



**SMMUSD Financial Oversight Committee Minutes**  
**Date: Wednesday, February 13, 2013**  
**Time: 7:00 pm to 9:00 pm**  
**Location: Testing Room, SMMUSD Administrative Offices**  
**1651 16th Street, Santa Monica, CA 90404**

**I. Call to Order**

Mr. Larmore called the meeting to order at 7:00p.m.

Committee Members: Craig Foster Patricia Hoffman  
Tom Larmore Gordon Lee  
Joan Krenik DeAndre Parks  
Shelly Slaugh Nahass Paul Silvern  
Stuart Smith Cynthia Torres arrived at 7:01pm  
David Vukadinovich arrived at 7:02pm

Board Liaisons: Laurie Lieberman arrived at 7:06pm

Staff: Jan Maez Kim Nguyen

Absent: Jose Escarce Nimish Patel  
Elliot Baumohl, SAMOHI Emma London, Malibu HS

Public: Gerardo Cruz Heidi Kleis

**II. Introduction of Appointed FOC Members**

The FOC welcomed new members (Ms. Krenik, Mr. Parks, and Mr. Smith) and reappointed members (Mr. Larmore and Mr. Lee) to the committee.

**III. Approval of Minutes** January 10, 2013 meeting

A motion was made by Mr. Silvern and seconded by Ms. Torres to approve the January 10, 2013 Minutes as amended. The motion passed unanimously.

**IV. Staff Report: Chief Financial Officer Janece L. Maez (*Limited Discussion*)**

A. Decision Insite: A Decision Insite representative will attend the March 14, 2013 meeting to answer questions about their report which projected 50 students transferring into the District every year as a result of the Board Policy change regarding the inter-district transfers. Ms. Hoffman pointed out that The Village development that will provide 365 units total with 160 affordable units, was overlooked. Of those affordable units, 66 are 3-bedroom units and should be taken into consideration when determining the enrollment projections.

- B. Budget Update: Ms. Maez reported that the Board Budget Workshop was held on February 9, 2013 to discuss important educational and fiscal consideration. Educationally, important considerations in budget development include: maintenance and development of strong programs to meet the needs of all students; support for programs designed to close the achievement gap; and meeting State and Federal education requirements for all students. The important fiscal considerations are: fiscal solvency and responsibility; maintaining the current high credit rating; and running a smooth and efficient operation.

Rating agencies want to see reserves at 10% or above (approximately \$12M). Three years ago, the District had reserves of about \$21M. This year, the District started with \$17M in reserves but with a \$5M deficit, it will end the year with approximately \$12M in reserves. The District is trying to operate with a plan to maintain the 10% reserve level.

Ms. Maez also reported on the results of a recent stakeholder survey which showed that one of the most important concerns is providing a clean and safe environment for students. It is the District's desire to staff all educational and support operations at adequate levels and provides fair and comparable salaries to all employees.

Ms. Maez reported on the Governor's proposed 2013-14 Budget, characterizing it as fragile. She cautioned that although tax revenues were up in January, one month's results should not be considered a trend because the increase could be from a lot of different factors.

The District's revenue assumptions used for the interim report for the current fiscal year are: the old revenue limit formula of \$4500/per ADA; lottery funds of \$155/ADA; Tier III Flexibility at \$4.4MM; no increases or reductions in Federal Funding; Measure R Parcel Tax estimated at \$11.2MM; Prop Y estimated at \$6.56MM; Cities of Santa Monica and Malibu contribution of \$8.4MM; and Lease revenue of \$2.3MM.

Expenditure assumptions were based on current staffing ratios, step and column increases, statutory employee benefits, and health and welfare costs. Ms. Maez stated that there is an unfunded liability for retiree benefits and the District is on a pay-as-you-go plan. There is a current process to assess 1.5% on each employee's salary.

The Multi-Year Projection included in the budget workshop presentation is for unrestricted general fund only.

Over the last four (4) years, fund balances of many school districts in California have actually increased. The trend was that school districts made adjustments with either one time or ongoing cuts. There were groups of districts that took less action or with less of a fund balance who consequently, were in a worse situation sooner. Most school districts have put themselves in a position to move forward rather than be in a place where they were just filling a hole. Enrollment is projected as declining. The District can manage enrollment with inter-district transfers. The Board's stated intent when revising the inter-district policy last year was to level the enrollment decline.

The local control funding formula is calculated based on grade level and consists of four (4) numbers. The State rolled all money that they pay into one fund. There is a base grant based on grade level (K-3, 4-6, 7-8 and 9-12) configuration and a supplemental amount of 35% of the base for free and reduced meals or English Language Development (ELD).

