



**BOARD OF EDUCATION MEETING  
MINUTES – SPECIAL MEETING**

**January 24, 2017**

A special meeting of the Santa Monica-Malibu Unified School District Board of Education was held on Tuesday, January 24, 2017, in the District Administrative Offices: 1651 16<sup>th</sup> Street, Santa Monica, CA. The Board of Education called the meeting to order at 5:38 p.m. in the Board Room at the District Offices.

**I. CALL TO ORDER**

**A. Roll Call**

Board of Education Members

Laurie Lieberman – President	Maria Leon-Vazquez
Richard Tahvildaran-Jesswein – Vice President	Jon Kean
Oscar de la Torre – <i>absent</i>	Craig Foster
Ralph Mechur – <i>arrived at 5:43pm</i>	

**B. Pledge of Allegiance**

*Led by Mr. Kean*

**II. BUDGET PLANNING FOR 2017-18**

In mid-January, staff attended a workshop updating school districts on Governor Brown’s proposed budget for 2017-18. This special budget workshop will allow staff to update the Board of Education on information presented at that workshop and progress of the District Budget Committee.

\*\*\*\*\*                      \*\*\*\*\*                      \*\*\*\*\*                      \*\*\*\*\*                      \*\*\*\*\*                      \*\*\*\*\*

*Ms. Maez’s presentation and handouts can be found under Attachments at the end of these minutes.*

*Ms. Maez answered board members’ questions regarding: one-time revenues that occurred over the past few years; how projected GSH revenues will impact future year budgets; how our district’s expenditures compare to similar districts; and the financial assumptions that have been made to generate projections. The board discussed instructional efficiencies and the effectiveness of current programs; the make-up of the district budget committee; and strategies that could be used during budget reduction conversations. Following discussion, the board agreed with staff to take a graduated approach over the next few years to reduce spending and to operate under the concept that for each amount of expenditure that occurs there must be an equal amount of reduction elsewhere in the budget. The board also requested that the district budget committee return with budget reduction recommendations sooner rather than later, allowing the district and board to make thoughtful and deliberate decisions.*

**II. 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. The Brown Act (Government Code) states that Board members may not engage in discussion of issues raised during "VIII. Public Comments" except to ask clarifying questions, make a brief announcement, make a brief report on his or her own activities, or to refer the matter to staff. This Public Comment section is limited to twenty (20) minutes. If the number of persons wishing to address the Board of Education exceeds the time limit, additional time will be provided in **Section XVI. CONTINUATION OF PUBLIC COMMENTS.**

**V. ADJOURNMENT**

It was moved by Mr. Foster, seconded by Mr. Kean, and voted 6/0 (Mr. de la Torre was absent) to adjourn the meeting at 8:15 p.m. This meeting will adjourn to a regular board meeting scheduled for **Thursday, February 2, 2017, at 5:30 p.m.** in the **Malibu City Council Chambers: 23825 Stuart Ranch Road, Malibu, CA.**

Approved: 2/2/17

Jamie Pi  
President

BOD  
Superintendent

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## **ATTACHMENTS**



ATTACHED ARE THE FOLLOWING DOCUMENTS:

- Presentation: “2017-18 Budget Workshop”
- Document: “8-Year Multi-year Projection / Unrestricted General Fund”

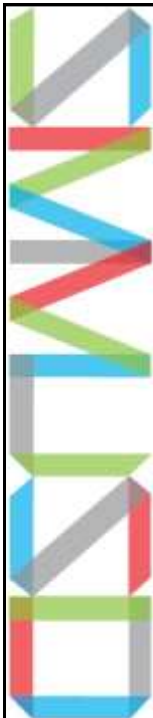




SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

# 2017-18 Budget Workshop

Janece L. Maez  
Associate Superintendent, Business Services  
January 24, 2017



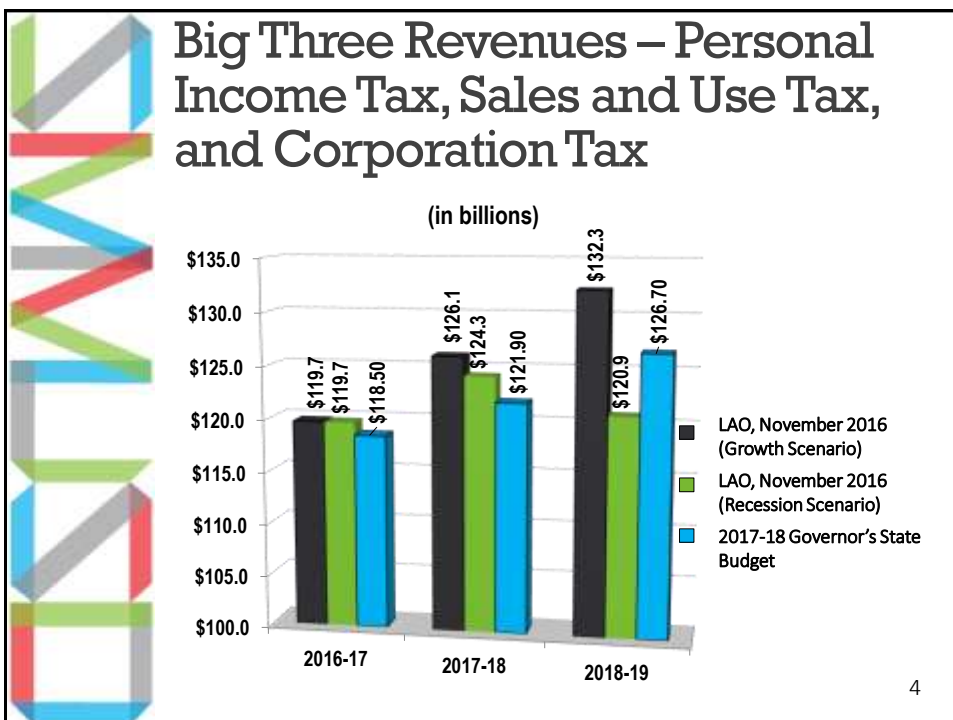
## Themes for 2017-18 Governor's Budget

- Economic conditions continue to define options for the State
- Proposition 98 still controls education funding
- We expect major political and legislative challenges, particularly at the Federal level
- The Local Control and Accountability Plan (LCAP) continues to evolve
- Execution of the Budget will present operational issues in several areas
- The road behind us has been filled with highs and lows – the road ahead will be equally uncertain


## Economic Growth: Now and Later

- All year long, the Administration has been warning of slower economic growth
  - Lower than expected state revenues
  - Continued forecasts for low growth in Proposition 98
  - The Governor over-contributed to the state's Rainy Day Fund
- SSC is concerned that the top 1%, who pay half of the personal income tax and all of the Proposition 30 taxes, may not be doing as well as expected
- The November elections appear to have provided new stimuli to the economy
  - The stock market has soared
  - State and local school facility bonds were approved and will create new jobs
  - Passage of Proposition 55 will continue the high-bracket income tax supporting education funding

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## Proposition 98

- The Governor's Budget proposes a revised current-year Proposition 98 guarantee of \$71.4 billion
  - A decrease of \$506 million from the enacted Budget due to lower-than-expected General Fund tax revenues, which declined by \$5.8 billion over the three-year budget period
- The Budget proposes Proposition 98 funding of \$73.5 billion in 2017-18, down \$953 million from the forecast level accompanying the enacted Budget
  - Funding is based on Test 3 (per capita General Fund revenues, plus 0.5%)
  - The average daily attendance (ADA) is expected to drop slightly by 0.01%

