



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

Financial Oversight Committee

Minutes

March 4, 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, Patricia Hoffman, Denny Kernochan, Gordon Lee, Cynthia Torres. (*Board Liaisons*) Maria Leon-Vazquez, Kelly Pye. (*Staff*) Jan Maez, Lisa Persinger, Dr. Jose Escarce, Barry Snell. (*Absent*) *Craig Hamilton, Cheryl Stecher, Carrie Wagner.*

I. Call to Order

The meeting was Called to Order at 7:09 p.m. by Paul Silvern.

II. Approval of the Minutes:

A Motion was made by Ms. Hoffman and seconded by Ms. Torres to approve the Minutes from the 02/05/08 Meeting. Motion passed unanimously.

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

- 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*)
- F. Revenues, Expenditures Summary & Adopted Budget Comparison (*Cynthia Torres*)

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

- A. Update on State Budget: Ms. Maez distributed four Fiscal Report handouts to Committee members and briefly reviewed the information. One report outlined the current status of State revenues this year. A second report detailed the Governor’s Mid-Year Spending Reduction Plan. At a previous FOC meeting, Ms. Maez had announced that the 2007-08 revenue limit might be lower than originally expected. She explained that even though the reduction is not presently expected, the County Office of Education is instructing districts to reserve an amount equal to the reduction in their 2nd Interim Reports. In either case there would be no impact to the AB 1200 calculations, because the reduction had already been included in that analysis. The 3rd handout described the Legislative Analyst’s Office (*LAO*) report on the Governor’s budget. Mr. Silvern mentioned that in his review of the LAO press briefing and report, the LAO was extremely critical of the Governor’s January budget, particularly its failure to prioritize State programs and simply cut everything by 10 percent. For the first time, the LAO produced its own budget proposal for the Legislature. It included revenue enhancements (primarily closing loopholes) in addition to targeted expenditure reductions. FOC members commented that they would expect to see further changes occur at the State level when the April tax revenue numbers are available, followed by the May Revise and the budget debate in the Legislature.

- B. Discussion of SMMUSD 2008-09 Budget: Ms. Maez distributed the section of the 2nd Interim Report entitled *Multi-Year Projections*. She described how the District is using these estimates to determine the size of expenditure reductions for the budget year. Ms. Maez announced that the 2nd Interim report is scheduled for adoption by the Board on March 13, 2008. Mr. Silvern asked that the FOC members be sent a copy of the complete 2nd Interim Report when available. Those copies should be emailed to FOC members by Friday, 3/8/08.

During the meeting, it was noted that a majority of school Board Members were in attendance at the FOC meeting since Dr. Escarce and Mr. Snell were guests of the FOC. Ms. Hoffman opined that the Brown Act would probably not be violated if there was no discussion among Board members during the meeting. The balance of the meeting was conducted with this limitation.

- C. SMMUSD 2nd Interim Report: Ms. Maez continued to review the 2nd Interim Report handout. She explained the assumptions listed on the first page of the report. Basic assumptions had not changed in the terms of Cost of Living Adjustment (*COLA*) from previous reports to the Board.. The *Multi-Year Projections* include a *COLA* that has a deficit factor applied to it in each of the following two years. She pointed out that the DecisionInsite moderate enrollment projections were being used to estimate enrollment and Average Daily Attendance. It was also noted that a new Measure R parcel tax revenue estimate was incorporated into these projection assumptions in place of the previous Measures Y and S.

FOC members discussed the use of the DecisionInsite projections and the policy change for Inter-District Transfers. Ms. Maez stated that the change of policy for transfers will allow up to 200 additional students to enroll in the District next year. She restated the declining enrollment adjustment to the Revenue Limit and said the policy will not have an impact on revenue until the second year (2009-10) due to the ability to use higher prior year ADA in the Revenue Limit formula. She also explained how the decline in student enrollment impacts staffing and that there was an adjustment in these projections to account for that as well as further work to rationalize staffing ratios. Members asked if there would be a reduction of actual classroom teachers or whether these reductions could be accommodated through attrition. Ms. Maez stated that the reduction of 21.6 FTEs and the 9.5 FTEs for 2008-09 were all teaching positions but that most reductions could be accommodated by attrition. Mr. Silvern noted that the City of Santa Monica agreement is due for renewal and adjustment consideration beginning in January 2009.

