



Phoenix Elementary School District No. 1

*Study Session/Executive Session
March 19, 2009*

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 Chief Executive Officer	Mr. Tom Lind Interim Assistant Superintendent for Curriculum and Instruction	Mr. Kenneth Baca Assistant Superintendent for Business Services
Mr. Randy Dickason Executive Director for Human Resources	Ms. Eleanor Moyza Board Secretary	

A. Special Session – 8:30 a.m.

1. Call to Order – Dr. Ruth Ann Marston, President
2. Pledge of Allegiance – Tom Lind
3. Receive and Discuss Budget – Kenneth Baca

Mr. Baca acknowledged the Budget Advisory Committee and stated that part of today's discussion is a result of their March 5th meeting and some things that have changed over the course of time.

He welcomed a panel of employees who will join in the discussion:

Ms. Linda Peru / ESP President representing Classified Employees
Mr. Jack Day/PECTA President representing Certificated Employees
Ms. Tracey Pastor/PEEA President representing Administrators
Mr. Michael Fisher representing the Business Services' Directors

Mr. Baca stated that today's discussion will be about planning for next fiscal year, 2009-2010. He stated that originally they had planned for a 4% reduction, but the State Deficit continues to grow. He stated that when they met after the March 5th Board Meeting the Budget Advisory Committee considered an 8%, 12% and 16% reduction of our current budget and they decided on the 12% reduction.

Ms. Roa asked Mr. Baca and the Budget Advisory Committee what information prompted them to consider the higher cut. Mr. Baca stated that in calling some of the people that the District has come to rely on from Stone & Youngberg, Chuck Essex from AASBO including Diane Smith from Guppy Mac, who's updated continuously by attending all the Legislative Budget Committees, Committee Hearings, Sessions, there is no direction as to how much to cut. In talking with some of

his colleagues, the range of cuts are between 7% -15% and 7% is what he heard from Fountain Hills and then anywhere up to 15%.

Ms. Tracey Pastor stated that regarding certain parts of the decisions that will be made, she thinks that it will benefit them to have a slightly less conservative percentage projected and work from there because it will be easier for them to go back in the case of salaries if they do, in fact get closer to either the end of this school year or the beginning of next school year, she stated that the clause that is in the contracts every year that if additional funds are available they will be added to the employees' contracts. Ms. Roa replied that if we get more funds and if we cut more than we need to, we would be able to put money back. Ms. Bliss inquired if what Ms. Pastor meant is that she is in favor of the 12% because the District can give more money back if the District gets it which will move us back to the 8% and Ms. Pastor stated "versus the 4% that we started with".

Ms. Pastor stated that as part of the Budget Advisory Committee, they discussed that it would be very important that our Student/Teacher Ratio be reasonable and set at something that they feel we can all live with and will still be able to benefit students because that is something that will be more difficult to go back and change, versus the salary.

Mr. Jack Day stated that 12% is pretty arbitrary and a much lower number was being looked at earlier and they came to the realization that that probably wasn't realistic and that they needed to shoot for something higher. He stated that they were even looking at 5%, 10%, 12% and higher. Mr. Day stated they were going to put these scenarios out which was the purpose of the survey, to find out what people's priorities were in terms of salary, class size and Rifs. He stated that just to add to what Tracey said, we do have the April 15th deadline and just as important as salary, we have to look at what the possibilities for Reductions in Work Force are and obviously, we want to err on the high side and we want to be as close as possible but of course, not knowing what situation is looming, he thinks that's why we're looking at a higher number.

Ms. Linda Peru added that we need to be realistic because we just don't know where we're going to be at, until the Stimulus Package comes in. Ms. Peru stated that they thought maybe at 12% or even 10% might also help for the following year so they won't have to keep doing this and it's going to help them in the long-run.

Mr. Baca explained the survey's Budget Reduction options.

Ms. Liz Meza asked Mr. Baca what the 56% of first-year hires equates to in the number of teachers right now and Mr. Baca replied that it would be approximately 120 teachers, possibly a little higher, and then we're looking at 60 Support Staff and then about 10 that would come through a variety of ways of Emerson Court; Administration and so forth.

