

Note: Those wishing to speak before the regular meeting. No additional speakers welcome to sign up for the next meeting. All comments will be limited to three minutes. All citizens

WORK SESSION AGENDA

- | | | |
|----|--|---------|
| 1. | <u>CITIZEN COMMENT</u> | 5:00 pm |
| 2. | <u>OREGON EDUCATION INVESTMENT BOARD UPDATE</u> | 5:20 pm |
| 3. | <u>BREAK</u> | 6:20 pm |
| 4. | <u>BUDGET OVERVIEW</u>
Overview of the Budget
- Revenue Sources
- Major Expense Categories
Update on 2011-2012 Budget
Budget Amendment No. 2
2012-2013 Forecast
Boiler Burner Replacement Project
Debt Financing | 6:40 pm |
| 5. | <u>REVIEW OF BOARD MEETING STRUCTURE</u> | 8:30 pm |
| 6. | <u>ADJOURN</u> | 9:00 pm |

The next Regular Meeting of the Board will be held on January 23, 2012, at 5:00 pm in the Board Auditorium 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

Title: Budget Amendment #2 to the Fiscal Year 2011/12 Adopted Budget

Department: Finance

Staff Lead: Zhai Logan, Budget Director

Initiates:

that require updating the budget to better reflect the current situation.

- On June 27, 2011 the Board, by way of Resolution No. 4474, voted to adopt an annual budget for the Fiscal Year 2011/12 as required under Local Budget Law.
- On October 24, 2011 the Board, by way of Resolution No. 4501, amended the Fiscal Year 2011/12 budget.

Each fall the Budget Department, in cooperation with schools and central departments, conducts a reconciliation process whereby the current budget is reviewed and compared to the actual activities the district is engaged in and prepares an amended budget accordingly.

In addition, as part of that process all funds are reviewed and beginning fund balances are

Related Policies/Fiscal Impact

programs and priorities and to remain in compliance with State statute. Specifically, the District is required to ensure legal appropriation of expenditures by program area as defined in the State Chart of Accounts.

General Fund

- The proposed amendment results in a net increase in the General Fund of \$1,159,540.
- Increase Beginning Fund Balance by \$3,316,038 to match the CAFR.
- Other revisions made to resources include an additional \$5,004,270 from the State School Fund resulting from increased enrollment and additional School Year Sub Account funding, and an additional \$1,150,000 in recovery of prior year expenditures made as a result of the fire at Binnsmead (of which \$620,241 was received directly into Fund 101 and \$539,747 was passed thru Fund 601).
- Contingency is unchanged at \$24,559,259.
- Reconcile budget to reflect current school and central department activities. This results in a net decrease to Instruction of \$1,284,197 and a net increase to Support

Construction Excise Tax (404)

School Modernization Fund (405)

- Increase Beginning Fund Balance \$168,360 to match the CAFR.
- Restore Fund to intended levels after technical corrections made in Amendment #1. Changes in requirements represent a 25% increase over those in Amendment #1

and as such require inclusion in a public hearing to be held by the Board prior to amending the budget, as covered by ORS 294.480 (4).

IT System Project Fund (407)

- Decrease Beginning Fund Balance by \$217,126 to match the CAFR.
- Reduce Contingency by \$269,301 and increase Support Services by \$56,555.

Full Faith and Credit Fund (420)

- Increase Beginning Fund Balance by \$1,081,532 to match the CAFR and adjust requirements to balance.

such require inclusion in a public hearing to be held by the Board prior to amending the budget, as covered by ORS 294.480 (4).

Recovery Funds (480)

Decrease Beginning Fund Balance by \$82,701 to match the CAFR and adjust requirements to balance.

Self-Insurance Fund (601)

- Increase Contingency from \$500,000 to \$2,114,740
- Recognize recovery of previous expenses related to Binnsmead fire of \$1,159,759, of which \$539,747 will be transferred to the General Fund to support operations.

