



SCHOOL CITY LIAISON COMMITTEE

FINAL MINUTES



School City Liaison Committee Meeting Wednesday, January 28, 2009

8:15 AM to 9:30 AM
Palo Alto Unified School District Office
Conference Room A
25 Churchill Avenue
Palo Alto

MINUTES FOR MEETING OF JANUARY 28, 2009

Opening

The School City Liaison Committee held a meeting in Room A, 25 Churchill Avenue, Palo Alto, California. The meeting was called to order at 8:17 a.m.

City of Palo Alto staff present:

Mr. Larry Klein, City Council Member
Mr. John Barton, City Council Member
Mr. Steve Emslie, Deputy City Manager

Palo Alto Unified School District staff present:

Ms. Camille Townsend, District Board Member
Ms. Melissa Baten Caswell, District Board Member
Mr. Robert Golton, Co-CBO and Bond Program Manager
Ms. Cathy Mak, Co-CBO
Ms. Betty Munoz, Secretary to Co-CBOs

Handouts

All handouts can be viewed in the District Office at 25 Churchill Avenue, Palo Alto.

Public Comment

There was no request for public comment.

Introductions were made by the Committee members.

Approval of Minutes

MOTION: Ms. Townsend moved to approve the December 17, 2008 minutes.
The motion was seconded. Motion carried 4-0.

Priority Setting

Committee members discussed the agenda items for the School City Liaison Committee for the 2009 calendar year.

Mr. Barton said they have been meeting with their Recreation Commission and one of their goals is fields use and working with the School District on this subject. Mr. Barton added he would like to discuss bond planning before decisions on multi-purpose rooms are made.

Mr. Golton said Garland is the first multi-purpose room and Mr. Skelly has asked the architects to include basketball courts at that multi-purpose room. Mr. Golton said at the

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first Garland community meeting there was noise concern from the community regarding installation of the basketball courts.

Mr. Barton said installation of multi-purpose rooms was discussed by the school board in the year 1997 and there should be a strand of those discussions in the school board minutes of November/December of 97.

Ms. Caswell asked when would it make sense to place both of these discussions on the calendar?

Mr. Barton said the sooner the City can get a presentation on what the School District plans on doing with the bond and what the bond schedule is, the better.

Ms. Townsend asked what inspired this conversation?

Mr. Barton said their Parks and Recreation Commission has set itself a goal to work with the School District on field usage and health care. Mr. Klein added they have one joint meeting a year and they just met with them this past Monday.

Mr. Golton said three pre-designs for Garland were presented to the Board of Education. He said an expanded multi-purpose room is planned. Mr. Golton said they had a community meeting Tuesday, January 20th and they will be having another community meeting this Monday, February 2nd to review plans that take into consideration the input from the community. Mr. Golton said none of these conversations are affecting the essence of the multi-purpose building. He said they will go back to the School Board on February 10th with the results of that conversation and a recommendation.

Ms. Caswell said they haven't discussed multi-purpose rooms at the elementary schools except for Garland, but there has been discussion on gyms as part of the master plan at both high schools.

Mr. Golton said the master plan for the 2 high schools will be completed by March 27, 2009. He said the board had a presentation last night and the main topic of conversation was the Palo Alto High School and the location of the theatre.

Ms. Townsend said the purpose of sharing these dates is so that the City can feed this information to any others that are interested and City staff as well. She said with regards to elementary schools, we could place that anywhere on the agenda, but the problem is this is a work in progress right now.

Ms. Townsend said in February all they have is transportation at the schools on the agenda and it seems we could double up. She said the Committee could have transportation and an update on recreation.

Ms. Caswell said certainly the traffic update for the Center for Jewish Life is important, but she is not sure that it has to be in February because there is not going to be enough of a window. Mr. Emslie added the practice has been to choose one meeting per quarter to concentrate on transportation.

Mr. Barton said they could add transportation and the high speed rail because that has some potential upsides for Paly.

