



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

**December 4, 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, Denny Kernochan, Gordon Lee, Cynthia Torres [*Co-Chair*], Carrie Wagner. (*Board Liaisons*) Maria Leon-Vazquez, Kelly Pye.

(*Staff*) Jan Maez, Dawn Smithfield. Public: Rebecca Kennerly, Anthony Hsieh, Chet Wang(*Piper Jaffray*)

*Absent: Craig Hamilton, Patricia Hoffman, Cheryl Stecher.*

**I. Call to Order**

The meeting was Called to Order at 7:10 p.m. by Chair Paul Silvern.

**II. Approval of the Minutes:**

A motion was made by Mr. Lee and seconded by Mr. Allen to approve the Minutes, as amended, from the 10/30/07 Meeting. Motion passed unanimously.

**III. FOC Priority Policy Issues (*Primary Discussion Items*)**

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 and Paul Silvern*)

F. Revenues, Expenditures Summary & Adopted Budget Comparison (*Cynthia Torres*)

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

**A. Governmental/Legislative Issues Concerning District Finances**

1. CBEDs Enrollment/Attendance Permit Information: The CBEDs were previously emailed to FOC members. As estimated around the beginning of the school year, enrollment is down 91 more students than projected. Ms. Maez said that enrollment has fluctuated, but the pattern now seems to be more consistent and the information is being incorporated into the 1<sup>st</sup> Interim Report. It was requested to agendize projecting and planning for declining enrollment at the next FOC meeting.

2. Redevelopment Agency Tax Increment Pass-Through Funding: Ms. Maez handed out a three-page spreadsheet which included *Earthquake Recovery Redevelopment Agency Revenue* and *Certificates of Participation (COPs) Callable and Non-Callable Scenarios*. She said that we have the opportunity to capitalize the property tax revenue from the pass-through paid to the District from this City of Santa Monica Redevelopment Project Area and provide funds now for capital programs/expenditures in the District.

Mr. Silvern provided further background about the City's Redevelopment Agency and the funding that flows to the District. He explained that the City of Santa Monica has four redevelopment projects, one of which came about as a result of the 1994 Northridge earthquake and covers a large northern section of the City. The Project Area was set up using special provisions of State law for these kinds of emergencies. The incremental increases in assessed property values are captured by the

City to finance reconstruction, but portions of the increases must be passed through to specific public entities, including the School District. Part of this funding is used to offset Revenue Limit and the balance must be used for capital improvements (Fund 40), including implementation of the Facilities Master Plan. He reminded members that FCMAT recommended last year to use Fund 40 to pay the debt service on the COPs, which saved \$1.0 million per year that used to come out of the General Fund. The City recently provided a 40-year projection of the annual pass-through amounts to the District, which makes it possible to see the net funds after paying of the COPs during the next 18 years. Mr. Hsieh described two scenarios for issuing COPs against the net annual pass-through revenue stream, using callable and non-callable COPs. The COPs would be supported entirely by the property tax increment pass-throughs, and not the District's General Fund. He explained that under these scenarios there is a potential for an additional \$14.0 to \$15.0 million from COPs that could be combined with the Measure BB funding program. Ms. Maez wanted FOC members to be aware of this, but said we need to wait for the right timing to consider issuing any COPs funded by these revenues.

3. First Interim Financial Report: The First Interim Financial Report will be submitted for Board approval at the 12/13/07 Board Meeting. In response to a previous request, members were told that this Report will be mailed to them. Ms. Maez assured members that the Report states that the District will be able to meet the 3% Reserve requirement. A request was made to agendize the District's Auditor, Mr. Roy Blair, to appear at the next FOC meeting to go over the 2006-07 Audit Report, which is expected before year end.

4. Special Education - RFQ Update: Ms. Maez explained that the RFQ Committee met and interviewed three vendors: School Services of California, Inc., Total School Solutions and Lou Barber and Associates. The RFQ Committee reached a consensus recommendation to recommend Board selection of Lou Barber and Associates, which has previously conducted over 150 audits on school districts, and will tell the District what can be done to ensure best practices. A copy of the 11/15/07 proposal from Lou Barber and Associates was distributed to FOC members. Ms. Maez stated that at the end of the analysis, a final report will be presented to the Board and community and to the Santa Monica City Council. Lou Barber and Associates has requested various information and documents, which must be given to them before the end of December to allow them to comply with the District's March 2008 deadline. The Superintendent has already communicated with the City Manager about the progress. FOC members encouraged the Superintendent to regularly update the City Manager on the progress of the analysis, and commended District staff for moving so quickly on this project.

