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January 15, 2025

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Ms. Jennifer Smith, Board President
Santa Monica-Malibu Unified School District
1717 4th Street
Santa Monica, CA 90401

Dear Ms. Smith:

Pursuant to Education Code (EC) Section 42131, the Los Angeles County Superintendent of Schools (County Superintendent) has completed our review of the Santa Monica-Malibu Unified School District's (District) 2024-25 First Interim Report. Our analysis of the data provided indicates that the District should be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years. **We therefore concur with the District's positive certification** and offer our comments below.

ENROLLMENT/ATTENDANCE AND STATE FUNDING

The District's 2024-25 First Interim Report reflects, declining enrollment. The District used a computed average of the prior three years' ADA to calculate its LCFF entitlement, which reduces the impact of declining enrollment on projected revenues.

Declining Enrollment and Funded ADA

	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2-Year</u> <u>Decline</u>	<u>Percent</u> <u>Decline</u>
Enrollment	8,555	8,020	7,712	(843)	(9.85%)
Funded ADA	7,882	7,579	7,288	(594)	(7.54%)

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. We recommend the District carefully monitor enrollment and attendance trends and adjust financial projections for the current and subsequent fiscal years accordingly to reflect the resulting impact. Staffing needs and facilities planning should also be assessed and adjusted based on the projected rate of decline in enrollment

DEFICIT SPENDING

The District is projecting operating deficits on the District's Unrestricted General Fund budgeted expenditures and other outgo for fiscal years 2024-25, 2025-26 and 2026-27. While the District projects it will maintain the required level of reserves, the levels of deficit spending should be recognized and monitored so that it remains manageable. The effect of the deficits on the Unrestricted General Fund balance is illustrated in the following table.

	Unrestricted General Fund Projections (\$ millions)		
	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>
Beginning Fund Balance	\$56.61	\$39.73	\$32.89
Projected Deficit Spending	(\$16.88)	(\$6.84)	(\$0.84)
Ending Fund Balance	<u>\$39.73</u>	<u>\$32.89</u>	<u>\$32.05</u>
Reserve Amount	\$7.01	\$6.70	\$6.66
Reserve Percent	3.00%	3.00%	3.00%

CONCLUSION

Thank you for providing documentation that supports the District's positive certification. The multiyear projections, with narrative and assumptions, were helpful in our analysis and verifying the District's financial condition. The information provided reflects the District's financial position and assumptions as of October 31, 2024, and further adjustments will be made during the year as additional data becomes available.

We hope these comments are helpful to the District's administration and Board as you plan for the remainder of 2024-25, and develop your projections for, 2025-26 and 2026-27. We express our appreciation to the District staff for their cooperation during our review. If our office may be of further assistance, please call me at (562) 922-6743.

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Sincerely,

Andrew Surendranath

[Andrew Surendranath \(Jan 15, 2025 14:47 PST\)](#)

Andrew Surendranath
Business Services Consultant
Business Advisory Services

AS:lm

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