

**Santa Monica-Malibu Unified School District
Board of Education Meeting
ADDENDUM TO THE AGENDA**

January 17, 2008

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- Closed session with legal counsel concerning pending litigation pursuant to GC §54956.9(b)(3) as cited in the Brown Act (1 case).

CONSENT AGENDA

MAJOR ITEMS

DISCUSSION ITEMS

- D.02 Possible Impact of the Governor’s Proposed Budget Reductions for 2008-09
ADD: Agenda item (*page 2 of this update*)

- D.03 Additional Revenues for the Measure “BB” Program
ADD: Agenda item (*pages 3-4 of this update*)

INFORMATION ITEMS

SW

TO: BOARD OF EDUCATION

ACTION/CONSENT

12/13/07

FROM: DIANNE TALARICO / JANECE L. MAEZ

ADDENDUM

RE: POSSIBLE IMPACT OF THE GOVERNOR'S PROPOSED BUDGET
REDUCTIONS FOR 2008-09

DISCUSSION NO. D.02

On Thursday, January 10, 2008, Governor Schwarzenegger announced the details of his 2008-2009 Budget. These proposals are dramatically different than those from a year ago. The proposal makes serious changes in school funding as part of a plan to bring the state's fiscal house in order. There will be much debate regarding these proposals before the legislature brings this to a vote. Most experts in the field of school finance believe that there will be many alternative plans proposed before we actually know what the district's State funding will be in 2008-09.

Nevertheless, California is in a serious fiscal crisis and school districts must be planning worst-case scenarios. Most serious of the proposals is the element of a Cost of Living Adjustment (COLA) in 2008-09 and the application of a deficit. This will leave schools behind the current year funding levels. This suspension of Proposition 98 will require a two-thirds vote by the legislature.

Staff will bring an item to the February 7, 2008, board meeting describing the district's proposed process for budget development.

On a positive note, the Governor's budget did not suggest the need for reductions for the 2007-08 fiscal year. Should the economy worsen and current year cuts be necessary, staff would develop a plan looking first at areas of the budget furthest from affecting students in classrooms. Areas to be considered might include: freezing of unfilled positions, freezing of all General Fund travel and conferences, delay of General Fund capital outlay expenditures, and a reduction of site and department supply allocations.

TO: BOARD OF EDUCATION

ACTION/CONSENT

12/13/07

FROM: DIANNE TALARICO / JANECE L. MAEZ

ADDENDUM

RE: ADDITIONAL REVENUES FOR THE MEASURE "BB" PROGRAM

DISCUSSION NO. D.03

It has been requested that staff present information regarding the identification of additional revenues for the Measure "BB" program.

COMMENT: At the October 18, 2007, meeting, the board directed staff to explore all possible avenues to expand the amount of available construction dollars for Measure "BB" projects. There are four major areas that staff will report to the board:

1. **Accelerated Measure "BB" Program** - The original "BB" budgets were based on an eight-year program and contained a reserved amount for cost escalation over that time. By shortening the program into six years, that escalation factor will be significantly less, allowing for more of the bond proceeds to go directly towards project construction. Staff has reviewed this program with the Financial Oversight Committee, who took action at the December meeting in support of the acceleration of the program.
2. **Redevelopment Agency Funds** - Staff has been working with the district's financial advisors at Piper Jaffray to explore the possibility of utilizing a future revenue stream of Redevelopment Agency Funds for current Measure "BB" projects. Staff will report on the capitalization of these funds.
3. **Additional Interest Earned** - Due to the accelerated receipt of bond proceeds, there will be additional interest earned in the program and available for projects.
4. **State Matching Funds** - Staff and district consultants at Parsons have begun reviewing state eligibility for matching funds. This review should be completed before the end of the fiscal year.

Staff will demonstrate how these items will impact the Measure "BB" budget and show how the amount of unallocated funds has increased from \$38 million to \$62 million.

NOTE: At the February 4, 2008, meeting, staff recommends the following action be taken by the Board of Education:

- Accept the FOC's recommendation to accelerate the Measure "BB" program.
- Direct staff to move forward with the capitalization of the Redevelopment Agency revenue, include the interest calculation in the Measure "BB" budget, and aggressively pursue matching funds.