

**Malibu Unification Negotiations Committee
Meeting Minutes**

**Tuesday, May 31, 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 May 24, 2016 Meeting Minutes (**attached**)
 - *Mr. Larmore corrected when the name Mr. Silvern should read Mr. Larmore in the April 4, 2016, minutes. With this change, the committee approved the minutes by consensus.*
- III. Follow-up Business from May 24 Meeting
 - A. Amendment to Procopio contract re: attorney-client privilege waiver
 - *Mr. Larmore reported that the superintendent had signed the Procopio contract, but that Procopio, at the request of the committee, would draft supplemental language that waived the attorney-client privilege.*
 - *Mr. Sweetmore wondered if a not-to-exceed contract amount should be incorporated into the Procopio and School Services of CA contracts. Mr. Larmore suggested that a cost estimate might be less restrictive to the firms' work products.*
 - *Mr. Larmore and Mr. Delrahim will work with Procopio on the supplemental language.*
 - B. Proposed amendment to ground rules, Section C.3 on decision-making
 - *Mr. Delrahim suggested the following modifications: (1) Correct the typos in the small cap lettering to replace the second "c" with "d," the "d" with "e," and the "e" with "f"; and (2) At the end of the paragraph in the new "d," add the following language: "If, after a reasonable period of debate, there doesn't appear to be a consensus, then a vote of at least two members on each team with a vote of four or five shall be considered approval of the item or proposal."*
 - *By consensus, the committee approved the changes.*
 - C. Revised glossary definition of "position"
 - *By consensus, the committee approved the change in definition for "position" that Ms. Mulvaney proposed (**attached**).*
 - *Ms. Orlansky will update the Glossary document.*
 - D. Options for scheduling public comments into Committee agendas (Orlansky)
 - *Ms. Orlansky read a potential revision to the committee's ground rules related to public comments (**attached**).*
 - *Ms. Mulvaney suggested adding "per speaker" following the phrase "to reduce the time" in section 5.e.*
 - *By consensus, the committee approved the changes.*
 - *Ms. Orlansky will incorporate the changes approved by the committee to sections C.3 and C.5 of the ground rules and provide committee members with revised copies of the ground rules.*

IV. Education/Financial Consultant

A. Telephone interview with School Services of California, Inc.

Attachment: School Services of California, Inc. proposal, dated April 8, 2016

- *Mike Ricketts of SSC summarized services that SSC provides to districts around the state and specifically to SMMUSD.*
- *Mr. Sweetmore requested a copy of the information SSC provided SMMUSD explaining the different LCFF funding scenarios, e.g., LCFF funding, minimum state aid, basic aid.*
- *Mr. Ricketts answered committee members' questions regarding multi-year budget projections, payment structure, and timeline for producing work product.*
- *Mr. Silvern and Mr. Sweetmore will work with SSC on the supplemental contract language, similar to that in the Procopio contract.*

B. Committee action on retention of School Services of California, Inc.

- *By consensus, the committee approved the 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

- *By consensus, the committee agreed:*
 - *To approach work in the committee "as a whole," but also to maintain the flexibility to break into subgroups to address specific topics when necessary.*
 - *To begin with a basic "education" on all the issues and sub-issues contained in the Plan of Work. The importance of this step is for all committee members to attain a common understanding and common set of facts and figures to use when creating and evaluating options and solutions.*
 - *That once the contracts with Procopio and SSC are signed and in place, Ms. Orlansky will assume responsibility for communicating tasks from the committee to the consultants. As part of this responsibility, she will remain vigilant about any potential for overlap, and return to the committee for guidance as needed.*
 - *On the dates and locations for the next eight meetings. All meetings will be from 7:00-9:00pm; all will be on a Tuesday, except for the July 14 meeting, which is on a Thursday.*
 - June 7 – Malibu City Hall*
 - June 14 – Malibu City Hall*
 - June 21 – District Offices, Santa Monica*
 - June 28 – Malibu City Hall*
 - July 5 – District Offices, Santa Monica*
 - July 14 – Malibu City Hall (***this is a Thursday***)*
 - July 19 – District Offices, Santa Monica*
 - July 26 – Malibu City Hall*
 - *The table below summarizes the Committee's plans (subject to change) for organizing and sequencing its work:*

