

**Malibu Unification Negotiations Committee
Meeting Agenda**

Tuesday, May 31, 2016

7:00 - 9:00 p.m.

SMMUSD District Office Conference Room

1651 16th St., Santa Monica, CA 90404

- I. Call to Order / Roll Call
- II. Approve May 24, 2016 Meeting Minutes (Attached)
- III. Follow-up Business from May 24th Meeting
 - A. Amendment to Procopio contract re: attorney-client privilege waiver (Larmore)
 - B. Proposed amendment to ground rules, Section C.3 on decision-making (Delrahim)
 - C. Revised glossary definition of "position" (Mulvaney)
 - D. Options for scheduling public comments into Committee agendas (Orlansky)
- IV. Education/Financial Consultant
 - A. Telephone interview with School Services of California, Inc. (Silvern, Sweetmore)
Attachment: School Services of California, Inc. proposal, dated April 8, 2016
 - B. Committee action on retention of School Services of California, Inc.
- V. Worksession to plan and sequence the Committee's work on issues and sub-issues.
Factors to take into consideration will include:
 - What is required to "educate" committee members so that everyone has a clear and common understanding of the issue/sub-issue.
 - Expected timing of presentations and products from consultants.
 - Anticipated complexity of the discussion and decision-making.
 - The time frames established by the Board of Education.Attachment: Plan of Work with Issues and Sub-Issues by Topic
- VI. Public Comments
- VII. Topics for Next Agenda
- VIII. Adjournment

Upcoming Meeting Dates and Locations

June 7 – Malibu City Hall

June 14 - Malibu City Hall

June 21 - District offices

June 28 - Malibu City Hall



April 8, 2016

1121 L Street

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Suite 1060

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Sacramento

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California 95814

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Ms. Sandra Lyon
Superintendent
Santa Monica-Malibu Unified School District
1651 16th Street
Santa Monica, CA 90404

Dear Ms. Lyon:

School Services of California, Inc., (SSC) is pleased submit the following proposal to provide the Santa Monica-Malibu Unified School District (District) negotiating committee (Committee), as convened by the District's Board of Education (Board), with independent and impartial consulting services to assist in the development of a formula to address fiscal disparities that may arise from the reorganization of the District into two unified school districts.

We understand that over the past five years the District has analyzed the impact of reorganizing into two separate districts: the Santa Monica Unified School District (SMUSD) and the Malibu Unified School District (MUSD). Through the course of that review and analysis, recent revenue projections indicate that SMUSD could experience a material decline in revenues when compared to the current configuration as measured on the basis of average revenues per pupil.

To address this issue and others that may arise from a reorganization, the District has established a negotiating committee comprised of two three-member teams, one representing SMUSD and one representing MUSD. The teams will work cooperatively to develop and agree upon terms that promote, among other things, the equitable allocation of resources and costs under a unification reorganization plan consistent with the aspirations of the District.



Objectives and Scope

In accordance with the action of the Board in establishing the Committee, the Committee is seeking the services of an independent educational consultant to provide expert advice on a variety of questions related to school district revenues and budgeting, as outlined in the following proposed scope of work:

- **Present “School Finance 101”**—Provide a basic overview of the District’s operating budget, including its general structure, primary sources of revenue, and an explanation of the other various funds in addition to the unrestricted General Fund. In the context of the District’s operating budget, describe and explain the operation of the Local Control Funding Formula (LCFF) and the major factors that affect LCFF funding levels, including the key differences among school districts in state aid, minimum state aid, and basic aid status.
- **Review Multiyear Projections**—Review the multiyear unrestricted operating budget projections and related memoranda completed to date that relate to the proposed reorganization of the District into two unified school districts: SMUSD and MUSD. This review includes four documents: projections prepared by WestEd in collaboration with representatives of the proposed MUSD, projections prepared by the District for SMUSD, the District’s Financial Oversight Committee’s July 2015 memorandum to the Board, and the Financial Oversight Committee’s November 2015 update to the Board.

The scope of review of these documents should focus on examining the revenue assumptions in the respective analyses, including the calculations and procedures used to estimate the impact of the LCFF minimum state aid adjustment. The review should also include a general examination of operating expenditure assumptions, noting any potential opportunities for cost savings related to the potential structural change from one to two school districts and assuming continuation of the current education program now delivered by the District to all schools.

