HILLSBORO SCHOOL DISTRICT 1J BUDGET COMMITTEE—MINUTES
June 10, 2014
District Administration Center, 3083 NE 49th Place, Hillsboro, Oregon

Budget Committee Present:
Wayne Clift, Chair
Monte Akers
Chris Barry
Adriana Cañas
Nina Carlson
Cathy Clark Thomas
Tim Farrell
Rebecca Lantz
Glenn Miller
Jennifer Rychlik
Erik Seligman
Janeen Sollman
Kim Strelchun

Staff Present:
Mike Scott, Superintendent
Debbie Ashley, Assistant Superintendent, Human Resources
Steve Larson, Assistant Superintendent, School Performance
Adam Stewart, Chief Financial Officer
Matt Smith, Executive Director, Secondary Education
Dayle Spitzer, Executive Director, Elementary Education
Beth Graser, Director, Communications
Casey Waletich, Director, Safety and Operations
Don Wolff, Director, Technology Services
Michelle Morrison, Manager of Business Services
Enedelia Schofield, Principal, Butternut Creek Elementary School
Laurie Boyd, Assistant to the Superintendent
Val Bokma, Assistant to the Board
Zaida Rosa, Bilingual Interpreter and Translator

Others Present:
Jill Golay
Carissa Martus
Devin Hunter, HCU
Eric Weyrauch, HCU
Maureen Barnhart, HEA
Andrea Castillo, The Oregonian

Budget Committee Chair Wayne Clift called the Budget Committee meeting to order at 6:17 p.m. Angie Ellis was unable to attend the meeting.

Budget Committee Chair Clift called for a motion to approve the agenda. Janeen Sollman MOVED, SECONDED by Kim Strelchun to approve the agenda as printed. The MOTION CARRIED by a vote of 13-0.

Chief Financial Officer Adam Stewart provided the following information:

- An opportunity has arisen for the District to pay off a portion of its 2006 bonds, which would result in a total savings of more than nine million dollars in interest.
- The bond refinancing would change the 2015 debt service levy, which requires Budget Committee approval.
- The revised proposed budget is very similar to the version approved by the Budget Committee on May 8, with revised debt service information and the addition of information regarding bond refunding options.
- Waiting until next fall to refinance would result in decreased savings and a temporary dip in the debt service rate, which could be confusing to taxpayers.
- Finalized details will not be available until closing, which is expected to occur during the second week in August.

Budget Committee members asked how refinancing prepares the District for future bond issues for new schools that will need to be built. Chief Financial Officer Stewart explained that refunding would result in a decrease in the levy rates in 2019, which could create an opportunity for a new bond to generate funds for building new schools, renovating current schools, and/or purchasing land.

Following the committee discussion, Budget Committee Chair Clift invited public comment. There were three requests to address the Budget Committee.

Quatama Elementary School teacher Carisa Martus shared information with the Board regarding Quatama's adaptive music class for fourth through sixth grade life skills students, which she has taught for the past two years. She described the benefits that the class offers to students and the success the students have experienced, and she explained that it appears that the class will be cut next year because of staffing limitations. She discussed workload issues, and requested that time be budgeted by the District for music teachers/programs for special education. Ms. Martus added that music specialists at Patterson and Orenco Elementary Schools are facing similar staffing and scheduling challenges, and that they would all like to work with the District to find creative solutions to funding limitations in order to better serve the District's special education students through music.

Assistant Superintendent of Human Resources Debbie Ashley provided information regarding the staffing formula. Superintendent Scott explained that the formula has evolved over time and is going to be reviewed. He added that there was no deliberate decision to exclude special education music classes from the formula, and that the District values the music program and will be glad to work with Ms. Martus.

HCU President Eric Weyrauch spoke on behalf of classified staff, requesting that additional funds be budgeted for classified hours. He stated that setting funds aside for savings is not an investment in current students, and he explained that classified staff members do not have adequate time to set up kitchens, health rooms, and libraries before students arrive at the beginning of the school year. He added that libraries also need additional time at the end of the year for processing textbooks. Mr. Weyrauch said that HCU and Human Resources have worked together to develop some creative solutions for these problems, but there is a limit to what can be accomplished without additional funding.

Budget Committee members asked questions about the amount of additional funding that might be needed for this purpose, and the guidelines that principals are given regarding the use of funds allocated for additional classified hours. Superintendent Scott and Assistant Superintendent Ashley explained that principals have discretion in using these funds, within general parameters, based on their schools' needs, and their options include extending the work year for librarians, providing opportunities for collaboration and staff meetings, etc. It was also confirmed that schools' operating funds can be used to pay for additional hours for classified staff, in addition to other building and operating needs.

