

SANTEE SCHOOL DISTRICT
SPECIAL MEETING
OF THE BOARD OF EDUCATION

MINUTES
January 25, 2011

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

A. OPENING PROCEDURES

1. Call to Order and Welcome

President Ryan called the meeting to order at 6:03 p.m.

Members present:

Barbara Ryan, President
Dan Bartholomew, Vice President
Dianne El-Hajj, Clerk (arrived at 6:10 p.m.)
Ken Fox, Member
Dustin Burns, Member

Staff present:

Administration present:

Dr. Patrick Shaw, Superintendent and Secretary to the Board
Karl Christensen, Assistant Superintendent, Business Services
Minnie Malin, Assistant Superintendent, Human Resources/Pupil Services
Kristin Baranski, Director, Educational Services
Evonn Avila, Administrative Secretary and Recording Secretary

2. Approval of Agenda

It was moved and seconded to approve the agenda.

Motion: Bartholomew Second: Fox Vote: 4-0 (El-Hajj, absent)

B. PUBLIC COMMUNICATION

President Ryan invited members of the public to speak about any item on the agenda and there would be opportunities for the public to address the Board after each section of the agenda.. There were no comments.

C. MID-YEAR BUDGET WORKSHOP

Administration provided information and recommendations to the Board of Education regarding the development of a balanced operating budget for the 2011-12 school year. A summary of the information is included below.

1. Review of Proposed State Budget

Karl Christensen provided the following summary of the Governor's January Budget Proposal for 2011-12, categorized by the National Economic Outlook, the State Economic Outlook, the State Budget, and the effect on Santee School District's Budget.

National Economic Outlook: The recession started December 2007, and officially ended in June 2009; the unemployment rate is still high at 9.4% (down from 9.9%), and the Gross Domestic Product growth is positive but low at 2.6%. The stock market is up, inflation is non-existent, and corporations and banks have surplus cash. The Federal deficit is still concerning with an annual budget deficit of \$1.3-\$1.4 trillion and a cumulative debt of more than \$14 trillion. The forecast is slow growth in 2011 with growth accelerating in 2012.

Superintendent Dr. Shaw stated that the forecast was the same last year, for slow growth in 2010, with growth acceleration in 2011.

State Economic Outlook: California is not fairing as well as some of the other states in the nation. California's unemployment rate is high at 12.4%, which is third highest in the nation. Wage and salary employment growth along with personal income growth projections are slow for 2011, with an increase in growth projected for 2012. California's economic forecast is slow growth with pre-recession levels for economic indicators not reached until 2016, which is one year later than last year's forecast.

State Budget:

The Governor is projecting a budget deficit of \$25.4 billion, with \$8.2 billion attributable to 2010-11, and \$17.2 billion attributable to 2011-12. The deficit is largely due to the failure of prior year State budget "solutions." For

2010-11, 85% of the State budget solutions failed. Additionally, debt continues to be a problem with the State spending more than it takes in. Service on debt has increased dramatically from 3.4% in 2004 to 6.7% in 2010. Debt Service totals \$5.8 billion in 2009-10, and California now has the lowest bond rating of all 50 states. To resolve the \$25.4 billion budget deficit and create a \$1 billion reserve, the Governor proposes \$12 billion in revenue augmentations and \$12.5 billion in expenditure reductions, along with \$1.9 billion in "other solutions." \$8.8 billion of the revenue pertains to the extension of temporary taxes enacted in 2009-10 and set to expire at the end of 2010-11. In order to extend the temporary taxes, a 2/3 vote of legislature is needed in March, and more than 50% of the voters need to approve the extension at a June Special Election. If the temporary taxes are not extended, the deficit will increase by \$8.8 billion, the General Fund revenues will be reduced by \$5 billion, and the Proposition 98 minimum will be reduced by \$2.3 billion. The District's budget must be adopted by June 15, 2011, and the District may not know whether the temporary taxes have been extended or not at the time of its budget adoption.

Education Funding will be affected. The Proposition 98 minimum guarantee is 41.22% of General Fund revenues, which will be \$49.3 billion in 2010-11 if temporary taxes are extended, or \$47 billion if the temporary taxes are not extended. Revenue Limit, is based on Average Daily Attendance (ADA). 1.67% is the current estimated governmental COLA however it will not be funded as there is not enough money in Prop 98 to do so. Instead, a deficit factor will be increased by the State, so that at some point in the future when the State has money, it will pay back education funding. The deficit is now over 19%. This will result in a \$19 per ADA decline for Santee School District which equates to about \$120,000. However the situation could be much worse if temporary taxes are not extended, resulting in an additional \$330 per ADA decline to the District's Revenue Limit or Prop 98 funding. Cash deferrals have increased by an additional \$2.1 billion added to the \$7.5 billion existing deferral results in a total State education deferral of over \$9 billion, or 45% of the District's revenue limit funding.

