



SMMUSD Financial Oversight Committee – Minutes

Date: Tuesday, May 11, 2010

Time: 7:00 pm to 9:00 pm

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

Attendance: (*Committee Members*) Joan Chu Reese [*Vice Chair*], Craig Hamilton, Patricia Hoffman, Gordon Lee, Nimish Patel, Paul Silvern, Manel Sweetmore and Cynthia Torres [*Chair*]; (*Board Liaisons*) Jose Escarce, Ralph Mechur; Board President Barry Snell; (*Staff*) Jan Maez, Dawn Smithfield, Tony Hsieh (*Keygent Advisors*). *Absent: Carrie Wagner.*

Call to Order

The meeting was called to order at 7:04 p.m. by Ms. Torres.

Approval of Minutes 4/13/10

A motion was made by Mr. Patel and seconded by Mr. Silvern to approve the Minutes, as amended. Motion passed unanimously.

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

A: **Budget Update:** Ms. Maez informed FOC members that Special Board Meetings will be held on 5/26/10 and carried over to 5/27/10 for discussion and action on the 2010-11 budget. She distributed a General Fund-Unrestricted Multi-year Projection through 2013-14 and Reduction Plans Summary sheet. The \$8.9 million list of proposed reductions was included in both documents. Ms. Maez noted that there is a projected negative fund balance in 2012-13, making further reductions necessary. An interactive spreadsheet will be utilized at the Board Meetings, which will immediately show the impact of any reductions. Ms. Maez will prepare two spreadsheets, depending upon whether the Measure A parcel tax is successful. The Governor's May Revise is scheduled to be published on Friday, 5/14/10. While State revenues have decreased, huge changes are not expected from the Governor. Since the District self-qualified its 2009-10 2nd Interim Report, it is required to submit an additional financial report, *2009-10 Year-End Financial Report*. This report will be presented for approval at the 5/26/10 Board Meeting. The CDE sent a letter approving the District's audit. The District is moving forward with an appeal of the Auditor's negative finding on attendance reporting, and will reconstruct the attendance for the year in question. It was suggested that the John Adams attendance finding be mentioned in the budget adoption document. FOC members questioned whether the District's reserves should be increased to cover a potential penalty that may be levied, but agreed to discuss it at a more opportune time in the future. School districts are being advised against taking the option of decreasing their reserves below 3%.

B: **Update on July 2010 Bonds:** Tony Hsieh from Keygent Advisors gave a presentation and distributed copies of the *Measure BB Issuance Update*. He noted that the District had previously issued \$140 million in bonds from Measure BB, including \$60 million in Series A, \$60 million from Series B, and \$20 million from 2009 Bond Anticipation Notes (BANs). The BANs must be paid off by July 30, 2010. This will occur through the upcoming issuance of Series 2010-C general obligation bonds. The initial \$140 million will fund the projected cash flow through October 2011. It's anticipated that an additional \$80 million will be needed to cover construction costs from November 2011 through November 2012.

Mr. Hsieh presented three options for the District to issue bonds in addition to the \$20 million needed to pay off the 2009 BANs. The options will be used to earn interest income: Option 1: issue an additional \$80 million of bonds; Option 2: issue an additional \$80 million of BANs with a one-year term; or Option 3: Issue additional \$45 million in bonds. After discussion, it was moved by Mr. Silvern and seconded by Mr. Patel to recommend support to the Board for Option 3 to maximize the financing. Motion carried. The Bond subcommittee (Ms. Torres, Mr. Lee, Mr. Patel and Mr. Sweetmore) will meet with Ms. Maez and Mr. Hsieh to review the scenario in more detail. The resolution will be submitted for approval at the 5/26/10 Board Meeting.

Ms. Maez said District and Keygent staffs will visit the rating agencies in early June. Mr. Hsieh expects the District's ratings to remain the same. FOC members asked if the District's ratings would be affected since the reserves have decreased and the 2nd Interim Report was self-qualified. Mr. Hsieh said the worst he would expect is that they might change the outlook from "stable" to "on watch"; however, we still have an extremely strong tax base. While we will try to anticipate the questions from the rating agencies, we may have to explain why the reserves have decreased and what actions are being taken to reduce expenditures. By the time Keygent and District staff meet with the rating agencies, the results of the Measure A parcel tax will be known. If Measure A passes, that revenue stream can be included in the presentation.