Board Options

This action requests that the Board amend the FY 2011/12 budget.

The Board may choose not to amend the budget. However, the District is still required under State statute to limit spending to the amount of funds actually available. Also under State statute, the District is prohibited from incurring a negative ending position. Without these changes, the District would be at risk of ending the year with some funds in a negative position.

Staff Recommendation

...action is scheduled for discussion and deliberation to the Board Committee on January 1, 2012.

**Superintendent
Portland Public Schools**

ATTACHMENTS

- A. Resolution – Amendment No. 2 to the 2011/12 Budget for School District No. 1J, Multnomah County, Oregon

RESOLUTION No. XXXX

Amendment No. 2 to the 2011/12 Budget for School District No. 1J, Multnomah County, Oregon

RECITALS

- A. On June 27, 2011 the Board, by way of Resolution No. 4474, voted to adopt an annual budget for the Fiscal Year 2011/12 as required under Local Budget Law.
- B. Board Policy 8.10.030-AD, "Budget Reallocations – Post Budget Adoption," establishes the guidelines to ensure consistent and detailed communication on fiscal issues between the Superintendent and the Board of Education ("Board"). Communication is essential under circumstances that could result in significant reductions or reallocations of funding after the Board has adopted the budget.
- C. Oregon Local Budget Law, ORS 294.480, allows budget changes after adoption under prescribed guidelines.
- D. On October 24, 2011 the Board, by way of Resolution No. 4501, amended the Fiscal Year 2011/12 budget.
- E. This Amendment No. 2 will further revise the FY 2011/12 Adopted Budget under ORS 294.480 guidelines, which states the budget may be amended at a regular meeting of the governing body.
- F. Amendment No. 2 adjusts Beginning Fund Balances to match the FY 2010/11 actual Ending Fund Balances as reflected in the Comprehensive Annual Financial Report (CAFR) for that fiscal year.
- G. Amendment No. 2 adjusts program allocations for funds to more accurately reflect intended expenditures.

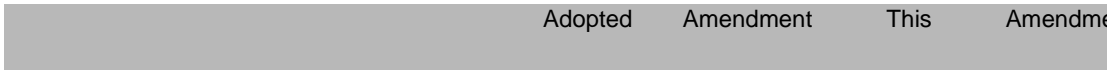
RESOLUTION

1. The Board hereby amends budgeted revenues and expenditure appropriation levels as summarized by Fund and Appropriation Level in Attachment A for the fiscal year beginning July 1, 2011.

Z. Logan / N. Sullivan

ATTACHMENT "A"

Adopted Amendment This Amendment



	Adopted Budget	Amendment #1	This Amendment	Amendment #2
--	-------------------	-----------------	-------------------	-----------------

Resources

Beginning Fund Balance	2,898,436			
------------------------	-----------	--	--	--



Fund 404 - Construction Excise Fund	Adopted Budget	Amendment #1	This Amendment	Amendment #2
Resources				
Beginning Fund Balance	3,222,972	3,222,972	1,360,825	4,583,797
Local Sources	1,004,000	1,004,000	-	1,004,000
Intermediate Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	-	-	-	-
Other Sources	-	-	-	-
Total	4,226,972	4,226,972	1,360,825	5,587,797

Requirements				
Instruction	-	-	-	-
Support Services	-	-	-	-
Enterprise & Community Services	-	-	-	-
Facilities Acquisition & Construction	3,299,625	3,299,625	-	3,299,625
Debt Service & Transfers Out	677,347	677,347	-	677,347
Contingency	250,000	250,000	1,360,825	1,610,825
Ending Fund Balance	-	-	-	-
Total	4,226,972	4,226,972	1,360,825	5,587,797

Fund 405 - School Modernization Fund	Adopted Budget	Amendment #1	This Amendment	Amendment #2
Resources				
Beginning Fund Balance	7,547,703	7,547,703	168,360	7,716,063
Local Sources	20,000	20,000	-	20,000
Intermediate Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	-	-	-	-
Other Sources	-	-	-	-
Total	7,567,703	7,567,703	168,360	7,736,063

