

**Malibu Unification Negotiations Committee
Meeting Minutes**

**Tuesday, May 24, 2016
SMMUSD District Office Conference Room
1651 16th St., Santa Monica, CA 90404**

I. Call to Order / Roll Call

- *The committee called the meeting to order at 7:05pm. All committee members were present:*

<i>Tom Larmore</i>	<i>Laura Rosenthal</i>
<i>Debbie Mulvaney</i>	<i>Makan Delrahim</i>
<i>Paul Silvern</i>	<i>Manel Sweetmore</i>

II. Approve April 5, 2016 Meeting Minutes (Attached)

- *The references to Mr. Silvern in the text of the second and third bullets on page two of the draft minutes should be changed to Mr. Larmore. The references to Mr. Silvern in the rest of the document should remain. With these changes, the committee approved the minutes.*

III. Business related to reconvening

- Welcome to new Committee Member, Makan Delrahim
- Acknowledgement of “Pause”
 - *The time period during which the committee did not meet will not be included in the 60-day timeframe.*
- Check-in on Ground Rules
 - *Mr. Delrahim suggested that rather than insisting on consensus for every issue, a majority from both teams would need to agree on a recommendation for it to move forward. He will draft language for the committee to consider at the next meeting.*
- Additions or edits to draft glossary (**attached**)
 - *Ms. Mulvaney requested that the definition of “position” be altered. She and Ms. Orlansky will work on that prior to the next meeting.*
 - *Mr. Silvern reminded everyone that the glossary would continue to be updated as the committee moved forward in its work.*

IV. Status Reports on the Selection of Consultants

- Update on the retention agreement with Procopio (Larmore)
 - *Mr. Larmore informed the team that the superintendent had signed the Procopio agreement.*
 - *Following discussion, Mr. Larmore agreed to speak with Procopio and the Superintendent about amending the agreement to include language that the Board of Education is waiving its attorney/client privilege. This issue came up because even though the committee will be assigning and receiving Procopio’s work, for contractual purposes, the entity that is technically Procopio’s client is the Board.*
- Update on the selection of Education/Financial consultant (Silvern, Sweetmore) (**attachment:** Proposal from School Services of California, Inc., April 8, 2016)
 - *Mr. Silvern explained how he and Mr. Sweetmore had reached out to both School Services of CA (SSC) and Capital Advisors for proposals, but that only SSC had submitted a proposal.*
 - *Mr. Sweetmore emphasized the need for SSC to focus on revenue issues first, followed by expenses.*

- *Ms. Rosenthal suggested changing the dates of services listed, given the committee's "pause" in meetings.*
- *The committee will plan for a 30-minute phone call/interview with SSC at the next meeting (May 31). Mr. Silvern offered to arrange.*
- *The committee agreed to include an action item on whether to retain SSC on the May 31 agenda, directly following the interview.*

V. Initial Sharing of Interests

- Each team will have up to 15 uninterrupted minutes to share their interests, after which the other team will have time to ask any questions to clarify their understanding of the interests shared. After both teams have had the chance to share their interests and answer clarifying questions, the Committee as a whole will discuss what was collectively learned.
 - *The Santa Monica team read their list of interests first, followed by the Malibu team. (The lists are **attached**.)*
 - *The teams then discussed and collectively identified mutual interests; interests that were different, but not conflicting; and interests that could potentially be conflicting. (This summary is **attached**.)*

VI. Review of Revised Issues List

(attachment: Plan of Work: Issues and Sub-issues by Topic)

- Topic #1: Balance Sheet Allocations (Larmore)
 - *Mr. Larmore explained the issues listed under this topic.*
- Topic #2: Allocation of Bond Debt and Authorization to Issue New Bonds (Larmore)
 - *Mr. Larmore explained the issues listed under this topic.*
- Topic #3: Financial Impacts (Silvern)
 - *Mr. Silvern explained the issues listed under this topic.*
 - *Mr. Sweetmore suggested providing SSC with the most current budget information from the district, given the recent update to the Board of Education.*
- Topic #4: Litigation (Sweetmore)
 - *Mr. Sweetmore explained the issues listed under this topic.*
 - *Ms. Rosenthal requested the schedule of facilities repairs over the next couple years.*

VII. Public Comments

- *Seth Jacobson asked about the process and timing of public comments. The committee discussed possible options related to the process of hearing public comment at meetings. Ms. Orlansky will draft language that captures the committee's comments to be considered at the next meeting.*

VIII. Topics for Next Agenda

- Follow-up items from May 24 meeting
- Telephone interview with School Services of California; action on whether to retain
- Worksession to sequence the Committee's work on specific topics, issues, and sub-issues. This will incorporate the expected timing of products from consultants, and decisions on what materials to send to which consultants.

