

MINUTES
CLARK COUNTY SCHOOL DISTRICT
SPECIAL MEETING OF THE BOARD OF SCHOOL TRUSTEES
BOND OVERSIGHT COMMITTEE
ADMINISTRATIVE CENTER, ROOM 466
5100 W. SAHARA AVE., LAS VEGAS, NV 89146

THURSDAY, JUNE 19, 2014

11:30 a.m.

Members Present

Bowler, Richard	Lavelle, Eleissa
Bruins, David	Lazaroff, Gene
Earl, Debbie	Lopez, George
Haldeman, Joyce	Philpott, Steve
Halsey, Jim	Reynolds, Jacob

Members Absent

Davis, Al
Hawkins, Frank
Kubat, Charles
Tate, Cameron

A recording of this meeting can be obtained by contacting the Capital Program Office at 799-8710.

1.01 ROLL CALL.

Jim Halsey, Chair, called the meeting to order at 11:35 a.m.

1.02 ADOPTION OF THE AGENDA.

Motion was approved to adopt the Agenda for June 19, 2014.

Motion: Earl Second: Philpott Vote: Unanimous

2.01 PUBLIC COMMENT PERIOD.

None.

3.01 APPROVAL OF THE MINUTES.

Motion for approval of the Minutes for May 15, 2014.

Motion: Haldeman Second: Earl Vote: Unanimous

3.02 ELECTION OF EXECUTIVE COMMITTEE.

Steve Philpott was nominated and elected SECOND VICE CHAIR.

Motion: Haldeman Second: Earl Vote: Unanimous

David Bruins was nominated and elected FIRST VICE CHAIR.

Motion: Earl Second: Haldeman Vote: Unanimous

ELECTION OF EXECUTIVE COMMITTEE (continued).

Jim Halsey was nominated and elected CHAIR.

Motion: Haldeman

Second: Philpott

Vote: Unanimous

3.03 APPOINTMENT OF LIAISONS.

No changes were made to the list of liaisons. Jim Halsey requested members contact him if there is a request for any change to the list of liaisons.

3.04 FUTURE BUILDING PROGRAMS – PROJECTION OF ADDITIONAL SEATS FOR FUTURE NEEDS.

Joyce Haldeman, Executive Director of Community & Government Relations, explained that the first presentation provided information on the location of school facilities that have vacant seats. The second presentation provided information on the number of portables that are in use at the school sites and the condition of the portables.

Ms. Haldeman explained that this third presentation to this committee will provide information that must also be considered by the Board of School Trustees as the next building program is prepared for a future ballot question. This presentation will provide the number of new seats needed under a variety of circumstances.

Rick Baldwin, Director of Demographics, Zoning, & GIS Department, provided copies of a PowerPoint presentation, “Future Building Programs: Projection of Additional Seats for Future Needs.” Mr. Baldwin summarized the purpose of the strategic planning areas (SPAs) and defined capacities as the number of students that can be seated within the school facility (portables are not included).

Mr. Baldwin explained elementary capacity considerations for a 9-month and a year-round schedule. With kindergarten capacity at 21 students to one teacher and full-day kindergarten implemented at 30 schools, two schools would need to be built to provide an additional 1,418 seats. The State Legislature appropriated funds for the purchase of additional portable classrooms that are currently being placed at variance school sites for the 2014-2015 school year.

Mr. Baldwin summarized the enrollments by grade level since the beginning of the 2013-14 school year.

Steve Philpott questioned what the count for Early Childhood Special Education was in 2013.

FUTURE BUILDING PROGRAMS – PROJECTION OF ADDITIONAL SEATS FOR FUTURE NEEDS (continued).

Mr. Baldwin continued with his presentation and summarized the historical and projected number of students in the self-contained programs, and pre-kindergarten; the ten-year enrollment history of 11 years of growth, and the enrollment history in schools by strategic planning areas including growth percentages; and a hot-spot map for the school year 2014-2015 projected enrollment with anticipated capacity changes for elementary schools if all schools were on a 9-month schedule. In summarizing the projected school needs for elementary 9-month, Mr. Baldwin explained the District currently needs an equivalent of an additional 28 schools. The District is currently using portables to manage the enrollment growth.

