



**Santa Monica-Malibu Unified School District
Board Committee
Financial Oversight Committee
Minutes**

July 19, 2005

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], Patricia Hoffman, Denny Kernochan, Cynthia Torres. *(Board Liaison)* Kathy Wisnicki. *(Staff)* Winston Braham, Dawn Smithfield. *(Presenters)* Alison Kendall [Kendall Planning & Design], Tony Hsieh [Piper Jaffray]. *(Public)* Jim Jaffe, Ann Williams [Surf Santa Monica]. *Absent:* Carolyn Galantine, Craig Hamilton, Chris Harding, Mike Phillips, Cheryl Stecher [Vice-Chair]. *(Board Liaison)* Julia Brownley.

I. Call to Order

The meeting was Called to Order at 7:15 p.m. by Chair Silvern.

II. Approval of the Minutes

Due to a lack of quorum, the Minutes from the June 16, 2005 meeting will be held for approval until the next meeting.

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

- A. Governmental/Legislative Issues: Mr. Braham told Committee members that the 2005-06 Final Budget was adopted at the June 24, 2005 Board Meeting. We are working on closing the 2004-05 books by the middle of August. Of note: we're currently involved in SMMCTA negotiations and all agreement will be contingent upon the Special Election in November, 2005. The General Fund Expenditure Freeze memo was re-sent as a reminder to all sites.

IV. Review and Discussion of Pending Board of Education Agenda Items:

- A. Approval of Amendment to Scope of Services for Consultant Selection for Facilities Master Plan: We're concerned with unknowns, but especially Special Education and liability concerns. The FOC should recognize the efforts taken by District staff to contain costs, such as the expenditure freeze which began in February, 2005 and will remain in place. The November Election could change things completely. Board President Emily Bloomfield stated that this would be a good opportunity for FOC members to educate the public.
- B. Reappointment of Terms to the Financial Oversight Committee: A Board item to renew the terms of FOC Members Denny Kernochan, Cheryl Stecher and Cynthia Torres will be submitted for Board approval at the July 28, 2005 Board Meeting. A copy was distributed to members, along with a revised roster showing the new term expiration dates.

V. Old Business

A. Process for Capital Programs/Resources:

- B. Update: Facilities Master Plan - Request for Proposal (RFP): Kendall Planning & Design:** The Ad Hoc Facilities Committee has been formed and is co-chaired by Craig Hamilton and Gleam Davis; Mr. Hamilton and Mr. Harding are the FOC liaisons. The RFP has been prepared by Alison Kendall of Kendall Planning & Design and will be available on the District's website by the end of Monday, July 25, 2005. Mr. Braham introduced Ms. Kendall, who said she has been working with the Ad Hoc Facilities Committee, getting their ideas into the RFP to create guidelines and explain the challenges of our District. Feedback from District staff, Board Members and the Facilities Committee has been incorporated into the RFP. A copy of the July 28, 2005 Board Agenda Item, *Approval of Amendment to Scope of Services for Consultant Services to Complete Request for Proposal (RFP) Intended to Lead to a Contractor Selection for Developing a Facilities Master Plan*, was distributed, along with the *Request for Proposal for Facilities Master Plan, 7/11/05 Draft for Facilities Subcommittee Review*. Ms. Kendall went over the details of the RFP with FOC members, including an overview of the District's facilities needs assessment to produce a Facilities Master Plan, which will examine urgent needs to a long-term 20-year plan, develop policies/strategies for improving/managing District facilities, and identify priority projects. Funding will most likely require approval of a bond measure in 2006.

The goals of the Facilities Master Plan should be based on the District's Strategic Plan, and Phase 1, *Community Involvement in Facilities Master Plan Process*, will be to involve the community in the process, including District staff and officials, users of specialized facilities, current and potential governmental and community partners as well as students, advocacy/community groups supporting schools. Phase 1 will define when everything will occur. Phase 2, *Facilities Assessment*, will be the "nuts and bolts" of the facilities assessment, including an inventory of what we currently have, and what are the future needs, i.e. maintenance and new technology, culminating in the Draft Facilities Assessment. Phase 3, *Facilities Master Plan: Issues & Options*, is the key Phase, involving articulating key goals and guiding principles and determining facility needs associated with the Strategic Plan initiatives by getting direction from the District Advisory Committees (DACs), principals, staff and others involved in previous processes. Phase 4, *Draft Facilities Master Plan Proposals*, will involve the setting of priorities. There is an ambitious time schedule for Phases 1 - 4, which must occur within one calendar year. FOC members urged Board Liaison Wisnicki to encourage the Board to act quickly. Phase 5, *Adoption and Implementation*, will include the Environmental Impact Report (EIR), funding scenarios, possible bond initiative as well as other financing options and adopting of the Facilities Master Plan by November, 2006. The entire process will be very intensive and the FOC will be apprised of developments. It was requested that the item, *Facilities Master Plan*, be kept as an ongoing item for future FOC agendas.

- C. Update: Hazard Mitigation Presentation:** Mr. Braham stated that the Hazard Mitigation Plan is now complete as a Multi-Jurisdictional Plan with Santa Monica College (SMC) and will be presented at the August 18, 2005 Board Meeting. The approved Plan must be first be submitted to a State Agency for review and approval, then sent on to Federal Agencies.

