

**Regular Meeting of the
Fiscal Crisis and Management Assistance Team (FCMAT)
Governing Board**

**Hyatt Regency, Monterey
January 24, 2007
10:00 a.m. – 12:00 p.m.**

AGENDA

| | <u>Report</u> | <u>Action or Information</u> |
|--|---------------|----------------------------------|
| I. General Functions | | |
| A. Call to Order | Oral | Action |
| B. Approval of Agenda | Written | Action |
| C. Minutes of October 15, 2006 | Written | Action |
| D. Welcome from FCMAT's Administrative Agent <ul style="list-style-type: none"> • Welcome new FCMAT Board Members: <ul style="list-style-type: none"> Ric Teagarden, Region 3, Supt., Yuba COE Larry Powell, Region 7, Supt., Fresno COE Steve Lund, Region 1, Supt. Fort Bragg USD Marc Ecker, Region 9, Supt. Fountain Valley SD | Oral | Information |
| E. FCMAT Executive Committee <ul style="list-style-type: none"> • Recommendation/Approval for (3) CSIS positions <ul style="list-style-type: none"> CSIS Project Manager Programmer Analyst Testing Analyst | Written | Information |
| F. Public Participation <ul style="list-style-type: none"> • Time reserved for any person to address the FCMAT Board. The Chair may limit the time of participation. | Oral | Information |
| G. Report from the California Department of Education <ul style="list-style-type: none"> • Progress on the CALPADS RFP • Status of the CBO Training Project • OFL/OFY Phase III | Oral | Information |
| H. Report from Secretary of Education or Designee | Oral | Information |
| I. FCMAT Organization <ul style="list-style-type: none"> • Organizational Charts • Use of FCMAT Consultants | Written | Information |
| J. Governor's Budget Review | Written | Info/Discussion |

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|------|--|---------|-------------|
| K. | California School Information Services (CSIS) <ul style="list-style-type: none"> • CSIS Second Quarter Report – December 2006 • SSID Annual Maintenance Status Report • Best Practices Cohort | Written | Information |
| L. | California Community College Budget Appropriation | Written | Information |
| M. | Status of Key FCMAT Assignments <ul style="list-style-type: none"> • Comprehensive Reviews: Vallejo USD, West Fresno ESD • Compton Community College | Oral | Discussion |
| N. | Directory Information (Bylaws, Roster, Meeting Dates) | Written | Information |
| II. | Board Members' Comments | Oral | Information |
| III. | Agenda Items for Next Meeting | Oral | Information |
| IV. | Date and Location of Next Meeting Thursday, March 22, 2007 10:00 a.m. – 1:00 p.m. Wyndham, Palm Springs | | |
| V. | Adjournment | | |

**FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM
 BOARD OF DIRECTORS' QUARTERLY MEETING
 Hyatt Regency, Monterey
 January 24, 2007
 Minutes**

Present:

Herbert Fischer, San Bernardino COE, Chair RIMS, Region 10
 Paul Tichinin, Mendocino COE North Coast, Region 1
 Steve Lund, Fort Bragg USD North Coast, Region 1
 Bob Owens, Lassen COE Northeastern, Region 2
 Richard Holmes, Siskiyou UHSD Northeastern, Region 2
 Ric Teagarden, Yuba COE Capitol, Region 3
 Sherry Smith, El Dorado UHSD Capitol, Region 3
 Mary Jane Burke, Marin COE Bay, Region 4
 Laura Alvarenga, San Rafael City HSD Bay, Region 4
 Sheila Jordan, Alameda COE, Alternate Bay, Region 4
 Tim Foley, San Benito COE, Vice Chair South Bay, Region 5
 Marc Liebman, Berryessa USD South Bay, Region 5
 Michael Carey, Amador COE Delta Sierra, Region 6
 Bill Draa, Banta ESD Delta Sierra, Region 6
 Larry Powell, Fresno COE Central Valley, Region 7
 David Miller, Hilmar Unified SD Central Valley, Region 7
 Julian Crocker, San Luis Obispo COE, Past Chair Costa Del Sur, Region 8
 Patrick Sayne, Paso Robles USD Costa Del Sur, Region 8
 Marc Ecker, Fountain Valley SD Southern, Region 9
 Jay N. Hoffman, Nuvview USD RIMS, Region 10
 Amy Enomoto-Perez, Rosemead SD Los Angeles, Region 11
 Darline Robles, Los Angeles COE Los Angeles, Region 11
 Frederick Harris Vice Chancellor, Community Colleges
 Gavin Payne Deputy Superintendent, CDE
 Larry Reider Administrative Agent, FCMAT
 Joel Montero Chief Executive Officer, FCMAT

