



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

Minutes

March 6, 2007

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, Patricia Hoffman, Denny Kernochan, Cheryl Stecher [*Co-Chair*], Cynthia Torres. (*Board Liaisons*) Maria Leon-Vazquez, Kelly Pye. (*Staff*) Steve Hodgson, Virginia Hyatt, Dawn Smithfield (*Public*) Ben Allen, Jim Jaffe. *Absent:* Carolyn Galantine, Gordon Lee.

I. Call to Order

The meeting was Called to Order at 7:09 p.m. by Chair Paul Silvern.

II. Approval of the Minutes:

A motion was made by Ms. Torres and seconded by Ms. Hoffman to approve the Minutes, as amended, from the 2/6/07 Meeting. Motion passed unanimously.

**III. FOC Priority Policy Issues (*Primary Discussion Items*)
(*Held for Future FOC Meeting*)**

IV. Discussion with Interim Chief Financial Officer Dr. Stephen R. Hodgson

A. Discussion and Follow-Up to 3/1/07 Board Meeting

Mr. Silvern told members that he attended the 3/1/07 Board Meeting, but arrived too late for the discussion item about planning for the 2007-08 Budget.

1. Transfer of Funds (Item A.18): In 2004-05, the Board approved a transfer of \$3 million in redevelopment monies from Fund 40 (*Special Reserve Fund Facility and Capital Expenses*) to Fund 17 (*Special Reserve Fund - Non-Capital Projects*). This item transferred back the \$3 million from Fund 17 to Fund 40 as part of the Fiscal Crisis & Management Assistance Team (*FCMAT*) report's recommendation. Approximately 56.7% is to be used for facility-related items while 43.3% may be returned to the State.

2. Adopt Resolution No. 06-10 - Redesignation of Funds (Item A.19): The FCMAT report also recommended that \$3.5 million be moved to Fund 1 (*General Fund*) to pay for the costs associated with the transfer of the redevelopment funds, of which \$1.5 million can be held to be used towards payment of Certificates of Participation (*COPs*) for this fiscal year. Mr. Silvern illustrated it as:

Fund 40		Fund 40	ü	Fund 01	2	\$1.15 million from
to Fund 17	ü			\$3.5 million		16 th St. Lease
\$3 million		TOTAL:		\$4.65 million to General Fund (Fund 01)		

For 2007-08, the \$4.2 million of remaining funds in Fund 17 will be transferred to the General Fund to pay for the teachers' contract salary increase. A Resolution will be submitted to the Board for approval in May to dissolve Fund 17 to simplify Fund accounting.

3. Adopt Resolution No. 06-09-Acceptance of the FCMAT Report (Item A.17): Mr. Silvern brought up two issues in the FCMAT Report: first, switching the source of payment from the 16th Street lease to the funds in Fund 40, which is a problem because this current year's debt service payment exceeded the amount in redevelopment monies. Also, the Board should consider that using the developer fee money in Fund 25 is subject to legal opinion. Secondly, FCMAT wants the District to work on not distributing the redevelopment pass-through, but keeping the funds for the Revenue Limit funding. The District was making the offset to the Revenue Limits, then the Standardized Account Code Structure (SACS) was mandated, and the State stopped making the revenue deduction. FCMAT recommended reserving \$1.5 million in case it needs to be returned to the State. Many districts in California have this same problem

4. Public Disclosure Discussion on AB 1200 (Item D.01) and Process for Board's Action on the SMMCTA Tentative Agreement on 3/15/07: Both Superintendent Talarico and Deputy Superintendent Walker have signed the AB 1200 Certification, verifying that the District can afford the impact of the SMMCTA Agreement. Dr. Hodgson said that the AB 1200 document, along with the *Transfer of Funds* and *Redesignation of Funds* Board items, were faxed to Jon London, Business Services Consultant, at LACOE, and Dr. Hodgson will follow-up with him as to whether they're approved. The Board President requested information as to how the FOC will be communicating with the Board regarding upcoming budget issues. The Board thanked Ms. Pat Ho and Ms. Angelita Dalan for their assistance, and Dr. Hodgson stated his gratitude to both, adding that the District is well-served by their presence. Members requested Dr. Hodgson's assistance in the process of obtaining public documents, with one instance noted of requesting a copy of the FCMAT letter and being told it was "not a public document."

Members expressed concerns about an increase in the operating deficit in regard to the preparation of the 2007-08 Budget, which will include the three-year projections through 2009-10. The District must also get the Measure "BB" bonds rated, and deal with the declining enrollment issue. Budget reductions are necessary to balance the budget in the future. Members are also concerned that the Report does not include a classified or management salary increase, only the certificated increase. Strategies need to be developed to increase revenues and reduce expenditures.

