

# Joint Board/Legislative Meeting (Tuesday, January 20, 2015)

Generated by Shelley R Shelton on Wednesday, January 21, 2015

## Members present

Michelle Kaufusi, Julie Rash, McKay Jensen, Marsha Judkins, Taz Murray, Jim Pettersson

## Excused

Member Shannon Poulsen

## Staff members present

Keith Rittel, Supt., Ray Morgan, Asst. Superintendent; Stefanie Bryant, Business Administrator; Shelley Shelton, Exec. Assistant; Gary Wilson, Exec. Director of Student Services; Dr. Gary Wall, Exec. Director of HR; Alex Judd, Exec. Director of Elementary Education

## Utah Legislators present

Sen. Howard Stephenson; Rep. Dean Sanpei; Rep. Norm Thurston

## Guests

Maria Thurston; Erica Clark, Legislative Assistant to Rep. Thurston

## Meeting called to order at 6:14 PM

# 1. Joint Board/Legislative Session

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## 1.01 Welcome: President Julie Rash

## 1.02 Roll Call

## 1.03 Bond Passage/Status Update

President Julie Rash gave an update on the passage of the bond, stating it was a very successful, hard fought campaign. Legislators were thanked for their support. Ms. Rash indicated the construction update page of the website is available for patrons to track the construction process and timeline, spending, etc.

Sen. Howard Stephenson added the following:

- The Utah Taxpayers Association (UTA) endorsed the bond in spite of criticism they received from some individuals. The UTA was, however, able to "stand by the facts" in the face of that criticism.
- Following up on earlier conversations, he asked about the projected costs of the new schools and whether or not the board was planning on "building Taj Mahals."
- When school districts use a construction manager system, it can result in a district being charged twice for items. So much confidence is place in a construction manager that "people get away with a lot of stuff." With regard to this possibility, he asked about the district's plans for the construction management process.

Supt. Keith Rittel, staff and board members addressed Sen. Stephenson's questions with the following points:

- The board and senior administration agreed they would follow the recommendations of Mark Wheeler, Facilities Director and a former contractor. Mr. Wheeler had studied the dome and tilt-up construction models used with many schools in Washington county, consulted with project managers regarding various construction methods, and ultimately recommended the district go with a more traditional

masonry and framing design. He based his recommendation on the very competitive Utah county construction climate and the fact that there aren't many local contractors who have built schools with tilt-up construction. To use contractors from the St. George area, in spite of their experience with tilt-up construction, would drastically reduce cost effectiveness.

- The district doesn't have a lot of money planned for the new schools: no "Taj Mahals." The high school will cost \$55 million as compared to high schools recently built in other Utah districts that have cost much, much more.
- Architects the administration has interviewed have indicated that even though it would be tight, they could complete the high school construction within the \$55 million budget.
- The district has studied the Construction Manager/General Contractor (CMGC) process. As a result of a BYU Construction Management study about various contracting processes for schools, BYU has recommended the CMGC process as being more cost effective.
- In August 2014 the board passed a resolution of efficiency and transparency. In December 2014 the board received a presentation that met both standards by hearing in an open meeting the pros and cons of differing construction methods available. The assortment of construction methods were considered from a variety of standpoints, including projected building longevity, cost per square foot, ease of construction, duration of build time and others. Facilities Director Mark Wheeler had asked Project Control, Inc. to make this comparison presentation to the board and to answer questions on the information presented. Following their presentation, Project Control recommended using the CMGC process for the Provo High construction. The process requires that the contractor and architect work together from the beginning, resulting in a reduced chance of change orders, etc., that do drive costs up.
- Based on the recommendations of Project Control, Inc. and the BYU Construction Management study, the board and district are seriously looking at using the CMGC process for the very difficult rebuild of Provo High, which will entail the demolition, work-around and rebuild of a section at a time.
- The construction management process for the elementary school construction has yet to be determined.
- Vice President McKay Jensen added rebuilding Provo High on site within the existing footprint presented unique concerns - such as drainage issues - that the board wants addressed up front and built into the contract.
- President Julie Rash stated she was confident the district and board did their due diligence in researching and studying the construction methods. In addition, the board has a great deal of confidence in the construction team the district has put together.
- Business Administrator Stefanie Bryant: The Division of Facilities Construction & Management (DFCM) also made a presentation to the district on the pros and cons of the three construction management methods. The DFCM stated the CMGC method *can* cost more, but they also outlined many reasons why the district would want to go with that method on a more difficult rebuild project like Provo High.
- The Board has been committed to complete transparency and making sure the community was well informed and involved in the process from the beginning. As a result, the bond passed by a very high margin and the community expects a lot in return. There's a healthy level of anxiety on the part of the board and administration that each step of the process is done right. The board is aware that "if we don't do what we said we were going to do during this first step, if we don't get this right, there won't be a second step."

