

**Malibu Unification Negotiations Committee
Meeting Minutes**

**Tuesday, June 20, 2017
SMMUSD District Offices, Board Conference Room
1651 16th St., Santa Monica, CA 90404**

I. Call to Order / Roll Call

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

*Debbie Mulvaney Tom Larmore
Paul Silvern Manel Sweetmore
Dr. Rosenthal was absent.
Also attending: Jan Maez, Chief Financial Officer*

II. Approval of June 14, 2017 meeting minutes

By consensus, the Committee approved the minutes for June 14, 2017

III. Discussion of alternative approaches/modifications to the Revenue Neutrality Formula

This item was a continuation of the discussion held at the Committee's June 14, 2017 meeting. Issues discussed included:

- Mr. Sweetmore's analysis regarding the Delta definition adopted by the Committee, and his conclusion that the projections demonstrate the Delta calculation in the outyears overstate the revenue that SMUSD would need in order to remain "whole."*
- The reality that there are no "perfect" solutions to achieving District reorganization without any financial consequences because the cost of operating two independent districts will be higher than operating a single district, at least in the near term.*
- The background on the interest-based negotiations that led to the Committee's initial agreement on terms for a Revenue Neutrality Formula, including: the value of a collaborative District reorganization process; the agreed-upon definition of Delta; agreement to calculate the Delta payment for 12 years; and the basic principle that reorganization should result in two financially viable school districts, with a payment arrangement that minimizes the negative financial impact of reorganization on SMUSD while simultaneously considering MUSD's ability-to-pay.*
- The difficulties inherent in making accurate revenue (or expenditure) projections for any scenario beyond 4-5 years into the future, especially when there are so many variables in play and because small changes can make such a large difference (e.g., in assessed value growth rates).*
- The advantages and downsides of a Committee recommendation to the Board that essentially mirrors the Committee's original agreement for a Revenue Neutrality Formula, but illustrated using "refreshed" data, a revised starting budget balance for MUSD, and a revised annual revenue growth assumption in the calculation of*

- MUSD's ability-to-pay. (This was the scenario reviewed at the Committee's June 14, 2017; see minutes for more details about the differences between MUNC 1.0 and the refreshed version.)*
- *How the refreshed version shows: (1) Delta and interest payments from MUSD to SMUSD occurring between 2018-19 and 2034-35 result in SMUSD revenue per ADA that is within 98% or more of the annual Delta (i.e., SMUSD revenue per ADA versus SMMUSD revenue per ADA); and (2) with the exception of one transition year, SMMUSD revenues (including MUSD payments) exhibit steady annual growth of between about 3.8% and 4.4% once SMUSD becomes a Minimum State Aid (2021-22) and then Basic Aid District (2025-26).*
 - *Whether the Committee should provide any supplemental recommendations to the Board without affirmative support from SMMUSD's Superintendent and Chief Financial Officer (CFO) for the Committee's Revenue Neutrality Formula and its implications as presented in MUNC 2.0 (based on the Committee's additional negotiations), and the potential of garnering the Superintendent's and CFO's support.*
 - *How any additional recommendations from the Committee to the Board regarding the Revenue Neutrality Formula fit into the scope of work that the Board is likely to ask School Services of California to perform.*

The Committee Members present reached the following agreements:

- *On June 28th, the Committee will decide whether it can agree to make specific recommendations to the Board about the Revenue Neutrality Formula, and if so, make assignments for preparing a document that outlines those recommendations.*
- *Mr. Sweetmore will generate a final version of the MUNC 2.0 scenario reviewed by the Committee on June 14, 2017. The data will remain unchanged, but because the outyears are so speculative and distract from what is known about the earlier years, the projections will end in 2035-36, one year after the final interest payment is made from MUSD to SMUSD. The final version will also incorporate minor editing suggestions mentioned by Committee Members.*
- *Committee Members will provide Mr. Sweetmore with any additional suggestions for producing the final version, particularly to render it more reader-friendly.*

IV. Future Committee meetings

- *The Committee agreed to hold its next meeting on Wednesday, June 28, 2017 at the District Offices in Santa Monica*
- *The Doodle Poll conducted earlier in the month showed that all Committee Members, the Superintendent, the CFO, and members of the Board Subcommittee assigned to liaise with the MUNC were available on the evening of June 28th.*
- *Ms. Mulvaney suggested the June 18th meeting begin at 6:30 PM to allow some extra time for finishing up the Committee's business. Ms. Orlansky agreed to check on everyone's availability for a 6:30 PM start time.*

V. Public Comments

There were no public comments.

