



**Santa Monica-Malibu Unified School District**  
**Board Committee**  
**Financial Oversight Committee**  
**Minutes**  
**December 5, 2006**  
**Time: 7:00 to 9:00 p.m.**  
**Location: Testing Room of the School District's**  
**Administrative Offices - 1651 16th Street, Santa Monica, CA**

Attendance: *(Committee Members)* Paul Silvern [*Chair*], Craig Hamilton, Patricia Hoffman, Denny Kernochan, Gordon Lee, Cheryl Stecher [*Co-Chair*], Cynthia Torres. *(Staff)* Virginia Hyatt, Dawn Smithfield, Superintendent Dianne Talarico, Board Member Kathy Wisnicki. *(Public)* Chris Harding, Barbara Inatsugu, Jim Jaffe, Ralph Mechur. *Absent:* *Carolyn Galantine, (Board Liaisons) Julia Brownley, Oscar de la Torre.*

**I. Call to Order**

The meeting was Called to Order at 7:06 p.m. by Chair Paul Silvern.

**II. Approval of the Minutes:**

A motion was made by Ms. Hoffman and seconded by Ms. Torres to approve the Minutes, as amended, from the 10/10/06 Meeting. A motion was made by Ms. Torres and seconded by Ms. Stecher to approve the Minutes, as amended, from the 11/14/06 Meeting. Both motions passed unanimously.

**III. FOC Priority Policy Issues *(Primary Discussion Items)***

*(Held for Next FOC Meeting)*

**IV. Discussion with Superintendent Dianne Talarico**

- A. Resignation of Winston Braham and Process for Recruiting an Interim and Permanent Chief Financial Officer (CFO): Superintendent Talarico informed members that Winston Braham has resigned as the District's Chief Financial Officer and the resignation will be considered at the 12/14/06 Board Meeting. She stated that there will be a process for selecting an Interim CFO, then a recruitment for a permanent CFO, including a national search involving School Services of California, Inc. One candidate for the interim position has been interviewed and another will be interviewed next week. She wants to exempt the CFO position from Personnel Commission requirements and must find out what steps to take. The plan is for the Interim CFO to remain in place through 6/30/07, with the permanent CFO to begin 7/1/07.

Mr. Silvern reported the suggestion from some FOC members that the FOC send a letter to Winston Braham thanking him for his service to the District and the FOC. He distributed a draft letter for discussion. After objections from the Superintendent and Board Member Wisnicki, Mr. Silvern stated he would re-draft the letter from himself personally, instead of the FOC, to avoid waiting for a legal opinion and input from the Board, which Ms. Wisnicki and Superintendent Talarico stated would be needed otherwise. FOC members were in agreement.

- B. Results of School Board's December 4<sup>th</sup> AB 1200 Workshop with the Los Angeles County Office of Education (LACOE): Mr. Silvern summarized the results of an *AB 1200 Document - Informational Workshop* that was held by the Board on 12/4/06. Kenneth Shelton, Assistant Superintendent-Business Services, and his key staff from LACOE provided a general overview and background to help the Board to understand the AB 1200 purpose and process. The workshop did not address the particulars of the AB 1200 filed by the District in mid-October for the proposed settlement with SMMCTA. It was made clear, however, that the Board can submit a revised AB 1200, but LACOE would expect justification for any changes. The Recovery Plan requested by LACOE in its November 1, 2006 follow-up letter to the Board President must include specific actions, dollar amounts and implementation dates. Board Member Wisnicki encouraged the Board to scrutinize the budget and have sound financial information before approving the Recovery Plan.

Mr. Silvern noted that in his remarks to the Board, he mentioned problems that FOC had noted in its own review of the AB 1200, and the difficulties these problems raise in managing District finances when other looming challenges are also taken into account, including possibly lower COLAs in future years, the pending expiration of Measure "S", accounting for unfunded retiree health insurance costs per GASB 45, and pending contract negotiations with classified staff.

