

**THE SCHOOL DISTRICT OF PHILADELPHIA
MEETING OF THE SCHOOL REFORM COMMISSION**

JUNE 30, 2014

A regular public meeting that was held and recessed by the School Reform Commission on May 29, 2014 in the Auditorium of the School District of Philadelphia Education Center, 440 North Broad Street was reconvened on June 30, 2014.

The meeting was reconvened at 5:35 a.m. by Chairman Green.

Members present: Ms. Houstoun, Ms. Jimenez, Dr. Pritchett, Ms. Simms, Mr. Green – 5

Members Absent: 0

Michael A. Davis, General Counsel, announced that prior to today's public meeting, the School Reform Commission met in Executive Session to discuss labor relations, personnel matters and litigation.

Fernando Gallard, Office of Communications, provided the order of business for today's meeting of the School Reform Commission. He also stated that the proceedings of today's School Reform Commission meeting are being streamed live on the internet. Mr. Gallard stated that the School District's recordings are protected by the copyright laws of the United States.

William Hite, Superintendent, provided opening remarks. He stated that the School District is submitting the FY 2015 budget as required by State law. He stated that due to funding uncertainties, there is a substantial budget gap of \$93 million, which is an increase from earlier reports. Dr. Hite stated that whether the budget gap is made up by additional revenues or expenditure reductions is dependent upon the outcome of ongoing negotiations with Harrisburg. He provided an overview of possible additional cuts which he is not recommending at this time. Those possible cuts include charter school enrollment, administration reductions, reduction in cleaning and maintenance services, transportation reduction which would be an increase in high school students walking distance from 1½ to 2 miles, and a reduction of 36 School Police positions, reduction in teacher professional development and staff bonuses, reduction in contracts for Alternative Education, and an increase in class size. Additional cuts could involve contracted services, labor or a shortened school year. Dr. Hite stated that these reductions mean 1,300 fewer positions. He stated that these reductions pose an extreme disservice to Philadelphia students and it is not acceptable. Dr. Hite expressed hope that the law makers will work through various issues to provide the funding needed for our students and schools. He stated that there needs to be recurring funding for the School District. Dr. Hite thanked all for advocating on behalf of the School District and students.

Matthew Stanski, Chief Financial Officer, provided an overview of the proposed \$2.5 billion budget. The District is proposing \$15 million in budget reductions that will not impact services to students. Those reductions include Debt Service savings of \$6.2 million through payment of ½ year Principal and Interest on new bond issuance, Special Education savings of \$5.5 million through more efficient allocation of resources, Administration savings of \$1.8 million through approval of unrestricted indirect cost rate, Operations savings of \$0.8 million through uniform walking distance policy for Renaissance Charters and reduction in the Facilities budget, and Tax and Revenue Anticipation Bond (TRAN) savings of \$0.7 million through lower than anticipated interest rates. Mr. Stanski also stated that the District is recommending the removal of the Ready to Learn Block Grant.

Chairman Green stated that a letter was received from Mayor Nutter this morning that requested the School Reform Commission to pass a budget very similar to the budget being presented today as a "placeholder". The mayor suggested that without a significant part or all of the \$93 million schools not be opened. He stated that cutting \$93 million is not an acceptable alternative and hopes that over the next several weeks the needed revenue will come through. Chairman Green stated that while resources alone are not enough to deliver on Dr. Hite's Action Plan, they are a necessary component. Unfortunately, tonight the SRC is forced to make some difficult decisions by passing a "placeholder" budget. He stated that the Mayor and the Pennsylvania delegation are in Harrisburg. Chairman Green stated that we have and will continue to advocate for additional funding for our schools. He stated that the Republicans are insisting on pension reform as a condition to needed revenues, and the Democrats are stonewalling on pension reform, putting the interests of future state employees ahead of kids. He stated that by standing on principle, both sides are avoiding making the hard, responsible choices that elected office demands. Chairman Green stated that the Governor has said on KYW radio that he would sign a cigarette bill without conditions if sent to his desk to provide the necessary funding for Philadelphia schools. He stated that it feels like the School District is sitting in the middle of a battle field and the only ones getting hurt are the children and families.

