



SMMUSD Financial Oversight Committee Special Meeting Minutes

Date: Monday, June 22, 2020

Time: 4:00 pm to 5:00 pm

Location: Zoom

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I. Call to Order

4:02 pm

Committee Members: Matthew Crawford

Seth Jacobson

Shawn Landres

Gordon Lee

Debbie Mulvaney

Alex Farivar

Michael Kremer

Marc Levis-Fitzgerald arrived @ 4:06 p.m.

Payal Maniar

Staff:

Kim Nguyen

Absent:

Matthew Covington

Jon Kean

Laurie Lieberman

Shelly Slaugh Nahass

Craig Foster

Melody Canady

II. Approval of Agenda

4:07 pm

A motion was made by Mr. Kremer and seconded by Mr. Landres to approve the agenda.

AYES: Eight (8) (Mr. Crawford, Mr. Farivar, Mr. Jacobson, Mr. Kremer, Mr. Landres, Mr. Lee, Ms. Maniar, Ms. Mulvaney)

STUDENT ADVISORY VOTE: None (0)

NOES: None (0)

ABSENT: Three (3) (Mr. Covington, Mr. Levis-Fitzgerald, Ms. Slaugh Nahass)

ABSTAIN: None (0)

III. Approval of FOC Meeting Minutes

4:06 pm

A motion was made by Mr. Landres and seconded by Mr. Crawford to approve the December 5, 2019 meeting minutes as amended and to approve the June 11, 2020 meeting minutes.

The December 5, 2019 meeting minutes were amended as follows:

Under Item# V.C. Property Shift for District Office move, *“Mr. Landres recused himself from this item due to his position as City of Santa Monica Planning Commissioner.”*

Under Item# VI.E. Ad Hoc Subcommittee Report - Special Education, *“Data on legal settlements from over the past few years to include other special education program liabilities ~~and other school districts~~ was received by the committee.”*

AYES: Nine (9) (Mr. Crawford, Mr. Farivar, Mr. Jacobson, Mr. Kremer, Mr. Landres, Mr. Lee, Mr. Levis-Fitzgerald, Ms. Maniar, Ms. Mulvaney)

STUDENT ADVISORY VOTE: None (0)

NOES: None (0)

ABSENT: Two (3) (Mr. Covington, Ms. Slaugh Nahass)

ABSTAIN: None (0)

IV. Discussion/Action Items

A. Committee Report to the Board of Education on July 16, 2020

4:11 pm

The committee discussed edits to the draft annual report to the Board of Education and recommendations of 2020-21 charges to include financial implications and fiscal impact between various return to school models; financial implications of insuring equity in the various school models; and the rebalancing of security versus services budgets.

Mr. Landres and Ms. Payal will have conversations with FOC Board Liaisons regarding the committee discussion and will return with a recommendation at the June 30, 2020 FOC special meeting.

The draft committee report may be found at the end of these minutes.

4:57 pm

B. Nominating Subcommittee Recommendation for Membership effective July 1, 2020

Mr. Crawford reported that the press release was resent to the community to increase diversity outreach to include the District English Learner Advisory Committee and other committee membership of varied background and perspective. There were (3) new applications received as of the date of the meeting. Applications are currently being accepted until June 23, 2020.

The subcommittee will return with a recommendation at the June 30, 2020 FOC special meeting.

V. Receive and File (Limited Discussion) None

VI. Public Comments None

VII. Committee Comments None

VIII. Next Meeting: Tuesday, June 30, 2020 at 5:00 p.m. – Special Meeting

IX. Adjournment: The meeting was unanimously approved to adjourn at 5:10 p.m.

To: SMMUSD Board of Education
From: Seth Jacobson, Chair, Financial Oversight Committee
Subject: FOC Annual Report
Date: July 16, 2020

The SMMUSD Financial Oversight Committee (FOC) was established to serve as the Measure R Independent Citizens Oversight Committee as well as to provide monitoring and review of the District budget, the City of Santa Monica Joint Use Agreement, the City of Malibu Joint Use Agreement, the District Audit, enrollment projections, revenue and expenditure forecasts, the capital program and public education regarding district finances. In addition to its regular oversight duties, the SMMUSD Financial Oversight Committee forms subcommittees to handle special finance-related issues posed by the Board and CBO. For the fiscal year 2019-20 we had six (6) subcommittees.

Budget Recommendations: *Mr. Covington, Mr. Jacobson, Ms. Maniar* - This subcommittee was formed to allow for FOC representation at Superintendent Budget Advisory Committee meetings as well as to provide research and guidance as requested on budget related issues.

Tax Revenue and Assessed Valuation: *Mr. Kremer, Ms. Mulvaney, Ms. Slaugh Nahass* – This subcommittee researched, followed and reviewed Educational Revenue Augmentation Funds (ERAF) and Redevelopment (RDA) Fund calculations and reviewed the assessed valuation reports from the Cities of Malibu and Santa Monica.

Review of Prop YY and GSH projections: *Mr. Crawford, Mr. Farivar* - This subcommittee reviewed the financial projections for sales tax revenue in the City of Santa Monica to help understand the budget implications of sales taxes on Prop YY and Measure GS.

Financial Benefits of Sustainability: *Mr. Jacobson, Mr. Covington, Mr. Crawford* - This subcommittee worked in identifying financial benefits associated with sustainability efforts.

Special Education: *Ms. Maniar, Mr. Kremer, Mr. Landres, Mr. Levis-Fitzgerald* - This subcommittee started off as a continuation from the prior year to evaluate other Special Education Local Plan Area (SELPA) models and then look at the potential of creating our own District model, strictly from a financial perspective, in that the committee will not be evaluating the efficacy of any of the district programs. The committee evolved to finding areas of cost efficiencies in Special Education.

Bond Oversight: *Mr. Lee, Mr. Covington, Mr. Crawford, Mr. Kremer* - The purpose of this committee is to be involved with any type of financing the district is planning whether it involves the bond authorizations for Measure ES, SMS or M or other contemplated district financing.

Note: The FOC at the Board of Education's request, reviewed and updated the reporting format for Measure R annual plan to include greater detail of the funding of educational program. This was previously reported as "*balance used to preserve programs and replace funds lost due to inadequate state funding.*" Furthermore, the committee previewed future reporting format for the

Measure R audit with District Auditor – Eide Bailly LLP. The Measure R audit reporting will now be more in line to current standards.

