



SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

**BOARD OF EDUCATION MEETING
MINUTES – SPECIAL MEETING**

May 30, 2017

A special meeting of the Santa Monica-Malibu Unified School District Board of Education was held on Tuesday, May 30, 2017, in the Malibu City Council Chambers: 23825 Stuart Ranch Road, Malibu, CA. The Board of Education called the meeting to order at 6:56 p.m. in the Board Room at the District Offices.

I. CALL TO ORDER

A. Roll Call

Board of Education Members

Laurie Lieberman – President

Richard Tahvildaran-Jesswein – Vice President

Maria Leon-Vazquez

Oscar de la Torre – arrived at 7:05pm

Craig Foster

Jon Kean

Ralph Mechur

B. Pledge of Allegiance

Led by Dr. Tahvildaran-Jesswein

II. DISCUSSION ITEM

D.01 Consider Report from Malibu Unification Negotiations Committee (MUNC) on Proposed Financial Terms for Reorganizing SMMUSD into Two Separate School Districts (*postponed from April 20, 2017*)..... 1

II. PUBLIC COMMENTS

Public Comments is the time when members of the audience may address the Board of Education on items not scheduled on the meeting's agenda. All speakers are limited to three (3) minutes. When there is a large number of speakers, the Board may reduce the allotted time to two (2) minutes per speaker. The Brown Act (Government Code) states that Board members may not engage in discussion of issues raised during "VIII. Public Comments" except to ask clarifying questions, make a brief announcement, make a brief report on his or her own activities, or to refer the matter to staff. This Public Comment section is limited to twenty (20) minutes.

V. ADJOURNMENT

It was moved by Dr. Tahvildaran-Jesswein, seconded by Mr. Mechur, and voted 7/0 to adjourn the meeting at 11:45 p.m., with thanks for the hard work of the Malibu Unification Negotiations Committee. The next board meeting is a regular meeting scheduled for **Thursday, June 1, 2017, at 5:30 p.m. in the district office board room: 1651 16th St., Santa Monica, CA.**

Approved: _____

6-29-17



President



Superintendent

DISCUSSION ITEM

TO: BOARD OF EDUCATION

DISCUSSION

05/30/18

FROM: MALIBU UNIFICATION NEGOTIATIONS COMMITTEE

RE: CONSIDER REPORT FROM MALIBU UNIFICATION NEGOTIATIONS
COMMITTEE (MUNC) ON PROPOSED FINANCIAL TERMS FOR
REORGANIZING SMMUSD INTO TWO SEPARATE SCHOOL DISTRICTS
(POSTPONED FROM APRIL 20, 2017)

DISCUSSION ITEM NO. D.01

In a study session held on March 7, 2017, the Malibu Unification Negotiations Committee, consisting of representatives from Santa Monica and from Malibu, presented its report regarding negotiated terms and conditions intended to resolve financial concerns associated with the unification of a separate Malibu Unified School District (MUSD). At that special board meeting, board members had an opportunity to discuss and ask questions about various aspects of the report.

The committee's report addresses: 1) the operating budget impact of reorganization, 2) the division of the SMMUSD's assets (fund balances, land/buildings), 3) bond-related items and other liabilities, 4) environmental liability issues, and 5) the implementation of the committee's recommendations. The Santa Monica representatives on the committee included: Tom Larmore, Paul Silvern, and Debbie Mulvaney; the Malibu representatives included: Laura Rosenthal, Manel Sweetmore, and Makan Delrahim. Details regarding the committee's purpose and the Board of Education's objectives in forming the committee can be found [online](#).

Following the special board meeting on March 7, the committee made community presentations on the report in Santa Monica (March 21) and Malibu (March 27). The report was scheduled to come forward as a discussion item on April 20, 2017, but was postponed. Subsequent to its initial presentation to the Board, the MUNC has considered additional input and information and re-visited some of the assumptions underlying its recommendations. The MUNC will update the Board on the results of its further work.

Public Comments:

- *Peggy Hall Kaplan, Rick Mullen, John Miller, Nancy Farias, Jefferson Wagner, Marty King, Desi Bradley, Deidra Romey, Seth Jacobson, Nicole Rose, Paul Cox, Waylen Russell, Jessica Isles, Melanie Goudzwaard, Carl Randal, Lou La Monte, and Laura Rosenthal addressed the board regarding this issue.*

During a lengthy discussion, the board considered the following: LCFF vs. minimum state aid vs. basic aid funding; projection assumptions related to RDA and property taxes; whether or not board members were okay with payments from an MUSD to an SMUSD ending, even if a delta still existed; what criteria could be used to determine a possible ending date for payments; the suggested adjusted delta calculation; how quickly MUNC could produce the new projections; whether or not the district should contract with an outside agency familiar with school funding to analyze the new calculation and projections; and whether or not the board should create a subcommittee to participate in MUNC meetings.

