

**DCSD School Board Meeting  
4-6-10**

Present: John Carson, Douglas Benevento, Clifton Stahl, Justin Williams, and Meghann Silverthorn, Dan Gerken

**5:15 p.m.: Call to Order, Roll Call, and Pledge**

- Roll Call: all present
- Pledge of Allegiance
- Motion to accept a change to the agenda, seconded and approved by voice vote.

**5:30: Update: State of the State, DCSD Financial Plan, November Ballot Measures: Proposition 101 and Amendments 60 and 61; Presenters David Hart, CFO and Terry Casey, Dan O'Connell RBC (have acted since 1997 as bond underwriter and financial advisor for DCSD)**

- Hart: we informed BoE that we would come forward and share release of information from the state. March economic report showed slight improvement from 600,000 million shortfall...now that they have worked through three months have essentially balanced and forecast is 140-150 to 550 million...the factors used in modifying the forecast; improvement of economy modestly (didn't deteriorate), tax measures were acted upon and are law and will bring in additional revenues, federal monies being spent to alleviate further cuts, School Finance Acts what cuts will be enacted...these four factors have allowed them to balance for 2010-11 with other caveats. Means the School Finance Act introduced with K-12 at lower end of proposed cuts. Translates into 6% reduction...into 26 million (in reductions) to DCSD for 2010-11 alone. Legislative council specified...the forecasts do not include changes for inflation, caseload, required funding (Amendment 23) nor do they forecast for the loss of federal funding. The revenue shortfall should be understood as understated. They do not take into account the potential of passage of any of the three ballot initiatives to be discussed later. As that pertains to DCSD's budget...10-11 is year two of fiscal cuts. We came in knowing 5 mill plus 26 million in an amount greater than 30 million. Does not appear that we will need to act upon the higher end of the budget cuts presented by Steve and I. I mention 10-11 as year two; we encourage you to understand we are looking at 11-12 and beyond. We have an expectation that we will see a repeat of a reduction of school funding on the order of an additional 6%. PPR (per pupil revenue) starting 09-10 year 7,000, next year will be 6,500 or 6,600...losing somewhere between 4 and 5 hundred dollars (PPR). 2011-12, 6,200 ...an additional 400ish dollars. 2011-12 fiscal year is projected to be the bottoming out of funding. "Assessed Valuation" is the same as previously presented (please refer to my notes from the March 2<sup>nd</sup> BoE Meeting). We continue to have significant challenges in providing the service levels citizens expect... the budget you will see in May...there will be minimal if any changes in May or June. At that point we will know the outcome of the Long Bill. We will be looking at the template in regards to the charter school funding you approved. We will also be looking at fees (technology, book, transportation). I will hand it off to RBC if there are no questions for me. O'Connell: we had looked at a refunding; sometimes good news about the

economy means bad news for interest rates. What was a 70 million refunding...dropped below the 3% threshold level. Possibility that we could parcel some of those out. We did have a rating presentation scheduled...will go back and look at the market and reschedule those. We may enter the market with a much smaller issue. If the rates continue to go up we may continue to sit on the sidelines. Hart: we would like to go back to the three ballot initiatives ([power point on the DCF website: www.dcf.net](#) or under 4-6-10 BoE agenda on [www.dcsdk12.org](#))