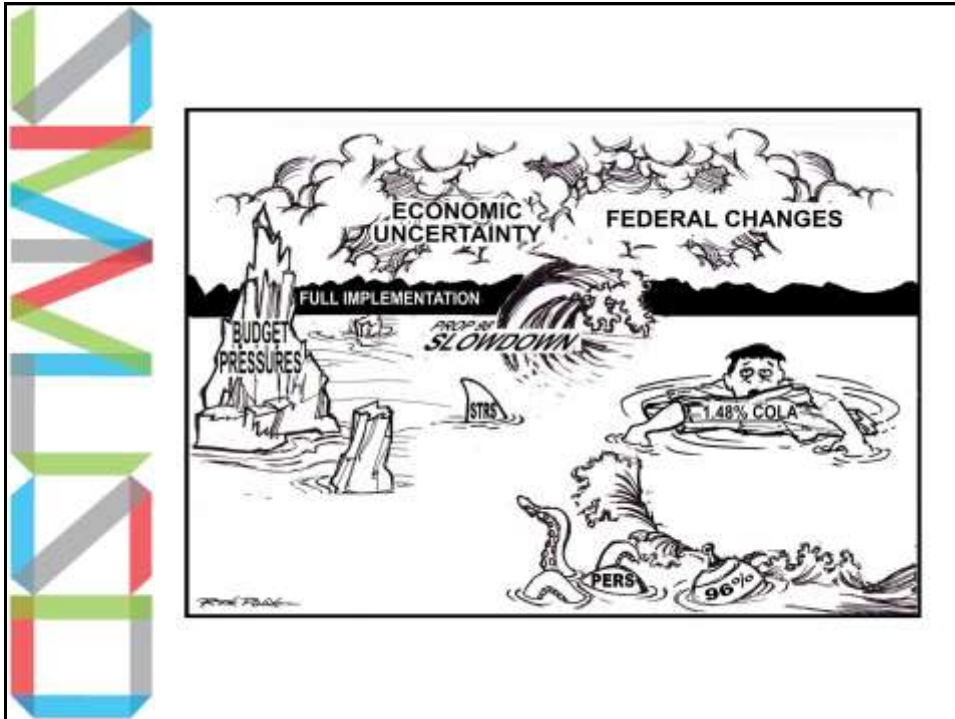
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## Proposition 98 and Major K-12 Proposals

- The Governor's Budget proposal includes:
  - \$744 million for LCFF gap closure
  - \$422.9 million for the K-12 portion of Proposition 39 (2012) – Clean Energy Jobs Act
  - \$287 million for discretionary one-time uses
  - \$200 million for the Career Technical Education Incentive Grant (CTEIG) \$58.1 million for categorical programs' cost-of-living adjustment ([COLA] – 1.48%)

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## Good Budget News for SMMUSD

- State Proposition 55 – Income Tax on the Wealthy
  - Continued receipt of Economic Protection Act (EPA) funds
- Measure GSH – City of Santa Monica Sales/Transaction Tax
  - Measure GS – 50% to schools
- Measure V – SMC Facility Bond
  - support for JAMS Auditorium


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## The SMMUSD Story

- We are a district that:
  - Serves a diverse population
  - Is high achieving
  - Has high expectations and sets challenging goals
  - Is expected by the community to excel
  - Has exceptional programs for students that include music, arts, STEM, preschool to name a few
  - Is proud of the high quality of teaching and learning that is demonstrated in classrooms across the District
  - Is innovative and creative
  - Has a persistent achievement gap being addressed by our Excellence through Equity initiative

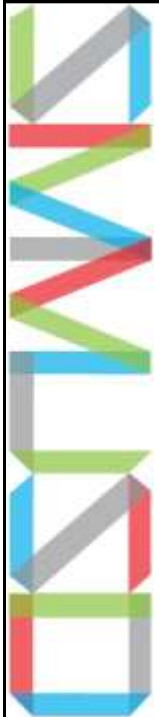
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## The SMMUSD Story continued

- Community support for the District includes:
  - Parents, PTAs, and Booster Clubs
  - Education Foundation
  - District Advisory Committees
  - Cities of Santa Monica and Malibu
    - *Master Facility Agreements*
    - *Prop Y and GSH*
  - Communities of Santa Monica and Malibu have passed tax measures (Measures BB/ES and Measure R)
  - Property values causing the District to become a minimum state aid district, receiving LCFF revenues greater than our entitlement
  - Ability to lease District owned properties for in excess of \$2.0 million annually

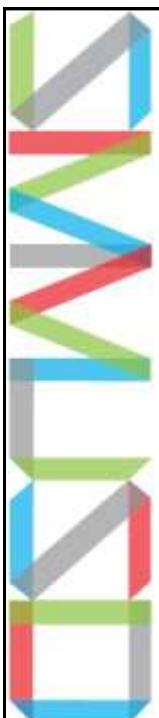
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## What do we know about our expenditures?

- Our salaries and benefits (86% of the budget) are competitive with neighboring districts
  - Between 2015-16 and 2016-17, SMMUSD provided a combined salary schedule increase in excess of 8.0%
  - Health and Welfare costs have increased between 5% and 6% each year
  - STRS and PERS pension costs continue to increase dramatically and will exceed 19% and 24% respectively by 2020-21


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## More on expenditures

- Our staffing allocations are considered by many to be generous
  - Classroom
  - Administration – both site and district office
  - Support personnel
- Since 2014-15, we have experienced several significant amounts of one-time funds
  - \$13M from the State action to eliminate Redevelopment Agencies
  - \$9.9M in State funded prior year Mandated Cost payments


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## Key Budget Factors by Year

2013-14	Amount	Notes
LCFF	69,629,578	First Year of LCFF calculation
One-Time Revenues	0	
Total Revenue	83,377,785	
Expenditures	86,353,693	
Impact on Fund Balance	(2,975,908)	
Decisions with Budget Implications		

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## Key Budget Factors by Year

2014-15	Amount	Notes
LCFF	82,809,268	
One-Time Revenues	14,732,943	RDA Mandated Cost
Total Revenue	105,373,340	Year 1 of SMMEF funding
Expenditures	95,613,785	STRS/PERS W/Comp - Health/Welfare
Impact on Fund Balance	9,759,556	Would have been (4,973,387) without one-time revenues
Decisions with Budget Implications		

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## Key Budget Factors by Year

2015-16	Amount	Notes
LCFF	84,050,732	
One-Time Revenues	6,111,310	Mandated Costs
Total Revenue	103,999,079	
Expenditures	102,924,151	STRS/PERS W/Comp - Health/Welfare
Impact on Fund Balance	1,074,928	Would have been (5,036,382) w/o one-time revenues
Decisions with Budget Implications		Negotiated Salary increase 6% mid year Literacy Coaches moved to GF (1.0M)

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## Key Budget Factors by Year

2016-17	Amount	Notes
LCFF	87,132,301	
One-Time Revenues	2,693,336	Mandated Costs
Total Revenue	100,299,367	
Expenditures	111,881,738	STRS/PERS W/Comp - Health/Welfare
Impact on Fund Balance	(11,582,371)	Would be (14,275,707) without one- time revenues
Decisions with Budget Implications		Negotiated Salary - full Impact of 6% increase, plus additional 2%

