



## SMMUSD Financial Oversight Committee Minutes

**Date:** Thursday, January 23, 2020

**Time:** 7:00 pm to 9:00 pm

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

### I. Call to Order

7:05 pm

Committee Members: Matthew Covington

Alex Farivar

Marc Levis-Fitzgerald

Payal Maniar **arrived @ 7:24 p.m.**

Shelly Slaugh Nahass

**Craig Foster**

Matthew Crawford

Shawn Landres

Seth Jacobson

Debbie Mulvaney

**Jon Kean**

**Laurie Lieberman**

Staff:

Melody Canady

Carey Upton

Kim Nguyen

Absent:

Michael Kremer

Natalie Ricciardulli, SAMOHI

**Gordon Lee**

### II. Welcome Student Representative – Natalie Ricciardulli, SAMOHI

7:05 pm

Student Ricciardulli was absent.

### III. Approval of Agenda

7:05 pm

The committee unanimously approved the agenda.

### IV. Approval of FOC Meeting Minutes

7:05 pm

A motion was made by Mr. Crawford and seconded by Ms. Mulvaney to approve the December 5, 2019 meeting minutes as amended.

Under Item V. C. Property Shift for District Office move, Mr. Landres recused himself from this item due to his position as City Planning Commissioner.

AYES: Eight (8) (Mr. Covington, Mr. Crawford, Mr. Farivar, Mr. Jacobson, Mr. Landres, Ms. Slaugh Nahass, Mr. Levis-Fitzgerald, Ms. Mulvaney)

STUDENT ADVISORY VOTE: None (0)

NOES: None (0)

ABSENT: Three (3) (Mr. Kremer, Mr. Lee, Ms. Maniar)

ABSTAIN: None (0)

**V. Assistant Superintendent, Business and Fiscal Report: Melody Canady (10 min)**

7:06 pm

Ms. Canady reported that the 1<sup>st</sup> Interim budget report was presented to the Board of Education since the last FOC meeting. She went through the multi-year projections for unrestricted general fund. Staff will provide the committee with information at the February meeting regarding how the estimated needs for the TRANS was off by a million dollars. Enrollment is dropping by approximately 200-250 students per year. The Superintendent's Budget Advisory Committee (SBAC) consists of approximately 40 stakeholders **and** will meet in the coming weeks to discuss the current structural budget and future budget deficit.

The multi-year projection may be found at the end of these minutes.

**VI. Discussion/Action Items**

**A. Mid-year written progress report – February 6, 2020 Board Meeting (20 min)**

7:50 pm

Each subcommittee will submit to the FOC Chair the status and progress of each subcommittee's work. Ms. Mulvaney reported that the Tax Revenue and Assessed Valuation subcommittee reached out to Los Angeles County to obtain the RDA formula in order for the members to work on RDA projection. Mr. Farivar reported that the Review of Prop YY and GSH projections subcommittee put together a list of contacts for them to have discussions and regarding City of Santa Monica projection and analysis of various local revenue. Mr. Landres reported that the transient occupancy tax and sales tax are below what was previously projected. Mr. Jacobson reported that the Financial Benefits of Sustainability subcommittee is looking at the sustainability situation as the district coordinator position is vacant. There is a district sustainability policy but nothing has done. One of the subcommittee's work was to look at costs of renegotiation with Southern California Edison. That was completed and will be included in the mid-year written progress report.

Board of Education Agenda Item XII.B. Financial Oversight Committee (FOC) Mid-year Written Report may be found at the end of these minutes.

**B. Special Education Subcommittee request to discuss and approve sending a letter to the Special Education Department**

7:55 pm

Ms. Maniar reported that the Special Education subcommittee will regroup to review Special Education legal trend for State and District (2018-present) data provided by staff. The subcommittee have preliminary questions from what was received but anticipates that there will more questions as the subcommittee continues their analysis. The committee requested a presentation of the Special Education department budget prior to staff's Special Education presentation scheduled to the Board of Education in March 2020.

## VIII. Ad hoc Subcommittee Report (35 min)

8:14 pm

### A. Budget Recommendations: *Mr. Covington, Mr. Jacobson, Ms. Maniar*

The subcommittee will be a part of the Superintendent budget advisory committee. They will be attending the meetings with the other community stakeholders with the first meeting scheduled for February 25, 2020.

### B. Tax Revenue and Assessed Valuations: *Mr. Kremer, Ms. Mulvaney, Ms. Slauch Nahass*

The subcommittee was tasked to research, follow and review Educational Revenue Augmentation Funds (ERAF) and Redevelopment (RDA) Fund calculations. ERAF impacts districts when there is a change in status from Minimum State Aid to Basic Aid or from Basic Aid to Minimum State Aid. ERAF review is no longer needed as the District has become solidly Basic Aid since the time of the FOC charge was established. The committee is waiting for information from the County of Los Angeles regarding the calculation of RDA monies. This will assist the District in evaluating the RDA amount due each year.

### C. Review of Prop YY and GSH projections: *Mr. Crawford, Mr. Farivar, Mr. Landres*

The subcommittee is putting together a list of individuals to obtain information on sales tax estimates and projections to include review of the City of Santa Monica mid-year budget review presentation to the City Council. The committee anticipated that the City's projection will be worse than expected with transient occupancy tax revenue coming in much lower than what was anticipated.

