



**Santa Monica-Malibu Unified School District
Board Committee**

Financial Oversight Committee

Minutes

April 4, 2006

Time: 7:00 to 9:00 p.m.

**Location: Testing Room of the School District's
Administrative Offices - 1651 16th Street, Santa Monica, CA**

Attendance: (Committee Members) Paul Silvern [Chair], Craig Hamilton, Chris Harding, Patricia Hoffman, Denny Kernochan, Mike Phillips, Cheryl Stecher [Co-Chair], Cynthia Torres. (Staff) Winston Braham, Angelita Dalan, Pat Ho, Kim Melly, Dawn Smithfield. (Board Liaison) Oscar de la Torre. (Public) Jim Jaffe. Absent: Carolyn Galantine, (Board Liaison) Julia Brownley.

I. Call to Order

The meeting was Called to Order at 7:06 p.m. by Committee Chair Paul Silvern.

II. Approval of the Minutes:

A Motion was made by Mr. Harding and seconded by Ms. Stecher to approve the Minutes from the March 7, 2006 Meeting. Motion passed unanimously.

III. Staff Report: Chief Financial Officer Winston A. Braham

A. Governmental/Legislative Issues Concerning District Finances:

1. General Update:

- The State Legislative Analyst's Office has requested the Governor to be less generous to school districts in his May Revise.

2. 2005-06 2nd Interim Solvency Report (Ms. Pat Ho and Ms. Angelita Dalan)

- In order to complete presentation of the 2nd Interim Report, Mr. Braham introduced key Fiscal Staff Pat Ho, Angelita Dalan and Kim Melly to the FOC, and explained that as legally required, the Report was submitted to the State by March 15th with LACOE dispensation for subsequent Board approval on March 23rd.
- Ms. Ho went over the Powerpoint presentation, a copy of which was distributed, stating that, among others, approximately 92% of our Budget is for employee compensation.
- Overall Categorical Program funding projections are almost finalized by State & Federal.
- Selected positions for Special Education, vacant for half the year, were reconciled and are now being filled by (in some cases) substitute teachers.
- Special Reserve Fund 17 was augmented by "carry forward" funds, as part of Mr. Braham's efforts to build up the reserves, which fulfilled the 3% Reserve requirement.
- More positions have had to be, and will likely continue to be, absorbed by the General Fund and multi-funding sources used as District is continuing to deficit spend. Carrying over funds will, in part, buy down the District's operating deficit in the next year.
- For every 10.0 FTEs Certificated cut per year, the deficit will be lowered by \$800,000.
- The District is expending an additional \$1.8 million to clean up the \$14.0 million Workers' Comp Retrospective (Tail) payments, but the hope is that for 2006-07, added Retrospective payments won't need to be incurred.
- 2007-08 will be a tough year, while 2008-09 is projected to be better due to projected State revenues and District's preventative efforts.
- Although many school districts continue to receive "Negative" and "Conditional" Certifications, Mr. Braham is confident that SMMUSD will receive a "Positive" Certification for the 2nd Interim Report and 2006-07 Budget.

3. “Ten Point Plan for Student Success” at Santa Monica High School and Related Items:
 - Members of the Unity Coalition (comprised of parents and students who united after “lockdown” last year) have agendized for the 4/6/06 Board Meeting certain curriculum changes and implementation which could increase costs. Dr. Matthews to provide rough estimate to Board.
 - District has increased Security positions, adjusted hours and added (2) Plant Manager positions.
 - FOC (when appropriate) would like Mr. Braham to raise the issue of costs associated with the Ten Point Plan.
4. District’s Wellness Policy:
 - This item has been pulled from the 4/6/06 Board Agenda and will be presented sometime in May.
 - This Policy will be revised since it could cause District to spend excessive funds were it to be adopted as written. The Chief Academic Officer is reviewing the Policy for submission to the Board.
5. 2nd \$3.0 Million Payment for 2005-06 Received from City of Santa Monica:
 - Funds have now been received with the 2nd installment in hand.
 - A request was made to review the escalation clause at the next FOC meeting.
 - Chair Silvern has run comparison and will bring to the next meeting.
6. Comparative Shopping for District Professional & Property Liability Insurance Coverage: Circulation of Intent to Withdraw from ASCIP:
 - Consistent with CFO’s cost containment efforts, provisional notice to withdraw has been sent to ASCIP, with permission to rescind said request.
 - District currently pays \$800,000 per year, but could achieve savings of \$200,000-\$300,000 with new carrier. Due to the preventative actions, the District wants another insurance carrier for reduction in premium, to lessen future risk and give re-rating. Loss control is done periodically.
 - In 2006-07, District is looking to restore the previously-reduced Risk Management position.