- **Assess the Sensitivity of Forecasts to Changing Factors**—Provide a sensitivity analysis of factors that may affect the multiyear projections for the major revenue drivers that the Committee should consider and the potential impact of those sensitivities on analytic results. Examples may include pending changes, if any, in the LCFF or in other factors that could alter the conclusions of the analyses completed to date and the application of these factors as projections are extended over a longer time period.
- **Explore Solutions**—Assist in developing options to minimize the difference in revenue per student in a new SMUSD as compared with revenue per student in the existing District, and in identifying the pros and cons of each option.

- **Identify Alternatives to Implement the Preferred Solution**—Identify alternative methods to assure that the preferred solution will be enforceable, such as by contract, state legislation, or other appropriate means, and the pros and cons of each alternative.

Consultant's Services

SSC proposes to divide this engagement into two phases, which are outlined below with a summary cost estimate provided for each phase.

Phase 1

The first phase of our work will consist of (1) providing the “School Finance 101” workshop, (2) reviewing the multiyear projections developed by District staff and WestEd and reports prepared by the Financial Oversight Committee, and (3) conducting a sensitivity analysis for key variables affecting revenue forecasts and an extension of multiyear projections over a longer time horizon.

School Finance 101

The workshop will be approximately 60 to 90 minutes, depending upon the needs of the negotiating committee and will consist of handouts and a PowerPoint presentation.

Review of Reports and Projections

Our review will include an assessment of reports, and the financial data associated with those reports, as requested by the Committee and as outlined in the scope of work. The results of our review and conclusions will be documented in a written report to the Committee and through a consulting staff presentation provided for Committee members. Additional time will be allotted for questions and discussion among staff and the Committee members.

Sensitivity Analysis and Long-Term Projections

We will test the impact of variability on key factors to which school district revenue estimates will be sensitive and assess how that variability may affect conclusions drawn from analyses of the fiscal impact of reorganization on the newly formed school districts, both in the near time and over an extended time horizon to be determined by the Committee.

Phase 1 Cost

We estimate that the Phase 1 component of this engagement will cost \$39,000.

Phase 2

Phase 2 will encompass hourly technical assistance working closely with Committee members to (1) assess solutions and develop formulae as needed to address disparities in financial impact that may occur through a reorganization of the District and (2) identify and evaluate alternatives that are effective in implementing and enforcing the preferred solution. Both deliverables identified as part of Phase 2 will be documented in a report prepared by SSC describing the alternatives considered, the process for review, and the criteria for selection of a recommended solution and of a process for implementation and enforcement.

Currently, the time needed to carry out Phase 2 of the project is indeterminate, so we propose to assist the Committee in this work on an hourly basis and only as requested by the members of the Committee. Absent a definitive estimate of consulting time, we nonetheless believe that a range of between 60 and 100 hours of work by the consultants to complete Phase 2 is reasonable.

Phase 2 Cost

Our hourly fee for consulting services is \$280, and we estimate that the Phase 2 component of this engagement will cost between \$17,000 and \$28,000.

Study Timeline

We will commence work on the proposed services upon execution of a services contract. We understand that the Committee is charged with completing its work within 60 to 90 days.

SSC's Consultants

Lead staff for this project will include two consultants from SSC—Robert Miyashiro and Michael Ricketts. Other staff may be assigned as determined by the lead consultants consistent with an identified need for additional expertise in specific areas. Staff assigned are full-time career employees of SSC and as such, are available for daily professional communication and attention, as required of a project of this scope. Please see Appendix A for complete biographies.

Cost of the Proposal

We propose to perform Phase 1 of this study, the terms of which are described above, for \$39,000, plus expenses. We propose to perform Phase 2 of this study on an hourly cost basis, and estimate the range to fall between 60 and 100 hours at a cost of \$17,000 to \$28,000, plus expenses. “Expenses” are defined as actual, out-of-pocket expenses, such as travel, meals, shipping, and duplication of materials.

The cost of the study includes the time of the consultants to make four trips to meet with the Committee. Airfare and car rental will be billed at actual costs, which we estimate at approximately \$1,000 per trip. If additional meetings are required that are not described in this proposal, a charge of \$280 per hour, per consultant will be billed plus actual and reasonable expenses. We will submit monthly billings for services associated with the project.