5. Status Update on SMMCTA and SEIU Negotiations: Ms. Maez explained that meetings have been taking place over the past couple months with SEIU, and that the entire contract is open for discussion. The parties are still in the initial stage of discussing various financial aspects and proposals are being traded. The SMMCTA negotiations have begun regarding salary and benefits, plus a single opening Article from each side.

Ms. Maez stated that she is developing a relationship with LACOE staff, who are concerned about uncertainty of the parcel tax, City monies and declining enrollment. FOC Members requested that various AB 1200 scenarios and three-year projections be given to the Board. FOC Members would also like to receive this information before the Board takes action.

6. Measure "S" Update: It was reported that over 2/3 of the senior citizens who were included in the 2007-08 senior exemption glitch had received their refunds before December. Members received a copy of an article dated 11/1/07 from *The Malibu Surfside News*, which contained inaccuracies

surrounding the glitch, and a subsequent Letter to the Editor dated 11/8/07, responding to the article.

B. Pending Board of Education Items with Financial or Financial Management Implications  
(*See IV.A.3 re: First Interim Financial Report*)

V. **New Business (for Discussion)**

A. Update on PTA Council's World Class Public Schools Initiative: Ms. Rebecca Kennerly, President of PTA Council, was welcomed by Mr. Silvern. Ms. Kennerly described the purpose of PTAs, PTSAs and the Council. She said the biggest issue that all of these groups are dealing with now is school funding. Last year, all PTA Councils were asked to reserve 5% of their budgets for the parcel tax renewal campaign, which has provided an important jump-start to the campaign. She then explained the new public information project, called *World Class Public Schools*, which focuses on communication by sharing the District's achievements with the community. She noted that these kinds of outreach efforts cannot be sustained by volunteers, who have established the process, but it is hoped the District will hire a Public Information Officer (*PIO*), who can then take over those efforts. She shared the PTA Advocacy Presentation, which is available on the PTA website ([www.smmpta.org](http://www.smmpta.org)) and handed out copies of the flyer, *Top 10 Reasons Santa Monica-Malibu Schools are Great* along with the PTA newspaper, *Our Schools' World - Santa Monica-Malibu World Class Public Schools*. Ms. Kennerly requested FOC members to write an article for the next PTA newspaper. Members agreed that efforts should be made to obtain grant monies and donations from corporations in the community for sponsorships, noting that this point was also included in the Strategic Plan.

B. Accelerated Bond Program-Presentation by Tony Hsieh and Possible Recommendation to Board: Ms. Maez informed members that she and the Subcommittee (comprised of Mr. Lee, Mr. Silvern and Ms. Torres) met with Tony Hsieh of Piper Jaffray & Co., Parsons/3DI and other District staff working on BB regarding the schedule for issuing BB Bonds. Staff has been directed to increase the amount of available construction funds by making the funds we have go as far as possible. Mr. Hsieh and Mr. Wang distributed the document, *Measure BB General Obligation Bond Program - December 4, 2007 Financial Oversight Committee Meeting*, which detailed acceleration of the bond program to: 1) mitigate the loss of buying power from inflation and 2) to issue bonds quickly to increase earnings on unspent bond proceeds. Mr. Hsieh presented three scenarios (1A, 1B and 1C) that would result in a six-year program, as compared with the previous Scenario 4 that would result in an eight-year program. Members discussed the various scenarios, noting that 1C clearly yields the highest present value, but the real savings are with the interest earnings. This saves approximately \$15 million which can then be put back into the construction program. A motion was made by Ms. Torres, and seconded by Mr. Lee, to recommend to the Board to select scenario 1C. Motion passed unanimously.

VI. **Receive and File (Limited Discussion)**

Memo & School Services Fiscal Report: *LAO Forecasts \$10 Billion Budget Shortfall in 2008-09*  
EdSource Report: *Superintendents and Principals: Charting the Paths to School Improvement*

VII. **Public Comments:**

VIII. **Agenda Planning for the Next Meeting:** January 8, 2008

VIII. **Adjournment.** Meeting adjourned at 9:14 p.m.