Budget Advisory Committee
05/27/2021 - 03:30 PM
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MEETING MINUTES

We welcome you to this meeting of the LGSUHSD Budget Advisory Committee (BAC) meeting. The public may make comments relevant to agenda items at the time so designated on the agenda. Public comment will not be heard outside of the designated time. While not required, we would appreciate it if you would identify yourself with your name and address when addressing the BAC. Speakers are asked to limit remarks to three minutes (with a maximum of twenty minutes for one topic). Any individual requiring disability-related accommodations or modifications including auxiliary aids and services in order to participate in the BAC meeting should contact the Superintendent's office in writing.

You may provide public comment by using the Raise your Hand feature, once you have logged in and registered using the posted Zoom link. The host will be notified that you have done so. Once you are recognized by the host, you may be asked to unmute your speaker. You will have a maximum of three minutes to speak.

Upon request by a student's parent/guardian, or by the student if age 18 or older, the minutes shall not include the student's or parent/guardian's address, telephone number, date of birth, or email address, or the student's name or other directory information as defined in Education Code 49061. The request to exclude such information shall be made in writing to the Secretary or Clerk of the Board. (Education Code 49073.2)

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Attendance

Voting Members
Erol Ceran, BAC - **Absent**
Katie Chen, BAC
Charles Endweiss
Kathy Granger, CBOC
Anh Kwa
Prisha Patel
Denise Ramon Herrera
Daniel Snyder, BAC Member
Fan Steinke
Dave Wilde
Robert Wise, BAC

I. Call to Order

A. Roll Call/Establishment of a Quorum

Roll call was taken and a quorum established.

Voting members present:
Katie Chen, Charles Endweiss, Kathy Granger, Anh Kwa, Denise Ramon Herrera, Dan Snyder, Fan Steinke, Dave Wilde, Robert Wise
Voting members absent:
Erol Ceran

Non-voting members present:
Cynthia Chang, Mike Grove, Peter Hertan, Delores Perley, Lee Fagot (Sub-committee member)
Non-voting members absent:
Carrie Bosco, Greg Louie

II. Approval of the Agenda

Dave Wilde introduced four items to the agenda: 1) Introduction of members, 2) Add May 25 Board meeting to Item VI, 3) Determine whether to provide a yearend report out to the Board, 4) Decide on next BAC meeting and whether to include another one for this school year.

Denise made a motion to approve the agenda with the revisions; Fan seconded the motion; approved unanimously.

Motion made by: Denise Ramon Herrera

Motion seconded by: Fan Steinke

> ***Voting results:***
> Yes: Katie Chen
> Yes: Charles Endweiss
> Yes: Kathy Granger
> Yes: Anh Kwa
> Yes: Prisha Patel
> Yes: Denise Ramon Herrera
> Yes: Daniel Snyder
> Yes: Fan Steinke
> Absent: Dave Wilde
> Absent: Robert Wise

III. Introduction of BAC members

Members of the Budget Advisory Committee took turns introducing themselves and providing brief background information.

IV. Public Comment - Items Not on the Agenda

No public comment

V. Approval of the Minutes

The minutes of March 18, 2021 were approved as written

Motion made by: Kathy Granger
Motion seconded by: Daniel Snyder

> ***Voting results:***
> Yes: Katie Chen
> Yes: Charles Endweiss
> Yes: Kathy Granger
> Yes: Anh Kwa
> Yes: Prisha Patel
> Yes: Denise Ramon Herrera
> Yes: Daniel Snyder
> Yes: Fan Steinke
> Absent: Dave Wilde
> Absent: Robert Wise

VI. Public Comment - Agendized Items

No public comment

VII. Report/Discussion: Discussion on Feedback from March 30 and May 11, '21 Board meetings

Superintendent Grove indicated that there were Board meetings on March 30 (BAC report out on reserve policy recommendation plus some questions and discussion from the Board), May 11 – Board discussed what to do with the recommendation (also considered the School Services of California report received earlier). The outcome on May 11 was that the Board gave direction to the district staff to develop a new Board policy on reserves to match a recommendation that came from the BAC to establish 10% as a reserve floor, with a goal of 16%. Ratifying new Board policy typically happens in two steps (first read and then adoption). The first readout was done on May 25, and an adoption vote is planned for the June 8, Board meeting.