After reviewing the proposal, if you decide the proposed scope should be expanded or contracted, we would be happy to make modifications and provide a revised estimated fee. If the proposal meets with your approval, please sign the enclosed Agreement for Special Services and return it to our office, whereupon a final executed agreement will be returned for your records. Our proposal is valid for 60 days from the date of this letter.

We appreciate your interest and look forward to discussing this service further with you. Please contact us if there is any additional information we can provide.

Very truly yours,



MAUREEN EVANS
Vice President

Enclosure

AGREEMENT FOR SPECIAL SERVICES
Unification Financial Review

This is an Agreement between the **SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**, hereinafter referred to as “Client,” and **SCHOOL SERVICES OF CALIFORNIA, INC.**, hereinafter referred to as “Consultant,” entered into as of April 8, 2016.

RECITALS

WHEREAS, the Client seeks technical assistance to support school district reorganization negotiating teams for the development of a formula to address fiscal disparities that may arise from the reorganization of the Client into two unified school districts; and

WHEREAS, the Consultant is professionally and specially trained and competent to provide these services; and,

WHEREAS, the authority for entering into this Agreement is contained in Section 53060 of the Government Code and such other provisions of California law as may be applicable;

NOW, THEREFORE, the parties to this Agreement do hereby mutually agree as follows:

1. The Consultant agrees to assist the Client with the development of a formula to address fiscal disparities that may arise from the reorganization of the Client into two unified school districts.
2. For Phase 1 of the study as described in Consultant’s April 8, 2016, proposal to the Client, the Client agrees to pay the Consultant a fee of \$39,000, plus expenses, upon receipt of billing from Consultant. For Phase 2 of the study as described in Consultant’s April 8, 2016, proposal to the Client, the Client agrees to pay the Consultant a fee of \$280 per hour, not to exceed 100 work hours unless authorized in writing by the Client, plus expenses, upon receipt of billing from Consultant.
 - a. “Expenses” are defined as actual, out-of-pocket expenses, such as travel, meals, shipping, and duplication of materials.
3. This Agreement shall be for the period commencing April 8, 2016, and terminating December 31, 2016. It may be terminated at any time prior to December 31, 2016, by either party on thirty (30) days’ written notice. In case of cancellation, the Client shall be liable for any costs accrued to date of cancellation.

4. It is expressly understood and agreed to by both parties that Consultant, while carrying out and complying with any of the terms and conditions of this Agreement, is an independent contractor and is not an employee of the Client.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as indicated below:

BY: _____
SANDRA LYON
Superintendent
Santa Monica-Malibu USD

DATE: _____

BY: _____
MAUREEN EVANS
Vice President
School Services of California, Inc.

DATE: _____

Robert Miyashiro

Vice President



Area of Service

- Budget Reviews
- Mandate Consulting
- Executive Searches
- Fiscal and Budget Services
- Fiscal Health Analysis
- Legislative Services
- Organizational/Management Studies
- Research Projects
- Special Education Fiscal Support
- Reorganization/Unification/Territory Transfer Studies
- Workshops and Training

Experience

Robert Miyashiro, Vice President, has worked on numerous consulting projects, including budget reviews, efficiency studies, retirement system analyses, and CBO searches. In addition, he provides consulting services on state mandate issues. Prior to joining SSC, he had a distinguished career in California state government, focusing on school finance. He most recently served as the Deputy Director of the Department of Finance, where he oversaw the department's position on all pending legislation and provided advice to the Governor and Director on legislative and budget issues.

Prior to that, he served as the Director of the Education Finance Division in the Department of Education; Principal Consultant for the Assembly Budget Committee; Director of Expenditure Forecasting for the Commission on State Finance; and an analyst with the Legislative Analyst's Office.

Robert graduated from the University of California, Berkeley, with a B.A. in Economics and Political Science and from Harvard University with a master's degree in Public Policy.

Professional Certification

B.A., Economics and Political Science, University of California, Berkeley

M.A., Public Policy, Harvard University

Contact



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Michael Ricketts

Associate Vice President



Area of Service

- Legislative Services
- Coalition Facilitation
- Property Tax Financing
- Categorical Program Development
- Proposition 98
- Workshops and Training

Experience

Michael Ricketts, Associate Vice President, has been with SSC since 2011 and brings more than 30 years of experience in public education policy and finance. At SSC, Michael is responsible for all levels of governmental advocacy, including working with members and staff in the legislature, the Governor's office, and state and federal agencies on education issues important to SSC clients. He is also a recognized expert in school finance and school finance reform, basic aid financing, and Proposition 98.