Budget Committee members discussed the importance of maintaining reserves to address future needs, the extent of the budget reductions that have occurred throughout the District over the past several years, and the inadequacy of current funding to restore what has been lost.

HEA President Maureen Barnhart also requested that additional reserves be released, stating that $200,000 in additional classified hours will not be adequate for the collaboration that is needed between licensed and classified staff, especially with the push-in of special education students and English language learners. On behalf of licensed staff, she spoke in support of the areas discussed by Ms. Martus and Mr. Weyrauch.

Superintendent Scott read the following Budget Message into the record.

> *In 2006, the District sold $169 million in two series of bonds to construct new schools, remodel existing facilities, and acquire land for future facilities. These bonds are due to be paid off in June 2026. The District now has an opportunity to refund (like refinancing a mortgage) these bonds at*

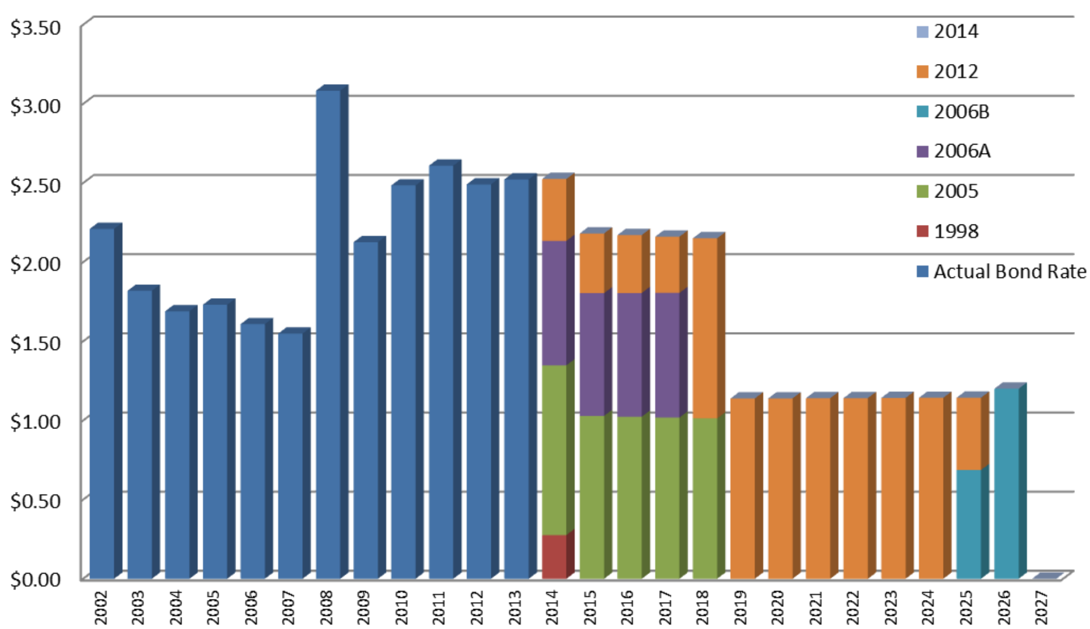
*a significant savings to taxpayers. The series 2006B bond issue, the 2025 and 2026 portions of the outstanding debt, was structured as "callable deferred interest bonds," so they may be prepaid prior to their maturity dates.*

*The idea would be to refinance these 2025 and 2026 maturities and shorten the repayment period to pay the debt off over the 2015, 2016, 2017, and 2018 fiscal years. The impact will be to increase the District's bond levy rate per $1,000 of Assessed Value (AV) by approximately $0.38 in 2015, and $0.39 in 2016, 2017, and 2018. The result will be that the total bond levy rate will remain at the current 2014 level of approximately $2.45/$1,000 of AV. In return, the District will lower its debt service levy by $0.63 in 2025 and by $1.10 in 2026.*

*In 2012, the District issued refunding bonds with a level annual savings over the same repayment period. In contrast, the proposed refunding bonds would restructure the existing debt by shortening the final maturity (similar to going from a 30-year mortgage to a 15-year mortgage).*