Included in the Governor's proposal are flexibility provisions that are currently in place and due to sunset, but instead would be extended for an additional 2 years. Two major flexibility provisions that the District has utilized are included in the 2-year extension: Categorical and K-3 class size reduction flexibility.

In 2010-11, there is no change for AB 3632 County Mental Health Services; the mandate is suspended, funding is cut, and the financial burden has been shifted to school districts. For 2011-12, \$98.6 million will be provided from Proposition 63 to counties to reimburse for prior-year mandate claims; and from 2012-13 forward, services assumed to be handled under local realignment plan with funding. President Ryan reported that Prop 63 money is being targeted for use elsewhere in the legislature but to do so would require voter approval.

Historically, there has been a lack of equitable treatment for education in regards to the State budget. In comparing major State General Fund expenditures by area to budget cuts by area, education has received the least increase to the General Fund yet it has received the highest cut at 14.5%

The effect of the State budget on Santee School District's budget requires analysis and planning for 2 scenarios: With temporary taxes extended and with temporary taxes not extended. Member El-Hajj asked if there was to be a phase out of redevelopment agencies. Mr. Christensen responded that there are 3 agencies from which the District receives approximately \$400,000 in funding and that he is reviewing those agencies. Member Bartholomew asked if the District will be submitting a proposed budget that assumes temporary taxes are not extended. Mr. Christensen stated that the District's proposed budget for 2011-12 will be projected on the scenario that temporary taxes are extended, however it will project 3 years forward to show what happens if temporary taxes are not extended.

2. District Multi-Year Budget and Cash Flow Projections

A. With temporary taxes extended by the voters

Mr. Christensen reviewed a projected budget summary table under the assumption that temporary taxes are extended by the voters, and broke down what cash Santee School District will need to get through the year. In 2010-11, a \$1.1M surplus in General Fund is projected (this is high due to the Federal Job Bill funds). The Federal Job Bill funds would be used to avoid cuts such as salary concessions and layoffs, and focus on other operational savings. If the District holds the Federal Funds, then it will have to pay interest back to the Federal government. Member El-Hajj asked what the interest would be if the District held on to the funds until 2012-13. Mr. Christensen stated that the calculation is about a \$10,000 interest cost. Member Burns asked if there was any benefit to holding the money and not spending it in 2011-12. Mr. Christensen said there is no benefit. Member Bartholomew suggested that communication to stake holders be very clear on how the Federal Job Bill funds are spent.

Mr. Christensen reviewed the ending fund balances resulting in deficits of \$1.7M for 2011-12, \$2.8M for 2012-13, and \$3.3M for 2013-14. The District has enough cash in Fund 17 to cover its cash need for 2010-11. In 2011-12, the cash need is \$5.5M for the District, resulting in a deficit of \$2.6M which will be offset with other non-general fund cash and an internal cash surplus. In 2011-12, it is projected that the District will not need a county treasury loan. In 2012-13, the District is projected to be short \$4.5M in cash. If the District does cuts in the amount of \$1.1M, a county treasury loan of \$3.4M would bridge that shortfall.

B. Without temporary taxes extended by the voters

Mr. Christensen reviewed a projected budget summary table under the assumption that temporary taxes are not extended by the voters, and broke down what cash Santee School District will need to get through the year. Mr. Christensen reviewed the ending fund balances resulting in deficits of \$3.8M for 2011-12, \$4.8M for 2012-13, and \$5.4M for 2013-14. The District has enough cash in Fund 17 to cover its cash need for 2010-11. In 2011-12, the cash need is \$7.5M for the District, resulting in a deficit of \$4.6M. Using Fund 17 and other available non-general fund cash would result in the need for a county treasury loan of about \$800,000. In 2012-13, the District is projected to be short \$8.6M in cash. The District is eligible to borrow up to \$6.8M from the County Treasury, but to hit the \$3.4M desired maximum loan, the District would need to accomplish \$5.2M in budget solutions.

