



SANTA MARIA INDEPENDENT SCHOOL DISTRICT

**Special Meeting of the Board of Trustees
Thursday, December 17, 2015
5:30 p.m.**

MINUTES

Notice is hereby given that a scheduled Regular Meeting of the Board of Trustees of Santa Maria Independent School District will be held on Thursday, December 17, 2015 at 5:30 p.m. at the Santa Maria ISD Cafeteria, 11119 Military Hwy Santa Maria, Texas 78592. The Santa Maria Independent School District offers reasonable accommodations for persons accessing its school facilities, as required by the Americans with Disabilities Act (ADA). If you require special accommodations, please contact Dalia Rodriguez, Administrative Assistant to the Superintendent of Schools at (956) 565-6308 for assistance.

CALL TO ORDER

The Board President called Regular Board Meeting to order at 5:44 p.m.

ESTABLISH QUORUM

Present:

Belinda Lugo, President
Rambaldo "Ram" Rivera, Jr., Vice-President
Miguel Zavala, Secretary
Noe Aleman, Member (arrived at 5:45 p.m.)
Consuelo De la Rosa, Member
Adolfo Hinojosa, Member
Oralia "Lala" Ortiz, Member

Present from the District:

Maria J. Chavez, Superintendent of Schools
Enrique Cuellar, Business Manager
Alyssa L. Romero, The Law Offices of Guerra & Farah, PLLC
Dalia Rodriguez, Administrative Assistant to the Superintendent of Schools

PLEDGE OF ALLEGIANCE

OPEN FORUM

Recommend approving the agenda of the Regular Board meeting of December 17, 2015 with any modifications or deletions.

SUPERINTENDENT'S REPORT



1. Financial Advisor on IFA Bonds Options and Timelines, Dr. Miguel De los Santos, Estrada-Hinojosa Investment Bankers

Dr. De los Santos stated I prepared a few points for discussion so that we can talk about where you are and where you might be able to go. I would also like to go over the presentation from the other night. It was important for the community to hear that you may be considering borrowing some money for your facilities. One of the items that I want to present to you is largest number that we have done so far is \$8,515,000 and I will talk about that in a few minutes. The kinds of things as we go through my presentation and some discussion that you need to consider if the board is considering going out for bond election. The kinds of things you need to be looking at is to have another meeting in January because all of the numbers that we have ran for you are for 20 years and they come up with a certain tax rate and today they were going to run my 30 years and their server was down in Dallas so they weren't able to do any work because the whole company shuts down when the server goes out. Adding 10 years to the 20 years so going out for 30 might lower some of the tax rates and give you some different options so we do that in the next week or so and let the holidays go by and if you want to call a board meeting as soon as you come back into school or another workshop and we can present some different numbers. When I say other amounts and amortizations, amortizations is the length of time 20 years versus 30 years. Other amounts if in fact the tax rate comes down and I don't know because we haven't done the analysis but it could be that you might be able to borrow a little bit more if you choose to do so but that remains to be seen. We will also see what kind of a tax rate impact will those numbers have but that's forth coming. One of the other things to consider as I go into the \$8.5 million dollars is that the legislature will meet again in January of 2017. What they do is they establish programs for the following year and it could be that they may look at another IFA program. IFA is the better of the two years because in EDA any time that you make a deal you have to pay dollar for dollar for two years for two years before the state begins to help you. You will also see a major increase in the tax rate for going to EDA. At some point in time before February 23rd if you choose to do a bond election in May you would have to make a decision on the size of the issue and understand the tax rate impact that it would have on your community and as a board that knows your community, decide what is acceptable to this community. What is too high, what won't pass and what will pass. So those are discussions that you all need to have as a board among yourselves. So the timeline would be to meet before February 23rd and I would suggest early January in order to be able to call the bond election rather early January for a workshop but later to meet before the 23rd of February if you choose to call an election, not to wait till the 23rd but call the election a little bit before then. The election is called for May the 9th which is a standard date. Also if you wish at this time or at the next meeting to discuss communication strategies as to how are you going to get the word out to the community, what kind of a power point do we develop that gets very clearly out exactly what is that you're going to do, how you're going to spend the money and how much the tax rate is going to go up. The tax rate goes up a few pennies so what does that mean to the homeowner. That chart that I had given you, I will expand it with the \$8 million and other numbers that we are going to add. Then, what are the strategies to make sure that as many people vote as possible. I'm not saying that we tell them how to vote but get the people to vote but get the people to the poles. You're attorney can guide you better than I can on the do's and don'ts of the paid officials. She can't go out there asking people to vote for while she is getting paid. She can't advocate one way or the other. Board members can because you're not paid, your representatives of the community and you can either support it or not support it. The only thing the superintendent and your business manager can do as well as other staff members is present facts. This is how much this is going to be for and this is what we are going to build. This is how much it's going to cost you in taxes and so on. Ten the people will decide whether they want to go for it or not. One thing that I say when you're dealing with bonds; a lot of boards are leery in thinking people are going to be upset because of the tax increase. Board members need to understand that you're not increasing the taxes. All you're saying is community we feel like there's a need and were putting it out in your hands and it's up to you to either authorize us to borrow money or not. If you authorize us to borrow money then we have your blessing. It is you that is authorizing us to raise the taxes in order to be able to pay for the money that we are going to borrow. So a lot of people will look at it as the board raised the taxes and really it's



