



MINUTES

SMMUSD Financial Oversight Committee
June 3, 2008 7:00 pm to 9:00 pm
Location: Testing Room, SMMUSD Admin. Offices
1651 16th Street/Santa Monica, CA 90404

Attendance: (*Committee Members*) Paul Silvern [*Chair*], Ben Allen, Craig Hamilton, Patricia Hoffman, Gordon Lee, Cheryl Stecher, Cynthia Torres [*Co-Chair*], Carrie Wagner, (*Board Liaison*) Kelly Pye, (*Staff*) Jan Maez, Dawn Smithfield.

Absent: Denny Kernochan, Maria Leon-Vazquez (*Board Liaison*).

I. Call to Order

The meeting was Called to Order at 7:08 p.m. by Paul Silvern.

II. Approval of the Minutes:

A motion was made by Ms. Hoffman and seconded by Mr. Lee to approve the Minutes from the 05/06/08 Meeting. The motion passed unanimously.

III. FOC Priority Policy Issues [Reserved for Future Meetings]

- A. Facilities Master Plan (*Craig Hamilton*)
- B. Measure S Oversight (*Patricia Hoffman & Paul Silvern*)
- C. Status of District 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: Members discussed a copy of LACOE Urgent Bulletin #416, *May Revision*, which contains proposals that, if adopted, will significantly affect school districts in 2008-09. The Revenue Limit COLA is completely offset by the Deficit Factor. Some categorical programs could experience a 10% reduction in their funding. There are also some proposed changes to Special Education and some relief from how the State calculates Spec Education. Districts cannot spend less on Special Education than in the prior year, but can only try to control the rate of future spending growth. The expert consensus view is that the State Budget may not be signed until September 2008, which will make District budgeting for FY 2008-09, and perhaps cash flow at the start of the school year, more complicated than usual.

- B. Update on 2008-09 District Budget (*including Measure R Proposed Budget*): Ms. Maez stated that District staff have attended both LACOE and School Services of California (SSC) workshops, and have incorporated changes from the Governor's May budget Revision in the *Preliminary General Fund Budget for 2008-09 (continued discussion)* for the 6/5/08 Board Meeting (a copy was distributed). Included in this document are those staff recommendations for changes from the 5/15/08 Board Meeting, including adding back the FTE at Rogers and Adams, restoring .40 FTE administrative positions at Rogers as well

as 1.0 FTE for a teacher on Special Assignment for Educational Services. The Board was concerned that enrollment would be different than projected and we would have additional monies, so 5.0 FTEs were added to the budget. As September approaches, enrollment will be reviewed. The Board approved adding up to 200 additional permits. The intra-transfer permit requirement deadline has closed. If there are more available spaces, a lottery will be held. At this time, there are 150 outside requests for inter-district transfers, which are approved on a space-available basis. Kindergarten enrollments look like they will be significantly higher than forecasted. A report will be finalized by June 26th. The budget will not be adjusted at this point due to enrollment changes. After the Governor signs the State Budget, any significant budget changes will be submitted to the Board. The Unaudited Actual Financial Report is usually the first meeting in Sept, which may be about the time we receive the 2008-09 funding information. The 2007-08 estimated actuals reflect a one-time transfer of \$4 million added to the unappropriated balance savings related to Workers Compensation. Although FOC members were glad about the increased Reserve, they still cautioned about the District's revenue-expenditure deficit spending. The budget shows no increases for any bargaining units for the next three years, and the disputed City contract funding increase is still included, which is not a foregone conclusion. FOC members believe this budget paints a very unsustainable picture. They asked about public outreach to advertise the availability of new interdistrict permits, perhaps by means of a notice to be sent to City, Santa Monica College and District employees as well as to RAND employees. FOC members encouraged that this should take place as soon as possible, and asked Ms. Maez to relay this information to Student Services staff. Ms. Maez responded that the word is out, but there is some concern that some other districts may not release their students to SMMUSD. The 200 additional permits are open to any qualified applicant.

Besides avoiding operational deficit spending, FOC members want to communicate to the Board that the undesignated fund should be spent only for one-time expenditures, not ongoing ones. The City of Santa Monica has a 3% minimum unappropriated balance, with an additional 10% contingency above that. SSC guidelines are that a small district needs a minimum of 5% in reserve, and the average unrestricted fund balance for districts with SMMUSD's ADA is about 9.7% (per SSC). In response to question regarding school sites having their own reserves, Ms. Maez responded that each school gets its own discretionary money which can be carried over from one year to another, but that's not really a reserve as most schools have a spending plan for carryover amounts.