In summarizing the school year 2014-2015 projected enrollment with anticipated capacity changes for elementary schools on a year-round schedule, Mr. Baldwin explained that we would need one new school in 2021 if the District enrollment grows by a minimum of 1 percent each year. Mr. Baldwin expects the District will experience a 2 percent growth in elementary enrollment for the next school year. If all elementary schools are on a year-round schedule and the District does experience a 2 percent growth, the District would need to build one elementary school by 2017.

Jim Halsey questioned how many other school districts in the country utilize year-round schedules. Joyce Haldeman explained that ten years ago it was very popular due to the growth that was being experienced. Most districts are moving away from year-round schedules as much as possible. The current status would have to be researched.

Mr. Baldwin summarized the middle school enrollment history by strategic planning areas, and a hot-spot map for the school year 2014-2015 projected enrollment with anticipated capacity changes for middle schools. The middle schools in the southern portion of the valley are over capacity and could be relieved by transferring them to where there are seats available. Mr. Baldwin explained that if the middle school enrollment grows by 2 percent each year, a new middle school would be needed in 2020. Middle school enrollment growth is expected to remain at 1 percent.

Due to the 1998 Capital Improvement Program, an abundance of middle schools were built to accommodate the 3 to 4 percent growth experienced 10 years ago.

Mr. Baldwin stated that the middle schools back then were on double-sessions and year-round schedules.

Mr. Baldwin summarized the high school enrollment history by strategic planning areas, and a hot-spot map for the school year 2014-2015 projected enrollment with anticipated capacity changes for high schools. The high schools in the south and northwest portions of the valley will all experience overcrowding of high schools; i.e., Foothill, Coronado, Arbor View, and Centennial. The overcrowding at Rancho High School is due to their popular magnet program. Mr. Baldwin explained that with a 1 percent growth, the District should begin construction of a high school now to meet the need in 2017.

FUTURE BUILDING PROGRAMS – PROJECTION OF ADDITIONAL SEATS FOR FUTURE NEEDS (continued).

Mr. Baldwin explained the 2013-2014 Development Tracking by Strategic Planning Area (slide 19) to provide the number of students that are expected from future development. Strategic Planning Area 19 (slide 20) identifies the future development and enrollment that could impact the schools in that area. In the past, a cooperative management agreement with McCarran Airport restricted developers from this area due to air traffic noise. The growth in this area is due to the restriction being lifted and land became available for development.

Steve Philpott questioned if the District will be considering if the middle schools that are under capacity could receive fifth grade students and relieve the elementary schools that are over capacity on a selective basis. Joyce Haldeman explained that this will be included in a future discussion for alternative solutions.

Eleissa Lavelle stated that a school on a year-round schedule would cost more to operate and questioned if the District has considered utilizing the money saved by staying on a 9-month schedule on new construction. Mr. Baldwin stated that an additional \$308,000.00 (operational funds) are required for a school to operate on a year-round schedule and explained new construction is required to be funded with capital funds.

3.05 FUTURE BUILDING PROGRAMS – PROJECTION OF LAND ACQUISITION FOR FUTURE NEEDS.

Joyce Haldeman stated that Mr. Baldwin has identified the number of seats/schools and future capacity. If we are able to build new schools, this presentation will provide the District's land acquisition needs.

Linda Perri, Director of Real Property Management, provided copies of her PowerPoint presentation, "Land Acquisition Requirements" and explained the disclaimer, study approach, methodology, and District vacant land inventory. The District vacant acreage suitable for school development addresses the number of aggregate acres available for elementary, middle, and high school sites; and the sites per strategic planning area identifies the vacant sites within each strategic planning area.

David Bruins questioned if the District could sell the acreage that is not large enough to build a school. Ms. Perri explained that some of that acreage is designated for administrative sites and explained why people are not interested in going through the cumbersome details to purchase District-owned property.

Ms. Perri explained the estimated projections and number of sites needed for elementary, middle, and high schools based upon the various growth scenarios. The potential acquisition costs could be as low as \$212 million or as high as \$497 million based upon the growth scenarios.

FUTURE BUILDING PROGRAMS – PROJECTION OF LAND ACQUISITION FOR FUTURE NEEDS (continued).