Rep. Norm Thurston:

- Constituents feel they get presented with a need for new construction and the only solution is to bond. They feel it isn't fair that there are no options. People have the dream that we would be able to save the money and then build. Is there something else that could be done so bonding isn't necessary in the future? Provo City residents would like to move toward something besides debt financing.

Board and staff members responded with the following points:

- President Julie Rash: The board encountered that same question numerous times during the bond campaign. With the way the legislature sets up funding, school building is something that local communities are responsible to pay for. To build a \$15-20 million school is like trying to buy or build a house by simply saving and without taking out a mortgage. The district saves where it can; we were able to pay a portion of the Provo Peaks construction cost, but we don't have an influx of extra cash

that would allow us to save enough to entirely build a school on our own.

- Business Administrator Stefanie Bryant: The district's capital budget, used for construction and maintenance, used to be funded by the legislature. Provo's capital budget has not received state money for 10 years or more. School districts could possibly save money over time to pay a portion of construction costs if the legislature again funded capital budgets.
- Vice President McKay Jensen: Provo has one of the lowest property tax rates in the state. Making the case to the public was both scary because of the dire need, and gratifying because the community understood what we were trying to do and the bond passed by 77%.

Member Taz Murray arrived at 6:30 p.m.

- Sen. Stephenson: He's studied options for over 30 years and feels bonding is the most equitable and economically reasonable way to build public infrastructure, whether highways or school buildings. To have a sinking or slush fund is one alternative. Some other school districts in Utah have slush funds to save for future building. It's essentially "wrongfully taking money from citizens before it's needed, as if the citizens don't need that money." Districts do this to avoid paying the time value of money to a bond holder. Municipal bonds are some of the most secure investments anyone can make, and people buy them at very low rates. The bond term of 20 years will be paid by those who will use the facilities, which in turn have a life of 50-60 years. This is equitable; this makes sense.
- Rep. Sanpei: Bonding is the best way to finance school construction. There are options; cities look at increasing utility fees, for example, that are more permanent in nature. There was some discussion during the bond campaign about there possibly being some bond money that could be used for other district facilities such as Wasatch. What happens now to Wasatch - how far out is that reconstruction?
  - Business Administrator Stefanie Bryant explained there has been some misunderstanding regarding the "excess" bond funds referred to. By rebuilding five very old, costly schools, the district will see significant maintenance savings *over ten years* (\$18 million from Provo High alone.) Those funds could be put towards maintenance costs of the remaining schools. All savings realized would be returned to the capital fund to meet capital needs, which could include Wasatch.
  - Vice President Jensen: Funds are currently budgeted so the walkway between the two buildings at Wasatch can be enclosed. The security system has been upgraded to key fobs on all exterior doors. The roof will be upgraded to lessen the seismic load on the building. Discussions among Wasatch patrons include the acknowledgement that the district would never be able to afford to replace features currently at the school, such as the two gymnasiums and two common areas. They should utilize the remaining life of the building before it becomes necessary to once again enter discussions with BYU about building/property ownership. The focus at this point is to reduce the out-of-district student population in order to make it more manageable. The current population of Wasatch is 1,000, attributed primarily to Chinese dual language immersion and out-of-boundary enrollment. The challenge is in trying to find a balance between the very popular program at Wasatch and growing a similar program in other parts of the city so more students have the opportunity to be involved with Chinese language immersion in their own neighborhoods.
  - Sen. Stephenson: Expressed appreciation for everything that's being done at Wasatch and he hopes potential students will not be turned away.