### D. Financial Benefits of Sustainability: *Mr. Jacobson, Mr. Covington, Mr. Crawford*

The subcommittee reported that the Sustainability Coordinator is no longer with the District and existing sustainability work was distributed amongst several departments. The subcommittee was asked to report on the cost of renegotiation with Southern California Edison.

### E. Special Education: *Ms. Maniar, Mr. Kremer, Mr. Levis-Fitzgerald*

The subcommittee requested data of legal settlements and cases from the past few years to include other special education program liabilities and comparison to other school districts. Some data was received but the subcommittee already have follow-up questions. For instance, the majority of the outcome is payment to parents with just a lump sum. A reason is not listed for payment and makes it difficult to evaluate. The biggest struggle is that basic trends and information are not readily available. Each type of liability needs to be looked up case by case and extrapolated from paperwork.

The committee requested a presentation on Special Education budget/expenditures, and in particular budgeting for legal costs.

### F. Bond Oversight: *Mr. Lee, Mr. Covington, Mr. Crawford, Mr. Kremer*

The subcommittee met and held several phone calls for the bond financing.

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

8:16 pm

A. November 2019 Energy Report <http://fip.smmusd.org/pdf/Energy-Report-Nov2019.pdf>

B. Special Education legal trend for State and District (2018-present)

**X. Public Comments**                      None

**XI. Committee Comments**              None

**XII. Next Meeting:**              Wednesday, February 12, 2020

**XIII. Adjournment:**              The meeting adjourned at 8:16 p.m.

MULTI-YEAR PROJECTIONS / UNRESTRICTED GENERAL FUND

	A	B	C	D	E	F
		2019-20	2019-20		2020-21	2021-22
		ADOPTED BUDGET	FIRST INTERIM	CHANGE	PROJECTED BUDGET	PROJECTED BUDGET
	Description					
	Revenue:					
1	Property Tax	89,789,181	89,789,181	-	93,528,640	97,455,072
2	Education Protection Account (EPA)	2,000,000	2,000,000	-	2,000,000	2,000,000
3	LCFF Transfer to Fund Fund 14	-	-	-	-	-
4	LCFF Transfer to Charter School	(20,000)	(20,000)	-	(38,000)	(38,000)
5	Prior Year LCFF Adjustment	-	-	-	-	-
6	Minimum State Aid	8,585,843	8,585,843	-	8,585,843	8,585,843
7	Subtotal LCFF Funding	100,355,024	100,355,024	-	104,076,483	108,002,915
8	Other Federal	13,000	200,000	187,000	13,000	13,000
9	Lottery	1,600,000	1,600,000	-	1,600,000	1,600,000
10	Mandated Reimbursement Block Grant	417,495	417,495	-	380,000	380,000
11	One-time Discretionary Funds	-	-	-	-	-
12	Other State Revenue	5,000	5,000	-	5,000	5,000
13	Meas. "R"	12,449,227	12,449,227	-	12,698,211	12,952,175
14	Meas. Y & GSH/ City of SM	15,553,168	15,553,168	-	15,864,231	16,181,516
15	Joint Use Agreement	9,554,280	9,554,280	-	9,745,365	9,940,273
16	SMM Ed Foundation Donation	-	-	-	-	-
17	SM Ed Foundation Donation	2,000,000	2,000,000	-	2,000,000	2,000,000
18	Malibu Ed Foundation (tbd) Donation	500,000	500,000	-	500,000	500,000
19	Lease & Rental	2,450,000	2,450,000	-	2,450,000	2,450,000
20	All Other Local Income	984,430	1,138,185	153,755	1,180,000	1,140,000
21	Local General Fund Contribution	(30,602,201)	(30,340,654)	261,547	(31,214,245)	(31,838,530)
22	TOTAL REVENUE	115,279,422	115,881,724	602,302	119,298,046	123,326,349
23	Expenditure:					
24	Certificated Salary	53,921,221	53,942,958	21,737	54,752,102	55,573,384
25	Classified	18,725,883	18,589,749	(136,134)	18,868,595	19,151,624
26	Benefits	30,672,971	30,597,610	(75,361)	33,688,783	34,843,141
27	STRS	8,542,347	8,733,336	190,989	10,074,387	10,058,782
28	PERS	3,610,798	3,421,727	(189,071)	4,283,171	4,711,300
29	SOCIAL SECURITY & MEDICARE	2,251,261	2,240,019	(11,242)	2,237,353	2,270,913
30	HEALTH AND WELFARE	12,412,367	12,334,045	(78,322)	12,950,747	13,598,285
31	SUI	39,128	39,035	(93)	41,810	42,363
32	WORKERS COMP	2,834,082	2,841,358	7,276	3,092,069	3,138,450
33	OPEB	894,692	892,989	(1,703)	920,259	934,063
34	CASH IN -LIEU	88,296	95,101	6,805	88,986	88,986
35	Supplies/Books	3,719,326	3,796,567	77,241	3,000,000	3,000,000
36	Other Operational Costs/SERP Payment	12,348,571	13,877,306	1,528,735	10,514,968	10,514,968
37	TRAVEL & CONFERENCE	205,633	258,464	52,831	258,464	258,464
38	DUES & MEMBERSHIPS	55,160	58,853	3,693	58,853	58,853
39	INSURANCE	1,307,468	1,307,468	-	1,307,468	1,307,468
40	UTILITIES	2,957,150	2,957,150	-	2,957,150	2,957,150
41	RENTALS, LEASES, REPAIRS	2,209,563	2,249,140	39,577	2,249,140	2,249,140
42	INTRA-FUND TRANSFERS FOR SERVICES	(30,092)	(80,507)	(50,415)	(80,507)	(80,507)
43	INTER-FUND TRANSFERS FOR SERVICES	(134,441)	(165,969)	(31,528)	(165,969)	(165,969)
44	CONSULTANTS & OTHER OPERATING	5,487,915	7,002,492	1,514,577	3,640,154	3,640,154
45	COMMUNICATIONS	290,215	290,215	-	290,215	290,215
46	Capital Outlay	130,000	215,600	85,600	100,000	100,000
47	Cost of TRANs Issuance	75,000	1,035,241	960,241	-	-
48	Transfer to County Specialized Schools	-	-	-	75,000	75,000
49	Indirect	(1,162,959)	(1,191,961)	(29,002)	(1,000,000)	(1,000,000)
50	GSH Technology Plan/Replacement	1,000,000	1,000,000	-	1,000,000	1,000,000
51	Interfund Transfer Out to Fund 12 CDS	1,000,000	1,000,000	-	1,000,000	1,000,000
52	LCAP Transfer Out to Fund 12 CDS	200,000	200,000	-	200,000	200,000
53	Interfund Transfer Out to Fund 13 FNS	900,000	900,000	-	900,000	900,000
54	Interfund Transfer Out to Fund 14 DefM	750,000	750,000	-	1,000,000	1,000,000
55	TOTAL EXPENDITURE	122,280,013	124,713,070	2,433,057	124,099,448	126,358,117
56	Increase (Decrease) Fund Balance	(7,000,591)	(8,831,346)	(1,830,755)	(4,801,402)	(3,031,768)
57	Beginning Fund Balance	22,439,368	22,439,368	-	13,608,022	8,806,620
58	Ending Fund Balance (net of lines 48-50)	15,438,777	13,608,022	(1,830,755)	8,806,620	5,774,852
59	Reserve - Revolving Cash, Prep-paids	251,984	251,984	(0)	251,984	251,984
60	Reserve - SERP Retirement Incentive Pymnt	1,014,968	-	(1,014,968)	-	-
61	Reserve - Deficiting Spending in 20-21	3,521,607	4,801,402	1,279,795	-	-
62	Reserve - Deficiting Spending in 21-22	1,623,304	3,031,768	1,408,464	3,031,768	-
63	Reserve - Deficiting Spending in 22-23	619,699	-	(619,699)	-	-
64	3% Contingency Reserve	5,047,523	5,126,775	79,252	5,069,718	5,156,206
65	Reserve Up to 2-months of Expenses	3,359,693	396,093	(2,963,600)	453,150	366,661
66	Unappropriated Balance	0	0	0	0	0

