



## **SMMUSD Financial Oversight Committee**

**Date: Thursday, October 29, 2020**

**Time: 6:00 pm to 8:00 pm**

**Via Zoom by phone at: 669-900-6833 or online at:**

<https://zoom.us/j/87194305360?pwd=bWl2Umh6akdwdEV5b3Z6VFJ2NHl6UT09>

**Meeting ID: 871 9430 5360 / Passcode: Oversight1 - Per Executive Order N-29-20 Issued By Governor Gavin Newsom**

### **AGENDA**

As per Executive Order N-29-20 from Governor Newsom, the Santa Monica-Malibu Unified School District Board of Education meetings will move to a virtual/teleconferencing environment using Zoom. The purpose of the Governor's executive order is to control the spread of Coronavirus (COVID-19) and to reduce and minimize the risk of infection by "limiting attendance at public assemblies, conferences, or other mass events." The Governor's executive order on March 12, 2020, already waived the requirement for a majority of board members to physically participate in a public board meeting at the same location.

The intent is not to limit public participation, but rather to protect public health by following the Governor's Stay at Home executive order and the LA County's Safer at Home order. Persons wishing to address the Committee regarding an item that is scheduled for this meeting must submit a Google survey "sign up" prior to discussion of that item. Persons wishing to address the Committee regarding an item that is not scheduled on this meeting's agenda may speak during the Public Comments section by submitting the Google survey "sign up" at the beginning of the meeting.

#### **Instructions for public comments**

1. Submit a Google survey "sign up" at <https://forms.gle/CmESurF2KLy3o2u16>. This survey will take the place of the "speaker chits" available at meetings.
2. Speakers will fill in their name and select if they wish to address the committee regarding a specific agenda item or during General Public Comments.
3. Speakers are asked to attend the FOC meeting virtually through the call-in number at the top of the agenda.
4. When it is time for the speakers to address the committee, their name will be called.
5. As with all meetings, once discussion begins on an agenda item, any speakers who sign up after that time will be given one minute to speak.

#### **Instrucciones para comentarios del público**

1. Una encuesta de Google "registrarse" <https://forms.gle/K6c62mDebmTWmaoXA>. Esta encuesta ocupará el lugar de las "fichas" disponibles en las reuniones.
2. Los miembros del público las completarán con su nombre y seleccionarán si desean dirigirse a la junta con respecto a un punto específico de la orden del día o durante los comentarios públicos generales.
3. Se pide a las personas que deseen hacer comentarios que asistan a la reunión de la junta virtualmente a través del enlace que contiene la invitación de llamada de conferencia en la parte superior de la agenda.
4. Cuando llegue el momento de que el público se dirija a la junta directiva, se mencionará su nombre.
5. Al igual que las demás reuniones, una vez que comience el debate sobre un punto de la orden del día, los oradores que se inscriban después de ese momento, tendrán un minuto para hablar.

- I. Call to Order**
- II. Approval of Agenda**
- III. Approval of FOC Meeting Minutes:** September 9, 2020
- IV. Workers Comp Reporting from Keenan and Associates (20 min)**
- V. Annual CERBT Update Presentation: Karen Lookingbill, CalPERS – CERBT Program (20 min)**
- VI. Assistant Superintendent, Business and Fiscal Report: Melody Canady (10 min)**
  - A. Tax and Revenue Anticipation Note (TRANS) / Cash-flow Update
- VII. Discussion/Action Items**
  - A. Purchase of office building at 1717 4th Street (15 min)
  - B. Budget subcommittee charge (10 min)
  - C. Recruitment and Nomination Process of FOC Members continued from 9/9/20 FOC meeting (30 min)
- VIII. Ad hoc Subcommittee Report (15 min)**
  - A. Budget Recommendations: Ms. Maniar, Mr. Covington, Mr. Jacobson, Ms. Newman
  - B. Tax Revenue and Assessed Valuation: Mr. Farivar, Mr. Crawford, Mr. Kremer, Ms. Newman
  - C. Bond Oversight: Mr. Kremer, Mr. Covington, Mr. Crawford, Mr. Lee, Ms. Mevasse
- IX. Receive and File (Limited Discussion)**
  - A. 10/13/20 FOC Budget Subcommittee and FOC Leadership Comments on SMMUSD Staff Proposal to Purchase 1717 4th Street Office Building
- X. Public Comments**
  - A. Public Comments is the time when members of the audience may address the Committee on items not scheduled on the meeting’s agenda. All speakers are limited to three (3) minutes. When there are a large number of speakers, the Chair may reduce the allotted time to two (2) minutes per speaker. The Brown Act (Government Code) states that Committee members may not engage in discussion of issues raised during “XIII. 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 20 minutes. If the number of persons wishing to address the Committee exceeds the time limit, additional time will be allowed at the discretion of the Chair.
- XI. Committee Comments**