Attached are the subcommittee reports. A summary of the findings and conclusions will be presented at the Board meeting on July 16, 2020.

2020-21 Suggested topics of study

On-going:

Budget Recommendations; Bond Oversight; Special Education.

Revamped:

Revised of Tax Revenue and Assessed Valuation and Review of Prop YY and GSH Projections into one (1) subcommittee as both subcommittees will be looking at revenue sources, just different revenue streams.

Pending:

Sustainability.

District Budget Recommendations

Submitted by: Mr. Covington-Chair, Mr. Jacobson, Ms. Maniar

The members of the FOC that sit on the Superintendent's Budget Advisory Committee will report back to the full committee on any proposed realignment recommendations and proposed budget cuts, as well the full committee will be working throughout the 2020-21 year with Assistant Superintendent, Business and Fiscal Services - Melody Canady to review these proposed cuts and recommendations. We anticipate providing insight as well as additional recommendations as this process evolves.

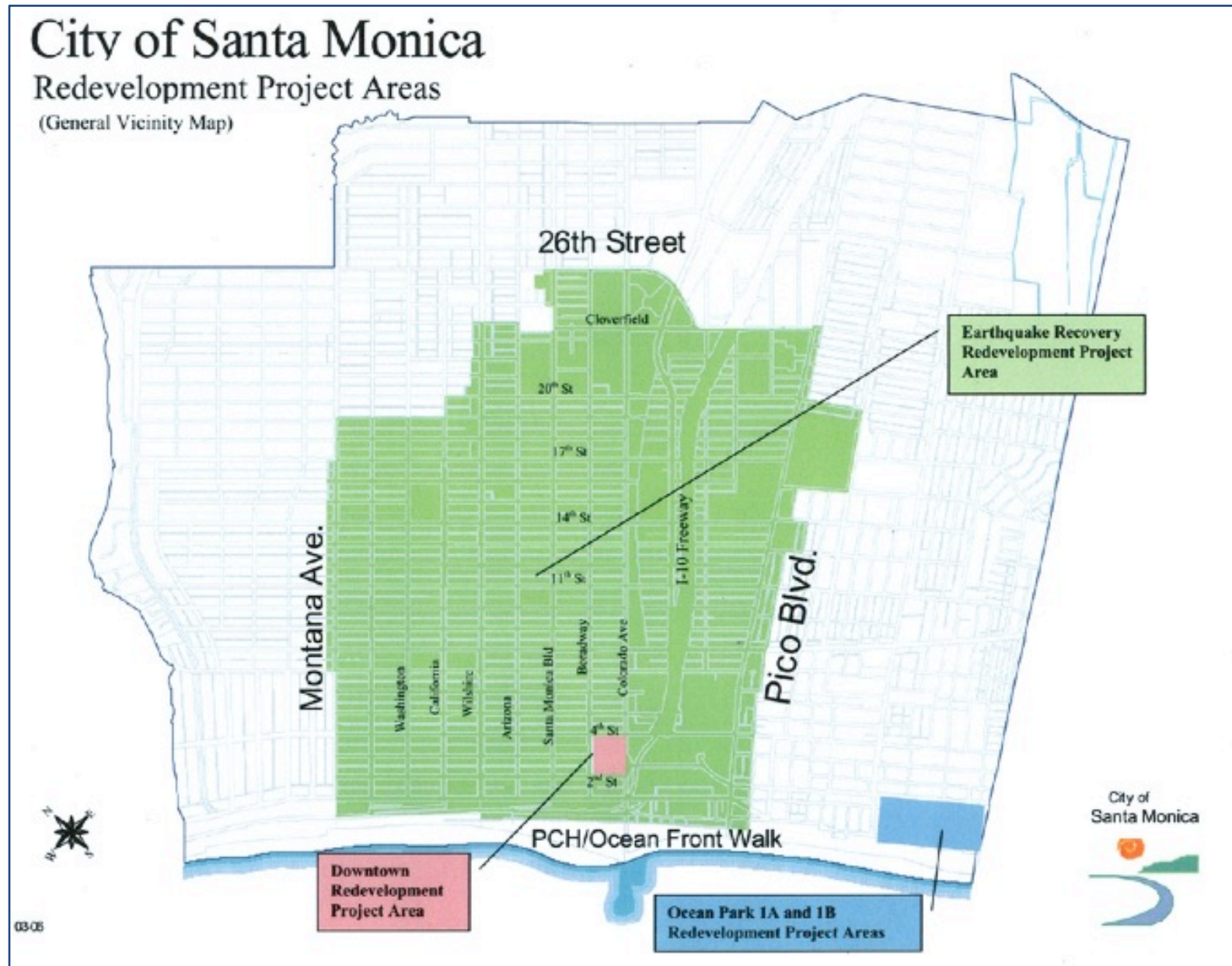
Tax Revenue and Assessed Valuation

Submitted by: Mr. Kremer-Chair, Ms. Mulvaney, Ms. Slaugh Nahass

FOC Tax Revenue Subcommittee

July 16, 2020 Report to SMMUSD Board

Map of Former Santa Monica Redevelopment Project Areas



Santa Monica Assessed Valuations (AV) Since RDA Dissolution

- FY 2019-20
 - \$18.22 billion total redevelopment AV; 95% from the Earthquake PA
 - \$21.24 billion AV for the remainder of the City (tax district #1)
 - \$39.46 billion total City AV
- Since RDA Dissolution in FY 2011-12
 - 59% total growth in redevelopment AVs; 7.3% annual average
 - Citywide, total AV growth of 61%; 7.6% annual average

