



SMMUSD Financial Oversight Committee – Minutes-Amended

Date: Tuesday, December 2, 2008

Time: 7:00 pm to 9:00 pm

**Location: Testing Room, SMMUSD Admin. Offices
1651 16th Street/Santa Monica, CA 90404**

Attendance: (*Committee Members*) Cynthia Torres [*Chair*], Patricia Hoffman, Denny Kernochan, Gordon Lee [*Vice-Chair*], Paul Silvern, Cheryl Stecher Carrie Wagner; (*Board Liaison*) Maria Leon-Vazquez, Kelly Pye; (*Board Member*) Ralph Mechur; (*Staff*) Jan Maez, Dawn Smithfield. Absent: Ben Allen, Craig Hamilton.

I. Call to Order

The meeting was Called to Order at 7:07 p.m. by Ms. Torres.

II. Approval of Minutes: 11/05/08

A motion was made by Mr. Silvern and seconded by Ms. Wagner to approve the Minutes, as amended, from the 11/05/08 Meeting. Motion passed unanimously.

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

A. Harry Keiley – SMMCTA Salary Compression Response: Mr. Keiley was unable to attend but has been invited to the 1/13/09 FOC meeting. Ms. Maez said that initial negotiations have begun with SMMCTA as far as setting ground rules and budget projections, but no proposals have been exchanged. The next meeting is Monday, 12/8/08 to discuss the scenario development and timetable and possibly non-monetary issues that were sunshined. Ms. Maez stressed the need to show the most accurate projections possible and noted that the District may need to explain realistic numbers and the rationale of its ending balance/reserves, especially in the last couple of years due to transferring of funds from Special Reserve Fund to the General Fund.

B. Update on State and District Budget: The projected funding continues to decline, the State's running out of options and real reform is needed. The District hosted the League of Women Voters forum on 11/12/08; a copy of the materials from that meeting was distributed. One of the most alarming statements was that Assemblyperson Julia Brownley questioned whether or not the legislators would have the will to do ,make the kinds of changes that are needed. There seems to be no sense of reality that something needs to be done to enhance revenues, both short and long-term. The Republicans in both houses are firmly opposed to any revenue increases. LACOE put together a range of bad news: Immediate: the current budget situation will require mid-year cuts, but at a greater rate than most have expected, which could be \$3 to 9 million from the current year's budget; Future: even if we get through this year via reserves or flexibility from LACOE, we still have deficit spending. We need to determine which categorical programs have committed personnel costs. Ms. Maez noted that there is a possibility that the State will say we can spend those funds during this crisis, but the Board of Education would have to decide what is being risked if those fund are used. A 0% COLA has been built into the budget assumptions for the 2009-10 budget year.

C. Preparation and Planning for First Interim Report: Ms. Maez reviewed the narrative, which outlines changes from the adopted budget and includes revenue and expenditure changes, categorical program funding and the Local General Fund Contribution (LGFC) encroachment on the General Fund. She went over the multiyear projections and assumptions, noting that the deficit factor wipes out the statutory COLA. This report continues to assume support from the City of Santa Monica with COLA increases. The \$530,000 additional funding from the City of Santa Monica is not included in the budget, but the City Council will discuss this item at their meeting in January, and it's expected they will release it. The District's declining enrollment means that 13 teachers will be cut in 2009-10 and 12 teachers in 2010-11. Ms. Maez stated that the District's declining enrollment is less than expected. This could be due to the loosening of the permit policy as well as this current economic decline, which can mean that some private school pupils are returning to public schools. The 2008-09 budget does not include mid-year cuts and still reflects the transfer of \$1 million coming in from Fund 21 (Measure BB) to the General Fund for routine general maintenance. The Board of Education has set aside \$1 million for a new student information (??) system and \$132,000 for small school planning.

No salary increases, other than step-and-column, are included in the projections. Deficit spending is increasing each year and the reserves are decreasing. The Board also increased the District's reserve from 3% to 5%. The unappropriated balance is \$10 million. Ms. Maez warned that if deficit spending continues, the unappropriated balance will drop to just over \$1 million in 2010-11. To further complicate matters, if 2010-11 has no COLA, then the unappropriated balance is further reduced. In response to a request from FOC members, she will bring back an analysis of reserve balances over the past few years to the January FOC meeting.

Ms. Maez has been reviewing the special education budget, and said there are a number of positions that are unfilled. The vacancies in these positions have not affected the delivery of services, so maybe the need for those positions needs to be reexamined. She would like to see more realistic staffing in special education. There have been changes in the special education program, so we might find some efficiencies. Over the past three years, we brought programs in-house (such as the autism program) instead of sending to NPA or NPS so we're starting to see the benefit.

