

El Paso Independent School District
Budget Review Committee (BRC)
Minutes of June 17, 2004

Dr. Rosas called the meeting to order, at 7:38 a.m. in the Board conference room.

BRC Members present at the meeting were Dr. Rene Rosas, Bill Palmer, Ken Gezelius, Sonny Garcia, Francis Wever, Patty Hughes, and Board of Trustees members Sal Mena, Jr. and David Dodge.

Guest – Art Wurg with the FBI

El Paso Independent School District personnel present were: Charles Tafoya, Dr. Bill Wachtel, Esther Jacobo, James Damm, Tomas Gabaldon, Luis Villalobos, Juan Sandoval, and Martha Piekarski.

Dr. Rosas welcomed Francis Wever from the EPFTSP, and also Art Wurg, a special agent from the FBI. Special Agent Wurg was invited by Mr. Mena to consider the Austin Magnet program for recruiting purposes.

Dr. Rosas brought up the BRC general rules of operation that were presented at the May 20, 2004 meeting. He invited members to make comments on the roles and responsibilities. Dr. Rosas recommended that an editorial change be made to No. 6 designating that BRC will be held on the third Thursday of the month. Mr. Mena stated that he would not be able to attend most meetings since he attends another meeting scheduled at the same time. He did, however, mention that he had representation within the group.

Welcome

Mr. Tafoya started off by updating the BRC members on the sale of our bonds. He, David Dodge, and Jim Damm were part of a committee that traveled to New York for the Bond Rating meeting the week of June 7th through the 9th. Presentation of our bond packages was very positive. This month, 100 million dollars worth of bonds will be sold, 55 million at Fixed Rate and 45 million at Variable Rate financing. Forty-seven of the hundred million dollars would go to retire the debt that we had incurred on the Maintenance Tax Notes and Lease Revenue Bonds to build Tippin. It has been determined that selling bonds at a variable instead of at a fixed rate will benefit the district. This will allow us to retire our debt much earlier than at a fixed rate.

Mr. Tafoya shared that he and Jack Johnston have been called on to provide testimony on our participation in the E-rate program to the Senate Review Committee. The New York Times is running a story on El Paso, E-Rate and the relationship with IBM. The story is very favorable in terms of this District's management of the program. Mr. Tafoya and Jack Johnston will provide testimony on July 6, 2004.

Mr. Tafoya will be attending a meeting in Boston on BRAC on the July 7th and 8th at the invitation of Mayor Wardy. It appears that El Paso is in contention for growth. A big concern is

the number of students coming into the District. The number of students expected is 8,000. The concern is how quickly our enrollment will increase. Mr. Dodge has been able to shed some light on this concern and has informed us that this will be a staged deployment. EPISD will probably have a year to a year and a half of students coming in and this would give us some time to try to stay ahead of that growth. What we need to find out is how many children we will have to accommodate. Predominantly, EPISD Northeast and Central (Austin, EPHS, Burges) will be impacted due to this growth.

Mr. Tafoya on the restructuring on the BRC: (1) a consultation election was held to define who the leadership representation for the employees was going to be and that is the Federation. This is incumbent upon Mrs. Wever, through the Federation, to have as part of her structure sub-groups that she acquires input from whether it is hourly employees, teachers, etc. (2) Wage and Hourly Issue with hourly employees. We had some outstanding liability with some of the committee structure. Hourly employees will no longer be able to serve on this committee because of the incurred liability of having to pay them. The issue of equity was also considered. If the district is going to pay an hourly employee to be a BRC member, we need to extend that same consideration to someone that wants to be a PTA officer for example.

.

Comments on Redirections/District Reorganization

Regarding the Reorganization, Mr. Tafoya asked that this be brought back next month once the members have had an opportunity to review it. What Mr. Tafoya did stress to the members is that while there appears to be more bodies, there is no new dollar growth. He stated that this reorganization was a one for one wash because as positions were closed this year through retirements and so forth, the funding was carried forward in anticipation of the reorganization. Mr. Tafoya stated that the intent of this reorganization was to try to create greater efficiencies for management of schools and support to the schools. It is meant to delineate some of responsibility a little differently giving more of authority out to the schools and putting a lot more budget out at the schools where the money is needed.

