



SMMUSD Financial Oversight Committee – Minutes

Date: Tuesday, February 10, 2009

Time: 7:00 pm to 9:00 pm

Location: Testing Room, SMMUSD Admin. Offices
1651 16th Street/Santa Monica, CA 90404

Attendance: (*Committee Members*) Cynthia Torres [*Chair*], Joan Chu Reese, Craig Hamilton, Patricia Hoffman, Patty Mulvey, Paul Silvern, Carrie Wagner; (*Board Liaison*) Barry Snell; (*Staff*) Jan Maez, Dawn Smithfield; (*Public*) Harry Keiley.

Absent: Gordon Lee [*Vice Chair*], Jose Escarce (*Board Liaison*)

I. Call to Order

The meeting was Called to Order at 7:08 p.m. by Ms. Torres.

II. Approval of Minutes: 12/02/08 and 1/13/09

A motion was made by Mr. Silvern and seconded by Ms. Hoffman to approve the Minutes, as amended, from the 12/2/08 meeting. Motion passed unanimously. A second motion was made by Mr. Silvern and seconded by Ms. Hoffman to approve the Minutes, as amended, from the 1/13/09 meeting; this motion also passed unanimously. Ms. Torres welcomed new members Joan Chu Reese and Patty Mulvey. Everyone introduced themselves and explained their backgrounds to the new members.

III. Staff Report: Chief Financial Officer Janece L. Maez (*Limited Discussion*)

A/B. Update on State and District Budget / Additional Analysis and Budget Approach: A copy of the 2009-10 Budget powerpoint presentation from the 2/5/09 Board Meeting was distributed and Ms. Maez reviewed the document with FOC members. She noted that discussions have begun regarding possible adjustments in the next year and significant midyear reductions are projected, which will impact the revenue limit this year and next. Since the State Budget has not been finalized, we're utilizing the Dartboard from School Services of California, Inc. for these projections (included in the handout). Additionally, there is a one-time Workers' Comp rebate from SLIM of \$731,000.

Ms. Maez explained that Prop 98 provides a statutory COLA to the revenue limit, which should have been 5.66% in 2008-09, but the State applied a deficit factor of 9.685%, for a total net COLA of <4.57%>. Ms. Maez stated that over 7% of the COLA has been lost over the past two years. According to SSC, deficits are expected to continue in the future but not grow. Prop 98 requires that the State pay back the deficits in the future when it has money, however, if the State suspends Prop 98, we would not recoup that money lost in deficit factors. She also explained that there is a reduced amount of interest revenue projections due to the decreased rate of return, and the reduced cash flow caused by the State deferring apportionment payments until next year. A Tax and Revenue Anticipation Notes (*TRANS*) issuance for short term financing may be needed to get through the cash crisis while the State defers payments. Ms. Maez also said that an item will be submitted for Board approval to formalize the contract with Tony Hsieh of Keygent LLC for future bond financial services. It was pointed out that the District can borrow against BB funds for short-term loans, but the District does not want to use this option if it interferes

with the progress of projects. Indicating a weakening economy, applications for free and reduced lunches are increasing; currently about ¼ of our students are eligible.

Ms. Maez also reviewed the multiyear projections from 2008-09 through 2011-12, and pointed out that the reserves show a decrease of fund balances due to projected deficit spending over the next four years. The reserve is 5% for 2008-09, but it decreases to the minimum required 3% reserve for the next three years, with a negative fund balance projected for 2010-11 and 2011-12. The State may allow categorical flexibility for some one-time savings. County Offices of Education have instructed districts which use categorical flexibility in the 2nd Interim Report to show a Board-approved alternate plan if categorical flexibility does not transpire.

1. Budget Options Being Considered: Several areas are under review, including administration, staffing ratios, instituting a hiring freeze, and increasing class sizes. Projections shown at the meeting assumed that staffing ratios remained the same, with current salary schedules that also assume step and column increases. The State may increase K-3 class sizes from 20 (current) to 23 or 25, which would give us additional staffing flexibility. If K-3 class sizes are increased to 23, it could save \$2 million. Another area that is being reexamined is a possible Samohi reorganization. Samohi previously had 3,600 students, but enrollment has decreased to 3,000. This would suggest that staffing could be adjusted to reflect current school enrollment. District staff is also looking at options in health benefits, but changes in that area would require negotiations with bargaining units. FOC members suggested adding retirement benefits as a possible area of reduction for future retirees. Ms. Maez commented that elementary music programs and health services are also being reviewed. She further noted that if these assumptions are built into the budget, it will buy time while the District waits for a State Budget. This will use up excess reserves, while keeping the 3% minimum required reserve. FOC members asked if revenue could be generated by charging for summer classes (other than remedial), but Ms. Maez explained that this was tried at Samohi and numbers were lower than expected, perhaps due to competition from private schools.

FOC members requested a budget workshop with the Board to talk about budget cuts and setting up priorities and scenarios, and asked Mr. Snell to bring this up at Agenda Planning on 2/11/09, for a possible workshop date of 3/12/09. It was also suggested that trigger points be added to the budget options being considered, such as options for a federal stimulus package. Mr. Snell requested that the FOC suggest specific areas rather than general. Ms. Maez asked what data the FOC would find helpful for the workshop, and members responded they would be interested in seeing comparative data from other peer districts.

2. Discussions of Potential Layoffs: Ms. Maez stated that the District is making a commitment to employees to avoid layoffs whenever possible. Any layoff action would have to be approved, at the latest, at the 3/5/09 Board meeting. If layoffs are needed, they will be limited. School districts have some flexibility with temporary and probationary teachers, but cuts would more likely be administrative positions or reassignment to classrooms.

3. Discussion of Permit Policy: Ms. Maez also noted that the District is projecting a flat enrollment, as no final decision has been made by the Board regarding increasing permits.

4. Update of Discussion with City of Santa Monica RE: Joint Use Agreement: Ms. Maez informed FOC members that funds held by City of Santa Monica have now been received: \$530,000 from last year.

IV. Update from Subcommittees:

- A. District Bond Program – No report.
- B. Review of Special Education Budget – No report.
- C. Public Education Program Related to District Finances – No report.

V. Update of Status of Measure BB Facilities Bond Program (*Craig Hamilton*)

VI. New Business (*for Discussion*)

A. Discussion of Review of Special Education Budget: Ms. Maez said that she has been working on a Special Education analysis, and it appears that some expenditures over the last four years have been overestimated in the budget. She has identified about four account numbers, and her findings will be shared first with the Special Education working group and the Board of Education, then with FOC members. Forty percent of all contracted services in the District are in the Special Education area. The District is examining contract accounts for the 2009-10 year, looking at a \$300,000 reduction. Separately, FOC members recommended that no reductions occur in school supply accounts.

B. Possible Research of Alternative Compensation Methods: Members expressed interest in analyzing alternative compensation models that have been successfully adopted by other Districts.

C. FOC Applicants-Recommendation to the Board of Education: A copy of the 2/19/09 Board Item, *Appointments to the Financial Oversight Committee*, was distributed. The interview subcommittee (Mr. Gordon, Ms. Torres, Ms. Hoffman and Ms. Wagner) reviewed applications, and six outstanding applicants were interviewed. The consensus was to recommend Nimish Patel, a senior partner at a law firm who is also a CPA and parent of students at Franklin Elementary. It was suggested that with so many outstanding candidates, perhaps an alternate could be appointed, who would attend serve as a non-voting member and meetings. That alternate would serve as voting member if a current member resigns. It was mentioned that Manel Sweetmore, a Malibu resident who is a CFO with auditing experience and great skills, would be an excellent alternate.

VII. Receive and File (*Limited Discussion*)

- School Services of California, Inc: *Fiscal Reports (1/8/09 and 1/23/09)*
- *SMMUSD Measure BB Bond Program (Workshop December 17, 2008)*
- *2007-08 Audit Report (Revised Copy-1/14/09)*

VIII. Public Comments: Harry Keiley

IX. Agenda Planning for Next Meeting: March 10, 2009

It was requested to agendaize the discussion of adding an alternate member.

X. Adjournment

Meeting adjourned at 9:38 p.m.