

**Malibu Unification Negotiations Committee
Meeting Minutes**

June 14, 2017

Malibu City Hall, 23825 Stuart Ranch Road, Malibu, CA

I. Call to Order / Roll Call

The Committee called the meeting to order at 7:15 p.m. with the following members present:

*Debbie Mulvaney Laura Rosenthal
Paul Silvern Manel Sweetmore (joined the Committee by phone for the
first 30 minutes and arrived at City Hall at 7:45 p.m.)
Mr. Larmore was absent.
Also attending: Jan Maez, Chief Financial Officer*

II. Approval of June 5, 2017 meeting minutes

By consensus, the Committee approved the minutes for June 5, 2017.

III. Review and discussion of the Revenue Neutrality Formula alternative labeled as the "Cost Ratio Version"

Handout: Spreadsheets prepared by the Chief Financial Officer titled "Department/Site Budgets – 4 Year Average Per Enrollment."

- Ms. Maez explained the Department (also referenced as "overhead") and Site Budget data contained in the handout; she highlighted that the second spreadsheet mirrored the first except that it also included percent calculations.*
- Ms. Maez answered Committee Members' questions about the data.*
- Following a discussion that focused on the technical and other challenges associated with the Cost Ratio Version of calculating the Delta, the Committee decided, by consensus, to table further work on this alternative.*

IV. Review and discussion of the Revenue Neutrality Formula alternative labeled as the "Refreshed Version"

Handout: Spreadsheets and graph prepared by Mr. Sweetmore titled "SCENARIO MUNC 2.0: Same Approach as 1.0 but updated info – Delta Obligation of 12 yrs. No Taper (MUNC Orig. Agreement) – RDA: District Projection – Assessed Value: SSC Projections Corrected.)

- Mr. Sweetmore explained the data, calculations, and graphs contained in the handout, and answered technical questions posed by the group.*

- *Mr. Sweetmore confirmed that, as the Committee had agreed on June 5th, the calculation in the handout reflected the structure of the Revenue Neutrality Formula contained in the Committee’s original agreement, with updated information regarding: increases in RDA revenue projections (from the District); revised assumptions concerning Malibu’s “ability to pay,” based on reconciling the estimates for MUSD’s starting budget post-reorganization between the SSC and the second WestEd report; and a mathematical correction to SSC’s assessed value growth rate calculations. Mr. Sweetmore and Ms. Maez had conferred and reached agreement on the data to use in the handout.*
- *The subsequent issues discussed by the Committee included:*
 - *How the projections in MUNC 2.0 compare to those in MUNC 1.0, including the scale of the annual Delta over time, the amount of the cumulative payments from MUSD to SMUSD, including accrued interest, and the trajectories of MUSD and SMUSD revenue growth rates.*
 - *The reality that, in addition to the data updates reflected in the MUNC 2.0 handout, there are other changes since MUNC 1.0 was generated that could materially affect the calculations, e.g., the ADA split and projected assessed value growth rates.*
 - *How the District’s bond advisors (Keygent) and SSC use different methodologies for calculating the historic and annual average growth in assessed property values for Santa Monica, Malibu and the District as a whole.*
 - *How the projections contained in MUNC 2.0 affect the respective interests of the two new school districts, specifically when compared to the MUNC 1.0 scenario. On the positive side for both SMUSD and MUSD, the updated information shows that, on a nominal basis, both districts have more revenue to “work with” under MUNC 2.0 vs. MUNC 1.0. With respect to each district, the Committee identified the following comparatively positive outcomes (+), and comparatively negative outcome (-).*

For SMUSD, under the projections contained in MUNC 2.0:

- *The projected Delta payments throughout the payment period would come within 2% of “making SMUSD whole.” (+)*
- *After the Delta payments from MUSD stop, SMUSD’s annual “unpaid Delta” would equal about 5% of total revenue, which would last at least throughout the projection period before declining. (-)*
- *While the projections show SMUSD’s revenue growth would continue to increase, SMUSD would face a “cliff” (defined as a reduced rate of growth) in 2034-35 when the payments from MUSD stop. (-)*

For MUSD, under the projections contained in MUNC 2.0:

- *The projected total MUSD payment obligation of \$90 million is substantially larger than it was under MUNC 1.0. (-)*

- *MUSD would be obligated to pay SMUSD in the first year after reorganization is implemented. (-)*
 - *MUSD would have a smaller reserve, which increases the financial “risk level.” (-)*
 - *There is a greater disparity in revenue growth rates between SMUSD and MUSD, with SMUSD’s revenue growth rate being higher during the payment period. (-)*
- *Whether the Committee’s adopted definition of the Delta (based on a comparative SMMUSD vs. SMUSD revenue per ADA calculation) should be revisited in light of what has been learned about the projected costs of operating each of the two new districts.*
- *The Committee agreed to reflect on the evening’s dialogue, and to continue its discussion of whether, and if so how, to proceed with its review and recommendation to the Board regarding an alternative Revenue Neutrality Formula.*

V. Future meetings

- *The Committee agreed to schedule its next meeting for June 20, 2017, from 7-9 PM in Santa Monica. The Committee also agreed to hold June 28, 2017 as the date for its subsequent meeting.*
- *The Committee discussed the expected time frame for the Board’s next discussion of the Committee’s Report (including any supplemental work/recommendations submitted by the Committee to the Board). The District will be hiring School Services of California (SSC) to assist the Board with its review, and expects SSC’s work to occur during July. The Board would then hold its next discussion in August.*
- *Ms. Orlansky agreed to reiterate (to the Superintendent) the Committee’s request that the District communicate its expected schedule to the public as soon as possible.*

VI. Public Comments

There were no public comments.

VII. Adjournment

The Committee adjourned at 9:35 p.m.