\$ billions			Redevelopment Project Areas						
Fiscal Year	Tax District #1	% Change	Earthquake	Downtown	Ocean Park	Sub-Total	% Change	Total AV for Santa Monica	% Change
2011-12	13.08	n/a	10.71	0.37	0.40	11.49	n/a	24.57	n/a
2012-13	13.57	3.7%	11.33	0.39	0.41	12.12	5.6%	25.69	4.6%
2013-14	14.65	8.0%	11.97	0.39	0.43	12.79	5.5%	27.44	6.8%
2014-15	15.67	7.0%	12.51	0.36	0.44	13.30	4.0%	28.98	5.6%
2015-16	16.57	5.7%	13.69	0.36	0.46	14.52	9.1%	31.09	7.3%
2016-17	17.58	6.1%	14.65	0.37	0.49	15.51	6.9%	33.09	6.5%
2017-18	18.76	6.7%	14.71	0.38	0.51	15.60	0.6%	34.36	3.8%
2018-19	20.23	7.8%	16.27	0.38	0.53	17.19	10.2%	37.41	8.9%
2019-20	21.24	5.0%	17.28	0.38	0.55	18.22	6.0%	39.46	5.5%

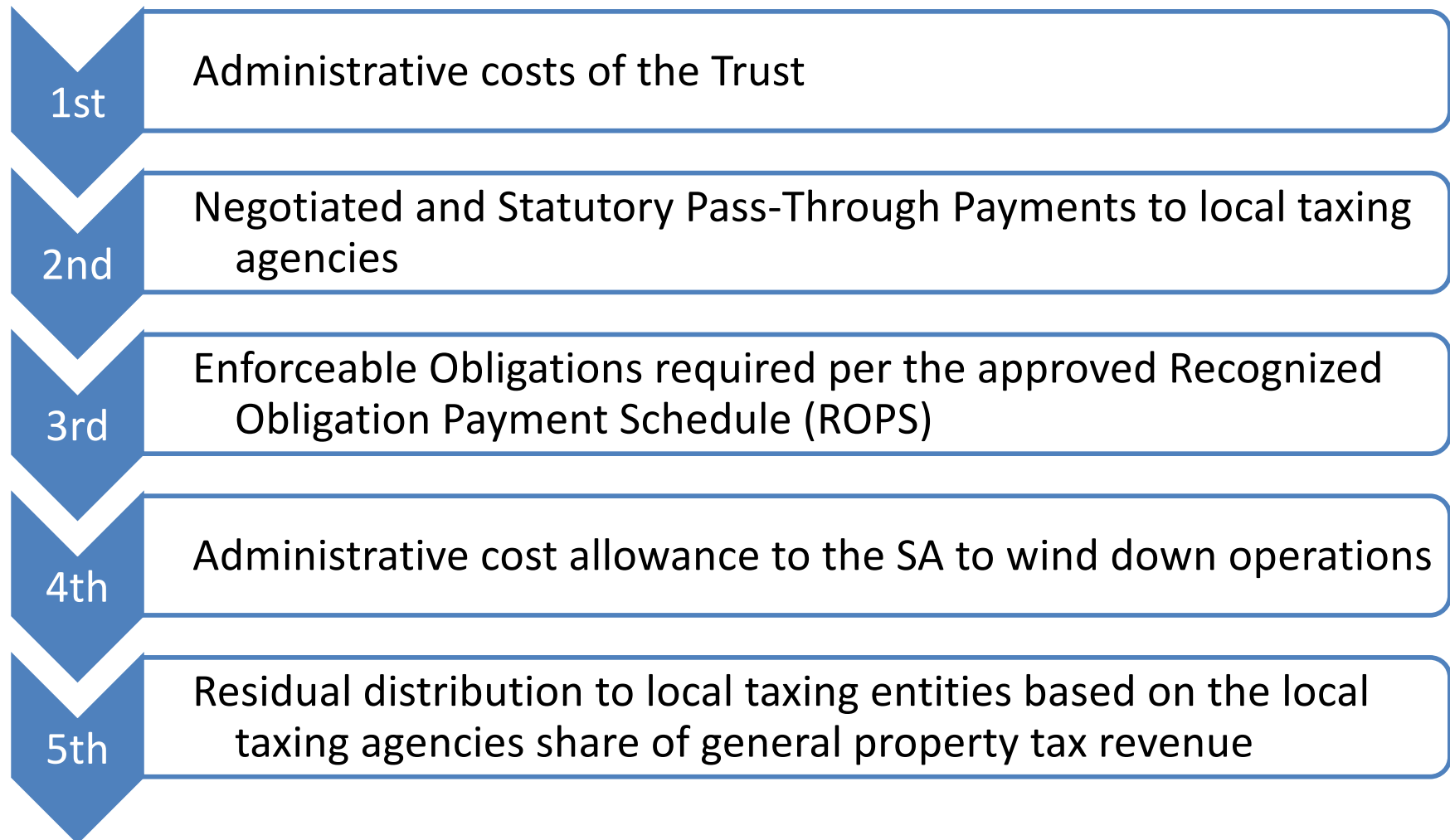
Source: LA County Auditor-Controller Taxpayers Guides

RDA Operations Post Redevelopment Dissolution

- All redevelopment agencies were dissolved effective Feb. 1, 2012 pursuant to AB 26 (Dissolution Law)
- The City of Santa Monica assumed the role of Successor Agency (SA) to the original Redevelopment Agency; a separate legal entity from the City
- Former tax increment revenues are deposited into a Redevelopment Property Tax Trust Fund (Trust Fund or RPTTF) which is administered by the Los Angeles County Auditor-Controller
- The SA is supervised by the Third District Consolidated Oversight Board (OB), which is comprised of representatives from local taxing agencies receiving property tax distributions from the RPTTF
- OB members have a fiduciary responsibility to holders of Enforceable Obligations and to the local taxing agencies
- The actions of the OB are subject to review or approval by the State of California Dept. of Finance

Semi-Annual Allocation of Taxes in the RPTTF

- Each January 1 and June 2, the County allocates former tax increment revenues in the Trust Fund with the following priority of payments:



Statutory Pass-Through Payments from the SA

- From 1994 legislation still in effect, AB 1290, the SA is required to make payments to affected taxing entities from tax increment revenues
- The pass-through payments are based on a three tier formula that increases payments over time
 - Tier 1 -- 25% of total tax increment revenue during the entire term the Agency receives tax increment
 - Tier 2 -- Beginning in the 11th year that the Agency receives tax increment, an additional payment equal to 21% of the tax increment attributable to growth above year 10 levels
 - Tier 3 -- Beginning in the 31st year that the Agency receives tax increment, an additional payment equal to 14% of the tax increment attributable to growth above year 30 levels
- The District is required to deposit 56.7% of AB 1290 payments into its Fund 40 for expenditure on facility costs, and 43.3% into the General Fund for LCFF purposes (included in LCFF Basic Aid calculations)