Guests and Staff:

Russ Brawn Chief Operations Officer, CSIS
 Nancy Sullivan Administrator, CSIS
 Frank Fekete Legal Counsel, FCMAT
 Christine Frazier Associate Superintendent, KCSOS
 Anthony Bridges Deputy Executive Officer, FCMAT
 Roberta Mayor Chief Management Analyst, FCMAT
 Gaye Edwards Executive Secretary, KCSOS
 Gary Thomas BASC Chair

Excused:

Erik Skinner Office of Secretary of Education
 Bill Habermehl, Orange COE Southern, Region 9
 Don Singer San Bernardino Community College District

I. General Functions

A. Call to Order

The meeting of the FCMAT Board of Directors was called to order at 10:05 a.m. by Chair Herbert Fischer, San Bernardino County Superintendent of Schools.

B. Approval of Agenda

A motion was made by Bob Owens and seconded by Bill Draa to approve the January 24, 2007 agenda. The motion was approved.

C. Minutes of October 15, 2006

A motion was made by Marc Liebman and seconded by Fred Harris to approve the minutes of the October 15, 2006 board meeting. The motion was approved.

D. Welcome from FCMAT's Administrative Agent

Dr. Larry Reider welcomed new board members Ric Teagarden from Yuba County Office of Education, Larry Powell from Fresno County Office of Education, Steve Lund from Fort Bragg Unified School District, and Marc Ecker from Fountain Valley School District. New board members introduced themselves to the board.

Chair Herbert Fischer introduced Gary Thomas, deputy superintendent for the San Bernardino County Office of Education stating that Mr. Thomas has a background in business and is a real force in that county and now at the state level, serving as BASC chair.

E. FCMAT Executive Committee Meeting

Joel Montero reported that the bylaws allow FCMAT to proceed with hiring staff between the meetings of the Executive Committee, and there have been three positions in which action has been taken during the last quarter: 1) CSIS project manager, 2) programmer analyst, and 3) testing analyst. The three positions are in the CSIS Division and are employees of the Kern County Superintendent of Schools Office, and therefore, no action is required at this board meeting. The item is included for informational purposes. One programmer position remains vacant as this is a position that is becoming increasingly difficult to fill due to a competitive marketplace in which salaries have almost doubled.

Dave Miller asked if FCMAT has considered having more than one person to conduct the interviews. Christine Frazier reviewed the process that is followed for hiring personnel under the merit system in the Kern County Superintendent of Schools Office. A panel of several members interviews applicants early in the process and a final interview may be conducted by the administrator.

F. Public Participation

There were no public comments.

G. Report from the California Department of Education

Gavin Payne reported that CALPADS is working through proposals (RFPs) that have been submitted. General indications reveal that these are solid proposals.

The Opportunities for Learning (OFL) charter school audit continues to be litigated. FCMAT is assisting with this issue.

Gavin reported that Jack O'Connell has at the top of his priority list, providing local assistance for CALPADS. Telephone calls were made by the department to receive the last of the necessary information needed on the SSID issue, and the department will continue to push for good data.

Chair Herb Fischer stated that he appreciates the support received from Gavin Payne and Jack O'Connell and also from FCMAT regarding the charter schools. A question was asked if it is appropriate for FCMAT to sponsor a workshop regarding these charters. Joel Montero reported that FCMAT is already working on the process of how to get the information on charters out to the field. Joel requested an item be placed on the next agenda regarding profit-based charters for discussion. Many of the charters are falling into the same pattern.

H. Report from Secretary of Education or Designee

There was no designee present.

I. FCMAT Organization

Joel Montero reported that at the last board meeting the FCMAT organizational structure was discussed. The core staff for representation at board meetings is Christine Frazier, Roberta Mayor, and Anthony Bridges, but an attempt to incorporate other staff members into the meetings that come up will be made so that the board members can meet the staff.

