



Los Angeles County Office of Education

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Debra Duardo
Superintendent

August 26, 2024

Los Angeles County
Board of Education

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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:

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 2024-25. Please be advised that during the formal LCAP review process, district staff made technical corrections to the district adopted plan. Please post the updated 2024-2025 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 that the **District's LCAP meets all the criteria and is approved.**

We remind districts that Supplemental and Concentration (S&C) grant funding is included in the Local Control Funding Formula (LCFF) 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 2024-25. **That review has resulted in approving the District's budget** with the following comments.

UNRESTRICTED GENERAL FUND DEFICIT SPENDING

The District is projecting operating deficits in 2024-25, 2025-26, and 2026-27 of the Unrestricted General Fund expenditures and other outgo. Below is the impact of the operating deficits over three years.

Unrestricted General Fund Projection (\$ millions)

	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>
Beginning Fund Balance	\$36.18	\$22.47	\$14.63
Projected Deficit Spending	(\$13.71)	(\$7.84)	(\$0.81)
Ending Fund Balance	\$22.47	\$14.63	\$13.82
Reserve Amount	\$6.83	\$6.96	\$6.86
Reserve Percentage	3.03%	3.16%	3.17%

The Unrestricted General Fund balance is projected to decline by approximately \$22.36 million, or 61.80 percent over three years. We are concerned about the projected deficit spending trends and impact on the District's ability to maintain the minimum required reserve levels in future years. The District should monitor deficit spending causes and identify actions to prevent additional fund balance erosion.

ENROLLMENT/ATTENDANCE AND STATE FUNDING

The District reflected declining enrollment and average daily attendance (ADA) for 2024-25, 2025-26 and 2026-27. The estimated impact of the declining enrollment on the District's projected ADA reflects a two-year loss of 594 or 7.54 percent decline. Below is the impact of declining enrollment and ADA.

Declining Enrollment and Funded ADA

	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2-Year</u> <u>Difference</u>	<u>Percent</u> <u>Difference</u>
Enrollment	8,341	8,020	7,712	(629)	(7.54%)
ADA	7,882	7,579	7,288	(594)	(7.54%)

While Basic Aide 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.

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 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 2024-25. If you have questions regarding your District's LCAP approval, please call Agustin Garcia at (562) 922-6354. If you have questions regarding your District's budget approval, please call Sean Lewis at (562) 922-6779.

Ms. Jennifer Smith, Board President
Santa Monica-Malibu Unified School District
August 26, 2024
Page 4

Sincerely,

A handwritten signature in black ink, appearing to read "Debra Duardo". The signature is fluid and cursive, with the first name "Debra" and last name "Duardo" clearly distinguishable.

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

DD/SL:lm

c: Antonio Shelton, Ed.D., Superintendent
Melody Canady, Assistant Superintendent of Business and Fiscal Services
Gerardo Cruz, Director of Fiscal Services & Business Services
Stacy Williamson, Ed.D., Assistant Superintendent of Educational Services
Ruth Pérez, Ed.D., Los Angeles County Office of Education (LACOE)
Karen Kimmel, LACOE
Ruben Valles, LACOE
Octavio Castelo, LACOE
Sean Lewis, LACOE
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