



**CITY *of* CALABASAS**  
**CITY COUNCIL AGENDA REPORT**

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**DATE:** AUGUST 18, 2020

**TO:** HONORABLE MAYOR AND COUNCILMEMBERS

**FROM:** JEFF RUBIN, DIRECTOR OF COMMUNITY SERVICES

**SUBJECT:** DISCUSSION AND POSSIBLE ACTION ON OPTIONS TO ADDRESS CHALLENGES EXPERIENCED BY CALABASAS KLUBHOUSE AND LITTLE LEARNERS DUE TO COVID-19 INCLUDING, TERMINATION OF EMPLOYEES, PARTIAL REDUCTION OF OUTSTANDING DEBT, A REPAYMENT PLAN, AND EXTENDING THEIR CONTRACT

**MEETING DATE:** AUGUST 26, 2020

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**SUMMARY RECOMMENDATION:**

It is recommended that City Council approve the recommendations listed in this report.

**BACKGROUND:**

At the April 26, 2018 City Council meeting, the Council approved an amendment to the existing professional services agreement that allowed for expanded services to include both full-time and hourly staffing for the City's state licensed preschool program. When requested by the City on an as-needed basis, Little Learners provided both full-time and hourly teachers for the Calabasas Klubhouse Preschool in order to bring additional continuity to the program. With a reduction in full-time teaching staff (12 to 7) due to attrition and the City's hiring freeze along with the limitation of 1,000 hours per fiscal year for hourly staff, the City was challenged to hire and retain the qualified, caring and dedicated staff both the parents and administration have become familiar with. This addition to the scope of services

with Little Learners went a long way in providing and retaining both well qualified and committed teaching professionals.

Upon receiving a letter of resignation from former Preschool Director, April Friedman, after 19 years with the City and Klubhouse program, staff began to explore options to ensure a successful and smooth transition. Ms. Friedman was instrumental in the City's initial licensing process and was a key player over the years in the success of the program. Following her resignation, staff identified an option to operate the Klubhouse through an agreement with Little Learners. At the June 23, 2018 City Council meeting, Council approved Amendment Number 2 to the Little Learners Professional Services Agreement which included the operation of the Calabasas Klubhouse Preschool Program.

Since the transition to Little Learners in August of 2018, the academic program has seen many additions that have enhanced the development and learning of the program's preschoolers, and enrollment has been at the daily operating capacity (115) with a waiting list.

With the closures due to the COVID-19 pandemic, both Little Learners and its programs have faced extreme difficulties that include closures, steep enrollment declines, staffing challenges and financial impacts due to substantially less income. Even with the slow re-opening of programs that are now allowed by the State and County, families are hesitant to return. An example of this is evident when on March 12, 2020 the enrollment at the Calabasas Klubhouse Pre-School was at 145 students based upon schedule. The following day, a mandatory closure of the school was implemented by the then City Manager from March 16<sup>th</sup> through May 31<sup>st</sup>. For the months of June and July enrollment dropped to 26 and 41 respectively, a loss of over 100 students. Little Learners is hopeful that enrollment will increase to 71 students by September 1<sup>st</sup>. It is important to note that with the new licensing and social distancing requirements, the Klubhouse capacity has been reduced from 115 to 96. With the steep enrollment decline due to COVID-19, Little Learners is struggling to keep the Calabasas Klubhouse operational given reductions in enrollment revenue.

Prior to the pandemic (through February 2020) and since August 2018, Little Learners made all payments to the City per its agreement with the City. These payments include a monthly rental payment (\$7,500 in FY 18/19; \$7,800 in FY 19/20; \$8,100 in FY 20/21; and \$8,400 in FY 21/22) for the facility and the reimbursement for the Klubhouse staff that are on City payroll. There are currently five employees (one Supervisor and four Teachers) that remain on City payroll. Over the past two years three teachers retired and the monthly reimbursement from Little Learners dropped from \$44,356.22 in August 2018 to its current level of \$33,658.88.