MUNC Meeting Date	Agenda Topics	Other Information
June 7	<p>Topic 1. Balance Sheet Allocations</p> <p>Background documents:</p> <ul style="list-style-type: none"> • FOC's 7/15/15 memo on the division of assets and liabilities • Excerpt from Education Code on criteria for unification <p>If time allows: begin some basic discussion of Topic 2. Allocation of Bond Debt and Authorization to Issue New Bonds.</p>	Procopio will be invited to join (either by speakerphone or laptop) the committee's June 7 discussion of the FOC memo on assets and liabilities.
June 14	"School Finance 101 Workshop" led by SSC	SSC's availability and presentation format (in-person or by video conference) need to be determined.
June 21	<p>Complete discussion of Topic 1 issues not addressed on June 7.</p> <p>Topic 2. Allocation of Bond Debt and Authorization to Issue New Bonds</p> <p>Background documents:</p> <ul style="list-style-type: none"> • FOC's 7/15/15 memo on the division of assets and liabilities. • An update on the status of SMMUSD's bonds. (Ms. Mulvaney is attending a meeting at which she will request the latest information be provided to the committee.) 	By this date, Procopio's review of the assumptions contained in the FOC's memo on the division of assets and liabilities should be completed.
June 28	<p>Topic 3. Financial (Operating Budget) Impacts</p> <p>Background documents:</p> <ul style="list-style-type: none"> • FOC's 7/15/15 memo on implications relating to annual operating budgets • FOC's 11/19/15 update to the Board of Education 	By this date, SSC is expected to have completed its Phase 1 report. This report will include SSC's assessment of the financial data and projections used in previous reports, a sensitivity analysis, and long-term projections.
July 5	Topic 4. Litigation	By this date, Procopio is expected to have completed its report on Topic 4 issues.
July 14	To be determined	
July 19	To be determined	
July 26	To be determined	

- Other Notes:
 - *Ms. Orlansky will email committee members electronic copies of the two July 15, 2015, FOC memos and the relevant excerpt from the Education Code, which Mr. Silvern offered to research. Any questions that committee members have as they read through the material for the June 7 meeting should be emailed to Ms. Orlansky by noon on Monday, June 6. These questions will be passed along to Mr. Larmore, as he prepares to lead the committee's June 7 discussion on the FOC memo regarding assets and liabilities.*

- *Ms. Orlansky will also prepare a working document (to be handed out at the next committee meeting) that reflects the committee's initial decisions about organizing and sequencing its work.*

VI. Public Comments

- *Seth Jacobson suggested that the committee invite Jan Maez, SMMUSD's CFO, to attend a committee meeting to answer budget questions.*

VII. Topics for Next Agenda

- *See minutes for Agenda Item V.*

VIII. Adjournment

- *The committee adjourned the meeting at 9:01pm.*

Upcoming Meeting Dates and Locations (all are 7-9pm)

June 7 – Malibu City Hall

June 14 – Malibu City Hall

June 21 – District offices

June 28 – Malibu City Hall

July 5 – District offices

July 14 – Malibu City Hall (*Thursday*)

July 19 – District offices

July 26 – 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 people to clarify and explain their interests, but an interest is not something that must be defended.

In Interest Based Bargaining, 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. Interests identified during negotiations can be grouped into three categories:

- **Mutual interests**

These are interests that negotiating 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 negotiations, "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

A position is:

- A person's opinion on an issue.
- A person's point of view, adopted and held.
- What a person states he or she wants or does not want.

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.

Ground Rules for the Malibu Unification Committee

The Malibu Unification Committee unanimously adopted the ground rules outlined below. The Committee recognizes that: ground rules are based on the concept that a negotiation process should treat all parties fairly; ground rules apply equally to all involved; and it is the joint responsibility of all participants to assure that these ground rules are observed. Participants are free to question, in good faith, others' actions that are covered by these ground rules.

A. Committee Member Conduct 101

1. Listen politely without interrupting (even when you don't agree).
2. Do not dominate the conversation.
3. Speak and act respectfully at all times; avoid blaming, personal attacks, and cheap shots.
4. Be present.

