



SMMUSD Financial Oversight Committee - Minutes - Amended

Date: Tuesday, November 16, 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, Paul Silvern, Cynthia Torres [*Chair*], Carrie Wagner. (*Staff*) Jan Maez, Kim Nguyen, Dawn Smithfield. (*Public*) Laurie Lieberman (*Board Member-Elect*), Tom Larmore. *Absent: Patricia Hoffman, Gordon Lee, Nimish Patel, Manel Sweetmore; (Board Liaisons) Jose Escarce, Ralph Mechur.*

Call to Order

The meeting was called to order at 7:07 p.m. by Ms. Torres.

Approval of Minutes 10/19/10

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

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

A. Introduction of Kim Nguyen, Senior Administrative Assistant-Business Services: Ms. Maez introduced Ms. Nguyen to the FOC members. Ms. Nguyen is assuming the duties in Business Services, including FOC meeting preparation and attendance, due to Ms. Smithfield's retirement at the end of December. Members welcomed Ms. Nguyen to the meeting.

B. Budget Update: A copy of the powerpoint document *2010-11 Final Adopted State Budget-Santa Monica-Malibu Unified School District-45 day Budget Revision* was distributed. Ms. Maez reminded FOC members of the District's requirement to prepare budget revisions within 45 days after the State Budget is adopted. Due to significant State Budget changes, this powerpoint was presented at the 11/4/10 Board Meeting. She noted that the most significant change was the elimination of \$250 per pupil deficit factor to the Revenue Limit. With the passage of the Measure Y and YY propositions, revenue has been incorporated in the multiyear budget projection at \$6 million per year beginning in 2011-12. It was suggested that the amount of Measure YY revenue be changed to \$5.5 million in accordance with the City of Santa Monica's revenue projections. There is still concern about the operational deficit of approximately \$2 million in 2011-12 and \$7 million in 2012-13, with the reserve below the 3% requirement in 2013-14. Committee members suggested that the reasons for the deficit spending be communicated to the public to better understand the nature of state and federal funding. The 1st Interim Report will include the multiyear projection through 2012-13, as required by LACOE. The deficit spending will probably be noted in their review of the 1st Interim Report. The budget assumptions specify that the Save Our Schools (SOS) funds were one-time funds and are not included in future years. It was noted that no salary increases are included in the assumptions, except for regular step-and-column increases. The Legislative Analyst's Office (LAO) is predicting a \$25 billion deficit for the State. Flexibility that was given to school districts to weather the economic crisis will end at 6/30/12. Furlough days have been added back to the District's budget, as they are not negotiated beyond 6/30/11. Negotiations will begin for the 2011-12 fiscal year. The employee health benefits committee has met for the first time recently. PERS will do a presentation of the current program and options available. A final report will be

done by Keygent in the near future. Staff is continuing to review and reconcile health benefits information. Ms. Maez announced our LACOE business services representative has retired, which may have an impact on future letters from LACOE reviewing the budget reports.

C. Update on Refinancing of COPs: A copy of the *Executive Summary of the Transaction* was included in the meeting materials. A conference call among Ms. Maez, Mr. Hsieh and the rating agencies took place after Measures Y and YY passed, so it is anticipated that the rating agencies will reaffirm the District's ratings. The strategy for this refunding is to keep the debt service payments level, but due to lower interest payments, will allow us to withdraw cash for construction payments above the BB funds. It's projected that this refunding will provide the District \$500,000. FOC members asked that the official statement and District's ratings be forwarded to FOC members, which should be in early December.

IV. Update from Ad Hoc Committees

A. PDMSC Financial Analysis (*J. Chu Reese, P. Silvern, M. Sweetmore, C. Wagner*): They met with Ms. Maez and discussed financial concerns, especially salaries and heavy reliance on fundraising. The subcommittee was very helpful in providing additional information to staff.

B. Researching District Revenue Enhancement (*G. Lee, J. Chu Reese, C. Torres*): The focus, which has been on the passage of Measure Y and YY, and will now return to revenue enhancement. They want to meet again with SMMEF; Ms. Chu Reese will set up with SMMEF.

C. Reviewing Special Education Budget (*C. Hamilton, P. Silvern*): They met with the SEDAC ad hoc committee on 11/1/10 and have now come to a point of conclusion. They complimented Ms. Maez on the detailed budget report, analyzing three years worth of special education expenditures. That report will be able to be used as a tool to connect back to programmatic work to track those expenditures. The report shows the progression over the years and the changes over the course of each year. Although it was previously thought that the expenditure discrepancy was in the NPA and NPS category, it has been concluded that it's in the number of instructional aides hired, but not utilized, at a cost of approximately \$500,000. Ms. Maez has been asked to summarize the report, which will be brought to the full FOC at the next FOC meeting.