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## Key Budget Factors by Year


2017-18	Amount	Notes
LCFF	90,302,237	Assumes 5% increase in property values
One-Time Revenues	898,616	Mandated Costs
Total Revenue	109,200,112	\$8.2M GSH funds
Expenditures	112,649,778	
Impact on Fund Balance	(3,449,666)	Would be (4,348,282) without one-time revenues
Decisions with Budget Implications		

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## Key Budget Factors by Year


2018-19	Amount	Notes
LCFF	94,049,509	Assumes 5% increase in property values
One-Time Revenues		
Total Revenue	112,762,792	
Expenditures	116,391,717	
Impact on Fund Balance	(3,628,925)	Deficit increased by 179,259 over 2017-18 (719,357 decline w/o one-time funds in pr. yr.)
Decisions with Budget Implications		



## Key Budget Factors by Year

2019-20	Amount	Notes
LCFF	98,004,629	Assumes 5% increase in property values
One-Time Revenues		
Total Revenue	117,031,118	
Expenditures	120,221,248	
Impact on Fund Balance	(3,190,130)	Deficit declines by 438,795
Decisions with Budget Implications		

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## Key Budget Factors by Year

2020-21	Amount	Notes
LCFF	102,393,669	Assumes 5% increase in property values
One-Time Revenues		
Total Revenue	121,727,429	
Expenditures	123,661,960	
Impact on Fund Balance	(1,934,531)	Deficit declines by 1,255,599
Decisions with Budget Implications		

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## Sources of One-Time Funding <sup>21</sup>

- The Administration has consistently provided one-time funding to repay outstanding mandates, and 2017-18 is no different
- One-time funding comes to fruition for two reasons
  - Administration under projected revenues in a prior year
  - Administration does not want to commit all current-year Proposition 98 requirements to ongoing commitments
- The chart below shows the historical one-time discretionary funding per ADA

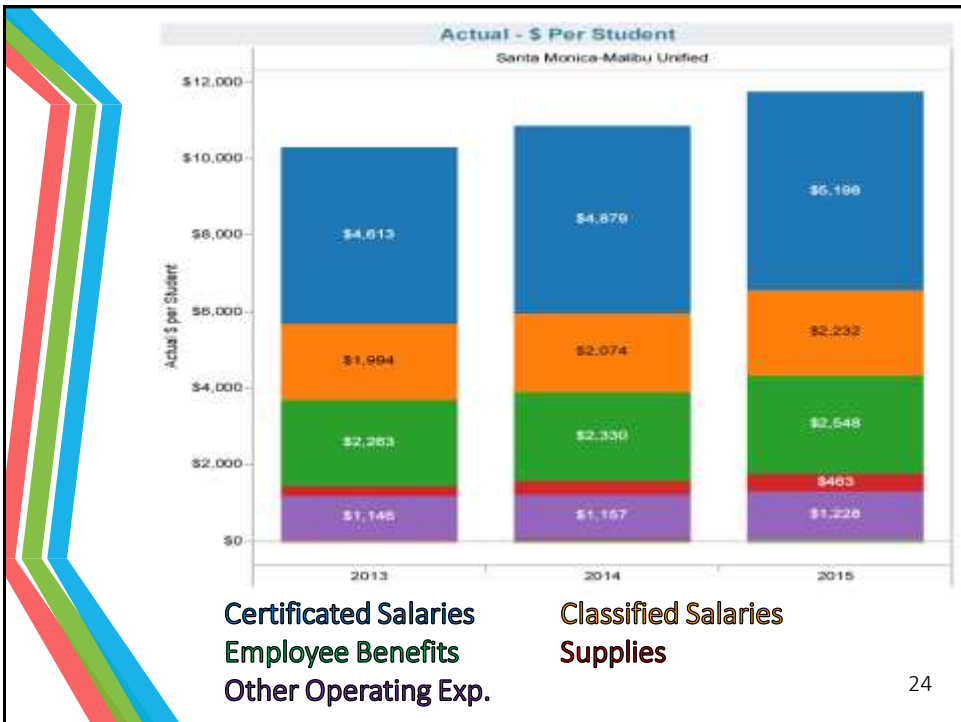
2014-15	2015-16	2016-17	2017-18 Proposed
\$67	\$529	\$214	\$48



## How will we decide where to make budget changes?

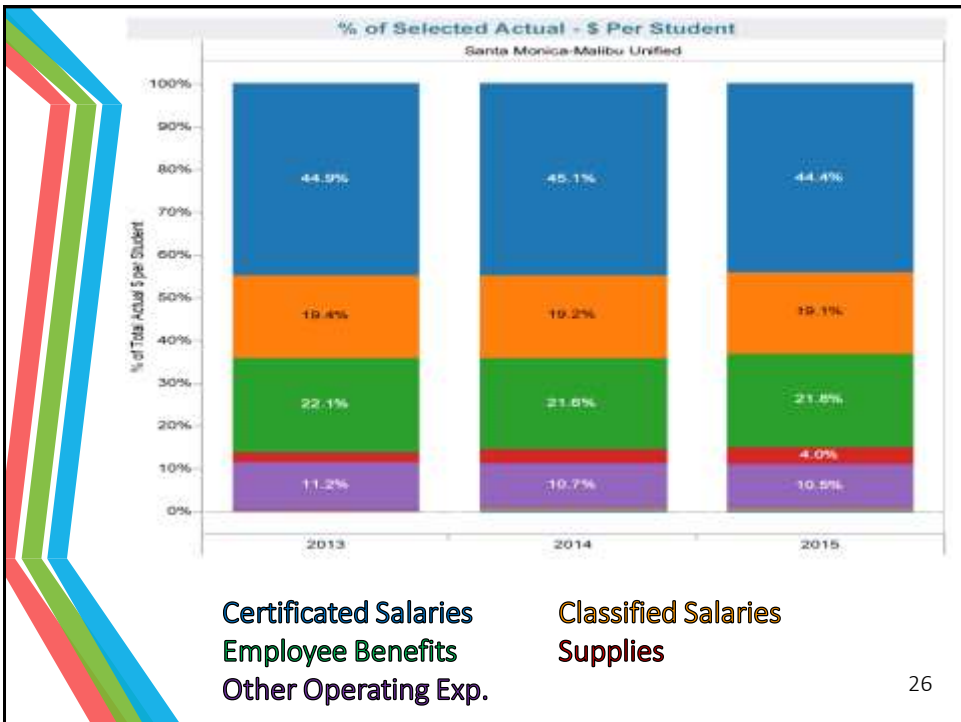
- The following slides will examine various aspects of SMMUSD's financial status
  - 3-year per Student Spending by Object
  - How SMMUSD compare with neighboring districts
    - *Salaries and Benefits*
    - *Supplies*
    - *Other Operating Expenses*
    - *Total Expenditures*
  - How SMMUSD compare with the same districts by functions
    - *Instructional*
    - *Other Instructional*
    - *Site Administration*
    - *Instructional Media*
    - *Pupil Services*
    - *Instruction Supervision*
    - *Maintenance and Operations*
    - *District Administration*