The Measure R Proposed Budget for 2008-09 was distributed and reviewed, and it was noted that the expenditure categories are generally the same as the 2007-08 Measure S categories, except for technology. FOC members also want to know what percentage of each fund category is paid from Measure R funds versus from the General Fund Restricted and Unrestricted. In the future, FOC members would like to show how important Measure R funds are because we can now track the combination of what were previously two parcel taxes, only one of which was tracked with an account code. It was noted that Measure BB funds will pay for technology equipment, but Measure R funds will cover repair and support. Members recommended that the School Board approve the proposed Measure R expenditure plan for FY 2008-09, which is consistent with Measure R language.

- C. Status of City-District Funding for FY 2007-08: Since the City of Santa Monica is withholding the additional \$530,000 from the District due to Special Education questions, FOC members wondered what how that will be addressed in the proposed 2008-09 Budget, which currently includes those funds. Ms. Maez believes the District will satisfy the City Council's concerns and the funds will be released. If City approval is not given by the time the books have to be closed on FY 2007-08, these funds will be subtracted from the unappropriated fund balance.

V. New Business (for Discussion)

- A. Changes in District Management: Both Superintendent Dianne Talarico and Deputy Superintendent Tim Walker are leaving the District. Although Tim's position will not be replaced as the duties have been split among remaining staff, no cost savings is achieved because his contract was paid off in full. The Board's strategy is to bring in an outside Interim Superintendent, then take time to find the right permanent Superintendent. Selection on the search firm, Leadership Associates, to conduct the search for an Interim Superintendent, is scheduled for approval at a Special Board Meeting on 6/4/08. FOC Members believe that the best Interim Superintendent would be one who is familiar with the District and City of Santa Monica, is politically savvy and able to get up to speed quickly, especially as members in the community are worried about the situation. This is one of the most important things the Board will do, and a significant challenge.

B. Continuation of Discussion RE: 6/5/08 Joint Meeting with the Board of Education:

A copy of the 6/5/08 Board item was distributed. Mr. Silvern handed out a preliminary draft of the FOC Report to the Board, using the same format used in the past: reviewing the fiscal position of the District, FOC accomplishments in 2007-08, Measure S oversight, Measure R passage, as well as comments about the proposed 2008-09 Budget. Recommendations include: 1) consideration should be given to a role for the FOC to play prior to labor negotiations, such as District fiscal status, salary comparisons with other similar school districts, looking at different scenarios of settlement and what it would mean for the District's finances. Labor representatives would be invited to participate in establishing an appropriate FOC role. While supporting, in general, a more proactive FOC role on this issue, which accounts for about 90% of the District budget, members and Ms. Maez discussed how to structure this in a way that does not interfere with the collective bargaining process or infringe on the Board's negotiating authority. Members believe this role exploration process could be supported by bringing in resources, such as an experienced labor attorney or SSC to advise about options and limits. Ms. Maez explained that a traditional based negotiation structure (proposals and counter-proposals being swapped) is utilized in this district. FOC members stressed they want to be sure that the best information on the budget and comparative salary information is available as background information for the negotiations and that the multi-year impacts of alternative settlements are being modeled before a tentative agreement is reached. The members expressed frustration at being involved only after a tentative agreements had been reached and the AB 1200 was prepared. Other proposed recommendations included: 2) the financial strategy of Special Education, and 3) the City of Santa Monica-District Agreement. Ms. Maez said the District wants to be open and above-board and respects the City's need to know what what's happening here, but doesn't want to encourage City to dictate the use of the funds they give the District.

Mr. Silvern said the Superintendent asked him to send the final FOC Report to the Board on 6/4/08 so the Board may review it prior to the 6/5/08 Joint Meeting. Additional recommendation items discussed included: updating the Strategic Plan and raising additional capital and operational revenues. Mr. Hamilton, Mr. Kernochan and Ms. Torres will not be able to attend the Joint Meeting.

- C. Amend Charge for FOC: A copy of this 6/5/08 Board Item was distributed and reviewed, with changes associated with Measure R noted in Section IV, *FOC Roles and Responsibilities*. Mr. Silvern will include a few comments about Measure R responsibilities in the FOC Report to Board.

VI. Receive and File:

School Services of California: *Fiscal Reports (4/11/08 and 4/25/08)*
Updated FOC Roster

VII. Public Comments: None

VIII. Next Meeting: June 5, 2008 (*Joint Meeting with the Board*)

IX. Adjournment: Meeting adjourned at 9:20 p.m.