

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

MARCH 26, 2015

A special public meeting was held by the School Reform Commission on March 26, 2015 in the Auditorium of the School District of Philadelphia Education Center, 440 North Broad Street.

The special meeting was convened at 11:05 a.m. by Chair Neff. She stated that the purpose of the meeting is to authorize the issuance of five series of bonds which includes: \$80 million of State Public School Building Authority School Lease Revenue Refunding Bonds; \$46,770,000 of General Obligation Bonds – Series 2015A; \$13,505,000 of General Obligation Refunding Bonds – Series 2015B; \$44,545,000 of taxable General Obligation Refunding Bonds – Series 2015C; and \$128,620,000 of forward delivery General Obligation Refunding Bonds – Series 2015D. Chair Neff stated that the refinancing portion of the bond issuances will result in average annual debt service savings of \$3.3 million from FY2015 through FY2023, and approximately \$900,000 annually through 2026. She also stated that the new money will generate proceeds for capital projects in the amount of \$52.4 million with annual debt service of approximately \$3.7 million through 2036 which is accounted for in the five-year plan.

Michael A. Davis, General Counsel, announced that notice of the special meeting was published in the Philadelphia Inquirer and Philadelphia Daily News on March 20, 2015.

Members present: Mr. Green, Ms. Houston, Ms. Jimenez (*via telephone conference call*), Ms. Simms, Chair Neff – 5

Members Absent: 0

Matthew Stanski, Chief Financial Officer, provided an overview of the transactions. He stated that the District sold bonds maturing in the years 2016 through 2035 with yields ranging from .38% to 4.038% which includes the taxable bonds. Mr. Stanski stated that the final overall yield of all the bonds is approximately 2.7%, with an average life of six years. The total gross savings is \$32.7 million and present value savings is \$25.2 million or 8.8%. The transaction provides an annual savings of \$3.3 million through 2023 and \$900,000 from 2024 through 2026. In response to Commissioner Green, Mr. Stanski clarified that the amount of the General Obligation Refunding Bonds – Series 2015C is \$44,565,000.

Andre Allen, Phoenix Capital, stated that the financing was extremely successful.

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

I. SCHOOL REFORM COMMISSION

***SRC-1**

Authorization of the Issuance of General Obligation Bonds Series A of 2015; General Obligation Refunding Bonds Series B of 2015; General Obligation Refunding Bonds Series C of 2015 (Federally Taxable); and General Obligation Refunding Bonds Series D of 2015

The vote was as follows:

Yeas: Mr. Green, Ms. Houston, Ms. Jimenez, Ms. Simms, Chair Neff – 5

Nays: 0

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

***SRC-2**

Authorization of the Incurrence of Lease Rental Debt

The vote was as follows:

Yeas: Mr. Green, Ms. Houston, Ms. Jimenez, Ms. Simms, Chair Neff – 5

Nays: 0

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

II. EDUCATION SUPPORT SERVICES

None Submitted

III. EDUCATION SERVICES

None Submitted

Chair Neff thanked Mr. Stanski, the financial advisors, bond counsel, the underwriters and their counsel for their fine work.

On motion, the meeting was adjourned at 11:13 a.m.

Marjorie G. Neff, Chair
School Reform Commission

William R. Hite
Superintendent

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

MARCH 26, 2015

A public meeting was held by the School Reform Commission on March 26, 2015 in the Auditorium of the School District of Philadelphia Education Center, 440 North Broad Street.

The meeting was convened at 5:34 p.m. by Chair Neff. She stated that the primary agenda item is the adoption of the Lump Sum Statement for the 2016 fiscal year, and is the first official step in the budget process. The Commission will communicate its official request to the Governor, Mayor, City Council and State Legislators. Chair Neff asked that the public get involved in the budget process by lobbying Legislators and City Council and meeting with school principals as they develop their budgets.

Michael A. Davis, General Counsel, stated that the School Reform Commission met in Executive Session to discuss personnel matters, litigation, and quasi-judicial proceedings.

