



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

Minutes

May 6, 2008

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

Location:

School District's Testing Room

Administrative Offices – 1651 16th St./Santa Monica, CA

Attendance: (*Committee Members*) Paul Silvern (*Chair*), Ben Allen, Craig Hamilton, Patricia Hoffman, Denny Kernochan, Gordon Lee, Cheryl Stecher, Cynthia Torres. (*Board Liaisons*) Maria Leon Vazquez, Kelly Pye. (*Staff*) Jan Maez, Dawn Smithfield. *Absent: Carrie Wagner.*

I. Call to Order

The meeting was Called to Order at 7:13 p.m. by Paul Silvern.

II. Approval of the Minutes:

A motion was made by Ms. Torres and seconded by Mr. Allen to approve the Minutes from the 4/8/08 Meeting. The motion passed unanimously.

III. FOC Priority Policy Issues (*Primary Discussion Items reserved for future meetings*)

- A. Facilities Master Plan (*Craig Hamilton*)
- B. Measure "S" Oversight (*Patricia Hoffman & Paul Silvern*)
- C. Status of District's Deficit Reduction Plan (*Patricia Hoffman & Cynthia Torres*)
- D. Improving/Creating Consistent Budget Format/Process & Public Presentation of Budget (*Denny Kernochan & Carrie Wagner*)
- E. Enrollment Forecast/Long-Range Trends (*Cheryl Stecher*)
- F. Revenues, Expenditures Summary & Adopted Budget Comparison (*Cynthia Torres*)

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

- A. Update on State Budget: Ms. Maez stated that there is not much information available on the State Budget, until the Governor's 5/14 May Revise. She recently attended a CASBO conference and listened to several speakers, including some from School Services of California, Inc. and FCMAT. They all agreed that it won't be an early state budget this year, and adoption could be delayed until the end of July or early August or possibly later. There are significant differences in approach among the political parties and the Governor with no clear direction at this point in time.
- B. Update on Preparation of Draft 2008-09 District Budget: Ms. Maez explained that the District's Preliminary Budget is being compiled and is scheduled for discussion at the 5/15/08 Board Meeting. It will reflect a 2.4% decrease in Revenue Limit funding in line with Governor's January budget proposal. The budgetary effects of declining enrollment and salary agreement costs have been included in the Preliminary Budget. At the 4/7/08 Budget Workshop, Board directed staff to return with at least \$300,000 in additional cuts. Despite the proposed expenditure decreases of \$2.5 million, the budget still shows deficit spending in the Unrestricted General Fund for each year of the multi-year projections. The Special Education budget is being looked at closely, especially those certificated and classified positions that are unfilled, and it will be recommended to remove those positions

from the budget. In addition, it will be recommended that staff keep tighter control of Special Education positions. The operating deficit and unappropriated amounts will be adjusted in the Preliminary Budget to reflect revenues from additional permit students, as directed by the Board. It was requested that the Preliminary Budget be forwarded to FOC members when the 5/15/08 Board Meeting Agenda is ready.

A copy of the AB 1200 document for SEIU was distributed. SEIU received a 3.31% increase, with a 3% one-time bonus. The Management/Unrepresented group received a 3% increase and a Tax Sheltered Annuity (TSA) matching amount increase from \$200 to \$500. A copy of the 4/25/08 letter from LACOE regarding the AB 1200 review of the SEIU agreement was included in the meeting materials. LACOE again raised concerns about deficit spending each year, drawdown of reserves, and uncertainty about extension of the City-District contract.

The Board has approved up to 200 additional student permits for next year, and the budget is being built using 150 permits for the ADA. There is a window period in which to apply for permits on a space availability basis, with a lottery to take place if there are more applicants than permits available. Permits are available for employees of the City of Santa Monica and the District as well as for employees of Santa Monica College (for students in K-8 only). The permit process now starts earlier in the fiscal year to achieve better participation since parents need to know if there will be a spot for their children. However, some other school districts may not release their students right away, hoping that by delaying, they'll keep the students and the revenue.

It was requested that Measure R projected expenditures be included for the 6/3/08 FOC meeting as part of preparation for the FOC Report to the Board. Board Liaisons Leon-Vazquez and Pye were asked to lead a discussion with the Board about whether to charge the FOC with the oversight responsibilities associated with the new Measure R parcel tax.