**To:** SMMUSD Board of Education  
**From:** Seth Jacobson, Chair, Financial Oversight Committee  
**Subject:** FOC Mid-Year Report  
**Date:** February 6, 2020

The following is a recap of the key committees and activities of the FOC. As noted, we have been expressly following the Board's directive of looking at the finances of the district as it relates to the work of the following committees:

- A. Budget Recommendations: *Mr. Covington, Mr. Jacobson, Ms. Maniar*
- B. Tax Revenue and Assessed Valuation: *Mr. Kremer, Ms. Mulvaney, Ms. Slauch Nahass*
- C. Review of Prop YY and GSH projections: *Mr. Crawford, Mr. Farivar*
- D. Financial Benefits of Sustainability: *Mr. Jacobson, Mr. Covington, Mr. Crawford*
- E. Special Education: *Ms. Maniar, Mr. Kremer, Mr. Levis-Fitzgerald*
- F. Bond Oversight: *Mr. Lee, Mr. Covington, Mr. Crawford, Mr. Kremer*

Additionally, as noted, the FOC has expanded its number of committees per the direction of the Board, and is also reviewing and discussing the ongoing issues related to the district budget.

Subcommittee Reports:

### **Budget Recommendations**

The Budget Committee has met on two occasions and has reviewed the Superintendent's proposed budgetary strategy. The committee members have debated our involvement in the process and will be participating in the Superintendent Budget Advisory Committee meetings. The committee will then take the information and data received and report out to the full FOC and the board after we have reviewed the proposals as a full Committee.

### **Tax Revenue and Assessed Valuation**

The committee has met and has made the following mid-year updates:

1. We are not addressing ERAF calculations, as at this point, unless something changes in Nov 2020, it no longer effects the District, as we seem to be solidly in Basic Aid.
2. We are looking to the County to get information regarding calculating RDA monies, to help us better budget for the amount due to us each year.

### **Review of Prop YY and GSH projections**

The committee has been meeting, and has the following mid-year updates:

1. The subcommittee met and reviewed existing City of Santa Monica projections from prior years.
2. We also began compiling a list of experts, within the City of Santa Monica and elsewhere, to interview as part of our information collection process.
3. Lastly, we extended the request for recommendation to the FOC on 1/23/20 and will follow-up with Shawn Landres regarding the latest City of Santa Monica projections.

### **Financial Benefits of Sustainability**

Per the direction of the Board, the committee has been engaged in the review of the negotiations on electricity use and the contract with Southern California Edison. The committee also reviewed the proposed work plan for the 2019-2020 year for the Sustainability Task Force, and has been involved in promoting it to the various key stakeholders. Much of the committee's work is now on hold pending the determination of the district as to staffing of the sustainability programs.

