

**Minutes of the Special Meeting of the Board of Education
Pomona Unified School District
Education Center - Board Room
800 South Garey Avenue, Pomona, California 91766
Via teleconference at Sheraton Palo Alto Hotel
625 El Camino Real, Palo Alto, CA 94301
Via teleconference at Novotel Manila Araneta Center-Quezon City
General Aguinaldo Avenue, Araneta Center 0810, Quezon City, Philippines**

Tuesday, August 28, 2018

7:15 a.m.

CALL TO ORDER

Roberta A. Perlman, Board President, called the meeting to order at 7:50 a.m.

MEMBERS PRESENT

Roberta A. Perlman, President; Adrienne Konigar-Macklin; Jason A. Rothman; Vice President Frank Guzman and Andrew S. Wong both participated via teleconference.

ADMINISTRATIVE STAFF PRESENT

Richard Martinez, Superintendent
Stephanie Baker, Deputy Superintendent, Educational Services
Leslie Barnes, Assistant Superintendent and Chief Financial Officer, Business Services
Lilia Fuentes, Interim Assistant Superintendent, Educational Services
Darren Knowles, Assistant Superintendent, Human Resources
Fernando Meza, Assistant Superintendent, Pupil & Community Services
Stacey Wilkins, Administrative Director, Educational Services

OTHERS PRESENT

Jim C. Moore, Attorney, Mundell, Odlum & Haws, LLP

CLOSED SESSION

1. Conference with Labor Negotiator Pursuant to California Government Code section 54957.6 – Name of Agency Negotiator: Assistant Superintendent of Human Resources – Name of Employee Organization: Associated Pomona Teachers, California School Employees Association, Chapter 14, and Pomona Administrators, Classified Management and Confidential Employees Association

PUBLIC COMMENTS ON CLOSED SESSION ITEMS: None

ADJOURN TO CLOSED SESSION: 7:53 a.m.

1 OPENING BUSINESS

8:22 a.m.

1.01 Pledge of Allegiance

The Pledge of Allegiance was led by Mr. Stacey Wilkins, Administrative Director, Educational Services.

**1.02 Superintendent's Comments – Corrections or Additions to the Agenda:
None**

1.03 California School Employees' Association Representative Comments

Comments: Marian Orozco, President, California School Employees Association (CSEA), Chapter 14 said she had a concern regarding one of her members who came to the previous Board Meeting to address some issues with Child Development. She said we are trying to work with Mr. Knowles in Human Resources in reference to these concerns.

1.04 Associated Pomona Teachers' Representative Comments: None

1.05 Audience Comments: None

2.0 INFORMATION ITEMS/PRESENTATIONS

2.01 Staff Report: Budget Presentation

Dr. Barnes began the Budget Study Session by stating this is more in depth information than the previous closed session presentation to the Board. She reviewed the agenda which included the following: What does full Funding of the Local Control Funding Formula really mean?, Current Reality of Education Funding, "The Silent Recession", 2017-18 Financial Report - Multi-Year Projection, Discussion of Key Fiscal Indicators (Declining Enrollment, Rising Employee Costs, Rising Special Education Costs), and Recommendations going forward.

Dr. Barnes said the Local Control Funding Formula (LCFF) was fully funded and the reality of what this means is that the districts base, per student, funding level have been restored to their 2007-08 amounts and adjusted for inflation. Therefore, it is not that they've looked at adequacy of school funding and said that we are adequately funded, but it is bringing us back to pre-recession levels. It also provides school districts such as our district, an additional 30% for high needs populations which includes, English Language Learners, students in poverty and students in foster care.

Dr. Barnes said 30 cents of every dollar received must be budgeted in the Local Accountability Plan (LCAP) and directed towards services for the three populations of students she just mentioned. Those dollars cannot be used for operating expenses or educational services provided to all students. As the County reviews that plan, they will ask if this is something we are providing to all of our students and if so, then we cannot fund it out of LCAP. All expenditures in the LCAP must be used to increase or improve services to the targeted populations. Strategies must be research based and outcomes must be measureable in that plan.

