

**Santa Monica-Malibu Unified School District  
Board of Education  
MINUTES**

**UNADOPTED  
May 8, 2003**

A special meeting of the Santa Monica-Malibu Unified School District Board of Education was held on Thursday, May 8, 2003 at 7 p.m. in the Board Room of the Administrative Offices, 1651 16<sup>th</sup> Street, Santa Monica, CA. The Board met in a joint session with the Financial Oversight Committee. Following the joint meeting, the Board moved to the Board Conference Room to hold a Closed Session, for reasons listed in Section IV below. The Board took no action in Closed Session.

**I CALL TO ORDER**

- A. Roll Call
- B. Pledge of Allegiance

**II Joint Meeting - Financial Oversight Committee - Members present included:  
Mr. Rich, Mr. Hamilton, Ms. Hoffman, Ms. Heimbuch, Mr. Rosenthal,**

- A. Presentation by Chairman, Michael Rich**  
A copy of Mr. Rich's comments is attached.
- B. Concluding Remarks from the Committee Members**
- C. Discussion**
- D. Committee Composition - Possible Expansion - Discussion**  
Following the outcome of the election on June 3, the Board of Education may consider expansion of the Financial Oversight Committee at the meeting of June 12, 2003.

**III Major Items**

- A.1 Reduction or Elimination of Particular Kinds of Services - Final  
Notification of Employees (place holder)**  
This item was pulled by staff.

**IV PUBLIC COMMENTS FOR CLOSED SESSION ITEMS ONLY**  
There were no public comments.

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**V CLOSED SESSION:** (The Board of Education moved to Closed Session at 8:25 p.m.)

- Personnel Matters Related to Public Employee discipline/dismissal/ release/employment status pursuant to GC§54957, as cited in the Brown Act
- Personnel Matters related to Reduction of Staff - EC 44955, et. seq.
- Property Negotiations - Joint Use Agreement - Malibu School Sites pursuant to GC§54956.8 as cited in the Brown Act
- Conference with Superintendent and Assistant Superintendents regarding 2002-2003 Strategies for Negotiations with Non-Represented Employee, the Santa Monica-Malibu Classroom Teachers Association (SMMCTA) and the Santa Monica Chapter, Local 660, of the Service Employees International Union (SEIU) pursuant to §GC 54956.8, as cited in the Brown Act

**VI Public Comments**

Public Comments is the time when members of the audience may address the Board of Education on items not scheduled on the meeting's agenda. All speakers are limited to three (3) minutes. When there is a large number of speakers, the Board may reduce the allotted time to two(2) minutes per speaker.

No speakers under Public Comments.

**VII ADJOURNMENT**

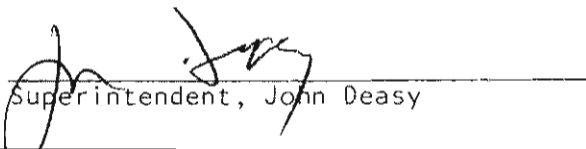
Moved by Dr. Escarce, seconded by Ms. Brownley and voted 6-0 to adjourn the meeting at 9:45 p.m.

The next regular meeting of the Board of Education is scheduled to be held on Thursday, May 15, at 7 p.m. in the Santa Monica City Council chambers, 1685 Main Street, Santa Monica, CA, unless otherwise noticed.

Meetings held in Santa Monica are taped for rebroadcast and played on Cable Channel 16 (City TV) at 11:00 AM on the Sunday following the Board meeting. Meetings are rebroadcast in Malibu on Government Access Channel 15 every Thursday at 2 PM and every Saturday & Sunday at 8 PM

Approved: June 12, 2003

  
President, Maria Leon-Vazquez

  
Superintendent, John Deasy

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<b>Board Of Education Meeting Schedule</b>					
<b>JULY THROUGH DECEMBER, 2002</b>					
<b>Month</b>	<b>1st</b>	<b>2nd</b>	<b>3rd Discussion Meeting</b>	<b>4th</b>	<b>Special</b>
July					No Meetings in July
August		8		22	23 - tentative: Board Retreat (29)
September	5		19 *		<b>19 - Data Review Discussion Session</b>
October	3 **		17 *		(30) <b>17- Race and Discipline Workshop</b>
November	7		21 *		(29)
December	5	<b>12</b>	19		(12) Tentative Reschedule of 12/5/02 <b>19 - Board Agenda Management and SIP's Workshop</b>
<b>REVISED</b>	<b>REVISED</b>	<b>JANUARY THROUGH JUNE, 2003</b>		<b>REVISED</b>	<b>REVISED</b>
January		9		23	<b>23: Charter Schools discussion</b> <b>30 - Parcel Tax</b>
February	6 **		20 *		<b>1: Board Retreat</b> <b>20: Institute for Learning discussion</b>
March	6		19(Wed)		<b>19: Standards-based Instruction discussion</b> 20-21 Stairway to the Starts (Civic Aud)
April	3			24	(Spring break 4/16/03 thru 4/25/03) <b>24: Preliminary Budget Planning discussion</b>
May	1 **	8	15 *		(29) <b>8: Special Meeting</b> <b>15: Budget Planning discussion</b>
June		12		26	12 W/O 6/16: Graduations

\*\* Malibu Meetings (10/3, 2/6/, 4/3, 5/1, - Malibu High School Auditorium 30215 Morningview Drive, Malibu.

