



**Santa Monica-Malibu Unified School District
Board Committee
Financial Oversight Committee**

Minutes

February 5, 2008

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*], Ben Allen, Craig Hamilton, Patricia Hoffman, Denny Kernochan, Gordon lee, Cynthia Torres.

(Board Liaisons) Maria Leon-Vazquez, Kelly Pye.

(Staff) Jan Maez, Lisa Persinger

(Absent) Cheryl Stecher *(Committee Member)*

I. Call to Order

The meeting was Called to Order at 7:11 p.m. by Paul Silvern

II. Approval of the Minutes:

A Motion by Ms. Hoffman and seconded by Mr. Kernochan to approve the Minutes from the 01/08/08 Meeting was passed unanimously.

III. FOC Priority Policy Issues (*Primary Discussion Items*) – All standing Agenda items will be returned on to the next FOC Agenda.

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

A. Governmental/Legislative Issues Concerning District Finances

1. Update on Governors proposed budget: Ms. Maez reviewed the most current status of the State's Budget for 2008-09. She distributed a copy of a Board item used by Dr. Hodgson during last years budget development and explained that the District will be using a similar format this year. She explained how most of the news from Sacramento was not positive for school districts. She indicated that the Governor had proposed reductions in funding in both the current and subsequent fiscal years. Information from School Services of California and LACOE indicates that the Governor needs to find \$400 million in the current year and in excess of \$14 billion for next year. For Santa Monica Malibu Unified it is a reduction of over \$350,000.00 in 2007-08 and will result in a negative adjustment to the District's revenue limit in 2008-09.

She described some immediate actions taken by District Administration to compensate for the loss of revenue in 2007-08. Those included a partial freeze on hiring (only necessary vacancies will be filled upon approval by Senior Cabinet) and a slowing of expenditures to essential items only.

Ms. Maez indicated that the larger problem for the District will occur in 2008-09. Although Prop 98 will provide the District with a statutory Cost of Living Adjustment (COLA) of almost 4.5%, the budget will also have a deficit applied of 6.99%. The net adjustment will result in a loss of revenue limit of approximately 2.5%. She explained that years beyond 2008-09 will receive COLAs, but

the deficit will still apply.

Cuts in the Categorical programs will be even larger. They are estimated to be approximately 10%. As always, the Categorical programs will be self sufficient and expenditures will be reduced accordingly.

Ms. Maez explained that the State budget information has been incorporated into the AB1200 required at the conclusion of the SMMCTA negotiations.

She also discussed how the budget will be developed: by estimating enrollment and the corresponding average daily attendance (ADA), looking at staff patterns and ratios throughout the District and determining how large a budget reduction will be necessary. She explained that Senior Cabinet is studying staffing in the District very carefully and will make recommendations to the Board as the budget is developed.

The Committee reviewed the following two handouts: Potential Budgetary Solution Strategies and Discussion Item No. D.02 Re: Considerations Regarding Development of the District's 2008-09 Budget.

Ms. Maez also discussed the enrollment study the District contracted through DecisionInsite and how the results of that report might have a budgetary impact. The report is showing enrollment dramatically declining by more than 400 students per year for the next couple of years. She indicated that the Board will receive the report at their meeting of February 7, 2008 and discuss direction or action that may want the District to pursue. It is likely that the Board will discuss the topic of Inter-district Permits at that time.

Ms. Maez announced that the Board will schedule a Budget Study Session for April 2008 (the date has not yet been determined). She asked if would it be possible for the FOC to have representation at that meeting. She stated that the Board wants input from the FOC during budget development. She noted that the District expects to make about \$2 million in reductions in next year's budget.

Mr. Silvern referred the Committee to page 5a in the AB1200 document as format that describes the condition of the budget over the next few years, but one short of the projection required for the fiscal year 2008-09 budget forecast.

Ms. Hoffman asked, how there could be a revenue increase in 2009-10 if the District has declining enrollment. Ms. Maez explained that the state is projecting a COLA in 2008-09 year. Ms. Hoffman stated that the Board, parents and the community should be notified of reduction's. She felt that reading the AB 1200 did not represent the seriousness of the budget situation.

V. New Business (for Discussion)

- A. Discussion of SMMCTA AB 1200 Document & Possible FOC Recommendation to Board
The Committee discussed the three year projections found in the AB 1200 document.

Mr. Silvern expressed a concern about how the new enrollment projections expected from

DecisionInsite will impact the AB 1200 report. He pointed out that on page 9a of the AB1200 that the District has only accounted for 2/3 of the expected enrollment decline.

Mr. Hamilton asked if it were possible for the Board to receive on a more realistic analysis. Ms. Maez explained that the information in the AB 1200 report was the best information at the time the report was prepared and that she expected the multi-year projection to change as the Board made decisions this spring. Mr. Kernochan stated that changing the transfer policy could bring in additional funds.

Committee members discussed how the FOC should respond to the AB 1200 report. Ms. Torres posed the question of what role should the FOC play at the next board meeting. Mr. Allen raised a concern about the deficit spending and how the community will react. The Committee discussed possible suggestions that could be made to the Board. Ms. Hoffman suggested that allowing additional Inter District transfers or permits could help, but that it must be done responsibly. Mr. Kernochan suggested that the District might want to use reserves as a “bridge loan”. Mr. Allen agreed with others and added a caution to be careful and keep in mind ways to maximize the FOC contribution. Ms. Torres asked the question: is the teachers increase appropriate?

The Committee discussed how the FOC could be most beneficial to the Board and what kind of recommendation could the Committee make to the Board in terms of negotiations. It was understood that the budget changes throughout the year and that the AB 1200 document is only a snap shot in time. The Committee was concerned that this seemed to be the second year in a row that labor decisions were made by the Board before the Governor’s Budget was released, and this year despite public statements that the budget situation was deteriorating. Ms. Maez explained that these negotiations were for the 2007-08 fiscal year and that many districts had reached settlements last summer or fall.

The Committee discussed the need to have a “balanced” budget without deficit spending. The need to have at least minimum levels of reserve for uncertainties was essential for the financial stability of the District. Ms. Maez stated that the District will have the required 3% reserve, but that she will inform the Board of the FOC’s concerns. The Committee continued discussing the District budget, the timing of labor settlements, how conditions might change with the May revise of the State budget.

The Committee reached consensus that it was reasonable for FOC to ask the Board to develop a plan to reduce or eliminate the deficit spending. FOC supports the Board in effort to analyze enrollment trends in the District and highly supports a look into the permit process/policy. Committee members agreed that staff should be paid well and set salaries should at a level to retain teachers. However, Committee members also agreed that there were “red flags” in the AB 1200 that need to be recognized and addressed for the long-term fiscal health of the District.

The AB1200 document was before the Board for discussion January 8, 2008 and is scheduled for approval by the Board on February 7, 2008.

Mr. Silvern stated that the FOC should respond to the Board at their February 7, 2008. He will prepare a response from the FOC and if other Committee members have specific items they want him to include they should email him directly.

VI. Receive and File: None

VII. Public Comments: None

VIII. Agenda Planning for the Next Meeting: March 4, 2008

IX. Adjournment: Meeting adjourned at 9:12 p.m.