



City/School Liaison Committee Special Meeting Minutes



Regular Meeting
June 19, 2014

The City School Liaison Committee held a Regular Meeting at the City Council Conference Room, 250 Hamilton Avenue, First Floor.

The meeting was called to order at 8:39 A.M.

Present: City of Palo Alto Representatives
Liz Kniss, Vice Mayor, Committee Chair
Greg Schmid, Council Member
Khashayar Alaei, Senior Management Analyst

Palo Alto Unified School District Representatives
Dana Tom, Board Member
Heidi Emberling, Board Member
Cathy Mak, District Chief Business Officer

Absent:

Oral Communications

None

Approval of Minutes

MOTION: School Board Member Emberling moved, seconded by Council Member Schmid to approve the minutes of May 8, 2014.

MOTION PASSED: 4-0

3. Review Recent City Council/PAUSD Board Meetings

Heidi Emberling, Palo Alto Unified School District (PAUSD), School Board Member remarked that the new PAUSD Superintendent was going to start in August, 2014.

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Council Member Schmid inquired about his official start date.

Ms. Emberling replied it was August 1, 2014.

Chair Kniss questioned whether he was going to be around during the summer.

Ms. Emberling mentioned that he had to give 90 day notice at his present job, but there was an Interim Superintendent until the new one arrived.

Dana Tom, Palo Alto Unified School District, School Board Member mentioned that PAUSD approved their Local Control Accountability Plan (LCAP). He noted that there was a new State process and even though Palo Alto did not receive any of the funding from the State, via the Local Control Funding Formula (LCFF), they had to submit an LCAP. There were target priorities, such as engagement and student achievement that had to be included in the LCAP.

Ms. Emberling mentioned that there were eight focus areas.

Mr. Tom noted that the goal was to align the plan to focus areas, which were the same for every School District throughout the State.

Chair Kniss inquired whether the priorities were connected to Core Curriculum.

Ms. Emberling replied that the LCAP dealt more with how the School District engaged with their community. There were town hall meetings, parent forums, and meetings with active groups in the community to gain input.

Mr. Tom explained that the content was taken from the Common Core standards.

Ms. Emberling said the process was to focus on target groups of students and how certain groups of students were being served, such as foster youth, language learners, and lower socio-economic students. The School District recently finished their Strategic Plan and was able to use a lot of the same goals from the Strategic Plan for the LCAP.

Mr. Tom remarked that the Strategic Plan aligned with the priorities of the State but the LCAP required a greater level of collaboration on the

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curriculum and on the budget side; the priorities were set and there needed to be an explanation of how the money was being spent. This was especially important for Districts that received money from the State, such as Base and Supplemental Grants, which were based on the number of language learners, foster youth, or low income students. There needed to be documentation on how those groups would better be served with those funds.

Chair Kniss wanted to know if the school districts were held accountable for not completing the LCAP.

Mr. Tom answered that was not defined.

Ms. Emberling explained that the County of Santa Clara Board of Education was the agency that received all LCAP's within the County so they could analyze all goals and targets within the County.

Mr. Tom mentioned that school districts were moving away from the Star Test.

Chair Kniss questioned whether this resulted in better education.

Mr. Tom answered yes because the LCAP and the Strategic Plan were the main thrust of direction, but the Strategic Plan affected how students were taught.

Chair Kniss wanted to know if there would be less testing because sometimes there was more concentration on how to teach, as opposed to the day-to-day learning.

Mr. Tom explained there were two aspects to the testing, but California used the Smarter Balance Assessment Consortium (SBAC) testing.

Chair Kniss inquired what SBAC.

Mr. Tom remarked that SBAC was a common measurement used in every district; it was also multiple-choice but it was computer-based and the testing was adaptive. Adaptive meant that if the student answered the question correctly, the test continued with other questions, but if not, the test would probe more deeply to see if the concept was understood. A second part of the test dealt with critical thinking and an explanation of how

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the student got their answer, they had to show their work. This part helped determine whether the student was at grade level and whether students understood the material. The teacher also used this information to ensure that the concept was understood.

Council Member Schmid questioned whether one of the goals was to have a mechanism to compare schools.

Ms. Emberling remarked that ideally, the Common Core would be implemented in every State, so they would hit the same Federal standard.

Chair Kniss wanted to know how things changed since the 1980's or 1990's and whether there were improvements as a result of the different types of teaching.

Ms. Emberling thought it was difficult to compare because children of that age were preparing for a different world.

Chair Kniss felt the scoring was the same and inquired whether the changes indicated that students were doing better.

