



Council Agenda Report

To: Mayor Pierson and the Honorable Members of the City Council

Prepared by: Elizabeth Shavelson, Assistant to the City Manager

Reviewed by: Lisa Soghor, Assistant City Manager

Approved by: Reva Feldman, City Manager

Date prepared: February 3, 2021 Meeting date: February 22, 2021

Subject: Amendments to Professional Services Agreements for School District Separation Consultant Services

RECOMMENDED ACTION: 1) Authorize the Mayor to execute Amendment No. 2 to the Professional Services Agreement with STLR Corp, dba Ryland School Business Consulting; and 2) Authorize the Mayor to execute Amendment No. 3 to the Professional Services Agreement with Kirk-Carter and Associates.

FISCAL IMPACT: Funding in the amount of \$60,000 for these amendments was included in the Adopted Budget for Fiscal Year 2020-2021 in Account No. 100-7001-5100 (City Council Professional Services).

WORK PLAN: This item was included as item 3a in the Adopted Work Plan for Fiscal Year 2020-2021.

DISCUSSION: The City Council has established school district separation as one of the City's top 3 priorities after public safety and Woolsey Fire rebuilds. To this end, the City Council's School District Separation Ad Hoc Committee has directed the City Attorney to pursue negotiations with the Santa Monica-Malibu Unified School District (SMMUSD) regarding the potential unification of a Malibu School District. To assist in this effort, the City Attorney solicited the assistance of two school finance professionals: Kirk-Carter and Associates (KCA) and Ryland School Business Consulting (Ryland SBC).

In August 2018, at the recommendation of the Ad Hoc Committee, the City executed an agreement with KCA to work under the supervision of the City Attorney to provide financial analysis regarding the potential unification of Malibu schools and create a

financial model. The agreement was subsequently amended in April 2019. On August 22, 2020, the City Council authorized the City to execute Amendment No. 2 to the Professional Services Agreement with KCA for a total contract amount not to exceed \$45,000.

In January 2020, at the recommendation of the Ad Hoc Committee, the City executed an agreement with Ryland SBC to work under the supervision of the City Attorney to provide consulting services for financial analysis related to school district separation and unification including the review of the financial models developed by KCA for the City of Malibu and by Eastshore Consulting for SMMUSD.

On July 13, 2020, the City Council authorized Amendment No. 1 to the Professional Services Agreement with Ryland SBC for a total contract amount not to exceed \$73,710.

On October 12, 2020, the City Council received an update from the City Attorney which included a detailed report from KCA and Ryland SBC on their findings and directed the City Attorney to submit the petition for unification of a Malibu Unified School District (MUSD) to the Los Angeles County Office of Education's County Committee on School District Separation (LACOE County Committee).

On October 28, 2020, the City Attorney and consultant team conducted a Virtual Town Hall to provide an update to the community on the City's school district separation efforts and answer questions.

On October 29, 2020, the City Attorney submitted a letter to the LACOE County Committee and the Los Angeles County Superintendent of Schools requesting to move forward with the City's petition to create an independent MUSD from the existing SMMUSD.

On December 3, 2020, the City Attorney provided an update to the LACOE County Committee and the County Committee tentatively scheduled the Preliminary Hearing on the City's petition for Saturday, April 17, 2021.

As part of the petition process, the City Attorney needs to continue to analyze the financials of the separation and the proposed MUSD, evaluate and support the proposed separation based on the criteria established by the State of California and communicate this information to the LACOE County Committee, the Malibu community and all interested stakeholders.

The existing scope of work for both KCA and Ryland SBC were developed to support the City Attorney's negotiations with SMMUSD and did not foresee or anticipate the Council's October 12 decision to submit the petition to the LACOE County Committee without SMMUSD support nor did they properly take into account the extensive petition

process and all the necessary community outreach activities that must go along with it. KCA and Ryland SBC both provide specialized professional school finance services. In particular, both have experience with Basic Aid school districts. California school districts are categorized as Basic Aid when the district's property tax revenue exceeds the State's Local Control Funding Formula and, as such, receive little state funding. Out of the nearly 1,000 school districts in the state, approximately less than 10% qualify as Basic Aid. KCA has extensive experience in running a Basic Aid school district having recently retired from her position as Assistant Superintendent of Business Services for the City of Beverly Hills, a long-established Basic Aid district. Ryland SBC has extensive knowledge of Basic Aid districts, school district reorganization plans, and tax-based demographics. In the last few years, SMMUSD has moved in and out of Basic Aid status, KCA and Ryland SBC specialized knowledge of basic aid districts not only helps in the analysis of the finances of the current SMMUSD but also the potential Santa Monica Unified School District and the Malibu Unified School District.

