

MEMORANDUM

Date: February 1, 2010
To: Piedmont Board of Education
From: Citizens' Advisory Committee on Parcel Tax Program,
Measures B and E
Subject: Report and Recommendations for Levying for Fiscal Year
2010-2011, and Review of Fiscal Year 2009-2010

Executive Summary

The Citizen's Advisory Committee recommends that the District plan to levy both taxes at their maximum level in 2010-11. Even if they are fully levied, continuation of all existing District programs will almost certainly result in a significant deficit.

We also recommend that the District continue to review and adjust its policies and programs, in ways that cost-effectively preserve and improve the excellent quality of the District's educational programs. During 2010-11, the Committee will also identify revenue, expense and/or program issues that are appropriate for independent review and development of additional recommendations to the School Board. We also will continue and expand public information and engagement efforts.

Background

Since 1985, Piedmont voters have repeatedly approved local parcel taxes in order to preserve our excellent school programs. On June 2, 2009, the voters of Piedmont overwhelmingly approved two measures:

- **Measure B** continues taxpayer support to "prevent existing school funding from expiring and maintain Piedmont's excellent quality of public education" for four fiscal years 7/1/10 through 6/30/14. This Measure combines and replaces earlier Measures (prior Measures B and C) that expire 6/30/10. Funding from Measures B and C for 2009-10 is \$8,145,000, and the same amount is projected from new Measure B in 2010-11.
- **Measure E** is intended to "offset the loss of State funds by providing emergency temporary local funding" and thereby protect programs (including music, foreign language, library and counseling) for three fiscal years 7/1/09 through 6/30/12, in years in which state funding is less than specified trigger levels. Funding for 2009-10 is \$997,000.

As an important accountability measure, Measures B and E provided for creation of a Citizen's Advisory Committee, to provide independent review of Piedmont

Unified School District's revenues, expenditures and programs to the School Board, and make recommendations to the Board on the levy of Measure B and E parcel taxes. The Board of Education met this obligation by soliciting volunteers for this Committee, directing it to make recommendations based on its assessment of the impacts on the District's educational programs of alternative spending levels. The Committee may identify specific programmatic, revenue and expense items for further evaluation in view of the Measure B and E priorities for quality educational programs, and will communicate to the public about its activities and recommendations. The final decision whether to levy either or both taxes each year remains with the School Board.

Introduction

The Committee is pleased to submit this report, providing a review of the District's Fiscal Year 2009-2010 revenues and expenditures, projected Fiscal Year 2010-2011 revenues and expenditures, and recommendations regarding the parcel taxes. The Committee first convened on October 29, 2009 to begin this process. The following discussion summarizes our activities and recommendations. In addition, Attachment A provides more detail of our review of District financial materials, and Attachment B provides a graph showing selected PUSD revenue and expense items for 2000-2001 to 2011-2012. These exhibits summarize information developed by the Committee to assist our own deliberations and also to facilitate information reporting to the community.

Review of 2009-10 Parcel Tax Levies:

In order to levy Measure E taxes in 2009-10, the School Board was required to approve the levy before July 1, 2009. It did so (and also approved the levy of the final year of prior Measures B and C), based on available information including a forecast that state funding would be low enough not merely to trigger eligibility to levy Measure E, but also low enough to require deep spending cuts. The District conducted layoffs to address the budget deficit remaining even after the levy of Measure E (as well as the last year of Measures B and C).

Although this Committee was not formed until October 2009, we reviewed 2009-10 budgeting, revenue and expenditure documentation from the District. After this review, the Committee confirms that state funding was less than the Measure E trigger, and that a decision not to levy the tax would have required additional cuts that would have affected the District's programs. Accordingly, the Committee concurs with the District's decision to levy Measure E taxes in 2009-10 (review of the last year of prior Measures B and C is outside the Committee's direct purview, but we note that a decision not to levy those taxes would also have added to the District's budget shortfall).