### **Special Education**

The subcommittee mid-year report addressed their charge to review the special education budget and programs. As part of this, they requested data of legal settlements and cases from the past few years to include other special education program liabilities and comparison to other school districts. Some data was received but the subcommittee already have follow-up questions.

As reference the following comments reflect the committee's thoughts on issues they are addressing: the majority of the outcome in special education budgeting is payment to parents of legal judgements with just a lump sum. The biggest struggle is that basic trends and information are not readily available. Each type of liability needs to be looked up case by case and extrapolated from paperwork.

The committee requested a presentation on Special Education budget/expenditures; and in particular, budgeting for legal costs.

### **Bond Oversight**

The FOC Bond Subcommittee met on October 2, 2019. The district's Financial Advisor, John Isom (FA) and underwriter from Raymond James, John Baracy were in attendance as well as Assistant Superintendent Melody Canady.

The FOC was asked by the Board of Education to look at the issuance of new money which is the 5<sup>th</sup> and final series of the Measure ES Bonds for \$115 million. We were asked to look at how to properly structure the bonds with the spirit to keep tax rates in accordance to the taxpayer promise by the Board of Education.

We also revisited the refunding of bonds from Election of 2006 & 2012 Series D as well as the recent execution of the two (2) SFID's.

The subcommittee reviewed the refunding recommendation and determined it did not need to be reviewed, so the subcommittee just updated the FOC on the current status of the refunding. Since there are two series of bonds, one clearly should be refunded. That is Election 2012 Series D with an estimated Net Present Value Savings of \$6.5 million. Election of 2006 Series D was questionable at the meeting on whether it should be refunded. The Net Present Value savings was on the borderline at \$1.6 million. We looked to see the savings efficiency being above 50% in which they were 73% and 51%, respectfully. We asked the FA and underwriter to keep us apprised to see if rates would stay favorable. The refunding occurred on October 7, 2019 and you have the summary attached of the closing (<http://www.smmusd.org/fiscal/FinancialReports.html>).

That savings had increased to \$7.1 million and \$3.1 million in NPV savings and 75% and 51% savings efficiency.

As for the SFID's, we discussed them in general, but the committee felt the FA should come before the FOC as in the past to present the execution of the issuance. Our FA should include in the presentation the aforementioned final execution of the two series of bond refunding's.

Now let's turn our attention to the final issuance of Measure ES for \$115 million. The question posed by the Board of Educations was to discuss a 16-year term vs. a 25-year term for the Board to discuss on October 17, 2019 in which they will give direction to staff at that time. The decision to issue these bonds have already been determined by staff.

We had asked Mr. Isom and Mr. Baracy to give the committee its pros and cons to the question. Two structures were discussed. 1) A level tax rate with the bonds amortized over 25 years and 2) Accelerating the principal to keep the estimated Measure ES tax rate at or below the \$30 per \$100,000 of Assessed Value and amortize over 16 years.

The committee concluded to favor option #2 with an additional change. Begin the amortizing of principal in year 2021 for 17 years so not to overburden the taxes being levied for Measure SMS and M which commence in 2020 and 2021. By deferring the principal to 2022 on the final issuance of ES, the cost of the loan increases by 6 basis points (.06%). The committee continued to discuss other matters further during the meeting after staff and advisors left.

We had recently looked to our Debt Policy for answering some of the metric questions on why we should refund and at what point. We found it not giving us clear direction on many fronts. Rather than looking to what is generally accepted within industry, we consider Santa Monica and Malibu unique as it Aaa rating. The committee decided to come back to the FOC with some updates and recommendations to the existing policy.

Respectfully submitted,  
Seth Jacobson  
Chair, Financial Oversight Committee



# Special Education Legal Trends

State & District

2018-current

# Set Up of This Presentation

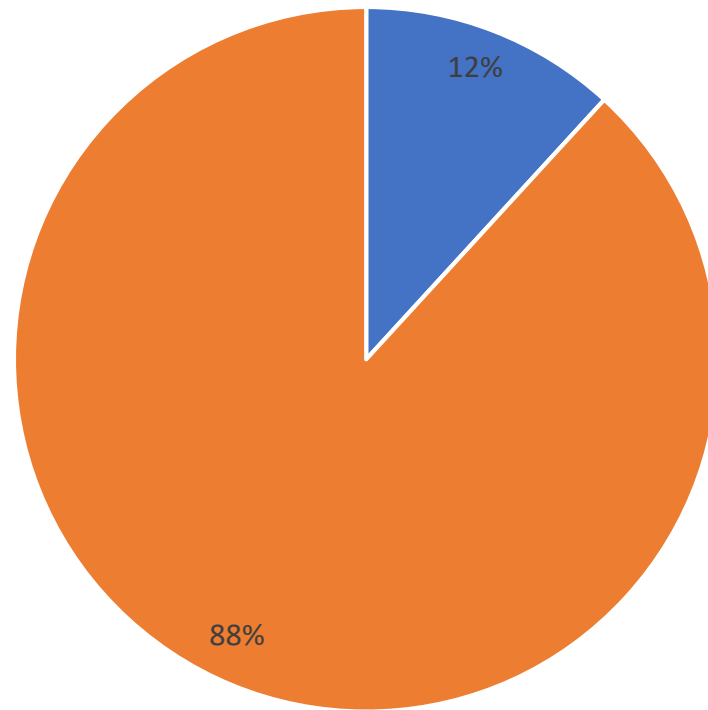
- Slides 3-10 Are State Trends
- Slides 11-19 Are SMMUSD Trends 2018-current

