

INDEPENDENT SCHOOL DISTRICT NO. 625
Saint Paul, Minnesota
MINUTES OF THE SPECIAL MEETING OF THE BOARD OF EDUCATION
September 24, 2013

I. CALL TO ORDER

The meeting was called to order at 7:07 p.m.

II. ROLL CALL

PRESENT: Ms. Doran, Ms. Seeba, Mr. Hardy, Ms. O'Connell, Mr. Brodrick, Ms. Street-Stewart, Superintendent Silva, Mr. Lalla, General Counsel, Ms. Polsfuss, Assistant Clerk

ABSENT: Ms. Carroll

III. APPROVAL OF THE ORDER OF THE AGENDA

MOTION: Ms. Doran moved approval of the Order of the Agenda for the September 24, 2013 Special Board of Education meeting. The motion was seconded by Mr. Hardy.

The motion was approved with the following roll call vote:

Ms. Carroll	Absent
Ms. Doran	Yes
Ms. Seeba	Yes
Mr. Hardy	Yes
Ms. O'Connell	Yes
Mr. Brodrick	Yes
Ms. Street-Stewart	Yes

IV. NEW BUSINESS

A. Report on Pay 14 Levy Status

The controller began the meeting by highlighting the recommendation that the Board adopt a ceiling for the Pay 14 levy maximum allowed by the State not to exceed 1% over the Pay 13 levy.

The Chief Budget Analyst stated the planning assumptions (staff estimates) are that all figures in the report are based on Administration's best estimates, using the statutory authorized amounts and latest Minnesota Department of Education (MDE) runs. MDE continues to adjust the SPPS numbers.

The levy process began with MDE providing its first calculation of the district levy on September 9 and MDE continues to updates its calculations. The Board must set its maximum levy ceiling by September 30 at which point the final levy may not go up, only down. The City, County and SPPS will meet at the JPTAC meeting on September 30 to adopt the joint levy. A public hearing has been scheduled for SPPS on December 3 at 6:00 p.m. The final Pay 14 levy will be approved at the December 17 Board meeting.

Factors that have helped to reduce the levy are:

- The K-12 and Tax Bills included more equalization for the first tier referendum and the portion of the Location Equity Index (LEI). This shifted more aid to the State away from the levy.
- Fiscal disparities distributions increased

- Federal credits on qualified bonds helped reduce debt service costs.

Factors that increase the levy are:

- Introduction of “Pay Go” financing for alternative facilities (deferred maintenance) which would move the District from financing (bond sales) to paying cash (general fund).
- Re-establishment of a new General Education Levy (student achievement levy)
- Other Post Employment Benefits (OPEB)
- Pension contributions (required by law)
- The Safe Schools levy

Deferred Maintenance Funding (alternative facilities) allows the District to (1) continue to sell bonds to finance these costs or (2) move to “pay as you go” under the Alternative Facilities Program. Should SPPS move to the “pay go” option taxpayers will see some savings through reductions to legal and issuance costs and arbitrage costs related to selling bonds (an estimated savings over 10 years of \$0.5 million). Savings would also come from interest payments over the life of the bonds (the 10-year estimate is \$18.0 million). Pay Go would reduce the District's debt amount in future years, which would result in the reducing debt service levy for alternative facilities in future years.

Impacts from the 2013 Legislative Referendum action included:

- The 2013 State Legislature made changes to the referendum levy system calculations
- Under the old calculations, the referendum was \$43.5 million, under the new calculations the referendum remains at \$43.5 million.
- The bottom line for SPPS is no change in the total referendum amount but the changes will provide some tax relief.
- The referendum and Local Equity Index (LEI) remain based on market value (all properties are taxed at the same rate utilizing market value).

The new referendum calculation shows the following changes:

- The old law included charter and open enrollment pupils \$835/pupil
- The new law excludes charters and open enrollment and reflects changes in weights \$967/pupil
- Location Equity Revenue (LER) is then subtracted from the amount. \$424/pupil
- Estimated new referendum \$543/pupil
- (Referendum + LEI) x pupil unit = \$43.5 million for SPPS

Staff noted the calculations do not include the transition of \$300 from voter approved to Board approved levy. This does not affect equalization and has no impact on taxpayers.

