



**Santa Monica-Malibu Unified School District
Board Committee**

Financial Oversight Committee

Minutes - Amended

January 11, 2005

Time: 7:00 to 9:00 p.m.

**Location: Testing Room of the School District's Administrative Offices
1651 16th Street, Santa Monica, CA**

Attendance: (Committee Members) Paul Silvern [Chair], Craig Hamilton, Chris Harding, Patricia Hoffman, Cheryl Stecher [Vice-Chair], Cynthia Torres. (Staff) Winston Braham, Pat Ho, Virginia Hyatt, Dawn Smithfield. (Board Liaison) Kathy Wisnicki. (Public) Jim Jaffe, Richard Kernochan. Absent: (Board Liaison) Julia Brownley.

I. Call to Order

The meeting was Called to Order at 7:08 p.m. by Chair Silvern. Mr. Braham introduced Ms. Pat Ho, Assistant Director of Fiscal Services, and Ms. Virginia Hyatt, Interim Director of Fiscal Services.

II. Approval of the Minutes

A motion was made by Mr. Harding and seconded by Ms. Stecher to approve the Minutes, as amended, from the November 23, 2004 meeting. Motion carried.

III. Staff Report: Winston A. Braham, Chief Financial Officer

- A. Governmental/Legislative Issues: Several important points of the Governor's Budget present a gloomy picture for 2005-06. It calls for continued and significant concessions against Proposition 98, which is owed several billion dollars by the State. Given that the outstanding owed monies will go unfunded for years to come, it would mean that the Proposition 98 contribution is effectively in excess of \$10 billion. **Note:** The Governor has proposed a payback for Proposition 98 loans over a 15-year period. Mandated costs are again deferred with a 15-year payback and the deficit factor negates the Cost of Living Adjustment (COLA) increase. The Governor proposes to terminate the contribution to the State Teachers Retirement System (STRS) which means \$1.2 million taken from our District. The Los Angeles County Office of Education (LACOE) will interpret and demand how and where we are to make cuts. We must focus on cost containment, controlling huge liability and workers' compensation costs, and increasing revenues, for example, raising lease rates. An expenditure freeze needs to be put into place, and the position control system is in the process of being revised by Human Resources. A medical cost comparison will be done among Blue Cross, Blue Shield, Aetna and PacifiCare prior to the rate increase notice from PERS in June. It is especially important to rein in Special Education costs which impact the General Fund. AB 2756 gives Local Educational Agencies (LEAs) the authority to set the minimum requirement for the Reserve for Economic Uncertainties. It is currently 1.5%, and will rise to 3% in 2005-06, but LACOE could conceivably raise that minimum requirement amount.

