

V. Discussion/Action Items

A. Audited Actual Report – Moss Levy Hartzheim (20 min)

7:13 pm

Mr. Hui provided the committee with an overview of the district audited actual report. There were no financial statement findings or federal award findings or questioned cost in 2018-19. The unduplicated local control funding formula pupil counts issue that occurred 2 years ago were explained. The committee questioned the auditor's observation and recommendation regarding number of change orders and asked for the steps and improvement that the District needs to take in order to remove the notation on the last page of the audit report. Mr. Upton explained the varying reasons why change orders may occur.

The report may be found at <http://www.smmusd.org/fiscal/BudgetDocs/AuditReport1819.pdf>

A motion was made by Ms. Maniar and seconded by Mr. Crawford to accept the audit report as presented and recommend to the Board of Education for approval.

AYES: Nine (9) (Mr. Covington, Mr. Crawford, Mr. Farivar, Mr. Landres, Mr. Lee, Ms. Slauch Nahass, Mr. Levis-Fitzgerald, Ms. Maniar, Ms. Mulvaney)

STUDENT ADVISORY VOTE: None (0)

NOES: None (0)

ABSENT: Two (2) (Mr. Jacobson, Mr. Kremer)

ABSTAIN: None (0)

B. Memorial Park Agreement – Carey Upton (20 min)

7:33 pm

Mr. Upton provided the committee with an overview of the agreement. The City of SM is planning to modernize Memorial Park. The first phase includes two large fields that can host either baseball or softball into the Fisher Hardware and Lumber area. They will be CIF approved fields. Phase two include a little league field with phase three be the replacement of the gymnasium. The college committed funds to support the modernization of approximately \$20M. There was a request for SMMUSD to have a joint use agreement with the City to use Measure SMS funds to help with modernization budget shortfall. An amount has not yet been set but the current shortfall is approximately \$5M. The agreement will be sent to FOC for review and recommendation. The committee asked for and discussed opportunity cost as well as what the District would not do if the District participates in the modernization project. The District has priority between 3pm-6pm during the week and for weekend reservations, there are certain times of the year when reservations can be made.

C. Property Shift for District Office move – Carey Upton (20 min)

7:53 pm

Mr. Landres recused himself from this item due to his position as City **Planning** Commissioner.

Mr. Upton provided the committee with an overview of the property shift located at 4th Street. The current owners of the office buildings would like to sell and the District has the first rights of refusal. The property shift includes moving the District Office, Maintenance and Operations as well as Transportation Departments and/or Child Development Services and Facilities Use Department to a centralized location with 100 parking spaces. This will then allow the current District Office building to be fully developed with a 99-year lease that would potentially bring in revenue for the General Fund. The funds for the purchase of the building will be from a range of sources to include Fund 40, COPs, and/or RDA Operations money. The District will need to deposit a non-refundable earnest with intent to purchase in the next few months. Mr. Lee, Mr. Crawford and Ms. Mulvaney expressed interest to serve on the ad hoc committee in the analysis and to consult on real property should the Board of Education amends the FOC charge.

D. Change in Ad hoc Subcommittee Membership (5 min)

8:00 pm

The ad hoc subcommittee membership changed as follows:

- Budget Recommendations: *Mr. Covington, Mr. Jacobson, Ms. Maniar*
- Tax Revenue and Assessed Valuation: *Mr. Kremer, Ms. Mulvaney, Ms. Slaugh Nahass*
- Review of Prop YY and GSH projections: *Mr. Crawford, Mr. Farivar*
- Financial Benefits of Sustainability: *Mr. Jacobson, Mr. Covington, Mr. Crawford*
- Special Education: *Ms. Maniar, Mr. Kremer, Mr. Levis-Fitzgerald, Mr. Landres*
- Bond Oversight: *Mr. Lee, Mr. Covington, Mr. Crawford, Mr. Kremer*
- Nomination: *Mr. Farivar, Mr. Jacobson, Mr. Levis-Fitzgerald, Ms. Maniar*

VI. Ad hoc Subcommittee Report (30 min)

8:14 pm

A. Budget Recommendations: *Mr. Covington, Mr. Jacobson, Ms. Maniar*

The subcommittee will meet and elect a subcommittee chair.

B. Tax Revenue and Assessed Valuations: *Mr. Kremer, Ms. Mulvaney, Ms. Slaugh Nahass*

The subcommittee will meet and elect a subcommittee chair.

C. Review of Prop YY and GSH projections: *Mr. Crawford, Mr. Farivar, Mr. Landres*

The subcommittee will meet and elect a subcommittee chair.

D. Financial Benefits of Sustainability: *Mr. Jacobson, Mr. Covington, Mr. Crawford*

Mr. Jacobson is the Chair of this subcommittee.

E. Special Education: *Ms. Maniar, Mr. Kremer, Mr. Levis-Fitzgerald*

Mr. Maniar is the Chair of this subcommittee.

Data on legal settlements from over the past few years to include other special education program liabilities and other school districts was received by the committee

F. Bond Oversight: *Mr. Lee, Mr. Covington, Mr. Crawford, Mr. Kremer*

Mr. Lee is the Chair of this subcommittee.