the vote of the people that raises the taxes or not, because conceivably they can come back and say no we don't want to authorize you to do that. So the boards job is simply you identified a need present it to the community and say here it is you guys decide yes or no.

Mr. Zavala asked if there's a percentage to pass.

Dr. De los Santos replied no its one vote. There is not a percentage. If you go back to the original presentation; this is going to come up in a minute. On page three is says to qualify for IFA in 2016 -2017 or EDA in 2018-2019 in other words whatever qualifies for IFA you will get immediate assistance beginning in September of 2016. Whatever qualifies for EDA you will get assistance from the state beginning in 2018-2019. So 2016-2017 and 2017-2018, you are not being assisted by the state. If you choose EDA you are paying dollar for dollar for those two years. The other item is the bond election date I gave you the maximum for IFA is 2.645 however you notice that on next page the last number that I had given you was \$5,015,000. If you go to the next page, this is \$8,515,000 for 20 years. I show you this so that you can understand that the state is going to help you or not help you and how much it's going to cost you and so on but if we look at the last three columns they show you where the money is coming from. The first one is the year and remember when we're talking about a funding year, the second year is what you see there like when I have 2016 it's 2015-2016 if you have 2017, were talking about 2016-2017 year and 2018 of course is 2017-2018 and so on. So if you look at the fourth column where it says IFA EDA \$5,015,000. That's what it costs or the amount of money that you're going to need and that's going to come from the state and the local taxes. When you look at the column that has two zeros, it says \$3.5 million; those two zeros are the two years that the state isn't going to give you any money for borrowing those \$3.5 million dollars. The next year they are going to give you \$219,000 as their share of your payment for those dollars. Those zeros hurt a lot in terms of tax rate so let see how much they hurt. If you look at the INS tax rate, right now you have a tax rate of 13 cents. Our calculations show that if you pass the bond in order to pay four of five thousand dollars that are owed that would have to be paid before the end of August, in order to qualify the bonds for EDA, it should have been 14.09 cents but that's ok. I want you to think from the 13 cent point. The following year because the state isn't helping you, your taxes would increase by 30 cents. 5.89 of those cents are for the \$5 million that I talked about earlier and the rest because you have to pay dollar for dollar, it's such a large amount and it's a scary amount for two years. Then if you notice the third year once the state kicks in, that 30 cents drops to 14 almost 15 cents. So you carry the loan for two years by yourselves and then the state kicks in and all of a sudden your tax rate is half of what it was two years before. The difficult sell with communities in my experience is with the two years. When people see that number it's like wow that's a lot.

Mr. Zavala asked how you would explain to the people.

Dr. De los Santos replied you have to be real upfront. So as we begin to explore alternatives for sure on IFA you're going to be able to get \$5,015,000 for about 6 cents but remember it's not really 6 cents it's like 10 cents because remember if you don't do anything your tax rate goes down by about 4 cents. The major decision is for you because you're a board elected by the people in its political position because you ran for office. The biggest challenge for you is to understand what your community is willing to handle and live comfortably with so you all don't become issues on the next election because of what happened and what can pass. We all saw what happened in McAllen ISD. McAllen ISD is supposed to be the flag ship of all the school districts down here but they went out for \$400 million dollars last year. As soon as people saw \$400 million dollars, the opposition from the business community said that was too much money. They themselves decided that that was not something they wanted to absorb.

