

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

**Hyatt Regency, Monterey
January 25, 2006
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 16, 2005	Written	Action
D. Welcome from FCMAT's Administrative Agent <ul style="list-style-type: none"> • Please welcome new FCMAT Board Member(s) Frederick Harris, Assistant Vice Chancellor California Community Colleges and Don Singer, San Bernardino CCD Board member 	Oral	Information
E. Report from the California Department of Education	Oral	Information
F. Report from Secretary of Education or Designee	Oral	Information
G. 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
H. Recognition of Julian Crocker, Chair of the FCMAT Board for the last two years	Oral	Discussion
I. FCMAT Executive Committee Meeting <ul style="list-style-type: none"> • Report of action regarding the hiring of two CSIS Web Programmer/Analysts 	Oral	Discussion
J. CSIS Action and Information Items <ul style="list-style-type: none"> • Strategic Plan • Quality Policy • Vendor Engagement Policy • External Communications Policy • Quarterly Report 	Oral/Written	Discussion/Action
K. Proposed Bylaws Change (first reading) <ul style="list-style-type: none"> • Membership 	Oral/Written	Discussion

**FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM
 BOARD OF DIRECTORS' QUARTERLY MEETING
 Hyatt Regency, Monterey
 January 25, 2006
 Minutes**

Present:

Herbert Fischer, San Bernardino COE, Chair.....RIMS, Region 10
 Jay N. Hoffman, Nuvview USDRIMS, Region 10
 Paul Tichinin, Mendocino COE..... North Coast, Region 1
 James Scott, Eureka City USD North Coast, Region 1
 Bob Owens, Lassen COE..... Northeastern, Region 2
 Richard Holmes, Siskiyou UHSD..... Northeastern, Region 2
 Terence McAteer, Nevada COE Capitol, Region 3
 Molly Helms, Pollock Pines Elem. SD Capitol, Region 3
 Mary Jane Burke, Marin COE Bay, Region 4
 John Sugiyama, Dublin Unified SD..... Bay, Region 4
 Tim Foley, San Benito COE, Vice Chair.....South Bay, Region 5
 Larry Aceves, Franklin-McKinley ESD South Bay, Region 5
 Michael Carey, Amador COE..... Delta Sierra, Region 6
 Bill Draa, Banta ESD..... Delta Sierra, Region 6
 Patrick J. Holland, Mariposa COE..... 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
 Kenneth Noonan, Oceanside USD..... Southern, Region 9
 Darline Robles, Los Angeles COE Los Angeles, Region 11
 Amy Enomoto-Perez, Rosemead SD.....Los Angeles, Region 11
 Frederick Harris Vice Chancellor, Community Colleges
 Don Singer San Bernardino Community College District
 Gavin Payne Deputy Superintendent, CDE
 Larry Reider Administrative Agent, FCMAT
 Tom Henry Chief Executive Officer, FCMAT

Guests and Staff:

Jack O'Connell..... Superintendent of Public Instruction
 Joel Montero Deputy Executive Officer, FCMAT
 Russ Brawn Chief Operations Officer, CSIS
 Frank Fekete..... Legal Counsel, FCMAT
 Christine Frazier..... Associate Superintendent, KCSOS
 Roberta Mayor Chief Management Analyst, FCMAT
 Linda Protine..... BASC Chair
 Ron Wheelahan San Benito COE, Region 5
 Richard Teagarden Yuba COE
 Barbara Smith Executive Secretary, FCMAT

Excused:

David Miller, Hilmar Unified SD Central Valley, Region 7
 Bill Habermehl, Orange COE Southern, Region 9
 Sheila Jordan, Alameda COE, Alternate..... Bay, Region 4
 Susie Lange Deputy Superintendent, CDE
 Erik Skinner Office of Secretary of Education

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. Herb welcomed the board members and the two new members from the community colleges.

B. Approval of Agenda

A motion was made by Terry McAteer and seconded by Molly Helms to approve the January 25, 2006 agenda. The motion was approved.

C. Minutes of October 16, 2005

A motion was made by Mary Jane Burke and seconded by Jay Hoffman to approve the minutes of the October 16, 2005 board meeting. The motion was approved.

D. Welcome from FCMAT's Administrative Agent

Dr. Larry Reider welcomed the board to the first meeting of 2006. He acknowledged the new chair, Herb Fisher, for his statewide leadership.

Dr. Reider also welcomed Fred Harris and Don Singer to the board. Their attendance is a result of recent legislation to add members of the community college system to the board. He commented that their participation will enhance the board.

