

**Meeting of the School Board
David Douglas School District No. 40
November 16, 2006**

The regular meeting of the David Douglas School Board was held on Thursday, November 16, 2006, at 7:00 p.m. in the Board Room of the David Douglas School District Administration Building, located at 1500 SE 130, Portland, Oregon 97233.

School Board Members present were:

Donn Gardner, Board Chair	
Bruce Burton	Carl Clinton
Mike Centoni	Annette Mattson
Frieda Christopher	

Also present were Barbara Rommel, Superintendent/Clerk; Mike Stout, Assistant Superintendent; Courtney Wilton, Director of Administrative Services/Deputy Clerk; Sherrie Barger, Director of Curriculum; Barbara Kienle, Director of Student Services; and Gail Hunter, Board Secretary.

The agenda included consideration of the following:

Call to Order / Flag Salute

Board Member Reports – Board Chair Gardner welcomed members of Boy Scout Troop 410 to the meeting. Carl Clinton enjoyed speaking with students and staff members when he participated in Tuesday's career day for the high school's IES CAM, describing his work as a land surveyor. Frieda Christopher said the presentations offered at this year's OSBA conference were outstanding. Opportunity Gateway is becoming 'Gateway Regional Center', to better reflect the group's vision. Ms. Christopher reviewed discussions with PDC regarding housing development in the area. Annette Mattson reported that more than 800 board members from around the state attended the OSBA conference. She gathered valuable information from several sessions, and said that the OSBA board voted unanimous support for ODE's growth model for NCLB. Unfortunately the US Department of Education declined Oregon's application. Ms. Mattson was congratulated for being elected Vice President of OSBA.

Student Body President's Report – ASB President Ellyn Ward reported that winter sports have begun. Tickets being sold for performances of "Peter Pan". Approximately 4,000 cans of food were collected during the fall food drive, which concluded today. Additional food and cash donations were collected at a noontime concert by the band "Beverly", to benefit the Celtic Heart. Parent/teacher conferences are underway today and tomorrow. Leadership classes are publicizing the Mother-Son Banquet, to be held in conjunction with a "Peter Pan" performance on December 7, and are making plans for the holiday assembly and the winter formal.

Superintendent's Report – Superintendent Rommel announced that David Douglas High School musicians will perform at the Grotto on December 5 at 9pm. Members of the "Peter Pan" cast are performing vignettes at elementary schools to advertise their production. KATU News is working on a story about our area's changing demographics which will air on November 22. The coverage will feature footage shot at Mill Park and an interview with Principal Kate Barker. Mt. Hood Community College has been awarded a federal "talent search" grant in which they will partner with our school district in identifying and supporting students who would be the first generation of their family to attend college. The grant pays for advisors to work at designated schools. Ron Russell Middle

School and David Douglas High School will be part of that program. The superintendent received notice that the high school is being honored as a School Library Honor Roll Award recipient by the Oregon Educational Media Association, for having met the Quality Education Model staffing requirements for school libraries. Sherrie Barger announced that more than 100 district staff members are participating in a two day conference on poverty as a joint program for east county school districts. Mike Stout reported that City Commissioner Randy Leonard attended the CAC meeting on November 14.

Audit Report – Courtney Wilton introduced Accounting Manager Ann Marie Rears, and Bill Barker, senior manager in governmental accounting from Talbot, Korvola, & Warwick, who reviewed the district's Comprehensive Annual Financial Report for 2005-06 and their management letter. Mr. Wilton commended Ms. Rears for an excellent job preparing financial data for the annual audit. Oregon municipal corporations are required to have their financial statements audited annually. The audit opinion presented is unqualified, finding that appropriate procedures are in place and funds are properly accounted for. Mr. Barker also reported on the single audit of Federal Programs, noting that the Child Nutrition cluster was selected this year and was found to be in full compliance with requirements. Single audit programs are rotated on an annual basis. Recommendations in the management letter were appropriately responded to by Mr. Rears and Mr. Wilton. Mr. Wilton said that the fact that there are no audit adjustments is significant, and is due to the fine work of Ms. Rears and her team. Ms. Rears expressed her appreciation for the teamwork of the business office staff in contributing to the district's financial report.

Actuarial Study Report – Courtney Wilton provided an overview of the district's early retirement programs. The stipend plan remains almost fully funded, while the medical plan's liability continues to grow. Both of these plans were sunsetted as of last year, although the district will be paying benefits on these plans until roughly 2046, per the actuary. Mr. Wilton recapped the details of each plan, and reviewed funding methods to consider for meeting these obligations.

Investment Policy Update – Mr. Wilton reported that the district has a current investment portfolio residing in the local government investment pool, commercial paper, and various federal securities such as treasury bills and certificates of deposit. The primary objectives are safety, liquidity, and return on investments. He said the district's investment guidelines need to be reviewed and revised periodically to comply with current state statutes and their limitations. Revised Investment Guidelines for Non-Pension/Deferred Compensation Funds were presented for the board's adoption. Mr. Burton made a motion to adopt the revised guidelines, seconded by Mr. Centoni. The investment guidelines were approved in a vote of 7-0.

Audience Participation – Board Chair Gardner opened the meeting for public comment. There were no remarks from the audience. The board chair declared a brief recess. The meeting was reconvened.

Fiscal Issues 2006-07 Workshop – Mr. Wilton presented a comprehensive report on the district's current and forecasted financial status. He said the past five years have been the best financially in the district's history. The district received substantial local support in addition to state funding; we have experienced growing enrollment; and have been awarded large grant increases. Bond funds were available to meet growth and maintenance demands, and inflation and growth in labor costs were moderate. All of these factors more than offset constrained state funding. The end result of

these financial good times were expansion and renovation of facilities, increases in staffing, reduced debt, and annual budget surpluses.

The financial picture is changing. The ITAX has concluded. Due to lower than anticipated growth in enrollment, revenue is less than anticipated. Increases in grant funding have slowed, and we will not have bond funds available for the next two years. Overall operating costs are expected to increase by 13%. The end result will be a \$3 million deficit in 2006/07, and a more substantial deficit in 2007/08.

Mr. Wilton said that great things are happening at David Douglas and the large increases to services the last two years have made a difference. That being said, our current budget is not sustainable. Reserves are being drawn down in the current year and the extent of the drawdown will very likely increase next year if city/county support ceases.

He suggested that board members consider the following questions relating to the 2007-08 budget discussion:

- What level, if any, of enrollment growth should we assume and staff for?
- Should we continue to assume a decline in ESL student numbers? If so, how will we budget for the decrease?
- What level of operating deficit is the board comfortable running next year? How long should we plan to make existing reserves last?
- How long should we plan to make our existing capital reserves last? Should we spend some of our operating reserves for capital purposes?
- Should we increase operating costs over and above status quo to assume expenses formerly covered by grants (21st Century, IDEA)?

Mr. Wilton's presentation was followed by a board discussion about budget implications and next steps in planning for the district's financial future. Board Chair Gardner requested that board members put together a list of comments, questions or concerns to drive additional budget discussions. Included would be information they might want compiled to help with decision-making in building the 2007-08 budget. He requested that comments be forwarded to the superintendent by Wednesday, November 22 if possible. It was the board's consensus to convene the board meeting scheduled for December 7 at 6:30pm, to permit more comprehensive discussion of financial issues.

Other Business / Future Agenda Items – None

Adjournment – There being no other business, the board chair declared the meeting adjourned.



Donn Gardner, Board Chair



Barbara Rommel, Superintendent / Clerk