Dr. Barnes said The Silent Recession was an article written by WestEd which states, "Despite efforts to help school districts recover from the recent Great Recession by bringing school district spending power back to pre-recession levels, growth in expenses to maintain operations means that school districts across the state are now experiencing the Silent Recession". She said we hear that our economy is good and the

stock market is up, school districts are receiving additional funding but we continue to struggle. This is why it's being referred to as, The Silent Recession. She said she will review what is causing some of this. In our multi-year projection we ended the year with a healthy balance of \$44,123,793 million and we were able to maintain our 3% reserve. Moving forward one of our assumptions is that we will continue to lose 700 students each year, as we did last year which increases some of our mandated costs. By 2021 we will have a negative fund balance of \$5,353,598 million and when you add the reserve to this amount we will be at a negative \$15,012,282 million.

Reviewing Pomona's Fiscal Dashboard Dr. Barnes said there are three key elements that are causing the negative balances going out that are also out of our control. This is part of The Silent Recession article that all districts throughout the State are facing, not just Pomona. She said while everyone else's enrollment is declining, our enrollment has been substantial with a decline of approximately 13,000 students since 2003. In regards to our pension costs, everyone in the State have the same increase to their pension costs. In 2014, our STRS (State Teachers Retirement System) rate was 8.3% that the employer paid for every employee and our PERS (Public Employees Retirement System) rate was 11.4%. By 2021 that same STRS employee will cost us 19.10% and a PERS employee will cost us 24.6% which are huge increases that the district takes on to maintain an employee. Although it maintains our employee pensions, we don't actually see any benefit in our pocket.

Dr. Barnes said the Special Education encroachment has increased by \$27.7 million since 2010. She said the factors influencing revenues are paid by ADA (Average Daily Attendance) rates and the number of students that are enrolled in our schools. The Department of Finance is projecting a loss of 181,000 students in California over the next 10 years. As we project student enrollment, the two factors are birth rates and migration rates. Birth and fertility rates in California are at a historic low. Women are having children later in life which results in fewer births. Other factors are the high cost of living in California, and the millennials are strapped with student debt and choose to have children later in life. Total fertility rates have dropped below replacement rates. She said it takes 21,000 births per 1,000 women to replace the population, and the birth rate in California is 12.2 births per 1,000 women. Therefore the projection of the student population that would be moving into our schools is a bit dire. We used to be a state that a lot of people wanted to migrate to, however now we have more people leaving California, than moving in.

Dr. Barnes said California's population has dropped by 2.5% since 2007. Estimates indicate there will be fewer migrants from other countries as well, due to the Federal Administration immigration policies. The Department of Finance K-12 enrollment projection for Los Angeles County anticipates quite a drop in Los Angeles County alone. Dr. Barnes said PUSD's enrollment over the past four years has lost 1,500 students. Most of the districts that surround us besides Claremont Unified are also declining. Drops for the surrounding districts in the past four years indicate Chino Unified has lost almost 1,800 students, and Montclair Unified has lost 1,400. We tend to have a belief that the districts around us are growing and we are the only one declining, but the reality is that we are all declining which aligns with what the Department of Finance is saying. Last year we had estimated our decline to be 600, however it was an additional 100

students. Therefore, this year and going forward we will be funded at 700 students less. As of the 30th of August, the district enrollment was already 272 students below our P2 enrollment from last year. We anticipate that we will probably be on target to lose 700 students by the 15th of April in P2.

Dr. Barnes said comparing our schools enrollments to statewide averages, the average elementary within a state is 519 students and we have 14 schools below that. The average for middle schools is 766 students and we have 3 schools below that. Five of our high schools are below statewide averages as well. She reviewed the Household Statistics for 2017 and 2018 which included the following: Median Age, Average Household Size and Average Housing Cost in both Pomona and Diamond Bar which area contributing factors for our declining enrollment.