Don Singer thanked Herb and Larry for their comments. He also noted that he and Fred plan to attend all the board meetings. Herb commented that he has worked with Don who has a great range of experience.

E. Report from the California Department of Education

Gavin Payne commended CSIS on their work with CALPADS and the assignments of the Student Identifiers. CSIS is completing this project at an extraordinary pace and doing a great job in educating the districts throughout California about CALPADS.

Jack O'Connell, Superintendent of Public Instruction, extended his appreciation to the FCMAT and CSIS staffs for their assistance with CALPADS and the assignment of the Student Identifiers. He stressed how critical this project was on the state and federal level. He also thanked the staff for their assistance in Oakland, Vallejo, West Fresno and West Contra Costa. He commented that Emery School District is a success story and is the model that we need to follow. Herb thanked Jack for the work he has done.

F. Report from Secretary of Education or Designee

A representative was not present.

G. Public Participation

There were no public comments.

H. Recognition of Julian Crocker

Tom Henry commented that it is a major responsibility to be the Chair of the FCMAT board. It is a two year commitment as chair, and two prior years as the Vice Chair. In addition, the outgoing Chair sits on the Executive Board, making it a 6-8 year commitment. Tom read aloud a Resolution of Appreciation for Julian Crocker's leadership and personally thanked Julian for his dedication and the knowledge that he brought to the position. Julian was thanked by a standing ovation from the members.

Julian thanked the board members, indicating that he enjoyed his tenure working with the board and appreciated the attendance of the district superintendents. He also added his welcome to the community college representatives.

I. FCMAT Executive Committee Meeting

Tom reported that the Executive Committee meets periodically and that they have the authority to make certain decisions and actions. They recently took action to hire two new staff members for CSIS.

J. CSIS Action Information Items

Joel reported that the board will be taking action on the *Strategic Plan* and the *Quality Policy*. The *Vendor Engagement Policy* and the *External Communications Policy* are being introduced at this meeting for first reading and will be returned at the March board meeting for approval.

Russ reported that California has the largest student information database in the United States. It has been challenging getting all the districts on board, particularly for the districts that needed to acquire the necessary technology and complete the annual updates.

The *Strategic Plan* is the second document in the hierarchy of documents. The first was the *Program Charter* which has already been approved by the FCMAT board. The *Strategic Plan* addresses the challenges CSIS faces, including the impact of the state legislation to create CALPADS. It also provides a summary of the program objectives, scope, timeline, budget, and operating assumptions. CSIS is helping to define the program to assist the bidding vendors. The *Strategic Plan* also addresses the need for ongoing local funding for data management. Russ also provided the board with a document titled, "2005-06 Annual SSID Enrollment Update Status."

A board member asked what a county office could do if a district does not want to assign Student Identifiers because of confidentiality issues. The response was to make sure that the district understands the consequences of not assigning numbers. Also, a recent letter from Joel regarding federal funding may be helpful.

Joel stated that districts need to understand that this data will potentially save them time and energy. It is a federal mandate through NCLB. However, until the assignment of student identifiers is appropriation-driven, we will continue to face the problem of reluctance from some districts.

A motion was made by Larry Aceves and seconded by Bill Draa to approve the *Strategic Plan* for CSIS, dated January 9, 2006. The motion was approved.

The *Quality Policy* is to assist local and state users in supporting the commitment to the quality of product.

A motion was made by Paul Tichinin and seconded by Bob Owens to approve the *Quality Policy* for CSIS, dated January 9, 2006. The motion was approved.

Joel reported that the *Program Status Report* is an effort to keep the board up to date on CSIS and CALPADS. The FCMAT board is the governance structure of CSIS. One year ago there was the task of assigning 6.5 million student identifiers, but assigning the numbers has become only a part of the project. There is the task of annually updating and creating new identifiers. CSIS' target for the end of February is to have 80% completion. Everyone is looking to CSIS to see if the job can be done and CSIS will continue to be challenged and be assigned more responsibility.

Districts need to be convinced to participate. Unfortunately, CSIS has not received additional funding for several years. We continue to work with the Department of Finance to increase our funding as well as funding for the local levels, at districts and county offices where resources and training are needed. Joel said that the table format in the document will provide the board more information about the relationship of the governing board to CSIS.

The *Vendor Engagement Policy* and the *External Communications Policy* will be brought to the board for approval in March.

Joel introduced the new BASC Chair, Linda Protine.

Herb asked for additional presentations on CSIS so that the board members can be even better informed. Joel agreed and stated that he would like every member of the board to be able to speak with authority on CSIS. The need to get the message out to other professional groups like ACSA, CSBA, etc. is great.