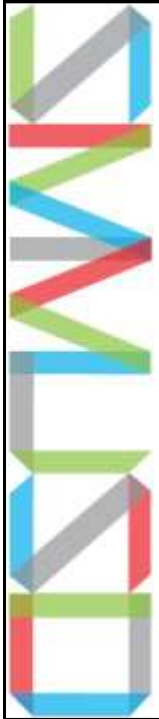
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## SMMUSD Per Student Spending by Year 25

Fiscal Year	\$ Spent per Student	% Change over prior year
2009-10	9,855	
2010-11	9,846	(.09%)
2011-12	10,491	6.5%
2012-13	10,307	(1.8%)
2013-14	10,840	5.2%
2014-15	11,670	7.7%

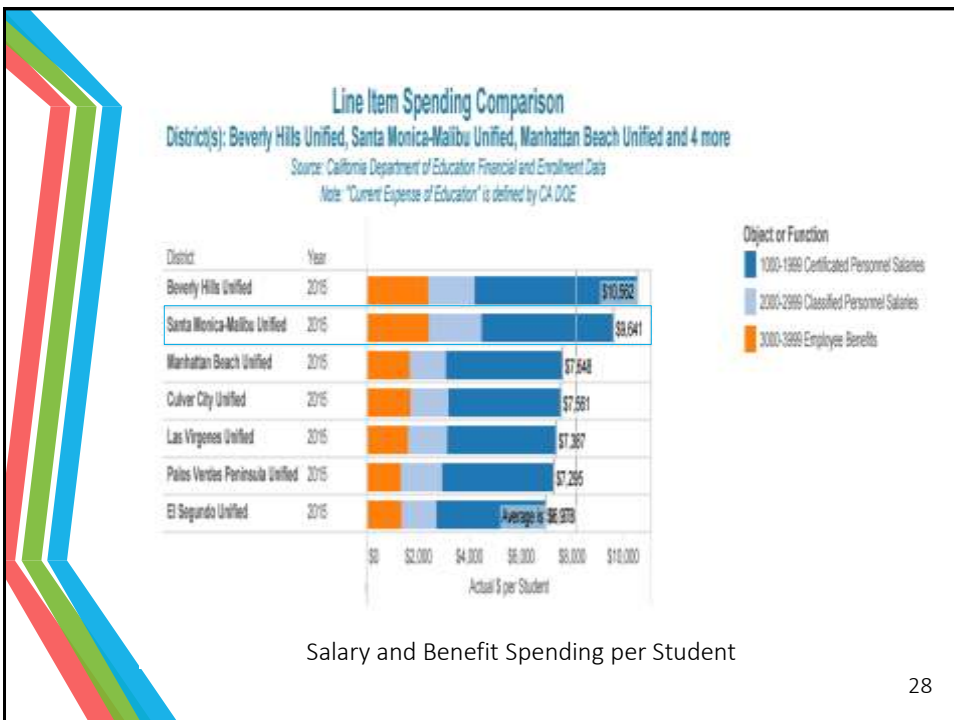


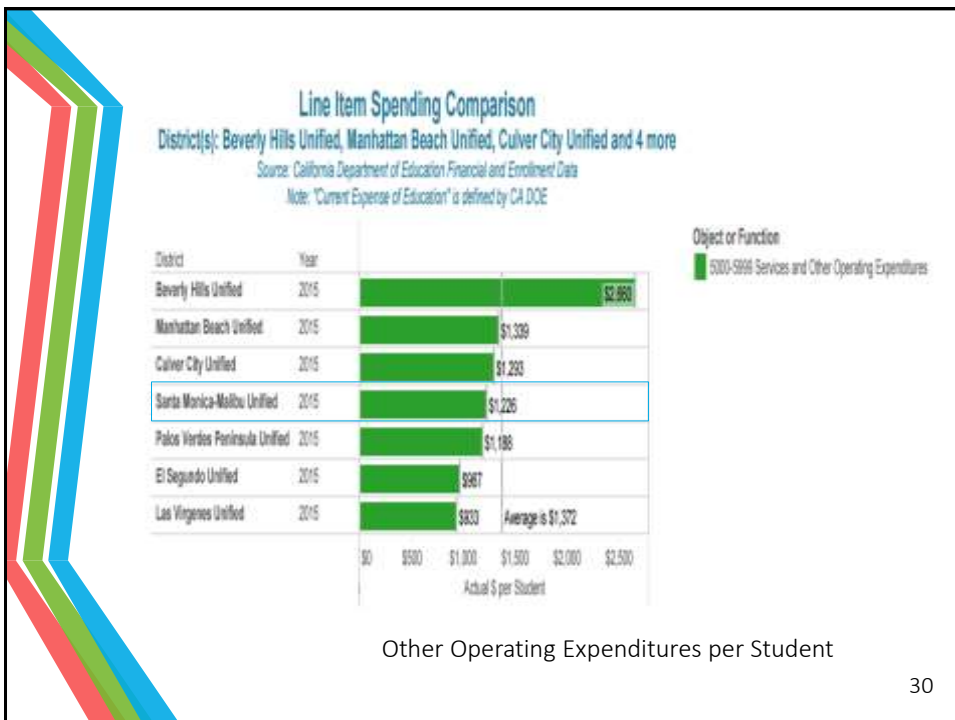
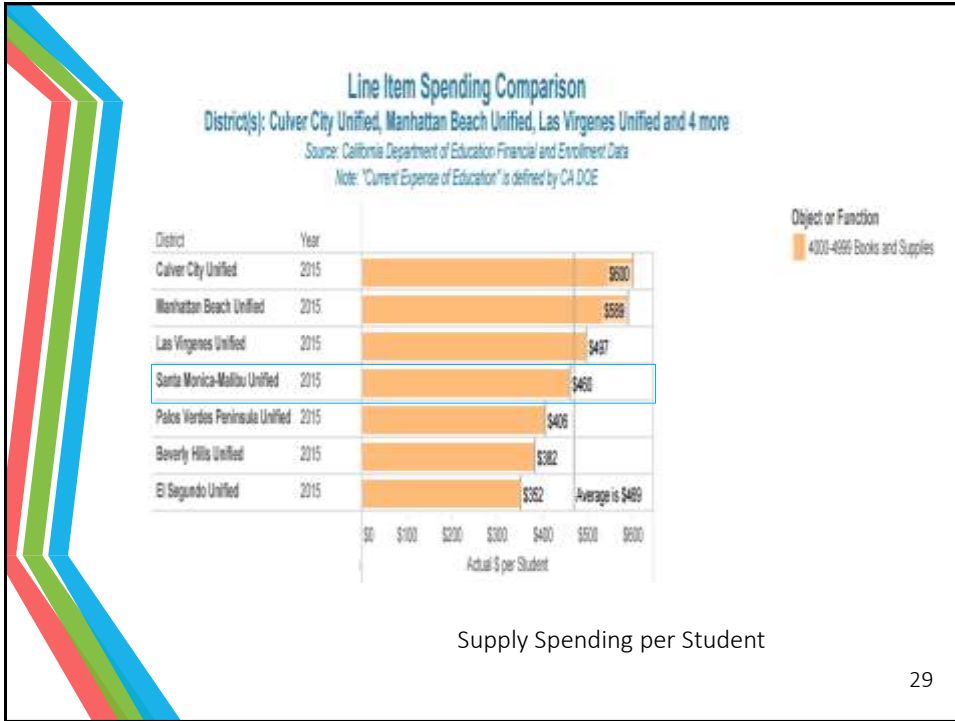


