

**SANTEE SCHOOL DISTRICT
SPECIAL MEETING
OF THE BOARD OF EDUCATION**

February 17, 2015
MINUTES

Douglas E. Giles
Educational Resource Center
9619 Cuyamaca Street
Santee, California

A. OPENING PROCEDURES

1. Call to Order and Welcome

President Burns called the meeting to order at 6:15 p.m.

Members present:

Dustin Burns, President
Barbara Ryan, Vice President
Elana Levens-Craig, Clerk
Dianne El-Hajj, Member
Ken Fox, Member

Administration present:

Dr. Cathy Pierce, Superintendent and Secretary to the Board
Karl Christensen, Assistant Superintendent, Business Services
Dr. Stephanie Pierce, Assistant Superintendent, Educational Services
Lisa Arreola, Executive Assistant and Recording Secretary

B. PUBLIC COMMUNICATION

During this time, citizens are invited to address the Board of Education about any item on this special meeting agenda. There were no comments.

C. MID-YEAR BUDGET WORKSHOP

Administration provided information and recommendations to the Board of Education regarding the development of the operating budget for the 2015-16 school year. The main topics of information included the following:

1. LCAP UPDATE AND REVIEW

Mr. Christensen and Dr. Stephanie Pierce provided an update on the LCAP and walked the Board through a draft of the LCAP Executive Summary. Mr. Christensen explained the Executive Summary would be presented for stakeholder input at the LCAP Annual Review meeting on February 24, and to various other stakeholders at upcoming meetings. Mr. Christensen acknowledged Bonner Montler, Coordinator of Assessment and English Learner Departments, and Lisa Arreola, Executive Assistant, for their assistance with the development of the LCAP Executive Summary.

He explained the Executive Summary provided stakeholders with a background on the adoption of the LCAP; listed the eight (8) State priority areas; District's goals; and summarized the status of the implementation of actions/services for 2014-15. Mr. Christensen explained the information would be updated annually to record the District's progress.

Dr. Pierce provided an overview of the Metrics and Data for the eight State Priority Areas and the District's Data Analysis of the large areas of concentration: Conditions of Learning; Pupil Outcomes; and Engagement.

Member Levens-Craig and Member El-Hajj suggested a glossary of key terms be added to the document to assist parents with the various acronyms.

Superintendent Pierce mentioned the document would be posted on the District website. Member Levens-Craig suggested the Executive Summary be shared with the Mayor and City Council.

2. STATE BUDGET PROPOSAL: KEY ELEMENTS AND SIGNIFICANT ISSUES

Mr. Christensen provided an overview of the 2014-15 Governor's Budget Proposal. He mentioned the handouts summarized some of the elements of the State budget.

Mr. Christensen explained Proposition 2 requires a deposit into the Rainy Day Fund when the Percentage of State Revenue attributable to Capital Gains exceeds eight percent (8%). He noted the percentage of State Revenue attributable to Capital Gains tax exceeded and/or will exceed the eight percent in 2013-14, 2014-15, and 2015-16.

07-08	08-09	09-10	10-11	11-12	12-13	13-14 ^(P)	14-15 ^(E)	15-16 ^(E)
11.4%	5.7%	2.7%	5.2%	5.0%	10.8%	8.1%	11.0%	9.4%

^P = Preliminary ^E = Estimate

Mr. Christensen explained the distribution to K-12 education included:

- \$4 billion allocated to LCFF;
- \$900 million in 2014-15 to eliminate remaining inter-year deferrals;
- One-time discretionary funds to reduce prior year Mandated Cost Reimbursement claims – districts can, but are not required to, use one-time discretionary funds for Common Core implementation

Mr. Christensen shared some information from the Business Advisory Council which explained that beginning in 2015-16, SB 858 requires the school district's public hearing for budget adoption include the following for review and discussion:

- The minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget;
- The combined assigned and unassigned ending fund balances that are in excess of the minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget;
- A statement of reasons that substantiates the need for an assigned and unassigned ending fund balance in excess of the minimum recommended reserve for economic uncertainties for each fiscal year.

