



SMMUSD Financial Oversight Committee Minutes

Date: Thursday, December 5, 2013

Time: 7:00 pm to 9:00 pm

Location: Webster Library

3602 Winter Canyon Road, Malibu, CA 90265

I. Call to Order

Mr. Larmore called the meeting to order at 7:26 p.m.

Committee Members: Craig Foster
Tom Larmore
Paul Silvern

Cynthia Torres
Peter Lippman
DeAndre Parks arrived @ 7:43 p.m.

Board Liaisons: None

Staff: Jan Maez

Sarah Wahrenbrock

Absent: Jose Escarce
Nimish Patel
Shelly Slaugh Nahass
Patricia Hoffman

Laurie Lieberman
Joan Krenik
David Vukadinovich
Gordon Lee

Public: Marc Sanschagrin, SMMCTA

II. Approval of Minutes November 14, 2013 meeting

The last sentence under the topic of Malibu Unification was modified to read: "At the state level, the more contested the issue, the more likely it is to be a lengthy process". A motion was made by Mr. Foster and seconded by Mr. Silvern to approve the November 14, 2013 minutes as amended. The motion passed unanimously. Ms. Nahass, Ms. Hoffman, Ms. Krenik, Mr. Vukadinovich, and Mr. Lee were absent.

III. Staff Report: Chief Financial Officer Janece L. Maez (*Limited Discussion*)

A. Budget Update: Ms. Maez highlighted aspects of the First Interim Budget she will be presenting to the Board of Education on December 12, 2013. She reported that the expected fund balances at end of 2013-14 year are similar to what was budgeted. She explained the Local Control Funding Formula (LCFF) calculation over the next three years, including the COLA, augmentation grants, supplemental and concentration grants (SMMUSD will only receive supplemental grants), gap funding, and the total entitlement target. The numbers being used came from the Department of Finance as well as the state aid and Education Protection Act (EPA) calculation. The local revenue amount includes only property tax, not sales tax. In response to Mr. Lippman, Ms. Maez explained that the district charges for home-to-school transportation, but that special education transportation is funded by the state and federal government and charging is not allowed. The district will still have Title I programs under LCFF. A major change between the adopted budget and 1st interim budget report is funding for Common Core State Standards (CCSS) implementation which was not in the budget; however, the

revision shows the funds the district is receiving. These funds are one-time only. Dr. Deloria will be taking a two-year plan to the board for spending the CCSS funds. At the November 21, 2013 board meeting, Dr. Deloria, Dr. Bradford, and Ms. Mangle presented an update on where the district stands in regards to being technologically prepared for the Smarter Balanced assessments.

Ms. Maez explained that in the local general fund contribution numbers, it appears as though the special education encroachment number is larger due to an accounting change. In the past, districts would transfer funds from the revenue limit into the special education account. In the LCFF model, districts will no longer transfer those monies and therefore the encroachment appears larger.

Ms. Maez explained the assumptions that were used to build the unrestricted general fund multi-year projection. Declining enrollment still appears to be the trend. Funded numbers are based on last year's enrollment of 10,878 students. Ms. Maez said that was part of what was contributing to declining enrollment was that incoming kindergarten classes were smaller than graduating classes. She added that the board has amended the inter-district enrollment policy to help offset this decline. She explained transitional kindergarten rules and funding.

The numbers used in the Proposition Y projections are very conservative. The district is still incorporating a 1.5% increase for step and column. Districts are anticipating that the PERS rate will go above its historical rate; however, districts are not anticipating this for STRS.

Ms. Maez reported that the district was currently in negotiations. Both sides have reached tentative agreements on a number of issues. Over the last couple of years, the district went from a traditional bargaining model to Interest Based Bargaining (IBB) model. Once both sides have reached a tentative agreement on the entire contract, the union will take the agreement to its members for ratification, while the district goes through the AB 1200 process.

Ms. Maez handed out copies of the multi-year projection spreadsheet previously provided to the committee at the November 14, 2013 FOC meeting. The handout showed increases in LCFF over time. Districts will need to develop their Local Control Accountability Plan (LCAP) by July 1, 2014. Ms. Maez explained that because our district was Basic Aid last year, the Fair Share portion will be taken out of this year's budget. Three percent reserves have been built into the projection. Ms. Maez reported that barring no other changes in the budget, the district will no longer be deficit spending by the third year out. She added, however, that that will most likely change with a salary settlement.

IV. Discussion/Action Items

V. Update from Ad Hoc Committees

- A. Malibu Unification (C. Foster, T. Larmore, P. Lippman, P. Silvern, S. Slaugh Nahass): Mr. Larmore reported that AMPS had commissioned a report from WestEd to identify the means by which to approach the various unification issues. The subcommittee discussed

bond indebtedness and how to approach the location of existing bond debt, ES bonds, and remaining bonding capacity issues. The WestEd report dealt at length with existing bond debt, touched on the ES bonds, and did not address the bond capacity issue. The report said special legislation would be required for the Measure R parcel tax for Malibu. The subcommittee also discussed the labor issues as presented in the report. Mr. Foster will report back to AMPS to get a fairly detailed legal analysis and return to the FOC subcommittee with that information. Mr. Larmore remarked that it was good step forward, but a lot of work still needs to be done. A copy of the WestEd report will be made available on DropBox.

- B. Detailed Budget Review (*T. Larmore, G. Lee, C. Torres*): Ms. Torres reported that she and the other subcommittee members contacted other school districts to determine best practices. The districts she contacted have shared information and concerns they have regarding LCFF/LCAP. The subcommittee will later meet to share their notes. Mr. Larmore commented that the LCFF board workshop on November 19, 2013 was very helpful. He wondered if that could be an annual update. Ms. Maez said she would look into it.
- C. Retiree Benefit Obligations (*J. Krenik, P. Hoffman, D. Parks*): Mr. Parks reported that the subcommittee is trying to schedule a meeting with Harry Keiley. Ms. Maez thought maybe someone else from STRS could be available for a meeting instead.

VI. Update regarding Santa Monica-Malibu Education Foundation (SMMEF)

Mr. Foster reported that SMMEF is working to bring in both small and large donations. Mr. Lippman suggested that the district partners with Pepperdine University or Emeritus College for fundraising purposes.

VII. Receive and File (Limited Discussion):

Ms. Maez reported on the environmental concerns at Malibu High School and Cabrillo Elementary School. An extended study session will occur at the December 12, 2013 board meeting, which has been moved to Malibu City Hall. Board members will have their questions answered by representatives from the Environmental Protection Agency (EPA), Department of Toxic Substance Control (DTSC), and the LA County Department of Public Health. Testing plans that had been laid out initially by the task force are now complete. The PCB testing results are online. The district will be issuing next week a Request for Qualification (RFQ) for an engineering firm to help implement what regulatory next steps the EPA requires of the district. The district will be examining and implementing best practices for maintaining and cleaning buildings moving forward. Ms. Maez reminded the FOC that this was not just a Malibu issue; PCBs were used in building materials up until 1979. Mr. Larmore asked about the financial implications of this testing and any next steps. Ms. Maez replied that the long-term financial impact is something yet to be determined.

VIII. Public Comments: None

IX. Next Meeting: Thursday, January 9, 2014

X. Adjournment: The meeting adjourned at 8:43 p.m.