

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

January 29, 2013
MINUTES

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

A. OPENING PROCEDURES

1. Call to Order and Welcome
President El-Hajj called the meeting to order at 5:38 p.m.
Members present:
Dianne El-Hajj, President
Ken Fox, Vice President
Dustin Burns, Clerk (arrived 5:50 p.m.)
Barbara Ryan, Member
Elana Levens-Craig, Member
Administration present:
Dr. Cathy Pierce, Superintendent and Secretary to the Board
Karl Christensen, Assistant Superintendent, Business Services
Minnie Malin, Assistant Superintendent, Human Resources/Pupil Services
Dr. Stephanie Pierce, Director, Educational Services
Evonn Avila, Administrative Secretary
President El-Hajj led the reading of the Mission Statement. Database Network Analyst Matt Marsman led the Pledge of Allegiance.

2. Approval of Agenda
Motion: Elana Levens- Craig Second: Ken Fox Vote: 4-0

B. PUBLIC COMMUNICATION

During this time, citizens are invited to address the Board of Education about any item on this special meeting agenda. The Board has a policy limiting any speaker to five minutes. *There were no public 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 2012-13 school year. The Governor's 2013-14 Budget Proposal was released on January 10, 2013. Karl Christensen prefaced the budget workshop with the disclaimer that the Governor's Proposal is only a proposal at this time, and not an adopted budget as the budget proposal will be reviewed by the legislature. The Governor's Proposal includes non-standard, new information known as the Local Control Funding Formula (LCFF). The LCFF calculations are currently being calculated by the Department of Finance and new estimates are anticipated in the coming months. Administration has taken the current details of the Governor's Budget Proposal and performed calculations based on a financial model provided by School Services of California, Inc. These calculations show the possible impacts of the Governor's Budget Proposal and how it may affect the District's budget. The five main topics of information included the following:

1. REVIEW OF FINANCIAL CONDITION AND MULTI-YEAR PROJECTION AT 1ST INTERIM

Mr. Christensen provided a review of the multi-year projection at 1st Interim. The 1st interim includes data through October 31, 2012. The District currently has a deficit and a structural deficit where our on-going expenditures exceed our on-going revenue.

Item	2011-12		2012-13		2013-14		2014-15		2015-16	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Total Income	\$37,421,338	\$8,527,936	\$36,907,033	\$8,442,128	\$36,543,978	\$8,131,301	\$36,543,978	\$8,131,301	\$36,376,846	\$8,131,301
Total Outgo	\$38,471,606	\$8,498,926	\$37,145,494	\$8,473,235	\$38,045,062	\$8,191,324	\$38,982,695	\$8,142,924	\$39,726,070	\$8,255,569
Change in Fund Balance	(\$1,050,268)	\$29,010	(\$238,461)	(\$31,107)	(\$1,501,085)	(\$60,023)	(\$2,438,717)	(\$11,623)	(\$3,349,223)	(\$124,268)

The District is able to absorb the deficits by utilizing its reserves.

	2011-12	2012-13	2013-14	2014-15	2015-16
Total Reserves	\$10,505,165	\$10,634,193	\$9,148,294	\$6,724,865	\$3,593,034
Reserve as % of Expenditures	22.37%	23.31%	19.79%	14.27%	7.98%

The above data is based on flat funding and no COLA. The Governor's Budget Proposal now includes possible changes to the above projections.

2. 4-YEAR PROJECTION OF POTENTIAL BUDGET NEEDS

Mr. Christensen shared information on the 4-year projection of potential budget needs that included:

-Deferred Maintenance / Facilities – Ms. Christina Becker, Director of Maintenance, Operations and Facilities, provided additional details of specific maintenance and facilities needs and answered questions from the Board of Education on this topic.

-Vehicle / Bus Replacement – Ms. Debbie Griffin, Director of Transportation, provided additional details of specific vehicle and bus replacement needs and answered questions from the Board of Education on this topic.

–Technology – Mr. Bernard Yeo, Director of Information Systems Technology, provided additional details of specific technology and publications needs to keep the current network / technology operational and to replenish / renew technology items. Mr. Yeo reviewed needed changes to technology as a result of the upcoming smarter balance / common core standards and answered questions from the Board of Education on this topic.