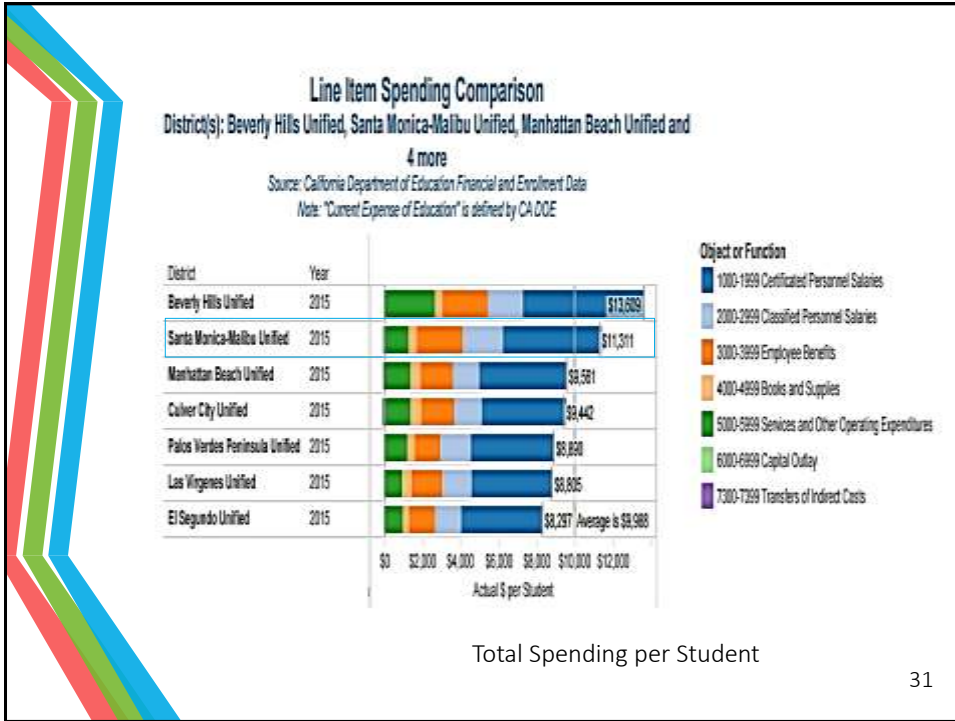
## Comparable Districts

- Beverly Hills
- Culver City
- El Segundo
- Las Virgenes
- Manhattan Beach
- Palos Verdes
- Santa Monica-Malibu

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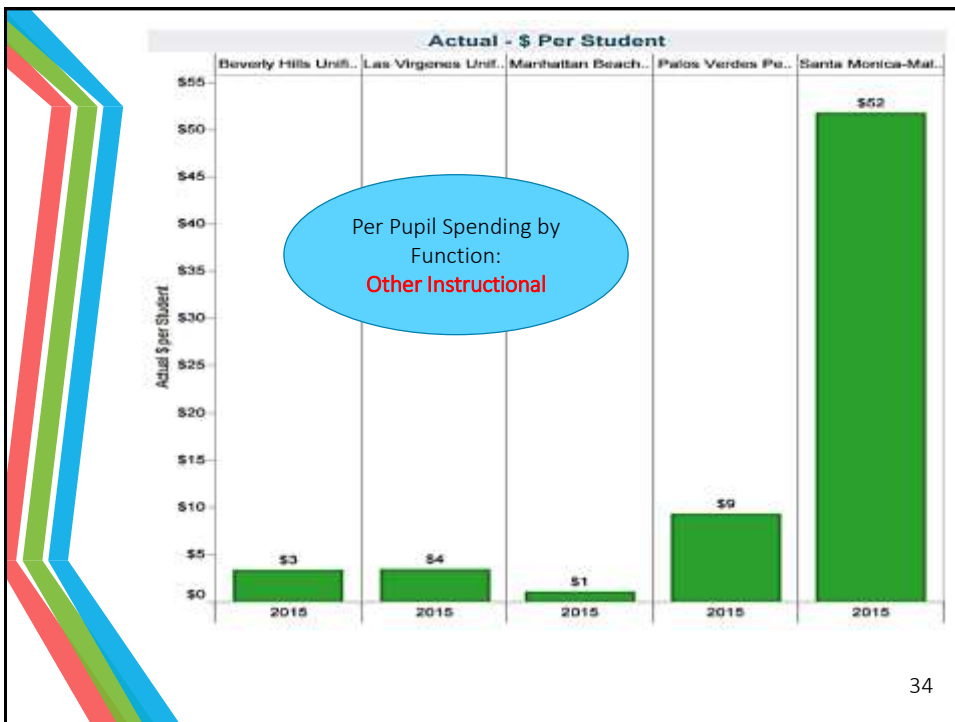
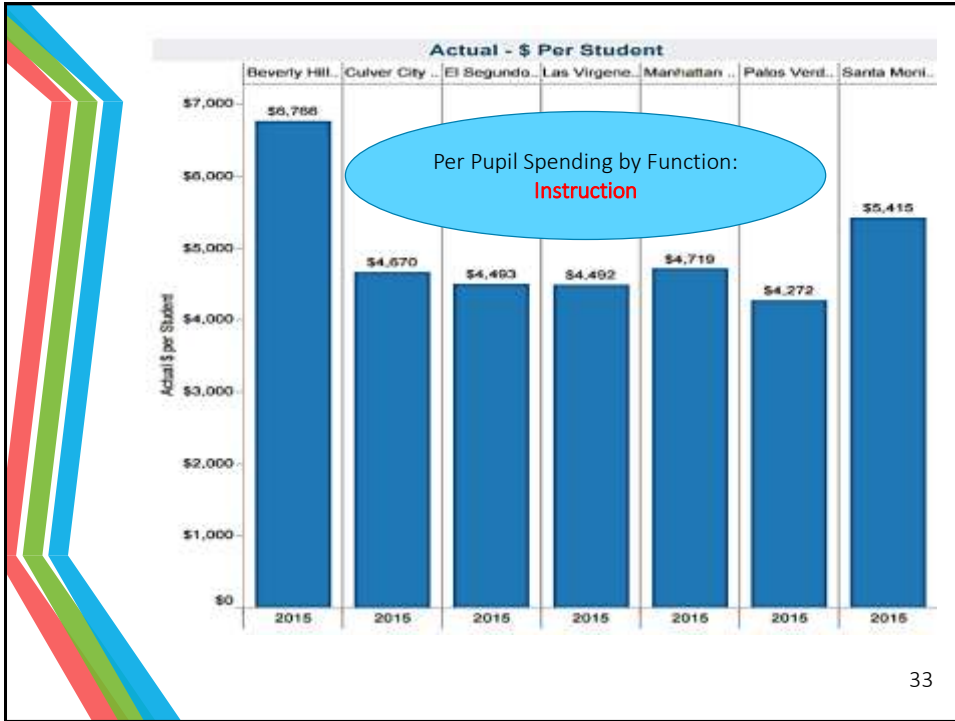