**XII. Next Meeting:**

- Thursday, December 3, 2020
- Thursday, January 7, 2021
- Thursday, February 11, 2021
- Tuesday, March 11, 2021– Malibu City Hall, Multipurpose Room
- Thursday, April 15, 2021
- Wednesday, May 12, 2021
- Thursday, June 10, 2021
- TBD (July 2021) \* Please note: This is a Joint Meeting / Study Session with the Board of Education - *SMMUSD District Office Board Room, 1651 16<sup>th</sup> Street.*

**XIII. Adjournment**

**Future Meetings will be held monthly in the Testing Room at the District’s Administrative Offices, 1651 16th Street, Santa Monica, California, unless otherwise noted.**

*In compliance with the Americans with Disabilities Act, for those requiring special assistance to access the meeting room, to access written documents being discussed at the meeting, or to otherwise participate at the meetings, please contact the Office of Assistant Superintendent, Business and Fiscal Services at 310-450-8338 for assistance. Notification at least 48 hours before the meeting will enable the District to make reasonable arrangements to ensure accessibility to the meeting and to provide required accommodations, auxiliary aids or services.*



**SMMUSD Financial Oversight Committee Special Meeting Minutes**

**Date: Wednesday, September 9, 2020**

**Time: 6:00 pm to 8:00 pm**

**Location: Zoom**

[https://drive.google.com/file/d/16Z4JF1PEaNJ4YnxOIJmuFXh\\_LIQ4Jt2u/view?usp=sharing](https://drive.google.com/file/d/16Z4JF1PEaNJ4YnxOIJmuFXh_LIQ4Jt2u/view?usp=sharing)

**I. Call to Order**

6:05 pm

<u>Committee Members:</u>	Matthew Covington	Matthew Crawford
	Alex Farivar	Seth Jacobson
	Michael Kremer	Marc Levis-Fitzgerald
	Payal Maniar	Renu Mevasse
	Melinda Newman	Kimya Afshar, MHS
	Natalie Ricciardulli, SAMOHI	

<u>Staff:</u>	Melody Canady joined @ 6:18 p.m.	
	Gerardo Cruz	Kim Nguyen

<u>Board Liaison:</u>	Jon Kean	Craig Foster joined @ 6:25 p.m.
-----------------------	----------	---------------------------------

<u>Absent:</u>	Shawn Landres	Gordon Lee
	Laurie Lieberman	

**II. Welcome New Members**

6:05 pm

The FOC welcomed new members Renu Mevasse and Melinda Newman. The committee also welcomed Student Members Natalie Ricciardulli from SAMOHI, serving her 2<sup>nd</sup> year, and Kimya Afshar from Malibu High.

**III. Approval of Agenda**

6:06 pm

A motion was made by Ms. Newman and seconded by Ms. Maniar to approve the meeting agenda.

AYES: Nine (9) (Mr. Covington, Mr. Crawford, Mr. Farivar, Mr. Jacobson, Mr. Kremer, Mr. Levis-Fitzgerald, Ms. Maniar, Ms. Mulvaney, Ms. Slauch Nahass)

STUDENT ADVISORY VOTES: Two (2) (Ms. Afshar, Ms. Ricciardulli)

NOES: None (0)

ABSENT: Two (2) (Mr. Landres and Mr. Lee)

ABSTAIN: None (0)

#### IV. Approval of FOC Meeting Minutes

6:07 pm

A motion was made by Mr. Crawford and seconded by Ms. Maniar to approve the June 30, 2020 meeting minutes as amended.