- D. Update: GASB 45: School districts must identify and price out post-retirement benefits for (30) years out, which for SMMUSD could be close to \$40 million. We must carry this as a liability for the 2006-07 Budget Year. This is a problem for all school districts, and will be clarified at the CSBA conference in December when State & Federal Governmental Agencies will give the final interpretation.

VI. New Business

- A. Bond Issue Scenario for Facilities Master Plan Presentation: Piper Jaffray & Co.: Mr. Braham introduced Tony Hsieh, Assistant Vice President of Piper Jaffray & Co. A draft report, *General Obligation Bonds*, was passed around for review. Mr. Hsieh explained that G.O. Bonds are backed by property taxes, and that the faster assessed valuation grows, more money is available for G.O. Bonds. Statutory limits for school districts are 2% of bonding capacity. The breakdown of assessed value is 76% are residential properties, of which 60% are single family dwellings and condos and 40% are apartments and renters. There are 12,654 single family parcels with an average assessed value of \$834,098, however, the assessed value is less than the average sale value, which is over \$1.0 million. There are 9,836 condos with an average assessed value of \$354,000. Although there is currently talk that the real estate bubble may break, the westside has its own property values. Even during the recession in the 90's, there was a downturn of only 5% because Santa Monica and Malibu are such desirable areas. We currently have a \$514 million total bonding capacity with \$92 million in outstanding bonds.

The basic District profile is that there of 73,268 voters, predominantly Democrats, and about 55,000 of the voters are renters. Approximately 81.3% are younger than 65, which is important because senior citizens could possibly say that they don't want to pay tax since they have no children, however, we can argue that good schools make a good community. Proposition 39 will be on the November, 2006 ballot and will need 55% to pass. Mr. Hsieh will get the percentage of the renters who are registered voters; it was suggested that the Santa Monica Rent Control Board could help.

SMMUSD residents have a 2004-05 bond rate of \$28.93 per \$100,000 of assessed value. Surrounding school districts' bond rates range from \$28.80 to \$88.84 per \$100,000 of assessed value. Mr. Hsieh presented 5 preliminary bond scenarios, which assume: 1) a Proposition 39 Election in June, 2006; 2) an annual assessed value growth of 4.00%; 3) an average interest rate of 5.50%; and, 4) a roll correction on tax collections of 5.00%.

Scenario 1: Tax rate increase of \$15 per \$100,000 of assessed value. The 2006 Election tax rate would be added to the District's existing bond rate. The estimated combined bond tax rate would peak at \$46.37 in 2006-07 and decline to \$15.00 in 2025-26 and thereafter for a total issuance amount of \$103,000,000.

Scenario 2: Tax rate increase of \$30 per \$100,000 of assessed value. The 2006 Election tax rate would be added to the District's existing bond rate. The estimated combined bond tax rate would peak at \$61.37 in 2006-07 and decline to \$30.00 in 2025-26 and thereafter for a total issuance amount of \$206,100,000.

Scenario 3: Tax rate increase of \$45 per \$100,000 of assessed value. The 2006 Election tax rate would be added to the District's existing bond rate. The estimated combined bond tax rate would peak at \$76.37 in 2006-07 and decline to \$45.00 in 2025-26 and thereafter for a total issuance amount of \$309,100,000.

Scenario 4: Tax rate increase of \$60 per \$100,000 of assessed value. The 2006 Election tax rate would be added to the District's existing bond rate. The estimated combined bond tax rate would peak at \$91.37 in 2006-07 and decline to \$60.00 in 2025-26 and thereafter for a total issuance amount of \$412,200,000.

Scenario 5: (No tax increase). Tax rate extension of \$31.99 per \$100,000 of assessed value. The 2006 Election tax rate would vary each year, ranging from \$0.63 to \$31.99. The estimated combined bond tax rate would peak at \$31.99 for the duration of the bond program.

A Preliminary Election Timeline, including, among other tasks, developing the Master Facilities Plan and conducting a voter opinion survey, will culminate in a June, 2006 Election in which a Proposition 39 55% affirmative vote is preferable as Proposition 39 allows the purchase of furniture and equipment. Mr. Hsieh indicated that we don't want to reissue any more bonds than absolutely necessary. FOC Members indicated that a June, 2006 Election may be too soon in to accomplish all the necessary tasks to meet the timelines. There are a number of other school districts who will be going out for bonds in November, 2006. Mr. Hsieh informed members that "Senior Exemptions" such as the one we have on Measure "S" parcel tax, are not allowable on a bond as it's a uniform tax on assessed value. The Facilities Master Plan RFP will generate the identification of the type of bond issue we should use.

- B. Identification and Review of Key Projects with Significant Fiscal Impacts:
- C. SMMUSD Report to the Community: High School Edition: A copy of the June, 2005 report, formatted in both English and Spanish, was distributed.
- D. School Services of California Fiscal Report Article: A copy of the July 8, 2005 article, *This Just In - California Schools in Trouble* (Volume 25, No. 14), was distributed.
- E. Meeting Schedule through December, 2005: A copy of the meeting dates from September through December, 2005 was distributed.
- F. Other Items, as Needed: Mr. Braham stated that he will be providing a list of upcoming items at the next FOC meeting, with which he would like assistance from the FOC members.

VII. Public Comments:
Jim Jaffe

VII. Agenda Planning for the Next Meeting:

VII. Adjournment. Meeting adjourned at 8:56 p.m.