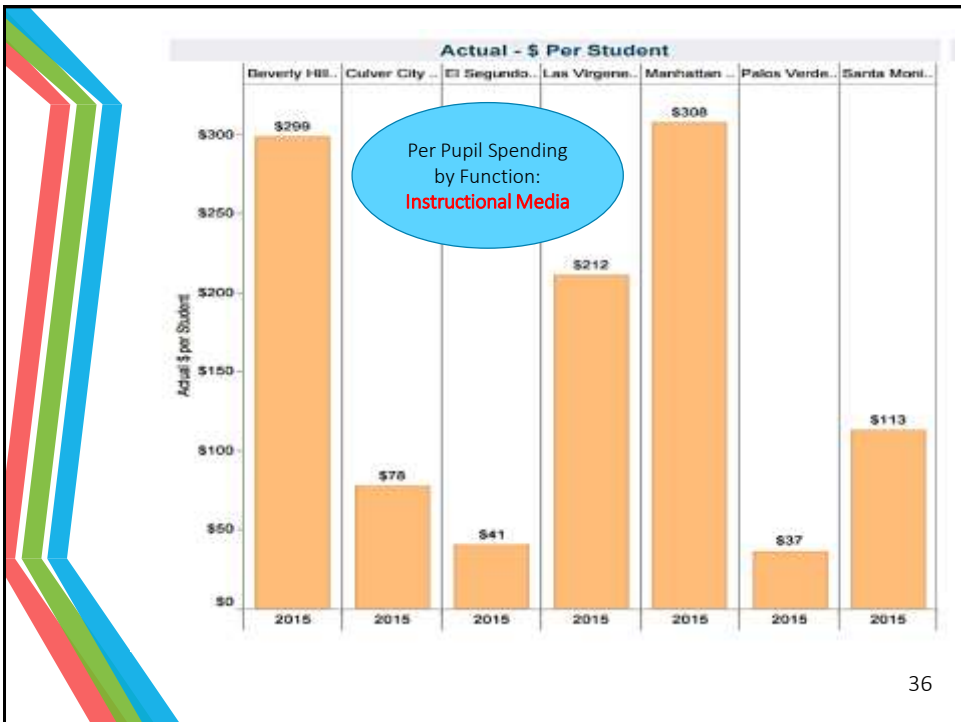
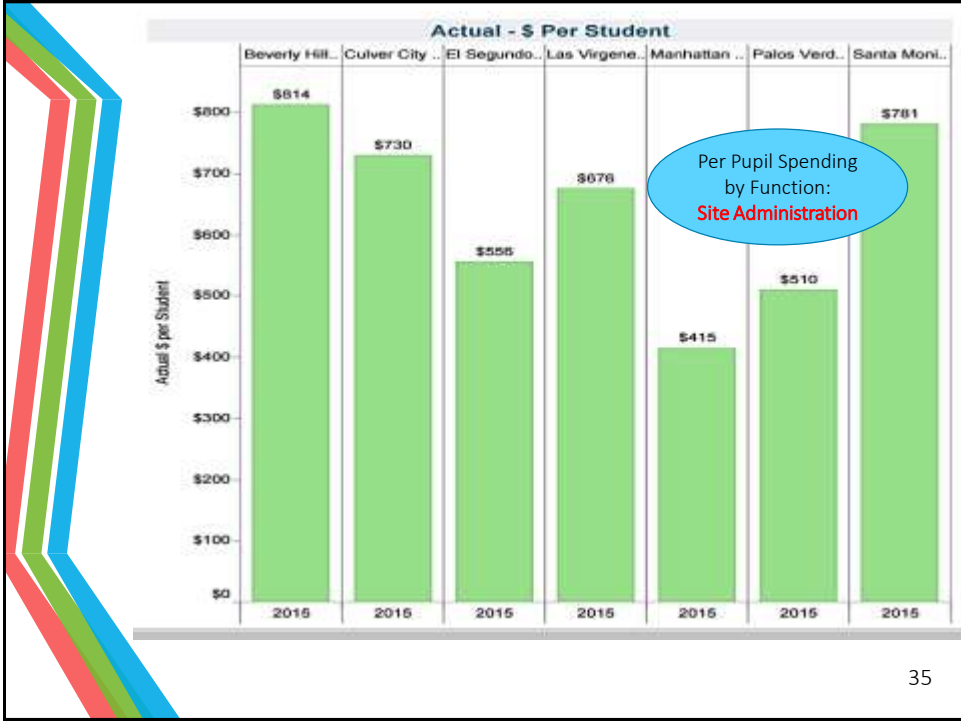


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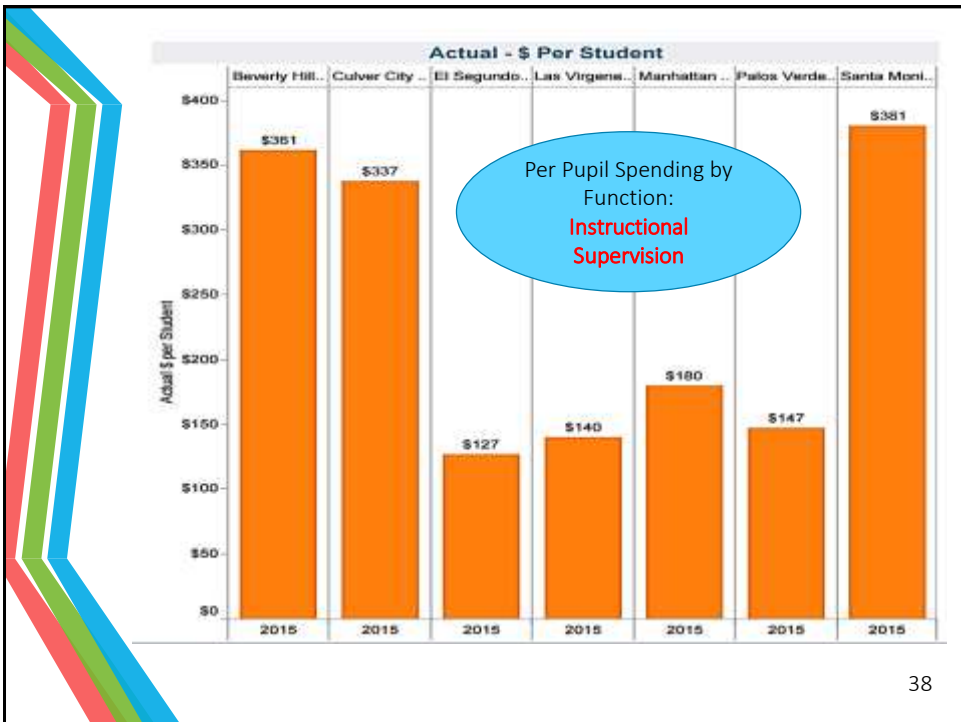
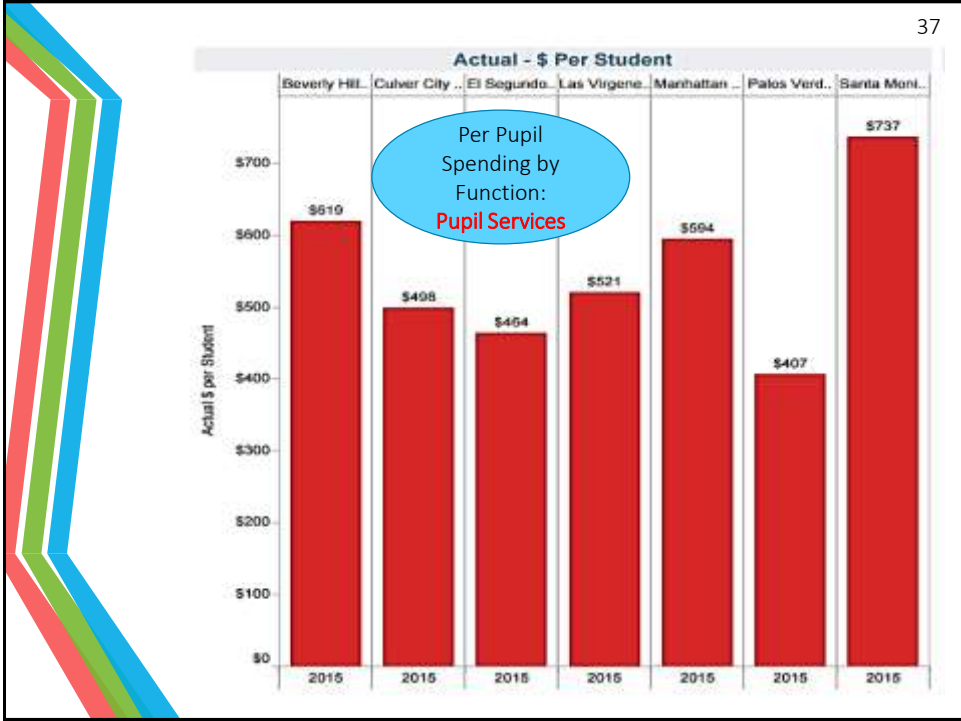
FUNCTION NAME	Types of Expenditures
Instruction	Teacher, Instructional Aides, all classroom materials, professional development
Other Instructional	In-house staff training - BTSA
Site Administration	Principals, site clerical, office supplies
Instructional Media	Libraries
Pupil Services	Enrollment, nursing, counseling, psych services, food services, transportation
Instruction Supervision	Ed Services
Maintenance and Operations	Maintenance, Custodial, Grounds
District Administration	Board and Superintendent expenses
	Insurance and inter-office mail services
	Business Services, fiscal, payroll, accounts payable
	HR and Personnel Commission
	Purchasing
	IT staff and maintenance agreements

