TO: Board of Directors  
FROM: George Russell  
Superintendent of Schools  
RE: Reports and Recommendations

III. INTRODUCTION OF GUESTS AND SUPERINTENDENT’S REPORT (Carl Hermanns)

Student winners of the Eugene Education Association’s Martin Luther King, Jr. contest will read their entries to the board. They will be introduced by members of the Eugene Education Association’s Minority Affairs Committee.

VII. ITEMS FOR INFORMATION

1. Announce Finalist Candidates for Superintendent (Staff: Celia Feres-Johnson)

The board interviewed candidates for superintendent in executive sessions on February 11 and 12. At this meeting, the board will announce the finalist candidates who will advance in the selection process.

The next steps include site visits by board members to the communities where the finalists are now or have most recently worked. Finalists will also return to Eugene to meet again with the board and with various stakeholders including staff, students and community. A community forum is being planned for Tuesday, March 8 to provide an opportunity for each finalist candidate to talk briefly with those interested in attending.

The board plans to approve the selection of a new superintendent at the March 16 board meeting.

2. Receive an Update on Proposals for the Acquisition of the Civic Stadium Properties (Staff: Jon Lauch)

Three proposals were received on February 1 for the Acquisition of the Civic Stadium Properties. The following is a general summary of the proposers, their property development proposals, and purchase offers (excluding specific pricing, terms, conditions and contingencies).

Proposer: Master Development, LCC & Powell Development Co., Eugene, Oregon  
Property Development Proposal: Mixed use development with stores, restaurants, and residential apartments.  
Purchase Offer: Cash Offer with terms and conditions.
**Proposer: Eugene YMCA, Eugene, Oregon**
Property Development Proposal: A new YMCA facility and an off-campus student housing neighborhood.
Purchase Offer: Cash Offer with terms and conditions or a long-term ground lease.

**Proposer: Save Civic Stadium, Eugene, Oregon**
Property Development Proposal: Rehabilitation of the Stadium and site conversion into a multipurpose sports venue.
Purchase Offer: Long term lease with option to purchase.

The Screening Committee will begin reviewing and scoring the proposals next week. The Committee evaluations will be forwarded to the Board by March 2, 2011.

3. **Receive Information Regarding a Proposed Bond Measure for Capital Improvements** (Staff: Jon Lauch)

At the January 12 board meeting, staff provided an overview of a proposed $130 million bond measure. Additional information about projects that would be funded by the bond measure was provided at the January 25 board meeting as well as a review of the pros and cons of placing a measure on the ballot in May 2011 versus November 2011.

In light of the proposed city income tax measure for schools, and the concern around the potential for competing money measures on the same ballot, staff will be prepared to discuss the implications of various bond measure scenarios, specifically for reduced amount and scope of a bond measure. Contrary to the next steps proposed at the January 25 board meeting, until a decision is reached regarding the income tax measure and direction provided regarding the amount and scope of a potential bond measure, it would be premature to “review and confirm the project list” at this meeting.

An election date has yet to be determined, but staff is proceeding with a planning timeline that would allow the board to refer a bond measure to voters for the May 17, 2011 election. The board would need to take action on a resolution referring the measure to the May election ballot at the March 16 board meeting. Until then, no decision is needed on the election date. However, direction regarding the amount and general scope will be necessary in order to prepare a resolution as a Future Action Item at the March 2 board meeting, assuming the board wishes to continue planning for a May election.

The general project categories and relative proposed funding for each category under the $130 million scenario provided on January 12 and January 25 consist of the following:

- **School replacements - $63 million**
  - New construction, including equipment and furnishings:
    - One middle school - $36.7 million
      Roosevelt Middle School was the project identified in 2002 as the next middle school that would be replaced with a new building on the existing site.
    - One elementary school - $26.3 million
Decisions about replacement schools could be made prior to the election or the board could determine which schools would be replaced after the outcome of school configuration discussions and decisions.

The district’s long-range facilities plan calls for the replacement of aging elementary and middle school buildings. Many of our school buildings are 50-years-old or more and replacement is a more cost-effective choice than doing major remodels and upgrades.

- **Capital systems replacements/improvements - $40.9 million**
  - Roofing, plumbing, heating, electrical, fire alarms, safety/security, paving, energy conservation measures, etc.

- **Additions and remodels - $10.4 million**
  - This includes projects at Adams, McCornack and Willagillespie elementary schools. Restroom upgrades at multiple schools are also proposed.