VII. Receive and File (Limited Discussion)

8:16 pm

A. Message from Superintendent Ben Drati regarding SMMUSD Budget: Challenges and Opportunities Ahead dated November 22, 2019

B. Special Education legal settlements - Multi-Year, Long-term liabilities FY 2012-2020 (as of 5/16/19)

VIII. Public Comments None

IX. Committee Comments None

X. Next Meeting: Thursday, January 23, 2020

XI. Adjournment: The meeting adjourned at 8:16 p.m.



SANTA MONICA - MALIBU UNIFIED SCHOOL DISTRICT

November 22, 2019

Message from Superintendent Dr. Ben Drati: SMMUSD Budget: Challenges and Opportunities Ahead

Dear parents, guardians and staff,

We are well on our way into the 2019-20 school year. Students are engaged in learning, and our staff is excited to be educating them. I believe that I speak for all staff when I say that we appreciate all parents and supporters of the Santa Monica-Malibu Unified School District, as we recognize that educating our youth is a partnership effort. In the complex world of technology advancements, globalization, climate health, and human relations in which our students are coming of age, it is more essential than ever that we prepare them to address the challenges and opportunities ahead of them. We know that teaching our students today involves helping them gain significant 21st-century competencies, which include academics, of course, but also intentionally promotes the development of strong character, citizenship, collaboration, communication, critical thinking skills, and creativity. We believe that through our commitment to deeper learning, students will develop the knowledge, skills, and wherewithal to succeed.

Beginning this year and over the next two years, I will be sharing information about our fiscal challenges and also how we can turn those challenges into opportunities. I am convinced that as we align our district's resources to face our fiscal challenges, we will actually come out better as an educational institution. In this letter, I want to provide you with an overview of our district's fiscal position and invite you to learn more through various meetings (school site PTA / PTSA, faculty), where I will present in greater depth.

Many of the challenges we face are common among districts. For example, we are faced with a growing teacher shortage, a crisis that confronts school districts throughout the nation. At the same time, housing prices on the westside of Los Angeles have risen dramatically, which impacts our employees, many of whom cannot afford to live nearby and must endure long commutes to and from work.

As many of you are aware, the State of California's funding for schools is inadequate. California ranks 41st in the nation in education funding, and state funding has been extremely volatile for years. Like many other districts in the State of California, SMMUSD has been challenged by a structural fiscal deficit spending cycle for a long time. This means that our operational expenditures are greater than the revenues we receive in combined state, federal and local funding. This is a function of many factors, including increases in healthcare and other employee-related costs and in general operations, including the costs of supplies and services, that exceed increases in revenue.

We have been able to survive both the volatility of state funding and the existence of a structural deficit in previous years in a variety of ways. We are fortunate that our community has had the wherewithal, the commitment and the generosity to augment state funding through the passage of local funding measures, including Measure R in Malibu and Santa Monica and Measures YY



SANTA MONICA - MALIBU UNIFIED SCHOOL DISTRICT

and GS in Santa Monica. In addition to the enhanced local funding our district receives, our district has benefited significantly from funds received pursuant to our joint use agreement with the City of Santa Monica and from former Governor Brown's "year-by-year" allocations of "one-time" state funds that helped increase our district's fund balance or "savings account."

We are currently facing new and different fiscal uncertainties than we have in the past, because we are in the process of transitioning to becoming a "basic aid," or community-funded, district. Basic aid districts receive little state funding, because their revenue from local property taxes exceeds what they would receive under the state's Local Control Funding Formula. In the long run, basic aid will likely be very positive for our district, but in the short term, it creates unique challenges, including the loss of funding guarantees for certain expenses that were previously funded by the state. This uncertainty forces us to have higher reserves than districts ordinarily maintain.

At this point, SMMUSD's fund balance is too low for comfort; our reserves are lower than they should be, and there is no indication in the near future that there will be an increase in revenue from state, federal or local sources of funding. Given the district's chronic structural deficit and our transition to basic aid, we need to take a fresh look at our expenditures and develop a sustainable budget. This is often painful for a school community to do. And yet, I believe that there are opportunities for us to successfully address these issues in our district.

In the face of projected budget reductions over the next several years, I am creating a budget planning process that involves participation from community stakeholders, including staff, parents/caregivers, students, and others, who will work with executive staff and me to formulate recommendations that will form the basis for supporting the outcomes to which we aspire for our students. More information will be shared as we get closer to starting the process. I view this as an opportunity to realign our resources with our district goals and the student outcomes we seek.

Our focus on traditional excellence, combined with innovation and the most current practices, are the cornerstones of the budget re-alignment we seek. The stakeholder process will include an examination of data, educational trends, best and promising practices, as well as strategies to better align our district's budget with our resources. I firmly believe that with the help of our stakeholders, we can achieve a sound fiscal foundation that supports our vital educational mission and ensures that our great district continues to improve and prepare our students for the 21st century.

Stay tuned for more information about this process and ways in which you can learn more about our district's fiscal health at board, various PTA and PTSA, staff, and community meetings.

Sincerely,
Dr. Ben Drati
Superintendent

SPECIAL EDUCATION**LEGAL SETTLEMENTS - Multi-Year, Long-term liabilities**

FY 2012-2020 (as of 5/16/19)

FY	Total	18-19	19-20	20-21	21-22	22-23	23-24	24-thereafter
12-13	252,665	-	-	-	-	-	-	-
13-14	408,686	-	-	-	-	-	-	-
14-15	493,076	12,787	-	-	-	-	-	-
15-16	628,070	87,360	6,200	6,200	6,200	6,200	6,200	37,200
16-17	519,247	67,870	10,240	10,240	10,240	10,240	10,240	61,440
17-18	787,462	368,781	306,276	306,276	306,276	306,276	306,276	16,330
18-19	1,722,106	1,435,892	480,993	235,195	235,195	198,040	-	-
19-20	5,240,697	254,841	510,950	559,363	559,363	559,363	559,363	2,237,453
Total	10,052,009	2,227,531	1,314,659	1,117,275	1,117,275	1,080,120	882,080	2,352,423

Total amount includes settlement amounts for Parent atty fees, Parent reimbursements for education and related services costs and Direct Contract obligations for the initial year of the settlement agreement

For direct contracts - worksheet only includes projections for FY20-21 & going forward based on 19-20 contracts