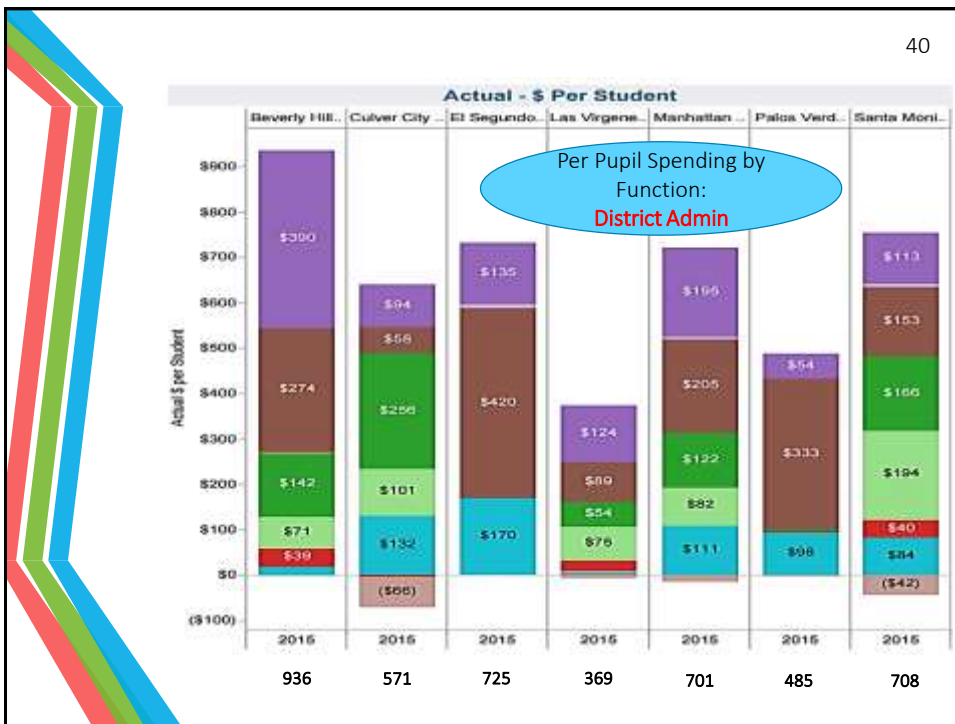
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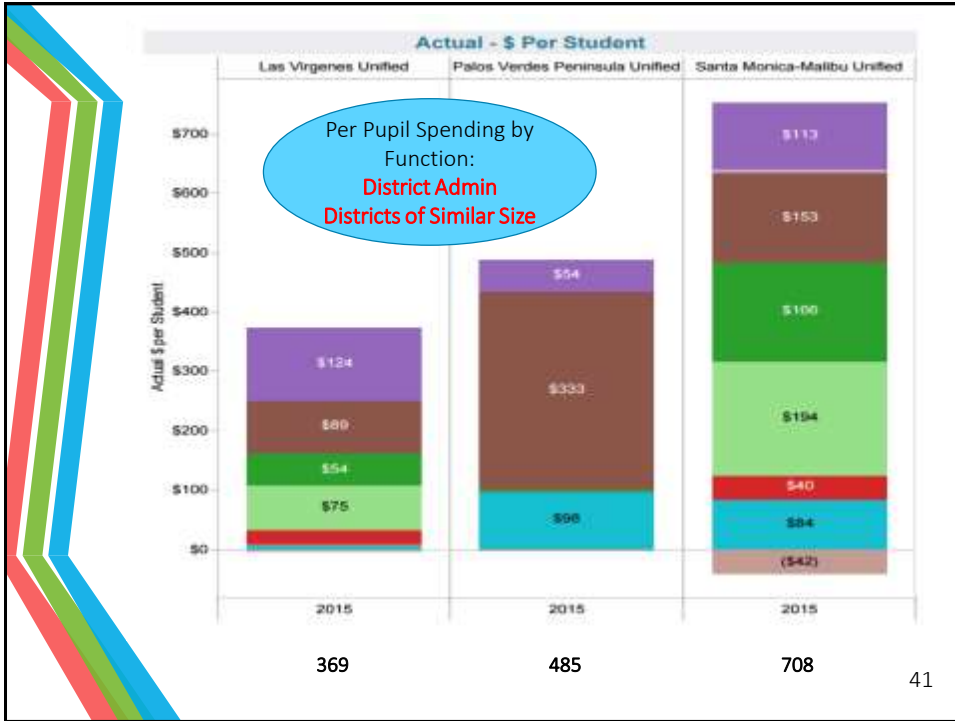













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Based on the information pick four areas/functions to address

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_
- 4. \_\_\_\_\_


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## Jan's Picks

1. District Administration
2. Pupil Services
3. Instructional Supervision
4. Site Administration

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## Conclusions and Next Steps

- Volatility and uncertainty continue to stress CA school district budgets
- SMMUSD enjoys many advantages and opportunities due to our communities
- SMMUSD deficits continue to persist
- We can phase in a reduction plan for the issue
- Staff will continue to work with the budget committee and establish recommendations for the Board to consider in early March

