I. Call to Order
The meeting was Called to Order at 7:13 p.m. by Craig Hamilton, substituting briefly for the Chair.

II. Approval of the Minutes:
After the Chair’s arrival, a Motion was made by Mr. Allen and seconded by Mr. Kernochan to approve the Minutes from the 12/04/07 Meeting. Motion passed unanimously.

III. FOC Priority Policy Issues (Primary Discussion Items) – Several of these items were discussed in the context of other agenda items below.
A. Facilities Master Plan (Craig Hamilton)
B. Measure “S” Oversight (Patricia Hoffman & Paul Silvern)
C. Status of District’s Deficit Reduction Plan (Patricia Hoffman & Cynthia Torres)
D. Improving/Creating Consistent Budget Format/Process & Public Presentation of Budget (Denny Kernochan & Carrie Wagner)
E. Enrollment Forecast/Long-Range Trends (Cheryl Stecher and Paul Silvern)
F. Revenues, Expenditures Summary & Adopted Budget Comparison (Cynthia Torres)

IV. Staff Report: Chief Financial Officer Janece L. Maez (Limited Discussion)
A. Governmental/Legislative Issues Concerning District Finances
1. Update on Measure BB Program: Mr. Hamilton updated FOC members on the Measure BB Advisory Committee meeting on 1/7/08, stating that $111 million has been allocated for Olympic, Edison and Santa Monica and Malibu High Schools and $10 million allocated for safety and technology. This leaves $62 million for unallocated projects. After much discussion, the Committee recommended to support the Board-approved priority of secondary schools and to hold off making any future allocation recommendations until cost estimates are completed. All design work will proceed at all school sites. Ms. Maez said that there are policies in place to handle changes if actual costs exceed estimates.

2. Update on Special Ed RFQ: Ms. Maez said that prior to Winter Break, Lou Barber and Associates, the consultant for the Special Ed review, requested detailed information from District staff, which will be given to them this week. In addition, the Superintendent will meet with him on 1/9/08 to discuss the work schedule. The schedule should be on track to receive their report by the end of March 2008. Members again suggested that effort be made by the Superintendent to keep the City Manager informed about progress on the contract.
3. **Waiving of Direct Assessments ($18,474.32) for Victims of Malibu Wildfires (Press Release):** The District received notice in late December from the Los Angeles County Assessor’s Office regarding waiving assessments. The County included a list of parcels for a one-time waiver of parcel taxes in the amount of $18,474.32. Due to the short notice, the Superintendent made an administrative decision and the press release was sent out on 12/20/07; a copy was given to FOC members. The members expressed their support for the administrative decision.

4. **Recap of First Interim Financial Report:** As previously requested, the First Interim Financial Report was mailed to FOC members in December. Ms. Maez went over the report, noting that, as usual, there were changes between the adopted 2007-08 Budget in June 2007 and the First Interim Report, as of October 31, 2007. When the First Interim Report was submitted for Board approval in December, it included more definitive information, such as attendance, the number of retirees and the ending balances from 2006-07. The First Interim Report has a “positive” certification because it demonstrates that the District can meet its financial obligations this year and in each of the subsequent two years. She pointed out the Criteria and Standards summary information on pp. 1-3 and the more detailed information on pp. 107 -109 as another way to understand the District’s financial position.

The Governor’s State Budget plan will be released on January 10. School Services of California will then prepare its annual assessment of what the plan means for school districts and financial planning for 2007-08. These views and recommendations will be presented at a conference for District budget officers. This information will enable District staff to develop scenarios for any immediate reductions that may be required for 2007-08, including for example, reductions in capital outlay, consultants, supplies, freezing or not filling positions. In the long-term, staff will continue to monitor staffing ratios and any further enrollment declines and make budget recommendations accordingly. There was further discussion about the annual COLA, deficit factor and Proposition 98 formulas, which are driven by State growth.

Ms. Maez also noted a reduction in Workers’ Compensation premiums. The District had been estimating premiums at 4%; actuals will be closer to 2%. The District was also subject to retrospective payments, but is now in a positive position with these payments. The District received the first half of the payment of City contract monies, which appears to include both the annual inflation adjustment and the periodic increase approved by the City Council. It was suggested that Ms. Maez check the Santa Monica City Council Meeting Minutes to verify that payment of the periodic increase was not contingent on completing the Special Ed review.