Following the above topics, Mr. Christensen shared a consolidated list of possible budget augmentations for the Board to review totaling \$2,949,291 between 2012-13 through 2016-17. The list is exhaustive with more District needs than there are resources available.

Board member Levens-Craig thanked administration for bringing the District budget needs to the Board of Education's attention. Member Burns stated that several strategic planning items are addressed in the possible budget augmentation list but inquired about the foreign language item. Superintendent Pierce replied that administration will research and add into the list.

3. SUMMARY OF GOVERNOR'S BUDGET PROPOSAL

Mr. Christensen provided a summary of the Governor's budget proposal with the disclaimer that it is a proposal only. On the surface it appears that there is "substantial new money," however below the surface some of those funds are used for deferral buyback resulting in no new revenue, and the Interplay of the old funding formula with the proposed new Local Control Funding Formula is still uncertain. There is a modest growth in jobs and the economy forecasted. State revenues for 2013-14 are forecasted at 3.3% growth to \$98.5 billion, mostly due to the passage of Prop 30. Prop 98 education funding includes a \$2.7 billion increase to \$56.2 billion and \$2.2 billion used for 2012-13 deferral buyback is also available. However, not all is used for new revenue:

- \$1.8 billion for additional deferral buyback equates to no new revenue
- \$1.6 billion for partial implementation of new Local Control Funding Formula (LCFF)
- \$400 million for energy efficiency projects (Prop 39)
- \$100 million to increase Mandated Cost Block Grant from \$28/ADA to \$47/ADA for 2 inclusion of 2 additional mandates
- \$63 million for 1.65% COLA for Categoricals outside the LCFF

4. LOCAL CONTROL FUNDING FORMULA

The Governor's proposal includes a major overhaul of California's system of school finance. The Governor has stated that the current school finance system is overly complex, administratively costly, and inequitably distributed:

- Complexity – Too many categorical programs with separate funding streams, allocation formulas, and spending restrictions.
- Administrative Burden – Requires staff in school districts to administer the programs and staff at the California Department of Education to ensure compliance.
- Inequity – Many program allocations have been frozen at the 2008-09 funding level and do not reflect demographic changes.

Mr. Christensen reviewed the current funding formula in five steps:

Step 1: Calculate total to be funded for K-14 education pursuant to Proposition 98

Step 2: If calculated funding is unaffordable, revise downward by either suspending with 2/3 vote of Legislature or manipulation through insertion or deletion of previously excluded/included programs.

Step 3: Determine which programs can be funded within the derived Prop 98 guarantee and at what levels:

- Revenue Limit – subject to application of statutory COLA and deficit factor if unaffordable at prescribed amount
- Over 40 Categorical Programs to choose from

Step 4: Determine the amount of Property Tax collections that can be used towards Revenue Limit funding.

Step 5: Subtract Step 4 result from total Revenue Limit funding in Step 3 to determine State Aid amount to be paid from State's General Fund.

Mr. Christensen then reviewed the Revenue Limit Deficit Structure, and Governor's proposal to pay off the current 22.272% deficit over the next 7 years. The Prop 98 calculation for Steps 1 and 2 is not changing. Step 3 of the formula calculation is proposed to be revised with Revenue Limit and most categoricals rolled into 1 formula. Programs included are:

^Administrator Training Program	Civic Education
Adult Education	^Community-Based English Tutoring
Adults in Correctional Facilities	^Deferred Maintenance
Advanced Placement Grant Programs	^District revenue limits
Agricultural Vocational Education	^Economic Impact Aid
Alternative Credentialing	Educational Technology
Apprentice Programs	^Gifted and Talented Education
^Arts and Music Block Grant	^Grade 7-12 Counseling
California High School Exit Exam	High School CSR
California School Age Families Education Prgm	^Instructional Materials Block Grant
^Certificated Staff Mentoring	^K-3 CSR
Charter Schools Block Grant	National Board Certification
^Oral Health Assessments	^School Safety Block Grant
Partnership Academies	School Safety Competitive Grant
Physical Education Block Grant	Specialized Secondary Program Grants
Principal Training	^Staff Development
^Professional Development Block Grant	Student Leadership/California Association of Student Councils
^Prof'l Devlpmt Institutes for Math & English	^Summer school programs
Pupil Retention Block Grant	^Teacher Credentialing Block Grant
Regional Occupational Centers and Programs	Teacher Dismissal Apportionments
^Home-to-School Transportation*	^Targeted Instructional Improvement Grant (TIIG)*
^School and Library Improvement Block Grant	