KCA and Ryland SBC have already reviewed all aspects of the SMMUSD budget, property tax areas, property tax ratios, analyzed SMMUSD's proposed financial model and created financial models for separation all of which is the foundation of the work ahead. The City Attorney has reviewed the work performed by KCA and RSBA have found it to be satisfactory.

At this time, bringing in different consultants for this work will cause unnecessary expense and delay to the City's school separation efforts. The process would not necessarily result in a lower price for these services if the City were to hire new consultants to perform this work, it is anticipated that there would be considerable time and funds spent onboarding the new consultants including the review of all the previous work performed to date. This would result in a net cost increase to the City for the same services as any new consultants would need to spend time getting up to speed on the City's efforts to date and strategy moving forward. Furthermore, with the Preliminary Hearing for the City's petition scheduled for April 17, 2021, any delays at this time have the potential to jeopardize the outcome of the hearing.

Staff is recommending that the scope, budget and term of these agreements be amended as shown in the attachments to reflect the anticipated work necessary to support the City's petition moving forward.

ATTACHMENTS:

1. Amendment 2 to the Professional Services Agreement with STLR Corp, dba Ryland School Business Consulting
2. Amendment 3 to the Professional Services Agreement with Kirk-Carter and Associates

AMENDMENT NO. 2 TO AGREEMENT

THIS AMENDMENT NO. 2 TO AGREEMENT is made and entered in the City of Malibu on February 22, 2021, by and between the CITY OF MALIBU, hereinafter referred to as City, and STLR Corp, dba Ryland School Business Consulting, hereinafter referred to as Consultant.

The City and the Consultant agree as follows:

RECITALS

- A. On January 16, 2020, the City entered into an Agreement with Consultant for consulting services for financial analysis and professional services related to school district separation and unification (the "Agreement").
- B. On July 13, 2021, the City amended the Agreement to increase the scope of work, increase the budget and extend the term of the agreement.
- C. On October 12, 2020, the Consultant presented its analysis to the City Council as part of an update from the School District Separation Ad Hoc Committee. The City Council directed staff to submit the petition for unification of a Malibu Unified School District to the Los Angeles County Office of Education.
- D. The City desires to amend the Agreement to increase the scope and budget and extend the term of the agreement, and Consultant has submitted a proposal for this purpose that is acceptable to the City.

NOW THEREFORE, in consideration of their mutual promises, obligations and covenants hereinafter contained, the parties hereto agree as follows:

- 1. Section 1.0 – Scope of the Consultant’s Services, of the Agreement, is hereby amended as set forth in Exhibit D attached hereto and shall replace Exhibit A and Exhibit C.
- 2. Section 2.0 – Term of Agreement, of the Agreement, is hereby extended to January 1, 2022.
- 3. Section 4.0 – Compensation for Services, of the Agreement, is hereby amended as set forth in Exhibit D attached hereto. Compensation for Services, of the Agreement, is hereby amended to read as follows:

The City shall pay the Consultant for its professional services rendered and costs incurred pursuant to this Agreement an hourly rate of \$195 for financial analysis and professional services. The Consultant shall be compensated for travel time and expenses. Expenses are defined as actual, out of pocket expenses such as lodging, meals, telephone charges, express or overnight mail charges. All expenses and travel time must be pre-approved by the City. The cost of the work described in Exhibit A to the Agreement shall not exceed \$24,960, the cost of the work described in Exhibit C to Amendment 1 shall not exceed \$48,750, and the cost of work described in Exhibit D to Amendment 2 shall not exceed \$45,000, meaning the total cost for all work performed under the Agreement as amended by this Amendment No. 2 shall not exceed \$118,710. The Consultant shall only bill the City for hours actually incurred.

- 4. The Parties agree that this Amendment will be considered signed when the signature of a party is delivered physically or by facsimile transmission or scanned and delivered via electronic mail. Such facsimile or electronic mail copies will be treated in all respects as having the same effect as an original signature.
- 5. All terms and conditions of the Agreement not amended by this Amendment No. 1 remain in full force and effect.

This Agreement is executed on _____, 2021, at Malibu, California, and effective as of February 22, 2021.

CITY OF MALIBU:

MIKKE PIERSON, Mayor

ATTEST:


HEATHER GLASER, City Clerk
(seal)

APPROVED AS TO FORM:

THIS DOCUMENT HAS BEEN REVIEWED
BY THE CITY ATTORNEY'S OFFICE

JOHN COTTI, Interim City Attorney

CONSULTANT:


By: Teresa R. Ryland
Title: President

Professional Services Agreement with STLR Corp,
dba Ryland School Business Consulting
Amendment 2

EXHIBIT D

Scope of Services

The Scope of Work described herein shall replace the Scope of Work in the original Professional Services Agreement (Exhibit A) and the Scope of Work in Amendment 1 to the Professional Services Agreement (Exhibit C).