In response to Commissioner Houstoun, Mr. Stanski confirmed that without the Tax and Revenue Anticipation Note scheduled for July 2, 2014 the District will not be able to pay its bills.

In response to Dr. Pritchett, Mr. Stanski emphasized that there were over 1,110 position cuts in FY11 with an additional 600 in FY12. He stated that the District is spending approximately 2.6% of its operating dollars on administration. Dr. Pritchett stated that he shares Chairman Green's frustration. He also emphasized that the School District and School Reform Commission has made tons of difficult decisions over the last three years, including closing 31 schools, and laying off 500 administrative staff. He stated that there are not many people willing to make the difficult decisions to support our children.

Commissioner Jimenez stated that one of the things the District has done well over the last couple of years is to absorb a lot of difficult cuts in a way that many are not able to realize the depth of the impact to the

effectiveness of the operation of not just our schools but also the administration. In response to Commissioner Jimenez's inquiry about the impact of \$93 million worth of cuts, Dr. Hite stated that the impact would be irreversible harm. He stated that there is not anything else to cut. He stated that the District has been trying to keep the cuts away from the classroom. Commissioner Jimenez stated that since the District has done a good job at making cuts, there is an assumption in the community that there can still be cuts made.

The meeting was opened to the public for presentation of statements.

Mayer Krain, employee, stated that his comments do not represent the School District. He outlined several suggestions around City tax collection that would benefit the School District.

Karel Kilimnik stated that she would continue to advocate for children. She agreed with the need for recurring funding. Ms. Kilimnik commended the School Reform Commission for taking a stand and not voting to approve the FY15 budget on May 29, 2014 and expressed hope that they make the same decision tonight.

Sheronda Ball, Interim Director for Families for Educational Opportunities, provided an overview of her organization's mission which is to organize parents to advocate for excellent school options for all children.

The meeting was briefly recessed at 6:15 p.m. and reconvened at 6:29 p.m.

Chairman Green stated that it has been confirmed by the District's and City's law department that if additional revenues were to be received after today, the last day of FY 14, the resolutions that are being voted on this evening would also authorize the receipt of those funds in the next fiscal year (FY 15).

In response to Commissioner Houston's inquiry, Chairman Green confirmed that resolution SRC-19 has been reviewed by Counsel.

The following resolutions were presented for formal action by the School Reform Commission:

I. SCHOOL REFORM COMMISSION

***SRC-1D**

Adopts an Operating Budget for 2014/2015

WHEREAS, by Resolution dated March 27, 2014, the School Reform Commission adopted a lump sum statement of anticipated receipts and estimated expenditures for Fiscal Year 2015 for the School District of Philadelphia (the "School District"), and

WHEREAS, pursuant to Section 12-303(a) of the Education Supplement to the Home Rule Charter, the School District is legally required to adopt an Operating Budget by May 31, 2014; and

WHEREAS, pursuant to Section 12-303(a) of the Education Supplement to the Home Rule Charter, the School District must adopt an operating budget for the fiscal year commencing July 1, 2014 in which proposed expenditures shall not exceed the amount of revenues available, and

WHEREAS, changes in revenues and obligations are anticipated to occur with regard to the Fiscal Year 2014-2015 Operating Budget, now therefore be it

RESOLVED, that the School Reform Commission does hereby adopt an Operating Budget for Fiscal Year 2014-2015, as reflected in the estimate of receipts herein set forth in Exhibit B and the estimates of obligations by functional organization herein set forth in Exhibit C for Fiscal Year 2014-2015, and be it

