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

January 3, 2022

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Mr. Jon Kean, Board President
Santa Monica-Malibu Unified School District
1651 16th Street
Santa Monica, CA 90404

Dear Mr. Kean:

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) 2021-22 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 and concerns below.

FISCAL STABILIZATION PLAN

In our review of the District's 2021-22 First Interim Report, we noted that the District submitted an updated Fiscal Stabilization Plan (FSP), and continues to be guided by Resolution #19-13 that the Governing Board adopted on December 12, 2019, which addresses the District's structural deficit spending, and commits the District to implementing budget reductions for 2020-21, 2021-22 and 2022-23. The updated FSP is projected to generate cumulative savings of \$51.25 million over the three-year period. We appreciate the District's continued efforts to address its structural deficit spending and **request that the District provide another updated FSP, with the Second Interim Report, due to the County office no later than March 17, 2022.**

LABOR CONTRACT NEGOTIATIONS

According to our review of the District's First Interim Report, certificated and classified labor contract negotiations for 2021-22 remain unsettled and potential changes have not been calculated and incorporated into projected salary and benefit expenditures. We are concerned that any salary and benefit increase could adversely affect the financial condition of the District. 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

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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. 5405, dated July 16, 2021, and is titled "2021-22 Forms for Assembly Bill (AB) 1200: Public Disclosure of Proposed Collective Bargaining Agreements." This document can be found at the following website:

<https://www.lacoe.edu/Portals/0/zBulletins/5405.pdf>

CASH FLOW

The District is projecting a positive General Fund cash balance through June 2022 by utilizing inter-fund borrowing of \$10.0 million from the District's Special Reserve Fund for Capital Outlay Projects (Fund 40) in October 2021 with repayment projected in January 2022. Information included with the 2021-22 First Interim Report indicates the District has an inter-fund borrowing resolution in place and cash available in other funds in order to address any potential shortfalls during the year. We request that the District closely monitor cash and notify our office immediately if a cash shortfall is projected that cannot be covered through local means.

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, 2021, 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 2021-22, and develop your projections for 2022-23 and 2023-24. 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) 940-1705.

Sincerely,


Hoyt Yee (Jan 3, 2022 14:53 PST)

Hoyt Yee
Business Services Consultant
Business Advisory Services

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- c: Ben Drati, Ed.D., Superintendent
- Melody Canady, Assistant Superintendent, Business and Fiscal Services
- Gerardo Cruz, Director of Fiscal Services
- Patricia Smith, Los Angeles County Office of Education (LACOE)
- Octavio Castelo, LACOE
- Jeff Young, LACOE
- Jennifer Kirk, LACOE
- Nkeiruka Benson, LACOE