Review of 2010-11 District Revenue and Expense Projections

Although the 2010-11 fiscal year does not begin until July 1, the District is developing its budget for 2010-11 and projections of revenues and expenses for the following two years. Based on financial projections, in January 2010 the District agreed with employee unions to personnel and school year cuts that reduce expenses by \$1 million in 2010-2011. The District has also expanded reviews of its operations and educational programs, in a number of venues. Members of this Committee are participating in the associated public processes, and the Committee as a whole has reviewed available information. Significant revenue and expense uncertainties remain, including:

- Actual revenues may rise or fall compared to projections – but it is reasonable to project overall decreases in state and federal funding. Additional federal stimulus or Race To The Top funds may become available, but it presently seems unlikely any increase from this source will be large. State funding may rise or fall, but it seems most likely the state will impose additional cuts – the Committee notes that funding changes in the Governor’s state budget proposal in January would further reduce PUSD’s state revenues by \$600,000. Revenue enhancements may be identified, including by an effort begun in January 2010 by the District’s Budget Advisory Committee, but it is too soon to forecast these. Voluntary local contributions, which provide critical funding, may rise or fall.
- Actual expenses may rise or fall. For example, insurance companies may impose cost increases higher than anticipated, and/or reviews of District programs may identify early opportunities for reconfiguration of program delivery.

Based on the best available information, the Committee concludes that continuation of existing programs and their associated expenses as projected will result in a substantial District deficit in 2010-2011 – even if Measure B and E parcel taxes are levied and collected.

Levying Measure B and E Parcel Taxes in 2010-2011

The District is required to adopt its 2010-11 budget in June 2010, and begins formal hearings in March that will reflect the latest projections of revenues from all sources and expenses for all programs. In order to support this process, the District’s charge to this Committee asks for our annual recommendations whether to levy Measure B and E taxes no later than the beginning of the public process in March.

We recommend the District plan to levy both taxes at their maximum level in 2010-11. Even if they are fully levied, continuation of all existing District programs will almost certainly result in a significant deficit. The cost-cutting measures noted above will reduce that deficit but will not eliminate it – since

those measures have not yet been announced the Committee cannot assess their impact on specific programs Measure E seeks to preserve or the general quality of education that Measure B supports. The additional revenue, program and expense reviews that are underway have not had time to produce concrete results, and are unlikely to do so before the Board adopts the 2010-11 budget.

Continuing Reviews and Adjustments to District Programs

As noted above, Measures B and E are the latest expression of decades of support by Piedmont voters for the quality of education provided by the District. As shown in Attachment B, parcel taxes have risen steadily over the past decade, reaching \$9.1 million this year, to support continuation of ongoing programs and expand opportunities for innovations. With the recent cuts in state funding these parcel taxes provide roughly 33% of District revenues, compared with 12% in 2000-01. It is clear to this Committee that the need for support and pressure for innovation will continue to be intense during 2010-11 and beyond.

Accordingly, we recommend that the District continue to review and adjust its policies and programs, in ways that cost-effectively preserve and improve the excellent quality of the District's educational programs, including those specifically identified in Measure E. In this Committee's future deliberations regarding parcel tax levies, we will consider the District's progress on these efforts. To fulfill this Committee's responsibilities, we will undertake the following types of activities during 2010-11, and provide reports to the School Board as we develop recommendations or other work products:

- Committee members will continue to participate in the District's publicly-accessible venues and processes where revenue, expense and program issues are under review.
- The Committee will seek to identify revenue, expense and/or program issues that are appropriate for independent review and development of additional recommendations to the School Board. Although the Committee has not yet developed its 2010-11 work plan, efforts may include additional benchmarking to compare District programs with comparable Districts, and assessment of medical and dental benefits offered to District staff.
- The Committee will develop and provide contract recommendations as the District prepares to negotiate with employee unions (APT and CSEA) to replace those scheduled to expire in June 2011. Every element of these contracts has at least potential implications for expenditures and/or educational programs.
- The Committee will continue and expand public information and engagement efforts. These will include:
 - continuing development of information formats and documents to facilitate the public's ability to understand and evaluate the District's budget, including major categories of revenue and expenditure. As a first effort, the Committee includes as Attachment B to this

memorandum a graph showing "PUSD's Selected Revenue and Expense Items 2000-2001 to 2011-2012." The Committee will continue working to create graphics and figures that make this information even more accessible.