VI. Adjournment

The Committee adjourned at 9:15 p.m.

SCENARIO MUNC 2.0 : Same Approach as 1.0 but updated info -- Delta Obligation of 100% for all years -- RDA: District Projections -- Assessed Value: SSC Projections Corrected

Calculations	State Aid	State Aid	State Aid	SM Min Aid	SM Min Aid	SM Min Aid	SM Min Aid	SM Basic Aid	SM Basic Aid	SM Basic Aid
Year	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
1 SMMUSD Revenue	\$139,987,240	\$145,244,949	\$150,659,237	\$156,399,821	\$162,311,336	\$168,490,234	\$174,949,899	\$181,704,435	\$189,114,454	\$196,595,380
2 SMUSD Revenue	\$112,610,966	\$115,987,487	\$119,725,090	\$123,437,612	\$128,049,847	\$132,873,748	\$137,920,276	\$143,200,997	\$149,073,878	\$154,951,580
1 SMUSD Required Revenue	\$116,611,432	\$120,991,181	\$125,501,362	\$130,283,353	\$135,207,732	\$140,354,845	\$145,735,841	\$151,362,469	\$157,535,124	\$163,766,846
2 SMUSD Required Rev/ADA	\$13,381	\$13,883	\$14,401	\$14,949	\$15,514	\$16,105	\$16,722	\$17,368	\$18,076	\$18,791
3 SMUSD Rev/ADA	\$12,922	\$13,309	\$13,738	\$14,164	\$14,693	\$15,247	\$15,826	\$16,432	\$17,105	\$17,780
4 Delta per ADA	\$459	\$574	\$663	\$786	\$821	\$858	\$897	\$936	\$971	\$1,012
5 Delta \$	\$4,000,466	\$5,003,694	\$5,776,272	\$6,845,741	\$7,157,886	\$7,481,096	\$7,815,565	\$8,161,472	\$8,461,246	\$8,815,266
6 Delta \$ Amt to be Paid	\$4,000,466	\$5,003,694	\$5,776,272	\$6,845,741	\$7,157,886	\$7,481,096	\$7,815,565	\$8,161,472	\$8,461,246	\$8,815,266
7 MUSD Payment	\$4,000,466	\$3,991,612	\$3,504,991	\$3,763,487	\$4,040,812	\$4,338,083	\$4,656,477	\$4,997,232	\$5,361,654	\$5,751,115
8 Delta \$ (Deferred) / Catch-up	\$0	(\$1,012,082)	(\$2,271,281)	(\$3,082,255)	(\$3,117,074)	(\$3,143,013)	(\$3,159,088)	(\$3,164,240)	(\$3,099,593)	(\$3,064,151)
9 MUSD Owed to SMUSD	\$0	\$1,012,082	\$3,292,472	\$6,404,359	\$9,579,072	\$12,808,297	\$16,082,659	\$19,391,643	\$22,665,761	\$25,933,903
10 Interest on MUSD Owed Balance		\$0	\$9,109	\$29,632	\$57,639	\$86,212	\$115,275	\$144,744	\$174,525	\$203,992
11 SMUSD Revenue After Payment	\$116,611,432	\$119,979,099	\$123,230,081	\$127,201,098	\$132,090,658	\$137,211,832	\$142,576,753	\$148,198,229	\$154,435,531	\$160,702,695
12 SMUSD Revenue After Payment / ADA	\$13,381	\$13,767	\$14,140	\$14,596	\$15,157	\$15,744	\$16,360	\$17,005	\$17,721	\$18,440
13 Delta After Payment / ADA	\$0	\$116	\$261	\$354	\$358	\$361	\$362	\$363	\$356	\$352
14 Delta After Payment as % of SMUSD Rev after Pmt	0.0%	0.8%	1.8%	2.4%	2.4%	2.3%	2.2%	2.1%	2.0%	1.9%
15 MUSD Revenue	\$29,379,809	\$30,521,589	\$31,716,317	\$32,962,209	\$34,261,490	\$35,616,485	\$37,029,623	\$38,503,438	\$40,040,577	\$41,643,801
16 MUSD Required Revenue (Budget)	\$26,300,000	\$27,220,500	\$28,173,218	\$29,159,280	\$30,179,855	\$31,236,150	\$32,329,415	\$33,460,945	\$34,632,078	\$35,844,200
17 MUSD Required Revenue / ADA	\$15,054	\$15,581	\$16,127	\$16,691	\$17,275	\$17,880	\$18,506	\$19,153	\$19,824	\$20,518
18 MUSD Revenue in Excess of Cap	\$3,079,809	\$3,301,089	\$3,543,100	\$3,802,929	\$4,081,635	\$4,380,335	\$4,700,208	\$5,042,493	\$5,408,499	\$5,799,600
MUSD Budget										
19 MUSD Minimum Fund Balance	\$1,052,000	\$1,088,820	\$1,126,929	\$1,166,371	\$1,207,194	\$1,249,446	\$1,293,177	\$1,338,438	\$1,385,283	\$1,433,768
20 MUSD Fund Balance	\$1,779,343	\$1,088,820	\$1,126,929	\$1,166,371	\$1,207,194	\$1,249,446	\$1,293,177	\$1,338,438	\$1,385,283	\$1,433,768
21 MUSD Fund Balance % of Budget	6.8%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