Enforceable Obligations (EOs) of the Successor Agency

- \$153.389 million EO balance as of June 30, 2019; FY 2019-20 EO payments totaled \$33.137 million
- The SA may issue tax allocation refunding bonds to refinance EOs if the refinancing results in debt service savings, subject to OB and State DOF approvals
 - Lowering EO Payments will increase Residual Distributions
 - Each \$1 million annual reduction in EO Payments is estimated to increase the District's Residual by \$160,000 (~16% share)

ROPS Item #	Project Name	Obligation Type	Agreement Execution Date	Description	Project Area	Balance as of 6/30/2019	Interest Rate	Final Payment Date	Prepayment Feature
1	2011 Earthquake RDA Bonds	Bonds Issued After 12/31/10	06/07/2011	Bond Payment	EQ	\$41,050,000	5.000%-5.875%	07/01/2042	7/1/2021 at par
2	2006 Earthquake RDA Bonds	Bonds Issued on or Before 12/31/10	04/27/2006	Bond Payment	EQ	\$34,995,000	4.375%-5.000%	07/01/2029	7/1/2016 at par
13	Bank of America Term Loan	Third-Party Loans	05/08/2008	Bank of America Loan Payment	EQ	\$28,787,870	LIBOR + 1.25%	07/15/2028	TBD
16	1978 Promissory Notes	City/County Loan (Prior 06/28/11), Property transaction	10/24/1978	Property acquisition note payment	EQ	\$2,429,447	3.00%	06/29/2028	TBD
17	2003 Promissory Note A	City/County Loan (Prior 06/28/11), Property transaction	12/14/2004	Downtown Parking Structures 1-6 acquisition note payment	EQ	\$2,952,725	3.00%	01/01/2021	TBD
18	2003 Promissory Note B	City/County Loan (Prior 06/28/11), Property transaction	12/14/2004	Downtown Parking Structures 1-6 acquisition note payment	EQ	\$4,659,400	3.00%	01/01/2022	TBD
24	Arizona and 4th Notes	Miscellaneous	10/13/2010	Mixed-use development with public plaza and underground parking	EQ	\$19,257,191	6.82%	01/01/2042	TBD
40	Arizona and 4th-Reimbursement Agreement	Miscellaneous	06/23/2010	Mixed-use development with public plaza and underground parking	EQ	\$19,257,191	6.82%	01/01/2042	TBD

Total:>> **\$153,388,823**

FY 2019-20 Trust Fund Distributions to the District

- The RPTTF distributions for FY 2019-20 were made on January 2, 2020 (the 2019-20B ROPS) and on June 1, 2020 (the 2020-21A ROPS)
- The District received \$19.120 million in FY 2019-20
 - \$9.125 million on January 2 and \$9.993 million on June 1
- The District received \$7.881 million from the AB 1290 pass-through payments
 - \$4.469 million was deposited into the Special Reserve Fund for Capital Projects (Fund 40)
 - \$3.412 million was deposited into the General Fund for LCFF purposes
- The District received \$11.239 million from the Residual Distribution
 - A required deposit into the General Fund for LCFF purposes; counted for Basic Aid calculations

FY 2019-20 Trust Fund Distributions Details

	2019-20B ROPS 01/02/2020	2020-21A ROPS 06/01/2020	FY 2019-20
1. Property Tax Deposits:	\$60,368,276	\$81,391,678	\$141,759,955
2. Administrative Costs:	(\$2,358,605)	(\$314,743)	(\$2,673,348)
3. Statutory (AB 1290) Passthroughs:			
City	(\$1,611,007)	(\$2,161,363)	(\$3,772,370)
County Taxing Entities	(\$8,598,507)	(\$10,244,444)	(\$18,842,951)
Special District	(\$6,233)	(\$7,426)	(\$13,658)
K-12 School	(\$3,596,299)	(\$4,284,706)	(\$7,881,005)
Community College	(\$878,307)	(\$1,046,433)	(\$1,924,740)
County Office of Education	(\$100,498)	(\$119,736)	(\$220,234)
ERAF	(\$980,225)	(\$1,167,860)	(\$2,148,085)
Total:	(\$15,771,076)	(\$19,031,968)	(\$34,803,044)
4. Total RPTTF Balance Available to Fund Enforceable Obligations (EOs):	\$42,238,595	\$62,044,968	\$104,283,563
5. Enforceable Obligations (EOs):	(\$5,645,538)	(\$27,491,878)	(\$33,137,416)
6. SA Administrative Costs:	\$0	(\$326,103)	(\$326,103)
7. Balance Available for Distribution:	\$36,593,057	\$34,226,987	\$70,820,044
8. Residual Distribution:			
Cities	(\$5,684,380)	(\$6,025,520)	(\$11,709,900)
County Taxing Entities	(\$13,219,577)	(\$13,652,521)	(\$26,872,097)
Special Districts	(\$9,582)	(\$9,896)	(\$19,478)
K-12 Schools	(\$5,529,058)	(\$5,710,130)	(\$11,239,188)
Community Colleges	(\$1,350,336)	(\$1,394,558)	(\$2,744,894)
County Office of Education	(\$154,511)	(\$159,570)	(\$314,081)
ERAF	(\$10,645,613)	(\$7,274,791)	(\$17,920,404)
Total:	(\$36,593,057)	(\$34,226,987)	(\$70,820,043)
9. Ending RPTTF Balance:	\$0	\$0	\$0
Total to SMMUSD:>>	\$9,125,357	\$9,994,837	\$19,120,193