There was discussion between Board members, Dr. Shaw, and Mr. Christensen regarding the cash flow issue versus the budget issue, specifically, how State budget deferrals have impacted the District's available cash. The District has not overspent its budget, yet because of State deferrals, the District's available cash is impacted. Deferrals currently in place affect 45% of the District's revenue limit funding. The longer the District can hold on to State grant funds for temporary cash flows, the longer the District can hold off on enacting devastating cuts. The Board discussed about delaying modernization efforts for an additional year. Mr. Christensen stated that \$28M was received from the State as reimbursement for Phase 1 work that has already been done. Dr. Shaw informed the Board that administration will be providing more information to the Board in February as QSCB funding may be an option. Mr. Christensen will research the timeline for expending the State grant money to determine how long the District may "hold" the funds. .

3. Budget Considerations for 2011-12

Mr. Christensen reviewed a chart of 2011-12 budget considerations, of which most were operational savings and requested Board direction on the following considerations:

A. Use of Federal Jobs Bill Funds

The Board provided direction to administration to use \$1,030,071 (received in September 2010) to increase General Fund in 2011-12 to offset the need for budget cuts in 2011-12.

B. Uniform Bell Schedules and Modified Days

Mr. Christensen explained the FCMAT Transportation study results finding that a two-tiered master bell schedule would eliminate two bus routes for a District savings of about \$90,000; and could save an additional \$6,000 by designing a single modified day schedule. A chart of the 2009-10 Instructional Minutes was provided to the Board that outlined what the current instructional minutes per site/per grade level are vs. the daily adjustment of instructional minutes that would be needed if the District moved forward with a uniform master bell schedule. Scenarios provided to the Board: Bell Schedule with no modified days; Bell Schedule for 4 schools with a start time of 7:45 a.m. with varying dismissal times, and a Bell Schedule for the remaining 5 schools with a start time of 8:30 am. with varying dismissal times. Dr. Shaw passed out a chart of instructional minutes to the Board and Ms. Baranski summarized the impact to instructional minutes of the schools of the District.

Member Bartholomew asked if any of the District schools had no busing. Mr. Christensen stated that all schools in the District have busing, although most busing is for Special Education students.

Member Bartholomew asked if there were any negatives to go to "no modified days" and if it would impact school sites. Dr. Shaw responded that the scenario of no modified days versus the same modified day schedule would both result in a savings of 2 bus routes. Additionally, some schools have a history of having a weekly modified day, while others have never had modified day schedules. Administration plans to survey schools about their modified day desire and negotiate those schedules.

Member Burns asked if it would that result in bigger savings with a better alignment on bussing if a structure was to be set up that every school had a modified day schedule,. Mr. Christensen stated he was uncertain and he would need to research that scenario to determine if a larger savings would occur.

Member Burns stated that it would be important to know if that would create a larger savings. Dr. Shaw replied that one scenario with no schools on a modified day schedule resulted in a 2 bus route savings, and that it could be assumed that if all schools were on a modified day schedule, the end result would be the same.

Mr. Christensen went on to say that in Scenario 3, a separate dismissal time for kindergarten is considered and would still result in a savings of 2 bus routes, but the routes would need to be reconfigured and would reduce the \$90,000 savings by \$10,000 to \$12,000.

Member Fox asked if our bus routes are determined by ridership and what happens if ridership increases. Mr. Christensen responded that a number of variables, timeframes, number of kids, etc. determine the bus routes and currently we have low ridership on District buses.

President Ryan asked if the Board members had additional questions, and invited members of the audience to speak

Allwyn Gazi, Junior High Teacher at Cajon Park School and President of Santee Teachers' Association: Ms. Gazi spoke in regards to the suggested aligned bus schedules and instructional minutes adjustments under consideration. She said she met with Dr. Shaw and was presented the information. Dr. Shaw told her that the minutes that were used were an average, dealing with the contract language instead of the State standard or minimum minutes. Ms. Gazi stated that it may have been beneficial for the Board to see what the contract states and that anything beyond the State minimum would need to be negotiated or approved at the site, or a plan written for modified days. Ms. Gazi said that current contract language that is in place states that instructional minutes beyond the State minimum would need to be negotiated each year, unless a multi-year agreement was negotiated. Board President Ryan thanked Ms. Gazi for speaking, and said that if changing the bell schedules is a negotiated item, then the only direction the Board could provide to administration is to go negotiate the item.

Dr. Shaw responded that administration is aware of what contractual language says and the State minimum for instructional minutes, and is trying to achieve a median of where to land. It is a very complex piece. The grade levels that will most be affected are Kindergarten and 4 - 6. In order to do a two-tiered schedule, the Transportation department will need 45 minutes between dismissals of the primary grades and the upper grades. What is presented is where we would like to be in terms of a two-tiered schedule with instructional minutes factored into it.

