



**PALO ALTO UNIFIED SCHOOL DISTRICT**  
25 Churchill Avenue • Palo Alto, CA 94306  
Telephone: (650) 329.3737 • FAX: (650) 321.3810

**FILED**

SEP 21 2009

DAVID H. YAMASAKI  
Chief Executive Officer/Clerk,  
Superior Court of CA County of Santa Clara  
BY D. ALDYCKI

September 8, 2009

Mr. Don Kawashima, Foreperson  
2008-09 Civil Grand Jury  
Superior Court Building  
191 North First Street  
San Jose, CA 95113

Dear Mr. Kawashima and Members of the Civil Grand Jury

We have received your Final report of June 24, 2009, "Who Really Benefits from Education Dollars?" Following is our response to the findings.

***Finding 1***

*Boards of Trustees approve overly generous benefits to themselves which include the following:*

- *Fully paid health benefits for trustees and their families (often exceeding those of teachers and/or with no payment ceiling)*
- *Excessive travel and conference costs*
- *Pension contribution*

**Response**

The Palo Alto Unified School District does not pay for the health benefits or pensions of trustees or their families. The board typically does little travel and, when travel is required, every attempt is made to minimize travel and conference costs. For these reasons, the Palo Alto Unified School District **disagrees** with the finding that Boards of Trustees approve overly generous benefits to themselves.

***Recommendation 1***

*Board of Trustees should carefully review the benefits listed in Finding 1 and:*

- *Eliminate health benefits for Board Members*
- *Minimize travel and conference costs*
- *Eliminate pension contributions*

## **Response**

- The Palo Alto Unified School District does not provide health benefits to board members.
- Travel and conference costs are kept to a minimum. Board members attend the California School Boards Association Annual which rotates between Northern and Southern California to address the cost sensitivity of its 5,000 members. Every attempt is made to control costs for this event through early registration and the booking of flights. Other than this event, board members drive to all conferences and meetings, with carpooling the norm.
- There is no contribution to pensions made by the district on behalf of board members.

For these reasons, the Palo Alto Unified School District agrees with the recommendation that Boards of Trustees should minimize travel and conference costs. The other recommendations contained are not applicable to the district.

## **Finding 2**

*Boards of Trustees are approving overly generous benefits to Superintendents and Chancellors, including the following:*

- *Auto allowances (auto leases/purchases, insurance, maintenance, etc.) to superintendent*
- *Housing allowances*
- *Million dollar housing loans at zero or below market interest rates*
- *Guaranteed annual step and/or longevity increases*
- *Signing bonuses*
- *Contract buyouts*
- *Excessive performance bonuses*
- *Per diem payments when out the district*
- *Personal technology allowances*
- *Professional memberships and subscription allowances*
- *Excessive travel and entertainment expenses*
- *Salary increases automatically triggered by increases in teachers' salaries, which are in addition to other guaranteed salary increases*
- *Pension allowances (in addition to regular STRS/PERS contributions)*
- *Advanced degree stipends*
- *Lifetime medical insurance benefits*
- *Annual physicals*

## **Response**

The high cost of living in the area has created a market in which compensation packages offering certain benefits are present. In the vast majority of cases, the benefits are not "overly generous," but in line with the realities of market supply and demand.

## **Recommendation 2**

*Boards of Trustees should carefully review and renegotiate the Superintendent/Chancellor benefits listed in Finding 2 for possible reduction and/or elimination.*

## **Response**

The superintendent has a four year contract that extends to June 30, 2013. The Board of Trustees and the superintendent carefully review benefits annually. Over the past two years, elements of the benefit section have been modified and/or eliminated. The Board of Trustees and the Superintendent plan to continue this annual review. For these reasons, the Palo Alto Unified School District agrees with the recommendation that Boards of Trustees should carefully review and renegotiate the superintendent benefits listed in Finding 2 for possible reduction and/or elimination, **provided those items do not prevent the district from attracting and retaining the best superintendent for the district.**

Looking at the average salaries of superintendents in the Far West region of the United States, a study entitled "Salaries and Wages in California Public Schools 2008-2009" by ACSA/Foundation for Educational Administration and Educational Research Service, Table B3) found the average salary was \$172,646—about \$20,000 less than the average salary in Santa Clara County of \$192,368. Given the extreme cost of living disparity in Silicon Valley as compared to the average of the rest of the Far West region, and additional \$20,000 here, combined with an attractive set of benefits, would not seem "overly generous."