Under II. Approval of Agenda,

A motion was made by Mr. Crawford and seconded by Mr. Levis-Fitzgerald to approve the ~~June 22, 2020 meeting minutes~~ **meeting agenda**.

Under IV.A. Nominating Subcommittee Recommendation for Membership effective July 1, 2020,

The committee discussed **the requirements of the Brown Act, as well as standing Board policy regarding the expiration of applications on file, as they applied to** the process **by which** the committee was to review the applications received.

**Prior to leaving the meeting**, Mr. Landres requested that the record reflect his support of the FOC recommendation going to the Board with respect to the committee's ~~actual~~ **policy** work.

AYES: Nine (9) (Mr. Covington, Mr. Crawford, Mr. Farivar, Mr. Jacobson, Mr. Kremer, Mr. Levis-Fitzgerald, Ms. Maniar, Ms. Mulvaney, Ms. Slauch Nahass)

STUDENT ADVISORY VOTES: Two (2) (Ms. Afshar, Ms. Ricciardulli)

NOES: None (0)

ABSENT: Two (2) (Mr. Landres and Mr. Lee)

ABSTAIN: None (0)

#### V. Unaudited Actual Report

6:12 pm

Director of Fiscal Services, Mr. Gerardo Cruz provided the committee with an overview of the unaudited actual report that was presented at the September 3, 2020 Board meeting.

Ms. Canady will schedule a meeting for any members who wishes to go over the District budget and the 2020-21 Local Control Funding Formula (LCFF) Calculation.

The following unaudited actual documents may be found at the below links.

Report: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=56834&MID=3737>

Presentation: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=56841&MID=3737>

## VI. Discussion/Action Items

- 7:10 pm A. Conflict of Interest Pledge
- The conflict of interest pledge is an annual document that must be signed by all members. The pledge was circulated for member signatures and will be electronically provided to all members after all members have signed the pledge.
- 7:13 pm B. Board of Education mandates for 2020-2021
- The committee received the 2020-19 FOC Charges approved at the September 3, 2020 Board meeting. The Board's meeting minutes may be found at the end of these minutes.
- 7:14 pm C. Subcommittee Membership
- The subcommittee membership are as follows:
- Budget Recommendations: *Ms. Maniar, Mr. Covington, Mr. Jacobson, Ms. Newman*
- Tax Revenue and Assessed Valuation: *Mr. Farivar, Mr. Crawford, Mr. Kremer, Ms. Newman*
- Bond Oversight: *Mr. Kremer, Mr. Covington, Mr. Crawford, Mr. Lee, Ms. Mevasse*
- 7:08 pm D. Recruitment and Nomination Process of FOC Members
- The subcommittee presented a recommended a future nomination process. It was recommended that the timeline include January/February for outreach; March for announcement and application acceptance through deadline of mid-April; recommendation to full FOC at May meeting. Ms. Maniar will join the nominating subcommittee.
- The FOC Subcommittee Nomination presentation may be found at the end of these minutes.
- The 6/13/2019 meeting minutes on FOC Nomination Process may be found at:  
<https://www.smmusd.org/cms/lib/CA50000164/Centricity/Domain/300/FOC/FOC1819/FOC-Minutes061319.pdf>
- This item was tabled to allow the subcommittee and Board Liaisons time to meet and discuss the recommended nomination process as presented, clarification on full resumes being disclosed to the full committee and the recommendation process for returning members.

**VII. Receive and File (Limited Discussion)**

A. Joint Meeting Minutes / Study Session with the Board of Education: August 13, 2020

**VIII. Public Comments** None

**IX. Committee Comments** None

**X. Next Meeting:** Thursday, October 29, 2020 – Zoom

**XI. Adjournment:** 7:45 p.m.

October 13, 2020

***Via email***

To: FOC Board Liaison Members (*Craig Foster, John Kean, Laurie Lieberman*)

Cc: Melody Canady, Assistant Superintendent – Business and Fiscal Services

From: FOC Budget Subcommittee (*Payal Maniar, Matthew Covington, Melinda Newman*)  
FOC Leadership (*Seth Jacobson, Michael Kremer*)