## 1.04 Financial Challenges

Business Administrator Stefanie Bryant outlined current financial challenges the district is facing.

### Non-Growth Districts are overlooked in regards to additional funding

- Large Districts have growth - increased funds from increased enrollment and property tax base
- FY15 PCSD State Funding is 55% of our total revenues, Property Tax 35%
  - Possible Solutions
    - Small Districts have Necessary Existing Small Schools (NESS) funding - 44% increase in funding from 2009
    - Fund growth, but more money in inflationary WPU increases instead of non-MSP growth programs and NESS

## WPU Inflation

- Adjusted for inflation, WPU is DOWN 2.3%
- Provo City School District WPU is 79% of our state funding received
- 15% Annual medical Inflation will cost PCSD \$1,500,000; state portion is \$825,000 or \$43 on the WPU
- 1% Salary Increase (with related taxes and retirement) will cost PCSD \$800,000; state portion is \$440,000 or \$23 on the WPU
- TO COVER MEDICAL INFLATION AND A 2% SALARY INCREASE, THE STATE PORTION IS A \$89
- INCREASE IN THE WPU OR 3.0% INCREASE. This rate would not cover increased costs for energy, supplies, etc.

Rep. Sanpei: The priority for funding is frequently growth within a district; the support is always "fund growth first." As a non-growth district, what would be the argument to say WPU should be funded as a higher priority, or should growth continue to be funded first with WPU second? Are there arguments for funding WPU over growth?

- Supt. Rittel: In higher education the funding priority seems to change every year between mission-based and equity (growth). The problem we face in public education is that the priority is always growth. Rarely is there an interest in taking care of flat enrollment districts, and they're falling behind in their ability to compete for good teachers and good administrators. While we don't want to take away from growth districts, every now and then there needs to be a little sacrifice on the other side to help the districts that aren't getting much help. Supt. Rittel added he has raised that question each of the three years he's been in Provo with superintendents from around the state. Because there is only a small number of flat enrollment districts it doesn't go anywhere and he doesn't want to set up a competitive climate among superintendents.

Rep. Sanpei: A 1% increase in the WPU is about \$26 million for the state. Growth this year, if fully funded, is projected to cost approximately \$52-54 million. Right off the top, that growth is about 2% of the WPU.

- Rep. Thurston: You'd actually have to fund less of it because if the growth districts were also getting their WPU, they wouldn't need as much growth funding.

Rep. Sanpei: Offered context on the state's proposed 2% budget cut: The state has a budget surplus this year, but there are several components to the surplus, including the "above the historical trend" component. Economic cycles ebb and flow, and legislators are trying to make it so the "above trend" dollars are not relied upon on an ongoing basis, but rather seen as one time funding; the economy won't always be functioning above trend. "Base budgets" are established in the event the legislature could not agree on funding, allowing the government to continue to move forward. Two to three weeks before the legislative session, the base budget is decided upon, which is hopefully not *the* budget, but rather a starting point. As part of the base budget process, legislators force everyone to look at existing budgets, determine what the priorities are and to engage in a planning exercise. They must ask themselves if everything they're doing is prudent; if they were in a crisis, what would the priorities be? That exercise is healthy because if they just passed the base budget saying, "whatever you got last year, that's your base for next year," legislators would never look at that. It's not just for education, but for higher education, for transportation, Health & Human Services, etc. No departments/entities are exempt from the planning exercise; everyone must go through the process. Some entities have already come up with \$20-30 million in potential savings. Those are additional dollars that could be allocated to other places - like education. The base budgets will at most be what they were last year. Once potential additional funds are identified, re-allocations will be determined, possibly including to the WPU and for growth.