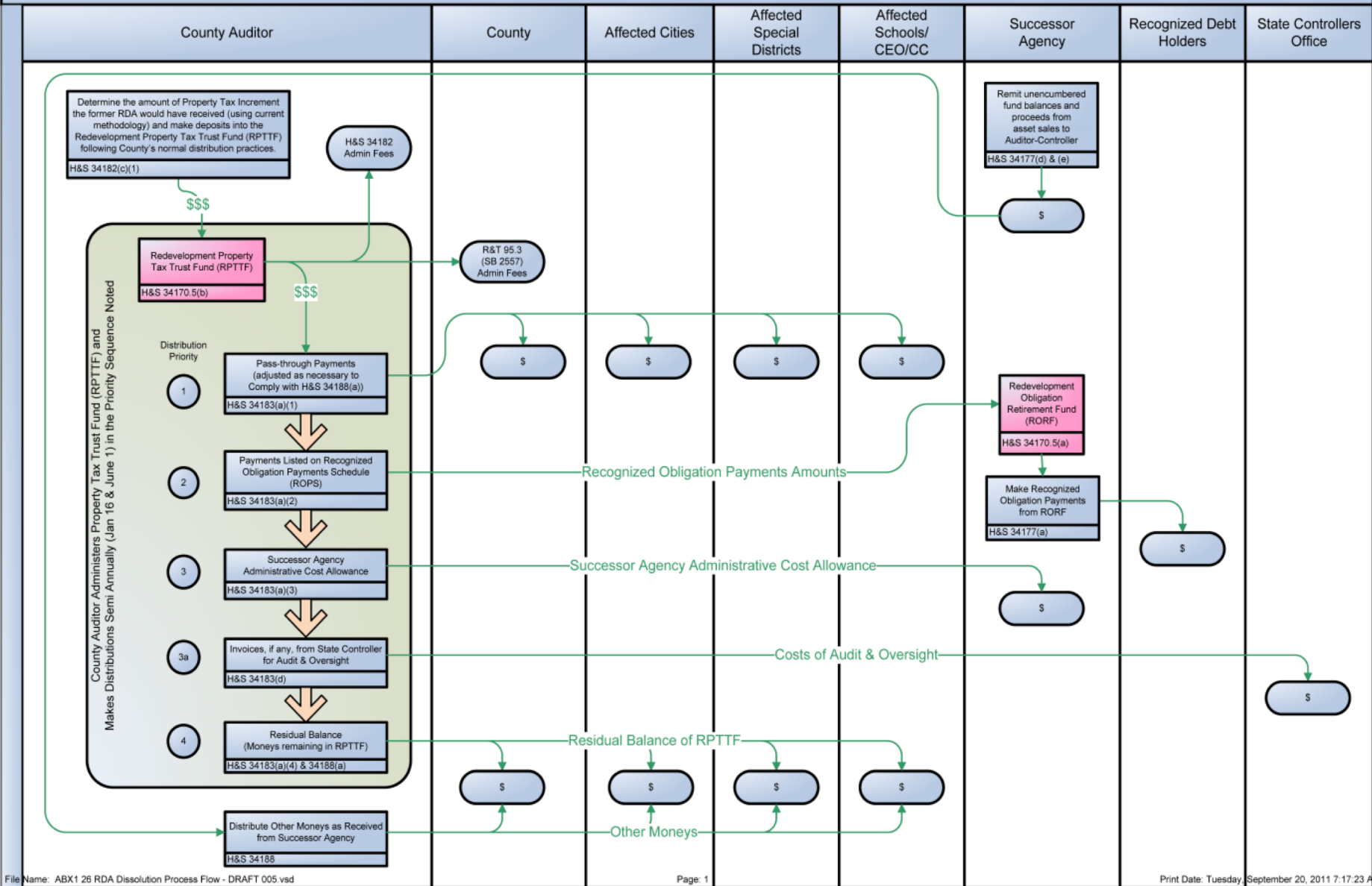
Recommendations to the Board

- Contact the City ASAP regarding refinancing options for the Enforceable Obligations in this very low interest rate environment
 - The 2006 and 2011 Tax Allocation Bonds totaling \$75 million can be refunded now for significant debt service savings to the benefit of the District and the local taxing agencies
 - \$38 million of EOs have a high interest rate of 6.82% through 2042
- Retain an experienced redevelopment consulting firm to prepare RPTTF financial projections through FY 2041-42 for use in the District's multi-year budget planning
 - These projections are typically required for tax allocation refunding bond credit ratings and offering statements
- Continue this Subcommittee's engagement into FY 2020-21 to assist as needed on ROPS matters

TECHNICAL APPENDIX

Detailed RPTTF Flow of Funds

Exhibit A - ABX1 26 RDA Dissolution – Flow of Funds



Review of Prop YY and GSH projections

Submitted by: Mr. Crawford-Chair, Mr. Farivar

This FOC subcommittee was charged with reviewing Prop Y and GSH projections.

The revenue to SMMUSD from Y & GSH was historically in the range of ~\$16M, and actual revenue outpaced original budget projections by 9 percentage points and 2 percentage points in the past two fiscal years respectively (\$1.4M and \$0.4M).

Sales tax revenues in the 2019 - 20 and 2020 - 21 fiscal years, however, are expected to decrease precipitously due to the economic impacts caused by the COVID-19 pandemic and civic unrest. These projections are based on the subcommittee's communication with the City of Santa Monica's Assistant City Treasurer in May 2020.

Specific subcommittee recommendations:

- Adjust 2019 - 20 Y & GSH revenue projection to \$14.5M, a -7% difference (\$1.1M) from the original budget of \$15.6M
- Adjust 2020 - 21 Y & GSH revenue projection to \$12.5M. This would be roughly \$4M below 2017 - 18 and 2018 - 19 levels.
- Establish an ongoing communication channel with the City of Santa Monica regarding Sales Tax projections prior to each interim budget update to improve accuracy and predictability

CONTEXT

Measure YY

Measure YY was a companion advisory measure to Measure Y, both of which were passed by voters in 2010. Measure Y raised the City of Santa Monica's sales tax from 9.75% to 10.25%, with an estimated annual increase in revenue of \$12M. Measure YY advised that approximately 50% of that revenue should be allocated to SMMUSD.