\* Santa Monica City Council Chambers (9/19, 10/17, 11/21, 2/20/03, 5/15) - 1685 Main Street, Santa Monica.

Agenda Distribution:

A copy of the Table of Contents is posted 72 hours in advance of regularly scheduled Board of Education meetings and is also accessible to the public 24 hours/day at the District Offices' entrance, 1651 16<sup>th</sup> Street in Santa Monica.

Complete Board of Education agendas are also available in *pdf* format, 24/7, on the District's website:

[www.smmusd.org](http://www.smmusd.org).

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**I      CALL TO ORDER    7:11 p.m.**

A      Roll Call

Maria Leon-Vazquez - President  
Jose Escarce - Vice President  
Emily Bloomfield - excused absence  
Julia Brownley  
Oscar de la Torre  
Mike Jordan  
Shane McLoud

Moises Castillo - Santa Monica High School Student Representative  
Christine Hoff - Malibu High School Student Representative

B      Pledge of Allegiance  
Led by Mr. de la Torre

**II      CLOSED SESSION**

No action taken in Closed Session.

Financial Oversight Committee - Third Year Report  
May 8, 2003

Good evening. The Financial Oversight Committee appreciates the chance to have another joint meeting with the Board. Before I begin, I want to do two things. First, introduce the committee members, all of whom you appointed: Craig Hamilton, an architect with Cannon Design; Chris Harding, prominent attorney with Harding, Larmore, Kutcher & Kozal; Babette Heimbuch, President and CEO of First Federal Bank; Patricia Hoffman, a former two-time member and past president of the Board of Education; and, Walter Rosenthal, a businessman with extensive domestic and international experience. Until last month, when she and her family moved to Chicago, the Committee included Gloria Reisner, an attorney. I am Michael Rich. I am Executive Vice President of the RAND Corporation and I have served as the committee's chairperson.

Second, I want to acknowledge the outstanding assistance that we have received in our work from Ken Bailey. We were worried when Paddie Harris moved to other duties, but Dawn Smithfield has been superb. We have also benefited tremendously from District staff who have spent time at our meetings: Tim McNulty and staff from the Special Education Department; Judy Abdo and Nancy Rivera from Child Development Services; Peggy Harris and Laurel Schmidt from Student and Family Services; Steve Cannell, Coordinator of State and Federal Projects, as well as Beth Connors and Wade Roach. Also Keryl Cartee, Chief Steward of SEIU, and Harry Keiley, president of SMMCTA, and Linda Gross of the Santa Monica-Malibu Education Foundation. We are also appreciative of the time that the Superintendent has spent with us.

Two final points: We have had the good fortune of having excellent Board liaisons: Brenda Gottfried for the first two and a half years and, since her departure, the president and immediate past president of the Board. In my role as chairperson, I have benefited from having RAND economist Ashlesha Datar help me various analyses.

The purpose of tonight's meeting is to give you a report on our third year of activity. Our report covers both the District's ongoing efforts to strengthen financial management and its recent efforts to address the immediate funding crisis.

There should be no mistake. Our public schools face a serious crisis. Estimates of California's budget deficit hover around \$35 billion; more than a third of the budget, itself. To give you an idea of how enormous this problem is: If we were facing a deficit of the same proportion at the federal level, it would be a deficit of nearly \$700 billion, more than twice the most pessimistic estimates. We will know more next week when Gov. Davis releases his May Revision, but the cut in state funding for education is expected to be between \$2.5 billion and \$3 billion. As Mr. Deasy and Mr. Bailey have reported, if the State level cuts are at the lower end of that range, the District faces a \$12 million shortfall for next year--the 2003-2004 fiscal year. Then in the following year, the District will have to make an additional \$3 million in cuts. If the State-level cuts announced next week are closer to \$3 billion, the effect locally could be greater. Cuts of this magnitude will have profound consequences for educational programs

Many of the roots of the crisis are external to the District; they can be traced to the State, which is why every school district in California faces major challenges right now. This is because funding for K-12 education is heavily dependent on state revenues. Nearly 60 percent of the funds for K-12 education in California originate at the State level. Among large states, only

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Michigan is more heavily dependent on State-level funding. By contrast, schools in some other large states, like Illinois, are only half as dependent on state funding. The result is that funding for K-12 education in California is exceedingly sensitive to statewide business cycles. The state budget grew by 57 percent between 1995 and 2003, fueled primarily by the economic boom throughout the state. One happy consequence was a big boost in spending for K-12 education--not only for general purposes but also for new initiatives like the K-3 class-size reduction program. Unfortunately, the economic recession that began in 2001 is now hitting state revenues with full force and a sharp negative effect on K-12 funding is unavoidable.