^Funding received by Santee *Add-on to LCFF funding

Mr. Christensen provided a list of programs excluded from the LCFF:

^After-School Programs
American Indian Education
Necessary Small Schools
^Preschool Program
QEIA
^Child Nutrition
^Special Education

^Funding received by Santee

Mr. Christensen then reviewed the proposed Local Control Funding Formula and how it compares to the current 5 step funding formula:

Step 1: Calculate total to be funded for K-14 education pursuant to Proposition 98 equal to the greater of 3 tests. (*same as current formula*)

Step 2: If calculated funding is unaffordable, revise downward by either suspending with 2/3 vote of Legislature or manipulation through insertion or deletion of previously excluded/ included programs into the formula. (same as current formula)

Step 3: Calculate funding for LCFF:

- a) Determine district's current funding level (2012-13) for included programs
- b) Determine Entitlement Target (for 2020-21: subject to future year COLAs)
 - i. Establish Base Grants for grade spans ~ = Statewide avg of undeficit revenue limit per ADA
 K-3 = \$6,342 4-6 = \$6,437 7-8 = \$7,680
 - ii. Apply COLA
 - iii. Add adjustments to grade spans: To K-3 ~ = 11.2% of Base Grant for CSR at 24:1 To 9-12 ~ = 2.8% of Base Grant for Career Technical Education
 - iv. Multiply Adjusted Base Grants by ADA to determine base level entitlement funding
 - v. Determine Supplemental Funding for EL/Free-Red/Foster students:
 - i. Multiply 35% by Adjusted Base Grants for each Grade Span
 - ii. Multiply % of student population up to 50% who are either English learners, qualified for free/reduced meals, or foster students (unduplicated) by grade span ADA
 - iii. Multiply results from above 2 steps to determine Supplemental Funding
 - vi. Determine Concentration Factor Funding for EL/Free-Red/Foster students:
 - i. Multiply 70% by Adjusted Base Grants for each Grade Span
 - ii. Multiply % of student population exceeding 50% who are qualified for Supplemental Funding by grade span ADA
 - iii. Multiply results from above 2 steps to determine Concentration Factor Funding
 - vii. Sum Steps (b)(iv), (b)(v)(iii), (b)(vi)(iii)
 - viii. Add the following to determine Total Entitlement Target for LCFF:
 - i. Home to School Transportation funding for 2012-13
 - ii. Targeted Instructional Improvement Block Grant funding for 2012-13
- c) Subtract Step a) from Step b)
- d) Multiply difference by 10% to determine estimated additional funding for LCFF partial implementation, if any (\$15 billion estimate to fully implement; \$1.6 billion allocated for 2013-14)

Step 4: Determine the amount of Property Tax collections that can be used towards Revenue Limit LCFF funding.

Step 5: Subtract Step 4 result from total Revenue Limit LCFF funding to determine State Aid amount to be paid from State's General Fund.

Mr. Christensen then reviewed the Governor's proposed LCFF and provided estimated calculations for Santee School District. The 2013-14 estimated LCFF funding is \$1,199,569, which is an estimated change in State funding within the LCFF of 3.24%.

