



Los Angeles County Office of Education

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

September 10, 2021

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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:

The Los Angeles County Superintendent of Schools (County Superintendent) has received and completed our review of Santa Monica-Malibu Unified School District's (District) Local Control and Accountability Plan (LCAP) and Adopted Budget for fiscal year 2021-22.

LCAP APPROVAL

Pursuant to Education Code (EC) Section 52070(d), the three criteria for LCAP approval include:

1. Adherence to the State Board of Education (SBE) Template
2. Sufficient Expenditures in Budget to Implement LCAP
3. Adherence to SBE Expenditure Regulations

Through the review and oversight process, it has been determined that your District's LCAP meets all three criteria and **has been approved**.

We remind districts that Supplemental and Concentration (S&C) grant funding is included in the Local Control Funding Formula 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 dollars 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 2021-22. **That review has resulted in approving the District's budget** with the following comments and concerns.

FISCAL STABILIZATION PLAN

In our review of the District's 2021-22 Adopted Budget, 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 addresses the District's structural deficit spending, and commits the District to implementing budget reductions for 2020-21, 2021-22 and 2022-23. The budget reductions are projected to reduce expenditures by \$23.94 million over the three-year period. We appreciate the efforts of the District staff and the commitment of the District Board to address its structural deficit spending and **request that the District provide an updated FSP, including a status on the planned reductions, with the First Interim Report, due to the County Office no later than December 15, 2021.**

DEFICIT SPENDING

The District is projecting an operating deficit of \$1.72 million, representing 1.40 percent of the District's Unrestricted General Fund budgeted expenditures and other outgo for fiscal year 2021-22. While the District projects it will continue to maintain the required level of reserves, deficit spending should be recognized and monitored so that it remains manageable.

LABOR CONTRACT NEGOTIATIONS

According to the information provided in the District's adopted budget, 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. Because labor costs make up much of the District's budget, we are concerned that any salary and benefit increase, if paid from reserves or other one-time resources, could adversely affect the financial condition of the District.

This letter is a reminder that 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. 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/BusinessServices/DocumentsForms.aspx>

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CASH FLOW

The District is projecting a positive General Fund cash balance through June 2022 by utilizing inter-fund borrowing of \$8.0 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 Adopted Budget 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.

2021-22 BUDGET REVISIONS AFTER STATE BUDGET ADOPTION

Since the District's budget assumptions may have changed from the Board adopted budget as a result of the State Adopted Budget and trailer legislation, this is a reminder that EC 42127(i)(4) states:

“Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act”

Districts should take steps to make any necessary adjustments to their adopted budget. The adjustments should be submitted to the Los Angeles County Office of Education upon Governing Board approval. Please refer to Informational Bulletin No. 5406 titled “2021-22 Budget Revision Process for the County Office of Education and Wave 1, 2 and 3 Agencies” dated August 4, 2021, for additional information. This bulletin can be found at the following website:

<https://www.lacoe.edu/Bulletins.aspx>

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 2021-22. If you have questions regarding your District's LCAP approval, please call Adrienne Balcazar at (562) 922-6354. If you have questions regarding your District's budget approval, please call Hoyt Yee at (562) 940-1705.

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Sincerely,


Maria Martinez-Poulin (Sep 10, 2021 16:03 PDT)

Maria Martinez-Poulin, Ed.D.
Deputy Superintendent

MMP/HY:lm

- c: Ben Drati, Ed.D., Superintendent
Melody Canady, Assistant Superintendent, Business and Fiscal Services
Jacqueline Mora, Ed.D., Assistant Superintendent, Educational Services
Gerardo Cruz, Director of Fiscal Services
Patricia Smith, Los Angeles County Office of Education (LACOE)
Octavio Castelo, LACOE
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