IV. Update from Subcommittees

A: District Revenue Enhancement (G. Lee, J. Chu Reese, C. Torres, C. Wagner): Subcommittee members reported that they are doing research on best practices in Education Foundations in other similar California school districts (Manhattan Beach USD and Palo Alto USD). They've also been discussing fundraising with Superintendent Cuneo and SMMEF.

B: Review of Special Education Budget (C. Hamilton, P. Silvern): They reported that the Ad Hoc Subcommittee with SEDAC will meet with Ms. Maez on 5/21. The SEDAC members appreciate Ms. Maez's efforts and the data/reports she has supplied to them. They are focusing on transparency, accuracy, timeliness, improving reporting systems, and helping them to understand what State reports mean.

C: District Financial Strategy (P. Hoffman, N. Patel, M. Sweetmore): Their efforts are focused on the Measure A parcel tax at the present time.

V. Discussion/Action Items

A: The Measure A Special Election ballots have been mailed out, and are due back by 5/25. The campaign committee meets weekly, with strong representation from Malibu. There's a general sense that the campaign message is getting through to voters. Other districts have held parcel tax elections with mail-in ballots, and most of them have been successful.

B: Planning for Report to the Board on 5/27/10: Mr. Silvern will report to the Board as Ms. Torres and Ms. Chu Reese will not be available to attend the meeting. The ultimate goal is to remove the deficit in the ending balance in 2012-13 and have an approved 2010-11 Budget, so additional reductions may be required. Members told Mr. Silvern to encourage the Board to increase the Reserve; they also stressed the need for revenue enhancements. It was also suggested to include an operating philosophy about program cuts, and corresponding trade-offs. This should be justified by the Strategic Plan based on community input. The Board should articulate what it

wants and the rationale for same. Members also said that bargaining unit talks should begin earlier, especially because labor costs are such an important part of the budget. Also included in the meeting materials was 4/14/10 approved Board Item A.03, *Public Hearing-Measure R Parcel Tax 2010-2011 Annual Plan*, which had one public comment. A motion was made by Mr. Silvern and seconded by Ms. Chu Reese that the Board accept the Measure R Annual Plan, subject to the results of Measure A and any adjustments that may be required as a result of the election outcome. It was also suggested to include a comment on the annual plan in the 5/27/10 report to the Board.

C. Planning for the Joint Meeting with the Board on 6/3/10: FOC members discussed what would be included in the FOC Report at the 6/3/10 Joint Meeting. Members believe that revenue enhancement should remain as a main focus, fleshing out the concepts and working with the Board and Superintendent Cuneo. It was also agreed to focus on Special Education funding as well as the program work area, with alternative ways to deliver required services. Another focus will be best financial practices in other school districts that may also work for SMMUSD. Ms. Torres reminded everyone that the next FOC meeting is on 6/1/10, and to email any comments for her to finalize the report to the Board.

D. Follow-Up to Meeting between Senior Staff and Revenue Enhancement Subcommittee: The subcommittee met with Superintendent Cuneo, Ms. Gross and the SMMEF Board Members. The subcommittee expressed the FOC's continued interest in the importance of District-wide fundraising. They also discussed upcoming SMMEF events, and a future subcommittee meeting with community members.

E. Measure BB Update: At the 4/27/10 Measure BB/Board Workshop, District and Parsons staffs presented a detailed overview of the BB program, which included input from the joint meeting of the Measure BB Advisory Committee and the Measure BB Citizens Bond Oversight Committee (BOC). The workshop was informative and useful, and will likely take place annually. The format for program budgets has been changed to be more transparent. Tom Tomeoni is leaving the program and Larry Givens has taken his place. A contract amendment for Parsons CCM for construction management was approved by the Board at the 5/6/10 Board Meeting.

F. Strategic Plan Update: The open houses in April were well attended, and responses have been compiled. The next event for comments on the Strategic Planning Advance is 6/12/10, which will include a broad cross-section of constituents, including staff, students, City staff, FOC members, PTA members, and community members. This Advance will have three panels. The panels will be discussing establishing a vision, describing a process (how to get there), and will provide an analysis of students who have been through the District. Adoption of the Strategic Plan is now scheduled for November.

VI. Receive and File

- Legislative Analyst's Office:
Year-One Survey: Update on School District Finance and Flexibility
- School Services of California, Inc: *Fiscal Reports (4/9/10 & 4/23/10)*

VII. Public Comments None

IX. Adjournment Meeting Adjourned at 9:23 p.m.