Dr. Stark asked Mr. Baca if he could tell the Board the attrition rate of first-year teachers, the national attrition rate which she's sure would be factored in since they're talking about rifting first-year hires. Mr. Baca stated that in working together, Mr. Dickason can get that together and that the unique challenge that we face now with national attrition is probably going to be a little different this year, and we will probably see less attrition.

a. Update on Available Revenues

Mr. Baca stated that the primary use of the additional revenue is to quickly create and save jobs, but we also have a plan in place that would improve academic achievement. Mr. Baca stated that District federal stimulus allocation is approximately \$6.1 million and the reason we say approximately is because no one yet can give us the exact figure. The use would be to create about 38 Reading Intervention Specialist positions and a portion of that would go into Soft Capital for instructional materials as we know that our Soft Capital budgets are probably going to be zero for next year, so it helps us to be able to offset our Title I Schools the ability for them to still

supplement their instructional program through Soft Capital dollars. They came to about 38 staffing positions where with the teachers with Reading Endorsements placed could create the Reading Intervention Specialist positions to place them in, thus freeing up space for people who would otherwise have lost their jobs in the classrooms. It also could help offset a little bit the issue with class size. He stated that it helps support a corrective action plan and he asked Mr. Lind to join in the discussion at any time. It helps to provide targeted instruction to students most in need of academic support.

Dr. Marston stated that the Title I requirement that we supplement rather than supplant, has been used to lower class sizes in the past, where we could not lower class sizes because of the funding we were getting. She asked if this is an equivalent situation and could we not use Title I money to lower class sizes in this situation where State funding has been reduced. He stated that the answer is no, unfortunately not. Dr. Marston stated that it could be challenged to which Mr. Baca agreed and he stated that he wants to make sure that we don't put ourselves in a position where we have to repay the money and he thinks this is a critical time where we have to look forward rather than waiting for the appeal. Dr. Marston stated that she just wants to make sure that is our intent. Mr. Baca stated that is our intent because it saves jobs, supports the Strategic Plan of maximizing the use of our human capital because we're saying we have experts out there, let's help put them to use, and it slightly eases the higher class size by the push and pull out model.

Stimulus Revenue from IDEA

Mr. Baca stated that the primary use of additional revenues is to create and save jobs given under the guidelines by which we can use the Stimulus money. We can either pay for 75% of the salary of our Social Workers or we can pay for a portion of the Speech Therapists' services, so we identified the Speech Therapists that would not jeopardize our Medicaid Reimbursement Funding, but identified those Speech Therapists where the IDEA Stimulus Money Revenue could pay to offset their services and it will save jobs and utilizes the IDEA funds appropriately.

Mr. Baca stated that he was going to put something that's not on the presentation out on the table and that Mr. Day will be joining the conversation. Mr. Baca stated that the question becomes what about the additional revenues that we have discussed regarding breakfast in the classroom, regarding pay for lunch and stated that those who do not qualify for a free or reduced lunch pay a set price. He asked what about the revenue we save by closing the Prep and the revenue by entering into an agreement with UPSI. He stated that there is debate as to whether or not we should actually put that into the budget and the reason why he says we should not, is because we don't know exactly what amount that will be. He stated that we have an idea of what that would generate but it would be as if we personally as individuals budgeted our home budget by counting on an income tax return. He stated that he wants us as a District, to be able to do the same thing until we know exactly what revenue or an average of the revenue that we receive, then we can build that in, but until that time he cautions us to do that.

Dr. Marston stated that those policy decisions have not been made so we absolutely cannot budget those.

Mr. Jack Day stated that he tends to agree with that but he thinks that for transparency purposes, it can't be left out of the discussion entirely, it needs to be discussed and it needs to be made public that this is a very good possibility of happening and the people are aware of that and shouldn't necessarily impact their decision-making but it could impact it on terms of the choices that they're going to make, in terms of the priorities of the survey. He stated that it doesn't have to be set in stone, but just so that people are aware of what's happening.

