



SMMUSD Financial Oversight Committee Minutes

Date: Tuesday, March 15, 2011

Time: 7:00 pm to 9:00 pm

**Location: Testing Room, SMMUSD Admin. Offices
1651 16th Street, Santa Monica, CA 90404**

I. Call to Order

The meeting was called to order at 7:04p.m. by Ms. Wagner.

Committee Members:

Carrie Wagner, Chair
Joan Chu Reese, Vice Chair
Patricia Hoffman
Craig Hamilton
Tom Larmore

Gordon Lee left at 8:00p.m.
Paul Silvern
Shelly Slaugh Nahass
Cynthia Torres
David Vukadinovich

Board Liaisons:

Jose Escarce
Laurie Lieberman

Staff:

Jan Maez
Kim Nguyen

Public:

David Kramer

Absent:

Oscar de la Torre

II. Approval of Minutes 2/15/11

A motion was made by Mr. Silvern and seconded by Ms. Hoffman to approve the Minutes as amended. The motion passed unanimously.

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

- A. Budget Update: Ms. Maez stated that the Board approved the District's 2nd Interim Report. She extended a meeting invitation to recently appointed members to discuss the budget in further detail. In reference to the 2011-12 Budget, if the voters approve the tax measure proposed by the Governor, the District will stay at the current funding level. If the measure fails, there will be \$350 cut per student (approximately \$3.6M) to the District's budget. If there are deeper cuts from education, the District will look at scenarios of higher per student reductions and is preparing for those reductions by looking at options. The District has a large reserve balance that can weather these reductions for about one year, but those reserves will be exhausted after 15-16 months. The District has included anticipated revenues from Prop Y into the budget.

The District is carefully managing cash because of the State's deferment of apportionments. Special fund reserves and some of the district's capital funds can make temporary loans for cash flow purposes. Short term loans (less than 12 months) known as TRANs, can be used to assist as well. It is anticipated that the City will advance the

first quarter of Prop Y money and reconcile at the end of the quarter. It is estimated that the District will receive \$1-\$1.5 million in Prop Y funds in this advance. This will also improve the District's cash position and partially mitigate problems caused by the State.

IV. Update from Ad Hoc Committees

- A. Researching District Revenue Enhancement (*G. Lee, J. Chu Reese, C. Torres*): Ms. Torres reported that the ad hoc committee met with the Superintendent and Ms. Maez. The committee looked at the revenue side of the District and fundraising opportunities such as alumni, athletic, endowment, and general giving and has made several presentations over the last eighteen (18) months.
- B. Reviewing Special Education Budget (*C. Hamilton, P. Silvern*): The ad hoc committee reported that special education costs to the District are quite substantial. The District's General Fund contributes nearly half of the funding for Special Education. The ad hoc committee looked at District expenditures in conjunction with revision of program concepts. The FOC ad hoc committee is working jointly with members from the Special Education District Advisory Committee (SEDAC). A joint meeting between representatives of SEDAC and the FOC is tentatively scheduled for May 17, 2011.

Mr. Hamilton indicated that the State mandates school districts to provide Special Education, but insufficient State funding is provided for the program to meet the needs of each student's individualized education plan (IEP).

Ms. Maez indicated that her office created a custom historical budget comparison format for the FOC-SEDAC ad hoc committee which, for the first time, combines revenues from all local, State and federal sources, and a consistent set of expenditure line items. Mr. Silvern indicated that, among other valuable uses of this budget format, it helped District staff identify a few cases where expenditures were charged to the wrong account code line item.

V. Discussion/Action Items

- A. Introduction of FOC Members: On behalf of the FOC, Ms. Wagner congratulated Mr. Silvern and Ms. Hoffman for their reappointment and Mr. Lamore, Ms. Slauch Nahass and Mr. Vukadinovich for their appointment to the committee. Self introductions were made amongst the members of the FOC, Board Liaisons, staff, and one member of the public.
- B. Strategic Plan Update: Ms. Chu Reese highlighted the Strategic Plan presented at the February 17th Board Meeting. The plan included input from staff, management, as well as school sites. There will be open houses in April for feedback. The next steps are to establish an action plan. The final strategic plan will be presented to the Board in June. Ms. Chu Reese drew the FOC's attention to the Resources section that talked about a "powerful" district wide fundraising to include naming rights and other ways to create new resources to the district.

Ms. Hoffman commented that in her experience, she has not seen governing boards place a priority with support on literacy. Dr. Escarce stated that decisions made are based on priorities and are difficult with a diverse district.