Dr. Tahvildaran-Jesswein gave the following direction:

- *The Board of Education tolerates the concept that even if a delta exists, payments of the delta from an MUSD to an SMUSD could be less than 100%. All seven board members supported this direction, but several board members expressed concern over the potential details associated with determining what amount below a 100% payment would be acceptable.*

- *The Board of Education directs MUNC to refine the suggested funding ratio calculation (adjusted delta calculation) and develop a rationale for a time frame during which payments from an MUSD to an SMUSD would cease. Additionally, MUNC will collaborate with the superintendent and/or his designee to return to the board with recommendations. All seven board members supported this direction, with Tahvildaran-Jesswein clarifying that the board would not be obligated to accept the recommendations.*

Mr. Foster gave the following direction:

- *The Board of Education establishes an ad hoc subcommittee to participate in MUNC meetings during the period in which MUNC develops the new recommendations, and that Ms. Lieberman, Ms. Leon-Vazquez, and Mr. Kean are to serve on the subcommittee. Additionally, staff will consult with legal counsel regarding the establishment and Brown Act limitations of this subcommittee. All seven board members supported this direction; although, Ms. Lieberman expressed her concern that her schedule might prevent her from attending the meetings, given that future MUNC meeting dates had not yet been set.*

Ms. Lieberman gave the following direction:

- *The Board of Education directs executive staff to determine if School Services of CA or another outside expert in school funding should be engaged to conduct a peer review of MUNC's new calculations and projections and could also act as a bridge during the transition between Assistant Superintendents. It was added that this peer review process shall not negatively impact MUNC's timeline for delivering its recommendations to the board. All seven board members supported this direction.*



Malibu Unification Negotiations Committee (MUNC) Update

Board of Education
Special Meeting
May 30, 2017 – Item D.01



December 2015 – Board Action Establishing the MUNC

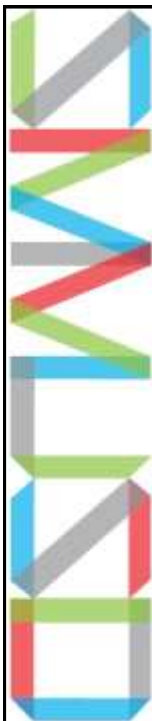
“The Board of Education also expressed its unanimous desire for the co-existence of the Santa Monica Unified School District and the Malibu Unified School District as two excellent school districts serving their respective communities and providing the best educational opportunities for their respective students as long as it can be accomplished in a manner that does not have a negative impact on the financial condition of the remaining Santa Monica Unified School District.”



Board Objectives for MUNC Negotiations

- Elimination of any significant adverse financial effects of separation on SMUSD.
- Allocation of cash in the General Fund Accounts and the Capital Facilities Fund in a manner which is fair to both MUSD and SMUSD considering the sources and uses of cash in the various funds.
- Allocation of bond debt and authority to issue authorized but unissued bonds in a manner which is fair to both MUSD and SMUSD and establishment of any legal mechanisms which might be required to achieve fairness.
- Establishment of a mechanism which would permit refinancing of outstanding bonds in order to reduce property tax assessments.

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Board Objectives for MUNC Negotiations


- Establish a procedure under which agreements on the preceding four items can be revisited on a reasonable schedule.
- Establishment of 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.
- Dismissal of the pending lawsuit against SMMUSD or an enforceable agreement from the plaintiffs that SMUSD will be dismissed from the lawsuit.
- Receipt by the Board of a legal opinion from a firm selected by the Board with respect to any potential continuing exposure of SMUSD following separation and a conclusion by the Board that any such exposure is reasonable.

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MUNC Presentation

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Questions

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Board Direction

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Malibu Unification Negotiations Committee Update to the Board of Education

Special Board Meeting
May 30, 2017

Presented by:

Santa Monica Team

Tom Larmore
Debbie Mulvaney
Paul J. Silvern

Malibu Team

Laura Zahn Rosenthal
Manel Sweetmore
Makan Delrahim*
(*through January 2017)

