



SMMUSD Financial Oversight Committee Minutes

Date: Thursday, January 14, 2016

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

7:01 pm

Committee Members: Alex Farivar
Jon Kean
Tom Larmore
Paul Silvern
Manel Sweetmore

Seth Jacobson arrived @ 7:04p.m.
Joan Krenik
Debbie Mulvaney
Shelly Slaugh Nahass
Sky Petretti, Malibu student rep

Board Liaison: Craig Foster

Staff: Jan Maez Kim Nguyen

Absent: Laurie Lieberman Gordon Lee
Marc Levis-Fitzgerald Dean Chien, SAMOHI student rep

Public: Marcy Fimbres, Christy White Accountancy left @ 7:31p.m.
Alex Vejar, Malibu Times

II. Approval of Minutes

7:30 pm

A motion was made by Mr. Silvern and seconded by Ms. Slaugh Nahass to approve the December 3, 2015 minutes.

AYES: Nine (9) (Farivar, Jacobson, Kean, Krenik, Larmore, Mulvaney, Silvern, Nahass, Sweetmore)

STUDENT ADVISORY VOTE: One (1) Petretti

NOES: None (0)

ABSENT: Two (2) (Lee, Levis-Fitzgerald)

ABSTAIN: None (0)

III. Staff Report

7:31 pm

A. Budget Update

Ms. Maez shared handouts with the committee from the School Services of California Governor’s Proposal for the 2016-17 State Budget and K-12 Education Workshop that she and Superintendent Lyon attended in Ontario. The proposed State budget showed the LCFF gap closure happening more rapidly than initially projected. LCFF should be fully implemented by FY 2019-2020. The district will use the numbers from the Governor’s budget during the development of the 2nd interim report.

Ms. Maez' handouts may be found at the end of these minutes.

7:50 pm

B. AB1200 – Public Disclosure of Proposed Collective Bargaining Agreement with Santa Monica-Malibu Classroom Teachers Association (SMMCTA)

Ms. Maez informed the committee that the AB1200 along with a summary of the document were posted on January 6, 2016. A public hearing followed by Board action was scheduled for the January 21, 2016 Board meeting. The District signed a tentative agreement which is a full successor contract with SMMCTA on December 18, 2015.

A motion was made by Mr. Silvern and seconded by Ms. Krenik that based on the FOC review of the AB1200 disclosure statement, the FOC recommends the Board approve the proposed financial aspect of the settlement agreement notwithstanding that this will be adding approximately \$2M to the operating expenses per year over the next two years.

AYES: Nine (9) (Farivar, Jacobson, Kean, Krenik, Larmore, Mulvaney, Silvern, Nahass, Sweetmore)

STUDENT ADVISORY VOTE: One (1) Petretti

NOES: None (0)

ABSENT: Two (2) (Lee, Levis-Fitzgerald)

ABSTAIN: None (0)

The AB1200 Public Disclosure of Proposed Collective Bargaining Agreement with Santa Monica-Malibu Classroom Teachers Association (SMMCTA) and summary may be found at: <http://www.smmusd.org/news/news1516/SMMCTAtentAgree010516.pdf>

IV. Discussion/Action Items

7:02 pm

A. District Audit – Marcy Fimbres, Director from Christy White Accountancy

Ms. Fimbres informed the committee that GASB 68 requiring the recognition of pension liability was new this year. The change affects every school district and is only applicable to government-wide accounting reports. This change caused the 2014-15 ending balance to be restated. She described four (4) opinion letters included in the audit report: audit opinion letter over financial statements, opinion letter over financial statements regarding government standards; federal compliance; and state compliance. The Child and Nutrition cluster and Headstart program were tested this year based on federal compliance programs and thresholds. Ms. Fimbres explained that every year, the California Department of Education (CDE) puts out a K-12 guide with audit steps. The focus areas include attendance and unduplicated LCFF pupil account. The State is very strict on attendance compliance. The audit report included an audit finding specific to the unduplicated pupil account.

There was a minor and immaterial discrepancy between the information reported to the State through CalPads and the documentation on file in the Food Services Department for free and reduced eligible students. The District has put reconciliation procedures in place to prevent this in the future.