FURTHER RESOLVED, that upon the transfer of any function from one office, department or organizational unit, the Executive Director of the Intermediate Unit is authorized to transfer to the successor office, department or organizational unit those portions of the appropriations which appertain to the function transferred; the Executive Director of the Intermediate Unit is authorized to transfer funds from undistributed accounts to appropriate departments to implement decisions of the Superintendent, subject to notification to the School Reform Commission, and be it

FURTHER RESOLVED, that the Superintendent and the Chief Financial Officer shall certify that each request they bring to the School Reform Commission for the authorization of hiring, contracting, purchasing, or any other obligation of School District resources is consistent with the Operating and Capital Budgets that have been adopted by the School Reform Commission, or else they will propose along with the requested authorization an amendment to the adopted Budgets that will hold the cumulative fund balance of the School District to the level projected at the time of the initial budget adoption or any subsequent amendment thereto.

The vote was as follows:

Yeas: Ms. Houston, Ms. Jimenez, Dr. Pritchett, Ms. Simms, Mr. Green – 5

Nays: 0

**A complete copy of resolution SRC-1D with Exhibits is on file with the minutes of the School Reform Commission.*

***SRC-2**

Adopts a Capital Budget for 2014/2015 and a Capital Program for 2015-2020

WHEREAS, Section 12-304 of the Home Rule Charter requires the School District to adopt a Capital Program which is comprised of a Capital Budget for the ensuing fiscal year and capital expenditures planned for the ensuing five years no later than the date of adoption of the Operating Budget, and

RESOLVED, That the Capital Budget for Fiscal Year 2015 be adopted in the amount of 166,358,808, and be it

FURTHER RESOLVED, That the Proposed Six-Year Capital Program for Fiscal Years 2015-2020 as set forth in the Summary Exhibit be adopted in the amount of \$938,245,791, and be it

FURTHER RESOLVED, That the individual projects included in Fiscal Year 2015 Capital Budgets must be authorized by separate resolutions of the School Reform Commission prior to implementation.

The vote was as follows:

Yeas: Ms. Houstoun, Ms. Jimenez, Dr. Pritchett, Ms. Simms, Mr. Green – 5

Nays: 0

**A complete copy of resolution SRC-2 with Exhibits is on file with the minutes of the School Reform Commission.*

SRC-3D

Approves an Agreement with the Philadelphia Intermediate Unit to provide an Educational Program and Auxiliary Services to Nonpublic School Students 2014/2015

WHEREAS, School Reform Commission of the School District of Philadelphia adopts an Operating Budget on May 29, 2014, including appropriations for the Intermediate Unit for the fiscal year 2014/15 in the amount of \$332,172,170, therefore be it

RESOLVED, that the School Reform Commission of the School District of Philadelphia be authorized to enter into an agreement with the Philadelphia Intermediate Unit Board of Directors whereby the Philadelphia School District will provide professional and non-professional personal services, all materials, supplies, books and equipment necessary for a complete educational program in Special Education programs, Transportation for Special Education, Management Services and Auxiliary Services to Non-Public students. All services provided by the School District will comply with State statutes and any decrees by a court of competent jurisdiction. The programs provided in conjunction with this contract will not exceed the following: Special Education \$255,492,170, Transportation for Special Education \$62,366,000 and Auxiliary Services to Non-Public School Students \$14,314,000 during the 2014/15 fiscal period.

The vote was as follows:

Yeas: Ms. Houstoun, Ms. Jimenez, Dr. Pritchett, Ms. Simms, Mr. Green – 5

Nays: 0

**A complete copy of resolution SRC-3D with Exhibits is on file with the minutes of the School Reform Commission.*

SRC-18

Authorization to Levy and Assess Taxes – Real Estate Tax, Use & Occupancy Tax, School Income Tax and Liquor by the Drink Tax