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GRADUATED

Description	2013-14 UNAUDITED ACTUALS	2014-15 UNAUDITED ACTUALS	2015-16 UNAUDITED ACTUALS	2016-17 2ND INTERIM	2017-18 PROJECTED BUDGET	2018-19 PROJECTED BUDGET	2019-20 PROJECTED BUDGET	2020-21 PROJECTED BUDGET
<b>Revenue:</b>								
Property Tax	65,814,145	72,572,371	73,665,773	75,937,733	79,926,794	83,825,666	87,780,786	92,169,826
Education Protection Account (EPA)	2,177,336	2,169,846	2,159,478	2,159,176	2,151,600	2,000,000	2,000,000	2,000,000
LCFF Transfer to Fund Fund 11 - Adult Ed	(12,628)	(187,628)						
LCFF Transfer to Fund Fund 14- Def Maint	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
LCFF Transfer to Charter School & County Specialized secondary school	(83,038)	(81,164)	(110,360)	(110,500)	(112,000)	(112,000)	(112,000)	(112,000)
Pr Yr LCFF Adjustment				(116,920)				
LCFF State Aid	1,983,763	1,582,875	8,526,545	9,512,812	5,137,574	4,262,832	3,703,511	454,938
Minimum State Aid - \$8,585,843		7,002,968	59,298	-	3,448,269	4,323,011	4,882,332	8,130,905
<b>Subtotal LCFF Funding</b>	<b>69,629,578</b>	<b>82,809,268</b>	<b>84,050,734</b>	<b>87,132,301</b>	<b>90,302,237</b>	<b>94,049,509</b>	<b>98,004,629</b>	<b>102,393,669</b>
Prior Year LCFF Adjustment		6,602,080						
Other Federal	15,795	13,690	262,529	49,969	13,000	13,000	13,000	13,000
Lottery	1,494,551	1,489,605	1,664,714	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Mandated Reimbursement Block Grant	406,563	1,127,895	6,111,310	2,693,336	898,616	395,000	395,000	395,000
Other State Revenue	111,489	36,083	6,579	5,000	5,000	5,000	5,000	5,000
Meas. "R"	11,206,995	11,280,274	11,301,682	11,651,225	11,884,250	12,121,934	12,364,373	12,611,661
Meas. YY / City of SM	7,488,221	6,608,435	7,952,230	8,000,000	8,200,000	8,400,000	8,600,000	8,800,000
Meas. GSH / City of SM				600,000	8,200,000	8,400,000	8,600,000	8,800,000
Joint Use Agreement/ City of SM	8,282,650	8,448,303	8,617,269	8,812,824	9,000,000	9,200,000	9,400,000	9,600,000
All Other Local Income	3,467,913	3,691,635	4,420,423	3,639,133	3,530,000	3,540,000	3,550,000	3,560,000
SMMEF Donation	117,155	3,203,730	2,365,721	2,030,276	2,000,000	2,000,000	2,000,000	2,000,000
Local General Fund Contribution	(18,843,124)	(19,937,657)	(22,754,111)	(25,914,697)	(26,432,991)	(26,961,651)	(27,500,884)	(28,050,901)
<b>TOTAL REVENUE</b>	<b>83,377,785</b>	<b>105,373,340</b>	<b>103,999,079</b>	<b>100,299,367</b>	<b>109,200,112</b>	<b>112,762,792</b>	<b>117,031,118</b>	<b>121,727,429</b>
<b>Expenditure:</b>								
Certificated Salary	44,436,065	47,401,002	50,568,173	53,459,126	54,261,013	55,074,928	55,901,052	56,739,568
Classified	14,386,104	16,206,905	17,615,212	18,486,736	18,764,037	19,045,498	19,331,180	19,621,148
Benefits	19,974,045	22,125,603	23,243,568	26,041,874	28,342,634	30,930,553	33,625,419	36,003,685
STRS	3,614,166	4,142,592	5,305,035	6,622,821	7,829,864	8,966,198	10,134,861	10,837,257
PERS	1,536,214	1,691,135	1,876,733	2,388,021	2,668,246	3,205,357	3,757,981	4,397,099
SOCIAL SECURITY & MEDICARE	1,747,042	1,919,523	2,089,165	2,235,049	2,222,234	2,255,567	2,289,401	2,323,742
HEALTH AND WELFARE	9,792,997	10,113,792	10,401,884	11,018,360	11,789,645	12,614,920	13,497,965	14,442,822
SUI	140,966	33,407	33,804	40,063	41,513	42,060	42,616	
WORKERS COMP	1,649,789	1,910,898	2,597,200	2,732,826	2,774,952	2,816,576	2,858,825	2,901,707
OPFB	1,433,436	2,245,785	852,605	898,398	912,813	926,505	940,403	954,509
CASH IN -LIEU	59,435	68,471	87,143	106,368	103,368	103,368	103,368	103,368
Supplies/Books	1,481,445	2,134,314	2,354,770	2,805,015	2,800,000	2,800,000	2,800,000	2,800,000
Other Operational Costs	6,577,973	7,868,891	9,108,685	9,689,605	9,000,000	9,000,000	9,000,000	9,000,000
Capital Outlay	137,461	396,766	454,695	1,312,514	150,000	150,000	150,000	150,000
Debt Services	24,590	53,388	53,388	53,389	53,396	-	-	-
Indirect	(971,442)	(1,003,204)	(1,058,830)	(1,086,213)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Interfund Transfer Out to FUND 12 - CDS	307,452	170,119	234,491	389,692	-	-	-	-
Interfund Transfer Out to FUND 13 - FS		260,000	350,000	130,000	130,000	130,000	130,000	130,000
Interfund Transfer Out to FUND 14 - DM				600,000	-	-	-	-
LCAP increase above prior year				-	148,697	260,740	283,596	260,740
NEW GSH EXPENDITURES				-	2,000,000	3,000,000	4,000,000	4,000,000
REDUCTION PLAN 2017-18				-	(2,000,000)	(3,000,000)	(4,000,000)	(4,000,000)
<b>TOTAL EXPENDITURE</b>	<b>86,353,693</b>	<b>95,613,784</b>	<b>102,924,151</b>	<b>111,881,738</b>	<b>112,649,778</b>	<b>116,391,717</b>	<b>120,221,248</b>	<b>123,661,960</b>
Increase (Decrease) Fund Balance	(2,975,908)	9,759,556	1,074,928	(11,582,371)	(3,449,666)	(3,628,925)	(3,190,130)	(1,934,531)
Beginning Fund Balance	24,751,272	21,775,364	31,534,920	32,609,848	21,027,477	17,577,811	13,948,886	10,758,756
Ending Fund Balance	21,775,364	31,534,920	32,609,848	21,027,477	17,577,811	13,948,886	10,758,756	8,824,225
Reserve - Revolving cash, Store	106,882	118,311	152,233	100,000	152,233	152,233	152,233	152,233
Reserve - Carryover	387,746	865,199	1,120,239	-	-	-	-	-
3% Contingency Reserve	3,702,586	3,971,305	4,348,336	4,806,479	4,745,078	4,874,727	4,900,000	4,950,000
Unallocated	17,578,150	26,580,105	26,989,040	16,120,998	12,680,500	8,921,926	5,706,523	3,721,992

2013-14

2014-15

2015-16

2016-17

2017-18

2018-19

2019-20

2020-21