The FOC spoke with the auditor without the presence of staff. After a brief discussion with the district auditor, a motion was made by Mr. Silvern and seconded by Ms. Krenik to commend staff for an audit with no audit adjustment and recommend to the Education ~~acceptance~~ **that it accepts** approval of the District Audit report.

AYES: Nine (9) (Farivar, Jacobson, Kean, Krenik, Larmore, Mulvaney, Silvern, Nahass, Sweetmore)

STUDENT ADVISORY VOTE: One (1) Petretti

NOES: None (0)

ABSENT: Two (2) (Lee, Levis-Fitzgerald)

ABSTAIN: None (0)

The 2014-15 District audit may be found at:

<http://www.smmusd.org/fiscal/BudgetDocs/2014-15AuditReport.pdf>.

8:13 pm

B. FOC report on Malibu Unification at the November 19, 2015 Board Meeting

Mr. Sweetmore stated that he had a different opinion on ~~Criteria~~ **Criterion #9 that than** was reported at the November 19, 2015 Board meeting. Ms. Krenik explained her comments and overstating the FOC's previous action. The format for FOC presentations to the Board of Education was discussed and it was agreed that having a panel address the Board when FOC reports are requested was ideal, if possible. **The FOC also agreed to seek internal approval of its report to the Board at its May FOC meeting.**

V. **Ad hoc Subcommittee Update**

8:36 pm

A. Impact of Living Wage and Minimum Wage: *Ms. Mulvaney (Chair), Mr. Kean, Ms. Krenik, Mr. Silvern*

Ms. Mulvaney reported that the subcommittee was in the process of research and setting a meeting with SEIU Chief Steward Keryl Cartee. The subcommittee is gathering data from the financial team of members who will be most impacted; the number of employees that will fall into those categories; and the level of pay for each within the classification series to see the financial impact. Mr. Kean spoke with Santa Monica College who reported that there was not as much impact for them. He will be researching other districts and hope to have a more substantive report by the next FOC meeting. The City's action is not necessarily imposed on the District as a public agency but the impact of ability to hire and competitiveness of the labor market is certainly affected. Although the Board could take action to impose a living/minimum wage, it is still a collective bargaining issue and the District is obligated to meet and confer.

8:45 pm

B. Maintenance Financing: *Mr. Larmore (Chair), Mr. Lee, Mr. Farivar*

Mr. Larmore reported that the subcommittee is currently reviewing the maintenance standards and FIT report from each school site. A meeting is scheduled with District staff on January 21, 2016 at 8:00a.m.

8:52 pm C. Potential Cost Savings through Sustainability: *Ms. Slaugh Nahass (Chair), Mr. Jacobson, Mr. Levis-Fitzgerald, Mr. Sweetmore, Mr. Chien, Mr. Petretti*

Ms. Slaugh Nahass reported that the subcommittee did not have an opportunity to meet with district staff and will be scheduling one before the next FOC meeting.

8:54 pm D. District Budget: *Ms. Krenik (Chair), Mr. Kean, Mr. Larmore, Ms. Mulvaney*

Ms. Krenik reported that the Board has not requested an FOC review of any budgetary items and as such, the subcommittee has not met.

VI. Receive and File (Limited Discussion)

- 8:55 pm A. District Audit Report <http://www.smmusd.org/fiscal/BudgetDocs/2014-15AuditReport.pdf>
B. AB1200 <http://www.smmusd.org/news/news1516/PublicDisclosurePBA.pdf>

VII. Public / Committee Comments - None

VIII. Next Meeting: Thursday, February 11, 2016

IX. Adjournment

The meeting adjourned at 8:55 p.m.

