



Board Agenda Item #	Agenda # IV D- Information Item
Date:	April 23,2020
To:	Magnolia Board of Directors
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead:	Nanie Montijo, Chief Financial Officer
RE:	SchoolAbility, LLC as Sole Service Provider

**Information Item**

Contract with SchoolAbility, LLC as sole service provider of Escape financial system software.

**Background**

SchoolAbility is the exclusive distributor of Escape Online software (SchoolAbility) for charter schools in California. A snippet of the "exclusive contract" stating that no other vendor, including Frontline/Escape, has the right to sell or support the software is shared below:

**Schedule A**  
**Territories/Scope of Exclusivity/SBU Subscription Fee Schedule**

1. **Territories.**
  - a. **Charter Schools:** California, Arizona, Nevada, and New Mexico
  - b. **K-14 Schools:** Arizona, Nevada, and New Mexico
2. **Scope of Exclusivity:**
  - a. **All Schools.** Aerarium will have the exclusive right to market and sell Subscriptions for the Aerarium-Branded Solution to all Charter Schools and K-14 Schools (and Umbrella Entities purchasing on their behalf) that are located in Arizona, Nevada and New Mexico.
  - b. **Charter Schools.** Aerarium will have the exclusive right to market and sell Subscriptions for the Aerarium-Branded Solution to all Charter Schools (and Umbrella Entities purchasing on their behalf), but not K-14 Schools, that are located in California.
  - c. **General.** The parties hereby agree that neither SBU nor any third party will have the right during the Term to market or sell the Aerarium-Branded Solution (except as provided under this Agreement) or the SBU Solution (under the SBU brand or any other brand) to: (i) any Charter Schools or K-14 Schools located in Arizona, Nevada or New Mexico (or to Umbrella Entities purchasing on their behalf); or (ii) any Charter Schools located in California (or to Umbrella Entities purchasing on their behalf), unless otherwise agreed by the parties in writing.

Consequently, an RFP for financial management software would yield only one response for the current software (Escape), from SchoolAbility.

MPS has the right to take over the software contract and transfer the license from DMS per Section 1 of the MPS contract with DMS, MPS's current back-office service provider. In the event, MPS elects to use another back-office services provider, SchoolAbility is prepared to enter into a contract directly with MPS with the cost thereof based on the number of W-2s issued in 2019 at \$100 per W2.

Schedule of Fees are as follows:

Fixed:

- Software Solution Access Fee: \$100 per W2 issued, minimum of \$24,000
- Employee Service Portal Fee: \$10 per W2, minimum of \$2,400
- Hosting Fee: \$6,000 per year
- Estimated total fixed cost: \$50,000

Variable:

- Training and Consulting Fee: \$200 per hour
- Travel and other Out of Pocket Cost

**Budget Implications:**

Annual cost will be included in the annual budget adoption starting with the 2020-2021 budgets to be presented to MPS Board in June 2020.

**How Does This Action Relate/Affect/Benefit All MSAs?**

Fully integrated financial systems software across all MPS sites.

**Name of Staff Originator:**

Nanie Montijo, Chief Financial Officer

**Attachment:**

**CEO's letter of approval**



March 25, 2020

Alfredo Rubalcava  
Chief Executive Officer & Superintendent  
Magnolia Public Schools  
250 East 1<sup>st</sup> Street, Suite 1500  
Los Angeles, CA 90012

Re: Sole Service Provider Request

Dear MPS Board of Directors:

Per MPS fiscal policy, noncompetitive negotiations may be used for procurements in excess of \$25,000 when bidding or competitive negotiations are not feasible. MPS may purchase goods and services through non-competitive negotiations when it is determined in writing by the Chief Executive Officer that competitive negotiation or bidding is not feasible and that:

- An emergency exists which will cause public harm as a result of the delay caused by following competitive purchasing procedures, or
- The product or service can be obtained only from one source, or
- The contract is for the purchase of perishable items purchased on a weekly or more frequent basis, or
- Only one satisfactory proposal is received through RFP, or
- The charter authorizer has authorized the particular type of noncompetitive negotiation.