Mr. Larmore stated that when districts are focused on test scores it could have financial impacts. There are different levels of funding based on test scores but is a reality that should be thought about in the overall plan. Dr. Escarce indicated that under No Child Left Behind, schools are working with students so that they achieve mastery and bring test scores up.

Mr. Silvern stated an impressive part of the plan broadens the District vision for students upon graduation, to be citizens of the world. There is a desire for students to be whole, productive people rather than focusing narrowly on high test score or college admissions outcomes. Mr. Silvern would like to see short term strategies and long term strategies associated with the plan.

Ms. Torres loved the focus on the students and what future we want for them. She expected but did not see the plan address the type of schools or learning environment the District want to have.

Ms. Wagner felt that giving back to the community should be reflected as it is not just being a better person but the students, as individuals, should make the world a better place.

Dr. Escarce asked that the FOC compile a feedback statement. Ms. Wagner and Ms. Chu Reese will summarize the comments. Ms. Chu Reese requested feedback of specific wording to the plan.

Distribution and Discussion of District's Bond Oversight Committee Report and District Response: Ms. Maez stated that the Bond Oversight Committee (BOC) is another one of the District oversight committees. The BOC's primary responsibility under Proposition 39 is to be aware of the bond funds and report if the funds are spent according to the tax measure. The BOC issued an annual report to the taxpayers and community concluding that they did not have sufficient confidence and information in the special financial audit of the District bond fund expenditures to form a conclusion, although no issues of inappropriate expenditures were identified. The audit report showed the District in compliance with the measure. The most significant issue they raised was that the District's Fund 21 (Measure BB bond proceeds) contained funds from other sources. The BOC used the word "comingling" even though funds are separately accounted for within Fund 21. The District will keep Measure BB funds separate in the future, and funds used for the Measure BB program that come from other District capital accounts will be kept in their separate funds. Mr. Silvern found the BOC report to be quite opaque without excerpts from the audit report to explain their position. He was troubled by the criticisms leveled at the District's auditor. Ms. Maez stated that most district bond program audit reporting is prescribed. In terms of BOC, there is information in addition to the special audit that they can use for their review. After looking at a variety of other districts' Prop 39 committee reports, Ms. Maez found that they range from large annual reports produced by program management firms to a few pages to a single page. Ms. Maez did

not see the same concerns raised when she read other districts' (e.g., South Bay and in the Los Angeles area) bond audit reports.

Ms. Torres stated that the BOC made a lot of references to their own lack of understanding the audit report.

Mr. Silvern indicated that the BOC should receive clarification from the District's bond counsel or outside counsel. He felt that the District response was complete and generous.

- C. Student Membership and Voting Rights: Ms. Maez stated that since the FOC statement of purpose was changed recently regarding student membership, a Board student member raised concerns with voting rights of students. The Board Bylaws would also apply to committees where students would have advisory votes, usually made prior to the official vote. The Education Code provides that student members are allowed to cast a preferential vote, which is a formal expression of opinion, prior to the official Board vote, and does not determine the outcome of an action. The Board Bylaws are consistent with the Education Code.

Dr. Escarce felt that student representative voting rights on the FOC should be considered on the merits and not necessarily in the same way as for the Board. Ms. Hoffman stated that she supports student members to be able to vote and make motions, but the problem is attendance and whether student voting members would count toward a quorum. Mr. Silvern supported student advisory votes at FOC, but not full voting rights, because most students who volunteer or appointed by their peers are not going to have the time to understand the District's finances as they serve for one year, at most. Ms. Torres concurred with Ms. Hoffman's concern with attendance. Mr. Larmore stated that that a one year term did not make sense for a voting member. Mr. Hamilton pointed out that FOC votes are considered recommendations or advisory votes for consideration by the Board.

A motion was made by Mr. Silvern and seconded by Ms. Torres to welcome an advisory vote and do not support full voting membership. The motion passed unanimously.

- D. Agenda for next meeting: Ms. Wagner would like an update on Superintendent Search at the next meeting. The Special Ed/FOC joint meeting will be on May 15, 2011. Mr. Silver requested a report on the updated DecisionInsite information provided for the January 18, 2011 FOC meeting.

VI. Receive and File (Limited Discussion)

- A. School Services of California, Inc. *Fiscal Reports (2/4/11 and 2/18/11)*

VII. Public Comments: None

VIII. Next Meetings: April 5, 2011 from 7:00 p.m. - 9:00 p.m.

IX. Adjournment: Meeting adjourned at 8:53 p.m.