Governor's Proposals for the 2016-17 State Budget and K-12 Education



Themes for the 2016-17 Governor's Budget

A-1

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- The Governor continues to stabilize funding and programs in all areas of the State Budget
- Completing repayment of the education Maintenance Factor in 2015-16, as School Services of California, Inc., (SSC) projected, increases funding for the non-Proposition 98 side of the State Budget
- The state increased its revenue estimates, but continues to underestimate Proposition 98 revenues for 2015-16 and 2016-17
- Economic growth is much stronger than in past years, but Governor Jerry Brown highlights the risk of recession
- Serious legislative and advocacy issues abound and draw attention and energy
- The Local Control and Accountability Plan (LCAP) remains a dominant governance document
- Yet, in what is shaping up to be a very good year, it is time to think about the potential for a slowdown



Proposition 98 Shows Strong Growth

A-2

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- State General Fund revenues are higher than projected for 2015-16, which causes:
 - An increase in the Proposition 98 minimum guarantee for 2016-17
 - An increase in the gap funding percentage for 2016-17
 - More one-time money for education
- Much of the growth in Proposition 98 will again be funded by high growth in property taxes – providing flexibility in the rest of the State Budget
- 2016-17 is the fourth year of strong growth in the Proposition 98 minimum guarantee
- Implementation of the Local Control Funding Formula (LCFF) target remains ahead of schedule
- An extension of the temporary taxes approved by voters as Proposition 30 in 2012 could provide yet another boost in the guarantee
 - Governor Brown considers the current initiative to be flawed and has not offered support

Governor's Proposals for the 2016-17 State Budget and K-12 Education



Economic Growth Is Much Stronger

A-3

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- Finally, six years after the federal government declared the recession to be over, we are seeing a return to normal economic growth rates
- Most of the economy has recovered
 - The stock market has hit new highs – but has been shaken by recent events in China and around the world
 - The real estate market has largely recovered
 - California lost 1.1 million jobs during the recession
 - This loss has been restored – December 2015 was a banner month for jobs!
- The international economics are affected by the significant and frequent drop in the price of oil:
 - Net energy users gain when oil prices drop
 - Net producers lose
 - Long-term, energy prices are likely to rise, or the lack of demand will
- But for now, surf's up and California is riding a good wave



Legislative and Advocacy Issues Are in the Spotlight

A-4

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- The courts and the Legislature have always played a big role in the evolution of education policy and funding – this year both are playing featured roles
 - *Friedrichs v. California Teachers Association* (CTA) attacks the agency fee and would affect union funding of political campaigns
 - The extension of the temporary taxes is a key piece if we are to continue to grow the funding for education
 - The facility bond is essential
 - The Early Education Block Grant is a brand new approach to early childhood education
- All of these issues will be discussed in detail later in the presentation, but as a theme for the Budget, these will all be key issues

Governor's Proposals for the 2016-17 State Budget and K-12 Education



The LCAP Rises in Prominence

A-5

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- 2016-17 represents the third year that districts have been required to prepare an LCAP
 - We should be getting good at it
- As new testing and other measures come online, we will see increased interest in the results the new money is achieving
- As we march quickly towards full implementation, we need to be aware of the proportionality conundrum
 - The minimum proportionality percentage requirement changes at full implementation
- In the long term, the LCAP is the single most important policy the district creates
 - Ensure fidelity in development and implementation of LCAP goals and actions



Operational Challenges Abound

A-6

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- During the Great Recession a lot of seed corn was eaten
 - We are way behind on:
 - Routine Restricted Maintenance (RRM)
 - Deferred maintenance
 - Facility construction and modernization
 - Purchase of books and other instructional materials
 - And a variety of other infrastructure needs that were postponed
- Multiyear projections (MYPs) and planning are more important than ever
- Collective bargaining has been very difficult this year and could become even more difficult in the near future
- Effective use of one-time dollars will be important again in 2016-17
- Implementing the State Budget will be as important as understanding the policy implications behind it

Governor's Proposals for the 2016-17 State Budget and K-12 Education



Preparing for the Slowdown

A-7

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- The growth in education funding has been fueled by three major factors, all of which could change during 2016-17:
 - The Proposition 30 temporary taxes
 - Growth in the economy
 - Repayment of the Maintenance Factor
- At full implementation, each district will receive only cost-of-living adjustment (COLA) increases to its LCFF funding each year
 - COLAs over the next few years are estimated to be in the 2% to 3% range
 - If those COLA projections come to pass, most districts would again be making significant budget reductions
- We need to prepare for a slowdown while at the same time advocate for higher funding to continue to move toward at least the national average



Notes

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