Measure GSH

Measure GSH, passed by voters in 2016, raised the City's transactions and use tax from 0.5% to 1%. An accompanying measure, also passed, stated that half of new revenues should be allocated to SMMUSD for:

- Attracting and retaining high-quality teachers
- Expanding access to pre-schools
- Assisting at-risk students
- Improving school technology, arts, music, math, and science instruction

BUDGET PROJECTIONS

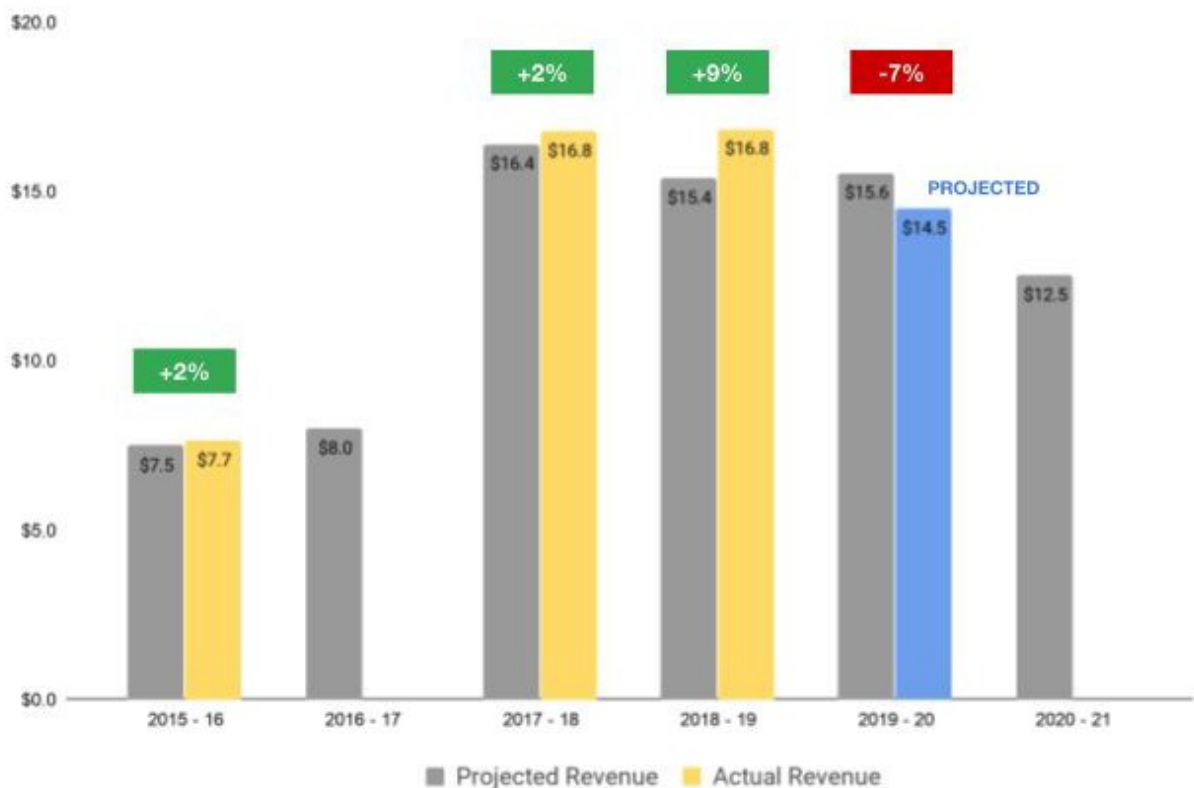
Over the past two fiscal years SMMUSD revenues from Y & GSH were \$16.8M and surpassed original budget projections by \$0.4M — \$1.4M.

The subcommittee projects, however, that the 2019 - 20 revenue will be ~\$1M under the original budget of \$15.6M based on the economic impacts of the COVID-19 pandemic and civic unrest.

In addition, the subcommittee also forecasts a continued economic impact into the 2020-21 fiscal year and therefore recommends a budget reduction to \$12.5M.

Both forecasts are based on the subcommittee's direct communication with the City of Santa Monica's Assistant City Treasurer.

Y & GSH Projected vs. Actual Revenue



NOTE: GSH passed by voters in November 2016

Financial Benefits of Sustainability

Submitted by: Mr. Jacobson-Chair, Mr. Covington, Mr. Crawford

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

Submitted by: Ms. Maniar-Chair, Mr. Kremer, Mr. Landres, Mr. Levis-Fitzgerald

Prior Year Recommendations with 2019-20 Updates:

FOC's 2018-19 special education charge was related to finding areas of cost efficiencies. Based on discussions/ data provided by the fiscal team and special education department and concurrent FCMAT study findings, the subcommittee suggested 5 recommendations for further areas for analyses:

- a. Develop detailed legal settlement profiles to identify trends and gaps and to inform reasonable budget planning strategies
Update: In progress (high level) by the department
- b. Assess paraeducator compensation and skills/ training versus relevant market data to identify gaps and inform recruiting efforts (i.e., hire appropriate skills at competitive compensation)
Update: In progress (high level) by the department
- c. Assess costs and distribution of our paraeducators by site, program type and paraeducator designation/ level
Update: Done by department
- d. Conduct special education program analysis: bottom-up analysis to match student needs with programs offered
Update: Done by department (Programs added/ updated); ongoing
- e. Study private placements costs versus costs of building programs
Update: Done by the department on a case by case basis. Select students came back to SMMUSD programs from NPS/NPA. However, new IEPs and litigation have resulted in greater NPS contracts in the coming year.

Charge and Information Gathering:

FOC continued to work on the special education charge: supported recommended analyses (above), reviewed available legal settlements/ budget data and continued to look for opportunities for further cost efficiencies.

During the school year the subcommittee:

1. Met with the Special Education Director in October 2019 to review 2018-19 recommendations and offered to run cost benefit analyses to help the department to find additional cost efficiencies in special education programs.
2. Reviewed department initiatives resulting from FCMAT's recommendations via discussion and email updates
3. Reviewed available special education legal settlements data over the past few years (through December 2019)
 - a. Requested updated long-term liability data for special education
 - b. Requested legal settlements data by anonymized parameters (site, grade level, disability, outcomes, settlement amount etc.) to gather insights on trends and opportunities for further cost reductions
4. Met with Fiscal + Special Education team to review the special ed budget (joint meeting with SEDAC in early March). The subcommittee also clarified questions on long term liabilities data and requested updated numbers.

5. The subcommittee also requested clarifications on proposed 2020-21 budget changes and special education resource cuts per the new Fiscal Stabilization Plan.

It's important to note that given the COVID crisis and resulting shift of focus for all teams starting mid-March, the subcommittee has not yet received the latest legal settlements + long term liabilities data but expects to receive it in the coming weeks. Findings in this report are based on qualitative analysis and high-level data through December 2019.

