

Ms. Boyd noted that projections on a school-by-school basis used September enrollments instead of average daily membership (ADM). She said that Portland used a model that looked at ADM as a way to smooth out funding on a school-by-school basis to address differences in mobility. She asked if ADM or another way to address mobility was being considered in the *Shaping 4J's Future* recommendations.

Mr. Henry said the Portland model could be considered as an option. He said another option was to use mobility as a weighted factor to address student turnover as some schools with high mobility did not experience an enrollment drop over the course of the school year.

B. Update on School Improvement Fund Grant Process

Mr. Henry reported that the district had applied for a School Improvement Fund (SIF) grant and been awarded \$3.7 million. He said the application was an easy exercise because most of the activities the district was doing or planned fit within the grant criteria and were similar to the activities suggested by the State.

Mr. Henry briefly reviewed the activity descriptions contained in the SIF document distributed to committee members. Activities were in the areas of professional development, remediation and retention, programs to improve the achievement gap, and literacy.

Mr. Torrey asked how the district would evaluate outcomes. Mr. Henry said the State only required the aggregate assessment scores for evaluation purposes, but the district was going beyond that requirement and disaggregating data to evaluate all student groups. He said at the Board's direction program effectiveness would also be evaluated with regard to intended outcomes; for example, the Summer Bridge program would be evaluated for improving grade point averages (GPAs) and attendance. The district would be able to conduct that evaluation on a student-by-student basis and compare those students to students who were not in the program. He anticipated a report would be provided to the Board in February or March 2008.

C. Update on *Shaping 4J's Future*

Ms. Bellamy distributed a planning timeline for *Shaping 4J's Future*. She said the public engagement phase was completed in November. She said the consultant had been compiling survey results and a report would be issued on December 14, 2007. She invited Budget Committee members to attend the December 19, 2007 Board meeting to hear a discussion of the survey results. She reviewed the timeline and noted that Superintendent Russell intended to outline his principles and parameters for developing his recommendation at the January 16, 2008 Board meeting and present those recommendations at the February 13 Board meeting. She anticipated action by the Board in March.

Superintendent Russell suggested that the Board approve or give guidance regarding his proposed principles and parameters, as that would establish policy guidelines and direction for the recommendations. Mr. Martinez said that action on the principles and parameters could be scheduled at the Board's January 30, 2007, work session.

Superintendent Russell said that sessions with staff would be scheduled in December to gather additional feedback on survey results and provide an opportunity for staff to discuss the process and direction among themselves. He said the following meetings had been scheduled:

- December 17 - middle school (four per school) and high school (five per school) representatives
- December 18 - elementary school representatives (three per school)
- December 20 - parents (two per school)

Mr. Gribskov asked if Budget Committee members should attend one of the meetings. Ms. Bellamy replied that committee members were encouraged to attend the Board meeting on December 19 when the survey results were reported; the meetings on December 17, 18 and 20 were limited to district staff and parents.

D. Review Budget Committee Priorities from 2007-08 Budget Process

Ms. Fahey reviewed the committee's process for establishing priorities based on one-time and ongoing funding and drew the committee's attention to the document entitled *Summary of Budget Committee Priorities*.

VI. Items for Action at This Meeting

A. Approve Minutes from the April 30 and May 7, 2007 Budget Committee Meetings

Ms. Walston, seconded by Ms. Webber-Davis, moved to approve the April 30, 2007, meeting minutes. The motion passed unanimously.

Ms. Walston, seconded by Ms. Hays, moved to approve the May 7, 2007, meeting minutes. The motion passed unanimously.

B. Review Draft of District Financial Forecast and Provide Direction for Balancing the 2008-09 Budget

Ms. Fahey provided an overview of the General Fund forecast. She said themes included increased revenue, operating deficits in all years and higher reserves allowing maintenance of service levels in the first two years of the forecast. She used a slide presentation to discuss details of higher State School Fund revenue and higher Local Option Levy revenue. She expected that the increase in State funding would be offset by decreases in district enrollment. She said increased property values had raised Local Option Levy revenue and that trend would continue through the forecast period, based on the assumption that the levy would be renewed when it expired at the end of 2009-2010.