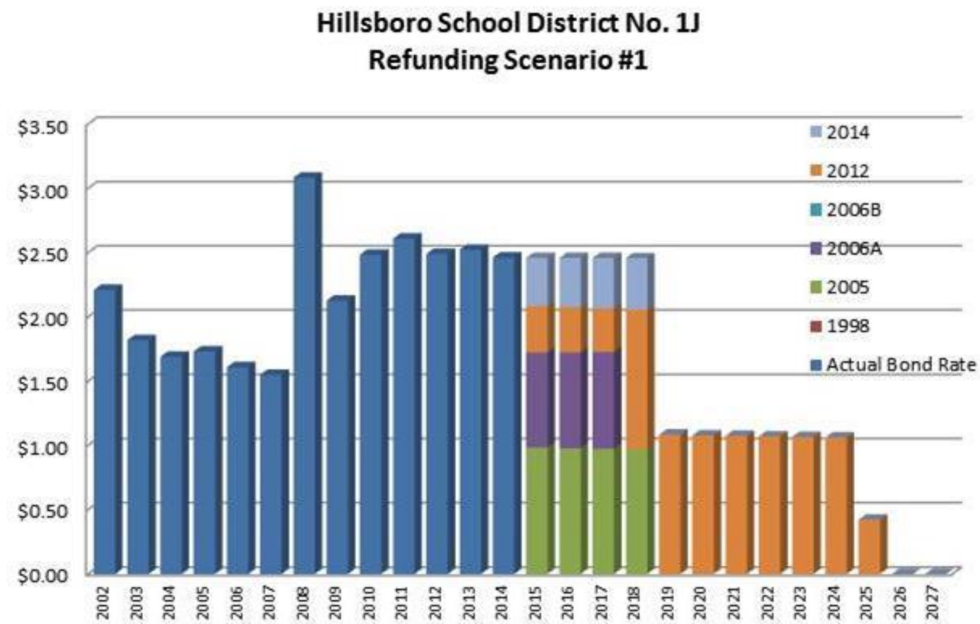
*A graphic representation for projected levy rates after the restructuring is attached. In order to be able to advance refund outstanding debt, the District must show at least a 3 percent Net Present Value (NPV) savings; in this case, the NPV savings are currently estimated to be 34 percent, or approximately $6.5 million. (These figures are subject to change with normal market movement.)*

**Hillsboro School District No. 1J**
**Outstanding GO Bonds-Actual & Projected Levy Rates**




- The Refunding opportunity is a result of the 2006B bonds, which are Deferred Interest Callable Bonds

*Another feature of this potential refunding is that it results in the District's current debt service levy of approximately $2.45/$1,000 staying level through fiscal year 2018. In fiscal year 2019, levy rates are projected to drop to approximately $1.07/$1,000, which could be an opportunity for a new bond issue for construction of new schools in South Hillsboro, and upgrades to existing facilities without increasing our taxpayers' rate/$1,000.*




| Current Debt Service | | | | |
|---|---|---|---|---|
| | | Principal | Interest | Total |
| | 2024-25 | $4,443,616 | $5,821,384 | $10,265,000 |
| | 2025-26 | $7,598,096 | $10,801,904 | $18,400,000 |
| | | $12,041,712 | $16,623,288 | $28,665,000 |
| Refund All of 2025 and 2026 Deferred Interest Bonds | | | | |
| | | Principal | Interest | Total |
| | 2014-15 | $4,090,000 | $425,425 | $4,515,425 |
| | 2015-16 | $4,370,000 | $382,300 | $4,752,300 |
| | 2016-17 | $4,715,000 | $294,900 | $5,009,900 |
| | 2017-18 | $5,115,000 | $153,450 | $5,268,450 |
| | | $18,290,000 | $1,256,075 | $19,546,075 |
| | Total Savings = | | | $9,118,925 |
| | Net Present Value (NPV) Savings = | | | $6,567,414 |

- Because the 2014-15 budget has already been approved by the Budget Committee and because Refunding Scenario #1 will result in a higher Debt Service Levy for 2015, we will need to reconvene the Budget Committee and have them reapprove the budget to include the additional Debt Service Levy (June 10th).
- This in turn will mean we will have to reschedule the Budget Hearing originally scheduled for June 10th. This will require an additional June meeting for the board to hold the Budget Hearing (June 24th).
- The tax rate in 2025 is estimated to be $0.42/$1,000.

Following the reading of the budget message, Budget Committee Chair Clift called for a motion to approve the proposed budget. Glenn Miller MOVED, SECONDED by Janeen Sollman, that the Hillsboro School District 1J budget for 2014-15 in the aggregate amount of $269,001,519 (total of all funds) be approved as proposed, and that the permanent tax rate of $4.9749 per $1,000 of assessed value be assessed in support of the General Fund. This permanent rate is expected to raise $56,647,450. He further moved that tax levies totaling $30,737,871 be approved for the debt service fund for the purpose of the retirement of bonded debt owed by the District. The MOTION CARRIED (13-0).

Chief Financial Officer Stewart explained that next steps include the June 24 budget hearing and adoption of the budget by the Board, and submission of the budget information to the assessor prior to July 15. He thanked the Budget Committee members for their willingness to reconvene.

The Budget Committee meeting was adjourned at 6:54 p.m.

Kevin Stine Valerie J Bokma

Approved July 29, 2014