I. Meeting called to order – 3:32 PM

II. Attendance:
   • Committee Members – Bob Sternshein, Colleen Knerr, Martin Frank, Marilyn Gallup, Joe Safier
   • Board Member – Howard Goldstein
   • Staff Members – Angeli Villaflor, Steve Kessler, Shemia Moore
   • District Consultant: Colleen Patterson

III. APPROVAL OF AGENDA – Approved

IV. APPROVAL OF MEETING MINUTES – November 5, 2015 – Approved

V. SUPERINTENDENT’S REPORT
   The Superintendent welcomed Joe Safier to his position with the Finance Committee. Marty Frank was presented with a certificate of appreciation for his service with the committee.

   There will be another Budget Study Session on Thursday, February 4th to discuss budget cuts with the Board of Education.

   The Superintendent would like to change past practice of presenting the budgets to the Board of Education first and instead present the budget to the Finance Committee. This will allow the committee time to do some due diligence. This way the committee can weigh in at Board meetings once the budget has been presented to the Board.

   At the November 5th meeting the Superintendent was going to coming back with information regarding ways for the District to save money in our Special Education Department.

   Mr. Kessler will bring the Special Education Director into the next meeting on February 25th to answer questions regarding Special Education. In the meantime, the Finance Committee can email questions about the Special Education program to the Superintendent to be answered at the meeting on February 25th.
VI. BUDGET UPDATE *(Exhibit A)*
Since our last meeting in November we have had our election and Budget Study Session for our new Board of Education members. During the Budget Study Session we reviewed the first interim and other important topics that the new Board wanted to discuss. Committee members were given a copy of the Power Point presentation that was presented to the Board at the December Budget Study Session.

**Negotiations**

The collective bargaining agreement is up for negotiations after June 30, 2017. The District will have to renegotiate the entire agreement.

**The committee recommends the use of a labor lawyer be used during negotiations.** Marty Frank recommended Marta Fernandez who is a partner at Jeffer Mangels Butler & Mitchell in Century City. The District has already contracted with Steve Andelson of Atkinson Andelson Loya Ruud & Romo.

**Under the Brown Act labor negotiations is an open meeting. If we had a with the labor negotiator during Closed Session would the Finance Committee Members be allowed to attend?**

The Finance Committee would not be allowed in closed session. You can have an AD Hoc committee of less than the majority of the committee and we can invite you guys in to conference and review.

La Tanya Kirk-Carter suggests that the District has a study session to review labor contracts.

**Budget Study Session**

During the upcoming study session we will be dealing with our budget assumptions for the year. The budget calendar, what we are looking at for reductions and our over staffing. We will be looking at class sizes and raising the class sizes 23:1 for K-3.

**Salary Formula**

The salary formula was brought to the Finance Committee after it had already been approved. The committee suggests that at each meeting, if there are issues in the contract, the committee review and discuss some ideas to be used during negotiations. Any strategy with respect to finance that the Board and Finance Department are considering negotiating should be vetted with the Finance Committee first.

We can ask Yolanda Mendoza, Chief Human Resources Officer come into each Finance Committee Meeting to discuss negotiations and the contract.
Our current year we are doing well. We currently have no budget issues. We would have budget issues if we were not addressing our multi-year projections. The minimum number we are trying to hit is $1.4 million decrease in salary expenses for 2016-2017. We are hoping with the combination of the Supplemental Early Retirement Program (SERP), with reducing class sizes 23:1 and aligning the contract in terms of staffing we will hit that number. Also, included is a copy of the presentation from Mel Spitz, Board Vice President, Comparison of 2015-16 Adopted Budget Expenditures. *(Exhibit B)*

**VII. AUDIT REPORT (Exhibit C)**

The committee suggests that the Draft Audit Report be brought to the committee in November before it is taken to the Board. That way if there are any questions, the red flag is going to be raised. The Finance Committee requests to be in attendance at the entrance and exit conference with the auditor.