A. Analyzing District's Financial Strategy (*N. Patel, C. Wagner*): No report.

D. Refinancing of COPs (*G. Lee, N. Patel, M. Sweetmore, C. Torres*): Please see item IIIC., above. The full FOC asked to receive the final official statement and rating reports, when issued. The ad hoc committee will disband.

V. Discussion/Action Items:

A. Continued Discussion of Pt. Dume Charter School Petition: Ms. Maez informed members that the public hearing took place at the 11/4/10 Board Meeting in Malibu, at which the petition was presented. She indicated that there was a lot of public testimony. Senior Cabinet is working on a draft of the response and will review it again tomorrow. The Board's decision is scheduled for 12/2/10. There are very serious concerns about the financial aspects of the petition. Ms. Maez said the report should be available with the Board Agenda. Other financial questions/issues

include staffing, teacher salaries, expenditures, heavy reliance on fundraising, enrollment increase projections and loss of local and parcel tax funding. Mr. Snell has invited FOC to give a statement at the 12/2/10 Board Meeting. It's important that the public know that the FOC has done its due diligence.

B. Update from School Funding Measure Committee: Mr. Tom Larmore, Co-Chair of the Measure Y and YY campaign committee, stated that **the current vote on Y was 61% and on YY was 68%, but** there are still some details to be discussed regarding the implementation of the funds for the District. Mr. Larmore stated that the goal should be that half the money be given to the District's unrestricted general fund, and further, that the use of those funds not be specified by the City's legal counsel.

C. District Fiscal Stabilization Plan: Due to passage of Y & YY, LACOE will probably not require this plan.

D. Measure BB Update: Ms. Maez said that they're still talking about plans for the Webster parking lot, and that DSA issues are being resolved. The JAMS parking lot issue is still being discussed with the architect and construction firms; hopefully the issue will soon be resolved. The BOC members began visiting school sites to see the construction efforts. Their previous efforts have been reviewing the Measure BB expenditure and budget reports.

E. Strategic Plan Update: Ms. Chu Reese explained that the team met recently, and progress has been made in creating a streamlined, one-page strategic plan. Superintendent Cuneo gave the presentation regarding the skills and qualities an SMMUSD graduate should have, such as thinking creatively, solving issues and achieving excellence, both intellectual and personal. Foundational blocks include fiscal stewardship, community partnership and developing and maintaining the best talent. There was agreement among the Strategic Planning Team as to what the District should try to accomplish. The timeline is not yet available, but Ms. Chu Reese will ask that Ms. Wahrenbrock forward it to FOC members when it is finalized.

F. Election of Chair and Vice-Chair (tabled from 10/19/10): A motion was made by Mr. Silvern and seconded by Mr. Hamilton to nominate Ms. Wagner as the Chair for the next year. Motion passed unanimously. A second motion was made by Mr. Silvern and seconded by Mr. Hamilton to nominate Ms. Chu Reese as the Vice Chair. Motion passed unanimously.

Ms. Torres stated that Mr. Sweetmore has indicated that he will be unable to continue as an FOC member and will send letter of resignation. Now that Mr. Patel has now been elected to the Board, there will be two vacancies on the FOC. An item will be prepared for the 12/9/10 Board Meeting to open the application process for those two vacancies, and for the reappointment of FOC members' terms. An ad hoc committee for interviews was formed, consisting of Mr. Hamilton, Mr. Lee, Mr. Silvern and Ms. Wagner.

G. Holiday Social Event: Ms. Torres has graciously invited FOC members and staff to her home on 12/5/10 from 3:00 to 5:00 p.m. She will send an email invitation to Board Members, FOC and staff.

VI. Receive and File (Limited Discussion)

- School Services of California *Fiscal Reports* (9/24/10, 10/8/10 & 10/22/10)
- *Various Fiscal Reports*

VII. Public Comments: None

VIII. Agenda Planning for Next Meeting: Due to the conflict with the December 7, 2010 swearing-in ceremony for the new Board Members, it was agreed to change the next meeting date from December 7, 2010 to November 30, 2010 from 7:30 to 9:00 p.m.

IX. Adjournment: Meeting adjourned at 9:05 p.m.