



SMMUSD Financial Oversight Committee - Minutes - Amended

Date: Tuesday, October 19, 2010

Time: 7:00 pm to 9:00 pm

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

Attendance: (*Committee Members*) Patricia Hoffman, Gordon Lee, Nimish Patel, Paul Silvern, Cynthia Torres [*Chair*], Carrie Wagner. (*Board Liaison*) Jose Escarce. (*Staff*) Jan Maez, Dawn Smithfield. Absent: Joan Chu Reese [*Vice Chair*], Craig Hamilton, Manel Sweetmore; Ralph Mechur (*Board Liaison*).

Call to Order

The meeting was called to order at 7:07 p.m. by Ms. Torres.

Approval of Minutes 9/14/10

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

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

A. Budget Update: Ms. Maez explained that although the State budget has been approved, there is a lot of concern about it being built on assumptions, relying on federal funds that may or may not materialize. There is also concern regarding potential mid-year reductions. The good news is that the \$250 per ADA funding deficit and negative COLA were eliminated, so the deficit factor dropped to 17.5% from over 22%. Although there is a statutory COLA in the 2011-12, 2012-13 and 2013-14 fiscal years, School Services of California (SSC) recommends no COLA in 2011-12. Members agreed that this should be kept as part of the reserve because of possible mid-year reductions. Ms. Maez reminded FOC members that furlough days have been negotiated through this school year, and school districts retain the ability of reducing the school year in 2012-13. Depending upon the new State Governor, the flexibility in Tier III funding, which was moved to the unrestricted general fund, may have to be transferred back to the restricted general fund. The State budget also includes more mandated costs reimbursement, but we will wait until those funds are received before they are put into the District budget. Governor Schwarznegger had eliminated the State Preschool budget by about \$3.5 million in his May Revise, but we expect to receive that amount in the Adopted Budget. The year-end carryover was higher than expected, which will improve our beginning cash position, but higher cash flows may be offset by more State deferrals. A copy was distributed of the *SSC Dynamic Budget Guide*, a summary of resource codes. Ms. Maez noted that SMMUSD is no longer on the "qualified" status list of school districts which must be monitored by the State.

IV. Update from Ad Hoc Committees:

A. Researching District Revenue Enhancement (*G. Lee, J. Chu Reese, C. Torres*): No report.

B. Reviewing Special Education Budget (*C. Hamilton, P. Silvern*): They will meet with the SEDAC subcommittee in November. Ms. Maez is preparing a report on special education expenditures for that meeting, and it will be included with the next FOC meeting materials. She's met with Claudia Landis, the SEDAC Chair, reviewing the special education items on Board Agendas, especially contracts and purchase orders. Ms. Landis believes she may have found

duplicate expenditures, but it may be a matter of being listed twice, not paid twice. Ms. Maez is researching these expenditures and will report back. In the final unaudited actual report for the District, the special education encroachment was less than what had been expected. One explanation may be NPA and NPS contracts in which the student leaves the District, which reduces the District's expenditures, but the contract may not appear as zeroed out on the District's books.

C. Analyzing District's Financial Strategy (*N. Patel, C. Wagner*): No report.

D. Refinancing of COPs (*G. Lee, N. Patel, M. Sweetmore, C. Torres*): They met with Tony Hsieh of Keygent, and are looking at refinancing of COPs in January 2011. Mr. Hsieh has reviewed private placement alternatives, which he does not recommend because they are not cost competitive. The District is moving forward with LACOE for their approval. A Resolution for the January sale is expected to be submitted for approval at the 11/18/10 Board Meeting. The District is working on not increasing the debt service amount above the level at its current rate, but using the lower interest ratio to capitalize and put additional capital dollars through this financing. The proceeds will not be deposited in Fund 21, as that is to be used only for voter-approved authorized proceeds. It was suggested that an alternative source of funds be used to pay off the COPs, such as developer fees or BB monies; currently it's the redevelopment pass-through funding, which is one of the issues for the CCJUP funding. It was agreed that there is no need for Mr. Hsieh to present to the full FOC committee as the ad hoc subcommittee has reviewed and recommended this strategy.

V. Discussion Action Items

A. Pt. Dume Charter School Petition-Appendix V: This document was previously sent to FOC members and a copy was included with the meeting materials. Ms. Maez reported that the Board accepted the petition at the 10/7/10 Board Meeting. A public hearing will occur at the 11/4/10 Board Meeting, and the Board's decision will occur at the 12/2/10 Special Board Meeting. Senior cabinet staff is reviewing and analyzing the petition to ascertain any issues and evaluate the petition. Legal counsel with charter school expertise has been hired by the District to assist with this evaluation. The petitioners have also hired their legal counsel, who spoke at the last Board Meeting. Ms. Maez noted that the review will include financial issues, including salaries and benefits, reliance on donations and contributions, cash borrowing, insurance and legal costs as well as programmatic areas. FOC members discussed a process for their review of the petition, and asked whether, and if so at what point, the Board might want to hear from the FOC regarding the financial part of the proposal. Dr. Escarce expressed his personal views, but will discuss this with the Superintendent and senior cabinet staff. It was agreed to convene an FOC ad hoc committee to review the financial sections of the Pt. Dume Charter School petition. Subject to feedback from the Superintendent, the FOC's input on the financial sections could range from comments that Ms. Maez considers in preparing the staff report to the Board, to a formal FOC presentation to the Board. Ms. Torres will check with Ms. Chu Reese, Mr. Hamilton and Mr. Sweetmore to see who would like to serve on this ad hoc committee with Ms. Wagner and Mr. Silvern. The Board will receive staff's report prior to the 12/5/10 Board Meeting.

B. Update from School Funding Measure Feasibility Committee: Mr. Silvern reported that the Measure Y and YY campaign is busy communicating to the voters. The fundraising campaign environment has been difficult, possibly due to the burn-out factor in volunteers. It's expected to be a close election. Door-to-door canvassing will take place in the next week or so.

C. Measure BB Update: Construction is continuing to move forward. The District is getting closer to sending out bids for John Adams and Lincoln middle schools.

D. Strategic Plan Update: Ms. Torres reported that the draft report has been done, that it is concise and a good job has been done in categorizing the four priorities. This will be shown to the full Strategic Plan group, then to the Board. The process is moving along, and it's estimated there will be another draft in a month.

E. Election of Chair and Vice Chair: This item was tabled for the next FOC meeting.

F. Revised FOC Meeting Schedule/Samohi PTSA Meeting Schedule Grid: This was previously distributed to members, and was included in the meeting materials. Everyone was encouraged to include the meeting dates in their calendars.

VI. Receive and File (*Limited Discussion*)

- LACOE Letter-Review of District's 2009-10 Unaudited Actuals
- Measure R Letter
- School Services of California, Inc. *Fiscal Reports (8/27/10 & 9/10/10)*
- Various *Fiscal Reports*

VII. Public Comments: None

VIII. Agenda Planning for Next Meeting: November 16, 2010

IX. Adjournment: Meeting adjourned at 9:11 p.m.