

BOARD OF EDUCATION

Portland Public Schools

STUDY SESSION**MONDAY, March 9, 2015****Board Auditorium**

Blanchard Education Service Center

501 N. Dixon Street

Portland, Oregon 97227

Note: Those wishing to speak before the School Board should sign the public comment sheet prior to the start of the meeting. No additional speakers will be accepted after the sign-in sheet is removed, but testifiers 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 those testifying must abide by the Board's Rules of Conduct for Board meetings.

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

This meeting may be taped and televised by the media.

AGENDA

1. **PUBLIC COMMENT** 6:00 pm
2. **SUPERINTENDENT'S 2015-16 BUDGET FRAMEWORK** 6:20 pm
3. **INTERDISTRICT TRANSFER PROCEDURES** – action item 7:30 pm
4. **SMARTER BALANCED ASSESSMENT RESOLUTION** – action item 7:45 pm
5. **BUSINESS AGENDA** 8:30 pm
6. **ADJOURN** 8:45 pm

Portland Public Schools Nondiscrimination Statement

Portland Public Schools recognizes the diversity and worth of all individuals and groups and their roles in society. The District is committed to equal opportunity and nondiscrimination based on race; national or ethnic origin; color; sex; religion; age; sexual orientation; gender expression or identity; pregnancy; marital status; familial status; economic status or source of income; mental or physical disability or perceived disability; or military service.



Board of Education

Superintendent's Recommendation to the Board

Board Meeting Date: March 9, 2015 **Executive Committee Lead:** Harriet Adair

Department: Enrollment and Transfer **Presenter/Staff Lead:** Judy Brennan

Agenda Action: X_Resolution _____Policy

SUBJECT: Standard Interdistrict Transfer Procedures
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BRIEF SUMMARY AND RECOMMENDATION

Compliant with state rules adopted in 2014, the PPS Board of Directors must determine each year whether and how many resident students will be released to enroll in other districts, and whether and how many non-resident students will be accepted for enrollment in PPS schools. These decisions are separate from the annual required action regarding Open Enrollment.

The Superintendent recommends that PPS open 300 slots for new, standard interdistrict transfers into PPS and 50 slots for new transfers out of PPS. If more applicants than slots, currently enrolled students and co-enrolled siblings will have priority, with random numbers used as random tie-breakers where needed. Transfers approved into PPS will remain in effect through the highest grade of the current school.

BACKGROUND

Of the more than 800 non-resident students attending PPS schools this year who are subject to standard interdistrict transfer rules, approximately 300 will need to obtain permission from their resident districts and PPS in order to remain enrolled in 2015-16. The remaining students received permission last year, so do not need to seek permission again.

Over the past three years, more than 500 PPS resident students have transferred to other school districts, either through the Open Enrollment procedure, or through the standard interdistrict transfer procedure. Those students do not have to seek permission from PPS to remain enrolled in other districts, but newly transferring students do need to seek approval through Open Enrollment or the standard interdistrict transfer process.

On March 3, 2015, the school board received information about the current state of standard interdistrict transfers in and out of PPS, and provided feedback to staff on proposed transfer rules for the 2015-16 school year.

RELATED POLICIES / BOARD GOALS AND PRIORITIES

Policy 4.10.040-P, Admission of Non-Resident Students

Reviewed and Approved by

Superintendent

A handwritten signature in black ink, appearing to read "Carrie Smith", is placed over a white rectangular background within the signature line of the approval box.

PROCESS / COMMUNITY ENGAGEMENT

Families will receive information via regular mail, e-mail and fliers sent home from school. Those who speak a language other than English at home will receive phone calls and other correspondence in native language supported by the district. PPS will make an explicit effort to communicate in the simplest and most effective means possible.

ALIGNMENT WITH EQUITY POLICY IMPLEMENTATION PLAN

While there are no specific equity implementation plan strategies that reference interdistrict students, it is notable that students from other districts who attend PPS schools are more likely to be students of color than the average rate for students who live within the PPS boundary. 74% of current non-resident students have characteristics that fall within the combined underserved category.

