc.	12/16/11 through 03/31/15	Cooperative Agreement COA 58853	District-wide: School and classroom supplies and equipment, as needed; District will be using an existing Fairfax County, VA, contract (start date: 04/13/10) on a cooperative basis as allowed in that contract’s terms.	Greater than \$250,000	D. Fajer Various funding sources
BSN Sports / US Games	12/16/11 through 09/30/14	Cooperative Agreement COA 58854	District-wide: Sporting goods and physical education products for elementary and middle school physical education programs; District will be using an existing Harford County Public Schools (MD) contract (start date: 10/01/09) on a cooperative basis as allowed in that contract’s terms.	Greater than \$250,000	D. Fajer Various funding sources
Roadrunner Home Bake, Inc.	07/01/11 through 06/30/12	General Services GS 58829	District-wide: Diverted commodity processing (cheese), as needed; other parties to contract are Beaverton SD and Hillsboro SD.	\$310,000	G. Grether-Sweeney Fund 202 Dept. 5570
Oracle America, Inc.	12/16/11	Purchase Order PO 105636	District-wide: One-year renewal of maintenance agreement for PeopleSoft.	\$349,459	N. Jwayad Fund 101 Dept. 5581

**AMENDMENTS TO EXISTING CONTRACTS**

No Amendments to Existing Contracts

**INTERGOVERNMENTAL AGREEMENTS (“IGAs”)**

No IGAs

*N. Sullivan*

Other Matters Requiring Board Action

The Superintendent RECOMMENDS adoption of the following items:

Number 4528 through 4531

**RESOLUTION No. 4528**

Acceptance and Approval of the Comprehensive Annual Financial Report, Reports to Management and Report on Requirements of the Single Audit Act and OMB Circular A-133

**RECITALS**

- A. The Board of Education is committed to accountability for how Portland Public Schools spends its tax dollars and other resources, and recognizes that transparency, accuracy, and timeliness in financial reporting are important components of financial accountability.
- B.
- C. The District Auditor, Talbot, Korvola & Warwick, LLP, has completed their independent audit of the financial reporting for the year ended June 30, 2011, and provides assurance that the District's accounting and reporting is in compliance with generally accepted accounting principles.
- D.
- E. The District has received awards in Excellence in Financial Reporting for 31 consecutive years from both the Government Finance Officers Association (GFOA) and the Association of School Business Officials (ASBO) and plans to submit the current financial reports for similar award consideration.

**RESOLUTION**

The Board of Education accepts and approves the Comprehensive Annual Financial Report, Reports to Management, and Report on Requirements of the Single Audit Act and OMB Circular A-133 of School District No. 1J, Multnomah County, Oregon for the fiscal year ended June 30, 2011, and authorizes the reports to be distributed to required state and federal agencies and filed for future reference.

*N. Sullivan / S. Lewis*

**RESOLUTION No. 4529**

Resolution for Le Monde Immersion Public Charter School

(to be provided on December 15<sup>th</sup>)

## **RESOLUTION No. 4530**

Authorizing Participation in the Oregon School Boards Association Pension Bond Program: Authorizing the Issuance and Sale of Limited Tax Pension Refunding Bonds to be Issued in one or more Series.

### **RECITALS**

- A. Portland Public Schools, (the "District") previously issued its Limited Tax Pension Bond, Series 2002 (Federally Taxable) dated October 31, 2002 (the "Series 2002 Bond").
- B. One portion of this debt, the principal installment of the District's Series 2002 Bond due June 30, 2021, can be refinanced prior to maturity.
- C. Interest rates for new debt to refinance this one maturity are significantly lower now than at the time the debt was issued, resulting in an opportunity for lower costs for the District.
- D. Finance staff has worked with the District's financial advisors, Seattle Northwest Securities to structure replacement debt. The Chief Financial Officer has provided a Staff Report to the Superintendent on the proposed transaction.
- E. This is a pooled debt issuance with several other school districts and so the authorizing resolution, drafted by bond counsel, is required to be the same for each district and so the recommendations outlined below are submitted for approval.

### **RESOLUTION**

- 1. The Board of Education approves the District's participation in the Oregon School Boards Association Pension Bond Program, and the Board authorizes the issuance and sale of limited tax pension refunding bonds to be issued in one or more Series.
- 2. In order to effect this activity the Board approves the resolution prepared by counsel and included as Attachment I, and authorizes the Chief Financial Officer or his designee, as the School District Official, as defined in Attachment I, to take action to complete the refinancing transaction as identified in that resolution.