- **Repair and building improvements currently in the General Fund operating budget (General Fund relief) - $6 million**
  - Shift $1 million per year of funding for some repair and building improvements from the General Fund operating budget to bond funds, relieving the General fund of these expenses.

- **Technology - $6.8 million**
  - Technology infrastructure upgrades, telephone system replacements, new student data information systems and classroom technology.

- **Instructional Systems Support - $2.1 million**
  - This includes potential textbook adoptions, classroom instructional technologies to support teaching and/or distance learning, and potential space improvements to address the impact of increased teacher/student ratios.

- **Potential Real Property Acquisition - $0.8 Million**
  - The district has discussed the potential acquisition of some property that adjoins existing school sites, in order to provide more flexibility for school replacement at these sites in the future.

Costs for bond issuance, construction contract administration and project management are included in the above numbers (projected at approximately 5%).

**VIII. CONSENT GROUP – ITEMS FOR ACTION**

1. **Approve Expenditures for June, July, August, September, October, November and December 2010** (Staff: John Ewing)

   A summary of the district’s expenditures for June 2010, totaling $39,557,563.54; for July 2010, totaling $8,857,527.42; for August 2010, totaling $16,952,432.05; for September 2010, totaling $15,918,466.81; for October 2010, totaling $22,623,797.10; for November 2010, totaling $20,168,925.06; and December 2010, totaling $17,081,794.06 are included in the board packet.
The superintendent recommends approval of the June, July, August, September, October, November, and December 2010 expenditures.

IX. ITEMS FOR ACTION AT THIS MEETING

1. **Approve a Motion to Support a City Tax for Schools** (Staff: Susan Fahey)

   **Background:**
   On February 14, the Eugene City Council will consider whether to refer to voters an income tax measure that would provide revenue for Eugene and Bethel School Districts, specifically to minimize increases in class size and furlough days. At this meeting, the board will receive an update regarding the Council's action and consider approving a motion to support a city income tax for schools.

   On January 24, the Council approved a motion directing the city manager to bring back for Council consideration on February 14, a proposed ballot measure for the May ballot that:
   1) Approves a local income tax on Eugene residents that would sunset after six years;
   2) Is designed to raise revenue sufficient to (a) allow the two school districts to reduce or eliminate furlough days and keep average class size from increasing to the extent possible; and (b) to cover the costs of implementing the measure;
   3) Divides the tax revenues (after deducting the costs of implementation) between the two school districts based on the number of students in each district who reside within the city limits;
   4) Would reduce or suspend the local income tax if the State either (a) increases state funding of the districts to the point that additional local revenues are no longer needed to restore furlough days or prevent average class size from increasing, or (b) requires that the local income tax revenues decrease the amount of state funding for the districts;
   5) Requires the school districts to provide annually a report to the City Council describing how the income tax revenues were spent; and
   6) Requires the school districts to establish a review panel, similar in nature to the Citizen Street Repair Review Panel, comprised of four members appointed by the Bethel school district, four members appointed by the Eugene school district, and four members appointed by the Mayor, two of whom should be business representatives and two who opposed the measure.

   In addition, the Council approved a motion to direct the city manager to ask each school district how much revenue the district would like to receive from the measure to achieve the outcomes.

   In order to prepare a ballot measure for the May election ballot, the Council will need to act to approve a resolution on February 14.

   **Discussion:**
   1. Rationale: The district is facing a shortfall of $22-$28 million for 2011-12 and ongoing deficits thereafter, based on financial forecasts and expectations of state school funding. Revenue from a city income tax would help the school districts avoid some of the reductions in teaching staff and instructional days that would otherwise occur in order to balance annual budgets. The city
income tax is viewed by supporters as a temporary tax that would help fund school operations while a statewide school funding solution is pursued.

2. Options and Alternatives: The board could approve a motion to support the city tax proposal, choose not to take action or postpone action until a future date, or not approve a motion to support the tax.

3. Budget/Resource Implications: At the time that this information was drafted, the amount of revenue that a city income tax might generate for the district is not known. The district has requested that scenarios presented for City Council consideration net $12 million or $19 million annually for the district.

4. Board and Superintendent Goals: This action is related to the board’s goal of student achievement and stewardship of district resources, specifically related to the sustainable budget key result: By 2014-15, the district will implement a sustainable budget strategy that maintains reserves at or above board targets minimizes the use of one-time funds for ongoing expenses, optimizes the use of short-term resources to improve student achievement, and increases operational efficiency while reducing long-term capital needs.”

