



# City/School Liaison Committee Minutes



## City/School Liaison Committee Meeting Wednesday, May 28, 2008

8:15 AM to 9:30 AM  
City of Palo Alto Civic Center  
Council Conference Room  
250 Hamilton Ave  
Palo Alto

In Attendance:

### City of Palo Alto

Pat Burt, Council Member, Chair of Committee

Larry Klein, Mayor

Steve Emslie, Deputy Assistant City Manager

David Ramberg, Assistant Director, Administrative Services

Sharon Bozman, Budget Manager, Administrative Services

Katie Whitley, Administrative Assistant

Deniz Tunc, Administrative Associate

### Palo Alto Unified School District

Camille Townsend, Board Member

Melissa Baten Caswell, Board Member

Bob Golton, District Co-Chief Business Officer

Handouts: **All handouts can be viewed in the City Manager's office at 250 Hamilton Ave**

Meeting convened at 8:17am

### **1. Oral Communications:**

Penny Ellson, Chair of PTA Traffic and Safety Committee, and Richard Swent raised concern that part of the proposed budget of FY 2008-2009 is a \$15,000 cut in the Fire Department, which is used to support the 3<sup>rd</sup> and 5<sup>th</sup> grade bike programs. The bike program ensures a uniformed presence to assist in the protection of children on

their way to school. The need for these positions is essential in order to provide direction and assistance to the volunteers at the various sites.

Mr. Swent said that the kids look up to the fire fighters. They provide a different impact in contrast to if Mr. Swent performed the task himself.

Ms. Ellson asked how this budget cut was started and how we can avoid further cuts.

Chair Burt thanked Ms. Ellson and Mr. Swent for coming in and sharing their concern. He directed Mr. Emslie to either comment now or at a later point in time.

Mr. Emslie said that the cut comes as part of the City Manager's recommended budget to reduce \$1 million out of the operating budget.

Mr. Ramberg said that these cuts came with the notion that there will be an increase in participation from volunteers. The full set of recommended cuts has been presented to the Finance Committee and they will update the City Manager next week. He said that on June 9, 2008, the City Council will be able to review/change any proposed cuts.

Mr. Golton said that the children should be safe. He believes that the program plays into the City's ambitious goals to reduce CO2 emissions in the sense that parents feel secure that children transport themselves to school. More cars are taken off the road by allowing kids to walk and bike to school.

Ms. Ellson stated that these cuts were made without addressing all partners who are involved in the matter.

Mr. Swent said that we all need to look at the big picture – money will eventually be transferred and not saved, because this cut will potentially force the police department to hire crossing guards, which would ultimately cross out the \$15,000 gain.

Chair Burt said he thought that this cut was agreed upon with the school district and it is a surprise that the PTA had this reaction.

Ms. Baten Caswell said that we should make an attempt to deal with it now rather than pay for it later. Chair Burt agreed.

## **2. Approval of Minutes from April 23, 2008**

Board Member Baten Caswell moved to approve; Chair Burt seconded. Minutes were approved 3-0. Mayor Larry Klein abstained.

### **3. Update on City Budget/Update on District Budget**

David Ramberg passed out flyers that contained a summary of the 07-08 budget. Mr. Ramberg said that the 08-09 budget is the second year of the 07-09 two year budget and it is considered a status quo budget – there are minimal changes and it is balanced.

Mr. Ramberg said the Finance Committee finished its review of the proposed budget on May 15, 2008, and that it will be forwarded to Council for review and approval on June 9, 2008.

Mr. Ramberg stated that revenue is up 1.6% overall (\$2.2 million) due to an increase in property taxes and the TOT (Transiency Occupancy Tax) tax, while sales tax is holding flat. Expenses will be changed minimally. There is an increase for vehicle maintenance charges and previously negotiated salary adjustments. \$12.1 million is going towards infrastructure.

Ms. Baten Caswell asked if there will be an increase in benefit costs.

Mr. Ramberg answered that there will be a small increase in pension costs (mainly due to an increase in the City's salary base) and medical costs. Additionally, the decision was made last year to fully fund retiree medical benefits – current employees as well as future liabilities.

Mr. Ramberg then stated that there will be two main changes: 1) \$240,000 will be devoted to the Planning Department (Economic Development) for Destination Palo Alto, and 2) money will be allocated to Public Works for infrastructure maintenance (high priority).

