Property Tax Revenue Sharing Agreement Executive Summary

The main purpose of the PTRSA is to memorialize the allocation of the existing SMMUSD revenues between the successor educational entities in order to ensure that each entity is allocated a sufficient share of funding to provide a similar level of educational service at each school site as prior to separation.

SMMUSD was able to achieve three main goals for the future SMUSD through the PTRSA:

1. Achieve per student funding at the same level as with the current district
2. Provide growth in operational funding during the term of the agreement
3. Protect against extreme variances in funding during the term of the agreement

Malibu was able to achieve three main goals for the future MUSD through the PTRSA:

1. Achieve local control of future school district operations
2. Ensure sufficient funding to deliver a consistent level of educational programs
3. Identify a set timeframe for revenue sharing

Upon separation, the property tax rate areas will be divided between Malibu and Santa Monica such that in the Malibu territory, property tax revenue will contribute to MUSD and the property tax rate areas remaining in Santa Monica will contribute to SMUSD.

By virtue of this division, without the PTRSA, SMUSD would have insufficient revenue to operate at the time of separation. To address this, the PTRSA was created which establishes a formula to transfer a portion of property tax revenues from MUSD to SMUSD in an amount sufficient to guarantee SMUSD 4% annual growth in revenue (which is consistent with historical growth enjoyed by the combined SMMUSD). These transfers will be overseen and implemented by the JPA.

In the first year of the formation of MUSD, the PTRSA establishes a “base year” property tax revenue transfer amount that includes the cost differential inherent in educating students in the Malibu territory. Once established, on an annual basis thereafter, the PTRSA calculates an amount of property tax revenue to be transferred from MUSD to SMUSD to guarantee SMUSD an annual growth rate of 4%.

The PTRSA also provides that in instances where extreme changes to financial or other outside conditions render the transfer of property tax revenues materially adverse to MUSD, such that MUSD’s contribution amount exceeds 38% of MUSD total unrestricted general fund revenues or increases by more than $675,000 as compared to the prior year, the JPA is tasked with intervening to devise a solution to adjust the formula in a way that minimizes adverse outcomes for SMUSD and MUSD.

The PTRSA continues in effect until 2041-42 (but may terminate earlier if natural growth in SMUSD obviates the need for tax revenue transfers from MUSD).