Ms. Emberling remarked that this was the base-year; they had to wait for the results of the new testing.

Council Member Schmid clarified that Ms. Emberling was talking about 2015.

Ms. Emberling answered that spring of 2014 was the start of the new SBAC. Last year began the decision of which questions to be used in the test. She expected to have the first comparison in the spring of 2016.

Mr. Tom noted that past results of the Scholastic Aptitude Test (SAT) scores have risen modestly, and Palo Alto SAT scores were high, relative to other districts.

Chair Kniss felt that variables such as parents, the students peer group, and where they started, such as whether they attended preschool had a lot do with growth. Some children were exposed to so many things at an early age.

Mr. Tom remarked that not every student had a rich home environment; it was up to the schools to level out the opportunities.

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Ms. Emberling relayed that the local assessments were still being performed, along with formative and cumulative testing; these were performed in conjunction with the standardized testing, which continued through the new State-wide testing.

Council Member Schmid requested a summary of the Cubberley Community Center discussion.

Mr. Tom explained that the Superintendent laid out recommendations to the School Board that were structured around recommendations from the Cubberley Community Advisory Committee (CCAC), the length of five to 10 years was suitable for PAUSD.

Ms. Emberling said the CCAC was pleased to see that the Superintendent lay out was in line with the CCAC recommendations; they did not want to see the work of CCAC wasted. The CCAC was happy to see that the School Board was discussing their recommendations and capitalizing on their interests. The Cubberley Community Center was a big land swap discussion.

Council Member Schmid remarked that some recommendations of CCAC dealt with joint planning, committing the City and the School District to working together, and joint use, such as parking, pathways, and utilization of the sites.

Mr. Tom mentioned there was discussion on expanding the facilities.

Chair Kniss inquired where the discussed expansion was to take place.

Mr. Tom answered that there were new facilities, such as the Gunn High School gym; there was discussion on expanding the use of that facility.

Council Member Schmid noted a key element was joint investment and inquired about any suggestions.

Ms. Emberling relayed that the new Superintendent was ready to make investments in the Cubberley Community Center.

Council Member Schmid felt it was helpful to have a formal discussion about these topics.

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Mr. Tom noted that the School Board supported the recommendation of the CCAC. Someone commented at a meeting that there were a lot of things in the current lease that did not belong together, such as child care, which might be better served by having different contracts.

Ms. Emberling noted some CCAC discussions included money being put into more child care spaces, which benefitted the community.

Council Member Schmid thought it was good to have those kinds of discussions.

Mr. Tom remarked that people will help update the new Superintendent on these issues. Additionally, PAUSD passed a new policy for the use of an EpiPen, a medical device used to administer medicine for allergies, to be used on any student who has an identified allergy.

Ms. Emberling added that there were trainings planned on how to use EpiPens.

Mr. Tom said many parents advocated for it.

Chair Kniss inquired whether there were different dosages for kids than there were for adults.

Mr. Tom replied that there was a general dosage for students and adults, with minimal risk; if it was administered unnecessarily, there was a low risk.

Ms. Emberling noted that the EpiPen was researched heavily.

Mr. Tom commented that there were more allergies now.

Claudia Keith, Chief Communication Officer mentioned there was a link to preservatives and additives in the food; the tolerance for this was lower.

4. Our Palo Alto Initiative

Council Member Schmid discussed the Our Palo Alto Initiative in connection to the Comprehensive Plan, which expired in 2008. The City was in the process of updating the Comprehensive Plan and was expected to finish by 2015.

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Claudia Keith, Chief Communication Officer noted that Our Palo Alto was an overlay to a larger citizen engagement strategy, which included anything that the City was involved in. It was designed to broaden the engagement with the community by expanding the voices typically engaged in City issues. The first segment of Our Palo Alto was called Ideas. This involved having community conversations in a variety of different ways, such as the Coffee with the City event, social media, town hall meetings, meetings related to the Comprehensive Plan, the civic engagement process, and through community literacy and art projects. Our Palo Alto showcased the efforts the City made to get people involved. The second part was called Action. The City wanted to let people know they were taking action on issues that affected quality of life, such as the Residential Parking Plan, Transportation Demand Management, and the Housing Element, which Staff hoped to receive input back from the community on these items. The third section was the Design. This related to the update of the Comprehensive Plan by 2015. There were a variety of large elements that Staff was asking for input on. By networking, Staff tried to deploy some of the civic engagement tools in a comprehensive way. For example, there was an online tool called Open City Hall and a dedicated website that linked events, including the Comprehensive Plan. These efforts engaged the community in different ways, along with efforts to engage the next generation. Staff was trying to partner with things like the Parks Master Plan and if there was a problem to be solved, they put it in Our Palo Alto. In terms of the Palo Alto Unified School District (PAUSD), Staff was looking to engage youth with their local government and emphasizing the importance of decision making.

