Dr. Ruth Ann Marston presided over the PESD #1 Governing Board Meeting in the Phoenix Elementary School District Governing Board Room.

Other Board members present at the meeting were:

Mr. Doug Allsworth        Ms. Susan Bliss        Ms. Liz Meza        Dr. Louisa Stark

Also present were:

Ms. Myriam Roa            Mr. Tom Lind            Mr. Kenneth Baca
Chief Executive Officer    Interim Assistant Superintendent for Curriculum and Instruction    Assistant Superintendent for Business Services

Mr. Randy Dickason        Ms. Eleanor Moyza
Executive Director for Human Resources    Board Secretary

A. Regular Session - 5:00 p.m.
   1. Call to Order – Dr. Ruth Ann Marston, President
   2. Pledge of Allegiance – Kenneth Baca

B. Approval of Consent Agenda
   1. Approval of Minutes: December 4, 2008

   Mr. Allsworth moved for approval of the Consent Agenda and Ms. Bliss seconded the motion. The Board unanimously approved the motion.

   Dr. Marston stated that if anyone in the audience wishes to speak, please be sure to fill out a card and to be aware that communications from the audience will be limited to 3 minutes.

   (Item D was discussed out of the order of discussion)

D. Chief Executive Officer’s Report

   3. UPSI Update
   Ms. Roa gave an update on reviewing options with University Public Schools, Inc.

   4. Budget Update – Kenneth Baca
   Mr. Baca acknowledged members of the Budget Advisory Committee, who were representatives of our associations as well as members from different classifications of employees that were Members-at-Large, along with the Business Services Directors, and representatives from our Retirees’ pool.

   Mr. Baca stated that all in all there is a total possible reduction of 12% or 6.5 Million and this doesn’t take into account a partial funding of full day Kindergarten.
Dr. Marston asked Mr. Baca to make sure the Board Members receive this latest slide in the Board Update.

In the area of benefits, he stated that there is a need for a major overhaul of our benefits package and how we handle our benefits and that we can actually reduce the 3.2 Million dollar potential debt down to $385,464 and he will show everyone how they came to those calculations.

Mr. Baca stated that tonight, the Board has a proposal to increase class size K-3 grade span from 22:1 to 24:1 and from grade span 4-8, raise it to 30:1.

**Statutory Requirements –**

Mr. Baca stated that we must notify employees by May 15 if there is to be a reduction in salary. And if there is to be reduction in work force, statute requires that we notify Certified employees by April 15 and we hope to notify everyone as soon as possible. He stated that the process that would be followed for Certified and Administration would be attrition of staff, retirees, permanent subs, those who may leave for personal reasons and anyone who has an Emergency Certificate. It would then tap into the ESI and the retired/rehired teachers that have returned. Any hires that took place after the first day of school and then a result of reduction in work force by seniority, last one in, first one out.

He stated that unfortunately, because of the uncertainty of what the Legislature might do, we are going to be forced to RIF probably more than we have to. We are committed to do all we can to rehire employees who are part of the RIF. Again, the problem is if there is a delay in knowing what we’re facing it may take until June at the earliest before we can start recalling employees that were part of this RIF. In addition to that, we may not be finished recalling employees until August or September. How deep are the salary reductions? Again, because of the uncertainty we just don’t know exactly how much we’re going to be forced to reduce by; we just know we’re probably going to do more than we need to.

Mr. Baca stated that regarding the budget, the proposals before the Governing Board tonight will be a notice to employees of the possible reduction in salary and it is hoped that it will only be 1.5% because that is what has been discussed with employees. Even as of Monday, that’s what we were discussing, and because of Governor Brewer’s address on Wednesday afternoon, we’ve been advised that we may have to reduce the salaries up to 10% to protect the District. Mr. Baca stated that what we plan on doing obviously, is as money becomes available, to bring that back in and he stated that this is new information. He stated that this information was not known until Monday and that we never know what’s going to come next, but we are trying to provide information as we get it, in a public manner. Mr. Baca stated to the Board that tonight’s proposal does not give an amount, but what they will be asked to do is to give a maximum amount of what we could reduce by. Ms. Meza stated that we are cutting pretty deep with 10% and she asked Mr. Baca when the Legislature comes back and we realize that we have cut too deep, what happens with the money that has been cut, and are employees retroactively paid? Mr. Baca replied that what happens then, is that any new monies that may come, the contract says that it would be considered and negotiated as part of the Meet and Confer process with our associations of putting that money back into salaries. In addition, the Budget Advisory will continue to meet so that ahead of time we can prioritize if we have money that comes back to us. What’s the first priority? He stated that he thinks it’s going to be dependent on how much of a reduction we may be looking at in salary.