WHEREAS, Article XII, Section 305 of the Philadelphia Home Rule Charter requires the Board of Education to levy taxes annually within the authority prescribed by the General Assembly of the Commonwealth or the Council of the City in amounts sufficient to fund current operations, interest and all other charges on debt and incidental services and to certify said tax levy to the City of Philadelphia; and

WHEREAS, pursuant to Section 696(e)(1) of the Public School Code of 1949, as amended, following the issuance of a declaration by the Secretary of Education under Section 691(c) of the Public School Code, all powers and duties granted to the Board of Education, including its authority to levy taxes, shall be vested in the School Reform Commission; and

WHEREAS, the Council of the City of Philadelphia by ordinances enacted on June 19, 2014 (Bill No. 140147 and Bill No. 140148) (the "Ordinances") has authorized the levy of taxes for school purposes as described in Sections 1 and 2 of this Resolution, said rates having been established based upon the reassessment of real estate by the City of Philadelphia, as returned by the Office of Property Assessment on or before November 15, 2013, at full or actual market value; and

WHEREAS, the School Reform Commission was authorized to impose certain annual taxes for school purposes within the City of Philadelphia for the year 2015; and

WHEREAS, by this Resolution, the School Reform Commission desires to levy and impose annual taxes for school purposes within the limits prescribed by the Council of the City of Philadelphia, now be it

RESOLVED,

(A) That the School Reform Commission of The School District of Philadelphia, Pennsylvania, hereby levies and assesses the following taxes:

1. For the tax year 2015, a tax rate (the "Tax Rate") of 0.7382% or seventy-three and eighty-two one hundredths cents (\$0.7382) per one hundred dollars (\$100.00). The tax shall be calculated, by multiplying the Tax Rate by the Net Taxable Value of the property. Net Taxable Value shall be calculated by subtracting the amount of Homestead Exclusion, if any, provided and defined in Section 19-1301 of Ordinance (Bill No. 140147) from the assessed value of the property returned by the Office of Property Assessment in the year immediately preceding the tax year, but in no event may Net Taxable Value be less than zero.

2. For the year beginning July 1, 2014 a tax on the use or occupancy of real estate within the School District for the purpose of carrying on any business, trade, occupation, profession, vocation, or any other commercial or industrial activity at a tax rate (the "U&O Tax Rate") of one and thirteen hundredths percent (1.13%). The tax shall be computed pursuant to the formula set forth in Section 19-1806 (4) of Ordinance (Bill No. 140148) utilizing the U&O Tax Rate and the definitions of Assessed Value and Exemption Amount set forth therein.

3. For Fiscal Year 2015 a tax on net income from the ownership, lease, sale or other disposition of real property and tangible and intangible personal property of residents of the School District of Philadelphia received or credited from January 1, 2014 to December 31, 2014, at the rate of three and nine hundred twenty thousandths percent (3.92%) or approximately three dollars and nine hundred twenty thousandths of a cent (\$3.92) on each one hundred dollars (\$100.00) of net income in accord with the Act of August 9, 1963, P.L. 640, 53 P.S. §16101 *et seq.*, as amended, and Philadelphia Code § 19-1804, and in the event the rate of any tax imposed hereunder is determined to exceed any limitation imposed by statute, it is the intent of this resolution to impose such tax at the maximum permissible rate (mirroring Resident City Wage Tax).

4. For the year beginning July 1, 2014, a tax on the sales at retail of liquor and malt and brewed beverages at the rate of ten percent (10%) of the sale price in accord with Philadelphia Code §19-1805 (1994), App. No. 228.

(B) That the School Reform Commission shall forthwith certify this levy of school taxes, under the seal of the School District attested by the Chairman of the School Reform Commission and the Secretary, to the Office of Property Assessment, the Board of Revision of Taxes or other proper authority of the City of Philadelphia authorized to prepare tax duplicates, to be entered thereon, and by such authority to be certified to the City's Department of Revenue, such taxes to be collected as provided by law, at the same time, in the same manner and with like authority as other taxes collected in the City, and

(C) That the officials collecting municipal taxes in the City of Philadelphia are directed to collect said taxes and do all acts necessary in connection therewith.

