



SMMUSD Financial Oversight Committee – Minutes-Amended
Date: Tuesday, October 7, 2008
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*], Ben Allen, Craig Hamilton, Denny Kernochan, Gordon Lee [~~Co-Chair~~]/**Vice-Chair**, Paul Silvern; (*Board Liaisons*) Kelly Pye, Ralph Mechur; (*Staff*) Jan Maez, Ana Flores.

Absent: Patricia Hoffman, Cheryl Stecher, Carrie Wagner, Maria Leon-Vazquez (*Brd. Liaison*).

I. Call to Order

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

II. Approval of Minutes: 9/09/08

A motion was made by Mr. Silvern and seconded by Mr. Hamilton to approve the Minutes, as amended, from the 9/09/08 Meeting. Motion passed unanimously.

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

A. Update on 2008-09 State Budget / B. Update on 2008-09 District Budget:

Ms. Maez attended the School Services *School Finance and Management Conference 2008-09*; a copy of the slides from that State budget discussion was distributed. Mrs. Maez pointed out that the information noted the following: "California provides more services to more people at higher cost than any other states -- except in two areas -- K-12 education and transportation." She went on to say that although transportation funding is increasing statewide due to Proposition 42 and federal funding, California's education funding remains in 41st place while expectations for our children increase and costs continue to grow. She also pointed out how there is a structural gap in the State budget, and it appears that the future will be difficult. By the time the much-delayed State Budget was adopted, the national economy crisis and real estate fallout greatly affected California. *The Los Angeles Times* noted that just two weeks after the State Budget was adopted, we were already in crisis.

It was also reported that the Governor anticipates that come January there will be budget cuts. These mid-year cuts this year could have a serious impact on the District. During the budgeting process last year, it was expected that Categorical programs would receive a 6.5% reduction. At the May Revise, most of the SMMUSD budget categorical programs were cut by 6.5%. Although the adopted State budget eliminates this reduction, School Services of California recommends that districts keep a budget reserved for those programs. It is anticipated that this restoration to the categorical programs will fall victim to the mid-year cuts.

These assumptions will be incorporated in the District budget, in addition to updated enrollment estimates, as the District staff prepares the 2008-09 First Interim Report.

Mrs. Maez reported that School Services of California (SSC) also recommends that districts begin talking to their bargaining units about delaying negotiations until after January 2009 when a clearer picture of actual state revenue is available. Mrs. Maez reported that the negotiations

had not begun with either SMMCTA or SEIU, and that Superintendent Cuneo expects to discuss the timing of those conversations with both units.

Mrs. Maez reported on several actions taken by the Board at the time the 2007-08 Unaudited Actuals were presented. Of most significant note were three large allocations or reservations:

1. Implementation of the accounting standards for Other Post Employment Benefits (*GASB 45*) liability continues to be an issue for SMMUSD. Technically there is no format to address the OPEB liability, it is internally controlled and may be affected by State Budget impacts; Ms. Maez said a board item will be forthcoming. The Board approved transferring an additional \$1 million into the fund set aside to address this liability.
2. The Board recognized a significant need to address the aging ~~school~~ student attendance reporting system. The Board approved a reserve of \$1 million for this project. The system selection process is scheduled to begin in October or November.
3. Although the State-required minimum reserve is 3%, the average statewide reserve is about 10%. It was noted that Board took action to protect the District against these most uncertain financial times by increasing the Reserve for Economic Uncertainties from the minimum of 3% to 5%.

A committee member requested that the SSC dart board and the District's official enrollment data (*CBEDs*) be copied for the next FOC meeting.

- C. Preparation and Planning for 1st Interim: Due to a lack of time, this item will be carried over to next FOC meeting.
- D. Status of City-District Funding Discussions: It is expected that the Santa Monica City Council will consider approval of the funding that has been held at the second meeting in November. Mrs. Maez reported that there has been much activity in the area of Special Education. A group of staff and parents is working on a parent handbook which will be published and given to Special Education parents. Discussions have begun regarding the extension of the agreement between the City and the District; it is expected that these discussions will continue into January. In response to a question, Ms. Maez stated that the money from the City of Santa Monica for 2008-09 includes an expected COLA, but last year's \$530,000 is not in the budget.
- E. Review of District Salary Schedules for Certificated and Classified Employees:
Mrs. Maez began a discussion of the certificated salary schedule by explaining that the structure of the schedule is made up of columns which are based on educational units/experience and steps that are equivalent to years of service. As teachers earn more units, they move across on the salary schedule with salary increases from left to right. Each year a teacher moves down the schedule. Mrs. Maez described the negotiated agreement to compress the top end of the schedule, stating that the purpose was keeping SMMUSD more attractive to veteran teachers. There was a request to look at the results of this change in order to determine whether the salary compression has worked. It was requested that staff research and report back on the number of teachers who are leaving each year, including whether or not exit interviews are given, and if there are comparable studies from other school districts, especially comparisons at various ranges.

