



**Santa Monica-Malibu Unified School District
Board Committee
Financial Oversight Committee
Minutes**

June 6, 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, Denny Kernochan, Mike Phillips, Cheryl Stecher [*Vice-Chair*], Cynthia Torres. (*Board Liaison*) Julia Brownley. (*Staff*) Winston Braham, Dawn Smithfield. (*Public*) Jim Jaffe.
Absent: Carolyn Galantine, (*Board Liaison*) Kathy Wisnicki.

I. Call to Order

The meeting was Called to Order at 7:07 p.m. by Chair Silvern.

II. Approval of the Minutes

A motion was made by Mr. Phillips and seconded by Mr. Harding to approve the Minutes, as amended, from the May 10, 2005 meeting. Motion carried.

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

A. Governmental/Legislative Issues:

IV. Review and Discussion of Pending Board of Education Agenda Items:

A. Preliminary 2005-06 General Fund Budget - Updated Post "May Revise": Mr. Braham stated that we have presented preliminary budget information at the 5/19/05 and 6/2/05 Board Meetings, with another updated preliminary budget to be submitted at the 6/16/05 Board Meeting, and Public Hearing and Final Budget adoption scheduled for the 6/24/05 Special Board Meeting.

He stated that the only additional substantial change that impacts the budget is that the May Revise offered a .30% increase in the Cost of Living Adjustment (COLA). Prior to the May Revise, the District had a \$1.8 million operational deficit, but staff came up with a Deficit Reduction Plan and cut approximately \$820,000 of the deficit. Subsequently, additional staffing needs were identified in the amount of approximately \$509,000, which raised the deficit back to the \$1.5 million+ range. Mr. Braham explained that we're trying to again reduce the deficit back to the \$1.0 million mark. Furthermore, over the past two recent fiscal years, the State reduced the minimum requirement of school districts' Reserves for Economic Uncertainties from 3% to 1.5% due to State Budget problems. However, for 2005-06, the State is again requiring school districts to meet the 3% minimum for their Reserves, a requirement we will meet, in addition to the required 3% Deferred Maintenance reserve. Members expressed their discomfort with the Reserve levels being at the minimum of 3% with not much "cushion", as well as being equally concerned over deficit spending. Mr. Braham said that we're still trying to project the amount of carryover to cover the deficit through the normal processes. District staff continues to work on balancing both the

Carter-Pertaine and PeopleSoft financial systems as we close the books and prepare for the Final Budget with sound, clean numbers not known until the 2004-05 Unaudited Actual Financial Report is adopted.

He continued by stating that the District has had an operational deficit for the past several years. Although the Superintendent, Board of Education and staff are committed not to cut positions, we continue looking at other ways to reduce expenses. We are projecting an enrollment decrease of about (130) students, but we're adding (100) permit students for 2005-06. The FOC would like more detail on "Carryover" and the Reserve as they are concerned about possible negative publicity if the Reserve falls below the minimum, and don't want the District to lose credibility. Also, they need more detail on how we plan to close the projected deficit; they would like it clearly spelled out so they can envision a more credible budget. In response to a "what if we get in financial trouble" scenario by members, Mr. Braham believes that, in the worst case scenario, (although he believes it will not be necessary), the District could borrow from the Los Angeles County Office of Education (LACOE) in the form of Tax and Revenue Anticipation Notes (TRANS), and he offered that we are indeed in good financial condition given our Programs.

Of note, primarily due to the Proposition 98 funding changes, SMMUSD is presented with a \$6.0 million new spending problem, a matter disclosed in January, 2005, at which time an expenditure freeze was put in place. Every school has been visited by staff, encouraging "safety first" to save money, for example, on Workers' Compensation costs, and we're trying to control every cost, large and small. We've put a number of controls in place, which has satisfied both LACOE and external agencies. Every district struggles with balancing the budget during the last weeks before adoption, but it is especially difficult for us reconciling two financial systems and refining the Budget.

Members feel that the Board is trying to deal with two policies: trying to reduce costs, while in some cases, adding FTEs. If we have declining enrollment, we must lay off staff accordingly. Members also would like to receive budgetary information earlier in a simpler format. It was pointed out that the issue is not one of mismanagement, but of receiving the information sooner. While it was the consensus of the Committee that they were not satisfied with the budget balances, Mr. Braham expressed that his office remains open to the FOC members for suggestions on better presenting a user-friendly budget and creative ideas for cost containment.

Board Member Brownley told members that the Board feels Mr. Braham has done an outstanding job with our fiscal affairs/Budget. The District has been deficit spending for years, but in previous years, we had larger reserves and higher carryover, so maybe we need a contingency plan. She reminded members that we've cut \$9 million out of our budget over the past few years, and that Special Education costs continue to rise. We're trying to keep Class Size Reduction, but the Board must grapple with both fiscal as well as programmatic needs. She has the highest level of confidence in where we stand now than she has had in the past 10 years, although the situation is not ideal.

- B. Update: Approval of Master Facilities Use Agreement w/City of Santa Monica: A copy of the approved Board item from the June 2, 2005 Board Meeting was distributed to members, along with a copy of a letter to Steve Stark, Director of Finance at the City of Santa Monica, requesting the \$6 million be remitted to SMMUSD for the 2004-05 fiscal year.
- C. Update: Hazard Mitigation Presentation: Due to a lack of time, this item will be tabled to the next meeting.
- V. Old Business**
 - A. Process for Capital Programs/Resources:
 - B. Facilities Master Plan - Update on Request for Proposal: Due to a lack of time, this item will be tabled to the next meeting.
- VI. New Business**
 - A. Joint Meeting with the Board of Education - June 16th, 2005: The members discussed reporting to the Board on what they've been involved in, but may also raise other issues. Chair Silvern asked that members email any ideas for the report to him. It will need to include the Measure "S" audit, including taking note of a couple of recommendations for Measure "S", projected expenditures for next year and other suggestions. Since the joint meeting will take place at the Santa Monica City Council Chambers, Ms. Brownley will check with Karen Garot regarding the actual seating arrangements for the members of the Board and Financial Oversight Committee.
 - B. Identification and Review of Key Projects with Significant Fiscal Impacts:
 - C. Measure "S" Expenditures Audit Report
 - D. Other Items, as Needed:
- VII. Public Comments:**
Jim Jaffe
- VII. Agenda Planning for the Next Meeting:**
, June 16, 2005 at 6:00 p.m.- Joint Meeting with Board (*Santa Monica City Council Chambers*)
- VII. Adjournment.** Meeting adjourned at 9:38 p.m.