Little Learners did not charge tuition during April and May while continuing to pay its full-time staff through a federal Paycheck Protection Program (PPP) loan it received in May. This loan enabled Little Learners to reopen when allowed on June 1<sup>st</sup>; however, it opened to extremely diminished enrollment and mounting debt. Even without making past and current payments owed to the City, Little Learners is operating in a deficit. In order to help reduce costs, Little Learners eliminated one full-time teaching position and eight hourly positions from its payroll. In addition the owners are not backfilling a position while an employee is out on unpaid leave. They have also eliminated the nightly maintenance due to the increased cleanings that are completed throughout the day.

At the August 12, 2020 City Council meeting, Community Services Department staff presented an item addressing the current status of the operations of Calabasas Klubhouse and the fiscal challenges currently being experienced by Little Learners with the current enrollment and financial situation it faces as a result of the Covid-19 Pandemic. During this discussion there was concurrence on the importance of the program, and Council requested that staff return at the next meeting with a recommendation on how to keep the program operational.

#### **DISCUSSION:**

Following the August 12 City Council meeting, staff carefully reviewed all aspects of the program, undertook extensive discussions with representatives from Little Learners, and presented and sought input from the Parks, Recreation and Education Commission at its August 17 meeting. As a result of this review, it is staff's assessment that there are three priorities that Little Learners must address if the program is to remain viable: a reduction in overall staffing costs, an increase in enrollment, and the development of an acceptable repayment plan for all outstanding fees owed to the City by Little Learners. Discussions with Little Learners resulted in a proposal from the owners outlining the steps necessary to continue the program (see Exhibit A).

Based on the foregoing, the following are recommendations for the Council's consideration:

1. Through a reduction in force, eliminate the five remaining full-time positions on the City payroll (one supervisor and four teachers) effective September 30, 2020. This action removes the fully encumbered payroll cost of \$33,658.88 per month incurred by Little Learners. In discussions with Little Learners, the owners will commit to offering full-time positions to all four teachers who would see their positions eliminated as part of this recommendation. The current Supervisor will not be offered a position.

2. Reduce by approximately half the March 2020 payment owed to the City when the facility was under a forced closure and no enrollment revenue was collected.
3. Waive both the April and May 2020 payments owed to the City by Little Learners as the facility was under a forced closure and no enrollment revenue was collected.
4. Require Little Learners to pay past (approximately 50% of March, 100% of June and July) and future payments (100% of August and September) as part of a repayment plan over a twenty-four (24) month period to begin in October 2020 (see Exhibit B).
5. Beginning October 2020, require Little Learners to commence monthly rental payments to the City according to the current agreement of \$8,100.00 for the remainder of FY 2020-21 and \$8,400 for FY 2021-21.
6. Beginning October 2020, require Little Learners to commence the first of twenty-four (24) consecutive interest free monthly reimbursement payments in the amount of approximately \$7,800 to the City.
7. Add two (2) additional years to the Little Learners Professional Services Agreement that is set to expire in 2022. (Note: This allows for both current and future stability of the program as participants start to return.)
8. Keep the Council fully informed of the status of the program on a regular basis through weekly activities reports.
9. Return to the Council with a staff report every six months, or sooner if needed, to formally review and address the status of the program, potential program modifications, etc.

Based on Council direction, staff will prepare Amendment Number 3 to the Little Learners Professional Services Agreement incorporating the recommendations noted above for review and approval at the September 9 regular Council meeting.

**FISCAL IMPACT/SOURCE OF FUNDING:**

As noted above, Little Learners will begin making both monthly rental payments and monthly reimbursement payments to the City starting in October 2020.

**REQUESTED ACTION:**

It is requested that City Council approve the recommendations listed in this report.

**ATTACHMENTS:**

- Exhibit A: August 17, 2020 Letter from Little Learners
- Exhibit B: Payment Chart (March-September)