K. Proposed Bylaws

Tom reported that because of recent legislation to expand FCMAT's work to include community colleges and charter schools, the FCMAT bylaws will need to be updated. Proposed changes to the bylaws are included in the board packet for review. This item will be taken up at the next board meeting for further review and action.

L. Statewide Declining Enrollment Issues

Tom reported that he and Joel often have the opportunity to meet with policymakers, which provides opportunities to communicate good, timely information which can help in the development of good policy.

He reported, as an example of the type of information helpful to policymakers, that a state map is provided in the board packet, noting the counties that have declining enrollment. Only 15 counties are not experiencing declining enrollment. There are many issues that cause enrollments to decline. One is the migration of families to the inland areas because of affordable housing and

employment opportunities. Many parents are moving their children to charter or private schools and many are opting for home schooling. These decisions are sometimes made because of the reduction of programs in public schools. Parents are not in favor of bigger classes and the reduction of many extra-curricular programs.

Tom reported that the proposed cost of living adjustment (COLA) can be both good news and bad news to districts. It can sometimes be harder for a district to manage its budget when they have resources, whereas if you do not have adequate funds there is little you can do.

The document/map on declining enrollment has been shared at a number of levels and FCMAT will continue to improve the document. Tom asked the board members to note the number of FCMAT studies conducted last year. We are projecting that we will exceed that number this year with the addition of studies for charter schools and community colleges.

Larry Aceves shared that districts are being impacted by charter schools and with declining enrollment. The revenue impact is immediate when students go to a charter school. This can be very problematic when school districts are losing students and losing money. Tom agreed that many districts are losing students to charters schools. Last year Oakland lost about 2000 students and its charter school enrollment grew by about the same number. If a student goes to a charter school, it is a direct cut in revenue. Tom stated that they have talked with policymakers and the Legislative Analyst's Office regarding this issue, so we remain hopeful that it will be addressed. It is important to raise these issues with the policymakers, so that they are informed.

M. 2006-07 State Budget Summary

Tom reported that a summary of the 2006-07 state budget is provided in the board packet. We are communicating with the districts to proceed with caution.

A board member asked what the responsibility of a county superintendent should be if a district superintendent and Chief Business Official will not certify that the costs of a negotiated agreement can be met by the district. Tom stated that attorney Bob Henry issued a legal opinion that if there is no certification then there is no agreement. However, there may be other legal interpretations. The county superintendent has oversight responsibility for that district and there's no greater statement of fiscal concern than if the district administrators refuse to certify that the budget can sustain the costs of an agreement. If the district board continues to move to implement the agreement, the county superintendent does not need certification to assign a fiscal advisor and the fiscal advisor has Stay and Rescind power. The county superintendent has the responsibility to intervene. Once the district superintendent and CBO refuse to certify, the next round is up to the county superintendent. The district will be looking to the county superintendent for support.

N. New Legislation Impacting FCMAT

Tom reported that copies of AB 1366 and SB 430 were provided for the board in a previous board packet. AB 1366 (Lieber) allows the chancellor's office to request FCMAT's assistance in community colleges and allows the community college districts to invite FCMAT for management assistance. FCMAT has been engaged with Compton and Lassen Community Colleges.

Joel reported that approximately 18 months ago the chancellor's office requested FCMAT's assistance in Compton Community College. We were asked to provide a review of the financial organization and operations and to conduct a fiscal health analysis. There were several issues which were not unlike what we find in K-12 schools. The first was that there was no financial system in place, or what they had was broken, and there was no fiscal oversight. There were solvency issues, deficit spending and the inability to maintain an adequate reserve. The community college made no effort to manage their cash or to stop the inter-fund borrowing. We provided a follow-up report eight months later and found that the district was making progress, but its fiscal health was not stabilized. In the meantime, the college's accreditation is set to be terminated this June.

Roberta shared that the college recognized that there were areas where they needed to improve. As the State Trustee's assistant was familiar with FCMAT's work in the Compton Unified School District, FCMAT was asked to develop a recovery plan for the college. They wanted a system that demonstrated their progress over time. FCMAT worked with their staff to revise the more than 400 FCMAT legal and professional standards used in the K-12 comprehensive reviews to make them applicable for the community college level, and assigned rating scores to those standards based on the two reports FCMAT issued in October 2004 and May 2005. FCMAT was scheduled to visit the district in November 2005, to develop a progress report of their improvement since the May 2005 report. The follow up review was postponed as the college has focused their efforts on appealing the decision to terminate their accreditation in June.

Don Singer shared that the students at Compton Community College are still receiving credit for their classes as the termination of accreditation is still pending.