Mr. Ramberg also said that the City will incur an additional expense for the Certificates of Participation (COP) which will be used to finance the Public Safety Building (PSB). \$1 million will be built in from expense and revenue changes, while the rest of the \$5 million will come from a variety of sources. This money will go into a reserve that will later be used to pay for the Certificates of Participation.

Ms. Baten Caswell asked about the total cost of the Public Safety Building.

Mr. Ramberg said that there is not a total cost yet. He did not have the current anticipated figures in front of him. Chair Burt said the present day cost fluctuates compared to the cost at the time of construction, but it would possibly cost around \$46 million.

Ms. Baten Caswell asked how many years it would take to pay off the Certificates of Participation.

Mayor Klein answered that the \$5 million is an upfront cost. Chair Burt said that the City is reducing the amount of debt service as a result of some funding that the City

is providing upfront. Mr. Ramberg said that there is a 30-year plan to finance the Public Safety Building.

Chair Burt said that \$4 million would come from new revenue sources while \$1 million would come from additional cuts that are yet to be agreed upon.

Mr. Golton asked if the City plans on paying the Certificates of Participation with operating money.

Chair Burt answered that the City plans on funding the Public Safety Building through operating funds due to the polls showing that the City would not be able to use a bond measure – especially after seeing a gain this year, rather than a shortfall.

Mr. Ramberg said another financial challenge is that the funding of the infrastructure back lot would cost \$455 million over 20-years, primarily from the general fund.

Ms. Baten Caswell wanted clarification that this meant that the City would need to find approximately \$20 million a year to cover the infrastructure back lot and that this would essentially mean a lot of cuts.

Chair Burt answered yes, if we meet those needs. It is an identification of a deficit but it is yet to be determined.

Mayor Klein said that the City's infrastructure deficit does not include any new buildings. Chair Burt said that some of the buildings require construction, but no new buildings per say.

Chair Burt stated that the City took a major step in funding retirement obligations – something that very few cities accomplish.

Mr. Golton asked what the liability was a year or two ago.

Mr. Ramberg said that the total outstanding liability is \$80 million, but changes from time to time. \$30 million approved by Council to go to the trust fund that is established with PERS.

Mr. Golton asked if there was a plan to balance. Mr. Ramberg said yes, over time.

Ms. Baten Caswell asked if there was an amount of that that the City is putting away each year.

Mr. Ramberg said that the City has fully funded its annual contribution requirements.

Mayor Klein said that it becomes more complicated over time because the City is also including its contribution fund for Utilities employees as well.

Mr. Ramberg said the entire City budget with Utilities is roughly \$420 million.

#### **4. PAUSD Strategic Plan**

Ms. Baten Caswell stated that the last Strategic Plan was put together four and a half years ago. With a new Superintendent coming into office, the Board decided to put together a new one, since the last one timed out.

Ms. Baten Caswell said that the second to last Strategic Plan was narrow in scope, so much of the district didn't feel involved; therefore it didn't get much support from the community. The last Strategic Plan was so inclusive that it involved 160 people at a three-day offsite which resulted in a lot of compromise and the goals became extremely broad. When such a plan becomes so broad, it isn't used as a management tool. So this time, the Board brought in Mackenzie – a strategic planning consulting firm that has worked with countries like South Korea and Finland – to assist in the development.

Ms. Baten Caswell said the process included an audit of where the district is today. This included 70 interviews and focus groups, as well as a survey that went out to parents, students, teachers, community members, staff, etc. Approximately 4,000 surveys were filled out total (over 3,000 were parents) – the output was used as a baseline.

Ms. Baten Caswell handed out copies of the Strategic Plan.

Ms. Baten Caswell pointed out that on page 26 of the Strategic Plan, data shows that 74% of students are going to four-year colleges out of PAUSD. PAUSD assumed it was higher. A major concern is that around 40% of underserved minorities are finishing their requirements.

Ms. Baten Caswell said the Strategic Plan was reviewed thoroughly in its process. It was taken to the Board for review every couple of iterations. Since it was brought to the Board often, it allowed for the community, etc. to provide input.

Ms. Townsend said that essentially it is a policy document; therefore it had to be a staff/community product.

Ms. Baten Caswell indicated four-major goals – under each one, there are three-specific initiatives and each one has its own metrics to find out if the PAUSD has reached its goals.

Ms. Townsend stated that PAUSD is a high-performing district. At the high school level, there has been a change in requirements for graduation to align with UC and CSU entry requirements – these weren't aligned before.

