



Agenda Report

March 11, 2019

TO: City Council

FROM: City Manager

SUBJECT: MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF PASADENA AND THE PASADENA UNIFIED SCHOOL DISTRICT IMPLEMENTING MEASURE J

RECOMMENDATION:

It is recommended that the City Council take the following actions:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA"), in accordance with State CEQA Guidelines, Section 15061(b)(3), the "general rule" that CEQA only applies to projects that may have an effect on the environment, and
2. Approve a Memorandum of Understanding between the City of Pasadena and the Pasadena Unified School District Implementing Measure J, in essentially the form attached hereto.

SUMMARY OF THE MEMORANDUM OF UNDERSTANDING:

For a period of three years, the City of Pasadena ("City") will forward to the Pasadena Unified School District ("District") an amount equal to one third of the sales tax revenue received from Measure I ("Measure J funds"). The District shall use Measure J funds in the following priority order:

- Maintain adequate reserves as required by State law
- Restore and maintain existing educational programming that would otherwise face elimination
- Other District projects and programs that benefit students

The District shall be required to provide an annual report and plan to the City giving an accounting for the money received and providing an expenditure plan for the coming year. The report and plan will be included in the preliminary budget of the City and will

be reviewed by the City Council, and, if deemed acceptable, will be affirmed as part of the adopted budget. The minimum funding guarantee for the first year of the MOU is five million dollars (\$5,000,000).

The full text of the Memorandum of Understanding is attached to this Report, and contains additional administrative provisions not summarized here.

BACKGROUND:

On November 6th the voters of Pasadena overwhelmingly supported Measures I and J, with final approval rates of 68.74% and 72.05%, respectively. Measure I will provide a locally-controlled source of revenue, in the form of a 0.75% sales (use) tax. These revenues will be used to maintain essential City services and provide a source of funds to undertake much needed reinvestment in the City's infrastructure.

Measure J is an advisory measure that informs the City Council as to the priorities of Pasadena voters. Specifically, the Measure asked voters to indicate that, if Measure I were to pass, should the City Council allocate 1/3 of the new revenue, estimated at approximately \$7 million per year based on current sales tax levels, to support local public schools.

On December 10th the City Council approved the formation of an *ad hoc* committee, which included three members of the City Council and three members of the Board of Education, charged with developing the parameters for the implementation of Measure J. The *ad hoc* committee, consisting of Mayor Tornek and Councilmembers Hampton and McAustin, Board President Torres and Board members Cahalan and Kenne, met on December 19th and February 19th. In addition, two informal meetings were held that included the Mayor and staff from the City and School District.

At the December meeting, there was general discussion concerning the need to avoid a takeover of the District by the Los Angeles County Office of Education (LACOE) by ensuring the District maintain adequate reserves. There was also a focus on restoring/avoiding budgetary reductions approved by the Board of Education as part of its Fiscal Stability Plan, as well as, the need for a mechanism to ensure accountability and periodic reporting back to the City Council and public as to how Measure J funds are utilized. The Committee also discussed whether charter schools should be eligible for receipt of Measure J funds. As it relates to this point, there was general consensus that PUSD should be the sole recipient of Measure J funds and that it could elect separately whether to provide financial support to local charter schools.

MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF PASADENA AND THE PASADENA UNIFIED SCHOOL DISTRICT IMPLEMENTING MEASURE J

March 11, 2019

Page 3 of 4

At the meeting of February 19th the District representatives laid out a hierarchy of priorities in three broad categories for the use of Measure J funds.

Priority One – Fiscal Stabilization – The first priority for the use of Measure J funds would be to ensure the District maintains the state required 3% reserve requirement thereby maintaining local control of the District. Funds in this category could also be used to account for mid-year reductions in enrollment which result in the loss of state funding. It is anticipated that in Fiscal Year 2019-2020 approximately \$4 million would be devoted to this category.

Priority Two – Restoring and Maintaining Existing Educational Programming – The second priority for the District would be to restore/maintain programs and the positions that support them, which were identified for reduction through the Fiscal Stabilization Plan. Funds in this category would also be used to support the District's various signature programs including but not limited to: International Baccalaureate, Dual-Language Immersion, Science/Technology/Engineering/Arts/Math (STEM/STEAM), Visual & Performing Arts, and International Academy programs. It is anticipated that, in Fiscal Year 2019-2020, approximately \$3 million would be devoted to this category.

Priority Three – Other District Priorities and Projects Benefiting Students – At this time priority areas one and two are expected to utilize all the available Measure J funding for fiscal year 2019-2020; however, it is hoped that, over time, the District might be able to utilize future funding towards other priorities and projects that would benefit students. Such expenditures would be considered as priority three.

The Committee members discussed memorializing these priorities in a memorandum of understanding that would also include annual reporting to the City Council regarding the actual use of funds for the immediately preceding and the planned use for the upcoming fiscal year. The initial term of such an agreement was proposed at three years, in order to enable the District to count it towards meeting LACOE requirements, with automatic annual renewals unless otherwise terminated by the City. Furthermore, the Committee discussed the possible formalization of the *ad hoc* committee into a standing committee that would meet with some regularity to review the financial performance of the District and consider such matters as the District's facilities re-use plan. Such closer coordination between the School District and the City would be expected to benefit both agencies.

There was further discussion as part of the March 4th annual joint meeting between the City Council and PUSD, and this MOU is presented as the outcome of those discussions.

MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF PASADENA AND THE PASADENA
UNIFIED SCHOOL DISTRICT IMPLEMENTING MEASURE J

March 11, 2019

Page 4 of 4

FISCAL IMPACT:

Measure I is expected to generate approximately \$21 million annually in locally-controlled revenue. Measure J recommends to the City Council that it prioritize 1/3 of this amount, approximately \$7 million, to support local public school.

Respectfully submitted,



STEVE MERMELL
City Manager

Attachments: (1)
Memorandum of Understanding