Section I of the board packet shows the current FCMAT and CSIS organizational charts. FCMAT staff consists of eighteen members and the CSIS staff has grown and will continue to grow as CALPADS becomes integrated into the state. Staff is at a total of approximately sixty-four with about six or seven field staff. The structure is unique and is augmented by consultants as needed.

In the FCMAT chart there is a vacant chief management analyst position and FCMAT may have someone to introduce at the next board meeting for this position. Phil Scrivano, management analyst, has taken a position in the private sector at Lightspeed Systems leaving an open position at FCMAT. FCMAT will take this opportunity to look at the organizational structure and make changes as needed. FCMAT wants to support data management in the field for our colleagues. FCMAT has a unique and challenging structure in that some staff is located in the Bakersfield office and others are located throughout the state. It is important for FCMAT to have, for example, someone like Michele McClowry in the area that she is located in so that she can provide the necessary support in that part of the state.

CSIS staff is largely located in Sacramento. There are approximately forty-six staff members and a few of those are contract positions, as for example Charlie Burns. His skills and knowledge are important to CSIS. There are a couple of vacant positions such as the data base administrator and testing analyst. The tech sector is growing by leaps and bounds and it is difficult to compete with the private sector, but CSIS has some of the best and most dedicated staff. The last two months have been the most grueling two months of CSIS' history, and the staff is working seven days a week to support school districts.

Joel reported that the board members received two sheets of letterhead and the changes to the letterhead represent a philosophical change. In the early days of CSIS there was thought that CSIS might not continue to remain a part of FCMAT; but now the conclusion is that because of the funding mechanism, it is most likely to remain a part of FCMAT. It now has become important to find a single identity that combines the FCMAT and CSIS services in one logo. Board members received two sheets of letterhead because one sheet is specifically for FCMAT use which is indicated at the bottom of the page and one is for CSIS.

Joel reported that the third page of Section I is in response to Julian's question about the use of consultants. There were seventy-nine management assistance jobs last year, and FCMAT has always used the management assistance work to determine how busy the flow of work is or how great the

penetration into the field is, relevant to the prior year. There were about sixty jobs in the prior year. The number of jobs is increasing and FCMAT will most likely exceed seventy-nine jobs this year. Twenty-five of the jobs in 2005-06 were in fiscal health analysis and sixteen were in technology. Approximately \$800,000 was spent on consultants, but this cost is over-inflated due to one particularly expensive job and the annual average cost for consultants is usually approximately \$550,000.

At this time Joel asked for questions. Gavin Payne asked if the four regional service delivery teams that have been trained are reflected in these numbers. Joel answered that these personnel are not employed by FCMAT, but are given assistance by FCMAT and so their numbers are not reflected. The regional service teams provide a lot of management assistance and hopefully this will expand as a low cost option for districts to obtain assistance.

A question was asked if it can now be said that more districts have gone through training and are now fiscally stable. Joel answered that FCMAT is still responding to many fiscal requests. There have not been as many emergency fiscal crises, but the number of districts operating right below that level has grown.

Amy Enomoto-Perez reported that she appreciates the organizational charts included in the packet. She also asked Joel to talk about the consolidated application. Joel said to remember this is the year to use the student identifier to count students instead of CBEDS. There are districts that have struggled to meet certification, and the short-term impact is that for those districts that do not have an accurate count, the first sign of struggle will be the consolidated application.

J. Governor's Budget Review

Joel reported that Proposition 98 creates stable funding for education and about 40% of the state's budget goes to fund education. Today a working knowledge of Prop 98 and how it relates to collective bargaining is needed. There are issues related to the three tests of Proposition 98 and it has become important to understand them. The LAO predicts that we are going to move into a test one environment. Test one is the status quo that gives you the minimum guarantee of funding, and is indicated by enrollment growth that is slow and property tax and a state general fund that is strong. Test two is the Holy Grail for education and gives education in excess of 40% of funding and enables the state to fund all of Prop 98. Test three is the maintenance factor test and is a problem because the state's general fund is negative and thus can't afford to fund all of Prop 98. The fourth element is suspension of Proposition 98 and is an option for the Governor.