Ms. Baten Caswell said that Mackenzie believes teachers are the biggest leverage point for success, but teachers weren't getting enough feedback. The new plan

provides ways to survey how the teachers are performing and how they can succeed at the highest level.

Ms. Townsend questioned (in reference to page 31) how the PAUSD is supposed to improve already great teachers when 90% of parents think teachers are exceptional.

Ms. Baten Caswell suggested an improvement in the evaluation process could be implemented according to the data on pages 33-34 of the plan. Human Resources noticed it takes PAUSD a longer amount of time to make offers to teachers. PAUSD needs to stay competitive over the long-term, especially as the competitive market shrinks.

Mayor Klein asked if the split between Gunn and Palo Alto high schools were addressed.

Ms. Baten Caswell said that it is a matter of interest in how things are run.

Ms. Townsend said that Gunn has more kids in boundaries than others. This is a result of adjustment problems, which leads to Gunn overflowing kids to Palo Alto high school. She stated that boundaries need to be resolved and not continue to create an imbalance.

Ms. Baten Caswell said that these inequities have not been addressed in the plan, but will try to resolve the issue of gifted children in each school this year. GATE is the Gifted and Talented Education Program where kids in 4<sup>th</sup> and 5<sup>th</sup> grades are identified. Some of Palo Alto's elementary schools were identifying kids and some were not.

Ms. Townsend said we need to emphasize a unified school district.

Chair Burt shifted attention to the District Budget.

**This item was tied in to item #2 and #3.**

Mr. Golton said there is a \$160 million expenditure budget. Compared to most school district in California, Palo Alto's is very placid. In January, the Governor proposed no cost of living increase, but in May, there was a revise (2.5% cut was taken away).

Mr. Golton said there is a budget target of about \$2 million in reductions to make – which was reduced to \$700,000.

Mr. Golton stated that property taxes account for 70% of revenue because of an assessed value growth continuing in Palo Alto. There is no specific revenue amount that the district can count on for the year because it is always being updated. However, in 07-08 so far, there has been 7.37% growth.

Ms. Baten Caswell pointed out her concern that the Governor's budget will devastate the school district, but not nearly as much as others.

Mr. Golton said that some districts added money because they hadn't negotiated salaries in time. It is not a good year for education.

Mayor Klein asked what all this might do to the morale of teachers.

Mr. Golton said there has been a cycle of layoffs – teachers receive their pink slips, but most get rehired when the school year starts again.

Mr. Golton emphasized three points: 1) no layoffs, 2) there is a tightening up on staffing – some to formulas, some to contract, and 3) proposing to defer some budget additions. He said that there is no telling how the state budget will get resolved.

Chair Burt said the City and PAUSD are more fortunate presently than other surrounding cities and districts, despite some challenges.

Ms. Baten Caswell said that although this year looks positive compared to other districts around PAUSD, the district is expecting a slow down next year. The district should be looking to the future and how we will prepare, rather than just looking at this year.

Chair Burt asked what is the expected change in school population that the PAUSD would need to accommodate and what is the relationship the district is projecting going forward between increases in revenues and the increases in the population served.

Ms. Baten Caswell said they are clearly expecting more children, but there isn't more money per child. Buildings are not enough; teachers, etc. are also needed.

Chair Burt asked what deficit there is between the revenue from new housing and the incremental cost the district is incurring.

Ms. Baten Caswell said that benefit costs are continuing to rise.

Mr. Golton stated there are three drivers in the budget: 1) an increase in students (requires teachers and support staff), 2) there is a need to pay competitive salaries as it relates to the type of districts we are competing with (bordering Palo Alto), and 3) the need for a comprehensive benefit package.

Mr. Golton stated that if PAUSD could collect Level 2 developer fees (\$4-5 per square foot) instead of the current Level 1 developer fees (\$2.91 per square foot), then PAUSD could have much more revenue for our district. However, to collect

these fees, PAUSD would have to load classrooms at state standards with approximately 32-kids per class compared to the current 20-30.

#### **5. Future Meetings and Agendas**

Chair Burt suggested the schools and library measures on the upcoming June 3 ballot as a potential agenda item for June 25. He also suggested the Library Bond issues as an additional discussion.

Chair Burt asked what the consensus is for the June 25 meeting. It was decided the June 25 meeting would remain on the schedule.

Chair Burt suggested waiting until the June meeting to decide whether or not to hold the July and August meetings.

Meeting Adjourned 9:35am