Members present: Mr. Green, Ms. Houstoun, Ms. Jimenez (*via telephone conference call*), Ms. Simms, Chair Neff – 5

Members Absent: 0

Evelyn Sample Oates, Office of Family and Community Engagement, provided the order of business for today's meeting of the School Reform Commission. She also stated that the proceedings of today's School Reform Commission meeting are being streamed live on the internet and recorded by the School District of Philadelphia. Ms. Sample-Oates stated that the School District's recordings are protected by the copyright laws of the United States.

Paul Kihn, Deputy Superintendent, stated that in December 2014, the District introduced its five-year financial plan, and in March 2015 introduced Action Plan 3.0. The Plan is premised on four pillars: Equity, Stability, Evidence, and Schools. Mr. Kihn also provided an overview of the four Anchor Goals of the Action Plan 3.0 which are 100% of our students will graduate, ready for college and career, 100% of 8 year-olds will read on grade level, 100% of schools will have great principals and teachers, and The School District of Philadelphia will have 100% of the funding we need for great schools, and zero deficit. He stated that the Lump Sum Statement is based on the budget required to accomplish the goals of Action Plan 3.0.

Matthew Stanski, Chief Financial Officer, stated that the District is projecting an operating budget surplus of \$6.9 million at the end of fiscal year 2015. He stated that maintaining similar levels of service, the District anticipates an operating budget shortfall of \$91.6 million in FY16, and that the FY15 surplus will be used to reduce the projected FY16 operating shortfall from \$91.6 million to \$84.7 million. Mr. Stanski stated that the primary drivers of the projected FY16 "Natural Growth" shortfall are reduced revenues and growth in healthcare, pensions, charter, and debt service costs. He stated that Governor Wolf and Mayor Nutter have proposed a \$264.7 million increase in funding for The School District of Philadelphia. He stated that the new revenues will enable the District to reinvest in its schools and students. With the additional resources, principals and their staffs will be empowered to determine which programs and practices best meet the academic and social emotional needs of the students they serve, including: AP programming; credit recovery; differentiated instruction; counseling support; nursing services; climate support; tutoring and/or Saturday programs; integrated arts and/or music programming; coaching in literacy and math instruction for teachers; and inclusion opportunities for special education students. Mr. Stanski stated that between FY15 and FY16, charter expenditures are projected to increase by \$40.8 million. If the District spends the \$264.7 in new funding proposed in FY16, payments to charter schools for the same number of students will increase by about \$96 million in FY17. Mr. Stanski provided a review of the budget process timeline.

**A complete copy of Mr. Stanski's powerpoint presentation is on file with the minutes of the School Reform Commission.*

In response to Commissioner Green's question on how the District would ensure equity, particularly for students who have been underserved, Mr. Stanski stated that Title 1 schools (schools with high concentration of poverty numbers) receive 2 to 2 ½ times the per student allocation than those schools with lesser concentration. He also stated that if you are a lower performing school (focused/priority school), the school receives an additional \$350-\$400 allocation per student. In response to Commissioner Houstoun's question on charter reimbursements and its possible impact on funding to District schools, Mr. Stanski stated that the District provided guidance to schools on how additional resources could be used. In response to Commissioner Green, Mr. Stanski stated that charter reimbursements and pensions are having a drastic impact on the District's operations. In response to Commissioner Jimenez's statement regarding the District controlling approximately \$.39 of each dollar it receives, Mr. Stanski confirmed that the amount remains the same. He also explained charter school payments.

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

Lisa Haver, member of the Alliance for Philadelphia Public Schools, questioned the approval by the School Reform Commission of resolutions for the Philadelphia Schools Partnership and its impact on schools. She stated that there needs to be a system in place for the public to ask questions on resolutions.

Karel Kilimnik stated that questions asked in a public meeting should be answered in a public meeting. She also stated that the District should negotiate regarding the APPS lawsuit. Ms. Kilimnik asked if the meetings of the Great Schools Compact will be opened to the public.