**Benefits**

Mr. Baca stated that the District has always been proud that we’ve had a rich plan design and it’s been primarily HMO with the buy-up option and co-pays, in comparison to other districts and organizations have been consistently low. The District has also prided itself in paying for medical and life insurance benefits for retirees eligible for early retirement, fifteen or more years with 70 plus points they recover up to a ten-year period or until they reach the age to be on Medicare. He stated that a few years ago the District moved to being self-insured with the Valley Schools Employee
Benefits Trust and that’s been very fortunate because the 1.5 million dollar debt that he has talked about would have been something the District would have incurred automatically and this budget situation could have been worse. In addition to that, United Health Care actually absorbed the initial debt when the District changed carriers from Aetna to United Health Care. He stated that with the economic crisis there was a notice to change plan design in the retiree benefit or there would be a rate increase of 27%. With the proposed change in design plan the District will continue with co-pays for preventative health with slight increases to the rates. The District will continue to pick up 100% of the cost for employees on the Core Plan and the District will continue a buy-up option and what is new is the deductible and out-of-pocket maximum cost. The co-pays for Primary Physician Office visits will increase from $20 to $25 but the co-pay for Specialists will actually decrease from $40 down to $35.

The co-pays for Urgent Care would increase from $35 to $50 and the Emergency Room co-pay would remain the same. There were increases in Tier Two and Tier Three in prescriptions to save $107,000.

Mr. Baca stated that in regard to the retirement medical/life benefit, the Benefit Advisory Committee accepted the reality that change was necessary. Many have served on the committee over the course of time, and it’s sad that for many years there has always been discussion about when do we do it and it’s just never been done; it’s difficult because you always have people that it’s going to affect that are just days or months away from retirement that would not get the benefit if the policy changed. So the Advisory Committee had a strong desire to grandfather-in employees. We needed to seek legal counsel’s advice on this important change and legal counsel advised against any type of grandfathering-in of employees.

Mr. Baca stated that the proposals to the Governing Board regarding benefits tonight would be a change in the retirement policy to eliminate District-paid health and life insurance benefits after this school year and employees who retire at the end of the current school year will retain benefits as outlined in current District Policy.

Mr. Baca stated that we will be having Benefit Fair Sessions to assist our employees and retirees with understanding the change to the plan design and to assist those employees who are considering retirement with the understanding of what their options might be. Representatives from the District United Health Care and the Arizona State Retirement System will present information offering individual consultations with employees and retirees. He stated that we plan on doing this March 18 and after Spring Break on April 8.

Other employees have asked why we don’t notify employees what the change for the retirement benefit will be for next year so that everyone is prepared. He stated that although that can be considered, we would probably still see a dramatic increase in our benefit plan. Mr. Allsworth asked why legal counsel recommended against grandfathering-in and that it’s an employee expectation issue and not a legal issue. Mr. Allsworth stated that it seems to be somewhat arbitrary whether it’s cutting everybody off now or cutting it off by one or two years, he thinks it’s something to consider. Mr. Baca replied that the way legal counsel explained it and he understood it to be, is that as the policy is for the year, people accept their contracts with that understanding. So if you do it midyear or if you do it without the policy changing, people have already accepted their contracts with that expectation. If it’s changed this year, anyone who accepts the contract accepts it with the understanding of that change.

E. Business Services – Kenneth Baca, Assistant Superintendent

1. Request to Authorize a Notice to Employees of a Possible Reduction in Salary for the 2009-2010 School Year

*Mr. Allsworth moved for passage of Item E1 and Ms. Meza seconded the motion.*

March 5, 2009
Dr. Marston stated that they should probably authorize up to a 10% reduction and that we can’t have the current class size and the number of people we have employed. She stated that she has been riffed five times during the course of her career and she was called back every time and sees no reason why everyone who’s riffed in our District won’t be called back every time, but we don’t know. She stated that we can’t know and we can’t allow the District to go into receivership; that can happen and we simply must be good stewards of the District’s finances. We are required by law to do that, and we are personally responsible for doing that. She stated that we have to balance our budget and we need to be able to notify employees that it’s a real issue for us and it needs to be a substantial notification for that purpose. Mr. Allsworth asked if we are hearing from some knowledgeable source about budget discussions at the Capitol about the 10%. Mr. Baca replied we heard 10% with other business officials in terms of the reduction in salary.

