

## MEETING FORMAT "HYBRID"

July 19, 2017 6:00 PM

District Administrative Offices: 1651 16th Street, Santa Monica, CA

The Board of Education will call the meeting to order at 4:30 p.m. in the Board Conference Room at the District Offices, at which time the Board of Education will move to Closed Session regarding the items listed below. The public meeting will reconvene at 6:00 p.m. in the Board Room.

### **.V.A. Joint Session with the Financial Oversight Committee (FOC) (45 mins) (item updated on 7/18/17)**

#### **Time Certain:**

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7:00 PM

#### **Minutes:**

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Time Start: 7:15 p.m. Time End: 8:21 p.m.

The board thanked the FOC for their work and expertise.

#### Board Comments Regarding Budget Subcommittee Conclusions/Recommendations:

- Mr. de la Torre suggested that a future charge to the FOC could include analysis of what other school districts are doing through the lens of equity, for example student-teacher ratios at various sites.
- Mr. Mechur suggested that the FOC budget subcommittee meet with Dr. Drati to hear his suggestions related to reducing inefficiencies in the district office. He suggested that a future charge to the FOC could be to expand its analysis of health benefit costs to include retirement benefits, researching what other entities (like the City of Santa Monica) are doing to address those increasing costs.
- Ms. Leon-Vazquez wondered what could be done to help the board and staff move forward with the FOC's budget and sustainability conclusions/recommendations without interfering with staff's everyday tasks. She would like to see the FOC work with the new CFO to formulate specific budget reductions before the board begins discussing the 2018-19 budget. She agreed with the FOC to use Measure GSH funds to support deferred maintenance projects.
- Dr. Tahvildaran-Jesswein stressed that health benefit cost conversations needed to be collaborative; he mentioned that SMC has joint committees meet to discuss cost reduction strategies and wondered if such approaches had seen success in other parts of the state. He reminded everyone that ultimately, health benefits was a negotiated topic. Regarding GSH funds, he reminded everyone that the board had not officially agreed on the budget balancing strategy proposed by staff that for each GSH dollar spent, a matching dollar would need to be reduced from the budget.

#### Board Comments Regarding Financial Benefits of Sustainability Subcommittee Conclusions/Recommendations:

- Mr. Foster suggested the formation of a sustainability group to create an overall package of sustainability. Mr. Upton responded that the district has hired a sustainability coordinator and was now in the process of issuing an RFP for the development of a sustainability plan for the district. He added that the plan would involve working with the FOC to help set standards and develop strategies to integrate sustainability districtwide. He hoped the FOC could help the district analyze cost benefits associated with renewable energies.
- Mr. de la Torre emphasized the need for sustainability strategies to be student-centered and consider how such decisions impact the curriculum. He said the district should collaborate with the City of Santa Monica and SMC regarding sustainability.
- Mr. Mechur suggested that the FOC's existing subcommittee and Mr. Upton work together to ensure recommendations brought forward are appropriate. He added that a sustainability committee should include a broad range of people, including site staff and students.
- Dr. Tahvildaran-Jesswein suggested that a centralized hub – possibly the superintendent – act as the conduit through which the various groups addressing sustainability communicate and collaborate.
- Mr. Kean requested an update regarding the CalPERS CERBT (California Employers' Retirement Benefits Trust).

At the request of the FOC, Dr. Kelly updated everyone on the process for hiring a new Assistant Superintendent for Business and Fiscal Services. Upon hearing from Mr. Larmore that long-time FOC member Paul Silvern had decided not to reapply to serve on the FOC, the board requested a commendation recognizing Mr. Silvern's

contributions to the district be agenized for a future meeting. Dr. Drati updated the board that the consultants he hired to examine our district's organizational processes were preparing a report with suggestions to reduce inefficiencies.

The board gave direction to staff to: 1) accept the FOC's report and 2) bring the FOC's 2017-18 suggested charges back for approval, with the understanding that the FOC, working to support the Assistant Superintendent, will incorporate board members' comments from tonight regarding 2017-18 budget recommendations and sustainability efforts.

The board decided to wait on giving direction to the FOC regarding analysis of the Food and Nutritional Services program (environmental sustainability, fiscal sustainability, student participation, menu options, food preparation) until after the department gave its presentation to the board in August to determine if there was, in fact, anything the FOC could analyze under its purview.