Requirements				
Instruction	-	-	-	-
Support Services	-	-	-	-
Enterprise & Community Services	-	-	-	-
Facilities Acquisition & Construction	7,067,703	3,236,852	3,099,211	6,336,063
Debt Service & Transfers Out	-	-	-	-
Contingency	500,000	4,330,851	(2,930,851)	1,400,000
Ending Fund Balance	-	-	-	-
Total	7,567,703	7,567,703	168,360	7,736,063

Fund 480 - Recovery Fund	Adopted Budget	Amendment #1	This Amendment	Amendment #2
Resources				
Beginning Fund Balance	3,000,000	3,000,000	(803,701)	2,196,299
Local Sources	-	-	-	-
Intermediate Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	-	-	-	-
Other Sources	-	-	-	-
Total	3,000,000	3,000,000	(803,701)	2,196,299

Requirements				
Instruction	-	-	-	-
Support Services	-	-	-	-
Enterprise & Community Services	-	-	-	-
Facilities Acquisition & Construction	3,000,000	3,000,000	(803,701)	2,196,299
Debt Service & Transfers Out	-	-	-	-
Contingency	-	-	-	-
Ending Fund Balance	-	-	-	-
Total	3,000,000	3,000,000	(803,701)	2,196,299

Fund 601 - Self Insurance Fund	Adopted Budget	Amendment #1	This Amendment	Amendment #2
Resources				
Beginning Fund Balance	3,000,000	3,000,000	994,728	3,994,728
Local Sources	3,430,207	3,430,207	1,159,759	4,589,966
Intermediate Sources	-	-	-	-
State Sources	262,500	262,500	-	262,500
Federal Sources	-	-	-	-
Other Sources	-	-	-	-
Total	6,692,707	6,692,707	2,154,487	8,847,194

Requirements				
Instruction	-	-	-	-
Support Services	2,922,707	2,922,707	-	2,922,707
Enterprise & Community Services	-	-	-	-
Facilities Acquisition & Construction	-	-	-	-
Debt Service & Transfers Out	3,270,000	3,270,000	539,747	3,809,747
Contingency	500,000	500,000	1,614,740	2,114,740
Ending Fund Balance	-	-	-	-
Total	6,692,707	6,692,707	2,154,487	8,847,194

BOILER BURNER PROJECT

Board Work Session Date: January 17, 2012

District Priority: Design and Implement Capital --
Improvement Plan

Board Meeting Date: January 23, 2012 Executive Committee Lead: Eric Swaster, COO

Department: Facilities and Asset Management

Staff Lead: Tony Magliano, Director of Facilities
and Asset Management

I. ISSUE STATEMENT

Forty-seven (47) of our school sites use heavy fuel oil (PS300) or diesel for heating their boilers; converting to natural gas offers utility savings of about \$1.8 million per year.

II. BACKGROUND

A. Portland Public Schools has over 100 District facilities. 49 of these facilities are heated primarily by PS300 or diesel through oil-burning boilers.

Converting from oil to natural gas offers substantial operating cost savings.

at all 47 sites.

D. This proposed project scope includes:

1. Replacing existing fuel oil burners with new natural gas burners,

2. Replacing existing oil burners with dual fuel burners at select sites. Dual fuel burners can burn natural gas or diesel fuel. Burn natural gas at times & burn diesel fuel at times. 2 sites allow the District to

take advantage of an available interruptible rate structure where temporarily switching to diesel fuel provides a rate incentive and saves the district additional money

3. Demolishing the interior oil distribution and pre-heating system,

4. Required seismic stack modifications and/or stack liners,

5. Required asbestos abatement.

K. The assumed savings are based on a one to one conversion of each fuel type by energy.

The price of fuel oil and diesel has seen significant cost escalation in the last several years.

rates.