Prior to joining SSC, Michael's background includes serving as Deputy Director of the California County Superintendents Educational Services Association (CCSESA) where he was responsible for state and federal advocacy, and as Chief Consultant to the Assembly Education Committee where he managed a staff of legislative consultants in support of the policy committee. Michael also staffed the Joint Committee to Develop a Master Plan for Education, was Interim Undersecretary of Education and Assistant Secretary for Fiscal Policy under former Governor Gray Davis, and served as Director of Expenditure Forecasting for the Commission on State Finance.

Michael received his post-secondary education in Psychology at the Davis campus of the University of California.

Contact



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Malibu Unification Negotiations Committee
May 24, 2016 Meeting Handout
Plan of Work: Issues and Sub-Issues by Topic

Topic 1. Balance Sheet Allocations

Issues for Committee to Address

1. Determine allocation method for SMMUSD's cash assets, i.e., pro rata ADA basis or some specified alternative.
 - a. Major governmental funds
 - i. General Fund (unrestricted): LCFF Revenues; City of SM funding; Prop. R Parcel Tax funds; lease income; SMMEF funding
 - ii. General Fund (restricted)
 - iii. Building Fund – undisbursed bond proceeds
 - iv. Bond Interest and Redemption Fund
 - b. Special Revenue Funds
 - i. Adult Education Fund
 - ii. Child Development Fund
 - iii. Cafeteria Special Revenue Fund
 - iv. Deferred Maintenance Fund
 - c. Capital Project Funds
 - i. Capital Facilities Fund – developer fees
 - ii. Special Reserve Fund – tax increment from RDA
 - d. Self Insurance Fund – relates to OPEB liability
 - e. Fiduciary Funds – agency funds held for benefit of employees or student groups
2. Determine allocation method for SMMUSD's physical assets
 - a. Land and buildings
 - b. Personal property – vehicles

3. Determine which of SMMUSD's liabilities (other than bond debt and environmental liability) need to be allocated and the recommended allocation method.
 - a. Certificates of Participation
 - b. Compensated absences
 - c. OPEB
4. Determine whether there are any additional financial items related to balance sheet allocations or off balance sheet items that need to be addressed. (Per the Board's December 17, 2015 action, the Committee will notify the Superintendent, the City Manager of Malibu, and the Board of Education, during monthly presentations, of any additional financial issues identified by the Committee.)
5. Determine whether to include a procedure for revisiting any of the agreements reached on balance sheet allocations and, if so, what might be the appropriate procedures and triggering mechanism

Topic 2. Allocation of Bond Debt and Authorization to Issue New Bonds

Issues for Committee to Address

1. Determine method of allocating SMMUSD's indebtedness under issued and outstanding bonds.
2. Establish a mechanism that would permit refinancing of SMMUSD's outstanding bonds.
3. Establish mechanism for allocating authority to issue future bonds that have already been authorized. This issue includes analyzing legal issues associated with mechanisms considered, including the possibility of new State legislation.
4. Determine whether there any additional financial items related to bonds that need to be addressed. (Per the Board's December 17, 2015 action, the Committee will notify the Superintendent, the City Manager of Malibu, and the Board of Education, during monthly presentations, of any additional financial issues identified by the Committee.)
5. Determine whether to include a procedure for revisiting any of the agreements reached on bond-related issues and, if so, what might be the appropriate procedures and triggering mechanism.