Dr. Barnes reported employee costs have risen and will continue to rise substantially until 2020-21. She reviewed data starting with 2014-15 through 2020-21. She said the minimum wage is increasing by \$1 per year until 2021, and when it reaches \$15 per hour the cost of just addressing the \$1 minimum wage only will cost us \$306,576 cumulative per year until 2021. The cost of adjusting the CSEA salary schedule so the ranges stay the same amount above minimum wage, as they were before the increase, will be \$556,252 cumulative per year until 2021. Another cost to be determined is the mandated three sick days per substitute, and the mandated differential pay for certificated employees on family leave which we used to only pay the cost of the substitute. Dr. Barnes said the pension increases are cumulative and these increases only maintain current retirement benefits, they do not enhance them.

Dr. Barnes said Special Education is funded by both state and federal governments. The state determines our Special Education funding by the district's overall enrollment. Therefore, if the overall District enrollment is declining then the Special Education funding will also decline, even if the number of Special Education students is increasing. This causes the unrestricted general fund (base funding) to cover more Special Education costs through "encroachment". The federal government committed to pay 40%; the estimated amount of "excess cost" to educate a child with disabilities when they mandated their education. Dr. Barnes reviewed the Special Education Encroachment data from 2010-2019 along with the factors impacting Special Educations costs. She said while the District's funding has decreased, Special Education enrollment has increased since 2012 due to overall student enrollment decline. Specific disabilities such as autism and speech language impairment have been on the rise. Both of these disabilities are very expensive and require additional staff to support the students. The number of students with IEP's has also increased substantially since 2012.

Dr. Barnes summarized The Silent Recession and said much of what is causing financial distress within our district and surrounding districts, is not within our control. The factors are due to declining enrollment, mandated employee costs and increased identification of costly disabilities. She said the need to cut costs is immediate, since expenses are anticipated to outpace future revenues. The recommendations are to immediately start reducing costs that are within our discretion, conduct a third party review of Special Education and district expenditures to identify efficiencies, and start

discussing the need for cuts with staff and community.

On behalf of the Board of Education, Dr. Perlman asked for detailed data on the 700 student loss per year. Looking at the programs that attract students to stay in our district such as the Dual Emersion program, Math & Science Magnet School, the Dependent Charter School, she said she knows students come here for these programs from other school districts. She said she understands there is an expense involved when we implement these programs, but our financial gain is that these students remain with us until they reach 12th grade. She also asked what we are doing to promote the programs we have such as, the Film Academy and some of our other special programs that have a wide appeal for students to come to our district. Dr. Perlman also requested an update regarding what is being done to promote such programs and what we are doing outside of our district to bring students in, because we have very attractive programs, but people do not know about them.

Mr. Martinez said we will move forward to look for a third party for recommendations, and to take a look at our current fiscal situation to see how we can optimize our expenses, and how we expend dollars. He said in addition to speaking with Mr. Casarrubias and Mr. Unaka in regards to how we are promoting programs in house, he would like to go out to the community to gain their perspective as to what really brings them to Pomona's programs and what keeps them here. With this information we may get very specific answers from our community and families members. As Dr. Perlman mentioned, how we are promoting outside of our district because he knows Mr. Unaka tries to get things within the region, not just in Pomona Unified.

3 OPEN ORAL COMMUNICATIONS

3.01 Audience Comments: None

3.02 Board and Superintendent Oral Communications and Concluding Comments

The Superintendent and Board of Education members gave their concluding comments and announcements.

Dr. Perlman adjourned the meeting in memory of community member Mrs. Helen Moore.

NEXT BOARD MEETING: Regular Board Meeting September 12, 2018, at 6:30 p.m.

12 ADJOURNMENT

12.01 Adjournment: 8:56 p.m.


Secretary, Board of Education

Attested and Approved:


President, Board of Education