(D) In the event that subsequent to the adoption of this Resolution, any of the Ordinances are amended or modified, whether by action of City Council or otherwise, with respect to the basis upon which taxable real property is assessed for the year 2015, this Resolution shall, without further action of the School Reform Commission, be amended to reflect such amendment or modification.

The vote was as follows:

Yeas: Ms. Houstoun, Ms. Jimenez, Dr. Pritchett, Ms. Simms, Mr. Green – 5

Nays: 0

SRC-19

Authorization to Impose and Assess Excise Tax – Sale or Possession of Cigarettes

WHEREAS, by Ordinance of City Council of the City of Philadelphia, a city of the first class (Bill No. 130446-A) enacted on June 6, 2013 and signed by the Mayor of the City of Philadelphia on June 25, 2013 (the "Ordinance"), the City of Philadelphia authorized the Board of Education of the School District of Philadelphia to impose, as provided therein, an excise tax for general public school purposes on the sale or possession of cigarettes in the City at the rate of ten cents per cigarette; and

WHEREAS, the Ordinance provides that it shall be effective upon authorization of the General Assembly of the Commonwealth of Pennsylvania, and to the extent there are any inconsistencies between the provisions of the Ordinance and the provisions of the State authorizing legislation, it is the intent of the Ordinance to have authorized a local cigarette tax for the benefit of The School District of Philadelphia, at the rate of ten cents per cigarette, and, subject to that intent, the Ordinance should be construed in a manner consistent with the relevant State authorizing legislation; and

WHEREAS, the School District of Philadelphia is a school district of the first class coterminous with a city of the first class; and

WHEREAS, pursuant to Section 696(e)(1) of the Public School Code of 1949, as amended, following the issuance of a declaration by the Secretary of Education under Section 691(c) of the Public School Code, all powers and duties granted to the Board of Education, including its authority to impose and assess an excise tax, shall be vested in the School Reform Commission;

Now be it:

RESOLVED, by the School Reform Commission of the School District of Philadelphia as follows:

(a) The School District of Philadelphia hereby imposes and assesses an excise tax for general public school purposes, effective January 1, 2015 and thereafter, on the sale or possession of cigarettes within the School District of Philadelphia at the rate of ten (10) cents per cigarette. Only one sale shall be taxable and used in computing the amount of tax due, whether the sale is of individual cigarettes, packages, cartons or cases.

(b) Notwithstanding the foregoing, no tax is imposed or assessed upon the possession or sale of any cigarette that is exempt from, or which is otherwise not subject to, levy under Article XII of the Tax Reform Code of 1971, as amended, and the regulations promulgated under that article.

(c) The School Reform Commission shall forthwith, but in no event later than 90 days prior to the effective date of the tax imposed and assessed hereby, provide a certified copy of this Resolution to the Department of Revenue of the Commonwealth of Pennsylvania.

(d) The School District may amend this Resolution imposing the tax imposed and assessed hereby in the fiscal year in which the authorization by the State takes effect.

The vote was as follows:

Yeas: Ms. Houstoun, Ms. Jimenez, Dr. Pritchett, Ms. Simms, Mr. Green – 5

Nays: 0

**Resolutions SRC-1A, SRC-2A, SRC-4 through SRC-6, SRC-8, SRC-9, SRC-11, SRC-13, SRC-15, and SRC-17 Approved May 29, 2014*

II. EDUCATION SUPPORT SERVICES

**Resolutions A-1 through A-39 Approved May 29, 2014*

III. EDUCATION SERVICES

**Resolutions B-1 through B-12 Approved May 29, 2014*

The meeting was recessed at 6:31 p.m. and on motion, adjourned at 6:32 p.m. following the business of the Intermediate Unit.

