



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

Minutes

January 9, 2007

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*], Carolyn Galantine, Craig Hamilton, Denny Kernochan, Gordon Lee, Cheryl Stecher [*Co-Chair*], Cynthia Torres. (*Staff*) Virginia Hyatt, Dawn Smithfield, Superintendent Dianne Talarico, Board Members Barry Snell and Kathy Wisnicki, Roy J. Blair [*Auditor*]. (*Public*) Barbara Inatsugu, Jim Jaffe, Harry Keiley, Rebecca Kennerly.
Absent: Patricia Hoffman.

I. Call to Order

The meeting was Called to Order at 7:07 p.m. by Chair Paul Silvern.

II. Approval of the Minutes:

A motion was made by Ms. Torres and seconded by Mr. Hamilton to approve the Minutes from the 12/05/06 Meeting. Motion passed unanimously.

**III. FOC Priority Policy Issues (*Primary Discussion Items*)
(*Held for Next FOC Meeting*)**

IV. Discussion with Superintendent Dianne Talarico

A. Board of Education Consideration of the 2006-07 First Interim Report (12/14/06)

Mr. Silvern summarized the First Interim Report, stating that it does not reflect the additional costs associated with the SMMCTA Agreement. Revenues are up \$3.2 million and expenditures are up \$8.5 million, involving the carryover from the prior fiscal year. The Ending Balance is up \$2.5 million and the deficit has doubled from \$625,000 to \$1.3 million. The Three-Year Projection shows solvency, including the Reserve for Economic Uncertainties, making the District eligible for a "Positive" Certification. However, factors may soon change that outlook. The Report includes a 4.7% Cost-of-Living-Adjustment (*COLA*), but it may not be that high. The Fiscal Crisis & Management Assistance Team (*FCMAT*) review could quickly change the situation. Mr. Silvern complimented Ms. Pat Ho, Director of Fiscal Services, and her staff on the great job they did on the First Interim Report; Superintendent Talarico added her compliments and gratitude.

B. Fiscal Crisis & Management Assistance Team (*FCMAT*) Review and Recommendations

Superintendent Talarico thanked the FOC members for their patience during her learning curve. Although Mr. Anthony Bridges, Executive Deputy Director of FCMAT, sent the preliminary report, he has not briefed the Superintendent and the Board has not received the report. A meeting has been scheduled with the Superintendent, a few Board Members, and Mr. Silvern to review the FCMAT report. Mr. Bridges will present the FCMAT preliminary report at the 1/18/07 Board Meeting, at which time the report will be available for the public. Due to the delay, the AB 1200 was not posted on the District's website to comply with the 10-day posting deadline, so it has been

rescheduled for the 2/1/07 Board Meeting in Malibu, to be accompanied by the Recovery Plan, if needed. It's possible an informal meeting with FOC members will take place on 1/17/07, before the AB 1200 is posted on 1/18/07, to familiarize them with the FCMAT report and the pending discussion about the declining enrollment issue. It was pointed out that long-term enrollment projections are included in the Facilities Master Plan (*FMP*). Historical data and staffing patterns are being reviewed by the Superintendent in order to discern the reasons, trends and how resources were allocated. She will also attend an upcoming Governor's budget workshop.

C. Status of the "Recovery Plan" Requested by LACOE and Other Actions Related to Approval of the SMMCTA Tentative Agreement

Superintendent Talarico stated that development of the Recovery Plan is in progress, but she doesn't yet know the bottom-line figure. She's reviewing department and program budgets for possible reductions that are the least disruptive to students and will receive assistance from FCMAT with both the AB 1200 and the Recovery Plan. She'd like to present a list of items from which reductions could be made and does not anticipate cuts until next year. Mr. Silvern asked for clarification on the Board's decision process and Ms. Talarico said this will be a discussion item on 1/18/07 and an action item at 2/1/07.

D. Status of Recruitment for an Interim and Permanent CFO

Superintendent Talarico stated that she has interviewed four candidates for the Interim CFO, contacted two others and is networking with other superintendents and School Services of California, Inc. (*SSC*) for additional referrals. A search firm will put together a brochure and list of candidates and SSC may be the firm hired for the search. If so, they may want to speak with FOC members for their input. One of the District's attorneys is drafting a letter to the Personnel Commission to exempt the CFO position from the Merit Rules. The search will begin in February/March with the appointment to be made in April/May for a 7/1/07 start date for the permanent CFO. Members were concerned about the budget calendar process with no CFO on board, although they reaffirmed their confidence in Fiscal Services staff.

E. Upcoming Negotiations with the City of Santa Monica

Superintendent Talarico said that she will attend a meeting in late January 2007 with the City of Santa Monica, Board Members and Interim CFO to set up dates for negotiations to ascertain the City's financial status in relation to the Master Facilities Use Agreement, and if appropriate, to prepare to ask for additional funding, with inflation benchmarks. Mr. Silvern told the members that the City's revenues are very good and the District could request an additional \$1.0 million, however, substantive issues about this discussion should wait until after the SMMCTA contract is approved. Per the Master Facilities Use Agreement, meetings between SMMUSD and the City will take place in January 2007 and January 2009 to discuss possible financial adjustments.

F. Status of Measure "BB" Implementation

Ms. Virginia Hyatt, Director of Purchasing, has joined the internal staff team to work with Harley Ellis Devereaux (*HED*) and their subcontractors, Concordia and Sidewalk Studios. HED has put together a timeline and will present policies, etc. at a Board Workshop in February. The Ad Hoc Facilities Committee (*AHFC*) will be asked to transition into a Measure BB Advisory Committee; the Board authorized the formation of the Committee at the 12/14/06 Board Meeting and the application is on the District's website. The Board will consider a draft FMP from HED in March

and a final FMP in April/May. A Proposition 39 Financial Oversight Committee is being formed, but that is more to ensure that funds are being spent correctly rather than making recommendations about how bond funds should be spent. Schools will have opportunities for input and membership on the Advisory Committee may be augmented to include school site representation. Construction management firms have been calling and competition may be fierce since the State will be also going out to bid for construction projects.

V. New Business (*for Discussion*)

2005-06 Annual Financial Report and 2005-06 Measure “S” Audit Report

Mr. Roy J. Blair, the District’s Auditor, reviewed the Measure “S” Audit Report. He stated that funding was spent appropriately, the revenues and expenditures balance out and there were no audit exceptions on the Measure “S” Audit Report.

The 2005-06 Annual Financial Report was reviewed. Mr. Blair clarified the four reasons an annual audit report must be done: 1) to ensure the financial statements are presented fairly; 2) to make certain that there are no exceptions or problems with internal controls, such as receipts and disbursements; 3) to give his opinion on Federal programs; and, 4) to check on State compliance issues. His findings were mainly to do with attendance. He explained that attendance is kept for both apportionment reasons and to always know where the student is located. There were programming and site reporting problems and one middle school was a month behind in reporting. Because of the “negative reporting” system, if a student is not report absent, he is considered present. Therefore the P-2 had to be re-run which showed a decrease in attendance in the amount of <445>.

VI. Receive and File (*Limited Discussion*)

HR&A’s Memorandum: 2005 American Community Survey Data for SMMUSD

School Services: *Fiscal Reports (11/9/06 and 12/1/06)*

EdSource Articles (*11/06*):

The Basics of California’s School Finance System

The School Budget Process

A New Website that Goes Beyond the Numbers

VII. Public Comments:

Barbara Inatsugu, Jim Jaffe, Harry Keiley, Rebecca Kennerly.

VIII. Agenda Planning for the Next Meeting:

02/06/07

IX. Adjournment. Meeting adjourned at 9:13 p.m.