*N. Sullivan / D. Wynde*

## RESOLUTION NO. 4531

A Resolution of the Board of Education of Portland Public Schools, Multnomah County, Oregon, authorizing participation in the Oregon School Boards Association Pension Bond Program; authorizing the Issuance and Sale of Limited Tax Pension Refunding Bonds to be issued in One or More Series

### RECITALS

- A. Portland Public Schools, Multnomah County, Oregon (the "District") previously issued its Limited Tax Pension Bond, Series 2002 (Federally Taxable) dated October 31, 2002 (the "Series 2002 Bond"); and
- B. The Board of Education of the District is authorized pursuant to the Oregon Constitution and Oregon Revised Statutes Sections 287A.360 and 238.692 to 238.698 to issue current refunding bonds for the refunding of all or any portion of its outstanding Series 2002 Bond; and
- C. The principal installment of the District's Series 2002 Bond due June 30, 2021 is subject to prepayment, in part or in whole, on any date on or after June 30, 2007 upon notification to the Program Trustee 50 days prior to the prepayment date and deposit of principal plus accrued interest to the prepayment date not less than 45 days prior to the prepayment date; and
- D. The Oregon School Boards Association is sponsoring a pension bond refunding program for participating school districts and education service districts; and
- E. The Program provides that each participating district will be responsible solely for its obligations under its pension bond and/or bonds, and not for the obligations of any other district under any other pension bond and/or bonds, except to the extent assumed by a surviving district; now therefore,

### RESOLUTION

#### SECTION 1. DEFINITIONS

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

"Additional Charges" means the fees and other charges of the Program Trustee, as defined in the Program Trust Agreement, and any indemnity payments due under Section 6(4) of this Resolution.

"Available General Funds" means: (i) all the District's ad valorem property tax revenues received from levies under its permanent rate limit; and, (ii) all other unrestricted taxes, fees, charges, revenues and receipts of the District which Oregon law allows or will allow to be spent to make the Bond Payments.

"Bond" or "Bonds" refers to the District's Limited Tax Pension Refunding Bonds that are authorized by Section 2 of this Resolution.

"Bond Payment Date" means a date on which a Bond Payment is due.

"Bond Payment" means a principal or interest payment on a Bond, including accreted interest under any deferred interest bond, and any redemption premium which is due if Bond principal is prepaid.

"Business Day" means any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed.

“District” means Portland Public Schools, Multnomah County, Oregon, or its successors.

“Event of Default” refers to an Event of Default listed in Section 9(1) of this Resolution.

“Financial Advisor” means Seattle-Northwest Securities Corporation, Portland, Oregon.

“Government Obligations” means direct noncallable obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury), or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Intercept Agreement” means the Intercept Agreement dated as of October 31, 2002, as it may be amended and supplemented from time to time.

“Intercept Payment” means the amount paid by the State to the Program Trustee on behalf of the District under the Intercept Agreement.

“Participants” or “Participating Districts” means school districts and education service districts that participate in the Program.

“Program” means the Oregon School Boards Association’s pooled pension bond program for school districts and education service districts.

“Program Obligations” means the obligations issued by the Program Trustee under the Program Trust Agreement which are payable from the Bond Payments and similar pension bond payments made by the other Participants in the Program.

“Program Trust Agreement” means a trust agreement, or an amendment to a trust agreement, between the Program Trustee and the Participants in which the Program Trustee agrees to hold the Bonds and to distribute the Bond Payments to the owners of Program Obligations.

“Program Trustee” means Wells Fargo Bank, National Association, as trustee under the Program Trust Agreement, or its successors and permitted assigns.

“Resolution” means this Resolution, including any amendments made in accordance with Section 7 of this Resolution.

“School District Official” means the Chief Financial Officer, Deputy Clerk or Business Manager of the District or the Chief Financial Officer’s designee.

“Security Payments” means the payments described in Section 4(3) of this Resolution.

“Series 2002 Bond” means the limited Tax Pension Bond, Series 2002 (Federally Taxable) dated October 31, 2002.

“Sixth Supplemental Intercept Agreement” means the sixth supplement to the Intercept Agreement to be dated as of the closing date of the Bonds.

“Special Counsel” means Hawkins Delafield & Wood LLP.

“Sponsor” means the Oregon School Board Association, the sponsor of the Program.