Ms. Fahey reviewed increases in expenditures, including wages and benefits costs, costs that exceeded inflation and transfers for capital projects, fleet and equipment, insurance reserve and nutrition services. She said that the licensed employees contract expired in 2010, classified employees contract expired in 2011 and the district was currently in discussion with administrative employees.

Ms. Fahey stated the projected 2007-08 Ending Fund Balance was \$16.5 million. She reviewed the Board's reserves policy requiring a contingency budget of at least two percent of operating expenditures and an ending fund balance of at least five percent of operating revenue and Budget Committee direction to maintain an ending fund balance of 8.5 percent for 2007-08 and 2008-09. She said the ending fund balance was expected to drop to five percent by the end of the forecast period. She anticipated an operating deficit next year of \$2.5 million given the forecast assumptions and continuing at between \$4.7 and \$3.1 million per year over the next four years. Reserves were expected to cover the first two years and most of the third year with Board action needed for approximately \$800,000 in 2010-11.

Ms. Fahey discussed the variables affecting the forecast, including the economy, its impact on state and local revenue, outcomes of *Shaping 4J's Future*, special education costs, implementation of No Child Left Behind, employee compensation costs, changing district demographics and legislative or voter-approved changes. She said all of those factors underscored the importance of strategic planning.

Ms. Passerotti said the capital forecast was relatively unchanged from the previous year, with the largest difference being the shift in assumption of a bond election from 2008 to 2009. She said that shift was made in order to incorporate *Shaping 4J's Future* in the next bond request. She said the district was in the first phase of a 24-year, four phase long-range capital plan established by the Board in 2002.

Ms. Passerotti said that revenue from the sale of surplus properties was a major contributor to the ending fund balances. She reviewed the list of surplus properties and their current status. She said that capital maintenance and repair was in the third year of a five-year preventive maintenance program; equipment and textbooks were also included in the capital projects fund. She drew the committee's attention to statistical information in the forecast document that provided useful current and historical data.

In response to a question from Ms. Boyd, Ms. Fahey said there was approximately a 17 percent increase in ADM over enrollment, based on characteristics of students under the State's weighted funding formula.

Superintendent Russell asked what was left from the sale of surplus property after \$2.5 million was obligated for preventive maintenance. Ms. Passerotti said approximately \$7.5 million would remain at the end of the preventive maintenance program, and the forecast did not assume the sale of any additional surplus property.

Mr. Smith asked about the status of the surplus Santa Clara School and contingency funds. Ms. Bellamy explained that there was an offer on the Santa Clara School and before the district closed on that offer and the Board made a final decision, the City Council began discussing a proposal for a real property value added charge, which would be paid at the time the property was improved. The developer objected that the charge was not calculated in the offer and the sales agreement established that \$1.2 million would be set aside for a three-year period following the sale of the property. She said those funds would be used if the property was developed during that period and there was a value added charge.

Superintendent Russell recommended that the Budget Committee direct him to propose a balanced budget for 2008-09 that is guided by the district's mission, values, board goals and budget committee priorities; uses excess reserves for strategies to increase achievement for all students, sets aside funding to implement *Shaping 4J's Future* recommendations; and retains sufficient reserves to meet cash flow needs, preserve the district's bond rating and achieve board targets for contingency and reserves. The Budget Committee provided that direction.

C. Set Date for Next Budget Committee Meeting

Mr. Torrey, seconded by Ms. Walston, moved to set February 25, 2008, as the date of the next Budget Committee meeting to discuss renewal of the local option levy and *Shaping 4J's Future* recommendations. The motion passed unanimously.

Mr. Torrey, seconded by Ms. Walston, moved to set April 28, 2008, as the date for the Budget Committee to receive the budget message and proposed 2008-09 budget. The motion passed unanimously.

VII. Items Raised by Members of the Budget Committee

There were no items raised by committee members.

VIII. Adjournment

The meeting adjourned at 8:15 p.m.

(Recorded by Lynn Taylor)