**Attachments:**

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[FOC Presentation](#)

[FOC Report](#)



# Financial Oversight Committee 2016 – 2017 Annual Report

July 19, 2017



# 2016 – 2017 Committee Members

- Joan Krenik, Chair
- Debbie Mulvaney, Vice-Chair
- Alex Farivar
- Seth Jacobson
- Jon Kean (until December 2016)
- Tom Larmore
- Gordon Lee
- Marc Levis-Fitzgerald
- Shelly Slaugh-Nahass
- Paul Silvern
- Manel Sweetmore



# 2016 – 2017 FOC Board and Staff Liaisons

- Craig Foster
- Jon Kean
- Laurie Lieberman
- Jan Maez
- Kim Nguyen



# 2016 – 2017 FOC Charges

- **District Budget Committee** – Meet as requested to assist with analysis of budget issues.
- **Financial Benefits of Sustainability** – Identify potential cost savings that could be obtained via implementation of sustainability measures.
- **Bond Oversight** – Meet as requested to assist with analysis of bond authorizations for Measures BB or ES or other contemplated district financing.



# FOC District Budget Subcommittee

- Joan Krenik – Subcommittee Chair
- Alex Farivar – Subcommittee Member
- Gordon Lee – Subcommittee Member



## Conclusions/Recommendations

- Comparable districts appear to spend less than SMMUSD in several key budget areas including Educational Services, HR, Business Services and Contractor Services. Additional analysis of these differentials is recommended.
- District needs to address its ongoing budget deficit position and engage in an intensive review of the budget and consider implementing new methods and operating procedures that could result in cost savings and service enhancements through efficiencies, innovation and quality improvements.
- Deferred Maintenance needs to continue to be a priority and GSH funds should be allocated to support this effort.
- Our high reserve levels should be maintained.
- Opportunities to reduce or contain health benefits costs should be considered.



# Financial Benefits of Sustainability Subcommittee

- Shelly Slauch Nahass – Subcommittee Chair
- Seth Jacobson – Subcommittee Member
- Marc Levis-Fitzgerald – Subcommittee Member



## Conclusions/Recommendations

- The District should seek to develop a set of sustainability principals under which staff and students operate and live.
- Move forward with existing programs with CEI and other evaluations that are coordinated with current construction, HVAC and other programs.
- Empower SMMUSD staff to present sustainability options to the Board that may generate cost savings.
- Immediately implement the SMMUSD water audit program.
- Direct staff to establish a process for public input, to review the input and make recommendations to the Board.
- Direct staff to provide a formal annual report to the Board on sustainability efforts.



# FOC Bond Oversight Subcommittee

- Gordon Lee – Subcommittee Chair
- Paul Silvern – Subcommittee Member
- Shelly Slaugh-Nahass – Subcommittee Member



# Suggested 2017-18 FOC Charges

- District Budget
- Financial Benefits of Sustainability
- Bond Oversight
- Health Benefits

**To: SMMUSD Board of Education**  
**From: Joan Krenik, Chair, Financial Oversight Committee**  
**Subject: FOC Annual Report**  
**Date: July 19, 2017**

The SMMUSD Financial Oversight Committee (FOC) was formed to provide monitoring and review of the District budget as a condition of the City of Santa Monica contract. Over time, the FOC has taken on additional duties to include serving as the Measure R Independent Citizens Oversight Committee, the oversight and review of the City of Santa Monica Joint Use Agreement, the City of Malibu Joint Use Agreement, the District Audit, enrollment projections, revenue and expenditure forecasts and the capital program. In addition to its regular oversight duties, the FOC forms subcommittees to evaluate special finance related questions posed by the Board. This year, four (4) of our members (Ms. Mulvaney, Ms. Larmore, Mr. Silvern and Mr. Sweetmore) committed to serving on the Malibu Unification Negotiation Committee (MUNC) negotiation team. Due to the tremendous time commitment involved with this effort, these members were not assigned to a separate FOC subcommittee. As a result, the remaining FOC subcommittee members were assigned to the following three (3) subcommittees established for the 2016-17 academic year:

**District Budget** - (Ms. Krenik, Mr. Farivar, Mr. Lee) - This subcommittee was formed to allow for FOC representation at District Budget Committee meetings and Board Budget Workshops and provide research and guidance as requested on budget related issues. Our primary objective is to assist the District with difficult decision-making to ensure the budget is sustainable in the long-term and puts the District in the best possible position to educate the students of SMMUSD successfully.

**Sustainability** - (Ms. Slauch Nahass, Mr. Levis-Fitzgerald, Mr. Jacobson) - This subcommittee is tasked with identifying potential cost savings through sustainability measures. The subcommittee will explore the potential long-term financial benefits as well as upfront costs of sustainability recommendations. Water and energy efficiencies will be studied.