BUDGET / RESOURCE IMPLICATIONS

State school funding follows students across district lines in most cases. PPS has long maintained a positive ratio of interdistrict student coming into PPS vs going out.

NEXT STEPS / TIMELINE / COMMUNICATION PLAN

At a minimum, the following actions will occur before the end of the school year:

- Support non-resident students already attending PPS schools in completing requests for release from their resident districts. Calls will be made in the family's native language, for those who speak a language other than English at home.
 - Plan for and operate interdistrict lotteries this spring.
 - Collaborate with peers in other districts to streamline new procedures in order to ease the transition for families.
 - Revise policy and administrative directive to reflect new procedures.
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Board of Education

Superintendent's Recommendation to the Board

Board Meeting Date: March 9, 2015

Executive Committee Lead: Yosef Awwad, CPA
Chief Financial Officer

Department: Finance

Presenter/Staff Leads: David Wynde, Deputy CFO
Sharie Lewis, Senior Director, Accounting & Payroll

Agenda Action: X Resolution _____Policy

SUBJECT: Board authorization to issue additional bonds

BRIEF SUMMARY AND RECOMMENDATION

This spring PPS should undertake the second issuance of capital bonds under the 2012 voter authorization. Staff is recommending an issue of up to \$275 million.

BACKGROUND

In November 2012 PPS voters authorized the school district to issue up to \$482 million in general obligation bonds to fund a capital program that includes the full modernization of four schools (Faubion PK-8 School, and Franklin, Roosevelt and Grant High Schools), significant improvements at 63 schools, repayment of \$45 million of capital debt and the master planning of additional high school campuses. In the campaign PPS estimated that this new capital debt, which is being repaid via property taxes, would involve a rate of \$1.10/\$1,000 of assessed value for 8 years and \$0.30/\$1,000 of assessed value thereafter over a total payment period of 20 years.

On May 1, 2013 the District issued \$144.8 million in general obligation bonds pursuant to the authority of the 2012 Bond Election, leaving \$337.2 million of remaining capacity to issue bonds. This first issue was structured with \$76.3 million to be repaid in the first two years (2014 and 2015), and the balance repaid through 2033. The actual tax rate for the first year was \$1.0890/\$1,000 of assessed value and for the second year it was \$1.0854/\$1,000, so PPS has been true to the tax rate goal outlined in the bond campaign.

The funds generated by the first bond issuance have been used to repay \$45 million of debt, to fund summer improvement projects at five schools in 2013 and at 12 schools in 2014, and to begin the major projects at Franklin High School, Roosevelt High School and Faubion PK-8 School. With the construction work for these projects due to start later this year and continuation of the summer improvement projects with work in as many as 27 schools this summer, it is time to issue additional bonds to ensure that PPS has cash on hand to pay for the work.

**Reviewed and Approved by
Superintendent**

A handwritten signature in black ink that reads "Chad Smith".

PPS staff has been working to develop plans for a second issuance of bonds. The Office of School Modernization staff has continually updated a timeline for capital projects and the related schedule of funding needs that shows when PPS will need additional funds to pay for the capital projects by the end of the year. Finance staff has worked with PPS' financial advisors to identify an appropriate level of debt to be issued in this second round of funding and a provisional schedule and structure for the remaining debt.

Decision criteria: There are three major criteria that we use to evaluate financing options:

- The total amount of debt is limited to \$482 million
- It is our goal that the tax rates to repay the debt should be no more than \$1.10/\$1,000 and then \$0.30/\$1,000
- The amount raised from bond proceeds at any one time should be that which the district can reasonably expect to spend within three years

In addition, we are looking for a structure that allows us the maximum ability to utilize the funding authority we've been given, including efforts to keep interest expenses low and the flexibility to respond to changes in tax assessed value and interest rates, and allows us to respond to any changes in the spending plans.