SCENARIO MUNC 2.0 : Same Approach as 1.0 but updated info -- Delta Obligation of 100% for all years -- RDA: District Projections -- Assessed Value: SSC Projections Corrected

Calculations	SM Basic Aid	SM Basic Aid	SM Basic Aid	SM Basic Aid	SM Basic Aid	SM Basic Aid	SM Basic Aid	SM Basic Aid	SM Basic Aid	SM Basic Aid
Year	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38
1 SMMUSD Revenue	\$204,534,743	\$212,836,649	\$221,519,388	\$230,602,219	\$240,105,423	\$250,050,359	\$260,459,518	\$271,356,593	\$282,766,535	\$294,715,631
2 SMUSD Revenue	\$161,218,748	\$167,776,480	\$174,639,921	\$181,825,049	\$189,348,718	\$197,228,711	\$205,483,785	\$214,133,733	\$223,199,437	\$232,702,932
1 SMUSD Required Revenue	\$170,380,452	\$177,296,061	\$184,528,911	\$192,095,043	\$200,011,352	\$208,295,630	\$216,966,613	\$226,044,036	\$235,548,686	\$245,502,459
2 SMUSD Required Rev/ADA	\$19,550	\$20,344	\$21,174	\$22,042	\$22,950	\$23,901	\$24,896	\$25,937	\$27,028	\$28,170
3 SMUSD Rev/ADA	\$18,499	\$19,251	\$20,039	\$20,863	\$21,727	\$22,631	\$23,578	\$24,571	\$25,611	\$26,701
4 Delta per ADA	\$1,051	\$1,092	\$1,135	\$1,178	\$1,223	\$1,270	\$1,318	\$1,367	\$1,417	\$1,469
5 Delta \$	\$9,161,703	\$9,519,581	\$9,888,990	\$10,269,994	\$10,662,633	\$11,066,918	\$11,482,827	\$11,910,303	\$12,349,249	\$12,799,527
6 Delta \$ Amt to be Paid	\$9,161,703	\$9,519,581	\$9,888,990	\$10,269,994	\$10,662,633	\$11,066,918	\$11,482,827	\$11,910,303	\$12,349,249	\$12,799,527
7 MUSD Payment	\$6,167,065	\$6,611,027	\$7,084,605	\$7,589,488	\$8,127,454	\$8,700,373	\$9,310,214	\$9,959,047	\$10,649,053	\$11,382,522
8 Delta \$ (Deferred) / Catch-up	(\$2,994,638)	(\$2,908,554)	(\$2,804,385)	(\$2,680,506)	(\$2,535,179)	(\$2,366,545)	(\$2,172,614)	(\$1,951,256)	(\$1,700,197)	(\$1,417,005)
9 MUSD Owed to SMUSD	\$29,161,946	\$32,332,958	\$35,428,339	\$38,427,700	\$41,308,729	\$44,047,053	\$46,616,090	\$48,986,891	\$51,127,969	\$53,005,126
10 Interest on MUSD Owed Balance	\$233,405	\$262,458	\$290,997	\$318,855	\$345,849	\$371,779	\$396,423	\$419,545	\$440,882	\$460,152
11 SMUSD Revenue After Payment	\$167,385,814	\$174,387,507	\$181,724,527	\$189,414,537	\$197,476,172	\$205,929,085	\$214,793,999	\$224,092,781	\$233,848,490	\$244,085,454
12 SMUSD Revenue After Payment / ADA	\$19,207	\$20,010	\$20,852	\$21,734	\$22,659	\$23,629	\$24,646	\$25,713	\$26,833	\$28,008
13 Delta After Payment / ADA	\$344	\$334	\$322	\$308	\$291	\$272	\$249	\$224	\$195	\$163
14 Delta After Payment as % of SMUSD Rev after Pmt	1.8%	1.7%	1.5%	1.4%	1.3%	1.1%	1.0%	0.9%	0.7%	0.6%
15 MUSD Revenue	\$43,315,995	\$45,060,169	\$46,879,467	\$48,777,170	\$50,756,705	\$52,821,648	\$54,975,733	\$57,222,860	\$59,567,098	\$62,012,699
16 MUSD Required Revenue (Budget)	\$37,098,747	\$38,397,204	\$39,741,106	\$41,132,044	\$42,571,666	\$44,061,674	\$45,603,833	\$47,199,967	\$48,851,966	\$50,561,785
17 MUSD Required Revenue / ADA	\$21,236	\$21,979	\$22,748	\$23,544	\$24,368	\$25,221	\$26,104	\$27,018	\$27,963	\$28,942
18 MUSD Revenue in Excess of Cap	\$6,217,247	\$6,662,965	\$7,138,361	\$7,645,126	\$8,185,039	\$8,759,973	\$9,371,900	\$10,022,893	\$10,715,133	\$11,450,914
MUSD Budget										
19 MUSD Minimum Fund Balance	\$1,483,950	\$1,535,888	\$1,589,644	\$1,645,282	\$1,702,867	\$1,762,467	\$1,824,153	\$1,887,999	\$1,954,079	\$2,022,471
20 MUSD Fund Balance	\$1,483,950	\$1,535,888	\$1,589,644	\$1,645,282	\$1,702,867	\$1,762,467	\$1,824,153	\$1,887,999	\$1,954,079	\$2,022,471
21 MUSD Fund Balance % of Budget	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