Dr. Hodgson shared that a Board Workshop/Budget Study Session will take place on 3/21/07. FOC members are invited to attend; materials will be mailed to those who cannot attend. It was requested to agendize the follow-up to this Workshop at the 4/10/07 FOC meeting. Anthony Bridges will provide training on FCMAT's "Explorer" software to Fiscal Services staff. FCMAT's recommendations included increasing enrollment or decreasing FTEs, and better use of categorical funds. Members asked if the increase for other bargaining units will be included in the Budget Study Session. There is a current deficit, which will be compounded by the other bargaining unit settlements. FOC members and the Board Liaisons are aware of this, however, it's uncertain if other Board members realize the significance. Staffing levels must be aligned with FTEs to correspond to declining enrollment, and the FCMAT Report shows a one-time reduction of <10> FTEs in 2007-08. Dr. Hodgson explained that it's difficult to match up the FCMAT Report, AB

1200 document and 2nd Interim Report because of the different formats. It was felt the Board should be presented with the 2009-10 Budget with only the FCMAT changes so they can see the magnitude of the relationship to the budget with no other bargaining unit increase and the relationship of revenues to expenditures to show it in context. Then, the other bargaining unit salary increases and the termination of Measure “S” funding (which ends 6/30/09) should be added on to give the true picture. Members were reminded that LACOE will not allow including Measure “S” revenues in 2009-10 until the voters have actually approved its renewal.

The projections will include the declining enrollment of 98 students while staff has increased, the importance of which should be emphasized to the Board. It was requested that Action Items on a Board Agenda not whether fund was included in the Budget (e.g., IEP settlements and Mr. Braham’s settlement).

5. Status of 2006-07 2nd Interim Report: Dr. Hodgson noted that the 5% teacher salary increase was included in the 2nd Interim Report as well as the fund transfer from Fund 40 to Fund 17, even though these events occurred after January 31, 2007, the official ending date for this Report’s time frame. The 2nd Interim Report will be submitted for Board approval at the 3/15/07 Board Meeting.

6. Measure “BB” Advisory Committee-Timeline & Proposed Charges (Item D.02): Dr. Hodgson wanted members to be aware of the Measure “BB” Advisory Committee (*MBBAC*) and the timeline. Seven people from the Ad Hoc Facilities Committee have expressed interest in serving on it, including FOC member Craig Hamilton, who mentioned that an implementation meeting would take place from 9am to noon on 3/10/07 at Samohi. The first part of implementing the Facilities Master Plan (*FMP*) will be funded by Measure “BB”. SGI has been authorized as the program management firm to help the District define the services needed. As part of the communication process, there have been several meetings, surveys, and gathering of data for on-site analysis. This will be the first time for the Board to see comprehensive data, digest the information and provide direction to Harley Ellis Devereaux (*HED*) and will identify early projects as part of the process. SGI will help decide which services the District will need: program manager (broad scope), construction manager (smaller scope) and design firm. It was stated that staff will develop a Request for Proposal (*RFP*) for construction management services. The FOC’s involvement will be needed when the time comes for the rating of the “BB” bonds. Mr. Silvern said the District should get its financial affairs in better order before seeking a bond rating.

V. New Business (for Discussion)

A. Subcommittee Report on Interviews with Potential New FOC Members: Ms. Torres described the process to add a member to bring the FOC up to the maximum of nine members. This included public notices, advertisement, phone call outreach, trying to attract candidates of diverse backgrounds from both Santa Monica and Malibu, etc. Interviews were held late last year, but no candidates were recommended so the process was extended. The subcommittee, comprised of Ms. Torres, Ms. Hoffman and Mr. Kernochan, interviewed candidates in late February/early March and recommended two candidates as potential FOC members: Mr. Ben Allen and Ms. Carrie Wagner. Ms. Torres introduced Mr. Allen and explained that he is an alumnus of SMMUSD, is currently on the University of California Board of Regents, attended Harvard and Cambridge and is a law student at U.C. Berkeley. In addition, he would bring political experience to the FOC, having worked on a campaign for Measure “K” and was on a political panel for Rwanda. In

response to a question about his schedule conflicting with FOC meetings, Mr. Allen assured members that he is relocating to the area soon, would adjust his schedule and explained that he wants to “give back” to the District. Mr. Silvern spoke about Carrie Wagner, who works as a Chief Operating Officer for the non-profit firm, Excellence in Education, which is run by Anita Landecker, a founding member of the FOC. Ms. Wagner has a CPA degree, previously working as a Senior Accountant for Price Waterhouse. She has experience at individual school sites, but wants to see the “big picture” of the District’s financial management.

Mr. Silvern also informed members that he had received information from FOC member Carolyn Galantine, indicating conflicts with the FOC meeting schedule. He requested and is awaiting a resignation letter from her, if she intends to resign. The Subcommittee was pleased to recommend both applicants as valuable additions to the FOC. A motion was made by Ms. Stecher and seconded by Mr. Hamilton to recommend to the Board that both applicants be appointed as members. Motion passed unanimously.

VI. Receive and File (*Limited Discussion*)

SMMUSD: *Our School Plan* (February 2007, Issue 6)

School Services of California, Inc: *Fiscal Reports: (1/19/07) and (2/2/07)*

Legislative Analyst Opinion (LAO): *Prop 98 Roadmap*

VII. Public Comments:

Jim Jaffe

VIII. Agenda Planning for the Next Meeting:

May 8, 2007

IX. Adjournment. Meeting adjourned at 9:06 p.m.