“State” means the State of Oregon, or any agency thereof.

“State Education Revenues” means any State funding for school districts and educational service districts legally available to pay debt service on the pension bonds. Currently, such funds are appropriated each biennium and designated as the “State School Fund.”

“Underwriter” means the purchaser of the Series 2012 Obligations as determined by competitive bid upon the advice of the Financial Advisor and consent of the District.

**SECTION 2. BONDS AUTHORIZED AND APPOINTMENT OF SPECIAL COUNSEL, FINANCIAL ADVISOR AND PROGRAM TRUSTEE**

- (1) The District hereby authorizes the issuance, sale and delivery of the Bonds, in accordance with this Resolution and in an amount which does not exceed the amount necessary to refund the June 30, 2021 maturity of the District’s Series 2002 Bond and to pay costs of issuance.
- (2) The Bonds shall be “federally taxable bonds” which bear interest that is not excludable from gross income under Section 103(a) of the Internal Revenue Code of 1986, as amended. Interest will, however, be exempt from Oregon personal income taxation.
- (3) The District hereby appoints Hawkins Delafield & Wood LLP as Special Counsel, Seattle-Northwest Securities Corporation as Financial Advisor and Wells Fargo Bank, National Association as Program Trustee for the Bonds.

**SECTION 3. DELEGATION**

The School District Official may, on behalf of the District, and without further action by the Board:

- (1) Participate in the preparation of, authorize the distribution of, and deem final any official statement or other disclosure documents relating to the Bonds or the Program Obligations.
- (2) Establish the final principal amount, Bond Payment schedule, interest rates, sale price and discount, redemption terms, payment terms and dates, and other terms of the Bonds.
- (3) Negotiate the terms of and enter into a bond purchase agreement which provides for the acquisition of the Bonds by the Program Trustee.
- (4) Execute and deliver the Program Trust Agreement, which authorizes the Program Trustee to issue the Program Obligations, and any other agreements or documents which may be required for participation in the pension bond program sponsored by the Sponsor. Delivery of the Bonds to the Program Trustee shall constitute execution of the Program Trust Agreement by the District, and the District shall be bound by the Program Trust Agreement upon delivery of the Bonds to the Program Trustee.
- (5) Execute and deliver the Bonds to the Program Trustee, provided the Bonds shall also be executed with the facsimile signature of the Chair of the Board of Education of the District.
- (6) Undertake to provide continuing disclosure for the Bonds and the Program Obligations in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
- (7) Apply for ratings on the Bonds or the Program Obligations and purchase municipal bond insurance or obtain other forms of credit enhancements for the Bonds or the Program Obligations, enter into agreements with the providers of credit enhancement, and execute and deliver related documents.
- (8) Execute and deliver the Sixth Supplemental Intercept Agreement and any related documents.
- (9) Execute and deliver any agreements or certificates and take any other action in connection with the Bonds, the Program Obligations, the Intercept Agreement, the Program Trust Agreement and PERS administrative rules which the School District Official finds is desirable to permit the sale and issuance of the Bonds and the Program Obligations in accordance with this Resolution.

**SECTION 4. SECURITY FOR BONDS**

(1) The District hereby pledges its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the Bonds. The Bonds shall be current refunding bonds of the District and the District shall pay the Bonds from its Available General Funds. The District is not authorized to levy additional taxes to pay the Bonds.

(2) To provide additional security for the Bonds, the District agrees to enter into the Sixth Supplemental Intercept Agreement.

(3) In the event funds under the Intercept Agreement are insufficient or unavailable or the Intercept Agreement is not in full force and effect for any reason, the District shall make payments (the "Security Payments") to the Program Trustee in accordance with the Program Trust Agreement. The Security Payments will provide the Program Trustee with amounts, after considering expected Intercept Payments, that are sufficient to make the scheduled Bond Payments.

(4) This Resolution shall constitute a contract with the Program Trustee, and the owners of the Program Obligations shall be third-party beneficiaries of that contract.

**SECTION 5. REDEMPTION**

A. The Bonds shall be subject to redemption on the dates and at the prices established by the School District Official pursuant to Section 3(2) and in accordance with the Program Trust Agreement.

**SECTION 6. COVENANTS**

The District hereby covenants and agrees with the Program Trustee for the benefit of the owners of the Program Obligations as follows:

(1) The District shall monitor the availability of State Education Revenues to make Intercept Payments and, to the extent Intercept Payments are insufficient, covenants to make Security Payments when due.