5. **Status Update on SMMCTA and SEIU Negotiations:** Ms. Maez explained that the Tentative Agreement with SMMCTA was signed before Winter Break, and handed out excerpts from the AB 1200 for members to review and return because it had not been officially distributed to the Board and public. The extent of the Agreement is a 3% increase retroactive to 7/1/07 and the salary schedule is again compressed at the upper end of the schedule. Last year, steps 22, 23 and 24 were compressed; this year the schedule is further compressed from year 18, which will occur in 2009-10. The cost of this settlement will be $1.5 million annually. This is a two-year Agreement, but CTA can reopen salary next year. Some FOC Members believe the salary compression should have been at the lower end for beginning teachers. This item is scheduled to be submitted for discussion at the 1/17/08 Board Meeting. A Motion was made by Mr. Silvern and seconded by Ms. Hoffman.
to recommend to the Superintendent that the Tentative Agreement with SMMCTA be considered for discussion at the second Board Meeting in February to allow the FOC time to carefully review and discuss the AB 1200 and develop its own recommendations to the Board at its next regular meeting on February 12, 2008. Motion passed unanimously.

B. **Pending Board of Education Items with Financial or Financial Management Implications**
   See SMMCTA contract and State budget items, above.

V. **New Business (for Discussion)**
   A. **Presentation of 2006-07 Audit Reports (Roy J. Blair, Auditor):** Mr. Blair reviewed both the 2006-07 Annual Financial Report and the Measure “S” Audit Report. He confirmed that the Measure “S” expenditures are in line with the budget, that there are no audit exceptions, and that District reserve levels improved over the prior fiscal year. FOC members noted that page 1.10 had some text errors, so Mr. Blair will email the correct page to Ms. Smithfield, who will forward it to FOC members (since completed).

   Mr. Blair noted that all of the findings from the previous year’s audit have been corrected, and as noted in the Report. A current finding is regarding the District’s non-capitalized equipment, which has not been adequately maintained in a detailed fixed assets listing is partially due to school sites not inventorying and tagging equipment. Staff understands the need for this listing and will implement appropriate procedures for maintaining the non-capitalized fixed assets accounting system. Additional findings regard ASB’s need for reconciliation of potential revenues to actual receipts and inventory and preparing inventory records at year-end. Site personnel have been informed of the need to prepare revenue potentials and inventory records at year-end. Staff will continue to train and monitor the sites on all aspects of inventory. Another finding was for Instructional Minutes, which barely met minimum required minutes and contained numerous errors, including bell schedules not properly reflecting actual minutes, instructional minutes calculated incorrectly and listing the wrong number of days. Given the severity of the financial penalty for non-compliance, Ms. Maez indicated that she and Dr. Chou have been discussing controls and put them in place to ensure instructional minutes are calculated correctly and are in compliance.

   In response to a question about why there was such a large unallocated Deferred Maintenance Fund balance, Ms. Maez said that she shared that concern, but noted the District has a five-year plan and several projects are going to be completed within 18 months, including painting, plumbing and window replacement. The Child Development Fund balance of $30,524 was because funds are received and budgeted as revenue, but if not spent, are changed to deferred revenue. She further noted the need to review ending balances during budget planning to meet State compliance guidelines.

   A Motion was made by Mr. Hamilton, seconded by Mr. Allen and approved unanimously to recommend that the Board accept the 2006-07 Audit Report and Measure “S” audit report.

B. **Projecting and Planning for Declining Enrollment:** This is tabled for the next FOC meeting.
C. **Renewal of Member Terms: Benjamin Allen, Patricia Hoffman, Paul Silvern:** A copy of the 1/17/08 Board item, *Reappointment of Terms to the Financial Oversight Committee for Ben Allen, Patricia Hoffman and Paul Silvern,* was distributed. Mr. Allen, Ms. Hoffman and Mr. Silvern agreed to the renewal of their terms.

VI. **Receive and File (Limited Discussion)**  
EdSource: *School Finance Highlights 2007-08;*  
School Services of California, Inc.: *Fiscal Reports (10/26/07, 11/9/07, 11/30/07 and 12/14/07).*

VII. **Public Comments:**

VIII. **Agenda Planning for the Next Meeting:** February 12, 2008

VIII. **Adjournment.** Meeting adjourned at 9:38 p.m.