



**Santa Monica-Malibu Unified School District
Board Committee
Financial Oversight Committee
Minutes - Amended
September 11, 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*], Ben Allen, **Craig Hamilton**, Patricia Hoffman, Denny Kernochan, ~~Gordon Lee~~, Cynthia Torres, ~~Carrie Wagner~~. (*Board Liaison*) Kelly Pye. (*Staff*) Steve Hodgson, Dawn Smithfield. Absent: ~~Craig Hamilton~~, **Gordon Lee**, Cheryl Stecher [*Co-Chair*], **Carrie Wagner**; (*Board Liaison*) Maria Leon-Vazquez.

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. Hoffman and seconded by Mr. Silvern to approve the Minutes from the 6/05/07 Meeting. Motion passed unanimously.

A motion was made by Ms. Hoffman and seconded by Mr. Silvern to approve the Minutes from the 6/07/07 Meeting. Motion passed unanimously.

III. Old Business

A. Status of Permanent CFO Selection: Dr. Hodgson stated that the initial interviews were conducted with two candidates and both candidates were recommended for final interviews with the Superintendent on 9/12/07. Hopefully, one will be selected and an announcement will be made soon. It was requested to agendize welcoming the new CFO for the next FOC meeting.

B. Overview of Revenues, Expenditures, and Fund Balances (Unaudited) for 2006-07: A copy of approved Board Item A.20 from the 9/6/07 Board Meeting was distributed. Dr. Hodgson said the ending balance was better than anticipated due to hard work by staff, the Board and the FOC. The primary budgetary impact is the declining enrollment issue, which makes it difficult to maintain fiscal stability. In May 2007, the Board approved a decline in enrollment of 181 students for the 2007-08 fiscal year, but if that number increases, the difference may be made up with permit students. It was mentioned the Rebecca Kennerly, PTA President, has a public relations campaign to attract/maintain students in our schools. Mr. Silvern will invite Ms. Kennerly to attend an FOC meeting. It's important to focus on getting out the positive messages about all schools, such as increased test scores to increase enrollment; it was requested to agendize this for the next FOC meeting. There is a statewide decline of 30% in enrollment, so this is not unique to our District. Negotiations with SEIU and SMMCTA are approaching; FOC members encouraged District staff to institute multi-year contracts for bargaining groups. Staff has suggested to the Board to set aside up to \$750,000 for GASB 45 and to set aside a declining enrollment reserve. Members are very supportive of these efforts and concerned about post-employment benefits and upcoming obligations. In addition, it's important to ascertain the best application of capital dollars in regard to Measure BB and the Facilities Master Plan in order to attract students. Deferred maintenance

dollars need to be spent and there is a campaign to upgrade school site restrooms. This summer, Zed Ink/Microsoft held a large event at several parts of Samohi, including the Greek Theatre, which currently has no restrooms. Developer fee dollars may be used to support the Facilities Master Plan which also may make District facilities more attractive to lessees.

Members are still concerned about the \$4 million deficit in the Unrestricted General Fund as expenditures are greater than revenues, and that a \$9 million balance is still projected in 2009-10 after the reserve, which does not reflect negotiation increases and assumes a Measure "S" parcel tax renewal. Dr. Hodgson told members that the budget document does not include Workers' Compensation savings, the additional \$500,000 from the City of Santa Monica and the ongoing maintenance increase of \$500,000. Members appreciated having the summary of funds on one page and are supportive of this snapshot of the budget, but things can change and there are many challenges ahead, especially the enrollment issue.

- C. Measure BB Bond Rating and Issuance Update: Dr. Hodgson said that staff will go to San Francisco on 9/17/07 and 9/18/07 to meet with a bond insurer and Moody's about the bond rating. We should receive the rating about a week later; it was requested to email the rating to FOC members. The bonds will be pre-priced, then sold in late September and the Series A proceeds will be on hand in October. Standard bond issuances are 25 years. Based on a 10-year issuance cycle, the total debt service would be approximately \$600 million. If we accelerate the sale of the bonds and keep the commitment to the taxpayers, but need a longer term, the debt service could increase to as much as \$900 million. We need a strategy to recommend to the Board that reduces the long-term impact to the taxpayers. It was suggested that a subcommittee, comprised of Mr. Hamilton, Mr. Lee and Ms. Torres, be formed to discuss bond issuance strategies with Tony Hsieh of Piper Jaffray and Dr. Hodgson and to report later to the full FOC. It was pointed out that Measure BB issuance strategies will impact future strategies for future bonds. We need to come up with a plan as soon as possible to maximize dollars for construction as we could lose \$1 million per month in purchasing power by delaying. We need to focus on the ability of the District to manage the construction, get consensus with school sites about specific projects, then compress the construction schedule to finish those projects to bring these accomplishments to the public's attention.

IV. New Business

- A. Election of Officers: This was tabled to the next meeting to allow for the full committee's attendance.
- B. Special Education Program and Financial/Budgetary Review: A copy of the *Special Education: 5-Year Comparison* was distributed. Dr. Hodgson informed members that a Request for Proposal (RFP) is being put together for the review/audit of the Special Education program, policies, practices and budget; this should be discussed at the 9/27/07 Board Meeting, at which there will be an opportunity then for the FOC to speak. Action will be taken at the 10/4/07 or 10/18/07 Board Meeting, then proposals will be solicited. Included in the RFP are such items as whether we are maximizing our income, are our practices consistent with industry standards and are our programs comprehensive. There will be a pre-proposal conference in November with a contract awarded in December 2007. Once awarded, meetings will be held with parents, District staff, Special Ed DAC members, etc., with a final report due by 3/31/08. Best practices are being

instituted and there is a moratorium on “confidential” settlement agreements, unless so requested by parents. The final report will include recommendations as to how the District can slow the rate of growth of Special Ed costs.

- C. Strategy for Improving Attendance and Increasing Student Achievement: A copy of the handout *Every Minutes Counts* was distributed. Dr. Hodgson explained that this strategy to increase attendance is based on suggestions by the FOC to improve student attendance and increase enrollment. This document has been distributed to Board members, principals, PTA and the community to communicate the importance to parents about their children’s school attendance. Each site has been given historical data with an attendance target; FOC members stressed that this information needs to be tracked. It was requested that Laurel Schmidt attend the next FOC meeting to discuss the program. Due to concerns of implementation at school sites, it was suggested that a friendly competition should be put in place, such as having an attendance increase rivalry between two middle schools. The students at the school with the lower increase in attendance would have to wear t-shirts from the rival school.

- D. Parcel Tax Renewals: Both Mr. Hamilton and Mr. Silvern are members of the Parcel Tax Renewal Feasibility Committee, which has been charged with the best strategy to renew the tax and at which election. There are four subcommittees: polling (the Board has approved Paul Goodwin for polling and focus group services), financial scenarios (including possibly combining both the Measure “S” and Measure “Y” parcel taxes, extending for 10 - 20 years or with no “sunset”), legal issues and election date strategies. There will be a presentation at the 10/18/07 Board Meeting.

- V. **Receive and File (*Limited Discussion*)**
School Services of California, Inc: *Fiscal Report: (8/3/07)*
Updated FOC Roster

- VI. **Public Comments:**

- VII. **Agenda Planning for the Next Meeting:**
October 9, 2007

- VIII. **Adjournment.** Meeting adjourned at 8:51 p.m.