B. Other Behaviors that Make for Effective Groups and Effective Decision-making

1. Stay on track; keep your contributions focused on the task.
2. Speak from your own perspective and explain the reasons for your point of view.
3. Test for assumptions and inferences – your own and others'.
4. Do not impugn another person's intent or motive.
5. Encourage differences of opinion, while also committing to disagree agreeably.
6. Regard disagreements as problems to be solved as opposed to battles to be won.
7. Be open to other perspectives and alternative courses of action.
8. Find opportunities to praise others' ideas.
9. Focus on interests, not positions.
10. Deal as much as possible with facts; facts give opinions and feelings more credibility.
11. Share all relevant information; do not withhold information for "tactical advantage."

C. Process and Procedures

1. General

- a. The Committee's meetings will comply with the Ralph M. Brown Act (Government Code Sections 54950-54963), referred to as the "Brown Act".
- b. There will be no substitute Committee members.
- c. Committee members agree to do periodic self-critiques of the Committee's progress.
- d. The Committee can make additions or changes to these ground rules along the way.

2. Meeting Logistics and Agendas

- a. The time, location, and scheduling of the Committee's meetings, unless the Committee decides otherwise, are as follows:
 - Committee meetings will be held from 7-9 PM on Tuesday evenings.

- The Committee meeting location will alternate between SMMUSD District Offices and Malibu City Hall.¹
 - No Committee meeting will be scheduled unless at least two members of each negotiating team can attend.
- b. Committee meetings will begin when all members expected to attend have arrived.
 - c. Committee meetings will adjourn at the time stated on the agenda unless there is a Committee consensus to extend the meeting for a specified purpose and time period.
 - d. Any Committee member (or the facilitator) can request that the Committee take a break, for example, for a team caucus or to collect information. The general operating rule is that any request for a break will be honored.
 - e. In consultation with Committee members, the facilitator will develop the agenda for each meeting; all agenda items suggested by a Committee member will be agendized.
3. Decision-making by consensus
- a. The Committee will make its decisions by consensus, defined as the general agreement of all participants on a proposal; a proposal may include more than a single element.
 - b. Consensus does not necessarily mean that all Committee members are equally satisfied with every aspect of a proposal, but it does mean that all Committee members can live with the proposal and no Committee member will stand in the way of implementation.
 - c. The table below summarizes the method adopted by the Committee for members to communicate their respective degree of agreement with a proposal. In order for the Committee to reach “consensus” on a proposal, all Committee members must register a degree of agreement at three, four, or five.

Number*	Degree of Agreement	Included in Committee’s definition of consensus
Five	I am for it and will work hard for it.	Yes
Four	I have reservations but will go along with it.	Yes
Three	I don’t like it. I won’t work for it, but I won’t work against it.	Yes
Two	I cannot agree yet.	No
One	I hate it and will actively work against the proposal as it stands.	No

* Committee members have the option of communicating their 1-5 degree of agreement by speaking the number or raising the requisite number of fingers.

- d. If a Committee member’s degree of agreement registers at a one or two, then that participant is responsible for explaining how his or her interests are adversely affected and how the proposal being discussed fails to meet those interests. The participant withholding agreement is then responsible for trying to propose alternatives that would raise his or her support to at least a three; the participant is welcome to ask for assistance from fellow Committee members. If, after a reasonable period of debate, there doesn’t appear to be a consensus, then a vote of at least two members on each team with a vote of four or five shall be considered approval of the item or proposal.

¹ Committee Member Rosenthal’s attendance is required for meetings held at Malibu City Hall.