Information Presented by Matt  
Tamel & Meagan Kinsey  
Mediation and Due Process  
Special Education Academy To  
Give You Information about  
State Trends

January 10, 2020

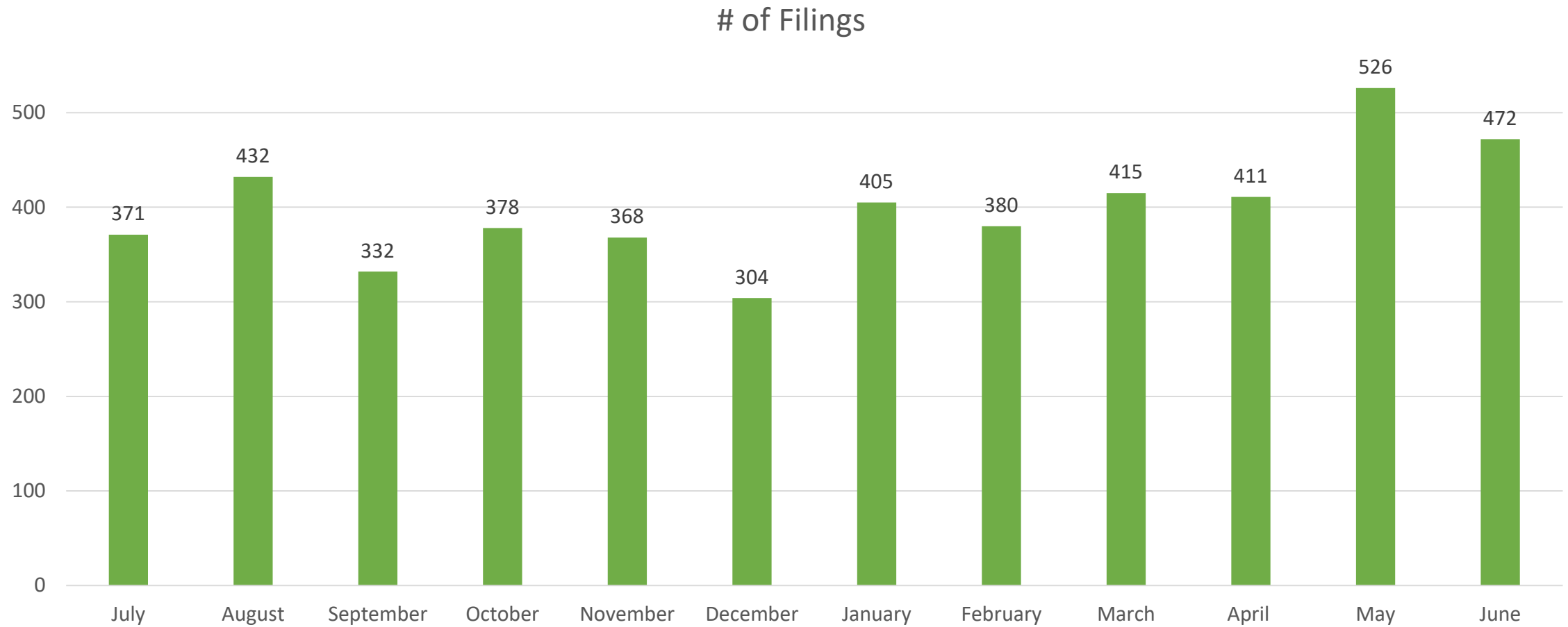
# Who is filing?