The City of Malibu has been in negotiations with the Santa Monica Malibu Unified School District (SMMUSD) regarding the potential reorganization of a Malibu School District. On October 12, 2020, the City Council received an update from the Council's School District Separation Ad Hoc Committee and directed staff to submit the petition for reorganization of a Malibu Unified School District to the Los Angeles County Office of Education. As part of the negotiation and petition process, the City needs to analyze the financials of the separation and the proposed Malibu Unified School District.

The Consultant has experience performing financial analysis, producing budgets and financial models and can provide expert financial services and third-party review of the financial models and analysis produced by the East Shore Consulting for the SMMUSD and the financial models and analysis produced by Kirk-Carter and Associates for the City of Malibu.

The Consultant will work at the direction and under the supervision of the City Attorney to provide professional financial review, analysis and support services in support of the City's negotiation with the SMMUSD and the City's petition for creating a Malibu Unified School District (MUSD) to the Los Angeles County Committee on School District Organization. In this capacity, the Consultant may work with the City Council's School District Separation Ad Hoc Committee, City staff, and other consultants.

The Consultant's work shall include the following tasks as requested:

- Review records, documentation and reports including BBK and East Shore Consulting Memos.
- Review financial models prepared by East Shore Consulting and Kirk-Carter and Associates.
- Prepare general financial analysis and reconciliation.
- Document and/or refine procedures and results.
- Act on assignments that result from conversations with City Attorney and City Staff.

- Prepare and/or review short-term and long-term cash flow and revenue schedules.
- Prepare reports as directed by City Attorney, in accordance with the Public Records Act and while maintaining appropriate privileges and exemptions.
- Prepare and present to Governing Boards and other entities.
- Craft other financial and professional work assigned as needed.
- Complete the research and analysis to update information regarding assets, debt, enrollment, and finances.
- Participate in negotiations between the City and the School District.
- Write the reorganization report addressing all required criterion.
- Present reports to the City Council.
- Attend and present at the City's School District Separation Ad Hoc Committee meeting(s), as well as LACOE's County Committee meeting(s).
- Prepare community outreach materials and perform community outreach activities including but not limited to making presentations and answering questions at community meetings.
- Attend weekly calls with City Attorney and consultant team.
- Refer to foundational information provided in the report produced by the Malibu Unification Negotiations Committee and provide extensive and necessary updates in some areas.

Fee and Cost Schedule

The Consultant shall be paid an hourly rate of \$195 for financial analysis and professional services. The Consultant shall be compensated for travel time and expenses. Expenses are defined as actual, out of pocket expenses such as lodging, meals, telephone charges, express or overnight mail charges. All travel time and expenses must be pre-approved by the City.

The cost of work done under previous scopes of service (*i.e.*, Exhibit A and Exhibit C) and the work approved under this Scope of Service (Exhibit D) shall not exceed \$118,710.

AMENDMENT NO. 3 TO AGREEMENT

THIS AMENDMENT NO. 3 TO AGREEMENT is made and entered in the City of Malibu on February 22, 2021, by and between the CITY OF MALIBU, hereinafter referred to as City, and Kirk-Carter and Associates, hereinafter referred to as Consultant.

The City and the Consultant agree as follows:

RECITALS

- A. On August 9, 2018, the City entered into an Agreement with Consultant for certain project relating to financial analysis regarding the potential unification of Malibu schools (the "Agreement"). The agreement was for \$7,500.
- B. On April 22, 2019, the City entered into Amendment No. 1 to increase the scope of work, increase the budget and extend the term of the agreement for one year.
- C. On August 10, 2020, the City entered into Amendment No. 2 to increase the budget and extend the term of the agreement for two years.
- D. On October 12, 2020, the Consultant presented its analysis to the City Council as part of an update from the School District Separation Ad Hoc Committee. The City Council directed staff to submit the petition for unification of a Malibu Unified School District to the Los Angeles County Office of Education.
- E. The City desires to amend the Agreement to increase the scope of work and increase the budget, and Consultant has submitted a proposal for this purpose that is acceptable to the City.