Superintendent Grove then went on to discuss possible areas of focus for the BAC during the 2021-2022 school year as discussed at the May 25 Board meeting. As usual, the goal is to assign 1 (at most 2) task(s) to the BAC. Two topics were discussed at the board meeting:

1. Assess pension liabilities (current magnitude for teachers and credentialed personnel (CalSTRS) and non-credentialed personnel (CalPERS)) and to look at possible solutions for how to address the liability.

2. Possible secondary topics time/resource permitting is a parcel tax research task, including assessing parcel taxes for surrounding/similar districts:
    a. What were the amounts? Was there an increase?
    b. Are there built-in escalators?
    c. When were the various parcel taxes passed, and type of elections held?
    d. What was the vote split for those successful/not successful?
    e. Which elections were renewals?

The next step is that the District staff will develop a written version and then will deliver to the Board for review and approval. The BAC then moved forward to discuss the summary that Superintendent Grove provided.

Dan commented on the pension liability, indicating that there is very little ability to put the money anywhere with a decent return given severe constraints on anything that can be done with such district funds in terms of investing.

Cynthia expressed an interest in a summary of the pension liability the district is facing, and she suggested the possibility of an irrevocable trust account which could provide greater flexibility.

Dan asked if the BAC is the right group to advise on pension funding options? He also expressed concerns that investing and legal fees could eat up any investing results.

Peter provided some context for the ask from his perspective. He indicated that a lot of work has been done at the Town of Los Gatos looking at pension liabilities after a community group highlighted the inadequacy of reserves 5-6 years ago, with unfunded liability growing 5-10% per year…. was a $30M liability, that subsequently grew to $60M.

School district audit report addendums (based on GASB requirements) now show a similar growing liability, although those addenda understate the district CalPERS and CalSTRS liability. The state recognizes that investment portfolios are underperforming. The current major deficit is being held by the state since they cannot easily bill it out. Long term investment projections have shifted from ~8% to ~6%. The LG Town formed a BAC …voting members were formed. Rick Tinsley who is part of the Town BAC commission with an action on what to do about unfunded liabilities. We can get to the commission's work at no charge.
Cynthia suggested that we investigate work that the CSBA has shared via a workshop on the growing liability, and that Delores perhaps share this summary.

Peter continued that the goal is that the BAC members and Board would become aware of solutions and the problem and potential solutions. In anticipation of CalSTRS/PERS increasing liabilities, we can start to set money aside. CSBA is suggesting a large pool that we could participate in. There are now two reserves – rainy day and pension liabilities. Some people do not like this approach.

Dan indicated that he was not disagreeing with anything Peter stated. Dan indicates the state communication has not been forthcoming over the years. Taxpayers have been undertaxed over the years. The state has limited ability to do anything about it now (cannot hire without pensions or different pensions). Dan reiterates that BAC members are not experts, and if the goal is learning, that is fine. Hopefully, something will be done soon so that the problem does not continue to compound. He wants to ensure everyone recognizes the BAC does not have experts on this.

Cynthia stated that it will be a learning process for everyone, and that we may be able to invite CSBA workshop delivery to come talk to local districts. She indicated that she may be able to ask them to do a local session for local school districts.

Peter indicated that there is an important difference between district and municipal districts, as school district pension funds are pooled while municipalities have their own account. In our case, one option may be to create a reserve that goes into a trust that can grow faster (with more aggressive investments).

Superintendent Grove indicated that the District will work with the Board to finalize proposed 2021-2022 BAC priorities.

Dan asks if we would be interested in getting a proposal from parcel tax consultants (for example TBWBH) to get their free assessment(s) regarding parcel tax landscapes with like districts.