Number of Filings 2018-2019 Fiscal Year

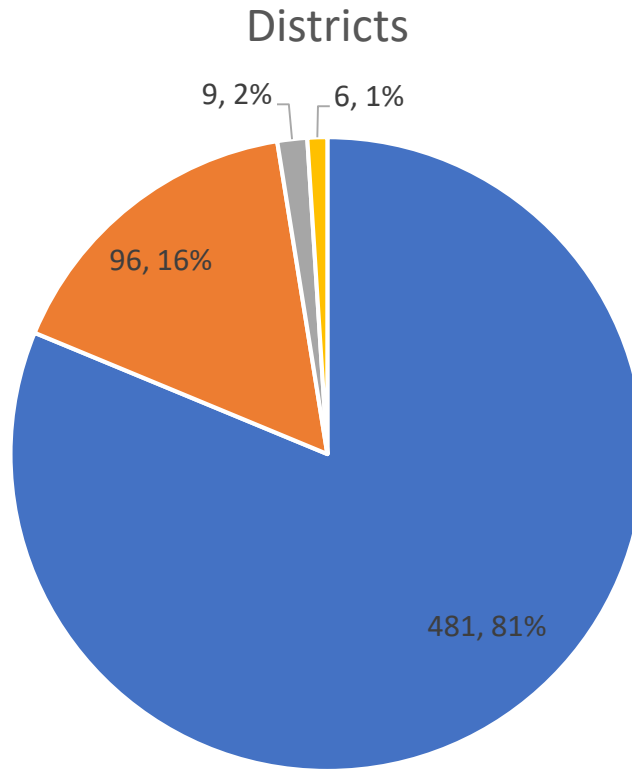


■ District ■ Students

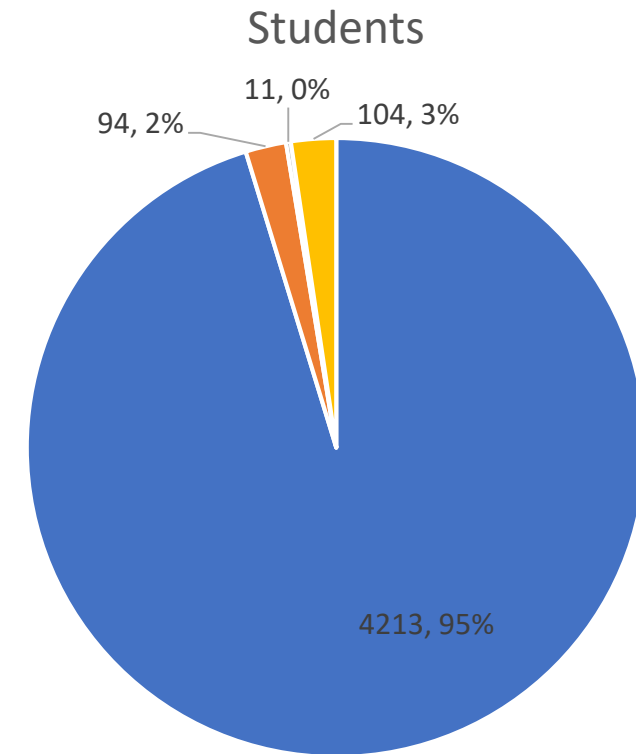
# When do most filings occur?