Recommendation for the new Police Chief will be taken to the Board Tuesday night. There were thirty-two applicants, but only nine were interviewed. We're moving to a philosophy of putting policemen on the campuses. We are going to a "Police in Concept" on the campuses, where we have officers on every high school campus on a daily basis. Also, we're working closely with Mayor Wardy to extend the same type of coverage to middle school campuses with a combined effort between the City and the schools. All of security is now under Police Services. They will report to the campus, but will require that a structured program of training and education be implemented so that we have a security force that is better trained and equipped to do their job. Finally, within this category of candidates interviewed, there was one young man who will be asked to join the District and act as backup to the Chief. It was very evident this person has a tremendous background in the technology arena and would compliment this District in maximizing our technology to relieve some of the manpower demands we have in Police Services. Dr. Rosas asked how this would impact the budget. Mr. Tafoya responded that this position would fall under the new GIS department that has been created. He added that in order to pay for this GIS department, what we did was cut from TIS and Maintenance, positions that were not high profile or highly utilized and had been on the books for a while and we shifted that budget to GIS.

Board Member, Sal Mena, mentioned that we are awaiting approval on a grant from the US Government for five new police officer positions. If the grant is approved, the cost for these positions would be paid for the first three years and would become the responsibility of the district beginning the fourth year. If we receive funding for these positions, we might consider putting them at the middle school where they are needed.

Comments from the BRC Chairman

Dr. Rosas announced that the committee will need to consider electing a vice-chairman. All members were asked to consider a candidate and submit a name at next month's meeting.

Remarks by Board members

Mr. Mena thanked the committee for having him and his special guest, Art Wurg, present during the meeting.

Overview of State School Finance Issues and EPISD Finances

Mr. Damm presented a summation of articles in the newspapers. Governor Duherst is said to be pushing for a special session. Beginning of this week, Governor Perry stated that he was ready to call a special session but he wanted to have the House and Senate come in with a plan. The courts can only declare the system unconstitutional and get the states a time frame to adopt the constitutional system and, if not adopted within the time frame, can prohibit the flow of funds to education. They would have to have a system to meet the constitutional test. EPISD has no additional funding from the state, no additional capacity in our tax rates, since we're at a dollar and a half. The entire budget for next year has to be balanced and should be approximately at the same level as what it has been this year. (To be discussed under Budget Redirections on the Agenda) Mr. Tafoya suggested we invite the group that does the collection of taxes and evaluation to talk to committee about their methodology. Sal Mena suggested that the committee invite Jerry Ramsey, Administrative Deputy, at the Central Appraisal Office.

Update on the Bond Sale

Jim Damm finalized some things about the variable rate portion of bonds. That savings that we are projecting (based on a number of variables) is expected to be approximately 27 million dollars (approximately 8 million dollars in present value numbers). The significance of the savings is very important. The way the mechanics of that works is that on the variable rate bonds...we will tax and budget at a five and a half percent rate, which was the rate told to the voters, and the current numbers that we will be using and indexed over time to change (including all fees and costs associated with this methodology) will be about 3 1/4 percent. In effect, we are expecting to save about 2 1/4 percent at the end of Year One. With the savings, the District will be able to buy down on the bonds. Interest costs would be eliminated as you buy down. The other part of this first sale, which will be the fixed rate bonds next week, will be funding the repayment of the maintenance tax notes and the lease purchase for Tippin Elementary School. Those, for this coming year, will free up 3.7 million dollars of the Operating Budget that had been committed to pay the interest and principal on the Maintenance Tax Notes from these revenue bonds. Therefore, that is one source of funds that we have for next year that does not require a tax increase or increase in state funding. That number over the next few years goes as high as 4.1 million dollars.