- B. Status of City Contract: Meetings with the City Manager and City Attorney have taken place. Members stated that it has been agreed by the City of Santa Monica that the FOC can review a draft of the Agreement before it is signed. A motion was made by Mr. Harding, and seconded by Ms. Hoffman, that the FOC is allowed to review the draft of the Agreement prior to Board approval. Motion passed unanimously.
- C. Other Items, as Needed:
- 1 Interviewing Applicants for the FOC: A copy of Board Action A.22 [*Appointment - Financial Oversight Committee*] from the December 9, 2004 Board Meeting was distributed. The Board requested that the FOC interview the candidates prior to their recommendation to the Board. In addition, the Board directed to increase the pool, advertise to parent groups to gain a more diverse pool of candidates, and reopen the process for one month. Mr. Silvern will check with Ms. Garot regarding that outreach and to ensure receipt of additional applications. A motion was made by Mr. Harding, and seconded by Ms. Stecher, to form a subcommittee to set up the process, report back and make recommendations at the next FOC meeting on January 25, 2005. Motion passed unanimously. The subcommittee will be comprised of Mr. Hamilton, Mr. Harding, Ms. Hoffman and Ms. Torres. Ms. Torres will coordinate setting up the interviews with Ms. Garot on February 1 and February 8, 2004 at 7:00 p.m. The Testing Room was reserved for both dates.
 2. Emailing of Board Agendas: Members were made aware that Board Meeting Agendas are available on-line on the District's website, but a request was made for Ms. Garot to **reinstate her email to the FOC that the Board Meeting Agendas directly to FOC members are available on-line.**
 3. EdSource Budget Documents: A request was made to receive copies of EdSource documents *Understanding School District Budgets* and *School District and State Budget Cycle Calendar* at the next FOC meeting.
- IV. **Review and Discussion of Pending Board of Education Agenda Items**
- A. Adjustment to 2004-05 Beginning Fund Balances: This was approved at the December 9, 2004 Board Meeting. Ms. Ho explained that the 2004-05 Budget was adopted using estimates for the beginning balances of each District Fund since this takes place prior to closing the books for the prior year. Upon Board approval of the Unaudited Actual Financial Report (approved on September 9, 2004), the Los Angeles County Office of Education (LACOE) requires that we submit for Board approval an adjustment to the beginning balance of each Fund.
- B. First Interim Report: Mr. Braham informed members that we will receive a positive certification from LACOE on the First Interim Report. There is a significant need for a deficit reduction plan as the District has been deficit spending since 2000-01. If there was no need for contribution from the General Fund, especially to Special Education, the deficit would disappear. In addition, labor and operating expenses need to be reduced. Certificated salaries, classified salaries, Workers' Compensation Retrospective payment and the Local General Fund Contribution (LGFC) to Special Education total \$9 million. In addition, we have not yet received notification from PERS of the amount of medical benefits increases. We are working internally to develop a strategy to reduce the burden to the General Fund.

- C. Authorization to Pay Off Certificates of Participation (COPs), 1997 Series A: A copy of the January 6, 2005 Board Agenda item A.15 [*Authorization to Pay Off Certificates of Participation (COPs), 1997 Series A*] was distributed. This item was adopted by the Board.
- D. Independent FY 2003-04 Audit Report: A copy of the January 6, 2005 Board Agenda item A.12 [*2003-04 Financial Audit*] and audit report was distributed to each FOC member. This item was adopted by the Board. It was agreed to agendize the audit report for the next FOC Meeting on January 25, 2005, and the District's auditor, Mr. Roy J. Blair, will be contacted to attend that meeting.
- V. Old Business**
- A. Process for Capital Programs/Resources: The Ad Hoc Facilities Committee has been appointed, but no meeting date has yet been set. Mr. Harding is the FOC Liaison and Mr. Hamilton is the Special Education DAC Liaison.
- VI. New Business**
- A. Preliminary Discussion about Annual Budget Preparation and Communication Process: Board Agenda Item A.17 [*Planning for the 2005-06 Budget*] will be submitted for approval at the January 20, 2005 Board Meeting. This will be agendized for the next FOC meeting on January 25, 2005. Mr. Braham informed members that he is working with Will Carey, Director of Information Services, to create an appropriate monthly variance report for regular distribution to the FOC.
- B. Student Transfer Permit Control Strategy/Impact on District Revenue Limit: The Permit Policy will need to be re-evaluated in light of impending budget reductions. A request was made by the members for copies of enrollment projections and resident/permit enrollment report. A copy of *CBEDs Count - October 2004* was distributed to members.
- C. Development of District Investment Policy: Board Agenda Item D.1 [*District Investment Policy*] will be submitted for discussion at the January 20, 2005 Board Meeting. This will be agendized for the next FOC meeting on January 25, 2005.
- VII. Public Comments:**
Jim Jaffe
- VIII. Agenda Planning for the Next Meeting:**
2003-04 Financial Audit
Planning for the 2005-06 Budget (including Budget Calendar)
District Investment Policy
- IX. Adjournment.** Meeting adjourned at 9:25 p.m.