Recommendation: The superintendent recommends that PPS issue up to \$275 million of bonds in spring 2015, as described in the attached spreadsheet illustrating an issue of \$245.7 million with repayment of \$33.1 million in 2016 and \$35.6 million in 2017, with the remaining \$177 million repaid in 2018– 2033.

The exact amount of the issuance will be determined at closing and the primary variable that will impact the amount is the interest rates at that time.

As currently envisioned PPS would issue a third and final round of bonds under the 2012 authorization in 2017 as illustrated in the attached document.

RELATED POLICIES / BOARD GOALS AND PRIORITIES

Successful execution of the 2012 capital bond program is a priority for the Board and for PPS. As stated above, it is a goal that the tax rate for the capital bond be no more than \$1.10/\$1,000 of assessed value. That goal was met for the first two years of the bond and this recommendation is made with that goal at the forefront of decision-making.

PROCESS / COMMUNITY ENGAGEMENT

This financing is putting into effect the will of PPS voters who approved the capital bond program, which was developed after extensive community engagement. PPS staff is working closely with its financial adviser (Piper Jaffray) and its bond counsel (Hawkins Delafield & Wood LLP) to complete this financing.

ALIGNMENT WITH EQUITY POLICY IMPLEMENTATION PLAN

Work funded by this bond issue will be contracted under the PPS Equity in Public Purchasing & Contracting policy, which is in accord with a goal of the equity policy implementation plan.

Reviewed and Approved by Superintendent
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BUDGET / RESOURCE IMPLICATIONS

This bond issue will provide up to \$275 million in bond funds to support the second phase of the capital improvement work outlined in the bond proposal. The Board will be considering an amendment to the 2014/15 budget to reflect this activity in the current year and subsequent annual budgets will also include next steps in this funding and activity.

NEXT STEPS / TIMELINE / COMMUNICATION PLAN

If the board approves the resolution, staff will work with the district's financial advisor to complete the transaction.

After the bonds have been issued the board will be asked to approve a budget amendment for 2014/15 to reflect the receipt of proceeds.

The budget actions for 2015/16 will be changed to reflect the new bonds, including the imposition of taxes to reflect the additional debt.