M. Local sourcing of BS200 is becoming more difficult and will likely drive heating costs up as

Staff has developed a preliminary project delivery plan which provides for most of the work to

III. RELATED POLICIES/BEST PRACTICES

B. The conversion of these burners aligns the District with its ongoing sustainability and energy

D. Aligns with Board policy 3.30.082-P on Environmentally Sustainable Business Practices.

E. By replacing burners in these boilers the District will reduce its carbon emission levels

Required boiler maintenance will be greatly reduced thereby providing customers with more

The time to operate and otherwise maintain these boilers

E. The costs will increase as a result of these risks

The district will increase its overall and operational risk associated with using oil burners and

VI. BOARD OPTIONS

- A. To direct staff to complete this work.
- B. To not direct staff to complete this work and continue the use of #200 fuel oil as the primary fuel source for schools that have not been previously converted to natural gas.

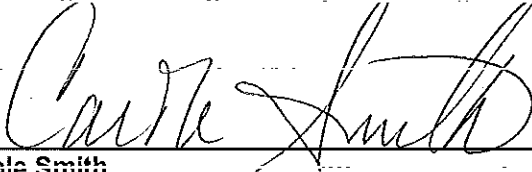
VII. STAFF RECOMMENDATION

- A. Staff recommends the Board approve converting the forty seven school sites identified in

VIII. TIMELINE FOR IMPLEMENTATION/EVALUATION

- B. Design/Engineering/Bidding – 2/1 to 3/1
- C. Design Phase – 3/1 to 5/20
- D. Contractor Bidding (3 phases) – 4/1 to 7/1
- E. Construction Phase – 5/15 to 10/15
- F. Annual utility cost savings will be reported at the end of each fiscal year to highlight and evaluate project outcomes.

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



Carole Smith
Superintendent
Portland Public Schools

January 10, 2012
Date

ATTACHMENTS

- A. Purposed Boiler Burner Conversion Sites
- B. Boiler Burner Conversion: Previous Project Fuel Cost and Energy Consumption Analysis

RESOLUTION No. xxxx

RESOLUTION

1. Based on the findings detailed in the recitals above, the Board of Education authorizes staff to:
 - a. Convert 47 district facilities from fuel oil or diesel boiler burners to natural gas boiler burners.
 - b. This action is predicated on a Board of

UNDFUND AND PENDING SCHOOLS

Mailing Address: P.O. Box 2107, Unifund, Oregon 97308-2107

Phone: (503) 246-2600 Fax: (503) 246-2700

and Staff Report

1. The Board of Education

Staff Lead: David [Name] [Title]

The aggregate financing need for these three projects is almost \$44 million. The financing we propose

reduce the costs of this borrowing.

Background

The \$44 million loan is \$27.75 million and it comes due on February 28, 2012.

February 2009 to fund immediately required capital work such as roof replacement and modular

classrooms, as well as preparation for a capital bond such as the seismic, historic and ADA assessments,

as well as building internal capacity and controls to manage a major construction program. The board

decided to fund this work with borrowed funds and the loan was initially financed by an interfund loan

from the General Fund. This was replaced with an external loan from Bank of America in January 2011.

When the new Rosa Parks School was built in 2003/4 it was funded with a number of financial sources

including the American Tax Credit. This financing is renewable and includes initial ownership of the

property by a special purpose entity, with PPS leasing the school for seven years where the school is able

to purchase the property at the end of the term. PPS has to notify the owner of our intent to purchase

Rosa Parks at a cost of \$8.8 million with payment due at the end of October 2012. Although there is a

provision for PPS to continue to lease the property (at an increased rate) the transaction was structured

upgrades to chimneys made possible by the change in fuel used. This work is estimated to cost \$5.1

will be structured to provide maximum flexibility for PPS, and to reduce the costs of this borrowing.