Tom reported that SB 430 (Runner) allows for charter schools to invite FCMAT for management assistance and for AB 139 requests which are extraordinary audits. FCMAT is currently engaged in a number of charter schools and we are anticipating more requests for FCMAT services.

O. California Community Colleges Accounting Advisory

Tom reported that he and Fred Harris recently spoke to the Association of Business Officials Board for the community colleges about FCMAT's services and the information was well received. They will assist us on the community college side in putting together a consultants list.

Fred shared that he developed the Self-Assessment Checklist for Community Colleges by using the Fiscal Health Risk Analysis created by FCMAT. Fred stated that they are strongly advising their college districts to complete the checklist. He hopes that this will be used as a preventative tool to prevent emergency loans. He extended his appreciation to the board and the FCMAT staff for their assistance.

P. Status of Key Assignments

Oakland Unified School District

Roberta reported that Oakland Unified is currently trying to avoid a possible teacher strike. The State Administrator is prepared to keep the schools open if a strike should happen. The classified staff has settled negotiations and hopefully will not participate in a strike of certificated staff if it occurs. FCMAT has completed one comprehensive report, two six-month reports and one

annual report for the district. The last report issued was in September 2005 and it recommended that the operational area of community relations and governance be returned to the board. The district board is still working with the California Department of Education on how the return of one operational area might work under a system of state receivership, but there has been no action by CDE in returning authority for that operational area to the board.

Bill Draa asked about the validity of the press reports that the teachers are requesting more than the 2% that the district offered; and that the district wanted a cap on the health benefits. Roberta shared that there are major political issues in Oakland and the State Administrator faces pressure from the Oakland board and the state, as well as the unions. Tom stated that we need to watch what occurs in Oakland in relation to how union contract issues operate under state receivership. Joel also reminded the board that the current negotiations are trying to settle last year's contract.

Vallejo City Unified School District

Roberta reported that FCMAT's next progress report for Vallejo will be issued at the end of May. FCMAT teams are scheduled to begin their field work at the end of March. FCMAT will be using our Budget Explorer software to develop a multiyear fiscal recovery plan for the district. Vallejo has settled negotiations with all its unions for the next three years. Although there is labor peace in the district, the agreements to provide some salary increases and additional district expenditures will not help them get out of debt. The teams will find out more in March when we are in the district.

Q. Retiree Health Benefits Survey

Tom thanked the county offices for completing the online retiree health benefits survey. The only county that still needs to complete it is Kings County and San Francisco, but we will be treating San Francisco as a district. After Kings County we will have 100% of the county offices responding. Timely and accurate information is important to policymakers as well as data from the county office level. We are hopeful that we will receive responses from 80% of the districts. Everyone is interested in this data and we are the only organization in the state that will have reliable data after the survey is completed. Retiree health benefits is not just a local or state issue, it's a national issue because of the level of unfunded liability affecting public agencies. Tom shared that he was recently interviewed by USA Today regarding the GASB regulation bill. An actuarial study needs to be done to look at caps, co-pays and the impact of the unfunded liability on the general fund.

R. School Facilities as Shelters/Emergencies

Patrick Sayne suggested that board members, who had contracts with the Red Cross to use their school facilities in case of an emergency, should review those contracts carefully. Some contracts have significant language that addresses the use of school and district custodians or requiring the provision of school and district supplies. There are lessons to be learned from the disaster in New Orleans about what is required from schools when school facilities are used as emergency shelters.

S. Financial Activity Report

Tom reported that the FCMAT financial report is provided to the board on a quarterly basis and is included in the board packet. The board members can review this at their leisure and if they have any questions to please contact the staff.

II. Board Members' Comments

Terry McAteer commented that even though FCMAT is busy with some high profile studies, that the smaller districts/counties have not gone unnoticed or unserved. He appreciated the help FCMAT has provided in Region 3.

Bob Owens also commented that he appreciated FCMAT's efforts in addressing the issue of declining enrollment and for the preventative activities that they have provided.

Herb thanked the community college representatives again for their participation, and Tom, Joel and their staff for continuing to do an outstanding job.

III. Agenda Items for Next Meeting

There were no agenda items suggested for the next meeting.

IV. Date and Location of Next Meeting

The next meeting will be on Monday, March 20, 2006, from 12:00-3:00 p.m. at the Sheraton Grand Hotel in Sacramento. The meeting will adjourn at 2:15 p.m. to enable interested board members to visit the nearby CSIS office in downtown Sacramento.

V. Adjournment

The meeting was adjourned at 11:55 p.m.