(2) The District shall promptly cause Security Payments and the principal, premium, if any, and interest on the Bonds to be paid as they become due in accordance with the provisions of this Resolution, the Program Trust Agreement and the Bonds.

(3) The District covenants for the benefit of the Program Trustee to pay the Additional Charges reasonably allocated to it by the Program Trustee, in accordance with the invoices for such Additional Charges which are provided by the Program Trustee.

(4) To the extent permitted by law, the District covenants and agrees to indemnify and to save the Program Trustee harmless against any loss, expense or liability which is reasonably allocable to the District and which the Program Trustee may incur arising out of or in the exercise or performance of its duties and powers under the Program Trust Agreement relating to the Bonds, including the costs and expenses of defending against any claim or liability, or enforcing any of the rights or remedies granted to it under the terms of the Program Trust Agreement in connection with the Bonds, excluding any losses or expenses which are due to the Trustee's breach of fiduciary duties, negligence or willful misconduct. The obligations of the District under this Section 6(4) shall survive the resignation or removal of the Program Trustee under the Program Trust Agreement and the payment of the Program Obligations and discharge under the Program Trust Agreement and payment of the Bonds. The damages claimed against the District shall not exceed the damages which may be allowed under the Oregon Tort Claims Act, Oregon Revised Statutes Section 30.260, et seq., unless the provisions and limitations of such act are preempted by federal law, including, but not limited to the federal securities laws.

(5) The District covenants not to merge, consolidate, separate or dissolve unless the Bonds have been defeased or the obligation for payment of the Bonds has been assumed by the successor entity or entities.

#### **SECTION 7. AMENDMENT OF RESOLUTION**

The District may amend this Resolution only with the consent of the Program Trustee.

#### **SECTION 8. STATE INTERCEPT AGREEMENT**

The School District Official is hereby authorized to negotiate the terms of and to execute a Sixth Supplemental Intercept Agreement under which appropriations from the State that would otherwise be paid to the District are diverted to the Program Trustee for the purpose of payment of debt service on the Bonds. Neither the Intercept Agreement nor its amendment shall relieve the District of its obligation to pay the Bonds.

#### **SECTION 9. DEFAULT AND REMEDIES**

(1) The occurrence of one or more of the following shall constitute an Event of Default under this Resolution:

- (A) Failure by the District to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after the principal amount of Bond Payments have been properly called for redemption);
- (B) Failure by the District to observe and perform any covenant, condition or agreement (other than as described in (A)) which this Resolution requires the District to observe or perform for the benefit of Program Trustee, which failure continues for a period of 60 days after written notice to the District by the Program Trustee specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the District within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 9(1)(B); or,
- (C) The District is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.

(2) The District's failure to make Bond Payments or Security Payments constitutes an Event of Default as set forth above independently of whether or not the State complies with the provisions of the Intercept Agreement.

(3) The Program Trustee may waive any Event of Default and its consequences, except an Event of Default described in Section 9(1)(A).

(4) If an Event of Default occurs and is continuing the Program Trustee may exercise any remedy available at law or in equity; however, the Bond Payments shall not be subject to acceleration, and the District shall be responsible solely for its Bond Payments and any Additional Charges reasonably allocated to it.

(5) No remedy in this Resolution conferred upon or reserved to the Program Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution or now or hereafter existing at law or in equity, including allowing the State to withhold future payments. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Program

Trustee to exercise any remedy reserved to it, it shall not be necessary to give any notice other than such notice as may be required by this Resolution or by law.

**SECTION 10. DEFEASANCE**

The District may defease all or any portion of the Bond Payments in accordance with the Program Trust Agreement.

**SECTION 11. RULES OF CONSTRUCTION**

(1) In determining the meaning of provisions of this Resolution, the following rules shall apply unless the context clearly requires application of a different meaning:

(2) References to section numbers shall be construed as references to sections of this Resolution.

(3) References to one gender shall include all genders.

(4) References to the singular shall include the plural, and references to the plural shall include the singular.

**SECTION 12. EFFECTIVE DATE**

B. This resolution shall take effect on this \_\_\_\_\_ day of December, 2011.

**PORTLAND PUBLIC SCHOOLS,  
MULTNOMAH COUNTY, OREGON**

By: \_\_\_\_\_  
Chair

**ATTEST:**

By: \_\_\_\_\_  
District Clerk