Dana Tom, Palo Alto Unified School District, School Board Member questioned the time frame.

Ms. Keith answered that the program was to go through 2015, which aligned with the Comprehensive Plan but hoped the ideas and engagement strategies would continue past that. She stressed the importance of communicating with people in a way that they were comfortable with.

Chair Kniss commented that there were no walking routes in Palo Alto.

Ms. Keith agreed.

Council Member Schmid noted that Council appointed a Bicycle Commission for the Bicycle and Pedestrian Plan, which had a pedestrian representative.

Chair Kniss added that walking groups tied people together socially.

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Heidi Emberling, Palo Alto Unified School District, School Board Member remarked that there were pieces of walking paths in Barron Park.

Chair Kniss requested having walking paths on the City website.

Council Member Schmid noted items from Our Palo Alto that might be important to the School District, such as the Housing Element. It was predicted that Palo Alto will have 20,000 more people by 2040 and decisions needed to be made about where all these people would live; some questions were: was that number realistic and where will all those children attend school.

Ms. Emberling learned at the Regional Housing Mandate Committee Meeting that schools cannot be taken into consideration when housing is being planned.

Council Member Schmid clarified that specific buildings and schools cannot be taken into account, but the general health of the School District was part of the City's interest.

Ms. Keith welcomed any input about growth and where housing would be.

Mr. Tom suggested connecting with the PAUSD Parent Teacher Association.

Council Member Schmid stated a second aspect to Our Palo Alto, in connection to PAUSD was parking and traffic around schools.

Chair Kniss remarked that there were more students drivers at high schools.

Mr. Tom said students needed a permit to park at the schools.

Chair Kniss observed that high school parking lots were full.

Mr. Tom said the number of permits was limited.

Mr. Emberling hoped more students would use bicycle transportation.

Chair Kniss suggested closing the streets around the school sites during the morning.

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Council Member Schmid remarked that the third element of Our Palo Alto was Cubberley Community Center; it was the last big land discussion between the School District and the City.

Mr. Tom projected that if there were going to be 20,000 more residents in Palo Alto, it was hard not to image not needing more school sites.

Ms. Keith interjected that this pointed to the importance of shuttles and strategies on ways to get people out of their cars.

Chair Kniss inquired whether the acreage was being cut as the infill continued at the different schools.

Mr. Tom answered that the School District was trying to have more two-story buildings at school sites. There was some increase in acreage and some of the portables were being eliminated.

Chair Kniss remarked that this did not include Jordan Middle School.

Ms. Emberling added that there was a \$250,000 donation to redo the Jordan Middle School track, which included a walking path on the grass and a recent donation of \$24 million toward Palo Alto High School.

5. PAUSD/City 2015 Fiscal Year Budget Update

Walter Rossmann, Budget Director presented the Budget with a focus on the General Fund because that was where the resources collided with the School District and the City. The Salary and Benefits portion was the biggest part of the General Fund, second to Utility Purchases, such as gas and water. The biggest cost increases over the years was salary and benefits; 40 new positions were added. The biggest cause for the \$11 million increase dealt with safety employees receiving a pension increase from 33 percent to 39 percent; it was projected to increase to 59 percent over the next seven to eight years. The Miscellaneous portion of the General Fund was increasing, but not at a fast rate. The third biggest piece of the General Fund was Health Care in relation to post-employment benefit liability; there was a \$2 million increase across all funds. The Council was working to restrict benefits for future retirees and restructuring the benefits for current and new employees.

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Dana Tom, Palo Alto School District, School Board wondered who consumed the cost of new health care increases.

Mr. Rossmann answered that CalPERS had account changes for 2014. The most expensive plan went up. An implementation of the Council was to work with Service Employees International Union (SEIU) and other unions to start to share the cost differently. The medical benefits that the City contributed to each benefitted employee was now capped, whether it was a single, family, or single plus one household. This saved money long-term. Right now, the increase in medical costs was eight percent. The revenue for the General Fund was \$169 million. Unlike the School District, the City has a more diversified portfolio and Stanford University paid one third of the Fire Department's Budget, which was why the charge for services was a big portion of the budget. The overall revenue for the budget was up, but Staff wanted to be conservative. He commented that Sales Tax, Property Tax, and Transient Occupancy Tax had gone up significantly. The City was very careful about bringing long-term costs into the budget so that when the next economic downturn happened, they would be in a better position because overall, salary and benefits were increasing. There was a transfer in Infrastructure, which included various funding sources and Staff wanted to ensure that the roads and bicycle paths were properly rehabilitated and expanded. Regarding the Public Safety portion of the General Fund, it was a big piece of the Fund. The Community Services Department was part of the General Fund Budget and was related to the School District because instructors were provided for the Jr. Museum and Zoo, which was reimbursed to the City by the School District. Transportation Funding was being invested for shuttles, which benefitted schools. There was going to be more discussion with Council about the routes.