- e. During the decision-making process, all Committee members should continue to consider options that meet everyone's interests sufficiently to garner everyone's degree of support at a three, four, or five level.
 - f. Any revised proposal must return to the full Committee for review and decision-making because one person's changes may lower the buy-in from others.
4. Committee interactions with consultants and other entities outside of Committee meetings
- a. Unless the Committee decides otherwise on any specific matter, the facilitator is assigned the job of coordinating and channeling communication to and from the Committee and subject experts or other consultants retained to support the Committee's work. This is expected to include, but not be limited to:
 - An educational consultant to provide support on technical budgeting questions;
 - A law firm to provide legal guidance related to non-budgetary financial issues; and
 - A law firm to provide legal guidance on questions related to environmental liability.
 - b. Unless the Committee decides otherwise on any specific matter, the facilitator is assigned the job of coordinating and channeling communication to and from the Committee and other entities, to include the Los Angeles County Office of Education, state legislators, or others designated by the Committee.
5. Public comments at Committee meetings
- The following guidelines apply to all speakers:
- a. Speakers are invited to address items on the Committee's agenda or topics relevant to the Committee's overall charge from the SMMUSD Board of Education.
 - b. Individuals who wish to address the Committee during a meeting are requested to
 - Complete a speaker card that asks for the speaker's name and the agenda item or other issue they wish to address; and
 - Hand the completed speaker card to the Committee's facilitator.
- Note: Speaker cards will be available to the public at all meetings. While the card requests a speaker to provide his/her name for the record, the Committee will respect a speaker's desire for anonymity.
- c. Individuals will be given three minutes to address the Committee.
 - If a speaker intends to address an item on the agenda, then the facilitator will call on the speaker at the beginning of the appropriate agenda item.
 - If a speaker intends to make a general comment or a comment on a topic not on the Committee's agenda, then the facilitator will call on the speaker during the time on the agenda designated for "Public Comments."
 - d. The facilitator will indicate when a speaker's three minutes has expired. At the request of any Committee member, a speaker's time can be extended beyond three minutes.
 - e. Efforts will be made to accommodate everyone who has filled out a speaker card. However, given time constraints, there may be times when the Committee needs to reduce the time per speaker allocated for public comment.

6. Interactions with representatives of the media

- a. When discussing the Committee's work with reporters, Committee members will present only their own views and not those of other Committee members.
- b. When discussing the Committee's work with reporters, Committee members will try not to blame or criticize each other.
- c. Committee members will try to avoid making any statements to the media prejudging the outcome of the Committee's work.
- d. Committee members will refrain from talking with representatives of the media during Committee meetings.

Note: The purpose of adopting ground rules regarding Committee members' interaction with the media is to minimize statements appearing in the press that could impede constructive discussion in the group and/or reduce participants' ability to accept or modify a proposal.

Attachment: The Role of the Facilitator

Attachment
The Role of the Facilitator for the Malibu Unification Committee

As a third-party neutral, the facilitator's job is to assist the Committee to learn and use effective group processes to navigate the following four basic steps in a negotiation: (1) adopt procedures; (2) educate one another; (3) generate workable options; and (4) reach a mutually acceptable agreement, pursuant to the Major Action Item entitled "Process of Negotiations Between Santa Monica-Malibu Board of Education and Representatives of a Potential Malibu Unified School District Regarding Resolution of Issues and Concerns Pertinent to Unification of a Separate Malibu Unified School District," which was approved by the Santa Monica-Malibu Unified School District Board of Education on December 17, 2015.

The facilitator will:

- Serve as an impartial process guide for the Committee.
- Remain substantively neutral.
- Have no authority to make decisions for the Committee.
- Believe in the good will of all Committee members, recognizing that each voice has value, perception, and wisdom.

The Committee agrees that the facilitator will perform the specific tasks listed below:

1. Help the Committee to establish ground rules.
2. Assist with agenda setting in advance of each meeting.
3. Maintain a safe and productive working environment by enforcing ground rules and keeping the Committee focused on the agenda.
4. Assist with clarifying the problem(s) and issues to be addressed as well as the scope and boundaries of the Committee's discussions.
5. Assist with designing and implementing a process that can move the Committee along a path that results in reaching agreement on durable solutions; this can include:
 - Encouraging joint fact-finding and information sharing.
 - Assisting with internal group communication, e.g., addressing any disruptive communication patterns; helping the group to respectfully identify and discuss different interests.
 - Helping the Committee to identify options and summarize areas of agreement.
 - Encouraging specificity in agreements.
 - Offering assistance to break an impasse.
6. If and when requested by the Committee, serve as the Committee's liaison to subject experts or other entities designated by the Committee.
7. Help the Committee evaluate its progress along the way, to include advising the parties when the process no longer appears to be meeting its objectives.



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.

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