

**DES MOINES PUBLIC SCHOOLS  
SPECIAL SCHOOL BOARD MEETING  
1800 GRAND AVENUE  
MINUTES  
APRIL 9, 2013**

**SPECIAL MEETING — 6:00 P.M.**

The Board of Directors met in regular session on Tuesday, April 9, 2013, in the multi-purpose room at 1800 Grand Avenue; Dick Murphy presiding.

Present: Boesen, Caldwell-Johnson, Elsbernd, Howard, Jongewaard, Murphy, Sweeney

**APPROVAL OF AGENDA — 6:01 P.M.**

Ms. Boesen moved approval of the agenda, seconded by Mr. Howard.

Aye: Boesen, Caldwell-Johnson, Elsbernd, Howard, Jongewaard, Murphy, Sweeney

Nay: None

Motion passed 7-0.

**PUBLIC HEARING/ACTION — 6:02 P.M.**

4. FY 2013-2014 Proposed Budget (7-0)..... 1

**POINT OF PRIVILEGE — 6:52 P.M.**

Mr. Howard stated a labor exposition by the trades unions will be held on Friday, April 12, at the Ironworkers local for voc/ed students. Ralph Young at Central Campus can provide additional information.

Ms. Boesen stated there is an art show at the Heritage Art Gallery of works by DMPS high school students which will be on display for the next two weeks.

Ms. Caldwell-Johnson acknowledged Mr. Harper, Nick Lenhardt and other finance staff for their work on the budget.

**CLOSED SESSION — 6:54 P.M.**

Ms. Elsbernd moved and Ms. Boesen seconded a motion for the board to meet in closed session pursuant to Iowa Code section 21.5(1)(c) to discuss strategy with counsel in matters that are presently in litigation or where litigation is imminent where its disclosure would be likely to prejudice or disadvantage the position of the governmental body in that litigation.

Aye: Boesen, Caldwell-Johnson, Elsbernd, Howard, Jongewaard, Murphy, Sweeney

Nay: None

Motion passed 7-0.

**ADJOURN (IN OPEN SESSION) — 8:05 P.M.**

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**Item No. 4****Page 1 of 4****Subject: FY 2013 – 2014 PROPOSED BUDGET****For: PUBLIC HEARING/ACTION****Presentation: None****Contact: Thomas Harper****Attachments: None**[thomas.harper@dmschools.org](mailto:thomas.harper@dmschools.org) (515-242-7745)

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**Issue:** Proposed FY 2014 Budget (July 1, 2013 – June 30, 2014)

**Superintendent's Recommendation:** The superintendent recommends the board conduct the public hearing on the proposed FY 2014 budget and approve the FY 2014 certified budget with maximum published expenditures of \$483,251,132 and a tax rate of 18.34842 in order to submit the approved budget to Polk County by April 15, 2013, as required by law.

**Presenter:** None. Thomas Harper will be available for questions.

**Background:** The adoption of the annual budget authorizes resources and establishes a financial direction for the district in line with the district's Ends Policies, Management Limitations 2.5 relative to financial planning/budgeting, and the budget assumptions for FY 2014.

The budget presented at the March 12, 2013, board meeting works within the board parameters; meets all requirements of the board's Management Limitations; and incorporates, to the extent possible, recommendations of the Citizens' Budget Advisory Committee and the Employees' Budget Advisory Committee while continuing to provide effective programming aimed at improving student performance.

Including this public hearing, the board has held four public forums. Based on input, the board asked administration to balance the budget including the impact of collective bargaining once negotiations are completed.

As required by law, the Proposed Des Moines Public Schools Budget Summary highlighting the maximum budget and maximum overall tax rate was published in The Des Moines Register on Tuesday, March 26, 2013.

## **Minutes**

The chair called the public hearing to order. There was one speaker: Andrew Rasmussen, DMEA president, 313 SE Sharon, Ankeny. Mr. Rasmussen commended the district for adding back 95 positions, providing more opportunities for the students, and investing \$1.5 million in a wellness program for staff. One area in question is setting the solvency ratio at 15%. He feels the past practice of 8% is fine and the money should be used now. He urged the board to consider setting the solvency ratio around 8%. With no other speakers, the public hearing was closed.

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Ms. Boesen moved to accept the superintendent's recommendation for the budget of 2013-2014 as proposed, seconded by Ms. Elsbernd.

Mr. Jongewaard stated he is uncomfortable with the budget and feels that there have not been adjustments made to the original budget proposal as discussed in their work sessions.

Mr. Jongewaard moved amending the motion to add having a work session in May to discuss amending the budget based on known facts of the assumptions we currently do not know and then have a vote yet in May on the amended budget. Ms. Caldwell-Johnson seconded the motion to amend.