- Hart: **Prop. 101** has to do with specific ownership tax...not much to address...if that passes it means a significant loss of revenue (to DCSD). This is the local share...the forecasts by the state do not include the possibility of these passing (in November). The state is already forecasting for a revenue shortfall without including a change in tax structure (based on these ballot initiatives passing). **Amendment 60**...over a series of years would roll back property taxes. In order to honor contracts with bondholders...if further compounded (by passage of Amend 60) the state's forecast doesn't include this. The cuts that would have to be made to balance these cuts not reflected. **Amendment 61**...what would happen to DCSD. Terry will walk you through that. Casey: this is a continuation of our previous discussion ([please refer to my notes from the March 2<sup>nd</sup> BoE Meeting](#)). In terms of 61 if approved by the voters. I will try to be clear in clarifying what is opinion and what appears to be fact. It seems to be fairly clear that there would be no future short-term borrowing as of January 1, 2011. The state could do no future borrowing on their own either... When "debt paid-off" taxes must be reduced by same amount as past debt service. What would negatively impact you (DCSD) if you don't have a voted cash flow...you would need to reduce the taxes in the subsequent year after paid off. You have the authority to borrow up to 100 million, but without a vote when you pay off your loan next year you would have to decrease...it could be 100 million. Williams: can you explain why if this is being proposed...why would we pass a law saying we can't do any short-term borrowing? Businesses borrow short-term all of the time. Casey: I think what they are trying to get at is basically you can't do any COP's (certificates of participation) or borrowing without a vote but when writing it they ended up with such a broad definition of what a debt is. Hart: Justin, what Terry is talking about...is any type of lease (copiers, etc) is not o.k. because you are borrowing an asset...either you are into a monthly lease or buying it. This is a major issue for DCSD. What does this mean to how we manage for payroll, utilities payments...this is not limited but left to interpretation. Historically when these types of voter initiatives are brought forward they are meant to be broad. Douglas Bruce's goal with TABOR in 1992 was meant to include this. Casey: refers to "10% debt limit on all future debt issued after January 2011" if it passes on January 1<sup>st</sup> you will not be able to issue any more bonds even with voter approval. If it goes to 10% you already have over that outstanding. That becomes important...we think you should at least be aware of a solution...if someone takes the view that this wouldn't pass, to the extent that it does we will look back and think maybe we should have done something on the November ballot to address this before January 1<sup>st</sup>. Gerken: this is an Amendment? The (state) Legislature could do nothing? Answer: no. Hart: it wouldn't be "go ahead and issue a bond and figure it out," we would have to add back to the amount already out there...we are looking at a time when we would be locked out from the

market. Stahl: this would shut us down.... Casey: there may be ways to address this; the BoE needs to get its head around it and if you are willing to entertain these ways. The likelihood of this passing and what you could do to be on the ballot, not as a mill or bond, but as a way to solve for this...in the event that 61 becomes law the voters give them the opportunity to do "blank." Might be able to mitigate the impact and keep from being shut down. You currently take part in the interest-free loan program (from the state)...that will go away. Hart: that (interest-free loan program) is a state program that borrows a pot of money and makes it available to school districts (to borrow from). We don't receive property taxes until further in the year so we borrow until then...roughly 100 million being borrowed. We spend down the fund balance, state revenues going down, we are borrowing from the state interest-free...this would go away because the state would not be able to borrow, on Dec. 31<sup>st</sup> we borrow up to 50%...if not repaid to the state...the next year would have to lower taxes by like amount. We collect roughly 100 million and borrowing 80% of that, the year after that we would have to take down our tax rate to 5 and would have lost (in excess of) 100 million in one year. My advice is we cannot afford to do so...we would be cash poor... O'Connell: 57% polled in support of 61. (discussion held on the reliability of this poll) Hart: our concern is that the poll firm is very reputable...the drop of support only 3% when consequences were listed (to the people polled). Tracking better than TABOR did 20 years ago (polling with a more favorable percentage). When you read it, it does not give you any cause to be concerned. Casey: we anticipate a significant statewide campaign in opposition and to educate the voters. The money as of yet has not been raised. You will be up to the 100 million this year. Even if you were inclined to ask the voters...for a non-debt solution to this problem, just relying on a mill levy approach doesn't solve for the cash flow problem. What do we do? One option would be to have an annual "Tax Anticipation Note" vote. May be the simplest solution, does require an annual vote. Keep in mind...would need a November election, every year. If you failed one year the tax reduction of the prior year borrowing is triggered...the risk is triggering a reduction of whatever the prior year was. Not really viable but legally available. The second approach...we are not advocating or suggesting, but it is available...asking the question (on the November ballot) "in the event that 61 passes" 100 million raised one time tax increase (average \$600 on a \$375,000 house). Other solution, I will say right now as an investment banker this solution runs against our beliefs...but this is an extraordinary circumstance...."in the even 61 passes" you would raise 100 million and keep it and loan it to yourself...issued before the amendment kicks in... requires 1 mill (\$18.00/375,000 home). Gerken: what makes you think 100 million is the cap? What might it be in 4-5 years? We are a growing district. Hart: it wouldn't be the cap. Gerken: my sense is why wouldn't we go for 150 or 125 because after Dec. 31<sup>st</sup> your hands are tied. Hart: all we would be looking to do is have financing in place that is in lieu of what we already have. We would have some margins to work through and would only need to solve...we would be o.k. over successive years. That is different than "what are the future capitol needs of the district?" Would you want to size up what you would need? Gerken: size up on a taxable basis? Casey: you are violating one of the cardinal rules of financing...it is the height of it...but the alternative is cutting the school year and not being able to make payroll. Hart: if this