PPS operating cash flow over the course of the school year results in us having a substantial cash

interest rates for investments are much lower than the interest we have to pay on borrowings. If we

circumstances require

The Fund 405 loan has to be funded externally in order to maintain the ability to refinance it with non-taxable debt and repayment of the current loan would, therefore, be funded under the line. But we can fund the other two borrowing needs internally, for up to 18 months, if we have cash available, and thus

If we establish the term of the line of credit at 24 months that takes us out to February 2014, which means that a capital bond could serve as the source of repayment funding for the November 2012, or May or November 2013 all available as options for PPS and the board.

Related Policies/Fiscal Impact

As a general rule of finance, it is good practice for PPS to finance capital needs with capital funds and to preserve operating funds for educational program needs.

Fund 405 loan: There is no fiscal impact of refinancing the Fund 405 loan, assuming that the interest rate on the new line is the same as the current borrowing cost. That is a reasonable assumption based upon our conversations with prospective lenders. The debt is currently outstanding.

Rosa Parks purchase: PPS will save more than \$330,000 in the General Fund in 2012-13 compared to 2011-12 if/when we purchase the school. Currently, PPS is paying \$42,024.34 each month in lease rent to the special purpose entity that owns the property. This amount will rise to \$71,980.50 each month if PPS does not purchase the property. Exercising the option to purchase in October will save \$336,000 in 2012-13 (8 months of rent) compared to 2010-11. The actual budget impact of not buying the school is higher because of the increased rent. Using cash on hand to fund the purchase and not using the line of credit will result in interest costs in the capital fund of approximately \$20,000 in 2012-13.

Lower burner project: As detailed in the Staff Report from the Chief Operating Officer, the lower burner

project will save \$1.8 million in fuel costs at current prices. This estimate does not include any efficiencies from the switch (i.e. it assumes the same volume of energy use, but we save money because

the work in the immediate future. We estimate that for fiscal 2012-13 about 16.5% of the general fund revenue is needed to pay the principal and interest on the debt. The timing for the work as a whole...

three capital projects.

However, the decision to fund the capital work through Fund 405 is to have the means to do that. A decision to purchase the school was made by the board of education in 2011. There was a community process that was initiated with the May 2014 meeting, which included all of these projects.

bond.

The alternative is to start repaying this debt. This would be challenging to accomplish in a sustainable way without impact on the general fund.

Rosa Parks School: In theory the board has the option to not buy the school. That is not a realistic choice. The option to buy is one-time and so must take place in 2012. PPS does have sufficient funds to just pay for the school but that would require depletion of general fund reserves and staff is not recommending that course of action.

The line of credit is the best option because it allows for financing the purchase option through a capital fund. The line of credit is the best option because it allows for financing the purchase option through a capital fund. The line of credit is the best option because it allows for financing the purchase option through a capital fund.

The alternative is to start repaying the debt. This would be possible but would require substantial use (app. annually \$1 million per year for 10 years) of capital funds from the Consolidated Fund Tax, for example. This would significantly reduce funds available for the Capital Asset Renewal Program.

...to accomplish the work unless the debt is paid to debt to the general fund reserves.

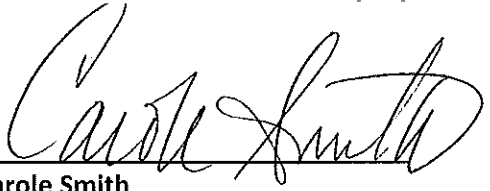
The real choice is whether to finance this as a capital project or to finance it within the general fund.

work within 6 years.

Our recommendation is to finance this as a capital project and use the capital fund line of credit to pay for the work. This maintains the integrity of funding capital projects with capital dollars and allows PPS to realize savings of more than \$1 million in the general fund in 2012-13. The disadvantage is that this

this recommendation, staff will bring an authorizing resolution for approval through a board resolution

have reviewed this plan, approved and concur with the recommendation to the board.



Carole Smith
Superintendent
Portland Public Schools

January 10, 2012
Date

ATTACHMENTS

None