Steve Philpott stated that the District does not have any vacant property available within the high growth areas to alleviate the overcrowded schools and questioned if the District would consider eminent domain to acquire property. Ms. Perri explained that the District could consider that as an option. Mr. Baldwin explained that additions could be built at the schools that are overcrowded where land is unavailable.

3.06 FUTURE BUILDING PROGRAMS – REVENUE UPDATE.

Jim McIntosh, Chief Financial Officer, provided copies of his PowerPoint presentation, “Capital Fund Revenue Update.” Mr. McIntosh explained that this report, that will include available capacity to borrow against, will be provided to this committee and the Board of School Trustees on a quarterly basis.

To plan for a ballot question in 2016 and identify the size of the program, staff needs to be able to forecast what revenue can be achieved and the District’s ability to bond against that revenue. Mr. McIntosh identified and explained the three main revenue streams that include property tax, room tax, and real property transfer tax.

The main revenue in the Capital Improvement Program is the property tax revenue. The District receives \$0.5534 (capital rate) for every \$100.00 of assessed valuation to be used for the construction/modernization of schools. This capital rate was approved and frozen by the public in 1998 for the 10-year building program. The District’s authority to borrow against this capital rate expired in 2008; however, the District continues to receive funds at this capital rate due to the debt disservice. When the debt service does not meet the amount brought in by the rate, the Department of Taxation may drop the rate so that the debt service matches the actual amount of revenue that the District is receiving. The District is required by the State to bond against this revenue stream to utilize the funds. This revenue cannot be used for pay-as-you-go funds.

In reviewing a five-year history of property tax revenue, Mr. McIntosh stated that due to increased property taxes and assessed valuations, revenue is finally beginning to increase.

Mr. McIntosh explained a graph of what the District capacity would look like in the future. In defining abatement, Mr. McIntosh explained that years ago when property values and assessed values were increasing, the State Legislature passed a statute regarding abatement and the statute prohibited property tax revenues from growing more than 3 percent a year. Assessed valuations may increase by 10 percent. The value of property may go up by 10 percent; however, residential property tax revenues can only go up by 3 percent.

FUTURE BUILDING PROGRAMS – REVENUE UPDATE (continued).

Mr. McIntosh explained that some of the abatement will begin to come off the roles. As assessed valuation is greater than the amount your revenues can actually increase, we expect revenues to go up in the next three years as the abatement comes off and we can begin to recognize the additional property tax revenue increases, the 3 percent each year.

Mr. McIntosh stated that after the abatement is off the roles in 2018, a conservative assumption of property tax revenues will be at a flat \$355.5 million. Slowly, capacity begins to grow as the District pays off the debt for the 94, 96, and 98 programs.

If the District were to move forward with a ballot question for another building program in 2016, there would be capacity available beginning in 2017 to begin construction of new schools. There would not be a need for a tax increase if the rate remains at \$0.5534.

Mr. McIntosh explained that the room/lodging tax was granted to the District by the 1997 State Legislature. Of this tax, 1 5/8 percent comes to the District to be used for construction of new schools/modernization. The District has the authority to bond against this revenue or it can be used for pay-as-you-go.

In summarizing the information contained in the five-year comparison, Mr. McIntosh stated that this year's room/lodging tax revenue is expected to exceed the District's budgeted amount by \$4.5 million. Going forward, the District will use the previous year's audited expenditure as the budget amount.

Jim Halsey questioned if the room/lodging tax revenue of \$72 million could be combined with the property tax revenue of \$291 million to pay off the bond. Mr. McIntosh explained that the District has to pledge these revenues separately. The District has general obligation bonds from the dedicated capital revenue stream through the property tax. The District has the authority to bond against the room/lodging tax and the real property transfer tax, but the District has to make it clear to the bond holders what revenues are being pledged. The District does keep the revenues separate. The District currently has bonds specifically pledging these revenues to be used and there is limited capacity for these revenues. The District will not have available \$72 million next year because there is a significant amount of debt that needs to be serviced.

Steve Philpott questioned the status of the State going after the resellers, such as, Priceline, Expedia, etc., for the room tax. Joyce Haldeman stated that the Legislature discusses this topic every year. Mr. McIntosh stated that he will investigate and will bring something back.