passes...we would have to say to employees and service providers that we are paying you pennies on the dollar or not pay you at all. Employees and service providers would not provide services. Your summer break becomes your winter break. The school year essentially changes...dismiss at Thanksgiving and reconvening at Easter (note: this would be due to the timing of when money comes in from property taxes and other sources). We would in the future only pay when in school. The other option is just let it play out and know that every November we would say if you do not approve we will make a reduction of 20 mills. We can not come back in Nov. 2011 and ask the bonding question...we have asked the legislature to expand the current (parameters)...to be able to place on the ballot concurrent with 61...in lieu of an interest-free loan through the state. In dealing with the ramifications of dealing with 61 you have no ability to solve for it without a vote. If they don't approve this being on the ballot we will just hold our breath when it passes knowing we will be making 100 million in reductions. You have school districts...Poudre has made the choice to be on the ballot (mill and bond proposed by Poudre School District for November ballot)...They are now saying "we need to have this with that?" Casey: for those of you who might be thinking "can't the state help us?" We (RBC) are the state's advisor...you could argue that they could for 11-12 but after that they cannot even fund their own general fund for their own borrowing. 650 million in their own notes. Hart: Chase has told us if this passes our letter of credit is void.

**6:33 p.m. Board/Superintendent Updates: (adjustments being made due to Ryan Stuart's resignation)**

- Carson: Government Relations will now be Cliff; Dan will take over the evaluation (MOU with DCF); Meghann is going to handle the 60 day process and how to advertise the vacant BoE position; Justin will be working on the possibility for a mill or bond, not until May...we had talked about April 24<sup>th</sup> but not that soon because we want feedback from the public...maybe mid to late May. Justin will put that process together by the end of May; Doug and I will put together names for a task force on school choice we want to have a task force in place for the community, charter, neighborhood, board members to talk about expanding school choice. That is an overview of the announcements I had. Do any of you have any reports? Stahl: community engagement, just a quick heads up that our twitter accounts were launched, we continue to look at and roll out our new website. We are gathering community feedback, couple of quick notes: school visits we have been talking about if each individual board member could get with Nona to figure out visits to schools. Dan has (set up) 30 minutes in classrooms and time for engagement with teachers. Gerken: We have 7 board members and if we go once a month we can cover them. Stahl: if you can give Nona some dates...five or six so she has some parameters. We continue to push forward with a Douglas County (legislative delegation) breakfast. Jason (district's lobbyist) would really like to get that done. My suggestion was let's pick a date or have a proposed date and if 5-6 can make it great, I am not sure we can get the entire delegation and all of us together but let's pick a date and go. Nona if you could get that on your radar. Also, know that Susan will be coming to you to do some electronic chatting, with on-line chats we can reach out to 7,000 people. To make sure you can answer question it will include appropriate staff. With the key

communicator network and working with Jason we can up load documents from them. Nona Eichelberger: the next meeting is at HRHS on April 20<sup>th</sup>. Carson: chair will entertain a motion to go into a closed session to discuss legal questions and negotiations around matters subject to negotiations. Approved by voice vote.

Convened in closed session: 6:43 p.m.

**7:10 p.m. (reconvened) Student and Staff Recognitions: Ryan Stewart** Carson: I want to recognize your contribution to performance pay and school choice. Thank you again, I will open it up to other board members...Stuart: I would like to publicly thank my wife and family, it takes a lot of time and work...Stahl: I wanted to personally thank you, we have a high opinion of your integrity and I have an immense amount of respect for you. Another community will be benefiting from it. Standing ovation for Ryan Stuart. Herzog: on behalf of the staff we wish you good luck and we will continue to take care of your children.

**7:14 p.m. Public Comment: none** Discussion held on Rocky Mountain Expeditionary Learning position being vacated by Ryan Stewart. Carson: we will need to change our habit of taking public comment throughout the meeting. On the adoption of the consent agenda, we may have some public comments before we adopt that.