Chair Kniss remarked that there was a scheduled soft opening of Mitchell Park Library in September 2014.

Mr. Rossmann noted a change that came out of the Budget Hearings which included a switch of hardcopy library materials to electronic, including a virtual branch, which will support all other online needs.

Chair Kniss projected that the Library would be more of a community center.

Mr. Rossmann remarked that the City was taking over the Palo Alto Airport three years sooner than they would have to and the City was still investing funds into the Development Center to change the turnaround time for applicants for building permits and for planning permits. The Council

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supported the City's Public Art Program and was now funding a fully benefited Public Art Manager position.

Heidi Emberling, Palo Alto Unified School District, School Board Member questioned whether the restrooms for the parks fell under the Developmental Services Department.

Mr. Rossmann answered that funding for restrooms for parks fell under the Community Services Department Budget. There was going to be a Cost of Services Study, which looked at many ways that services were provided, and whether costs were covered at the appropriate level. The City was looking at outsourcing some of their services and charging for some of their services. With regard to the Long Range Financial Forecast, there was a surplus over the next ten years, but that was subject to change. Looking to the year 2016, there was an approximate surplus of \$2 million, which assumed funding for the Infrastructure Fund of \$2.5 million. He showed the year over year changes, and the City was teetering between surpluses and deficits, which was why the City was conservative about adding long-term dollars to the budget.

Mr. Tom questioned whether there was a Reserve Fund.

Mr. Rossmann answered yes but did not show this Fund in his presentation. The Budget Stabilization Reserve was to be maintained between 15 and 20 percent of expenditures, which was a one-time Reserve. If an economic downturn happened, Staff was able to draw on that.

Mr. Tom inquired whether that was typical for all cities.

Mr. Rossmann replied that the Government Finance Office Association suggested two months of Operating Expenses, which was 16.6 percent. A city the size of San Jose was able to afford about three percent.

Chair Kniss remarked that cities the size of Palo Alto reserved between 15-18 percent, but the County of Santa Clara was barely five percent.

Council Member Schmid requested the PAUSD Reserve Budget percentage.

Mr. Tom relayed that PAUSD passed a Budget Reserve Policy of 10 percent. The Governor implemented a cap, limiting the School District Reserve at six percent. The reasoning was that the money needed to be circulated.

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Mr. Rossmann remarked that beyond the year 2016, the Council approved an Infrastructure Plan, which was pending approval through a voter-approved Tax Measure. This increased the Transient Occupancy Tax from 12 to 14 percent. If the Tax Measure passed, the City was able to build a new Public Safety Building, look at Fire Stations, and look at the Bicycle and Pedestrian Plan, including providing the proper 9-1-1 services. The City wanted to address parking issues. Other possibilities were labor negotiation pressures; employees have not had increases for the last five years. There were some modest increases that were put in the budget, but there were pending negotiations, along with the Council approvals. Although the City was doing well this year, there were Long Term Liabilities of \$455 million. Staff was working on enhancing the funding ratios by putting more money into health care but a lot of those dollars needed to be paid in the next 30 years.

Cathy Mak, Palo Alto Unified School District, Chief Business Officer remarked that PAUSD was at the start of the Budget Development cycle for the upcoming fiscal year (FY). The School District was going to adopt their Budget for the next FY on June 10, 2014 and was projecting their beginning balance to be \$30 million; \$23 million of that was designated for other costs and the remaining \$7 million was reserved for Undesignated Unrestricted Reserves. The following year, the Income Budget was projected at \$184 million, with expenditures at \$185.6 million, which meant they started the year with a \$1.1 million deficit. They estimated the Undesignated Reserves at \$6 million by the end of this year. Regarding revenues, 71 percent come from local Property Taxes.

Chair Kniss clarified that would be as a Basic Aid District.

Ms. Mak said yes but districts were now called Community Funded Districts. Only about six percent of funds were received from State funding, and about two percent from Federal funding. The School District used to receive about 13 percent from these two sources but the State cut back about \$7 million from their funding for the School District. Regarding Property Taxes, there were cycles of high and low growth. For the next year, the School District assumed a three percent growth in Property Taxes. Based on the numbers received from the Assessor's Office, the Property Tax growth was expected to be higher than three percent, but will not be as high as last year.