- C. Measure BB/Measure ES Update: The topping out ceremony at SAMOHI was held on February 11, 2013. The final series of bonds in Measure BB is \$83M. The District was scheduled to issue them in mid-January but the structure of the issuances became an issue. The structure included capital appreciation bonds (CABs) that moved payment out to the end and there has been an incredible amount of negative press regarding districts issuing bonds with CABs. This publicity has generated proposed legislation to restrict the CAB structure and interference from State and County officials. Therefore, even though the District's bond structure would have complied with the proposed legislation, its issuance had to be put on hold temporarily. The District will not immediately run into cash issues but in the next 6-9 months will need to finish the last project (Malibu) that has not yet gone to bid. Ms. Maez was scheduled to have a conference call the following day with representatives from County Treasurer.

## V. Update from Ad Hoc Committees

- A. Superintendent Advisory Committee (SAC) (C. Foster, D. Vukadinovich): Mr. Vukadinovich reported there were two groups - SAC and Ed Foundation liaison meetings. There are still discussions on roles of Ed Foundation and PTA presidents. On February 21, 2013, the newly formed communication subcommittee of SAC will meet regarding the roll out of information to the community and parents. Bloomingdale's Giving Back Day is on February 23, 2013 where proceeds from sales will be donated to the Ed Foundation.
- B. Local Control Funding (C. Foster, J. Krenik, P. Hoffman, S. Slaugh Nahass): The committee name of Per Pupil Budgeting was changed to Local Control Funding. Ms. Slaugh Nahass reported that the committee met, put together a PowerPoint presentation and would be meeting with Ms. Maez. She also stated that Seattle, Edmonton, San Francisco and Hawaii were a number of other locations that currently follow the local control funding model.
- C. Detailed Budget Review (T. Larmore, G. Lee, D. Parks, C. Torres): Ms. Torres reported that the subcommittee met with Ms. Maez on January 17, 2013. The committee is polling Beverly Hills, Carlsbad, Palo Alto, Las Virgenes, Palos Verdes, and Berkeley and will be looking at financial reserves, comparative class size, revenue strategies, supplemental hourly programs such as summer school, comparative health benefits for employees, and comparative teachers' salary schedules and structures. The subcommittee received information from Keygent of other similarly ranked districts and planned to look at relevant budget strategies that could be applied to SMMUSD.

- D. Malibu Unification (C. Foster, T. Larmore, P. Silvern, S. Smith, D. Vukadinovich, E. Baumohl, E. London): Mr. Silvern reported that a group was formed to look in part at the issue of whether Malibu would be able to sustain itself if separated from Santa Monica. A study of whether the Malibu unification would meet the State's nine (9) criteria was prepared by WestEd for Advocates for Malibu Public Schools (AMPS). The FOC took the responsibility of looking at the financial implications of the report. There were other aspects of the criteria that were not financial such as enrollment that crossed over to the financial realm. The consultant reported that five (5) of the nine (9) criteria were met but the other four (4) had open questions and needed resolution. The State statute is not clear whether all nine (9) criteria must be met. There were a number of financial issues, including the allocation of assets and liabilities, including bonds, survival of the existing parcel tax in a new Malibu district, and the remaining bonding capacity of a separate Santa Monica district. The proponents in Malibu will talk to their legal counsel to get a legal opinion on these issues.

Mr. Larmore stated that the ES bonds were authorized but not yet issued. He commented that it could be more difficult for Malibu to be basic aid under the new structure. Ms. Maez explained that basic aid is when property tax exceeds the revenue limit so districts do not get any funding but gets to keep the entitlement (less some percentage of categorical funds). Other districts that are basic aid are Palo Alto and most recently, Beverly Hills.

The Education Code provides some guidance on these and other issues but lacks clarity and there is little precedent because separations do not happen often. One of the most recent separations approved was Wiseburn Elementary and Centinela High School which took ten (10) years and ultimately required special legislation.

## **VI. Discussion/Action Items**

- A. Timing of Appointments to FOC and selection of Chair and Vice Chair: Mr. Larmore introduced the idea to recommend to the Board for new appointments are made in June rather than in December so that the committee would be intact for the full school year. It was moved by Ms. Hoffman and seconded by Mr. Foster that the FOC recommend to the Board of Education to extend the existing terms ending December 31<sup>st</sup> to June 30<sup>th</sup> so that the committees would be intact for a full school year. The motion passed unanimously.
- B. Measure R Audit Report: This item was tabled to the next meeting to allow committee members to review the audit report.

## **VII. Receive and File (Limited Discussion):**

- A. Board Budget Workshop Presentation February 9, 2013  
B. Decision Insite Board of Education Presentation dated February 7, 2013 (*Dropbox*)  
C. Preliminary Official Statement 2013 General Obligations Refunding Bonds (*Dropbox*)

**VIII. Public Comments:** None

**IX. Next Meeting:** Thursday, March 14, 2013

**X. Adjournment:** The meeting adjourned at 8:49 p.m.