The actuarial percentage included a 7.4% investment rate of return. That is the number that we are basing the OPEB Trust on. STRS is using a discount rate of 7.6% (page 43) and PERS is using a discount rate of 7.5% (page 47).

We were 6.5% at the last valuation and that was based on funding. We as a committee approved a 6.5% investment rate of return as a discount factor. Now we see an actuarial report and the number has changed to 7.4%.

The actuarial report is still in draft format. This is an initial pitch for the discount rate at 7.4%. I would also like to discuss two other things that will be hitting the OPEB actuarial. Part of the new GASB 45 is that you now have to account for the net pitch and liability factor. We are not paying anything out for this but it is being counted against our financials. If you are in our retiree pool GASB has decided that you are getting a benefit because you are in our employer pool.

The committee believes this is overly optimistic and that costs are just being pushed off until the future for future citizens of this city. Let's fund these benefits on a conservative basis and then if we get 7.4% then we'll get actuarial gains in the future and that will lower our costs. But let's not be overly optimistic.

The actuary is still in draft form and I've given you my rationale but if the committee would like to drop that discount factor back down to 6.5% our actuary has held our OPEB actuarial report open for this discussion.

The recommendation of the committee is that we go back to the actuary and find out what the arc is under the 6.5%.
VIII. DOHENY HOUSE
The house on Doheny is still sitting vacant. The house has previously been on the market as a lease. However, the house is considered surplus property. School District surplus property falls under surplus property rules. There must be the formation of a 7-11 committee surplus property committee. We have received permission from the Board of education to formulate the committee.

If the house is sold where does the asset go on the balance sheet?
It would go back to the capital asset fund.

Which fund do the funds come out of to pay the mortgage?
The mortgage is paid from the general fund.

If we sell the house can we reimburse the general fund even if the balance has to go to the capital asset fund?
If the house is leased or sold in the 2016-2017 year the money would go back to the general fund.

IX. SUPPLEMENTAL EARLY RETIREMENT (SERP) INCENTIVE PROGRAM
The Supplemental Early Retirement Program (SERP) is to give employees age 55 or older with five years of service seventy-five percent of their salary for five years.

There are fifty-three eligible certificated employees. We will need a minimum of twelve certificated employees to participate in order to see a savings. The average age of eligible certificated employees is 62.4.

There are fifty-eight eligible classified employees. We will need a minimum of three classified employees to participate in order to see a savings. The average age of eligible classified employees is 61.5.

There are twelve employees over the age of 68 with a salary of $25,000 or less per year. These employees will be offered 90% of their salary over five years.

X. GASB 45 UPDATE
Discussed in Section VII. Audit Report.

XI. INTERNAL CONTROLS
Colleen Patterson
The finalized copy of the Accounts Payable Internal Review previously reviewed with the committee was sent to the board.
The Board policies need revisions. When Board policies are revised that can be submitted to the Board for approval.
Ms. Patterson will be moving on into the transportation and liability associated with transportation policies and will be sending out a recommended query to department heads requesting a listing of recommended field trips.

The committee recommends the hiring of an internal auditor. Ms. Patterson is completing the manual for processes but we will need to have an internal auditor to be sure that these processes are being followed.

XII. PROPERTY TAX APPORTIONMENT *(Exhibit D)*

The committee was given the Audit Report, Property Tax Apportionment and Allocation System by John Chiang, California State Controller, dated May 2014. The findings were they have been auditing properly.

During the meeting held at the Auditor Controllers office we were told that they would be able to print out the map of our tax rate areas. We have not seen that map to date. Joe Safier volunteered to drive to the Auditor Controllers Office to obtain a print out of the map that highlights which parcels are the City of Beverly Hills vs. the school district.

XIII. BOARD REQUEST ITEM/ISSUES TO DISCUSS WITH COMMITTEE

Contract Negotiations
Parcel Map

XIV. PUBLIC COMMENT

XV. OTHER ITEMS

XVI. FUTURE ITEMS FOR DISCUSSION

XVII. ADJOURNMENT – 5:25 PM