Chair Kniss wondered if enrollment was going down.

Ms. Emberling remarked that enrollment was up, but it slowed a little.

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Ms. Mak continued that the demographers projected 155 students, and next year 199 more students.

Chair Kniss inquired whether that number was based off 11,000 students.

Ms. Mak said they had about 12,500 students. There was a new Reserve Policy coming into action that capped the reserves at 10 percent. The Expenditure Budget was consistent and the School District spent anywhere from 84 to 85 percent on Personnel costs; the remainder was spent in Non-Personnel Operating costs. The cost increases included contract increases to all employees and last year the School Board added \$3 million to the Budget for new classrooms; they added 13 more teachers to reduce class sizes. The main increase in the Budget was Pension costs. Regarding the Teachers Retirement System, the Governor proposed a funding plan to increase the employee's rate of 8.25 percent to 19 percent in the next seven years; next year, there will be an increase of 1.25 percent. Employees who were not teaching received an increase as well. The School District was being very conservative in projecting for the next five years because there was a two percent growth in Property Tax Revenue, but there was a Pension Cost increase; PAUSD was projecting deficits for years to come. Due to the step and column costs for employees, the enrollment growth, and the expected pension costs in the next seven years at about one percent every year, there was a need for a four percent growth in Property Tax revenue to cover the Budget for the next five years. Three key issues in coming years were: 1) State Pension costs increasing because the State adopted a seven year funding plan, the Teachers Retirement Plan was doubling, and CalPERS costs doubled in seven years; 2) the renewal of the Cubberley Community Center lease; and 3) the expansion of the kindergarten implementation program.

6. PAUSD Property Tax Report

Council Member Schmid mentioned that the City faced the same Budget situation with regard to pension and health care benefits but the biggest gap in the two Budgets was the City's 10 year forecast in Property Tax revenue of about 5.5 percent. He noted that the School Board's assumption was different from the City's, and suggested talking about this on a future date. Seventy-two percent of the Property Taxes were paid by the residents of Palo Alto, and that number was going up one percent each year. The City and the School District both benefitted from Property Taxes, but how it was structured was critical for both their budgets.

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Chair Kniss suggested having the County Assessor make a presentation about Property Taxes because they were continuing to rise.

Council Member Schmid remarked that the key thing was how Property Tax was approached in budget discussions; those numbers were critical for the School District and the City. He proposed having this be Item One for the next Agenda.

Chair Kniss questioned how this would be structured because there were two aspects to the budget; there was an unpredictable and a predictable aspect, it was never known when it was going to go up or down.

Council Member Schmid noted that in the past 20 years there was a trend with Property Taxes revenues increasing about five percent every year. He questioned whether the forecast and the City's position was right because there was more and more of a focus on the residential sector, rather than the commercial sector.

Dana Tom, Palo Alto Unified School District (PAUSD), School Board Member relayed that PAUSD had to think of Property Tax revenue projections in two ways: one was with regard to the General Fund and the second was in terms of the Bond Program. The School District passed the Bond Program right before property values plunged, which put PAUSD in a tough spot financially.

Council Member Schmid relayed that the Parcel Taxes were secure because that was a fixed dollar amount.

Cathy Mak, Palo Alto Unified School District, District Chief Business Officer confirmed that the Parcel Tax could be budgeted precisely but a lot of school districts were hurt badly because of the Bond Rate.

Mr. Tom added that many school districts had to suspend their programs due to that.

Council Member Schmid conveyed that the City's Bond Rate was very high, due to having high reserves.

Walter Rossmann, Budget Director clarified that there were two reasons for a high Bond Rate: 1) high reserve; and 2) low debt ratio.

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Future Meetings and Agendas

Khashayar Alaei, Senior Management Analyst suggested continuing this Item to the next meeting.

Chair Kniss agreed.

Mr. Rossmann questioned when the next meeting was.

Mr. Alaei remarked it was on August 21, 2014.

Heidi Emberling, Palo Alto Unified School District, School Board Member reminded the City School Liaison Committee (Committee) that the Palo Alto Art Center had the "Places to Play" exhibit about children's art and where they play. There was a booklet that showed how preschool teachers engaged with preschool children around play and how play was meaningful to them.

Chair Kniss reiterated that Item Five was continued to the next Committee meeting in August, 2014.

ADJOURNMENT: The meeting was adjourned at 10:08 A.M.