ATTACHMENTS

1. Summary of bond issuance scenario

<p>Reviewed and Approved by Superintendent</p>

Portland School District 1J

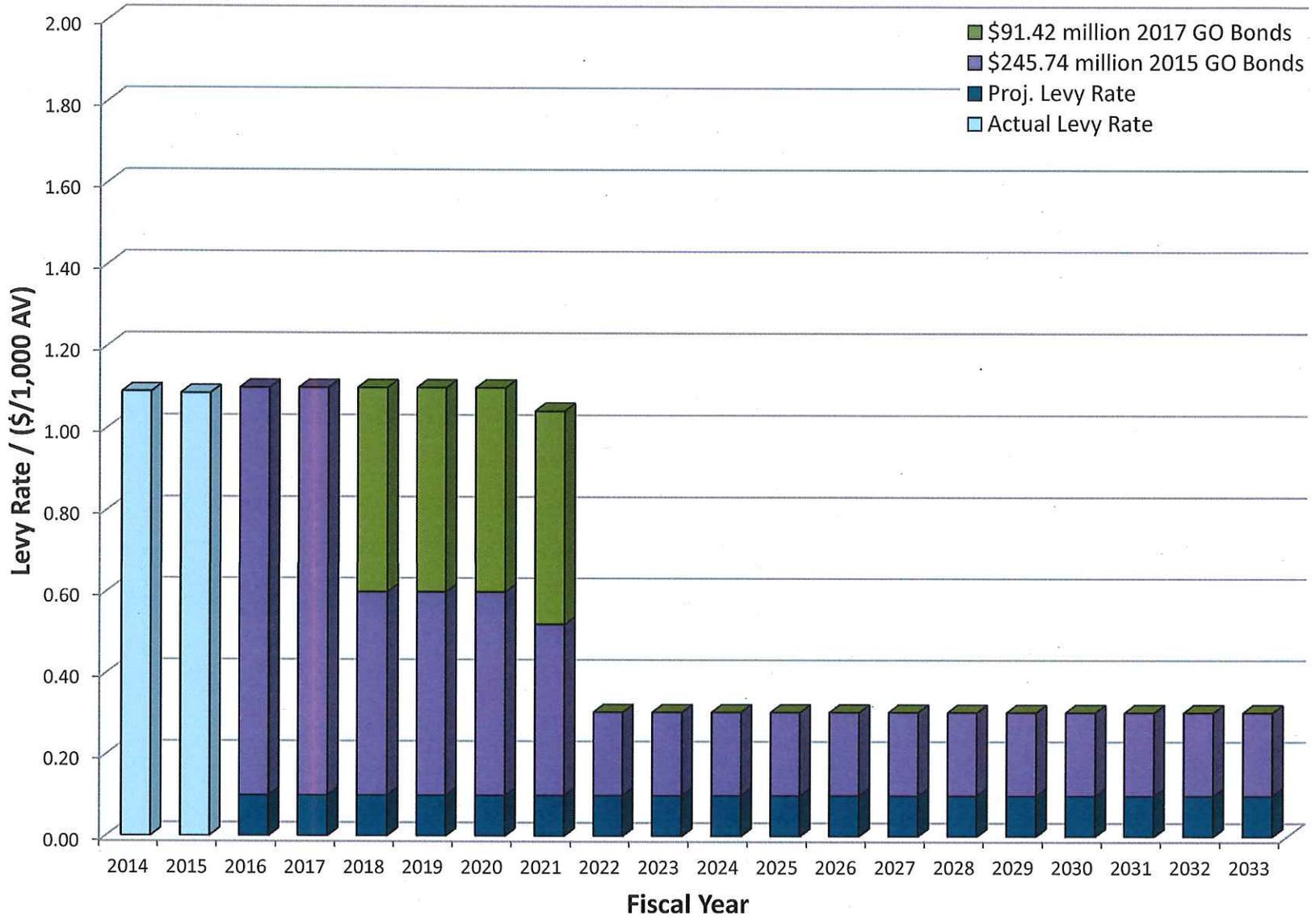
General Obligation Bonds - Levy Rate Analysis - Sales in 2015 and 2017 - Include 2016 Taxable Maturity for 2015 Sale
 \$482.0 million General Obligation Bonds