2019-20 Findings:

1. **FCMAT recommendations:** The department continues to make progress in line with many recommendations to improve cost savings. Highlights below:
 - a. **Paraeducators:** Received more training especially during COVID and also free training alternatives when possible. Paraeducators will be reassigned by site/class versus student and will be added to IEPs in a consistent manner, based on assessed need and with a phase out plan in place. The department has reduced 8 paraeducator positions per Fiscal Stabilization Plan.
 - b. **Systems of Record/ Tracking:** The special education department has implemented a working group to resolve data inconsistencies between the Special Education, Human Resources and Business Services departments. These data inconsistencies exist between the different systems of record (SEIS, CALPADS coordinator notes, District Accounting Systems etc.).
 - c. **Reducing Due Process, Mediation and Litigation:** The department is learning from settled cases and recent cases where the District prevailed to train administration and coordinators and psychologists about dos and don'ts. However, the department does anticipate additional litigation based on computer education/ distance learning. They are trying to settle cases if possible before getting to mediation.
 - d. **Cost Analysis of Private Placements versus building programs:** The department continues to explore opportunities to reduce NPS/ NPA contracts. For example, they are trying to find a teacher to open a regional program for students with non-verbal autism and significant behaviors. It is important to note that since January 2020, there have been more IEPs and some litigation that require NPS/RTC contracts. The 2020-21 budget for NPS+NPA increased by ~\$500K as compared to this year.
 - e. **Program Changes:** The department has changed programs and reduced teachers, psychologists and SLPAs (Speech and Language Pathologist Assistants) as stated in the new Fiscal Stabilization Plan. Comprehensive SMMUSD special education program analysis may not have been performed, however, the department will implement these changes in the 2020-21 school year:
 - Transition SDC at Will Rogers to collaborative teaching K class
 - Restructuring the Franklin and Grant social skills programs by skill areas
 - Add 2nd life skills class at McKinley
 - Transition Webster social skills kids to gen ed with supports
 - Combined 3 into 2 classes at SAMOH due to low numbers

2. Long term legal liabilities/ Legal settlement trends:

- a. Special Education legal costs, according to the 3rd interim budget update, rose ~\$1.2M related to NPS contracts and related lawyer fees. The subcommittee has requested but not yet received the latest legal settlements + long term liabilities data due to the COVID crisis. The subcommittee will work with the department to analyze the latest long-term liability and legal settlements data, and make final recommendations based on findings in Fall 2020.
- b. Based on July 2018 through mid-January 2020 data, there were 27 total legal settlements
 - More than a third (37%) of students with Autism disability (accounted for 34% of total costs) and another third for OHI or Other Health Impairments (18%) + DNQ or Did Not Qualify (15%) (combined accounting for ~43% of total costs)
 - There was a single DNQ settlement for \$377K for RTC placement. DNQ students wanted unilateral placement or tutoring services
 - Based on Services requested by families, 12 of 27 requested unilateral placement, most of these with Autism, ED or DNQ disabilities. 5 families were looking for Independent Education Evaluations for students across a range of disabilities
 - Most legal settlements were for students at the elementary or high school level (24 of 27)

Disability	Number	Total Costs	Average Cost/ Case
AUT	10	\$ 703,839	\$ 70,384
OHI	5	\$ 398,500	\$ 79,700
DNQ	4	\$ 482,512	\$ 120,628
ED	3	\$ 237,500	\$ 79,167
SLD	3	\$ 146,500	\$ 48,833
Multi. Disabil	1	\$ 77,000	\$ 77,000
SLI	1	\$ 12,500	\$ 12,500
Total	27	\$2,058,351	\$ 76,235

Services Requested 1	Number of Cases	Sum of Parent Attorney Cost	Sum of Parent Payment	Sum of Payment to other sources	Total Payments	Average Cost per Case
speech/language	1	\$ 16,000	\$ 131,000	\$ -	\$ 147,000	\$ 147,000
Unilateral placement	12	\$ 249,870	\$ 813,107	\$ 241,000	\$ 1,303,977	\$ 108,665
paraeducator	1	\$ 8,500	\$ -	\$ 60,000	\$ 68,500	\$ 68,500
basic education	3	\$ 44,250	\$ 75,000	\$ 76,500	\$ 195,750	\$ 65,250
Compensatory Ed	1	\$ 8,000	\$ 44,000	\$ -	\$ 52,000	\$ 52,000
IEE	4	\$ 55,900	\$ 77,000	\$ 62,000	\$ 194,900	\$ 48,725
Tutoring	2	\$ 7,500	\$ 39,000	\$ 3,750	\$ 50,250	\$ 25,125
Assistive technology	1	\$ 5,000	\$ 600	\$ 13,000	\$ 18,600	\$ 18,600
IEEs	1	\$ 6,350	\$ -	\$ 12,000	\$ 18,350	\$ 18,350
counseling	1	\$ 7,250	\$ 1,774	\$ -	\$ 9,024	\$ 9,024
Grand Total	27	\$ 408,620	\$ 1,181,481	\$ 468,250	\$ 2,058,351	

Count of Services Requested 1	Column Labels							
Row Labels	AUT	OHI	DNQ	ED	SLD	multiple dis:	SLI	Grand Total
Assistive technology					1			1
basic education		1	2					3
Compensatory Ed		1						1
counseling		1						1
IEE		1	1		1		1	5
paraeducator				1				1
speech/language		1						1
Tutoring				1	1			2
Unilateral placement		5	2	3	1	1		12
Grand Total	10	5	4	3	3	1	1	27

3. **2020-21 budget review:** The department has reworked the budget for 2020-2021 looking at all operating expenses and implemented staff and program changes to find \$1.114M in cost efficiencies (per the new Fiscal Stabilization Plan).
 - a. A majority of these savings have been offset by salary raises, new IEPs requiring NPS/RTC contracts and new legal settlement costs. The proposed 2020-21 special education budget is \$33.946M and almost 1M higher than the 2019-20 special education budget after accounting for the \$1.114M in cost efficiencies.
 - b. General Fund contributions to Special Education are expected to grow from \$24.801M (2019-20) to \$25.930M for 2020-21.

