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# Los Angeles County Office of Education

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

April 16, 2021

**Los Angeles County  
Board of Education**

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Mr. Jon Kean, Board President  
Santa Monica-Malibu Unified School District  
1651 16<sup>th</sup> 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) 2020-21 Second 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 2020-21 Second Interim Report, we note 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 commits the District to implementing necessary budget reductions and/or revenue enhancements for 2020-21, 2021-22 and 2022-23 in order to address the structural deficit spending. We appreciate the efforts of the District staff and the commitment of the District's Board to address its structural deficit spending and **request that the District provide an updated FSP with the 2021-22 Adopted Budget, due to the County Office no later than July 1, 2021.**

## **DEFICIT SPENDING**

The District is projecting operating deficits of approximately \$5.47 million and \$1.14 million, representing 4.47 percent and less than one percent, respectively, of the District's Unrestricted General Fund projected expenditures and other outgo for fiscal year 2020-21 and 2021-22. While the District projects it will maintain the required level of Reserve for Economic Uncertainties (REU), this level of deficit spending should be recognized and monitored.

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## **LABOR CONTRACT NEGOTIATIONS**

According to our review of the District's Second Interim Report, certificated and classified labor contract negotiations for 2020-21 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 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. 5247, dated July 23, 2020, and is titled "2020-21 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/5247.pdf>

## **CASH FLOW**

The District's 2020-21 Second Interim cash flow projections reflect the scheduled payment deferrals of principal apportionments for the months of February to June 2021 into the following fiscal year while indicating sufficient ending cash balances to cover ongoing financial obligations and cash reserve requirements for the remaining periods in 2020-21 through the use of inter-fund borrowing. **We request the District continue to monitor its cash flow projections on a monthly basis and submit updated projections with the 2021-22 Adopted Budget, due to our office by July 1, 2021.**

## **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 January 31, 2021, and further adjustments will be made during the year as additional data becomes available.

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.

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Sincerely,

*Hoyt Yee*

[Hoyt Yee \(Apr 16, 2021 13:02 PDT\)](#)

Hoyt Yee  
Business Services Consultant  
Business Advisory Services

HY:vb

cc: Ben Drati, Ed.D., Superintendent  
Melody Canady, Assistant Superintendent, Business and Fiscal Services  
Gerardo Cruz, Director of Fiscal Services  
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