*Mr. Allsworth amended his motion authorizing notice of a possible reduction in salary of up to 1.5% and to report back to the Board regarding additional possible reductions up to an additional 8.5% and Ms. Bliss seconded the motion and accepted the amended motion.*

The following employees spoke on Item E1: Dr. Marston reminded them that they will be timed for three minutes and asked them to organize their thoughts. Dr. Marston also stated that she has looked at the Speaker Cards and there are several people who have asked to speak more than once on a related issue, which is Section E. She advised them that the Board would hear them for the first card and they can address the others while they are up there speaking.

**Ms. Stella Garcia** - Telecommunications Technician with the MIS Department:
Ms. Garcia stated that she lives in the school district, is an advocate of the school district, she works there and loves her job. She had not heard those numbers. She stated that she understands the Legislature part and we need to get out there and get the vote out to vote for the people that are our advocates. She also stated that if someone is making $10 an hour, to take away a dollar an hour is devastating for 10% and that’s huge and would be overwhelming to a family, let alone if they have kids.

**Ms. Patricia Kuhn** - Retired educator, a homeowner in the area as well as a bond-holder:
Ms. Kuhn stated that everyone is concerned about the budget cuts. She stated this is something that has not been in anyone’s lifetime and we have not experienced this and it’s all new.

Mr. Allsworth stated that we don’t have the information to do a budget yet. What we have are statutory deadlines of providing certain notices, but when the information comes in that’s probably a good suggestion of having that kind of community input and looking at alternative ways to a balanced budget.

Dr. Marston stated that it should be clear to the audience at this point that our intention of setting an authorized amount of reduction is to include all of our employees and all of our community in it and we want this to be as open a process as we can.

**Ms. Claudia Fisher** – Payroll Technician
Mrs. Fisher stated she can deal with a 1.5%. She stated that the District has a lot of dedicated employees who are willing to go above and beyond for the District.

Dr. Stark thanked Ms. Fisher for testifying and for giving some ideas, and stated that they are going to need a lot more of that in the future as they tackle this problem.

Ms. Bliss stated that she appreciates all the work that the Budget Committee has done and she also appreciates that they can only work with the information they’ve got.

Mr. Allsworth stated that he likes the compromise that Dr. Marston suggested.
The Board unanimously approved the motion and Item E1 was passed.

2. Request to Authorize a Notice to Employees of a Possible Reduction in Workforce for the 2009-2010 School Year

Ms. Bliss moved for approval and Mr. Allsworth seconded the motion.

The Board unanimously approved the motion and Item E2 was passed.

3. Request to Approve Change in Class Size in Grade Spans K-3 and 4-8

Mr. Allsworth moved for approval of Item E3 and Ms. Bliss seconded the motion.

Mr. Allsworth voted “yea”, Ms. Meza voted “yea” and Dr. Marston voted “yea”. Dr. Stark voted “nay” and Ms. Bliss voted “nay”. The Board approved Item E3 at a vote of 3 / 2.

4. Request to Approve Change in Health Benefits Plan Design

Mr. Baca stated that as presented previously, he thinks he summarized exactly what the change would be and he needs to make a correction on the proposed rate summary sheet that was a part of the Board Agenda. He stated that there is a misprint in the out-of-network cost summary. He stated that the current out-of-network cost where it says, “United Health Care Pays”, rather than it says all”, it should say “None”, and currently with our out-of-network costs it was meant to all in terms of the employee picks up the entire cost, but currently with the plan, there is NO out-of-network pick-up by United Health Care and with the proposed plan an out-of-network portion is made available to employees. So rather than the employee having to pick up the entire cost if they go out-of-network, it now is 50% of the cost where United Health Care pays the other 50%. Mr. Baca stated that it’s a good thing if the employee needs to go out-of-network, so the Plan Design Change would move from what is known as a Plan #97 to a Core Plan of #102 and included in the summary is the fact that it continues to offer the buy-up. Mr. Baca stated that Administration recommends that the Board approve the change in health benefits plan from Plan #97 to Plan #102-C.