Although the crisis has important roots at the State level, which is why every District faces very difficult times, it is important to keep in mind that there are several factors that make the challenge for our District even larger and more difficult. Let me mention four. First, our District has faced a significant increase the budget impact of special education costs. Over the last five years, special education spending as a percentage of total spending has stayed level throughout the County at about 9 percent of the total budget. In Santa Monica-Malibu, it's grown from 10.8 percent to 12.3 percent. Put another way, special education costs consume nearly 40 percent more of this District's budget than they do of the County district budgets in the aggregate. Second, personnel costs in our District are near or at top of the County. Teacher salaries per ADA rank third in the County; 19 percent above the County average. Classified salaries per ADA rank first in the County; 34 percent above the County average. Our benefits costs are at the average so these high rankings are the result of two things: salary levels and staffing levels. Third, our District tapped into its reserves in each of the last two years in order to preserve educational programs valued by the community, depleting those reserves so that they are not adequate by themselves for the District to weather this crisis. Finally, because of its extensive programs to remedy its aging infrastructure, our District already carries substantial amounts of long-term debt. This year, with a general fund balance of about \$95 million, the District's long-term debt exceeds \$125 million. By contrast, Burbank, a district that is about 10 percent larger, has a long-term debt of under \$50 million. When the unexpectedly large problems at the State level are combined with these local factors, the challenge for our District is especially difficult.

With that as a backdrop, let me move to the Committee work. To remind you, we were established in 2000 to provide independent citizen oversight of the District's financial management. Our task was to assist the District--the CFO and the Superintendent--with planning and spending its resources wisely and with developing new sources of revenue. We have kept a steady twice-a-month meeting schedule and the staff has been enormously cooperative.

I will summarize our report in two parts, dealing first with the District's ongoing efforts to respond to the recommendations we made two years ago and then with the District's response to the immediate funding crisis.

It is the unanimous view of this committee that, overall, the District has taken significant strides over the past two years towards improved financial planning and management. More specifically, it has made notable progress on our following sets of recommendations. It has made more regular use of multi-year planning horizons, whereas in the past attention was often limited to the current and next budget years. It has made more use of sophisticated financial analysis for major decisions. And, it has made numerous improvements in the management of individual accounts, including travel, contracted other services, and capital expenditures. Our recommendations went further, of course, we recommend these initiatives for getting top priority in terms of management commitment and attention in the coming year. First, development of a

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"community-format" budget display. Second, continued improvement in expenditure planning and control, especially related to the personnel accounts. Third, continued attention, especially at the Superintendent level, to securing new and enlarged, stable sources of revenue. I have not ranked those in order of priority, but the Committee judges those as the top priorities for the coming year and we have communicated those to Mr. Bailey. But, let me reiterate the point I started with. The quality of financial management of this District has made great strides and remains headed in the right direction.

Turning now to the District's responses to the current situation, the Committee has four sets of observations. First, the District staff developed a well-conceived framework to guide the District in its decisions regarding the required cuts. Second, it formulated an effective approach for assisting the Board in developing a detailed plan of prioritized "put-backs" should new sources of revenue become available. Third, it is continuing the important efforts devoted to improving business practices and strengthening financial management. It is often tempting to discard difficult, long-term efforts to improve business processes and financial management practices when pressing near-term problems arise. The Committee is impressed and believes that you should be grateful that the District's efforts in this domain have not diminished in the face of severe demands of the current crisis. Finally, it has also maintained its active efforts to boost existing sources of revenue and seek other stable sources of funding.

This brings me to the Measure S, the School Funding Measure now before the community. Passage of this Measure is of critical importance, for at least four reasons. It will reduce the magnitude of required cuts, though of course it will not eliminate the need for cuts entirely. It will increase the District's ability to rebuild its reserves as the State's economy improves, as it will inevitably do. It will facilitate continuation of the District's efforts to further improve its financial management practices. And, it should strengthen the District's case for financial support from new and existing sources, including from the cities of Santa Monica and Malibu, because it will demonstrate that it has left no stone unturned in its efforts to preserve the educational programs valued so highly by the community.

By way of a summary, let me offer five concluding points. First, and most important from the standpoint of the Committee charter and mandate, the District is making significant progress on strengthening its financial planning and management practices. Second, the District's initial steps to address the major challenges of the next few years--challenges with roots at both the state and local levels--those initial steps are well thought-out. Third, successful passage of Measure S--the School Funding Measure--is essential for the District, for the reasons I mentioned earlier, but it is not sufficient, which leads me to my fourth point. The District must continue to make progress on both financial management improvements and revenue enhancements. It is tempting for some to believe that the educational programs for the children of this District deserve to and can be sustained and developed if only there were enough money. It is tempting for others to believe that no additional revenue is needed if only the District got its financial practices in order. While tempting, neither view is correct, which is why the Committee urges passage of Measure S and a renewed commitment to both financial management improvements and development of additional revenue streams. My final point is that the Committee remains interested in assisting the District as it moves forward. We thank you for the opportunity to serve the community and hope that we have been of assistance.

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