					----- ACTUAL -----			----- PROJECTED -----							
					\$144.8 million 2013 GO Bonds			\$245.74 million 2015 GO Bonds			\$91.42 million 2017 GO Bonds				
Fiscal Year	Assessed Value (000)	AV Growth	Percent Collected	Actual Levy Rate	Principal Payment	Interest Payment	Proj. Levy Rate	Principal Payment	Interest Payment	Proj. Levy Rate	Principal Payment	Interest Payment	Proj. Levy Rate	Principal Issued	Total Levy Rate
0 2013	\$ 40,720,094													\$ 144,840,000	
1 2014	42,244,715	3.74%	94.0%	\$ 1.0890	\$ 35,950,000	\$ 7,312,232								-	\$ 1.09
2 2015	44,134,377	4.47%	94.0%	\$ 1.0854	40,315,000	4,718,350								245,740,000	1.09
3 2016	45,679,080	3.50%	94.0%	-	1,555,000	2,702,600	0.10	\$ 33,065,000	\$ 9,872,400	\$ 1.00				-	1.10
4 2017	47,049,452	3.00%	94.0%	-	1,705,000	2,679,275	0.10	35,600,000	8,625,250	1.00				91,420,000	1.10
5 2018	48,460,936	3.00%	94.0%	-	1,890,000	2,628,125	0.10	15,215,000	7,557,250	0.50	\$ 20,835,000	\$ 1,937,659	\$ 0.50		1.10
6 2019	49,914,764	3.00%	94.0%	-	2,080,000	2,571,425	0.10	16,510,000	6,948,650	0.50	22,025,000	1,430,770	0.50		1.10
7 2020	51,412,207	3.00%	94.0%	-	2,325,000	2,467,425	0.10	17,875,000	6,288,250	0.50	23,115,000	1,047,535	0.50		1.10
8 2021	52,954,573	3.00%	94.0%	-	2,585,000	2,351,175	0.10	15,340,000	5,573,250	0.42	25,445,000	585,235	0.52		1.04
9 2022	54,543,210	3.00%	94.0%	-	2,865,000	2,221,925	0.10	5,545,000	4,959,650	0.20					0.30
10 2023	56,179,506	3.00%	94.0%	-	3,160,000	2,078,675	0.10	6,085,000	4,737,850	0.20					0.30
11 2024	57,864,892	3.00%	94.0%	-	3,475,000	1,920,675	0.10	6,655,000	4,494,450	0.20					0.30
12 2025	59,600,838	3.00%	94.0%	-	3,775,000	1,781,675	0.10	7,255,000	4,228,250	0.20					0.30
13 2026	61,388,864	3.00%	94.0%	-	4,095,000	1,630,675	0.10	7,890,000	3,938,050	0.20					0.30
14 2027	63,230,529	3.00%	94.0%	-	4,430,000	1,466,875	0.10	8,635,000	3,543,550	0.20					0.30
15 2028	65,127,445	3.00%	94.0%	-	4,785,000	1,289,675	0.10	9,435,000	3,111,800	0.20					0.30
16 2029	67,081,269	3.00%	94.0%	-	5,155,000	1,098,275	0.10	10,280,000	2,640,050	0.20					0.30
17 2030	69,093,707	3.00%	94.0%	-	5,550,000	892,075	0.10	11,185,000	2,126,050	0.20					0.30
18 2031	71,166,518	3.00%	94.0%	-	5,965,000	670,075	0.10	12,145,000	1,566,800	0.20					0.30
19 2032	73,301,514	3.00%	94.0%	-	6,375,000	461,300	0.10	13,040,000	1,081,000	0.20					0.30
20 2033	75,500,559	3.00%	94.0%	-	6,805,000	238,175	0.10	13,985,000	559,400	0.20					0.30
					\$ 144,840,000	\$ 43,180,682		\$ 245,740,000	\$ 81,851,950		\$ 91,420,000	\$ 5,001,199			

														Total Principal	\$ 482,000,000
														Total Interest	\$ 130,033,831
														Total Premium (2013 & 2015)	\$ 13,870,119
														Interest as % of Proceeds	26.2%

Interest Rate Assumptions		Dated Date	Premium	Total Funds Post Sale	
2013 GO Bond Issue	ACTUAL	05/01/13	\$ 13,870,119	\$ 158,710,119	
2015 GO Bond Issue	CURRENT	04/30/15	N/A	\$ 404,450,119	
2017 GO Bond Issue	+1.0%	05/01/17	N/A	\$ 495,870,119	

Projected Levy Rates - Assumes Two Sales of Remaining Authorization



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

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March 9, 2015

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Other Matters Requiring Board Action

The Superintendent RECOMMENDS adoption of the following items:

Numbers 5039 through 5042

RESOLUTION No. 5039

2015-16 Standard Inter-District Student Transfers

RECITALS

- A. State law requires district school boards to decide each year whether to participate in the standard interdistrict transfer process, including:
1. The maximum number of resident students, if any, who will be released to schools in other district
 2. The maximum number of non-resident students, if any, who will be released to enroll in district schools
 3. The priorities that will apply in a random lottery, in the event that there are more requests than maximum number of slots for releases or approvals.
- B. Of the more than 800 non-resident students attending PPS schools this year who are subject to standard interdistrict transfer rules, approximately 300 will need to obtain permission from their resident districts and PPS in order to remain enrolled in 2015-16. The remaining students received permission last year, so do not need to seek permission again.
- C. Over the past three years, more than 500 PPS resident students have transferred to other school districts, either through the Open Enrollment procedure, or through the standard interdistrict procedure. Those students do not have to seek permission from PPS to remain enrolled in other districts, but newly transferring students do need to seek approval through Open Enrollment or the standard interdistrict procedure. For the 2015-16 school year, Superintendent Smith recommends the School Board set an initial level of 300 standard interdistrict transfer slots for new approvals of non-resident students to PPS schools. In accordance with state law, that number may be revised at a later time so long as there are no pending applications.
- D. Additionally, the superintendent recommends that PPS allow up to 50 resident students to enroll in other districts beginning in the 2015-16 school year.
- E. If there are more applicants than space, lottery priority will be given to students requesting schools where they are currently enrolled and for students with an older brother or sister who will attend that school next year. Random lottery numbers will be used as tie-breakers as needed.
- F. Standard interdistrict lottery approvals into PPS will remain in effect through the highest grade of the approved school. Once a student reaches the highest grade, he/she will have to apply to attend a different PPS school the following year.
- G. Superintendent Smith directs staff to develop timelines and procedures to assist families with successfully participating in the standard interdistrict transfer request process, and to draft revisions to existing enrollment and transfer policies for approval by the school board.

RESOLUTION

1. The Board of Directors for Portland Public Schools accepts the Superintendent's recommendation to open 300 slots for non-resident students to transfer into PPS and for 50 students to transfer out to other districts for the 2015-16 school year through the standard interdistrict transfer process.

2. The Board directs the Superintendent and her delegates to allocate slots by school and grade level, and to follow these priorities in the event of more applicants than space:
 - Prioritize students currently enrolled in a school over new students
 - Prioritize new students with co-enrolled siblings over new students without co-enrolled siblings
3. The Board accepts the Superintendent's recommendation that interdistrict transfer agreements into PPS will remain in effect through the highest grade of the approved school.
4. The Board directs the Superintendent and her delegates to draft policy changes for school board approval, adjust administrative directives and procedures in compliance with HB 2747 and 4007 and report back to the board on the results of the 2015-16 transfer process prior to the 2016-17 transfer cycle.

H. Adair

RESOLUTION No. 5040

RESERVED FOR SMARTER BALANCED ASSESSMENT RESOLUTION

RESOLUTION No. 5041

Resolution Authorizing the Sale of General Obligation Bonds and Related Matters

RECITALS

- A. The Board of Directors of Portland Public Schools, Multnomah County, Oregon also known as Multnomah County School District 1J (“PPS” or the “District”) is committed to maintaining and preserving the useful life of its school buildings.
- B. PPS understands that its schools are the property and pride of all citizens of Portland, and are strong anchors needed for livable neighborhoods.
- C. The average age of PPS school buildings is 67 years old and they have received only minimal updates over time.
- D. PPS recognizes that the condition of its facilities has a direct impact on the ability of teachers to teach and students to learn and succeed.
- E. Due to inadequate state funding for schools, PPS has prioritized use of General Fund money for its core educational mission, resulting in deferral of major maintenance on its facilities, leading to secondary damage and increased facility costs.
- F. At meetings in June and August, 2012, the Board of Education (“Board”) determined that it would be appropriate to seek voter approval in November, 2012, for general obligation bonds to finance a program of capital investments in PPS schools that includes:
- the full modernization or replacement of three high schools identified using high seismic risk and the need for major access upgrades as priority criteria;
 - the full modernization or replacement of Faubion School in partnership with Concordia University;
 - seismic and other building improvements: including seismic strengthening, replacement and seismically bracing roofs, roof replacements and accessibility improvements at a number of district schools;
 - educational facility improvements to improve grades 6-8 science classrooms with sinks and electrical outlets at as many as 39 schools;
 - repayment of \$45 million of existing capital debt; and
 - master planning the high school campuses not impacted by the major investment described above.
- G. In November of 2012 the voters of the District authorized PPS to issue up to \$482 million of general obligation bonds (the “2012 Bond Election”) to improve schools with 67% of voters supporting this capital investment program.
- H. The Board adopted Resolution No. 4745 on April 1, 2013 to authorize the issuance of up to \$165 million in principal amount of general obligation bonds under the 2012 Bond Election.
- I. On May 1, 2013 the District issued \$144,840,000 in general obligation bonds pursuant to the authority of the 2012 Bond Election and Resolution No. 4745, leaving \$337,160,000 of authority under the 2012 Bond Election and \$20,160,000 of authority under Resolution No. 4745.
- J. It is now desirable to authorize the sale of additional general obligation bonds under the 2012 Bond Election in a principal amount up to \$275 million to fund capital improvement work in PPS schools.