FOC members reviewed the multi-year projections and emphasized that the District will not be able to make the minimum balances/reserves in the 2010-11 year with the current deficit spending, which would be compounded with mid-year cuts. This deficit is further compounded with increases in PERS employer contribution, PERS reduction and the GASB 45 unfunded liability. Ms. Maez cited an article from the *Sacramento Bee*, noting that the one thing that has protected education in the past is a strong education coalition (SMMCTA, ACSA, CASBO, etc). She noted that changing State dynamics might weaken that coalition.

D. Update of Discussion with City of Santa Monica RE: Joint Use Agreement: A presentation about the advances in special education was made to the Santa Monica City Council and there was positive reaction from the Council Members. Councilman Shriver attended and was impressed by the Fall Forum workshop, and felt that it was important for the City Council to hear to get a sense of how things were going. The PTA gave an update at the City Council meeting and Council Members were comfortable that key issues had been addressed and progress has been made. When this action item comes before them in January, they should release the \$530,000 in additional funding for the District. The City Manager has had public meetings about the City's budget, which has a positive outlook due to various revenue streams. The public discussion about the City's budget, including the possible extension to the Joint Use Agreement, will begin in January, but no real decisions will be made until May. Ms. Maez stated that LACOE would like to see concrete commitments being made rather than just discussion between the two entities, by the time of the 2nd Interim Report (which must be Board-approved and submitted to LACOE by 3/15/09).

E. Update on Upcoming Bond Issuances: Ms. Maez remarked that she and Mr. Lee have not been able to meet since their previous meeting, so there is no real update at this time, but they will try to meet before the next FOC meeting. She also noted that she, Michael Hill and John Jalili had a preliminary meeting with City Redevelopment Agency staff.

IV. Update of the Status of the Measure BB Facilities Bond Program

Since Mr. Hamilton was not at the FOC meeting, Ms. Maez gave a short update, mentioning that the Board has a Measure BB workshop session scheduled for 12/17/08 here at the District. The material covered will include the budget report, timeline projections and dates for construction beginning and ending. The BB program will be reviewed and the whole process explained, including change orders, which are different phases of the program (architectural, design, and construction). It was suggested to change the language of "change orders" to "task orders". There is a lot of work going on with CEQA process, the most active one being in Malibu. The Boys and Girls Club construction is coming along and their funds are in an escrow account. The project is about \$2.4 million; the District has spent \$300,000, and they'll pay the remainder.

V. New Business (for Discussion)

A. CBEDs Enrollment Count – October 1: A copy of this report was distributed to FOC members.

B. GASB 45 Actuarial Valuation: A copy of the report was given to FOC members. Ms. Maez described some of the calculations used in the GASB 45 evaluation and explained how this might impact the District. We must assume this liability only for those employees who retire from our District and who have health benefits. She clarified that the actuarial accrued liability is what gets reported on the books. Recommendations of how to handle the GASB 45 unfunded liability will be discussed with FOC and submitted at a Board meeting in January or February 2009.

C. 11/20/08 Board Item: *Replace Three Positions on the Financial Oversight Committee and Reappointment of Term for Cynthia Torres*: A copy of the approved item was distributed.

1. Press Release and FOC Application: This was previously emailed to FOC members and included in the meeting materials. The press release was sent out on 11/21/08 to several newspapers as well as to the libraries and city clerks, and the application is on the District's website. The application deadline is 12/19/08. Members were encouraged to refer applicants, with a special outreach to those prospective applicants from the Malibu area.

Ms. Torres thanked Mr. Kernochan, Ms. Stecher and Mr. Allen for their work on the FOC over the past several years. Both Mr. Kernochan and Ms. Stecher said they appreciated working with everyone on the FOC.

a./b. Composition of Interview Subcommittee/Interviews on 1/6/09: Ms. Torres previously asked Mr. Lee to chair the subcommittee, and Ms. Wagner will assist him with the interviews, which are scheduled for 1/6/09 at 6:30 p.m. in the Board Conference Room. The subcommittee will present their findings to the full FOC at the 1/13/08 meeting, with a recommendation scheduled for 1/15/09 Board Meeting.

2. FOC Other Subcommittees: Ms. Torres will email all FOC members to confirm their subcommittees, noting that each should prepare an objective. The three subcommittees are: District Bond Program, Review of Special Education Budget and Public Education Program Related to District Finances.

VI. Receive and File (Limited Discussion)

- School Services of California, Inc.: *Fiscal Reports (10/24/08 and 11/7/08)*

VII. Public Comments

None

VIII. Agenda Planning for Next Meeting: January 13, 2009

- Harry Keiley-SMMCTA Salary Compression Response (*carried over from 12/2/08*)
- Historical Ending Balance Analysis (*Ms. Maez*)
- FOC Applicant Recommendations to the Board of Education

IX. Adjournment

Meeting adjourned at 8:56 p.m.