Mr. McIntosh explained that the real property transfer tax was granted to the District by the 1997 State Legislature. The District's capital rate on this tax is \$0.60 cents per \$500.00 of real property that would be either transferred or sold. The District has the ability to bond against this revenue stream or use it for pay-as-you-go.

FUTURE BUILDING PROGRAMS – REVENUE UPDATE (continued).

In summarizing the information contained in the five-year comparison, Mr. McIntosh stated that this year's real property tax revenue is expected to exceed the District's budgeted amount by \$2.1 million. Going forward, the District will use the previous year's audited expenditure as the budget amount.

Mr. McIntosh explained the \$94.1 million of pledged revenue capacity includes the room/lodging tax and the real property transfer tax revenues for 2015. These revenues will continue to service the debt from the 1998 program. The limited capacity can be used as pay-as-you-go funding. Since the District is not planning on going for another bond campaign until 2016, \$17 million is what the District will have to rely on.

Based upon the assumptions in June 2014, for a 10-year program, the property tax capacity in 2016 will be \$2.9 billion. The pledge revenue capacity will be approximately \$970 million. If the District were to move forward with a ballot question, Mr. McIntosh explained a potential structure for a 10-year program. If the program is approved in November 2016, the District would be able to immediately borrow \$405 million of general obligation (GO) bond proceeds (property tax revenue); \$93.2 million of GO revenue proceeds (room/lodging and real property transfer taxes); and have \$16.5 million for pay-as-you-go.

Mr. McIntosh explained that based upon the projections for the three revenues, the total amount of the program would be \$3.9 billion over a 10-year period. Other assumptions within this model include 6 percent interest, 20-year-term debt, borrow as much as possible and as soon as possible, consume as much capacity as possible, and use very conservative estimates based upon projections.

Mr. McIntosh also provided a six-year history for all three capital revenue streams and clarified that the property tax capacity does not change until the assessed valuation changes. The assessed valuation will change next year. The only other capacity amounts that might change will be the pledge revenues if they begin to increase. Staff will monitor this on a quarterly basis and can change this model if needed.

Gene Lazaroff questioned if Clark County is the agency responsible for collection of these different revenues. Mr. McIntosh explained that the municipality collects the room/lodging tax, and the State collects the 8.1 percent sales tax of which the District receives 2.6 percent that cannot be used for school construction.

If the bond passes, Eleissa Lavelle questioned what the District is anticipating as it relates to the projects that are currently not funded. Mr. McIntosh explained that if the program is approved in November 2016, it would take some time for staff to submit for a bond issuance of approximately \$500 million. It would take up to 2 1/2 years to build an elementary school, six years from today. Due to the expected growth, by 2016 if the program is approved, the District will urgently need new elementary schools at a cost of \$28 million each (current costs).

FUTURE BUILDING PROGRAMS – REVENUE UPDATE (continued).

Mr. Philpott questioned if the District will be acquiring any property over the next two years in the growth areas so that in 2016 the District will be prepared. The District has a lot of need at the older schools and their failing systems. The focus for the next two years will be on HVAC and electrical systems and roofs. Staff is preparing a plan to get the District through the next two years and will focus on the systems that have the potential of failing. Ms. Perri explained that staff is currently having discussions with the county to acquire sites within the cooperative management area. Congress recently passed a bill in order for property to be given to another political subdivision.

3.07 REPORT BY STAFF AND/OR LIAISON REPRESENTATIVES.

None.

3.08 QUESTIONS REGARDING MONTHLY STATUS REPORTS.

None.

3.09 REPORT BY THE CLARK COUNTY SCHOOL DISTRICT BOARD OF SCHOOL TRUSTEES LIAISON.

Trustee Linda Young thanked the committee members for their service, reported on her attendance at several graduations, expressed the importance of the students graduating, requested this committee provide recommendations that the Trustees can use as a resource, and invited the committee members to the summer graduation on August 18 at the Smith Center.

3.10 QUESTIONS ON AND/OR REMOVAL OF ITEMS ON MOTIONS AND TASKINGS.

None.

3.11 AGENDA PLANNING: ITEMS FOR FUTURE AGENDAS.

None.

4.01 PUBLIC COMMENT PERIOD.

None.

5. ADJOURN: 1:20 p.m.

Motion: Haldeman

Second: Bruins

Vote: Unanimous