Dr. Stark moved approval to accept the proposition to change our Health Benefits Plan Design and Ms. Bliss seconded the motion.

Mr. Allsworth stated to Mr. Baca that during his presentation he talked about the committee wanting to include grandfathering concerning retiree benefits and asked if that was part of the change too, and Mr. Baca stated no and that the retiree change would be presented by Mr. Dickason and that this is just the plan design. The following employees spoke on the item:

Mr. Jack Day – PECTA President, thanked Ms. Roa, Mr. Baca and Mr. Dickason for a very collaborative decision-making process regarding all of these items which would include the budget, our health care situation, class size and the RIFs. He stated that they feel that what is being done here this evening is actually of benefit to the employee through this early communication.

Chris Santistevan – Coordinator with Student Services stated that she thinks taking action on this particular item tonight might be a little premature. She is sure there are other people out there who have some really good suggestions on what they see as possibilities to meet these costs and offer other alternatives.

Dr. Marston stated that just this week she signed off on a voucher for more than $3 Million dollars for the second half of our cost as a District, for the health plan and she knows that we just aren’t
going to have the capacity to continue to do that. Mr. Baca stated that he hesitates to give a little bit of light at the end of a very dark tunnel, but it’s his understanding that we face a very good possibility this time next year of having a zero increase next year. He can’t promise that, but we stand a very good chance of not seeing an increase.

_The Board unanimously approved Item E4 and it was passed._

**D.** (Item D5 was discussed out of the order of discussion)

5. **Meet and Confer Update – Randy Dickason**

Mr. Dickason announced that the formal Meet and Confer process has not yet begun due to the current budget crisis. He stated that the recent history is at the Governing Board Meeting that was held on April 4, 2008, Administration was instructed to work with the associations to create an alternative salary schedule and he stated that they were told it could either be salary range or step-less. Mr. Dickason stated that they wanted to continue doing what is in the best interest of the students by retaining and recruiting highly-qualified staff to align with the District’s Strategic Plan. They began working on what they call the “straw design” and that was an actual proposal drafting placement schedules for placing newly-hired staff; a discussion on how to roll out the straw design to employees, they discussed placement using a step-less pay plan, horizontal movement for educational credits and then began to discuss plans to present to administrators and by December 18, 2008 they had finalized a roll-out presentation, came back from Christmas Break, presented it to Administrators and then had one more meeting where they refined the presentation. The Straw Design was intended to address the goal and meet identified interests and we wanted people to know it was made of straw because it was their way of saying that it could be flexible and modifiable based on feedback that we were getting from those that we were presenting to and if approved, would have been implemented in school year 2009-2010. However, due to budget issues, the plan has now been put on hold. Mr. Dickason stated that nobody could have predicted last year what we’d be facing now with the economy. And also stated that because we’ve decided to put that on hold because of the budget crisis, he wanted to give an update so that the Board knows that the associations really did a remarkable job and it was a very cooperative effort and they look forward to when they can pick this up as soon as we know where we stand on the budget. Mr. Dickason thanked the Governing Board for their support and he expects to work closely with them in the future as we roll out the Formal Meet and Confer Process.

**F. Curriculum & Instruction – Tom Lind, Interim Assistant Superintendent**

1. None

**G. Human Resources – Randy Dickason, Executive Director**

1. **Receive and Discuss Governing Board Policy GCQE and GCQE-R, Retirement of Professional Staff Members, as a First Reading**

Mr. Dickason stated that this policy revision is brought to the Board in order to allow for the discontinuation of the Early Retirement Health and Life Insurance Benefits. Mr. Dickason thanked Mr. Baca for working with him on this item. He stated that since the rationale is very similar for both the Professional Staff and the Support Staff, he will not read it again once he gets to the next policy. Mr. Dickason stated that under the current policy, employees having provided 15 consecutive years of service to the District and having reached 70 points (that’s years of service plus age) would receive District-paid Health Insurance and Life Insurance for the number of months from retirement to the month in which the employee qualifies for coverage under any other primary health insurance carrier or maximum of 120 months (10 years), whichever comes first.
Under the revised policy, employees retiring after June 30, 2009 under the District’s Early Retirement Program will no longer receive the District-paid health or life insurance benefits. Mr. Dickason stated that this was also addressed briefly in Mr. Baca’s presentation. The purpose of the change is part of a plan to reduce the rising costs of medical benefits and if changes were not made from the current medical benefits offered, the District would see a rise of 27% or an additional 1.7 million dollars. Due to the rising cost of health care and the current budget crisis, the District can no longer afford the current medical benefit package offered to employees. Staff retiring this year could qualify for benefits under the current policy and will receive benefits as described in the current policy. This change in policy will impact any employee who retires after the 2008-2009 School Year. He informed the Board that Human Resources sent a letter to those employees who qualify for the current benefit, notifying them of these changes and inviting them to meet with a Human Resources Representative to discuss these changes and the District will host a Benefits Fair, which Mr. Baca discussed earlier.