NOW THEREFORE, in consideration of their mutual promises, obligations and covenants hereinafter contained, the parties hereto agree as follows:

- 1. Section 1.0 – Scope of the Consultant's Services, of the Agreement and as amended by Amendment No. 1 and Amendment No. 2, is hereby amended as set forth in Exhibit E attached hereto and shall replace Exhibit B, D and Amended D.
- 2. Section 4.0 – Compensation for Services, of the Agreement and as amended by Amendment No. 1 and Amendment No. 2, is hereby amended as set forth in Exhibit E attached hereto and amended to read as follows:

The City shall pay the Consultant for its professional services rendered and costs incurred pursuant to this Agreement in accordance with the work authorized pursuant to Exhibits A, B, C, D, Amended D and E. Compensation shall in no case exceed \$60,000. No additional compensation shall be paid for any other expenses incurred unless first approved by the City Manager, or her designee.

- 3. The Parties agree that this Amendment will be considered signed when the signature of a party is delivered physically or by facsimile transmission or scanned and delivered via electronic mail. Such facsimile or electronic mail copies will be treated in all respects as having the same effect as an original signature.
- 4. All terms and conditions of the Agreement not amended by this Amendment No. 3 remain in full force and effect.

This Agreement is executed on _____, 2021, at Malibu, California, and effective as of February 22, 2021.

ATTACHMENT 2

CITY OF MALIBU:

MIKKE PIERSON, Mayor

ATTEST:

HEATHER GLASER, City Clerk
(seal)

APPROVED AS TO FORM:

THIS DOCUMENT HAS BEEN REVIEWED
BY THE CITY ATTORNEY'S OFFICE

JOHN COTTI, Interim City Attorney

CONSULTANT:

By: La Tanya Kirk-Carter
Title: President/Associate

Professional Services Agreement with Kirk-Carter and Associates
Scope of Work and Compensation Schedule
Amendment 3

EXHIBIT E

Scope of Services

The Scope of Work described herein shall replace the Scope of Work in the original Professional Services Agreement (Exhibit A) and the Scope of Work in Amendment 1 to the Professional Services Agreement (Exhibit C).

The City of Malibu has been in negotiations with the Santa Monica Malibu Unified School District (SMMUSD) regarding the potential reorganization of a Malibu School District. On October 12, 2020, the City Council received an update from the Council's School District Separation Ad Hoc Committee and directed staff to submit the petition for reorganization of a Malibu Unified School District to the Los Angeles County Office of Education. As part of the negotiation and petition process, the City needs to analyze the financials of the separation and the proposed Malibu Unified School District.

The Consultant has experience with Basic Aid school districts and performing financial analysis, producing budgets and financial models for school districts. The Consultant has specialized knowledge of Local Control Funding Formulas, Basic Aid school districts, school bonds and school district budgeting.

The Consultant will work at the direction and under the supervision of the City Attorney to provide professional financial review, analysis and support services in support of the City's negotiation with the SMMUSD and the City's petition for creating a Malibu Unified School District (MUSD) to the Los Angeles County Committee on School District Organization. In this capacity, the Consultant may work with the City Council's School District Separation Ad Hoc Committee, City staff, and other consultants.

The Consultant's work shall include the following tasks as requested:

- Analyze, evaluate and research existing and proposed school district financial models.
- Develop additional financial models, spreadsheets, presentation materials, research, reports and outreach materials as requested.
- Attend, present and participate in School District Separation Ad Hoc Committee meetings, public meetings including LACOE's County Committee meeting(s), negotiation discussions with SMMUSD, and community outreach meetings and other meetings as requested or required.

- Prepare research, reports, spreadsheets, and presentations, for City Attorney in accordance with the Public Records Act and while maintaining appropriate privileges and exemptions.
- Prepare materials for community outreach.
- Analyze, evaluate, research and prepare reports related to demographic/enrollment criteria and models, cohort analysis and trends, education curricula, facility condition assessments, facility use models and other functions related to the criteria for the Unification of School Districts and Territory Transfers.
- Conduct research, develop financial modeling, and prepare reports related to risk management functions, other post-employment benefits, and human resource implementation strategies related to the proposed Malibu Unified School District.
- Document and/or refine procedures and results.
- Under the supervision of City Attorney, coordinate with School District Separation Ad Hoc Committee, City staff, consultants and others as assigned.
- Perform other project related tasks or projects as requested, assigned, or approved by City Attorney.

Fee and Cost Schedule

The Consultant shall be paid an hourly rate of \$150 for financial analysis and professional services. The Consultant shall be compensated for travel time and expenses. Expenses are defined as actual, out of pocket expenses such as lodging, meals, telephone charges, express or overnight mail charges. All travel time and expenses must be pre-approved by the City.

The cost of work done under previous scopes of service (*i.e.*, Exhibit A and Exhibit C) and the work approved under this Scope of Service (Exhibit E) shall not exceed \$60,000.