He explained the passage of Proposition 2 triggers a cap on school district reserves. This means, in the fiscal year immediately after a transfer to the Public School System Stabilization Account (PSSSA) is made, a school district's adopted or revised budget is prohibited from containing a combined assigned or unassigned ending fund balance in excess of either two or three times the minimum recommended reserve for economic uncertainties. For schools districts with fewer than 400,000 ADA, twice the school district's applicable minimum recommended reserve for economic uncertainties adopted by the state Board.

Low ADA	High ADA	Minimum Reserve %	Potential CAP
0	300	Greater of 5% or \$64k	10%
301	1,000	Greater of 4% or \$64k	8%
1,001	30,000	3%	6% (Santee School District)
30,001	400,000	2%	4%
400,001	--	1%	3%

Mr. Christensen explained the County Superintendent of Schools may waive the prohibition, pursuant to specified conditions, for up to two consecutive fiscal years within a three-year period if the school district provides documentation indicating that extraordinary fiscal circumstances substantiate the need for the additional reserve balances. As a condition of receiving an exception, a school district shall do all of the following:

1. Provide a statement that substantiates the need for an assigned an unassigned ending fund balance in excess of the minimum recommended reserve for economic uncertainties.
2. Identify the funding amounts in the budget adopted by the school district that are associated with the extraordinary fiscal circumstances.
3. Provide documentation that no fiscal resources are available to fund the extraordinary fiscal circumstances.

Mr. Christensen explained the impact to the District with the passage of Proposition 2 and explained how the District's fund balances are categorized. He noted that under current law,

committed fund balances would not be included in the calculation of the reserve. Only assigned and unassigned balances would be included. He explained the District's Deferred Maintenance Fund, Special Reserve Fund 17, and Special Fund 40 have been committed by the Board and would not be included in the calculation. Additionally, Non-Spendable Fund Balances (stores inventory, revolving cash fund, and any prepaid expenditures), and Restricted Fund Balances (General Fund, Cafeteria Fund, Capital Facilities Fund, and Enterprise Fund 63) would not be included. The Assigned Fund Balance, Unassigned – Economic Uncertainty, and the Remaining Unassigned Fund Balance would be included in the calculation of the reserve cap.

Description	GF Total	Child Dev Fund	Cafeteria Fund	Deferred Maint Fund	Special Reserve Fund 17	Special Fund 40	Building Fund	Capital Facilities Fund	County School Facilities Fund	Enterprise Fund 63
Projected Ending Fund Balance	8,070,265	0	479,480	101,825	3,475,713	443,803	0	669,519	0	406,693
Committed Fund Balance	0			101,825	590,000	443,803				
Non-Spendable Fund Balance	444,213									
Restricted Fund Balance	197,900	0	479,480		0		0	669,519	0	406,693
Assigned Fund Balance	224,718									
Unassigned – Economic Uncertainty	1,631,767									
Remaining Unassigned	5,571,668	0	0	0	2,885,713	0	0	0	0	0

Mr. Christensen explained the following table outlined the trigger points of the Prop 98 reserve. He clarified this cap is much more imminent than what is being portrayed in the State budget and he stressed the importance of repealing the cap on reserves.

Factor	Criteria	Current Condition	2014-15	2015-16	2016-17
Prop 98 Maintenance Factor	\$0 balance	\$2.7B end of 2014-15 \$1.9B end of 2015-16	Possible	Possible	Probable
Prop 98 Funding Test	Test 1 (39.47% of State revenues plus prop taxes)	Test 1	Met	Probable	Possible
Prop 98 Funding Amount	Sufficient for enrollment growth and COLA	Prop 98 funding significantly exceeds minimum criteria	Met	Probable	Probable
Capital Gains Taxes	>8% of State Revenues	11% estimated for 2014-15; 9.4% estimated for 2015-16	Met	Probable	Possible

Member Fox asked if the District would be penalized if it carried more than the allowed reserve. Mr. Christensen explained he wasn't aware of any penalties, other than not being compliant in an audit report finding. The Board asked for clarification and held a discussion on options for committing funds.