## **Finding 3**

*Superintendent salaries and increases appear to bear no relationship to the number of schools, students, and employees they oversee, nor their district's academic improvement.*

## **Response**

Palo Alto Unified School District respectfully disagrees with the finding. School district leaders oversee a budget of over \$150 million and nearly 1,300 employees and 11,500 students in 17 schools. The Superintendent salary is related to the size of the district, but that is only one of a myriad of factors that determines compensation.

## **Recommendation 3**

*The Board of Trustees should ensure that Superintendent/Chancellor salaries and increases take into account the number of schools, teachers, and students they oversee and are tied to the district's students' progress and quantifiable metrics.*

## **Response**

The superintendent's contract does take into account the size and complexity of the Palo Alto Unified School District as well as the number of schools, teachers, and students in the district. The superintendent must receive a satisfactory evaluation, in writing, from the board annually in order to receive salary increases specified in the contract. Students' academic progress is one of the factors given high consideration in the board's evaluation. For these reasons, the Palo Alto Unified School District agrees with the recommendation that Boards of Trustees should ensure salaries and increases are tied to the number of schools, teachers, students and the district's students' progress.

## **Finding 4**

*Boards of Trustees hire costly search firms to recruit successors for retiring or dismissed Superintendents/Chancellors.*

**Response**

Hiring a superintendent for a school district is one of the most important tasks a Board of Trustees undertakes. While there are costs involved in using search firms, these amounts are small when one considers the stakes involved and the fact that superintendents are typically in their positions for many years. Board members are typically inexperienced in superintendent searches and the existing staff of a school district are not always best positioned to recruit and employ their supervisor.

**Recommendation 4**

*Boards of Trustees should conduct a preliminary search within the local area prior to hiring search firms.*

**Response**

In the spring of 2007, the Palo Alto Unified School District Board discussed the best way to find a superintendent worthy of the talents and promise of its students. After careful deliberation and interviews with leading search firms, the Board entered into a contract with Leadership Associates. Leadership Associates' role in the process allowed the district to attract candidates beyond the local area. In the end, the superintendent who was hired had extensive experience in Santa Clara County, but was employed in Southern California at the time. Further, had Leadership Associates not contacted the candidate and encouraged him to apply for the position, it is doubtful he would have done so. For these reasons, the Palo Alto Unified School District respectfully disagrees with the recommendation that Boards of Trustees should conduct a preliminary search within the local area prior to hiring search firms.

**Finding 5**

*Boards of Trustees approve the hiring of multiple private attorneys, in some cases at a tremendous expense.*

**Response**

The Palo Alto Unified School District respectfully disagrees with this finding for the reasons outlined below in the response to Recommendation 5.

**Recommendation 5**

*All Boards of Trustees should engage County Counsel whenever possible and leverage their buying power to negotiate lower fees with private law firms.*

**Response**

Quality legal advice depends on two elements missing from the recommendations of the Grand Jury. The first is an extensive knowledge of the district. Given the wide variety of school districts and their challenges, it is difficult to envision County Counsel possessing the breadth of knowledge and experience to provide the high level of support districts need on high-stakes legal issues. Beyond knowledge of the district, the satisfactory resolution of complex legal issues requires experience with and comfort in the relationships between district employees, board members, and members of the community. The benefits of these elements far outweigh any marginal cost difference in legal costs.

It should also be noted that the Palo Alto Unified School District has made extensive efforts to rein in legal costs with large financial benefits. Legal costs have fallen 70% over the past two years. The district has been aggressive in reviewing legal fees and has changed or added law firms when appropriate. For these reasons, the Palo Alto Unified School District respectfully disagrees with the recommendation that Boards of Trustees would engage County Counsel whenever possible.

**Finding 6**

*The operation of 34 K-12 school districts and four community college districts creates excessively high management and administrative costs. Five K-12 school districts have excessively high Superintendent costs per student which is reflective of the districts having only one or two schools.*

**Response**

The Palo Alto Unified School District is not in a position to judge the districts identified.

**Recommendation 6**

*A consolidation of districts should be considered to reduce the numbers and costs of Superintendents/Chancellors, Boards of Trustees, and administrative staff and overhead.*

**Response**

The recommendation cannot be implemented by local boards and trustees, because under the California Education Code, consolidation of districts is relegated to the people who live in the district. Should communities wish to join with other communities to create larger K-12 or community college districts, the process is clearly spelled out in the Education Code, under which a vote of the electorate can change district organization.

In Santa Clara County, voters from a few districts have chosen to consolidate in the past, but for the most part, they have established a strong tradition and preference for local control.

The Santa Clara County Office of Education offers many centralized services such as alternative schools, special education, finance, and tech services, all directed at reducing costs for districts.

Sincerely,



Barb Mitchell, President  
Board of Education



Kevin Skelly, Ph.D.  
Superintendent