Mr. Zavala stated I think that as long as there's progress going on like construction and people see it then they might say I don't care if it goes up 5 cents or 10 cents because something is being done. When you don't do anything then yes they might think why are you taxing us if you're not doing anything.

Dr. De los Santos stated the project that you have been discussing here for a while is something that people begin to see and people begin to get excited about.

Mr. Aleman stated we need to be positive and be out there feeding the community. We need to be upfront because it's for our own kids.



Dr. De los Santos stated the other thing is the part of the sell is look this is not for Maria Chavez, Miguel Zavala or Dr. De los Santos. This is for children for the next 30 or 4 years. The reason that bonds this the way to borrow is because the community votes and when they vote, they are authorizing the board to borrow money and I'm also committing myself to pay the taxes to pay the loan. When a community does that and you get a loan for 20 or 30 years then the people that are paying for the loan are the users. Those are the people that are sending the kids to school which are mostly the home owners and if they are not home owners and are renting they still pay because land lord will add the taxes to the rent. The users pay in the long run and a lot of school districts will save money and build buildings and pay as you go and the people that are moving here in the future are really not the payer because they are moving into something that is already made. So those are somethings that as you approach people you say this is for the long run it's for the kids and some are not even born yet and they will come to this school. I think you understand the concept of EDA. We got real spoiled in the public schools in Texas because from 1997 till 5 years ago every legislative session the legislature would pass IFA which means they pass IFA we submit an application June 15 they advise you that you have been funded July 15 you sell your bonds in August and you get your money in September and you send your payment on February the following year and 16% of it is yours and 84% is the States money that goes in for the payment. The way that EDA came about was in 1997 when the legislature passed IFA they said they would help poor school districts pass bonds. This district passed a couple of bonds under IFA in the past which I helped with in a couple of bonds. The districts that have passed bonds before without state help; they came out and said what about us. We pass bonds and were paying 100% and these guys are paying 15%. So in 1999 the legislature went back and passed EDA. They said with EDA we are going to help school districts that already had existing debt. So those districts got helped and then EDA stayed in the books so districts that wanted to borrow more than they were able to borrow through IFA could borrow more but for two years, they had to make it old debt. They would have to pay on it for two years then we will take it over which is the way it is right now. That's what EDA is and that's why EDA gives you zero or two goose eggs for two years before they help you. Now some of the things that I think that you might want to consider as a board or as administration and I don't know how big the project can be phased or not phased is try to get a feel politically from our legislators. From Martin Pena who has represented us is at the legislature all the time trying to figure out what's going on. It keeps us posted but like if there was any chance of the legislature authorizing IFA again in January 2017, a consideration would be \$5 million dollars to take us to a certain point and then January 2017 the following July we do the other \$3.5 million dollars and we will never have to go up 30 cents. The most we would have to go up is 15 or 16 cents. That's an option but you don't know if the legislature is going to authorize IFA. The other thing is and I don't have the items to discuss with you is we would like to see what 10 more years does to the loan. It is very difficult for small and poor school districts to borrow for 30 years. The lenders are kind of queasy about lending for such a long term. We are going to run some numbers anyway and look for some people that might be interested. And then safety, it will bring your tax rate down from the 30 cents I was talking about. We might be able to do it with 25 or 20 whatever the amount might be. Ms. Chavez had told me that the project you all had been looking at is a high school and I think the last number that they gave you was like \$8.7 or \$8.6 and I think that's why we hit \$8.5. I had told them to go to the max and bring me up to \$8.7 so he brought me to \$8.5 million. Does anyone have any questions?

Mr. Zavala asked the 30 cents that you're talking about will go up to a dollar or what does that mean. It would go up. Your taxes right now are \$1.17 on the MNO site, remember the MNO is operations and you have 13 cents on the INS site. The only thing we are dealing with here is the INS. INS means that you can't do anything with that except pay your debt or your bonds. So there's no increase on the MNO but there is an increase in the INS and if you increase on the INS and let me give you an example. If you go to page 5, it will give you an idea. If you look at the last section where it says \$5,015,000 and the tax increase is \$05.89. Let's just say its 6 cents and look at what that 6 cents does in increases to properties. Let's look at the middle \$60,000. Let's say that's a \$85,000 home we take off the \$25,000 exemption and we go all the way across the board and we say that for a \$85,000 home for a 6 cent increase their yearly increase in taxes is \$35 dollars. Now that's 6 cents and I said that it would go up 30 cents so that would be 5 times



that much because 5 times 6 is 30. So we could say that \$60,000 home would be 35 times 5 yearly that \$85,000 home would go up \$175 dollars and that's just of the top of my head.