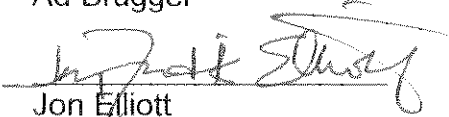
- o sending Committee members to explain our activities and recommendations to parent groups and other community groups.

Respectfully submitted,

Citizens' Advisory Committee on Parcel Tax Program, Measures B and E

- ABSTAIN -

Ad Brugger



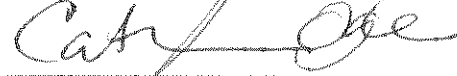
Jon Elliott



Peter Freeman



Ken Jensen



Catherine Ogle

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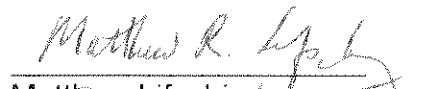
George Childs



Mimi Felson



Cathie Geddeis



Matthew Lifschiz



Eileen Ruby

Dissenting Statement of George Childs

I firmly believe that the report being submitted on our behalf is accurate and fairly represents the consensus of the committee, however I cannot, in good conscience, show my full support for the overall recommendation. ("Minority opinion.") I feel that, at some point, the District is going to have to initiate considerably more aggressive efforts to increase revenue sources and/or reduce expenses; likely cutting into the "depth and breadth" of program. Thus, in order to not appear in any way as though I support "business as usual" going forward, I feel it necessary for me to decline to sign the report.

I very much appreciate the opportunity to continue working with you and the rest of the committee in seeking ways to reduce the need for the District to continue levying the maximum level of taxation authorized by Measures B & E.

Thank you,



George Childs

ATTACHMENT A: DETAILS OF FINANCIAL REVIEWS

The Committee has conducted the reviews called for in Measures B and E, and provides the following assessments:

(1) The District has established special accounts [titled "Parcel Tax Fund"] to receive parcel tax revenues, and reports the following revenues in 2009-10 (reflecting voter-approved increases of roughly \$1.4 million):

- Measure B/C [to be replaced in 2010-11 by new Measure B]: \$8,145,000
- Measure E: \$997,000

(2) The Committee concludes, based on the latest projections of revenues and expenditures, that the District was justified in levying the full amount of Measure E taxes in 2009-2010:

- In the First Interim estimate of 2009-10 revenues and expenses distributed in December 2009, District Staff estimate total expenditures to maintain the District's present program to be \$29.318 million, and total revenues from all sources *except* local parcel taxes to be \$18.852 million. Even levying the maximum parcel taxes (including Measure E and the last year of Measures B and C), District staff project a \$1.324 million deficit in 2009-2010 (with comparable deficits in the next two years).
- A decision not to levy Measure E likely would have required further cuts in the District's programs, and levying the tax minimized these negative impacts.

(3) The latest projections of revenues and expenditures indicate that the District will meet the legal requirements to be able to levy Measure E taxes in 2010-11, and be justified in levying Measures B and E at their maximum permissible levels:

- A consultancy group to California school districts, called School Services, release in January 2010 its "Dartboard" projection of state funding, and projects that the state will provide less than the amounts called for by formal funding formulae (referred to as a "deficit factor"). For the Piedmont Unified School District this underpayment is estimated to be approximately \$700,000 in 2010-2011.
- Based on this projection and observation of the continuing state budget shortfalls (and the 2010-11 state budget proposed by the Governor), the Committee therefore concludes that actual funding to the District will not be provided with a "zero deficit factor" as set forth in Measure E, so that the District is eligible to levy the full amount of Measure E taxes.
- Although Measure B does not include an explicit trigger, the same revenue and expense considerations apply when considering whether to raise local revenues by levying Measure B taxes.

ATTACHMENT B:

