



## **SMMUSD Financial Oversight Committee – Minutes**

**Date:** Tuesday, June 2, 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, Gordon Lee [*Vice Chair*], Nimish Patel, Paul Silvern, Carrie Wagner; (*Board Liaisons*) Jose Escarce, Barry Snell; (*Staff*) Jan Maez, Dawn Smithfield; (*Public*) Tony Hsieh, Chet Wang – Keygent LLC.

Absent: Craig Hamilton, Patricia Hoffman, Manel Sweetmore

### **I. Call to Order**

The meeting was called to order at 7:05 p.m. by Ms. Torres

### **II. Approval of Minutes** 4/210/09 and 5/13/09

A motion was made by Mr. Patel and seconded by Mr. Lee to approve both sets of Minutes. Motion passed unanimously.

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

#### **A. Tony Hsieh, Bond Consultant-Keygent LLC: Structuring of Upcoming Bond Issuance:**

Mr. Hsieh and Mr. Chet Wang spoke about their trip to New York with District staff. They met with both the Standard and Poor's and Moody's Investors Services rating agencies as well as with Assured Guaranty, a bond insurer. Mr. Hsieh stated that he felt the meetings went well, the agencies asked the questions we anticipated, and they wanted to know the District's contingency plan if the May 19 Election propositions failed. We must be sure to follow through on the plan we gave them, such as the \$4 million in cuts. We were very proactive, showing the worst case scenarios in multiyear projections, and they were receptive. He noted that there seems to be more flexibility with SMMUSD because of high reserves and a tax base that hasn't declined like it has in other communities. He expects the bond ratings and bond insurance bids on 6/15/09, and said California's economy may affect upgrading, but he doesn't expect a downgrade. He doesn't believe bond insurance will be needed.

A copy of Keygent's *Series B Issuance Options* was distributed and Mr. Hsieh reviewed the following Measure BB Issuance Options: Traditional tax-exempt General Obligation Bonds (*GOBs*), Bond Anticipation Notes (*BANs*), Build American Bonds (*BABs*) and combinations of all three items. Consideration 1 would issue GOBs and BANs for a total of \$80 million. Consideration 2 would issue a combination of GOBs, BANs and BABs for a total of \$80 million. Mr. Hsieh explained the differences to members and a discussion ensued. He recommended issuing \$60 million in bonds: \$12 million in GOBs and \$48 million of BABs, both at current interest, then concurrently issue \$20 million on BANs with a one-year maturity.

Members discussed the options and agreed with Keygent's recommendation. A motion was made by Ms. Chu Reese and seconded by Mr. Patel that the Board implement the strategy recommended by Keygent, of traditional tax-exempt General Obligation Bonds, Bond Anticipation Notes and Build America Bonds. Motion carried unanimously.

Mr. Hsieh noted that at the 5/7/09 Board Meeting, the Board adopted a resolution for the bonds in a not-to-exceed amount of \$80 million. Looking ahead, we should receive the credit ratings on 6/15/09, and should have the Board adopt a resolution to issue BANs in a not-to-exceed \$30 million amount at the 6/25/09 Board Meeting. We should receive the assessed valuation from LA County by 6/30/09. The Preliminary Official Statement should be finalized in mid-July, we will sell the financing to the investment community in late July, and the District should receive the funds by early August.

B. District Revenue Update: A copy of Ms. Maez's *FOC Meeting June 2, 2009 Budget Update* was distributed, along with some School Services of California's Fiscal Reports, which included information about the May Revision Dashboard, revenue limit and funding cuts, STRS shortfall and federal fund distribution. Ms. Maez noted that the revenue limit funding has dropped by nearly 7% in less than a year for 2008-09, and nearly 3.5% in 2009-10. The May Revision anticipates State revenue limit reductions by nearly \$2.5 million in 2008-09 and \$3.3 million in 2009-10, since the defeat of the propositions in the May 19, 2009 Election. The District's current multiyear projection includes federal stimulus money of \$3,047,171, about 65% of the Federal Stimulus funding; another \$1.2 million will be distributed later, but is not included in the spreadsheet. The District will receive Individuals with Disabilities Education Act (*IDEA*) funding of \$1,200,000, which is half of what we expect to receive and will be used to offset the LGFC, but will have to see if that will be allowed.

C. 2009-10 Budget Update: Ms. Maez referenced her Powerpoint presentation of the 2009-10 Budget Reduction Plan, summarizing that the only change from that document is that the Board reduced \$550,000 from Samohi instead of \$700,000. Members urged that another \$2 million must be cut from the 2009-10 budget; Ms. Maez responded that we could use the Federal Stimulus and Title I funds as a bridge, and there may be a possible deadline extension for layoffs. She said all options are on the table for possible reductions.

#### **IV. Update from Subcommittees:**

A. Public Education Program Related to District Finances: (*Ms. Chu Reese, Ms. Torres, Ms. Wagner*): Two revenue enhancement documents were handed out by Ms. Torres and Ms. Chu Reese. Ms. Torres' proposals included: passing an additional school funding measure, targeted fundraising for unrestricted cash gifts, monetizing District assets, exploring paid advertising opportunities, sponsoring an aggressive attendance campaign, exploring additional opportunities for fee revenue, exploring grant and corporate partnership opportunities, and increasing the number of inter-district permits. Ms. Chu Reese's ideas included: charging students' families for permits, shorter passing periods to increase teaching time, leading to a shorter school year, increasing Santa Monica sales tax to fund education, creating a for-profit alumni association, hiring a grant office (possibly community-funded) to aggressively apply for state/federal/corporate grants, targeted gifts for large District-approved by not yet funded projects, advertising/corporate sponsorship on school walls/buses/websites for in-kind or monetary funding, establishing an Academic Foundation, sale/leaseback of school properties, sale of school grounds (which would require school consolidations), tuition for extra-curricular classes, along with scholarships and expanding the use of facilities for non-school uses, such as concerts. Other suggestions included marathons and competitions among schools with both children and parents competing together, which could be done on-line, with schools participating

in the fundraising, and farmers' markets, offering a percentage to those groups which host the markets. The subcommittee will try to quantify the suggestions and requested that FOC members share any suggestions offered by the community.

## **V. Measure BB Update**

## **VI. New Business (for Discussion)**

A Discussion of Upcoming Board Budget Workshop / Annual Joint Meeting: Ms. Torres handed out an outline of the past year's report to the Board, and members discussed what would be in the report. Mr. Snell emphasized that it's important that the FOC share the big picture and let the public know that cuts are needed, and what's needed for the future, including the revenue enhancement proposals made by the Subcommittee. Members agreed that there is an urgency to begin a discussion in July to raise the public's consciousness about the dire situation of the District's funding.

B. FOC Goals for 2009-10: It was discussed and agreed that FOC goals for the next school year should include: 1) assisting the Board's development of a multi-year financial plan, 2) developing specific revenue enhancement recommendations and their implementation, and 3) continue working on developing a financial management plan for Special Education, working with the SEDAC group.

C. FOC Meeting Calendar: It was discussed and agreed to set up a meeting in July to discuss the revenue enhancements. Staff will not be available to meet in August, but the FOC could meet to discuss the revenue enhancements. Mr. Lee may ask the Chief Financial Officer at UCLA to meet with FOC members.

## **VII. Receive and File**

- Cover Letter to Jon London sent w/Amended & Extended Master Facilities Agreement
- School Services of California Inc.: *Fiscal Reports (4/17, 5/1 and 5/17/09)*

## **VIII. Public Comments**

## **IX. Agenda Planning for Next Meeting:**

June 10, 2009 Board Budget Workshop / Annual Joint Meeting with the Board

## **X. Adjournment**

Meeting adjourned at 9:16 p.m.