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Calculations	SM Basic Aid	SM Basic Aid	SM Basic Aid	SM Basic Aid	SM Basic Aid	SM Basic Aid	SM Basic Aid	Total
Year	2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45	
1 SMMUSD Revenue	\$307,231,568	\$320,343,517	\$334,082,204	\$348,497,509	\$363,621,118	\$379,489,763	\$396,142,135	
2 SMUSD Revenue	\$242,667,470	\$253,117,587	\$264,079,175	\$275,597,062	\$287,697,662	\$300,412,202	\$313,773,625	
1 SMUSD Required Revenue	\$255,928,419	\$266,850,865	\$278,295,394	\$290,303,555	\$302,901,744	\$316,120,558	\$329,992,230	
2 SMUSD Required Rev/ADA	\$29,366	\$30,620	\$31,933	\$33,311	\$34,756	\$36,273	\$37,865	
3 SMUSD Rev/ADA	\$27,845	\$29,044	\$30,302	\$31,623	\$33,012	\$34,471	\$36,004	
4 Delta per ADA	\$1,522	\$1,576	\$1,631	\$1,687	\$1,745	\$1,802	\$1,861	
5 Delta \$	\$13,260,949	\$13,733,278	\$14,216,218	\$14,706,493	\$15,204,081	\$15,708,357	\$16,218,605	
6 Delta \$ Amt to be Paid	\$13,260,949	\$13,733,278	\$14,216,218	\$14,706,493	\$15,204,081	\$15,708,357	\$16,218,605	\$281,678,413
7 MUSD Payment	\$12,161,865	\$12,989,618	\$13,868,446	\$14,801,154	\$15,790,687	\$16,840,146	\$17,952,786	\$234,391,478
8 Delta \$ (Deferred) / Catch-up	(\$1,099,084)	(\$743,660)	(\$347,772)	\$94,661	\$586,606	\$1,131,789	\$1,734,181	
9 MUSD Owed to SMUSD	\$54,581,256	\$55,816,148	\$56,666,265	\$57,081,601	\$57,008,729	\$56,390,019	\$55,163,348	
10 Interest on MUSD Owed Balance	\$477,046	\$491,231	\$502,345	\$509,996	\$513,734	\$513,079	\$507,510	\$7,876,414
11 SMUSD Revenue After Payment	\$254,829,335	\$266,107,205	\$277,947,621	\$290,398,216	\$303,488,350	\$317,252,347	\$331,726,411	
12 SMUSD Revenue After Payment / ADA	\$29,240	\$30,534	\$31,893	\$33,322	\$34,824	\$36,403	\$38,064	
13 Delta After Payment / ADA	\$126	\$85	\$40	(\$11)	(\$67)	(\$130)	(\$199)	
14 Delta After Payment as % of SMUSD Rev after Pmt	0.4%	0.3%	0.1%	0.0%	-0.2%	-0.4%	-0.5%	
15 MUSD Revenue	\$64,564,098	\$67,225,929	\$70,003,029	\$72,900,447	\$75,923,456	\$79,077,561	\$82,368,511	
16 MUSD Required Revenue (Budget)	\$52,331,447	\$54,163,048	\$56,058,754	\$58,020,811	\$60,051,539	\$62,153,343	\$64,328,710	
17 MUSD Required Revenue / ADA	\$29,955	\$31,003	\$32,089	\$33,212	\$34,374	\$35,577	\$36,822	
18 MUSD Revenue in Excess of Cap	\$12,232,651	\$13,062,882	\$13,944,274	\$14,879,636	\$15,871,917	\$16,924,218	\$18,039,800	
MUSD Budget								
19 MUSD Minimum Fund Balance	\$2,093,258	\$2,166,522	\$2,242,350	\$2,320,832	\$2,402,062	\$2,486,134	\$2,573,148	
20 MUSD Fund Balance	\$2,093,258	\$2,166,522	\$2,242,350	\$2,320,832	\$2,402,062	\$2,486,134	\$2,573,148	
21 MUSD Fund Balance % of Budget	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	