RESOLUTION

1. The Board hereby authorizes the issuance and sale of up to \$275 million in principal amount of general obligation bonds to pay for capital costs that are described in the ballot measure for the 2012 Bond Election (the "Capital Costs") and costs related to the general obligation bonds authorized by this resolution (the "Bonds").
2. The District's Chief Financial Officer or the person designated by the Chief Financial Officer to act under this resolution (each of whom is referred to in this resolution as a "District Official") may, on behalf of the District and without further action by the Board:
 - a. Sell and issue the Bonds in one or more series.
 - b. Participate in the preparation of, authorize the distribution of, and deem final any official statement or other disclosure documents relating to each series of the Bonds.
 - c. Establish the form, final principal amount, maturity schedule, interest rates, sale prices and discount, prepayment terms, payment terms and dates, and other terms of each series of Bonds.
 - d. Execute and deliver a bond declaration for each series of Bonds. The bond declaration for each series may specify the terms under which the series is issued, and may contain covenants for the benefit of Bond owners and any providers of credit enhancement for the Bonds.
 - e. Publish a notice of sale, receive bids and award the sale of each series of Bonds to the bidder complying with the notice and offering the most favorable terms to the District, or select one or more underwriters, commercial banks or other investors and negotiate the sale of any series of the Bonds with those underwriters, commercial banks or investors.
 - f. Undertake to provide continuing disclosure for each series of Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
 - g. Apply for ratings for each series of Bonds, determine whether to purchase municipal bond insurance or obtain other forms of credit enhancement (such as the Oregon School Bond Guaranty Program) for each series of Bonds, enter into agreements with the providers of credit enhancement, and execute and deliver related documents.
 - h. Appoint paying agents and other service providers for the Bonds and negotiate the terms of and execute agreements with those service providers.
 - i. Determine whether each series of Bonds will bear interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended, or is includable in gross income under that code. If a series bears interest that is excludable from gross income under that code, the District Official may enter into covenants to maintain the excludability of interest on that series of the Bonds from gross income.
 - j. If permitted by federal law, issue any series of Bonds as taxable bonds that are eligible for federal interest subsidies or tax credits, and enter into related covenants.
 - k. Sell and issue one or more series of the Bonds to provide interim financing for Capital Costs, enter into lines of credit or similar documents which permit the District to draw Bond proceeds over time, and issue Bonds to refund the Bonds that provide interim financing for the Capital Costs. Refunding Bonds described in this Section 2.0 to refund Bonds shall not be subject to the limit in Section 1 on the principal amount of Bonds that are issued to pay for Capital Costs.

- I. To the extent permitted by the November, 2012 ballot measure, issue Bonds to refund previously issued obligations of the District, and take any related actions.
 - m. Execute any documents and take any other action in connection with the Bonds which the District Official finds will be advantageous to the District.
3. The District hereby declares its official intent pursuant to Section 1.150-2 of the Federal Income Tax Regulations to use the proceeds of the Bonds to reimburse the District for Capital Costs that the District pays from its revenues. The District Official is hereby authorized to make additional reimbursement declarations on behalf of the District.

Y. Awwad

RESOLUTION No. 5042

Minutes

The following minutes are offered for adoption:

February 24 and March 3, 2015