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April 23, 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 Second Interim Report (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, 2025-26 and 2026-27. **We therefore concur with the District's positive certification** and offer our comments and concerns below.

DEFICIT SPENDING

The District is projecting an operating deficit 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 continue to maintain the required level of reserves, deficit spending should be monitored so it remains manageable and to prevent further erosion of the fund balance. As a result of the deficit spending, the District's Unrestricted General Fund balance is projected to decrease as 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	\$58.79	\$46.50	\$38.40
Projected Deficit Spending	(\$12.29)	(\$8.10)	(\$3.28)
Ending Fund Balance	\$46.50	\$38.40	\$35.12
Reserve Amount	\$7.19	\$6.76	\$6.74
Reserve Percent	3.00%	3.00%	3.00%

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ENROLLMENT/ATTENDANCE AND STATE FUNDING

The District's 2024-25 Second Interim Report reflects declining enrollment. The District's Funded ADA is greater than its projected enrollment, except 2026-27, due to the District using an average of the prior three years' ADA to calculate its LCFF entitlement.

Declining Enrollment and Funded ADA

	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2-Year Decline</u>	<u>Percent Decline</u>
Enrollment	8,555	8,020	7,712	(843)	(9.35%)
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.

CONCLUSION

Thank you for providing documentation that supports the District's positive certification. The multi-year 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 January 31, 2025, 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 multi-year projections. 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 \(Apr 23, 2025 14:23 PDT\)](#)

Andrew Surendranath
Business Services Consultant
Business Advisory Services

AS:lm

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