A copy of the information related to the city income tax for schools that will be released on Friday, February 11 with the City Council agenda packet will be forwarded to the board, when received.

**Recommendation:**
The superintendent recommends that the board approve a motion supporting a city income tax for schools. If the City Council takes action on February 14 to place a measure on the May 17, 2011 ballot, a more specific motion will be drafted for consideration at this meeting.

2. **Consider the 2011-12 Lane Education Service District Local Service Plan**

As required by House Bill 3184, Lane Education Service District has developed a Local Service Plan. The process in developing this plan included analysis of all resolutions/core services with the 16 component districts. Through this process component districts had the opportunity to gain knowledge, share and discuss their needs and provide recommendations for the local service plan.

The Local Service Plan contains all services mandated by law. These services are intended to: Improve student learning; enhance the quality of instruction provided to students; assure equitable access to resources; and maximize operational and fiscal efficiencies. This plan includes services for:

1. Students with special needs
2. School improvement
3. Technology
4. Administrative and support
5. Additional services

Copies of the Local Service Plan Report for 2009-2010 and the 2009-2010 Summary of Services for Eugene School District 4J were included in the February 2, 2011 board packet. A copy of the Resolution Adopting the Local Service Plan was also included in February 2, 2011 board packet. The superintendent recommends adoption of the 2011-12 Lane ESD Local Service Plan.
X. ITEMS FOR ACTION AT A FUTURE MEETING

1. **Accept the Comprehensive Annual Financial Report for June 30, 2010**  
   (Staff: Mary Nickelson-Hill)

   **Action Proposed:**  
   Accept the annual audit report for fiscal year 2009-2010.

   **Background:**  
   Oregon statute requires that the accounts and fiscal affairs of every governmental agency be audited and reviewed at least once each fiscal year. In accordance with this requirement, the independent audit firm of Grove, Mueller and Swank, PC has completed the 2009-10 annual audit. The district received an unqualified opinion on the financial statements presented which indicates the auditor believes that the financial statements present fairly the district’s financial position in all material respects. Additionally, Board Policy DI directs that the district issue a Comprehensive Annual Financial Report (CAFR). The CAFR was prepared by financial services staff for the period July 1, 2009 through June 30, 2010.

   The District’s Financial Policy Committee, including Board member Jim Torrey, met on February 4, 2011 and received the 2009-2010 audit report and letter to management from the audit firm. The District’s independent auditor and financial services staff presented an overview of the report’s contents and responded to questions asked by Committee members. The letter to management contained a few suggestions for improving internal controls in the purchasing and grant oversight areas.

   As part of a memorandum of agreement between the Eugene School District and the Eugene Education Association, the District agreed to report to the Board the difference between budgeted and actual costs for licensed personnel for the 2009-2010 year. Audited 2009-10 expenditures are compared with the budgeted amounts below.

   | Budgeted   | $48,257,203 |
   | Audited expenditures | $48,530,580 |
   | Over expenditure | $273,377 |

   **Discussion:**  
   1. **Rationale:**  
      Sections 297.405 through 297.555 of the Oregon Revised Statutes cover municipal audit law and require an annual financial statement audit of all municipal corporations.

   2. **Options and Alternatives:**  
      The board could choose not to accept the audit report for a specific reason which would require additional work by finance staff and auditors to prepare a report that would be acceptable to the board.

   3. **Budget/Resource Implication:**  
      The CAFR is reviewed by credit rating agencies when assigning credit ratings for issuers of debt obligations. Issuers and debt purchasers rely on credit ratings as an independent verification of credit-worthiness and the resultant value of the instruments issued. Additionally, if a school district does not provide a completed audit to the
Oregon Department of Education by December 31st, school fund payments are withheld until one is submitted.

4. Board and Superintendent Goals:
The preparation and annual audit of the CAFR meets the Board goal of providing prudent stewardship of district resources.

Recommendation:
The superintendent recommends that the board accept the audit report for fiscal year 2009-2010.

Calendar for Board Members
March 8 Executive Session - Superintendent finalists 12:30 – 6 p.m.
March 8 Community forum with Superintendent finalists 6 pm
Wednesday, March 9 Executive Session Regular Board Meeting 6 pm 7 pm
Wednesday, March 16 Regular Board Meeting 7 pm

Hold for spring Board Retreat (date to be selected after mid-March):
Friday, April 15 afternoon and Saturday, April 16
Friday, May 20 afternoon and Saturday, May 21