IX. Adjournment

- *The committee adjourned the meeting at 9:23pm.*

Upcoming Meeting Dates and Locations (modified from schedule adopted earlier):

May 31 at District Office; June 7 at Malibu City Hall; June 14 at Malibu City Hall; June 21 at District Office; June 28 at Malibu City Hall

Malibu Unification Negotiations Committee Glossary

Abbreviations

SMMUSD: Santa Monica-Malibu Unified School District

SMUSD: Santa Monica Unified School District

MUSD: Malibu Unified School District

Best Alternative to a Negotiated Agreement (BATNA)

A party's BATNA is the course of action that he or she would take if no agreement is reached in a current negotiation.

California Environmental Quality Act (CEQA)

CEQA is a state law that requires state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible.

Assumption

Something that is accepted to be true or certain to happen without proof; a hypothesis that is taken for granted.

Brainstorming

A structured group process for generating ideas in a free and open manner.

Caucus

A meeting during a negotiation that occurs among the members of one of the bargaining teams. Another term for a team meeting is "side meeting."

Imply vs. Infer

Imply means to express something indirectly; to hint at something.

Infer means to surmise or deduce from indirect evidence.

Example: In a mystery novel, the author might imply who the guilty party is. From what she reads, the reader might infer who the guilty party is, but may or may not be correct.

Interests

The underlying concerns, desires, and needs that a party has around the issues that need to be resolved. Parties usually have multiple interests as opposed to a single interests, and the collection of interests reflects the needs/conditions that a party considers to be important in a satisfactory agreement. It can help to surface interests by exploring "why" a party wants something.

A person's values, point of view, plans, goals, and objectives influence their interests. A person's interests are based on what he or she likes and wants, but also what he or she fears

and wants to avoid. It is fair to ask a person to explain their interest; but an interest is not something that must be defended.

In IBB, an interest statement is more flexible and less specific than a position. Interest statements allow for open discussion and provide the basis for jointly exploring the issues and generating a variety of different solutions.

In principled negotiations, interests can be categorized into three categories:

- **Mutual interests**

These are interests that both parties have in common. For interests to be tagged as “mutual,” they don’t have to be identical or “mathematically equal” in terms of importance. For example, one party may have a greater interest or more immediate interest in something than the other, and yet the interest can be described as mutual.

- **Separate but non-conflicting interests**

These are interests that are different, but do not cause conflict between the negotiating parties. Sometimes, an interest that begins as a separate but non-conflicting one can become mutual as the negotiation continues – for example, if one party becomes willing to expand or evolve its initial interests.

- **Separate and conflicting interests**

In traditional bargaining, the frame of reference is positional and it is often assumed that, by definition, positions are in conflict. In IBB, the parties may be surprised to learn how many mutual and separate but non-conflicting interests they have. However, when separate and conflicting interests do exist, they will be easier to work through if they are openly identified.

Interest-based bargaining (IBB)

Also referred to as “interest-based problem solving,” “integrative bargaining,” “mutual gains bargaining,” and “win-win bargaining.” IBB is an approach to problem solving that is designed to help parties express, understand, and build agreements around their underlying interests. It is premised on the idea that it is usually in the interest of both parties that to the maximum extent possible, the interests of both parties should be maximized in an agreed-upon resolution.

In contrast to the traditional “us vs. them” or “adversarial bargaining,” (also known as competitive or positional bargaining) IBB uses problem solving skills and tools as a way of minimizing positional conflicts and achieving better outcomes for all parties. The skills and tools involved include: active listening; converting positions into interests; sharing information and joint data collection; developing options; adopting standards for evaluating those options; and consensus decision making.

Issues and Topics

Within the context of the Committee's negotiation, "issues" are the matters or questions that the Committee had agreed it must address if the negotiations are to be successful. The Committee's Plan of Work organizes issues into the four major "topics" listed below

- Topic 1: Balance Sheet Allocations
- Topic 2: Allocation of Bond Debt and Authorization to Issue New Bonds
- Topic 3: Financial (Operating Budget) Impacts
- Topic 4: Litigation

OPEB (Other Postemployment Benefits)

OPEB is a term coined by the Governmental Accounting Standards Board (GASB) that refers to benefits (other than pensions) that U.S. state and local governments provide to their retired employees. These benefits principally involve health care benefits, but may include other services such as life insurance and disability.

Options

An option is one of several possible solutions intended to resolve a problem or issue. If only one option is put on the table, it is the same as a position and the parties really are engaged in positional bargaining.

Position

In negotiations, a position is one party's solution to a problem.

Standards

Criteria used to decide which options should form the basis for a solution or settlement in interest-based bargaining or joint problem solving.

Tentative agreement

Before parties sign off on a final agreement, tentative agreements may be reached on an issue or number of issues along the way. They are tentative in the sense that in interest-based bargaining, "nothing is agreed until everything is agreed."

Zone of Possible Agreement (ZOPA)

If there is a resolution that both parties in a negotiation would prefer over impasse, then a ZOPA exists and a mutually-beneficial settlement is possible.



