



## SMMUSD Financial Oversight Committee Minutes

**Date:** Thursday, March 13, 2014

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

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

### I. Call to Order

7:00 pm

Committee Members: Tom Larmore  
Gordon Lee  
Joan Krenik  
Shelly Slaugh Nahass  
DeAndre Parks left @ 8:05pm and returned @ 8:25pm

Laurie Lieberman arrived at @ 7:14pm  
Craig Foster arrived @ 7:23pm  
Peter Lippman arrived @ 7:27pm  
Paul Silvern left @ 7:58pm

Staff: Jan Maez Kim Nguyen

Absent: Cynthia Torres David Vukadinovich  
Patricia Hoffman Jose Escarce

Public: Harry Keiley, SMMCTA Gerardo Cruz arrived @ 7:10pm  
Marc Sanschagrin, SMMCTA Donovan Parks arrived @ 8:25pm

### II. Approval of Minutes

7:59 pm

A motion was made by Mr. Lippman and seconded by Mr. Parks to approve the February 13, 2014 minutes as amended.

- Page 1: Under Approval of Minutes, strike “and voted 9/0”
- Page 2: 2<sup>nd</sup> paragraph to read “The report will **reflect** Vision for Student Success (VSS) revenue and expenditures in 2014-15.”
- Page 2: 3<sup>rd</sup> paragraph to reflect “ mandated **reimbursement** block grant” and “~~getting~~ **submitting** claims”
- Page 2: 4<sup>th</sup> paragraph to read “...the Superintendent and Chief Business Official signed a certification indicating ~~whether~~ **that** they agree or disagree ~~with the Board action~~ **with the proposed settlement.**”
- Page 4: 1<sup>st</sup> paragraph to read “...whether ~~the~~ **any special** legislation **that may be required** could pass ...”

AYES: Eight (8) (Mr. Foster, Ms. Krenik, Mr. Larmore, Mr. Lee, Mr. Lippman, Mr. Parks, Mr. Silvern, Ms. Slaugh Nahass)

NOES: None (0)

ABSENT: Three (3) (Ms. Hoffman, Ms. Torres, Mr. Vukadinovich)

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

8:04 pm

- A. Budget Update: Ms. Maez informed the committee that the budget workshop is scheduled for Wednesday, March 26, 2014. The LCAP committee will meet the following night.

The proposed staffing ratios for 2014-15 are: TK - 24:1 at all schools; K-3 - 25:1 at all schools; grades 4-5 - 30:1 except 27:1 at Title 1 schools; middle schools - 34:1, except at 33:1 at JAMS; and high school at 35:1. By full implementation of LCFF, staffing ratios can be no more than 24:1 on average by school site. If every class at a site is 24:1, the next student cannot be enrolled and will be overflowed to another school. Special education classes are not included in this calculation.

Ms. Maez also explained the purpose and intent of the Local Control Accountability Plan (LCAP). There is a supplemental grant included LCFF that must be targeted to specific students in light of eight (8) State priorities. Ms. Maez expects that the supplemental grant dollars will be separately accounted for with expenditure decisions being made through the LCAP committee process to implement these priorities. The county offices will conduct an audit of the LCAP and must approve it.

- 8:15 pm
- B. Environmental Update: Ms. Maez reported that the Board approved the contract with Environ at the March 6<sup>th</sup> board meeting but requested certain changes that are unrealized to the scope of the work to be performed. Environ has begun an in-depth study of all documentation, walked both sites, and has scheduled meetings with the Department of Toxic and Substance Control (DTSC) and the Environmental Protection Agency (EPA). There is a March 30<sup>th</sup> deadline to have something back to EPA. A timeline will be developed for soil and other testing and remediation of caulk where levels exceed EPA thresholds. Environ will assist the district in developing and implementing best management practices for cleaning equipment and training of custodial staff. There were 5 areas tested where PCBs exceeded EPA standards, four of which were found in the caulking. The threshold is 50 parts per million and test results ranged just above 50 to 1,830 parts per million. The area with 1,830 was on the outside of the library building.

In response to Ms. Slauch Nahass, Ms. Maez said that the district has not received requests from other campuses for similar testing. In response to Mr. Lippman, she explained that Environ will make recommendations regarding protective gear to be worn by custodial staff in the course of their cleaning.