Ms. Caldwell-Johnson suggested holding a work session after the legislature has concluded, giving better information on which to act, and choosing whether to amend the budget then. She asked when the first budget review for the fiscal year would take place. Mr. Harper stated it would be in October. She believes this would be too far after the start of the fiscal year to be able to reasonably incorporate changes to add back positions. She mentioned the spending of \$2 million per year over the next four years for one-time expenditures and receiving a list of those acquisitions, including what would be acquired with the half million dollars from unrestricted funds for common core upgrades. She feels the 15% solvency ratio is high and feels continual review is needed on fund balances to determine if mid-year corrections could be made. She would also like to see what is included in the \$1.5 million investment in the wellness program.

Mr. Jongewaard stated his intent was to have the work session in May after the legislature adjourned, assuming they adjourn the first week in May. If past practice was to amend the budget on a quarterly basis as assumptions became known, he would like to go back to that process. He expressed concerns with the attachment provided by Public Financial Management (PFM) at the prior meeting suggesting the financial solvency ratio be 5% – 15% not to exceed 25%. The statute requirement is that it not exceed 20%. PFM states the norm for the UEN is 15%; however, the calculation is 11.17%. They also have numerous references to having a reserve ratio that's adequate to keep the bond rating up for general obligation bonds, which have not been used by the district for quite some time and are not likely to be used with the one-cent sales tax. PFM advised in the 90s not to try for a one-cent sales tax for schools. He wonders what the value is in their advice. He feels it's admirable that we are adding 95 positions but other things are given up to build a reserve fund. We continue to ask for additional funds yet added \$20 million to our unrestricted fund last year.

Ms. Boesen commented that the district can spend down on the fund balance once needs are evaluated, and that there are a lot of unknowns; e.g., federal monies will be reduced, common core requirements will need funding, education reform will cost more than allocation, and additional needs will occur in different areas such as technology. Work sessions are scheduled every month and there will be opportunities for discussion.

Responses by Mr. Harper to questions included the effect of federal sequestration in FY 2013 is nil. The real impact, potentially, will start in FY 2014 if there is no budget settlement at the federal level. The direct impact will be approximately \$2 million which translates to 26-27 FTE. The biggest concern is the indirect effect on other programs—under the Department of Health and Human Services, etc. The solvency amount is around \$45.6 million or the equivalent of 35 days of expenditures. From July 1 through about the end of October, this is how we fund our operations until the first significant payment is received from the state and also the tax payment. The unrestricted funds allow flexibility to plan in an orderly and sustainable fashion and cover unanticipated expenses. The district never plans for deficit spending—any amount remaining would go into the fund balance. The budget proposed is based on 0% allowable growth and increased expenditures at 2%.

The amendment was discussed in that it would establish a work session with the possibility of amending the budget.

Mr. Murphy looks at the 15% solvency ratio as temporary. He is concerned about sequestration and how the Department of Education will deal with the whole concept. This is a good year to be patient, do some strategic thinking and consider long-term spending. A 15% ratio will probably not be sustained. Work sessions are scheduled and when it is appropriate to hold one on the budget, it can be scheduled with adjustments made as we go. We might know what the state is doing in May, but we will not know federal changes in May. He feels it's prudent not to be careless and will be in favor of reviewing the budget consistently, but not setting a May meeting to vote on an amended budget when another time may be better.

The vote on the amendment was taken.  
Aye: Caldwell-Johnson, Jongewaard, Sweeney  
Nay: Boesen, Howard, Murphy, Elsbernd  
Amendment failed 3-4.

Mr. Ahart stated review of the budget is at the pleasure of the board. Administration will bring an amended budget forward when more of the questions are answered.

Concern was expressed that the budget being approved does not specifically state that 95 new FTEs are included, as well as other items agreed to by the board during previous discussions.

Ms. Caldwell-Johnson recommended the budget motion include the recommendations from the handout provided at the work session on April 2 as a friendly amendment which was agreed to by Ms. Boesen.

The complete motion is: Approval of the FY 2014 certified budget with maximum published expenditures of \$483,251,132 and a tax rate of 18.34842 in order to submit

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the approved budget to Polk County by April 15, 2013, as required by law, and to include maintenance of all programs and services, hire 95 FTE to be allocated by staffing formula districtwide, spend \$2,000,000 per year over the next four years on one-time expenditures primarily for technology-related improvements and projects that improve efficiencies and effectiveness, transfer \$5,000,000 from unrestricted funds to committed funds for common core upgrades such as textbooks, invest \$1.5 million to develop a wellness program, set the solvency ratio at 15% target rate, and continue to seek operational efficiencies and savings districtwide.

Aye: Boesen, Caldwell-Johnson, Elsbernd, Howard, Jongewaard, Murphy, Sweeney

Nay: None

Motion passed 7-0.