The proposed Pay 14 Levy Ceiling shows:

	Certified <u>Pay 13</u>	Proposed Ceiling <u>Pay 14 Levy</u>	<u>Difference</u>
General Fund Levy	\$86,417,736	\$91,283,192	\$4,865,456
Community Ed Levy	3,449,244	3,446,145	(3,099)
Debt Service Levy	<u>43,852,360</u>	<u>40,327,196</u>	<u>(3,525,164)</u>
Total All Levies	\$133,719,340	\$135,056,533	\$1,337,193
Percent Change over certified Pay 13 Levy			1.0%

Staff then presented a chart of estimated property tax impact assuming the 1% ceiling. Calculations assume no increase in market value. The median home with an estimated market value of \$130,500 would receive a \$28.95 decrease in property tax bill. The estimated figures were calculated by Ramsey County and do not include commercial or rental properties. The net levy impact for schools (including all calculations) will appear on the TNT notice.

QUESTIONS/DISCUSSION:

- What date is the new referendum calculation based on for student count? Response: It is based on projected enrollment for FY 13 as of October 1.
- Are there savings for commercial property? Response: That will depend on the value of certain properties and the type of the property. These numbers will be available for the September 30 JPTAC meeting and will be provided to Board members.
- Does that include multiunit rental properties? Response: Large units appear to have held their value, small units are somewhat behind, so it depends what happens when property values are applied.
- Staff was asked to include a slide on rental properties for the December public hearing.
- When looking at property tax impacts, is fiscal disparity already calculated into this? Response: Yes
- What would it look like if this went to zero? Do you have those numbers now? Response: Staff will provide those to the Board.
- Is there usually a firmer maximum number from MDE when we take this action? Response: Yes, though last year had the referendum so figures changed when that was passed. This year has been very challenging with all the legislative changes, etc.
- In the past the Board has set this figure expecting to lower it in December, is that correct? Response: The Board can reduce the number if it so chooses.
- At this point in time you have arrived at 1%, why not 5% or why not zero? Response: This figure provides the opportunity for SPPS to change the way it address alternative facility funding and provides the chance to move away from issuing bonds and the various costs associated with those. That is the direction district wants to take. The timing is right now to move to alternative financing as the 1% increase will have the least impact on tax payers and it is best for the district with the additional benefit of having a positive impact on district financial ratings
- Staff was asked to provide talking points for Board members particularly on the reason for the 1% increase.
- What amount of the \$11 million deferred maintenance would be put into administration's recommendation? Response: \$9.2 million.
- So if \$1.3 million is added to the levy there will be no \$9.2 million bond issue down the line? Response: Yes.
- With the new referendum calculation how much of the increase is from the State? Response: It would be a \$7.1 to \$7.5 million increase in state aid.
- So of the \$43.5 million levied about \$7.5 million will be paid by the state? Response: Yes.
- The City and County are bringing a zero levy increase proposal to JPTAC. Please provide talking points on why they come in at zero and why SPPS is coming in at 1%. Response: The reason is the tax bill provided big increases in city and county aid.
- Request – For the December public hearing, please present a slide showing how the levy benefits students (facilities and/or academics).

B. Action to Approve Maximum Ceiling for Pay 14 Levy

MOTION: Mr. Hardy moved the Board of Education adopt a ceiling for the Pay 14 levy maximum allowed by the State not to exceed 1% over the Pay 13 levy. Ms. Seeba seconded the motion.

The motion was approved with the following roll call vote:

Ms. Doran	Yes
Ms. Seeba	Yes
Mr. Hardy	Yes
Ms. O'Connell	Yes
Mr. Brodrick	Yes
Ms. Street-Stewart	Yes

One additional request was made that OPEB be put on a COB agenda for discussion on its financial position and how investment is planned.

V. ADJOURNMENT

MOTION: Mr. Brodrick moved the meeting adjourn; seconded by Ms. Seeba.

The motion was approved with the following roll call vote:

Ms. Doran	Yes
Ms. Seeba	Yes
Mr. Hardy	Yes
Ms. O'Connell	Yes
Mr. Brodrick	Yes
Ms. Street-Stewart	Yes

The meeting adjourned at 7:37 p.m.

For clarity and to facilitate research, these minutes reflect the order of the original Agenda and not necessarily the time during the meeting the items were discussed.

Prepared and submitted by
Marilyn Polsfuss
Assistant Clerk, St. Paul Public Schools Board of Education