Dr. Marston stated that she would say that we can put those things on the table to the extent that we can say if those things happen, then they fall under the clause about if additional monies come in, salaries will be increased. She stated that we haven't made a decision about children paying for food

as opposed to teachers' salaries and that is a deep, philosophical discussion that everybody in the whole District is going to want to join and she's not in any position to second-guess a decision on that issue and she doesn't think we should put it out there as something that we might second-guess or something that employees can use.

Ms. Roa stated that our common goals are that we need to make a decision on salaries and contracts so that we can get contracts out so that we'll know we have jobs for next year and that's a priority.

Mr. Day stated that what he's saying is that it shouldn't necessarily play a part in this budget decision-making at this point, but he thinks it does lend some hope to people and the District can put those potential cost-savings and revenues out there that will give people hope.

Mr. Baca stated that last week, Ms. Kim Hadley (authorized the use of her name), a teacher at Magnet Traditional School shared an article with him and he would like to include this article when the District mails out the surveys to employees, so they can read it before answering the questions on the survey. The article is titled is "Head with a Heart" and Ms. Liz Meza read the article out loud. Mr. Baca stated that he requested that it be read because when he and Ms. Roa read it, the quote that stuck out was "Everybody's in the same boat and their boat doesn't rise because someone else's sinks". He stated that we're giving employees a wonderful opportunity to be able to hear from them through this survey and he also wants to put it in the context of, we're in this together; we're in the same boat and just because some of us may feel as though our jobs may not be threatened, therefore I want to focus in on my salary, but we have to keep in mind that in doing just that, somebody else's job is at risk. Dr. Marston stated that she'd like to add to that and that there's a huge debate going on the airwaves about this, and she's been going to Board Meetings in this District for more than 40 years, there has always been the decision to support one another. There has never been a time, and we've been through several recessions in that time, when the decision was not to support one another, and that's what we expect.

b. Draft of Employee Survey on Budget Options

Mr. Baca went over the questions that would be on the employee survey and asked everyone for any questions they might have.

Ms. Liz Meza stated that she's comfortable with the survey as long as we provide all the information with the different scenarios and she thinks Ms. Roa has already covered that.

Ms. Pat Kuhn spoke regarding the employee surveys

A five-minute break was called.

c. Options on Health Insurance for Retirees

Dr. Marston stated for this next portion of the Special Meeting we are going to be collecting information only and there will be no discussion except for Board questions clarifying information on the insurance program because we won't be in a position to discuss it until after we get the information from the Executive Session.

Ms. Roa showed a chart on PowerPoint with information and stated that at our March 5, 2009 Board Meeting we had our health insurance policies as a First Read, for both teaching and support staff and we had discussed a recommendation from the Health Insurance Committee in order to balance our budget for the future that we consider not having health insurance benefits for anybody who retired after June 30, 2009. She stated that in the discussion as we heard in Community Communications, we had some suggestions and some other options. She further stated that hopefully, today's Study Session will provide some dialogue on some of the options that were suggested and why and how they might be considered and subsequent to that, we have an Executive Session where we'll have Ms. Jennifer MacLennan, our attorney answer any of our questions as to

the advice that we have been given by Counsel and how the change of policy might be implemented. She stated that in any given year we generally have 100-120 retirees that are covered on our health insurance and every year employees reach the time in their career where they consider retirement and they get added on to the group which generally stays around 100-120, because every year we have people that have been covered as a retiree for the 10-year maximum or they have become Medicare-eligible, so they get dropped off the policy, so as we have some people coming on that are added, we have some people that go off the policy, so the population that we call our 'retiree group' that's on our plan that's the same as our active employee plan, same option, same deductible, same premium, same network, just as a point of information. Ms. Roa stated that part of the reason that the Health Insurance Advisory Committee was bringing the recommendation to not continue that practice, is because of the costs associated. She stated that if we were to have the premium rated just for those 100-120 people, it would be higher, and stated that this is not a judgment of that group, but a fact. Ms. Roa stated that Mr. John Coyle, a Specialist from Segal Company is in the audience and had asked him how much would it really cost the District in premiums if we were to rate our retirees based on our claims experience for that group, and stated that the current plan that we have for our active employees and retirees, the rate per month for next year is \$445, less the subsidy we would get if they were retired from ASRS, the District receives \$150 from the Arizona State Retirement System (ASRS), so the net premium then, is \$295 per month and multiplied by 12, that comes to about \$3,540. But the part that is being discussed in this context is, what would be the real cost if we were not to have the risk spread over the entire group of active employees, in other words, what does this group within the group, cost, which is about \$600 more and that's the incremental additional cost of claims with that group. She reiterated that this is not a judgment, but are just numbers and this is information that must be brought to the Board's attention.