V. New Business (*for Discussion*)

- A. Discussion of Financial Management Issues Raised by the Special Education Program Independent Review: Ms. Maez stated that Superintendent Talarico gave a short report to the Santa Monica City Council, and asked them to keep the additional recommended funds on hold for the District until after a more formal report responding to the Independent Review could be prepared in 30 days. She reported to the Council that a number of settlement agreements still contained the confidentiality clauses after the Board-required moratorium on such clauses and she was looking into the reasons for this. It was mentioned that the FOC should offer suggestions about Special Education finances to the Board at the Joint Meeting, such as setting priorities, staffing levels and pupil counts, as well as tightening the budget. There were also concerns about outsourcing and those associated costs to the District. Special Education costs have increased while student enrollment has decreased. FOC members stated that additional research is needed to see if our costs are in line with those of other districts. Ms. Maez noted that the Independent Review report left out analysis of the types of disabilities we're seeing, and said there is a need to look at trends in other districts as well as at programs and costs. One of the fastest growing components is the area of autism, with increased frequency and increased need for

one-on-one services provided; speech and transportation are other areas under review. The Independent Review found that the District is getting its fair share of the SELPA, but it should be used more. Ms. Maez said that the SELPA is really the vehicle for the distribution of funds, but other regionalized services are needed. It was suggested to look at the outside provider services used by the District and what can be done to bring them in-house. Members would like to see trends in total program costs, including transportation, programs, resource placement, attorney fees, etc. Ms. Maez explained that part of the problem in doing so is that the State keeps changing the program names and the financial reporting forms haven't kept up with these changes. In response to a question, Ms. Maez responded that \$500,000, currently on hold with the City of Santa Monica, is being counted as District revenue for this fiscal year, even though the funds have not been released by the City, due to lingering questions about certain Special Education practices.

- B: Discussion RE: Annual Joint Meeting with the Board of Education (6/5/08 Board Meeting): Last year's FOC Report to the Board was previously emailed to members who reviewed it. It was again noted that the Board has not yet formally appointed an oversight committee for the Measure R parcel tax. As part of renegotiating of the Joint Use Agreement with the City of Santa Monica, it would be best to show the City that an oversight committee has been appointed. The Board/City Council relationship needs to be strengthened by regular reports, such as the status of the District's budget. Members felt that the FOC Report to the Board should be shared with the City to show that accountability is happening. A number of things could be done by Board, staff or FOC to keep Council informed about the condition of District finances,, which is required in the Joint Use Agreement and is good practice to ensure a continuing good relationship.

Ms. Maez stated that it's understood that the District needs to be open and accountable to improve the level of trust between the District and City Council. She hopes that a format is set up that opens the door to discussions about District budget priorities and how Board has decided to spend its resources. She said other items such as the First and Second Interim Reports could be shared with the City to demonstrate how we're accountable to State. Also, it should be possible to provide the City a general indication as to how their \$7 million is utilized and to show various financial management efforts, such as increasing permits, etc. to bring the budget into balance.

Members would also like to mention the Special Education report at the Joint Meeting. Ms. Maez would like mention made of the process of negotiations. Members suggested taking a 1% increase scenario and projecting it 10 years into the future, with step and column increases, to get the actual costs. This information could be made public in advance of negotiations. There might be a role for FOC to play using information that is public without interfering with negotiations. According to trends over last few years, the District has a very high percentage of its budget for salary costs (about 92%). This is further compounded by declining enrollment, yet class sizes are increasing due to permits and increased staff. The reserves are still being diminished. Members felt a priority should be to close the operating deficit within 4 years.

Mr. Kernochan will be out of town for the next FOC meeting, and both he and Ms. Torres will be not be able to attend the Joint Meeting with the Board. It was mentioned that both Mr. Silvern and Ms. Torres were recognized at the recent PTA Council breakfast meeting for their roles in the Measure R campaign.

A copy of the Standard & Poor's (*S&P*) revised rating information was provided to the FOC, which increased the General Obligation Bonds and Certificates of Participation (*COPs*) ratings from A+ to AA. Mr. Silvern mentioned that this S&P rating increase should be reported to the City of Santa Monica as another positive indicator of the District's financial condition.

Members discussed scheduling an upcoming Bond subcommittee meeting, maybe in June when there will be a better idea of the program costs. Parsons showed \$10 million could be used for the Data Center and voice access for every existing classroom and is working on bid specs to get underway as soon as possible.

VI. Receive and File (*Limited Discussion*)

- A. Measure R Application and Renewal Forms
- B. School Services of California: *Fiscal Reports (2/15/08, 2/29/08, 3/14/08 and 3/28/08)*
- C. LACOE: *2006-07 Annual Financial Report (Selected tables)*

VII. Public Comments

None

VIII Agenda Planning for Next Meeting:

June 3, 2008 (*regular FOC meeting*) and June 5, 2008 (*Joint Meeting with the Board of Education*)

IX. Adjournment

Meeting was adjourned at 9:08 p.m.