Mr. Christensen provided a brief overview of Prop 30, Temporary Taxes; which was enacted on January 1, 2013. Mr. Christensen explained the Sales Tax portion of Prop 30 expires in 2016, and the personal income tax portion expires in 2018.

3. RETIREMENT SYSTEM RATE INCREASES AND IMPACT TO BUDGET

Mr. Christensen provided an analysis of budget impact for the District due to Retirement Systems Rate Changes in STRS and PERS employer contributions. The analysis showed the STRS contribution rate at 8.25% in 2013-14 and increasing to 19.10% by 2020-21. Mr. Christensen explained legislative action is not required by PERS. However, the PERS Board has taken action and has publicized the rates will increase to over 20% by 2020-21.

4. MULTI-YEAR PROJECTION UPDATE

Mr. Christensen provided a multi-year projection update. He noted the projected budget summary includes data up to 2018-19. Mr. Christensen explained the 2014-15 Unrestricted

Change in Fund Balance is currently projected at a \$2.5 deficit. In 2015-16, the deficit is reduced to \$519,863. This is due in part by the Assumed LCFF Revenue Increase (with ADA Changes) of 7.47%; and Assumed LCFF (Base Only) Revenue Increase (with ADA changes) of 5.49%. Resulting in an estimated Structural Surplus of \$644,679, with a GAP Funding of 32.19% and 7.47% Growth Factors.

5. LCFF: FUNDING PROGRESS AND FUTURE POSSIBILITIES

Mr. Christensen provided three scenarios depicting an overview of the LCFF and Operational Cost Pressures Future Analysis. The information showed an increase of revenue the District will receive with the LCFF differentiating the amount that is assumed to be the Base Grant Increase and the Supplemental Concentration Grant amount. He explained the Base Grant is the amount assumed to pay for operational costs, the core program, and increasing and/or improving services for all students. The Supplemental Concentration Grant is assumed to be used for increasing and/or improving services for unduplicated count students. Mr. Christensen explained the estimated increase in the base grant. He clarified that within LCFF transition years, there is a proportionality in the calculations until the District reaches the full implementation of LCFF.

6. SIGNIFICANT BUDGET REVISION CONSIDERATIONS FOR 2015-16

Mr. Christensen presented a list of potential budget revision considerations for 2014-15 through 2017-18. He clarified the considerations being presented still needed additional research and discussion. The considerations included funding for the continuance of the Digital Learning Initiative, adding equipment, training and instructional material for Physical Education, the remodel of Pepper Drive School facilities, and bus replacements for Transportation. The total for the new budget revision considerations through 2017-18 are approximately \$8,808,246.

D. CLOSED SESSION

President Burns announced that the Board would meet in closed session for:

1. **Conference with Labor Negotiator (Govt. Code § 54956.8)**
*Agency Negotiators: Karl Christensen, Assistant Superintendent,
Tim Larson, Assistant Superintendent*
Employee Organization: Santee Teachers Association (STA)
2. **Conference with Labor Negotiator (Govt. Code § 54956.8)**
*Agency Negotiators: Karl Christensen, Assistant Superintendent
Tim Larson, Assistant Superintendent*
Employee Organizations: Classified School Employees Association (CSEA)

The Board entered closed session at 8:26 p.m.

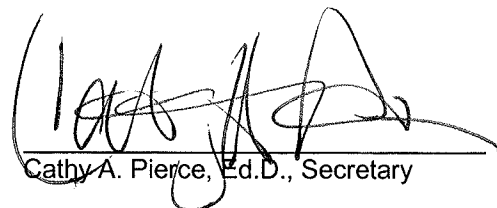
J. RECONVENE TO PUBLIC SESSION

The Board reconvened to public session at 9:25 p.m. No action was reported.

K. ADJOURNMENT

With no further business to be discussed, the February 17, 2015 special meeting was adjourned at 9:25 p.m.


Elana Levens-Craig, Clerk


Cathy A. Pierce, Ed.D., Secretary