



Los Angeles County Office of Education

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Debra Duardo
Superintendent

August 24, 2023

Los Angeles County
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Ms. Maria Leon-Vazquez, Board President
Santa Monica-Malibu Unified School District
1717 4th Street
Santa Monica, CA 90401

Dear Ms. Leon-Vazquez:

The Los Angeles County Superintendent of Schools (County Superintendent) has received and completed our review of the Santa Monica-Malibu Unified School District's (District) Local Control and Accountability Plan (LCAP) and Adopted Budget for fiscal year 2023-24. Please be advised that during the formal LCAP review process, district staff made technical corrections to the district adopted plan. Please post the updated 2023-2024 LCAP with these corrections on the district website.

LCAP APPROVAL

Pursuant to the provisions of Education Code (EC) §52070(d), the criteria for LCAP approval are as follows:

1. Adherence to the State Board of Education (SBE) Template
2. Sufficient Expenditures in Budget to Implement LCAP
3. Adherence to SBE Expenditure Regulations
4. Calculation and Implementation of Carryover

Based upon our review, we have determined the **District's LCAP meets all of the criteria, and is approved.**

We remind districts that Supplemental and Concentration (S&C) grant funding is included in the Local Control Funding Formula to increase and/or improve services to low-income, English learner and foster youth student populations. To properly serve these targeted student groups who generated the funding, it is expected that S&C grant funds, including any calculated carryover, be fully expended in each fiscal year.

BUDGET APPROVAL

Pursuant to EC Section 42127, the County Superintendent has completed our review and analysis of your District's Adopted Budget for fiscal year 2023-24. **That review has resulted in approving the District's budget** with the following comments and concerns.

DEFICIT SPENDING

The District is projecting an operating deficit of approximately \$5.73 million, representing 4.12 percent of the Unrestricted General Fund budgeted expenditures and other outgo for fiscal year 2023-24. The District is also projecting operating deficits of \$1.11 million and \$4.51 million for 2024-25 and 2025-26, representing 0.80 percent and 3.20 percent, respectively. The District's Unrestricted General Fund balance is projected to decrease as illustrated in the table below.

Unrestricted General Fund Projection (\$ millions)			
	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
Beginning Unrestricted General Fund Balance	\$27.65	\$21.92	\$20.81
Projected Deficit	(\$5.73)	(\$1.11)	(\$4.51)
Ending Unrestricted General Fund Balance	\$21.92	\$20.81	\$16.30

We are concerned about the projected trend of deficit spending and its impact on the District's ability to maintain the minimum required Reserve for Economic Uncertainties (REU) in future years. We recommend the District monitor deficit spending in order to keep it manageable and to minimize further erosion of the fund balance.

LABOR CONTRACT NEGOTIATIONS

According to our review, certificated and classified labor contract negotiations for 2022-23 and 2023-24 remain unsettled and potential changes have not been calculated and incorporated into projected salary and benefit expenditures. As a reminder, before the District's Board of Education takes any action on a proposed collective bargaining agreement, the District must meet the public disclosure requirements of Government Code Section 3547.5 and the California Code of Regulations Title V, Section 15449. The document used for this analysis is included in Informational Bulletin No. 6733, dated July 25, 2023, and is titled "2023-24 Forms for Assembly

Ms. Maria Leon-Vazquez, Board President
Santa Monica-Malibu Unified School District
August 24, 2023
Page 3

Bill (AB) 1200: Public Disclosure of Proposed Collective Bargaining Agreements.” This document can be found at the following website:

<https://www.lacoe.edu/BusinessServices/DocumentsForms.aspx>

ENROLLMENT/ATTENDANCE AND STATE FUNDING

The District’s 2023-24 Adopted Budget reflects declining enrollment of 8,394 for 2023-24, 8,071 for 2024-25 and 7,761 for 2025-26, with projected average daily attendance (ADA) of 7,974, 7,668 and 7,373, respectively. The estimated impact on the District’s projected ADA reflects a two-year loss totaling 601 ADA, representing a 7.54 percent decrease from the District’s 2023-24 ADA as indicated in the chart below.

Declining Enrollment / ADA

	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>Difference</u>
Enrollment	8,394	8,071	7,761	(633)
ADA	7,974	7,668	7,373	(601)

While Basic Aid districts are primarily funded through local property taxes, the decline in enrollment and ADA may represent a loss of some revenue for the district in future years. Therefore, we recommend that the District continue to assess and adjust its staffing needs and facilities planning for the upcoming years based on the projected declines in enrollment and ADA.

CASH FLOW

The District’s cash flow projection reflects sufficient cash balances for 2023-24 to cover budgeted financial obligations through the use of inter-fund borrowing. The District has a Board-approved inter-fund borrowing resolution in place with cash available in other funds in order to address any potential shortfalls in the current fiscal year. We request that the District notify our office immediately if a cash shortfall is projected that cannot be covered through local means of its authorized inter-fund borrowing.

SUBMISSION OF STUDIES, REPORTS, EVALUATIONS, AND/OR AUDITS

EC Sections 42127 and 42127.6 require districts to submit to the County Superintendent any studies, reports, evaluations, or audits completed of the district that contain evidence that the district is showing fiscal distress. They also require the County Superintendent to incorporate that

Ms. Maria Leon-Vazquez, Board President
Santa Monica-Malibu Unified School District
August 24, 2023
Page 4

information into our analysis of budgets, interim reports, and the district's overall financial condition.

We request that the District submit any such documents to this office that are commissioned by the District (e.g., reports completed by the Fiscal Crisis and Management Assistance Team), or by the State Superintendent of Public Instruction, and/or a State control agency, and an internal audit division any time they are received by the District.

CONCLUSION

We wish to express our appreciation to the District's staff for their cooperation during our review of the District's LCAP and Adopted Budget for fiscal year 2023-24. If you have questions regarding your District's LCAP approval, please call Adrienne Balcazar at (562) 922-6354. If you have questions regarding your District's budget approval, please call Sean Lewis at (562) 922-6779.

Sincerely,



Debra Duardo, M.S.W., Ed.D.
Superintendent

DD/SL:lm

c: Dr. Antonio Shelton, Superintendent
Melody Canady, Assistant Superintendent of Business and Fiscal Services
Gerardo Cruz, Director of Fiscal Services & Business Services
Dr. Jacqueline Mora, Assistant Superintendent of Educational Services
Dr. Stacy Williamson, Director of Assessment, Research & Evaluation
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