Ms. Maez reviewed the projections by noting that the District is projected to have over \$12 million dollars in its Unrestricted General Fund Unappropriated Reserve at the 2007-08 fiscal year-end. It is also expected that the District will deficit spend by about \$4.2 million in 2008-09 in that Fund. Staff has determined that approximately \$2.5 million will need to be cut from next year's budget in order to make a meaningful dent in the operating deficit, but without causing serious disruption to classroom activities and District operations. The uncertainty of the State Budget and the future of the State's economy are the primary reasons for that recommendation. She stated that the Board has begun the necessary process to make reductions in certificated staff next year. They will be considering several actions at a Special Board meeting on 3/5/08 with formal action anticipated at the 3/13/08 Board Meeting. Additional reductions in Classified and Unrepresented staff will also be addressed in subsequent Board Meetings.

Mr. Silvern suggested that in light of the importance of renewing the City agreement, the District should consider offering the City additional accountability language, such as accounting for expenditures similar to the approach in Measure R. It was also noted by Mr. Silvern that no salary increases are explicitly included in the subsequent years of the *Multi-Year Projections*, nor is any current year salary increase for classified or management employees projected. It was stated that any salary increase beyond this point may increase the deficit.

Ms. Maez explained that Senior Cabinet has met and reviewed department budgets with every Department Head in the District. As an example of the those discussions, she explained that purchasing new buses will allow the District to maintain the current level of fuel costs without needing to increase the budget due to higher per gallon costs.

In response to a question about the *Potential Budget Solution Strategies* documents prepared last year by Dr. Hodgson, Ms. Maez said that the District is using those suggestions and adding to them.

Ms. Maez distributed a Power Point packet produced by Dr. Matthews on *Staffing Allocations and Reductions for the 2008-09 School Year*, which was presented at a previous Board Meeting. It included an overview of the considerations that went into shaping the recommendations presented by Ms Maez. The Committee continued to discuss the recommendations expected from staff. Any recommendations approved by the Board on March 13, 2008 will be incorporated into the budget projections for next year.

V. New Business (for Discussion)

- A. Update on Selection of new District Auditor: Ms. Maez described the process for selecting a new audit firm for the District. A Request for Proposal (*RFP*) had been sent to seven firms on 1/25/08, and three firms responded with proposals. The three proposals were evaluated and each scored very high on qualifications and experience. The firm recommended by staff was the San Diego firm of Nigro Nigro & White (*NNW*). *NNW* does a great deal of work with other school districts in Los Angeles County. The recommendation will be presented to the Board at the 3/13/08 meeting for approval.
- B. Measure BB - Prop 39 Oversight Committee: Ms. Maez reviewed the need for a Prop 39 Bond Oversight Committee which the Board established in December 2006. A tentative date for a first meeting is scheduled for April 9, 2008. This committee is charged with the responsibility to oversee the expenditure of the Measure BB bond funds. The Committee will meet at least once annually.
- C. Annual Information Statement - Continuing Disclosure on General Obligations Bonds and COP's: Ms. Maez let the FOC members know that the District was using the same firm that had prepared previous disclosure reports (*MuniFinancial*). When those reports are completed, they will be made available to the Committee.

There was continued discussion regarding the FOC role during the budget process. There was consensus the FOC would not comment during the March Board meeting and would reserve its suggestions or recommendations to the Board until April, during or following a budget study session that is being planned .

VI. Receive and File:

VII. Public Comments: None

VIII. Agenda Planning for the Next Meeting: April 8, 2008

IX. Adjournment: Meeting adjourned at 8:47 p.m.