Supt. Rittel: The WPU is not keeping up with inflation. For districts like Provo where the WPU is the main state funding source, those districts are not able to keep up with growth districts that receive growth funding besides the WPU. However, in spite of the funding shortage, Provo has been able to identify 1-2% in savings within our own budget over the past two to three years in order to be able to "keep up with the neighbors."

Sen. Stephenson: Someone had said Provo is not getting funding for out of district e-school students; he sought clarification.

- Supt. Rittel & Stefanie Bryant: There was a time when that was the case. This year the policy changed

to not accept any out-of-district e-school students after Oct. 1. If they're counted before Oct. 1, they're funded. Districts can bill each other for students who enroll after Oct. 1, but it's been our experience that funding is not usually forthcoming from students' home districts.

Sen. Stephenson commended the district on the e-school offerings for students around the state. Charter schools haven't produced what he had hoped they would, but digital learning has.

### Transportation

- Operating Expenses
  - PCSD transportation is approximately 52% state funded
  - Local levy generated \$600,000 (local contribution)
  - \$250,000 is subsidized ANNUALLY by WPU without bus replacement
- Capital
  - PCSD needs \$240,000 - \$360,000 ANNUALLY to replace buses (two per year = 22 year replacement cycle, 3 per year = 15 year replacement cycle)
  - 4 buses over 20 years old, 11 buses 15-20 years old = approx. 1/3 of our fleet
  - PCSD is pursuing propane buses
  - Natural Gas lines freeze WHILE DRIVING in cold temperatures
  - (Compressed Natural Gas) CNG Fueling stations are expensive
  - CNG buses are \$20,000 more than propane buses
  - Propane Fuel tank installations inexpensive
  - Propane buses burn clean without emission equipment

It would be helpful to the district to have some sort of funding for bus replacement.

- Sen. Stephenson: "Dirty" bus replacement is a district issue and responsibility rather than a legislative responsibility.
  - Ms. Bryant: If the issue is dirty buses is there anything we could look at to help with transportation needs? Is there any possibility of the overall transportation funding percentage increasing?
  - Sen. Stephenson: Only with less WPU funding. The legislature is looking at changing the funding formula, which currently considers miles and time. A change is needed to allow districts to create greater efficiencies.
- Rep. Norm Thurston: Does the district trust itself to use a portion of any WPU increase for bus replacement rather than for teacher salary increases?
- Ms. Bryant: Yes, because Provo School District has had a balanced budget for ten years. We negotiate with teachers and would explain to them that WPU funds are for more than teacher salaries.

### Technology

- Technology replacement is our largest need
- Projections show PCSD needs \$900,000 ANNUALLY to keep classroom and staff tech needs up to date (computers, labs, audio/video etc)
- Provo Way Learning Initiative projected cost of \$1 million for next 3 years
- Projections show PCSD needs \$150,000 for IT infrastructure next year (bond has decreased this need significantly) FY14 only year in past 10 years with funding from state (\$6.6mil STATEWIDE)

At the request of Supt. Rittel, Sen. Stephenson reported on his proposed technology bill. He indicated he had been working with district officials around the state on following former Speaker Becky Lockhart's technology proposal from last year. Discussions have focused on the most fair way for the state to be involved in assisting districts with technology. Right now it's estimated that funding 1:1 devices and the accompanying infrastructure on an ongoing basis would require a commitment of approximately 4% of a district's budget. To assist with funding, districts could reallocate funds previously used for textbooks, reduce remediation, save on printing costs, etc. The question is how to get from where we are today to that point. The bill would anticipate the legislature would pay 1% of the 4% on an ongoing basis to get districts "over the bridge." There is an equity issue if districts are expected to fully fund it out of the WPU and property taxes. There is a huge disparity among districts in property tax yield per student. The legislature is looking at ways to resolve these issues. They would probably distribute half of the money based on a formula of 10% per LEA, 40%

based on student numbers, and the remaining 50% distributed based on the current Capital Outlay Foundation program, which helps districts "in the basement" because of high taxes and extremely low tax yield. Provo District is probably on the qualifying margin because it's in the middle of the average amount of yield per levy in local property tax.