ACTION AGENDA

Finance

2. Discussion and possible action to approve Agreement by and between GDF SUEZ Energy Resources NA, INC and Santa Maria Independent School District

EXECUTIVE SESSION

Discussion under the authority of Section 551, Texas Government Code: If, during the course of the meeting covered by this Notice, the Board should determine that a closed session of the Board should be held or is required in relation to any item included in this Notice, then such closed session as authorized by Section 551.001 *ET. Seq.* of the Texas Government Code (the Open Government Act) will be held by the Board after the commencement in open session of the meeting covered by this Notice. Such closed session may concern any or all of the subjects and be conducted for any and all purposes permitted by Section 551.071 through and including Section 551.084 of the Texas Open Meetings Act, including, but not limited to, private consultation with the Board's attorney on any or all subjects or matters authorized by law.

- A. Section 551.071—Consultation with Attorney on Any Permitted Subject Including, But Not Limited to:
 - 1) Discussion with School Attorney on Item(s) Exempted under Attorney-Client Privilege
- B. Section 551.072—Deliberation Regarding Real Property
- C. Section 551.073—Deliberation Regarding Prospective Gift
- D. Section 551.074—Personnel Matters, pursuant to Section 551.074 of the Texas Government Code and Attorney consultation pursuant to Section 551.071 of the Texas Government Code
 - 1) Discuss all items as appropriate on Superintendent's personnel recommendations
- E. Section 551.076 – Deliberations on Security Devices or Security Audits
- F. Section 551.082—School Children; School District Employees; Disciplinary Matters or Complaint
- G. Section 551.0821—Personally Identifiable Information about Public School Student

RECONVENE IN OPEN SESSION

Board President asked for a motion to reconvene in open session.

Motion made by Consuelo De la Rosa, second by Miguel Zavala. Motion passed unanimously.

Board President announced it is 7:54 p.m. we are now in open session.

1. Discussion and possible action on items discussed in Executive Session



- a) Discussion and possible action on recommendations on all items as appropriate on Superintendent's recommendations

Motion made by Rambaldo "Ram" Rivera, second by Miguel Zavala. Motion passed unanimously.

ADJOURNMENT

Board President asked for a motion to adjourn the meeting.

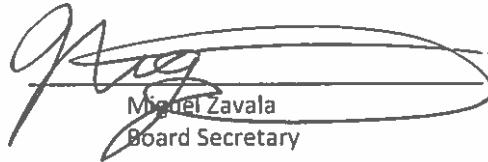
Motion made by Consuelo De la Rosa, second by Rambaldo "Ram" Rivera. Motion passed unanimously.

Board President announced it is 7:55 p.m. the meeting is now adjourned.

This notice was posted in compliance with the Texas Open Meetings Act on Friday, December 11, 2015 at 6:00 p.m.



Belinda Lugo
Board President



Miguel Zavala
Board Secretary

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This notice has been publicly posted at the administrative offices of the Santa Maria Independent School District, 11119 Military Rd., Cameron County, Santa Maria, Texas, at least seventy-two (72) hours in advance of the above mentioned meeting, as required by the following sections of the Texas Government Code: 551.071 through 551.084. During the regular school year, this notice is also posted in all schools in the District. The school district also posts its board meeting agendas on the District's internet web site (www.smisd.net)

Consent Agenda: All matters listed under the Consent Agenda are considered to be routine by the Board of Trustees and will be enacted by one motion. There will be no separate discussion of these items. If discussion is desired on a specific item(s), that item will be removed from the Consent Agenda and considered separately.

Maria J. Chavez, Superintendent of Schools

Board of Trustees

Belinda Lugo, President

Rambaldo "Ram" Rivera, Jr., Vice-President

Miguel Zavala, Secretary

Noe Aleman, Member

Consuelo De La Rosa, Member

Adolfo Hinojosa, Member

Oralia "Lala" Ortiz, Member