Ms. Roa mentioned some of the suggested options from employees, one of which was "how about if we don't make any changes"? She stated that if we don't make any changes and keep the policy the same, that costs about \$1.2 million, that's about 110 retirees and about \$10,740 per retiree, so over ten years it's going to cost about \$12 million, but we continue this forever and we have information for the Board and the Study Session is that if we make no change to the policy, we are basically having to make sure that we fund \$1 million for our retirees in health insurance, premium and cost. We didn't ever split it out before because we weren't interested, but now that the economy is what it is and the budget is what it is, we're interested and we have to see how much we can save. Doing nothing, this is how much it costs.

Ms. Roa stated that she heard some suggestions about grandfathering and we're going to hear from Jennifer, the attorney, about why we would or wouldn't consider that. But let's talk about that; if we grandfather some employees, the issue is, where do you draw the line? Do you say one more year, do you say two more years, or do you say three more years?

Ms. Roa stated that other suggestions that we've had are regarding what other school districts are doing. We hear that to help offset the costs of premiums for retirees we have people who are exchanging substitute days for retiree health insurance and every school district has it a little different. We have some schools that have one day that they have to sub, some have five days that require the employees to sub and this is not just teachers, this is custodians, and social workers and everyone else who is an employee there. When you have substitute days in exchange, if we were trying to actually cover the costs of what this would be for our District with our current policy, if we left everybody on our internal plan and said, "let's have you sub for the day's work. If you tried to actually cover the costs, you'd be working 60%, and you wouldn't be retired, so when we see school districts do ten or fifteen days, that does not approach covering the cost for the health insurance. It certainly contributes and if you do \$100 per day, 10 days is \$1,000 to a \$10,000 benefit. But if we were actually trying to cover the entire costs, it's unreasonable; you would have people who are retired, working for 107 days to cover the costs and this is just an example.

She stated that there also timeline issues; we had the First Read on March 5th the way it currently is, which basically says, retirees after June 30th will no longer receive this benefit. If we were to make any changes to the policy at some point in time, we'd have to have a First Read and then a Second Read to actually adopt it, and then as part of the timeline we hope to have, our attorney has advised us that we must have this decision made before we issue contracts so people can make the decision of whether or not they want to come back to work for us, and accept the policy change of whether it's grandfathered or not grandfathered or substitute days or not and whatever change we have then it obviously wouldn't be a timeline issue, and we'd just move forward.

4. Adjourn to Executive Session

At 10:35 a.m., Dr. Stark moved approval to adjourn to Executive Session and Ms. Bliss seconded the motion and the Board approved the adjournment to Executive Session.

B. Executive Session

1. Personnel Matters

a. Discuss the Chief Executive Officer's Progress and Goals. The Governing Board may vote to discuss this matter in an executive session pursuant to A.R.S. § 38-431.03 (A)(1).

b. Board Direction to the Chief Executive Officer (if necessary). The Governing Board may decide the matter in the public meeting or defer decision to a later date.

2. Legal Advice

a. Receive and Discuss Advice from Counsel regarding Governing Board Policy GCQE and GCQE-R, Retirement of Professional Staff Members and Governing Board Policy GDQC and GDQC-R, Retirement of Support Staff Members. The Governing Board may vote to discuss this matter in an executive session pursuant to A.R.S. § 38-431.03(A)(3).

b. Return to Special Session

D. Adjournment

The Study Session adjourned at 11:10 a.m.

Respectfully Submitted,

Dr. Ruth Ann Marston
Board President

RAM: evm

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