Rep. Sanpei: Are the district's financial challenges listed by priority?

- Ms. Bryant/Supt. Rittel: The WPU and technology are the top two priorities. Right now our technology initiative is self-funded but not sustainable for too many more years.

#### Curriculum and Professional Development

- Transitioning to Observer Tab, state standards curriculum and e-curriculum is a challenge for PCSD
- Projections show PCSD needs \$500,000 ANNUALLY to transition to and maintain leading edge curriculum
- PCSD currently pays for three days (\$600,000) of professional development per year from reserves
- Professional Development was an FY14 legislative priority – request \$5M – funded \$100,000 STATEWIDE

#### Capital Needs

- Only \$14.5 million in the Capital Fund STATEWIDE last year
- Outstanding debt currently \$35 million, will increase to \$133 million at end of FY16 as a result of need to pass bond
- Higher Ed needs vs. Public Education needs
- Higher Ed received disproportionate share in prior year
- Each district's needs differ; more difficult for school districts to approach legislature as a unified group

## 1.05 Other Challenges: Regulation, Counseling, State Superintendent

The District is now funding three days of professional development.

Capital needs: Maintaining buildings

Per pupil funding for charter schools - Districts may be required to pay 75% of property tax revenue for charter school students.

Rep. Sanpei: Dual enrollment discussion: State legislature originally set up dual enrollment with the intent that parents would be able to both homeschool and enroll students in public school programs.

Accommodations should be made for them within the public school system. That seems to be working well with extracurricular activities. Some districts have attempted to make it equitable by stating home school students wanting to enroll in public school programs must qualify under all of the requirements of the program. At the same time, policy has been adopted requiring students to be enrolled full time in the public school, which seems to circumvent the original intent. The State Superintendent is hoping to be able to handle the discrepancy administratively rather than through a legislative bill.

Rep. Sanpei has heard from parents who are frustrated that Provo District no longer allows students to be homeschooled and dual enrolled in some district programs. Parents feel if their student qualifies academically for an accelerated program, the student should be allowed to participate in the program even for a portion of the day, particularly if their student scored higher on qualifying tests than a full-time student.

- Vice President McKay Jensen: Almost any bill will eventually contain the phrase "student must be reasonably accommodated." This can cause problems if parents want to enroll students in "limited resource programs" like PUPS at Provo High or CAS that have limited seats. Can a full time student be denied a seat in favor of a student who would be in attendance half of the day?
- Supt. Rittel: The challenge is in supporting school choice while being held accountable for efficiencies by offering what we have for the greatest impact for students. If we have 50 students who want to get into a program with only 30 seats, and if a number of those 50 students are only going to occupy the seat for half the day, that questions the efficiency of being able to offer that program to the maximum

impact throughout the district. It's a tug of war; we want to offer those choices yet we need to be accountable and efficient.

- Ms. Bryant: Student funding is based on the Average Daily Membership. Homeschool students enrolled in a district program for half the day would bring in half the funding. Students enrolled half-day in a district limited resource program like PUPs or CAS would be fully funded if they attend a district school the remainder of the day. Students enrolled in a limited resource program for the majority of the day would receive full funding.
- Vice President Jensen has heard from parents who have wanted to enroll their student in both PUPs and Centennial. Asst. Supt. Morgan indicated he has not received an appeal from any parents with that request.

Member Marsha Judkins: Counseling is a huge need in schools; any WPU increase could be used for funding counselors.

## 1.06 Technology Bill

See discussion above.

## 1.07 Benefit of Semi-annual Meeting

Due to time constraints, there was no discussion.

## 1.08 Q & A

Due to time constraints, there were no additional questions.

# 2. Adjourn

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## 2.01 Motion to Adjourn

I move we adjourn the joint session.

Motion by Marsha Judkins, second by Michelle Kaufusi.

Final Resolution: Motion Carries

Aye: Michelle Kaufusi, Julie Rash, McKay Jensen, Marsha Judkins, Taz Murray, Jim Pettersson

**Adjourned at 7:55 p.m.**