**7:15 p.m. Adoption of Consent Agenda**

- **Proposed Student Fees and Field Trip Fees** (please refer to .pdf and .doc from this portion of the presentation on the DCF Website: [www.dcf.net](http://www.dcf.net) or [www.dcsdk12.org](http://www.dcsdk12.org) under 4-6-10 BoE agenda) Hart: DAC endorsed these fees, purpose to support costs, it will be a revenue source to help defray costs. We do not receive any funding for technology from the school funding act. We do not have a technology dense area where companies come in and provide systems on their own. As for transportation, we receive 24 cents on the dollar of funding. It (fees) is meant to mitigate the budget shortfall not intended to solve for further reductions or restore or increase services. As the CFO I am putting you on notice that if we have cuts in the future we do not know what the increases may be. We will have choices to make in increasing fees. Athletics, it is to mitigate shortfalls and maintain service. (please note details on the .pdf). If the decision is you do not want to approve this as according to the consent agenda we would pull this and deal with what we are directed to do. Herzog: identified free and reduced lunch would be exempt from fees. Hart: combined effect would be...8.2 million. Carson: 8.2 million dollars to general fund. 2% roughly raised in fees...we would have to cut 8.2 more from budget (if fees are not approved). I think we should move forward. We have discussed the bus issue a number of times and I am sure we will (receive feedback from community)...how much per student per day? \$170.00/student/year (for to and from ridership). Capped by household? Hart: we have moved away from that because a single rider would be subsidizing a family of riders. If you are riding you are going to pay your relative fair share. The comment to make on that John is...these are very difficult times and we want to remind you this is not addressing anything in terms of capitol. We are going to have issues regarding transportation going forward. At a time in terms of the cuts we are making it is not defraying even a 6<sup>th</sup> of what we are cutting. The options for us are making deeper cuts elsewhere. Before you take action...Balon, Callan, Weldon, etc. are here to answer questions (around the fees). Carson: I want to make the point for the record that the fees are allowing us to maintain a full transportation system and

we can assure folks they will have transportation. Herzog: we have added 20 stops compared to last year. Hart: while some fees are new and others expanded...it is fair to say we are tracking with surrounding communities or with what is coming for them. Carson: I have one more question around the vacancy, how much advertising do we do? Nona: post a notice. Carson: website? Stahl: Susan and I have talked about it and she is prepared to ...Carson: do we have a deadline? Herzog: April 28<sup>th</sup>. Carson: any other questions on consent. Approved by voice vote, all voted yes. Carson: get your talking points ready.

### **7:42p.m. Board Decisions**

- Election of Board of Education Vice President: Stahl: I nominate Dan Gerken, seconded by Benevento. Approved unanimously in a vote. Carson: I want to caution you we don't want the same language out of our Vice President as out of Vice President Biden.
- EL 1.3—Emergency Succession Planning: Carson: David Hart, then Bill Hodges. Moved and approved.
- Naming of Superintendent: Carson: thank you to Rick and Ellen and the public and employees of the district. We had a lot of engagement. A lot of boards have a problem with this...we ended up with a 7-0 vote on this. I want to thank Dan Gerken for putting this process together. On behalf of the board thank you. We had a very thorough process. We had a visit to Tucson last week, Dan and Cliff. Stahl: I thought it was a very enlightening trip...in the short amount of time, I was struck by every group we met with...it is quite a statement when you are meeting with those folks, they are losing their superintendent, the only thing they are upset with is that they are losing their superintendent. Gerken: I came away with increased confidence that we made the correct choice. It was 99.6% positive; I don't know how we get much better. Next year in Tucson they will have 3,300 per pupil funding...Stahl: with the same amount of kids. I can't say enough about Rick and Ellen...here I am getting some credit for this but I don't know why...I credit them, thanks again. I make a motion to accept Fagan as the Superintendent of DCSD, subject to formal board approval. Seconded and approved. Carson: while folks are voting I want to thank Dr. Herzog...during a difficult time we want to thank you for everything you have done for this district. Herzog: I want to thank the staff, they really have stepped up. Gerken: I want to echo that.
- Resolution Authorizing the District to Extend the Letter of Credit: Hart: I encourage acceptance of this...if it is not approved we will have to find 12.7 million dollars. Carson: do we have a motion? Moved, seconded and approved.
- Policy JICI Weapons in School: Herzog: can I ask that one of the items (be added back) that was pulled when I didn't think Darci (Mohr) would be here tonight. It may be the case that we need to address this tonight. Mohr: we do have a time problem with this. I have been through the policy and found some areas that need adjustment. I appreciate and recognize that Meghann has some concerns...while you were in Executive Session I put the bare minimum that we have to have to be in compliance and propose to Meghann that she and I sit down and discuss this. If you could approve this so we can be compliant. Carson: do we have any objections to putting it back on the agenda? Silverthorn: I looked back over it and if we can approve it as this is...Carson: can we just put it back on the agenda? Dick? the way to handle that