Topic 3. Financial (Operating Budget) Impacts

Issues for Committee to Address

1. Using agreed-upon assumptions, develop a mechanism for eliminating any significant adverse financial impact on the operating budget of SMUSD from separation. *Adverse financial impact* is defined as the difference in revenue per student in SMMUSD (if the governance structure remains the same) vs. revenue per student in a Santa Monica only district.
 - a. Committee review of and discussion about 11/15/15 Updated FOC Financial Information
 - b. Committee review of and discussion about independent consultant's comments on 11/15/15 Updated FOC Financial Information, and any recommendations for a revenue neutrality recommendation
 - c. What to measure:
 - i. Focus on revenues (not operating costs)
 - ii. Focus on revenues in the Unrestricted General Fund (not Restricted General Fund or other Fund Accounts)
 - iii. Specific revenue metric for definition of "adverse impact" (e.g., annual and cumulative difference in per-ADA revenue to SMUSD vs. SMMUSD, or "revenue neutrality")
 - iv. Time period for measurement of revenue impact (e.g., at least 3 years applicable to district budgeting; maybe a longer view consistent with State budget forecast if K-12 revenue parameters can be determined)
 - v. Key revenue drivers likely to have the largest impact on future annual revenues (e.g., LCFF; local property tax revenue; SaMo RDA revenue; Minimum State Aid)
 - vi. Variance range for key revenue drivers in light of uncertainty and analysis time horizon
 - d. Measurement of the revenue neutrality amount (based on above factors and considerations)
 - i. Annual
 - ii. Cumulative
 - e. Options for funding the measured revenue neutrality, for example:
 - i. Annual payments and over a specified number of years
 - ii. One-time payment (e.g., net present value of future payments)
 - iii. Others to be determined
 - f. The recommended revenue neutrality mechanism

2. Determine the appropriate legal structure for implementing the agreed-upon mechanism to insure legality and enforceability.
 - a. Criteria for a “legal and enforceable” mechanism
 - b. Candidate mechanism options (e.g., Memorandum of Understanding; contract; special State legislation)
 - c. Pros and cons for each mechanism
 - d. Recommend a preferred legal structure
3. Determine the effect of any non-operating budget revenue benefits to SMUSD arising from separation.
 - a. Identify specific examples of non-operating revenues that merit consideration
 - b. Assess any impacts on recommended mechanism and implementation approach
 - c. If necessary, such non-operating revenue
 - d. Determine whether any adjustments to recommended mechanism and implementation approach should be made
 - e. If applicable, recommend adjustments
4. Determine whether there any additional financial items related to operating budget impacts that need to be addressed (e.g., costs of CEQA compliance required for Unification process).¹
 - a. Identify any such additional financial items or issues
 - b. Assess any impacts on recommended mechanism and implementation approach
 - c. If necessary, such non-operating revenue
 - d. Determine whether any adjustments to recommended mechanism and implementation approach should be made

¹ Per the Board’s December 17, 2015 Action Item, the Committee will notify the Superintendent, the City Manager of Malibu, and the Board of Education, during monthly presentations, of any additional financial issues identified by the Committee.

- e. If applicable, recommend adjustments
5. Determine whether to include a procedure for revisiting any of the agreements or related payment practices reached on operating budget impacts, and, if so, what might be the appropriate procedure(s) and triggering mechanism.
 - a. Identify candidate changes in circumstances that could justify reconsideration of the revenue neutrality mechanism and/or enforcement mechanism
 - b. Determine whether any such changes in circumstances would justify reconsideration
 - c. Formulate options for reconsideration (e.g., annual review or event-driven)
 - d. If applicable, recommend a reconsideration procedure

Topic 4. Litigation

Issues for Committee to Address

1. Determine how to accomplish the objective (as stated in the Board's December 17, 2015 action) to establish a structure under which MUSD assumes responsibility for any remaining remediation of any contamination in Malibu schools and indemnifies SMUSD for any future claims arising from such remediation work or failure to undertake appropriate work.
2. Determine how to accomplish the objective (as stated in the Board's December 17, 2015 action) for dismissal of the pending lawsuit against SMMUSD or an enforceable agreement from the plaintiffs that SMUSD will be dismissed from the lawsuit.

Listing of Sub issues:

- Allocation of current and potential liabilities
 - Existing Lawsuit: Terms and process of relief
 - Potential future lawsuits for injunctive relief: owner of liability and how to indemnify
 - Remediation Costs: owner of financial liability
 - Temporary housing: owner of financial liability
 - Future lawsuits challenging sufficiency of post separation mediation: owner of liability and how to indemnify
 - Current/Future lawsuits asserting personal injury: owner of liability and how to indemnify
 - Any other Legal process/issues by which agreed upon division of liabilities is executed
- Timing of start of remediation
 - Discuss potential for starting remediation post-agreement but pre executed separation