#### IV. Discussion/Action Items

- 7:02 pm
- A. Speaker: Harry Keiley, SMMCTA President: Mr. Keiley, who also serves on the California State Teachers' Retirement System (CalSTRS) Board, spoke to the committee providing an overview of CalSTRS and taking questions from the committee. CalSTRS has 800,000 active and retired members; approximately 70% of whom are women. CalSTRS is the largest education-only pension fund in the world with assets of slightly below \$180B. There are different classes of assets: estimated 55% global equity (70% are passively managed and 30% actively managed by external managers); 15% fixed income; 25% real estate (CalSTRS owns some of the condos on Ocean Avenue); 3% infrastructure; and 2% absolute return. CalSTRS also has an "innovation portfolio" where they use their own staff members to try new ideas and analysis rather than relying on an outside source.

Board Members are composed of (3) member-elected positions representing current educators; a retired CalSTRS member appointed by the Governor and confirmed by the Senate; (3) public representatives appointed by the Governor and confirmed by the

Senate; a school board representative appointed by the Governor and confirmed by the Senate; and (4) board members who serve in an ex-officio capacity by virtue of their office: Director of Finance, State Controller, State Superintendent of Public Instruction, and State Treasurer. The CalSTRS Board Members are: Chair Dana Dillon (K-12 classroom teacher), Vice Chair Harry Keiley (K-12 classroom teacher), Ex-Officio Michael Cohen (Director of Finance), Ex-Officio John Chiang (State Controller), Sharon Hendricks (Community College instructor), Ex-Officio Bill Lockyer (State Treasurer), Paul Rosenstiel (Public representative), Ex-Officio Tom Toriakson (State Superintendent of Public Instruction), and Thomas Unterman (Public Representative).

The Board does not have statutory authority to increase contribution rates, unlike California State Public Employees Retirement System (CalPERS); CalSTRS rates are set by statute. Since 1972, educators have been paying 8% of their annual paycheck. School districts have been paying 8.25% since 1996. The State contributes 2.17% (down from 4% over a decade ago). Benefits are based on 3 factors: number of years worked in the system, age of the retiree and a multiplier beginning at 1.5% at age 55 to 2% at age 60 as well as the highest one year salary. The guarantor of the pension is State of California and not the school district in which the retiree was employed. To fully fund CalSTRS, an additional \$4B is needed every year for 30 years assuming the portfolio achieves an overall return of 7.5%.

John Perez held a press conference in February stating that he wanted to address the shortfall. Governor Brown has also indicated that he wants to address the shortfall issue this or next year. The Assembly Retirement Committee held a hearing about the shortfall. A joint hearing between Assembly and Senate is scheduled to be held the following week. CalSTRS will provide ten (10) funding scenarios. In three weeks, a hearing of panel educators is scheduled where lobbyists for educators and ACSA will have a presentation.

Ms. Maez provided a clarification that if the portion of the State's amount was included as part of Prop 98 funding, then there will be less money to allocate to school districts.

Mr. Keiley also explained that there have been challenges in the last couple of years with school districts laying off approximately 30,000 teachers (about 10% of population in CA). However, the economy has gotten healthier and the State now has surplus.

The Governmental Accounting Standards Board (GASB) is considering a requirement that school districts calculate pension liabilities and report them on the balance sheet even though school districts are not liable for pensions. Ms. Maez stated that a footnote in the District's audit report contains a description of the pension.

## **V. Update from Ad Hoc Committees**

8:37 pm

- A. Malibu Unification (C. Foster, T. Larmore, P. Lippman, P. Silvern, S. Slaugh Nahass): Mr. Larmore reported that the committee has not yet met. Mr. Foster reported that he heard back from WestEd who had gotten a tax partner. They are moving along and fully engaged in all questions asked, including looking at Wiseburn and tax implications.

8:38 pm

- B. Detailed Budget Review (T. Larmore, G. Lee, C. Torres): No report.

8:38 pm C. Retiree Benefit Obligations (*J. Krenik, P. Hoffman, D. Parks*): Mr. Parks volunteered to take the lead and chair the ad hoc committee.

7:49 pm **VI. Local Control Accountability Plan (LCAP) Committee Update**

Ms. Krenik reported that the LCAP committee met. Assistant Superintendent- Education Services Terry Deloria went through the charge, purpose and background in getting started. Ms. Maez stated that the committee meeting was well attended by parents representing most school sites. Ms. Krenik reported that there was a lot of elementary school representation and looked forward to more representation from secondary schools.

7:51 pm **VII. Update regarding SMMEF**

Mr. Larmore reported that SMMEF appreciated the resolution passed at the last FOC meeting. The Pier Party fundraiser is scheduled for Sunday, April 27, 2014.

**VIII. Receive and File (Limited Discussion) None**

**IX. Public Comments:** None

**X. Next Meeting:** Thursday, April 24, 2014 at the District Office.

**XI. Adjournment:** The meeting adjourned at 8:45p.m.