If a district is in collective bargaining, is in declining enrollment with expenses and health care costs rising, but it is a test two state budget, then the district is in a good position. If a district moves into a test one environment, it will need to be careful especially in doing multi-year bargaining agreements. Because Prop 98 is so impacted by enrollment currently, a district must consider where enrollment is heading in the state. Health care costs will continue to increase. Two other issues related to Prop 98 to be aware of is that in some years Prop 98 can be over or under appropriated and the unallocated portion of Prop 98 comes into contention. Because the state's enrollment is in decline, this makes the Prop 98 base shrink.

Joel reported that two additional issues with the governor's proposed budget are raids on Prop 98: 1) the suggested move of home-to-school transportation which is currently guaranteed under Prop 98, out of Prop 98; and if moved from Prop 98 would have to compete for dollars, and 2) the suggested move of CALWORKs into Prop 98 which will reduce the spending power within Prop 98.

Joel reported that California's economy is rebounding, but the unfortunate issue is that there is a three to four billion dollar deficit in the budget plus state bonds that must be paid off. The Governor has decided that the bonds will be paid off early. If the state's revenue projections are good in May then the revenue limit deficit will not be discussed, but if this doesn't happen then it will.

A question was asked regarding the impact of retirements and the replacement of personnel with less expensive personnel. Joel reported that in many districts there is a shift in the salary schedule structure when less expensive personnel replace retirees, which provides a gain, but it is mitigated by step and column and increased costs in health care. This wipes out what a district would gain by replacing retirees with less expensive people on the salary schedule.

A question was asked if the universal health care proposal will in fact cost more and not save money. Joel reported that this is unknown now. This is the same proposal as seen in the past and basically doesn't reduce costs, but shifts costs to different sectors.

K. California School Information Services (CSIS)

Russ Brawn reported that the last two months have been the most difficult in the history of CSIS and for CSIS' clients as well. CSIS needed to be on top of software changes and support districts that will be using the system. CSIS staff is taking measures to address any problems that might have occurred. CSIS will narrow the focus to the things that will most benefit the clients.

Nancy Sullivan reviewed a handout that showed the number of LEAs reporting to date and those that were certified. The number of certified districts is rapidly expanding. There were 119 LEAs identified as at risk and 49 of those are charters. The remaining LEAs are small districts. There is money in the budget to provide assistance to districts in best practices. CSIS is looking forward to a best practice cohort and believes this will benefit districts by sharing data collected from the districts that have participated. Nancy reported that CSIS continues to have question and answer sessions posted on the web site.

Concern was voiced that the problem is in lack of funding. This is a great system but funds are needed to run the thing. This is not going to be a priority for districts because of the lack of funding to support this. Nancy reported that CSIS currently has a proposal for budget changes and the state department is doing what they can. Joel reported that CSIS is aware there are issues, and everyone's help is needed to move this budget proposal forward.

L. California Community College Budget Appropriation

Joel reported that there may be funds available in the budget for FCMAT to support the college district and a copy of a Budget Change Proposal was included in the board packet indicating where funds should be allocated.

M. Status of Key FCMAT Assignments

Roberta Mayor reported that FCMAT is ready to issue the latest Vallejo six-month progress report and board members should receive their copy in February. Language in the state budget act provided FCMAT authority to use its own money to develop the report. The report recommends a return to local governance of the operational areas of community relations/governance and pupil achievement.

FCMAT will begin field work in West Fresno in February and will issue a report in early April. West Fresno will likely show improvement in all operational areas with the exception of community relations and governance.

Anthony Bridges reported that there are currently two studies in draft for the Compton Community College District. The AB139 fraud audit of the college district has been completed but the report's release date is undetermined due to ongoing investigations by other state and federal agencies. The report of the comprehensive review of the college is still being revised in draft.

II. Board Members' Comments

Chair Herbert Fischer thanked those in attendance and Joel Montero and extended appreciation to Larry Reider for providing the umbrella organization for FCMAT.

III. Agenda Items for Next Meeting

There were no suggestions for agenda items at this time. Joel Montero had requested while discussing agenda item H that the next agenda include an item on profit-based charters for discussion.

IV. Date and Location of Next Meeting

The next meeting is scheduled for Thursday, March 22, 2007 from 10 a.m. to 1 p.m. at the Wyndham Hotel in Palm Springs.

V. Adjournment

The meeting was adjourned at 11:50 a.m.