William J. Green, Chairman
School Reform Commission

William R. Hite, Jr.
Superintendent

**PHILADELPHIA INTERMEDIATE UNIT #26
MEETING OF THE SCHOOL REFORM COMMISSION
PHILADELPHIA, PA**

JUNE 30, 2014

A regular public meeting that was held and recessed by School Reform Commission sitting as the Intermediate Unit Board of Directors on May 29, 2014 in the Auditorium of the School District of Philadelphia Education Center, 440 North Broad Street was reconvened on June 30, 2014.

The meeting was convened at 6:32 p.m. by Chairman Green.

Members present: Ms. Houstoun, Ms. Jimenez, Dr. Pritchett, Ms. Simms, Mr. Green – 5

Members absent: 0

The following resolutions were presented for formal action by the School Reform Commission:

IV. INTERMEDIATE UNIT

IU-1D*

Adopts a Philadelphia Intermediate Unit Budget for 2014/2015

WHEREAS, the Philadelphia Intermediate Unit (the “Intermediate Unit”, also known as IU Number 26) is legally required to adopt an Operating Budget by May 31, 2014; and

WHEREAS, the Philadelphia Intermediate Unit Board of Directors must adopt an Operating Budget for the fiscal year commencing July 1, 2014, in which proposed obligations shall not exceed the amount of revenues available, now therefore be it

RESOLVED, that the Intermediate Unit Board of Directors does hereby adopt an Operating Budget for Fiscal Year 2014/15, as reflected in the estimate of receipts herein set forth in Exhibit B and the estimates of obligations by functional organization herein set forth in Exhibit C for the Fiscal Year 2014/15, and be it

FURTHER RESOLVED, that upon the transfer of any function from one office, department or organizational unit, the Executive Director of the Intermediate Unit is authorized to transfer to the successor office, department or organizational unit those portions of the appropriations which appertain to the function transferred; the Executive Director of the Intermediate Unit is authorized to transfer funds from undistributed accounts to appropriate departments to implement decisions of the Executive Director and Offices of the Intermediate Unit Board of Directors.

The vote was as follows:

Yeas: Ms. Houstoun, Ms. Jimenez, Dr. Pritchett, Ms. Simms, Mr. Green – 5

Nays: 0

**A complete copy of resolution IU-1D with Exhibits is on file with the minutes of the School Reform Commission.*

IU-2

Approves an Agreement with the Philadelphia School District to provide an educational program and auxiliary services to nonpublic school students for 2014-2015

WHEREAS, the Philadelphia Intermediate Unit Board of Directors adopts an Operating Budget on May 29, 2014, including appropriations for the Intermediate Unit for the fiscal year 2014/15 in the amount of \$332,172,170, therefore be it

RESOLVED, that the Philadelphia intermediate Unit Board of Directors be authorized to enter into an agreement with the School Reform Commission of the School District of Philadelphia whereby the Philadelphia School District will provide professional and non-professional personal services, all materials, supplies, books and equipment necessary for a complete educational program in Special Education programs, Transportation for Special Education, Management Services and Auxiliary Services to Non-Public students. All services provided by the School District will comply with State statutes and any decrees by a court of competent jurisdiction. The programs provided in conjunction with this contract will not exceed the following: Special Education \$255,492,170, Transportation for Special Education \$62,366,000 and Auxiliary Services to Non-Public School Students \$14,314,000 during the 2014/15 fiscal period.

The vote was as follows:

Yeas: Ms. Houstoun, Ms. Jimenez, Dr. Pritchett, Ms. Simms, Mr. Green – 5

Nays: 0

**A complete copy of resolution IU-2 with Exhibits is on file with the minutes of the School Reform Commission.*

**Resolutions IU-1A and IU-3 Approved May 29, 2014*

On motion, the meeting was adjourned at 6:32 p.m.

William J. Green, Chairman
School Reform Commission

William R. Hite, Jr.
Acting Executive Director