Ms. Bliss moved to table this item because she’d like to learn more about it and she would like to specifically have an Executive Session where they can hear from the lawyer.

Dr. Marston stated that she would also like to table it, but not for the same reason. It is her understanding that the Arizona State Retirement System is considering an 85 point retirement option this weekend and she would like to know what they do and how that will relate to this because she would like to keep as many good employees as possible and not provide incentives for them retiring.

Ms. Bliss stated that she would like the staff to tell her how many people will be affected if we do this. Mr. Allsworth agreed with Dr. Marston and Ms. Bliss about tabling the items and to bring it back for the next Board Meeting as a First Reading. He stated that in addition to the information that Ms. Bliss indicated, he would like to get a better sense of what the cost implications of this piece of it is; how much savings are we getting from this as opposed to the other pieces of the benefits package.

The Board Tabled G1 and G2 and requested that it be brought back to the Board for the next Board Meeting with more information.

Ms. Chris Santistevan, Coordinator with Student Services spoke on this item and stated that we all realize these huge implications of the budget shortfalls. She stated that she’s happy to hear that there will be more dialogue about this and hopefully they will come to a resolution that is on the plus Side.

Ms. Mary Rodriguez stated that she’s very thankful that we have an open-door collaborative communication with the Cabinet Members and it’s very ongoing. Ms. Rodriguez stated that she’s very glad that Item G1 is being tabled and that more information will be brought back because this affects a lot of employees who are in the 20-year and 24-year bracket.

Mr. Jack Day – PECTA President stated that we need to look at this situation in terms of our current budget situation and our long-term budget situation when we make these kinds of decisions, because this is an item that comes with a price tag and of course, representing a number of people that have been in the District a long time, we’re torn between those two needs; the needs of our members who have served the District for a long time and there is an expectation of that benefit, but also again, the long-term financial liability of the District that we’re talking about, so they are all torn because he is in that situation as well, but he thinks ultimately, we have to do what’s best by Phoenix Elementary School District #1. He stated that they did look at grandfathering, which would buy some people more time. He asked what is that going to cost the District over the next several years and whether or not the District can afford...
that. He stated that’s the main issue that needs to be looked at as the Governing Board as to whether the District can afford to continue this benefit one more year, five more years, indefinitely, considering a number of factors.

2. Receive and Discuss Governing Board Policy GDQC and GDQC-R, Retirement of Support Staff Members, as a First Reading

The Board tabled Item G2 and Item G1.

The following Classified employees spoke on the Item:

**Ms. Yolanda Federico** – Accounting Technician with Student Services

Ms. Federico thanked the Board for Tabling Item G2 because she’s one of those who falls in that category. She stated that she called ASRS and they told her that she’s at 79.6 Points and she needs 80 Points. She stated that she is confident that the Board will consider all the factors regarding how it will affect all of the employees.

**Ms. Linda Peru** – President of the Classified Association and a Secretary with Student Services stated she’s one of the lucky ones because she will retire this year with 80 points. She stated that at the same time, her heart goes out to her co-workers that have worked alongside of her and some of them are one month, two months, three months away from having this tenure insurance. She stated that these employees have been there and have supported Phoenix Elementary; otherwise, they would not be here with 20, 25 and 30 years in the District and she’s hoping that Phoenix Elementary School District #1 does the same thing for our veteran workers.

C. **Community Communications**

The employees who submitted Speaker Cards took the opportunity to speak during the presentations of the Items.

H. **Board Reports and Requests**

1. Board Direction to the Chief Executive Officer (if necessary)
   None

2. Board Report
   None

I. **Adjournment**

The Board Meeting was adjourned at 7:40 p.m.

Respectfully Submitted,

_______________________________
Dr. Ruth Ann Marston
Board President

RAM: cvm

March 5, 2009 Page 8