**Bond Oversight** - (Mr. Lee, Mr. Silvern, Ms. Slauch Nahass) - This committee meets to discuss topics related to all types of financing the district is planning whether it involves the bond authorizations for Measures BB or ES or other contemplated district financing.

Attached are the subcommittee reports. A summary of the findings and conclusions will be presented at the Board meeting on July 19, 2017.

## **District Budget Subcommittee Report**

*Submitted by:* Ms. Krenik (Chair), Mr. Farivar, Mr. Lee

### **Findings and Methodology**

A subcommittee representative attended all District Budget Committee meetings as well as Board Budget Workshop presentations and Board meetings. Given our current financial projections, the subcommittee spent time evaluating the budgets of comparable districts and

identifying potential areas for further budget review and possible efficiencies. Additionally, subcommittee members met several times with Ms. Maez to discuss possible solutions and findings. Following are some of our findings and conclusions:

- As indicated above, we reviewed budgets from similar districts (Palos Verdes, Las Virgenes, and Redondo Beach) to identify budget categories that are not in line with SMMUSD's current spending. This analysis, in combination with interviews and feedback from senior district leaders led us to the conclusion that there were notable differences in several areas. We would recommend further analysis and review of Educational Services, Human Resources, Business Services and Contractor Services.
- The District Budget Committee met regularly until early February 2017. At that time, it was determined and agreed to by the Board in principle that significant budget cuts would not be made in the 2017-18 budget in order to allow the new superintendent time to become more familiar with District operations. As a result, the District Budget Committee did not continue to meet.
- Despite the additional income projected from Measures GS and GSH, the District continues to face deficits and declining fund balances. This is primarily due to escalating benefits costs as well as payroll expenses. SMMUSD is expensive to operate as our per pupil costs are much higher than most comparable districts. This is primarily due to our commitment to small class sizes, a robust music and arts program, and intervention programs, among others, which make SMMUSD a special district.
- In our July 16, 2016 FOC report to the Board, the Maintenance Financing Subcommittee concluded that \$3 to \$4 million was needed annually to properly fund district deferred maintenance needs. They recommended that the District support a ballot measure for new transaction and use tax that could generate the revenue needed to support this. Measures GS and GSH passed in the November 2016 election and voters have an expectation that the additional funds will be used in part for deferred maintenance. It is critical that we remain true to this commitment if we want future measures to pass.
- We agree with the Board position that new expenses should only be allowable if corresponding cuts are made to the existing budget; however, that does not mean we think 100% of Measures GS and GSH funds should be used to cover our deficit position.

### **Recommendations**

- The District needs to address its ongoing budget deficit position and should engage in an intensive review of its budget and identify areas where efficiencies are possible. As part of this process, the District should consider new methods and operating procedures that could result and cost savings and service enhancements through efficiencies, innovation, and quality improvements. For example, the new financial systems being implemented should result in processes that are more efficient and reduce staffing requirements.

- Given the sizable spending differentials when comparing spending in Educational Services, Business Services, Human Resources, Pupil Services and Contractor Services to comparable districts, we recommend further analysis to better understand the differentials.
- The District should allocate funding from Measures GS and GSH to support deferred maintenance. Investments in deferred maintenance are important to support the aging facilities, result in reduced costs (windows that are more efficient, lighting, etc.), and reduce the potential for lawsuits and other safety related issues.
- The FOC should be asked to evaluate the District's benefit liability, most specifically health benefits to determine if there are opportunities to reduce or contain costs.
- The FOC believes it is important that the District maintain its reserve levels. This is an important factor in why SMMUSD is viewed as a financially strong district as evidenced by a recent Moody's upgrade to Triple A (Aaa) rating.

## **Financial Benefits of Sustainability**

*Submitted by:* Ms. Slauch Nahass (Chair), Mr. Jacobson, Mr. Levis-Fitzgerald

The FOC Sustainability Subcommittee has been reviewing and discussing ways to enhance and encourage sustainability programs within SMMUSD over the last two years with a particular focus on power and water use.

Sustainability is and should be a major initiative and priority for SMMUSD. The District should seek to develop a set of sustainability principles under which staff and students operate and live. Many districts within California have set very aggressive policies around sustainability, and SMMUSD should consider doing so as well. In our research of other school districts, sustainability practices are successful where districts have the resources to commit to an individual or group of individuals to monitor and enact sustainable practices.