is to make a motion to accept it. Carson: the issue we have is students in ROTC being expelled...Mohr: it is already in current law. Silverthorn: I move that we accept the hand-written version. Seconded, motion approved.

- **Board of Education Department Budget 2010-2011: (please refer to BoE spreadsheet and .doc on [www.dcf.net](http://www.dcf.net) or [www.dcsdk12.org](http://www.dcsdk12.org) under 4-6-10 BoE agenda)** Carson: do we want to add 30,000 into lobbying? Carson: do we have enough here for legal services? Mohr: no, I think you need to add more...Benevento: may I suggest we put this off until our May meeting, it strikes me that increasing our budget right now is not the best...can we work with David on what we really need. I don't think we need 3,000 per board member for travel and dues and fees, etc. David can we do that? Hart: yes. Benevento: prepare a range, as it stands now I am a no vote...Hart: we can maintain the budget as it is until April 20th and present it to you...first meeting in May. Second meeting in May a proposed budget... Carson: I will note that this year, we have used virtually none of the 3,000/member. When we make some of these if you could give us a more realistic number...we have had a lot going on with a new superintendent coming in... Hart: as each of these line items I will work on them, and give you an idea of legal. We will go through and historically show what...as for dues and CASB...Carson: that sounds reasonable to me. The chair will entertain a motion to move to the first meeting in May? We can meet with David and make sure the board is o.k. with it. Motion made, seconded, approved. Carson: the next item is the next closed session...oh, the Rocky Mountain School of Expeditionary Learning position? Doug has mentioned that he is better with morning meetings...with the Long Range Planning Committee if you could move that? Stahl: I will take that over until we have a new Board member. (Benevento will cover the Rocky Mountain School of Expeditionary Learning). Silverthorn: I will not be able to attend the May DAC meeting...if anyone can attend that for me. Williams: I should be able to attend that one. Carson: before we go into Executive Session, to wrap up...any committee and liaison reports? Williams: I am working with our wellness consultant to propose those changes. It is worthy of some discussion at our retreat. We haven't gotten very far but it is still as hot as ever. Stahl: Sean McGraw wanted me to pass along his thanks for the Board members involvement. Their board of trustees is in the process of looking at their by laws and the make up of their board. They want as many board members as possible on that committee. Williams: you can count on me for that one. Stahl: we will wait until that plays out...we will most likely want a Board Liaison. Carson: breakfast with the delegation? Stahl: I will work with Nona on that. Carson: we would want to have, David give some thought, a one-page summary of the budget situation. As an elected official...we are dealing with elected officials, to get the word out that we have made big cuts and to get the support of our delegation in looking for more revenue. Carson: I am about to sign this resolution on charter school share of mill levy override. Is that 40% of total budget or 40% of what they are getting now or complete equity? Hart: I cannot give you a simple answer. We are taking the total pot and allocating on a per pupil basis. A three-year phase in. if we were to do it on pure math, there would be some charter schools that would get less (5 first ones)...we are going to give them their pro rata share. We are rolling out 40, 30, 30...recognizing that there is a new pot of money going into the charters. Let them

come back to us on how it is to be allocated. Carson: this year \$300,000 additional and they decide. Hart: 300,000 additional to what they would have received per student. Motion made to go into executive session...Bump: excuse me John, you need to state the statute. Carson: o.k. personal matters, update on a personal matter, individual student matter, negotiations, update on matters subject to negotiations.  
**Motion made: 8:34 p.m.**

- \*Notes taken by Courtney Smith, DCF Office. If you have any questions on the content of the notes, feel free to contact me at [Courtney.smith@dcsdk12.org](mailto:Courtney.smith@dcsdk12.org) or 303-688-3381.