Member El-Hajj asked if reducing teacher sub rate by \$10 per day would affect the number of subs the District has. Administration replied that it could affect our sub pool, but if a neighboring District strikes, then the sub pool would be impacted greatly. It was determined that although it is a small operational savings, every savings helps the general fund. Administration will monitor the sub pool to ensure that the change does not affect the quality and quantity of the District's substitute pool.

Member Burns stated that many parents have asked about the school schedules and that while the negotiations are closed, the need to communicate this item to the community is important. Dr. Shaw replied that with a two-tiered schedule of half the schools on one schedule and the remaining half on another schedule, the individual schools would be giving up the right to set their own site schedule, and that would be communicated.

Member Bartholomew asked if the District is breaching the State minimum for instructional minutes. Dr. Shaw responded that there is no indication of the District going below the State minimum of instructional minutes and that most of, if not all, the District schools are above the required State minimum instructional minutes.

Board members discussed the impact of the instructional minutes average resulting in some schools achieving more minutes while other schools would lose minutes, impacting valuable instruction time. School districts are pressed to do more with less and create savings through operational efficiency. Solutions such as this require collaboration with employees and associations.

President Ryan said she is extremely concerned about the drop in instructional minutes at Chet F. Harritt School, and believes we need to listen to those schools. Chet F. Harritt and Prospect Avenue lose the most and that is a loss of a lot of minutes. Member Burns noted that both Chet F. Harritt and Prospect Avenue

schools also appear to have the highest number of minutes in place. President Ryan agreed saying those school communities felt their kids needed the extra minutes. She said it causes her great concern to see that amount of minutes reduced.

President Ryan stated that the Board needs to be clear in direction, but since the item appears to be negotiable, the Board may only provide direction to administration to go negotiate this item with the employee association. Dr. Shaw replied that administration wanted to present the Board with what could be achieved with the two-tiered bell schedule.

The Board provided direction to administration to move forward with negotiation of this item.

Dr. Shaw recognized and thanked employee Diane Turner for creating the two-tiered bus schedule.

C. Deferred Maintenance Set-Aside

In 2010-11, the District's deferred maintenance funding was \$230,000, and due to the flexibility provision allowed by the State, those funds were used to supplement the General Fund. While Modernization takes care of some deferred maintenance issues, it doesn't resolve other issues like sewers. There are some major issues with sewers and roofs at some District facilities. Member El-Hajj asked if the funds could be considered for cash flow. Mr. Christensen said they could. Member El-Hajj noted that the District Office parking lot is in need of repair. Administration recommended to set aside \$100,000 of the Deferred Maintenance funds for such projects and rollover the remaining \$130,000 under the flexibility provision to supplement the General Fund in 2011-12. The Board provided direction to administration to move forward with this recommendation.

4. Other Fiscal Factors

A. Publications and Instructional Supply Budgets

Mr. Christensen stated there have been some issues during the past year with producing publication orders during peak periods. Member Bartholomew suggested planning summer orders during the beginning of the final trimester, instead of rushing orders near the end of that trimester. Dr. Shaw responded that next year's flat funding will provide principals with clarity for their site allocation to fund publication requests and that administration will be meeting with Mike Krynski of the Publications department to determine peak times, and possible adjustments to employee schedules.

B. GASB 54 Reporting of Fund Balance

Mr. Christensen summarized the GASB 54 reporting of fund balance and its new components: Nonspendable (amounts that are not in spendable form, i.e., Prepaid Expenditures, Stores Inventory; Revolving Cash); Restricted (amounts constrained to specific purposes such as Categorical Programs); Committed (Amounts constrained to specific purposes imposed by the Board of Education such as stabilization arrangements for fiscal solvency); Assigned (General Fund amounts constrained by the intent that they be used for specific purposes such as vacation carryover or school site carryovers, assigned by the Board or another official delegated by the Board); and Unassigned (General Fund amounts not classified as any of the above such as reserve for economic uncertainties, or undesignated/unappropriated amounts).

Member El-Hajj asked if GASB 54 reporting is now better. Mr. Christensen said it is clearer and more defined.

Board members discussed the best way for immediate communication to reach the Board from the executive office. Most members preferred a message to their work emails with a follow-up phone call reporting a message has been sent. Member Burns prefers a phone call or a text message. Urgent messages always warrant a direct phone call.

Board President Ryan announced that the Board would meet in closed session for

1. Conference with Legal Counsel-Existing Litigation

(Subdivision (a) of Gov't Code §54956.9) Case # 37-2009-00083936-CU-CO-CTL

The Board entered closed session at 8:00 p.m.

The Board reconvened to open session at 8:45 p.m. No action was reported. The January 25, 2011 special meeting was adjourned.