April 8, 2016

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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.

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Santa Monica Team Interests

- 1) Reach consensus on recommendations to resolve financial issues itemized in the Board Action Item that will result in the co-existence of SMUSD and MUSD as two excellent school districts serving their respective communities and providing the best educational opportunities for their respective students in a manner that does not have a negative impact on the financial condition of SMUSD.
- 2) Reach consensus on a fair allocation of SMMUSD assets and liabilities and authority to issue bonds under existing voter-approved measures.
- 3) Use a data driven approach, beginning with financial analysis prepared by SMMUSD's CFO and WestEd, to develop consensus recommendations that will eliminate any significant adverse impacts on a future SMUSD's revenues.
- 4) Reach consensus on an agreement under which MUSD assumes responsibility for any remaining remediation of contamination in facilities transferred to MUSD and indemnifies SMUSD for any future claims arising from work performed by MUSD or MUSD's failure to perform appropriate work.
- 5) Reach consensus on an agreement under which the pending America Unites lawsuit, if it remains pending, is either dismissed or SMUSD and all Board members and other officials are effectively dismissed from the lawsuit and face no further liability or obligation with respect to that lawsuit.
- 6) Reach consensus on means to carry out these agreements that are understandable to all parties and the public, legally binding and stable over the term of the agreement but sufficiently flexible to accommodate scheduled periodic adjustments to financial particulars and address unforeseen changes in circumstances.
- 7) Build and preserve an ongoing working relationship between future SMUSD and MUSD communities to enable amicable resolution of any future issues that may arise regarding the unification financial issues agreement.
- 8) Complete negotiation of the unification financial issues efficiently, without requiring an undue expenditure of Committee time, or AMPS and SMMUSD resources, and within the time frame established by the Board Action Item.
- 9) Reach consensus on an agreement regarding the financial issues listed in the Board Action Item that will be acceptable to the SMMUSD Board of Education, LACOE, the State, and the voters.

Malibu Committee Interests

Overall

- The agreement establishes a path to complete independence
- Successful conclusion of negotiations ensuring separation complete with an implementation plan
- Ending the current system because we believe it is not working for anyone
- Establishing a financially viable MUSD and SMUSD
- Returning the focus of both communities to students
- Reach an agreement that will receive approval of Malibu voters (67% required)
- Local control and autonomy
- Being treated as equals during this process
- Coming to agreement that is aligned with the interests of the students of both districts
- Recognize the legitimate right of Malibu to exhibit as an independent School District
- That contributions by MUSD as part of the agreement assist SMUSD's interest in assisting it's economically disadvantaged students
- Minimizing transactional costs
 - Stopping the flight out of Malibu's public schools

Assets

- Having sufficient initial assets to be up and running on day one
- Equitable division

Bonds

- No entanglements that undermine complete separation
- Equitable division
- Making it politically, legally, and fiscally feasible for each district to pass future bonds
- Minimize risk of legal delay
- interest in executing current and soon to be established capital projects without delay.
-
- Minimize transactional cost

Operating Revenue

- MUSD being financially viable
- Minimizing any negative revenue impact to Santa Monica students in a politically viable way

- Ensuring that unification of MUSD does not hurt those most in need in either community
- Recognize unique cash flow issues of a school district in its infancy

Environmental Liability

- Having safe poison-free schools
- Stopping the flight out of Malibu's public schools
- Reaching an equitable and politically viable resolution

Malibu Unification Negotiations Committee (MUNC)
Sorting of Interests Voiced by the Malibu Team and the Santa Monica Team
May 24, 2016

Mutual Interests

- Reach consensus
- Co-existence of two great school districts
- To complete negotiations efficiently, e.g., time, resources
- A cost-effective process
- A durable agreement
- An agreement that works “beyond the room;” to include being politically viable and acceptable to the decision-makers along the path to unification
- Foster a positive long-term working relationship between MUSD and SMUSD
- Decisions that are data driven, i.e., methodical and fact-based
- “Equitable” division of assets and liabilities
- Keeping the interests of all students paramount

Interests that are separate but not conflicting

The Malibu Team’s interests to:

- Be up and running on Day One
- Stop student flight from Malibu public schools
- Recognize the unique cash flow issues of a school districts in its infancy

The Santa Monica Team’s interest to:

- Bring closure to the America Unites lawsuit

Interests that are acknowledged as potentially separate and conflicting

- Views related to designing something for the future when the future is uncertain
- Interests related to the time frame of agreements; balancing interests for “finality” vs. interests for “ongoing”
- Differing expectations (maybe) about what “separation” of the two districts will look like at different points in time going forward

Note: During the discussion of interests, the Committee acknowledged that there are likely to be important things outside the Committee’s scope or control that occur (or do not occur) that will affect the path of Malibu Unification.

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