## **SMMUSD AND SUSTAINABILITY**

SMMUSD has recently contracted with Caroline Coster to manage all sustainability programs that are planned or underway within SMMUSD. Having an individual committed to addressing sustainability issues should improve the progress of the District's sustainability projects. We also encourage the Board to consider allowing the FOC Sustainability Subcommittee to work directly with Caroline Coster to develop a pathway toward a set of principles by which the District could and should live.

The FOC Sustainability Subcommittee has:

- Assisted in engaging in an energy audit working with the California state mandate CEI program. This provides an audit of all facilities and operations and will generate ideas and direction for SMMUSD to implement efficient energy utilization.
- Encouraged the development of water audits for all District facilities and successfully lobbied the Board of Education to move forward on these efforts.
- Reviewed plans for HVAC and other efforts such as solar power and other programs, and

made comments to staff on these impacts.

- Reviewed the financial impacts of sustainability programs on SMMUSD.

## **COST SAVINGS FOR THE DISTRICT**

Most importantly, the FOC Sustainability Subcommittee has performed evaluations of the cost savings of sustainability programs and over time, these savings are significant. In a time when SMMUSD is struggling to find a balance of costs versus revenue, sustainability is a long-term option to building cost savings into the development and integration of all existing and new development.

## **HEALTH AND ENVIRONMENTAL QUALITY**

It is imperative for children to have a successful educational experience provided in a healthy, safe environment. A SMMUSD district-wide sustainability policy would contribute to this success. Clean drinking water, healthy well-ventilated, heated or air-conditioned classrooms and green spaces that are environmentally sound are essential to all students within SMMUSD.

### **Recommendations**

- Direct the FOC and SMMUSD staff to develop a set of sustainability principles for the Board to consider in the 2017-18 year.
- Move forward on the existing programs with CEI and other evaluations that are coordinated with current construction, HVAC, and other programs.
- Move forward on a drinking water standard for all schools that may include filtered water.
- Empower SMMUSD staff to present options to the Board for school schedule changes that could generate significant savings for over several years.
- Immediately implement the SMMUSD water audit program.
- Direct staff to create a process so individuals can provide input.
- Staff should inventory and evaluate this input and make recommendations to the Board of Education as appropriate.
- The Board of Education should request that staff provide an annual report on sustainability efforts.

## **Bond Oversight**

*Submitted by:* Mr. Lee (Chair), Mr. Silvern, Ms. Slaugh Nahass

The bond subcommittee chaired by FOC and Prop 39 committee member, Gordon Lee, held two (2) meetings this school year. The committee meets to discuss topics related to any type of financing the District is planning whether it involves the bond authorizations for Measures BB or ES or other contemplated district financing.

In late summer, we met to discuss the refunding of three (3) series of Measure BB Bonds, Series A, B & C for a total financing amount of \$80,990,000. Lower interest rates, combined with expired refunding lockout provisions created a refinancing opportunity that allowed us to achieve a gross savings to district taxpayers of \$15,100,977.00. That financing closed on October 11, 2016.

A second meeting occurred in April 2017 where the committee discussed the issuance of \$60,000,000 in new ES bond financing—Series C. The sale date for that financing concluded on June 21, 2017.

Both financings were reviewed by the FOC that resulted in unanimous recommendation to the Board to issue the financings.

For the recent Series C issuance, the District financing team of Superintendent Ben Drati, Associate Superintendent/Chief Financial Officer Jan Maez, Board President Laurie Lieberman, and Bond Subcommittee Chair Gordon Lee, traveled to San Francisco to present an overview of SMMUSD to the rating agencies Standard & Poor's and Moody's. The successful outcome of the presentation awarded SMMUSD with a Moody's upgraded Triple A (Aaa) rating. We now join a very small select group of twelve (12) other school districts that hold this coveted evaluation. This is a grand achievement and we wish to acknowledge the hard work of District staff as this rating will save the taxpayers an additional \$3.8 million over the life of this current bond authorization.

### **Suggested 2017-18 FOC Charges**

Each year, the Board approves the FOC subcommittee charges. At our June 15, 2017 meeting, the FOC discussed potential subcommittee charges for the 2017-18 academic year and would like to recommend the following subcommittees:

**District Budget** - This subcommittee would like to continue participating in the District Budget discussions and analysis.

**Sustainability** - This subcommittee would like to continue its work in identifying financial benefits through sustainability.

**Bond Oversight** - This subcommittee should continue to be involved in evaluating and assisting with District financing issues.

**Health Benefits** - A subcommittee should be formed to provide an in-depth financial analysis of our health benefits offerings, evaluate comparable district benefit levels and identify potential cost savings.