# What is being filed?

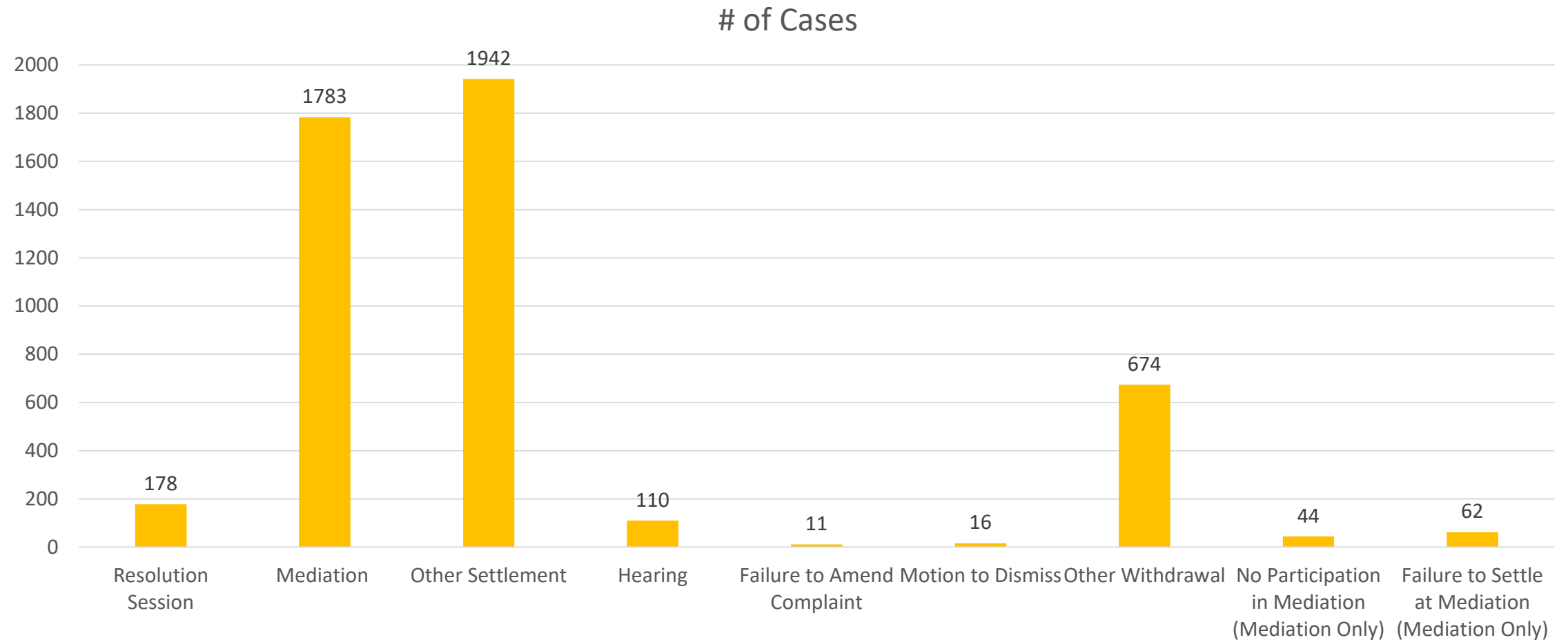


■ "Regular" Filing ■ Mediation Only ■ Expedited Issues ■ Dual Issues

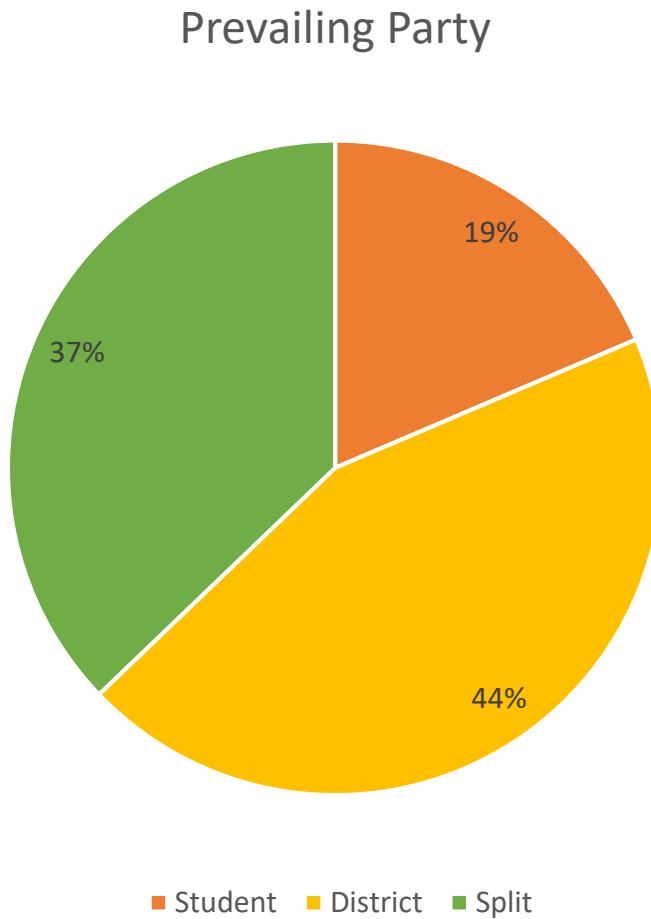


■ "Regular" Filing ■ Mediation Only ■ Expedited Issues ■ Dual Issues

# How are cases resolved?

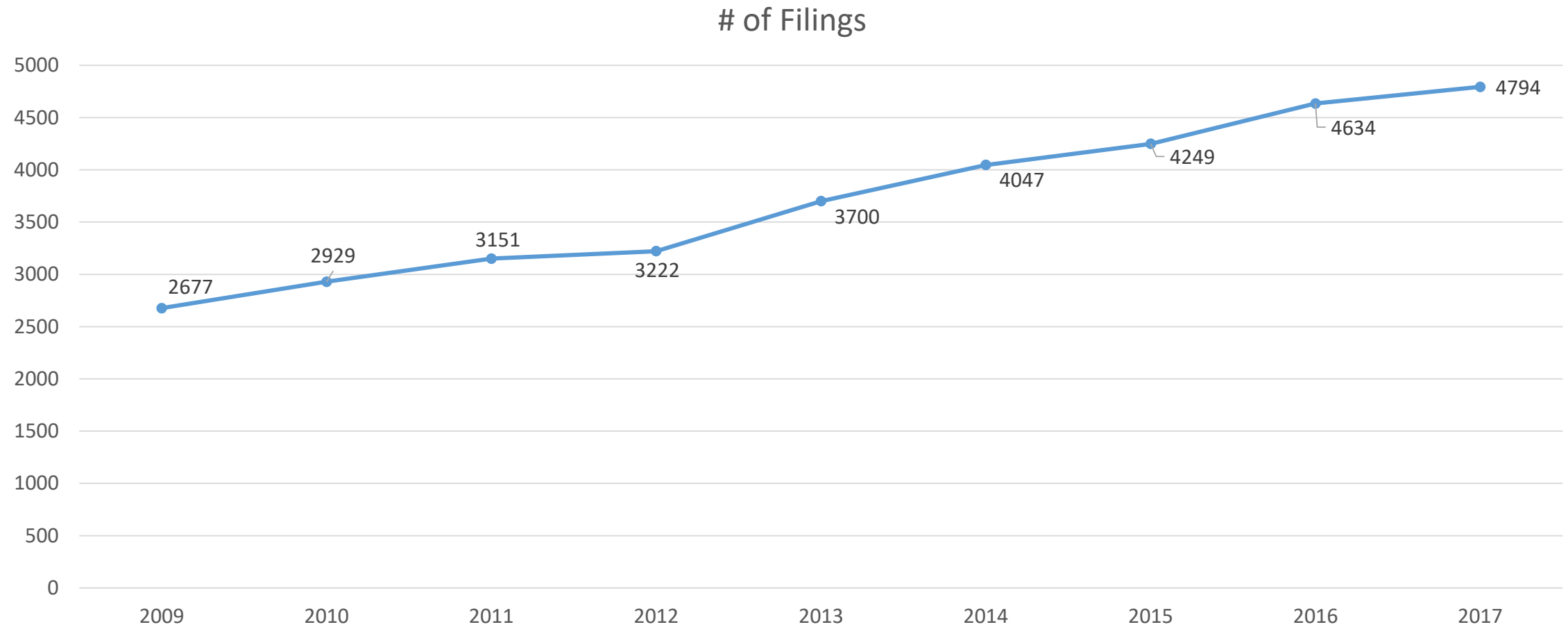


# Who “wins” at hearing?





# How many cases year over year?



# Conclusions / Takeaways

- Number of filings is increasing.
- More cases in the spring.
- Majority of cases settle before hearing.
- District doesn't win outright on majority of cases that go to hearing.