FOC members reiterated their concerns about the AB 1200 analysis conclusions regarding increased General Fund deficit spending, depleting the Reserves and implied funding of ongoing expenditures with one-time funds. In discussion, the Superintendent and Ms. Wisnicki noted that the Board may propose increasing permits to make up some of the deficit. FOC members noted that this would be in conflict with the Board's previously stated policy of reducing enrollment to lower class sizes as part of the strategy for closing the achievement gap. Superintendent Talarico assured members she will construct an appropriate plan this year, if required. If changes to the AB 1200 are warranted, it will be revised. She noted that the First Interim will reflect some additional one-time revenues, including Mandated Cost reimbursements, that are in addition to revenues reflected in the mid-October AB 1200.

- C. Status and Schedule for Independent Financial Review by Fiscal Crisis & Management Assistance Team (FCMAT): Superintendent Talarico handed out the Fiscal Crisis & Management Assistance Team *Study Agreement* dated 11/8/06 and said the FCMAT representatives, Ms. Diane Branham and Ms. Margaret Gonzalez are using FCMAT's Budget Explorer software to analyze the District's financial situation. The Superintendent hopes to have FCMAT's "Management Letter" or at least preliminary results for the 12/14/06 Board Meeting, and the final report in January 2007. The FOC expressed concerns that any revised AB 1200 must be posted 10 business days prior to the 1/18/07 Board Meeting, when the SMMCTA contract is scheduled for action, and that it was not clear how this requirement, and the possible need for a Recovery Plan, would coincide with the timing of the FCMAT results. Members asked what instructions had been given to FCMAT for various scenarios, including comparisons with other school districts, GASB 45 implications, and the FY 2007-08 budget, which must include a 3-year projection through 2009-10 when Measure "S" revenues can no longer be assumed. It was requested that the FCMAT analysis and recommendations be agendaized for the 1/9/07 FOC meeting.

- D. Schedule for School Board’s Action on the Proposed Agreement with SMMCTA, and Action on the “Recovery Plan” Requested by LACOE: The Superintendent stated that FCMAT will advise the Board if a Recovery Plan is needed or if funds can be reallocated such that a Recovery Plan might not be required.

In discussion, FOC members expressed concerns with the District’s budget process, that Board decisions are reactive rather than proactive, and do not always involve the FOC in a timely way. Mention was also made of the upcoming negotiations with the City of Santa Monica on the City-District contract. FOC members suggested preempting any concern the City might have about the SMMCTA contract by resolving all questions about how the District will pay for those cost increases prior to the start of those negotiations. The FOC members requested further clarification about what process the Superintendent plans for preparing a Recovery Plan if the FCMAT review indicates that one is still needed, and how the FOC and public would be included in reviewing the Plan prior to Board action. For example, does the Board plan to schedule the Recovery Plan as a discussion item first before taking it up as an action item? If so, the January meeting schedule does not seem to allow for this, unless a special meeting is called. It was requested that the Recovery Plan, if needed, be posted on the District’s website and the Superintendent directed Ms. Smithfield to mention doing this to Ms. Wahrenbrock.

Members emphasized that the District needs a strategic, long-term plan to meet the requirements of a Recovery Plan and to identify where to make specific cuts. They were concerned that further belt-tightening should have occurred when enrollment began declining over the past two years. The Superintendent assured the FOC that she has experience in cutting her previous district’s budget by \$18 million over four years. Members stressed that future budget processes should be proactive, so that there was a plan for expenditure reductions rather than last-minute cuts.

- E. School Board Consideration of the First Interim Report for FY 2006-07: Mr. Silvern noted that this item is scheduled for Board consideration on December 14, but that the documents are not yet available.

**V. New Business (*for Discussion*)**

**VI. Receive and File (*Limited Discussion*)**  
School Services: *Fiscal Reports (10/27/06)*

**VII. Public Comments:**  
Chris Harding, Barbara Inatsugu, Jim Jaffe (*handout: His 12/5/06 letter to FOC*), Ralph Mechur.

**VII. Agenda Planning for the Next Meeting:**  
January 9, 2007

**VII. Adjournment.** Meeting adjourned at 8:55 p.m.