Recommendations and Next Steps:

This year, the special education department launched several efforts to find cost efficiencies. Few follow-up recommendations for data tracking and further analyses to preserve these efforts:

1. **Legal Settlements Data:** Track legal settlements on an on-going basis by relevant anonymized profile parameters including short- and long-term liability projections. We recommend the department leverage insights from these data sets for their cost-benefit analyses of new/updates to programs and when forecasting legal disputes.
2. **Paraeducator compensation:** If not already underway, conduct compensation study to understand gaps in paraeducator compensation and related attrition.
3. **Paraeducator Assignments and Training:** Track impact of new site specific paraeducator assignments and additional training on attrition rates and certificated and classified staff sentiment.
4. **New Programs:** Track student/ family and teacher sentiment (surveys, IEP meeting outcomes, Due process rates) across new/ updated programs.

Additional Recommendations:

1. Given ongoing efforts by the Special Education Department to realign systems, processes and resources, the **Financial Oversight Committee does not recommend a new special education charge in the coming year.** However, the Financial Oversight Committee recommends that the Special Education Department:
 - a. Provide a brief mid-year update to FOC to share information on the department's fiscal health, key learnings from new programs, legal settlements and fiscal initiatives to help mitigate these.
 - b. Continue to track the District's general fund contributions to special education. Per FCMAT findings, SMMUSD General Fund contributions are higher as compared to similar sized school districts.
2. The subcommittee will work with the department to analyze the latest long-term liability and legal settlements data, and make final recommendations based on findings in Fall 2020. Preliminary recommendations for further analysis based on available data include:
 - a. Improve tracking and understanding of Autism, OHI and DNQ cases
 - b. Consider the types of schools requested by the unilateral placement requests
 - c. Evaluate settlement trends in Elementary versus High school

Bond Oversight Subcommittee

Submitted by: Mr. Lee-Chair, Mr. Covington, Mr. Crawford, Mr. Kremer

The bond subcommittee is chaired by Gordon Lee who is a member of the FOC and former Vice Chair for the Prop 39 committee. The committee meets to discuss topics related to any type of financing the district is planning. This would include the Bond Authorizations, Measure BB, Measure ES, Measure SMS and any other contemplated district financing.

The committee meets as needed to support the districts financing needs. It was a busy year with 5 transactions in total. Two SFID's (School Facilities Improvement District) bonds, a Refunding, Issuance of a General Obligation Bond and one TRAN's (Tax Revenue Anticipation Notes).

The first financing was a TRAN's that was through LACOE (LA County Office of Educations) Pooled Financing Program in the amount of \$23,505,000 to help the districts cash flow. A TRANs are short term loans, usually 9-12 months, when expenditures must be incurred prior to collection of tax revenues. The District has borrowed a TRAN's in the past with the California Education Notes Program.

- 2012-13 for \$9,873,000
- 2011-12 for \$4,945,000
- 2010-11 for \$2,779,000

This TRAN's was issued on 8/28/19 with a maturity date of 6/1/20 with a coupon of 3% and a yield of 1%. Annette Yee from Montague DeRose was the Districts Municipal Advisor on the transaction.

The second pair of financings occurred simultaneously in September 2019 from Measure SMS and Measure M Series A, which two SFID's were issued. One for \$110,000,000 for Santa Monica Schools and \$35,000,000 for Malibu Schools.

Some highlights of this financing:

- The price date occurred on September 10, 2019 and closed on October 2, 2019. Interest commencing on 2/1/2020, Principal and Interest commencing on 8/1/2020 through 2049. We have a redemption provision at 8/1/2027.
- The District's outstanding Moody's Aaa rating achieved in 2017 was affirmed and the District's S&P (Standard & Poors) rating remained AA+.
- Raymond James served as senior manager along with RBC, and Isome Advisors as Financial Advisors to the District for the transaction.

The final two transactions occurred the following month, again simultaneously. The Refunding of General Obligation Bonds (Federally Taxable) of \$105,915,000 and the issuing of its fifth and final series of Measure ES 2012 election bonds of \$115,000,000.

Some of the highlights:

- Refunded General Obligation Bonds were both Series D from the 2006 and 2012 Election.
- The new bonds are at a taxable rate since municipal agencies can no longer advance refund bonds on a tax-exempt basis.
- Savings on the refunding amounted to a gross savings of \$15,209,003 or a Net Present Value Savings of \$10,162,060
- Pricing date on the Refunding was 10/7/2019 and new money was on 10/23/2019. Both closed on 11/16/2019
- This was the final issuance of General Obligation Bonds from Measure ES \$115,000,000.
- The committee recommended a structure to accelerate the principal to keep the estimated Measure ES tax rate at or below \$30 per \$100,000 of Assessed Value and amortize over 16 years. 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.
- The District's outstanding Moody's Aaa rating achieved in 2017 was again affirmed and the District's S&P (Standard & Poors) rating remained AA+.
- Raymond James served as senior manager along with RBC, and Isome Advisors as Financial Advisors to the District for the transaction.

The District has approved to issue up to \$90,000,000 of Taxable GO Refunding Bonds, but we are still waiting for the taxable market rates to be ideal. The district is planning to issue another TRAN's.

The district and committee consistently look for opportunities to refinance debt to take advantage of interest savings (as we have in the past) to benefit our generous tax payers.

With the budget stress on all school districts, the credit rating agencies will be more diligent in their future analysis. Below were reasons why SMMSD a great credit risk to the markets?

- The district's exceptionally large, diverse and growing tax base.
- High resident wealth levels.
- A sales tax which has no sunset providing the district with a significant unrestricted revenue source.
- Increasing local revenues.
- Voter-approved unlimited property tax pledge securing the bonds.
- Manageable pension and OPEB liabilities
- Average debt burden when compared to other Aaa-rated districts.

Many of the above do still apply and we expect another good year in Assessed Value growth which should be out in a month.

On the other hand, as fund balances deteriorate, reduction in local revenues, the district pursuing division and management not creating a plan to regrow fund balances, both rating agencies would look seriously at possible downgrade. Although our peers with similar ratings are probably facing

these same issues, it is not clear if the credit agencies would recalibrate to herd credit ratings. It will be about the numbers.

We request that the Bond Subcommittee be continued as next year's FOC directive. That would include a revised Debt Policy in the spirit of the FOC's directive. It could be used as an additional measure to thwart any credit agency lack of confidence of the district's ability to act fiscally prudent.