**What does  
this tell us?**

# Filings by Disability

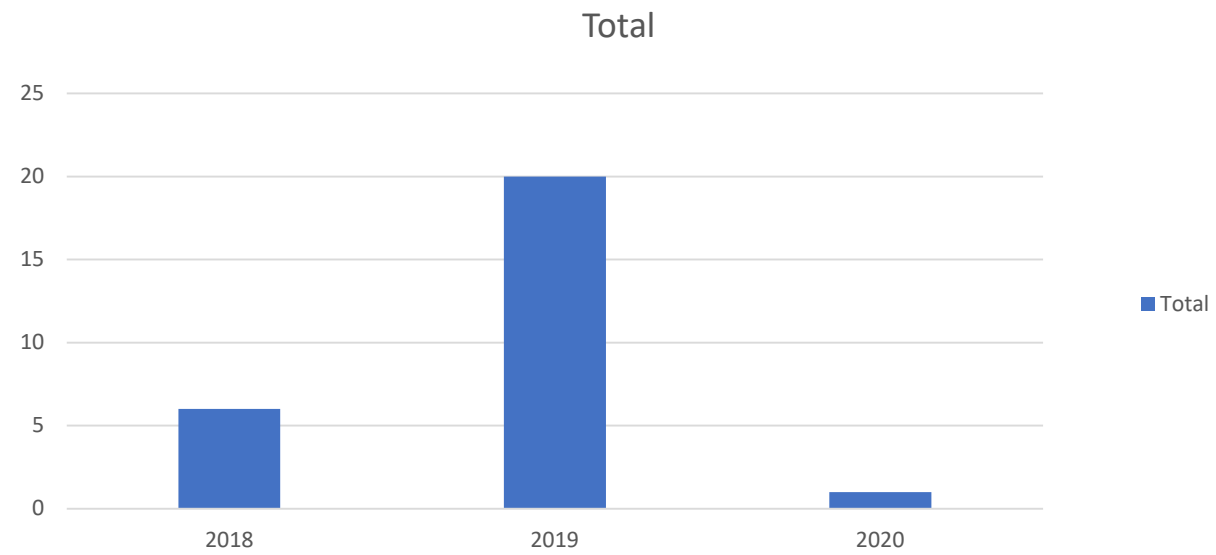
Row Labels	Count of Disability
AUT	10
DNQ	4
ED	3
multiple disability	1
OHI	5
SLD	3
SLI	1
Grand Total	27

# Filings by Grade Level

Row Labels	Count of School Level
Elementary	11
High	13
middle	2
preschool	1
Grand Total	27

# Year Settled

Row Labels	Count of Date
2018	6
2019	20
2020	1
Grand Total	27



# Services request

- Frequency of request

	Column Labels											
	Assistive technology	basic education	Compensatory Ed	counseling	IEE	IEE	IEEs	paraeducator	speech/language	Tutoring	Unilateral placement	Grand Total
Count of Services Requested 1	1	3	1	1	3	1	1	1	1	2	12	27

	Column Labels															
	?	compensatory education	Contracted services	counseling	Eligibility	IEEs	occupational therapy	OT	Para	placement	RTC payment	speech/language	Tutoring	unfulfillment of previous agreement	(blank)	Grand Total
Count of Services Requested 2	1	1	1	1	1	1		1	2	1	1	1	1	3	1	17

	Column Labels							
	AAC	basic ed	District Assessment	Speech/Language	transportation	Tutoring	(blank)	Grand Total
Count of Services Requested 3	1	1	1	2	2	2		9

	Column Labels				
	Behavioral services	IEE	OT	(blank)	Grand Total
Count of Services Requested 4_2	1	1	1		3

# Types of outcomes and numbers in each column

Row Labels	Count of Outcome 1	Count of Outcome 2	Count of Outcome 3_2
Assessments by district	1	1	
IEE	1	1	1
IEE payments	1	1	1
NPA para	1	1	1
Payment for tutoring	1		
Payment to parent	20	7	
Payment to school	1		
tutoring	1	1	1
Grand Total	27	12	4

Total assessments requested by the District= 2

Total single IEE requested=3

Total multiple IEEs=

# Outcomes – What did the District Agree To?

Row Labels	Count of Outcome 2	Count of Outcome 3	Count of Outcome 4	Count of Outcome 1
Assessments by district	1			1
IEE	1	1		1
IEE payments	1	1		1
NPA para	1	1		1
Payment for tutoring				1
Payment to parent	7			20
Payment to school				1
tutoring	1	1		1
Grand Total	12	4		27



Sum of Payments to Parents for reimbursements &  
Sum of Payments to NPAs (Tutoring, Psych  
services, Paras), NPS

Parent payments=\$1,181,481.25

Payments to NPAs, NPS= \$468,250

# Payments to Parent Attorneys

- There may be a payment missing, but this is close to the amount.
- Sum of Parent Attorney Cost=\$408,619.77 for July 2018-current.
- Sum of Parent Attorney Cost
  - 2018= \$116,750
  - 2019=\$283869.77
  - 2020=\$8000

# Payments to our attorneys

- Attorney Costs for 2018 (Jan-Dec)= \$299,998
- Attorney Costs for 2019 (through May 2019) =\$260,291

# Length of Time Cases Were Settled For

- Settled for less than 1 year= 2 cases
- Settled for 1 year =10 cases
- Settled for more than 1 year, but less than 2= 2 cases
- Settled for 2 years= 12 cases
- Settled for 3 years= 1 case