Barbara McDowell Dowdall, member of the Alliance for Philadelphia Public Schools, questioned how will Action Plan 3.0 be reflected in the budget, and questioned whether nurses, counselors, secretaries, school operations officers, security personnel, and teachers previously cut will be restored.

Diane Payne referencing Action Plan 3.0 questioned the District providing an equitable education for all children.

In response to speaker questions, Chair Neff stated that the Commission is examining a process for increasing public access to resolutions in advance of the public meetings. She also stated that the District does not convene the Great Schools Compact meetings. She stated that the Compact has not meet since April.

In response to speaker questions, Commissioner Green stated that the School District had plenty of money during the time of stimulus, but it did not create more success in schools. He stated that dollars need to be invested based on evidence [of success]. He also stated that he would love the PFT to work with the District, which would start with shared sacrifice. Commissioner Green stated that there was a school redesign initiative last year and that he hoped the PFT would pick a school to develop a proposal.

The following resolution was presented for formal action by the School Reform Commission:

I. SCHOOL REFORM COMMISSION

SRC-1

Adoption of Lump Sum Statement 2015-2016

WHEREAS, Section 12-303(b) of the Home Rule Charter requires the adoption and submission to the Mayor and City Council of a lump sum statement of anticipated revenues and expenditures for the next fiscal year, be it

RESOLVED, that the Proposal Operating Budget for 2015/2016 of anticipated revenues and other financing sources totaling \$2,890.9 million, anticipated expenditures and other financing uses of \$2,897.8 million, and an ending fund balance of \$0 million at June 30, 2016, be adopted and submitted to the Mayor and City Council.

**SCHOOL DISTRICT OF PHILADELPHIA
OPERATING BUDGET
LUMP SUM STATEMENT OF ANTICIPATED REVENUES AND OTHER
FINANCING SOURCES, OBLIGATIONS AND OTHER FINANCING USES AND FUND BALANCE
FISCAL YEARS 2014/2015 AND 2015/2016**

Amounts in Thousands			
	Actual 2013/2014	Estimated 2014/2015	Request 2015/2016
	\$	\$	\$
Revenues	2,438,818	2,592,802	2,589,030
Other Financing Sources	<u>31,668</u>	<u>22,267</u>	<u>3,439</u>
Total Revenues and Other Financing Sources	2,470,485	2,615,069	2,592,469
Obligations	2,526,284	2,590,857	2,681,523
Other Financing Uses	<u>2,264</u>	<u>2,518</u>	<u>2,518</u>
Total Obligations and other Financing Uses	2,528,548	2,593,376	2,684,042
Prior Year Fund Balance (Deficit) July 1	39,462	(14,821)	6,872
Fund Balance Prior to Changes in Reserves	(18,601)	6,872	(84,700)
Changes in Reserves	<u>3,780</u>	=	=
Fund Balance (Deficit) June 30	<u>(14,821)</u>	<u>6,872</u>	<u>(84,700)</u>
Proposed Additional Funding			
Mayor's Proposed Budget (March 5)			105,291
Governor's Proposed Budget (March 3)			<u>159,373</u>
Additional Funding – Total			264,664
Total Revenues – Including Additional Funding			2,857,133
Critical Investments – Action Plan 3.0			179,964
Total Expenditures – Including Critical Expenditures			2,864,005
Fund Balance (Deficit) June 30 – Including Additional Funding	(14,821)	6,872	0

Note: The Governor's Proposed FY16 Budget shifts \$33.774 million in revenues and expenditures from the Ready to Learn and Accountability Block Grants to the Operating Budget. To maintain continuity with the

FY14 Actual and FY15 Estimated Budgets we have kept these grants; grants funds are outside of this presentation.

The vote was as follows:

Yeas: Mr. Green, Ms. Houstoun, Ms. Jimenez, Ms. Simms, Chair Neff – 5

Nays: 0

II. EDUCATION SUPPORT SERVICES

None Submitted

III. EDUCATION SERVICES

None Submitted

On motion, the meeting was adjourned at 6:30 p.m.

Marjorie G. Neff, Chair
School Reform Commission

William R. Hite
Superintendent