RE: Comments on SMMUSD Staff Proposal to Purchase 1717 4th Street Office Building

Dear FOC Board Liaison members,

The members of the FOC Budget Subcommittee and FOC leadership had the opportunity to review with SMMUSD staff the proposed purchase of the 4<sup>th</sup> St property. Many issues were discussed and issues raised. The following summarizes many but not all of the thoughts and issues we feel will be generated from this proposal. Note, the FOC as a whole was not asked and did not take a position on this transaction, as we were not privy to all the documentation and research that the staff and board were provided. As such, the budget subcommittee review was strictly advisory in nature, and we hope provides needed context to the upcoming decision. We are open to assisting the board in its review of the proposal if the board seeks to have our assistance.

**COP Issues:**

The COPs to be issued to finance the purchase of Doubletree property and the improvements thereto will be a District General Fund obligation, regardless of the availability of RDA funds or property rental income. This 20+ year liability will appear on the District's balance sheet. The COPs will carry the District's credit ratings. Any future problems with paying debt service on the COPs would negatively impact the District's credit rating and increase the borrowing costs of GO bonds. Should projected rental income or RDA funds be inadequate to cover the annual debt service — projected to escalate from \$927,000 in FY 2023 to \$2.5 million in FY 2042 — the District would be forced to divert funds away from its educational mission to cover any shortfall. This said, the staff report is overly "rosey" in tone regarding the risks of issuing the proposed COPs. FOC members brought this to staff's attention before the report was final but changes were not made to address concerns. This particular sentence from the report is inaccurate and misleading: "The entire sale would not cost the General Fund or put it in jeopardy at any time."

The payments on the COPs are shown to be structured with payments that escalate year over year such that the final payment in year 22 will be close to three times the payment in year one. While appreciating that the intention is to have annual debt service payments mirror the annual increases in the repayment sources (rental income and RDA funds), this backloading of payments will increase the total interest paid by the District. If the District were to opt for equal annual payments on the COPs, the annual debt service of about \$1.6 million would save the

District \$2.5-\$3.0 million in interest over the 22 year term. Every dollar of interest avoided is another dollar for the General Fund to spend on students.

Staff should make it clear to the SMMUSD board that the COPs that will be issued to finance the building purchase will be serviced by RDA funds. Currently, these funds are being used to service COPs issued for the 16th Street building. Those COPs were scheduled to mature in 2024-2025. Purchasing this 4th Street building means that \$1.5 million+ per year that would have been available for more student-focused school upgrades starting in 2025-2026 will now need to be used, in part, for administrative offices. Staff should also make it clear that the general fund will be an obligor for the COPs, although the intention is to service the debt with RDA funds. We believe the rates used to calculate potential lease income for the 16th Street building are conservative.

#### **Appraisal / Lease Issues:**

The FOC has not seen the appraisal that values the building at \$28 million. While the idea of the purchase seems to be sound, it is not possible for the FOC to opine on valuation of the building without reviewing the comps used to generate this estimate. That could easily be addressed by having FOC members review the appraisal, or, alternatively, having FOC members spend additional time with the advisor who generated the valuation. Additionally, a full FOC meeting has not been called to discuss the topic, which we would need in order to formally recommend the transaction.

We recommend that staff updates the board on whether the current ground lease with the hotel is at least a at market transaction from the SMMUSD perspective; if it is not, this is the best opportunity to address any weaknesses in that deal. We also recommend that staff updates the board on thoughts regarding potential valuation of the 16th Street property. Ideally, when valuation is optimal and SMMUSD has fully vacated the building, the board should consider selling the property in order to pay down debt.

Members expressed concern that the transaction could open the board to criticism that it is spending money on assets in a crisis that do not improve our students' learning experience. We are not yet clear on what costs associated with getting kids back to school in the midst of a pandemic will be. That does not mean this is not the right thing to do, but the board should be prepared for this criticism.

It was suggested that at some point, allowing the FOC to fully review valuation and potentially recommend the transaction is one way to demonstrate to the community that due diligence was more than sufficient here.