Presentation Outline

Update on Topic 1: New Revenue Information

Review of MUNC 1.0

MUNC 2.0 Update

MUNC 3.0 Update

Why Original Approach Doesn't Work

Possible Alternatives

Concluding Remarks

Review of MUNC activity to date

- Since publishing its March 27, 2017 report the MUNC has had a series of public workshops and meetings focused on Topic 1 – Revenue Neutrality Formula:
 - Understanding the concerns regarding the payment plan that was proposed to address Malibu's inability to pay the Delta as it was due
 - Better understanding of a longer term forecast of the Delta – “Will the Delta go to Zero?”
 - Evaluating the impact of new information on the Revenue Neutrality Formula
 - Versions of MUNC work were established to facilitate discussion of each phase:
 - **MUNC 1.0:** Initial report
 - **MUNC 2.0:** Reconciliation of data between West Ed report, SSC Report, and District Administration forecasts to **re-evaluate Malibu costs to determine ability to pay**
 - **MUNC 3.0:** Incorporation of **new higher** RDA revenue estimates from Los Angeles County

New information has led the MUNC to revise Topic 1 of the report since the original presentation

- Topic 1 (the Impact of reorganization on SMUSD and MUSD revenues) has required two major revisions since the original report to the School Board
 - **MUNC 2.0:** Additional \$2M/yr of funds available for Malibu payment to SMUSD
 - Continued work by the MUNC with the District Staff, as well as a reconciliation between the WestEd and the SSC report, including a more detailed analysis of MUSDs costs resulted in additional funds available for payment to SMUSD
 - MUSD ability to pay was based on the WestEd report since the SSC report did not look at costs; however the WestEd report had a lower Revenue forecast than SSC due to lower assumptions on Assessed Value growth
 - **MUNC 3.0:** Additional ~\$4+M/Yr RDA Revenue to SMMUSD and SMUSD
 - The annual RDA funds estimates from County show a materially higher recurring revenue from the wind down of RDA's. The big driver was the impact of the resolution of the LAUSD lawsuit challenging the way the funds were being distributed back to the schools

Impact of Incremental RDA Funds on Revenue

- Increased SMMUSD Revenue immediately – SMMUSD becomes Basic Aid in 2018-19
- Accelerated timeline for SMUSD reaching Minimum State Aid (2022-23) and Basic Aid (2027-28)
- Increased SMUSD Revenue after the separate District becomes Minimum State Aid

YEAR	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total to 2030
SMUSD Revenue (\$ Millions)													
MUNC 1.0 RDA: SSC Projections	\$112.6	\$116.0	\$119.7	\$122.7	\$125.9	\$128.8	\$132.1	\$135.3	\$140.5	\$145.8	\$151.3	\$157.0	
MUNC 3.0B RDA: Updated Project	\$112.6	\$116.0	\$119.7	\$122.7	\$126.3	\$130.7	\$135.2	\$139.9	\$145.2	\$150.4	\$156.0	\$161.7	
Difference	\$0.0	\$0.0	\$0.0	\$0.0	\$0.4	\$1.9	\$3.1	\$4.6	\$4.7	\$4.7	\$4.7	\$4.7	\$28.7
Difference / ADA	\$0	\$0	\$0	\$0	\$44	\$217	\$353	\$529	\$539	\$534	\$540	\$543	

Presentation Outline

Update on Topic 1: New Revenue Information

Review of MUNC 1.0

MUNC 2.0 Update

MUNC 3.0 Update

Why Original Approach Doesn't Work

Possible Alternatives

Concluding Remarks

Impact of Incremental RDA Funds on MUNC Report Topic 1: Original Methodology Makes it Impossible for Malibu to Fund Annual Delta

- Created larger inability to pay Delta "as due" – highlights mathematical impossibility of initial ADA based approach
- Total Revenue required by both districts is **greater** than Total Revenue generated; original Delta calculation based on SMUSD maintaining the same Revenue per ADA as SMMUSD however that is a larger amount than the Revenue per ADA that is allocated to SM schools due to the cost/ADA difference between districts
- Reduced incremental State Revenue from reorganization from \$35M to \$6.5M, highlighting the unsustainable approach

Original "ADA Ratio" Approach - Without RDA Funds

(in \$ Millions)	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total to 2030	Total to 2045
(A) SMUSD Required Revenue	\$112.5	\$116.3	\$120.5	\$124.9	\$129.5	\$134.2	\$139.2	\$144.3	\$149.9	\$155.5	\$161.4	\$167.5		
(B) MUSD Cost (Req. Rev)	\$26.3	\$27.2	\$28.2	\$29.2	\$30.2	\$31.2	\$32.3	\$33.5	\$34.6	\$35.8	\$37.1	\$38.4		
(C) Combined Required Revenue	\$138.8	\$143.6	\$148.7	\$154.1	\$159.7	\$165.5	\$171.5	\$177.8	\$184.5	\$191.3	\$198.5	\$205.9		
(D) SMUSD + MUSD Revenue	\$141.9	\$146.4	\$151.3	\$155.5	\$159.9	\$164.0	\$168.7	\$173.3	\$179.9	\$186.7	\$193.7	\$201.1		
(E) Additional State Funding	\$6.9	\$6.7	\$6.6	\$5.5	\$4.4	\$2.9	\$1.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$34.7	\$34.7
(D) Subtract (C)	\$3.2	\$2.8	\$2.6	\$1.4	\$0.2	(\$1.4)	(\$2.8)	(\$4.5)	(\$4.6)	(\$4.7)	(\$4.7)	(\$4.8)	(\$17.4)	(\$88.9)
													\$17.3	(\$54.2)