FOC members noted that SMMUSD is one of the highest paying school districts with more teachers per child than other districts. The classified salary schedule discussion is scheduled for the next FOC Meeting in November.

- F. Status of Labor Discussions with SMMCTA: Ms. Maez stated that SMMCTA and the District came forward with topics, including public complaints (what happens with personnel records when a public complaint is made against teachers) as well as additional compensation. Copies of the 9/18/08 Board Items A.20 *Public Hearing-SMMUSD Initial Negotiations Proposal to SMMCTA* and I.02, *SMMUSD Sunshine Proposal to Open Negotiations with the SMMCTA for the 2008-09 School Year* were distributed
- G. Schedule of 2007-08 District Financial Audit: Ms. Maez informed FOC members that the auditors will return in November for the final audit in November. They will have the 2007-08 Audit Report before December 15th, which will be discussed at the January 13, 2009 FOC meeting, and is scheduled for Board approval at the January 15, 2009 Board Meeting.

IV. Update of Status of the Measure BB Facilities Bond Program (Craig Hamilton)

Mr. Hamilton reported that the Measure BB process is moving forward on many fronts. There has not been a Measure BB Committee meeting for some time; BB committee members have requested that a meeting be scheduled to review progress and status of projects. There was discussion regarding the project at Samohi and the relationship between the District and the Redevelopment Agency. Ms. Maez requested that the FOC provide assistance with this project. This assistance could be in the form of an evaluation of bonding capacity, sources of funding, and possible dates for future bond date elections. Ms. Maez stated the Mr. Hsieh is available to meet with FOC members and her to discuss the bond program. Mr. Lee volunteered to meet with Ms. Maez and Mr. Hsieh to discuss the bond program.

New Business (for Discussion)

- A. Special Education Collaborative: At the 10/2/08 and 10/16/08 Board Meetings, the Board discussed the ways in which the District and Special Education parents would work together collaboratively. Two documents were distributed: *Working Collaboratively for 21st Century Special Education Students* and a set of PowerPoint slides used at the Board meeting.
- B. FOC Interest in Reviewing the Special Education Budget: A copy of the *Special Education: 6 Year Comparison* budget was distributed and reviewed. Members would like to assist with reviewing the Special Education Budget. There were concerns about the continued costs for attorneys relative to Individual Education Plans (*IEPs*). They are also interested in documents referenced regarding the Claros Group as well as comparisons of Special Education revenues to expenditures.
- C. Public Education Program Related to District Finances: Ms. Torres stated that the FOC had expressed an interest in analyzing financial scenario projections related to potential labor unit agreements. While the FOC does not intend to participate in labor negotiations, the FOC is interested in ensuring that any financial settlement reached is prudent and affordable. The Committee agreed that a sub-committee will work on this item to assist the Board in its preparation for upcoming bargaining negotiations.

- D. Establishment of FOC Priority Policy Subcommittees: FOC members discussed establishing three new policy subcommittees: District Bond Program, Review of Special Education Budget, and Public Education Program Related to District Finances. A motion was made by Mr. Silvern and seconded by Mr. Lee to adopt the subcommittees. The motion passed unanimously.

V. Receive and File (*Limited Discussion*)

School Services of California, Inc: *Fiscal Reports*: (8/15/08, 8/29/08 & 9/12/08)

VII. Public Comments: None

VI. Agenda Planning for Next Meeting: *Due to the November 4, 2008 General Election, it was agreed to move the next FOC meeting to Wednesday, November 5 at 7:00 p.m.*

Notices and Press Release for new FOC members, schedule interviews and recommend finalists to the School Board

IX. Adjournment: Meeting adjourned at 9:19 p.m.