Mr. Klein said Town & Country should be added somewhere on the agenda to discuss that

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project. He said Trader Joes is about to start construction.
Mr. Emslie said there is some coordination with the intersection improvements at Paly and the City is trying to coordinate a meeting for next week.
Ms. Caswell said discussions on the Town & Country project should take place right now because the master plans are being created. Mr. Emslie said the driveway will be widened at Paly and a stoplight will be added.

Mr. Emslie said we could take out Campus for Jewish Life and add Town & Country in its place.

Mr. Golton said the master plans will be taken to the board on March 17th.

Ms. Townsend said why don't we move capital improvement plan to March and they will also have earth month there.

Ms. Townsend said the Palo Alto budget update is in May and move the housing element ABAG to June.

Ms. Townsend said July is reserved for transportation items and that is fine.
She said the Library bond is in September.

Ms. Townsend asked if there is an update on the library bond earlier than that?
Mr. Barton said yes, they could do the update when they do their budget update.

Ms. Townsend said safe routes to school can be placed on the agenda, but she would like to check with Penny Ellson and the group if they are able to attend.

Ms. Townsend said they will start with emergency preparedness in June and move transportation up.

Ms. Townsend said the library bond and the district bond will move to September and get done together.

Mr. Barton said it would be wise given the economy to put a placeholder on the October agenda for budget updates.

Committee members compared and went through the items on the priority setting agenda for the year. A draft schedule of agenda items for the year is attached.

District Budget

Ms. Mak said this year the District's estimated property tax revenue growth is 9.92% and enrollment growth is 259 more students than last year.

Ms. Mak said our medium enrollment projection is 253 students and the high enrollment projection is 453 so it will be interesting to see the turn out. She said the District is using the average between medium and high (353 students) for next year's budget.

Ms. Mak said the District has settled on health benefits with the employee groups, the increase is about 20% and as far as salary improvements, they are still on hold pending the outcome of the State mid-year cuts to next year's budget.

Ms. Mak said the District does have \$5.7 million available but the District has to be careful and do it in a way that it doesn't hurt the District's basic aid status.

Ms. Mak said the District's estimated unrestricted undesignated general fund balance is

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10% or \$15 million and that includes the amount they have in the basic aid reserve.

Ms. Mak said for the current year there is still growth in the unsecured roll, but for next year when they build the budget 2009-10, they are building it with a drop.

Ms. Mak said the District is currently using 3% in their budget assumption

Ms. Mak said their next quarterly meeting with County officials is in late February and they will get more current information.

Ms. Mak said in November their year-to-date in the secured roll is 2.9% for next year. She said the inflation factor for next year's growth is 2% maximum.

Ms. Mak said this year they have about 300 new parcels coming on to the parcel tax roll. She said the District is in good financial shape this year, but this year is the last of the good years and the District starts to see a dip in property tax.

Mr. Barton asked if the property tax cash infusions are received once a year?

Ms. Mak said the secured roll is due in November and they start to get a little of the secured tax money in November/December and they receive money about 8 times per year.

Mr. Barton asked, who signs the checks, State or County?

Ms. Mak said the County does.

Mr. Barton said the concern is if the State runs out of money then, does the District still get their money?

Ms. Mak said the District doesn't receive much from the State so the District's cash flow is dependent on property tax and not the state funds. She also said, the District issued a \$120 million bond in August and it is a big cushion because the District may borrow from the bond for the general fund revenue within the same fiscal year, but they don't anticipate doing so.

Ms. Mak said the Governor's proposed budget was released December 31.

Ms. Mak said the Governor's proposal to resolve the deficit is a combination of revenue enhancement, securitizing lottery, and cutting back in expenditures with education taking a big cut from that.

Ms. Mak said the Governor's proposed mid-year cuts is about a little over 5% to current revenue limit funding, that amounts to about \$319 per student. She said the Legislator is proposing the cuts come from categorical programs and that can have a big impact on PAUSD.