Original "ADA Ratio" Approach - With RDA Funds

(in \$ Millions)	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total to 2030	Total to 2045
(A) SMUSD Required Revenue	\$116.3	\$120.4	\$124.6	\$129.0	\$133.5	\$138.2	\$143.1	\$148.2	\$153.8	\$159.4	\$165.3	\$171.5		
(B) MUSD Cost (Req. Rev)	\$26.3	\$27.2	\$28.2	\$29.2	\$30.2	\$31.2	\$32.3	\$33.5	\$34.6	\$35.8	\$37.1	\$38.4		
(C) Combined Required Revenue	\$142.6	\$147.6	\$152.8	\$158.1	\$163.7	\$169.4	\$175.4	\$181.6	\$188.4	\$195.2	\$202.4	\$209.9		
(D) SMUSD + MUSD Revenue	\$141.9	\$146.4	\$151.3	\$155.5	\$160.3	\$165.9	\$171.8	\$177.9	\$184.6	\$191.3	\$198.4	\$205.8		
(E) Additional State Funding	\$2.3	\$1.9	\$1.7	\$0.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$6.5	\$6.5
(D) Subtract (C)	(\$0.7)	(\$1.2)	(\$1.5)	(\$2.7)	(\$3.4)	(\$3.5)	(\$3.6)	(\$3.8)	(\$3.8)	(\$3.9)	(\$4.0)	(\$4.0)	(\$36.1)	(\$98.1)
													(\$29.6)	(\$92.0)

Malibu Unification Negotiations Committee Report

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Presentation Outline

Update on Topic 1: New Revenue Information

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Concluding Remarks

Malibu Unification Negotiations Committee Report

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Potential Solution to Topic 1: Establish Required Revenue Based on a “Cost Based Ratio” of SMMUSD Revenue

- Cost Based Ratio approach can ensure that total Revenues are split so both districts have the required funds to operate
- “Cost Based Ratio” allows MUSD to fund annual Delta and eliminates problem highlighted in p.6

2017-2018 Preliminary Budget - Unrestricted General Fund

Santa Monica Schools:

Total Site Costs = \$64,151,000 ADA = 9,151 Costs/ADA = \$7,010

Malibu Schools:

Total Site Costs = \$14,445,400 ADA = 1,620 Costs/ADA = \$8,917

Aggregate:

Total Site Costs = \$78,596,400 Total ADA = 10,771 Total Costs/ADA = \$7,297

Site Costs Allocation:

Santa Monica = 81.6%

ADA Allocation = 85/15

Presentation Outline

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Why Original Approach Doesn't Work

Possible Alternatives

Concluding Remarks

Concluding Remarks

- The Initial approach of calculating the Required Revenue based on ADA split will no longer work, as it will either make Malibu not financially viable OR unable to pay the annual Delta
- Under the current assumptions the Delta does NOT go to Zero in the foreseeable future; it remains steady ~3% of SMUSD Revenue
- If the direction of the Board is to have payments equal the Delta until it is Zero, with the current assumptions, there isn't a scenario with finite end of payments
- MUNC has had preliminary analysis and discussions of the "Cost Based Ratio" and request Board guidance if it should be pursued

Concluding Remarks – Direction Required

- Having the following issues addressed before continuing with further analysis would make MUNC efforts more productive:
 - Are payments necessary as long as a Delta exists?
 - If not, then things to consider would include:
 - Suggested time frame for starting the reduction of the obligation to pay 100% of Delta (e.g. the year that SMUSD becomes Basic Aid or a fixed year)
 - Agreement to a soft-landing time-frame, to decline payments from 100% of Delta to 0% of Delta, that satisfies Santa Monica and is short enough to provide meaningful separation for Malibu (e.g. 10% reduction per year over 9 years or 7.5% reduction per year over 13 years)
 - Continued collaboration with Superintendent and Senior Administration to arrive at a shared and validated proposal
 - Also suggest a Board Sub-committee to participate in MUNC meetings

Questions?

Appendix

Impact of New Information and Approach on Revenue Growth Rates