5. REVISED MULTI-YEAR PROJECTION

Mr. Christensen provided three revised multi-year projection scenarios:

Scenario 1: Flat funding with selected budget needs:

Item	2011-12		2012-13		2013-14		2014-15		2015-16	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Total Income	\$37,421,338	\$8,527,936	\$36,951,481	\$8,497,984	\$36,766,022	\$8,225,855	\$36,766,022	\$8,225,855	\$36,766,022	\$8,225,855
Total Outgo	\$38,471,606	\$8,498,926	\$37,105,794	\$8,477,134	\$38,228,602	\$8,218,214	\$39,770,529	\$8,168,417	\$40,401,170	\$8,281,062
Change in Fund Balance	(\$1,050,268)	\$29,010	(\$154,312)	\$20,850	(\$1,462,580)	\$7,641	(\$3,004,508)	\$57,438	(\$3,635,149)	(\$55,207)
Ending Fund Balance	\$8,858,417	\$274,581	\$8,704,104	\$295,432	\$7,241,524	\$303,073	\$4,237,017	\$360,511	\$601,868	\$305,305

Scenario 2: 1.65% COLA to Rev Limit in 2013-14 with selected budget needs (likely to be the suggested methodology from SDCOE:

Item	2011-12		2012-13		2013-14		2014-15		2015-16	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Total Income	\$37,421,338	\$8,527,936	\$36,951,481	\$8,497,984	\$37,262,612	\$8,225,855	\$37,262,612	\$8,225,855	\$37,262,612	\$8,225,855
Total Outgo	\$38,471,606	\$8,498,926	\$37,105,794	\$8,477,134	\$38,183,457	\$8,262,358	\$39,725,385	\$8,213,561	\$40,356,026	\$8,326,206
Change in Fund Balance	(\$1,050,268)	\$29,010	(\$154,312)	\$20,850	(\$920,845)	(\$37,503)	(\$2,462,773)	\$12,294	(\$3,093,414)	(\$100,351)
Ending Fund Balance	\$8,858,417	\$274,581	\$8,704,104	\$295,432	\$7,783,259	\$257,929	\$5,320,486	\$270,222	\$2,227,072	\$169,871

Scenario 3: 3.24% Increase for LCFF partial implementation with selected budget needs:

Item	2011-12		2012-13		2013-14		2014-15		2015-16	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Total Income	\$37,421,338	\$8,527,936	\$36,951,481	\$8,497,984	\$37,964,188	\$8,225,855	\$37,964,188	\$8,225,855	\$37,964,188	\$8,225,855
Total Outgo	\$38,471,606	\$8,498,926	\$37,105,794	\$8,477,134	\$38,183,457	\$8,263,358	\$39,725,385	\$8,213,561	\$40,356,026	\$8,326,206
Change in Fund Balance	(\$1,050,268)	\$29,010	(\$154,312)	\$20,850	(\$219,270)	(\$37,503)	(\$1,761,197)	\$12,294	(\$2,391,838)	(\$100,351)
Ending Fund Balance	\$8,858,417	\$274,581	\$8,704,104	\$295,432	\$8,494,835	\$257,929	\$6,723,637	\$270,222	\$4,331,799	\$169,871

All members of the Board of Education and Mr. Christensen engaged in discussion about the notion of the Local Control Funding Formula as a paradigm shift. The discussion included: the LCFF idea is to simplify the financial funding system of school finance, allowing more flexibility in local level decisions regarding school district needs; the LCFF may become more complex over time, if and when certain district needs are not met resulting in categorical programs added back into the formula in the future; and adequate funding in per pupil spending.

President El-Hajj thanked Mr. Christensen for a thorough and informative presentation.

CLOSED SESSION

President El-Hajj announced that the Board of Education would meet in closed session for:

1. **Conference with Labor Negotiator (Govt. Code § 54956.8)**
Purpose: Negotiations
Agency Negotiator: Karl Christensen, Asst. Superintendent
Employee Organization: Classified School Employees Association

2. **Conference with Labor Negotiator (Govt. Code § 54956.8)**
Purpose: Negotiations
Agency Negotiator: Karl Christensen, Asst. Superintendent
Employee Organizations: Santee Teachers Association

The Board entered closed session at 7:31 p.m.

E. RECONVENE TO OPEN SESSION

The Board reconvened to public session at 8:19 p.m. No action was reported.

F. ADJOURNMENT

With no further business to be discussed, the meeting was adjourned at 8:20 p.m.