B. Pending Board of Education Items with Financial or Financial Management Implications:

1. Selection of Executive Search Firm to Conduct a National Search for the Replacement of the Outgoing Superintendent (3/23/06):
 - Board selected Hazard, Young & Attea Associates, Ltd to handle the Superintendent search.
 - Mr. Braham previously requested that he be released by the Board from the search responsibility.
 - Board is yet to decide if search process should be a public or closed search.
2. Facilities Master Plan: Impact of Bond Issue and Existing Parcel Tax Renewal Timeline (4/06/06):
 - District’s Bond capacity is good: \$700+ million, which is approximately 2.1% of assessed property values, with only \$88.5 million outstanding in previous General Obligation (GO) Bond debt.
 - This is a big money decision and Mr. Braham encouraged the Board to seek independent experts’ advice.
 - Parcel Taxes: Measure “S” generates \$6 million annually and expires June 2009. Measure “Y” generates \$4 million annually and expires, June 2011.
 - There is talk in Sacramento to lower the parcel tax passage rate from 2/3 to 55%. The District could renew the parcel taxes ahead of time at their pleasure, perhaps for June 2008 Election.
 - Mr. Braham warned that Proposition 218 does allow anyone to initiate a voter-backed petition/drive to repeal Parcel Taxes, but Bonds cannot be rescinded since they are typically tied to contractual obligations.
 - If the District chooses either Bond or Parcel Tax Renewal, positive aspects of the District need

to be celebrated, negative aspects downplayed and a Voter Attitude Survey should be done.

- Alternatively, District could finance Certificates of Participation (COPs) for short-term because voter approval is not required, and later with Bond Issue language, defease COPs obligation.
- Mr. Braham reminded members about the GASB 45 requirement in December 2007, which is now (per our Actuarial Study) unfunded in the range of \$30 million. This could lower the District's Bond Rating if we wait for a future election since by then, the \$30.0 million will be reported as a liability.
- Also, the District does not want to have to deal with a local competing Bond (Cities of Santa Monica or Malibu/Santa Monica College) in the same election, since it could cause "voter fatigue".
- A Motion was made by Ms. Torres and seconded by Chair Silvern to recommend to the Board that it seek to place a District Bond Measure on the November, 2006 Ballot. Motion passed unanimously.
- Chair Silvern stated he will attend the 4/06/06 Board Meeting

IV. FOC Priority Policy Issues (*Primary Discussion Items*)

A. Facilities Master Plan (FMP):

B. Measure "S" Oversight:

C. Status of District's Deficit Reduction Plan:

D. Improving/Creating Consistent Budget Format/Process & Public Presentation of Budget:

1. Status of 2006-07 Budget Development Calendar and Milestones:

E. Enrollment Forecast/Long-Range Trends: (*Ms. Kim Melly*)

- Ms. Melly discussed the *Six Month Enrollment Summary by Permit Status, Attendance Month Ended 02/24/06*, which was distributed.
- As a follow-up to Ms. Melly's Attendance Audit and as a result of site visits, it was found that:
 - < Classes at the Middle Schools weren't set up correctly, which resulted in ADA calculation discrepancies.
 - < Middle Schools take daily attendance, but classes were set up to take class period attendance.
 - < Over 100 classes were incorrectly set up.
- All errors/discrepancies have been corrected by Ms. Melly and staff has been informed of proper attendance procedures.
- It was requested that Ms. Melly email to the FOC the net difference between this *Six Month Report* and the prior one.
- Since attendance is taken in the morning, members would like to inform the public to schedule appointments for their children in the afternoons so it won't affect the District's count.
- Palos Verdes USD was mentioned as requesting donations from parents who take their children out of school in the mornings to make up for the lost ADA. Members would like to see the plan.

F. Monthly Revenues, Expenditures Summary & Adopted Budget Comparison:

- Mr. Phillips has been working with District staff on a revenue and expenditure report format, and distributed a copy of *Budget Summary, Fiscal Year 2005-06*.
- This will be agendized for discussion at the next FOC meeting.

V. New Business (*for Discussion*)

VI. Receive and File (*Limited Discussion*)

1. School Services: *Fiscal Report* dated February 3, 2006 (*handout*)
2. School Services: *Fiscal Report* dated February 17, 2006 (*handout*)
3. School Services: *Fiscal Report* dated March 3, 2006 (*handout*)

VII. Public Comments:

Jim Jaffe

VII. Agenda Planning for the Next Meeting:

VII. Adjournment. Meeting adjourned at 9:30 p.m.