The purpose of this letter is to request that MPS be authorized to purchase goods and services from SchoolAbility through non-competitive negotiations because “the product or service can be obtained only from one source.” SchoolAbility is the exclusive distributor of Escape Online software (SchoolAbility) for charter schools in California. A snippet of the "exclusive contract" stating that no other vendor, including Frontline/Escape, has the right to sell or support the software is shared below:



Schedule A  
Territories/Scope of Exclusivity/SBU Subscription Fee Schedule

1. Territories.

- a. **Charter Schools:** California, Arizona, Nevada, and New Mexico
- b. **K-14 Schools:** Arizona, Nevada, and New Mexico

2. Scope of Exclusivity:

- a. All Schools. Aerarium will have the exclusive right to market and sell Subscriptions for the Aerarium-Branded Solution to all Charter Schools and K-14 Schools (and Umbrella Entities purchasing on their behalf) that are located in Arizona, Nevada and New Mexico.
- b. Charter Schools. Aerarium will have the exclusive right to market and sell Subscriptions for the Aerarium-Branded Solution to all Charter Schools (and Umbrella Entities purchasing on their behalf), but not K-14 Schools, that are located in California.
- c. General. The parties hereby agree that neither SBU nor any third party will have the right during the Term to market or sell the Aerarium-Branded Solution (except as provided under this Agreement) or the SBU Solution (under the SBU brand or any other brand) to: (i) any Charter Schools or K-14 Schools located in Arizona, Nevada or New Mexico (or to Umbrella Entities purchasing on their behalf); or (ii) any Charter Schools located in California (or to Umbrella Entities purchasing on their behalf), unless otherwise agreed by the parties in writing.

Consequently, an RFP for financial management software would yield only one response for the current software (Escape), from SchoolAbility.

MPS has the right to take over the software contract and transfer the license from DMS (see excerpt of Section 1 from MPS contract with DMS below), MPS's current back-office services provider. In the event, MPS elects to use another back-office services provider, SchoolAbility is prepared to enter into a contract directly with MPS with the cost thereof based on the number of W-2s issued in 2019 at \$100 per W-2.



1. SUBSCRIPTION.

A. **License.** In consideration of Customer's performance under this Customer Agreement, including without limitation Customer's timely payment of Fees as described in SECTION 3 ("FEES AND PAYMENT") below, Consultant hereby grants to Customer, solely during term of this Customer Agreement, a non-exclusive, non-transferable, annually renewable, license (without the right to grant sublicenses) to access and use, on a subscription basis and as hosted by or on behalf of Consultant, the executable object code version of the multi-tenant school business solution (the "Software Solution") described as such in EXHIBIT A ("SOFTWARE SOLUTION"). The parties understand and agree that Consultant provides the foregoing Software Solution license under sublicense from Escape Technology Inc. ("ET"), a California Corporation. Customer hereby agrees that Consultant (and not ET) shall be responsible for the provision of support and services hereunder, and that Customer's access and use of the Software Solution shall be solely for Customer's own internal business purposes on behalf of Magnolia Educational and Research Foundation (dba Magnolia Public Schools) ("Charter School"). Consultant agrees if the Customer terminates the Customer Agreement that the Charter School can license the Software Solution, including data entered into the Solution by Customer, at ET's then standard pricing or less as determined between the Consultant and Charter School at that time.

In addition, taking into consideration the uncertainty of COVID-19 Pandemic's impact on MPS's operations, this would be a very inopportune time to make any changes with regards to our financial management software. It would be logistically challenging to undertake implementation and training of new financial management software across all of MPS.

A board resolution was approved by the MPS Board on March 20, 2020 authorizing the CEO to waive standard processes during this time. The resolution states as follows:

*19. The Chief Executive Officer & Superintendent, after consulting the MERF Board Chair, shall have the authority to exceed the level of expenditures that would ordinarily trigger the requirement to also obtain approval of the MERF Board Chair or MERF Board under Board fiscal policies in order to pay for expenses related to the items contained in this Resolution. However, the cumulative total of such expenses shall not reduce the impacted Magnolia Schools' unrestricted reserves lower than three (3) percent without prior approval of the MERF Board.*

For the aforementioned reasons, I request that Schoolability/Escape financial software be approved as a sole service provider for Magnolia Public Schools.

Sincerely,


Alfredo Rubalcava  
Chief Executive Officer





ACKNOWLEDGED & AGREED:

*Based on the above information, Schoolability/Escape financial software is hereby approved as a sole service provider for Magnolia Public Schools.*

  
\_\_\_\_\_  
Alfredo Rubalcava  
CEO & Superintendent

ACKNOWLEDGED & ACCEPTED:

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Haim Beliak  
Chair, MPS Board of Directors