SCENARIO MUNC 2.0 : Same Approach as 1.0 but updated info -- Delta Obligation of 100% for all years -- RDA: District Projections -- Assessed Value: SSC Projections Corrected

Assumptions

RDA Forecast
 MUSD 2018-19 Required Revenue 2 District Projections
\$26,300,000

Year	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
SMUSD Required Revenue	\$116,611,432	\$120,991,181	\$125,501,362	\$130,283,353	\$135,207,732	\$140,354,845	\$145,735,841	\$151,362,469	\$157,535,124	\$163,766,846
SMUSD Required Rev/ADA	\$13,381	\$13,883	\$14,401	\$14,949	\$15,514	\$16,105	\$16,722	\$17,368	\$18,076	\$18,791
Delta \$	\$4,000,466	\$5,003,694	\$5,776,272	\$6,845,741	\$7,157,886	\$7,481,096	\$7,815,565	\$8,161,472	\$8,461,246	\$8,815,266
Percent Delta Obligation to Pay	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
MUSD Revenue Growth Cap		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
MUSD Required Revenue (Budget)	\$26,300,000	\$27,220,500	\$28,173,218	\$29,159,280	\$30,179,855	\$31,236,150	\$32,329,415	\$33,460,945	\$34,632,078	\$35,844,200
MUSD Max Fund Reserve %	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%

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Assumptions

RDA Forecast
MUSD 2018-19 Required Revenue

Year	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38
SMUSD Required Revenue	\$170,380,452	\$177,296,061	\$184,528,911	\$192,095,043	\$200,011,352	\$208,295,630	\$216,966,613	\$226,044,036	\$235,548,686	\$245,502,459
SMUSD Required Rev/ADA	\$19,550	\$20,344	\$21,174	\$22,042	\$22,950	\$23,901	\$24,896	\$25,937	\$27,028	\$28,170
Delta \$	\$9,161,703	\$9,519,581	\$9,888,990	\$10,269,994	\$10,662,633	\$11,066,918	\$11,482,827	\$11,910,303	\$12,349,249	\$12,799,527
Percent Delta Obligation to Pay	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
MUSD Revenue Growth Cap	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
MUSD Required Revenue (Budget)	\$37,098,747	\$38,397,204	\$39,741,106	\$41,132,044	\$42,571,666	\$44,061,674	\$45,603,833	\$47,199,967	\$48,851,966	\$50,561,785
MUSD Max Fund Reserve %	20%	12%	12%	12%	12%	12%	12%	12%	12%	12%

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Assumptions

RDA Forecast
MUSD 2018-19 Required Revenue

Year	2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45
SMUSD Required Revenue	\$255,928,419	\$266,850,865	\$278,295,394	\$290,303,555	\$302,901,744	\$316,120,558	\$329,992,230
SMUSD Required Rev/ADA	\$29,366	\$30,620	\$31,933	\$33,311	\$34,756	\$36,273	\$37,865
Delta \$	\$13,260,949	\$13,733,278	\$14,216,218	\$14,706,493	\$15,204,081	\$15,708,357	\$16,218,605
Percent Delta Obligation to Pay	100%	100%	100%	100%	100%	100%	100%
MUSD Revenue Growth Cap	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
MUSD Required Revenue (Budget)	\$52,331,447	\$54,163,048	\$56,058,754	\$58,020,811	\$60,051,539	\$62,153,343	\$64,328,710
MUSD Max Fund Reserve %	12%	12%	12%	12%	12%	12%	12%