Ms. Mak said the District is working with School Services and there is deviation from this position because a lot of Districts in Southern California are anticipating a negative property tax growth next year. She said some of those basic aid districts are reconsidering their position supporting fare share reduction.

Ms. Caswell said the other proposal the Governor made was for a 175 day school year as flexibility for districts.

Ms. Mak said the Governor is also proposing total flexibility in categorical programs,

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meaning the District may move money from one program to the other.

Ms. Mak said even though special education is included in the proposal, the maintenance of average requirements stays and the need for special education is always there and you really can't take money from those programs.

Ms. Mak said they are really looking at flexibility options to convert the restricted dollars into unrestricted dollars and they would have more flexibility.

Ms. Mak said for next year the Governor is proposing \$0 COLA and an additional 2.5% reduction in revenue limit funding and that's about \$150 dollars per student in addition to the \$390 cut in the current year. She said If you look at the accumulated cuts that adds to \$540 which is about a 16% cut to revenue school districts if the COLAs were all fully funded.

Mr. Klein asked how many basic aid districts are there?

Ms. Mak said there are about 70 something basic aid school districts.

Mr. Klein asked, if anyone tried to resurrect the idea of doing away with basic aid?

Ms. Townsend said not right now.

Ms. Mak said even though the current proposal has minimal impact to PAUSD, they have to be careful and have calculated the District's fare share of these proposed cuts as \$3.1 million and additional \$1.8 million for next year.

Ms. Mak said this is just the beginning of the budget process for the State and also for the District. She said in June they will receive more updated information on property taxes, health premiums rates for next year, and statutory benefit rates.

Ms. Mak said until the State budget is adopted they anticipate a lot of changes.

Ms. Mak said the District is still facing a lot of unknowns even for the current year; they are still waiting on what the State mid-year cuts will be and hopefully they will know before the end of February so they can plan and move on.

Ms. Mak said for next year again, they have a lot of unknowns, property tax revenue being a big factor in that, enrollment growth, compensation, and salary driven benefits.

Ms. Mak added the good thing is they already know what the STERS and PERS retirement rates will be. She said they will stay at about the current year's rate.

Ms. Mak said these rates are determined by historic data and they are based on portfolio balance as of June 30, 2008, so they could anticipate the rate to increase 2010-11 because from June to December the PERS portfolio lost about 20%.

Ms. Mak said the bottom line is this is the last of the good years.

Mr. Barton asked, it sounds like you're trying to fly under the radar and next year won't be great but it won't be horrific, but when the State runs out of money and local revenue and the other districts because their revenue limit districts don't have nearly the reserves that PAUSD does, the State stops funding and at some point you can't make payroll with a 3% reserve, what will they do?

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Ms. Mak said that is one of the State's flexibility is reducing the reserve requirement by half and so the 3% percent will become 1 ½ %.

Mr. Barton asked when does Cupertino District run out of money based on when the State writes its last IOU?

Mr. Golton said first of all essentially no school districts have given raises this year and their sitting on that fund balance. He said there are whole bunches of school districts that have that money that they never would have at this time of year.

Mr. Golton said there is no clear dichotomy between basic aid and revenue limit school districts anymore. He said there will be basic aid districts that will get well and truly nailed because of declining property taxes. He said that kind of protects PAUSD in the sense that if they hit basic aid and do some sort of double fare share, then those school districts will take a double hit.

Mr. Golton said there is a difference between cash and fund balance and what is now prompting the State into action is they are running out of cash and have maxed out their credit cards. He said there is really a lot of difference in school districts.

Mr. Barton asked isn't the following scenario possible, the State runs out of money and they can't make a payment to revenue limit districts?

Mr. Golton said wrong, because the State says this is their constitutional obligation and they won't be able to pay tax return income tax, disability checks, welfare checks but what we are being told is they will pay the schools.

Schedule of Future Meetings

February 25

March 25

Adjournment

The meeting was adjourned at 9:34 a.m.