Update on Revenue Maximization

Tomas Gabaldon provided a follow-up on comments from the last meeting.

Impact Aid – The current year revenue projection was 2.8 million and then increased to 2.9 million. However, based on this year's September 27th count, the projection has dropped 2.1 million. Since then, the Division was allowed to go through a second count, which is currently being done. Preliminary figures indicate that our count will increase to about 3.6 million. This is an increase of about 1.5 million. However, because this is a second count, the federal government will only allow us half of this increase. The district will only receive approximately \$750,000.

In the past, funding was not a priority. Under the present reorganization, we are looking at a Facilitator for Impact Aid, plus two clerks dedicated in this area. And going along with the revenue maximization, is PEIMS. Again under the reorganization we will identify a Facilitator and two clerks who will be working with the PEIMS Special Education and the At-Risk components. What we found out recently is that the at-risk count dropped by 2,800 students; but yet the disadvantaged percentage increased, which makes no sense. This new team will be going out to the schools to ensure that campuses are coding the at-risk properly.

SHARS/Medicaid Reimbursement - is a lot lower than the projection. Mr. Gabaldon met with a contractor last night and he has promised staffing for the summer to look at nurse services and transportation components. We are expecting a considerable increase by August. Mr. Gabaldon added that the Board/Administration has approved his recommendation to add 16 additional social workers, which would be partly funded from the SHARS-Medicaid Reimbursement. They will be focused at the 15 middle schools. In researching our PEIMS, the high non-attendance is at the middle schools. If these social workers begin to counsel these kids and their families and increase attendance by one percent, this will translate to three to four million dollars of additional revenue funding for the District.

Budget Redirections and Major Initiatives

The following budget redirections and major initiatives were discussed:

Redirections/Major Initiatives

Since we have no new source of funds, we have to redirect within the budget. The major areas we are looking at are:

- District reorganization which is cost neutral
- Operating Fund commitments have been redirected to external funds whenever possible
- Staffing reviewed through Needs Assessment/Budget Hearings. Some areas reviewed for decrease in staffing:
 - Custodial
 - Print Shop
 - Transportation
- Curtailment of staff travel or redirecting costs to external funds whenever possible
- Site Specialists have been moved from Central Office to campuses to work directly with students
- Reduction in Workers Comp and Health insurance expenses

- Possible reduction in benefit premiums for Workers Compensation and Health insurance
- Energy Conservation Management Program which will save provide considerable savings to the district
- Technology Support thru reorganization is going to be enhanced mainly by utilizing students; Site Specialists provided at each one of the feeder pattern
- Renegotiated bid of Beverage Vending in schools. It appears that we will increase our commissions.

Review of May 2004 Financials

Martha Piekarski provided the committee with an overview draft copy of the Budget vs. Actual Report of the General Fund as of May 2004 and the Special Revenue Progress Report – Unaudited. These reports are submitted to the Finance Committee on a monthly basis. Dr. Rosas expressed his approval of the information made available by these reports.

Update on the Budget

Esther Jacobo provided the committee with the Budgeting Instructions booklet. Also, included were the account code structure, list of acronyms and her business card should anyone have questions? Esther Jacobo informed the committee that she is working on the budget; but could not provide numbers at this time. Mr. Damm disclosed that we would like to free up something in the range of eight to nine million dollars to provide a compensation package. Dr. O'Donnell, on Compensation Committee, is asking when there will be discussion with the BOT. Mrs. Wever, Ms. Grantham, and Mr. Damm have had discussions on this subject. It's a factor of dollars and prioritizing and determining the level we can do them in. This should come into closure within the next 30 days.

Questions and comments from Committee

Dr. Rosas thanks Mrs. Wever and Mr. Wurg for attending. Also, he complimented the staff for the reports submitted to the committee.

Closing comments

The May 20, 2004 BRC minutes were approved by the committee.

Next meeting scheduled is for Thursday, July 15, 2004.

Adjournment

Meeting adjourned at 9:16 a.m.