Dave asked about interest in the BAC discussing possible parcel tax proposals. Peter indicated he felt it would be premature. Peter feels a new bond may be more relevant. He feels it may be equal or higher priority to look at bond possibilities. Mike indicated that it may be more appropriate for the Board to discuss whether looking at bond or parcel tax is a higher priority. Cynthia feels that the pension topic is the highest priority for the BAC 2022.

Dave thanked the hard work by the sub-committee…also great to see the progress by the

Board.

Dave thanked the reserves sub-committee, all the BAC team members, and District/Board members for their contributions and for the great teamwork to gain alignment on the reserves, and for the progress towards school year 2021/2022 priorities.

VIII. Report/Discussion: Term Limits Update

Lee Fagot walked through the term limits proposal that he had drafted. The intent of the term limit content and the updated proposal is to ensure all key constituencies are presented in the BAC. Denise clarified that once the BAC approves the changes, the Board would then need to approve bylaw changes. Cynthia asked whether term limits apply to employees…Lee will clarify. Dave clarified that the term limits "timer" started when the BAC bylaws were approved. Dan suggested that term limits can force out strong contributors as an unintended consequence. Denise and Cathy offered to work with Lee to propose a revised bylaw language reflecting the discussion. Cynthia emphasized the importance to strike a balance of retaining strong contributors while ensuring balanced representation.

IX. ACTION: Advance Bylaw Changes to the Board of Trustees

No action was taken.

X. Report/Discussion: Leadership and Membership Discussion

Dave reminded the BAC that he is terming out as BAC chairperson…and will be leaving the BAC to encourage new perspectives. Dave indicated that Lee Fagot is a potential candidate for his slot, and that Lee may be interested – also that to follow the bylaws, that the opening created by Dave leaving the BAC. It was proposed that the District could help with advertising in the District and via the Weekly (also perhaps the District welcome page per Denise). Dave indicated that he can reach out to Jane to discuss.

Dave indicated that Kathy has indicated willingness to be the BAC chairperson – nomination by Denise, Robert seconded. – Unanimously approved … Motion Yes – Denise, Anh, Robert, Katie, Prisha , Dave, Fan, Kathy,

Dan indicated willingness to be the vice chair – nominated by Kathy, second by Denise; Unanimously approved – Yes, Denise, Dave, Anh, Katie, Prisha, Kathy, Robert, Fan

Dave asked if there is a need for an end-of-year update to the Board – Peter indicated that no further update is needed. Delores summarized the Board member recognition of the strong outcomes for the year. Dave also asked the question if any additional meeting is needed… all agreed that no other meeting is needed. Dave indicated his appreciation for all the support he has received during his time as BAC chair. Dave and the BAC wished Katie and Prisha well as they continue their academic journeys following their graduation. Dave closed the meeting by thanking everyone for their support and wishing everyone a great summer.

XI. ACTION: Selection of New BAC Chairperson

Dave indicated that Kathy has indicated willingness to be the BAC chairperson – nomination by Denise, Robert seconded. – Unanimously approved … Motion Yes – Denise, Anh, Robert, Katie, Prisha , Dave, Fan, Kathy.

Members of the BAC discussed nominating Dan Snyder as vice chair and this will be ratified at the next BAC meeting.

Motion made by: Denise Ramon Herrera
Motion seconded by: Robert Wise

> ***Voting results:***
> Vote Not Recorded: Katie Chen
> Vote Not Recorded: Charles Endweiss
> Vote Not Recorded: Kathy Granger
> Vote Not Recorded: Anh Kwa
> Vote Not Recorded: Prisha Patel
> Vote Not Recorded: Denise Ramon Herrera
> Vote Not Recorded: Daniel Snyder
> Vote Not Recorded: Fan Steinke
> Vote Not Recorded: Dave Wilde
> Vote Not Recorded: Robert Wise

XII. Public Comment - Agendized Items

No public comment.

XIII. Adjournment